Semiconductors

October 30, 2026
Global Equity Research

SanDisk Corporation (SNDK)

Initiation of Coverage

Priced for a Bust Kioxia Did Not Call: Initiating Overweight on SanDisk

SNDK: Overweight, PT $1,975 (+71.6%). SanDisk fell 13.5% on Friday after record results ($11.03bn of revenue and $49.51 of non-GAAP EPS, both above guidance) as its fab partner Kioxia guided flat. We think the market has read a plateau as a bust. At 8x calendar-2028 EPS plus net cash, the $1,150.89 share price already assumes NAND prices fall 61% by the end of 2028, more than the 52-54% four-quarter fall of the 2022-23 downturn. Our base case has prices flat to mid-2027, then down 33% by the end of 2028, with EPS still near $65 a quarter. The PT weights base 50% ($2,252), bull 20% ($2,797) and bear 30% ($977); it is $246.88 after the 8-for-1 split on 20 November.

Key Points

Friday was mostly a semiconductor sell-off

Intel fell 28.6% on its guidance and the semiconductor ETF (SOXX) fell 8.2%. On its 120-day beta of 1.56 to SOXX, SanDisk would have fallen 12.9%; it fell 13.5%. Seagate and Western Digital, which make no NAND, fell 8.0% and 7.4%. Kioxia's own shares fell 7.1% in Tokyo before it reported (Exhibit 1).

Kioxia said flat, not falling

Kioxia's NAND price rose by the mid-20s% in July-September (low-30s% like for like). It guided October-December revenue up 0.8% (3.4% at constant yen), with prices flat to modestly up; its operating profit guide was 15% below consensus on the yen and shipment timing. All of its 2027 capacity is allocated. SanDisk guided revenue up 12.4% with "modest" price rises (Exhibit 3).

Margins can fall a long way before earnings do

At an 85.1% gross margin SanDisk sells at 6.7x its unit cost, against 1.6x at the last cycle's peak. A 52% price fall by the end of 2028, the size of the 2022-23 bust, would still leave a gross margin of about 75% in our model (Exhibits 7 and 10).

Kioxia days move SanDisk, but Tokyo does not lead

On six Kioxia results days SanDisk moved 6.7% on average (either way) against SOXX, close to the 8.0% on its own results. The best signal is the week after: SanDisk lagged its usual drift by 7.8% in days +1 to +5 (t -3.9). Tokyo's move is in SanDisk's opening price and adds nothing after (Exhibits 12 to 14).

The cash is arriving now

SanDisk generated $5.7bn of adjusted free cash flow in the quarter and bought back 3.15m shares for $5.0bn, about $1,587 a share (38% above Friday's close). It has no debt and $10.5bn of buyback authorisation left. Contract customers have posted $12.8bn of collateral through financial institutions against $88.9bn of revenue not yet earned (Exhibit 6).

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Symbol	PT (Previous)	Rating (Previous)	Price
SNDK	• $1,975.00 (NA)	Overweight (NA)	$1,150.89

Source: Yahoo Finance and K2 Capital. Price at 30-Oct-26 close; Dec-27 PT, pre-split.

Valuation and price	SNDK
Market cap ($bn)	165.7
Net cash ($bn)	5.1
P/E, 2Q FY27 guide annualised	5.1x
P/E, FY27 consensus	5.5x
FCF yield, 1Q FY27 annualised	13.7%
2026 to date	384.8%
From 25-Jun-26 closing high	(50.7%)
30-Oct-26	(13.5%)

Market cap on 144m shares outstanding (10-Q). FCF: adjusted, $5.7bn in the quarter. Consensus as of 26 Oct (Barchart).

Strategy	Verdict
Own SNDK (Overweight)	Implement
Wait five sessions after Kioxia results	Use selectively
Buy SNDK in the week before its results	Avoid
Hold through SNDK's results day	Avoid
Trade the open on Kioxia's Tokyo move	Avoid
Long Kioxia / short SanDisk	Avoid

See Exhibit 19 for the evidence behind each verdict.

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Friday, in order

Two releases, one session. SanDisk reported after the US close on Thursday 29 October (8-K accepted 16:13 ET). After-hours trading went both ways: up about 2.9% at 16:25 ET, down about 3.6% by 19:30 ET. Kioxia released at 18:45 in Tokyo on Friday (05:45 ET), after the Tokyo close, so Tokyo first trades its results on Monday 2 November. SanDisk was down 4.5% pre-market at 06:55 ET, opened down 8.6% at $1,215.09, touched $1,115.16 and closed down 13.5% at $1,150.89. Over two sessions it lost 18.1%, or $36.6bn of market value.

Most of the fall was the sector. Intel fell 28.6%, its worst day since 1974, on a fourth-quarter guide of $15-16bn against about $17.1bn expected; its chief executive said memory prices would be a severe challenge into 2027. SOXX fell 8.2% and the Nasdaq-100 3.5%. On SanDisk's 120-day betas, SOXX explains 12.9% of its 13.5% fall and the Nasdaq-100 11.9%. Only against Micron (beta 1.04, down 5.3%) is there a large residual, 7.9%: that is the most that can be pinned on Kioxia and on SanDisk's own numbers, where Edge and Consumer revenue missed consensus (Exhibits 1 and 5).

