

Seagate Technology plc
Form 10-Q
April 30, 2019
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934**

For the quarterly period ended March 29, 2019

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934**

For the transition period from: _____ to _____

Commission File Number 001-31560

SEAGATE TECHNOLOGY PUBLIC LIMITED COMPANY

(Exact name of registrant as specified in its charter)

Ireland

98-0648577

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification Number)

38/39 Fitzwilliam Square

Dublin 2, Ireland

(Address of principal executive offices)

D02 NX53

(Zip Code)

Telephone: (353) (1) 234-3136

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer:
Non-accelerated filer:

Accelerated filer:
Smaller reporting company:
Emerging growth company:

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Edgar Filing: Seagate Technology plc - Form 10-Q

As of April 24, 2019, 276,842,805 of the registrant's ordinary shares, par value \$0.00001 per share, were issued and outstanding.

Table of Contents**INDEX****SEAGATE TECHNOLOGY PLC**

	PAGE NO.
PART I	
<u>FINANCIAL INFORMATION</u>	
Item 1. <u>Financial Statements</u>	3
<u>Condensed Consolidated Balance Sheets March 29, 2019 (Unaudited) and June 29, 2018</u>	4
<u>Condensed Consolidated Statements of Operations Three and Nine Months Ended March 29, 2019 and March 30, 2018 (Unaudited)</u>	5
<u>Condensed Consolidated Statements of Comprehensive Income Three and Nine Months Ended March 29, 2019 and March 30, 2018 (Unaudited)</u>	6
<u>Condensed Consolidated Statements of Cash Flows Nine Months Ended March 29, 2019 and March 30, 2018 (Unaudited)</u>	7
<u>Condensed Consolidated Statements of Shareholders Equity Three and Nine Months Ended March 29, 2019 and March 30, 2018 (Unaudited)</u>	8
<u>Notes to Condensed Consolidated Financial Statements (Unaudited)</u>	10
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	33
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	43
Item 4. <u>Controls and Procedures</u>	44
PART II	
<u>OTHER INFORMATION</u>	
Item 1. <u>Legal Proceedings</u>	45
Item 1A. <u>Risk Factors</u>	45
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	45
Item 3. <u>Defaults Upon Senior Securities</u>	45
Item 4. <u>Mine Safety Disclosures</u>	46
Item 5. <u>Other Information</u>	46
Item 6. <u>Exhibits</u>	47
<u>SIGNATURES</u>	48

Table of Contents

PART I

FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Table of Contents	Page
<u>Condensed Consolidated Balance Sheets</u>	4
<u>Condensed Consolidated Statements of Operations</u>	5
<u>Condensed Consolidated Statements of Comprehensive Income</u>	6
<u>Condensed Consolidated Statements of Cash Flows</u>	7
<u>Condensed Consolidated Statements of Shareholders' Equity</u>	8
<u>Notes to Condensed Consolidated Financial Statements</u>	10
<u>Note 1. Basis of Presentation and Summary of Significant Accounting Policies</u>	10
<u>Note 2. Balance Sheet Information</u>	13
<u>Note 3. Debt</u>	16
<u>Note 4. Income Taxes</u>	17
<u>Note 5. Goodwill and Other Intangible Assets</u>	18
<u>Note 6. Restructuring and Exit Costs</u>	19
<u>Note 7. Derivative Financial Instruments</u>	20
<u>Note 8. Fair Value</u>	22
<u>Note 9. Equity</u>	27
<u>Note 10. Revenue</u>	28
<u>Note 11. Share-based Compensation</u>	28
<u>Note 12. Guarantees</u>	28
<u>Note 13. Earnings Per Share</u>	30
<u>Note 14. Legal, Environmental and Other Contingencies</u>	30
<u>Note 15. Commitments</u>	32
<u>Note 16. Subsequent Events</u>	32

See Notes to Condensed Consolidated Financial Statements.

Table of Contents

SEAGATE TECHNOLOGY PLC
CONDENSED CONSOLIDATED BALANCE SHEETS

(In millions)

(Unaudited)

	March 29, 2019	June 29, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,388	\$ 1,853
Accounts receivable, net	897	1,184
Inventories	1,001	1,053
Other current assets	201	220
Total current assets	3,487	4,310
Property, equipment and leasehold improvements, net	1,822	1,792
Investment in debt security	1,318	1,275
Goodwill	1,237	1,237
Other intangible assets, net	129	188
Deferred income taxes	416	417
Other assets, net	187	191
Total Assets	\$ 8,596	\$ 9,410
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 1,310	\$ 1,728
Accrued employee compensation	145	253
Accrued warranty	100	112
Current portion of long-term debt		499
Accrued expenses	591	598
Total current liabilities	2,146	3,190
Long-term accrued warranty	112	125
Long-term accrued income taxes	5	10
Other non-current liabilities	122	100
Long-term debt, less current portion	4,522	4,320
Total Liabilities	6,907	7,745
Commitments and contingencies (See Notes 12, 14 and 15)		
Shareholders' Equity:		
Ordinary shares and additional paid-in capital	6,518	6,377
Accumulated other comprehensive loss	(21)	(16)

Edgar Filing: Seagate Technology plc - Form 10-Q

Accumulated deficit	(4,808)	(4,696)
Total Equity	1,689	1,665
Total Liabilities and Equity	\$ 8,596	\$ 9,410

The information as of June 29, 2018 was derived from the Company's audited Consolidated Balance Sheet as of June 29, 2018.

See Notes to Condensed Consolidated Financial Statements.

Table of Contents**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	
	March 29, 2019	March 30, 2018	March 29, 2019	March 30, 2018
Revenue	\$ 2,313	\$ 2,803	\$ 8,019	\$ 8,349
Cost of revenue	1,712	1,956	5,711	5,889
Product development	238	254	750	767
Marketing and administrative	110	135	345	422
Amortization of intangibles	6	6	17	47
Restructuring and other, net	11	11	41	95
Total operating expenses	2,077	2,362	6,864	7,220
Income from operations	236	441	1,155	1,129
Interest income	21	10	67	23
Interest expense	(55)	(60)	(169)	(182)
Other, net	13	2	28	(18)
Other expense, net	(21)	(48)	(74)	(177)
Income before income taxes	215	393	1,081	952
Provision for income taxes	20	12	52	231
Net income	\$ 195	\$ 381	\$ 1,029	\$ 721
Net income per share:				
Basic	\$ 0.69	\$ 1.33	\$ 3.62	\$ 2.50
Diluted	0.69	1.31	3.57	2.48
Number of shares used in per share calculations:				
Basic	281	286	284	288
Diluted	284	291	288	291
Cash dividends declared per ordinary share	\$ 0.63	\$ 0.63	\$ 1.89	\$ 1.89

See Notes to Condensed Consolidated Financial Statements.

Table of Contents**SEAGATE TECHNOLOGY PLC****CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

(In millions)

(Unaudited)

For the Three Months Ended the Nine Months Ended**March 29, 2019 March 30, 2018 March 29, 2019 March 30, 2018**

Net income	\$ 195	\$ 381	\$ 1,029	\$ 721
Other comprehensive income (loss), net of tax:				
Cash flow hedges				
Change in net unrealized gain (loss) on cash flow hedges	1			
Less: reclassification for amounts included in net income	1		(1)	
Net change	2		(1)	
Marketable securities				
Change in net unrealized gain (loss) on available-for-sale debt securities				
Less: reclassification for amounts included in net income				
Net change				
Post-retirement plans				
Change in unrealized gain (loss) on post-retirement plans				
Less: reclassification for amounts included in net income				
Net change				
Foreign currency translation adjustments	(2)	3	(4)	9
Total other comprehensive income (loss), net of tax		3	(5)	9
Comprehensive income	\$ 195	\$ 384	\$ 1,024	\$ 730

See Notes to Condensed Consolidated Financial Statements.

