

Fiscal First Quarter 2024 Financial Results

Forward Looking Statements

SAFE HARBOR

This presentation contains forward-looking statements within the meaning of federal securities laws, including statements regarding expectations for the company's business outlook and financial performance for the fiscal second quarter of 2024 and beyond; end-market performance; product developments, momentum and qualifications; the impact of the company's cost structure on earnings power; overall market conditions; and capital expenditure and allocation priorities. 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 from those expressed or implied in the forward-looking statements. The preliminary financial results for the company's fiscal first quarter ended September 29, 2023 included in this presentation represent the most current information available to management. Actual results when disclosed in the company's Form 10-Q may differ from these preliminary results as a result of the completion of the company's financial closing procedures; final adjustments; completion of the review by the company's independent registered accounting firm; and other developments that may arise between now and the filing of the company's Form 10-Q. Other key risks and uncertainties that could cause actual results to differ materially from those expressed or implied in the forward-looking statements include volatility in global economic conditions; future responses to and effects of global health crises; the impact of business and market conditions; the outcome and impact of the company's ongoing strategic review, including with respect to customer and supplier relationships, regulatory and contractual restrictions, stock price volatility and the diversion of management's attention from ongoing business operations and opportunities; the impact of competitive products and pricing; the company's development and introduction of products based on new technologies and expansion into new data storage markets; risks associated with cost saving initiatives, restructurings, acquisitions, divestitures, mergers, joint ventures and the company's strategic relationships; difficulties or delays in manufacturing or other supply chain disruptions; hiring and retention of key employees; the company's level of debt and other financial obligations; changes to the company's relationships with key customers; compromise, damage or interruption from cybersecurity incidents or other data system security risks; actions by competitors; the company's ability to achieve its GHG emissions reduction and other ESG goals; risks associated with compliance with changing legal and regulatory requirements and the outcome of legal proceedings; and other risks and uncertainties listed in the company's filings with the Securities and Exchange Commission (the "SEC"), including the company's Annual Report on Form 10-K filed with the SEC on August 22, 2023, to which your attention is directed. You should not place undue reliance on these forward-looking statements, which speak only as of the date hereof, and the company undertakes no obligation to update or revise these forward-looking statements to reflect new information or events, except as required by law.

This presentation includes references to Non-GAAP financial measures. Reconciliations of the differences between the Non-GAAP measures provided in this presentation to the comparable GAAP financial measures are included in the appendix and in the Investor Relations section of our website. We have not fully reconciled our Non-GAAP financial measure guidance to the most directly comparable GAAP measures because material items that impact these measures are not in our control and/or cannot be reasonably predicted. Accordingly, a full reconciliation of the Non-GAAP financial measure guidance to the corresponding GAAP measures is not available without unreasonable effort.

Fiscal First Quarter Executive Summary

Financial Results¹

- Revenue of \$ 2.75B
- Non-GAAP EPS of \$ (1.76)
- Non-GAAP gross margin of 4.1%
- Operating cash flow of \$ (626)M
- Free cash flow of \$ (544)M
- Cash and cash equivalents of \$ 2.0B

Corporate

- Efforts to bolster business agility, drive innovation, and right-size the business enabled us to capitalize on enhanced earnings power in an improving environment.
- Differentiated and innovative products across a broad range of end-markets resulted in sequential margin improvement across both flash and HDD businesses.

Flash

- Record bit shipments - increased 26% sequentially and 49% year-over-year.
- WD_BLACK bit shipments more than doubled and content per unit increased over 50% year-over-year.
- Ramping an array of client SSDs, based on BiCS6, to lead the industry transition to QLC in calendar year 2024.

Hard Drive

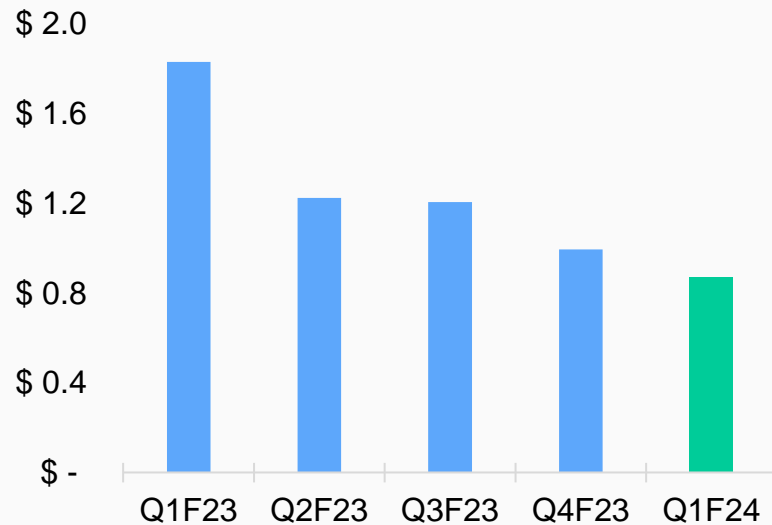
- 26-terabyte UltraSMR drive accounted for nearly half of nearline exabyte shipments.
- On track with the 28-terabyte UltraSMR drive qualification with a clear roadmap into the 40-terabyte range.

