BERNSTEIN
SOCIETE GENERALE GROUP

28 October 2026
Estimate Change


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U.S. IT Hardware

Seagate Technology PLC

Rating

Outperform

Price Target

STX **1,100.00 USD** (1,350.00 *OLD*)

STX FQ1'27: Price acceleration surprisingly strong and more than offsets ST cost headwinds; Reiterate Outperform

Tuesday after market close, Seagate reported FQ1'27 earnings. Stock was down 5% post market at time of writing.

Seagate delivered another strong beat and strong guidance powered by accelerating price increases. Non-GAAP EPS came in at $7.68, above the high end of the guided range ($7.30 ± $0.20) driven by nearline HDD ***ASP up 16% QoQ (31% YoY)***, beating both our estimate at $7.50 and consensus at $7.39. FQ2'27 guidance also came in strong at $9.20 ± $0.20, significantly above cons at $8.43

The only slight wrinkles were ST cost headwinds from component costs and weaker EB shipments due to the shift to Mozaic 4 (i.e. 2nd gen HAMR). On costs, STX has been accelerating cost declines per EB as HAMR ramps but had some reset in component costs (memory etc.) that drove costs up slightly on QoQ basis. We believe this will revert back to low-mid teens YoY cost declines in FY28 and beyond.

HAMR on track but nearline EB shipments soft on Mozaic 4 production staging, with recovery expected in December qtr. Nearline EB shipments increased just 2% QoQ, below expectations. Management clarified that the primary driver was deliberate inventory build ahead of additional Mozaic 4 customer qualifications, resulting in temporarily elevated inventory and some shipments shifting from FQ1 into FQ2. STX expects a meaningful shipment rebound in December and reiterated its ~25% long-term EB growth outlook.

Pricing strength offsets near-term transitory headwinds. We are encouraged by significant ASP growth, aligned with our longstanding bullish view on HDD pricing. Strong FCF and buybacks are also projected to significantly reduce share count starting from FQ3. **We raise estimates mainly based on stronger pricing, which we expect to continue.**

Close Date	27 Oct 2026
STX Close Price (USD)	667.85
Price Target (USD)	1,100.00
Upside/(Downside)	65%
52-Week Range	1,145.00/217.67
SPX	7,722.60
FYE	Jun
Div Yield	0.5%
Market Cap (USD) (M)	151,365
EV (USD) (M)	152,458

Performance	YTD	1M	6M	12M
Absolute (%)	142.5	(27.5)	15.3	199.5
SPX (%)	12.8	(0.3)	7.6	12.3
Relative (%)	129.7	(27.3)	7.7	187.2

Source: Bloomberg, Bernstein estimates and analysis.

Price Performance, 1YR



Investment Implications

We reiterate **Outperform, Top LT Pick; decrease TP to $1,100** on 15x (vs. 21x before) raised FY28 EPS to reflect current PE of 15.1x, this is also just 11x our FY29 EPS.

Adjusted EPS	F26A	F27E	F28E
STX (USD)	15.53	**43.11**	**72.97**
OLD	--	40.61	64.40

Financials	F26A	F27E	F28E	CAGR
FCF (M)	3,105	7,873	13,602	109.3%
Revenues (M)	12,195	20,718	28,511	52.9%

Valuation Metrics	F26A	F27E	F28E
Adjusted P/E (x)	43.0	15.5	9.2
EV/EBIT (x)	37.2	13.2	8.2
EV/FCF (x)	49.1	19.4	11.2

Source: Bloomberg, Bernstein estimates and analysis.

See the Disclosure Appendix of this report for required disclosures, analyst certifications and other important information. Alternatively, visit our Global Research Disclosure Website.

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DETAILS

Tuesday after market close, Seagate reported FQ1'27 earnings. Stock was down 5% post market at time of writing.

SUMMARY OF RESULTS AND GUIDANCE

Seagate delivered a strong quarter with beats in revenue, margin, EPS and guidance.

- **Revenue**: Seagate posted $4.23bn (3% beat vs cons and Bernstein at $4.1bn) in revenue in FQ1'27, up 17% sequentially and 61% yoy.
- **Margin**: Seagate achieved a record non-GAAP gross margin of 57.8%, beating consensus by 38bps (Cons at 57.4%, Bernstein at 56.9%), expanded by 510 basis points sequentially. Non-GAAP operating expenses totaled $300mn, growing 3% yoy, and non-GAAP operating margin expanded by 610bps sequentially to 50.7% (vs cons at 49.8%, Berstein: 49.7%).
- **FCF:** Q1'27 FCF reached $1,479mn, increasing by 32% sequentially. Q1 Capex was $211mn (5% of revenue), with full year Capex expected to stay within the 4-6% of revenue target range.
- **EPS**: Adjusted EPS came in at $7.68, 2% above the high end of the guided range ($7.30 ± $0.20), beating both our estimate at $7.50 and consensus at $7.39.
- **FQ2 FY27 Guidance:** Revenue guided to $4.8bn +/- $100 mn (+70% yoy at midpoint), operating margin towards mid-50%, and **EPS of $9.20, +/- $0.20, significantly above cons at $8.43.** The higher guidance reflects robust demand, pricing strength, and continued operating leverage.

