

# Analyst Day

## 2019 NEW YORK



SEAGATE

# 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, without limitation, statements about the Company's plans, strategies and prospects, the Company's long-term financial performance or profitability, estimates of industry growth, market demand for our products, shifts in technology, our restructuring efforts, our expectations regarding capital expenditures, our ability to manage costs, and the Company's liquidity position, cash flows, capital return and dividend issuance plans for the fiscal quarter ending October 4, 2019 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: changes in market demand and the effects of the highly competitive markets in which we compete; changes in technology; market acceptance of new products; consolidation trends in the data storage industry; 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 Company's ability to generate sufficient cash flows from operations and investments in order to meet our liquidity requirements; the impact of trade barriers, such as import/export duties and restrictions, tariffs and quotas, imposed by the U.S. or other countries in which the Company conducts business; and the evolving legal, regulatory, and administrative climate in the international markets where the Company operates, including changes in regulations relating to privacy and protection of data and environmental matters. 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 2, 2019, 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 information 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, operating income, net income, earnings per share (EPS), diluted EPS, 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 in addition 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. Please refer to the GAAP to non-GAAP reconciliation tables at the end of this presentation for a full reconciliation of the Company's GAAP to non-GAAP measures.

We have not reconciled our non-GAAP diluted EPS outlook to the most directly comparable GAAP measure because material items that may impact these measures are out of our control and/or cannot be reasonably predicted including, but not limited to, accelerated depreciation, impairment, and other charges related to cost saving efforts, restructuring charges, strategic investment losses or impairment recognized, income tax adjustments on these measures, and other charges or benefits that may arise. The amounts of these measures are not currently available, but may be material to future results. A reconciliation of the non-GAAP diluted EPS to the corresponding GAAP measures is not available without unreasonable effort.



# Dave Mosley

**CHIEF EXECUTIVE OFFICER**



Driving the Future  
of Data



# VISION

We Craft the Datasphere

# MISSION

We help maximize humanity's potential by delivering precision-engineered data solutions developed through sustainable and profitable partnerships.

# VALUES

Inclusion / Innovation / Integrity

# Strong Investment Thesis



Large and Growing  
Storage TAM

Right Platform to  
Drive Growth

Storage  
Technology Leader

Creating  
Shareholder Value



# Massive Growth In Data

Creating Insatiable Demand for Storage to Maintain, Protect, Process, and Analyze Data

In the year 2002

**23 Exabytes**

of data was created

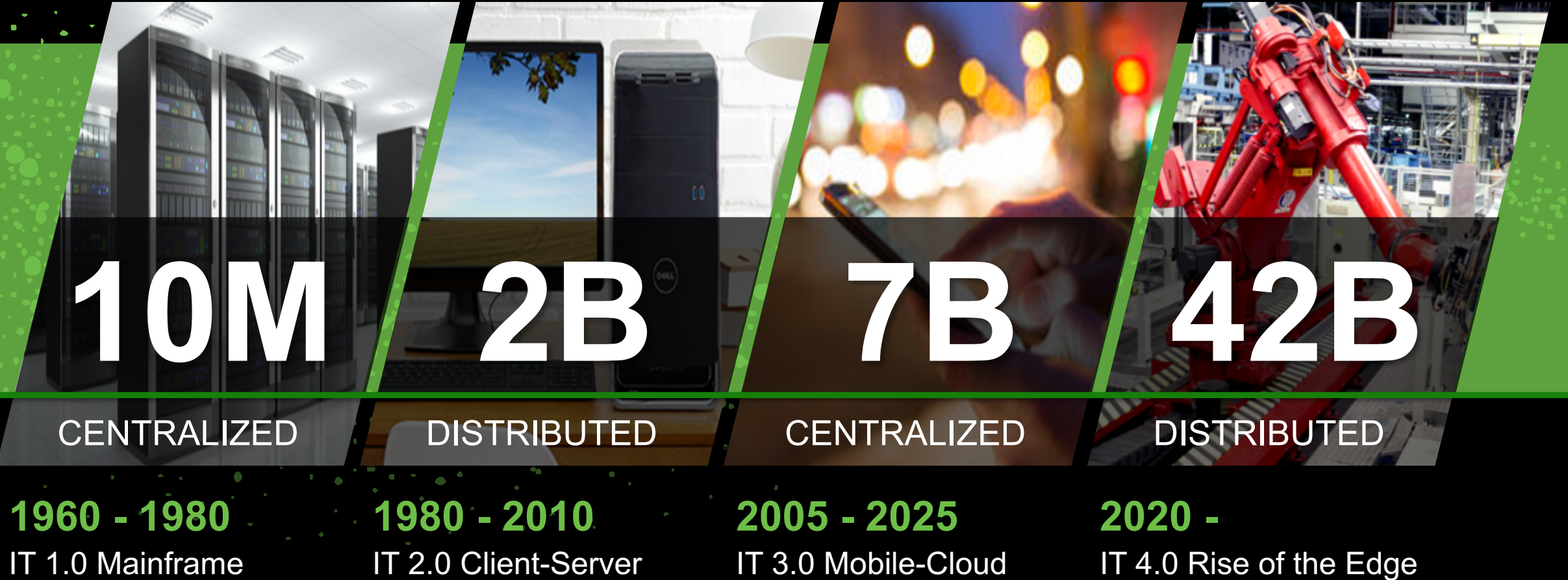
In the year 2020

**23 Exabytes**

of data will be created every 5 hours

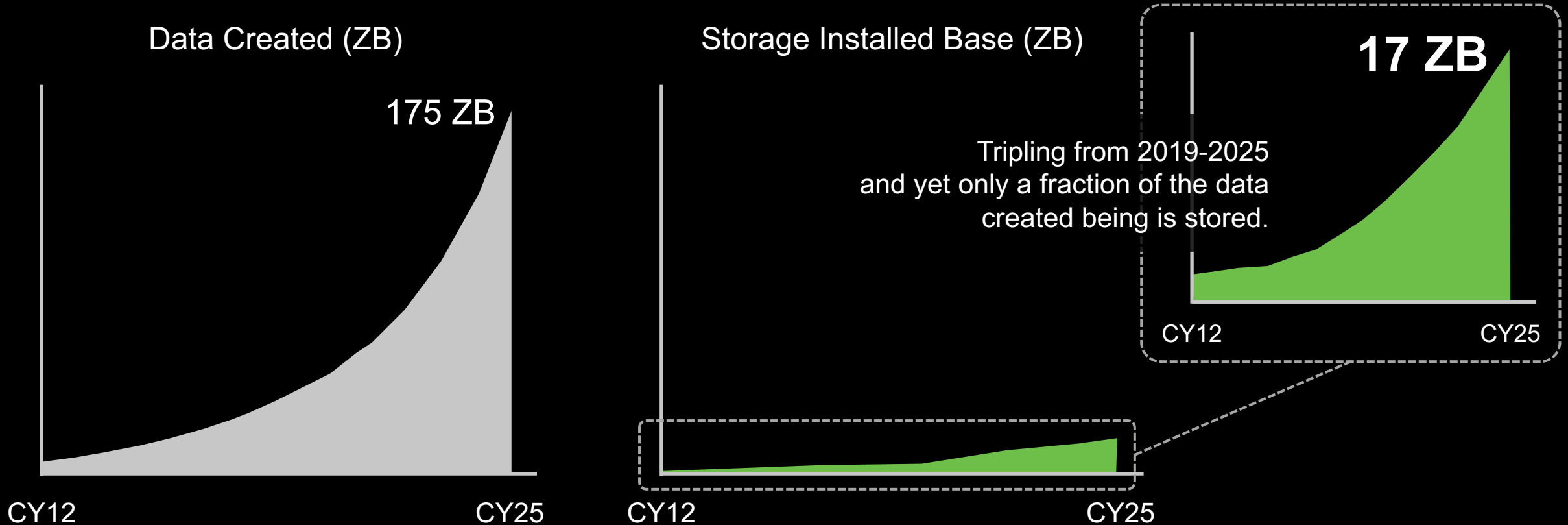


# Datasphere Continues to Evolve




Source: "The End of Cloud Computing", Peter Levine, (December 2016), IDC (2019)

# Massive Growth in Data Driving Demand for Storage



# IT 2.0 Leading Product Portfolio for Client-Server Markets

Minimal Investment to Maximize Return and Fuel Next Generation Investments

A graphic showing a computer monitor and tower unit on a desk, with the text "IT 2.0" overlaid in large white letters.

# IT 2.0

Client – Server

## Seagate Portfolio



Mission  
Critical



PC and  
Gaming



Pro  
Gaming

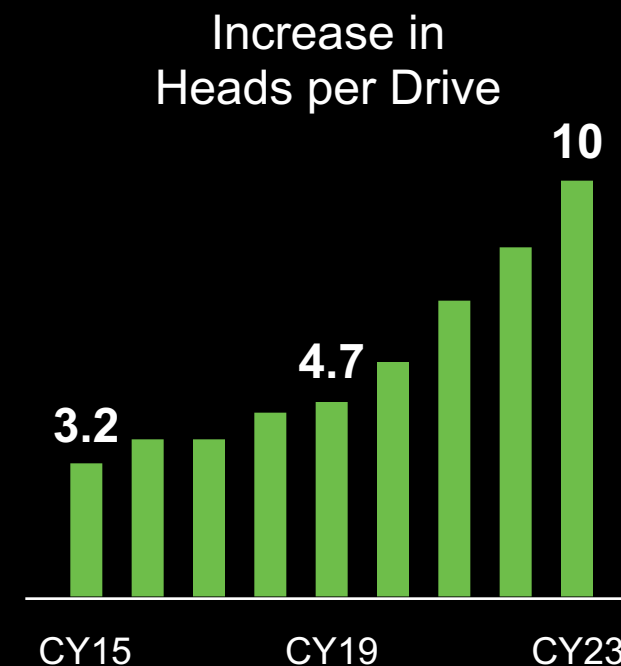
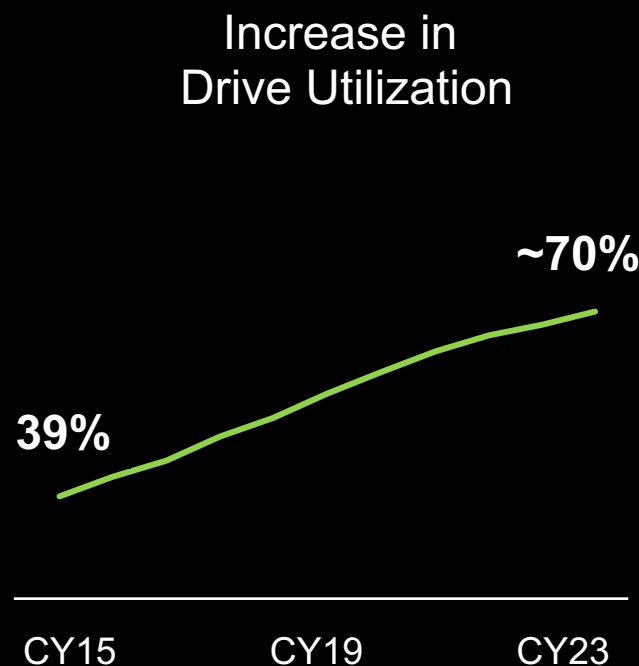
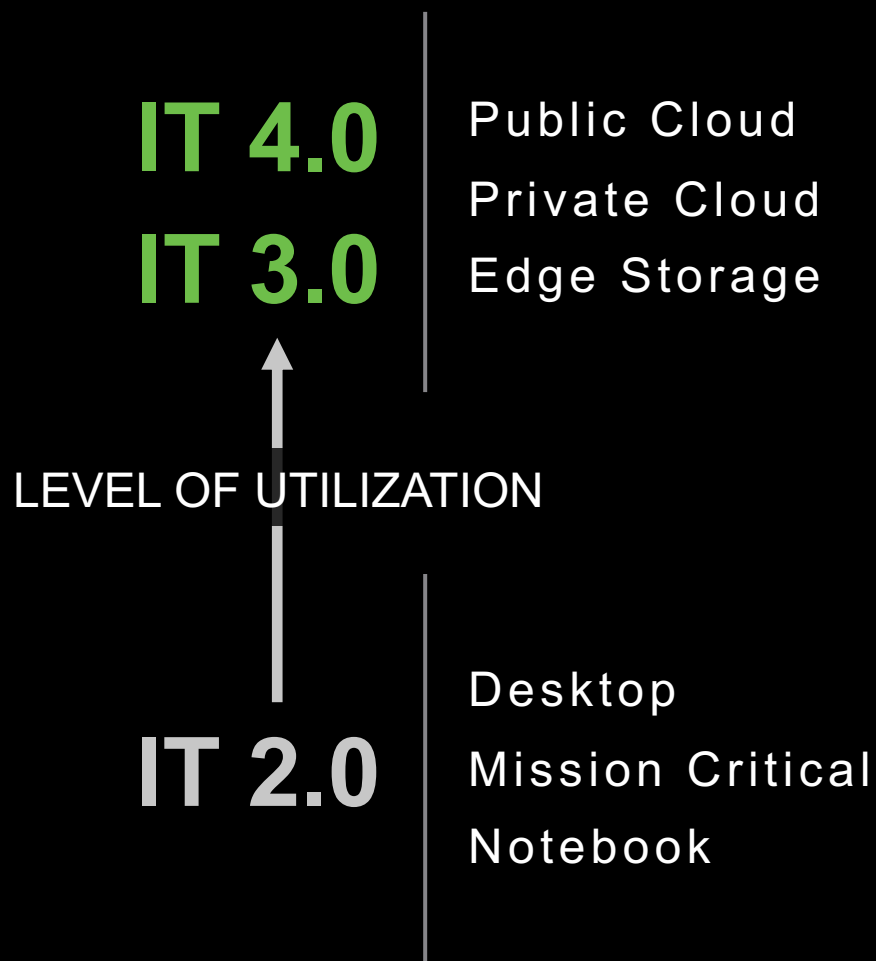


Consumer  
Externals





# HDD Demand Has Transitioned From Client Compute to Mass Capacity Storage Markets



# IT 3.0 Industry Transition to the Mobile Cloud

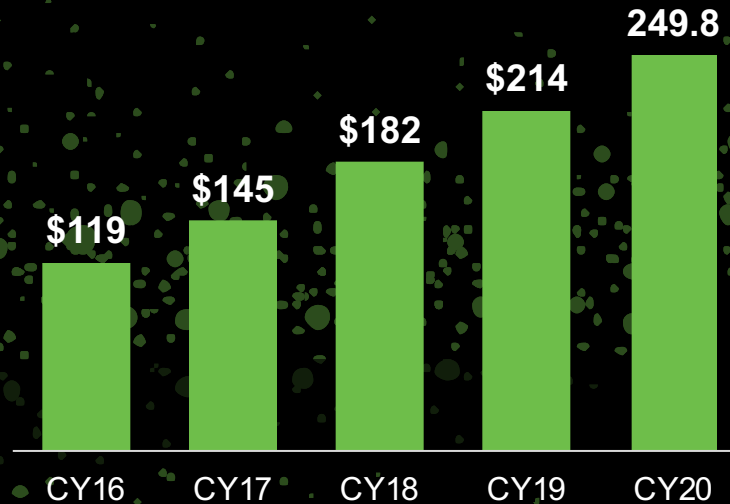
Higher Demand For Public Cloud Services Has Resulted In Increasing Infrastructure Build-out and Spend to Support Data Center Build-out