1. See Appendix for GAAP to non-GAAP Reconciliations.

Revenue Trends by End Market

Cloud

In billions



Revenue

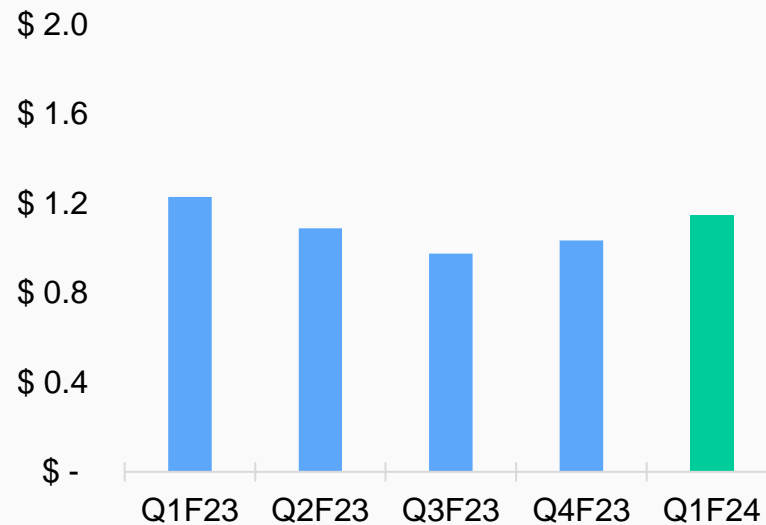
\$ 0.9 billion

Decreased 12% QoQ

Decreased 52% YoY

Client

In billions



Revenue

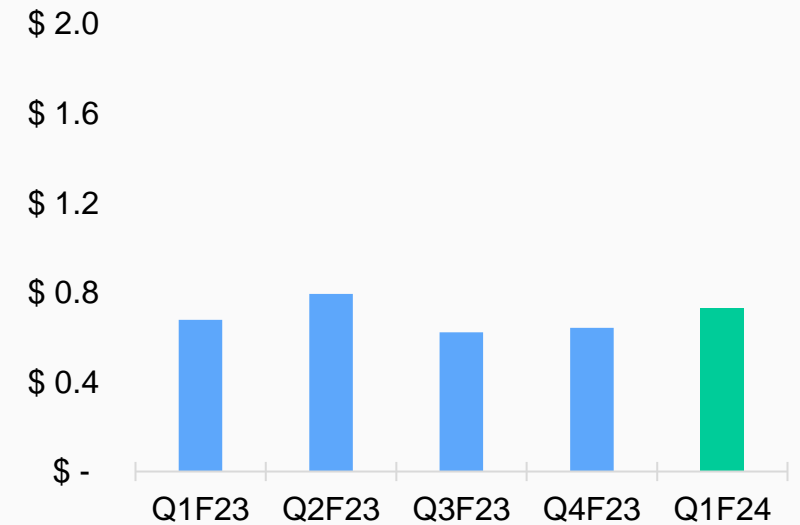
\$ 1.1 billion

Increased 11% QoQ

Decreased 7% YoY

Consumer

In billions



Revenue

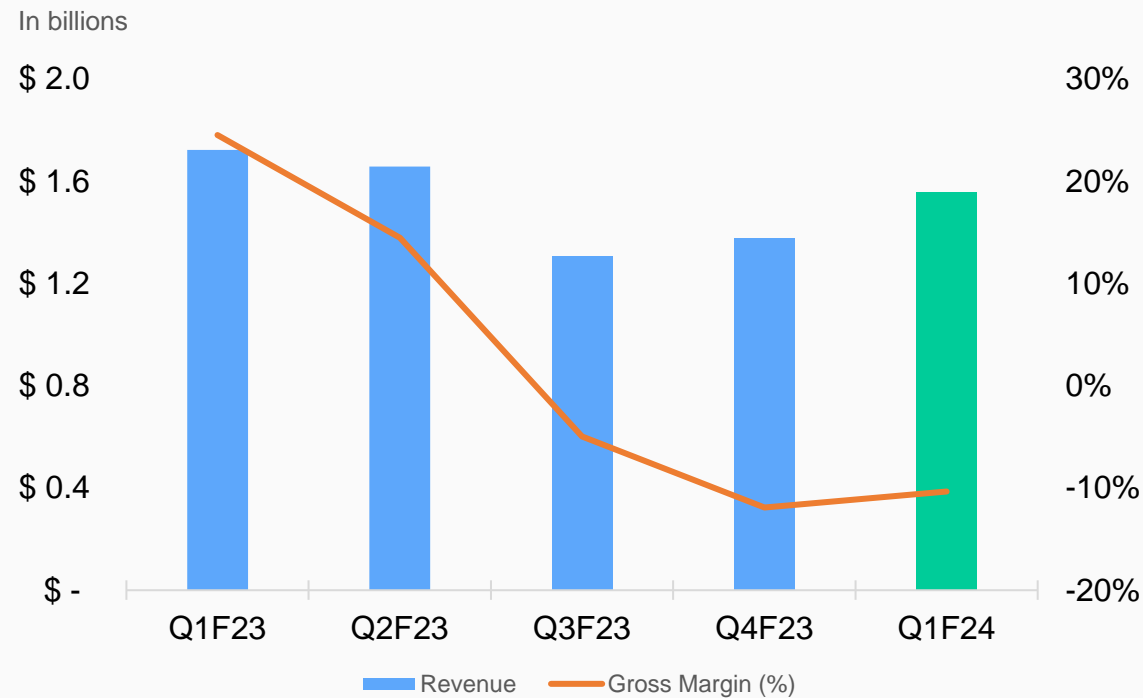
\$ 0.7 billion

Increased 14% QoQ

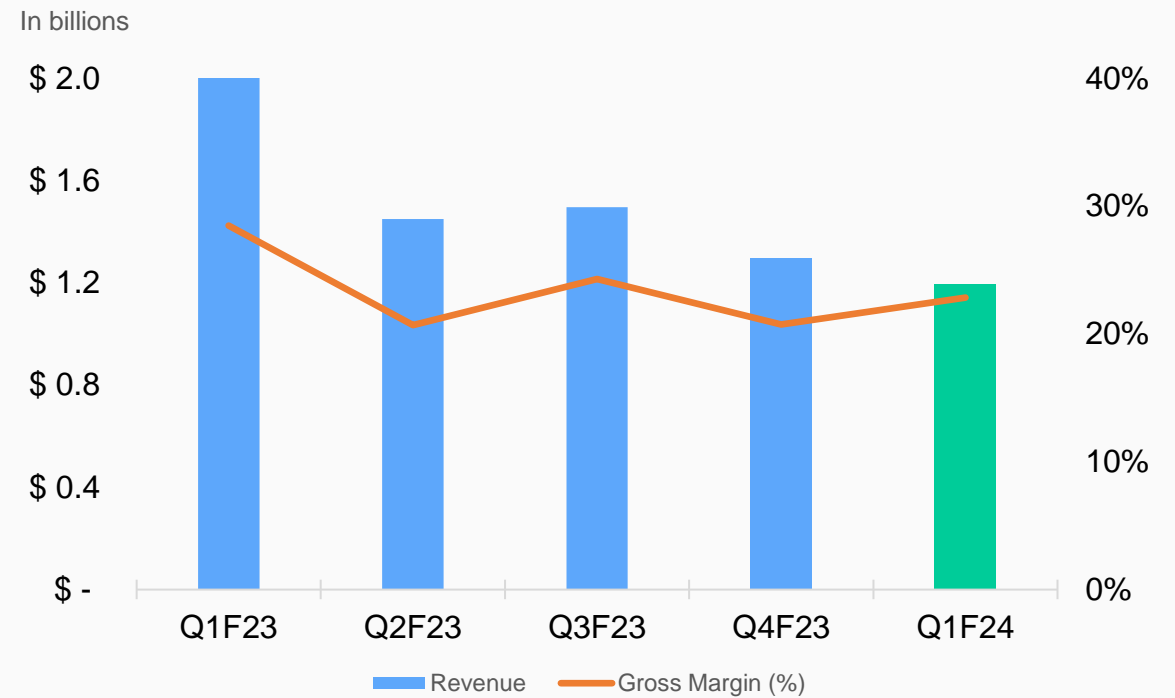
Increased 8% YoY

Flash and Hard Drive Metrics

Flash Revenue and Gross Margin



Hard Drive Revenue and Gross Margin



Flash

- Q1F24 Results**
- Bit shipments: increased 26% QoQ
 - ASP/Gigabyte:
 - Blended: decreased 10% QoQ
 - Like-for-like: decreased 4% QoQ

