



**Western Digital.**

# Fiscal Q4-2018 Earnings Conference Call

July 26, 2018

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*Steve Milligan, Chief Executive Officer*

*Mike Cordano, President & Chief Operating Officer*

*Mark Long, Chief Financial Officer*

July 26, 2018

# Forward-Looking Statements

## *Safe Harbor | Disclaimers*

This presentation contains forward-looking statements that involve risks and uncertainties, including, but not limited to, statements regarding our product and technology platform; market positioning; business strategies and growth opportunities; market and flash industry trends; our joint ventures with Toshiba Memory Corporation; and our expected future financial performance, capital allocation plans and potential repurchases by the company of shares of our common stock. Forward-looking statements should not be read as a guarantee of future performance or results, and will not necessarily be accurate indications of the times at, or by, which such performance or results will be achieved, if at all. Forward-looking statements are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in or suggested by the forward-looking statements.

Key risks and uncertainties include 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") and available on the SEC's website at [www.sec.gov](http://www.sec.gov), including our most recently filed periodic report, to which your attention is directed. We do not undertake any obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future developments or otherwise, except as otherwise required by law.

This presentation includes references to non-GAAP financial measures. Reconciliations of the differences between the non-GAAP measures provided in this presentation to the comparable GAAP financial measures are included in the appendix and in the Investor Relations section of our website. We have not fully reconciled our non-GAAP financial measure guidance to the most directly comparable GAAP measures because material items that impact these measures are not in our control and/or cannot be reasonably predicted. Accordingly, a full reconciliation of the non-GAAP financial measure guidance to the corresponding GAAP measures is not available without unreasonable effort.



**Western Digital®**

**Steve Milligan**

*Chief Executive Officer*

# Delivered Strong Fiscal Year and Q4 Results



Revenue

**\$20.6B**



Non-GAAP  
Gross margin

**42%**



Non-GAAP  
EPS

**\$14.73**



Operating cash flow

**\$4.2B**

**FY2018**

**FQ4'18**

**\$5.1B**

**41%**

**\$3.61**

**\$0.9B**

Demonstrating the power and agility of the Western Digital platform

See Appendix for reconciliations of GAAP to Non-GAAP financial measures

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# Market Environment



Supportive  
macro conditions



Unabated data  
growth, increasing  
value



Significant spend in  
data center capex



Flash market  
normalizing

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Strategically positioned to capitalize on market opportunities

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# Positioned for Long-Term Value Creation

- **Exponential growth in the volume and value of data**
  - Growing opportunities in Artificial Intelligence, Machine Learning and other Big Data, Fast Data applications
- **Demonstrating the power of our platform**
  - Continued leadership in Capacity Enterprise hard drives
  - Deploying 64-layer and 96-layer 3D NAND across our portfolio
  - Launched X4 for BiCS4
- **Solid financial execution**
  - Adjusting to flash normalization trends
  - Reviewing capital investment plans

The background features a stylized architectural rendering of a modern building with a glass facade and a series of vertical columns. The scene is viewed from a low angle, looking up towards the sky. The color palette is dominated by light blues and greys, with a vertical gradient from light to dark. The Western Digital logo is positioned in the top left corner.

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**Mike Cordano**

*President & Chief Operating Officer*

# Platform Delivers Strong FQ4-2018 Results

- Broad exposure to favorable growth trends
- Continued operational excellence
- Achieved technology milestones
- Product portfolio expansion

HDD

5<sup>th</sup> generation helium drive, 14TB

SSD

Highest performance NVMe SSDs

3D Flash

Ramping 96-layer technology

## Client Solutions



## Client Devices



## Data Center Devices



## Data Center Solutions



# Data Center Devices and Solutions

- Strong portfolio, delivering for customers
  - New 15TB SAS SSD
  - Revenue shipments of NVMe based SSDs
  - Full range of capacity enterprise hard drives: 4TB – 14TB
- Continued leadership in capacity enterprise
  - Y/Y industry exabyte growth expectations
    - First-half CY2018: 90%+
    - CY2018: 65%+
- Groundbreaking MAMR technology
  - Sampling drives in second-half of CY2018
  - Production ramp in CY2019



# Client Devices

- Diverse, growing end market with customers demanding innovative solutions
  - Mobility, embedded, surveillance, compute
- Mobile product portfolio expansion
  - Broad range of eMMC, UFS and other interfaces
  - Proliferation of BiCS3 across the portfolio
- Client SSD leadership
  - Fastest NVMe product in the market



*NVMe SSD: Editor's Choice and Gold Seal Awards*



# Client Solutions

- Leading portfolio of consumer brands
- Strong competitive positioning with differentiated products
- Award winning innovative solutions



