

Supplemental Financial Information

FISCAL Q1 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 December 28, 2018 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 imposed by the U.S. government and potential corresponding actions by other countries in which the Company conducts its 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.



Q1 FY2019 Financial Highlights

\$3.0B

Revenue

30.5%

Gross Margin
GAAP

\$1.54

Diluted EPS
GAAP

98.8EB

HDD Capacity
Shipped

\$587M

Cash Flow from
Operations

31.0%

Gross Margin
NON-GAAP¹

\$1.70

Diluted EPS
NON-GAAP¹

2.5TB

Average Capacity
per Drive

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



Quarterly Financial Trends

	Q1'17	Q2'17	Q3'17	Q4'17	Q1'18	Q2'18	Q3'18	Q4'18	Q1'19
GAAP Results									
Revenue (\$M)	2,797	2,894	2,674	2,406	2,632	2,914	2,803	2,835	2,991
Gross Margin %	28.6%	30.8%	30.5%	27.7%	28.0%	30.1%	30.2%	31.9%	30.5%
Operating Expenses (\$M)	580	521	550	470	481	444	406	399	410
Net Income (\$M)	167	297	194	114	181	159	381	461	450
Diluted EPS	\$0.55	\$1.00	\$0.65	\$0.38	\$0.62	\$0.55	\$1.31	\$1.57	\$1.54
Non-GAAP Results¹									
Revenue (\$M)	2,797	2,893	2,675	2,406	2,632	2,908	2,803	2,835	2,992
Gross Margin %	29.5%	31.8%	31.4%	28.9%	29.0%	30.4%	30.8%	32.4%	31.0%
Operating Expenses (\$M)	472	458	443	422	408	390	385	399	382
Net Income (\$M)	299	412	329	192	279	431	424	475	496
Diluted EPS	\$0.99	\$1.38	\$1.10	\$0.65	\$0.96	\$1.48	\$1.46	\$1.62	\$1.70
End of Qtr Actual Share Count (M)	299	295	297	292	289	285	287	287	286
Diluted Shares O/S for EPS (M)	301	298	300	297	292	291	291	293	292
Dividends Per Share Paid	-	\$0.63	\$0.63	\$0.63	\$0.63	\$0.63	\$0.63	\$0.63	\$0.63
Shares Repurchased (M)	3.0	4.1	-	5.0	5.0	5.0	-	-	3.0
Fiscal YTD Shares Repurchased (M)	3.0	7.1	7.1	12.1	5.0	10.0	10.0	10.0	3.0
Revenue by Product Line (\$M)									
HDD	2,589	2,652	2,424	2,220	2,390	2,701	2,586	2,652	2,801
Enterprise Systems, Flash, and Other	208	242	250	186	242	213	217	183	190
Revenue by Channel									
OEM	72%	68%	68%	69%	70%	68%	70%	73%	71%
Distributors	17%	17%	18%	18%	16%	17%	17%	17%	18%
Retail	11%	15%	14%	13%	14%	15%	13%	10%	11%

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



HDD Product Mix Trends

		Q1'17	Q2'17	Q3'17	Q4'17	Q1'18	Q2'18	Q3'18	Q4'18	Q1'19
Enterprise										
Capacity (EB)	Mission Critical	2.4	2.6	2.3	2.2	2.1	2.4	2.5	2.6	3.0
	Nearline	25.7	21.6	21.4	21.2	25.1	35.1	41.3	44.5	42.5
Average Capacity per Drive (TB)		3.2	3.0	3.2	3.4	3.9	4.3	4.8	5.3	5.2
Edge non-Compute²										
Capacity (EB)	Consumer Electronics ¹	13.7	14.8	13.6	12.4	13.5	17.1	14.6	18.2	23.4
	Consumer	8.9	12.1	10.8	9.5	11.1	13.8	11.6	9.5	11.2
Average Capacity per Drive (TB)		1.6	1.9	2.0	1.9	1.9	2.2	2.2	2.2	2.2
Edge Compute³										
Capacity (EB)	Desktop + Notebook	16.0	17.1	17.3	16.8	18.6	19.2	17.5	18.0	18.7
Average Capacity per Drive (TB)		1.0	1.0	1.1	1.0	1.1	1.1	1.1	1.2	1.2
Total HDD Capacity (EB)		66.7	68.2	65.5	62.2	70.3	87.5	87.4	92.9	98.8
Average Capacity per Drive (TB)		1.7	1.7	1.8	1.8	1.9	2.2	2.4	2.5	2.5
Enterprise as a % of Revenue		41%	37%	36%	37%	36%	40%	44%	46%	42%
Edge non-Compute as a % of Revenue		28%	31%	29%	29%	29%	30%	26%	27%	31%
Edge Compute as a % of Revenue		24%	24%	25%	26%	26%	23%	22%	21%	20%

NOTE: Minor calculation variances are due to rounding.

