



SUPPLEMENTAL FINANCIAL INFORMATION

Q1FY24

OCTOBER 26, 2023

Safe Harbor Statement and Use of Non-GAAP Financial Information

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 include, among other things, statements about the Company's plans, programs, strategies and prospects; financial outlook for future periods, including the fiscal second quarter 2024; expectations regarding our ability to service debt and continue to generate free cash flow; expectations regarding our ability to make timely quarterly payments under the settlement agreement with the U.S. Department of Commerce's Bureau of Industry and Security ("BIS"); assessments regarding our ability to comply with debt covenants; expectations regarding logistical, macroeconomic, or other factors affecting the Company; expectations regarding our ability to execute on our cost saving plans as currently contemplated; changes to the assumptions on which the projected cost saving initiatives are based; expectations regarding market demand for Company's products and our ability to optimize our level of production and meet market and industry expectations and the effects of these future trends on Company's performance; anticipated shifts in technology and storage industry trends, and anticipated demand and performance of new storage product introductions, including HAMR-based products; and expectations regarding the Company's business strategy and performance, as well as dividend issuance plans for the next fiscal quarter ending December 29, 2023 and beyond. Forward-looking statements generally can be identified by words such as "expects," "intends," "plans," "anticipates," "believes," "estimates," "predicts," "projects," "should," "may," "will," "will continue," "can," "could" or the negative of these words, variations of these words and comparable terminology, in each case, intended to refer to future events or circumstances. However, the absence of these words or similar expressions does not mean that a statement is not forward-looking. 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 latest periodic report on Form 10-Q or Form 10-K filed with the U.S. Securities and Exchange Commission. Undue reliance should not be placed on the forward-looking statements in this press release, 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.

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, EBITDA, adjusted EBITDA and the last twelve months (LTM) adjusted 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 financial measures are used by management to assess the Company's performance, allocate resources and plan for future periods. These non-GAAP financial measures 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.

Executive Summary

FQ1 results reflect resilient operational & financial execution amid a difficult macro backdrop

- Consistent with our recent public commentary, revenue impacted by softer than anticipated demand in the legacy markets, while ongoing cloud inventory consumption and weak economic trends in China continued
- Gross margin (non-GAAP) improved 30 bps QoQ as pricing adjustments and cost savings realization mitigated lower overall revenue and higher under-utilization costs
- Continued to restructure our debt by issuing convertible notes and using majority of proceeds to retire outstanding term loans
- Delivered free cash flow of \$57M¹ including payments of ~\$90M related to previously announced restructuring activities

Q1FY24

Revenue	\$1.45B
Gross Margin (non-GAAP) ¹	19.8%
Operating Margin (non-GAAP) ¹	2.8%
(Loss) Per Share (non-GAAP) ¹	(\$0.22)
Cash Flow From Operations	\$127M

90EB

**HDD Capacity
Shipped**
-2% Q/Q



7.5TB

**Average Capacity
Per Drive**
+17% Q/Q

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

Markets and Technology Highlights



Markets

- **Mass Capacity** demand improved slightly QoQ, led by VIA strength
- **Nearline** revenue influenced by ongoing cloud inventory digestion and cautious enterprise spending
- **VIA** market improved sequentially; however uneven pattern of recovery expected as the uncertain business environment in China persists
- **Legacy** sequentially lower demand in each of the three markets served – mission critical, client and consumer
- **Non-HDD:** Cautious IT spending trends remain a headwind for the Enterprise Systems market



Technology

- Extending our areal density leadership and executing on our product roadmap
- **PMR 2.4TB** per disk with volume shipments to begin first half CY24
- **HAMR 3+TB** per disk on track to begin volume ramp in early CY24 and broadening customer qualifications
- **HAMR 4+TB** per disk expected to launch within the next 2 years
- All products utilize our 10-disk platform and offer SMR configurations

