



SUPPLEMENTAL FINANCIAL INFORMATION

Q2 FY20



SEAGATE

Safe Harbor Statement

This document may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. 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. Additional information will also be set forth in our Quarterly Report on Form 10-Q for the quarter ended January 3, 2020. 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 U.S. 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, operating margin as a percentage of revenue, 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 investing 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.

Q2 FY20 Financial Highlights

\$2.7_B

REVENUE

28.1%

GROSS MARGIN
GAAP

14.2%

OPERATING MARGIN
GAAP

\$1.20

DILUTED EPS
GAAP

106.9_{EB}

HDD CAPACITY
SHIPPED

\$936_M

YTD CASH FLOW FROM
OPERATIONS

28.7%

GROSS MARGIN
NON-GAAP¹

15.7%

OPERATING MARGIN
NON-GAAP¹

\$1.35

DILUTED EPS
NON-GAAP¹

3.3_{TB}

AVG. CAPACITY
PER DRIVE

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

Quarterly Financial Trends

	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20
GAAP Results						
Revenue (\$M)	2,991	2,715	2,313	2,371	2,578	2,696
Gross Margin %	30.5%	29.2%	26.0%	26.3%	26.0%	28.1%
Operating Expenses (\$M)	410	378	365	292	398	374
Operating Margin %	16.8%	15.3%	10.2%	14.0%	10.6%	14.2%
Net Income (\$M)	450	384	195	983	200	318
Diluted EPS	\$1.54	\$1.34	\$0.69	\$3.54	\$0.74	\$1.20
Non-GAAP Results¹						
Revenue (\$M)	2,992	2,715	2,313	2,371	2,578	2,696
Gross Margin %	31.1%	29.9%	26.8%	27.1%	26.7%	28.7%
Operating Expenses (\$M)	369	344	327	330	359	350
Operating Margin %	18.8%	17.2%	12.7%	13.2%	12.8%	15.7%
Net Income (\$M)	514	432	263	265	278	359
Diluted EPS	\$1.76	\$1.51	\$0.93	\$0.95	\$1.03	\$1.35
End of Qtr Actual Share Count (M)	286	283	277	269	263	261
Diluted Shares O/S for EPS (M)	292	287	284	278	270	265
Dividends Per Share Paid	\$0.63	\$0.63	\$0.63	\$0.63	\$0.63	\$0.63
Shares Repurchased (M)	3.0	3.2	7.2	7.8	9.2	2.5
Fiscal YTD Shares Repurchased (M)	3.0	6.2	13.4	21.2	9.2	11.7
Revenue by Product Line (\$M)						
HDD	2,801	2,490	2,124	2,204	2,390	2,482
Enterprise Data Solutions, SSD & Other	190	225	189	167	188	215
Revenue by Channel						
OEM	71%	69%	68%	71%	71%	68%
Distributors	18%	16%	18%	17%	18%	17%
Retail	11%	15%	14%	12%	11%	15%

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

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.



