

# Western Digital Corporation: Baird's Growth Stock Conference

May 7, 2013



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Executive Vice President & CFO

## SAFE HARBOR

# Forward-Looking Statements

This presentation contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements concerning: growth in digital storage, the co-existence of multiple storage technologies, cost opportunities, our position in the storage industry, our expected financial results, 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 May 3, 2013, 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 the 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.



## INTRODUCTION

# WDC - A Leader in Storage Solutions



- Deep storage industry roots with 6,000+ active patents worldwide
- Consistent profitable growth with revenues and EPS increasing annually by 20% and 32%, respectively, from FY2005 to FY2013
- Approximately 87,000 employees worldwide
- Latest quarter reported revenue of \$3.8B, non-GAAP operating income of \$540M and free cash flow of \$539M
- Efficient capital allocator with consistent returns on invested capital of ~20%

\*FY13 includes estimate of 4Q13 (mid guidance).

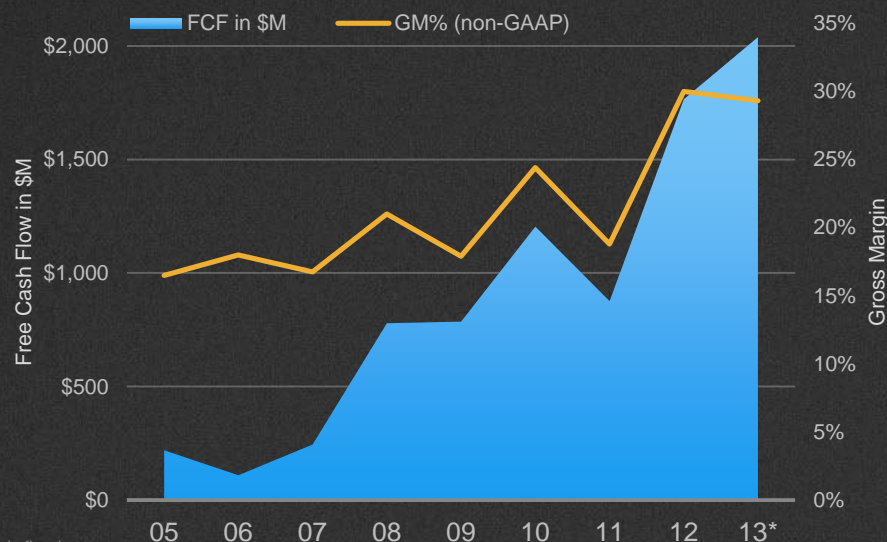
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## CREATING VALUE

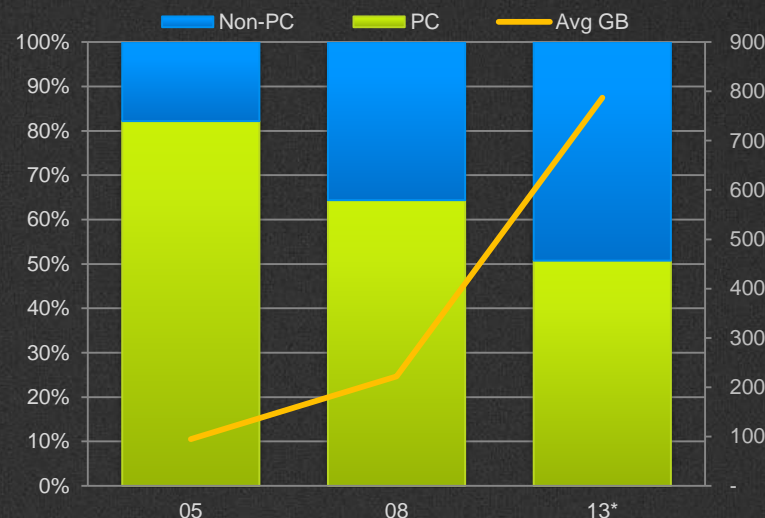
# Financial and Execution Engine

### Historical Performance



FCF or FY12 excludes the effect of \$585m of assumed debt as a result of the HGST acquisition on 3/8/2012.  
 \*FY13 includes 4Q estimate of FCF = net income at mid-guidance.

### Revenue Mix Shift



Non-PC includes Enterprise, Branded and Consumer Electronics.  
 \*FY13 includes estimate based on latest guidance.

