

Fiscal Fourth Quarter & Year 2023 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 first quarter of 2024; market dynamics and demand trends; product developments and mix; 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.

Key risks and uncertainties include volatility in global economic conditions; future responses to and effects of the COVID-19 pandemic or other similar global health crises; impact of business and market conditions; the outcome and impact of our 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; impact of competitive products and pricing; our 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 our strategic relationships; difficulties or delays in manufacturing or other supply chain disruptions; hiring and retention of key employees; our level of debt and other financial obligations; changes to our relationships with key customers; compromise, damage or interruption from cybersecurity incidents or other data system security risks; actions by competitors; 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") and available on the SEC's website at www.sec.gov, including the company's Form 10-K filed with the SEC on August 25, 2022 and Form 10-Q filed with the SEC on May 10, 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 also contains preliminary financial results for the company's fiscal fourth quarter and year ended June 30, 2023. These preliminary financial results represent the most current information available to management. The company's actual results when disclosed in its Form 10-K may differ from these preliminary results as a result of the completion of the company's financial closing procedures, including completion of the annual assessment of impairment of goodwill; completion of the audit by the company's independent registered accounting firm; and other developments that may arise between now and the filing of its Form 10-K.

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 Fourth Quarter Executive Summary

- Financial Results¹**
- Revenue of \$ 2.7B
 - Non-GAAP EPS of \$ (1.98)
 - Non-GAAP gross margin of 3.9%
 - Operating cash flow of \$ (68)M
 - Free cash flow of \$ (219)M
 - Cash and cash equivalents of \$ 2.0B

Corporate

- Access to broad go-to-market channels, enviable retail franchise and strong client SSD portfolio enabled Western Digital to capture demand upsides in both Client and Consumer end markets.
- Normalizing inventory, increasing content per unit in flash and moderating flash price declines are signaling improving market dynamics.

Flash

- Revenue in both Client and Consumer end markets are returning to growth.
- Average capacity per consumer SSD and client SSD increased over 40% and 20% year-over-year, respectively.

Hard Drive

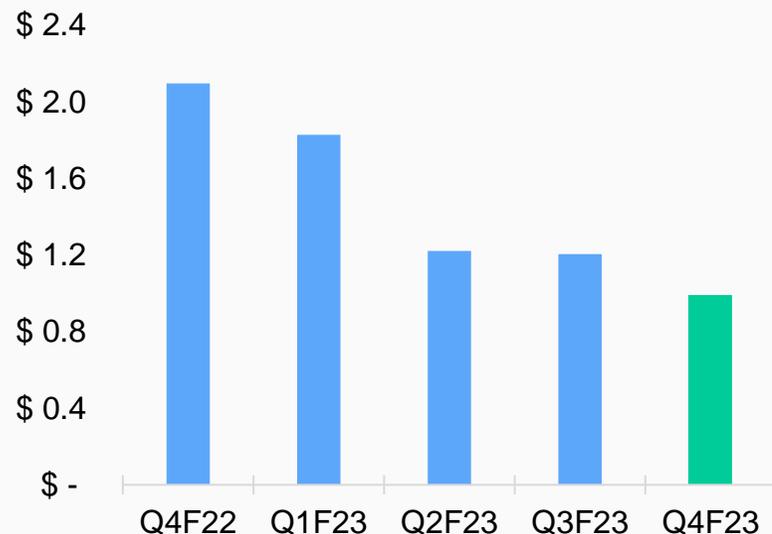
- Successfully qualified our latest family of capacity enterprise hard drives at all major customers and are shipping our 26-terabyte Ultra SMR drive in high volume.
- About to begin product sampling of our 28-terabyte Ultra SMR drive.

