

Western Digital Corp.

NYSE: WDC

\$33.68



Ford Equity Research

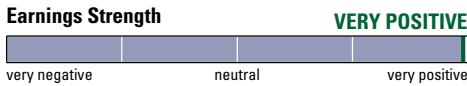
A Mergent Company

STRONG BUY

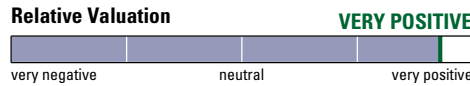
Reiterated 10/31/09

We project that WDC will strongly outperform the market over the next 6 to 12 months. This projection is based on our analysis of three key factors that influence common stock performance: earnings strength, relative valuation, and recent price movement.

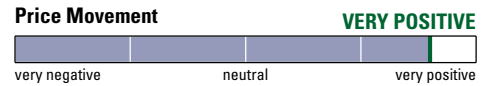
Previous Rating Buy (4/25/09 - 8/01/09)	52-Week Price Range \$9.93 - \$37.81	Market Capitalization 7.57 Billions	Annual Dividend Yield 0.0%	Annual Dividend Rate \$0.00	Industry Computers
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EPS remained the same at \$3.65 over the past 5 quarters.



Operating Earnings Yield of 10.8% ranks above 93% of the companies covered by Ford.



1-year price up 104.5%: **VERY POSITIVE**
 1-quarter up 11.3%: **NEGATIVE**
 1-month down 7.8%: **NEUTRAL**

Western Digital designs, develops, manufactures and sells hard drives. A hard drive is a device that uses one or more rotating magnetic disks to store and allow fast access to data. The company's hard drives are used in desktop computers, notebook computers, and enterprise applications such as servers, workstations, network attached storage, storage area networks and video surveillance equipment. The company's hard drives are also used in consumer electronics applications such as digital video recorders, and satellite and cable set-top boxes. The company sells its products worldwide to original equipment manufacturers and original design manufacturers, as well as to distributors, resellers and retailers.

Computers performance is POSITIVE

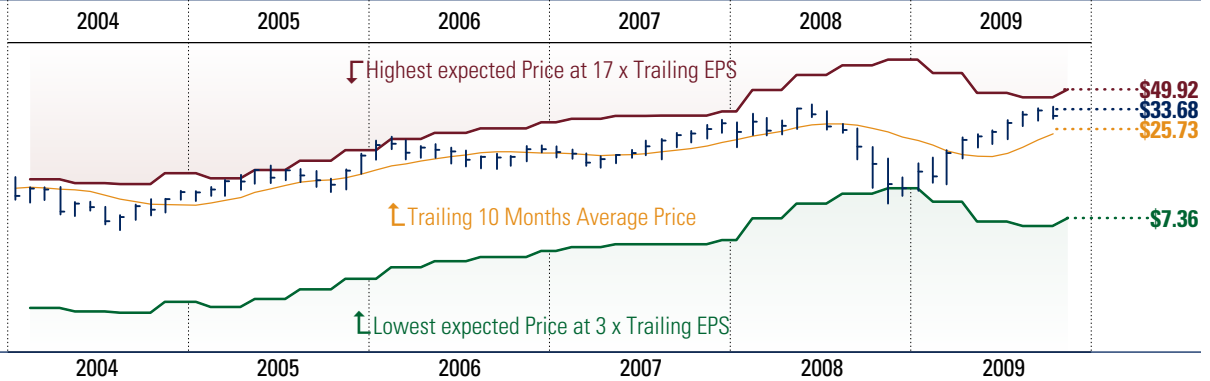
Peer Group Comparison

Ticker	Company Name	Overall Rating	Quality Rating	Recent Price (\$)	Market Cap(\$B)	EPS (ttm)	P/E (mrq)	P/B (ttm)	1 year Price Change
WDC	Western Digital Corp.	Strong Buy	Good	33.68	7.57	2.86	11.78	2.26	104.50
EMC	EMC Corp.	Strong Buy	Average	16.47	33.30	0.67	24.58	2.30	39.80
STX	Seagate Technology	Strong Buy	Average	13.95	6.86	-0.03	(NM)	4.46	106.10

WDC Price Performance

Ford Valuation Bands

Valuation bands based on the highest and lowest P/E ratio in the past five years applied to the trailing 12 month operating earnings. Price (US \$)



Fiscal Year End - JUN

Net Profit on Sales	--	5.8%	8.2%	7.9%	11.4%	7.7%	8.5%
Cash Flow/share	--	\$1.55	\$2.50	\$3.49	\$5.69	\$4.22	--
Book Value/share	--	\$3.25	\$5.25	\$7.75	\$12.00	\$14.13	\$14.9
Return on Equity	--	30.5%	30.5%	25.0%	34.2%	18.0%	19.2%
Debt to Equity	--	5.0%	2.0%	1.0%	18.0%	13.0%	--

Western Digital Corp.

