



SUPPLEMENTAL FINANCIAL INFORMATION

Q4FY23



SEAGATE

Safe Harbor Statement

This document contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements provide current expectations of future events based on certain assumptions and include any statement that does not directly relate to any historical fact. Forward-looking statements include, among other things, statements about the Company's plans, programs, strategies and prospects; financial outlook for future periods, including the fiscal first 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 September 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.



Use of Non-GAAP Financial Information

To supplement the consolidated financial statements presented in accordance with U.S. generally accepted accounting principles (GAAP), the Company uses non-GAAP measures of gross profit, gross margin, operating expenses, income from operations, operating margin, net income, diluted EPS, free cash flow, 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 results are some of the measurements management uses to assess the Company's performance, allocate resources and plan for future periods. Reported non-GAAP results should only be considered as supplemental to results prepared in accordance with GAAP, and not considered as a substitute or replacement for, or superior to, GAAP results. These non-GAAP measures may differ from the non-GAAP measures reported by other companies in its industry.

Executive Summary

FQ4 results reflect resilient operational & financial execution amid a difficult macro backdrop



- Revenue at \$1.6B, reflecting the uneven pace of economic recovery in China, cloud inventory digestion, and cautious enterprise spending
- Expecting these factors to persist through at least the first half of FY2024
- Free cash flow of \$168M; generated positive FCF throughout FY2023

Taking actions to navigate the downturn & position Seagate for long-term success



- Lowered cost structure by more than \$350M on an annualized basis
- Reduced production output to drive better supply / demand dynamics, managing manufacturing capacity through “build-to-order” approach
- Adjusting pricing strategy in certain markets to support a healthy supply chain for our customers over the long-term

Executing industry leading product roadmap, including HAMR 30+TB shipments



- Extending PMR platform into the mid-to-upper 20TB capacities
- HAMR 30+TB on track to begin volume ramp in early CY2024, preparing qualification with broader number of customers
- Mass capacity data storage to remain both an enabler and beneficiary of long-term demand trends including emerging AI applications

Q4FY23 Financial Highlights

\$1.60B

REVENUE

19.0%

GROSS MARGIN
GAAP

1.6%

OPERATING MARGIN
GAAP

-\$0.44

DILUTED EPS
GAAP

91EB

HDD CAPACITY
SHIPPED

\$218M

CASH FLOW
FROM OPERATIONS

19.5%

GROSS MARGIN
NON-GAAP¹

3.4%

OPERATING MARGIN
NON-GAAP¹

-\$0.18

DILUTED EPS
NON-GAAP¹

6.4TB

AVG. CAPACITY
PER DRIVE

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

FY23 Financial Highlights

\$7.38B

REVENUE

18.3%

GROSS MARGIN
GAAP

-4.6%

OPERATING MARGIN
GAAP

-\$2.56

DILUTED EPS
GAAP

441EB

HDD CAPACITY
SHIPPED

\$942M

CASH FLOW
FROM OPERATIONS

21.1%

GROSS MARGIN
NON-GAAP¹

5.6%

OPERATING MARGIN
NON-GAAP¹

\$0.19

DILUTED EPS
NON-GAAP¹

\$990M

CAPITAL RETURNS TO
SHAREHOLDERS

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

Q4FY23 Market Highlights



Legacy

- **Legacy** revenue up 8% sequentially reflecting higher demand for mission critical products
- **Client** and **Consumer** markets down slightly consistent with seasonal trends



Mass Capacity

- **Mass Capacity** results impacted by softer demand in the cloud nearline market, partially offset by an improvement in VIA
- **Nearline** demand reflects ongoing cloud inventory digestion and cautious enterprise spending
- **VIA** sequentially higher, expecting a relatively stable demand environment in the second half of CY2023



Non-HDD

- **Non-HDD** revenue down 15% sequentially, on lower enterprise systems volume
- Shipped first HAMR-based **Corvault** system for revenue as planned during the June quarter, expecting broader availability end of CY2023

Mass capacity storage includes nearline, video and image applications ("VIA") and network-attached storage.

Legacy markets include mission critical, consumer, and client applications.

