

SUPPLEMENTAL FINANCIAL INFORMATION

Q2FY22

SEAGATE

Safe Harbor Statement

This document contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements provide current expectations of future events based on certain assumptions and include any statement that does not directly relate to any historical fact. Forward-looking statements are subject to various uncertainties and risks that could cause our actual results to differ materially from historical experience and our present expectations or projections. These risks and uncertainties include, but are not limited to, those described 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 for the year ended July 2, 2021 filed with the U.S. Securities and Exchange Commission (“SEC") on August 6, 2021. Additional information will also be set forth in our Quarterly Report on Form 10-Q for the quarter ended December 31, 2021. 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 uses non-GAAP measures of gross profit, gross margin, operating expenses, income from operations, operating margin, net income, diluted EPS, free cash flow and Credit Agreement defined EBITDA, which are adjusted from results based on GAAP to exclude certain benefits, 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 its 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 benefits, expenses, gains and losses that it believes are not indicative of its 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.

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 its industry.

Executive Summary

Solid Q2FY22 financial performance aligned with our expectations



- Revenue: $3.1B, +19% YoY, highest level in over 6 years
- Non-GAAP Operating Margin: ~20%, at the high-end of guidance range;
- Non-GAAP diluted EPS: $2.41, +87% YoY, the highest level in nearly a decade

Mass Capacity demand outlook supports revenue growth in FY22, CY22, and beyond



- Demand fundamentals remain intact amid near-term pandemic challenges
- Well positioned with the right product portfolio, operational expertise, and partnership focus
- Strong customer pull for 20TB HDDs; staging operations to support steep production ramp

Focused on enhancing value for all key stakeholders



- Executing strong product roadmap including Common Platform HDDs (16TB – 20TB+) to deliver attractive TCO for customers
- Driving profitability and FCF to fund shareholder return program; returned $622M through dividends & share repurchases in Q2FY22

HDD: Hard disk drive
TCO: Total cost of ownership
FCF: Free cash flow

Q2FY22 Financial Highlights

$3.1B
REVENUE

30.4%
GROSS MARGIN GAAP

18.6%
OPERATING MARGIN GAAP

$2.23
DILUTED EPS GAAP

163EB
HDD CAPACITY SHIPPED

$1.0B
YTD CASH FLOW FROM OPERATIONS

30.7%
GROSS MARGIN NON-GAAP[1]

19.9%
OPERATING MARGIN NON-GAAP[1]

$2.41
DILUTED EPS NON-GAAP[1]

6.1TB
AVG. CAPACITY PER DRIVE

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

Q2FY22 Market Highlights



- Record **mass capacity** revenue supported by record demand from Cloud customers
- **Nearline** growth driven by strong high double-digit growth of our 18TB drives
- **VIA** revenue remained healthy, off the near-record levels in Q1FY22



- **Legacy** revenues decline as lower PC and Mission Critical sales were partially offset by seasonal demand for Consumer drives

Mass capacity storage includes nearline, video and image applications ("VIA") and network-attached storage. **Legacy markets** include mission critical, desktop, notebook, digital video recorders, gaming consoles and consumer applications.

Quarterly Financial Trends

In Q2FY22 (Non-GAAP):

- **Revenue** up 19% YoY
- **HDD Gross margin** remained in the upper half of our long-term target range of 30-33%
- **Operating margin** at the high end of our long-term target range of 15-20%; starting Q3FY22, increasing range to 18-22%
- **EPS** above mid-point of guided range

