[**Robert Blair**](http://seekingalpha.com/search/transcripts?term=Robert+Blair&sasource=participant) - Vice President-Investor Relations

Thank you. I want to mention at the outset that we will be making forward-looking statements in our comments and in response to your questions, concerning, among others, our position in the growth of data and the storage ecosystem; the growth areas in storage; our investment focus; our product offerings and our customers’ responses to those offerings; and our financial performance, including our financial results or expectations for the December quarter.

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, including those listed in our 10-K filed with the SEC on August 15, 2014.

We undertake no obligation to update our forward-looking statements to reflect new information or events. In addition, references will be made during this call to non-GAAP financial measures. Reconciliation’s of the differences between the historical non-GAAP measures we provide to the comparable GAAP financial measures are included in the quarterly fact sheet posted in the Investor Relations section of our website.

The guidance we provide during this call excludes amortization of intangibles related to the acquisitions of HGST, sTec, VeloBit and Virident implied termination asset impairment and other charges and charges related to litigation. Because the amount of these items is not fully known to us at this time, we are unable to provide guidance for or reconciliation to the most directly comparable GAAP financial measures. The impact of these excluded items may cause the estimated non-GAAP financial measures to differ materially from the comparable GAAP financial measures.

We ask participants to limit themselves today to a single question and one follow-up question during our Q&A section of the call. I also want to note the copies of remarks from this call will be available on the Investors section of Western Digital’s website immediately following the conclusion of the call.

And now I’d like to turn the call over to Steve Milligan, President and Chief Executive Officer.

[**Stephen D. Milligan**](http://seekingalpha.com/search/transcripts?term=Stephen+D.+Milligan&sasource=participant) - Chief Executive Officer and President

Good afternoon and thank you for joining us. After my opening remarks, Olivier Leonetti will provide additional commentary on our September quarter performance and our outlook for the December quarter.

Olivier joined Western Digital in early September as Chief Financial Officer. He is a welcome addition to our team, with many years of global finance experience, both at Amgen and Dell. I want to thank and acknowledge our former CFO, Tim Leyden for his 24 years of leadership and served us at Western Digital and we wish him the best and his retirement starting the first of the year.

As anticipated market demand improved in the September quarter and we achieved strong revenue EPS and gross margin performance. We also continued to generate healthy cash flow. The diversified nature of our business, coupled with the ongoing secular growth in data, and our crisp execution continue to allow us to demonstrate strong and consistent financial performance, we expect this trend will continue.

For the September quarter the industry CAM came in at the higher end of expectations. This reflected quarter-over-quarter growth and capacity enterprise, client, branded and consumer electronics and stable demand in performance enterprise.

We saw the same trends in our own business, with notable strength in our client, capacity enterprise and flash platform solutions businesses. The ladder of which includes our expanding line up of enterprise class SSDs. The industry demand outlook for the December quarter reflects a modest sequential decline with moderation in client and CE partially offset by continued strength in capacity enterprise, and branded and steady demand in performance enterprise.

We believe industry supply and demand and associated inventory levels remain balanced. Looking at our business for the December quarter, we see the same trends. Moderation in client and CE, strong momentum in branded in capacity enterprise as well as in our flash related business, and continued steadiness in performance enterprise.

As a company at the center of the storage industry, this is an exciting time for Western Digital. There is tremendous change underway and how and where value will be created. All around as the storage ecosystem is transforming with ongoing focus on how data is stored, accessed, protected and how it has been used and monetized.

All of these changes are driving a diverse set of needs for our customers, and opportunities for our company. We are working with our customers and partners to help extract more and more value from data in an innovative and cost effective manner, across our full spectrum of products.

I continue to be encouraged by our broad-based strategy both in terms of our financial results, and customer feedback. For instance, our flash platform solutions group resumed, as faster than an industry growth trajectory with revenue of $156 million for the September quarter. We remain on track to achieve accretive earnings for this business, early in calendar 2015.

Our broad lineup of high capacity hard drives, based on our proprietary HelioSeal platform, has been very well received by both traditional enterprise and hyperscale datacenter customers, including the new 8 terabyte and 10 terabyte models announced last month.

We recently shipped our one millionth WD Purple hard drive architected to address the high-growth space of security surveillance video applications. Governments’ and other large organizations’ increasing use of video and digital network cameras is driving a huge need for a high resolution recording.

Our enterprise customers have responded very positively to our newly announced Active Archive offering from our newly formed Elastic Storage Group. And in the personal cloud, we continue to grow our My Cloud business with expansion in all geographies addressing consumer and prosumer markets.

Olivier will now review our first quarter results and cover our outlook for the December quarter.

[**Olivier Leonetti**](http://seekingalpha.com/search/transcripts?term=Olivier+Leonetti&sasource=participant) - Chief Financial Officer and Executive Vice President

Thank you, Steve and delighted to be part of the team. Expected seasonal demand and consistent execution helped us exceed financial expectations in the September quarter. Industry shipments were in line with the TAM implied in our guidance provided in July.

In our business, we saw the anticipated seasonal increase in demand for client and branded products as well as strength in capacity enterprise and continued steady demand in performance enterprise. Aggregated channel inventories of Western Digital products remain at the low end of our four to six week range.

Our revenue for the September quarter was $3.9 billion. This included $156 million in revenue related to our Flash Platforms group, which includes enterprise SSDs. As a reminder, we continue to expect that our flash related revenue growth will outpace the growth rate of the industry.

We shipped a total of $64.7 million hard drives at an average selling price of $58. The quarter-over-quarter increase in overall ASP was driven by business mix, consistent with the seasonal improvement in client, branded and the strength in capacity enterprise. Our gross margin was 29.1%. Our non-GAAP gross margin was 30.1% which was better than our implied guidance due to business mix. This excludes $39 million of amortization of intangibles.

Operating expenses totaled $680 million. Our non-GAAP operating expense was $638 million, excluding $42 million of amortization of intangibles, litigation charges and employee termination costs. The additional expenses to our guidance primarily relates to incentive compensation and stock appreciation rights. Our net income totaled $423 million or $1.76 per share. On a non-GAAP basis, net income was $504 million or $2.10 per share.

Turning to the balance sheet, in our fourteen week quarter we generated $827 million in cash from operations and our free cash flow totaled $667 million. Our CapEx totaled $160 million or 4% of revenue. We repurchased 2.2 million shares for $223 million. We also declared a dividend in the amount of $0.40 per share.

We closed Q1 with total cash and cash equivalents of $5.2 billion of which approximately $1.2 billion was held in the U.S. I’ll now provide our guidance for the December quarter. We expect revenue to be in a range of $3.75 billion to $3.85 billion. Gross margin to be flat with the December quarter level of 30%, excluding the amortization of intangibles.

R&D and SG&A spending of approximately $600 million, excluding the amortization of intangibles. A tax rate of approximately 8%, and a share count of approximately $238 million. Accordingly, we estimate non-GAAP earnings per share of between $2.00 and $2.10 for the December quarter.

Operator, we are now ready to open the call for questions.