

Supplemental Financial Information

FISCAL Q3 2019



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, development of technologies, and liquidity position, capital return and dividend issuance plans for the fiscal quarter ending June 28, 2019 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 document 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 document; the uncertainty in global economic and political conditions; the impact of the variable demand and adverse pricing environment for storage products; the Company's ability to successfully qualify, manufacture and sell its storage 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 and consolidation of manufacturing activities; possible excess industry supply with respect to particular storage products and competing alternative storage technology solutions; the impact of trade barriers, such as import/export duties and restrictions, tariffs and quotas, imposed by the U.S. or other countries in which the Company conducts business; 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, international sales and results of operations; 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; cybersecurity threats and vulnerabilities associated with the Company's infrastructure updates to its information technology systems; 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 document is contained in the Company's Annual Report on Form 10-K filed with the U.S. Securities and Exchange Commission ("SEC") on August 3, 2018, the "Risk Factors" section of which is incorporated into this document by reference, and other documents filed with or furnished to the SEC. 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 consolidated financial statements presented in accordance with generally accepted accounting principles (GAAP), the Company provides non-GAAP measures of adjusted revenue, gross margin, gross margin as a percentage of revenue, operating expenses, net income, earnings per share (EPS), diluted earnings per share, 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 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 FY2019 Financial Highlights

\$2.3B

Revenue

26.0%

Gross Margin
GAAP

\$0.69

Diluted EPS
GAAP

76.7EB

HDD Capacity
Shipped

\$1.3B

YTD Cash Flow
from Operations

26.6%

Gross Margin
NON-GAAP¹

\$0.83

Diluted EPS
NON-GAAP¹

2.4TB

Average Capacity
per Drive

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



Quarterly Financial Trends

	Q3'17	Q4'17	Q1'18	Q2'18	Q3'18	Q4'18	Q1'19	Q2'19	Q3'19
GAAP Results									
Revenue (\$M)	2,674	2,406	2,632	2,914	2,803	2,835	2,991	2,715	2,313
Gross Margin %	30.5%	27.7%	28.0%	30.1%	30.2%	31.9%	30.5%	29.2%	26.0%
Operating Expenses (\$M)	550	470	481	444	406	399	410	378	365
Net Income (\$M)	194	114	181	159	381	461	450	384	195
Diluted EPS	\$0.65	\$0.38	\$0.62	\$0.55	\$1.31	\$1.57	\$1.54	\$1.34	\$0.69
Non-GAAP Results¹									
Revenue (\$M)	2,675	2,406	2,632	2,908	2,803	2,835	2,992	2,715	2,313
Gross Margin %	31.4%	28.9%	29.0%	30.4%	30.8%	32.4%	31.0%	29.7%	26.6%
Operating Expenses (\$M)	443	422	408	390	385	399	382	365	349
Net Income (\$M)	329	192	279	431	424	475	496	405	235
Diluted EPS	\$1.10	\$0.65	\$0.96	\$1.48	\$1.46	\$1.62	\$1.70	\$1.41	\$0.83
End of Qtr Actual Share Count (M)	297	292	289	285	287	287	286	283	277
Diluted Shares O/S for EPS (M)	300	297	292	291	291	293	292	287	284
Dividends Per Share Paid	\$0.63	\$0.63	\$0.63	\$0.63	\$0.63	\$0.63	\$0.63	\$0.63	\$0.63
Shares Repurchased (M)	-	5.0	5.0	5.0	-	-	3.0	3.2	7.2
Fiscal YTD Shares Repurchased (M)	7.1	12.1	5.0	10.0	10.0	10.0	3.0	6.2	13.4
Revenue by Product Line (\$M)									
HDD	2,424	2,220	2,390	2,701	2,586	2,652	2,801	2,490	2,124
Enterprise Data Solutions, SSD & Other	250	186	242	213	217	183	190	225	189
Revenue by Channel									
OEM	68%	69%	70%	68%	70%	73%	71%	69%	68%
Distributors	18%	18%	16%	17%	17%	17%	18%	16%	18%
Retail	14%	13%	14%	15%	13%	10%	11%	15%	14%

