廣發証券(香港)經紀有限公司
GF SECURITIES (HONG KONG) BROKERAGE LIMITED

Overseas
Technology

Memory: DRAM Intact, NAND Diverging

Elaine Fang
SFC CE No. BYE374
elainefang@gfgroup.com.hk

Jeff Pu, CFA
SFC CE No. BNO719
jeffpu@gfgroup.com.hk

Evan Lee
SFC CE No. BVI629
evanlee@gfgroup.com.hk

What's new

Based on the recent developments and debates among memory industry, we provide an updated view on the memory sector. We are positive about the DRAM cycle duration and more cautious on NAND. We like 1) **Micron (MU US)** as sole US manufacturer and its better HBM4 price negotiation results. 2) **SK Hynix (SKHY US)** based on its attractive valuation and positive shareholder returns offset the HBM4 headwinds. We are more cautious on **SanDisk (SNDK US)** due to the divergence in NAND demand. We transfer coverage on Micron with Buy, SK Hynix with Buy and SanDisk with Hold.

Comments

HBM, de-spec concerns subside, HBM4 price negotiation likely better than expected: HBM de-spec for platforms like Rubin Ultra has stabilized at 8-Hi (e.g., HBM4E 8-Hi 256GB), a trend that has already been fully digested by the market. Given tight capacity and robust GPU demand from China, HBM pricing is likely to exceed expectations. We expect HBM4's final pricing in 2027 to be at around $5.0-5.5/Gb for Samsung, $4.5-5.0/Gb for Micron in 2027, far higher than $2.6/Gb in 2026. While the price for SK Hynix may be around $3.3-3.5/Gb due to product design and the intention to maintain market share. Overall, we see HBM as the tightest category among memory, with HBM sufficiency gap of -15%/-19%/-5% in 2026/27/28.

DRAM - strong server demand and capacity squeeze from HBM to sustain price uptrend: We expect DRAM demand bit growth to reach 30%/29%/23% YoY in 2026/27/28, driven by strong server demand. While the supply sees little increase due to capacity squeeze from HBM. We forecast DRAM bit growth to be 27%/23%/24% in 2026/27/28. Thus, we see the sufficiency gap is -5%/-9%/-8% in 2026/27/28, which is expected to support DRAM price at high levels. We therefore expect blended DRAM pricing at +12%/+10% QoQ in 4Q26/1Q27, implying a 30% price increase in 4Q27 compared to 4Q26.

NAND - weak consumer demand and rising supply challenge cycle durability: Demand for eSSD remains robust, yet softness in the consumer segment may weigh on overall NAND pricing. Hence, we expect the sequential blended ASP increase to be narrowed to single digits QoQ by CY4Q27. With gradual capacity ramp from Chinese suppliers, we expect the NAND sufficiency gap to ease after 2027 (-5%/-6%/-2% in 2026/27/28). We see NAND demand bit growth of 26%/26%/24% in 2026/27/28, with supply bit growth of 21%/24%/30%.

What will drive re-rating? 1) Accelerating AI monetization lifts the overall TAM of capex: With AI related memory spending doubled in 26/27, accounting for 20%/38%/40% of total capex in 2026/27/28, the wallet share improvement more relies on the commercialization process. **2) AI is extending memory cycle, with LTA reduce volatility:** The structural shift in demand and constraint supply has extended the cycle much longer than previous. Major suppliers' 2027/28 capacity has been locked and aiming for 50% LTA coverage into 2030. We think the duration is still not fully priced in with main players trade at 1-2x PB FY28. **3) Positive shareholder returns:** With abundant FCF, major suppliers have announced their shareholder return plans, the corresponding stock buybacks and dividends can account for 10-20% of the market value, which is meaningful to the stock price.

Risks

1) AI demand slowing down; 2) Geo-political risks; 3) Competition.

Table of Contents

HBM - tight supply with HBM4 price negotiation likely better than expected 4

DRAM – Up cycle extend into 2028 9

NAND – divergence demand challenge cycle durability 10

Micron 16

Earnings Review 16

Valuation and Recommendation 17

Initiate at Buy with TP of $1,331 17

SK Hynix 21

Earnings Review 21

Valuation and Recommendation 22

Initiate at Buy with TP of $212 22

SanDisk 26

Earnings Review 26

Valuation and Recommendation 27

Initiate at Hold with TP of $1,310 27

Figure 1: HBM4 spec for main suppliers 4
Figure 2: HBM Contract Price ($/Gb) 4
Figure 3: HBM demand analysis 5
Figure 4: HBM supply (TSV) 7
Figure 5: HBM sufficiency 7
Figure 6: HBM market share 8
Figure 7: DRAM demand 9
Figure 8: DRAM Sufficiency 9
Figure 9: DRAM Contract Price QoQ 10
Figure 10: NAND demand 11
Figure 11: NAND Sufficiency 11
Figure 12: NAND Contract Price QoQ 12
Figure 13: AI Memory wallet share of total capex 13
Figure 14: LTA & Shareholder returns of main players 14
Figure 15: Valuation table for main players 14
Figure 16: Micron's P&L 16
Figure 17: Micron's Forward P/E 17
Figure 18: Micron's Forward P/B 17
Figure 19: Micron's Quarterly ROE 18
Figure 20: SK Hynix's P&L 21
Figure 21: SK Hynix's Forward P/E 22
Figure 22: SK Hynix's Forward P/B 22
Figure 23: SK Hynix's Quarterly ROE 23
Figure 24: SanDisk's P&L 26
Figure 25: SanDisk's Forward P/E 27
Figure 26: SanDisk's Forward P/B 27
Figure 27: SanDisk's Quarterly ROE 28

HBM - tight supply with HBM4 price negotiation likely better than expected

HBM4 price negotiation varies for main vendors. We expect HBM4's final pricing to settle around $5.0-5.5/Gb for Samsung, $4.5-5.0/Gb for Micron in 2027, far higher than $2.6/Gb in 2026. While the price for SK Hynix may be around $3.3-3.5/Gb, about 30% discount to peers.

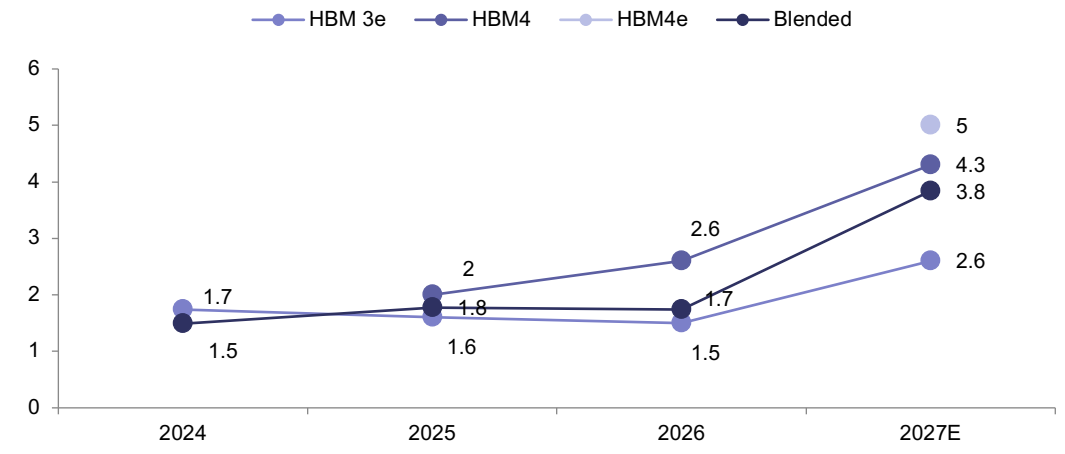
We attribute the price gap to the following reasons: **1) Samsung** adopted more advanced processes for both core die and base die, achieving the most stable performance at a high speed of 11.7 Gbps. It regained market share with its superior performance and demanded the highest price. **2) SK Hynix**'s process was more conservative. The 12nm base design is hard to meet the performance at high speed, the re-design and material change has caused yield issues, solved around end-Sept. To maintain its major market share with key customer, the price is relatively weak. **3) Micron** adopted a more aggressive price negotiation strategy, and the customer base is more fragmented, so we also expect better pricing.

Figure 1: HBM4 spec for main suppliers

	Samsung	Sk Hynix	Micron
Tech node	1c	1b	1β
Base die	Samsung Foundry 4nm	TSMC N12	DRAM 2z nm
Pin speed (Gbps)	8-11.7, most stable at high speed	8-11.7	8-11.7
Pricing ($/Gb)	5-5.5	3.3-3.5	4.5-5

Sources: Company Data, GF Securities (Hong Kong) Brokerage.

Figure 2: HBM Contract Price ($/Gb)



Sources: TrendForce, GF Securities (Hong Kong) Brokerage.

The positive price for main vendors is the result of strong demand and tight supply. Total demand for HBM is 4,746/7,944/10,299mn GB in 2026/2027/2028, accounting for 10%/13%/13% of total DRAM demand. We believe the HBM de-spec will stabilize at 8Hi for Rubin ultra, and we still see the possibility of 12hi for the next generation, which will increase the HBM demand further. Aside from US, the demand from China GPUs is also strong, which intensified tightness marginally.

Figure 3: HBM demand analysis

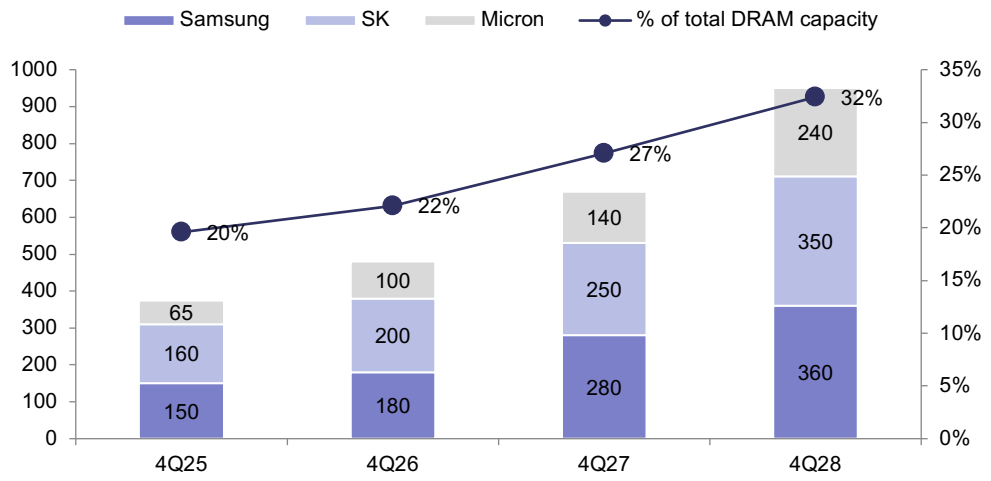
Shipment (in K units)				HBM type	HBM content (GB)	HBM demand (k GB)		
	2026E	2027E	2028E			2026E	2027E	2028E
Nvidia								
H20				HBM3	96			
H200	500	400		HBM3e	141	70,500	56,400	
B200	800			HBM3e	192	153,600		
B300	5,000	900		HBM3e	288	1,440,000	259,200	
Rubin	1,600	5,600	1,600	HBM4	288	460,800	1,612,800	460,800
Rubin Ultra-1		1,500	3,800	HBM4	192		288,000	729,600
Rubin Ultra-2		500	3,000	HBM4e	256		128,000	768,000
Feynman			1,700	HBM5	512			870,400
Total	7,900	8,900	10,100			2,124,900	2,344,400	2,828,800
AMD								
MI300				HBM3	192			
MI325				HBM3e	256			
MI355	425			HBM3e	288	122,400		
MI455	380	1,010	760	HBM4	432	164,160	436,320	328,320
MI550		120	370	HBM4e	576		69,120	213,120
MI650			180	HBM5	512			92,160
Total	805	1,130	1,310			286,560	505,440	633,600
Google								
v5 (Viperfish)				HBM2e	96			
v6 (Trillium)	1,200			HBM3	64	76,800		
v7 (Ghostfish)	2,624	1,680	480	HBM3e	192	503,808	322,560	92,160
v8i (Sunfish)	180	3,600	3,000	HBM3e	288	51,840	1,036,800	864,000
v8t (Zebrafish)	500	3,600	1,600	HBM3e	216	108,000	777,600	345,600
v8i+ (Whalefish)			1,200	HBM4e	384			460,800

v9t (Triggerfish)			400	HBM4e	288			115,200
v9i (Humufish)			1,900	HBM4e	384			729,600
Total	4,504	8,880	8,580			740,448	2,136,960	2,607,360
Amazon								
Trainium 2				HBM3e	96			
R2	320			HBM3e	144	46,080		
Trainium 3	2,000	2,700	800	HBM3e	216	432,000	583,200	172,800
Trainium 4			1,000	HBM4	288			288,000
Total	2,320	2,700	1,800			478,080	583,200	460,800
Meta								
MTIA 300 (Athena)	300			HBM3e	216	64,800		
MTIA 400+ (Iris Plus+)	16	400		HBM3e	288		115,200	
MTIA 450 (ARKE)		200	300	HBM4	288		57,600	86,400
MTIA 500 (Astrid)		40	320	HBM4e	384		15,360	122,880
Total	316	640	620			64,800	188,160	209,280
MSFT								
M200	168	56		HBM3e	216	36,288	12,096	
M300		288	560	HBM4	288		82,944	161,280
Total	168	344	560			36,288	95,040	161,280
Others								
Other GPU	1,500	3,000	4,000			324,000	864,000	1,344,000
Other ASIC	1,000	1,500	2,000			216,000	432,000	1,024,000
Total	2,500	4,500	6,000			540,000	1,296,000	2,368,000
Total HBM demand in M GB						**4,271**	**7,149**	**9,269**
Total adjusted HBM demand in M GB						**4,746**	**7,944**	**10,299**

Sources: Company Data, GF Securities (Hong Kong) Brokerage.

