Western Digital.

Fiscal Second Quarter 2021 Results

January 28, 2021

investor.wdc.com

Forward-Looking Statements | Safe Harbor

This presentation contains forward-looking statements that involve risks and uncertainties, including, but not limited to, the company's preliminary financial results for its fiscal second quarter ended January 1, 2021; the company's business outlook for the fiscal third quarter of 2021; demand trends, market conditions and the company's market position; expectations regarding the company's product qualifications, ramp and customer acceptance of new products; expectations regarding the company's product roadmap execution; capital expenditure expectations; the company's liquidity position; capital allocation priorities; and expected future financial performance. Forward-looking statements should not be read as a guarantee of future performance or results, and will not necessarily be accurate indications of the times at, or by, which such performance or results will be achieved, if at all. Forward-looking statements are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in or suggested by the forward-looking statements.

Key risks and uncertainties include future responses to and effects of the COVID-19 pandemic; volatility in global economic conditions; impact of business and market conditions; impact of competitive products and pricing; our development and introduction of products based on new technologies and expansion into new data storage markets; risks associated with cost saving initiatives, restructurings, acquisitions, divestitures, mergers, joint ventures and our strategic relationships; difficulties or delays in manufacturing or other supply chain disruptions; hiring and retention of key employees; our high level of debt and other financial obligations; changes to our relationships with key customers; disruptions in operations from cyberattacks or other system security risks; actions by competitors; risks associated with compliance with changing legal and regulatory requirements and the outcome of legal proceedings; and other risks and uncertainties listed in the company's filings with the Securities and Exchange Commission (the "SEC") and available on the SEC's website at www.sec.gov, including our Form 10-K filed with the SEC on August 28, 2020, to which your attention is directed. We do not undertake any obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future developments or otherwise, except as required by law.

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

Executive Summary

Financial Results

- Revenue of **$3.9 billion**
- Non-GAAP diluted net earnings per share of **$0.69**
- Non-GAAP gross margin is **26.4%**
- Operating cash flow of **$425 million**
- Free cash flow of **$149 million**
- Cash and cash equivalents of **$3.0 billion**

Business Highlights

Corporate

- New Flash and HDD business units are making progress executing their strategies

Flash

- Completed nearly 150 qualifications of our second-generation NVMe Enterprise SSD product line
  - Qualification process completed at one cloud titan; shipping in the fiscal third quarter
- Began shipping our 112-layer BiCS5 technology in client SSD products
- Our industry leading client NVMe-based SSDs and strong relationships with the major PC OEMs drove client SSD business to a record level of exabyte shipments

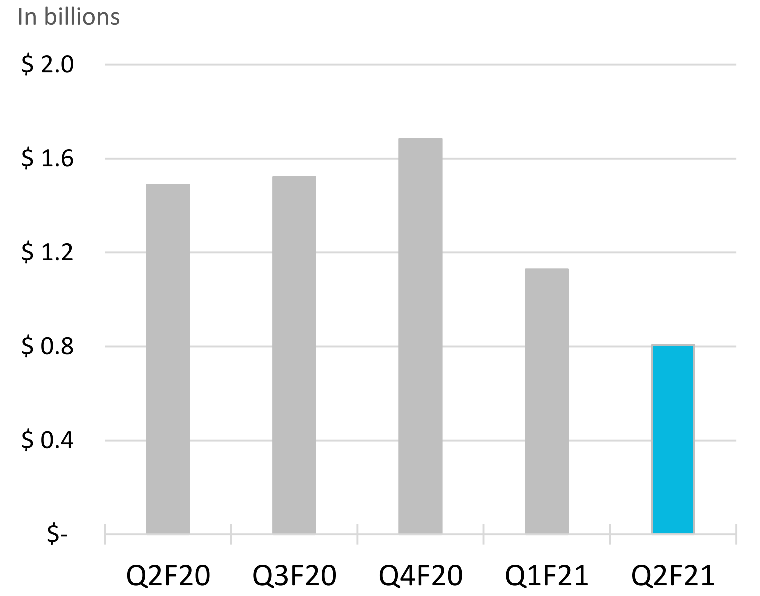
Hard Drives

- Solid progress on qualification process of our energy-assisted drives; now qualified at 3 of the 4 US cloud titans
- The 18-terabyte hard drive is set to be our leading capacity point as we enter the 2H'CY21, which should drive growth in capacity enterprise
- Persisting work-from-home and distance learning trends drove strong demand for both desktop and notebook PC hard drives, and propelled retail hard drive revenue to a 3-year high

