

June 5, 2013

SN VALUATION [Stocks, Real Estate, Bonds]

Western Digital Corp (WDC)

Price:	\$63.80	Net Tang. Bk Value Incl. Cash, Excl.	\$7,182,000,000.00	Net Tang. Book Yr. 5 (Inc. Cash):	\$13,046,902,282.19
Market Cap:	\$15,081,044,000	Goodwill (NTBVIC):		Avg. Year FCF/Share:	\$1,223,062,941.36
Cash:	\$4,060,000,000	NTBVIC/Market Downside Recovery:	47.62%	Year 5 Disposition FCF Multiple:	3.0
Debt:	\$2,230,000,000	Op. Cash Flow:	\$1,981,408,050	Year 5 Disposition Price:	\$16,716,091,106.26
Net Cash:	\$1,830,000,000	Implied Years to Fill Gap:	3.99		
Enterprise Value:	\$13,251,044,000	Today's Equity if 5x Op. CF:	\$13,126,224,150		
		Net Tang. Book+ Gain Disposition:			\$16,716,091,106.26
Shares Outstanding:	236,380,000	IRR:			2.08%
				Price:	\$70.72
				Target Market Cap:	\$16,716,091,106
				Target Enterprise Value:	\$14,886,091,106

\* Our future intrinsic value measures the total return, which includes both capital appreciation and dividend income.

From a valuation perspective, the stock is slightly below its 5 year intrinsic value, and dividend yield is only 1.5%, so we could hold it and we could forego this opportunity, and it wouldn't make a material difference on our portfolio. Of course the concern is obsolescence, with computing all switching over to smartphones and tablets. The Co's products generated strong revenue growth by piggybacking on the PC growth, but unless they get their products into the smart phones and similar devices, we don't foresee stellar growth in the future for WDC. That being said, the Co. has strong cash flows, a healthy 47% TBVIC support for the downside.

We normally include smaller market cap securities into our portfolio, so we are shying away from this particular stock, at this price point. Should the stock fall 20% to \$50/share, then we will dive in.

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Year	Present Value	Holding Period					Terminal Value			Sale Price
	0	1	2	3	4	5	6	7	8	TBV at Year 5 + 3 Years FCF
<b>Tangible Book Value</b>	<b>7,182.00</b>	<b>8,330.16</b>	<b>9,490.60</b>	<b>10,663.46</b>	<b>11,848.85</b>	<b>13,046.90</b>				<b>13,046.90</b>
Annual Change		1,148.16	1,160.45	1,172.86	1,185.39	1,198.05				
<b>Annual FCF</b>	<b>2,350.00</b>	<b>1,181.41</b>	<b>1,202.03</b>	<b>1,222.85</b>	<b>1,243.89</b>	<b>1,265.13</b>	<b>1,223.06</b>	<b>1,223.06</b>	<b>1,223.06</b>	<b>3,669.19</b>
Annual Op. Cash Flow	3,067.00	1,981.41	2,002.03	2,022.85	2,043.89	2,065.13	2,023.06	2,023.06	2,023.06	
Annual PP&E Investment	(717.00)	(800.00)	(800.00)	(800.00)	(800.00)	(800.00)	(800.00)	(800.00)	(800.00)	
<b>Today's Tangible Book Value</b>	<b>7,182.00</b>	<b>8,504.00</b>	<b>10,069.34</b>	<b>11,922.82</b>	<b>14,117.47</b>	<b>16,716.09</b>				<b>16,716.09</b>
Intrinsic Value IRR	18.41%									
<b>Market Price</b>	<b>15,081.04</b>	<b>15,394.73</b>	<b>15,714.94</b>	<b>16,041.81</b>	<b>16,375.48</b>	<b>16,716.09</b>				<b>16,716.09</b>
Market Price IRR	2.08%									

Debt	0.00%	0.00
Equity	100.00%	15,081.04
<b>Total</b>	<b>100.00%</b>	<b>15,081.04</b>