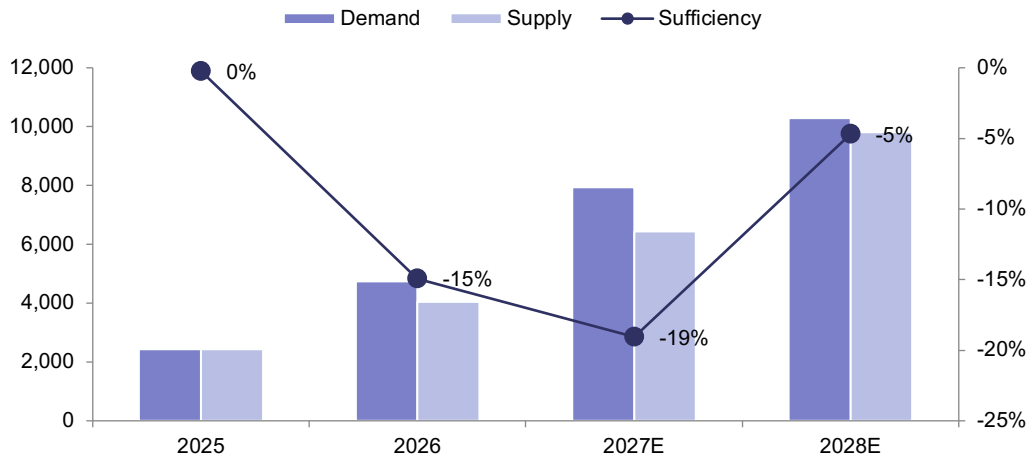
Supply is hard to catch up with the exponential growth in demand. Total HBM TSV capacity for three main players is 480/670/950 KWPM by Q4 2026/27/28, accounting for 22%/27%/32% of total DRAM capacity. Considering the output ratio and yield rate, the HBM bit shipment is 4,037/6,430/9,773mn GB in 2026/27/28, imply for the sufficiency gap of -15%/-19%/-5%. For CXMT, we project 20/40/60k TSV capacity by Q4 2026/27/28, due to the technological and cost gaps, we believe that CXMT can only meet a very small portion of China demand and has a relatively minor impact on the overall supply and demand.

Figure 4: HBM supply (TSV)



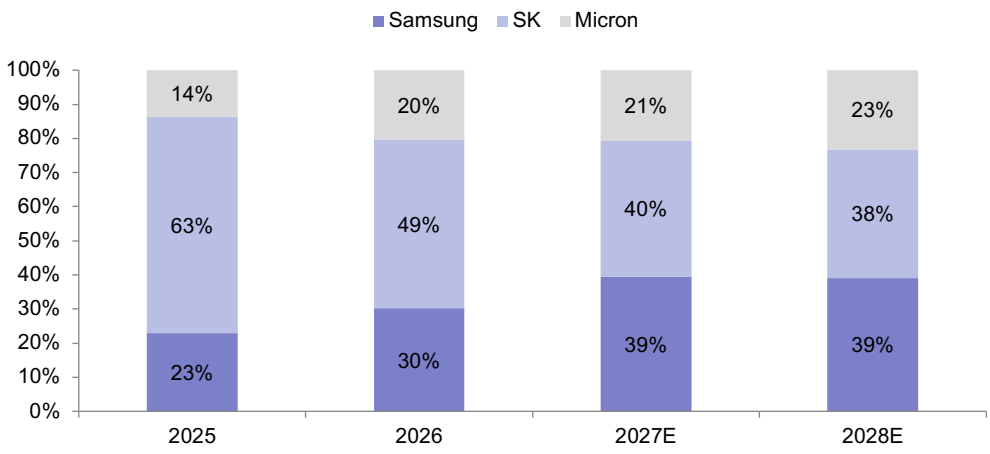
Sources: Company Data, GF Securities (Hong Kong) Brokerage.

Figure 5: HBM sufficiency



Sources: Company Data, GF Securities (Hong Kong) Brokerage.

Figure 6: HBM market share

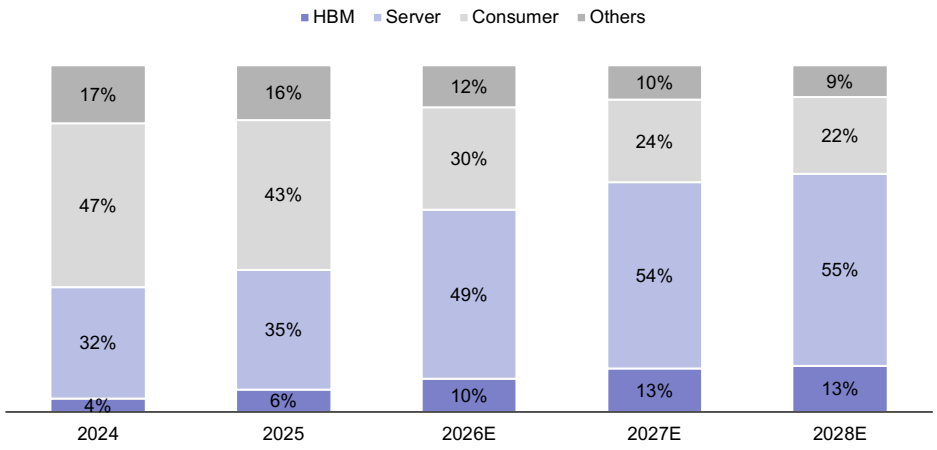


Sources: Company Data, GF Securities (Hong Kong) Brokerage.

DRAM – Up cycle extend into 2028

DRAM demand bit growth is expected to reach 30%/29%/24% YoY in 2026/27/28, driven by strong server demand. We now forecast server DRAM demand grow 83%/43%/27% YoY in 2026/27/28, accounting for 49%/54%/55% of total DRAM demand. The strong demand comes from both AI servers and general servers. The mainstream DRAM capacity of general servers has reached 2TB (64GB*32), with the rapid development of agents and the sustained growth in CPU demand, we can still see upside potential. As to AI servers, we believe the SOCAMM de-spec by Nvidia is well-recognized by the market, with the rapid shipment of accelerate cards and attached ratio of CPU, we forecast 97%/118%/45% YoY growth for AI server DRAM in 2026/27/28.

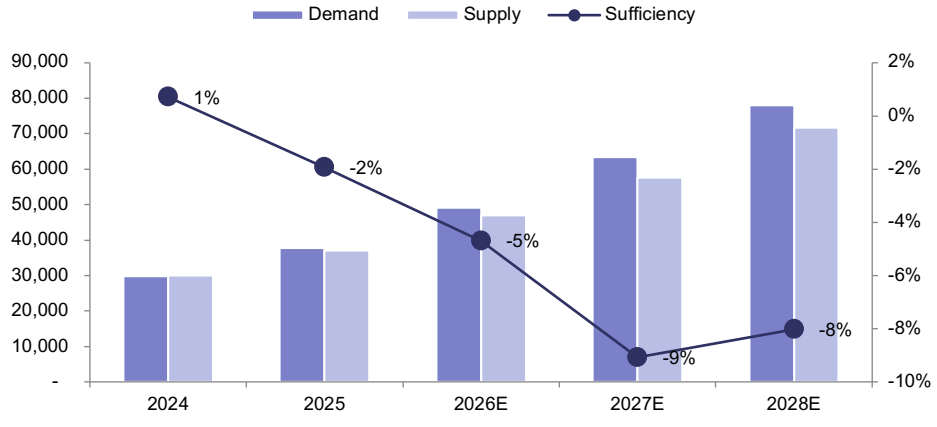
Figure 7: DRAM demand



Sources: Company Data, GF Securities (Hong Kong) Brokerage.

Capacity squeeze from HBM leads to DRAM S/D imbalance extending into 2028, supporting the sequential price increase. Except for HBM, total average conventional DRAM wafer capacity is 1,533/1,594/1,604 KWPM in 2026/27/28, implying 3%/4%/1% wafer growth in 2026/27/28. Therefore, we forecast the supply bit growth is 27%/23%/23% of total DRAM, leading to the sufficiency gap of -5%/-9%/-8% in 2026/27/28. As to CXMT, the bit shipment share is expected to be 11%/12%/14% due to technology and density gap in 2026/27/28, still lagging its wafer share and hard to affect total supply.

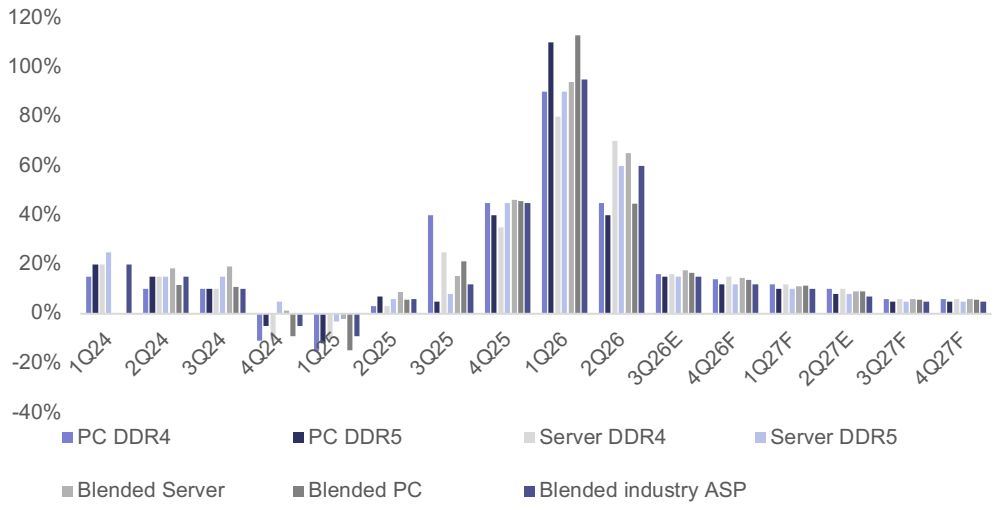
Figure 8: DRAM Sufficiency



Sources: Company Data, GF Securities (Hong Kong) Brokerage.

As we see the S/D imbalance is hard to ease into 2028, which is enough to support DRAM price run at high level. We therefore expect blended DRAM pricing at ~12%/10% QoQ in 4Q26/1Q27, implying 30% price increase in 4Q27 compared to 4Q26, mainly driven by server DDR, and seeing consumer DRAM will maintain at high price.