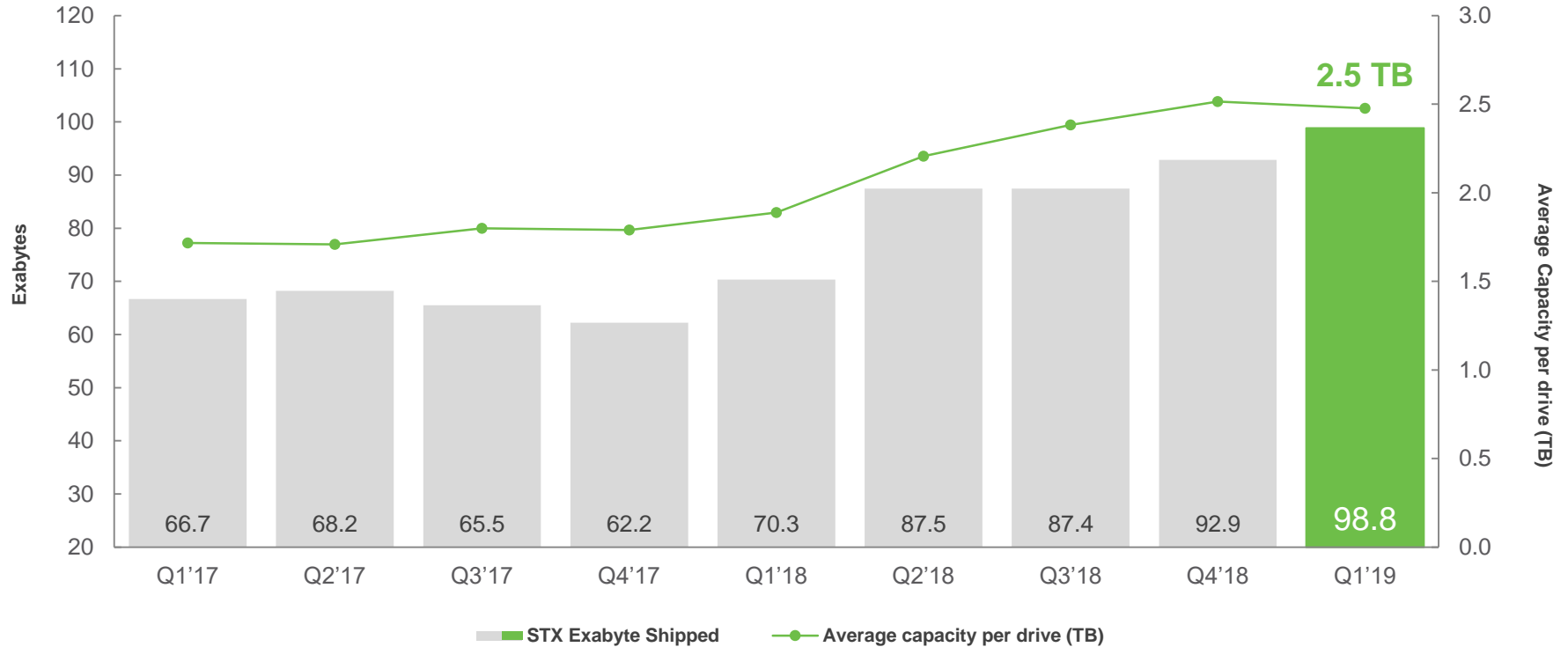
1. Consumer Electronics includes exabytes from surveillance, DVR, NAS, and gaming.