Non-HDD includes enterprise systems business, SSD, and other.



Quarterly Financial Trends

In Q4FY23:

- **Revenue** in the lower half of the guidance range
- **Gross Margin (Non-GAAP)** up sequentially reflecting lower underutilization costs, offsetting a less favorable mix
- **Operating Expense (Non-GAAP)** down QoQ reflecting cost structure improvement actions and disciplined cost management

	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	QoQ	YoY
GAAP Results							
Revenue (\$M)	2,628	2,035	1,887	1,860	1,602	-14%	-39%
Gross Margin %	28.9%	23.7%	13.0%	17.2%	19.0%	1.8 ppt	-9.9 ppt
Operating Expenses (\$M)	399	375	406	634	278	-56%	-30%
Operating Margin %	13.7%	5.3%	-8.5%	-16.9%	1.6%	18.5 ppt	-12.1 ppt
Net (Loss) Income (\$M)	276	29	-33	-433	-92	*	*
Diluted EPS ¹	\$1.27	\$0.14	-\$0.16	-\$2.09	-\$0.44	*	*
Non-GAAP Results²							
Revenue (\$M)	2,628	2,035	1,887	1,860	1,602	-14%	-39%
Gross Margin %	29.3%	24.5%	21.4%	18.7%	19.5%	0.8 ppt	-9.8 ppt
Operating Expenses (\$M)	349	314	294	282	258	-9%	-26%
Operating Margin %	16.1%	9.0%	5.8%	3.5%	3.4%	-0.1 ppt	-12.7 ppt
Net (Loss) Income (\$M)	345	101	34	-58	-37	*	*
Diluted EPS ¹	\$1.59	\$0.48	\$0.16	-\$0.28	-\$0.18	*	*
End of Qtr Actual Share Count (M)	210	206	206	207	207	0%	-1%
Diluted Shares O/S for EPS (M)	217	210	207	207	207	0%	-5%
Revenue by Product Line (\$M)							
HDD	2,410	1,772	1,663	1,604	1,385	-14%	-43%
Systems, SSD & Other	218	263	224	256	218	-15%	0%
Revenue by Channel							
OEM	81%	76%	72%	73%	73%	0.0 ppt	-8.0 ppt
Distributors	10%	15%	16%	16%	14%	-2.0 ppt	4.0 ppt
Retail	9%	9%	12%	11%	13%	2.0 ppt	4.0 ppt

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

1. Q2FY23 GAAP diluted EPS was computed using weighted average basic shares of 206 million as a result of net loss reported during the period. Q3FY23 and Q4FY23 GAAP and non-GAAP diluted EPS were computed using weighted average basic shares of 207 million as a result of net loss reported during the period.

