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Hard Disk Drives | North America

F4Q26 Earnings Preview – Reigniting The Bull Case

Our HDD checks continue to strengthen and we expect both STX/WDC to report strong pricing-driven beats/raises this qtr. Expectations are growing, but we're pounding the table after this pullback and reiterate both STX/WDC as our favored OW's, with STX our tactical favorite into earnings/Top Pick.

Key Takeaways

- HDD fundamentals continue to strengthen, with demand visibility extending to 2032 and industry checks indicating a 300-400EB supply shortfall through 2027.
- We expect STX and WDC to report near the high end of June guidance and guide September well-above Consensus as pricing momentum remains robust.
- Pricing remains the key differentiator, with CY27-CY28 discussions moving towards $25-30/TB and spot EBs carrying a 30-40%+ premium vs. contracted volumes.
- Recent concerns around STX clean room expansion, NAND pricing, open-source AI, and compares to memory are overdone based on our checks.
- Despite elevated headline P/Es, STX/WDC trade at ~16x base case CY27 EPS and ~7x bull case CY28 EPS, for 75%+ annual EPS growth through at least 2028.

For more details on our latest HDD views, please see IT Hardware: HDDs – The Next Leg Higher (15 Jun 2026) and Western Digital: Mgmt Meetings Highlight Customers Seeking Visibility Into 2032 (15 Jun 2026).

We view upcoming HDD earnings as an important catalyst to reignite confidence in the HDD bull case, and help to reinforce confidence in the broader AI infrastructure spending cycle. Our intra-quarter checks continue to point to a strengthening HDD pricing environment, tightening exabyte supply, and improving visibility into long-term demand from hyperscalers, which we believe will support meaningful upside to Street revenue, gross margin, and EPS expectations for both STX and WDC (and likely surpass high buy-side expectations). Importantly, this setup coincides with positive cloud capex revisions and accelerating cloud revenue growth, creating the potential for a broader re-rating across AI infrastructure beneficiaries that have underperformed in the last 4 weeks (macro/inflation/rates view notwithstanding). Conversations across the supply chain continue to suggest that the HDD market remains structurally undersupplied, with CY27-CY28 pricing discussions increasingly pushing towards $25-30/TB and spot exabyte deals continuing to command a 30-40% (or greater) premium to contracted volumes. Against this backdrop, our sensitivity analysis (Exhibit 1) highlights where September quarter revenue, gross margin, and EPS could ultimately land for STX and WDC under a range of near-term pricing scenarios.

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IT HARDWARE

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Industry View **Cautious**

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Beyond June and September quarter results, we expect investors to focus on management commentary around pricing beyond current guidance, the duration of demand visibility, long-term exabyte supply growth, customer capacity reservations extending into the next decade, and the pace of HAMR adoption as a driver of sustained earnings power. While STX and WDC currently trade at ~16x our base-case CY27 EPS estimates, and 12-13x our bull-case estimates (or ~11x our CY28 base case EPS / ~7x our CY28 bull case EPS), we view these valuations as attractive given the industry's improving pricing structure, expanding profitability, and stronger long-term demand visibility, particularly relative to STX's historical 8-14x trading range during periods of materially lower earnings power. We reiterate Overweight on both STX and WDC into earnings and maintain STX as our Top Pick.

Exhibit 1: While our September quarter EPS estimates are already 4-5% above Street, stronger pricing momentum could drive further earnings upside even in the near term.

Sept '26 Quarter	MSe	Cons	Diff.	Potential Outcomes for Blended $/TB					
STX									
$/TB Q/Q Growth	3.7%	2.3%	130bps	3.0%	4.0%	5.0%	6.0%	7.0%	8.0%
Revenue ($M)	3,806	3,782	1%	3,782	3,819	3,856	3,892	3,929	3,966
Gross Margin	53.2%	49.9%	330bps	52.9%	53.4%	53.8%	54.3%	54.7%	55.1%
EPS	$6.11	$5.84	4%	$6.02	$6.15	$6.29	$6.42	$6.55	$6.69
WDC									
$/TB Q/Q Growth	3.6%	2.8%	80bps	3.0%	4.0%	5.0%	6.0%	7.0%	8.0%
Revenue ($M)	4,046	4,027	0%	4,028	4,067	4,106	4,145	4,184	4,223
Gross Margin	55.3%	51.8%	350bps	55.1%	55.5%	56.0%	56.4%	56.8%	57.2%
EPS	$3.96	$3.78	5%	$3.92	$4.00	$4.09	$4.17	$4.25	$4.34

Source: Company data, FactSet, Morgan Stanley Research estimates. Note: Consensus $/TB estimates are calculated using Consensus revenue divided by MSe EB shipment estimates for both the June and September quarters.

We still believe the data retention tailwinds from AI are in the early innings, as our checks continue to point to a strengthening HDD demand outlook, with supply-demand dynamics becoming tighter and potentially longer-lasting than investors appreciate. HDD demand signals remain aligned with broader LLM adoption, new AI application launches (e.g. ByteDance's AI video app, Seedance), expanding enterprise AI deployments and data lake creation, and the ongoing need to generate and retain data for both model training and, increasingly, inferencing. Put differently, nearly every check we have done so far suggests either the HDD supply shortage is intensifying or the duration of the cycle is extending. For example, CSPs are now requesting capacity visibility through 2032, while our industry checks continue to indicate a 300-400EB HDD supply shortfall every year through CY28. Against that backdrop, HDD pricing discussions for CY27-CY28 are increasingly moving towards $25-30/TB, per our early June checks, while out-of-contract EB volumes ("spot") currently command a 30-40%+ premium to contracted EBs. Importantly, HDD vendors are also becoming incrementally more constructive in their public commentary on pricing. During our roadshow with WDC in early June, management noted that "*an opportunity exists*" for $/TB growth to reach teens % on a Y/Y basis, vs. +9% Y/Y in the March quarter.

Against this backdrop, we expect both STX and WDC to deliver June quarter results at the high end of guidance, supported by continued pricing momentum. While we are not changing our estimates into earnings, we expect June quarter results to come in solidly above both MSe and Consensus expectations. For what it's worth, the Nikkei reported nearline HDD pricing increased ~10% Q/Q during the June quarter. If accurate, that would imply meaningful upside to both our estimates

and current Consensus expectations, though this feels quite aggressive vs. our ~3% Q/Q nearline price/EB base case forecasts, which are already above-Street. To be very clear, while spot pricing / negotiations for future nearline prices are both moving higher, most of the contracts impacting the June '26 quarter were decided quarters ago, meaning we should expect healthy upside to guidance/MSe/Consensus in the June quarter, but not the level quoted above. For STX, we expect June quarter revenue of $3.50B-$3.55B (vs. guidance of $3.45B-$3.55B) and gross margin of 50-51%, implying operating margin of 41.5-42.5% (vs. low-40% guidance) and EPS of $5.14-$5.33. For WDC, we expect June quarter revenue of $3.70B-$3.75B (vs. guidance of $3.55B-$3.75B) and gross margin of 52-53% (vs. guidance of 51-52%), resulting in EPS of $3.34-$3.44.

We also expect a strong September quarter outlook, with pricing remaining the primary driver of earnings upside. Our base case assumes HDD pricing continues to increase at a MSD% Q/Q pace, supporting revenue and margin trajectories above current Consensus expectations. That said, while "spot" EBs continue to transact at a meaningful premium, we do not expect broad-based nearline HDD pricing increases of 10%+ Q/Q in the September quarter. In our view, that is unlikely because: (1) "spot" EBs likely represent only 15-20% of nearline EB shipments, and (2) memory pricing did not begin its sharp upward move until September of last year – HDD pricing negotiations might not turn aggressive immediately after memory contract pricing increase. Even so, STX should benefit from a relative $/TB tailwind as the discounted HAMR volumes shipped to GOOGL are largely fulfilled exiting the June quarter. In addition, as we enter a new fiscal year, both STX and WDC could see incremental benefit from higher-priced contracts coming into production. While we expect modest opex increases ($5-10M Q/Q for STX and $10-15M Q/Q for WDC), we still anticipate September quarter guidance to come in above MSe and meaningfully above Consensus. For STX, we expect guidance for revenue of $3.80B-$3.85B and gross margin of 53-54%, representing ~300bps of Q/Q expansion and implying operating margins in the mid-40% range and EPS of $6.10-$6.30 (Exhibit 2). For WDC, we expect management to guide to revenue of $4.05B-$4.15B and gross margin of 54-55%, 200bps higher Q/Q (we believe WDC guides a bit more conservatively than STX), implying EPS of $3.95-$4.15 (Exhibit 3).

Exhibit 2: STX: Our June quarter estimates are largely in line with Street, while our September quarter EPS estimate is 4% above Street, driven by both revenue and margin upside.

	Jun-26					Sep-26				
($M)	Reported	MSe Old	Diff.	Cons	Diff.	MSe New	MSe Old	Diff.	Cons	Diff.
Revenue	3,474	3,474	0%	3,497	-1%	3,806	3,806	0%	3,782	1%
Gross Profit	1,734	1,734	0%	1,747	-1%	2,027	2,027	0%	1,888	7%
Operating Profits	1,437	1,437	0%	1,468	-2%	1,724	1,724	0%	1,643	5%
Profit Before Tax	1,388	1,388	0%	1,403	-1%	1,679	1,679	0%	1,554	8%
Net Income	1,166	1,166	0%	1,171	0%	1,411	1,411	0%	1,334	6%
EPS	**$5.05**	**$5.05**	**0%**	**$5.10**	**-1%**	**$6.11**	**$6.11**	**0%**	**$5.84**	**4%**
Gross Margin	49.9%	49.9%	0bps	50.0%	-10bps	53.2%	53.2%	0bps	49.9%	330bps
Operating Margin	41.4%	41.4%	0bps	42.0%	-60bps	45.3%	45.3%	0bps	43.4%	180bps
Diluted Shares (M)	231	231	0%	230	1%	231	231	0%	228	1%

Source: Company data, FactSet, Morgan Stanley Research estimates

Exhibit 3: WDC: Our June quarter estimates are largely in line with Street, while our September quarter EPS estimate is 8% above Street, driven primarily by margin upside.

	Jun-26					Sep-26				
($M)	MSe New	MSe Old	Diff.	Cons	Diff.	MSe New	MSe Old	Diff.	Cons	Diff.
Revenue	3,685	3,685	0%	3,693	0%	4,046	4,046	0%	4,027	0%
Gross Profit	1,917	1,917	0%	1,905	1%	2,238	2,238	0%	2,085	7%
Operating Profits	1,522	1,522	0%	1,526	0%	1,829	1,829	0%	1,743	5%
Profit Before Tax	1,516	1,516	0%	1,519	0%	1,830	1,830	0%	1,750	5%
Net Income	1,273	1,273	0%	1,271	0%	1,537	1,537	0%	1,446	6%
EPS	**$3.30**	**$3.30**	**0%**	**$3.30**	**0%**	**$3.96**	**$3.96**	**0%**	**$3.78**	**5%**
Gross Margin	52.0%	52.0%	0bps	51.6%	40bps	55.3%	55.3%	0bps	51.8%	350bps
Operating Margin	41.3%	41.3%	0bps	41.3%	0bps	45.2%	45.2%	0bps	43.3%	190bps
Diluted Shares (M)	385	385	0%	386	0%	389	389	0%	383	2%

Source: Company data, FactSet, Morgan Stanley Research estimates

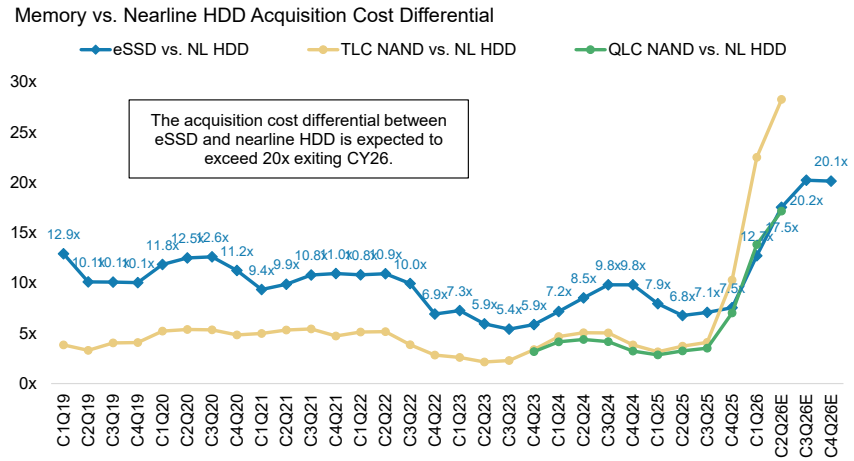
Recent investor concerns around capacity additions and cycle durability appear increasingly disconnected from what our checks are telling us. Over the last several weeks, we've heard a range of questions from investors, despite incrementally more bullish industry data points. The most common concerns center on: (1) STX's clean room expansion in Minnesota, (2) how HDD pricing should be viewed amid pockets of NAND pricing weakness, (3) whether recent open-source LLM launches or hyperscaler initiatives – such as META's move toward leasing datacenter capacity through a neocloud-like model – could ultimately pressure HDD demand, and (4) comparisons to memory stocks. We address each of these concerns below.