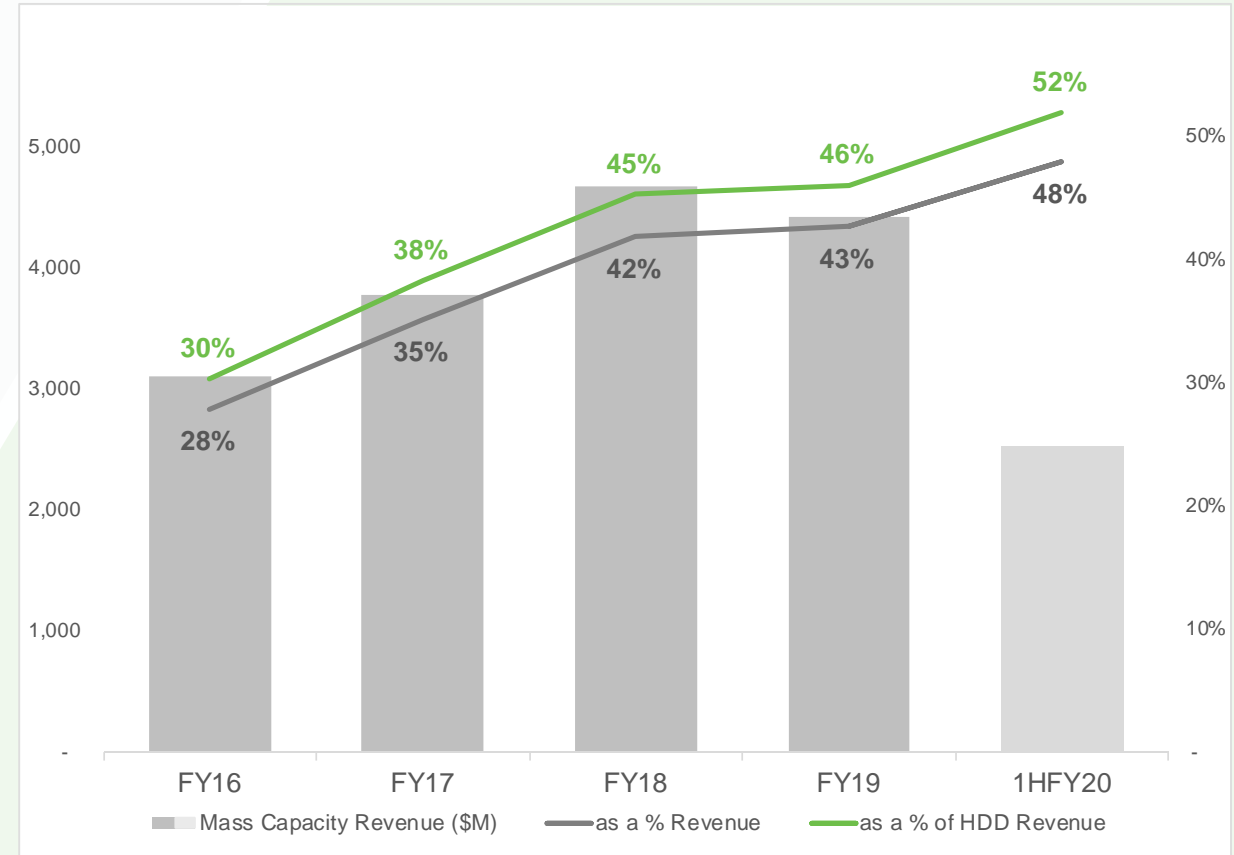
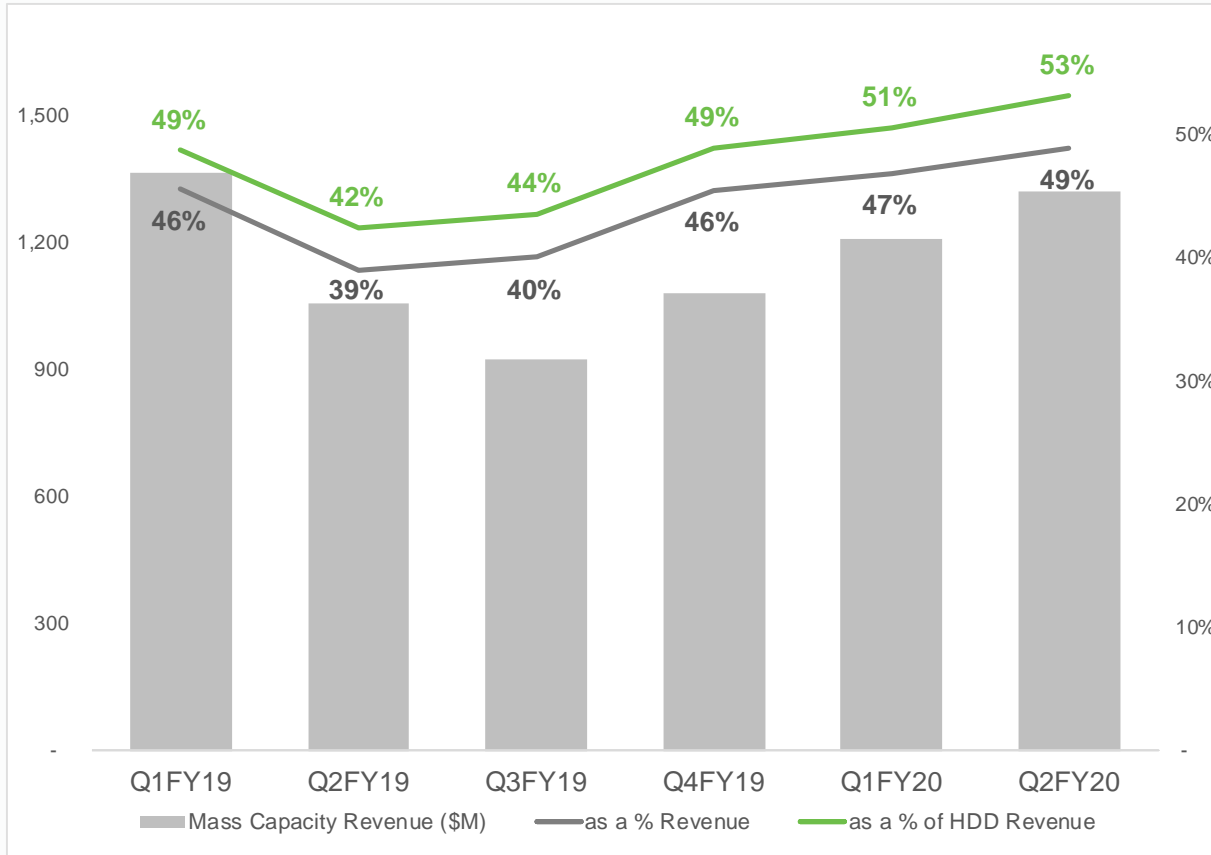
HDD Product Mix Trends