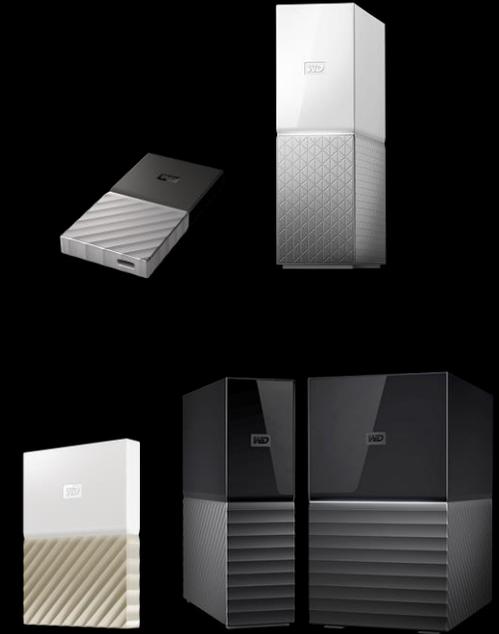
G-Technology™



SanDisk®



WD



NAB  
Best in Show

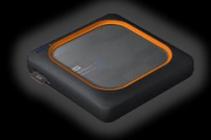


CES Innovation  
Award Honoree



SanDisk®

Best removable  
flash storage brand



Best external  
backup drive

# Operations Update

- HDD

- Consolidating manufacturing footprint
- Continued focus on productivity initiatives
- Preparing for commercialization of MAMR technology

- Flash

- 64-layer 3D flash, BiCS3, ramp continues
  - CY2018: Nearly 75% of total bit supply
- 96-layer 3D flash, BiCS4, ramp has begun
- Announced X4 (QLC) for BiCS4



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**Mark Long**

*Chief Financial Officer*

# Highlights of Fiscal 2018 Performance

Strong execution across broad end markets

Diversified product portfolio driving results

Increased gross margins, expense productivity,  
reduced interest expense

**Significant**  
revenue and  
earnings growth

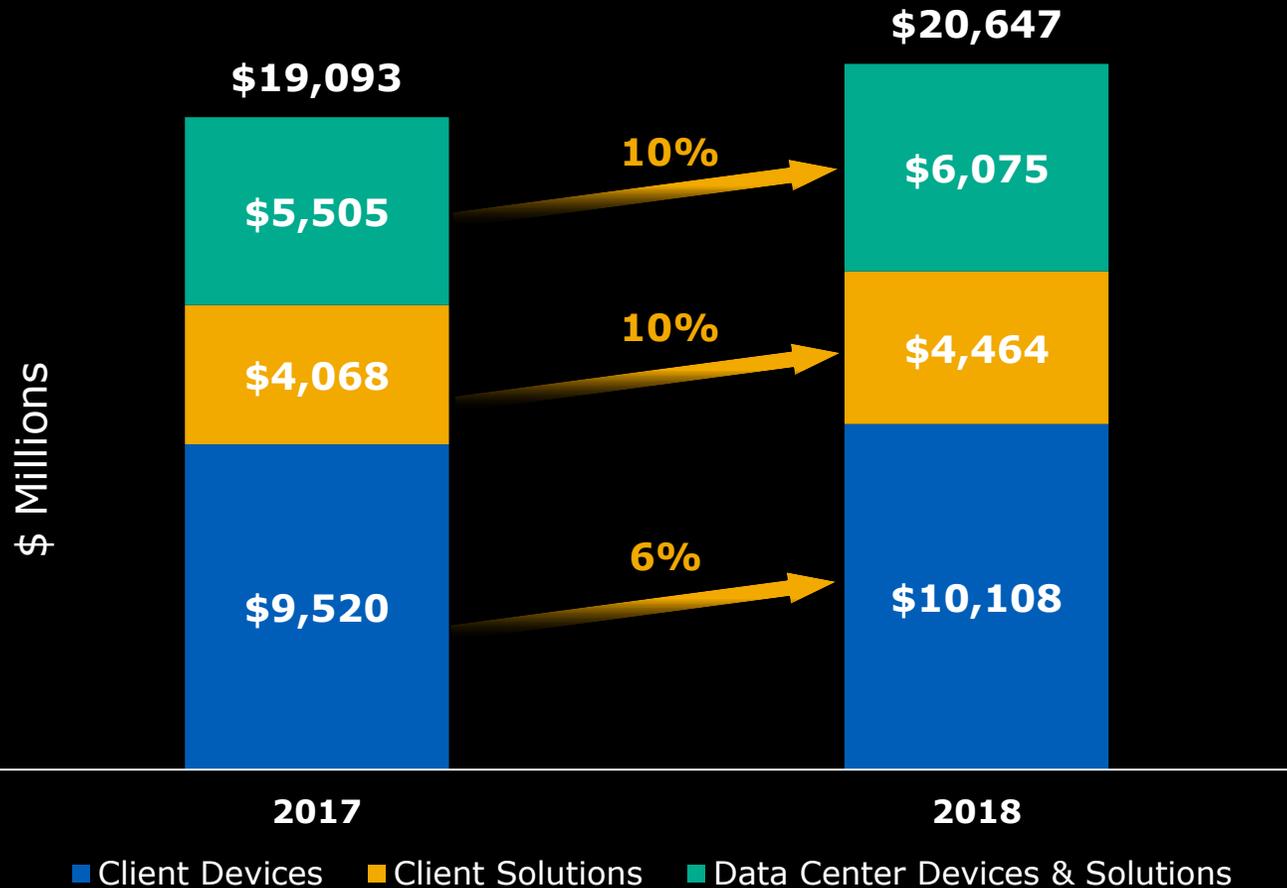
Robust cash flow generation

Significant improvement in capital structure

**Strong**  
liquidity position

# Strong Fiscal Year Revenue Growth

**8% total revenue growth**



## Data Center Devices & Solutions

- Significant growth in capacity enterprise driven by cloud related storage demand

