



Investor Day 2018

Western Digital®

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Investor Day 2018

Peter Andrew
VP of Investor Relations

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 products and technologies; business strategies and growth opportunities; market positioning; demand for our products; expectations regarding data growth and transformation; our technology and product development efforts; expected future business and financial outlook; capital allocation priorities; and market and industry trends. 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, 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 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.

Agenda

8:00-8:15am	Peter Andrew, <i>VP of Investor Relations</i>
8:15-8:45am	Steve Milligan, <i>Chief Executive Officer</i>
8:45-9:30am	Mike Cordano, <i>President and Chief Operating Officer</i>
9:30-10:00am	Phil Bullinger, <i>SVP/GM Data Center Systems</i>
10:00-10:15am	<i>Break</i>
10:15-11:00am	Mark Grace, <i>SVP, Devices</i> Jim Welsh, <i>SVP/GM, Client Solutions</i> Dennis Brown, <i>SVP, Global Operations and HDD R&D</i> Guruswamy Ganesh, <i>SVP, Flash Products Group R&D</i>
11:00-11:30am	Siva Sivaram, <i>EVP, Silicon Technology and Manufacturing</i>
11:30-12:00pm	Martin Fink, <i>EVP, Chief Technology Officer</i>
12:00-12:30pm	Mark Long, <i>Chief Financial Officer</i>
12:30-1:00pm	<i>Q&A</i>
1:00-2:30pm	<i>Lunch</i>

Western Digital®

A Platform for Growth and Value Creation

Steve Milligan
Chief Executive Officer

Data is the Engine of the Global Economy



Enabling Rapid Growth in the Volume, Velocity and Value of Data

From Core to Edge



Core



Edge



End Points

Transforming Industries



Western Digital®

A Powerful Platform

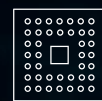
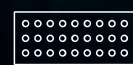
CUSTOMER VALUE



Western Digital



PORTFOLIO BREADTH



TECHNOLOGY ENGINE

~14,000 active patents



GLOBAL SCALE

70,000+ employees worldwide



A Powerful Platform



SanDisk®

Western Digital®



G-Technology™

upthere

tegile



A Powerful Platform

Western Digital®



FINANCIAL

- FY18 versus LTM pre-SanDisk¹
 - +63% increase in revenue
 - +102% increase in non-GAAP operating margins²
 - +74% increase in FCF



OPERATIONAL

- Highly adaptive model enables us to serve a full breadth of customer requirements
- Ability to leverage common technology architectures
- World-class engineering talent with deep storage expertise



GROWTH

- Integrated organic investment decisions
- Disciplined inorganic investments
- Broad exposure to a large growth market

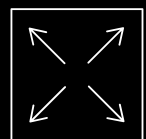
¹For the 12-month period between our FQ4'15 and FQ3'16.

²See Appendix for non-GAAP adjustments and reconciliations.

A Powerful Platform



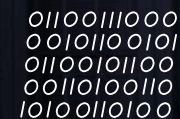
Western Digital®



Industry's broadest portfolio from embedded flash to scale-out object storage systems



Favorably positioned in growth markets across the spectrum from core to edge



Delivering the data infrastructure that underpins new data-centric architectures and business models

Driving Long-term Value Creation

Leverage our IP & technology building blocks to deliver solutions for a data-centric world



Drive advancements in component technology



Scale Data Center Systems with focus on revenue growth and profitability



Positioned to Become the World's Leading Data Infrastructure Company



Western Digital[®]

Western Digital®

Executing our Strategy

Mike Cordano
President and Chief Operating Officer

The Universe of Data is Evolving Rapidly

Past few decades ...

What took **250,000** years
to compute ...

<1% of the generated data deemed
useful leading to unused dark data

Data siloed within individual
applications

Data privacy **not a primary
consideration**

Next few years ...

... takes **1 day** to compute

10%+ of data generated deemed
useful including past dark data
(e.g., \$15B in annual value just from dark data healthcare)

Emerging technologies will enable
data exchanges

Data privacy becoming **increasingly
relevant** to society

A Data-centric World

Infrastructure is Critical to a Data-Centric World

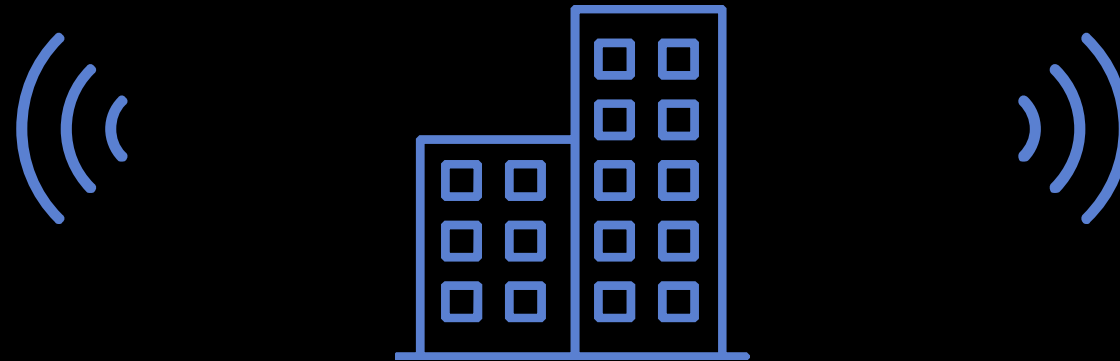


Everything stored and analyzed – faster, more efficient and secure

Value Creation From Data Will Increase as Data Exchanges Become More Secure and Prevalent



80% of organizations currently fail to monetize their IoT devices



70% of organizations need external data to remain competitive

The 2030 "IoT Data Gold Rush"



80K

organizations will be monetizing IoT data streams



12 EXABYTES

per day transacted in data marketplaces



\$14 BILLION

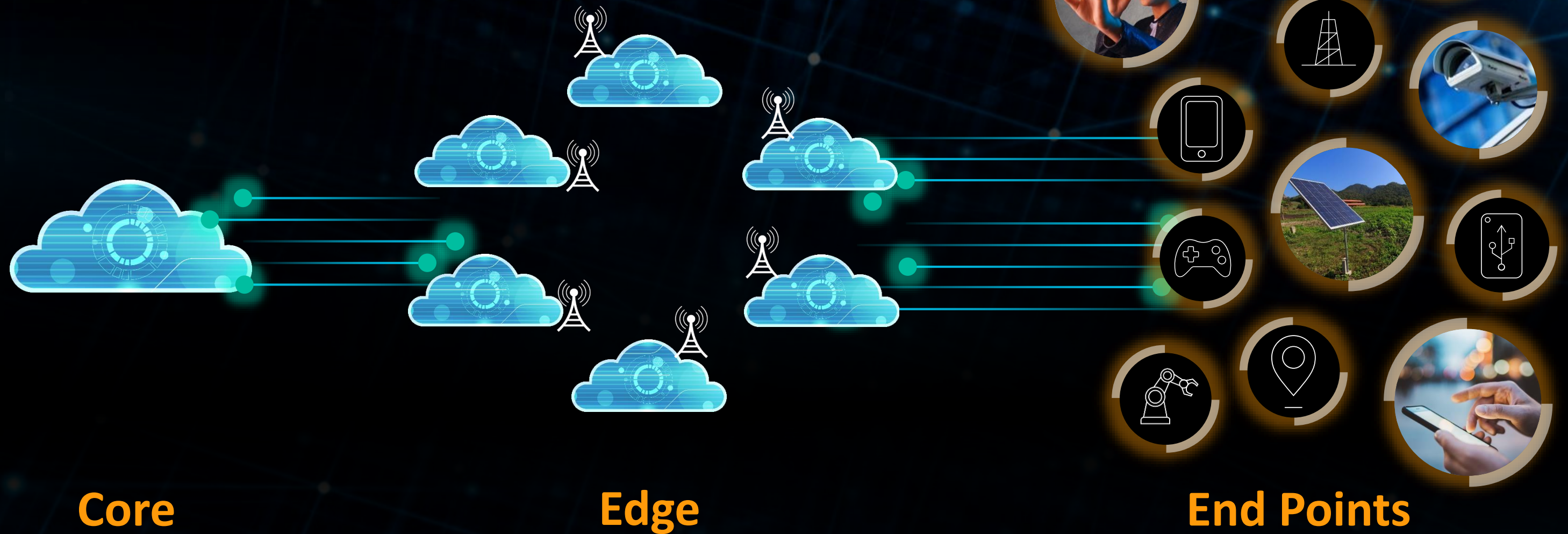
revenue of marketplaces

\$3.6

TRILLION

in market value of IoT data

The Data Landscape is Evolving



By 2025, it is expected that 75%+ of enterprise data will be produced and processed outside of data centers, primarily due to proliferation of End Points, latency & privacy requirements and efficiencies

Source: Gartner: How Edge Computing Redefines Infrastructure. 23 August 2018.

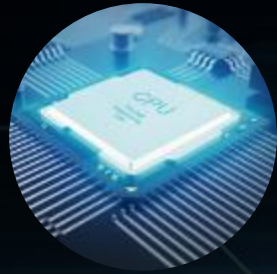
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Core



Core



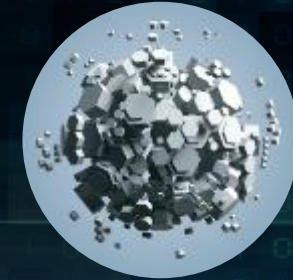
92,000,000 x

increase in classical
CPU-centric computing
power since 1990



5 x

data stored in data centers will
reach 1.3ZB in 2021



1,000 x

expected improvement
in GPU-centric
computing by 2025



Architectures evolving to meet application/workload: Latency | Cost | Compliance



Cloud



Hybrid Cloud



On Prem

Ability to provision dynamically as conditions dictate

Source: NVIDIA, IBM, Microsoft, Cisco CGI'18.

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End Points

Mobile



Client



Auto



City



Industrial



Consumer



Home



Surveillance

End Points

Mobile

4.2EB

Per day of smartphone data traffic

Client

2.6EB

Per day of PC data traffic

4TB

Created per day by a self-driving car

Created per day by a single M2M device

36GB

Auto

City

1TB

Created per day by a smart factory

Per day of consumer data traffic

9EB

Industrial

239GB

Per day of data traffic per home

Created per day by an 8K video camera

1.1TB

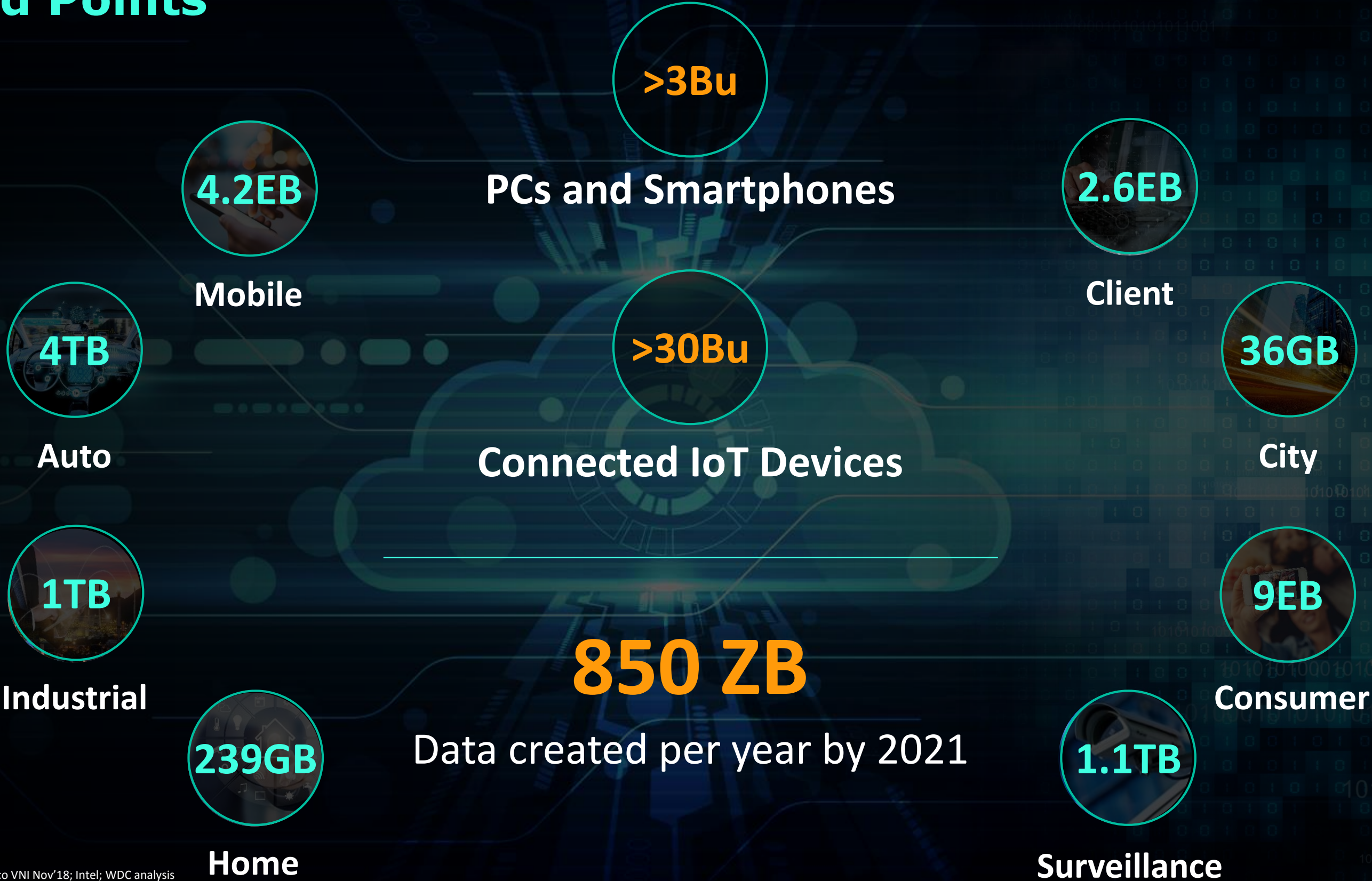
Consumer

Home

Surveillance

Source: Cisco VNI Nov'18; Intel; WDC analysis.

End Points



Source: Cisco VNI Nov'18; Intel; WDC analysis

Edge



Edge



Mobile



Client



City



Consumer



Auto



Industrial



Latency, bandwidth, privacy, autonomy
drive compute and storage to the Edge

By 2025, it is expected that 75%+ of enterprise data will be created and processed outside the Data Center or Core

Core – Edge – End Points



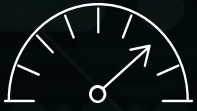
Core – Edge – End Points

Mobile



Healthy growth in traditional Core and End Point markets

Client



Accelerated growth with emerging initiatives in Core (SaaS + AI) and End Points (connectivity + AI)

City



New growth with the future of an intelligent Edge

Consumer

Auto

Industrial

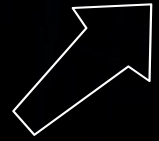
Home

Surveillance

Western Digital®

Markets

Core – Data Center



SCALE

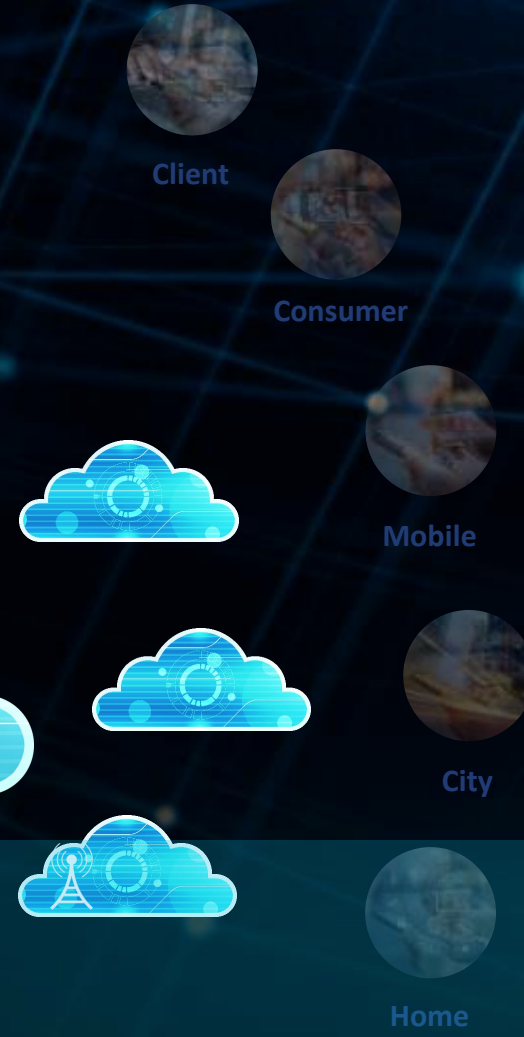
- Storage represents 37% of total IT infrastructure spend
- Rise of infrastructure as a service (IaaS)
- Images transition to videos

HYBRID

- Expanding mix of Cloud, multi-Cloud and on-prem architectures
- 90% of organizations will adopt hybrid infrastructure management capabilities*

CUSTOMIZATION

- AI/ML, compute-intensive, and cold storage workloads drive diverse architectures



13% CAGR (2018-2023) | \$45B
39% EB CAGR (2018-2023) | 2,114EB

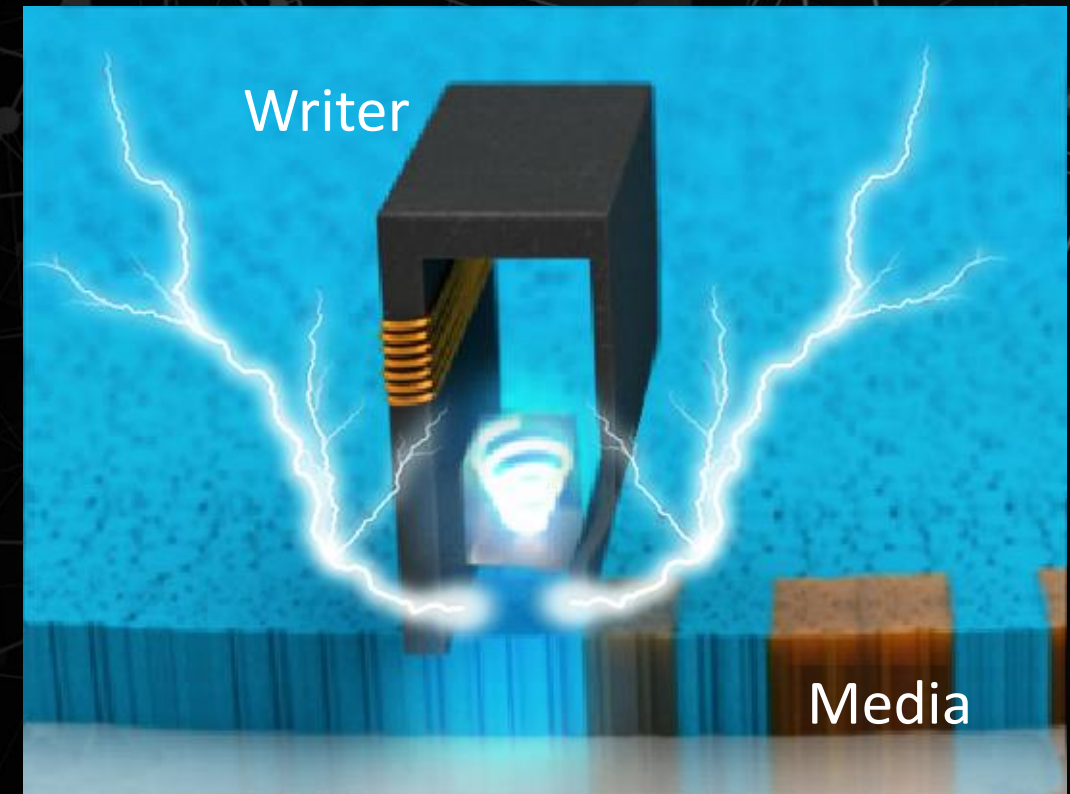
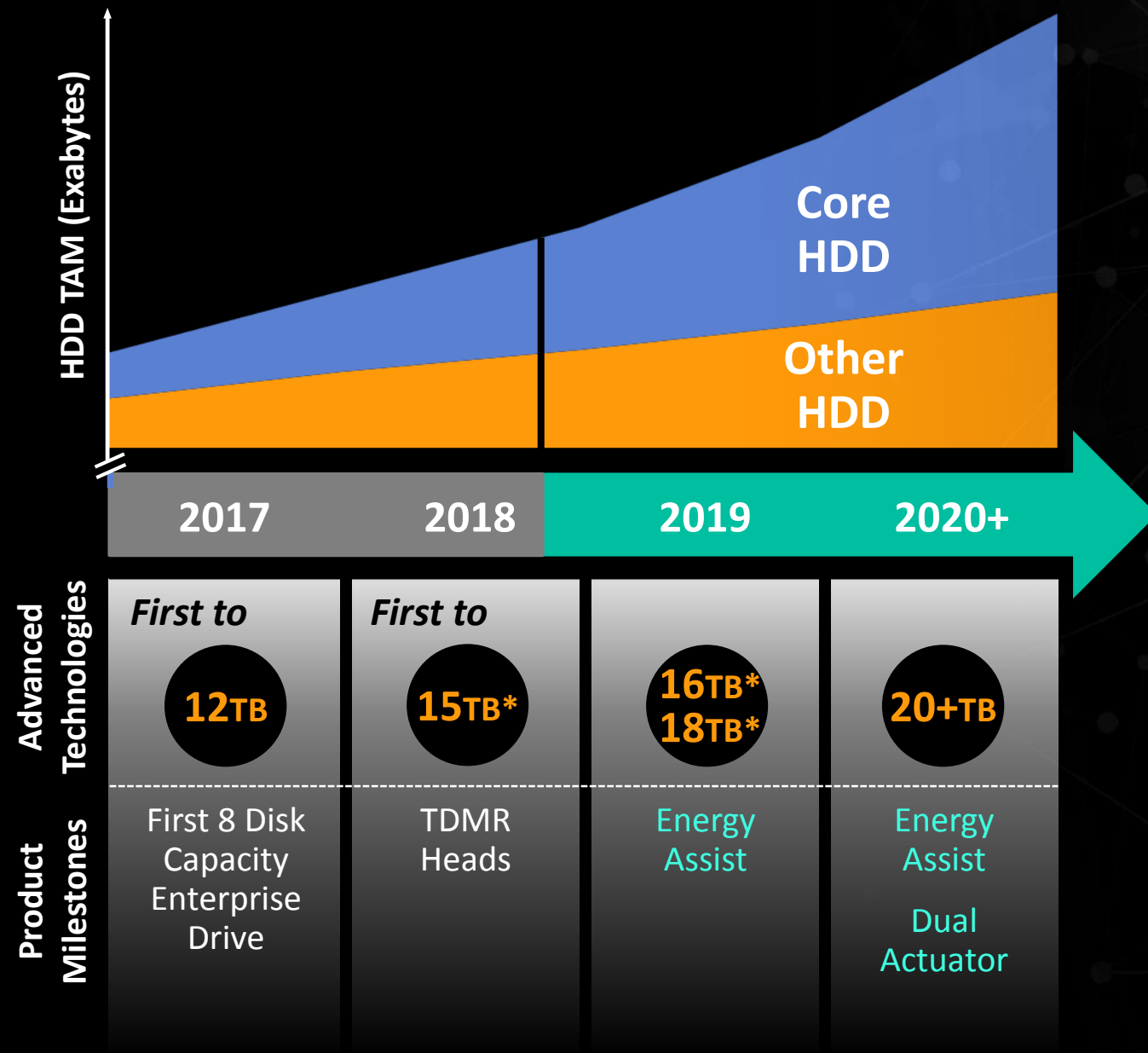


Unbiased expertise in **both** NAND and HDDs enable us to serve customers as they define their next-generation data center architectures

*Gartner.
Source: Western Digital Internal Estimates, November 2018.

Capacity HDD Innovations Enable Growth in Cloud Storage

Energy-assist is the backbone for areal density leadership in high capacity HDDs

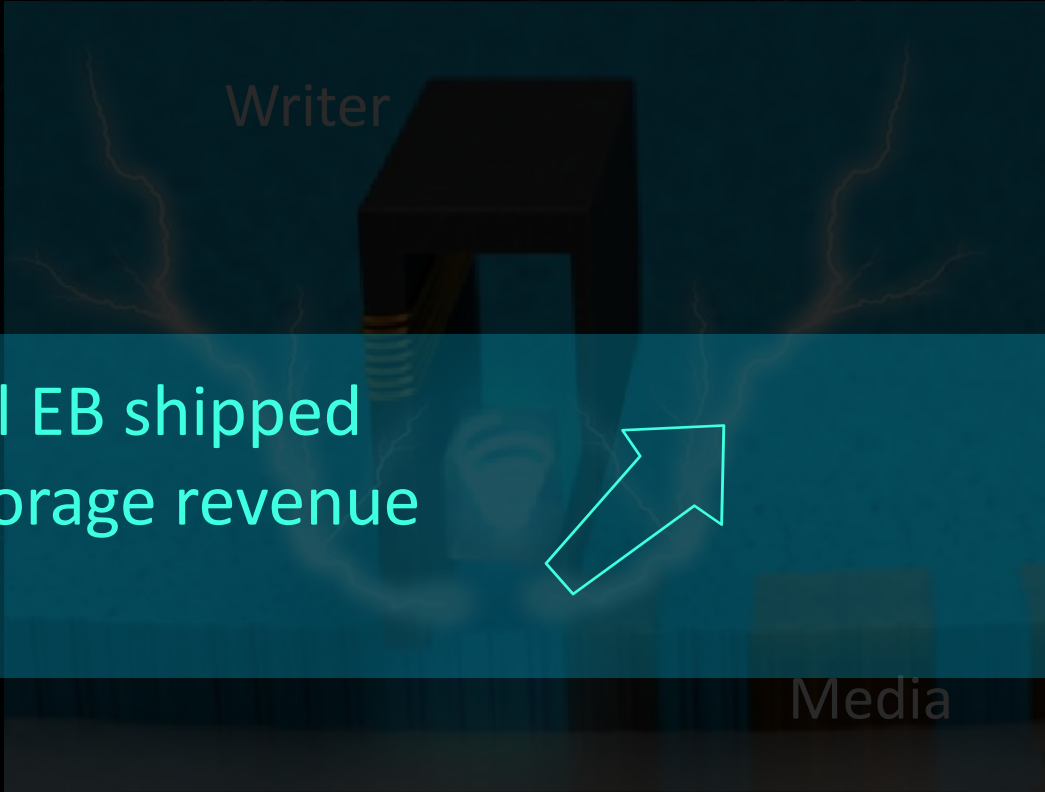


- 16TB Energy-assisted HDDs currently sampling with customers
- Currently on track with all technology milestones with respect to Spin Torque Oscillator (STO) and ramp to 20TB+
- Continued first to market leadership

Source: Western Digital Estimate, 2018.
*15TB SMR drive; 16TB CMR/18TB CMR.

Capacity HDD Innovations Enable Growth in Cloud Storage

Energy-assist is the backbone for areal density leadership in high capacity HDDs



- 16TB Energy-assisted HDDs currently sampling with customers
- Currently on track with all technology milestones with respect to Spin Torque Oscillator (STO) and ramp to 20TB+
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Advanced Technologies	12TB	15TB*	16TB* 18TB*	20+TB
	First 8 Disk Capacity Enterprise Drive	TDMR Heads	Energy Assist	Energy Assist Dual Actuator
Product Milestones				

Source: Western Digital Estimate, 2018.
*15TB SMR drive; 16TB CMR/18TB CMR.

Customers Benefit from a Complete Enterprise Flash Portfolio

- 64/96L scalable NVMe™ enterprise SSD platform
 - In-house development from controller to NAND
 - Starting customer qualifications before end of this calendar year
 - Ramping 1H of calendar 2019



NVMe

Used by largest storage OEMs to accelerate infrastructure

SAS

Adopted by the largest server/storage OEMs

SATA

Memory Extension

NAND

Client Compute



SOLID

- 6% PC ASP increases
- PC gaming continues strongly



THIN

- Trend to laptops, 2-in-1 and small FF (M.2)

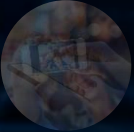


FAST

- Instant-on, smartphone-like response, and longer time between charging



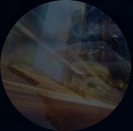
Client



Consumer



Mobile



City



Edge



Edge



Edge



Home



-1% CAGR (2018-2023) | \$19B
5% CAGR (2018-2023) | 313 EB

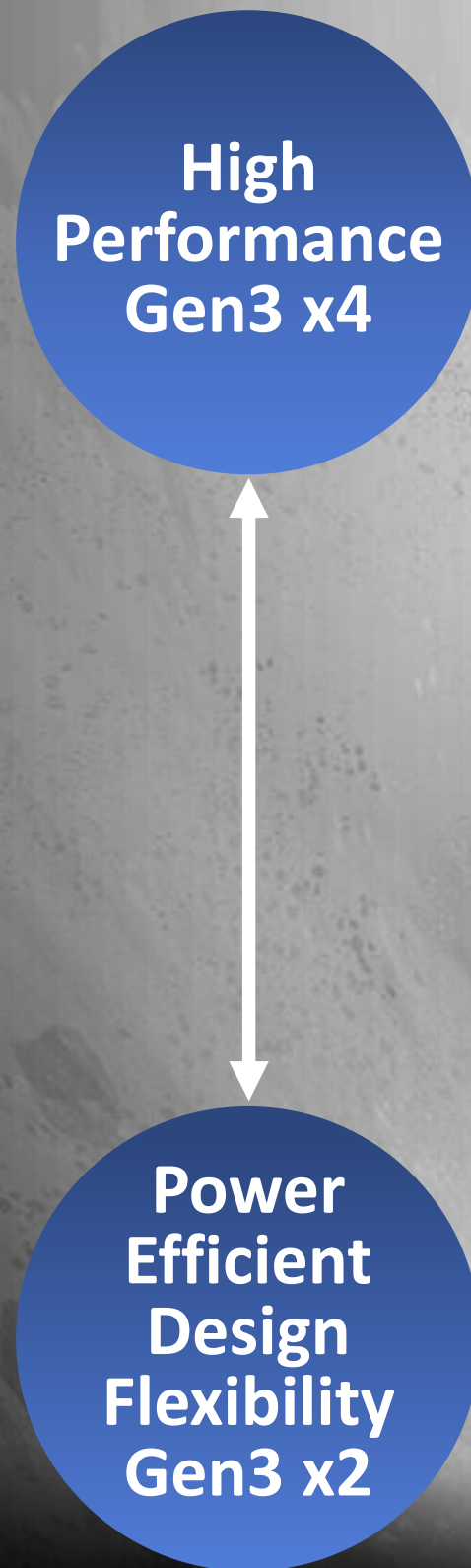


Well-positioned to support HDDs while customers transition to flash

Source: Western Digital Internal Estimates, November, 2018.

A Scalable NVMe™ SSD Architecture

- Leading-edge performance and power efficiency
- Vertically integrated—NAND to controller
- Fast time-to-market for new storage features
- Easily extends to adjacent markets



Leading Edge Vertically Integrated NVMe™ SSD

FMS “Best in Show” Award



Most Innovative Flash Memory Consumer Application



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Designed into **9**

of the world's largest PC OEMs

Western Digital B2C – Client Solutions



SMART STORAGE
PRESERVATION



IMAGING – FREEDOM
MOBILITY



PROFESSIONAL GRADE
CREATIVE WORKFLOW



Client

Consumer

Mobile

City

Edge

Edge

Edge

Home

Auto



-2% CAGR (2018-2023) | \$10B
6% CAGR (2018-2023) | 166 EB



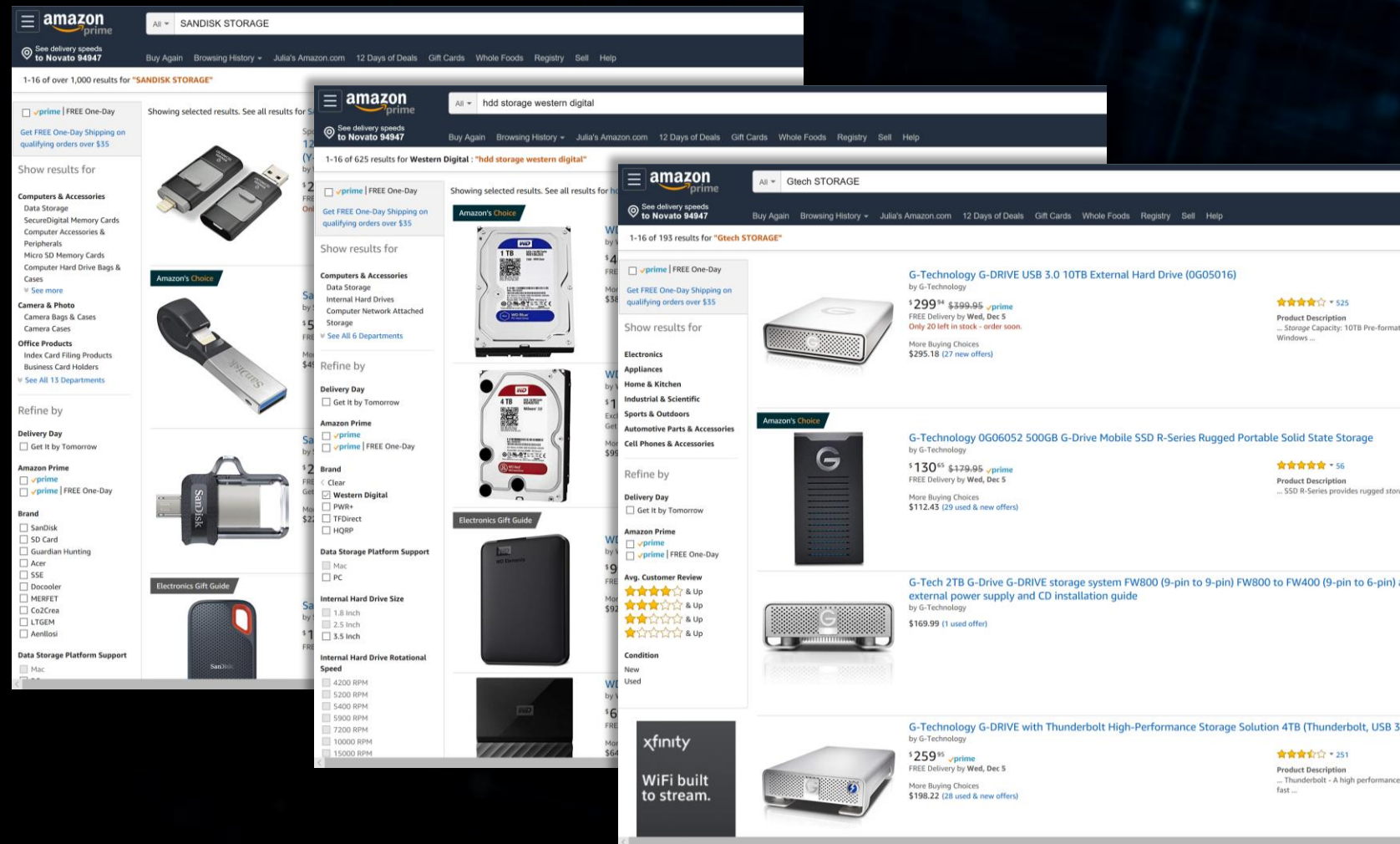
Differentiated products and trusted brands win consumers

Source: Western Digital Internal Estimates, November, 2018.

