

WEEKLY IDEA

SANDISK CORPORATION

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BUY SANDISK CORPORATION (SNDK US EQUITY) @1255.68 WITH UPSIDE TARGET OF 17.03% @1469.52 — AI MEMORY SUPERCYCLE

Sandisk Corporation is a leading provider of NAND flash memory, a non-volatile storage technology used in data centers, AI infrastructure, and enterprise systems. As a pure-play NAND business, the company is directly exposed to one of the most supply-constrained components of AI infrastructure, where rising data center demand and increasing memory intensity are driving a structural shift in the memory market.

Sandisk has shifted from a cyclical, consumer-driven memory business to a data center-focused AI infrastructure supplier, with growing exposure to hyperscale demand. This transition is supported by rising memory intensity in AI workloads, a focus on higher-value enterprise SSDs, and constrained industry supply, which together are supporting stronger pricing, improved margins, and enhanced earnings visibility. As a result, the business is increasingly aligned with structural growth drivers rather than traditional memory cycles.

Specification

Ticker	SNDK US
Exchange	NASDAQ
Sector	Computer Hardware & Storage
Market Cap	\$175.78B
Free Float	60.08%
ISIN	US80004C2008

SNDK 1Y Chart



Explosive Growth & Operating Leverage: Sandisk delivered exceptional Q3 results, with revenue of \$5.95B and EPS of \$23.41, significantly ahead of expectations. Gross margins expanded to 78.4%, reflecting strong pricing power and a favorable mix shift toward higher-value products.

Operating leverage remains a key driver, as expenses grew modestly relative to revenue, resulting in significant earnings expansion. The company generated approximately \$2.99B in adjusted free cash flow (~50% margin), highlighting strong cash conversion during the current cycle.

Key Financials Stats

In Millions, USD	2025 Q3	2026 Q3
Revenue	1,695	5,950
Gross Profit	382	4,662
EBITDA	-14	4,195
Net Income	-103	3,637
EPS	-0.71	23.41
Cash From Operations	26	3,038
Capex	-44	-45
Free Cash Flow	-18	2,993

AI Demand & Data Center Expansion: Demand is increasingly driven by AI infrastructure, particularly hyperscale data centers requiring high-performance storage. Sandisk's data center segment reached approximately \$1.47B, up 233% QoQ, supported by strong demand for enterprise SSDs powering AI workloads. At the same time, supply remains constrained due to long fab build cycles, creating a sustained imbalance where demand growth continues to exceed supply, supporting elevated pricing across NAND markets.

Pricing Power & Supply Discipline: The current memory cycle is being supported by a favorable supply-demand dynamic, where constrained industry capacity is reinforcing pricing strength across NAND markets. Limited near-term supply additions, combined with disciplined capital spending by major producers, have contributed to a tighter market environment, allowing pricing to remain elevated. At the same time, demand growth continues to be driven by AI infrastructure and data center expansion, supporting sustained pricing momentum and margin resilience relative to prior memory cycles.

Shift to High-Value Segments & Product Roadmap: Sandisk is actively shifting its product mix toward higher-margin data center solutions, particularly enterprise SSDs. This transition is driving both revenue growth and margin expansion, as hyperscale's prioritize performance and latency for AI workloads.

Looking ahead, the company is expanding its product stack with:

- QLC-based enterprise SSDs (Stargate).
- High-Bandwidth Flash (HBF)

These products are expected to support continued demand from AI workloads and extend growth visibility into 2027–2028.

Business Model Evolution: Sandisk is transitioning toward a contract-based model through multi-year agreements with customers, introducing greater revenue visibility.

- Over \$42B in minimum contractual revenue secured
- More than \$11B in financial guarantees
- Covering >1/3 of expected FY2027 output, with potential to increase

This shift reduces reliance on spot pricing and may moderate traditional memory cycle volatility, although some pricing elements remain variable

Valuation & Relative Positioning: Sandisk's valuation continues to reflect elements of its historical cyclical profile despite strong earnings momentum. Forward expectations imply lower multiples as earnings expand, supported by operating leverage and pricing strength. Relative to peers, Sandisk is differentiated by higher exposure to AI-driven data center demand, stronger operating leverage, and an increasing share of contract-based revenue.