Table of Contents**SEAGATE TECHNOLOGY PLC****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(In millions)

(Unaudited)

	For the Nine Months Ended	
	March 29, 2019	March 30, 2018
OPERATING ACTIVITIES		
Net income	\$ 1,029	\$ 721
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	407	461
Share-based compensation	73	85
Deferred income taxes	15	209
Gain on sale of property and equipment	(1)	
Other non-cash operating activities, net	(68)	9
Changes in operating assets and liabilities:		
Accounts receivable, net	296	124
Inventories	49	(20)
Accounts payable	(366)	74
Accrued employee compensation	(108)	(49)
Accrued expenses, income taxes and warranty	(32)	(24)
Other assets and liabilities	19	55
Net cash provided by operating activities	1,313	1,645
INVESTING ACTIVITIES		
Acquisition of property, equipment and leasehold improvements	(451)	(270)
Proceeds from settlement of foreign currency forward exchange contracts	66	
Proceeds from sale of strategic investments	10	
Proceeds from sale of properties previously classified as held for sale	27	43
Proceeds from sale of property and equipment	3	2
Purchases of strategic investments	(14)	(8)
Other investing activities, net		(6)
Net cash used in investing activities	(359)	(239)
FINANCING ACTIVITIES		
Redemption and repurchase of debt	(499)	(209)
Dividends to shareholders	(539)	(545)
Repurchases of ordinary shares	(613)	(361)
Taxes paid related to net share settlement of equity awards	(30)	(22)
Net proceeds from issuance of long-term debt	196	

Edgar Filing: Seagate Technology plc - Form 10-Q

Proceeds from issuance of ordinary shares under employee stock plans	68	110
Net cash used in financing activities	(1,417)	(1,027)
Effect of foreign currency exchange rate changes on cash, cash equivalents and restricted cash	(3)	8
(Decrease) increase in cash, cash equivalents and restricted cash	(466)	387
Cash, cash equivalents and restricted cash at the beginning of the period	1,857	2,543
Cash, cash equivalents and restricted cash at the end of the period	\$ 1,391	\$ 2,930

See Notes to Condensed Consolidated Financial Statements.

Table of Contents**SEAGATE TECHNOLOGY PLC****CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY****For the Three Months Ended March 29, 2019 and March 30, 2018**

(In millions)

(Unaudited)

	Number of Ordinary Shares	Par Value of Shares	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total
Balance at December 28, 2018	283	\$	\$ 6,457	\$ (21)	\$ (4,502)	\$ 1,934
Net income					195	195
Other comprehensive loss						
Issuance of ordinary shares under employee stock plans	1		33			33
Repurchases of ordinary shares	(7)				(327)	(327)
Tax withholding related to vesting of restricted stock units						
Dividends to shareholders					(174)	(174)
Share-based compensation			28			28
Balance at March 29, 2019	277	\$	\$ 6,518	\$ (21)	\$ (4,808)	\$ 1,689

	Number of Ordinary Shares	Par Value of Shares	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total
Balances at December 29, 2017	285	\$	\$ 6,246	\$ (11)	\$ (5,174)	\$ 1,061
Net income					381	381
Other comprehensive income				3		3
Issuance of ordinary shares under employee stock plans	2		75			75
Tax withholding related to vesting of restricted stock units					(1)	(1)
Dividends to shareholders					(181)	(181)
Share-based compensation			26			26
Balance at March 30, 2018	287	\$	\$ 6,347	\$ (8)	\$ (4,975)	\$ 1,364

See Notes to Condensed Consolidated Financial Statements.

Table of Contents**SEAGATE TECHNOLOGY PLC****CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY****For the Nine Months Ended March 29, 2019 and March 30, 2018**

(In millions)

(Unaudited)

	Number of Ordinary Shares	Par Value of Shares	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total
Balance at June 29, 2018	287	\$	\$ 6,377	\$ (16)	\$ (4,696)	\$ 1,665
Cumulative effect of adoption of new revenue standard (Note 1)					34	34
Net income					1,029	1,029
Other comprehensive loss				(5)		(5)
Issuance of ordinary shares under employee stock plans	4		68			68
Repurchases of ordinary shares	(13)				(613)	(613)
Tax withholding related to vesting of restricted stock units	(1)				(30)	(30)
Dividends to shareholders					(532)	(532)
Share-based compensation			73			73
Balance at March 29, 2019	277	\$	\$ 6,518	\$ (21)	\$ (4,808)	\$ 1,689

	Number of Ordinary Shares	Par Value of Shares	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total
Balances at June 30, 2017	292	\$	\$ 6,152	\$ (17)	\$ (4,771)	\$ 1,364
Net income					721	721
Other comprehensive income				9		9
Issuance of ordinary shares under employee stock plans	6		110			110
Repurchases of ordinary shares	(10)				(361)	(361)
Tax withholding related to vesting of restricted stock units	(1)				(22)	(22)
Dividends to shareholders					(542)	(542)
Share-based compensation			85			85

Balance at March 30, 2018	287	\$	\$	6,347	\$	(8)	\$	(4,975)	\$	1,364
---------------------------	-----	----	----	-------	----	-----	----	---------	----	-------

See Notes to Condensed Consolidated Financial Statements.

Table of Contents

SEAGATE TECHNOLOGY PLC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. Basis of Presentation and Summary of Significant Accounting Policies

Organization

Seagate Technology plc (the Company) is a leading provider of data storage technology and solutions. Its principal products are hard disk drives, commonly referred to as disk drives, hard drives or HDDs. In addition to HDDs, the Company produces a broad range of data storage products including solid state drives (SSDs) and storage subsystems.

Hard disk drives are devices that store digitally encoded data on rapidly rotating disks with magnetic surfaces. Disk drives continue to be the primary medium of mass data storage due to their performance attributes, high quality and cost effectiveness. Complementing existing data center storage architecture, solid-state storage devices use integrated circuit assemblies as memory to store data, and most SSDs use NAND flash memory.

The Company's HDD products are designed for mission critical and nearline applications in enterprise servers and storage systems; edge compute applications, where its products are designed primarily for desktop and mobile computing; and edge non-compute applications, where its products are designed for a wide variety of end user devices such as portable external storage systems, surveillance systems, digital video recorders (DVRs), network-attached storage (NAS), and gaming consoles. The Company's SSD products mainly include serial attached SCSI (SAS) and Non-Volatile Memory Express (NVMe) SSDs.

The Company's enterprise data solutions (formerly referred to as the cloud systems and solutions) portfolio includes modular original equipment manufacturers (OEM) storage systems and scale-out storage servers.

Basis of Presentation and Consolidation

The Company's unaudited condensed consolidated financial statements include the accounts of the Company and all its wholly-owned and majority-owned subsidiaries, after elimination of intercompany transactions and balances.

The preparation of financial statements in accordance with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the Company's condensed consolidated financial statements and accompanying notes. Actual results could differ materially from those estimates. The methods, estimates and judgments the Company uses in applying its most critical accounting policies have a significant impact on the results the Company reports in its condensed consolidated financial statements. The condensed consolidated financial statements reflect, in the opinion of management, all material adjustments necessary to present fairly the condensed consolidated financial position, results of operations, comprehensive income, cash flows and shareholders' equity for the periods presented. Such adjustments are of a normal and recurring nature.

The Company's consolidated financial statements for the fiscal year ended June 29, 2018, are included in its Annual Report on Form 10-K, as filed with the United States Securities and Exchange Commission (SEC) on August 3, 2018. The Company believes that the disclosures included in the unaudited condensed consolidated financial statements, when read in conjunction with its consolidated financial statements as of June 29, 2018, and the notes thereto, are

adequate to make the information presented not misleading.

The results of operations for the three and nine months ended March 29, 2019 are not necessarily indicative of the results of operations to be expected for any subsequent interim period or for the Company's fiscal year ending June 28, 2019. The Company operates and reports financial results on a fiscal year of 52 or 53 weeks ending on the Friday closest to June 30. Both the three and nine months ended March 29, 2019 and March 30, 2018 consisted of 13 weeks and 39 weeks, respectively. Fiscal year 2019, which ends on June 28, 2019, and fiscal year 2018, which ended on June 29, 2018, are both comprised of 52 weeks. The fiscal quarters ended March 29, 2019, December 28, 2018, September 28, 2018, and March 30, 2018, are also referred to herein as the March 2019 quarter, the December 2018 quarter, the September 2018 quarter and the March 2018 quarter, respectively.