Client Solutions

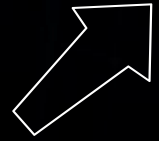


550,000 stores reached globally;
330,000,000 products shipping annually



Leading brands and broad product portfolio garner more shelf space and differentiated consumer preference

Mobile



SCALE

- 1.7B smartphones*
- >200GB average capacity*

FAST

- Technology accelerator
- 5G, AR, 8K
- Multi-tasking, multi-display
- +500 MB/s write speeds

HUB

- Main compute and communication device for +3B users WW
- + 8 types of sensors
- 10K's of apps monthly
- Tight integration with SoC and OS



8% CAGR (2018-2023) | \$27B
35% CAGR (2018-2023) | 330EB



Client



Consumer



Mobile



City



Home



Auto



Surveillance

Broadened portfolio + delivered leadership products

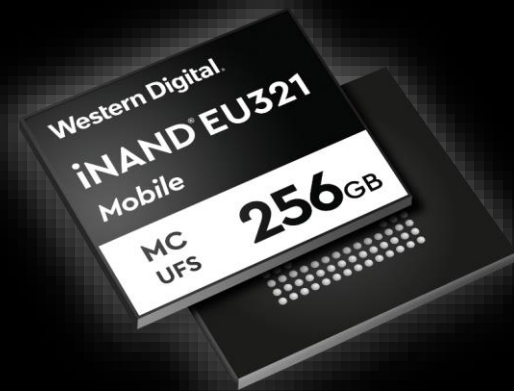
*2023 estimate.

Source: Western Digital Internal Estimates, November, 2018.

First 96-Layer 3D TLC UFS 2.1

With speeds up to 10Gbps, 5G data networks will change how we use our mobile devices. Users will download a 2-hour movie in under 6 seconds.

- UFS controller, 3D NAND technology, firmware, assembly & testing designed and developed by Western Digital
- First to launch 96L 3D NAND based UFS 2.1 that provides the most advanced, energy-efficient, superior sequential write speeds and capacities up to 256GB



*5G ready today –
only solution with >500 MB/s
write performance*



>150% revenue growth in 2 years!
Shipping to 4 out of 5 top China mobile OEMs



Growing "End Point" Markets*

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 01100101100
 00110100110
 10100110100



MASSIVE DATA

- Amount of data stored on devices will be 4.5x higher than stored in data centers by 2021
- Data monetization

AUTONOMOUS

- Sensor, AI and data driven
- High data bandwidth
- 100% uptime independent of connectivity

ECOSYSTEM

- Leveraging client and mobile ecosystems
- Storage central to system architecture



7% CAGR (2018-2023) | \$11B
 16% CAGR (2018-2023) | 292 EB



Flexible common architecture applied in a leading way

Source: Western Digital Internal Estimates, November, 2018.
 * Excluding Client PC and Mobile

Leveraged Portfolio for Growth Markets

Automotive

With storage up from 16GB in 2016 to 1TB in 2023, the automotive market transformation from “steel” to “data” commands new technologies to meet emerging use cases and scale

- WDC was first to launch the advanced 64L 3D NAND TLC technology to meet the most extreme uses cases
- UFS controller, 3D NAND technology, firmware, assembly and testing designed and developed by Western Digital



IATF 16949 certified – Proven reliability for demanding automotive applications



>65% flash revenue growth in 2 years with healthier diversification of products and customers



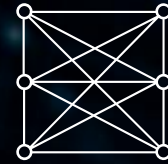
Edge

Emerging opportunity



VIRTUALIZATION

- “Cloudization” of networks to support >30B IoT devices and video (80% of IP traffic)



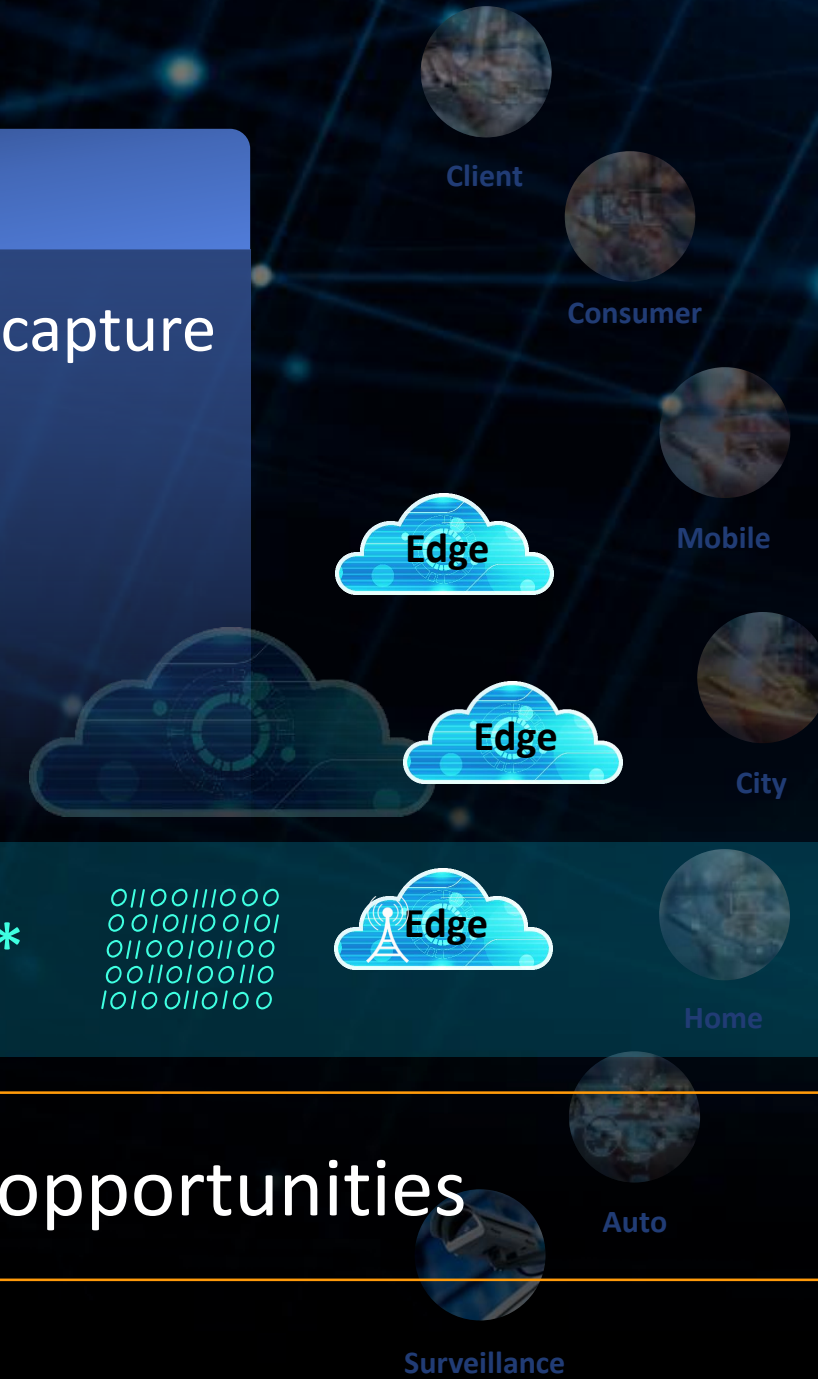
CONNECTIVITY

- Stored data associated with Machine-to-Machine grows at a faster rate than any other device category*



AI

- Real-time data capture and contextual analytics



1,800 EB of Edge data storage opportunity**

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00101100101  
01100101100  
00110100110  
10100110100
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Built a flexible platform to support emerging Edge opportunities

* Cisco GCI Feb 2018.

**Represents 1% of the 18ZB total of core traffic not stored in datacenter (Cisco GCI Feb 2018).

Edge: The Fabric Connecting End Points and Core

Edge computing represents a potential value of \$175 billion to \$215 billion in hardware by 2025*

- Emerging market demands
- Western Digital portfolio, technology depths, operations, marketing and sales channels are set to win



*McKinsey & Company.

Western Digital

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Collaborating with Customers to Define Next-Generation Architectures and New Business Models at Scale


Millions
of users

MySQL™ DB
Low latency (NVMe SSD)

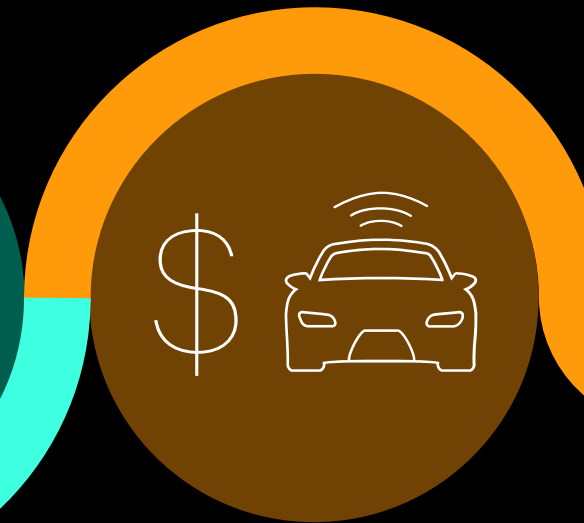


Location services
dispatch/payment

Apache Cassandra® NoSQL
Capacity HDD and Caching SSD



Analytics batch
processing
Object storage



Machine learning
to predict trip
times, pricing

Billions
of trips



A trusted partner delivering innovation across all technologies

Source: Western Digital Internal Estimates, November, 2018.

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Data Continuum – Surveillance

END POINTS	EDGE GW & SERVER	EDGE CORE	BACK-END/CORE
Capture; inference; store	Aggregate; inference; analytics; store	Deep learning video storage/object storage; aggregate; store	Big data analytics; store



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2021: Average Smart Camera 200GB+, Surveillance NVR – 4TB



Data Continuum – Automotive

END POINTS	EDGE GW & SERVER	EDGE CORE	BACK-END/CORE
Capture; inference; store	Aggregate; inference; analytics; store	Deep learning video storage/object storage; aggregate; store	Big data analytics; store



2023: Average consumer vehicle 500GB+, Fleet Vehicle to have 1TB+, EDGE Core ++ EBs



Enabling Growing Ecosystems and Markets



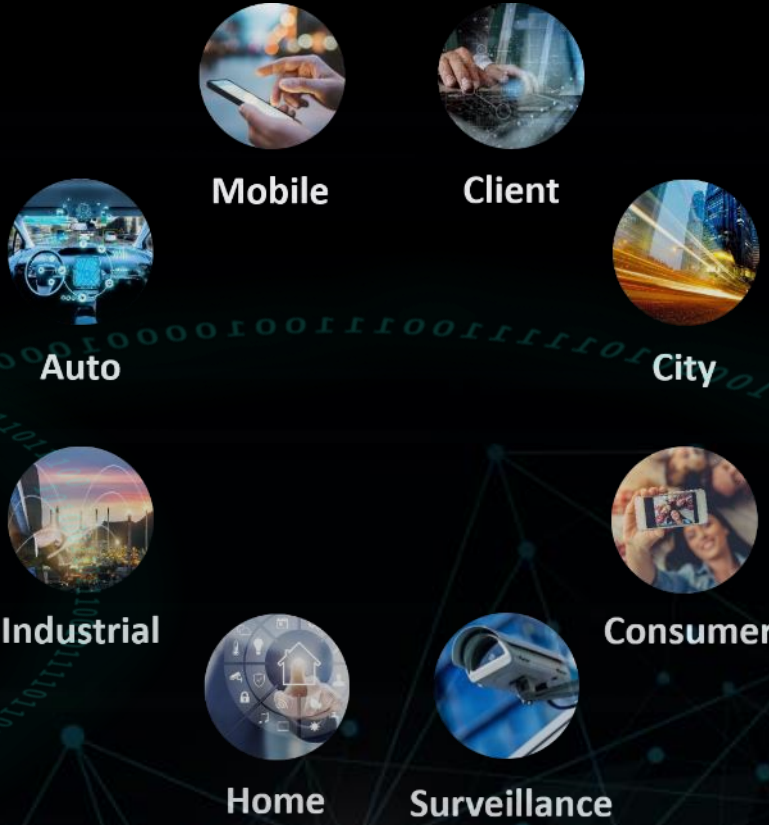
3.2ZB of DATA and a \$146B STORAGE opportunity in 2023



Core



Edge

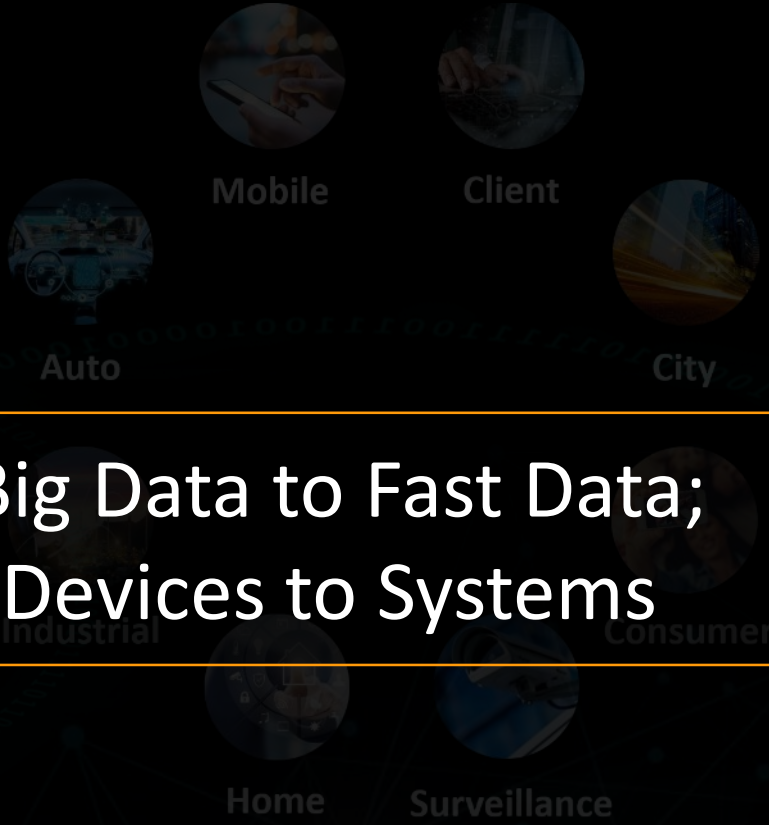


End Points

Enabling Growing Ecosystems and Markets



3.2ZB of DATA and a \$146B STORAGE opportunity in 2023



Unmatched breadth and depth of technology from Big Data to Fast Data;
Broadest portfolio of storage infrastructure – from Devices to Systems

Core

Edge

End Points

Cyclical Demand Factors – Ongoing Near-term Headwinds

- Overall macroeconomic volatility
- Hyperscale capacity optimization cycle – in-quarter TAM reductions
- + Hyperscale investment cycle expected to accelerate 2HCY19
- Mobile phone growth slowing
- + PC market marginally stronger
- Conservative inventory positions among customers/channels
- + Reiterate long term YoY flash PB demand growth of 36-38%
- 2019 flash demand growth likely below low end of historical range

Despite short-term dynamics, long-term growth remains clear



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Data Center Systems

Phil Bullinger
Senior Vice President, GM

The Data Center Landscape is Changing



- Enterprise workloads → 3rd-party data centers
- Most data center innovation will occur at the Edge
- “Data Latency” driving data center architecture, placement, and interconnect

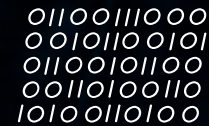
- Artificial Intelligence is the most transformative trend
- More powerful endpoint devices driving demand for data infrastructure
- Scale, elasticity, and workload mobility driven by cloud-native technologies, deployed everywhere

Growth Drivers in Traditional Enterprise, Private-Cloud, and Edge Data Centers



Business Drivers

- Business criticality
- Service responsiveness
- Economics
- Data security / compliance



Workloads

- Real-time analytics
- Low-latency workloads
- AI/ML applications
- Dynamic, mixed workloads



Architecture

- Data-centric vs. app-centric
- Flash-first application design
- Data locality
- Dynamic composability

BIG DATA



Machine Learning



Genomics Research



Batch Analytics



Predictive Modeling



Supply Chain Optimization

FAST DATA



Autonomous Vehicles



Manufacturing Robotics



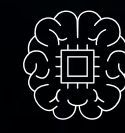
Wearable Diagnostics



Facial Recognition/Surveillance



Home Automation



AI



Real-time Analytics



IoT

Presents a Large Opportunity for Data Center Systems

\$35B+ Systems and Platforms TAM as of 2023

~\$18B

All-flash & Hybrid Storage

~\$13B

Storage Servers
(Converged & Hyper-Converged)

~\$4B

Software-Composable
Infrastructure

BIG DATA



Machine Learning



Genomics Research



Batch Analytics



Predictive Modeling



Supply Chain Optimization

FAST DATA



Autonomous Vehicles



Manufacturing Robotics



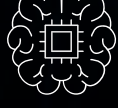
Wearable Diagnostics



Facial Recognition/
Surveillance



Home Automation



AI



Real-time Analytics



IoT

Source: Western Digital estimates.

Establish Western Digital as a Top 5 Strategic Provider of Data Center Solutions



Focus on emerging and high-growth markets and workloads



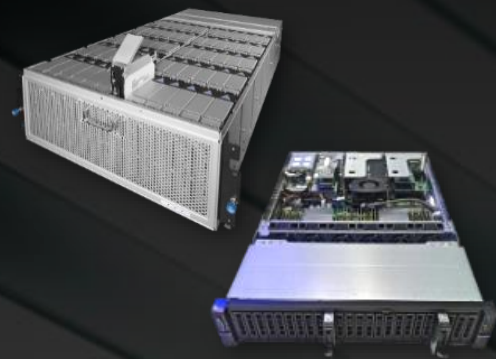
Deliver unique value through disruptive innovations in systems and software



Build a profitable business growing faster than market

Silicon-to-System Innovation and Engineering

Western Digital's unique ability to design, tune and optimize across the entire portfolio technology stack



HDD Devices, SSD Devices,
Electrical and Mechanical Design,
Firmware and Diagnostics



NAND, Controller,
Firmware/FTL

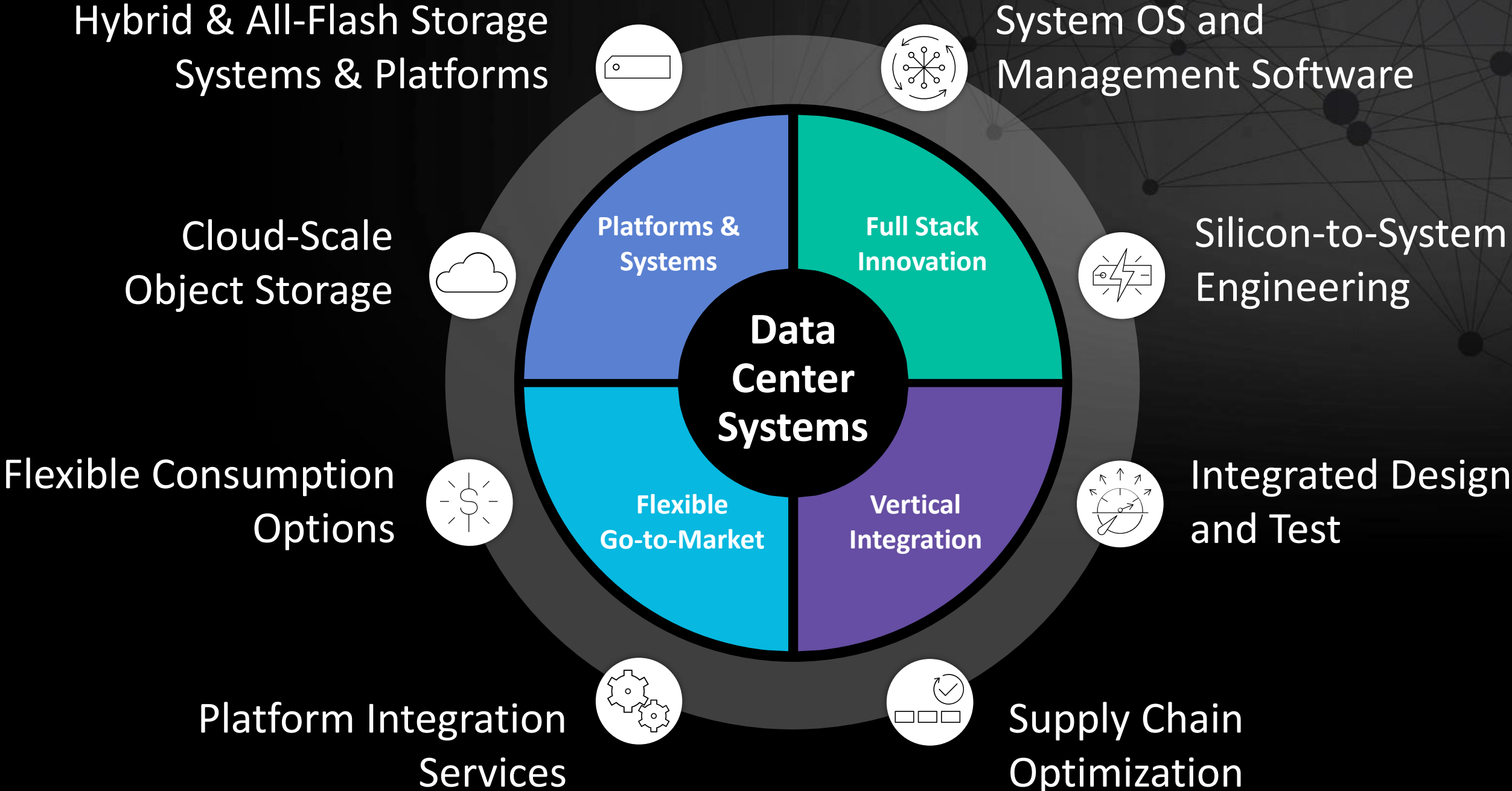
Platforms and
Systems



Heads, Media, Read Channel,
Controller, Firmware,
Mechanical Design

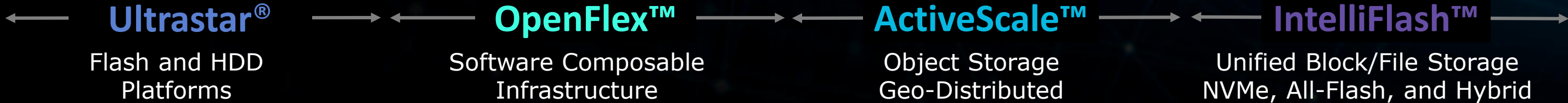
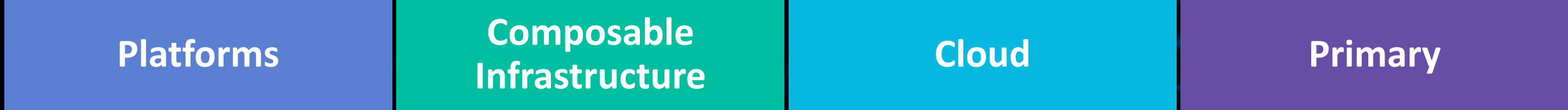


Our Technological and Operational Capabilities



Expansive Portfolio of Platforms and Systems

Spanning Enterprise, Private-Cloud, and Edge Data Centers



Density



Capacity



Durability



Integrity



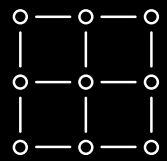
Performance



Manageability

Comprehensive Storage and Data Management Capabilities

BitSpread®
Erasure Coding



Multi-Parity
RAID



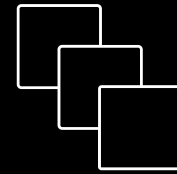
BitDynamics™
Data Placement



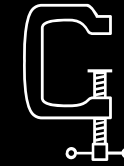
Class of
Service



Snapshots
and Clones



Compression and
Deduplication



Data
Tiering



Data-at-Rest
Encryption



Extreme Data Durability

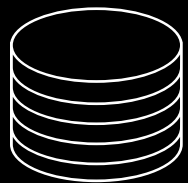
Data Protection and Management

Software
Innovation

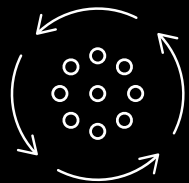
Simplicity @ Scale

Application-aware

Elastic
Storage



Software
Composable



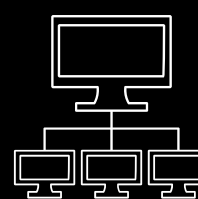
Automated
Operations



Preventive
Maintenance



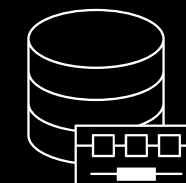
Virtual
Machines



AI / ML
Applications



Enterprise
Applications



Cloud
Orchestration



Customer Applications and Workloads

Real-time Analytics



Transaction Processing



Business Applications



Low-latency Applications

Virtual Servers



Virtual Desktops



Line of Business Applications



Virtual and Container Applications



Cloud-Scale Storage Applications



Big Data Analytics

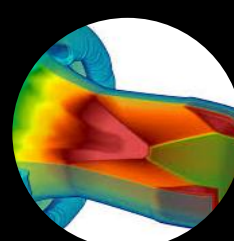


Digital Asset Management



Data Archive and Backup

Software-defined Storage Applications



Scientific Simulation

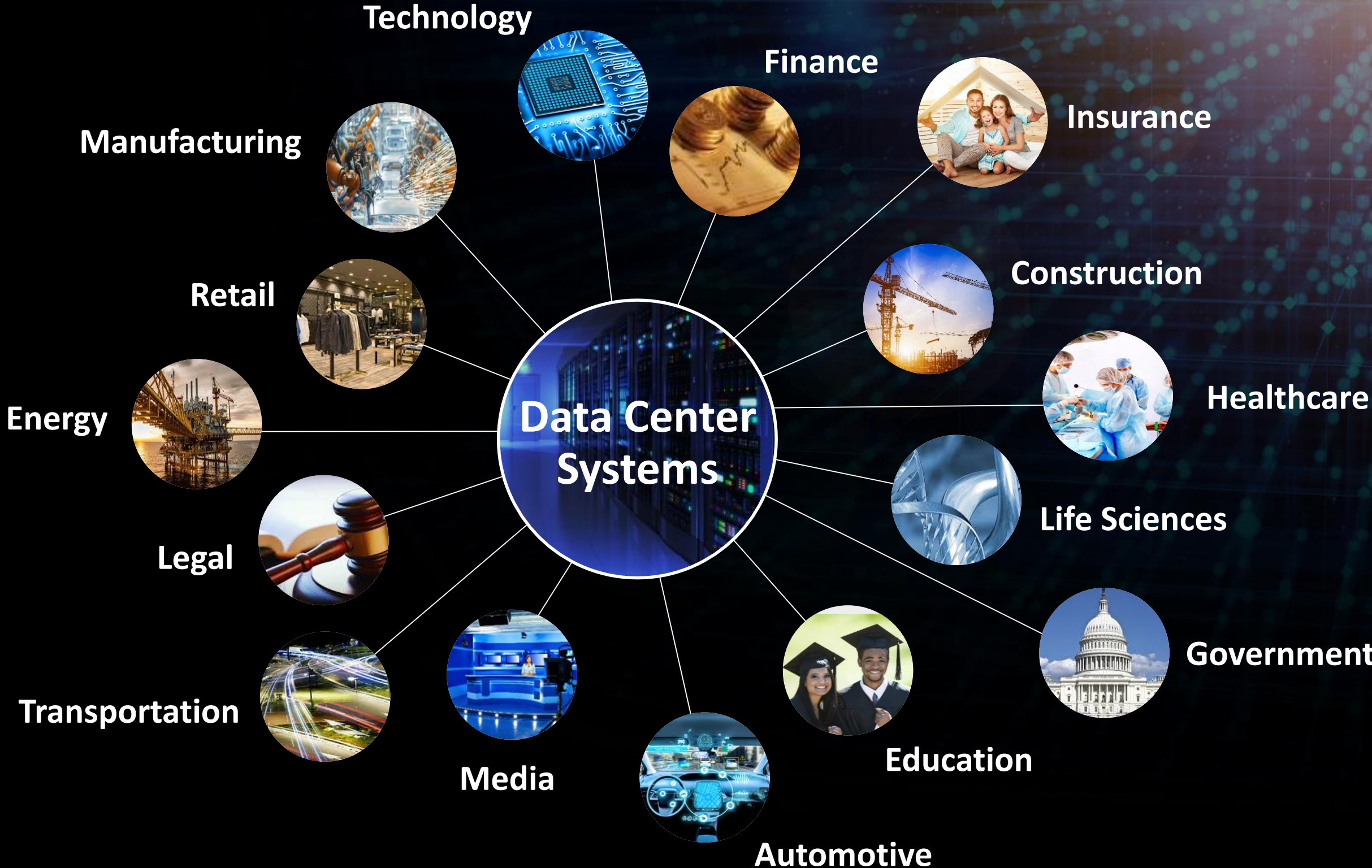


Build / Test Applications

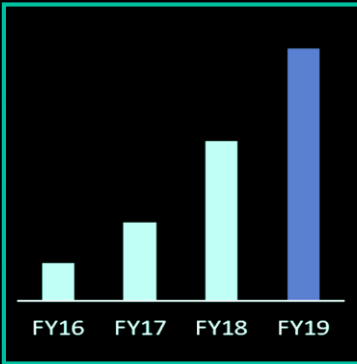


Unstructured Data Repositories

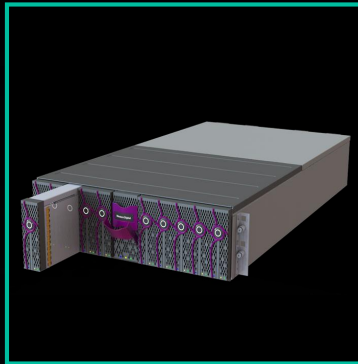
Expanding in a Broad Set of Growth Markets



Gaining Significant Business Momentum

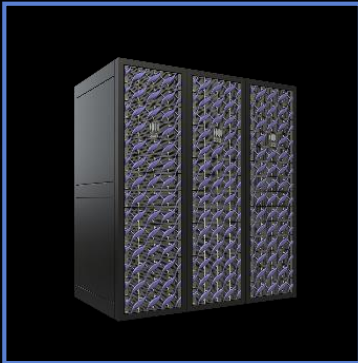


17x Revenue Growth
Q1FY19 vs. Q1FY16

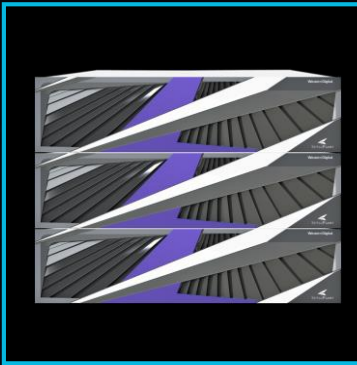


3000+ Total
Customers

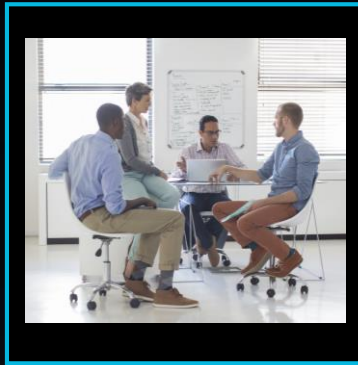
8500+ Systems and
Platforms Deployed



3+ Exabytes Shipped
in 2018



Adding 150+ New
Customers Every
Quarter



400+ R&D Engineers

Winning with IntelliFlash™ All-Flash Array Solutions

Major Vacation Rental Company



Tier-1 Business Applications

- Consolidation of data storage for reservation systems
- Substantial improvement in response times

KEY VALUE

High performance with exceptional TCO

Leading Formula 1 Racing Team



Real-time Data Analytics for Formula 1 Races

- Enabling high-speed analysis of data with predictive modeling
- 3x increase in speed of decision making

KEY VALUE

Real-time decision-making

Major-League Sports Franchise



Rich Video Content Production & Delivery

- High performance All-flash system for sub-millisecond responses
- Multi-protocol data access for application consolidation

KEY VALUE

Exhilarating fan experience at games

High-performance, Multi-protocol All-Flash Array Solutions



Winning in At-Scale Environments with ActiveScale™

Major Research Institute



60PB

Bioimaging Research Data

- Bioimaging, NGS data
- Data dispersed across 3 Geos

KEY VALUE

High performance

Emerging Automotive Manufacturer



30PB

Machine Learning Data

- IoT data
- Connected cars

KEY VALUE

Best TCO

Established Hedge Fund



140PB

Financial Data Analytics

- HDFS
- Quantitative analysis

KEY VALUE

Simplicity at scale

Efficient TCO, Extreme Durability, and Fast Performance @ Scale



Winning with Ultrastar® Storage Platforms

Large Online Retailer



Multi-PB eCommerce Website

- 100+M online transactions per day
- Doubled annual ecommerce sales with no service interruption

KEY VALUE

High performance, reliability & resiliency

Online Gaming Service



Multi-Cloud Gaming

- Tournament-quality gaming experience for 1000's of users
- Freedom to play any content on almost any device

KEY VALUE

Low-latency platform delivering high frame rates

Large Wireless Provider



Massive Scale Data Backup

- High Performance data protection w/ enterprise backup and recovery software

KEY VALUE

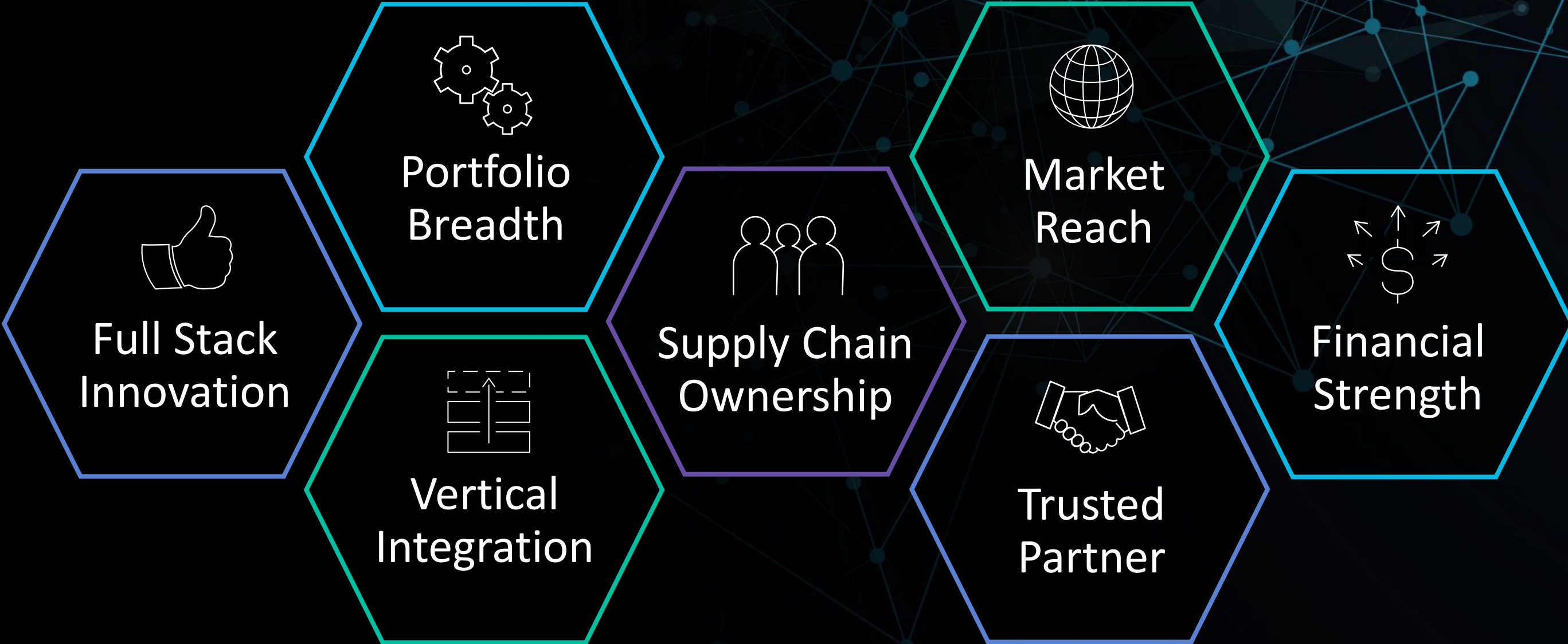
Simple, efficient, and consolidated compute and storage

Flexible, High-Performance Platform for Custom Applications



Western Digital Data Center Systems

Well positioned to win





Western Digital[®]