What Kioxia said, and what it did not

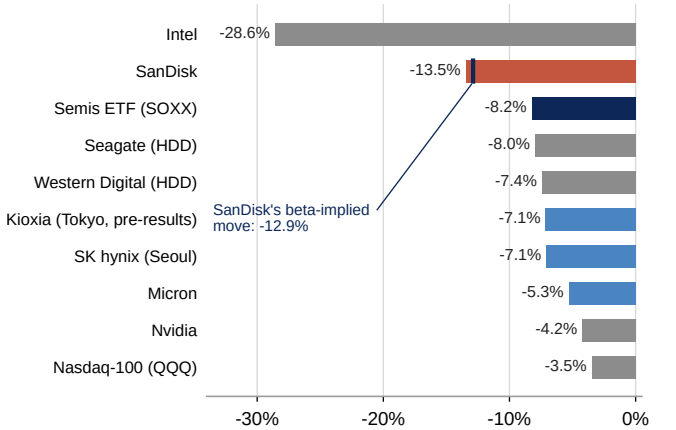
Flat is not falling. Kioxia's average selling price rose by the mid-20s% in July-September, by the low-30s% like for like, after about +70% in April-June. For October-December it guided revenue of ¥2.5tn, up 0.8% or 3.4% at constant yen, and non-GAAP operating profit of ¥2.0tn, 15% below the ¥2.35tn consensus. It cited a stronger yen (about ¥55bn of profit) and shipments slipping into January-March, and said all of its 2027 capacity is allocated, with long-term agreements covering well over half of 2028. Its head of finance said "it remains unclear at this point whether prices will continue rising in fiscal 2027". Nothing in that says prices will fall; the brief's claim that Kioxia "is no longer raising prices" overstates it (Exhibit 23).

Why we initiate at Overweight

The price assumes a bust. At $1,150.89 SanDisk trades at 5.1x its guided EPS annualised and on a 13.7% free-cash-flow yield. At 8x calendar-2028 EPS plus net cash, that price implies NAND prices fall 61% by the end of 2028 (Exhibit 10). The last bust took them down 52-54% in four quarters, from a peak where the Flash gross margin was 36%; today's is 85.1%.

The risk is real but later. TrendForce expects supply to overtake demand in the second half of 2027; Omdia expects YMTC's wafer output to rise 24% in 2027; the 512Gb TLC wafer spot price fell 9.2% in the week to 26 October. Our base case therefore turns prices down from mid-2027 and still values the shares at $2,252.

Exhibit 1 - Friday's Fall Was Mostly the Sector



Source: Yahoo Finance, K2 Capital. 30-Oct-26 close to close; Tokyo and Seoul sessions on 30 Oct. Beta: 120 sessions to 29-Oct-26.

Exhibit 2 - Price Target Scenarios (Dec-27)

Scenario	Weight	ASP to Dec-28	CY28 EPS	P/E	Value	vs price
Bull	20%	2%	$434	6x	$2,797	143%
Base	**50%**	**(33%)**	**$259**	**8x**	**$2,252**	**96%**
Bear	30%	(67%)	$83	10x	$977	(15%)
PT (weighted)	**100%**				**$1,975**	**72%**

ASP: change in SanDisk's average selling price from 2Q FY27 to Oct-Dec 2028. Value = P/E x calendar-2028 EPS + net cash per share at Dec-27. Weights: base 50%, bull 20%, bear 30%; the weighted $1,979 is rounded to the nearest $25. Pre-split dollars.

Source: K2 Capital estimates.

Exhibit 3 - Same Fabs, Different Quarters: SanDisk Priced Later and Guided Higher

Same fabs, July-September quarter	SanDisk (fiscal 1Q FY27)	Kioxia (fiscal 2Q FY26)
Share of Flash Ventures fab output	About 50% (owns 49.9% of the JVs)	About 50% (owns 50.1%; runs the fabs)
Revenue, q/q	$11.03bn, +23.0%	¥2,480bn, +40.3% (in yen)
Average selling price, q/q	**about 8.6% (K2 estimate)**	**Mid-20s% (low-30s% like for like)**
Bits shipped, q/q	About 13.3% (K2 estimate)	Low-teens%
Non-GAAP operating margin	80.4%	80.2%
Guide for October-December	**Revenue $12.2bn-12.6bn (+12.4%)**	**Revenue ¥2.5tn (+0.8%; +3.4% at constant yen)**
Price comment for October-December	"Modest like-for-like price increases"	Flat to modestly up; fiscal 2027 "unclear"
Guide vs consensus	**EPS $56.00 vs $53.60 (+4.5%)**	**Non-GAAP operating profit ¥2.0tn vs ¥2.35tn (-14.9%)**
Contracted supply	About 50% of FY27 bits and two-thirds of FY28; $88.9bn not yet earned	All 2027 capacity allocated; well over 50% of 2028 under contract
P/E, next-quarter guide annualised	5.1x	4.0x
Share price: 30 Oct; from June high	(13.5%); (50.7%)	(7.1%) (before its release); (62.8%)

SanDisk's price and bit changes split its +23.0% revenue growth 40:60, the CFO's attribution, in log terms. Kioxia's figures are yen-based and its price change includes mix; Kioxia's P/E uses about 1,598m shares after its 3-for-1 split on 1 October.

Source: SanDisk 8-K and 10-Q (29-30 Oct 2026) and call; Kioxia results filing (30 Oct 2026); Bloomberg via Briefs and SEDaily; Yahoo Finance; K2 Capital.