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

Revenue Trends by End Market

Cloud

In billions



Revenue

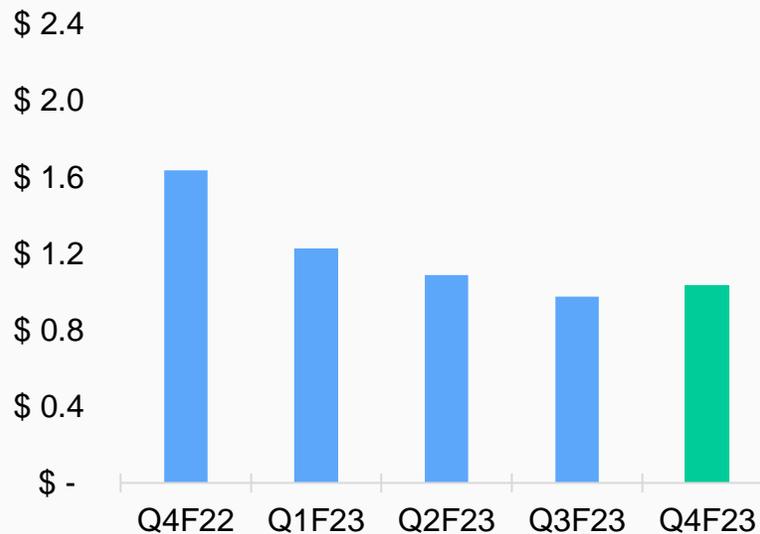
\$ 1.0 billion

Decreased 18% QoQ

Decreased 53% YoY

Client

In billions



Revenue

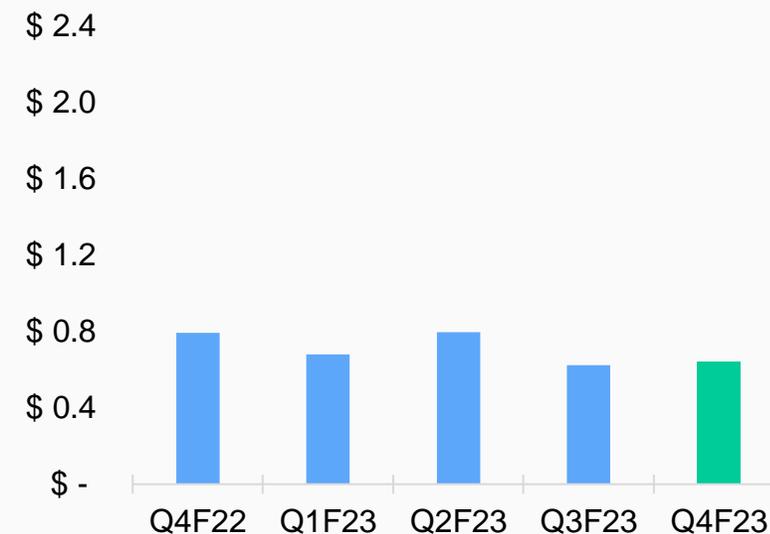
\$ 1.0 billion

Increased 6% QoQ

Decreased 37% YoY

Consumer

In billions



Revenue

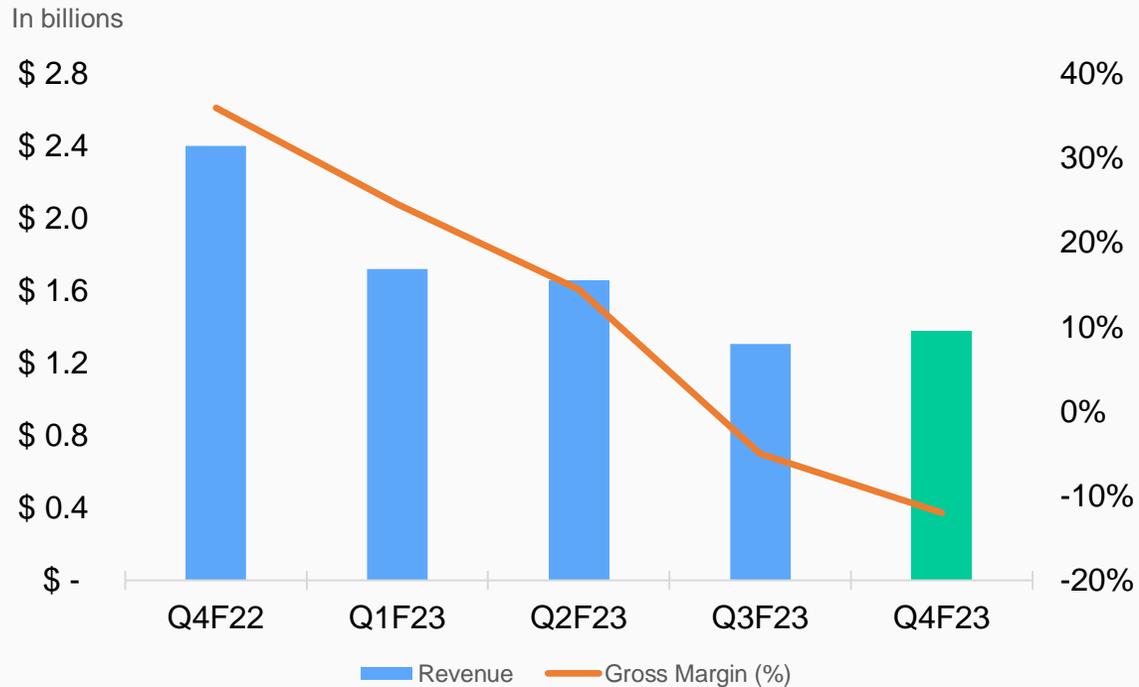
\$ 0.6 billion

Increased 3% QoQ

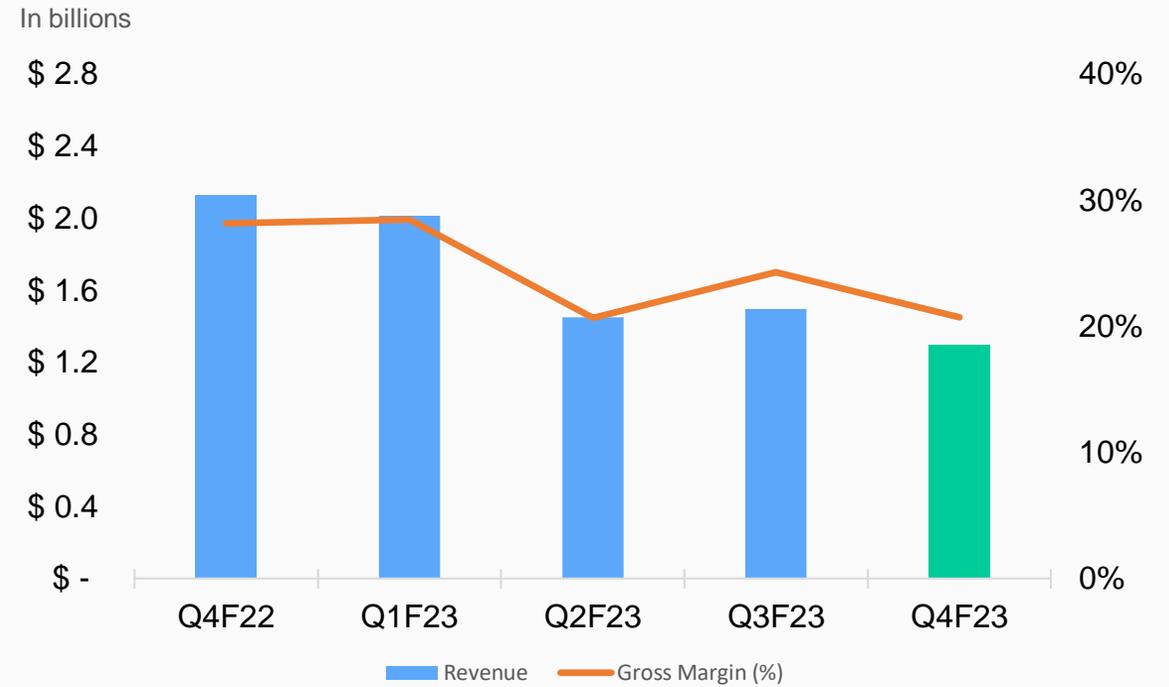
Decreased 19% YoY

Flash and Hard Drive Metrics

Flash Revenue and Gross Margin



Hard Drive Revenue and Gross Margin



Flash

- Q4F23 Results**
- Bit shipments: increased 15% QoQ
 - ASP/Gigabyte:
 - Blended: decreased 6% QoQ
