Fiscal Second Quarter 2024 Financial Results

Forward Looking Statements

SAFE HARBOR

This presentation contains forward-looking statements within the meaning of federal securities laws, including statements regarding expectations for the company's business outlook and financial performance for the fiscal third quarter of 2024 and beyond; end-market performance; product developments, momentum and adoption; the impact of the company's business and corporate strategy on cyclicality and through-cycle profitability; the effect of the company's inventory management, range of products, cost controls and capital efficiency on financial performance; the potential impact of our convertible preferred equity and convertible senior notes on our financial statements and financial results; and capital expenditure and allocation priorities. These forward-looking statements are based on management's current expectations and are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied in the forward-looking statements. The preliminary financial results for the company's fiscal second quarter ended December 29, 2023 included in this presentation represent the most current information available to management. Actual results when disclosed in the company's Form 10-Q may differ from these preliminary results as a result of the completion of the company's financial closing procedures; final adjustments; completion of the review by the company's independent registered accounting firm; and other developments that may arise between now and the filing of the company's Form 10-Q. Other key risks and uncertainties that could cause actual results to differ materially from those expressed or implied in the forward-looking statements include: volatility in global economic conditions; future responses to and effects of global health crises; the impact of business and market conditions; the outcome and impact of the company's planned separation of its HDD and Flash business units, including with respect to customer and supplier relationships, contractual restrictions, stock price volatility and the diversion of management's attention from ongoing business operations and opportunities; the impact of competitive products and pricing; the company's development and introduction of products based on new technologies and expansion into new data storage markets; risks associated with cost saving initiatives, restructurings, acquisitions, divestitures, mergers, joint ventures and the company's strategic relationships; difficulties or delays in manufacturing or other supply chain disruptions; hiring and retention of key employees; the company's level of debt and other financial obligations; changes to the company's relationships with key customers; compromise, damage or interruption from cybersecurity incidents or other data system security risks; actions by competitors; the company's ability to achieve its GHG emissions reduction and other ESG goals; risks associated with compliance with changing legal and regulatory requirements and the outcome of legal proceedings; and other risks and uncertainties listed in the company's filings with the Securities and Exchange Commission (the "SEC"), including the company's Annual Report on Form 10-K filed with the SEC on August 22, 2023 and Quarterly Report on Form 10-Q filed with the SEC on November 7, 2023 to which your attention is directed. You should not place undue reliance on these forward-looking statements, which speak only as of the date hereof, and the company undertakes no obligation to update or revise these forward-looking statements to reflect new information or events, except as required by law.

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

Fiscal Second Quarter Executive Summary

Financial Results[1]

- Revenue of $ 3.0B
- Non-GAAP EPS of $ (0.69)
- Non-GAAP gross margin of 15.5%
- Operating cash flow of $ (92)M
- Free cash flow of $ (176)M
- Cash and cash equivalents of $ 2.5B

Corporate

- Executing on strategy of building leading products across a broad range of end markets, closely controlling our product cost through focused R&D and manufacturing, and bolstering business agility to dampen business cycles and improve through-cycle profitability.

Flash

- Our broad range of products combined with strong execution in dynamically allocating bit shipments and optimizing capital efficiency drove upside in ASPs and gross margin.
- WD_BLACK gaming SSD products achieved a new record revenue with bit shipment growth of over 50% year-over-year.

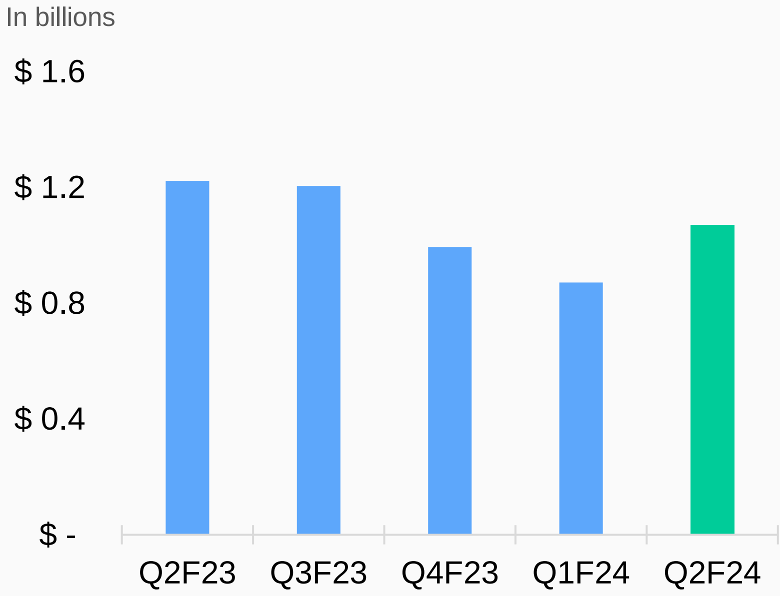
Hard Drive

- Shipped approximately 1 million UltraSMR hard drives per quarter in both the first and second quarter of fiscal year 2024.
- Adoption of UltraSMR is broadening to our major customers worldwide, including a third cloud titan in the U.S., as well as hyperscale and smart video customers in China.
- SMR drive shipments to comprise the majority of nearline demand by calendar year 2025.

