Western Digital

Fiscal Q2-2018 Earnings Conference Call

January 25, 2018

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Steve Milligan, Chief Executive Officer

Mike Cordano, President & Chief Operating Officer

Mark Long, Chief Financial Officer

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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 expected future financial performance; our market positioning; expectations regarding growth opportunities; our financial and business strategies; demand and market trends; our product portfolio and product development efforts; our plans to deleverage, optimize our capital structure, and reduce certain costs and expenses; the expected impact of the Tax Cuts and Jobs Act; our joint ventures with Toshiba; and our long-term access to flash. 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.

Additional key risks and uncertainties include volatility in global economic conditions; uncertainties with respect to the company's business ventures with Toshiba; business conditions and growth in the storage ecosystem; impact of competitive products and pricing; market acceptance and cost of commodity materials and specialized product components; actions by competitors; unexpected advances in competing technologies; our development and introduction of products based on new technologies and expansion into new data storage markets; risks associated with acquisitions, mergers and joint ventures; difficulties or delays in manufacturing; impacts of new tax legislation; and other risks and uncertainties listed in the company's filings with the Securities and Exchange Commission (the "SEC") 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 otherwise required by law.

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

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Steve Milligan

Chief Executive Officer

Overview of FQ2-2018 Results

Strong December quarter performance

Revenue
$5.3B

Non-GAAP
Gross margin
43%

Non-GAAP
EPS
$3.95

Operating cash flow
$1.2B

Demonstrating the power of the Western Digital platform

Gross margin and EPS are non-GAAP, please see appendix for reconciliations to GAAP

Market Environment

Supportive
macro conditions

Unabated
data growth,
increasing value

Significant growth
in data center capex

Flash market
stable

WDC platform: resilient model, addresses growing market needs

Western Digital: Strategically Well Positioned

- Very pleased with execution, continued innovation
  - Flash: solid progress in 3D conversion and ramp
  - HDD
    - Leading in Helium platform
    - Engineering samples of MAMR later this year

- Resolution of negotiations with Toshiba in December 2017
  - Extended JV partnership, strengthened relationship, ensured long-term access to flash

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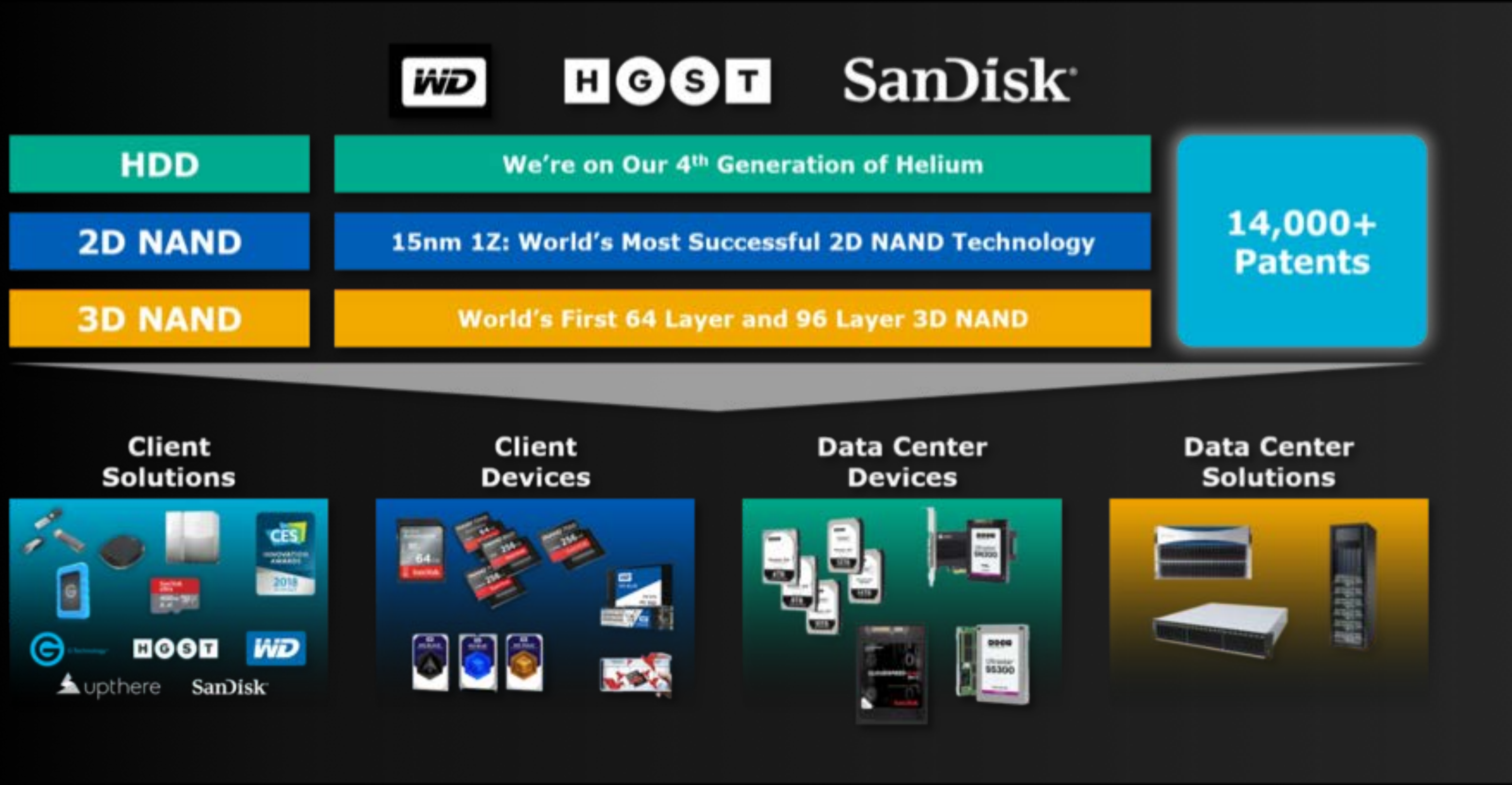
Mike Cordano