Quarterly Financial Trends

	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	QoQ	YoY
Results (non-GAAP)¹							
Revenue (\$M)	2,035	1,887	1,860	1,602	1,454	-9%	-29%
Gross Margin %	24.5%	21.4%	18.7%	19.5%	19.8%	0.3 ppt	-4.7 ppt
Operating Expenses (\$M)	314	294	282	258	248	-4%	-21%
Operating Margin %	9.0%	5.8%	3.5%	3.4%	2.8%	-0.6 ppt	-6.2 ppt
Net Income (Loss) (\$M)	101	34	-58	-37	-46	*	*
Diluted EPS ²	\$0.48	\$0.16	-\$0.28	-\$0.18	-\$0.22	*	*
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End of Qtr Actual Share Count (M)	206	206	207	207	209	1%	1%
Diluted Shares O/S for EPS ² (M)	210	207	207	207	208	0%	-1%
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Cash and Cash Equivalents (\$M)	761	770	766	786	795	1%	4%
Debt (\$M)	6,249	6,029	5,958	5,451	5,666	4%	-9%
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Cash Flow From Operations (\$M)	245	251	228	218	127	-42%	-48%
Capital Expenditures ³ (\$M)	133	79	54	50	70	40%	-47%
Free Cash Flow ¹ (\$M)	112	172	174	168	57	-66%	-49%
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LTM Dividend Paid (\$M)	604	598	589	582	580		
Dividends Per Share Paid	\$0.70	\$0.70	\$0.70	\$0.70	\$0.70		
LTM Shares Repurchased (M)	20.7	15.6	11.4	5.4	-		
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Days Sales Outstanding	49	41	49	35	33		
Days Inventory Outstanding	94	66	71	80	73		
Days Payables Outstanding	100	60	100	112	105		
Cash Conversion Cycle	43	47	19	3	1		

NOTE: Minor changes and calculation variances are due to rounding. Effective Q1FY24, the estimated useful lives of certain manufacturing equipment are changed from a range of 3-7 years to 3-10 years. This effect of this change in estimate is recognized prospectively.

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

2. Q3FY23, Q4FY23 and Q1FY24 GAAP and non-GAAP diluted EPS were computed using weighted average basic shares of 207 million, 207 million and 208 million, respectively, as a result of net loss reported during the period.

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

* Not a meaningful figure

Quarterly Financial Trends Continued

	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	QoQ	YoY
Revenue by Product Line (\$M)							
HDD	1,772	1,663	1,604	1,385	1,295	-6%	-27%
Mass Capacity	1,381	1,242	1,233	984	1,017	3%	-26%
<i>Mass Capacity as a % of HDD revenue</i>	78%	75%	77%	71%	79%	8 ppt	1 ppt
Legacy	391	421	371	401	278	-31%	-29%
Systems, SSD & Other	263	224	256	218	159	-27%	-40%
Revenue by Channel							
OEM	76%	72%	73%	73%	71%	-2 ppt	-5 ppt
Distributors	15%	16%	16%	14%	18%	4 ppt	3 ppt
Retail	9%	12%	11%	13%	11%	-2 ppt	2 ppt
Capacity Shipped (EB)							
Mass Capacity	118.2	112.5	118.7	91.2	89.6	-2%	-24%
<i>Nearline</i>	104.0	96.7	104.1	75.2	79.2	5%	-24%
Legacy	85.1	79.7	86.8	54.7	56.0	2%	-34%
Legacy	14.3	15.8	14.6	16.0	10.4	-35%	-27%
Average Capacity per Drive (TB)							
Mass Capacity	7.5	7.3	8.2	6.4	7.5	17%	-1%
Legacy	11.8	11.9	13.0	9.6	10.3	7%	-13%
Legacy	2.1	2.2	2.2	2.5	2.4	-3%	15%

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

Guidance Q2FY24

Q2FY24

Revenue	\$1.55 billion ± \$150 million
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Operating Margin ¹ (non-GAAP)	Mid-single-digit % of revenue
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(Loss) Per Share ^{1,2} (non-GAAP)	(\$0.10) ± \$0.20
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At the mid point of the guidance:

- Tax expense (non-GAAP) expected to be ~\$15 million
- Diluted Shares O/S for EPS (non-GAAP) expected to be ~210 million

1. We have not reconciled our non-GAAP (loss) per share guidance for fiscal second quarter 2024 to the most directly comparable GAAP measure, other than estimated share-based compensation expenses, because material items that may impact these measures are out of our control and/or cannot be reasonably predicted, including, but not limited to, accelerated depreciation, impairment and other charges related to cost saving efforts, net (gain) loss recognized from early redemption of debt, purchase order cancellation fees, strategic investment losses (gains) or impairment charges, income tax adjustments on these measures, and other charges or benefits that may arise. The amounts of these measures are not currently available but may be material to future results. A reconciliation of the non-GAAP (loss) per share guidance for fiscal second quarter 2024 to the corresponding GAAP measures is not available without unreasonable effort.