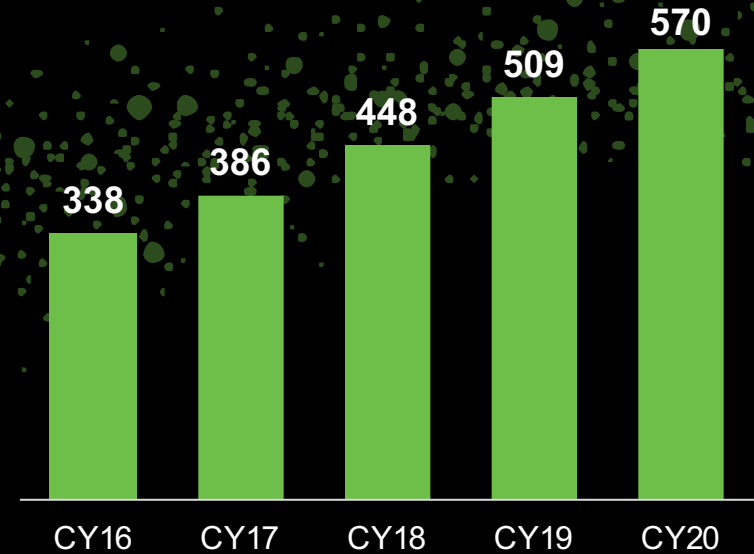
IT 3.0

Mobile – Cloud

Public Cloud Services Revenue (\$B)

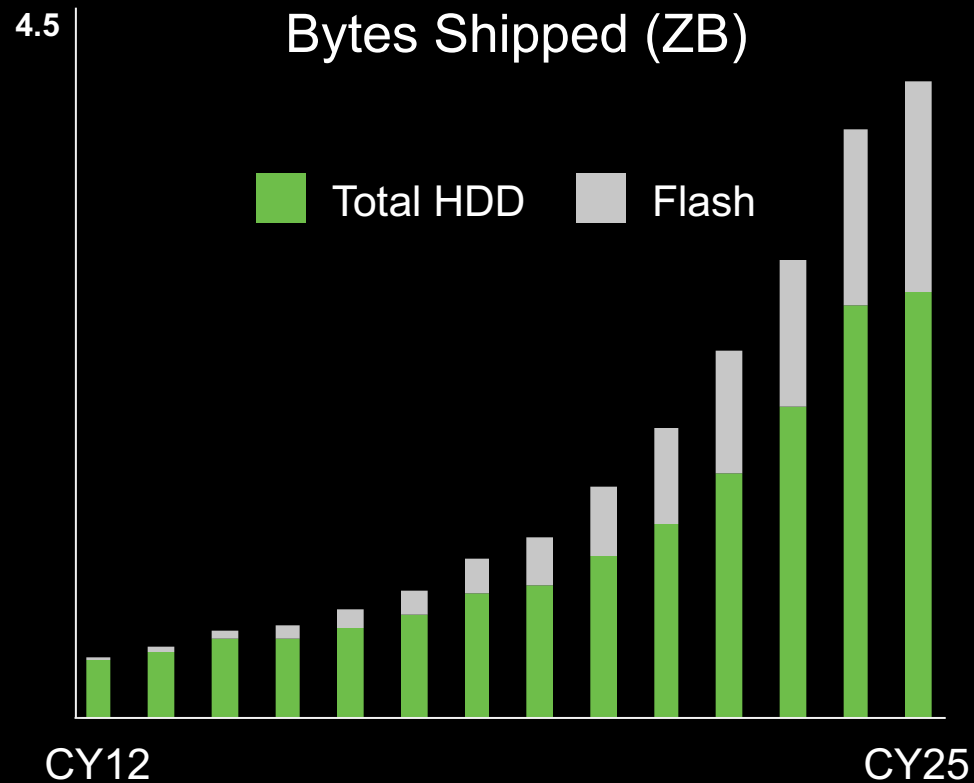


Hyperscale Data Centers



# HDDs to Fulfill a Majority of Datasphere Storage Exabyte Shipments

HDDs Support Growing Mass Capacity Demand



High Performance Storage

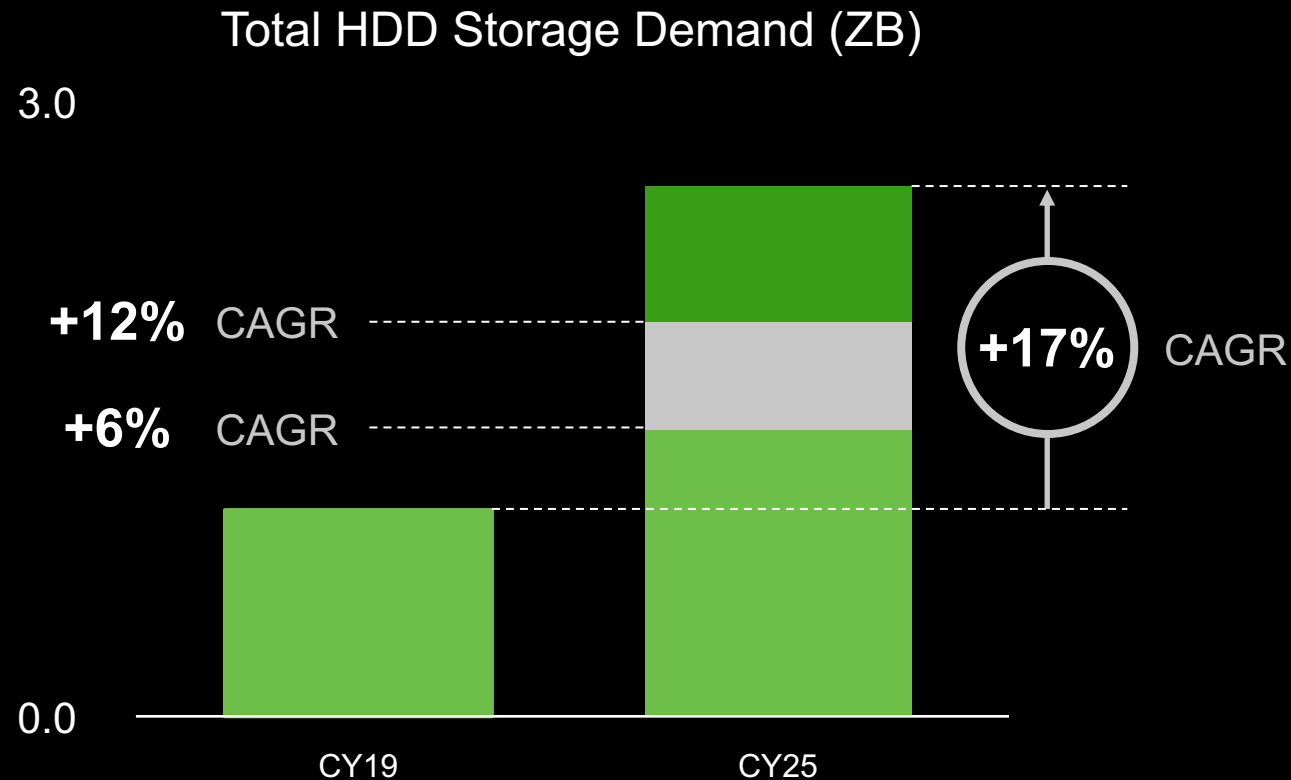
Compute Centric / Performance Optimized

Mass Capacity Storage

Data Centric / Capacity Optimized



# Technology Advancements and Capital Investments are Required to Meet HDD Storage Demand



- + Incremental industry manufacturing capacity
- + Assisted magnetic recording Exabyte growth
- Current industry capacity and current technology Exabyte growth

# IT 3.0 Strong Portfolio to Address Mobile Cloud Needs

Leadership in Capacity, Performance and Cost / TB



IT 3.0

## Largest Mass Capacity Hard Drive

16TB Shipping in volume on highly extendable 9D platform

## World's Fastest Hard Drive

Dual actuator shipping and in qualification

## Highest TCO Capability

Leader in Host Managed interaction to extend capacity



Mobile – Cloud

# The Rise of The Edge



IT 1.0

A black and white photograph of a mainframe computer room with rows of large, vertical computer cabinets.



IT 2.0

A black and white photograph of a server rack with multiple horizontal server units.



IT 3.0

A photograph of a hand holding a smartphone, with a blurred background of city lights at night.



IT 4.0

A photograph of a red industrial robotic arm in a factory setting.

Mobile – Cloud

Edge



# Trends Driving Data Growth at the **EDGE**

**AI**

Generating insights from Big Data  
**10-50 TB**  
per autonomous vehicle per day

**IoT**

















More connected devices, more data  
**~42B** connected devices by 2025

**5G**

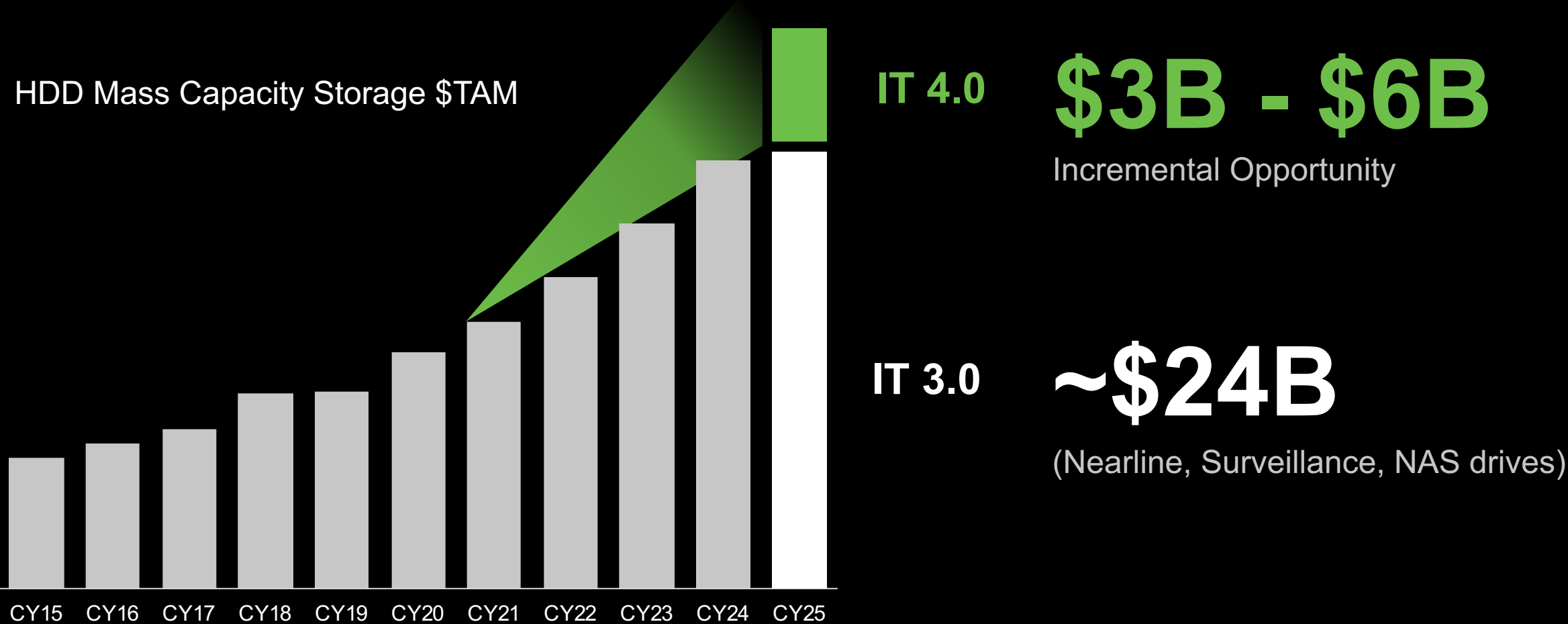
Faster connectivity, more data movement  
**310 PB** mobile traffic per day

# Edge Resulting in Market Expansion with New Verticals

Moving Compute and Storage Closer to Data Creation Enables Industries to Extract Value from Data

Factors Driving Storage to the Edge	 Telco	 Content Delivery Networks	 Autonomous Vehicles	 Smart Manufacturing	 Healthcare
Cost					
Latency					
Data Protection					

# Emergence of Edge Storage Driving Incremental \$3B – \$6B TAM by 2025



Note: Chart reflects revenue TAM for Nearline, Surveillance and NAS HDDs  
Source: McKinsey (2018), Seagate



# Seagate Well Positioned To Address Market Opportunities

Enabling Lower TCO  
(Total Cost of Ownership)

IT 4.0

Edge Storage



IT 3.0

Mobile Cloud



IT 2.0

Client Server



# Seagate Has a Strong Platform to Address Evolving Market

Expertise in Manufacturing,  
Technology, Systems  
Architecture

**EB**

Exabyte – Systems



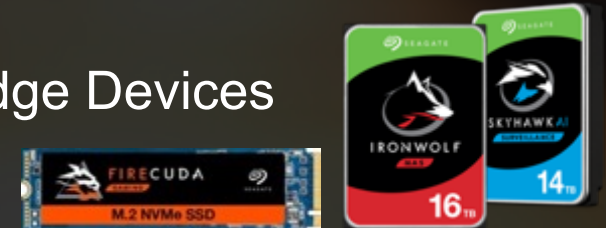
**PB**

Petabyte – Cloud Devices



**TB**

Terabyte – Cloud & Edge Devices

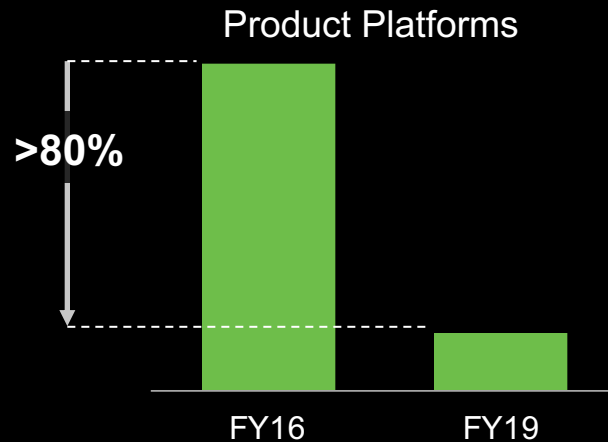




# Operational Strength at Scale

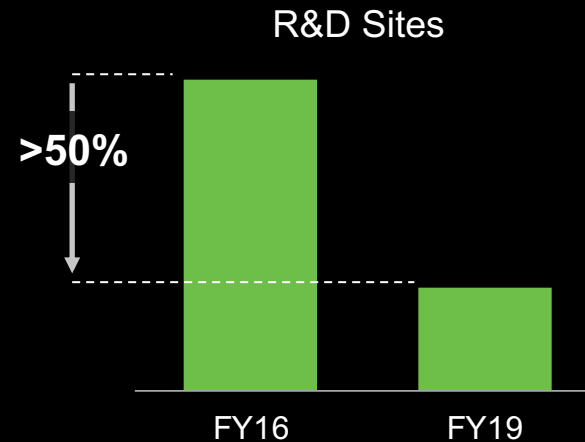
Well Positioned For Future Mass Capacity Storage Opportunities

## Reduced Product Platforms



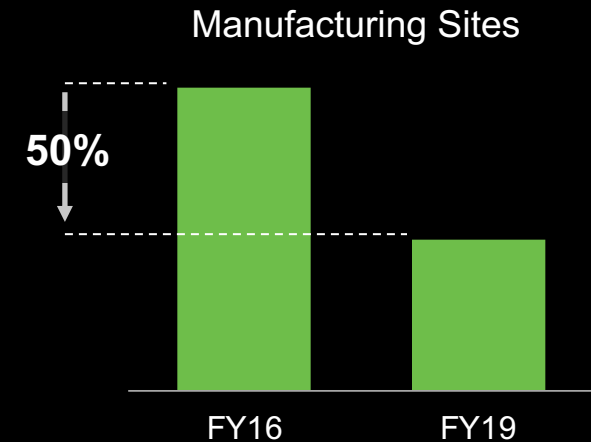
Cloud and Edge have similar requirements

## Concentrated R&D Locations



Focused investments on growing mass capacity markets

## Optimized Manufacturing Footprint



Improved efficiency  
Reduced complexity

# Technology Leader

Technology Leadership is Not Just About Making Larger Hard Drives,  
It's About Engaging With Our Customers to Solve Their Pain Points.



