



# SUPPLEMENTAL FINANCIAL INFORMATION

Q1 FY20



SEAGATE

# Safe Harbor Statement

This document may contain 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. Information concerning risks, uncertainties and other factors that could cause results to differ materially from the expectations described in this document include, among others, those risks and uncertainties included under the captions “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in the Company’s Annual Report on Form 10-K filed with the U.S. Securities and Exchange Commission (“SEC”) on August 2, 2019, which is available on our investor relations website at [investors.seagate.com](http://investors.seagate.com). Additional information will also be set forth in our Quarterly Report on Form 10-Q for the quarter ended October 4, 2019. Undue reliance should not be placed on any forward-looking statements in this document, which are based on information available to us on, and which speak only as of, the date hereof. The Company undertakes no obligation to update forward-looking statements to reflect events or circumstances after the date they were made, unless required by applicable law.

# 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, diluted earnings per share, and free cash flow, which are adjusted from results based on GAAP to exclude certain expenses, benefits, 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, benefits, 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 or replacement for, or superior to, GAAP results. These non-GAAP measures may differ from the non-GAAP measures reported by other companies in our industry.

# Q1 FY20 Financial Highlights

**\$2.6B**

REVENUE

**26.0%**

GROSS MARGIN  
GAAP

**\$0.74**

DILUTED EPS  
GAAP

**98.3EB**

HDD CAPACITY  
SHIPPED

**\$456M**

CASH FLOW FROM  
OPERATIONS

**26.7%**

GROSS MARGIN  
NON-GAAP<sup>1</sup>

**\$1.03**

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

**3TB**

AVG. CAPACITY  
PER DRIVE

1. See 'Reconciliation Tables' section for GAAP reconciliation. Effective Q1FY20, share-based compensation is excluded from non-GAAP results, and the estimated useful lives of our manufacturing equipment changed from three to five years to three to seven years.



# Quarterly Financial Trends

	Q1'19	Q2'19	Q3'19	Q4'19	Q1'20
<b>GAAP Results</b>					
Revenue (\$M)	2,991	2,715	2,313	2,371	2,578
Gross Margin %	30.5%	29.2%	26.0%	26.3%	26.0%
Operating Expenses (\$M)	410	378	365	292	398
Net Income (\$M)	450	384	195	983	200
Diluted EPS	\$1.54	\$1.34	\$0.69	\$3.54	\$0.74
<b>Non-GAAP Results<sup>1</sup></b>					
Revenue (\$M)	2,992	2,715	2,313	2,371	2,578
Gross Margin %	31.1%	29.9%	26.8%	27.1%	26.7%
Operating Expenses (\$M)	369	344	327	330	359
Net Income (\$M)	514	432	263	265	278
Diluted EPS	\$1.76	\$1.51	\$0.93	\$0.95	\$1.03
End of Qtr Actual Share Count (M)	286	283	277	269	263
Diluted Shares O/S for EPS (M)	292	287	284	278	270
Dividends Per Share Paid	\$0.63	\$0.63	\$0.63	\$0.63	\$0.63
Shares Repurchased (M)	3.0	3.2	7.2	7.8	9.2
Fiscal YTD Shares Repurchased (M)	3.0	6.2	13.4	21.2	9.2
<b>Revenue by Product Line (\$M)</b>					
HDD	2,801	2,490	2,124	2,204	2,390
Enterprise Data Solutions, SSD & Other	190	225	189	167	188
<b>Revenue by Channel</b>					
OEM	71%	69%	68%	71%	71%
Distributors	18%	16%	18%	17%	18%
Retail	11%	15%	14%	12%	11%

1. See 'Reconciliation Tables' section for GAAP reconciliation. Effective Q1FY20, share-based compensation is excluded from non-GAAP results, and the estimated useful lives of our manufacturing equipment changed from three to five years to three to seven years. Prior periods have been adjusted to reflect the exclusion of share-based compensation.



