

# Fiscal Third Quarter 2025 Financial Results

# Disclaimers

## Forward-Looking Statements

This presentation contains forward-looking statements within the meaning of federal securities laws, including statements regarding expectations for: the company's business outlook and financial performance for the fiscal fourth quarter of 2025 and beyond; demand and market conditions for our products and growth opportunities; and the company's dividend payment plans. 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 third quarter ended March 28, 2025 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: adverse global or regional conditions, including new or additional tariffs or trade restrictions; volatility in demand for the company's products; inflation; increases in interest rates and/or an economic recession; future responses to and effects of global health crises; the impact of business and market conditions; the outcome and impact of the company's completed separation of its HDD and Flash businesses, including with respect to 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; any decisions to reduce or discontinue paying cash dividends; the company's ability to achieve its greenhouse gas emissions reduction and other sustainability goals; the impact of international conflicts; risks associated with compliance with changing legal and regulatory requirements and the outcome of legal proceedings; and other risks and uncertainties listed in the company's filings with the Securities and Exchange Commission (the "SEC"), including the company's Annual Report on Form 10-K filed with the SEC on August 20, 2024, to which your attention is directed. You should not place undue reliance on these forward-looking statements, which speak only as of the date hereof, and the company undertakes no obligation to update or revise these forward-looking statements to reflect new information or events, except as required by law.

## Non-GAAP Measures

This presentation includes references to Non-GAAP financial measures. Reconciliations of the differences between the Non-GAAP measures provided in this presentation to the comparable GAAP financial measures are included in the appendix and in the Investor Relations section of our website. We have not fully reconciled our Non-GAAP financial measures 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 measures guidance to the corresponding GAAP measures is not available without unreasonable effort.

## Discontinued Operations

The financial and operating results of Sandisk Corporation ("Sandisk") subsequent to February 21, 2025 (the "Separation Date") are no longer consolidated into Western Digital Corporation's ("WDC") financial and operating results, and the historical results and financial position of Sandisk for all periods prior to the Separation Date have been reflected as discontinued operations in the WDC financial information on Form 8-K filed with the SEC on April 7, 2025.

# Fiscal Third Quarter Executive Summary

## Financial

- Revenue of \$ 2.3B

- Operating cash flow of \$ 508M

## Results<sup>1</sup>

- Non-GAAP EPS of \$ 1.36

- Free cash flow of \$ 436M

- Non-GAAP gross margin of 40.1%

- Cash and cash equivalents of \$ 3.5B

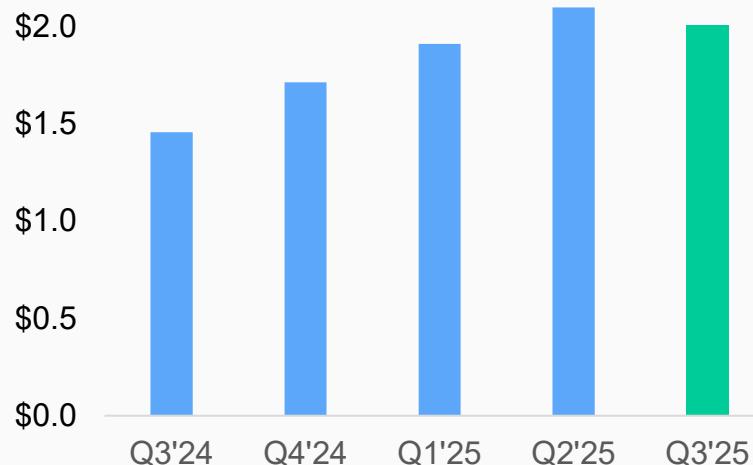
- Western Digital delivered strong fiscal third quarter financial results and successfully completed the planned separation of the company's Flash business on February 21, 2025.
- On April 29, 2025, the company's Board of Directors authorized the adoption of a quarterly cash dividend program and declared a cash dividend of \$ 0.10 per share of the company's common stock.
- Shipped 800k+ units of 11-disk drives with capacities up to 26TB CMR and 32TB UltraSMR.
- Achieved non-GAAP gross margins of 40.1% as customers continued to increase the adoption of our higher capacity drives.
- Western Digital successfully redeemed \$ 1.8B of its 4.750% Sr. Unsecured Notes due 2026 on April 14, 2025.