President & Chief Operating Officer

Strong FQ2-2018

- December quarter results demonstrate the power of our platform
- Executed well across the business
- Y/Y revenue increase in all reported revenue categories



Business Highlights – Client Devices

- Revenue growth Y/Y
  - Increased demand for embedded flash, client SSD products
- 3D flash commercialization
  - Began shipments of eMMC solutions
- Introduced UFS offering, broadening addressable market beginning C2018
- Strong product demand for
  - Connected home
  - Surveillance
  - Industrial

Business Highlights – Client Solutions

- Delivering differentiated value
  - Strength and appeal of retail brands
- Deeper engagement with brick-and-mortar, e-tail partners
- Solid Y/Y revenue increase
  - Diversity of HDD and flash products

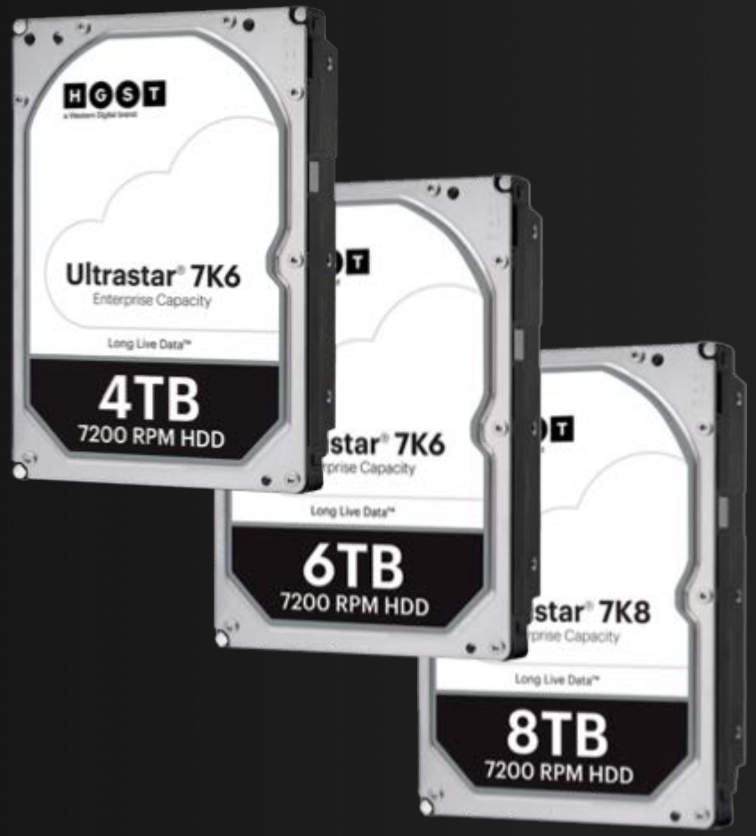
Six Innovation awards at CES 2018

Business Highlights – Data Center Devices & Solutions

- Continued leadership in high capacity enterprise drives
  - Hyperscale shift to 10TB capacities
  - Transition to 12TB drives accelerated
  - Began 14TB drive shipments
- Capacity enterprise Y/Y exabyte growth re-accelerating
  - C2017: slightly <30%, constrained by component shortages
  - C2018: estimated 50%+

Business Highlights – Data Center Devices & Solutions

- Strong market drivers for capacity enterprise growth
  - Data center buildout
  - Guided industrial policy: Smart City Initiative
  - Requirements for high-end to mid-range capacities
- Addressing complete range of capacities
  - Recently introduced new cost advantaged air-filled drives
  - 4TB to 8TB capacities
- Ongoing portfolio diversification to address data center customer needs, growth markets



Operations Update

- HDD
  - Reduced development expenses
    - Eliminating future investments in performance enterprise drives
    - Narrowing client HDD portfolio
  - Reducing costs
    - Previously announced closures of China and Singapore operations
  - Expect further cost and expense reductions
- 3D Flash
  - Further improvements in yields and productivity
  - Supply bit mix: approaching 70%
    - BiCS3 mix: >90% of total 3D Flash bits
  - BiCS4, 96 layer technology ramp
    - Meaningful output in 2H of C2018
- Fab 6
  - Participate starting with second investment tranche
  - Fab operations to commence in next few months
  - Expect initial bit output in CQ3-2018

Flash Industry

- C2017: estimated bit growth at low-end of 35% - 45% long-term range
  – WDC growth rate somewhat higher
- C2018: estimated bit growth near high-end of long-term range
  – WDC growth rate consistent with industry

Looking Forward

- Stable flash market conditions
  - Constructive trend that creates new opportunities
  - Extended periods of supply constraints limit market adoption and pace of innovation
- C2018: Western Digital platform continues to evolve
  - Several new product launches
  - Stronger competitive positioning
- Leverage breadth of offerings for best business outcomes

