Western Digital Corp

Beat And Raise, But The Market's Glasses Here Are Very Rosy

Equities	
United States	
Computers	
12-month rating	**Neutral ***
12m price target	US$375.00
	Prior : US$350.00
Price (30 Apr 2026)	US$395.95
RIC: WDC.O BBG: WDC US	

Trading data and key metrics

52-wk range	US$412.76-44.10
Market cap.	US$135b
Shares o/s	342m (COM)
Free float	97%
Avg. daily volume ('000)	8,823
Avg. daily value (m)	US$2,662.3
Common s/h equity (06/26E)	US$9.92b
P/BV (06/26E)	13.7x
Net debt to EBITDA (06/26E)	NM

EPS (UBS, diluted) (USD)

	06/26E			
	From	To	% ch	Cons.
Q1	1.78	1.78	0	1.78
Q2	2.13	2.13	0	2.13
Q3	2.45	2.72	11	2.39
Q4E	2.91	3.42	18	2.73
06/26E	9.29	10.09	9	9.03
06/27E	16.78	24.51	46	14.15
06/28E	24.88	38.82	56	19.77

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Summary Thoughts

WDC beat and raised once again - albeit the good news was somewhat pre-empted by STX earlier this week. Price increases continue to accelerate as supply remains tight and the higher priced backlog continues to flow through the P&L. WDC is more explicitly speaking to longer-term LTAs - now in some cases extending into C2029 - but in practical terms, it sounds very similar to STX where pricing is only locked in once a shipment moves within 12mos and this converts to an order. Because WDC knows exactly what it will ship for essentially the next 12 mos, it can (like STX) manage guidance to keep beat/raises intact, and we see a strong likelihood that GM reaches ~70-75% in ~8 quarters. WDC also has a very strong track record of innovation and we have relatively more confidence in its roadmap. All of this said, we are highly skeptical that the most sophisticated customers in the world would be okay with HDD makers earning 70-75% gross margins - and they do seem to have options (e.g., they could hand bags of money to Toshiba to break up this quasi-duopoly). The biggest issue we have is how the market is valuing WDC (and STX) relative to other companies in the AI/ data center world. One way of looking at this is via UBS HOLT which currently suggests that the market is implying fully 11% long-term growth for WDC (and the same 11% for STX!) compared to NVDA only 6% and MU -13% (yes, negative) - in other words, a clear read that memory is seen as cyclical while HDD is seen as a permanent compounder by investors. Net, similar to STX, we raise WDC C2026/2027/2028E EPS to $16.22/$32.70/$39.01 and PT goes to $375 on a similar 10x multiple to STX applied to average CY27/CY28E EPS of $35.85, and our rating remains Neutral.

Analysis/Key Highlights

- WDC reported Mar Q ahead with revenue of $3.34B 1% ahead of UBS and the top of the range, driven by 222 EB bit shipments (up just 3% Q/Q and 2.5% lighter than UBSe) and ASP of $15.03/TB (up 7% Q/Q and 4% ahead of UBSe). Gross margin was 50.5%, 250bps above the top of the range and UBSe, and OpM beat by a similar amount because opex was a little heavy. In all, EPS beat by LDD%.
- Management guided Jun Q a little ahead, with revenue of $3.65B ± $100MM, HSD% above UBS $3.50B/Street $3.46B, GM of 51-52% and implied OpM around 41% 200-300bps ahead, and EPS of $3.25 ± $0.15 about 10% ahead of UBS and 15% ahead of the Street's pre-call estimate. WD has traditionally reported at the top of the range (Figure 3).
- Management suggested that C2H26 ramp of the next generation of ePMR (as much as 40TB capacity with UltraSMR) will be an opportunity for it to take more price. At the same time, management has reiterated 70-75% incremental gross

Highlights (US$m)	06/23	06/24	06/25	06/26E	06/27E	06/28E	06/29E	06/30E
Revenues	12,318	13,003	13,279	12,955	20,841	27,409	22,213	13,546
EBIT (UBS)	(594)	512	3,076	4,757	11,224	17,367	13,010	6,270
Net earnings (UBS)	(1,143)	(98)	2,354	3,828	9,299	14,262	10,610	5,079
EPS (UBS, diluted) (US$)	(3.58)	(0.29)	6.57	10.09	24.51	38.82	30.08	14.54
DPS (net) (US$)	0.00	0.00	0.12	0.49	0.65	0.84	1.04	1.24
Net (debt) / cash	(5,923)	(5,784)	(2,826)	549	1,071	1,618	1,745	1,809
Profitability/valuation	**06/23**	**06/24**	**06/25**	**06/26E**	**06/27E**	**06/28E**	**06/29E**	**06/30E**
EBIT (UBS) margin %	(4.8)	3.9	23.2	36.7	53.9	63.4	58.6	46.3
ROIC (EBIT) %	(3.8)	3.3	25.9	54.3	110.8	151.9	114.4	59.4
EV/EBITDA (UBS core) x	69.6	21.0	7.1	27.2	12.0	7.8	10.3	20.6
P/E (UBS, diluted) x	(10.8)	NM	9.1	39.2	16.2	10.2	13.2	27.2
Equity FCF (UBS) yield %	(9.9)	(3.3)	5.8	2.5	5.7	9.6	8.6	4.0
Dividend yield (net) %	0.0	0.0	0.2	0.1	0.2	0.2	0.3	0.3

Source: Company accounts, LSEG Eikon, UBS estimates. Metrics marked as (UBS) have had analyst adjustments applied. Valuations: based on an average share price that year, (E): based on a share price of US$ 395.95 on 30-Apr-2026 19:30:58 EDT margins. Finally, management still expects 10% annual cost-downs over the longer term.

- Management has increasing conviction that the LT HDD bit CAGR will be over 25% (echoing Seagate, and vs the low-20s CAGR previously presented). Like Seagate, Western Digital management argued that agentic and physical AI are both storage demand drivers, and WD also believes that data is being retained rather than recycled in case it is of use (e.g. for future training or to support synthetic data).
- WD has 44TB HAMR drives in quals with four customers (with volume production ramp in C2027) and 40TB ePMR drives in quals with three customers (with volume production ramp in 2H C2026). UltraSMR offers a ~20% capacity bonus and is adopted by two customers for a majority of their bits while a third is increasing its UltraSMR share; management expects all major customers and ~60% of bit shipments on UltraSMR by the end of C2027 (but this is only up from ~50% today).
- The dual pivot technology shared at the analyst day is now sampling with two customers, with a third starting in F4Q.
- While unit disclosures have been discontinued, WD did disclose that it shipped over 118EB/4.1MM units of its latest generation ePMR drives (26TB CMR and 32TB UltraSMR), up 14%/17% Q/Q and now just over half of bit shipments.
- LTAs now extend into CY28 and even CY29, but they do not encompass all of the counterparties' desired volumes requiring customers to transact on a shorter term basis to fill all their demand, nor are they complete procurement contracts. Management suggested pricing negotiations happen annually inside the LTAs and also suggested it could raise prices inside the LTAs by introducing higher capacities.
- FCF was spot in line with UBSe at $978MM although it was about $350MM below the Street (which was distorted by outliers). The company dedicated $752MM to buybacks, respectable and up ~$150MM Q-Q but a little lighter than we had forecast. The dividend was increased 20% albeit the dividend yield is still small relative to the strong run up in share prices and the dividend payment is still very small compared to FCF. Finally, management still expects to return all FCF to shareholders through dividends and buybacks.
- WD only sold 5.8m shares of its Sandisk stake, leaving 1.7m still held, and eliminating the vast majority of its debt but with $1.6B of converts still outstanding (less than cash on hand). Management suggested it will do an ASR of its own shares later in C2026 in exchange for its remaining stake (on paper reducing share count by about 1%).

Read Across

WDC's print is a modest positive for the whole AI data center complex, albeit there was little incremental to Seagate earlier this week.

Valuation: Price Target from $350 to $375

We revise our price target from 14x Avg C27/28E EPS of $24.22 to now 10x our increased Avg C27/28E EPS of $35.85, increasing our PT from $350 to $375.

Results: WDC reported Revenue of $3.34B and Non-GAAP EPS of $2.72 vs. UBS pre-call estimates of $3.29B/$2.45.

Figure 1: FQ3:26 Results

	Reported Q: FQ3:26				
Key Metrics	**Actual**	**UBS Estimate**	**Street Estimate**	**Act vs UBS**	**Act vs Street**
Revenue ($MM)	$3,337	$3,294	$3,246	1.3%	2.8%
Y/Y Growth	45.5%	43.6%	34.8%		
Guidance	$3.1-$3.3B				
Gross Margin	50.5%	48.0%	47.5%	2.5%	3.0%
Guidance	47-48%				
OpEx	$397	$385	$378	-3.1%	-4.9%
Guidance	380-390MM				
Operating Margin	38.6%	36.3%	35.9%	2.3%	2.7%
Non-GAAP EPS	$2.72	$2.45	$2.39	11.2%	13.7%
Guidance	$2.15-2.45				
Segment Disclosures					
HDD EB shipments	222	228	226	-2.6%	-1.8%
Y/Y Growth	33.3%	36.9%	27.6%		
Q/Q Growth	3.3%	6.0%	10.8%		
HDD ASP ($/TB)	$15.03	$14.45	$14.44	4.0%	4.1%
Y/Y Growth	9.1%	4.9%	6.2%		
Q/Q Growth	7.1%	3.0%	4.6%		

Source: Company reports, UBS estimates, FactSet

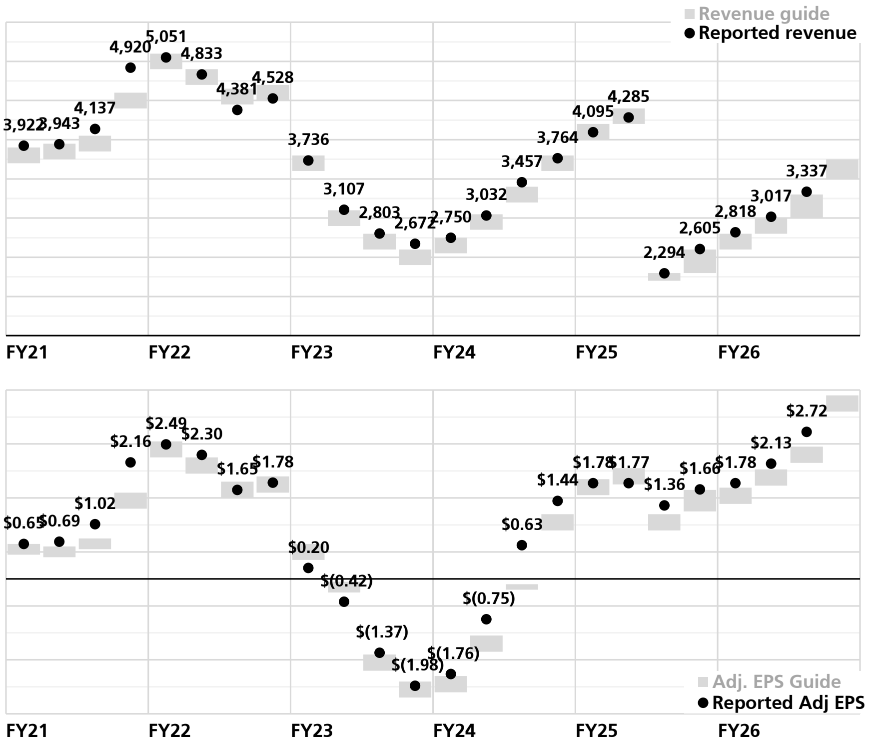
Guide: WDC guidance revenue to $3.65B ± $100MM vs our pre-call estimate of $3.50B, and Non-GAAP EPS of $3.25 ± $0.15 vs our pre-call estimate $2.91.

Figure 2: FQ4:26 Guidance

	Next Q: FQ4:26			
Key Metrics	**Guidance**	**UBSe New**	**UBSe Old**	**Street Est.**
Revenue ($MM)	$3.55-$3.75B	$3,783	$3,495	$3,464
Y/Y Growth		45.2%	34.1%	33.0%
Gross Margin	51%-52%	52.5%	50.0%	48.8%
OpEx	$385-395MM	$391	$389	$392
Operating Margin		42.2%	38.9%	37.5%
Non-GAAP EPS	$3.10-$3.40	$3.42	$2.91	$2.75
Segment Disclosures				
HDD EB shipments		242	235	238
Y/Y Growth		27.5%	23.7%	25.3%
Q/Q Growth		9.0%	3.0%	7.1%
HDD ASP ($/TB)		$15.63	$14.89	$14.77
Y/Y Growth		13.9%	8.5%	7.6%
Q/Q Growth		4.0%	3.0%	-1.8%

Source: Company reports, UBS estimates, FactSet.