Figure 9: DRAM Contract Price QoQ

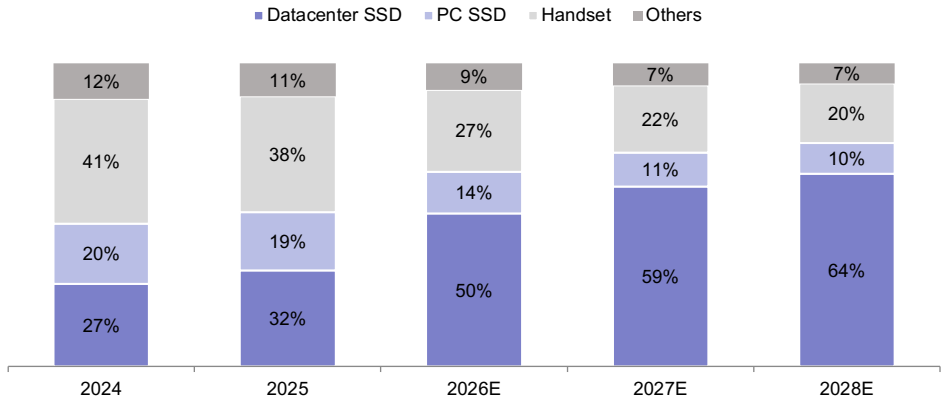


Sources: Company Data, GF Securities (Hong Kong) Brokerage.

NAND – divergence demand challenge cycle durability

NAND demand bit growth is expected to reach 26%/26%/24% YoY in 2026/27/28, with strong datacenter SSD demand offset the weak consumer demand. Per our channel check, the LTA volume of eSSD from US CSPs has doubled for the next year compared to 26Q4 driven by both TLC and QLC demand. We believe QLC SSD will be gradually placed next to GPU as a separate layer to support better KV-cache offloading. With AI workloads shifting from training toward inference and agentic-AI, eSSD offers a superior cost-per-bit vs. DRAM and better power efficiency vs. HDD.

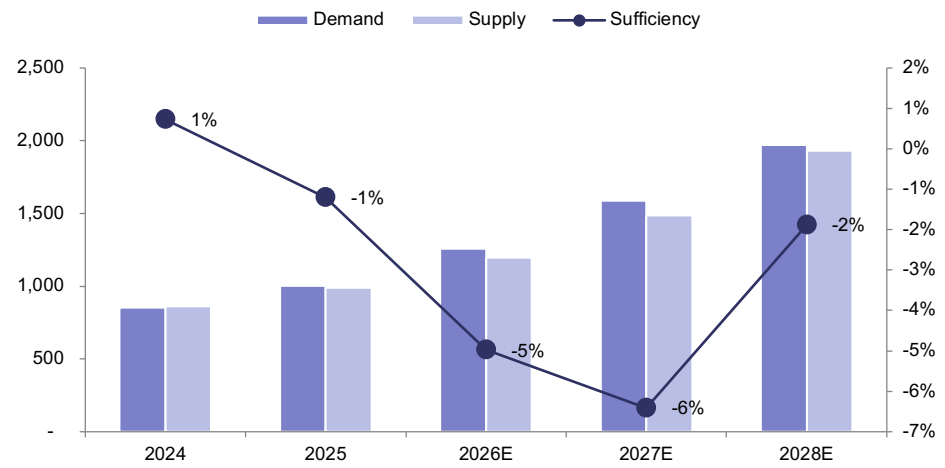
Figure 10: NAND demand



Sources: Company Data, GF Securities (Hong Kong) Brokerage.

For the supply side, YMTC is the main concern. Total average capacity for NAND is 1,343/1,404/1,541 KWPM in 2026/27/28, implying -1%/5%/10% YoY wafer growth. The incremental capacity is mainly coming from YMTC (200/280/380 KWPM by 4Q26/27/28), showing strong supply discipline for global players. We forecast NAND bit supply growth to reach 21%/24%/30% YoY in 2026/27/28, which leads the sufficiency gap of -5%/-6%/-2% in 2026/27/28. We forecast YMTC's bit share will increase from current 13% to ~20% by 4Q28, which will greatly impact the S/D of consumer market, while data center SSD market impact is more limited.

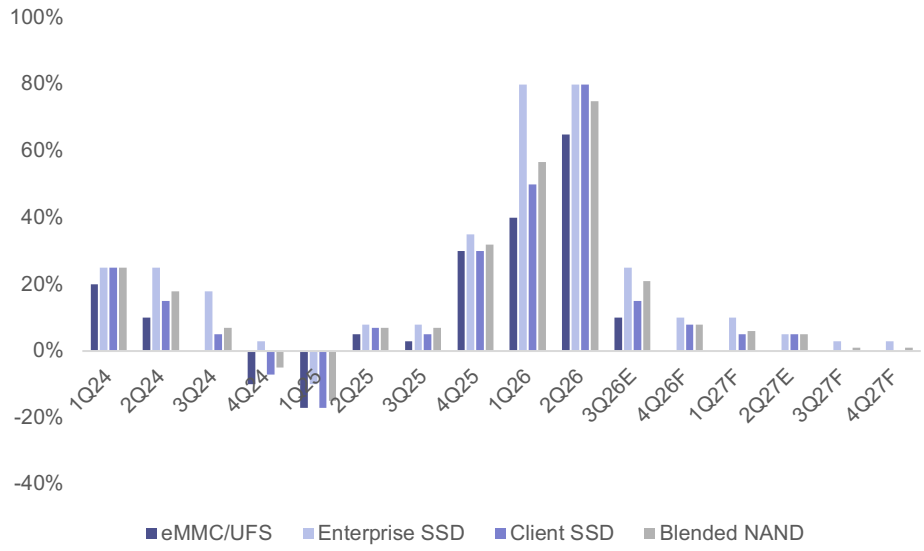
Figure 11: NAND Sufficiency



Sources: Company Data, GF Securities (Hong Kong) Brokerage.

Sequential ASP increase narrowed down to single digit. Demand for eSSD remains robust, yet softness in the consumer segment has weighed on overall NAND pricing. For pure NAND players, sequential ASP increase in CY4Q27 has narrowed to single digits. We now forecast 4Q26/1Q27 blended NAND price increase of 8%/6%, largely maintain flat afterwards.

Figure 12: NAND Contract Price QoQ



Sources: Company Data, GF Securities (Hong Kong) Brokerage.

What will drive re-rating? 1) Accelerating AI monetization lifts the overall TAM of capex. With AI related memory spending doubled in 26/27, accounting for 20%/38%/40% of total capex in 2026/27/28, the wallet share improvement more relies on the commercialization progress. **2) AI is extending memory cycle, with LTA reduce volatility.** The structural shift in demand and constraint supply has extended the cycle much longer than previous. Major suppliers' 2027/28 capacity has been locked and aiming for 50% LTA coverage into 2030. We think the duration is still not fully priced in with main players trade at 1-2x PB FY28. **3) Positive shareholder returns.** With abundant FCF, major suppliers have announced their shareholder return plans, the corresponding stock buybacks and dividends can account for 10-20% of the market value, which is meaningful to the stock price.

Figure 13: AI Memory wallet share of total capex

	2024	2025	2026E	2027E	2028E
Top-5 CSP Capex ($bn)	261	446	829	1,182	1,370
Neo-Cloud Capex ($bn)		36	143	352	373
China Capex ($bn)	35	60	100	150	200
Total Capex ($bn)	**296**	**542**	**1,072**	**1,684**	**1,943**
YoY		*83%*	*98%*	*57%*	*15%*
HBM	14	34	68	248	330
AI DRAM	3	7	46	147	181
AI NAND	5	8	99	243	257
AI Memory Total ($bn)	**22**	**49**	**213**	**638**	**768**
HBM Share%	5%	6%	6%	15%	17%
DRAM Share%	1%	1%	4%	9%	9%
NAND Share%	2%	1%	9%	14%	13%
Total share	**7%**	**9%**	**20%**	**38%**	**40%**

Sources: Company Data, GF Securities (Hong Kong) Brokerage.

Figure 14: LTA & Shareholder returns of main players

LTA	Micron	Samsung	SK Hynix	SanDisk	Kioxia
Term length	5 years	5 years	5 years	4+ years	3+ years
Coverage	~35% revenue through 2030	Target 60-70% of capacity	~50% of 27/28 capacity	FY27 ~1/2 bit FY28 ~2/3 bit	CY28 over 50% bit
Price band	Ceiling and floor	Ceiling and floor	Customer-agreed ranges	Ceiling and floor	Floor only, no ceiling
Cash deposit	~ $32bn	Yes	Yes	$16.5bn	—
Return	**Micron**	**Samsung**	**SK Hynix**	**SanDisk**	**Kioxia**
Return policy	100% of excess cash	50% of 2024-26 FCF	~50% of 2025-27 cumulative FCF	100% of excess cash	100% of excess cash
CY26 payout	Plan disclosed after Dec.9th 2026	Total KRW 90-110T Cash dividends ~30T Share buyback ~15T	Total KRW 100T Cash dividends ~30T Share cancel ~60T	Total $20bn, $9.5b executed in Q4FY26-1QFY27	Q3 Share cancel JPY 800bn
CY27 FCF est.	$161 bn	KRW 420T	KRW 391T	$42 bn	$45 bn
CY27 Potential payout	$97 bn (60%)	KRW 210T ($168bn, 50%)	KRW 196T ($147 bn, 50%)	$25 bn (60%)	$22.5 bn (50%)
% of Current market cap	**10%**	**14%**	**19% (Korea)** **14% (ADR)**	**15%**	**19%**

Sources: Company Data, GF Securities (Hong Kong) Brokerage.

Figure 15: Valuation table for main players

	PE			PB		
	CY26	CY27	CY28	CY26	CY27	CY28
MU US	7.8	3.7	2.9	5.3	2.9	1.9
SKHY US	5.8	3.2	2.4	3.7	2.1	1.4
000660 KS (SK Hynix)	3.9	2.2	1.7	2.5	1.5	1.0
SNDK US	6.3	3.6	3.5	15.3	4.5	3.4

As of Closing price of 2026/11/2, SK Hynix ADR premium 30%

Sources: Company Data, GF Securities (Hong Kong) Brokerage.

Risks

1) AI demand deceleration; 2) Geo-political uncertainties; 3) Competition.

廣發証券(香港)經紀有限公司
GF SECURITIES (HONG KONG) BROKERAGE LIMITED

Micron (MU US)

Riding the Memory Super cycle Amid "Made in U.S."

Initiation **Buy**

Target price $1,331

Initiate with Buy, TP $1,331: We believe that AI server demand has led to a structural memory upcycle, with global supply materially lagging demand. As the sole US memory player, we believe Micron is the key beneficiary of the memory super cycle. The company reported FY4Q26 revenue of $54.2b, +30.8% QoQ, +379.3% YoY; with Non-GAAP GPM at 87.0%, +2.1ppt QoQ. We continue to see DRAM supply remaining structurally tight into 2028. Factoring strong pricing environment for both conventional and HBM, we now forecast MU's revenue to be $306/389bn, and EPS to be 201/278 in FY27E/28E. We transfer coverage with a Buy rating and a TP of $1,331, based on 4x FY27E/28E BVPS, also corresponds to 6.0x/4.6x CY27/CY28E PE.

Strong HBM pricing to catch up the margin gap with conventional: We expect MU's HBM4 final price to be at around $4.7/Gb for 2027, +81% YoY, lifting HBM blended ASP from $1.7/Gb to $3.6/Gb in FY27E (4.2/Gb in CY27), +112% YoY, narrowing the pricing gap with that of conventional DRAM. For conventional DRAM, we continue to see strong pricing environment backed by our forecast of tight supply. We now forecast 1Q/2QFY27E ASP increase of 10%/8% QoQ for DRAM and 15%/8% QoQ for NAND. Thus, we expect MU conventional DRAM ASP of $2.0/Gb, +80% YoY, NAND ASP $0.41/GB, +100% YoY in FY27E, leading the Non-GAAP GPM to 87.9%, +6.8ppt YoY.

SCA coverage and shareholder return the catalyst for re-rating: MU announced that they have signed 26 SCAs which will be over 35% of their revenue through 2030, and aiming for 50% in the long-term. Financial commitments from SCA customers have increased to $32bn. These binding long-term agreements lock in predictable cash flows, reduce revenue volatility amid cyclical memory chip market swings, and strengthen visibility on future earnings. Amid meaningful balance sheet improvement, MU commits to returning 100% of excess FCF. We project MU's FCF at $161/214bn in FY27E/28E, equal to 16/21% of current market cap. With a 60% excess cash return assumption, shareholder return stands at 10/13%, which is meaningful to the stock price.