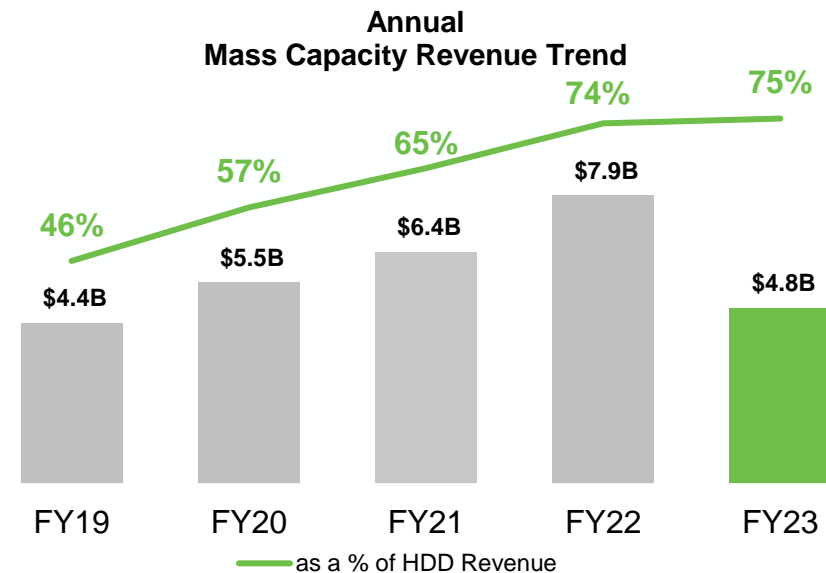
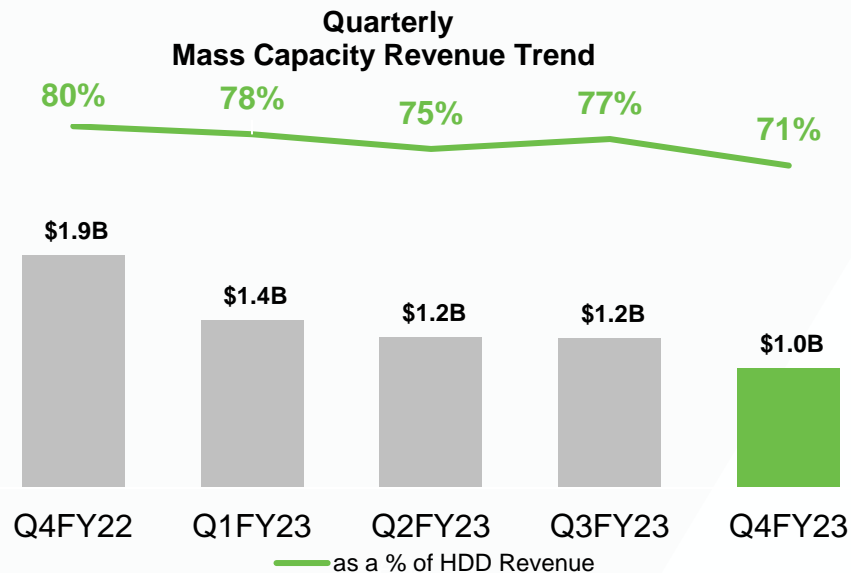
2. See 'Reconciliation Tables' section for GAAP reconciliation.

* Not a meaningful figure



HDD Product Trends

	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	QoQ	YoY
Capacity Shipped (EB)	154.6	118.2	112.5	118.7	91.2	-23%	-41%
Mass Capacity	138.5	104.0	96.7	104.1	75.2	-28%	-46%
Nearline	119.0	85.1	79.7	86.8	54.7	-37%	-54%
Legacy	16.1	14.3	15.8	14.6	16.0	9%	-1%
Average Capacity per Drive (TB)	7.8	7.5	7.3	8.2	6.4	-22%	-18%
Mass Capacity	11.5	11.8	11.9	13.0	9.6	-26%	-16%
Legacy	2.0	2.1	2.2	2.2	2.5	10%	21%



NOTE: Minor changes and calculation variances are due to rounding

Cash, Cash Flow, and Operational Trends

In Q4FY23:

- Reduced Debt by \$507M, down 9% QoQ, primarily reflecting the 2023 Notes retirement
- Capex of \$50M, down 7% QoQ
- Paid cash dividends of \$145M

	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23
Cash ¹ (\$M)	615	761	770	766	786
Debt (\$M)	5,646	6,249	6,029	5,958	5,451
Cash Flow From Operations (\$M)	180	245	251	228	218
Capital Expenditures ² (\$M)	72	133	79	54	50
Free Cash Flow ³ (\$M)	108	112	172	174	168
YTD Cash Flow From Operations ⁴ (\$M)	1,657	245	496	724	942
YTD Shares Repurchased ⁴ (\$M)	1,799	408	408	408	408
YTD Dividend Paid ⁴ (\$M)	610	147	292	437	582
Dividends Per Share Paid	\$0.70	\$0.70	\$0.70	\$0.70	\$0.70
Shares Repurchased (M)	6.0	5.4	-	-	-
YTD Shares Repurchased (M)	20.2	5.4	5.4	5.4	5.4
Days Sales Outstanding	53	49	41	49	35
Days Inventory Outstanding	76	94	66	71	80
Days Payables Outstanding	100	100	60	100	112
Cash Conversion Cycle	29	43	47	19	3

NOTE: Minor calculation variances are due to rounding.

