

Fourth Quarter & Fiscal Year 2021 Results

Western Digital

August 4, 2021

Forward Looking Statements

SAFE HARBOR

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 fourth quarter ended July 2, 2021; the company's business outlook for the fiscal first quarter of 2022; demand trends; market conditions; expectations regarding the company's product momentum, technology portfolio, portfolio synergies and market opportunities; capital expenditure expectations; the company's liquidity position; capital allocation priorities; 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; impact of business and market conditions; 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 high level of debt and other financial obligations; changes to our relationships with key customers; disruptions in operations from cyberattacks or other 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 our Form 10-K filed with the SEC on August 28, 2020, 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

Financial Results

- Revenue of \$4.9B
- Non-GAAP diluted net earnings per share of \$2.16
- Non-GAAP gross margin is 33%
- Operating cash flow of \$994M
- Free cash flow of \$792M
- Cash and cash equivalents of \$3.4B

Corporate

- Western Digital's unique ability to deliver innovative solutions in both HDD and flash to diverse markets continues to underpin the strength of our results and propel the business forward

Flash

- Drove both revenue and gross margin growth in the face of component and NAND shortages by continuing to strategically shift bits to meet customer needs
- Achieved strong quarter-over-quarter revenue growth in Data Center Devices and Solutions due to stronger than expected demand for NVMe enterprise SSDs
- Demand from the latest generation of game consoles and our WD_BLACK product line remained robust

Hard Drives

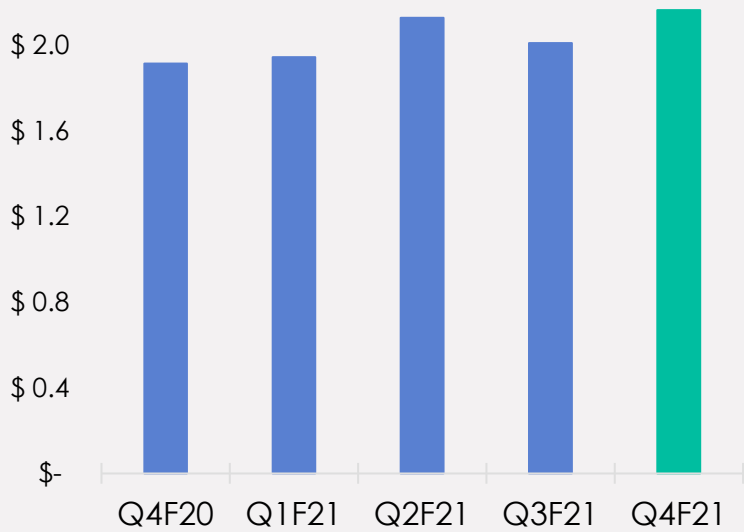
- Ramp of 18-terabyte energy-assisted hard drive was the primary contributor to our highest organic sequential revenue growth experienced in the last decade
- A record shipment of over 104 exabytes in capacity enterprise hard drives, a 49% sequential increase
- Retail HDD demand was better than expected, supported by continued work-from-home, distance learning, and at-home entertainment trends

