## Summary

Question and Answers from analysts related to the Western Digital Corp WDC Q4 2013 Earnings Call Transcript.

Once question raised concern about higher than expected operating costs for the June quarter, however CFO Nickl disputed the premise of the question and demonstrated how costs were inline with expectations, attributing any difference to incentive accruals. The two areas where Nickl gave *caveats*, that costs could increase,were investments and impacts of a pending MOFCOM decision (relating to the ability for HGST and WD to merge in China). Nickl also defended the company’s free cash flow of 50%.

Another analyst asked whether SSD revenue would get large enough to break out. CEO Milligan discussed the sTec acquisition, but would not commit to anything other than to say they’d like to see that happen.

Addressing a question about market segments, Nickl affirmed that Branded would pick up seasonally due to back to school and Christmas sales. More emphasis was put on the enterprise, where he separated performance storage from capacity storage, indicating the former was stable, but the latter was up, which he underscored with a soft predicition of double-digit growth. Milligan confirmed WD’s strength in the gaming industry, but did expect this to result in a further gain, since their position had already been established. Some discussion about why WD had done better in the client market than Seagate took place. Milligan attributed it to good execution in Notebook and PC, rather than the result of a specific strategy. There was discussion about “right-sized” manufacturing, which confirmed the muted allusion to lowered production volume in the earnings call. Milligan was unwilling to answer a question attibuting the size of the enterprise market going to “big web-scale customers.”

There were a few potential areas of concerns. One analyst noticed an uptick in finished goods inventory that was acknowledged, but attributed to investment strategy, insuring JIT warehouses had sufficient inventory. The improved business-mix used to explain the better than expected Q4 results was described as a headwind for future quarters . There was a discrepancy noted in the over TAM forecast when compared to predictions for drive motors, the conjecture was that it reflected inventory rebuild at the competitors. Recent announcements about improved flash storage prices were dismissed by CEO Milligan who stated “there is plenty of opportunity for all of us.”

## Full Text

**Transcript Call Date** 07/24/2013

**Aaron Rakers - Stifel Nicolaus & Company, Inc.**: When you look at your operating expense line, it was a little bit higher than what we had expected in the June quarter. Can you talk about where we stand as far as operating expenses, let's say, beyond the current quarter? And how we should maybe think about the progression of that operating expense relative to your long-term target model of 10% to 12%? Then, I do have a follow-up.

**Wolfgang U. Nickl - EVP and CFO**: Yeah, Aaron, if you look to our investor summary, total operating expenses were $590 million. That included $8 million of other charges. There were $10 million or $11 million of amortization of intangibles in there, and there was another $7 million of restructuring charges. If you deduct all of that, you are at $565 million which compares to our guidance of $550 million, and the entire difference was due to incentive accruals that we took based on the performance of the teams. So, we pretty much came out exactly like we anticipated, and the real operational difference are incentive accruals. As it relates to the go-forward spending, we've been very successful to keep it around that $550 million, and we'll be prudent going forward. We have said in the FAQ document that we issued alongside with the announcement of the sTec acquisition that that will increase the OpEx for the time being. We continue to be prudent, but will not forego investment opportunities. Then, of course, we will have to walk longer term on a MOFCOM decision which will then give us a catalyst to get into our 10% to 12% business model.

**Aaron Rakers - Stifel Nicolaus & Company, Inc.**: Then as a follow-up, thinking about that business model, and obviously, thinking about your capital allocation strategy, you've seen a fairly consistent trend on the free cash flow generation over the past several quarters. Given what you've laid out for the September quarters, is there any change in the trajectory or that trend as we look out over the next couple of quarters in terms of free cash flow generation?

**Wolfgang U. Nickl - EVP and CFO**: We're very pleased with our free cash flow, $2.2 billion and each quarter, above $525 million. That is a sense of a pretty stable, well-managed business. We intend to keep it that way. We stand to our capital allocation strategy, 50% of free cash flow like we announced last year in September at the Investor Day, and we have no change as to that today.

**Operator**: Richard Kugele, Needham & Company.

**Richard Kugele - Needham & Company**: Just two questions from me. First, on the SSD front, I know you don't want to get too much into comments on sTec, but is there any sense you have that you could give us now on, whether or not push deal, there'd be enough revenue where you could actually break SSDs out as a category. Right now, it's basically a plug. But is there any way you could comment on that, and then I have a follow-up?