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

# Revenue Trends by End Market

## Cloud

In billions



### Revenue

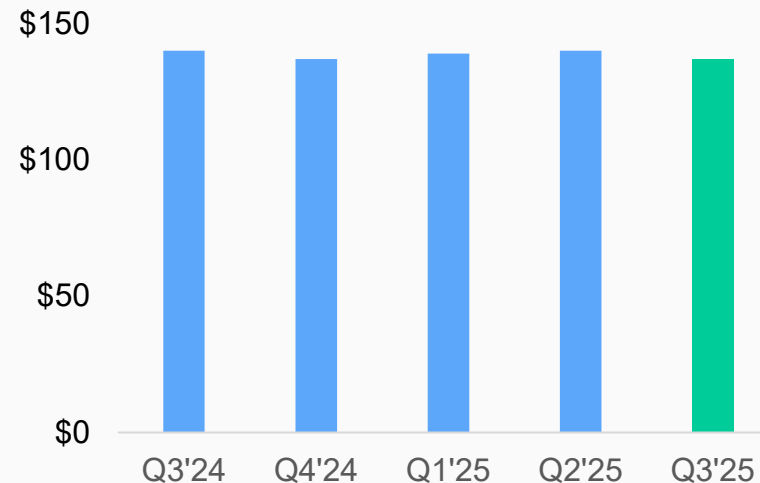
**\$ 2.0 billion**

Decreased 4% QoQ

Increased 38% YoY

## Client

In millions



### Revenue

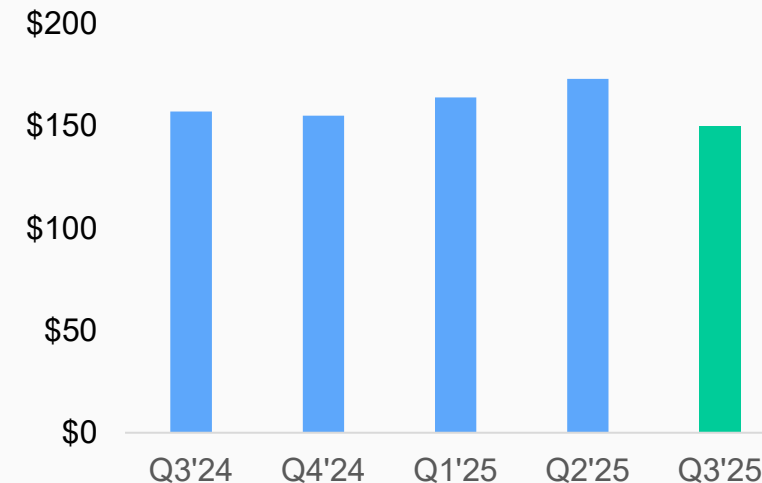
**\$ 137 million**

Decreased 2% QoQ

Decreased 2% YoY

## Consumer

In millions



### Revenue

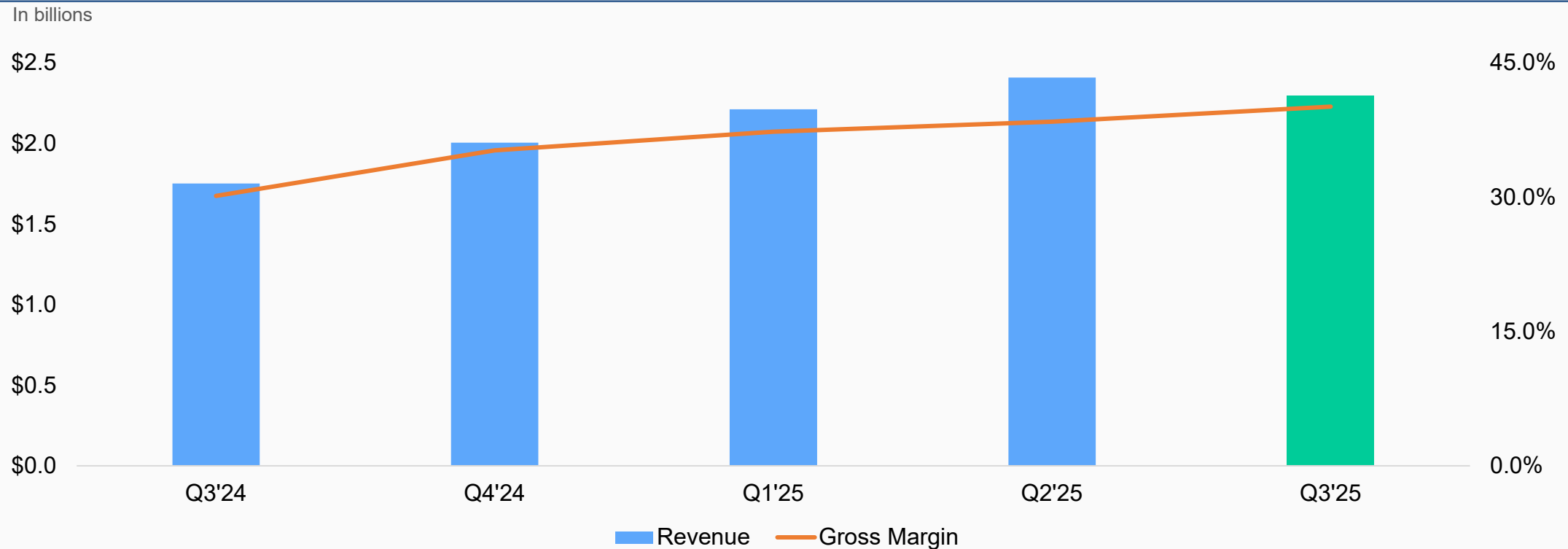
**\$ 150 million**

Decreased 13% QoQ

Decreased 4% YoY

# Business Metrics (Non-GAAP)

## Revenue and Gross Margin



### Q3F25 Results

- Exabyte shipments: decreased 6% QoQ
- ASP per drive: \$ 179

# Non-GAAP Financial Results<sup>(1)</sup>

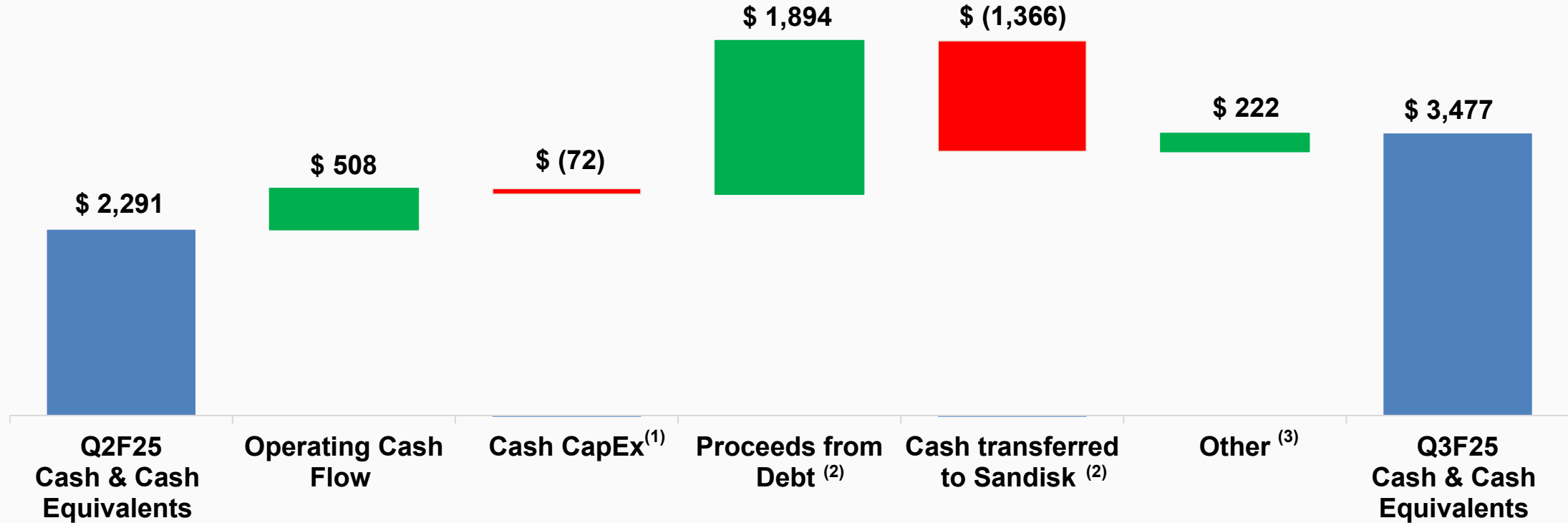
(\$ in millions, except for EPS)

|  | Q3F24    | Q2F25    | Q3F25    | QoQ        | YoY         |
|--|----------|----------|----------|------------|-------------|
| <b>Revenue</b>                         | \$ 1,752 | \$ 2,409 | \$ 2,294 | down 5%    | up 31%      |
| <b>Gross Margin %</b>                  | 30.1%    | 38.4%    | 40.1%    | up 1.7 ppt | up 10.0 ppt |
