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Seagate Technology Holdings Plc (STX)

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MANAGEMENT DISCUSSION SECTION

Operator: Welcome to the Seagate Technology Fiscal Fourth Quarter and Fiscal Year 2025 Conference Call. All participants will be in a listen-only mode. [Operator Instructions] Please note that this event is being recorded.

I would now like to turn the conference over to Shanye Hudson, Senior Vice President, Investor Relations. Please go ahead, ma'am.

Shanye Hudson

Senior Vice President-Investor Relations & Treasury, Seagate Technology Holdings Plc

Thank you. Hello, everyone, and welcome to today's call. Joining me are Dave Mosley, Seagate's Chief Executive Officer; and Gianluca Romano, our Chief Financial Officer. We've posted our earnings press release and detailed supplemental information for our June quarter and fiscal year end results on the Investor section of our website. During today's call, we will refer to GAAP and non-GAAP measures. Non-GAAP figures are reconciled to GAAP figures in the earnings press release posted on our website and included in our Form 8-K. We've not reconciled certain non-GAAP outlook measures because material items that may impact these measures are out of our control and/or cannot be reasonably predicted. Therefore, a reconciliation to the corresponding GAAP measures is not available without unreasonable effort.

Before we begin, I'd like to remind you that today's call contains forward-looking statements that reflect management's current views and assumptions based on information available to us as of today and should not be relied upon as of any subsequent date.

Actual results may differ materially from those contained in or implied by these forward-looking statements as they're subject to risks and uncertainties associated with our business. To learn more about the risks, uncertainties, and other factors that may affect our future business results, please refer to the press release issued today and our SEC filings, including our most recent Annual Report on Form 10-K and Quarterly Report on Form 10-Q, as well as the supplemental information, all of which may be found on the Investors section of our website.

Following our prepared remarks, we'll open the call up for questions. In order to provide all analysts with the opportunity to participate, we thank you in advance for asking one primary question and then reentering the queue. With that, I'll hand the call over to you, Dave.

William David Mosley

Chief Executive Officer & Director, Seagate Technology Holdings Plc

Thanks, Shanye, and hello everyone. Seagate closed out fiscal 2025 delivering strong financial results for the June quarter, marked by 30% year-over-year revenue growth and record gross margins which improved for a ninth consecutive quarter, a trend that is set to continue as HAMR adoption gains momentum. We achieved non-GAAP earnings per share near historic highs and generated strong free cash flow.

For the fiscal year, revenue increased 39%, non-GAAP gross profit dollars nearly doubled and operating profit more than tripled demonstrating our focus on supply demand alignment and ongoing cost discipline. Our execution resulted in one of the most profitable fiscal years in the company's long storied history.

The structural changes in our business model and strong product pipeline make Seagate well positioned to deliver improving profitability and cash generation in fiscal 2026. Reflecting our confidence, we expect to resume share repurchases later this quarter enhancing capital returns to shareholders. Operationally, in fiscal 2025, we started the high volume ramp of two new nearline platforms including the industry's first heat-assisted magnetic recording hard drive, an engineering feat more than a decade in the making.

These new cost effective and energy efficient platforms aligned well with data growth driven by traditional compute workloads and increasingly from AI supported applications. Looking at the current end market dynamics, we see a continuation of strong global cloud demand for our nearline products. The visibility afforded by our build-to-order strategy indicates our nearline exabyte production capacity is largely spoken for through the middle of next calendar year with visibility building into the second half.

We believe BTO contracts are also beneficial for our customers by providing predictable assurance of supply. With installed data center capacity expected to more than double by 2029 on a gigawatt basis, these contracts support the CSPs efforts to keep pace with end user demand. Within cloud data centers, we see an evolving diversity of workloads and applications addressed through a combination of storage media, optimized across a multitude of factors including performance, cost, floor space and energy efficiency. The diverse solutions that emerge are shaped by how these factors are prioritized and the scale that is required.

For instance, one of the world's largest cloud service providers recently developed a tiered storage solution to support an application for a widely used social media platform, leveraging hard drives for both mass data storage in addition to a caching layer to enable fast, repeatable data access, this customer was able to realize significant cost savings and efficiency gains compared with alternative storage solutions. In today's data-driven world, the growing need for mass capacity storage extends beyond the cloud to edge data centers. There are multiple trends that underpin this view. First, as more data is created at the edge, it will be replicated and retained across multiple locations to capture actionable insights through AI models. To preserve the integrity of these models, large volumes of data are being retained longer to support checkpoints and inferencing. Additionally, today, roughly 50% of the world's data centers are concentrated in just four countries. As data sovereignty regulations evolve and proliferate around the globe, we expect a growing demand for localized data storage. In this context, mass capacity hard drives will be critical from a footprint, efficiency, and TCO perspective, ensuring data is safe, secure, and compliant.

For data centers at the edge, we expect enterprise storage demand will mirror the trends we're seeing in the cloud where upfront AI infrastructure investments led to increased demand for mass data storage over time. Supporting this point of view, a leading enterprise IT infrastructure provider is introducing new tiered storage system solutions later this year for AI applications designed to optimize their end customers TCO and data utilization requirements by integrating high capacity hard drives based on HAMR technology. While momentum for our high capacity HAMR drives builds, we also have continued to increase exabyte shipments of our PMR 24- to 28-terabyte platform to address demand. In fact, in the June quarter, we achieved record quarterly sales and volume shipments for any nearline product with this platform.

Leveraging the commonality across our PMR and HAMR platforms, we are executing the volume ramp of Mozaic 3+ products. We are tracking to plan with shipments expanding to additional CSPs in the September quarter. Across the board, qualifications are progressing exceedingly well, and we continue to expect the key global CSP customers to be qualified by mid calendar 2026.

Our progress in bringing HAMR-based Mozaic drives to market at scale, strongly positions Seagate to address the significant opportunities we foresee in the cloud, and at the edge. The top Priority during fiscal 2026 is

executing our 4-plus terabyte per disk qualification and volume ramp. This product will support cloud workloads with capacities of up to 44 terabytes, and also supports lower capacity drives ideal for edge workloads. As planned, we recently started qualification with a global CSP on the 4-terabyte per disk platform, and expect to begin volume ramp in the first half of calendar 2026. This timeline is consistent with our target for exabyte shipment crossover on HAMR-based nearline drives in the second half of calendar 2026.

