IU DIGEST
REPORT

DEEP-DIVE
BUY-SIDE RESEARCH
MAY 2026

INTERMARKET UNIVERSE
EST. 2026

NASDAQ: SNDK

SanDisk Corporation

The NAND Renaissance, Phase II:
From Cyclical OEM to AI-Infrastructure Compounder

12-MONTH OUTLOOK	3-YEAR OUTLOOK	5-YEAR OUTLOOK
BUY / Trim Into Strength	**STRONG BUY**	**BUY** (Cycle-Aware)
Target: $1,750	Target: $2,400	Target: $2,800 – $3,200

REPORT SUMMARY

SanDisk is transitioning from a cyclical memory supplier to a structural beneficiary of the AI infrastructure buildout.

- **Strong execution in Q3 FY2026** with record revenue, margin expansion, and EPS beat.
- **New Business Model (NBM) contracts of $42B** enhance visibility and reduce cyclicality.
- **NAND supercycle** underpinned by AI, cloud, and high-bandwidth flash (HBF) demand.
- **Attractive long-term compounding potential** with disciplined capital allocation.

TABLE OF CONTENTS

PART I EXECUTIVE SUMMARY

The re-rating is complete; the fundamental work is just beginning. SanDisk Corporation entered 2026 carrying a $1.04B GAAP net loss from FY2025 and a stock at IPO-equivalent levels following its February 24, 2025 spin-off (1-for-3 distribution from WDC). By May 9, 2026 — 15 months later — the stock has appreciated roughly **3,900–4,000%** to ~$1,560/share with a market capitalization of approximately $231B. The Q3 FY2026 print (April 30, 2026) converted the bull thesis from narrative to arithmetic: $5.95B revenue (beat guidance midpoint by 26%), 78.4% non-GAAP gross margin (beat by 1,140+ bps), $23.41 non-GAAP EPS (beat midpoint by 80%), and $2.96B adjusted FCF — a 50% FCF margin more consistent with enterprise software than a NAND manufacturer.

The **IU base-case DCF** at WACC 11.0% / TGR 3.0% produces **~$893/share** at consensus-reversion gross margins (40% terminal), and **~$1,495/share** at a base/bull blend (50% terminal GM). Current spot $1,560 implies ~60–65% probability on the bull path — defensible if NBM bit-coverage reaches 50%+ of FY27 output and HBF achieves first commercial AI-inference customer in early 2027.

RISK-REWARD SCENARIO SUMMARY

Scenario	FY27 EPS	Method	Price Target	vs. Spot	IU Weight
Bear Case (Hard Reversion 2028)	~$32–40 (bear)	DCF WACC 12.5% / TGR 2.0%	~$520	–67%	15–20%
IU Base Case (NBMs Partial Sustain)	~$135–155 (IU)	DCF WACC 11.0% / TGR 3.0%	~$893	–43%	45%
Base/Bull Blend (NBMs + HBF Ramp)	~$160–180 (IU)	DCF WACC 10.5% / TGR 3.0%	~$1,495	–4%	35%
IU Bull Case (HBF + Kioxia Upside)	~$180–200 (IU)	DCF WACC 9.5% / TGR 3.5%	~$2,500	+60%	10–15%

Sources: IU proprietary DCF · TrendForce · SanDisk SEC EDGAR · Bloomberg analyst consensus · May 2026

VERDICT STRIP — HORIZON POSITIONING

12-MONTH BUY / Trim Strength ($1,600–$1,800)	**3-YEAR STRONG BUY Conviction Long**	**5-YEAR BUY (Cycle-Aware) Core Position**	**IU CONVICTION 8 / 10 (9/10 on 3Y)**	**DCF INTRINSIC ~$893/share Base WACC 11.0%**	**IU BULL TARGET ~$2,500/share DCF WACC 9.5%**

PART II Q3 FY2026 EARNINGS DEEP DIVE & Q4 FY2026 GUIDANCE

The Q3 FY2026 print (quarter ended April 3, 2026) is the definitive proof-of-concept for the standalone SanDisk thesis. Every metric — revenue, gross margin, EPS, FCF — exceeded guidance by margins that are historically unusual for a company at this scale.

