Fiscal Second 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 third quarter of 2025 and beyond; product qualifications, momentum and adoption; the strength and impact of our product portfolio; and the company's approach to capital spending and ability to capitalize on market opportunities. These forward-looking statements are based on management's current expectations and are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied in the forward-looking statements. The preliminary financial results for the company's fiscal second quarter ended December 27, 2024 included in this presentation represent the most current information available to management. Actual results when disclosed in the company's Form 10-Q may differ from these preliminary results as a result of the completion of the company's financial closing procedures; final adjustments; completion of the review by the company's independent registered accounting firm; and other developments that may arise between now and the filing of the company's Form 10-Q. Other key risks and uncertainties that could cause actual results to differ materially from those expressed or implied in the forward-looking statements include: volatility in global economic conditions; operational, financial and legal challenges and difficulties inherent in implementing a separation of the company's HDD and Flash businesses; inflation; increase in interest rates and economic recession; future responses to and effects of global health crises; the impact of business and market conditions; the outcome and impact of the company's announced separation transaction, including with respect to customer and supplier relationships, regulatory and contractual restrictions, stock price volatility and the diversion of management's attention from ongoing business operations and opportunities; the impact of competitive products and pricing; the company's development and introduction of products based on new technologies and expansion into new data storage markets; risks associated with cost saving initiatives, restructurings, acquisitions, divestitures, mergers, joint ventures and the company's strategic relationships; difficulties or delays in manufacturing or other supply chain disruptions; hiring and retention of key employees; the company's level of debt and other financial obligations; changes to the company's relationships with key customers; compromise, damage or interruption from cybersecurity incidents or other data system security risks; actions by competitors; the company's ability to achieve its GHG emissions reduction and other ESG goals; the impact of international conflicts; risks associated with compliance with changing legal and regulatory requirements and the outcome of legal proceedings; and other risks and uncertainties listed in the company's filings with the Securities and Exchange Commission (the "SEC"), including the company's Annual Report on Form 10-K filed with the SEC on August 20, 2024, to which your attention is directed. You should not place undue reliance on these forward-looking statements, which speak only as of the date hereof, and the company undertakes no obligation to update or revise these forward-looking statements to reflect new information or events, except as required by law.

Non-GAAP Measures

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

Fiscal Second Quarter Executive Summary

Financial Results[1]

- Revenue of $ 4.3B
- Non-GAAP EPS of $ 1.77
- Non-GAAP gross margin of 35.9%
- Operating cash flow of $ 403M
- Free cash flow of $ 335M
- Cash and cash equivalents of $ 2.3B

Corporate

- Our commitment to enduring quality and reliability, driven by our industry-leading innovation and diversified portfolio, has enabled us to navigate the current market dynamics effectively. We're in the final stages of our plan to separate our Flash and HDD businesses and expect this to be completed on schedule.

Flash

- Flash revenue was stable and in line with expectations despite pricing pressure.
- Strength in Client and Consumer resulted in better-than-expected bit shipments.
- Increased pricing pressure due to short-term oversupply from increased utilization rates throughout CY24 coupled with customers working down inventory, offset our bit shipment results.
- Flash segment faces temporary headwinds due to pricing pressure.

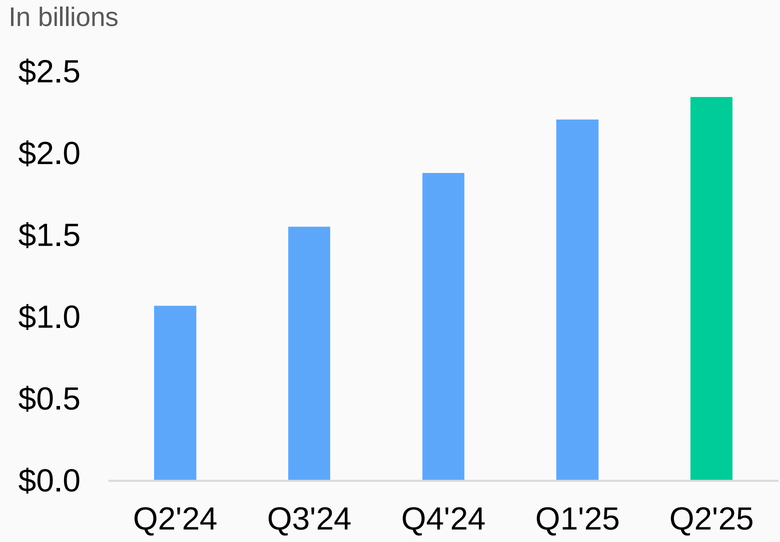
Hard Drive

- Achieved record exabyte shipment of nearline drives and a record revenue in data center, reflecting the strength of our nearline portfolio.
- Also reached record gross margins as customers continued to increase the adoption of our higher capacity drives.

