# Sandisk

## Strong Results and Guidance; DC Mix Rising; NBM Targets Unchanged, but Customer Discussions and Pipeline Remain Encouraging; Reit OW

**Overweight**

**SNDK, SNDK US**
Price (29 Oct 26):$1,330.05
**Price Target (Dec-27):$2,250.00**

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Sandisk Corporation (SNDK) posted a strong set of F1Q results and an F2Q guide that came in modestly ahead of Street estimates. Datacenter demand continued to accelerate as SNDK allocated more supply to enterprise SSDs, but unlike last quarter, higher bit shipment volumes drove most (~60%) of the sequential revenue growth, with pricing contributing the remaining ~40% (based on our math, this would imply ASP growth of ~9-10% Q/Q and bit volume growth of ~13% Q/Q). That compares with pricing accounting for ~66% of sequential growth last quarter, making this print a stronger signal of underlying customer demand rather than simply another ASP-led quarter. At the midpoint, the F2Q guide calls for revenue of $12.4B, up ~12% Q/Q, while non-GAAP GM is expected to hold near 85%, implying continued growth without a material step-down in profitability. From an end-market perspective, DC remains the clear growth engine for the company (~44% of revs, with mix to keep rising) and management expects DC bit demand to grow ~40% Y/Y in CY27 (after more than doubling in CY26), with the segment representing 55%+ of industry NAND bits in CY27. As for NBMs (new business model agreements), SNDK surprisingly left its quantitative guidance from last quarter unchanged, with the company continuing to expect ~50% of its FY27 bits and ~66% of its FY28 bits as committed under NBMs. That said, management did clarify that the 2 NBMs closed during F1Q had already been announced on last quarter's call, and hence they did not represent incremental wins for this update. Nonetheless, management's qualitative commentary on the NBM pipeline was encouraging, with the team citing discussions with existing customers about extensions and additional commitments, alongside interest from new customers. Note that management did softly indicate that it expects the portion of bits committed under NBMs in FY28 to move a bit higher over the coming months / quarters (implies 66%+ of FY28 bits under NBMs). The team also interestingly noted that demand from its current NBM pipeline exceeds its available supply through the end of the decade, and so all in, we read the lack of an explicit quantitative update as a function of SNDK being selective about how it allocates supply, rather than any sign of weakening customer interest. All in, we view tonight's results as further evidence that rising DC mix and longer-duration customer agreements can support more durable earnings power, with new products like HBF (first tapeout in F1Q with product samples targeted for CY27) continuing to represent potential upside to the company's LT model.

- **Strong F1Q results led by accelerating DC demand and stronger bit shipments…** SNDK reported revenues of $11.03B (+23% Q/Q, +378% Y/Y), exceeding the top-end of the guided range ($10.3 -10.8B) and Street expectations (~$10.69B). Roughly ~60% of the sequential increase in revenues this quarter came from volume (bit shipment) growth, with the remaining ~40% coming from pricing, marking a reversal from the prior quarter, where pricing drove most of the increase. DC revenues grew to $4.80B (+61% Q/Q) as SNDK allocated more bits to the segment. Edge revenues grew to $5.83B (+7% Q/Q) supported by growth across automotive and IoT

**Key Changes (FYE Jun)**

| | Prev | Cur | Δ |
|---|---|---|---|
| Adj. EPS - 27E ($) | 217.67 | 227.30 | 4.4% |
| Adj. EPS - 28E ($) | 267.36 | 287.24 | 7.4% |

**Quarterly Forecasts (FYE Jun)**

**Adj. EPS ($)**

| | 2026A | 2027E | 2028E |
|---|---|---|---|
| Q1 | 1.22 | 49.51A | 66.90 |
| Q2 | 6.20 | 56.00 | 71.31 |
| Q3 | 23.41 | 59.00 | 73.53 |
| Q4 | 39.25 | 62.79 | 75.50 |
| FY | 70.07 | 227.30 | 287.24 |

**Style Exposure**

| Quant Factors | Current %Rank | Hist %Rank (1=Top) 6M | 1Y | 3Y | 5Y |
|---|---|---|---|---|---|
| Value | 24 | 51 | 29 | | |
| Growth | 4 | 47 | 44 | | |
| Momentum | 1 | 2 | 2 | | |
| Quality | 3 | 67 | 70 | 71 | 88 |
| Low Vol | 93 | 89 | 85 | | |

Sources for: Style Exposure – J.P. Morgan Global Markets Strategy; all other tables are company data and J.P. Morgan estimates.

**See page 11 for analyst certification and important disclosures.**

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## Price Performance




| | YTD | 1m | 3m | 12m |
|---|---|---|---|---|
| Abs | 460.3% | -23.1% | 30.9% | 550.8% |
| Rel | 445.1% | -24.9% | 32.5% | 535.8% |

## Company Data

| | |
|---|---|
| Shares O/S (mn) | 154 |
| 52-week range ($) | 2,354.39-181.51 |
| Market cap ($ mn) | 204,827.70 |
| Exchange rate | 1.00 |
| Free float (%) | 98.8% |
| 3M ADV (mn) | 11.53 |
| 3M ADV ($ mn) | 17,159.9 |
| Volatility (90 Day) | 115 |
| Index | RUSSELL 2000 |
| BBG ANR (Buy \| Hold \| Sell) | 28\|4\|0 |

## Key Metrics (FYE Jun)

| $ in millions | FY26A | FY27E | FY28E |
|---|---|---|---|
| **Financial Estimates** | | | |
| Revenue | 20,248 | 49,975 | 60,638 |
| Adj. EBIT | 12,700 | 40,041 | 47,805 |
| Adj. EBITDA | 12,408 | 39,626 | 47,466 |
| Adj. net income | 10,985 | 33,998 | 40,175 |
| Adj. EPS | 70.07 | 227.30 | 287.24 |
| BBG EPS | 66.25 | 213.69 | 262.63 |
| Cashflow from operations | 11,671 | 29,902 | 37,924 |
| FCFF | 11,522 | 28,422 | 34,830 |
| **Margins and Growth** | | | |
| Revenue Growth Y/Y (%) | 175.3% | 146.8% | 21.3% |
| EBIT margin | 62.7% | 80.1% | 78.8% |
| EBIT Growth Y/Y (%) | 1743.3% | 215.3% | 19.4% |
| EBITDA margin | 61.3% | 79.3% | 78.3% |
| EBITDA Growth Y/Y (%) | (1011.7%) | 219.4% | 19.8% |
| Net margin | 54.3% | 68.0% | 66.3% |
| Adj. EPS growth | 2196.9% | 224.4% | 26.4% |
| **Ratios** | | | |
| Adj. tax rate | 13.0% | 14.2% | 14.9% |
| Interest cover | 4,136.0 | NM | NM |
| Net debt/Equity | NM | NM | NM |
| Net debt/EBITDA | NM | NM | NM |
| ROE | 88.0% | 186.3% | 191.3% |
| **Valuation** | | | |
| FCFF yield | 5.5% | 14.3% | 18.7% |
| Dividend yield | - | - | - |
| EV/Revenue | 9.9 | 4.0 | 3.3 |
| EV/EBITDA | 16.1 | 5.0 | 4.3 |
| Adj. P/E | 19.0 | 5.9 | 4.6 |

## Summary Investment Thesis and Valuation

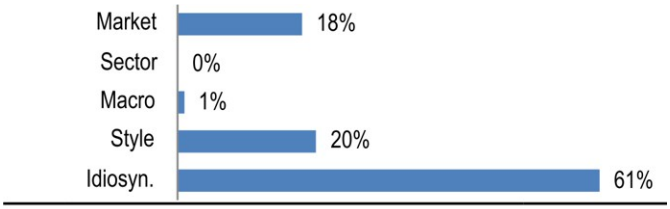
### Investment Thesis

Sandisk's "New Business Model" long-term agreements have structurally reset its margin profile higher and materially reduced cyclicality by converting the majority of its business into long-dated, high-margin, take-or-pay-style revenue, while a structural inflection in NAND demand (driven by AI inference reshaping data center storage) and technology leadership across its BiCS roadmap and emerging High Bandwidth Flash platform underpin a step-change in through-cycle profitability. This combination of durable margins, sustained bit demand growth, and a commitment to returning excess cash to shareholders sets up a compounding earnings power dynamic that points to a multi-year path of meaningfully higher earnings power.

### Valuation

Our December 2027 price target of $2,250 assumes SNDK trades at 9x (within the historical 7-10x forward memory P/E range) applied to our higher CY27 EPS estimate of $260 (from $250 prior).

