Sandisk Reports Fiscal Fourth Quarter 2025 Financial Results

August 14, 2025

News Summary

- Fiscal fourth quarter revenue was $1.90 billion, up 12% sequentially and above the guidance range.
- Fiscal fourth quarter GAAP loss was $23 million ($0.16 diluted loss per share), and fourth quarter Non-GAAP diluted earnings per share (EPS) was $0.29.
- Fiscal first quarter 2026 revenue expected to be in the range of $2.10 billion to $2.20 billion.
- Fiscal first quarter 2026 Non-GAAP diluted earnings per share expected to be in the range of $0.70 to $0.90.

MILPITAS, Calif.--(BUSINESS WIRE)--Aug. 14, 2025-- Sandisk Corporation (Nasdaq: SNDK) today reported fiscal fourth quarter financial results.

“Sandisk delivered strong results this quarter, with revenue and non-GAAP EPS exceeding our guidance. We continue to execute with discipline, balancing innovation and operational focus,” said David Goeckeler, Sandisk CEO. “The ramp of BiCS8 brings new levels of performance, density and energy efficiency to our customers. With High Bandwidth Flash (HBF), we are creating a new paradigm for AI inference solutions. With demand improving and industry fundamentals strengthening, we are well-positioned to drive sustainable growth, expand margins, and generate strong cash flow.”

Q4 2025 Financial Highlights

	GAAP			Non-GAAP		
($ in millions, except per share amounts)	Q4 2025	Q3 2025	Q/Q	Q4 2025	Q3 2025	Q/Q
Revenue	$1,901	$1,695	up 12%	$1,901	$1,695	up 12%
Gross Margin	26.2%	22.5%	up 3.7 ppt	26.4%	22.7%	up 3.7 ppt
Operating Expenses	$480	$2,263	down 79%	$402	$383	up 5%
Operating Income (Loss)	$18	$(1,881)	up 101%	$100	$2	up 4900%
Net Income (Loss)	$(23)	$(1,933)	up 99%	$42	$(43)	up 198%
Net Income (Loss) Per Share	$(0.16)	$(13.33)	up 99%	$0.29	$(0.30)	up 197%

	GAAP			Non-GAAP		
($ in millions, except per share amounts)	Q4 2025	Q4 2024	Y/Y	Q4 2025	Q4 2024	Y/Y
Revenue	$1,901	$1,760	up 8%	$1,901	$1,760	up 8%
Gross Margin	26.2%	36.1%	down 9.9 ppt	26.4%	36.4%	down 10 ppt
Operating Expenses	$480	$437	up 10%	$402	$386	up 4%
Operating Income	$18	$199	down 91%	$100	$255	down 61%
Net Income (Loss)	$(23)	$120	down 119%	$42	$180	down 77%
Net Income (Loss) Per Share	$(0.16)	$0.83	down 119%	$0.29	$1.24	down 77%

Fiscal Year 2025 Financial Highlights

	GAAP			Non-GAAP		
($ in millions, except per share amounts)	2025	2024	Y/Y	2025	2024	Y/Y
Revenue	$7,355	$6,663	up 10%	$7,355	$6,663	up 10%
Gross Margin	30.1%	16.1%	up 14 ppt	30.3%	15.8%	up 14.5 ppt
Operating Expenses	$3,589	$1,540	up 133%	$1,539	$1,365	up 13%
Operating Income (Loss)	$(1,377)	$(468)	down 194%	$689	$(309)	up 323%
Net Income (Loss)	$(1,641)	$(672)	down 144%	$440	$(502)	up 188%
Net Income (Loss) Per Share	$(11.32)	$(4.63)	down 144%	$2.99	$(3.46)	up 186%

End Market Summary

Revenue ($M)	Q4 2025	Q3 2025	Q/Q	Q4 2024	Y/Y	2025	2024	Y/Y
Cloud	$213	$197	up 8%	$170	up 25%	$960	$325	up 195%
Client	1,103	927	up 19%	1,067	up 3%	4,127	4,069	up 1%

Consumer	585	571	up 2%	523	up 12%	2,268	2,269	—
Total Revenue	$1,901	$1,695	up 12%	$1,760	up 8%	$7,355	$6,663	up 10%

Additional details can be found within the Company's earnings presentation, which is accessible online at investor.sandisk.com.

