

# Supplemental Financial Information

FISCAL Q2 2019



# Safe Harbor Statement

This document contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, each as amended, including, in particular, statements about the Company's plans, strategies and prospects, estimates of industry growth, market demand, the potential impact of the U.S. Tax Cuts and Jobs Act, and dividend issuance plans for the fiscal quarter ending March 29, 2019 and beyond. These statements identify prospective information and may include words such as "expects," "intends," "plans," "anticipates," "believes," "estimates," "predicts," "projects," "should," "may," "will," or the negative of these words, variations of these words and comparable terminology. These forward-looking statements are based on information available to the Company as of the date of this document and are based on management's current views and assumptions. These forward-looking statements are conditioned upon and also involve a number of known and unknown risks, uncertainties, and other factors that could cause actual results, performance or events to differ materially from those anticipated by these forward-looking statements. Such risks, uncertainties, and other factors may be beyond the Company's control and may pose a risk to the Company's operating and financial condition. Such risks and uncertainties include, but are not limited to: items that may be identified during its financial statement closing process that cause adjustments to the estimates included in this document; the uncertainty in global economic and political conditions; the impact of the variable demand and adverse pricing environment for storage products; the Company's ability to successfully qualify, manufacture and sell its storage products in increasing volumes on a cost-effective basis and with acceptable quality; the impact of competitive product announcements; the Company's ability to achieve projected cost savings in connection with its restructuring plans and consolidation of manufacturing activities; possible excess industry supply with respect to particular storage products and competing alternative storage technology solutions; the impact of trade barriers, such as import/export duties and restrictions, tariffs and quotas, imposed by the U.S. or other countries in which the Company conducts business; disruptions to its supply chain or production capabilities; unexpected advances in competing technologies or changes in market trends; the development and introduction of products based on new technologies and expansion into new data storage markets; the Company's ability to comply with certain covenants in its credit facilities with respect to financial ratios and financial condition tests; currency fluctuations that may impact the Company's margins, international sales and results of operations; cyber-attacks or other data breaches that disrupt the Company's operations or result in the dissemination of proprietary or confidential information and cause reputational harm; cybersecurity threats and vulnerabilities associated with the Company's infrastructure updates to its information technology systems; and fluctuations in interest rates. Information concerning risks, uncertainties and other factors that could cause results to differ materially from the expectations described in this document is contained in the Company's Annual Report on Form 10-K filed with the U.S. Securities and Exchange Commission ("SEC") on August 3, 2018, the "Risk Factors" section of which is incorporated into this document by reference, and other documents filed with or furnished to the SEC. These forward-looking statements should not be relied upon as representing the Company's views as of any subsequent date and the Company undertakes no obligation to update forward-looking statements to reflect events or circumstances after the date they were made.



# Use of Non-GAAP Financial Information

To supplement the consolidated financial statements presented in accordance with generally accepted accounting principles (GAAP), the Company provides non-GAAP measures of adjusted revenue, gross margin, gross margin as a percentage of revenue, operating expenses, net income, earnings per share (EPS), diluted earnings per share, free cash flow, EBITDA and Credit Agreement defined EBITDA which are adjusted from results based on GAAP to exclude certain expenses, gains and losses. These non-GAAP financial measures are provided to enhance the user's overall understanding of the Company's current financial performance and our prospects for the future. Specifically, the Company believes non-GAAP results provide useful information to both management and investors as these non-GAAP results exclude certain expenses, gains and losses that we believe are not indicative of our core operating results and because it is similar to the approach used in connection with the financial models and estimates published by financial analysts who follow the Company. Free cash flow does not reflect all of the Company's expenses and non-cash items and does not reflect the Company's uses of cash in financing and investment activities.

These non-GAAP results are some of the measurements management uses to assess the Company's performance, allocate resources and plan for future periods. Reported non-GAAP results should only be considered as supplemental to results prepared in accordance with GAAP, and not considered as a substitute for, or superior to, GAAP results. These non-GAAP measures may differ from the non-GAAP measures reported by other companies in our industry.



