**Operator**

Good afternoon, and thank you for standing by. Welcome to Western Digital's Fourth Quarter Financial Results for Fiscal Year 2014. [Operator Instructions] As a reminder, this call is being recorded.

Now I will turn the call over to Mr. Bob Blair. You may begin.

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

Thank you. I want to mention at the outset that we will be making forward-looking statements in both 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 our product offerings; and our financial performance, including our financial results expectations for the September 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-Q filed with the SEC on May 5, 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. Reconciliations of the differences between the historical non-GAAP measures we provide during the call to the comparable GAAP financial measures are included in the quarterly fact sheet posted in the Investor Relations section of our website.

The forward-looking guidance we provide during this call excludes amortization of intangibles related to the acquisitions of HGST, VeloBit, sTec and Virident, 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.

[Operator Instructions] I also want to note the copies of remarks from today's call by Steve Milligan and Tim Leyden will be available on the Investors section of Western Digital's website immediately following the conclusion of this call.

And with that, I'll 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, President, Director and Chairman of Executive Committee

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

Western Digital achieved strong financial results in the June quarter, with better-than-anticipated revenue, healthy gross margin performance and continued strong cash flow generation. We achieved these results by addressing continued robust demand in gaming and better-than-anticipated demand in notebook PCs, demonstrating our flexibility and capability in high-volume businesses. We also saw strength in our performance enterprise business. We anticipate better demand in the second half of the calendar year as we benefit from an improving demand profile for PCs, as well as from growth in the capacity enterprise space. Our recent dialog with leading PC makers has been uniformly positive, and we are also encouraged by our ongoing interactions with data center customers.

Longer term, we remain excited about Western Digital's strong strategic position at the center of the storage ecosystem, which continues to expand, evolve and transform. The creation of digital data continues unabated, and the strategic value of that content is increasing. With our deep insight and experience, we will continue to play a vital role in unlocking the value of data with innovative and industry-leading storage devices and solutions.

We will continue to focus our investments in the highest growth areas: the public cloud and enterprise data centers, mobility and the personal cloud. Along those lines, I am pleased to note several recent achievements by our HGST and WD subsidiaries, including the expansion of our industry-leading Enterprise SAS SSD portfolio with our next-generation Ultrastar drives with capacities up to 1.6 terabytes; a new converged enterprise PCIe product roadmap following the integration of our sTec, Virident and VeloBit acquisitions; shipment of our next-generation 10K and 15K 2.5-inch performance enterprise hard drives; shipment of our third-generation WD Red product at 6 terabytes to address continued strong demand in the home and small business mass space; continued global success of our WD Purple drives in addressing the high-growth demand for security surveillance in homes and offices; and the introduction of My Book Live Duo, the newest member of our award-winning line of desktop storage solutions for the home and office, with software that provides secure local cloud and system-level backups for complete data protection. Collectively, these developments highlight our broad-based participation in the growth of data. Combined with our ongoing investments, I'm confident of Western Digital's future as a leading technology company and storage solution provider.

Tim?

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

Thank you, Steve. Strong demand and consistent execution helped us exceed financial expectations in the June quarter. Continued strength in the gaming space, better-than-expected demand in notebook PCs and strength in performance enterprise countered the anticipated softness in capacity enterprise. Revenue for fiscal year 2014 was $15.1 billion, including $509 million from Enterprise SSD, which represented a 43% increase from fiscal year 2013. We continued to make progress on our journey towards a more diversified revenue mix, with 53% of our revenue coming from our branded consumer electronics and Enterprise HDD and SSD businesses.

Our revenue for the June quarter was $3.7 billion, including $113 million from Enterprise SSDs. Over the long term, we continue to expect that our SSD revenue growth will outpace the growth rate of the total Enterprise SSD space. We shipped a total of 63.1 million hard drives at an average selling price of $56. The quarter-over-quarter decline in overall ASP was driven by business mix, consistent with the robust gaming and better-than-expected notebook volumes. Our gross margin for the quarter was 28.2%. Our non-GAAP gross margin was 29.5%, in line with our implied guidance and excluding $39 million of amortization expense for acquired intangible assets, as well as $10 million of other charges. Our net income for the June quarter totaled $317 million or $1.32 per share. On a non-GAAP basis, net income was $445 million or $1.85 per share.

Turning to the balance sheet. We generated $713 million in cash from operations in the June quarter, and our free cash flow totaled $552 million. For fiscal year 2014, we generated $2.8 billion in cash from operations, and our free cash flow totaled $2.2 billion. Our CapEx for the June quarter totaled $161 million or 4% of revenue. For the full fiscal year, our CapEx totaled $628 million, again, 4% of revenue. We expect that CapEx for the 2015 fiscal year will be at or below the low end of our 5% to 7% model.

We repurchased 3.2 million shares for $272 million during the June quarter. For fiscal year 2014, we repurchased 10.3 million shares for $816 million. We also declared a dividend in the amount of $0.40 per share. In total, we paid dividends of $259 million during fiscal year 2014.

We exited Q4 with total cash and cash equivalents of $4.8 billion, of which approximately $1.4 billion was in the U.S.

I will now provide our guidance for the September quarter. We expect revenue to be in the range of $3.8 billion to $3.9 billion; gross margin marginally above the midpoint of our 27% to 32% model, excluding the amortization of intangibles; R&D and SG&A spending of around $625 million, excluding the amortization of intangibles; the 14th week adds about $28 million of OpEx; a tax rate of approximately 8.5%; and a share count of approximately 241 million.

Accordingly, we estimate non-GAAP earnings per share between $1.95 and $2.05 for the September quarter. As a reminder, we expect the sTec, VeloBit and Virident acquisitions to be accretive early in calendar year 2015. In closing, I want to remind investors and analysts that our fiscal year 2015 would consist of 53 weeks, with the first quarter ending October 3, 2014, consisting of 14 weeks and the second and third and fourth quarters at 13 weeks each.

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