Third Quarter of Fiscal 2020 Earnings Presentation

April 30, 2020

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Forward-Looking Statements

Safe Harbor | Disclaimers

This presentation contains forward-looking statements that involve risks and uncertainties, including, but not limited to, the company's preliminary financial results for its fiscal third quarter ended April 3, 2020; the company's business outlook for the fiscal fourth quarter of 2020; demand trends and market conditions; the company's dividend suspension and related plans; the company's product portfolio; customer acceptance of the company's products; and expected future financial performance. Forward-looking statements should not be read as a guarantee of future performance or results, and will not necessarily be accurate indications of the times at, or by, which such performance or results will be achieved, if at all. Forward-looking statements are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in or suggested by the forward-looking statements.

Key risks and uncertainties include future responses to and effects of the COVID-19 pandemic; volatility in global economic conditions; business conditions and growth in the storage ecosystem; impact of restructuring activities and cost saving initiatives; impact of competitive products and pricing; market acceptance and cost of commodity materials and specialized product components; actions by competitors; unexpected advances in competing technologies; our development and introduction of products based on new technologies and expansion into new data storage markets; risks associated with acquisitions, divestitures, mergers and joint ventures; difficulties or delays in manufacturing; the outcome of legal proceedings; and other risks and uncertainties listed in the company's filings with the Securities and Exchange Commission (the "SEC") and available on the SEC's website at www.sec.gov, including our most recently filed periodic report, to which your attention is directed. We do not undertake any obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future developments or otherwise, 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.

Executive Summary

Q3F20 RESULTS	• Net revenue of **$4.2 billion**, down 1% sequentially and up 14% from the prior year period • Non-GAAP diluted net earnings per share of **$0.85**, includes $13 million COVID-19 impact • Generated operating cash flow of $142 million and free cash flow of $176 million

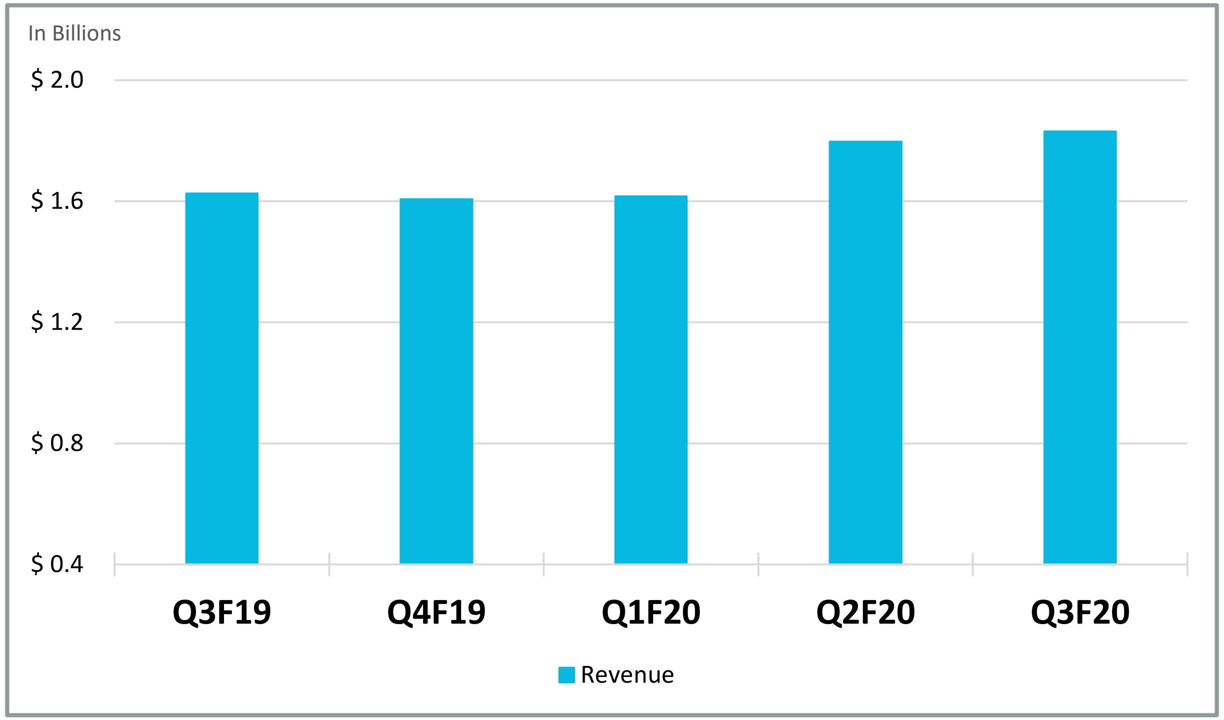
BUSINESS HIGHLIGHTS	• **Flash**
	  • Latest 96-layer NVMe based SSDs have completed more than 20 qualifications – with well over 100 in progress at multiple Cloud and OEM customers
	  • Record client SSD revenue
	• **Hard Drives**
	  • Recognized revenue shipments of 16- and 18-terabyte energy-assisted drives
	    • Customer interest in our 18-terabyte drive is very high
	  • Demand for our 14-terabyte drives continues to be strong

CAPITAL ALLOCATION	• Suspending dividend policy to strengthen our reinvestment in growth and innovation and to support ongoing deleveraging efforts
OUTLOOK	• Fourth quarter demand remains strong and we expect continued growth in revenue and profitability • Flash pricing continues to trend higher

For reconciliations of GAAP to Non-GAAP financial measures, see the Appendix.