Investor Day 2018

Western Digital®

Western Digital®

Fireside Chat

Mark Grace, Jim Welsh,
Dennis Brown, Guruswamy Ganesh

Fireside Chat



**Mark
Grace**

SVP
Devices



**Jim
Welsh**

SVP/ GM
Client Solutions



**Dennis
Brown**

SVP, Global Operations
and HDD R&D



**Guruswamy
Ganesh**

SVP, Flash Products
Group R&D



Western Digital[®]

Western Digital®

Creating Market Value Through Technology Leadership

Siva Sivaram
Executive Vice President
Silicon Technology and Manufacturing

Technology as a Competitive Edge

Technology Leadership
in HDD and Flash

Manufacturing Scale
with Operational
Agility



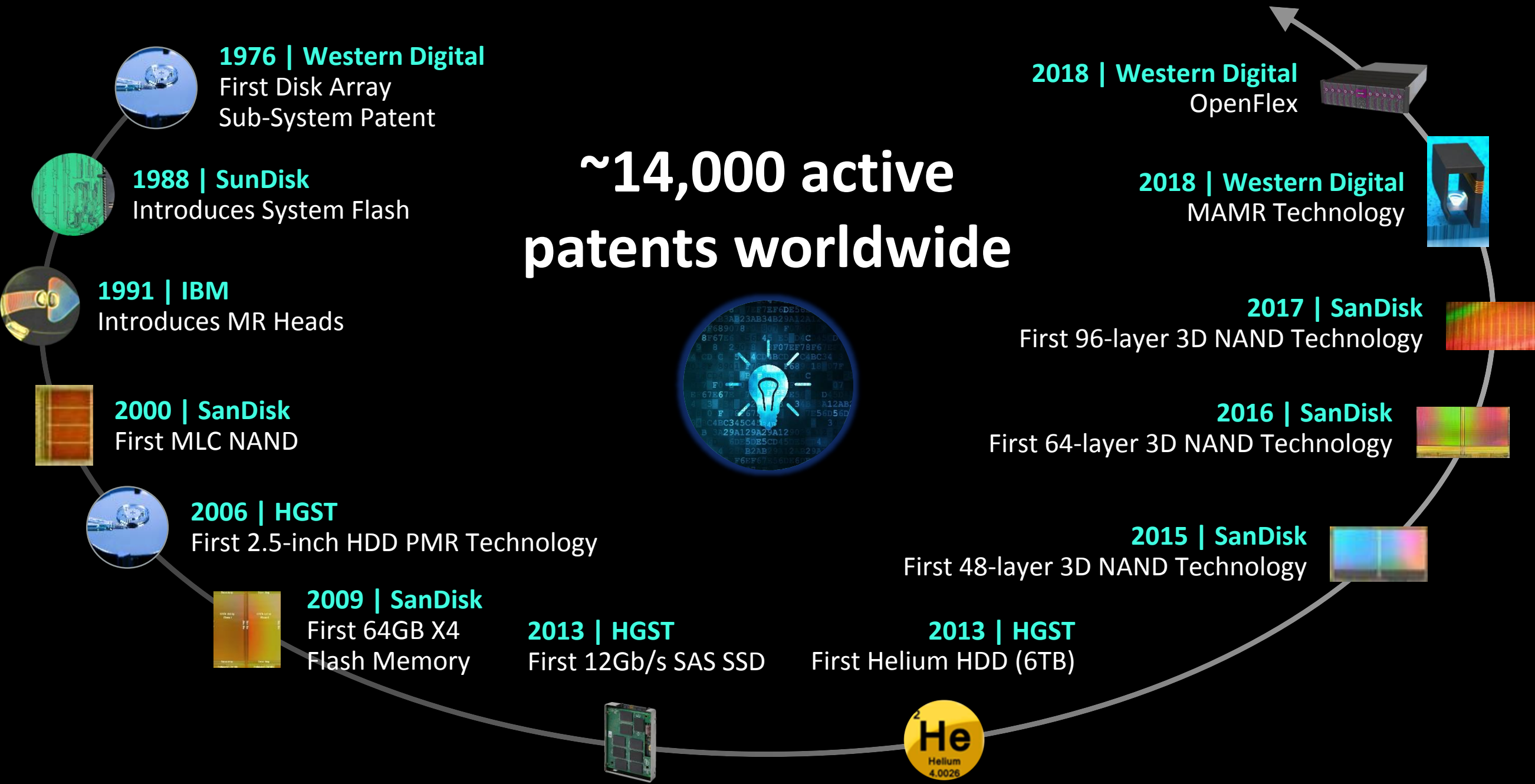
Vertical Innovation
from Silicon to
Solutions

Powerful Joint Venture
Advantage in Flash

Delivering Technology Solutions at the Right Time for Maximum Value

Heritage of Innovation

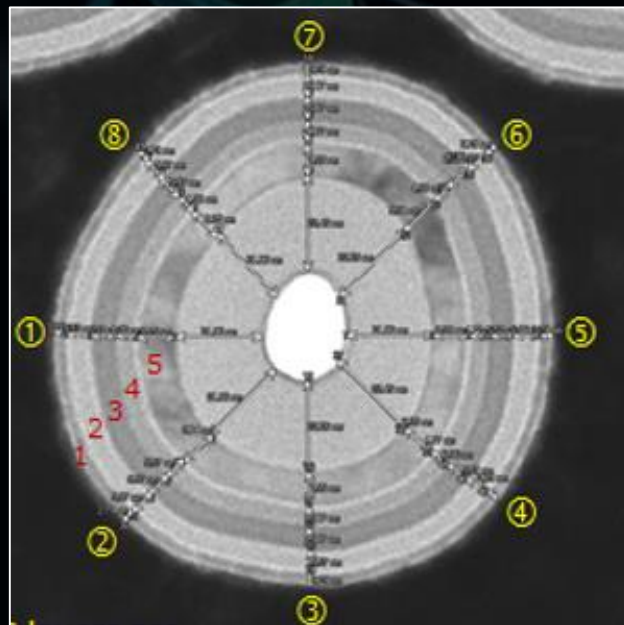
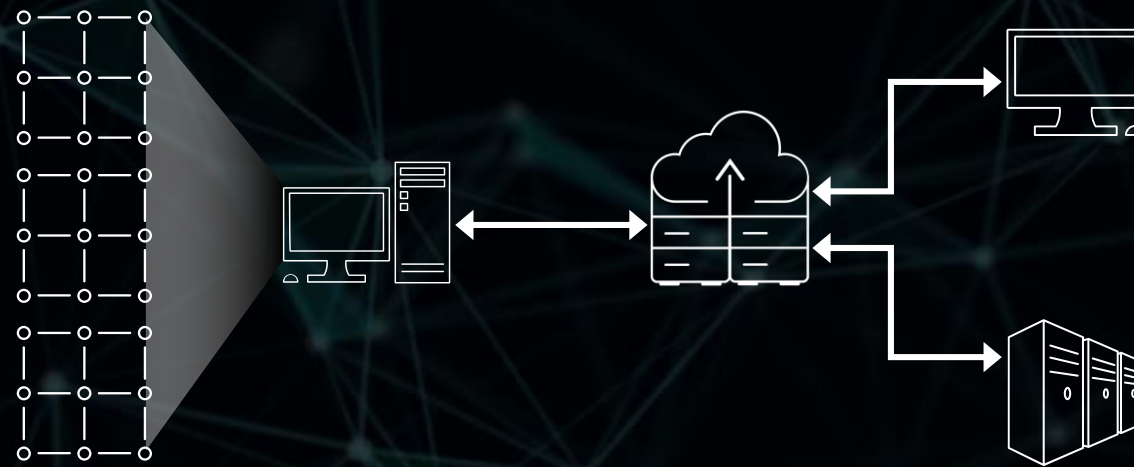
~14,000 active patents worldwide



From Data Engineering to Data Science: AI in Technology Development



From Data Engineering to Data Science: AI in Technology Development



This block contains several components related to the AI application:

- BRIGHT FIELD (TEM)** and **DARK FIELD (TEM)** images showing the same memory hole structure.
- A diagram of a **Modified Convolutional Neural Network** with multiple layers of nodes.
- A note: "note that this network was only trained for **dark-field** images".
- Analysis results showing the dark-field images with red contour lines and numerical labels such as "mh 1.0", "co 1.0", and "ar 1.0".

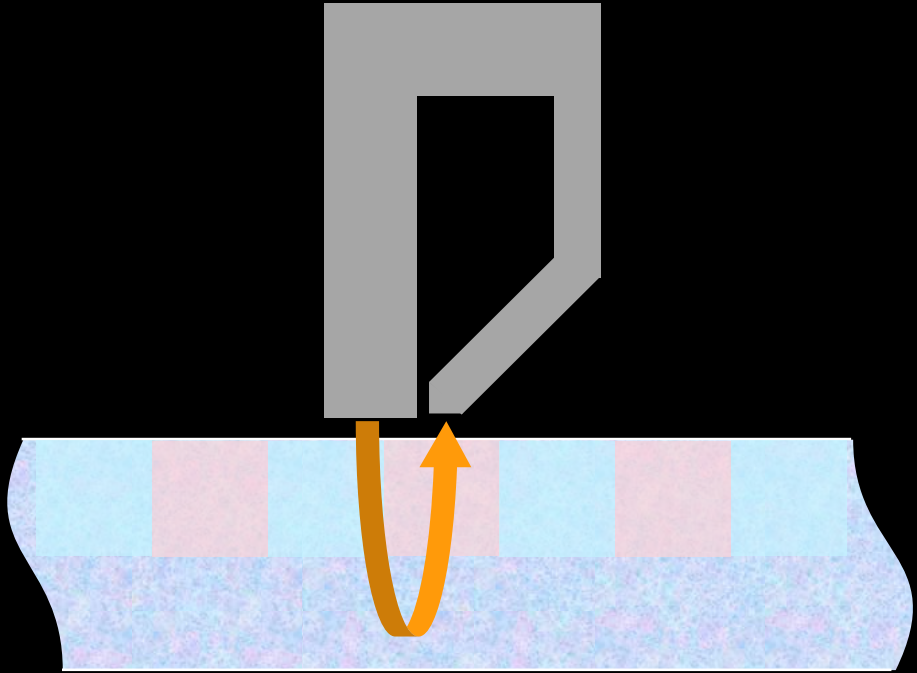
Modified Convolutional Neural Network Accelerates Memory Hole Development

Western Digital®

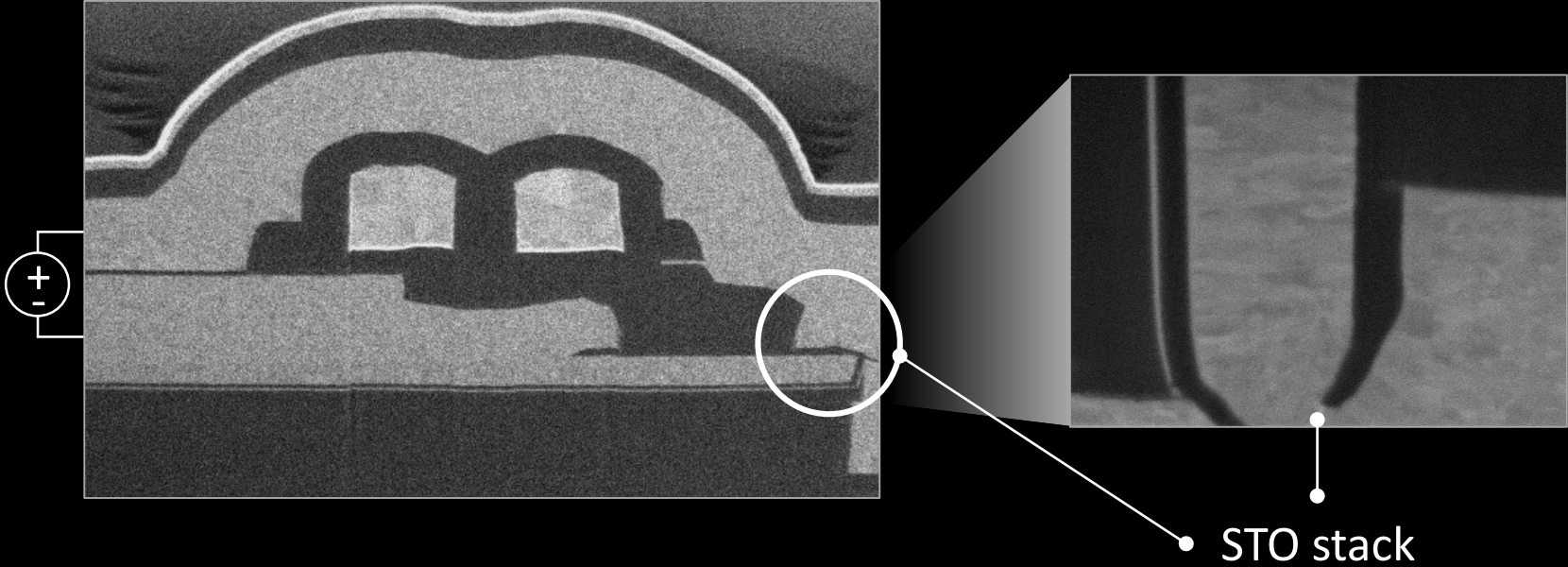
Technology Foundations of Storage Leadership

Energy-Assisted Magnetic Recording

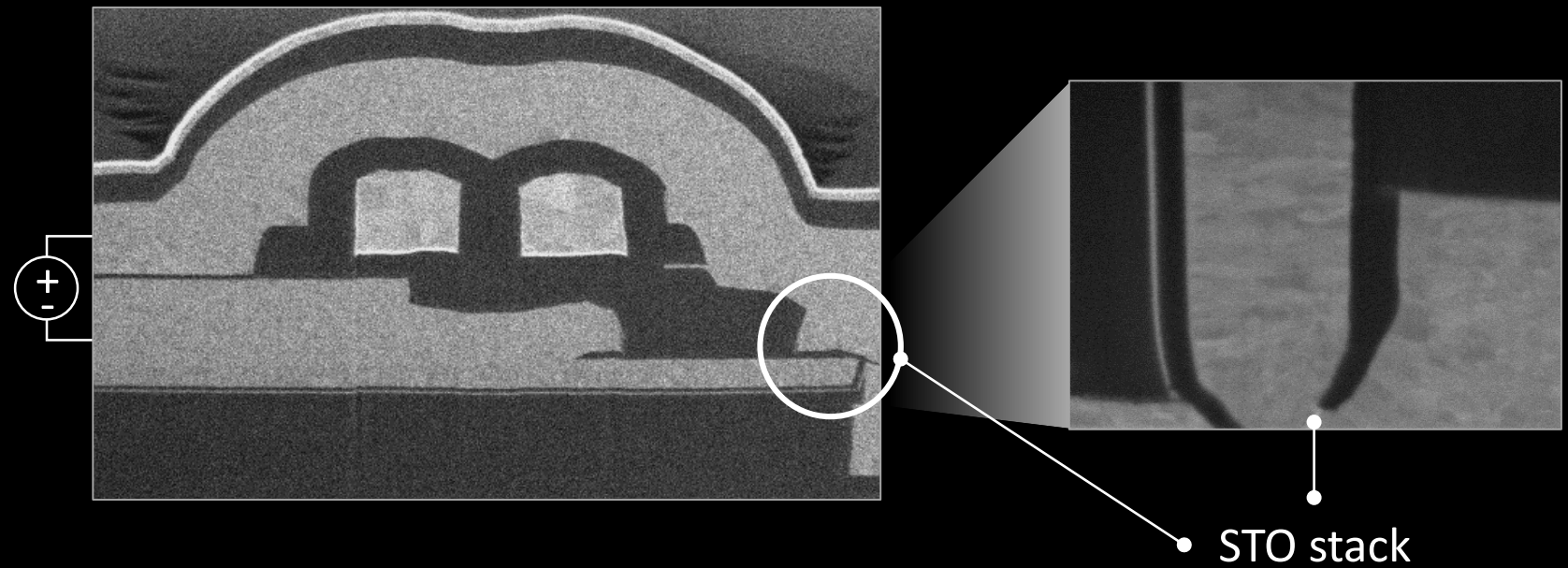
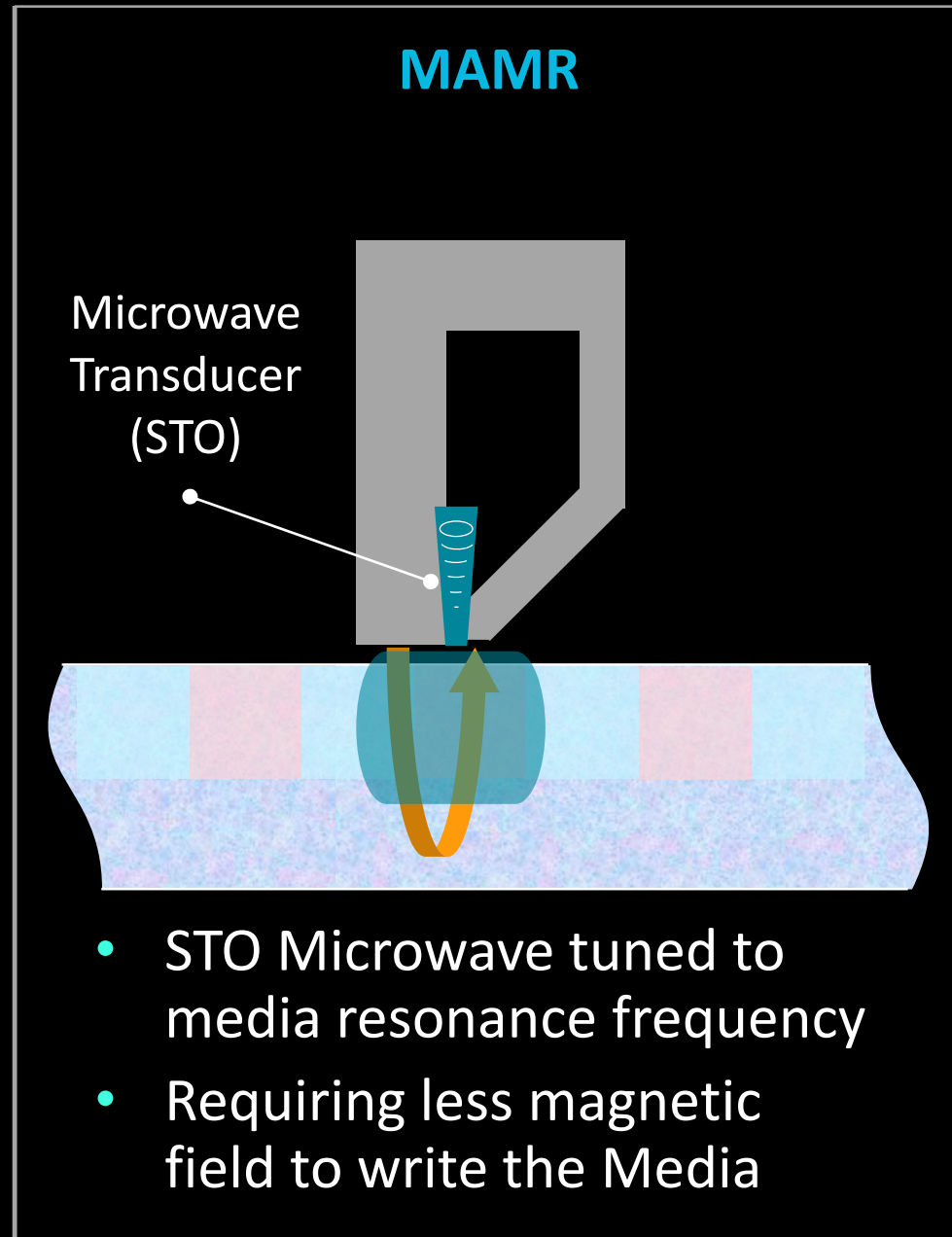
Perpendicular Magnetic Recording (PMR)



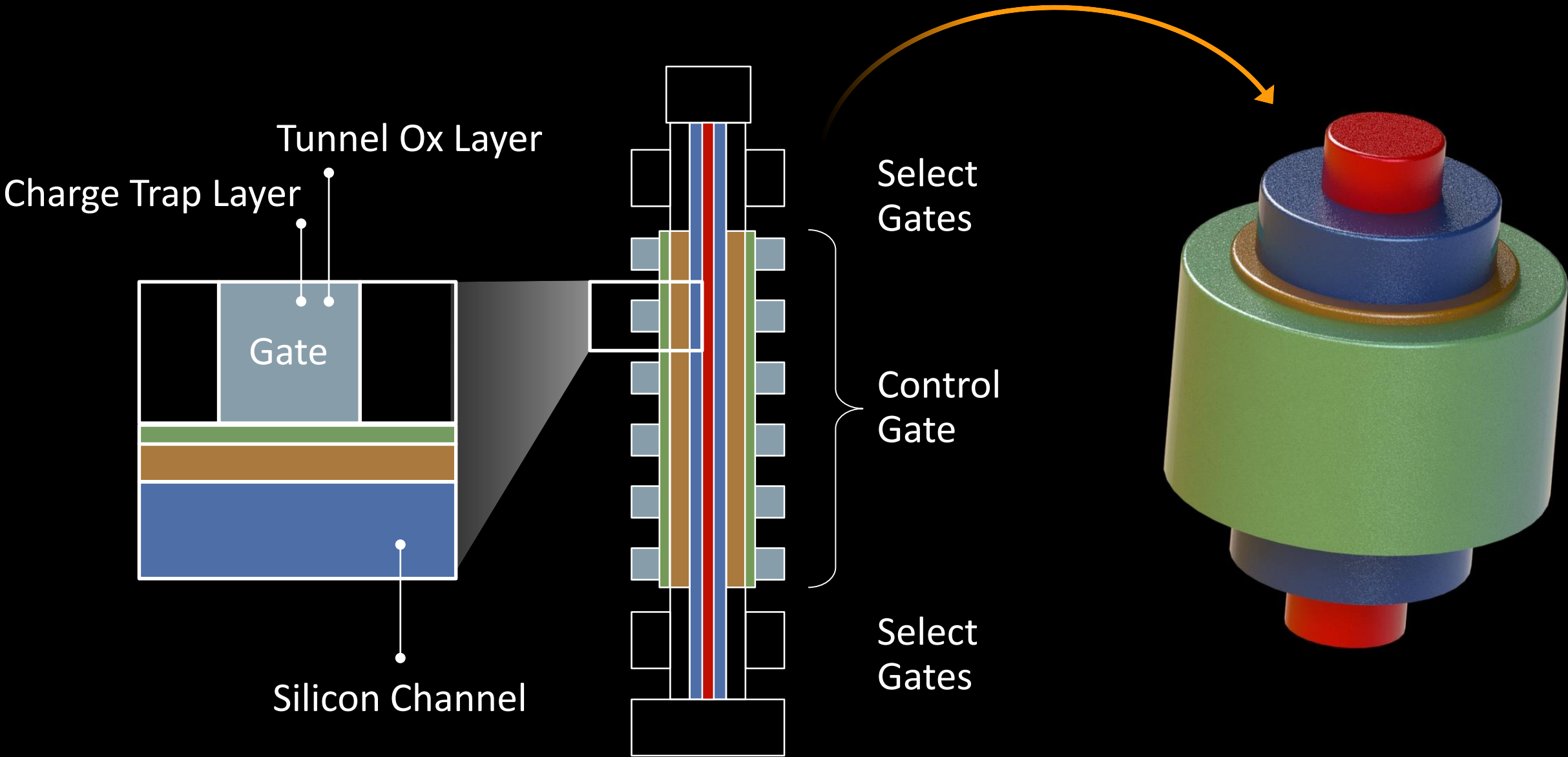
- Magnetic Field reaching limitations
- Diminishing gains



Energy-Assisted Magnetic Recording



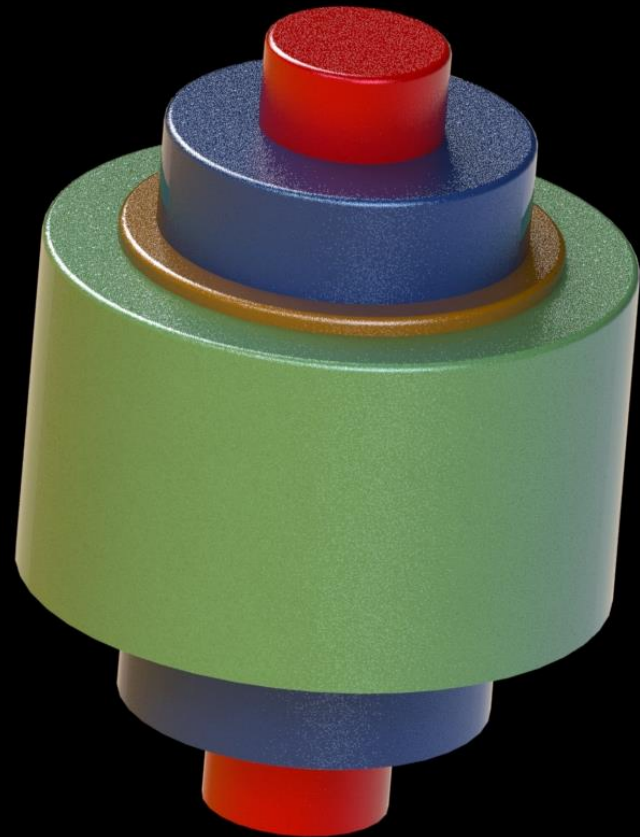
3D NAND: In the Grip of the Charge Trap



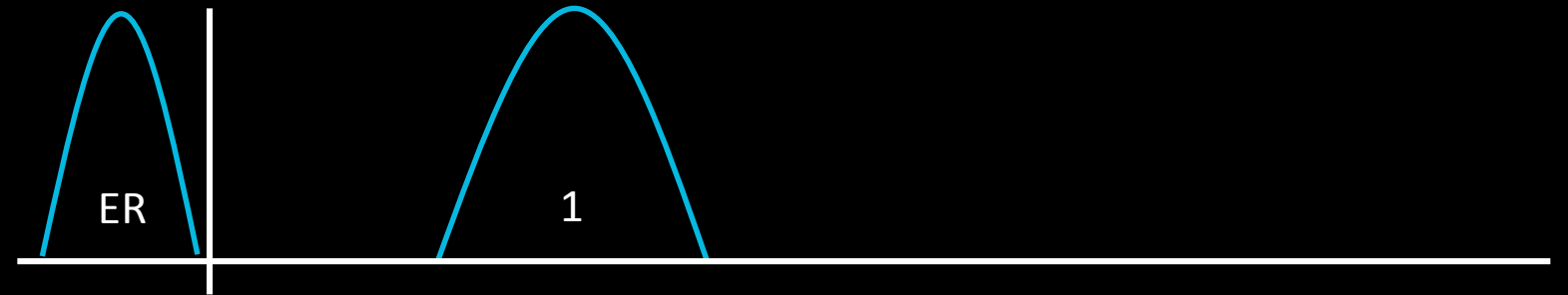
Most Shipped Semiconductor Device of All Time

