

# Supplemental Financial Information

FISCAL Q3 2018



# Safe Harbor Statement

This document contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, each as amended, including, in particular, statements about the Company's plans, strategies and prospects, estimates of industry growth, market demand, the potential impact of the U.S. Tax Cuts and Jobs Act, and dividend issuance plans for the fiscal quarter ending June 29, 2018 and beyond. These statements identify prospective information and may include words such as "expects," "intends," "plans," "anticipates," "believes," "estimates," "predicts," "projects," "should," "may," "will," or the negative of these words, variations of these words and comparable terminology. These forward-looking statements are based on information available to the Company as of the date of this report and are based on management's current views and assumptions. These forward-looking statements are conditioned upon and also involve a number of known and unknown risks, uncertainties, and other factors that could cause actual results, performance or events to differ materially from those anticipated by these forward-looking statements. Such risks, uncertainties, and other factors may be beyond the Company's control and may pose a risk to the Company's operating and financial condition. Such risks and uncertainties include, but are not limited to: items that may be identified during its financial statement closing process that cause adjustments to the estimates included in this report; the uncertainty in global economic conditions; the impact of the variable demand and adverse pricing environment for disk drives; the Company's ability to successfully qualify, manufacture and sell its disk drive products in increasing volumes on a cost-effective basis and with acceptable quality; the impact of competitive product announcements; the Company's ability to achieve projected cost savings in connection with its restructuring plans; possible excess industry supply with respect to particular disk drive products; disruptions to its supply chain or production capabilities; unexpected advances in competing technologies or changes in market trends; the development and introduction of products based on new technologies and expansion into new data storage markets; the Company's ability to comply with certain covenants in its credit facilities with respect to financial ratios and financial condition tests; currency fluctuations that may impact the Company's margins and international sales; cyber-attacks or other data breaches that disrupt the Company's operations or result in the dissemination of proprietary or confidential information and cause reputational harm; and fluctuations in interest rates. Information concerning risks, uncertainties and other factors that could cause results to differ materially from the expectations described in this press release is contained in the Company's Annual Report on Form 10-K filed with the U.S. Securities and Exchange Commission on August 4, 2017, the "Risk Factors" section of which is incorporated into this press release by reference, and other documents filed with or furnished to the Securities and Exchange Commission. These forward-looking statements should not be relied upon as representing the Company's views as of any subsequent date and the Company undertakes no obligation to update forward-looking statements to reflect events or circumstances after the date they were made.



# Use of Non-GAAP Financial Information

To supplement the condensed consolidated financial statements presented in accordance with generally accepted accounting principles (GAAP), the Company provides non-GAAP measures of adjusted revenue, net income, diluted earnings per share, earnings per share, gross margin, gross margin as a percentage of revenue, operating expenses, free cash flow, EBITDA and Credit Agreement defined EBITDA which are adjusted from results based on GAAP to exclude certain 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 our prospects for the future. Specifically, the Company believes non-GAAP results provide useful information to both management and investors as these non-GAAP results exclude certain expenses, gains and losses that we believe are not indicative of our core operating results and because it is similar to the approach used in connection with the financial models and estimates published by financial analysts who follow the Company. Free cash flow does not reflect all of the Company's expenses and non-cash items and does not reflect the Company's uses of cash in financing and investment activities.

These non-GAAP results are some of the primary 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 for, or superior to, GAAP results. These non-GAAP measures may differ from the non-GAAP measures reported by other companies in our industry.



## Q3 FY2018 Financial Highlights

Revenue	Gross Margin GAAP	Diluted EPS GAAP	HDD Capacity Shipped
\$2.8 <sub>B</sub>	30.2%	\$1.31	87.4 <sub>EB</sub>
Cash Flow from Operations	Gross Margin NON-GAAP <sup>1</sup>	Diluted EPS NON-GAAP <sup>1</sup>	Avg. Capacity per Drive
\$558 <sub>M</sub>	30.8%	\$1.46	2.4 <sub>TB</sub>

