

SEAGATE TECHNOLOGY PLC
CONDENSED CONSOLIDATED BALANCE SHEETS
(In millions)

	April 3, 2020	June 28, 2019
	(unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,612	\$ 2,220
Accounts receivable, net	1,160	989
Inventories	1,102	970
Other current assets	141	184
Total current assets	4,015	4,363
Property, equipment and leasehold improvements, net	2,093	1,869
Goodwill	1,237	1,237
Other intangible assets, net	70	111
Deferred income taxes	1,112	1,114
Other assets, net	302	191
Total Assets	\$ 8,829	\$ 8,885
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 1,830	\$ 1,420
Accrued employee compensation	155	169
Accrued warranty	76	91
Current portion of long-term debt	12	—
Accrued expenses	617	552
Total current liabilities	2,690	2,232
Long-term accrued warranty	87	104
Long-term accrued income taxes	3	4
Other non-current liabilities	166	130
Long-term debt	4,091	4,253
Total Liabilities	7,037	6,723
Total Equity	1,792	2,162
Total Liabilities and Equity	\$ 8,829	\$ 8,885

SEAGATE TECHNOLOGY PLC
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In millions, except per share data)
(Unaudited)

	For the Three Months Ended		For the Nine Months Ended	
	April 3, 2020	March 29, 2019	April 3, 2020	March 29, 2019
Revenue	\$ 2,718	\$ 2,313	\$ 7,992	\$ 8,019
Cost of revenue	1,972	1,712	5,817	5,711
Product development	246	238	751	750
Marketing and administrative	119	110	361	345
Amortization of intangibles	3	6	11	17
Restructuring and other, net	2	11	19	41
Total operating expenses	2,342	2,077	6,959	6,864
Income from operations	376	236	1,033	1,155
Interest income	4	21	19	67
Interest expense	(49)	(55)	(152)	(169)
Other, net	7	13	(28)	28
Other expense, net	(38)	(21)	(161)	(74)
Income before income taxes	338	215	872	1,081
Provision for income taxes	18	20	34	52
Net income	\$ 320	\$ 195	\$ 838	\$ 1,029
Net income per share:				
Basic	\$ 1.23	\$ 0.69	\$ 3.19	\$ 3.62
Diluted	1.22	0.69	3.15	3.57
Number of shares used in per share calculations:				
Basic	261	281	263	284
Diluted	263	284	266	288
Cash dividends declared per ordinary share	\$ 0.65	\$ 0.63	\$ 1.93	\$ 1.89

SEAGATE TECHNOLOGY PLC
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)
(Unaudited)

	For the Nine Months Ended	
	April 3, 2020	March 29, 2019
OPERATING ACTIVITIES		
Net income	\$ 838	\$ 1,029
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	279	407
Share-based compensation	80	73
Deferred income taxes	3	15
Other non-cash operating activities, net	55	(69)
Changes in operating assets and liabilities:		
Accounts receivable, net	(172)	296
Inventories	(126)	49
Accounts payable	424	(366)
Accrued employee compensation	(14)	(108)
Accrued expenses, income taxes and warranty	(18)	(32)
Other assets and liabilities	(23)	19
Net cash provided by operating activities	<u>1,326</u>	<u>1,313</u>
INVESTING ACTIVITIES		
Acquisition of property, equipment and leasehold improvements	(471)	(451)
Proceeds from settlement of foreign currency forward exchange contracts	—	66
Proceeds from sale of strategic investments	—	10
Proceeds from the sale of assets	1	30
Purchases of investments	(57)	(14)
Net cash used in investing activities	<u>(527)</u>	<u>(359)</u>
FINANCING ACTIVITIES		
Redemption and repurchase of debt	(685)	(499)
Dividends to shareholders	(505)	(539)
Repurchases of ordinary shares	(795)	(613)
Taxes paid related to net share settlement of equity awards	(39)	(30)
Net proceeds from issuance of long-term debt	498	196
Proceeds from issuance of ordinary shares under employee stock plans	100	68
Other financing activities, net	(2)	—
Net cash used in financing activities	<u>(1,428)</u>	<u>(1,417)</u>
Effect of foreign currency exchange rate changes on cash, cash equivalents and restricted cash	(8)	(3)
Decrease in cash, cash equivalents and restricted cash	(637)	(466)
Cash, cash equivalents and restricted cash at the beginning of the period	2,251	1,857
Cash, cash equivalents and restricted cash at the end of the period	<u>\$ 1,614</u>	<u>\$ 1,391</u>

Use of non-GAAP financial information

The Company uses non-GAAP measures of adjusted revenue, gross margin, gross margin as a percentage of revenue, operating expenses, income from operations, operating margin as a percentage of revenue, net income, diluted EPS, and free cash flow, 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. 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 investing activities.

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.

SEAGATE TECHNOLOGY PLC
RECONCILIATIONS OF GAAP TO NON-GAAP MEASURES
(In millions, except per share amounts and gross margin)
(Unaudited)

