



FISCAL Q2 2017

SUPPLEMENTAL FINANCIAL INFORMATION

January 24, 2017

Safe Harbor Statement

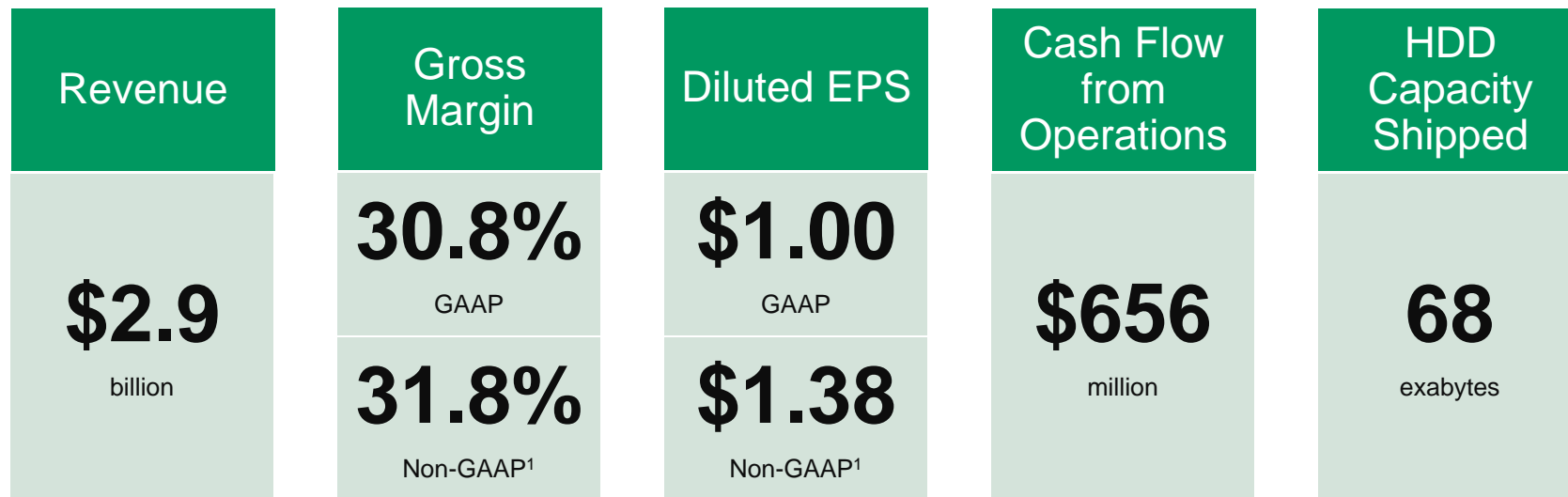
This document contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, each as amended, including, in particular, statements about the Company's plans, strategies and prospects and estimates of industry growth for the fiscal quarter ending March 31, 2017 and beyond as well as our plans with respect to future dividend payments. These statements identify prospective information and may include words such as "expects," "intends," "plans," "anticipates," "believes," "estimates," "predicts," "projects" and similar expressions. 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: the uncertainty in global economic conditions; the impact of the variable demand and adverse pricing environment for disk drives, particularly in view of current business and economic conditions; 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, particularly the new disk drive products with lower cost structures; the impact of competitive product announcements; currency fluctuations that may impact the Company's margins and international sales; possible excess industry supply with respect to particular disk drive products; disruptions to its supply chain or production capabilities; unexpected advances in competing technologies; the development and introduction of products based on new technologies and expansion into new data storage markets; our ability to comply with certain covenants in our credit facilities with respect to financial ratios and financial condition tests; cyber-attacks or other data breaches that disrupt its operations or results in the dissemination of proprietary or confidential information; and the Company's ability to achieve projected cost savings in connection with restructuring plans 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 on August 5, 2016, the "Risk Factors" section of which is incorporated into this document 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.