**Stephen D. Milligan - President and CEO**: So, Rich, that's an interesting question. This is Steve. I mean, obviously, we'd like to that the revenue gets big enough so that we can break it out. I think we will have to wait and see how it works out. We've been encouraged – we're limited because we're still going through the regulatory review process and we're two separate companies, but we've been encouraged by the customer reaction that we've gotten regarding our proposed acquisition and we're comfortable that we think we're going – that that's going to be a sound investment for us, and we're looking forward to working through the regulatory approval process in closing that transaction. So I hope that I can tell you after we get through a bit that we're big enough to be able to disclose and separate that out.

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**Richard Kugele - Needham & Company**: Then just lastly, in terms of that Appeals Court commentary, should this actually go against you, would you be able to use your full cash balance including the offshore, or would you need to use the domestic dollars?

**Wolfgang U. Nickl - EVP and CFO**: We would use offshore cash.

**Operator**: Steven Fox, Cross Research.

**Steven Fox - Cross Research**: Just two questions on two different end markets. Just from looking at your Branded sales and looking at Seagate, I know you mentioned seasonality in that market. But I was curious if there's any kind of weakness in demand relative to the market or maybe you're gaining some market share there. It seems like both companies, it is my observation, were relatively weak in that market, and if not, maybe you could just talk about how you think it's going to proceed for the rest of the calendar year? And then secondly, on the flip side, could you talk about maybe, the Enterprise market, it's obviously been very strong because of some (large-scale) spending. Do you think there is a pause coming in that, or how do you sort of game the demand trends there?

**Wolfgang U. Nickl - EVP and CFO**: I'll start you off, Steven, and Steve will probably comment on top of that. Branded; really no surprise, seasonally a soft quarter, particularly Europe is always very soft at this time of the year, very pleased with the mix. You're seeing sell-in data that we are reporting. We're very pleased with the inventory levels in the market there. I am very confident that that market is seasonally picking up in the next two quarters. So, really nothing that we wouldn't have expected there, ongoing move there to NAS boxes away from direct attach, but really nothing extraordinary to report on. The enterprise market last quarter was a little bit stronger than we expected and particular on the capacity and (operating space) and that's really playing out as we predicted it as well. Performance enterprise; stable, but not up; capacity enterprise up. And like we said before, that that segment of the market that we think for the next five, six, seven years has the strongest growth, and we said before that we wouldn't be surprised if that would be double-digit.

**Operator**: Nehal Chokshi, Technology Insights Research.

**Nehal Chokshi - Technology Insights Research**: So, client hard drive performance was flat Q-over-Q which is consistent with the third-party market research organizations, but in the March Q, the hard drive and Western Digital client performance outperformed. I was wondering if you could talk about that in the context of hybrid and dual-drive uptake by OEMs. And to follow-on with that, can you talk about what your expectations are with whether or not hybrid drivers will be GM-accretive, and if it's not GM-accretive, will be at least gross profit-accretive per unit?

**Stephen D. Milligan - President and CEO**: So, in terms of our business, we for the first half of the year have not been impacted by – we're not shipping a hybrid drive in terms of the first half of the year. It's really, for us, more of a back half of calendar 2013, and then in particular, 2014 as we see customers begin to adapt that sort of a solution. Now, customers are – as you referenced, dual-drive configurations are meaningful, and we're kind of agnostic, frankly whether it's a dual-drive configuration or a hybrid configuration, and so – because both of them ultimately use a hard-drive or spinning disks. Now, in terms of the gross margin comment, I'm going to deflect that question on the sense that we don't typically talk about gross margin by product, whether or not it's accretive or non-accretive. So, I'm not going to not answer that question.

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**Nehal Chokshi - Technology Insights Research**: Do you mind if I ask a separate question, then?

**Stephen D. Milligan - President and CEO**: Sure.

**Nehal Chokshi - Technology Insights Research**: The cash conversion cycle, that was up an unseasonal five days quarter-over-quarter, and looks like that's primarily driven by increase of DSOs, but you guys clearly said that channel inventory is not an issue. So, can you give some clarification as far as what's really going on here? Does this impact your visibility into September quarter relative to the past September quarters?

**Wolfgang U. Nickl - EVP and CFO**: Nehal, there's no change in payment behavior of our customers. We had really good linearity in the quarter as you can see from our free cash flow. The uptick in DSO is purely a function of channel mix. If you look at the channel split, our OEM business went from 60% to 66%. Our distribution business and branded business went down. So no significant change seasonally expected, and it doesn't have any impact on this ability on the September quarter.