 - Like-for-like: decreased 9% QoQ

Hard Drive

- Q4F23 Results**
- Exabyte shipments: decreased 18% QoQ
 - ASP per drive: \$ 99

Non-GAAP Financial Results

(\$ in millions, except for EPS)

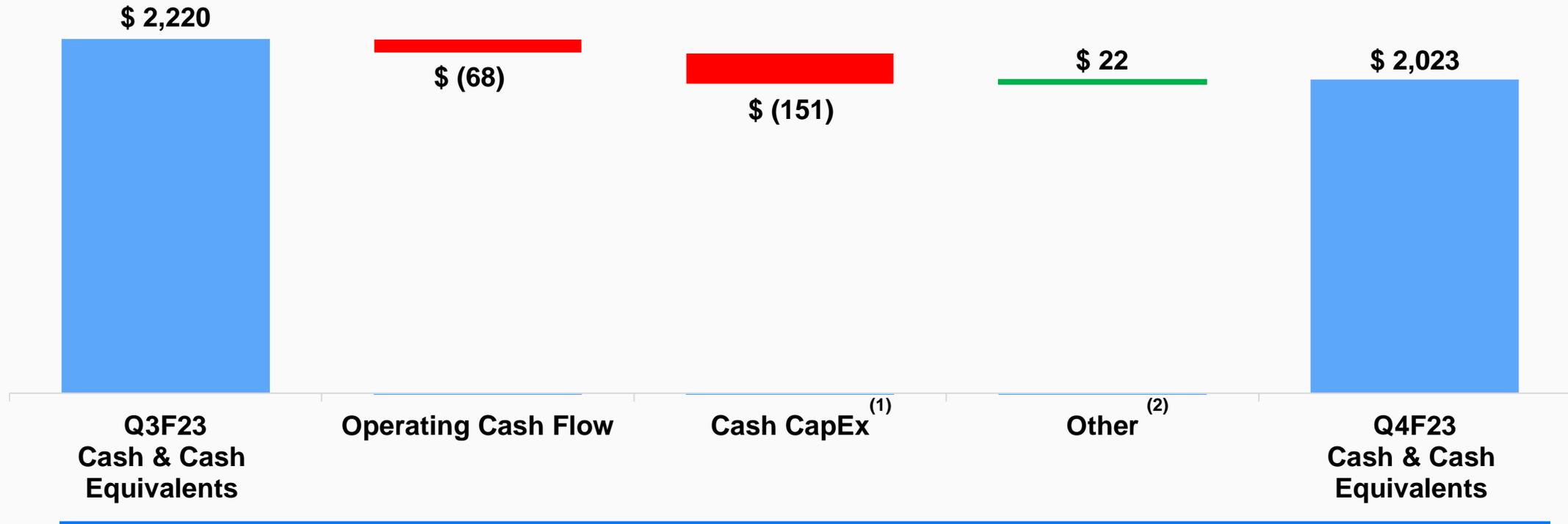
	Q4 2022	Q3 2023	Q4 2023	QoQ	YoY
Revenue	\$ 4,528	\$ 2,803	\$ 2,672	down 5%	down 41%
Gross Margin %	32.3%	10.6%	3.9%	down 6.7 ppt	down 28.4 ppt
Operating Expenses	\$ 760	\$ 602	\$ 582	down 3%	down 23%
Operating Income (Loss)	\$ 702	\$ (304)	\$ (478)	*	*
Interest and Other Expense, net	\$ 65	\$ 63	\$ 86	up 37%	up 32%
EPS – Diluted	\$ 1.78	\$ (1.37)	\$ (1.98)	*	*
Operating Cash Flow	\$ 295	\$ (381)	\$ (68)	*	*
Free Cash Flow	\$ (97)	\$ (527)	\$ (219)	*	*

See Appendix for GAAP to Non-GAAP Reconciliations.

