The storage contract locks your volume, not your price

5 November 2026 | Strategic Intelligence Division | Operations

Sandisk's 10-Q for the quarter ended 2 October 2026 discloses agreements that generally commit customers to purchase a stated volume, mostly over multi-year periods, on fixed and variable pricing. Behind them sits $12.8 billion of customer collateral at third-party banks against $88.9 billion of contracted volume, about 14 cents per dollar. Seagate took 33.2% more revenue per exabyte a year on.

KEY POINTS

1. A multi-year storage commitment states the volume the customer must take and prices it on fixed and variable components, so the supplier keeps the upside when the market rises.
2. Seagate shipped 20.9% more exabytes than a year earlier and took 61.0% more revenue: $19.24 million per exabyte against $14.44 million, or $4.80 more for every blended terabyte.
3. Sandisk's customers have $12.8 billion of collateral standing at third-party financial institutions, about 14 cents for every dollar of the $88.9 billion they have contracted to spend.
4. Sandisk carries $1.6 billion of refund liabilities, which primarily include security deposits under these agreements, returned at the end of the term rather than the end of the need.
5. The signature is the CIO's, the collateral is treasury's, and the clause that releases it is the general counsel's to read.

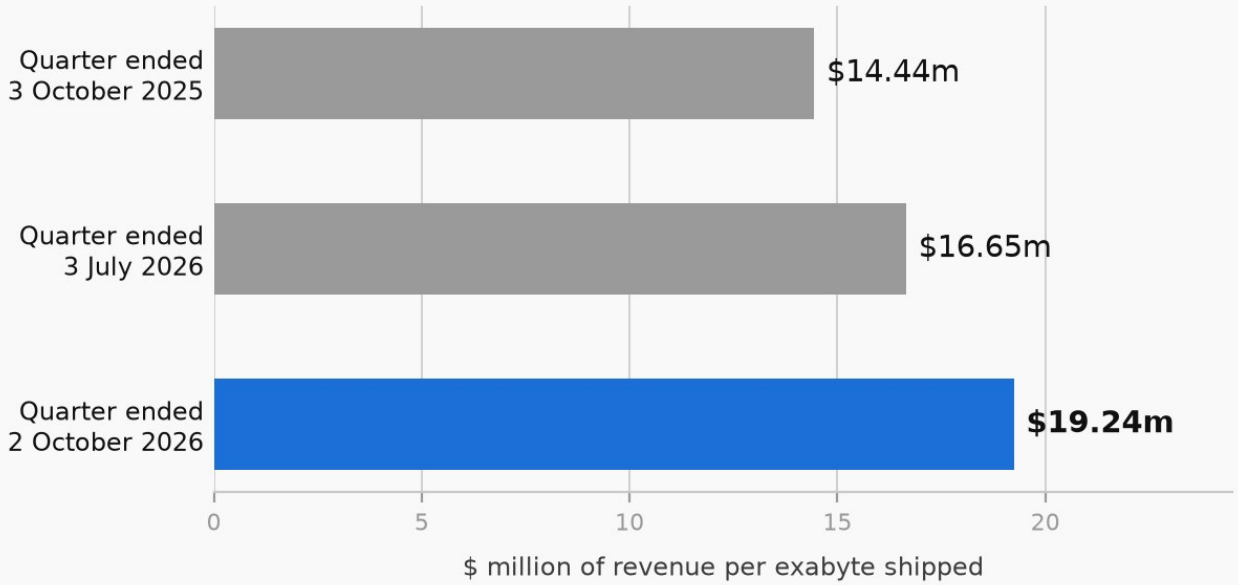
Sandisk's 10-Q for the quarter ended 2 October 2026 describes a storage contract that fixes what a customer must buy and only part of what it pays. The agreements, which the company calls New Business Models, “generally commit us to deliver, and our customers to purchase, a stated volume of products, mostly over multi-year periods”, and they carry “pricing mechanisms consisting of fixed and variable components”. Sandisk expects them to become “our predominant way of doing business”. The same note puts a number on what stands behind them: $12.8 billion of collateral issued or held at third-party financial institutions against $88.9 billion of remaining performance obligations, about 14 cents for every dollar of them. Sandisk recognises none of it, because it has no unconditional right to the money until a customer defaults.

This reaches the CIO who signs a multi-year storage commitment before the volumes arrive, the treasurer who finds the bank lines behind it, and the general counsel who reads the default clause. It reaches any owner of a retention schedule costed on the assumption that a terabyte gets cheaper every year.

Volume grew a fifth while revenue grew three fifths

Seagate shipped 220 exabytes in the quarter ended 2 October 2026 against 182 a year earlier, 20.9% more, and took 61.0% more revenue for them: $4,233 million against $2,629 million. Nearline drives, the tier that holds backups and archives rather than the working set, moved from 160 exabytes to 198 and are 90% of what the company ships. The filing gives the cause in its own words, “favorable pricing actions undertaken by the Company and an increase in nearline exabytes shipped”, and its chief executive gave it a name on 27 October 2026: “value-based pricing strategy”, held alongside “maintaining supply discipline”.

