June 22, 2026 04:53 AM GMT

SanDisk Corporation. | North America

Sandisk NDR with head of investor relations emphasizes AI demand drivers and enhanced margin durability

This week, we hosted Sandisk head of investor relations Ivan Donaldson for a number of investor meetings across Europe. The company remains upbeat on the outlook for the NAND industry and Sandisk specific drivers, with no line of sight to a balance in industry supply/demand.

Key Takeaways

- AI is fundamentally changing the nature of the NAND market, with the largest end market for NAND now much less price sensitive than PC/Mobile customers
- AI demand is creating a strong pull for NAND technology to move upward in the memory hierarchy. KV cache storage being an example
- Sandisk has >1/3 of FY 27 bits allocated under NBM (New Business Model) agreements, which the company views as adding a new level of durability to the business
- Overall the NDR didn't break new ground on key debates, but reinforces our conviction in the opportunity. Remain OW

The NDR reinforced the view that NAND is undergoing a fundamental repricing as the market becomes more directly tied to AI inference demand. At a high level, the demand for inference is creating strong pull for NAND technologies to move up in the memory hierarchy, as growing LLM KV cache and context window storage needs can't all be met by DRAM. That's a very different value proposition in the datacenter than pure cost/bit reductions that were thought by some to drive replacement vs HDD (although Sandisk has always had the view that the two are complementary technologies). And with cloud to become the largest end market for NAND later this year, its transforming overall industry dynamics, as cloud customers' demand is much less a function of NAND pricing than PC/mobile. In Sandisk's Q1, their cloud segment grew 233% q/q following 64% q/q growth in Q4 - that has been almost entirely TLC based drives, with QLC "Stargate" drives to begin shipping this quarter. Sandisk will see a higher mix of QLC over time, but endurance and latency needs have made Sandisk more bullish on the relative steady state demand for TLC and SLC (such as HBF) based solutions than 6-9 months ago.

Within that market backdrop, Sandisk has three priorities: first, achieving gross margin levels that reflect fair value for the company's technology; second, sustaining those margins through longer term customer engagements; and third,

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SanDisk Corporation. (SNDK.O, SNDK US)

Semiconductors | United States of America

Stock Rating	**Overweight**
Industry View	**Attractive**
Price target	$1,750.00
Shr price, close (Jun 18, 2026)	$2,184.75
Mkt cap, curr (mm)	$315,696
52-Week Range	$2,191.69-40.10

Fiscal Year Ending	06/25	06/26e	06/27e	06/28e
EPS ($)**	2.74	65.03	214.73	179.97
Prior EPS ($)**	-	-	-	-
P/E	45.8	35.0	10.3	12.3
EPS ($)§	2.57	65.08	185.75	202.99
Div yld (%)	0.0	0.0	0.0	0.0

Unless otherwise noted, all metrics are based on Morgan Stanley ModelWare framework
** = Based on consensus methodology
§ = Consensus data is provided by Refinitiv Estimates
e = Morgan Stanley Research estimates

QUARTERLY EPS ($)

Quarter	2025	2026e Prior	2026e Current	2027e Prior	2027e Current
Q1	-	-	-	-	-
Q2	-	-	-	-	-
Q3	-	-	-	-	-
Q4	-	-	-	-	-

e = Morgan Stanley Research estimates

growing the business. Management believes step one — achieving high margins — has largely been accomplished. The second phase, sustainability, is still in progress with Sandisk continuing to engage with customers around what they call new business model agreements (NBMs). As far as the third phase, Sandisk is continuing to invest and plan the business around a mid to high-teens bit growth profile, something they think provides a good level of growth without oversupplying the market.

On NBMs, Sandisk has already locked in more than one-third of FY27 bits under these agreements, **with that percentage to grow over time**. In terms of duration, the largest agreements are generally 3–5 years, but some are shorter. These agreements include both fixed-price or cap-and-floor structures, with fixed pricing associated with the shortest duration. Every deal is different in terms of product mix and duration, but margins are similar to the current 80% level at those floor ASPs. That said, Sandisk does not view signing these agreements as creating a headwind to ASP increases near term, as the value proposition is to provide supply assurance to customers who are willing to give Sandisk demand assurance, not to trade margin for visibility.