## Q2 FY2019 Financial Highlights

**\$2.7B**

Revenue

**29.2%**

Gross Margin  
GAAP

**\$1.34**

Diluted EPS  
GAAP

**87.4EB**

HDD Capacity  
Shipped

**\$875M**

YTD Cash Flow  
from Operations

**29.7%**

Gross Margin  
NON-GAAP<sup>1</sup>

**\$1.41**

Diluted EPS  
NON-GAAP<sup>1</sup>

**2.4TB**

Average Capacity  
per Drive

1. See 'Reconciliation Tables' section for GAAP reconciliation.



# Quarterly Financial Trends

	Q2'17	Q3'17	Q4'17	Q1'18	Q2'18	Q3'18	Q4'18	Q1'19	Q2'19
<b>GAAP Results</b>									
Revenue (\$M)	2,894	2,674	2,406	2,632	2,914	2,803	2,835	2,991	2,715
Gross Margin %	30.8%	30.5%	27.7%	28.0%	30.1%	30.2%	31.9%	30.5%	29.2%
Operating Expenses (\$M)	521	550	470	481	444	406	399	410	378
Net Income (\$M)	297	194	114	181	159	381	461	450	384
Diluted EPS	\$1.00	\$0.65	\$0.38	\$0.62	\$0.55	\$1.31	\$1.57	\$1.54	\$1.34
<b>Non-GAAP Results<sup>1</sup></b>									
Revenue (\$M)	2,893	2,675	2,406	2,632	2,908	2,803	2,835	2,992	2,715
Gross Margin %	31.8%	31.4%	28.9%	29.0%	30.4%	30.8%	32.4%	31.0%	29.7%
Operating Expenses (\$M)	458	443	422	408	390	385	399	382	365
Net Income (\$M)	412	329	192	279	431	424	475	496	405
Diluted EPS	\$1.38	\$1.10	\$0.65	\$0.96	\$1.48	\$1.46	\$1.62	\$1.70	\$1.41
End of Qtr Actual Share Count (M)	295	297	292	289	285	287	287	286	283
Diluted Shares O/S for EPS (M)	298	300	297	292	291	291	293	292	287
Dividends Per Share Paid	\$0.63	\$0.63	\$0.63	\$0.63	\$0.63	\$0.63	\$0.63	\$0.63	\$0.63
Shares Repurchased (M)	4.1	-	5.0	5.0	5.0	-	-	3.0	3.2
Fiscal YTD Shares Repurchased (M)	7.1	7.1	12.1	5.0	10.0	10.0	10.0	3.0	6.2
<b>Revenue by Product Line (\$M)</b>									
HDD	2,652	2,424	2,220	2,390	2,701	2,586	2,652	2,801	2,490
Enterprise Data Solutions, SSD & Other	242	250	186	242	213	217	183	190	225
<b>Revenue by Channel</b>									
OEM	68%	68%	69%	70%	68%	70%	73%	71%	69%
Distributors	17%	18%	18%	16%	17%	17%	17%	18%	16%
Retail	15%	14%	13%	14%	15%	13%	10%	11%	15%

1. See 'Reconciliation Tables' section for GAAP reconciliation.



# HDD Product Mix Trends

		Q2'17	Q3'17	Q4'17	Q1'18	Q2'18	Q3'18	Q4'18	Q1'19	Q2'19
<b>Enterprise</b>										
Capacity (EB)	Mission Critical	2.6	2.3	2.2	2.1	2.4	2.5	2.6	3.0	3.4
	Nearline	21.6	21.4	21.2	25.1	35.1	41.3	44.5	42.5	33.0
Average Capacity per Drive (TB)		3.0	3.2	3.4	3.9	4.3	4.8	5.3	5.2	4.5
<b>Edge non-Compute<sup>2</sup></b>										
Capacity (EB)	Consumer Electronics <sup>1</sup>	14.8	13.6	12.4	13.5	17.1	14.6	18.2	23.4	18.4
	Consumer	12.1	10.8	9.5	11.1	13.8	11.6	9.5	11.2	14.2
Average Capacity per Drive (TB)		1.9	2.0	1.9	1.9	2.2	2.2	2.2	2.2	2.4
<b>Edge Compute<sup>3</sup></b>										
Capacity (EB)	Desktop + Notebook	17.1	17.3	16.8	18.6	19.2	17.5	18.0	18.7	18.4
Average Capacity per Drive (TB)		1.0	1.1	1.0	1.1	1.1	1.1	1.2	1.2	1.2
<b>Total HDD Capacity (EB)</b>		68.2	65.5	62.2	70.3	87.5	87.4	92.9	98.8	87.4
<b>Average Capacity per Drive (TB)</b>		1.7	1.8	1.8	1.9	2.2	2.4	2.5	2.5	2.4
<b>Enterprise as a % of Revenue</b>		37%	36%	37%	36%	40%	44%	46%	42%	39%
<b>Edge non-Compute as a % of Revenue</b>		31%	29%	29%	29%	30%	26%	27%	31%	31%
<b>Edge Compute as a % of Revenue</b>		24%	25%	26%	26%	23%	22%	21%	20%	21%