| <b>Operating Expenses</b>              | \$ 375   | \$ 335   | \$ 324   | down 3%    | down 14%    |
| <b>Operating Income</b>                | \$ 153   | \$ 591   | \$ 596   | up 1%      | up 290%     |
| <b>Interest and Other Expense, net</b> | \$ 103   | \$ 90    | \$ 84    | down 7%    | down 18%    |
| <b>EPS – Diluted</b>                   | N/A      | \$ 1.18  | \$ 1.36  | up 15%     | N/A         |
| <b>Operating Cash Flow</b>             | \$ 58    | \$ 403   | \$ 508   | up 26%     | up 776%     |
| <b>Free Cash Flow</b>                  | \$ 91    | \$ 335   | \$ 436   | up 30%     | up 379%     |

1. See Appendix for GAAP to Non-GAAP reconciliations.

# Cash Flow Walk

In millions



- Total liquidity was \$ 4.7 billion, including cash and cash equivalents of \$ 3.5 billion and undrawn revolver capacity.

1. Cash Capital Expenditures include purchases of property, plant and equipment, net and activities related to Flash Ventures, net.

2. Related to the separation of Sandisk.

3. Primarily consists of the second installment of payments related to the sale of SanDisk Semiconductor (Shanghai) Co. Ltd.