- **STX clean room expansion reflects HAMR requirements rather than broad-based capacity additions.** Our checks suggest the expansion in MN represents ~20% additional capacity, but specifically for modern HAMR head wafers, which are not interchangeable with conventional head wafers. Assuming STX's nearline drives average ~23TB today, reaching 30-40TB+ capacities during C2H26 will, by definition, require significantly more HAMR heads than STX produces now. Importantly, this is not a greenfield expansion. In parallel, our Asia checks continue to point to ~5% HDD unit growth this year, with growth extending through 2030, supported by HAMR adoption, improved production yields, and shortening manufacturing cycle times.
- **We believe concerns linking potential NAND pricing weakness to HDD pricing are misplaced.** While some investors have focused on softer NAND spot pricing in recent months, our HDD checks continue to indicate very robust pricing fundamentals, including CY27-CY28 negotiations headed towards $25-30/TB, and current spot EB pricing running 30-40%+ above contracted levels. At the same time, we are hearing signs of tightening NAND markets, including some eSSD transactions being signed around $0.60-0.70/GB vs. HDD pricing of roughly $0.015/GB. Put differently, the HDD-to-eSSD acquisition cost advantage remains approximately 17-20x today (vs. substitution risk at 3x), and is likely to widen further (Exhibit 4), meaning (1) any near-term concerns of NAND pricing are overblown, (2) the substitution risk of eSSD gets smaller by the day (though still relevant medium to longer-term), and (3) HDD's should continue to see upward pressure on pricing.
- **Open-source LLM adoption and emerging neocloud models are more likely to support HDD demand than disrupt it.** As HDD demand becomes

increasingly tied to inferencing workloads, we would argue the industry is still in the early innings of AI-driven data creation. More LLM usage drives more inferencing activity, which in turn drives greater requirements for data retention, storage, and model retraining. Whether models are proprietary or open source, data remains the core input to AI systems, and HDDs continue to account for roughly 80% of all data stored in datacenters.

- **HAMR adoption continues to progress on schedule, with improving yields and additional catalysts ahead.** Our checks indicate STX HAMR yields have continued to improve, with 2-3M+ shipments expected in the June quarter. We also see the Mozaic 4 ramp tracking towards C2H26, with limited-volume shipments beginning in C2Q26. Beyond STX, Asia supply chain checks suggest WDC remains on track for a C1H27 HAMR ramp, which we view as an important catalyst for broader industry adoption. In addition, discussions during our WDC NDR highlighted meaningful qualification progress. Based on feedback from the four major US hyperscalers, WDC appears ahead of its peer at a similar stage of the HAMR qualification process in both reliability and performance metrics.
- **We do not believe comparisons between HDDs and memory re: bear case risks are particularly relevant today.** A common bear argument is that HDDs should follow the same path as memory, particularly as memory company margins, pricing growth, and earnings growth begin to peak (per bears). While we understand the broad relationship between memory and HDDs, the comparison breaks down quickly – (1) memory companies are currently operating at 80-90% gross margins, whereas HDD vendors are generating gross margins at around 50% today with 70-80%+ incremental gross margins – HDD's are not close to peak margins, (2) HDD pricing is just starting to ramp Y/Y – the market is several quarters away from any potential sign of HDD's Y/Y price/EB peaking, (3) we forecast HDD Y/Y revenue growth accelerating every quarter for at least the next 5 quarters – again, regardless of Y/Y pricing or revenue trends – 2nd derivative concerns are not relevant for HDD's, (4) HDD vendors are not planning any greenfield capacity expansions – 5% unit growth this year is in-line with expectations 3 months ago despite a greater need for HDD heads – and our checks point to persistent cycle elongation, and lastly (5) there are no Chinese competitors in the HDD market – HDD's are a 3-player, rational, oligopoly with 80%+ of demand coming from the worlds largest cloud vendors.

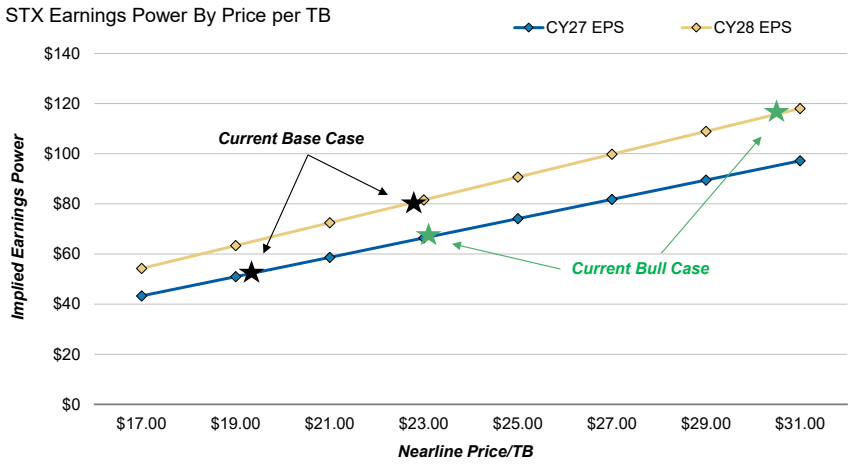
Exhibit 4: eSSD acquisition cost is now 17-20x above HDDs – there is still sufficient room for HDD pricing increase even if one argues that NAND pricing is potentially peaking.



Source: IDC, TrendForce, Morgan Stanley Research

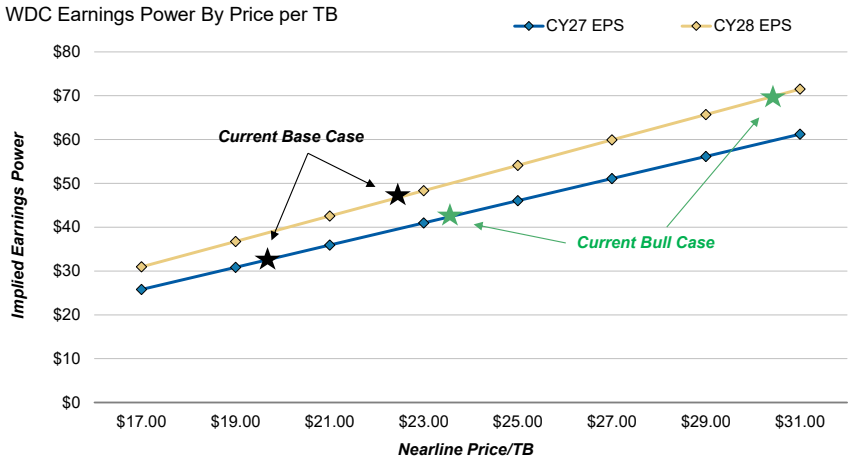
Valuation remains compelling despite headline multiples that appear elevated. On Consensus FY27 estimates, STX and WDC currently trade at roughly 31x and 28x P/E, respectively, well above the historical 8-14x range. However, we believe those multiples overstate valuation because Street estimates remain far too conservative relative to the pricing environment we are seeing. Even if our HDD pricing checks prove only remotely accurate, the stocks screen considerably cheaper on our earnings estimates, which we have not fully embedded the pricing upside from our checks (Exhibit 5 and Exhibit 6). Based on our CY27 base-case EPS estimates, both STX and WDC trade at approximately 16x earnings, and just 12-13x under our bull case (Exhibit 7 and Exhibit 8), for companies compounding earnings at 75%+ annually through 2028, with far lower capex needs (dedicated to areal density gains, not physical scaling) than other AI infrastructure winners (Exhibit 9). On our CY28 bull case EPS – which still don't fully incorporate our strong pricing checks – both STX and WDC trade at just ~7x P/E.

Exhibit 5: Our new base case STX forecast implies nearline price/EB of $19 in CY27 and $22 in CY28 vs. $22/$29 in our new bull case forecasts.



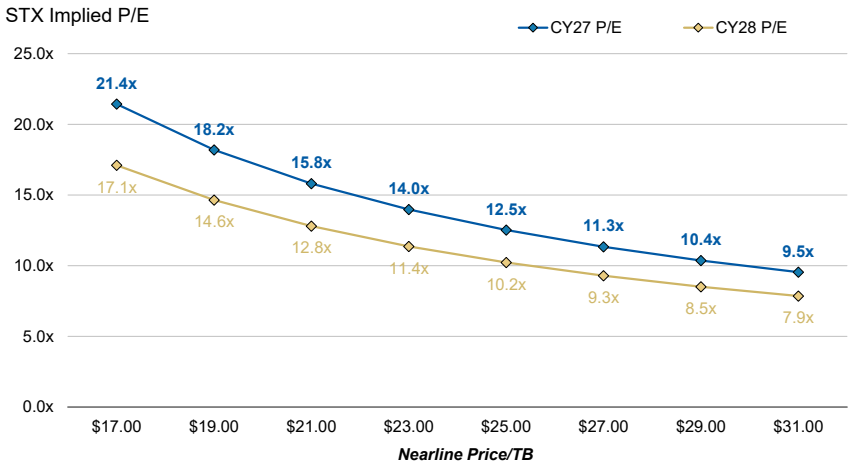
Source: Company data, Morgan Stanley Research estimates

Exhibit 6: Similarly, our base case WDC forecast implies nearline price/EB near $19.50 in CY27 and close to $22 in CY28 vs. $22.50/$29 in our new bull case forecasts.



Source: Company data, Morgan Stanley Research estimates

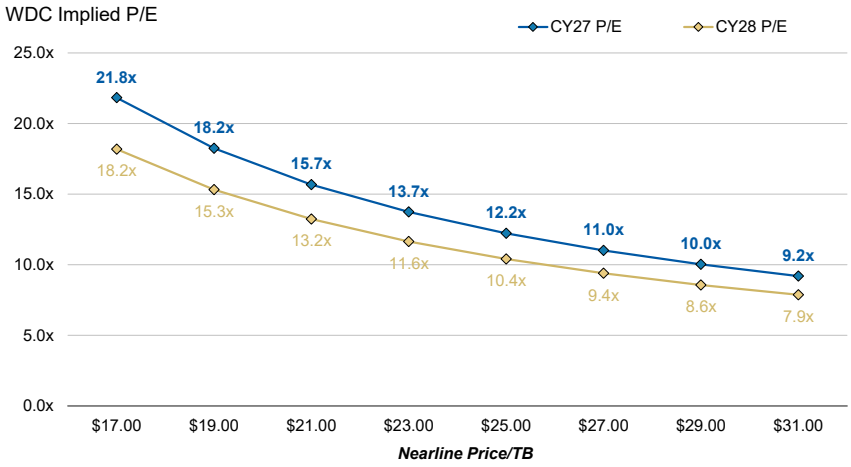
Exhibit 7: STX currently trades at 18x our CY27 base case EPS, though just 14x our new CY27 bull case EPS.



Source: Company data, Morgan Stanley Research estimates

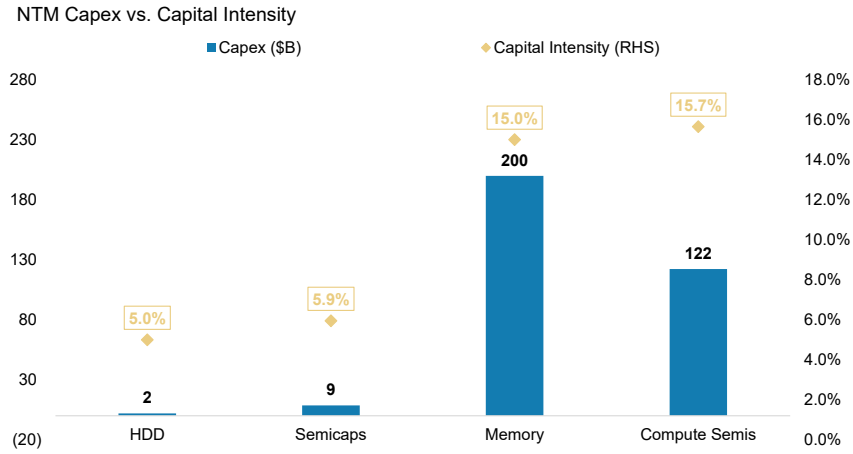


Exhibit 8: WDC currently trades at 17x our CY27 base case EPS, or just 13x our new CY27 bull case EPS.



Source: Company data, Morgan Stanley Research estimates

Exhibit 9: Compared to Semicaps, Memory, and Compute Semis companies, HDD has the lowest capital intensity and required capex dollar to deliver robust revenue/earnings growth in the coming 1-2 years.



Source: Company data, Morgan Stanley Research estimates. Note: NTM estimates are based on MSe; HDD include STX, WDC; Semicaps include AMAT, LRCX, KLAC, ASML; Memory include Samsung, SKNY, MU, KIOXIA, SNDK; Compute Semis include NVDA, AVGO, MRVL, AMD, INTC; Compute Semis' capital intensity calculation also include TSM's capex.