Table of Contents

Summary of Significant Accounting Policies

Except for the change in the Company's revenue recognition policy described below, there have been no material changes to the Company's significant accounting policies disclosed in Note 1 - Basis of Presentation and Summary of Significant Accounting Policies of Financial Statements and Supplementary Data contained in Part II, Item 8 of the Company's Annual Report on Form 10-K for the fiscal year ended June 29, 2018, as filed with the SEC on August 3, 2018.

Revenue Recognition

Effective June 30, 2018, the Company adopted a new revenue recognition policy in accordance with Accounting Standard Codification (ASC) 606, *Revenue from Contracts with Customers*, using the modified retrospective transition approach as discussed in the section titled *Recently Adopted Accounting Pronouncements* in this Note 1. Prior to fiscal year 2019, the revenue recognition policy was based on ASC 605, *Revenue Recognition*. Under ASC 606, the Company determines revenue recognition through the following steps: (1) identification of the contract with a customer; (2) identification of the performance obligations in the contract; (3) determination of the transaction price; (4) allocation of the transaction price to the performance obligations in the contract; and (5) recognition of revenue when, or as, the Company satisfies a performance obligation.

Revenue from sales of products is generally recognized upon transfer of control to customers in an amount that reflects the consideration the Company expects to receive in exchange for those products, net of sales taxes. This typically occurs upon shipment from the Company. When applicable, the Company includes shipping charges billed to customers in Revenue and includes the related shipping costs in Cost of revenue on the Company's Condensed Consolidated Statements of Operations.

The Company records estimated variable consideration at the time of revenue recognition as a reduction to net revenue. Variable consideration generally consists of sales incentive programs, such as price protection and volume incentives aimed at increasing customer demand. For OEM sales, rebates are typically established by estimating the most likely amount of consideration expected to be received based on an OEM customer's volume of purchases from Seagate or other agreed upon rebate programs. For the distribution and retailing channel, these sales incentive programs typically involve estimating the most likely amount of rebates related to a customer's level of sales, order size, advertising or point of sale activity as well as the expected value of price protection adjustments based on historical analysis and forecasted pricing environment. Marketing development program costs are accrued and recorded as a reduction to revenue at the same time that the related revenue is recognized.

The Company elected a practical expedient to expense sales commissions when the commissions are incurred because the amortization period would have been one year or less. These costs are recorded as Marketing and administrative on the Company's Condensed Consolidated Statements of Operations.

Recently Issued Accounting Pronouncements

In February 2016 and July 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) 2016-02 (ASC Topic 842), *Leases* ASU 2018-10, *Codification Improvements to Topic 842, and Leases*, ASU 2018-11, *Leases (ASC Topic 842), Target Improvements*, respectively. These ASUs amend a number of aspects of lease accounting, including requiring lessees to recognize operating leases with a term greater than one year on their balance sheet as a right-of-use asset and corresponding lease liability, measured at the present value of the lease payments. The Company plans to adopt this guidance in the first quarter of fiscal year 2020. The Company is in the process of assessing the impact of these ASUs on its condensed consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13 (ASC Topic 326), *Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments*. This ASU amends the requirement on the measurement and recognition of expected credit losses for financial assets held. The Company is required to adopt this guidance in the first quarter of fiscal year 2021. Early adoption is permitted in the first quarter of fiscal year 2020. The Company is in the process of assessing the impact of this ASU on its condensed consolidated financial statements.

Table of Contents

In February 2018, the FASB issued ASU 2018-02 (ASC Topic 220), *Income Statement Reporting Comprehensive Income: Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*. This ASU was issued following the enactment of the U.S. Tax Cuts and Jobs Act of 2017 (the Tax Act) and permits entities to elect a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Act. The Company is required to adopt this guidance in the first quarter of fiscal year 2020. Early adoption is permitted. The Company is in the process of assessing the impact of this ASU on its condensed consolidated financial statements.

In August 2018, the FASB issued ASU 2018-15 (ASC Subtopic 350-40), *Intangibles - Goodwill and Other - Internal-Use Software - Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That is a Service Contract*. This ASU aligns the accounting for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the accounting for implementation costs incurred to develop or obtain internal-use software. The Company is required to adopt the guidance in the first quarter of fiscal year 2021. Early adoption is permitted. The Company is in the process of assessing the impact of this ASU on its condensed consolidated financial statements.

Recently Adopted Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09 (ASC Topic 606), *Revenue from Contracts with Customers*, and FASB also issued certain interpretive clarifications on this new guidance which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes the revenue recognition guidance under ASC 605. It also requires entities to disclose both quantitative and qualitative information that enable financial statements users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. This ASU became effective and was adopted by the Company in the September 2018 quarter retrospectively with a cumulative adjustment to accumulated deficit at the date of adoption (modified retrospective transition approach). The Company has completed the adoption and implemented policies, processes and controls to support the new standard's measurement and disclosure requirements.

The Company applied the ASC 606 using a modified retrospective transition approach to all contracts that were not completed as of June 29, 2018. Results for reporting periods beginning June 30, 2018 are presented under ASC 606, while prior period amounts were not adjusted and continue to be reported under the historical accounting standard. As a result of the adoption, the Company identified a change in revenue recognition timing on its product sales made to certain retail customers and started to recognize revenue when the Company transfers control to the applicable customers rather than deferring recognition until those customers sell the products. In addition, the Company established accruals for the variable consideration related to customer incentives on these arrangements. On the date of initial adoption, the Company removed the related deferred income on the product sales made to these customers and recorded estimates of the accrual for variable consideration through a cumulative adjustment to accumulated deficit. The cumulative effect of the change to the Company's Condensed Consolidated Balance Sheet from the adoption of ASC 606 was as follows:

(Dollars in millions)	Effect of		
	As of June 29, 2018	adoption of ASC 606	As of June 30, 2018
Accounts receivable, net	\$ 1,184	\$ 9	\$ 1,193
Inventory	\$ 1,053	\$ (9)	\$ 1,044
Accrued expenses	\$ 598	\$ (34)	\$ 564

Accumulated deficit	\$ (4,696)	\$ 34	\$ (4,662)
---------------------	------------	-------	------------

The impact of applying the new accounting standard on the Company's condensed consolidated financial statements for the three and nine months ended March 29, 2019 was not material.

In January 2016, the FASB issued ASU 2016-01 (ASC Subtopic 825-10), *Financial Instruments Overall Recognition and Measurement of Financial Assets and Financial Liabilities*, as amended by ASU 2018-03, *Financial Instruments Overall: Technical Correction and Improvements*, issued in February 2018. The amendments in these ASUs require entities to measure all equity investments at fair value with changes recognized through net income. Additionally, the amendments eliminate certain disclosure requirements related to financial instruments measured at amortized cost and add disclosures related to the measurement categories of financial assets and financial liabilities. These ASUs became effective and were adopted by the Company in the September 2018 quarter. For equity investments without readily determinable fair value, the Company elected the measurement alternative for measurement of equity investments, defined as cost, less impairments, if any, plus or minus changes resulting from observable price changes in orderly transactions for an identical or similar investment in the same issuer until the equity investments' fair value becomes readily determinable. The adoption of this guidance had no impact on the Company's condensed consolidated financial statements and disclosures.

Table of Contents

In January 2017, the FASB issued ASU 2017-01 (ASC Topic 805), *Business Combination: Clarifying the Definition of a Business*. The amendments in this ASU change the definition of a business to assist with evaluating when a set of transferred assets and activities is a business. The Company adopted the guidance in the September 2018 quarter. The adoption of this guidance had no impact on the Company's condensed consolidated financial statements and disclosures.

In May 2017, the FASB issued ASU 2017-09 (ASC Topic 718), *Stock Compensation: Scope of Modification Accounting*. The amendments in this ASU provide guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting. The Company adopted the guidance in the September 2018 quarter. The adoption of this guidance had no impact on its condensed consolidated financial statements and disclosures.

2. Balance Sheet Information*Available-for-sale Debt Securities*

The following table summarizes, by major type, the fair value and amortized cost of the Company's investments as of March 29, 2019:

(Dollars in millions)	Amortized Unrealized		Fair
	Cost	Gain/(Loss)	Value
Available-for-sale debt securities:			
Money market funds	\$ 239	\$	\$ 239
Time deposits and certificates of deposit	300		300
Total	\$ 539	\$	\$ 539
Included in Cash and cash equivalents			\$ 536
Included in Other current assets			3
Total			\$ 539

As of March 29, 2019, the Company's Other current assets included \$3 million in restricted cash and investments held as collateral at banks for various performance obligations.