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Mark Long

Chief Financial Officer

Highlights of FQ2-2018 Performance

Delivering results with the Power of our Platform

Strong execution across our broad end markets

Diversified product portfolio driving our results

Increased gross margins, achieved cost and expense targets

SIGNIFICANT EARNINGS GROWTH

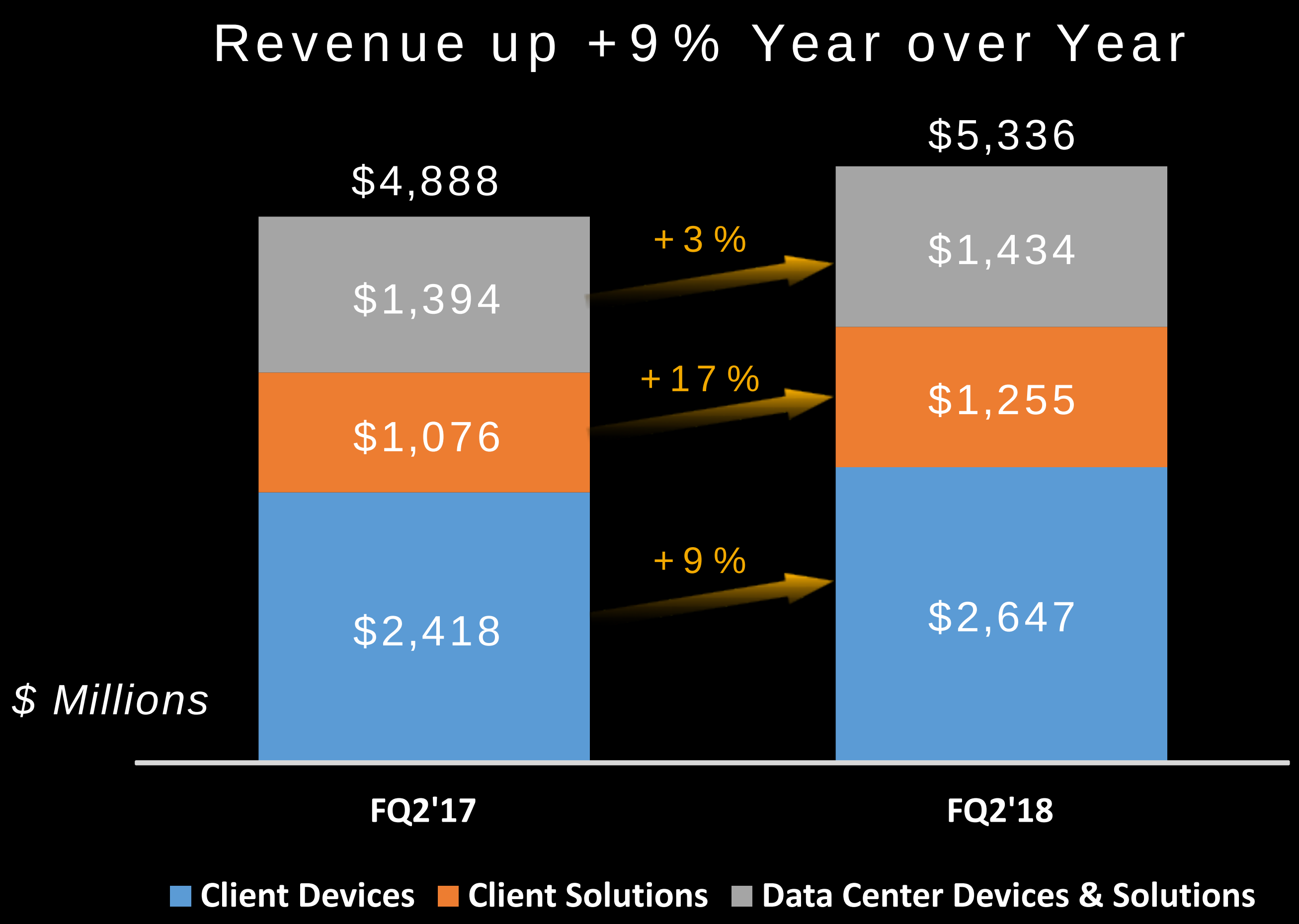
Robust cash flow generation

Continue to de-leverage and improve our capital structure

STRONG LIQUIDITY POSITION

Revenue by Category

Strong performance in all end markets



Data Center Devices & Solutions

- Continued strength in capacity enterprise product portfolio

Client Solutions

- Executed well as a result of the strength and reach of our valuable global retail brands

Client Devices

- Growth driven by mobility, client SSD and surveillance

FQ2-2018 Non-GAAP Results

$ Millions, Except EPS	FQ2'17	FQ2'18	Y/Y
Revenue	$4,888	$5,336	+9%
Gross Margin %	36.7%	43.2%	+655 BPS
Operating Expenses	$797	$865	+9%
Operating Income	$995	$1,441	+45%
Interest and Other Expenses	$221	$180	-19%
EPS	$2.30	$3.95	+72%