At earnings, we will focus less on the quarter itself and more on signals that help frame the next leg of the HDD cycle. STX is scheduled to report earnings on July 28, and WDC on August 5, with both companies reporting after the market close. Outside of the quarterly results and guidance (revenue, gross margin, opex, implied $/TB and cost/TB, etc.), we believe key areas of focus include: (1) commentary around mid-to-long-term HDD pricing, (2) visibility into long-term exabyte supply and growth, (3) cost pressures and the long-term cost-down trajectory, (4) unit capacity plans vs. growing inferencing-driven HDD demand, (5) demand visibility and LTAs, (6) the shipment ramp trajectory toward 40TB+ products, (7) HAMR qualification progress, and (8) capital allocation priorities, particularly for STX (buybacks vs. deleveraging). Though in our view – pricing and cycle duration commentary remain the most critical of topics this quarter.

Exhibit 10: STX: Our FY27-FY28 EPS estimates are still 24-55% above Consensus

	FY26E			FY27E			FY28E		
($M)	MS	Cons	Diff.	MS	Cons	Diff.	MS	Cons	Diff.
Revenue	12,040	12,057	0%	18,603	16,963	10%	27,878	22,340	25%
Gross Profit	5,442	5,431	0%	11,046	8,729	27%	19,909	11,920	67%
Operating Profits	4,268	4,279	0%	9,829	7,948	24%	18,642	11,978	56%
Profit Before Tax	4,013	3,971	1%	9,663	7,630	27%	18,499	11,560	60%
Net Income	3,385	3,325	2%	8,117	6,542	24%	15,539	9,996	55%
EPS	**$14.91**	**$14.91**	**0%**	**$35.38**	**$28.54**	**24%**	**$70.64**	**$45.57**	**55%**
Gross Margin	45.2%	45.0%	20bps	59.4%	51.5%	790bps	71.4%	53.4%	1810bps
Operating Margin	35.4%	35.5%	0bps	52.8%	46.9%	600bps	66.9%	53.6%	1330bps
Diluted Shares (M)	227	223	2%	229	229	0%	220	219	0%

Source: Company data, FactSet, Morgan Stanley Research estimates

Exhibit 11: WDC: Our FY27-FY28 EPS estimates are still 20-50% above Consensus

	FY26E			FY27E			FY28E		
($M)	MS	Cons	Diff.	MS	Cons	Diff.	MS	Cons	Diff.
Revenue	12,857	12,868	0%	19,663	18,280	8%	29,976	24,234	24%
Gross Profit	6,229	6,182	1%	12,055	9,862	22%	21,769	13,432	62%
Operating Profit	4,684	4,638	1%	10,387	8,574	21%	19,916	12,814	55%
Profit Before Tax	4,565	4,566	0%	10,392	8,625	20%	19,943	12,877	55%
Net Income	3,783	3,764	1%	8,730	7,202	21%	16,753	10,859	54%
EPS	**$9.97**	**$9.99**	**0%**	**$22.40**	**$18.50**	**21%**	**$43.47**	**$29.18**	**49%**
Gross Margin	48.4%	48.0%	40bps	61.3%	54.0%	740bps	72.6%	55.4%	1720bps
Operating Margin	36.4%	36.0%	40bps	52.8%	43.6%	920bps	66.4%	42.7%	2370bps
Diluted Shares (M)	379	377	1%	390	389	0%	385	372	4%

Source: Company data, FactSet, Morgan Stanley Research estimates

AlphaSignals Earnings Preview

Focus KPI	Focus KPI Surprise	Likely impact to consensus EPS*
Seagate Technology STX.O		
Implied Sept Qtr EPS Guidance	↑ Very likely upside surprise	↑ Meaningful revision higher
Western Digital WDC.O		
Sept Qtr EPS Guidance	↑ Very likely upside surprise	↑ Meaningful revision higher

*Likely impact to consensus EPS is for the next 12 months
Source: Company data, Morgan Stanley Research

Risk Reward – Seagate Technology (STX.O) Top Pick

Once in a Generation Data Center Buildout and Tech Leadership Supports OW Rating

PRICE TARGET $1,035.00

Our PT implies 20.0x our CY27 EPS of $51.67, as we expect earnings upward revisions by the Street with shares trading 6.0x turns above the peak multiples in the previous industry upcycle.

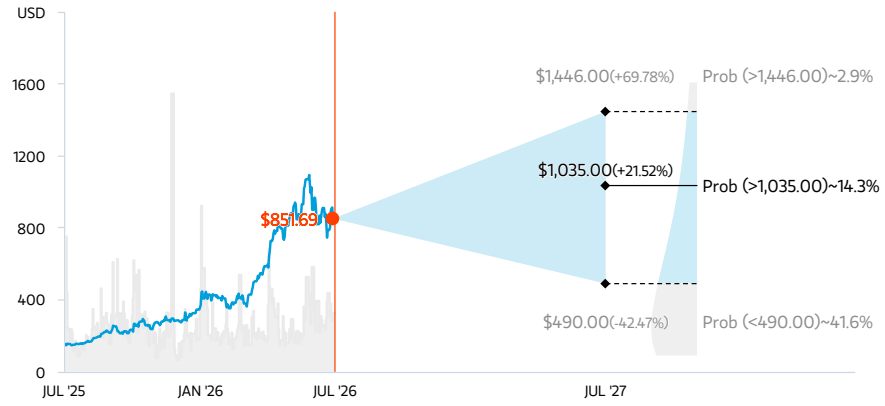
Consensus Price Target Distribution $682.12 $979.05 $1,300.00

MS PT

Mean Morgan Stanley Estimates

Source: Refinitiv, Morgan Stanley Research

RISK REWARD CHART AND OPTIONS IMPLIED PROBABILITIES (12M)



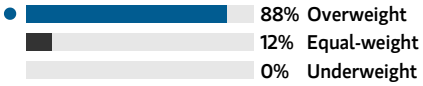
Key: Historical Stock Performance Current Stock Price Price Target

Source: Refinitiv, Morgan Stanley Research, Morgan Stanley Institutional Equities Division. The probabilities of our Bull, Base, and Bear case scenarios playing out were estimated with implied volatility data from the options market as of 24 Jul 2026. All figures are approximate risk-neutral probabilities of the stock reaching beyond the scenario price in either three-months' or one-years' time. View explanation of Options Probabilities methodology here

OVERWEIGHT THESIS

STX benefits from accelerating data growth, which drives storage demand in the cloud and on-prem. We are entering a period of AI-driven storage demand growth, benefitting both HDDs and flash shipments. We believe the HDD industry supply discipline has made the industry more profitable, and that HAMR and STX's cost/pricing actions will provide a tailwind to the company's gross margin profile in the long term, which continues to be underestimated by the market. Combined with opex discipline, we expect a decent multi-year earnings story ahead. As a result, we are Overweight rated on STX.

Consensus Rating Distribution



Source: Refinitiv, Morgan Stanley Research

Risk Reward Themes

New Data Era:	*Positive*
Pricing Power:	*Positive*
Technology Diffusion:	*Positive*

View descriptions of Risk Rewards Themes here

BULL CASE $1,446.00

22.0x CY27 Bull-case EPS of $65.74

Cloud storage demand surprises positively, gross margins expand more quickly due to HAMR mix, and STX sees a greater AI-driven demand uplift. Cloud demand further accelerates into CY26, and HAMR's launch is successful, putting upward pressure on margins amidst market share gain. Gross margins approaching mid-60% levels in FY27-28. STX sees incremental HDD demand from AI in FY26 and it is more material than expected. $1,446 represents 22.0x P/E on CY27 bull-case EPS of $65.74.

BASE CASE $1,035.00

20.0x CY27 EPS of $51.67

Gross margins expand to 60% levels and AI drives HDD demand, creating a compelling EPS story in FY26-28. The HDD market remains healthy in CY26, and AI drives a modest HDD demand uplift in FY26-28. HAMR drives gross margins to 60% levels and continued opex discipline, along with share buybacks, supports EPS. Our PT assumes 18.0x CY27 EPS of $51.67, with STX stock multiples trading 6.0x turns above the peak of previous HDD industry upcycle in 2021-22.

BEAR CASE $490.00

14.0x CY27 Bear-case EPS of $35.00

HDD growth decelerates, gross margins struggle to further expand, and AI-driven demand doesn't materialize. HDD demand growth turns out to be milder than expected, keeping gross margins from further expanding. eSSD starts to replace some of the HDD demand in cloud storage environments for cold data, while the HDD industry becomes less irrational and starts expanding capacity, which weigh on valuation multiples. Our bear case assumes shares trade at 14.0x on CY27 bear-case EPS of $35.00.

Risk Reward – Seagate Technology (STX.O)

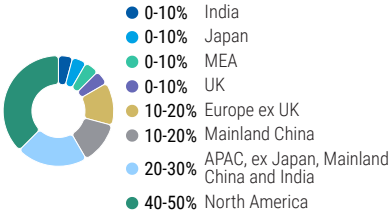
KEY EARNINGS INPUTS

Drivers	Jun 2025	Jun 2026e	Jun 2027e	Jun 2028e
Revenue Growth (Y/Y) (%)	38.9	32.4	54.5	49.9
HDD Exabyte Growth (Y/Y) (%)	49.5	32.0	29.6	20.2
Capacity Optimized Revenue Growth (Y/Y) (%)	57.4	0.0	0.0	0.0
Non-GAAP Gross Margin (%)	35.8	45.2	59.4	71.4
Non-GAAP Operating Margin (%)	23.4	35.4	52.8	66.9

INVESTMENT DRIVERS

- Positive EPS revisions as cycle strength persists and margins ramp to high-40%
- Stronger for longer cloud capex growth
- New CSP qualifications on HAMR platform
- Management accelerates buybacks

GLOBAL REVENUE EXPOSURE



Source: Morgan Stanley Research Estimate
View explanation of regional hierarchies here

MS ALPHA MODELS

5/5 BEST	24 Month Horizon	2/5 MOST	3 Month Horizon

Source: Refinitiv, FactSet, Morgan Stanley Research; 1 is the highest favored Quintile and 5 is the least favored Quintile

RISKS TO PT/RATING

RISKS TO UPSIDE

- Demand accelerates
- AI drives incremental HDD demand
- GM expands to high-50% range
- Smoother/stronger cloud cycles drive multiple expansion
- STX exhibits more pricing power
- HAMR drives share gains

RISKS TO DOWNSIDE

- Qualifications for high-capacity drives take longer than expected
- Steeper declines from cyclical markets
- GM doesn't further expand
- Pricing normalizes more than expected
- Geopolitical tensions & tariff costs

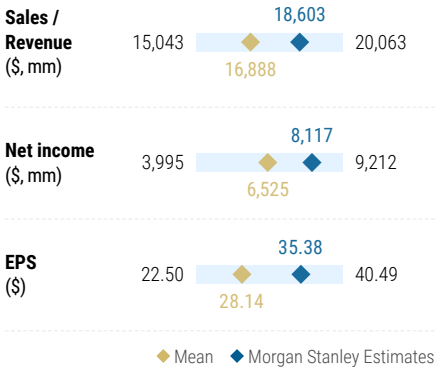
OWNERSHIP POSITIONING

Inst. Owners, % Active	55%
HF Sector Long/Short Ratio	2.1x
HF Sector Net Exposure	29.5%

Refinitiv; MSPB Content. Includes certain hedge fund exposures held with MSPB. Information may be inconsistent with or may not reflect broader market trends. Long/Short Ratio = Long Exposure / Short exposure. Sector % of Total Net Exposure = (For a particular sector: Long Exposure - Short Exposure) / (Across all sectors: Long Exposure – Short Exposure).

MS ESTIMATES VS. CONSENSUS

FY Jun 2027e



Source: Refinitiv, Morgan Stanley Research

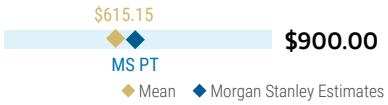
Risk Reward – Western Digital (WDC.O)

An Undervalued Special Sit Tied To Once In a Generation Data Center Buildout

PRICE TARGET $650.00

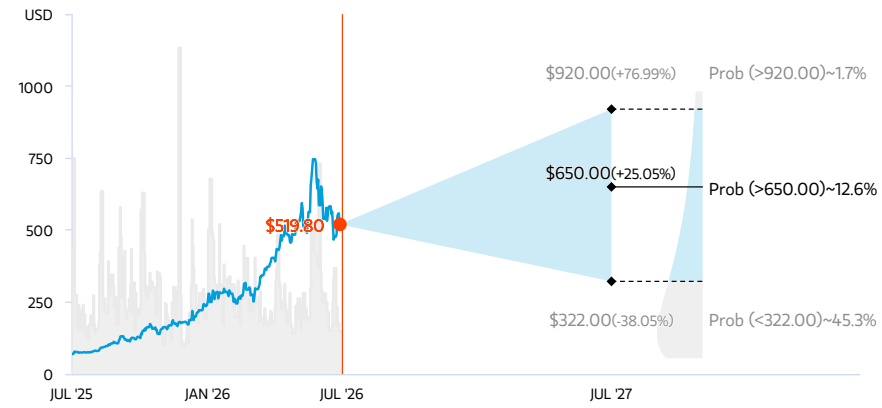
Our PT implies 20.0x CY27 EPS of $27.12, as we expect earnings upward revisions by the Street with shares trading on par with STX at 6.0x turns above the peak multiples (14.0x) in the previous industry upcycle.