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

Revenue Trends

Data Center Devices & Solutions



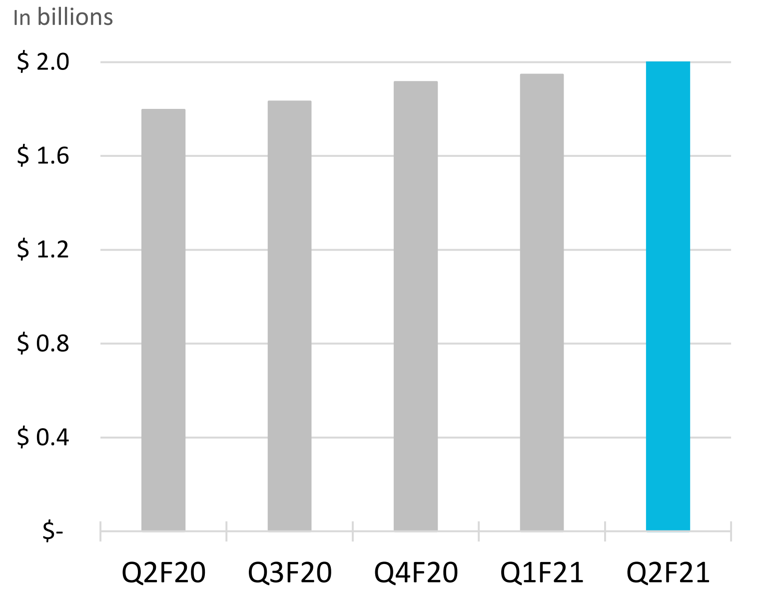
Revenue

$807 million

decreased 29% QoQ

decreased 46% YoY

Client Devices



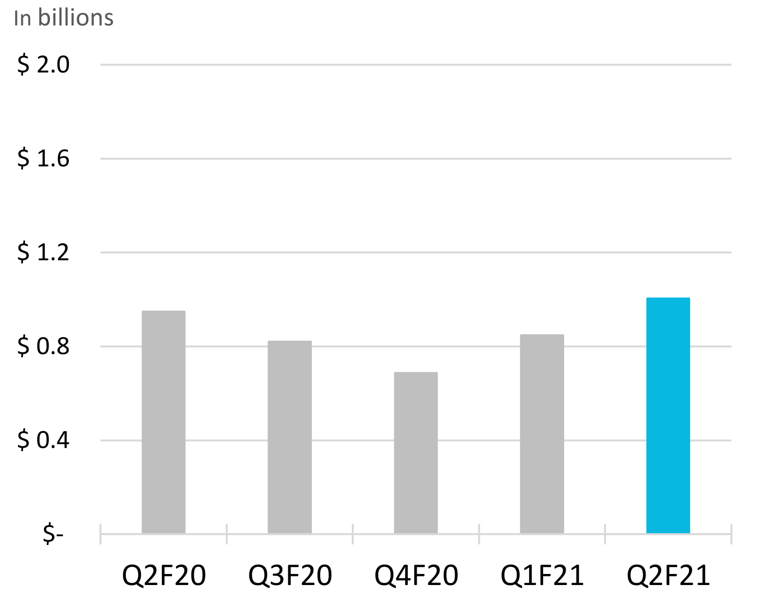
Revenue

$2.1 billion

increased 10% QoQ

increased 19% YoY

Client Solutions



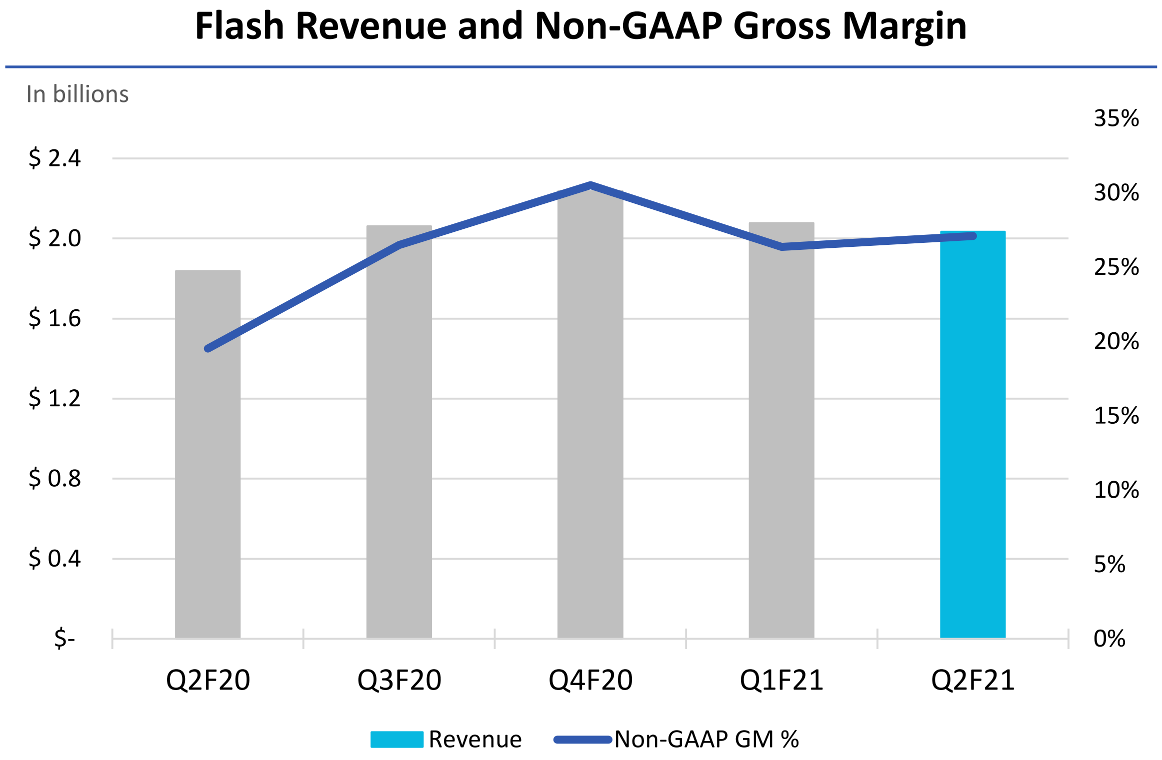
Revenue

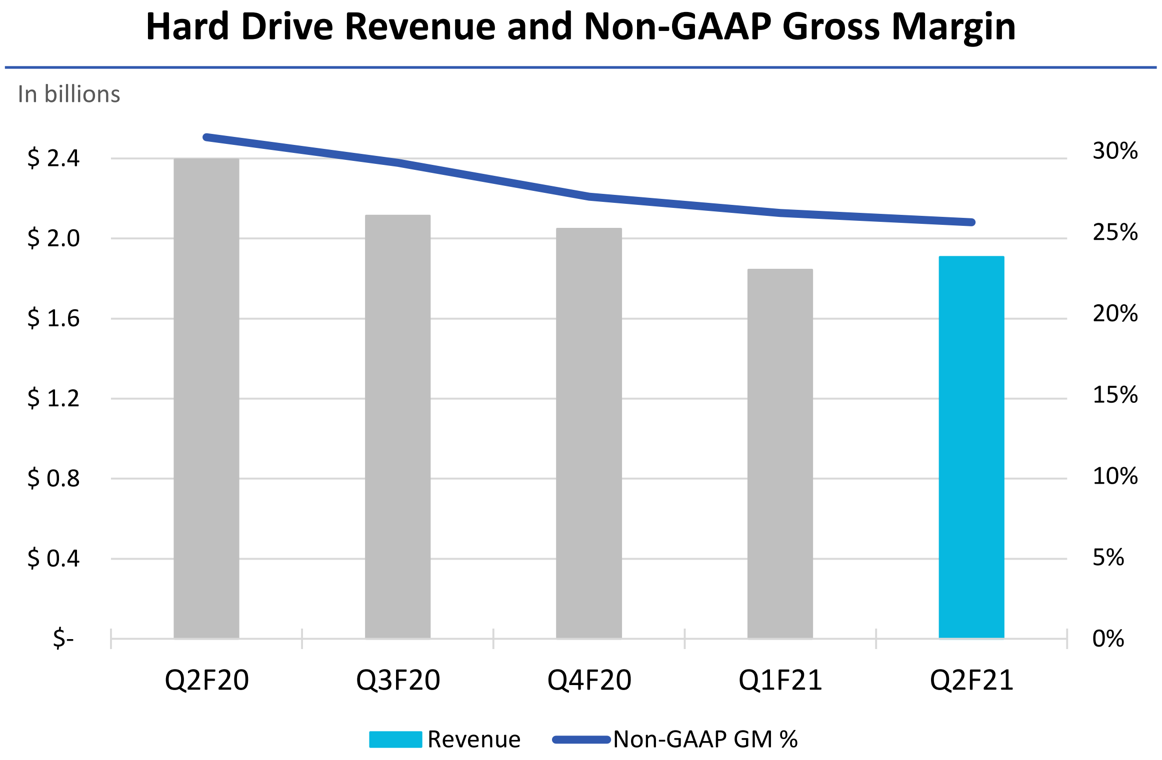
