

SUPPLEMENTAL FINANCIAL INFORMATION

Q4 FY20

SEAGATE

Safe Harbor Statement

This document contains 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 for the year ended June 28, 2019 filed with the U.S. Securities and Exchange Commission (“SEC") on August 2, 2019, and in our Quarterly Reports on Form 10-Q filed with the SEC on November 1, 2019, February 5, 2020, and April 30, 2020. Additional information will also be set forth in our Annual Report on Form 10-K for the year ended July 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 uses non-GAAP measures of adjusted revenue, gross margin, gross margin as a percentage of revenue, operating expenses, income from operations, operating margin as a percentage of revenue, 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. 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 its industry.

Executive Summary

Executing Well in A Challenging Business Environment

FQ4'20 Results within Guidance Range And Up YoY

- Record nearline EB shipment & solid revenue on cloud data center strength
- COVID-19 negatively impacted EPS by an estimated $0.25 - $0.30 and resulted in lower demand in certain key end markets and higher costs (logistics, labor, under-utilization costs)

Disciplined Cash Management & Strong Liquidity

- Good steward of cash
- Generating ongoing healthy free cash flow, committed to shareholder return program
- Strengthened balance sheet through debt restructuring

Well Positioned for Future Growth Opportunities

- Executing on technology roadmap with 16TB, 18TB and HAMR
- Product pipeline to support growth at the edge and in the cloud
- Confident in long-term secular demand for Mass Capacity storage with estimated TAM of ~$24B in CY25, up from ~$12.5B in LTM

Q4 FY20 Financial Highlights

$2.5B
REVENUE

26.5%
GROSS MARGIN
GAAP

10.6%
OPERATING MARGIN
GAAP

$0.64
DILUTED EPS
GAAP

117EB
HDD CAPACITY SHIPPED

$388M
CASH FLOW FROM OPERATIONS

27.3%
GROSS MARGIN
NON-GAAP[1]

14.8%
OPERATING MARGIN
NON-GAAP[1]

$1.20
DILUTED EPS
NON-GAAP[1]

4.5TB
AVG. CAPACITY PER DRIVE

1. See ‘Reconciliation Tables’ section for GAAP reconciliation.

FY20 Financial Highlights

$10.5B
REVENUE

27.0%
GROSS MARGIN
GAAP

12.4%
OPERATING MARGIN
GAAP

$3.79
DILUTED EPS
GAAP

442EB
HDD CAPACITY SHIPPED

$1.7B
CASH FLOW FROM OPERATIONS

27.7%
GROSS MARGIN
NON-GAAP[1]

14.7%
OPERATING MARGIN
NON-GAAP[1]

$4.95
DILUTED EPS
NON-GAAP[1]

3.6TB
AVG. CAPACITY PER DRIVE

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

Quarterly Financial Trends

	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20
GAAP Results					
Revenue ($M)	2,371	2,578	2,696	2,718	**2,517**
Gross Margin %	26.3%	26.0%	28.1%	27.4%	**26.5%**
Operating Expenses ($M)	292	398	374	370	**400**
Operating Margin %	14.0%	10.6%	14.2%	13.8%	**10.6%**
Net Income ($M)	983	200	318	320	**166**
Diluted EPS	$3.54	$0.74	$1.20	$1.22	**$0.64**
Non-GAAP Results[1]					
Revenue ($M)	2,371	2,578	2,696	2,718	**2,517**
Gross Margin %	27.1%	26.7%	28.7%	28.0%	**27.3%**
Operating Expenses ($M)	330	359	350	340	**313**
Operating Margin %	13.2%	12.8%	15.7%	15.5%	**14.8%**
Net Income ($M)	265	278	359	363	**311**
Diluted EPS	$0.95	$1.03	$1.35	$1.38	**$1.20**
End of Qtr Actual Share Count (M)	269	263	261	257	**257**
Diluted Shares O/S for EPS (M)	278	270	265	263	**260**
Dividends Per Share Paid	$0.63	$0.63	$0.63	$0.65	**$0.65**
Shares Repurchased (M)	7.8	9.2	2.5	4.0	**1.1**
Fiscal YTD Shares Repurchased (M)	21.2	9.2	11.7	15.7	**16.8**
Revenue by Product Line ($M)					
HDD	2,204	2,390	2,482	2,526	**2,321**
Enterprise Data Solutions, SSD & Other	167	188	215	192	**195**
Revenue by Channel					
OEM	71%	71%	68%	73%	**74%**
Distributors	17%	18%	17%	17%	**14%**
Retail	12%	12%	15%	10%	**12%**

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.