## Performance Drivers




| Factors | 6M Corr | 1Y Corr |
|---|---|---|
| **Market: MSCI US** | 0.37 | 0.39 |
| **Sect: Technology** | 0.22 | 0.05 |
| **Ind: Tech Hard Equip** | -0.05 | -0.10 |
| **Macro:** | | |
| Credit Spread | 0.24 | 0.14 |
| US 10yr yield | -0.16 | -0.09 |
| Economic Surprise | 0.12 | 0.07 |
| **Quant Styles:** | | |
| Momentum | 0.47 | 0.41 |
| LowVol | -0.46 | -0.29 |
| Size | 0.30 | 0.26 |

Source: J.P. Morgan Global Markets Strategy for Performance Drivers; company data, Bloomberg Finance L.P. and J.P. Morgan estimates for all other tables. Note: Price history may not be complete or exact.

customers. Consumer, on the other hand, declined to $397M (-29% Q/Q) as customers adjusted to higher pricing. As for other financial metrics, non-GAAP GMs rose to 85.1% (up from 84.6% last quarter) while non-GAAP EPS marched higher to $49.51, well above Street estimates (~$46.36).

- **F2Q guide stronger than expected, with continued positive sequential growth and GMs sustaining in the ~85% range…** At the midpoint, SNDK guided F2Q revenues to $12.4B (+12% Q/Q), modestly ahead of Street estimates (~$12.1B) but a touch light relative to the buyside estimates we had heard coming into the print. Non-GAAP GMs were guided to 84.5%–85.5%, which embeds modest like-for-like price increases as per management. The board of directors has also approved an 8-for-1 stock split with additional shares to be distributed on Nov-19-26 and the stock set to begin trading on a split-adjusted basis on Nov-20-26. On a pre-split basis, management guided F2Q non-GAAP EPS to $56.00 at the midpoint, well ahead of Street estimates (~$52.72), reflecting stronger-than-expected sales growth and robust operating leverage. On a split-adjusted basis, non-GAAP EPS is expected to be $6.88-7.13, or ~$7.00 at the midpoint.

- **NBM commitments unchanged, with additional customer discussions ongoing…** SNDK kept its outlook for ~50% of FY27 bits and ~66% FY28 bits committed under NBMs unchanged, noting that the 2 agreements closed in F1Q had already been announced on last quarter's call. That said, existing customers are discussing extensions and additional volumes, alongside interest from new customers, with management indicating that FY28 commitments could move a bit higher from ~66% figure over the coming months. The team also noted that demand in its NBM pipeline exceeds available supply through the end of the decade, making supply allocation between existing and new customers an important consideration. Moreover, management clarified that although NBMs remain DC-centric, SNDK has agreements with Edge customers and is open to extending the model where it makes sense. All in, we view the unchanged figures as more a reflection of SNDK being selective with supply rather than a sign of weaker customer interest, though these discussions still need to translate into additional agreements.

- **Adjusting estimates and maintaining PT at $2,250…** After layering in this quarter's results and management's updated outlook, we are raising our forward estimates (off of the higher out-quarter guide) and maintaining our PT at $2,250. Our December 2027 price target assumes SNDK trades at ~9x (in-line with the company's LT median forward memory P/E) applied to our higher CY27 EPS estimate of $260 (up from $250 prior). Reiterate OW.

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**Figure 1: SNDK Quarterly Results and Out-Quarter Guidance**

| | F1Q27 | | | | F2Q27 | |
|---|---|---|---|---|---|---|
| | Actual | JPMe | Diff | Street | Guidance | Street |
| **Revenue ($MM)** | $11,031 | $10,650 | 3.6% | $10,695 | $12,400 | $12,103 |
| ***Growth Q/Q%*** | *23.0%* | *18.8%* | *4.2%* | | | |
| **Gross margin** | 85.1% | 84.6% | 0.4% | 84.5% | 85.0% | 84.8% |
| **Operating margin** | 80.4% | 79.7% | 0.7% | | | |
| **Non-GAAP EPS** | $49.51 | $46.60 | 6.2% | $46.36 | $56.00 | $52.72 |

Source: Company Filings, Bloomberg Finance L.P., J.P. Morgan Research

**Figure 2: SNDK Bit and ASP Metrics**

| | Sep-25 F1Q26 | Dec-25 F2Q26 | Mar-26 F3Q26 | Jun-26 F4Q26 | Sep-26 F1Q27 | Dec-26 F2Q27E | Mar-27 F3Q27E | Jun-27 F4Q27E | FY26 | FY27E | CY25 | CY26E |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **NAND Bits** | | | | | | | | | | | | |
| **Shipments (8Gb eq., MM)** | **35,259** | **35,964** | **29,131** | **32,918** | **37,198** | **39,616** | **41,010** | **42,240** | **133,273** | **160,063** | **130,735** | **138,863** |
| *Growth Q/Q%* | *15.2%* | *2.0%* | *-19.0%* | *13.0%* | *13.0%* | *6.5%* | *3.5%* | *3.0%* | | | | |
| *Growth Y/Y%* | *5.4%* | *28.5%* | *142.8%* | *33.3%* | *8.9%* | *5.6%* | *1.0%* | *1.7%* | *15.1%* | *20.1%* | *24.3%* | *6.2%* |
| **NAND ASP** | | | | | | | | | | | | |
| **ASP (8Gb eq.)** | **$0.07** | **$0.08** | **$0.20** | **$0.27** | **$0.30** | **$0.31** | **$0.32** | **$0.32** | **$0.15** | **$0.31** | **$0.07** | **$0.28** |
| *Growth Q/Q%* | *5.4%* | *28.5%* | *142.8%* | *33.3%* | *8.9%* | *5.6%* | *1.0%* | *1.7%* | | | | |
| *Growth Y/Y%* | *-6.8%* | *32.0%* | *248.3%* | *338.5%* | *353.0%* | *272.1%* | *54.8%* | *18.0%* | *139.1%* | *105.5%* | *-0.6%* | *304.3%* |

Source: Company Filings, J.P. Morgan Research

## Balance Sheet and Cash Flow

SNDK ended F1Q27 with $5.14B in cash and cash equivalents (vs. $476B in the prior quarter), with the company generating $6.36B in operating cash flows (vs. $7.14B last quarter). Capex totaled $54M, resulting in free cash flow of $6.31B (vs. $7.08B last quarter). Adjusted free cash flow, which accounts for Flash Ventures activity and excludes NBM prepayments and deposits, rose to $5.7B from $5.04B last quarter. The company also returned $5.0B to shareholders through repurchases of ~3.2M of shares during the quarter.

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# Appendix I: Comps Sheet

## Figure 3: Memory / Storage Comps

| Company | Co Ticker | Price 10/29/26 | Mkt Cap ($m) | EV ($m) | Non-GAAP EPS ($) 2025 | 2026 | 2027 | 2025-27 CAGR | PE Multiple 2025 | 2026 | 2027 | Sales ($m) 2025 | 2026 | 2027 | 2025-27 CAGR | PS Multiple 2025 | 2026 | 2027 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Memory / Storage** | | | | | | | | | | | | | | | | | | |
| Micron Technology | MU | $934.27 | 1,057,055 | 988,781 | 11.28 | 109.02 | 187.84 | *308%* | 82.8x | 8.6x | 5.0x | 42,312 | 181,083 | 294,644 | *164%* | 25.0x | 5.8x | 3.6x |
| Samsung Electronics | 005930 | $173.16 | 1,012,358 | 866,346 | 5.01 | 33.60 | 56.36 | *236%* | 34.6x | 5.2x | 3.1x | 234,591 | 516,695 | 748,095 | *79%* | 4.3x | 2.0x | 1.4x |
| SK Hynix | 000660 | $1,138.99 | 832,026 | 723,281 | 43.72 | 278.20 | 385.12 | *197%* | 26.1x | 4.1x | 3.0x | 68,330 | 256,821 | 431,341 | *151%* | 12.2x | 3.2x | 1.9x |
| SandDisk | SNDK | $1,330.05 | 192,229 | 185,891 | 7.41 | 161.74 | 242.80 | *472%* | 179.5x | 8.2x | 5.5x | 8,929 | 37,713 | 55,195 | *149%* | 21.5x | 5.1x | 3.5x |
| Western Digital Corporation | WDC | $395.41 | 148,011 | 147,619 | 6.93 | 16.27 | 32.68 | *117%* | 57.1x | 24.3x | 12.1x | 10,734 | 16,360 | 25,700 | *55%* | 13.8x | 9.0x | 5.8x |
| Seagate Technology Holdings | STX | $700.47 | 160,801 | 161,894 | 10.21 | 26.46 | 52.94 | *128%* | 68.6x | 26.5x | 13.2x | 10,058 | 15,666 | 24,539 | *56%* | 16.0x | 10.3x | 6.6x |
| **Average** | | | | | | | | | **74.8x** | **12.8x** | **7.0x** | | | | | **15.5x** | **5.9x** | **3.8x** |
| **Median** | | | | | | | | | **62.8x** | **8.4x** | **5.2x** | | | | | **14.9x** | **5.5x** | **3.5x** |