NOTE: Minor calculation variances are due to rounding.

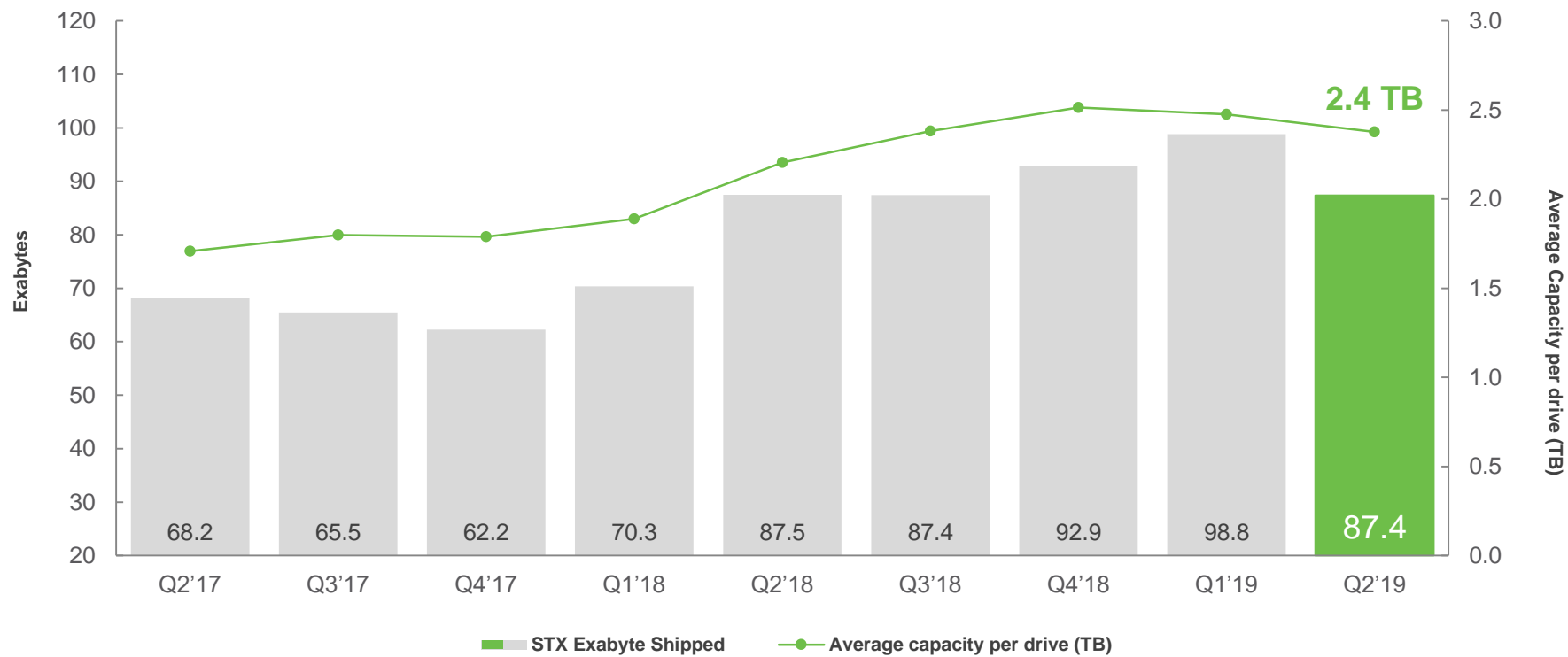
1. Consumer Electronics includes exabytes from surveillance, DVR, NAS, and gaming.