Exhibit 4 - Select Financials: Seven Quarters From a 1.3x to a 6.7x Price-Cost Ratio

Quarterly Results Since the Spin-off ($m unless stated, non-GAAP, pre-split)

	3Q FY25	4Q FY25	1Q FY26	2Q FY26	3Q FY26	4Q FY26	1Q FY27	2Q FY27E
Revenue	1,695	1,901	2,308	3,025	5,950	8,965	11,031	12,400
% growth q/q	*n.a.*	*12%*	*21%*	*31%*	*97%*	*51%*	*23%*	*12%*
Non-GAAP gross margin	22.7%	26.4%	29.9%	51.1%	78.4%	84.6%	85.1%	85.0%
Price / unit cost (x)	*1.3x*	*1.4x*	*1.4x*	*2.0x*	*4.6x*	*6.5x*	*6.7x*	*6.7x*
Non-GAAP EPS ($)	(0.30)	0.29	1.22	6.20	23.41	39.25	49.51	56.00
P/E, next-day price on EPS x 4	*n.m.*	*38.4x*	*49.1x*	*23.2x*	*12.7x*	*8.0x*	*5.8x*	*5.1x*
Release (after the close)	7-May-25	14-Aug-25	6-Nov-25	29-Jan-26	30-Apr-26	5-Aug-26	29-Oct-26	Late Jan-27
Day-0 move vs SOXX	3.9%	(2.3%)	16.4%	11.0%	7.3%	(7.1%)	(5.2%)	

1Q FY26 had 14 weeks. 2Q FY27E is the midpoint of company guidance. Price / unit cost = 1 / (1 - gross margin). P/E uses the next-session close.

Source: SanDisk 8-K Ex. 99.1 releases (May 2025 to Oct 2026), Yahoo Finance, K2 Capital.

Exhibit 5 - 1Q FY27: Datacenter Beat, Consumer Missed

$m	1Q FY27	Consensus	vs cons.	q/q
Datacenter	**4,802**	**3,980**	**20.7%**	**61.3%**
Edge	5,832	6,070	(3.9%)	7.4%
Consumer	**397**	**590**	**(32.7%)**	**(28.6%)**
Total revenue	**11,031**	**10,640**	**3.7%**	**23.0%**
Non-GAAP EPS ($)	49.51	46.22	7.1%	26.1%

Source: SanDisk release (29 Oct 2026); consensus per CoinCentral (30 Oct, 06:55 ET).

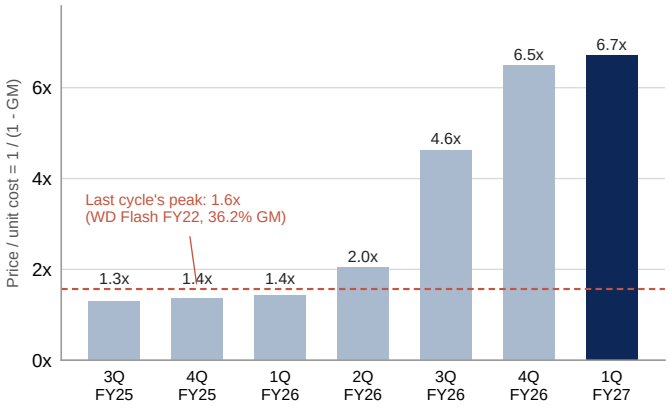
Exhibit 6 - Contracted Is Not Sold Out

Contract cover (NBMs)	Value
FY27 bits under contract	About 50%
FY28 bits under contract	**About two-thirds**
Revenue not yet earned	$88.9bn (20% in 12 months)
Collateral via financial institutions	$12.8bn
Investment-grade counterparties	95%
Pricing	Fixed and variable parts
"Pipeline exceeds our supply"	**To end of the decade**

The brief says SanDisk is "sold out until 2030". The CFO said the contract pipeline "exceeds our supply throughout the end of the decade".

Source: SanDisk 10-Q (30 Oct 2026) and earnings call (29 Oct 2026).

Exhibit 7 - Prices Are 6.7x Cost; the Last Peak Was 1.6x



Source: SanDisk releases; Western Digital FY22 Flash segment margin (10-K); K2 Capital.

Exhibit 8 - NAND Contract Prices: Slowing, Not Falling

Quarter	TrendForce forecast	Outcome or proxy
1Q26	+55-60%, raised to +85-90%	Top-5 NAND revenue +84%
2Q26	+70-75%	Top-5 NAND revenue +77%
3Q26	+10-15%; eSSD +20-25%	Kioxia ASP mid-20s%; SanDisk about +9%
4Q26	**+15-20% blended (30 Sep); eSSD the strongest**	**October wafer contracts flat; eSSD still rising (28 Oct)**
1Q27	No number; client SSD at a plateau	TLC wafer spot -9.2% in the week to 26 Oct
2022-23	**Four-quarter fall, 3Q22 to 2Q23**	**ASP -52% to -54%**

Blended NAND contract price changes, q/q. The 2022-23 row is the 3Q22 to 2Q23 decline.

Source: TrendForce releases (Dec 2024 to 30 Oct 2026), company results, K2 Capital.

Exhibit 9 - Our Base Case: Prices Flat to Mid-2027, Then Down a Third; EPS Holds

Base case	1Q FY27A	2Q FY27	3Q FY27	4Q FY27	1Q FY28	2Q FY28	3Q FY28	4Q FY28	1Q FY29	2Q FY29
ASP index (1Q FY27 = 100)	100	104	105	105	100	93	85	79	74	70
Bits index (1Q FY27 = 100)	100	108	112	117	121	126	131	137	142	148
Revenue ($bn)	11.03	12.40	13.02	13.55	13.38	12.94	12.39	11.85	11.58	11.45
Gross margin	85.1%	85.0%	85.5%	85.9%	85.5%	84.8%	83.9%	82.9%	82.3%	81.8%
Non-GAAP EPS ($)	**49.51**	**56.84**	**62.00**	**66.97**	**68.12**	**67.51**	**65.92**	**64.23**	**64.22**	**65.07**
Bull: EPS ($)	49.51	56.84	63.83	71.04	78.41	85.84	94.34	104.15	112.86	122.89
Bear: EPS ($)	**49.51**	**56.84**	**60.01**	**55.66**	**45.48**	**35.18**	**27.39**	**21.95**	**18.24**	**15.53**

2Q FY27 is set to guidance midpoints (revenue $12.4bn, gross margin 85.0%): +8% bits and +4.1% price. Thereafter: bits +4.0%/qtr (mid-to-high teens a year), cost per bit -2.5%/qtr, opex +2.5%/qtr, tax 14.3%, 60% of free cash flow spent on buybacks at today's price.

