

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 8-K

**CURRENT REPORT
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): October 30, 2019

**Western Digital®
WESTERN DIGITAL CORPORATION**
(Exact Name of Registrant as Specified in its Charter)

Delaware (State or Other Jurisdiction of Incorporation)	001-08703 (Commission File Number)	33-0956711 (I.R.S. Employer Identification No.)
5601 Great Oaks Parkway San Jose California (Address of Principal Executive Offices)		95119 (Zip Code)
	(408) 717-6000 (Registrant's Telephone Number, Including Area Code)	
	Not applicable (Former Name or Former Address, if Changed Since Last Report)	

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common Stock, \$.01 Par Value Per Share	WDC	The Nasdaq Stock Market LLC (Nasdaq Global Select Market)

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02 Results of Operations and Financial Condition.

On October 30, 2019, Western Digital Corporation announced financial results for the first fiscal quarter ended October 4, 2019. A copy of the press release making this announcement is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

In accordance with General Instruction B.2 of Form 8-K, the information in this Item 2.02, including Exhibit 99.1, shall not be deemed to be “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of that section, and shall not be incorporated by reference into any registration statement or other document filed under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

99.1 [Press Release issued by Western Digital Corporation on October 30, 2019 announcing financial results for the first fiscal quarter ended October 4, 2019.](#)

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Western Digital Corporation
(Registrant)

By: _____
 /s/ Michael C. Ray
 Michael C. Ray
 Executive Vice President, Chief Legal Officer
 and Secretary

Date: October 30, 2019

FOR IMMEDIATE RELEASE:

**WESTERN DIGITAL ANNOUNCES FINANCIAL RESULTS FOR
FIRST QUARTER FISCAL YEAR 2020**

SAN JOSE, Calif. — October 30, 2019 — Western Digital Corp. (Nasdaq: WDC) today reported revenue of \$4.0 billion for its first fiscal quarter ended October 4, 2019. The operating loss was \$129 million with a net loss of \$276 million, or (\$0.93) per share. Excluding certain non-GAAP adjustments, the company achieved non-GAAP operating income of \$235 million and non-GAAP net income of \$101 million, or \$0.34 per share.

In the year-ago quarter, the company reported revenue of \$5.0 billion, operating income of \$686 million and net income of \$511 million, or \$1.71 per share. Non-GAAP operating income in the year-ago quarter was \$1.1 billion and non-GAAP net income was \$906 million, or \$3.04 per share. The company's first fiscal quarter of 2020 was a 14-week fiscal quarter, compared to a 13-week fiscal quarter for the year-ago quarter.

The company generated \$253 million in cash from operations during the first fiscal quarter of 2020, and ended the quarter with \$3.2 billion of total cash and cash equivalents. The company returned \$147 million to shareholders through dividends and used \$319 million to reduce debt. On August 7, 2019, the company declared a cash dividend of \$0.50 per share of its common stock, which was paid to shareholders on October 22, 2019.

“Fiscal year 2020 is off to a good start. The continued success of our capacity enterprise drives for the data center was the primary driver of the upside we experienced in the fiscal first quarter,” said Steve Milligan, chief executive officer, Western Digital. “The overall demand environment remains solid. We continue to believe the flash industry has passed a cyclical trough, with improving trends across our flash product portfolio. With a broad and growing product portfolio, Western Digital remains well positioned to benefit from the long-term drivers of the growth and value of data.”

Business Outlook for Second Fiscal Quarter of 2020

	Three Months Ending January 3, 2020	
	GAAP ⁽¹⁾	Non-GAAP ⁽¹⁾
Revenue (\$ in billions)	\$4.1 - \$4.3	\$4.1 - \$4.3
Gross margin	~ 21% - 22%	~ 25% - 26%
Operating expenses (\$ in millions)	\$880 - \$900	\$750 - \$770
Interest and other expense, net (\$ in millions)	~ \$90	~ \$85
Tax rate	N/A	~ 24% - 28% ⁽²⁾
Diluted earnings per share	N/A	\$0.45 - \$0.65
Diluted shares outstanding (in millions)	~ 302	~ 302

(1) Non-GAAP gross margin guidance excludes amortization of acquired intangible assets, stock-based compensation expense, and charges related to cost saving initiatives totaling approximately \$170 million to \$190 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 \$120 million to \$140 million. The company's non-GAAP interest and other expense guidance excludes approximately \$5 million of convertible debt activity. In the aggregate, non-GAAP diluted earnings per share guidance excludes these items totaling \$295 million to \$335 million. The timing and amount of these charges excluded from non-GAAP gross margin, non-GAAP operating expenses, non-GAAP interest and other expense, net 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.

Investor Communications

The investment community conference call to discuss these results and the company's guidance for the first fiscal quarter of 2020 will be broadcast live online today at 1:30 p.m. Pacific/4:30 p.m. Eastern. The live and archived conference call/webcast and the earnings presentation can be accessed online at investor.wdc.com.