2. Edge non-Compute formerly known as Client non-Compute.

3. Edge Compute formerly known as Client Compute.



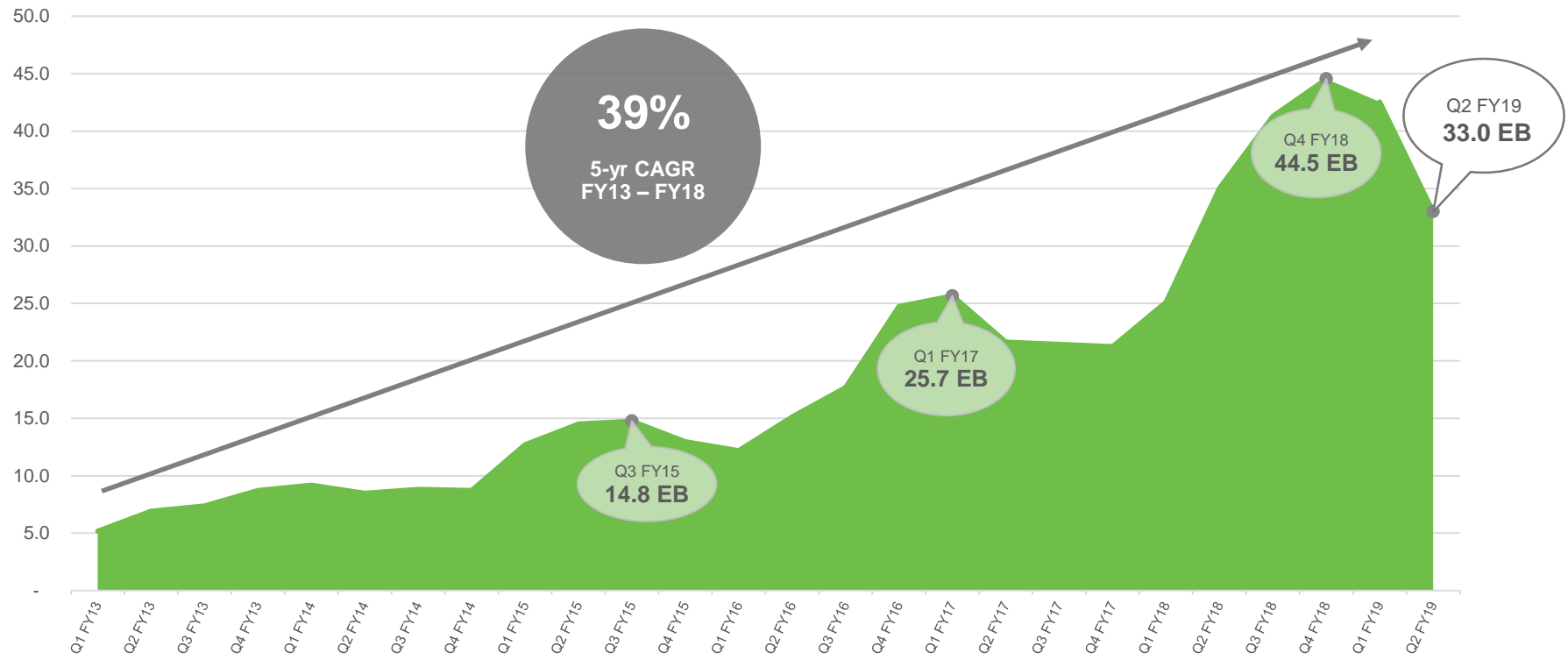
# HDD Exabytes Shipped and Average Capacity per Drive



NOTE: Minor calculation variances are due to rounding.



# Nearline Demand Trend



NOTE: Minor changes and calculation variances to historical exabytes are due to rounding.