1. Q3 FY2026 ACTUALS vs. GUIDANCE — THE COMPREHENSIVE BEAT

Metric	Guidance	Q3 Actual	Beat Amount	Beat %	Context
Revenue	$4,400–4,800M (mid $4,600M)	$5,950M	**+$1,150–1,550M**	**+26% vs mid**	**+97% QoQ**
Non-GAAP Gross Margin	65.0%–67.0%	78.4%	**+1,140–1,340 bps**	**+27.3 ppt**	vs 51.1% Q2
Non-GAAP EPS (Diluted)	$12.00–$14.00 (mid $13)	$23.41	**+$9.41–$11.41**	**+80% vs mid**	**+278% QoQ**
Operating Cash Flow	N/A guided	$3,038M	—	—	**+198% QoQ**
Free Cash Flow	N/A guided	$2,993M	—	50.3% margin	—
Adjusted FCF	N/A guided	$2,955M	—	49.7% margin	—

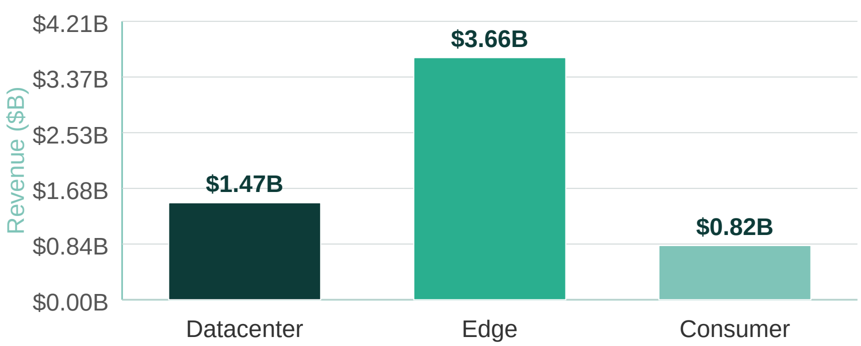
Source: SanDisk 8-K filed April 30, 2026; Form 10-Q for period ending April 3, 2026 (SEC EDGAR)

2. SEGMENT REVENUE BRIDGE — THE MIX SHIFT

Segment	Q3 FY25	Q2 FY26	Q3 FY26	QoQ	YoY	Q3 Mix
Datacenter	$197M	$440M	$1,467M	**+233% QoQ**	**+645% YoY**	24.7% of Q3 rev
Edge	$927M	$1,678M	$3,663M	**+118% QoQ**	**+295% YoY**	61.6% of Q3 rev
Consumer	$571M	$907M	$820M	**−10% QoQ**	**+44% YoY**	13.8% of Q3 rev
Total	$1,695M	$3,025M	$5,950M	**+97% QoQ**	**+251% YoY**	100%

Datacenter grew from 14.5% of revenue in Q2 to 24.7% in Q3. Consumer deliberately de-emphasised: eMMC/UFS supply reallocated to higher-margin enterprise SSDs.

Q3 FY2026 Revenue by Segment ($B)



3. Q4 FY2026 GUIDANCE — THE NEXT INFLECTION

Metric	Low	Midpoint	High	Notes
Revenue	$7,750M	$8,000M	$8,250M	Annualized run-rate ~$32B
GAAP Gross Margin	78.9%	79.9%	80.9%	First time >80% GAAP in company history
Non-GAAP Gross Margin	79.0%	80.0%	81.0%	Software-tier margin territory
Non-GAAP OpEx	$480M	$490M	$500M	**+9% QoQ on +34% revenue increase**
Non-GAAP Diluted EPS	$30.00	$31.50	$33.00	~$126 annualized · 12.4x forward P/E at spot
Diluted Shares	158M	158M	158M	Marginal increase vs Q3

Source: SanDisk Q3 FY2026 earnings call (April 30, 2026). IU annualized projections based on Q4 midpoint × 4.

PART III THE $42B NBM STRUCTURE — REVENUE DE-CYCLICALIZATION

The single most important structural development in SanDisk's fiscal year 2026 is the $42 billion in minimum-revenue New Business Model (NBM) contracts signed with hyperscaler and enterprise customers — a fundamentally different commercial architecture from the spot-market exposure that has historically driven NAND cyclicality.