**Operator**: Ananda Baruah, Brean Capital.

**Ananda Baruah - Brean Capital**: I guess, two if I could. The first is just a general question around gross margin dynamics. Could you give us an update on, I guess, where you are with the single platter shift and what the impact, at least anecdotally, to margins was this quarter? And then can you sort of speak to why margins wouldn't go up in the second half of the year, or is there a chance for that and you're just sort of being prudent with the guidance, given sort of more stable than expected like-for-like ASPs and what's going on with mix? Then I've a follow-up.

**Wolfgang U. Nickl - EVP and CFO**: Yeah. So, as it relates to Q4 gross margin, we're very pleased, and we beat the guidance by 60 basis points, and what's really a function of several things; capacity utilization, but also business mix, more Enterprise business, and then lower like-for-like price declines. As we go into the September quarter, the flat margin is more or less a function of the business mix. We have plans for modest price declines, and as every quarter, we're trying to optimize the results as we go through the quarter.

**Ananda Baruah - Brean Capital**: Then just some clarification on the transition to single platter and then I've a follow-up?

**Wolfgang U. Nickl - EVP and CFO**: Yeah, we're making steady progress. Last quarter I told you that we're on 50% and that we would probably take another year or so to completely transition it. We'll do that when it economically makes sense, and we're making steady progress on that front.

**Ananda Baruah - Brean Capital**: Then I guess, the last one for me is, can you speak about – is it too early to speak about or could you give us some sense of what your expectations are for the game cycle refresh that are taking place in the second half of the year? And traditionally that's been, I guess, a really strong market for you guys. So, I guess any detail you can give us around how we should be thinking about that in the context of industry potential and WD potential would be helpful?

**Stephen D. Milligan - President and CEO**: I am sorry, what cycle, I didn't understand what you said.

**Ananda Baruah - Brean Capital**: So, I guess, the new Xbox and the new PlayStation?

**Stephen D. Milligan - President and CEO**: Yeah, so those are a 100% attach rates. And part of the demand increase that were – or TAM increase, I guess, I should say, that we're expecting in calendar Q3 is reflective of the gaming builds that will take place for the Christmas season. And so, we're happy that it's going to be a 100% attach rate. And we will – as a company, we've been a relatively big participant in the gaming business. I mean there is only two guys, right, Microsoft and Sony, and we will continue to participate in that business to the extent that it makes economic sense.

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**Ananda Baruah - Brean Capital**: Thanks Steve. And I guess that suggests sort of the fact though, share gain in the second half of the year since you guys are the dominant player there?

**Stephen D. Milligan - President and CEO**: I wouldn't imply that. I mean, we've been a strong participant in that market going back for a while. And so, I wouldn't imply that we think that there will be share gain solely as a consequence for that, right. Want to see how everything plays out.

**Operator**: Keith Bachman, Bank of Montreal.

**Keith Bachman - BMO Capital Markets**: The first one for me is, could you provide some comments on what you think the TAM does in December?

**Wolfgang U. Nickl - EVP and CFO**: Yeah, we assume right now in our modeling that's around 140 million units.

**Stephen D. Milligan - President and CEO**: One of the things that we're going to have to do Keith, and this is – it is going to be interesting to see, I mean, obviously the news on the PC front has not been that rosy, right, in terms of what – some of the other guys in the supply chain have talked about. So, now, what we're beginning to see is some building of product, sort of filling the pipe for back-to-school and for the holiday season, particularly back-to-school really at this point. We're beginning to see increased sort of demand level as a consequence of that. The key thing that we're going to have to see is how does that product sell-through? Right. Does that actually translate to either a flattening in terms of the declines that came on the PC side, or maybe a little bit of a growth. So what we're doing is taking a pretty cautious approach to that.

**Keith Bachman - BMO Capital Markets**: Okay, fair enough.

**Stephen D. Milligan - President and CEO**: So – but I certainly – it's sort of a different question than what Rich asked about splitting out SSD, I certainly like to be able to report increased, say, or accelerating PC sales but I don't think that we're at the point where we can say that yet, (you have) the sell-through happens.

**Keith Bachman - BMO Capital Markets**: My second question actually relates to that Steve, is, over the last four quarters, and in particularly the last two quarters, your client units have done significantly better than your competition, what's driving that and would you give any comments on does that continue? And obviously, again, Seagate in particular?