$1.0 billion

increased 19% QoQ

increased 6% YoY

Flash and Hard Drive Metrics





Flash

Q2F21 Results

- Bit shipments: up 7% QoQ
- ASP/Gigabyte:
  - Blended: down 9% QoQ
  - Like-for-like: down 6% QoQ

Hard Drive

Q2F21 Results

- Total exabyte shipments: up 2% QoQ
- ASP per drive: $73

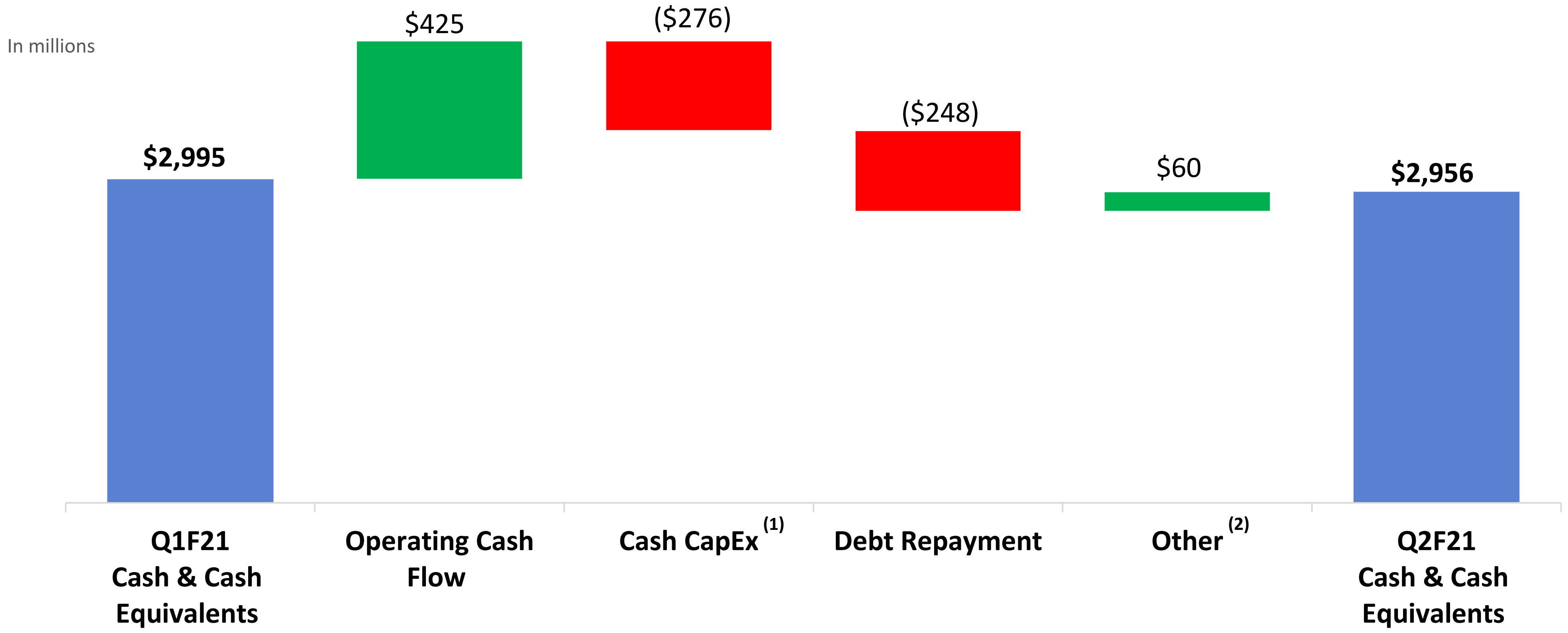
For reconciliations of GAAP to non-GAAP financial measures, see the Appendix.