4. NBM CONTRACT MECHANICS

Number of contracts	5 total (3 signed Q3 FY26; 2 signed Q4 FY26 to date)
Total minimum revenue	$42B+ from Q3-signed contracts alone
Financial guarantees	>$11B managed by third-party financial institutions
Prepayments on balance sheet	$400M received as of Q3 FY2026 close
FY2027 bit coverage	>[redacted] of total bit shipments; management targeting >50%
Contract structure	Fixed component (volume/price floor) + variable component (spot-linked)
Counterparty disclosure	Not disclosed; presumed hyperscalers / large AI infrastructure buyers
Duration	Multi-year; exact terms not public per competitive sensitivity

Source: SanDisk Q3 FY2026 earnings call (Globe and Mail; AOL Finance; TIKR.com); CEO David Goeckeler verbatim commentary.

5. THE NBM vs. TRADITIONAL SPOT-MARKET MODEL

Dimension	Traditional Spot Model	NBM Contracted Model
Revenue visibility	Quarterly; spot-price dependent	2–5 year minimum revenue floor
Price risk	Full exposure to NAND spot decline	Fixed floor + variable upside
Customer default risk	Customer can simply not reorder	$11B+ financial guarantee offsets
Valuation framework	Cyclical P/E · 4–8x trough	Contracted DCF · 12–18x normalised
Precedent industry	Commodity NAND OEM	HBM LTA (Micron/SK hynix 2024–2026)
Structural analogy	Merchant power plant (spot electricity)	LNG take-or-pay / utility PPA

PART IV AI INFRASTRUCTURE DEMAND THESIS — THE NAND SUPERCYCLE THROUGH 2030

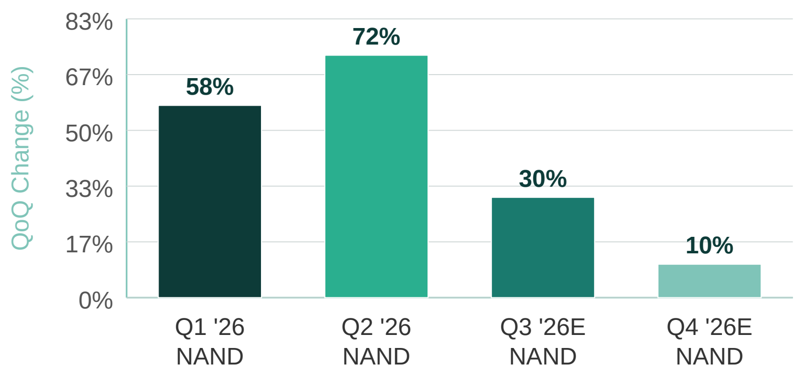
Every major industry source — TrendForce, Gartner, Omdia, Counterpoint, Citi, BofA, Mizuho — converges on the conclusion that 2026 NAND demand structurally exceeds supply, with meaningful new cleanroom capacity not expected before late 2027 or 2028.

6. NAND CONTRACT PRICING TRAJECTORY (TrendForce / DRAMeXchange)

Quarter	DRAM Contract QoQ	NAND Flash Contract QoQ	Enterprise SSD QoQ	Client SSD QoQ	Notes
1Q 2026	**+90–95%**	**+55–60%**	**+53–58% (fcst)**	≥40% (fcst)	Revised UP from prior +33–38% forecast
2Q 2026	**+58–63%**	**+70–75%**	**+65–70% (fcst)**	**+50%+ (fcst)**	NAND QoQ surpasses DRAM for first time in cycle
3Q 2026E	**+30–40%**	**+25–35%**	**+20–30% (est)**	**+20–25% (est)**	Absorption phase; pricing still positive
4Q 2026E	**+5–15%**	**+5–15%**	**+5–10% (est)**	**+5–10% (est)**	Approaching cyclical peak; supply structurally tight
2027E	Decelerating	Decelerating	Moderating	Moderating	Micron Singapore H2 2028 remains the first major relief

Sources: TrendForce presscenter (March 31, 2026; February 2, 2026); Tom's Hardware; IU forward estimates.