Note: Based on calendarized consensus estimates
Source: Company Filings, Bloomberg Finance L.P., J.P. Morgan Research

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# Appendix II: Financial Tables

## Figure 4: SNDK Pro-Forma Income Statement ($M)

| *Sandisk Income Statement* *($MM except as indicated - June year end)* | Sep-24 F1Q25 | Dec-24 F2Q25 | Mar-25 F3Q25 | Jun-25 F4Q25 | Sep-25 F1Q26 | Dec-25 F2Q26 | Mar-26 F3Q26 | Jun-26 F4Q26 | Sep-26 F1Q27 | Dec-26 F2Q27E | Mar-27 F3Q27E | Jun-27 F4Q27E | Sep-27 F1Q28E | Dec-27 F2Q28E | Mar-28 F3Q28E | Jun-28 F4Q28E | FY 2025 | FY 2026 | FY 2027E | FY 2028E | CY 2023 | CY 2024 | CY 2025 | CY 2026E | CY 2027E |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Net revenue** | **1,883** | **1,876** | **1,695** | **1,901** | **2,308** | **3,025** | **5,950** | **8,965** | **11,031** | **12,400** | **12,965** | **13,579** | **14,400** | **15,120** | **15,411** | **15,707** | **7,355** | **20,248** | **49,975** | **60,638** | 5,905 | 7,224 | 8,929 | 38,346 | 56,064 |
| *% Growth, y/y* | *22.8%* | *12.7%* | *-0.6%* | *8.0%* | *22.6%* | *61.2%* | *251.0%* | *371.6%* | *377.9%* | *309.9%* | *117.9%* | *51.5%* | *30.5%* | *21.9%* | *18.9%* | *15.7%* | *10.4%* | *175.3%* | *146.8%* | *21.3%* | | *22.3%* | *23.6%* | *329.5%* | *46.2%* |
| *% Growth, q/q* | *7.0%* | *-0.4%* | *-9.6%* | *12.2%* | *21.4%* | *31.1%* | *96.7%* | *50.7%* | *23.0%* | *12.4%* | *4.6%* | *4.7%* | *6.1%* | *5.0%* | *1.9%* | *1.9%* | | | | | | | | | |
| **Non-GAAP COGS** | 1,151 | 1,267 | 1,310 | 1,399 | 1,617 | 1,479 | 1,284 | 1,377 | 1,647 | **1,859** | **1,982** | **2,103** | **2,297** | **2,460** | **2,584** | **2,768** | **5,127** | **5,757** | **7,592** | **10,108** | **6,135** | **4,774** | **5,805** | **6,167** | **8,842** |
| *% of Sales* | *61%* | *68%* | *77%* | *74%* | *70%* | *49%* | *22%* | *15%* | *15%* | *15%* | *15%* | *15%* | *16%* | *16%* | *17%* | *18%* | *70%* | *28%* | *15%* | *17%* | *104%* | *66%* | *65%* | *16%* | *16%* |
| Stock based compensation | (6) | (3) | (3) | (4) | (4) | (5) | (4) | (6) | (6) | (6) | (6) | (6) | (6) | (6) | (6) | (6) | (16) | (19) | (25) | (25) | (20) | (19) | (16) | (22) | (25) |
| **Total cost of revenue (GAAP)** | **1,157** | **1,270** | **1,313** | **1,403** | **1,621** | **1,484** | **1,288** | **1,383** | **1,653** | **1,866** | **1,989** | **2,110** | **2,303** | **2,466** | **2,590** | **2,774** | **5,143** | **5,776** | **7,617** | **10,133** | **6,154** | **4,793** | **5,821** | **6,190** | **8,868** |
| **GAAP gross profit** | **726** | **606** | **382** | **498** | **687** | **1,541** | **4,662** | **7,582** | **9,378** | **10,534** | **10,976** | **11,469** | **12,097** | **12,654** | **12,821** | **12,932** | **2,212** | **14,472** | **42,358** | **50,505** | **(249)** | **2,431** | **3,108** | **32,156** | **47,197** |
| *GAAP gross margin* | *38.6%* | *32.3%* | *22.5%* | *26.2%* | *29.8%* | *50.9%* | *78.4%* | *84.6%* | *85.0%* | *85.0%* | *84.7%* | *84.5%* | *84.0%* | *83.7%* | *83.2%* | *82.3%* | *30.1%* | *71.5%* | *84.8%* | *83.3%* | *-4.2%* | *33.7%* | *34.8%* | *83.9%* | *84.2%* |
| **Non-GAAP gross profit** | 732 | 609 | 385 | 502 | 691 | 1,546 | 4,666 | 7,588 | 9,384 | **10,541** | **10,982** | **11,476** | **12,104** | **12,661** | **12,827** | **12,939** | **2,228** | **14,491** | **42,383** | **50,530** | **(230)** | **2,450** | **3,124** | **32,179** | **47,222** |
| *Non-GAAP gross margin* | *38.9%* | *32.5%* | *22.7%* | *26.4%* | *29.9%* | *51.1%* | *78.4%* | *84.6%* | *85.1%* | *85.0%* | *84.7%* | *84.5%* | *84.1%* | *83.7%* | *83.2%* | *82.4%* | *30.3%* | *71.6%* | *84.8%* | *83.3%* | *-3.9%* | *33.9%* | *35.0%* | *83.9%* | *84.2%* |
| Operating expenses: | | | | | | | | | | | | | | | | | | | | | | | | | |
| Research and development | 283 | 279 | 285 | 285 | 316 | 327 | 337 | 348 | 384 | 454 | 457 | 464 | 471 | 478 | 485 | 492 | 1,132 | 1,328 | 1,759 | 1,926 | 1,030 | 1,137 | 1,213 | 1,523 | 1,870 |
| *% Growth, y/y* | *17.9%* | *13.4%* | *2.9%* | *-4.4%* | *11.7%* | *17.2%* | *18.2%* | *22.1%* | *21.5%* | *38.8%* | *35.6%* | *33.3%* | *22.7%* | *5.3%* | *6.1%* | *6.0%* | *6.7%* | *17.3%* | *32.5%* | *9.5%* | | *10.4%* | *6.7%* | *25.6%* | *22.8%* |
| *% Growth, q/q* | *-5.0%* | *-1.4%* | *2.2%* | *0.0%* | *10.9%* | *3.5%* | *3.1%* | *3.3%* | *10.3%* | *18.2%* | *0.7%* | *1.5%* | *1.5%* | *1.5%* | *1.5%* | *1.4%* | | | | | | | | | |
| *% of Sales* | *15.0%* | *14.9%* | *16.8%* | *15.0%* | *13.7%* | *10.8%* | *5.7%* | *3.9%* | *3.5%* | *3.7%* | *3.5%* | *3.4%* | *3.3%* | *3.2%* | *3.1%* | *3.1%* | *15.4%* | *6.6%* | *3.5%* | *3.2%* | *17.4%* | *15.7%* | *13.6%* | *4.0%* | *3.3%* |
| Sales and marketing | 130 | 142 | 139 | 162 | 179 | 139 | 161 | 197 | 214 | 257 | 260 | 267 | 274 | 281 | 288 | 295 | 573 | 676 | 998 | 1,138 | 500 | 496 | 619 | 829 | 1,082 |
| *% Growth, y/y* | *10.2%* | *25.7%* | *29.9%* | *38.5%* | *37.7%* | *-2.1%* | *15.8%* | *21.6%* | *19.6%* | *84.9%* | *61.5%* | *35.5%* | *28.0%* | *9.3%* | *10.8%* | *10.5%* | *25.9%* | *18.0%* | *47.6%* | *14.0%* | | *-0.8%* | *24.8%* | *33.9%* | *30.5%* |
| *% Growth, q/q* | *11.1%* | *9.2%* | *-2.1%* | *16.5%* | *10.5%* | *-22.3%* | *15.8%* | *22.4%* | *8.6%* | *20.1%* | *1.2%* | *2.7%* | *2.6%* | *2.6%* | *2.5%* | *2.4%* | | | | | | | | | |
| *% of Sales* | *6.9%* | *7.6%* | *8.2%* | *8.5%* | *7.8%* | *4.6%* | *2.7%* | *2.2%* | *1.9%* | *2.1%* | *2.0%* | *2.0%* | *1.9%* | *1.9%* | *1.9%* | *1.9%* | *7.8%* | *3.3%* | *2.0%* | *1.9%* | 0 | 0 | 0 | 0 | 0 |
| Restructuring and other costs, net | | | | | | | | | | | | | | | | | | | | | | | | | |
| Other opex items | 22 | (10) | 1,839 | 33 | 16 | 10 | 7 | 0 | 0 | | | | | | | | 1,884 | 33 | 0 | 0 | 33 | 48 | 1,898 | 7 | 0 |
| Amortization of intangibles & write-offs | 0 | 0 | 0 | 0 | 0 | 0 | 46 | 0 | 0 | | | | | | | | 0 | 46 | 0 | 0 | 0 | 0 | 0 | 46 | 0 |
| GAAP total operating expenses | 435 | 411 | 2,263 | 480 | 511 | 476 | 551 | 545 | 598 | 711 | 717 | 731 | 745 | 759 | 773 | 787 | 3,589 | 2,083 | 2,757 | 3,064 | 1,563 | 1,681 | 3,730 | 2,405 | 2,952 |
| *% of Sales* | *23%* | *22%* | *134%* | *25%* | *22%* | *16%* | *9%* | *6%* | *5%* | *6%* | *6%* | *5%* | *5%* | *5%* | *5%* | *5%* | | | | | | | | | |
| **GAAP operating income (loss)** | **291** | **195** | **(1,881)** | **18** | **176** | **1,065** | **4,111** | **7,037** | **8,780** | **9,823** | **10,259** | **10,738** | **11,352** | **11,895** | **12,048** | **12,145** | **(1,377)** | **12,389** | **39,601** | **47,441** | **(1,812)** | **750** | **(622)** | **29,751** | **44,245** |