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

Revenue Trends by End Market

Cloud

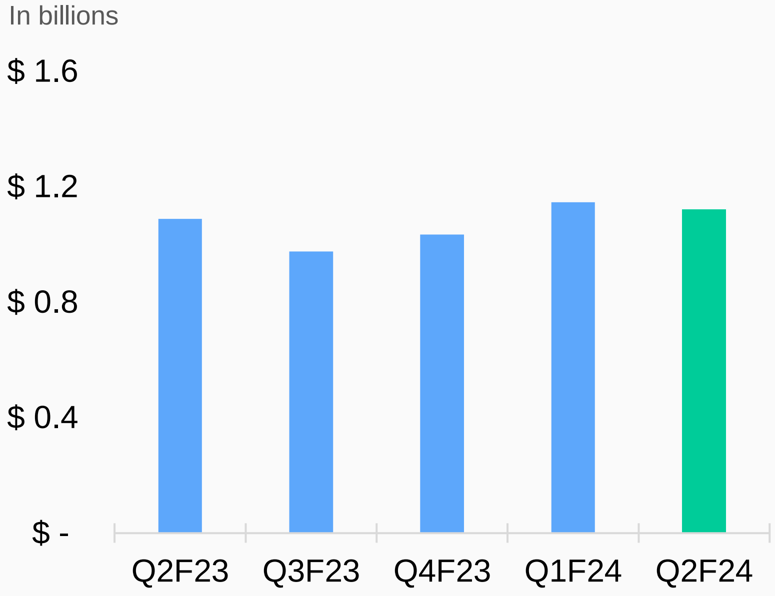


Revenue

$ 1.1 billion

Increased 23% QoQ
Decreased 13% YoY

Client

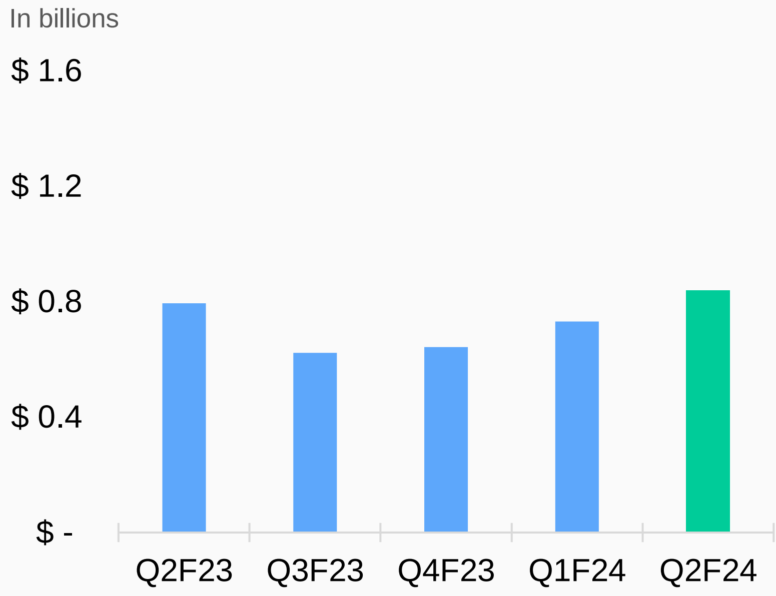


Revenue

$ 1.1 billion

Decreased 2% QoQ
Increased 3% YoY

Consumer



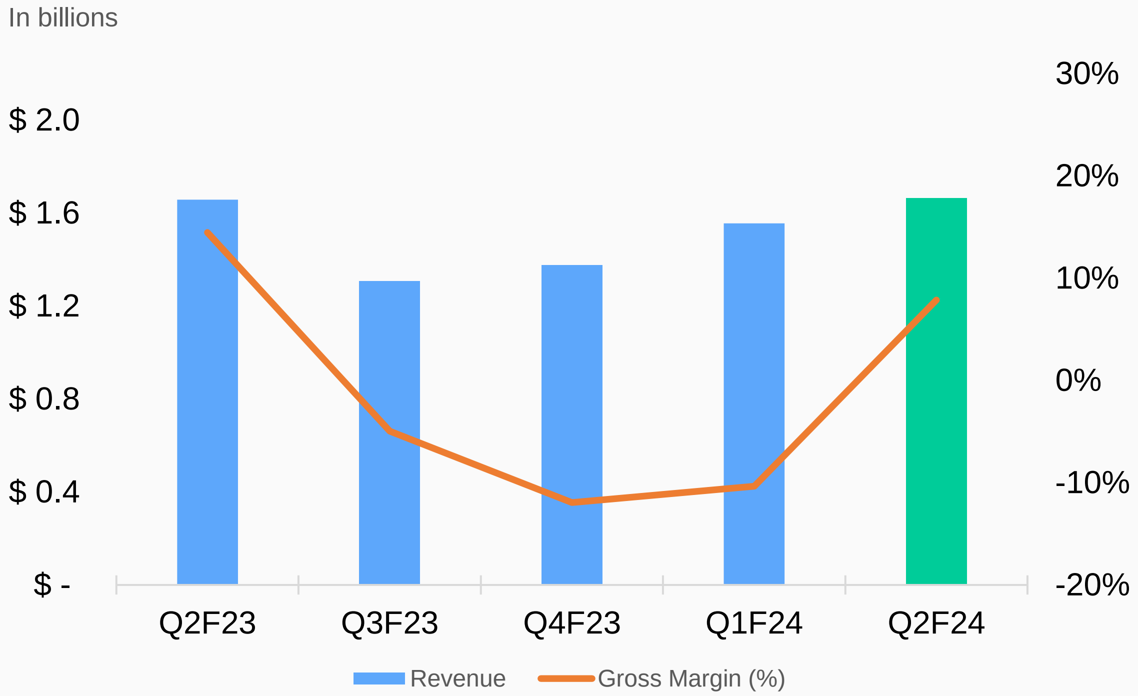
Revenue

$ 0.8 billion

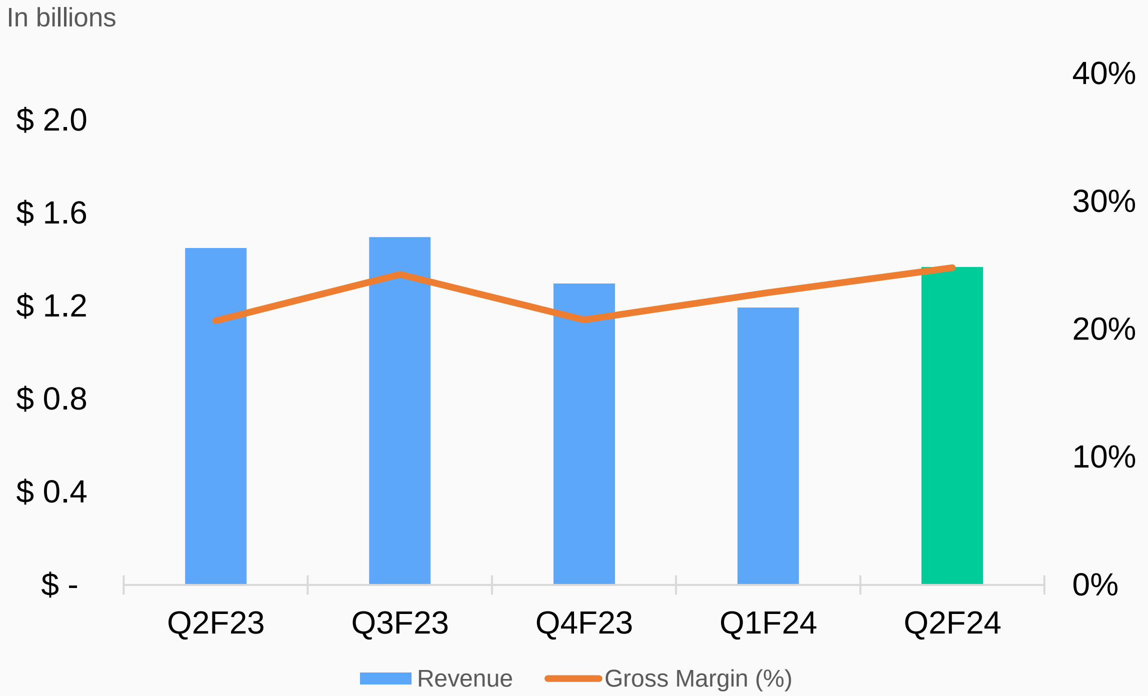
Increased 15% QoQ
Increased 6% YoY

Flash and Hard Drive Metrics

Flash Revenue and Gross Margin



Hard Drive Revenue and Gross Margin



Flash

Q2F24 Results

- Bit shipments: decreased 2% QoQ
- ASP/Gigabyte:
  - Blended: increased 10% QoQ
  - Like-for-like: increased 7% QoQ

Hard Drive

Q2F24 Results

- Exabyte shipments: increased 14% QoQ
- ASP per drive: $ 122

See Appendix for Supplemental Operating Segment Results.

