Fiscal First Quarter 2025 Financial Results

Disclaimers

Forward-Looking Statements

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 2025 and beyond; product qualifications, momentum and adoption; the strength and impact of our product portfolio; and the company's approach to capital spending and ability to capitalize on market opportunities. 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 27, 2024 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; operational, financial and legal challenges and difficulties inherent in implementing a separation of the company's HDD and Flash businesses; the final approval of the separation by the company's board of directors; inflation; increase in interest rates and economic recession; future responses to and effects of global health crises; the impact of business and market conditions; the outcome and impact of the company's announced separation transaction, 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; the impact of international conflicts; 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 20, 2024, 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.

Non-GAAP Measures

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.

Accounting Assessment for Recent Development in Litigation Matter

See our press release announcing preliminary financial results for the fiscal first quarter 2025 located in the Investor Relations section of our website for information related to our assessment of the appropriate accounting treatment for a recent development in a litigation matter.

Fiscal First Quarter Executive Summary

Financial Results[1]

- Revenue of $ 4.1B
- Non-GAAP EPS of $ 1.78
- Non-GAAP gross margin of 38.5%
- Operating cash flow of $ 34M
- Free cash flow of $ (14)M
- Cash and cash equivalents of $ 1.7B

Corporate

- Our dedication to lasting quality and reliability through our industry leading innovation and diversified portfolio, have allowed us to proactively mix bits into the most profitable end markets, resulting in sequential revenue growth and margin improvement across both Flash and HDD.

Flash

- Mitigated headwinds in certain core end markets, achieving sequential and year-over-year revenue growth and improving Flash gross margin beyond our through-cycle target.
- Continued recovery in datacenter, fueled by strong demand for our enterprise SSD applications.
- Significant progress with several hyperscaler and storage OEM qualifications, including developments with PCIgen5 datacenter eSSD and our 30- and 60-terabyte high-capacity offerings.

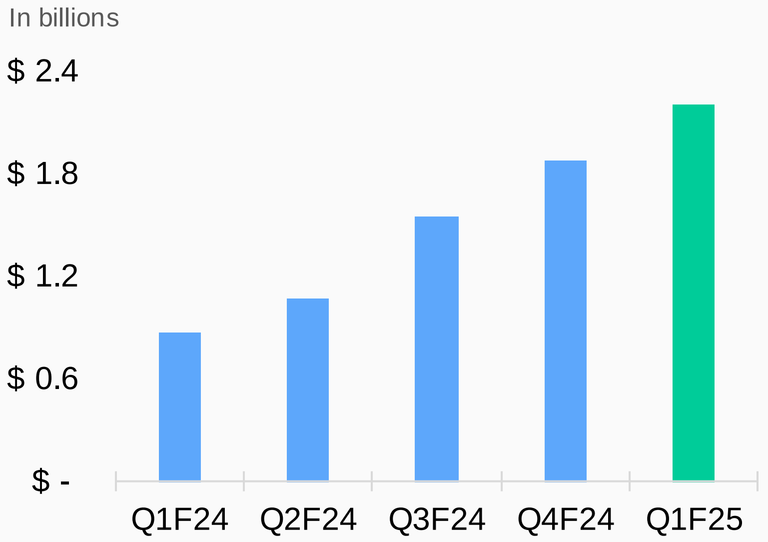
Hard Drive

- Achieved record revenue in data center, reflecting the strength of our nearline portfolio and our ongoing efforts to capitalize on market tailwinds.
- Increased adoption of our UltraSMR technology, showcasing strong confidence in our product's capabilities and benefits.