# Fiscal Fourth Quarter Guidance<sup>(1)</sup>

|   | GAAP                 | Non-GAAP <sup>(2)</sup> |
|---|----------------------|-------------------------|
| <b>Revenue</b>                                | \$ 2.45B +/- \$ 150M | \$ 2.45B +/- \$ 150M    |
| <b>Gross Margin %</b>                         | 39.5% - 40.5%        | 40.0% - 41.0%           |
| <b>Operating Expenses (\$ M)</b>              | \$ 385 - \$ 395      | \$ 330 - \$ 340         |
| <b>Interest and Other Expense, net (\$ M)</b> | ~ \$ 70              | ~ \$ 70                 |
| <b>Tax Rate<sup>(3)</sup></b>                 | N/A                  | 8.0% - 10.0%            |
| <b>EPS - Diluted</b>                          | N/A                  | \$ 1.45 +/- \$ 0.20     |
| <b>Share Count - Diluted (in millions)</b>    | ~ 360                | ~ 360                   |

1. Guidance as shown is as of April 30, 2025.

2. Non-GAAP gross margin guidance excludes stock-based compensation expense, totaling approximately \$ 10 million to \$ 15 million. The company's Non-GAAP operating expenses guidance excludes stock-based compensation expense and other expenses, totaling approximately \$ 50 million to \$ 60 million. In the aggregate, Non-GAAP diluted earnings per share guidance excludes these items totaling \$ 60 million to \$ 75 million. The timing and amount of these charges excluded from Non-GAAP gross margin, Non-GAAP operating expenses, and Non-GAAP diluted earnings per share cannot be further allocated or quantified with certainty. Additionally, the timing and amount of additional charges the company excludes from its Non-GAAP tax rate and Non-GAAP diluted earnings per share are dependent on the timing and determination of certain actions and cannot be reasonably predicted. Accordingly, full reconciliations of Non-GAAP gross margin, Non-GAAP operating expenses, Non-GAAP tax rate and Non-GAAP diluted earnings per share to the most directly comparable GAAP financial measures (gross margin, operating expenses, tax rate and diluted earnings per share, respectively) are not available without unreasonable effort.

3. Non-GAAP tax rate is determined based on a percentage of Non-GAAP pre-tax income or loss. Our estimated Non-GAAP tax rate may differ from our GAAP tax rate (i) due to differences in the tax treatment of items excluded from our Non-GAAP net income or loss; (ii) due to 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 income taxes recorded in any interim period are dependent on the timing and determination of certain GAAP operating expenses.

# Quarterly Fact Sheet

| In millions, except Average Selling Price (ASP), percentages, and working capital related metrics | Q3F24           | Q4F24           | Q1F25           | Q2F25           | Q3F25           |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| <b>Revenue by End Market<sup>(1)</sup></b>  |                 |                 |                 |                 |                 |
| Cloud   | \$ 1,455        | \$ 1,712        | \$ 1,909        | \$ 2,096        | \$ 2,007        |
| Client  | 140             | 137             | 139             | 140             | 137             |
| Consumer  | 157             | 155             | 164             | 173             | 150             |
| <b>Total Revenue</b>  | <b>\$ 1,752</b> | <b>\$ 2,004</b> | <b>\$ 2,212</b> | <b>\$ 2,409</b> | <b>\$ 2,294</b> |
| <b>Non-GAAP Gross Margin<sup>(2)</sup></b>  | 30.1%           | 35.2%           | 37.3%           | 38.4%           | 40.1%           |
| <b>Unit Metrics</b>   |                 |                 |                 |                 |                 |
| Cloud   | 7.3             | 7.9             | 9.0             | 9.3             | 8.3             |
| Client  | 2.5             | 2.3             | 2.3             | 2.1             | 1.9             |
| Consumer  | 1.9             | 1.9             | 1.9             | 2.1             | 1.9             |
| <b>Total Units<sup>(3)</sup></b>  | <b>11.7</b>     | <b>12.1</b>     | <b>13.2</b>     | <b>13.5</b>     | <b>12.1</b>     |
| ASP <sup>(4)</sup>  | \$ 145          | \$ 163          | \$ 164          | \$ 172          | \$ 179          |
| QoQ change in exabytes sold   | 41%             | 12%             | 14%             | 7%              | (6%)            |
| <b>Cash Flows (Consolidated)</b>  |                 |                 |                 |                 |                 |
| Cash flows provided by (used in) operating activities   | \$ 58           | \$ 366          | \$ 34           | \$ 403          | \$ 508          |
| Purchases of property, plant and equipment, net   | (95)            | (116)           | (95)            | (113)           | (128)           |
| Activity related to Flash Ventures, net   | 128             | 32              | 47              | 45              | 56              |
| <b>Free Cash Flow<sup>(5)</sup></b>   | <b>\$ 91</b>    | <b>\$ 282</b>   | <b>\$ (14)</b>  | <b>\$ 335</b>   | <b>\$ 436</b>   |
| <b>HDD-Specific Cash Flow Metrics</b>   |                 |                 |                 |                 |                 |
| Depreciation and amortization   | \$ 85           | \$ 83           | \$ 80           | \$ 84           | \$ 85           |
| Purchases of property, plant and equipment  | 68              | 78              | 29              | 68              | 100             |
| Stock-based compensation  | 52              | 47              | 57              | 30              | 35              |
| <b>Working Capital Related</b>  |                 |                 |                 |                 |                 |
| Days sales outstanding  | 51              | 56              | 58              | 64              | 58              |
| Days inventory outstanding  | 110             | 97              | 85              | 76              | 86              |
| Days payables outstanding   | (75)            | (73)            | (83)            | (79)            | (85)            |
| <b>Cash Conversion Cycle</b>  | <b>86</b>       | <b>80</b>       | <b>60</b>       | <b>61</b>       | <b>59</b>       |
| <b>Cash and Cash Equivalents</b>  | <b>\$ 1,517</b> | <b>\$ 1,551</b> | <b>\$ 1,383</b> | <b>\$ 1,487</b> | <b>\$ 3,477</b> |

