Western Digital

Fiscal Q3-2018 Earnings Conference Call

April 26, 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 platform; product and technology development efforts; our joint ventures with Toshiba; and our expected capital allocation plans. 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; 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

Delivered Strong FQ3-2018 Results

Revenue
$5.0B

Non-GAAP
Gross margin
43%

Non-GAAP
EPS
$3.63

Operating cash flow
$1.0B

Demonstrating the power and agility 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

Normalizing flash market

Strategically positioned to capitalize on market opportunities

Positioned for Long-Term Value Creation

- Exponential growth in the volume and value of data
  - Western Digital enabling new possibilities in Artificial Intelligence, Machine Learning and other Big Data, Fast Data applications
- Demonstrating the power of our platform
  - Extending leadership in Capacity Enterprise hard drives
  - Continuing to deploy 3D NAND across our portfolio
- Highly successful flash joint venture
  - Joint investments underway in Fab 6 and planned in Iwate
  - Shared Memory Development Center opened in Yokkaichi

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Mike Cordano

President & Chief Operating Officer

Platform Delivers Strong FQ3-2018 Results

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

HDD	5th generation helium drive, 14TB
Flash	Highest performance NVMe SSDs
3D Flash	Ramping 96-layer technology

Client Solutions | **Client Devices** | **Data Center Devices** | **Data Center Solutions**

Data Center Devices and Solutions

- Strong portfolio, delivering for customers
  - SN200 NVMe PCIe SSDs qualified at leading Tier 1 customers
  - Full range of capacity enterprise hard drives: 4TB – 14TB
- Continued leadership in growing capacity enterprise market
  - Record exabyte shipments, Y/Y growth 100%+
  - Raising Y/Y exabyte growth expectations
    - First-half CY2018: 75%+; CY2018: 65%+
- Groundbreaking MAMR technology
  - Sampling drives in second-half of CY2018
  - Production ramp in CY2019

Client Devices

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

PCWorld EDITORS' CHOICE

Named Best NVMe SSD

Client Solutions

G-Technology™

SanDisk

WD

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

CES INNOVATION AWARDS 2018 HONOREE

CES Innovation Award Honoree

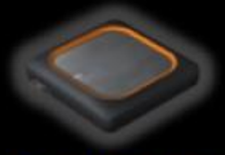
HARDWARE ZONE HWM TECH AWARDS 2018 READERS' CHOICE

Readers' Choice

SanDisk

Best removable flash storage brand

PC MAGAZINE



Best external backup drive

FQ3-2018 Operations Update

- HDD
  - Strength of vertical integration
    - Optimize manufacturing for capacity enterprise drives
  - Continue to evaluate future productivity initiatives
  - Preparing for commercialization of MAMR technology

- Flash
  - Fab 6 operations commenced, initial output in FQ1-2019
  - 64 layer 3D flash, BiCS3, ramp continues
    - CY2018: >70% of total bit supply
  - BiCS3 manufacturing yields reached maturity
    - Approaching 2D NAND yield levels
  - 96 layer 3D flash, BiCS4, ramp has begun