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

Revenue Trends

Client Devices

In billions



Revenue

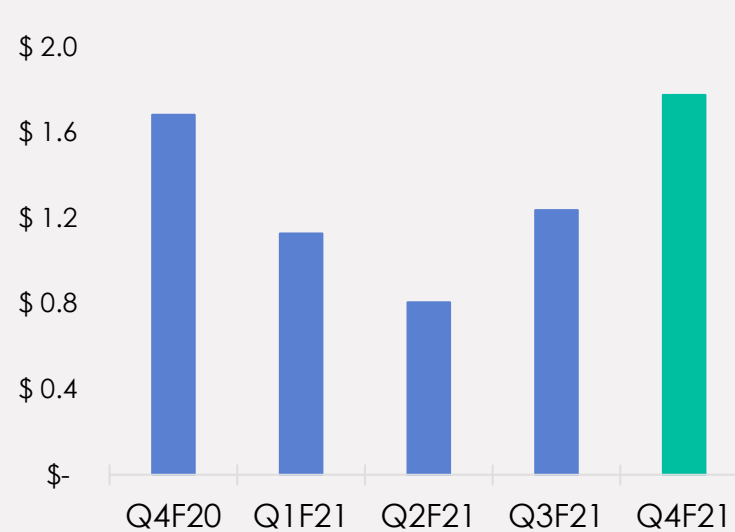
\$2.2 billion

Increased 8% QoQ

Increased 13% YoY

Data Center Devices & Solutions

In billions



Revenue

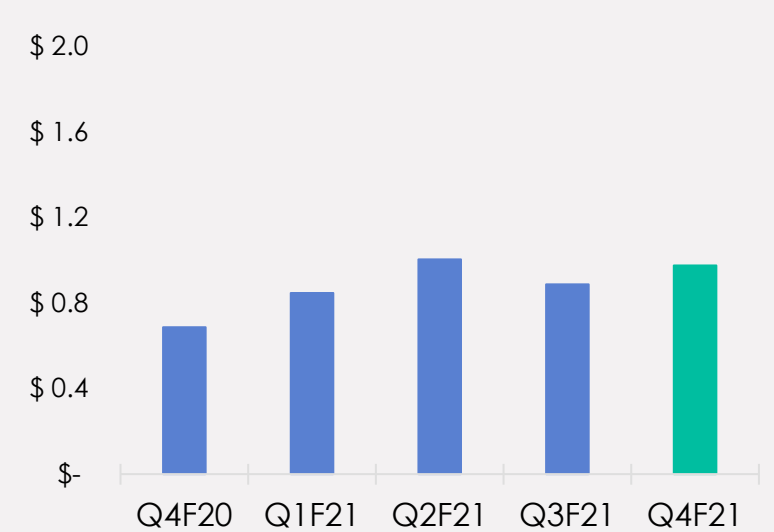
\$1.8 billion

Increased 44% QoQ

Increased 6% YoY

Client Solutions

In billions



Revenue

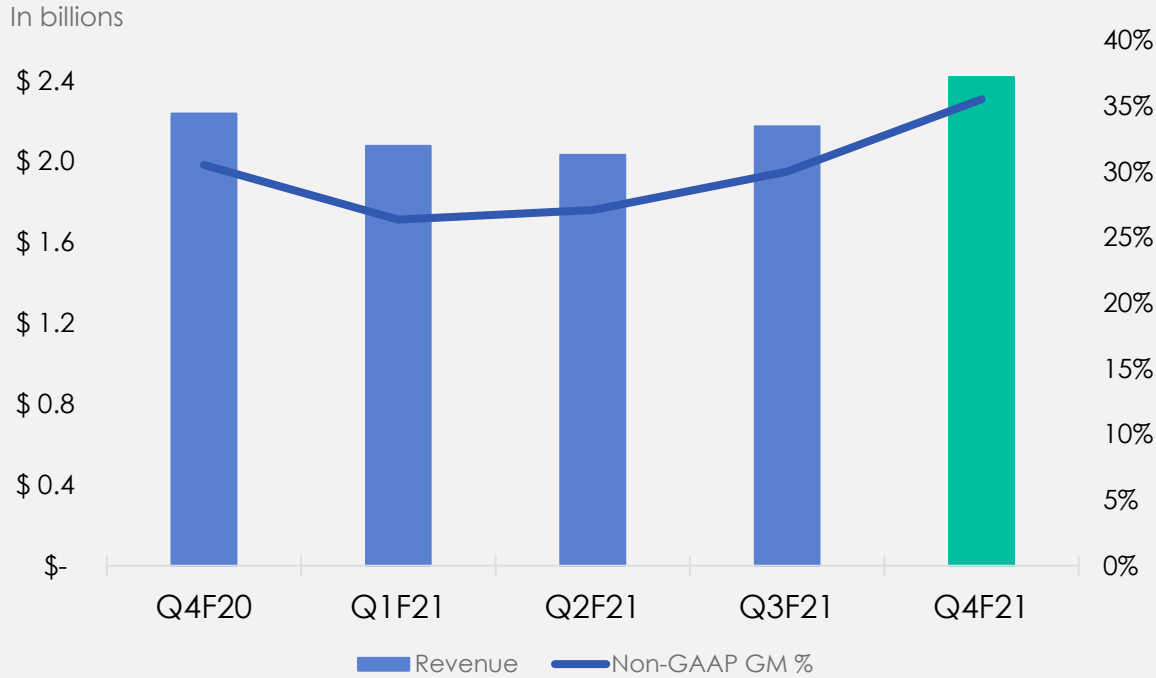
\$977 million

Increased 10% QoQ

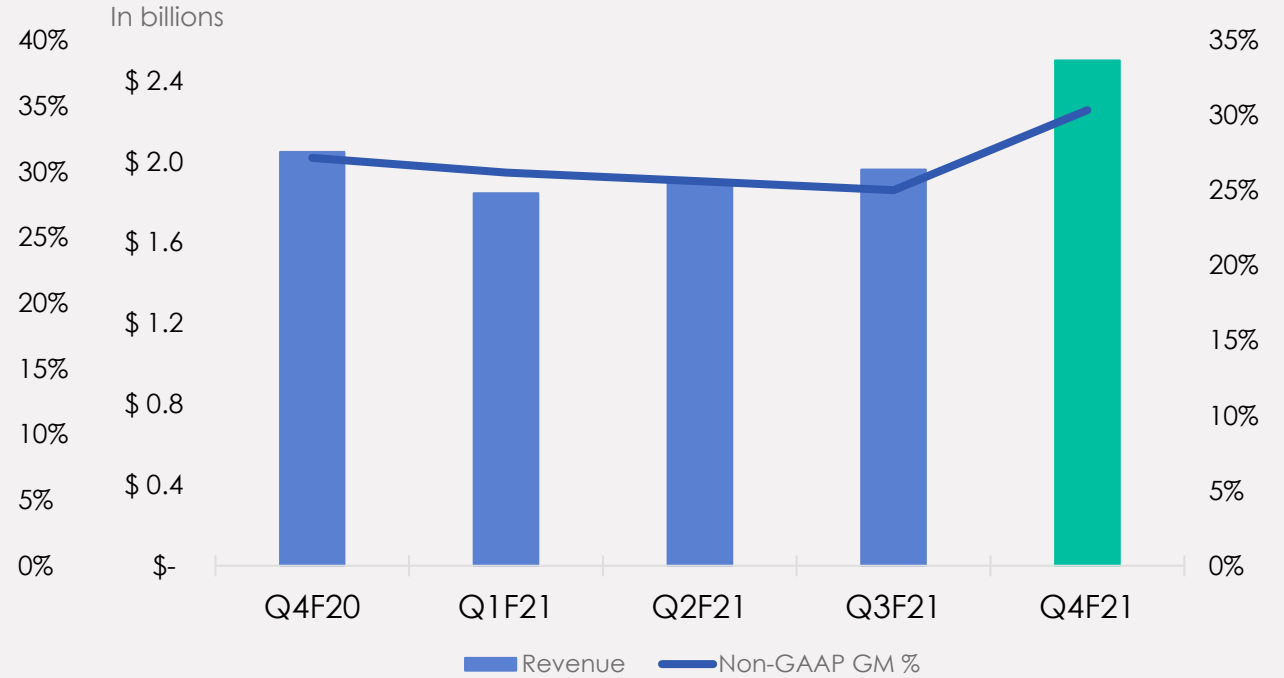
Increased 42% YoY

Flash and Hard Drive Metrics

Flash Revenue and Non-GAAP Gross Margin



Hard Drive Revenue and Non-GAAP Gross Margin



Flash

Q4F21 Results

- Bit shipments: increased 4% QoQ
- ASP/Gigabyte:
 - Blended: increased 7% QoQ