1. Cash includes Cash and cash equivalents.

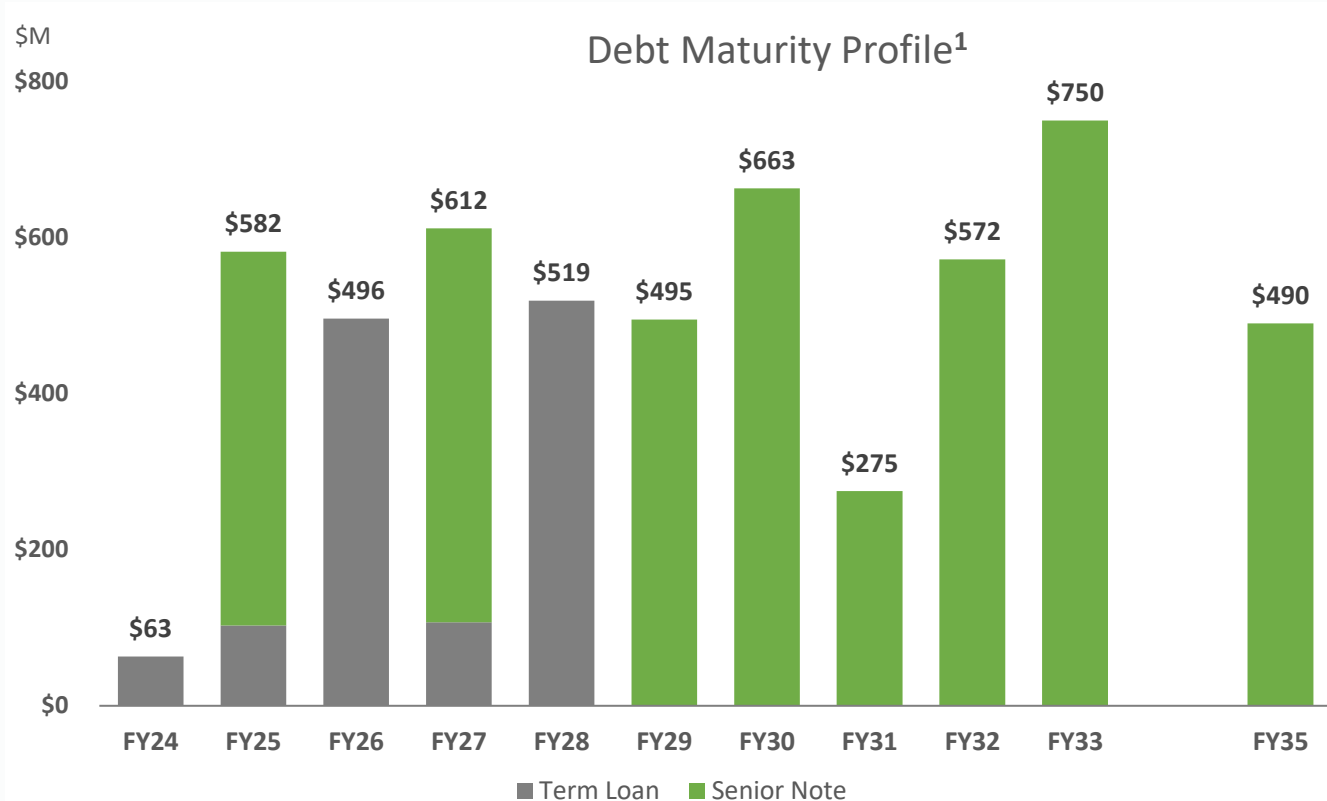
2. Capital Expenditures is cash paid for the acquisition of property, equipment, and leasehold improvements.

3. Free cash flow is a non-GAAP measure. See 'Reconciliation Tables' section for GAAP reconciliation.

4. Based on Fiscal Year.



Capital Structure



\$2.3B Liquidity²

- \$786M Cash
- \$1.5B Revolving credit facility

\$5.5B Debt³

- Weighted average interest rate of 6.2%
- Weighted average maturity of ~6 years

NOTE: Minor calculation variances are due to rounding.