Source: SanDisk guidance (29 Oct 2026), K2 Capital estimates.

Exhibit 10 - The Price Already Assumes a Bust

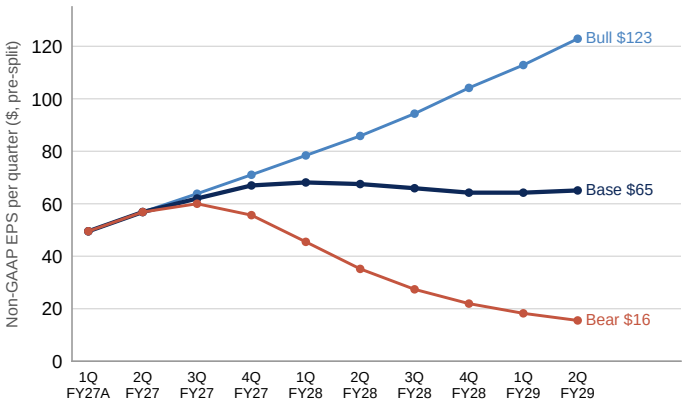
P/E on CY28 EPS	Implied ASP fall	CY28 EPS	Gross margin, end-28
6x	(52%)	$167	75%
8x	**(61%)**	**$126**	**68%**
10x	(67%)	$102	63%
2022-23 bust	**(52%) to (54%)**		**Flash GM to (12%)**

Uniform quarterly ASP change over 3Q FY27 to 2Q FY29 that makes base-case value (P/E x CY28 EPS + net cash) equal the 30-Oct close. Base-case bits and costs.

Source: K2 Capital estimates; TrendForce; Western Digital filings.

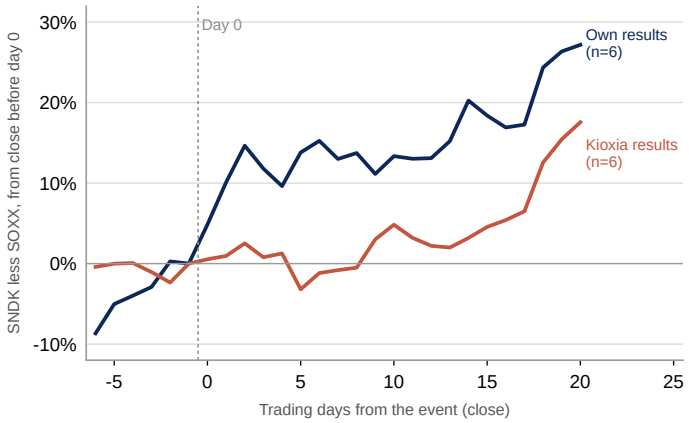
What the price is saying. At 8x calendar-2028 EPS plus net cash, $1,150.89 is consistent with SanDisk's average selling price falling 61% over eight quarters, leaving a gross margin of 68% at the end of 2028 and still falling. That is a bigger fall than in 2022-23, from a far higher margin: the last bust took Western Digital's Flash margin from 36.2% to (11.9%), while a 52% fall by 2028 leaves SanDisk near 75% in our model (the 6x row). Our base case is about half the implied fall.

Exhibit 11 - Bear Case: EPS Halves by Early 2028



Source: K2 Capital estimates.

Exhibit 12 - Kioxia Days Move SanDisk, With a Lag



Source: Yahoo Finance, company release dates, K2 Capital. Six events each, May 2025 to Aug 2026.

Exhibit 13 - Event Statistics: SanDisk Less SOXX

SNDK less SOXX	Mean	Median	Positive	t-stat
On SanDisk's own results (day 0 = next session)				
-5 to -1	9.7%	9.1%	6 of 6	4.54
Day 0	4.9%	5.6%	4 of 6	1.38
+1 to +5	8.6%	6.3%	5 of 6	2.71
+1 to +20	23.0%	13.6%	4 of 6	1.45
-5 to -1, with 30-Oct-26	8.0%	8.9%	6 of 7	3.22
On Kioxia's results (day 0 = same US date)				
-5 to -1	2.2%	(4.6%)	2 of 6	0.34
Day 0	0.5%	1.6%	3 of 6	0.17
+1 to +5	**(4.0%)**	**(2.3%)**	**1 of 6**	**-2.00**
+1 to +20	15.8%	16.6%	5 of 6	1.59
Drift: any 5 / 20 days	3.8% / 17.4%			

Day 0: SanDisk, the first session after its after-close release; Kioxia, the US session on its release date (15:30 JST). 30-Oct-26 excluded except in the row shown.

Source: K2 Capital calculations.