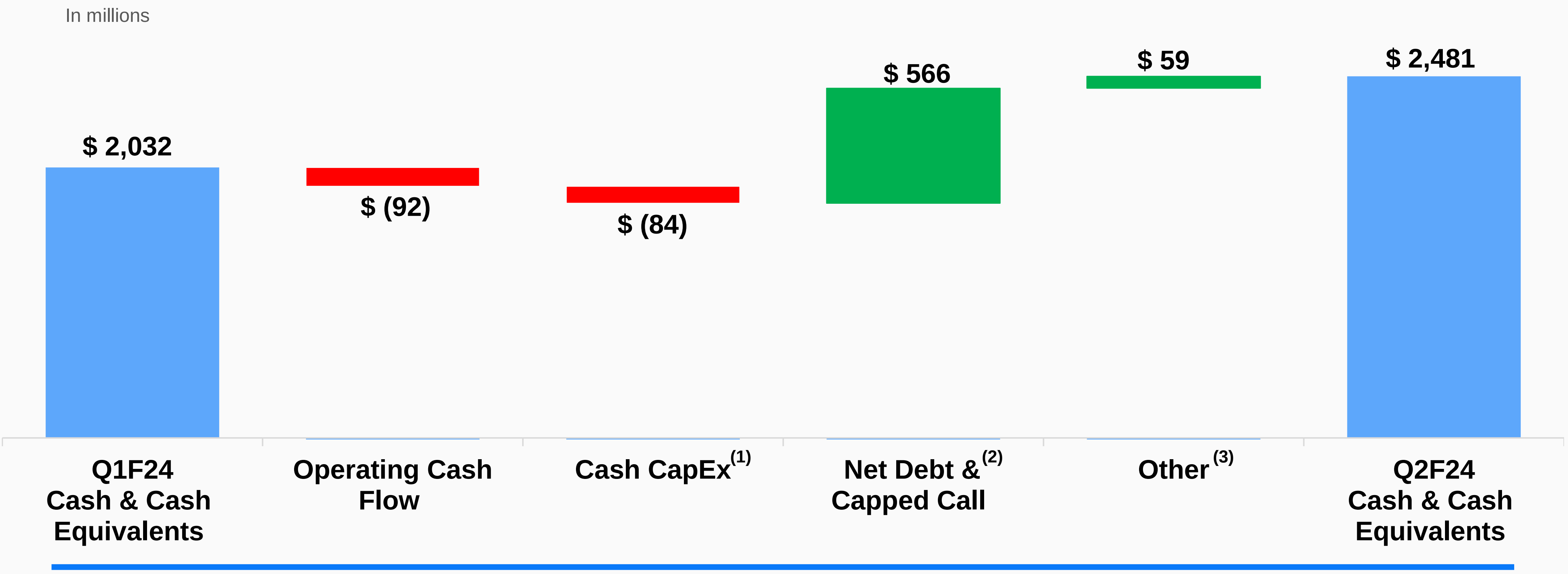
Non-GAAP Financial Results

($ in millions, except for EPS)

	Q2 2023	Q1 2024	Q2 2024	QoQ	YoY
Revenue	$ 3,107	$ 2,750	$ 3,032	up 10%	down 2%
Gross Margin %	17.4%	4.1%	15.5%	up 11.4 ppt	down 1.9 ppt
Operating Expenses	$ 659	$ 555	$ 561	up 1%	down 15%
Operating Loss	$ (119)	$ (443)	$ (91)	*	*
Interest and Other Expense, net	$ 64	$ 86	$ 94	up 9%	up 47%
EPS – Diluted	$ (0.42)	$ (1.76)	$ (0.69)	*	*
Operating Cash Flow	$ 35	$ (626)	$ (92)	*	*
Free Cash Flow	$ (240)	$ (544)	$ (176)	*	*

See Appendix for GAAP to Non-GAAP Reconciliations.
* Not a meaningful figure.

Cash Flow Walk



- Total liquidity was $ 4.7 billion, including cash and cash equivalents of $ 2.5 billion, undrawn revolver capacity of $ 2.25 billion.

1. Cash Capital Expenditures includes purchases of property, plant and equipment, net, and notes receivable proceeds to Flash Ventures, net.
2. $ 1,564 million issuance of 2028 convertible notes, net of issuance costs, partially offset by $ 843 million debt repurchase/repayments and $ 155 million purchase of capped call hedge.
3. Other primarily consists of employee stock plans, net and strategic investments.

Fiscal Third Quarter Guidance[1]

	GAAP	Non-GAAP[2]
Revenue ($ B)	$ 3.20 - $ 3.40	$ 3.20 - $ 3.40
Gross Margin %	21.5% - 23.5%	22.0% - 24.0%
Operating Expenses ($ M)	$ 710 - $ 730	$ 600 - $ 620
Interest and Other Expense, net ($ M)	~$ 95	~$ 95
Income Tax Expense ($ M)[3]	N/A	$ 20 - $ 30
Preferred Dividend ($ M)	$ 15	$ 15
EPS - Diluted	N/A	$ (0.10) - $ 0.20
Share Count - Diluted (in millions)	~330	~330

1. Guidance as shown is as of January 25, 2024.
2. Non-GAAP gross margin guidance excludes amortization of acquired intangible assets and 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 business separation costs, totaling approximately $ 105 million to $ 115 million. In the aggregate, Non-GAAP diluted earnings per share guidance excludes these items totaling approximately $ 115 million to $ 130 million. The timing and amount of additional charges the company excludes from its Non-GAAP income tax expense and Non-GAAP diluted earnings per share are dependent on the timing and determination of certain actions and cannot be reasonably predicted. The timing and amount of these charges excluded from Non-GAAP gross margin, Non-GAAP operating expenses, and Non-GAAP diluted earnings per share cannot be further allocated or quantified with certainty. Accordingly, full reconciliations of Non-GAAP gross margin, Non-GAAP operating expenses, Non-GAAP income tax expense and Non-GAAP diluted earnings per share to the most directly comparable GAAP financial measures (GAAP gross profit, GAAP operating expenses, income tax expense and diluted earnings per share, respectively) are not available without unreasonable effort.
3. 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