Revenue beat was primarily driven by price, with ***ASP ($mln/EB) growing ~16% QoQ, an all time record-breaking growth***. Management highlighted that ASP gains were fairly evenly spread across the portfolio. Total EB shipped rose less than 1% QoQ to 220EB, and nearline grew ~2% to 198EB, as Seagate stages Mozaic 4 output ahead of customer qualifications in the December quarter. The increase came mainly from repricing Seagate's build-to-order long-term agreements in a market that has tightened further over the past three months. Management explained that ***part of the extreme price jump was due to some cost increases from external components and therefore 16% QoQ may not be a true reflection of normalized pricing (for reference WDC nearline ASP was up 9% QoQ and 29% YoY).***

We expect pricing to keep offsetting external component inflation, and see the exabyte shipment this quarter as timing issue. This quarter's ~16% QoQ increase in ASP was amplified in part by Seagate passing through higher component costs, in our view, and from here***we forecast HSD% QoQ price growth, up from our previous MSD% assumption***, as Seagate reprices its contracts into a sustained supply-demand gap and customers prioritizing signing long-term agreements to lock in exabyte allocation throughout calendar 2028 with pricing being the secondary concern. **We expect pricing to keep offsetting external component inflation,** which leaves room for further gross margin expansion. Management also noted that the flat exabyte shipment this quarter is mainly related to timing, where Seagate is staging Mozaic 4 output higher than anticipated qualification in the Sept quarter and expects shipments to meaningfully step up in the Dec quarter. The next catalyst we are closely watching is CY28 contract pricing, which Seagate expects to start negotiating over the next couple of quarters.

Cost/TB decline disappoints on external component inflation, masking underlying HAMR improvements. STX's implied cost/TB increased ~3% QoQ and declined only ~6% YoY, materially worse than the -15.7% YoY declines achieved in FQ4'26 and our expectations for continued cost improvement. Management clarified that the primary headwind was external component inflation, including ASICs, SoCs and memory, exacerbated by the timing of supplier contract renewals. Differences in supplier contract reset schedules could potentially explain why similar component inflation pressures affect STX and WDC's cost/TB on different quarterly cadence. While HAMR product transitions introduce some scrap and initial yield inefficiencies, management emphasized that internal manufacturing costs are declining as planned, with Mozaic 4 delivering a significant cost/TB improvement over Mozaic 3 and legacy PMR. Prior-year production disruptions also distorted YoY comparisons. While we view these headwinds as transitory over the longer term, management cautioned that a return to historical cost declines may take time given persistent external component inflation, which STX is passing through to customers.

HAMR well on track but nearline EB shipments soft on Mozaic 4 production staging, with recovery expected in December. Nearline shipments reached 198EB, up only ~2% QoQ, modestly below expectations. Management clarified that the primary driver was deliberate inventory staging ahead of additional Mozaic 4 customer qualifications, rather than manufacturing yield or execution issues. Given 2–3 quarter manufacturing lead times, STX must begin production well ahead

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of customer qualification, resulting in temporarily elevated inventory and some shipments shifting from September into December. STX expects a meaningful shipment rebound in December and reiterated its ~25% long-term EB growth outlook. Encouragingly, management also expressed increasing confidence in accelerating the Mozaic 5 transition, supporting further areal-density-driven cost reductions.

Shareholder returns to accelerate as deleveraging concludes. Having largely completed its debt reduction, STX expects to reach a net cash position exiting the December quarter, with share repurchases set to accelerate meaningfully beginning in March. Management targets a gradual return to distributing ~75% of FCF to shareholders over the coming quarters, providing an additional tailwind to EPS growth and shareholder returns.

Reiterate STX Outperform— pricing strength offsets near-term transitory headwinds. We reiterate our Buy rating on STX, encouraged by significant ASP growth, aligned with our longstanding bullish view on HDD pricing. The pricing strength offset higher costs and softer EB shipments, driving gross margin expansion to 57.8% and record profitability. We expect continued pricing power, a recovery in EB shipment momentum and improving cost as HAMR transition continues, all supporting further earnings upsides. Strong FCF and buybacks are also projected to significantly reduce share count starting from FQ3.

We raise estimates mainly based on stronger pricing, which we expect to continue, and we are now over 20% above cons estimates for FY28E and FY29E. We reiterate **Outperform, Top LT Pick; decrease TP to $1,100** on 15x (vs. 21x before) raised FY28 EPS to reflect current PE of 15.1x, this is also just 11x our FY29 EPS.

EXHIBIT 1: **STX Actual vs Bernstein vs Consensus**

2027Q1 *($USD Millions)*	Reported	Bernstein	Delta	Consensus	Delta
Revenue	**$4,233**	**$4,106**	***3.1%***	**$4,113**	***2.9%***
Gross Profit	**$2,447**	**$2,336**	***4.7%***	**$2,362**	***3.6%***
Gross Margin %	*57.8%*	*56.9%*	*90bps*	*57.4%*	*38bps*
Op. Profit	**$2,146**	**$2,040**	***5.2%***	**$2,050**	***4.7%***
OP Margin %	*50.7%*	*49.7%*	*102bps*	*49.8%*	*86bps*
Net Income	**$1,781**	**$1,731**	***2.9%***	**$1,711**	***4.1%***
EPS ($ per share)	**$7.68**	**$7.50**	***2.4%***	**$7.39**	***4.0%***
Adj FCF	**$1,479**	**$1,254**	***18.0%***	**$1,441**	***2.6%***

Source: Company reports, Bernstein estimates and analysis, Bloomberg

EXHIBIT 2: **STX Model Before vs After**

	FY 2027E			FY 2028E			FY 2029E		
($USD Millions)	New	Old	Delta	New	Old	Delta	New	Old	Delta
Revenue	**$20,718**	**$19,373**	***6.9%***	**$28,511**	**$25,640**	***11.2%***	**$34,426**	**$30,774**	***11.9%***
Gross Profit	**$13,169**	**$12,069**	***9.1%***	**$20,394**	**$17,694**	***15.3%***	**$25,824**	**$22,406**	***15.3%***
Gross Margin %	*63.6%*	*62.3%*	*126bps*	*71.5%*	*69.0%*	*252bps*	*75.0%*	*72.8%*	*220bps*
Op. Profit	**$11,964**	**$10,889**	***9.9%***	**$19,187**	**$16,508**	***16.2%***	**$24,612**	**$21,209**	***16.0%***
OP Margin %	*57.7%*	*56.2%*	*154bps*	*67.3%*	*64.4%*	*291bps*	*71.5%*	*68.9%*	*257bps*
Net Income	**$9,957**	**$9,304**	***7.0%***	**$15,948**	**$14,185**	***12.4%***	**$20,632**	**$18,290**	***12.8%***
EPS ($ per share)	**$43.11**	**$40.61**	***6.2%***	**$72.97**	**$64.40**	***13.3%***	**$100.31**	**$86.63**	***15.8%***
Adj FCF	**$7,873**	**$7,606**	***3.5%***	**$13,602**	**$11,713**	***16.1%***	**$18,805**	**$16,531**	***13.8%***