2. Guidance regarding non-GAAP (loss) per share excludes known pre-tax charges related to estimated share-based compensation expenses of \$0.14 per share

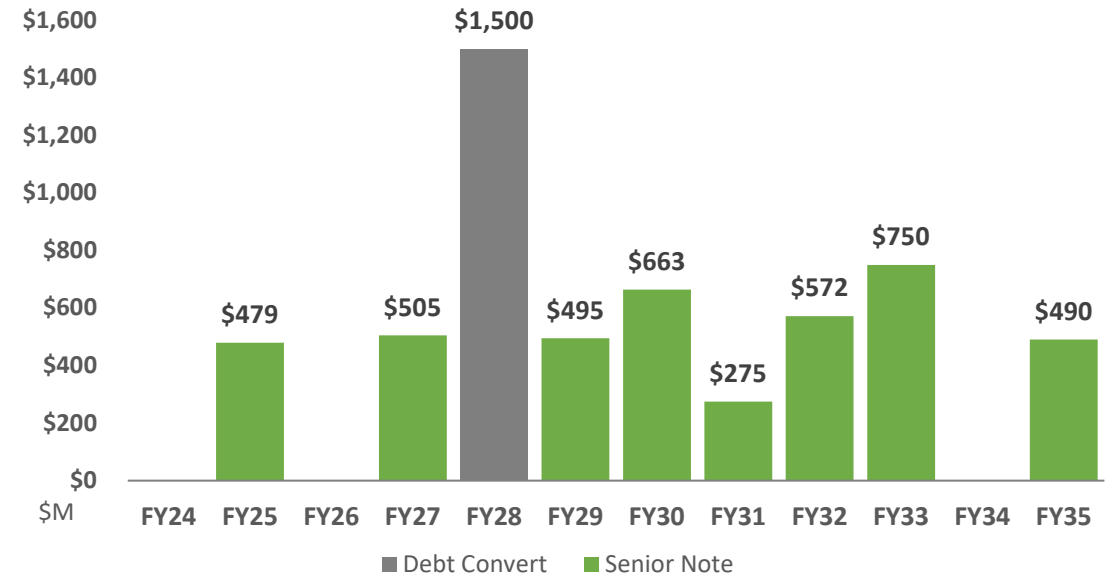
Debt Capital Structure

- \$2.3B Liquidity¹, \$795M cash, \$1.5B revolving credit facility
- \$5.7B Debt², weighted average interest rate of 5.6%, weighted average maturity of ~6 years

Debt Metrics

	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24
Debt (\$M)	6,249	6,029	5,958	5,451	5,666
Net Debt (\$M)	5,488	5,259	5,192	4,665	4,871
LTM Cash Interest Expense (\$M)	249	283	281	327	313
LTM Adjusted EBITDA (\$M) ³	2,144	1,677	1,321	974	798
Total Leverage Ratio on Net Debt ^{4,5}	2.6x	3.1x	3.9x	4.8x	6.1x
Interest Coverage Ratio ⁶	8.6x	5.9x	4.7x	3.0x	2.6x

Debt Maturity Profile (Principal Outstanding)



NOTE: Minor calculation variances are due to rounding. For the capitalized terms included but not defined here, please see the Credit Agreement filed with the SEC.

