**Question-and-Answer Session**

**Operator**

[Operator Instructions] And our first question comes from Aaron Rakers with Stifel.

[**Aaron C. Rakers**](http://seekingalpha.com/search/transcripts?term=Aaron+C.+Rakers&sasource=participant) - Stifel, Nicolaus & Company, Incorporated, Research Division

So first question for me would be just as we look at the 14-week period in the current quarter, I know you talked about operating expenses. So maybe you can help us understand what's your total TAM assumption for the industry and then also, what are you assuming as far as the contribution for your shipment numbers for that extra week in the current quarter. And I do have a follow-up.

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

Aaron, it's Steve. We -- our TAM expectation for calendar Q3 or fiscal Q1 for us is around 145 million units, kind of in that range. And we would expect that the 14th week, when you look at it on a net basis or an operating income basis, it will be modestly positive from an earnings perspective from our standpoint.

[**Aaron C. Rakers**](http://seekingalpha.com/search/transcripts?term=Aaron+C.+Rakers&sasource=participant) - Stifel, Nicolaus & Company, Incorporated, Research Division

Okay. And then as a follow-on, I know that -- I don't know if you're going to say much at all, but just any kind of update of where we stand as far as the refiling with MOFCOM? Any kind of clarity or any expectations or any color that you can give would be helpful there.

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

Sure. Just to comment on where we're at and to refresh everybody's memory, in March of this year, we were able to reapply to MOFCOM to request that they lift the whole separate restriction on our business. That application process and review process, which MOFCOM is ongoing and continues, I don't have anything specific to comment on in terms of the status other than to comment that our dialog remains frequent with them and is constructive. And in that regard, we feel good about the direction that we're headed in terms of the dialog we're having.

**Operator**

Next question is from Keith Bachman with Bank of Montreal.

[**Keith F. Bachman**](http://seekingalpha.com/search/transcripts?term=Keith+F.+Bachman&sasource=participant) - BMO Capital Markets Canada

I also had 2 questions. Tim, perhaps if I could start with you though. If you could talk a little bit about the cash cycle. The DSOs were up quite a bit, and so your cash conversion cycle weakened significantly relative to past June quarters. If you could just talk a little bit about what drove that and where you see that going here in the current quarter. And then I have a follow-up please.

[**Timothy M. Leyden**](http://seekingalpha.com/search/transcripts?term=Timothy+M.+Leyden&sasource=participant) - Chief Financial Officer and Principal Accounting Officer

Yes. I'm not sure that we can significantly -- on a cash conversion cycle basis, it was up 1 day.

[**Keith F. Bachman**](http://seekingalpha.com/search/transcripts?term=Keith+F.+Bachman&sasource=participant) - BMO Capital Markets Canada

Yes, sorry, the DSO is what I was referring to, excuse me.

[**Timothy M. Leyden**](http://seekingalpha.com/search/transcripts?term=Timothy+M.+Leyden&sasource=participant) - Chief Financial Officer and Principal Accounting Officer

We made some progress on inventory, particularly in [indiscernible] -- we funded finished goods a bit. As far as the DSOs are concerned, that was mainly due to customer and channel mix. As you know, in the fourth quarter, it's historically been our weakest quarter, particularly for consumer and distribution and retail. So consequently, it's mainly due to just customer mix.

[**Keith F. Bachman**](http://seekingalpha.com/search/transcripts?term=Keith+F.+Bachman&sasource=participant) - BMO Capital Markets Canada

Okay, okay. If I could ask my follow-up then. As it relates to pricing, could you talk about like-for-like pricing? And particularly, how you see how it was this quarter and how you see it unfolding in the September quarter please.

[**Timothy M. Leyden**](http://seekingalpha.com/search/transcripts?term=Timothy+M.+Leyden&sasource=participant) - Chief Financial Officer and Principal Accounting Officer

Just a bit of background, the -- as you know, our -- the TAM was quite a bit up from where we had anticipated in our April call. And mostly, it was up in notebook and in gaming, which we've indicated historically that those are among our weakest ASPs and our weakest margins. And so pricing continues to be competitive, and there was about 60% of the delta between the 2 quarters in ASP, which was a $2 delta came from the mix and the rest of it came from price and from like-for-like pricing.