 - Like-for-like: 4% QoQ

Hard Drive

Q4F21 Results

- Total exabyte shipments: increased 34% QoQ
- ASP per drive: \$97

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

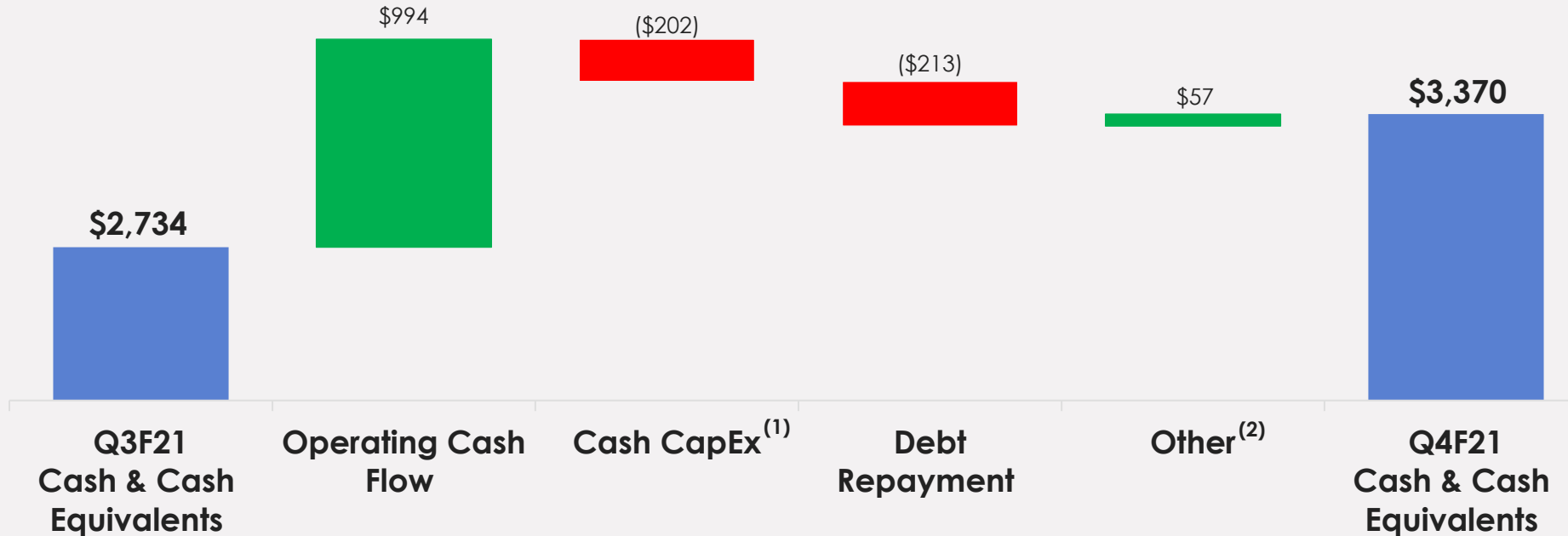
Non-GAAP Financial Results

	Q4F20	Q3F21	Q4F21	QoQ	YoY
Revenue (\$M)	\$ 4,287	\$ 4,137	\$ 4,920	\$ 783	\$ 633
Gross Margin %	28.9%	27.7%	32.9%	5.2 ppt	4.0 ppt
Operating Expenses (\$M)	\$ 713	\$ 732	\$ 790	\$ 58	\$ 77
Operating Income (\$M)	\$ 527	\$ 412	\$ 828	\$ 416	\$ 301
Interest and Other Expense, net (\$M)	\$ 73	\$ 67	\$ 79	\$ 12	\$ 6
EPS - Diluted	\$ 1.23	\$ 1.02	\$ 2.16	\$ 1.14	\$ 0.93
Operating Cash Flow (\$M)	\$ 172	\$ 116	\$ 994	\$ 878	\$ 822
Free Cash Flow (\$M)	\$ 261	(\$ 11)	\$ 792	\$ 803	\$ 531