**Stephen D. Milligan - President and CEO**: Wolfgang and I can comment on that both, because we have not had a specific strategy to increase our share in those markets which is kind of interesting. So, sometimes we look at the share numbers after the fact because it's not a goal of ours, say, hey, let's go and increase our market presence in that particular market. And I don't have a neat answer for you, other than – and it may sound a little bit self-serving, we – both WD and HGST have done a great job from an execution standpoint and that's allowed us to increase our position in those marketplaces.

**Keith Bachman - BMO Capital Markets**: Any thoughts on whether that continues, Steve?

**Stephen D. Milligan - President and CEO**: Well, I don't want to call that. Obviously, we want to make sure that our good execution continues, and if it happens, the result and profitable gains from a market share perspective and the right kind of financial performance, we're happy to do that.

**Operator**: Joe Wittine, Longbow Research.

**Joseph Wittine - Longbow Research**: First off, I wanted to see if you could reconcile your projected growth in the TAM in the third quarter with your sales guidance. So the TAM. at the midpoint you're up 3% or 4% sequentially, your sales guidance at the midpoint is up 50, 60 bps or something like that. So, are you – is that conservatism, or are you perhaps – going on with the last question – perhaps planning to concede a little bit of share after gaining quite a bit over the last few quarters?

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**Wolfgang U. Nickl - EVP and CFO**: Yeah, like Steve said, I mean, we're not really going into the quarter with particular share targets; we're trying to execute well and have good linearity and good products. But to answer the specific question, it's mostly a mix factor; in particular the gaming business is a lower ASP business and that just plays into that equation.

**Joseph Wittine - Longbow Research**: Then, you already said looking – talking about free cash flow for '14, you said you'd like to continue the stability, I guess. Any thoughts within that on capital expenditures? Do you still expect to be within the bottom of the range next year as you were this year?

**Wolfgang U. Nickl - EVP and CFO**: Yeah, we'll be in our business model from 5% to 7%. We will heavily be focused on technology deployment and upgrades to new areal densities, and supply flexibility et cetera. Then we just need to decide, as we get into the second half of the fiscal year what the predictions are for the end of calendar '14 and then we will determine where we end at the end of the day. But you should assume that we'll extremely prudent, and that's just in time as possible with deployment of capital.

**Operator**: Andrew Nowinski, Piper Jaffray.

**Daniel Garofalo - Piper Jaffray**: It's Dan Garofalo on for Andy. Congratulations on the quarter, and thanks for taking the question. I just wanted to talk about – from a restructuring standpoint, you've continued to kind of right-size manufacturing. Have we set aside anything related to a favorable MOFCOM ruling? Where would you say you are at with the rightsizing process? Are you kind of halfway done doing what you can do, or is there more than, less than that or how would you characterize that, I guess?

**Stephen D. Milligan - President and CEO**: Yes, I'll answer it this way. If you look at our financial performance, obviously we want to do everything that we can to continue to improve our profitability. I think if you look at our gross margin performance, we're solidly within our gross margin range, which kind of implies that the actions that we've taken sort of seem to be appropriate from a rightsizing perspective. That's obviously based upon, let's just use, round numbers to say a TAM, of kind of that 135-ish kind of range, $135 million a quarter. The thing that we have to watch closely – and we're certainly not predicting it, but this is, do we have something further – if that were to change and decrease, then we'd have to look at doing something else. But I think that we're comfortable where we are at, generally speaking, from a capacity perspective, given that kind of a TAM level.

**Daniel Garofalo - Piper Jaffray**: Then just one follow-up for me. On the Enterprise side, I think you've indicated that the seven-platter helium drives should be out in time in the second half of the year. I know you've touched on those in your prepared remarks, could you provide an update on timing there? Secondly, when the drives are available, is it fair to say you expect some movement from market share perspective what's in the capacity optimize segment?

**Stephen D. Milligan - President and CEO**: Yeah, so we're currently sampling those products with selective customers right now, that product with selective customers; and we continue to expect that we will have units shipped and revenue realized before the end of the calendar year. The first generation of product will not be a particularly significant volume product to start out with, as customers test it out and that sort of thing. So I would doubt whether or not that will meaningful move the needle in terms of any market share in the capacity enterprise at least initially, and then we will have to see how the adoption goes from there.

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**Operator**: Sherri Scribner, Deutsche Bank.

**Sherri Scribner - Deutsche Bank**: I just have a quick clarification. Can you give us some, or can you give us the numbers for your nearline SATA Enterprise versus the performance enterprise?