[**Keith F. Bachman**](http://seekingalpha.com/search/transcripts?term=Keith+F.+Bachman&sasource=participant) - BMO Capital Markets Canada

Okay. Well, I would assume to follow that the pricing mix would be favorable as we looked at the September quarter.

[**Timothy M. Leyden**](http://seekingalpha.com/search/transcripts?term=Timothy+M.+Leyden&sasource=participant) - Chief Financial Officer and Principal Accounting Officer

Yes. In the September quarter, again, there's a more favorable consumer mix as we head into the holiday season. So consequently, we're expecting that it will be modestly -- there will be modestly upward momentum in the pricing in the September quarter.

**Operator**

Next question is from Ananda Baruah with Brean Capital.

[**Ananda Baruah**](http://seekingalpha.com/search/transcripts?term=Ananda+Baruah&sasource=participant) - Brean Capital LLC, Research Division

Two if I could. The first one -- both bigger picture. The first one is with more hybrid drives being qualified as we head into the second half of the year, what is your thinking around '15 and '16 in the potential to maybe gain back or claw back some of the share that SSDs has gained in notebooks over the last few years? Love to get your thoughts there and then I have a follow-up.

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

Sure. This is Steve, I'll take that question. Relative to hybrids, first thing is, is that it remains a relatively small piece of our business or low volumes from our perspective. We began to see some encouraging signs from our perspective in terms of the acceptance or utilization of hybrid drives, albeit small, still remaining small volumes. So we should see increasing volumes as we move through the back half of the year. I think it's a little bit too early to say how much that will stem the acceptance of pure -- of SSDs in the PC space. I think it's just a little bit too early to call that. We'll have to see how some of these new products that our customers are introducing, how they are received in the end-user market.

[**Ananda Baruah**](http://seekingalpha.com/search/transcripts?term=Ananda+Baruah&sasource=participant) - Brean Capital LLC, Research Division

Got it. That's very helpful, Steve. And as a follow-up, just with regard to the CapEx model and the comments, you said in fiscal '15, you plan to be below the low end of the 5% to 7%. What -- how should we think about your thinking with regards to moving back up into that model over the next handful of years, next couple of years and the timing of needing to add add on capacity, save TAM space stays flattish to slightly up? And how might you go about looking to finance the capacity add-ons?

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

Right now, we continue to expect that we'll stay kind of at or below that, the 5% to 7% range. The one wildcard, frankly, that we have is what happens relative to the hold separate situation. If the hold separate gets lifted, we will then be able to rationalize our capacity across both subsidiaries, which undoubtedly would allow us to minimize capital expenditures going forward, at least for some period of rationalization. Now if that doesn't happen, we'll have to evaluate. But right now, we feel pretty good about where we're at from an overall capacity perspective. Really, the only thing that we're adding from a pure capacity perspective relates to either test capacity or some SSD activity. So I think right now, for the near future, we're going to continue to stay at that, the low end of that range or low end or below.

**Operator**

The next question that I'm showing comes from Jayson Noland with Robert Baird.

[**Jayson Noland**](http://seekingalpha.com/search/transcripts?term=Jayson+Noland&sasource=participant) - Robert W. Baird & Co. Incorporated, Research Division

A question on visibility. Steve, you mentioned expectations for better capacity enterprise into the second half. How has that conversation changed over the last few months?

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

Well, it's getting increasingly more positive, I guess is maybe the way to say it. I mean, one, order rates are improving, and also, the signaling that we're getting from our customers continues to be increasing or improving. So it's not -- I wouldn't characterize it as a step-function improvement in terms of volume, but we're seeing a nice steady gradual improvement in demand both in terms of actual orders booked as well as in sentiment as we move to the back half of the year.

[**Jayson Noland**](http://seekingalpha.com/search/transcripts?term=Jayson+Noland&sasource=participant) - Robert W. Baird & Co. Incorporated, Research Division

And then a similar question on visibility from PC OEMs. Has that firmed up a bit also?

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

Yes, definitely. I would say that the visibility that we're seeing from a PC manufacturing perspective arguably is the best we've seen in quite a while. I would anticipate that we will continue to see strength in the PC market through the balance of 2014, and we are increasingly optimistic that, that will carry in at least in terms of the first half of 2015.

**Operator**

Next question is from Rich Kugele with Needham & Company.