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

Revenue Trends by End Market

Cloud

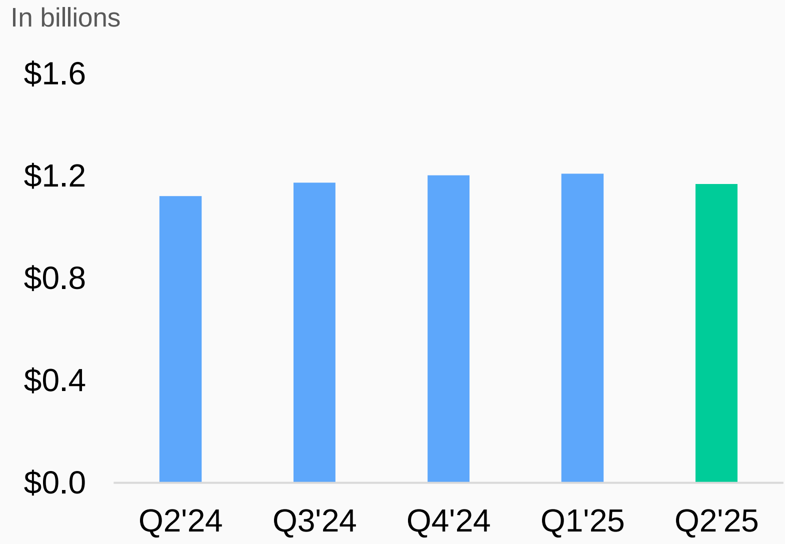


Revenue

$ 2.3 billion

Increased 6% QoQ
Increased 119% YoY

Client

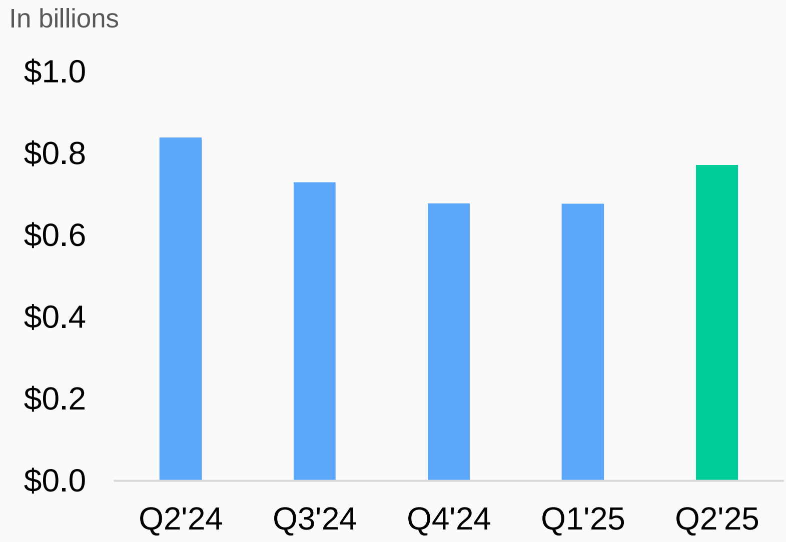


Revenue

$ 1.2 billion

Decreased 3% QoQ
Increased 4% YoY

Consumer



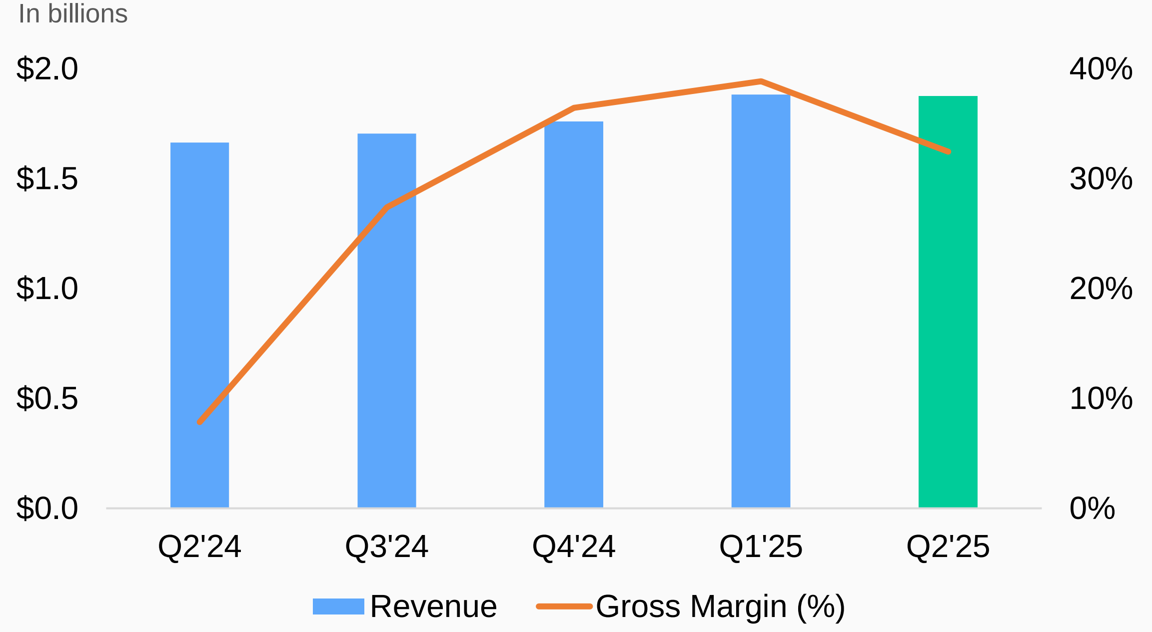
Revenue

$ 0.8 billion

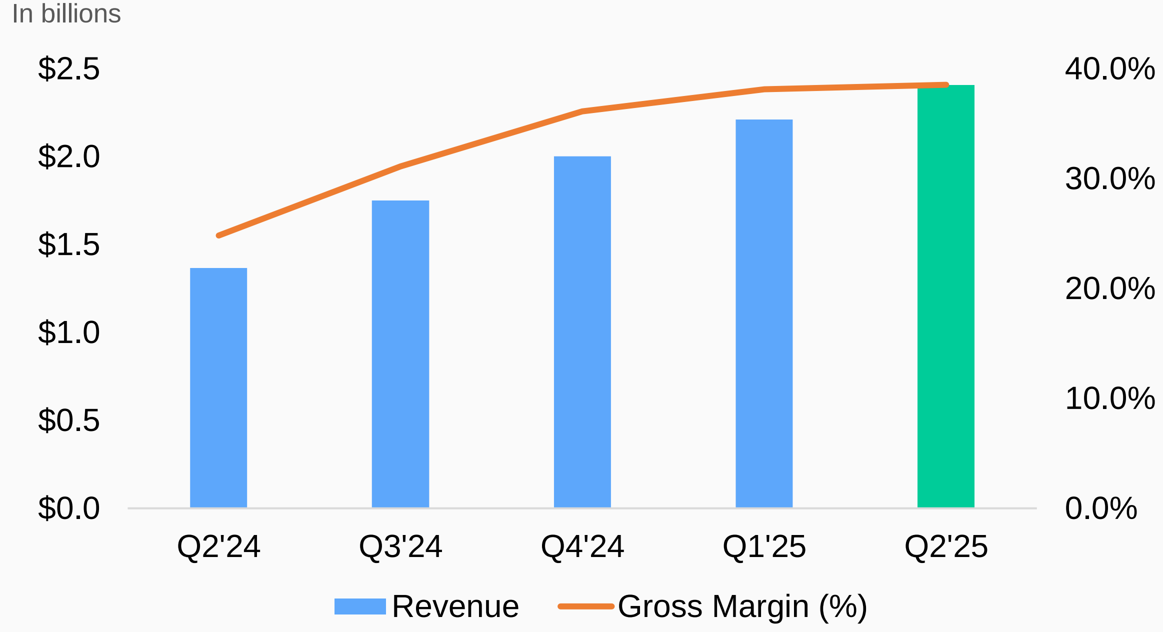
Increased 14% QoQ
Decreased 8% YoY

Flash and Hard Drive Metrics

Flash Revenue and Gross Margin



Hard Drive Revenue and Gross Margin



Flash

Q2F25 Results

- Bit shipments: increased 9% QoQ
- ASP/Gigabyte:
  - Blended: decreased 10% QoQ
  - Like-for-like: decreased 13% QoQ

Hard Drive

Q2F25 Results

- Exabyte shipments: increased 7% QoQ
- ASP per drive: $ 172