Risks: 1) AI demand deceleration; 2) Geo-political uncertainties; 3) Competition.

Profit forecast

	FY24	FY25	FY26	FY27E	FY28E
Revenue	25,111	37,378	133,188	305,558	388,791
Revenue YoY (%)	61.6	48.9	256.3	129.4	27.2
Net profit	1,538	9,365	84,018	212,809	269,205
Net profit YoY (%)	-130.3	508.9	797.1	153.3	26.5
EPS ($)	1.3	8.3	75.5	200.6	277.8
P/E	675.7	103.1	11.3	4.3	3.1
ROE (%)	3.4	17.3	60.7	75.1	63.6

Source: Company data, GF Securities (Hong Kong) Brokerage.

Elaine Fang
SFC CE No. BYE374
elainefang@gfgroup.com.hk

Jeff Pu, CFA
SFC CE No. BNO719
jeffpu@gfgroup.com.hk

Evan Lee
SFC CE No. BVI629
evanlee@gfgroup.com.hk

Earnings Review

FY4Q26 results review

Micron FY4Q26 revenue came in at $54.2bn, +30.8% QoQ and +379.3% YoY. By segment, DRAM revenue reached $39.8bn, +27% QoQ and +343% YoY. NAND revenue totaled $14.1bn, +42% QoQ and +526% YoY. Non-GAAP gross margin increased to 87%, up 2.1ppt QoQ, while Non-GAAP diluted EPS was $33.4, +33% QoQ and +1003% YoY.

We forecast revenue of $306/389bn in FY27E/28E

Micron's revenue for FY2027 and 2028 is projected to reach $306bn and $389bn, reflecting YoY growth of +129% and +27%, respectively. By end market, we forecast MU's DRAM revenue to contribute 75%/77% of total revenue in FY2027/2028; NAND revenue to contribute 25%/23% of total revenue in FY2027/2028.

Figure 16: Micron's P&L

(USD m)	FY26	1Q27E	2Q27E	3Q27E	4Q27E	FY27E	1Q28E	2Q28E	3Q28E	4Q28E	FY28E
Sales	**133,188**	62,609	73,360	81,177	88,412	**305,558**	93,884	93,976	98,752	102,180	**388,791**
COGS	**-25,156**	-8,436	-8,772	-9,602	-10,226	**-37,036**	-11,207	-11,221	-12,393	-13,241	**-48,062**
Gross profit	**108,032**	54,173	64,588	71,576	78,186	**268,523**	82,677	82,755	86,359	88,939	**340,729**
Opex	**-6,841**	-2,182	-2,557	-2,829	-3,082	**-10,650**	-3,272	-3,276	-3,640	-3,970	**-14,158**
Operating profit	**101,191**	51,991	62,031	68,746	75,105	**257,872**	79,405	79,479	82,719	84,968	**326,572**
Non-op profit	**882**	543	1,013	1,237	1,508	**4,301**	1,808	2,117	2,442	2,778	**9,145**
Pre-tax profit	**102,073**	52,534	63,044	69,983	76,612	**262,173**	81,213	81,596	85,161	87,746	**335,717**
Income tax	**-15,315**	-7,885	-9,462	-10,504	-11,499	**-39,350**	-12,189	-12,247	-12,782	-13,170	**-50,388**
Non-GAAP Net Income	**86,758**	44,649	53,581	59,479	65,113	**222,823**	69,024	69,349	72,379	74,576	**285,328**
Diluted EPS (US$)	**75.5**	38.9	47.6	53.9	60.2	**200.6**	65.1	66.8	71.1	74.8	**277.8**
Diluted shares	**1149**	1149	1126	1103	1081	**1081**	1060	1039	1018	997	**997**
Margin analysis											
Gross margin	**81%**	87%	88%	88%	88%	**88%**	88%	88%	87%	87%	**88%**
Operating margin	**76%**	83%	85%	85%	85%	**84%**	85%	85%	84%	83%	**84%**
Pre-tax margin	**77%**	84%	86%	86%	87%	**86%**	87%	87%	86%	86%	**86%**
Effective tax rate	**15%**	15%	15%	15%	15%	**15%**	15%	15%	15%	15%	**15%**
Growth (YoY%)											
Sales	**256%**	**359%**	**207%**	**96%**	**63%**	**129%**	**50%**	**28%**	**22%**	**16%**	**27%**
Operating profit	**833%**	**710%**	**277%**	**104%**	**68%**	**155%**	**53%**	**28%**	**20%**	**13%**	**27%**
Net income	**816%**	**714%**	**282%**	**106%**	**70%**	**157%**	**55%**	**29%**	**22%**	**15%**	**28%**
EPS	**811%**	**714%**	**290%**	**115%**	**80%**	**166%**	**68%**	**40%**	**32%**	**24%**	**39%**

Sources: Company data, GF Securities (Hong Kong) Brokerage

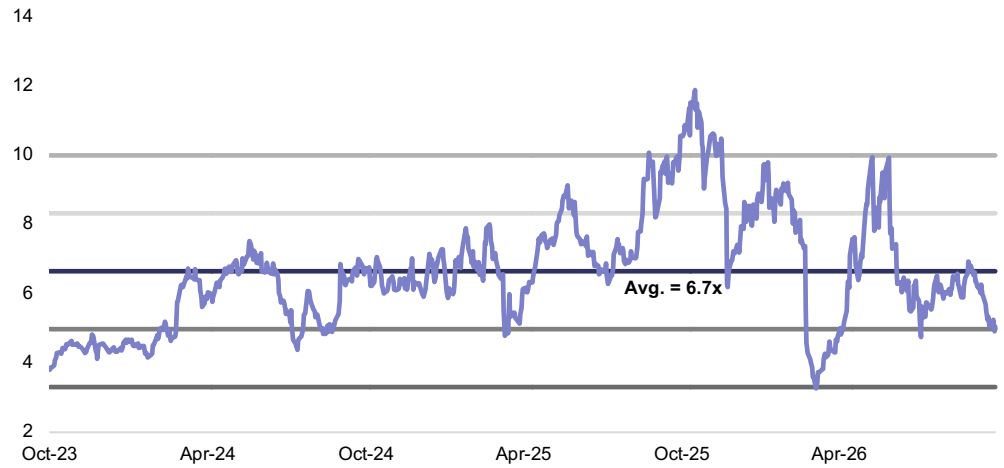
Valuation and Recommendation

Initiate at Buy with TP of $1,331

We transfer coverage with a Buy rating and a TP of $1,331, based on 4x FY27/28 BVPS, also corresponds to 6.0x/4.6x CY27/CY28E PE, imply the stock upside potential of 60%.

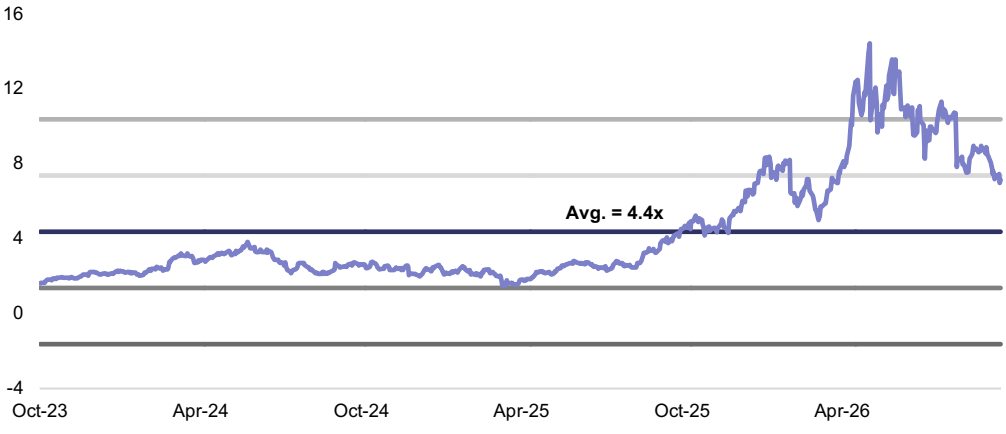
We use the PB-ROE framework to analyze memory stocks, during the last few upside cycles, MU's PB can reach to 3-5x, and PE can reach to 5-10x, with ROE range from 40-60%. For this cycle, we continue to see the DRAM S/D imbalance extend into 2028, with MU's ROE reach to 63%/79%/67% in FY26/27/28. So, we apply for 4x FY27/28 BVPS to reflect the up-cycle valuation, also the premium for made in US.

Figure 17: Micron's Forward P/E



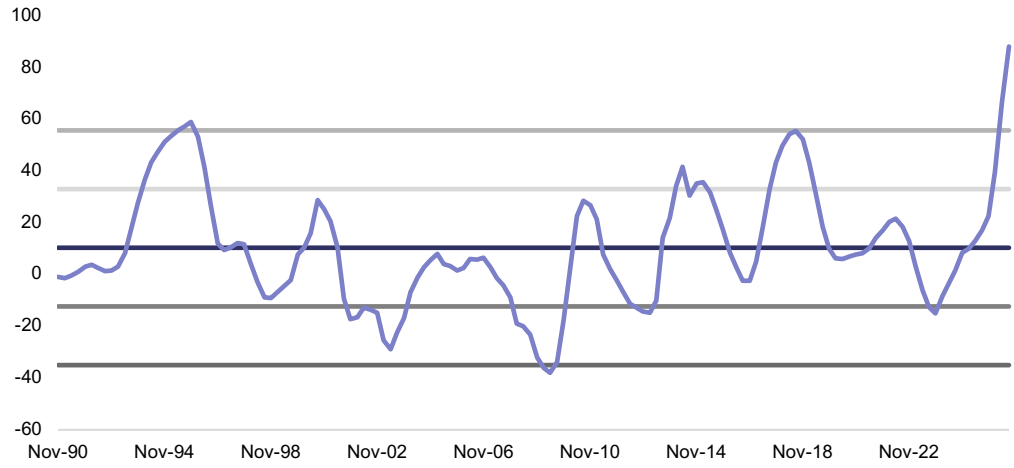
Sources: Bloomberg, GF Securities (Hong Kong) Brokerage

Figure 18: Micron's Forward P/B



Sources: Bloomberg, GF Securities (Hong Kong) Brokerage

Figure 19: Micron's Quarterly ROE



Sources: Bloomberg, GF Securities (Hong Kong) Brokerage

Risks

1) AI demand deceleration; 2) Geo-political uncertainties; 3) Competition.

Balance Sheet

USD mn

	FY24	FY25	FY26	FY27E	FY28E
Current assets	**24,372**	**28,841**	**91,070**	**203,037**	**304,746**
Cash and cash equivalents	8,106	10,307	43,434	127,858	215,926
Inventory	8,875	8,355	10,372	15,098	19,550
Accounts Receivable	6,615	9,265	36,197	59,014	68,203
Other current assets	776	914	1,067	1,067	1,067
Non-current assets	**45,044**	**53,957**	**104,818**	**146,674**	**193,665**
Long-term equity investment	-	-	-	-	-
Fixed assets	39,749	46,590	63,310	105,166	152,157
Other long-term assets	5,295	7,367	41,508	41,508	41,508
Total assets	**69,416**	**82,798**	**195,888**	**349,711**	**498,411**
Current liabilities	9,248	11,454	27,482	37,820	47,534
Accounts Payable	7,299	9,649	22,605	32,905	42,607
Short-term borrowings	431	560	491	530	541
Other current liabilities	1,518	1,245	4,386	4,386	4,386
Non-current liabilities	15,037	17,179	30,028	28,584	27,585
Long-term Debt	12,966	14,017	4,688	3,244	2,245
Other non-current liabilities	2,071	3,162	25,340	25,340	25,340
Total liabilities	**24,285**	**28,633**	**57,510**	**66,405**	**75,119**
Total Equity	**45,131**	**54,165**	**138,378**	**283,306**	**423,292**
Paid-in capital	12,240	13,466	15,102	15,102	15,102
Treasury stock	-134	-32	-	-	-
Retained earnings	40,877	48,583	131,851	275,569	431,566
Minority interests	-	-	-	-	-
Total Liabilities & Equity	**69,416**	**82,798**	**195,888**	**349,711**	**498,411**