# Cash, Cash Flow, and Operational Trends

	Q2'17	Q3'17	Q4'17	Q1'18	Q2'18	Q3'18	Q4'18	Q1'19	Q2'19
Cash <sup>1</sup> (\$M)	1,716	3,026	2,539	2,285	2,556	2,926	1,853	1,942	1,357
Debt (\$M)	4,093	5,231	5,021	5,002	4,876	4,822	4,819	4,821	4,324
Cash Flow From Operations (\$M)	656	426	243	237	850	558	468	587	288
Capital Expenditures <sup>2</sup> (\$M)	95	95	104	124	77	69	96	177	127
Free Cash Flow <sup>3</sup> (\$M)	561	331	139	113	773	489	372	410	161
YTD Cash Flow From Operations <sup>4</sup> (\$M)	1,247	1,673	1,916	237	1,087	1,645	2,113	587	875
YTD Shares Repurchased <sup>4</sup> (\$M)	248	248	460	166	361	361	361	150	286
YTD Dividend Paid <sup>4</sup> (\$M)	188	374	561	184	366	545	726	181	361
Days Sales Outstanding	38	39	45	42	33	35	38	37	35
Days Inventory Outstanding	46	51	51	49	45	47	50	49	52
Days Payables Outstanding	74	78	85	74	72	77	81	78	68
Cash Conversion Cycle	10	12	12	17	6	5	6	8	19
Worldwide Headcount (000's)	45	43	41	40	41	42	43	43	43

NOTE: Minor calculation variances are due to rounding.

1. Cash includes cash and cash equivalents.
2. Capital Expenditures is cash paid for the acquisition of property, equipment, and leasehold improvements.
3. Free cash flow is a non-GAAP measure defined as cash flow from operations less capital expenditures.
4. Based on Fiscal Year.



# Product and Technology Highlights

## DataAge 2025 – The Digitization of the World

- The global datasphere will grow from 33 zettabytes in 2018 to 175 by 2025.
- Enterprise – the study predicts that the installed bytes across the enterprise is to represent over 80% of total installed bytes worldwide in 2025.
- Cloud - almost half (49%) of the world's stored data could reside in public cloud environments by 2025.
- In 2025, each connected person will have at least one data interaction every 18 seconds. Many of these interactions are because of the billions of IoT devices connected across the globe, which are expected to create over 90ZB of data in 2025.

## Heat-Assisted Magnetic Recording (HAMR)

- Seagate announced it has used its advanced HAMR technology to build and test the world's first formatted and fully functioning 16TB enterprise hard drive platform in a standard 3.5-inch form factor — the highest capacity hard drives ever produced. Seagate is on track to grow beyond 20TB per drive in calendar 2020.

## Seagate and IBM Working Together Using Blockchain

- Seagate and IBM announced they are working together to reduce product counterfeiting using blockchain and security technologies. The project, which is designed to help manufacturers, integrators, and business partners fight counterfeit hard drives, uses the IBM Blockchain Platform to authenticate the provenance of disk drive products, bringing a new level of multi-layered security protection to the data management industry.

## IronWolf SSD

- Seagate's IronWolf 110 SATA SSD is the world's first purpose-built NAS SSD. It is designed with enterprise-class endurance and reliability, has a 24/7 always-on work ethic, and offers capacities of up to 3.48TB. Seagate's exclusive Durawrite® technology helps accelerate reads and writes, extend the life of the flash and provide up to 7000 TBW on the 3.84TB capacity drive. With the ability to access, share and backup files from nearly anywhere, Network Attached Storage appliances (NAS) have become a necessity for many business owners, professionals, creative pros and prosumers.

## BarraCuda & FireCuda SSD

- The BarraCuda 510 M.2 PCIe NVMe SSD features next-level speed for accelerating applications, with an ultra-small form factor for ultra-thin laptops, mini-PCs, and desktops.
- The FireCuda 510 M.2 PCIe NVMe SSD delivers blazing performance with intense read and write speeds for the ultimate gaming experience. Its crisp 4K video processing and high IOPS allows gamers to run multiple simultaneous video streams and programs – crucial for gameplay recording and streaming.