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

Revenue Trends by End Market

Cloud

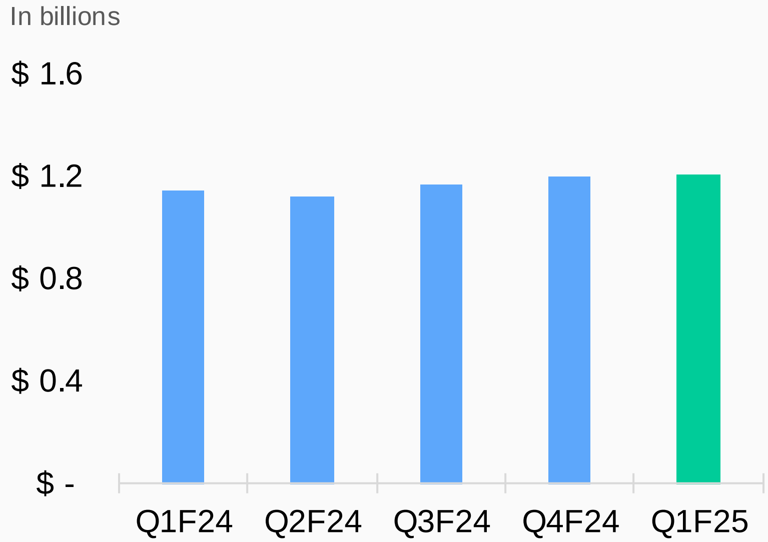


Revenue

$ 2.2 billion

Increased 17% QoQ
Increased 153% YoY

Client

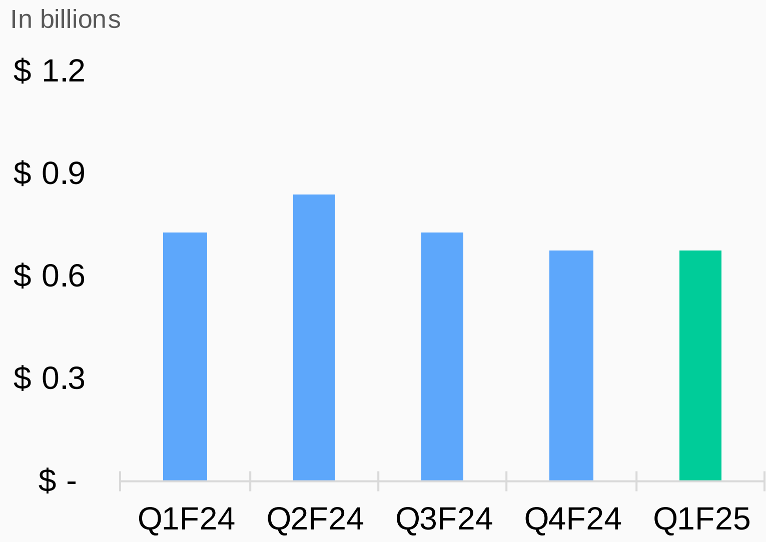


Revenue

$ 1.2 billion

Remained flat QoQ
Increased 5% YoY

Consumer



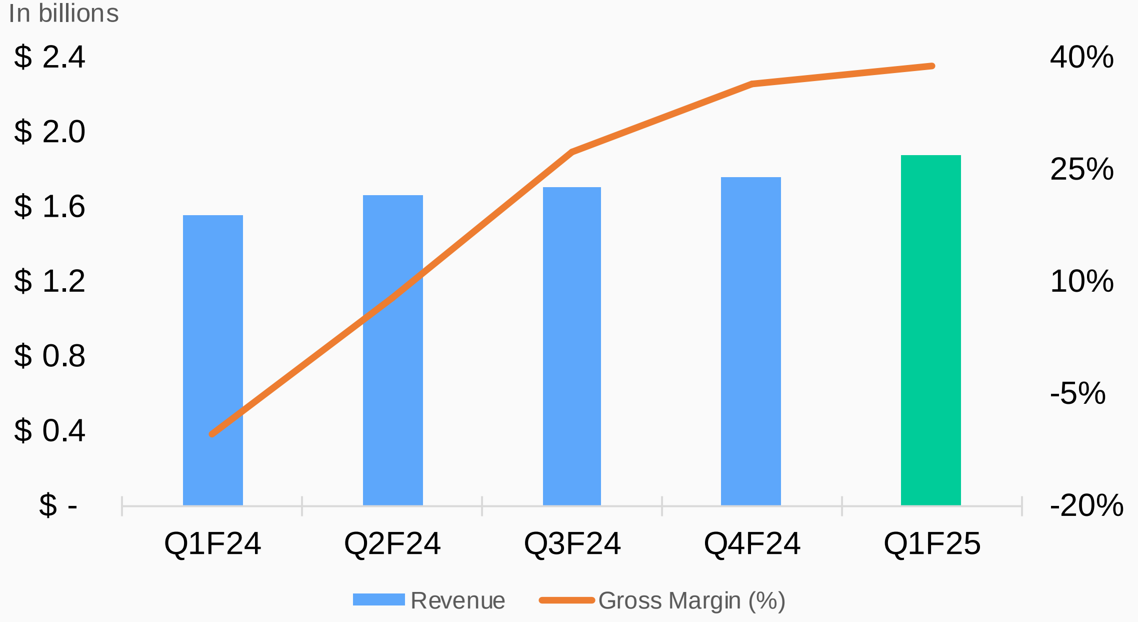
Revenue

$ 0.7 billion

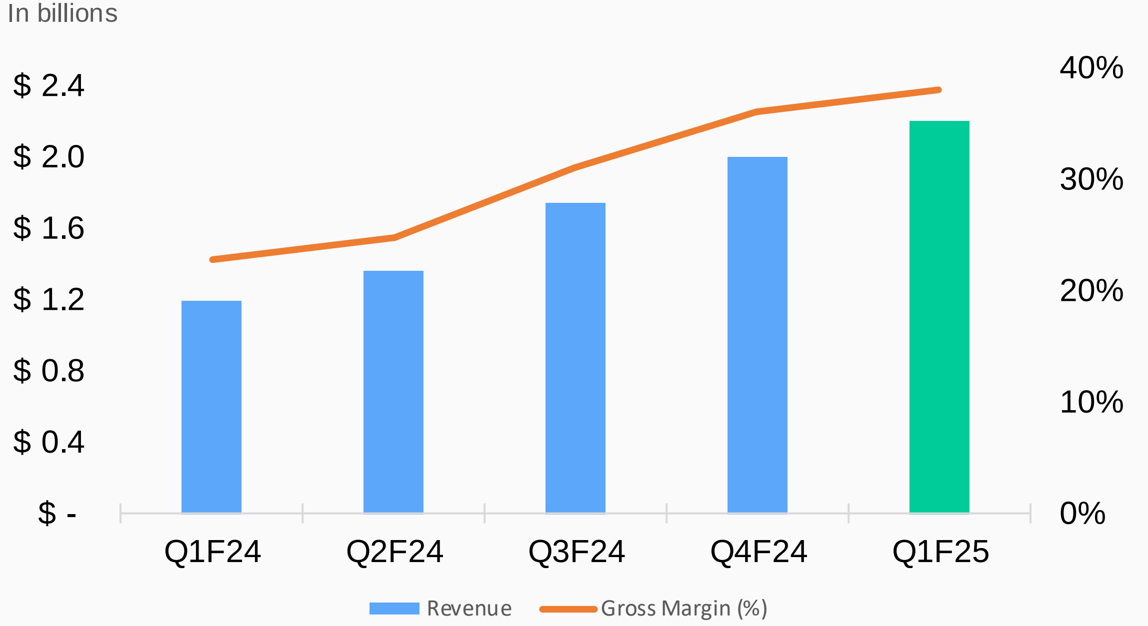
Remained flat QoQ
Decreased 7% YoY

Flash and Hard Drive Metrics

Flash Revenue and Gross Margin



Hard Drive Revenue and Gross Margin



Flash

Q1F25 Results

- Bit shipments: increased 14% QoQ
- ASP/Gigabyte:
  - Blended: decreased 6% QoQ
  - Like-for-like: increased 4% QoQ

Hard Drive

Q1F25 Results

- Exabyte shipments: increased 14% QoQ
- ASP per drive: $ 164

See Appendix for Supplemental Operating Segment Results.

Non-GAAP Financial Results[1]

($ in millions, except for EPS)

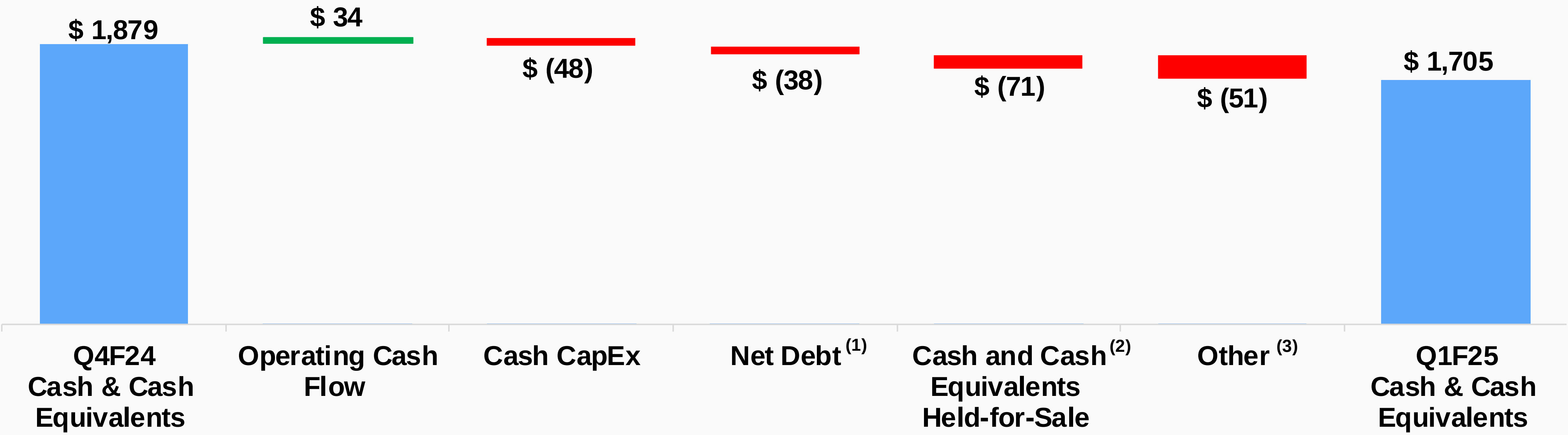
	Q1 2024	Q4 2024	Q1 2025	QoQ	YoY
Revenue	$ 2,750	$ 3,764	$ 4,095	up 9%	up 49%
Gross Margin %	4.1%	36.3%	38.5%	up 2.2 ppt	up 34.4 ppt
Operating Expenses	$ 555	$ 700	$ 691	down 1%	up 25%
Operating Income (Loss)	$ (443)	$ 666	$ 884	up 33%	*
Interest and Other Expense, net	$ 86	$ 114	$ 112	down 2%	up 30%
EPS – Diluted	$ (1.76)	$ 1.44	$ 1.78	up 24%	*
Operating Cash Flow	$ (626)	$ 366	$ 34	down 91%	*
Free Cash Flow	$ (544)	$ 282	$ (14)	*	*

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

* Not a meaningful figure

Cash Flow Walk

In millions



- Total liquidity was $ 3.9 billion, including cash and cash equivalents of $ 1.7 billion and revolver capacity of $ 2.2 billion.

1. Cash Capital Expenditures include purchases of property, plant and equipment, net, and activity related to Flash Venture, net.
2. Represents SDSS's cash/cash equivalents classified to held-for-sale.
3. Primarily consist of employer stock plans, net, and FX cash Impact.