**MACH·2™**



Total Cost of  
Ownership

Performance

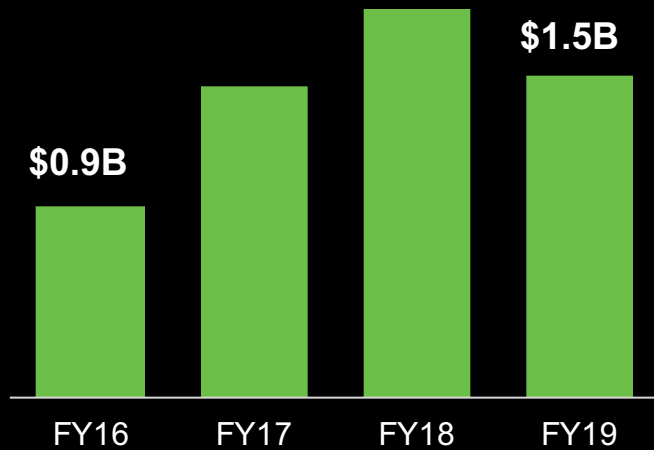
Fleet Health

Security

# Financial Strength

Focus on Improving Profitability and Free Cash Flow Through Industry Cycles

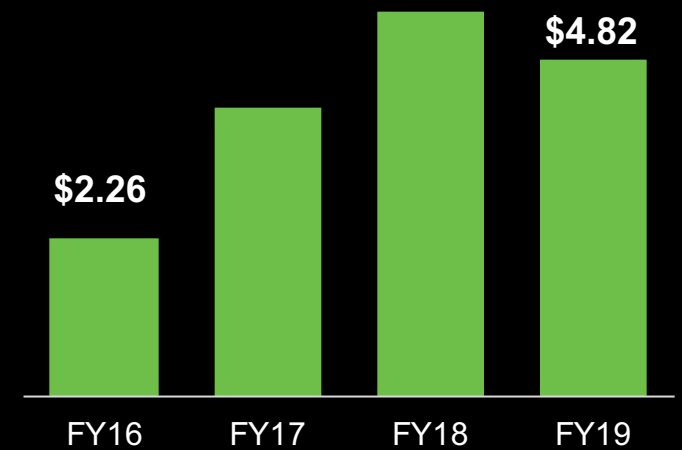
## Operating Income



## Free Cash Flow



## EPS



Reflects non-GAAP financial performance; see the "Reconciliation Tables" section for GAAP reconciliation





# ~3%

Raising Quarterly Dividend

# \$0.65

Per Share (\$2.60 annualized)

Target Increasing Dividend Consistently Over Time

Note The payment of any future quarterly dividends will be at the discretion of the Board of Directors of the Company (the "Board") and will be dependent upon Seagate's financial position, results of operations, available cash, cash flow, capital requirements and other factors deemed relevant by the Board.

