Updated Reconciliations

GAAP to Non-GAAP Reconciliations

In millions; unaudited	Q4F23	Q3F24	Q4F24
GAAP Gross Profit	**$92**	**$1,001**	**$1,353**
Stock-based compensation expense	11	11	12
Amortization of acquired intangible assets	(1)	1	1
Recovery from contamination incident	—	(1)	—
Other	2	—	—
Non-GAAP Gross Profit	**$104**	**$1,012**	**$1,366**
GAAP Operating Expenses	**$742**	**$728**	**$1,137**
Stock-based compensation expense	(61)	(66)	(57)
Business separation costs	—	(23)	(38)
Litigation matter	—	—	(291)
Employee termination, asset impairment and other	(53)	(8)	(50)
Strategic review	(27)	—	—
Amortization of acquired intangible assets	(17)	—	—
Other	(2)	1	(1)
Non-GAAP Operating Expenses	**$582**	**$632**	**$700**
GAAP Operating Income (Loss)	**$(650)**	**$273**	**$216**
Gross profit adjustments	12	11	13
Operating expense adjustments	160	96	437
Non-GAAP Operating Income (Loss)	**$(478)**	**$380**	**$666**
GAAP Interest and Other Expense, Net	**$(84)**	**$(95)**	**$(114)**
Other	(6)	3	—
Non-GAAP Interest and Other Expense, Net	**$(90)**	**$(92)**	**$(114)**

The GAAP to Non-GAAP reconciliations presented above have been updated compared to the reconciliations included in our press release and earnings presentation issued July 31, 2024 with respect to results for the fourth fiscal quarter ended June 28, 2024 in order to reflect the impact of a subsequent judgment in a patent litigation matter, which is described more fully in Part II, Item 8, Note 17, Legal Proceedings in our Annual Report on Form 10-K filed with the SEC on August 20, 2024. In addition, see our earnings presentation for the fourth fiscal quarter ended June 28, 2024, issued July 31, 2024, available in the Investor Relations section of our website at investor.wdc.com for information about revisions to prior period financial results.

GAAP to Non-GAAP Reconciliations (cont'd)

In millions, except per share amounts; unaudited	Q4F23	Q3F24	Q4F24
GAAP Net Income (Loss)	**$(709)**	**$135**	**$39**
Stock-based compensation expense	72	77	69
Business separation costs	—	23	38
Litigation matter	—	—	291
Employee termination, asset impairment and other	53	8	50
Strategic review	27	—	—
Amortization of acquired intangible assets	16	1	1
Recovery from contamination incident	—	(1)	—
Other	(2)	2	1
Income tax adjustments	(82)	(8)	46
Non-GAAP Net Income (Loss)	**(625)**	**237**	**535**
Less: amount allocated to preferred shareholders	15	27	31
Non-GAAP Diluted Net Income (Loss) Attributable to Common Shareholders	**$(640)**	**$210**	**$504**
Diluted Income (Loss) Per Common Share			
GAAP	$(2.26)	$0.34	$0.08
Non-GAAP	$(1.99)	$0.63	$1.44
Diluted Weighted Average Shares Outstanding			
GAAP	321	335	349
Non-GAAP	321	335	349

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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 income tax expense; Non-GAAP net income and loss; Non-GAAP diluted income and loss per common share; Adjusted EBITDA; Credit Agreement Defined Adjusted EBITDA; and free cash flow ("Non-GAAP measures"). These Non-GAAP measures are not in accordance with, or an alternative for, measures prepared in accordance with GAAP and may be different from Non-GAAP measures used by other companies. The company believes the presentation of these Non-GAAP measures, when shown in conjunction with the corresponding GAAP measures, provides useful information to investors for measuring the company's earnings performance and comparing it against prior periods. Specifically, the company believes these Non-GAAP measures provide useful information to both management and investors as they exclude certain expenses, gains and losses that the company believes are not indicative of its core operating results or because they are consistent with the financial models and estimates published by many analysts who follow the company and its peers. As discussed further below, these Non-GAAP measures exclude, as applicable, stock-based compensation expense, business separation costs, employee termination, asset impairment and other, expenses related to our strategic review, amortization of acquired intangible assets, recovery from contamination incident, litigation matter, other adjustments, and income tax adjustments, and the company believes these measures along with the related reconciliations to the GAAP measures provide additional detail and comparability for assessing the company's results. EBITDA and adjusted EBITDA are not intended to reflect measures used under the company's debt agreements. Credit Agreement Defined Adjusted EBITDA also is used to measure financial covenant compliance as defined under the company's credit agreement applicable to Term Loan A-2 and Revolver and the company's credit agreement applicable to the Delayed Draw Term Loan. These Non-GAAP measures are some of the primary indicators management uses for assessing the company's performance and planning and forecasting future periods. These measures should be considered in addition to results prepared in accordance with GAAP, but should not be considered a substitute for, or superior to, GAAP results. As described above, the company excludes the following items from its Non-GAAP measures:

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

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

Employee termination, asset impairment and other. From time-to-time, in order to realign the company's operations with anticipated market demand or to achieve cost synergies from the integration of acquisitions, the company may terminate employees and/or restructure its operations. From time-to-time, the company may also incur charges from the impairment of intangible assets and other long-lived assets. In addition, the company may record credits related to gains upon sale of property due to restructuring or reversals of charges recorded in prior periods. 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 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 quarters ended December 29, 2023, and March 29, 2024, the company received recoveries of these losses from other parties. The contamination charges and related recoveries were inconsistent in amount and frequency, and the company believes they were not part of the ongoing production operation of its business.

Litigation matter. The company accrued expenses in the fiscal fourth quarter associated with a recent judgment in a patent litigation matter, which is discussed more fully in the company's Annual Report on Form 10-K filed with the SEC on August 20, 2024. 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 which are not considered necessary to its business operations, or incurs other charges or gains that the company believes are not a part of the ongoing operation of its business. The resulting expense or benefit is inconsistent in amount and frequency.

Income tax adjustments. Income tax adjustments include the difference between income taxes based on a forecasted annual Non-GAAP tax rate and a forecasted annual GAAP tax rate as a result of the timing of certain Non-GAAP pre-tax adjustments. The income tax adjustments also include adjustments to estimates related to the current status of the rules and regulations governing the transition to the Tax Cuts and Jobs Act and the re-measurement of certain unrecognized tax benefits primarily related to tax positions taken in prior quarters, including interest. These adjustments are excluded because the company believes that they are not indicative of the underlying performance of its ongoing business.

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