

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

[X] Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended October 1, 1994.

OR

[] Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from to

Commission file number 1-8703

WESTERN DIGITAL CORPORATION

(Exact name of Registrant as specified in its charter)

DELAWARE

95-2647125

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

8105 Irvine Center Drive
Irvine, California

92718

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number including area code (714) 932-5000

Effective July 1, 1994, the Company changed its fiscal year from July 1 through June 30 to a 52/53 week year ending on the Saturday nearest June 30, (July 1, 1995 for fiscal 1995)

Former name, former address and former fiscal year if changed since last report.

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No

Number of shares outstanding of Common Stock, as of November 1, 1994 is 45,355,362.

WESTERN DIGITAL CORPORATION
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PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

WESTERN DIGITAL CORPORATION
 CONSOLIDATED STATEMENTS OF OPERATIONS
 (IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	THREE-MONTH PERIOD ENDED	
	OCTOBER 1, 1994	SEPTEMBER 25, 1993
Revenues, net	\$464,590	\$285,498
Costs and expenses:		
Cost of revenues	366,823	239,079
Research and development	28,698	26,352
Selling, general and administrative	31,167	22,112
Total costs and expenses	426,688	287,543
Operating income (loss)	37,902	(2,045)
Interest and other income (expense)	2,943	(3,053)
Income (loss) before income taxes	40,845	(5,098)
Provision for income taxes	6,127	
Net income (loss)	\$ 34,718	\$ (5,098)
Earnings (loss) per common and common equivalent share (Note 2):		
Primary	\$.73	\$ (.14)
Fully diluted	\$.70	\$ (.14)
Common and common equivalent shares used in computing per share amounts:		
Primary	47,264	35,367
Fully diluted	51,323	35,367

The accompanying notes are an integral part of these financial statements.

WESTERN DIGITAL CORPORATION
 CONSOLIDATED BALANCE SHEETS
 (IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	OCTOBER 1, 1994 -----	JUNE 30, 1994 -----
ASSETS		
Current assets:		
Cash and cash equivalents	\$229,473	\$243,484
Accounts receivable, less allowance for doubtful accounts of \$11,150 and \$10,825	243,963	201,512
Inventories (Note 3)	96,031	79,575
Prepaid expenses	19,542	12,917
	-----	-----
Total current assets	589,009	537,488
Property and equipment, at cost, less accumulated depreciation and amortization	82,392	73,417
Intangible and other assets, net	28,660	29,608
	-----	-----
Total assets	\$700,061 =====	\$640,513 =====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$192,728	\$172,730
Accrued expenses	104,341	103,014
	-----	-----
Total current liabilities	297,069	275,744
Convertible subordinated debentures	58,646	58,646
Deferred income taxes	17,934	17,884
Commitments and contingent liabilities (Note 4)		
Shareholders' equity:		
Preferred stock, \$.10 par value; Authorized: 5,000 shares Outstanding: None		
Common stock, \$.10 par value; Authorized: 95,000 shares Outstanding: 45,292 shares at October 1 and 44,895 shares at June 30	4,529	4,490
Additional paid-in capital	286,891	283,475
Retained earnings	34,992	274
	-----	-----
Total shareholders' equity	326,412	288,239
	-----	-----
Total liabilities and shareholders' equity	\$700,061 =====	\$640,513 =====

The accompanying notes are an integral part of these financial statements.

WESTERN DIGITAL CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	THREE-MONTH PERIOD ENDED	
	OCTOBER 1, 1994	SEPTEMBER 25, 1993
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	\$ 34,718	\$ (5,098)
Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities:		
Depreciation and amortization	9,428	14,238
Changes in current assets and liabilities:		
Accounts receivable	(42,451)	4,712
Inventories	(16,456)	12,308
Prepaid expenses	(6,625)	(1,015)
Accounts payable and accrued expenses	21,325	(10,292)
Other assets	182	(1,230)
Deferred income taxes	50	(829)
Net cash provided by operating activities	171	12,794
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures, net	(17,637)	(5,158)
Net cash used for investing activities	(17,637)	(5,158)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of debt		(6,232)
Exercise of stock options and warrants	3,455	230
Net cash provided by (used for) financing activities	3,455	(6,002)
Net increase (decrease) in cash and cash equivalents	(14,011)	1,634
Cash and cash equivalents, beginning of period	243,484	33,837
Cash and cash equivalents, end of period	\$229,473	\$ 35,471
	=====	=====
SUPPLEMENTAL DISCLOSURES:		
Cash paid during the period for:		
Interest	\$ 33	\$ 1,221
Income taxes	3,195	471

The accompanying notes are an integral part of these financial statements.