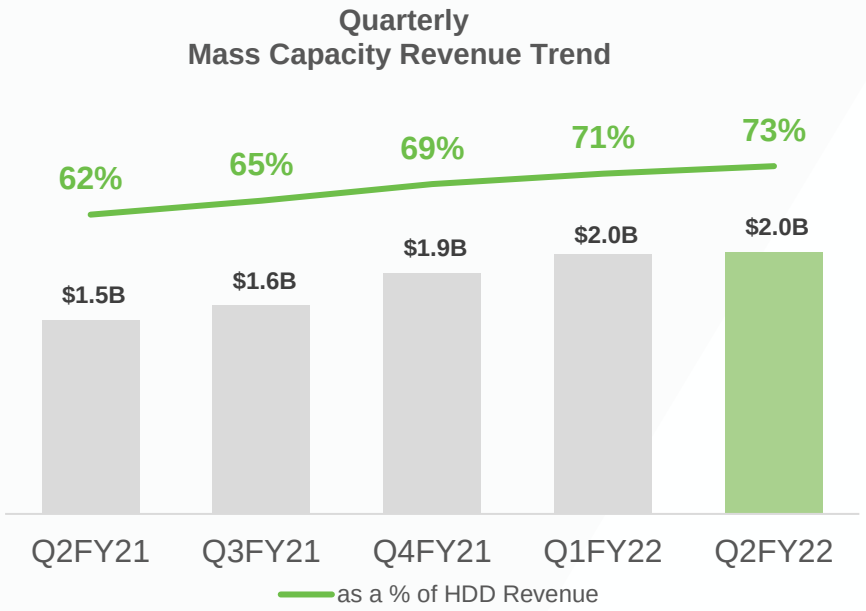
	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	QoQ	YoY
GAAP Results							
Revenue ($M)	2,623	2,731	3,013	3,115	**3,116**	0%	19%
Gross Margin %	26.5%	27.1%	29.4%	30.7%	**30.4%**	-0.3 ppt	3.9 ppt
Operating Expenses ($M)	348	354	378	370	**368**	-1%	6%
Operating Margin %	13.3%	14.1%	16.8%	18.8%	**18.6%**	-0.2 ppt	5.3 ppt
Net Income ($M)	280	329	482	526	**501**	-5%	79%
Diluted EPS	$1.12	$1.39	$2.07	$2.28	**2.23**	-2%	99%
Non-GAAP Results[1]							
Revenue ($M)	2,623	2,731	3,013	3,115	**3,116**	0%	19%
Gross Margin %	26.8%	27.4%	29.6%	31.0%	**30.7%**	-0.3 ppt	3.9 ppt
Operating Expenses ($M)	319	329	346	339	**337**	-1%	6%
Operating Margin %	14.7%	15.4%	18.1%	20.1%	**19.9%**	-0.2 ppt	5.2 ppt
Net Income ($M)	323	350	466	544	**543**	0%	68%
Diluted EPS	$1.29	$1.48	$2.00	$2.35	**$2.41**	3%	87%
End of Qtr Actual Share Count (M)	240	230	227	225	**219**	-3%	-9%
Diluted Shares O/S for EPS (M)	251	237	233	231	**225**	-3%	-10%
Revenue by Product Line ($M)							
HDD	2,425	2,493	2,737	2,864	**2,822**	-1%	16%
Systems, SSD & Other	198	238	276	251	**294**	17%	48%
Revenue by Channel							
OEM	66%	71%	70%	74%	**70%**	-4 ppt	4 ppt
Distributors	18%	17%	18%	16%	**18%**	2 ppt	0 ppt
Retail	16%	12%	12%	10%	**12%**	2 ppt	-4 ppt

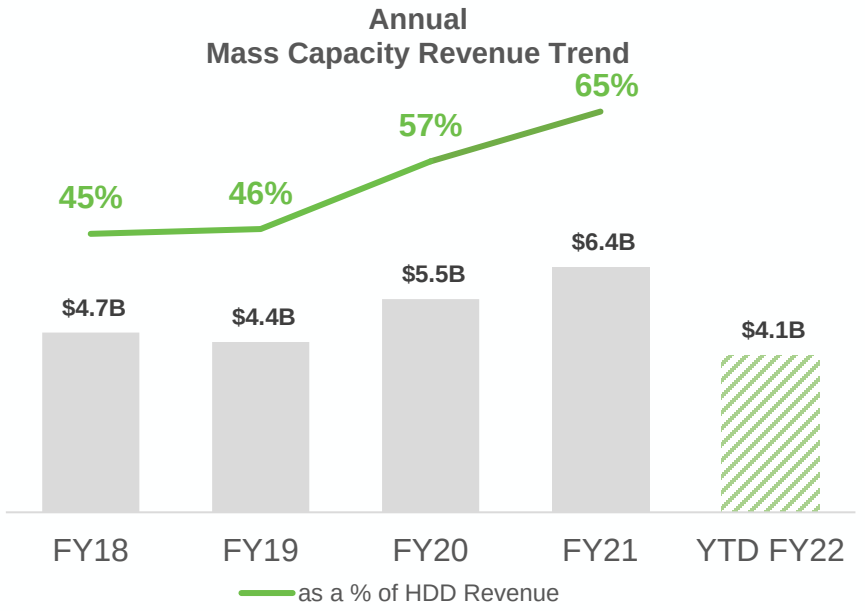
NOTE: Minor changes and calculation variances are due to rounding.
1. See 'Reconciliation Tables' section for GAAP reconciliation.