Consensus Price Target Distribution



Source: Refinitiv, Morgan Stanley Research

RISK REWARD CHART AND OPTIONS IMPLIED PROBABILITIES (12M)



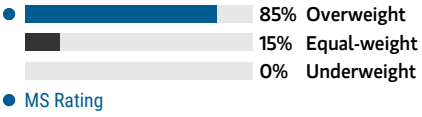
Key: Historical Stock Performance ● Current Stock Price ◆ Price Target

Source: Refinitiv, Morgan Stanley Research, Morgan Stanley Institutional Equities Division. The probabilities of our Bull, Base, and Bear case scenarios playing out were estimated with implied volatility data from the options market as of 24 Jul 2026. All figures are approximate risk-neutral probabilities of the stock reaching beyond the scenario price in either three-months' or one-years' time. View explanation of Options Probabilities methodology here

OVERWEIGHT THESIS

WDC benefits from accelerating data growth, which drives storage demand in the cloud and on-prem. We believe that the HDD cycle is 'Stronger for Longer' – demand outstrips supply with continued upward pressure in HDD pricing – and entering a period of AI-driven storage demand growth, which will benefit both HDDs and SSDs shipments. While WDC is behind STX in HAMR timeline, we believe WDC will retain its leading HDD revenue and profits market share in the near term with its competitive UltraSMR solutions for high-capacity drives before the industry shifts to wider adoption of HAMR. Accelerated mix shift toward higher-capacity drives lowers cost per TB, supporting continued margin expansion.

Consensus Rating Distribution



Source: Refinitiv, Morgan Stanley Research

Risk Reward Themes

New Data Era:	*Positive*
Pricing Power:	*Positive*
Secular Growth:	*Positive*

View descriptions of Risk Rewards Themes here

BULL CASE $920.00

22.0x CY27 Bull-case EPS of $41.80

Cloud storage demand surprises positively, gross margins expand more quickly due to much higher high-capacity mix, and WDC sees a greater AI-driven demand uplift. Gross margins approaching 60%+ range in FY27-28. Incremental HDD demand from AI in CY26 is more material than expected. Pricing environment remains healthy into CY27, driving mid-20s % Y/Y price per EB growth. HAMR timeline accelerates, with earlier-than-expected qualification completion and volume shipment timing.

BASE CASE $650.00

20.0x CY27 EPS of $32.29

GMs approach 50% range and AI drives HDD demand, creating a compelling EPS story in FY26-27. The HDD market remains healthy in CY26, and AI drives a HDD demand uplift in FY26-28. Increase in high-capacity drive mix expand GMs to 60% levels, and continued opex discipline supports EPS. Our PT assumes 20.0x - in line with our target multiple for STX - which is 6.0x turns above where STX stock multiples traded up to during the previous HDD industry upcycle in 2021-22.

BEAR CASE $322.00

14.0x CY27 Bear-case EPS of $23.00

HDD growth decelerates, gross margins struggle to further expand, and AI-driven demand doesn't materialize. Our bear case assumes the HDD demand growth turns out to be milder than expected. Despite market share leadership in high-capacity drives, headwinds such as underutilization, production charges, and tariffs keep GM depressed and lead to fixed cost deleverage. Our bear case assumes shares trade at 14.0x on our CY27 bear-case EPS of $23.00.

Risk Reward – Western Digital (WDC.O)

KEY EARNINGS INPUTS

Drivers	Jun 2025	Jun 2026e	Jun 2027e	Jun 2028e
Revenue Growth (Y/Y) (%)	50.7	35.1	52.9	52.5
HDD Exabyte Growth (Y/Y) (%)	57.8	26.2	28.4	21.9
Nearline HDD Exabyte Growth (Y/Y) (%)	72.2	29.3	31.3	23.8
Non-GAAP Gross Margin (%)	39.4	48.4	61.3	72.6
Non-GAAP Operating Margin (%)	24.4	36.4	52.8	66.4

CATALYST CALENDAR

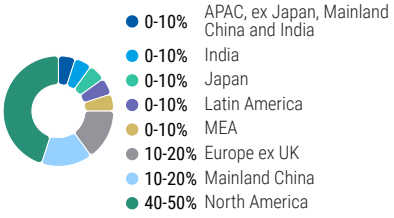
Source: Refinitiv, Morgan Stanley

Date	Event
20 Nov 2026 - 24 Nov 2026	Western Digital Corp Annual Shareholders Meeting

INVESTMENT DRIVERS

- Positive EPS revisions as cycle strength surprises to upside
- Gross margins approaching mid-50s %
- CSPs qualify on HAMR platform, signaling imminent volume shipments
- Further de-leveraging
- Dividend increase / acceleration of buybacks

GLOBAL REVENUE EXPOSURE



Source: Morgan Stanley Research Estimate
View explanation of regional hierarchies here

MS ALPHA MODELS

5/5 BEST	24 Month Horizon	3/5 MOST	3 Month Horizon

Source: Refinitiv, FactSet, Morgan Stanley Research; 1 is the highest favored Quintile and 5 is the least favored Quintile

RISKS TO PT/RATING

RISKS TO UPSIDE

- Demand accelerates
- AI drives incremental HDD demand
- Smoother cloud cycles drive multiple expansion
- WDC exhibits more pricing power
- HAMR qualification/volume shipment timeline earlier than expected

RISKS TO DOWNSIDE

- GM doesn't further expand
- Pricing normalizes more than expected
- Geopolitical tensions & tariff impacts
- Competitive pressures & HAMR timeline delays
- Dilution from converts more significant than expected

OWNERSHIP POSITIONING

Inst. Owners, % Active	52.2%	
HF Sector Long/Short Ratio	2.1x	
HF Sector Net Exposure	29.5%	

Refinitiv; MSPB Content. Includes certain hedge fund exposures held with MSPB. Information may be inconsistent with or may not reflect broader market trends. Long/Short Ratio = Long Exposure / Short exposure. Sector % of Total Net Exposure = (For a particular sector: Long Exposure - Short Exposure) / (Across all sectors: Long Exposure – Short Exposure).

MS ESTIMATES VS. CONSENSUS

FY Jun 2027e

Sales / Revenue ($, mm)	16,750	18,368 / 19,663	22,115
EBITDA ($, mm)	7,810	9,396 / 10,842	12,655
Net income ($, mm)	6,045	7,242 / 8,730	10,131
EPS ($)	11.53	18.39 / 22.40	26.66

◆ Mean ◆ Morgan Stanley Estimates

Source: Refinitiv, Morgan Stanley Research

Exhibit 13: Seagate Technology Income Statement Analysis

($ in millions)	F2025A Sep-24	F2025A Dec-24	F2025A Mar-25	F2025A Jun-25	F2026E Sep-25	F2026E Dec-25	F2026E Mar-26	F2026E Jun-26	F2027E Sep-26	F2027E Dec-26	F2027E Mar-27	F2027E Jun-27	Fiscal Year 2024A	Fiscal Year 2025A	Fiscal Year 2026E	Fiscal Year 2027E	Fiscal Year 2028E
Margin Analysis																	
Gross Margin	**33.3%**	**35.5%**	**36.2%**	**37.9%**	**40.1%**	**42.2%**	**47.0%**	**49.9%**	**53.2%**	**56.7%**	**60.9%**	**64.3%**	**25.5%**	**35.8%**	**45.2%**	**59.4%**	**71.4%**
Data Center	39.5%	40.5%	41.3%	42.8%	43.7%	45.5%	50.2%	52.8%	55.8%	59.2%	63.2%	66.6%		41.1%	48.4%	61.8%	73.5%
Edge IoT	16.7%	20.7%	21.1%	22.1%	25.4%	29.7%	33.9%	38.5%	42.0%	45.5%	48.5%	51.5%		20.1%	32.4%	47.1%	56.1%
Product Development	8.3%	7.9%	8.3%	7.3%	7.1%	6.6%	6.2%	5.6%	5.2%	4.6%	4.1%	3.6%	10.0%	8.0%	6.3%	4.3%	3.0%
SG&A	4.6%	4.4%	4.4%	4.4%	4.0%	3.6%	3.3%	2.9%	2.8%	2.4%	2.2%	1.9%	5.2%	4.4%	3.4%	2.3%	1.5%
Operating Expenses	13.0%	12.3%	12.7%	11.7%	11.1%	10.3%	9.5%	8.5%	8.0%	7.0%	6.3%	5.5%	15.2%	12.4%	9.7%	6.5%	4.5%
EBITDA Margin	23.3%	25.8%	26.4%	28.7%	31.8%	34.3%	39.6%	44.4%	47.3%	51.7%	56.6%	60.9%	14.4%	26.1%	38.0%	54.8%	68.1%
PTOP Margin	20.4%	23.1%	23.5%	26.2%	29.0%	31.9%	37.5%	41.4%	45.3%	49.7%	54.7%	58.8%	10.3%	23.4%	35.4%	52.8%	66.9%
Pretax Margin	16.4%	19.4%	19.8%	23.2%	26.2%	29.4%	35.5%	39.9%	44.1%	48.8%	53.8%	58.1%	5.1%	19.8%	33.3%	51.9%	66.4%
Net Income	15.5%	18.6%	18.8%	22.7%	22.2%	24.8%	30.0%	33.5%	37.1%	41.0%	45.2%	48.8%	4.2%	19.0%	28.1%	43.6%	55.7%
Year-Over-Year Growth (%)																	
Revenue	**49.1%**	**49.5%**	**30.5%**	**29.5%**	**21.3%**	**21.5%**	**44.1%**	**42.2%**	**44.8%**	**54.1%**	**56.3%**	**60.6%**	**-11.3%**	**38.9%**	**32.4%**	**54.5%**	**49.9%**
Data Center					33.6%	28.1%	54.8%	48.9%	46.6%	60.4%	64.2%	70.9%			41.4%	61.4%	58.2%
Edge IoT					-12.1%	2.0%	12.3%	20.6%	37.1%	30.8%	24.1%	19.5%			5.5%	27.2%	7.8%
Gross Margin	151.0%	124.8%	80.8%	58.8%	45.8%	44.4%	87.3%	87.2%	92.3%	107.3%	102.6%	106.9%	6.9%	94.9%	67.2%	103.0%	80.2%
Product Development	5.8%	14.3%	9.8%	13.3%	2.8%	1.6%	7.8%	8.7%	6.4%	6.6%	2.8%	3.2%	-17.9%	10.7%	5.2%	4.7%	4.7%
SG&A	29.9%	30.4%	10.6%	9.2%	5.0%	0.0%	8.5%	-4.9%	-0.3%	1.4%	2.5%	4.1%	-3.4%	19.2%	1.9%	1.9%	2.9%
Operating Expenses	**13.3%**	**19.6%**	**10.0%**	**11.7%**	**3.6%**	**1.0%**	**8.0%**	**3.6%**	**4.0%**	**4.8%**	**2.7%**	**3.5%**	**-13.5%**	**13.6%**	**4.0%**	**3.7%**	**4.1%**
PTOP	1005.0%	323.6%	177.0%	95.7%	72.6%	67.5%	130.2%	124.6%	126.0%	140.2%	127.9%	128.2%	63.6%	214.2%	100.7%	130.3%	89.7%
EBT	NM	976.2%	335.7%	130.5%	94.1%	83.8%	158.8%	144.7%	143.7%	155.5%	137.1%	133.6%	321.7%	440.8%	122.8%	140.8%	91.4%
Net Income	NM	1632.0%	473.2%	150.5%	73.5%	62.1%	129.5%	109.6%	141.9%	154.1%	135.6%	133.6%	580.4%	536.8%	95.4%	139.8%	91.4%
ModelWare EPS	**NM**	**1615.7%**	**467.9%**	**147.0%**	**65.7%**	**52.8%**	**115.4%**	**95.3%**	**133.6%**	**148.9%**	**134.4%**	**137.4%**	**570.7%**	**527.8%**	**84.1%**	**137.2%**	**99.7%**
Sequential Growth (%)																	
Revenue	**14.9%**	**7.2%**	**-7.1%**	**13.1%**	**7.6%**	**7.5%**	**10.2%**	**11.6%**	**9.6%**	**14.4%**	**11.8%**	**14.7%**					
Data Center		9.7%	-7.0%	15.4%	13.5%	5.2%	12.4%	11.0%	11.8%	15.0%	15.1%	15.5%					
Edge IoT		0.5%	-7.5%	6.6%	-11.4%	16.7%	1.8%	14.5%	0.8%	11.3%	-3.4%	10.3%					
Gross Margin	24.0%	14.1%	-5.3%	18.6%	13.8%	13.0%	22.8%	18.5%	16.9%	21.8%	20.1%	21.0%					
Product Development	14.6%	1.7%	-2.2%	-0.6%	3.9%	0.5%	3.7%	0.3%	1.7%	0.7%	0.1%	0.7%					
SG&A	2.0%	3.0%	-8.7%	13.8%	-1.9%	-1.9%	-1.0%	-0.2%	2.8%	-0.2%	0.1%	1.3%					
Operating Expenses	**9.8%**	**2.1%**	**-4.5%**	**4.4%**	**1.7%**	**-0.3%**	**2.1%**	**0.1%**	**2.1%**	**0.4%**	**0.1%**	**0.9%**					
PTOP Margin	35.2%	21.7%	-5.8%	26.2%	19.2%	18.1%	29.5%	23.2%	19.9%	25.6%	22.9%	23.3%					
Pretax Margin	44.3%	27.3%	-5.5%	32.8%	21.5%	20.6%	33.0%	25.6%	21.0%	26.5%	23.4%	23.7%					
Net Income	51.4%	28.9%	-6.0%	36.6%	4.9%	20.4%	33.0%	24.8%	21.0%	26.5%	23.4%	23.7%					
ModelWare EPS	**50.6%**	**28.9%**	**-6.4%**	**36.0%**	**1.1%**	**18.8%**	**31.9%**	**23.3%**	**20.9%**	**26.6%**	**24.2%**	**24.9%**					