**Stephen D. Milligan - President and CEO**: We haven't broken that out.

**Sherri Scribner - Deutsche Bank**: Can you give us some ballpark or help us think about it in terms of magnitude?

**Wolfgang U. Nickl - EVP and CFO**: I mean what we've said before is that our share in all the areas of the market that we serve is comparable and the performance enterprise market is pretty stable, just shy of 8 million units; (7.7) in the last third quarter.

**Sherri Scribner - Deutsche Bank**: Then, just thinking about the recent acquisitions you've done with VeloBit or at least that you've announced in Skyera, just trying to understand the motivation for doing those acquisitions? I understand those to be primarily sort of SSD array type of companies and you guys are in HDD business. It doesn't seem like you'd be doing arrays yourselves that would seem to be competing with your customers, but just wanted to understand where you're going with that technology.

**Stephen D. Milligan - President and CEO**: Yeah. So, Sherri, just to clarify one thing, we did not acquire Skyera, we made an equity investment in Skyera (back). And that's more reflective of our interest to stay close to the technology changes and advancements that are going on in that space as opposed to us getting into per se the storage or the SSD array kind of business. So that's one clarification. The VeloBit acquisition which from a financial perspective was not particularly significant, is really to provide software capability in terms of input-output optimization, cashing kind of capability, that sort of thing, to improve our existing or any future offerings that we have in the Enterprise SSD space. So, it really is an effort to make our products more compelling than the other ones would be.

**Operator**: Amit Daryanani, RBC Capital Markets.

**Amit Daryanani - RBC Capital Markets**: A couple of questions. One, I guess, if I look at the finished goods inventory, it was up about 23 million, 5% sequentially in the quarter. Could you maybe talk about what were the drivers that led to that uptick?

**Wolfgang U. Nickl - EVP and CFO**: Yeah, I'll take that question. Overall, our inventory was pretty stable for the last three quarters, and there's always a bit of a shift between raw, WIP, and FGI. But we have made a conscious decision to invest in FGI in two areas. Number one, we're making more use of both shipments in areas where we understand the demand very well and that contributes to our cost savings. And the second one is we want to make sure that our just-in-time warehouses have sufficient inventory at quarter-end to make sure that there is a smooth operation guaranteed at our customers' level. Overall, we believe that we over time have opportunity in the inventory space, but probably more in the raw and WIP area than in the FGI area. So we're pretty pleased with the execution; it's very stable, but future opportunity is likely.

**Amit Daryanani - RBC Capital Markets**: Then, I guess, if I just look at the September quarter guide, you guys are suggesting gross margins should remain flat on a sequential basis. To me, at least, it looks like the mix could end up being a bit of a headwind with gaming (itself) picking up on a sequential basis. Maybe just talk about what are the offsets to that mix being a bit of a drag in the September quarter?

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**Stephen D. Milligan - President and CEO**: Yeah, you're right. So the mix is a bit of a headwind. But then it's likely a little bit of a higher volume. That's a tailwind, and then we will continue to work on our cost, and all the other elements. But you got it, the mix is the headwind, and we are offsetting it with cost and good execution.

**Operator**: Katy Huberty, Morgan Stanley.

**Kathryn Huberty - Morgan Stanley**: Just going back to the compute market, notebooks specifically were up more than seasonal. Can you talk about what area of that market you think you're taking share?

**Stephen D. Milligan - President and CEO**: Katy, I don't know if there's any specific area per se. I think I'd commented on earlier in terms of – it wasn't so much that we had a deliberate strategy to increase our market share in that particular segment. But both of our subs, just really, frankly, did a very nice job working with our customers in such a way that we were actually able to kind of keep our situation sort of flat when the market was down a little bit, and we were able to gain a little bit of share.

**Kathryn Huberty - Morgan Stanley**: Then just as a follow-up, I understand visibility is probably pretty low. As you said, you're seeing builds for back-to-school, but you've got to see demand. Are you seeing any signs in your business of a demand recovery in traditional PCs, or the traditional Enterprise storage markets?

**Stephen D. Milligan - President and CEO**: Well, okay, that's kind of a two-pronged question. When you look at traditional PCs, our customers continue to be very cautious with regards to what they are seeing a PC demand perspective, whether that be desktop or notebooks, and in particularly notebooks, right, is where the real cautiousness is. Desktop is tending to be a little bit more stable over time. When you start moving into the Enterprise space, it depends upon who you're talking to, and obviously we don't care to talk about specific customers. But with what we're seeing from a digital data growth perspective, demand in that space overall continues to increase. That's reflected in the unit increases that we're seeing in terms of our Enterprise business.