As of March 29, 2019, the Company had no material available-for-sale debt securities that had been in a continuous unrealized loss position for a period greater than 12 months. The Company determined no available-for-sale debt securities were other-than-temporarily impaired as of March 29, 2019.

The fair value and amortized cost of the Company's debt securities investments classified as available-for-sale as of March 29, 2019, by remaining contractual maturity were as follows:

(Dollars in millions)	Amortized Cost	Fair Value
Due in less than 1 year	\$ 539	\$ 539
Due in 1 to 5 years		
Due in 6 to 10 years		
Thereafter		
Total	\$ 539	\$ 539

Table of Contents

The following table summarizes, by major type, the fair value and amortized cost of the Company's investments as of June 29, 2018:

(Dollars in millions)	Amortized Cost	Unrealized Gain/(Loss)	Fair Value
Available-for-sale securities:			
Money market funds	\$ 621	\$	\$ 621
Time deposits and certificates of deposit	395		395
Total	\$ 1,016	\$	\$ 1,016
Included in Cash and cash equivalents			\$ 1,012
Included in Other current assets			4
Total			\$ 1,016

As of June 29, 2018, the Company's Other current assets included \$4 million in restricted cash and investments held as collateral at banks for various performance obligations.

As of June 29, 2018, the Company had no material available-for-sale securities that had been in a continuous unrealized loss position for a period greater than 12 months. The Company determined no available-for-sale securities were other-than-temporarily impaired as of June 29, 2018.

Cash, Cash Equivalents and Restricted Cash

The following table provides a summary of cash, cash equivalents and restricted cash reported within the Company's Condensed Consolidated Balance Sheets that reconciles to the corresponding amount in its Condensed Consolidated Statements of Cash Flows:

(Dollars in millions)	March 29, 2019	June 29, 2018	March 30, 2018	June 30, 2017
Cash and cash equivalents	\$ 1,388	\$ 1,853	\$ 2,926	\$ 2,539
Restricted cash included in Other current assets	3	4	4	4
Total cash, cash equivalents and restricted cash shown in the Statements of Cash Flows	\$ 1,391	\$ 1,857	\$ 2,930	\$ 2,543

Inventories

The following table provides details of the inventory balance sheet item:

(Dollars in millions)	March 29, 2019	June 29, 2018
Raw materials and components	\$ 330	\$ 329
Work-in-process	260	347
Finished goods	411	377
Total inventories	\$ 1,001	\$ 1,053

Property, Equipment and Leasehold Improvements, net

The components of property, equipment and leasehold improvements, net, were as follows:

(Dollars in millions)	March 29, 2019	June 29, 2018
Property, equipment and leasehold improvements	\$ 9,736	\$ 9,525
Accumulated depreciation and amortization	(7,914)	(7,733)
Property, equipment and leasehold improvements, net	\$ 1,822	\$ 1,792

Table of Contents*Investment in Debt Security*

As of March 29, 2019 and June 29, 2018, the Company had approximately \$1.3 billion investment in non-convertible preferred stock of Toshiba Memory Corporation (TMC , formerly known as K.K. Pangea). The Company has the positive intent and ability to hold the investment until maturity. As such, the investment, with a contractual maturity of six years starting from May 31, 2018, is accounted for as a held-to-maturity debt security, carried at cost and adjusted for amortization of transaction costs into interest income. Additionally, the debt security has a contractual payment-in-kind (PIK) income which will be paid in cash upon redemption of the investment. PIK income computed at the contractual rate is accrued into Interest income in the Company's Condensed Consolidated Statements of Operations and added to the carrying value of the Investment in debt security on its Condensed Consolidated Balance Sheets. For the three and nine months ended March 29, 2019, the PIK income earned was \$16 million and \$47 million, respectively. There was no other-than-temporary impairment identified for the three and nine months ended March 29, 2019. Please refer to Note 8 - Fair Value for more details.

Accrued Expenses

The following table provides details of the accrued expenses balance sheet item:

(Dollars in millions)	March 29, 2019	June 29, 2018
Dividends payable	\$ 174	\$ 181
Other accrued expenses	417	417
Total accrued expenses	\$ 591	\$ 598

Accumulated Other Comprehensive Income (Loss) (AOCI)

The components of AOCI, net of tax, were as follows:

(Dollars in millions)	Unrealized Gains/(Losses)				Total
	Unrealized Gains/(Losses) on Cash Flow Hedges	on Debt Securities	Unrealized Gains/(Losses) on Post- Retirement Plans	Foreign Currency Adjustments	
Balance at June 29, 2018	\$	\$	\$ (4)	\$ (12)	\$ (16)
Other comprehensive income (loss) before reclassifications				(4)	(4)
Amounts reclassified from AOCI	(1)				(1)
Other comprehensive income (loss)	(1)			(4)	(5)
Balance at March 29, 2019	\$ (1)	\$	\$ (4)	\$ (16)	\$ (21)

Balance at June 30, 2017	\$	\$	\$	(5)	\$	(12)	\$	(17)
Other comprehensive income (loss) before reclassifications						9		9
Amounts reclassified from AOCI								
Other comprehensive income (loss)						9		9
Balance at March 30, 2018	\$	\$	\$	(5)	\$	(3)	\$	(8)

Table of Contents**3. Debt***Revolving Credit Facility*

On February 20, 2019, the Company terminated its senior unsecured revolving credit facility scheduled to expire on January 15, 2020, under which the Company was able to draw up to \$700 million. Upon termination, the Company and its subsidiary Seagate HDD Cayman entered into a new credit agreement (the 2019 Revolving Credit Facility) which provides the Company with a \$1.3 billion senior unsecured revolving credit facility. The term of the 2019 Revolving Credit Facility is through February 20, 2024. The loans made under the 2019 Revolving Credit Facility will bear interest at a rate of LIBOR plus a variable margin that will be determined based on the corporate credit rating of the Company. The Company and certain other material subsidiaries of the Company fully and unconditionally guarantee the revolving credit facility. The 2019 Revolving Credit Facility also allows the Company to increase the facility by up to an aggregate of \$300 million, provided that (i) there has been, and will be after giving effect to such increase, no default, (ii) the increase is at least \$25 million, and (iii) the existing commitments under the facility receive 0.50% most favored nation protection. An aggregate amount of up to \$75 million of the facility is available for the issuance of letters of credit, and an aggregate amount of up to \$50 million of the facility is also available for swing line loans.

The 2019 Revolving Credit Facility includes three financial covenants: (1) interest coverage ratio, (2) total leverage ratio, and (3) a minimum liquidity amount. The Company was in compliance with the covenants as of March 29, 2019 and expects to be in compliance for the next 12 months.

As of March 29, 2019, \$200 million had been drawn and no letters of credit or swing line loans had been utilized under the 2019 Revolving Credit Facility.

Long-Term Debt

\$800 million Aggregate Principal Amount of 3.75% Senior Notes due November 2018 (the 2018 Notes). The Company recorded a loss of approximately \$1 million and \$3 million on repurchases during the three and nine months ended March 30, 2018, respectively, which is included in Other, net on the Company's Condensed Consolidated Statements of Operations. On November 15, 2018, the 2018 Notes matured and the Company repaid the entire outstanding principal amount of \$499 million, plus accrued and unpaid interest.

\$750 million Aggregate Principal Amount of 4.25% Senior Notes due March 2022 (the 2022 Notes). The interest on the 2022 Notes is payable semi-annually on March 1 and September 1 of each year. The issuer under the 2022 Notes is Seagate HDD Cayman, and the obligations under the 2022 Notes are fully and unconditionally guaranteed, on a senior unsecured basis, by the Company.

\$1 billion Aggregate Principal Amount of 4.75% Senior Notes due June 2023 (the 2023 Notes). The interest on the 2023 Notes is payable semi-annually on June 1 and December 1 of each year. The issuer under the 2023 Notes is Seagate HDD Cayman, and the obligations under the 2023 Notes are fully and unconditionally guaranteed, on a senior unsecured basis, by the Company.