	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20
Capacity Shipped (EB)						
Mass Capacity	59.9	47.2	43.0	52.2	63.9	71.3
<i>Nearline</i>	42.5	33.0	30.0	34.8	47.4	49.0
Legacy	39.0	40.2	33.6	32.2	34.5	35.6
Average Capacity per Drive (TB)						
Mass Capacity	5.7	5.5	5.8	6.0	6.8	6.4
Legacy	1.3	1.4	1.4	1.4	1.4	1.6
Capacity Shipped (EB)	98.8	87.4	76.7	84.5	98.3	106.9
Average Capacity per Drive (TB)	2.5	2.4	2.4	2.7	2.9	3.3
Mass Capacity as a % of Revenue	46%	39%	40%	46%	47%	49%
Legacy as a % of Revenue	48%	53%	52%	47%	46%	43%

Mass capacity storage includes nearline, video and image applications and network-attached storage (“NAS”). **Legacy markets** include mission critical, desktop, notebook, digital video recorders (“DVRs”), gaming consoles and consumer applications. The markets were previously categorized as enterprise, edge non-compute, and edge compute.

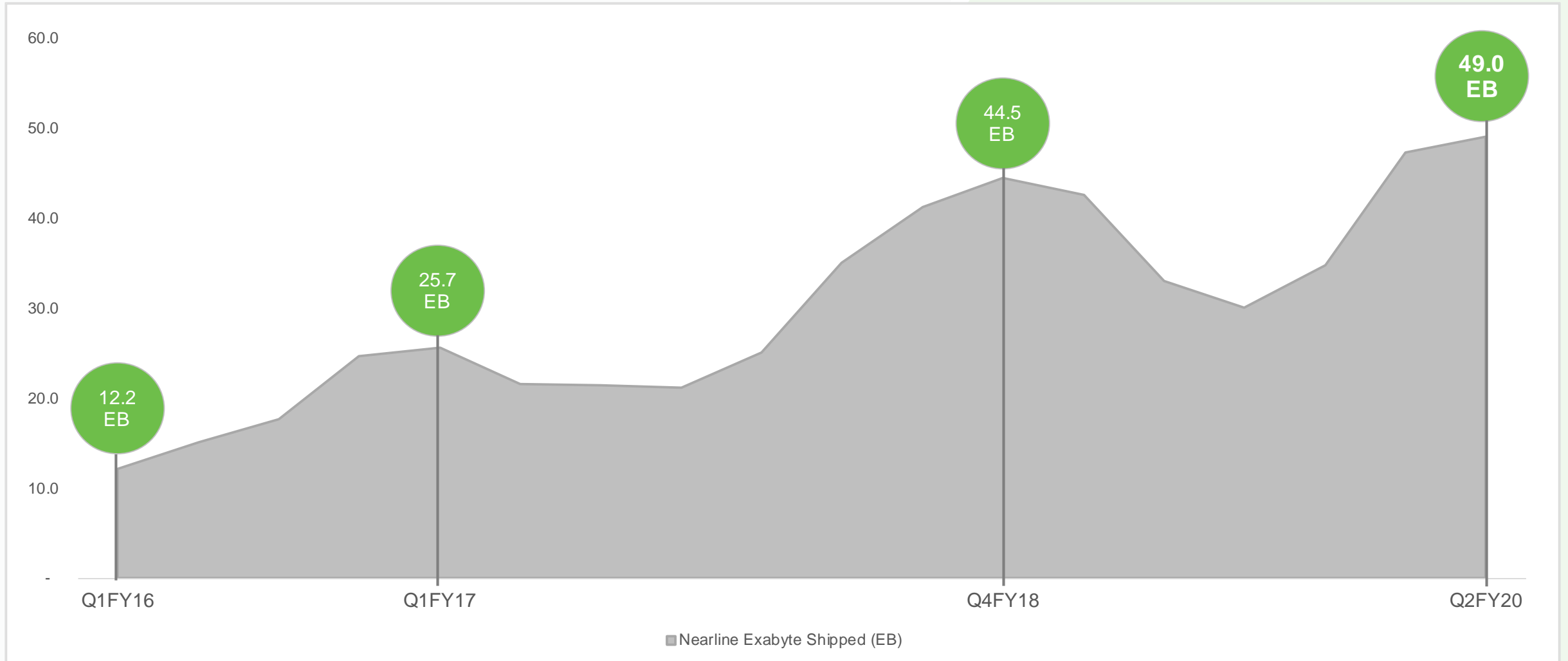
NOTE: Minor changes and calculation variances to historical exabytes are due to rounding.