Client Devices

End Market Trends



Revenue

$1.8 Billion

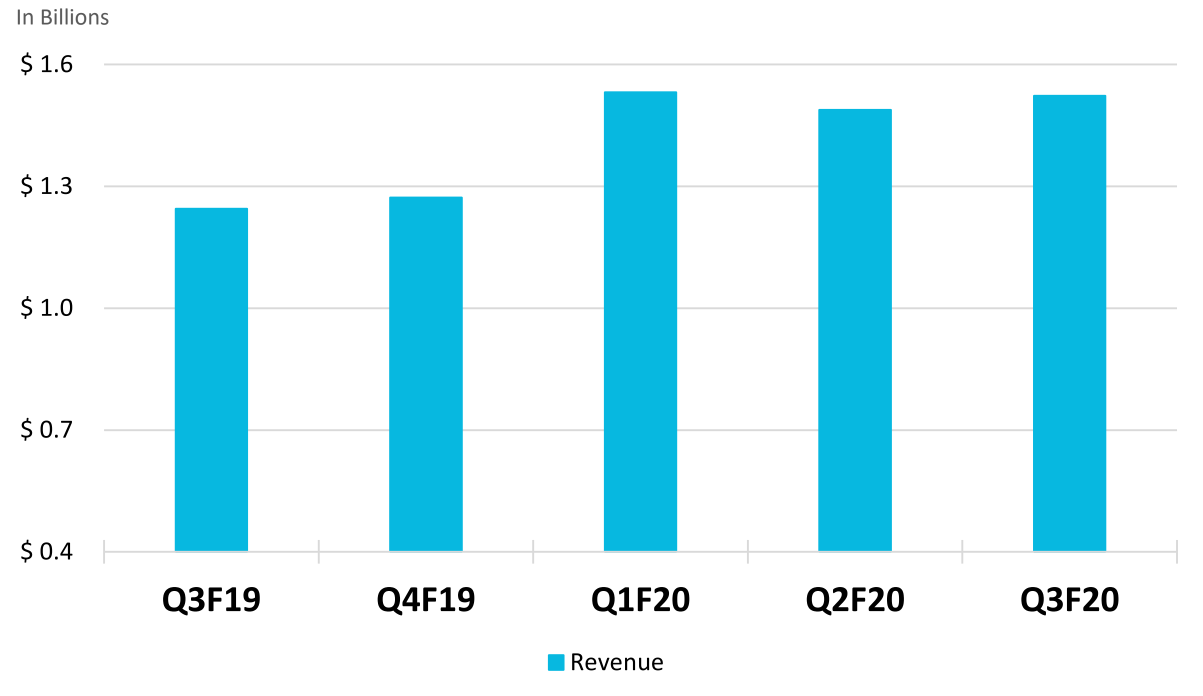
Revenue increased 2% sequentially and increased 13% from the prior year period

Key Takeaways

- Record client SSD revenue drove much of the sequential and year-over-year growth
- Flash pricing trending higher
- Strong demand for notebook solutions due to shift towards working from home and e-learning
- Weaker than expected demand in Smart Video due to COVID-19 related impacts

Data Center Devices and Solutions

End Market Trends



Revenue

$1.5 Billion

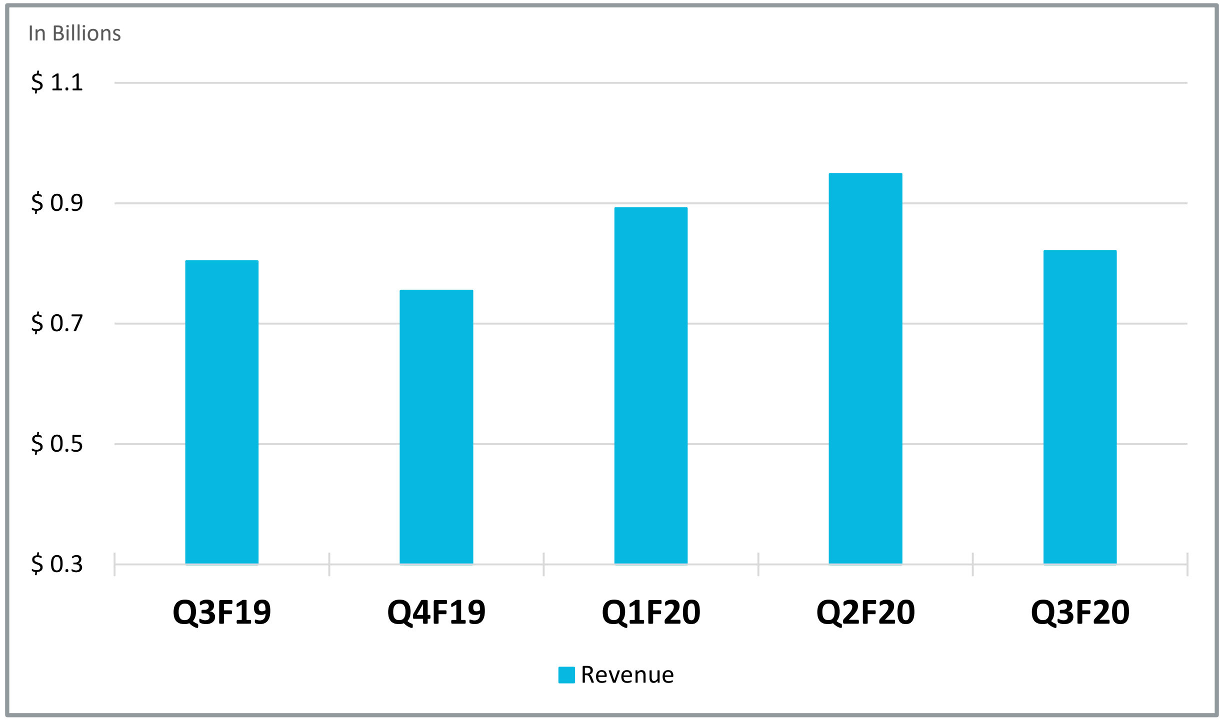
Revenue was up 2% sequentially and up 22% from the prior year period