# 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. See GAAP to Non-GAAP Reconciliations in the Appendix (for Q3F24, Q2F25, and Q3F25) and in the company's Current Report on Form 8-K filed on April 7, 2025 (for Q4F24 and Q1F25).
3. Unit volume excludes data storage systems and components.
4. ASP is calculated by dividing revenue by 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.
5. 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.

# Appendix



# Convertible Preferred Stock Impact to Income Statement

## Convertible Preferred Stock (as of Q3F25)

**Convertible preferred stock liquidation preference:**<sup>1</sup> \$ 265M with a conversion price of approximately \$ 35.51

### EPS equals

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

### Net income (loss) attributable to common shareholders equals

Net income – Preferred dividends – Preferred shares participation in net income

### Preferred dividend for each quarter equals

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

- Paid in cash or accrued to liquidation preference

### Preferred stock participation in net income

When net income is negative, participation amount is zero

When net income is positive, participation amount equals

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

### Summary

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

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

## Income Statement Example (\$ in millions except EPS)

|   | Stock price <= \$ 37.89 |         |
|---|-------------------------|---------|
| Net income (loss)                                     | \$ (100)                | \$ 100  |
| Less: dividends allocated to preferred shareholders   | 4                       | 4       |
| Less: income attributable to preferred shareholders   | -                       | 2       |
| Net income (loss) attributable to common shareholders | \$ (104)                | \$ 94   |
| Income (loss) per common share (diluted)              | \$ (0.29)               | \$ 0.26 |
| Weighted average shares outstanding (diluted)         | 358                     | 358     |

Line item in income statement when net income is positive

### Glossary

**Preferred dividend:** Cumulative dividends allocated to preferred shareholders

**Diluted shares:** Weighted average shares outstanding (diluted)

**If converted shares:** 7.5M common shares for Q3F25 (calculated by taking the liquidation preference divided by the conversion price of approximately \$ 35.51)

# Convertible Notes Impact to Income Statement

## Convertible Senior Notes + Capped Calls

- Principal balance: \$ 1.6B with a conversion price of \$ 37.89
- Conversion premium in excess of principal can be settled in cash or shares
- Capped calls provide dilution hedge up to stock price of approximately \$ 51.00
- Convertible Senior Notes are not convertible as of April 1, 2025

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

- When Stock price is less than \$ 37.89, share dilution is zero
- When Stock price falls between \$ 37.89 and \$ 51.00, capped calls provide full hedge
- When Stock price is greater than \$ 51.00, potential dilution would be **shares required to settle premium value** in excess of hedge limit, calculated as:

$$\frac{(\text{Stock price} - \$ 51.00) \times \text{If converted shares}}{(\text{Stock price})}$$

### Financial reporting (diluted shares for EPS)

- When Stock price is less than \$ 37.89, share dilution for EPS is zero
- When Stock price is greater than \$ 37.89, share dilution for EPS equals 
$$\frac{(\text{Stock price} - \$ 37.89) \times \text{If converted shares}}{(\text{Stock price})}$$
- GAAP disregards economic benefit of capped calls for EPS calculations (approximately 11M common shares at \$ 51.00)

#### Glossary:

- If converted shares**  
= Principal balance of notes / conversion price  
= \$ 1,600M / \$ 37.89 = 42.23M common shares
- Premium value in excess of hedge limit**  
= Stock price in excess of hedge limit x If converted shares  
= (Stock price - \$ 51.00) x 42.23M common shares
- Shares required to settle premium value**  
= Premium value in excess of hedge limit / Stock price  
= ((Stock price - \$ 51.00) x 42.23M) / Stock price