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



HDD Product Mix Trends

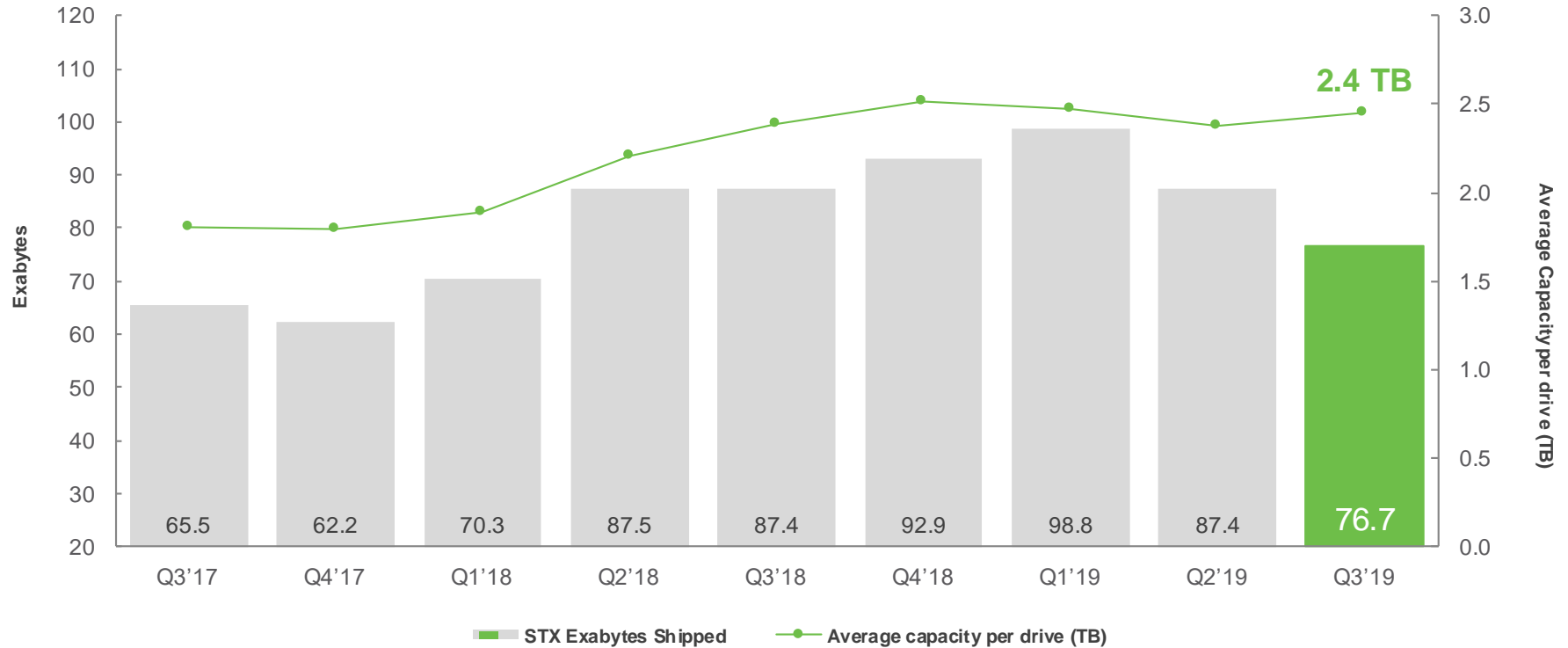
		Q3'17	Q4'17	Q1'18	Q2'18	Q3'18	Q4'18	Q1'19	Q2'19	Q3'19
Enterprise										
Capacity (EB)	Mission Critical	2.3	2.2	2.1	2.4	2.5	2.6	3.0	3.4	2.9
	Nearline	21.4	21.2	25.1	35.1	41.3	44.5	42.5	33.0	30.0
Average Capacity per Drive (TB)		3.2	3.4	3.9	4.3	4.8	5.3	5.2	4.5	4.9
Edge Non-Compute¹										
Capacity (EB)	Consumer Electronics ²	13.6	12.4	13.5	17.1	14.6	18.2	23.4	18.4	17.6
	Consumer	10.8	9.5	11.1	13.8	11.6	9.5	11.2	14.2	11.6
Average Capacity per Drive (TB)		2.0	1.9	1.9	2.2	2.2	2.2	2.2	2.4	2.4
Edge Compute³										
Capacity (EB)	Desktop + Notebook	17.3	16.8	18.6	19.2	17.5	18.0	18.7	18.4	14.6
Average Capacity per Drive (TB)		1.1	1.0	1.1	1.1	1.1	1.2	1.2	1.2	1.2
Total HDD Capacity (EB)		65.5	62.2	70.3	87.5	87.4	92.9	98.8	87.4	76.7
Average Capacity per Drive (TB)		1.8	1.8	1.9	2.2	2.4	2.5	2.5	2.4	2.4
Enterprise as a % of Revenue		36%	37%	36%	40%	44%	46%	42%	39%	39%
Edge Non-Compute as a % of Revenue		29%	29%	29%	30%	26%	27%	31%	31%	32%
Edge Compute as a % of Revenue		25%	26%	26%	23%	22%	21%	20%	21%	20%