Hard Drive

- Q1F24 Results**
- Exabyte shipments: decreased 5% QoQ
 - ASP per drive: \$ 112

Non-GAAP Financial Results

(\$ in millions, except for EPS)

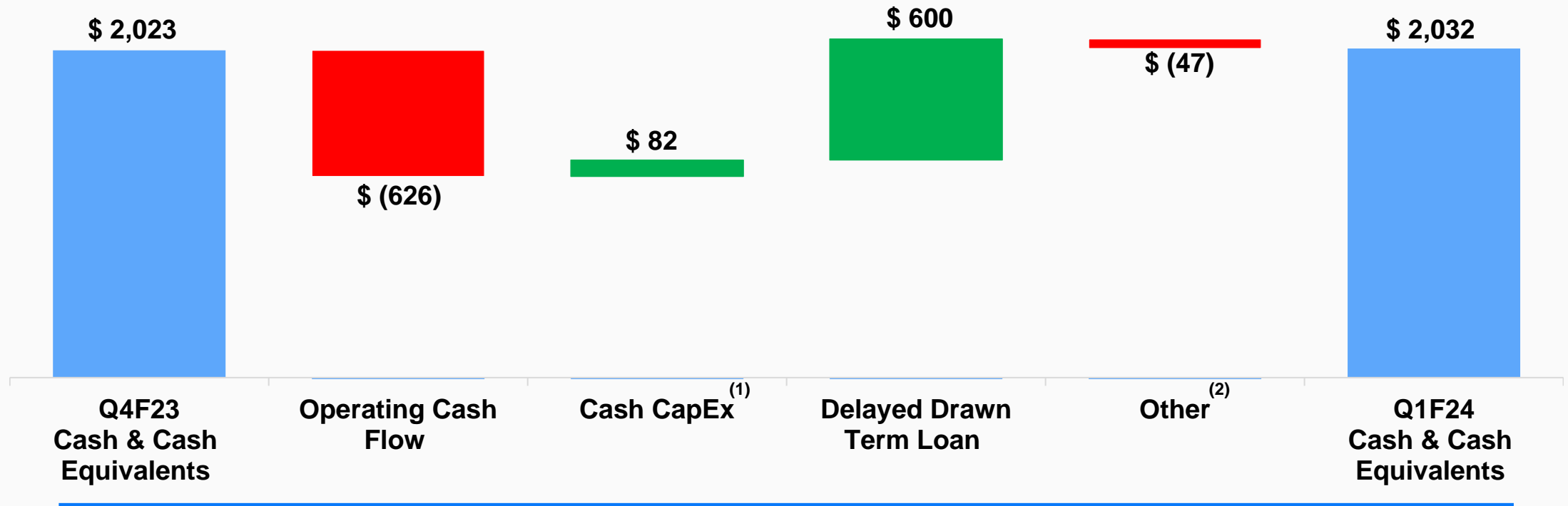
	Q1 2023	Q4 2023	Q1 2024	QoQ	YoY
Revenue	\$ 3,736	\$ 2,672	\$ 2,750	up 3%	down 26%
Gross Margin %	26.7%	3.9%	4.1%	up 0.2 ppt	down 22.6 ppt
Operating Expenses	\$ 689	\$ 582	\$ 555	down 5%	down 19%
Operating Income (Loss)	\$ 307	\$ (478)	\$ (443)	*	*
Interest and Other Expense, net	\$ 75	\$ 86	\$ 86	down 0%	up 15%
EPS – Diluted	\$ 0.20	\$ (1.98)	\$ (1.76)	*	*
Operating Cash Flow	\$ 6	\$ (68)	\$ (626)	*	*
Free Cash Flow	\$ (215)	\$ (219)	\$ (544)	*	*

See Appendix for GAAP to Non-GAAP Reconciliations.

* Not a meaningful figure

Cash Flow Walk

In millions



- Total liquidity was \$ 4.3 billion, including cash and cash equivalents of \$ 2.0 billion, undrawn revolver capacity of \$ 2.25 billion.

1. Cash Capital Expenditures includes purchases of property, plant and equipment, net, and notes receivable issuances to Flash Ventures, net.

2. Other primarily consists of employee stock plans, net and others.

Fiscal Second Quarter Guidance⁽¹⁾

	GAAP	Non-GAAP ⁽²⁾
Revenue (\$ B)	\$ 2.85 - \$ 3.05	\$ 2.85 - \$ 3.05
Gross Margin %	9.5% - 11.5%	10.0% - 12.0%
Operating Expenses (\$ M)	\$ 650 - \$ 670	\$ 560 - \$ 580
Interest and Other Expense, net (\$ M)	~\$ 105	~\$ 105
Income Tax Expense (\$ M)⁽³⁾	N/A	\$ 20 - \$ 30
Preferred Dividend (\$ M)	\$ 15	\$ 15
EPS - Diluted	N/A	\$ (1.35) - \$ (1.05)
Share Count - Diluted (in millions)	~325	~325

1. Guidance as shown is as of October 30, 2023.

2. Non-GAAP gross margin guidance excludes stock-based compensation expense of approximately \$ 10 million to \$ 15 million. The company's Non-GAAP operating expenses guidance excludes stock-based compensation expense, and expenses related to strategic review, totaling approximately \$ 85 million to \$ 95 million. In the aggregate, Non-GAAP diluted earnings per share guidance excludes these items totaling approximately \$ 95 million to \$ 110 million. The timing and amount of additional charges the company excludes from its Non-GAAP income tax expense and Non-GAAP diluted earnings per share are dependent on the timing and determination of certain actions and cannot be reasonably predicted. The timing and amount of these charges excluded from Non-GAAP gross margin, Non-GAAP operating expenses, and Non-GAAP diluted earnings per share cannot be further allocated or quantified with certainty. Accordingly, full reconciliations of Non-GAAP gross margin, Non-GAAP operating expenses, Non-GAAP income tax expense and Non-GAAP diluted earnings per share to the most directly comparable GAAP financial measures (GAAP gross profit, GAAP operating expenses, income tax expense and diluted earnings per share, respectively) are not available without unreasonable effort.