Ongoing investments in innovations such as granular iron-platinum media, and breakthrough photonics technology are critical to delivering our areal density roadmap. We continue to make steady progress, with 5-terabytes per disk technology aligning to our goal of introducing it into the market in early calendar 2028. A timeframe when we also expect to demonstrate double that capacity 10 terabytes per disk in the lab.

To close, I believe this is one of the most exciting periods in Seagate's history. Recall at our Investor and Analyst Day in May, we discussed how Seagate is in the right markets, with the right technology, and the right execution to enhance shareholder value. Demand for mass data storage is expected to grow as our cloud, and edge IoT customers continue investing in AI-driven strategic imperatives to unlock and protect data value. Amid this strong demand backdrop, we are mindful of the evolving trade policy landscape. Based on our current outlook, we expect minimal tariff related impacts to the business.

We will continue to closely track developments and stand ready to deploy mitigation strategies that minimize potential future impact to Seagate and our customers over the long-term. In this dynamic environment, our HAMR-based technology road map makes us uniquely positioned to capture these growth opportunities in the cloud and at the edge as we push forward areal density gains to efficiently expand exabyte output while enabling our customers to benefit from the improving total cost of ownership. As a result, we are confident in our ability to produce compelling growth in revenue, profitability, and cash generation in fiscal 2026 and beyond.

I'd like to thank our global teams, supply partners, and customers for your contributions to a strong fiscal year and to Seagate's ongoing success. Let me now turn the call over to Gianluca.

Gianluca Romano

Chief Financial Officer & Executive Vice President, Seagate Technology Holdings Plc

Thank you, Dave. We capped fiscal 2025 delivering strong double-digit top and bottom line growth and achieving record gross margin levels. June quarter revenue came in at \$2.44 billion, up 13% sequentially, and up 30% year-over-year. We expanded non-GAAP gross margin by 170 basis points sequentially to 37.9%, and we increased non-GAAP operating margin by 270 basis points to 26.2%. Our resulting non-GAAP EPS was \$2.59 at the high end of our guided range. For fiscal 2025, we grew revenue by nearly 40% to \$9.1 billion. We achieved non-GAAP operating profit of \$2.1 billion, marking one of our strongest annual performances, and recorded non-GAAP EPS of \$8.10. These results underscore our solid operational execution, and the ongoing momentum for data center demand, particularly among global cloud customers. Trends from nearline cloud sales, along with seasonal improvements in the VIA markets led to a 14% sequential increase in hard drive revenue, reaching \$2.3 billion. Volume shipments increased to 163 exabytes from 144 exabytes in the March quarter.

Mass capacity revenue topped the \$2 billion mark, up 15% sequentially and 40% year-on-year. Mass capacity shipments were 151 exabytes, compared to 133 exabytes in the prior quarter. Nearline shipments into cloud and edge data center made up the vast majority of mass capacity volume. In the June quarter, nearline represented 91% of mass capacity exabytes, with shipment of 137 exabytes, up 14% sequentially, and 52% year-on-year. Our 24 terabyte and 28 terabyte PMR products has been widely adopted by global cloud and enterprise data centers to support their massive data workloads.

At the same time, we are ramping our HAMR-based Mozaic products and continuing to build customer momentum. Three major cloud service providers are qualified on our Mozaic products, with additional qualification proceeding extremely well. On top of strong demand growth from cloud customers, nearline sales into the enterprise OEM market show a modest sequential improvement in the quarter, and we expect stable demand over the next few quarters. The remaining 80% of revenue came from legacy and other product lines. Sales from the legacy market totaled \$270 million, up 6% sequentially, while revenue from our other product lines increased 3% sequentially to \$163 million.

Starting in the September quarter, we plan to adjust how we discuss our end markets. We will focus on two main areas, data center and edge IoT. The data center markets accounted for about 75% of our fiscal 2025 revenue, and include nearline products and systems sold into cloud and enterprise customers, as well as cloud-based VIA application. Edge IoT includes consumer and client-centric markets along with network attached storage. We believe this new framework is better aligned with industry practice and reflects the AI driven market we serve today.

Moving on to the rest of the income statement, non-GAAP gross profit increased to \$926 million, up 19% quarter-over-quarter and 59% compared with the prior year period. Our resulting non-GAAP gross margin expanded to 37.9%. We continue to benefit from a favorable mix, including increased adoption of our latest generation products and ongoing pricing adjustments. These factors, combined with a strong demand environment for data center products, supported non-GAAP gross margin for the hard drive business above the corporate average. Non-GAAP operating expenses totaled \$286 million, up 4% quarter-over-quarter and in line with our expectations.

Other income and expenses decreased 9% sequentially to \$73 million, due in part to lower net interest expense during the quarter. Adjusted EBITDA was \$697 million, up 24% quarter-over-quarter and up 73% year-on-year. Non-GAAP net income was \$556 million, resulting in non-GAAP EPS of \$2.59 per share, based on diluted share count of approximately 215 million shares.

Turning now to cash flow and the balance sheet. We invested \$83 million in capital expenditures for the June quarter, and \$265 million for fiscal 2025, which equates to 3% of revenue. Looking ahead to fiscal 2026, we anticipate capital expenditure to be inside our target range of 4% to 6% of revenue while we continue maintaining capital discipline. Free cash flow nearly doubled in the June quarter to \$425 million, up from \$216 million in the prior period. Based on our current outlook, we expect free cash flow generation to expand further in the second half of calendar year 2025 compared to the first half, which is even accounting for a substantial variable compensation payout in the September quarter, which is consistent with our strong performance.