Key Takeaways

- Enterprise SSDs gaining momentum; 96-layer NVMe based SSDs have completed over 20 customer qualifications and over 100 are in progress
- Strong demand for our 14-terabyte drive and industry experts expect this capacity point to continue as the leading drive at least through the third quarter of 2020
- Recognized revenue shipments of 16- and 18-terabyte energy assisted drives

Client Solutions

End Market Trends



Revenue

$0.8 Billion

Revenue decreased by 13% sequentially and increased 2% from the prior year period

Key Takeaways

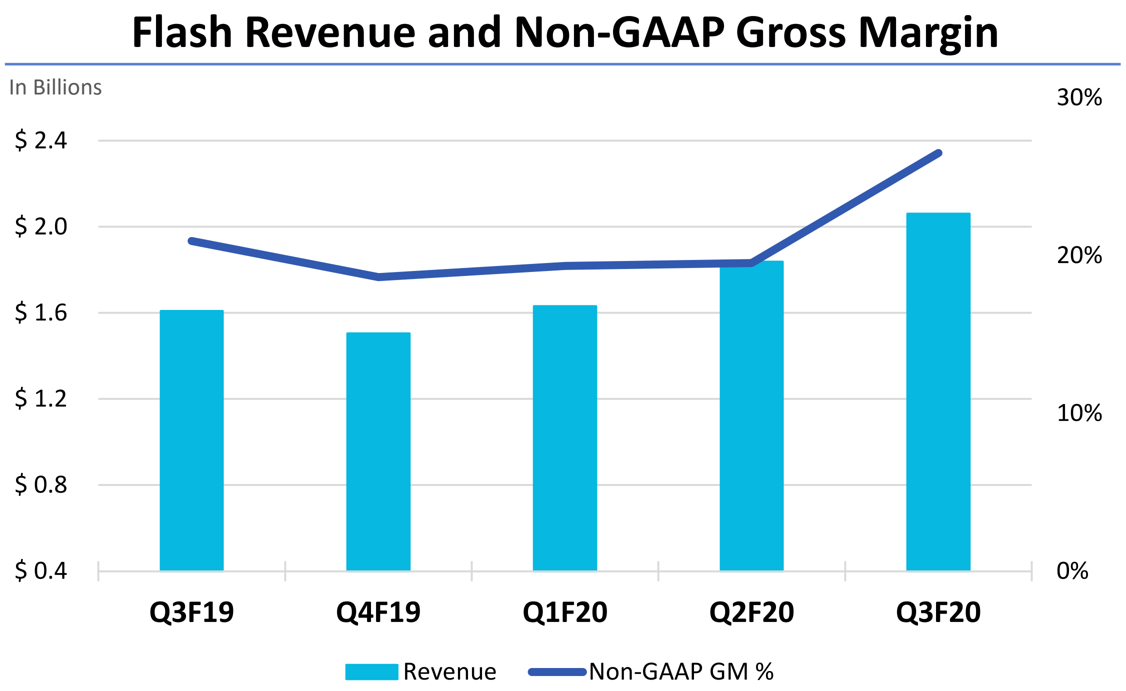
- Retail was affected by COVID-19, in a typically seasonally weaker quarter
- Brick and mortar operations were impacted due to COVID-19 related lockdowns
- Maintained premium brand position