- Liquidity levels include both Cash and cash equivalents and revolver.
- Principal outstanding less unamortized discount and debt issuance cost.
- EBITDA is defined as net income (loss) before income tax expense, interest expense, interest income, depreciation and amortization. Adjusted EBITDA excludes certain benefits, expenses, gains, losses and other extraordinary charges such as factory underutilization charges and BIS settlement penalty. LTM adjusted EBITDA is defined as the total of last twelve months adjusted EBITDA. See 'Reconciliation Tables' section for reconciliation of Net Income to adjusted EBITDA.
- On September 27, 2023, Seagate amended its Credit Agreement to modify and/or remove certain financial covenants. The maximum permitted total net leverage ratio is 6.75 to 1.00 for Q1FY24. From Q2FY24 to Q3FY24, the total net leverage ratio covenant will not apply. From Q4FY24 to Q4FY25, the maximum permitted total net leverage ratio is 6.75 to 1.00, to the extent that the aggregate outstanding amount of revolving loans, swingline loans and the aggregate face amount of letters of credit exceeds 25% of the then outstanding revolving commitments in effect ("Testing condition") as of the last day of the fiscal quarter. The maximum permitted total leverage ratio for each fiscal quarter ending after Q4FY25 is 4.00 to 1.00.
- Also known as "total net leverage ratio", which reflects Net Debt divided by LTM Adjusted EBITDA.
- The minimum interest coverage ratio is 2.25 to 1.00 for Q1FY24. From Q2FY24 to Q3FY24, the minimum interest coverage ratio covenant will not apply. From Q4FY24 to Q4FY25, the minimum interest coverage ratio is 2.25 to 1.00, to the extent that the Testing Condition as of the last day of the fiscal quarter. The minimum interest coverage ratio is 3.25 to 1.00 for the fiscal quarter ending after Q4FY25.

A close-up photograph of a network switch or patch panel. The device is dark and metallic, with several ports visible. A bundle of fiber optic cables is plugged into one of the ports, and a bright green laser light is visible from one of the cables. The background is dark and out of focus, showing other parts of the network infrastructure. The text "Reconciliation Tables" is overlaid in white, bold font in the lower-left quadrant of the image.

Reconciliation Tables

<u>Reconciliation of GAAP Gross Profit to Non-GAAP Gross Profit (\$M)</u>	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24
GAAP Gross Profit	482	246	319	304	149
Accelerated depreciation, impairment and other charges related to cost saving efforts	-	39	18	3	13
Amortization of acquired intangible assets	1	1	1	-	-
Pandemic-related lockdown charges	7	-	-	-	-
Purchase order cancellation fees	-	108	-	-	118
Share-based compensation	8	8	8	5	7
Other charges	-	1	1	1	1
Non-GAAP Gross Profit	498	403	347	313	288
GAAP Gross Margin %	23.7%	13.0%	17.2%	19.0%	10.2%
Non-GAAP Gross Margin %	24.5%	21.4%	18.7%	19.5%	19.8%
<u>Reconciliation of GAAP Operating Expenses to Non-GAAP Operating Expenses (\$M)</u>	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24
GAAP Operating Expenses	375	406	634	278	278
Accelerated depreciation, impairment and other charges related to cost saving efforts	(22)	-	(3)	-	-
Amortization of acquired intangible assets	(3)	-	-	-	-
BIS settlement penalty	-	-	(300)	-	-
Restructuring and other, net	(9)	(81)	(20)	8	(2)
Share-based compensation	(21)	(25)	(23)	(17)	(18)
Other charges	(6)	(6)	(6)	(11)	(10)
Non-GAAP Operating Expenses	314	294	282	258	248
<u>Reconciliation of GAAP Income (Loss) From Operations to Non-GAAP Income From Operations (\$M)</u>	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24
GAAP Income (Loss) From Operations	107	(160)	(315)	26	(129)
Accelerated depreciation, impairment and other charges related to cost saving efforts	22	39	21	3	13
Amortization of acquired intangible assets	4	1	1	-	-
BIS settlement penalty	-	-	300	-	-
Pandemic-related lockdown charges	7	-	-	-	-
Purchase order cancellation fees	-	108	-	-	118
Restructuring and other, net	9	81	20	(8)	2
Share-based compensation	29	33	31	22	25
Other charges	6	7	7	12	11
Non-GAAP Income From Operations	184	109	65	55	40
GAAP Operating Margin %	5.3%	(8.5)%	(16.9)%	1.6%	-8.9%
Non-GAAP Operating Margin %	9.0%	5.8%	3.5%	3.4%	2.8%