Source: Company data, Morgan Stanley Research estimates

Exhibit 14: Seagate Technology Balance Sheet

($ in millions)	F2025A				F2026E				F2027E				Fiscal Year				
	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	2024A	2025A	2026E	2027E	2028E
Assets																	
Current Assets:																	
Cash and cash equivalents	1,239	1,238	814	891	1,112	1,046	1,146	1,005	1,196	1,302	1,453	1,451	1,358	891	1,005	1,451	2,754
Short-term investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accounts receivable, net	628	587	622	959	1,073	1,246	1,197	1,260	1,283	1,609	1,892	1,962	429	959	1,260	1,962	2,822
Affiliate accounts receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Inventories	1,383	1,473	1,472	1,440	1,496	1,498	1,530	1,569	1,722	1,761	1,753	1,795	1,239	1,440	1,569	1,795	1,849
Other current assets	358	364	374	363	351	419	426	382	419	479	535	614	306	363	382	614	934
Total Current Assets	**3,608**	**3,662**	**3,282**	**3,653**	**4,032**	**4,209**	**4,299**	**4,216**	**4,619**	**5,151**	**5,634**	**5,821**	**3,332**	**3,653**	**4,216**	**5,821**	**8,359**
Property, equipment and leasehold improvements, ne	1,599	1,595	1,613	1,657	1,688	1,771	1,852	1,919	2,031	2,162	2,311	2,475	1,614	1,657	1,919	2,475	3,309
Goodwill	1,219	1,219	1,219	1,221	1,221	1,221	1,221	1,221	1,221	1,221	1,221	1,221	1,219	1,221	1,221	1,221	1,221
Intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets, net	1,546	1,483	1,450	1,492	1,501	1,507	1,520	1,520	1,520	1,520	1,520	1,520	1,574	1,492	1,520	1,520	1,520
Total Assets	**7,972**	**7,959**	**7,564**	**8,023**	**8,442**	**8,708**	**8,892**	**8,876**	**9,391**	**10,054**	**10,686**	**11,036**	**7,739**	**8,023**	**8,876**	**11,036**	**14,409**
Liabilities																	
Current Liabilities:																	
Accounts payable	1,778	1,567	1,467	1,604	1,673	1,771	1,694	1,875	1,857	1,966	2,049	2,123	1,786	1,604	1,875	2,123	2,187
Affiliate accounts payable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accrued employee compensation	148	204	242	352	212	253	308	102	104	109	110	115	106	352	102	115	65
Accrued deferred compensation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accrued expenses	685	656	642	632	673	673	771	784	788	811	793	801	654	632	784	801	716
Accrued warranty	71	63	61	60	63	66	70	174	190	218	243	279	74	60	174	279	401
Accrued income taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Current portion of l-t debt & s-t debt	479	479	-	-	1,496	998	398	398	398	398	398	398	479	-	398	398	398
Total Current Liabilities	**3,161**	**2,969**	**2,412**	**2,648**	**4,117**	**3,761**	**3,241**	**3,332**	**3,338**	**3,502**	**3,594**	**3,716**	**3,099**	**2,648**	**3,332**	**3,716**	**3,767**
Long Term Liabilities																	
Accrued warranty	70	73	73	77	83	94	109	116	228	261	292	335	75	77	116	335	482
Other liabilities	844	796	762	756	807	893	982	672	729	788	772	758	861	756	672	758	784
Long-term debt, less current portion	5,197	5,200	5,146	4,995	3,498	3,501	3,465	3,065	3,065	3,065	3,065	2,915	5,195	4,995	3,065	2,915	2,715
Total Long Term Liabilities	**6,111**	**6,069**	**5,981**	**5,828**	**4,388**	**4,488**	**4,556**	**3,853**	**4,022**	**4,114**	**4,129**	**4,008**	**6,131**	**5,828**	**3,853**	**4,008**	**3,981**
Total Liabilities	**9,272**	**9,038**	**8,393**	**8,476**	**8,505**	**8,249**	**7,797**	**7,185**	**7,360**	**7,616**	**7,723**	**7,724**	**9,230**	**8,476**	**7,185**	**7,724**	**7,748**
Total Stockholder's Equity	**(1,300)**	**(1,079)**	**(829)**	**(453)**	**(63)**	**459**	**1,095**	**1,691**	**2,031**	**2,439**	**2,964**	**3,312**	**(1,491)**	**(453)**	**1,691**	**3,312**	**6,661**
Total Liabilities and Stockholder's Equity	**7,972**	**7,959**	**7,564**	**8,023**	**8,442**	**8,708**	**8,892**	**8,876**	**9,391**	**10,054**	**10,686**	**11,036**	**7,739**	**8,023**	**8,876**	**11,036**	**14,409**

Source: Company data, Morgan Stanley Research estimates

Exhibit 15: Seagate Technology Statement of Cash Flows

($ in millions)	F2025A				F2026E				F2027E				Fiscal Year				
	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	2024A	2025A	2026E	2027E	2028E
Cash Flow Statement (Non Cumulative)																	
Operating activities:																	
Net Income / (Loss)	305	336	340	488	549	593	748	1,101	1,341	1,704	2,112	2,621	335	1,469	2,991	7,778	15,039
Depreciation and Amortization	64	63	63	61	72	68	66	107	78	87	94	116	264	251	313	374	351
Stock based compensation incl. accelerated vesting charges	38	49	54	59	52	53	54	60	66	76	84	97	127	200	219	323	484
Deferred income taxes	(3)	8	3	(16)	(25)	3	(11)	-	-	-	-	-	78	(8)	(33)	-	-
In-process research and development charge	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-cash portion of restructuring charge	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred compensation charge	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt refinancing charges	-	-	-	7	-	-	-	-	-	-	-	-	7	7	-	-	-
Excess tax benefit from stock options	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other, net	23	73	17	16	15	86	84	-	-	-	-	-	(279)	129	185	-	-
Changes in Operating Assets and Liabilities:																	0
Accounts receivable	(199)	41	(35)	(320)	(114)	(173)	49	(63)	(23)	(326)	(283)	(70)	192	(513)	(301)	(702)	(861)
Inventories	(144)	(90)	1	32	(56)	(2)	(32)	(39)	(153)	(40)	8	(41)	(99)	(201)	(129)	(226)	(54)
Accounts payable	10	(200)	(141)	89	84	78	(73)	181	(18)	109	83	74	227	(242)	270	248	64
Accrued employee compensation	37	48	31	91	(140)	32	46	(393)	193	147	24	78	6	207	(455)	441	160
Accrued expenses, income taxes and warranty	16	(58)	(30)	(23)	119	(149)	376	-	-	-	-	-	(138)	(95)	346	-	-
Accrued deferred compensation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets and liabilities	(52)	(49)	(44)	24	(24)	134	(193)	44	(37)	(60)	(56)	(78)	198	(121)	(39)	(231)	(321)
Net Cash Provided by Operating Activities	**95**	**221**	**259**	**508**	**532**	**723**	**1,114**	**999**	**1,447**	**1,696**	**2,066**	**2,796**	**918**	**1,083**	**3,368**	**8,005**	**14,862**
Investing activities:																	
Acquisition of property, equipment and leasehold improvement	(68)	(71)	(43)	(83)	(105)	(116)	(161)	(174)	(190)	(218)	(243)	(279)	(254)	(265)	(556)	(930)	(1,185)
Proceeds from sale of PPE	-	1	-	-	15	-	-	-	-	-	-	-	40	1	15	-	-
Maturities and sales of short-term investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Purchases of short-term investments	-	-	-	-	-	-	(2)	-	-	-	-	-	-	-	(2)	-	-
Acquisition, net of cash and cash equiv.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Purchase of rigid disc drive operating assets and liabilities, net	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Restricted cash (TRA)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Proceeds from sale of certain investments	-	-	10	41	-	-	-	-	-	-	-	-	14	51	-	-	-
Sale of XIOtech, net of repayment of intercompany debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sale of Reynosa facility	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other, net	-	-	25	(88)	-	-	-	-	-	-	-	-	326	(63)	-	-	-
Net cash used in investing activities	**(68)**	**(70)**	**(8)**	**(130)**	**(90)**	**(116)**	**(163)**	**(174)**	**(190)**	**(218)**	**(243)**	**(279)**	**126**	**(276)**	**(543)**	**(930)**	**(1,185)**
Financing activities:																	
Issuance of long-term debt, net of issuance costs	-	-	-	400	-	-	-	-	-	-	-	-	1,500	400	-	-	-
Repayment of long-term debt, including extinguishments of de	-	-	(531)	(547)	(11)	(489)	(642)	(400)	-	-	-	(150)	(1,288)	(1,078)	(1,542)	(150)	(200)
Redemption premium on 12½% senior notes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of common shares (2003 - in initial public offering)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash used to repurchase stock	-	-	-	-	(29)	-	(30)	(400)	(900)	(1,200)	(1,500)	(2,200)	-	-	(459)	(5,800)	(11,500)
Proceeds from exercise of employee stock options and emplo	29	3	24	16	22	5	27	0	0	0	0	0	66	72	54	1	1
Distributions to shareholders	(147)	(148)	(152)	(153)	(153)	(154)	(161)	(166)	(167)	(173)	(171)	(170)	(585)	(600)	(634)	(681)	(675)
Excess tax benefit from stock options	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other, net	(28)	(7)	(16)	(17)	(50)	(35)	(46)	-	-	-	-	-	(166)	(68)	(131)	-	-
Net Cash used in Financing Activities	**(146)**	**(152)**	**(675)**	**(301)**	**(221)**	**(673)**	**(852)**	**(965)**	**(1,067)**	**(1,372)**	**(1,671)**	**(2,520)**	**(473)**	**(1,274)**	**(2,711)**	**(6,630)**	**(12,374)**
Increase/(decrease) in Cash and Cash Equivalents	**(119)**	**(1)**	**(424)**	**77**	**221**	**(66)**	**99**	**(141)**	**190**	**106**	**151**	**(3)**	**571**	**(467)**	**113**	**445**	**1,303**
Cash and Cash Equivalents at Beginning of Period	1,360	1,241	1,240	816	893	1,114	1,048	1,147	1,006	1,197	1,303	1,454	789	1,360	893	1,006	1,452
Cash, Cash Equivalents & Restricted Cash at End of Period	**1,241**	**1,240**	**816**	**893**	**1,114**	**1,048**	**1,147**	**1,006**	**1,197**	**1,303**	**1,454**	**1,452**	**1,360**	**893**	**1,006**	**1,452**	**2,755**
Restricted Cash	2	2	2	2	2	2	1	1	1	1	1	1	2	2	1	1	1
Change in Restricted Cash	-	-	-	-	-	-	(1)	-	-	-	-	-	(1)	-	(1)	-	-
Cash and Cash Equivalents at End of Period	1,239	1,238	814	891	1,112	1,046	1,146	1,005	1,196	1,302	1,453	1,451	1,358	891	1,005	1,451	2,754