NAND Contract Price QoQ Change (%)



SUPPLY CAPACITY TIMELINE — THE ASYMMETRIC GAP

Player	Current Node	Volume Timeline	Strategic Note
Samsung	V9 QLC (286L expected H1 2026)	Broad 286L+ volume H2 2026	Some reallocation toward HBM/server DRAM
SK Hynix	321L QLC products	2H 2026 significant ramp	HBM co-development constrains incremental capacity
Kioxia / SanDisk	Kitakami Fab2 + BiCS10 332L	H1 2026 (Fab2) · Late 2026 (BiCS10)	"Sold out" 2026; JV capacity fully committed
Micron	G9 QLC (~232L+) + Singapore fab	Singapore output H2 2028	$24B Singapore NAND fab — 18+ months from output
YMTC	~232L domestic	Export-controlled	Policy constraints limit global market impact
Net Verdict	No meaningful new cleanroom adds	Before late 2027/2028	Structural supply gap underpins 2026–2027 supercycle

Source: TrendForce; Micron investor day FY2026; Kioxia managing director statements; IU analysis.

HYPERSCALER AI CAPEX CASCADE — HOW $650–700B PROPAGATES TO NAND

Hyperscaler	CY2026 AI CapEx	NAND / Storage Relevance
Microsoft / Azure	$120–145B FY2026	Stargate co-investor; NAND inference storage scale-out
Alphabet / Google	$175–185B FY2026	Ironwood TPU v5 clusters require SSD tiering; TurboQuant inference
Amazon / AWS	$200B FY2026	S3 NAND object storage; AI inference fleet; NBM candidate
Meta	$115–135B FY2026	LLAMA inference clusters; recommendation engine NAND storage
Oracle	$40B+	OCI AI infrastructure; signed GPU reservation agreements
Total / Read-Through	$650–700B industry	~12–15% historically propagates to memory/storage procurement

Source: Public earnings guidance; Bloomberg; IU analysis. Storage/memory typically represents 10–15% of total AI CapEx.

EDGE AI STORAGE DEMAND — THE SMARTPHONE BASELINE SHIFT

Device / Cycle	Storage Target	NAND Demand Implication
iPhone 16 (2024)	128GB standard	Pre-AI baseline; NAND per device ~64–128Gb
iPhone 17 (2025)	256GB minimum	Apple Intelligence on-device LLM; doubled baseline NAND
iPhone 18E (2026)	512GB–1TB target	Full multimodal on-device inference; 4–8x from 2024 baseline
Android Flagship	256GB → 512GB	Samsung Galaxy AI, Google Pixel; baseline doubling
Android Mid-Range	128GB → 256GB	AI feature trickle-down; 2x NAND per unit by 2027
Aggregate Impact	**+2.8B units × 2–4x NAND**	Counterpoint: 26% CAGR gen-AI smartphones through 2030

Source: Apple product pages; Counterpoint Research. SanDisk Edge segment +118% QoQ in Q3 FY26 confirms the pull.

7. FIVE DEMAND PILLARS — THE STRUCTURAL BULL CASE

1. AI Training & Inference at Hyperscale

Enterprise SSDs projected to become the #1 NAND segment for the first time in 2026, surpassing smartphones and PCs combined. Citi estimates NVIDIA's ICMS demand alone grows from 2.8% of global NAND in 2026 to 9.3% in 2027 — tripling in twelve months.

2. Edge AI / On-Device LLMs

Apple iPhone 17 doubled minimum storage to 256GB. Android baseline shifting 128GB → 256GB → 1TB to support local AI inference. Counterpoint forecasts 26% CAGR in gen-AI smartphones through 2030.

3. HBF TAM Expansion

High-Bandwidth Flash targets the tier between HBM (fast, expensive) and SSDs (slow, cheap). Could conservatively double the AI-server NAND TAM by 2028–2030. First commercial devices expected early 2027; standardisation with SK hynix underway with Samsung now also participating.

4. HDD-to-SSD Displacement at Hyperscale

SanDisk 256TB and Micron 245TB SSDs compress 82% of rack footprint vs. HDDs. This is a one-way, decade-long secular migration with an estimated five-year runway remaining at current hyperscaler data center refresh rates.

5. Long-Term Agreements (LTAs) Locking Supply

Microsoft, Amazon, Google, Meta, Oracle all signing multi-year supply agreements to guarantee capacity — mirroring the 2024–2025 HBM LTA wave. SanDisk's NBMs are the most aggressive structural manifestation of this trend among NAND suppliers.