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Recommendation Summary

Ford's Strong Buy recommendation on Western Digital Corp. is the result of our systematic analysis on three basic characteristics: earnings strength, relative valuation, and recent stock price movement. The company has enjoyed a very positive trend in earnings per share over the past 5 quarters and while recent estimates for the company have been raised by analysts, WDC has posted better than expected results. Based on operating earnings yield, the company is undervalued when compared to all of the companies we cover. Share price changes over the past year indicates that WDC will perform very well over the near term.

Earnings Strength is VERY POSITIVE

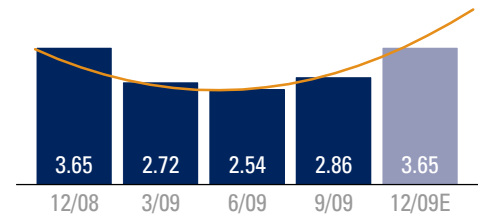
Ford's earnings momentum measures the acceleration or deceleration in trailing 12 month operating earnings per share growth. The upward curvature of the plotted points in the graph on the right indicates that while **Western Digital Corp.'s earnings have been flat at \$3.65 over the past 5 quarters, they have shown strong acceleration in quarterly growth rates** when adjusted for the volatility of earnings. This indicates an improvement in future earnings growth may occur.

Nearly 40 years of research have shown that the change in the growth of earnings per share is an important factor that drives stock price performance. Ford measures earnings momentum and analysts' forecast changes to get an early indication of changing earnings patterns.

Recent changes to analysts' forecasts and variances between reported and estimated earnings provide important information about a company's future earnings performance. Ford uses this information, in conjunction with earnings momentum, as early evidence of a catalyst to near-term stock price performance. Earnings forecasts for Western Digital Corp. have been increasing which indicates an improvement in future earnings growth. The company has also reported higher earnings than those predicted in earlier estimates. This indicates an ability to exceed analysts' expectations and the potential for improving earnings growth in the future.

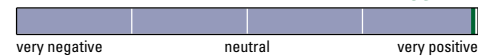
TTM Operating EPS in US (\$)

Positive earnings trend over past 5 quarters



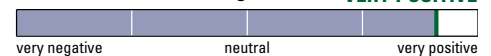
Earnings Momentum

VERY POSITIVE



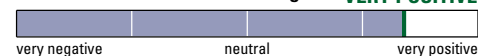
Current FY Estimate Change

VERY POSITIVE



Next Fiscal Year Estimate Change

VERY POSITIVE



Reported vs Expected EPS

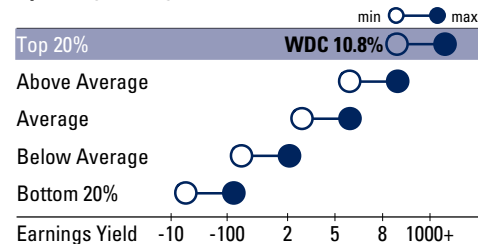
NEUTRAL



Relative Valuation is VERY POSITIVE

Western Digital Corp.'s operating earnings yield of 10.8% ranks above 93% of the other companies in the Ford universe of stocks, indicating that it is undervalued. Ford measures the relative valuation of each company against all other companies in our research universe. Operating earnings yield, an earnings-to-price ratio based on the last 3 quarters of operating earnings and the current quarter's estimate, has proven to be the most reliable relative valuation measure. A stock may stay undervalued or overvalued for a long period of time. For this reason, it is important to combine this factor with shorter-term predictive factors such as earnings momentum or price momentum to identify more imminent valuation adjustments.

Operating Earnings Yield(%) within the Ford Universe



Operating Earnings Yield

VERY POSITIVE



Price Movement is VERY POSITIVE

Western Digital Corp.'s stock price is up 104.5% in the last 12 months, up 11.3% in the past quarter and down 7.8% in the past month. This historical performance should lead to above average price performance in the next one to three months.

Historical price action of a company's stock is an especially helpful measure used to identify intermediate and short term performance potential. Long term historical performance is a good predictor of future price performance, but much more importantly, large price movements over the intermediate and short term tend to reverse themselves. Ford's price momentum measure integrates historical long, intermediate and short term price changes, creating ratings that are highest for stocks with strong twelve month price performance that have had a price consolidation in the past quarter and month.