## Client Solutions

- Results driven by the strength in our flash retail and hard drive products

## Client Devices

- Growth in mobile and embedded products, offset by client compute devices

# Fiscal Q4 and 2018 Non-GAAP Results

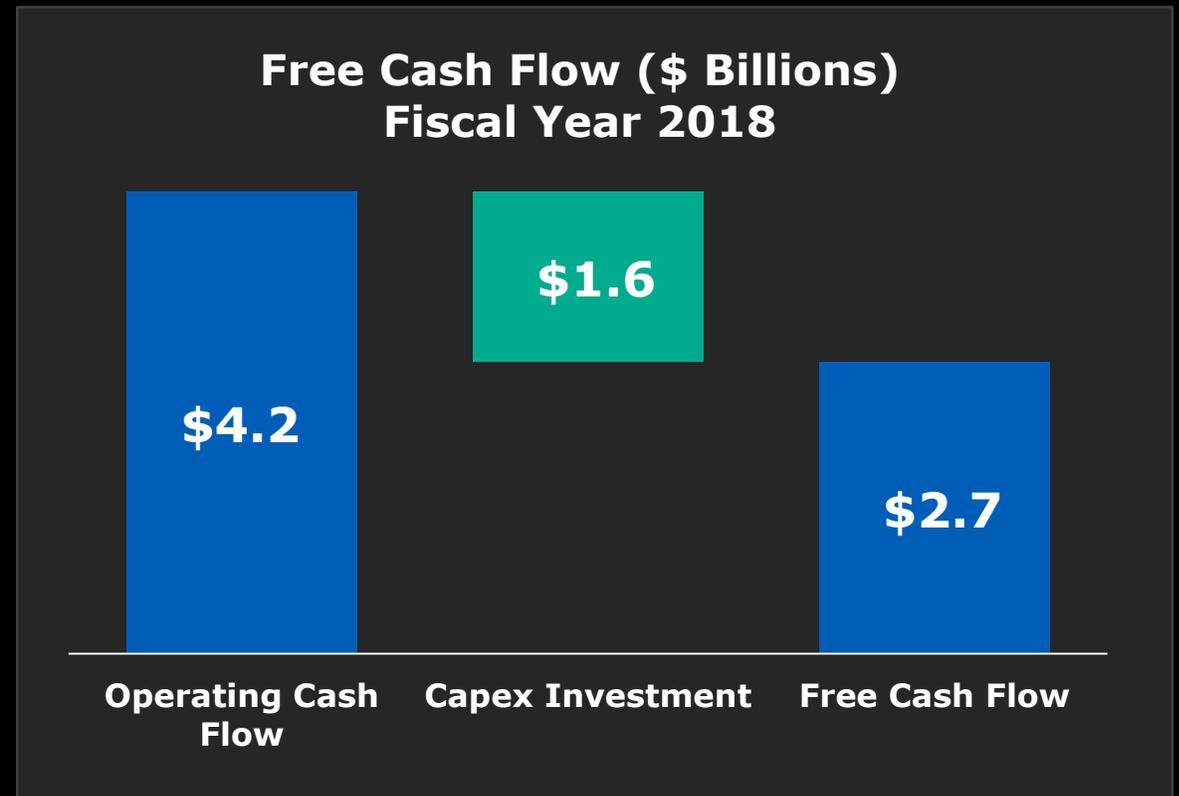
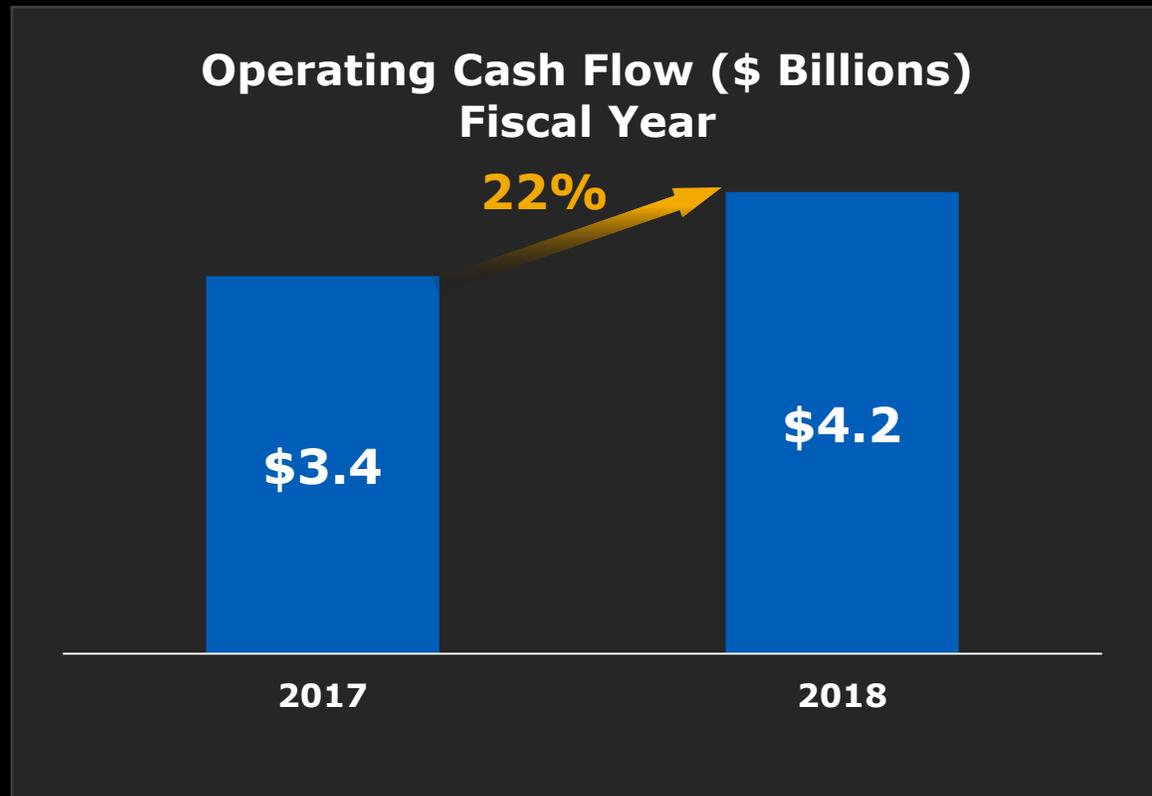
\$ Millions, except EPS	FQ4'18	Y/Y	FY'18	Y/Y
<b>Revenue</b>	\$5,117	6%	\$20,647	8%
<b>Gross Margin %</b>	41.0%	(30) BPS	42.5%	470 BPS
<b>Operating Expenses</b>	\$820	1%	\$3,354	2%
<b>Operating Income</b>	\$1,277	8%	\$5,415	38%
<b>Interest and Other Expense, net</b>	\$101	(49%)	\$618	(27%)
<b>EPS</b>	\$3.61	23%	\$14.73	60%