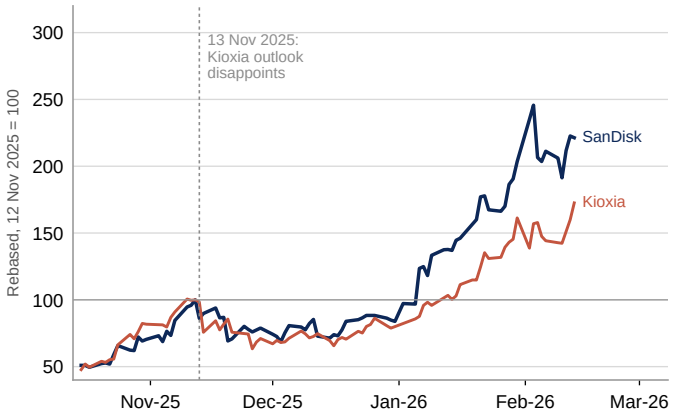
Exhibit 14 - New York Leads Tokyo, Not the Reverse

Tokyo vs New York, daily	Beta	t-stat	R^2
SNDK's US day (t-1) → Kioxia's Tokyo day (t)	**0.47**	**10.4**	**21.7%**
Kioxia's Tokyo day (t) → SNDK's opening gap (t)	0.33	11.9	26.5%
Kioxia's Tokyo day (t) → SNDK open to close (t)	**0.04**	**1.0**	**0.3%**
Trade the open on Kioxia's sign: mean per day	25bp	0.95	hit 49%

Daily returns, 24 Feb 2025 to 30 Oct 2026 (n = 396). The Tokyo session closes before the US opens. The gap regression controls for SanDisk's prior US day.

Source: Yahoo Finance, K2 Capital.

Exhibit 15 - November 2025: Same Shock, Bigger Rally



Source: Yahoo Finance, K2 Capital.

Kioxia's results matter to SanDisk almost as much as its own. Across six Kioxia releases since May 2025, SanDisk's day-0 move against SOXX averaged 6.7% in either direction, against 8.0% on its own six results days. Its sign matched Kioxia's own next Tokyo session in four of six cases (correlation 0.81): New York prices Kioxia's news first because Kioxia releases after the Tokyo close. The weak spot is the following week: SanDisk trailed SOXX by 4.0% on average in days +1 to +5, 7.8% worse than its usual five-day drift (one of six positive, t -3.9 against the drift). With six events, we treat this as a timing aid only.

Watching Tokyo does not give an edge. Over 396 sessions, SanDisk's US day predicts Kioxia's next Tokyo day (t 10.4), and Tokyo is reflected in SanDisk's opening gap (t 11.9). After the open, Kioxia's Tokyo move explains 0.3% of SanDisk's session (Exhibit 14). The brief's advice to watch the Japanese market is right about the information and wrong about the trade.

The last time Kioxia disappointed. On 13 November 2025 Kioxia's outlook sent SanDisk down 14.0% and Kioxia down 23.0% the next morning in Tokyo. SanDisk's lowest close was $194.38 on 3 December, then rose 157% in the three months after the event as contract prices jumped (Exhibit 15). Precedent is not a forecast.

Exhibit 16 - Kioxia Results Days, One by One

Kioxia release	Kioxia, next session	SNDK day 0	SNDK +1 to +5	SNDK +6 to +20	Same sign?
15-May-25	0.3%	(2.7%)	(3.1%)	4.5%	No
8-Aug-25	8.6%	8.1%	(1.6%)	58.1%	Yes
13-Nov-25	**(21.3%)**	**(10.5%)**	**(12.3%)**	**(5.3%)**	**Yes**
12-Feb-26	9.1%	7.6%	0.9%	11.1%	Yes
15-May-26	16.7%	5.9%	(0.8%)	22.1%	Yes
31-Jul-26	6.7%	(5.2%)	(7.1%)	31.3%	No

Source: Yahoo Finance, Kioxia release schedule, K2 Capital. Kioxia less the Nikkei 225; SanDisk less SOXX. 30-Oct-26 excluded: Tokyo first trades it on 2 Nov.

Exhibit 17 - The Multiple Fell as Earnings Rose

Results	Next-day price	EPS x 4	P/E
4Q FY25	$44.54	$1.16	38.4x
1Q FY26	$239.48	$4.88	49.1x
2Q FY26	$576.25	$24.80	23.2x
3Q FY26	$1,187.00	$93.64	12.7x
4Q FY26	$1,258.58	$157.00	8.0x
1Q FY27	**$1,150.89**	**$198.04**	**5.8x**
Kioxia, guide x 4	**¥13,470**		**4.0x**

P/E = next-session close / (quarterly non-GAAP EPS x 4). Kioxia: 30-Oct close on annualised Oct-Dec net income guidance.

Source: SanDisk releases, Kioxia filing, Yahoo Finance, K2 Capital.

Exhibit 18 - Value per Share: Prices Matter Most

ASP to Dec-28 \ P/E	5x	6x	8x	10x
Flat	$2,135	$2,526	$3,308	$4,089
(20%)	$1,688	$1,991	$2,598	$3,205
(40%)	**$1,245**	**$1,463**	**$1,898**	**$2,333**
(60%)	$802	$934	$1,197	$1,461
(75%)	**$460**	**$527**	**$660**	**$793**

Value = P/E x calendar-2028 EPS + net cash per share at Dec-27, base-case bits and costs, uniform quarterly ASP change over 3Q FY27 to 2Q FY29. Price: $1,150.89.

Source: K2 Capital estimates.

Multiples fall as earnings rise, until they do not. SanDisk's P/E on annualised quarterly EPS fell from 49x after its 1Q FY26 results to 5.8x now (Exhibit 17): the market has paid less for each dollar of earnings as the cycle extended. We use 6x in the bull case (peak earnings, still discounted), 8x in the base case (the August multiple) and 10x in the bear case, applied to falling earnings. Kioxia, on its own guidance, trades at 4.0x.