NOTE: Minor calculation variances are due to rounding.

1. Edge Non-Compute formerly known as Client Non-Compute.
2. Consumer Electronics includes exabytes from surveillance, DVR, NAS, and gaming.
3. Edge Compute formerly known as Client Compute.



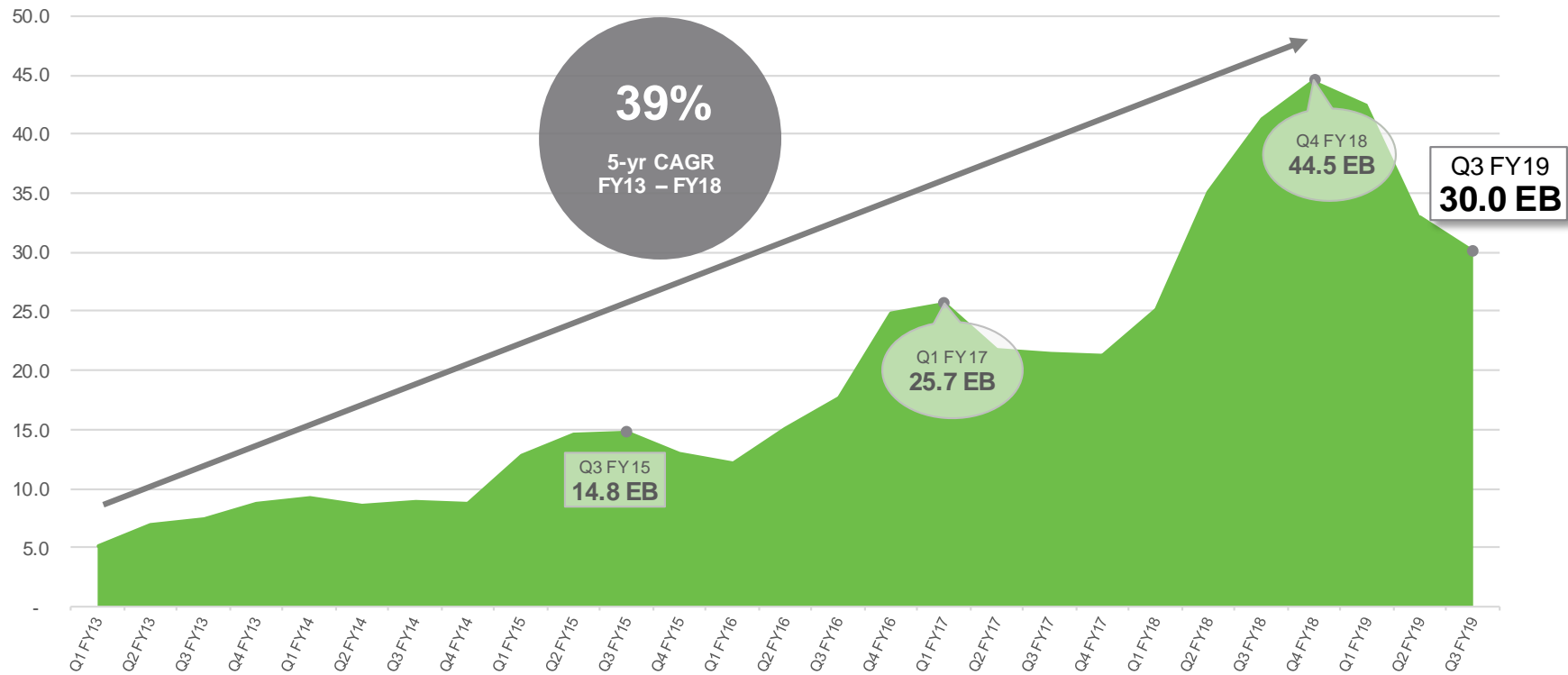
HDD Exabytes Shipped and Average Capacity per Drive



