

SUPPLEMENTAL FINANCIAL INFORMATION

Q1FY22

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 October 1, 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 Start to Fiscal 2022 Reflects Robust Growth

September Quarter Highlights Solid Growth Across All Financial Metrics

- Revenue of $3.1B, up 35% YoY and 3% QoQ above a very strong June quarter
- Non-GAAP Gross Margin of 31.0%, inside our long-term target range
- Non-GAAP Operating Margin of 20.1%, highest level in nearly a decade
- Mass capacity storage revenue exceeded $2B for the first time

Innovative Technologies Aligned With Customers' Roadmap

- Common platform family meeting breadth of customer demand (16TB, 18TB, 20TB)
- MACH.2 dual actuator drives shipping at scale with broad adoption driving demand
- Lyve Cloud certified with the majority of Gartner's Magic Quadrant Leaders for enterprise back-up and recovery software

Focused On Enhancing Value For All Key Stakeholders

- Commitment to shareholder returns: raised quarterly cash dividend for third consecutive year
- Commitment to ESG with executive compensation linked with specific goals in FY22
- Returned $578M through dividends & share repurchases

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.

Q1FY22 Financial Highlights

$3.1B REVENUE

30.7% GROSS MARGIN GAAP

18.8% OPERATING MARGIN GAAP

$2.28 DILUTED EPS GAAP

159EB HDD CAPACITY SHIPPED

$496M CASH FLOW FROM OPERATIONS

31.0% GROSS MARGIN NON-GAAP[1]

20.1% OPERATING MARGIN NON-GAAP[1]

$2.35 DILUTED EPS NON-GAAP[1]

5.7TB AVG. CAPACITY PER DRIVE

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

Q1FY22 Market Highlights



- Broad based growth across all three **Mass Capacity** end markets
- **Nearline** growth driven by improving enterprise spending and healthy growth from cloud
- Strong **VIA** market growth with broadening use cases underscoring solid, long-term growth opportunities



- Starting to see moderation in **Legacy** annual revenue decline following pandemic disruption
- Demand for **Mission Critical** drives partially offset decline in Consumer drives following a strong June quarter

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

Quarterly Financial Trends

In Q1FY22 (Non-GAAP):

- Revenue up QoQ and YoY
- Gross margin expanded 140bps, now inside our our long-term 30-33% target range
- Operating margin just above of our long-term 15-20% target range
- EPS at high end of guided range

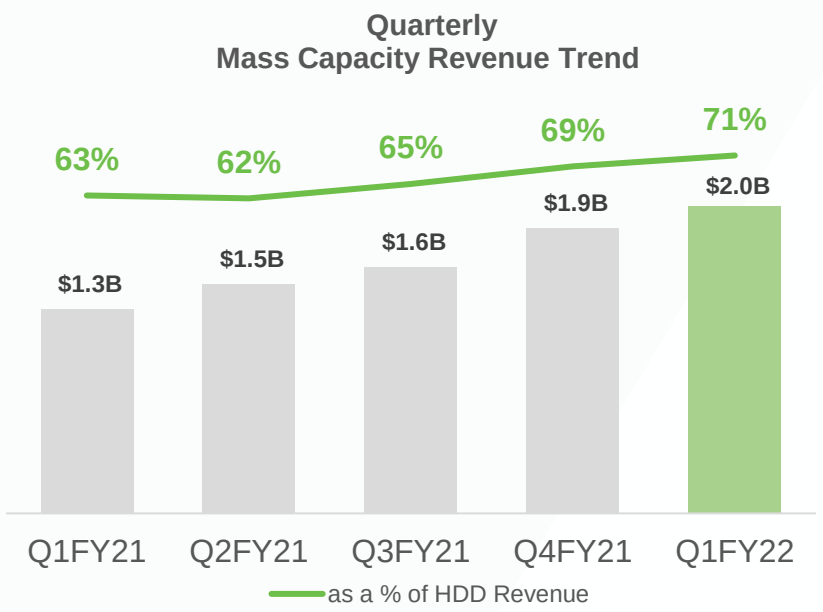
	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	QoQ	YoY
GAAP Results							
Revenue ($M)	2,314	2,623	2,731	3,013	**3,115**	3%	35%
Gross Margin %	25.8%	26.5%	27.1%	29.4%	**30.7%**	1.3 ppt	4.9 ppt
Operating Expenses ($M)	345	348	354	378	**370**	-2%	7%
Operating Margin %	10.8%	13.3%	14.1%	16.8%	**18.8%**	2.0 ppt	8.0 ppt
Net Income ($M)	223	280	329	482	**526**	9%	136%
Diluted EPS	$0.86	$1.12	$1.39	$2.07	**$2.28**	10%	164%
Non-GAAP Results[1]							
Revenue ($M)	2,314	2,623	2,731	3,013	**3,115**	3%	35%
Gross Margin %	26.5%	26.8%	27.4%	29.6%	**31.0%**	1.4 ppt	4.5 ppt
Operating Expenses ($M)	320	319	329	346	**339**	-2%	6%
Operating Margin %	12.7%	14.7%	15.4%	18.1%	**20.1%**	2.0 ppt	7.4 ppt
Net Income ($M)	242	323	350	466	**544**	17%	125%
Diluted EPS	$0.93	$1.29	$1.48	$2.00	**$2.35**	18%	152%
End of Qtr Actual Share Count (M)	258	240	230	227	**225**	-1%	-13%
Diluted Shares O/S for EPS (M)	259	251	237	233	**231**	-1%	-11%
Revenue by Product Line ($M)							
HDD	2,137	2,425	2,493	2,737	**2,864**	5%	34%
Systems, SSD & Other	177	198	238	276	**251**	-9%	42%
Revenue by Channel							
OEM	70%	66%	71%	70%	**74%**	4.1 ppt	4.5 ppt
Distributors	16%	18%	17%	18%	**16%**	-2.5 ppt	0.2 ppt
Retail	15%	16%	12%	12%	**10%**	-1.7 ppt	-4.6 ppt