Source: Company data, Morgan Stanley Research estimates

WDC: Financial Model

Exhibit 16: Western Digital Income Statement

($ in millions)	F2025A Sep-24	F2025A Dec-24	F2025A Mar-25	F2025A Jun-25	F2026E Sep-25	F2026E Dec-25	F2026E Mar-26	F2026E Jun-26	F2027E Sep-26	F2027E Dec-26	F2027E Mar-27	F2027E Jun-27	Fiscal Year 2024A	2025A	2026E	2027E	2028E
Revenues	**2,212**	**2,409**	**2,294**	**2,605**	**2,818**	**3,017**	**3,337**	**3,685**	**4,046**	**4,616**	**5,164**	**5,837**	**6,317**	**9,520**	**12,857**	**19,663**	**29,976**
Cloud	1,909	2,096	2,007	2,329	2,510	2,673	2,970	3,288	3,645	4,187	4,757	5,401	5,052	8,341	11,441	17,991	28,204
Non-Cloud	303	313	287	276	308	344	367	397	401	429	407	436	1,265	1,179	1,416	1,672	1,772
Cost of Revenue	**1,387**	**1,483**	**1,374**	**1,528**	**1,581**	**1,626**	**1,653**	**1,769**	**1,808**	**1,894**	**1,924**	**1,983**	**4,506**	**5,772**	**6,629**	**7,608**	**8,207**
Gross Profit	**825**	**926**	**920**	**1,077**	**1,237**	**1,391**	**1,684**	**1,917**	**2,238**	**2,723**	**3,240**	**3,854**	**1,811**	**3,748**	**6,229**	**12,055**	**21,769**
Gross Margin	*37.3%*	*38.4%*	*40.1%*	*41.3%*	*43.9%*	*46.1%*	*50.5%*	*52.0%*	*55.3%*	*59.0%*	*62.7%*	*66.0%*	*28.7%*	*39.4%*	*48.4%*	*61.3%*	*72.6%*
Incremental Margin	*56.1%*	*57.9%*	*72.3%*	*61.7%*	*68.0%*	*76.5%*	*73.3%*	*77.7%*	*81.5%*	*83.3%*	*85.2%*	*90.0%*	*617.7%*	*60.5%*	*74.3%*	*85.6%*	*94.2%*
Operating Expenses	**420**	**335**	**324**	**345**	**381**	**372**	**397**	**394**	**409**	**415**	**418**	**426**	**1,468**	**1,424**	**1,544**	**1,668**	**1,853**
Research and development	262	225	245	262	294	289	294	306	316	314	315	321	950	994	1,183	1,266	1,391
SG&A	158	110	79	83	87	83	103	88	93	102	103	105	518	430	361	403	461
Income from Operations (PTOP)	**405**	**591**	**596**	**732**	**856**	**1,019**	**1,287**	**1,522**	**1,829**	**2,307**	**2,822**	**3,428**	**343**	**2,324**	**4,684**	**10,387**	**19,916**
PTOP Margin	*18.3%*	*24.5%*	*26.0%*	*28.1%*	*30.4%*	*33.8%*	*38.6%*	*41.3%*	*45.2%*	*50.0%*	*54.6%*	*58.7%*	*5.4%*	*24.4%*	*36.4%*	*52.8%*	*66.4%*
Total Interest Income (expense), net	**(85)**	**(90)**	**(84)**	**(52)**	**(44)**	**(45)**	**(24)**	**(7)**	**1**	**1**	**1**	**2**	**(395)**	**(311)**	**(120)**	**6**	**27**
Operating Income Before Taxes	**320**	**501**	**512**	**680**	**812**	**974**	**1,263**	**1,516**	**1,830**	**2,308**	**2,823**	**3,430**	**(52)**	**2,013**	**4,565**	**10,392**	**19,943**
GAAP Income Tax Provision	90	-	(698)	95	155	120	154	242	293	369	452	549	26	(513)	671	1,663	3,191
Recurring Tax Provision	48	70	12	63	139	147	202	242	293	369	452	549	(8)	193	730	1,663	3,191
Effective Tax Rate	*15.0%*	*14.0%*	*2.3%*	*9.3%*	*17.1%*	*15.1%*	*16.0%*	*16.0%*	*16.0%*	*16.0%*	*16.0%*	*16.0%*	*15.0%*	*9.6%*	*16.0%*	*16.0%*	*16.0%*
Statutory Tax Rate	*15.0%*	*15.0%*	*15.0%*	*15.0%*	*15.0%*	*15.0%*	*15.0%*	*15.0%*	*15.0%*	*15.0%*	*15.0%*	*15.0%*	*15.0%*	*15.0%*	*15.0%*	*15.0%*	*15.0%*
Amount allocated to preferred shareholder	6	11	13	17	18	20	13	-	-	-	-	-	54	47	51	-	-
Operating Net Income	**266**	**420**	**487**	**600**	**655**	**807**	**1,048**	**1,273**	**1,537**	**1,939**	**2,372**	**2,881**	**(98)**	**1,773**	**3,783**	**8,730**	**16,753**
Operating Net Income Margin	*12.0%*	*17.4%*	*21.2%*	*23.0%*	*23.2%*	*26.7%*	*31.4%*	*34.5%*	*38.0%*	*42.0%*	*45.9%*	*49.4%*	*-1.6%*	*18.6%*	*29.4%*	*44.4%*	*55.9%*
One-Time Charges/ Adjustments	**(221)**	**35**	**(20)**	**335**	**(509)**	**(1,015)**	**(2,144)**	**55**	**61**	**69**	**77**	**88**	**695**	**129**	**(3,613)**	**295**	**450**
Reported Income Before Taxes (GAAP)	245	268	74	347	1,337	1,962	3,359	1,460	1,769	2,239	2,746	3,343	(681)	934	8,118	10,097	19,494
GAAP Net Income including discontinued	493	396	520	282	1,182	1,842	3,205	1,218	1,477	1,870	2,294	2,794	(740)	1,691	7,447	8,435	16,303
GAAP Net Income reported (continuing op	155	268	772	252	1,182	1,842	3,205	1,218	1,477	1,870	2,294	2,794	(707)	1,447	7,447	8,435	16,303
GAAP Net Income (common shareholde	**149**	**257**	**759**	**235**	**1,164**	**1,822**	**3,192**	**1,218**	**1,477**	**1,870**	**2,294**	**2,794**	**(761)**	**1,400**	**7,396**	**8,435**	**16,303**
Numerator for Diluted EPS	149	257	759	235	1,164	1,822	3,192	1,218	1,477	1,870	2,294	2,794	(761)	1,400	7,396	8,435	16,303
Stock Option Expense	57	30	35	45	53	53	53	55	61	69	77	88	202	167	214	295	450
Tax Benefit on Stock Option Expense	3	2	2	2	3	3	3	3	3	3	4	4	10	8	11	15	22
Stock Option Expense Per Share	$0.15	$0.08	$0.09	$0.12	$0.14	$0.13	$0.13	$0.14	$0.15	$0.17	$0.19	$0.21	$0.59	$0.44	$0.54	$0.72	$1.11
Operating Net Income (pre-stock option	**320**	**449**	**520**	**643**	**705**	**857**	**1,098**	**1,326**	**1,595**	**2,005**	**2,445**	**2,965**	**94**	**1,932**	**3,987**	**9,010**	**17,180**
Fully-diluted EPS																	
EPS - ModelWare	**$0.75**	**$1.20**	**$1.36**	**$1.66**	**$1.78**	**$2.13**	**$2.72**	**$3.30**	**$3.96**	**$4.96**	**$6.08**	**$7.41**	**($0.30)**	**$4.97**	**$9.97**	**$22.40**	**$43.47**
EPS - Reported	$0.42	$0.73	$2.12	$0.65	$3.15	$4.82	$8.29	$3.16	$3.80	$4.78	$5.88	$7.18	($2.33)	$3.92	$19.50	$21.64	$42.30
EPS - ModelWare excl. Stock Option Ex	$0.90	$1.28	$1.45	$1.78	$1.91	$2.27	$2.85	$3.44	$4.10	$5.13	$6.26	$7.62	$0.29	$5.41	$10.51	$23.11	$44.57
Dividend Payment	-	-	-	35	35	43	52	55	64	67	76	76	-	35	183	282	376
Dividend Per Share	$0.00	$0.00	$0.00	$0.10	$0.10	$0.13	$0.15	$0.15	$0.18	$0.18	$0.20	$0.20	$0.00	$0.10	$0.50	$0.74	$1.01
Period Ending Outstanding Shares	357	347	349	348	345	340	345	364	363	382	381	379	326	348	364	379	373
Avg Shares (Basic)	357	346	348	348	345	341	342	364	364	382	381	380	326	350	348	377	376
Avg Shares (Fully Diluted)	357	350	358	362	369	378	385	385	389	391	390	389	326	357	379	390	385

Source: Company data, Morgan Stanley Research estimates

Exhibit 17: Western Digital Income Statement Analysis

($ in millions)	F2025A Sep-24	F2025A Dec-24	F2025A Mar-25	F2025A Jun-25	F2026E Sep-25	F2026E Dec-25	F2026E Mar-26	F2026E Jun-26	F2027E Sep-26	F2027E Dec-26	F2027E Mar-27	F2027E Jun-27	Fiscal Year 2024A	2025A	2026E	2027E	2028E
Margin Analysis																	
Gross Margin	**37.3%**	**38.4%**	**40.1%**	**41.3%**	**43.9%**	**46.1%**	**50.5%**	**52.0%**	**55.3%**	**59.0%**	**62.7%**	**66.0%**	**28.7%**	**39.4%**	**48.4%**	**61.3%**	**72.6%**
Cloud	40.5%	41.0%	43.2%	43.8%	45.8%	48.2%	52.4%	53.7%	57.0%	60.7%	64.3%	67.7%	31.9%	42.2%	50.3%	63.0%	74.2%
Non-Cloud	17.1%	21.3%	18.5%	20.6%	28.8%	30.2%	34.8%	38.0%	40.0%	42.0%	44.0%	45.5%	15.8%	19.4%	33.3%	42.9%	48.0%
SG&A	7.1%	4.6%	3.4%	3.2%	3.1%	2.8%	3.1%	2.4%	2.3%	2.2%	2.0%	1.8%	8.2%	4.5%	2.8%	2.0%	1.5%
Operating Expenses	19.0%	13.9%	14.1%	13.2%	13.5%	12.3%	11.9%	10.7%	10.1%	9.0%	8.1%	7.3%	23.2%	15.0%	12.0%	8.5%	6.2%
EBITDA Margin	21.9%	28.0%	30.8%	31.4%	33.5%	36.8%	41.4%	44.2%	47.9%	52.4%	56.9%	60.8%	10.9%	28.2%	39.4%	55.1%	68.1%
PTOP Margin	18.3%	24.5%	26.0%	28.1%	30.4%	33.8%	38.6%	41.3%	45.2%	50.0%	54.6%	58.7%	5.4%	24.4%	36.4%	52.8%	66.4%
Pretax Margin	14.5%	20.8%	22.3%	26.1%	28.8%	32.3%	37.8%	41.1%	45.2%	50.0%	54.7%	58.8%	-0.8%	21.1%	35.5%	52.9%	66.5%
Net Income	12.0%	17.4%	21.2%	23.0%	23.2%	26.7%	31.4%	34.5%	38.0%	42.0%	45.9%	49.4%	-1.6%	18.6%	29.4%	44.4%	55.9%
Year-Over-Year Growth (%)																	
Revenue	**85.3%**	**76.2%**	**30.9%**	**30.0%**	**27.4%**	**25.2%**	**45.5%**	**41.5%**	**43.6%**	**53.0%**	**54.8%**	**58.4%**	**1.0%**	**50.7%**	**35.1%**	**52.9%**	**52.5%**
Cloud	123.5%	103.3%	37.9%	36.0%	31.5%	27.5%	48.0%	41.2%	45.2%	56.6%	60.2%	64.3%		65.1%	37.2%	57.2%	56.8%
Non-Cloud	-10.9%	-6.8%	-3.4%	-5.5%	1.7%	9.9%	27.9%	43.8%	30.1%	24.8%	10.8%	9.7%		-6.8%	20.1%	18.1%	6.0%
Gross Margin	224.8%	186.7%	74.2%	52.5%	49.9%	50.2%	83.0%	78.0%	80.9%	95.7%	92.4%	101.1%	26.8%	107.0%	66.2%	93.5%	80.6%
Product Development	20.7%	0.9%	0.8%	-1.9%	12.2%	28.4%	20.0%	16.7%	7.3%	8.6%	7.1%	5.0%	-3.7%	4.6%	19.0%	7.0%	9.9%
SG&A	23.4%	-4.3%	-40.2%	-42.0%	-44.9%	-24.5%	30.4%	6.6%	7.0%	22.4%	0.3%	18.8%	-35.8%	-17.0%	-15.9%	11.5%	14.4%
Operating Expenses	**21.7%**	**-0.9%**	**-13.6%**	**-15.9%**	**-9.3%**	**11.0%**	**22.9%**	**14.3%**	**7.2%**	**11.7%**	**5.4%**	**8.1%**	**-6.6%**	**-3.0%**	**8.4%**	**8.0%**	**11.0%**
PTOP	NM	NM	289.5%	147.3%	111.4%	72.4%	115.9%	108.0%	113.7%	126.4%	119.3%	125.2%	NM	577.6%	101.6%	121.7%	91.7%
EBT	NM	NM	924.0%	252.3%	153.8%	94.4%	146.7%	122.9%	125.4%	137.0%	123.6%	126.3%	88.6%	NM	126.8%	127.7%	91.9%
Net Income	NM	NM	1670.9%	289.5%	146.2%	92.1%	115.2%	112.2%	134.7%	140.3%	126.3%	126.3%	76.1%	NM	113.4%	130.8%	91.9%
ModelWare EPS	**NM**	**NM**	**1557.1%**	**290.8%**	**138.2%**	**77.9%**	**100.1%**	**99.3%**	**122.8%**	**132.2%**	**123.2%**	**124.3%**	**76.7%**	**NM**	**100.7%**	**124.6%**	**94.1%**
Sequential Growth (%)																	
Revenue	**10.4%**	**8.9%**	**-4.8%**	**13.6%**	**8.2%**	**7.1%**	**10.6%**	**10.4%**	**9.8%**	**14.1%**	**11.9%**	**13.0%**					
Cloud	11.5%	9.8%	-4.2%	16.0%	7.8%	6.5%	11.1%	10.7%	10.8%	14.9%	13.6%	13.5%					
Non-Cloud	3.8%	3.3%	-8.3%	-3.8%	11.6%	11.7%	6.7%	8.1%	0.9%	7.1%	-5.2%	7.1%					
Gross Margin	16.9%	12.2%	-0.6%	17.1%	14.9%	12.4%	21.1%	13.8%	16.8%	21.7%	19.0%	18.9%					
Product Development	-1.9%	-14.1%	8.9%	6.9%	12.2%	-1.7%	1.7%	4.0%	3.2%	-0.5%	0.3%	1.9%					
SG&A	10.5%	-30.4%	-28.2%	5.1%	4.8%	-4.6%	24.1%	-14.1%	5.2%	9.1%	1.7%	1.7%					
Operating Expenses	**2.4%**	**-20.2%**	**-3.3%**	**6.5%**	**10.4%**	**-2.4%**	**6.7%**	**-0.7%**	**3.6%**	**1.7%**	**0.7%**	**1.9%**					
PTOP Margin	36.8%	45.9%	0.8%	22.8%	16.9%	19.0%	26.3%	18.3%	20.2%	26.1%	22.3%	21.5%					
Pretax Margin	65.8%	56.6%	2.2%	32.8%	19.4%	20.0%	29.7%	20.0%	20.8%	26.1%	22.3%	21.5%					
Net Income	72.7%	57.9%	16.0%	23.2%	9.2%	23.2%	29.9%	21.5%	20.8%	26.1%	22.3%	21.5%					
ModelWare EPS	**57.7%**	**61.1%**	**13.4%**	**21.8%**	**7.1%**	**20.3%**	**27.5%**	**21.3%**	**19.7%**	**25.3%**	**22.6%**	**21.9%**					