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

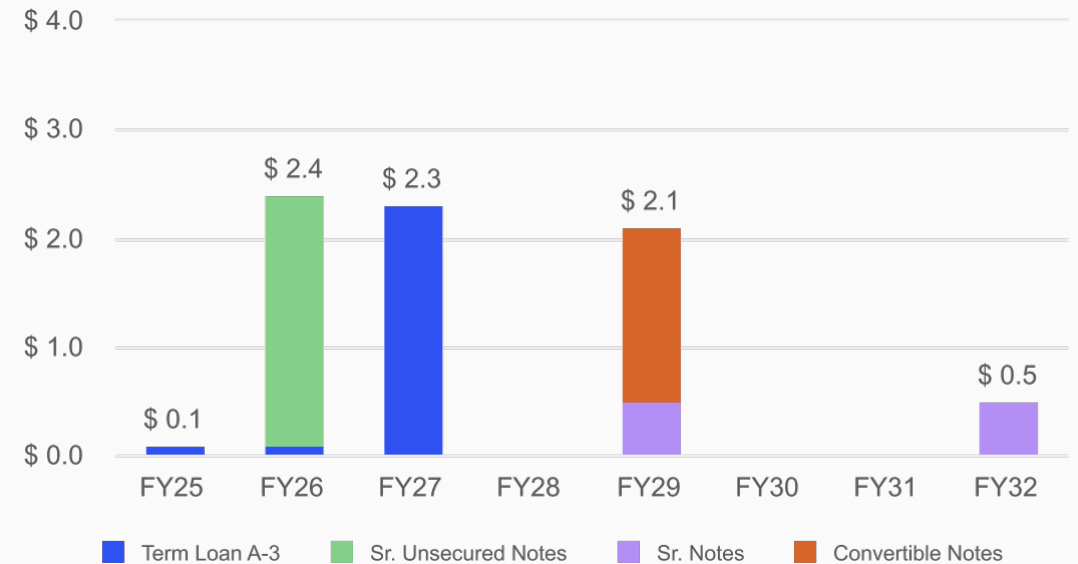
|   | Stock price <= \$ 37.89 |        | Stock price > \$ 37.89 @ \$ 50.00 |      | Stock price > \$ 51.00 @ \$ 80.00 |        |    |      |
|---|-------------------------|--------|-----------------------------------|------|-----------------------------------|--------|----|------|
| Net income (loss)                                     | \$                      | (100)  | \$                                | 100  | \$                                | (100)  | \$ | 100  |
| Less: dividends allocated to preferred shareholders   |                         | 4      |                                   | 4    |                                   | 4      |    | 4    |
| Less: income attributable to preferred shareholders   |                         | -      |                                   | 2    |                                   | -      |    | 2    |
| Net income (loss) attributable to common shareholders | \$                      | (104)  | \$                                | 94   | \$                                | (104)  | \$ | 94   |
| <b>Income (loss) per common share (diluted)</b>       | \$                      | (0.29) | \$                                | 0.26 | \$                                | (0.29) | \$ | 0.25 |
| Weighted average shares outstanding (diluted)         |                         | 358    |                                   | 358  |                                   | 358    |    | 380  |

# Debt Capital Structure

## Current Cap Table

|   | Rate                  | All-in Rate <sup>1</sup>  | Maturity                | As of March 28, 2025 (in millions) |
|---|-----------------------|---------------------------|-------------------------|------------------------------------|
| Sr. Unsecured Notes Due 2026 <sup>2</sup> | 4.750%                | 4.750%                    | 2/15/2026               | \$ 2,300                           |
| \$ 1.25B Revolver <sup>3</sup>            | S+1.500% <sup>4</sup> | 5.927%                    | 1/7/2027                | —                                  |
| Term Loan A-3                             | S+1.500% <sup>4</sup> | 5.927%                    | 1/7/2027                | 2,480                              |
| Convertible Notes Due 2028 <sup>5</sup>   | 3.000%                | 3.000%                    | 11/15/2028 <sup>5</sup> | 1,600                              |
| Sr. Notes Due 2029 <sup>6</sup>           | 2.850%                | 2.850%                    | 2/1/2029                | 500                                |
| Sr. Notes Due 2032 <sup>6</sup>           | 3.100%                | 3.100%                    | 2/1/2032                | 500                                |
| <b>Total Debt</b>                         |                       | <b>4.526%<sup>7</sup></b> |                         | <b>\$ 7,380</b>                    |

## Maturity Profile (in billions)



- All-in applicable rates as of March 28, 2025.
- Sr. Unsecured Notes Due 2026 are callable beginning November 15, 2025, subject to certain terms and conditions. On April 14, 2025, \$ 1.8B of the Sr. Unsecured Notes Due 2026 were redeemed.
- Revolver capacity: \$ 1.25 billion.
- S = Adjusted Term SOFR: Term Loan A-3, and Revolver have a SOFR floor of 0 bps and applicable spread over SOFR plus 0.10% based on credit ratings as of March 28, 2025.
- Due to the separation of Sandisk, initial conversion price was adjusted to \$ 37.89 per share (originally \$ 52.20). Convertible Notes Due 2028 have a contractual maturity of November 15, 2028 and become callable by the company beginning on November 15, 2026, subject to certain terms and conditions. Prior to August 15, 2028, these notes are convertible upon the occurrence of certain events, market conditions, and during certain periods.
- 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 March 28, 2025.