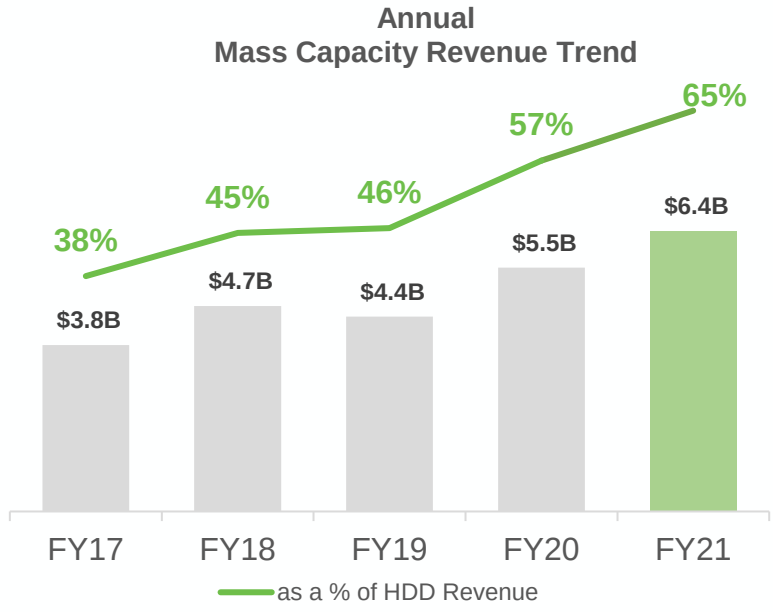
NOTE: Minor changes and calculation variances are due to rounding.
1. See 'Reconciliation Tables' section for GAAP reconciliation.

HDD Product Trends

Mass Capacity revenue exceeded $2B for the first time

	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	QoQ	YoY
Capacity Shipped (EB)	**114.4**	**129.2**	**139.6**	**152.3**	**159.1**	4%	39%
Mass Capacity	86.6	97.2	110.6	123.3	**132.3**	7%	53%
Nearline	*64.3*	*71.2*	*95.5*	*101.4*	***106.4***	5%	65%
Legacy	27.8	32.0	29.0	29.1	**26.8**	-8%	-4%
Average Capacity per Drive (TB)	**4.4**	**4.3**	**5.1**	**5.4**	**5.7**	5%	28%
Mass Capacity	8.2	7.9	9.6	9.4	**9.6**	2%	17%
Legacy	1.8	1.8	1.8	1.9	**1.9**	-3%	3%





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

Cash, Cash Flow, and Operational Trends

In Q1FY22:

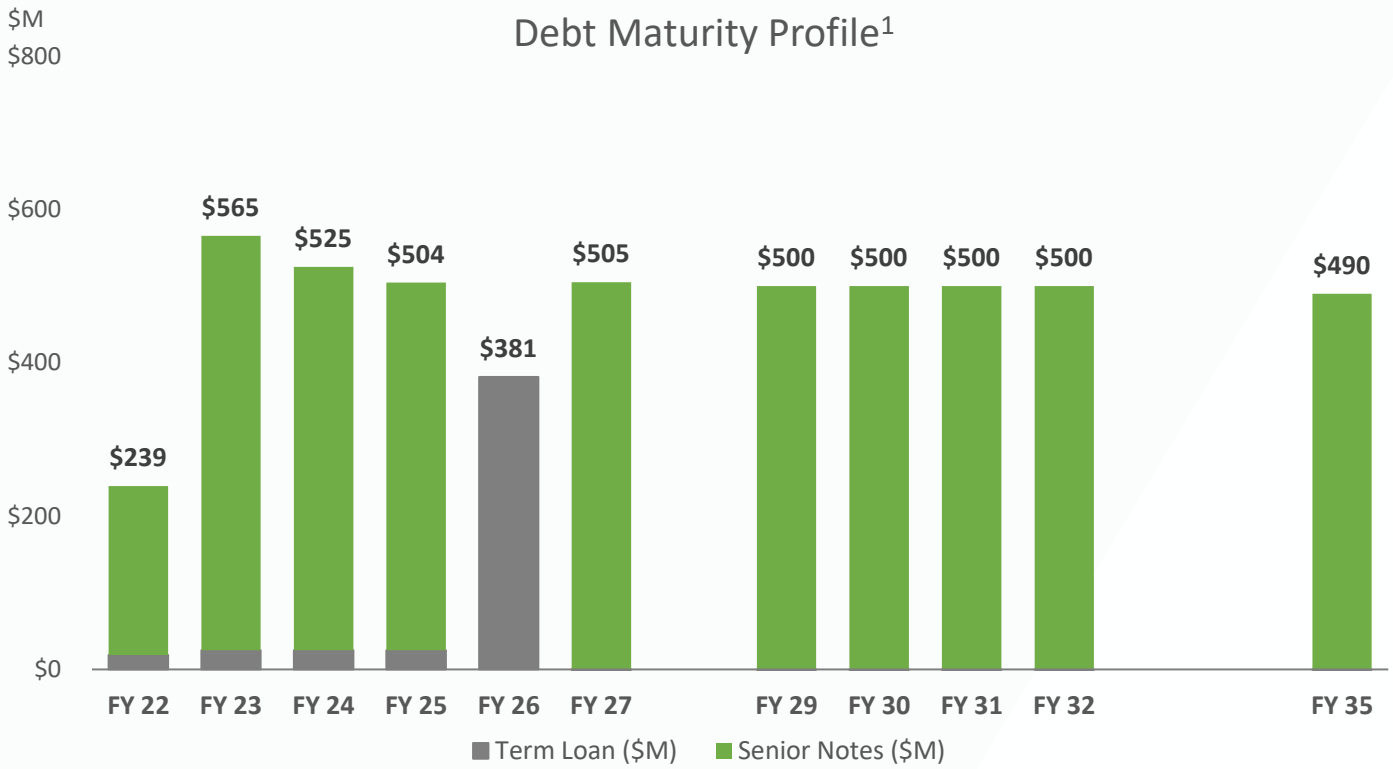
- Free Cash Flow of $379M, up 7% QoQ and 104% YoY
- Returned $578M through dividend & share repurchases
- Retired 4.9M ordinary shares

	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22
Cash[1] ($M)	1,664	1,799	1,212	1,209	**991**
Debt ($M)	4,163	5,145	5,142	5,139	**5,136**
Cash Flow From Operations ($M)	297	473	378	478	**496**
Capital Expenditures[2] ($M)	111	159	104	124	**117**
Free Cash Flow[3] ($M)	186	314	274	354	**379**
YTD Cash Flow From Operations[4] ($M)	297	770	1,148	1,626	**496**
YTD Shares Repurchased[4] ($M)	68	1,068	1,819	2,047	**425**
YTD Dividend Paid[4] ($M)	167	334	495	649	**153**
Dividends Per Share Paid	$0.65	$0.65	$0.67	$0.67	**$0.67**
Shares Repurchased (M)	1.5	18.2	11.3	2.6	**4.9**
YTD Shares Repurchased (M)	1.5	19.7	31.0	33.6	**4.9**
Days Sales Outstanding	34	28	33	35	**38**
Days Inventory Outstanding	70	62	59	51	**50**
Days Payables Outstanding	95	82	85	74	**74**
Cash Conversion Cycle	9	8	6	13	**14**
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
(as of end of Q1FY22)



$2.7B Liquidity[2]