Capitalizing on our diversified product portfolio with strong execution

See Appendix for reconciliations of GAAP to Non-GAAP financial measures

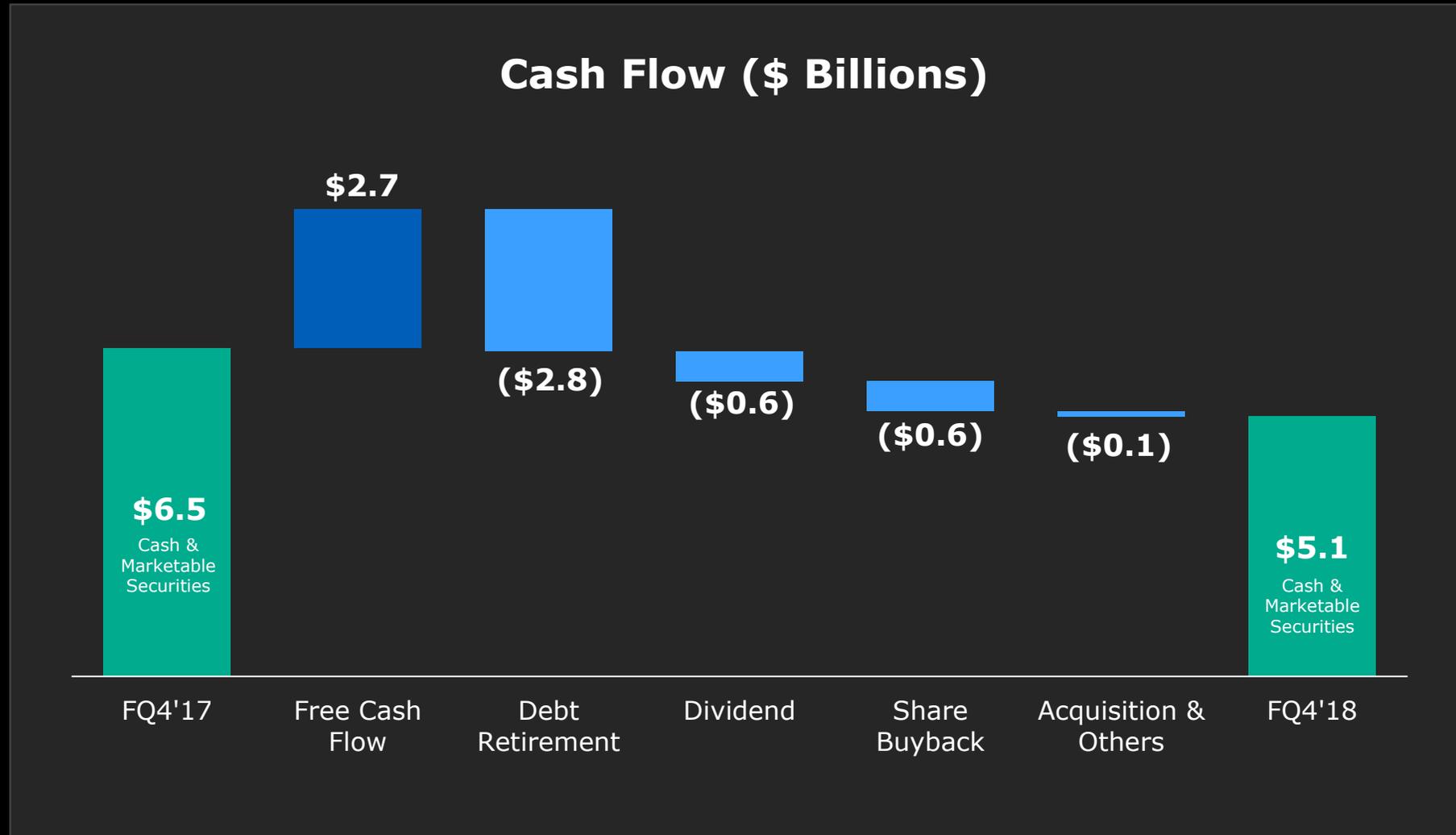
# Strong Cash Generation

- Operating Cash Flow: Fiscal Year 2018 up 22%
- Capex investment within the long-term model of 6-8% of revenue



Totals may not add due to rounding

# Fiscal Year 2018 Cash Flow



## Capital Allocation Priorities

- Organic and inorganic growth opportunities
- Continued optimization of capital structure
- Committed to the dividend
- Authorized new \$5B buyback program<sup>(1)</sup>

## Additional Liquidity Available

- \$1.75B of \$2.25B revolver capacity

Enhanced financial flexibility and increased cash returns to shareholders

# Compelling Long-Term Financial Model

	Previous	Updated
<b>Revenue CAGR</b> (%)	4% - 8%	4% - 8%
<b>Non-GAAP Gross Margin</b> (% of Revenue)	33% - 38%	35% - 40%
<b>Non-GAAP Operating Expenses</b> (% of Revenue)	14% - 16%	14% - 16%
<b>Non-GAAP Operating Margin</b> (% of Revenue)	18% - 23%	20% - 25%
<b>Non-GAAP Tax Rate</b> (% of Pre-Tax Income)	7% - 12%	~10%
<b>Cash CapEx</b> (% of Revenue)	6% - 8%	6% - 8%

## Non-GAAP Gross and Operating Margin

- Increasing mix of flash revenue
- Shift towards capacity enterprise

## Non-GAAP Tax Rate

- Updated analysis of the new tax legislation

See Appendix for reconciliations of GAAP to Non-GAAP financial measures

# FQ1-2019 Non-GAAP Guidance

Key Financial Metrics	FQ1'19
Revenue (\$B)	\$5.1 - \$5.2
Gross Margin %	38% - 39%
Operating Expense (\$M)	\$825 - \$835
Interest and Other Expense, net (\$M)	~\$105
Tax Rate	~10%
EPS	\$3.00 - \$3.10
Diluted Shares Outstanding (M)	~304