# Our Speakers Today



Driving the Future  
Of Data

**Dave Mosley** CEO



Addressing Data  
Challenges in  
A Multi Cloud World

**Ravi Naik** CIO



Leading Technology  
Innovation

**John Morris** CTO



Creating Value for  
Shareholders

**Gianluca Romano** CFO



# Ravi Naik

**CHIEF INFORMATION OFFICER**



## Addressing Data Challenges in A Multi Cloud World

# CIO Challenges – Past

Cost

Support

Scalability

Interoperability

# CIO Challenges – Present

What Stays the Same and What Changed

Cost

User  
Experience

Business  
Outcomes

Data  
Privacy

Cost

Support

Scalability

Interoperability



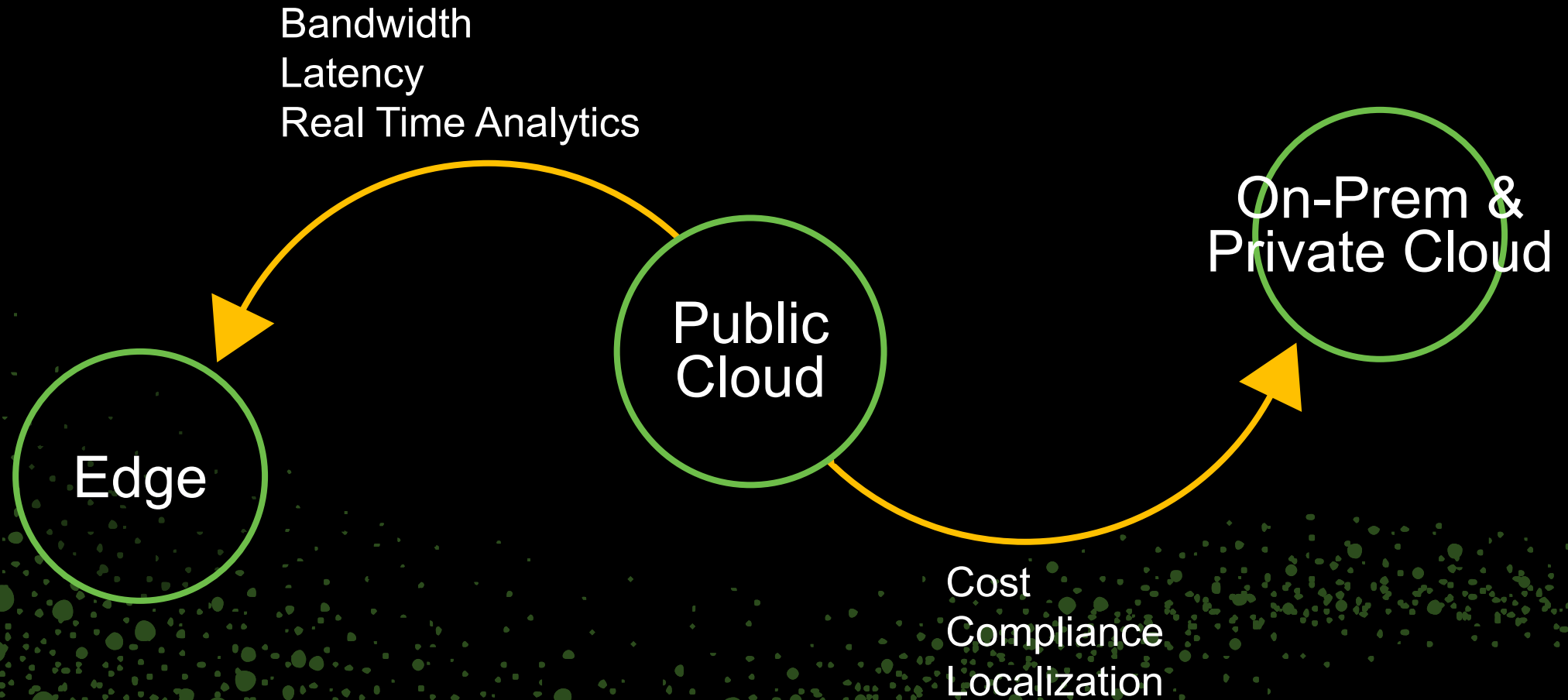
# The Promise Of Public Cloud

In Search of Simplicity

- / Simpler Architecture
- / Easy to Adopt
- / Lower TCO
- / Easier to Secure



# From a Centralized Cloud to Private Cloud and Edge

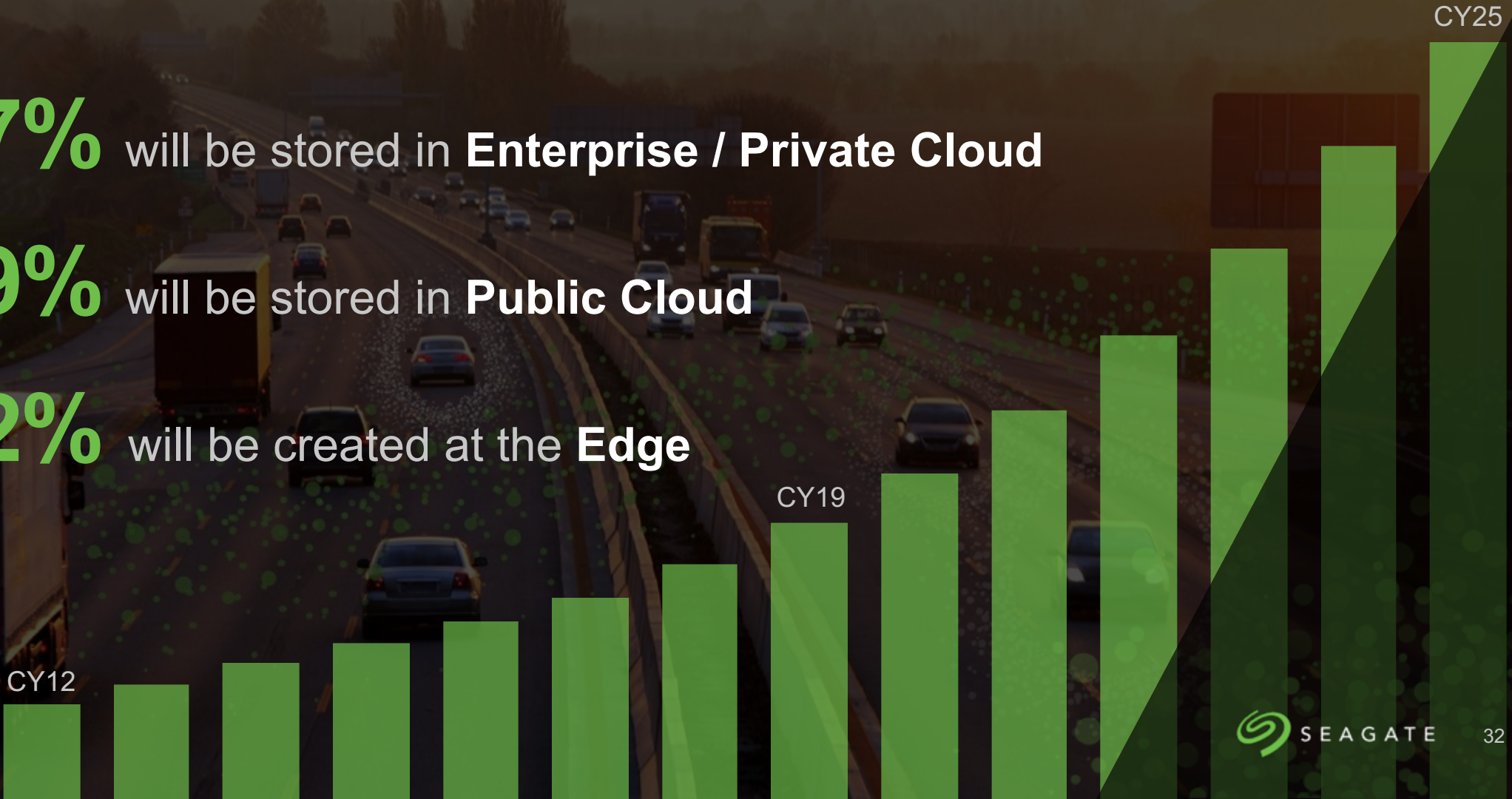


# Data Continues to Grow in Private Cloud, Public Cloud and Edge

**37%** will be stored in **Enterprise / Private Cloud**

**49%** will be stored in **Public Cloud**

**22%** will be created at the **Edge**




# Workload Repatriation – Which Data Goes Where



Edge

Latency sensitive  
data for analytics



Public Cloud

Latency tolerant data for  
traditional IT apps

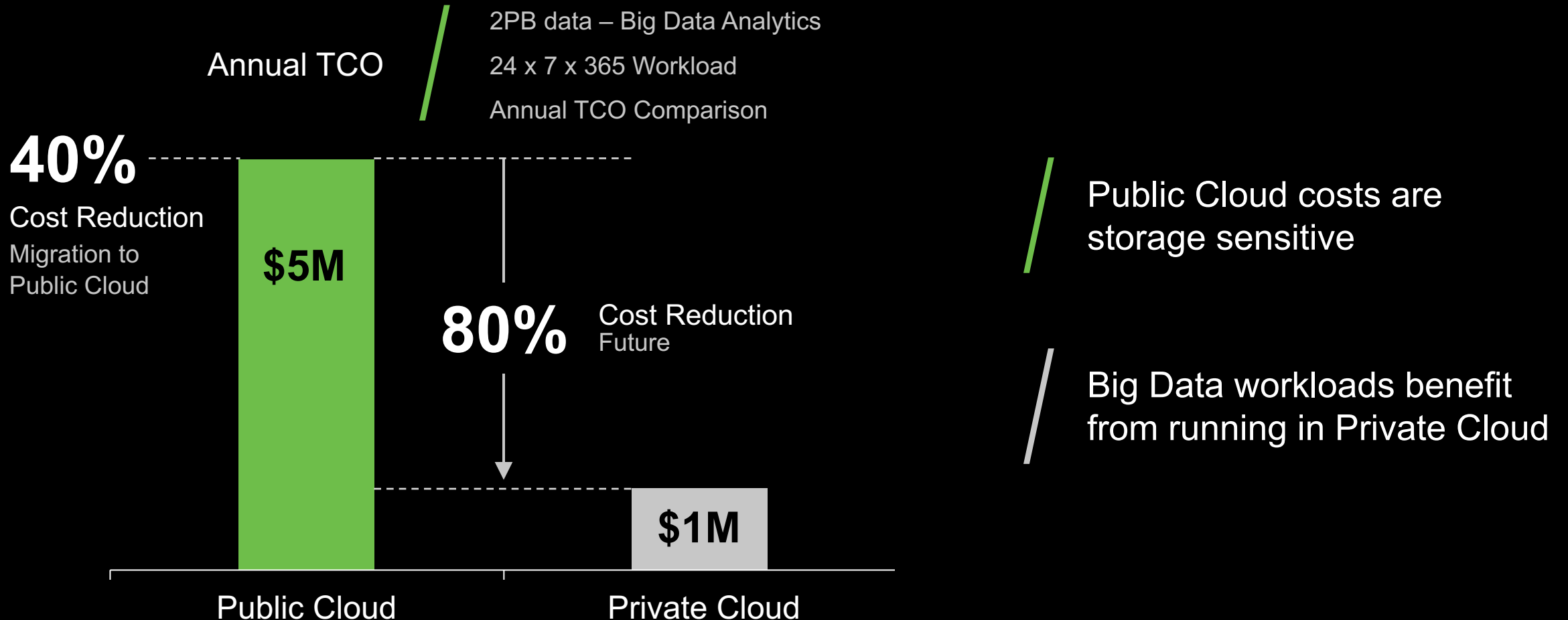


On-Prem &  
Private Cloud

High volume data for  
Machine Learning apps

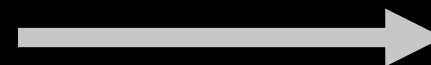
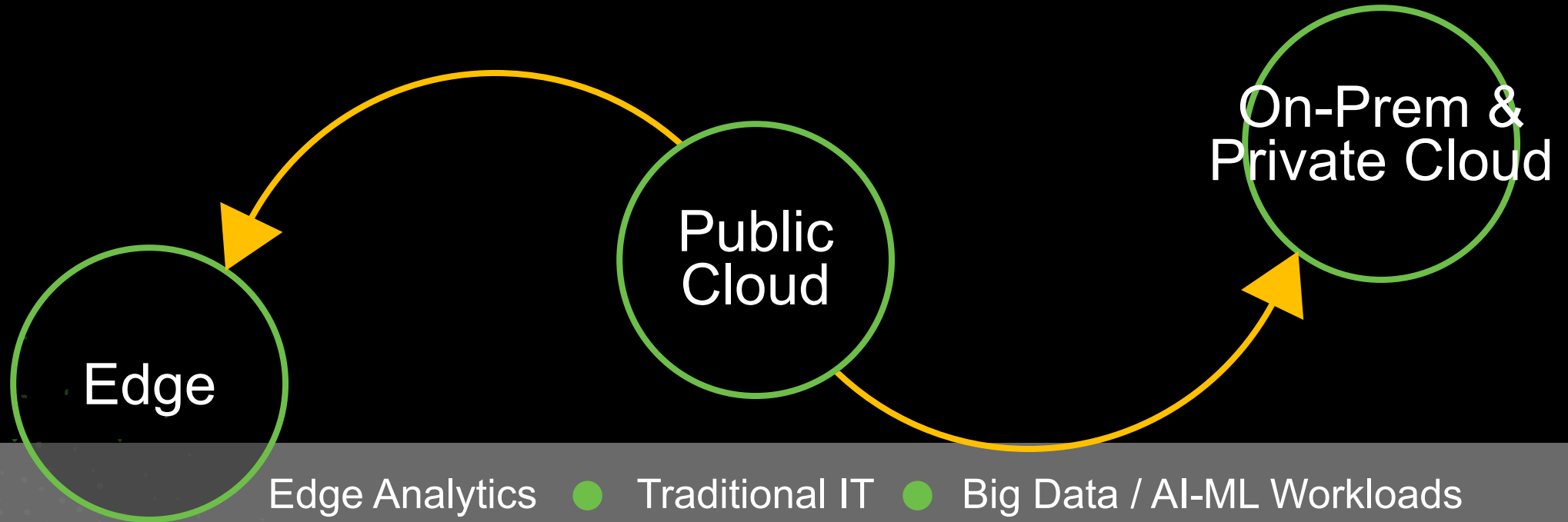
# A Closer Look: AI/ML Big Data Analytics in Public and Private Clouds

## Annual TCO in Public vs. Private Cloud



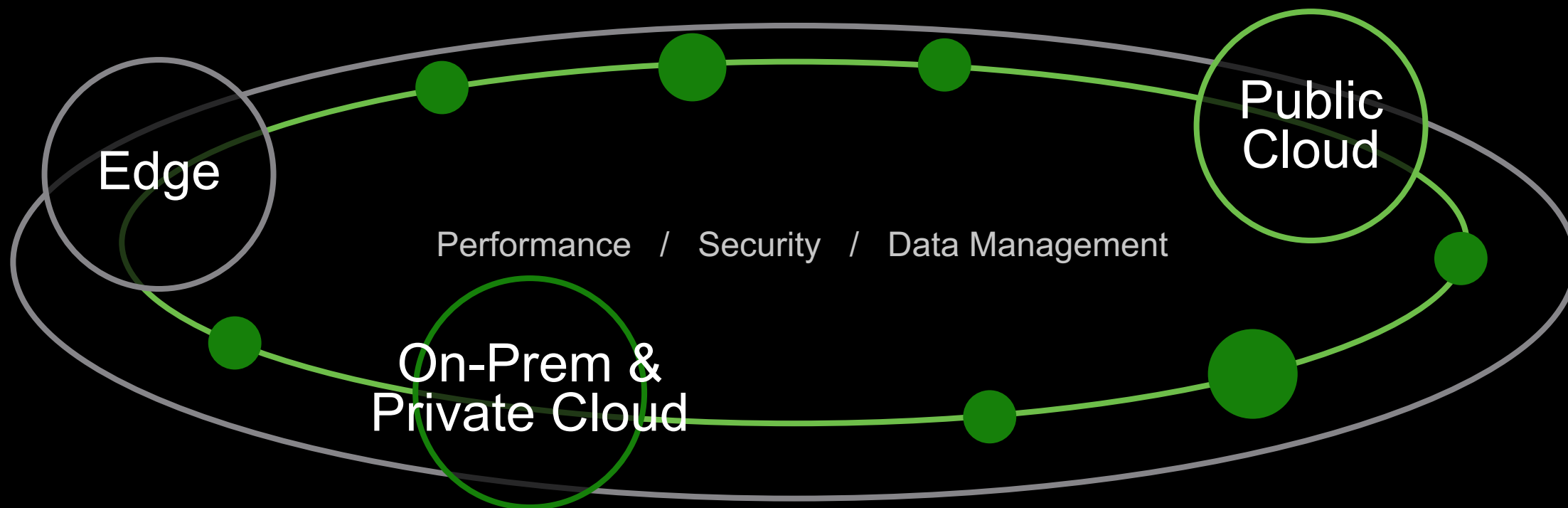


# Data Growth Drives Storage Demand Across All Environments



# The Perfect Future

Seamless and Secure Data Storage and Movement Across the Datasphere



**Efficient**

**Simple UX**

**Outcome Driven**

**Secure**

# Complete Portfolio And Expertise to Address Customer Needs Now and Into The Future

/ Storage is growing in the Public Cloud, Private Cloud and Edge

/ TCO remains the primary driver for evaluating storage needs

/ Mass capacity HDDs and systems best address customers' storage growth and TCO needs



BREAK



SEAGATE



# John Morris

**CHIEF TECHNOLOGY OFFICER**



Leading Technology  
Innovation



Google Cloud Platform

“HDDs continue to be competitive and critical for the Cloud Bulk Storage tier for the visible horizon.”

*Google Platforms, August 2018*



# Seagate Addressing the Mass Capacity Storage Challenges

## Customer Storage Challenges

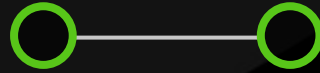
## Seagate's Solutions

Meeting Exabyte  
Demand Growth



Increase Areal Density

Maintaining SLAs with  
High Performance



Scale Performance  
with Capacity

Total Cost  
Of Ownership



Reduce \$ / TB

# Seagate Addressing the Mass Capacity Storage Challenges

## Customer Storage Challenges

Meeting Exabyte  
Demand Growth

Maintaining SLAs with  
High Performance

Total Cost  
Of Ownership



## Seagate's Solutions

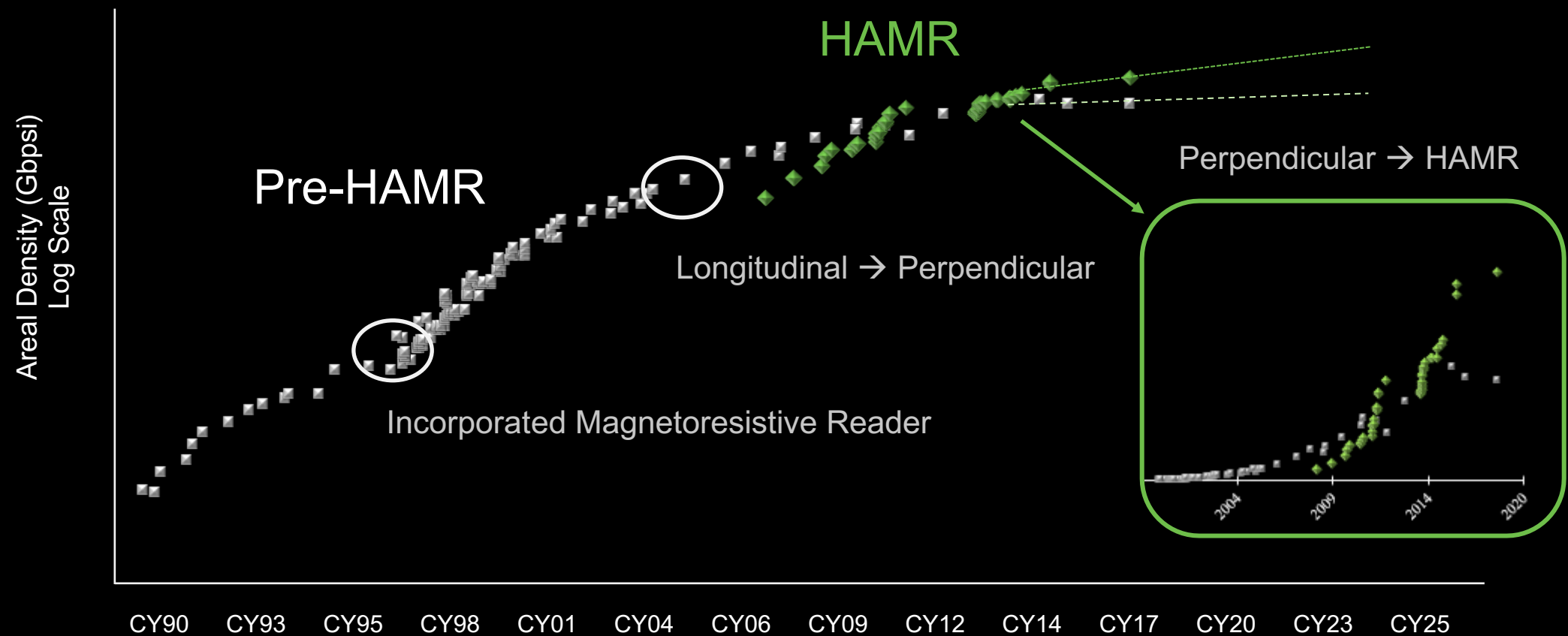
Increase Areal Density

Scale Performance  
with Capacity

Reduce \$ / TB

# Seagate Technology Enabling Step Function Growth in HDD Capacity

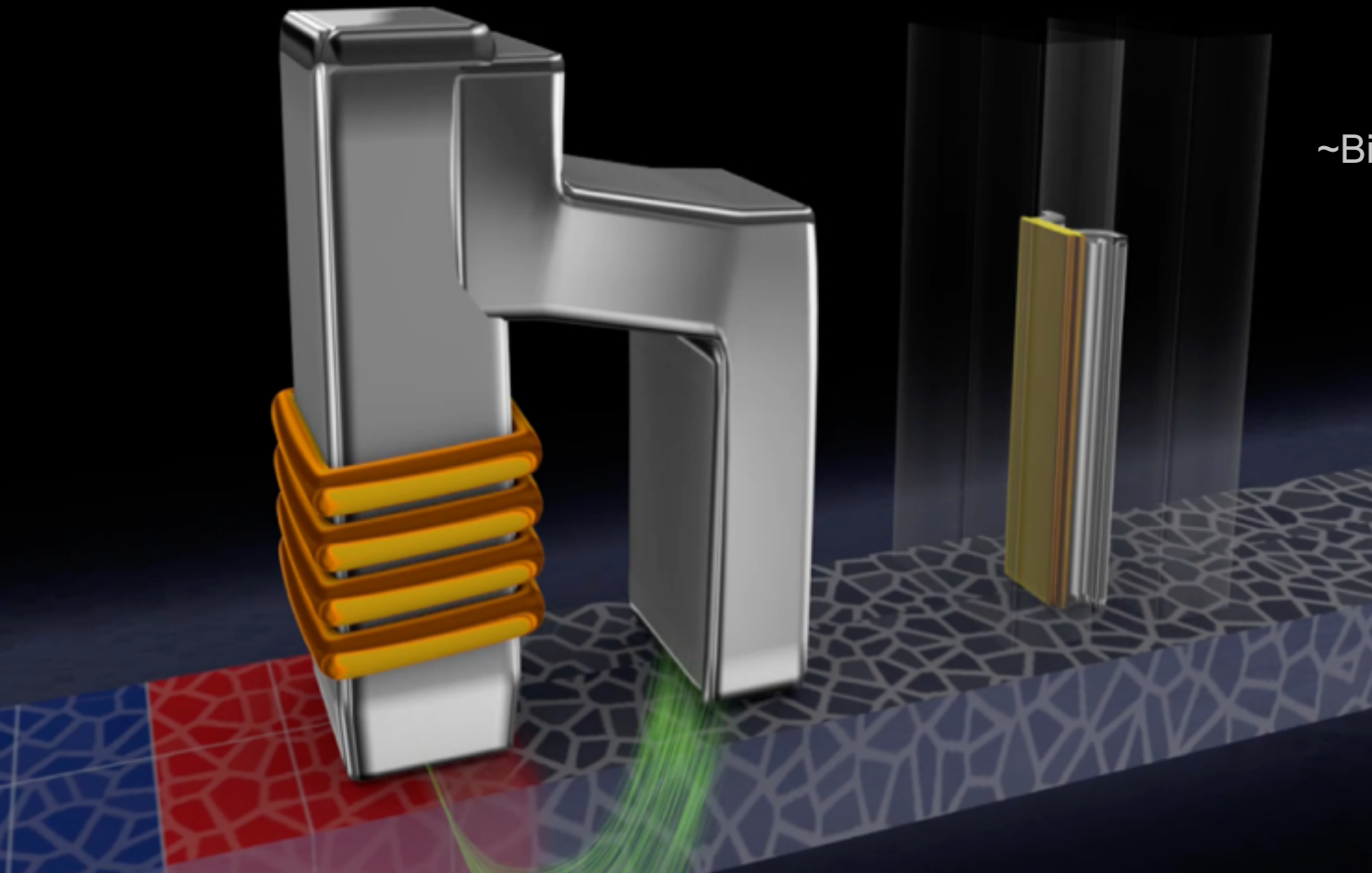
On the Cusp of the Next Decade of Scalability