See Appendix for Supplemental Operating Segment Results.

Non-GAAP Financial Results[1]

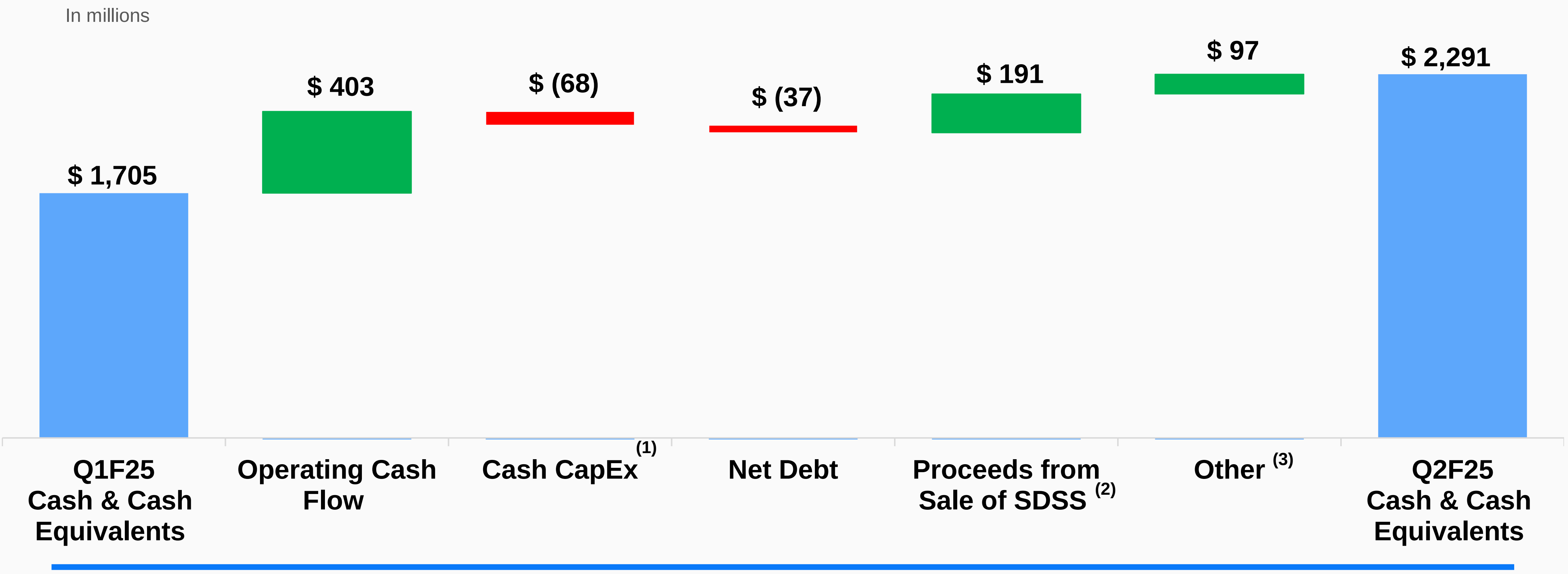
($ in millions, except for EPS)

	Q2 2024	Q1 2025	Q2 2025	QoQ	YoY
Revenue	$ 3,032	$ 4,095	$ 4,285	up 5%	up 41%
Gross Margin %	15.5%	38.5%	35.9%	down 2.6 ppt	up 20.4 ppt
Operating Expenses	$ 561	$ 691	$ 674	down 2%	up 20%
Operating Income (Loss)	$ (91)	$ 884	$ 864	down 2%	*
Interest and Other Expense, net	$ 113	$ 112	$ 112	down 0%	down 1%
EPS – Diluted	$ (0.75)	$ 1.78	$ 1.77	down 1%	*
Operating Cash Flow	$ (92)	$ 34	$ 403	up 1085%	*
Free Cash Flow	$ (176)	$ (14)	$ 335	*	*

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

* Not a meaningful figure

Cash Flow Walk



- Total liquidity was $ 4.5 billion, including cash and cash equivalents of $ 2.3 billion and revolver capacity of $ 2.2 billion.