See Appendix for reconciliations of GAAP to Non-GAAP financial measures

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## Q&A

*Steve Milligan, Chief Executive Officer*

*Mike Cordano, President & Chief Operating Officer*

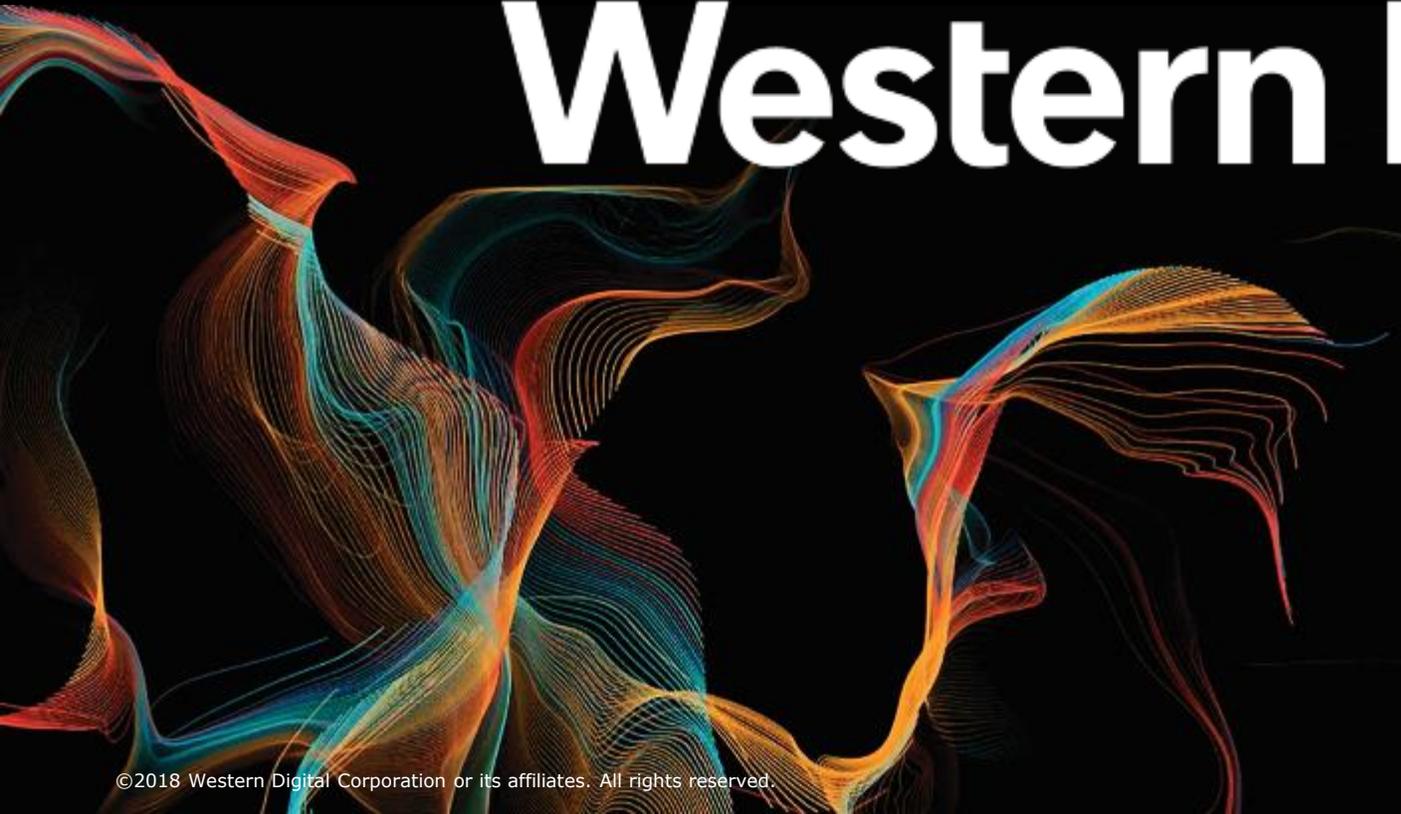
*Mark Long, Chief Financial Officer*

July 26, 2018

# Leading Global Data Storage Solutions Provider

- Delivering solutions that help customers capture, preserve, access and transform an ever-increasing diversity of data
- Uniquely positioned to address rapid growth in Big Data and Fast Data applications
- Delivering revenue growth, strong profitability, with significant cash flow generation
- Disciplined and balanced capital allocation while maintaining flexibility



An abstract graphic on the left side of the image, consisting of multiple overlapping, flowing lines in shades of red, orange, yellow, and cyan. The lines create a sense of movement and depth, resembling a stylized wave or a digital signal. The background is solid black.

# Western Digital®



# Western Digital<sup>®</sup>

## Appendix

# GAAP to Non-GAAP Reconciliation

*\$ millions; unaudited*

	Three Months Ended		Twelve Months Ended	
	6/29/2018	6/30/2017	6/29/2018	6/30/2017
<b>GAAP COST OF REVENUE</b>	<b>\$ 3,265</b>	<b>\$ 3,161</b>	<b>\$12,942</b>	<b>\$13,021</b>
Amortization of acquired intangible assets	(234)	(279)	(1,022)	(1,003)
Stock-based compensation expense	(12)	(12)	(49)	(49)
Acquisition-related charges	-	-	-	(18)
Charges related to cost saving initiatives	1	(24)	7	(68)
Other	-	(2)	-	(5)
<b>NON-GAAP COST OF REVENUE</b>	<b>\$ 3,020</b>	<b>\$ 2,844</b>	<b>\$11,878</b>	<b>\$11,878</b>
<b>GAAP GROSS PROFIT</b>	<b>\$ 1,852</b>	<b>\$ 1,681</b>	<b>\$7,705</b>	<b>\$6,072</b>
Amortization of acquired intangible assets	234	279	1,022	1,003
