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UPDATE

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Hard Disk Drives | North America

We're Not Losing Sleep Over The Toshiba Report. Here's Why

What's new? According to Nikkei Asia, Toshiba plans to invest ¥60B ($380M) in its Philippines facilities to double production capacity for AI data center HDDs by FY27 (March 2028 year-end). Toshiba currently accounts for just over 10% of industry exabytes (EB) shipped and is targeting a 30% share over the medium term. The company "*will handle new products that increase per-unit memory capacity by as much as 40%*" and plans to continue investing to mass-produce 65TB drives by 2030, with a longer-term roadmap to 100TB. To our knowledge, Toshiba (not covered) has not commented on the article.

Our thoughts: High level, we understand the knee jerk reaction from STX/WDC today – historically upcycles don't end with a demand shock, but a supply shock. And this news – if accurate – would represent the first supply test for what has been a rational oligopoly for 3+ years now. **We share a number of more detailed thoughts below, but big picture – we will gladly buy STX/WDC on this dip. Demand in the ~2,000EB nearline HDD market is growing 40%+ Y/Y annually, with Agentic and Physical AI still catalysts for acceleration in the future, the supply/demand gap in HDD's through CY28 is expected to be wider (300-400EBs) than Toshiba's potential capacity expansion, and even if Toshiba added 200EB's of (mostly) low-end HDD capacity by 2028, (1) they do not have leading edge capacities/HAMR technology (it took STX 20+ years to come to market with HAMR), (2) they have to rely on a entire supply chain ramping in unison because they are not vertically integrated, and (3) the added capacity would still only amount to ~5% of the total industry in 2 years.**

- **The implied capex-to-capacity ramp math looks unusually aggressive.** The article states Toshiba's planned $380M investment would support roughly 220EB of incremental output if capacity doubles from current levels. On an annualized basis, this implies capex intensity well below that of larger peers. In FY26, STX invested ~$570M to support 194EB of incremental capacity, while WDC invested ~$420M for 175EB. So collectively, STX/WDC have added 370EB of Y/Y capacity spending $1B of capex. It does not seem realistic that Toshiba - who is not vertically integrated, has lower capacity/TB, and would have to make investments in the supply chain as well – could add 220EB's spending just $380M. Furthermore, doubling capacity in just 18 months feels like an extraordinary achievement. We're skeptical both.
- **Even full execution on this expansion would have a limited impact on industry supply.** Assuming Toshiba achieves its target, the additional 220EB of annual capacity would not be available until roughly 18 months from now, when the market could be nearly 3,000EBs. Against an industry growth requirement of ~600EB annually, and a supply/demand shortage of 300-400EBs, the incremental supply would represent less than 25% of total industry supply growth during the period, ~5% of total industry EBs, and

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IT HARDWARE

North America
Industry View **In-Line**

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unlikely to close the industry supply/demand gap.

- **Capacity expansion does not narrow Toshiba's technology gap.** Toshiba's statement that it will handle products with per-unit memory capacity up to 40% higher (in 18 months) is ambiguous and could refer either to average drive capacity or to its highest-capacity products. If it refers to average capacity growth, the target appears broadly consistent with STX's and WDC's roadmaps, given expectations for 25-30% annual EB growth alongside limited unit growth. However, IDC estimates Toshiba's average drive capacity was ~11TB in C1Q26, meaning Toshiba's average capacity per drive will still far trail STX/WDC. If it refers to Toshiba's current highest-capacity product (24TB), a 40% increase implies ~33TB drives in the market within 18 months. STX and WDC already have drives of that capacity in market today, and 18 months from now, 33TB will be well below the 40TB+ products shipping from Seagate and WDC in C2H26, and the 50TB+ drives both vendors could deliver by CY28.
- **Toshiba is leading with MAMR, not HAMR.** As a reminder Toshiba trails both STX/WDC on HAMR timeline, as Toshiba has primarily invested in MAMR technology, which has a far more limited areal density roadmap than HAMR. Toshiba announced last October plans to launch a 12 disk, 40TB MAMR HDD in 2027. Given STX's 40TB HAMR drives (available today) will have 2 fewer platters and 4 fewer heads, Toshiba's product is not nearly as competitive as STX's leading HAMR products. HAMR is in Toshiba's "future" roadmap. Also, given the need to pivot to HAMR, some of this reported capex will have to go towards new parts specific to HAMR drives (heads, media, motors), making the reported capex intensity even harder to square.
- **Toshiba's longer-term roadmap also trails peers.** The company's target of 65TB drives by 2030 remains well below STX's and WDC's publicly stated ambitions of reaching 100TB-class products by decade-end, and would require a monumental improvement in execution. As such, the announced expansion appears focused on increasing output rather than closing the technology gap.
- **Toshiba's reported 30% market share target - this is the same thing they said in 2022.** According to the Nikkei article, Toshiba aims to capture 30% market share "in the medium term". We'd direct you to this article from February 2022 – where Toshiba said "*It aims to increase share to 25% in its FY2025 and then to reach 30% in what it calls the near term.*" As a reminder, Toshiba has 10% share today.
- **Recent shipment data points to some acceleration in Toshiba production, but not yet a step-change.** TSR tracker data indicates Toshiba's nearline HDD shipments increased ~20% M/M in August. However, smoothing monthly volatility, Toshiba's nearline unit shipments grew 4% Y/Y over the trailing three months through August, broadly in line with overall industry growth of 3%, so the recent capacity growth could be driven more by production line transitions. So far, we have not seen any signs of unit capacity expansion by STX and WDC.