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

	Q3'17	Q4'17	Q1'18	Q2'18	Q3'18	Q4'18	Q1'19	Q2'19	Q3'19
Cash ¹ (\$M)	3,026	2,539	2,285	2,556	2,926	1,853	1,942	1,357	1,388
Debt (\$M)	5,231	5,021	5,002	4,876	4,822	4,819	4,821	4,324	4,522
Cash Flow From Operations (\$M)	426	243	237	850	558	468	587	288	438
Capital Expenditures ² (\$M)	95	104	124	77	69	96	177	127	147
Free Cash Flow ³ (\$M)	331	139	113	773	489	372	410	161	291
YTD Cash Flow From Operations ⁴ (\$M)	1,673	1,916	237	1,087	1,645	2,113	587	875	1,313
YTD Shares Repurchased ⁴ (\$M)	248	460	166	361	361	361	150	286	613
YTD Dividend Paid ⁴ (\$M)	374	561	184	366	545	726	181	361	539
Days Sales Outstanding	39	45	42	33	35	38	37	35	35
Days Inventory Outstanding	51	51	49	45	47	50	49	52	53
Days Payables Outstanding	78	85	74	72	77	81	78	68	70
Cash Conversion Cycle	12	12	17	6	5	6	8	19	19
Worldwide Headcount (000's)	43	41	40	41	42	43	43	43	41

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 defined as cash flow from operations less capital expenditures.
4. Based on Fiscal Year.