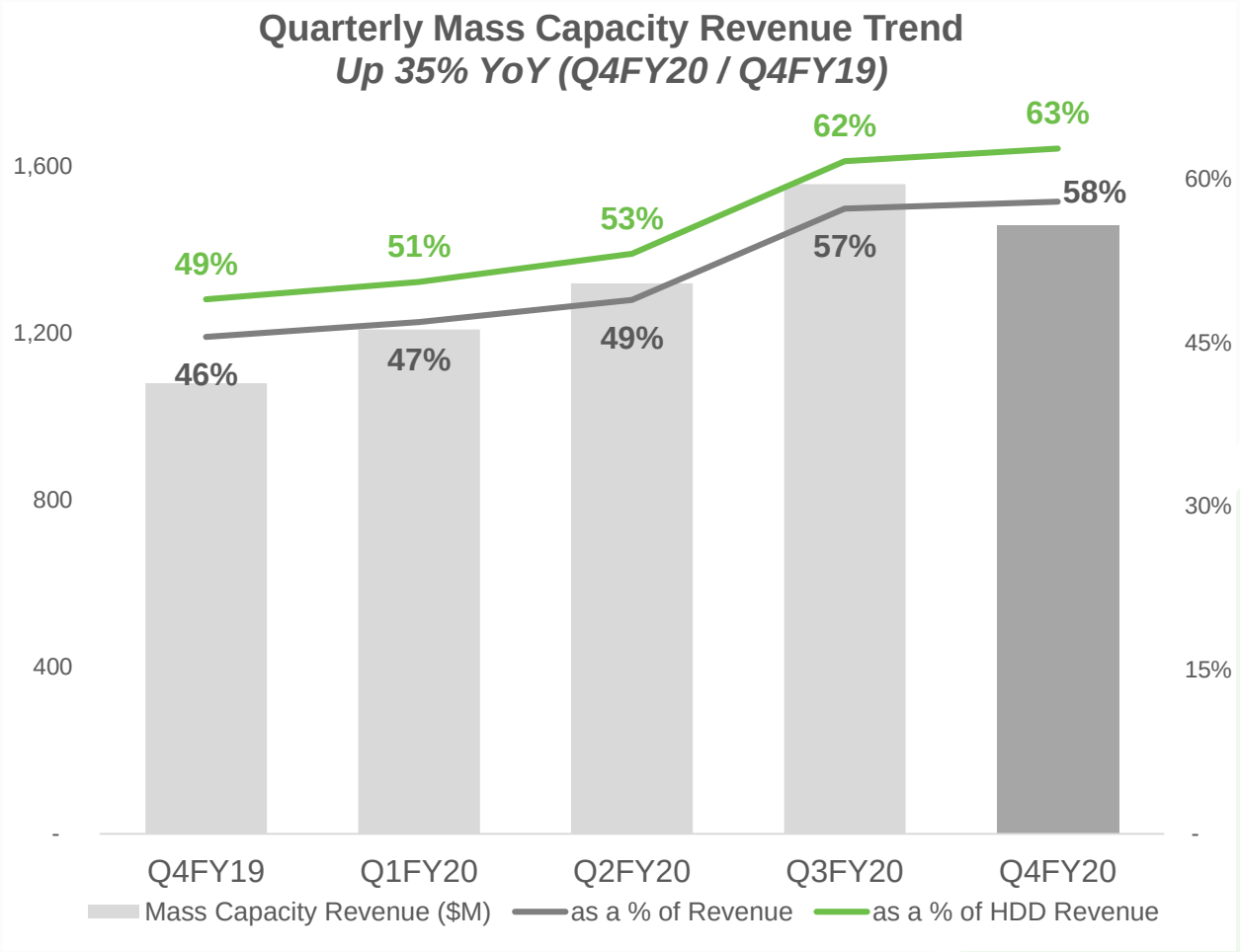
HDD Product Mix Trends

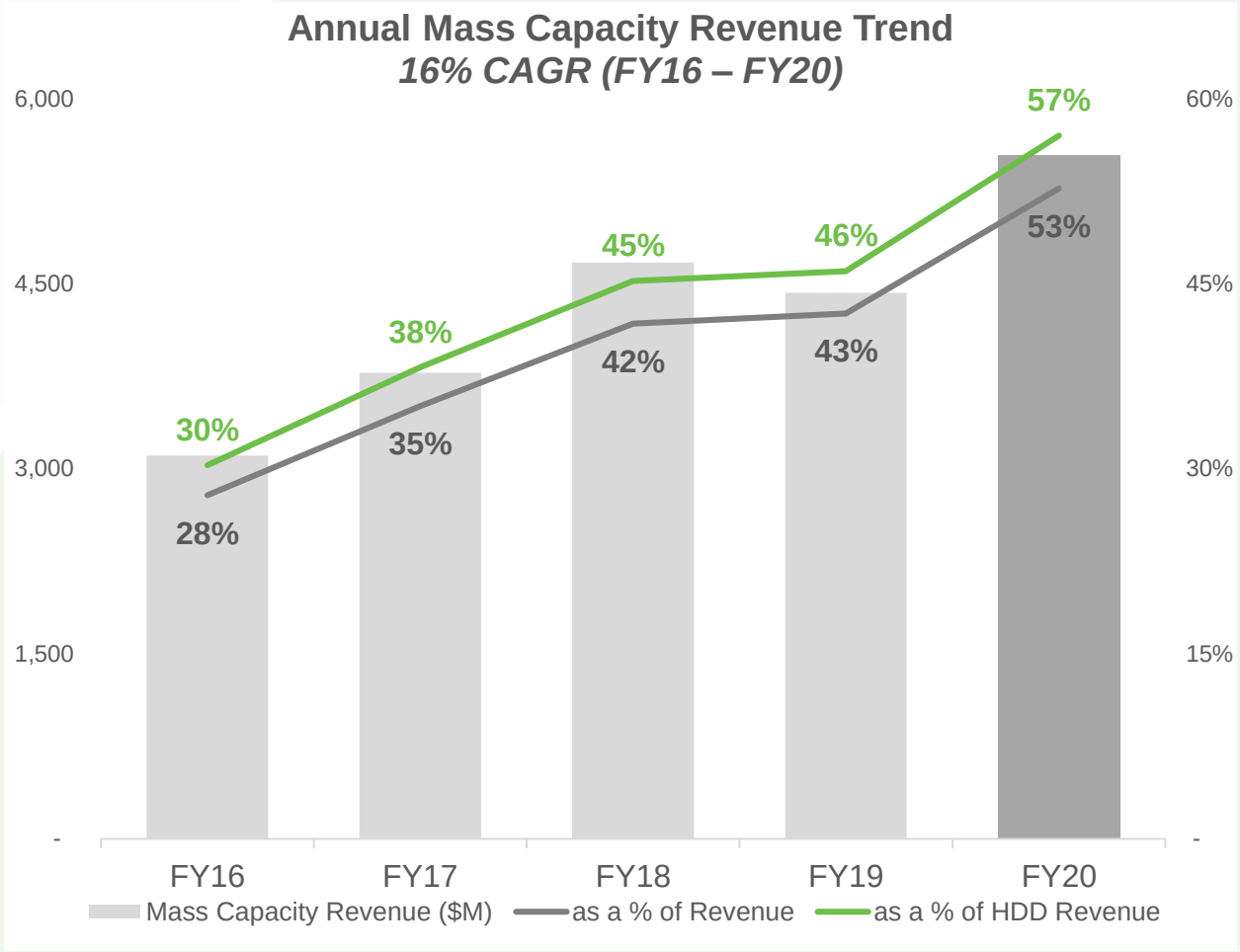
	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20
Capacity Shipped (EB)					
Mass Capacity	52.2	63.9	71.3	91.1	**90.5**
Nearline	*34.8*	*47.4*	*49.0*	*76.4*	***79.5***
Legacy	32.2	34.5	35.6	29.1	**26.4**
Average Capacity per Drive (TB)					
Mass Capacity	6.0	6.8	6.4	8.2	**9.2**
Legacy	1.4	1.4	1.6	1.6	**1.6**
Capacity Shipped (EB)	84.5	98.3	106.9	120.2	**117.0**
Average Capacity per Drive (TB)	2.7	2.9	3.3	4.1	**4.5**
Mass Capacity as a % of Revenue	46%	47%	49%	57%	**58%**
Legacy as a % of Revenue	47%	46%	43%	36%	**34%**