Non-GAAP Financial Results

	Q2F20	Q1F21	Q2F21	QoQ	YoY
Revenue ($M)	$ 4,234	$ 3,922	$ 3,943	$ 21	($ 291)
Gross Margin %	25.9%	26.3%	26.4%	0.1 ppt	0.5 ppt
Operating Expenses ($M)	$ 765	$ 708	$ 696	($ 12)	($ 69)
Operating Income ($M)	$ 333	$ 323	$ 343	$ 20	$ 10
Interest and Other Expense, net ($M)	$ 81	$ 68	$ 68	$ 0	($ 13)
EPS - Diluted	$ 0.62	$ 0.65	$ 0.69	$ 0.04	$ 0.07
Operating Cash Flow ($M)	$ 257	$ 363	$ 425	$ 62	$ 168
Free Cash Flow ($M)	$ 377	$ 196	$ 149	($ 47)	($ 228)

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

Cash Flow Walk



- Quarterly debt repayment of $248 million, including optional payment of $150 million and full pay-off of remaining $35 million in SanDisk convertible notes
- Strong liquidity position of $5.2 billion, including $2.25 billion undrawn revolver

1. Cash CapEx includes purchases of property, plant and equipment, net, and the activity related to Flash Ventures, net.
2. Other primarily consists of employee stock plans, net.

Flash Ventures Framework

Western Digital

Co-develops flash (including process technology and memory design) with Kioxia and contributes IP for Flash Ventures' use

Performs integral manufacturing and R&D functions at Flash Ventures' manufacturing sites

Purchases Flash Ventures' wafers at cost plus a small markup

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

Flash Ventures

49.9% Owned by Western Digital

Owns and leases equipment for flash wafer production and R&D line

Purchases wafers from Kioxia at cost under foundry agreements

Sells wafers to Western Digital at cost plus a small markup

Charges expenses to Western Digital (including equipment depreciation and lease expense)

Repays loans for equipment purchases using excess operating cash flow

Capital Expenditure Framework

Cash Capital Expenditures[A]

(1) HDD CapEx + (2) Flash Non-Fab CapEx + (3) Flash Ventures Parent Loans[B] = **FY21F: ~$1.0B**

Flash Ventures Capital Expenditures

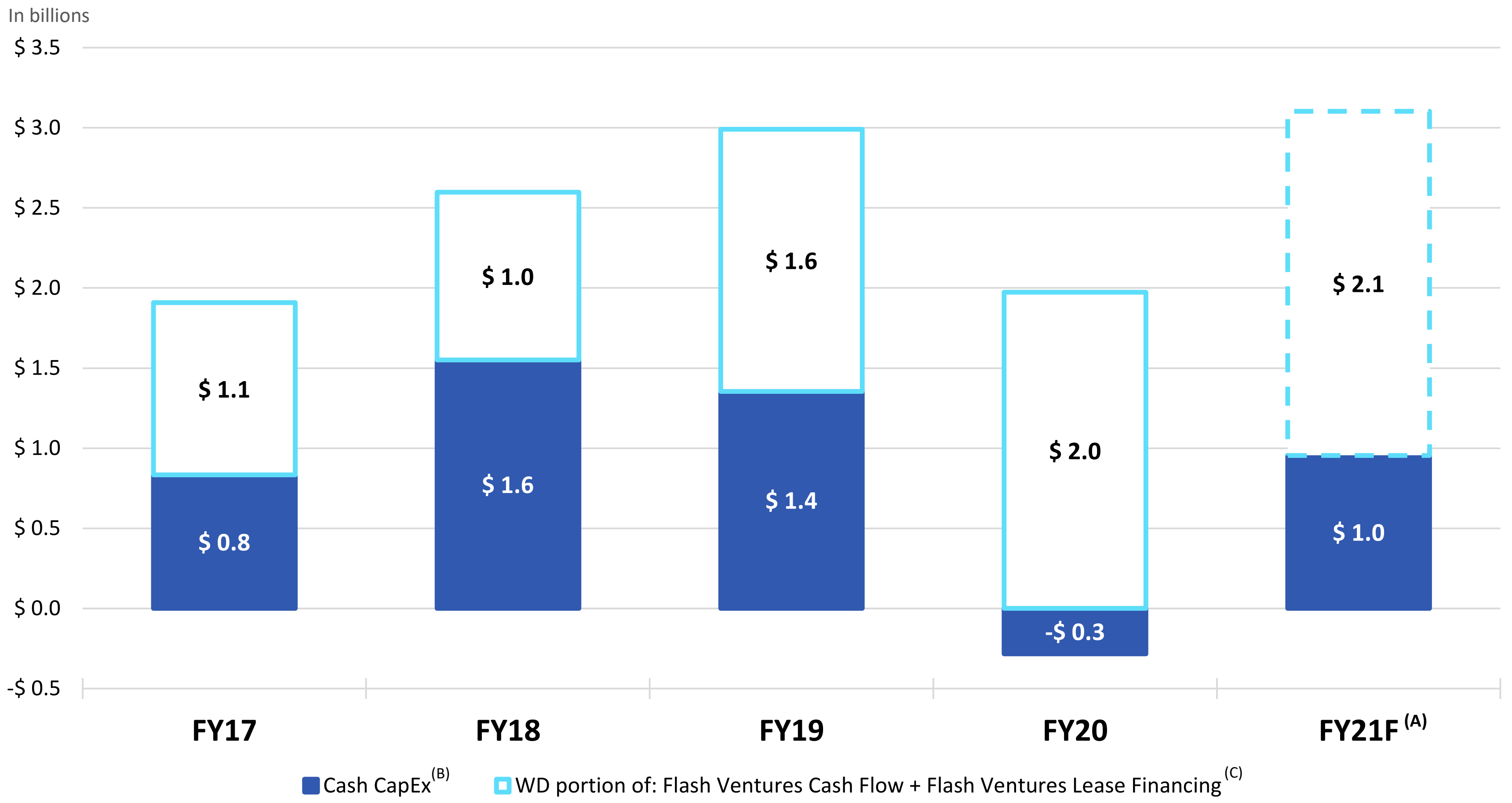
(3) Flash Ventures Parent Loans[B] + (4) Flash Ventures Lease Financing[B] + (5) Flash Ventures Net Operating Cash Flow[B][C]

Gross Capital Expenditures

(1) HDD CapEx + (2) Flash Non-Fab CapEx + (3) Flash Ventures Parent Loans[B] + (4) Flash Ventures Lease Financing[B] + (5) Flash Ventures Net Operating Cash Flow[B][C] = **FY21F: ~$3.1B**

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

Gross Capital Expenditure Trends



A. FY21F: Gross Capital Expenditures of ~$3.1 billion, of which Cash Capital Expenditures = ~$1.0 billion.

B. Cash Capital Expenditures includes purchases of property, plant and equipment, net, and the activity related to Flash Ventures, net.