1. Principal outstanding
2. Liquidity levels include both Cash and cash equivalents and revolver.
3. Principal outstanding less unamortized discount and debt issuance cost

Debt Metrics

	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23
Debt (\$M)	5,646	6,249	6,029	5,958	5,451
Cash and cash equivalents (\$M)	615	761	770	766	786
Net Debt (\$M)	5,031	5,488	5,259	5,192	4,665
LTM Cash Interest Expense (\$M)	244	249	283	281	327
LTM Adjusted EBITDA (\$M) ¹	2,549	2,144	1,677	1,321	974
Total Leverage Ratio ²	2.2x	2.9x	3.6x	4.5x	5.6x
Total Leverage Ratio on Net Debt ³	2.0x	2.6x	3.1x	3.9x	4.8x
Interest Coverage Ratio ⁴	10.4x	8.6x	5.9x	4.7x	3.0x

The Credit Agreement includes three financial covenants: (1) interest coverage ratio, (2) leverage ratio, and (3) a minimum liquidity amount. Seagate was in compliance with the covenants as of June 30, 2023. We continue to evaluate our debt portfolio and structure to comply with our financial debt covenants.

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.

1. 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. See 'Reconciliation Tables' section for reconciliation of Net Income to adjusted EBITDA.
2. On May 19, 2023, Seagate amended its Credit Agreement to replace the total leverage ratio with a new total net leverage ratio during a covenant relief period to 6.75 to 1.0 beginning Q4FY23, with periodic step downs, and returning to a maximum permitted total leverage ratio of 4.0 to 1.0 for any fiscal quarter after Q4FY25.
3. Also known as "total net leverage ratio", which reflects Net Debt divided by LTM Adjusted EBITDA.
4. In connection with the amendment, the minimum interest coverage ratio is 2.50 to 1.00 beginning Q4FY23, with periodic step downs and step ups during the covenant relief period, returning to a minimum interest coverage ratio of 3.25 to 1.00 after Q4FY24.

Environmental, Social and Governance



2022 Sustainable Datasphere Report Highlights

People

Planet

Prosperity

~281K

hours of learning and development completed in FY2022 by our employees¹

99%

Of non-manufacturing specialist employees completed their goal setting and year-end review process in FY2022

~21K MWh

of electricity saved through energy conservation and efficiency initiatives in FY2022, exceeding our initial conservation goal of 10K MWh

87%

(~27K metric tons) of non-hazardous waste diverted from landfills in FY2022

131

different engagements and partnerships conducted in local communities in FY2022

20%

increase in supplier diversity spend from FY2021 to FY2022

3,600

global members representing nine employee resource groups (ERGs) and over 27 local chapters across all ERGs in FY2022

1.4%↑

increase in women in leadership from FY2020 to FY2022

82%

of hazardous waste generated in FY2022 was recycled

~1M Drives

returned to service through refurbishment and redeployment in CY2021

0

no cases of child labor or forced labor were found within Seagate's manufacturing operations in the FY2022 RBA Validated Audits

125

direct and packaging suppliers completed the RBA environmental survey in FY2022 (70% have GHG reduction targets and 67% have water reduction targets)

9.1%↑

increase in inventions with 1+ female inventors in FY2022

352

mentorship assignments established in FY2022, enabling employees to expand their network and find career or skill-based guidance

17.5%↑

increase in water recycling in CY2021 from CY2020

5.8%

reduction in absolute market-based scope 2 operational emissions in CY2021 vs. CY2020

Read more: [Seagate FY22 Sustainable Datasphere Report](#)