In the June quarter, we returned \$153 million to shareholders through the quarterly dividends, and we returned nearly 75% of free cash flow to shareholders for the fiscal year, demonstrating a strong commitment to our capital return strategy. Cash and cash equivalents increased 9% sequentially to close the June quarter with ample liquidity of \$2.2 billion, including our undrawn revolving credit facility of \$1.3 billion. We reduced our debt balance by approximately \$150 million during the quarter, including retiring \$505 million through a new \$400 million note issuance and cash on hand. We exited the quarter with gross debt of approximately \$5 billion. The combination of lower debt and strong profitability resulted in net leverage ratio of 1.8 times, with further reduction anticipated in the coming quarter as a profit expands.

Turning now to September quarter outlook. From a demand perspective, the visibility gained through our BTO strategy instill confidence in sustained demand strength for our high capacity nearline drives, and support both revenue and margin expansion in the September quarter. As previously communicated, starting in fiscal 2026, we will be subject to a global minimum tax rate in the mid-teens. Accounting for these factors and for the 14-week

period, we expect September quarter revenue to be in a range of \$2.5 billion, plus or minus \$150 million. As a midpoint, this reflects a 15% improvement year-over-year. Non-GAAP operating expenses are expected to be approximately \$290 million, reflecting the 14-week period, partially offset by lower variable compensation as we reset the annual plan for fiscal 2026.

Based on the midpoint of our revenue guidance, non-GAAP operating margin is expected to expand into the mid-to-high 20s percentage range, and non-GAAP EPS is expected to be \$2.30 plus or minus \$0.20, based on a 16% tax rate and non-GAAP diluted share count of 221 million shares. Our EPS guidance reflects estimated dilution from our 2028 convertible notes and equity compensation. Dilution to non-GAAP earnings from the convertible notes, occurs when the volume weighted average price of Seagate stock trades above approximately \$108 during the period. We target to partially offset the dilutive impact of the convertible notes through share repurchases, which we expect to resume in the current quarter.

To close, Seagate's strong June quarter performance underscores our continued focus on driving growth, enhancing profitability, and optimizing cash generation. We are executing our strategic objectives, underpinned by a structurally changed business model and leading technology road map to deliver on our financial targets and enhance value for both customers and shareholders.

Operator, let's open the call up for questions.

QUESTION AND ANSWER SECTION

Operator: We will now begin the question-and-answer session. [Operator Instructions] And your first question today will come from Erik Woodring with Morgan Stanley. Please go ahead.

Erik W. Woodring

Analyst, Morgan Stanley & Co. LLC

Q

Super. Good afternoon guys. Thank you very much for taking my question. Gianluca, I just want to kind of ask you about maybe implied gross margin guided for the September quarter. Over the last eight quarters, you've expanded gross margins by over 200 basis points sequentially on average. I believe at the midpoint of your guide, depending on the interpretation of mid-to-high 20% operating margins, you're guiding to something like 20 basis points of sequential margin expansion. Can you maybe, one, just quick confirm kind of that math? And then, two, just help us understand the puts and takes and maybe why we're not seeing that implied gross margin expansion in September, despite the confidence that we're hearing from you guys about getting to 40% gross margins in a few quarters? Thanks so much.

Gianluca Romano

Chief Financial Officer & Executive Vice President, Seagate Technology Holdings Plc

A

Thank you, Erik. I would say your estimate is a bit low. Actually, I say is significantly lower than what is implied in the guidance. So, we have just achieved a new record high in our history in terms of gross margin and having a very high operating margin. But we are guiding up revenue. We are guiding up gross margin and operating margin, I would say significantly more than what you're modeling right now. So, our path to achieve the milestone or the first milestone that we discussed at our Investor Day just few weeks ago is intact. Now, we are going exactly in that direction. I think we can be there fairly soon.

Operator: And your next question today will come from Asiya Merchant with Citigroup. Please go ahead.

Asiya Merchant

Analyst, Citigroup Global Markets Canada, Inc.

Q

Great. Thank you for taking my question. If you can delve a little bit on the AI inference edge demand, both on the cloud side, maybe also on the edge side. What are you seeing perhaps in the customer commentaries that you're having that would suggest that there is an uplift here from AI and sort of what's kind of your, as you look ahead into the next few quarters, what are you implying or what are you seeing in terms of the AI exabyte demand just specifically from inferencing and workloads that are sort of baking – workloads that you're expecting for your guidance? Thank you.

William David Mosley

Chief Executive Officer & Director, Seagate Technology Holdings Plc

A

Thanks, Asiya. It's a fairly complex space, a lot of different things being called AI. What I would say, generally speaking in the cloud, it's about video properties. We've seen this for many quarters in a row now, where video is actually stored in the cloud and the diversity of video that's actually coming in from all parts of the world that gets stored in the cloud, those are tremendously rich datasets for us to ultimately store on hard drives.

As far as edge goes, you're starting to see all kinds of different applications, whether they're video applications themselves, factories, safety, factory efficiency, hospitals. There is a lot of big datasets that exist, especially video datasets that exist at the edge, and some of those applications are taking us. So, call them inferencing, but they need a lot of data to be fed with at the edge. And then there is also just the normal growth of, I'll call it, data analytics, text data analytics still. But interestingly, at the edge, you're starting to cross over from a point where you may be treated data as something that you had to sort through and then delete. Now, it's just snapshot, just keeps saving lots of snapshots at the edge, because you might want to go back and look through it. So, those are actually driving some of the edge growth that we've made reference to as well.

Asiya Merchant

Analyst, Citigroup Global Markets Canada, Inc.

Q

If I may just, how does that affect kind of what you guys shared at the analyst event in terms of exabyte CAGR as you kind of look ahead? Thank you.

William David Mosley

Chief Executive Officer & Director, Seagate Technology Holdings Plc

A

Yeah. I think the biggest wild card in that, and we're still sticking to the same exabyte CAGRs that we talked about, mid 20s that we're comfortable with that. But we are watching some of these new applications, the ones that people talked about, viral applications that happen to be very data-dependent are very interesting to us. And most of those are edge applications because there is a lot of data at the edge that ultimately gets just thrown away. And so, if it could be processed or stored longer, it's more interesting to us. I think the cloud knows how to deal with the data that actually ultimately resides on the cloud very well.

Asiya Merchant

Analyst, Citigroup Global Markets Canada, Inc.