Business Outlook for Fiscal First Quarter of 2026

	GAAP[(1)]	Non-GAAP[(1)]
Revenue ($B)	$2.10 - $2.20	$2.10 - $2.20
Gross margin	28.3% - 29.2%	28.5% - 29.5%
Operating expenses ($M)	$475 - $490	$415 - $430
Interest and other expense, net ($M)	$38 - $43	$40 - $45
Tax expense ($M)[(2)]	N/A	$35 - $40
Diluted earnings (loss) per share	N/A	$0.70 - $0.90
Diluted shares outstanding (in millions)	~ 148	~ 148

(1) Non-GAAP gross margin guidance excludes stock-based compensation expense and expense for short term incentives granted in connection with the separation, totaling approximately $4 million to $6 million. The Company's Non-GAAP operating expenses guidance excludes stock-based compensation expense and expense for short term incentives granted in connection with the separation, totaling approximately $51 million to $69 million. The Company's Non-GAAP interest and other expenses, net guidance excludes the accretion of the present value discount on consideration receivable from the sale of an interest in a subsidiary, totaling approximately $2 million. In the aggregate, Non-GAAP diluted earnings (loss) per share guidance excludes these items totaling $57 million to $77 million. The timing and amount of these charges excluded from Non-GAAP gross margin, Non-GAAP operating expenses, Non-GAAP interest and other expenses, net, and Non-GAAP diluted earnings (loss) 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 diluted earnings (loss) 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 expenses, net, and Non-GAAP diluted earnings (loss) per share to the most directly comparable GAAP financial measures (gross margin, operating expenses, and diluted earnings (loss) per share, respectively) are not available without unreasonable effort.

(2) Non-GAAP tax expense is determined based on a Non-GAAP pre-tax income or loss. Our estimated Non-GAAP tax expense may differ from our GAAP tax expense (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 expense 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.

Basis of Presentation

On February 21, 2025, Sandisk Corporation (the "Company") completed its separation from Western Digital Corporation ("WDC") and became a standalone publicly traded company.

The Company's financial and operating results after the separation are presented on a consolidated basis. For periods prior to the separation, the Company's historical combined financial statements were prepared on a carve-out basis and were derived from WDC's consolidated financial statements and accounting records and prepared as if the Company existed on a standalone basis. The financial statements for all periods presented, including the historical results of the Company prior to February 21, 2025, are now referred to as "Condensed Consolidated Financial Statements" and have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP").

Investor Communications

The investment community conference call to discuss these results and the Company's business outlook for the fiscal first quarter of 2026 will be broadcast live online today at 1:30 p.m. Pacific/4:30 p.m. Eastern. The live and archived conference call/webcast and the earnings presentation can be accessed online at investor.sandisk.com.

About Sandisk

Sandisk is a leading developer, manufacturer and provider of data storage devices and solutions based on NAND flash technology. With a differentiated innovation engine driving advancements in storage and semiconductor technologies, our broad and ever-expanding portfolio delivers powerful flash storage solutions for AI workloads in datacenters, edge devices, and consumers. Our technologies enable everyone from students, gamers and home offices, to the largest enterprises and public clouds to produce, analyze, and store data. Our solutions include a broad range of solid state drives, embedded products, removable cards, universal serial bus drives, and wafers and components. Learn more about Sandisk at www.Sandisk.com.