	For the Three Months Ended		For the Nine Months Ended	
	April 3, 2020	March 29, 2019 (a)	April 3, 2020	March 29, 2019 (a)
GAAP Revenue	\$ 2,718	\$ 2,313	\$ 7,992	\$ 8,019
Adjustment to discontinued products	—	—	—	1
Non-GAAP Revenue	<u>\$ 2,718</u>	<u>\$ 2,313</u>	<u>\$ 7,992</u>	<u>\$ 8,020</u>
GAAP Gross Margin	\$ 746	\$ 601	\$ 2,175	\$ 2,308
Adjustment to discontinued products	—	—	—	1
Amortization of acquired intangible assets	9	14	29	40
Share-based compensation	7	6	20	17
Restructuring and other, net	—	—	—	(1)
Non-GAAP Gross Margin	<u>\$ 762</u>	<u>\$ 621</u>	<u>\$ 2,224</u>	<u>\$ 2,365</u>
GAAP Gross Margin	27.4 %	26.0 %	27.2 %	28.8 %
Non-GAAP Gross Margin	28.0 %	26.8 %	27.8 %	29.5 %
GAAP Operating Expenses	\$ 370	\$ 365	\$ 1,142	\$ 1,153
Accelerated depreciation, impairment and other charges related to cost saving efforts	—	—	—	(2)
Amortization of acquired intangible assets	(3)	(5)	(9)	(14)
Restructuring and other, net	(2)	(11)	(19)	(41)
Share-based compensation	(20)	(22)	(60)	(56)
Other charges	(5)	—	(5)	—
Non-GAAP Operating Expenses	<u>\$ 340</u>	<u>\$ 327</u>	<u>\$ 1,049</u>	<u>\$ 1,040</u>
GAAP Income From Operations	\$ 376	\$ 236	\$ 1,033	\$ 1,155
Adjustment to discontinued products	—	—	—	1
Accelerated depreciation, impairment and other charges related to cost saving efforts	—	—	—	2
Amortization of acquired intangible assets	12	19	38	54
Restructuring and other, net	2	11	19	41
Share-based compensation	27	28	80	73
Other charges	5	—	5	(1)
Non-GAAP Income From Operations	<u>\$ 422</u>	<u>\$ 294</u>	<u>\$ 1,175</u>	<u>\$ 1,325</u>
GAAP Operating Margin	13.8 %	10.2 %	12.9 %	14.4 %
Non-GAAP Operating Margin	15.5 %	12.7 %	14.7 %	16.5 %

SEAGATE TECHNOLOGY PLC
RECONCILIATIONS OF GAAP TO NON-GAAP MEASURES
(In millions, except per share amounts and gross margin)
(Unaudited)

	For the Three Months Ended		For the Nine Months Ended	
	April 3, 2020	March 29, 2019 (a)	April 3, 2020	March 29, 2019 (a)
GAAP Net Income	\$ 320	\$ 195	\$ 838	\$ 1,029
Adjustment to discontinued products	—	—	—	1
Accelerated depreciation, impairment and other charges related to cost saving efforts	—	—	—	2
Amortization of acquired intangible assets	12	19	38	54
Restructuring and other, net	2	11	19	41
Losses recognized on the early redemption and repurchase of debt	—	—	30	—
Strategic investment losses or impairment recognized	—	—	1	2
Share-based compensation	27	28	80	73
Other charges	4	—	4	(1)
Income tax adjustments	(2)	10	(10)	8
Non-GAAP Net Income	<u>\$ 363</u>	<u>\$ 263</u>	<u>\$ 1,000</u>	<u>\$ 1,209</u>
Shares used in diluted net income per share calculation	263	284	266	288
GAAP Diluted Net Income Per Share	\$ 1.22	\$ 0.69	\$ 3.15	\$ 3.57
Non-GAAP Diluted Net Income Per Share	1.38	0.93	3.76	4.20
GAAP Net Cash Provided by Operating Activities	\$ 390	\$ 438	\$ 1,326	\$ 1,313
Acquisition of property, equipment and leasehold improvements	130	147	471	451
Free Cash Flow	<u>\$ 260</u>	<u>\$ 291</u>	<u>\$ 855</u>	<u>\$ 862</u>

(a) In the fiscal first quarter of 2020, the Company began excluding share-based compensation from non-GAAP results. To provide improved visibility and comparability, the Company has reflected this change to its non-GAAP results retrospectively to the earliest date presented.

The Company's Non-GAAP measures are adjusted for the following items:

Adjustment to discontinued products

These adjustments relate to sales of certain discontinued products or changes in sales provision for discontinued products. These adjustments are inconsistent in amount and frequency and are excluded in the non-GAAP measures as these adjustments are not indicative of the underlying ongoing operating performance.

Accelerated depreciation, impairment and other charges related to cost saving efforts

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

Amortization of acquired intangible assets

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

Share-based compensation

As disclosed in the Company's fiscal fourth quarter 2019 earnings release, share-based compensation expense is excluded from its non-GAAP results. 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.

Other charges

The other charges primarily include impairments or write-offs of other assets and certain discontinued inventory and expense related to disposed business. 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. These also exclude charges or gains from sale of properties. These costs or benefits do not reflect the Company's ongoing operating performance and consequently are excluded from the non-GAAP measures to facilitate a more meaningful evaluation of its current operating performance and comparison to its past periods' operating performance.

Losses recognized on the early redemption and repurchase of debt

From time to time, the Company incurs losses or gains from the early redemption and repurchase of certain long-term debt instruments. These losses or gains represent the difference between the reacquisition costs and the par value of the debt extinguished and include the write off of any related unamortized debt issuance costs. The amount of these charges may be inconsistent in size and varies depending on the timing of the repurchase of debt.

Strategic investment losses or impairment recognized

From time to time, the Company incurs losses or gains from strategic investments accounted for under the equity method of accounting or records impairment charges which are not considered as part of its ongoing operating performance. The resulting expense or gain is inconsistent in amount and frequency and consequently is excluded from the non-GAAP measures to facilitate a more meaningful evaluation of its current operating performance and comparison to its past periods' operating performance.

Income tax adjustments

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

Free cash flow

Free cash flow is a non-GAAP measure defined as net cash provided by operating activities less acquisition of property, equipment and leasehold improvements. This non-GAAP financial measure is used by management to assess the Company's sources of liquidity, capital structure and operating performance.