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Valuation Methodology and Risks

Seagate Technology (STX.O)

Our PT implies 20.0x our CY27 EPS of $59.33, as we expect earnings upward revisions by the Street with shares trading 6.0x turns above the peak multiples in the previous industry upcycle.

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

Western Digital (WDC.O)

Our PT implies 20.0x CY27 EPS of $33.80, 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.

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

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(as of September 30, 2026)

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Equal-weight/Hold	1563	42%	394	42%	25%	763	43%
Not-Rated/Hold	2	0%	1	0%	50%	1	0%
Underweight/Sell	570	15%	96	10%	17%	227	13%
Total	3,734		946			1774	

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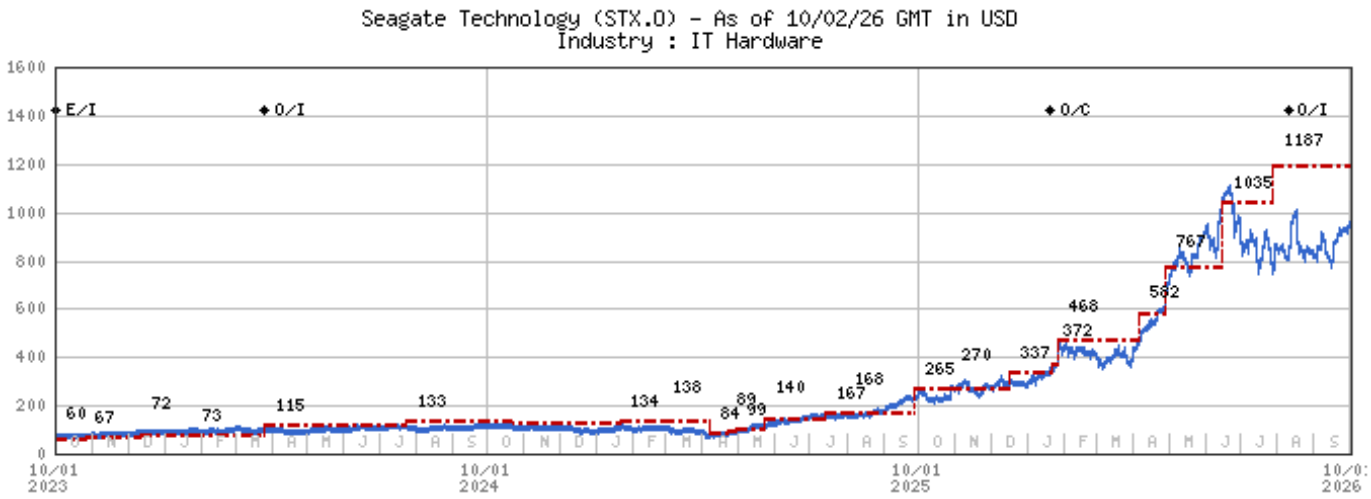
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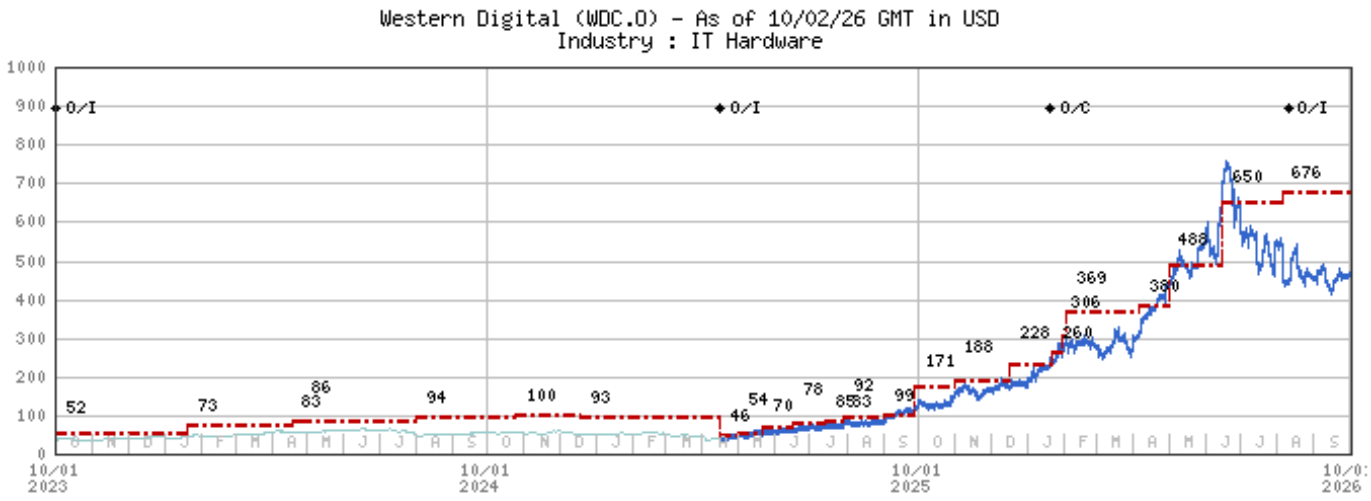
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Price Target History: 7/21/21 : 118; 10/5/21 : 88; 10/22/21 : 94; 1/26/22 : 101; 3/30/22 : 99; 4/27/22 : 95; 7/14/22 : 89; 7/21/22 : 84; 8/31/22 : 70; 10/17/22 : 57; 10/26/22 : 54; 1/18/23 : 69; 1/26/23 : 72; 4/21/23 : 60; 10/26/23 : 67; 12/12/23 : 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; 7/28/26 : 1187