PART V TECHNOLOGY ROADMAP — BiCS10, HBF & KIOXIA JV

SanDisk's competitive positioning rests on three technological franchises: (1) the BiCS architecture at the world's largest flash memory manufacturing base; (2) the UltraQLC/Stargate enterprise SSD platform; and (3) High-Bandwidth Flash co-standardisation with SK hynix — a potential TAM-doubling event for NAND in AI infrastructure.

8. BiCS LAYER-COUNT ROADMAP — LEADING THE DENSITY RACE

Generation	Status	Volume Timeline	Economics	Strategic Context
BiCS8 (218L)	Full production FY2026	Current majority of bit output	~20% cost advantage vs prior gen	Volume workhorse exiting FY26
BiCS9 (~256L)	Sampling / qualification	2H 2026 ramp	Transitional	Bridge node to BiCS10
BiCS10 (332L)	Accelerated to late 2026	Late 2026–2027 volume	~1 year ahead of schedule	Exceeds Samsung 286L / SK Hynix 321L
MSA-CBA 1,000L+	VLSI demo June 14, 2026	Volume 2027–2028	QLC + wafer-to-wafer Cu bonding	Long-term moat; VLSI Symposium Hawaii

Source: TrendForce (May 4, 2026 — Kioxia/SanDisk MSA-CBA QLC announcement); IU analysis.

9. STARGATE / UltraQLC ENTERPRISE SSD ROADMAP

Timeline	Capacity	Interface	NAND Technology	Strategic Read
H1 2026	128TB / 256TB UltraQLC	PCIe Gen 5 (U.2)	BiCS8 2Tb QLC CBA	Shipping; world's densest enterprise SSD
2027	512TB	PCIe Gen 5/6	BiCS10 QLC	Targets AI inference cluster rack density
2028+	≥1 PB (1,024TB)	PCIe Gen 6	MSA-CBA 1,000L+	Hyperscale archive / training; no competitor roadmap

10. HIGH-BANDWIDTH FLASH (HBF) — THE TAM DOUBLER

Feature	HBM4 (Reference)	High-Bandwidth Flash (HBF)
Storage Medium	DRAM	NAND Flash (3D CBA)
Capacity per Stack	64–128 GB	512 GB to 5 TB
Max Bandwidth	>2 TBps (HBM4E)	Up to 1.638 TBps
Write Endurance	Unlimited	~100,000 cycles
Cost / GB	Highest	~8–12× lower than HBM
Primary Use	AI Training / Hot Cache	AI Inference / LLM Model Storage
First Commercial	2026 (HBM4)	Early 2027 (HBF)
SanDisk Status	N/A	OCP standardisation w/ SK hynix + Samsung; samples 2H 2026

11. KIOXIA JOINT VENTURE — TERMS OF THE 2034 EXTENSION

Extended Term / Prior Expiry	Dec 31, 2034 (extended from Dec 31, 2029 — announced Jan 29, 2026)
Ownership Split	SanDisk 49.9% / Kioxia 50.1%
Manufacturing Service Fee	$1.165B paid by SanDisk to Kioxia in installments 2026–2029
Yokkaichi Scale	~50TB of manufacturing data processed daily via AI smart manufacturing; Kitakami Fab2 commencing H1 2026
Off-Balance-Sheet Commitments	$993M Flash Ventures operating-lease guarantee; $42M R&D; commitment remaining FY26

Kioxia 2026 Status	"Sold out" per managing director; joint MSA-CBA 1,000+ layer QLC demo VLSI June 2026

Source: Kioxia/SanDisk press release January 29, 2026 (BusinessWire; investor.sandisk.com; kioxia.com)

PART VI COMPETITIVE MOAT ANALYSIS

SanDisk holds 12–13% global NAND revenue share (Q1 2026), ranked fifth by volume but consistently first in high-margin enterprise SSD share gains (+2 ppt YoY). Five structural moats differentiate the competitive position from generic NAND exposure.