C. Flash Ventures Net Operating Cash Flow and Flash Ventures Lease Financing are comprised only of Western Digital's portions.

Capital Allocation Priorities

Highest Priority

Priority	
Reinvestment in the Company	Strategically reinvest to continue driving technological innovation
Reduce Debt	Target 1.0x – 3.5x Debt-to-EBITDA
Shareholder Return: Dividend Program [(1)]; Share Repurchases	Shareholder return opportunities will be reevaluated

1. Dividend program was suspended as announced on April 30, 2020.

Fiscal Third Quarter Guidance[1]

	GAAP [2]	NON-GAAP[2]
Revenue ($B)	$ 3.85 - $ 4.05	$ 3.85 - $ 4.05
Gross Margin %	24.5% - 26.5%	25.5% - 27.5%
Operating Expenses ($M)	$ 770 - $ 790	$ 705 - $ 725
Interest and Other Expense, net ($M)	~ $ 80	~ $ 70
Tax Rate %	N/A	~ 23% [3]
EPS - Diluted	N/A	$ 0.55 - $ 0.75
Share Count - Diluted (in millions)	~ 310	~ 310

1. Guidance as shown is as of January 28, 2021.
2. Non-GAAP gross margin guidance excludes amortization of acquired intangible assets and stock-based compensation expense, totaling approximately $40 million to $60 million. The company's non-GAAP operating expenses guidance excludes amortization of acquired intangible assets; stock-based compensation expense; and employee termination, asset impairment and other charges, totaling approximately $50 million to $70 million. The company's non-GAAP interest and other expense guidance excludes approximately $10 million of convertible debt activity. In the aggregate, non-GAAP diluted earnings per share guidance excludes these items totaling $100 million to $140 million. The timing and amount of these charges excluded from non-GAAP gross margin, non-GAAP operating expenses, non-GAAP interest and other expense, net and non-GAAP diluted earnings per share cannot be further allocated or quantified with certainty. Additionally, the timing and amount of additional charges the company excludes from its non-GAAP tax rate and non-GAAP diluted earnings per share are dependent on the timing and determination of certain actions and cannot be reasonably predicted. Accordingly, full reconciliations of non-GAAP gross margin, non-GAAP operating expenses, non-GAAP interest and other expense, non-GAAP tax rate and non-GAAP diluted earnings per share to the most directly comparable GAAP financial measures (gross margin, operating expenses, interest and other expense, tax rate and diluted earnings per share, respectively) are not available without unreasonable effort.
3. The non-GAAP tax rate is provided based on a percentage of non-GAAP pre-tax income.

Upcoming Events

FEBRUARY 11	MARCH 2	MARCH 11	MARCH 12
Goldman Sachs Technology & Internet Conference	**Morgan Stanley TMT Conference**	**SIG Tech Conference**	**Loop Capital Investor Conference**

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

Appendix

Quarterly Fact Sheet

In millions, except Average Selling Price (ASP), percentages, and working capital related metrics	Q2F20	Q3F20	Q4F20	Q1F21	Q2F21
Revenue					
Client Devices[1]	$ 1,797	$ 1,831	$ 1,916	$ 1,946	$ 2,131
Data Center Devices & Solutions[1]	1,489	1,523	1,684	1,129	807
Client Solutions[1]	948	821	687	847	1,005
Total Revenue	**$ 4,234**	**$ 4,175**	**$ 4,287**	**$ 3,922**	**$ 3,943**
Exabyte Metrics					
QoQ Change in HDD Exabytes Sold[2]	(1%)	(6%)	(2%)	(7%)	2%
QoQ Change in Flash Exabytes Sold[2]	24%	7%	8%	1%	7%
QoQ Change in Total Exabytes Sold[2]	1%	(5%)	(1%)	(6%)	3%
Technology					
HDD Revenue	$ 2,396	$ 2,114	$ 2,049	$ 1,844	$ 1,909
Flash Revenue	1,838	2,061	2,238	2,078	2,034
HDD Non-GAAP Gross Margin[3]	30.8%	29.3%	27.2%	26.2%	25.6%
Flash Non-GAAP Gross Margin[3]	19.5%	26.5%	30.5%	26.4%	27.1%
Total Non-GAAP Gross Margin[3]	25.9%	27.9%	28.9%	26.3%	26.4%
Cash and Cash Equivalents	**$ 3,137**	**$ 2,943**	**$ 3,048**	**$ 2,995**	**$ 2,956**
Cash Flows					
Cash Flows provided by Operating Activities	$ 257	$ 142	$ 172	$ 363	$ 425
Purchases of Property, Plant and Equipment, net	(160)	(127)	(215)	(330)	(207)
Activity Related to Flash Ventures, net	280	161	304	163	(69)
Free Cash Flow[4]	**$ 377**	**$ 176**	**$ 261**	**$ 196**	**$ 149**
Working Capital Related					
Days Sales Outstanding	38	43	50	49	42
Days Inventory Outstanding	86	89	87	101	109
Days Payables Outstanding	(58)	(63)	(67)	(71)	(71)
Cash Conversion Cycle	**66**	**69**	**70**	**79**	**80**
Flash Metrics					
QoQ Change in ASP/Gigabytes[2]	(8%)	5%	1%	(9%)	(9%)
HDD Metrics					
Client Compute Units[5]	11.8	9.1	9.4	9.3	10.7
Non-Compute Units[6]	10.3	8.0	6.9	8.2	10.1
Data Center Units[7]	7.1	7.3	6.8	5.5	4.9
Total HDD Units[8]	**29.2**	**24.4**	**23.1**	**23.0**	**25.7**
HDD ASP[9]	$ 81	$ 85	$ 87	$ 79	$ 73