Source: Seagate  
HAMR – Heat Assisted Magnetic Recording

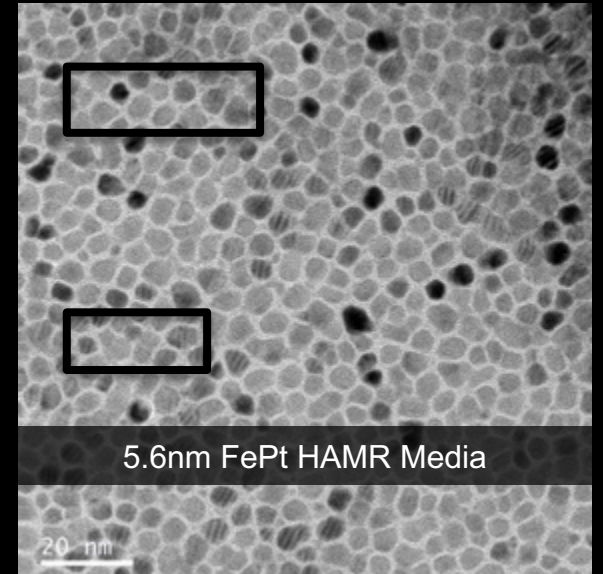


# Enabling Higher Capacity & Areal Density – Media Technology



~Bit size for **16 TB**

~Bit size for **32 TB**



## Glass Media

- Enables higher sputter temperatures needed for FePt material
- Seagate volume on NL started in 2015
- Robust mechanics for high disk count assemblies

## New Magnetic Material (FePt)

- More robust storage (higher coercivity for grain stability)

# Enabling Higher Capacity & Areal Density – Head Technology

## Areal Density Writability Challenge

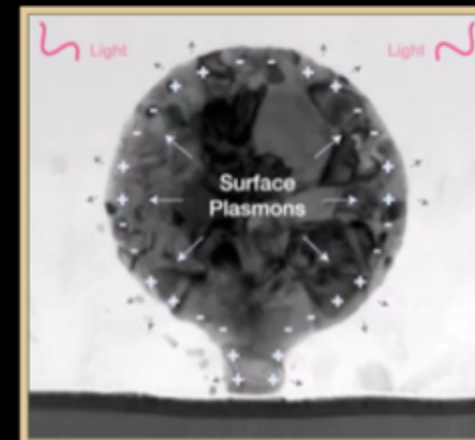
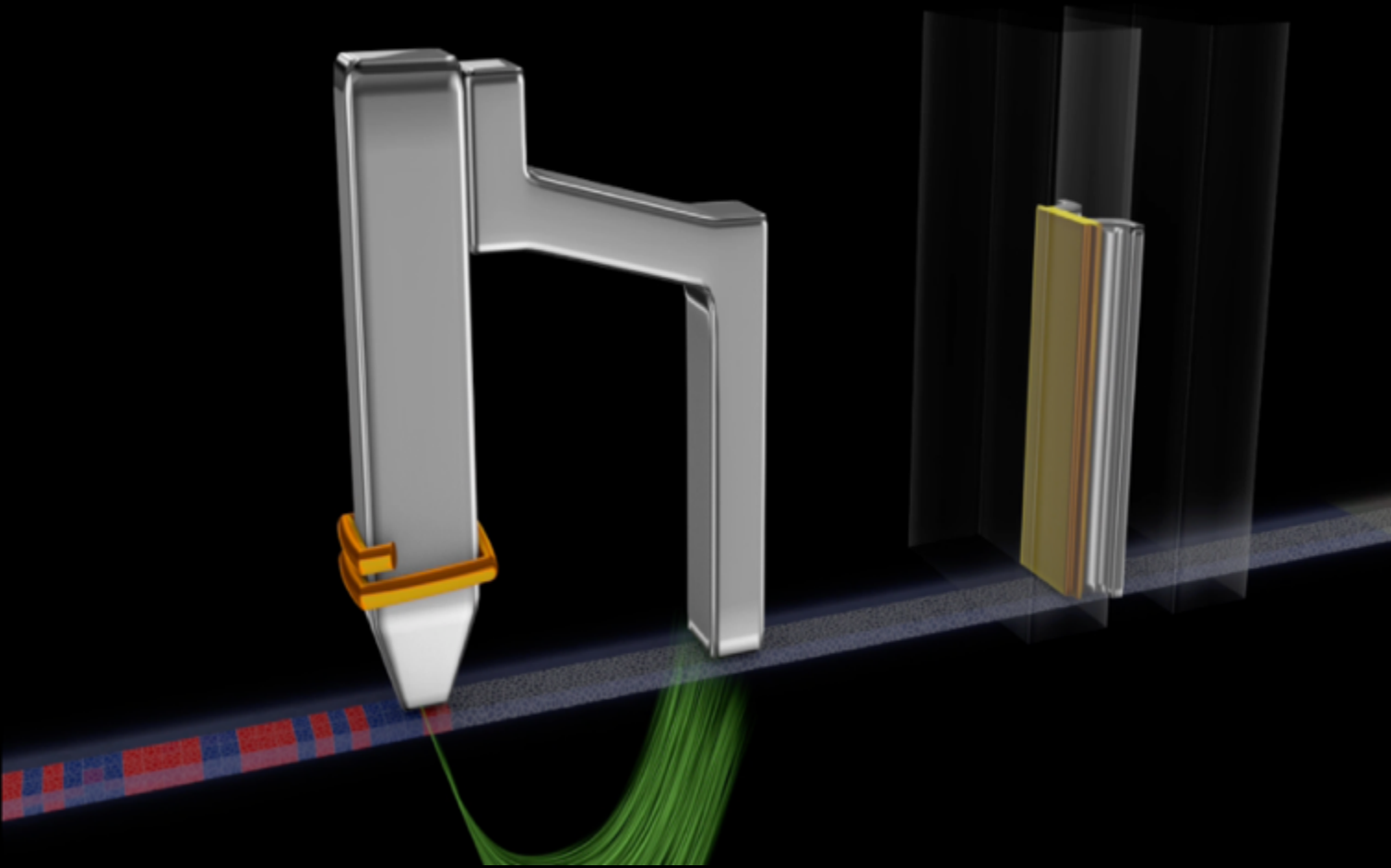
- Write smaller bits on high coercivity media

## Near-Field Transducer (NFT) Design

- Creates electric field that couples into media
- Perpendicular writer sets bit

## Proven and Reliable Design

- Heats and cools in <2 nanoseconds



Plasmonic NFT

# HAMR Enabling Higher Capacity & Areal Density – **MANUFACTURING**



## Drive Assembly

- ~55K drives built, leveraging 9 disk platform

## Components

- Automation for volume build and test
- >7.6M heads assembled and built in last 5 years

## Readiness

- Systems with HAMR drives under evaluation with customers (sub-20TB)
- 20TB drives in our labs; development progressing to plan
- Supply chain in place



# Cray Selects Seagate's HAMR Technology to Power the World's Largest High-Speed Storage System



Cray selected to build Frontier; anticipated to debut in 2021 as the world's most powerful supercomputer.



HAMR won by offering the industry's  
Highest capacity density /  
Best performance / Lowest power per TB



- > **1.5 Exaflops**  
delivery in 2021
- > **10 Terabyte/Second**  
aggregate throughput
- ~ **1 Exabyte**  
raw capacity

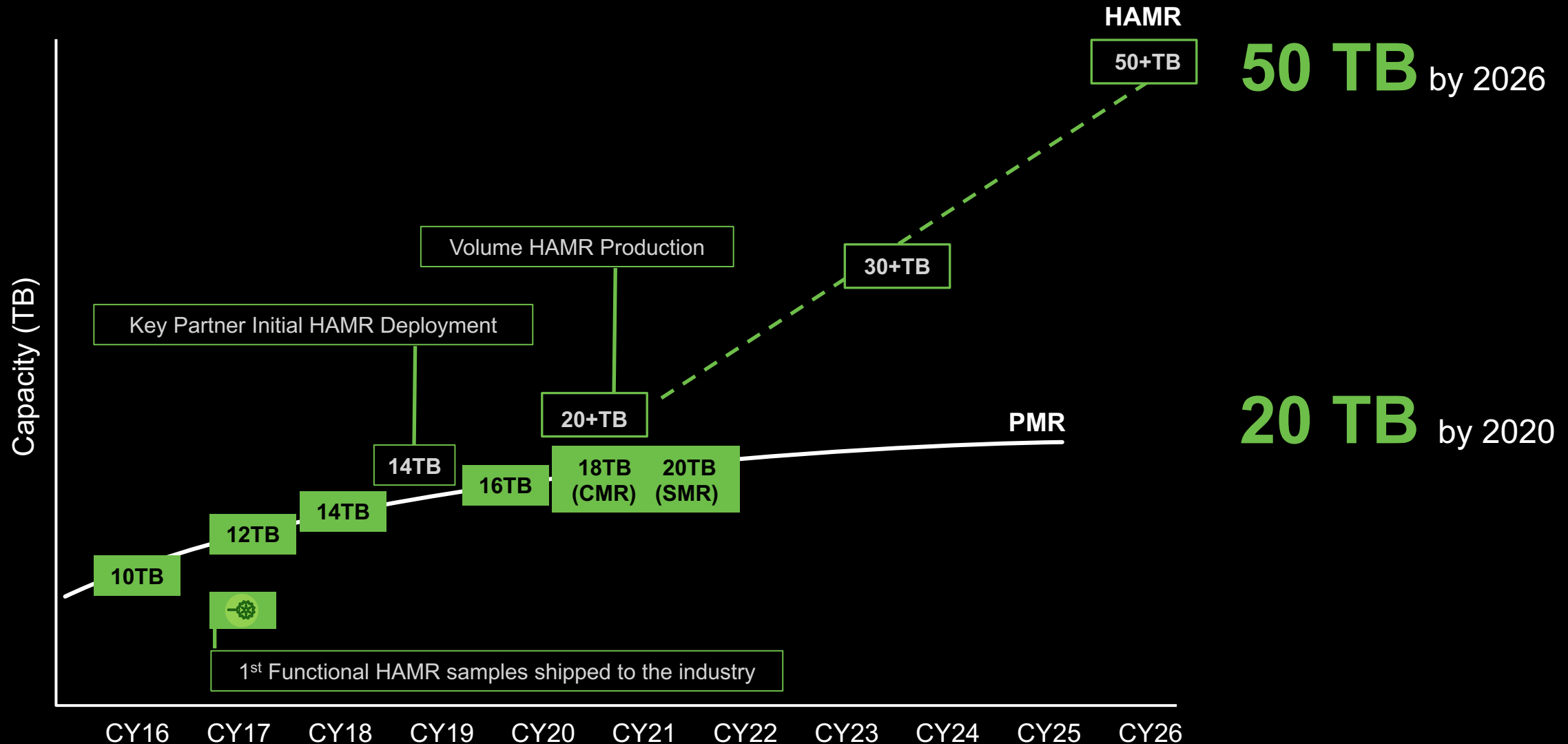


- > **400 Exos Systems**  
with HAMR technology
- > **47,000 HAMR**  
20TB drives

**89% of Frontier's Storage**  
on HAMR



# Seagate Technology Continues to Drive the Areal Density Curve



PMR – Perpendicular Magnetic Recording, CMR – Conventional Magnetic Recording, SMR – Shingled Magnetic Recording