### Strategic Capital Allocation

#### Reinvest in the business

- 5-7% CAPEX
- 8% R&D  
% of Revenue

#### Return 50% FCF to shareholders

- Share buybacks
- Dividends

#### Strategic Growth Initiatives

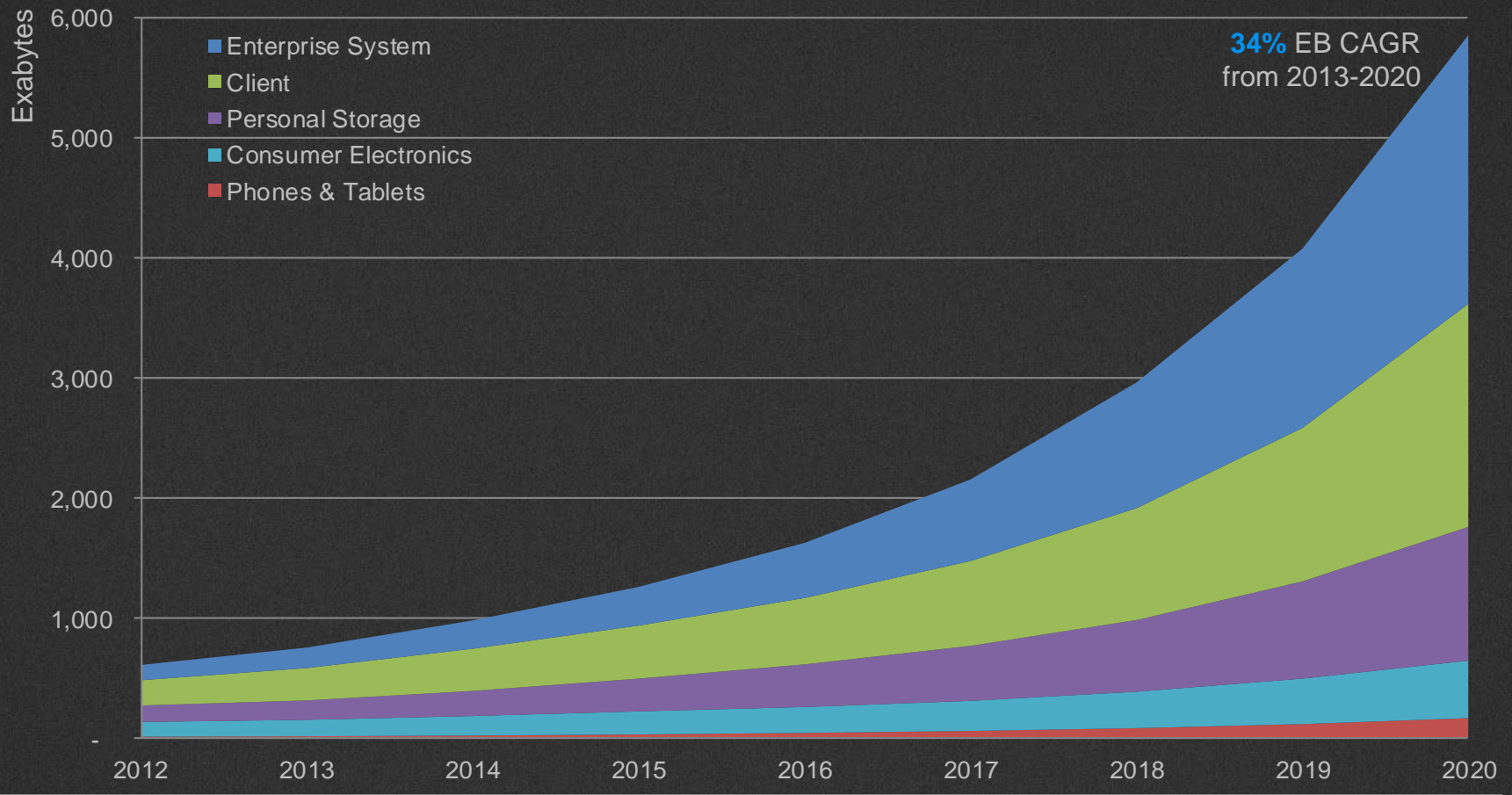
### Unique Cost Opportunities

- Long-term:** operating expense synergies dependent on MOFCOM
- Short-term:** ongoing deployment of aerial density improvements



## UNABATED DATA GROWTH

# Large and Growing Market: 34% CAGR through 2020



**Over 75% of Exabytes in 2020 will be stored on HDDs**

Source: Western Digital analysis

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## UNABATED DATA GROWTH

# Megatrends Driving Increasing Storage Requirements

### Human Genome

**500 EB**  
needed to store  
human genome data  
for population of  
**7.1 billion**



### Social Media

**200+ EB**  
needed by 2020:  
350 million photos  
uploaded daily on Facebook  
86,000 hours of video  
uploaded daily on YouTube