Sandisk did not give a number for the percentage of bits it would like covered by NBMs, but management said 70–80% is probably the practical upper bound given customer concentration considerations and the fact that not all end markets or customers fit that model. Data center could, in theory, be largely covered by NBMs, but consumer, auto, and industrial markets are less likely to fit. Management also noted that not all customers have the balance sheet to support these commitments.

Management is also confident on the enforceability of NBMs, with current deals very different from commitments in the past; the deals are approved at the CFO and board level by customers, and have significant and intentionally back end weighted financial penalties if customers decommit (~$11bn disclosed at earnings) , which helps preserve their durability. Management also noted that some customers have already come back asking to add to existing deals, which is evidence that deal volumes are not based on overly aggressive forecasts.

How does a downcycle potentially play out with these new agreements in place? In a scenario where the market is soft enough that guarantees had to be triggered (meaning customers believe it's in their best interest to pay penalties rather than fulfill the remainder of their contracts) Sandisk is of the mindset that there would be clues in the market in advance, and they would support the market by proactively reducing output. While that would mean taking underutilization charges, the company would receive significant amounts of cash to weather the storm, limiting the need to sell inventory at any price.

In response to questions on demand destruction in PC and mobile, management acknowledged that consumer markets are still going through price discovery. PC and mobile are both seeing pressure from unit declines, especially at the low end,and, in some cases, shrinking content this year, . However, mix shift toward higher-end devices continues to support content, though it is difficult to know how large the PC and mobile markets will be at these NAND prices. At present, datacenter demand is strong enough where Sandisk can easily allocate more supply to that market if PC/mobile is softer.

The big picture view around demand destruction is that Sandisk believes some legacy business models may need to adjust to a new normal around higher NAND pricing, particularly where customers were marking up NAND 5-10x as normal course of business.

The company continues to invest for mid- to high-teens bit growth, achieved primarily through technology transitions. That's a forecast the company has had for some time, and while they do acknowledge that the growth outlook in datacenter has improved materially, mid- to high-teens is still what they view as sustainable long term. With only "more than 1/3rd" of FY27 bits allocated under NBMs, the company has a majority of bits available for any customers willing to make longer term commitments, commitments that would give Sandisk the visibility they need to contemplate a higher growth rate. But for now a higher level of growth is not something the company is considering.

On the competitive landscape, management is not especially concerned about Chinese competition given their restrictions. Sandisk has the view that as long as YMTC is on the entity list, it will continue to be a 'China for China' story - and they will serve a growing portion of that market over time. In the long run, they will saturate that market, at which point Sandisk sees that creating a more bifurcated market for NAND vs a cause of global oversupply. And in the interim, the NAND market in China today is growing fast (although not as fast as ROW) and is significantly undersupplied, giving YMTC a long runway for growth before those limits start to have an effect. Sandisk also continues to account for YMTC's capacity expansion in their internal planning, and feels comfortable with their presence in the market.

HBF was another area of investor focus. Management expects samples in the first half of 2027, with customer feedback potentially by the middle of 2027. HBF uses SLC but is a fundamentally different architecture with an order of magnitude more bandwidth than what some peers are perusing with SLC, such as putting SLC into a PCIe form factor (something Sandisk will pursue if there is demand). In terms of the market opportunity for HBF, the company did not provide a number, but said the opportunity would need to be measured in the tens of billions of dollars to justify the resource allocation, particularly given the size of the NAND TAM and the company's other growth opportunities. Sandisk is working to standardize the interface with SK Hynix (covered by Shawn Kim), a partnership Sandisk does not think needs to expand to other suppliers at this stage for HBF to be a success (in fact could be counter productive).

As far as capital allocations, the first is to invest in the business, but beyond that additional cash will be returned to shareholders. Cash return will start with the $6bn buyback, which management continues to see as attractive, noting that the stock trades at one of the lowest multiples in the semis space. As far as capex, the company does not guide with precision, but dollars are expected to increase over the next couple of quarters with no change in its broader capex-to-sales framework. Additionally, the company is not currently planning on building fabs in the U.S, noting that existing scale in Japan and the government incentives they receive there create a high hurdle for investing in a new geography; but with the right incentives, it could be a possibility in the future.