Source: Company data, Morgan Stanley Research estimates

Exhibit 18: Western Digital Balance Sheet

($ in millions)	F2025A				F2026E				F2027E								
	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	2024A	2025A	2026E	2027E	2028E
Assets																	
Current Assets:																	
Cash and cash equivalents	1,383	1,487	3,477	2,114	2,048	1,975	2,050	2,500	2,600	2,748	3,096	3,621	1,551	2,114	2,500	3,621	8,158
Short-term investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accounts receivable, net	1,421	1,693	1,469	1,486	1,355	1,685	1,894	1,822	1,891	2,409	2,639	2,758	1,231	1,486	1,822	2,758	4,063
Inventories	1,315	1,248	1,311	1,291	1,393	1,349	1,357	1,458	1,533	1,564	1,625	1,612	1,387	1,291	1,458	1,612	1,723
Other current assets	403	403	417	611	514	454	423	737	809	923	1,033	1,167	360	611	737	1,167	1,720
Retained interest in Sandisk	-	-	1,412	354	965	2,068	1,187	-	-	-	-	-	-	354	-	-	-
Current assets of discontinued operations	4,420	4,541	-	-	-	-	-	-	-	-	-	-	3,531	-	-	-	-
Total Current Assets	**8,942**	**9,372**	**8,086**	**5,856**	**6,275**	**7,531**	**6,911**	**6,517**	**6,833**	**7,644**	**8,392**	**9,159**	**8,060**	**5,856**	**6,517**	**9,159**	**15,664**
Property, equipment and leasehold improvements	2,340	2,351	2,347	2,343	2,345	2,352	2,422	2,499	2,591	2,710	2,853	3,027	2,359	2,343	2,499	3,027	4,014
Goodwill	4,321	4,319	4,319	4,319	4,319	4,319	4,321	4,321	4,321	4,321	4,321	4,321	4,319	4,319	4,321	4,321	4,321
Intangible assets	77	77	76	-	-	-	-	-	-	-	-	-	78	-	-	-	-
Other Assets, net	890	835	1,540	1,484	1,420	1,409	1,391	1,391	1,391	1,391	1,391	1,391	759	1,484	1,391	1,391	1,391
Non-current assets of discontinued operations	8,201	8,502	-	-	-	-	-	-	-	-	-	-	8,613	-	-	-	-
Total Assets	**24,771**	**25,456**	**16,368**	**14,002**	**14,359**	**15,611**	**15,045**	**14,728**	**15,136**	**16,066**	**16,957**	**17,897**	**24,188**	**14,002**	**14,728**	**17,897**	**25,390**
Liabilities																	
Current Liabilities:																	
Accounts payable	1,281	1,307	1,287	1,266	1,533	1,497	1,587	1,497	1,729	1,750	1,860	1,678	1,054	1,266	1,497	1,678	1,793
Accrued expenses	1,071	1,140	774	719	703	771	766	779	798	831	843	867	1,053	719	779	867	933
Income taxes payable	390	400	373	800	298	459	501	501	501	501	501	501	471	800	501	501	501
Accrued compensation	398	360	322	407	413	223	202	519	532	554	562	578	435	407	519	578	622
Short term debt	1,750	150	2,426	2,226	2,226	2,226	1,581	723	723	723	723	723	1,750	2,226	723	723	723
Current liabilities of discontinued operations	1,201	1,349	-	-	-	-	-	-	-	-	-	-	1,324	-	-	-	-
Total Current Liabilities	**6,091**	**4,706**	**5,182**	**5,418**	**5,173**	**5,176**	**4,637**	**4,018**	**4,283**	**4,359**	**4,489**	**4,347**	**6,087**	**5,418**	**4,018**	**4,347**	**4,572**
Long Term Liabilities																	
Other liabilities	796	724	873	559	612	666	728	606	621	647	656	674	1,002	559	606	674	726
Long-term debt, less current portion	5,650	7,216	4,907	2,485	2,457	2,429	-	-	-	-	-	-	5,684	2,485	-	-	-
Non-current liabilities of discontinued operations	362	464	-	-	-	-	-	-	-	-	-	-	368	-	-	-	-
Total Long Term Liabilities	**6,808**	**8,404**	**5,780**	**3,044**	**3,069**	**3,095**	**728**	**606**	**621**	**647**	**656**	**674**	**7,054**	**3,044**	**606**	**674**	**726**
Total Liabilities	**12,899**	**13,110**	**10,962**	**8,462**	**8,242**	**8,271**	**5,365**	**4,624**	**4,904**	**5,005**	**5,145**	**5,021**	**13,141**	**8,462**	**4,624**	**5,021**	**5,297**
Total Stockholder's Equity	**11,872**	**12,346**	**5,406**	**5,540**	**6,117**	**7,340**	**9,680**	**10,104**	**10,233**	**11,061**	**11,813**	**12,876**	**11,047**	**5,540**	**10,104**	**12,876**	**20,093**
Total Liabilities and Stockholder's Equity	**24,771**	**25,456**	**16,368**	**14,002**	**14,359**	**15,611**	**15,045**	**14,728**	**15,136**	**16,066**	**16,957**	**17,897**	**24,188**	**14,002**	**14,728**	**17,897**	**25,390**

Source: Company data, Morgan Stanley Research estimates

Exhibit 19: Western Digital Statement of Cash Flows

($ in millions)	F2025A				F2026E				F2027E								
	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	2024A	2025A	2026E	2027E	2028E
Cash Flow Statement (Non Cumulative)																	
Operating activities:																	
Net Income / (Loss)	**493**	**396**	**520**	**282**	**1,182**	**1,842**	**3,205**	**1,218**	**1,477**	**1,870**	**2,294**	**2,794**	**(740)**	**1,691**	**7,447**	**8,435**	**16,303**
Depreciation and Amortization	80	84	110	86	88	92	96	107	110	112	115	118	347	360	383	455	512
Stock based compensation incl. accelerated vesting chan	57	30	59	45	53	53	53	55	61	69	77	88	202	191	214	295	450
Deferred income taxes	-	-	(708)	(63)	55	29	47	-	-	-	-	-	-	(771)	131	-	-
Gain on disposal of assets	-	-	2	1	(611)	(1,103)	-	-	-	-	-	-	-	3	(1,714)	-	-
Gain on business diversture	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Asset Impairment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gain on repurchase of debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Amortization of debt issuance costs and discounts	-	-	11	-	-	-	-	-	-	-	-	-	-	11	-	-	-
Unrealized loss on retained interest in Sandisk	-	-	606	166	-	-	(2,734)	-	-	-	-	-	-	772	(2,734)	-	-
Other, net	-	-	18	109	4	8	549	-	-	-	-	-	-	127	561	-	-
Changes in Operating Assets and Liabilities:																	
Accounts receivable	(190)	(272)	527	(17)	131	(330)	(209)	72	(69)	(518)	(231)	(119)	(149)	48	(336)	(936)	(1,305)
Inventories	72	67	(317)	20	(101)	46	(9)	(101)	(75)	(32)	(60)	12	42	(158)	(165)	(155)	(111)
Accounts payable	227	26	114	(34)	248	(29)	70	(90)	233	20	110	(182)	95	333	199	181	115
Accrued payable to related parties	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accrued expenses, income taxes and warranty	(63)	79	-	378	-	-	-	13	19	33	12	24	(238)	394	13	89	66
Accrued employee compensation	(37)	(38)	-	85	-	-	-	317	13	22	8	16	164	10	317	59	44
Other assets and liabilities	(380)	(17)	(434)	(312)	(377)	137	55	(436)	(57)	(88)	(100)	(116)	(466)	(1,143)	(621)	(361)	(501)
Net Cash Provided by Operating Activities	**299**	**355**	**508**	**746**	**672**	**745**	**1,123**	**1,154**	**1,711**	**1,490**	**2,225**	**2,635**	**(743)**	**1,868**	**3,694**	**8,062**	**15,572**
Investing activities:																	
Acquisition of property, equipment and leasehold improve	(29)	(113)	(128)	(71)	(73)	(92)	(145)	(184)	(202)	(231)	(258)	(292)	(321)	(341)	(494)	(983)	(1,499)
Proceeds from sale of PPE	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Maturities and sales of short-term investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Purchases of short-term investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Acquisition, net of cash and cash equiv.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Restricted cash (TRA)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Proceeds from sale of certain investments	-	-	210	-	-	-	-	-	-	-	-	-	-	210	-	-	-
Other, net	-	-	60	1	16	(24)	-	-	-	-	-	-	-	61	(8)	-	-
Net cash used in investing activities	**(29)**	**(113)**	**142**	**(70)**	**(57)**	**(116)**	**(145)**	**(184)**	**(202)**	**(231)**	**(258)**	**(292)**	**(321)**	**(70)**	**(502)**	**(983)**	**(1,499)**
Financing activities:																	
Employee stock plans, net	66	62	5	(13)	(55)	(8)	(102)	55	55	56	56	58	261	120	(110)	225	240
Issuance of long-term debt, net of issuance costs	(34)	(34)	1,894	-	-	-	-	-	-	-	-	-	364	1,826	-	-	-
Repayment of long-term debt, including extinguishments	-	-	-	(1,837)	(31)	(32)	(5)	-	-	-	-	-	-	(1,837)	(68)	-	-
Repayment of convertible debentures	-	-	-	-	-	-	-	(858)	-	-	-	-	-	-	(858)	-	-
Cash transferred to Sandisk related to Separation	-	-	(1,366)	-	-	-	-	-	-	-	-	-	-	(1,366)	-	-	-
Cash used to repurchase stock	-	-	-	(149)	(553)	(615)	(752)	(850)	(1,400)	(1,100)	(1,600)	(1,800)	-	(149)	(2,770)	(5,900)	(9,400)
Distributions to shareholders	-	-	-	(44)	(39)	(48)	(43)	(55)	(64)	(67)	(76)	(76)	-	(44)	(185)	(282)	(376)
Excess tax benefit from stock options	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other, net	(430)	(166)	-	1	-	-	-	1,187	-	-	-	-	259	(595)	1,187	-	-
Net Cash used in Financing Activities	**(398)**	**(138)**	**533**	**(2,042)**	**(678)**	**(703)**	**(902)**	**(520)**	**(1,408)**	**(1,111)**	**(1,620)**	**(1,818)**	**884**	**(2,045)**	**(2,803)**	**(5,957)**	**(9,535)**
Effect of changes in foreign currency exchange rates	-	-	807	3	(3)	1	(1)	-	-	-	-	-	-	810	(3)	-	-
Increase/(decrease) in Cash and Cash Equivalents	**(168)**	**104**	**1,990**	**(1,363)**	**(66)**	**(73)**	**75**	**450**	**100**	**148**	**347**	**525**	**(180)**	**563**	**386**	**1,121**	**4,537**
Cash and Cash Equivalents at Beginning of Period	1,551	1,383	1,487	3,477	2,114	2,048	1,975	2,050	2,500	2,600	2,748	3,096	1,731	1,551	2,114	2,500	3,621
Cash, Cash Equivalents & Restricted Cash at End of Pe	**1,383**	**1,487**	**3,477**	**2,114**	**2,048**	**1,975**	**2,050**	**2,500**	**2,600**	**2,748**	**3,096**	**3,621**	**1,551**	**2,114**	**2,500**	**3,621**	**8,158**
Cash Flow From Discontinued Ops	-	-	(11,230)	-	-	-	-	-	-	-	-	-	-	(11,230)	-	-	-
Cash and Cash Equivalents at End of Period	**1,383**	**1,487**	**3,477**	**2,114**	**2,048**	**1,975**	**2,050**	**2,500**	**2,600**	**2,748**	**3,096**	**3,621**	**1,551**	**2,114**	**2,500**	**3,621**	**8,158**