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

Cash Flow Walk

In millions



- Quarterly debt repayment of \$213 million, including optional payment of \$150 million
- Strong liquidity position of \$5.62 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

Fiscal First Quarter Guidance⁽¹⁾

	GAAP ⁽²⁾	NON-GAAP ⁽²⁾
Revenue (\$B)	\$ 4.90 - \$ 5.10	\$ 4.90 - \$ 5.10
Gross Margin %	32.0% - 34.0%	33.0% - 35.0%
Operating Expenses (\$M)	\$ 865 - \$ 895	\$ 755 - \$ 785
Interest and Other Expense, net (\$M)	~ \$ 80	~ \$ 70
Tax Rate %	N/A	11-12% ⁽³⁾
EPS – Diluted	N/A	\$ 2.25 - \$ 2.55
Share Count - Diluted (in millions)	~ 317	~ 317

1. Guidance as shown is as of August 4, 2021.

2. Non-GAAP gross margin guidance excludes amortization of acquired intangible assets and stock-based compensation expense, totaling approximately \$40 million to \$60 million. The company's non-GAAP operating expenses guidance excludes amortization of acquired intangible assets; stock-based compensation expense; and employee termination, asset impairment and other charges, 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 \$150 million to \$190 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.

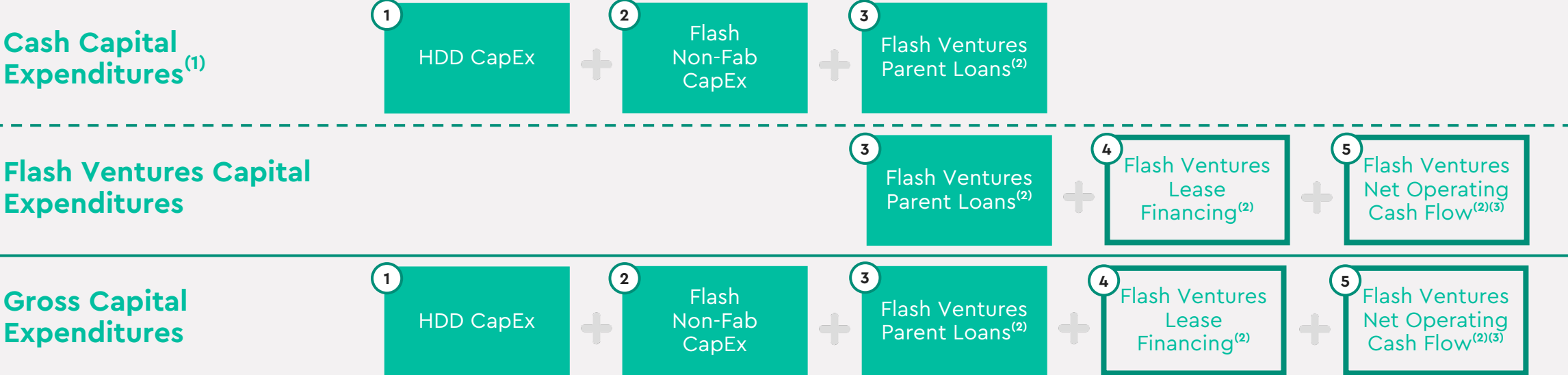
3. The non-GAAP tax rate is provided based on a percentage of non-GAAP pre-tax income. Due to differences in the tax treatment of items excluded from our non-GAAP net income and because our tax rate is based on an estimated forecasted annual GAAP tax rate, our estimated non-GAAP tax rate may differ from our GAAP tax rate and from our actual tax rates.