12. NAND MARKET SHARE SNAPSHOT (Q1 2026)

Player	Q1 2026 Share	Strategic Posture	IU Rating
Samsung Electronics	30–33%	Scale leader; migrating capacity toward HBM/server DRAM	High
SK Hynix / Solidigm	20–22%	QLC strength via Solidigm; HBF co-development with SanDisk	High
Kioxia	14–15%	SanDisk JV partner; "sold out" 2026; Apple/mobile focus	Medium
Micron Technology	12–13%	DRAM-led; 245TB SSD shipping; Singapore fab H2 2028	Medium
SanDisk Corporation	12–13%	Pure NAND; +2 ppt YoY share gain; enterprise SSD leader	High (+)
YMTC	10–11%	China-domestic; export-controlled; narrowing tech gap	Low

Source: TrendForce; Counterpoint Research. SanDisk gained ~200 bps share YoY — outpacing all except SK Hynix.

13. FIVE COMPETITIVE MOATS

MOAT 1

Kioxia JV (2034)

World's largest flash memory manufacturing base. 50TB/day AI smart manufacturing. Economies of scale that are physically impossible to replicate within the JV horizon.

MOAT 2

BiCS10 Technology Leadership

332-layer BiCS10 pulled ~1 year ahead of schedule. Exceeds Samsung 286L, SK Hynix 321L. Kioxia/SanDisk MSA-CBA 1,000+ layer QLC demo at VLSI June 2026.

MOAT 3

Customer Lock-in via NBMs

$42B minimum-revenue contracts convert a commodity business into a contracted-revenue AI infrastructure platform. Five agreements; >■ FY27 bits covered; targeting >50%.

MOAT 4

HBF Standardisation Franchise

Co-standardisation with SK hynix (Aug 2025); Samsung joined. First samples 2H 2026. HBF could double the AI-server NAND TAM by 2028–2030.

MOAT 5

IP Portfolio & Brand

Worldwide Cypress patent licence (Jan 2026); fingerprint/access patents (Mar 2026). "SanDisk Optimus" brand relaunch. Nintendo Switch 2 co-branding.

PART VII FINANCIAL HEALTH & BALANCE SHEET

14. BALANCE SHEET TRANSFORMATION (April 3, 2026)

Cash & Equivalents / Net Cash	**$3,735M / ~$3,528M net**	vs $1,481M at FY25 yearend; D/E ratio 0.015x
Total Long-Term Debt	**$0**	Down from $1,829M; fully extinguished post-Q3
Total Shareholders' Equity	**$13,777M**	Post-Q3 FY2026; Goodwill $4,994M
Revolving Credit + Nanya Stake	**$1,500M undrawn + ~$1,400M est.**	Revolver available; Nanya 3.9%, 3-yr lock-up
Q3 FY26 FCF / $6B Buyback	**$2,993M FCF (50.3% margin)**	$6B buyback authorized Apr 30, 2026; no expiration

Source: SanDisk Form 10-Q for period ending April 3, 2026 (SEC EDGAR). Nanya stake: IU cost-basis estimate; no public market quotation available.

PART VIII PROPRIETARY DCF & SENSITIVITY ANALYSIS [SUBSCRIBER-EXCLUSIVE]

IU proprietary work: WACC derivation, FCF projections, and scenario assumptions are original analytical outputs, not reproduced from external sources.

15. WACC DERIVATION (May 2026)

Risk-Free Rate (10-yr UST)	**4.38%**	Treasury, May 8, 2026; FRED
Equity Risk Premium	**5.50%**	Damodaran current estimate
Normalised Beta (IU)	**1.50**	Peer-cycle-adjusted; market beta 2.43 (52-wk raw)
Cost of Equity (CAPM)	**12.63%**	4.38% + 1.50 × 5.50%
Cost of Debt / Debt Weight	**~3.5% / ~1%**	Net-cash; $207M debt vs $231B market cap
IU Base / Bear / Bull WACC	**11.0% / 12.5% / 9.5%**	Base: $42B NBM de-risking applied; Bear: full cyclical; Bull: HBF/Kioxia moat premium