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Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) No Rating Available (NA)

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INDUSTRY COVERAGE: IT Hardware

COMPANY (TICKER)	RATING (AS OF)	PRICE* (10/01/2026)
Erik W Woodring		
Apple, Inc. (AAPL.O)	O (05/26/2009)	$330.32
CDW Corporation (CDW.O)	O (06/23/2026)	$135.83
Cricut Inc (CRCT.O)	U (08/12/2021)	$6.52
Dell Technologies Inc. (DELL.N)	E (06/01/2026)	$541.74
Everpure, Inc. (P.N)	O (08/10/2026)	$134.13
Garmin Ltd (GRMN.N)	E (02/18/2026)	$282.46
GoPro Inc (GPRO.O)	U (12/12/2023)	$1.33
Hewlett Packard Enterprise (HPE.N)	O (08/10/2026)	$64.58
HP Inc. (HPQ.N)	U (11/16/2025)	$32.15
IBM (IBM.N)	E (01/18/2023)	$225.62
Ingram Micro (INGM.N)	E (06/11/2025)	$27.79
Kornit Digital Ltd. (KRNT.O)	E (11/06/2025)	$16.87
Logitech International SA (LOGI.O)	U (01/20/2026)	$103.32
NetApp Inc (NTAP.O)	E (08/10/2026)	$215.05
Resideo Technologies Inc (REZI.N)	O (08/11/2025)	$18.17
Seagate Technology (STX.O)	O (03/26/2024)	$945.57
SmartRent, Inc. (SMRT.N)	++	$1.20
Sonos Inc. (SONO.O)	E (11/06/2025)	$17.75
TD Synnex Corporation (SNX.N)	O (06/11/2025)	$271.76
Teradata (TDC.N)	E (08/10/2026)	$29.92
Western Digital (WDC.O)	O (04/16/2025)	$462.56
Sanjit K Singh		
Nutanix Inc (NTNX.O)	E (01/12/2026)	$71.52

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* Historical prices are not split adjusted.

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