Joint Venture Operational Framework

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

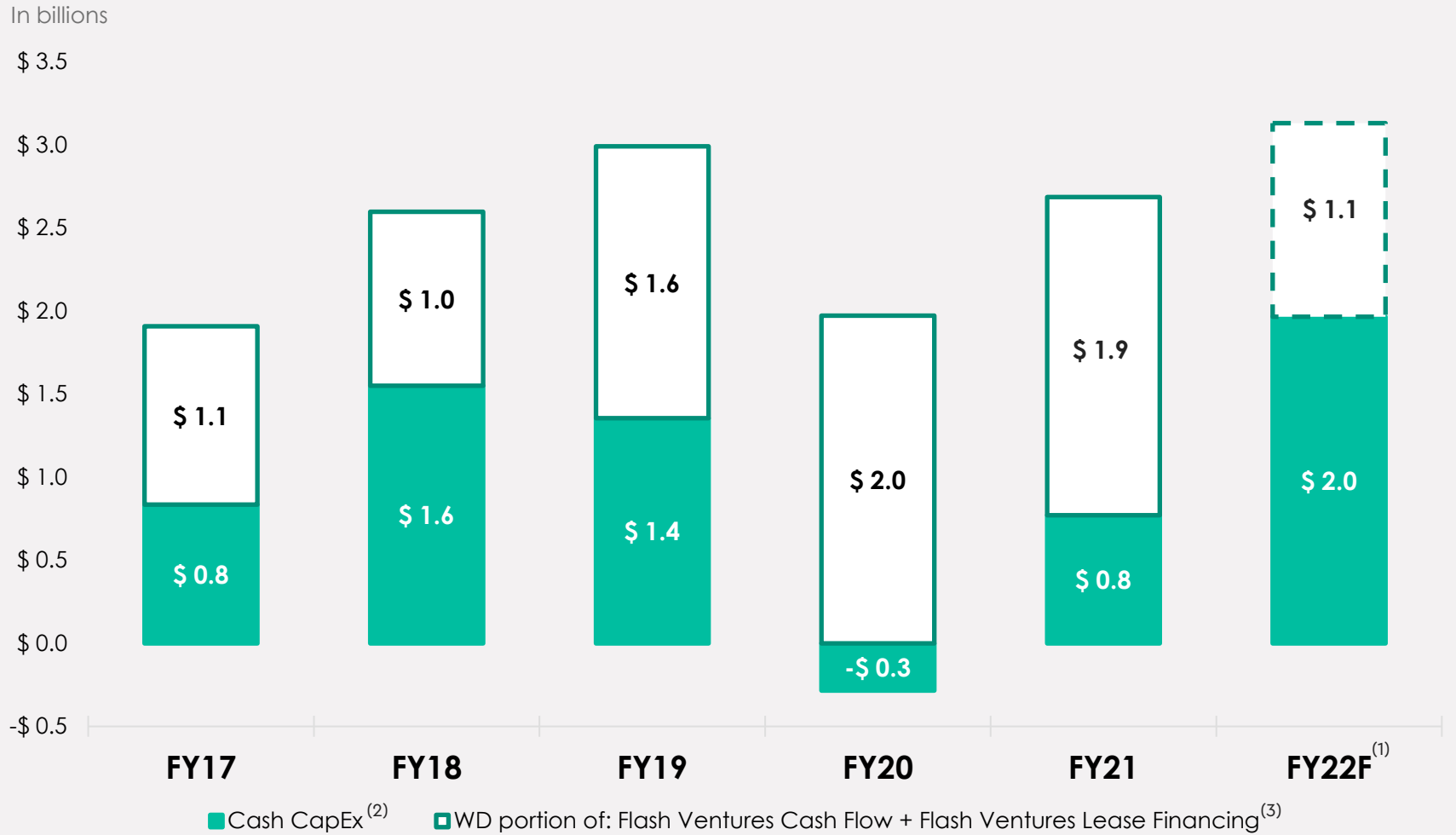
Western Digital	Flash Ventures 49.9% Owned by Western Digital 50.1% Owned by Kioxia	KIOXIA
Co-develops flash (including process technology and memory design) with Kioxia and contributes IP for Flash Ventures' use	Owns and leases equipment for flash wafer production and R&D line	Co-develops flash (including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



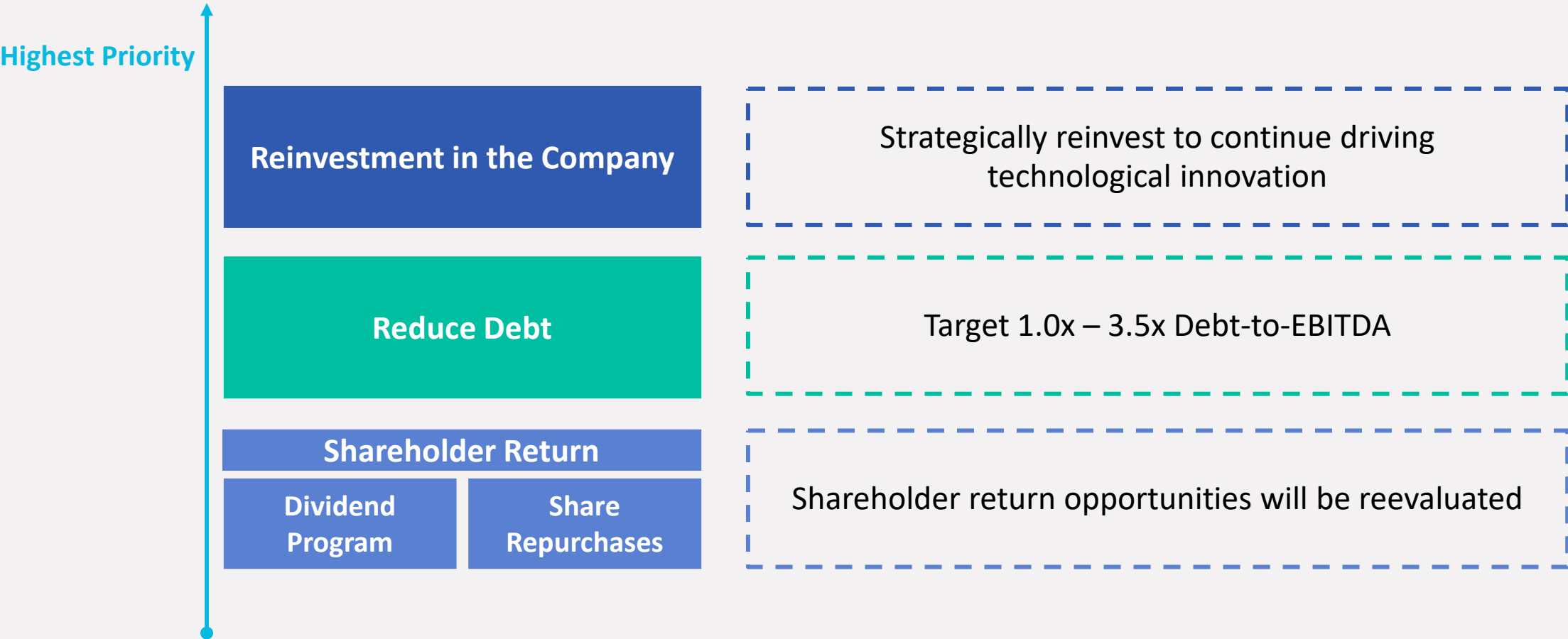
1. Cash Capital Expenditures includes purchases of property, plant and equipment, net, and notes receivable issuances to Flash Ventures, net.
 2. Flash Ventures Parent Loans, Flash Ventures Lease Financing, and Flash Ventures Net Operating Cash Flow are comprised only of Western Digital's portions.
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

