Western Digital Corp. (WDC): First Take: Solid results and strong guidance, set against elevated expectations

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Key stock takeaways: We expect the stock to be range bound following a strong quarter, with margin/EPS guidance well above the Street. We believe investor expectations were very elevated given Seagate's strong report, as well as growing confidence in continued pricing and margin momentum as HDD shortages persist. We expect investors to focus on critical elements of management's commentary on the conference call, including (1) gross margin trajectory; (2) duration of HDD pricing growth; (3) CapEx expectations.

Quarterly results above the Street: Western Digital reported revenue of $3.34 bn, in line with GS at $3.30bn and the Street at $3.26 bn (Visible Alpha Consensus Data), while gross margin of 50.5% was well above GS at 48.6% and the Street at 47.9%. Non-GAAP EPS of $2.72 was well above GS at $2.55 and the Street at $2.43. Cloud revenue of $2.97 bn was in line with GS at $2.99 bn but above the Street at $2.78 bn, Client revenue of $167 mn was above GS at $162 mn and Street at $164 mn, and Consumer revenue of $200 mn was above GS at $152 mn and the Street at $181 mn.

2Q revenue and EPS guidance is well above the Street. Western Digital guided 2Q above the Street on revenue and gross margin. Revenue was guided to $3.65 bn at the midpoint, which is above GS at $3.40 bn and the Street at $3.48 bn. Gross margin was guided to 51% - 52%, well above GS at 48.9% and the Street at 49.2%. Non-GAAP EPS guidance of $3.10 - $3.40 (midpoint of $3.25) was well above GS at $2.64 and the Street at $2.77.

Read-through to our coverage: We expect a positive initial reaction and read-across for STX (Buy).

Price target. Our 12 month price target of $250 is based on a 22X P/E multiple applied to our normalized EPS of $11.50. Key upside/downside risks: (1) any pull-in of the company's HAMR roadmap; (2) new consumer/enterprise storage applications; (3) multiple compression due to industry overshipping end-demand; (4) any signaling of HAMR roadmap push outs or incremental technical challenges.

Exhibit 1: WDC - Variance summary

Financials ($ mn, except EPS)	Actual	GS	1Q26 Street	Actual/GS	Actual/Street
Cloud	2,970	2,988	2,776	-0.6%	7.0%
Client	167	162	164	2.8%	1.8%
Consumer	200	152	181	31.4%	10.7%
Total Revenue	3,337	3,303	3,257	1.0%	2.5%
QoQ	*10.6%*	*9.5%*	*7.9%*		
YoY	*45.5%*	*44.0%*	*42.0%*		
Gross Margin	50.5%	48.6%	47.9%	*+189 bps*	*+259 bps*
Operating Margin	38.6%	36.5%	35.9%	*+207 bps*	*+265 bps*
Non-GAAP EPS	$2.72	$2.55	$2.43	6.8%	12.1%

Source: Company data, Goldman Sachs Global Investment Research, Visible Alpha Consensus Data

Exhibit 2: WDC - Guidance summary vs GS prior and Stree estimates

Financials ($ mn, except EPS)	High	Low	Guidance (midpoint)	2Q26E GS	Street	Guidance/GS	Guidance/Street
Total Revenue	3,750	3,550	3,650	3,397	3,483	7.4%	4.8%
QoQ			*9.4%*	*2.8%*	*15.5%*		
YoY			*40.1%*	*30.4%*	*33.7%*		
Gross Margin	52.0%	51.0%	51.5%	48.9%	49.2%	*+257 bps*	*+231 bps*
Non-GAAP EPS	$3.40	$3.10	$3.25	$2.64	$2.77	23.0%	17.2%

Source: Company data, Goldman Sachs Global Investment Research, Visible Alpha Consensus Data

WDC	12m Price Target: **$250.00**	Price: **$412.76**	Downside: **39.4%**

Neutral

Market cap: $152.3bn
Enterprise value: $151.8bn
3m ADTV: $2.7bn
United States
Americas Semiconductors, Telecom & IT Services
M&A Rank: 3

GS Forecast

	6/25	6/26E	6/27E	6/28E
Revenue ($ mn)	13,279.0	12,535.4	14,914.0	16,825.5
EBITDA ($ mn)	3,286.0	4,494.1	5,815.1	6,822.6
EBIT ($ mn)	2,835.0	4,130.1	5,447.1	6,454.6
EPS ($)	5.97	8.53	11.41	13.96
P/E (X)	8.2	48.4	36.2	29.6
EV/EBITDA (X)	6.0	31.2	22.7	18.3
FCF yield (%)	8.4	3.7	4.6	3.7
Dividend yield (%)	0.2	0.1	0.1	0.1
Net debt/EBITDA (X)	0.8	(0.2)	(1.0)	(1.4)

	12/25	3/26E	6/26E	9/26E
EPS ($)	1.99	2.41	2.50	2.61

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 29 Apr 2026 close.