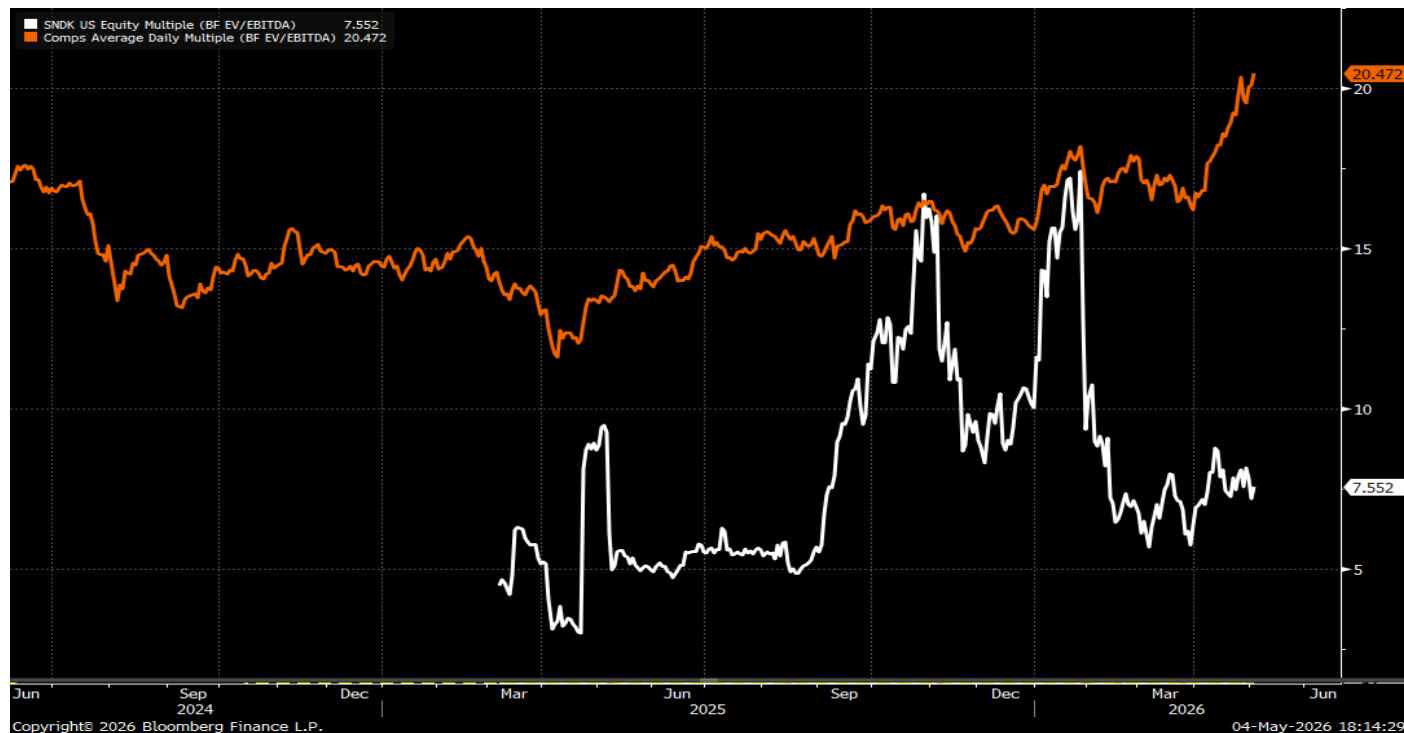
Key Multiples

Ratio	2025 Q3	2026 Q3	Current / FWD
P/E	-	23.98	FWD 18.37
P/B	0.78	7.54	13.41
P/Sales	-	7.82	13.91
ROA	-11.40%	30.01%	30.01%
ROE	-1.82%	39.30%	39.30%

SNDK vs Peers

Ticker	FWD P/E	PEG	FWD EV/EBITDA	FWD EV/SALES
SNDK	18.37	0.07	14.56	8.88
STX	48.84	0.78	37.72	13.78
WDC	43.5	0.70	28.02	11.25
NTAP	14.05	1.83	9.74	3.19

EV/EBITDA of SNDK vs peers average showing it lower by -63.11%



Key Takeaway & Risk Considerations: Sandisk is positioned at the center of the AI-driven memory cycle, supported by strong demand, constrained supply, and rising pricing, alongside increasing exposure to higher-value data center segments and improving revenue visibility through long-term agreements.

However, the business remains exposed to memory market cyclicality, where pricing may normalize as supply expands, and demand expectations—particularly in AI infrastructure—may evolve, potentially impacting earnings momentum.

Target price of \$1469.52 implies ~17.03% upside from current levels.

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