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

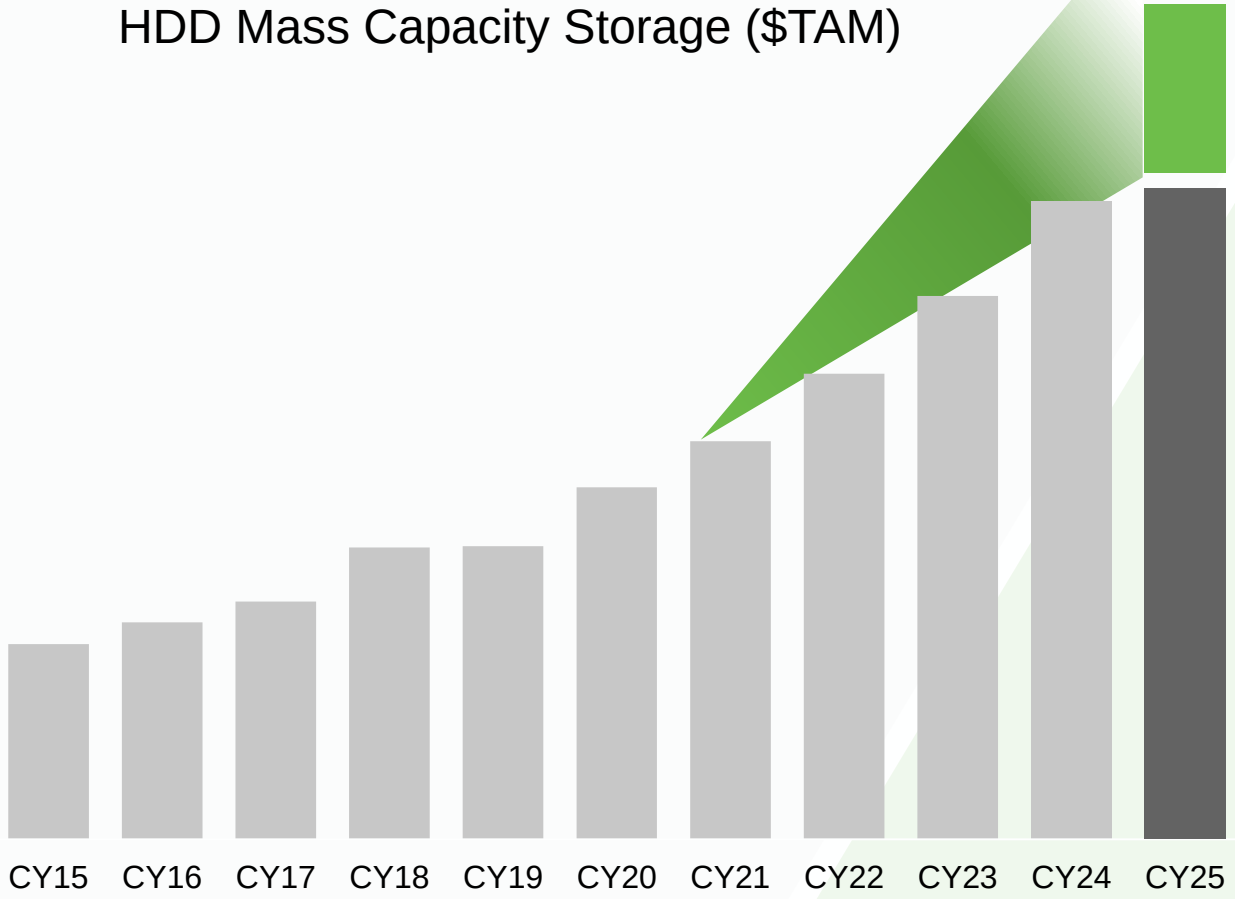




Mass Capacity storage includes nearline, video and image applications and NAS.

Significant Secular Growth Opportunity

HDD Mass Capacity Storage ($TAM)