* Not a meaningful figure

Cash Flow Walk

In millions



- Total liquidity was \$ 4.9 billion, including cash and cash equivalents of \$ 2.0 billion, undrawn revolver capacity of \$ 2.25 billion and unused delayed draw term loan facility of \$ 600 million.

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 other.

Fiscal First Quarter Guidance⁽¹⁾

	GAAP	Non-GAAP ⁽²⁾
Revenue (\$ B)	\$ 2.55 - \$ 2.75	\$ 2.55 - \$ 2.75
Gross Margin %	1.9% - 4.0%	2.5% - 4.5%
Operating Expenses (\$ M)	\$ 665 - \$ 685	\$ 570 - \$ 590
Interest and Other Expense, net (\$ M)	~\$ 90	~\$ 90
Income Tax Expense (\$ M)⁽³⁾	N/A	\$ 30 - \$ 40
EPS - Diluted	N/A	\$ (2.10) - \$ (1.80)
Share Count - Diluted (in millions)	~323	~323

1. Guidance as shown is as of July 31, 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 \$ 90 million to \$ 100 million. In the aggregate, Non-GAAP diluted earnings per share guidance excludes these items totaling approximately \$ 100 million to \$ 115 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 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. 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.

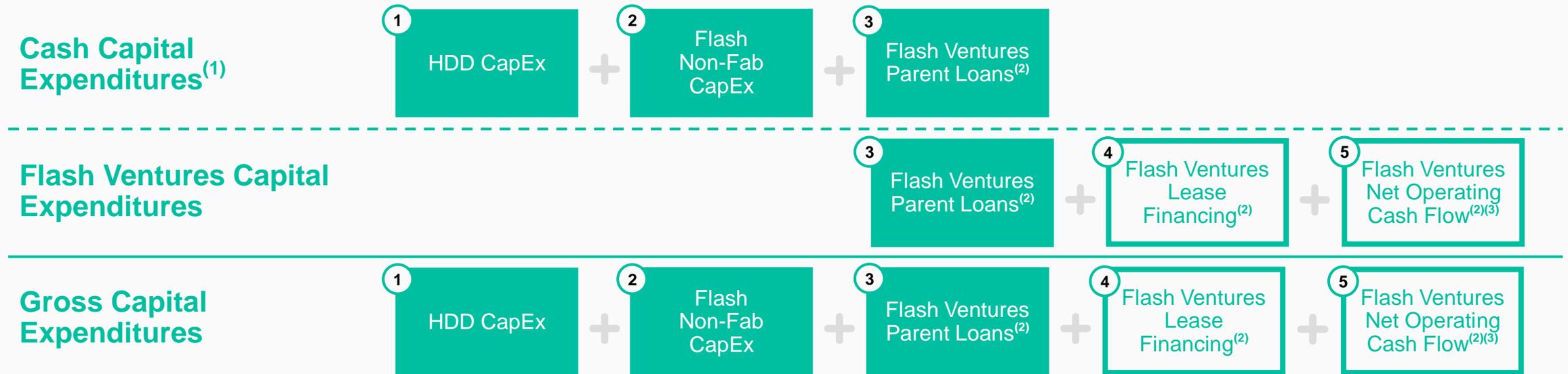
3. The Non-GAAP income tax expense is determined based on a percentage of Non-GAAP pre-tax income or loss. Our estimated Non-GAAP tax dollars may differ from our GAAP tax dollars (i) due to differences in the tax treatment of items excluded from our Non-GAAP net income or loss; (ii) the fact that our 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