# Seagate Addressing the Mass Capacity Storage Challenges

## Customer Storage Challenges

Meeting Exabyte  
Demand Growth

Maintaining SLAs with  
High Performance

Total Cost  
Of Ownership

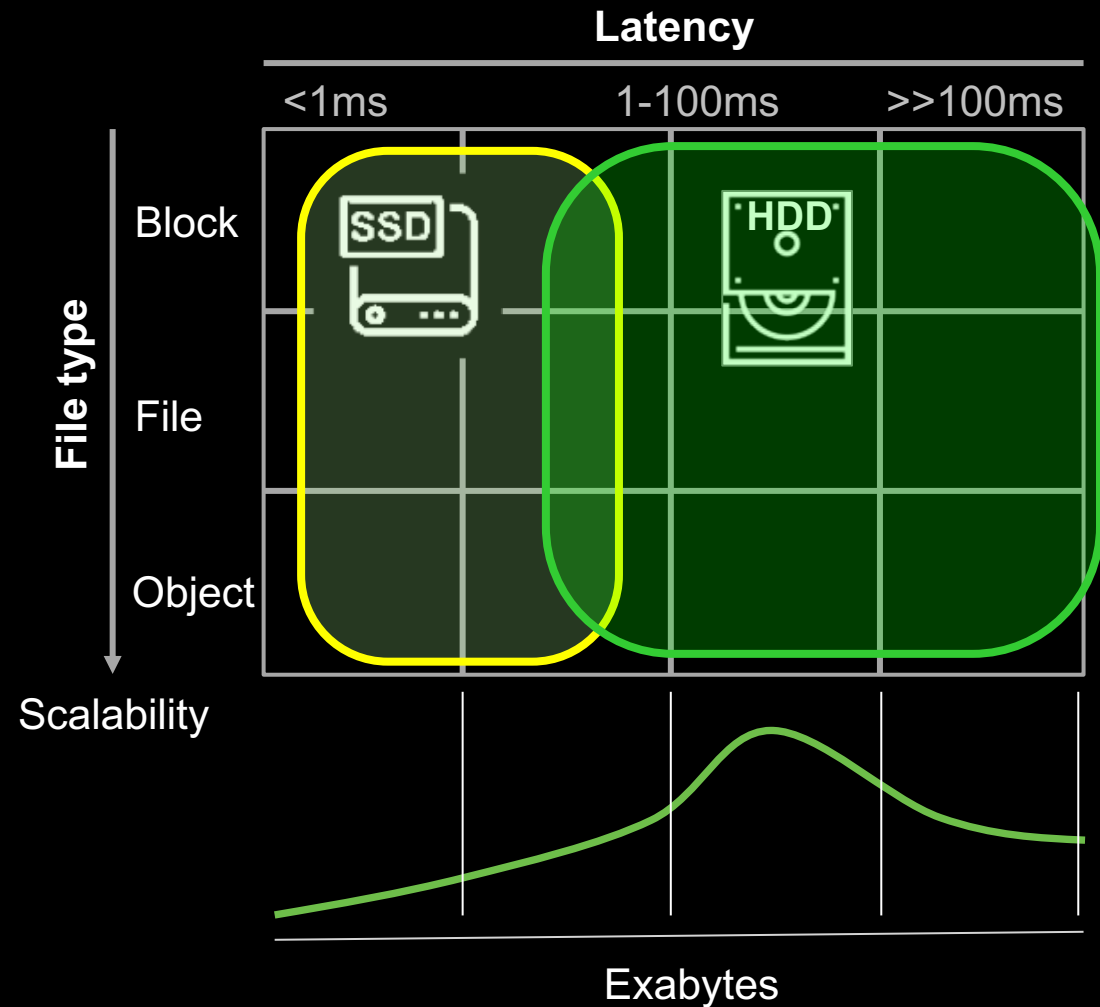
## Seagate's Solutions

Increase Areal Density

Scale Performance  
with Capacity

Reduce \$ / TB

# Cloud Data Centers Rely on Both HDDs and SSDs for Quality of Service



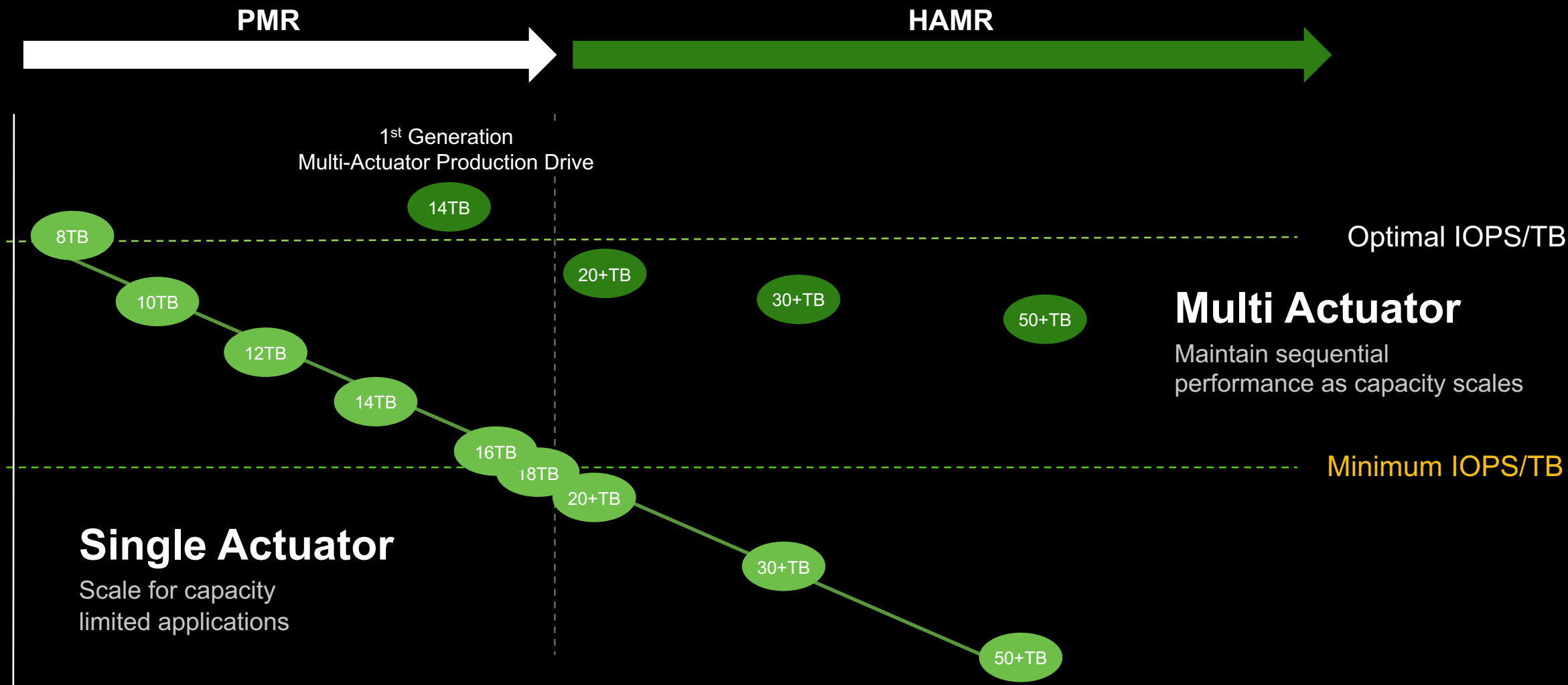
**Latency >>100ms**  
Offline storage

**Latency 1-100ms**  
Mass capacity storage

**Latency <1ms**  
Compute



# Multi-Actuator Technology Addresses Performance and Capacity Needs



# MACH.2 Launched into the DATASPHERE!



## Performance

- 2x sequential bandwidth @ 520 MB/sec
- IOPS sufficient to avoid stranded capacity in latency sensitive storage applications

## Capacity

- 14TB CMR and 16TB SMR

## Efficiency

- Improved IOPS/Watt to optimize data center total ownership cost

## Readiness

- In qualification at multiple customers now

# Seagate Addressing the Mass Capacity Storage Challenges

## Customer Storage Challenges

Meeting Exabyte  
Demand Growth

Maintaining SLAs with  
High Performance

Total Cost  
Of Ownership

## Seagate's Solutions

Increase Areal Density

Scale Performance  
with Capacity

Reduce \$ / TB



# Seagate is Enabling Mass Storage Economics Through the Next Decade

Areal Density Since 2012

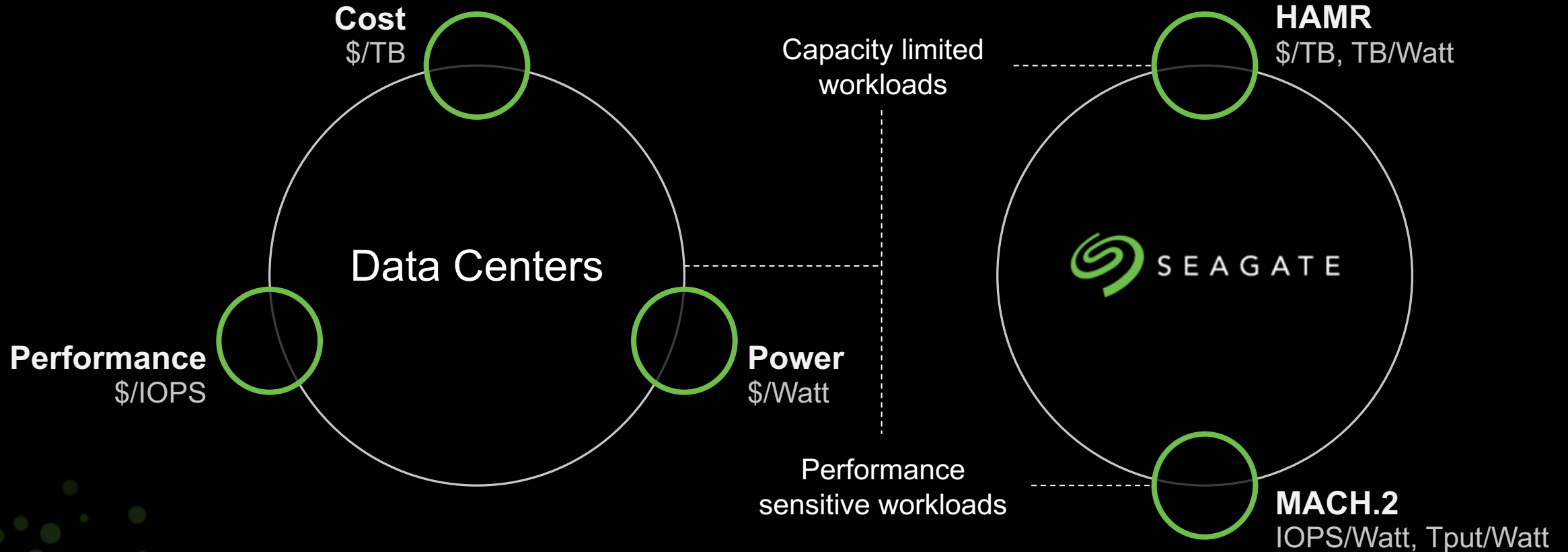
**<10%** CAGR PMR

Areal Density - The Next Decade

**>20%** CAGR HAMR



# Seagate Offers the Best Portfolio For Hyperscale Workloads



# Listen, Collaborate, Contribute

Preparing for IT 4.0 - Innovation for the Next Decade

## Customers

Engineering focus on  
proof of concepts

Customer experience  
emphasis in design

Data flow, workload, and  
application collaboration

## Consortia

Hyperscale forums (ex.  
OCP, Linux Foundation)

Emerging Edge  
architectures (ex. Akraino,  
OEC, CxL)

## Open Source

Enable developers (ex.  
Kubernetes, VMs)

Ensure data security

Support data centric  
architectures

# Seagate is Leading Data Storage Innovation

## Areal Density Leadership

**HAMR:** 10x areal density growth over 15 years

## Maximizing Capacity Gains

**MACH.2:** scaling drive performance with capacity

## Driving Lower TCO

Delivering \$/TB reduction and power efficiency

## Innovating with Customers

Ecosystem and customer engagements to address future storage requirements



# Gianluca Romano

**CHIEF FINANCIAL OFFICER**



Creating Value for  
Shareholders



# What I Will Cover Today

1

Change to useful lives estimate  
and impact to FQ1'20 guidance

2

Our focus on value creation

3

Target long-term financial performance

# FQ1 2020 Guidance

Aligning Useful Life of Our Capital Equipment With Future Utilization

FQ1'20 Guidance	Aug 2, 2019	Sep 18, 2019
Revenue	\$2.55B +/- 5%	\$2.55B +/- 5%
Non-GAAP EPS	\$0.90 +/- 5%	\$0.99 +/- 5%

Note: Updated guidance includes the impact of a change in the estimated useful lives of our capital equipment primarily associated with the manufacture of our products from 3-5 years to 3-7 years. The estimated impact of this change reduces depreciation expense by approximately \$25M or \$0.09 per diluted share in our first fiscal quarter 2020.

Updated Guidance regarding non-GAAP diluted EPS excludes known charges primarily related to loss recognized on the early redemption and repurchase of debt, share-based compensation expenses and amortization of acquired intangible assets of approximately \$0.26 per diluted share, \$0.10 per diluted share of which is related to estimated share-based compensation expenses.



# Creating Long-Term Value

Operating in a  
Structurally Improved  
HDD Industry

Optimizing  
Profit and Cash Flow  
Through Cycles

Enhancing  
Value for All of Our  
Stakeholders

Consolidated Industry

Optimized Manufacturing Footprint

Strong Barrier to Entry

Product leadership

Cost/TB reduction

Maximize ROIC

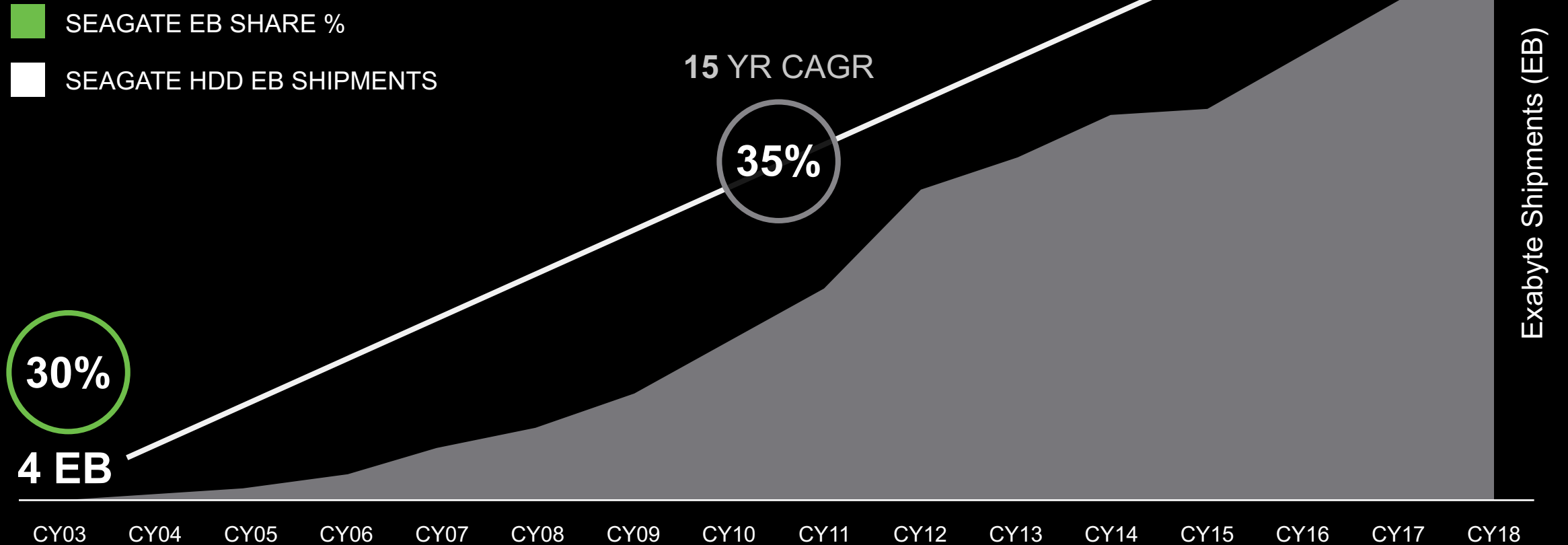
Sustainable free cash flow  
through cycles

