

# Creating Value in the New World of Strategic Storage

Needham 6<sup>th</sup> Annual  
HDD/Flash Memory Conference

**Steve Milligan**

President, Western Digital

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## SAFE HARBOR

# Forward Looking Statements

These presentations contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements concerning growth opportunities in the storage industry, including growth in units shipped, areal density and content stored, our business model and financial goals and our capital allocation strategy. These forward-looking statements are based on management's current expectations and are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied in the forward-looking statements, including the impact of continued uncertainty and volatility in global economic conditions; supply and demand conditions in the hard drive industry; uncertainties concerning the availability and cost of commodity materials and specialized product components; actions by competitors; unexpected advances in competing technologies; uncertainties related to the development and introduction of products based on new technologies and expansion into new data storage markets; business conditions and growth in the various hard drive markets; pricing trends and fluctuations in average selling prices; and compliance with regulatory conditions imposed on us by the Chinese Ministry of Commerce. More information about the other risks and uncertainties that could affect our business are listed in our filings with the Securities and Exchange Commission (the "SEC") and available on the SEC's website at [www.sec.gov](http://www.sec.gov), including our Quarterly Report on Form 10-Q filed with the SEC on November 2, 2012, to which your attention is directed.

In addition, our long-term financial goals included in this presentation are based upon a variety of estimates and assumptions which may not be realized and, in addition to the risks identified above, are inherently subject to business, economic, competitive, industry, regulatory, market and financial uncertainties, many of which are beyond our control. There can be no assurance that the assumptions made in preparing our long-term financial goals will prove accurate or will be achieved. The assumptions our management used as a basis for the long-term financial goals are not facts and should not be relied upon as being necessarily indicative of future results, and investors are cautioned not to place undue reliance on these long-term financial goals.

The forward-looking statements, including the long-term financial goals included in this presentation, speak only as of the date hereof. We do not intend, and we undertake no duty, to update these forward-looking statements to reflect subsequent events or circumstances; however, we may update our business outlook or long-term financial goals or any portion thereof at any time in our discretion.

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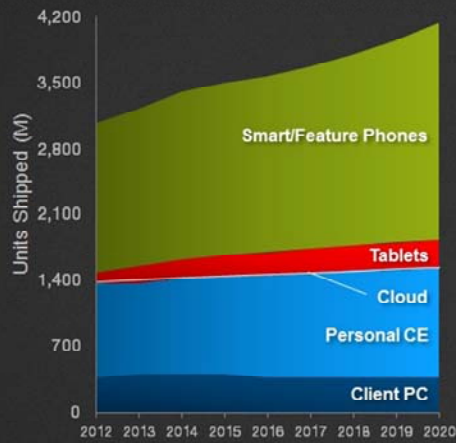
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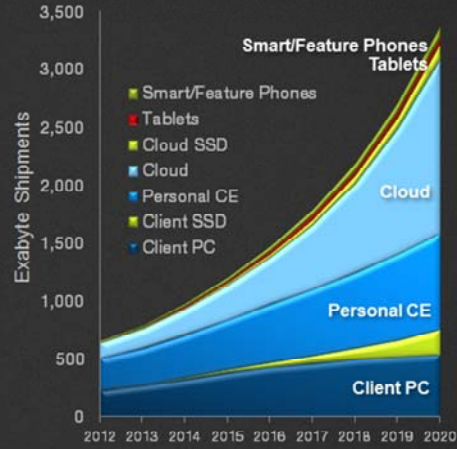
2012-2020

# Storage Trends

Unit Shipments  
by Device Type



Exabyte Forecast  
by Application



**HDDs are the primary storage solution and will continue to adapt to the evolving ecosystem**

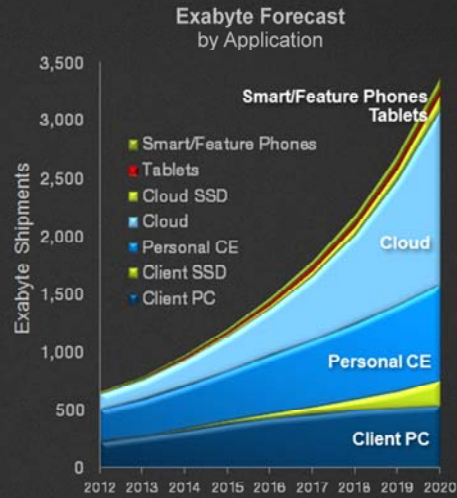
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2012-2020

## Storage Trends

- Speed and mobility driving SSD and flash growth
- Shift to thin and light in mobile creates an opportunity for new slim form factors and hybrids
- Growth in mobility and web apps driving the need for storage in the cloud (datacenter and personal)
- Flash, SSDs and HDDs are complementary



Over 85% of Exabytes in 2020 will be stored on HDDs

Source: Western Digital analysis  
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THE NEW WESTERN DIGITAL