Income Statement

USD mn

	FY24	FY25	FY26	FY27E	FY28E
Revenue	**25,111**	**37,378**	**133,188**	**305,558**	**388,791**
Cost of sales	-19,168	-22,092	-25,156	-37,036	-48,062
Gross profit	**5,943**	**15,286**	**108,032**	**268,523**	**340,729**
Operating Expense	-4,008	-4,440	-6,841	-10,650	-14,158
Operating profit	**1,935**	**10,846**	**101,191**	**257,872**	**326,572**
Interest Income	-529	-496	-1,084	-4,429	-5,694
Interest Expense	-562	-477	-106	-	-
Net other Non-op. Income/(Loss)	-51	-135	-880	-1,284	-1,284
Pre-tax profit	**1,917**	**10,692**	**99,333**	**252,159**	**319,593**
Income tax	379	1,327	15,315	39,350	50,388
Profit for the year	**1,538**	**9,365**	**84,018**	**212,809**	**269,205**
Minority interest	-	-	-	-	-
Net profit to ord. equity	**1,538**	**9,365**	**84,018**	**212,809**	**269,205**
EPS (US$)	**1.3**	**8.4**	**75.5**	**200.6**	**277.8**

Cash Flow Statement

USD mn

	FY24	FY25	FY26	FY27E	FY28E
Operating cash flow	**8,507**	**17,525**	**89,675**	**216,287**	**284,381**
Profit for the year (GAAP)	778	8,539	84,969	222,823	285,328
Depreciation & amortization	7,780	8,352	9,503	14,707	22,991
Change in working capital	-1,165	-338	-6,130	-17,243	-3,939
Others	1,114	972	1,333	-4,000	-20,000
Investing cash flow	**-8,419**	**-14,133**	**-28,758**	**-55,314**	**-69,982**
Capex	-8,386	-15,857	-30,376	-55,314	-69,982
Change in investment	-	-	-	-	-
Others	-33	1,724	1,618	-	-
Free cash flow	**121**	**1,668**	**59,299**	**160,974**	**214,398**
Financing cash flow	-1,842	-850	630	-76,549	-126,330
Change in Capital	-300	-207	-1,777	-78,414	-128,639
Net Change in Debt	-898	-4,619	-10,043	-1,444	-999
Others	-644	3,976	12,450	3,308	3,308
Exchange influence	-	-	-	-	-
Net increase in cash	**-1,754**	**2,542**	**61,547**	**84,424**	**88,068**

Key Financial Ratios

	FY24	FY25	FY26	FY27E	FY28E
Growth (%)					
Revenue growth	61.6	48.9	256.3	129.4	27.2
Operating profit growth	-140.2	460.5	833.0	154.8	26.6
Net profit growth	-130.3	508.9	797.1	153.3	26.5
Profitability (%)					
Gross profit margin	23.7	40.9	81.1	87.9	87.6
Operating Profit Margin	7.7	29.0	76.0	84.4	84.0
Net profit margin	6.1	25.1	63.1	69.6	69.2
Key Ratio					
ROA	2.3	12.3	60.3	78.0	63.5
ROE	3.4	17.3	60.7	75.1	63.6
Stability					
Gross debt/equity	53.8	52.9	41.6	23.4	17.7
Interest Coverage	-2.4	-21.4	-936.1	-	-
Current Ratio	2.6	2.5	3.3	5.4	6.4
Quick Ratio	1.7	1.8	2.9	5.0	6.0
Net debt/equity	11.7	7.9	Net Cash	Net Cash	Net Cash

廣發証券(香港)經紀有限公司
GF SECURITIES (HONG KONG) BROKERAGE LIMITED

SK Hynix (SKHY US)

Undemanding Valuation and Positive Shareholder Return

Initiation **Buy**

Target price $212

Initiate with Buy, TP $212: We expect SK Hynix to benefit from this super-cycle driven by AI. SK Hynix, and the U.S. listed stock has gain tractions by supporting valuations. The company reported FY3Q26 revenue of KRW105 trn, +31.9% QoQ, +327.9% YoY; with Non-GAAP GPM at 85.7%, +2.5ppt QoQ. We continue to see the favorable pricing environment for both convention and HBM, we now forecast Hynix's revenue to be KRW661/807 trn ($486/593 bn), and EPS to be KRW640k/828k ($47/61) in FY27E/28E. We transfer coverage with a Buy rating and a TP of $212, based on 3x FY27 BVPS, also corresponds to 4.5x/3.5x FY27/FY28E PE.

HBM4 pricing offset by strong industry momentum: We now forecast HBM4 final price to be at around $3.5/Gb for SK Hynix's HBM4 in 2027, leading to the blended HBM ASP reaching $3.95/Gb, YoY +93% in 2027. As to market share, Hynix and Samsung are still the leaders with ~40% each. Due to the robust demand, Hynix's DRAM and HBM capacity has been sold out into 2029. So, we believe the HBM4 pricing headwinds for Hynix will be offset by strong industry momentum. And for conventional, the price upward trend is still solid. Thus, we forecast conventional DRAM ASP of $2.1/Gb, +36% YoY, NAND ASP $0.42/GB, +48% YoY in FY27E, leading the Non-GAAP GPM to 87.5%, +3.1ppt YoY.

Undemanding valuation and positive shareholder return: SKHY now trades at 2.1x/1.4x PB (with Korea stock trades at 1.5x/1.0x PB) in FY27/28, suggesting that market are expecting cycle to peak in mid-27 with meaningful price decline afterwards, which we see huge divergence from our view. Besides, Hynix also announced positive shareholder return plans in mid-26, aiming to return >50% of 2025-2027 cumulative FCF to shareholders. Total 100trn Won shareholder return has been announced in Oct-2026, including cash dividends of ~30trn won and share buyback ~60trn won, accounting for 10% of Korea stock's market cap. We project Hynix's FCF at KRW392/471 trn ($288/346 bn) in FY27E/28E, or 28/35% of current ADR market cap. With a 50% cash return assumption, shareholder return stands at 14/18%, making the stock look compelling.

Risks: 1) AI demand slowing down; 2) Geo-political risks; 3) Intensifying competition.

Profit forecast

(KRW bn)	FY24	FY25	FY26E	FY27E	FY28E
Revenue (bn)	66,193	97,147	372,735	660,606	806,986
Revenue YoY (%)	102.0	46.8	283.7	77.2	22.2
Net profit (bn)	19,135	42,549	259,828	425,932	514,943
Net profit YoY (%)	-316.6	116.9	504.6	64.0	20.9
EPS (KRW)	28,301	60,431	364,206	639,832	828,141
P/E	49.3	23.1	3.8	2.2	1.7
ROE (%)	25.9	35.3	63.9	66.7	57.2

Source: Company data, GF Securities (Hong Kong) Brokerage.

Elaine Fang
SFC CE No. BYE374
elainefang@gfgroup.com.hk

Jeff Pu, CFA
SFC CE No. BNO719
jeffpu@gfgroup.com.hk

Evan Lee
SFC CE No. BVI629
evanlee@gfgroup.com.hk

Earnings Review F3Q26

F3Q26 results review

SK Hynix FY3Q26 revenue came in at KRW 105 trn, +31.9% QoQ and +327.9% YoY. By segment, DRAM revenue reached KRW 78 trn, +39% QoQ and +310% YoY. NAND revenue totaled KRW 25 trn, +24% QoQ and +421% YoY. Gross margin increased to 85.7%, up 2.5ppt QoQ, while Operating Profit reached KRW 83 trn, with OPM of 79.7%, up 3.4ppt QoQ.

We forecast revenue of KRW 661/807 trn in FY27E/28E

SK Hynix's revenue for FY27E and FY28E is projected to reach KRW 661 trn and KRW 807 trn, reflecting YoY growth of +77% and +22%, respectively. By segment, we forecast DRAM revenue to contribute 77%/80% of total revenue in FY27E/28E; NAND revenue to contribute 22%/19% of total revenue in FY27E/28E.

Figure 20: SK Hynix's P&L

(KRW bn)	FY25	F1Q26	F2Q26	F3Q26	F4Q26E	FY26E	F1Q27E	F2Q27E	F3Q27E	F4Q27E	FY27E
Sales	**97,147**	52,576	79,319	104,615	136,225	**372,735**	143,530	158,315	174,795	183,966	**660,606**
COGS	**-38,456**	-10,897	-13,328	-14,963	-19,124	**-58,311**	-17,815	-19,451	-21,517	-23,674	**-82,458**
Gross profit	**58,691**	41,679	65,991	89,652	117,101	**314,424**	125,715	138,864	153,277	160,292	**578,148**
Opex	**-11,484**	-4,069	-5,449	-6,319	-7,956	**-23,793**	-8,095	-8,613	-9,160	-9,272	**-35,140**
Operating profit	**47,207**	37,610	60,543	83,333	109,145	**290,631**	117,620	130,251	144,118	151,019	**543,008**
Non-op profit	**3,260**	14,007	62,166	-32,625	0	**43,547**	0	0	0	0	**0**
Pre-tax profit	**50,465**	51,617	122,708	50,708	109,145	**334,178**	117,620	130,251	144,118	151,019	**543,008**
Income tax	**-7,518**	-11,271	-28,786	-10,933	-23,532	**-74,522**	-25,360	-28,083	-31,073	-32,561	**-117,076**
Non-GAAP Net Income	**42,948**	40,346	93,923	39,775	85,613	**259,656**	92,260	102,168	113,045	118,458	**425,932**
Diluted EPS (KRW)	**60,432**	56,137	132,090	54,454	122,304	**364,206**	134,490	151,972	171,583	183,469	**639,832**
Diluted shares	**711**	719	711	722	700	**713**	686	672	659	646	**666**
Margin analysis											
Gross margin	**60%**	79%	83%	86%	86%	**84%**	88%	88%	88%	87%	**88%**
Operating margin	**49%**	72%	76%	80%	80%	**78%**	82%	82%	82%	82%	**82%**
Pre-tax margin	**52%**	98%	155%	48%	80%	**90%**	82%	82%	82%	82%	**82%**
Effective tax rate	**15%**	22%	23%	22%	22%	**22%**	22%	22%	22%	22%	**22%**
Growth (YoY%)											
Sales	**47%**	**198%**	**257%**	**328%**	**315%**	**284%**	**48%**	**201%**	**120%**	**76%**	**77%**
Operating profit	**101%**	**405%**	**557%**	**632%**	**469%**	**516%**	**149%**	**246%**	**138%**	**81%**	**87%**
Net income	**117%**	**398%**	**1242%**	**216%**	**462%**	**505%**	**115%**	**153%**	**20%**	**198%**	**64%**
EPS	**114%**	**392%**	**1242%**	**207%**	**470%**	**503%**	**123%**	**171%**	**30%**	**237%**	**76%**

Sources: Company data, GF Securities (Hong Kong) Brokerage

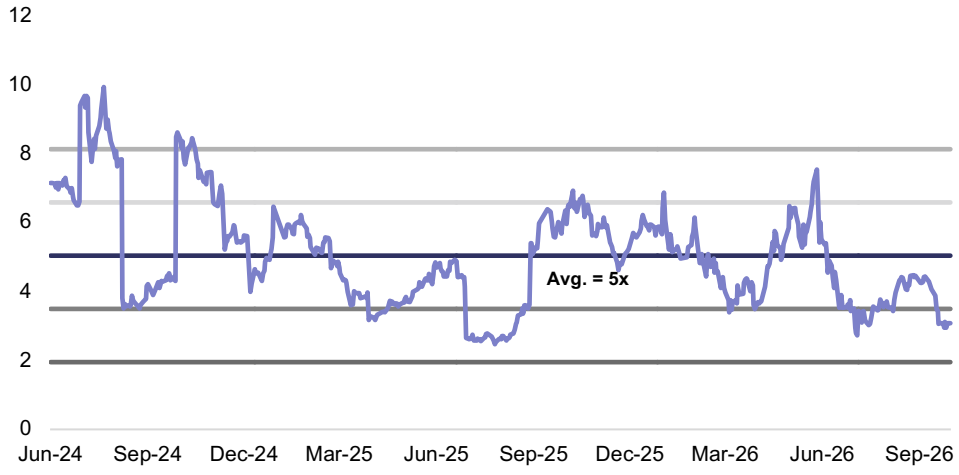
Valuation and Recommendation

Initiate at Buy with TP of $212

We initiate coverage with a Buy rating and a TP of $212, based on 3x FY27 BVPS, also corresponds to 4.5x/3.5x FY27/FY28E PE, imply the stock upside potential of 43%.