Q2 FY2017 Financial Highlights



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

Business Model Stabilization

Calendar Quarters	CQ1'16	CQ2'16	CQ3'16	CQ4'16
Fiscal Quarters	FQ3'16	FQ4'16	FQ1'17	FQ2'17
GAAP Results				
Revenue (\$M)	2,595	2,654	2,797	2,894
Gross Margin %	20.2%	24.9%	28.6%	30.8%
Operating Expenses (\$M)	497	559	580	521
<i>Operating Expense as a % of Revenue</i>	19%	21%	21%	18%
Operating Margin %	1%	4%	8%	13%
Net Income (Loss) (\$M)	(21)	70	167	297
Diluted EPS (LPS)	(\$0.07)	\$0.23	\$0.55	\$1.00
Non-GAAP Results¹				
Revenue (\$M)	2,591	2,653	2,797	2,893
Gross Margin %	22.7%	25.8%	29.5%	31.8%
Operating Expenses (\$M)	439	443	472	458
<i>Operating Expense as a % of Revenue</i>	17%	17%	17%	16%
Operating Margin %	6%	9%	13%	16%
Net Income (\$M)	66	207	299	412
Diluted EPS ²	\$0.22	\$0.69	\$0.99	\$1.38
Cash Flow From Operations ³ (\$M)	205	269	591	656
Total HDD Capacity (EB)	55.6	61.7	66.7	68.2

- Operational performance and financial results improved every quarter throughout CY 2016
- Seagate continues to “right size” factory capacity and operating expense to plan
- Product portfolio and technology leadership further drive business model stabilization

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 FQ3'16 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. Cash Flow from Operations has been retrospectively adjusted from FQ1'16 for the impact of the adoption of ASU 2016-18, Statement of Cash Flows: Restricted Cash, which requires amount generally described as restricted cash and restricted cash equivalents to be included with cash and cash equivalents when reconciling the total beginning and ending balances for the periods presented on the Statement of Cash Flows.

Quarterly Financial Trends

	Q2'15 ²	Q3'15	Q4'15	Q1'16	Q2'16	Q3'16	Q4'16	Q1'17	Q2'17
GAAP Results									
Revenue (\$M)	3,696	3,330	2,927	2,925	2,986	2,595	2,654	2,797	2,894
Gross Margin %	27.8%	28.7%	26.5%	23.6%	24.8%	20.2%	24.9%	28.6%	30.8%
Operating Expenses (\$M)	(26)	612	570	603	512	497	559	580	521
Net Income (loss) (\$M)	933	291	138	34	165	(21)	70	167	297
Diluted EPS (LPS)	\$2.78	\$0.88	\$0.43	\$0.11	\$0.55	(\$0.07)	\$0.23	\$0.55	\$1.00
Non-GAAP Results¹									
Revenue (\$M)	3,696	3,330	2,927	2,927	2,985	2,591	2,653	2,797	2,893
Gross Margin %	28.2%	28.9%	27.2%	24.2%	25.6%	22.7%	25.8%	29.5%	31.8%
Operating Expenses (\$M)	546	555	515	501	453	439	443	472	458
Net Income (\$M)	452	357	250	165	246	66	207	299	412
Diluted EPS ³	\$1.35	\$1.08	\$0.77	\$0.54	\$0.82	\$0.22	\$0.69	\$0.99	\$1.38
End of Qtr Actual Share Count (M)	329	318	315	299	296	298	299	299	295
Diluted Shares O/S for EPS (M)	336	330	323	308	301	298	300	301	298
Dividends Per Share Paid	\$0.54	\$0.54	\$0.54	\$0.54	\$0.63	\$0.63	\$0.63	-	\$0.63
Shares Repurchased (M)	0.3	12.0	3.2	20.0	2.9	-	-	3.0	4.1
Fiscal YTD Shares Repurchased (M)	3.4	15.4	18.6	20.0	23.0	23.0	23.0	3.0	7.1
Revenue by Product Line (\$M)									
HDD	3,471	3,098	2,713	2,722	2,727	2,371	2,455	2,589	2,652
Enterprise Systems, Flash, and Other	225	232	214	203	259	224	199	208	242
Revenue by Channel									
OEM	69%	70%	73%	70%	69%	69%	71%	71%	66%
Distributors	18%	18%	15%	18%	16%	16%	16%	17%	18%
Retail	13%	12%	12%	12%	15%	15%	13%	12%	16%

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

2. In Q2'15, Condensed Consolidated Statement of Operations includes the impact of the final award amount of \$630 million, less litigation and other related costs of \$10 million, related to the arbitration award in the Company's case against Western Digital for the misappropriation of the Company's trade secrets.