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



# Quarterly Financial Trends

	Q3'16	Q4'16	Q1'17	Q2'17	Q3'17	Q4'17	Q1'18	Q2'18	Q3'18
<b>GAAP Results</b>									
Revenue (\$M)	2,595	2,654	2,797	2,894	2,674	2,406	2,632	2,914	2,803
Gross Margin %	20.2%	24.9%	28.6%	30.8%	30.5%	27.7%	28.0%	30.1%	30.2%
Operating Expenses (\$M)	497	559	580	521	550	470	481	444	406
Net Income (loss) (\$M)	(21)	70	167	297	194	114	181	159	381
Diluted EPS (LPS)	(\$0.07)	\$0.23	\$0.55	\$1.00	\$0.65	\$0.38	\$0.62	\$0.55	\$1.31
<b>Non-GAAP Results<sup>1</sup></b>									
Revenue (\$M)	2,591	2,653	2,797	2,893	2,675	2,406	2,632	2,908	2,803
Gross Margin %	22.7%	25.8%	29.5%	31.8%	31.4%	28.9%	29.0%	30.4%	30.8%
Operating Expenses (\$M)	439	443	472	458	443	422	408	390	385
Net Income (\$M)	66	207	299	412	329	192	279	431	424
Diluted EPS <sup>2</sup>	\$0.22	\$0.69	\$0.99	\$1.38	\$1.10	\$0.65	\$0.96	\$1.48	\$1.46
End of Qtr Actual Share Count (M)	298	299	299	295	297	292	289	285	287
Diluted Shares O/S for EPS (M)	298	300	301	298	300	297	292	291	291
Dividends Per Share Paid	\$0.63	\$0.63	-	\$0.63	\$0.63	\$0.63	\$0.63	\$0.63	\$0.63
Shares Repurchased (M)	-	-	3.0	4.1	-	5.0	5.0	5.0	-
Fiscal YTD Shares Repurchased (M)	23.0	23.0	3.0	7.1	7.1	12.1	5.0	10.0	10.0
<b>Revenue by Product Line (\$M)</b>									
HDD	2,371	2,455	2,589	2,652	2,424	2,220	2,390	2,701	2,586
Enterprise Systems, Flash, and Other	224	199	208	242	250	186	242	213	217
<b>HDD Revenue by Channel<sup>3</sup></b>									
OEM	69%	71%	70%	66%	66%	67%	67%	67%	69%
Distributors	16%	16%	18%	18%	19%	18%	17%	17%	17%
Retail	15%	13%	12%	16%	15%	15%	16%	16%	14%

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

2. The number of shares used in the Non-GAAP diluted net income per share computation for Q3'16 is 299 million as it includes dilutive shares related to employee equity award plans. Such shares were excluded from the computation of GAAP diluted net income per share as to do so would be anti-dilutive.