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Mark Long

Chief Financial Officer

Highlights of FQ3-2018 Performance

Strong execution across our broad end markets

Diversified product portfolio driving our results

Increased gross margins, achieved expense targets, reduced interest expense

Significant earnings growth

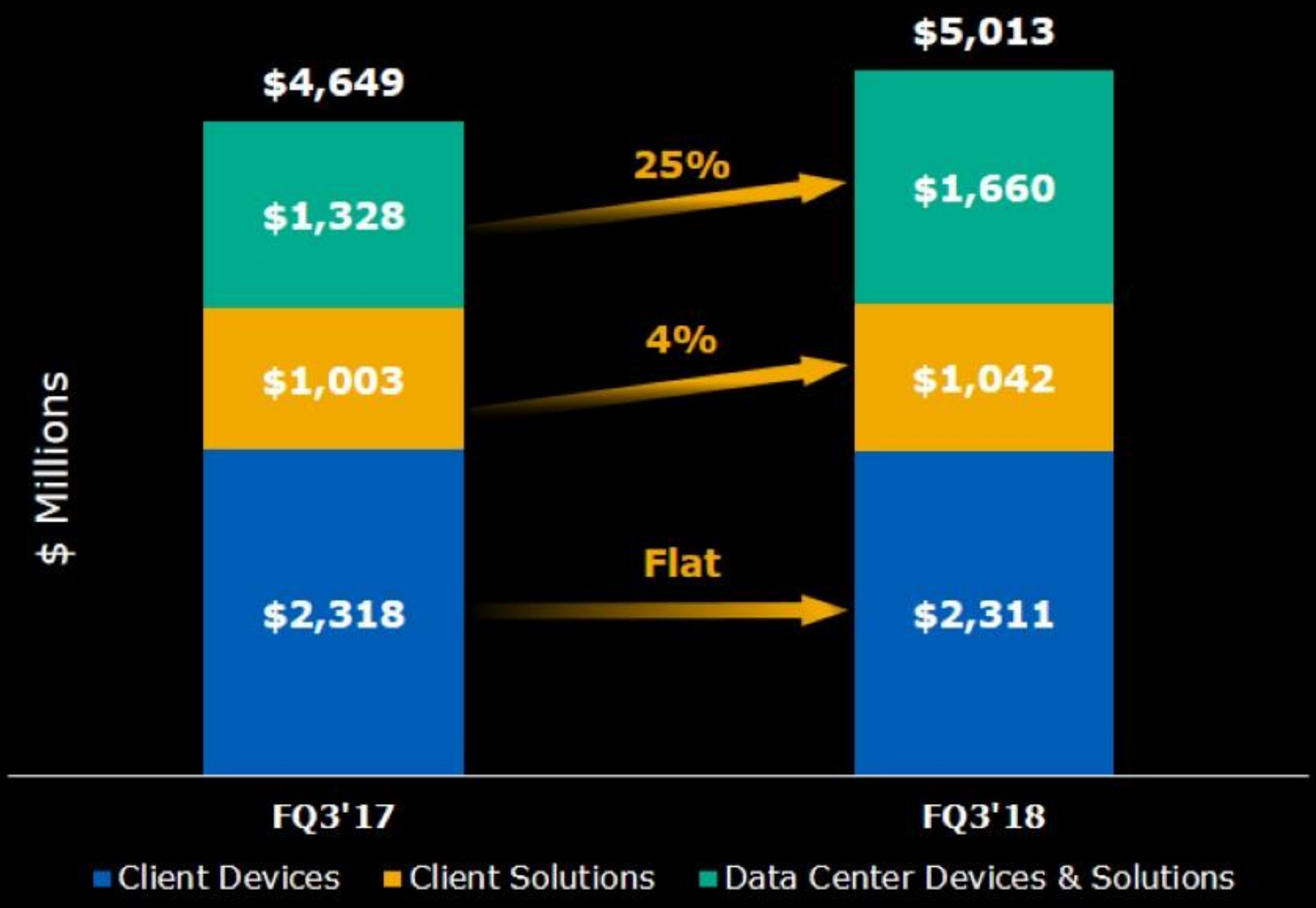
Robust cash flow generation

Significant improvement in capital structure

Strong liquidity position

Delivering Strong Revenue Results

8% year over year revenue growth



Data Center Devices & Solutions