Source: Company data, Morgan Stanley Research estimates

Risk Reward Reference links

1. View explanation of Options Probabilities methodology - Options_Probabilities_Exhibit_Link.pdf

2. View descriptions of Risk Rewards Themes - RR_Themes_Exhibit_Link.pdf

3. View explanation of regional hierarchies - GEG_Exhibit_Link.pdf

4. View explanation of Theme/Exposure methodology - ESG_Sustainable_Solutions_External_Link.pdf

5. View explanation of HERS methodology - ESG_HERS_External_Link.pdf

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Global Stock Ratings Distribution

(as of June 30, 2026)

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	Coverage Universe		Investment Banking Clients (IBC)			Other Material Investment Services Clients (MISC)	
Stock Rating Category	Count	% of Total	Count	% of Total IBC	% of Rating Category	Count	% of Total Other MISC
Overweight/Buy	1544	42%	453	49%	29%	757	44%
Equal-weight/Hold	1577	43%	390	42%	25%	769	44%
Not-Rated/Hold	3	0%	1	0%	33%	1	0%
Underweight/Sell	544	15%	89	10%	16%	204	12%
Total	3,668		933			1731	

Data include common stock and ADRs currently assigned ratings. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months. Due to rounding off of decimals, the percentages provided in the "% of total" column may not add up to exactly 100 percent.

Analyst Stock Ratings

Overweight (O). The stock's total return is expected to exceed the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Equal-weight (E). The stock's total return is expected to be in line with the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Not-Rated (NR). Currently the analyst does not have adequate conviction about the stock's total return relative to the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Underweight (U). The stock's total return is expected to be below the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Unless otherwise specified, the time frame for price targets included in Morgan Stanley Research is 12 to 18 months.

Analyst Industry Views

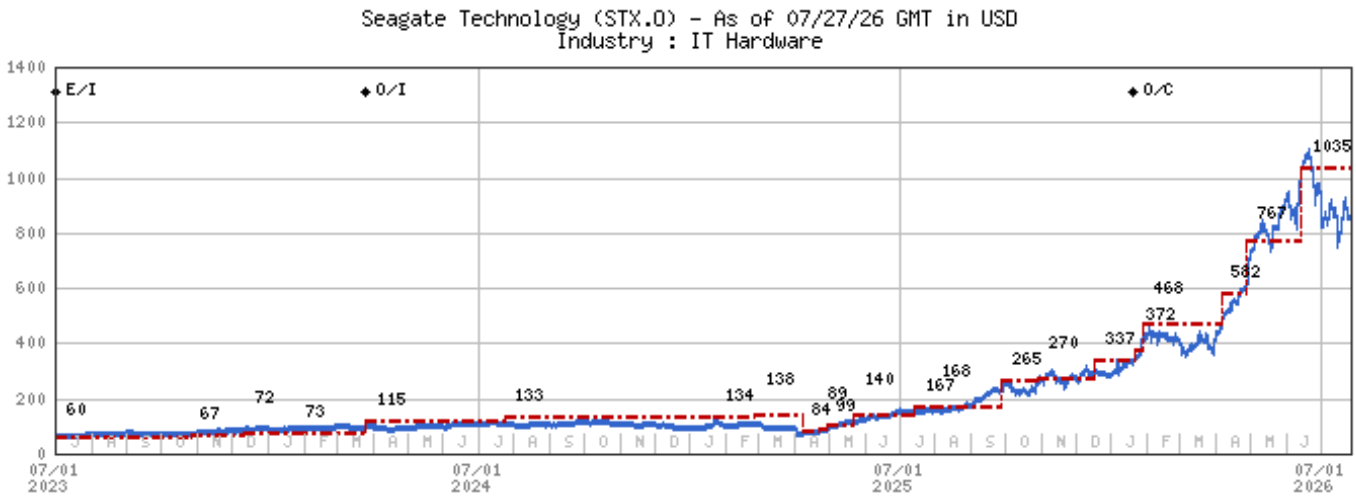
Attractive (A): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be attractive vs. the relevant broad market benchmark, as indicated below.

In-Line (I): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be in line with the relevant broad market benchmark, as indicated below.

Cautious (C): The analyst views the performance of his or her industry coverage universe over the next 12-18 months with caution vs. the relevant broad market benchmark, as indicated below.

Benchmarks for each region are as follows: North America - S&P 500; Latin America - relevant MSCI country index or MSCI Latin America Index; Europe - MSCI Europe; Japan - TOPIX; Asia - relevant MSCI country index or MSCI sub-regional index or MSCI AC Asia Pacific ex Japan Index.

Stock Price, Price Target and Rating History (See Rating Definitions)



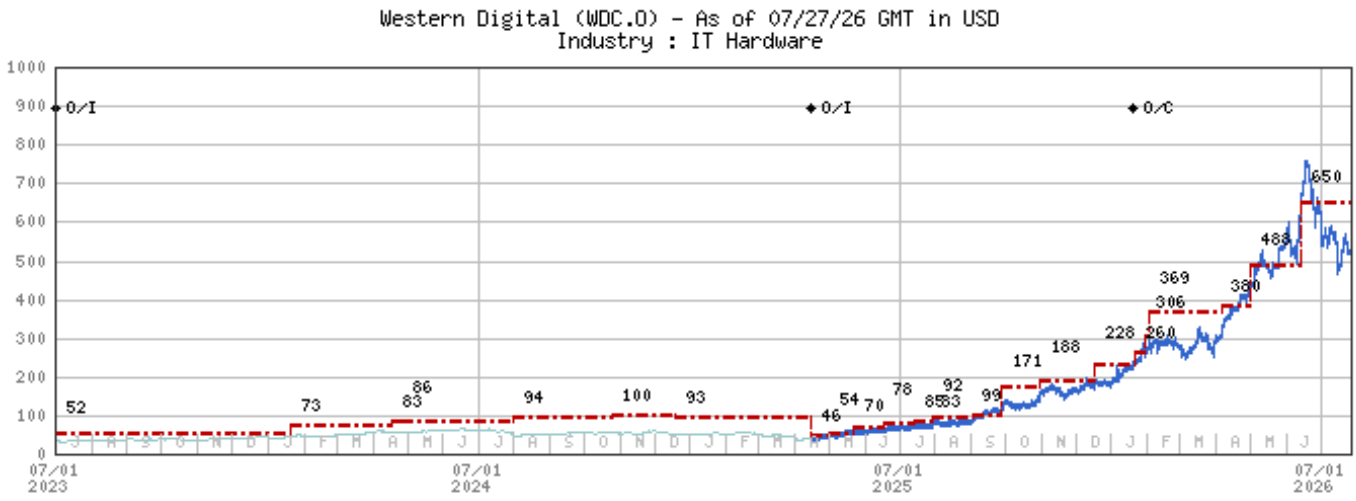
Stock Rating History: 7/1/21 : O/I; 10/5/21 : E/C; 1/18/23 : O/I; 4/21/23 : E/I; 3/26/24 : O/I; 1/20/26 : O/C

Price Target History: 6/8/21 : 114; 7/21/21 : 118; 10/5/21 : 88; 10/22/21 : 94; 1/26/22 : 101; 3/30/22 : 99; 4/27/22 : 95; 7/14/22 : 89; 7/21/22 : 84; 8/31/22 : 70; 10/17/22 : 57; 10/26/22 : 54; 1/18/23 : 69; 1/26/23 : 72; 4/21/23 : 60; 10/26/23 : 67; 12/12/23 : 72; 1/25/24 : 73; 3/26/24 : 115; 7/24/24 : 133; 1/21/25 : 134; 2/26/25 : 138; 4/8/25 : 84; 4/22/25 : 89; 4/29/25 : 99; 5/23/25 : 140; 7/14/25 : 167; 7/29/25 : 168; 9/28/25 : 265; 10/29/25 : 270; 12/17/25 : 337; 1/22/26 : 372; 1/28/26 : 468; 4/6/26 : 582; 4/28/26 : 767; 6/15/26 : 1035

Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target No Price Target Assigned (NA)
Stock Price (Not Covered by Current Analyst) Stock Price (Covered by Current Analyst)
Stock and Industry Ratings (abbreviations below) appear as ◆ Stock Rating/Industry View
Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) No Rating Available (NA)
Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

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Stock Rating History: 7/1/21 : O/I; 10/5/21 : O/C; 1/18/23 : O/I; 4/16/25 : O/I; 1/20/26 : O/C

Price Target History: 4/30/21 : 88; 10/28/21 : 82; 1/28/22 : 71; 8/7/22 : 65; 10/24/22 : 52; 1/21/24 : 73; 4/18/24 : 83; 4/26/24 : 86; 8/1/24 : 94; 10/25/24 : 100; 12/19/24 : 93; 4/16/25 : 46; 5/1/25 : 54; 5/22/25 : 70; 6/17/25 : 78; 7/14/25 : 85; 7/28/25 : 83; 7/30/25 : 92; 9/2/25 : 99; 9/28/25 : 171; 10/31/25 : 188; 12/17/25 : 228; 1/22/26 : 260; 1/30/26 : 306; 2/3/26 : 369; 4/6/26 : 380; 5/1/26 : 488; 6/15/26 : 650

Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target No Price Target Assigned (NA)
Stock Price (Not Covered by Current Analyst) Stock Price (Covered by Current Analyst)
Stock and Industry Ratings (abbreviations below) appear as ◆ Stock Rating/Industry View
Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) No Rating Available (NA)
Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

Effective January 13, 2014, the stocks covered by Morgan Stanley Asia Pacific will be rated relative to the analyst's industry (or industry team's) coverage.

Effective January 13, 2014, the industry view benchmarks for Morgan Stanley Asia Pacific are as follows: relevant MSCI country index or MSCI sub-regional index or MSCI AC Asia Pacific ex Japan Index.

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INDUSTRY COVERAGE: IT Hardware

COMPANY (TICKER)	RATING (AS OF)	PRICE* (07/24/2026)
Erik W Woodring		
Apple, Inc. (AAPL.O)	O (05/26/2009)	$333.02
CDW Corporation (CDW.O)	O (06/23/2026)	$133.82
Cricut Inc (CRCT.O)	U (08/12/2021)	$4.46
Dell Technologies Inc. (DELL.N)	E (06/01/2026)	$437.50
Everpure, Inc. (P.N)	E (06/11/2024)	$74.56
Garmin Ltd (GRMN.N)	E (02/18/2026)	$243.03
GoPro Inc (GPRO.O)	U (12/12/2023)	$0.67
Hewlett Packard Enterprise (HPE.N)	E (11/16/2025)	$47.69
HP Inc. (HPQ.N)	U (11/16/2025)	$25.75
IBM (IBM.N)	E (01/18/2023)	$214.19
Ingram Micro (INGM.N)	E (06/11/2025)	$29.44
Kornit Digital Ltd. (KRNT.O)	E (11/06/2025)	$15.23
Logitech International SA (LOGI.O)	U (01/20/2026)	$105.78
NetApp Inc (NTAP.O)	U (01/20/2026)	$167.74
Resideo Technologies Inc (REZI.N)	O (08/11/2025)	$34.54
Seagate Technology (STX.O)	O (03/26/2024)	$851.69
SmartRent, Inc. (SMRT.N)	++	$0.95
Sonos Inc. (SONO.O)	E (11/06/2025)	$14.69
TD Synnex Corporation (SNX.N)	O (06/11/2025)	$242.92
Teradata (TDC.N)	O (04/08/2025)	$28.52
Western Digital (WDC.O)	O (04/16/2025)	$519.80
Sanjit K Singh		
Nutanix Inc (NTNX.O)	E (01/12/2026)	$55.04

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