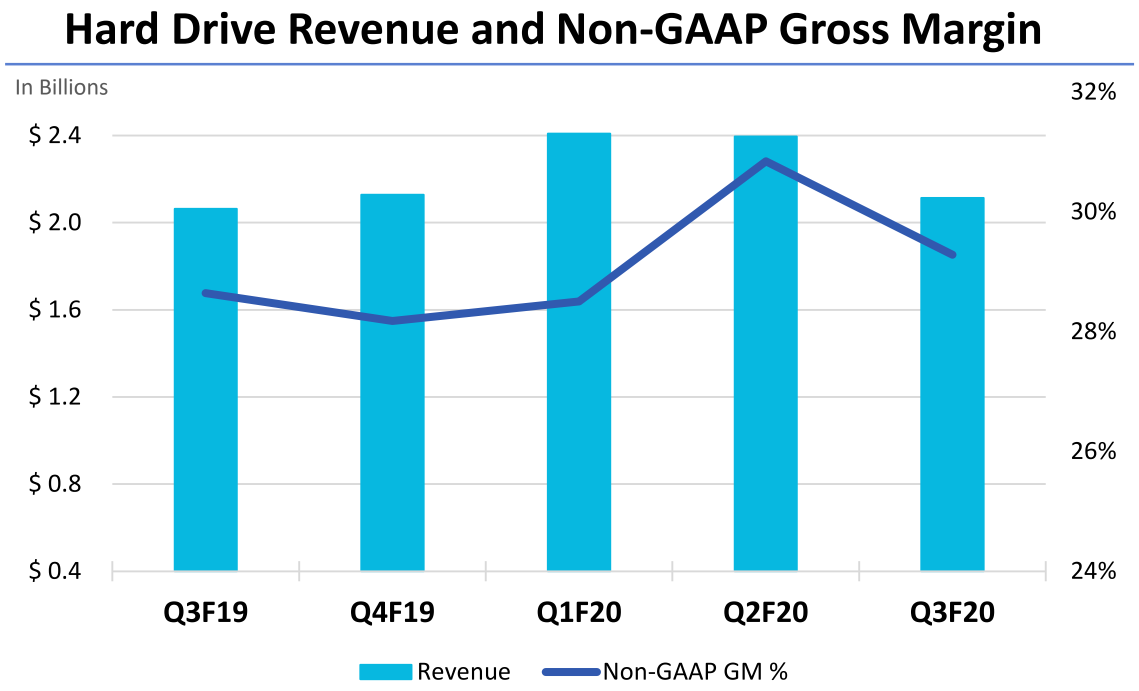
Non-GAAP Financial Results

In millions, except per share amounts	Q3F20	Q2F20	Q3F19	QoQ	YoY
Revenue	$4,175	$4,234	$3,674	($59)	$501
Gross Margin %	27.9%	25.9%	25.3%*	200 bps	260 bps
Operating Expenses	$738	$765	$742	($27)	($4)
Operating Income	$427	$333	$186	$94	$241
Interest and Other Expense, net	$91	$81	$88	$10	$3
EPS	$0.85	$0.62	$0.17*	$0.23	$0.68
Operating Cash Flow	$142	$257	$204	($115)	($62)
Free Cash Flow	$176	$377	($110)	($201)	$286

*Includes the impact associated with lower of cost or market inventory reserves of a 300 basis point reduction to gross margin and $0.37 reduction to non-GAAP EPS
For reconciliations of GAAP to Non-GAAP financial measures, see the Appendix and Quarterly Fact Sheet

Flash and Hard Drive Metrics





Flash

Q3F20 Results

- Bit shipments: up 7% QoQ
- ASP/Gigabyte: up 5% QoQ

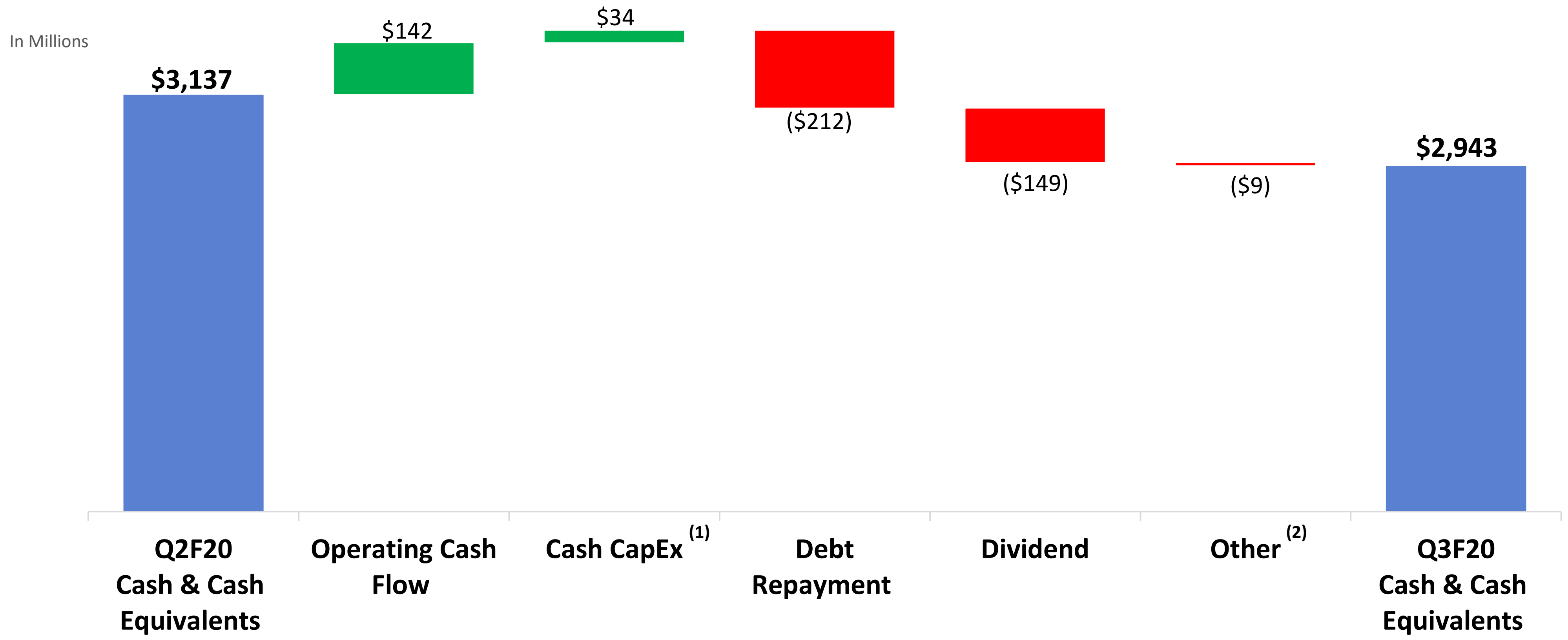
Hard Drive

Q3F20 Results

- Total exabyte shipments: down 6% QoQ
- ASP per drive: increased to $85 QoQ
- Capacity enterprise exabyte shipments: over 50% YoY growth

For reconciliations of GAAP to Non-GAAP financial measures, see the Appendix and Quarterly Fact Sheet.

Cash Flow Walk



- Debt repayment includes $150 million discretionary loan paydown
- Strong liquidity position of $5.2 billion, including $2.25 billion undrawn revolver

1. Cash CapEx includes purchases of property, plant and equipment, net, and the activity related to Flash Ventures, net.
2. Other primarily consists of employee stock plans, net.