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

Client Solutions

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

Client Devices

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

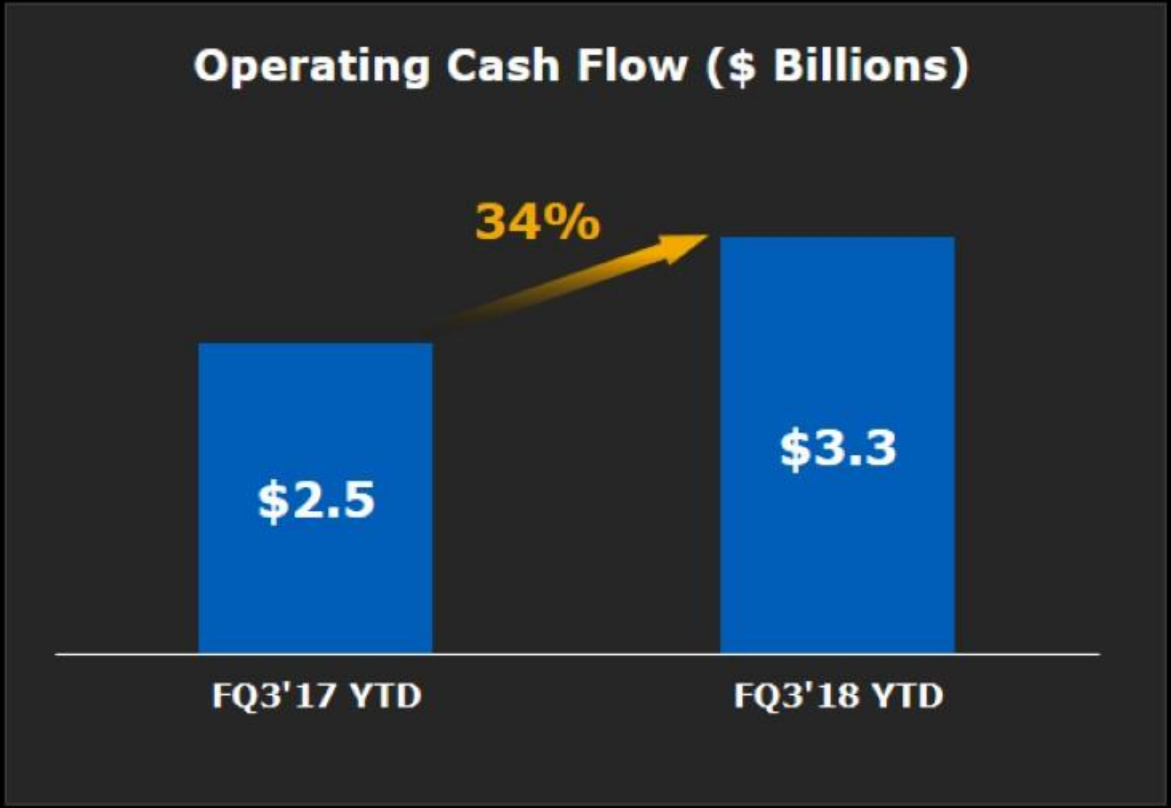
FQ3-2018 Non-GAAP Results

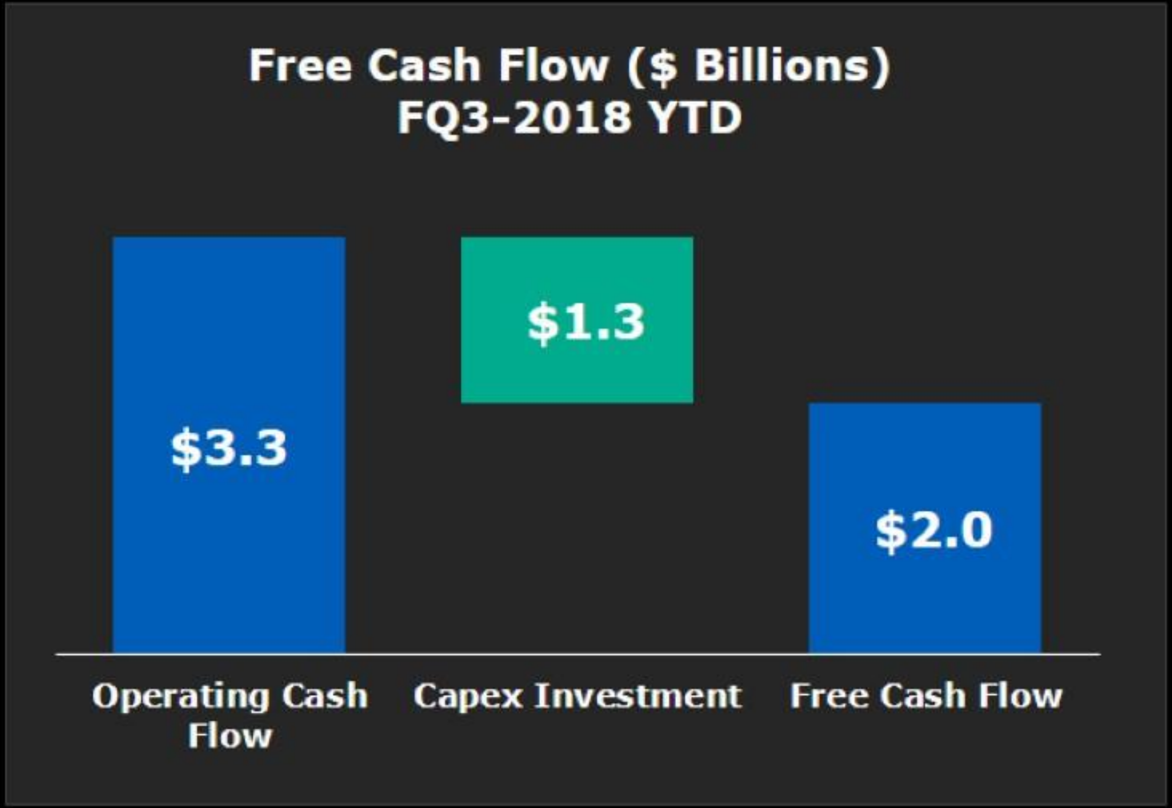
$ Millions, except EPS	FQ3'17	FQ3'18	Y/Y
Revenue	$4,649	$5,013	8%
Gross Margin %	39.3%	43.4%	410 BPS
Operating Expenses	$811	$850	5%
Operating Income	$1,015	$1,324	30%
Interest and Other Expense, net	$206	$137	(33%)
EPS	$2.39	$3.63	52%