	Present Value	Holding Period					Terminal Value			Sale Price	
	Historic	ProForma	1	2	3	4	5	6	7	8	
Book Equity	9157	15,081.04	16,218.82	17,368.87	18,531.34	19,706.35	20,894.01				
Goodwill	1975	7,899.04	7,899.04	7,899.04	7,899.04	7,899.04	7,899.04				
Debt	<b>2000</b>	<b>2,000.00</b>	<b>2,000.00</b>	<b>2,000.00</b>	<b>2,000.00</b>	<b>2,000.00</b>	<b>2,000.00</b>				
Debt Interest Rate		7.00%	7.00%	7.00%	7.00%	7.00%	7.00%				
Additional Interest Expense		15.98	15.98	15.98	15.98	15.98					
<b>Tangible Book Value</b>	<b>7182</b>	<b>7,182.00</b>	<b>8,319.77</b>	<b>9,469.83</b>	<b>10,632.30</b>	<b>11,807.30</b>	<b>12,994.97</b>				<b>12,994.97</b>
Annual Change			1,137.77	1,150.06	1,162.47	1,175.00	1,187.66				
<b>Annual FCF</b>	<b>2,350.00</b>	<b>1,171.02</b>	<b>1,191.64</b>	<b>1,212.47</b>	<b>1,233.50</b>	<b>1,254.75</b>	<b>1,254.75</b>	<b>1,254.75</b>	<b>1,254.75</b>	<b>1,254.75</b>	<b>3,764.24</b>
Annual Net Income	1,612.00	1,137.77	1,150.06	1,162.47	1,175.00	1,187.66	1,187.66	1,187.66	1,187.66	1,187.66	
<b>Annual Op. Cash Flow</b>	<b>3,067.00</b>	<b>1,971.02</b>	<b>1,991.64</b>	<b>2,012.47</b>	<b>2,033.50</b>	<b>2,054.75</b>	<b>2,054.75</b>	<b>2,054.75</b>	<b>2,054.75</b>	<b>2,054.75</b>	
Dividend Payments											
Annual PP&E Investment	(717.00)	(800.00)	(800.00)	(800.00)	(800.00)	(800.00)	(800.00)	(800.00)	(800.00)	(800.00)	
Debt Paydown	0.00						0.00	0.00	0.00		

Sale Price in Year 5											<b>16,759.21</b>
Remaining Debt Balance											<b>0.00</b>
<b>Capital Left for Equity Investor</b>											<b>16,759.21</b>
Dividend Payments											0.00
Total Cash In Flow											16,759.21
<b>Invested Equity</b>	<b>15,081.04</b>	<b>15,402.66</b>	<b>15,731.14</b>	<b>16,066.63</b>	<b>16,409.26</b>	<b>16,759.21</b>					
IRR	2.13%										

<u>Value Creation</u>	
TBV Growth (equals sum of NI Year 1-5)	5,812.97
Cash Flow (Year 6-8)	3,764.24
	<b>9,577.21</b>

<u>Value Dilution</u>	
Debt	0.00
Goodwill	5,924.04
Additional Interest	79.90
	<b>6,003.94</b>



Western Digital Corporation (WD) is a provider of solutions for the collection, storage, management, protection and use of digital content, including audio and video. Its principal products are hard drives, which are devices that use one or more rotating magnetic disks (magnetic media) to store and allow access to data. Its hard drives are used in desktop and notebook computers, corporate and cloud computing data centers, home entertainment equipment and stand-alone consumer storage devices. In addition to hard drives, its other products include solid-state drives and home entertainment and networking products. Effective March 8, 2012, it acquired Viviti Technologies Ltd. In May 2012, the Company completed the divestiture of certain 3.5-inch hard drive assets to Toshiba Corporation. As part of its deal with Toshiba, WD also completed its purchase of Toshiba Storage Device (Thailand) Company Limited (TSDT), which manufactured hard drives.