1. Cash Capital Expenditures include purchases of property, plant and equipment, net, and activity related to Flash Venture, net.
2. Represents the first installment of SDSS proceeds, net of tax.
3. Primarily consist of cash classified as held-for-sale, taxes paid for issuance of stock under employee stock plans, and FX cash impact.

Fiscal Third Quarter Guidance[1]

	GAAP	Non-GAAP[2]
Revenue ($ B)	$ 3.75 - $ 3.95	$ 3.75 - $ 3.95
Gross Margin %	31.0% - 33.0%	31.5% - 33.5%
Operating Expenses ($ M)	$ 790 - $ 810	$ 700 - $ 720
Interest and Other Expense, net ($ M)	~ $ 100	~ $ 100
Tax Rate[3]	N/A	14.0% - 16.0%
EPS - Diluted	N/A	$ 0.90 - $ 1.20
Share Count - Diluted (in millions)	~ 358	~ 358

1. Guidance as shown is as of January 29, 2025.
2. Non-GAAP gross margin guidance excludes stock-based compensation expense, amortization of acquired intangible assets and amortization of patent licenses related to a litigation matter, totaling approximately $ 20 million to $ 30 million. The company's Non-GAAP operating expenses guidance excludes stock-based compensation expense and expenses related to business separation costs, totaling approximately $ 80 million to $ 100 million. In the aggregate, Non-GAAP diluted earnings per share guidance excludes these items totaling $ 100 million to $ 130 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 taxes recorded in any interim period are dependent on the timing and determination of certain GAAP operating expenses.

Joint Venture Operational Framework

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

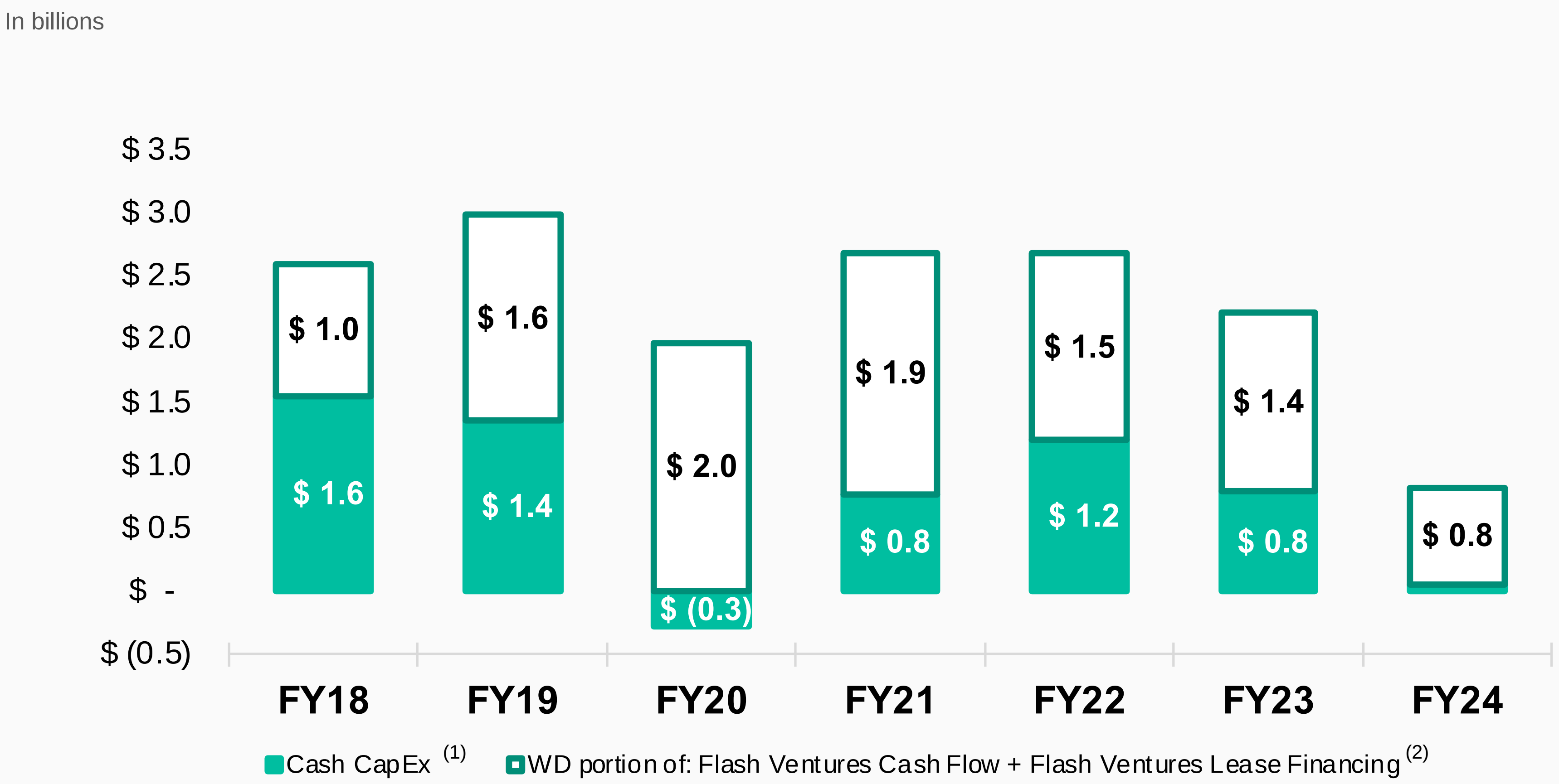
Western Digital	Flash Ventures 49.9% Owned by Western Digital 50.1% Owned by Kioxia	KIOXIA
Co-develops flash (including process technology and memory design) with Kioxia and contributes IP for Flash Ventures' use	**Owns and leases equipment** for flash wafer production and R&D line	**Co-develops flash** (including process technology and memory design) with Western Digital and contributes IP for Flash Ventures' use
Performs integral manufacturing and R&D functions at Flash Ventures' manufacturing sites	**Purchases wafers from Kioxia** at cost under foundry agreements	**Performs integral manufacturing and R&D** functions at Flash Ventures' manufacturing sites
Purchases Flash Ventures' wafers at cost plus a small markup	**Sells wafers to Western Digital and Kioxia** at cost plus a small markup	**Purchases Flash Ventures' wafers** at cost plus a small markup
Pays Flash Ventures' expenses (including equipment depreciation and lease expense)	**Charges expenses to Western Digital and Kioxia** (including equipment depreciation and lease expense)	**Pays Flash Ventures' expenses** (including equipment depreciation and lease expense)
Funds Flash Ventures' equipment purchases (via loans, equity and lease guarantees) in excess of Flash Ventures' operating cash flow	**Borrows from Western Digital and Kioxia** for a portion of their equipment purchases	**Funds Flash Ventures' equipment purchases** (via loans, equity, and lease guarantees) in excess of Flash Ventures' operating cash flow
	Repays loans for equipment purchases using excess operating cash flow	**Owns and operates** cleanrooms
		Provides wafer manufacturing services to Flash Ventures at cost