Quarterly Fact Sheet Footnotes

FORMULAS

Days Sales Outstanding (DSO) = Accounts Receivable / (Revenue / # of days in quarter)

Days Inventory Outstanding (DIO) = Inventories / (Cost of Revenue / # of days in quarter)

Days Payables Outstanding (DPO) = Accounts Payable (including Accounts Payable to Related Parties) / (Cost of Revenue / # of days in quarter)

Cash Conversion Cycle = DSO + DIO – DPO

FOOTNOTES

1. Client Devices is comprised of notebook and desktop HDD, consumer electronics HDD, client SSD, embedded, wafer sales and licensing and royalties. Data Center Devices and Solutions is comprised of enterprise HDD, enterprise SSD, data center software, data center solutions and licensing and royalties. Client Solutions is comprised of branded HDD, branded flash, removables and licensing and royalties.
2. Excludes licensing, royalties, and non-memory products.
3. Refer to the GAAP to non-GAAP reconciliation slides within the Appendix for further details.
4. Free cash flow is defined as cash flows provided by operating activities less purchases of property, plant and equipment, net of proceeds from sales of property, plant and equipment, and the activity related to Flash Ventures, net. The company considers free cash flow generated in any period to be a useful indicator of cash that is available for strategic opportunities including, among others, investing in the company's business, making strategic acquisitions, repaying debt and strengthening the balance sheet.
5. Client compute products consist primarily of desktop and notebook HDDs, excluding those sold through retail channels.
6. Non-compute products consist of retail channel and consumer electronics HDDs.
7. Data center products consist of enterprise HDDs (high-capacity and performance) and enterprise systems.
8. HDD Unit volume excludes data storage systems and media.
9. HDD ASP is calculated by dividing HDD revenue by HDD units. Data storage systems are excluded from this calculation, as data storage systems ASP is measured on a per system basis rather than a per drive basis.

Debt Tranches and Interest Rates

Debt	Base Rate	Maturity	Principal Balance Outstanding as of Q2F21 (in millions)	Applicable Rates[A]
Revolver drawn[B][C]	L+150	February 27, 2023	$ 0	1.647%
Term Loan A-1[C]	L+150	February 27, 2023	4,457	2.747%[D]
Term Loan B-4[C]	L+175	April 29, 2023	1,393	1.897%
Convertible Debt Due 2024[E]	1.500%	February 1, 2024	1,100	1.500%
Sr. Unsecured Notes Due 2026[F]	4.750%	February 15, 2026	2,300	4.750%
Total			**$ 9,250**	**2.969%[G]**

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

Credit Agreement Defined Leverage Ratio

In millions; unaudited; trailing 12 months	Q2F20	Q3F20	Q4F20	Q1F21	Q2F21
Net Income (Loss)	**($ 1,193)**	**($ 595)**	**($ 250)**	**($ 34)**	**$ 167**
Income tax expense	(35)	(110)	204	222	146
Interest and other expense, net	374	398	381	346	329
Depreciation and amortization	1,665	1,605	1,566	1,534	1,471
EBITDA[1]	**$ 811**	**$ 1,298**	**$ 1,901**	**$ 2,068**	**$ 2,113**
Stock-based compensation expense	$ 302	$ 296	$ 308	$ 307	$ 310
Employee termination, asset impairment and other charges	117	49	32	47	40
Charges related to acquisitions and dispositions	7	9	9	4	2
Charges related to cost saving initiatives	18	16	9	8	1
Manufacturing underutilization charges	215	67	0	0	0
Charges related to a power outage incident and related recovery	213	213	68	(30)	(75)
Other	57	17	(8)	(8)	0
Adjusted EBITDA[2][3]	**$ 1,740**	**$ 1,965**	**$ 2,319**	**$ 2,396**	**$ 2,391**
Total Debt[6]	**$ 9,986**	**$ 9,774**	**$ 9,711**	**$ 9,498**	**$ 9,250**
Debt to Adjusted EBITDA	**5.7X**	**5.0X**	**4.2X**	**4.0X**	**3.9X**
Flash Ventures equipment depreciation expenses[4]	$ 1,040	$ 997	$ 977	$ 980	$ 1,006
Other Credit Agreement Adjustments[5]	533	265	125	70	64
Credit Agreement Defined Adjusted EBITDA[6]	**$ 3,313**	**$ 3,227**	**$ 3,421**	**$ 3,446**	**$ 3,461**
Total Debt[7]	**$ 9,986**	**$ 9,774**	**$ 9,711**	**$ 9,498**	**$ 9,250**
Credit Agreement Defined Leverage Ratio[8]	**3.0X**	**3.0X**	**2.8X**	**2.8X**	**2.7X**

1. EBITDA is defined as net income (loss) before income tax expense, interest and other expense, net, and depreciation and amortization.
2. Adjusted EBITDA is defined as EBITDA (as defined above), adjusted to exclude certain expenses, gains and losses that the company believes are not indicative of its core operating results or because these exclusions are consistent with the financial models and estimates published by many analysts who follow the company and its peers. See the GAAP to non-GAAP reconciliation slides within the Appendix for further details.
3. Adjusted EBITDA is not intended to reflect measures used under the company's debt agreements.
4. The company's share of Flash Ventures' equipment depreciation expense was approximately 95% of Credit Agreement Adjustments for the trailing 12 months Q2F21.
5. Other Credit Agreement Adjustments include other income and expenses, special charges and expected future cost savings from cost reduction initiatives as provided under the company's credit agreement applicable to Term Loan A-1 and Revolver.
6. Credit Agreement Defined Adjusted EBITDA is used to measure financial covenant compliance under the company's credit agreement applicable to Term Loan A-1 and Revolver.
7. Total Debt is the total principal balance of debt outstanding as of the end of the applicable trailing 12-month period.
8. Credit Agreement Defined Leverage Ratio is calculated as Total Debt divided by Credit Agreement Defined Adjusted EBITDA and is the Leverage Ratio as defined in the company's credit agreement for purposes of one of the financial covenants applicable to Term Loan A-1 and Revolver.