Capitalizing on our diversified product portfolio and strong execution

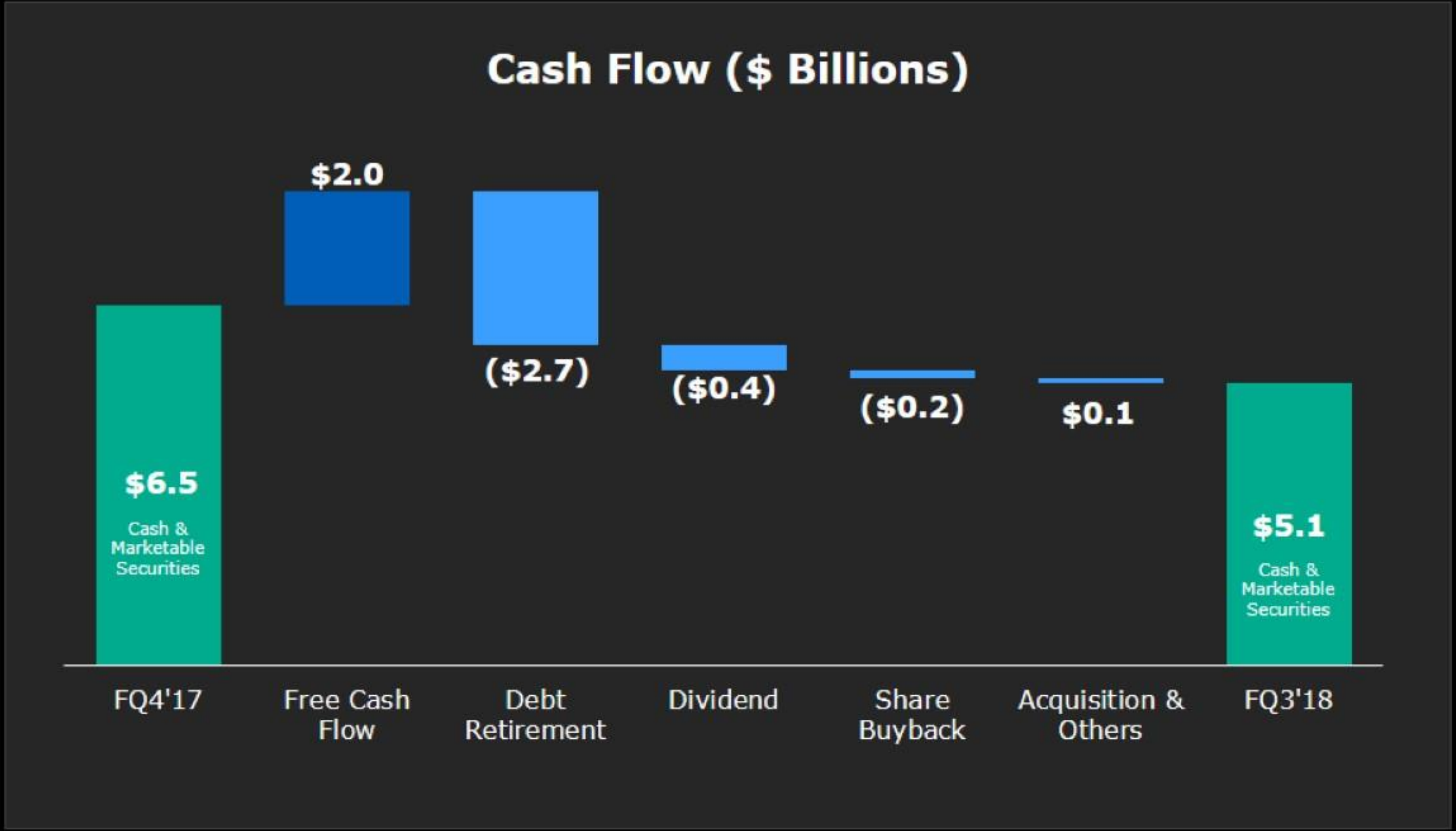
Strong Cash Generation

- Operating Cash Flow: FQ3-2018 year over year up 3%, year to date up 34%
- Capex investment at high end of 6-8% long-term model





Cash Flow Position YTD FY2018



Capital Allocation Priorities

- Organic and inorganic growth opportunities
- Continued optimization of capital structure
- Committed to the dividend
- Executed share buyback of ~$155M

Additional Liquidity Available

- $1.75B of $2.25B revolver capacity

Increased financial flexibility and shareholder value

FQ4-2018, CY2018 Non-GAAP Guidance

Key Financial Metrics	FQ4'18	CY2018
Revenue ($B)	$5.0 - $5.1	High end of long-term model of 4% - 8% growth
Gross Margin %	41% - 42%	At least 40% for each of the remaining calendar quarters of 2018
Operating Expense ($M)	$840 - $850	—
Interest and Other Expense, net ($M)	~$100	—
Tax Rate	5% - 7%	—
EPS	$3.40 - $3.50	—
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

April 26, 2018

Leading Global Data Storage Solutions Provider

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

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Appendix

GAAP to Non-GAAP Reconciliation

$ millions; unaudited

	Three Months Ended	
	3/30/2018	3/31/2017
GAAP COST OF REVENUE	**$ 3,086**	**$ 3,126**