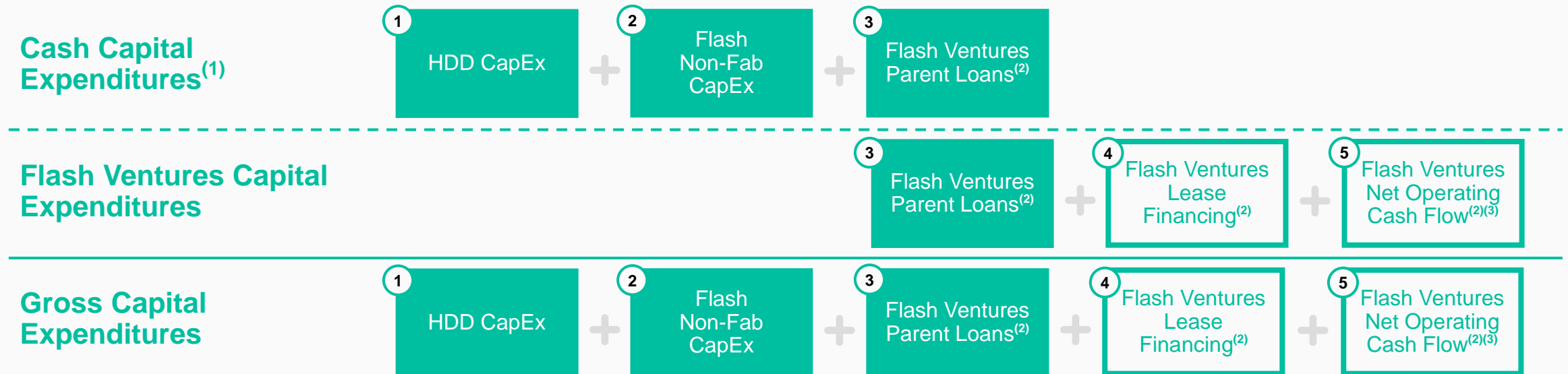
3. The Non-GAAP income tax expense is determined based on a percentage of Non-GAAP pre-tax income or loss. Our estimated Non-GAAP tax dollars may differ from our GAAP tax dollars (i) due to differences in the tax treatment of items excluded from our Non-GAAP net income or loss; (ii) the fact that our GAAP income tax expense or benefit recorded in any interim period is based on an estimated forecasted GAAP tax rate for the full year, excluding loss jurisdictions; and (iii) because our GAAP taxes recorded in any interim period are dependent on the timing and determination of certain GAAP operating expenses.

Joint Venture Operational Framework

For more information on Flash Ventures, please visit investor.wdc.com for a recently published Flash Ventures presentation.

Western Digital	Flash Ventures 49.9% Owned by Western Digital 50.1% Owned by Kioxia	KIOXIA
Co-develops flash (including process technology and memory design) with Kioxia and contributes IP for Flash Ventures' use	Owns and leases equipment for flash wafer production and R&D line	Co-develops flash (including process technology and memory design) with Western Digital and contributes IP for Flash Ventures' use
Performs integral manufacturing and R&D functions at Flash Ventures' manufacturing sites	Purchases wafers from Kioxia at cost under foundry agreements	Performs integral manufacturing and R&D functions at Flash Ventures' manufacturing sites
Purchases Flash Ventures' wafers at cost plus a small markup	Sells wafers to Western Digital and Kioxia at cost plus a small markup	Purchases Flash Ventures' wafers at cost plus a small markup
Pays Flash Ventures' expenses (including equipment depreciation and lease expense)	Charges expenses to Western Digital and Kioxia (including equipment depreciation and lease expense)	Pays Flash Ventures' expenses (including equipment depreciation and lease expense)
Funds Flash Ventures' equipment purchases (via loans, equity and lease guarantees) in excess of Flash Ventures' operating cash flow	Borrows from Western Digital and Kioxia for a portion of their equipment purchases	Funds Flash Ventures' equipment purchases (via loans, equity, and lease guarantees) in excess of Flash Ventures' operating cash flow
	Repays loans for equipment purchases using excess operating cash flow	Owns and operates cleanrooms Provides wafer manufacturing services to Flash Ventures at cost