Forward-Looking Statements

This press release contains forward-looking statements within the meaning of federal securities laws, including statements regarding expectations for: the Company's business outlook and operational and financial performance for the fiscal first quarter of 2026 and beyond; the performance and efficiency of the Company's products; product differentiation and market positioning; demand and market conditions and dynamics; the impact of the Company's technological innovations; and growth 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 financial results for the Company's fiscal fourth quarter ended June 27, 2025 included in this press release represent the most current information available to management. Actual results when disclosed in the Company's Form 10-K may differ from these results as a result of the completion of the Company's financial closing procedures; final adjustments; completion of the audit 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-K. 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 changes in global or regional economic conditions, including the impact of evolving trade policies, tariff regimes and trade wars; volatility in demand for the Company's products; pricing trends and fluctuations in average selling prices inflation; changes in interest rates and a potential economic recession; future responses to and effects of global health crises; the impact of business and market conditions; the impact of competitive products and pricing; the Company's development and introduction of products based on new technologies and management of technology transitions; risks associated with strategic initiatives, including restructurings, acquisitions, divestitures, cost saving measures and joint ventures; risks related to product defects; difficulties or delays in manufacturing or other supply chain disruptions; our reliance on strategic relationships with key partners, including Kioxia Corporation; attraction, retention, and development of skilled management and technical talent; the Company's level of debt and other financial obligations; changes to the Company's relationships with key customers or consolidation among our customer base; compromise, damage or interruption from cybersecurity incidents or other data system security risks; our reliance on intellectual property; fluctuations in currency exchange rates; actions by competitors; risks associated with compliance with changing legal and regulatory requirements; future material impairments in the value of our goodwill and other long-lived assets; our ability to achieve some or all of the expected benefits of the separation from WDC; and other risks and uncertainties listed in the Company's filings with the Securities and Exchange Commission (the "SEC"), including the Registration Statement on Form S-1/A, filed with the SEC on June 5, 2025, 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.

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SANDISK CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(in millions; except par value, unaudited)

	June 27, 2025	June 28, 2024
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,481	$ 328
Accounts receivable, net	1,068	935
Inventories	2,079	1,955
Income tax receivable	66	7
Other current assets	392	221
Notes due from Western Digital Corporation	—	102
Total current assets	5,086	3,548
Property, plant and equipment, net	619	791
Notes receivable and investments in Flash Ventures	654	1,001
Goodwill	4,999	7,207
Deferred tax assets	58	96
Income tax receivable, non-current	80	11
Other non-current assets	1,489	852
Total assets	$ 12,985	$ 13,506
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 366	$ 357
Accounts payable to related parties	400	313
Accrued expenses	425	424

Accrued compensation	173	195
Income tax payables	43	20
Notes due to Western Digital Corporation	—	814
Current portion of long-term debt	20	—
Total current liabilities	1,427	2,123
Deferred tax liabilities	17	15
Long-term debt	1,829	—
Other liabilities	496	286
Total liabilities	3,769	2,424
Shareholders' equity:		
Common stock, $0.01 par value; authorized — 450 shares; issued and outstanding — 146 shares	$ 1	$ —
Additional paid-in capital	11,248	—
Accumulated deficit	(1,784)	—
Accumulated other comprehensive loss	(249)	(452)
Net investment from Western Digital Corporation	—	11,534
Total shareholders' equity	9,216	11,082
Total liabilities and shareholders' equity	$ 12,985	$ 13,506

SANDISK CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in millions, except per share amounts; unaudited)

	Three Months Ended		Year Ended	
	June 27, 2025	June 28, 2024	June 27, 2025	June 28, 2024
Revenue, net	$ 1,901	$ 1,760	$ 7,355	$ 6,663
Cost of revenue	1,403	1,124	5,143	5,591
Gross profit	498	636	2,212	1,072
Operating expenses:				
Research and development	285	298	1,132	1,061
Selling, general and administrative	162	117	573	455
Goodwill impairment	—	—	1,830	—
Business separation costs	17	18	67	64
Employee termination and other	16	4	21	(40)
Gain on business divestiture	—	—	(34)	—
Total operating expenses	480	437	3,589	1,540
Operating income (loss)	18	199	(1,377)	(468)
Interest and other income (expense), net:				
Interest income	11	3	22	12
Interest expense	(41)	(9)	(63)	(40)
Other income (expense), net	(6)	4	(61)	(7)
Total interest and other income (expense), net	(36)	(2)	(102)	(35)
Income (loss) before taxes	(18)	197	(1,479)	(503)
Income tax expense	5	77	162	169
Net income (loss)	$ (23)	$ 120	$ (1,641)	$ (672)
Net income (loss) per common share:				
Basic and diluted	$ (0.16)	$ 0.83	$ (11.32)	$ (4.63)
Weighted average shares outstanding:				
Basic and diluted	145	145	145	145

