

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

PROVIDED AS OF APRIL 26, 2018

(unaudited)

	Three Months Ending	
	June 29, 2018	June 29, 2018
	GAAP ⁽²⁾	Non-GAAP
Revenue	\$5.0B - \$5.1B	\$5.0B - \$5.1B
Gross Margin	36% - 37%	41% - 42%
Operating Expenses	\$975M - \$1B	\$840M - \$850M
Interest and Other Expense, Net	~ \$100M	~ \$100M
Tax Rate	N/A	5% - 7%
Diluted Earnings Per Share	N/A	\$3.40 - \$3.50
Diluted Shares Outstanding	~ 309M	~ 309M

	Twelve Months Ending	
	June 29, 2018	June 29, 2018
	GAAP	Non-GAAP
Revenue ⁽³⁾	Meet or exceed prior expectations	Meet or exceed prior expectations
Diluted Earnings per Share ⁽³⁾⁽⁴⁾	N/A	Meet or exceed prior expectations

	Twelve Months Ending	
	Dec. 28, 2018	Dec. 28, 2018
	GAAP	Non-GAAP
Revenue ⁽⁵⁾	High end of long-term model of 4% - 8% growth	High end of long-term model of 4% - 8% growth

	Three Months Ending	
	Sept. 28 and Dec. 28, 2018	Sept. 28 and Dec. 28, 2018
	GAAP	Non-GAAP
Gross margin ⁽⁶⁾	N/A	At least 40% for each of the remaining calendar quarters of 2018

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 fourth fiscal quarter 2018 ending June 29, 2018, twelve months ending June 29, 2018, twelve months ending December 28, 2018, and three months ending September 28, 2018 and December 28, 2018. 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; impacts of new tax legislation; 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 February 6, 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 fourth quarter fiscal 2018 non-GAAP gross margin guidance excludes amortization of acquired intangible assets, stock-based compensation expense, and charges related to cost saving initiatives 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; charges related to cost saving initiatives and acquisition-related charges totaling approximately \$130 million to \$155 million. In the aggregate, non-GAAP diluted earnings per share guidance excludes these items totaling \$380 million to \$405 million. The timing and amount of these charges excluded from non-GAAP gross margin, non-GAAP operating expenses 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 tax rate and non-GAAP diluted earnings per share to the most directly comparable GAAP financial measures (gross margin, operating expenses, tax rate and diluted earnings per share, respectively) are not available without unreasonable effort.
- 3 Refer to prior expectations as disclosed in the guidance summary published on January 25, 2018.
- 4 The company's fiscal year 2018 non-GAAP diluted earnings per share guidance excludes the amortization of acquired intangible assets; stock-based compensation expense; employee termination, asset impairment and other charges; charges related to cost saving initiatives; acquisition-related charges; debt extinguishment costs; convertible debt activity, net; other charges and income tax adjustments totaling approximately \$3.9 billion. Of this \$3.9 billion, as a result of the Tax Cuts and Jobs Act, there was a provisional income tax expense of \$1.66 billion for the one-time mandatory deemed repatriation tax and a provisional income tax benefit of \$79 million related to the re-measurement of deferred tax assets and liabilities recognized as of the nine months ended March 30, 2018. Also included in the \$3.9 billion is \$894 million of debt extinguishment costs recognized during the third fiscal quarter 2018 as part of the company's debt financing transactions. The timing and amount of other charges excluded from 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 this non-GAAP financial measure are dependent on the timing of certain actions and cannot be reasonably predicted. Accordingly, a full reconciliation of non-GAAP diluted earnings per share to the most directly comparable GAAP diluted earnings per share is not available without unreasonable effort.
- 5 The company's calendar 2018 revenue guidance is at the high end of the company's long-term model of 4% to 8% revenue growth from calendar 2017.
- 6 This non-GAAP measure excludes amortization of acquired intangible assets; stock-based compensation expense; and charges related to cost saving initiatives totaling approximately \$250 million for each of the quarters ended September 28, 2018 and December 28, 2018. The timing and amount of these charges excluded from non-GAAP gross margin cannot be further allocated or quantified with certainty. Additionally, the timing and amount of additional charges the company excludes from this non-GAAP financial measure are dependent on the timing of certain actions and cannot be reasonably predicted. Accordingly, a full reconciliation of non-GAAP gross margin to the most directly comparable GAAP gross margin is not available without unreasonable effort.