(1) Refer to Seagate's 2022 Sustainable Datasphere Report for further details



RECONCILIATION TABLES



<u>Reconciliation of GAAP Gross Profit to Non-GAAP Gross Profit (\$M)</u>	Q4FY22	FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	FY23
GAAP Gross Profit	759	3,469	482	246	319	304	1,351
Accelerated depreciation, impairment and other charges related to cost saving efforts	-	1	-	39	18	3	60
Amortization of acquired intangible assets	1	4	1	1	1	-	3
Pandemic-related lockdown charges	-	-	7	-	-	-	7
Purchase order cancellation fees	-	-	-	108	-	-	108
Share-based compensation	11	38	8	8	8	5	29
Other charges	-	-	-	1	1	1	3
Non-GAAP Gross Profit	771	3,512	498	403	347	313	1,561
GAAP Gross Margin %	28.9%	29.7%	23.7%	13.0%	17.2%	19.0%	18.3%
Non-GAAP Gross Margin %	29.3%	30.1%	24.5%	21.4%	18.7%	19.5%	21.1%
<u>Reconciliation of GAAP Operating Expenses to Non-GAAP Operating Expenses (\$M)</u>	Q4FY22	FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	FY23
GAAP Operating Expenses	399	1,514	375	406	634	278	1,693
Accelerated depreciation, impairment and other charges related to cost saving efforts	(13)	(13)	(22)	-	(3)	-	(25)
Amortization of acquired intangible assets	(2)	(11)	(3)	-	-	-	(3)
BIS settlement penalty	-	-	-	-	(300)	-	(300)
Restructuring and other, net	(1)	(3)	(9)	(81)	(20)	8	(102)
Share-based compensation	(28)	(107)	(21)	(25)	(23)	(17)	(86)
Other charges	(6)	(10)	(6)	(6)	(6)	(11)	(29)
Non-GAAP Operating Expenses	349	1,370	314	294	282	258	1,148
<u>Reconciliation of GAAP Income (Loss) From Operations to Non-GAAP Income From Operations (\$M)</u>	Q4FY22	FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	FY23
GAAP Income (Loss) From Operations	360	1,955	107	(160)	(315)	26	(342)
Accelerated depreciation, impairment and other charges related to cost saving efforts	13	14	22	39	21	3	85
Amortization of acquired intangible assets	3	15	4	1	1	-	6
BIS settlement penalty	-	-	-	-	300	-	300
Pandemic-related lockdown charges	-	-	7	-	-	-	7
Purchase order cancellation fees	-	-	-	108	-	-	108
Restructuring and other, net	1	3	9	81	20	(8)	102
Share-based compensation	39	145	29	33	31	22	115
Other charges	6	10	6	7	7	12	32
Non-GAAP Income From Operations	422	2,142	184	109	65	55	413
GAAP Operating Margin %	13.7%	16.8%	5.3%	(8.5)%	(16.9)%	1.6%	(4.6)%
Non-GAAP Operating Margin %	16.1%	18.4%	9.0%	5.8%	3.5%	3.4%	5.6%

<u>Reconciliation of GAAP Net Income (Loss) to Non-GAAP Net Income (Loss) (\$M)</u>	Q4FY22	FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	FY23
GAAP Net Income (Loss)	276	1,649	29	(33)	(433)	(92)	(529)
Accelerated depreciation, impairment and other charges related to cost saving efforts	13	14	22	39	21	3	85
Amortization of acquired intangible assets	3	15	4	1	1	-	6
BIS settlement penalty	-	-	-	-	300	-	300
Net (gain) loss recognized from early redemption of debt	-	1	-	(204)	(3)	17	(190)
Pandemic-related lockdown charges	-	-	7	-	-	-	7
Purchase order cancellation fees	-	-	-	108	-	-	108
Restructuring and other, net	1	3	9	81	20	(8)	102
Share-based compensation	39	145	29	33	31	22	115
Strategic investment losses or impairment charges	6	12	-	-	1	9	10
Other charges	6	10	6	7	7	12	32
Income tax adjustments	1	(16)	(5)	2	(3)	-	(6)
Non-GAAP Net Income (Loss)	345	1,833	101	34	(58)	(37)	40