## LaCie Mobile & Backup Plus

- LaCie Mobile Drive is ideal for an ever-growing digital library with its capacity topping out at a massive 5TB. LaCie Mobile SSD dishes out intense speeds of up to 540MB/s, offering capacities up to 2TB.
- Backup Plus Ultra Touch (1TB and 2TB capacities) offers a high-touch sensory experience that feels a little like home with premium features including automatic backup with multi-device folder sync and data protection with hardware encryption.



# RECONCILIATION TABLES

<b>Reconciliation of Revenue to Non-GAAP Revenue (\$M)</b>	<b>Q2'17</b>	<b>Q3'17</b>	<b>Q4'17</b>	<b>Q1'18</b>	<b>Q2'18</b>	<b>Q3'18</b>	<b>Q4'18</b>	<b>Q1'19</b>	<b>Q2'19</b>
<b>Revenue</b>	<b>2,894</b>	<b>2,674</b>	<b>2,406</b>	<b>2,632</b>	<b>2,914</b>	<b>2,803</b>	<b>2,835</b>	<b>2,991</b>	<b>2,715</b>
Adjustment to discontinued products	(1)	1	-	-	(6)	-	-	1	-
<b>Non-GAAP Revenue</b>	<b>2,893</b>	<b>2,675</b>	<b>2,406</b>	<b>2,632</b>	<b>2,908</b>	<b>2,803</b>	<b>2,835</b>	<b>2,992</b>	<b>2,715</b>

<b>Reconciliation of Gross Margin to Non-GAAP Gross Margin (\$M)</b>	<b>Q2'17</b>	<b>Q3'17</b>	<b>Q4'17</b>	<b>Q1'18</b>	<b>Q2'18</b>	<b>Q3'18</b>	<b>Q4'18</b>	<b>Q1'19</b>	<b>Q2'19</b>
<b>Gross Margin</b>	<b>891</b>	<b>816</b>	<b>666</b>	<b>736</b>	<b>877</b>	<b>847</b>	<b>904</b>	<b>913</b>	<b>794</b>
Adjustment to discontinued products	(1)	1	-	-	(6)	-	-	1	-
Accelerated depreciation, impairment and other charges related to cost saving efforts	16	7	5	1	-	1	-	-	-
Amortization of acquired intangible assets	13	13	24	14	14	15	14	13	13
Other charges	-	4	1	11	-	-	-	-	(1)
<b>Non-GAAP Gross Margin</b>	<b>919</b>	<b>841</b>	<b>696</b>	<b>762</b>	<b>885</b>	<b>863</b>	<b>918</b>	<b>927</b>	<b>806</b>
<b>Gross Margin %</b>	<b>30.8%</b>	<b>30.5%</b>	<b>27.7%</b>	<b>28.0%</b>	<b>30.1%</b>	<b>30.2%</b>	<b>31.9%</b>	<b>30.5%</b>	<b>29.2%</b>
<b>Non-GAAP Gross Margin %</b>	<b>31.8%</b>	<b>31.4%</b>	<b>28.9%</b>	<b>29.0%</b>	<b>30.4%</b>	<b>30.8%</b>	<b>32.4%</b>	<b>31.0%</b>	<b>29.7%</b>

<b>Reconciliation of Operating Expenses to Non-GAAP Operating Expenses (\$M)</b>	<b>Q2'17</b>	<b>Q3'17</b>	<b>Q4'17</b>	<b>Q1'18</b>	<b>Q2'18</b>	<b>Q3'18</b>	<b>Q4'18</b>	<b>Q1'19</b>	<b>Q2'19</b>
<b>Operating Expenses</b>	<b>521</b>	<b>550</b>	<b>470</b>	<b>481</b>	<b>444</b>	<b>406</b>	<b>399</b>	<b>410</b>	<b>378</b>
Accelerated depreciation, impairment and other charges related to cost saving efforts	(1)	(30)	(7)	-	(2)	(4)	-	(1)	(1)
Amortization of acquired intangible assets	(27)	(27)	(17)	(21)	(18)	(4)	(5)	(4)	(5)
Restructuring and other, net	(33)	(48)	(14)	(51)	(33)	(11)	6	(23)	(7)
Other charges	(2)	(2)	(10)	(1)	(1)	(2)	(1)	-	-
<b>Non-GAAP Operating Expenses</b>	<b>458</b>	<b>443</b>	<b>422</b>	<b>408</b>	<b>390</b>	<b>385</b>	<b>399</b>	<b>382</b>	<b>365</b>