Capital Expenditure Framework

Cash Capital Expenditures[A]

1 HDD CapEx + 2 Flash Non-Fab CapEx + 3 Flash JV Parent Loans[B] = FY20F: ~($0.2B)

Flash Joint Venture Capital Expenditures

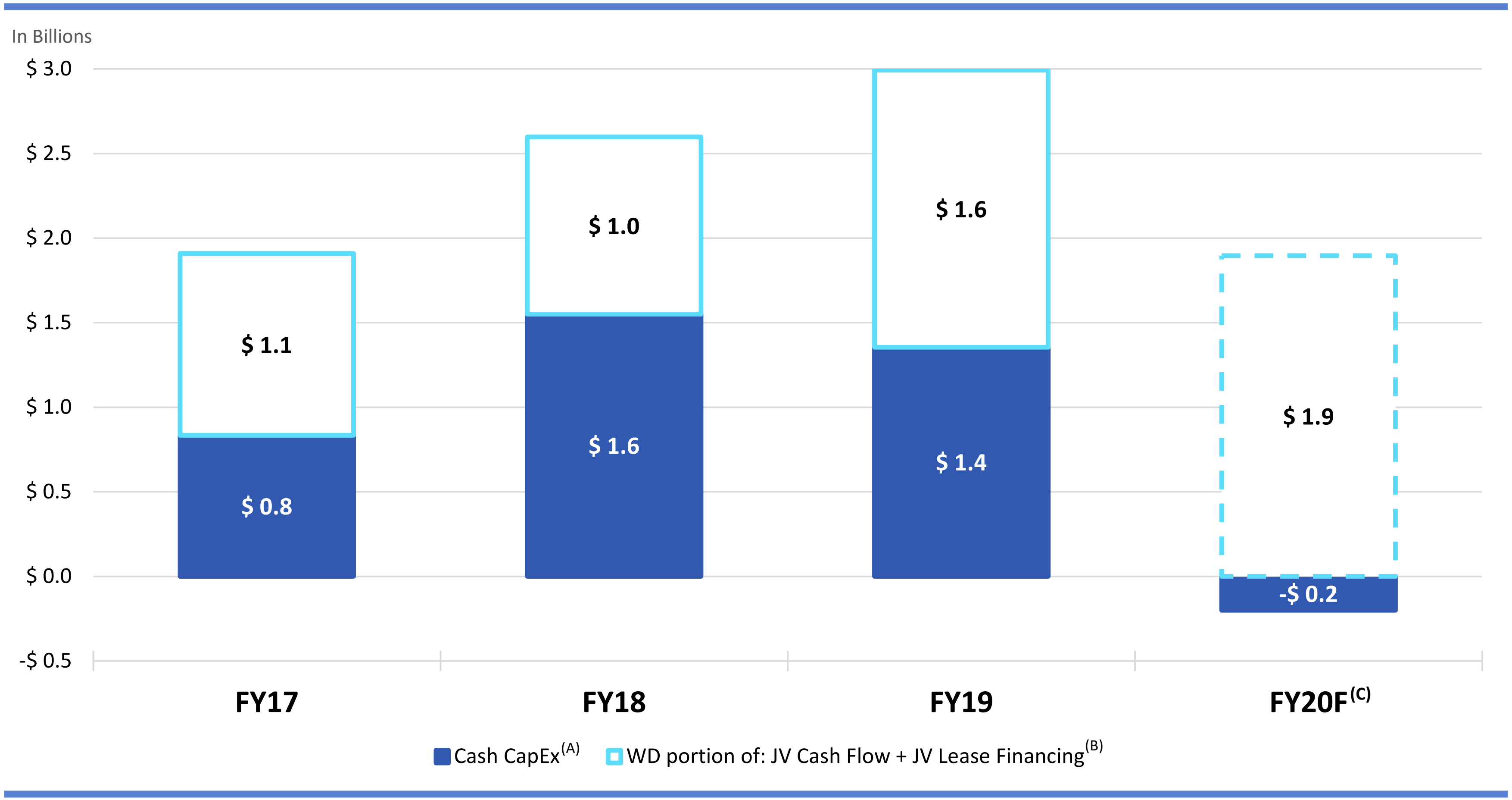
3 Flash JV Parent Loans[B] + 4 Flash JV Net Operating Cash Flow[B][C] + 5 Flash JV Lease Financing[B]

Gross Capital Expenditures

1 HDD CapEx + 2 Flash Non-Fab CapEx + 3 Flash JV Parent Loans[B] + 4 Flash JV Net Operating Cash Flow[B][C] + 5 Flash JV Lease Financing[B] = FY20F: ~$1.7B

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

Gross Capital Expenditure Trends



A. Cash Capital Expenditures includes purchases of property, plant and equipment, net, and the activity related to Flash Ventures, net, and notes receivable issuances to Flash JV, net.

B. Flash JV Net Operating Cash Flow and Flash JV Lease Financing are comprised only of Western Digital's portions.

C. FY20F: Gross Capital Expenditures of ~$1.7 billion, of which Cash Capital Expenditures = ~($0.2 billion).

Business Outlook

Q4F20 Guidance(1)

	GAAP (2)	NON-GAAP(2)
Revenue	\$4.25B - \$4.45B	\$4.25B - \$4.45B
Gross Margin	25% - 27%	29% - 31%
Operating Expenses	\$850M - \$870M	\$740M - \$760M
Interest and Other Expense, Net	\$85M - \$90M	\$75M - \$80M
Tax Rate	N/A	~ 24% - 25% (3)
EPS - Diluted	N/A	\$1.00 - \$1.40
Share Count - Diluted	~ 302M	~ 302M