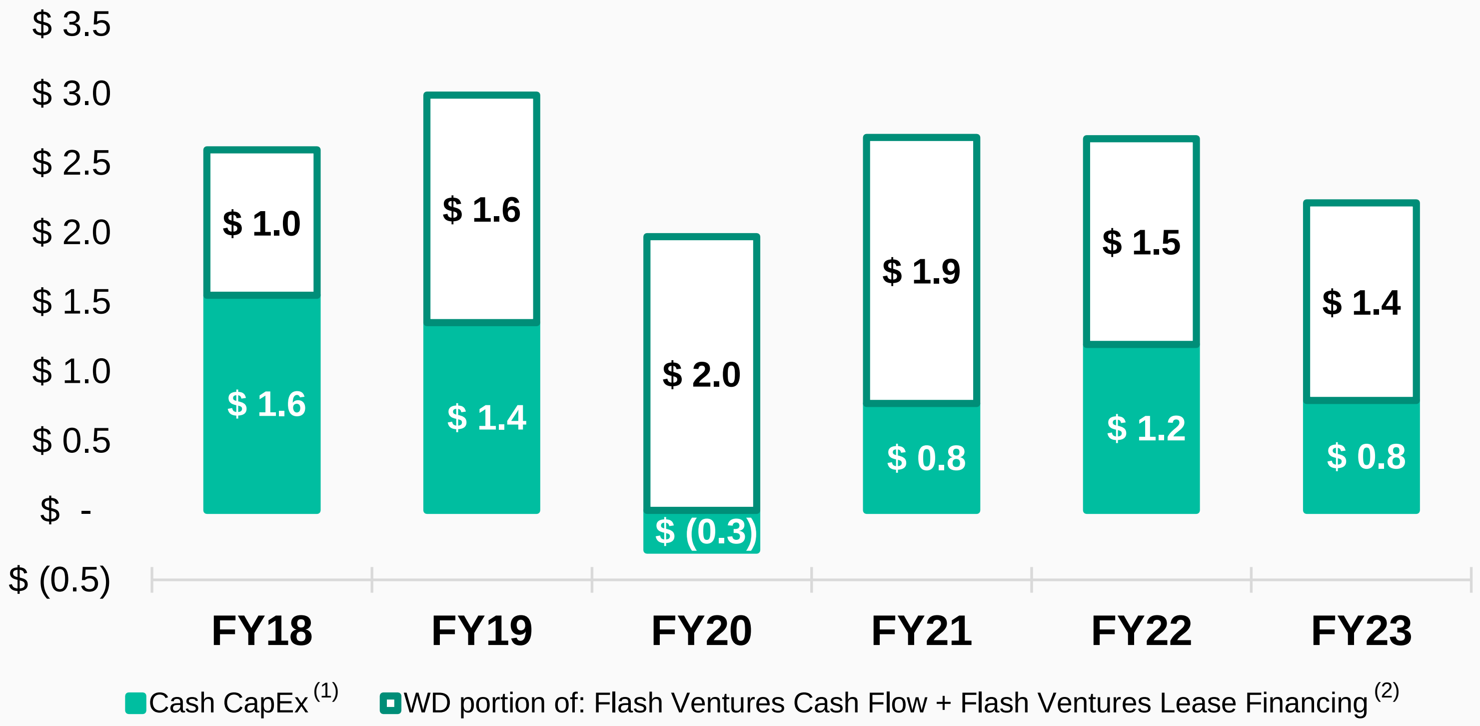
Capital Expenditure Framework

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 notes receivable proceeds 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 proceeds 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	Q2F23	Q3F23	Q4F23	Q1F24	Q2F24
Revenue by End Market[1]					
Cloud	$ 1,224	$ 1,205	$ 994	$ 872	$ 1,071
Client	1,089	975	1,035	1,147	1,122
Consumer	794	623	643	731	839
Total Revenue	**$ 3,107**	**$ 2,803**	**$ 2,672**	**$ 2,750**	**$ 3,032**
Segment Results					
Flash Revenue	$ 1,657	$ 1,307	$ 1,377	$ 1,556	$ 1,665
HDD Revenue	1,450	1,496	1,295	1,194	1,367
Total Revenue	**$ 3,107**	**$ 2,803**	**$ 2,672**	**$ 2,750**	**$ 3,032**
Flash Gross Margin	14.5%	(5.0%)	(11.9%)	(10.3%)	7.9%
HDD Gross Margin	20.7%	24.3%	20.7%	22.9%	24.8%
Total Gross Margin for Segments[2]	17.4%	10.6%	3.9%	4.1%	15.5%
Exabyte Metrics					
QoQ Change in Flash Exabytes Sold[3]	20%	(14%)	15%	26%	(2%)
QoQ Change in HDD Exabytes Sold[3]	(35%)	15%	(18%)	(5%)	14%
QoQ Change in Total Exabytes Sold[3]	(28%)	9%	(13%)	2%	10%
Flash Metrics					
QoQ Change in ASP/Gigabytes[3]	(20%)	(10%)	(6%)	(10%)	10%
HDD Metrics					
Cloud Units	5.5	6.3	5.8	5.3	5.9
Client Units	4.0	3.6	3.3	2.6	2.7
Consumer Units	3.4	2.7	2.7	2.5	2.2
Total HDD Units[4]	**12.9**	**12.6**	**11.8**	**10.4**	**10.8**
HDD ASP[5]	$ 99	$ 109	$ 99	$ 112	$ 122
Cash and Cash Equivalents	**$ 1,871**	**$ 2,220**	**$ 2,023**	**$ 2,032**	**$ 2,481**
Cash Flows					
Cash Flows provided by (used in) Operating Activities	$ 35	$ (381)	$ (68)	$ (626)	$ (92)
Purchases of Property, Plant and Equipment, net	(258)	(110)	(119)	69	(150)
Activity Related to Flash Ventures, net	(17)	(36)	(32)	13	66
Free Cash Flow[6]	**$ (240)**	**$ (527)**	**$ (219)**	**$ (544)**	**$ (176)**
Working Capital Related					
Days Sales Outstanding	56	52	54	48	46
Days Inventory Outstanding	133	144	130	120	115
Days Payables Outstanding	(55)	(57)	(56)	(54)	(63)
Cash Conversion Cycle	**134**	**139**	**128**	**114**	**98**

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 Q2F24)

Convertible preferred stock liquidation preference[1]: $ 953M 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 stock participation in net income

Preferred dividend for each quarter equals

$\frac{6.25\%}{4}$ x 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

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

Summary

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