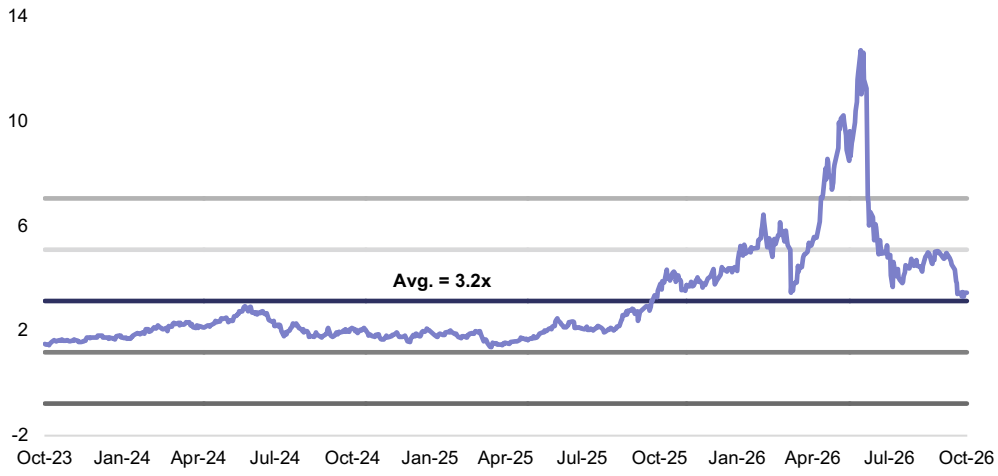
We use the PB-ROE framework to analyze memory stocks, during the last few upside cycles, SK Hynix's peak PB can reach to 2-4x, and PE can reach to 4-8x, with ROE range from 30-40%. For this cycle, we continue to see the DRAM S/D imbalance extend into 2028, with SK Hynix's ROE reach to 64%/67%/57% in FY26/27/28. So, we apply for 3x FY27 BVPS to reflect the up-cycle valuation, discount to Micron but in-line with the Korea trading range.

Figure 21: SK Hynix's Forward P/E



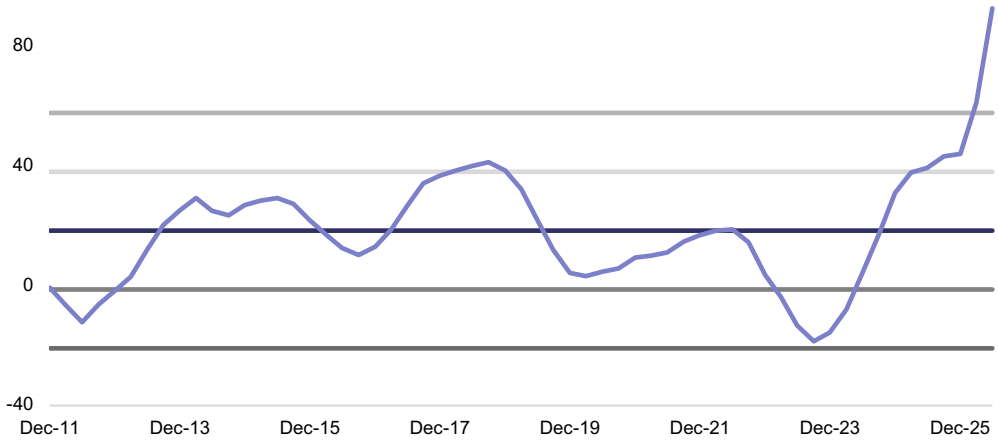
Sources: Bloomberg, GF Securities (Hong Kong) Brokerage

Figure 22: SK Hynix's Forward P/B



Sources: Bloomberg, GF Securities (Hong Kong) Brokerage

Figure 23: SK Hynix's Quarterly ROE



Sources: Bloomberg, GF Securities (Hong Kong) Brokerage

Risks

1) AI demand slowing down; 2) Geo-political risks; 3) Intensifying competition.

Balance Sheet

KRW bn

	FY24	FY25	FY26E	FY27E	FY28E
Current assets	**42,279**	**69,458**	**263,273**	**415,390**	**581,162**
Cash and cash equivalents	14,156	34,942	137,515	250,297	381,310
Inventory	13,314	14,289	32,730	40,517	56,112
Accounts Receivable	13,019	18,585	90,018	121,565	140,730
Other current assets	1,790	1,641	3,010	3,010	3,010
Non-current assets	**77,576**	**106,650**	**231,546**	**310,819**	**407,657**
Long-term equity investment	-	-	-	-	-
Fixed assets	60,157	77,503	132,899	212,172	309,010
Other long-term assets	17,419	29,147	98,647	98,647	98,647
Total assets	**119,855**	**176,108**	**494,819**	**726,209**	**988,819**
Current liabilities	24,961	37,379	63,460	64,303	66,249
Accounts Payable	2,277	2,848	4,757	5,889	8,156
Short-term borrowings	5,252	8,162	7,347	7,059	6,738
Other current liabilities	17,432	26,369	51,355	51,355	51,355
Non-current liabilities	20,974	18,062	24,548	23,004	21,542
Long-term Debt	17,431	14,086	11,724	10,180	8,718
Other non-current liabilities	3,543	3,976	12,824	12,824	12,824
Total liabilities	**45,935**	**55,441**	**88,008**	**87,307**	**87,791**
Total Equity	**73,920**	**120,667**	**406,811**	**638,902**	**901,028**
Share Capital	4,487	8,954	8,510	11,876	8,954
Reserves	357	1,478	41,476	-136,009	-345,543
Capital adjustment	65,418	106,577	353,167	759,376	1,233,96
Minorities	3,658	3,658	3,658	3,658	3,658
Total Liabilities & Equity	**119,855**	**176,108**	**494,819**	**726,209**	**988,819**

Income Statement

KRW bn

	FY24	FY25	FY26E	FY27E	FY28E
Revenue	**66,193**	**97,147**	**372,735**	**660,606**	**806,986**
Cost of sales	-34,364	-38,456	-58,311	-82,458	-113,950
Gross profit	**31,829**	**58,691**	**314,424**	**578,148**	**693,036**
Operating Expense	-8,361	-11,484	-23,793	-35,140	-36,550
Operating profit	**23,468**	**47,207**	**290,631**	**543,008**	**656,486**
Interest Income	-995	-430	172	-	-
Interest Expense	-	-	-	-	-
Net other Non-op. Income/(Loss)	1,414	3,689	43,375	-	-
Pre-tax profit	**23,224**	**50,066**	**334,350**	**543,008**	**656,486**
Income tax	4,089	7,518	74,522	117,076	141,543
Profit for the year	**19,135**	**42,549**	**259,828**	**425,932**	**514,943**
Minority interest	-	-	-	-	-
Net profit to ord. equity	**19,135**	**42,549**	**259,828**	**425,932**	**514,943**
EPS (KRW)	**28,301**	**60,431**	**364,206**	**639,832**	**828,141**

Cash Flow Statement

KRW bn

	FY24	FY25	FY26E	FY27E	FY28E
Operating cash flow	**29,796**	**53,373**	**259,060**	**471,005**	**567,859**
Profit for the year (GAAP)	19,789	42,948	259,657	425,932	514,943
Depreciation & amortization	12,582	13,930	17,043	26,871	40,424
Change in working capital	-4,931	-4,096	-2,600	38,203	32,492
Others	2,357	591	-15,040	-20,000	-20,000
Investing cash flow	**-32,333**	**-59,419**	**-149,723**	**-222,066**	**-258,152**
Capex	-15,946	-28,432	-47,690	-79,273	-96,838
Change in investments	-15,946	-28,432	-47,690	-79,273	-96,838
Others	-441	-2,555	-54,343	-63,521	-64,475
Free cash flow	**13,850**	**24,941**	**211,370**	**391,732**	**471,021**
Financing cash flow	-8,704	-1,445	-60,241	-221,132	-281,332
Change in Capital	-	-	-68,019	-195,866	-235,510
Net Change in Debt	-7,977	768	-4,456	-1,544	-1,462
Others	-726	-2,213	12,234	-23,722	-44,360
Total cash generated	**-11,241**	**-7,491**	**49,095**	**27,806**	**28,375**

Key Financial Ratios

	FY24	FY25	FY26E	FY27E	FY28E
Growth					
Revenue growth	102.0	46.8	283.7	77.2	22.2
Operating profit growth	-403.6	101.2	515.7	86.8	20.9
Net profit growth	-316.6	116.9	504.6	64.0	20.9
Profitability					
Gross profit margin	48.1	60.4	84.4	87.5	85.9
Operating Profit Margin	35.5	48.6	78.0	82.2	81.4
Net profit margin	28.9	43.8	69.7	64.5	63.8
Key Ratio					
ROA	17.4	28.8	77.5	69.8	60.1
ROE	25.9	35.3	63.9	66.7	57.2
Stability					
Gross debt/equity	62.1	45.9	21.6	13.7	9.7
Interest Coverage	-	-	-	-	-
Current Ratio	1.7	1.9	4.1	6.5	8.8
Quick Ratio	1.2	1.5	3.6	5.8	7.9
Net debt/equity	11.54	Net Cash	Net Cash	Net Cash	Net Cash

廣發証券(香港)經紀有限公司
GF SECURITIES (HONG KONG) BROKERAGE LIMITED

SanDisk (SNDK US)

Initiation **Hold**
Target price $1,310

NAND Demand Divergence

Initiate with Hold, TP $1,310: We believe that AI has reshaped the NAND demand, leading to a longer up-cycle than previous ones. However, the persistently weak consumer demand has led to a gradual slowdown in the price increase momentum of NAND. Therefore, we are cautious on pure NAND players. For SNDK, the company reported F1Q27 revenue of $11.0bn, +23% QoQ/+378% YoY; with Non-GAAP GPM at 85.1%, +0.5ppt QoQ. We still see NAND S/D imbalance continue into 2027 and to gradually be eased with supply increase. We now forecast SNDK's revenue to be $51/64bn, and EPS to be $242/324 in FY27E/28E ($295/309 in CY2027/2028). We transfer coverage with a Hold rating and a TP of $1,310, based on 4x CY27 BVPS of 327, also corresponds to 4.4x/4.2x CY27/CY28E PE.

Datacenter as a major pillar of growth, pressure from edge and consumer: AI has reshaped the memory hierarchy, leading NAND to gain content in datacenter storage. We now forecast datacenter's share of the total NAND bit to expand from 32% in CY25 to 50% in CY26, and reach 59%/64% in CY27/28. As for SNDK, the bit shipment to datacenter has grown from 12% of total bit shipment in F4Q25 to ~45% in F1Q27, which will be the main growth driver. However, the edge and consumer segment are facing pressure due to weak demand. We now forecast SNDK's blended ASP to reach $0.38/GB in CY27, +29% YoY, leading the Non-GAAP GPM to 86.7%, +2.5ppt YoY, followed by -15% YoY in ASP and Non-GAAP GPM of 82.7% in CY28.

More clear earnings and shareholder return based on NBMs: SNDK signed 8 NBMs with datacenter and edge customers by FY1Q27. This NBMs set the longer-term customer demand visibility (average 4+ years) and pricing stability with floors and ceilings, which guaranteed by $16.5bn cash deposits. The company also committed ~1/2 FY27E bit shipment and ~2/3 FY28 bit shipment under NBMs, leading to the sable OP margin guidance of ~75% until FY30, laying the foundation to return 100% excess cash to shareholders. During F4Q26-F1Q27, company has completed $9.5b share repurchases, accounting for ~4% of total outstanding shares. We now forecast $42/44bn FCF in CY27/28, equal to 25%/26% of current market cap. With a 60% cash return assumption, shareholder return stands at 15%/16%.

Risks: 1) AI demand slowing down; 2) Geo-political risks; 3) Intensifying competition.

Profit forecast

	FY24	FY25	FY26	FY27E	FY28E
Revenue (m)	6,663	7,355	20,248	51,179	63,952
Revenue YoY (%)	9.5	10.4	175.3	152.8	25.0
Net profit (m)	-502	440	10,985	36,090	44,767
Net profit YoY (%)	N/A	N/A	2396.6	228.5	24.0
EPS ($)	-4.6	3.04	70.1	242.2	323.5
P/E	N/A	378.3	16.1	4.6	3.5
ROE (%)	-4.5	4.8	69.8	109.8	85.0

Source: Company data, GF Securities (Hong Kong) Brokerage.