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

3. Edge Compute formerly known as Client Compute.



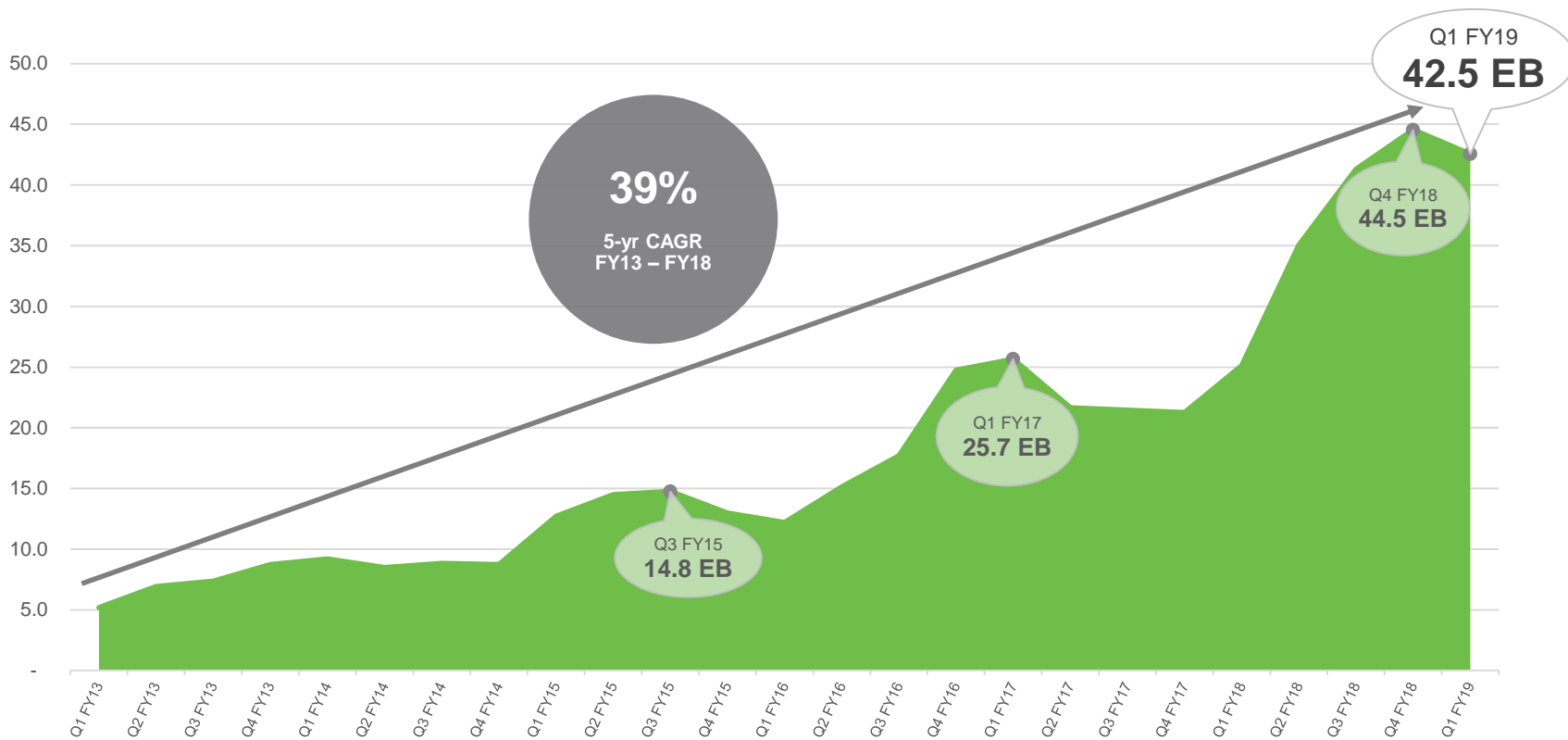
HDD Exabytes Shipped and Average Capacity per Drive



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

	Q1'17	Q2'17	Q3'17	Q4'17	Q1'18	Q2'18	Q3'18	Q4'18	Q1'19
Cash ¹ (\$M)	1,494	1,716	3,026	2,539	2,285	2,556	2,926	1,853	1,942
Debt (\$M)	4,092	4,093	5,231	5,021	5,002	4,876	4,822	4,819	4,821
Cash Flow From Operations (\$M)	591	656	426	243	237	850	558	468	587
Capital Expenditures ² (\$M)	140	95	95	104	124	77	69	96	177
Free Cash Flow ³ (\$M)	451	561	331	139	113	773	489	372	410
YTD Cash Flow From Operations ⁴ (\$M)	591	1,247	1,673	1,916	237	1,087	1,645	2,113	587
YTD Shares Repurchased ⁴ (\$M)	101	248	248	460	166	361	361	361	150
YTD Dividend Paid ^{4,5} (\$M)	-	188	374	561	184	366	545	726	181
Days Sales Outstanding	43	38	39	45	42	33	35	38	37
Days Inventory Outstanding	42	46	51	51	49	45	47	50	49
Days Payables Outstanding	71	74	78	85	74	72	77	81	78
Cash Conversion Cycle	13	10	12	12	17	6	5	6	8
Worldwide Headcount (000's)	44	45	43	41	40	41	42	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.

5. In Fiscal Q1'17 a quarterly cash dividend of \$0.63 per share was declared on August 2, 2016, and was payable on October 5, 2016.