Figure 3: WDC Revenue and EPS Guidance History



Source: Company reports, UBS estimates, FactSet.

Estimate Changes

We raise FQ4:26E Revenue from $3.50B to $3.78B and EPS from $2.91 to $3.42. We raise CY26E/CY27E/CY28E revenue from $14.61B/$19.14B/$22.34B to $16.36B/$24.83B/$27.25B and EPS from $12.70/$21.01/$27.43 to $16.22/$32.70/$39.01.

Figure 4: New vs Old Estimates

	CY 2026E			CY 2027E			CY2028E		
	New	Old	Change	New	Old	Change	New	Old	Change
Revenue ($MM)	$16,361	$14,608	12.0%	$24,832	$19,140	29.7%	$27,245	$22,335	22.0%
Y/Y Growth	52.4%	36.1%		51.8%	31.0%		9.7%	16.7%	
Gross Margin	55.5%	51.6%	4.0%	66.6%	59.0%	7.6%	69.7%	63.8%	5.9%
OpEx % of Revs	9.8%	10.7%	0.9%	6.9%	8.2%	1.3%	6.6%	7.8%	1.2%
Operating Margin	45.7%	40.9%	4.9%	59.7%	50.8%	8.9%	63.1%	56.0%	7.1%
Non-GAAP EPS	$16.22	$12.70	27.7%	$32.70	$21.01	55.6%	$39.01	$27.43	42.2%
Segment Disclosures									
HDD EB shipments	1,008	980	2.8%	1,291	1,225	5.4%	1,389	1,406	-1.2%
Y/Y Growth	29.9%	26.4%		28.2%	25.0%		7.6%	14.8%	
HDD ASP ($/TB)	$16.24	$14.91	8.9%	$19.23	$15.62	23.1%	$19.61	$15.88	23.5%
Y/Y Growth	17.3%	7.7%		18.4%	4.8%		2.0%	1.7%	

Source: UBS estimates

Figure 5: UBS vs Street

	2025	Sep'25 2026/1F	Dec'25 2026/2F	Mar'26 2026/3F	Jun'26 2026/4F	2026	Sep'26 2027/1F	Dec'26 2027/2F	Mar'27 2027/3F	Jun'27 2027/4F	2027	Sep'27 2028/1F	Dec'27 2028/2F	Mar'28 2028/3F	Jun'28 2028/4F	2028	CY2025	CY2026	CY2027	CY2028
Revenues ($MM)																				
UBS	**$13,279**	$2,818	$3,017	$3,337	$3,783	**$12,955**	$4,331	$4,911	$5,517	$6,082	**$20,841**	$6,453	$6,779	$7,053	$7,124	**$27,409**	**$10,734**	**$16,361**	**$24,832**	**$27,245**
UBS (old)				$3,294	$3,495	**$12,624**	$3,777	$4,043	$4,329	$4,634	**$16,783**	$4,939	$5,238	$5,447	$5,611	**$21,235**		**$14,608**	**$19,140**	**$22,335**
Consensus				$3,246	$3,464	**$12,546**	$3,711	$3,938	$4,116	$4,328	**$16,093**	$4,641	$4,877	$4,902	$5,043	**$19,463**		**$14,359**	**$17,963**	**$20,730**
Delta				2.8%	9.2%	3.3%	16.7%	24.7%	34.0%	40.5%	29.5%	39.0%	39.0%	43.9%	41.3%	40.8%		13.9%	38.2%	31.4%
EPS																				
UBS (non-GAAP)	**$ 6.57**	$ 1.78	$ 2.13	$ 2.72	$ 3.42	**$ 10.09**	$ 4.46	$ 5.61	$ 6.66	$ 7.80	**$ 24.51**	$ 8.67	$ 9.56	$ 10.12	$ 10.50	**$ 38.82**	**$ 6.93**	**$ 16.22**	**$ 32.70**	**$ 39.01**
UBS (non-GAAP) (old)				$ 2.45	$ 2.91	**$ 9.29**	$ 3.39	$ 3.96	$ 4.46	$ 4.98	**$ 16.78**	$ 5.50	$ 6.07	$ 6.47	$ 6.85	**$ 24.88**		**$ 12.70**	**$ 21.01**	**$ 27.43**
Consensus (non-GAAP)				$ 2.39	$ 2.75	**$ 9.05**	$ 3.07	$ 3.41	$ 3.72	$ 4.10	**$ 14.31**	$ 4.50	$ 4.84	$ 4.87	$ 5.09	**$ 19.31**		**$ 11.62**	**$ 17.18**	**$ 23.50**
Delta				13.7%	24.7%	11.5%	45.3%	64.4%	78.9%	90.2%	71.3%	92.5%	97.3%	107.6%	106.4%	101.0%		39.5%	90.4%	66.0%

Source: FactSet, Visible Alpha, Company reports, UBS estimates

Figure 6: UBS vs Visible Alpha granular consensus

	F3Q26E			F4Q26E			F1Q27E			F2Q27E		
$MMs ex per share amounts	VA	Δ	UBS	VA	Δ	UBS	VA	Δ	UBS	VA	Δ	UBS
HDD KPIs												
HDD EB (MM TB)	226	-4	222	238	+4	242	251	+10	261	267	+15	282
HDD ASP ($/TB)	$ 14.44	+0.59	$ 15.03	$ 14.77	+0.87	$ 15.63	$ 14.97	+1.60	$ 16.57	$ 15.20	+2.20	$ 17.40
HDD Revenue	3,261	+76	3,337	3,494	+288	3,783	3,733	+598	4,331	4,005	+906	4,911
HDD Gross Profit	1,562	+114	1,676	1,704	+282	1,986	1,929	+517	2,447	2,161	+810	2,971
HDD Gross Margin	47.9%	+232 bp	50.2%	48.8%	+375 bp	52.5%	51.7%	+481 bp	56.5%	54.0%	+654 bp	60.5%
Income Statement												
Revenue	3,257	+80	3,337	3,483	+300	3,783	3,722	+609	4,331	3,981	+930	4,911
COGS	1,699	-46	1,653	1,763	+34	1,797	1,816	+68	1,884	1,881	+59	1,940
Adj. Gross Profit	1,560	+124	1,684	1,714	+272	1,986	1,896	+551	2,447	2,101	+871	2,971
Adj. Gross Margin	47.9%	+255 bp	50.5%	49.2%	+331 bp	52.5%	50.9%	+556 bp	56.5%	52.8%	+774 bp	60.5%
Adj. R&D	285	-3	282	299	-17	282	315	-23	292	321	-24	297
Adj. SG&A	112	+3	115	117	-8	109	124	-10	114	124	-9	114
Total Adj. Opex	390	+7	397	400	-9	391	417	-11	406	424	-13	411
Adj. Operating Income	1,171	+116	1,287	1,313	+282	1,595	1,479	+562	2,041	1,677	+883	2,560
Adj. Operating Margin	35.9%	+262 bp	38.6%	37.7%	+446 bp	42.2%	39.7%	+739 bp	47.1%	42.1%	+1,001 bp	52.1%
GAAP Net Income	1,104	+2,068	3,172	1,193	+33	1,226	1,330	+261	1,592	1,298	+712	2,010
Adj. Net Income	921	+127	1,048	1,062	+256	1,318	1,209	+491	1,701	1,378	+759	2,137
Diluted Shares	384	+1	385	383	+2	385	384	-2	382	384	-3	381
GAAP EPS	$ 2.29	+5.91	$ 8.20	$ 2.66	+0.51	$ 3.17	$ 3.07	+1.08	$ 4.15	$ 3.52	+1.73	$ 5.25
Adj. EPS	$ 2.41	+0.31	$ 2.72	$ 2.76	+0.67	$ 3.42	$ 3.11	+1.35	$ 4.46	$ 3.52	+2.09	$ 5.61
Cash Flow and Capital Deployment												
Net Income	1,044	+2,161	3,205	1,159	+79	1,239	1,295	+310	1,605	1,346	+677	2,023
D&A	99	-3	96	123	-25	98	124	-24	101	123	-18	104
Stock Comp	49	+4	53	51	+25	76	58	+28	87	61	+37	98
Other CFFO items	(40)	-2,098	(2,138)	2	-2	-	10	-10	-	8	-8	-
Working Capital	(106)	+13	(93)	(180)	+69	(111)	(198)	-113	(311)	(222)	-78	(300)
CFFO	1,046	+77	1,123	1,155	+146	1,301	1,290	+191	1,481	1,316	+609	1,926
Capex	(137)	-8	(145)	(143)	-8	(151)	(144)	-29	(173)	(152)	-44	(196)
Free Cash Flow	1,335	-357	978	1,053	+97	1,150	1,058	+250	1,308	1,163	+567	1,729
FCF per share	$ 2.19	-2.16	$ 0.02	$ 2.32	-2.29	$ 0.02	$ 2.29	-2.26	$ 0.02	$ 3.13	-3.10	$ 0.02
Dividends Paid	45	-2	43	47	+11	58	49	+9	57	49	+8	57
Share Buybacks	570	+182	752	408	+342	750	410	+590	1,000	486	+1,114	1,600
Net debt paydown/(issuance)	1,479	-1,474	5	960	-210	750	200	+631	831	200	-200	-

	F3Q27E			F2026			F2027			F2028		
$MMs ex per share amounts	VA	Δ	UBS	VA	Δ	UBS	VA	Δ	UBS	VA	Δ	UBS
HDD KPIs												
HDD EB (MM TB)	281	+21	302	883	+0	883	1,100	+66	1,166	1,304	+61	1,366
HDD ASP ($/TB)	$ 15.44	+2.83	$ 18.27	$ 14.29	+0.39	$ 14.67	$ 15.31	+2.57	$ 17.88	$ 15.27	+4.80	$ 20.07
HDD Revenue	4,289	+1,228	5,517	12,591	+364	12,955	16,636	+4,206	20,841	19,813	+7,595	27,409
HDD Gross Profit	2,451	+1,025	3,476	5,888	+381	6,269	9,266	+3,612	12,878	12,675	+6,458	19,133
HDD Gross Margin	57.1%	+586 bp	63.0%	46.8%	+162 bp	48.4%	55.7%	+609 bp	61.8%	64.0%	+583 bp	69.8%
Income Statement												
Revenue	4,253	+1,264	5,517	12,575	+380	12,955	16,500	+4,341	20,841	19,490	+7,919	27,409
COGS	1,943	+98	2,041	6,668	-12	6,657	7,680	+284	7,963	8,327	-51	8,276
Adj. Gross Profit	2,315	+1,161	3,476	5,902	+396	6,298	8,860	+4,018	12,878	11,229	+7,904	19,133
Adj. Gross Margin	54.4%	+857 bp	63.0%	46.9%	+168 bp	48.6%	53.7%	+810 bp	61.8%	57.6%	+1,219 bp	69.8%
Adj. R&D	324	-22	302	1,140	-47	1,092	1,277	-74	1,203	1,285	+16	1,301
Adj. SG&A	124	-12	112	448	+1	449	500	-49	451	491	-26	465
Total Adj. Opex	428	-14	414	1,543	-2	1,541	1,707	-53	1,654	1,771	-5	1,766
Adj. Operating Income	1,887	+1,175	3,062	4,359	+398	4,757	7,152	+4,071	11,224	9,459	+7,908	17,367
Adj. Operating Margin	44.4%	+1,113 bp	55.5%	34.7%	+205 bp	36.7%	43.3%	+1,050 bp	53.9%	48.5%	+1,483 bp	63.4%
GAAP Net Income	1,633	+746	2,379	4,431	+2,922	7,354	5,506	+3,252	8,758	7,087	+6,429	13,516
Adj. Net Income	1,553	+970	2,523	3,445	+384	3,828	5,891	+3,408	9,299	8,184	+6,079	14,262
Diluted Shares	384	-5	379	379	+0	379	383	-4	379	376	-8	367
GAAP EPS	$ 3.97	+2.27	$ 6.25	$ 12.76	+6.40	$ 19.16	$ 14.99	+8.00	$ 22.99	$ 20.57	+16.04	$ 36.62
Adj. EPS	$ 3.95	+2.71	$ 6.66	$ 9.08	+1.02	$ 10.09	$ 15.04	+9.47	$ 24.51	$ 20.86	+17.95	$ 38.82
Cash Flow and Capital Deployment												
Net Income	1,649	+743	2,392	4,907	+2,561	7,468	6,001	+2,809	8,810	7,833	+5,735	13,568
D&A	121	-12	108	402	-28	374	494	-68	426	564	-58	506
Stock Comp	64	+46	110	206	+28	235	252	+165	417	296	+252	548
Other CFFO items	2	-2	-	(1,409)	-2,347	(3,756)	29	-29	-	5	-5	-
Working Capital	(178)	-76	(255)	(515)	+36	(479)	(834)	-303	(1,137)	(594)	+42	(552)
CFFO	1,658	+698	2,356	3,592	+250	3,841	5,942	+2,574	8,516	8,104	+5,966	14,070
Capex	(161)	-60	(221)	(445)	-16	(461)	(629)	-204	(834)	(753)	-344	(1,096)
Free Cash Flow	1,457	+678	2,135	3,824	-444	3,380	5,243	+2,439	7,683	6,515	+6,459	12,974
FCF per share	$ 3.53	-3.50	$ 0.02	$ 8.08	-8.06	$ 0.02	$ 13.24	-13.22	$ 0.02	$ 18.57	-18.54	$ 0.02
Dividends Paid	51	+6	57	175	+13	188	197	+50	246	233	+79	312
Share Buybacks	525	+1,475	2,000	1,908	+762	2,670	2,003	+4,897	6,900	3,265	+8,835	12,100
Net debt paydown/(issuance)	200	-200	-	699	+119	818	800	+31	831	800	-800	-

Source: Company reports, UBS estimates, Visible Alpha.