Investing for future growth

Efficient capital structure

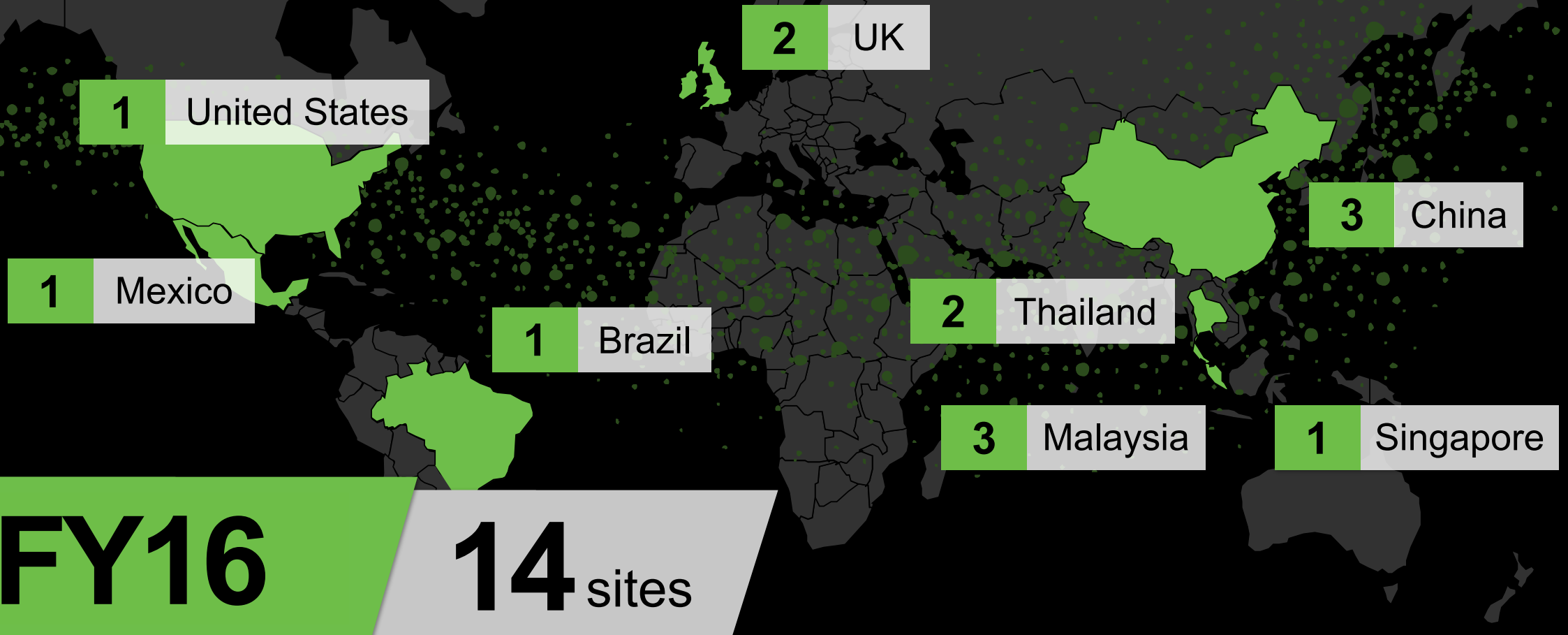
Commitment to strong shareholder  
returns

# Seagate is Storage Industry Leader





## From Distributed Manufacturing Footprint...



# ...to Optimized Manufacturing Footprint

Realized Cost Reduction and Improved Operational Efficiencies

1 United States

1 UK

1 China

2 Thailand

1 Malaysia

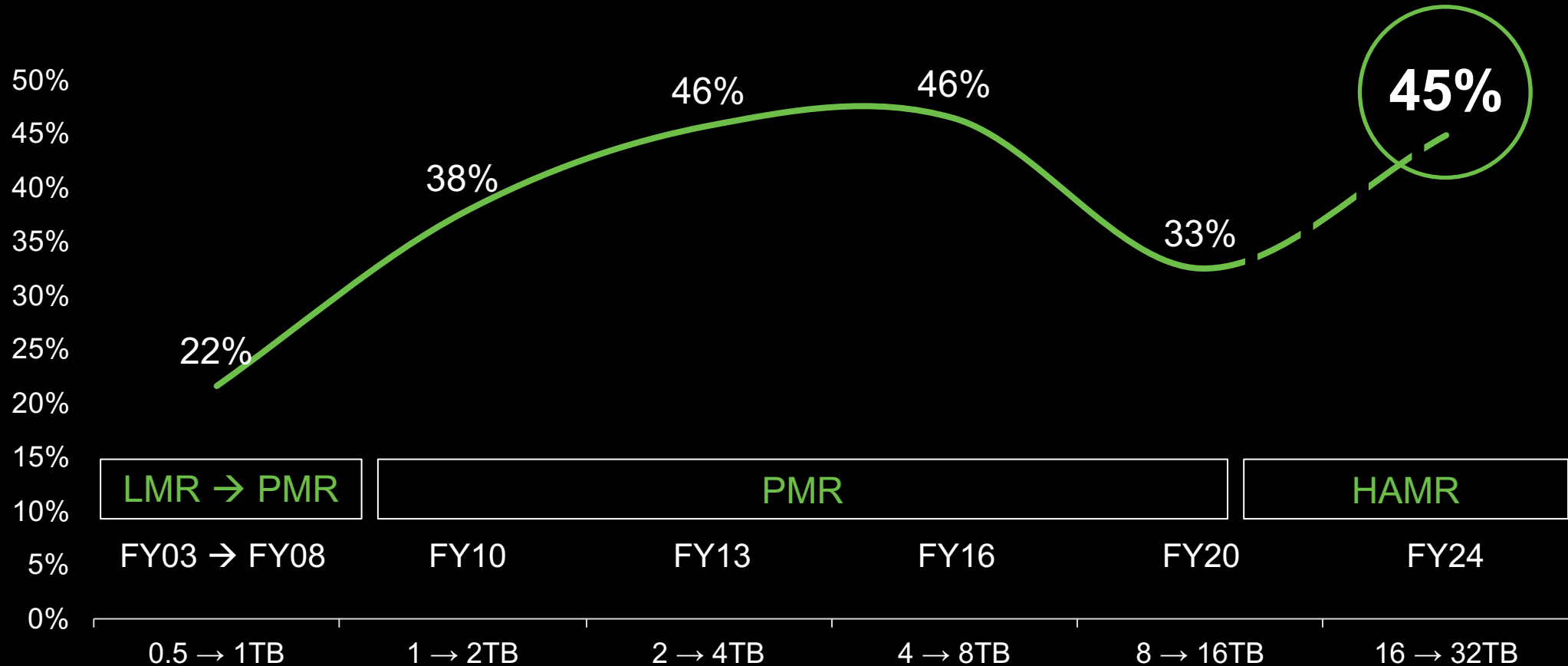
1 Singapore

FY19

7 sites

# Technology Leadership Supports Continuous Cost Decline

Cost / TB Decline by Doubling Capacity



# Driving OPEX Efficiency

Investing in High Growth Opportunities While Managing Expenses

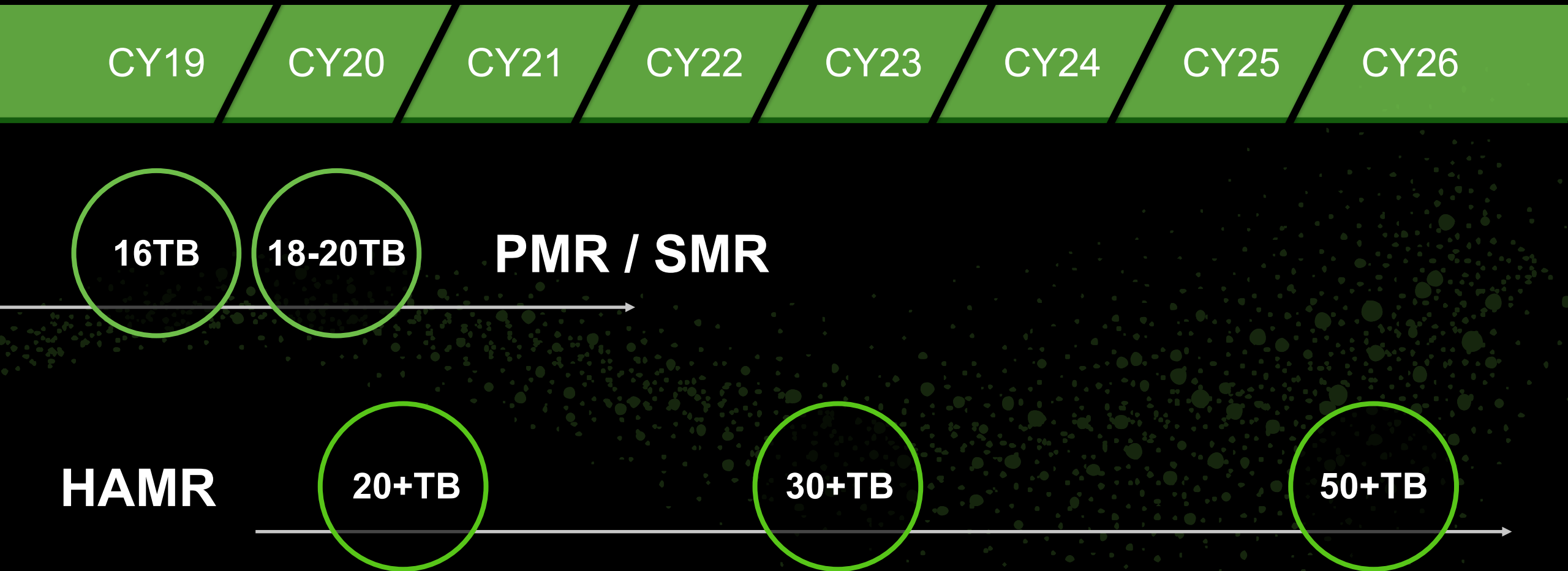


- Streamlined product roadmap, rationalized product families, focused investments on Mass Capacity Storage
- Optimized R&D geographic footprint; >50% reduction in R&D sites

Chart reflects non-GAAP Operating Expenses; see the "Reconciliation Tables" section for GAAP reconciliation

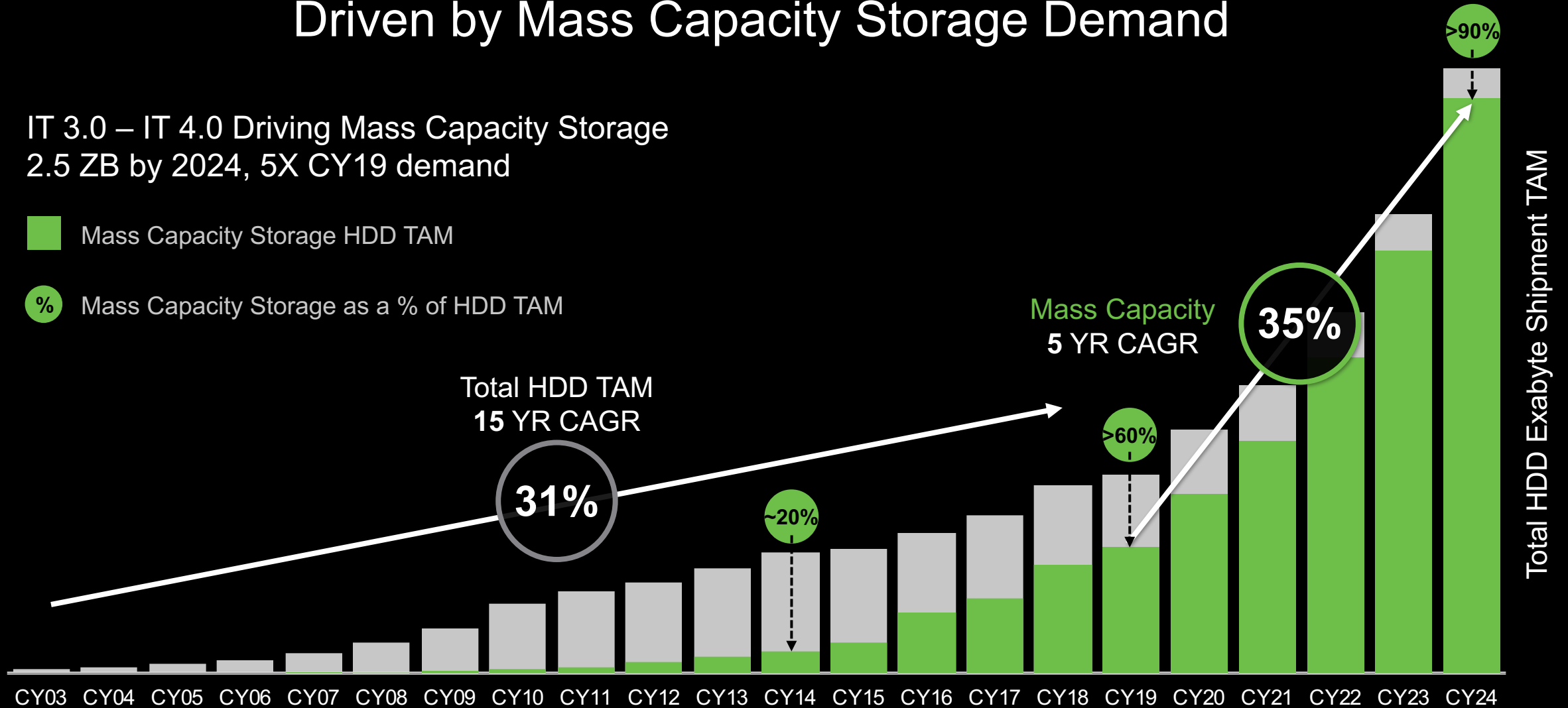


# Executing Strong HDD Product Roadmap To Extend Our Technology Leadership



# Strong HDD Exabyte TAM Growth Driven by Mass Capacity Storage Demand

IT 3.0 – IT 4.0 Driving Mass Capacity Storage  
2.5 ZB by 2024, 5X CY19 demand



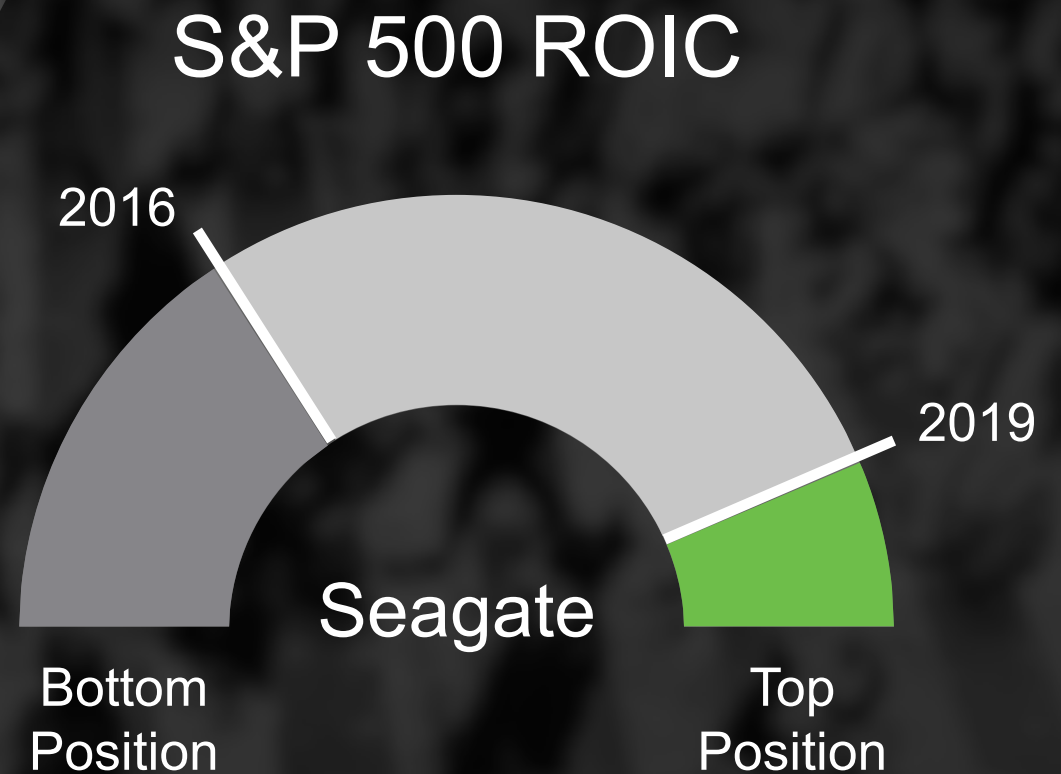
# Strong Shareholder Returns Resulting From Our Focus on Profitability and Free Cash Flow