WESTERN DIGITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. The accounting policies followed by the Company are set forth in Note 1 of Notes to Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended June 30, 1994.

Effective July 1, 1994, the Company changed its fiscal year from July 1 through June 30 to a 52/53 week year ending on the Saturday nearest June 30 (July 1, 1995 for fiscal 1995). Accordingly, the 13-week period ended October 1, 1994 is six days longer than the comparative quarter in fiscal 1994.

2. Primary earnings per share amounts are based upon the weighted average number of shares and dilutive common stock equivalents for each period presented. Fully diluted earnings per share additionally reflect dilutive shares assumed to be issued upon conversion of the Company's convertible subordinated debentures.

Loss per share amounts are based upon the weighted average number of shares of common stock outstanding during the period. Common stock equivalents are not included in the computation because their effect would be antidilutive.

3. Inventories comprised the following:

	OCTOBER 1, 1994	JUNE 30, 1994
	-----	-----
	(in thousands)	
Finished goods	\$29,249	\$27,847
Work in process	38,237	32,178
Raw materials and component parts . .	28,545	19,550
	-----	-----
	\$96,031	\$79,575
	=====	=====

4. On November 8, 1994, the Company entered a patent cross-license agreement with International Business Machines Corporation ("IBM"). The license grant from IBM covers the Company's entire product line. Under the agreement, the Company will make a series of payments to IBM. The payments are not expected to have a material impact on the Company.
5. In the opinion of management, all adjustments necessary to fairly state the results of operations for the three months ended October 1, 1994 and September 25, 1993 have been made. All such adjustments are of a normal recurring nature. Certain information and footnote disclosures normally included in the financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission. These consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the year ended June 30, 1994.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

Net income for the first quarter of 1995 was \$34.7 million, compared with a net loss of \$5.1 million in the corresponding quarter of the prior year and net income of \$37.3 million in the immediately preceding quarter. Revenue for the three month period ending October 1, 1994 increased 63% to \$464.6 million from \$285.5 million in the first quarter of 1994 and was essentially flat as compared with the fourth quarter of 1994.

Revenue for drive products totaled \$413.8 million in the first quarter of 1995, an increase of \$171.5 million, or 71% from the first quarter of 1994. The increase in drive revenue was the result of an 85% increase in drive units shipped when compared to the first quarter of fiscal 1994 offset by a 15% decline in average selling prices ("ASPs") year-over-year. Revenue for drive products decreased slightly from the immediately preceding quarter primarily due to a decline in ASPs quarter-to-quarter.

Revenue for microcomputer products ("MCP") increased 18% to \$50.8 million in the first quarter of 1995 from \$43.2 million in the first quarter of 1994 and increased 14% from \$44.7 million in the fourth quarter of 1994, reflecting increased sales in the input/output product line and increased sales of the Company's portable graphics accelerator chips.

Gross margins improved approximately five percentage points from 16.3% in the first quarter of 1994 to 21.1% in the first quarter of 1995, reflecting improvements in gross profit margins of approximately five and ten percentage points, respectively, for the drive and MCP businesses. The improvement in drive gross margin from 13.9% in the first quarter of 1994 to 18.8% in the first quarter of 1995, was the result of an increase in unit shipments which reduced per unit product costs and a favorable product mix. MCP gross margin improved from 29.6% in the first quarter of 1994 to 39.4% in the first quarter of 1995, reflecting the cost benefits realized from selling its wafer fabrication facility during 1994, which resulted in reduced manufacturing costs.

As compared with the immediately preceding quarter, gross margins declined approximately two percentage points, and drive gross margin declined from 21.0% to 18.8%, as a result of a 14% decline in ASPs quarter-to-quarter. MCP gross margin was essentially flat at 39% quarter-to-quarter.

Research and development expense ("R&D") for the first three months of 1995 increased \$2.3 million, or 9% over the same period a year ago primarily due to planned expenditures to support new product introductions. R&D expense in the current quarter was essentially flat as compared with the immediately preceding quarter.