\$500 million Aggregate Principal Amount of 4.875% Senior Notes due March 2024 (the 2024 Notes). The interest on the 2024 Notes is payable semi-annually on March 1 and September 1 of each year. The issuer under the 2024 Notes is Seagate HDD Cayman, and the obligations under the 2024 Notes are fully and unconditionally guaranteed, on a senior unsecured basis, by the Company.

\$1 billion Aggregate Principal Amount of 4.75% Senior Notes due January 2025 (the 2025 Notes). The interest on the 2025 Notes is payable semi-annually on January 1 and July 1 of each year. The issuer under the 2025 Notes is Seagate HDD Cayman, and the obligations under the 2025 Notes are fully and unconditionally guaranteed, on a senior unsecured basis, by the Company.

\$700 million Aggregate Principal Amount of 4.875% Senior Notes due June 2027 (the 2027 Notes). The interest on the Notes is payable semi-annually on June 1 and December 1 of each year. The issuer under the 2027 Notes is Seagate HDD Cayman, and the obligations under the 2027 Notes are fully and unconditionally guaranteed, on a senior unsecured basis, by the Company.

Table of Contents

\$500 million Aggregate Principal Amount of 5.75% Senior Notes due December 2034 (the 2034 Notes). The interest on the 2034 Notes is payable semi-annually on June 1 and December 1 of each year. The issuer under the 2034 Notes is Seagate HDD Cayman, and the obligations under the 2034 Notes are fully and unconditionally guaranteed, on a senior unsecured basis, by the Company.

At March 29, 2019, future principal payments on long-term debt were as follows (in millions):

Fiscal Year	Amount
Remainder of 2019	\$
2020	
2021	
2022	750
2023	951
Thereafter	2,862
Total	\$ 4,563

4. Income Taxes

The Company recorded income tax provisions of \$20 million and \$52 million in the three and nine months ended March 29, 2019, respectively. The income tax provision for the three and nine months ended March 29, 2019 included approximately \$9 million and \$5 million of net discrete tax expense, respectively, primarily associated with a deferred withholding tax liability resulting from a change in indefinite reinvestment assertion for a foreign subsidiary. This was partially offset by the recognition of previously unrecognized tax benefits related to the expiration of certain statutes of limitation.

The Company's income tax provision recorded for the three and nine months ended March 29, 2019 differed from the provision for income taxes that would be derived by applying the Irish statutory rate of 25% to income before income taxes, primarily due to the net effect of (i) tax benefits related to non-U.S. earnings generated in jurisdictions that are subject to tax incentive programs and are considered indefinitely reinvested outside of Ireland and (ii) a decrease in valuation allowance for certain deferred tax assets.

During the nine months ended March 29, 2019, the Company's unrecognized tax benefits excluding interest and penalties decreased by approximately \$19 million to \$41 million. The unrecognized tax benefits that, if recognized, would impact the effective tax rate were \$41 million at March 29, 2019, subject to certain future valuation allowance reversals. During the twelve months beginning March 30, 2019, the Company expects that its unrecognized tax benefits could be reduced by approximately \$6 million, primarily as a result of the expiration of certain statutes of limitation.

The Company recorded income tax provisions of \$12 million and \$231 million in the three and nine months ended March 30, 2018, respectively. The income tax provision for the three and nine months ended March 30, 2018 included approximately \$2 million of net discrete tax benefit and approximately \$195 million of net discrete expense, respectively. The discrete items for the nine months ended March 30, 2018 are primarily associated with the revaluation of U.S. deferred tax assets as a result of the enactment of the Tax Act on December 22, 2017, partially offset by the recognition of previously unrecognized tax benefits associated with the expiration of certain statutes of

limitation.

The Company's income tax provision recorded for the three and nine months ended March 30, 2018 differed from the provision for income taxes that would be derived by applying the Irish statutory rate of 25% to income before income taxes, primarily due to the net effect of (i) tax benefits related to non-U.S. earnings generated in jurisdictions that are subject to tax incentive programs and are considered indefinitely reinvested outside of Ireland and (ii) a reduction in the net U.S. deferred tax assets associated with revaluation to a lower U.S. tax rate.

Table of Contents

On December 22, 2017, the Tax Act was enacted into law in the United States. The Tax Act significantly revises U.S. corporate income tax law by, among other things, lowering U.S. corporate income tax rates from 35% to 21%, implementing a territorial tax system, and imposing a one-time transition tax on deemed repatriated earnings of non-U.S. subsidiaries.

The U.S. tax law changes, including limitations on various business deductions such as executive compensation under Internal Revenue Code §162(m), will not impact the Company's tax expense in the short-term due to its large net operating loss and tax credit carryovers and associated valuation allowance. The Tax Act's new international rules, including Global Intangible Low-Taxed Income (GILTI), Foreign Derived Intangible Income (FDII), and Base Erosion Anti-Avoidance Tax (BEAT) are effective beginning in fiscal year 2019. For fiscal year 2019, the Company has included these effects of the Tax Act in its fiscal year 2019 financial statements and has concluded the impact will not be material.

As of the fiscal quarter ended September 28, 2018, pursuant to SEC Staff Accounting Bulletin (SAB) 118 (regarding the application of ASC 740, *Income Taxes* (ASC 740) associated with the enactment of the Tax Act), the Company had considered SAB 118 and believed its accounting under ASC 740 for the provisions of the Tax Act was complete.

5. Goodwill and Other Intangible Assets*Goodwill*

The changes in the carrying amount of goodwill for the nine months ended March 29, 2019, were as follows:

(Dollars in millions)	Amount
Balance at June 29, 2018	\$ 1,237
Goodwill acquired	
Goodwill disposed	
Foreign currency translation effect	
Balance at March 29, 2019	\$ 1,237

Other Intangible Assets

Other intangible assets consist primarily of existing technology, customer relationships and trade names acquired in business combinations. Intangibles are amortized on a straight-line basis over the respective estimated useful lives of the assets. Amortization is charged to Operating expenses in the Company's Condensed Consolidated Statements of Operations.

The carrying value of other intangible assets subject to amortization, excluding fully amortized intangible assets, as of March 29, 2019, is set forth in the following table:

(Dollars in millions)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted-Average Remaining Useful Life
------------------------------	------------------------------	---------------------------------	----------------------------	---

Edgar Filing: Seagate Technology plc - Form 10-Q

Existing technology	\$ 237	\$ (167)	\$ 70	2.0 years
Customer relationships	90	(53)	37	3.4 years
Trade name	17	(16)	1	0.8 years
Other intangible assets	41	(20)	21	2.9 years
Total amortizable other intangible assets	\$ 385	\$ (256)	\$ 129	2.5 years

The carrying value of other intangible assets subject to amortization, excluding fully amortized intangible assets, as of June 29, 2018, is set forth in the following table:

(Dollars in millions)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted-Average Remaining Useful Life
Existing technology	\$ 256	\$ (145)	\$ 111	2.5 years
Customer relationships	89	(42)	47	4.0 years
Trade name	17	(13)	4	1.3 years
Other intangible assets	45	(19)	26	3.0 years
Total amortizable other intangible assets	\$ 407	\$ (219)	\$ 188	2.9 years

Table of Contents

For the three and nine months ended March 29, 2019, the amortization expense of other intangible assets was \$20 million and \$59 million, respectively. For the three and nine months ended March 30, 2018, the amortization expense of other intangible assets was \$21 million and \$90 million, respectively. As of March 29, 2019, expected amortization expense for other intangible assets for each of the next five fiscal years and thereafter was as follows:

(Dollars in millions)	Amount
Remainder of 2019	\$ 18
2020	57
2021	29
2022	20
2023	5
Thereafter	
Total	\$ 129

6. Restructuring and Exit Costs

For the three and nine months ended March 29, 2019, the Company recorded restructuring charges of approximately \$11 million and \$39 million, respectively, comprised primarily of charges related to workforce reduction costs and facilities and other exit costs associated with the restructuring of its workforce. The Company's significant restructuring plans are described below. All restructuring charges are reported in Restructuring and other, net on the Company's Condensed Consolidated Statements of Operations.

December 2017 Plan On December 8, 2017, the Company committed to a restructuring plan (the December 2017 Plan) to reduce its cost structure. The December 2017 Plan included reducing the Company's global headcount by approximately 500 employees. The December 2017 Plan was substantially completed by the end of fiscal year 2018.