Popular and Versatile

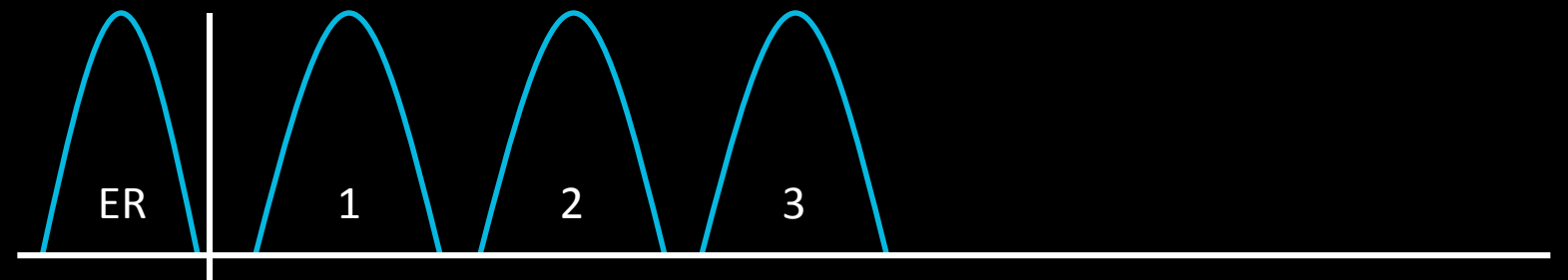
Single Memory Cell



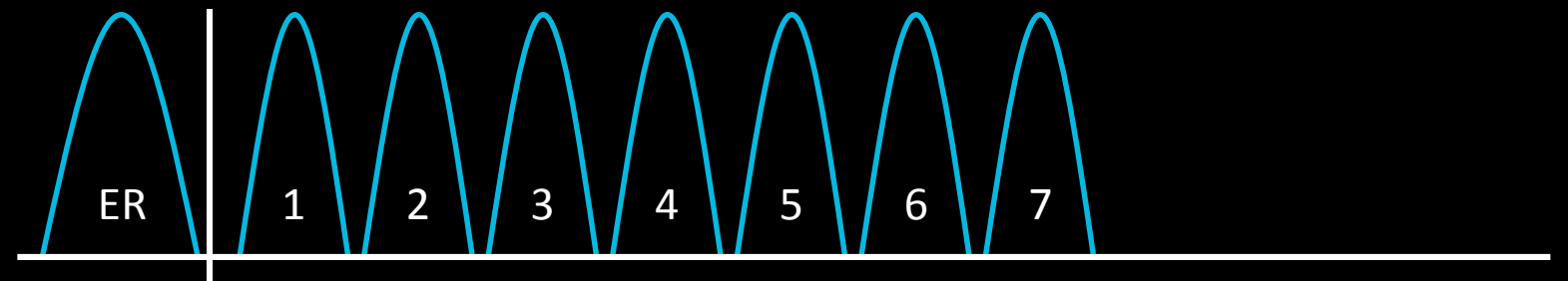
SLC
1 bit per cell



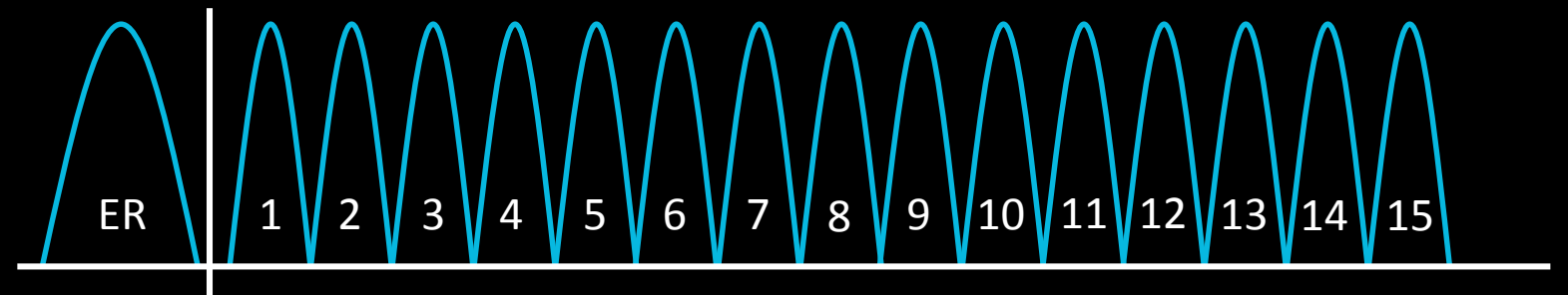
MLC
2 bits per cell



TLC
3 bits per cell

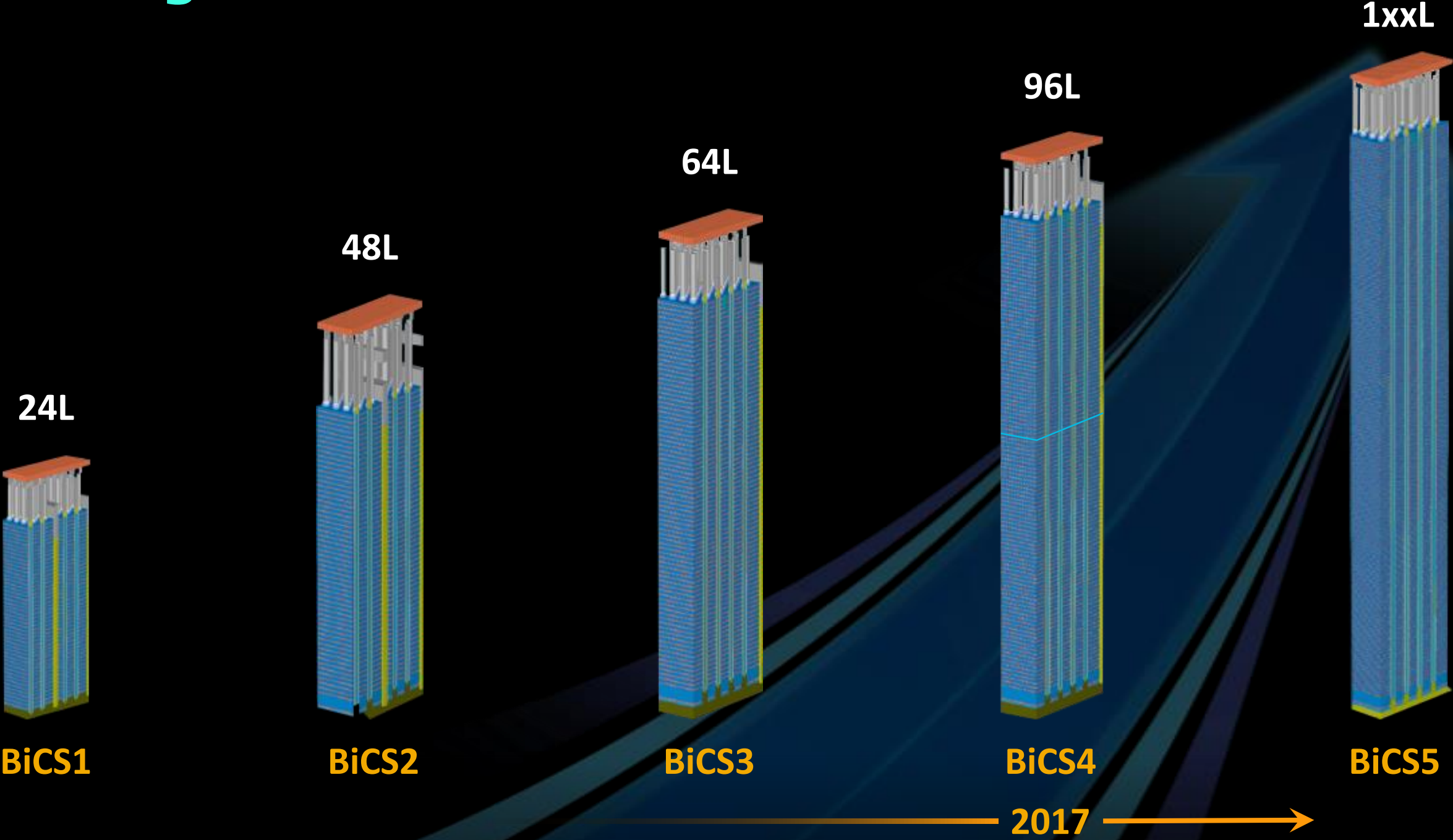


QLC
4 bits per cell



Western Digital is the World Leader in Productizing the Charge Trap Cell

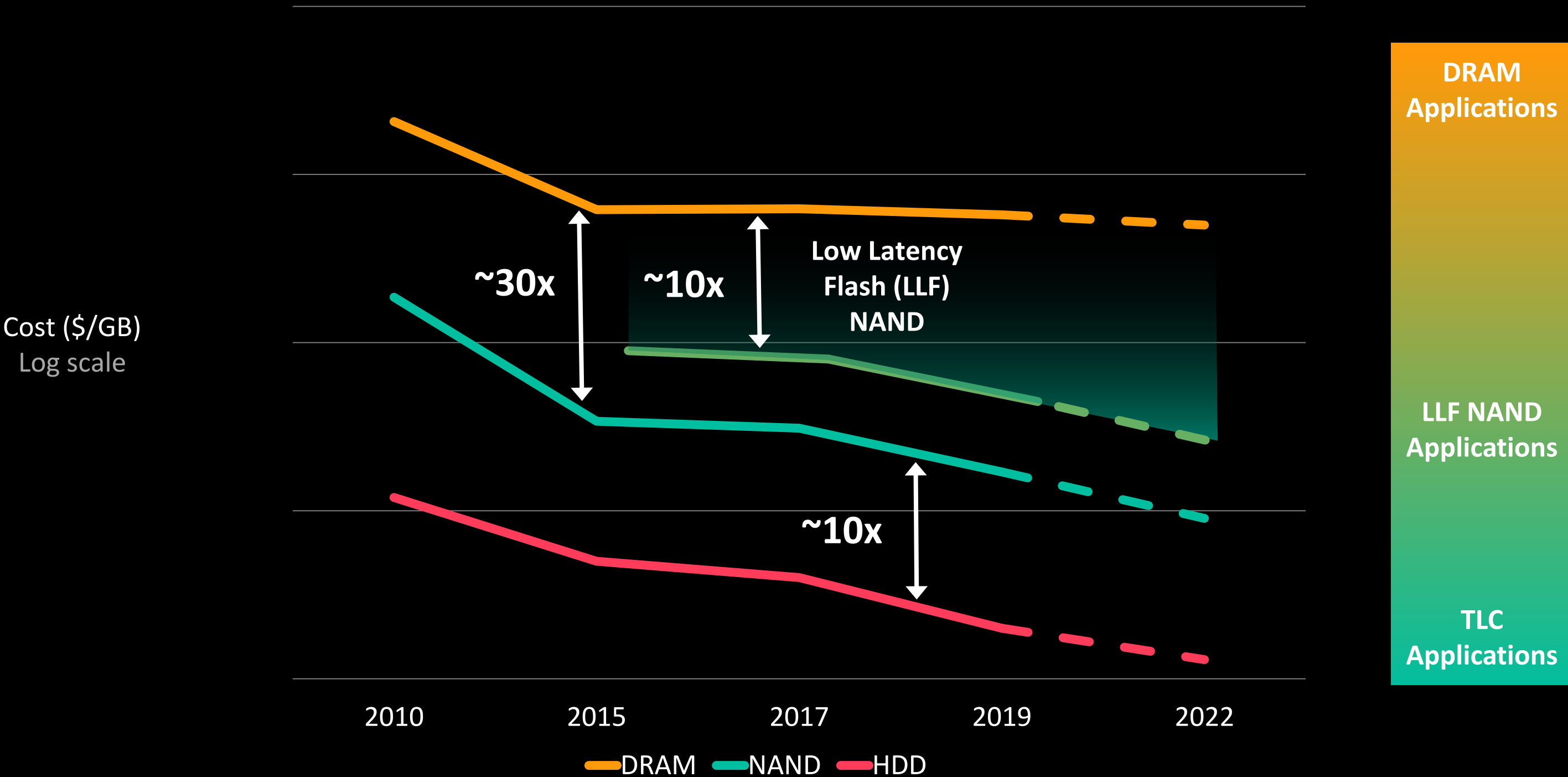
Cost Scaling of 3D NAND



WDC: First to Ramp and Commercialize 96 Layer BiCS4

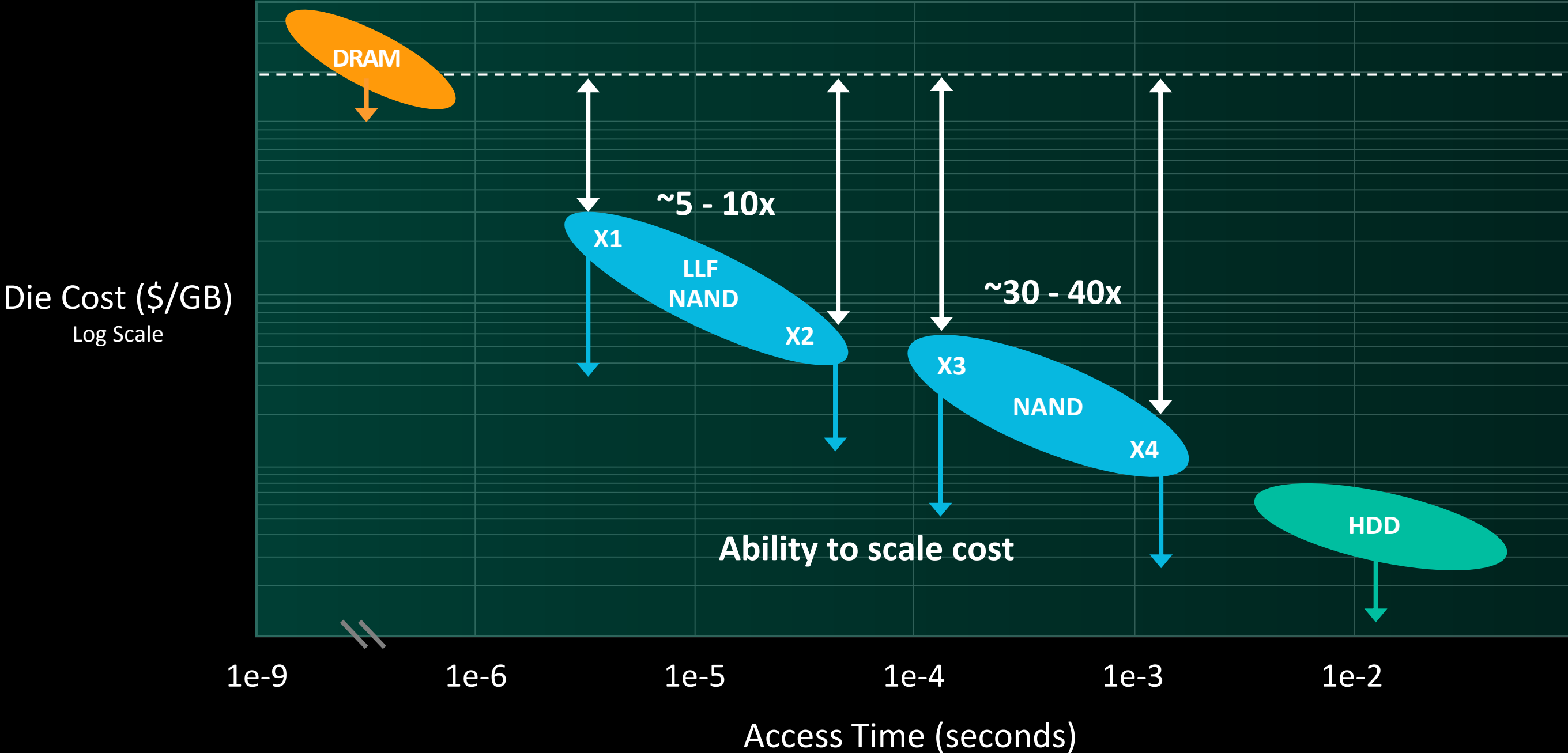
Note: Images are not to scale

Scalable Flash Moving Up the Latency Spectrum



Source: WDC estimates.

Charge Trap Cell: Bridging DRAM to HDD



Turning Technology into Solutions

DEVELOPMENT

HDD / SSD
knowledge transfer

MANUFACTURING

Smart manufacturing AI
and ML for TTM

SUPPLY CHAIN

Combined scale and
investments



System
Integration



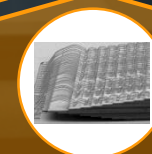
Product, Test &
Validation



Firmware



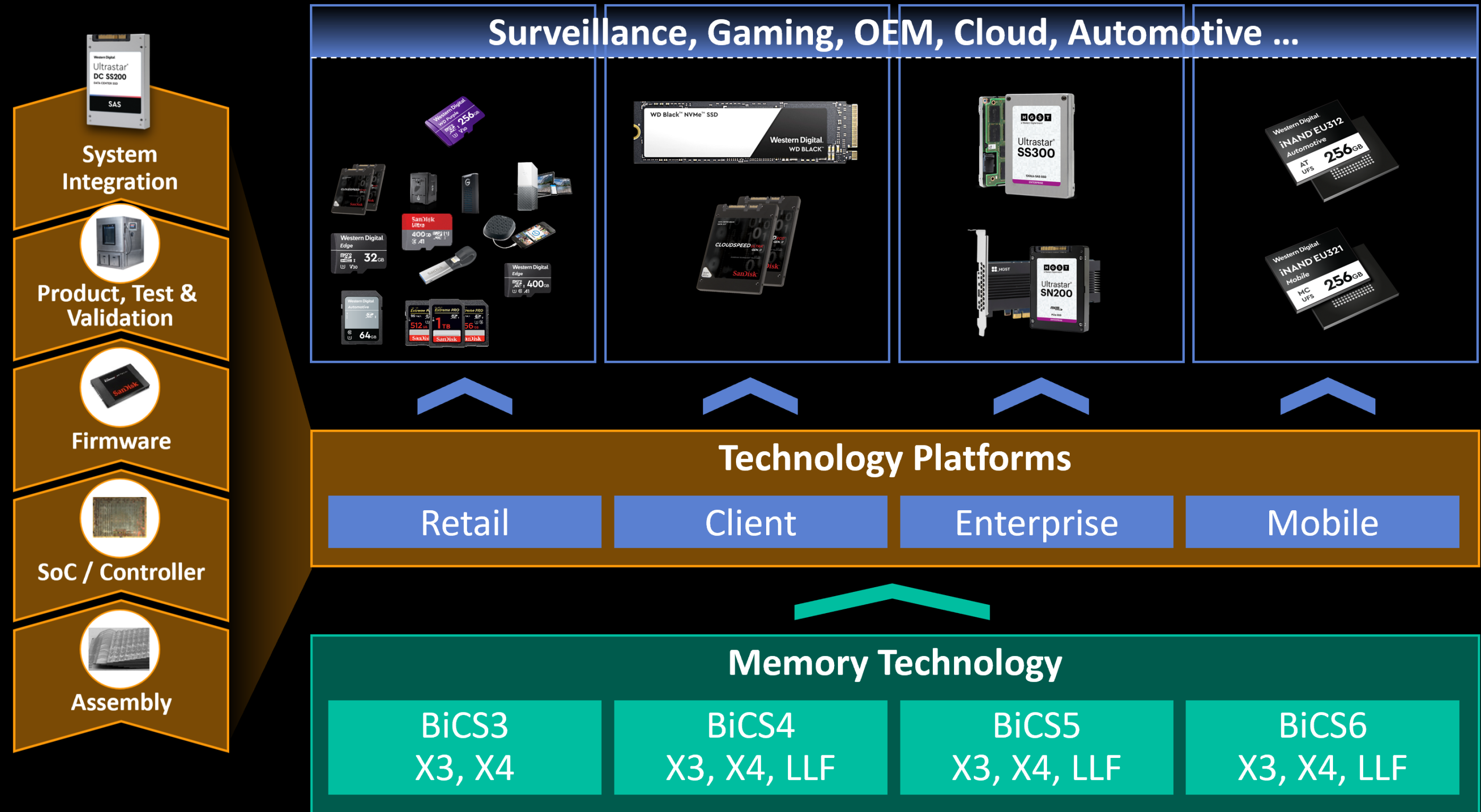
SoC / Controller



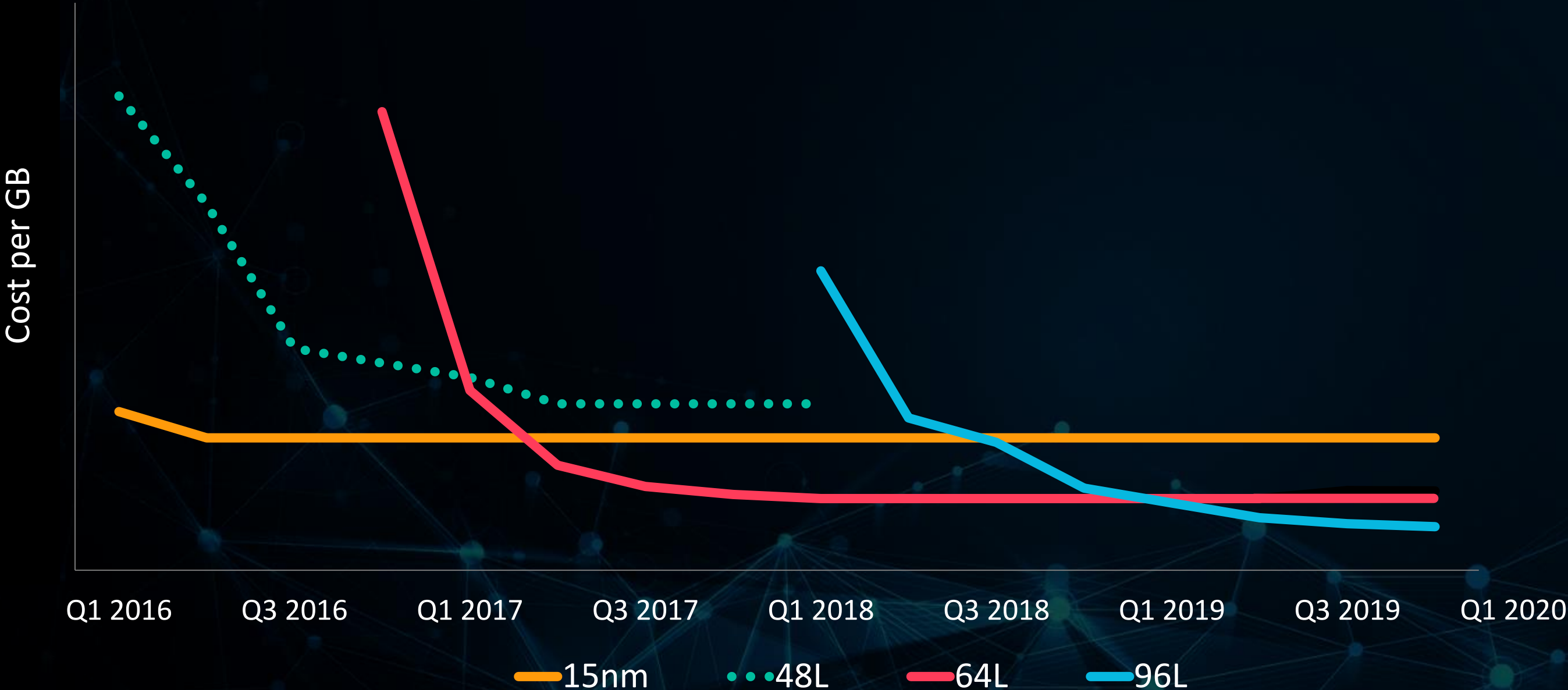
Assembly

The Synergies of the Flash/HDD Platforms

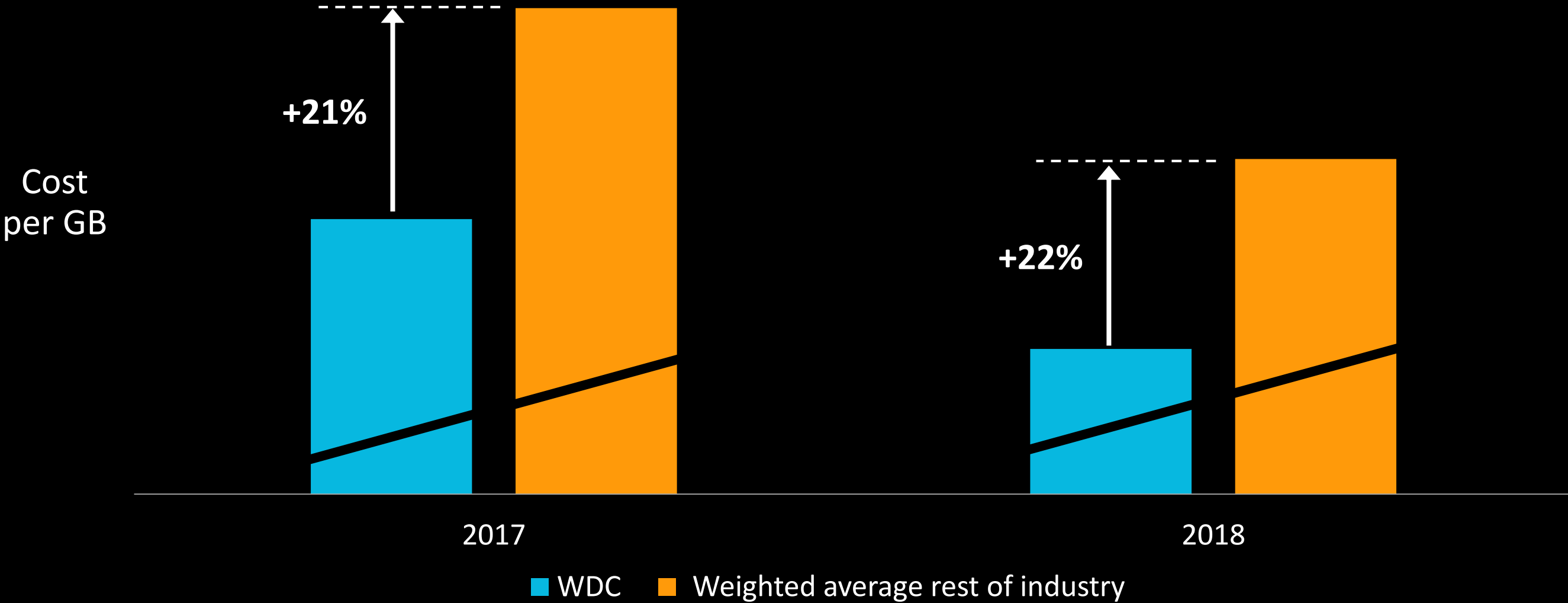
Vertical Innovation: Technology Platforms



The Right Node at the Right Time



WDC Continues to Lead the Industry in Cost per GB



Source: WDC estimates.

BiCS4 96 Layer: Products for All Focus Segments

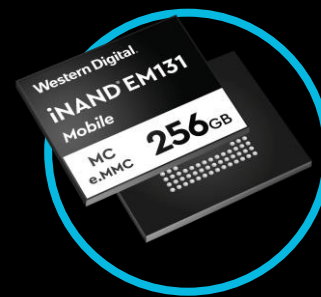
2018-2019	BiCS4 96L	Full Mass Production: 16GB to 64TB 70+ product lines
2017-2018	BiCS3 64L	Full Mass Production: 16GB to 32TB 50+ product lines
2016	BiCS2 48L	Limited Production: 32GB to 1TB 10+ product lines
2015	15nm 1Z	Full Mass Production: 8GB to 8TB 40+ product lines

USB / uSD / SD

Mobile

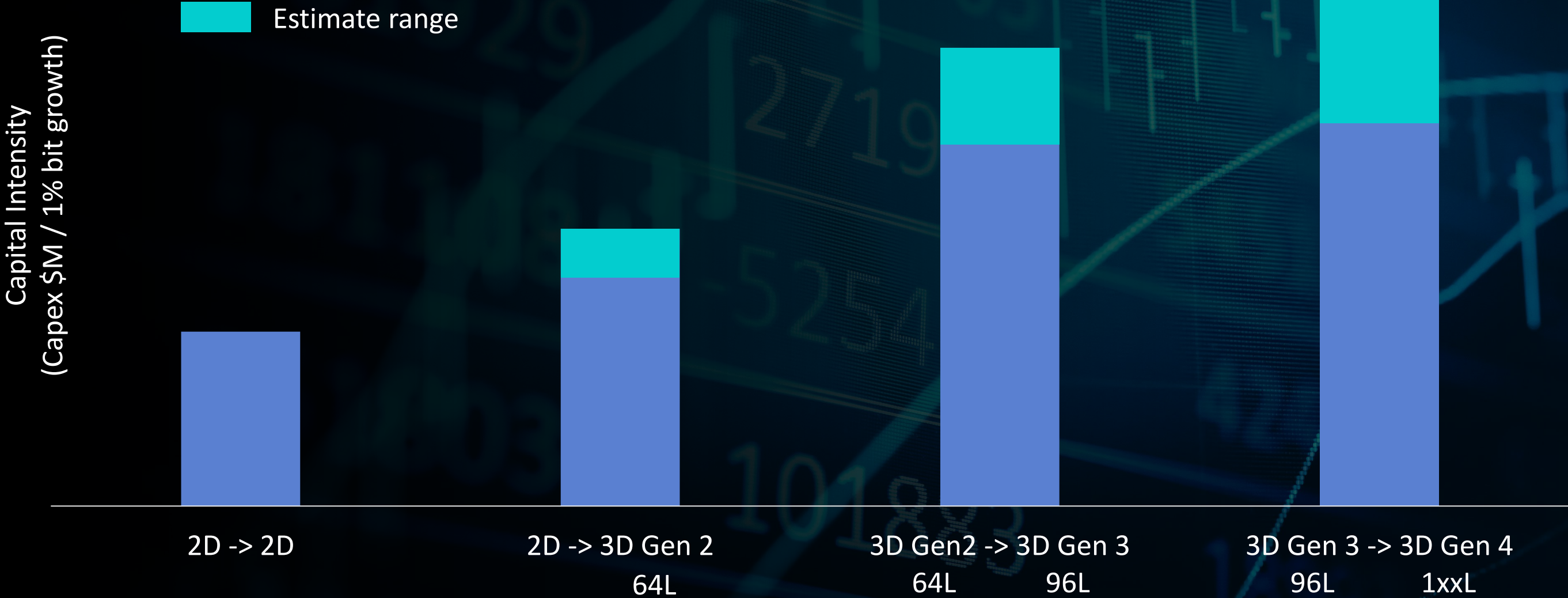
Client

Enterprise



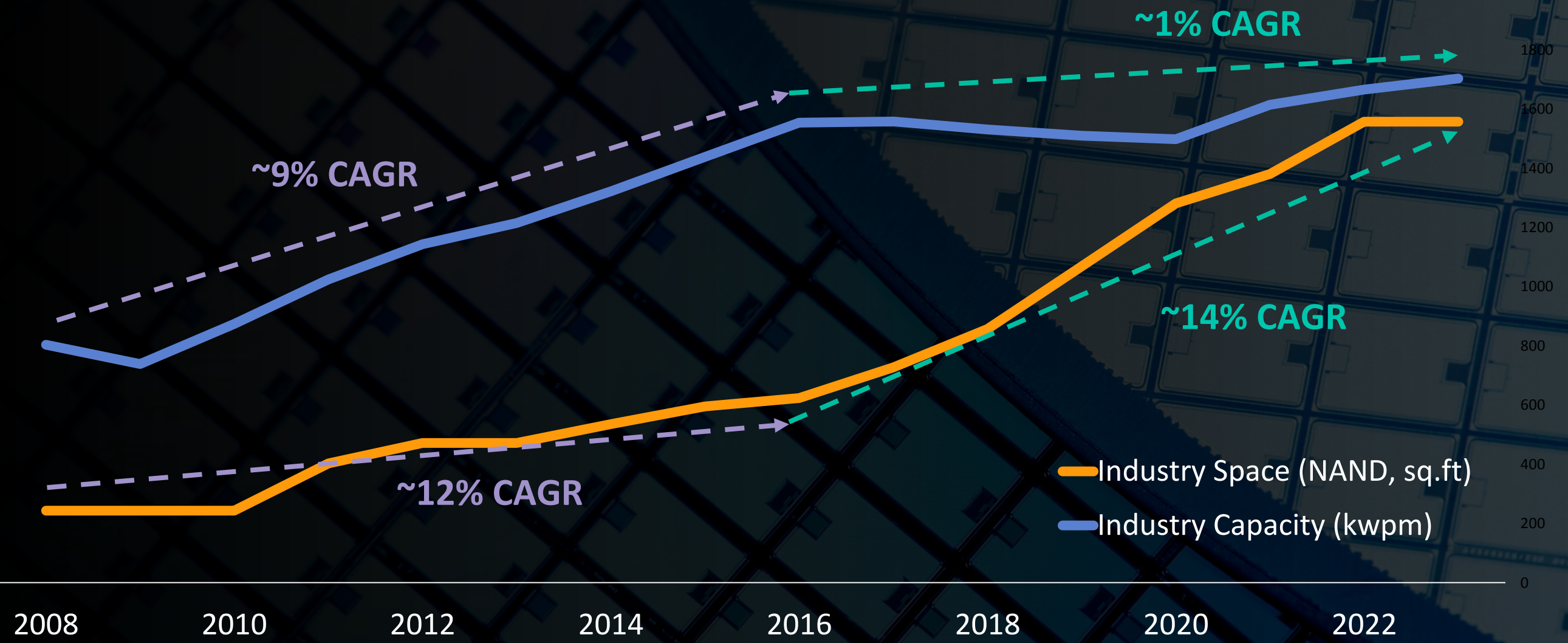
Source: WDC Internal.
Pictures not to scale.

Capital Intensity of Industry 3D Generations



Source: WDC estimates.

Many New Fabs For the Industry, But Not Many New Wafer Starts!



Fab 2



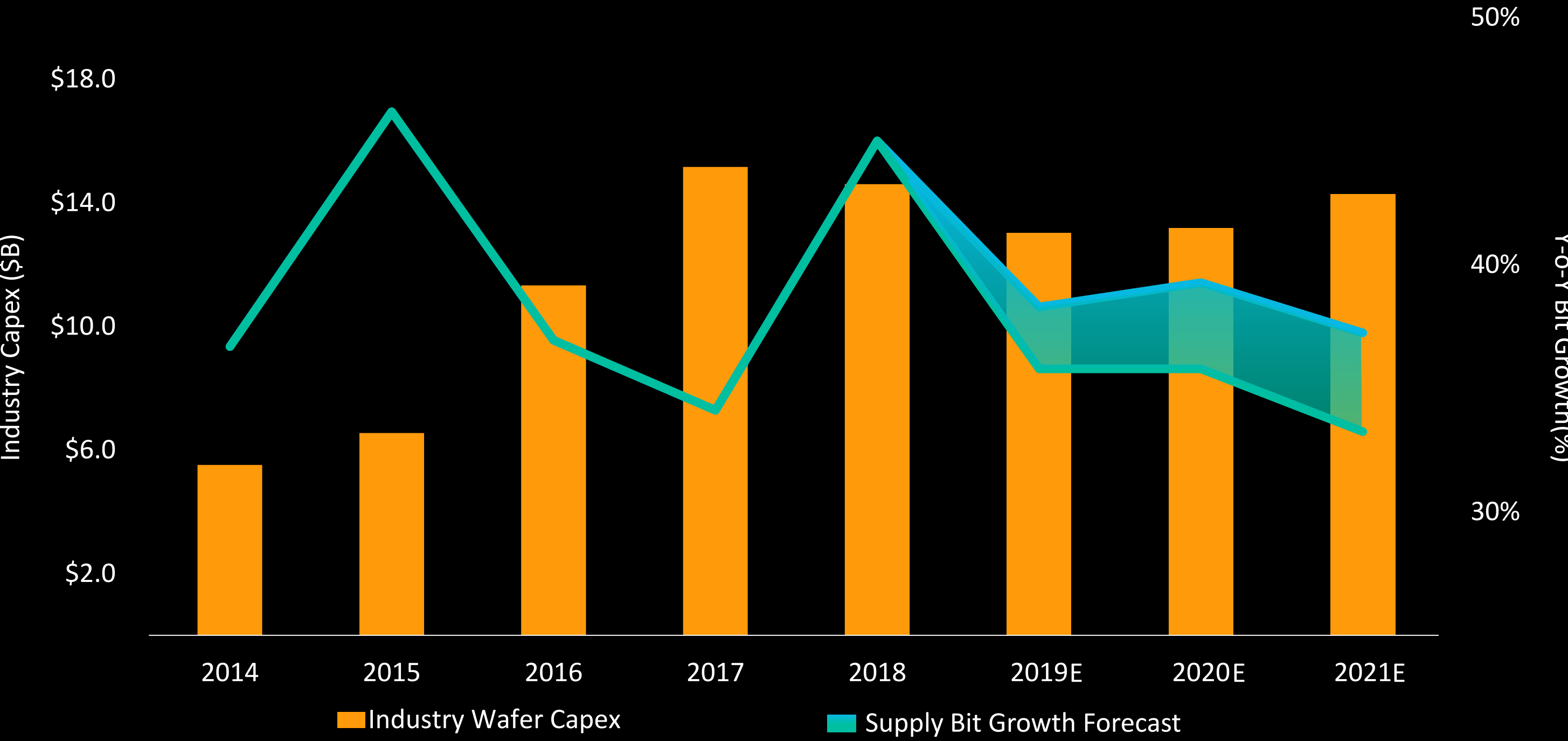
Fab 6



K1

Source: WDC estimates.

Supply Bit Growth Rate Reduced by Increasing Capital Intensity



Source: Forward Insights, 2018, WDC. 2019 – 2021 Projection.

Global Operations



Powerful and Agile Operational Engine

NAND Wafer

Yokkaichi, Japan



Mega Fab
9k Wafers/Day*

Flash Products

Shanghai, China



>3M Die/Day

Heads

Laguna, Philippines



>1M Heads/Day

SSD

Penang, Malaysia



>1M Die/Day
>100k SSDs/Day

Media

Penang, Malaysia



> 500K Media/Day

HDD

Prachinburi, Thailand
BangPa-In, Thailand



Enterprise HDD
HelioSeal 14TB

* WD share of output.

Western Digital

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Yokkaichi: One Interconnected Mega Fab

Fab 4

Fab 3

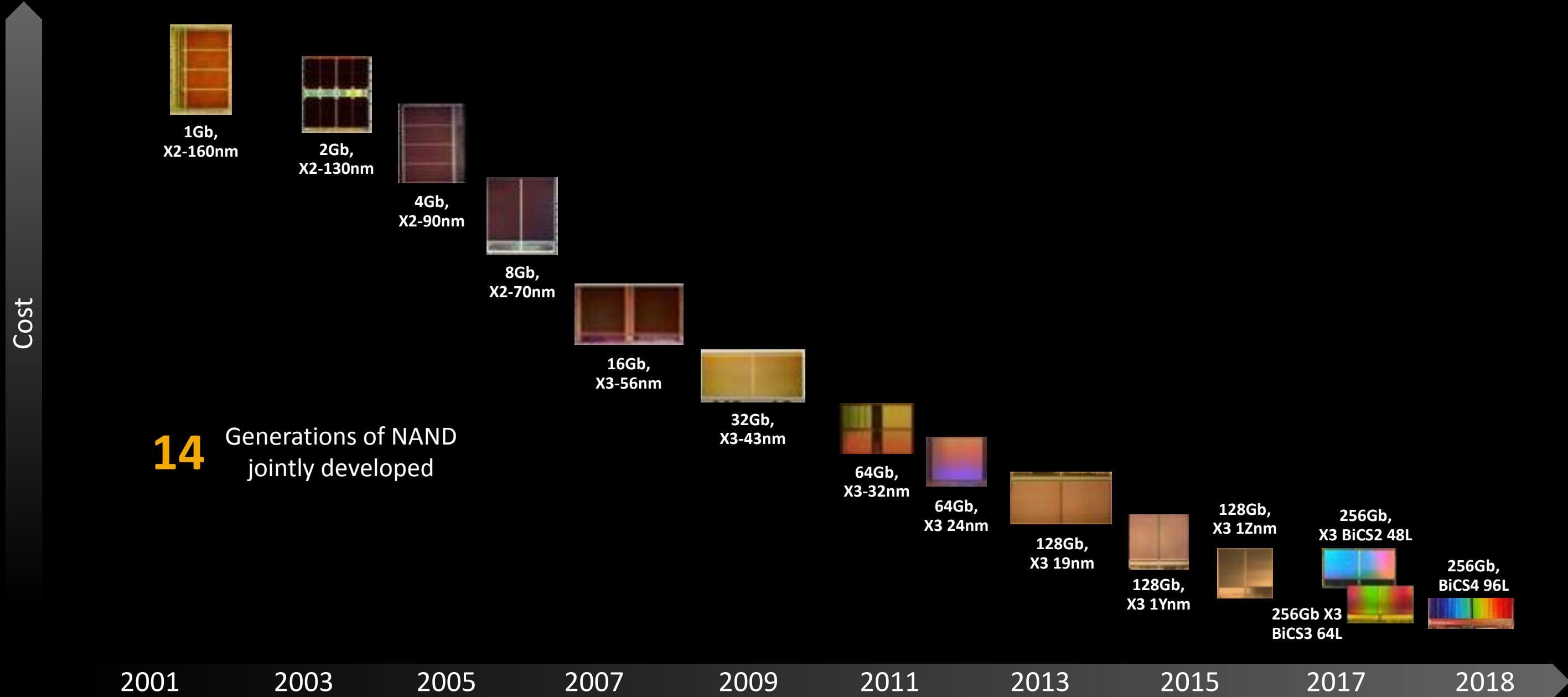
Fab 2



Fab5

Fab6

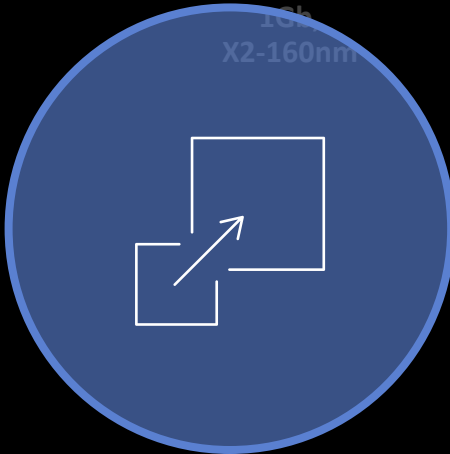
Our Unique Partnership, 19 Years and Counting!



Die sizes not to scale.

Our Unique Partnership, 19 Years and Counting!

