

SUPPLEMENTAL FINANCIAL INFORMATION

Q4FY21

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. 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 July 3, 2020 filed with the U.S. Securities and Exchange Commission (“SEC") on August 7, 2020, and in our Quarterly Reports on Form 10-Q with the SEC on October 29, 2020, January 28, 2021, and April 29, 2021. Additional information will also be set forth in our Annual Report on Form 10-K for the year ended July 2, 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

Outstanding June Quarter and Strong End to Fiscal 2021

Strong Fiscal Year End With Exceptional FQ4 Performance

- Revenue >$3B for the first time in 6 years
- Non-GAAP Gross Margin of 29.6% and expect to be inside long-term target range in Q1FY22
- Non-GAAP EPS of $2.00, up +35% QoQ, highest level in 9 years
- Third consecutive quarter of record HDD exabyte shipments

Extending Technology Leadership & Expanding Mass Data Portfolio

- Leveraging common platform to execute 18TB ramp and plan for 20TB shipments in 2HCY 2021
- First to market with dual actuator technology, shipping in high-volume
- On track to have 4 Lyve Cloud metro edge locations by end CY 2021

Strong Capital Strategy

- Returned $2.7B through dividends and share repurchases in FY 2021
- Repurchased 13% of our common shares outstanding in FY 2021

Q4FY21 Financial Highlights

$3.0B
REVENUE

29.4%
GROSS MARGIN GAAP

16.8%
OPERATING MARGIN GAAP

$2.07
DILUTED EPS GAAP

152EB
HDD CAPACITY SHIPPED

$478M
CASH FLOW FROM OPERATIONS

29.6%
GROSS MARGIN NON-GAAP[1]

18.1%
OPERATING MARGIN NON-GAAP[1]

$2.00
DILUTED EPS NON-GAAP[1]

5.4TB
AVG. CAPACITY PER DRIVE

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

FY21 Financial Highlights

$10.7B REVENUE

27.3% GROSS MARGIN GAAP

14.0% OPERATING MARGIN GAAP

$5.36 DILUTED EPS GAAP

535EB HDD CAPACITY SHIPPED

$1.6B CASH FLOW FROM OPERATIONS

27.7% GROSS MARGIN NON-GAAP[1]

15.4% OPERATING MARGIN NON-GAAP[1]

$5.64 DILUTED EPS NON-GAAP[1]

4.8TB AVG. CAPACITY PER DRIVE

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

Q4FY21 Market Highlights



Mass Capacity Storage



- Strong, broad-based demand for **Nearline**; grew cloud and enterprise sales for third consecutive quarter
- Healthy and steady **cloud data center** demand for the last 18 months
- Stronger than anticipated **VIA** recovery; due in part to tighter supply conditions



Legacy Markets



- Pace of decline in **Legacy** markets is moderating
- Demand for Mission Critical and Consumer drives partially offset anticipated decline in PC

Mass Capacity storage includes nearline, video & 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 Q4FY21 (Non-GAAP):

- Revenue up double digits QoQ and YoY
- Gross margin expanded 218bps QoQ
- Operating margin near upper end of long-term 15-20% target range
- Non-HDD revenue at record level

	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	QoQ	YoY
GAAP Results							
Revenue ($M)	2,517	2,314	2,623	2,731	**3,013**	10%	20%
Gross Margin %	26.5%	25.8%	26.5%	27.1%	**29.4%**	2.3 ppt	2.9 ppt
Operating Expenses ($M)	400	345	348	354	**378**	7%	-6%
Operating Margin %	10.6%	10.8%	13.3%	14.1%	**16.8%**	2.7 ppt	6.2 ppt
Net Income ($M)	166	223	280	329	**482**	47%	190%
Diluted EPS	$0.64	$0.86	$1.12	$1.39	**$2.07**	49%	223%
Non-GAAP Results[1]							
Revenue ($M)	2,517	2,314	2,623	2,731	**3,013**	10%	20%
Gross Margin %	27.3%	26.5%	26.8%	27.4%	**29.6%**	2.2 ppt	2.4 ppt
Operating Expenses ($M)	313	320	319	329	**346**	5%	11%
Operating Margin %	14.8%	12.7%	14.7%	15.4%	**18.1%**	2.7 ppt	3.3 ppt
Net Income ($M)	311	242	323	350	**466**	33%	50%
Diluted EPS	$1.20	$0.93	$1.29	$1.48	**$2.00**	35%	67%
End of Qtr Actual Share Count (M)	257	258	240	230	**227**	-1%	-12%
Diluted Shares O/S for EPS (M)	260	259	251	237	**233**	-2%	-10%
Revenue by Product Line ($M)							
HDD	2,321	2,137	2,425	2,493	**2,737**	10%	18%
Systems, SSD & Other	195	177	198	238	**276**	16%	42%
Revenue by Channel							
OEM	74%	70%	66%	71%	**70%**	-1.5 ppt	-4.5 ppt
Distributors	14%	16%	18%	17%	**18%**	1.8 ppt	4.6 ppt
Retail	12%	15%	16%	12%	**12%**	-0.3 ppt	-0.1 ppt