Amortization of acquired intangible assets	(235)	(284)
Stock-based compensation expense	(11)	(13)
Charges related to cost saving initiatives	(1)	(6)
NON-GAAP COST OF REVENUE	**$ 2,839**	**$ 2,823**
GAAP GROSS PROFIT	**$ 1,927**	**$ 1,523**
Amortization of acquired intangible assets	235	284
Stock-based compensation expense	11	13
Charges related to cost saving initiatives	1	6
NON-GAAP GROSS PROFIT	**$ 2,174**	**$ 1,826**
GAAP OPERATING EXPENSES	**$ 1,013**	**$ 998**
Amortization of acquired intangible assets	(41)	(40)
Stock-based compensation expense	(91)	(85)
Employee termination, asset impairment and other charges	(35)	(39)
Acquisition-related charges	(2)	(2)
Charges related to cost saving initiatives	3	(22)
Other	3	1
NON-GAAP OPERATING EXPENSES	**$ 850**	**$ 811**
GAAP OPERATING INCOME	**$ 914**	**$ 525**
Cost of revenue adjustments	247	303
Operating expense adjustments	163	187
NON-GAAP OPERATING INCOME	**$ 1,324**	**$ 1,015**
GAAP INTEREST AND OTHER EXPENSE, NET	**$ (1,042)**	**$ (221)**
Convertible debt activity, net	3	1
Debt extinguishment costs	894	7
Other	8	7
NON-GAAP INTEREST AND OTHER EXPENSE, NET	**$ (137)**	**$ (206)**
GAAP INTEREST EXPENSE	**$ (160)**	**$ (205)**
Non-cash economic interest expense	3	-
NON-GAAP INTEREST EXPENSE	**$ (157)**	**$ (205)**
GAAP INCOME TAX EXPENSE	**$ (189)**	**$ 56**
Income tax adjustments	259	37
NON-GAAP INCOME TAX EXPENSE	**$ 70**	**$ 93**