# HDD Product Mix Trends

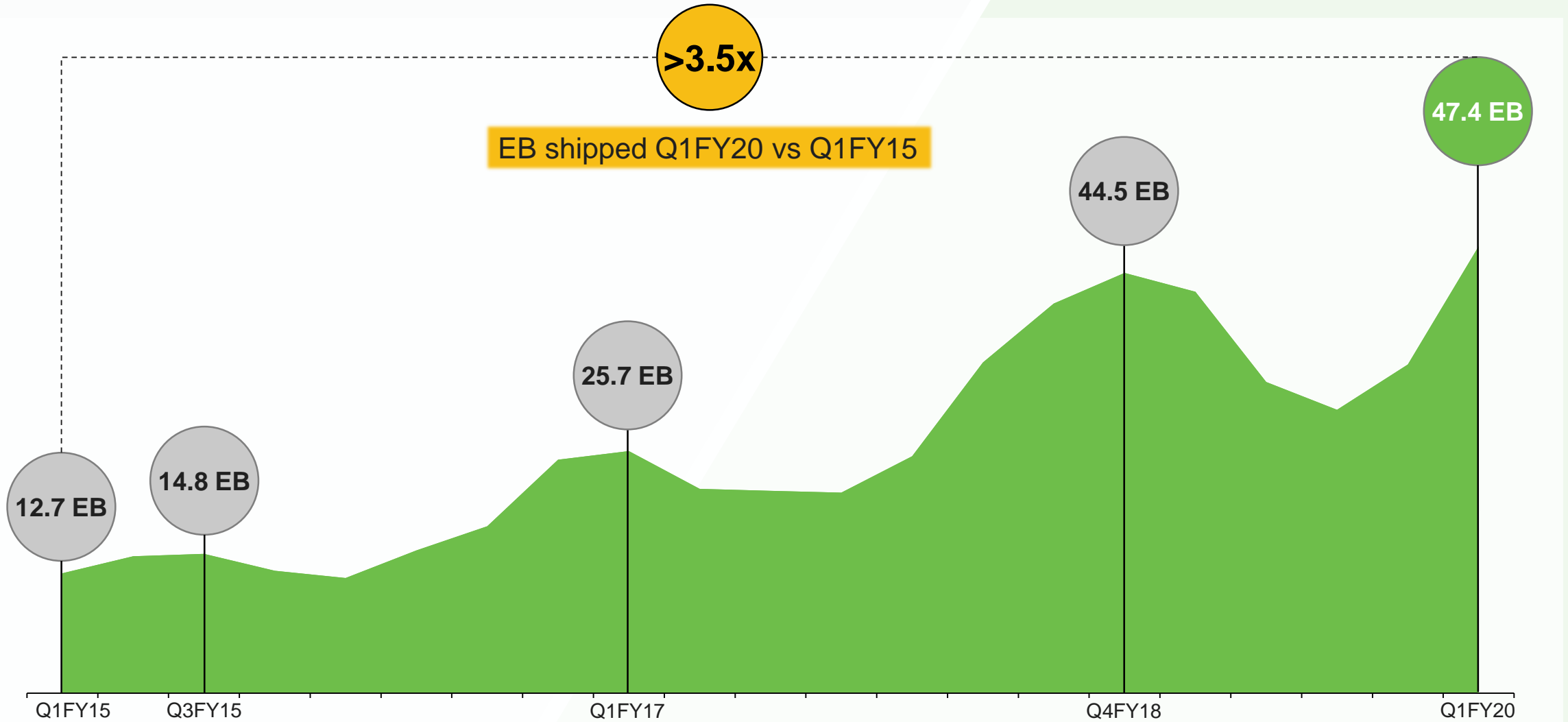
		Q1'19	Q2'19	Q3'19	Q4'19	Q1'20
<b>Enterprise</b>						
Capacity Shipped (EB)	Mission Critical	3.0	3.4	2.9	2.9	3.2
	Nearline	42.5	33.0	30.0	34.8	47.4
Average Capacity per Drive (TB)		5.2	4.5	4.9	5.5	6.3
<b>Edge Non-Compute</b>						
Capacity Shipped (EB)	Consumer Electronics <sup>1</sup>	23.4	18.4	17.6	22.7	22.0
	Consumer	11.2	14.2	11.6	10.4	11.1
Average Capacity per Drive (TB)		2.2	2.4	2.4	2.5	2.5
<b>Edge Compute</b>						
Capacity Shipped (EB)	Desktop + Notebook	18.7	18.4	14.6	13.7	14.7
Average Capacity per Drive (TB)		1.2	1.2	1.2	1.2	1.2
<b>Total HDD Capacity Shipped (EB)</b>		98.8	87.4	76.7	84.5	98.3
<b>Average Capacity per Drive (TB)</b>		2.5	2.4	2.4	2.7	2.9
<b>Enterprise as a % of Revenue</b>		42%	39%	39%	41%	45%
<b>Edge Non-Compute as a % of Revenue</b>		31%	31%	32%	34%	31%
<b>Edge Compute as a % of Revenue</b>		20%	21%	20%	18%	17%