Thoughts on the stock: Sandisk continues to be one of our preferred stocks in the US semis space. As NAND markets remain very tight, we expect continued ASP increases through CY26 and potentially well into 2027. We currently model some ASP contraction in mid 2027 and beyond, something that's not in evidence today, and with >1/3rd of the Sandisk business already locked in at a 80%+ GM that far out, the range of outcomes should be skewed to the upside. Given the low multiple on near-term earnings and FCF, 10.5x our CY27 EPS, pushing out a correction can have a material impact on the share price. And with that FCF increasingly going to shareholders, vs capex at DRAM peers, there's the case to be made for a higher multiple on EPS vs those comps. All that being said, we don't endorse 80% margins as a "new normal" for NAND, and we view that level as emblematic of a commodity in a shortage, but we certainly agree that the value add for NAND in a less PC/ mobile centric world should create a higher level of trough economics than past cycles.

As long as datacenter markets continue to grow at a pace well above NAND industry bit supply, we think suppliers will retain pricing power, and that shapes our positive view on the stock. However, we think conditions are tighter in DRAM, with that market the gating factor to AI and now traditional CPU server builds, and given MU's lower multiple on EPS, we have a slight preference there within memory.

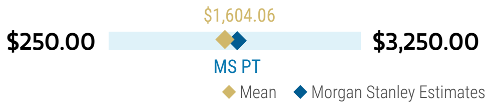
Risk Reward – SanDisk Corporation. (SNDK.O)

NAND improving quickly on the back of accelerating cloud demand

PRICE TARGET $1,750.00

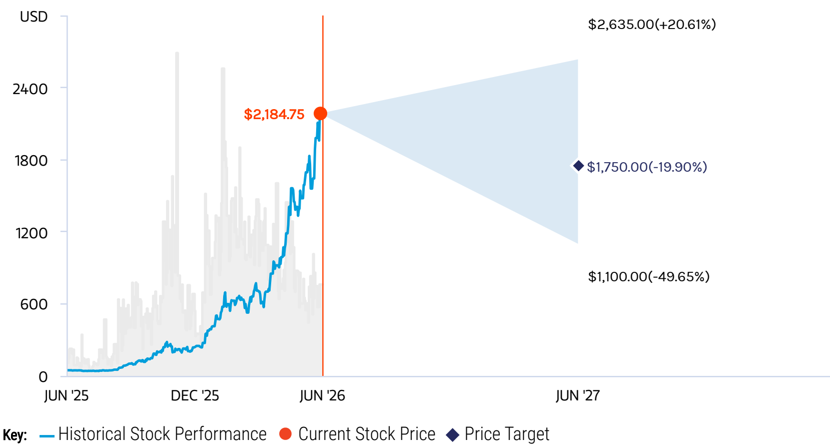
We assume 28x through-cycle EPS of $62.50 (vs. our estimate of FY21-FY29 average of $56). As improving industry dynamics as well as eSSD demand lead to sustained levels of higher profitability. 28x is a slight discount to our through-cycle multiple target for MU (28.5x) as the lower AI exposure is offset by historically higher FCF conversion

Consensus Price Target Distribution



Source: Refinitiv, Morgan Stanley Research

RISK REWARD CHART

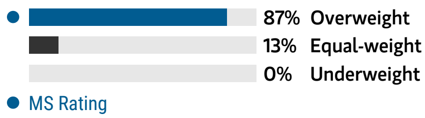


Source: Refinitiv, Morgan Stanley Research

OVERWEIGHT THESIS

AI demand is in the process of transforming the NAND market, and driving peak cycle EPS to multiples of what we have seen in the past. With still minimal new investment in capacity and evolving AI demand drivers we see a long runway for upward revisions.

Consensus Rating Distribution



Source: Refinitiv, Morgan Stanley Research

Risk Reward Themes

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

View descriptions of Risk Rewards Themes here

BULL CASE $2,635.00

31x through-cycle EPS of $85

Our bull case of $2,635 per share represents 31x a higher through-cycle EPS of $85.00. Here future peak earnings look similar to the current environment, with AI demand supporting through cycle EPS about 40% of current cycle peak. As well as with more mild downturns, higher levels of profitability supporting a higher multiple.

BASE CASE $1,750.00

28x through-cycle EPS of $62.50

Improving industry dynamics as well as eSSD demand lead to higher levels of profitability than we have seen over the last few years, 28x is a discount to our through-cycle multiple target for MU (28.5x) as the lack of direct AI is offset by historically higher FCF conversion.