<b>Company Name:</b>		<b>Western Digital Corp</b>					<b>Income Statement</b>		
Ticker Symbol:	WDC	Market Capitalization:	\$15,081,044,000.00	Revenue:	\$16,380,000,000.00	100.0%			
Last Price:	\$63.80	Total Debt:	\$2,230,000,000.00	Cost of Goods Sold:	\$12,742,000,000.00	77.8%			
Net Cash/Share:	\$7.74	Total Cash:	\$4,060,000,000.00	Gross Profit:	\$3,638,000,000.00	22.2%			
Net Cash to Last Price:	12.13%	Net Cash/(Debt):	\$1,830,000,000.00	EBITDA:	\$3,840,000,000.00	23.4%			
Shares Outstanding:	236,380,000	Enterprise Value:	\$13,251,044,000.00	Net Income:	\$1,990,000,000.00	12.1%			
Industry:	Data Storage	Current EV/Share:	\$56.06						
Sector:	Technology	EBITDA:	\$2,596,000,000.00						
		EV/EBITDA Multiple:	5.10	<b>Balance Sheet</b>					
		EV/EBITDA Multiple Average Year 1-5:	4.77	Cash:	\$4,060,000,000.00				
		EV/FCF Multiple (excluding acquisition):	5.64	Short Term Investment:	\$0.00				
		EV/FCF Multiple Average Year 1-5 (excluding acquisition):	10.83	A/R:	\$2,370,000,000.00				
					PP&E:	\$3,760,000,000.00			
					Assets:	\$14,718,000,000.00			
					A/P:	\$2,773,000,000.00			
					Deferred Tax:	\$0.00			
					Other Liabilities:	\$501,000,000.00			
					Short term Debt:	\$230,000,000.00			
					Long Term Debt:	\$2,000,000,000.00			
					Liabilities:	\$5,504,000,000.00			
					Retained Earnings:	\$7,500,000,000.00			
					Paid-In Capital:	\$2,226,000,000.00			
					Treasury Stock:	-\$554,000,000.00			
					Stockholder's Equity:	\$9,157,000,000.00			
					<b>Cash Flow</b>				
					Net Income:	1,612,000,000.00			
					Depreciation/Amortization:	825,000,000.00			
					Change in Working capital:	324,000,000.00			
					Cash from Operating Activities:	3,067,000,000.00			
					Capital Expenditures:	-717,000,000.00			
					Cash from Investing Activities:	-4,167,000,000.00			
					Total Cash Dividends Paid:	0.00			
					Issuance (Retirement) of Stock:	-530,000,000.00			
					Issuance (Retirement) of Debt:	1,282,000,000.00			
					Cash from Financing Activities:	819,000,000.00			
					<b>Profitability Margins</b>				
					Debt to Equity:	24.35%			
					Return on Assets:	10.95%			
					Return on Capital:	14.16%			
					Return on Equity:	17.60%			
					<b>Upper Range</b>				
					<b>DCF: EV/EBITDA Terminal Value</b>				
					Implied TV from 3 X EV/EBITDA Multiple	\$5,901,526,532.32			
					Enterprise Value	\$5,901,526,532.32			
					Cash at Year 5:	\$10,175,314,706.78			
					Debt at Year 5:	\$2,230,000,000.00			
					Equity Value Year 5:	\$13,846,841,239.09			
					<b>Equity/Share at Year 5:</b>	<b>\$58.58</b>			
					Annualized Return:	-1.69%			
					<b>Lower Range</b>				
					<b>DCF: Net Tangible Asset excluding Cash/Debt Terminal Value</b>				
					Year 5 Net Tangible Assets excluding cash and debt	\$3,608,000,000.00			
					Enterprise Value	\$3,608,000,000.00			
					Cash at Year 5:	\$10,175,314,706.78			
					Debt at Year 5:	\$2,230,000,000.00			
					Equity Value Year 5:	\$11,553,314,706.78			
					<b>Equity/Share at Year 5:</b>	<b>\$48.88</b>			
					Annualized Return:	-5.19%			
					<b>EVA</b>				
					EVA today:	\$9,627,263,509.99			
					EVA in 5 Years:	\$12,077,725,206.59			
					EVA/Share:	\$51.09			
					Cash at Year 5:	\$10,175,314,706.78			
					Debt at Year 5:	\$2,230,000,000.00			
					Equity Value Year 5:	\$20,023,039,913.37			
					<b>Equity/Share at Year 5:</b>	<b>\$84.71</b>			
					Annualized return	4.64%			
					<b>Current Net Tangible Asset</b>				
					<b>Net Tangible Asset/Share:</b>	<b>\$27.24</b>			
					<b>Net Tangible Asset/Share in Year 5:</b>	<b>\$52.06</b>			
					Annualized return	13.83%			
					Current Equity Price:	\$63.80			
					Selling at Discount?	Premium			
					Appreciation Potential:	-57.30%			
					<b>Dividend Model</b>				
					<b>Next Year Dividend</b>	<b>\$273,049,498.05</b>			
					<b>WACC:</b>	<b>10.14%</b>			
					Dividend:	\$236,380,000.00			
					Net Income:	\$1,990,000,000.00			

**Technicals**

52 week low:	\$28.31
Today from 52 week low:	125.36%
52 week high:	\$64.26
Today from 52 week high:	0.72%
50 day Moving Average:	\$55.21
200 day Moving Average:	\$45.00

**Analyst/Consensus**

Analyst Sales Growth FY1:	22.20%
Analyst Sales Growth FY2:	-2.00%
SN Valuation Estimate FY1:	1.00%
SN Valuation Estimate FY2:	1.00%

Analyst Earnings Estimate FY1:	\$8.33
Analyst Earnings Estimate FY2:	\$7.95
SN Valuation Earnings Est. FY1:	\$4.86
SN Valuation Earnings Est. FY2:	\$4.91

**Multiples**

Market Value to Book:	1.65
EV to Book:	1.45
Market Value to Tangible Net Assets:	10.60
P/E Ratio:	7.58
Trailing P/E Ratio:	8.00
Forward P/E Ratio:	7.98
Beta:	1.5
Dividend:	1
Dividend Yield:	1.58%
Dividend Date:	Dec 25, 2012
Ex-Dividend Date:	Jun 26, 2013

**Competitors**

Average EV to EBITDA:	N/A
Company EV to EBITDA:	5.10
Average EV to EBIT:	N/A
Company EV to EBITA:	7.48

SN VALUATION

LBO Pro Forma Income Statement

Name:

Western Digital Corp

Ticker:

WDC

	Historical				Forecasted				
	52 weeks ending 2009-07-03	52 weeks ending 2010-07-02	52 weeks ending 2011-07-01	52 weeks ending 2012-06-29	2013	2014	2015	2016	2017
Revenue	7,453.00	9,850.00	9,526.00	12,478.00	12,602.78	12,728.81	12,856.10	12,984.66	13,114.50
COGS	6,116.00	7,449.00	7,735.00	8,840.00	9,074.00	9,164.74	9,256.39	9,348.95	9,442.44
Gross margin	1,337.00	2,401.00	1,791.00	3,638.00	3,528.78	3,564.07	3,599.71	3,635.70	3,672.06
SG&A	201.00	238.00	255.00	457.00	504.11	509.15	514.24	519.39	524.58
R&D	509.00	611.00	703.00	1,055.00	1,134.25	1,145.59	1,157.05	1,168.62	1,180.31
Unusual expense	108.00	27.00	42.00	355.00	0.00	0.00	0.00	0.00	0.00
Other operating expense	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Depreciation is: Included within COGS					0.00	0.00	0.00	0.00	0.00
Operating Income (EBITA)	519.00	1,525.00	781.00	1,771.00	1,890.42	1,909.32	1,928.41	1,947.70	1,967.18
Interest income/(expense)	-18.00	-5.00	-1.00	-14.00	-124.02	-124.02	-124.02	-124.02	-124.02
Gain (loss) on sale of asset	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Income before tax	501.00	1,520.00	780.00	1,757.00	1,766.40	1,785.30	1,804.39	1,823.68	1,843.16
Tax	31.00	138.00	54.00	145.00	616.24	624.86	631.54	638.29	645.10
Income after tax	470.00	1,382.00	726.00	1,612.00	1,148.16	1,160.45	1,172.86	1,185.39	1,198.05
Minority Interest	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Equity in affiliates	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net income	470.00	1,382.00	726.00	1,612.00	1,148.16	1,160.45	1,172.86	1,185.39	1,198.05
*Figures are in millions (\$)									
EPS (based off today's share count)	\$1.99	\$5.85	\$3.07	\$6.82	\$4.86	\$4.91	\$4.96	\$5.01	\$5.07
P/E (historical today's price; forecasted intrinsic price)	32.09	10.91	20.77	9.36	13.41	13.54	13.68	13.81	13.95
Revenue Growth	N/A	32.16%	-3.29%	30.99%	1.00%	1.00%	1.00%	1.00%	1.00%
Tax Rate	6.19%	9.08%	6.92%	8.25%	35.00%	35.00%	35.00%	35.00%	35.00%
Implied Debt Interest Rate	-3.73%	-1.25%	-0.34%	-0.64%	-6.20%	-6.20%	-6.20%	-6.20%	-6.20%
Margins									
COGS	82.06%	75.62%	81.20%	70.84%	72.00%	72.00%	72.00%	72.00%	72.00%
Gross margin	17.94%	24.38%	18.80%	29.16%	28.00%	28.00%	28.00%	28.00%	28.00%
SG&A	2.70%	2.42%	2.78%	3.66%	4.00%	4.00%	4.00%	4.00%	4.00%
R&D	6.83%	6.20%	7.38%	8.45%	9.00%	9.00%	9.00%	9.00%	9.00%
Unusual expense	1.45%	0.27%	0.44%	2.85%	0.00%	0.00%	0.00%	0.00%	0.00%
Other operating expense	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Depreciation is: Included within COGS	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Operating Income (EBITA)	6.96%	15.48%	8.20%	14.19%	15.00%	15.00%	15.00%	15.00%	15.00%
Interest income/(expense)	-0.24%	-0.05%	-0.01%	-0.11%	-0.98%	-0.97%	-0.96%	-0.96%	-0.95%
Gain (loss) on sale of asset	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Income before tax	6.72%	15.43%	8.19%	14.08%	14.02%	14.03%	14.04%	14.04%	14.05%
Tax	0.42%	1.40%	0.57%	1.16%	4.91%	4.91%	4.91%	4.92%	4.92%
Income after tax	6.31%	14.03%	7.62%	12.92%	9.11%	9.21%	9.31%	9.41%	9.51%
Minority Interest	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Equity in affiliates	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Net income	6.31%	14.03%	7.62%	12.92%	9.11%	9.12%	9.12%	9.13%	9.14%