Stock-based compensation expense	12	12	49	49
Acquisition-related charges	-	-	-	18
Charges related to cost saving initiatives	(1)	24	(7)	68
Other	-	2	-	5
<b>NON-GAAP GROSS PROFIT</b>	<b>\$ 2,097</b>	<b>\$ 1,998</b>	<b>\$8,769</b>	<b>\$7,215</b>
<b>GAAP OPERATING EXPENSES</b>	<b>\$ 1,009</b>	<b>\$ 1,029</b>	<b>\$4,088</b>	<b>\$4,118</b>
Amortization of acquired intangible assets	(41)	(40)	(163)	(159)
Stock-based compensation expense	(66)	(77)	(327)	(333)
Employee termination, asset impairment and other charges	(80)	(80)	(215)	(232)
Acquisition-related charges	(1)	-	(13)	(17)
Charges related to cost saving initiatives	(1)	(16)	(19)	(86)
Other	-	(4)	3	(8)
<b>NON-GAAP OPERATING EXPENSES</b>	<b>\$ 820</b>	<b>\$ 812</b>	<b>\$3,354</b>	<b>\$3,283</b>
<b>GAAP OPERATING INCOME</b>	<b>\$ 843</b>	<b>\$ 652</b>	<b>\$3,617</b>	<b>\$1,954</b>
Cost of revenue adjustments	245	317	1,064	1,143
Operating expense adjustments	189	217	734	835
<b>NON-GAAP OPERATING INCOME</b>	<b>\$ 1,277</b>	<b>\$ 1,186</b>	<b>\$5,415</b>	<b>\$3,932</b>
<b>GAAP INTEREST AND OTHER EXPENSE, NET</b>	<b>\$ (114)</b>	<b>\$ (237)</b>	<b>\$ (1,532)</b>	<b>\$ (1,185)</b>
Convertible debt activity, net	7	(1)	10	6
Debt extinguishment costs	3	-	899	274
Other	3	41	5	54
<b>NON-GAAP INTEREST AND OTHER EXPENSE, NET</b>	<b>\$ (101)</b>	<b>\$ (197)</b>	<b>\$ (618)</b>	<b>\$ (851)</b>
<b>GAAP INTEREST EXPENSE</b>	<b>\$ (114)</b>	<b>\$ (201)</b>	<b>\$ (676)</b>	<b>\$ (847)</b>
Non-cash economic interest expense	7	-	10	1
<b>NON-GAAP INTEREST EXPENSE</b>	<b>\$ (107)</b>	<b>\$ (201)</b>	<b>\$ (666)</b>	<b>\$ (846)</b>
<b>GAAP INCOME TAX EXPENSE</b>	<b>\$ (27)</b>	<b>\$ 135</b>	<b>\$ 1,410</b>	<b>\$ 372</b>
Income tax adjustments	94	(27)	(1,136)	(11)
<b>NON-GAAP INCOME TAX EXPENSE</b>	<b>\$ 67</b>	<b>\$ 108</b>	<b>\$ 274</b>	<b>\$ 361</b>