[**Richard Kugele**](http://seekingalpha.com/search/transcripts?term=Richard+Kugele&sasource=participant) - Needham & Company, LLC, Research Division

A couple of questions. I wanted to dive a little deeper on the SSD front. I saw you launched a new version of the Enterprise SSD that you had acquired from sTec. Can you just talk about the road map there now that you seem to be progressing with some of the products they have? Is that considered the next generation controller, for example? And then I have a follow-up.

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

Rich, just to clarify, the product that we recently announced is actually a Ultrastar product that is related to the -- our joint development arrangement with Intel. What we have done is unified our road map or rationalized the combined road map between sTec, Virident and HGST. We have a single road map going forward. You will continue to see new product introductions coming out from us on that front, again, as we move to the back half of the year, and we are getting -- we continue to be increasingly optimistic about the road map and the products that we'll be introducing in that space. One other thing to add to that, you saw that this past quarter, our revenue was lower in the SSD space versus prior quarters. If you recall, for the last 2 quarters, we had indicated that we were in a sole-source situation. That customer has now multi-sourced that product so we're seeing our revenue, if you want to call it, normalized, as a result of that. We will -- we expect to see revenue expansion on a quarter-on-quarter basis as we move through the back half of this year and obviously, into 2015 as well.

[**Richard Kugele**](http://seekingalpha.com/search/transcripts?term=Richard+Kugele&sasource=participant) - Needham & Company, LLC, Research Division

So this is the trough for the SSD side?

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

That's right, Rich.

[**Richard Kugele**](http://seekingalpha.com/search/transcripts?term=Richard+Kugele&sasource=participant) - Needham & Company, LLC, Research Division

Okay. And then on the drive side, you also announced the 6 terabyte that was non-Helium so presumably, that's shingle. But can you just talk about your view of areal density and if you think we can get consistently back above 20% over the next 12 to 18 months?

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

Areal density advances will continue to be modest, whether it's in that 20% kind of a range. Until we get to some advanced technologies, and that's really an industry statement, we feel comfortable with where we're at as a company from a competitive technology perspective. And the 6 terabyte product that was recently introduced, 5-Platter, which is clearly leading areal density point, is oriented towards the NAS market. So it's not -- just to clarify, and it's not oriented towards the enterprise market, but more towards the NAS market.

**Operator**

Nehal Chokshi with Technology Insights Research.

[**Nehal Sushil Chokshi**](http://seekingalpha.com/search/transcripts?term=Nehal+Sushil+Chokshi&sasource=participant) - Technology Insights Research LLC

Can you talk a little bit about the performance enterprise? What was behind that strength that you saw? And I do have a follow-up as well.

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

Relative to performance enterprise, just 2 things really to comment on. One, we saw a bit of improved demand from a overall sort of industry perspective. I don't think that there's anything specific to call out that was driving that, just in general, a little bit more strength from an overall industry TAM perspective. More importantly, as it relates to our numbers, is that we saw particular strength as we continued to refresh and build out our product line in the performance enterprise space, and I think that customer acceptance of those products and the capabilities of those products is reflected in our -- in the numbers that we published today.

[**Nehal Sushil Chokshi**](http://seekingalpha.com/search/transcripts?term=Nehal+Sushil+Chokshi&sasource=participant) - Technology Insights Research LLC

Okay. And then I want to revisit lots of color on the PC OEM conversations, which is really great. But can you actually get into what is behind that uniformly positive discussion? Is it more than just temporal enterprise tailwind from the XT end of service?

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

Well, there's certainly 2 things, in particular, that we're seeing. One is, is that the commercial PC market on a relative basis continues to be stronger than consumer. Albeit, I mean let's be frank, PCs were still flat to slightly down. But we're seeing an improving demand profile in the commercial space, which undoubtedly have to do with a Windows refresh cycle there. The thing that, frankly from my perspective, was probably the most encouraging is that we're beginning to see, let's call it, initial signs of strength in the consumer space or maybe the beginnings of some strength. If you look at the latest data that was published, the rate of decline in the consumer PC space is declining. And now certainly, it's coming off of more favorable compares, but we are beginning to see some initial encouraging signs in terms of commercial PC demand. Now why that's the case? I'm not sure that we know for sure. Arguably, there may be -- there's a lot of PCs out there that haven't been upgraded for a while. And people, rather than, let's say, call it tablets fatigue or what have you, they're diverting dollars that may have previously gone to other devices to finally upgrading their PCs. And so maybe some encouraging news, and we're optimistic that it will continue certainly through 2014, and we're getting more encouraged it will carry into 2015 as well.