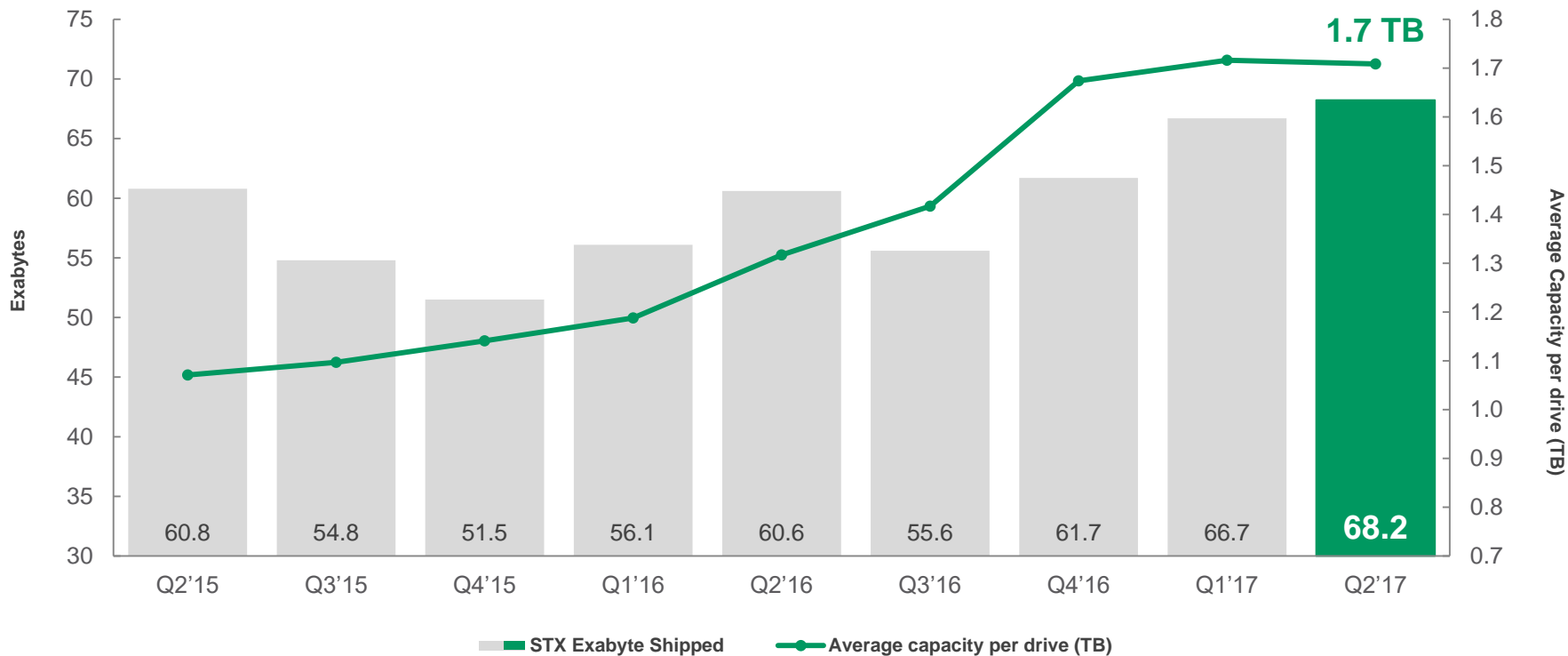
3. The number of shares used in the Non-GAAP diluted net income per share computation for Q3'16 is 299 million as it includes dilutive shares related to employee equity award plans. Such shares were excluded from the computation of GAAP diluted net income per share as to do so would be anti-dilutive.

Product Mix Trends

		Q2'15	Q3'15	Q4'15	Q1'16	Q2'16	Q3'16	Q4'16	Q1'17	Q2'17
Enterprise										
Capacity (EB)	Mission Critical	2.3	2.5	2.4	2.4	2.5	2.2	2.2	2.4	2.6
	Nearline	14.5	14.8	13.0	12.2	15.1	17.7	24.7	25.7	21.6
Units (M)	Mission Critical	4.0	4.3	3.8	3.8	3.7	3.2	3.0	3.2	3.3
	Nearline	5.0	4.7	4.3	3.9	4.5	4.5	5.5	5.5	4.8
Client non-Compute										
Capacity (EB)	CE + Consumer	18.9	15.6	17.5	20.8	21.5	17.7	20.0	22.6	26.8
Units (M)	CE	10.1	7.7	9.4	10.6	7.9	5.9	7.8	9.6	8.1
	Consumer	6.0	5.1	4.8	5.2	6.3	5.2	4.7	4.7	6.3
Client Compute										
Capacity (EB)	Desktop + Notebook	25.0	21.9	18.6	20.7	21.4	18.0	14.7	16.0	17.1
Units (M)	Desktop	16.0	14.3	11.9	12.4	11.7	10.8	8.6	9.1	8.9
	Notebook	15.6	13.9	11.0	11.3	11.9	9.7	7.3	6.8	8.6
Total HDD Capacity (EB)		60.8	54.8	51.5	56.1	60.6	55.6	61.7	66.7	68.2
Total HDD Units (M)		56.8	50.0	45.1	47.2	46.0	39.2	36.8	38.9	39.9
Average Capacity per Drive (GB)		1,071	1,097	1,141	1,188	1,317	1,417	1,674	1,716	1,709
Enterprise as a % of Total Revenue		32%	36%	35%	33%	34%	37%	41%	41%	37%
Client Compute as a % of Total Revenue		38%	36%	32%	33%	31%	30%	24%	24%	24%