Q

Great. Thank you.

William David Mosley*Chief Executive Officer & Director, Seagate Technology Holdings Plc*

A

And especially sovereign datasets where people are wanting to keep the data locally like we made reference to in the prepared remarks, I mean those are interesting as well.

Asiya Merchant*Analyst, Citigroup Global Markets Canada, Inc.*

Q

Thank you.

Operator: And your next question today will come from Jim Schneider with Goldman Sachs. Please go ahead.

James Edward Schneider*Analyst, Goldman Sachs & Co. LLC*

Q

Good afternoon. Thanks for taking my question. So maybe if you could talk a little bit about the HAMR contribution you saw in terms of revenue in this quarter and whether you expect and how much you would expect that to increase, if at all, in the September quarter? And then maybe, following on to that, any kind of impact you expect that would have on gross margins either positive or negative in the out quarter? Thank you.

William David Mosley*Chief Executive Officer & Director, Seagate Technology Holdings Plc*

A

Yeah. Thanks, Jim. So, HAMR is growing steadily and we're very happy as we get more people qualified like we talked about, then we'll continue to ramp. What we're very focused on in the company right now is getting to the 4 terabyte per platter platform, and we're, in some sense winding up for that, which we'll expect that ramp, early in calendar 2026 like we said in the prepared remarks. As far as gross margin, the current product sets are still accretive to gross margin. As we get higher and higher, we expect it to be more accretive. But Gianluca, do you want to give some more color on that?

Gianluca Romano*Chief Financial Officer & Executive Vice President, Seagate Technology Holdings Plc*

A

Yeah. No, we are ramping HAMR higher quarter-over-quarter, and we have already three major cloud customers that are qualified on Mozaic 3, and we are starting Mozaic 4 terabyte per disc. So, we are executing our road map, the one that we recently discussed at our Investor Day. And we expect Q1 to be another step higher in term of volume and of course in term of revenue, and as we discussed, because HAMR is higher capacity drive and lower cost per terabyte, we expect a positive impact to our gross margin.

James Edward Schneider*Analyst, Goldman Sachs & Co. LLC*

Q

Thank you.

Gianluca Romano*Chief Financial Officer & Executive Vice President, Seagate Technology Holdings Plc*

A

Thank you.

Operator: And your next question today will come from Wamsi Mohan with Bank of America. Please go ahead.

Wamsi Mohan*Analyst, BofA Securities, Inc.*

Q

Yes. Thank you. You had a strong quarter, clearly, but you guided revenue slightly below consensus for the September quarter, and your DSO also jumped up. So, I was wondering, if you could clarify, if there was anything that you would point out in linearity in the quarter. And I guess the question is, how well is your HAMR capacity ramp aligned with qualifications and demand like, are you tracking better on production versus demand because of qualification which could maybe potentially drive some catch up in the December quarter? Thank you so much.

William David Mosley*Chief Executive Officer & Director, Seagate Technology Holdings Plc*

A

Yeah, Wamsi, I'll let Gianluca jump in here. But relative to the HAMR ramp, sorry, let me just talk about this quarter versus last quarter. Last quarter, obviously, the planning for these quarters is six months, nine months ago, with build-to-order or more in some cases. And so, we have to look at what is qualified exactly to your point. And then what's going to be qualified in six months or nine months. We're leaning into the product transitions that happen along the way. If anything, if we can make more product of any kind, we would make it, but we're also trying to incentivize these product transitions to Mozaic 3+ and then Mozaic 4+ as well, and we're, consuming a lot of our operational efficiency that way.

Maybe there was a little bit over pull for your question last – about last quarter, and that's indicative of strong demand. I mean this – the demand may be stronger as we get out to the back half of the year. We certainly see fairly strong demand right now. We're trying to balance our manufacturing capability and that planning that we've done long-term. What we had promised people nine months ago, we're trying to balance all that together, but also prioritizing the product transitions.

Gianluca Romano*Chief Financial Officer & Executive Vice President, Seagate Technology Holdings Plc*

A

Yes. Now Wamsi you said well. We had a very strong June quarter. We achieved better result than also what we were estimating at the beginning of the quarter. And we are guiding a better quarter in September. Demand is strong, is above supply. So, our guidance is mainly based on what we think we are ready to supply during the quarter. And with volume of exabytes, they will be fully sold. We also need to dedicate a little bit of our production to qualification. So, some of our volume is dedicated to qual. And as you know we are qualifying a big number of customers on HAMR. And so now, of course we are slightly impacted in the volume that we sell because now we need to keep some volume for customer qual. But we are going in the direction that we recently discussed is another step further into our improvement in not only revenue, but even more importantly in profitability.

And now when you look at our guidance, of course, you need to remember that starting this quarter, we will be subject to the global minimum tax. So, when you look at EPS of course, there is an impact from the tax expense. And there is also an impact from a higher number of shares outstanding because of the convertible and equity compensation. So, when you model all those things correctly, you will see actually a fairly good improvement in both gross margin and operating margin.

Wamsi Mohan*Analyst, BofA Securities, Inc.*

Q

Thanks, Gianluca. Just to clarify that one last point you made around the capacity ramp and some of the capacity being tucked away sort of for these quals. Would you say that that's something that just continues to roll forward as you're qualifying more customers? Or do you have a potential for, really meaningful step up once you get into December because now you've got these CSPs qual-ed on Mozaic 3? Thank you so much.

Gianluca Romano*Chief Financial Officer & Executive Vice President, Seagate Technology Holdings Plc*

A

Yeah. We don't guide December. But as I said before, we are going into the direction of continuing to improve revenue and profitability. And of course part of this revenue now is coming from having a little bit more supply available. So, we are executing our plan now. We don't see any major constraint right now in achieving what we said recently. We are very, very confident.

Operator: And your next question today will come from Thomas O'Malley with Barclays. Please go ahead.