**Operator**

Steven Fox with Cross Research.

[**Steven Bryant Fox**](http://seekingalpha.com/search/transcripts?term=Steven+Bryant+Fox&sasource=participant) - Cross Research LLC

Two questions for me. First of all, if we look at the revenue growth for the year, it was obviously down slightly. Your markets had been tough, but seems to be turning. I'm thinking back to 2 years ago when you had an Analyst Meeting and talked about sort of like a 4% type of growth for the company as a whole, top line. I was curious if we can revisit that and maybe talk about your comfort level around that as a secular trend if some of these markets do show some more modest recovery. And then I had a follow-up.

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

Sure. I think that the major change that we've seen since -- jeez, when was that when we had the Analyst Day, a couple of years ago, is that we've seen -- we saw a more severe contraction in terms of the PC market. It's probably the principal thing that we saw. Maybe some other changes in terms of other markets, but I think the biggest driver of that was PCs. I mean, right now, if we were to call the TAM, we would say that we'd be looking at maybe flattish to slightly small single-digits increases. With -- given that we're moving to a richer mix underneath those numbers, maybe modest single-digit revenue increase. That is still with pretty, if you want to call it, conservative. I mean, we still have to continue to see how sustainable the PC market is from a longer-term perspective. And so -- but as we see more encouraging signs in the PC market, we may adjust that, but I think that's kind of where we're at right now.

[**Steven Bryant Fox**](http://seekingalpha.com/search/transcripts?term=Steven+Bryant+Fox&sasource=participant) - Cross Research LLC

I appreciate that color. And then just, Steve, one follow-up on what you mentioned with the PCIe roadmap. Can you sort of qualitatively talk about how all these acquisitions are coming together and sort of time frame for maybe seeing something public that we could start to understand how far along you are?

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

Yes. I mean I think it's certainly, this quarter, we'll have some things that we'll talk about, and some things we'll continue into the end of the year in terms of new product introductions. We'll get more visibility on that. And not only that, I think that we'll begin to see some more meaningful, I'll call it, revenue accretion from the acquisitions. And again, as Tim indicated in his prepared remarks, we are on course to have those acquisitions be accretive in the first part of 2015. So I would say that on balance, the acquisitions are tracking to our expectations.

**Operator**

Next is Rob Cihra with Evercore.

[**Robert Cihra**](http://seekingalpha.com/search/transcripts?term=Robert+Cihra&sasource=participant) - Evercore Partners Inc., Research Division

I wonder if I could just get a little bit more into sort of the pricing and competitive dynamics in the market. And if you look at the quarter, you guys gained some shares sequentially, and I realize there's some mix elements in there, including gaming, of course, that's probably transient. But I just want to -- if you see market share shifts, in some sense it seems positive, but then sort of the pessimistic side of you says, "Oh God, if market share is missing around, that means that pricing is more competitive or that there's any kind of competitive posturing going on." I mean, do you see any of that working its way into the market, given that we really haven't -- we've had awfully good market for the past couple of years? Or am I being too cautious, and is this simply just a quarter-to-quarter movement based on mix and that sort of thing?

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

Yes. Rob, I can certainly appreciate the concern. I think that if you look at what happened -- I mean, that is not what happened. There was not any particular pricing dynamics that drove those share shifts. We've talked about this before. On a quarter-to-quarter basis, share can move around 1 point or 2 depending upon the circumstances. Clearly, the areas that -- we went into the quarter anticipating that we would gain share because, we, for frankly a number of years, have had a particular strength with the gaming customers, and seasonally, we knew that, that was going to be particularly strong in calendar Q2. Then -- so that was no surprise to us and was expected. I think the thing that, if you want to call it, surprised us was notebook PCs were stronger than what we expected. Through both of our subsidiaries, we have a strong position in that market, and given our model, and I would say that at some level, advantaged margin structure, we were able to take advantage of that maybe a little bit easier than other guys, but it wasn't because of any particular pricing dynamics.

**Operator**

Joe Wittine with Longbow Research.

[**Joseph Wittine**](http://seekingalpha.com/search/transcripts?term=Joseph+Wittine&sasource=participant) - Longbow Research LLC

I think I wanted to ask on the guidance here. Just to clarify, does it include a full 14th week of sales? Because I guess, if it does, implied seasonality is down a few points, at least, at the midpoint. And within that, if you could address the seasonal trends by your different buckets on a sequential basis, that would help.