HDD Product Trends

Fifth Consecutive Quarter of Record Capacity Shipment

	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	QoQ	YoY
Capacity Shipped (EB)	**129.2**	**139.6**	**152.3**	**159.1**	**163.2**	3%	26%
Mass Capacity	97.2	110.6	123.3	132.3	**137.1**	4%	41%
Nearline	*71.2*	*95.5*	*101.4*	*106.4*	***111.0***	*4%*	*56%*
Legacy	32.0	29.0	29.1	26.8	**26.1**	-2%	-18%
Average Capacity per Drive (TB)	**4.3**	**5.1**	**5.4**	**5.7**	**6.1**	8%	41%
Mass Capacity	7.9	9.6	9.4	9.6	**10.0**	4%	26%
Legacy	1.8	1.8	1.9	1.9	**2.0**	7%	10%





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

Cash, Cash Flow, and Operational Trends

In Q2FY22:

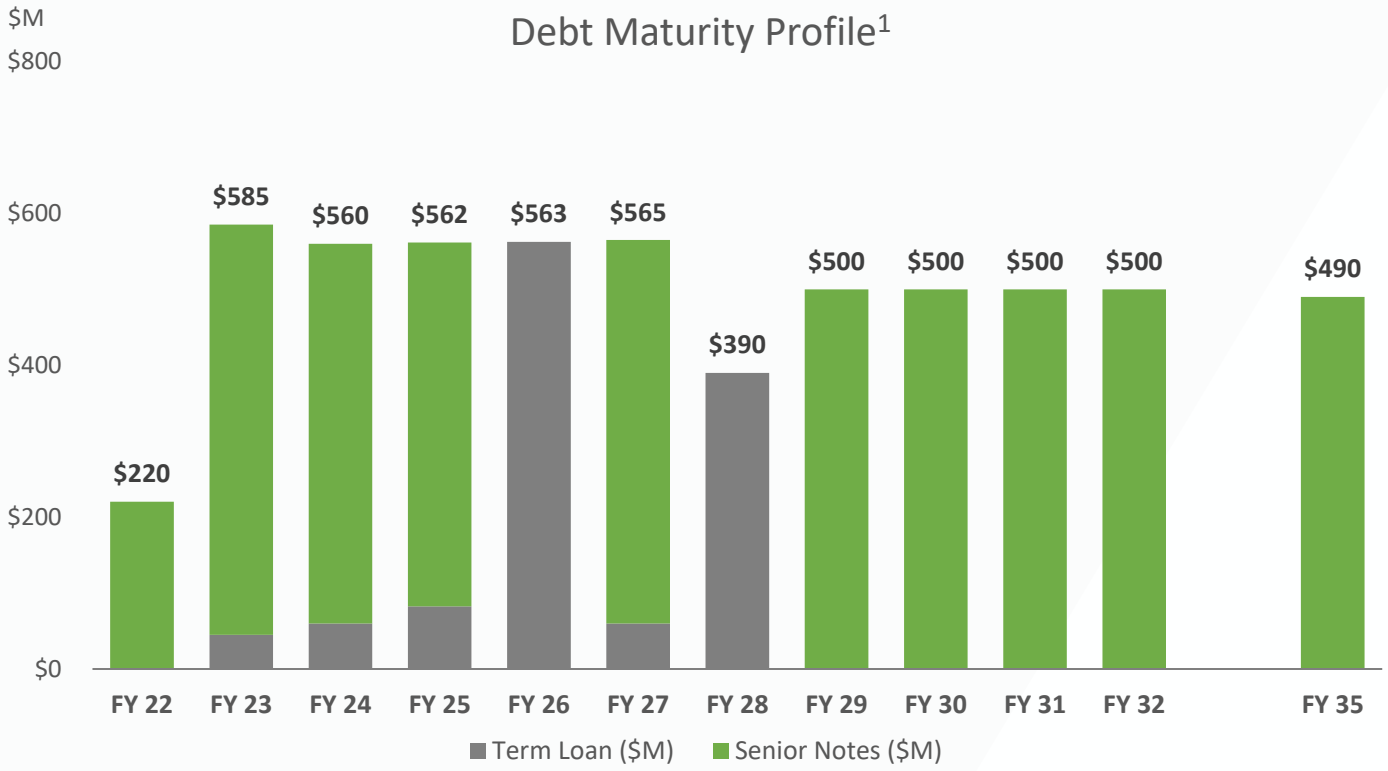
- Free Cash Flow of $426M, up 12% QoQ and 36% YoY
- Returned approximately $622M through dividends & share repurchases
- Retired 5.1M ordinary shares