Mass Capacity Trends



Mass capacity storage includes nearline, video and image applications and NAS.

Seagate Nearline Demand Trend



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

Cash, Cash Flow, and Operational Trends

	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20
Cash ¹ (\$M)	1,942	1,357	1,388	2,220	1,784	1,744
Debt (\$M)	4,821	4,324	4,522	4,253	4,140	4,141
Cash Flow From Operations (\$M)	587	288	438	448	456	480
Capital Expenditures ² (\$M)	177	127	147	151	147	194
Free Cash Flow ³ (\$M)	410	161	291	297	309	286
YTD Cash Flow From Operations ⁴ (\$M)	587	875	1,313	1,761	456	936
YTD Shares Repurchased ⁴ (\$M)	150	286	613	963	450	600
YTD Dividend Paid ⁴ (\$M)	181	361	539	713	170	335
Days Sales Outstanding	37	35	35	38	40	38
Days Inventory Outstanding	49	52	53	50	53	54
Days Payables Outstanding	78	68	70	74	90	88
Cash Conversion Cycle	8	19	19	14	4	4
Worldwide Headcount (000's)	43	43	41	40	41	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



Reconciliation of Revenue to Non-GAAP Revenue (\$M)						
	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20
Revenue	2,991	2,715	2,313	2,371	2,578	2,696
Adjustment to discontinued products	1	-	-	-	-	-
Non-GAAP Revenue	2,992	2,715	2,313	2,371	2,578	2,696
Reconciliation of Gross Margin to Non-GAAP Gross Margin (\$M)						
	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20
Gross Margin	913	794	601	624	671	758
Adjustment to discontinued products	1	-	-	-	-	-
Amortization of acquired intangible assets	13	13	14	12	10	10
Share-based compensation ¹	5	6	6	6	7	6
Other charges	-	(1)	-	-	-	-
Non-GAAP Gross Margin	932	812	621	642	688	774
Gross Margin %	30.5%	29.2%	26.0%	26.3%	26.0%	28.1%
Non-GAAP Gross Margin %	31.1%	29.9%	26.8%	27.1%	26.7%	28.7%
Reconciliation of Operating Expenses to Non-GAAP Operating Expenses (\$M)						
	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20
Operating Expenses	410	378	365	292	398	374
Accelerated depreciation, impairment and other charges related to cost saving efforts	(1)	(1)	-	-	-	-
Amortization of acquired intangible assets	(4)	(5)	(5)	(5)	(3)	(3)
Restructuring and other, net	(23)	(7)	(11)	63	(17)	-
Share-based Compensation ¹	(13)	(21)	(22)	(20)	(19)	(21)
Non-GAAP Operating Expenses	369	344	327	330	359	350
Reconciliation of Income From Operations to Non-GAAP Income From Operations (\$M)						
	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20
Income From Operations	503	416	236	332	273	384
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	13
Restructuring and other, net	23	7	11	(63)	17	-
Share-based Compensation ¹	18	27	28	26	26	27
Other charges	-	(1)	-	-	-	-
Non-GAAP Income From Operations	563	468	294	312	329	424
Operating Margin %	16.8%	15.3%	10.2%	14.0%	10.6%	14.2%
Non-GAAP Operating Margin %	18.8%	17.2%	12.7%	13.2%	12.8%	15.7%
Reconciliation of Net Income to Non-GAAP Net Income (\$M)						
	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20
Net Income	450	384	195	983	200	318
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	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)	-	-	-	1
Share-based compensation ¹	18	27	28	26	26	27
Other charges	-	(1)	-	4	-	-
Income tax adjustments	-	(2)	10	(702)	(8)	-
Non-GAAP Net Income	514	432	263	265	278	359
Shares used in diluted earnings per share calculation (M)	292	287	284	278	270	265
GAAP Diluted Net Income Per Share	\$1.54	\$1.34	\$0.69	\$3.54	\$0.74	\$1.20
Non-GAAP Diluted Net Income Per Share	\$1.76	\$1.51	\$0.93	\$0.95	\$1.03	\$1.35

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 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 the 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 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 under 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 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.

Share-based compensation

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.

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

Benefit or provision for income taxes represents the tax effect 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.