| *Operating margin* | *15.5%* | *10.4%* | *-111.0%* | *0.9%* | *7.6%* | *35.2%* | *69.1%* | *78.5%* | *79.6%* | *79.2%* | *79.1%* | *79.1%* | *78.8%* | *78.7%* | *78.2%* | *77.3%* | *-18.7%* | *61.2%* | *79.2%* | *78.2%* | *-30.7%* | *10.4%* | *-7.0%* | *77.6%* | *78.9%* |
| Stock comp embedded in opex | (35) | (45) | (41) | (45) | (49) | (53) | (50) | (61) | (85) | (85) | (85) | (85) | (85) | (85) | (85) | (85) | (166) | (213) | (339) | (339) | (140) | (142) | (188) | (281) | (339) |
| Other | (22) | 10 | (1,839) | (33) | (16) | (10) | (53) | 0 | 0 | (76) | 0 | 0 | 0 | 0 | 0 | 0 | (1,884) | (79) | (76) | 0 | (457) | (48) | (1,898) | (129) | 0 |
| Non-GAAP operating expenses | 378 | 376 | 383 | 402 | 446 | 413 | 448 | 484 | 513 | 550 | 632 | 646 | 660 | 674 | 688 | 702 | 1,539 | 1,791 | 2,342 | 2,725 | 966 | 1,491 | 1,644 | 1,995 | 2,613 |
| *% Growth, y/y* | *21.2%* | *19.0%* | *9.1%* | *4.1%* | *18.0%* | *9.8%* | *17.0%* | *20.4%* | *15.0%* | *33.3%* | *41.2%* | *33.5%* | *28.7%* | *22.5%* | *8.9%* | *8.7%* | *12.7%* | *16.4%* | *30.8%* | *16.4%* | | *54.3%* | *10.3%* | *21.4%* | *31.0%* |
| *% Growth, q/q* | *-2.1%* | *-0.5%* | *1.9%* | *5.0%* | *10.9%* | *-7.4%* | *8.5%* | *8.0%* | *6.0%* | *7.3%* | *14.9%* | *2.2%* | *2.2%* | *2.1%* | *2.1%* | *2.0%* | | | | | | | | | |
| *% of Sales* | *20.1%* | *20.0%* | *22.6%* | *21.1%* | *19.3%* | *13.7%* | *7.5%* | *5.4%* | *4.7%* | *4.4%* | *4.9%* | *4.8%* | *4.6%* | *4.5%* | *4.5%* | *4.5%* | *20.9%* | *8.8%* | *4.7%* | *4.5%* | *16.4%* | *20.6%* | *18.4%* | *5.2%* | *4.7%* |
| **Non-GAAP operating income (loss)** | **354** | **233** | **2** | **100** | **245** | **1,133** | **4,218** | **7,104** | **8,871** | **9,990** | **10,350** | **10,829** | **11,443** | **11,986** | **12,139** | **12,236** | **689** | **12,700** | **40,041** | **47,805** | **(1,196)** | **959** | **1,480** | **30,183** | **44,609** |
| *Non-GAAP operating margin* | *18.8%* | *12.4%* | *0.1%* | *5.3%* | *10.6%* | *37.5%* | *70.9%* | *79.2%* | *80.4%* | *80.6%* | *79.8%* | *79.8%* | *79.5%* | *79.3%* | *78.8%* | *77.9%* | *9.4%* | *62.7%* | *80.1%* | *78.8%* | *-20.2%* | *13.3%* | *16.6%* | *78.7%* | *79.6%* |
| Equity income from joint ventures | | | | | | | | | | | | | | | | | | | | | | | | | |
| Interest income | 3 | 2 | 6 | 11 | 16 | 12 | 12 | 30 | 51 | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 22 | 70 | 111 | 80 | 19 | 11 | 45 | 113 | 80 |
| Interest expense | (2) | (4) | (16) | (41) | (40) | (25) | (6) | (2) | (2) | (2) | (2) | (2) | (2) | (2) | (2) | (2) | (63) | (73) | (8) | (8) | (41) | (24) | (122) | (12) | (8) |
| Interest and other non-GAAP adjustments | | (4) | (2) | (1) | 10 | 94 | 1 | (804) | (510) | | | | | | | | (7) | (699) | (510) | 0 | 0 | (5) | 101 | (1313) | 0 |
| Other income (expense) | (25) | (20) | (10) | (6) | (28) | (115) | (10) | 784 | 490 | (169) | (169) | (169) | (169) | (169) | (169) | (169) | (61) | 631 | (17) | (676) | 4 | (46) | (159) | 1,095 | (676) |
| Interest and other expense, net | (24) | (22) | (20) | (36) | (52) | (128) | (4) | 812 | 539 | (151) | (151) | (151) | (151) | (151) | (151) | (151) | (102) | 628 | 86 | (604) | (18) | (59) | (236) | 1196 | (604) |
| Non-GAAP interest and other expense, net | (24) | (26) | (22) | (37) | (42) | (34) | (3) | 8 | 29 | (151) | (151) | (151) | (151) | (151) | (151) | (151) | (109) | (71) | (424) | (604) | (18) | (64) | (135) | (117) | (604) |
| GAAP Income (loss) before income taxes | 267 | 173 | (1,901) | (18) | 124 | 937 | 4,107 | 7,849 | 9,319 | 9,672 | 10,108 | 10,587 | 11,201 | 11,744 | 11,897 | 11,994 | (1,479) | 13,017 | 39,687 | 46,837 | (1,830) | 691 | (858) | 30,947 | 43,641 |
| Tax rate | 21.0% | 39.9% | -1.7% | -27.8% | 9.7% | 14.3% | 12.0% | 12.1% | 13.1% | 14.3% | 14.3% | 14.3% | 15.0% | 15.0% | 15.0% | 15.0% | -11.0% | 12.2% | 14.0% | 15.0% | -6.9% | 33.1% | -21.3% | 13.1% | 14.7% |
| Income taxes | 56 | 69 | 32 | 5 | 12 | 134 | 492 | 946 | 1,218 | 1,383 | 1,445 | 1,514 | 1,680 | 1,762 | 1,784 | 1,799 | 162 | 1584 | 5561 | 7025 | 127 | 229 | 183 | 4039 | 6401 |
| Non-GAAP income tax adjustment | | (40) | (9) | 16 | 10 | (2) | 48 | 4 | 58 | | | | | | | | (33) | 60 | 58 | 0 | 0 | (45) | 15 | 110 | 0 |
| **GAAP net income (loss) from cont.ops.** | **211** | **104** | **(1,933)** | **(23)** | **112** | **803** | **3,615** | **6,903** | **8,101** | **8,289** | **8,663** | **9,073** | **9,521** | **9,983** | **10,112** | **10,195** | **(1,641)** | **11,433** | **34,126** | **39,811** | **(1,957)** | **462** | **(1,041)** | **26,908** | **37,239** |
| Other non-GAAP adjustments | 11 | | | | | | | | | | | | | | | | 11 | 0 | 0 | 0 | 59 | 11 | 0 | 0 | 0 |
| **Non-GAAP net income** | **263** | **178** | **(43)** | **42** | **181** | **967** | **3,675** | **6,162** | **7,624** | **8,456** | **8,754** | **9,164** | **9,612** | **10,074** | **10,203** | **10,286** | **440** | **10,985** | **33,998** | **40,175** | **(1,400)** | **700** | **1,147** | **25,917** | **37,603** |
| GAAP Basic EPS | 1.47 | 0.72 | (13.33) | (0.16) | 0.77 | 5.46 | 24.43 | 46.96 | 55.49 | 57.73 | 61.46 | 65.50 | 69.87 | 74.57 | 76.99 | 79.14 | (11.30) | 77.61 | 240.17 | 300.57 | (13.59) | 3.20 | (7.09) | 184.66 | 271.39 |
| **GAAP Diluted EPS** | **1.47** | **0.72** | **(13.38)** | **(0.16)** | **0.75** | **5.15** | **23.03** | **43.97** | **52.60** | **54.90** | **58.38** | **62.17** | **66.27** | **70.66** | **72.88** | **74.83** | **(11.35)** | **72.89** | **228.05** | **284.63** | **(13.59)** | **3.20** | **(6.72)** | **174.59** | **257.48** |
| Pro Forma Basic EPS | 1.83 | 1.24 | (0.30) | 0.29 | 1.24 | 6.58 | 24.83 | 41.92 | 52.22 | 58.89 | 62.10 | 66.15 | 70.54 | 75.25 | 77.68 | 79.84 | 3.06 | 74.57 | 239.37 | 303.32 | (9.72) | 4.85 | 7.81 | 177.86 | 274.05 |
| **Pro Forma Diluted EPS** | **1.83** | **1.24** | **(0.30)** | **0.29** | **1.22** | **6.20** | **23.41** | **39.25** | **49.51** | **56.00** | **59.00** | **62.79** | **66.90** | **71.31** | **73.53** | **75.50** | **3.05** | **70.07** | **227.30** | **287.24** | **(9.72)** | **4.85** | **7.40** | **168.16** | **260.00** |
| Weighted average common shares outstanding | 144.0 | 144.0 | 145.0 | 145.0 | 146.0 | 147.0 | 148.0 | 147.0 | 146.0 | 143.6 | 141.0 | 138.5 | 136.3 | 133.9 | 131.3 | 128.8 | 144.0 | 147.3 | 142.0 | 132.5 | 144.0 | 144.3 | 146.8 | 145.7 | 137.2 |
| Weighted average common shares outstanding | 144.0 | 144.0 | 144.5 | 147.0 | 148.9 | 156.0 | 157.0 | 157.0 | 154.0 | 151.0 | 148.4 | 145.9 | 143.7 | 141.3 | 138.8 | 136.2 | 144.2 | 156.8 | 149.6 | 139.9 | 144.0 | 144.3 | 154.9 | 154.1 | 144.6 |