Capital Expenditure Framework

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

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

Gross Capital Expenditure Trends



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

Appendix

Quarterly Fact Sheet

In millions, except Average Selling Price (ASP), percentages, and working capital related metrics	Q2F24	Q3F24	Q4F24	Q1F25	Q2F25
Revenue by End Market[1]					
Cloud	$ 1,071	$ 1,553	$ 1,882	$ 2,208	$ 2,346
Client	1,122	1,174	1,204	1,209	1,168
Consumer	839	730	678	678	771
Total Revenue	**$ 3,032**	**$ 3,457**	**$ 3,764**	**$ 4,095**	**$ 4,285**
Segment Results					
HDD Revenue	$ 1,367	$ 1,752	$ 2,003	$ 2,211	$ 2,409
Flash Revenue	1,665	1,705	1,761	1,884	1,876
Total Revenue	**$ 3,032**	**$ 3,457**	**$ 3,764**	**$ 4,095**	**$ 4,285**
HDD Gross Margin	24.8%	31.1%	36.1%	38.1%	38.6%
Flash Gross Margin	7.9%	27.4%	36.5%	38.9%	32.5%
Total Gross Margin for Segments[2]	15.5%	29.3%	36.3%	38.5%	35.9%
Exabyte Metrics					
QoQ Change in HDD Exabytes Sold[3]	14%	41%	12%	14%	7%
QoQ Change in Flash Exabytes Sold[3]	(2%)	(15%)	(7%)	14%	9%
QoQ Change in Total Exabytes Sold[3]	10%	27%	9%	14%	7%
HDD Metrics					
Cloud Units	5.9	7.3	7.9	9.0	9.3
Client Units	2.7	2.5	2.3	2.3	2.1
Consumer Units	2.2	1.9	1.9	1.9	2.1
Total HDD Units[4]	**10.8**	**11.7**	**12.1**	**13.2**	**13.5**
HDD ASP[5]	$ 122	$ 145	$ 163	$ 164	$ 172
Flash Metrics					
QoQ Change in ASP/Gigabytes[3]	10%	18%	14%	(6%)	(10%)
Cash and Cash Equivalents	**$ 2,481**	**$ 1,894**	**$ 1,844**	**$ 1,705**	**$ 2,291**
Cash Flows					
Cash Flows provided by (used in) Operating Activities	$ (92)	$ 58	$ 366	$ 34	$ 403
Purchases of Property, Plant and Equipment, net	(150)	(95)	(116)	(95)	(113)
Activity Related to Flash Ventures, net	66	128	32	47	45
Free Cash Flow[6]	**$ (176)**	**$ 91**	**$ 282**	**$ (14)**	**$ 335**
Working Capital Related					
Days Sales Outstanding	46	47	52	55	55
Days Inventory Outstanding	115	119	126	121	112
Days Payables Outstanding	(63)	(63)	(65)	(69)	(66)
Cash Conversion Cycle	**98**	**103**	**113**	**107**	**101**

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.