Exhibit 19 - Strategy Scorecard

Strategy	Evidence	Verdict
Own SNDK (Overweight)	Price implies a 61% NAND price fall by Dec-28 at 8x; base case (33%); PT $1,975 (+72%)	**Implement**
Wait five sessions after Kioxia results	Days +1 to +5: SNDK less SOXX (4.0%), 1 of 6 positive, (7.8%) vs drift (t -3.9); n = 6	**Use selectively**
Buy SNDK in the week before its results	Days -5 to -1: 8.0%, 6 of 7 positive, but only 4.2% above the five-day drift (t 1.7)	**Avoid**
Hold through SNDK's results day	Day 0: mean 4.9%, 4 of 6 positive, t 1.4; the 30-Oct-26 event was (5.2%)	**Avoid**
Trade the open on Kioxia's Tokyo move	Intraday R^2 0.3%; signal hit rate 49%, t 1.0 over 396 sessions	**Avoid**
Long Kioxia / short SanDisk	Kioxia 4.0x vs SNDK 5.1x, but Kioxia guided +0.8% vs SNDK +12.4%; daily correlation 0.43 (aligned), both above 110% volatility: two positions, not a hedge	**Avoid**

Verdicts: Implement (we expect the strategy to add value after costs), Use selectively (beneficial in defined circumstances only), Avoid (we do not expect it to add value after costs). Drift: SanDisk's average outperformance of SOXX over any window of the same length since the spin-off. Small samples throughout.

Source: K2 Capital calculations.

Exhibit 20 - Kioxia's Guide Before the Yen: Up 3%

¥bn	Jul-Sep actual	Oct-Dec guide	q/q
Revenue, as guided (¥157/$)	2,480	2,500	0.8%
Revenue at Jul-Sep yen (¥161/$)	**2,480**	**2,564**	**3.4%**
Non-GAAP operating profit, guided	1,988	2,000	0.6%
Non-GAAP, before the yen hit	**1,988**	**2,055**	**3.4%**
Consensus operating profit	**1,988**	**2,350**	**18.2%**

Non-GAAP figures (Jul-Sep IFRS operating profit: ¥1,995bn). Kioxia puts the yen's hit at about ¥55bn of operating profit; bits roughly flat, with some shipments moving into Jan-Mar. Consensus had assumed +18%.

Source: Kioxia results filing (30 Oct 2026); Xenospectrum; Bloomberg via Briefs; K2 Capital.

Exhibit 21 - Supply Is Coming, Mostly From Late 2027

Supplier	Capacity plan (date reported)
YMTC	Wafer output +24% in 2027 (Omdia); two more 100k-wafer fabs (Apr, Aug 2026)
Samsung	NAND output +1.6% in 2027; no major NAND additions before 2028 (Omdia, 30 Aug)
SK hynix	2027 capex up significantly; Yongin phase 1 at scale in 2027 (28 Oct)
Micron	Singapore NAND output from 2H 2028 (30 Sep)
Kioxia and SanDisk	About ¥5tn to 2032; Kitakami K3 for FY2029 (27 Aug, 30 Oct)
TrendForce	**Supply growth overtakes demand in 2H27 (21 Jul)**

Source: Company results and releases; Reuters via Evertiq; Omdia via Korea Herald and BigGo; TrendForce.

Supply is the risk, and it has a date. Most producers are adding NAND capacity, but the bulk of it lands from late 2027: YMTC's extra wafers come through 2027, Micron's Singapore output from the second half of 2028 and Kioxia and SanDisk's Kitakami K3 in fiscal 2029 (Exhibit 21). TrendForce has supply growth overtaking demand in the second half of 2027, which is when our base case starts cutting prices. Until then, the brief reads Kioxia the wrong way round: before the yen, Kioxia guided revenue up 3.4% and operating profit up 3.4% (Exhibit 20). That is short of the +18% consensus had assumed, and it is a slowdown, not a reversal.

Price Target Calculation and Key Risks
SanDisk Corporation (SNDK)

Investment Thesis

We initiate at Overweight with a Dec-27 PT of $1,975 ($246.88 after the 8-for-1 split). SanDisk sells NAND flash made in fabs it shares with Kioxia. Its non-GAAP gross margin went from 29.9% to 85.1% in four quarters as prices rose to 6.7x unit cost. The market treats this as a peak about to break: the shares are 50.7% below the June high although quarterly EPS rose from $23.41 to $49.51, and the price now discounts a 61% fall in NAND prices by the end of 2028. Kioxia's guide says prices are flattening rather than falling; TrendForce still expected blended NAND contract prices to rise 15-20% in the fourth quarter, with enterprise SSD the strongest category; and SanDisk has about half of FY27 and two-thirds of FY28 bits under multi-year contracts backed by $12.8bn of collateral. We expect the turn to come later, and to be smaller, than the price implies.

Base Case/PT ($2,252, 50%)

Prices rise +4.1% in 2Q FY27 (guidance), +1% in 3Q and are flat in 4Q, then fall 5-8% a quarter from July-September 2027 as supply overtakes demand, for (33%) by October-December 2028. Bits grow +4% a quarter and cost per bit falls 2.5%. The gross margin eases from 85.0% to 81.8%; EPS peaks at $68.12 in 1Q FY28 and is $65.07 in 2Q FY29. Calendar-2028 EPS of $259.44 at 8x, the multiple after the August results, plus $176 of net cash per share at Dec-27, gives $2,252.

Bull Case/PT ($2,797, 20%)

The shortage lasts into 2028, as Micron and Goldman Sachs have argued: prices rise +3%, +2% and +1%, hold through 2027 and slip 2% a quarter late in 2028; bits grow +4.5% a quarter. Calendar-2028 EPS is $434.24; at 6x, still a peak-cycle multiple, plus $192 of net cash, value is $2,797.