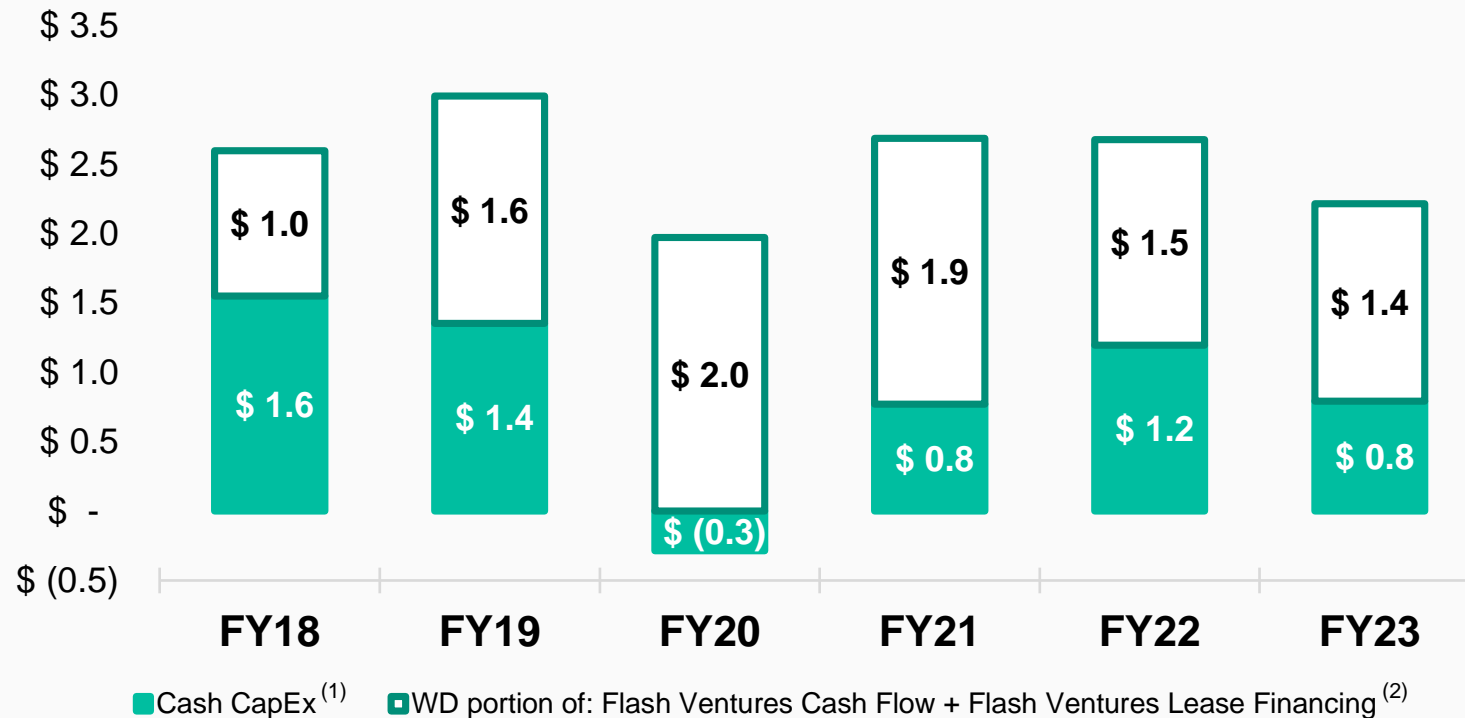
Capital Expenditure Framework



1. Cash Capital Expenditures includes purchases of property, plant and equipment, net, and notes receivable issuances to Flash Ventures, net.
2. Flash Ventures Parent Loans, Flash Ventures Lease Financing, and Flash Ventures Net Operating Cash Flow are comprised only of Western Digital's portions.
3. Flash Ventures Net Operating Cash Flow is primarily generated from equipment depreciation payments.

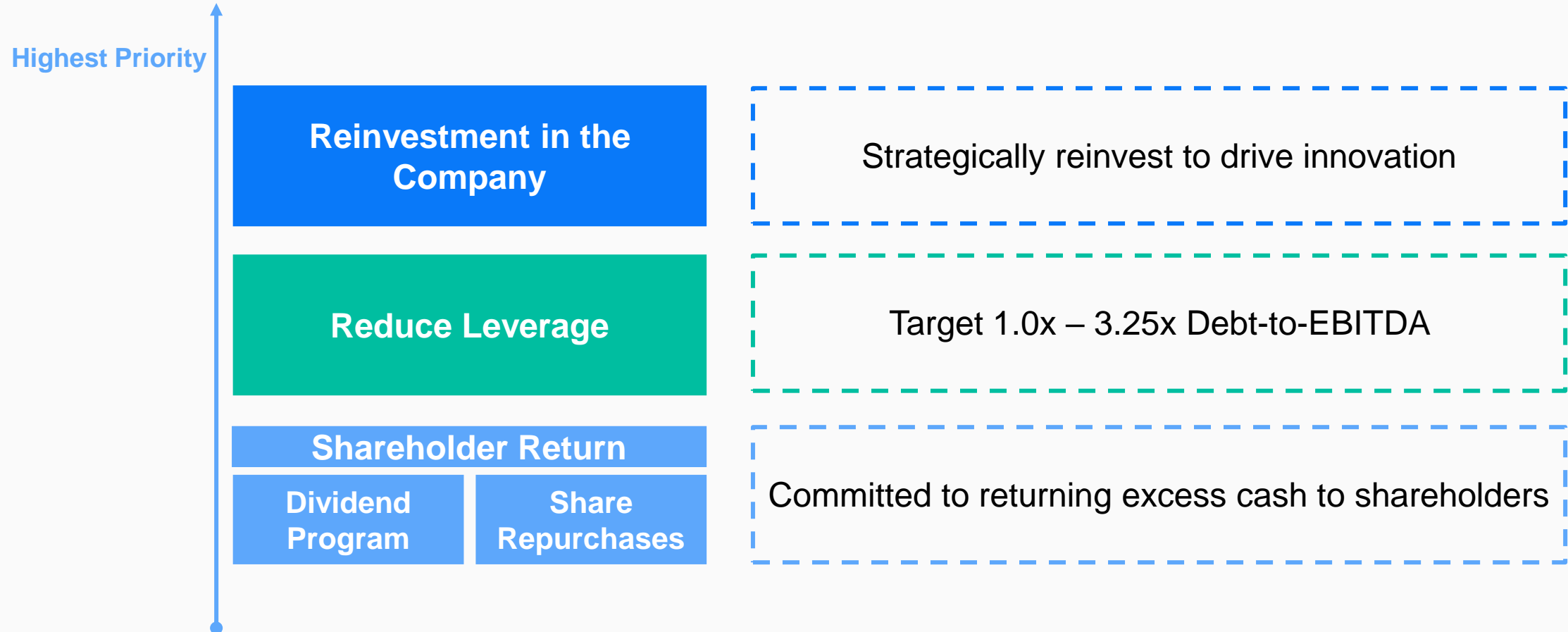
Gross Capital Expenditure Trends

In billions



1. Cash Capital Expenditures includes purchases of property, plant and equipment, net, and notes receivable issuances to Flash Ventures, net.
2. Flash Ventures Net Operating Cash Flow and Flash Ventures Lease Financing are comprised only of Western Digital's portions.