Thomas O'Malley*Analyst, Barclays Capital, Inc.*

Q

Hi, guys. Thanks for taking my question. On the HAMR side, I'll ask it different way. I don't think you guys want to give out the exact percentage of revenue over the next couple of quarters. I think you did a good job at the Analyst Day of showing where the crossover point was in the first half of fiscal year 2027. But maybe from a customer perspective, like a large part of the ramp thus far has been with a single customer. You're talking about multiple customers qualified. At this point, are customers two, three, et cetera outside of customer one making up a significant portion of the ramp, like 10% or more. Let's say I just am trying to get an understanding of the adoption outside of the first guy? Thank you.

William David Mosley*Chief Executive Officer & Director, Seagate Technology Holdings Plc*

A

Thanks, Tom. Yeah. Simple answer to your question is yes. The other customers are starting to ramp as well, and the pull is pretty strong. Also, depending on who is qualified where, they may ask for more of the last generation product or may want to wait till the 4 terabyte per platter, but everybody has pretty good visibility and we have multiple customers pulling hard, and that's indicative of the exabyte demand.

Maybe to the earlier question that Wamsi was asking, we add exabyte capacity by getting through these transitions. And so, that's – that our move is we're not really trying to add gross capacity of number of drives. We're trying to, get through these transitions as fast as we can to be much more efficient with the exabytes.

Thomas O'Malley*Analyst, Barclays Capital, Inc.*

Q

Helpful. And in terms of that transition, I think you guys had previously said on the mass capacity side, like where you kind of ran into a wall in terms of where you were willing to produce was like 160 exabytes on the mass capacity side. Is that still the right way to think about where things are stopping before you get just the growth from the technology side? Or are you looking at many different way now? I just wanted to see if there is an update there.

William David Mosley*Chief Executive Officer & Director, Seagate Technology Holdings Plc*

A

With continued ramp of Mozaic 3+ platforms, we could continue to grow. But, Mozaic 4+ allows significant growth above that. Yeah. So, it's not a wall so much anymore. It really was when we were stuck in the middle of 2 terabytes per platter product, but we're way past that now.

Thomas O'Malley*Analyst, Barclays Capital, Inc.*

Q

Super helpful. Thank you.

Operator: And your next question today will come from Amit Daryanani with Evercore. Please go ahead.

Amit Daryanani

Analyst, Evercore Group LLC

Q

Yeah. Thanks a lot. Good afternoon everyone. Dave, as you think about the LTAs that are giving you visibility, it sounds like into early 2026 right now. Can you just touch on what pricing assumptions are you seeing embedded on an exabyte basis in these contracts? And really as you think about the HAMR products are going to ramp up over the next 12 months, you end up in a pretty good cost advantage, I think on a per exabyte basis on HAMR exabytes. Do you think these LTAs will enable you to keep those cost savings for Seagate or would we see a bigger drop in price per exabyte that you have to engage with your customers with at that point?

William David Mosley

Chief Executive Officer & Director, Seagate Technology Holdings Plc

A

Yeah. No, we don't have to. It's a good question. We don't have to incentivize the transition. I mean there is a significant TCO benefit of running these new products in your data center. So, if you think about, a 40 terabyte versus a 30 terabyte, for example, and you're going to run that for six or seven years, that's a huge TCO benefit. So, there is an incentive baked in right there. We know what our costs are going to be, and we know what pricing we want to incentivize, and we know what margin that we need to be able to, go back and re-feed our R&D and our supply chain and everything else. So, we're balancing all these things in the planning that we're doing. Gianluca, you want to talk about pricing?

Gianluca Romano

Chief Financial Officer & Executive Vice President, Seagate Technology Holdings Plc

A

Yeah, we are not changing our pricing strategy that we have started more than two years ago. So, our like-for-like pricing will continue to slightly increase every time we negotiate a new build-to-order. Of course, the mix is going into more higher capacity drive, so – but is also the part of the set. But again everything is aligned to how we are executing our plan that we presented just few weeks ago.

Amit Daryanani

Analyst, Evercore Group LLC

Q

Perfect. Thank you.

William David Mosley

Chief Executive Officer & Director, Seagate Technology Holdings Plc

A

Thanks.

Operator: And your next question today will come from Aaron Rakers with Wells Fargo. Please go ahead.

Aaron Rakers

Analyst, Wells Fargo Securities LLC

Q

Yeah. Thanks for taking the question. I want to ask you a little bit about free cash flow generation and how we should think about share repurchase. So, I think in the prepared comments you had pointed out that you should be in your CapEx revenue or CapEx spend range of 4% to 6%. I guess the first part of this is that, that would

seem to apply, a fairly healthy uptick in the CapEx spend year-over-year for fiscal 2026 versus fiscal 2025. And I guess why would that be?

And then the second question is, kind of tied to that as we see the generation of free cash flow, you've hit the sub \$5 billion gross debt level. How do we think about the right level of cash operationally you're willing to hold or how maybe in the opposite way we should think about excess cash being built and capacity for share repurchase? Any thoughts around that would be helpful? Thank you.

William David Mosley

Chief Executive Officer & Director, Seagate Technology Holdings Plc

A

Thanks, Aaron. I'll hand it over to Gianluca in just a second. But just to handle from an operations perspective, I mean, obviously, given what we've been through in the last few years, we were pretty tight on CapEx. So, I'm not sure that looking at a year ago or two years ago, baseline is a great way to think about it, some of our gear needs to be replaced. There is a small tick up for that, but then there is also us looking forward into FY 2027 and FY 2028 and saying, how do we make sure we stage for 4 terabytes a platter and 5 terabytes a platter make sure we have the right gear for that, that may drive CapEx a little bit. We'll still be well within our range though. And then Gianluca on the?

Gianluca Romano

Chief Financial Officer & Executive Vice President, Seagate Technology Holdings Plc

A

Yes, Aaron. So, free cash flow is improving a lot. Now you have seen already in the June quarter, a major step up. This will continue, as we said during the second part of calendar 2025 and will also continue for the second part of our fiscal 2026. We have reduced our debt, as you said, at the target level. We were targeting since more than a year at this point, and Dave just announced that we are restarting share buyback. So again, we are executing our plan. I think obviously, it's a good time to restart the share buyback. And, in term of liquidity, you were asking an excess cash flow or excess cash, we don't have excess cash right now. I think we can maybe still increase a little bit our cash position. But the vast majority of our free cash flow, of course, will go back to our shareholders through the dividend and through the share buyback.