Figure 7: Summary Model

Western Digital (WDC) - Key Metrics	Pro-forma			Estimates														---- Pro-forma ---- FISCAL YEAR SUMMARY					
(in $MM except EPS)	C2024A	C2025A	FQ3E CQ1E	FQ4:26E CQ2E	FQ1E CQ3E	FQ2E CQ4E	C2026E	FQ3E CQ1E	FQ4:27E CQ2E	FQ1E CQ3E	FQ2E CQ4E	C2027E	FQ3E CQ1E	FQ4:28E CQ2E	FQ1E CQ3E	FQ2E CQ4E	C2028E	F2022A	F2023A	F2024A	F2025A	F2026E	F2027E
Revenue	**8,377**	**10,734**	**3,337**	**3,783**	**4,331**	**4,911**	**16,361**	**5,517**	**6,082**	**6,453**	**6,779**	**24,832**	**7,053**	**7,124**	**6,767**	**6,301**	**27,245**	**9,039**	**6,255**	**6,317**	**9,520**	**12,955**	**20,841**
Y/Y Growth		28%	45%	45%	54%	63%	52%	65%	61%	49%	38%	52%	28%	17%	5%	-7%	10%		-31%	1%	51%	36%	61%
COGS	5,392	6,109	1,653	1,797	1,884	1,940	7,273	2,041	2,098	2,097	2,068	8,305	2,081	2,030	2,064	2,079	8,254	6,468	4,827	4,506	5,772	6,657	7,963
Gross Profit	2,985	4,625	1,684	1,986	2,447	2,971	9,088	3,476	3,984	4,356	4,712	16,527	4,972	5,093	4,703	4,221	18,991	2,571	1,428	1,811	3,748	6,298	12,878
Gross Margin	**35.6%**	**43.1%**	**50.5%**	**52.5%**	**56.5%**	**60.5%**	**55.5%**	**63.0%**	**65.5%**	**67.5%**	**69.5%**	**66.6%**	**70.5%**	**71.5%**	**69.5%**	**67.0%**	**69.7%**	**28.4%**	**22.8%**	**28.7%**	**39.4%**	**48.6%**	**61.8%**
Opex	$1,540	$1,422	$397	$391	$406	$411	$1,605	$414	$423	$435	$437	$1,709	$445	$449	$456	$456	$1,806	$1,910	$1,572	$1,468	$1,424	$1,541	$1,654
Y/Y Growth		-8%	23%	13%	7%	10%	13%	4%	8%	7%	6%	6%	7%	6%	5%	4%	6%		-18%	-7%	-3%	8%	7%
Operating Margin	**17.2%**	**29.8%**	**38.6%**	**42.2%**	**47.1%**	**52.1%**	**45.7%**	**55.5%**	**58.5%**	**60.8%**	**63.1%**	**59.7%**	**64.2%**	**65.2%**	**62.8%**	**59.8%**	**63.1%**	**7.3%**	**-2.3%**	**5.4%**	**24.4%**	**36.7%**	**53.9%**
Non-GAAP EPS	**NA**	**$ 6.93**	**$ 2.72**	**$ 3.42**	**$ 4.46**	**$ 5.61**	**$ 16.22**	**$ 6.66**	**$ 7.80**	**$ 8.67**	**$ 9.56**	**$ 32.70**	**$ 10.12**	**$ 10.50**	**$ 9.70**	**$ 8.69**	**$ 39.01**	**NA**	**NA**	**NA**	**$ 4.93**	**$ 10.09**	**$ 24.51**
Cash Flow																							
CFFO	NA	2,671	1,123	1,301	1,481	1,926	5,831	2,356	2,754	2,994	3,471	11,575	3,723	3,883	3,604	3,454	14,663	NA	NA	NA	1,691	3,841	8,516
Capex	262	364	145	151	173	196	666	221	243	258	271	993	282	285	271	252	1,090	1,120	807	292	315	461	834
FCF	**NA**	**2,363**	**978**	**1,150**	**1,308**	**1,729**	**5,165**	**2,135**	**2,510**	**2,736**	**3,200**	**10,581**	**3,441**	**3,598**	**3,333**	**3,202**	**13,573**	**NA**	**NA**	**NA**	**1,432**	**3,380**	**7,683**
% revenue		22%	29%	30%	30%	35%	32%	39%	41%	42%	47%	43%	49%	51%	49%	51%	50%				15%	26%	37%
HDD KPIs																							
HDD Revenue	**8,375**	**10,734**	**3,337**	**3,783**	**4,331**	**4,911**	**16,361**	**5,517**	**6,082**	**6,453**	**6,779**	**24,832**	**7,053**	**7,124**	**6,767**	**6,301**	**27,245**	**9,040**	**6,255**	**6,316**	**9,519**	**12,955**	**20,841**
Q/Q Growth			11%	13%	14%	13%		12%	10%	6%	5%		4%	1%	-5%	-7%							
Y/Y Growth		28%	45%	45%	54%	63%	52%	65%	61%	49%	38%	52%	28%	17%	5%	-7%	10%	10%	-31%	1%	51%	36%	61%
HDD EB shipments	617.6	775.4	222.0	242.0	261.3	282.2	1,007.6	302.0	320.1	329.7	339.6	1,291.5	346.4	349.9	349.9	342.9	1,389.0	563.8	417.0	447.5	699.0	883.0	1,165.7
Q/Q Growth			3%	9%	8%	8%		7%	6%	3%	3%		2%	1%	0%	-2%							
Y/Y Growth		26%	33%	27%	28%	31%	30%	36%	32%	26%	20%	28%	15%	9%	6%	1%	8%	20%	-26%	7%	56%	26%	32%
HDD ASP ($/TB)	$13.56	$13.84	$15.03	$15.63	$16.57	$17.40	$16.24	$18.27	$19.00	$19.57	$19.96	$19.23	$20.36	$20.36	$19.34	$18.38	$19.61	$16.04	$15.00	$14.11	$13.62	$14.67	$17.88
Q/Q Growth			7%	4%	6%	5%		5%	4%	3%	2%		2%	0%	-5%	-5%							
Y/Y Growth		2%	9%	14%	20%	24%	17%	22%	22%	18%	15%	18%	11%	7%	-1%	-8%	2%	-8%	-6%	-6%	-4%	8%	22%
HDD Unit shipments (MMs)	50.5	51.3	13.2	13.1	13.1	13.2	52.5	13.3	13.3	13.2	13.1	52.9	13.1	13.1	12.9	12.8	51.9	82.0	57.6	45.3	51.7	52.5	52.9
Q/Q Growth			1%	-1%	0%	1%		1%	0%	-1%	-1%		0%	0%	-1%	-1%							
Y/Y Growth	27%	2%	9%	1%	-1%	1%	2%	1%	2%	1%	-1%	1%	-2%	-2%	-2%	-2%	-2%	-16%	-30%	-21%	14%	2%	1%
TB/Drive	48.7	60.4	16.8	18.5	20.0	21.4	76.7	22.7	24.0	25.0	26.0	97.7	26.5	26.8	27.1	26.8	107.1	6.9	7.2	9.9	13.5	16.8	22.0

Source: Company reports, UBS estimates

Figure 8: Western Digital Seasonality Analysis

	HDD EB Shipped % Q/Q			
	C1Q F3Q	C2Q F4Q	C3Q F1Q	C4Q F2Q
2011				
2012			-6.5%	7.4%
2013	1.7%	-1.4%	6.5%	8.5%
2014	-2.7%	3.0%	17.4%	2.5%
2015	-7.7%	-8.3%	13.0%	8.8%
2016	-10.0%	-2.3%	12.3%	6.6%
2017	-7.5%	9.5%	7.6%	9.0%
2018	7.0%	6.0%	-6.0%	-17.0%
2019	13.0%	14.0%	23.0%	-1.0%
2020	-6.0%	-2.0%	-7.0%	2.0%
2021	7.0%	34.0%	4.0%	-14.0%
2022	1.0%	1.0%	1.0%	-35.0%
2023	15.0%	-18.0%	-5.0%	14.0%
2024	41.0%	12.0%	14.0%	7.0%
2025	-6.0%	14.0%	7.5%	5.4%
2026	3.3%	9.0%	8.0%	8.0%
2027	7.0%	6.0%	3.0%	3.0%
LT median	**1.3%**	**4.5%**	**7.0%**	**6.0%**
5y median	3.3%	9.0%	4.0%	5.4%
10y median	5.1%	9.3%	5.7%	3.7%

	HDD ASP $/TB % Q/Q			
	C1Q F3Q	C2Q F4Q	C3Q F1Q	C4Q F2Q
2011				
2012			-10.2%	-11.8%
2013	-1.7%	-0.7%	-5.1%	-3.9%
2014	-4.8%	-2.1%	-9.5%	-4.8%
2015	-1.6%	-4.5%	-5.6%	-10.3%
2016	-5.2%	-0.1%	2.2%	-10.2%
2017	-4.0%	-8.2%	-2.0%	-5.3%
2018	-8.4%	-1.6%	-3.7%	-0.5%
2019	-11.3%	-9.6%	-8.0%	0.5%
2020	-6.1%	-1.1%	-3.2%	1.5%
2021	-3.9%	-4.9%	-1.5%	0.5%
2022	-4.3%	-1.5%	-6.3%	10.8%
2023	-10.3%	5.6%	-2.9%	0.4%
2024	-9.1%	2.1%	-3.2%	1.8%
2025	1.3%	-0.4%	0.6%	1.6%
2026	7.1%	4.0%	6.0%	5.0%
2027	5.0%	4.0%	3.0%	2.0%
LT median	**-4.6%**	**-1.3%**	**-3.4%**	**-0.0%**
5y median	-4.3%	2.1%	-2.9%	1.6%
10y median	-5.2%	-1.3%	-3.1%	0.5%

	HDD Revenue % Q/Q			
	C1Q F3Q	C2Q F4Q	C3Q F1Q	C4Q F2Q
2011				-26.1%
2012	53.1%	53.5%	-16.1%	-5.2%
2013	-0.1%	-2.1%	1.0%	4.2%
2014	-7.4%	0.8%	6.3%	-2.5%
2015	-9.2%	-12.5%	6.6%	-2.3%
2016	-14.6%	-2.3%	14.7%	-4.3%
2017	-11.2%	0.5%	5.4%	3.2%
2018	-2.0%	4.3%	-9.4%	-17.4%
2019	0.2%	3.1%	13.2%	-0.5%
2020	-11.8%	-3.1%	-10.0%	3.5%
2021	2.8%	27.5%	2.4%	-13.6%
2022	-3.4%	-0.5%	-5.4%	-28.0%
2023	3.2%	-13.4%	-7.8%	14.5%
2024	28.2%	14.3%	10.4%	9.0%
2025	-4.8%	13.6%	8.2%	7.1%
2026	10.6%	13.4%	14.5%	13.4%
2027	12.4%	10.2%	6.1%	5.1%
LT median	**-2.0%**	**0.8%**	**3.9%**	**-2.3%**
5y median	3.2%	13.4%	2.4%	7.1%
10y median	-0.9%	3.7%	3.9%	1.4%