Each exabyte Seagate shipped was worth a third more than a year earlier



Source: Seagate Technology Form 10-Q for the quarter ended 2 October 2026, accession 0001137789-26-000309. Revenue of $2,629 million, $3,629 million and $4,233 million divided by the 182, 218 and 220 exabytes shipped in the same three columns.

WD reported the same quarter a week earlier and guided higher: revenue of $4.38 billion, up 55% year on year, a GAAP gross margin of 57.8% against 43.5%, and revenue of $5.1 billion at a non-GAAP gross margin of 60.5% for the December quarter at the midpoint of its range. Its chief financial officer, Kris Sennesael, put “improved pricing” beside “robust exabyte growth” as the drivers. Sandisk's first fiscal quarter carried $11,031 million of revenue against $2,308 million and an 85.0% GAAP gross margin against 29.8%. Micron's fiscal 2026 revenue was $133.19 billion against $37.38 billion, at a gross margin of 80.7% against 39.8%.

Gross margin a year apart, in each supplier's own figures

Company	Period reported	Gross margin	Same period a year earlier	Change
Seagate	Quarter ended 2 October 2026	57.3%	39.4%	+17.9 points
WD	Quarter ended 2 October 2026	57.8%	43.5%	+14.3 points
Sandisk	Quarter ended 2 October 2026	85.0%	29.8%	+55.2 points
Micron	Fiscal 2026, twelve months	80.7%	39.8%	+40.9 points

Source: All figures GAAP. Seagate from its Form 10-Q for the quarter ended 2 October 2026; WD, Sandisk and Micron from their Form 8-K, Item 2.02, Exhibit 99.1, filed 22 October 2026 (0001628280-26-066882), 29 October 2026 (0001628280-26-068243) and 30 September 2026 (0000723125-26-000018). Micron's is a twelve-month figure and the other three are the quarter ended 2 October 2026.

The volume is guaranteed and the price inside it is not

What the contract states is a volume. What it does not fix is the whole price for the term: the mechanism has a fixed and a variable component, so the part that floats keeps floating while the volume is already committed. Sandisk does not present that as a favour, and does not need to. The same paragraph says the agreements are “supported by financial guarantees that are intended to provide additional protection in the event a customer does not satisfy their contractual purchase obligations”, and that, “as NBMs are expected to become our predominant way of doing business”, the company believes the model will “contribute to greater predictability of revenue, support production planning, and enhance supply assurance for our customers”. Supply assurance is what the buyer is paying for; reduced cyclicality is what the supplier is buying.

WHAT THE FILING SAYS ABOUT THE COLLATERAL, IN FULL

“NBMs may include terms requiring the customer to establish and maintain collateral with third-party financial institutions. The Company’s right to access such off-balance sheet collateral is contingent upon the occurrence of specified events of default or breach by the customer under the applicable NBM.” Source: Sandisk, Inc. Form 10-Q for the quarter ended 2 October 2026, accession 0001628280-26-068601.

The collateral sits at a third-party bank and does not appear on Sandisk's books

Sandisk gives the aggregate: “The aggregate amount of collateral issued or held by third-party financial institutions was $12.8 billion as of October 2, 2026, representing the maximum potential proceeds available to the Company in the event of customer default or breach.” Against $88.9 billion of remaining performance obligations, of which $87.4 billion has not yet been billed, that is about 14 cents of standing collateral for each dollar of contracted volume. The company recognises none of it, because the right to the funds arises only on default or breach. What the buyer gives up in exchange is not only the option to buy later at the spot price: it is the use of the capital for the whole term. Refund liabilities, $1.6 billion against $1.5 billion a quarter earlier, “primarily include security deposits collected under NBMs that must be refunded at the end of the contract term”, so in that part of the book the cash is already with Sandisk, refundable to the customer after it has satisfied all performance conditions.

The gain holds while the exabytes stay scarce

Seagate's chief executive put the two halves in one sentence on 27 October 2026: a HAMR-based roadmap “enables us to address growing exabyte demand through areal density gains while maintaining supply discipline”. Areal density is how a drive maker adds capacity without adding a factory, so the discipline is a decision rather than a constraint. That is what makes the position worth a 57.3% gross margin and what makes it fragile: the discipline is a decision each supplier makes separately, and the price holds only while they all keep making it.

What survives a price reversal is the term

The structure cuts the other way in a downturn, and the honest reading includes it. A buyer who fixed part of the price printed in that quarter has protection if the market falls, and a supplier that signed has given up part of the fall. Sandisk says so itself: the agreements “do not eliminate the risks associated with customer demand, market conditions, or operational execution”. What does not reverse with the price is the commitment. The volume does not shrink because the price turns out to be high, the deposit returns at the end of the term rather than the end of the need, and the bank line stays committed throughout. A buyer who is right about the price and wrong about the volume has still bought the term.