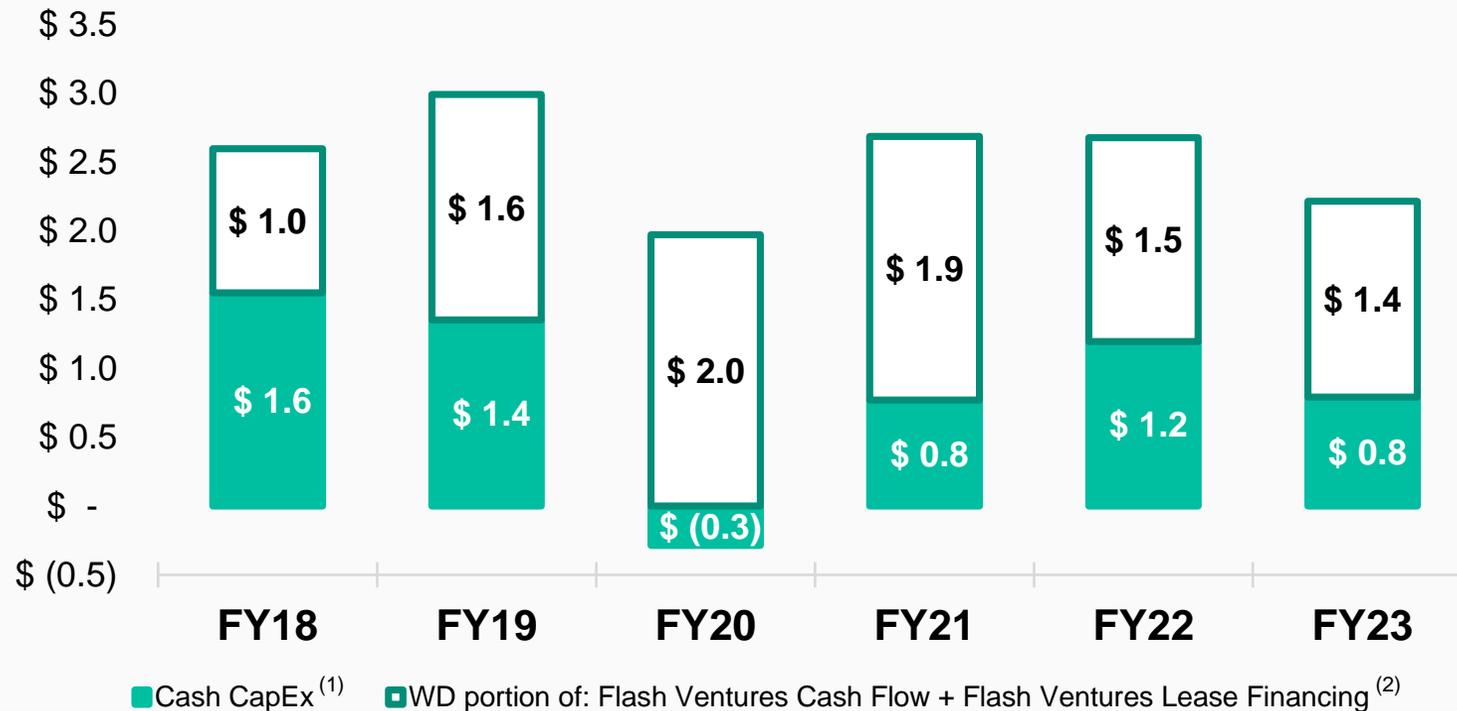
Capital Expenditure Framework



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.