Source: Company Filings, J.P. Morgan Research

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## Figure 5: SNDK Balance Sheet ($M)

| *Sandisk Balance Sheet* *($MM except as indicated - June year end)* | Sep-24 F1Q25 | Dec-24 F2Q25 | Mar-25 F3Q25 | Jun-25 F4Q25 | Sep-25 F1Q26 | Dec-25 F2Q26 | Mar-26 F3Q26 | Jun-26 F4Q26 | Sep-26 F1Q27 | Dec-26 F2Q27E | Mar-27 F3Q27E | Jun-27 F4Q27E | Sep-27 F1Q28E | Dec-27 F2Q28E | Mar-28 F3Q28E | Jun-28 F4Q28E |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | | | | | | | | | | | |
| **Current assets:** | | | | | | | | | | | | | | | | |
| Cash and cash equivalents | 322 | 804 | 1,507 | 1,481 | 1,442 | 1,539 | 3,735 | 4,762 | 5,136 | 5,213 | 5,052 | 4,884 | 4,398 | 3,902 | 3,424 | 2,915 |
| Short term investments | | | | | | | | | | | | | | | | |
| **Total cash & ST investments** | **322** | **804** | **1,507** | **1,481** | **1,442** | **1,539** | **3,735** | **4,762** | **5,136** | **5,213** | **5,052** | **4,884** | **4,398** | **3,902** | **3,424** | **2,915** |
| Accounts receivable, net | 1,037 | 904 | 979 | 1,068 | 1,193 | 1,239 | 2,726 | 4,708 | 6,585 | 7,402 | 7,739 | 8,106 | 8,596 | 9,026 | 9,199 | 9,376 |
| Inventories | 2,069 | 2,172 | 2,160 | 2,079 | 1,907 | 1,970 | 2,238 | 2,698 | 3,016 | 4,055 | 4,323 | 4,587 | 5,009 | 5,364 | 5,635 | 6,036 |
| Income tax receivable | 7 | 8 | 53 | 66 | 72 | 45 | 81 | 22 | 41 | 41 | 41 | 41 | 41 | 41 | 41 | 41 |
| Notes Due from Parent | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Deferred tax assets, net | | | | | | | | | | | | | | | | |
| Net Investment in lease receivable | | | | | | | | | | | | | | | | |
| Other current assets | 953 | 568 | 391 | 392 | 370 | 357 | 388 | 590 | 574 | 574 | 574 | 574 | 574 | 574 | 574 | 574 |
| **Total current assets** | **4,388** | **4,456** | **5,090** | **5,086** | **4,984** | **5,150** | **9,168** | **12,780** | **15,352** | **17,285** | **17,730** | **18,191** | **18,618** | **18,908** | **18,873** | **18,942** |
| Property and equipment, net | 552 | 579 | 603 | 619 | 630 | 631 | 649 | 674 | 705 | 705 | 705 | 705 | 705 | 705 | 705 | 705 |
| Investment in FlashVision / Flash Partners / Flash A | 1,066 | 871 | 662 | 654 | 602 | 677 | 684 | 678 | 827 | 827 | 827 | 827 | 827 | 827 | 827 | 827 |
| Goodwill and Intangibles | 6,932 | 6,825 | 4,997 | 4,999 | 4,998 | 4,995 | 4,994 | 4,994 | 4,995 | 4,995 | 4,995 | 4,995 | 4,995 | 4,995 | 4,995 | 4,995 |
| Deferred tax assets | 56 | 96 | 51 | 58 | 57 | 62 | 87 | 66 | 69 | 69 | 69 | 69 | 69 | 69 | 69 | 69 |
| Income tax receivable | 12 | 13 | 79 | 80 | 61 | 98 | 134 | 169 | 186 | 186 | 186 | 186 | 186 | 186 | 186 | 186 |
| Other non-current assets | 884 | 1,394 | 1,478 | 1,489 | 1,417 | 1,385 | 1,359 | 3,146 | 3,659 | 3,659 | 3,659 | 3,659 | 3,659 | 3,659 | 3,659 | 3,659 |
| **Total assets** | **13,890** | **14,234** | **12,960** | **12,985** | **12,749** | **12,998** | **17,075** | **22,507** | **25,793** | **27,726** | **28,171** | **28,632** | **29,059** | **29,349** | **29,314** | **29,383** |
| | | | | | | | | | | | | | | | | |
| **LIABILITIES & SHAREHOLDER'S EQUITY** | | | | | | | | | | | | | | | | |
| Current liabilities: | | | | | | | | | | | | | | | | |
| Accounts payable | 297 | 320 | 363 | 366 | 398 | 436 | 416 | 516 | 736 | 831 | 886 | 939 | 1,025 | 1,098 | 1,153 | 1,235 |
| Accounts payable to related parties | 352 | 369 | 395 | 400 | 486 | 433 | 435 | 460 | 549 | 549 | 549 | 549 | 549 | 549 | 549 | 549 |
| Accrued expenses | 236 | 438 | 446 | 425 | 382 | 393 | 383 | 313 | 329 | 329 | 329 | 329 | 329 | 329 | 329 | 329 |
| Income taxes payable | 12 | 5 | 37 | 43 | 22 | 99 | 31 | 1,286 | 1,516 | 1,516 | 1,516 | 1,516 | 1,516 | 1,516 | 1,516 | 1,516 |
| Accrued compensation | 169 | 188 | 114 | 173 | 208 | 273 | 329 | 657 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 |
| Notes due to Parent | 296 | 553 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Liabilities held for sale and other | 110 | 0 | 0 | 0 | 0 | 0 | 323 | 2,349 | 2,374 | 2,374 | 2,374 | 2,374 | 2,374 | 2,374 | 2,374 | 2,374 |
| Current portion of long-term debt | | | 20 | 20 | 20 | 20 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total Current Liabilities** | **1,472** | **1,873** | **1,375** | **1,427** | **1,516** | **1,654** | **1,917** | **5,581** | **5,951** | **6,046** | **6,101** | **6,154** | **6,240** | **6,313** | **6,368** | **6,450** |
| | | | | | | | | | | | | | | | | |
| Deferred tax liabilities | 18 | 53 | 17 | 17 | 28 | 22 | 17 | 161 | 144 | 144 | 144 | 144 | 144 | 144 | 144 | 144 |
| Long-term debt | | | 1,927 | 1,829 | 1,331 | 583 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other liabilities | 274 | 307 | 480 | 496 | 493 | 526 | 1,364 | 1,029 | 1,564 | 1,564 | 1,564 | 1,564 | 1,564 | 1,564 | 1,564 | 1,564 |
| **Total Liabilities** | **1,764** | **2,233** | **3,799** | **3,769** | **3,368** | **2,785** | **3,298** | **6,771** | **7,659** | **7,754** | **7,809** | **7,862** | **7,948** | **8,021** | **8,076** | **8,158** |
| | | | | | | | | | | | | | | | | |
| Common stock, add'l paid-in capital, accum. Deficit | 12,369 | 12,435 | 9,467 | 9,465 | 9,615 | 10,468 | 14,036 | 15,992 | 18,112 | 11,764 | 3,401 | (5,356) | (14,627) | (24,484) | (34,777) | (45,076) |
| Accumulated other comprehensive loss | (243) | (434) | (306) | (249) | (234) | (255) | (259) | (256) | (248) | 8,208 | 16,962 | 26,126 | 35,738 | 45,812 | 56,015 | 66,301 |
| **Total Equity** | **12,126** | **12,001** | **9,161** | **9,216** | **9,381** | **10,213** | **13,777** | **15,736** | **18,134** | **19,972** | **20,363** | **20,770** | **21,111** | **21,328** | **21,238** | **21,225** |
| | | | | | | | | | | | | | | | | |
| **Total Liabilities and Equity** | **13,890** | **14,234** | **12,960** | **12,985** | **12,749** | **12,998** | **17,075** | **22,507** | **25,793** | **27,726** | **28,171** | **28,632** | **29,059** | **29,349** | **29,314** | **29,383** |