Fiscal Second Quarter Guidance(1)

	GAAP	Non-GAAP(2)
Revenue ($ B)	$ 4.20 - $ 4.40	$ 4.20 - $ 4.40
Gross Margin %	36.5% - 38.5%	37.0% - 39.0%
Operating Expenses ($ M)	$ 835 - $ 855	$ 695 - $ 715
Interest and Other Expense, net ($ M)	~ $ 115	~ $ 110
Tax Rate(3)	N/A	15.0% - 17.0%
EPS - Diluted	N/A	$ 1.75 - $ 2.05
Share Count - Diluted (in millions)	~ 357	~ 357

1. Guidance as shown is as of October 24, 2024.
2. Non-GAAP gross margin guidance excludes stock-based compensation expense, amortization of acquired intangible assets and amortization of patent licenses related to a litigation matter, totaling approximately $ 20 million to $ 30 million. The company's Non-GAAP operating expenses guidance excludes stock-based compensation expense and expenses related to business separation costs, totaling approximately $ 130 million to $ 150 million. Non-GAAP Interest and other income (expense) guidance excludes approximately $ 5 million of interest expense related to a litigation matter. In the aggregate, Non-GAAP diluted earnings per share guidance excludes these items totaling $ 155 million to $ 185 million. 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. 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 tax rate and Non-GAAP diluted earnings per share to the most directly comparable GAAP financial measures (gross margin, operating expenses, tax rate and diluted earnings per share, respectively) are not available without unreasonable effort.
3. Non-GAAP tax rate is determined based on a percentage of Non-GAAP pre-tax income or loss. Our estimated Non-GAAP tax rate may differ from our GAAP tax rate (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 published Flash Ventures presentation.

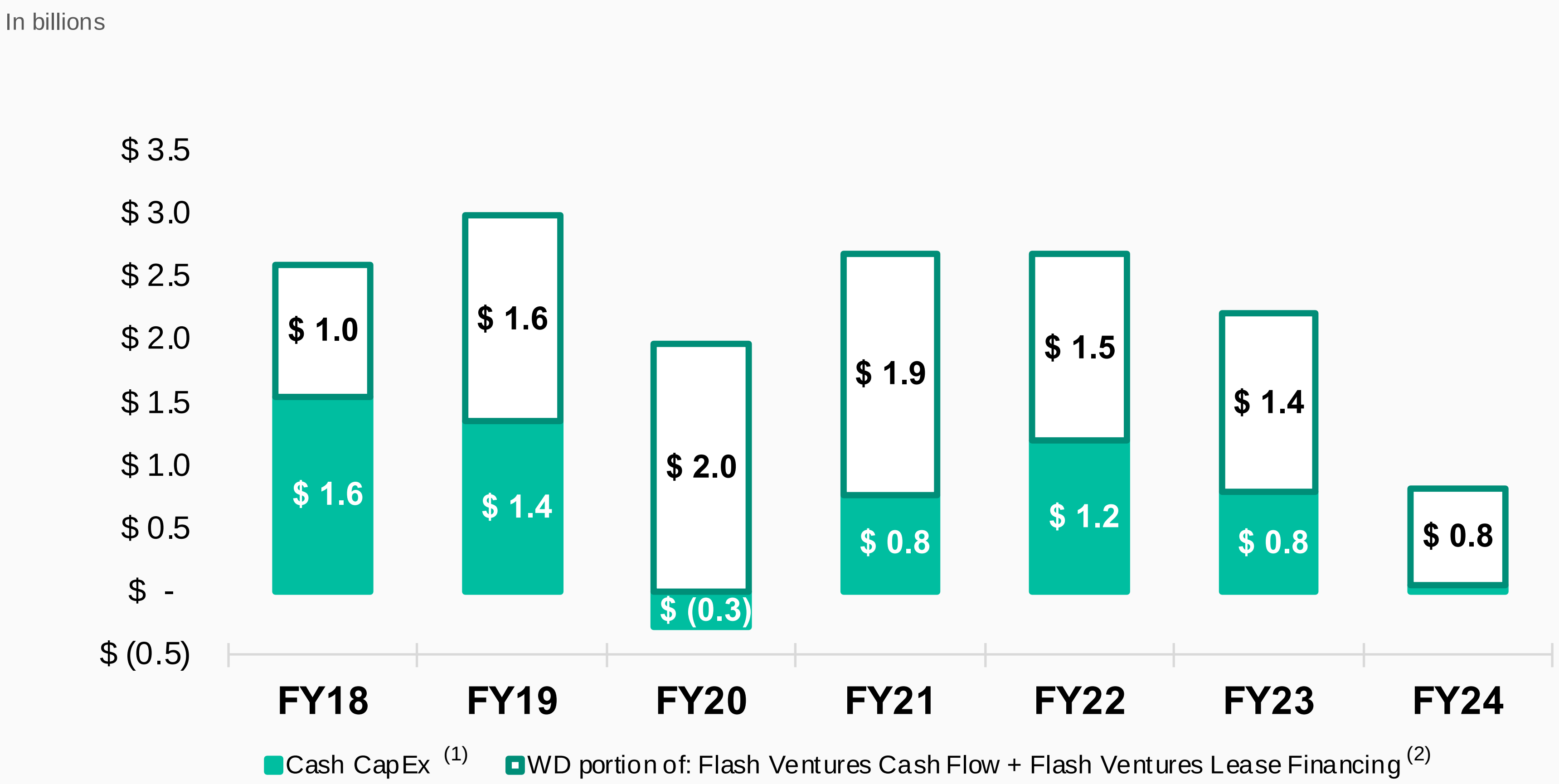
Western Digital	Flash Ventures 49.9% Owned by Western Digital 50.1% Owned by Kioxia	KIOXIA
Co-develops flash (including process technology and memory design) with Kioxia and contributes IP for Flash Ventures' use	**Owns and leases equipment** for flash wafer production and R&D line	**Co-develops flash** (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