Source: Company reports, Bernstein estimates and analysis

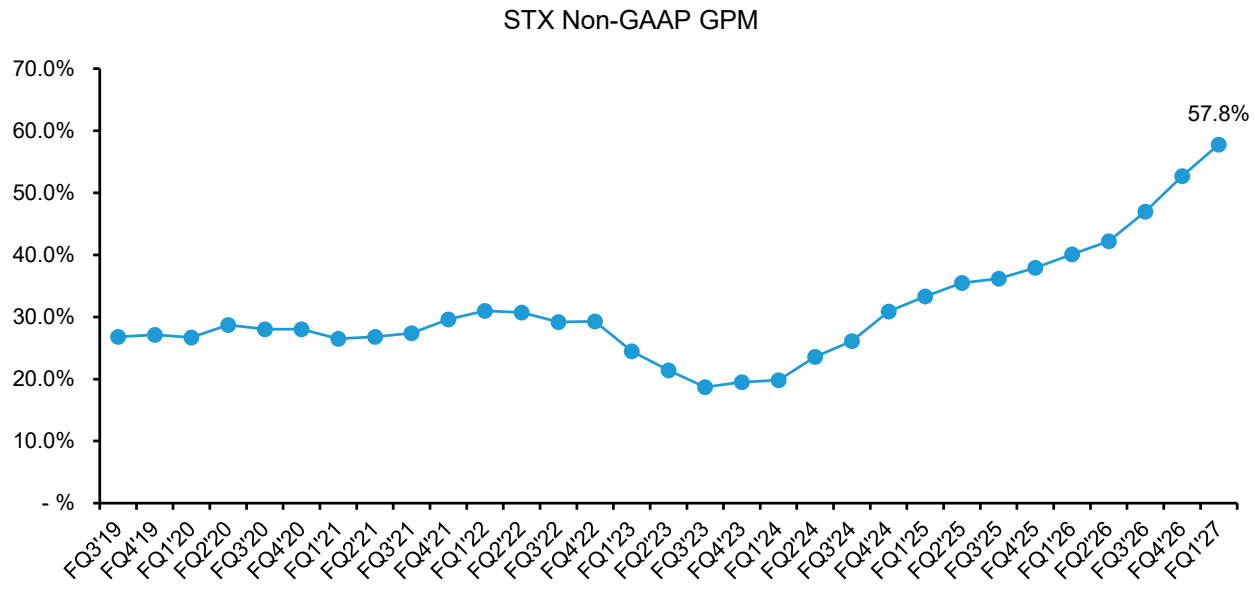
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EXHIBIT 3: **STX Bernstein vs Consensus**

STX	FY27E	FY28E	FY29E
Total Revenues ($M)			
Consensus	$19,402	$26,873	$31,923
Bernstein Est.	**$20,718**	**$28,511**	**$34,426**
Bernstein vs. Cons.	*6.8%*	*6.1%*	*7.8%*
Company GMs	60.4%	66.2%	71.8%
vs. Bernstein	63.6%	71.5%	75.0%
Opex ($M)	$1,218	$1,373	$1,402
vs. Bernstein	$1,204	$1,207	$1,212
EPS ($)			
Consensus	$37.98	$59.68	$81.03
Bernstein Est.	**$43.11**	**$72.97**	**$100.31**
Bernstein vs. Cons.	*13.5%*	*22.3%*	*23.8%*
FCF ($)			
Consensus	$7,508	$12,308	$16,341
Bernstein Est.	**$7,873**	**$13,602**	**$18,805**
Bernstein vs. Cons.	*4.9%*	*10.5%*	*15.1%*