Source: FactSet  
Compares cumulative 3-Year TSR for peer companies named in Seagate's Fiscal 2019 Proxy for the 3-year period ending June 28, 2019

# Delivering Strong Return on Invested Capital

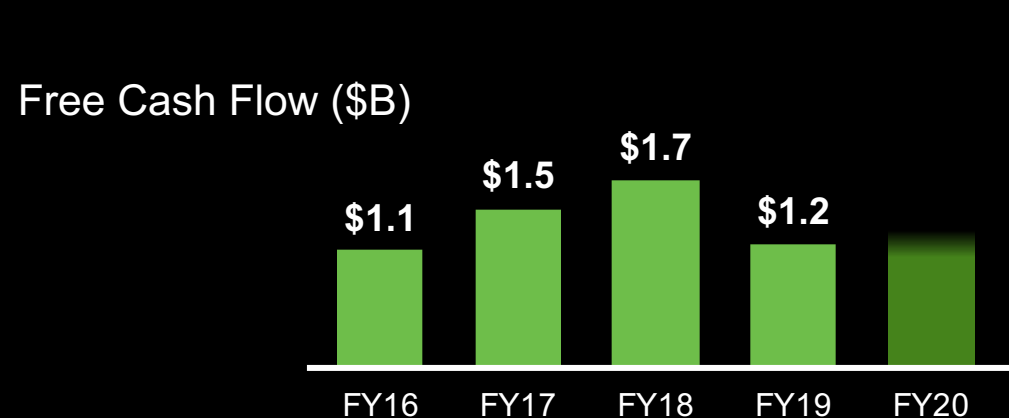
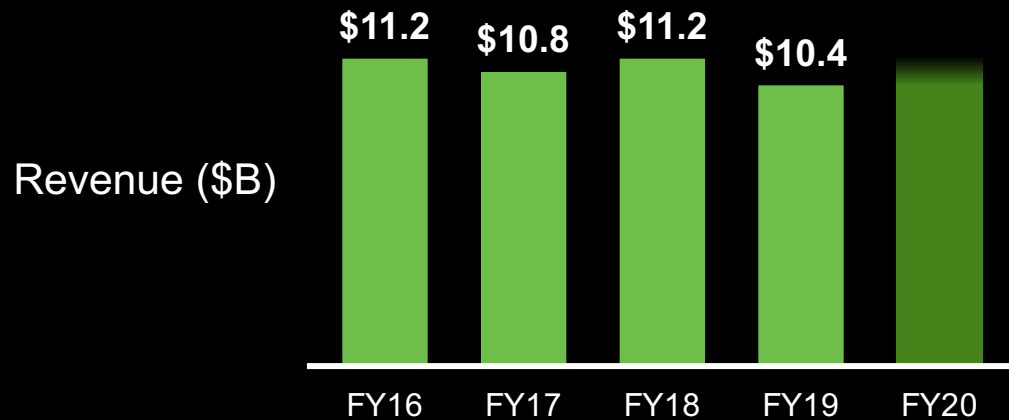
Greatly Improved Return on Invested Capital Performance from 2016 to 2019 to Top 20% of S&P 500  
Ongoing Focus for the Future



ROIC based on prospective company fiscal year (FY)-ends  
Source: Nasdaq IR Insight, FactSet, SEC Filings  
ROIC Calculation:  $\frac{[(FY\ GAAP\ Operating\ Profit) - (FY\ GAAP\ Tax)]}{[(FY\ End\ Total\ Debt) + (FY\ End\ Equity)]}$



# Focused on Optimizing Profitability and Cash Flow Through Industry Cycles



Reflects non-GAAP financial performance; see the "Reconciliation Tables" section for GAAP reconciliation

FY20 excludes ~\$120M of share-based compensation and includes impact of a change in the estimated useful lives of our capital equipment primarily associated with the manufacture of our product from 3-5 year to 3-7 years.

# Capital Strategy

Invest in Our Business and Return Excess Capital to Our Investors

## Business Needs

- CAPEX & OPEX
- Strategic investments

## Dividends

- 3% increase to \$2.60 per year
- Target increasing dividend consistently over time

## Opportunistic Share Repurchase

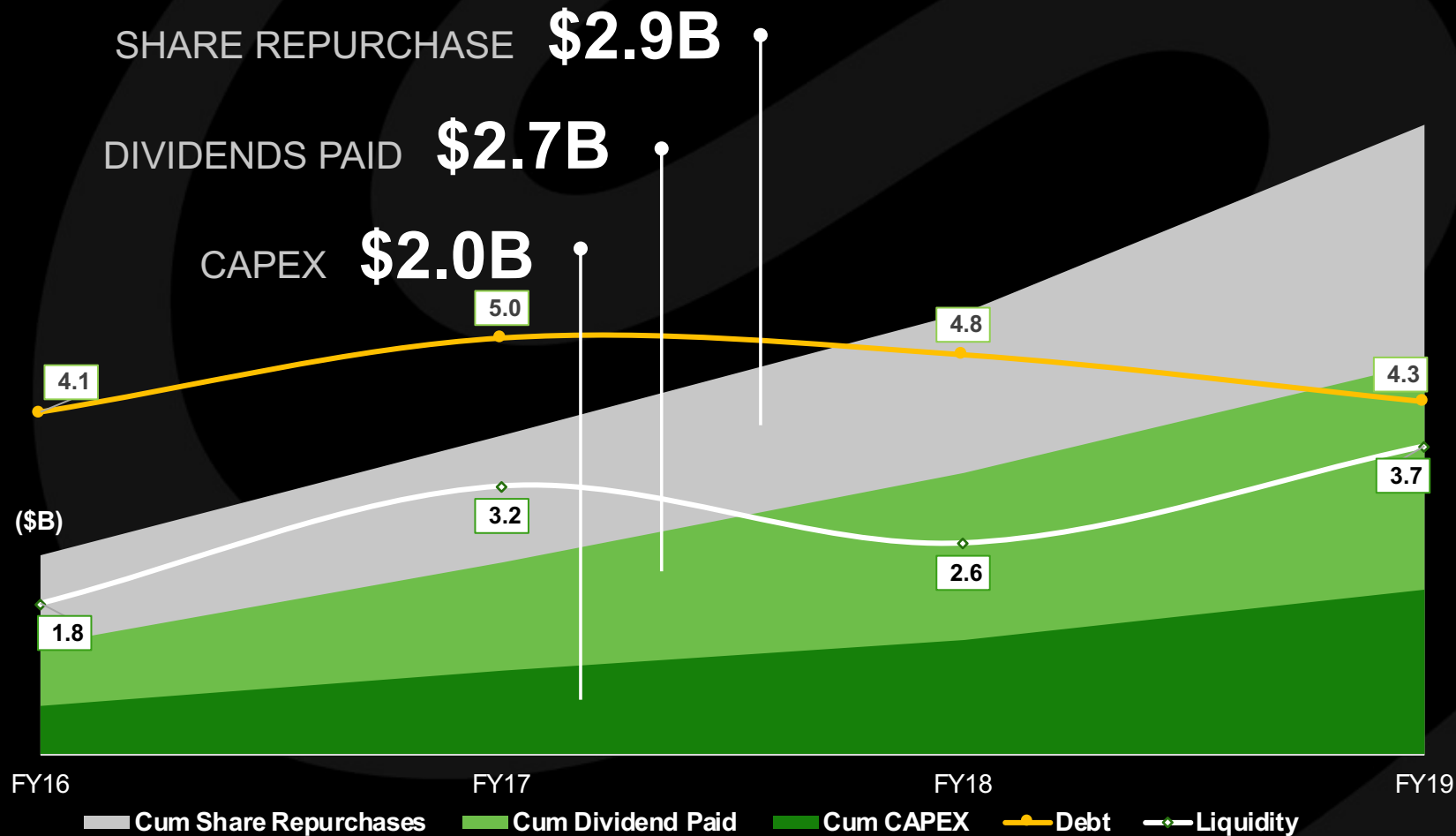
- \$2.2B Remaining on Authorization as of FY19
- 66M Shares Repurchased FY16-FY19

## Manage Liquidity

- Maintain minimum liquidity of \$2.0B
- Optimize debt structure consistent with EBITDA generation (target leverage ratio 2x)

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The payment of any future quarterly dividends will be at the discretion of the Board of Directors of the Company (the "Board") and will be dependent upon Seagate's financial position, results of operations, available cash, cash flow, capital requirements and other factors deemed relevant by the Board.

# Target Long-Term Financial Performance

- Revenue Growth • **2-6%**
- Operating Margin • **13-16%**
- CAPEX  
% of Revenue • **6-8%**
- Shareholder Return  
% of Free Cash Flow • **>50%**



# Dave Mosley

**CHIEF EXECUTIVE OFFICER**



# Closing Remarks

# Seagate Is Built To Last

Sustainability

Growth

Value Creation





# Analyst Day

## 2019 NEW YORK

# Q & A

# Reconciliation Tables

Reconciliation of Revenue to Non-GAAP Revenue (\$M)	FY16	FY17	FY18	FY19
<b>Revenue</b>	<b>11,160</b>	<b>10,771</b>	<b>11,184</b>	<b>10,390</b>
Adjustment to discontinued products	(4)	-	(6)	1
<b>Non-GAAP Revenue</b>	<b>11,156</b>	<b>10,771</b>	<b>11,178</b>	<b>10,391</b>

Reconciliation of Gross Margin to Non-GAAP Gross Margin (\$M)	FY16	FY17	FY18	FY19
<b>Gross Margin</b>	<b>2,615</b>	<b>3,174</b>	<b>3,364</b>	<b>2,932</b>
Adjustment to discontinued products	(4)	(1)	(6)	1
Accelerated depreciation, impairment and other charges related to cost saving efforts	66	44	2	-
Amortization of acquired intangible assets	51	63	57	52
Other charges	13	2	11	(1)
<b>Non-GAAP Gross Margin</b>	<b>2,741</b>	<b>3,282</b>	<b>3,428</b>	<b>2,984</b>
<b>Gross Margin %</b>	<b>23.4%</b>	<b>29.5%</b>	<b>30.1%</b>	<b>28.2%</b>
<b>Non-GAAP Gross Margin %</b>	<b>24.6%</b>	<b>30.5%</b>	<b>30.7%</b>	<b>28.7%</b>

Reconciliation of Operating Expenses to Non-GAAP Operating Expenses (\$M)	FY16	FY17	FY18	FY19
<b>Operating Expenses</b>	<b>2,170</b>	<b>2,120</b>	<b>1,730</b>	<b>1,445</b>
Accelerated depreciation, impairment and other charges related to cost saving efforts	(10)	(39)	(6)	(2)
Amortization of acquired intangible assets	(117)	(98)	(48)	(19)
Restructuring and other, net	(176)	(178)	(89)	22
Other charges	(32)	(10)	(5)	-
<b>Non-GAAP Operating Expenses</b>	<b>1,835</b>	<b>1,795</b>	<b>1,582</b>	<b>1,446</b>

Reconciliation of Operating Income to Non-GAAP Operating Income (\$M)	FY16	FY17	FY18	FY19
<b>Operating Income</b>	<b>445</b>	<b>1,054</b>	<b>1,634</b>	<b>1,487</b>
Adjustment to discontinued products	(4)	(1)	(6)	1
Accelerated depreciation, impairment and other charges related to cost saving efforts	76	83	8	2
Amortization of acquired intangible assets	168	161	105	71
Restructuring and other, net	175	178	89	(22)
Other charges	46	12	16	(1)
<b>Non-GAAP Operating Income</b>	<b>906</b>	<b>1,487</b>	<b>1,846</b>	<b>1,538</b>



# Reconciliation Tables

Reconciliation of Net Income to Non-GAAP Net Income (\$M)	FY16	FY17	FY18	FY19
<b>Net Income</b>	<b>248</b>	<b>772</b>	<b>1,182</b>	<b>2,012</b>
Adjustment to discontinued products	(4)	(1)	(6)	1
Accelerated depreciation, impairment and other charges related to cost saving efforts	76	83	8	2
Amortization of acquired intangible assets	168	161	105	71
Restructuring and other, net	175	178	89	(22)
Interest income on the final arbitration award settlement in the case against Western Digital	(33)	-	-	-
(Gains) losses recognized on the early redemption and repurchase of debt	(2)	7	4	-
Strategic investment losses, (gains) or impairment recognized	-	25	11	2
Other charges	56	10	16	3
Income tax adjustments	-	(3)	200	(694)
<b>Non-GAAP Net Income</b>	<b>684</b>	<b>1,232</b>	<b>1,609</b>	<b>1,375</b>
Shares used in diluted earnings per share calculation (M)	302	299	292	285
<b>GAAP Diluted Net Income Per Share</b>	<b>\$0.82</b>	<b>\$2.58</b>	<b>\$4.05</b>	<b>\$7.06</b>
<b>Non-GAAP Diluted Net Income Per Share</b>	<b>\$2.26</b>	<b>\$4.12</b>	<b>\$5.51</b>	<b>\$4.82</b>
Reconciliation of Free Cash Flow (\$M)	FY16	FY17	FY18	FY19
<b>Net cash provided by operating activities</b>	<b>1,680</b>	<b>1,916</b>	<b>2,113</b>	<b>1,761</b>
Acquisition of property, equipment and leasehold improvement	(587)	(434)	(366)	(602)
<b>Free Cash Flow</b>	<b>1,093</b>	<b>1,482</b>	<b>1,747</b>	<b>1,159</b>

# 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 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. 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.

## **Interest income on the final arbitration award settlement in the case against Western Digital**

Seagate records interest income for payments accrued on the final arbitration award amount in the Company's case against Western Digital for the misappropriation of Seagate's trade secrets. Such event occurs infrequently and the amount may be inconsistent in size.

## **(Gains) losses recognized on the early redemption and repurchase of debt**

From time to time, the Company incurs (gains) or losses from the early redemption and repurchase of certain long-term debt instruments. These gains or 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.

# Non-GAAP measures adjusted for the following items:

## **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**

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 fiscal year 2019, 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 storage business with the rest of the Company. This does not materially change the Company's future worldwide effective tax rate. For fiscal year 2018, it includes impacts from 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.

## **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.

## **Share-based compensation**

These expenses consist primarily of expenses for employee share-based compensation. The Company excludes share-based compensation expense from its non-GAAP measures primarily because they are non-cash expenses that the Company does not believe are reflective of ongoing operating results. Further, the Company believes that it is useful to investors to understand the impact of share-based compensation to its results of operations.