

WESTERN DIGITAL CORPORATION
SUMMARY OF GAAP AND NON-GAAP GUIDANCE⁽¹⁾

PROVIDED AS OF JULY 26, 2018
(unaudited)

	Three Months Ending	
	September 28, 2018	September 28, 2018
	GAAP ⁽²⁾	Non-GAAP ⁽²⁾
Revenue	\$5.1B - \$5.2B	\$5.1B - \$5.2B
Gross Margin	33% - 34%	38% - 39%
Operating Expenses	\$975M - \$1.0B	\$825M - \$835M
Interest and Other Expense, Net	~ \$110M	~ \$105M
Tax Rate	N/A	~ 10% ⁽³⁾
Diluted Earnings Per Share	N/A	\$3.00 - \$3.10
Diluted Shares Outstanding	~ 304M	~ 304M

	Long-Term Financial Model	
	GAAP ⁽⁴⁾	Non-GAAP ⁽⁴⁾
Revenue Growth CAGR	4% - 8%	4% - 8%
Gross Margin ⁽⁵⁾	31% - 38%	35% - 40%
Operating Expenses ⁽⁵⁾	16% - 19%	14% - 16%
Operating Margin ⁽⁵⁾	13% - 21%	20% - 25%
Tax Rate	N/A	~ 10% ⁽³⁾
Cash Capital Expenditures ⁽⁵⁾⁽⁶⁾	6% - 8%	6% - 8%

FOOTNOTES

- ¹ This document contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements concerning the company's anticipated financial results for its first fiscal quarter 2019 ending September 28, 2018 and the company's long-term financial model. These forward-looking statements are based on management's current expectations and are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied in the forward-looking statements, including: volatility in global economic conditions; business conditions and growth in the storage ecosystem; impact of competitive products and pricing; market acceptance and cost of commodity materials and specialized product components; actions by competitors; unexpected advances in competing technologies; our development and introduction of products based on new technologies and expansion into new data storage markets; risks associated with acquisitions, mergers and joint ventures; difficulties or delays in manufacturing; and other risks and uncertainties listed in the company's filings with the Securities and Exchange Commission (the "SEC"), including the company's Form 10-Q filed with the SEC on May 8, 2018, to which your attention is directed. You should not place undue reliance on these forward-looking statements, which speak only as of the date hereof, and the company undertakes no obligation to update these forward-looking statements to reflect new information or events.
- ² The company's first quarter fiscal 2019 non-GAAP gross margin guidance excludes amortization of acquired intangible assets and stock-based compensation expense totaling approximately \$250 million. The company's non-GAAP operating expenses guidance excludes amortization of acquired intangible assets; stock-based compensation expense; employee termination, asset impairment and other charges; and charges related to cost saving initiatives totaling approximately \$150 million to \$190 million. The company's non-GAAP interest and other expense guidance excludes \$5 million of convertible debt activity, net. In the aggregate, non-GAAP diluted earnings per share guidance excludes these items totaling \$405 million to \$445 million. The timing and amount of these charges excluded from non-GAAP gross margin, non-GAAP operating expenses, non-GAAP interest and other expense and non-GAAP diluted earnings per share cannot be further allocated or quantified with certainty. Additionally, the timing and amount of additional charges the company excludes from its non-GAAP tax rate and non-GAAP diluted earnings per share are dependent on the timing and determination of certain actions and cannot be reasonably predicted. Accordingly, full reconciliations of non-GAAP gross margin, non-GAAP operating expenses, non-GAAP interest and other expense, non-GAAP tax rate and non-GAAP diluted earnings per share to the most directly comparable GAAP financial measures (gross margin, operating expenses, interest and other expense, tax rate and diluted earnings per share, respectively) are not available without unreasonable effort.
- ³ The non-GAAP tax rates provided are based on a percentage of non-GAAP pre-tax income.
- ⁴ Non-GAAP gross margin, non-GAAP operating expenses and non-GAAP operating margin in the company's long-term financial model exclude amortization of acquired intangible assets and stock-based compensation expense. The timing and amount of these charges excluded from non-GAAP gross margin, non-GAAP operating expenses and non-GAAP operating margin cannot be further allocated or quantified with certainty. Additionally, the timing and amount of additional charges the company excludes from its non-GAAP tax rate are dependent on the timing and determination of certain actions and cannot be reasonably predicted. Accordingly, full reconciliations of non-GAAP gross margin, non-GAAP operating expenses, non-GAAP operating margin and non-GAAP tax rate to the most directly comparable GAAP financial measures (gross margin, operating expenses, operating margin and tax rate, respectively) are not available without unreasonable effort.
- ⁵ Gross margin, operating expenses, operating margin and cash capital expenditures provided in the company's long-term financial model are based on a percentage of revenue.
- ⁶ Cash capital expenditures consists of purchases of property, plant and equipment, net, and activity related to Flash Ventures, net.