Capital Allocation Framework



Appendix



Quarterly Fact Sheet

In millions, except Average Selling Price (ASP), percentages, and working capital related metrics	Q1F23	Q2F23	Q3F23	Q4F23	Q1F24
Revenue by End Market⁽¹⁾					
Cloud	\$ 1,829	\$ 1,224	\$ 1,205	\$ 994	\$ 872
Client	1,229	1,089	975	1,035	1,147
Consumer	678	794	623	643	731
Total Revenue	\$ 3,736	\$ 3,107	\$ 2,803	\$ 2,672	\$ 2,750
Segment Results					
Flash Revenue	\$ 1,722	\$ 1,657	\$ 1,307	\$ 1,377	\$ 1,556
HDD Revenue	2,014	1,450	1,496	1,295	1,194
Total Revenue	\$ 3,736	\$ 3,107	\$ 2,803	\$ 2,672	\$ 2,750
Flash Gross Margin	24.5%	14.5%	(5.0%)	(11.9%)	(10.3%)
HDD Gross Margin	28.5%	20.7%	24.3%	20.7%	22.9%
Total Gross Margin for Segments ⁽²⁾	26.7%	17.4%	10.6%	3.9%	4.1%
Exabyte Metrics					
QoQ Change in Flash Exabytes Sold ⁽³⁾	(10%)	20%	(14%)	15%	26%
QoQ Change in HDD Exabytes Sold ⁽³⁾	1%	(35%)	15%	(18%)	(5%)
QoQ Change in Total Exabytes Sold ⁽³⁾	—%	(28%)	9%	(13%)	2%
Flash Metrics					
QoQ Change in ASP/Gigabytes ⁽³⁾	(22%)	(20%)	(10%)	(6%)	(10%)
HDD Metrics					
Cloud Units	8.6	5.5	6.3	5.8	5.3
Client Units	3.4	4.0	3.6	3.3	2.6
Consumer Units	2.7	3.4	2.7	2.7	2.5
Total HDD Units⁽⁴⁾	14.7	12.9	12.6	11.8	10.4
HDD ASP ⁽⁵⁾	\$ 125	\$ 99	\$ 109	\$ 99	\$ 112
Cash and Cash Equivalents	\$ 2,049	\$ 1,871	\$ 2,220	\$ 2,023	\$ 2,032
Cash Flows					
Cash Flows provided by (used in) Operating Activities	\$ 6	\$ 35	\$ (381)	\$ (68)	\$ (626)
Purchases of Property, Plant and Equipment, net	(320)	(258)	(110)	(119)	69
Activity Related to Flash Ventures, net	99	(17)	(36)	(32)	13
Free Cash Flow⁽⁶⁾	\$ (215)	\$ (240)	\$ (527)	\$ (219)	\$ (544)
Working Capital Related					
Days Sales Outstanding	59	56	52	54	48
Days Inventory Outstanding	128	133	144	130	120
Days Payables Outstanding	(65)	(55)	(57)	(56)	(54)
Cash Conversion Cycle	122	134	139	128	114

Quarterly Fact Sheet (continued)

FOOTNOTES

FORMULAS

Days Sales Outstanding (DSO) = Accounts Receivable / (Revenue / # of days in quarter)

Days Inventory Outstanding (DIO) = Inventories / (Cost of Revenue / # of days in quarter)

Days Payables Outstanding (DPO) = Accounts Payable (including Accounts Payable to Related Parties) / (Cost of Revenue / # of days in quarter)

Cash Conversion Cycle = DSO + DIO – DPO

FOOTNOTES

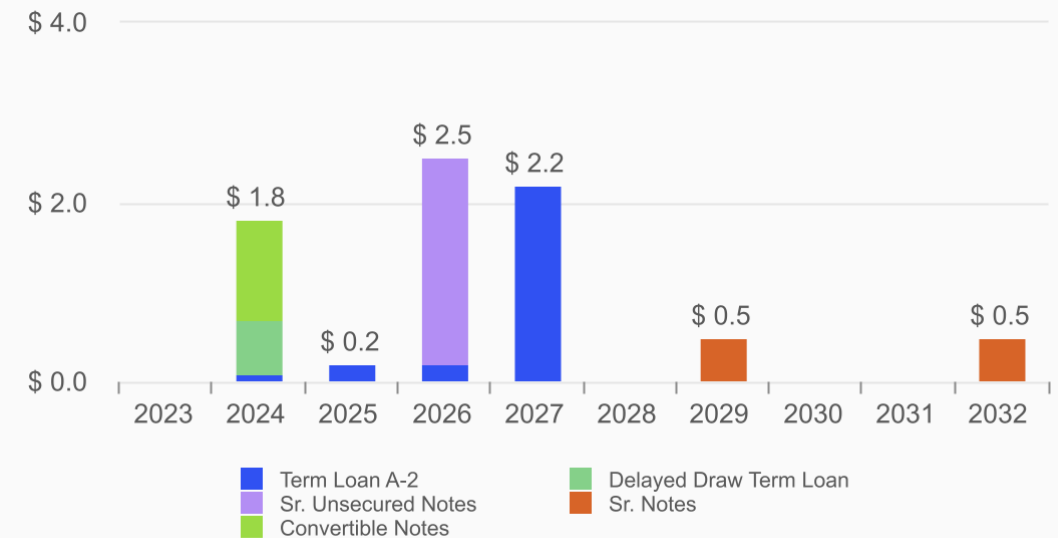
1. Cloud is primarily comprised of products sold for public or private cloud environments and enterprise customers. Client is primarily comprised of products sold directly to OEMs or via distribution. Consumer is primarily comprised of retail and other end-user products.
2. Total gross margin for segments is a Non-GAAP financial measure, which is also referred to herein as Non-GAAP gross margin. See Appendix for GAAP to Non-GAAP Reconciliations and Supplemental Operating Segment Results for further details.
3. Excludes licensing, royalties, and non-memory products.
4. HDD Unit volume excludes data storage systems and components.
5. HDD ASP is calculated by dividing HDD revenue by HDD units. Data storage systems are excluded from this calculation, as data storage systems ASP is measured on a per system basis rather than a per drive basis.
6. Free cash flow is defined as cash flows provided by operating activities less purchases of property, plant and equipment, net, and the activity related to Flash Ventures, net. The company considers free cash flow generated in any period to be a useful indicator of cash that is available for strategic opportunities including, among others, investing in the company's business, making strategic acquisitions, repaying debt and strengthening the balance sheet.

Debt Capital Structure

Current Cap Table

	Rate	All-in Rate ¹	Maturity	As of September 29, 2023 (in millions)
Convertible Debt Due 2024 ²	1.50%	1.50%	2/1/2024	\$ 1,100
Delayed Draw Term Loan	S+2.00% ⁵	7.42%	6/28/2024 ⁶	600
Sr. Unsecured Notes Due 2026 ³	4.75%	4.75%	2/15/2026	2,300
\$ 2.25B Revolver ⁴	S+1.375% ⁵	6.81%	1/7/2027 ⁶	—
Term Loan A-2	S+1.375% ⁵	6.81%	1/7/2027 ⁶	2,700
Sr. Notes Due 2029 ⁷	2.85%	2.85%	2/1/2029	500
Sr. Notes Due 2032 ⁷	3.10%	3.10%	2/1/2032	500
Total Debt		4.984%⁸		\$ 7,700

Debt Maturity Profile (in billions)



- All-in applicable rates as of September 29, 2023.
- Initial conversion price of \$ 121.91 per share. Notes became callable on February 5, 2021.
- Notes are callable beginning November 15, 2025.
- Revolver capacity: \$ 2.25 billion, none of which was drawn and outstanding as of September 29, 2023.
- S = Adjusted Term SOFR. Delayed Draw Term Loan, Term Loan A-2, and Revolver have a SOFR floor of 0 bps and Applicable spread over SOFR plus 0.10% based on credit ratings as of September 29, 2023.
- Delayed Draw Term Loan, Term Loan A-2, and Revolver will become due on November 2, 2023 if, as of that date, the company does not have Cash and cash equivalents plus available unused capacity under its credit facilities that exceed by \$ 1.4 billion the sum of the outstanding balance of the 1.50% convertible notes due 2024 plus the outstanding principal amount of any other debt due within 12 months.
- Sr. Notes Due 2029 are callable beginning December 1, 2028 and Sr. Notes Due 2032 are callable beginning November 1, 2031.
- Weighted average interest rate is based on principal balances outstanding as of September 29, 2023.