Edge
IT 4.0

$3B - $6B

Incremental Edge Opportunity

Mass Capacity
IT 3.0

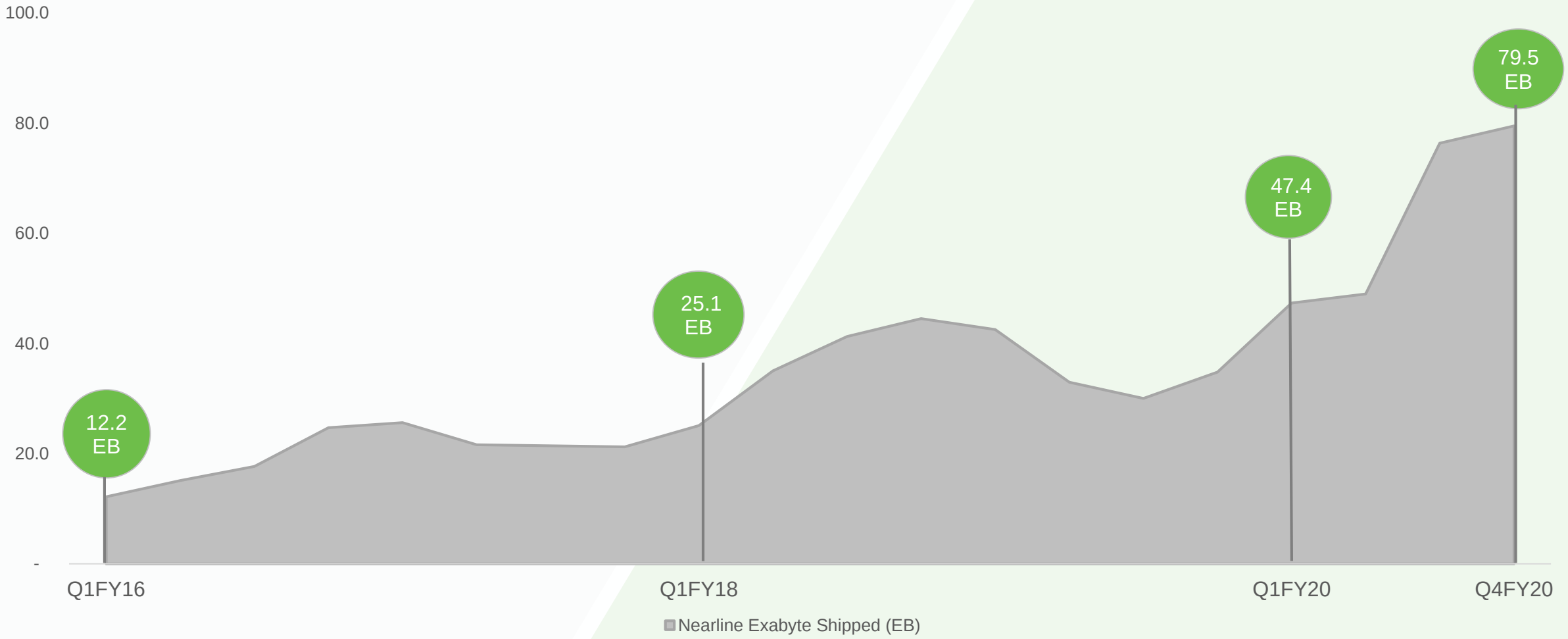
~$24B

Nearly doubling from LTM TAM of ~$12.5B
Does not reflect revenue TAM for Legacy markets

Note: Chart reflects revenue TAM for nearline, video and image applications and NAS HDDs.
LTM TAM of ~$12.5B based on Seagate estimates for Mass Capacity revenue TAM for 12-month period ending July 3, 2020.
Source: McKinsey (2018), Seagate

Seagate Nearline Demand Trend

38% CAGR FY16-FY20



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

Cash, Cash Flow, and Operational Trends

	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20
Cash[1] ($M)	2,220	1,784	1,744	1,612	**1,722**
Debt ($M)	4,253	4,140	4,141	4,103	**4,175**
Cash Flow From Operations ($M)	448	456	480	390	**388**
Capital Expenditures[2] ($M)	151	147	194	130	**114**
Free Cash Flow[3] ($M)	297	309	286	260	**274**
YTD Cash Flow From Operations[4] ($M)	1,761	456	936	1,326	**1,714**
YTD Shares Repurchased[4] ($M)	963	450	600	795	**850**
YTD Dividend Paid[4] ($M)	713	170	335	505	**673**
Days Sales Outstanding	38	40	38	39	**40**
Days Inventory Outstanding	50	53	54	51	**56**
Days Payables Outstanding	74	90	88	84	**89**
Cash Conversion Cycle	14	4	4	5	**8**
Worldwide Headcount (000's)	40	41	41	41	**42**

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.

Strategy and Perspectives on Debt

Sound Capital Management

- Earned and maintained Investment Grade benchmarks
- Debt with a pro forma weighted average maturity of ~7 years
- Maintain strong balance sheet with $3.2B in liquidity[1]

Investment Grade Framework

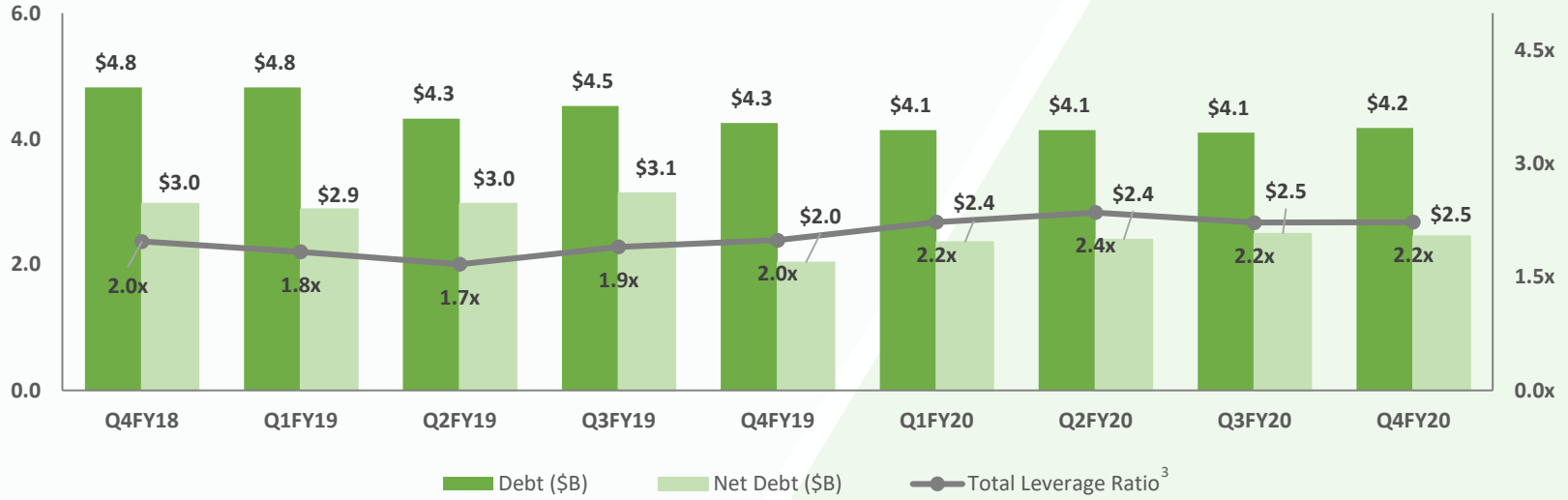
- Access to an undrawn Revolver of up to $1.5B[2]
- Level debt maturity profile with modest coupon rates
- Approximately 6% debt due within next 2 fiscal years