Source: Bloomberg, Bernstein estimates and analysis

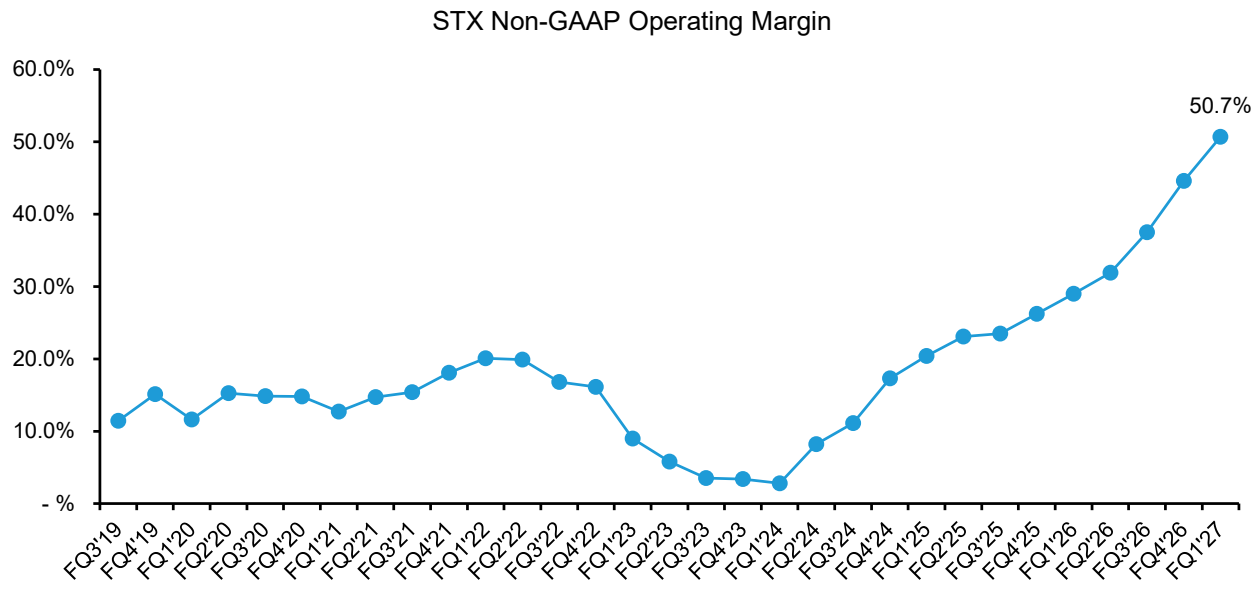
EXHIBIT 4: **STX Gross Margin**



Source: Company reports, Bernstein analysis

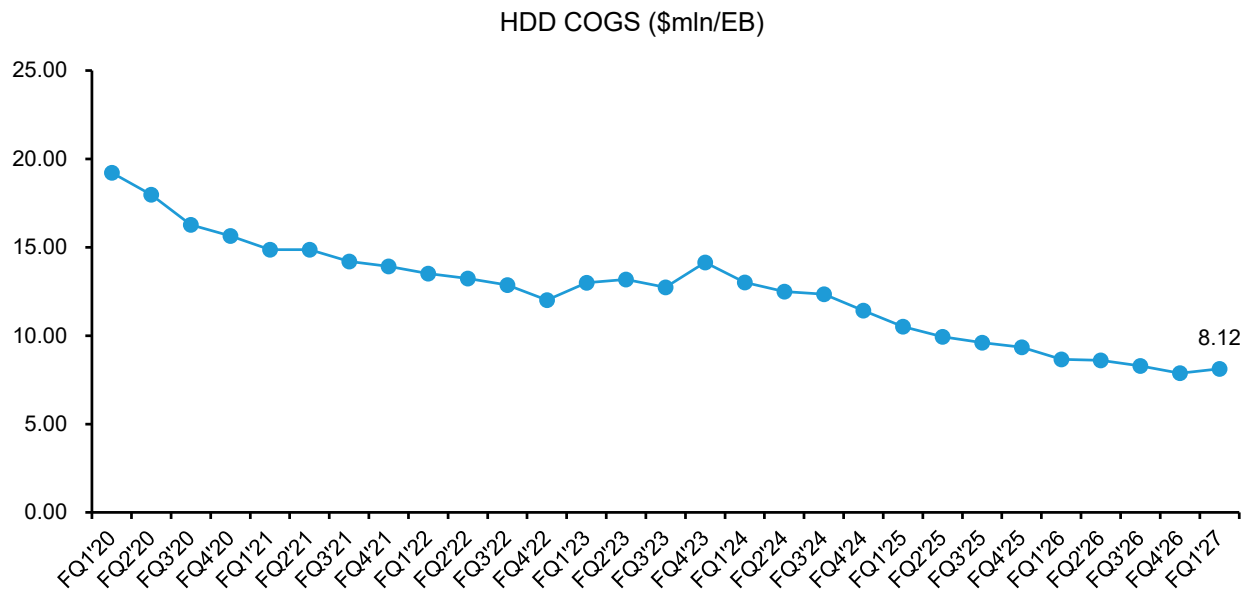
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EXHIBIT 5: **STX Operating Margin**