	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22
Cash[1] ($M)	1,799	1,212	1,209	991	1,535
Debt ($M)	5,145	5,142	5,139	5,136	5,861
Cash Flow From Operations ($M)	473	378	478	496	521
Capital Expenditures[2] ($M)	159	104	124	117	95
Free Cash Flow[3] ($M)	314	274	354	379	426
YTD Cash Flow From Operations[4] ($M)	770	1,148	1,626	496	1,017
YTD Shares Repurchased[4] ($M)	1,068	1,819	2,047	425	896
YTD Dividend Paid[4] ($M)	334	495	649	153	304
Dividends Per Share Paid	$0.65	$0.67	$0.67	$0.67	$0.67
Shares Repurchased (M)	18.2	11.3	2.6	4.9	5.1
YTD Shares Repurchased (M)	19.7	31.0	33.6	4.9	10.0
Days Sales Outstanding	28	33	35	38	41
Days Inventory Outstanding	62	59	51	50	54
Days Payables Outstanding	82	85	74	74	76
Cash Conversion Cycle	8	6	13	14	19
Worldwide Headcount (000's)	40	40	40	40	40

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. See 'Reconciliation Tables' section for GAAP reconciliation.
4. Based on Fiscal Year.

Capital Structure



$3.28B Liquidity[2]

- $1.53B Cash
- $1.75B Revolving credit facility

$5.9B Debt

- Low weighted average interest rate 4.1%
- Pro forma weighted average maturity of ~6 years

LTM Adjusted EBITDA $2.6B

- Highest level in last 7 years; target further improvement over time

NOTE: Minor calculation variances are due to rounding.
LTM: Last-12-months
1. Principal Outstanding
2. Liquidity levels include both Cash and cash equivalents and revolver.

Debt Metrics

	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22
Debt ($M)	5,145	5,142	5,139	5,136	**5,861**
Cash and cash equivalents ($M)	1,799	1,212	1,209	991	**1,535**
Net Debt ($M)	3,346	3,930	3,930	4,145	**4,326**
LTM Cash Interest Expense ($M)	186	194	184	214	**206**
LTM Credit Agreement Defined EBITDA ($M)[1]	1,825	1,828	2,020	2,360	**2,604**
Total Leverage Ratio[2]	2.8x	2.8x	2.5x	2.2x	**2.3x**
Total Leverage Ratio on Net Debt[3]	1.8x	2.1x	1.9x	1.8x	**1.7x**
Interest Coverage Ratio[4]	9.8x	9.4x	11.0x	11.0x	**12.6x**

The Credit Agreement includes three financial covenants: (1) interest coverage ratio, (2) total leverage ratio, and (3) a minimum liquidity amount. Seagate was in compliance with the covenants as of Dec. 31, 2021 and, based on its outlook and the information currently available to Seagate, expects to be in compliance for the next 12 months.

NOTE: Minor calculation variances are due to rounding.

1. See 'Reconciliation Tables' section for reconciliation of Net Income to Credit Agreement defined EBITDA.
2. Total Leverage Ratio not to exceed 4.0 as of the end of any fiscal quarter. For the capitalized terms included but not defined here, please see the Credit Agreement filed with the SEC.
3. Reflects Net Debt divided by LTM Credit Agreement Defined EBITDA.
4. Interest Coverage Ratio not to be less than 3.25 as of the end of any fiscal quarter.