RECONCILIATION TABLES



Reconciliation of Revenue to Non-GAAP Revenue (\$M)	Q1'17	Q2'17	Q3'17	Q4'17	Q1'18	Q2'18	Q3'18	Q4'18	Q1'19
Revenue	2,797	2,894	2,674	2,406	2,632	2,914	2,803	2,835	2,991
Adjustment to discontinued products	-	(1)	1	-	-	(6)	-	-	1
Non-GAAP Revenue	2,797	2,893	2,675	2,406	2,632	2,908	2,803	2,835	2,992
Reconciliation of Gross Margin to Non-GAAP Gross Margin (\$M)	Q1'17	Q2'17	Q3'17	Q4'17	Q1'18	Q2'18	Q3'18	Q4'18	Q1'19
Gross Margin	801	891	816	666	736	877	847	904	913
Adjustment to discontinued products	-	(1)	1	-	-	(6)	-	-	1
Accelerated depreciation, impairment and other charges related to cost saving efforts	16	16	7	5	1	-	1	-	-
Amortization of acquired intangible assets	13	13	13	24	14	14	15	14	13
Other charges	(4)	-	4	1	11	-	-	-	-
Non-GAAP Gross Margin	826	919	841	696	762	885	863	918	927
Gross Margin %	28.6%	30.8%	30.5%	27.7%	28.0%	30.1%	30.2%	31.9%	30.5%
Non-GAAP Gross Margin %	29.5%	31.8%	31.4%	28.9%	29.0%	30.4%	30.8%	32.4%	31.0%
Reconciliation of Operating Expenses to Non-GAAP Operating Expenses (\$M)	Q1'17	Q2'17	Q3'17	Q4'17	Q1'18	Q2'18	Q3'18	Q4'18	Q1'19
Operating Expenses	580	521	550	470	481	444	406	399	410
Accelerated depreciation, impairment and other charges related to cost saving efforts	(1)	(1)	(30)	(7)	-	(2)	(4)	-	(1)
Amortization of acquired intangible assets	(27)	(27)	(27)	(17)	(21)	(18)	(4)	(5)	(4)
Restructuring and other, net	(82)	(33)	(48)	(14)	(51)	(33)	(11)	6	(23)
Other charges	2	(2)	(2)	(10)	(1)	(1)	(2)	(1)	-
Non-GAAP Operating Expenses	472	458	443	422	408	390	385	399	382
Reconciliation of Net Income to Non-GAAP Net Income (\$M)	Q1'17	Q2'17	Q3'17	Q4'17	Q1'18	Q2'18	Q3'18	Q4'18	Q1'19
Net Income	167	297	194	114	181	159	381	461	450
Adjustment to discontinued products	-	(1)	1	-	-	(6)	-	-	1
Accelerated depreciation, impairment and other charges related to cost saving efforts	17	17	37	12	1	2	5	-	1
Amortization of acquired intangible assets	40	40	40	41	35	32	19	19	17
Restructuring and other, net	82	33	48	14	51	33	11	(6)	23
Losses (gains) recognized on the early redemption and repurchase of debt	-	-	-	7	-	3	1	-	-
Strategic investment losses, (gains) or impairment recognized	-	25	-	-	-	-	3	8	4
Other charges	(7)	1	6	10	11	1	3	1	-
Income tax adjustments	-	-	3	(6)	-	207	1	(8)	-
Non-GAAP Net Income	299	412	329	192	279	431	424	475	496
Shares used in diluted EPS calculation (M)	301	298	300	297	292	291	291	293	292
GAAP Diluted EPS	\$0.55	\$1.00	\$0.65	\$0.38	\$0.62	\$0.55	\$1.31	\$1.57	\$1.54
Non-GAAP Diluted EPS	\$0.99	\$1.38	\$1.10	\$0.65	\$0.96	\$1.48	\$1.46	\$1.62	\$1.70

NOTE: Minor calculation variances are due to rounding.



Reconciliation of Net Income to Credit Agreement Defined EBITDA (\$M)	Q1'17	Q2'17	Q3'17	Q4'17	Q1'18	Q2'18	Q3'18	Q4'18	Q1'19
Net Income	167	297	194	114	181	159	381	461	450
Interest Income	(1)	(1)	(5)	(5)	(7)	(6)	(10)	(15)	(24)
Interest Expense	50	50	60	62	61	61	60	54	58
Income Tax Expense	6	13	18	6	7	212	12	5	18
Depreciation and Amortization	200	191	182	176	161	157	143	137	134
EBITDA	422	550	449	353	403	583	586	642	636
Adjustment to discontinued products	-	(1)	1	-	-	(6)	-	-	1
Impairment and other charges related to cost saving efforts	4	10	30	8	1	1	-	-	-
Losses (gains) recognized on the early redemption and repurchase of debt	-	-	-	7	-	3	1	-	-
Strategic investment losses, (gains) or impairment recognized	-	25	-	-	-	-	3	8	4
Restructuring and other, net	82	33	48	14	51	33	11	(6)	23
Other charges	(7)	1	6	10	11	1	3	1	-
Adjusted EBITDA	501	618	534	392	466	615	604	645	664
Share-based Compensation	40	33	37	27	32	27	26	27	18
Credit Agreement Defined EBITDA	541	651	571	419	498	642	630	672	682



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 inconsistent 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 (gains) 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.



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