GAAP to Non-GAAP Reconciliation *(cont.)*

$ millions, except per share amounts; unaudited

	Three Months Ended	
	3/30/2018	3/31/2017
GAAP NET INCOME (LOSS)	$ 61	$ 248
Amortization of acquired intangible assets	276	324
Stock-based compensation expense	102	98
Employee termination, asset impairment and other charges	35	39
Acquisition-related charges	2	2
Charges related to cost saving initiatives	(2)	28
Convertible debt activity, net	3	1
Debt extinguishment costs	894	7
Other	5	6
Income tax adjustments	(259)	(37)
NON-GAAP NET INCOME	$ 1,117	$ 716
DILUTED INCOME (LOSS) PER COMMON SHARE		
GAAP	$ 0.20	$ 0.83
Non-GAAP	$ 3.63	$ 2.39
DILUTED WEIGHTED AVERAGE SHARES OUTSTANDING		
GAAP	308	299
Non-GAAP	308	299

	FQ1 2018	FQ2 2018	FQ3 2018	TOTAL
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	$ 1,133	$ 1,182	$ 1,027	$ 3,342
Purchases of Property, Plant and Equipment, net	(155)	(251)	(213)	(619)
Activity Related to Flash Ventures, net	(131)	(378)	(198)	(707)
FREE CASH FLOW	$847	$553	$616	$ 2,016

Footnotes for GAAP to Non-GAAP Reconciliation

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

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

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

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

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

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

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

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

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

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

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

Income tax adjustments. Income tax adjustments include the difference between income taxes based on a forecasted annual non-GAAP tax rate and a forecasted annual GAAP tax rate as a result of the timing of certain non-GAAP pre-tax adjustments. Additionally, as a result of the Tax Cuts and Jobs Act, the nine months ended March 30, 2018 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 $79 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 Ending	
	06/29/18	**06/29/2018**
	GAAP[2]	**Non-GAAP**
REVENUE	$5.0B - $5.1B	$5.0B - $5.1B
Gross Margin	36% - 37%	41% - 42%
Operating Expenses	$975M - $1B	$840M - $850M
Interest and Other Expense, Net	~$100M	~$100M
Tax Rate	N/A	5% - 7%
DILUTED EARNINGS PER SHARE	N/A	$3.40 - $3.50
DILUTED SHARES OUTSTANDING	~309M	~309M
	Twelve Months Ending	
	06/29/18	**06/29/18**
	GAAP	**Non-GAAP**
REVENUE[3]	Meet or exceed prior expectations	Meet or exceed prior expectations
DILUTED EARNINGS PER SHARE[3][4]	N/A	Meet or exceed prior expectations
	Twelve Months Ending	
	12/28/18	**12/28/18**
	GAAP	**Non-GAAP**
REVENUE[5]	High end of long-term model of 4% - 8% growth	High end of long-term model of 4% - 8% growth
	Three Months Ending	
	09/28/18 and 12/28/18	**09/28/18 and 12/28/18**
	GAAP	**Non-GAAP**
GROSS MARGIN[6]	N/A	At least 40% for each of the remaining calendar quarters of 2018

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 fourth fiscal quarter 2018 ending June 29, 2018, twelve months ending June 29, 2018, twelve months ending December 28, 2018, and three months ending September 28, 2018 and 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, including: 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; 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 February 6, 2018, 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 fourth 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 $130 million to $155 million. In the aggregate, non-GAAP diluted earnings per share guidance excludes these items totaling $380 million to $405 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 - Refer to prior expectations as disclosed in the guidance summary published on January 25, 2018.

4 - 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; convertible debt activity, net; other charges and income tax adjustments totaling approximately $3.9 billion. Of this $3.9 billion, as a result of the Tax Cuts and Jobs Act, there was a provisional income tax expense of $1.66 billion for the one-time mandatory deemed repatriation tax and a provisional income tax benefit of $79 million related to the re-measurement of deferred tax assets and liabilities recognized as of the nine months ended March 30, 2018. Also included in the $3.9 billion is $894 million of debt extinguishment costs recognized during the third fiscal quarter 2018 as part of the company's debt financing transactions. 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.

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

6 - This non-GAAP measure excludes amortization of acquired intangible assets; stock-based compensation expense; and charges related to cost saving initiatives totaling approximately $250 million for each of the quarters ended September 28, 2018 and December 28, 2018. 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.