	As of 2009-07-03	As of 2010-07-02	As of 2011-07-01	As of 2012-06-29	Adjustment		Adjusted Proforma	2011	2012	2013	2014	2015
					+	-						
Cash	1,794.00	2,734.00	3,490.00	3,208.00	4,060.00		4,060.00	5,241.41	6,443.44	7,666.29	8,910.18	10,175.31
Short term investment	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00
<b>Cash and Short term</b>	<b>1,794.00</b>	<b>2,734.00</b>	<b>3,490.00</b>	<b>3,208.00</b>	<b>4,060.00</b>		<b>4,060.00</b>	<b>5,241.41</b>	<b>6,443.44</b>	<b>7,666.29</b>	<b>8,910.18</b>	<b>10,175.31</b>
Accounts Receivable	926.00	1,256.00	1,206.00	2,364.00	2,370.00		2,370.00	2,370.00	2,370.00	2,370.00	2,370.00	2,370.00
Other receivables	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00
<b>Total Receivables</b>	<b>926.00</b>	<b>1,256.00</b>	<b>1,206.00</b>	<b>2,364.00</b>	<b>2,370.00</b>		<b>2,370.00</b>	<b>2,370.00</b>	<b>2,370.00</b>	<b>2,370.00</b>	<b>2,370.00</b>	<b>2,370.00</b>
Total Inventory	376.00	560.00	577.00	1,210.00	1,197.00		1,197.00	1,197.00	1,197.00	1,197.00	1,197.00	1,197.00
Prepaid Expenses	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00
Other Current Assets	134.00	170.00	214.00	359.00	383.00		383.00	383.00	383.00	383.00	383.00	383.00
<b>Current Assets</b>	<b>3,230.00</b>	<b>4,720.00</b>	<b>5,487.00</b>	<b>7,141.00</b>	<b>8,010.00</b>	<b>0.00</b>	<b>8,010.00</b>	<b>9,191.41</b>	<b>10,393.44</b>	<b>11,616.29</b>	<b>12,860.18</b>	<b>14,125.31</b>
PP&E, Gross	3,175.00	4,223.00	4,837.00	7,561.00	7,560.00		7,560.00	8,360.00	9,160.00	9,960.00	10,760.00	11,560.00
Change in Depreciation	479.00	510.00	602.00	825.00	825.00		825.00	833.25	841.58	850.00	858.50	867.08
Accumulated Depreciation	1,591.00	2,064.00	2,613.00	3,758.00	3,800.00		3,800.00	4,633.25	5,474.83	6,324.83	7,183.33	8,050.41
<b>PP&amp;E, Net</b>	<b>1,584.00</b>	<b>2,159.00</b>	<b>2,224.00</b>	<b>3,803.00</b>	<b>3,760.00</b>		<b>3,760.00</b>	<b>3,726.75</b>	<b>3,685.17</b>	<b>3,635.17</b>	<b>3,576.67</b>	<b>3,509.59</b>
Goodwill	139.00	146.00	71.00	1,975.00	1,975.00	0.00	1,975.00	1,975.00	1,975.00	1,975.00	1,975.00	1,975.00
Intangibles	89.00	88.00	151.00	799.00	799.00		799.00	799.00	799.00	799.00	799.00	799.00
Long term investments	0.00	0.00	0.00	0.00	14.00		14.00	14.00	14.00	14.00	14.00	14.00
Other long term assets	249.00	215.00	185.00	224.00	160.00		160.00	160.00	160.00	160.00	160.00	160.00
<b>Long Term Assets</b>	<b>2,061.00</b>	<b>2,608.00</b>	<b>2,631.00</b>	<b>6,801.00</b>	<b>6,708.00</b>	<b>0.00</b>	<b>6,708.00</b>	<b>6,674.75</b>	<b>6,633.17</b>	<b>6,583.17</b>	<b>6,524.67</b>	<b>6,457.59</b>
<b>Total Assets</b>	<b>5,291.00</b>	<b>7,328.00</b>	<b>8,118.00</b>	<b>13,942.00</b>	<b>14,718.00</b>	<b>0.00</b>	<b>14,718.00</b>	<b>15,866.16</b>	<b>17,026.60</b>	<b>18,199.46</b>	<b>19,384.85</b>	<b>20,582.90</b>
Accounts Payable	1,101.00	1,507.00	1,545.00	2,773.00	2,773.00		2,773.00	2,773.00	2,773.00	2,773.00	2,773.00	2,773.00
Accrued Expense	342.00	410.00	481.00	1,029.00	1,029.00		1,029.00	1,029.00	1,029.00	1,029.00	1,029.00	1,029.00
Other current Liabilities	0.00	0.00	0.00	0.00	1.00		1.00	1.00	1.00	1.00	1.00	1.00
<b>Total Current Liabilities</b>	<b>1,443.00</b>	<b>1,917.00</b>	<b>2,026.00</b>	<b>3,802.00</b>	<b>3,803.00</b>	<b>0.00</b>	<b>3,803.00</b>	<b>3,803.00</b>	<b>3,803.00</b>	<b>3,803.00</b>	<b>3,803.00</b>	<b>3,803.00</b>