SANDISK CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions; unaudited)

	Three Months Ended		Year Ended	
	June 27, 2025	June 28, 2024	June 27, 2025	June 28, 2024
Cash flows from operating activities				
Net income (loss)	$ (23)	$ 120	$ (1,641)	$ (672)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operations:				
Depreciation and amortization	36	54	163	224
Stock-based compensation	49	34	182	149
Goodwill impairment	—	—	1,830	—
Deferred income taxes	(19)	(19)	(12)	(16)
Asset Impairment	—	4	—	4
Gain on disposal of assets	—	—	(1)	(60)
Non-cash portion of impairment of cost method investments	—	—	1	—
Unrealized foreign exchange (gain) loss	(19)	1	(25)	13
Gain on business divestiture	—	—	(34)	—
Amortization of debt issuance costs and discounts	2	—	3	—
Equity loss in investees, net of dividends received	6	38	74	49
Gain on sale of investments	—	—	—	(1)
Other non-cash operating activities, net	6	(9)	23	87
Settlement of accrued interest on Notes due to Western Digital Corporation	—	—	(99)	—
Changes in:				
Accounts receivable, net	(89)	(120)	(100)	(395)
Inventories	81	(225)	(160)	314
Accounts payable	(6)	(48)	93	32
Accounts payable to related parties	5	3	(23)	21
Accrued expenses	10	45	13	(51)
Accrued compensation	59	56	21	99
Other assets and liabilities, net	(4)	(64)	(224)	(106)
Net cash provided by (used in) operating activities	94	(130)	84	(309)
Cash flows from investing activities				
Purchases of property, plant and equipment	(45)	(38)	(204)	(166)
Proceeds from the sale of property, plant and equipment	—	3	—	137
Proceeds from dispositions of business	—	—	401	—
Notes receivable issuances to Flash Ventures	(59)	(59)	(333)	(243)
Notes receivable proceeds from Flash Ventures	87	91	515	482
Distributions from Flash Ventures	—	—	176	—
Strategic investments and other, net	—	—	1	—
Net cash provided by (used in) investing activities	(17)	(3)	556	210
Cash flows from financing activities				
Issuance of stock under employee stock plans	5	—	5	—
Taxes paid on vested stock awards under employee stock plans	(7)	—	(13)	—
Proceeds from debt	—	—	1,970	—
Repayments of debt	(100)	—	(100)	—
Debt issuance costs	—	—	(32)	—
Proceeds from borrowings on Notes due to Western Digital Corporation	—	—	550	—
Proceeds from principal repayments on Notes due from Western Digital Corporation	—	14	101	14