## Creating Customer Value in Key Markets



Public / Private Cloud

45%



Mobile Client

47%



Personal Cloud

45%\*

Market Share (F1Q13)

- Pioneering capacity enterprise products
- 40+% enterprise SSD share with SAS interface
- Innovative Cold Storage "solution"

- Pioneered 7mm 2.5" for ultra thin & light notebooks
- Continued innovation with 5mm and beyond form factors, hybrid SSD-like products

- Connected Life product lines including the "Live" series
- G-Technology premium solutions for professional, prosumer and consumer Apple market

**Differentiated product and technology focus will strengthen our leadership position in key segments**

\* Market share among HDD vendors based on DAS and NAS combined.  
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## EMERGING SOLUTIONS

# New Opportunities in Storage

Market  
Segments



Pain Points



Opportunities



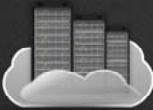
The Future



Thin and Light PCs  
and Mobile Devices  
restrict internal  
storage options



Thin HDD,  
Hybrid HDD and  
Embedded Flash



Cloud growth and  
scale drives  
reliability, capacity,  
performance and  
power requirements



PCIe SSD,  
Cold Storage,  
High-capacity HDDs  
and Sealed HDDs



Consumers want  
access to "anything,  
anytime, anywhere"



"Home Datacenter"  
with Edge Devices,  
Gaming/DVR and  
Consumption Devices

Evolve Storage  
into Platforms,  
Solutions and  
Infrastructure

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## ENTERPRISE INNOVATIONS

# Solving Datacenter TCO Challenges



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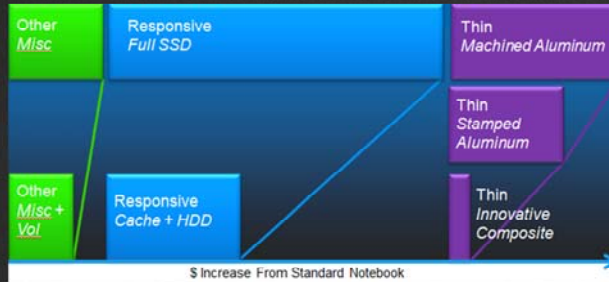
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## BEST-OF-BOTH

# Hybrid Delivers Value



"Some of them are using these ultra low-profile very high capacity drives, which are now becoming available, which gives you the capacity and the thinness at the same time, which I think it's a nice way to hit lower price points."

Paul Otellini  
Intel President and CEO



Fusion Drive.

"Apple's Fusion Drive brings Mac users the best of both worlds -- terabyte storage capacities with the performance of a solid state drive."

- [www.zdnet.com](http://www.zdnet.com)

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MOBILE DEVICE INNOVATION

# Thin and Light: HDDs and Hybrids

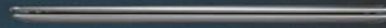


5.0mm HDD



2-Disk 7.0mm

<15mm



15mm - 17mm



CONNECTED LIFE INNOVATION

Anywhere, Anytime, Anything



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DRIVING LONG-TERM VALUE

## Key Strategic Initiatives



Operational  
Excellence

Strengthen leading  
operational excellence  
in core HDD business



Innovation and Market  
Creation

Innovate, be a market  
maker and anticipate  
customer requirements



Growth  
Beyond the Core

Define and lead in new  
storage opportunities

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**Western Digital is well-positioned to continue its leadership  
position as the storage ecosystem evolves**

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## BUSINESS MODEL

# Significant Opportunity

	Pre-Acquisition	New Model	Comments
Gross Margin (% of revenue)	18% - 23%	27% - 32%	Varies by business unit New businesses alter model
OPEX (% of revenue)	9% - 10%	10% - 12%	~\$550m per quarter for FY 13/14 ~2/3 for research & development
Tax Rate (% of PTI)	6% - 9%	7% - 10%	Without potential future repatriation
CAPEX (% of revenue)	7% - 8%	5% - 7%	Modest volume growth assumptions technology investments / transitions
CCC (days)	4 - 8	4 - 8	Continued strong focus on working capital efficiency

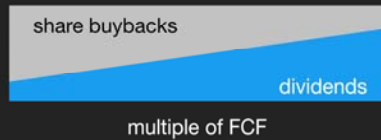
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## CAPITAL ALLOCATION STRATEGY

# Focused on Shareholder Value

### Key Financial Considerations

- Minimum cash for operations and contingencies
- Focus on CAPEX and CCC
- Investment grade leverage
- Rigorous, DCF based review of acquisitions
- Executive compensation aligned to Economic Profit
- Mix of buybacks / dividends



### Cash Return to Shareholders

- Targeting to return 50% of FCF
- Additional \$1.5B share buyback authorization
- Quarterly dividend of \$0.25



POWERING THE FUTURE

## Strategic Direction



People



Technology



- Continue leadership momentum
- Innovate and make markets within key segments
- Relentlessly drive operational and financial efficiency
- Strategically allocate capital
- Grow beyond HDDs

# Thank you

**Steve Milligan**  
President, Western Digital

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