NOTE: Minor calculation variances are due to rounding.

Exabytes Shipped and Average Capacity per Drive



Cash, Cash Flow, and Operational Trends

	Q2'15 ⁵	Q3'15	Q4'15	Q1'16	Q2'16	Q3'16	Q4'16	Q1'17	Q2'17
Cash ¹ (\$M)	3,306	2,614	2,492	1,921	1,264	1,199	1,131	1,494	1,716
Debt (\$M)	3,885	3,891	4,111	4,096	4,098	4,089	4,091	4,092	4,093
Cash Flow From Operations ⁷ (\$M)	1,443	374	228	824	382	205	269	591	656
Capital Expenditures ² (\$M)	215	159	201	209	137	95	146	140	95
Free Cash Flow ³ (\$M)	1,228	215	27	615	245	110	123	451	561
YTD Cash Flow From Operations ^{4,7} (\$M)	2,045	2,419	2,647	824	1,206	1,411	1,680	591	1,247
YTD Shares Repurchased ⁶ (\$M)	201	907	1,087	983	1,090	1,090	1,090	101	248
YTD Dividend Paid ⁴ (\$M)	317	493	664	163	351	539	727	-	188
YTD Percent Return of OCF ⁴	25%	58%	66%	139%	119%	115%	108%	17%	35%
Days Sales Outstanding	45	48	54	47	43	44	45	43	38
Days Inventory Outstanding	38	42	42	45	43	41	40	42	46
Days Payables Outstanding	59	65	64	77	71	66	69	71	74
Cash Conversion Cycle	24	25	32	15	14	19	16	13	10
Worldwide Headcount	54,840	53,602	52,346	51,079	50,048	46,673	45,487	44,455	44,882

NOTE: Minor calculation variances are due to rounding.

1. Cash is defined as the sum of cash and cash equivalents, short-term investments, and restricted cash and investments in the Balance Sheet. Beginning Q1'16, restricted cash is no longer classified as "Cash" in the Balance Sheet.

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.

5. In Q2'15, cash flow amounts include the impact of the final award amount of \$630 million, less litigation and other related costs of \$10 million, related to the arbitration award in the Company's case against Western Digital for the misappropriation of the Company's trade secrets.

6. Based on Fiscal Year. For YTD Shares Repurchased through Fiscal Q2'16, \$1,061 million was paid in cash and \$29 million was accrued for as of January 1, 2016.

7. Cash Flow from Operations has been retrospectively adjusted from Q1'16 for the impact of the adoption of ASU 2016-18, Statement of Cash Flows: Restricted Cash, which requires amount generally described as restricted cash and restricted cash equivalents to be included with cash and cash equivalents when reconciling the total beginning and ending balances for the periods presented on the Statement of Cash Flows.



RECONCILIATION TABLES

GAAP to Non-GAAP Reconciliations

(\$ Millions)	Q2'15	Q3'15	Q4'15	Q1'16	Q2'16	Q3'16	Q4'16	Q1'17	Q2'17
GAAP net income (loss)	\$933	\$291	\$138	\$34	\$165	(\$21)	\$70	\$167	\$297
Non-GAAP adjustments									
A. Revenue	-	-	-	2	(1)	(4)	(1)	-	(1)
B. Cost of revenue	14	8	19	17	23	67	23	25	29
C. Product development	6	4	2	6	3	2	5	-	2
C. Marketing and administrative	7	7	12	4	10	9	3	(1)	1
D. Amortization of intangibles	32	32	32	33	29	27	28	27	27
E. Restructuring and other, net	3	14	9	59	17	20	80	82	33
F. Gain on arbitration award, net	(620)	-	-	-	-	-	-	-	-
G. Other income (expense), net	(104)	1	17	10	-	(34)	(1)	(1)	24
H. Provision for (benefit from) income taxes	181	-	21	-	-	-	-	-	-
Non-GAAP net income	\$452	\$357	\$250	\$165	\$246	\$66	\$207	\$299	\$412
Diluted net income (loss) per share:									
GAAP	\$2.78	\$0.88	\$0.43	\$0.11	\$0.55	(\$0.07)	\$0.23	\$0.55	\$1.00
Non-GAAP	\$1.35	\$1.08	\$0.77	\$0.54	\$0.82	\$0.22	\$0.69	\$0.99	\$1.38
Shares used in diluted net income (loss) share calculation ¹	336	330	323	308	301	298	300	301	298