	HDD Units % Q/Q			
	C1Q F3Q	C2Q F4Q	C3Q F1Q	C4Q F2Q
2011			7.5%	-50.8%
2012	55.3%	60.6%	-12.0%	-5.2%
2013	1.6%	-0.5%	4.5%	0.8%
2014	-4.2%	4.4%	2.6%	-5.7%
2015	-10.7%	-11.0%	6.6%	-3.9%
2016	-13.2%	-7.0%	18.5%	-5.8%
2017	-12.6%	0.5%	7.4%	0.2%
2018	-13.9%	7.1%	-12.6%	-11.4%
2019	-7.9%	-0.4%	5.8%	-0.3%
2020	-16.4%	-5.3%	-0.4%	11.7%
2021	-9.7%	9.5%	-5.1%	-10.4%
2022	-8.3%	-16.7%	-2.4%	-9.1%
2023	-6.3%	-4.7%	-18.5%	1.3%
2024	8.3%	3.4%	9.1%	2.3%
2025	-10.4%	6.6%	2.3%	-1.0%
2026	1.0%	-1.0%	-	1.0%
2027	1.0%	-	-1.0%	-1.0%
LT median	**-8.3%**	**-0.4%**	**2.6%**	**-3.9%**
5y median	-6.3%	-1.0%	-2.4%	-1.0%
10y median	-9.0%	0.1%	0.9%	-0.7%

	Total Revenue % Q/Q			
	C1Q F3Q	C2Q F4Q	C3Q F1Q	C4Q F2Q
2011	-9.0%	6.7%	12.1%	-25.9%
2012	52.1%	56.6%	-15.1%	-5.2%
2013	-1.6%	-1.0%	2.0%	4.4%
2014	-6.8%	-1.4%	8.0%	-1.4%
2015	-8.7%	-10.1%	5.3%	-1.3%
2016	-14.9%	23.8%	34.9%	3.7%
2017	-4.9%	4.2%	7.0%	3.0%
2018	-6.1%	2.1%	-1.7%	-15.8%
2019	-13.2%	-1.1%	11.2%	4.8%
2020	-1.4%	2.7%	-8.5%	0.5%
2021	4.9%	18.9%	2.7%	-4.3%
2022	-9.4%	3.4%	-17.5%	-16.8%
2023	-9.8%	-4.7%	2.9%	10.3%
2024	14.0%	8.9%	8.8%	4.6%
2025	-46.5%	13.6%	8.2%	7.1%
2026	10.6%	13.4%	14.5%	13.4%
2027	12.4%	10.2%	6.1%	5.1%
LT median	**-6.4%**	**3.8%**	**5.3%**	**0.5%**
5y median	-9.4%	8.9%	2.9%	4.6%
10y median	-5.5%	3.8%	5.0%	3.3%

	Adj Gross Margin Q-Q			
	C1Q F3Q	C2Q F4Q	C3Q F1Q	C4Q F2Q
2011	-103 bp	+131 bp	+117 bp	+1,240 bp
2012	+300 bp	-370 bp	+24 bp	-182 bp
2013	+51 bp	-9 bp	+44 bp	+27 bp
2014	-0 bp	-58 bp	+36 bp	+48 bp
2015	-59 bp	-28 bp	-119 bp	-59 bp
2016	-28 bp	+304 bp	+460 bp	+274 bp
2017	+262 bp	+199 bp	+452 bp	+91 bp
2018	+15 bp	-239 bp	-446 bp	-666 bp
2019	-609 bp	-104 bp	-565 bp	+113 bp
2020	+197 bp	+102 bp	-63 bp	+6 bp
2021	+130 bp	+523 bp	+536 bp	-33 bp
2022	-185 bp	+56 bp	-627 bp	-928 bp
2023	-675 bp	-674 bp	-1,166 bp	+1,143 bp
2024	+1,377 bp	+702 bp	+1,570 bp	-257 bp
2025	+421 bp	+124 bp	+541 bp	+221 bp
2026	+436 bp	+204 bp	+789 bp	+400 bp
2027	+250 bp	+250 bp	+571 bp	+200 bp
LT median	**+33 bp**	**+79 bp**	**+36 bp**	**+27 bp**
5y median	+421 bp	+124 bp	+536 bp	-33 bp
10y median	+164 bp	+113 bp	+194 bp	+49 bp

	Adj Operating Margin Q-Q			
	C1Q F3Q	C2Q F4Q	C3Q F1Q	C4Q F2Q
2011	-228 bp	+115 bp	+124 bp	+877 bp
2012	+407 bp	-311 bp	-173 bp	-168 bp
2013	-51 bp	-37 bp	-21 bp	-15 bp
2014	-83 bp	-63 bp	+95 bp	+80 bp
2015	-159 bp	-90 bp	-142 bp	-40 bp
2016	-58 bp	+61 bp	+275 bp	+474 bp
2017	+148 bp	+266 bp	+591 bp	+50 bp
2018	-59 bp	-146 bp	-453 bp	-778 bp
2019	-858 bp	-99 bp	-646 bp	+205 bp
2020	+236 bp	+207 bp	-86 bp	+46 bp
2021	+126 bp	+687 bp	+202 bp	-60 bp
2022	-341 bp	+67 bp	-729 bp	-1,205 bp
2023	-702 bp	-704 bp	+178 bp	+1,311 bp
2024	+1,399 bp	+670 bp	+389 bp	-142 bp
2025	+582 bp	+212 bp	+228 bp	+340 bp
2026	+479 bp	+360 bp	+496 bp	+501 bp
2027	+337 bp	+305 bp	+221 bp	+230 bp
LT median	**-54 bp**	**+64 bp**	**+95 bp**	**+46 bp**
5y median	+479 bp	+212 bp	+202 bp	-60 bp
10y median	+137 bp	+209 bp	+190 bp	+48 bp

	Working Capital $			
	C1Q F3Q	C2Q F4Q	C3Q F1Q	C4Q F2Q
2011	(4)	108	(71)	(49)
2012	483	(40)	77	1
2013	(1)	638	(101)	(49)
2014	(24)	(44)	61	(536)
2015	5	(123)	(28)	29
2016	129	244	(205)	168
2017	108	20	(236)	1,507
2018	(323)	(462)	(597)	299
2019	291	(253)	82	(62)
2020	(351)	(426)	(43)	(35)
2021	(315)	218	(440)	(275)
2022	41	(401)	(329)	72
2023	(41)	388	(132)	30
2024	(303)	(193)	(824)	(288)
2025	(110)	120	(99)	(176)
2026	(93)	(111)	(311)	(300)
2027	(255)	(271)	(332)	(149)
LT median	**(14)**	**(42)**	**(101)**	**(35)**
5y median	(93)	(111)	(329)	(176)
10y median	(102)	(152)	(221)	(3)

Source: Company reports, UBS estimates.

Valuation

We raise average C27/C28E non-GAAP EPS from $24.22 to $35.85 and apply a target multiple of 10x (from 14x) - below long term S&P-implied and SOX-implied valuation to better reflect multiple compression the deeper we get into the upcycle (Figure 9) - increasing our PT from $350 to $375.

Figure 9: Western Digital Valuation

Valuation	New	Old
Non-GAAP EPS		
C2027	$ 32.70	$ 21.01
C2028	$ 39.01	$ 27.43
C27/C28 avg.	**$ 35.85**	**$ 24.22**
Multiple	10x	14x
Price Target	**$ 375**	**$ 350**

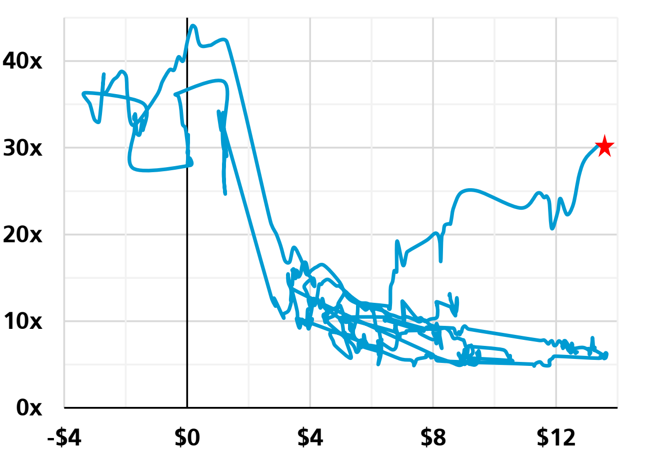
Source: UBS estimates

Figure 10: Western Digital Relative Valuation Approaches

Current STX NTM P/E Multiple	30.2x
WD Pure Play Premium/Discount to STX	+3%
STX-Implied WDC NTM Multiple	**31.1x**
Current SOX NTM P/E Multiple	25.0x
Western Digital LT Avg Premium/Discount to SOX	-43%
SOX-Implied WDC NTM Multiple	**14.2x**
Current S&P 500 NTM P/E Multiple	21.2x
LT Avg Premium/Discount to S&P 500	-33%
S&P 500-Implied WDC NTM Multiple	**14.2x**

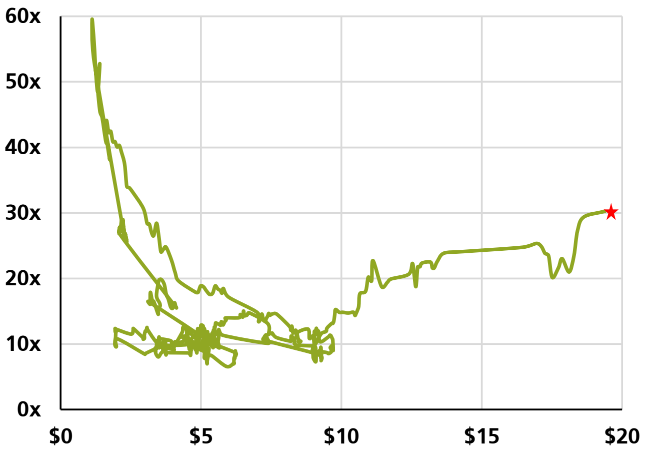
Source: Company reports, UBS estimates, FactSet.

Figure 11: WDC PE and EPS LT trajectory



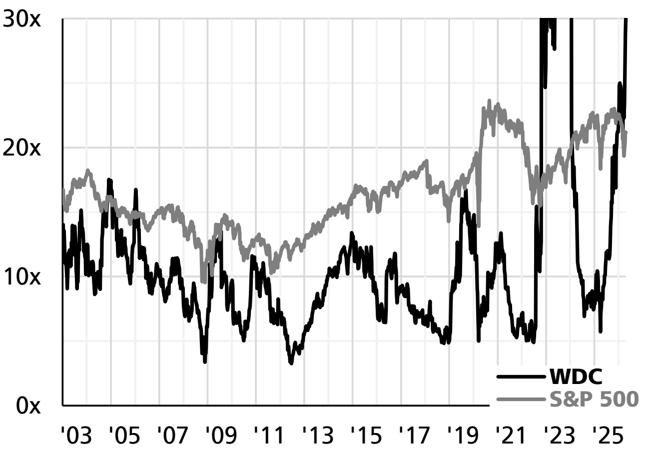
Source: Company reports, UBS, FactSet.

Figure 12: STX PE and EPS LT trajectory



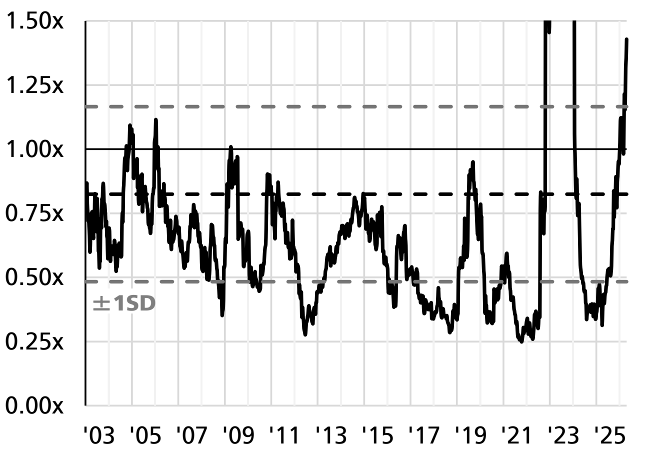
Source: Company reports, UBS, FactSet

Figure 13: Western Digital (WDC) and S&P 500 1-yr Forward P/E LT History



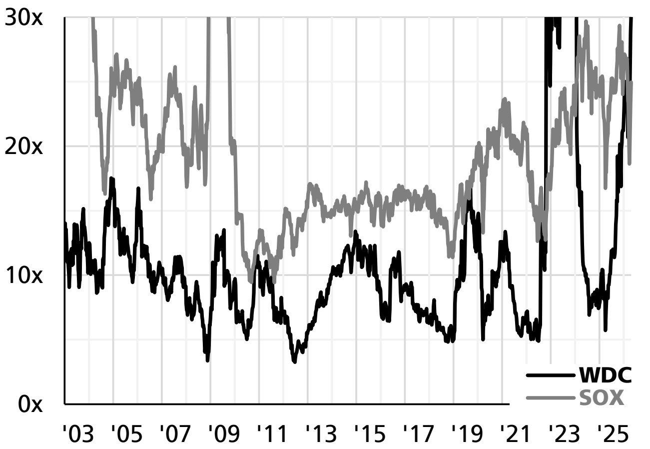
Source: Company reports, UBS, FactSet.