Notes Payables/Short Term Debt	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00
Current port. Of LT Debt/Capital Leases	82.00	106.00	144.00	230.00	230.00		230.00	230.00	230.00	230.00	230.00	230.00
Long term Debt	399.00	294.00	150.00	1,955.00	2,000.00	0.00	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00
Capital Lease Obligations	1.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00
<b>Total Interest Earning Debt</b>	<b>482.00</b>	<b>400.00</b>	<b>294.00</b>	<b>2,185.00</b>	<b>2,230.00</b>	<b>0.00</b>	<b>2,230.00</b>	<b>2,230.00</b>	<b>2,230.00</b>	<b>2,230.00</b>	<b>2,230.00</b>	<b>2,230.00</b>
Deferred Income tax	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00
Minority Interest	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00
Other liabilities	174.00	302.00	310.00	550.00	-529.00		-529.00	-529.00	-529.00	-529.00	-529.00	-529.00
<b>Total Liabilities</b>	<b>2,099.00</b>	<b>2,619.00</b>	<b>2,630.00</b>	<b>6,537.00</b>	<b>5,504.00</b>	<b>0.00</b>	<b>5,504.00</b>	<b>5,504.00</b>	<b>5,504.00</b>	<b>5,504.00</b>	<b>5,504.00</b>	<b>5,504.00</b>
Redeemable Preferred Stock	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00
Non-redeemable Preferred Stock	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00
Common Stock	2.00	2.00	2.00	3.00	3.00		3.00	3.00	3.00	3.00	3.00	3.00
Additional Paid-in capital	896.00	1,022.00	1,091.00	2,223.00	2,223.00	0.00	2,223.00	2,223.00	2,223.00	2,223.00	2,223.00	2,223.00
Dividends Paid	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00
Retained Earnings	2,292.00	3,674.00	4,400.00	6,012.00	7,500.00		7,500.00	8,648.16	9,808.60	10,981.46	12,166.85	13,364.90
Treasury Stock	0.00	0.00	0.00	-554.00	-554.00		-554.00	-554.00	-554.00	-554.00	-554.00	-554.00
Other Equity	2.00	11.00	-5.00	-15.00	-15.00		-15.00	-15.00	-15.00	-15.00	-15.00	-15.00
<b>Total Equity</b>	<b>3,192.00</b>	<b>4,709.00</b>	<b>5,488.00</b>	<b>7,669.00</b>	<b>9,157.00</b>	<b>0.00</b>	<b>9,157.00</b>	<b>10,305.16</b>	<b>11,465.60</b>	<b>12,638.46</b>	<b>13,823.85</b>	<b>15,021.90</b>
<b>Liability + Equity</b>	<b>5,291.00</b>	<b>7,328.00</b>	<b>8,118.00</b>	<b>14,206.00</b>	<b>14,661.00</b>	<b>0.00</b>	<b>14,661.00</b>	<b>15,809.16</b>	<b>16,969.60</b>	<b>18,142.46</b>	<b>19,327.85</b>	<b>20,525.90</b>
<b>Variance</b>	0.00	0.00	0.00	-264.00	57.00		57.00	57.00	57.00	57.00	57.00	57.00
<b>Debt/Equity</b>	0.15	0.08	0.05	0.28	0.24		0.24	0.22	0.19	0.18	0.16	0.15
Inventory Turnover	19.82	17.59	16.51	10.31	10.53		10.42	10.53	10.63	10.74	10.85	10.96
Inventory Turnover Days	18.41	20.75	22.11	35.39	34.67		35.01	34.67	34.32	33.98	33.65	33.31
Days Inventory Outstanding	22.44	27.44	27.23	49.96	48.15		49.42	48.15	47.67	47.20	46.73	46.27
Accounts Receivable Turnover	8.05	7.84	7.90	5.28	5.32		5.26	5.32	5.37	5.42	5.48	5.53
Accounts Receivable Turnover Days	45.35	46.54	46.21	69.15	68.64		69.33	68.64	67.96	67.29	66.62	65.96
Days Payable Outstanding	65.71	73.84	72.91	114.50	111.54		114.50	111.54	110.44	109.35	108.26	107.19
Days Sales Outstanding	45.35	46.54	46.21	69.15	68.64		69.15	69.33	68.64	67.96	67.29	66.62
Cash Conversion Cycle	2.08	0.14	0.53	4.61	5.25		4.08	5.93	5.87	5.81	5.76	5.70
Net tangible assets/share	\$12.54	\$18.93	\$22.28	\$20.71	\$27.00			\$31.86	\$36.77	\$41.73	\$46.75	\$51.81