A. Revenue has been adjusted on a non-GAAP basis to exclude revenue on certain discontinued products that had previously recognized a sales return provision.

B. Cost of revenue has been adjusted on a non-GAAP basis to exclude amortization of intangibles associated with acquisitions, accelerated depreciation and write off of certain fixed assets related to restructuring.

C. Product development and Marketing and administrative expenses have been adjusted on a non-GAAP basis to exclude accelerated depreciation and write off of certain fixed assets related to restructuring, impact of certain strategic development costs and other charges.

D. Amortization of intangibles primarily related to our acquisitions has been excluded on a non-GAAP basis.

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

F. In Q2'15, Gain on arbitration award, net, has been adjusted on a non-GAAP basis to exclude the final award amount of \$630 million, less litigation and other related costs of \$10 million, related to the arbitration award in the Company's case against Western Digital for the misappropriation of the Company's trade secrets.

G. Other income (expense), net, has been adjusted on a non-GAAP basis to exclude the impairment of a certain strategic investment.

H. In Q2'15, Provision for (benefit from) income taxes, has been adjusted on a non-GAAP basis primarily to exclude the net tax expense associated with the final audit assessment from the Jiangsu Province State Tax Bureau of the People's Republic of China for changes to the Company's tax filings for the calendar years 2007 through 2013 and excludes tax items related to the release of valuation allowance on U.S. deferred tax assets associated with increases in the Company's forecasted U.S. taxable income.

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, Restructuring and other, net and Gain on arbitration award, 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)	Q2'15	Q3'15	Q4'15	Q1'16	Q2'16	Q3'16	Q4'16	Q1'17	Q2'17
Income Before Income Taxes	\$1,126	\$304	\$149	\$31	\$180	\$9	\$54	\$173	\$310
EBITDA adjustments									
Depreciation	169	164	172	167	163	155	156	158	149
Amortization	39	39	40	41	46	43	44	42	42
Interest Income	(1)	(1)	(2)	(1)	(1)	(1)	(1)	(1)	(1)
Interest Expense	50	48	55	47	48	47	51	50	50
EBITDA	\$1,383	\$554	\$414	\$285	\$436	\$253	\$304	\$422	\$550
Non-GAAP adjustments									
A. Revenue	-	-	-	2	(1)	(4)	(1)	-	(1)
B. Cost of Revenue	7	1	12	10	8	52	3	(1)	10
C. Product Development	6	4	2	6	3	2	2	-	1
C. Marketing and administrative	7	7	12	4	10	9	1	(1)	1
D. Restructuring and other, net	3	14	9	59	17	20	80	82	33
E. Gain on arbitration award, net	(620)	-	-	-	-	-	-	-	-
F. Other income (expense), net	(104)	1	17	10	-	(34)	(1)	(1)	24
Adjusted EBITDA	\$682	\$581	\$466	\$376	\$473	\$298	\$388	\$501	\$618
Stock Compensation Expense (\$M)	31	33	31	33	32	30	25	40	33
Credit Agreement Defined EBITDA¹	\$713	\$614	\$497	\$409	\$505	\$328	\$413	\$541	\$651

A. Revenue has been adjusted on a non-GAAP basis to exclude revenue on certain discontinued products that had previously recognized a sales return provision.

B. Cost of revenue has been adjusted on a non-GAAP basis to exclude amortization of intangibles associated with acquisitions, accelerated depreciation and write off of certain fixed assets related to restructuring.

C. Product development and Marketing and administrative expenses have been adjusted on a non-GAAP basis to exclude accelerated depreciation and write off of certain fixed assets related to restructuring, impact of certain strategic development costs and other charges.