BEAR CASE $1,100.00

25x through-cycle EPS of $44

We think Sandisk can avoid much of the pain of the last downturn ($13 per share loss), and with a better upcycle, with the multiple towards the average of the semiconductor group.

Risk Reward – SanDisk Corporation. (SNDK.O)

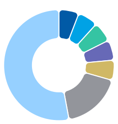
KEY EARNINGS INPUTS

Drivers	Jun 2025	Jun 2026e	Jun 2027e	Jun 2028e
GAAP Revenue ($, mm)	7,355	19,480	48,826	43,405
Non-GAAP Gross Margin (%)	30.3	69.2	86.7	84.4
Non-GAAP EPS ($)	2.74	65.03	214.73	179.97
Inventory ($, mm)	2,079	2,107	2,451	2,412
DOI	145.5	126.2	135.1	128.0

INVESTMENT DRIVERS

- Improved pricing and demand strength drive earnings growth
- Position in DC SSD market improves

GLOBAL REVENUE EXPOSURE



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

MS ALPHA MODELS

5/5 BEST	24 Month Horizon	4/5 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

- Quicker eSSD penetration in the datacenter
- Higher NAND content growth from edge AI applications
- Sandisk's investments in advanced memory technologies such as HBF (high Bandwidth Flash) pay dividends

RISKS TO DOWNSIDE

- NAND industry growth disappoints
- Capex growth returns as industry participants invest to gain share
- Sandisk loses market share as they fail to gain traction in datacenter
- China continues to gain share

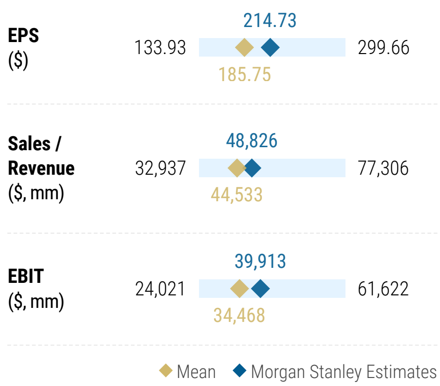
OWNERSHIP POSITIONING

Inst. Owners, % Active	48.6%
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

Valuation Methodology and Risks

Micron Technology Inc. (MU.O)

~29.5x through-cycle earnings of US $35.00, a premium to history reflecting new opportunities in AI, in-line with broader semis.

Risks to Upside

- Customers continue to demonstrate an appetite to take on inventory around macroeconomic uncertainty
- Additional wafer intensity of HBM further improves overall supply and demand
- MIcron's HBM share surpasses expectations

Risks to Downside

- Pricing can turn quickly; a falter in end demand with inventories elevated could lead to a swift price reduction
- HBM demand falters and competition intensifies, pressuring pricing

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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(as of May 31, 2026)

The Stock Ratings described below apply to Morgan Stanley's Fundamental Equity Research and do not apply to Debt Research produced by the Firm.

For disclosure purposes only (in accordance with FINRA requirements), we include the category headings of Buy, Hold, and Sell alongside our ratings of Overweight, Equal-weight, Not-Rated and Underweight. Morgan Stanley does not assign ratings of Buy, Hold or Sell to the stocks we cover. Overweight, Equal-weight, Not-Rated and Underweight are not the equivalent of buy, hold, and sell but represent recommended relative weightings (see definitions below). To satisfy regulatory requirements, we correspond Overweight, our most positive stock rating, with a buy recommendation; we correspond Equal-weight and Not-Rated to hold and Underweight to sell recommendations, respectively.

	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	1542	42%	465	51%	30%	707	43%
Equal-weight/Hold	1571	43%	369	40%	23%	723	44%
Not-Rated/Hold	3	0%	0	0%	0%	1	0%
Underweight/Sell	551	15%	86	9%	16%	201	12%
Total	3,667		920			1632	

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.