- $991M 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 $2.4B

- Target improving EBITDA over the foreseeable horizon

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

	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22
Debt ($M)	4,163	5,145	5,142	5,139	**5,136**
Cash and cash equivalents ($M)	1,664	1,799	1,212	1,209	**991**
Net Debt ($M)	2,499	3,346	3,930	3,930	**4,145**
LTM Cash Interest Expense ($M)	192	186	194	184	**214**
LTM Credit Agreement Defined EBITDA ($M)[1]	1,847	1,825	1,828	2,020	**2,360**
Total Leverage Ratio[2]	2.3x	2.8x	2.8x	2.5x	**2.2x**
Total Leverage Ratio on Net Debt[3]	1.4x	1.8x	2.1x	1.9x	**1.8x**
Interest Coverage Ratio[4]	9.6x	9.8x	9.4x	11.0x	**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 Oct. 1, 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)	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22
Gross Profit	**596**	**696**	**740**	**885**	**956**
Accelerated depreciation, impairment and other charges related to cost saving efforts	2	-	-	-	-
Amortization of acquired intangible assets	9	1	1	1	1
Share-based compensation	7	7	8	6	9
Non-GAAP Gross Profit	**614**	**704**	**749**	**892**	**966**
Gross Margin %	25.8%	26.5%	27.1%	29.4%	30.7%
Non-GAAP Gross Margin %	26.5%	26.8%	27.4%	29.6%	31.0%

Reconciliation of Operating Expenses to Non-GAAP Operating Expenses ($M)	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22
Operating Expenses	**345**	**348**	**354**	**378**	**370**
Amortization of acquired intangible assets	(3)	(3)	(3)	(3)	(3)
Restructuring and other, net	(1)	(2)	2	(7)	(1)
Share-based compensation	(21)	(23)	(21)	(19)	(25)
Other charges	-	(1)	(3)	(3)	(2)
Non-GAAP Operating Expenses	**320**	**319**	**329**	**346**	**339**

Reconciliation of Income From Operations to Non-GAAP Income From Operations ($M)	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22
Income From Operations	**251**	**348**	**386**	**507**	**586**
Accelerated depreciation, impairment and other charges related to cost saving efforts	2	-	-	-	-
Amortization of acquired intangible assets	12	4	4	4	4
Restructuring and other, net	1	2	(2)	7	1
Share-based compensation	28	30	29	25	34
Other charges	-	1	3	3	2
Non-GAAP Income From Operations	**294**	**385**	**420**	**546**	**627**
Operating Margin %	10.8%	13.3%	14.1%	16.8%	18.8%
Non-GAAP Operating Margin %	12.7%	14.7%	15.4%	18.1%	20.1%

Reconciliation of Net Income to Non-GAAP Net Income ($M)	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22
Net Income	**223**	**280**	**329**	**482**	**526**
Accelerated depreciation, impairment and other charges related to cost saving efforts	2	-	-	-	-
Amortization of acquired intangible assets	12	4	4	4	4
Restructuring and other, net	1	2	(2)	7	1
Losses and costs recognized on the modification or early redemption and repurchase of debt	2	-	-	-	-
Strategic investment (gains) losses or impairment recognized	(31)	7	(13)	(50)	(9)
Share-based compensation	28	30	29	25	34
Other charges	14	1	3	3	2
Income tax adjustments	(9)	(1)	-	(5)	(14)
Non-GAAP Net Income	**242**	**323**	**350**	**466**	**544**
Shares used in diluted earnings per share calculation (M)	259	251	237	233	231
GAAP Diluted Net Income Per Share	**$0.86**	**$1.12**	**$1.39**	**$2.07**	**$2.28**
Non-GAAP Diluted Net Income Per Share	**$0.93**	**$1.29**	**$1.48**	**$2.00**	**$2.35**

Reconciliation of Net Cash Provided by Operating Activities to Free Cash Flow ($M)	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22
Net Cash Provided by Operating Activities	**297**	**473**	**378**	**478**	**496**
Acquisition of property, equipment and leasehold improvements	(111)	(159)	(104)	(124)	(117)
Free Cash Flow	**186**	**314**	**274**	**354**	**379**

Reconciliation of Net Income to Credit Agreement Defined EBITDA ($M)	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22
Net Income	**223**	**280**	**329**	**482**	**526**
Interest Income	(1)	-	(1)	-	-
Interest Expense	50	52	59	59	59
Income Tax Expense (Benefit)	(2)	11	10	15	7
Depreciation and Amortization	99	96	99	103	104
EBITDA	**369**	**439**	**496**	**659**	**696**
Losses and costs recognized on the modification or early redemption and repurchase of debt	2	-	-	-	-
Strategic investment losses (gains) or impairment recognized	(31)	7	(13)	(50)	(9)
Restructuring and other, net	1	2	(2)	7	1
Share-based compensation	28	30	29	25	34
Other charges	15	1	3	3	2
Credit Agreement Defined EBITDA	**384**	**479**	**513**	**644**	**724**

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 and comparison to 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 (gains) losses 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.