Cash Capital Expenditures[1]	1 HDD CapEx	+	2 Flash Non-Fab CapEx	+	3 Flash Ventures Parent Loans[2]				
Flash Ventures Capital Expenditures					3 Flash Ventures Parent Loans[2]	+	4 Flash Ventures Lease Financing[2]	+	5 Flash Ventures Net Operating Cash Flow[2][3]
Gross Capital Expenditures	1 HDD CapEx	+	2 Flash Non-Fab CapEx	+	3 Flash Ventures Parent Loans[2]	+	4 Flash Ventures Lease Financing[2]	+	5 Flash Ventures Net Operating Cash Flow[2][3]

1. Cash Capital Expenditures includes purchases of property, plant and equipment, net, and activity related 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



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

Appendix

Quarterly Fact Sheet

In millions, except Average Selling Price (ASP), percentages, and working capital related metrics	Q1F24	Q2F24	Q3F24	Q4F24	Q1F25
Revenue by End Market[1]					
Cloud	$ 872	$ 1,071	$ 1,553	$ 1,882	$ 2,208
Client	1,147	1,122	1,174	1,204	1,209
Consumer	731	839	730	678	678
Total Revenue	**$ 2,750**	**$ 3,032**	**$ 3,457**	**$ 3,764**	**$ 4,095**
Segment Results					
HDD Revenue	$ 1,194	$ 1,367	$ 1,752	$ 2,003	$ 2,211
Flash Revenue	1,556	1,665	1,705	1,761	1,884
Total Revenue	**$ 2,750**	**$ 3,032**	**$ 3,457**	**$ 3,764**	**$ 4,095**
HDD Gross Margin	22.9%	24.8%	31.1%	36.1%	38.1%
Flash Gross Margin	(10.3%)	7.9%	27.4%	36.5%	38.9%
Total Gross Margin for Segments[2]	4.1%	15.5%	29.3%	36.3%	38.5%
Exabyte Metrics					
QoQ Change in HDD Exabytes Sold[3]	(5%)	14%	41%	12%	14%
QoQ Change in Flash Exabytes Sold[3]	26%	(2%)	(15%)	(7%)	14%
QoQ Change in Total Exabytes Sold[3]	2%	10%	27%	9%	14%
HDD Metrics					
Cloud Units	5.3	5.9	7.3	7.9	9.0
Client Units	2.6	2.7	2.5	2.3	2.3
Consumer Units	2.5	2.2	1.9	1.9	1.9
Total HDD Units[4]	**10.4**	**10.8**	**11.7**	**12.1**	**13.2**
HDD ASP[5]	$ 112	$ 122	$ 145	$ 163	$ 164
Flash Metrics					
QoQ Change in ASP/Gigabytes[3]	(10%)	10%	18%	14%	(6%)
Cash and Cash Equivalents	**$ 2,032**	**$ 2,481**	**$ 1,894**	**$ 1,844**	**$ 1,705**
Cash Flows					
Cash Flows provided by (used in) Operating Activities	$ (626)	$ (92)	$ 58	$ 366	$ 34
Purchases of Property, Plant and Equipment, net	69	(150)	(95)	(116)	(95)
Activity Related to Flash Ventures, net	13	66	128	32	47
Free Cash Flow[6]	**$ (544)**	**$ (176)**	**$ 91**	**$ 282**	**$ (14)**
Working Capital Related					
Days Sales Outstanding	48	46	47	52	55
Days Inventory Outstanding	120	115	119	126	121
Days Payables Outstanding	(54)	(63)	(63)	(65)	(69)
Cash Conversion Cycle	**114**	**98**	**103**	**113**	**107**

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 and used in operating activities less purchases of property, plant and equipment, net, and 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.

Potential Changes to Income Statement Layout & EPS

Convertible Preferred Stock (as of Q1F25)

Convertible preferred stock liquidation preference:[1] $ 261M with a conversion price of $ 47.75

EPS equals
Net income (loss) attributable to common shareholders / Diluted shares

Net income (loss) attributable to common shareholders equals
Net income − Preferred dividends − Preferred shares participation in net income

Preferred dividend for each quarter equals

$$\frac{6.25\%}{4} \times \text{liquidation preference}$$

- Paid in cash or accrued to liquidation preference

Preferred stock participation in net income
When net income is negative, participation amount is zero
When net income is positive, participation amount equals

$$\frac{\text{If converted shares}}{\text{Diluted shares} + \text{If converted shares}} \times \text{net income}$$

Summary
- Unconverted convertible preferred stock **does not** impact calculation of Diluted shares
- Unconverted convertible preferred stock **does** reduce EPS when net income is positive

1. Disclosed as an item on the balance sheet and footnotes within 10-Q/10-K filings

Income Statement Example ($ in millions except EPS)

	Stock price <= $ 52.20	
Net income (loss)	$ (100)	$ 100
Less: cumulative dividends allocated to preferred shareholders	10	10
Less: preferred stock participation in net income	-	1
Net income (loss) attributable to common shareholders	$ (110)	$ 89
Income (loss) per common share (diluted)	$ (0.31)	$ 0.25
Weighted average shares outstanding (diluted)	350	350

Line item in income statement when net income is positive

Glossary

Preferred dividend: Cumulative dividends allocated to preferred shareholders

Diluted shares: Weighted diluted average shares outstanding

If converted shares: 5.4M common shares for Q1F25 (calculated by taking the number of shares of convertible preferred stock outstanding during the reporting period and multiplying it by the percentage of the reporting period for which that number applies for each period)

Potential Changes to Income Statement Layout & EPS (cont.)