Income Statement Example ($ in millions except EPS)

	Stock price <=	52.20
Net income (loss)	$ (100)	$ 100
Less: cumulative dividends allocated to preferred shareholders	$ 15	$ 15
Less: preferred stock participation in net income	$ -	$ 6
Net income (loss) attributable to common shareholders	$ (115)	$ 80
Income (loss) per common share (diluted)	$ (0.35)	$ 0.24
Weighted average shares outstanding (diluted)	330	330

New 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: Liquidation preference / conversion price

($ 953M / $ 47.75 = 20.0M common shares as of Q2F24)

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

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

Convertible Senior Notes + Capped Calls

- Principal balance: $ 1,600M 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

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:

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

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

$$\frac{(\text{Stock Price} - \$\,52.20) \times \text{If converted shares}}{(\text{Stock Price})}$$

- 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	$ 15	$ 15	$ 15	$ 15	$ 15	$ 15
Less: preferred stock participation in net income	$ -	$ 6	$ -	$ 6	$ -	$ 6
Net income (loss) attributable to common shareholders	$ (115)	$ 80	$ (115)	$ 80	$ (115)	$ 80
Income (loss) per common share (diluted)	$ (0.35)	$ 0.24	$ (0.35)	$ 0.24	$ (0.35)	$ 0.23
Weighted average shares outstanding (diluted)	330	330	330	334	330	341

June 2023 Credit Agreement Amendments Summary[1]

- 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 ≥ Current Portion of Long-term debt (excluding Delayed Draw Term Loan[3] ("DDTL")) + $ 2.0 billion.
- Added collateral and guarantees to support obligations to lenders.

Figure 1: Credit Agreement Defined Leverage Ratio

Quarter	Ratio
Q4F23	5.5x
Q1F24	N/A[2]
Q2F24	N/A[2]
Q3F24	6.25x
Q4F24	5.25x

Quarter	Ratio
Q1F25	5.0x
Q2F25	4.5x
Q3F25	4.0x
Q4F25	3.75x
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

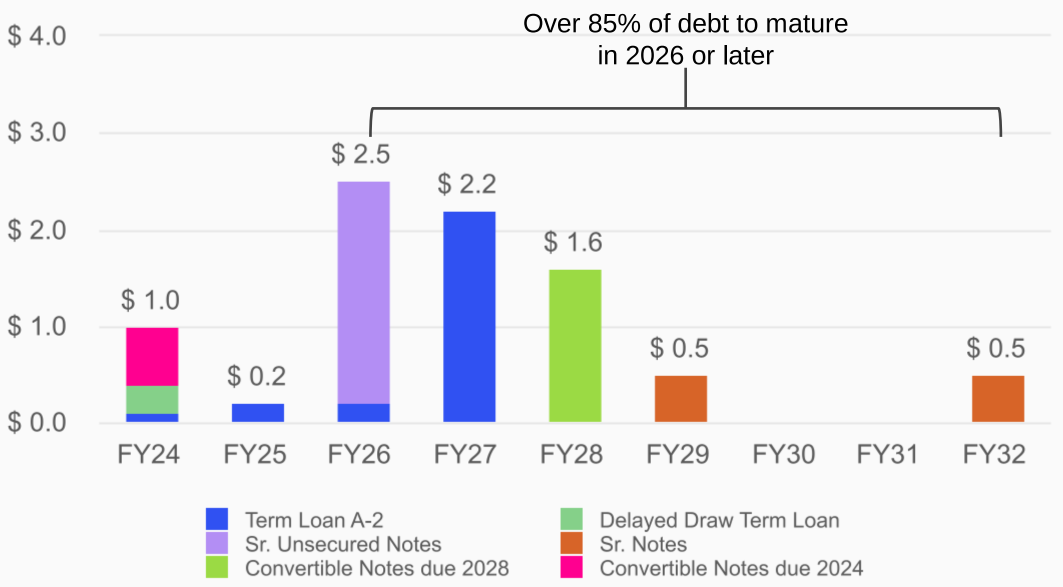
1. Summary of certain key terms that remain in effect only. For complete information, please see the Company's Current Report on Form 8-K and accompanying exhibits filed with the SEC on June 21, 2023.
2. Leverage ratio requirement is not applicable for the first and second quarters of fiscal 2024.
3. 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.