Figure 14: Western Digital (WDC) 1y Fwd P/E Relative to S&P 500 - LT History



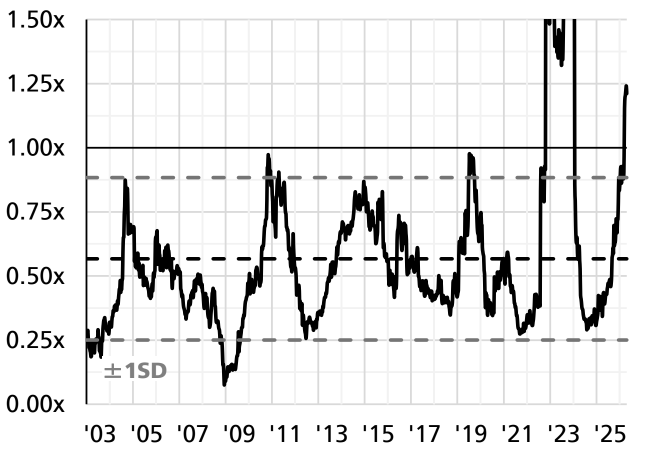
Source: Company reports, UBS, FactSet.

Figure 15: Western Digital (WDC) and SOX 1-yr Forward P/E LT History



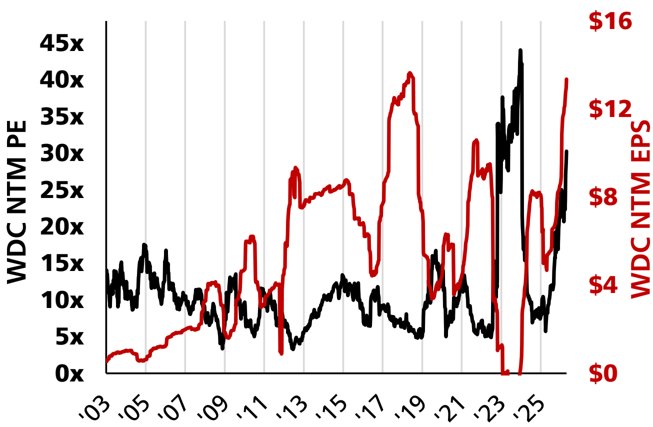
Source: Company reports, UBS, FactSet.

Figure 16: Western Digital (WDC) 1y Fwd P/E Relative to SOX - LT History



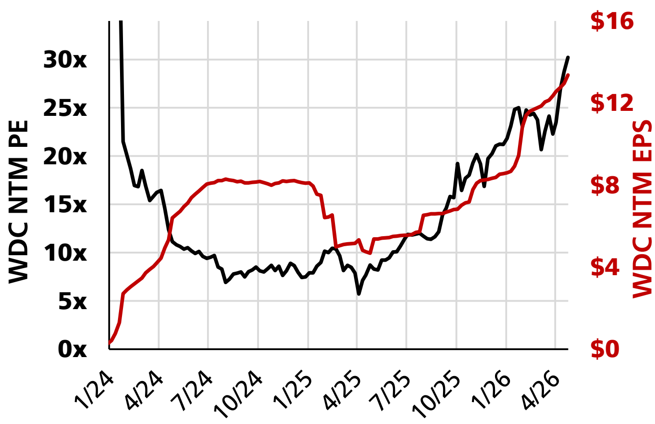
Source: Company reports, UBS, FactSet.

Figure 17: NTM PE vs EPS - LT History



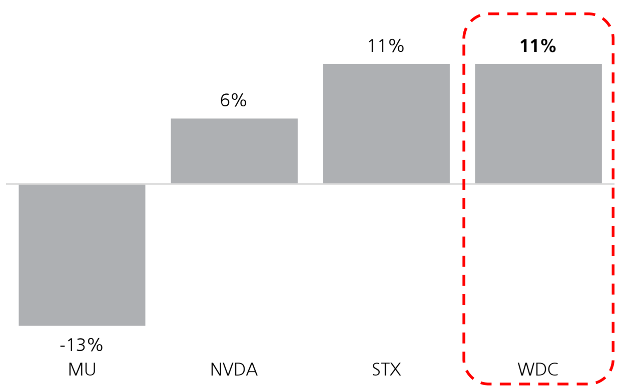
Source: FactSet *Note: For cyclical stocks, peak multiples are exhibited on trough earnings and trough multiples on peak earnings

Figure 18: NTM PE vs EPS - C2024 to date



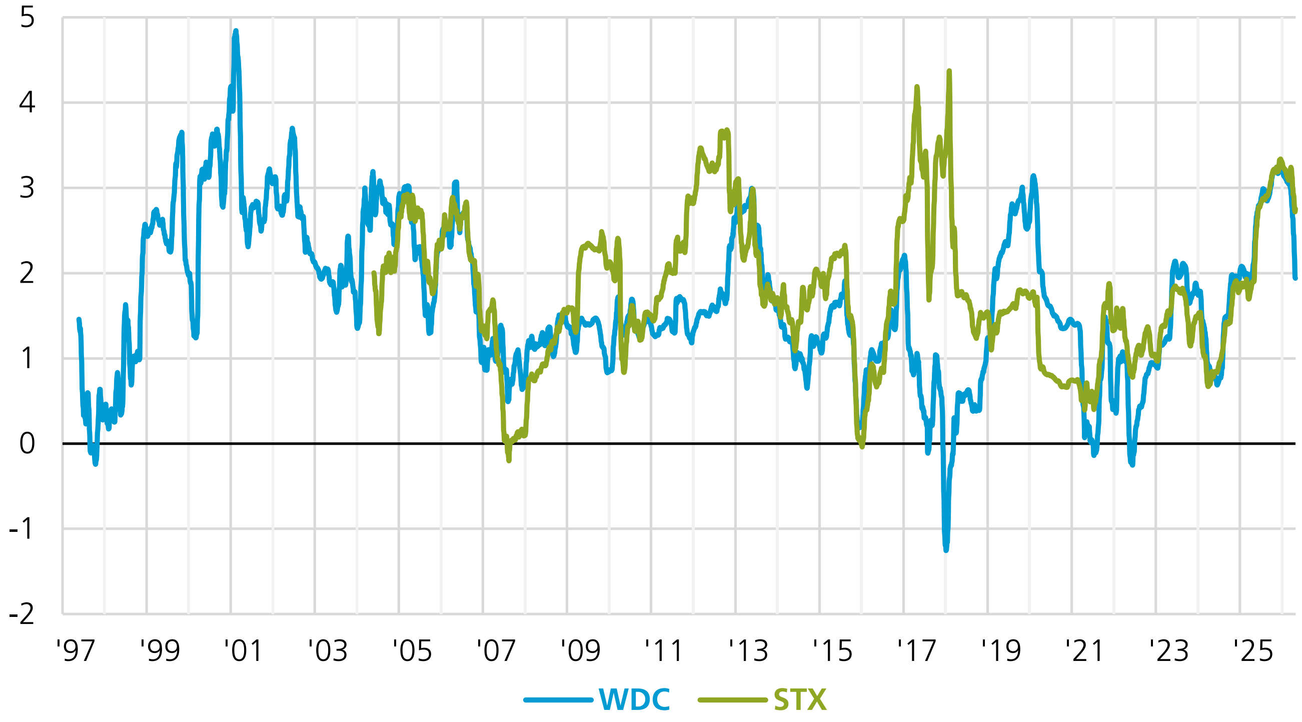
Source: FactSet

Figure 19: Long-term Growth Under HOLT Metrics



Source: UBS HOLT

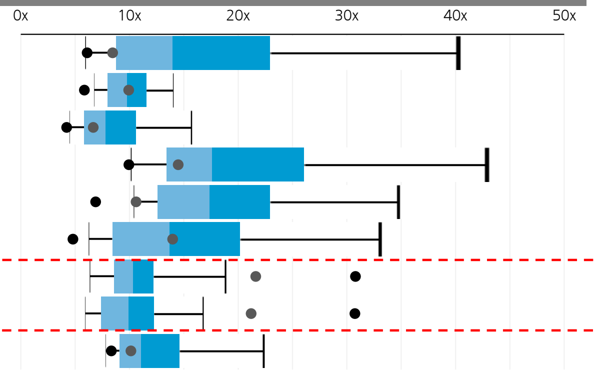
Figure 20: Rolling 1 Year Beta to S&P 500 History

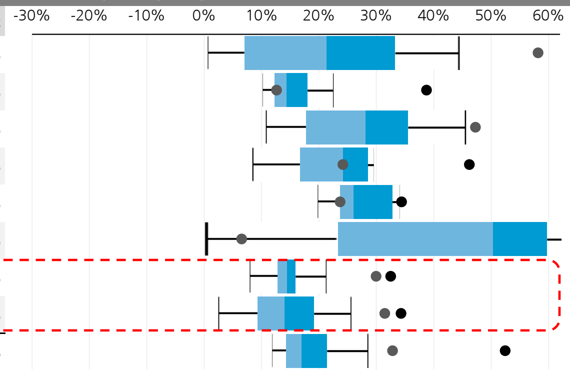


Source: Company reports, UBS, FactSet.

Figure 21: Memory Cycle Overview - STX and WDC are both at peak margins and peak multiples at the same time

	NTM P/E Ratio					Operating Margin				
	25th	Median	75th	YE25	Current	25th	Median	75th	YE25	Current
Micron	8.8x	14.0x	22.9x	8.4x	6.1x	7%	21%	33%	58%	72%
Samsung	8.0x	9.8x	11.6x	9.9x	5.9x	12%	14%	18%	13%	39%
SK Hynix	5.8x	7.8x	10.6x	6.7x	4.2x	18%	28%	36%	47%	71%
Sandisk	13.4x	17.6x	26.1x	14.5x	9.9x	17%	24%	29%	24%	46%
Kioxia	12.6x	17.4x	23.0x	10.6x	6.9x	24%	26%	33%	24%	34%
Nanya Tech	8.4x	13.7x	20.2x	14.0x	4.8x	-8%	19%	29%	7%	63%
Seagate	8.6x	10.4x	12.2x	21.6x	30.8x	13%	14%	16%	30%	32%
Western Digital	7.4x	9.9x	12.3x	21.2x	30.7x	9%	14%	19%	31%	34%
Memory/Storage Weighted Avg	**9.1x**	**11.0x**	**14.6x**	**10.1x**	**8.3x**	**14%**	**17%**	**21%**	**33%**	**52%**



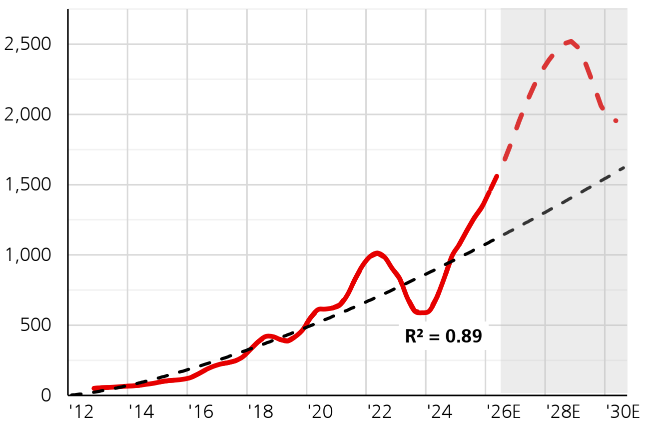


Source: Company reports, UBS estimates, Factset.

WDC vs. STX Comparison and Key HDD Industry Charts

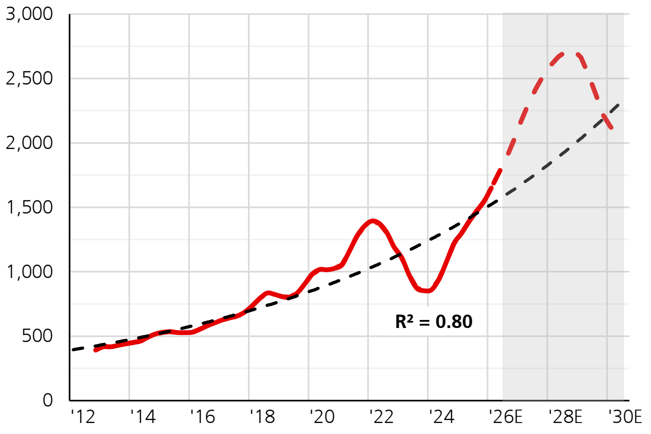
Our bottom-up storage industry model is available on request.