Scale



- Combined Scale and efficiency of operations (equipment, labor)
- Faster yield learning
- Proximity

Technology Leadership



- Original inventors of NAND, MLC & 3D NAND
- Combined global talent pool
- Development to production on-site

Cost Sharing



- Pooled R&D Spending
- IP sharing
- Shared designs

Thought Diversity



- Independent technology assessment
- Wider market exposure
- Diversity of ideas

Takeaways



Lowest NAND Cost
Highest Areal
Density and
Highest Capacity
HDD



Lead the Ramp
and Productization
of 96 Layer
3D NAND



Charge Trap Cell:
Versatile and
Scalable



Vertical Innovation
for Timely
Productization of
Technology



Structural
Advantage Due to
Efficient JV

Western Digital: Storage Technology and Product Leader



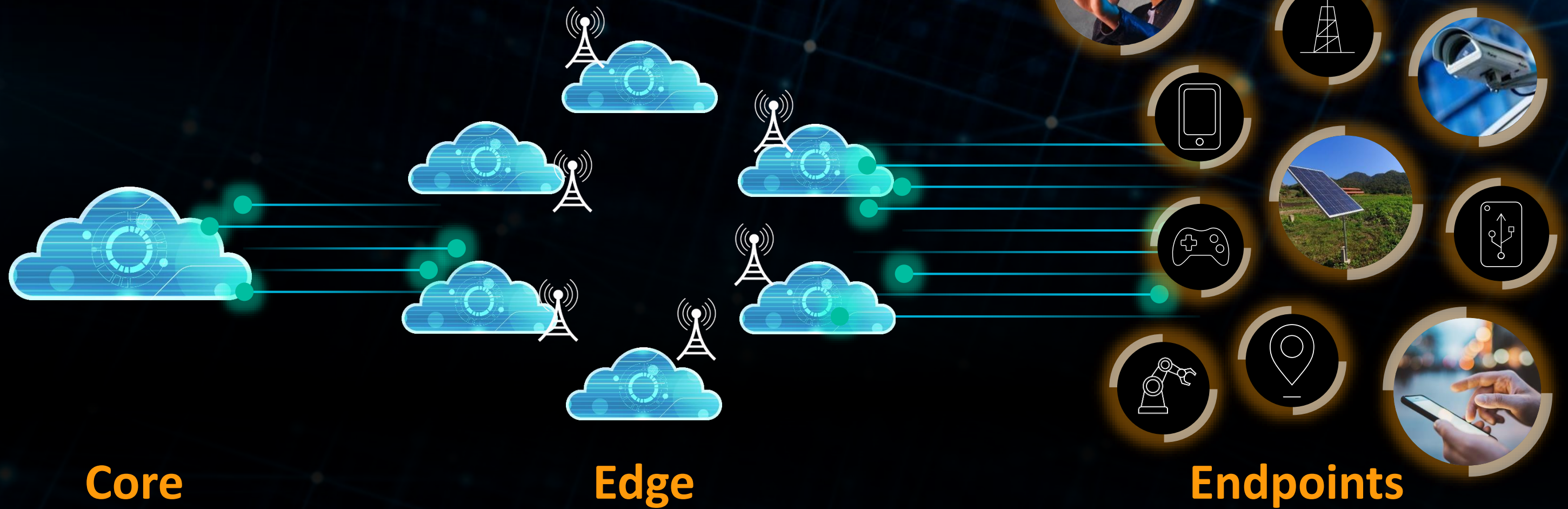
Western Digital[®]

Western Digital®

Architecting the Future

Martin Fink
EVP & Chief Technology Officer

The Data Landscape



Core

Edge

Endpoints

BIG DATA

FAST DATA



Machine Learning



Genomics Research



Batch Analytics



Predictive Modeling



Supply Chain Optimization



Autonomous Vehicles



Manufacturing Robotics



Wearable Diagnostics



Facial Recognition/
Surveillance



Home Automation



AI



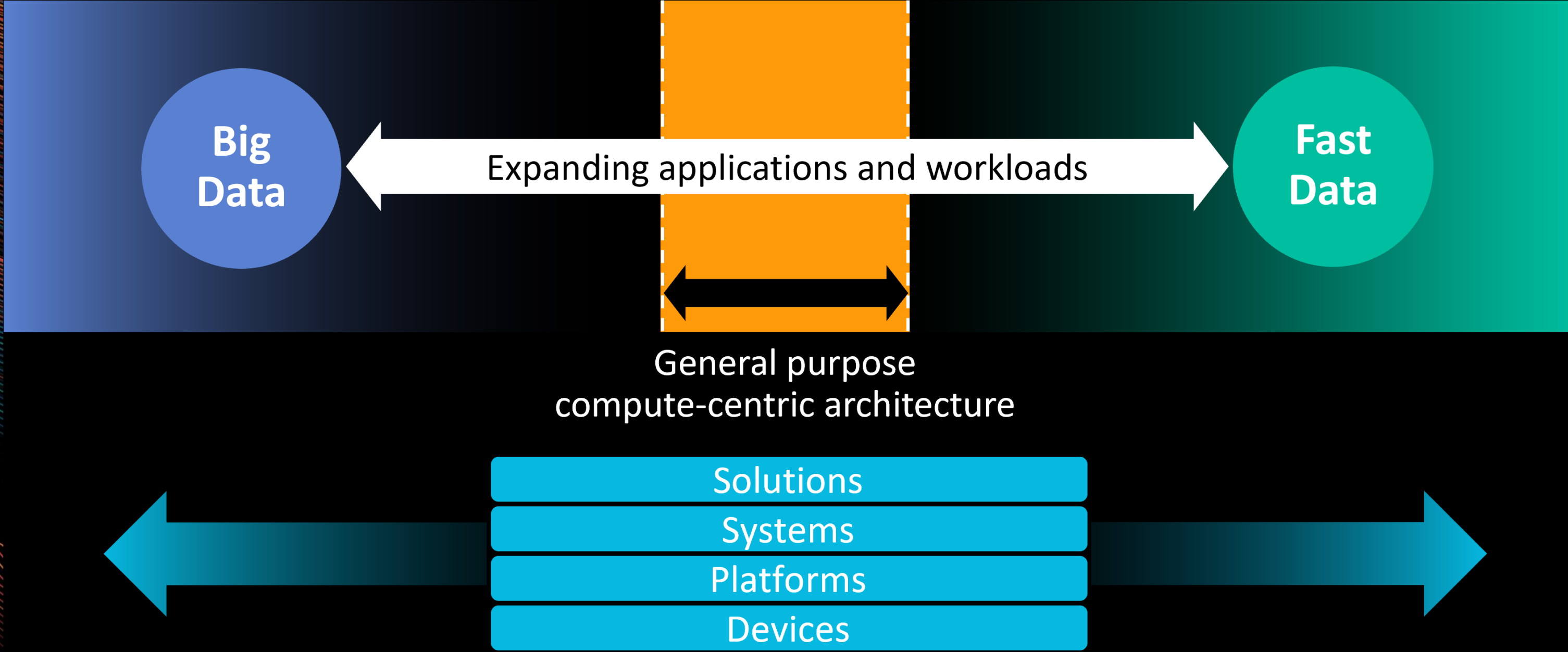
Real-time Analytics



IoT

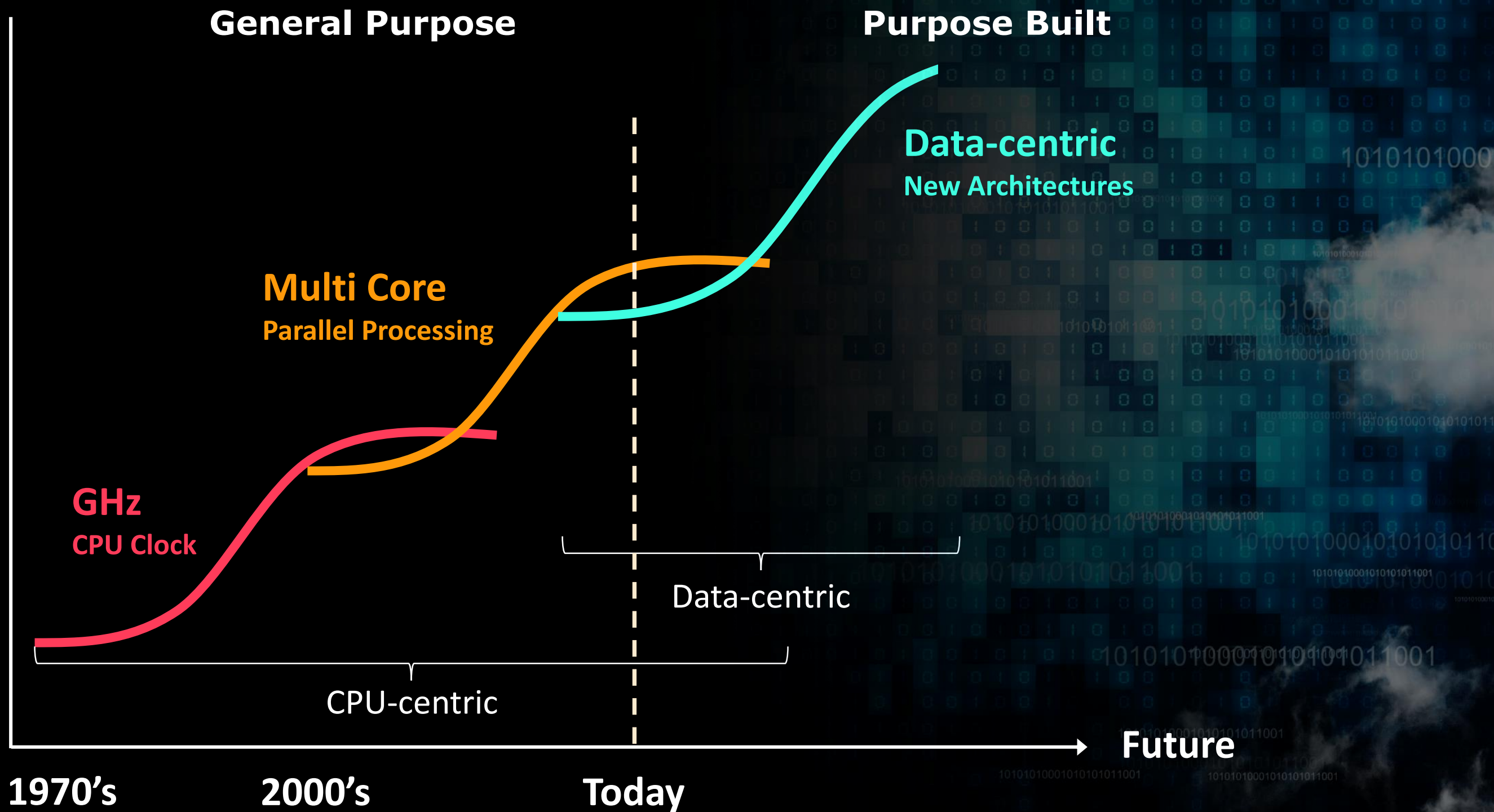
From General Purpose to Purpose Built

Architectures require open standard interfaces



Architecture Evolution

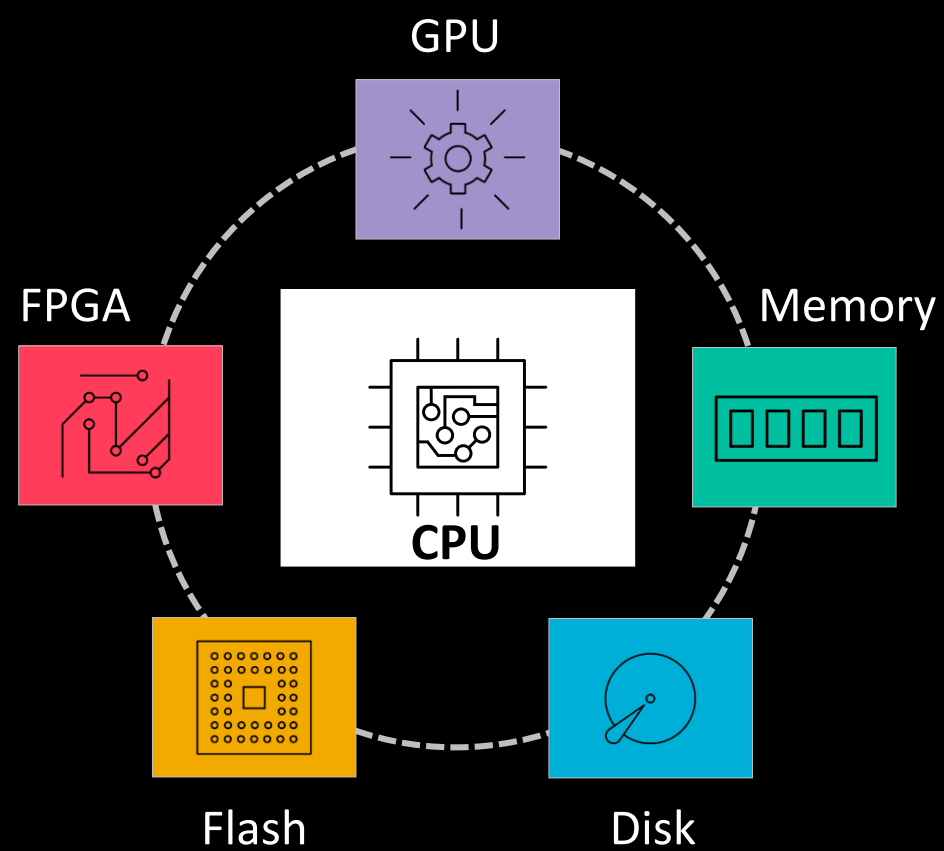
Capability



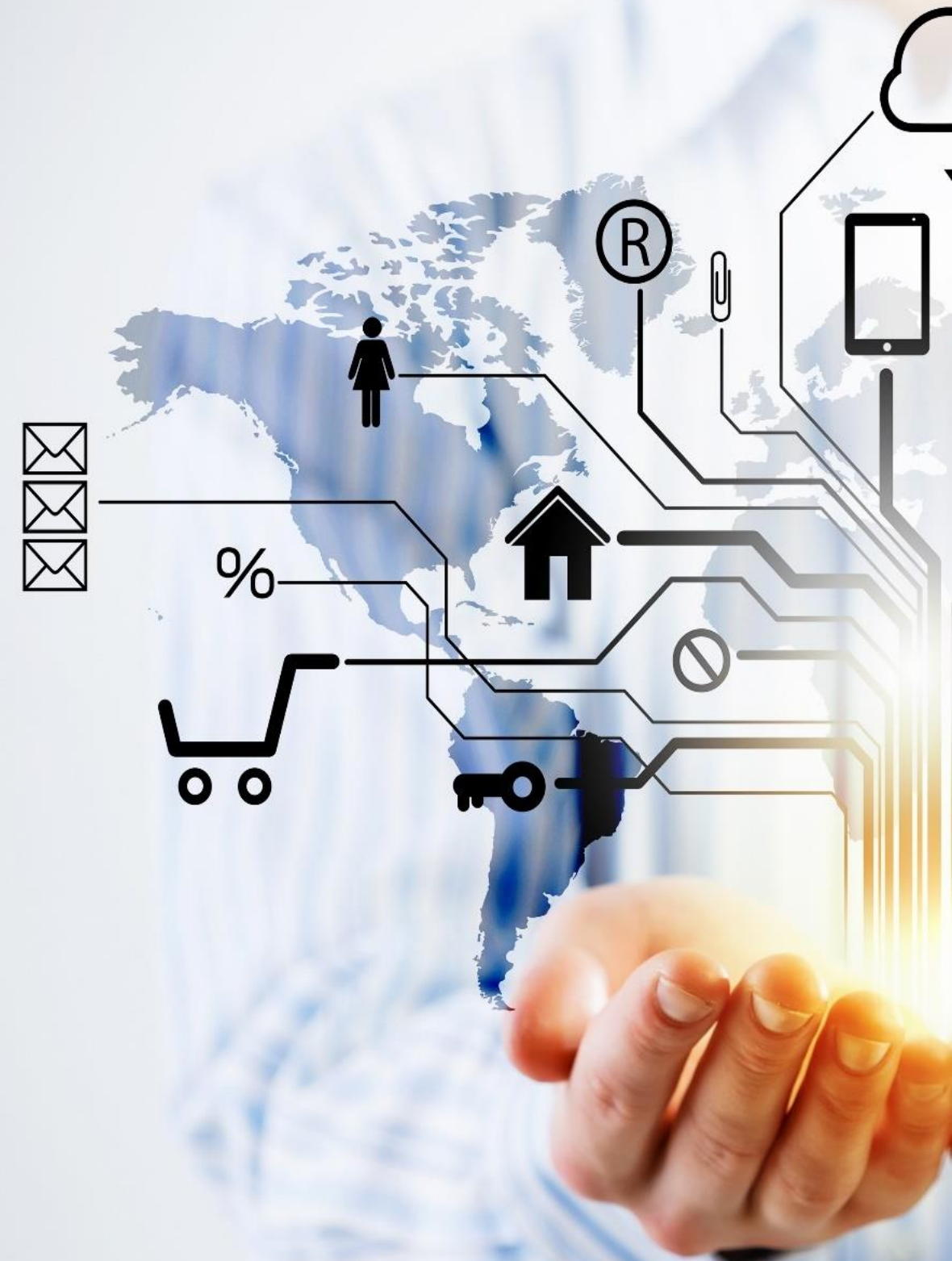
Relationship between Compute and Data



Big Data



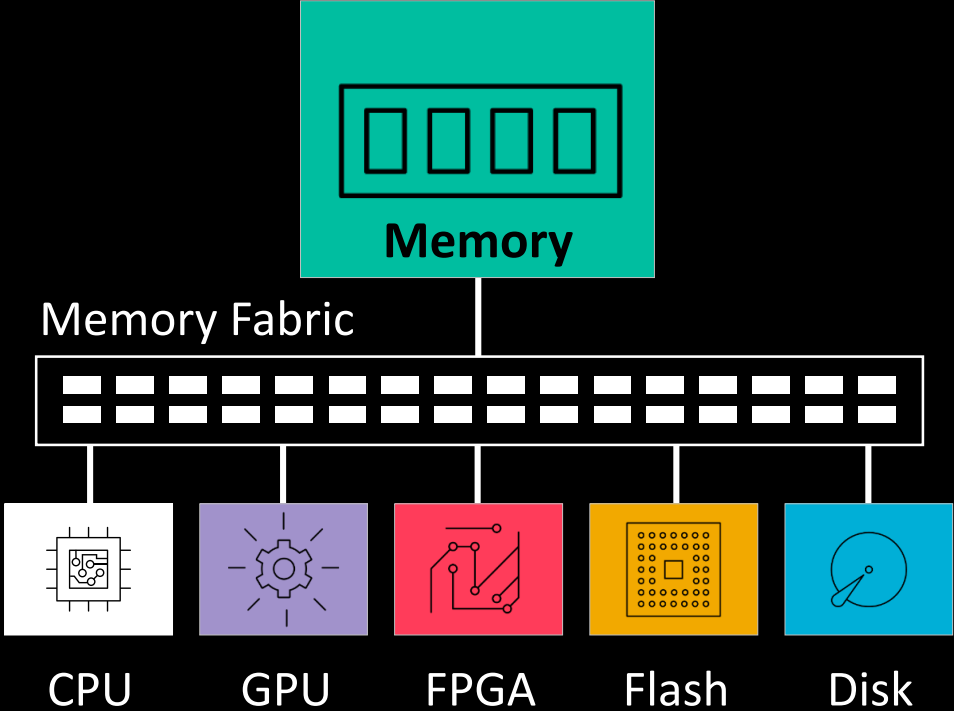
Fast Data



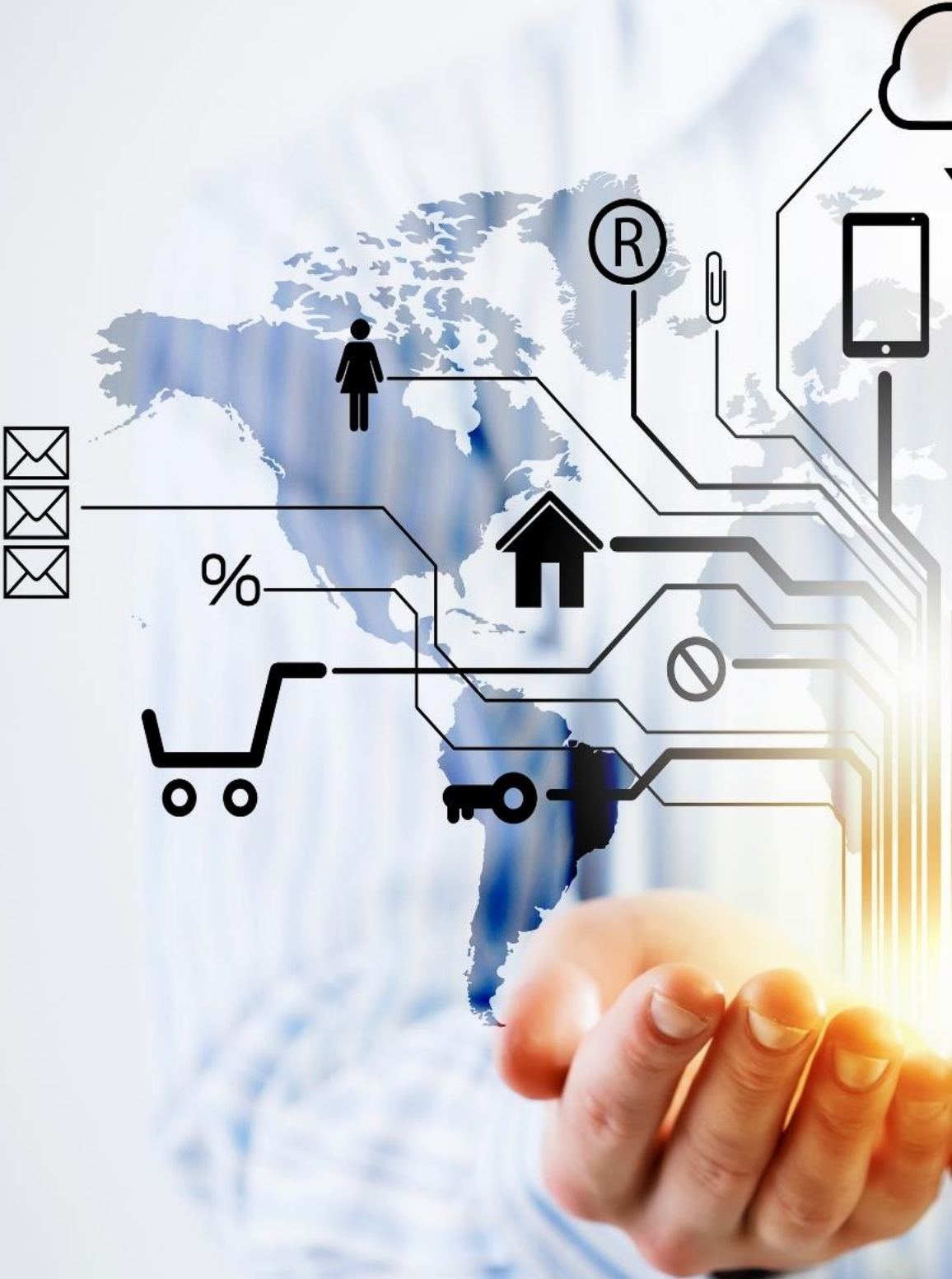
Relationship between Compute and Data



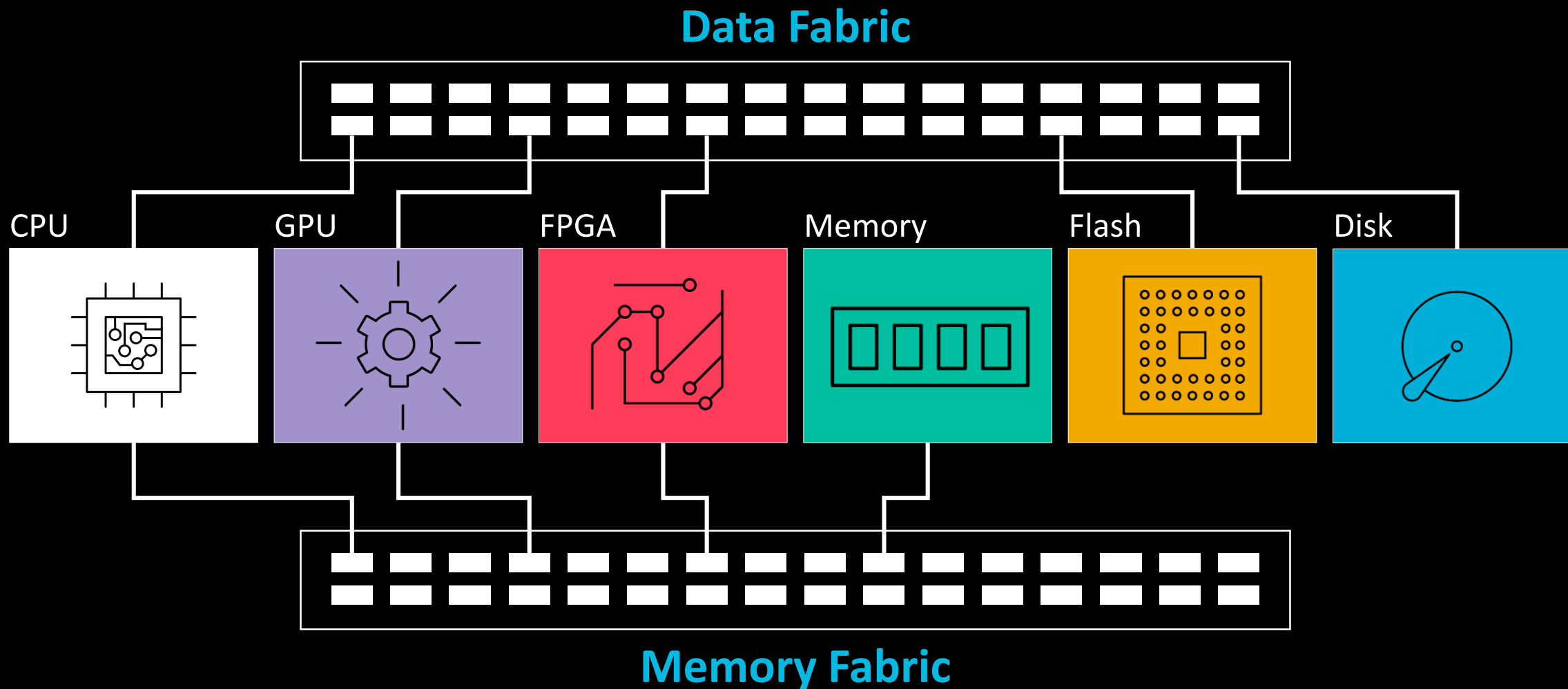
Big Data



Fast Data



Enabling Composable Infrastructure



- No physical systems – only composed systems
- No established hierarchy – CPU doesn't 'own' the GPU or the Memory
- All elements are peers on the network and they communicate with each other

Western Digital RISC-V SweRV™ Core

Today:

We announced the SweRV™ Core and
the OmniXtend™ Memory Fabric

And ...

THEY WILL BE OPEN SOURCED!



SweRV™ – The Reality!

POWER

30%
Improvement
in Power
Consumption

PERFORMANCE

40%
Improvement in
Performance

COST

No
Licensing or
Royalty Fees

FOOTPRINT

25%
Reduction in
Footprint

Note: Simulation conducted by Western Digital internally based on sampling of current cores used.



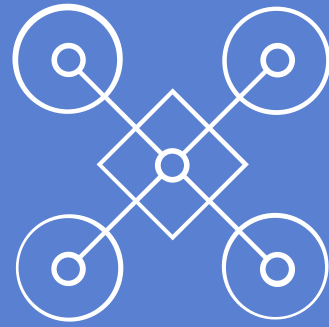


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Western Digital®

Creating Shareholder Value

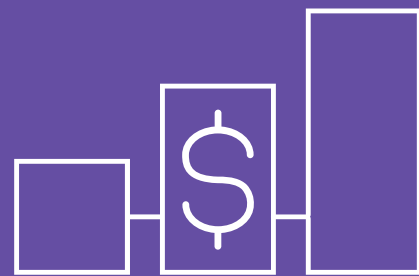
Mark Long
Chief Financial Officer



Leader in Data
Infrastructure



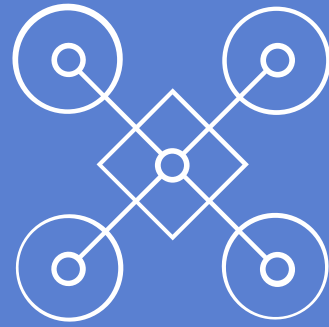
Portfolio Drivers
and Growth Opportunity



Financial Model



Capital Structure
and Capital Allocation



Leader in Data Infrastructure



Portfolio Drivers and Growth Opportunity



Financial Model



Capital Structure and Capital Allocation

Focused on Creating Shareholder Value



Market leader across industry's broadest product portfolio



Secular growth drivers across high value applications



Debt deleveraging—\$6.3B in total debt pay-downs since SanDisk acquisition¹



80%+ of FCF returned to shareholders over last 12 months²

High performance storage solutions leader driving long-term profitable growth

Western Digital[®]

Combination of strong legacies

SanDisk[®]



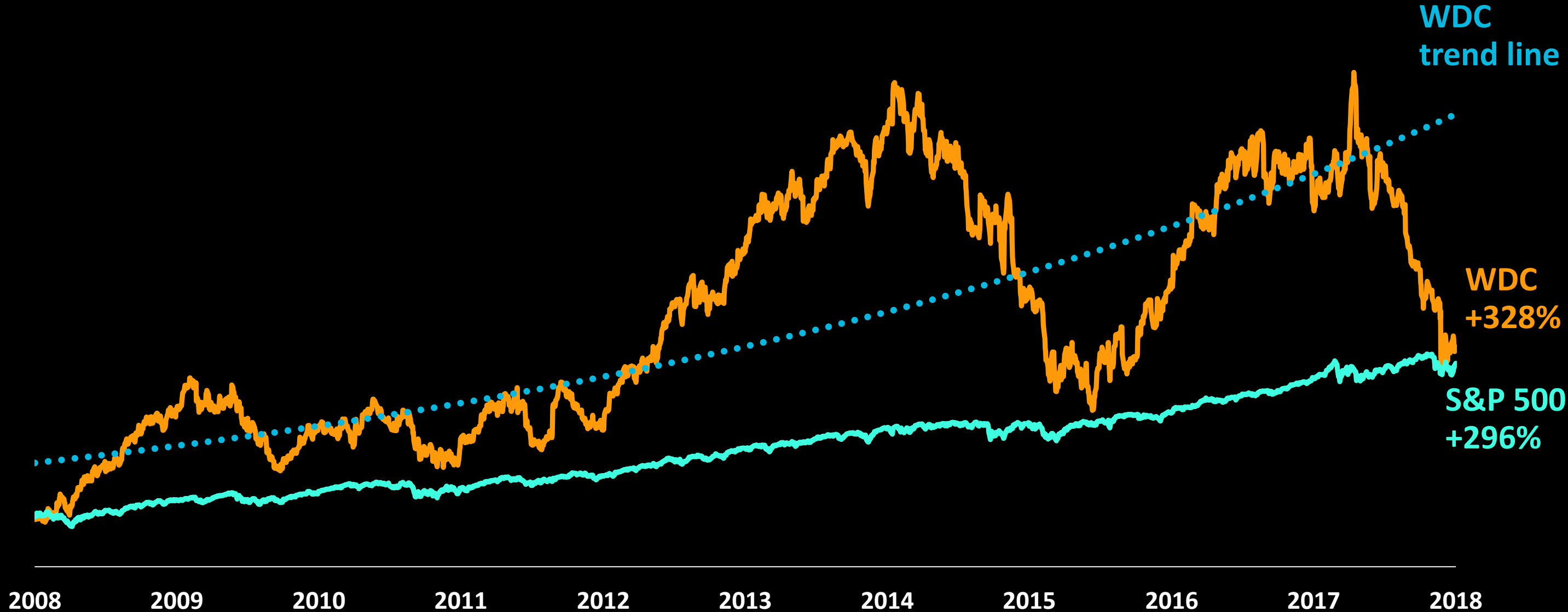
¹ Includes recent \$500M revolver pay-down; Excludes SanDisk convertible debt assumed in connection with the acquisition.

² Total dividends and share repurchases as % of FCF; for latest twelve month period ended Sep. 28, 2018. Mandatory debt pay-down during the period was \$186M (less mandatory debt pay-down) .

Our Shareholder Value Creation Over Time

Returns on WDC stock have outperformed market benchmarks since 2008

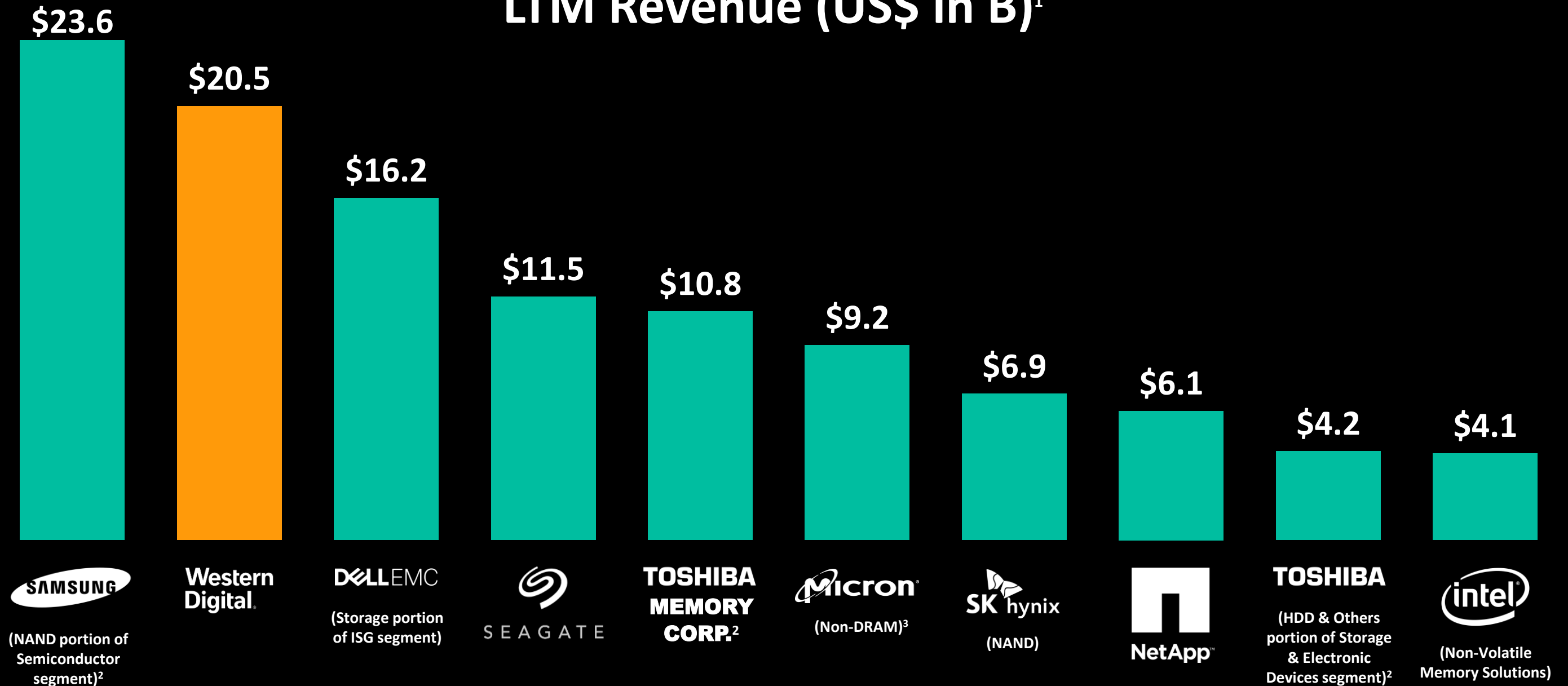
Total shareholder returns (dividend-adjusted)¹



¹ Source: Capital IQ, updated through Dec. 3, 2018.

A Global Leader in Storage Solutions

LTM Revenue (US\$ in B)¹



Sources: Company earnings reports; SEC and other public filings; Wall St. analyst reports.

¹ Latest 12 month period (or LTM) ended Sep. 30, 2018 for Samsung, Seagate, SK Hynix and Intel; ended Sep. 28, 2018 for WDC; ended Aug. 30, 2018 for Micron; ended Aug. 3, 2018 for Dell-EMC; ended Jul. 27, 2018 for NetApp; ended Jun. 30, 2018 for Toshiba HDD; and ended Mar. 31, 2018 for Toshiba Memory Corp.

² For the LTM, Toshiba revenue converted to USD at company's reported average exchange rates; Samsung and SK Hynix revenue converted to USD at an average exchange rate of 1094.81 KRW/USD.

³ Includes Trade NAND, Non-Trade and Other.

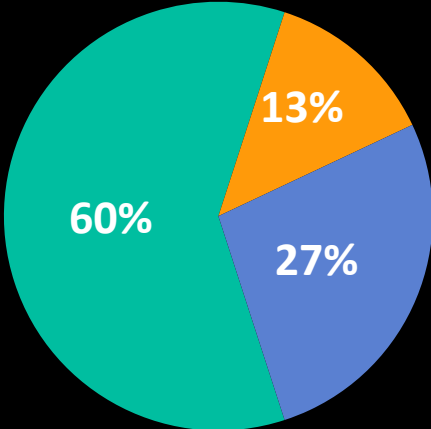
Our Evolution as a Storage Solutions Leader

- Client Devices
- Client Solutions
- Data Center Devices & Solutions

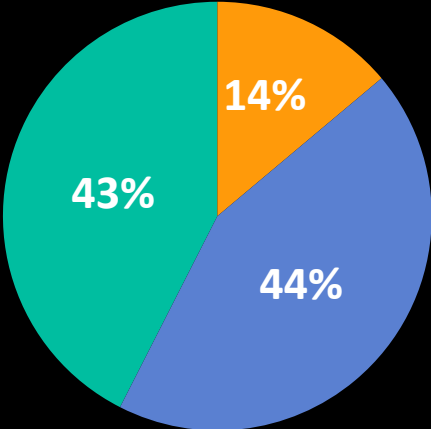
FY13

LTM¹

HDD revenue:
\$15.4B



HDD revenue:
\$10.6B



Flash revenue:
not disclosed

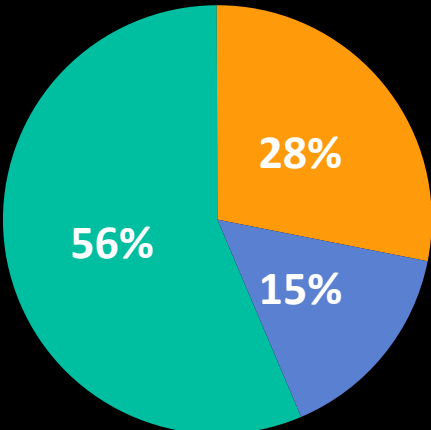


% of total revenue from:

Client PC HDD
50% → 14%

High-Value Products²
27% → ~60%

Flash revenue:
\$9.9B



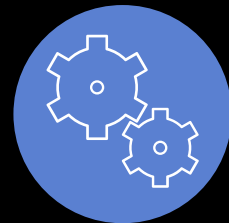
¹ Latest twelve month period ended Sep. 28, 2018.