16. THREE-STAGE FCF PROJECTIONS (BASE CASE)

Fiscal Year	Revenue	Non-GAAP GM	Op Margin	EBIT	FCF Conv.	Adj FCF	FCF Margin
FY26 (53-wk)	$23.3B	~62%	~52%	$12.1B	90%	$10.9B	47%
FY27	$41.0B	~70%	~62%	$25.4B	85%	$21.6B	53%
FY28 (peak)	$48.0B	~64%	~56%	$26.9B	80%	$21.5B	45%
FY29 (norm.)	$42.0B	~50%	~40%	$16.8B	75%	$12.6B	30%
FY30 (norm.)	$40.0B	~42%	~32%	$12.8B	75%	$9.6B	24%

IU proprietary model. FCF conversion reflects Kioxia JV capex structure (~$45M/qtr SanDisk direct capex). Gross margin normalisation: Micron Singapore fab (H2 2028) + Samsung V9 new supply begins pressure.

17. BASE CASE DCF — INTRINSIC VALUE BRIDGE

Component	FCF / Value	Discount Factor	Present Value
FY26 (¼ remaining)	$2.7B	0.973	$2.6B
FY27	$21.6B	0.876	$18.9B
FY28	$21.5B	0.789	$17.0B
FY29	$12.6B	0.711	$9.0B
FY30	$9.6B	0.640	$6.1B
Terminal Value (3% g, $9.6B × 1.03 / (0.11–0.03))	$123.6B	0.640	$79.1B
Enterprise Value	—	—	$132.7B
+ Cash (Apr 3, 2026)	—	—	**+$3.7B**
– Debt	—	—	**–$0.2B**
+ Nanya Stake	—	—	**+$1.4B**
Equity Value	—	—	$137.6B
÷ Adj Shares (154M post-buyback)	—	—	—
Intrinsic Value / Share (Base)	—	—	~$893

18. DCF SENSITIVITY MATRIX — 16-CELL ANALYSIS

Base-case intrinsic value per share ($) — GM terminal 40%, FCF conversion 70%:

WACC \ TGR →	2.0%	2.5%	3.0%	3.5%
9.5% WACC	$1,072	$1,158	$1,261	$1,386
10.5% WACC	$911	$976	$1,053	$1,144
11.5% WACC	$787	$836	$893	$959
12.5% WACC	$688	$725	$767	$815

IU base WACC 11.0% / TGR 3.0% → ~$893/share. Bull case (GM terminal 55%, WACC 10.5%, TGR 3.0%) → ~$1,895/share. Current spot $1,560 implies ~60–65% bull probability weighting. Bear case (WACC 12.5%, TGR 2.0%) → ~$688/share.

PART IX RISK REGISTER — SIX MATERIAL VECTORS

CRITICAL

Margin Reversion in 2028

New supply capacity (Micron Singapore H2 2028, Samsung V9, SK hynix 321L ramp) pressures NAND pricing. GM reverts from 78–81% toward 35–45% cycle trough. Bear case: EPS $32–40 on $25B revenue.

Mitigant: NBMs lock in floor pricing on [redacted]+ of FY27 bits; Kioxia JV maintains cost leadership; HBF/enterprise SSD premium mix partially offsets commodity price declines.

Bear probability: 15–20%

HIGH

NBM Variable-Pricing Exposure

$10–$15B of $42B contracted revenue linked to floating NAND spot prices in long-tail contract years. $11B guarantee prevents customer default, not price reversion. Q4 FY26 10-Q RPO footnote is the key disclosure event.

Mitigant: Q4 FY26 10-Q filing (~mid-August 2026): first detailed RPO breakdown will clarify fixed vs. variable pricing split across all five NBM contracts.

Bear probability: 25–30%

MODERATE

TurboQuant & Compression Algorithms

Google TurboQuant compresses KV-cache from 16 bits to 3 bits per value. Targets inference memory, not NAND model storage. TrendForce, The Register, SK hynix analysis: minimal to zero direct NAND impact.

Mitigant: Jevons Paradox: cheaper inference → more inference → more aggregate storage demand. Stock already sold off ~18% on TurboQuant news; largely priced in as of May 2026.

Bear probability: 5%

MODERATE

Japan / Geopolitical Concentration

100% of NAND supply from Yokkaichi and Kitakami plants in Japan. Natural disaster or conflict escalation scenario could disrupt total production.

Mitigant: Pax Silica (14-country US-led alliance, Dec 2025) provides diplomatic buffer; Japan is a treaty ally. Practical risk remains low absent a defined escalation catalyst.