Selling, general and administrative ("SG&A") expense for the first quarter of 1995 increased approximately \$9.1 million, or 41% from the first quarter of 1994 as a result of increased selling and marketing expenses in support of higher revenue levels and higher bonus plan accruals. SG&A expense decreased slightly from the fourth quarter of 1994.

Interest and other income for the current quarter was \$2.9 million, comprising net interest income of \$.9 million and a \$2.0 million gain from the sale of stock held for investment. Net interest income of \$.9 million for the first quarter of 1995, a \$6.0 million improvement over net interest expense of \$3.1 million in the first quarter of 1994, is the result of significantly lower levels of debt outstanding period-to-period. As compared with the immediately preceding quarter, interest and other income improved \$3.4 million primarily due to the gain from the sale of stock held for investment.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FINANCIAL CONDITION

Cash and cash equivalents totaled \$229.5 million at October 1, 1994 as compared with \$243.5 million at June 30, 1994. Cash flows from operations was \$.2 million, with cash flows from earnings, depreciation and an increase in payables being offset by cash used to fund increases in accounts receivable and inventories. Capital additions during the first quarter totaled \$17.6 million and were incurred primarily for increased disk drive manufacturing and wafer testing capacity.

Notwithstanding the significant improvements in financial position realized over the past year, the ability of the Company to sustain its improved working capital management and to continue operating profitably is dependent upon a number of factors including competitive conditions in the marketplace, general economic conditions, the efficiency of the Company's manufacturing operations, procurement of fabricated wafers and finished ICs from outside suppliers and the timely development and introduction of new products which address market needs.

PART II. OTHER INFORMATION

ITEM 6. Exhibits and reports on Form 8-K.

(a) Exhibits:

11 Computation of Per Share Earnings.

(b) Reports on Form 8-K:

On July 18, 1994, the Company filed a Current Report on Form 8-K with the Securities and Exchange Commission reporting that the bylaws of the Company have been amended.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

WESTERN DIGITAL CORPORATION

Registrant

/s/Scott Mercer

D. Scott Mercer
Executive Vice President,
Chief Financial and Administrative Officer

Date: November 11, 1994

EXHIBIT INDEX

EXHIBIT NUMBER -----	DESCRIPTION -----	SEQUENTIALLY NUMBERED PAGE -----
11	Computation of Per Share Earnings	11

WESTERN DIGITAL CORPORATION
COMPUTATION OF PER SHARE EARNINGS
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	THREE MONTHS ENDED	
	OCTOBER 1, 1994	SEPTEMBER 25, 1993
PRIMARY		
Net income (loss)	\$34,718 =====	\$(5,098) =====
Weighted average number of common shares outstanding during the period	45,141	35,367
Incremental common shares attributable to exercise of outstanding options and warrants	2,123 -----	-----
Total shares	47,264 =====	35,367 =====
Net income (loss) per share	\$.73 =====	\$ (.14) =====
FULLY DILUTED		
Net income (loss)	\$34,718	\$(5,098)
Add back: interest expense, net of income tax effect, applicable to convertible subordinated debentures	1,161 ----- \$35,879 =====	----- \$(5,098) =====
Weighted average number of common shares outstanding during the period	45,141	35,367
Incremental common shares attributable to exercise of outstanding options and warrants	2,124	--
Incremental common shares attributable to conversion of convertible subordinated debentures	4,058 -----	-- -----
Total shares	51,323 =====	35,367 =====
Net income (loss) per share	\$.70 =====	\$ (.14) =====

This schedule contains summary financial information extracted from the Consolidated Statements of Operations and Balance Sheets of Western Digital Corporation and is qualified in its entirety by reference to such Quarterly Report on Form 10-Q for the fiscal quarter ended October 1, 1994.

1,000

3-MOS		
	JUL-01-1995	
	JUL-01-1994	
	OCT-01-1994	
		229,473
		0
		243,963
		11,150
		96,031
	589,009	
		195,482
	113,090	
	700,061	
297,069		
		58,646
		4,529
	0	
		0
		321,883
700,061		
		464,590
	464,590	
		366,823
		366,823
	28,698	
	0	
	(2,943)	
	40,845	
		6,127
34,718		
	0	
	0	
		0
	34,718	
	.73	
	.70	