Aaron Rakers

Analyst, Wells Fargo Securities LLC

Q

Thank you.

Gianluca Romano

Chief Financial Officer & Executive Vice President, Seagate Technology Holdings Plc

A

Thank you.

William David Mosley

Chief Executive Officer & Director, Seagate Technology Holdings Plc

A

Thanks.

Operator: And your next question today will come from Ananda Baruah with Loop Capital. Please go ahead.

Ananda Baruah

Analyst, Loop Capital Markets LLC

Q

Yeah. Thanks guys for taking the question. Dave, just going back to your prior remarks about the AI drivers that you're seeing in your business. And this would be sort of not at the edge, the data center remarks. And did you actually make mention that you're seeing multiple types of AI video drivers? And if you are, do you mind just sort of speaking to those again, I just want to get clear on those? Thanks.

William David Mosley

Chief Executive Officer & Director, Seagate Technology Holdings Plc

A

Well, yeah, I would say, Ananda, there is the video properties that I call them, the things that are storing a lot of video in the cloud and then sharing that video across many, many users around the world, right. So, we all are familiar with those and use those every day. There's also just unstructured data that's coming into the cloud for processing that could be video content as well. And then there is video generation from some of the new AI applications also that some of those are starting to go viral as well. That's a small trend so far. So, the video processing, the unstructured data processing is big. And then the video properties as I call them, is just huge, creating – because humans are creating all kinds of diverse content and then storing them through these applications.

Ananda Baruah

Analyst, Loop Capital Markets LLC

Q

And are you seeing from the autonomous sector, anything starting to happen with generative AI, any visibility into that? And that's it for me. Thanks.

William David Mosley

Chief Executive Officer & Director, Seagate Technology Holdings Plc

A

That's an interesting question. So, we do have some partnerships with people that are making autonomous vehicles. Typically so far, the data is actually gathered in the field, and then processed in a local cloud, and it's fairly data-rich. But so far, there hasn't really been a generation of data at the extreme edge, and then monetization somewhere else besides just teaching the car how to drive better. Should that ever happen, so that the cars themselves become units that are actually picking up a lot of data, and then sharing it some other way, that could be a huge opportunity. So far, we haven't seen that. It's more about training and inferencing, just to make sure the vehicles are driving right and staying safe.

Ananda Baruah

Analyst, Loop Capital Markets LLC

Q

Got it. Thanks a lot.

Operator: And your next question today will come from C.J. Muse with Cantor Fitzgerald. Please go ahead.

C. J. Muse

Analyst, Cantor Fitzgerald & Co.

Q

Yeah. Good afternoon. Thank you for taking the question. So, I was hoping to better understand your ability to drive revenue growth, both short-term and longer term. So, for the September quarter, you're guiding up 2%. You have an extra week, but you talked about select HAMR bits going to qualification. So, I would have thought perhaps with the extra week maybe you could have had more output. So, is there something else going on there? Is there a mix issue? Would love to have help there. And then for fiscal 2026, at your Analyst Day, you talked about longer term growth of low-to-mid teens top line. And I'm just curious at what point in the HAMR ramp do you think you will have the capacity to support that type of growth? Thanks so much.

William David Mosley*Chief Executive Officer & Director, Seagate Technology Holdings Plc*

A

Yeah I'll let Gianluca deal with the longer term period. But obviously as I said before, the quarter-over-quarter stuff was – a lot of the supply perspective on these quarters was dictated six months ago or nine months ago under build-to-order. And I don't think our customers look at it as 14-week, or an extra week, or whatever. So, if there happens to be a little bit more demand at the end of the quarter, maybe it'll come our way. There's maybe some evidence that it did last quarter, but I don't really get into the what happened in one-week period. From our perspective, the way we put more exabytes online is to go through the product transition, not necessarily buy capital to try to build more for demand, because that would be a long, long lead time anyway. So, we're actually very focused on getting the new products in, qualified, up the ramp, so on and so forth, and that'll help build our margins.

Gianluca Romano*Chief Financial Officer & Executive Vice President, Seagate Technology Holdings Plc*

A

Yes, the mix is going in the right direction. So, we are increasing both Mozaic, so the HAMR product, and the last generation of PMR products. So, you will see the increase in exabyte that are implied in our guidance and also what we have done in the most recent quarter. We are increasing exabytes. We are not increasing units. So, this is all technology transition. So, more and more we move customers to HAMR, then more and more we have the opportunity to increase the exabyte, and of course that will result in higher revenue. In terms of what we said at our Analyst Day in terms of revenue growth. So, the low-to-mid teens, we guided next quarter \$2.5 billion.

If you look where we were a year ago, I think is probably 15% higher. So, I don't see anything different compared to what we were saying a few weeks ago and what we are executing. Of course, now every quarter is different. And as I said before, we guide based on what we think we are producing in the quarter, if we will produce little bit more, we will be able to generate little bit more revenue, but right now this is the visibility.

C. J. Muse*Analyst, Cantor Fitzgerald & Co.*

Q

Very helpful. Thank you.

Gianluca Romano*Chief Financial Officer & Executive Vice President, Seagate Technology Holdings Plc*

A

Thank you.

William David Mosley*Chief Executive Officer & Director, Seagate Technology Holdings Plc*

A

Thanks, C.J.

Operator: And your next question comes from Krish Sankar with TD Cowen. Please go ahead.

Eddy Orabi*Analyst, TD Securities (USA) LLC*

Q

Hey guys, this is Eddy for Krish. Just a question on the guide. It seems that your guidance implies incremental gross margins about like 50%, even though we are still below the \$2.6 billion revenue baseline you outlined on the Analyst Day. I wonder as you go from the \$2.5 billion in September to \$2.6 billion and above. Why would your incremental gross margin not be better than the 50% number you guided at the Analyst Day like, are there some

headwinds in the near term? It's just like a little bit puzzling, especially given that the HAMR ramp is still in very early stages. So, someone should expect like revenue – gross margin accretion above the 50% you guided but – so, any color on that regard would be helpful?