Capitalizing on our diversified product portfolio

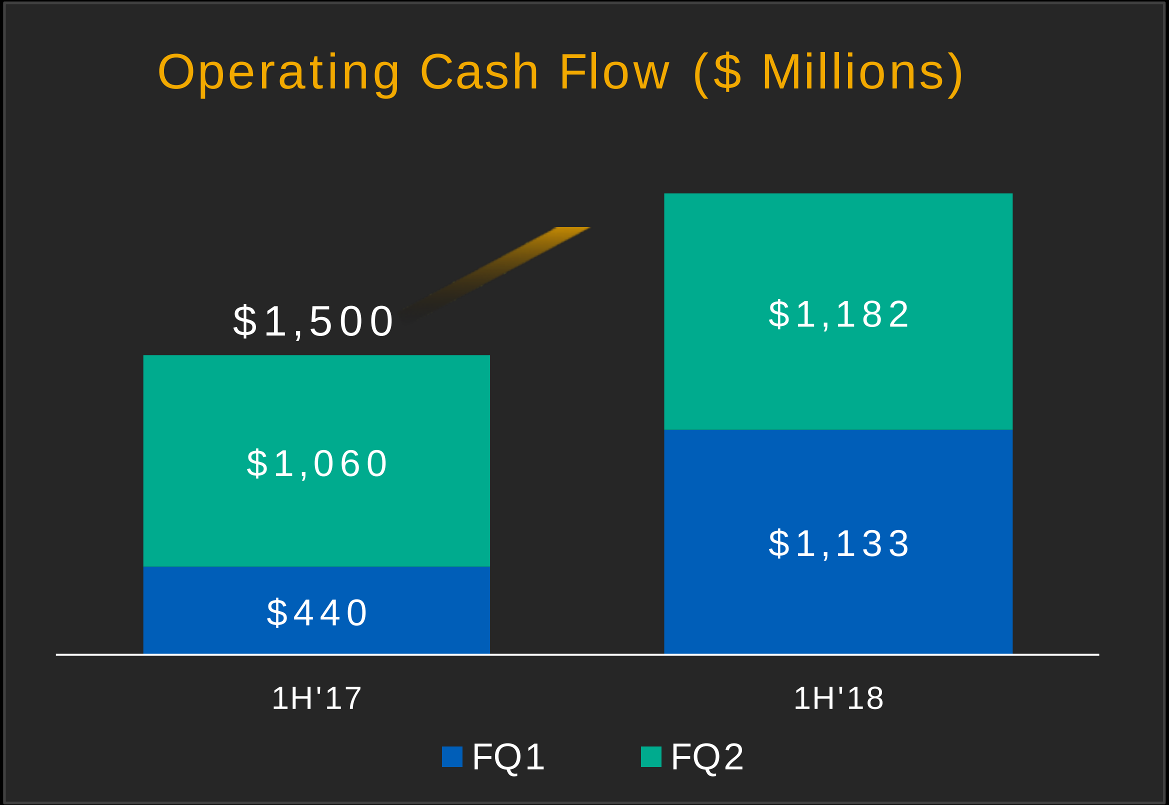
Effects of Tax Reform

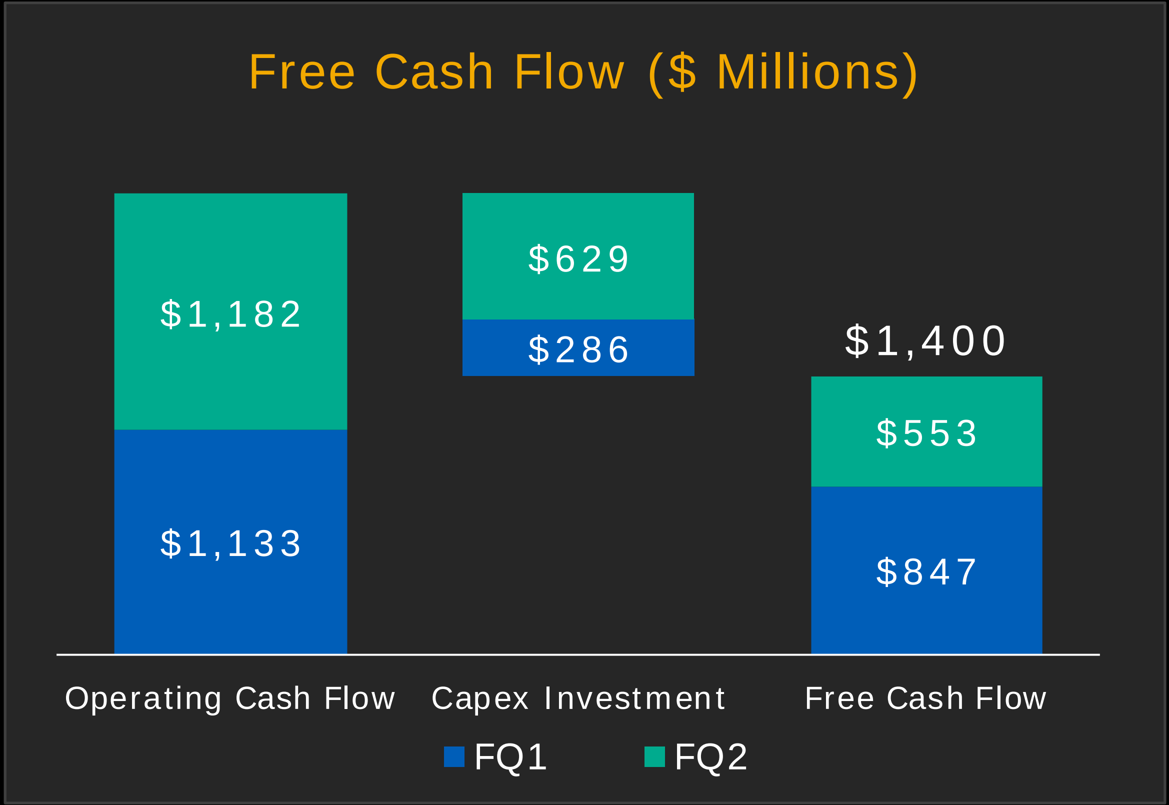
- Benefit of highly efficient access to our offshore cash for capital allocation
  - Greater flexibility for overall capital allocation and investment decisions
- Net tax charge of $1.6B
  - Primarily due to one-time mandatory deemed repatriation tax, GAAP only
  - Payments forecasted to start in F2019, payable over 8 years with ~60% in last 3 years
- Long-term tax rate change beginning in F2019
  - At the high-end or slightly above our long-term guidance of 7%-12%, non-GAAP