Bear probability: 5%

Rating	Risk
LOW-MOD	**Customer Concentration Opacity** Five NBM counterparties are undisclosed. If three of five are affiliated with a single hyperscaler, counterparty concentration risk changes materially. Goodwill $4.99B creates non-cash impairment exposure in a hard-reversion scenario. **Mitigant:** Watch Q4 FY26 10-Q RPO footnote for any disaggregation by counterparty. If present, concentration analysis becomes possible for the first time. **Bear probability:** 10%
LOW	**WDC Residual Stake / Insider Sales** WDC retains 1,038,681 SNDK shares (~$1.6B) post May 7, 2026 swap. Plans further disposal via debt-for-equity swaps or shareholder distributions. Lockup expired March 19, 2026; 850K+ additional insider shares eligible for sale. **Mitigant:** ~0.7% overhang — diminishing significance. Administrative disposal on known schedule. **Bear probability:** 5%

PART X THREE-HORIZON STRATEGIC POSITIONING & VERDICT

The following frameworks represent IU's position-taking views, not generic disclosures. We specify entry/exit price bands, catalyst thresholds, and the exact data points that would change our conviction level.

19. POSITION-SIZING FRAMEWORK BY INVESTOR TYPE

Investor Type	Primary Action	Tactical Rationale	Condition to Revisit
Long-Only Institutional (no position)	Initiate 50% of target weight	Accumulate balance after Q4 print pullback (Aug 2026)	If Q4 misses low end guide → pause; NBM <40% → halt
Long-Only Institutional (with substantial gains)	Trim 25–33% into Q4 print strength	Recycle into Micron (~7x fwd P/E) or SK hynix for diversification	Re-add on >25% drawdown back toward base-case fair value
Long / Short Hedge Fund	Long SNDK / Short NAND-equipment cyclical	Captures NBM de-risk premium vs. equipment cycle peak	Unwind when NBM <40% or HBF timeline slips to 2028
Income / Value Mandate	Avoid at current levels	No dividend; extreme volatility; pure cyclical hardware risk	Reconsider at <$800 with confirmed dividend initiation
Retail / Momentum	Trim into strength above $1,800	RSI ~80, IV 107%, put-call 1.42 signal exhaustion	Re-engage on technical reset to 200-DMA; avoid chasing

20. KEY CATALYSTS & TIMELINE

Catalyst	Expected Timing	IU Priority	Investment Significance
VLSI Symposium	June 14–18, 2026	CRITICAL	Kioxia/SanDisk MSA-CBA QLC 1,000L+ demo; potential HBF timeline update
HBF First Samples (H1 pull-in)	H1 2026 (possible)	HIGH	TrendForce Apr 2026: timeline may advance ~6 months; any H1 confirmation → +$200/share
Q4 FY2026 Print	~Mid-Aug 2026	CRITICAL	NBM bit-coverage %; first RPO footnote; gross margin vs 79–81% guide; EPS vs $30–$33
BiCS10 Customer Qualification	Late 2026	MEDIUM	First 332L volume customer qualification confirms technology leadership
HBF First Commercial Device	Early 2027	HIGH	Marquee AI customer design win (NVIDIA/AMD/Google) doubles TAM narrative

Q1 FY27 Print	~Nov 2026	CRITICAL	NBM coverage >50% = upgrade to SB; <40% = multiple compression begins
New Supply Capacity Announcements	2026–2027	MEDIUM	Samsung/Micron/SK greenfield schedules; early signal of 2028 rebalancing
Kioxia Merger Headlines	Unknown	LOW	Speculative; combined entity >40% NAND share would be transformative

DISCLAIMER & DISCLOSURE

This report is published as part of the Intermarket Universe Report. All financial data verified to primary sources as of May 9, 2026. This publication is prepared for informational and research purposes only and does not constitute investment advice, a recommendation, or an offer to buy or sell any security. The semiconductor industry is subject to significant volatility and cyclical risk. Past performance — including SanDisk's ~4,000% post-spin-off appreciation — is not indicative of future results. All proprietary modelling (DCF, WACC, FCF projections) represents IU analytical estimates subject to material revision as new information becomes available. Investors should conduct independent due diligence and consult qualified financial advisors before making investment decisions.