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

1. Consumer Electronics includes exabytes from video and image applications (including surveillance), NAS, DVR, and gaming.

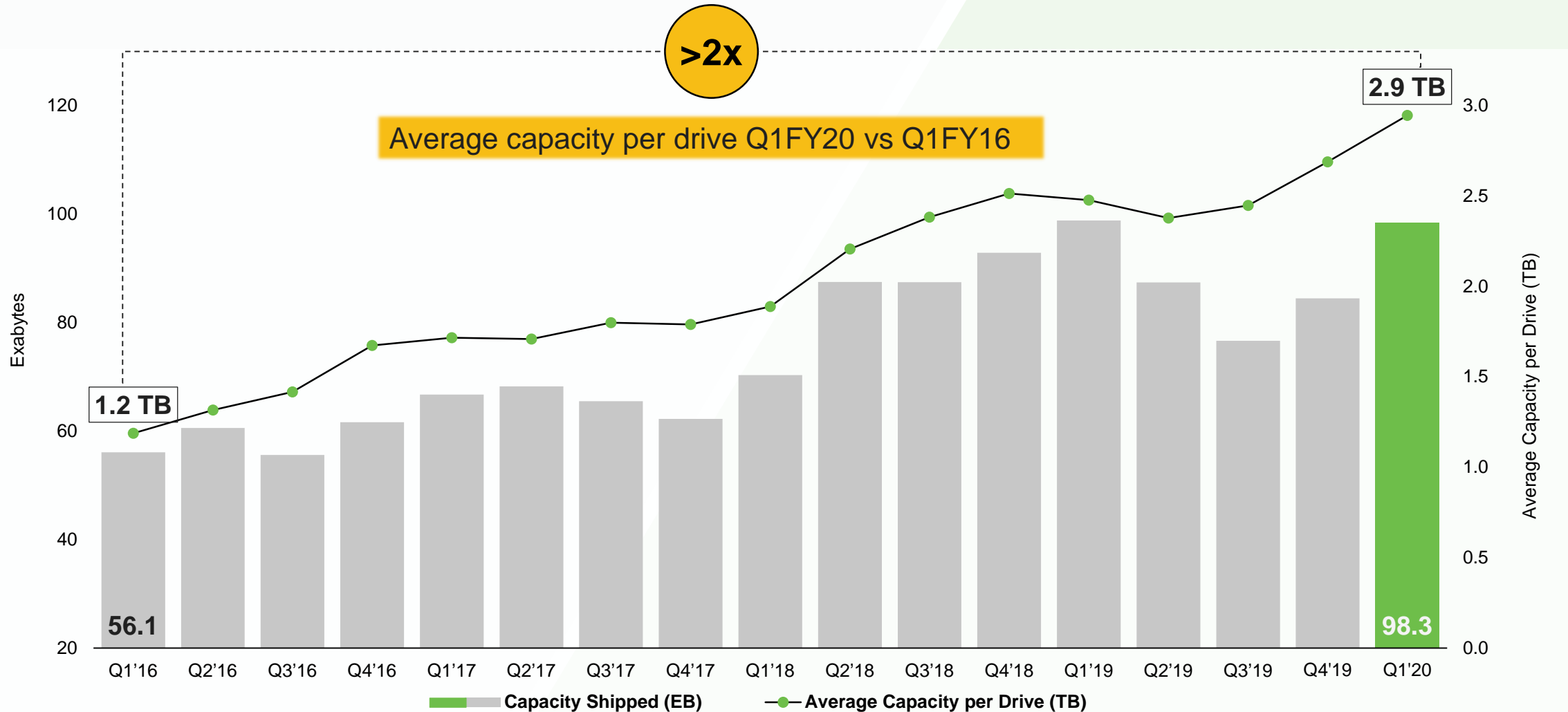


# Seagate Nearline Demand Trend



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

# Seagate HDD Capacity Shipped and Average Capacity per Drive



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



# Cash, Cash Flow, and Operational Trends

	Q1'19	Q2'19	Q3'19	Q4'19	Q1'20
Cash <sup>1</sup> (\$M)	1,942	1,357	1,388	2,220	1,784
Debt (\$M)	4,821	4,324	4,522	4,253	4,140
Cash Flow From Operations (\$M)	587	288	438	448	456
Capital Expenditures <sup>2</sup> (\$M)	177	127	147	151	147
Free Cash Flow <sup>3</sup> (\$M)	410	161	291	297	309
YTD Cash Flow From Operations <sup>4</sup> (\$M)	587	875	1,313	1,761	456
YTD Shares Repurchased <sup>4</sup> (\$M)	150	286	613	963	450
YTD Dividend Paid <sup>4</sup> (\$M)	181	361	539	713	170
Days Sales Outstanding	37	35	35	38	40
Days Inventory Outstanding	49	52	53	50	53
Days Payables Outstanding	78	68	70	74	90
Cash Conversion Cycle	8	19	19	14	4
Worldwide Headcount (000's)	43	43	41	40	41

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.