SN VALUATION

LBO Adjusted Proforma Cash Flow

Ticker:

WDC

	52 weeks ending 2009-07-03	52 weeks ending 2010-07-02	52 weeks ending 2011-07-01	52 weeks ending 2012-06-29	2011	2012	2013	2014	2015
Net Income	470.00	1,382.00	726.00	1,612.00	1,148.16	1,160.45	1,172.86	1,185.39	1,198.05
Depreciation	479.00	510.00	602.00	825.00	833.25	841.58	850.00	858.50	867.08
<b>Net Income + Depreciation</b>	<b>949.00</b>	<b>1,892.00</b>	<b>1,328.00</b>	<b>2,437.00</b>	<b>1,981.41</b>	<b>2,002.03</b>	<b>2,022.85</b>	<b>2,043.89</b>	<b>2,065.13</b>
Amortization	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Deferred Taxes	24.00	27.00	20.00	34.00	0.00	0.00	0.00	0.00	0.00
Non Cash Items	134.00	60.00	69.00	272.00	0.00	0.00	0.00	0.00	0.00
Change in Working capital	198.00	-37.00	236.00	324.00	0.00	0.00	0.00	0.00	0.00
Accounts Receivable	0.00	-330.00	50.00	-1,158.00	0.00	0.00	0.00	0.00	0.00
Other Receivables	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Inventory	0.00	-184.00	-17.00	-633.00	0.00	0.00	0.00	0.00	0.00
Prepaid Expenses	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Accounts Payable	0.00	406.00	38.00	1,228.00	0.00	0.00	0.00	0.00	0.00
<b>Cash from Operating Activities</b>	<b>1,305.00</b>	<b>1,942.00</b>	<b>1,655.00</b>	<b>3,067.00</b>	<b>1,981.41</b>	<b>2,002.03</b>	<b>2,022.85</b>	<b>2,043.89</b>	<b>2,065.13</b>
Capital Expenditures Expenditures	-519.00	-737.00	-778.00	-717.00	-800.00	-800.00	-800.00	-800.00	-800.00
Long term investment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Investing Activities	-32.00	-249.00	-15.00	-3,450.00	0.00	0.00	0.00	0.00	0.00
<b>Cash from Investing Activities</b>	<b>-551.00</b>	<b>-986.00</b>	<b>-793.00</b>	<b>-4,167.00</b>	<b>-800.00</b>	<b>-800.00</b>	<b>-800.00</b>	<b>-800.00</b>	<b>-800.00</b>
Financing Cash flow items	-29.00	-13.00	-8.00	67.00	0.00	0.00	0.00	0.00	0.00
Total Cash Dividends Paid	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Issuance (Retirement) of Stock	-8.00	79.00	8.00	-530.00	0.00	0.00	0.00	0.00	0.00
Issuance (Retirement) of Current Portion Debt	-	-	-	-	0.00	0.00	0.00	0.00	0.00
Issuance (Retirement) of Long Term Debt	-27.00	-82.00	-106.00	1,282.00	0.00	0.00	0.00	0.00	0.00
<b>Cash from Financing Activities</b>	<b>-64.00</b>	<b>-16.00</b>	<b>-106.00</b>	<b>819.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
Foreign Exchange effect	0.00	0.00	0.00	-1.00	0.00	0.00	0.00	0.00	0.00
Beginning Cash Balance	1,104.00	1,794.00	2,734.00	3,490.00	4,060.00	5,241.41	6,443.44	7,666.29	8,910.18
<b>Net Change in Cash</b>	<b>690.00</b>	<b>940.00</b>	<b>756.00</b>	<b>-282.00</b>	<b>1,181.41</b>	<b>1,202.03</b>	<b>1,222.85</b>	<b>1,243.89</b>	<b>1,265.13</b>
Ending Cash Balance	1,794.00	2,734.00	3,490.00	3,208.00	5,241.41	6,443.44	7,666.29	8,910.18	10,175.31
Capex to Revenue	6.96%	7.48%	8.17%	5.75%	6.35%	6.28%	6.22%	6.16%	6.10%
Depreciation to Sales	6.43%	5.18%	6.32%	6.61%	6.61%	6.61%	6.61%	6.61%	6.61%
Amortization to Sales	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
A/R to Sales	12.42%	12.75%	12.66%	18.95%	18.76%	18.57%	18.39%	18.21%	18.03%
Distributable FCF/EV Yield	5.69%	7.21%	6.51%	-8.30%	8.92%	9.07%	9.23%	9.39%	9.55%
Dividend Yield	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>FCF (Ops-Investing)</b>	<b>786.00</b>	<b>1,205.00</b>	<b>877.00</b>	<b>2,350.00</b>	<b>1,181.41</b>	<b>1,202.03</b>	<b>1,222.85</b>	<b>1,243.89</b>	<b>1,265.13</b>

# SN VALUATION

# LBO Debt Schedule

Ticker:

WDC

	Proforma	2013	2014	2015	2016	2017
<b>Net Change in Cash</b>	<b>-282.00</b>	<b>1,181.41</b>	<b>1,202.03</b>	<b>1,222.85</b>	<b>1,243.89</b>	<b>1,265.13</b>
Current Portion Debt Repayment						
Long Term Debt Repayment						
<b>Outstanding Debt</b>	<b>2,230.00</b>	<b>2,230.00</b>	<b>2,230.00</b>	<b>2,230.00</b>	<b>2,230.00</b>	<b>2,230.00</b>
Current Portion Debt Balance	230.00	230.00	230.00	230.00	230.00	230.00
Long Term Debt Balance	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00
Forward Libor Curve		3.00%	3.00%	3.00%	3.00%	3.00%
Spread		4.00%	4.00%	4.00%	4.00%	4.00%
<b>Interest Rate</b>		<b>7.00%</b>	<b>7.00%</b>	<b>7.00%</b>	<b>7.00%</b>	<b>7.00%</b>
<b>Interest Expense</b>		<b>156.10</b>	<b>156.10</b>	<b>156.10</b>	<b>156.10</b>	<b>156.10</b>
Cash Balance		3,208.00				
Interest @ 1.0%		32.08	32.08	32.08	32.08	32.08
<b>Net Interest Expense/(Income)</b>		<b>124.02</b>	<b>124.02</b>	<b>124.02</b>	<b>124.02</b>	<b>124.02</b>
<b>Net Interest Rate</b>		<b>6.20%</b>	<b>6.20%</b>	<b>6.20%</b>	<b>6.20%</b>	<b>6.20%</b>
EBITDA		1,890.42	1,909.32	1,928.41	1,947.70	1,967.18
<b>EBITDA/Interest Expense Coverage</b>		<b>12.11</b>	<b>12.23</b>	<b>12.35</b>	<b>12.48</b>	<b>12.60</b>