1. Guidance as shown is as of April 30, 2020.
2. Non-GAAP gross margin guidance excludes amortization of acquired intangible assets, stock-based compensation expense, and charges related to cost saving initiatives totaling approximately \$150 million to \$170 million. The company's non-GAAP operating expenses guidance excludes amortization of acquired intangible assets; stock-based compensation expense; employee termination, asset impairment and other charges; and charges related to cost saving initiatives totaling approximately \$100 million to \$120 million. The company's non-GAAP interest and other expense guidance excludes approximately \$10 million of convertible debt activity. In the aggregate, non-GAAP diluted earnings per share guidance excludes these items totaling \$260 million to \$300 million. The timing and amount of these charges excluded from non-GAAP gross margin, non-GAAP operating expenses, non-GAAP interest and other expense, net and non-GAAP diluted earnings per share cannot be further allocated or quantified with certainty. Additionally, the timing and amount of additional charges the company excludes from its non-GAAP tax rate and non-GAAP diluted earnings per share are dependent on the timing and determination of certain actions and cannot be reasonably predicted. Accordingly, full reconciliations of non-GAAP gross margin, non-GAAP operating expenses, non-GAAP interest and other expense, non-GAAP tax rate and non-GAAP diluted earnings per share to the most directly comparable GAAP financial measures (gross margin, operating expenses, interest and other expense, tax rate and diluted earnings per share, respectively) are not available without unreasonable effort.
3. The non-GAAP tax rates provided are based on a percentage of non-GAAP pre-tax income.

Quarterly Fact Sheet

In millions, except Average Selling Price (ASP), Percentages, and working capital related metrics	Q3F19	Q4F19	Q1F20	Q2F20	Q3F20
REVENUE					
Client Devices[1]	$ 1,625	$ 1,606	$ 1,616	$ 1,797	$ 1,831
Client Solutions[1]	804	755	892	948	821
Data Center Devices & Solutions[1]	1,245	1,273	1,532	1,489	1,523
Total Revenue	**$ 3,674**	**$ 3,634**	**$ 4,040**	**$ 4,234**	**$ 4,175**
EXABYTE METRICS					
Q/Q Change in HDD Exabytes Sold[2]	13%	14%	23%	(1%)	(6%)
Q/Q Change in Flash Exabytes Sold[2]	(5%)	(1%)	9%	24%	7%
Q/Q Change in Total Exabytes Sold[2]	**11%**	**12%**	**22%**	**1%**	**(5%)**
TECHNOLOGY					
HDD Revenue	$ 2,064	$ 2,128	$ 2,408	$ 2,396	$ 2,114
Flash Revenue	$ 1,610	$ 1,506	$ 1,632	$ 1,838	$ 2,061
HDD Non-GAAP Gross Margin[3]	28.6%	28.1%	28.5%	30.8%	29.3%
Flash Non-GAAP Gross Margin[3]	20.9%	18.7%	19.3%	19.5%	26.5%
Total Non-GAAP Gross Margin[3]	25.3%	24.2%	24.8%	25.9%	27.9%
CASH					
Cash and Cash Equivalents	$ 3,682	$ 3,455	$ 3,248	$ 3,137	$ 2,943
Available-for-Sale (AFS) Securities	119	-	-	-	-
Total Cash, Cash Equivalents, and AFS Securities	**$ 3,801**	**$ 3,455**	**$ 3,248**	**$ 3,137**	**$ 2,943**
CASH FLOWS					
Cash Flows Provided by Operating Activities	$ 204	$ 169	$ 253	$ 257	$ 142
Purchases of Property, Plant and Equipment, net	(222)	(38)	(145)	(160)	(127)
Activity Related to Flash Ventures, net	(92)	(310)	186	280	161
Free Cash Flow[4]	**($ 110)**	**($ 179)**	**$ 294**	**$ 377**	**$ 176**
WORKING CAPITAL RELATED					
Days Sales Outstanding	30	30	35	38	43
Days Inventory Outstanding	101	94	98	86	89
Days Payables Outstanding	(55)	(54)	(67)	(58)	(63)
Cash Conversion Cycle	**76**	**70**	**66**	**66**	**69**
FLASH METRICS					
Q/Q Change in ASP/Gigabytes[2]	(23%)	(6%)	0%	(8%)	5%
HDD METRICS					
Client Compute Units[5]	12.9	12.3	12.9	11.8	9.1
Non-Compute Units[6]	9.3	9.2	8.9	10.3	8.0
Data Center Units[7]	5.6	6.2	7.5	7.1	7.3
Total HDD Units[8]	**27.8**	**27.7**	**29.3**	**29.2**	**24.4**
HDD ASP[9]	**$ 73**	**$ 75**	**$ 81**	**$ 81**	**$ 85**

Quarterly Fact Sheet 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. Client Devices is comprised of notebook and desktop HDD, consumer electronics HDD, client SSD, embedded, wafer sales and licensing and royalties. Client Solutions is comprised of branded HDD, branded flash, removables and licensing and royalties. Data Center Devices and Solutions is comprised of enterprise HDD, enterprise SSD, data center software, data center solutions and licensing and royalties.
2. Excludes licensing, royalties, and non-memory products.
3. Refer to the GAAP to non-GAAP reconciliation slides within the Appendix for further details.
4. Free cash flow is a non-GAAP financial measure defined as cash flows provided by operating activities less purchases of property, plant and equipment, net of proceeds from sales of property, plant and equipment, and the activity related to Flash Ventures, net. We consider free cash flow to be useful as an indicator of our overall liquidity, as the amount of free cash flow generated in any period is representative of cash that is available for strategic opportunities or other business purposes including, among others, investing in the company's business, making strategic acquisitions, strengthening the balance sheet, repaying debt, and repurchasing stock. Free cash flow is not an alternative for measures prepared in accordance with GAAP and may be different from non-GAAP free cash flow measures used by other companies.
5. Client compute products consist primarily of desktop and notebook HDDs, excluding those sold through retail channels.
6. Non-compute products consist of retail channel and consumer electronics HDDs.
7. Data center products consist of enterprise HDDs (high-capacity and performance) and enterprise systems.
8. HDD Unit volume excludes data storage systems and media.
9. 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.