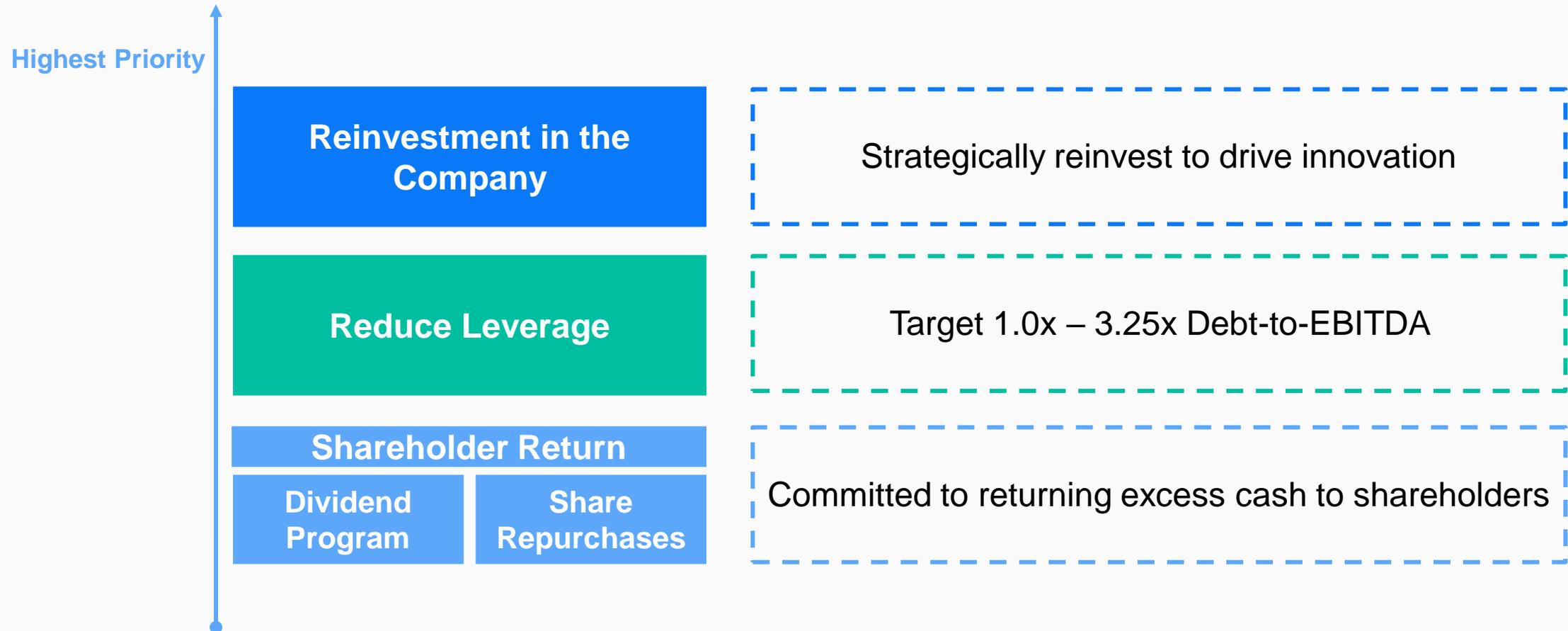
Gross Capital Expenditure Trends

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



Quarterly Fact Sheet

In millions, except Average Selling Price (ASP), percentages, and working capital related metrics	Q4F22	Q1F23	Q2F23	Q3F23	Q4F23
Revenue by End Market⁽¹⁾					
Cloud	\$ 2,098	\$ 1,829	\$ 1,224	\$ 1,205	\$ 994
Client	1,637	1,229	1,089	975	1,035
Consumer	793	678	794	623	643
Total Revenue	\$ 4,528	\$ 3,736	\$ 3,107	\$ 2,803	\$ 2,672
Segment Results					
Flash Revenue	\$ 2,400	\$ 1,722	\$ 1,657	\$ 1,307	\$ 1,377
HDD Revenue	2,128	2,014	1,450	1,496	1,295
Total Revenue	\$ 4,528	\$ 3,736	\$ 3,107	\$ 2,803	\$ 2,672
Flash Gross Margin	35.9%	24.5%	14.5%	(5.0%)	(11.9%)
HDD Gross Margin	28.2%	28.5%	20.7%	24.3%	20.7%
Total Gross Margin for Segments ⁽²⁾	32.3%	26.7%	17.4%	10.6%	3.9%
Exabyte Metrics					
QoQ Change in Flash Exabytes Sold ⁽³⁾	6%	(10%)	20%	(14%)	15%
QoQ Change in HDD Exabytes Sold ⁽³⁾	1%	1%	(35%)	15%	(18%)
QoQ Change in Total Exabytes Sold ⁽³⁾	2%	—%	(28%)	9%	(13%)
Flash Metrics					
QoQ Change in ASP/Gigabytes ⁽³⁾	2%	(22%)	(20%)	(10%)	(6%)
HDD Metrics					
Cloud Units	9.3	8.6	5.5	6.3	5.8
Client Units	3.9	3.4	4.0	3.6	3.3
Consumer Units	3.3	2.7	3.4	2.7	2.7
Total HDD Units⁽⁴⁾	16.5	14.7	12.9	12.6	11.8
HDD ASP ⁽⁵⁾	\$ 120	\$ 125	\$ 99	\$ 109	\$ 99
Cash and Cash Equivalents	\$ 2,327	\$ 2,049	\$ 1,871	\$ 2,220	\$ 2,023
Cash Flows					
Cash Flows provided by (used in) Operating Activities	\$ 295	\$ 6	\$ 35	\$ (381)	\$ (68)
Purchases of Property, Plant and Equipment, net	(278)	(320)	(258)	(110)	(119)
Activity Related to Flash Ventures, net	(114)	99	(17)	(36)	(32)
Free Cash Flow⁽⁶⁾	\$ (97)	\$ (215)	\$ (240)	\$ (527)	\$ (219)
Working Capital Related					
Days Sales Outstanding	56	59	56	52	54
Days Inventory Outstanding	107	128	133	144	130
Days Payables Outstanding	(66)	(65)	(55)	(57)	(56)
Cash Conversion Cycle	97	122	134	139	128

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.

Credit Agreement Amendments Summary¹

- Modified the leverage ratio requirements applicable through Q4F25 (Figure 1).
- Following the two-quarter covenant holiday, new calculation of Credit Agreement Defined Adjusted EBITDA for covenant compliance (Figure 2).
- New minimum liquidity covenant through Q1F25.
 - Cash + Cash Equivalents + Revolver Capacity \geq Current Portion of Long-term debt (excluding Delayed Draw Term Loan³ ("DDTL")) + \$ 2.0 billion.
- Updated springing maturity calculation.
 - Cash + Cash Equivalents + Revolver Capacity \geq Current Portion of Long-term debt (including DDTL) + \$ 1.4 billion.
- New minimum Free Cash Flow requirement from Q4F23 to Q2F24 (Figure 3).
 - Credit in future quarters for amounts in excess of minimum requirement.
 - Amounts paid to settle the IRS matter will be excluded from the Free Cash Flow requirement
- Extended commitments under the DDTL agreement until August 14, 2023 (amount reduced to \$ 600M).
- Added collateral and guarantees to support obligations to lenders.

Figure 1: Credit Agreement Defined Leverage Ratio

Quarter	Ratio	Quarter	Ratio
Q4F23	5.5x	Q1F25	5.0x
Q1F24	N/A ²	Q2F25	4.5x
Q2F24	N/A ²	Q3F25	4.0x
Q3F24	6.25x	Q4F25	3.75x
Q4F24	5.25x	Q1F26 onwards	3.25x

Figure 2: Credit Agreement Defined Adjusted EBITDA Calculation

Quarter	Adjusted EBITDA Calculation
Q3F24	Q3F24 x 4
Q4F24	(Q3F24 + Q4F24) x 2
Q1F25	(Q3F24 + Q4F24 + Q1F25) x 4 / 3
All other quarters	Trailing twelve months

Figure 3: Minimum Free Cash Flow

(\$ in millions)

Quarter	Free Cash Flow
Q4F23	- \geq \$ (550)
Q1F24	Q4F23 + Q1F24 \geq \$ (1,050)
Q2F24	Q4F23 + Q1F24 + Q2F24 \geq \$ (1,550)

1. Summary of certain key terms only. For complete information, please see the Company's Current Report on Form 8-K and accompanying exhibits filed with the SEC on June 21, 2023.