Source: Company reports, Bernstein analysis

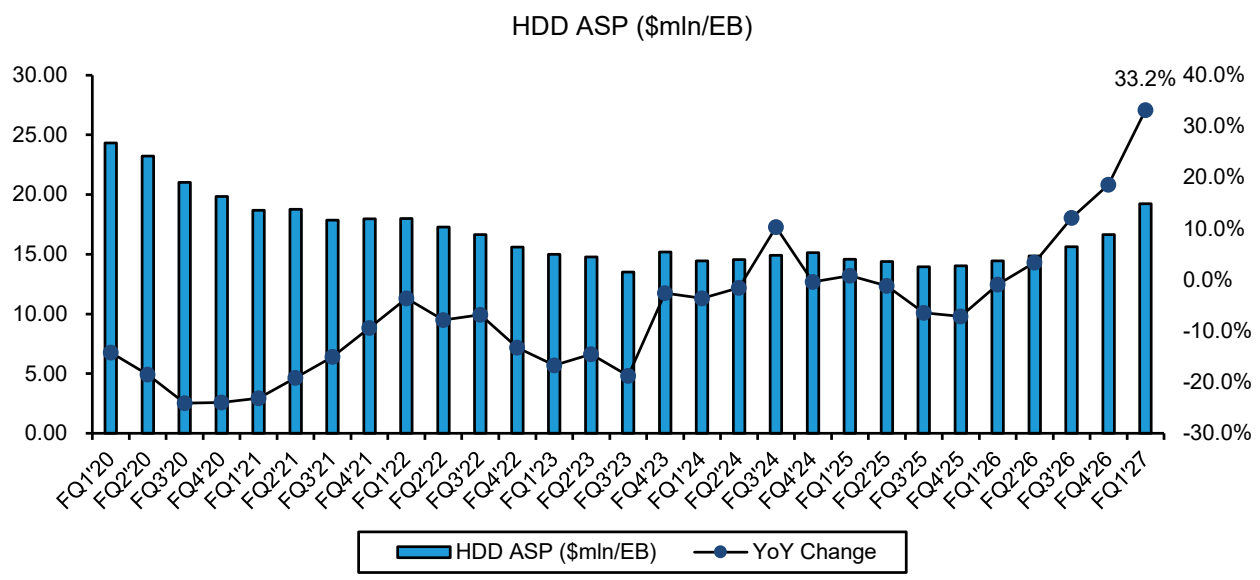
EXHIBIT 6: **HDD COGS**



Source: Company reports, Bernstein analysis

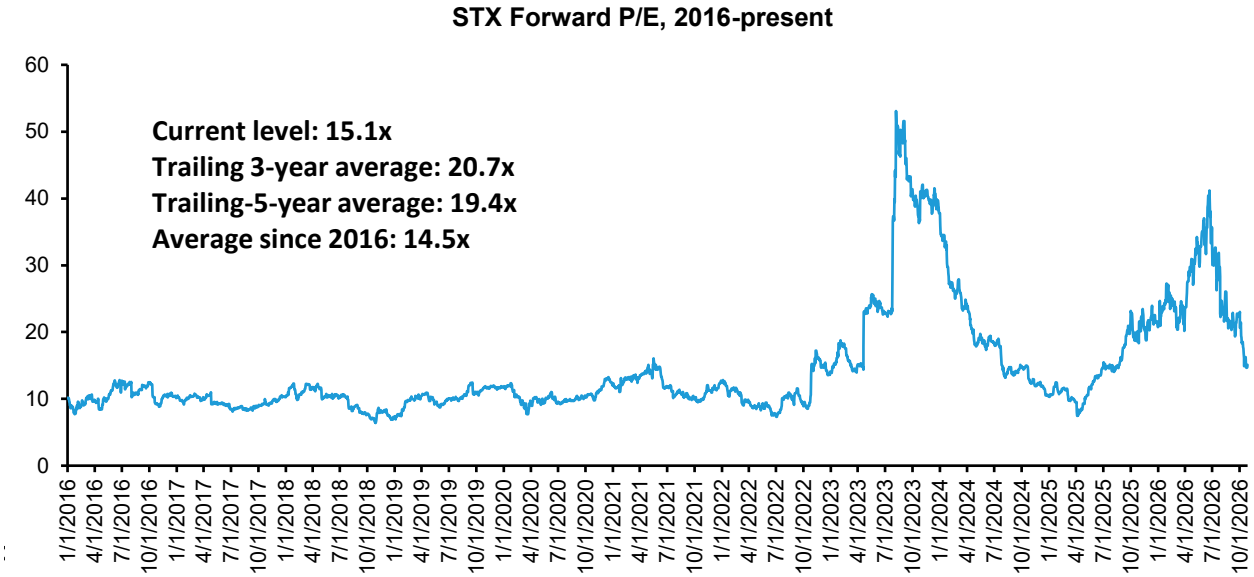
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EXHIBIT 7: **HDD ASP**



Source: Company reports, Bernstein analysis

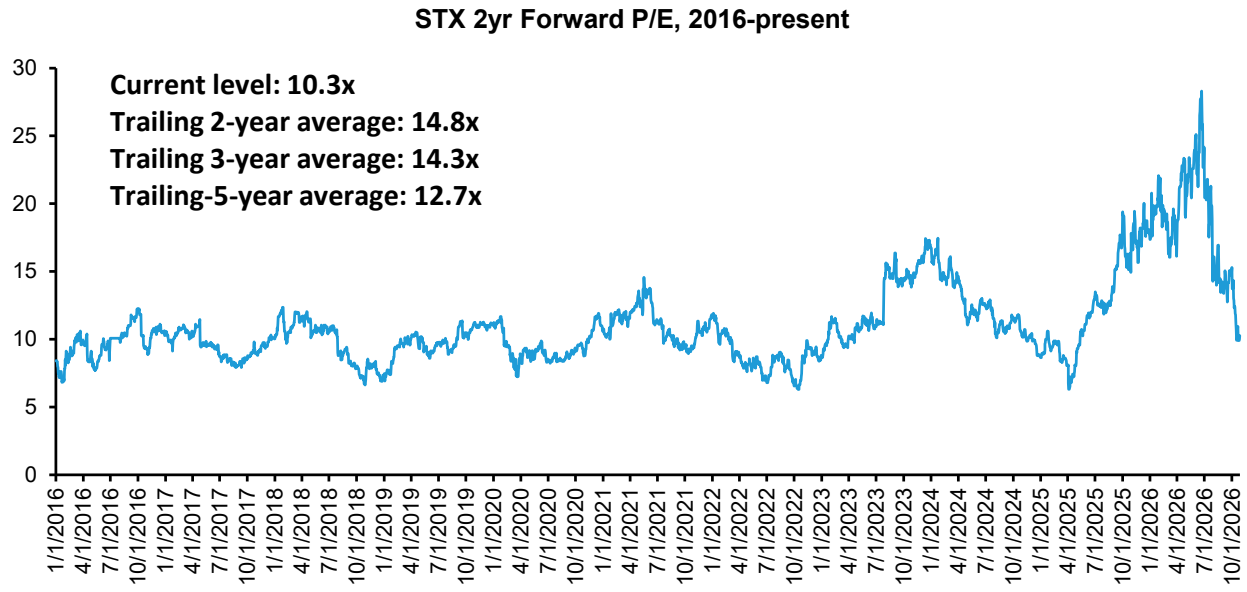
EXHIBIT 8: **STX NTM P/E**



Source: Bloomberg (updated as of 10/27/2026), Bernstein analysis

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EXHIBIT 9: **STX 2yr Forward P/E**



Source: Bloomberg (updated as of 10/27/2026), Bernstein analysis

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APPENDIX - FINANCIAL FORECASTS