Strong Capital Return Program

- Robust free cash flow and cash position enables attractive dividend yield and share repurchase levels

1. Liquidity levels include both Cash and cash equivalents and revolver
2. Subject to compliance with certain requirements under the Company's control

Financial Covenants: Total Leverage Ratio[1]



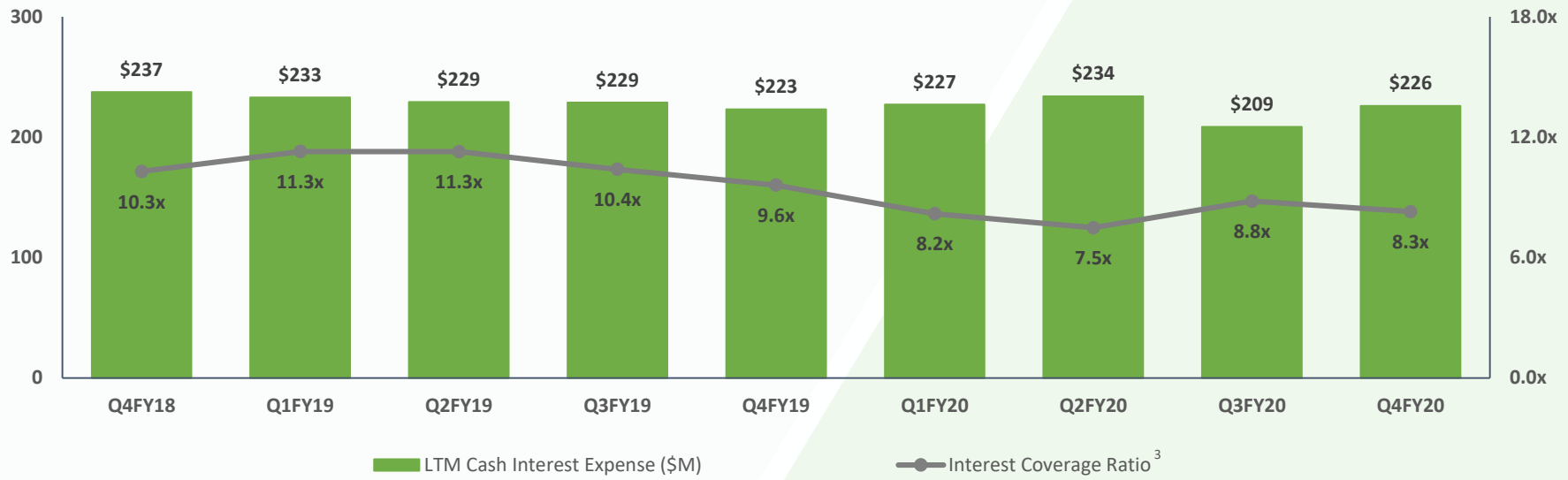
	Q4FY18	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20
Debt ($M)	4,819	4,821	4,324	4,522	4,253	4,140	4,141	4,103	**4,175**
Cash and cash equivalents ($M)	1,853	1,942	1,357	1,388	2,220	1,784	1,744	1,612	**1,722**
Net Debt ($M)	2,966	2,879	2,967	3,134	2,033	2,356	2,397	2,491	**2,453**
LTM Credit Agreement Defined EBITDA ($M)[2]	2,442	2,626	2,585	2,378	2,132	1,857	1,757	1,844	**1,870**
Total Leverage Ratio[3]	2.0x	1.8x	1.7x	1.9x	2.0x	2.2x	2.4x	2.2x	**2.2x**
Total Leverage Ratio on Net Debt[4]	1.2x	1.1x	1.1x	1.3x	1.0x	1.3x	1.4x	1.4x	**1.3x**

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 July 3, 2020 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. For the capitalized terms included but not defined here, please see the Credit Agreement filed with the SEC.
2. See 'Reconciliation Tables' section for reconciliation of net income to Credit Agreement defined EBITDA.
3. Total Leverage Ratio not to exceed 3.75 as of the end of any fiscal quarter.
4. Reflects Net Debt divided by LTM Credit Agreement Defined EBITDA.