July 2017 Plan On July 25, 2017, the Company committed to a restructuring plan (the July 2017 Plan) to reduce its cost structure. The July 2017 Plan included reducing the Company's global headcount by approximately 600 employees. The July 2017 Plan was substantially completed during fiscal year 2018.

March 2017 Plan On March 9, 2017, the Company committed to a restructuring plan (the March 2017 Plan) in connection with the continued consolidation of its global footprint. The Company closed its design center in Korea, resulting in the reduction of the Company's headcount by approximately 300 employees. The March 2017 Plan was substantially completed by the end of fiscal year 2017.

July 2016 Plan On July 11, 2016, the Company committed to a restructuring plan (the July 2016 Plan) for continued consolidation of its global footprint across Asia, EMEA and the Americas. The July 2016 Plan included reducing worldwide headcount by approximately 6,500 employees. The July 2016 Plan was substantially completed during fiscal year 2018.

Table of Contents

The following table summarizes the Company's restructuring activities under all of the Company's active restructuring plans for the nine months ended March 29, 2019:

(Dollars in millions)	December 2017 Plan Facilities		July 2017 Plan Facilities		March 2017 Plan Facilities		July 2016 Plan Facilities		Other Plans Facilities		Total
	Workforce Reduction	Other Exit Costs	Workforce Reduction	Other Exit Costs	Workforce Reduction	Other Exit Costs	Workforce Reduction	Other Exit Costs	Workforce Reduction	Other Exit Costs	
	Costs	Costs	Costs	Costs	Costs	Costs	Costs	Costs	Costs	Costs	
Accrual balances at June 29, 2018	\$ 5	\$ 4	\$ 1	\$ 1	\$ 1	\$ 1	\$ 2	\$ 4	\$ 11	\$ 18	\$ 42
Restructuring charges		3						4	29	4	40
Cash payments	(5)	(4)					(1)	(4)	(36)	(6)	(56)
Adjustments		(1)		(1)					1		(1)
Accrual balances at March 29, 2019	\$	\$ 2	\$	\$	\$ 1	\$ 1	\$	\$	\$ 5	\$ 16	\$ 25
Total costs incurred to date as of March 29, 2019	\$ 26	\$ 8	\$ 37	\$ 3	\$ 31	\$ 3	\$ 82	\$ 38	\$ 270	\$ 63	\$ 561
Total expected charges to be incurred as of March 29, 2019	\$	\$	\$	\$	\$	\$	\$	\$	\$ 1	\$	\$ 1

Additionally, the Company recorded an impairment charge of \$2 million on its held for sale land and building for the nine months ended March 29, 2019, which is included in Restructuring and other, net in the Company's Condensed Consolidated Statements of Operations. The Company did not record any impairment charge for the three months ended March 29, 2019. Please refer to Note 8 - Fair Value for more details.

7. Derivative Financial Instruments

The Company is exposed to foreign currency exchange rate, interest rate, and to a lesser extent, equity market risks relating to its ongoing business operations. From time to time, the Company enters into cash flow hedges in the form of foreign currency forward exchange contracts in order to manage the foreign currency exchange rate risk on forecasted expenses and investments denominated in foreign currencies. The Company's accounting policies for these instruments are based on whether the instruments are classified as designated or non-designated hedging instruments. The Company records all derivatives in its Condensed Consolidated Balance Sheets at fair value. The changes in the fair value of highly effective designated cash flow hedges are recorded in Accumulated other comprehensive loss until the hedged item is recognized in earnings. Derivatives that are not designated as hedging instruments or are not assessed to be highly effective are adjusted to fair value through earnings. The amount of net unrealized loss on cash flow hedges was less than \$1 million as of March 29, 2019 and the amount of net unrealized gain on cash flow hedges was less than \$1 million as of June 29, 2018.

The Company de-designates its cash flow hedges when the forecasted hedged transactions affect earnings or it is probable the forecasted hedged transactions will not occur in the initially identified time period. At such time, the

associated gains and losses deferred in Accumulated other comprehensive loss on the Company's Condensed Consolidated Balance Sheets are reclassified immediately into earnings and any subsequent changes in the fair value of such derivative instruments are immediately reflected in earnings. The Company recognized a net loss of \$1 million and net gain of \$1 million in Other expense, net related to the loss of hedge designation on discontinued cash flow hedges during the three and nine months ended March 29, 2019, respectively. The Company did not recognize any net gains or losses related to the loss of hedge designation on discontinued cash flow hedges during the three and nine months ended March 30, 2018.

Other derivatives not designated as hedging instruments consist of foreign currency forward exchange contracts that the Company uses to hedge the foreign currency exposure on the investment in debt security and forecasted expenditures denominated in currency other than the U.S. dollar. The Company recognizes gains and losses on these contracts, as well as the related costs in Other, net on its Condensed Consolidated Statement of Operations along with foreign currency gains and losses on investment in debt security, deferred gains of derivatives in Other current assets and deferred losses of derivatives in Accrued expenses on the Condensed Consolidated Balance Sheets.

Table of Contents

The following tables show the total notional value of the Company's outstanding foreign currency forward exchange contracts as of March 29, 2019 and June 29, 2018. All these foreign currency forward exchange contracts mature within 12 months:

(Dollars in millions)	As of March 29, 2019	
	Contract Designated Hedges	Contracts Not Designated as Hedges
Thai Baht	\$	\$ 19
Singapore Dollar		25
Chinese Renminbi	10	
British Pound Sterling	20	18
Japanese Yen	39	1,314
	\$ 69	\$ 1,376

(Dollars in millions)	As of June 29, 2018	
	Contract Designated Hedges	Contracts Not Designated as Hedges
Japanese Yen	\$ 66	\$ 1,310

The Company is subject to equity market risks due to changes in the fair value of the notional investments selected by its employees as part of its Non-qualified Deferred Compensation Plan – the Seagate Deferred Compensation Plan (the SDCP). In fiscal year 2014, the Company entered into a Total Return Swap (TRS) in order to manage the equity market risks associated with the SDCP liabilities. The Company pays a floating rate, based on LIBOR plus an interest rate spread, on the notional amount of the TRS. The TRS is designed to substantially offset changes in the SDCP liability due to changes in the value of the investment options made by employees. As of March 29, 2019, the notional investments underlying the TRS amounted to \$114 million. The contract term of the TRS is through January 2020 and is settled on a monthly basis, therefore limiting counterparty performance risk. The Company does not designate the TRS as a hedge. Rather, the Company records all changes in the fair value of the TRS to earnings to offset the market value changes of the SDCP liabilities.

The following tables show the Company's derivative instruments measured at gross fair value as reflected in its Condensed Consolidated Balance Sheets as of March 29, 2019 and June 29, 2018:

(Dollars in millions)	As of March 29, 2019			
	Derivative Assets		Derivative Liabilities	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments:				
Foreign currency forward exchange contracts	Other current assets	\$ 1	Accrued expenses	\$ (1)

Derivatives not designated as hedging instruments:

Foreign currency forward exchange contracts	Other current assets	1	Accrued expenses	(21)
Total return swap	Other current assets		Accrued expenses	
Total derivatives		\$ 2		\$ (22)

Table of Contents

(Dollars in millions)	As of June 29, 2018			
	Derivative Assets		Derivative Liabilities	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments:				
Foreign currency forward exchange contracts	Other current assets	\$	Accrued expenses	\$
Derivatives not designated as hedging instruments:				
Foreign currency forward exchange contracts	Other current assets	10	Accrued expenses	
Total return swap	Other current assets		Accrued expenses	
Total derivatives		\$ 10		\$

The following tables show the effect of the Company's derivative instruments on its Condensed Consolidated Statements of Comprehensive Income and the Condensed Consolidated Statements of Operations for the three and nine months ended March 29, 2019:

(Dollars in millions)	Location of Gain/ (Loss) Recognized in	Amount of Gain/ (Loss) Recognized in	
		For the Three Months	For the Nine Months
		Income on Derivatives	Income on Derivatives
Derivatives Not Designated as Hedging Instruments			
Foreign currency forward exchange contracts	Other, net	\$ 10	\$ 38
Total return swap	Operating expenses	\$ 11	\$

(Dollars in millions)	Amount of Gain/(Loss) Recognized in OCI on Derivatives (Effective Portion) For the Three Months	Location of Gain/(Loss) Recognized from Accumulated OCI into Income (Effective Portion)	Amount of Gain/(Loss) Reclassified from Accumulated OCI into Income (Effective Portion) For the Three Months		Location of Gain/(Loss) Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Amount of Gain/(Loss) Recognized in Income (Ineffective Portion and Amount Excluded from Effectiveness Testing) For the Three Months	
			For the Three Months	For the Nine Months		For the Three Months	For the Nine Months
			For the Three Months	For the Nine Months		For the Three Months	For the Nine Months
Derivatives Designated as Hedging Instruments							
Foreign currency forward exchange contracts	\$ 1	\$	Other expense, net	\$ (1)	\$ 1	Other expense, net	\$ 1

As of March 30, 2018, the Company had no outstanding foreign currency forward exchange contracts and the gross fair value of the TRS reflected in the Condensed Consolidated Balance Sheet was immaterial.