Figure 22: WDC + STX TTM Nearline EB Shipments and trendline



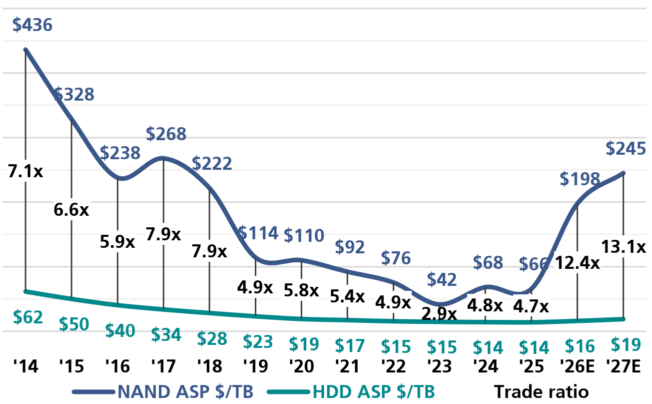
Source: UBS estimates, Company reports

Figure 23: WDC + STX TTM Total EB Shipments and trendline



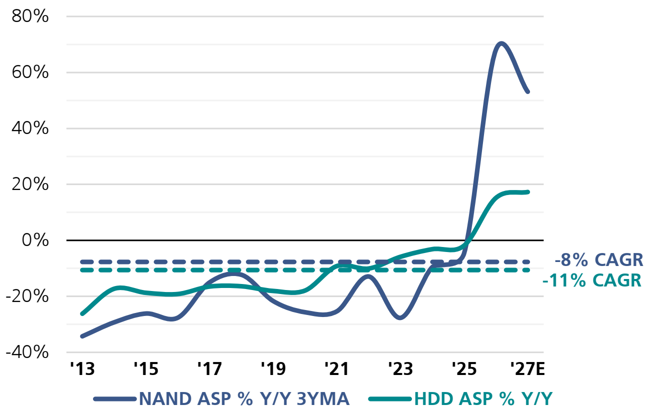
Source: UBS estimates, Company reports

Figure 24: HDD vs NAND ASP



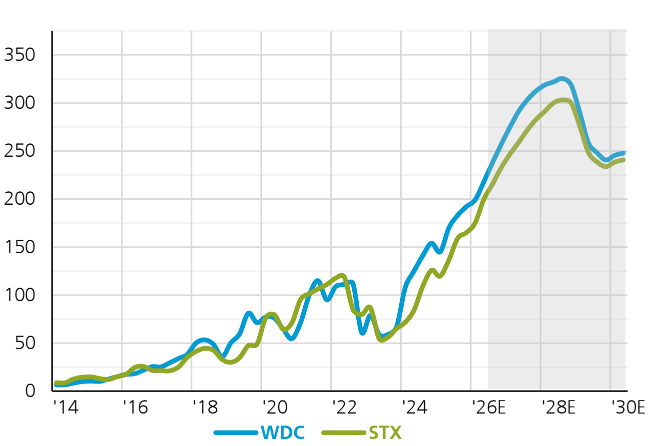
Source: UBS estimates, Company reports

Figure 25: HDD vs NAND ASP Declines



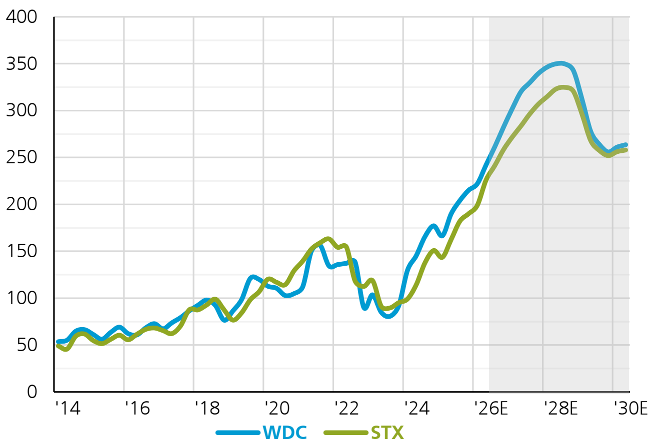
Source: UBS estimates, Company reports

Figure 26: Nearline Capacity (EB)



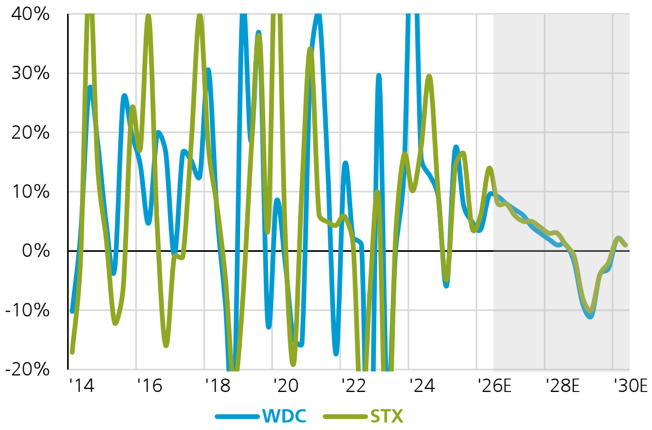
Source: UBS estimates, Company reports

Figure 27: Total Capacity Shipped (EB)



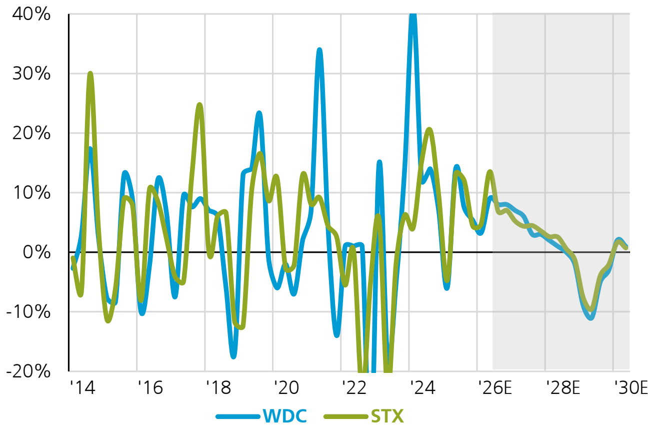
Source: UBS estimates, Company reports

Figure 28: Nearline EB Shipment Q/Q Growth



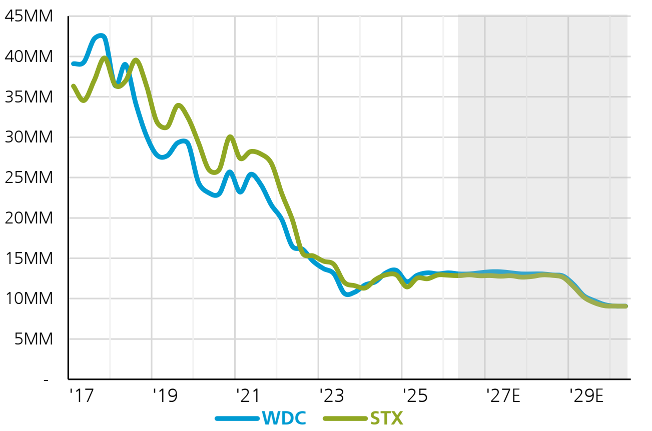
Source: UBS estimates, Company reports

Figure 29: Total EB Shipment Q/Q Growth



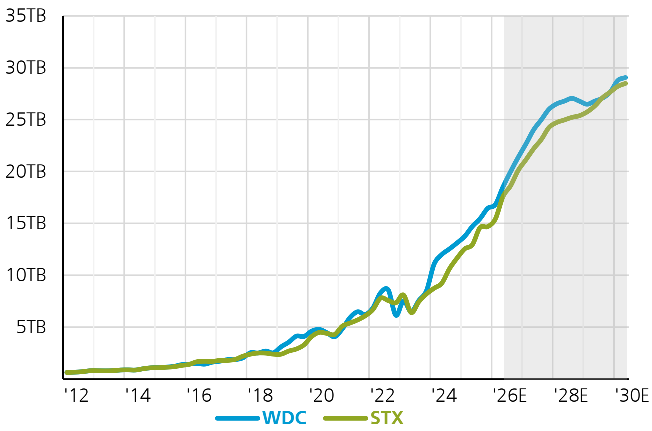
Source: UBS estimates, Company reports

Figure 30: Drive Units (MMs)



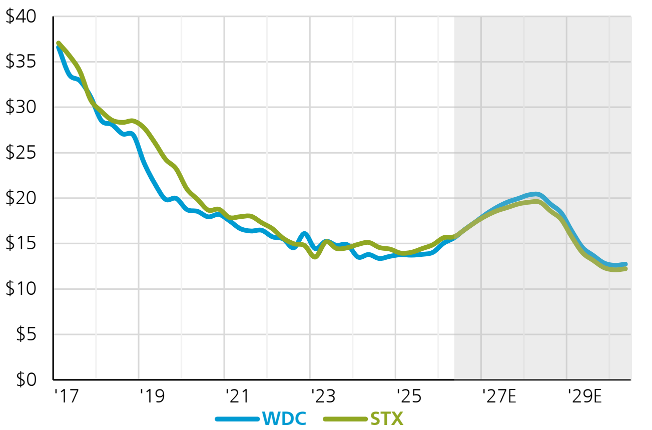
Source: UBS estimates, Company reports

Figure 31: Capacity per drive (TB)



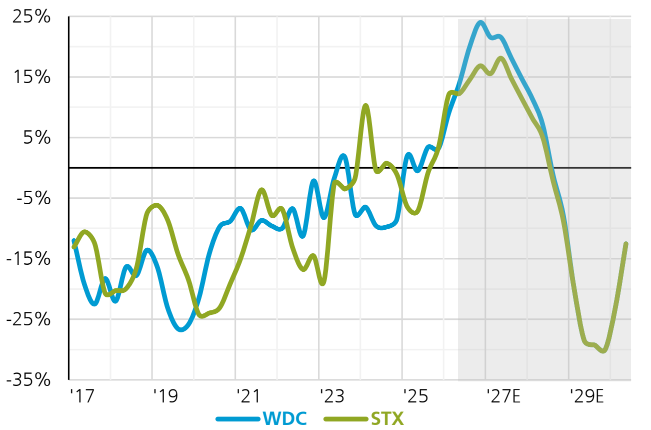
Source: UBS estimates, Company reports

Figure 32: HDD Unit Price $/TB



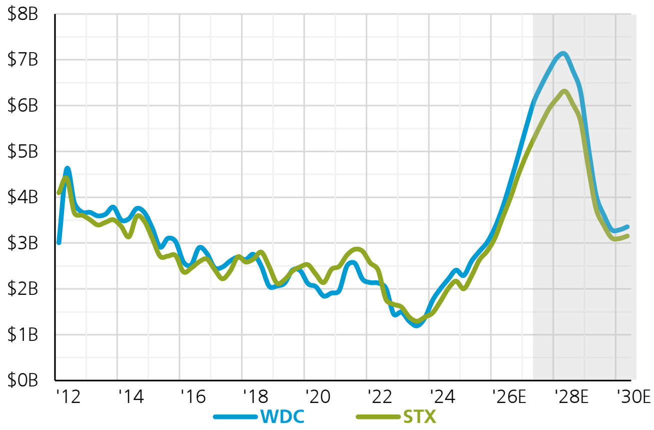
Source: UBS estimates, Company reports

Figure 33: HDD Unit Price $/TB Y/Y Growth



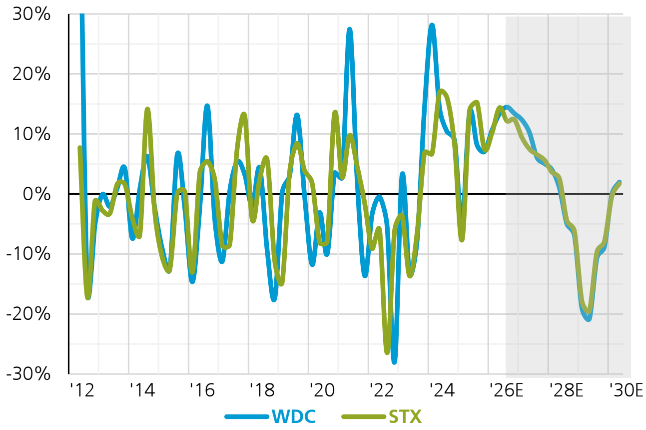
Source: UBS estimates, Company reports

Figure 34: HDD Revenue (US$B)