Source: Company Filings, J.P. Morgan Research

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## Figure 6: SNDK Cash Flow Statement ($M)

| *Sandisk Cash Flow Statement* *($MM except as indicated - June year end)* | Sep-24 F1Q25 | Dec-24 F2Q25 | Mar-25 F3Q25 | Jun-25 F4Q25 | Sep-25 F1Q26 | Dec-25 F2Q26 | Mar-26 F3Q26 | Jun-26 F4Q26 | Sep-26 F1Q27 | Dec-26 F2Q27E | Mar-27 F3Q27E | Jun-27 F4Q27E | Sep-27 F1Q28E | Dec-27 F2Q28E | Mar-28 F3Q28E | Jun-28 F4Q28E | FY 2022 | FY 2023 | FY 2024 | FY 2025 | FY 2026E | FY 2027E | FY 2028E |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | | | | | | | | | | | | | | | | | | | | | | |
| **Net cash provided by operating activities:** | | | | | | | | | | | | | | | | | | | | | | | |
| Net income | 211 | 104 | (1,933) | (23) | 112 | 803 | 3,615 | 6,903 | 8,101 | 8,289 | 8,663 | 9,073 | 9,521 | 9,983 | 10,112 | 10,195 | 1,030 | (2,143) | (672) | (1,641) | 11,433 | 34,126 | 39,811 |
| Depreciation and amortization | 54 | 36 | 37 | 36 | 36 | 38 | 38 | 37 | 43 | 43 | 43 | 43 | 43 | 43 | 43 | 43 | 525 | 448 | 224 | 163 | 149 | 172 | 172 |
| Stock-based compensation | 41 | 48 | 44 | 49 | 53 | 58 | 54 | 67 | 91 | 91 | 91 | 91 | 91 | 91 | 91 | 91 | 171 | 165 | 149 | 182 | 232 | 364 | 364 |
| Deferred income taxes | (5) | 28 | (16) | (19) | 3 | (13) | (32) | 162 | (20) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (68) | (81) | (16) | (12) | 120 | (20) | 0 |
| Asset/goodwill impairment | 0 | 1 | 1,830 | 0 | 0 | 5 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 672 | 4 | 1,831 | 5 | 0 | 0 |
| Gain on disposal of assets | 0 | (35) | 0 | 0 | 10 | 0 | 1 | 4 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (3) | (61) | (35) | 15 | 0 | 0 |
| Unrealized foreign exchange (gain) loss | (8) | 3 | (1) | (19) | 1 | 19 | 19 | 47 | (15) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 31 | (37) | 13 | (25) | 86 | (15) | 0 |
| Equity loss in investees, net of dividends received | 10 | 49 | 0 | 6 | 27 | 19 | 12 | 102 | 18 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (51) | (45) | 49 | 65 | 160 | 18 | 0 |
| Other non-cashoperating activities, net | 6 | 4 | 17 | 8 | (4) | 27 | 49 | (804) | (508) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 79 | 114 | 87 | 35 | (732) | (508) | 0 |
| Settlement of accrued interest on Notes due to Parent | (96) | 0 | (3) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | | | (99) | 0 | 0 | 0 |
| | | | | | | | | | | | | | | | | | | | | | 0 | 0 | 0 |
| **Changes in assets and liabilities:** | | | | | | | | | | | | | | | | | | | | | 0 | 0 | 0 |
| Accounts receivable, net | (102) | 133 | (42) | (89) | (125) | (46) | (1,487) | (1,982) | (1,877) | (817) | (337) | (367) | (490) | (430) | (173) | (177) | (165) | 750 | (395) | (100) | (3,640) | (3,398) | (1,270) |
| Inventories | (149) | (103) | 11 | 81 | 172 | (63) | (268) | (460) | (318) | (1,039) | (269) | (263) | (422) | (356) | (270) | (401) | (56) | (277) | 314 | (160) | (619) | (1,889) | (1,449) |
| Accounts payable | 33 | 24 | 42 | (6) | 30 | 45 | (39) | 73 | 197 | 95 | 55 | 54 | 86 | 73 | 55 | 82 | 39 | (124) | 32 | 93 | 109 | 400 | 296 |
| Accounts payable to related parties | 39 | (93) | 26 | 5 | 86 | (53) | 2 | 25 | 89 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (78) | (23) | 21 | (23) | 60 | 89 | 0 |
| Accrued expenses | (172) | 185 | (10) | 10 | (43) | 5 | 17 | 45 | (24) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 160 | (104) | (51) | 13 | 24 | (24) | 0 |
| Accrued compensation | (13) | 19 | (44) | 59 | 35 | 65 | 56 | 304 | (215) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (31) | (56) | 99 | 21 | 460 | (215) | 0 |
| Other assets and liabilities, net | 20 | (308) | 68 | (4) | 95 | 110 | 1,001 | 2,603 | 801 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (469) | 31 | (106) | (224) | 3,809 | 801 | 0 |
| **NET CASH PROVIDED BY OPERATING ACTIVITIES** | **(131)** | **95** | **26** | **94** | **488** | **1,019** | **3,038** | **7,126** | **6,363** | **6,662** | **8,246** | **8,631** | **8,829** | **9,404** | **9,858** | **9,833** | **1,117** | **(713)** | **(309)** | **84** | **11,671** | **29,902** | **37,924** |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | | | | | | | | | | | | | | | | | | | | | | |
| Purchases of property, plant and equipment | (67) | (48) | (44) | (45) | (50) | (39) | (45) | (43) | (54) | (310) | (519) | (543) | (720) | (756) | (771) | (785) | (410) | (219) | (166) | (204) | (177) | (1,426) | (3,032) |
| Proceeds from the sale of property, plant and equipment | 0 | 0 | 0 | 0 | 25 | 0 | 0 | 0 | 34 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 26 | 0 | 137 | 0 | 25 | 34 | 0 |
| Notes receivable issuances to Flash Ventures | (14) | (252) | (8) | (59) | (87) | (169) | (83) | (123) | (151) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (809) | (627) | (243) | (333) | (462) | (151) | 0 |
| Notes receivable proceeds from Flash Ventures | 62 | 120 | 246 | 87 | 97 | 32 | 45 | 13 | 3 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 718 | 641 | 482 | 515 | 187 | 3 | 0 |
| Strategic investments and other, net | 0 | 368 | 210 | 0 | 0 | 11 | 0 | (970) | (70) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 3 | 16 | 0 | 578 | (959) | (70) | 0 |
| **NET CASH USED IN INVESTING ACTIVITIES** | **(19)** | **188** | **404** | **(17)** | **(15)** | **(165)** | **(83)** | **(1,123)** | **(238)** | **(310)** | **(519)** | **(543)** | **(720)** | **(756)** | **(771)** | **(785)** | **(472)** | **(189)** | **210** | **556** | **(1,386)** | **(1,610)** | **(3,032)** |
| **CASH FLOWS FROM FINANCING ACTIVITIES:** | | | | | | | | | | | | | | | | | | | | | | | |
| Proceeds from debt issuance | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Repayments of debt | 0 | 0 | 0 | (100) | (500) | (750) | (650) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (100) | (1,900) | 0 | 0 |
| Proceeds from principal repayments on notes due from Parent | 101 | 449 | 1,970 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 307 | 216 | 14 | 2,520 | 0 | 0 | 0 |
| Repayments of principal on notes due to Parent | (76) | 177 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 199 | 54 | 0 | 101 | 0 | 0 | 0 |
| Proceeds from borrowings on notes due to Parent | 0 | (76) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (86) | (102) | (76) | 0 | 0 | 0 |
| Origination of notes due from Parent | 0 | 0 | (1,656) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (223) | 0 | (170) | (1,656) | 0 | 0 | 0 |
| Transfers from/(to) Parent | 189 | (420) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (933) | 676 | 394 | (231) | 0 | 0 | 0 |
| Repurchase of common stock | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (4,524) | (5,000) | (6,275) | (7,888) | (8,257) | (8,594) | (9,144) | (9,565) | (9,557) | | | | | (4,524) | (27,419) | (36,860) |
| Other | 0 | 0 | (38) | (2) | (15) | (8) | (102) | (452) | (755) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (40) | (577) | (755) | 0 |
| **NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES** | **214** | **130** | **276** | **(102)** | **(515)** | **(758)** | **(752)** | **(4,976)** | **(5,755)** | **(6,275)** | **(7,888)** | **(8,257)** | **(8,594)** | **(9,144)** | **(9,565)** | **(9,557)** | **(650)** | **860** | **136** | **518** | **(7,001)** | **(28,174)** | **(36,860)** |
| Changes in cash and cash equivalents classified as assets held f | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | | | | | | | | | | 0 | 0 | 0 | 0 |
| Effect of changes in foreign currency exchange rates on cash | 1 | (2) | (3) | (1) | 3 | 1 | (7) | 0 | 4 | | | | | | | | (2) | (1) | (1) | (5) | (3) | 4 | 0 |
| **Change in cash and cash equivalents** | **65** | **411** | **703** | **(26)** | **(39)** | **97** | **2,196** | **1,027** | **374** | **77** | **(161)** | **(169)** | **(485)** | **(496)** | **(478)** | **(509)** | **(7)** | **(43)** | **36** | **1,153** | **3,281** | **122** | **(1,968)** |
| **Cash and cash equivalents at beginning of period** | **328** | **393** | **804** | **1,507** | **1,481** | **1,442** | **1,539** | **3,735** | **4,762** | **5,136** | **5,213** | **5,052** | **4,884** | **4,398** | **3,902** | **3,424** | **342** | **335** | **292** | **328** | **1,481** | **4,762** | **4,884** |
| **Cash and cash equivalents at end of period** | **393** | **804** | **1,507** | **1,481** | **1,442** | **1,539** | **3,735** | **4,762** | **5,136** | **5,213** | **5,052** | **4,884** | **4,398** | **3,902** | **3,424** | **2,915** | **335** | **292** | **328** | **1,481** | **4,762** | **4,884** | **2,915** |