About Western Digital

Western Digital, a leader in data infrastructure, creates environments for data to thrive. The company is driving the innovation needed to help customers capture, preserve, access and transform an ever-increasing diversity of data. Everywhere data lives, from advanced data centers to mobile sensors to personal devices, the company's industry-leading solutions deliver the possibilities of data. Western Digital data-centric solutions are comprised of the Western Digital[®], G-Technology[™], SanDisk[®] and WD[®] brands. Financial and investor information is available on the company's Investor Relations website at investor.wdc.com.

Forward-Looking Statements

This press release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements concerning the company's preliminary financial results for its first fiscal quarter ended October 4, 2019; the company's financial guidance for the second fiscal quarter of 2020 and expectations for financial results in fiscal year 2020; expectations regarding market conditions; the company's product portfolio; and market positioning. 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. The preliminary financial results for the company's first fiscal quarter ended October 4, 2019 included in this press release represent the most current information available to management. The company's actual results when disclosed in its Form 10-Q may differ from these preliminary results as a result of the completion of the company's financial closing procedures; final adjustments; completion of the review by the company's independent registered accounting firm; and other developments that may arise between now and the disclosure of the final results. Other risks and uncertainties that could cause actual results to differ materially from those expressed or implied in the forward-looking statements include: volatility in global economic conditions; business conditions and growth in the storage ecosystem; impact of restructuring activities and cost saving initiatives; 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; the outcome of legal proceedings; 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-K filed with the SEC on August 27, 2019, 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.

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WESTERN DIGITAL CORPORATION
PRELIMINARY CONDENSED CONSOLIDATED BALANCE SHEETS
(in millions; unaudited; on a US GAAP basis)

	October 4, 2019	June 28, 2019
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 3,248	\$ 3,455
Accounts receivable, net	1,448	1,204
Inventories	3,287	3,283
Other current assets	517	535
Total current assets	8,500	8,477
Property, plant and equipment, net	2,796	2,843
Notes receivable and investments in Flash Ventures	2,629	2,791
Goodwill	10,090	10,076
Other intangible assets, net	1,514	1,711
Other non-current assets	751	472
Total assets	\$ 26,280	\$ 26,370
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 1,724	\$ 1,567
Accounts payable to related parties	507	331
Accrued expenses	1,374	1,296
Accrued compensation	432	347
Current portion of long-term debt	251	276
Total current liabilities	4,288	3,817
Long-term debt	9,961	10,246
Other liabilities	2,465	2,340
Total liabilities	16,714	16,403
Total shareholders' equity	9,566	9,967
Total liabilities and shareholders' equity	\$ 26,280	\$ 26,370

WESTERN DIGITAL CORPORATION
PRELIMINARY CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in millions, except per share amounts; unaudited; on a US GAAP basis)

	Three Months Ended	
	October 4, 2019	September 28, 2018
Revenue, net	\$ 4,040	\$ 5,028
Cost of revenue	3,282	3,364
Gross profit	758	1,664
Operating expenses:		
Research and development	574	576
Selling, general and administrative	305	356
Employee termination, asset impairment and other charges	8	46
Total operating expenses	887	978
Operating income (loss)	(129)	686
Interest and other expense, net	(108)	(103)
Income (loss) before taxes	(237)	583
Income tax expense	39	72
Net income (loss)	\$ (276)	\$ 511
Income (loss) per common share		
Basic	\$ (0.93)	\$ 1.75
Diluted	\$ (0.93)	\$ 1.71
Weighted average shares outstanding:		
Basic	296	292
Diluted	296	298

WESTERN DIGITAL CORPORATION
PRELIMINARY CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions; unaudited; on a US GAAP basis)

	Three Months Ended	
	October 4, 2019	September 28, 2018
Operating Activities		
Net income (loss)	\$ (276)	\$ 511
Adjustments to reconcile net income (loss) to net cash provided by operations:		
Depreciation and amortization	406	480
Stock-based compensation	77	79
Deferred income taxes	(27)	201
Loss on disposal of assets	2	2
Write-off of issuance costs and amortization of debt discounts	10	9
Other non-cash operating activities, net	(21)	20
Changes in:		
Accounts receivable, net	(243)	(22)
Inventories	(5)	(175)
Accounts payable	155	(77)
Accounts payable to related parties	176	27
Accrued expenses	100	34
Accrued compensation	75	20
Other assets and liabilities, net	(176)	(404)
Net cash provided by operating activities	253	705
Investing Activities		
Purchases of property, plant and equipment, net	(145)	(277)
Activity related to Flash Ventures, net	186	29
Acquisitions, net of cash acquired	(22)	—
Investment activity, net	—	(2)
Strategic Investments and Other, net	15	(9)
Net cash provided by (used in) investing activities	34	(259)
Financing Activities		
Employee stock plans, net	(26)	(58)
Repurchases of common stock	—	(563)
Dividends paid to shareholders	(147)	(148)
Repayment of debt	(319)	(38)
Net cash used in financing activities	(492)	(807)
Effect of exchange rate changes on cash	(2)	2
Net decrease in cash and cash equivalents	(207)	(359)
Cash and cash equivalents, beginning of period	3,455	5,005
Cash and cash equivalents, end of period	\$ 3,248	\$ 4,646