Gross Capital Expenditure Trends



1. FY22F: Gross Capital Expenditures of ~\$3.1 billion, of which Cash Capital Expenditures = ~\$2.0 billion.
2. Cash Capital Expenditures includes purchases of property, plant and equipment, net, and the activity related to Flash Ventures, net.
3. Flash Ventures Net Operating Cash Flow and Flash Ventures Lease Financing are comprised only of Western Digital's portions.

Capital Allocation Priorities



Upcoming Events

AUGUST
9

SEPTEMBER
9

SEPTEMBER
14

NOVEMBER
30

DECEMBER
7

**Nasdaq Asia
Investor
Conference**

**Deutsche
Bank
Technology
Conference**

**Citi Global
Technology
Conference**

**Wells Fargo
Global TMT
Conference**

**Barclays TMT
Conference**

Events and participation are subject to change. Please visit our website at investor.wdc.com for the latest information.

Appendix



Quarterly Fact Sheet

In millions, except Average Selling Price (ASP), percentages, and working capital related metrics	Q4F20	Q1F21	Q2F21	Q3F21	Q4F21
Revenue					
Client Devices ⁽¹⁾	\$ 1,916	\$ 1,946	\$ 2,131	\$ 2,012	\$ 2,166
Data Center Devices & Solutions ⁽¹⁾	1,684	1,129	807	1,237	1,777
Client Solutions ⁽¹⁾	687	847	1,005	888	977
Total Revenue	\$ 4,287	\$ 3,922	\$ 3,943	\$ 4,137	\$4,920
Exabyte Metrics					
QoQ Change in HDD Exabytes Sold ⁽²⁾	(2%)	(7%)	2%	7%	34%
QoQ Change in Flash Exabytes Sold ⁽²⁾	8%	1%	7%	8%	4%
QoQ Change in Total Exabytes Sold ⁽²⁾	(1%)	(6%)	3%	7%	30%
Technology					
HDD Revenue	\$ 2,049	\$ 1,844	\$ 1,909	\$ 1,962	\$ 2,501
Flash Revenue	2,238	2,078	2,034	2,175	2,419
HDD Non-GAAP Gross Margin ⁽³⁾	27.2%	26.2%	25.6%	25.0%	30.3%
Flash Non-GAAP Gross Margin ⁽³⁾	30.5%	26.4%	27.1%	30.0%	35.5%
Total Non-GAAP Gross Margin ⁽³⁾	28.9%	26.3%	26.4%	27.7%	32.9%
Cash and Cash Equivalents	\$ 3,048	\$ 2,995	\$ 2,956	\$ 2,734	\$ 3,370
Cash Flows					
Cash Flows provided by Operating Activities	\$ 172	\$ 363	\$ 425	\$ 116	\$ 994
Purchases of Property, Plant and Equipment, net	(215)	(330)	(207)	(162)	(304)
Activity Related to Flash Ventures, net	304	163	(69)	35	102
Free Cash Flow⁽⁴⁾	\$ 261	\$ 196	\$ 149	(\$ 11)	\$ 792
Working Capital Related					
Days Sales Outstanding	50	49	42	42	42
Days Inventory Outstanding	87	101	109	110	98
Days Payables Outstanding	(67)	(71)	(71)	(66)	(63)
Cash Conversion Cycle	70	79	80	86	77
Flash Metrics					
QoQ Change in ASP/Gigabytes ⁽²⁾	1%	(9%)	(9%)	(2%)	7%
HDD Metrics					
Client Compute Units ⁽⁵⁾	9.4	9.3	10.7	9.2	9.0
Non-Compute Units ⁽⁶⁾	6.9	8.2	10.1	8.3	8.7
Data Center Units ⁽⁷⁾	6.8	5.5	4.9	5.7	7.7
Total HDD Units⁽⁸⁾	23.1	23.0	25.7	23.2	25.4
HDD ASP ⁽⁹⁾	\$ 87	\$ 79	\$ 73	\$ 82	\$ 97