Convertible Preferred Stock Impacts to Income Statement

Convertible Preferred Stock (as of Q2F25)

Convertible preferred stock liquidation preference:[1] $ 265M with a conversion price of $ 47.75

EPS equals

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

Net income (loss) attributable to common shareholders equals

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

Preferred dividend for each quarter equals

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

- Paid in cash or accrued to liquidation preference

Preferred stock participation in net income

When net income is negative, participation amount is zero

When net income is positive, participation amount equals

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

Summary

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

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

Income Statement Example ($ in millions except EPS)

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

Line item in income statement when net income is positive

Glossary

Preferred dividend: Cumulative dividends allocated to preferred shareholders

Diluted shares: Weighted diluted average shares outstanding

If converted shares: 5.5M common shares for Q2F25 (calculated by taking the number of shares of convertible preferred stock outstanding during the reporting period and multiplying it by the percentage of the reporting period for which that number applies for each period)

Convertible Preferred Stock Impacts to Income Statement (cont.)

Convertible Senior Notes + Capped Calls

- Principal balance: $ 1.6B with a conversion price of $ 52.20
- Conversion premium in excess of principal can be settled in cash or shares
- Capped calls provide dilution hedge up to stock price of $ 70.26
- Convertible Senior Notes are not convertible as of January 1, 2025

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

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

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

Financial reporting (diluted shares for EPS)

- When Stock price is less than $ 52.20, share dilution for EPS is zero
- When Stock price is greater than $ 52.20, share dilution for EPS equals

$$\frac{(\text{Stock price - \$ 52.20}) \times \textbf{If converted shares}}{(\text{Stock price})}$$

- GAAP disregards economic benefit of capped calls for EPS calculations (approx. 8M common shares at $ 70.26)

Glossary:

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

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

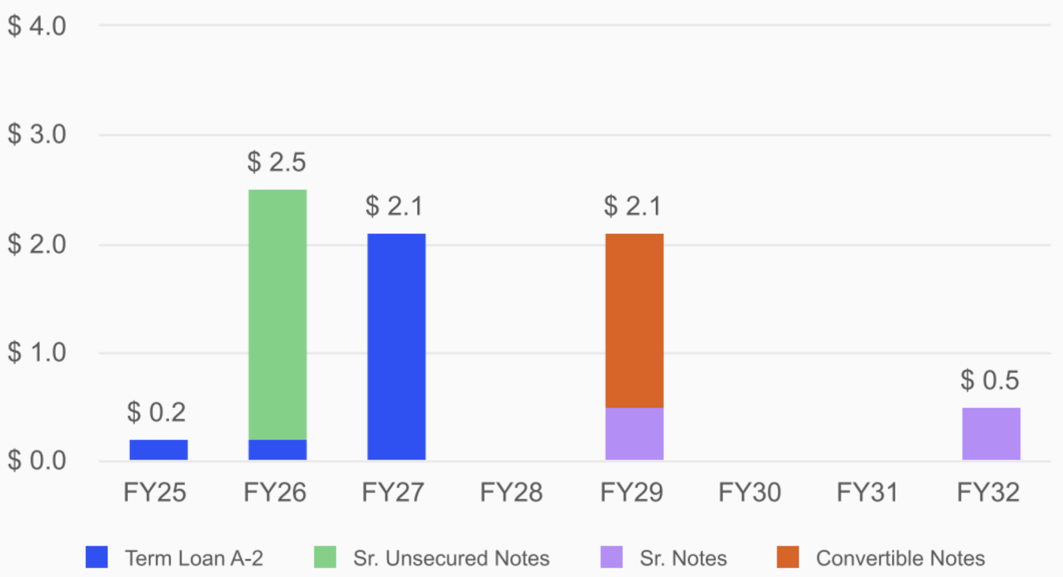
	Stock price <= $ 52.20		Stock price > $ 52.20 @ $ 60.00		Stock price > $ 70.26 @ $ 80.00	
Net income (loss)	$ (100)	$ 100	$ (100)	$ 100	$ (100)	$ 100
Less: dividends allocated to preferred shareholders	10	10	10	10	10	10
Less: income attributable to preferred shareholders	-	1	-	1	-	1
Net income (loss) attributable to common shareholders	$ (110)	$ 89	$ (110)	$ 89	$ (110)	$ 89
Income (loss) per common share (diluted)	$ (0.31)	$ 0.25	$ (0.31)	$ 0.25	$ (0.31)	$ 0.24
Weighted average shares outstanding (diluted)	357	357	357	361	357	368

Debt Capital Structure

Current Cap Table

	Rate	All-in Rate[1]	Maturity	As of December 27, 2024 (in millions)
Sr. Unsecured Notes Due 2026[2]	4.750%	4.750%	2/15/2026	$ 2,300
$ 2.25B Revolver[3]	S+1.500%[4]	6.107%	1/7/2027	—
Term Loan A-2	S+1.500%[4]	6.107%	1/7/2027	2,513
Convertible Notes Due 2028[5]	3.000%	3.000%	11/15/2028[5]	1,600
Sr. Notes Due 2029[6]	2.850%	2.850%	2/1/2029	500
Sr. Notes Due 2032[6]	3.100%	3.100%	2/1/2032	500
Total Debt		**4.593%[7]**		**$ 7,413**

Maturity Profile (in billions)



1. All-in applicable rates as of December 27, 2024.
2. Notes are callable beginning November 15, 2025, subject to certain terms and conditions.
3. Revolver capacity: $ 2.25 billion as of December 27, 2024.
4. S = Adjusted Term SOFR. Term Loan A-2, and Revolver have a SOFR floor of 0 bps and Applicable spread over SOFR plus 0.10% based on credit ratings as of December 27, 2024.
5. Initial conversion price of $ 52.20 per share. Notes have a contractual maturity of November 15, 2028 and become callable by the company beginning on November 15, 2026, subject to certain terms and conditions. Before August 15, 2028, Notes are convertible only upon the occurrence of certain events, certain market conditions, and during certain periods. The $ 1.6 billion outstanding amount of notes is classified as long-term in our consolidated balance sheet as of December 27, 2024.
6. Sr. Notes Due 2029 are callable beginning December 1, 2028 and Sr. Notes Due 2032 are callable beginning November 1, 2031.
7. Weighted average interest rate is based on principal balances outstanding as of December 27, 2024.