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

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

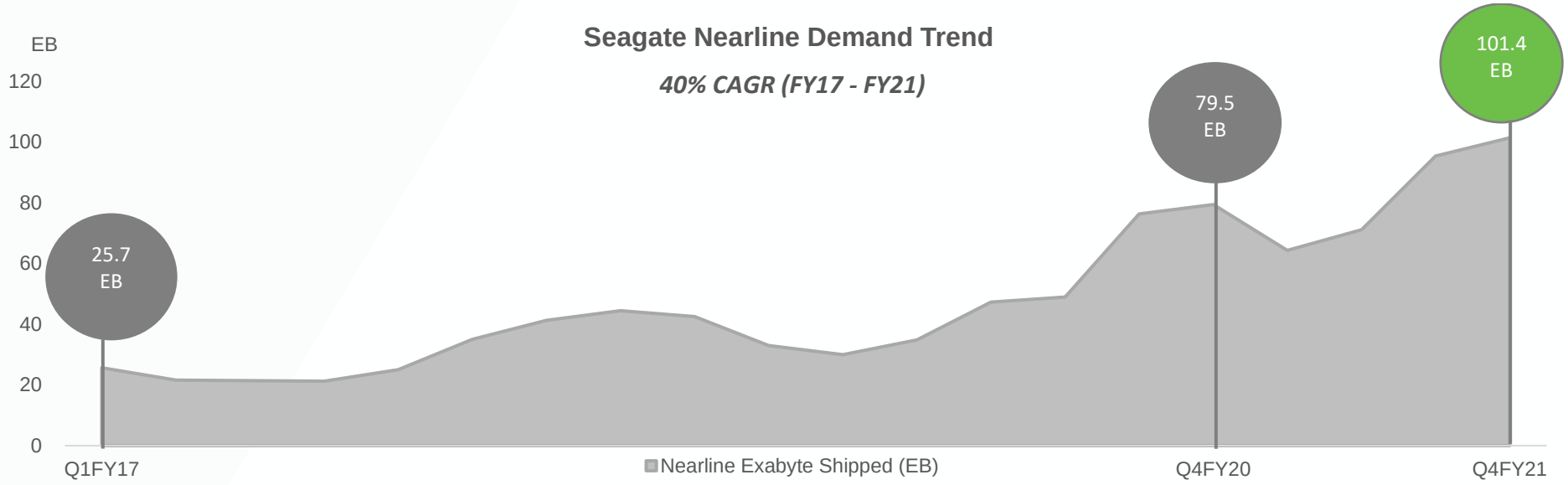
HDD Product Mix

In Q4FY21:

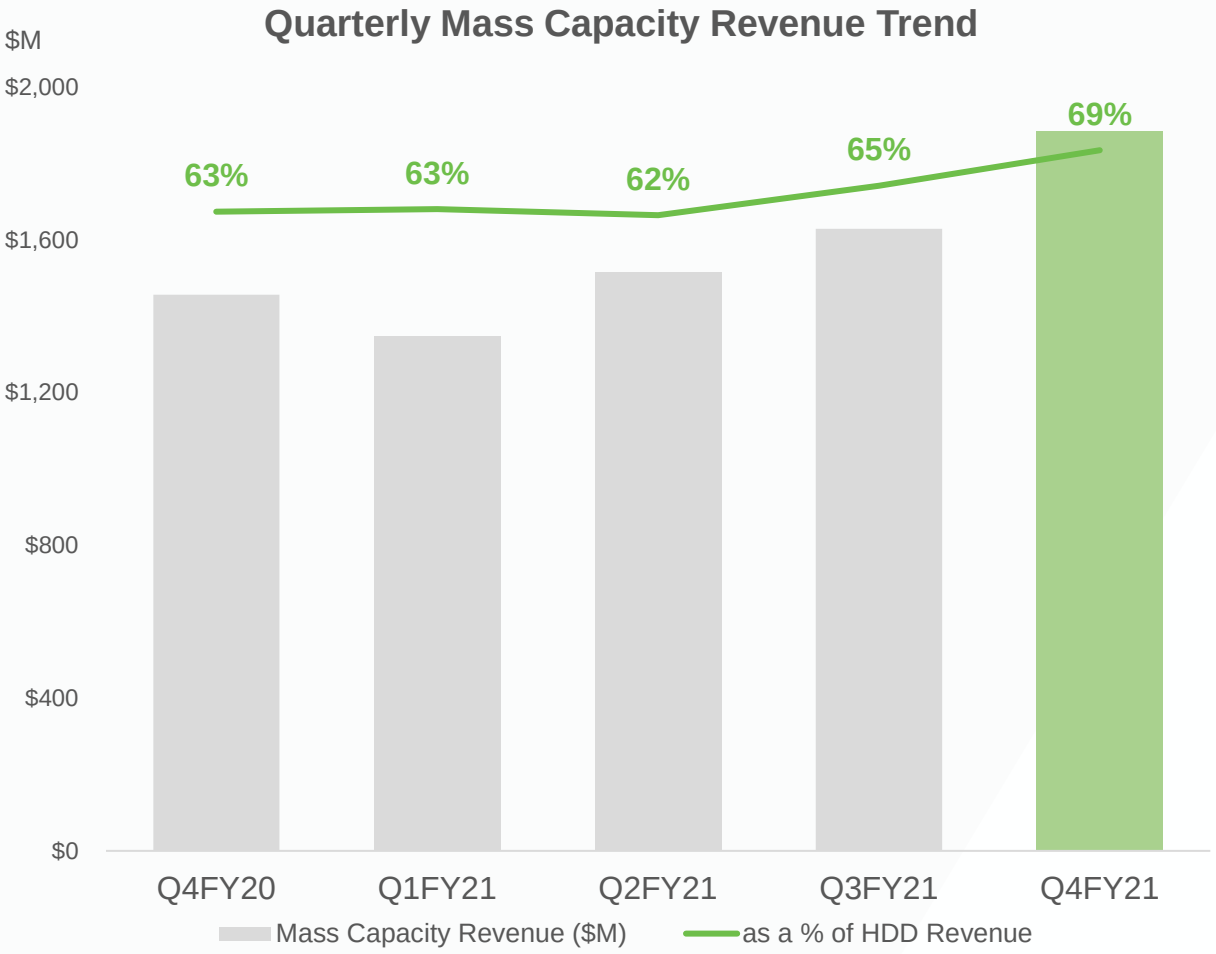
- Record EB shipments:
  - HDD shipments of 152EB
  - Mass Capacity shipments of 123EB
- Nearline shipment were up QoQ and YoY from record level in each of the comparable quarters
- Average Capacity per Drive trending higher