Financial Covenants: Interest Coverage Ratio[1]



	Q4FY18	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	**Q4FY20**
LTM Credit Agreement Defined EBITDA ($M)[2]	2,442	2,626	2,585	2,378	2,132	1,857	1,757	1,844	**1,870**
LTM Cash Interest Expense ($M)	237	233	229	229	223	227	234	209	**226**
Interest Coverage Ratio[3]	10.3x	11.3x	11.3x	10.4x	9.6x	8.2x	7.5x	8.8x	**8.3x**

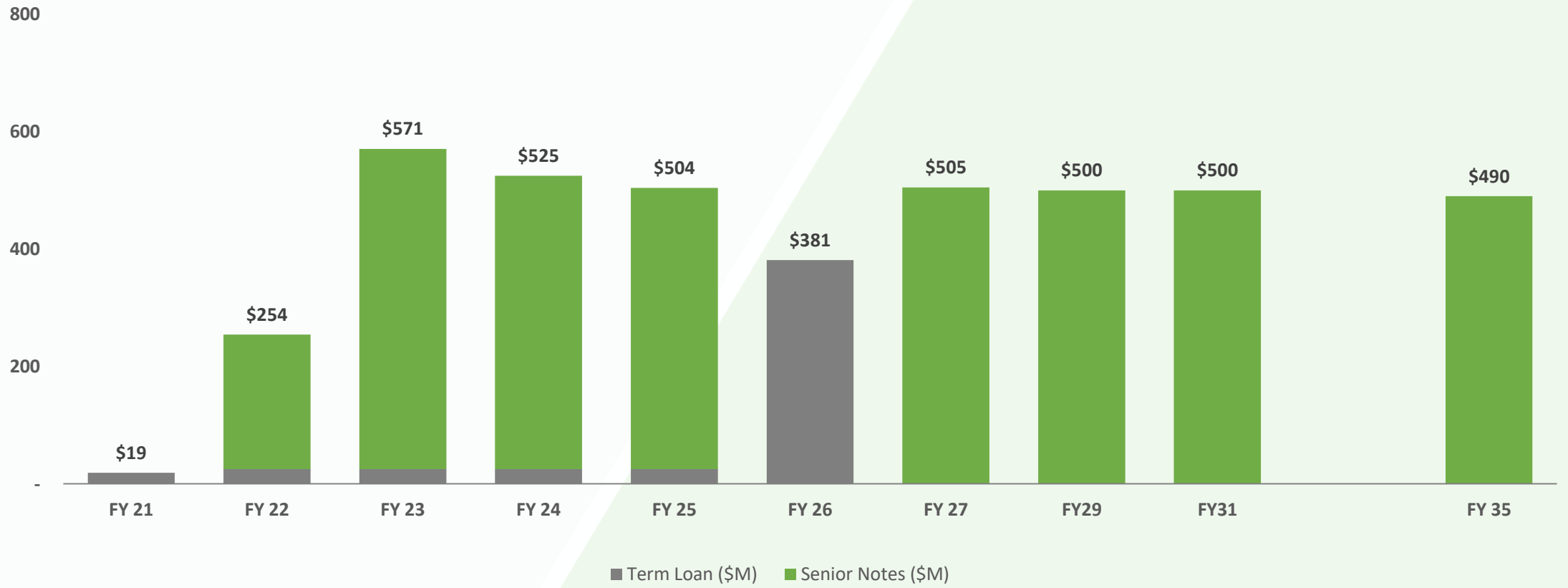
NOTE: Minor calculation variances are due to rounding.

1. For the capitalized terms included but not defined here, please see the Credit Agreement filed with the SEC.
2. See 'Reconciliation Tables' section for reconciliation of net income to Credit Agreement defined EBITDA.
3. Interest Coverage Ratio not to be less than 3.25 as of the end of any fiscal quarter.

Debt Maturity Profile[1]

Characteristics of Maturity Profile:

- Staggered Maturity
- Manageable tranche levels provide ample liquidity at maturity



NOTE: Minor calculation variances are due to rounding.