Credit Agreement Defined Leverage Ratio

In millions; unaudited; trailing 12 months	Q2F24	Q3F24	Q4F24	Q1F25	Q2F25
Net Income (Loss)	**$ (2,252)**	**$ (1,546)**	**$ (798)**	**$ 380**	**$ 1,261**
Income tax expense	49	49	137	269	388
Interest and other expense, net	275	314	344	372	434
Depreciation and amortization	688	615	568	556	533
EBITDA[1]	**$ (1,240)**	**$ (568)**	**$ 251**	**$ 1,577**	**$ 2,616**
Stock-based compensation expense	$ 295	$ 298	$ 295	$ 302	$ 307
Litigation matter	—	—	291	303	313
Business separation costs	36	59	97	140	148
Employee termination, asset impairment and other	174	142	139	84	53
Other	8	7	4	2	1
Strategic review	79	64	37	20	—
Recovery from contamination incident	(36)	(37)	(37)	(37)	(1)
Gain on business divestiture	—	—	—	—	(113)
Adjusted EBITDA[2][3]	**$ (684)**	**$ (35)**	**$ 1,077**	**$ 2,391**	**$ 3,324**
Total Debt[4]	**$ 8,454**	**$ 7,825**	**$ 7,488**	**$ 7,450**	**$ 7,450**
Debt to Adjusted EBITDA	**-12.4X**	**-223.6X**	**7.0X**	**3.1X**	**3.1X**
Flash Ventures equipment depreciation expenses	$ 638				$ 490
Other Credit Agreement Adjustments[5]	793				(5)
Credit Agreement Defined Adjusted EBITDA[6]	**$ 747**	**$ 2,728***	**$ 3,208***	**$ 3,637***	**$ 3,809**
Total Debt[4]	**$ 8,454**	**$ 7,825**	**$ 7,488**	**$ 7,450**	**$ 7,413**
Credit Agreement Defined Leverage Ratio[7][8]	**11.3X**	**2.9X**	**2.3X**	**2.0X**	**1.9X**

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 the 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 the Term Loan A-2 and Revolver.
7. Credit Agreement Defined Leverage Ratio is calculated as Total Debt divided by Credit Agreement Defined Adjusted EBITDA and is the Leverage Ratio as defined in the company's credit agreement for purpose of the financial covenant applicable to Term Loan A-2 and Revolver.
8. Leverage ratio requirement was not applicable for the first and second quarters of fiscal 2024.

* For Q1F25, Q4F24 and Q3F24, Credit Agreement Defined Adjusted EBITDA is calculated on an annualized basis. See the company's earnings presentation for the first fiscal quarter ended September 27, 2024, issued October 24, 2024, available in the Investor Relations section of our website at investor.wdc.com for the calculation of Credit Agreement Defined Adjusted EBITDA for Q1F25, Q4F24 and Q3F24 as annualized.

GAAP to Non-GAAP Reconciliations

In millions; unaudited	Q2F24	Q1F25	Q2F25
GAAP Gross Profit	**$ 492**	**$ 1,551**	**$ 1,516**
Stock-based compensation expense	13	14	12
Litigation matter	—	9	10
Amortization of acquired intangible assets	1	1	—
Recovery from contamination incident	(36)	—	—
Non-GAAP Gross Profit	**$ 470**	**$ 1,575**	**$ 1,538**
GAAP Operating Expenses	**$ 702**	**$ 809**	**$ 664**
Gain on business divestiture	—	—	113
Stock-based compensation expense	(59)	(70)	(65)
Business separation costs	(36)	(43)	(44)
Litigation matter	—	(3)	—
Employee termination, asset impairment and other	(24)	(2)	7
Strategic review	(20)	—	—
Other	(2)	—	(1)
Non-GAAP Operating Expenses	**$ 561**	**$ 691**	**$ 674**
GAAP Operating Income (Loss)	**$ (210)**	**$ 742**	**$ 852**
Gross profit adjustments	(22)	24	22
Operating expense adjustments	141	118	(10)
Non-GAAP Operating Income (Loss)	**$ (91)**	**$ 884**	**$ 864**
GAAP Interest and Other Expense, Net	**$ (49)**	**$ (114)**	**$ (111)**
Litigation matter	—	2	4
Other	(64)	—	(5)
Non-GAAP Interest and Other Expense, Net	**$ (113)**	**$ (112)**	**$ (112)**

GAAP to Non-GAAP Reconciliations (cont'd)

In millions, except per share amounts; unaudited	Q2F24	Q1F25	Q2F25
GAAP Net Income (Loss)	**$ (287)**	**$ 493**	**$ 594**
Gain on business divestiture	—	—	(113)
Stock-based compensation expense	72	84	77
Business separation costs	36	43	44
Litigation matter	—	14	14
Employee termination, asset impairment and other	24	2	(7)
Strategic review	20	—	—
Amortization of acquired intangible assets	1	1	—
Recovery from contamination incident	(36)	—	—
Other	(62)	—	(4)
Income tax adjustments	3	11	42
Non-GAAP Net Income (Loss)	**(229)**	**648**	**647**
Less: amount allocated to preferred shareholders	14	14	14
Non-GAAP Diluted Net Income (Loss) Attributable to Common Shareholders	**$ (243)**	**$ 634**	**$ 633**
Diluted Income (Loss) Per Common Share			
GAAP	$ (0.93)	$ 1.35	$ 1.63
Non-GAAP	$ (0.75)	$ 1.78	$ 1.77
Diluted Weighted Average Shares Outstanding			
GAAP	325	357	357
Non-GAAP	325	357	357