Credit Agreement Defined Leverage Ratio

In millions; unaudited; trailing 12 months	Q1F23	Q2F23	Q3F23	Q4F23	Q1F24
Net Income (Loss)	\$ 917	\$ (93)	\$ (690)	\$ (1,706)	\$ (2,418)
Income tax expense	586	565	371	146	92
Interest and other expense, net	268	251	246	275	287
Depreciation and amortization	895	867	864	828	759
EBITDA⁽¹⁾	\$ 2,666	\$ 1,590	\$ 791	\$ (457)	\$ (1,280)
Stock-based compensation expense	\$ 336	\$ 335	\$ 323	\$ 318	\$ 309
Contamination related charges	207	207	4	—	—
Employee termination, asset impairment and other	49	123	159	193	226
Strategic review	—	—	15	42	59
Recoveries from a power outage incident	(7)	(7)	—	—	—
Other	3	2	1	5	7
Adjusted EBITDA⁽²⁾⁽³⁾	\$ 3,254	\$ 2,250	\$ 1,293	\$ 101	\$ (679)
Total Debt⁽⁴⁾	\$ 7,100	\$ 7,100	\$ 7,100	\$ 7,100	\$ 7,700
Debt to Adjusted EBITDA	2.2X	3.2X	5.5X	70.3X	-11.3X
Flash Ventures equipment depreciation expenses	\$ 858	\$ 786	\$ 730	\$ 721	\$ 689
Other Credit Agreement Adjustments ⁽⁵⁾	2	292	504	758	\$ 860
Credit Agreement Defined Adjusted EBITDA⁽⁶⁾	\$ 4,114	\$ 3,328	\$ 2,527	\$ 1,580	\$ 870
Total Debt⁽⁴⁾	\$ 7,100	\$ 7,100	\$ 7,100	\$ 7,100	\$ 7,700
Credit Agreement Defined Leverage Ratio⁽⁷⁾⁽⁸⁾	1.7X	2.1X	2.8X	4.5X	8.9X

- EBITDA is defined as net income before income tax expense, interest and other expense, net, and depreciation and amortization.
- Adjusted EBITDA is defined as EBITDA (as defined above), adjusted to exclude certain expenses, gains and losses that the company believes are not indicative of its core operating results or because these exclusions are consistent with the financial models and estimates published by many analysts who follow the company and its peers. See the GAAP to Non-GAAP reconciliation slides within the Appendix for further details.
- Adjusted EBITDA is not intended to reflect measures used under the company's debt agreements.
- Total Debt is the total principal balance of debt outstanding as of the end of the applicable trailing 12-month period.
- Other Credit Agreement Adjustments includes deductions and addbacks for other income, expenses, and special charges, including underutilization charges and expected future cost savings from cost reduction initiatives in each case as provided under the company's credit agreement applicable to Term Loan A-2 and Revolver.
- Credit Agreement Defined Adjusted EBITDA is used to measure financial covenant compliance under the company's credit agreement applicable to Term Loan A-2 and Revolver.
- Credit Agreement Defined Leverage Ratio is calculated as Total Debt divided by Credit Agreement Defined Adjusted EBITDA and is the Leverage Ratio as defined in the company's credit agreement for purpose of the financial covenant applicable to Term Loan A-2 and Revolver.
- Leverage ratio requirement is not applicable for the first quarter of fiscal 2024.

GAAP to Non-GAAP Reconciliations

In millions; unaudited	Q1F23	Q4F23	Q1F24
GAAP Gross Profit	\$ 981	\$ 92	\$ 99
Stock-based compensation expense	14	11	13
Amortization of acquired intangible assets	1	(1)	—
Other	—	2	—
Non-GAAP Gross Profit	\$ 996	\$ 104	\$ 112
GAAP Operating Expenses	\$ 823	\$ 742	\$ 695
Stock-based compensation expense	(72)	(61)	(64)
Amortization of acquired intangible assets	(38)	(17)	—
Employee termination, asset impairment and other	(24)	(53)	(57)
Strategic review	—	(27)	(17)
Other	—	(2)	(2)
Non-GAAP Operating Expenses	\$ 689	\$ 582	\$ 555
GAAP Operating Income (Loss)	\$ 158	\$ (650)	\$ (596)
Gross profit adjustments	15	12	13
Operating expense adjustments	134	160	140
Non-GAAP Operating Income (Loss)	\$ 307	\$ (478)	\$ (443)
GAAP Interest and Other Expense, Net	\$ (74)	\$ (80)	\$ (86)
Other	(1)	(6)	—
Non-GAAP Interest and Other Expense, Net	\$ (75)	\$ (86)	\$ (86)

GAAP to Non-GAAP Reconciliations (cont'd)

In millions, except per share amounts; unaudited	Q1F23	Q4F23	Q1F24
GAAP Net Income (Loss)	\$ 27	\$ (715)	\$ (685)
Stock-based compensation expense	86	72	77
Amortization of acquired intangible assets	39	16	—
Employee termination, asset impairment and other	24	53	57
Strategic review	—	27	17
Other	(1)	(2)	2
Income tax adjustments	(111)	(72)	(22)
Non-GAAP Net Income (Loss)	64	(621)	(554)
Less: cumulative dividends allocated to preferred shareholders	—	15	15
Non-GAAP Net Income (Loss) attributable to common shareholders	\$ 64	\$ (636)	\$ (569)
Diluted Income (Loss) Per Common Share			
GAAP	\$ 0.08	\$ (2.27)	\$ (2.17)
Non-GAAP	\$ 0.20	\$ (1.98)	\$ (1.76)
Diluted Weighted Average Shares Outstanding			
GAAP	319	321	323
Non-GAAP	319	321	323