[**Timothy M. Leyden**](http://seekingalpha.com/search/transcripts?term=Timothy+M.+Leyden&sasource=participant) - Chief Financial Officer and Principal Accounting Officer

Yes, it does include the 14th week of sales. Now it's pretty hard to identify how much of it is a difference versus what would normally be a 13-week because, as you know, with the way that the dynamics of the quarters go, generally, there's a fairly strong 13th week and then the first week of the following quarter, it tends to be driven by outside factors, by customer behavior, et cetera. So consequently, it's hard for us to figure out exactly how much we've taken a shot at it, obviously. We're up 7% to 8%. It does include the anticipated uplift that we would get as well. Coming after the weaker June quarter, we would anticipate in normal circumstances -- even in a 13th-week situation, we'd expect some low single-digit increase from the June quarter through the September quarter and then some element of full week that we've loaded in for the beginning of the 1st week of the new quarter, which now becomes our 14th week. And as Steve has indicated, I don't -- we're moving up from somewhere around $138 million or so to around $145 million, but we -- in those numbers, we have anticipated the 14th.

[**Joseph Wittine**](http://seekingalpha.com/search/transcripts?term=Joseph+Wittine&sasource=participant) - Longbow Research LLC

Okay, that's really helpful. And can you just briefly address on a pure organic basis how you see the individual segments trending on a unit basis into September if excluding the additional week?

[**Timothy M. Leyden**](http://seekingalpha.com/search/transcripts?term=Timothy+M.+Leyden&sasource=participant) - Chief Financial Officer and Principal Accounting Officer

Yes, we expect that gaming will stay strong. We expect that notebook will continue to retain its strength. We expect retail, in particular, to be seasonally strong, and we're also expecting some level of comeback in capacity enterprise, and we're expecting performance enterprise to continue its strength as well.

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

Just to make it real simple, basically, we're expecting reasonable growth, which means that we're seeing reasonable strength in all segments, except for gaming. Not that we're not seeing strength in gaming, but gaming from a TAM perspective will would be roughly flat. Everything else should be up a bit.

**Operator**

Next question is from Amit Daryanani with RBC Capital Markets.

[**Amit Daryanani**](http://seekingalpha.com/search/transcripts?term=Amit+Daryanani&sasource=participant) - RBC Capital Markets, LLC, Research Division

Two questions for me. One, I was wondering, Tim, if you could just touch on the cash conversion cycle. It sort of crept up pretty steadily over the last several years. And I'm curious, I mean, you have this target of 4 to 8 days. What does it take for you guys to get there? Is it the approval of MOFCOM? Or can you get there the way the structure is today?

[**Timothy M. Leyden**](http://seekingalpha.com/search/transcripts?term=Timothy+M.+Leyden&sasource=participant) - Chief Financial Officer and Principal Accounting Officer

Yes. Well, our 4 to 8 days is really pre-acquisition model, which is more for a client business rather than enterprise business. And we've held off from revising it because of the fact that since we're operating 2 separate businesses, it's -- it could be a wasted effort until we managed to get over the challenges on efficiency that we have from MOFCOM. So it's something that we're watching, something that we're really paying attention to. I think we've got opportunity in inventory in particular, although we are funding inventory, funding finished goods in order to improve our cost and also in order to buy capital expenditure because we're trying to operate linearly so that we don't have to deal with spikes and have equipment and all the needless spikes. And we're also trying to be cognizant of the challenges in the supply chain. So we're also trying to have a friendlier approach towards the DPOs as well. But we've got a high mix from an enterprise viewpoint, and from a regional viewpoint, we've got a high mix of OEM customers, and that does put a little bit of a cramp on the DSOs.

[**Amit Daryanani**](http://seekingalpha.com/search/transcripts?term=Amit+Daryanani&sasource=participant) - RBC Capital Markets, LLC, Research Division

That's helpful. And as a follow-on, I was wondering if you'd touch on the 6 terabyte Helium-based drive that you guys have for enterprise market. I believe Seagate has a comparable 6 terabyte drive not based on Helium. But are you seeing a better adoption of these high-capacity drives, especially entering the back half, given the fact that customers now have a dual-source option in that space?