EXHIBIT 10: **STX Income Statement**

INCOME STATEMENT (USD mn)	FQ4'26 Jun-26	FQ1'27 Sep-26	FQ2'27E Dec-26	FQ3'27E Mar-27	FQ4'27E Jun-27	FY2026 Jun-26	FY2027E Jun-27	FY2028E Jun-28	FY2029E Jun-29	FY2030E Jun-30	<5yr CAGR>
Revenue	**3,629**	**4,233**	**4,831**	**5,464**	**6,190**	**12,195**	**20,718**	**28,511**	**34,426**	**41,552**	*35.5%*
COGS	(1,731)	(1,806)	(1,903)	(1,952)	(1,995)	(6,637)	(7,656)	(8,260)	(8,773)	(9,293)	
GP	**1,898**	**2,427**	**2,928**	**3,511**	**4,196**	**5,558**	**13,063**	**20,251**	**25,653**	**32,259**	*58.7%*
OPEX	(339)	(363)	(368)	(375)	(380)	(1,464)	(1,487)	(1,575)	(1,653)	(1,735)	*0.0%*
o/w: Product development	(188)	(200)	(203)	(207)	(210)	(755)	(820)	(869)	(913)	(958)	
o/w: Marketing and admin	(147)	(159)	(161)	(164)	(166)	(577)	(650)	(689)	(724)	(760)	
o/w: Amortization of intangibles	-	-	-	-	-	-	-	-	-	-	
o/w: Restructuring and other, net	(4)	(4)	(4)	(4)	(4)	(27)	(16)	(16)	(16)	(16)	
o/w: Others	-	-	-	-	-	(105)	-	-	-	-	
EBIT	**1,559**	**2,064**	**2,560**	**3,137**	**3,816**	**4,094**	**11,576**	**18,676**	**24,000**	**30,524**	*74.4%*
Other non-op income / (expense)	(54)	(82)	(77)	(73)	(70)	(404)	(302)	(266)	(198)	(104)	
o/w: Interest income	10	7	6	10	13	30	37	67	135	229	
o/w: Interest (expense)	(64)	(41)	(35)	(35)	(35)	(284)	(147)	(141)	(141)	(141)	
o/w: Others	-	(48)	(48)	(48)	(48)	(150)	(192)	(192)	(192)	(192)	
PBT	**1,505**	**1,982**	**2,483**	**3,063**	**3,746**	**3,690**	**11,274**	**18,410**	**23,802**	**30,420**	*82.2%*
Tax income / (expense)	(211)	(221)	(385)	(460)	(562)	(506)	(1,627)	(2,762)	(3,570)	(4,563)	
Implied tax rate (%)	*14.0%*	*11.2%*	*15.5%*	*15.0%*	*15.0%*	*13.7%*	*14.4%*	*15.0%*	*15.0%*	*15.0%*	
NP (GAAP)	**1,294**	**1,761**	**2,098**	**2,604**	**3,184**	**3,184**	**9,647**	**15,649**	**20,232**	**25,857**	*77.5%*
o/w: (NCI)	3	-	-	-	-	9	-	-	-	-	
o/w: Common	1,297	1,761	2,098	2,604	3,184	3,193	9,647	15,649	20,232	25,857	
Non-GAAP adjustments	22	20	86	96	108	345	310	299	400	518	
NP (Non-GAAP)	**1,319**	**1,781**	**2,184**	**2,700**	**3,292**	**3,529**	**9,957**	**15,948**	**20,632**	**26,375**	*72.4%*
Diluted EPS (Non-GAAP)	5.71	7.68	9.38	11.68	14.38	15.53	43.11	72.97	100.31	137.93	*76.3%*
Diluted WASO (Non-GAAP)	231	232	233	231	229	231	229	219	206	191	*-2.3%*
GAAP to Non-GAAP GP Reconciliation											
Non-GAAP GP	**1,912**	**2,447**	**2,954**	**3,540**	**4,228**	5,620	13,169	**20,394**	**25,824**	**32,464**	*58.4%*
Share-based compensation	13	18	23	27	30	54	98	135	163	197	
as a % of total SBC	*24.1%*	*28.6%*	*28.6%*	*28.6%*	*28.6%*	*25.4%*	*28.6%*	*28.6%*	*28.6%*	*28.6%*	
Other charges	1	2	2	2	2	8	8	8	8	8	
GAAP GP	1,898	2,427	2,928	3,511	4,196	5,558	13,063	20,251	25,653	32,259	*58.7%*
Non-GAAP GPM	**52.7%**	**57.8%**	**61.1%**	**64.8%**	**68.3%**	**46.1%**	**63.6%**	**71.5%**	**75.0%**	**78.1%**	
GAAP GPM	**52.3%**	**57.3%**	**60.6%**	**64.3%**	**67.8%**	**45.6%**	**63.0%**	**71.0%**	**74.5%**	**77.6%**	

Source: Company reports, Bernstein estimates and analysis



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EXHIBIT 11: **STX Balance Sheet**