The following table shows the effect of the Company's derivative instruments on its Condensed Consolidated Statement of Comprehensive Income and its Condensed Consolidated Statement of Operations for the three and nine months ended March 30, 2018:

(Dollars in millions)	Location of Gain/ (Loss) Recognized in Income on Derivatives	Amount of Gain/ (Loss) Recognized in Income on Derivatives	
		For the Three Months	For the Nine Months
Derivatives Not Designated as Hedging Instruments			
Foreign currency forward exchange contracts	Other, net	\$	\$
Total return swap	Operating expenses	\$ (2)	\$ 5

8. Fair Value

Measurement of Fair Value

Fair value is defined as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required to be recorded at fair value, the Company considers the principal or most advantageous market in which it would transact and it considers assumptions that market participants would use when pricing the asset or liability.

Table of Contents*Fair Value Hierarchy*

A fair value hierarchy is based on whether the market participant assumptions used in determining fair value are obtained from independent sources (observable inputs) or reflect the Company's own assumptions of market participant valuation (unobservable inputs). A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The three levels of inputs that may be used to measure fair value are:

Level 1 Quoted prices in active markets that are unadjusted and accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 Quoted prices for identical assets and liabilities in markets that are inactive; quoted prices for similar assets and liabilities in active markets or financial instruments for which significant inputs are observable, either directly or indirectly; or

Level 3 Prices or valuations that require inputs that are both unobservable and significant to the fair value measurement.

The Company considers an active market to be one in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis, and views an inactive market as one in which there are few transactions for the asset or liability, the prices are not current, or price quotations vary substantially either over time or among market makers. Where appropriate the Company's or the counterparty's non-performance risk is considered in determining the fair values of liabilities and assets, respectively.

Items Measured at Fair Value on a Recurring Basis

The following tables present the Company's assets and liabilities, by financial instrument type and balance sheet line item that are measured at fair value on a recurring basis, excluding accrued interest components, as of March 29, 2019:

(Dollars in millions)	Fair Value Measurements at Reporting Date Using			Total Balance
	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Assets:				
Money market funds	\$ 238	\$	\$	\$ 238
Time deposits and certificates of deposit		298		298
Total cash equivalents	238	298		536
Restricted cash and investments:				

Edgar Filing: Seagate Technology plc - Form 10-Q

Money market funds	1			1
Time deposits and certificates of deposit		2		2
Derivative Assets		2		2
Total assets	\$ 239	\$ 302	\$	\$ 541
Liabilities:				
Derivative liabilities	\$	\$ 22	\$	\$ 22
Total liabilities	\$	\$ 22	\$	\$ 22

Table of Contents

(Dollars in millions)	Fair Value Measurements at Reporting Date Using			
	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Balance
Assets:				
Cash and cash equivalents	\$ 238	\$ 298	\$	\$ 536
Other current assets	1	4		5
Total assets	\$ 239	\$ 302	\$	\$ 541
Liabilities:				
Accrued expenses	\$	\$ 22	\$	\$ 22
Total liabilities	\$	\$ 22	\$	\$ 22

The following tables present the Company's assets and liabilities, by financial instrument type and balance sheet line item that are measured at fair value on a recurring basis, excluding accrued interest components, as of June 29, 2018:

(Dollars in millions)	Fair Value Measurements at Reporting Date Using			
	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Balance
Assets:				
Money market funds	\$ 620	\$	\$	\$ 620
Time deposits and certificates of deposit		392		392
Total cash equivalents	620	392		1,012
Restricted cash and investments:				
Money market funds	1			1
Time deposits and certificates of deposit		3		3
Derivative assets		10		10
Total assets	\$ 621	\$ 405	\$	\$ 1,026

**Fair Value Measurements at
Reporting Date Using
Quoted Prices
in Active
Markets Significant
for Other Significant
Identical Observable Unobservable
Instruments Inputs Inputs Total
(Level 1) (Level 2) (Level 3) Balance**

(Dollars in millions)

Assets:	(Level 1)	(Level 2)	(Level 3)	Total Balance
Cash and cash equivalents	\$ 620	\$ 392	\$	\$ 1,012
Other current assets	1	13		14
Total assets	\$ 621	\$ 405	\$	\$ 1,026

The Company classifies items in Level 1 if the financial assets consist of securities for which quoted prices are available in an active market.

Table of Contents

The Company classifies items in Level 2 if the financial asset or liability is valued using observable inputs. The Company uses observable inputs including quoted prices in active markets for similar assets or liabilities. Level 2 assets include: agency bonds, corporate bonds, commercial paper, municipal bonds, U.S. Treasuries, time deposits and certificates of deposit. These debt investments are priced using observable inputs and valuation models which vary by asset class. The Company uses a pricing service to assist in determining the fair value of all of its cash equivalents and short-term investments. For the cash equivalents and short-term investments in the Company's portfolio, multiple pricing sources are generally available. The pricing service uses inputs from multiple industry standard data providers or other third party sources and various methodologies, such as weighting and models, to determine the appropriate price at the measurement date. The Company corroborates the prices obtained from the pricing service against other independent sources and, as of March 29, 2019, has not found it necessary to make any adjustments to the prices obtained. The Company's derivative financial instruments are also classified within Level 2. The Company's derivative financial instruments consist of foreign currency forward exchange contracts and the TRS. The Company recognizes derivative financial instruments in its condensed consolidated financial statements at fair value. The Company determines the fair value of these instruments by considering the estimated amount it would pay or receive to terminate these agreements at the reporting date.

As of March 29, 2019 and June 29, 2018, the Company had no Level 3 assets or liabilities measured at fair value on a recurring basis.

Items Measured at Fair Value on a Non-Recurring Basis

From time to time, the Company enters into certain strategic investments for the promotion of business and strategic objectives. These strategic investments primarily include cost basis investments representing those where the Company does have the ability to exercise significant influence but does not have control. These investments are included in Other assets, net in the Company's Condensed Consolidated Balance Sheets, and are periodically analyzed to determine whether or not there are indicators of impairment.

Prior to fiscal year 2019, the Company's strategic investments in privately-held companies without readily determinable fair values were accounted for under the cost method and were recorded at historical cost at the time of investment, with adjustments to the balance only in the event of impairment. Effective June 30, 2018, the Company adopted ASU 2016-01, *Financial Instruments*, which changed the way the Company accounts for equity investments, excluding investments that qualify for the equity method of accounting. The Company's equity investments in privately-held companies without readily determinable fair values are now measured using the measurement alternative, defined by ASC 321, *Investments - Equity Securities*, as cost, less impairments, and adjusted up or down based on observable price changes in orderly transactions for identical or similar investments of the same issuer. Any adjustments resulting from impairments and/or observable price changes are recorded as Other, net in the Company's Condensed Consolidated Statements of Operations.

As of March 29, 2019 and June 29, 2018, the carrying value of the Company's strategic investments were \$118 million. For the three and nine months ended March 30, 2018, the Company determined that a certain equity investment accounted for under the cost method was other-than-temporarily impaired and recorded a charge of \$3 million in order to write down the carrying value of the investment to its fair value. For the three and nine months ended March 29, 2019, there were no upward or downward adjustments on equity investments as a result of adoption of the measurement alternative during the September 2018 quarter.