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

The first thing is that I would say is that the introduction of our 6 terabyte Helium-filled drive really 2 things: One, it has been well received in the marketplace; and two, it is meeting our expectations from a volume perspective. The second thing that I would say, which we've talked about before, is that the 6 terabyte product that we introduced was principally, I will call it, a technology demonstration. And what -- not that it's not a real product. I don't want to imply that, but we -- from a customer perspective, we want to say, "Look, this is a platform that we are introducing that we want you to get comfortable with." We will continue to introduce follow-on products from a Helium-filled perspective that we believe will be very competitive in the marketplace, and we also believe will drive further increases from a volume perspective. So the 6 terabyte product was not an end-all to be-all so to speak.

**Operator**

Katy Huberty from Morgan Stanley.

[**Kathryn L. Huberty**](http://seekingalpha.com/search/transcripts?term=Kathryn+L.+Huberty&sasource=participant) - Morgan Stanley, Research Division

Given the incremental units in revenue in the September quarter from the 14th week, does that create a flat to down sequential trend in December? Do you think the industry can still grow sequentially even though your comp-ing that 14th week? And then I have a follow-up.

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

Yes. Katy, I think that's a very good question. I think it's a little bit too early to call, but if we were to look at it today, we would probably see a decrease going into calendar Q4. If nothing else, really 2 things. One, seasonality has shifted over time. Q4 is not as strong as it used to be. People are putting things on boats to save in terms of transportation cost and those kind of things. And also, the 14th -- going from a 14th week to a 13th week will impact our volumes. And so at this point, we would expect that we would be down going into calendar Q4. The question is, is how much, and that -- it's too early to call that.

[**Kathryn L. Huberty**](http://seekingalpha.com/search/transcripts?term=Kathryn+L.+Huberty&sasource=participant) - Morgan Stanley, Research Division

Okay. And then given the strong outlook for the September quarter, better visibility among PC OEMs, why not step up the share buyback, given you're running at higher cash levels versus your peer?

[**Timothy M. Leyden**](http://seekingalpha.com/search/transcripts?term=Timothy+M.+Leyden&sasource=participant) - Chief Financial Officer and Principal Accounting Officer

Yes. I mean, it's something that we look at on an ongoing basis. We're currently pursuing the plan that we outlined in the -- September 2012 at the Investor Day. And we recently -- actually twice in the past year, we increased the dividend, but we're continuing to execute on the plan for 50% of free cash flow. And we've fallen -- sometimes, it gone a little ahead of us, sometimes, we've fallen behind. And this last quarter, we did actually above 62% or so of free cash flow. But it's something we evaluate on an ongoing basis. It was a pretty big change for us as a company. So consequently, it's something that we'll do on a measured basis, but it's not -- but it's something that's on the radar screen all the time.

**Operator**

Monika Garg with Pacific Crest Securities.

[**Monika Garg**](http://seekingalpha.com/search/transcripts?term=Monika+Garg&sasource=participant) - Pacific Crest Securities, Inc., Research Division

The first question is if you look at the last quarter, you had talked about some inventive addition like at some of the cloud customers, and then rearchitecting of systems and enterprise customers. You just -- you have talked about that you expect kind of a strength in that quarter-to-quarter, but could you maybe talk more qualitatively the demand trends you're seeing from your cloud customers?

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

Yes. I think from a cloud customer perspective, we -- it ties in the comment I made earlier. We are continuing to see the order flow and the sentiment of our customers improve somewhat gradually. Again, it's not a step-function kind of an increase, but we believe that we're going to continue to see an improving demand profile as we move through the back half of the year. And so some of the issues that we talked about last quarter on our call, those have been resolved and sorted out, and we're looking at a more favorable demand environment.

[**Monika Garg**](http://seekingalpha.com/search/transcripts?term=Monika+Garg&sasource=participant) - Pacific Crest Securities, Inc., Research Division

And the last one for me, the Xyratex acquisition is -- kind of grows. So could you maybe talk about if you are seeing any impact on the share in the enterprise market because of that acquisition by the Seagate or regarding the test equipment support from Teradyne or from Xyratex?

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

There's been no impact related to that.

Well, thank you very much for joining us today and for your interest in Western Digital. I would like to close by thanking our employees worldwide for their dedication and performance throughout fiscal 2014 and our shareholders for their continued support. We look forward to keeping you informed of our future progress. Thank you.