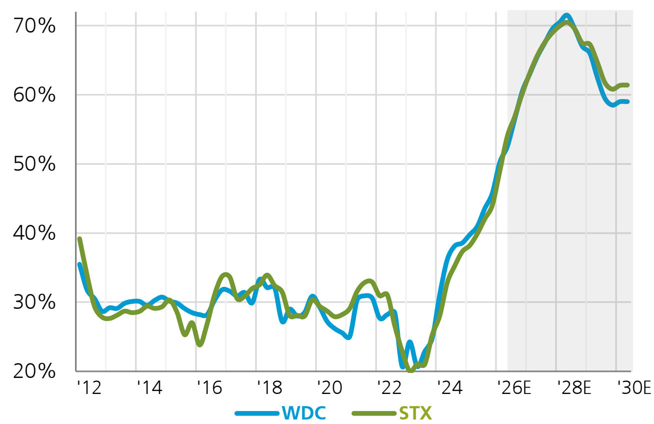
Source: UBS estimates, Company reports

Figure 35: HDD Revenue Q/Q Growth



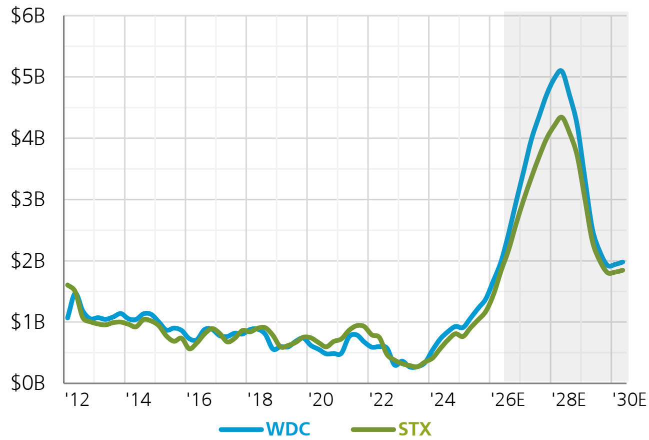
Source: UBS estimates, Company reports

Figure 36: HDD Gross Margin



Source: UBS estimates, Company reports

Figure 37: HDD Gross Profit (US$B)



Source: UBS estimates, Company reports

Western Digital Corp (WDC.O)

Income Statement (US$m)	06/23	06/24	06/25	06/26E	%ch	06/27E	%ch	06/28E	06/29E	06/30E
Revenues	**12,318**	**13,003**	**13,279**	**12,955**	*-2.4*	**20,841**	*60.9*	**27,409**	**22,213**	**13,546**
Gross profit	1,938	2,960	5,110	6,298	*23.2*	12,878	*104.5*	19,133	14,819	7,994
EBITDA (UBS)	**234**	**1,080**	**3,527**	**5,131**	*45.5*	**11,650**	*127.0*	**17,873**	**13,586**	**6,853**
Depreciation & amortisation	(828)	(568)	(451)	(374)	*17.1*	(426)	*-13.9*	(506)	(576)	(583)
EBIT (UBS)	**(594)**	**512**	**3,076**	**4,757**	*54.6*	**11,224**	*135.9*	**17,367**	**13,010**	**6,270**
Associates & investment income	0	0	0	0	-	0	-	0	0	0
Other non-operating income	0	0	0	0	-	0	-	0	0	0
Net interest	(288)	(405)	(363)	(123)	*66.1*	(13)	*89.6*	(11)	(7)	(13)
Exceptionals (incl goodwill)	0	0	0	0	-	0	-	0	0	0
Pre-tax profit	**(882)**	**107**	**2,713**	**4,634**	*70.8*	**11,211**	*141.9*	**17,356**	**13,003**	**6,257**
Tax	(237)	(118)	(304)	(742)	*-143.9*	(1,860)	*-150.8*	(3,042)	(2,340)	(1,126)
Profit after tax	**(1,119)**	**(11)**	**2,409**	**3,892**	*61.6*	**9,351**	*140.3*	**14,314**	**10,662**	**5,131**
Preference dividends	(24)	(87)	(55)	(64)	*-16.4*	(52)	*18.7*	(52)	(52)	(52)
Minorities	0	0	0	0	-	0	-	0	0	0
Extraordinary items	(587)	(483)	(542)	3,525	-	(541)	-	(746)	(596)	(342)
Net earnings (local GAAP)	**(1,730)**	**(581)**	**1,812**	**7,354**	*305.8*	**8,758**	*19.1*	**13,516**	**10,015**	**4,736**
Net earnings (UBS)	**(1,143)**	**(98)**	**2,354**	**3,828**	*62.6*	**9,299**	*142.9*	**14,262**	**10,610**	**5,079**
Tax rate (%)	0.0	110.3	11.2	16.0	*42.8*	16.6	*3.7*	17.5	18.0	18.0

Per Share (US$)	06/23	06/24	06/25	06/26E	%ch	06/27E	%ch	06/28E	06/29E	06/30E
EPS (UBS, diluted)	(3.58)	(0.29)	6.57	10.09	*53.7*	24.51	*142.8*	38.82	30.08	14.54
EPS (local GAAP, diluted)	(5.42)	(1.74)	5.05	19.39	*283.6*	23.08	*19.1*	36.79	28.40	13.56
EPS (UBS, basic)	(3.59)	(0.30)	6.79	11.17	*64.4*	27.61	*147.2*	43.91	34.22	16.55
DPS (net) (US$)	0.00	0.00	0.12	0.49	*299.7*	0.65	*31.7*	0.84	1.04	1.24
Cash EPS (UBS, diluted) [1]	(0.99)	1.41	7.82	11.08	*41.6*	25.63	*131.3*	40.19	31.72	16.20
Book value per share	33.69	31.54	15.31	28.95	*89.1*	35.49	*22.6*	41.88	40.29	39.65
Average shares (diluted)	319	333	359	379	*5.8*	379	*0.0*	367	353	349

Balance Sheet (US$m)	06/23	06/24	06/25	06/26E	%ch	06/27E	%ch	06/28E	06/29E	06/30E
Cash and equivalents	2,023	1,879	2,114	1,642	*-22.3*	1,385	*-15.7*	1,984	2,163	2,279
Other current assets	5,863	6,181	3,742	5,085	*35.9*	6,382	*25.5*	6,750	4,685	4,156
Total current assets	**7,886**	**8,060**	**5,856**	**6,727**	*14.9*	**7,768**	*15.5*	**8,734**	**6,847**	**6,435**
Net tangible fixed assets	3,620	3,167	2,343	2,475	*5.6*	2,883	*16.5*	3,473	3,786	3,745
Net intangible fixed assets	10,117	10,110	4,319	4,321	*0.0*	4,321	*0.0*	4,321	4,321	4,321
Investments / other assets	2,806	2,851	1,484	1,391	*-6.3*	1,391	*0.0*	1,391	1,391	1,391
Total assets	**24,429**	**24,188**	**14,002**	**14,914**	*6.5*	**16,362**	*9.7*	**17,919**	**16,345**	**15,891**
Trade payables & other ST liabilities	4,221	4,337	3,192	3,169	*-0.7*	3,367	*6.3*	3,220	2,705	2,529
Short term debt	1,213	1,750	2,226	831	*-62.7*	0	-	0	0	0
Total current liabilities	**5,434**	**6,087**	**5,418**	**4,000**	*-26.2*	**3,367**	*-15.8*	**3,220**	**2,705**	**2,529**
Long term debt	5,857	5,684	2,485	0	-	0	-	0	0	0
Other long term liabilities	1,415	1,370	559	728	*30.2*	728	*0.0*	728	728	728
Preferred shares	876	229	229	262	*14.4*	314	*19.8*	366	418	470
Total liabilities (incl pref shares)	**13,582**	**13,370**	**8,691**	**4,990**	*-42.6*	**4,409**	*-11.6*	**4,314**	**3,851**	**3,727**
Common s/h equity	**10,847**	**10,818**	**5,311**	**9,924**	*86.9*	**11,953**	*20.4*	**13,606**	**12,494**	**12,165**
Minority interests	0	0	0	0	-	0	-	0	0	0
Total liabilities & equity	**24,429**	**24,188**	**14,002**	**14,914**	*6.5*	**16,362**	*9.7*	**17,919**	**16,345**	**15,891**

Cash Flow (US$m)	06/23	06/24	06/25	06/26E	%ch	06/27E	%ch	06/28E	06/29E	06/30E
Net income (before pref divs)	(1,706)	(494)	1,867	7,418	*297.3*	8,810	*18.8*	13,568	10,067	4,788
Depreciation & amortisation	828	568	451	374	*-17.1*	426	*13.9*	506	576	583
Net change in working capital	90	(598)	(1,102)	(479)	*56.6*	(1,137)	*-137.4*	(552)	1,513	316
Other operating	380	224	382	(3,521)	-	417	-	548	444	271
Operating cash flow	**(408)**	**(300)**	**1,598**	**3,791**	*137.3*	**8,516**	*124.6*	**14,070**	**12,600**	**5,958**
Tangible capital expenditure	(807)	(292)	(407)	(461)	*-13.3*	(834)	*-80.7*	(1,096)	(889)	(542)
Intangible capital expenditure	0	0	0	0	-	0	-	0	0	0
Net (acquisitions) & disposals	0	0	405	0	-	37	-	37	37	37
Other investing	45	265	223	(8)	-	0	-	0	0	0
Investing cash flow	**(762)**	**(27)**	**221**	**(469)**	-	**(796)**	*-69.7*	**(1,059)**	**(851)**	**(504)**
Equity dividends paid	0	0	(44)	(188)	*-326.7*	(246)	*-31.3*	(312)	(370)	(437)
Share issues / (buybacks)	0	0	(149)	(2,670)	*NM*	(6,900)	*-158.4*	(12,100)	(11,200)	(4,900)
Other financing	881	(199)	(1,402)	(165)	*88.2*	0	*100.0*	0	0	0
Change in debt & pref shares	(6)	386	(17)	(818)	*NM*	(831)	*-1.6*	0	0	0
Financing cash flow	**875**	**187**	**(1,612)**	**(3,841)**	*-138.3*	**(7,977)**	*-107.7*	**(12,412)**	**(11,570)**	**(5,337)**
Cash flow inc/(dec) in cash	**(295)**	**(140)**	**207**	**(519)**	-	**(257)**	*50.4*	**599**	**178**	**116**
FX / non cash items	(9)	(4)	28	47	*67.9*	0	*-100.0*	0	0	0
Balance sheet inc/(dec) in cash	**(304)**	**(144)**	**235**	**(472)**	-	**(257)**	*45.4*	**599**	**178**	**116**

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts.[1] Cash EPS (UBS, diluted) is calculated using UBS net income adding back depreciation and amortization.