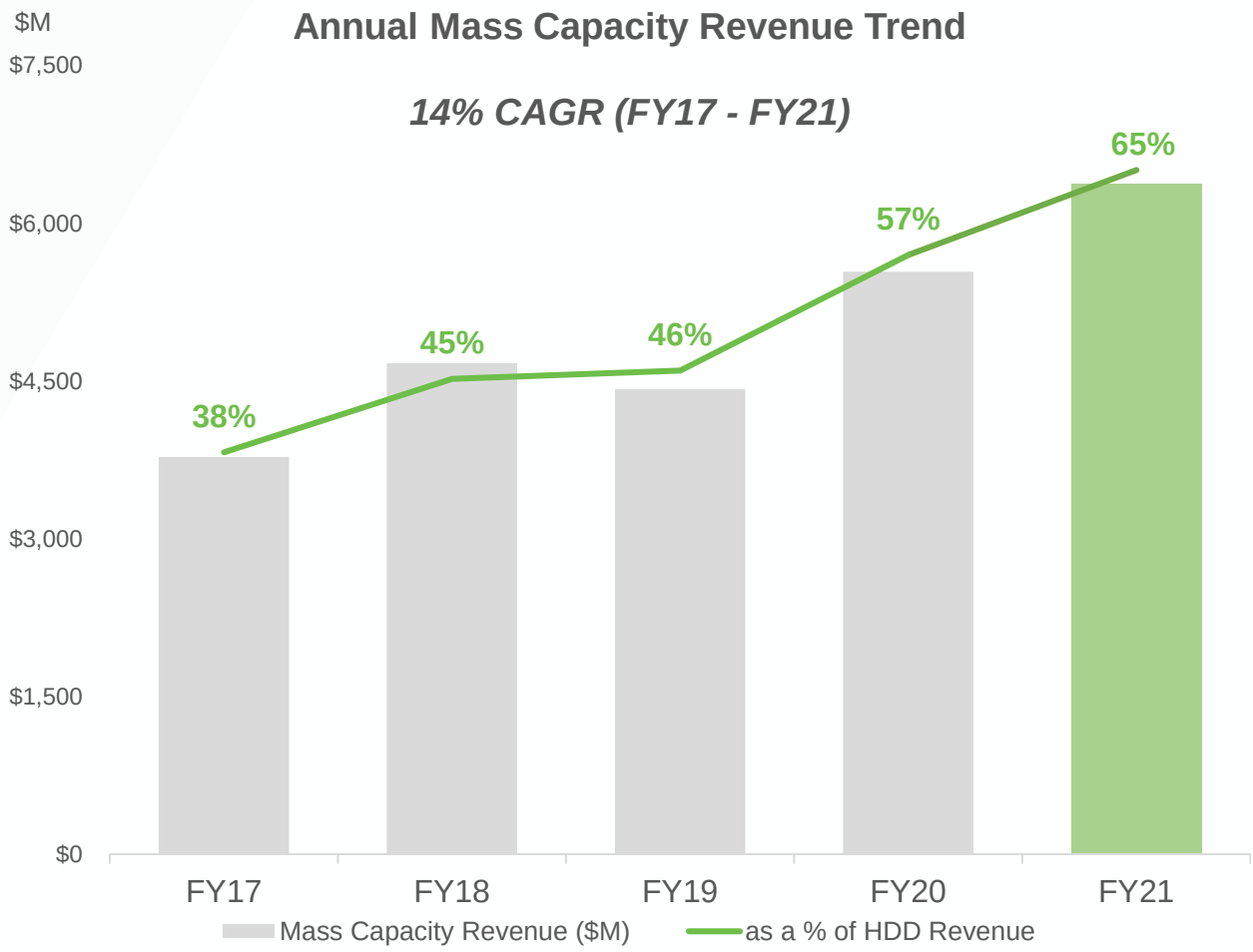
	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	QoQ	YoY
Capacity Shipped (EB)							
Mass Capacity	90.5	86.6	97.2	110.6	**123.3**	11%	36%
Nearline	*79.5*	*64.3*	*71.2*	*95.5*	***101.4***	6%	28%
Legacy	26.4	27.8	32.0	29.0	**29.1**	0%	10%
Average Capacity per Drive (TB)							
Mass Capacity	9.2	8.2	7.9	9.6	**9.4**	-3%	2%
Legacy	1.6	1.8	1.8	1.8	**1.9**	7%	19%
Capacity Shipped (EB)	117.0	114.4	129.2	139.6	**152.3**	9%	30%
Average Capacity per Drive (TB)	4.5	4.4	4.3	5.1	**5.4**	7%	21%

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



Mass Capacity Trends





Cash, Cash Flow, and Operational Trends

In Q4FY21:

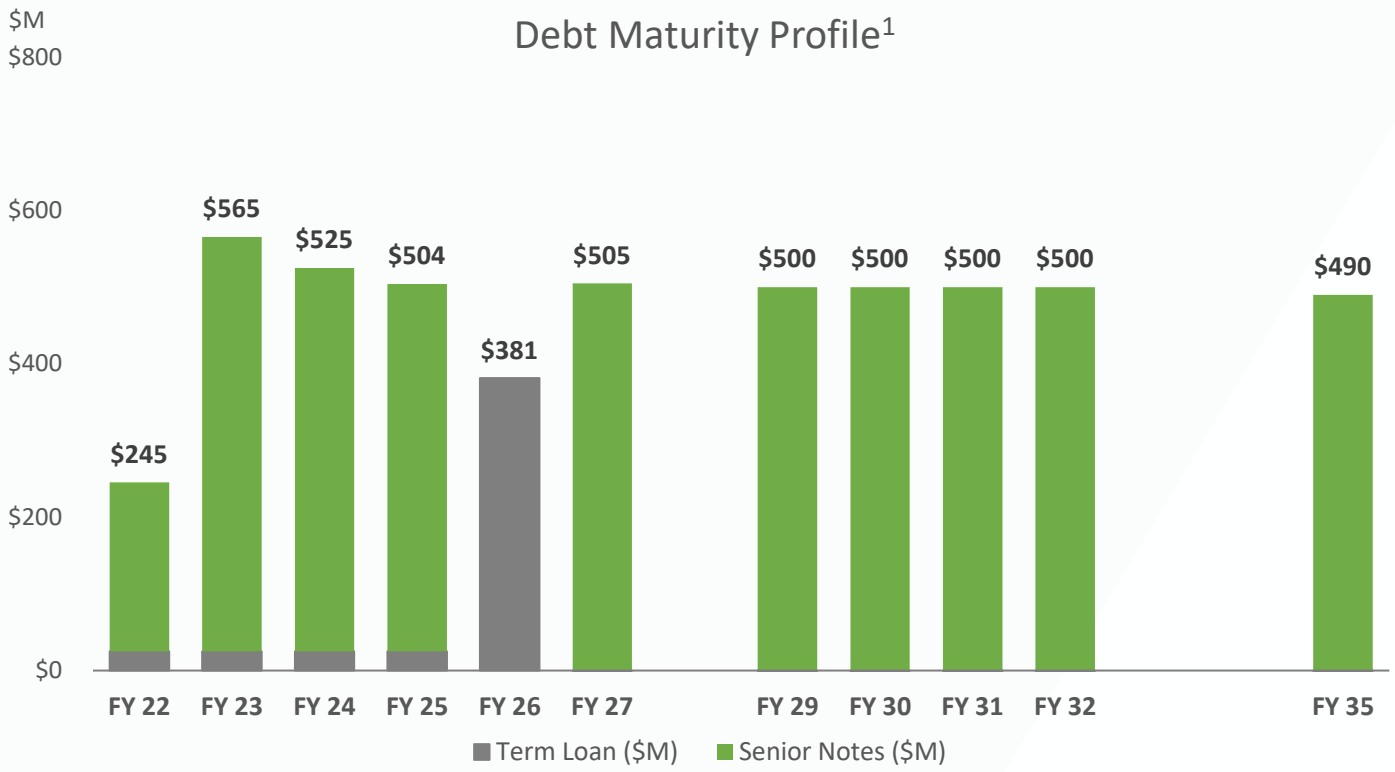
- Generated $354M free cash flow, +29% QoQ and YoY
- Returned $382M value to shareholders through dividend & share buybacks
- Retired 2.6M ordinary shares

	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21
Cash[1] ($M)	1,722	1,664	1,799	1,212	1,209
Debt ($M)	4,175	4,163	5,145	5,142	5,139
Cash Flow From Operations ($M)	388	297	473	378	478
Capital Expenditures[2] ($M)	114	111	159	104	124
Free Cash Flow[3] ($M)	274	186	314	274	354
YTD Cash Flow From Operations[4] ($M)	1,714	297	770	1,148	1,626
YTD Shares Repurchased[4] ($M)	850	68	1,068	1,819	2,047
YTD Dividend Paid[4] ($M)	673	167	334	495	649
Dividends Per Share Paid	$0.65	$0.65	$0.65	$0.67	$0.67
Shares Repurchased (M)	1.1	1.5	18.2	11.3	2.6
YTD Shares Repurchased[4] (M)	16.8	1.5	19.7	31.0	33.6
Days Sales Outstanding	40	34	28	33	35
Days Inventory Outstanding	56	70	62	59	51
Days Payables Outstanding	89	95	82	85	74
Cash Conversion Cycle	8	9	8	6	13
Worldwide Headcount (000's)	42	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



$2.9B Liquidity[2]

- $1.2B Cash
- $1.725B Revolving credit facility

$5.1B Debt

- Low weighted average interest rate 4.3%
- Pro forma weighted average maturity of ~6 years

LTM Adjusted EBITDA $2.0B

- Target improving EBITDA over the foreseeable horizon

NOTE: Minor calculation variances are due to rounding.
1. Principal Outstanding
2. As of July 2, 2021, liquidity levels include both Cash and cash equivalents and revolver.

Debt Metrics

	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21
Debt ($M)	4,175	4,163	5,145	5,142	**5,139**
Cash and cash equivalents ($M)	1,722	1,664	1,799	1,212	**1,209**
Net Debt ($M)	2,453	2,499	3,346	3,930	**3,930**
LTM Cash Interest Expense ($M)	226	192	186	194	**184**
LTM Credit Agreement Defined EBITDA ($M)[1]	1,870	1,847	1,825	1,828	**2,020**
Total Leverage Ratio[2]	2.2x	2.3x	2.8x	2.8x	**2.5x**
Total Leverage Ratio on Net Debt[3]	1.3x	1.4x	1.8x	2.1x	**1.9x**
Interest Coverage Ratio[4]	8.3x	9.6x	9.8x	9.4x	**11.0x**

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 2, 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.