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. Data Center Devices and Solutions is comprised of enterprise HDD, enterprise SSD, data center software, data center solutions and licensing and royalties. Client Solutions is comprised of branded HDD, branded flash, removables 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 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. 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.
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 Q4F21 (in millions)	Applicable Rates ⁽¹⁾
Revolver drawn ⁽²⁾⁽³⁾	L+150	February 27, 2023	\$ 0	1.601%
Term Loan A-1 ⁽³⁾	L+150	February 27, 2023	4,332	2.753% ⁽⁴⁾
Term Loan B-4 ⁽³⁾	L+175	April 29, 2023	1,093	1.851%
Convertible Debt Due 2024 ⁽⁵⁾	1.500%	February 1, 2024	1,100	1.500%
Sr. Unsecured Notes Due 2026 ⁽⁶⁾	4.750%	February 15, 2026	<u>2,300</u>	4.750%
Total			\$ 8,825	3.006%⁽⁷⁾

- All-in applicable rates as of July 2, 2021. Applicable spread for Term Loan A-1 and Revolver over LIBOR based on credit ratings as of July 2, 2021.
- Revolver capacity: \$2.25 billion, none of which was drawn as of July 2, 2021.
- Term Loan A-1, Term Loan B-4, and Revolver have a LIBOR floor of 0bps.
- Reflects impact of the interest rate swaps that effectively fix LIBOR on \$2 billion of floating-rate debt at 2.60% through February 2023.
- Initial conversion price of \$121.91 per share. Notes became callable on February 5, 2021.
- Notes are callable beginning November 15, 2025.
- Weighted average interest rate, including impact of interest rate swaps, based on principal balances outstanding as of July 2, 2021.

Credit Agreement Defined Leverage Ratio

In millions; unaudited; trailing 12 months	Q4F20	Q1F20	Q2F21	Q3F21	Q4F21
Net Income (Loss)	(\$ 250)	(\$ 34)	\$ 167	\$ 347	\$ 821
Income tax expense	204	222	146	169	106
Interest and other expense, net	381	346	329	290	293
Depreciation and amortization	1,566	1,534	1,471	1,338	1,212
EBITDA⁽¹⁾	\$ 1,901	\$ 2,068	\$ 2,113	\$ 2,144	\$ 2,432
Stock-based compensation expense	\$ 308	\$ 307	\$ 310	\$ 315	\$ 318
Employee termination, asset impairment and other charges	32	47	40	(36)	(47)
Charges related to acquisitions and dispositions	9	4	2	0	0
Charges related to cost saving initiatives	9	8	1	1	3
Charges related to a power outage incident and related recovery	68	(30)	(75)	(75)	(75)
Other	(8)	(8)	0	1	1
Adjusted EBITDA⁽²⁾⁽³⁾	\$ 2,319	\$ 2,396	\$ 2,391	\$ 2,350	\$ 2,632
Total Debt⁽⁴⁾	\$ 9,711	\$ 9,498	\$ 9,250	\$ 9,037	\$ 8,825
Debt to Adjusted EBITDA	4.2X	4.0X	3.9X	3.8X	3.4X
Flash Ventures equipment depreciation expenses ⁽⁵⁾	\$ 977	\$ 980	\$ 1,006	\$ 1,039	\$ 1,035
Other Credit Agreement Adjustments ⁽⁶⁾	125	70	64	62	(50)
Credit Agreement Defined Adjusted EBITDA⁽⁷⁾	\$ 3,421	\$ 3,446	\$ 3,461	\$ 3,451	\$ 3,617
Total Debt⁽⁴⁾	\$ 9,711	\$ 9,498	\$ 9,250	\$ 9,037	\$ 8,825
Credit Agreement Defined Leverage Ratio⁽⁸⁾	2.8X	2.8X	2.7X	2.6X	2.4X

- EBITDA is defined as net income (loss) 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.
- The company's share of Flash Ventures' equipment depreciation expense was approximately 95% of Credit Agreement Adjustments for the trailing 12 months Q4F21.
- Other Credit Agreement Adjustments include other income and expenses, special charges and expected future cost savings from cost reduction initiatives as provided under the company's credit agreement applicable to Term Loan A-1 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-1 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 purposes of one of the financial covenants applicable to Term Loan A-1 and Revolver.

Net Income to Adjusted EBITDA Reconciliation

In millions; unaudited	Q4F20	Q1F21	Q2F21	Q3F21	Q4F21
Net Income (Loss)	\$ 148	(\$ 60)	\$ 62	\$ 197	\$ 622
Income Tax Expense	37	57	23	52	(26)
Interest And Other Expense, Net	76	73	73	68	79
Depreciation And Amortization	377	374	336	251	251
EBITDA⁽¹⁾	\$ 638	\$ 444	\$ 494	\$ 568	\$ 926
Stock-based Compensation Expense	\$ 76	\$ 76	\$ 80	\$ 83	\$ 79
Employee Termination, Asset Impairment And Other Charges	7	23	2	(68)	(4)
Charges Related To Cost Saving Initiatives	0	0	0	1	2
Charges related to a power outage incident and related recovery	0	(30)	(45)	0	0
Other	0	0	0	1	0
Adjusted EBITDA⁽²⁾⁽³⁾	\$ 721	\$ 513	\$ 531	\$ 585	\$ 1,003
Flash Ventures Equipment Depreciation Expenses	\$ 239	\$ 262	\$ 267	\$ 271	\$ 235

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 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.