Supplemental Operating Segment Results

In millions, except percentages; unaudited	Q1F23	Q2F23	Q3F23	Q4F23	Q1F24
Net Revenue					
Flash	\$ 1,722	\$ 1,657	\$ 1,307	\$ 1,377	\$ 1,556
HDD	2,014	1,450	1,496	1,295	1,194
Total Net Revenue	\$ 3,736	\$ 3,107	\$ 2,803	\$ 2,672	\$ 2,750
Gross Profit By Segment					
Flash	\$ 422	\$ 240	\$ (65)	\$ (164)	\$ (161)
HDD	574	300	363	268	273
Total Gross Profit for Segments	\$ 996	\$ 540	\$ 298	\$ 104	\$ 112
Unallocated corporate items:					
Stock-based compensation expense	(14)	(12)	(12)	(11)	(13)
Amortization of acquired intangible assets	(1)	—	—	1	—
Other	—	—	—	(2)	—
Total unallocated corporate items	(15)	(12)	(12)	(12)	(13)
Consolidated Gross Profit	\$ 981	\$ 528	\$ 286	\$ 92	\$ 99
Gross Margin					
Flash ⁽¹⁾	24.5%	14.5%	(5.0%)	(11.9%)	(10.3%)
HDD ⁽²⁾	28.5%	20.7%	24.3%	20.7%	22.9%
Total gross margin for segments ⁽³⁾	26.7%	17.4%	10.6%	3.9%	4.1%
Consolidated total ⁽⁴⁾	26.3%	17.0%	10.2%	3.4%	3.6%

1. Flash gross margin is calculated by dividing Flash gross profit by Flash revenue.

2. HDD gross margin is calculated by dividing HDD gross profit by HDD revenue.

3. Total gross margin for segments is calculated by dividing total gross profit for segments by total revenue.

4. Consolidated total gross margin is calculated by dividing consolidated gross profit by total revenue.

Note: In the table above, Total gross profit for segments and Total gross margin for segments are Non-GAAP financial measures, which are also referred to herein as Non-GAAP gross profit and Non-GAAP gross margin, respectively.

GAAP to Non-GAAP Reconciliations

FOOTNOTES

This presentation contains the following financial measures that are not in accordance with U.S. generally accepted accounting principles (“GAAP”): Non-GAAP gross profit; Non-GAAP gross margin; Non-GAAP operating expenses; Non-GAAP operating income and loss; Non-GAAP interest and other expense, net; Non-GAAP net income and loss; Non-GAAP diluted income and loss per common share; Adjusted EBITDA; Credit Agreement Defined Adjusted EBITDA; and free cash flow (“Non-GAAP measures”). These Non-GAAP measures are not in accordance with, or an alternative for, measures prepared in accordance with GAAP and may be different from Non-GAAP measures used by other companies. The company believes the presentation of these Non-GAAP measures, when shown in conjunction with the corresponding GAAP measures, provides useful information to investors for measuring the company’s earnings performance and comparing it against prior periods. Specifically, the company believes these Non-GAAP measures provide useful information to both management and investors as they exclude certain expenses, gains and losses that the company believes are not indicative of its core operating results or because they are consistent with the financial models and estimates published by many analysts who follow the company and its peers. As discussed further below, these Non-GAAP measures exclude, as applicable, stock-based compensation expense, amortization of acquired intangible assets, employee termination, asset impairment and other, expenses related to our strategic review, other adjustments, and income tax adjustments, and the company believes these measures along with the related reconciliations to the GAAP measures provide additional detail and comparability for assessing the company’s results. EBITDA and adjusted EBITDA are not intended to reflect measures used under the company’s debt agreements. Credit Agreement Defined Adjusted EBITDA also is used to measure financial covenant compliance as defined under the company’s credit agreement applicable to Term Loan A-2 and Revolver and the company’s credit agreement applicable to the Delayed Draw Term Loan. These Non-GAAP measures are some of the primary indicators management uses for assessing the company’s performance and planning and forecasting future periods. These measures should be considered in addition to results prepared in accordance with GAAP, but should not be considered a substitute for, or superior to, GAAP results. As described above, the company excludes the following items from its Non-GAAP measures:

Stock-based compensation expense. Because of the variety of equity awards used by companies, the varying methodologies for determining stock-based compensation expense, the subjective assumptions involved in those determinations, and the volatility in valuations that can be driven by market conditions outside the company’s control, the company believes excluding stock-based compensation expense enhances the ability of management and investors to understand and assess the underlying performance of its business over time and compare it against the company’s peers, a majority of whom also exclude stock-based compensation expense from their Non-GAAP results.

Amortization of acquired intangible assets. The company incurs expenses from the amortization of acquired intangible assets over their economic lives. Such charges are significantly impacted by the timing and magnitude of the company’s acquisitions and any related impairment charges.

Employee termination, asset impairment and other. From time-to-time, in order to realign the company’s operations with anticipated market demand or to achieve cost synergies from the integration of acquisitions, the company may terminate employees and/or restructure its operations. From time-to-time, the company may also incur charges from the impairment of intangible assets and other long-lived assets. In addition, the company may record credits related to gains upon sale of property due to restructuring or reversals of charges recorded in prior periods. These charges or credits are inconsistent in amount and frequency, and the company believes they are not indicative of the underlying performance of its business.

Strategic review. The Company incurred expenses associated with its ongoing review of potential strategic alternatives aimed at further optimizing the long-term value for stockholders. The company believes these charges do not reflect the company’s operating results and that they are not indicative of the underlying performance of its business.

Other adjustments. From time-to-time, the company incurs charges or gains that the company believes are not a part of the ongoing operation of its business. The resulting expense or benefit is inconsistent in amount and frequency.

Income tax adjustments. Income tax adjustments include the difference between income taxes based on a forecasted annual Non-GAAP tax rate and a forecasted annual GAAP tax rate as a result of the timing of certain Non-GAAP pre-tax adjustments. The income tax adjustments also include adjustments to estimates related to the current status of the rules and regulations governing the transition to the Tax Cuts and Jobs Act and the re-measurement of certain unrecognized tax benefits primarily related to tax positions taken in prior quarters, including interest. These adjustments are excluded because the company believes that they are not indicative of the underlying performance of its ongoing business.

Additionally, free cash flow is defined as cash flows provided by (used in) operating activities less purchases of property, plant and equipment, net, and the activity related to Flash Ventures, net. The company considers free cash flow generated in any period to be a useful indicator of cash that is available for strategic opportunities including, among others, investing in the company’s business, making strategic acquisitions, repaying debt and strengthening the balance sheet.



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