Source: Company Filings, J.P. Morgan Research

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# Investment Thesis, Valuation and Risks

## Sandisk *(Overweight; Price Target: $2,250.00)*

**Investment Thesis**
Sandisk's "New Business Model" long-term agreements have structurally reset its margin profile higher and materially reduced cyclicality by converting the majority of its business into long-dated, high-margin, take-or-pay-style revenue, while a structural inflection in NAND demand (driven by AI inference reshaping data center storage) and technology leadership across its BiCS roadmap and emerging High Bandwidth Flash platform underpin a step-change in through-cycle profitability. This combination of durable margins, sustained bit demand growth, and a commitment to returning excess cash to shareholders sets up a compounding earnings power dynamic that points to a multi-year path of meaningfully higher earnings power.

**Valuation**
Our December 2027 price target of $2,250 assumes SNDK trades at 9x (within the historical 7-10x forward memory P/E range) applied to our higher CY27 EPS estimate of $260 (from $250 prior).

**Risks to Rating and Price Target**
**AI "bubble" unwinds faster than expected**
A sharper slowdown in AI infrastructure capex, project cancelations, or tighter ROI scrutiny could lead to eSSD order cuts and pricing pressure much earlier than our 2028+ normalization timeframe.

**Aggressive capacity additions and pricing competition**
NAND suppliers may overbuild in response to current margins (or chase share via price), driving ASP compression and margin erosion that is both steeper and sooner than modeled, especially for commodity eSSD.

**Macro-driven legacy market downturn**
While current attention is focused squarely on AI-driven eSSD demand, ~60-70% of NAND bits still go into smartphones, PCs, and consumer electronics. If a global recession or continued consumer weakness causes a high-single-digit decline in handset/PC units, the industry will be forced to dump excess capacity intended for those markets, dragging down blended ASPs and negating the premium pricing in the data center channel.



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# Sandisk: Summary of Financials

| Income Statement - Annual | FY25A | FY26A | FY27E | FY28E | FY29E |
|---|---|---|---|---|---|
| **Revenue** | **7,355** | **20,248** | **49,975** | **60,638** | **-** |
| COGS | (5,143) | (5,776) | (7,617) | (10,133) | - |
| **Gross profit** | **2,212** | **14,472** | **42,358** | **50,505** | **-** |
| SG&A | (573) | (676) | (998) | (1,138) | - |
| **Adj. EBITDA** | **(1,361)** | **12,408** | **39,626** | **47,466** | **-** |
| D&A | - | - | - | - | - |
| **Adj. EBIT** | **689** | **12,700** | **40,041** | **47,805** | **-** |
| Net Interest | (41) | (3) | 103 | 72 | - |
| **Adj. PBT** | **569** | **12,629** | **39,617** | **47,201** | **-** |
| Tax | (162) | (1,584) | (5,561) | (7,025) | - |
| Minority Interest | - | - | - | - | - |
| **Adj. Net Income** | **440** | **10,985** | **33,998** | **40,175** | **-** |
| Reported EPS | (11.38) | 72.93 | 228.16 | 284.63 | - |
| **Adj. EPS** | **3.05** | **70.07** | **227.30** | **287.24** | **-** |
| **DPS** | **-** | **-** | **-** | **-** | **-** |
| Payout ratio | - | - | - | - | - |
| Shares outstanding | 144 | 157 | 150 | 140 | - |