**Operator**: Rob Cihra, Evercore Partners.

**Rob Cihra - Evercore Partners**: I'm not sure how much it's related to the last question and the earlier on nearline. But Steve, maybe, when you combine your SSD moves, both the strength you've had on the SAS side and then your planned acquisitions, and you look at the traditional enterprise market, I mean, do you look out and feel like traditional enterprise is a growth market or a shrinking market, getting squeezed between nearline at the low end and SSD at the high end, or do you feel like that's actually a positive growth market going forward?

**Stephen D. Milligan - President and CEO**: Yes, so traditional – you hit the nail on the head, the traditional enterprise business, we do not view as a growth business. It's fairly stable in terms of its demand, which is great, which is fine, but the growth areas in terms of Enterprise are in the capacity enterprise market, and then also we believe in an enterprise-class solid-state drives.

**Rob Cihra - Evercore Partners**: If I could ask a follow-up related to that, would you – my guess is no – but would you guys be willing to share what percentage of your Enterprise revenue, even ballpark, is direct to kind of big web-scale customers rather than through traditional OEM and channel?

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**Stephen D. Milligan - President and CEO**: Yeah, appreciate the question, but that's not one that we're going to address, Rob.

**Rob Cihra - Evercore Partners**: Alright, worth a shot.

**Operator**: Mark Miller, Noble Financial.

**Mark Miller - Noble Financial Capital Markets**: A few questions back, and I know you (more would) be cautious, but Nidec yesterday reported a 16% increase in their unit shipments of motors to hard drive manufacturers, and you had Toshiba and Seagate, in terms of your TAM expectations are certainly below that. Is this an inventory restocking thing or more cautious or both?

**Stephen D. Milligan - President and CEO**: I don't know, Mark, honestly. I haven't gone and studied what Nidec disclosed. But it's obviously not – it's got to be inventory-related. I mean, focus – it must be a replenishment thing but that's speculation on my part.

**Mark Miller - Noble Financial Capital Markets**: You've certainly made some big efforts recently in the solid-state drive market with your acquisition, but I was just wondering, two weeks ago, Micron kind of surprised people. A lot of people feel that they – because of the technology challenges that solid-state drive NAND flash can't be pushed much further beyond the 80-nanometer node and a lot of firms are now looking at three-dimensional type flash. SanDisk, for instance, is talking about that in 2015. Micron came out and said they, by perfecting a high-k metal-gate process we're able now to – are selectively sampling 60-nanometer flash and estimates are that they would have a factor 2 margin advantage if they can pull that off over competitors at a higher node, which if you look at then conversely, it could actually lower the price of, let's say, 128-gig drive and hit margin of some other competitors by $15 to $20. I'm just wondering any comments on that in terms of the impact on your solid-state or your hard drive business?

**Stephen D. Milligan - President and CEO**: I don't have any direct perspective on that, Mark. But I think that one of the things that we've got to keep in mind is that – I mean, flash or NAND is shipped into a lot of different applications and those applications have different reliability or different characteristics. So, I don't know if Micron is alluding those being able to ship into kind of client applications, which maybe have a different profile associated with them because one of the things that we've recognized, and is part of the value-add that we provide as a hard-drive company is making sure that the products that are provided meet the right criteria for Enterprise kind of applications. But Micron along with some of the other NAND guys is a company that we're working with, and want to continue to work with in terms of ways to utilize their technology to the advancement of our customers.

**Mark Miller - Noble Financial Capital Markets**: So, your relationship with Micron would note push you to a disadvantage if they start competing against other people shipping flash coming out of a higher node, is that correct?

**Stephen D. Milligan - President and CEO**: I think that the opportunity in the marketplace is big, and I think that there is plenty of opportunity for all of us.

**Mark Miller - Noble Financial Capital Markets**: Just – it was MLC flash which I think (indiscernible) probably feels more for a lower-end type storage applications because of some of the issues with (program arrays cycle), it was MLC flash.

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**Wolfgang U. Nickl - EVP and CFO**: Yes, right.

**Stephen D. Milligan - President and CEO**: I want to thank you again for joining us. In closing, I also want to thank all Western Digital employees for their dedication and outstanding performance; and our customers and suppliers for their support. We look forward to being in touch with you. Thank you

**Operator**: Thank you. That does conclude today's conference. Thank you for your participation. You may disconnect at this time.