BALANCE SHEET (USD mn)	FQ4'26 Jun-26	FQ1'27 Sep-26	FQ2'27E Dec-26	FQ3'27E Mar-27	FQ4'27E Jun-27	FY2026 Jun-26	FY2027E Jun-27	FY2028E Jun-28	FY2029E Jun-29	FY2030E Jun-30
Cash & equivalents	1,704	1,258	2,026	2,685	3,350	1,704	3,350	6,751	11,452	17,435
AR	1,534	1,817	1,575	1,882	2,177	1,534	2,177	2,337	2,830	3,415
Inventory	1,571	1,700	1,675	1,779	1,797	1,571	1,797	1,873	2,043	2,164
OCA	412	621	709	802	908	412	908	1,059	1,278	1,543
Total current assets	**5,221**	**5,396**	**5,985**	**7,147**	**8,233**	**5,221**	**8,233**	**12,019**	**17,603**	**24,558**
PP&E	2,034	2,165	2,287	2,435	2,610	2,034	2,610	3,461	4,420	5,524
Investments in debt securities	-	-	-	-	-	-	-	-	-	-
Goodwill	1,221	1,221	1,221	1,221	1,221	1,221	1,221	1,221	1,221	1,221
Other intangibles, net	-	-	-	-	-	-	-	-	-	-
Deferred income taxes	1,105	1,161	1,325	1,499	1,698	1,105	1,698	3,109	3,754	4,531
ONCA	391	383	531	601	681	391	681	1,128	1,362	1,644
Total non-current assets	**4,751**	**4,930**	**5,365**	**5,755**	**6,210**	**4,751**	**6,210**	**8,919**	**10,757**	**12,920**
Total assets	**9,972**	**10,326**	**11,350**	**12,903**	**14,443**	**9,972**	**14,443**	**20,938**	**28,360**	**37,478**
AP	1,748	1,873	1,799	1,974	2,038	1,748	2,038	2,031	2,187	2,037
Accrued expenses	744	788	825	845	863	744	863	828	878	929
ST debt	185	-	-	-	-	185	-	-	-	-
OCL	450	307	350	396	449	450	449	1,202	1,451	1,751
Total current liabilities	**3,127**	**2,968**	**2,975**	**3,216**	**3,350**	**3,127**	**3,350**	**4,061**	**4,516**	**4,717**
LT debt	3,380	2,351	2,351	2,351	2,351	3,380	2,351	2,351	2,351	2,351
Revolver	-	-	-	-	-	-	-	-	-	-
ONCL	1,298	1,554	1,159	1,311	1,424	1,298	1,424	1,289	1,556	1,878
Total non-current liabilities	**4,678**	**3,905**	**3,510**	**3,662**	**3,775**	**4,678**	**3,775**	**3,640**	**3,907**	**4,229**
Total liabilities	**7,805**	**6,873**	**6,485**	**6,878**	**7,125**	**7,805**	**7,125**	**7,701**	**8,424**	**8,946**
Total equity	**2,167**	**3,453**	**4,865**	**6,025**	**7,318**	2,167	7,318	13,238	19,936	28,531
Check	*OK*	*OK*	*OK*	*OK*	*OK*	*OK*	*OK*	*OK*	*OK*	*OK*

Source: Company reports, Bernstein estimates and analysis

EXHIBIT 12: **STX Cash Flow Statement**

CASH FLOW STATEMENT (USD mn)	FQ4'26 Jun-26	FQ1'27 Sep-26	FQ2'27E Dec-26	FQ3'27E Mar-27	FQ4'27E Jun-27	FY2026 Jun-26	FY2027E Jun-27	FY2028E Jun-28	FY2029E Jun-29	FY2030E Jun-30
Net income to common (GAAP)	1,297	1,761	2,098	2,604	3,184	3,193	9,647	15,649	20,232	25,857
Depreciation	70	76	119	126	134	276	455	574	761	972
Amortization	-	-	-	-	-	-	-	-	-	-
SBC	54	63	82	93	105	213	343	472	570	688
NCI expense / (income)	(3)	-	-	-	-	(9)	-	-	-	-
Other non-cash items	8	(10)	-	-	-	(923)	(10)	-	-	-
Change in NWC:	**(121)**	**(200)**	**(522)**	**(353)**	**(452)**	**(159)**	**(1,527)**	**(1,669)**	**(1,039)**	**(1,508)**
(Increase) / decrease in AR	(337)	(283)	242	(307)	(295)	(575)	(643)	(160)	(493)	(586)
(Increase) / decrease in Inventory	(41)	(129)	25	(104)	(18)	(131)	(226)	(76)	(170)	(121)
Increase / (decrease) in AP	(23)	101	(74)	175	64	66	266	(7)	156	(150)
Increase / (decrease) in Other	280	111	(714)	(118)	(203)	481	(924)	(1,426)	(532)	(650)
CFO	**1,305**	**1,690**	**1,778**	**2,469**	**2,971**	**2,591**	**8,908**	**15,026**	**20,525**	**26,010**
CAPEX	(187)	(211)	(242)	(273)	(310)	(569)	(1,035)	(1,425)	(1,720)	(2,076)
Acquisition of intangibles, net	2	-	-	-	-	6	-	-	-	-
Investments in affiliates, net	31	-	-	-	-	29	-	-	-	-
Other investing activities	(2)	-	-	-	-	285	-	-	-	-
CFI	**(156)**	**(211)**	**(242)**	**(273)**	**(310)**	**(249)**	**(1,035)**	**(1,425)**	**(1,720)**	**(2,076)**
Stock issuance / (repurchase)	(115)	(366)	(592)	(1,360)	(1,820)	(120)	(4,138)	(9,486)	(13,393)	(17,256)
Dividends	(166)	(168)	(176)	(177)	(176)	(634)	(697)	(715)	(710)	(695)
Debt issuance / (repayment)	(300)	(1,262)	-	-	-	(1,442)	(1,262)	-	-	-
Other financing activities	(10)	(18)	-	-	-	1,133	(18)	-	-	-
CFF	**(591)**	**(1,814)**	**(768)**	**(1,537)**	**(1,996)**	**(1,063)**	**(6,115)**	**(10,201)**	**(14,104)**	**(17,951)**
Net change in cash	558	(335)	768	659	665	1,279	1,757	3,400	4,701	5,984
Free Cash Flow	**1,118**	**1,479**	**1,536**	**2,196**	**2,661**	**3,105**	**7,873**	**13,602**	**18,805**	**23,934**
FCF Margin	*30.8%*	*34.9%*	*31.8%*	*40.2%*	*43.0%*	*25.5%*	*38.0%*	*47.7%*	*54.6%*	*57.6%*