3. HDD Revenue by Channel reflects channel distribution of HDD revenue only.



# HDD Product Mix Trends

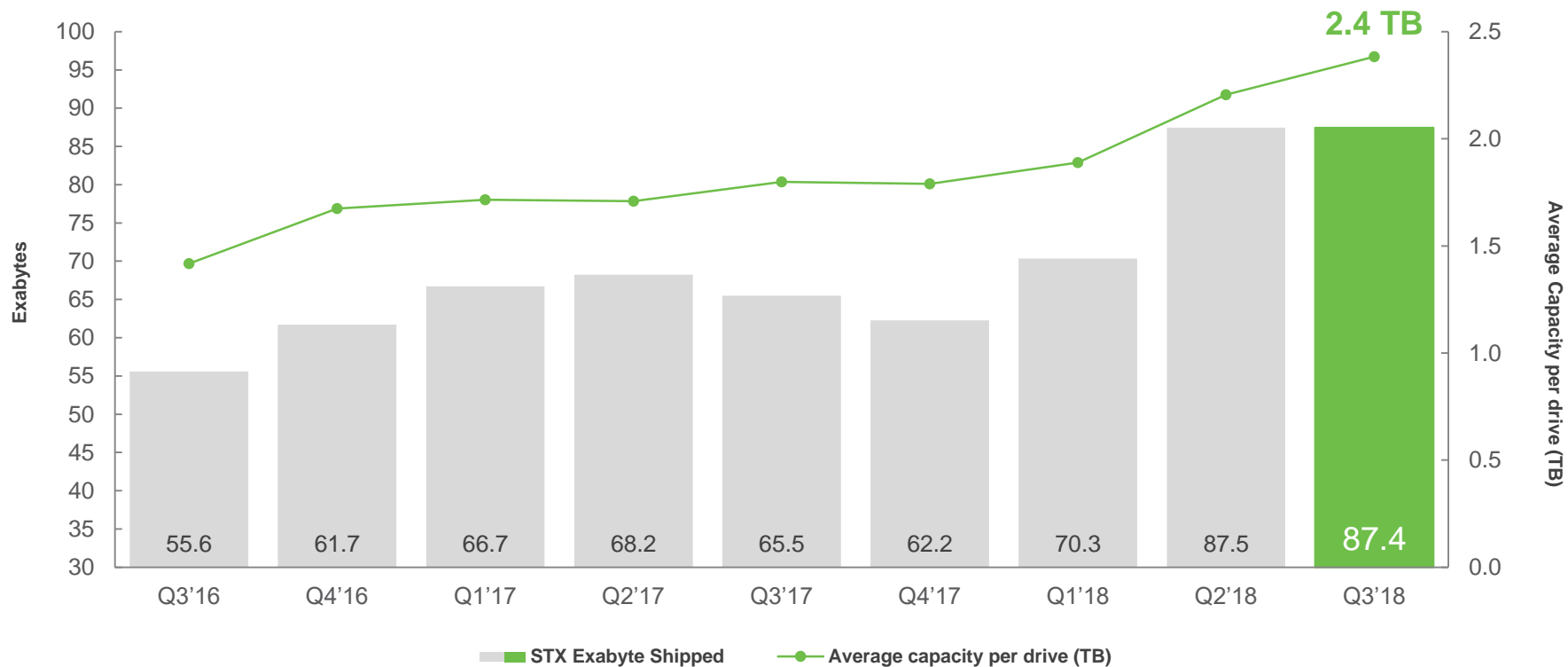
		Q3'16	Q4'16	Q1'17	Q2'17	Q3'17	Q4'17	Q1'18	Q2'18	Q3'18
<b>Enterprise</b>										
Capacity (EB)	Mission Critical	2.2	2.2	2.4	2.6	2.3	2.2	2.1	2.4	2.5
	Nearline	17.7	24.7	25.7	21.6	21.4	21.2	25.1	35.1	41.3
Average Capacity per Drive (TB)		2.6	3.2	3.2	3.0	3.2	3.4	3.9	4.3	4.8
<b>Edge non-Compute / Client non-Compute</b>										
Capacity (EB)	Consumer Electronics <sup>1</sup>	8.4	11.3	13.7	14.8	13.6	12.4	13.5	17.1	14.6
	Consumer	9.3	8.6	8.9	12.1	10.8	9.5	11.1	13.8	11.6
Average Capacity per Drive (TB)		1.6	1.6	1.6	1.9	2.0	1.9	1.9	2.2	2.2
<b>Edge Compute / Client Compute</b>										
Capacity (EB)	Desktop + Notebook	18.0	14.7	16.0	17.1	17.3	16.8	18.6	19.2	17.5
Average Capacity per Drive (TB)		0.9	0.9	1.0	1.0	1.1	1.0	1.1	1.1	1.1
<b>Total HDD Capacity (EB)</b>		55.6	61.7	66.7	68.2	65.5	62.2	70.3	87.5	87.4
<b>Average Capacity per Drive (TB)</b>		1.4	1.7	1.7	1.7	1.8	1.8	1.9	2.2	2.4
<b>Enterprise as a % of Total Revenue</b>		37%	41%	41%	37%	36%	37%	36%	40%	44%
<b>Client non-Compute as a % of Total Revenue</b>		24%	27%	28%	31%	29%	29%	29%	30%	26%
<b>Client Compute as a % of Total Revenue</b>		30%	24%	24%	24%	25%	26%	26%	23%	22%

NOTE: Minor calculation variances are due to rounding.