The retention schedule was written on an assumption that has stopped holding

The unit to carry into your own plan is $4.80. That is how much more revenue per blended terabyte Seagate Technology took in the quarter ended 2 October 2026 than a year earlier, on its Form 10-Q: $19.24 million of revenue per exabyte shipped against $14.44 million, 33.2% higher, both Mosaic Singularity analysis, October 2026, on a blend that is 90% nearline by volume. A retention schedule is a cost decision taken once and renewed by default: how long the corpus is kept, how many copies, which tier holds the cold half. Every one of those defaults was priced when a terabyte got cheaper each year. Multiply the $4.80 by the terabytes in your estate, add about 14 cents of collateral for every dollar of volume you commit, and the archive tier stops being the cheap place to put a decision you have not made yet.

The decision is what the commitment is for, and it sits in four seats

The question in front of a buyer is not whether storage is expensive. It is how much capacity to lock, for how long, at what proportion of fixed price, and with whose capital. Those answers belong to different people, and the collateral is arranged with a bank rather than the supplier, so it lives in a document the procurement file does not hold.

What each seat owes before the commitment is priced

Seat	What to do	By when	Why that one
CIO or CTO	Write the pricing mechanism into the commitment: which index the variable component follows, how often it resets, and a cap for the term. Where the supplier will not cap, shorten the term instead of enlarging the volume.	At the next commitment signed, and before 31 March 2027	The volume is the part the contract fixes and the price is the part it does not.
CFO and treasurer	Size the collateral at about 14 cents for every dollar of committed volume and confirm the letters of credit or cash can stay committed for the whole term rather than renewed each year.	Before signature, because the deposit returns only at the end of the term	$12.8 billion of collateral stands behind Sandisk's book and none of it is on Sandisk's balance sheet.
General Counsel	Read the events of default that release the collateral, the conditions for returning the deposit, and whether the obligated entity is the parent or the operating company.	Before signature	Access is contingent on “specified events of default or breach” and the release waits for the end of the term.
COO or the owner of the retention schedule	Re-cost retention at $19.24 per blended terabyte instead of the deflating price the schedule was built on, and decide what stops being kept.	Before 31 March 2027	The same tier costs 33.2% more per terabyte than a year earlier.

Source: Terms from Sandisk, Inc. Form 10-Q for the quarter ended 2 October 2026, accession 0001628280-26-068601. Price per terabyte from Seagate Technology Form 10-Q for the quarter ended 2 October 2026, accession 0001137789-26-000309.

What the board puts to management

- Which storage commitments fix a volume without fixing a price, and what share of each is variable?
- How much collateral or letter of credit capacity does the commitment require, for how many years, and which facility provides it?
- What are the specified events of default, who holds the collateral, and who releases it once we have performed?
- If the price falls by a third, what does the remaining term cost us, and can it be renegotiated or assigned?
- Which retention tiers were costed on deflation, and what does holding them at the current price per terabyte do to the plan?
- Who signed the last storage commitment, and did that seat see the collateral terms before signing?
- Resolve, at the sitting that approves the capital plan and in any case by 31 March 2027, that no storage commitment fixing a volume for a multi-year term is signed without a capped variable component, and that the collateral and letter of credit capacity standing behind those commitments is reported to the audit committee at each quarter end. Two facts make that a board resolution rather than a procurement note: the contract fixes the volume and only part of the price, and $12.8 billion of the buyer's capital sits at third-party banks in a document the procurement file does not hold.

The six filings behind every number here

Seagate Technology, Form 10-Q for the quarter ended 2 October 2026, accession 0001137789-26-000309.

Seagate Technology, Form 8-K, Item 2.02, Exhibit 99.1, filed 27 October 2026, accession 0001137789-26-000300.

WD, Form 8-K, Item 2.02, Exhibit 99.1, filed 22 October 2026, accession 0001628280-26-066882.

Sandisk, Inc. Form 8-K, Item 2.02, Exhibit 99.1, filed 29 October 2026, accession 0001628280-26-068243.

Sandisk, Inc. Form 10-Q for the quarter ended 2 October 2026, accession 0001628280-26-068601.

Micron Technology, Form 8-K, Item 2.02, Exhibit 99.1, filed 30 September 2026, accession 0000723125-26-000018.

What to watch before 31 March 2027

- WD's December quarter, guided to $5.1 billion of revenue at a 60.5% non-GAAP gross margin. If that prints and the guidance after it is higher again, any commitment signed now is priced before another rise.
- Sandisk's collateral line in its next 10-Q. $12.8 billion stood against $88.9 billion of obligations as of 2 October 2026; if obligations grow while the collateral falls, the terms were a peak condition rather than a new one.
- Any supplier that offers a fixed price for a multi-year term without collateral. That offer ends this reading.
- The first enterprise buyer to disclose a deposit or a letter of credit under one of these agreements. It puts the other side of the trade on the record.
- 31 March 2027. If no supplier has announced a further increase by then and Sandisk's collateral has fallen, the reading that storage terms tightened permanently fails: the price rise was a cycle and the collateral was its peak.