<u>Reconciliation of GAAP Diluted Net Income (Loss) Per Share to Non-GAAP Diluted Net Income (Loss) Per Share (\$M)</u>	Q4FY22	FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	FY23
GAAP Diluted Net Income (Loss) Per Share	\$1.27	\$7.36	\$0.14	\$(0.16)	\$(2.09)	\$(0.44)	\$(2.56)
Accelerated depreciation, impairment and other charges related to cost saving efforts	0.06	0.06	0.10	0.19	0.10	0.01	0.41
Amortization of acquired intangible assets	0.01	0.07	0.02	-	-	-	0.03
BIS settlement penalty	-	-	-	-	1.45	-	1.45
Net (gain) loss recognized from early redemption of debt	-	-	-	(0.99)	(0.01)	0.08	(0.91)
Pandemic-related lockdown charges	-	-	0.03	-	-	-	0.03
Purchase order cancellation fees	-	-	-	0.52	-	-	0.52
Restructuring and other, net	-	0.01	0.04	0.39	0.10	(0.04)	0.49
Share-based compensation	0.18	0.65	0.14	0.16	0.15	0.11	0.56
Strategic investment losses or impairment charges	0.03	0.05	-	-	-	0.04	0.05
Other charges	0.04	0.05	0.03	0.04	0.03	0.06	0.15
Income tax adjustments	-	(0.07)	(0.02)	0.01	(0.01)	-	(0.03)
Non-GAAP Diluted Net Income (Loss) Per Share	\$1.59	\$8.18	\$0.48	\$0.16	\$(0.28)	\$(0.18)	\$0.19

Shares used in diluted earnings (loss) per share calculation (M)

GAAP	217	224	210	206	207	207	207
Non-GAAP	217	224	210	207	207	207	209

<u>Reconciliation of Net Cash Provided by Operating Activities to Free Cash Flow (\$M)</u>	Q4FY22	FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	FY23
Net Cash Provided by Operating Activities	180	1657	245	251	228	218	942
Acquisition of property, equipment and leasehold improvements	(72)	(381)	(133)	(79)	(54)	(50)	(316)
Free Cash Flow	108	1,276	112	172	174	168	626

<u>Reconciliation of GAAP Net Income (Loss) to Non-GAAP Adjusted EBITDA (\$M)</u>	Q4FY22	FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	FY23
GAAP Net Income (Loss)	276	1,649	29	(33)	(433)	(92)	(529)
Depreciation and amortization	127	451	135	148	126	104	513
Interest expense	65	249	71	77	81	84	313
Interest income	(1)	(2)	(1)	(1)	(2)	(6)	(10)
Income tax expense (benefit)	5	30	(2)	(5)	33	7	33
Non-GAAP EBITDA	472	2,377	232	186	(195)	97	320
BIS settlement penalty	-	-	-	-	300	-	300
Impairment and other charges related to cost saving efforts	1	1	-	-	-	-	-
Net (gain) loss recognized from early redemption of debt	-	1	-	(204)	(3)	17	(190)
Pandemic-related lockdown charges	-	-	6	-	-	-	6
Purchase order cancellation fees	-	-	-	108	-	-	108
Restructuring and other, net	1	3	9	81	20	(8)	102
Share-based compensation	39	145	29	33	31	22	115
Strategic investment losses or impairment charges	6	12	-	-	1	9	10
Underutilization charges, net of depreciation and amortization	-	-	37	45	60	29	171
Other charges	6	10	6	7	7	12	32
Non-GAAP Adjusted EBITDA	525	2,549	319	256	221	178	974

Non-GAAP Measures Adjusted for the Following Items:**Accelerated depreciation, impairment and other charges related to cost saving efforts**

These expenses are excluded in the non-GAAP measures due to the inconsistency in amount and frequency and are excluded to facilitate a more meaningful evaluation of the Company's current operating performance and comparison to its past periods' operating performance.

Amortization of acquired intangible assets

The Company records expense from amortization of intangible assets that were acquired in connection with its business combinations over their estimated useful lives. Such charges are inconsistent in size and are significantly impacted by the timing and magnitude of the Company's acquisitions. Consequently, these expenses are excluded in the non-GAAP measures to facilitate a more meaningful evaluation of its current operating performance and comparison to its past periods' operating performance.

BIS settlement penalty

The Company accrued a settlement penalty of \$300 million for the fiscal third quarter of 2023 related to the alleged violations of the U.S. Export Administration Regulations between August 17, 2020 and September 29, 2021 by the BIS, which were subsequently resolved by a settlement agreement on April 18, 2023. This settlement penalty is excluded from the non-GAAP measures to facilitate a more meaningful evaluation of the Company's current operating performance and comparison to its past periods' operating performance.