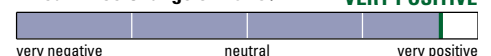
Stock Price is up 104.5% in the past year



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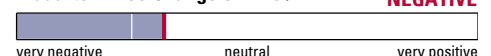
1 Year Price Change of 104.5%

VERY POSITIVE



1 Quarter Price Change of 11.3%

NEGATIVE



1 Month Price Change of -7.8%

NEUTRAL



Western Digital Corp.

NYSE: WDC

Price as of 10/30/2009

\$33.68
STRONG BUY**Ford Equity Research**
A Mergent Company

Ford Stock Ratings: Ford covers approximately 4,000 stocks using a proprietary quantitative model that evaluates a company's earnings strength, its relative valuation and recent price movement. Ford's five recommendation ratings include strong buy, buy, hold, sell, strong sell. For all stocks in our coverage universe, ratings are generated each week and reflect the fundamental and price data as of the last trading day of the week.

Ford Stock Rating	Percentage of Universe With Rating	12-month Relative Return Forecast
STRONG BUY	8.7%	Significantly above average
BUY	16.6%	Above average
HOLD	57.8%	Average
SELL	11.9%	Below average
STRONG SELL	5.0%	Significantly below average

Earnings Strength: Earnings strength is a weighted combination of factors that measure a company's earnings growth performance. These include Ford's proprietary Earnings Momentum model, changes in analysts' estimates for the current and next fiscal year, and earnings surprises as compared to estimates. Combined score ratings and percentiles are as follows: Very Positive – top 20%, Positive - next highest 20%, Neutral – middle 20%, Negative - second lowest 20%, Very Negative – lowest 20%.

Relative Valuation: The coverage universe is sorted in descending order based on Ford's operating earnings yield measure. Operating earnings yield is the ratio of 12-month operating earnings per share (including the current quarter estimated EPS) to closing share price on the report date. Relative valuation ratings and percentiles are as follows: Very Positive – top 20%, Positive - next highest 20%, Neutral – middle 20%, Negative - second lowest 20%, Very Negative – lowest 20%.

Price Movement: Price movement is a proprietary evaluation based on a company's relative share price change in the past 1-year, 1-quarter and 1-month period. In the Ford analysis, positive price changes in the past 1-year period are a favorable indication of near-term price gain. Conversely, positive price changes in the past quarter or month periods can indicate a short-term overbought condition resulting in negative near-term price change. Price movement score ratings and percentiles are as follows: Very Positive – top 20%, Positive - next highest 20%, Neutral – middle 20%, Negative - second lowest 20%, Very Negative – lowest 20%.

Industry Performance: Ford measures the relative performance of the 88 industry groups that we cover. The top 20% of industries based on our metric are expected to have above average near-term performance and are classified as Positive. The bottom 20% based on the same metric are expected to have below average near-term performance and are classified as Negative. The remaining middle 60% of industries are expected to have average performance and are classified as Neutral.

Operating Earnings per Share: Earnings per share figures in the Ford Valuation Bands, quarterly earnings series and 5-quarter earnings trend plot reflect Ford's operating earnings per share. Operating earnings per share are earnings per share from continuing operations and before accounting changes that have been adjusted to eliminate non-recurring and unusual items. In this way, earnings trend and valuation measurements are not affected by one-time and non-operational items that can skew earnings results.

Peer Group: Ford classifies each company in our coverage universe into one of 232 peer group categories based on industry group, products or services offered, annual sales level and market capitalization. Peer groups, which are made up of between 3 and 8 companies, are a useful point of industry reference and a source for alternative ideas within an industry.

Quality Rating: Quality Rating is based on factors that indicate a company's overall financial strength and earnings predictability. Each company in the Ford database is assigned a quality rating ranging from A+ to C- based on size, debt level, earnings history and industry stability. High quality stocks tend to have higher average market capitalizations and annual sales, as well as lower average levels of debt as a percent of equity and lower earnings variability. High quality stocks also tend to have lower standard deviations of annual returns. Accordingly, a firm's quality rating may be used to gauge the risk associated with a particular stock. The Quality Rating letter grades are translated into the following categories: A- and higher are High Quality; B and B+ are Good Quality; B- is Average Quality; C+ is Low Quality; C and lower are Very Poor Quality.

Valuation Band: The Ford Valuation Band chart shows the price performance of the stock over the past 5 year period in relation to its historical price/earnings valuation range. The red and green lines indicate the highest and lowest P/E, respectively, in the past 5 years multiplied by trailing 12-month operating earnings per share at the plotted point. The end point prices shows the current share price (in black) along with the potential high price based on the highest realized P/E in the past 5 years (in red), potential low price based on lowest realized P/E in the past 5 years (in green), and trailing 10-month average price (in yellow).

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