

# Sandisk Corporation (SNDK)

FQ1 2027 Earnings Review  
Period ended 2026-10-02  
Reported 2026-10-29

Volume-led beat as data center surges; peak margins and cash conversion are now the tests

## 1 | KEY RESULTS VS. CONSENSUS

| Metric                      | Reported        | Consensus       | vs. Cons. |
|-----------------------------|-----------------|-----------------|-----------|
| Revenue                     | \$11.03 billion | \$10.69 billion | +3.2%     |
| Operating Income (adjusted) | \$8.871 billion | Not provided    | N/A       |
| Net Income (adjusted)       | \$7.624 billion | Not provided    | N/A       |
| Diluted EPS (adjusted)      | \$49.51         | \$46.36         | +6.8%     |
| <b>SEGMENT REVENUE</b>      |                 |                 |           |
| Data Center                 | \$4.80 billion  | Not provided    | N/A       |
| Edge                        | \$5.83 billion  | Not provided    | N/A       |
| Consumer                    | \$397 million   | Not provided    | N/A       |
| <b>MARGIN AND CASH</b>      |                 |                 |           |
| Gross Margin (adjusted)     | 85.1%           | 84.5%           | +0.6 pts  |
| Cash and cash equivalents   | \$5.14 billion  | \$9.39 billion  | -45.3%    |

## 2 | GUIDANCE AND OUTLOOK

Fiscal Q2 guidance: revenue \$12.2 billion to \$12.6 billion against \$12.1 billion consensus; adjusted EPS \$55.00 to \$57.00 against \$52.72; adjusted gross margin 84.5% to 85.5%; adjusted operating expenses \$540 million to \$560 million. Fiscal Q2 EPS growth of 13.1% at the midpoint is expected to benefit again from the declining share count, while most of the increase remains earnings-driven. Management maintained mid-to-high-teens bit growth, declined to accelerate node transitions, and expects modest pricing increases. It cautioned against aggressive sequential-growth assumptions for the March quarter.

## 3 | EARNINGS ANALYSIS

**A VOLUME-LED BEAT, NOT ONLY PRICE.** Revenue rose 23% sequentially to \$11.031 billion, beating the August guidance midpoint by 4.6% and consensus by 3.2%. About 60% of sequential growth came from volume and 40% from pricing, reversing the prior quarter's price-led mix. Adjusted EPS of \$49.51 rose 26.1% sequentially. Adjusted gross margin reached 85.1%, above the guided range, and operating expenses of \$513 million came in below the entire guided range, so the beat combined revenue, profitability, and expense discipline.

**MARGIN EXPANSION HAS LIKELY RUN ITS COURSE.** Incremental gross margin on sequential revenue was about 86.9%, and adjusted operating margin reached 80.4%. Fiscal Q2 gross-margin guidance of 84.5% to 85.5% has an 85.0% midpoint, fractionally below the quarter just reported. The August investor-day framework targets about 80% gross margin, 75% operating margin, and 50% adjusted free-cash-flow margin for fiscal 2028 to 2030. That reiterated framework, not continued expansion from 85.1%, is the right forward basis.

**DATA CENTER CARRIES THE GROWTH STORY.** Data-center revenue rose 61.3% sequentially to \$4.802 billion, 17.9 times the prior-year quarter, and supplied 88.3% of consolidated sequential growth. QLC qualification is complete and customers are ramping, with 3 US hyperscalers engaged. Edge rose 7.4% to \$5.832 billion on premium resilience, while consumer fell 28.6% to \$397 million as the market adjusted to higher pricing, evidence that higher NAND prices are already deferring price-sensitive demand.

**CASH CONVERSION AND COVERAGE QUALIFY THE PICTURE.** Adjusted free cash flow was \$5.696 billion after removing \$465 million of customer prepayments and deposits, a 51.6% margin, down from 56.2%. Receivables rose 39.9%, faster than revenue. The company repurchased \$5 billion of stock. Contracted bit coverage is unchanged at about 50% of fiscal 2027 and 67% of fiscal 2028; the pipeline exceeding supply is not signed coverage. GAAP EPS of \$52.60 included a \$513 million gain on equity securities.

## 4 | KEY READ-THROUGHS

### KIOXIA IS THE MOST DIRECT BENEFICIARY OF THE SHARED TECHNOLOGY PLATFORM'S COMMERCIAL VALIDATION

*Kioxia Holdings (285A) | Positive | High fundamental relevance*

Data-center revenue of \$4.802 billion, up 61% sequentially on BiCS8, TLC, and ramping QLC products with 3 US hyperscalers, validates the NAND platform the two companies develop and manufacture jointly in Japan. The read-through is to platform competitiveness and demand visibility, not a share of Sandisk's revenue or margin. Kioxia reports on October 30.

### NAND PRICING SUPPORT EXTENDS INTO 2027, BUT THE NEW INFORMATION IS DURATION RATHER THAN DISCOVERY OF A BOOM

*Micron Technology (MU), SK hynix (000660), Samsung Electronics (005930) | Positive | Potentially substantial within NAND*

Sandisk expects calendar 2027 data-center bit demand to grow about 40% after more than doubling in 2026, with data center passing 55% of industry bits, while holding its own bit growth at mid-to-high teens and expecting pricing to keep rising modestly. Peers already reported strong AI-memory conditions, so Sandisk mainly adds confirmation of duration and supply restraint.

### SANDISK'S ENTERPRISE SSD RAMP IS A NEGATIVE COMPETITIVE SIGNAL FOR INCUMBENTS

*Samsung Electronics (005930), SK hynix (000660), Micron Technology (MU) | Negative | Moderate over a multiyear horizon*

Data-center revenue grew from \$269 million a year ago to \$4.802 billion, QLC qualification is complete, and customers are ramping with committed volumes. A newly qualified, credible enterprise supplier reduces the share of incremental spending incumbents can assume will accrue to them, even while a fast-growing market supports their absolute sales.

### MEMORY INFLATION CAN SUPPORT PC REVENUE WHILE UNDERMINING UNITS AND PROFITABILITY

*HP Inc. (HPQ), Lenovo Group (0992.HK), Dell Technologies (DELL) | Negative | Highest for HP's PC earnings exposure*

Sandisk expects PC unit shipments to decline by a low-single-digit percentage in calendar 2027 while PC exabyte demand grows, and consumer revenue fell 29% sequentially as buyers adjusted to higher pricing. OEMs absorb higher NAND costs or pass them through and weaken units. HP's fiscal Q3 pattern, revenue up 18% with units down 16%, shows growth coexisting with shrinking shipments.