Repayments of principal on Notes due to Western Digital Corporation	—	—	(76)	(102)
Transfers from (to) Western Digital Corporation	—	54	(1,887)	394
Origination of Notes due from Western Digital Corporation	—	17	—	(170)
Net cash provided by (used in) financing activities	(102)	85	518	136
Effect of exchange rate changes on cash	(1)	(1)	(5)	(1)
Net increase (decrease) in cash and cash equivalents	(26)	(49)	1,153	36
Cash and cash equivalents, beginning of period	1,507	377	328	292
Cash and cash equivalents, end of period	$ 1,481	$ 328	$ 1,481	$ 328
Supplemental disclosure of cash flow information:				
Cash paid for interest	$ 37	$ 2	$ 139	$ 12
Cash received for interest	—	2	2	10
Cash paid for income taxes	30	—	40	—
Non-cash transfers of:				
Notes due to (from) Western Digital Corporation	—	—	1,223	(113)
Other assets and liabilities, net, from Western Digital Corporation	—	—	105	—
Contribution of equity interest in Unis Venture from Western Digital Corporation	—	—	61	—
Property, plant and equipment from Western Digital Corporation	—	6	27	11
Tax balances to Western Digital Corporation	—	(19)	8	(17)
Tax indemnification liability to Western Digital Corporation	—	—	(112)	—

SANDISK CORPORATION
RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL MEASURES
(in millions; unaudited)

	Three Months Ended			Year Ended	
	June 27, 2025	March 28, 2025	June 28, 2024	June 27, 2025	June 28, 2024
GAAP gross profit	$ 498	$ 382	$ 636	$ 2,212	$ 1,072
Stock-based compensation expense	4	3	5	16	20
Recoveries of contamination related charges	—	—	—	—	(36)
Non-GAAP gross profit	$ 502	$ 385	$ 641	$ 2,228	$ 1,056
GAAP operating expenses	$ 480	$ 2,263	$ 437	$ 3,589	$ 1,540
Gain on business divestiture	—	—	—	34	—
Stock-based compensation expense	(45)	(41)	(29)	(166)	(129)
Employee termination and other	(16)	—	(4)	(21)	40
Business separation costs	(17)	(9)	(18)	(67)	(64)
Goodwill impairment	—	(1,830)	—	(1,830)	—
Strategic review	—	—	—	—	(20)
Other	—	—	—	—	(2)
Non-GAAP operating expenses	$ 402	$ 383	$ 386	$ 1,539	$ 1,365
GAAP operating income (loss)	$ 18	$ (1,881)	$ 199	$ (1,377)	$ (468)
Gross profit adjustments	4	3	5	16	(16)
Operating expense adjustments	78	1,880	51	2,050	175
Non-GAAP operating income (loss)	$ 100	$ 2	$ 255	$ 689	$ (309)

GAAP interest and other expense, net	$ (36)	$ (20)	$ (2)	$ (102)	$ (35)
Interest and other expense, net adjustments	(1)	(2)	(1)	(7)	(2)
Non-GAAP interest and other expense, net	$ (37)	$ (22)	$ (3)	$ (109)	$ (37)
GAAP income tax expense	$ 5	$ 32	$ 77	$ 162	$ 169
Income tax adjustments	16	(9)	(5)	(22)	(13)
Non-GAAP income tax expense	$ 21	$ 23	$ 72	$ 140	$ 156

SANDISK CORPORATION
RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL MEASURES
(in millions, except per share amounts; unaudited)

	Three Months Ended			Year Ended	
	June 27, 2025	**March 28, 2025**	**June 28, 2024**	**June 27, 2025**	**June 28, 2024**
GAAP net income (loss)	$ (23)	$ (1,933)	$ 120	$ (1,641)	$ (672)
Goodwill impairment	—	1,830	—	1,830	—
Stock-based compensation expense	49	44	34	182	149
Business separation costs	17	9	18	67	64
Employee termination and other	16	—	4	21	(40)
Recoveries of contamination related charges	—	—	—	—	(36)
Strategic review	—	—	—	—	20
Gain on business divestiture	—	—	—	(34)	—
Other	(1)	(2)	(1)	(7)	—
Income tax adjustments	(16)	9	5	22	13
Non-GAAP net income (loss)	$ 42	$ (43)	$ 180	$ 440	$ (502)
Diluted income (loss) per common share					
GAAP	$ (0.16)	$ (13.33)	$ 0.83	$ (11.32)	$ (4.63)
Non-GAAP	$ 0.29	$ (0.30)	$ 1.24	$ 2.99	$ (3.46)
Diluted weighted average shares outstanding:					
GAAP	145	145	145	145	145
Non-GAAP	147	145	145	147	145
Cash flows					
Cash flow provided by (used in) operating activities	$ 94	$ 26	$ (130)	$ 84	$ (309)
Purchases of property, plant and equipment, net	(45)	(44)	(35)	(204)	(29)
Free cash flow	49	(18)	(165)	(120)	(338)
Activity related to Flash Ventures, net	28	238	32	358	239
Adjusted free cash flow	$ 77	$ 220	$ (133)	$ 238	$ (99)