Convertible Senior Notes + Capped Calls

- Principal balance: $ 1.6B with a conversion price of $ 52.20
- Conversion premium in excess of principal can be settled in cash or shares
- Capped calls provide dilution hedge up to stock price of $ 70.26
- Convertible Senior Notes are not convertible as of October 1, 2024

Economics upon conversion to common shares and closing out capped calls position

- When Stock price is less than $ 52.20, share dilution is zero
- When Stock price falls between $ 52.20 and $ 70.26, capped calls provide full hedge
- When Stock price is greater than $ 70.26, potential dilution would be **shares required to settle premium value** in excess of hedge limit, calculated as:

$$\frac{(\text{Stock price} - \$\,70.26) \times \textbf{If converted shares}}{(\text{Stock price})}$$

Financial reporting (diluted shares for EPS)

- When Stock price is less than $ 52.20, share dilution for EPS is zero
- When Stock price is greater than $ 52.20, share dilution for EPS equals $\frac{(\text{Stock price} - \$\,52.20) \times \textbf{If converted shares}}{(\text{Stock price})}$
- GAAP disregards economic benefit of capped calls for EPS calculations (approx. 8M common shares at $ 70.26)

Glossary:
- **If converted shares**
  = Principal balance of notes / conversion price
  = $ 1,600M / $ 52.20 = 30.65M common shares
- **Premium value in excess of hedge limit**
  = Stock price in excess of hedge limit x If converted shares
  = (Stock price - $ 70.26) x 30.65M common shares
- **Shares required to settle premium value**
  = Premium value in excess of hedge limit / Stock price
  = ((Stock price - $ 70.26) x 30.65M) / Stock price

Earnings Scenarios at various net income and stock price ($ in millions except EPS)

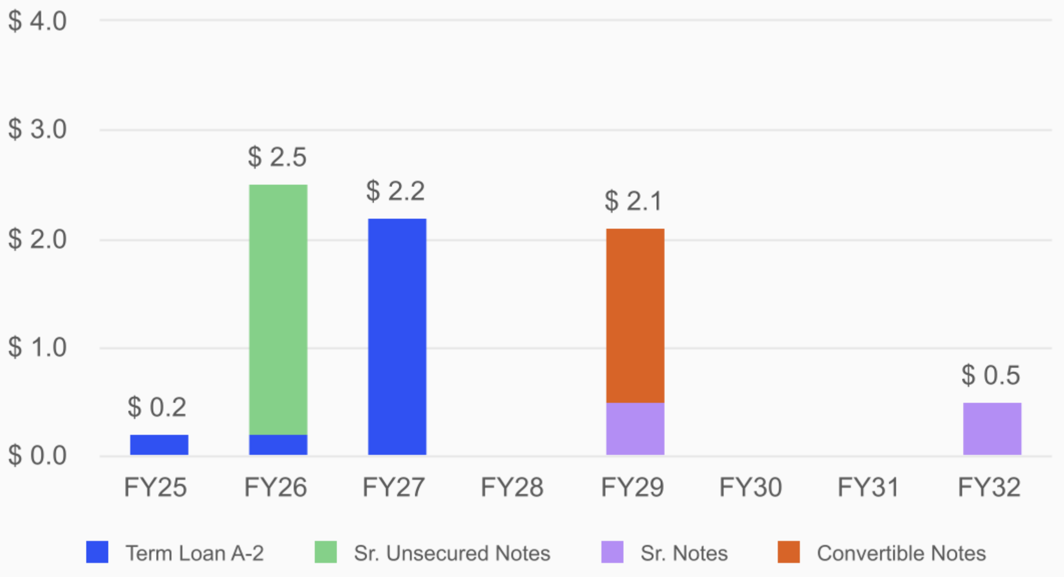
	Stock price <= $ 52.20		Stock price > $ 52.20 @ $ 60		Stock price > $ 70.26 @ $ 80	
Net income (loss)	$ (100)	$ 100	$ (100)	$ 100	$ (100)	$ 100
Less: cumulative dividends allocated to preferred shareholders	10	10	10	10	10	10
Less: preferred stock participation in net income	-	1	-	1	-	1
Net income (loss) attributable to common shareholders	$ (110)	$ 89	$ (110)	$ 89	$ (110)	$ 89
Income (loss) per common share (diluted)	$ (0.31)	$ 0.25	$ (0.31)	$ 0.25	$ (0.31)	$ 0.25
Weighted average shares outstanding (diluted)	350	350	350	354	350	361

Debt Capital Structure

Current Cap Table

	Rate	All-in Rate[1]	Maturity	As of September 27, 2024 (in millions)
Sr. Unsecured Notes Due 2026[2]	4.750%	4.750%	2/15/2026	$ 2,300
$ 2.25B Revolver[3]	S+1.500%[4]	6.696%	1/7/2027	—
Term Loan A-2	S+1.500%[4]	6.696%	1/7/2027	2,550
Convertible Notes Due 2028[5]	3.000%	3.000%	11/15/2028[5]	1,600
Sr. Notes Due 2029[6]	2.850%	2.850%	2/1/2029	500
Sr. Notes Due 2032[6]	3.100%	3.100%	2/1/2032	500
Total Debt		**4.802%[7]**		**$ 7,450**