Bear Case/PT ($977, 30%)

A bust larger than 2022-23: prices are flat in 3Q FY27, then fall 10-20% a quarter for (67%) by the end of 2028; bits grow +2% a quarter. The gross margin falls to 62% and is still falling; EPS drops from $56.84 to $15.53 a quarter. Calendar-2028 EPS of $83.11 at 10x plus $146 of net cash gives $977 (-15%).

Risks

Downside risks to our Overweight rating: (1) an earlier turn in prices: the 512Gb TLC wafer spot price fell 9.2% in the week to 26 October, October wafer contracts were flat and TrendForce flags a risk of correction; (2) demand destruction: SanDisk's Consumer revenue fell 29% q/q, Intel expects memory costs to weigh on PCs into 2027, and TrendForce expects 2026 smartphone production down 15-20%; (3) new capacity: Omdia expects YMTC's wafer output to rise 24% in 2027, and SK hynix, Micron and Kioxia are all adding capacity; (4) Kioxia sets the pace: it runs the shared fabs, and its chief executive said in September that prices had "already risen enough"; (5) the yen: SanDisk buys wafers from the Japanese joint ventures at cost; (6) contract terms: NBM prices have fixed components that cap gains, and customers could renegotiate in a downturn; (7) volatility: SanDisk's annualised daily volatility has been 113% in 2026, and the split on 20 November may add retail flows.

Exhibit 22 - Even the Bear Case Earns 29% of Today's Price by 2028

Scenario	ASP to Dec-28	GM, Oct-Dec 28	EPS, next 9 qtrs	% of price	Net cash/sh, Dec-27	CY28 EPS	P/E	Value
Bull	2%	88.0%	$790	69%	$192	$434	6x	$2,797
Base	**(33%)**	**81.8%**	**$581**	**50%**	**$176**	**$259**	**8x**	**$2,252**
Bear	**(67%)**	**62.4%**	**$336**	**29%**	**$146**	**$83**	**10x**	**$977**
Weighted (PT)			**$549**	**48%**				**$1,975**

EPS, next 9 qtrs: cumulative non-GAAP EPS from 2Q FY27 (Oct-Dec 2026) to 2Q FY29 (Oct-Dec 2028). Net cash builds because 40% of free cash flow is retained; the rest buys back stock at today's price. Value = P/E x CY28 EPS + net cash per share at Dec-27. PT: weighted $1,979, rounded to the nearest $25.

Source: K2 Capital estimates.

What Would Make Us Wrong?

We would revisit our rating if any of the following occur:

1. **Contract prices turn down before mid-2027.** If TrendForce's first-quarter 2027 forecast (due around the end of December) has blended NAND contract prices falling, or the 512Gb TLC wafer spot price is below $15.00 on 31 December 2026 (26 October: $16.88), our base case turns too late. We would move to Neutral.
2. **SanDisk misses its own guide.** If 2Q FY27 revenue (late January 2027) is below $12.2bn or the non-GAAP gross margin below 84.5%, the slowdown has reached SanDisk's prices. We would cut the PT toward the bear case.
3. **Kioxia guides revenue down.** If Kioxia's January-March 2027 guide (mid-February) shows revenue down q/q at constant yen, prices from the shared fabs are falling. We would review the rating.
4. **Contract cover shrinks.** If the share of FY28 bits under NBMs falls below 50% (now about two-thirds) by the 3Q FY27 results (about end-April 2027), the contract floor is weaker than we assume.
5. **Capacity jumps.** If Samsung, SK hynix or YMTC announce NAND investment that takes 2027 industry bit supply growth above 30% (Micron's view of industry bit shipments: mid-20s%) before mid-2027, we would raise the bear-case weight to 50%.

Signposts

2 Nov: Tokyo's first session after Kioxia's results. 9 Nov: record date for the 8-for-1 split; shares distributed after the close on 19 Nov; 20 Nov: first split-adjusted session. Weekly: TrendForce spot price updates. Around end-December: TrendForce's first-quarter 2027 contract price outlook. Mid to late December: Micron's fiscal first-quarter results (date to be announced). Late January 2027: SanDisk's 2Q FY27 results. Mid-February 2027: Kioxia's October-December results and January-March guide.

Exhibit 23 - Claims, Checked

Claim in the brief	What the evidence shows	Verdict
SanDisk crashed on Friday despite record earnings	Down 13.5% to $1,150.89 on 30 Oct after record revenue of $11.03bn and EPS of $49.51 vs $46.22 consensus	**True**
It was green on Thursday night	Up about 2.9% at 16:25 ET, down about 3.6% by 19:30 ET, before Kioxia reported; it fell 5.3% in Thursday's session	**Partly**
It fell only after Kioxia reported	Kioxia released at 05:45 ET on Friday; the same day Intel fell 28.6% and SOXX 8.2%; SanDisk's beta to SOXX implied (12.9%)	**Partly**
Kioxia is a major supplier of the same NAND	Kioxia and SanDisk share the same fabs (Flash Ventures, 50.1% / 49.9%), splitting output about 50:50	**True, understated**
Kioxia is no longer raising NAND prices	ASP up by the mid-20s% in Jul-Sep; Oct-Dec flat to modestly up; fiscal 2027 "unclear"	**Overstated**
The stock fell 13% because Kioxia killed the thesis	The largest residual, against Micron, is (7.9%); against SOXX it is (0.6%)	**Partly**
Japanese culture sees price rises as unethical	No source found; Kioxia cites customer budgets, market growth, the yen and shipment timing	**Not supported**
Kioxia traded certainty for fixed prices	Kioxia does not disclose contract pricing; SanDisk's contracts have fixed and variable parts, and SanDisk's own price rose less (about 9%)	**Unverifiable**
Memory has been cyclical: overbuilt, then crashed	2022-23: NAND ASP down 52-54% in four quarters; WD Flash gross margin from 36.2% to (11.9%)	**True**
SanDisk says it is sold out until 2030	CFO: the contract pipeline "exceeds our supply throughout the end of the decade"; about 50% of FY27 and two-thirds of FY28 bits contracted	**Not said**
This time AI is not cyclical	TrendForce sees supply overtaking demand in 2H27; Omdia has YMTC wafers +24% in 2027; Kitakami K3 for FY2029	**Opinion**
Prices will rise for the foreseeable future	TrendForce: 4Q26 blended contracts +15-20%, led by eSSD, but client SSD at a plateau, October wafer contracts flat and spot falling	**Not supported**