<u>Reconciliation of GAAP Net Income (Loss) to Non-GAAP Net Income (Loss) (\$M)</u>	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24
GAAP Net Income (Loss)	29	(33)	(433)	(92)	(184)
Accelerated depreciation, impairment and other charges related to cost saving efforts	22	39	21	3	13
Amortization of acquired intangible assets	4	1	1	-	-
BIS settlement penalty	-	-	300	-	-
Net gain recognized from termination of interest rate swap	-	-	-	-	(104)
Net (gain) loss recognized from early redemption of debt	-	(204)	(3)	17	29
Pandemic-related lockdown charges	7	-	-	-	-
Purchase order cancellation fees	-	108	-	-	118
Restructuring and other, net	9	81	20	(8)	2
Share-based compensation	29	33	31	22	25
Strategic investment losses or impairment charges	-	-	1	9	-
Other charges	6	7	7	12	11
Income tax adjustments	(5)	2	(3)	-	44
Non-GAAP Net Income (Loss)	101	34	(58)	(37)	(46)

<u>Reconciliation of GAAP Diluted Net Income (Loss) Per Share to Non-GAAP Diluted Net Income (Loss) Per Share (\$M)</u>	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24
GAAP Diluted Net Income (Loss) Per Share	\$0.14	\$(0.16)	\$(2.09)	\$(0.44)	(0.88)
Accelerated depreciation, impairment and other charges related to cost saving efforts	0.10	0.19	0.10	0.01	0.06
Amortization of acquired intangible assets	0.02	-	-	-	-
BIS settlement penalty	-	-	1.45	-	-
Net gain recognized from termination of interest rate swap	-	-	-	-	(0.50)
Net (gain) loss recognized from early redemption of debt	-	(0.99)	(0.01)	0.08	0.14
Pandemic-related lockdown charges	0.03	-	-	-	-
Purchase order cancellation fees	-	0.52	-	-	0.57
Restructuring and other, net	0.04	0.39	0.10	(0.04)	0.01
Share-based compensation	0.14	0.16	0.15	0.11	0.12
Strategic investment losses or impairment charges	-	-	-	0.04	-
Other charges	0.03	0.04	0.03	0.06	0.05
Income tax adjustments	(0.02)	0.01	(0.01)	-	0.21
Non-GAAP Diluted Net Income (Loss) Per Share	\$0.48	\$0.16	\$(0.28)	\$(0.18)	\$(0.22)

Shares used in diluted earnings (loss) per share calculation (M)					
GAAP	210	206	207	207	208
Non-GAAP	210	207	207	207	208

<u>Reconciliation of Net Cash Provided by Operating Activities to Free Cash Flow (\$M)</u>	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24
Net Cash Provided by Operating Activities	245	251	228	218	127
Acquisition of property, equipment and leasehold improvements	(133)	(79)	(54)	(50)	(70)
Free Cash Flow	112	172	174	168	57

<u>Reconciliation of GAAP Net Income (Loss) to Non-GAAP Adjusted EBITDA (\$M)</u>	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24
GAAP Net Income (Loss)	29	(33)	(433)	(92)	(184)
Depreciation and amortization	135	148	126	104	76
Interest expense	71	77	81	84	84
Interest income	(1)	(1)	(2)	(6)	(2)
Income tax expense (benefit)	(2)	(5)	33	7	37
Non-GAAP EBITDA	232	186	(195)	97	11
BIS settlement penalty	-	-	300	-	-
Net (gain) loss recognized from early redemption of debt	-	(204)	(3)	17	29
Net gain recognized from termination of interest rate swap	-	-	-	-	(104)
Pandemic-related lockdown charges	6	-	-	-	-
Purchase order cancellation fees	-	108	-	-	118
Restructuring and other, net	9	81	20	(8)	2
Share-based compensation	29	33	31	22	25
Strategic investment losses or impairment charges	-	-	1	9	-
Underutilization charges, net of depreciation and amortization	37	45	60	29	51
Other charges	6	7	7	12	11
Non-GAAP Adjusted EBITDA	319	256	221	178	143



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