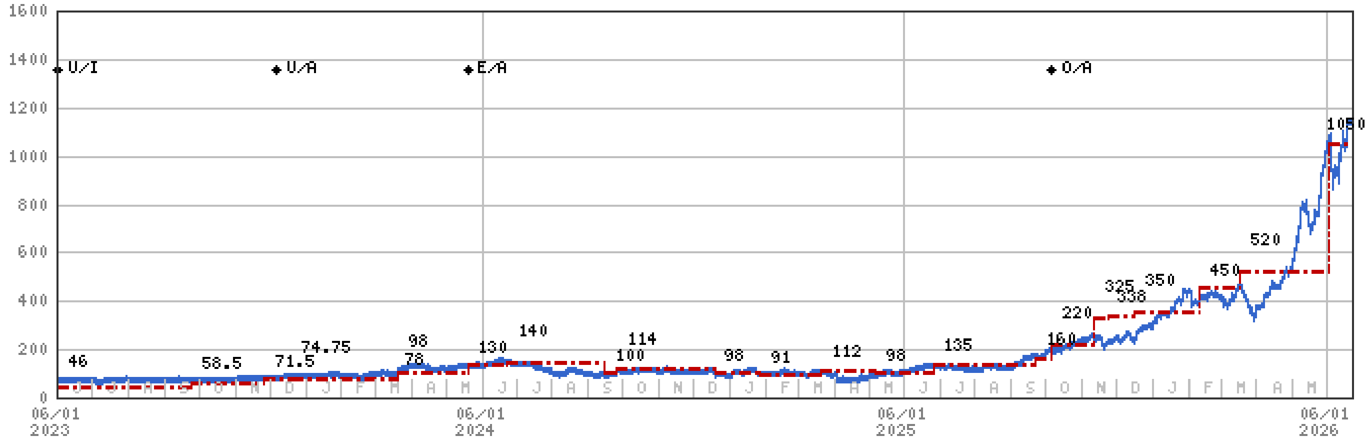
In-Line (I): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be in line with the relevant broad market benchmark, as indicated below.

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)

Micron Technology Inc. (MU.O) - As of 06/22/26 GMT in USD
Industry : Semiconductors



Stock Rating History: 6/1/21 : O/I; 8/12/21 : E/I; 7/21/22 : U/I; 12/7/23 : U/A; 5/20/24 : E/A; 10/6/25 : O/A

Price Target History: 3/1/21 : 105; 8/12/21 : 75; 12/20/21 : 77; 3/29/22 : 83; 6/21/22 : 56; 9/30/22 : 49; 12/21/22 : 46; 9/24/23 : 58.5; 11/27/23 : 71.5; 12/20/23 : 74.75; 3/18/24 : 78; 3/21/24 : 98; 5/20/24 : 130; 6/23/24 : 140; 9/15/24 : 100; 9/26/24 : 114; 12/19/24 : 98; 1/27/25 : 91; 3/21/25 : 112; 5/7/25 : 98; 6/26/25 : 135; 9/22/25 : 160; 10/6/25 : 220; 11/12/25 : 325; 11/23/25 : 338; 12/17/25 : 350; 2/10/26 : 450; 3/18/26 : 520; 6/2/26 : 1050

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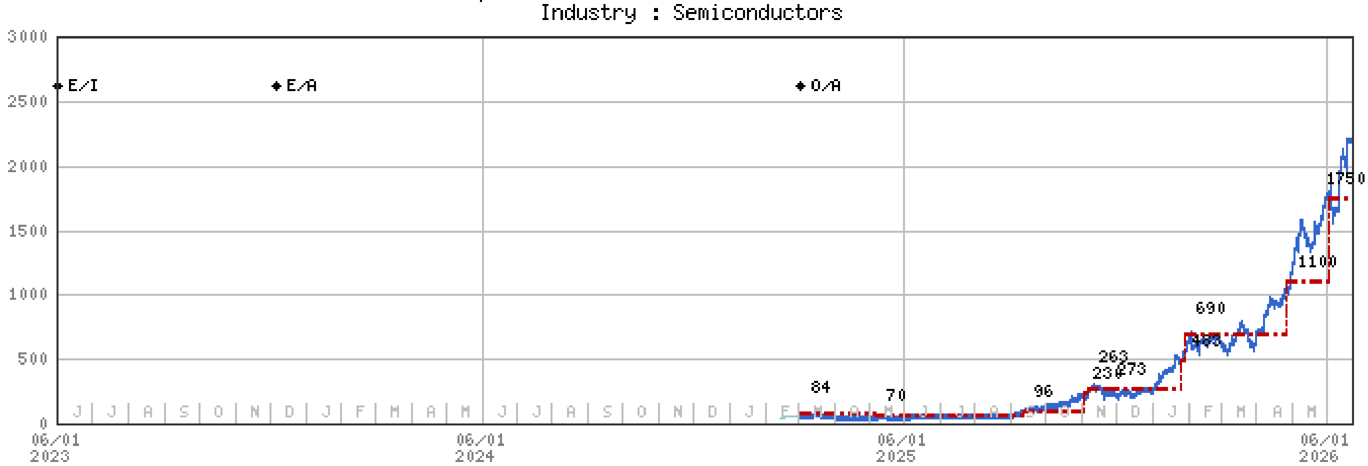
Effective January 13, 2014, the industry view benchmarks for Morgan Stanley Asia Pacific are as follows: relevant MSCI country index or MSCI sub-regional index or MSCI AC Asia Pacific ex Japan Index.