For additional details, please see our 8-K filing

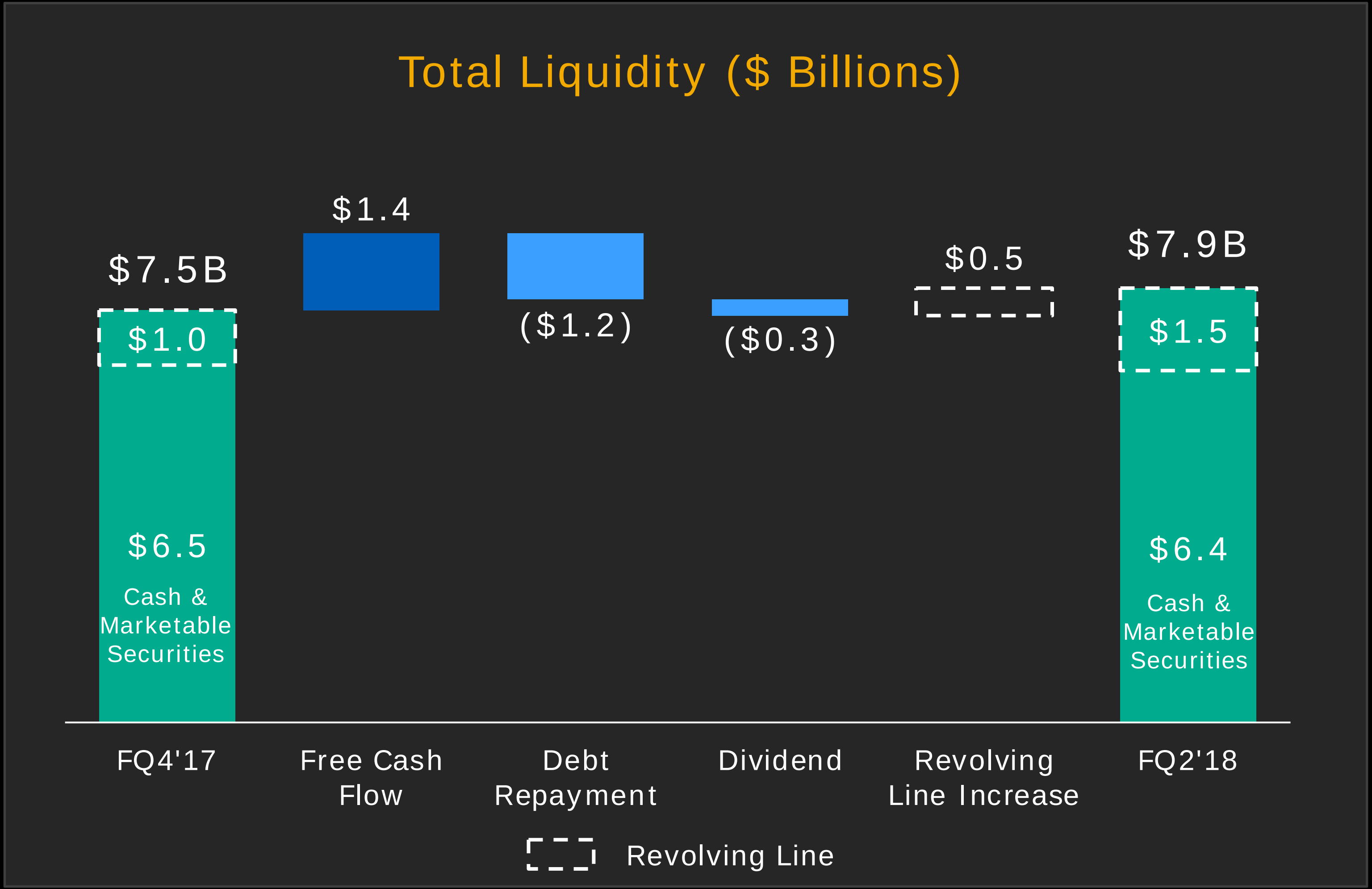
Strong Cash Generation

- Operating Cash Flow: FQ2 Y/Y +12%, Year to Date +54%
- Capex investment ~9% of revenue, slightly exceeding 6% - 8% long-term model





Improved Liquidity Position YTD F2018



Capital Allocation Priorities

- Organic and inorganic growth opportunities
- Continue to de-leverage and optimize our capital structure
- Committed to the dividend
- Re-authorized share buyback program