1. Consumer Electronics includes exabytes from surveillance, DVR, NAS, and gaming.



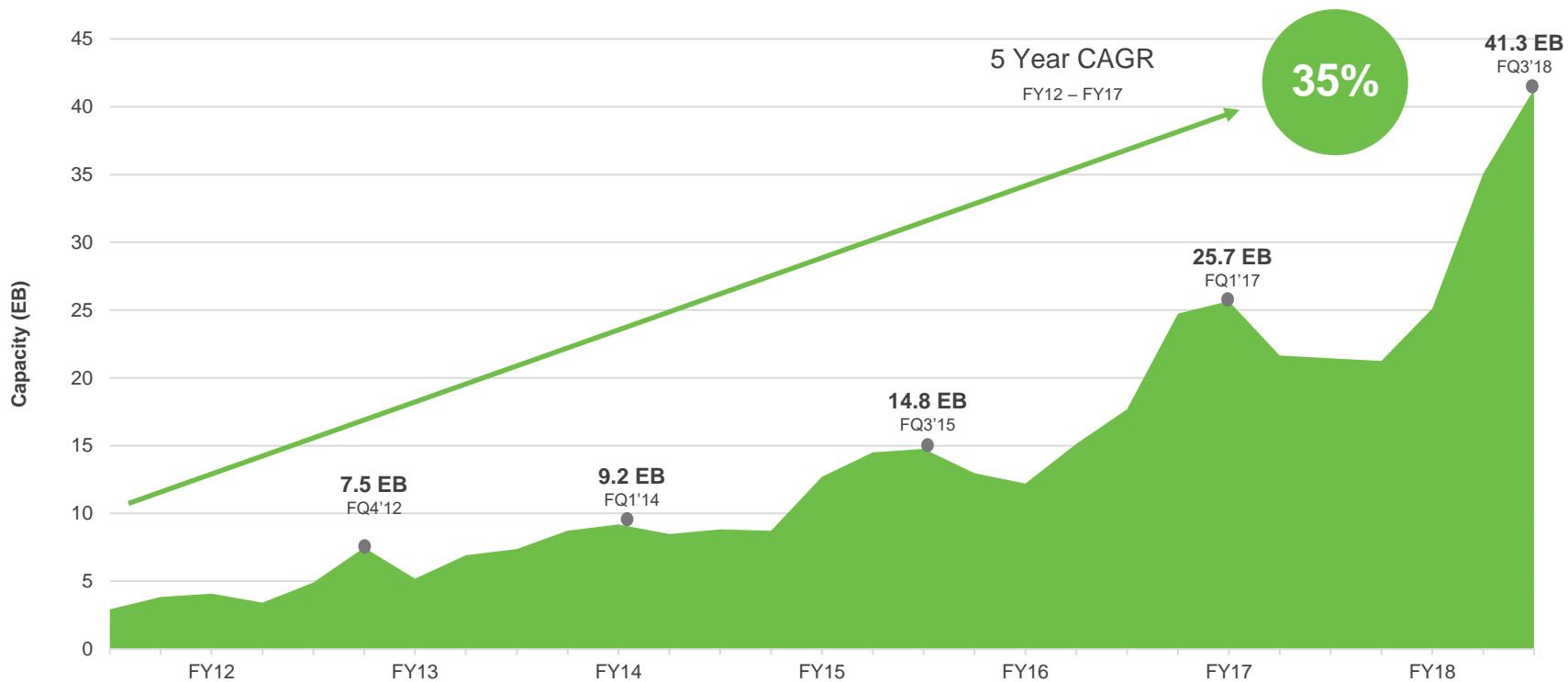
# HDD Exabytes Shipped and Average Capacity per Drive



NOTE: Minor calculation variances are due to rounding.



# Nearline Demand Trend



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





# Cash, Cash Flow, and Operational Trends

	Q3'16	Q4'16	Q1'17	Q2'17	Q3'17	Q4'17	Q1'18	Q2'18	Q3'18
Cash (\$M)	1,199	1,131	1,494	1,716	3,026	2,539	2,285	2,556	2,926
Debt (\$M)	4,089	4,091	4,092	4,093	5,231	5,021	5,002	4,876	4,822
Cash Flow From Operations (\$M)	205	269	591	656	426	243	237	850	558
Capital Expenditures <sup>1</sup> (\$M)	95	146	140	95	95	104	124	77	69
Free Cash Flow <sup>2</sup> (\$M)	110	123	451	561	331	139	113	773	489
YTD Cash Flow From Operations <sup>3</sup> (\$M)	1,411	1,680	591	1,247	1,673	1,916	237	1,087	1,645
YTD Shares Repurchased <sup>3</sup> (\$M)	1,090	1,090	101	248	248	460	166	361	361
YTD Dividend Paid <sup>3,4</sup> (\$M)	539	727	-	188	374	561	184	366	545
Days Sales Outstanding	44	45	43	38	39	45	42	33	35
Days Inventory Outstanding	41	40	42	46	51	51	49	45	47
Days Payables Outstanding	66	69	71	74	78	85	74	72	77
Cash Conversion Cycle	19	16	13	10	12	12	17	6	5
Worldwide Headcount	46,673	45,487	44,455	44,882	43,214	41,221	40,496	40,966	42,275

NOTE: Minor calculation variances are due to rounding.