Elaine Fang
SFC CE No. BYE374
elainefang@gfgroup.com.hk

Jeff Pu, CFA
SFC CE No. BNO719
jeffpu@gfgroup.com.hk

Evan Lee
SFC CE No. BVI629
evanlee@gfgroup.com.hk

Earnings Review

F1Q27 results review

SanDisk F1Q27 revenue came in at $11.0bn, +23% QoQ and +378% YoY. By end market, datacenter revenue reached $4.8bn, +61% QoQ. Edge revenue totaled $5.8bn, +7% QoQ, while consumer revenue was $0.4bn, -29% QoQ. Non-GAAP gross margin increased to 85.1%, up 0.5ppt QoQ, while Non-GAAP diluted EPS was $49.5, +26% QoQ and +3975% YoY.

We forecast revenue of $52/64bn in FY27E/FY28E

SanDisk's revenue for FY2027 and 2028 is projected to reach $52bn and $64bn, reflecting YoY growth of +153% and +25%, respectively. By end market, we forecast datacenter revenue to contribute 51%/65% of total revenue in FY27E/28E; Edge revenue to contribute 46%/33% of total revenue in FY27E/28E.

Figure 24: SanDisk's P&L

(USD m)	FY26	F1Q27	F2Q27E	F3Q27E	F4Q27E	FY27E	F1Q28E	F2Q28E	F3Q28E	F4Q28E	FY28E
Sales	**20,248**	11,031	12,867	12,784	14,497	**51,179**	15,947	16,744	15,430	15,831	**63,952**
COGS	**-5,757**	-1,647	-1,832	-1,719	-1,875	**-7,074**	-2,084	-2,297	-2,295	-2,503	**-9,179**
Gross profit	**14,491**	9,384	11,034	11,065	12,622	**44,105**	13,863	14,447	13,135	13,328	**54,773**
Opex	**-1,791**	-513	-558	-603	-697	**-2,371**	-777	-821	-749	-771	**-3,117**
Operating profit	**12,700**	8,871	10,477	10,462	11,925	**41,734**	13,086	13,626	12,386	12,557	**51,656**
Non-op profit	**-71**	29	0	0	0	**29**	0	0	0	0	**0**
Pre-tax profit	**12,629**	8,900	10,477	10,462	11,925	**41,763**	13,086	13,626	12,386	12,557	**51,656**
Income tax	**-1,644**	-1,276	-1,399	-1,404	-1,594	**-5,673**	-1,745	-1,815	-1,654	-1,676	**-6,889**
Non-GAAP Net Income	**10,985**	7,624	9,077	9,058	10,331	**36,090**	11,341	11,811	10,733	10,881	**44,767**
Diluted EPS (US$)	**70.1**	49.5	60.1	61.2	71.3	**242.2**	79.8	84.8	78.3	80.6	**323.5**
Diluted shares	**157**	154	151	148	145	**145**	142	139	137	135	**135**
Margin analysis											
Gross margin	**71.6%**	85.1%	85.8%	86.6%	87.1%	**86.2%**	86.9%	86.3%	85.1%	84.2%	**85.6%**
Operating margin	**62.7%**	80.4%	81.4%	81.8%	82.3%	**81.5%**	82.1%	81.4%	80.3%	79.3%	**80.8%**
Pre-tax margin	**62.4%**	80.7%	81.4%	81.8%	82.3%	**81.6%**	82.1%	81.4%	80.3%	79.3%	**80.8%**
Effective tax rate	**13.0%**	14.3%	13.4%	13.4%	13.4%	**13.6%**	13.3%	13.3%	13.4%	13.3%	**13.3%**
Growth (YoY%)											
Sales	**175.3%**	**377.9%**	**325.3%**	**114.9%**	**61.7%**	**152.8%**	**44.6%**	**30.1%**	**20.7%**	**9.2%**	**25.0%**
Operating profit	**1743.3%**	**4888.6%**	**863.6%**	**150.5%**	**67.0%**	**228.6%**	**47.0%**	**31.0%**	**18.6%**	**5.3%**	**23.8%**
Net income	**2396.6%**	**7133.0%**	**1011.0%**	**147.6%**	**48.0%**	**228.5%**	**38.5%**	**31.0%**	**18.6%**	**5.3%**	**24.0%**
EPS	**2203.1%**	**3975.4%**	**870.3%**	**161.6%**	**81.6%**	**245.6%**	**61.3%**	**41.1%**	**27.8%**	**13.0%**	**33.6%**

Sources: Company data, GF Securities (Hong Kong) Brokerage

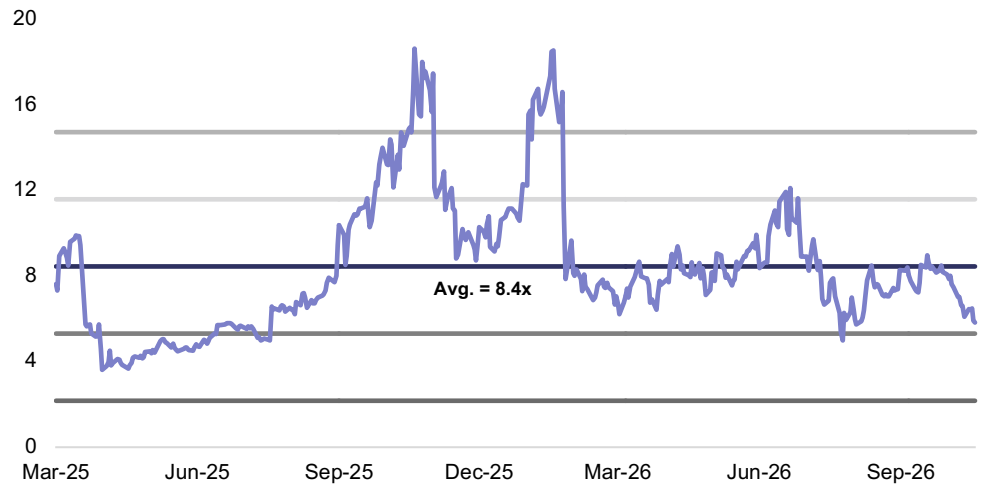
Valuation and Recommendation

Initiate at Hold with TP of $1,310

We transfer coverage with a Hold rating and a TP of $1,310, based on 4x CY27 BVPS of 327, also corresponds to 4.4x/4.2x CY27/CY28E PE, imply 21% stock upside potential.

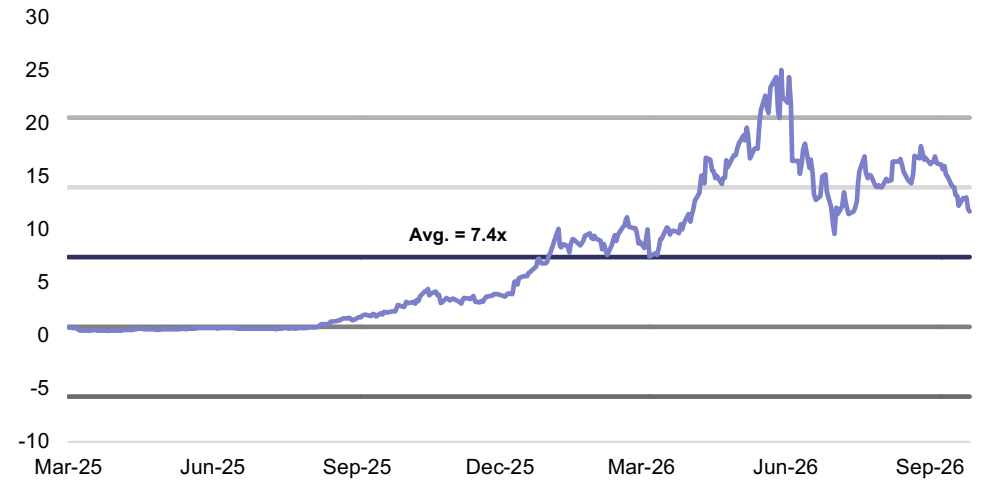
Given that NAND companies have been publicly listed for a relatively short period—resulting in a scarcity of long-term valuation data—we are using valuations from the current NAND cycle as well as those of DRAM companies as points of reference. We apply for the same multiple for SanDisk as Micron, but using CY27 BVPS due to the less certainty of NAND cycle.

Figure 25: SanDisk's Forward P/E



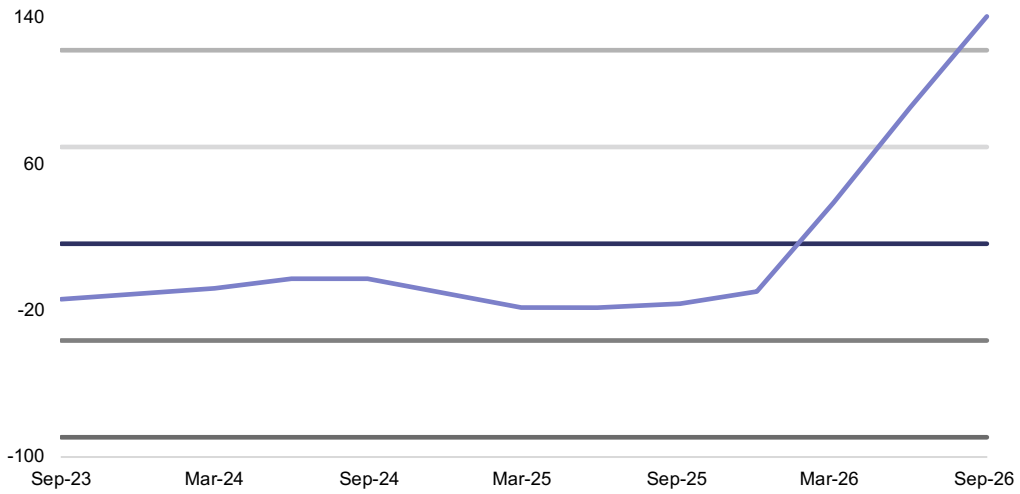
Sources: Bloomberg, GF Securities (Hong Kong) Brokerage

Figure 26: SanDisk's Forward P/B



Sources: Bloomberg, GF Securities (Hong Kong) Brokerage

Figure 27: SanDisk's Quarterly ROE



Sources: Bloomberg, GF Securities (Hong Kong) Brokerage

Risks

1) AI demand slowing down; 2) Geo-political risks; 3) Intensifying competition.