Debt Capital Structure

Current Cap Table

	Rate	All-in Rate[1]	Maturity	As of December 29, 2023 (in millions)
Convertible Debt Due 2024[2]	1.500%	1.500%	2/1/2024	$ 592
Delayed Draw Term Loan	S+2.125%[5]	7.582%	6/28/2024[6]	300
Sr. Unsecured Notes Due 2026[3]	4.750%	4.750%	2/15/2026	2,300
$ 2.25B Revolver[4]	S+1.500%[5]	6.966%	1/7/2027	—
Term Loan A-2	S+1.500%[5]	6.966%	1/7/2027	2,662
Convertible Debt Due 2028[6]	3.000%	3.000%	11/15/2028	1,600
Sr. Notes Due 2029[7]	2.850%	2.850%	2/1/2029	500
Sr. Notes Due 2032[7]	3.100%	3.100%	2/1/2032	500
Total Debt		**4.779%[8]**		**$ 8,454**

Debt Maturity Profile (in billions)



1. All-in applicable rates as of December 29, 2023.
2. Initial conversion price of $ 121.91 per share. Notes became callable on February 5, 2021.
3. Notes are callable beginning November 15, 2025.
4. Revolver capacity: $ 2.25 billion, none of which was drawn and outstanding as of December 29, 2023.
5. S = Adjusted Term SOFR. Delayed Draw Term Loan, Term Loan A-2, and Revolver have a SOFR floor of 0 bps and Applicable spread over SOFR plus 0.10% based on credit ratings as of December 29, 2023.
6. Initial conversion price of $ 52.20 per share. Notes become callable on November 15, 2026.
7. Sr. Notes Due 2029 are callable beginning December 1, 2028 and Sr. Notes Due 2032 are callable beginning November 1, 2031.
8. Weighted average interest rate is based on principal balances outstanding as of December 29, 2023.

Credit Agreement Defined Leverage Ratio

In millions; unaudited; trailing 12 months	Q2F23	Q3F23	Q4F23	Q1F24	Q2F24
Net Loss	**$ (93)**	**$ (690)**	**$ (1,706)**	**$ (2,418)**	**$ (2,240)**
Income tax expense	565	371	146	92	59
Interest and other expense, net	251	246	275	287	253
Depreciation and amortization	867	864	828	759	688
EBITDA[1]	**$ 1,590**	**$ 791**	**$ (457)**	**$ (1,280)**	**$ (1,240)**
Stock-based compensation expense	$ 335	$ 323	$ 318	$ 309	$ 295
Contamination related charges	207	4	—	—	—
Business separation costs	—	—	—	—	36
Employee termination, asset impairment and other	123	159	193	226	174
Strategic review	—	15	42	59	79
Recoveries from a power outage incident	(7)	—	—	—	—
Recovery from contamination incident	—	—	—	—	(36)
Other	2	1	5	7	7
Adjusted EBITDA[2][3]	**$ 2,250**	**$ 1,293**	**$ 101**	**$ (679)**	**$ (685)**
Total Debt[4]	**$ 7,100**	**$ 7,100**	**$ 7,100**	**$ 7,700**	**$ 8,454**
Debt to Adjusted EBITDA	**3.2X**	**5.5X**	**70.3X**	**-11.3X**	**-12.3X**
Flash Ventures equipment depreciation expenses	$ 786	$ 730	$ 721	$ 689	$ 638
Other Credit Agreement Adjustments[5]	292	504	758	860	816
Credit Agreement Defined Adjusted EBITDA[6]	**$ 3,328**	**$ 2,527**	**$ 1,580**	**$ 870**	**$ 769**
Total Debt[4]	**$ 7,100**	**$ 7,100**	**$ 7,100**	**$ 7,700**	**$ 8,454**
Credit Agreement Defined Leverage Ratio[7][8]	**2.1X**	**2.8X**	**4.5X**	**8.9X**	**11.0X**

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 is not applicable for the first and second quarters of fiscal 2024.