Gianluca Romano

Chief Financial Officer & Executive Vice President, Seagate Technology Holdings Plc

A

Yeah, I think you need to look at your models a little bit deeper because the implied gross margin in the guidance is way higher than what you're saying. Again, look at your model, look at the impact of the increase in the share outstanding, the increase in the tax. But the gross margin in our guidance is much higher than 50 basis points sequentially.

Eddy Orabi

Analyst, TD Securities (USA) LLC

Q

Sorry, Gianluca, I meant 50% incremental gross margin, not 50 basis point.

Gianluca Romano

Chief Financial Officer & Executive Vice President, Seagate Technology Holdings Plc

A

Yeah. Okay, perfect. Well, I would say that every quarter will be a little bit different depending exactly from the mix that we change quarter-over-quarter. But I would say our first goal is to achieve the \$2.6 billion in revenue, and the 40% gross margin. And I think we are trending well in that direction. And after that, our goal is to continue to increase the revenue in the low-to-mid teens as we discussed at the Analyst Day, and increase our profitability for an incremental 50% gross margin. So, I would say nothing changed in the last eight weeks. So I think the plan is ongoing and we are executing well.

Eddy Orabi

Analyst, TD Securities (USA) LLC

Q

Got it. Thank you.

Gianluca Romano

Chief Financial Officer & Executive Vice President, Seagate Technology Holdings Plc

A

Thank you.

William David Mosley

Chief Executive Officer & Director, Seagate Technology Holdings Plc

A

Thanks, Eddy.

Operator: And your next question today will come from Timothy Arcuri with UBS. Please go ahead.

Timothy Arcuri

Analyst, UBS Securities LLC

Q

Thanks a lot. Dave, you made a comment that I haven't heard you make before. You said the capacity is booked out to mid-2026 and visibility is extending into the back half. What does that mean, because build to order, I mean the lead time to build a drive is a year. So, if you place an order now, you're not going to get the drive until this time next year anyway. So sort of by definition, you have a year worth of visibility. Are you changing how you book that capacity? And I guess part of that is what does that really give you? Like, do you know exactly what's going to ship in December? I know you don't want to give us guidance, but can customers push out like if you

wanted to guide December, could you tell us what you're going to ship in December? I'm just wondering if something changed for you to give that comment? Thanks.

William David Mosley*Chief Executive Officer & Director, Seagate Technology Holdings Plc*

A

Nothing's really changed. So you're – and you're somewhat right. Remember, we're leaning through these product transitions. So, we have customers who are driving us to not only start the ramp of Mozaic 3+, but start the ramp of Mozaic 4+, and so on. And they're working with us on qualifications. And that's some of the stuff that we talk about visibility. They generally want exabytes. They don't want specific boxes, but they want the most efficient boxes they can get. And so, do we have pretty good visibility into that? Yes, and we have long lead times for some of the components. So, we have to make sure we start those components right now. If that helps your comment, Tim.

Timothy Arcuri*Analyst, UBS Securities LLC*

Q

Yeah, I guess I'm just trying to figure out like do you know exactly what you're going to ship in December? I know you don't want to give guidance, but I mean, could December be down potentially, or do you have enough visibility to say, look, we know exactly what we're going to ship in December. And, we don't want to tell you, but we at least know what it's going to be.

William David Mosley*Chief Executive Officer & Director, Seagate Technology Holdings Plc*

A

Right. I would say we know what the customers want. And, demand is very strong. That's what we made – as far as what else might happen in the world, I don't know what else might happen in the world. But, from our perspective, demand is still strong, probably stronger than what we have capacity for. And even though we're building capacity as we get through some of these transitions, the exabyte capacity via the transition.

Gianluca Romano*Chief Financial Officer & Executive Vice President, Seagate Technology Holdings Plc*

A

And, Tim, we said previously also in prior calls, we expect calendar 2025 to sequentially increase revenue and profitability. So, we continue in that direction. So, December will be higher revenue and higher profitability.

Timothy Arcuri*Analyst, UBS Securities LLC*

Q

Thank you.

Operator: And your next question today will come from Steven Fox with Fox Advisors. Please go ahead.

Steven B. Fox*Analyst, Fox Advisors LLC*

Q

Hi. Good afternoon. I was just curious if there's any seasonality we have to think about as we figure out the full fiscal year quarters. It seems like there's a lot of positive quarter-on-quarter tailwinds as you go through the year, what kind of seasonal warnings would you throw up, Gianluca?

William David Mosley*Chief Executive Officer & Director, Seagate Technology Holdings Plc*

A

The seasonality is starting to really diminish in our business. So, if the legacy and other businesses, they still have some seasonality in them. VIA is interesting because as time marches on, some of the VIA workloads are moving to the cloud as well. And so, we're seeing not the typical seasonality that we would have seen in the VIA markets, it's actually more muted now. But I think the bulk of our business, there really isn't any seasonality anymore.

Steven B. Fox

Analyst, Fox Advisors LLC

Thanks. And just real quickly...

[indiscernible] (00:52:00).

Gianluca Romano

Chief Financial Officer & Executive Vice President, Seagate Technology Holdings Plc

Sorry. In total, I would say, March quarter is usually our lower quarter in terms of revenue, but as Dave said, that seasonality impact every year becomes a little bit smaller.

Steven B. Fox

Analyst, Fox Advisors LLC

Thank you. And just real quick if I could squeeze one in. I know someone asked you about receivables. I'm not clear on the answer in terms of why the receivables are up so much in the quarter? Thanks.

Gianluca Romano

Chief Financial Officer & Executive Vice President, Seagate Technology Holdings Plc

There is nothing strange. As you know, in the past, we did also some factoring, and we didn't do any factoring this quarter. And that's because our free cash flow was really strong already. So, nothing unusual I would say in the business that drive receivable higher.

William David Mosley

Chief Executive Officer & Director, Seagate Technology Holdings Plc

Yeah. I'd say we're back to running the business the way we want to. And we've got the supply chain moving the way we want to. So, I'm very pleased with the progress in that FY 2025.