Western Digital Corp (WDC.O)

Valuation (x)	06/23	06/24	06/25	06/26E	06/27E	06/28E	06/29E	06/30E
P/E (local GAAP, diluted)	NM	NM	11.8	20.4	17.2	10.8	13.9	29.2
P/E (UBS, diluted)	(10.8)	NM	9.1	39.2	16.2	10.2	13.2	27.2
P/CEPS	NM	38.1	7.4	32.3	13.7	8.7	11.0	21.5
Equity FCF (UBS) yield %	(9.9)	(3.3)	5.8	2.5	5.7	9.6	8.6	4.0
Dividend yield (net) %	0.0	0.0	0.2	0.1	0.2	0.2	0.3	0.3
P/BV	1.1	1.7	3.9	13.7	11.2	9.5	9.8	10.0
EV/revenues (core)	1.3	1.7	1.9	NM	6.7	5.1	6.3	NM
EV/EBITDA (UBS core)	69.6	21.0	7.1	27.2	12.0	7.8	10.3	20.6
EV/EBIT (core)	NM	44.3	8.1	29.4	12.4	8.0	10.7	22.5
EV/OpFCF (core)	NM	28.8	8.0	29.9	12.9	8.3	11.0	22.4
EV/op. invested capital	1.1	1.5	2.1	16.0	13.8	12.2	12.3	13.4

Enterprise value (US$m)	06/23	06/24	06/25	06/26E	06/27E	06/28E	06/29E	06/30E
Market cap.	12,282	17,806	20,607	135,415	135,415	135,415	135,415	135,415
Net debt (cash)	5,309	5,854	4,305	4,305	4,305	4,305	4,305	5,769
Buy out of minorities	0	0	0	0	0	0	0	0
Pension provisions/other	0	0	0	0	0	0	0	0
Total enterprise value	**17,591**	**23,659**	**24,912**	**139,720**	**139,720**	**139,720**	**139,720**	**141,184**
Non core assets	(1,297)	(991)	0	0	0	0	0	0
Core enterprise value	**16,294**	**22,668**	**24,912**	**139,720**	**139,720**	**139,720**	**139,720**	**141,184**

Growth (%)	06/23	06/24	06/25	06/26E	06/27E	06/28E	06/29E	06/30E
Revenue	(34.5)	5.6	2.1	(2.4)	60.9	31.5	(19.0)	(39.0)
EBITDA (UBS)	(94.3)	NM	NM	45.5	127.0	53.4	(24.0)	(49.6)
EBIT (UBS)	-	-	NM	54.6	135.9	54.7	(25.1)	(51.8)
EPS (UBS, diluted)	-	91.8	-	53.7	142.8	58.4	(22.5)	(51.7)
Net DPS	-	-	-	NM	31.7	30.7	23.6	19.1

Margins & Profitability (%)	06/23	06/24	06/25	06/26E	06/27E	06/28E	06/29E	06/30E
Gross profit margin	15.7	22.8	38.5	48.6	61.8	69.8	66.7	59.0
EBITDA margin	1.9	8.3	26.6	39.6	55.9	65.2	61.2	50.6
EBIT (UBS) margin	(4.8)	3.9	23.2	36.7	53.9	63.4	58.6	46.3
Net earnings (UBS) margin	NM	NM	17.7	29.6	44.6	52.0	47.8	37.5
ROIC (EBIT)	NM	3.3	25.9	54.3	NM	NM	NM	59.4
ROIC post tax	NM	NM	23.0	45.6	NM	NM	NM	48.7
ROE (UBS)	(9.9)	(0.9)	29.2	50.3	85.0	111.6	81.3	41.2

Capital structure & Coverage (x)	06/23	06/24	06/25	06/26E	06/27E	06/28E	06/29E	06/30E
Net debt / EBITDA	25.3	5.4	0.8	(0.1)	(0.1)	(0.1)	(0.1)	(0.3)
Net debt / total equity %	54.6	53.5	53.2	(5.5)	(9.0)	(11.9)	(14.0)	(14.9)
Net debt / (net debt + total equity) %	35.3	34.8	34.7	(5.9)	(9.8)	(13.5)	(16.2)	(17.5)
Net debt/EV %	30.2	24.7	17.3	0.8	(0.6)	(1.0)	(1.2)	(1.3)
Capex / depreciation %	97.5	51.4	90.2	123.4	195.7	NM	154.3	93.0
Capex / revenue %	6.6	2.2	3.1	3.6	4.0	4.0	4.0	4.0
EBIT / net interest	-	1.3	8.5	38.6	NM	NM	NM	NM
Dividend cover (UBS)	-	-	NM	22.8	NM	NM	NM	13.3
Div. payout ratio (UBS) %	-	-	1.8	4.4	2.3	1.9	3.0	7.5

Revenues by division (US$m)	06/23	06/24	06/25	06/26E	06/27E	06/28E	06/29E	06/30E
Others	12,318	13,003	13,279	12,955	20,841	27,409	22,213	13,546
Total	**12,318**	**13,003**	**13,279**	**12,955**	**20,841**	**27,409**	**22,213**	**13,546**

EBIT (UBS) by division (US$m)	06/23	06/24	06/25	06/26E	06/27E	06/28E	06/29E	06/30E
Others	(594)	512	3,076	4,757	11,224	17,367	13,010	6,270
Total	**(594)**	**512**	**3,076**	**4,757**	**11,224**	**17,367**	**13,010**	**6,270**

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts.

Forecast returns

Forecast price appreciation	-5.3%
Forecast dividend yield	0.2%
Forecast stock return	-5.1%
Market return assumption	8.9%
Forecast excess return	-14.0%

Company Description

Western Digital designs, develops, manufactures, and sells flash memory products and hard disk drives to hyperscale customers, OEMs, distributors, and retailers. The company is one of the two dominant hard drive suppliers in the industry. The SanDisk acquisition moved it into the highly competitive flash memory market. The company's products are primarily used in data center systems, personal computers, surveillance systems, and consumer applications.

Valuation Method and Risk Statement

WDC: We value Western Digital on NTM P/E, by reference to historical relative valuations and peer HDD supplier Seagate. Risks to our investment thesis include: (1) HDD industry supply/demand dynamics; (2) SSD pricing vs HDD trend; (3) End market demand.

The HOLT methodology does not assign ratings or a target price to a security. It is an analytical tool that involves use of a set of proprietary quantitative algorithms and warranted value calculations, collectively called the HOLT valuation model, that are consistently applied to all the companies included in its database. The HOLT valuation model is a discounted cash flow model. Third-party data (including consensus earnings estimates) are systematically translated into a number of default variables and incorporated into the algorithms available in the HOLT valuation model. The source financial statement, pricing, and earnings data provided by outside data vendors are subject to quality control and may also be adjusted to more closely measure the underlying economics of firm performance. These adjustments provide consistency when analyzing a single company across time, or analyzing multiple companies across industries or national borders.
The default scenario that is produced by the HOLT valuation model establishes a warranted price that represents the expected mean value for a security based upon empirically derived fade algorithms that forecast a firm's future return on capital and growth rates over an extended period of time. As the third-party data are updated, the warranted price updates automatically. A company’s future achieved return on capital or growth rate may differ from HOLT default forecast. Additional information about the HOLT methodology is available upon request.
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HOLT transferred to UBS on October 1, 2024 – renamed as UBS HOLT. The UBS HOLT Lens website and materials will be transitioning to UBS branding over time, with expected full redesign to UBS in time.

Quantitative Research Review

UBS Global Research publishes a quantitative assessment of its analysts' responses to certain questions about the likelihood of an occurrence of a number of short term factors in a product known as the 'Quantitative Research Review'. The views for this month can be found below. Views contained in this assessment on a particular stock reflect only the views on those short term factors which are a different timeframe to the 12-month timeframe reflected in any equity rating set out in this note. For previous responses please make reference to (i) previous UBS Global Research reports; and (ii) where no applicable research report was published that month, the Quantitative Research Review which can be found at https://neo.ubs.com/quantitative, or contact your UBS sales representative for access to the report or the Quantitative Research Team on ubs-quant-answers@ubs.com. A consolidated report which contains all responses is also available and again you should contact your UBS sales representative for details and pricing or the Quantitative Research Team on the email above.

Western Digital Corp

Question	Response
1. Is the industry structure facing the firm likely to improve or deteriorate over the next six months? Rate on a scale of 1-5 (1 = getting worse, 3 = no change, 5 = getting better, N/A = no view)	3
2. Is the regulatory/government environment facing the firm likely to improve or deteriorate over the next six months? Rate on a scale of 1-5 (1 = getting tougher 3 = no change, 5 = getting better, N/A = no view)	3
3. Over the last 3-6 months in broad terms have things been improving/no change/getting worse for this stock? Rate on a scale of 1-5 (1 = getting a lot worse, 3 = not much change, 5 = getting a lot better, N/A = no view)	4
4. Relative to the current CONSENSUS EPS forecast, is the next company EPS update likely to lead to: (1 = negative surprise vs consensus, 3 = in-line with consensus, 5 = positive surprise vs consensus expectations, N/A = no view)	3
5. What's driving the difference?	
6. Relative to YOUR current earnings forecast, is there relatively greater risk at the next earnings result of:(1 = downside skew risk to earnings, 3 = equal upside or downside risk to earnings, 5 = upside skew risk to earnings, N/A = no view)	4
7. What's driving the difference?	
8. Is there an upcoming catalyst for the company over the next three months?	
9. Is there an actual or approximate date for the catalyst?	
10. Is the catalyst date an actual or approximate date?	
11. What is the catalyst?	

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12-Month Rating	Definition	Coverage[1]	IB Services[2]
Buy	FSR is > 6% above the MRA.	54%	24%
Neutral	FSR is between -6% and 6% of the MRA.	40%	21%
Sell	FSR is > 6% below the MRA.	6%	21%

Source: UBS. Rating allocations are as of 31 March 2026.
1:Percentage of companies under coverage globally within the 12-month rating category.
2:Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.

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UBS Securities LLC: Aaryan Wadhwa, Grant Joslin, Timothy Arcuri.

Company Disclosures

Company Name	Reuters	12-month rating	Price	Price date
Western Digital Corp[16,28,20]	WDC.O	Neutral (CBE)	US$395.95	30 Apr 2026

Source: UBS Global Research; LSEG Eikon. All prices as of local market close. Ratings in this table are the most current published ratings prior to this report. They may be more recent than the stock pricing date.

16. UBS Securities LLC makes a market in the securities and/or ADRs of this company.
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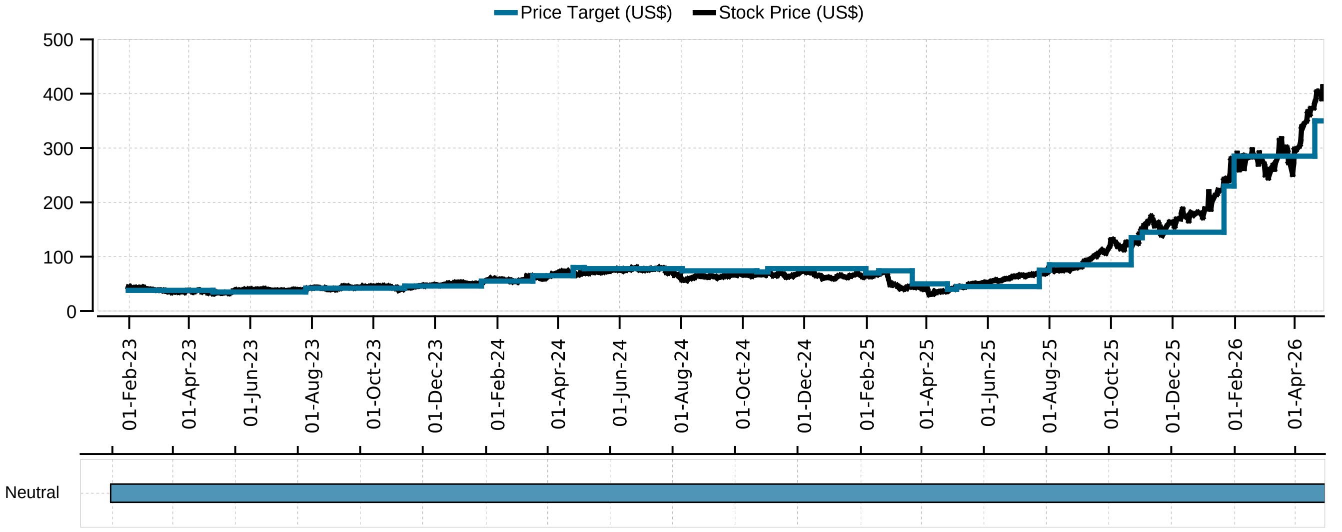
Western Digital Corp (US$)



Date	Stock Price (US$)	Price Target (US$)	Rating
2023-01-30	44.24	38.00	Neutral
2023-04-24	32.90	35.00	Neutral
2023-07-25	38.64	42.00	Neutral
2023-10-31	40.15	46.00	Neutral
2024-01-15	50.01	55.00	Neutral
2024-03-06	64.70	65.00	Neutral
2024-04-15	70.43	80.00	Neutral
2024-04-26	71.36	78.00	Neutral
2024-08-01	60.53	74.00	Neutral
2024-10-14	66.83	72.00	Neutral
2024-10-25	69.45	78.00	Neutral
2025-01-30	65.78	70.00	Neutral
2025-02-12	67.28	74.00	Neutral
2025-03-17	44.75	50.00	Neutral
2025-04-21	35.96	40.00	Neutral
2025-04-30	43.86	45.00	Neutral
2025-07-21	68.74	75.00	Neutral
2025-07-31	78.69	85.00	Neutral

Date	Stock Price (US$)	Price Target (US$)	Rating
2025-10-20	121.53	135.00	Neutral
2025-10-31	150.21	145.00	Neutral
2026-01-20	222.97	230.00	Neutral
2026-01-30	250.23	285.00	Neutral
2026-04-20	374.11	350.00	Neutral

Source: UBS Global Research; LSEG Eikon as of 30-Apr-2026. All prices as of local market close. Ratings as of date shown.

Additional Prices: Micron Technology Inc, US$517.16 (30 Apr 2026); NVIDIA Corp, US$199.57 (30 Apr 2026); Seagate Technology Holdings PLC, US$673.64 (30 Apr 2026); Source: UBS. All prices as of local market close.

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