Maturity Profile (in billions)



1. All-in applicable rates as of September 27, 2024.
2. Notes are callable beginning November 15, 2025, subject to certain terms and conditions.
3. Revolver capacity: $ 2.25 billion, $ 52 million of which was used to issue a standby letter of credit as of September 27, 2024.
4. S = Adjusted Term SOFR. 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 27, 2024.
5. Initial conversion price of $ 52.20 per share. Notes have a contractual maturity of November 15, 2028 and become callable by the company beginning on November 15, 2026, subject to certain terms and conditions. Before August 15, 2028, Notes are convertible only upon the occurrence of certain events, certain market conditions, and during certain periods. Because the stock price conversion condition was met during the fourth quarter of fiscal 2024, the Notes were convertible by the holders until September 30, 2024. Consequently, the $ 1.6 billion outstanding amount of notes is classified under the current portion of long-term debt in our consolidated balance sheet as of September 27, 2024.
6. Sr. Notes Due 2029 are callable beginning December 1, 2028 and Sr. Notes Due 2032 are callable beginning November 1, 2031.
7. Weighted average interest rate is based on principal balances outstanding as of September 27, 2024.

Credit Agreement Defined Leverage Ratio

In millions; unaudited; trailing 12 months	Q1F24	Q2F24	Q3F24	Q4F24	Q1F25
Net Loss	**$ (2,416)**	**$ (2,252)**	**$ (1,546)**	**$ (798)**	**$ 380**
Income tax expense	91	49	49	137	269
Interest and other expense, net	286	275	314	344	372
Depreciation and amortization	759	688	615	568	556
EBITDA[1]	**$ (1,280)**	**$ (1,240)**	**$ (568)**	**$ 251**	**$ 1,577**
Stock-based compensation expense	$ 309	$ 295	$ 298	$ 295	$ 302
Business separation costs	—	36	59	97	140
Litigation matter	—	—	—	291	303
Employee termination, asset impairment and other	226	174	142	139	84
Strategic review	59	79	64	37	20
Recovery from contamination incident	—	(36)	(37)	(37)	(37)
Other	7	8	7	4	2
Adjusted EBITDA[2][3]	**$ (679)**	**$ (684)**	**$ (35)**	**$ 1,077**	**$ 2,391**
Total Debt[4]	**$ 7,700**	**$ 8,454**	**$ 7,825**	**$ 7,488**	**$ 7,450**
Debt to Adjusted EBITDA	**-11.3X**	**-12.4X**	**-223.6X**	**7.0X**	**3.1X**
Flash Ventures equipment depreciation expenses	$ 689	$ 638			
Other Credit Agreement Adjustments[5]	861	793			
Credit Agreement Defined Adjusted EBITDA[6]	**$ 871**	**$ 747**	**$ 2,728***	**$ 3,208***	**$ 3,637***
Total Debt[4]	**$ 7,700**	**$ 8,454**	**$ 7,825**	**$ 7,488**	**$ 7,450**
Credit Agreement Defined Leverage Ratio[7][8]	**8.8X**	**11.3X**	**2.9X**	**2.3X**	**2X**

1. EBITDA is defined as net income 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 the GAAP to Non-GAAP reconciliation slides within the Appendix for further details.
3. Adjusted EBITDA is not intended to reflect measures used under the company's debt agreements.
4. Total Debt is the total principal balance of debt outstanding as of the end of the applicable trailing 12-month period.
5. 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.
6. 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.
7. 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.
8. Leverage ratio requirement was not applicable for the first and second quarters of fiscal 2024.

* For Q1F25, Q4F24 and Q3F24, Credit Agreement Defined Adjusted EBITDA is calculated on an annualized basis. See next slide for the calculation of Credit Agreement Defined Adjusted EBITDA for Q1F25, Q4F24 and Q3F24 as annualized.

Credit Agreement Defined Adjusted EBITDA (Q1F25)

In millions; unaudited	Q3F24	Q4F24	Q1F25
Net Income	**$ 135**	**$ 39**	**$ 493**
Income tax expense	43	63	135
Interest and other expense, net	95	114	114
Depreciation and amortization	140	138	135
EBITDA	**$ 413**	**$ 354**	**$ 877**
Stock-based compensation expense	$ 77	$ 69	$ 84
Business separation costs	23	38	43
Litigation matter	—	291	12
Employee termination, asset impairment and other	8	50	2
Recovery from contamination incident	(1)	—	—
Other	(1)	1	—
Adjusted EBITDA	**$ 519**	**$ 803**	**$ 1,018**
Flash Ventures equipment depreciation expenses	$ 134	$ 123	$ 119
Other Credit Agreement Adjustments	29	(4)	(13)
Credit Agreement Defined Adjusted EBITDA	**$ 682**	**$ 922**	**$ 1,124**
Credit Agreement Defined Adjusted EBITDA (Annualized)	**$ 2,728**	**$ 3,208**	**$ 3,637**

Note: For purposes of measuring financial covenant compliance for Q1F25 under the company's credit agreement applicable to Term Loan A-2 and Revolver, Credit Agreement Defined Adjusted EBITDA is calculated on an annualized basis (and equals the sum of Credit Agreement Defined Adjusted EBITDA for Q1F25, Q4F24 and Q3F24, divided by three and multiplied by four).