GAAP to Non-GAAP Reconciliations

In millions; unaudited	Q2F23	Q1F24	Q2F24
GAAP Gross Profit	**$ 528**	**$ 99**	**$ 492**
Stock-based compensation expense	12	13	13
Amortization of acquired intangible assets	—	—	1
Recovery from contamination incident	—	—	(36)
Non-GAAP Gross Profit	**$ 540**	**$ 112**	**$ 470**
GAAP Operating Expenses	**$ 849**	**$ 695**	**$ 702**
Stock-based compensation expense	(74)	(64)	(59)
Amortization of acquired intangible assets	(39)	—	—
Business separation costs	—	—	(36)
Employee termination, asset impairment and other	(76)	(57)	(24)
Strategic review	—	(17)	(20)
Other	(1)	(2)	(2)
Non-GAAP Operating Expenses	**$ 659**	**$ 555**	**$ 561**
GAAP Operating Loss	**$ (321)**	**$ (596)**	**$ (210)**
Gross profit adjustments	12	13	(22)
Operating expense adjustments	190	140	141
Non-GAAP Operating Loss	**$ (119)**	**$ (443)**	**$ (91)**
GAAP Interest and Other Expense, Net	**$ (64)**	**$ (86)**	**$ (30)**
Other	—	—	(64)
Non-GAAP Interest and Other Expense, Net	**$ (64)**	**$ (86)**	**$ (94)**

GAAP to Non-GAAP Reconciliations (cont'd)

In millions, except per share amounts; unaudited	Q2F23	Q1F24	Q2F24
GAAP Net Loss	**$ (446)**	**$ (685)**	**$ (268)**
Stock-based compensation expense	86	77	72
Business separation costs	—	—	36
Employee termination, asset impairment and other	76	57	24
Strategic review	—	17	20
Amortization of acquired intangible assets	39	—	1
Recovery from contamination incident	—	—	(36)
Other	1	2	(62)
Income tax adjustments	109	(22)	3
Non-GAAP Net Loss	**(135)**	**(554)**	**(210)**
Less: cumulative dividends allocated to preferred shareholders	—	15	14
Non-GAAP Net Loss attributable to common shareholders	**$ (135)**	**$ (569)**	**$ (224)**
Diluted Loss Per Common Share			
GAAP	$ (1.40)	$ (2.17)	$ (0.87)
Non-GAAP	$ (0.42)	$ (1.76)	$ (0.69)
Diluted Weighted Average Shares Outstanding			
GAAP	318	323	325
Non-GAAP	318	323	325

Supplemental Operating Segment Results

In millions, except percentages; unaudited	Q2F23	Q3F23	Q4F23	Q1F24	Q2F24
Net Revenue					
Flash	$ 1,657	$ 1,307	$ 1,377	$ 1,556	$ 1,665
HDD	1,450	1,496	1,295	1,194	1,367
Total Net Revenue	**$ 3,107**	**$ 2,803**	**$ 2,672**	**$ 2,750**	**$ 3,032**
Gross Profit By Segment					
Flash	$ 240	$ (65)	$ (164)	$ (161)	$ 131
HDD	300	363	268	273	339
Total Gross Profit for Segments	**$ 540**	**$ 298**	**$ 104**	**$ 112**	**$ 470**
Unallocated corporate items:					
Stock-based compensation expense	(12)	(12)	(11)	(13)	(13)
Amortization of acquired intangible assets	—	—	1	—	(1)
Recovery from contamination incident	—	—	—	—	36
Other	—	—	(2)	—	—
Total unallocated corporate items	(12)	(12)	(12)	(13)	22
Consolidated Gross Profit	**$ 528**	**$ 286**	**$ 92**	**$ 99**	**$ 492**
Gross Margin					
Flash[(1)]	14.5%	(5.0%)	(11.9%)	(10.3%)	7.9%
HDD[(2)]	20.7%	24.3%	20.7%	22.9%	24.8%
Total gross margin for segments[(3)]	17.4%	10.6%	3.9%	4.1%	15.5%
Consolidated total[(4)]	17.0%	10.2%	3.4%	3.6%	16.2%

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, business separation costs, employee termination, asset impairment and other, expenses related to our strategic review, amortization of acquired intangible assets, recovery from contamination incident, other adjustments, and income tax adjustments, and the company believes these measures along with the related reconciliations to the GAAP measures provide additional detail and comparability for assessing the company's results. EBITDA and adjusted EBITDA are not intended to reflect measures used under the company’s debt agreements. Credit Agreement Defined Adjusted EBITDA also is used to measure financial covenant compliance as defined under the company’s credit agreement applicable to Term Loan A-2 and Revolver and the company's credit agreement applicable to the Delayed Draw Term Loan. These Non-GAAP measures are some of the primary indicators management uses for assessing the company's performance and planning and forecasting future periods. These measures should be considered in addition to results prepared in accordance with GAAP, but should not be considered a substitute for, or superior to, GAAP results. As described above, the company excludes the following items from its Non-GAAP measures:

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

Business separation cost. 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.

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

Strategic review. The company incurred expenses associated with its 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 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.

Recovery from contamination incident. 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. During the quarter ended December 29, 2023, the company received recoveries of 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.

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