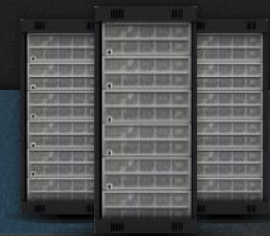
### Consumer

In 2016,  
**each household**  
projected to have  
3.3TB of storage =  
total estimate of  
**1,800 EB**



### Big Data

Farecast crunched  
**200 billion** flight-  
price **records** to  
make predictions  
(75% accuracy in 2012,  
saving avg. \$50 per ticket)



**Data storage and utilization enable breakthrough innovations**

<sup>1</sup> September 19, 2011 [http://www.ornl.gov/sci/techresources/Human\\_Genome/faq/faqs1.shtml](http://www.ornl.gov/sci/techresources/Human_Genome/faq/faqs1.shtml) Q. How big is the human genome? Contains no metadata

<sup>2</sup> Used in slide above: March 2012, <http://www.genome.gov/27548042>, n=2,600 and generated 200TB of data or ~77GB per sample

<sup>3</sup> Consensus case build base on articles, discussions and blog posts published in 2012

<sup>4</sup> March 2013, PSSC Labs, Erik Lesser, Director Operation Development, project done in 2010

<sup>5</sup> Infographics, Facebook Engineering Notes, YouTube statistics and Western Digital analysis.

<sup>6</sup> Developed household estimate of 0.5B with 2.2% GDP growth for developed used for 2016 projection x 3.3TB of storage/household per Western Digital analysis.

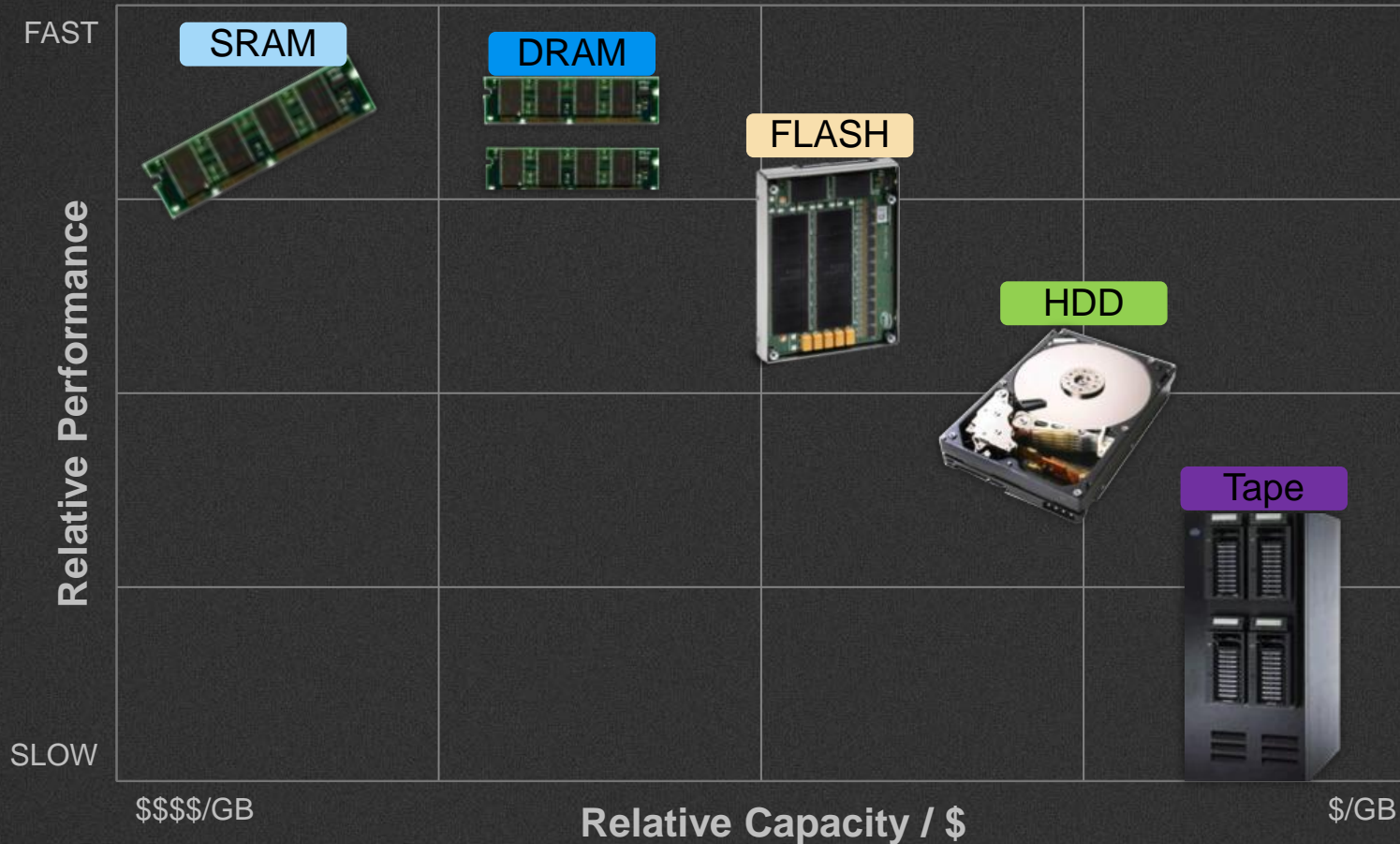
<sup>7</sup> Big Data: A Revolution That Will Transform How We Live, Work and Think by Viktor Mayer-Schonberger and Kenneth Cukier