RECONCILIATION TABLES



Reconciliation of Gross Profit to Non-GAAP Gross Profit ($M)	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21
Gross Profit	**667**	**596**	**696**	**740**	**885**
Accelerated depreciation, impairment and other charges related to cost saving efforts	3	2	-	-	-
Amortization of acquired intangible assets	9	9	1	1	1
Share-based compensation	7	7	7	8	6
Non-GAAP Gross Profit	**686**	**614**	**704**	**749**	**892**
Gross Margin %	26.5%	25.8%	26.5%	27.1%	29.4%
Non-GAAP Gross Margin %	27.3%	26.5%	26.8%	27.4%	29.6%

Reconciliation of Operating Expenses to Non-GAAP Operating Expenses ($M)	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21
Operating Expenses	**400**	**345**	**348**	**354**	**378**
Amortization of acquired intangible assets	(2)	(3)	(3)	(3)	(3)
Restructuring and other, net	(63)	(1)	(2)	2	(7)
Share-based compensation	(22)	(21)	(23)	(21)	(19)
Other charges	-	-	(1)	(3)	(3)
Non-GAAP Operating Expenses	**313**	**320**	**319**	**329**	**346**

Reconciliation of Income From Operations to Non-GAAP Income From Operations ($M)	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21
Income From Operations	**267**	**251**	**348**	**386**	**507**
Accelerated depreciation, impairment and other charges related to cost saving efforts	3	2	-	-	-
Amortization of acquired intangible assets	11	12	4	4	4
Restructuring and other, net	63	1	2	(2)	7
Share-based compensation	29	28	30	29	25
Other charges	-	-	1	3	3
Non-GAAP Income From Operations	**373**	**294**	**385**	**420**	**546**
Operating Margin %	10.6%	10.8%	13.3%	14.1%	16.8%
Non-GAAP Operating Margin %	14.8%	12.7%	14.7%	15.4%	18.1%

Reconciliation of Net Income to Non-GAAP Net Income ($M)	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21
Net Income	**166**	**223**	**280**	**329**	**482**
Accelerated depreciation, impairment and other charges related to cost saving efforts	3	2	-	-	-
Amortization of acquired intangible assets	11	12	4	4	4
Restructuring and other, net	63	1	2	(2)	7
Losses and costs recognized on the modification or early redemption and repurchase of debt	32	2	-	-	-
Strategic investment losses (gains) or impairment recognized	19	(31)	7	(13)	(50)
Share-based compensation	29	28	30	29	25
Other charges	1	14	1	3	3
Income tax adjustments	(13)	(9)	(1)	-	(5)
Non-GAAP Net Income	**311**	**242**	**323**	**350**	**466**
Shares used in diluted earnings per share calculation (M)	260	259	251	237	233
GAAP Diluted Net Income Per Share	**$0.64**	**$0.86**	**$1.12**	**$1.39**	**$2.07**
Non-GAAP Diluted Net Income Per Share	**$1.20**	**$0.93**	**$1.29**	**$1.48**	**$2.00**

Reconciliation of Net Cash Provided by Operating Activities to Free Cash Flow	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21
Net Cash Provided by Operating Activities	**388**	**297**	**473**	**378**	**478**
Acquisition of property, equipment and leasehold improvements	(114)	(111)	(159)	(104)	(124)
Free Cash Flow	**274**	**186**	**314**	**274**	**354**

Reconciliation of Net Income to Credit Agreement Defined EBITDA ($M)[1]	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21
Net Income	**166**	**223**	**280**	**329**	**482**
Interest Income	(1)	(1)	-	(1)	-
Interest Expense	49	50	52	59	59
Income Tax Expense (Benefit)	(6)	(2)	11	10	15
Depreciation and Amortization	100	99	96	99	103
EBITDA	**308**	**369**	**439**	**496**	**659**
Losses and costs recognized on the modification or early redemption and repurchase of debt	32	2	-	-	-
Strategic investment losses (gains) or impairment recognized	19	(31)	7	(13)	(50)
Restructuring and other, net	63	1	2	(2)	7
Share-based compensation	29	28	30	29	25
Other charges	1	15	1	3	3
Credit Agreement Defined EBITDA	**452**	**384**	**479**	**513**	**644**

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 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 impairments or write-offs of other assets and certain discontinued inventory, 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) 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.