SanDisk Corporation. (SNDK.O) - As of 06/22/26 GMT in USD
Industry : Semiconductors



Stock Rating History: 6/1/21 : E/I; 12/7/23 : E/A; 3/3/25 : O/A

Price Target History: 3/3/25 : 84; 5/7/25 : 70; 9/11/25 : 96; 11/2/25 : 230; 11/7/25 : 263; 11/23/25 : 273; 1/26/26 : 483; 1/29/26 : 690; 4/27/26 : 1100; 6/2/26 : 1750

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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INDUSTRY COVERAGE: Semiconductors

COMPANY (TICKER)	RATING (AS OF)	PRICE* (06/18/2026)
Joseph Moore		
Advanced Micro Devices (AMD.O)	E (06/09/2024)	$537.37

Aeva Technologies Inc (AEVA.O)	E (07/19/2021)	$24.39
Allegro Microsystems Inc (ALGM.O)	O (02/13/2026)	$59.00
Ambarella Inc (AMBA.O)	O (03/29/2016)	$69.97
Amkor Technology Inc (AMKR.O)	E (11/08/2023)	$90.46
Analog Devices Inc. (ADI.O)	O (11/16/2023)	$434.46
Astera Labs Inc (ALAB.O)	O (05/11/2025)	$417.07
Broadcom Inc. (AVGO.O)	O (06/09/2024)	$411.35
Cerebras Systems (CBRS.O)	O (06/08/2026)	$234.71
GlobalFoundries Inc (GFS.O)	E (10/28/2024)	$85.83
Intel Corporation (INTC.O)	E (02/22/2023)	$133.99
IonQ Inc (IONQ.N)	E (04/25/2023)	$56.55
Marvell Technology Group Ltd (MRVL.O)	E (09/14/2015)	$310.58
Microchip Technology Inc. (MCHP.O)	E (07/10/2024)	$99.77
Micron Technology Inc. (MU.O)	O (10/06/2025)	$1,133.99
Navitas Semiconductor Corp (NVTS.O)	U (04/06/2025)	$24.02
NVIDIA Corp. (NVDA.O)	O (03/16/2023)	$210.69
NXP Semiconductor NV (NXPI.O)	O (02/11/2025)	$313.27
ON Semiconductor Corp. (ON.O)	E (05/11/2025)	$121.62
Qorvo Inc (QRVO.O)	E (10/28/2025)	$98.42
Qualcomm Inc. (QCOM.O)	U (02/10/2026)	$226.11
SanDisk Corporation. (SNDK.O)	O (03/03/2025)	$2,184.75
Semtech Corp. (SMTC.O)	E (04/06/2025)	$158.23
Silicon Laboratories Inc. (SLAB.O)	E (01/19/2021)	$219.75
Skyworks Solutions Inc (SWKS.O)	E (11/28/2018)	$72.45
Texas Instruments (TXN.O)	U (04/13/2020)	$322.86
Wolfspeed, INC (WOLF.N)	NR (04/06/2025)	$57.41
Lee Simpson		
Arm Holdings plc (ARM.O)	E (04/07/2026)	$439.46
Cadence Design Systems Inc (CDNS.O)	O (02/14/2024)	$387.39
Synopsys Inc. (SNPS.O)	E (02/27/2026)	$455.51

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* Historical prices are not split adjusted.