GAAP to Non-GAAP Reconciliations

In millions; unaudited	Q1F24	Q4F24	Q1F25
GAAP Gross Profit	**$ 99**	**$ 1,353**	**$ 1,551**
Stock-based compensation expense	13	12	14
Amortization of acquired intangible assets	—	1	1
Litigation matter	—	—	9
Non-GAAP Gross Profit	**$ 112**	**$ 1,366**	**$ 1,575**
GAAP Operating Expenses	**$ 695**	**$ 1,137**	**$ 809**
Stock-based compensation expense	(64)	(57)	(70)
Business separation costs	—	(38)	(43)
Litigation matter	—	(291)	(3)
Employee termination, asset impairment and other	(57)	(50)	(2)
Strategic review	(17)	—	—
Other	(2)	(1)	—
Non-GAAP Operating Expenses	**$ 555**	**$ 700**	**$ 691**
GAAP Operating Income (Loss)	**$ (596)**	**$ 216**	**$ 742**
Gross profit adjustments	13	13	24
Operating expense adjustments	140	437	118
Non-GAAP Operating Income (Loss)	**$ (443)**	**$ 666**	**$ 884**
GAAP Interest and Other Expense, Net	**$ (86)**	**$ (114)**	**$ (114)**
Litigation matter	—	—	2
Non-GAAP Interest and Other Expense, Net	**$ (86)**	**$ (114)**	**$ (112)**

GAAP to Non-GAAP Reconciliations (cont'd)

In millions, except per share amounts; unaudited	Q1F24	Q4F24	Q1F25
GAAP Net Income (Loss)	**$ (685)**	**$ 39**	**$ 493**
Stock-based compensation expense	77	69	84
Business separation costs	—	38	43
Litigation matter	—	291	14
Employee termination, asset impairment and other	57	50	2
Strategic review	17	—	—
Amortization of acquired intangible assets	—	1	1
Other	2	1	—
Income tax adjustments	(22)	46	11
Non-GAAP Net Income (Loss)	**(554)**	**535**	**648**
Less: amount allocated to preferred shareholders	15	31	14
Non-GAAP Diluted Net Income (Loss) Attributable to Common Shareholders	**$ (569)**	**$ 504**	**$ 634**
Diluted Income (Loss) Per Common Share			
GAAP	$ (2.17)	$ 0.08	$ 1.35
Non-GAAP	$ (1.76)	$ 1.44	$ 1.78
Diluted Weighted Average Shares Outstanding			
GAAP	323	349	357
Non-GAAP	323	349	357

Supplemental Operating Segment Results

In millions, except percentages; unaudited	Q1F24	Q2F24	Q3F24	Q4F24	Q1F25
Net Revenue					
HDD	$ 1,194	$ 1,367	$ 1,752	$ 2,003	$ 2,211
Flash	1,556	1,665	1,705	1,761	1,884
Total Net Revenue	**$ 2,750**	**$ 3,032**	**$ 3,457**	**$ 3,764**	**$ 4,095**
Gross Profit By Segment					
HDD	$ 273	$ 339	$ 545	$ 724	$ 843
Flash	(161)	131	467	642	732
Total Gross Profit for Segments	**$ 112**	**$ 470**	**$ 1,012**	**$ 1,366**	**$ 1,575**
Unallocated corporate items:					
Stock-based compensation expense	(13)	(13)	(11)	(12)	(14)
Amortization of acquired intangible assets	—	(1)	(1)	(1)	(1)
Amortization of licenses related to a litigation matter	—	—	—	—	(9)
Recovery from contamination incident	—	36	1	—	—
Total unallocated corporate items	(13)	22	(11)	(13)	(24)
Consolidated Gross Profit	**$ 99**	**$ 492**	**$ 1,001**	**$ 1,353**	**$ 1,551**
Gross Margin					
HDD[1]	22.9%	24.8%	31.1%	36.1%	38.1%
Flash[2]	(10.3%)	7.9%	27.4%	36.5%	38.9%
Total gross margin for segments[3]	4.1%	15.5%	29.3%	36.3%	38.5%
Consolidated total[4]	3.6%	16.2%	29.0%	35.9%	37.9%

1. HDD gross margin is calculated by dividing HDD gross profit by HDD revenue.
2. Flash gross margin is calculated by dividing Flash gross profit by Flash 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 income tax expense; 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; business separation costs; charges related to a litigation matter; employee termination; asset impairment and other; expenses related to our strategic review; amortization of acquired intangible assets; 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. 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.

Business separation costs. The company incurred expenses associated with the separation of its HDD and Flash business units to create two independent, public companies. 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.

Litigation matter. The company has recognized expenses related to a recent judgment in a patent litigation matter, which consisted of an award of damages, prejudgment interest, and estimated plaintiff legal costs. The company also recognized expenses in its cost of revenue related to the amortization of patent licenses that the company has capitalized related to this litigation matter. 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. For further information regarding the litigation matter, see Note 17 to the notes to consolidated financial statements included in the company's Annual Report on Form 10-K filed with the SEC on August 20, 2024.

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. In addition, the company has taken actions to reduce the amount of capital invested in facilities, including the sale-leaseback of facilities. 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 review of strategic alternatives that resulted in the planned separation of its HDD and Flash business units to create two independent, public companies. 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.

Amortization of acquired intangible assets. The company incurs non-cash 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.

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 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.

Western Digital®

Create What's Next