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## TECHNOLOGY CONTINUUM

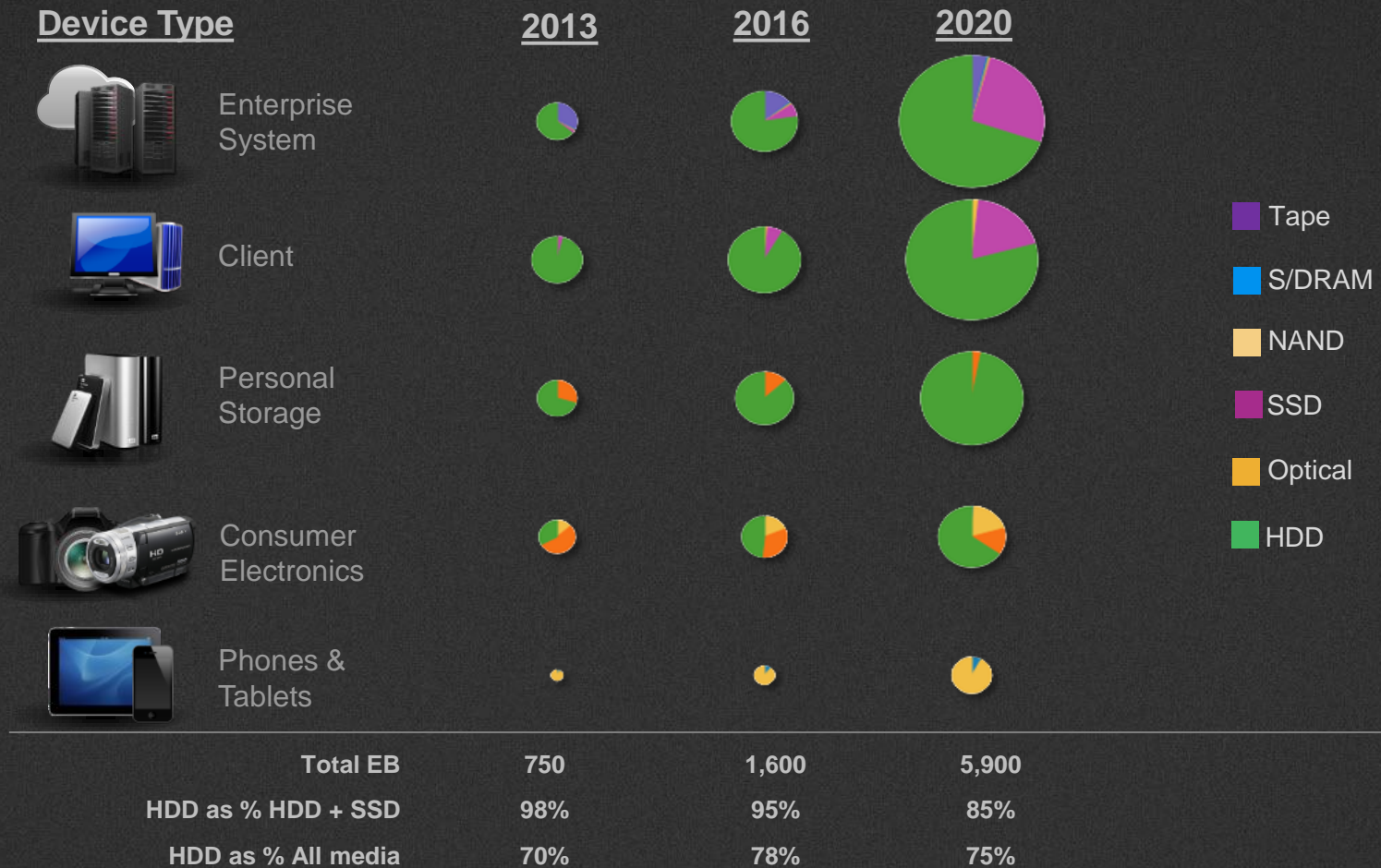
# Cost / Performance Trade-off



**Software enables the seamless use of technology tiering**

## TYPES OF STORAGE

# Multiple Storage Technologies Co-Existing



**HDD continues to dominate cost effective mass storage**



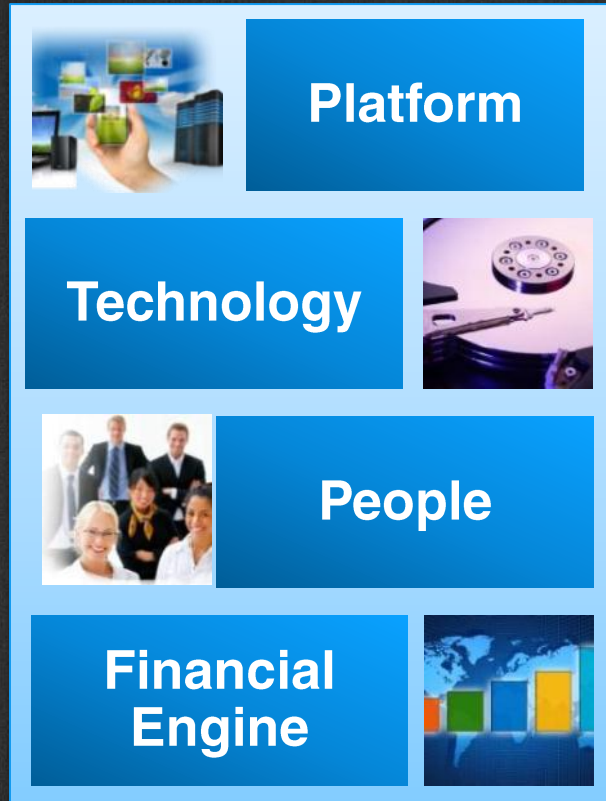
## POWERING THE FUTURE

# Changing Nature of Customer Engagement

Trend	Innovation	Engagement Model	
 Thin and Lite	<ul style="list-style-type: none"><li>■ Ultraportable devices emerge</li><li>■ Consumers use more than one device</li></ul>	<ul style="list-style-type: none"><li>■ 2.5" 7mm</li><li>■ 2.5" 5mm HDD + hybrid</li></ul>	<ul style="list-style-type: none"><li>■ Simple roadmap</li><li>■ Collaborative engineering</li></ul>
 Connected Life	<ul style="list-style-type: none"><li>■ Mobile devices have limited storage</li><li>■ Entertainment: anywhere, anytime</li><li>■ Fragmented content on multiple devices</li></ul>	<ul style="list-style-type: none"><li>■ WD apps</li><li>■ Integration with entertainment &amp; home products</li><li>■ Integration with public cloud</li></ul>	<ul style="list-style-type: none"><li>■ Serve all screens – TV, PC, tablet, mobile</li><li>■ Partnership - SCSA premium movie content downloads</li></ul>
 Cloud	<ul style="list-style-type: none"><li>■ Accelerating cloud opportunity</li><li>■ Big Data revolution</li><li>■ Economics drive tiering</li></ul>	<ul style="list-style-type: none"><li>■ 5-disk HDD</li><li>■ 7-disk He platform</li><li>■ SAS SSD 12gb</li></ul>	<ul style="list-style-type: none"><li>■ Partner with Cloud / Web 2.0 / Enterprise to innovate</li><li>■ Focus on TCO based solutions</li></ul>

## POWERFUL PLATFORM

# WDC - A Leading Technology Company



- Unique position at center of the Storage Ecosystem
- Innovating to create value
- Embracing change and making markets
- Proven business model

**Western Digital is well-positioned to continue its leadership within the storage ecosystem**

\$s based on FY09 – FY13 YTD.

Data includes issued US patents with publicly-available assignment data. Samsung & Toshiba industry patent data based on patents within USPTO Class 360.

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# Thank You

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