Promotional lines in the brief (portfolio returns, calls to comment) are excluded.

Source: SanDisk 8-K, 10-Q and call; Kioxia filing; TrendForce; Yahoo Finance; Western Digital filings; K2 Capital.

Important Disclosures

Analyst Certification

The research analysts of K2 Capital Limited responsible for this report certify that (1) the views expressed in this report accurately reflect their personal views about the subject companies and their securities, and (2) no part of their compensation was, is or will be directly or indirectly related to the specific ratings or views expressed in this report.

Rating Definitions

Overweight: over the duration of the price target, we expect the stock to outperform the total return of the relevant benchmark, which in this report is the S&P 500. **Neutral:** we expect the stock to perform in line with it. **Underweight:** we expect the stock to underperform it. Price targets are set for the period stated and are based on the methodology and risks described in this report. Strategy verdicts: Implement (we expect the strategy to add value after costs), Use selectively (beneficial in defined circumstances only), Avoid (we do not expect it to add value after costs). Price targets in this report are pre-split; divide by eight for split-adjusted values from 20 November 2026.

Rating Distribution

(As of October 30)	% of coverage	Companies
Overweight	60.00%	3
Neutral	0.00%	0
Underweight	40.00%	2

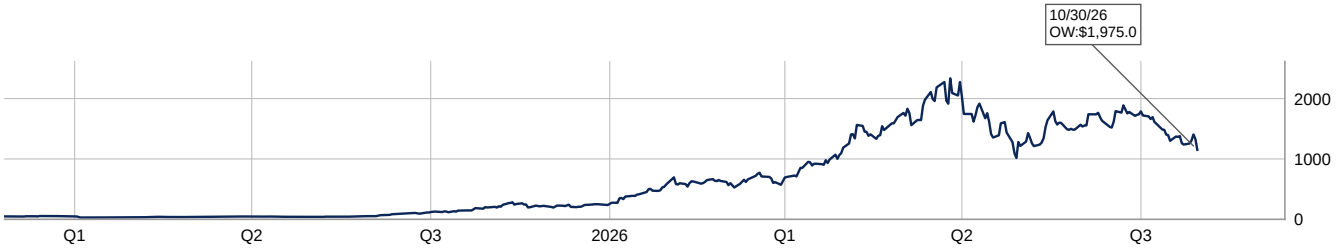
Rating History

Date	Company	Rating	Price ($)	Price Target ($)
30-Oct-26	SanDisk Corporation (SNDK)	Overweight (initiation)	1,150.89	1,975.00

Positions and Conflicts

K2 Capital Limited, its principals and employees may hold positions in, and may trade, the securities of the companies discussed in this report or related instruments, including positions inconsistent with its ratings.

Rating and Price Target History for: SanDisk Corporation (SNDK) as of 10-30-2026



Created by: K2 Capital

Sources and Methodology

Prices are as of the close on 30 October 2026, and no later price data is used; the 10-Q, accepted at 16:42 ET on 30 October, is the latest document used. Daily prices for SanDisk, Kioxia (TSE: 285A), Micron, Western Digital, Seagate, SK hynix, Samsung Electronics, Intel, Nvidia, the iShares Semiconductor ETF (SOXX), the Nasdaq-100 (QQQ), the S&P 500, the Nikkei 225 and USD/JPY are from Yahoo Finance (adjusted closes). SanDisk information is from its 8-K and Ex. 99.1 releases (May 2025 to 29 October 2026; EDGAR acceptance times), the 10-Q for the quarter to 2 October 2026, the FY26 10-K and the 29 October earnings call. Kioxia information is from its results filing of 30 October 2026 (released 18:45 JST) and earlier filings, with Bloomberg reporting via Briefs and SEDaily, Xenospectrum, Newswitch and TrendForce for management comments. NAND market data are from TrendForce releases to 30 October 2026, Micron, SK hynix and Samsung results, and Western Digital filings for the 2022-23 cycle. Market commentary: StockTitan, 24/7 Wall St, CoinCentral, the Motley Fool and the Korea Times; consensus: Barchart and TipRanks (26-28 October). Abnormal return = stock less SOXX (SanDisk) or less the Nikkei 225 (Kioxia), close to close; day 0 is the first session able to react; drift is the average abnormal return over any window of the same length since 24 February 2025. Betas use 120 daily returns to 29 October. Price and bit splits for 1Q FY27 use the CFO's 40:60 attribution in log terms. Scenario values are P/E multiples on calendar-2028 EPS plus net cash per share at December 2027, from a quarterly model of bits, prices and cost per bit starting at company guidance. Kioxia's P/E uses about 1,598m shares after its 1 October 2026 split. Estimates are K2 Capital's and are subject to change without notice.

General

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