# Credit Agreement Defined Adjusted EBITDA

| In millions; unaudited  | Q4F24           | Q1F25         | Q2F25         | Q3F25         | LTM Q3F25       |
|---|-----------------|---------------|---------------|---------------|-----------------|
| <b>Net Income (Loss)</b>                                      | <b>\$ (246)</b> | <b>\$ 155</b> | <b>\$ 466</b> | <b>\$ 772</b> | <b>\$ 1,147</b> |
| Income tax expense (benefit)                                  | 53              | 90            | —             | (698)         | (555)           |
| Interest and other expense, net                               | 102             | 88            | 94            | 686           | 970             |
| Depreciation and amortization                                 | 83              | 80            | 84            | 85            | 332             |
| <b>EBITDA<sup>(1)</sup></b>                                   | <b>\$ (8)</b>   | <b>\$ 413</b> | <b>\$ 644</b> | <b>\$ 845</b> | <b>\$ 1,894</b> |
| Stock-based compensation expense                              | \$ 47           | \$ 57         | \$ 30         | \$ 35         | \$ 169          |
| Litigation matter   | 291             | 12            | 10            | (201)         | 112             |
| Employee termination, asset impairment and other              | 46              | 3             | (10)          | —             | 39              |
| Other   | 2               | (1)           | 1             | 1             | 3               |
| <b>Adjusted EBITDA<sup>(2)</sup></b>                          | <b>\$ 378</b>   | <b>\$ 484</b> | <b>\$ 675</b> | <b>\$ 680</b> | <b>\$ 2,217</b> |
| <b>Total Debt<sup>(3)</sup></b>                               |                 |               |               |               | <b>\$ 7,380</b> |
| <b>Debt to Adjusted EBITDA</b>                                |                 |               |               |               | <b>3.3X</b>     |
| Expected future cost savings from cost reduction initiatives  | —               | —             | —             | 116           | 116             |
| Other Credit Agreement Adjustments <sup>(4)</sup>             | 4               | 14            | 3             | 7             | 28              |
| <b>Credit Agreement Defined Adjusted EBITDA<sup>(5)</sup></b> | <b>\$ 382</b>   | <b>\$ 498</b> | <b>\$ 678</b> | <b>\$ 803</b> | <b>\$ 2,361</b> |
| <b>Total Debt<sup>(3)</sup></b>                               |                 |               |               |               | <b>\$ 7,380</b> |
| <b>Credit Agreement Defined Leverage Ratio<sup>(6)</sup></b>  |                 |               |               |               | <b>3.1X</b>     |
| <b>Net Debt</b>   |                 |               |               |               | <b>\$ 3,903</b> |
| <b>Net Leverage Ratio</b>                                     |                 |               |               |               | <b>1.7X</b>     |

1. EBITDA is defined as net income before income tax expense (benefit), 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. Total Debt is the total principal balance of debt outstanding as of the end of the applicable trailing 12-month period.

4. Other Credit Agreement Adjustments includes deductions and addbacks for other income, expenses, and special charges, including underutilization charges in each case as provided under the company's credit agreement applicable to the Term Loan A-3 and Revolver.

5. Credit Agreement Defined Adjusted EBITDA is used to measure financial covenant compliance under the company's credit agreement applicable to the Term Loan A-3 and Revolver.

6. 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-3 and Revolver.

# GAAP to Non-GAAP Reconciliations

| In millions; unaudited                           | Q3F24           | Q2F25          | Q3F25           |
|--|-----------------|----------------|-----------------|
| <b>GAAP Gross Profit</b>                         | <b>\$ 519</b>   | <b>\$ 907</b>  | <b>\$ 912</b>   |
| Stock-based compensation expense                 | 8               | 9              | 7               |
| Litigation matter                                | —               | 10             | —               |
| Other  | 1               | —              | 1               |
| <b>Non-GAAP Gross Profit</b>                     | <b>\$ 528</b>   | <b>\$ 926</b>  | <b>\$ 920</b>   |
| <b>GAAP Operating Expenses</b>                   | <b>\$ 425</b>   | <b>\$ 347</b>  | <b>\$ 152</b>   |
| Stock-based compensation expense                 | (44)            | (21)           | (28)            |
| Litigation matter                                | —               | —              | 201             |
| Employee termination, asset impairment and other | (6)             | 10             | —               |
| Other  | —               | (1)            | (1)             |
| <b>Non-GAAP Operating Expenses</b>               | <b>\$ 375</b>   | <b>\$ 335</b>  | <b>\$ 324</b>   |
| <b>GAAP Operating Income</b>                     | <b>\$ 94</b>    | <b>\$ 560</b>  | <b>\$ 760</b>   |
| Gross profit adjustments                         | 9               | 19             | 8               |
| Operating expense adjustments                    | 50              | 12             | (172)           |
| <b>Non-GAAP Operating Income</b>                 | <b>\$ 153</b>   | <b>\$ 591</b>  | <b>\$ 596</b>   |
| <b>GAAP Interest and Other Expense, Net</b>      | <b>\$ (106)</b> | <b>\$ (94)</b> | <b>\$ (686)</b> |
| Unrealized loss on retained interest in Sandisk  | —               | —              | 606             |
| Litigation matter                                | —               | 4              | (6)             |
| Other  | 3               | —              | 2               |
| <b>Non-GAAP Interest and Other Expense, Net</b>  | <b>\$ (103)</b> | <b>\$ (90)</b> | <b>\$ (84)</b>  |