| Balance Sheet & Cash Flow Statement | FY25A | FY26A | FY27E | FY28E | FY29E |
|---|---|---|---|---|---|
| Cash and cash equivalents | 1,481 | 4,762 | 4,884 | 2,915 | - |
| Accounts receivable | 1,068 | 4,708 | 8,106 | 9,376 | - |
| Inventories | 2,079 | 2,698 | 4,587 | 6,036 | - |
| Other current assets | 458 | 612 | 615 | 615 | - |
| **Current assets** | **5,086** | **12,780** | **18,191** | **18,942** | **-** |
| PP&E | 619 | 674 | 705 | 705 | - |
| LT investments | 654 | 678 | 827 | 827 | - |
| Other non current assets | 6,626 | 8,375 | 8,909 | 8,909 | - |
| **Total assets** | **12,985** | **22,507** | **28,632** | **29,383** | **-** |
| | | | | | |
| Short term borrowings | 20 | 0 | 0 | 0 | - |
| Payables | 766 | 976 | 1,488 | 1,784 | - |
| Other short term liabilities | 641 | 4,605 | 4,666 | 4,666 | - |
| **Current liabilities** | **1,427** | **5,581** | **6,154** | **6,450** | **-** |
| Long-term debt | 1,829 | 0 | 0 | 0 | - |
| Other long term liabilities | 513 | 1,190 | 1,708 | 1,708 | - |
| **Total liabilities** | **3,769** | **6,771** | **7,862** | **8,158** | **-** |
| Shareholders' equity | 9,216 | 15,736 | 20,770 | 21,225 | - |
| Minority interests | - | - | - | - | - |
| **Total liabilities & equity** | **12,985** | **22,507** | **28,632** | **29,383** | **-** |
| **BVPS** | **63.90** | **100.38** | **138.86** | **151.75** | **-** |
| *y/y Growth* | *(16.8%)* | *57.1%* | *38.3%* | *9.3%* | - |
| Net debt/(cash) | 368 | (4,762) | (4,884) | (2,915) | - |
| | | | | | |
| **Cash flow from operating activities** | **84** | **11,671** | **29,902** | **37,924** | **-** |
| o/w Depreciation & amortization | 163 | 149 | 172 | 172 | - |
| o/w Changes in working capital | (380) | 203 | (4,235) | (2,423) | - |
| **Cash flow from investing activities** | **556** | **(1,386)** | **(1,610)** | **(3,032)** | **-** |
| o/w Capital expenditure | (204) | (177) | (1,426) | (3,032) | - |
| *as % of sales* | *2.8%* | *0.9%* | *2.9%* | *5.0%* | - |
| **Cash flow from financing activities** | **518** | **(7,001)** | **(28,174)** | **(36,860)** | **-** |
| o/w Dividends paid | - | - | - | - | - |
| o/w Net debt issued/(repaid) | (100) | (1,900) | 0 | 0 | - |
| **Net change in cash** | **1,153** | **3,281** | **122** | **(1,968)** | **-** |
| **Adj. Free cash flow to firm** | **(88)** | **11,522** | **28,422** | **34,830** | **-** |
| *y/y Growth* | *(70.0%)* | *(13149.0%)* | *146.7%* | *22.5%* | - |

| Income Statement - Quarterly | 1Q27A | 2Q27E | 3Q27E | 4Q27E |
|---|---|---|---|---|
| **Revenue** | **11,031A** | **12,400** | **12,965** | **13,579** |
| COGS | (1,653)A | (1,866) | (1,989) | (2,110) |
| **Gross profit** | **9,378A** | **10,534** | **10,976** | **11,469** |
| SG&A | (214)A | (257) | (260) | (267) |
| **Adj. EBITDA** | **8,786A** | **9,830** | **10,265** | **10,745** |
| D&A | - | - | - | - |
| **Adj. EBIT** | **8,871A** | **9,990** | **10,350** | **10,829** |
| Net Interest | 49A | 18 | 18 | 18 |
| **Adj. PBT** | **8,900A** | **9,839** | **10,199** | **10,678** |
| Tax | (1,218)A | (1,383) | (1,445) | (1,514) |
| Minority Interest | - | - | - | - |
| **Adj. Net Income** | **7,624A** | **8,456** | **8,754** | **9,164** |
| Reported EPS | 52.60A | 54.90 | 58.38 | 62.17 |
| **Adj. EPS** | **49.51A** | **56.00** | **59.00** | **62.79** |
| **DPS** | **-** | **-** | **-** | **-** |
| Payout ratio | - | - | - | - |
| Shares outstanding | 154A | 151 | 148 | 146 |

| Ratio Analysis | FY25A | FY26A | FY27E | FY28E | FY29E |
|---|---|---|---|---|---|
| Gross margin | 30.1% | 71.5% | 84.8% | 83.3% | - |
| EBITDA margin | (18.5%) | 61.3% | 79.3% | 78.3% | - |
| EBIT margin | 9.4% | 62.7% | 80.1% | 78.8% | - |
| Net profit margin | 6.0% | 54.3% | 68.0% | 66.3% | - |
| | | | | | |
| ROE | 4.3% | 88.0% | 186.3% | 191.3% | - |
| ROA | 3.3% | 61.9% | 133.0% | 138.5% | - |
| ROCE | 4.6% | 82.4% | 188.3% | 193.8% | - |
| SG&A/Sales | 7.8% | 3.3% | 2.0% | 1.9% | - |
| Net debt/equity | 0.0 | NM | NM | NM | - |
| | | | | | |
| P/E (x) | 436.0 | 19.0 | 5.9 | 4.6 | - |
| P/BV (x) | 20.8 | 13.3 | 9.6 | 8.8 | - |
| EV/EBITDA (x) | NM | 16.1 | 5.0 | 4.3 | - |
| Dividend Yield | - | - | - | - | - |
| | | | | | |
| Sales/Assets (x) | 0.6 | 1.1 | 2.0 | 2.1 | - |
| Interest cover (x) | NM | 4,136.0 | NM | NM | - |
| Operating leverage | (3392.9%) | 994.5% | 146.6% | 90.9% | - |
| | | | | | |
| Revenue y/y Growth | 10.4% | 175.3% | 146.8% | 21.3% | - |
| EBITDA y/y Growth | 203.8% | (1011.7%) | 219.4% | 19.8% | - |
| Tax rate | 22.7% | 13.0% | 14.2% | 14.9% | - |
| Adj. Net Income y/y Growth | (195.2%) | 2396.6% | 209.5% | 18.2% | - |
| EPS y/y Growth | (195.3%) | 2196.9% | 224.4% | 26.4% | - |
| DPS y/y Growth | - | - | - | - | - |

Source: Company reports and J.P. Morgan estimates.
Note: $ in millions (except per-share data).Fiscal year ends Jun. o/w - out of which

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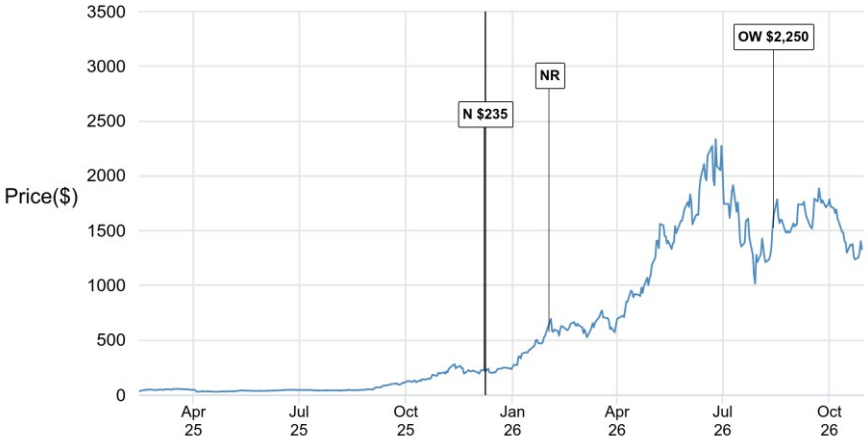
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Sandisk (SNDK, SNDK US) Price Chart




| Date | Rating | Price ($) | Price Target ($) |
|---|---|---|---|
| 08-Dec-25 | N | 228.47 | 235 |
| 02-Feb-26 | NR | 576.25 | -- |
| 14-Aug-26 | OW | 1528.11 | 2,250 |

Source: Bloomberg Finance L.P. and J.P. Morgan; price data adjusted for stock splits and dividends.
Initiated coverage Aug 13, 2003. All share prices are as of market close on the previous business day.
Break in coverage May 13, 2016 - Dec 08, 2025.

The chart(s) show J.P. Morgan's continuing coverage of the stocks; the current analysts may or may not have covered it over the entire period.
J.P. Morgan ratings or designations: OW = Overweight, N= Neutral, UW = Underweight, NR = Not Rated

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