RECONCILIATION TABLES



Reconciliation of Revenue to Non-GAAP Revenue (\$M)	Q3'17	Q4'17	Q1'18	Q2'18	Q3'18	Q4'18	Q1'19	Q2'19	Q3'19
Revenue	2,674	2,406	2,632	2,914	2,803	2,835	2,991	2,715	2,313
Adjustment to discontinued products	1	-	-	(6)	-	-	1	-	-
Non-GAAP Revenue	2,675	2,406	2,632	2,908	2,803	2,835	2,992	2,715	2,313
Reconciliation of Gross Margin to Non-GAAP Gross Margin (\$M)	Q3'17	Q4'17	Q1'18	Q2'18	Q3'18	Q4'18	Q1'19	Q2'19	Q3'19
Gross Margin	816	666	736	877	847	904	913	794	601
Adjustment to discontinued products	1	-	-	(6)	-	-	1	-	-
Accelerated depreciation, impairment and other charges related to cost saving efforts	7	5	1	-	1	-	-	-	-
Amortization of acquired intangible assets	13	24	14	14	15	14	13	13	14
Other charges	4	1	11	-	-	-	-	(1)	-
Non-GAAP Gross Margin	841	696	762	885	863	918	927	806	615
Gross Margin %	30.5%	27.7%	28.0%	30.1%	30.2%	31.9%	30.5%	29.2%	26.0%
Non-GAAP Gross Margin %	31.4%	28.9%	29.0%	30.4%	30.8%	32.4%	31.0%	29.7%	26.6%
Reconciliation of Operating Expenses to Non-GAAP Operating Expenses (\$M)	Q3'17	Q4'17	Q1'18	Q2'18	Q3'18	Q4'18	Q1'19	Q2'19	Q3'19
Operating Expenses	550	470	481	444	406	399	410	378	365
Accelerated depreciation, impairment and other charges related to cost saving efforts	(30)	(7)	-	(2)	(4)	-	(1)	(1)	-
Amortization of acquired intangible assets	(27)	(17)	(21)	(18)	(4)	(5)	(4)	(5)	(5)
Restructuring and other, net	(48)	(14)	(51)	(33)	(11)	6	(23)	(7)	(11)
Other charges	(2)	(10)	(1)	(1)	(2)	(1)	-	-	-
Non-GAAP Operating Expenses	443	422	408	390	385	399	382	365	349
Reconciliation of Net Income to Non-GAAP Net Income (\$M)	Q3'17	Q4'17	Q1'18	Q2'18	Q3'18	Q4'18	Q1'19	Q2'19	Q3'19
Net Income	194	114	181	159	381	461	450	384	195
Adjustment to discontinued products	1	-	-	(6)	-	-	1	-	-
Accelerated depreciation, impairment and other charges related to cost saving efforts	37	12	1	2	5	-	1	1	-
Amortization of acquired intangible assets	40	41	35	32	19	19	17	18	19
Restructuring and other, net	48	14	51	33	11	(6)	23	7	11
Losses recognized on the early redemption and repurchase of debt	-	7	-	3	1	-	-	-	-
Strategic investment losses, (gains) or impairment recognized	-	-	-	-	3	8	4	(2)	-
Other charges	6	10	11	1	3	1	-	(1)	-
Income tax adjustments	3	(6)	-	207	1	(8)	-	(2)	10
Non-GAAP Net Income	329	192	279	431	424	475	496	405	235
Shares used in diluted net income per share calculation (in millions)	300	297	292	291	291	293	292	287	284
GAAP Diluted Net Income Per Share	\$0.65	\$0.38	\$0.62	\$0.55	\$1.31	\$1.57	\$1.54	\$1.34	\$0.69
Non-GAAP Diluted Net Income Per Share	\$1.10	\$0.65	\$0.96	\$1.48	\$1.46	\$1.62	\$1.70	\$1.41	\$0.83



Reconciliation of Net Income to Credit Agreement Defined EBITDA (\$M)	Q3'17	Q4'17	Q1'18	Q2'18	Q3'18	Q4'18	Q1'19	Q2'19	Q3'19
Net Income	194	114	181	159	381	461	450	384	195
Interest Income	(5)	(5)	(7)	(6)	(10)	(15)	(24)	(22)	(21)
Interest Expense	60	62	61	61	60	54	58	56	55
Income Tax Expense	18	6	7	212	12	5	18	14	20
Depreciation and Amortization	182	176	161	157	143	137	134	138	135
EBITDA	449	353	403	583	586	642	636	570	384
Adjustment to discontinued products	1	-	-	(6)	-	-	1	-	-
Impairment and other charges related to cost saving efforts	30	8	1	1	-	-	-	-	-
Losses recognized on the early redemption and repurchase of debt	-	7	-	3	1	-	-	-	-
Strategic investment losses, (gains) or impairment recognized	-	-	-	-	3	8	4	(2)	-
Restructuring and other, net	48	14	51	33	11	(6)	23	7	11
Other charges	6	10	11	1	3	1	-	(1)	-
Adjusted EBITDA	534	392	466	615	604	645	664	574	395
Share-based Compensation	37	27	32	27	26	27	18	27	28
Credit Agreement Defined EBITDA	571	419	498	642	630	672	682	601	423



Non-GAAP measures 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 measure due to its 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.

Restructuring and other, net

Restructuring charges 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 classified as held-for-sale. 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 from the early redemption and repurchase of certain long-term debt instruments. These losses 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, (gains) or impairment recognized

From time to time, the Company incurs losses or gains from strategic investment accounted under equity method of accounting or records impairments 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 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.

Other charges

The other charges primarily include write-off of 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.

Income tax adjustments

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. It also includes a provisional tax expense (benefit) for the re-measurement of the Company's 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.

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.