Financial flexibility to achieve business objectives

FQ3-2018, FY2018, CY2018 Non-GAAP Guidance

Key Financial Metrics	FQ3'18	FY'18	CY'18
Revenue ($B)	~$4.9	High end of long-term model of 4% - 8% growth	High end of long-term model of 4% - 8% growth
Gross Margin	42% - 43%	—	Above the high-end of 33% - 38% long-term model
Operating Expense ($M)	$840 - $850	—	—
Interest/Other ($M)	$180 - $185	—	—
Tax Rate	5% - 7%	—	—
EPS	$3.20 - $3.30	$13.50 - $14.00	—
Diluted Shares Outstanding (M)	~309	—	—

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Q&A

Steve Milligan, Chief Executive Officer
Mike Cordano, President & Chief Operating Officer
Mark Long, Chief Financial Officer

January 25, 2018

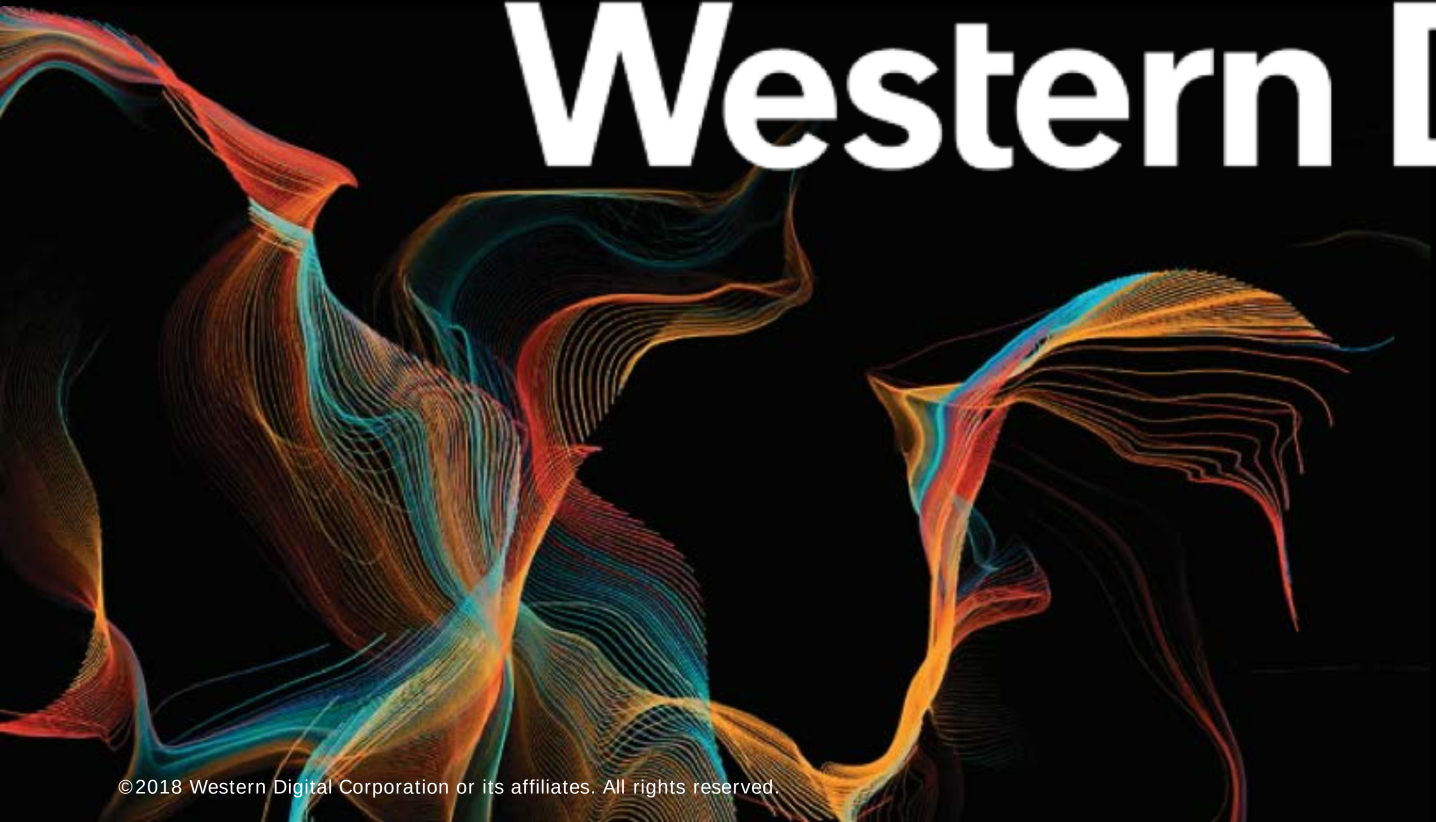
Leading Global Data Storage Solutions Provider