## Interest Rate Coverage Table

Debt Rating					
AAA					AAA
AA	AA	AA	AA	AA	
A+					
A					
A-					
BBB					
BB+					
BB					
B+					
B					
B-					
CCC					
CC					
C					
D					

\*Source: NYU; Professor Damodaran



## Altman Z Score

Company Name:

Western Digital Corp

Ticker:

WDC

Period	2009	2010	2011	2012	2013	2014	2015	2016	2017
Working Capital	1,787.00	2,803.00	3,461.00	4,207.00	5,388.41	6,590.44	7,813.29	9,057.18	10,322.31
Total Assets	5,291.00	7,328.00	8,118.00	14,718.00	15,866.16	17,026.60	18,199.46	19,384.85	20,582.90
<b>X1</b>	<b>0.34</b>	<b>0.38</b>	<b>0.43</b>	<b>0.29</b>	<b>0.34</b>	<b>0.39</b>	<b>0.43</b>	<b>0.47</b>	<b>0.50</b>
Retained Earnings	2,292.00	3,674.00	4,400.00	7,500.00	8,648.16	9,808.60	10,981.46	12,166.85	13,364.90
Total Assets	5,291.00	7,328.00	8,118.00	14,718.00	15,866.16	17,026.60	18,199.46	19,384.85	20,582.90
<b>X2</b>	<b>0.43</b>	<b>0.50</b>	<b>0.54</b>	<b>0.51</b>	<b>0.55</b>	<b>0.58</b>	<b>0.60</b>	<b>0.63</b>	<b>0.65</b>
EBITDA	519.00	1,525.00	781.00	1,771.00	1,890.42	1,909.32	1,928.41	1,947.70	1,967.18
Total Assets	5,291.00	7,328.00	8,118.00	14,718.00	15,866.16	17,026.60	18,199.46	19,384.85	20,582.90
<b>X3</b>	<b>0.10</b>	<b>0.21</b>	<b>0.10</b>	<b>0.12</b>	<b>0.12</b>	<b>0.11</b>	<b>0.11</b>	<b>0.10</b>	<b>0.10</b>
Market Value of Equity	15,081.04	15,081.04	15,081.04	15,081.04	15,394.73	15,714.94	16,041.81	16,375.48	16,716.09
Total Liabilities	2,099.00	2,619.00	2,630.00	5,504.00	5,504.00	5,504.00	5,504.00	5,504.00	5,504.00
<b>X4</b>	<b>7.18</b>	<b>5.76</b>	<b>5.73</b>	<b>2.74</b>	<b>2.80</b>	<b>2.86</b>	<b>2.91</b>	<b>2.98</b>	<b>3.04</b>
Net Sales	7,453.00	9,850.00	9,526.00	12,478.00	12,602.78	12,728.81	12,856.10	12,984.66	13,114.50
Total Assets	5,291.00	7,328.00	8,118.00	14,718.00	15,866.16	17,026.60	18,199.46	19,384.85	20,582.90
<b>X5</b>	<b>1.41</b>	<b>1.34</b>	<b>1.17</b>	<b>0.85</b>	<b>0.79</b>	<b>0.75</b>	<b>0.71</b>	<b>0.67</b>	<b>0.64</b>
<b>Altman Z Score</b>	<b>7.05</b>	<b>6.65</b>	<b>6.20</b>	<b>3.95</b>	<b>4.04</b>	<b>4.10</b>	<b>4.16</b>	<b>4.23</b>	<b>4.29</b>

$$Z = 1.2 \times X1 + 1.4 \times X2 + 3.3 \times X3 + 0.6 \times X4 + 1.0 \times X5$$

Z-SCORE ABOVE 3.0 –The company is considered 'Safe' based on the financial figures only.

Blue

Z-SCORE BETWEEN 2.7 and 2.99 – 'On Alert'. This zone is an area where one should 'Exercise Caution'.

Green

Z-SCORE BETWEEN 1.8 and 2.7 – Good chance of the company going bankrupt within 2 years.

Yellow

Z-SCORE BELOW 1.80- Probability of Financial Catastrophe is Very High.

Red