# GAAP to Non-GAAP Reconciliation (cont.)

\$ millions, except per share amounts; unaudited

	Three Months Ended		Twelve Months Ended	
	6/29/2018	6/30/2017	6/29/2018	6/30/2017
<b>GAAP NET INCOME (LOSS)</b>	<b>\$ 756</b>	<b>\$ 280</b>	<b>\$ 675</b>	<b>\$ 397</b>
Amortization of acquired intangible assets	275	319	1,185	1,162
Stock-based compensation expense	78	89	376	382
Employee termination, asset impairment and other charges	80	80	215	232
Acquisition-related charges	1	-	13	35
Charges related to cost saving initiatives	-	40	12	154
Convertible debt activity, net	7	(1)	10	6
Debt extinguishment costs	3	-	899	274
Other	3	47	2	67
Income tax adjustments	(94)	27	1,136	11
<b>NON-GAAP NET INCOME</b>	<b>\$ 1,109</b>	<b>\$ 881</b>	<b>\$ 4,523</b>	<b>\$ 2,720</b>
<b>DILUTED INCOME (LOSS) PER COMMON SHARE</b>				
GAAP	\$ 2.46	\$ 0.93	\$ 2.20	\$ 1.34
Non-GAAP	\$ 3.61	\$ 2.93	\$ 14.73	\$ 9.19
<b>DILUTED WEIGHTED AVERAGE SHARES OUTSTANDING</b>				
GAAP	307	301	307	296
Non-GAAP	307	301	307	296

	FQ4'18	FY18
<b>CASH FLOWS PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 863</b>	<b>\$ 4,205</b>
Purchases of Property, Plant and Equipment, net	(190)	(809)
Activity Related to Flash Ventures, net	(35)	(742)
<b>FREE CASH FLOW</b>	<b>\$ 638</b>	<b>\$ 2,654</b>

# Footnotes for GAAP to Non-GAAP Reconciliation

This presentation contains the following financial measures that are not in accordance with U.S. generally accepted accounting principles ("GAAP"): non-GAAP cost of revenue; non-GAAP gross profit; non-GAAP operating expenses; non-GAAP operating income; non-GAAP interest and other expense, net; non-GAAP interest expense; non-GAAP income tax expense; non-GAAP net income and non-GAAP diluted income per common share ("Non-GAAP measures"). These Non-GAAP measures are not in accordance with, or an alternative for, measures prepared in accordance with GAAP and may be different from Non-GAAP measures used by other companies. The company believes the presentation of these Non-GAAP measures, when shown in conjunction with the corresponding GAAP measures, provides useful information to investors for measuring the company's earnings performance and comparing it against prior periods. Specifically, the company believes these Non-GAAP measures provide useful information to both management and investors as they exclude certain expenses, gains and losses that the company believes are not indicative of its core operating results or because they are consistent with the financial models and estimates published by many analysts who follow the company and its peers. As discussed further below, these Non-GAAP measures exclude the amortization of acquired intangible assets, stock-based compensation expense, employee termination, asset impairment and other charges, acquisition-related charges, charges related to cost saving initiatives, convertible debt activity, debt extinguishment costs, other charges, and income tax adjustments, and the company believes these measures along with the related reconciliations to the GAAP measures provide additional detail and comparability for assessing the company's results. These Non-GAAP measures are some of the primary indicators management uses for assessing the company's performance and planning and forecasting future periods. These measures should be considered in addition to results prepared in accordance with GAAP, but should not be considered a substitute for, or superior to, GAAP results.

As described above, the company excludes the following items from its Non-GAAP measures:

**Amortization of acquired intangible assets.** The company incurs expenses from the amortization of acquired intangible assets over their economic lives. Such charges are significantly impacted by the timing and magnitude of the company's acquisitions and any related impairment charges.

**Stock-based compensation expense.** Because of the variety of equity awards used by companies, the varying methodologies for determining stock-based compensation expense, the subjective assumptions involved in those determinations, and the volatility in valuations that can be driven by market conditions outside the company's control, the company believes excluding stock-based compensation expense enhances the ability of management and investors to understand and assess the underlying performance of its business over time and compare it against the company's peers, a majority of whom also exclude stock-based compensation from their non-GAAP results.