<b>Reconciliation of Net Income to Non-GAAP Net Income (\$M)</b>	<b>Q2'17</b>	<b>Q3'17</b>	<b>Q4'17</b>	<b>Q1'18</b>	<b>Q2'18</b>	<b>Q3'18</b>	<b>Q4'18</b>	<b>Q1'19</b>	<b>Q2'19</b>
<b>Net Income</b>	<b>297</b>	<b>194</b>	<b>114</b>	<b>181</b>	<b>159</b>	<b>381</b>	<b>461</b>	<b>450</b>	<b>384</b>
Adjustment to discontinued products	(1)	1	-	-	(6)	-	-	1	-
Accelerated depreciation, impairment and other charges related to cost saving efforts	17	37	12	1	2	5	-	1	1
Amortization of acquired intangible assets	40	40	41	35	32	19	19	17	18
Restructuring and other, net	33	48	14	51	33	11	(6)	23	7
Losses recognized on the early redemption and repurchase of debt	-	-	7	-	3	1	-	-	-
Strategic investment losses, (gains) or impairment recognized	25	-	-	-	-	3	8	4	(2)
Other charges	1	6	10	11	1	3	1	-	(1)
Income tax adjustments	-	3	(6)	-	207	1	(8)	-	(2)
<b>Non-GAAP Net Income</b>	<b>412</b>	<b>329</b>	<b>192</b>	<b>279</b>	<b>431</b>	<b>424</b>	<b>475</b>	<b>496</b>	<b>405</b>

Shares used in diluted net income per share calculation (in million)

	298	300	297	292	291	291	293	292	287
<b>GAAP Diluted Net Income Per Share</b>	<b>\$ 1.00</b>	<b>\$ 0.65</b>	<b>\$ 0.38</b>	<b>\$ 0.62</b>	<b>\$ 0.55</b>	<b>\$ 1.31</b>	<b>\$ 1.57</b>	<b>\$ 1.54</b>	<b>\$ 1.34</b>
<b>Non-GAAP Diluted Net Income Per Share</b>	<b>\$ 1.38</b>	<b>\$ 1.10</b>	<b>\$ 0.65</b>	<b>\$ 0.96</b>	<b>\$ 1.48</b>	<b>\$ 1.46</b>	<b>\$ 1.62</b>	<b>\$ 1.70</b>	<b>\$ 1.41</b>

NOTE: Minor calculation variances are due to rounding.



<b>Reconciliation of Net Income to Credit Agreement Defined EBITDA (\$M)</b>	<b>Q2'17</b>	<b>Q3'17</b>	<b>Q4'17</b>	<b>Q1'18</b>	<b>Q2'18</b>	<b>Q3'18</b>	<b>Q4'18</b>	<b>Q1'19</b>	<b>Q2'19</b>
<b>Net Income</b>	<b>297</b>	<b>194</b>	<b>114</b>	<b>181</b>	<b>159</b>	<b>381</b>	<b>461</b>	<b>450</b>	<b>384</b>
Interest Income	(1)	(5)	(5)	(7)	(6)	(10)	(15)	(24)	(22)
Interest Expense	50	60	62	61	61	60	54	58	56
Income Tax Expense	13	18	6	7	212	12	5	18	14
Depreciation and Amortization	191	182	176	161	157	143	137	134	138
<b>EBITDA</b>	<b>550</b>	<b>449</b>	<b>353</b>	<b>403</b>	<b>583</b>	<b>586</b>	<b>642</b>	<b>636</b>	<b>570</b>
Adjustment to discontinued products	(1)	1	-	-	(6)	-	-	1	-
Impairment and other charges related to cost saving efforts	10	30	8	1	1	-	-	-	-
Losses recognized on the early redemption and repurchase of debt	-	-	7	-	3	1	-	-	-
Strategic investment losses, (gains) or impairment recognized	25	-	-	-	-	3	8	4	(2)
Restructuring and other, net	33	48	14	51	33	11	(6)	23	7
Other charges	1	6	10	11	1	3	1	-	(1)
<b>Adjusted EBITDA</b>	<b>618</b>	<b>534</b>	<b>392</b>	<b>466</b>	<b>615</b>	<b>604</b>	<b>645</b>	<b>664</b>	<b>574</b>
Share-based Compensation	33	37	27	32	27	26	27	18	27
<b>Credit Agreement Defined EBITDA</b>	<b>651</b>	<b>571</b>	<b>419</b>	<b>498</b>	<b>642</b>	<b>630</b>	<b>672</b>	<b>682</b>	<b>601</b>