WESTERN DIGITAL CORPORATION
PRELIMINARY RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL MEASURES
(in millions; unaudited)

	Three Months Ended	
	October 4, 2019	September 28, 2018
GAAP cost of revenue	\$ 3,282	\$ 3,364
Amortization of acquired intangible assets	(164)	(235)
Stock-based compensation expense	(12)	(11)
Charges related to cost saving initiatives	—	(1)
Power outage charges	(68)	—
Non-GAAP cost of revenue	<u>\$ 3,038</u>	<u>\$ 3,117</u>
GAAP gross profit	\$ 758	\$ 1,664
Amortization of acquired intangible assets	164	235
Stock-based compensation expense	12	11
Charges related to cost saving initiatives	—	1
Power outage charges	68	—
Non-GAAP gross profit	<u>\$ 1,002</u>	<u>\$ 1,911</u>
GAAP operating expenses	\$ 887	\$ 978
Amortization of acquired intangible assets	(41)	(41)
Stock-based compensation expense	(65)	(68)
Employee termination, asset impairment and other charges	(8)	(46)
Charges related to acquisitions and dispositions	(5)	—
Charges related to cost saving initiatives	(1)	(3)
Non-GAAP operating expenses	<u>\$ 767</u>	<u>\$ 820</u>
GAAP operating income (loss)	\$ (129)	\$ 686
Cost of revenue adjustments	244	247
Operating expense adjustments	120	158
Non-GAAP operating income	<u>\$ 235</u>	<u>\$ 1,091</u>
GAAP interest and other expense, net	\$ (108)	\$ (103)
Convertible debt activity	7	7
Other	2	(3)
Non-GAAP interest and other expense, net	<u>\$ (99)</u>	<u>\$ (99)</u>
GAAP income tax expense	\$ 39	\$ 72
Income tax adjustments	(4)	14
Non-GAAP income tax expense	<u>\$ 35</u>	<u>\$ 86</u>

WESTERN DIGITAL CORPORATION
PRELIMINARY RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL MEASURES
(in millions, except per share amounts; unaudited)

	Three Months Ended	
	October 4, 2019	September 28, 2018
GAAP net income (loss)	\$ (276)	\$ 511
Amortization of acquired intangible assets	205	276
Stock-based compensation expense	77	79
Employee termination, asset impairment and other charges	8	46
Charges related to acquisitions and dispositions	5	—
Charges related to cost saving initiatives	1	4
Power outage charges	68	—
Convertible debt activity	7	7
Other	2	(3)
Income tax adjustments	4	(14)
Non-GAAP net income	<u>\$ 101</u>	<u>\$ 906</u>
Diluted income (loss) per common share		
GAAP	\$ (0.93)	\$ 1.71
Non-GAAP	<u>\$ 0.34</u>	<u>\$ 3.04</u>
Diluted weighted average shares outstanding:		
GAAP	296	298
Non-GAAP	<u>300</u>	<u>298</u>

To supplement the condensed consolidated financial statements presented in accordance with U.S. generally accepted accounting principles (“GAAP”), the table above sets forth 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 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, charges related to acquisitions and dispositions, charges related to cost saving initiatives, power outage charges, convertible debt activity, other adjustments, 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 expense 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. 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.

Charges related to acquisitions and dispositions. In connection with the company's business combinations or dispositions, 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 and dispositions, 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, 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 of assets.

Power outage charges. In June 2019, an unexpected power outage incident occurred at the flash-based memory manufacturing facilities operated through the company's strategic partnership with Kioxia Corporation (formerly Toshiba Memory Corporation) in Yokkaichi, Japan. The power outage incident resulted in the write-off of damaged inventory and unabsorbed manufacturing overhead costs which are expensed as incurred. These charges are inconsistent in amount and frequency, and the company believes these charges are not part of the ongoing production operation of its business.

Convertible debt activity. 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.

Other adjustments. 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. The income tax adjustments include the company's final adjustments for the tax effects of the Tax Cuts and Jobs Act allowed within the one-year measurement period that ended on December 22, 2018, as well as estimates related to the current status of the rules and regulations governing the transition to the Tax Cuts and Jobs Act. These adjustments are excluded because they are infrequent and the company believes that they are not indicative of the underlying performance of its business.

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