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









APPENDIX

GAAP to Non-GAAP Reconciliation

$ millions; unaudited

	Three Months Ended	
	12/29/17	12/30/16
GAAP COST OF REVENUE	$ 3,323	$ 3,335
Amortization of acquired intangible assets	(274)	(238)
Stock-based compensation expense	(13)	(11)
Acquisition-related charges	-	(1)
Charges related to cost saving initiatives	(6)	(8)
Other	-	(1)
NON-GAAP COST OF REVENUE	$ 3,030	$ 3,096
GAAP GROSS PROFIT	$ 2,013	$ 1,533
Amortization of acquired intangible assets	274	238
Stock-based compensation expense	13	11
Acquisition-related charges	-	1
Charges related to cost saving initiatives	6	8
Other	-	1
NON-GAAP GROSS PROFIT	$ 2,306	$ 1,792
GAAP OPERATING EXPENSES	$ 1,058	$ 988
Amortization of acquired intangible assets	(41)	(39)
Stock-based compensation expense	(86)	(85)
Employee termination, asset impairment and other charges	(48)	(45)
Acquisition-related charges	(6)	(5)
Charges related to cost saving initiatives	(12)	(15)
Other	-	(2)
NON-GAAP OPERATING EXPENSES	$ 865	$ 797
GAAP OPERATING INCOME	$ 955	$ 545
Cost of revenue adjustments	293	259
Operating expense adjustments	193	191
NON-GAAP OPERATING INCOME	$ 1,441	$ 995
GAAP INTEREST AND OTHER EXPENSE, NET	$ (181)	$ (224)
Convertible debt activity, net	-	1
Debt extinguishment costs	2	-
Other	(1)	2
NON-GAAP INTEREST AND OTHER EXPENSE, NET	$ (180)	$ (221)
GAAP INCOME TAX EXPENSE	$ 1,597	$ 86
Income tax adjustments	(1,544)	13
NON-GAAP INCOME TAX EXPENSE	$ 53	$ 99

GAAP to Non-GAAP Reconciliation Continued

$ millions, except per share amounts; unaudited

	Three Months Ended	
	12/29/17	12/30/16
GAAP NET INCOME (LOSS)	$ (823)	$ 235
Amortization of acquired intangible assets	315	277
Stock-based compensation expense	99	96
Employee termination, asset impairment and other charges	48	45
Acquisition-related charges	6	6
Charges related to cost saving initiatives	18	23
Convertible debt activity, net	-	1
Debt extinguishment costs	2	-
Other	(1)	5
Income tax adjustments	1,544	(13)
NON-GAAP NET INCOME	$ 1,208	$ 675
DILUTED INCOME (LOSS) PER COMMON SHARE		
GAAP	$ (2.78)	$ 0.80
Non-GAAP	$ 3.95	$ 2.30
DILUTED WEIGHTED AVERAGE SHARES OUTSTANDING		
GAAP	296	294
Non-GAAP	306	294

	FQ1 2018	FQ2 2018	TOTAL
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	$1,133	$1,182	$2,315
Purchases of Property, Plant and Equipment, net	(155)	(251)	(406)
Activity Related to Flash Ventures, net	(131)	(378)	(509)
FREE CASH FLOW	$847	$553	$1,400

Footnotes for GAAP to Non-GAAP Reconciliation

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

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

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

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

Employee termination, asset impairment and other charges. From time-to-time, in order to realign the company's operations with anticipated market demand or to achieve cost synergies from the integration of acquisitions, the company may terminate employees and/or restructure its operations. From time-to-time, the company may also incur charges from the impairment of intangible assets and other long-lived assets. These charges (including any reversals of charges recorded in prior periods) are inconsistent in amount and frequency, and the company believes are not indicative of the underlying performance of its business.

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

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

Convertible debt activity, net. The company excludes non-cash economic interest expense associated with the convertible senior notes, the gains and losses on the conversion of the 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 utilize available capital to settle debt early, both of which generate interest savings in future periods. The company incurs debt extinguishment charges consisting of the costs to call the existing debt and/or the write-off of any related unamortized debt issuance costs. These gains and losses do not reflect the company's operating results, and the company believes are not indicative of the underlying performance of its business.

Other charges. From time-to-time, the company sells or impairs investments or other assets which are not considered necessary to its business operations; is a party to legal or arbitration proceedings, which could result in an expense or benefit due to settlements, final judgments, or accruals for loss contingencies; or incurs other charges or gains which the company believes are not a part of the ongoing operation of its business. The resulting expense or benefit is inconsistent in amount and frequency.

Income tax adjustments. Income tax adjustments include the difference between income taxes based on a forecasted annual non-GAAP tax rate and a forecasted annual GAAP tax rate as a result of the timing of certain non-GAAP pre-tax adjustments. Additionally, as a result of the Tax Cuts and Jobs Act, the three and six months ended December 29, 2017 income tax adjustments include a provisional income tax expense of $1.66 billion for the one-time mandatory deemed repatriation tax and a provisional income tax benefit of $88 million related to the re-measurement of deferred tax assets and liabilities.