# Non-GAAP measures adjusted for the following items:

## **Adjustment to discontinued products**

These adjustments relate to sales of certain discontinued products or changes in sales provision for discontinued products. These adjustments are inconsistent in amount and frequency and are excluded in the non-GAAP measures as these adjustments are not indicative of the underlying ongoing operating performance.

## **Accelerated depreciation, impairment and other charges related to cost saving efforts**

These expenses are excluded in the non-GAAP measure due to its inconsistency in amount and frequency and are excluded to facilitate a more meaningful evaluation of the Company's current operating performance and comparison to its past periods operating performance.

## **Amortization of acquired intangible assets**

The Company records expense from amortization of intangible assets that were acquired in connection with its business combinations over their estimated useful lives. Such charges are inconsistent in size and are significantly impacted by the timing and magnitude of the Company's acquisitions. Consequently, these expenses are excluded in the non-GAAP measures to facilitate a more meaningful evaluation of its current operating performance and comparison to its past periods operating performance.

## **Restructuring and other, net**

Restructuring charges and other, net are costs associated with restructuring plans that are primarily related to costs associated with reduction in the Company's workforce, exiting certain facilities and other related costs. These also exclude charges or gains from sale of properties classified as held-for-sale. These costs or benefits do not reflect the Company's ongoing operating performance and consequently are excluded from the non-GAAP measures to facilitate a more meaningful evaluation of its current operating performance and comparison to its past periods operating performance.

## **Losses recognized on the early redemption and repurchase of debt**

From time to time, the Company incurs losses or recognizes gains from the early redemption and repurchase of certain long-term debt instruments. These losses or gains represent the difference between the reacquisition costs and the par value of the debt extinguished and include the write-off of any related unamortized debt issuance costs. The amount of these charges may be inconsistent in size and varies depending on the timing of the repurchase of debt.

## **Strategic investment losses, (gains) or impairment recognized**

From time to time, the Company incurs losses or gains from strategic investment accounted under equity method of accounting or records impairments charges which are not considered as part of its ongoing operating performance. The resulting expense or gain is inconsistent in amount and frequency and consequently are excluded from the non-GAAP measures to facilitate a more meaningful evaluation of its current operating performance and comparison to its past periods operating performance.

## **Other charges**

The other charges primarily include write-off of certain discontinued inventory and expense related to disposed business. These charges are inconsistent in amount and frequency and are excluded in the non-GAAP measures to facilitate a more meaningful evaluation of its current operating performance and comparison to its past periods operating performance.

## **Income tax adjustments**

Provision for income taxes represents the tax effects of non-GAAP adjustments determined using a hybrid with and without method and effective tax rate for the applicable adjustment and jurisdiction. It also includes a provisional tax expense (benefit) for the re-measurement of the Company's U.S. deferred tax assets at the lower 21% tax rate resulting from the U.S. Tax Cuts and Jobs Act enacted on December 22, 2017.

## **Free cash flow**

Free cash flow is a non-GAAP measure defined as net cash provided by operating activities less acquisition of property, equipment and leasehold improvements. This non-GAAP financial measure is used by management to assess the Company's sources of liquidity, capital structure and operating performance.



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