Net Income to Adjusted EBITDA Reconciliation

In millions; unaudited	Q2F20	Q3F20	Q4F20	Q1F21	Q2F21
Net Income (Loss)	**($ 139)**	**$ 17**	**$ 148**	**($ 60)**	**$ 62**
Income Tax Expense	99	29	37	57	23
Interest And Other Expense, Net	90	107	76	73	73
Depreciation And Amortization	399	384	377	374	336
EBITDA[1]	**$ 449**	**$ 537**	**$ 638**	**$ 444**	**$ 494**
Stock-based Compensation Expense	$ 77	$ 78	$ 76	$ 76	$ 80
Employee Termination, Asset Impairment And Other Charges	9	8	7	23	2
Charges Related To Acquisitions And Dispositions	2	2	0	0	0
Charges Related To Cost Saving Initiatives	7	1	0	0	0
Charges related to a power outage incident and related recovery	0	0	0	(30)	(45)
Other	(8)	0	0	0	0
Adjusted EBITDA [2][3]	**$ 536**	**$ 626**	**$ 721**	**$ 513**	**$ 531**
Flash Ventures Equipment Depreciation Expenses	$ 241	$ 238	$ 239	$ 262	$ 267

1. EBITDA is defined as net income (loss) before income tax expense, interest and other expense, net, and depreciation and amortization.
2. Adjusted EBITDA is defined as EBITDA (as defined above), adjusted to exclude certain expenses, gains and losses that the company believes are not indicative of its core operating results or because these exclusions are consistent with the financial models and estimates published by many analysts who follow the company and its peers. See the GAAP to non-GAAP reconciliation slides within the Appendix for further details.
3. Adjusted EBITDA is not intended to reflect measures used under the company's debt agreements.

GAAP to Non-GAAP Reconciliation

In millions; unaudited	Q2F20	Q1F21	Q2F21
GAAP Gross Profit	**$ 935**	**$ 904**	**$ 960**
Amortization of acquired intangible assets	157	145	109
Stock-based compensation expense	13	12	15
Charges related to cost savings initiatives	1	-	-
Charges related to a power outage incident and related recovery	-	(30)	(45)
Other	(8)	-	-
Non-GAAP Gross Profit	**$ 1,098**	**$ 1,031**	**$ 1,039**
GAAP Operating Expenses	**$ 885**	**$ 834**	**$ 802**
Amortization of acquired intangible assets	(39)	(39)	(39)
Stock-based compensation expense	(64)	(64)	(65)
Employee termination, asset impairment and other charges	(9)	(23)	(2)
Charges related to acquisitions and dispositions	(2)	-	-
Charges related to cost saving initiatives	(6)	-	-
Non-GAAP Operating Expenses	**$ 765**	**$ 708**	**$ 696**
GAAP Operating Income	**$ 50**	**$ 70**	**$ 158**
Gross profit adjustments	163	127	79
Operating expense adjustments	120	126	106
Non-GAAP Operating Income	**$ 333**	**$ 323**	**$ 343**
GAAP Interest and Other Expense, Net	**($ 90)**	**($ 73)**	**($ 73)**
Convertible debt activity	7	7	7
Other	2	(2)	(2)
Non-GAAP Interest and Other Expense, Net	**($ 81)**	**($ 68)**	**($ 68)**

GAAP to Non-GAAP Reconciliation

In millions, except per share amounts; unaudited	Q2F20	Q1F21	Q2F21
GAAP Net Income (Loss)	**($ 139)**	**($ 60)**	**$ 62**
Amortization of acquired intangible assets	196	184	148
Stock-based compensation expense	77	76	80
Employee termination, asset impairment and other charges	9	23	2
Charges related to acquisitions and dispositions	2	-	-
Charges related to cost saving initiatives	7	-	-
Charges related to a power outage incident and related recovery	-	(30)	(45)
Convertible debt activity	7	7	7
Other	(6)	(2)	(2)
Income tax adjustments	34	(2)	(40)
Non-GAAP Net Income	**$ 187**	**$ 196**	**$ 212**
Diluted Income (Loss) Per Common Share			
GAAP	($ 0.47)	($ 0.20)	$ 0.20
Non-GAAP	$ 0.62	$ 0.65	$ 0.69
Diluted Weighted Average Shares Outstanding			
GAAP	298	303	307
Non-GAAP	300	303	307

GAAP to Non-GAAP Reconciliation

In millions, except percentages; unaudited	Q2F20	Q3F20	Q4F20	Q1F21	Q2F21
Gross Profit	**$ 935**	**$ 1,005**	**$ 1,083**	**$ 904**	**$ 960**
Amortization of acquired intangible assets	157	145	144	145	109
Stock-based compensation expense	13	13	13	12	15
Charges related to cost saving initiatives	1	2	-	-	-
Charges related to a power outage incident and related recovery	-	-	-	(30)	(45)
Other	(8)	-	-	-	-
Non-GAAP Gross Profit	**$ 1,098**	**$ 1,165**	**$ 1,240**	**$ 1,031**	**$ 1,039**
Non-GAAP Gross Profit By Product					
HDD	$ 739	$ 619	$ 557	$ 483	$ 488
Flash	359	546	683	548	551
Total Non-GAAP Gross Profit	**$ 1,098**	**$ 1,165**	**$ 1,240**	**$ 1,031**	**$ 1,039**
Revenue By Product					
HDD	$ 2,396	$ 2,114	$ 2,049	$ 1,844	$ 1,909
Flash	1,838	2,061	2,238	2,078	2,034
Total Revenue	**$ 4,234**	**$ 4,175**	**$ 4,287**	**$ 3,922**	**$ 3,943**
Consolidated GAAP gross margin(1)	22.1%	24.1%	25.3%	23.0%	24.3%
Consolidated Non-GAAP gross margin(2)	25.9%	27.9%	28.9%	26.3%	26.4%
Non-GAAP HDD gross margin(3)	30.8%	29.3%	27.2%	26.2%	25.6%
Non-GAAP Flash gross margin(4)	19.5%	26.5%	30.5%	26.4%	27.1%