Debt Tranches and Interest Rates

Debt	Base Rate	Maturity	Principal Balance Outstanding as of Q3F20 (in millions)	Applicable Rates[A]
Convertible Debt Due 2020[B]	0.500%	October 15, 2020	$ 35	0.500%
Revolver drawn[C, D]	L+150	February 27, 2023	0	2.516%
Term Loan A-1[D]	L+150	February 27, 2023	4,645	3.029%[E]
Term Loan B-4[D]	L+175	April 29, 2023	1,694	2.766%
Convertible Debt Due 2024[F]	1.500%	February 1, 2024	1,100	1.500%
Sr. Unsecured Notes Due 2026[G]	4.750%	February 15, 2026	2,300	4.750%
TOTAL			$ 9,774	3.207%[H]
Adjusted EBITDA[I]			$ 1,965	
Debt-to-EBITDA Ratio			5.0x	

A. All-in applicable rates as of April 3, 2020. Applicable spread for Term Loan A-1 and Revolver over LIBOR based on credit ratings as of April 3, 2020.

B. Debt assumed in connection with the acquisition of SanDisk Corporation in May 2016.

C. Revolver capacity: $2.25 billion, none of which was drawn as of April 3, 2020.

D. Term Loan A-1, Term Loan B-4, and Revolver have a LIBOR floor of 0bps.

E. Reflects impact of the interest rate swaps that effectively fix LIBOR on $2 billion of floating-rate debt at 2.21% through May 2020 and 2.60% through February 2023.

F. Initial conversion price of $121.91 per share. Notes are callable beginning February 5, 2021.

G. Notes are callable beginning November 15, 2025.

H. Weighted average interest rate, including impact of interest rate swaps, based on principal balances outstanding as of April 3, 2020.

I. Adjusted EBITDA is not intended to reflect measures used under the company's debt agreements. See the Appendix for further details and a reconciliation of adjusted EBITDA to net income.

Western Digital

Appendix

GAAP to Non-GAAP Reconciliation

In millions; unaudited	Q3F19	Q2F20	Q3F20
GAAP GROSS PROFIT	**$ 579**	**$ 935**	**$ 1,005**
Amortization of acquired intangible assets	188	157	145
Stock-based compensation expense	13	13	13
Charges related to cost saving initiatives	-	1	2
Manufacturing underutilization charges	148	-	-
Other	-	(8)	-
NON-GAAP GROSS PROFIT	**$ 928**	**$ 1,098**	**$ 1,165**
GAAP OPERATING EXPENSES	**$ 973**	**$ 885**	**$ 852**
Amortization of acquired intangible assets	(41)	(39)	(40)
Stock-based compensation expense	(71)	(64)	(65)
Employee termination, asset impairment and other charges	(76)	(9)	(8)
Charges related to acquisitions and dispositions	-	(2)	(2)
Charges related to cost saving initiatives	(3)	(6)	1
Other	(40)	-	-
NON-GAAP OPERATING EXPENSES	**$ 742**	**$ 765**	**$ 738**
GAAP OPERATING INCOME (LOSS)	**($ 394)**	**$ 50**	**$ 153**
Gross profit adjustments	349	163	160
Operating expense adjustments	231	120	114
NON-GAAP OPERATING INCOME	**$ 186**	**$ 333**	**$ 427**
GAAP INTEREST AND OTHER EXPENSE, NET	**($ 83)**	**($ 90)**	**($ 107)**
Convertible debt activity	7	7	7
Other	(12)	2	9
NON-GAAP INTEREST AND OTHER EXPENSE, NET	**($ 88)**	**($ 81)**	**($ 91)**

GAAP to Non-GAAP Reconciliation

In millions, except per share amounts; unaudited	Q3F19	Q2F20	Q3F20
GAAP NET INCOME (LOSS)	**($ 581)**	**($ 139)**	**17**
Amortization of acquired intangible assets	229	196	185
Stock-based compensation expense	84	77	78
Employee termination, asset impairment and other charges	76	9	8
Charges related to acquisitions and dispositions	-	2	2
Charges related to cost saving initiatives	3	7	1
Manufacturing underutilization charges	148	-	-
Convertible debt activity	7	7	7
Other	28	(6)	9
Income tax adjustments	55	34	(50)
NON-GAAP NET INCOME	**$ 49**	**$ 187**	**$ 257**
DILUTED INCOME (LOSS) PER COMMON SHARE			
GAAP	($ 1.99)	($ 0.47)	$ 0.06
Non-GAAP	$ 0.17	$ 0.62	$ 0.85
DILUTED WEIGHTED AVERAGE SHARES OUTSTANDING			
GAAP	292	298	299
Non-GAAP	294	300	303

GAAP to Non-GAAP Reconciliation

In millions, except percentages; unaudited	Q3F19	Q4F19	Q1F20	Q2F20	Q3F20
GROSS PROFIT	$ 579	$ 465	$ 758	$ 935	$ 1,005
Amortization of acquired intangible assets	188	166	164	157	145
Stock-based compensation expense	13	11	12	13	13
Charges related to cost saving initiatives	-	4	-	1	2
Manufacturing underutilization charges	148	67	-	-	-
Power outage charges	-	145	68	-	-
Other	-	22	-	(8)	-
NON-GAAP GROSS PROFIT	**$ 928**	**$ 880**	**$ 1,002**	**$ 1,098**	**$ 1,165**
BREAKDOWN OF NON-GAAP GROSS PROFIT BY PRODUCT					
HDD	$ 591	$ 599	$ 687	$ 739	$ 619
Flash	337	281	315	359	546
TOTAL NON-GAAP GROSS PROFIT	**$ 928**	**$ 880**	**$ 1,002**	**$ 1,098**	**$ 1,165**
BREAKDOWN OF REVENUE BY PRODUCT					
HDD Revenue	$ 2,064	$ 2,128	$ 2,408	$ 2,396	$ 2,114
Flash Revenue	1,610	1,506	1,632	1,838	2,061
TOTAL REVENUE	**$ 3,674**	**$ 3,634**	**$ 4,040**	**$ 4,234**	**$ 4,175**
Consolidated GAAP gross margin[1]	15.8%	12.8%	18.8%	22.1%	24.1%
Consolidated non-GAAP gross margin[2]	25.3%	24.2%	24.8%	25.9%	27.9%
Non-GAAP HDD gross margin[3]	28.6%	28.1%	28.5%	30.8%	29.3%
Non-GAAP Flash gross margin[4]	20.9%	18.7%	19.3%	19.5%	26.5%