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

E. In Q2'15, Gain on arbitration award, net, has been adjusted on a non-GAAP basis to exclude the final award amount of \$630 million, less litigation and other related costs of \$10 million, related to the arbitration award in the Company's case against Western Digital for the misappropriation of the Company's trade secrets.

F. Other income (expense), net, has been adjusted on a non-GAAP basis to exclude the impairment of a certain strategic investment.

1. Credit Agreement Defined EBITDA includes the adjustment for expense related to stock compensation.

Reconciliation of Gross Margin to Non-GAAP Gross Margin & Gross Profit to Non-GAAP Gross Profit

	(\$M)	Q2'15	Q3'15	Q4'15	Q1'16	Q2'16	Q3'16	Q4'16	Q1'17	Q2'17
Gross profit		1,027	955	776	689	741	524	662	801	891
Accelerated depreciation, impairment and other charges related to cost saving efforts		-	-	-	4	4	52	6	16	16
Amortization of acquired intangible assets		7	7	7	6	15	15	15	13	13
Other charges		7	1	12	9	3	(4)	1	(4)	(1)
Non-GAAP gross profit		1,041	963	795	708	763	587	684	826	919
Gross margin		27.8%	28.7%	26.5%	23.6%	24.8%	20.2%	24.9%	28.6%	30.8%
Non-GAAP gross margin		28.2%	28.9%	27.2%	24.2%	25.6%	22.7%	25.8%	29.5%	31.8%

Reconciliation of Operating Expenses to Non-GAAP Operating Expenses

	(\$M)	Q2'15	Q3'15	Q4'15	Q1'16	Q2'16	Q3'16	Q4'16	Q1'17	Q2'17
Total operating expenses		(26)	612	570	603	512	497	559	580	521
Accelerated depreciation, impairment and other charges related to cost saving efforts		-	-	(10)	-	(5)	-	(5)	(1)	(1)
Amortization of acquired intangible assets		(32)	(32)	(32)	(33)	(29)	(27)	(28)	(27)	(27)
Gain on arbitration award, net		620	-	-	-	-	-	-	-	-
Restructuring and other, net		(3)	(14)	(9)	(59)	(17)	(20)	(80)	(82)	(33)
Other		(13)	(11)	(4)	(10)	(8)	(11)	(3)	2	(2)
Total non-GAAP operating expenses		546	555	515	501	453	439	443	472	458

Reconciliation of Net Income to EBITDA

	(\$M)	Q2'15	Q3'15	Q4'15	Q1'16	Q2'16	Q3'16	Q4'16	Q1'17	Q2'17
Net income (loss)		933	291	138	34	165	(21)	70	167	297
Interest income		(1)	(1)	(2)	(1)	(1)	(1)	(1)	(1)	(1)
Interest expense		50	48	55	47	48	47	51	50	50
Income tax expense (benefit)		193	13	11	(3)	15	30	(16)	6	13
Depreciation and amortization		208	203	212	208	209	198	200	200	191
EBITDA		1,383	554	414	285	436	253	304	422	550

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

	(\$M)	Q2'15	Q3'15	Q4'15	Q1'16	Q2'16	Q3'16	Q4'16	Q1'17	Q2'17
Net income (loss)		933	291	138	34	165	(21)	70	167	297
Accelerated depreciation, impairment and other charges related to cost saving efforts		-	-	10	4	9	52	11	17	17
Amortization of acquired intangible assets		39	39	39	39	44	42	43	40	40
Gain on arbitration award, net		(620)	-	-	-	-	-	-	-	-
Restructuring and other, net		3	14	9	59	17	20	80	82	33
Interest income on the final arbitration award settlement in the case against Western Digital		(143)	-	-	-	-	(33)	-	-	-
Losses (gains) recognized on the early redemption and repurchase of debt		37	-	22	-	-	(2)	-	-	-
Other charges		22	13	11	29	11	8	3	(7)	25
Income tax adjustments		181	-	21	-	-	-	-	-	-
Non-GAAP net income		452	357	250	165	246	66	207	299	412

Reconciliation of Operating Income to Non-GAAP Operating Income

	(\$M)	Q3'16	Q4'16	Q1'17	Q2'17
Income from operations		27	103	221	370
Accelerated depreciation, impairment and other charges related to cost saving efforts		52	11	17	17
Amortization of acquired intangible assets		42	43	40	40
Restructuring and other, net		20	80	82	33
Other		7	4	(6)	1
Non-GAAP Income from operations		148	241	354	461
Operating margin %		1%	4%	8%	13%
Non-GAAP operating margin %		6%	9%	13%	16%



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