# RECONCILIATION TABLES



<b>Reconciliation of Revenue to Non-GAAP Revenue (\$M)</b>	<b>Q1'19</b>	<b>Q2'19</b>	<b>Q3'19</b>	<b>Q4'19</b>	<b>Q1'20</b>
<b>Revenue</b>	<b>2,991</b>	<b>2,715</b>	<b>2,313</b>	<b>2,371</b>	<b>2,578</b>
Adjustment to discontinued products	1	-	-	-	-
<b>Non-GAAP Revenue</b>	<b>2,992</b>	<b>2,715</b>	<b>2,313</b>	<b>2,371</b>	<b>2,578</b>
<b>Reconciliation of Gross Margin to Non-GAAP Gross Margin (\$M)</b>	<b>Q1'19</b>	<b>Q2'19</b>	<b>Q3'19</b>	<b>Q4'19</b>	<b>Q1'20</b>
<b>Gross Margin</b>	<b>913</b>	<b>794</b>	<b>601</b>	<b>624</b>	<b>671</b>
Adjustment to discontinued products	1	-	-	-	-
Amortization of acquired intangible assets	13	13	14	12	10
Share-based compensation <sup>1</sup>	5	6	6	6	7
Other charges	-	(1)	-	-	-
<b>Non-GAAP Gross Margin</b>	<b>932</b>	<b>812</b>	<b>621</b>	<b>642</b>	<b>688</b>
<b>Gross Margin %</b>	<b>30.5%</b>	<b>29.2%</b>	<b>26.0%</b>	<b>26.3%</b>	<b>26.0%</b>
<b>Non-GAAP Gross Margin %</b>	<b>31.1%</b>	<b>29.9%</b>	<b>26.8%</b>	<b>27.1%</b>	<b>26.7%</b>
<b>Reconciliation of Operating Expenses to Non-GAAP Operating Expenses (\$M)</b>	<b>Q1'19</b>	<b>Q2'19</b>	<b>Q3'19</b>	<b>Q4'19</b>	<b>Q1'20</b>
<b>Operating Expenses</b>	<b>410</b>	<b>378</b>	<b>365</b>	<b>292</b>	<b>398</b>
Accelerated depreciation, impairment and other charges related to cost saving efforts	(1)	(1)	-	-	-
Amortization of acquired intangible assets	(4)	(5)	(5)	(5)	(3)
Restructuring and other, net	(23)	(7)	(11)	63	(17)
Share-based compensation <sup>1</sup>	(13)	(21)	(22)	(20)	(19)
<b>Non-GAAP Operating Expenses</b>	<b>369</b>	<b>344</b>	<b>327</b>	<b>330</b>	<b>359</b>
<b>Reconciliation of Net Income to Non-GAAP Net Income (\$M)</b>	<b>Q1'19</b>	<b>Q2'19</b>	<b>Q3'19</b>	<b>Q4'19</b>	<b>Q1'20</b>
<b>Net Income</b>	<b>450</b>	<b>384</b>	<b>195</b>	<b>983</b>	<b>200</b>
Adjustment to discontinued products	1	-	-	-	-
Accelerated depreciation, impairment and other charges related to cost saving efforts	1	1	-	-	-
Amortization of acquired intangible assets	17	18	19	17	13
Restructuring and other, net	23	7	11	(63)	17
Losses recognized on the early redemption and repurchase of debt	-	-	-	-	30
Strategic investment losses, (gains) or impairment recognized	4	(2)	-	-	-
Share-based compensation <sup>1</sup>	18	27	28	26	26
Other charges	-	(1)	-	4	-
Income tax adjustments	-	(2)	10	(702)	(8)
<b>Non-GAAP Net Income</b>	<b>514</b>	<b>432</b>	<b>263</b>	<b>265</b>	<b>278</b>