1. Capital Expenditures is cash paid for the acquisition of property, equipment, and leasehold improvements.

2. Free cash flow is a non-GAAP measure defined as cash flow from operations less capital expenditures.

3. Based on Fiscal Year.

4. In Fiscal Q1'17 a quarterly cash dividend of \$0.63 per share was declared on August 2, 2016, which was payable on October 5, 2016.



# RECONCILIATION TABLES

# GAAP to Non-GAAP Reconciliations

(\$ Millions)	Q3'16	Q4'16	Q1'17	Q2'17	Q3'17	Q4'17	Q1'18	Q2'18	Q3'18
<b>GAAP net income (loss)</b>	(\$21)	\$70	\$167	\$297	\$194	\$114	\$181	\$159	<b>\$381</b>
<u>Non-GAAP adjustments</u>									
A. Revenue	(4)	(1)	-	(1)	1	-	-	(6)	-
B. Cost of revenue	67	23	25	29	24	30	26	14	<b>16</b>
C. Product development	2	5	-	2	30	13	1	2	<b>5</b>
D. Marketing and administrative	9	3	(1)	1	2	3	-	1	<b>1</b>
E. Amortization of intangibles	27	28	27	27	27	18	21	18	<b>4</b>
F. Restructuring and other, net	20	80	82	33	48	14	51	33	<b>11</b>
G. Other income (expense), net	(34)	(1)	(1)	24	-	6	(1)	3	<b>5</b>
H. Provision for income taxes	-	-	-	-	3	(6)	-	207	<b>1</b>
<b>Non-GAAP net income</b>	<b>\$66</b>	<b>\$207</b>	<b>\$299</b>	<b>\$412</b>	<b>\$329</b>	<b>\$192</b>	<b>\$279</b>	<b>\$431</b>	<b>\$424</b>
<u>Diluted net income (loss) per share:</u>									
GAAP	(\$0.07)	\$0.23	\$0.55	\$1.00	\$0.65	\$0.38	\$0.62	\$0.55	<b>\$1.31</b>
Non-GAAP	\$0.22	\$0.69	\$0.99	\$1.38	\$1.10	\$0.65	\$0.96	\$1.48	<b>\$1.46</b>
Shares used in diluted net income (loss) share calculation <sup>1</sup> (M)	298	300	301	298	300	297	292	291	<b>291</b>

- A. Revenue has been adjusted on a non-GAAP basis to exclude the favorable adjustments for sales of certain discontinued products, changes in the sales provision for discontinued products and revenue associated with our disposed data services business.
- B. Cost of revenue has been adjusted on a non-GAAP basis to exclude amortization of intangibles associated with acquisitions, accelerated depreciation, recognition of certain terminated contracts, write off of certain fixed assets and inventory related to restructuring and other restructuring charges.
- C. Product development expenses have been adjusted on a non-GAAP basis to exclude accelerated depreciation, the impact of integration costs associated with acquisitions, write off of certain fixed assets and other charges related to restructuring.
- D. Marketing and administrative expenses have been adjusted on a non-GAAP basis to exclude the write off of certain fixed assets related to restructuring, the impact of our disposed data service business and certain strategic development costs.
- E. Amortization of intangibles primarily related to our acquisitions has been excluded on a non-GAAP basis.
- F. Restructuring and other net, has been adjusted on a non-GAAP basis primarily related to reductions in our workforce and other exit costs as a result of our ongoing focus on cost efficiencies in all areas of our business.
- G. Other income (expense), net has been adjusted on a non-GAAP basis to exclude the impact of impairment of strategic investments, impact of our disposed data service business, net impact of gain and losses recognized on the early redemption and repurchase of debt and the receipt of interest on the final arbitration award amount in the Company's case against Western Digital.
- H. Provision 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 and a provisional tax expenses for the re-measurement of our U.S. deferred tax assets at the lower 21% tax rate resulting from the U.S. Tax Cuts and Jobs Act enacted on December 22, 2017.