1. Consolidated GAAP gross margin is calculated by dividing gross profit by total revenue.
2. Consolidated non-GAAP gross margin is calculated by dividing total non-GAAP gross profit by total revenue.
3. Non-GAAP HDD gross margin is calculated by dividing the portion of non-GAAP gross profit relating to the Company’s HDD products by HDD revenue.
4. Non-GAAP Flash gross margin is calculated by dividing the portion of non-GAAP gross profit relating to the Company’s Flash products by Flash revenue.

Footnotes for GAAP to Non-GAAP Reconciliation

This presentation contains the following financial measures that are not in accordance with U.S. generally accepted accounting principles (“GAAP”): non-GAAP gross profit; non-GAAP gross margin; non-GAAP operating expenses; non-GAAP operating income; non-GAAP interest and other expense, net; non-GAAP net income; non-GAAP diluted income per common share; Adjusted EBTIDA; and Credit Agreement Defined Adjusted EBITDA (“Non-GAAP measures”). These Non-GAAP measures are not in accordance with, or an alternative for, measures prepared in accordance with GAAP and may be different from Non-GAAP measures used by other companies. The company believes the presentation of these Non-GAAP measures, when shown in conjunction with the corresponding GAAP measures, provides useful information to investors for measuring the company’s earnings performance and comparing it against prior periods. Specifically, the company believes these Non-GAAP measures provide useful information to both management and investors as they exclude certain expenses, gains and losses that the company believes are not indicative of its core operating results or because they are consistent with the financial models and estimates published by many analysts who follow the company and its peers. As discussed further below, these Non-GAAP measures exclude (as applicable) the amortization of acquired intangible assets, stock-based compensation expense, employee termination, asset impairment and other charges, charges related to acquisitions and dispositions, charges related to cost saving initiatives, manufacturing underutilization charges, charges related to a power outage incident and related recovery, convertible debt activity, and income tax adjustments, and the company believes these measures along with the related reconciliations to the GAAP measures provide additional detail and comparability for assessing the company's results. EBITDA and adjusted EBITDA are not intended to reflect measures used under the company’s debt agreements. Credit Agreement Defined Adjusted EBITDA also is used to measure financial covenant compliance as defined under the company’s credit agreement applicable to Term Loan A-1 and Revolver. These Non-GAAP measures are some of the primary indicators management uses for assessing the company's performance and planning and forecasting future periods. These measures should be considered in addition to results prepared in accordance with GAAP, but should not be considered a substitute for, or superior to, GAAP results. As described above, the company excludes the following items from its Non-GAAP measures:

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

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

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

Charges related to acquisitions and dispositions. In connection with the company's business combinations or dispositions, the company incurs expenses which it would not have otherwise incurred as part of its business operations. These expenses include third-party professional service and legal fees, third-party integration services, severance costs, non-cash adjustments to the fair value of acquired inventory, contract termination costs, and retention bonuses. The company may also experience other accounting impacts in connection with these transactions. These charges and impacts are related to acquisitions and dispositions, are inconsistent in amount and frequency, and the company believes they are not indicative of the underlying performance of its business.

Charges related to cost saving initiatives. In connection with the transformation of the company's business, the company has incurred charges related to cost saving initiatives which do not qualify for special accounting treatment as exit or disposal activities. These charges, which the company believes are not indicative of the underlying performance of its business, primarily relate to costs associated with rationalizing the company's channel partners or vendors, transforming the company's information systems infrastructure, integrating the company's product roadmap, and accelerated depreciation of assets.

Manufacturing underutilization charges. In response to flash business conditions, the company temporarily reduced its wafer starts during fiscal 2019 at its flash-based memory manufacturing facilities operated through its joint venture with Kioxia Corporation. The temporary abnormal reduction in output resulted in flash manufacturing underutilization charges which were expensed as incurred. These charges are consistent in amount and frequency, and the company believes these charges are not part of the ongoing operation of its business.

Charges related to a power outage incident and related recovery. In June 2019, an unexpected power outage incident occurred at the flash-based memory manufacturing facilities operated through the company's joint venture with Kioxia Corporation in Yokkaichi, Japan. The power outage incident resulted in costs associated with the repair of damaged tools and the write-off of damaged inventory and unabsorbed manufacturing overhead costs which are expensed as incurred. In the fiscal first and second quarters of 2021, the company received recoveries of these losses from insurance carriers. These charges and recoveries are inconsistent in amount and frequency, and the company believes these charges or recoveries are not part of the ongoing production operation of its business.

Convertible debt activity. The company excludes non-cash economic interest expense associated with its convertible notes. These charges do not reflect the company's operating results, and the company believes they are not indicative of the underlying performance of its business.

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

Income tax adjustments. Income tax adjustments include the difference between income taxes based on a forecasted annual non-GAAP tax rate and a forecasted annual GAAP tax rate as a result of the timing of certain non-GAAP pre-tax adjustments. The income tax adjustments also include adjustments to estimates related to the current status of the rules and regulations governing the transition to the Tax Cuts and Jobs Act. These adjustments are excluded because they are infrequent and the company believes that they are not indicative of the underlying performance of its business.