2. Holiday.

3. Delayed draw term loan facility of \$ 600 million can be drawn anytime prior to August 14, 2023. The amount drawn will bear interest at either Adjusted Term SOFR plus an applicable margin from 1.750% to 2.625% or a base rate plus an applicable margin from 0.750% to 1.625%, depending on the company's corporate family ratings. The amount borrowed will mature on June 28, 2024. However, the due date will be accelerated to November 2, 2023, if conditions for acceleration of amounts due under the Term Loan A-2 and Revolver noted in footnote 7 on the next slide have been triggered.

Debt Capital Structure

Current Cap Table

	Rate	All-in Rate ¹	Maturity	As of June 30, 2023 (in millions)
Delayed Draw Term Loan ²	S+2.00% ⁶	7.08%	6/28/2024 ²	\$ 0
Convertible Debt Due 2024 ³	1.50%	1.50%	2/1/2024	1,100
Sr. Unsecured Notes Due 2026 ⁴	4.75%	4.75%	2/15/2026	2,300
\$ 2.25B Revolver ⁵	S+1.375% ⁶	6.56%	1/7/2027 ⁷	—
Term Loan A-2	S+1.375% ⁶	6.56%	1/7/2027 ⁷	2,700
Sr. Notes Due 2029 ⁸	2.85%	2.85%	2/1/2029	500
Sr. Notes Due 2032 ⁸	3.10%	3.10%	2/1/2032	500
Total Debt		4.684%⁹		\$ 7,100

Debt Maturity Profile (in billions)



- All-in applicable rates as of June 30, 2023.
- Delayed draw term loan facility of \$ 600 million can be drawn anytime prior to August 14, 2023. The amount drawn will bear interest at either Adjusted Term SOFR plus an applicable margin from 1.750% to 2.625% or a base rate plus an applicable margin from 0.750% to 1.625%, depending on the company's corporate family ratings. The amount borrowed will mature on June 28, 2024. However, the due date will be accelerated to November 2, 2023 if conditions for acceleration of amounts due under the Term Loan A-2 and Revolver noted in footnote 7 below have been triggered.
- 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 as of June 30, 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 for Term Loan A-2 and Revolver over SOFR plus 0.10% based on credit ratings as of June 30, 2023.
- Revolver and Term A-2 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 maturing 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 June 30, 2023.

Appendix



Credit Agreement Defined Leverage Ratio

In millions; unaudited; trailing 12 months	Q4F22	Q1F23	Q2F23	Q3F23	Q4F23
Net Income (Loss)	\$ 1,500	\$ 917	\$ (93)	\$ (690)	\$ (1,706)
Income tax expense	623	586	565	371	146
Interest and other expense, net	268	268	251	246	275
Depreciation and amortization	929	895	867	864	828
EBITDA⁽¹⁾	\$ 3,320	\$ 2,666	\$ 1,590	\$ 791	\$ (457)
Stock-based compensation expense	\$ 326	\$ 336	\$ 335	\$ 323	\$ 318
Contamination related charges	207	207	207	4	—
Employee termination, asset impairment and other charges	43	49	123	159	193
Strategic review	—	—	—	15	42
Recoveries from a power outage incident	(7)	(7)	(7)	—	—
Other	5	3	2	1	5
Adjusted EBITDA⁽²⁾⁽³⁾	\$ 3,894	\$ 3,254	\$ 2,250	\$ 1,293	\$ 101
Total Debt⁽⁴⁾	\$ 7,100				
Debt to Adjusted EBITDA	1.8X	2.2X	3.2X	5.5X	70.3X
Flash Ventures equipment depreciation expenses	\$ 929	\$ 858	\$ 786	\$ 730	\$ 721
Other Credit Agreement Adjustments ⁽⁵⁾	11	2	292	504	758
Credit Agreement Defined Adjusted EBITDA⁽⁶⁾	\$ 4,834	\$ 4,114	\$ 3,328	\$ 2,527	\$ 1,580
Total Debt⁽⁴⁾	\$ 7,100				
Credit Agreement Defined Leverage Ratio⁽⁷⁾	1.5X	1.7X	2.1X	2.8X	4.5X

- 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.