Non-GAAP gross margin and Non-GAAP gross margin %: Non-GAAP gross margin is defined as Revenue less Cost of revenue less non-GAAP adjustments to Revenue and Cost of revenue. Non-GAAP gross margin % is defined as Non-GAAP gross margin divided by Non-GAAP Revenue.

Non-GAAP operating expenses, Non-GAAP operating income and Non-GAAP operating margin: Non-GAAP operating expenses is defined as Product development, Marketing and administrative, Amortization of intangibles, and Restructuring and other, net, adjusted for non-GAAP items C through F noted in the table above. Non-GAAP operating income is defined as Income from operations adjusted for non-GAAP items A through F noted in the table above. Non-GAAP operating margin is non-GAAP operating income divided by Non-GAAP Revenue.

1. The number of shares used in the Non-GAAP diluted net income per share computation for Q3'16 is 299 million as it includes dilutive shares related to employee equity award plans. Such shares were excluded from the computation of GAAP diluted net income per share as to do so would be anti-dilutive.



# GAAP to Adjusted EBITDA Reconciliations

(\$ Millions)	Q3'16	Q4'16	Q1'17	Q2'17	Q3'17	Q4'17	Q1'18	Q2'18	Q3'18
<b>Income Before Income Taxes</b>	\$9	\$54	\$173	\$310	\$212	\$120	\$188	\$371	<b>\$393</b>
<b>EBITDA adjustments</b>									
Depreciation	155	156	158	149	140	134	125	124	<b>122</b>
Amortization	43	44	42	42	42	42	36	33	<b>21</b>
Interest Income	(1)	(1)	(1)	(1)	(5)	(5)	(7)	(6)	<b>(10)</b>
Interest Expense	47	51	50	50	60	62	61	61	<b>60</b>
<b>EBITDA</b>	<b>\$253</b>	<b>\$304</b>	<b>\$422</b>	<b>\$550</b>	<b>\$449</b>	<b>\$353</b>	<b>\$403</b>	<b>\$583</b>	<b>\$586</b>
<b>Non-GAAP adjustments</b>									
A. Revenue	(4)	(1)	-	(1)	1	-	-	(6)	<b>-</b>
B. Cost of revenue	52	3	(1)	10	7	3	12	-	<b>-</b>
C. Product development	2	2	-	1	27	13	1	1	<b>2</b>
D. Marketing and administrative	9	1	(1)	1	2	3	-	1	<b>-</b>
E. Restructuring and other, net	20	80	82	33	48	14	51	33	<b>11</b>
F. Other income (expense), net	(34)	(1)	(1)	24	-	6	(1)	3	<b>5</b>
<b>Adjusted EBITDA</b>	<b>\$298</b>	<b>\$388</b>	<b>\$501</b>	<b>\$618</b>	<b>\$534</b>	<b>\$392</b>	<b>\$466</b>	<b>\$615</b>	<b>\$604</b>
Share-based Compensation	\$30	\$25	\$40	\$33	\$37	\$27	\$32	\$27	<b>\$26</b>
<b>Credit Agreement Defined EBITDA<sup>1</sup></b>	<b>\$328</b>	<b>\$413</b>	<b>\$541</b>	<b>\$651</b>	<b>\$571</b>	<b>\$419</b>	<b>\$498</b>	<b>\$642</b>	<b>\$630</b>

A. Revenue has been adjusted on a non-GAAP basis to exclude the favorable adjustments for sales of certain discontinued products, changes in the sales provision for discontinued products and revenue associated with our disposed data services business.

B. Cost of revenue has been adjusted on a non-GAAP basis to exclude recognition of certain terminated contracts, write off of certain fixed assets and inventory related to restructuring and other restructuring charges.

C. Product development expenses have been adjusted on a non-GAAP basis to exclude the impact of integration costs associated with acquisitions, write off of certain fixed assets and other charges related to restructuring.

D. Marketing and administrative expenses have been adjusted on a non-GAAP basis to exclude the write off of certain fixed assets related to restructuring, the impact of our disposed data service business and certain strategic development costs.

E. Restructuring and other net, has been adjusted on a non-GAAP basis primarily related to reductions in our workforce and other exit costs as a result of our ongoing focus on cost efficiencies in all areas of our business.