Balance Sheet

USD mn

	FY24	FY25	FY26	FY27E	FY28E
Current assets	**3,548**	**5,086**	**12,780**	**29,707**	**48,202**
Cash and cash equivalents	328	1,481	4,762	17,682	34,239
Inventory	1,955	2,079	2,698	3,800	5,038
Accounts Receivable	935	1,068	4,708	7,613	8,314
Other current assets	330	458	612	612	612
Non-current assets	**9,958**	**7,899**	**9,727**	**9,889**	**11,165**
Long-term equity investment	-	-	-	-	-
Fixed assets	791	619	674	836	2,112
Other long-term assets	9,167	7,280	9,053	9,053	9,053
Total assets	**13,506**	**12,985**	**22,507**	**39,596**	**59,368**
Current liabilities	2,123	1,427	5,581	5,523	5,514
Accounts Payable	357	366	976	918	909
Short-term borrowings	-	-	-	-	-
Other current liabilities	1,766	1,061	4,605	4,605	4,605
Non-current liabilities	**301**	**2,342**	1,190	1,190	1,190
Long-term Debt	-	1,829	-	-	-
Other non-current liabilities	301	513	1,190	1,190	1,190
Total liabilities	**2,424**	**3,769**	**6,771**	**6,713**	**6,704**
Total Equity	**11,082**	**9,216**	**15,736**	**32,883**	**52,663**
Common stock	11,534	11,248	11,402	11,865	12,347
Capital Reserves	-452	-2,032	4,334	21,018	40,317
Retained earnings	-	-	-	-	-
Other equities	-	-	-	-	-
Total Liabilities & Equity	**13,506**	**12,985**	**22,507**	**39,596**	**59,368**

Income Statement

USD mn

	FY24	FY25	FY26	FY27E	FY28E
Revenue	**6,663**	**7,355**	20,248	51,179	63,952
Cost of sales	-5,607	-5,127	-5,757	-7,074	-9,179
Gross profit	**1,056**	**2,228**	**14,491**	**44,105**	**54,773**
Operating Expense	-1,365	-1,539	-1,791	-2,371	-3,117
Operating profit	**-309**	**689**	**12,700**	**41,734**	**51,656**
Interest Income	-12	-22	-70	-51	-
Interest Expense	40	63	73	2	-
Net other Non-op. Income/(Loss)	7	61	-631	-490	-
Pre-tax profit	**-346**	**580**	**12,629**	**41,763**	**51,656**
Income tax	156	140	1,644	5,673	6,889
Profit for the year	**-502**	**440**	**10,985**	**36,090**	**44,767**
Minority interest	-	-	-	-	-
Net profit to ord. equity	**-502**	**440**	**10,985**	**36,090**	**44,767**
EPS (US$)	**-4.63**	**3.0**	**70.1**	**242.2**	**323.5**

Cash Flow Statement

USD mn

	FY24	FY25	FY26	FY27E	FY28E
Operating cash flow	**-309**	**84**	**11,671**	**36,754**	**47,111**
Profit for the year (GAAP)	-672	-1,641	11,433	36,190	44,279
Depreciation & amortization	-	109	149	173	323
Change in working capital	-	-240	-2,606	-3,609	-1,491
Others	363	1,856	2,695	4,000	4,000
Investing cash flow	**210**	**556**	**-1,386**	**-175**	**-1,439**
Capex	-29	-204	-177	-335	-1,599
Changes in investment	-	-	25	-	-
Others	239	760	-1,234	160	160
Free cash flow	**-338**	**-120**	**11,494**	**36,419**	**45,512**
Financing cash flow	136	518	-7,001	-23,660	-29,115
Change in Capital	-	5	-4,500	-21,852	-27,307
Net Change in Debt	-	1,838	-1,900	-	-
Others	136	-1,325	-601	-1,808	-1,808
Total cash generated	**37**	**1,158**	**3,284**	**12,920**	**16,557**

Key Financial Ratios

	FY24	FY25	FY26	FY27E	FY28E
Growth					
Revenue growth	9.5	10.4	175.3	152.8	25.0
Operating profit growth	-	-	1743.3	228.6	23.8
Net profit growth	-	-	2396.6	228.5	24.0
Profitability					
Gross profit margin	15.8	30.3	71.6	86.2	85.6
Operating Profit Margin	-4.6	9.4	62.7	81.5	80.8
Net profit margin	-7.5	6.0	54.3	70.5	70.0
Key Ratio					
ROA	-3.7	3.3	61.9	116.2	90.5
ROE	-4.5	4.8	69.8	109.8	85.0
Stability					
Gross debt/equity	21.9	40.9	43.0	20.4	12.7
Interest Coverage	-7.7	10.2	174.0	-	-
Current Ratio	1.7	3.6	2.3	5.4	8.7
Quick Ratio	0.8	2.1	1.8	4.7	7.8
Net debt/equity	Net Cash	3.8	Net Cash	Net Cash	Net Cash

Rating definitions Benchmark: Hang Seng Index (Hong Kong)

Company ratings

Buy	Stock expected to outperform benchmark by more than 10%
Hold	Expected stock relative performance ranges between -10% and 10%
Underperform	Stock expected to underperform benchmark by more than 10%

Sector ratings

Positive	Sector expected to outperform benchmark by more than 10%
Neutral	Expected sector relative performance ranges between -10% and 10%
Cautious	Sector expected to underperform benchmark by more than 10%

Hong Kong

Company	GF Securities (Hong Kong) Brokerage Limited
Address	27/F, GF Tower, 81 Lockhart Road, Wan Chai, Hong Kong
Telephone	(852) 37191111
Email	elainefang@gfgroup.com.hk

Disclaimer

This report has been prepared by GF Securities (Hong Kong) Brokerage Limited ("GF Securities (Hong Kong) Brokerage"). According to the laws, regulations and regulatory requirements in different countries and regions, this report is distributed by GF Securities (Hong Kong) Brokerage with relevant legal and compliant operation qualifications in these countries and regions.

GF Securities (Hong Kong) Brokerage is licensed by the Securities and Futures Commission of Hong Kong ("SFC") to conduct Type 4 Regulated Activity "Advising on Securities". It is regulated by the SFC, and is responsible for the distribution of this report in Hong Kong. Information about the qualifications of the research analyst(s) who is(are) the author(s) of this report as licensed by the SFC are disclosed in the section where research analyst names are shown.

The research analyst(s) primarily responsible for the content of this report, in whole or in part, certifies that with respect to the company or relevant securities that the analyst(s) covered in this report: 1) all of the views expressed accurately reflect his or her personal views on the company or relevant securities mentioned herein; and 2) no part of his or her remuneration was, is, or will be, directly or indirectly, in connection with his or her specific recommendations or views expressed in this report.

This report is published solely for information purpose and does not constitute an offer to buy or sell any securities or a solicitation of an offer to buy, or recommendation for investment in, any securities.

The securities mentioned in this report may not be allowed to be sold in certain jurisdictions. No action has been taken to permit the distribution of the research report to any person in any jurisdiction that the circulation or distribution of such research report is unlawful. This report is distributed solely to clients or designated institutions authorized by GF Securities (Hong Kong) Brokerage, and is not distributed publicly. It is distributed to certain clients based on the conclusion that they are able to assess investment risks independently, execute investment decisions independently and assume corresponding risks independently.

This report has been issued and based on information obtained from sources generally available to the public and believed by the research analyst(s) to be reliable but which has not been independently verified. No representation or warranty, either express or implied, is made by GF Securities (Hong Kong) Brokerage as to their accuracy and completeness of the information contained in this report. GF Securities (Hong Kong) Brokerage accepts no liability for all loss arising from the use of the materials presented in this report, unless is excluded by applicable laws or regulations. Please be aware of the fact that investments involve risks and the price of securities may be fluctuated and therefore return may be varied, past results do not guarantee future performance. Any recommendation contained in this report does not have regard to the specific investment objectives, financial situation and the particular needs of any individuals. This report is not to be taken in substitution for the exercise of judgment by respective recipients of this report, where necessary, recipients should obtain professional advice before making investment decisions.

GF Securities (Hong Kong) Brokerage may have issued, and may in the future issue, other communications that are inconsistent with, and reach different conclusions from, the information presented in the research report. The points of view, opinions and analytical methods adopted in the research report are solely expressed by the analysts but not that of GF Securities (Hong Kong) Brokerage or its affiliates. The information, opinions and forecasts presented in the research report are the current opinions of the analysts as of the date appearing on this material only which may subject to change at any time without notice. The salesperson, dealer or other professionals of GF Securities (Hong Kong) Brokerage may deliver opposite points of view to their clients and the proprietary trading division with respect to market commentary or dealing strategy either in writing or verbally. The proprietary trading division of GF Securities (Hong Kong) Brokerage may have different investment decision which may be contrary to the opinions expressed in the research report. GF Securities (Hong Kong) Brokerage or its affiliates or respective directors, officers, analysts and employees related to research report business may have rights and interests in securities mentioned in the research report. Recipients should be aware of relevant disclosure of interest (if any) when reading this report.

GF Securities (Hong Kong) Brokerage and its affiliates may be seeking or building business relationships with company(ies) mentioned in this report. Therefore, investors should consider the impact on the independence of this report by GF Securities (Hong Kong) Brokerage and its affiliates due to potential conflicts of interests. Investors should not make any investment decisions based solely on the contents of this report. Investors should make their own investment decisions and bear their own risk. No written or verbal commitment of sharing gains or losses from securities investments in any form shall be effective.

This report may contain and/or describe/present factual historical information on prices of Futures contracts (the "information"). Please note that this information is solely for the purpose of forming part of the argument/grounds/evidence in our research methodology/analysis to support our conclusion on our view of the relevant industry/company mentioned. It does not, by any means (express or implied) to be associated with or constituted as SFC Type 5 Regulated Activity (Advising on futures contracts).

Important Notices

GF Securities Co. Ltd and its affiliates may be seeking or building business relationships with companies mentioned in this report. Therefore, investors should consider the impact on the independence of this report by GF Securities Co. Ltd and its affiliates due to potential conflicts of interests. Investors should not make any investment decisions based solely on the contents of this report.

The research analyst(s) primarily responsible for the content of this research report, in whole or in part, certifies that with respect to the company or relevant securities that the analyst(s) covered in this report: (1) all of the views expressed accurately reflect his or her personal views on the company or relevant securities mentioned herein; and (2) no part of his or her remuneration was, is, or will be, directly or indirectly, in connection with his or her specific recommendations or views expressed in this research report.

The remuneration for the production of this report by research staff is determined based on various factors including the quality of research, client review and workload, and it is also affected by factors including GF Securities' overall revenue, part of which is generated from GF Securities' investment banking business.

This report is distributed solely to clients or designated institutions authorized by GF Securities, and is not distributed publicly. It can only be used by the targeted recipients who have the obligation to maintain confidentiality. GF Securities does not view any persons who have received or read this report through other means as its clients.

This report is distributed to a certain client based on the conclusion that this client is deemed to be able to assess investment risks independently, execute investment decisions independently and assume corresponding risks independently.

The contents of this report is for reference only. Information contained or opinions expressed in this report does not constitute an offer or inquiry. Customers should not substitute their independent judgment with this report or make decisions based on this report.

This report is published solely for information purpose and does not constitute an offer to buy or sell any securities or a solicitation of an offer to buy, or recommendation for investment in, any securities. The research report is intended solely for use of the clients of GF Securities. The securities mentioned in the research report may not be allowed to be sold in certain jurisdictions. No action has been taken to permit the distribution of the research reports to any person in any jurisdiction that the circulation or distribution of such research report is unlawful. No representation or warranty, either express or implied, is made by GF Securities as to their accuracy and completeness of the information contained in the research report. GF Securities accepts no liability for all loss arising from the use of the materials presented in the research report, unless is excluded by applicable laws or regulations. Please be aware of the fact that investments involve risks and the price of securities may be fluctuated and therefore return may be varied, past results do not guarantee future performance. Any recommendation contained in the research report does not have regard to the specific investment objectives, financial situation and the particular needs of any individuals. The report is not to be taken in substitution for the exercise of judgment by respective recipients of the report, where necessary, recipients should obtain professional advice before making investment decisions.

GF Securities may have issued, and may in the future issue, other communications that are inconsistent with, and reach different conclusions from, the information presented in the research report. The points of view, opinions and analytical methods adopted in the research report are solely expressed by the analysts but not that of GF Securities or its affiliates. The information, opinions and forecasts presented in the research report are the current opinions of the analysts as of the date appearing on this material only which may subject to change at any time without notice. The salesperson, dealer or other professionals of GF Securities may deliver opposite points of view to their clients and the proprietary trading division with respect to market commentary or dealing strategy either in writing or verbally. The proprietary trading division of GF Securities may have different investment decision which may be contrary to the opinions expressed in the research report. GF Securities or its affiliates or respective directors, officers, analysts and employees related to research report business may have rights and interests in securities mentioned in the research report. Recipients should be aware of relevant disclosure of interest (if any) when reading the report.

Disclosure of Interests

1) The research analyst(s) and his/her associate has not served as an officer of the company(ies) mentioned in this report, and does not have any financial interests in the company(ies) mentioned in this report.

2) GF Securities (Hong Kong) Brokerage and/or its affiliates does not have any financial interests and has not invested in interests aggregate to an amount equal to or more than (i) 1% of the market capitalization; or (ii) 1% of the issued share capital, or issued units, in the company(ies) mentioned in this report.

3) GF Securities (Hong Kong) Brokerage and/or its affiliates does not have any market making activities, and has not employed any individual(s) serving as officer(s) of the company(ies) mentioned in this report.

4) GF Securities (Hong Kong) Brokerage and/or its affiliates does not have any investment banking relationship in Hong Kong with the company(ies) mentioned in this report in the past 12 months.

Copyright © GF Securities (Hong Kong) Brokerage

Without the prior written consent obtained from GF Securities (Hong Kong) Brokerage, any part of the materials contained herein should not (i) in any forms be copied or reproduced or (ii) be re-disseminated.