GAAP to Non-GAAP Reconciliation

In millions; unaudited	Q4F20	Q3F21	Q4F21
GAAP Gross Profit	\$ 1,083	\$ 1,091	\$ 1,566
Amortization of acquired intangible assets	144	39	38
Stock-based compensation expense	13	14	14
Non-GAAP Gross Profit	\$ 1,240	\$ 1,144	\$ 1,618
GAAP Operating Expenses	\$ 822	\$ 774	\$ 891
Amortization of acquired intangible assets	(39)	(39)	(38)
Stock-based compensation expense	(63)	(69)	(65)
Employee termination, asset impairment and other charges	(7)	68	4
Charges related to cost saving initiatives	-	(1)	(2)
Other	-	(1)	-
Non-GAAP Operating Expenses	\$ 713	\$ 732	\$ 790
GAAP Operating Income	\$ 261	\$ 317	\$ 675
Gross profit adjustments	157	53	52
Operating expense adjustments	109	42	101
Non-GAAP Operating Income	\$ 527	\$ 412	\$ 828
GAAP Interest and Other Expense, Net	(\$ 76)	(\$ 68)	(\$ 79)
Convertible debt activity	7	7	7
Other	(4)	(6)	(7)
Non-GAAP Interest and Other Expense, Net	(\$ 73)	(\$ 67)	(\$ 79)

GAAP to Non-GAAP Reconciliation

In millions, except per share amounts; unaudited	Q4F20	Q3F21	Q4F21
GAAP Net Income	\$ 148	\$ 197	\$ 622
Amortization of acquired intangible assets	183	78	76
Stock-based compensation expense	76	83	79
Employee termination, asset impairment and other charges	7	(68)	(4)
Charges related to cost saving initiatives	-	1	2
Convertible debt activity	7	7	7
Other	(4)	(5)	(7)
Income tax adjustments	(48)	25	(95)
Non-GAAP Net Income	\$ 369	\$ 318	\$ 680
Diluted Income Per Common Share			
GAAP	\$ 0.49	\$ 0.63	\$ 1.97
Non-GAAP	\$ 1.23	\$ 1.02	\$ 2.16
Diluted Weighted Average Shares Outstanding			
GAAP	301	313	315
Non-GAAP	301	313	315

GAAP to Non-GAAP Reconciliation

In millions, except percentages; unaudited	Q4F20	Q1F21	Q2F21	Q3F21	Q4F21
Gross Profit	\$ 1,083	\$ 904	\$ 960	\$ 1,091	\$ 1,566
Amortization of acquired intangible assets	144	145	109	39	38
Stock-based compensation expense	13	12	15	14	14
Charges related to a power outage incident and related recovery	-	(30)	(45)	-	-
Non-GAAP Gross Profit	\$ 1,240	\$ 1,031	\$ 1,039	\$ 1,144	\$ 1,618
Non-GAAP Gross Profit By Product					
HDD	\$ 557	\$ 483	\$ 488	\$ 491	\$ 759
Flash	683	548	551	653	859
Total Non-GAAP Gross Profit	\$ 1,240	\$ 1,031	\$ 1,039	\$ 1,144	\$ 1,618
Revenue By Product					
HDD	\$ 2,049	\$ 1,844	\$ 1,909	\$ 1,962	\$ 2,501
Flash	2,238	2,078	2,034	2,175	2,419
Total Revenue	\$ 4,287	\$ 3,922	\$ 3,943	\$ 4,137	\$ 4,920
Consolidated GAAP gross margin ⁽¹⁾	25.3%	23.0%	24.3%	26.4%	31.8%
Consolidated Non-GAAP gross margin ⁽²⁾	28.9%	26.3%	26.4%	27.7%	32.9%
Non-GAAP HDD gross margin ⁽³⁾	27.2%	26.2%	25.6%	25.0%	30.3%
Non-GAAP Flash gross margin ⁽⁴⁾	30.5%	26.4%	27.1%	30.0%	35.5%

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.

GAAP to Non-GAAP Reconciliation

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; non-GAAP interest and other expense, net; non-GAAP net income; non-GAAP diluted income 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) 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, charges related to a power outage incident and related recovery, convertible debt activity, 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-1 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:

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. 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.

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 they 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.

Charges related to a power outage incident and related recovery. 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 year 2021, the company received recoveries of these losses from its insurance carriers. These charges and recoveries are inconsistent in amount and frequency, and the company believes these charges or recoveries 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 they are not indicative of the underlying performance of its business.

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

Income tax adjustments. Income tax adjustments include the difference between income taxes based on a forecasted annual non-GAAP tax rate and a forecasted annual GAAP tax rate as a result of the timing of certain non-GAAP pre-tax adjustments. The income tax adjustments also include adjustments to estimates related to the current status of the rules and regulations governing the transition to the Tax Cuts and Jobs Act. 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 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. 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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