Shares used in diluted earnings per share calculation (M)	292	287	284	278	270
<b>GAAP Diluted Net Income Per Share</b>	<b>\$1.54</b>	<b>\$1.34</b>	<b>\$0.69</b>	<b>\$3.54</b>	<b>\$0.74</b>
<b>Non-GAAP Diluted Net Income Per Share</b>	<b>\$1.76</b>	<b>\$1.51</b>	<b>\$0.93</b>	<b>\$0.95</b>	<b>\$1.03</b>

1. Effective Q1FY20, share-based compensation is excluded from non-GAAP results. Prior periods have been adjusted to reflect the exclusion of share-based compensation.

## **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 measures 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.

### **Share-based compensation**

As disclosed in the Company's Q4FY19 earnings release, share-based compensation expense is excluded from its non-GAAP results. These expenses consist primarily of expenses for employee share-based compensation. Given the variety of equity awards used by companies, the varying methodologies for determining share-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 share-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 share-based compensation expense from their non-GAAP results.

### **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. 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 from the early redemption and repurchase of certain long-term debt instruments. These losses 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 investments accounted for under the equity method of accounting or records impairment 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 is 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-offs 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**

Benefit or provision for income taxes represents the effects of non-GAAP adjustments determined using a hybrid with and without method and effective tax rate for the applicable adjustment and jurisdiction. For Q4FY19, it also includes impacts from a release of valuation allowance related primarily to the Company's U.S. deferred tax assets. This was driven by improvements in the Company's profitability outlook in the U.S. including the Company's effort to structurally and operationally align its enterprise data solutions business with the rest of the Company. This does not materially change the Company's future worldwide effective tax rate.

### **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.