# GAAP to Non-GAAP Reconciliations (cont'd)

| In millions, except per share amounts; unaudited                       | Q2F25         | Q3F25         |
|--|---------------|---------------|
| <b>GAAP Net Income from Continuing Operations</b>                      | <b>\$ 466</b> | <b>\$ 772</b> |
| Stock-based compensation expense                                       | 30            | 35            |
| Litigation matter  | 14            | (207)         |
| Employee termination, asset impairment and other                       | (10)          | —             |
| Unrealized loss on retained interest in Sandisk                        | —             | 606           |
| Other  | 1             | 4             |
| Income tax adjustments   | (70)          | (710)         |
| <b>Non-GAAP Net Income from Continuing Operations</b>                  | <b>431</b>    | <b>500</b>    |
| Less: amount allocated to preferred shareholders                       | 11            | 13            |
| <b>Non-GAAP Diluted Net Income Attributable to Common Shareholders</b> | <b>\$ 420</b> | <b>\$ 487</b> |
| <b>GAAP Net Income from Continuing Operations</b>                      | <b>\$ 466</b> | <b>\$ 772</b> |
| Less: amount allocated to preferred shareholders                       | 11            | 17            |
| <b>GAAP Diluted Net Income Attributable to Common Shareholders</b>     | <b>\$ 455</b> | <b>\$ 755</b> |
| <b>Diluted Income Per Common Share</b>                                 |               |               |
| GAAP   | \$ 1.27       | \$ 2.11       |
| Non-GAAP   | \$ 1.18       | \$ 1.36       |
| <b>Diluted Weighted Average Shares Outstanding</b>                     |               |               |
| GAAP   | 357           | 358           |
| Non-GAAP   | 357           | 358           |

# GAAP to Non-GAAP Reconciliations (cont'd)

## 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 from continuing operations; 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 similarly titled 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; charges related to a litigation matter; employee termination; asset impairment and other; expenses related to our strategic review; unrealized loss on retained interest in Sandisk; other adjustments; and income tax adjustments. 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 the Term Loan A-3 and Revolver. These Non-GAAP measures are some of the primary indicators management uses for assessing the company's performance and planning and forecasting future periods. These measures should be considered in addition to results prepared in accordance with GAAP, but should not be considered a substitute for, or superior to, GAAP results. As described above, the company excludes the following items from its Non-GAAP measures:

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

**Litigation matter.** The company had recognized expenses related to a previous judgment in a patent litigation matter, which consisted of an award of damages, prejudgment interest, and estimated plaintiff legal costs. The company had also recognized post-judgment interest in interest and other expense, net as well as expenses in its cost of revenue related to the amortization of patent licenses that the company has capitalized related to this litigation matter. The company has since entered into a settlement agreement with the plaintiff which resulted in the reversal of a portion of these charges for the three and nine months ended March 28, 2025. The company believes these charges and reversals do not reflect the company's operating results and that they are not indicative of the underlying performance of its business. For further information regarding the litigation matter, see Note 17 to the notes to consolidated financial statements included in the company's Annual Report on Form 10-K filed with the SEC on August 20, 2024 as well as Note 16 to note to consolidated financial statements included in the company's Quarterly Report on Form 10-Q for the quarter ended March 28, 2025 when filed.

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

**Strategic review.** The company incurred expenses associated with its review of strategic alternatives that resulted in the planned separation of its HDD and Flash business units to create two independent, public companies. The company believes these charges do not reflect the company's operating results and that they are not indicative of the underlying performance of its business.

**Unrealized loss on retained interest in Sandisk.** The company retained a 19.9% ownership interest in Sandisk and recognized an unrealized loss on the mark-to-market adjustment of such interest. 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.

**Other adjustments.** From time to time, the company sells or impairs investments or other assets that 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 for one-time deferred tax benefits related to an internal reorganization executed in conjunction with the separation of the Flash business 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. For periods prior to fiscal 2025, estimation of a Non-GAAP tax measure, and consequentially, a Non-GAAP net income measure is not readily available.

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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