F. Other income (expense), net has been adjusted on a non-GAAP basis to exclude the impact of impairment of strategic investments, impact of our disposed data service business, net impact of gain and losses recognized on the early redemption and repurchase of debt and the receipt of interest on the final arbitration award amount in the Company's case against Western Digital.

1. Credit Agreement Defined EBITDA includes the adjustment for expense related to share-based compensation.



**Reconciliation of Gross Margin and Gross Margin Percentage to Non-GAAP Gross Margin & Gross Margin Percentage**

	(\$M)	Q3'16	Q4'16	Q1'17	Q2'17	Q3'17	Q4'17	Q1'18	Q2'18	Q3'18
Gross margin		524	662	801	891	816	666	736	877	847
Accelerated depreciation, impairment and other charges related to cost saving efforts		52	6	16	16	7	5	1	-	1
Amortization of acquired intangible assets		15	15	13	13	13	24	14	14	15
Other charges		(4)	1	(4)	(1)	5	1	11	(6)	-
Non-GAAP gross margin		587	684	826	919	841	696	762	885	863
Gross margin percentage		20.2%	24.9%	28.6%	30.8%	30.5%	27.7%	28.0%	30.1%	30.2%
Non-GAAP gross margin percentage		22.7%	25.8%	29.5%	31.8%	31.4%	28.9%	29.0%	30.4%	30.8%

**Reconciliation of Operating Expenses to Non-GAAP Operating Expenses**

	(\$M)	Q3'16	Q4'16	Q1'17	Q2'17	Q3'17	Q4'17	Q1'18	Q2'18	Q3'18
Total operating expenses		497	559	580	521	550	470	481	444	406
Accelerated depreciation, impairment and other charges related to cost saving efforts		-	(5)	(1)	(1)	(30)	(7)	-	(2)	(4)
Amortization of acquired intangible assets		(27)	(28)	(27)	(27)	(27)	(17)	(21)	(18)	(4)
Restructuring and other, net		(20)	(80)	(82)	(33)	(48)	(14)	(51)	(33)	(11)
Other charges		(11)	(3)	2	(2)	(2)	(10)	(1)	(1)	(2)
Total non-GAAP operating expenses		439	443	472	458	443	422	408	390	385

**Reconciliation of Net Income to EBITDA**

	(\$M)	Q3'16	Q4'16	Q1'17	Q2'17	Q3'17	Q4'17	Q1'18	Q2'18	Q3'18
Net income (loss)		(21)	70	167	297	194	114	181	159	381
Interest income		(1)	(1)	(1)	(1)	(5)	(5)	(7)	(6)	(10)
Interest expense		47	51	50	50	60	62	61	61	60
Income tax expense (benefit)		30	(16)	6	13	18	6	7	212	12
Depreciation and amortization		198	200	200	191	182	176	161	157	143
EBITDA		253	304	422	550	449	353	403	583	586

**Reconciliation of Net Income (Loss) to Non-GAAP Net Income**

	(\$M)	Q3'16	Q4'16	Q1'17	Q2'17	Q3'17	Q4'17	Q1'18	Q2'18	Q3'18
Net income (loss)		(21)	70	167	297	194	114	181	159	381
Accelerated depreciation, impairment and other charges related to cost saving efforts		52	11	17	17	37	12	1	2	5
Amortization of acquired intangible assets		42	43	40	40	40	41	35	32	19
Restructuring and other, net		20	80	82	33	48	14	51	33	11
Interest income on the final arbitration award settlement in the case against Western Digital		(33)	-	-	-	-	-	-	-	-
Losses (gain) recognized on the early redemption and repurchase of debt		(2)	-	-	-	-	7	-	3	1
Other charges		8	3	(7)	25	7	10	11	(5)	6
Income tax adjustments		-	-	-	-	3	(6)	-	207	1
Non-GAAP net income		66	207	299	412	329	192	279	431	424



# Download the Seagate Investor Relations App



The Seagate Investor Relations app gives investors real-time access to important information regarding Seagate's stock price, results, press releases, and investor events.

## Mobile

- Take anywhere
- Offline access
- Content sharing

## Easy Access

- Folder format
- Stock information
- Search function
- Notes feature

## Notifications

- New content
- Reminders
- Calendar events