Steven B. Fox

Analyst, Fox Advisors LLC

Great. Thank you.

Operator: And your next question today will come from Tristan Gerra with Baird. Please go ahead.

Tristan Gerra

Analyst, Robert W. Baird & Co., Inc.

Hi. Good afternoon. High level question. It looks like NAND hasn't been cannibalistic to HDD demand for some time. Each storage type has their own respective end market, and there's been so much in terms of capacity cuts in NAND recently that has precluded any production cost down. So, as eventually NAND capacity normalizes, and production costs return to a normal curve, should we view this as a potential pressure on HDD demand in certain end markets or are the dynamics such that, notably with HAMR, your density versus production costs maintain the gap with NAND?

William David Mosley*Chief Executive Officer & Director, Seagate Technology Holdings Plc*

A

Yeah, it's a complex question, but I would say that your last point is the way we think about it, we're continuing to increase the capacity point per drive, and also keep our costs in line. We have great value proposition for customers, and so, therefore, in the markets that we – that are really material to us, like the cloud markets, the interface between NAND and HDD is not really changing that much. And when I say interface, keep in mind there's a lot of NAND in the cloud, right?

There's a lot of front end memory in these application spaces. And in some cases, some are very memory dependent. But when it comes to mass data storage, the interface between all the NAND that's being used, and all the hard drives that are being used is not changing that much. And because of the economics that you talked about, because of the, like we talked about in the Analyst Day, the total amount of capital that would be required to replace the bytes that are HDD with NAND. So, NAND is a great technology. It's got a lot of interesting applications on the edge. They need to manage the business well. That may be the result – that may be what's resulting in some of the behaviors that you made reference to. But in the bulk of mass storage applications, certainly in the cloud, the architectures are not changing.

Tristan Gerra*Analyst, Robert W. Baird & Co., Inc.*

Q

Great. Thank you very much.

Operator: And your next question today will come from Vijay Rakesh with Mizuho. Please go ahead.

Vijay Raghavan Rakesh*Analyst, Mizuho Securities USA LLC*

Q

Yeah. Hi, Dave and Gianluca. Just first question on the gross margin side, assuming your margins, go to like 38.7%, 38.8% in the September quarter. Is that pickup coming from pricing utilization and the HAMR mix? Can you give us some attribution? Like what percent goes from the pricing improvement versus utilization, versus the HAMR mix? And then I have a follow-up.

Gianluca Romano*Chief Financial Officer & Executive Vice President, Seagate Technology Holdings Plc*

A

And you're talking about the September quarter or the June quarter?

Vijay Raghavan Rakesh*Analyst, Mizuho Securities USA LLC*

Q

Yeah, September quarter. Sorry.

Gianluca Romano*Chief Financial Officer & Executive Vice President, Seagate Technology Holdings Plc*

A

Yes, I would say all those factors that you mentioned, so HAMR volume will be higher. And this is of course, a good help to our gross margin. And the pricing strategy, as we said before is not changing. So, for the few contracts that we will have renewed in the September quarter, we will have a little bit better pricing. And we are selling all our production. So of course, also on the cost side, we are getting fairly good cost per terabyte decline. So, I would say not differently from the last few quarters, we are trending in the same direction and we are continuing this sequential improvement.

Vijay Raghavan Rakesh*Analyst, Mizuho Securities USA LLC*

Q

Got it. And Dave, I think, you mentioned three customers on HAMR now. And I think you guys have said five customers by the end of fiscal 2026, can you talk how the other two are going, and how you expect the number two and number three ramps to progress, I guess. Thanks.

William David Mosley*Chief Executive Officer & Director, Seagate Technology Holdings Plc*

A

Yeah. So, earlier I talked about the fact that there were more people ramping the product. So relative to the three-customer comment, we haven't really said five yet, but we've said major customers will be qualified by early 2026. That's what I said in the prepared remarks. And we actually talked about that at Analyst Day as well. So, we're still on exactly that path.

To your question about how are the quals going? They're going very well. I think, as customers need more bytes, they see that – as they get through the qualification, they see that as an option, and they're creating that demand. Obviously, with the build-to-order, we have to be very prescriptive of it. So, we know exactly what we're going to be able to build. We know which wafers are flowing and we know what heads of media capabilities we're going to have to hit those things we'll be as predictable as we can for them, but the progress on the qualifications is going quite well.

Vijay Raghavan Rakesh*Analyst, Mizuho Securities USA LLC*

Q

All right. Thank you.

Operator: And your next question today will come from Mark Miller with the Benchmark Company. Please go ahead.

Mark Miller*Analyst, The Benchmark Co. LLC*

Q

Yeah, I'm trying to get my arms around the impact of this global minimum tax, which kicks in fiscal 2026. I believe you said the non-GAAP tax rate will be 16%. Can you give any insight on what the GAAP tax rate will be with this global minimum tax?

Gianluca Romano*Chief Financial Officer & Executive Vice President, Seagate Technology Holdings Plc*

A

Yeah, it will be very similar. So, the global minimum tax is impacting us on both GAAP and non-GAAP.

Mark Miller*Analyst, The Benchmark Co. LLC*

Q

Okay. Thank you.

William David Mosley*Chief Executive Officer & Director, Seagate Technology Holdings Plc*

A

Thanks, Mark.

Operator: This concludes our question-and-answer session. I would like from the conference back over to management for any closing remarks.

William David Mosley

Chief Executive Officer & Director, Seagate Technology Holdings Plc

Thanks, Nick. Thanks, everyone, for joining us today, fiscal 2025 was an incredible year for Seagate, and I'm really proud of our team's execution. We're operating in a strong demand environment, driven in part by advancements in Gen AI and the march towards all these agentic models. These breakthroughs have solidified data as one of the world's most critical resources. Hard drives are key component, empowering businesses to harness the full value of their data, and Seagate's leading technology roadmap make us uniquely positioned to capture value from those growing opportunities. We appreciate the ongoing support of our customers, our suppliers, our employees, and the shareholders, and we look forward to sharing our progress in the quarters ahead. Thank you.

Operator: The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.

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