Environmental, Social and Governance

SEAGATE

Environmental, Social & Corporate Governance Highlights

Excerpt from Seagate presentation at COP26[1]:



"We focus on innovatively designing technologies that extend the life of our products and reduce the need to manufacture new parts. We've found there is a substantial market for re-certified products, so it's a 'win-win-win' for our customers, Seagate, and best of all, the planet."

Joan Motsinger
SVP, Business Sustainability and Transformation



Seagate published its third annual Diversity, Equity, and Inclusion Report[2]. Read about our Diversity in Innovation Pledge, LGBTQ+ Ally Training, and growing participation in Employee Resource Groups on our website.

In a region heavily reliant on conventional power generation, Seagate manufacturing sites in Thailand acquired enough renewable energy in Q2FY22 to offset 83,815 tons of CO_2 emissions[3].

Seagate is proud to have received the Military Friendly®[4] designation for 2022, based on our commitment, effort, and success in increasing sustainable and meaningful benefits for the military community.

1. COP26: 2021 United Nations Climate Change Conference held in Glasgow, Scotland.
2. Report for FY21 published on January 20, 2022 available at https://www.seagate.com/jobs/diversity-and-inclusion/.
3. 160,000 RECS (renewable energy certificates) acquired in Q2FY22, applied to carbon accounting in first half FY22.
4. Military Friendly is owned and operated by VIQTORY, a US-based service-disabled, veteran-owned marketing company.

RECONCILIATION TABLES



Reconciliation of Gross Profit to Non-GAAP Gross Profit ($M)	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22
Gross Profit	**696**	**740**	**885**	**956**	**948**
Amortization of acquired intangible assets	1	1	1	1	1
Share-based compensation	7	8	6	9	9
Non-GAAP Gross Profit	**704**	**749**	**892**	**966**	**958**
Gross Margin %	26.5%	27.1%	29.4%	30.7%	30.4%
Non-GAAP Gross Margin %	26.8%	27.4%	29.6%	31.0%	30.7%

Reconciliation of Operating Expenses to Non-GAAP Operating Expenses ($M)	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22
Operating Expenses	**348**	**354**	**378**	**370**	**368**
Amortization of acquired intangible assets	(3)	(3)	(3)	(3)	(3)
Restructuring and other, net	(2)	2	(7)	(1)	(1)
Share-based compensation	(23)	(21)	(19)	(25)	(27)
Other charges	(1)	(3)	(3)	(2)	-
Non-GAAP Operating Expenses	**319**	**329**	**346**	**339**	**337**

Reconciliation of Income From Operations to Non-GAAP Income From Operations ($M)	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22
Income From Operations	**348**	**386**	**507**	**586**	**580**
Amortization of acquired intangible assets	4	4	4	4	4
Restructuring and other, net	2	(2)	7	1	1
Share-based compensation	30	29	25	34	36
Other charges	1	3	3	2	-
Non-GAAP Income From Operations	**385**	**420**	**546**	**627**	**621**
Operating Margin %	13.3%	14.1%	16.8%	18.8%	18.6%
Non-GAAP Operating Margin %	14.7%	15.4%	18.1%	20.1%	19.9%

Reconciliation of Net Income to Non-GAAP Net Income ($M)	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22
Net Income	**280**	**329**	**482**	**526**	**501**
Amortization of acquired intangible assets	4	4	4	4	4
Restructuring and other, net	2	(2)	7	1	1
Losses and costs recognized on the modification or early redemption and repurchase of debt	-	-	-	-	1
Strategic investment losses (gains) or impairment recognized	7	(13)	(50)	(9)	2
Share-based compensation	30	29	25	34	36
Other charges	1	3	3	2	-
Income tax adjustments	(1)	-	(5)	(14)	(2)
Non-GAAP Net Income	**323**	**350**	**466**	**544**	**543**
Shares used in diluted earnings per share calculation (M)	251	237	233	231	225
GAAP Diluted Net Income Per Share	**$1.12**	**$1.39**	**$2.07**	**$2.28**	**$2.23**
Non-GAAP Diluted Net Income Per Share	**$1.29**	**$1.48**	**$2.00**	**$2.35**	**$2.41**