Net loss (gain) recognized from early redemption of debt

From time to time, the Company incurs gains, losses and fees from the early redemption and repurchase of certain long-term debt instruments. The gains and losses represent the difference between the reacquisition price and the par value of the debt extinguished less the write-off of any unamortized debt issuance costs and discount. Fees include certain costs associated with a debt extinguishment or modification. The amount of these charges may be inconsistent in size and varies depending on the timing of the early redemption of debt and consequently is excluded from the non-GAAP measures to facilitate a more meaningful evaluation of its current operating performance and comparison to its past periods' operating performance.

Pandemic-related lockdown charges

Pandemic-related lockdown charges are factory under-utilization costs incurred due to the pandemic-related lockdown measures at our factory in Wuxi, China. These charges are inconsistent in amount and frequency and are excluded in the non-GAAP measures to facilitate a more meaningful evaluation of its current operating performance and comparison to its past periods' operating performance.

Purchase order cancellation fees

Purchase order cancellation fees are the costs incurred to cancel certain purchase commitments made with the Company's suppliers for component and equipment purchases that will not be received due to change in forecasted demand. These charges are inconsistent in amount and frequency and are excluded in the non-GAAP measures to facilitate a more meaningful evaluation of its current operating performance and comparison to its past periods' operating performance.

Restructuring and other, net

Restructuring and other, net are costs associated with restructuring plans that are primarily related to costs associated with reduction in the Company's workforce, exiting certain facilities and other related costs, as well as charges or gains from sale of properties. These costs or benefits do not reflect the Company's ongoing operating performance and consequently are excluded from the non-GAAP measures to facilitate a more meaningful evaluation of its current operating performance and comparison to its past periods' operating performance.

Share-based compensation

These expenses consist primarily of expenses for employee share-based compensation. Given the variety of equity awards used by companies, the varying methodologies for determining share-based compensation expense, the subjective assumptions involved in those determinations, and the volatility in valuations that can be driven by market conditions outside the Company's control, the Company believes excluding share-based compensation expense enhances the ability of management and investors to understand and assess the underlying performance of its business over time and compare it against the Company's peers, a majority of whom also exclude share-based compensation expense from their non-GAAP results.

Strategic investment losses or impairment charges

From time to time, the Company incurs losses, gains or impairment charges from strategic investments that are measured and accounted at fair value, under the equity method of accounting, as available-for-sale debt securities or adjust for downward or upward adjustments to the carrying value under the measurement alternative if an impairment or observable price adjustment is recognized in the current period that are not considered as part of its ongoing operating performance. The resulting expense, gain or impairment loss is inconsistent in amount and frequency and consequently is excluded from the non-GAAP measures to facilitate a more meaningful evaluation of its current operating performance and comparison to its past periods' operating performance.

Other charges

The other charges primarily include IT transformation costs. These charges are inconsistent in amount and frequency and are excluded in the non-GAAP measures to facilitate a more meaningful evaluation of its current operating performance and comparison to its past periods' operating performance.

Income tax adjustments

Provision or benefit for income taxes represents the tax effects of non-GAAP adjustments determined using a hybrid with and without method and effective tax rate for the applicable adjustment and jurisdiction.

Free cash flow

Free cash flow is a non-GAAP measure defined as net cash provided by operating activities less acquisition of property, equipment and leasehold improvements. Free cash flow does not reflect non-cash items, net cash used or provided by financing activities and net cash used or provided by investing activities, other than acquisition of property, equipment and leasehold improvements. This non-GAAP financial measure is used by management to assess the Company's sources of liquidity, capital structure and operating performance.

EBITDA, adjusted EBITDA and last twelve months (LTM) adjusted EBITDA

EBITDA is defined as net income (loss) before income tax expense, interest expense, interest income, depreciation and amortization. Adjusted EBITDA excludes certain expenses, gains and losses that the Company believes are not indicative of its core operating results. These adjustments primarily include impairment and other charges related to cost saving efforts, net gain recognized from early redemption of debt, pandemic-related lockdown charges, purchase order cancellation fees, restructuring and other, net, share-based compensation, strategic investment losses (gains) or impairment charges, 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. These non-GAAP financial measures are used by management to evaluate the Company's debt portfolio and structure to comply with its financial debt covenants.