1. Principal Outstanding

RECONCILIATION TABLES



Reconciliation of Gross Margin to Non-GAAP Gross Margin ($M)	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	FY20
Gross Margin	**624**	**671**	**758**	**746**	**667**	**2,842**
Accelerated depreciation, impairment and other charges related to cost saving efforts	-	-	-	-	3	3
Amortization of acquired intangible assets	12	10	10	9	9	38
Share-based compensation [1]	6	7	6	7	7	27
Non-GAAP Gross Margin	**642**	**688**	**774**	**762**	**686**	**2,910**
Gross Margin %	26.3%	26.0%	28.1%	27.4%	26.5%	27.0%
Non-GAAP Gross Margin %	27.1%	26.7%	28.7%	28.0%	27.3%	27.7%

Reconciliation of Operating Expenses to Non-GAAP Operating Expenses ($M)	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	FY20
Operating Expenses	**292**	**398**	**374**	**370**	**400**	**1,542**
Amortization of acquired intangible assets	(5)	(3)	(3)	(3)	(2)	(11)
Restructuring and other, net	63	(17)	-	(2)	(63)	(82)
Share-based compensation [1]	(20)	(19)	(21)	(20)	(22)	(82)
Other charges	-	-	-	(5)	-	(5)
Non-GAAP Operating Expenses	**330**	**359**	**350**	**340**	**313**	**1,362**

Reconciliation of Income From Operations to Non-GAAP Income From Operations ($M)	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	FY20
Income From Operations	**332**	**273**	**384**	**376**	**267**	**1,300**
Accelerated depreciation, impairment and other charges related to cost saving efforts	-	-	-	-	3	3
Amortization of acquired intangible assets	17	13	13	12	11	49
Restructuring and other, net	(63)	17	-	2	63	82
Share-based compensation [1]	26	26	27	27	29	109
Other charges	-	-	-	5	-	5
Non-GAAP Income From Operations	**312**	**329**	**424**	**422**	**373**	**1,548**
Operating Margin %	14.0%	10.6%	14.2%	13.8%	10.6%	12.4%
Non-GAAP Operating Margin %	13.2%	12.8%	15.7%	15.5%	14.8%	14.7%

Reconciliation of Net Income to Non-GAAP Net Income ($M)	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	FY20
Net Income	**983**	**200**	**318**	**320**	**166**	**1,004**
Accelerated depreciation, impairment and other charges related to cost saving efforts	-	-	-	-	3	3
Amortization of acquired intangible assets	17	13	13	12	11	49
Restructuring and other, net	(63)	17	-	2	63	82
Losses and cost recognized on the modification or early redemption and repurchase of debt	-	30	-	-	32	62
Strategic investment losses (gains) or impairment recognized	-	-	1	-	19	20
Share-based compensation [1]	26	26	27	27	29	109
Other charges	4	-	-	4	1	5
Income tax adjustments	(702)	(8)	-	(2)	(13)	(23)
Non-GAAP Net Income	**265**	**278**	**359**	**363**	**311**	**1,311**
Shares used in diluted earnings per share calculation (M)	278	270	265	263	260	265
GAAP Diluted Net Income Per Share	**$3.54**	**$0.74**	**$1.20**	**$1.22**	**$0.64**	**$3.79**
Non-GAAP Diluted Net Income Per Share	**$0.95**	**$1.03**	**$1.35**	**$1.38**	**$1.20**	**$4.95**

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.

Reconciliation of Net Income to Credit Agreement Defined EBITDA ($M)	Q4FY18	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20
Net Income	**461**	**450**	**384**	**195**	**983**	**200**	**318**	**320**	**166**
Interest Income	(15)	(24)	(22)	(21)	(17)	(11)	(4)	(4)	(1)
Interest Expense	54	58	56	55	55	55	48	49	49
Income Tax Expense (Benefit)	5	18	14	20	(692)	(2)	18	18	(6)
Depreciation and Amortization	137	134	138	135	134	92	93	94	100
EBITDA	**642**	**636**	**570**	**384**	**463**	**334**	**473**	**477**	**308**
Adjustment to discontinued products	-	1	-	-	-	-	-	-	-
Losses and cost recognized on the modification or early redemption and repurchase of debt	-	-	-	-	-	30	-	-	32
Strategic investment losses (gains) or impairment recognized	8	4	(2)	-	-	-	1	-	19
Restructuring and other, net	(6)	23	7	11	(63)	17	-	2	63
Share-based compensation	27	18	27	28	26	26	27	27	29
Other charges	1	-	(1)	-	-	-	-	4	1
Credit Agreement Defined EBITDA[1]	**672**	**682**	**601**	**423**	**426**	**407**	**501**	**510**	**452**

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

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 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.

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 impairments or write-offs of other assets and 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.

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 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.

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. 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.

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.