**Employee termination, asset impairment and other charges.** From time-to-time, in order to realign the company's operations with anticipated market demand or to achieve cost synergies from the integration of acquisitions, the company may terminate employees and/or restructure its operations. During the fiscal quarter ended June 29, 2018, the company incurred charges related to a planned hard drive manufacturing site closure and consolidation, as well as other restructuring actions. From time-to-time, the company may also incur charges from the impairment of intangible assets and other long-lived assets. These charges (including any reversals of charges recorded in prior periods) are inconsistent in amount and frequency, and the company believes are not indicative of the underlying performance of its business.

**Acquisition-related charges.** In connection with the company's business combinations, the company incurs expenses which it would not have otherwise incurred as part of its business operations. These expenses include third-party professional service and legal fees, third-party integration services, severance costs, non-cash adjustments to the fair value of acquired inventory, contract termination costs, and retention bonuses. The company may also experience other accounting impacts in connection with these transactions. These charges and impacts are related to acquisitions, are inconsistent in amount and frequency, and the company believes are not indicative of the underlying performance of its business.

**Charges related to cost saving initiatives.** In connection with the transformation of the company's business combinations, the company has incurred charges related to cost saving initiatives which do not qualify for special accounting treatment as exit or disposal activities. These charges, which the company believes are not indicative of the underlying performance of its business, primarily relate to costs associated with rationalizing the company's channel partners or vendors, transforming the company's information systems infrastructure, integrating the company's product roadmap, and accelerated depreciation on assets.

**Convertible debt activity, net.** The company excludes non-cash economic interest expense associated with its convertible notes, the gains and losses on the conversion of its convertible senior notes and call option, and unrealized gains and losses related to the change in fair value of the exercise option and call option. These charges and gains and losses do not reflect the company's operating results, and the company believes are not indicative of the underlying performance of its business.

**Non-cash economic interest expense.** The company excludes non-cash economic interest expense associated with its convertible notes. These charges do not reflect the company's operating results, and the company believes are not indicative of the underlying performance of its business.

**Debt extinguishment costs.** From time-to-time, the company replaces its existing debt with new financing at more favorable interest rates or utilize available capital to settle debt early, both of which generate interest savings in future periods. The company incurs debt extinguishment charges consisting of the costs to call the existing debt and/or the write-off of any related unamortized debt issuance costs. These gains and losses do not reflect the company's operating results, and the company believes are not indicative of the underlying performance of its business.

**Other charges.** From time-to-time, the company sells or impairs investments or other assets which are not considered necessary to its business operations, or incurs other charges or gains that the company believes are not a part of the ongoing operation of its business. The resulting expense or benefit is inconsistent in amount and frequency.

**Income tax adjustments.** Income tax adjustments include the difference between income taxes based on a forecasted annual non-GAAP tax rate and a forecasted annual GAAP tax rate as a result of the timing of certain non-GAAP pre-tax adjustments. Additionally, as a result of the Tax Cuts and Jobs Act, the twelve months ended June 29, 2018 income tax adjustments include a provisional income tax expense of \$1.6 billion for the one-time mandatory deemed repatriation tax and a provisional income tax benefit of \$65 million related to the re-measurement of deferred tax assets and liabilities.

**Free cash flow.** Free cash flow is a non-GAAP financial measure defined as cash flows provided by operating activities less purchases of property, plant and equipment, net of proceeds from sales of property, plant and equipment, and the activity related to Flash Ventures, net. The company considers free cash flow to be useful as an indicator of its overall liquidity, as the amount of free cash flow generated in any period is representative of cash that is available for strategic opportunities including, among others, investing in the company's business, making strategic acquisitions, strengthening the balance sheet, repaying debt, paying dividends and repurchasing stock.

# Summary of GAAP to Non-GAAP Guidance

*Unaudited*

	Three Months Ending	
	09/28/2018	09/28/2018
	GAAP <sup>(1)</sup>	Non-GAAP <sup>(1)</sup>
<b>REVENUE</b>	\$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% <sup>(2)</sup>
<b>DILUTED EARNINGS PER SHARE</b>	N/A	\$3.00 - \$3.10
<b>DILUTED SHARES OUTSTANDING</b>	~304M	~304M
	Long-Term Financial Model	
	GAAP <sup>(3)</sup>	Non-GAAP <sup>(3)</sup>
<b>REVENUE CAGR</b>	4% - 8%	4% - 8%
Gross Margin <sup>(4)</sup>	31% - 38%	35% - 40%
Operating Expenses <sup>(4)</sup>	16% - 19%	14% - 16%
Operating Margin <sup>(4)</sup>	13% - 21%	20% - 25%
Tax Rate	N/A	~10% <sup>(2)</sup>
Cash Capital Expenditures <sup>(4)(5)</sup>	6% - 8%	6% - 8%

# Footnotes for GAAP to Non-GAAP Guidance

1 - 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.

2 - The non-GAAP tax rates provided are based on a percentage of non-GAAP pre-tax income.

3 - 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.

4 - 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.

5 - Cash capital expenditures consists of purchases of property, plant and equipment, net, and activity related to Flash Ventures, net.