Reconciliation of Net Cash Provided by Operating Activities to Free Cash Flow ($M)	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22
Net Cash Provided by Operating Activities	**473**	**378**	**478**	**496**	**521**
Acquisition of property, equipment and leasehold improvements	(159)	(104)	(124)	(117)	(95)
Free Cash Flow	**314**	**274**	**354**	**379**	**426**

Reconciliation of Net Income to Credit Agreement Defined EBITDA ($M)	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22
Net Income	**280**	**329**	**482**	**526**	**501**
Interest Income	-	(1)	-	-	(1)
Interest Expense	52	59	59	59	62
Income Tax Expense	11	10	15	7	13
Depreciation and Amortization	96	99	103	104	108
EBITDA	**439**	**496**	**659**	**696**	**683**
Losses and costs recognized on the modification or early redemption and repurchase of debt	-	-	-	-	1
Strategic investment losses (gains) or impairment recognized	7	(13)	(50)	(9)	2
Restructuring and other, net	2	(2)	7	1	1
Share-based compensation	30	29	25	34	36
Other charges	1	3	3	2	-
Credit Agreement Defined EBITDA	**479**	**513**	**644**	**724**	**723**

1. “Credit Agreement Defined EBITDA” sometimes referred to as “Adjusted EBITDA”.

Reconciliation of Net Income to Non-GAAP Net Income ($M)	Calendar Year 2020[1]	Calendar Year 2021[2]
Net Income	**989**	**1,838**
Accelerated depreciation, impairment and other charges related to cost saving efforts	5	-
Amortization of acquired intangible assets	39	16
Restructuring and other, net	68	7
Losses and costs recognized on the modification or early redemption and repurchase of debt	34	1
Strategic investment losses (gains) or impairment recognized	(5)	(70)
Share-based compensation	114	124
Other charges	20	8
Income tax adjustments	(25)	(21)
Non-GAAP Net Income	**1,239**	**1,903**
Shares used in diluted earnings per share calculation (M)[3]	266	231
GAAP Diluted Net Income Per Share	**$3.72**	**$7.96**
Non-GAAP Diluted Net Income Per Share	**$4.66**	**$8.24**

Reconciliation of Net Cash Provided by Operating Activities to Free Cash Flow ($M)	Calendar Year 2020[1]	Calendar Year 2021[2]
Net Cash Provided by Operating Activities	**1,548**	**1,873**
Acquisition of property, equipment and leasehold improvements	(514)	(440)
Free Cash Flow	**1,034**	**1,433**

(1) Calendar year 2020 is the combined results from fiscal third quarter 2020 to fiscal second quarter 2021.

(2) Calendar year 2021 is the combined results from fiscal third quarter 2021 to fiscal second quarter 2022.

(3) Diluted earnings per share is computed by dividing calendar year net income available to shareholders by the weighted-average number of shares outstanding during the calendar year period and the number of additional shares that would have been outstanding if the potentially dilutive securities had been issued. Potentially dilutive securities include outstanding options, unvested restricted share units and performance-based share units and shares to be purchased under the Company's Employee Stock Purchase Plan.

Non-GAAP Measures Adjusted for the Following Items:

Accelerated depreciation, impairment and other charges related to cost saving efforts
These expenses are excluded in the non-GAAP measures due to the 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
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 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.

Other charges
The other charges primarily include write-offs related to an internal reorganization and IT transformation costs. 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.

Losses and costs recognized on the modification or early redemption and repurchase of debt
From time to time, the Company incurs losses and fees from the early redemption and repurchase of certain long-term debt instruments. The losses represent the difference between the reacquisition costs and the par value of the debt extinguished. Other fees include any new fees associated with a modification and the write-off of any unamortized debt issuance costs associated with an extinguishment of debt. The amount of these charges may be inconsistent in size and varies depending on the timing of the repurchase of debt 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.

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 downward or upward adjustments to the carrying value of strategic investments accounted for under the measurement alternative if an impairment or observable price adjustment is recognized in the current period that 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.

Income tax adjustments
Provision or benefit 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.

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. Free cash flow does not reflect non-cash items, net cash used or provided by financing activities, and net cash used or provided by investing activities, other than 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.