GAAP to Non-GAAP Reconciliations

In millions; unaudited	Q4F22	Q3F23	Q4F23
GAAP Gross Profit	\$ 1,445	\$ 286	\$ 92
Stock-based compensation expense	12	12	11
Amortization of acquired intangible assets	1	—	(1)
Contamination related charges	4	—	—
Other	—	—	2
Non-GAAP Gross Profit	\$ 1,462	\$ 298	\$ 104
GAAP Operating Expenses	\$ 883	\$ 758	\$ 742
Stock-based compensation expense	(65)	(62)	(61)
Amortization of acquired intangible assets	(39)	(39)	(17)
Employee termination, asset impairment and other charges	(19)	(40)	(53)
Strategic review	—	(15)	(27)
Other	—	—	(2)
Non-GAAP Operating Expenses	\$ 760	\$ 602	\$ 582
GAAP Operating Income (Loss)	\$ 562	\$ (472)	\$ (650)
Gross profit adjustments	17	12	12
Operating expense adjustments	123	156	160
Non-GAAP Operating Income (Loss)	\$ 702	\$ (304)	\$ (478)
GAAP Interest and Other Expense, Net	\$ (51)	\$ (57)	\$ (80)
Non-cash economic interest and Other	(14)	(6)	(6)
Non-GAAP Interest and Other Expense, Net	\$ (65)	\$ (63)	\$ (86)

GAAP to Non-GAAP Reconciliations (cont'd)

In millions, except per share amounts; unaudited	Q4F22	Q3F23	Q4F23
GAAP Net Income (Loss)	\$ 301	\$ (572)	\$ (715)
Stock-based compensation expense	77	74	72
Amortization of acquired intangible assets	40	39	16
Contamination related charges	4	—	—
Employee termination, asset impairment and other charges	19	40	53
Strategic review	—	15	27
Non-cash economic interest and Other	(14)	(6)	(2)
Income tax adjustments	140	(17)	(72)
Non-GAAP Net Income (Loss)	567	(427)	(621)
Less: cumulative dividends allocated to preferred shareholders	—	9	15
Non-GAAP Net Income (Loss) attributable to common shareholders	\$ 567	\$ (436)	\$ (636)
Diluted Income (Loss) Per Common Share			
GAAP	\$ 0.95	\$ (1.82)	\$ (2.27)
Non-GAAP	\$ 1.78	\$ (1.37)	\$ (1.98)
Diluted Weighted Average Shares Outstanding			
GAAP	318	319	321
Non-GAAP	318	319	321

Supplemental Operating Segment Results

In millions, except percentages; unaudited	Q4F22	Q1F23	Q2F23	Q3F23	Q4F23
Net Revenue					
Flash	\$ 2,400	\$ 1,722	\$ 1,657	\$ 1,307	\$ 1,377
HDD	2,128	2,014	1,450	1,496	1,295
Total Net Revenue	\$ 4,528	\$ 3,736	\$ 3,107	\$ 2,803	\$ 2,672
Gross Profit By Segment					
Flash	\$ 862	\$ 422	\$ 240	\$ (65)	\$ (164)
HDD	600	574	300	363	268
Total Gross Profit for Segments	\$ 1,462	\$ 996	\$ 540	\$ 298	\$ 104
Unallocated corporate items:					
Stock-based compensation expense	(12)	(14)	(12)	(12)	(11)
Amortization of acquired intangible assets	(1)	(1)	—	—	1
Contamination related charges	(4)	—	—	—	—
Non-cash economic interest and Other	—	—	—	—	(2)
Total unallocated corporate items	(17)	(15)	(12)	(12)	(12)
Consolidated Gross Profit	\$ 1,445	\$ 981	\$ 528	\$ 286	\$ 92
Gross Margin					
Flash ⁽¹⁾	35.9%	24.5%	14.5%	(5.0%)	(11.9%)
HDD ⁽²⁾	28.2%	28.5%	20.7%	24.3%	20.7%
Total gross margin for segments ⁽³⁾	32.3%	26.7%	17.4%	10.6%	3.9%
Consolidated total ⁽⁴⁾	31.9%	26.3%	17.0%	10.2%	3.4%

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, contamination related charges, recoveries from a power outage incident, employee termination, asset impairment and other charges, expense related to our strategic review, non-cash economic interest, 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 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.

Contamination related charges. In February 2022, a contamination of certain materials used in the company's manufacturing process occurred and affected production operations at the flash-based memory manufacturing facilities in Yokkaichi and Kitakami, Japan, which are operated through the company's joint business ventures with Kioxia Corporation (collectively, "Flash Ventures"). The contamination resulted in scrapped inventory and rework costs, decontamination and other costs needed to restore the facilities to normal capacity, and under absorption of 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.

Recoveries from power outage incident. In June 2019, an unexpected power outage incident occurred at the flash-based memory manufacturing facilities operated through the company's joint venture with Kioxia Corporation in Yokkaichi, Japan. The power outage incident resulted in costs associated with the repair of damaged tools and the write-off of damaged inventory and unabsorbed manufacturing overhead costs which are expensed as incurred. During fiscal years 2021 and 2022, the company received recoveries for these losses from other parties. The recoveries are inconsistent in amount and frequency, and the company believes they are not part of the ongoing production operation of its business.

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. 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.

Non-cash economic interest. The company has excluded non-cash economic interest expense associated with its convertible notes recognized in periods prior to the company's adoption of the Financial Accounting Standards Board Accounting Standards Update No. 2020-06, "Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity", which the company adopted at the beginning of its fiscal year ending June 30, 2023. The exclusion of such amounts from prior periods facilitates a comparison of the company's prior period results to the current period presentation.

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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