Source: Company reports, Bernstein estimates and analysis

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BERNSTEIN TICKER TABLE

			27 Oct 2026		TTM	Adjusted EPS				Adjusted P/E (x)		
			Closing	Price	Rel.							
Ticker	Rating	Cur	Price	Target	Perf.	Cur	2026A	2027E	2028E	2026A	2027E	2028E
STX (Seagate)	O	USD	667.85	**1,100.00**	187.2%	USD	15.53	**43.11**	**72.97**	43.0	15.5	9.2
OLD				1,350.00				40.61	64.40			
WDC (Western Digital)	O	USD	380.88	600.00	192.6%	USD	10.19	27.30	45.26	37.4	14.0	8.4
SPX			7,722.60									

PRICE TARGET CHANGE / ESTIMATE CHANGE IN BOLD

O - Outperform, M - Market-Perform, U - Underperform, NR - Not Rated, CS - Coverage Suspended

Source: Bloomberg, Bernstein estimates and analysis.

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VALUATION METHODOLOGY

Seagate Technology PLC

We value Seagate at 15x our FY28 EPS of $72.97, implying $1,100per share. We believe Seagate's improving fundamentals, >70% 5year EPS CAGR, and HAMR leadership easily justifies a 15x P/E, and arguably much higher.

Western Digital Corp

We rate WDC Outperform and have a TP of $600, on 13x our FY28 EPS.

RISKS

Seagate Technology PLC

The biggest risks to the downside on Seagate and to our price target are that: The HDD market is heavily exposed to hyperscale cloud, and could be impacted by a cloud capex digestion or else incremental pressure from changes in hyperscaler buying patterns. 2) WDC could close the gap in HAMR more quickly than expected, shrinking the scope for market share gain and margin improvement. 3) NAND could see better than expected technology improvement and take share from HDDs.

Western Digital Corp

The biggest risks to the downside on WDC and to our price target are that: 1) The HDD market is heavily exposed to hyperscale cloud, and could be impacted by a cloud capex digestion or else incremental pressure from changes in hyperscaler buying patterns; 2) NAND could see better than expected technology improvement and take share from HDDs; and 3) WDC could face significant risks ahead with its HAMR technology transition which could provide a drag on gross margin and EPS.

RATINGS DEFINITIONS, BENCHMARKS AND DISTRIBUTION

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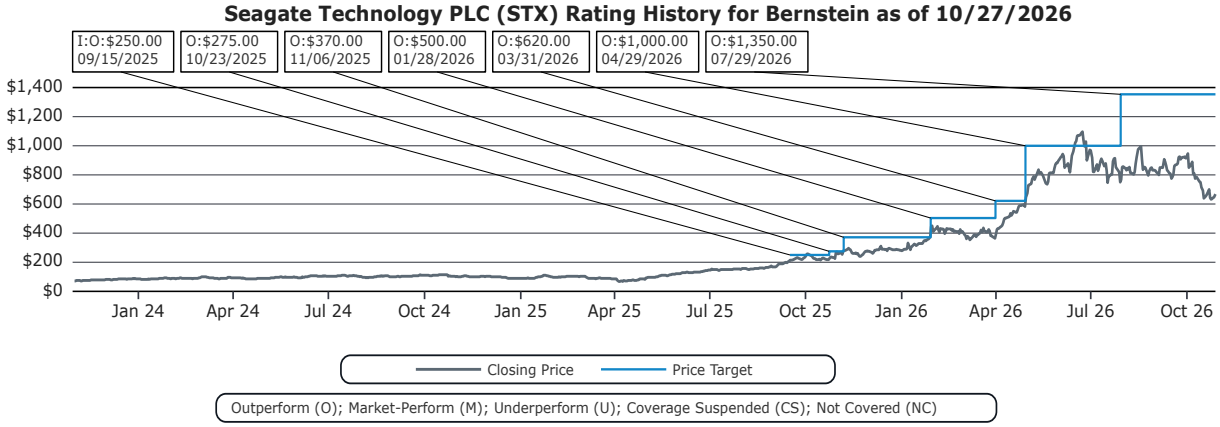
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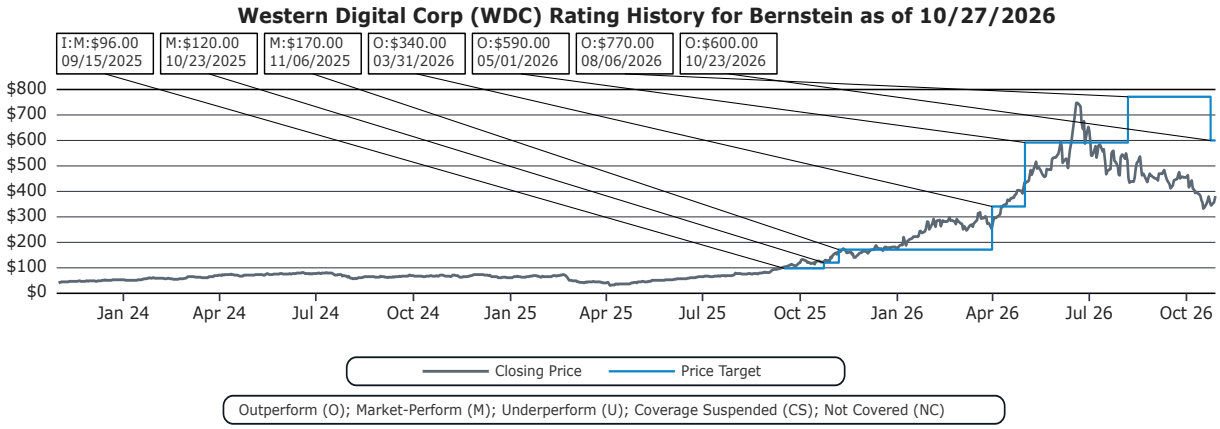
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