Supplemental Operating Segment Results

In millions, except percentages; unaudited	Q2F24	Q3F24	Q4F24	Q1F25	Q2F25
Net Revenue					
HDD	$ 1,367	$ 1,752	$ 2,003	$ 2,211	$ 2,409
Flash	1,665	1,705	1,761	1,884	1,876
Total Net Revenue	**$ 3,032**	**$ 3,457**	**$ 3,764**	**$ 4,095**	**$ 4,285**
Gross Profit By Segment					
HDD	$ 339	$ 545	$ 724	$ 843	$ 929
Flash	131	467	642	732	609
Total Gross Profit for Segments	**$ 470**	**$ 1,012**	**$ 1,366**	**$ 1,575**	**$ 1,538**
Unallocated corporate items:					
Stock-based compensation expense	(13)	(11)	(12)	(14)	(12)
Amortization of licenses related to a litigation matter	—	—	—	(9)	(10)
Amortization of acquired intangible assets	(1)	(1)	(1)	(1)	—
Recovery from contamination incident	36	1	—	—	—
Total unallocated corporate items	22	(11)	(13)	(24)	(22)
Consolidated Gross Profit	**$ 492**	**$ 1,001**	**$ 1,353**	**$ 1,551**	**$ 1,516**
Gross Margin					
HDD(1)	24.8%	31.1%	36.1%	38.1%	38.6%
Flash(2)	7.9%	27.4%	36.5%	38.9%	32.5%
Total gross margin for segments(3)	15.5%	29.3%	36.3%	38.5%	35.9%
Consolidated total(4)	16.2%	29.0%	35.9%	37.9%	35.4%

1. HDD gross margin is calculated by dividing HDD gross profit by HDD revenue.
2. Flash gross margin is calculated by dividing Flash gross profit by Flash revenue.
3. Total gross margin for segments is calculated by dividing total gross profit for segments by total revenue.
4. Consolidated total gross margin is calculated by dividing consolidated gross profit by total revenue.

Note: In the table above, Total gross profit for segments and Total gross margin for segments are Non-GAAP financial measures, which are also referred to herein as Non-GAAP gross profit and Non-GAAP gross margin, respectively.

GAAP to Non-GAAP Reconciliations

FOOTNOTES

This presentation contains the following financial measures that are not in accordance with U.S. generally accepted accounting principles ("GAAP"): Non-GAAP gross profit; Non-GAAP gross margin; Non-GAAP operating expenses; Non-GAAP operating income and loss; Non-GAAP interest and other expense, net; Non-GAAP 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, gain on business divestiture; stock-based compensation expense; business separation costs; charges related to a litigation matter; employee termination; asset impairment and other; expenses related to our strategic review; amortization of acquired intangible assets; recovery from contamination incident; 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-2 and Revolver. These Non-GAAP measures are some of the primary indicators management uses for assessing the company's performance and planning and forecasting future periods. These measures should be considered in addition to results prepared in accordance with GAAP, but should not be considered a substitute for, or superior to, GAAP results. As described above, the company excludes the following items from its Non-GAAP measures:

Gain on business divestiture. In connection with the company's strategic decision to outsource the manufacturing of certain components and assemblies in its flash-based products, on September 28, 2024, the company completed the sale of 80% of one of its Flash manufacturing subsidiaries. The transaction resulted in a discrete gain and the company believes it is not indicative of the underlying performance of its business.

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

Business separation costs. The company incurred expenses associated with the separation of its HDD and Flash business units to create two independent, public companies. The company believes these charges do not reflect the company's operating results and that they are not indicative of the underlying performance of its business.

Litigation matter. The company has recognized expenses related to a recent judgment in a patent litigation matter, which consisted of an award of damages, prejudgment interest, and estimated plaintiff legal costs. The company also recognized expenses in its cost of revenue related to the amortization of patent licenses that the company has capitalized related to this litigation matter. The company believes these charges do not reflect the company's operating results and that they are not indicative of the underlying performance of its business. For further information regarding the litigation matter, see Note 17 to the notes to consolidated financial statements included in the company's Annual Report on Form 10-K filed with the SEC on August 20, 2024.

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

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

Amortization of acquired intangible assets. The company incurs non-cash expenses from the amortization of acquired intangible assets over their economic lives. Such charges are significantly impacted by the timing and magnitude of the company's acquisitions and any related impairment charges.

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 were expensed as incurred. During the quarter ended December 29, 2023, the company received a partial recovery of these losses from other parties. The contamination charges and the related recovery 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 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 to estimates related to the current status of the rules and regulations governing the transition to the Tax Cuts and Jobs Act and the re-measurement of certain unrecognized tax benefits primarily related to tax positions taken in prior quarters, including interest. These adjustments are excluded because the company believes that they are not indicative of the underlying performance of its ongoing business.

Additionally, free cash flow is defined as cash flows provided by (used in) operating activities less purchases of property, plant and equipment, net, and the activity related to Flash Ventures, net. The company considers free cash flow generated in any period to be a useful indicator of cash that is available for strategic opportunities including, among others, investing in the company's business, making strategic acquisitions, repaying debt and strengthening the balance sheet.

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