² High-Value Products include: Client SSD, Enterprise HDD, Enterprise SSD, Flash Mobility, Non-Mobility Embedded Flash and HDD (excluding Gaming), Surveillance HDD and Data Center Systems and Platforms.

Progress Toward Our Strategic and Financial Goals

Since Our Last Investor Day

December 2016



Successfully integrated HGST and SanDisk

7.6%

2-year revenue CAGR

1.73x

Leverage ratio² today
(through continued deleveraging and capital structure optimization)

\$1.7B

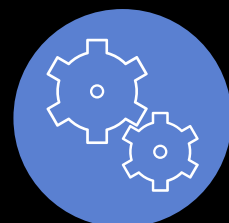
Shares repurchased + dividends over last 12 mos.
(as part of broader focus on shareholder return)

Long-Term Financial Model	2016 IR Day Model	FY17-FY18 Results ¹	Achieved
Revenue growth CAGR	4%-8%	7.6%	
Non-GAAP gross margin (% of Revenue)	33%-38%	40.2%	
Non-GAAP operating expenses (% of Revenue)	14%-16%	16.7%	
Non-GAAP operating margin (% of Revenue)	18%-23%	23.5%	
Non-GAAP tax rate (% of Pre-Tax Income)	7%-12%	8.1%	
Cash CapEx (% of Revenue)	6%-8%	6.0%	

Progress Toward Our Strategic and Financial Goals

Since Our Last Investor Day

December 2016



Successfully integrated HGST and SanDisk

7.6%

2-year revenue CAGR

1.73x

Leverage ratio² today
(through continued deleveraging and capital structure optimization)

\$1.7B

Shares repurchased + dividends over last 12 mos.
(as part of broader focus on shareholder return)

Long-Term Financial Model	Current Model	FY17-FY18 Results ¹
Revenue growth CAGR	4%-8%	7.6%
Non-GAAP gross margin (% of Revenue)	35%-40%	40.2%
Non-GAAP operating expenses (% of Revenue)	14%-16%	16.7%
Non-GAAP operating margin (% of Revenue)	20%-25%	23.5%
Non-GAAP tax rate (% of Pre-Tax Income)	~10%	8.1%
Cash CapEx (% of Revenue)	6%-8%	6.0%

While we have exceeded our LTFM during FY17-FY18, the current industry environment will pressure our near-term financial profile below the LTFM



Leader in Data
Infrastructure



Portfolio Drivers
and Growth Opportunity



Financial Model

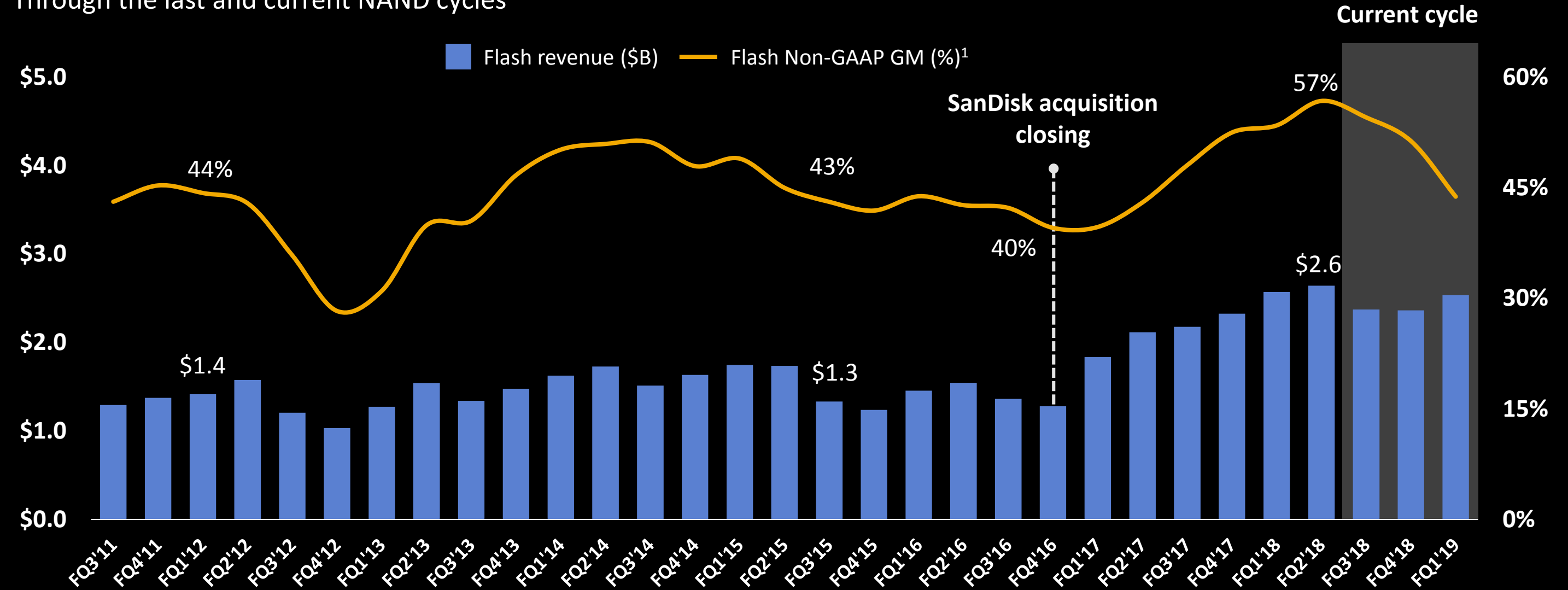


Capital Structure
and Capital Allocation

Perspectives on NAND Flash Business Over Time

Our Captive Flash Revenue and Non-GAAP Gross Margin (GM)%¹

Through the last and current NAND cycles

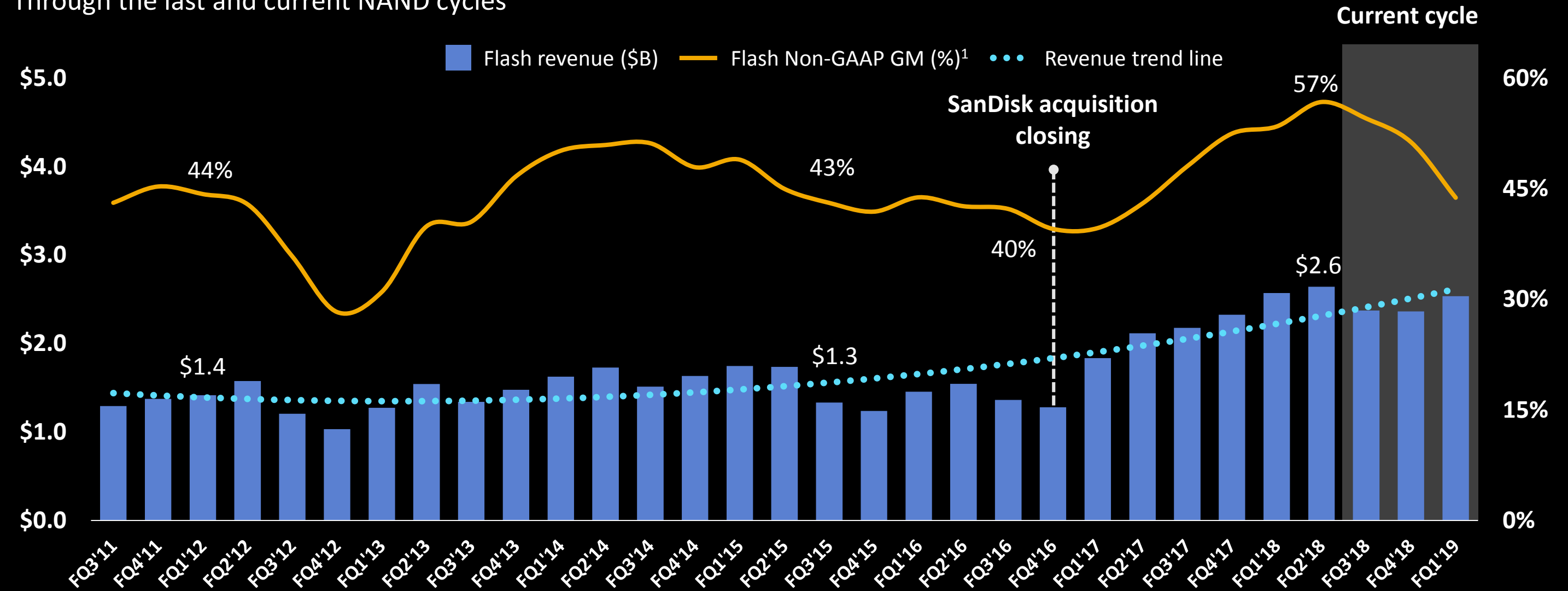


¹ Represents SanDisk standalone through FQ4'16; represents combined WDC and SanDisk Flash business beginning in FQ1'17. See Appendix for non-GAAP adjustments and reconciliations.

Perspectives on NAND Flash Business Over Time

Our Captive Flash Revenue and Non-GAAP Gross Margin (GM)%¹

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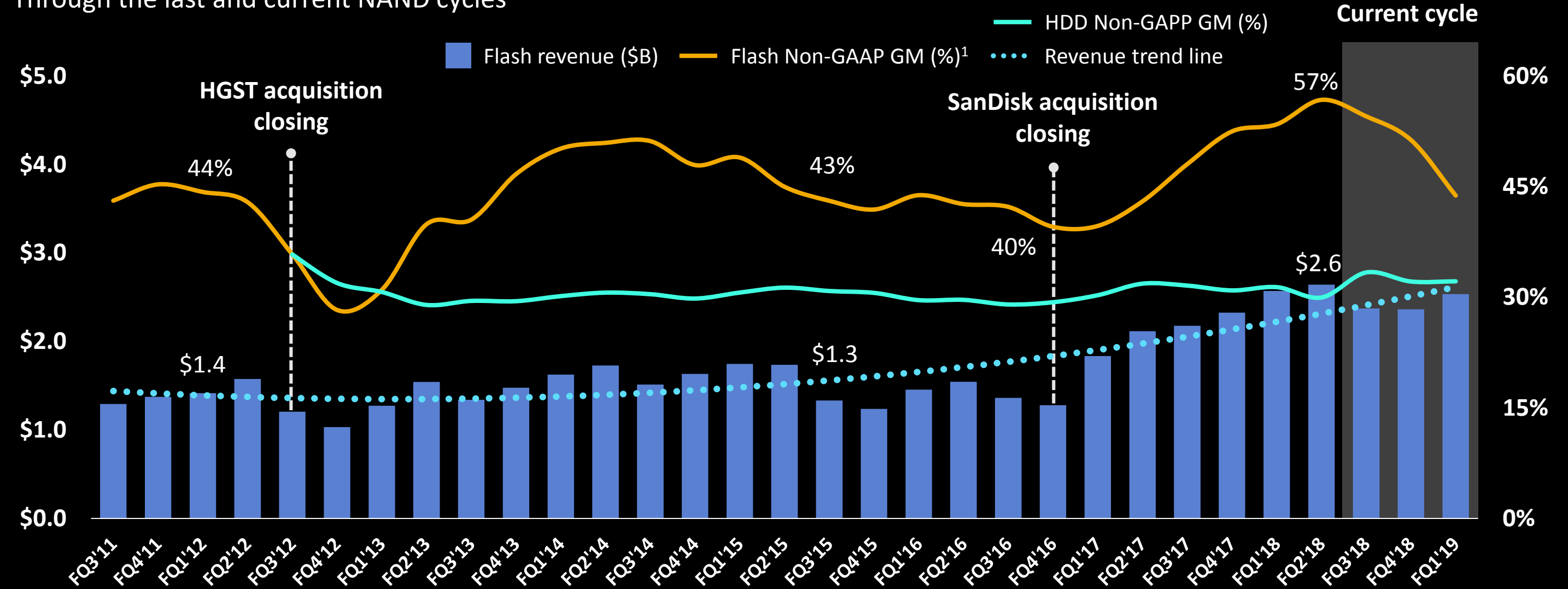


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Perspectives on NAND Flash Business Over Time

Our Captive Flash Revenue and Non-GAAP Gross Margin (GM)%¹

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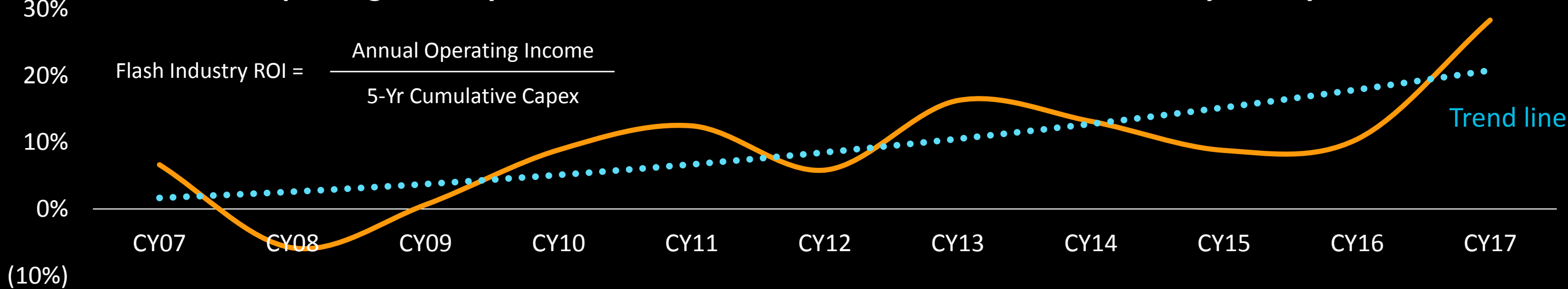


Entered current NAND cycle with significantly greater scale and portfolio breadth
 This platform enhances our resiliency against the current volatility

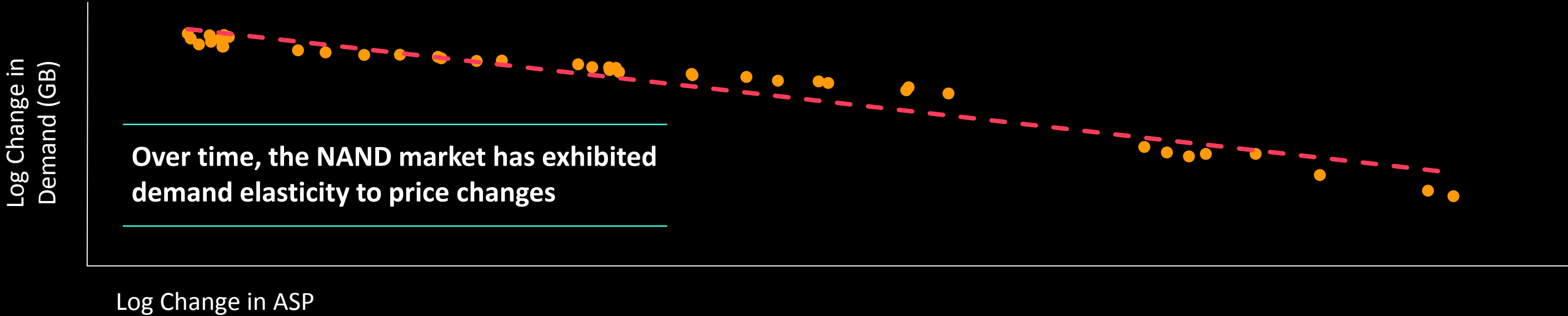
¹ Represents SanDisk standalone through FQ4'16; represents combined WDC and SanDisk Flash business beginning in FQ1'17. See Appendix for non-GAAP adjustments and reconciliations.

Improving NAND Industry ROI, with Elasticity Fostering Long-term Demand

Improving Industry Return on Investment with Intermittent Periods of Cyclicity

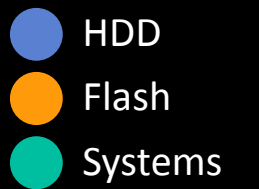


As Prices Decline, NAND Market Elasticity¹ Fosters Long-Term Demand from New Markets and New Applications



Addressing Diversified, High-Value End Markets

Western Digital®



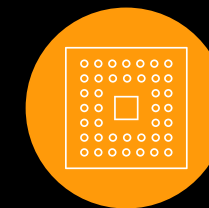
Client Devices



Client HDD
Continued shift toward SSD



Consumer Electronics HDD
Strong growth in surveillance



Embedded—Other
Fastest growing markets with many applications and use cases: Autonomous Car, IoT, Surveillance, AI/ML



Client SSD
Strong growth from increase in average capacity per drive and Client HDD transition



Embedded Flash—Mobility
Average Capacity increase, 5G and Feature phone to smart phone growth in emerging markets

Client Solutions



Retail HDD
Mix shift to higher capacities and hybrid Cloud solutions



Enterprise HDD
Strong growth in Capacity Enterprise



Enterprise Flash
Continued growth in global cloud infrastructure buildout



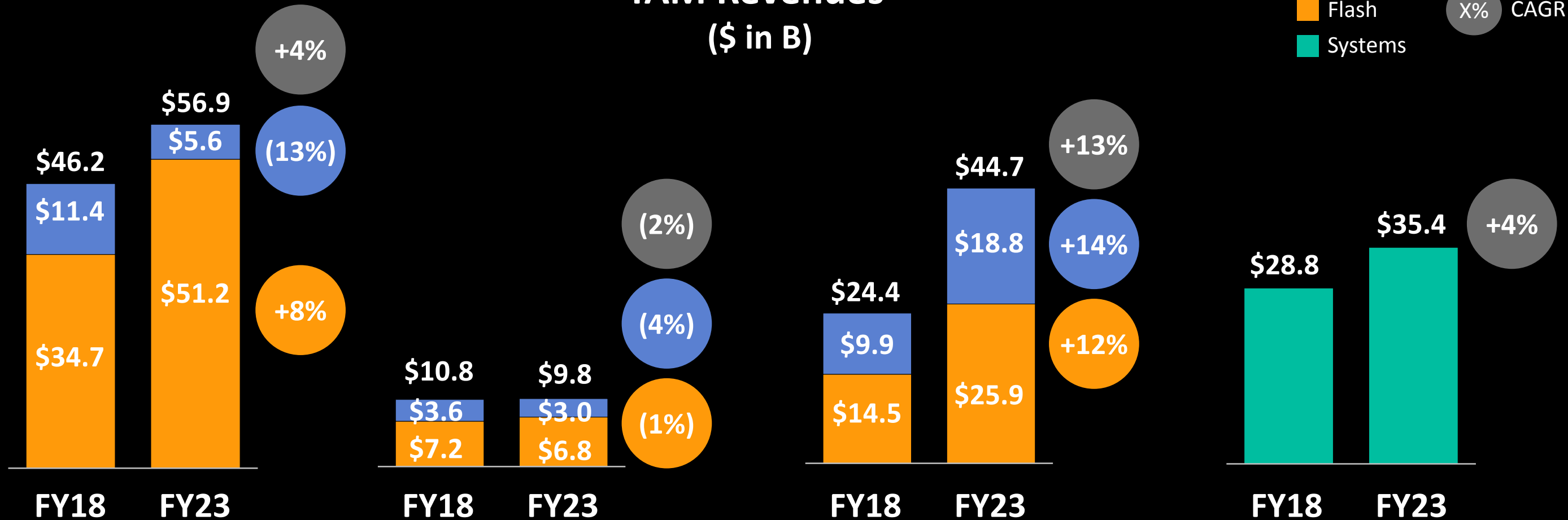
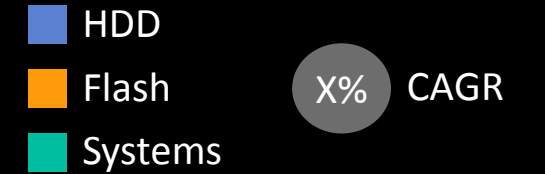
Retail Flash and Cards
Continued, rapid proliferation of connected devices and personal content creation



Data Center Systems, Platforms
Growth in all flash arrays and software composable infrastructure

~\$111B TAM in Core Business; ~\$35B TAM in Data Center Solutions Estimated by FY23

TAM Revenues¹ (\$ in B)



Client Devices

- Client HDD
- Client SSD
- Consumer Electronics HDD
- Embedded Flash and Other
- Client Components

Client Solutions

- Retail HDD
- Retail Flash
- Removable Cards

Data Center Devices

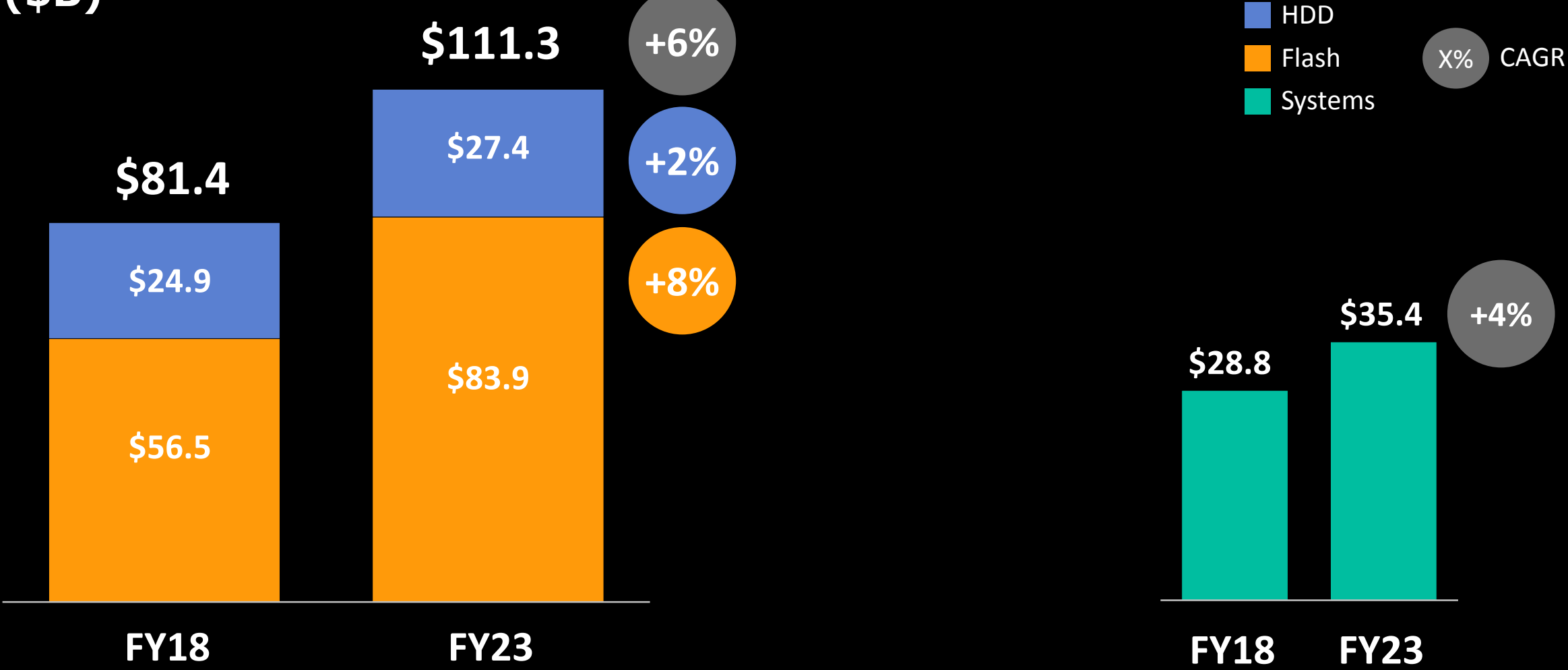
- Enterprise HDD
- Enterprise Flash

Data Center Solutions

- Data Center Systems and Platforms
- Related Software and Solutions

~\$111B TAM in Core Business; ~\$35B TAM in Data Center Solutions Estimated by FY23

TAM Revenues¹ (\$B)



Client Devices

- Client HDD
- Client SSD
- Consumer Electronics HDD
- Embedded Flash and Other
- Client Components

Client Solutions

- Retail HDD
- Retail Flash
- Removable Cards

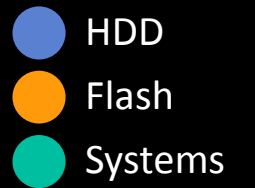
Data Center Devices






- Enterprise HDD
- Enterprise Flash

Data Center Solutions

- Data Center Systems and Platforms
- Related Software and Solutions

A Closer Look at Each of Our End Markets



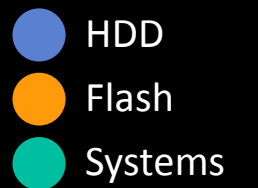
		TAM ¹		5-year	
		FY18	FY23	CAGR	
Client Devices	Client HDD 	\$7.4B	\$2.0B	(23%)	<ul style="list-style-type: none"> Flash penetration in Desktop and Notebook expected to increase from 53% in FY18 to ~90% in FY23 PC units expected to decline at ~1% CAGR
	Client SSD ² 	\$12.3B 42 EB	\$16.8B 222 EB	6% 39%	<ul style="list-style-type: none"> Average NAND Flash capacity in PCs expected to increase 150% to ~700GB by FY23
	Consumer Electronics HDD 	\$4.1B	\$3.7B	(2%)	<ul style="list-style-type: none"> ~9% CAGR in Surveillance, offset by declines in Gaming, Connected Home and Automotive, as they transition to Embedded Flash products
	Embedded Flash – Mobility 	\$18.6B 74 EB	\$26.8B 330 EB	8% 35%	<ul style="list-style-type: none"> Growth in Mobile Phone demand, driven primarily by 31% CAGR in average capacity growth (to 200GB/unit by FY23), but also 3% CAGR in unit growth Expecting significant refresh cycle with 5G rollout over next 3-4 years Feature phone market shifting to smartphones in emerging markets such as India
	Embedded – Other 	\$3.9B 11 EB	\$7.7B 78 EB	14% 47%	<ul style="list-style-type: none"> Increased features, security and autonomous capability will drive significant demand for Flash storage in Automotive ~5x growth in NAND Flash bit demand from other IoT applications Significant growth in demand for Flash in Surveillance applications, leading to ~50% revenue CAGR






¹Numbers may not add up due to rounding.

²Includes cSSD sold in Retail.

Source: WDC estimates.

A Closer Look at Each of Our End Markets



		TAM ¹		5-year	
		FY18	FY23	CAGR	
Client Solutions	Retail HDD 	\$3.6B	\$3.0B	(4%)	<ul style="list-style-type: none"> Decline attributable to increased usage of smartphones and cloud for personal storage Transition from external HDD to external SSD products
	Retail Flash and Cards 	\$7.2B 21 EB	\$6.8B 49 EB	(1%) 19%	<ul style="list-style-type: none"> Worldwide market leadership with two leading retail brands (WD and SanDisk) and retail channel strength
Data Center Devices & Solutions	Enterprise HDD 	\$9.9B 360 EB	\$18.8B 1,832 EB	14% 38%	<ul style="list-style-type: none"> Primarily driven by growth in Capacity Enterprise revenue TAM, from \$7.6B in FY18 to \$18.6B in FY23 (or 20% CAGR) 40% CAGR EB growth in Capacity Enterprise during same period
	Enterprise Flash 	\$14.5B 42 EB	\$25.9B 282 EB	12% 47%	<ul style="list-style-type: none"> Significant growth in demand driven by the continued transitions of on-premise storage and local personal storage to the cloud, and the major infrastructure build-outs required for AI and machine learning ~10x growth in PCIe eSSD bit demand (from ~12EB in FY18 to ~135EB in FY23)
	Data center systems, platforms 	\$28.8B	\$35.4B	4%	<ul style="list-style-type: none"> Increasingly dynamic workloads driving next-generation data infrastructures Hyper-Converged Infrastructure (HCI) customers are progressively seeking a reliable, cost-effective “white box” alternative Growth in Fast Data and Big Data powering systems growth

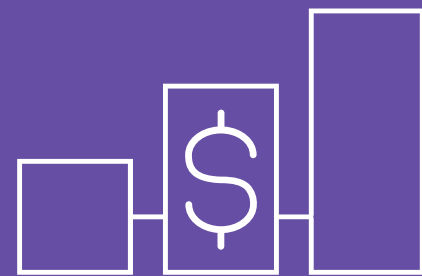
¹Numbers may not add up due to rounding.
Source: WDC estimates.



Leader in Data
Infrastructure



Portfolio Drivers
and Growth Opportunity

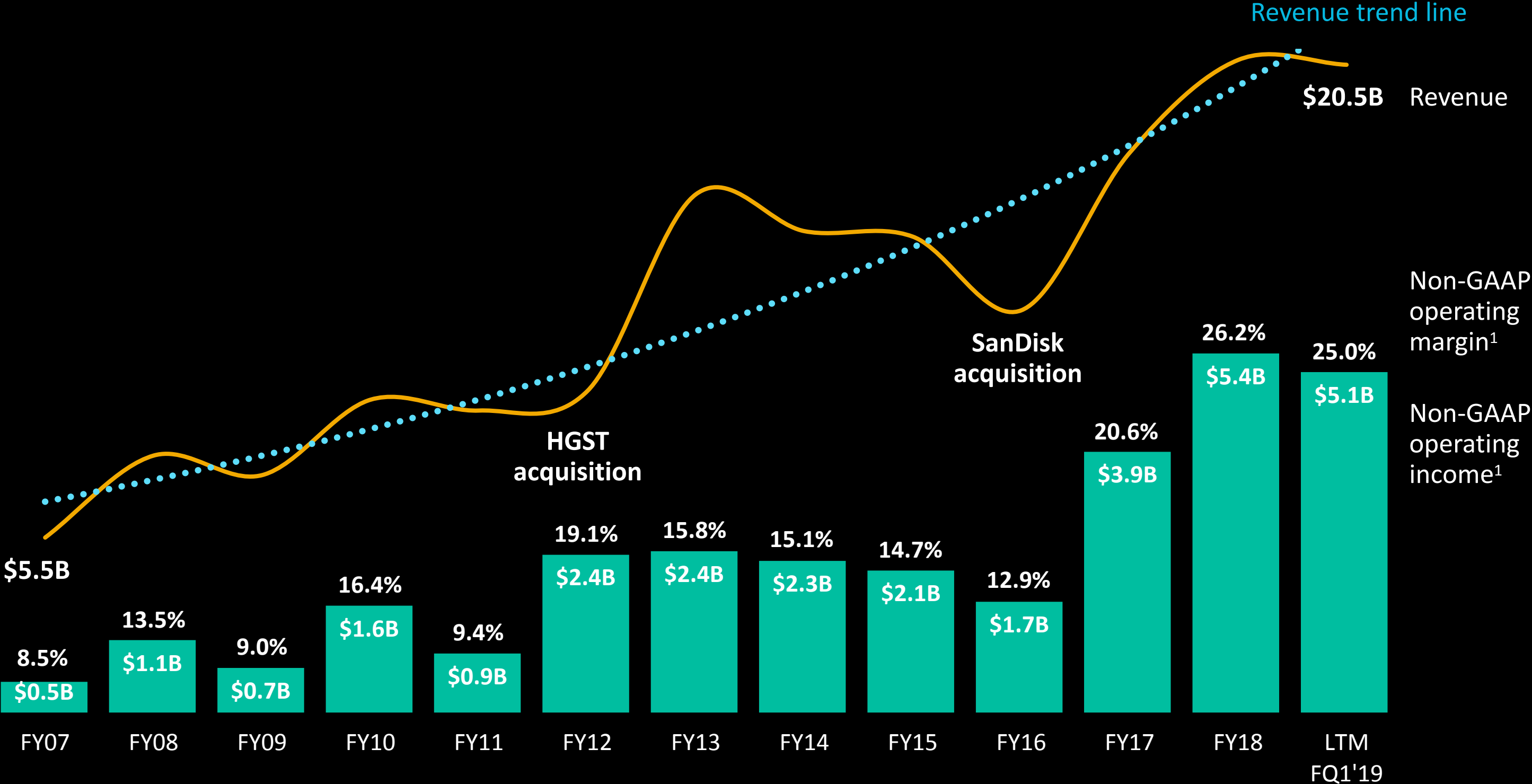


Financial Model



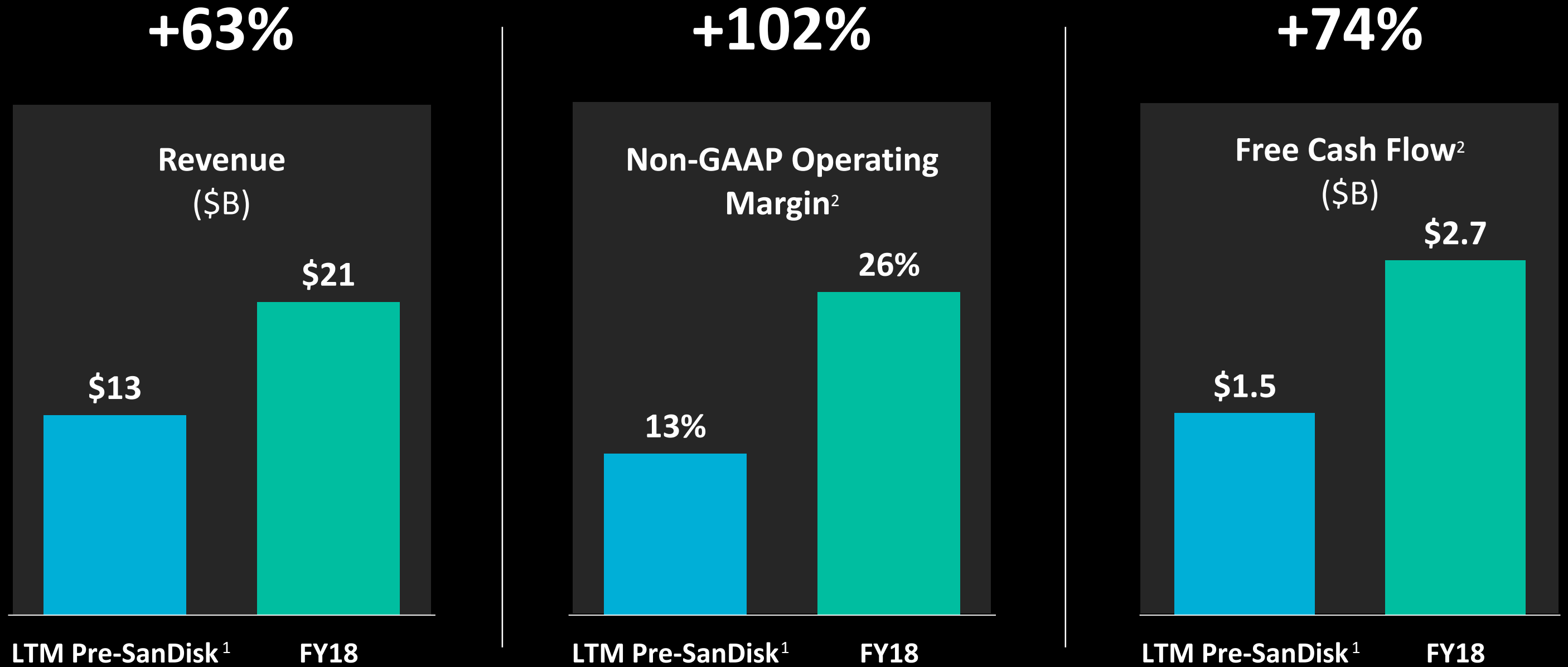
Capital Structure
and Capital Allocation

WDC Strategy Has Been Consistently Focused on Profitable Growth



¹ See Appendix for Non-GAAP Operating Income adjustments and reconciliations.

