

WESTERN DIGITAL CORPORATION
SUMMARY OF GAAP AND NON-GAAP GUIDANCE⁽¹⁾

PROVIDED AS OF JANUARY 24, 2019
(unaudited)

Three Months Ending		
	March 29, 2019	March 29, 2019
	GAAP ⁽²⁾	Non-GAAP ⁽²⁾
Revenue	\$3.6B - \$3.8B	\$3.6B - \$3.8B
Gross Margin	18% - 19%	~ 28%
Operating Expenses	\$910M - \$930M	\$760M - \$780M
Interest and Other Expense, Net	~ \$110M	~ \$105M
Tax Rate	N/A	~ 15% - 17% ⁽³⁾
Diluted Earnings Per Share	N/A	\$0.40 - \$0.60
Diluted Shares Outstanding	~ 294M	~ 294M
First Quarter Fiscal Year 2020 and Beyond		
	GAAP ⁽⁴⁾	Non-GAAP ⁽⁴⁾
Base Operating Expense Level ⁵	~ \$855M	~ \$740M

FOOTNOTES

- 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 quarter fiscal year 2019 ending March 29, 2019 and future base operating expense level. 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 restructuring activities and cost saving initiatives; 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; the outcome of legal proceedings; 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 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 third quarter fiscal year 2019 non-GAAP gross margin guidance excludes temporary flash manufacturing underutilization charges totaling approximately \$145 million to \$165 million and amortization of acquired intangible assets; stock-based compensation expense; and charges related to cost saving initiatives totaling approximately \$200 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; and charges related to cost saving initiatives totaling approximately \$150 million to \$170 million. The company's non-GAAP interest and other expense guidance excludes \$5 million of convertible debt activity, net. In the aggregate, non-GAAP diluted earnings per share guidance excludes these items totaling \$500 million to \$540 million. The timing and amount of these charges excluded from non-GAAP gross margin, non-GAAP operating expenses, non-GAAP interest and other expense 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 interest and other expense, non-GAAP tax rate and non-GAAP diluted earnings per share to the most directly comparable GAAP financial measures (gross margin, operating expenses, interest and other expense, tax rate and diluted earnings per share, respectively) are not available without unreasonable effort.
- ³ The non-GAAP tax rates provided are based on a percentage of non-GAAP pre-tax income.
- ⁴ Non-GAAP base operating expense level excludes amortization of acquired intangible assets and stock-based compensation expense. The timing and amount of these charges excluded from non-GAAP operating expenses cannot be further allocated or quantified with certainty. Additionally, the timing and amount of additional charges the company excludes from its non-GAAP operating expenses are dependent on the timing and determination of certain actions and cannot be reasonably predicted. Accordingly, a full reconciliation of non-GAAP operating expenses to GAAP operating expenses is not available without unreasonable effort.
- ⁵ Assumes achievement of cost-reduction targets and a standard 13-week fiscal quarter. Actual base operating expense levels could differ due to variations in incentive cash compensation, payroll tax increases and unexpected, unusual or non-recurring expenses. The first quarter fiscal year 2020 will be a 14-week fiscal quarter and both GAAP and non-GAAP operating expense is expected to be higher than a standard 13-week fiscal quarter.