1. Consolidated GAAP gross margin is calculated by dividing gross profit by total revenue.
2. Consolidated non-GAAP gross margin is calculated by dividing total non-GAAP gross profit by total revenue.
3. Non-GAAP HDD gross margin is calculated by dividing the portion of non-GAAP gross profit relating to the Company’s HDD products by HDD revenue.
4. Non-GAAP Flash gross margin is calculated by dividing the portion of non-GAAP gross profit relating to the Company’s Flash products by Flash revenue.

Net Income to Adjusted EBITDA Reconciliation

In millions; unaudited	Q3F19	Q4F19	Q1F20	Q2F20	Q3F20	Trailing 12 months Q3F20
NET INCOME (LOSS)	($ 581)	($ 197)	($ 276)	($ 139)	$ 17	($ 595)
Income tax expense	104	(277)	39	99	29	(110)
Interest and other expense, net	83	93	108	90	107	398
Depreciation and amortization	444	416	406	399	384	1,605
EBITDA[1]	**$ 50**	**$ 35**	**$ 277**	**$ 449**	**$ 537**	**$1,298**
Stock-based compensation expense	$ 84	$ 64	$ 77	$ 77	$ 78	$ 296
Employee termination, asset impairment and other charges	76	24	8	9	8	49
Charges related to acquisitions and dispositions	0	0	5	2	2	9
Charges related to cost saving initiatives	3	7	1	7	1	16
Manufacturing underutilization charges	148	67	0	0	0	67
Power outage charges	0	145	68	0	0	213
Other	40	25	0	(8)	0	17
ADJUSTED EBITDA[2,3]	**$ 401**	**$ 367**	**$ 436**	**$ 536**	**$ 626**	**$ 1,965**

1. EBITDA is defined as net income (loss) before income tax expense, interest and other expense, net, and depreciation and amortization.
2. 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 Footnotes for GAAP to Non-GAAP Reconciliation.
3. Adjusted EBITDA is not intended to reflect measures used under the company's debt agreements.

Footnotes for GAAP to Non-GAAP Reconciliation

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; non-GAAP interest and other expense, net; non-GAAP net income; adjusted EBITDA and non-GAAP diluted income per common share ("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 the amortization of acquired intangible assets, stock-based compensation expense, employee termination, asset impairment and other charges, charges related to acquisitions and dispositions, charges related to cost saving initiatives, manufacturing underutilization charges, convertible debt activity, 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. 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:

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.

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 from their Non-GAAP results.

Employee termination, asset impairment and other charges. 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. These charges (including any reversals of charges recorded in prior periods) are inconsistent in amount and frequency, and the company believes are not indicative of the underlying performance of its business.

Charges related to acquisitions and dispositions. In connection with the company's business combinations or dispositions, the company incurs expenses which it would not have otherwise incurred as part of its business operations. These expenses include third-party professional service and legal fees, third-party integration services, severance costs, non-cash adjustments to the fair value of acquired inventory, contract termination costs, and retention bonuses. The company may also experience other accounting impacts in connection with these transactions. These charges and impacts are related to acquisitions and dispositions, are inconsistent in amount and frequency, and the company believes are not indicative of the underlying performance of its business.

Charges related to cost saving initiatives. In connection with the transformation of the company's business, the company has incurred charges related to cost saving initiatives which do not qualify for special accounting treatment as exit or disposal activities. These charges, which the company believes are not indicative of the underlying performance of its business, primarily relate to costs associated with rationalizing the company's channel partners or vendors, transforming the company's information systems infrastructure, integrating the company's product roadmap, and accelerated depreciation of assets.

Manufacturing underutilization charges. In response to flash business conditions, the company temporarily reduced its wafer starts during fiscal 2019 at its flash-based memory manufacturing facilities operated through its strategic partnership with Kioxia Corporation. The temporary abnormal reduction in output resulted in flash manufacturing underutilization charges which were expensed as incurred. These charges are consistent in amount and frequency, and the company believes these charges are not part of the ongoing operation of its business.

Power outage charges. In June 2019, an unexpected power outage incident occurred at the flash-based memory manufacturing facilities operated through the company's strategic partnership with Kioxia Corporation in Yokkaichi, Japan. The power outage incident resulted in the write-off of damaged inventory and unabsorbed manufacturing overhead costs which are expensed as incurred. These charges are inconsistent in amount and frequency, and the company believes these charges are not part of the ongoing production operation of its business.

Convertible debt activity. The company excludes non-cash economic interest expense associated with its convertible notes. These charges do not reflect the company's operating results, and the company believes are not indicative of the underlying performance of its business.

Other adjustments. From time-to-time, the company sells or impairs investments or other assets which are not considered necessary to its business operations, or incurs other 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 include the company's final adjustments for the tax effects of the Tax Cuts and Jobs Act allowed within the one-year measurement period that ended on December 22, 2018, as well as estimates related to the current status of the rules and regulations governing the transition to the Tax Cuts and Jobs Act. These adjustments are excluded because they are infrequent and the company believes that they are not indicative of the underlying performance of its business.