Strategy of Combining HDD and Flash Has Furthered Our Ability to Deliver Greater Profitability to Stakeholders



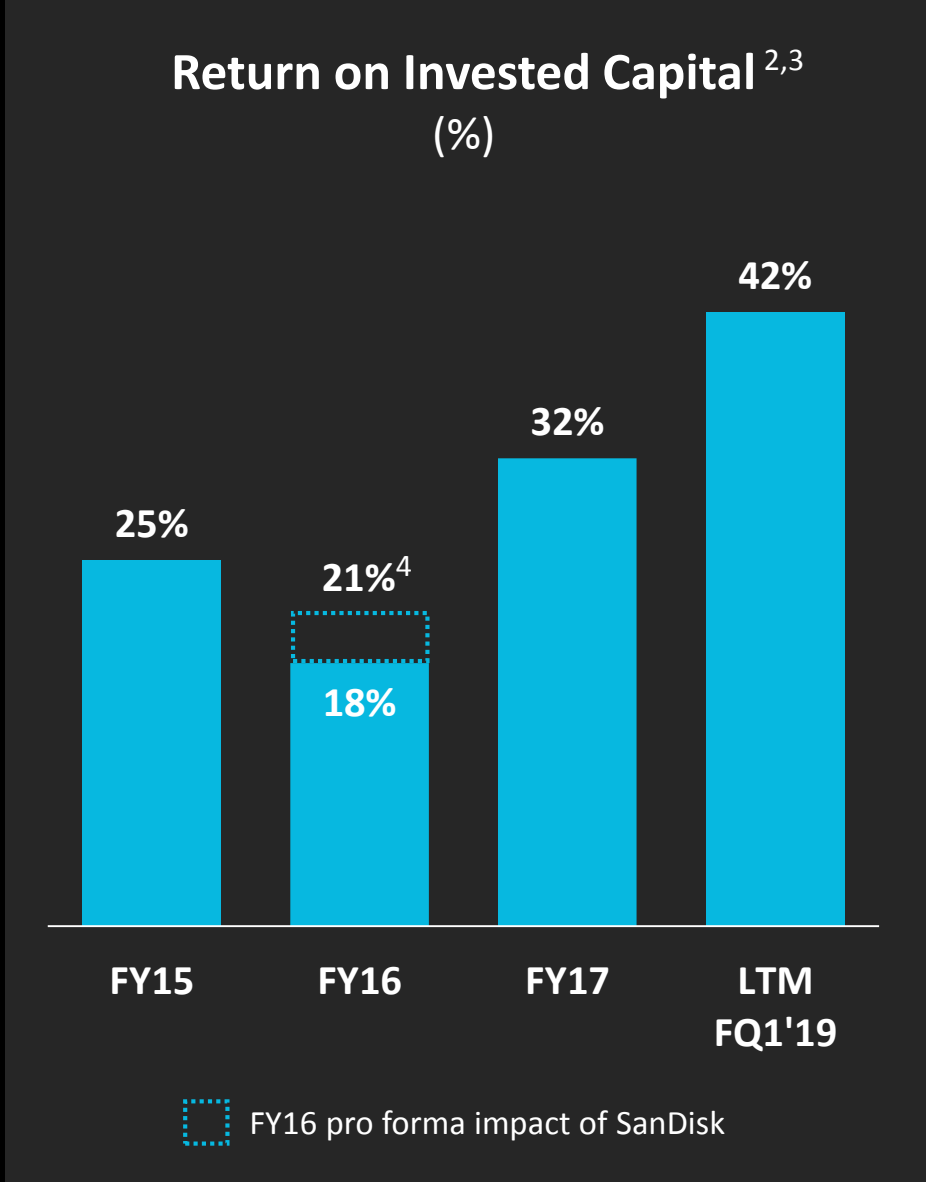
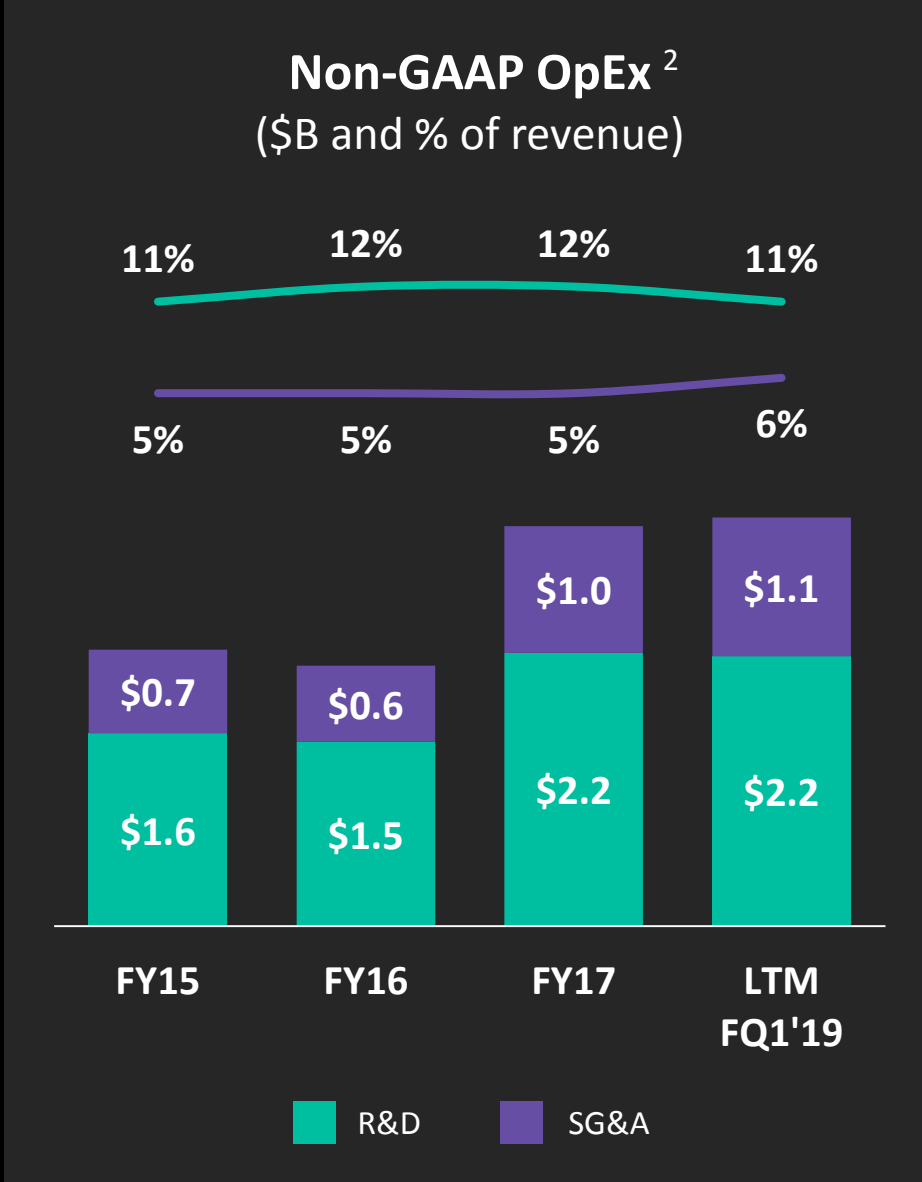
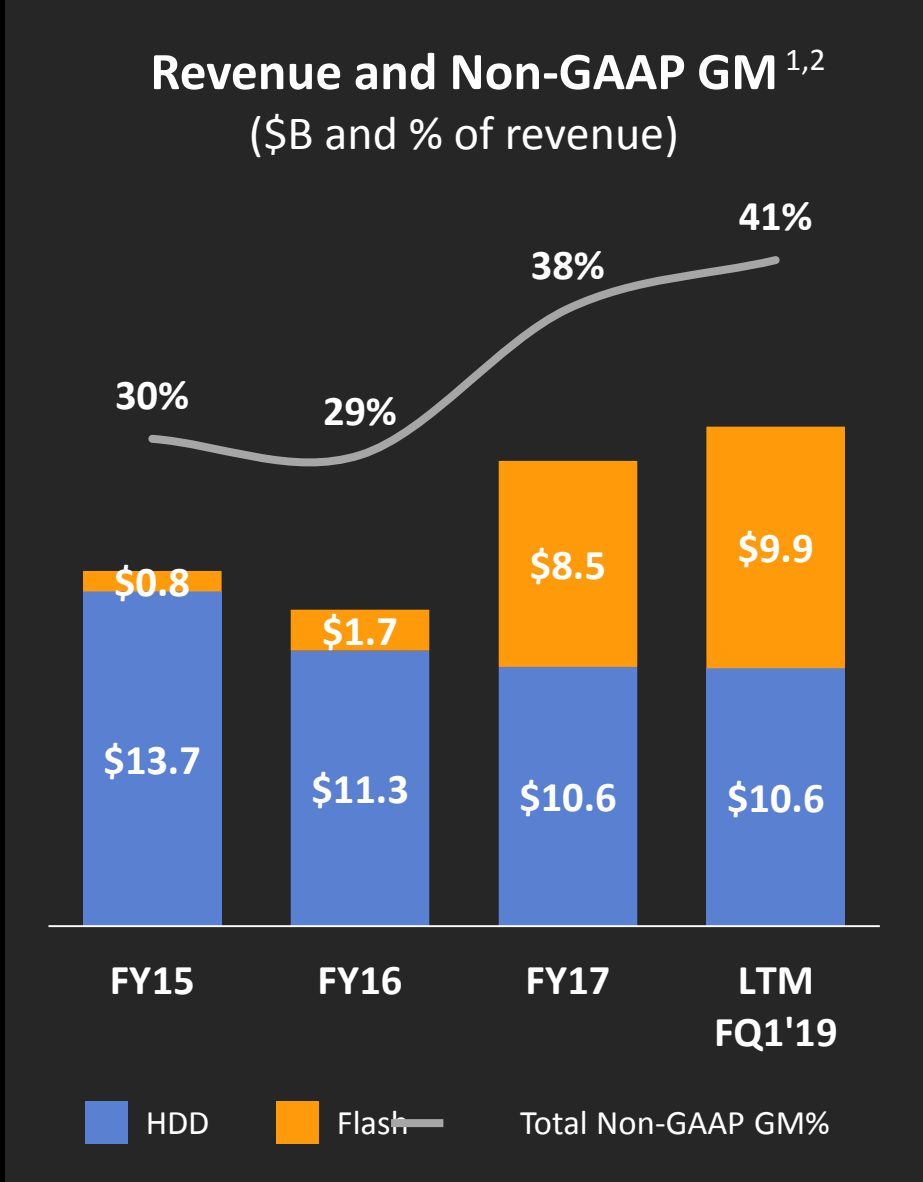
Percentages may not add up due to rounding.

¹ For the twelve-month period between our FQ4'15 and FQ3'16.

² See Appendix for non-GAAP adjustments and reconciliations.

Continued Financial Improvement Driven by Execution

Generating returns through prudent organic investment



Managing the current environment:

- Normalizing our expenses and investments
- Non-GAAP OpEx (as a % of revenue) to be slightly higher than our LTFM range in the near-term

¹ Represents total Gross Margin and HDD and Flash portions of total Revenue.

² See Appendix for non-GAAP adjustments and reconciliations.

³ ROIC defined as Non-GAAP Net Operating Profit After Tax (NOPAT), divided by average balances of Net PP&E, Notes Receivables and Investments in Flash Ventures, and Net Working Capital (Current Assets, minus Current Liabilities).

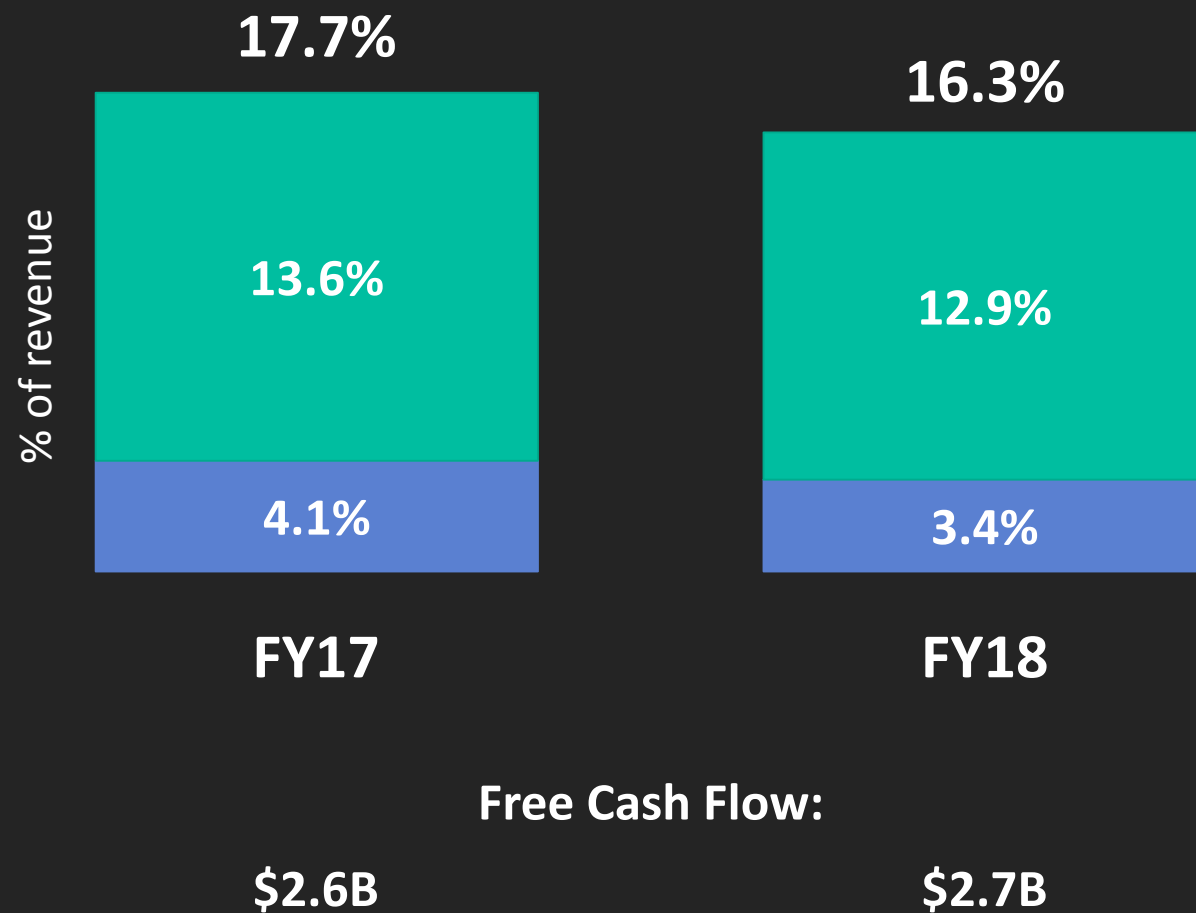
⁴ Pro forma including SanDisk from Jun. 29, 2015 to May 12, 2016.

Focus on Free Cash Flow Generation and Efficient Capital Investment Framework

Free Cash Flow¹ & Cash Interest Expense

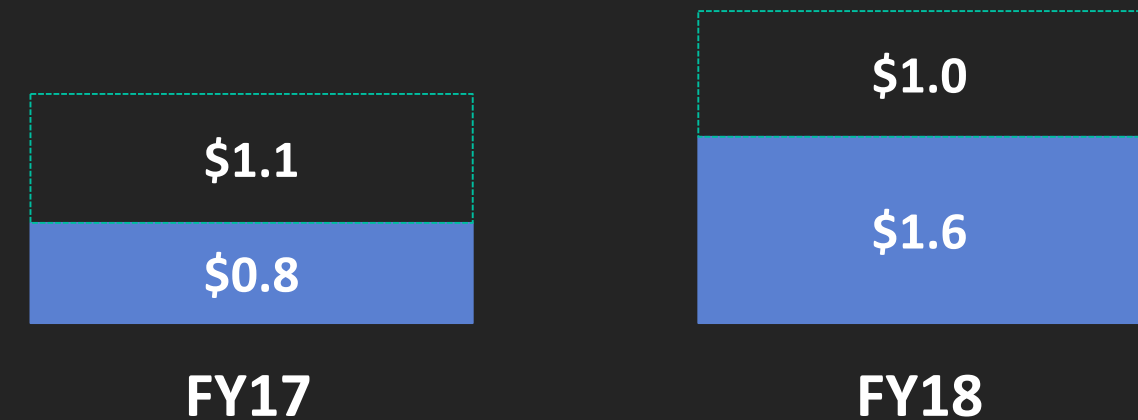
Continued focus on effective free cash flow performance

■ Cash flow from operations – CapEx
 ■ Cash interest expense

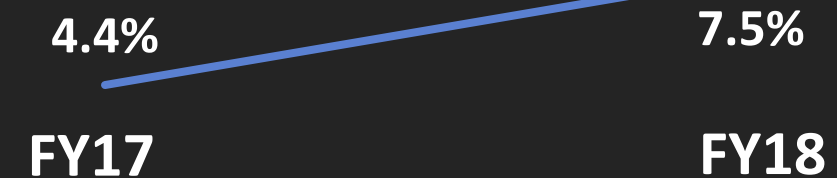


Capital Expenditures

WDC portion of JV (fab) CapEx, less cash portion
 ■ Cash CapEx



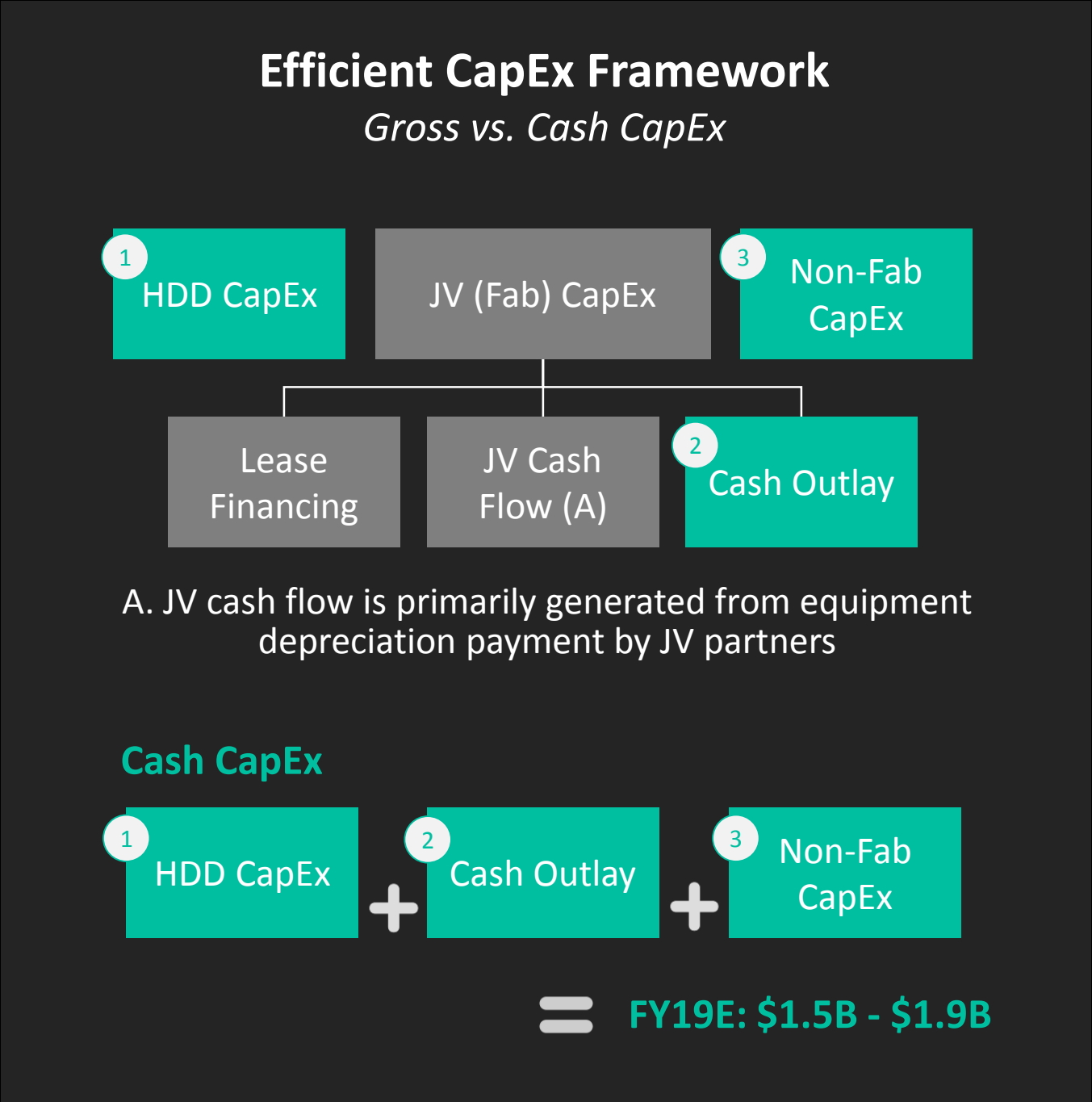
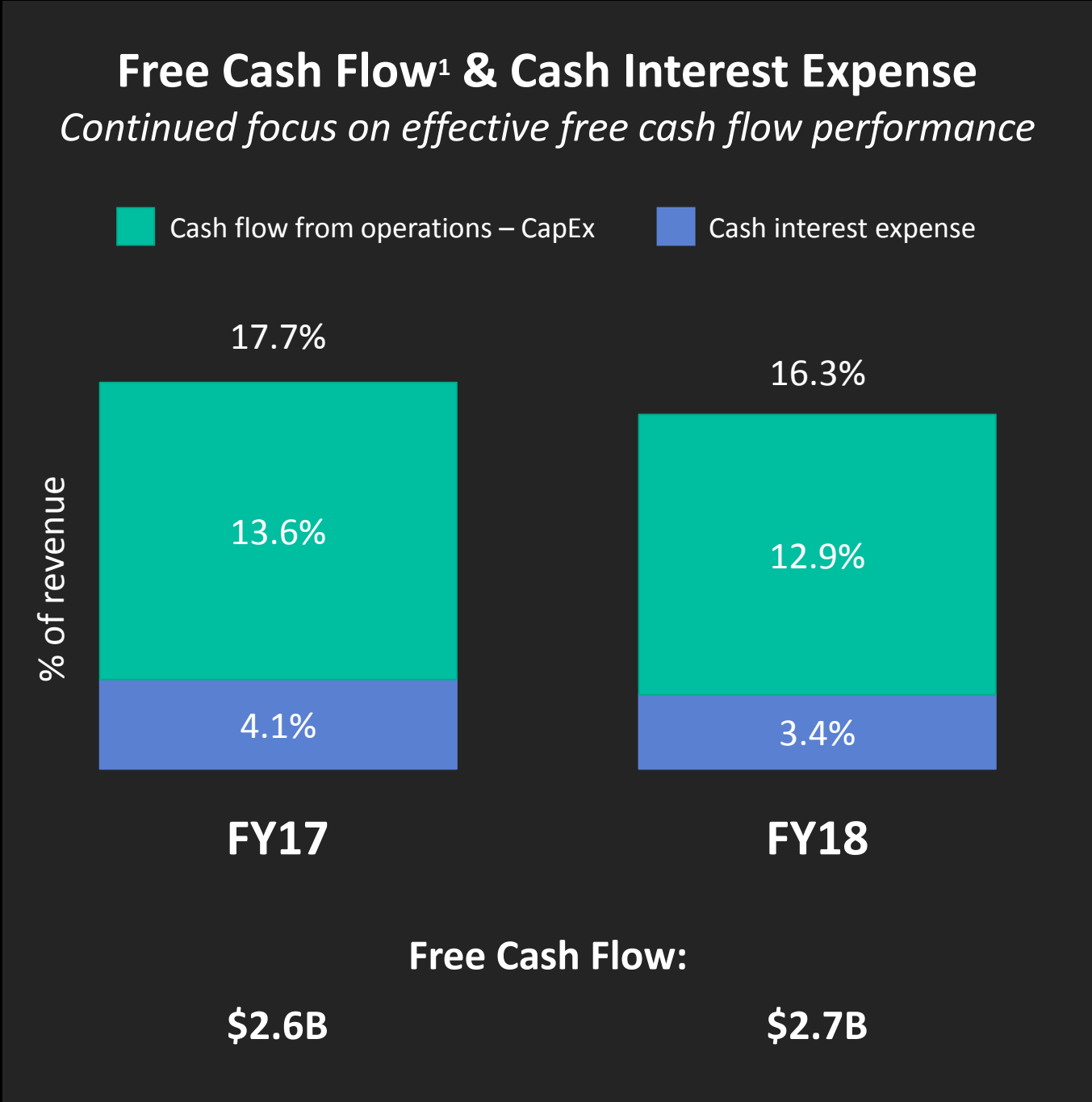
Cash CapEx (% of Revenue)



FY19E Cash CapEx: \$1.5B-\$1.9B













¹ 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. Please see Appendix for a reconciliation to the comparable GAAP metric.

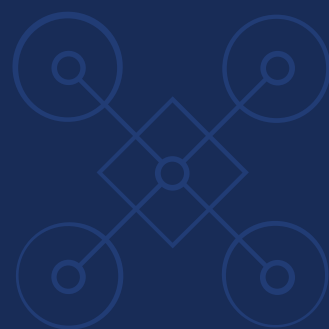
Focus on Free Cash Flow Generation and Efficient Capital Investment Framework



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Key Potential Headwinds/Tailwinds

-  Robust 2H'CY19 spending among cloud infrastructure providers
-  IoT applications, big data, AI/ML, 5G roll-out
-  /  Flash supply/demand balance
-  /  Cost scaling in HDD and Flash
-  /  Competitive and technology landscapes
-  /  Global macroeconomic environment volatility
-  Global trade tensions
-  Faster decline in PC market in the long term



Leader in Data Infrastructure



Portfolio Drivers and Growth Opportunity



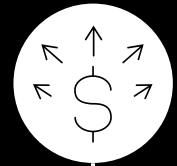
Financial Model



Capital Structure and Capital Allocation

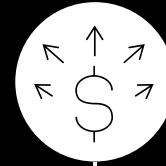
Result of our Capital Structure Optimization Efforts

Since closing of SanDisk acquisition



Aug. 2016 – Nov. 2017

- 3 repricings of US Term Loan B and Euro Term Loan B
- \$750M prepayment of US Term Loan B
- \$1B pay-off of Euro Term Loan B



Jan. – Mar. 2018

- Redemption of all outstanding 10.500% Unsecured Notes due 2024 and 7.375% Sr. Secured Notes due 2023
- Successful execution of transactions to enhance capital structure
- 4th repricing of US Term Loan B (May 2018)

~\$470M reduction of our annualized cash interest expense¹

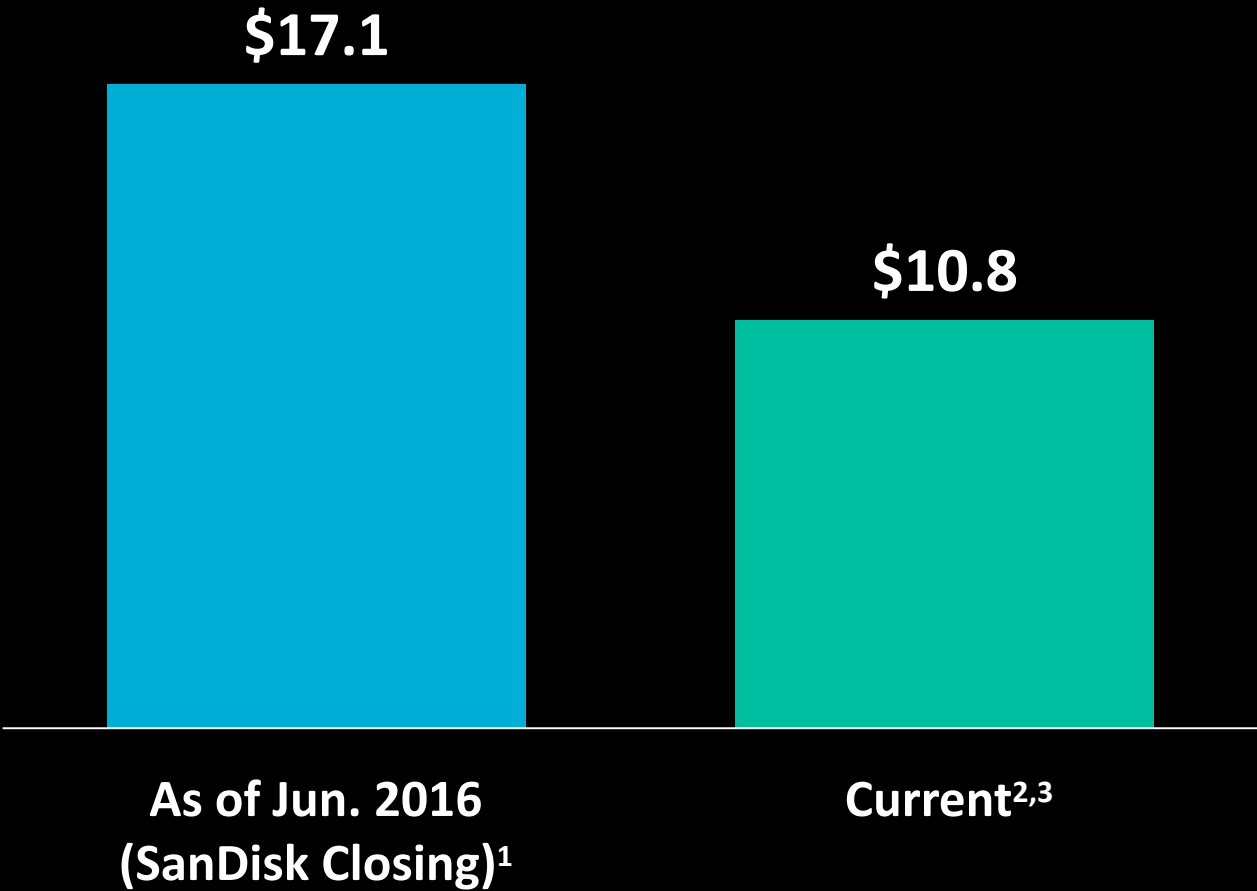
~3.6% reduction in our weighted average borrowing rate (net of LIBOR)

\$6.3B in aggregate debt pay-downs and 1.6x reduction of our leverage ratio²

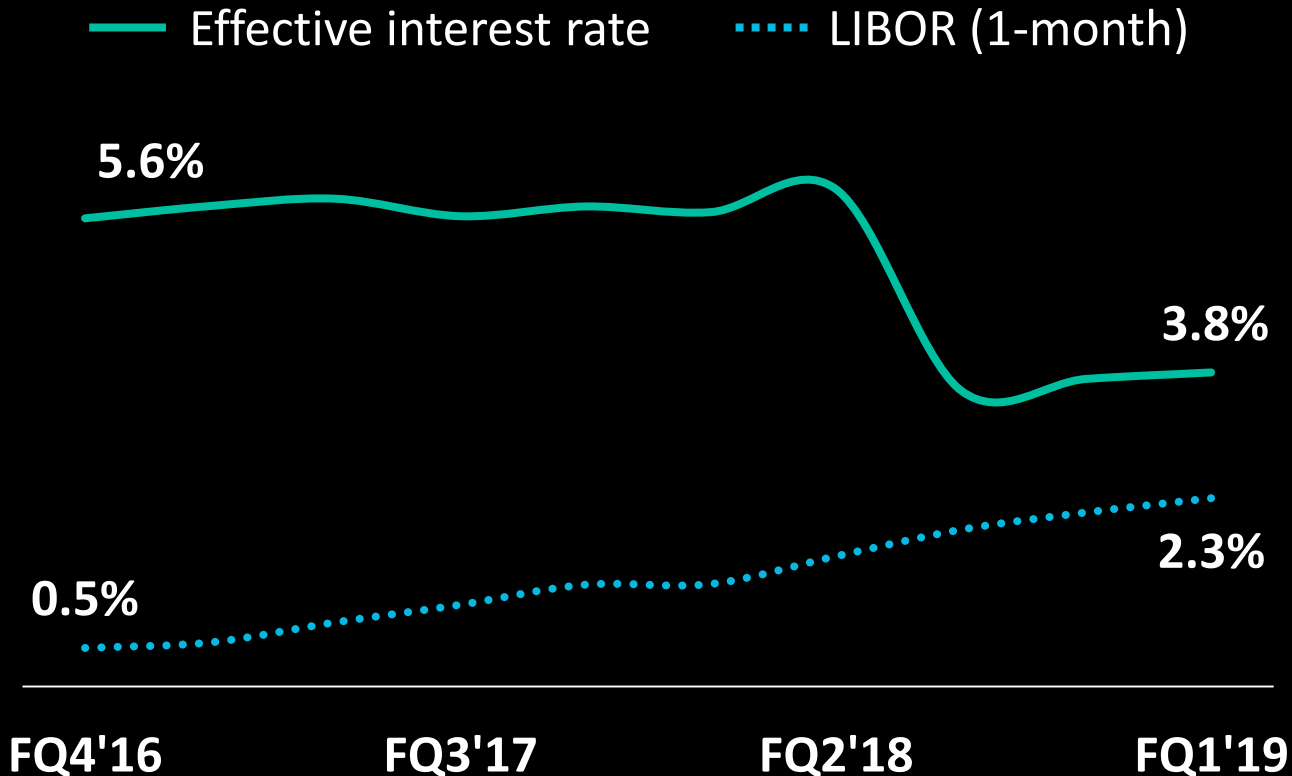
Resulting in our significantly improved balance sheet flexibility and liquidity

Current Capital Structure and Liquidity

Total Debt
(\$ in B)



Weighted Average Interest Rates
Since SanDisk Closing



~\$6.5B in Liquidity
(as of Sep. 28, 2018)³

\$4.3B in Cash, Cash
Equivalents, and Available-
for-Sale Securities

+ **\$2.25B** in Revolver Capacity

¹ Excludes SanDisk convertible debt assumed in connection with the acquisition.
² Please see Appendix for a detailed, current debt schedule.
³ Pro forma for recent \$500M revolver pay-down from available cash.

Our Approach to Capital Management

With our business model, management discipline, and efficient capital framework as the foundations

Robust business model

Cash management

Strong balance sheet

Investments for competitive advantage

Returns to stakeholders

Vertically-integrated in data storage (HDD, Flash)

Effective tax strategy
Operational execution

Debt and liquidity
Efficient capital investment model

Technology capability and IP
Manufacturing optimization
Acquisitions and investments
Product go-to-market

Share repurchases
Dividends
Debt deleveraging

Western Digital

Capital Management: LTM FQ1'19 Scorecard

Metric ¹	Result ¹	Long-term Objective
FCF generation ² (% of revenue)	11.0%	Maximize long-term growth of FCF.
Inventory ³ (Days)	87	Higher than normal level. Manage excess flash inventory by matching supply to demand.
Cash, Cash Equivalents and AFS ⁴ (\$B)	\$4.3	Provide liquidity to manage cyclicalities.
Debt ⁴ (\$B)	\$10.8	Continue to deleverage and refinance when economics make sense. Ensure strategic flexibility.
Cash CapEx (% of revenue)	7.4%	Invest to support new technology development and growth. Manage the flash cycle, in close collaboration with our JV partner.
Cash return (% of FCF)	77.2%	Returned significant portion of FCF through repurchases and dividends. Balanced capital allocation policy with focus on debt pay-down at times.
Dividends/share repurchases (% of FCF)	26.2% / 51.0%	Return to shareholders on consistent (dividend) and periodic (share repurchase) basis.

¹ Please see Appendix for a reconciliation to the comparable GAAP metric.

² 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. Please see Appendix

³ Days Inventory Outstanding (DIO) = Inventory / (Cost of Revenue / 91 Days).

⁴ Pro forma for recent \$500M revolver pay-down from available cash.