To supplement the condensed consolidated financial statements presented in accordance with GAAP, the table above sets forth Non-GAAP gross profit; Non-GAAP operating expenses; Non-GAAP operating income (loss); Non-GAAP interest and other expense, net; Non-GAAP income tax expense; Non-GAAP net income (loss); Non-GAAP diluted income (loss) per common share; Non-GAAP diluted weighted average shares outstanding; Free cash flow; and Adjusted free cash flow (collectively, the "Non-GAAP measures"). These Non-GAAP measures are not in accordance with, or alternatives 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, goodwill impairment, stock-based compensation expense, business separation costs, employee termination and other, recoveries of contamination

related charges, expenses related to our strategic review, gain on business divestiture, other adjustments, and income tax adjustments. The Company believes these measures, along with the related reconciliations to the most directly comparable GAAP measures, provide additional detail and comparability for assessing the Company's results. 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:

Goodwill impairment. After the completion of the separation, in the third quarter of fiscal 2025, the Company identified potential impairment indicators related to the trading price of the Company's common stock and resulting market capitalization that warranted a quantitative impairment analysis of long-lived assets and goodwill. Management performed a quantitative impairment analysis and determined that the carrying value of the reporting unit exceeded its fair value, resulting in the recognition of a $1.8 billion impairment charge for the three months ended March 28, 2025. The Company believes this charge does not reflect the Company's operating results and is not indicative of the underlying performance of the 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 the 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. On October 30, 2023, Western Digital Corporation ("WDC") announced that its board of directors (the "WDC Board of Directors") authorized management to pursue a plan to separate the Company into an independent public company. The separation received final approval by the WDC Board of Directors and was completed on February 21, 2025. Prior to February 21, 2025, the Company was wholly-owned by WDC. As a result of the plan, the Company incurred separation and transition costs through the completion of the separation of the companies. The separation and transition costs are recorded within Business separation costs in the Condensed Consolidated Statements of Operations. The Company believes these charges do not reflect the Company's operating results and that they are not indicative of the underlying results of its business.

Employee termination and other. From time to time, in order to realign the Company's operations with anticipated market demand, the Company may terminate employees and/or restructure its operations. From time to time, the Company may also incur charges from the impairment of 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 as well as from taking 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.

Recoveries of contamination related charges. In February 2022, a contamination of certain materials used in the Company's manufacturing process occurred and affected production at Flash Ventures manufacturing facilities. The contamination resulted in scrapped inventory, rework costs, decontamination and other expenses needed to restore the facilities to normal capacity. During the second quarter of fiscal year 2024, the Company received insurance recoveries for losses from contamination-related charges. The charges and recoveries are inconsistent in amount and frequency, and the Company believes they are not part of the ongoing production operation of its business.

Strategic review. The Company incurred expenses associated with its review of potential strategic alternatives aimed at further optimizing the long-term value for stockholders. 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.

Gain on business divestiture. In connection with the Company's strategic decision to outsource the manufacturing of certain components and assemblies, on September 28, 2024, the Company completed the sale of 80% of its equity interest in one of its manufacturing subsidiaries. The transaction resulted in a discrete gain, which the Company believes it is not indicative of the underlying performance of its ongoing business operations.

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 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 adjusted free cash flow is defined as free cash flow plus the activity related to Flash Ventures, net. The Company considers free cash flow and adjusted free cash flow generated in any period to be useful indicators 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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