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

Summary of GAAP to Non-GAAP Guidance[1]

Unaudited

	Three Months Ended	
	03/30/18	3/30/18
	GAAP[2]	Non-GAAP
REVENUE	~$4.9B	~$4.9B
Gross Margin	37% - 38%	42% - 43%
Operating Expenses	$975M - $1B	$840M - $850M
Interest and Other Expense, Net	$180M - $185M	$180M - $185M
Tax Rate[3]	N/A	5% - 7%
DILUTED EARNINGS PER SHARE	N/A	$3.20 - $3.30
DILUTED SHARES OUTSTANDING	~309M	~309M
	Twelve Months Ended	
	06/29/18	06/29/18
	GAAP	Non-GAAP
REVENUE[4]	High end of 4% to 8% growth	High end of 4% to 8% growth
DILUTED EARNINGS PER SHARE[5]	N/A	$13.50 - $14.00
	Twelve Months Ended	
	12/28/18	12/28/18
	GAAP	Non-GAAP
REVENUE[4]	High end of 4% to 8% growth	High end of 4% to 8% growth
GROSS MARGIN[6]	N/A	Above 33% - 38% long-term model
	Long-Term Guidance	
	GAAP	Non-GAAP
TAX RATE[3][7]	N/A	High end or slightly above 7% to 12%

Footnotes for GAAP to Non-GAAP Guidance

1 - This document contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements concerning the company's anticipated financial results for its third fiscal quarter 2018 ending March 30, 2018, full fiscal year 2018 ending June 29, 2018, and full calendar year 2018 ending December 28, 2018. These forward-looking statements are based on management's current expectations and are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied in the forward-looking statements. Other risks and uncertainties that could cause actual results to differ materially from those expressed or implied in the forward-looking statements include: volatility in global economic conditions; uncertainties with respect to the company's business ventures with Toshiba; business conditions and growth in the storage ecosystem; impact of competitive products and pricing; market acceptance and cost of commodity materials and specialized product components; actions by competitors; unexpected advances in competing technologies; our development and introduction of products based on new technologies and expansion into new data storage markets; risks associated with acquisitions, mergers and joint ventures; difficulties or delays in manufacturing; impacts of new tax legislation; and other risks and uncertainties listed in the company's filings with the Securities and Exchange Commission (the "SEC"), including the company's Form 10-Q filed with the SEC on November 7, 2017, to which your attention is directed. You should not place undue reliance on these forward-looking statements, which speak only as of the date hereof, and the company undertakes no obligation to update these forward-looking statements to reflect new information or events.

2 - The company's third quarter fiscal 2018 non-GAAP gross margin guidance excludes amortization of acquired intangible assets, stock-based compensation expense, and charges related to cost saving initiatives totaling approximately $250 million. The company's non-GAAP operating expenses guidance excludes amortization of acquired intangible assets; stock-based compensation expense; employee termination, asset impairment and other charges; charges related to cost saving initiatives and acquisition-related charges totaling approximately $135 million to $150 million. In the aggregate, non-GAAP diluted earnings per share guidance excludes these items totaling $385 million to $400 million. The timing and amount of these charges excluded from non-GAAP gross margin, non-GAAP operating expenses and non-GAAP diluted earnings per share cannot be further allocated or quantified with certainty. Additionally, the timing and amount of additional charges the company excludes from its non-GAAP tax rate and non-GAAP diluted earnings per share are dependent on the timing and determination of certain actions and cannot be reasonably predicted. Accordingly, full reconciliations of non-GAAP gross margin, non-GAAP operating expenses, non-GAAP tax rate and non-GAAP diluted earnings per share to the most directly comparable GAAP financial measures (gross margin, operating expenses, tax rate and diluted earnings per share, respectively) are not available without unreasonable effort.

3 - For additional information related to the current estimated impact to the company as a result of the Tax Cuts and Jobs Act, please refer to the company's Form 8-K filed with the SEC on January 25, 2018.

4 – The company's fiscal and calendar 2018 revenue guidance is at the high end of the company's long-term model of 4% to 8% revenue growth from fiscal and calendar 2017, respectively.

5 - The company's fiscal year 2018 non-GAAP diluted earnings per share guidance excludes the amortization of acquired intangible assets; stock-based compensation expense; employee termination, asset impairment and other charges; charges related to cost saving initiatives; acquisition-related charges; debt extinguishment costs; other charges and income tax adjustments totaling approximately $3.1 billion. Of this $3.1 billion, there was a provisional income tax expense of $1.66 billion recognized during second quarter fiscal year 2018 for the one-time mandatory deemed repatriation tax and a provisional income tax benefit of $88 million recognized related to the re-measurement of deferred tax assets and liabilities as a result of the Tax Cuts and Jobs Act. The timing and amount of other charges excluded from non-GAAP diluted earnings per share cannot be further allocated or quantified with certainty. Additionally, the timing and amount of additional charges the company excludes from this non-GAAP financial measure are dependent on the timing of certain actions and cannot be reasonably predicted. Accordingly, a full reconciliation of non-GAAP diluted earnings per share to the most directly comparable GAAP diluted earnings per share is not available without unreasonable effort.

6 - The company's calendar 2018 gross margin guidance is above the company's long-term model of 33% to 38% gross margin. This non-GAAP measure excludes amortization of acquired intangible assets; stock-based compensation expense; and charges related to cost saving initiatives totaling approximately $960 million. The timing and amount of these charges excluded from non-GAAP gross margin cannot be further allocated or quantified with certainty. Additionally, the timing and amount of additional charges the company excludes from this non-GAAP financial measure are dependent on the timing of certain actions and cannot be reasonably predicted. Accordingly, a full reconciliation of non-GAAP gross margin to the most directly comparable GAAP gross margin is not available without unreasonable effort.

7 - The timing and amount of charges the company excludes from its non-GAAP tax rate for long-term guidance are dependent on the timing and determination of certain actions and cannot be reasonably predicted. Accordingly, a reconciliation of non-GAAP tax rate to the most directly comparable GAAP tax rate is not available without unreasonable effort.