Our Capital Allocation Priorities

Continued focus on shareholder return, with disciplined organic investment and debt deleveraging

Western Digital®



Dividend

Continued commitment to the dividend



Share Repurchase

Execution towards recently announced new \$5B buyback program



Debt Deleveraging

Capital structure optimization; additional deleveraging to achieve an optimum debt-to-EBITDA ratio



Organic Investment

Next generation technologies; future products and solutions



Focused M&A

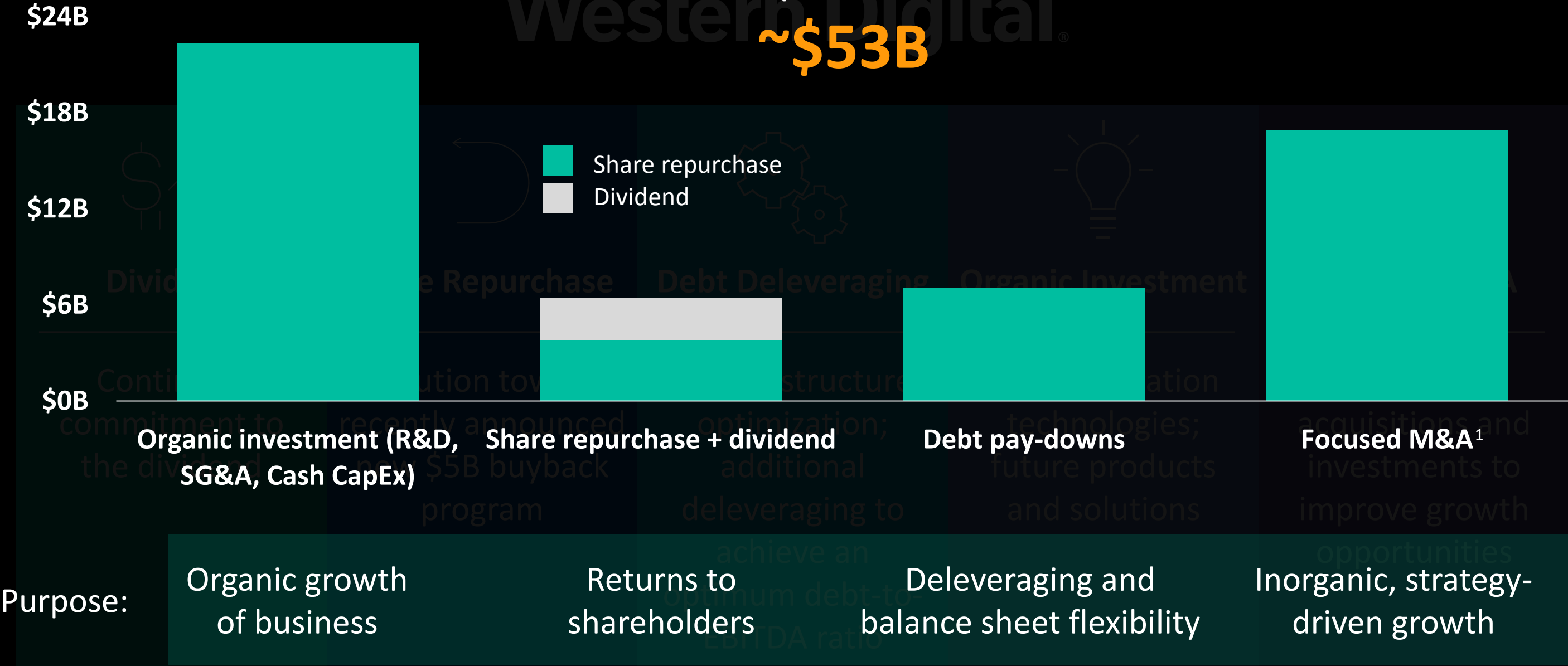
Strategic acquisitions and investments to improve growth opportunities

Our Capital Allocation Priorities

Where and why we've allocated our capital since beginning of FY13 (post-HGST acquisition)

Total capital allocated:

~\$53B



¹ Aggregate purchase prices as disclosed in our SEC filings, inclusive of both cash and stock consideration

Our Capital Allocation Priorities

Continued focus on shareholder return, with disciplined organic investment and debt deleveraging

Western Digital®



Dividend

Continued commitment to the dividend



Share Repurchase

Execution towards recently announced new \$5B buyback program



Debt Deleveraging

Capital structure optimization; additional deleveraging to achieve an optimum debt-to-EBITDA ratio



Organic Investment

Next generation technologies; future products and solutions



Focused M&A

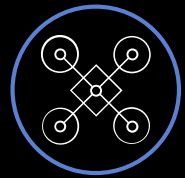
Strategic acquisitions and investments to improve growth opportunities

WDC Investment Thesis

Focused on creating shareholder value



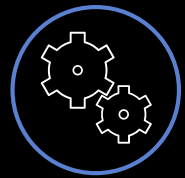
Long-term business model focused on profitable growth fueled by powerful secular trends



Strong growth opportunities through storage industry's broadest product portfolio



Management of near-term industry volatility, pulling all appropriate levers and drivers



Strengthened balance sheet, with continued capital structure optimization



Disciplined capital management and allocation strategy

Global storage solutions leader with diversification, scale and growth potential

Appendix

Current Capital Structure

Debt	Base rate	Maturity	Outstanding principal (\$M) ¹	Applicable rates ²
Convertible Debt Due 2020 ³	0.50%	10/15/2020	\$35	0.500%
Revolver drawn ^{4,5}	L+150	2/27/2023	-	3.742%
Term Loan A-1 ⁵	L+150	2/27/2023	\$4,959	3.728% ⁶
Term Loan B-4 U.S. Dollar ⁵	L+175	4/29/2023	\$2,443	3.992%
Convertible Debt Due 2024 ⁷	1.50%	2/1/2024	\$1,100	1.500%
Sr. Unsecured Notes Due 2026 ⁸	4.75%	2/15/2026	\$2,300	4.750%
TOTAL			\$10,837	3.809%⁹

¹ Balances outstanding as of September 28, 2018, pro forma for recent \$500M revolver pay-down from available cash

² All-in applicable rates as of September 28, 2018. Applicable spread for Term Loan A-1 and Revolver over LIBOR based on credit ratings as of September 28, 2018

³ Debt assumed in connection with the acquisition of SanDisk Corporation in May 2016

⁴ Revolver capacity: \$2.25B; pro forma for \$500M revolver pay-down from available cash

⁵ Term Loan A-4, Term Loan B-4 U.S. Dollar, and Revolver have a LIBOR floor of 0bps

⁶ Reflects impact of interest rate swaps that effectively fix LIBOR at 1.66% on \$1B of floating-rate debt through May 2020 and LIBOR at 2.75% on an additional \$1B of floating-rate debt through February 2023

⁷ Initial conversion price of \$121.91 per share. Notes are callable beginning February 5, 2021

⁸ Notes are callable beginning November 15, 2025

⁹ Weighted average interest rate based on principal balances outstanding as of September 28, 2018; pro forma for recent \$500M revolver pay-down from available cash; total applicable rate reflects fee for unused revolver

GAAP to Non-GAAP Reconciliation

In millions; unaudited

	Twelve Months Ended				
	7/03/2015	7/01/2016	6/30/2017	6/29/2018	9/28/2018
GAAP COST OF REVENUE	\$ 10,351	\$ 9,559	\$ 13,021	\$ 12,942	\$ 13,038
Amortization of acquired intangible assets	(134)	(163)	(1,003)	(1,022)	(978)
Stock-based compensation expense	(17)	(21)	(49)	(49)	(47)
Acquisition-related charges	-	(122)	(18)	-	-
Charges related to cost saving initiatives	-	(74)	(68)	7	(7)
Other	(39)	5	(5)	-	-
NON-GAAP COST OF REVENUE	\$ 10,161	\$ 9,184	\$ 11,878	\$ 11,878	\$ 12,006
GAAP GROSS PROFIT	\$ 4,221	\$ 3,435	\$ 6,072	\$ 7,705	\$ 7,456
Amortization of acquired intangible assets	134	163	1,003	1,022	978
Stock-based compensation expense	17	21	49	49	47
Acquisition-related charges	-	122	18	-	-
Charges related to cost saving initiatives	-	74	68	(7)	7
Other	39	(5)	5	-	-
NON-GAAP GROSS PROFIT	\$ 4,411	\$ 3,810	\$ 7,215	\$ 8,769	\$ 8,488

	Twenty-Four Months Ended
	6/29/2018
GAAP COST OF REVENUE	\$ 25,963
Amortization of acquired intangible assets	(2,025)
Stock-based compensation expense	(98)
Acquisition-related charges	(18)
Charges related to cost saving initiatives	(61)
Other	(5)
NON-GAAP COST OF REVENUE	\$ 23,756
GAAP GROSS PROFIT	\$ 13,777
Amortization of acquired intangible assets	2,025
Stock-based compensation expense	98
Acquisition-related charges	18
Charges related to cost saving initiatives	61
Other	5
NON-GAAP GROSS PROFIT	\$ 15,984

GAAP to Non-GAAP Reconciliation (cont'd)

Unaudited

	Three Months Ended					
	4/03/2011	7/03/2011	10/02/2011	1/01/2012	4/1/2012	7/01/2012
SANDISK GAAP GROSS MARGIN¹	42.7%	44.7%	43.3%	42.0%	34.6%	27.2%
Amortization of acquired intangible assets	0.3%	0.5%	0.9%	0.8%	1.1%	0.8%
Stock-based compensation expense	0.1%	0.1%	0.1%	0.1%	0.1%	0.2%
SANDISK NON-GAAP GROSS MARGIN	43.1%	45.3%	44.3%	42.9%	35.8%	28.2%

	Three Months Ended					
	9/30/2012	12/30/2012	3/31/2013	6/30/2013	9/29/2013	12/29/2013
SANDISK GAAP GROSS MARGIN¹	30.1%	39.1%	39.6%	45.9%	49.3%	49.6%
Amortization of acquired intangible assets	0.7%	0.7%	0.8%	0.7%	0.6%	1.1%
Stock-based compensation expense	0.2%	0.1%	0.1%	0.1%	0.2%	0.2%
Inventory step-up expense	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
SANDISK NON-GAAP GROSS MARGIN	31.0%	39.9%	40.5%	46.7%	50.1%	50.9%

	Three Months Ended					
	3/30/2014	6/29/2014	9/28/2014	12/28/2014	3/29/2015	6/28/2015
SANDISK GAAP GROSS MARGIN¹	49.7%	46.5%	46.8%	42.6%	40.9%	39.1%
Amortization of acquired intangible assets	1.3%	1.2%	1.7%	1.9%	1.9%	2.4%
Stock-based compensation expense	0.2%	0.2%	0.2%	0.2%	0.3%	0.4%
Inventory step-up expense	0.0%	0.0%	0.3%	0.2%	0.0%	0.0%
SANDISK NON-GAAP GROSS MARGIN	51.2%	47.9%	49.0%	44.9%	43.1%	41.9%

	Three Months Ended		
	9/27/2015	1/03/2016	4/03/2016
SANDISK GAAP GROSS MARGIN¹	41.5%	40.5%	39.8%
Amortization of acquired intangible assets	2.1%	1.9%	2.0%
Stock-based compensation expense	0.3%	0.3%	0.4%
Inventory step-up expense	0.0%	0.0%	0.0%
SANDISK NON-GAAP GROSS MARGIN	43.9%	42.7%	42.2%

1 – Amounts were derived from SanDisk's GAAP to non-GAAP reconciliations included in its press releases.

GAAP to Non-GAAP Reconciliation (cont'd)

Unaudited

	Three Months Ended				
	3/30/2012	6/29/2012	9/28/2012	12/28/2012	3/29/2013
WDC GAAP GROSS MARGIN	32.2%	31.0%	29.6%	27.7%	28.2%
Amortization of acquired intangible assets	0.3%	0.8%	0.9%	1.0%	1.0%
Stock-based compensation expense	0.1%	0.1%	0.2%	0.2%	0.2%
Acquisition-related charges	3.0%	0.0%	0.0%	0.0%	0.0%
WDC NON-GAAP GROSS MARGIN	35.6%	31.9%	30.7%	28.9%	29.4%
HDD non-GAAP gross margin	35.8%	31.9%	30.7%	28.9%	29.5%
Flash non-GAAP gross margin ¹	35.8%	28.2%	31.0%	39.9%	40.5%
WDC NON-GAAP GROSS MARGIN	35.6%	31.9%	30.7%	28.9%	29.4%

	Three Months Ended					
	6/28/2013	9/27/2013	12/27/2013	3/28/2014	6/27/2014	10/3/2014
WDC GAAP GROSS MARGIN	28.2%	28.9%	29.1%	29.1%	28.2%	29.1%
Amortization of acquired intangible assets	0.9%	0.9%	1.0%	1.0%	1.0%	1.1%
Stock-based compensation expense	0.1%	0.2%	0.2%	0.1%	0.1%	0.1%
Other	0.0%	0.0%	0.0%	0.0%	0.3%	0.0%
WDC NON-GAAP GROSS MARGIN	29.2%	30.0%	30.3%	30.2%	29.6%	30.3%
HDD non-GAAP gross margin	29.4%	30.1%	30.6%	30.4%	29.8%	30.6%
Flash non-GAAP gross margin ¹	46.7%	50.1%	50.9%	51.2%	47.9%	49.0%
WDC NON-GAAP GROSS MARGIN	29.2%	30.0%	30.3%	30.2%	29.6%	30.3%

	Three Months Ended					
	1/02/2015	4/03/2015	7/03/2015	10/02/2015	1/01/2016	4/01/2016
WDC GAAP GROSS MARGIN	28.5%	29.1%	29.1%	28.4%	27.3%	26.7%
Amortization of acquired intangible assets	1.0%	1.0%	0.7%	0.6%	0.5%	0.6%
Stock-based compensation expense	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Charges related to cost saving initiatives	0.0%	0.0%	0.0%	0.0%	0.7%	0.9%
Other	1.1%	-0.1%	0.0%	0.0%	-0.1%	-0.1%
WDC NON-GAAP GROSS MARGIN	30.7%	30.1%	29.9%	29.1%	28.5%	28.2%
HDD non-GAAP gross margin	31.3%	30.8%	30.6%	29.6%	29.6%	29.0%
Flash non-GAAP gross margin ¹	44.9%	43.1%	41.9%	43.9%	42.7%	42.2%
WDC NON-GAAP GROSS MARGIN	30.7%	30.1%	29.9%	29.1%	28.5%	28.2%

1 – Flash non-GAAP gross margins prior to Q4'16 come from pre-acquisition SanDisk press releases.

GAAP to Non-GAAP Reconciliation (cont'd)

Unaudited

	Three Months Ended				
	7/01/2016	9/30/2016	12/30/2016	3/31/2017	6/30/2017
WDC GAAP GROSS MARGIN	23.5%	28.3%	31.4%	32.8%	34.7%
Amortization of acquired intangible assets	3.2%	4.3%	4.9%	6.1%	5.9%
Stock-based compensation expense	0.2%	0.3%	0.2%	0.3%	0.2%
Charges related to cost saving initiatives	0.8%	0.6%	0.2%	0.0%	0.5%
Acquisition-related charges	3.5%	0.4%	0.0%	0.0%	0.0%
Other	3.5%	0.4%	0.0%	0.0%	0.0%
WDC NON-GAAP GROSS MARGIN	31.2%	33.9%	36.7%	39.3%	41.3%
HDD non-GAAP gross margin	29.3%	30.3%	31.8%	31.6%	30.9%
Flash non-GAAP gross margin	39.5%	39.7%	43.0%	48.0%	52.5%
WDC NON-GAAP GROSS MARGIN	31.2%	33.9%	36.7%	39.3%	41.3%

	Three Months Ended				
	9/29/2017	12/29/2017	3/30/2018	6/29/2018	9/28/2018
WDC GAAP GROSS MARGIN	36.9%	37.7%	38.4%	36.2%	33.1%
Amortization of acquired intangible assets	5.4%	5.2%	4.8%	4.6%	4.7%
Stock-based compensation expense	0.3%	0.2%	0.2%	0.2%	0.2%
Charges related to cost saving initiatives	-0.3%	0.1%	0.0%	0.0%	0.0%
WDC NON-GAAP GROSS MARGIN	42.3%	43.2%	43.4%	41.0%	38.0%
HDD non-GAAP gross margin	31.4%	29.9%	33.3%	32.1%	32.1%
Flash non-GAAP gross margin	53.4%	56.7%	54.5%	51.3%	43.8%
WDC NON-GAAP GROSS MARGIN	42.3%	43.2%	43.4%	41.0%	38.0%

GAAP to Non-GAAP Reconciliation (cont'd)

In millions; unaudited

	Twelve Months Ended			
	7/03/2015	7/01/2016	6/30/2017	9/28/2018
GAAP RESEARCH AND DEVELOPMENT EXPENSES	\$ 1,646	\$ 1,627	\$ 2,441	\$ 2,384
Amortization of acquired intangible assets	-	(2)	(3)	(3)
Stock-based compensation expense	(61)	(76)	(172)	(165)
Acquisition-related charges	-	(7)	(4)	(3)
Charges related to cost saving initiatives	-	(30)	(13)	-
Other	(3)	-	(7)	-
NON-GAAP RESEARCH AND DEVELOPMENT EXPENSES	\$ 1,582	\$ 1,512	\$ 2,242	\$ 2,213
GAAP SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	\$ 788	\$ 997	\$ 1,445	\$ 1,465
Amortization of acquired intangible assets	(29)	(93)	(156)	(161)
Stock-based compensation expense	(80)	(83)	(161)	(146)
Acquisition-related charges	(3)	(152)	(13)	(6)
Charges related to cost saving initiatives	-	(39)	(73)	(13)
Charges and insurance recoveries related to flooding, net	37	-	-	-
Charges related to arbitration award	(15)	(32)	-	-
Other	(10)	29	(1)	3
NON-GAAP SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	\$ 688	\$ 627	\$ 1,041	\$ 1,142

	Twelve Months Ended		Twenty-Four Months Ended
	6/30/2017	6/29/2018	6/29/2018
GAAP OPERATING EXPENSES	\$ 4,118	\$ 4,088	\$ 8,206
Amortization of acquired intangible assets	(159)	(163)	(322)
Stock-based compensation expense	(333)	(327)	(660)
Employee termination, asset impairment and other charges	(232)	(215)	(447)
Acquisition-related charges	(17)	(13)	(30)
Charges related to cost saving initiatives	(86)	(19)	(105)
Other	(8)	3	(5)
NON-GAAP OPERATING EXPENSES	\$ 3,283	\$ 3,354	\$ 6,637

GAAP to Non-GAAP Reconciliation (cont'd)

In millions; unaudited

	Twelve Months Ended						
	6/29/2007	6/27/2008	7/03/2009	7/02/2010	7/01/2011	6/29/2012	6/28/2013
GAAP OPERATING INCOME	\$ 415	\$ 1,006	\$ 519	\$ 1,525	\$ 781	\$ 1,771	\$ 1,266
Amortization of acquired intangible assets	-	-	-	-	-	63	193
Stock-based compensation expense	48	37	47	60	69	92	137
Employee termination, asset impairment and other charges	-	-	94	-	-	80	138
Acquisition-related charges	-	49	14	-	17	153	7
Charges and insurance recoveries related to flooding, net	-	-	-	-	-	214	-
Charges related to arbitration award	-	-	-	-	-	-	681
Other	-	-	-	27	25	7	11
NON-GAAP OPERATING INCOME	\$ 463	\$ 1,092	\$ 674	\$ 1,612	\$ 892	\$ 2,380	\$ 2,433

	Twelve Months Ended						
	6/27/2014	7/03/2015	4/01/2016	7/01/2016	6/30/2017	6/29/2018	9/28/2018
GAAP OPERATING INCOME	\$ 1,791	\$ 1,611	\$ 916	\$ 466	\$ 1,954	\$ 3,617	\$ 3,398
Amortization of acquired intangible assets	195	163	99	258	1,162	1,185	1,142
Stock-based compensation expense	156	158	154	180	382	376	358
Employee termination, asset impairment and other charges	85	176	327	345	232	215	209
Acquisition-related charges	13	3	43	281	35	13	9
Charges related to cost saving initiatives	-	-	86	143	154	12	20
Charges and insurance recoveries related to flooding, net	(65)	(37)	0	-	-	-	-
Charges related to arbitration award	52	15	32	32	-	-	-
Other	60	52	(11)	(34)	13	(3)	(3)
NON-GAAP OPERATING INCOME	\$ 2,287	\$ 2,141	\$ 1,646	\$ 1,671	\$ 3,932	\$ 5,415	\$ 5,133

GAAP to Non-GAAP Reconciliation (cont'd)

In millions, except percentages; unaudited

	Twelve Months Ended						Twenty-Four Months Ended
	7/03/2015	7/01/2016	Pro-Forma 7/01/2016 ¹	6/30/2017	6/29/2018	9/28/2018	6/29/2018
GAAP OPERATING INCOME	\$ 1,611	\$ 466	\$ 1,006	\$ 1,954	\$ 3,617	\$ 3,398	\$ 5,571
Amortization of acquired intangible assets	163	258	380	1,162	1,185	1,142	2,347
Stock-based compensation expense	158	180	341	382	376	358	758
Employee termination, asset impairment and other charges	176	345	345	232	215	209	447
Acquisition-related charges	3	281	329	35	13	9	48
Charges related to cost saving initiatives	-	143	143	154	12	20	166
Charges and insurance recoveries related to flooding, net	(37)	-	-	-	-	-	-
Charges related to arbitration award	15	32	32	-	-	-	-
Other	52	(34)	(34)	13	(3)	(3)	10
NON-GAAP OPERATING INCOME	\$ 2,141	\$ 1,671	\$ 2,542	\$ 3,932	\$ 5,415	\$ 5,133	\$ 9,347
GAAP INTEREST AND OTHER EXPENSE, NET	\$ (34)	\$ (313)	\$ (391)	\$ (1,185)	\$ (1,532)	\$ (1,440)	\$ (2,717)
Convertible debt activity, net	-	58	140	6	10	17	16
Debt extinguishment costs	-	18	18	274	899	899	1,173
Other	-	5	5	54	5	7	59
NON-GAAP INTEREST AND OTHER EXPENSE, NET	\$ (34)	\$ (232)	\$ (228)	\$ (851)	\$ (618)	\$ (517)	\$ (1,469)
GAAP INCOME BEFORE TAXES	\$ 1,577	\$ 153	\$ 615	\$ 769	\$ 2,085	\$ 1,958	\$ 2,854
Operating income adjustments	530	1,205	1,536	1,978	1,798	1,735	3,776
Interest and other expense, net adjustments	-	81	163	334	914	923	1,248
NON-GAAP INCOME BEFORE TAXES	\$ 2,107	\$ 1,439	\$ 2,314	\$ 3,081	\$ 4,797	\$ 4,616	\$ 7,878
GAAP INCOME TAX EXPENSE (BENEFIT)	\$ 112	\$ (89)	\$ 77	\$ 372	\$ 1,410	\$ 1,453	\$ 1,782
Income tax adjustments	(8)	127	202	(11)	(1,136)	(1,177)	(1,147)
NON-GAAP INCOME TAX EXPENSE	\$ 104	\$ 38	\$ 279	\$ 361	\$ 274	\$ 276	\$ 635
GAAP EFFECTIVE TAX RATE²	7%	(58%)	13%	48%	68%	74%	62%
NON-GAAP EFFECTIVE TAX RATE³	5%	3%	12%	12%	6%	6%	8%

¹Includes pre-acquisition SanDisk results from 6/29/2015 to 5/12/2016.

²The GAAP effective tax rate is calculated by dividing GAAP income tax expense (benefit) by GAAP income before taxes.

³The non-GAAP effective tax rate is calculated by dividing non-GAAP income tax expense by non-GAAP income before taxes.

GAAP to Non-GAAP Reconciliation (cont'd)

In millions, except percentages; unaudited

	Twelve Months Ended				
	7/03/2015	7/01/2016	Pro-Forma 7/01/2016 ¹	6/30/2017	9/28/2018
GAAP operating income	1,611	466	1,006	1,954	3,398
Less: Taxes based on the GAAP effective tax rate ²	(113)	270	(131)	(938)	(2,515)
GAAP NET OPERATING PROFIT AFTER TAXES	\$ 1,498	\$ 736	\$ 875	\$ 1,016	\$ 883
Non-GAAP operating income ³	2,141	1,671	2,542	3,932	5,133
Less: Taxes based on the non-GAAP effective tax rate ⁴	(106)	(44)	(307)	(461)	(307)
NON-GAAP NET OPERATING PROFIT AFTER TAXES	\$ 2,035	\$ 1,627	\$ 2,235	\$ 3,471	\$ 4,826
AVERAGE INVESTED CAPITAL⁵	\$ 8,204	\$ 9,275	\$ 10,903	\$ 10,697	\$ 11,565
RETURN ON INVESTED CAPITAL⁶	25%	18%	21%	32%	42%

¹Includes pre-acquisition SanDisk results from 4/3/2016 to 5/12/2016.

²Taxes based on the GAAP effective tax rate are calculated by multiplying the GAAP effective tax rate by GAAP operating income.

³Refer to GAAP to non-GAAP reconciliation of non-GAAP operating income on the previous slide.

⁴Taxes based on the non-GAAP effective tax rate are calculated by multiplying the non-GAAP effective tax rate (amounts and reconciliation included on the previous slide) by non-GAAP operating income.

⁵Average invested capital is calculated using the average of the beginning and ending balances of the following items for each period: property, plant and equipment, net, notes receivable and investments in Flash Ventures, and net working capital (current assets minus current liabilities).

⁶Return on invested capital is calculated by dividing non-GAAP net operating profit after taxes by average invested capital. This is a non-GAAP financial measure that the company considers to be useful for management and investors in order to evaluate the company's effective utilization of capital.

GAAP to Non-GAAP Reconciliation (cont'd)

In millions; unaudited

	Twelve Months Ended		
	Western Digital Historical FY16	SanDisk Historical FY16 ¹	Pro Forma Combined Company ²
REVENUE	\$ 12,994	\$ 4,852	\$ 17,846
GAAP OPERATING INCOME	\$ 466	\$ 540	\$ 1,006
Amortization of acquired intangible assets	258	122	380
Stock-based compensation expense	180	161	341
Employee termination, asset impairment and other charges	345	-	345
Acquisition-related charges	281	48	329
Charges related to cost saving initiatives	143	-	143
Charges related to arbitration award	32	-	32
Other	(34)	-	(34)
NON-GAAP OPERATING INCOME	\$ 1,671	\$ 871	\$ 2,542
GAAP INTEREST AND OTHER EXPENSE, NET	\$ (313)	\$ (78)	\$ (391)
Convertible debt activity, net	58	82	140
Debt extinguishment costs	18	-	18
Other	5	-	5
NON-GAAP INTEREST AND OTHER EXPENSE, NET	\$ (232)	\$ 4	\$ (228)
GAAP INCOME BEFORE TAXES	\$ 153	\$ 462	\$ 615
Operating income adjustments	1,205	331	1,536
Interest and other expense, net adjustments	81	82	163
NON-GAAP INCOME BEFORE TAXES	\$ 1,439	\$ 875	\$ 2,314
GAAP INCOME TAX EXPENSE (BENEFIT)	\$ (89)	\$ 166	\$ 77
Income tax adjustments	127	75	202
NON-GAAP INCOME TAX EXPENSE	\$ 38	\$ 241	\$ 279

¹Pre-acquisition results of SanDisk for the period from 6/29/2015 to 5/12/2016.

²The pro forma financial information as presented above is for informational purposes only to facilitate the computation of revenue CAGR for FY17 and the FY16 pro-forma ROIC and is not necessarily indicative of the results of operations that would have been achieved if the acquisition had taken place at the beginning of the fiscal year ended July 1, 2016.

GAAP to Non-GAAP Reconciliation (cont'd)

In millions, except ratio; unaudited

	Twelve Months Ended – FQ3'16		
	Western Digital	SanDisk	Pro Forma Combined Company ¹
GAAP NET INCOME	\$ 828	\$ 428	\$ 1,256
GAAP interest and other expense, net	31	79	110
GAAP income tax expense	57	190	247
Depreciation and Amortization	984	608	1,592
Stock-based compensation expense	154	175	329
Employee termination, asset impairment and other charges	327	12	339
Charges related to cost saving initiatives and estimated run-rate savings, acquisition-related charges, and other adjustments provided by the agreement	1,300	47	1,347
ADJUSTED EBITDA	\$ 3,681	\$ 1,539	\$ 5,220
AGGREGATE PRINCIPAL AMOUNT OF ACQUISITION DEBT			
Term Loan A			\$ 4,125
U.S. Term Loan B			3,750
Euro Term Loan B			1,000
7.375% Senior Secured Notes due 2023			1,875
10.5% Senior Unsecured Notes due 2024			3,350
Bridge Loans			3,000
Convertible Senior Notes ²			35
TOTAL DEBT			\$ 17,135
LEVERAGE (DEBT/ADJUSTED EBITDA) RATIO			3.28x

¹The pro forma financial information as presented above is for informational purposes only to facilitate the computation of adjusted EBITDA to calculate the company's leverage ratio and is not necessarily indicative of the results of operations that would have been achieved if the acquisition had taken place at the beginning of the fourth fiscal quarter ended July 3, 2015.

²Excludes convertible notes tendered and settled in connection with the SanDisk acquisition.

GAAP to Non-GAAP Reconciliation (cont'd)

In millions, except ratio; unaudited

	Twelve Months Ended – FQ1'19
GAAP NET INCOME	\$ 505
GAAP interest and other expense, net	1,440
GAAP income tax expense	1,453
Depreciation and Amortization	2,003
Stock-based compensation expense	358
Employee termination, asset impairment and other charges	209
Charges related to cost saving initiatives and estimated run-rate savings, acquisition-related charges, and other adjustments provided by the agreement	291
ADJUSTED EBITDA	\$ 6,259
AGGREGATE PRINCIPAL AMOUNT OF ACQUISITION DEBT	
Term Loan A-1	\$ 4,959
U.S. Term Loan B-4	2,443
1.5% Convertible Notes due 2024	1,100
4.75% Senior Unsecured Notes due 2026	2,300
0.5% Convertible Notes due 2020	35
TOTAL DEBT¹	\$10,837
LEVERAGE (DEBT/ADJUSTED EBITDA) RATIO	1.73x

¹Balances outstanding as of September 28, 2018, pro forma for recent \$500M revolver pay-down from available cash

	Three Months Ended					Twelve Months Ended			
	9/29/2017	12/29/2017	3/30/2018	6/29/2018	9/28/2018	4/01/2016	6/30/2017	6/29/2018	9/28/2018
Cash Flows provided by Operating Activities	\$ 1,133	\$ 1,182	\$ 1,027	\$ 863	\$ 705	\$ 2,116	\$ 3,437	\$ 4,205	\$ 3,777
Purchases of Property, Plant and Equipment, net	(155)	(251)	(213)	(190)	(277)	(589)	(557)	(809)	(931)
Activity Related to Flash Ventures, net	(131)	(378)	(198)	(35)	29	-	(277)	(742)	(582)
Free Cash Flow	\$ 847	\$ 553	\$ 616	\$ 638	\$ 457	\$ 1,527	\$ 2,603	\$ 2,654	\$2,264

Footnotes for GAAP to Non-GAAP Reconciliations

This presentation contains the following financial measures that are not in accordance with U.S. generally accepted accounting principles (“GAAP”): free cash flow, non-GAAP cost of revenue; non-GAAP gross profit; non-GAAP gross margin; non-GAAP research and development expenses; non-GAAP selling, general and administrative expenses; non-GAAP operating expenses; non-GAAP operating income; non-GAAP interest and other expense, net; non-GAAP income before taxes; non-GAAP effective tax rate; non-GAAP income tax expense; non-GAAP net operating profit after taxes; and adjusted EBITDA (“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 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 from their non-GAAP results.

Inventory step-up expense. In connection with business combinations, SanDisk excluded non-cash adjustments to the fair value of acquired inventory from its non-GAAP results prior to its acquisition on May 12, 2016. WDC also excludes these adjustments from its non-GAAP results within the line item “acquisition-related charges.” Refer to the definition for “acquisition-related charges” below for further details.

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.

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.

Charges and insurance recoveries related to flooding, net. From time-to-time, the company receives insurance recoveries related to losses or other events which occurred in a prior period. Such recoveries are inconsistent in amount and frequency.

Charges related to arbitration award. In relation to an arbitration award for claims brought against the company by Seagate Technology LLC, which was satisfied in October 2014, and the related dispute over the calculation of post-award interest, which was resolved in February 2016, the company recorded loss contingencies. The resulting expense is inconsistent in amount and frequency.

Footnotes for GAAP to Non-GAAP Reconciliations (cont'd)

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.

Debt extinguishment costs. From time-to-time, the company replaces its existing debt with new financing at more favorable interest rates or utilizes 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 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. Additionally, the income tax adjustments include the impact of updated estimates to the provisional one-time mandatory deemed repatriation tax as a result of the Tax Cuts and Jobs Act.

The definitions of adjusted EBITDA and free cash flow are included below:

Adjusted EBITDA. Adjusted EBITDA is a non-GAAP financial measure defined as net income plus the sum of income tax expense (benefit); interest and other expense, net; depreciation and amortization; and contractual adjustments provided for in the company's debt instruments. The contractual adjustments include (i) non-cash impairment charges or asset write-offs or write-downs related to intangible assets (including goodwill), long-lived assets, and investments in debt and equity securities pursuant to GAAP, non-cash gains or losses from investments recorded using the equity method, non-cash compensation expenses, the non-cash impact of purchase or recapitalization accounting and other non-cash charges, (ii) charges attributable to the undertaking and/or implementation of cost saving initiatives, operating expense reductions and other restructuring, integration or transformational charges (including inventory optimization expenses, business optimization expenses, transaction costs and costs related to the opening, closure, consolidation or separation of facilities and curtailments, costs related to entry into new markets, consulting fees, recruiter fees, signing costs, retention or completion bonuses, transition costs, relocation costs, severance payments, and modifications to pension and post-retirement employee benefit plans), (iii) expected cost savings, operating expense reductions, restructuring charges and expenses and synergies (net of the amount of actual amounts realized) reasonably identifiable and factually supportable and reasonably anticipated to be realized within 18 months of the date thereof related to permitted asset sales, acquisitions, investments, dispositions, operating improvements, restructurings, cost savings initiatives and certain other similar initiatives and specified transactions, (iv) net gain (loss) resulting from currency translation gains or losses related to currency remeasurements of indebtedness (including any net loss or gain resulting from hedge agreements for currency exchange risk) and (v) certain other extraordinary charges and unusual or non-recurring charges. The assumptions and estimates with respect to expected synergies and cost savings are inherently uncertain and subject to significant business, operational, economic and competitive uncertainties and contingencies. The company cannot ensure with certainty that all of these synergies will be achieved in the anticipated amounts or within the anticipated time frames or cost expectations or at all.

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 our 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.

Reconciliation of Long-Term Financial Models

Unaudited

	Previous Long-Term Financial Model from 2016 Investor Day	
	GAAP ⁽¹⁾	Non-GAAP ⁽¹⁾
REVENUE GROWTH CAGR	4% - 8%	4% - 8%
Gross Margin ⁽²⁾	29% - 38%	33% - 38%
Operating Expenses ⁽²⁾	16% - 19%	14% - 16%
Operating Margin ⁽²⁾	11% - 21%	18% - 23%
Tax Rate ⁽³⁾	N/A	7% - 12%
Cash Capital Expenditures ⁽²⁾⁽⁴⁾	6% - 8%	6% - 8%

	Current Long-Term Financial Model	
	GAAP ⁽¹⁾	Non-GAAP ⁽¹⁾
REVENUE GROWTH CAGR	4% - 8%	4% - 8%
Gross Margin ⁽²⁾	31% - 38%	35% - 40%
Operating Expenses ⁽²⁾	16% - 19%	14% - 16%
Operating Margin ⁽²⁾	13% - 21%	20% - 25%
Tax Rate ⁽³⁾	N/A	~10%
Cash Capital Expenditures ⁽²⁾⁽⁴⁾	6% - 8%	6% - 8%

1 - 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.

2 - 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.

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

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



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