As of March 29, 2019 and June 29, 2018, the Company had \$52 million and \$26 million, respectively, of held for sale land and building (collectively, the properties) included in Other current assets on its Condensed Consolidated Balance Sheets. Of the balance as of March 29, 2019, \$24 million and \$28 million are located in Asia and in the

Americas, respectively. Depreciation related to the properties ceased as of the date these were determined to be held for sale. During the September 2018 quarter, the Company accepted an offer to sell the property in Asia to a third party and thereafter, recorded an impairment charge of approximately \$2 million for the nine months ended March 29, 2019. The impairment charge was recorded in Restructuring and other, net in the Company's Condensed Consolidated Statement of Operations. No impairment was identified for the three months ended March 29, 2019 and for the three and nine months ended March 30, 2018. The sale of the properties are expected to be completed by the end of fiscal year 2019, subject to customary closing conditions for both properties and government approval for the sale of the property in Asia.

Other Fair Value Disclosures

The Company's investment in a debt security, classified as held-to-maturity, represents shares of non-convertible preferred stock of TMC. This debt security has a maturity date of six years starting from May 31, 2018 and is classified as Investment in debt security on the Company's Condensed Consolidated Balance Sheets. The debt security is recorded at amortized cost and its fair value approximated the carrying value at June 29, 2018. As of March 29, 2019, the fair value of this investment was \$1,322 million with an unrealized gain of \$4 million on the carrying value of \$1,318 million. There was no other-than-temporary impairment identified for the three and nine months ended March 29, 2019. The fair value was determined utilizing Level 2 inputs such as discount rates and yield terms of similar types of securities issued by comparable companies.

Table of Contents

The Company's debt is carried at amortized cost. The estimated fair value of the Company's debt is derived using the closing price of the same debt instruments as of the date of valuation, which takes into account the yield curve, interest rates and other observable inputs. Accordingly, these fair value measurements are categorized as Level 2. The following table presents the fair value and amortized cost of the Company's debt:

(Dollars in millions)	March 29, 2019		June 29, 2018	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
3.75% Senior Notes due November 2018	\$	\$	\$ 499	\$ 501
4.25% Senior Notes due March 2022	749	755	749	743
4.75% Senior Notes due June 2023	951	962	951	942
4.875% Senior Notes due March 2024	498	501	497	489
4.75% Senior Notes due January 2025	975	949	975	936
4.875% Senior Notes due June 2027	695	668	695	650
5.75% Senior Notes due December 2034	489	450	489	441
LIBOR based 2019 Revolving Credit Facility due February 2024	200	200		
	\$ 4,557	\$ 4,485	\$ 4,855	\$ 4,702
Less: debt issuance costs	(35)		(36)	
Long-term debt, net of debt issuance costs	\$ 4,522	\$ 4,485	\$ 4,819	\$ 4,702
Less: current portion of long-term debt, net of debt issuance costs			(499)	(501)
Long-term debt, less current portion	\$ 4,522	\$ 4,485	\$ 4,320	\$ 4,201

Table of Contents**9. Equity***Share Capital*

The Company's authorized share capital is \$13,500 and consists of 1,250,000,000 ordinary shares, par value \$0.00001, of which 276,834,237 shares were outstanding as of March 29, 2019, and 100,000,000 preferred shares, par value \$0.00001, of which none were issued or outstanding as of March 29, 2019.

Ordinary shares Holders of ordinary shares are entitled to receive dividends as and when declared by the Company's board of directors (the Board of Directors). Upon any liquidation, dissolution, or winding up of the Company, after required payments are made to holders of preferred shares, any remaining assets of the Company will be distributed ratably to holders of the preferred and ordinary shares. Holders of shares are entitled to one vote per share on all matters upon which the ordinary shares are entitled to vote, including the election of directors.

Preferred shares The Company may issue preferred shares in one or more series, up to the authorized amount, without shareholder approval. The Board of Directors is authorized to establish from time to time the number of shares to be included in each series, and to fix the rights, preferences and privileges of the shares of each wholly unissued series and any of its qualifications, limitations or restrictions. The Board of Directors can also increase or decrease the number of shares of a series, but not below the number of shares of that series then outstanding, without any further vote or action by the shareholders.

The Board of Directors may authorize the issuance of preferred shares with voting or conversion rights that could harm the voting power or other rights of the holders of the ordinary shares. The issuance of preferred shares, while providing flexibility in connection with possible acquisitions and other corporate purposes, could, among other things, have the effect of delaying, deferring or preventing a change in control of the Company and might harm the market price of its ordinary shares and the voting and other rights of the holders of ordinary shares.

Repurchases of Equity Securities

All repurchases are effected as redemptions in accordance with the Company's Articles of Association.

On October 29, 2018, the Company's Board of Directors authorized the repurchase of an additional \$2.3 billion of its outstanding ordinary shares. As of March 29, 2019, \$2.5 billion remained available for repurchase under the existing repurchase authorization limit.

The following table sets forth information with respect to repurchases of the Company's shares during the nine months ended March 29, 2019:

(In millions)	Number of Shares Repurchased	Dollar Value of Shares Repurchased
Repurchases of ordinary shares	13	\$ 613
Tax withholding related to vesting of equity awards	1	30
Total	14	\$ 643

Table of Contents**10. Revenue**

The following table provides information about disaggregated revenue by sales channel and geographical region for the Company's single reportable segment:

(Dollars in millions)	For the Three Months Ended		For the Nine Months Ended	
	March 29, 2019	March 30, 2018	March 29, 2019	March 30, 2018
Revenues by Channel				
OEMs	\$ 1,568	\$ 1,971	\$ 5,571	\$ 5,801
Distributors	411	477	1,388	1,406
Retailers	334	355	1,060	1,142
Total	\$ 2,313	\$ 2,803	\$ 8,019	\$ 8,349
Revenues by Geography⁽¹⁾				
Americas	\$ 796	\$ 912	\$ 2,533	\$ 2,700
EMEA	448	522	1,563	1,561
Asia Pacific	1,069	1,369	3,923	4,088
Total	\$ 2,313	\$ 2,803	\$ 8,019	\$ 8,349

⁽¹⁾ Revenue is attributed to countries based on bill from locations.

11. Share-based Compensation

The Company recorded approximately \$28 million and \$73 million of share-based compensation expense during the three and nine months ended March 29, 2019, respectively. The Company recorded approximately \$26 million and \$85 million of share-based compensation expense during the three and nine months ended March 30, 2018, respectively.

12. Guarantees*Indemnifications of Officers and Directors*

On May 4, 2009, Seagate Technology, an exempted company incorporated with limited liability under the laws of the Cayman Islands ("Seagate-Cayman"), then the parent company, entered into a new form of indemnification agreement (the "Revised Indemnification Agreement") with its officers and directors of Seagate-Cayman and its subsidiaries (each, an "Indemnitee"). The Revised Indemnification Agreement provides indemnification in addition to any of Indemnitee's indemnification rights under Seagate-Cayman's Articles of Association, applicable law or otherwise, and indemnifies an Indemnitee for certain expenses (including attorneys' fees), judgments, fines and settlement amounts actually and reasonably incurred by him or her in any action or proceeding, including any action by or in the right of Seagate-Cayman or any of its subsidiaries, arising out of his or her service as a director, officer, employee or agent of Seagate-Cayman or any of its subsidiaries or of any other entity to which he or she provides services at

Seagate-Cayman's request. However, an Indemnitee shall not be indemnified under the Revised Indemnification Agreement for (i) any fraud or dishonesty in the performance of Indemnitee's duty to Seagate-Cayman or the applicable subsidiary of Seagate-Cayman or (ii) Indemnitee's conscious, intentional or willful failure to act honestly, lawfully and in good faith with a view to the best interests of Seagate-Cayman or the applicable subsidiary of Seagate-Cayman. In addition, the Revised Indemnification Agreement provides that Seagate-Cayman will advance expenses incurred by an Indemnitee in connection with enforcement of the Revised Indemnification Agreement or with the investigation, settlement or appeal of any action or proceeding against him or her as to which he or she could be indemnified.

Table of Contents

On July 3, 2010, pursuant to a corporate reorganization, the common shareholders of Seagate-Cayman became ordinary shareholders of the Company and Seagate-Cayman became a wholly owned subsidiary of the Company, as described more fully in the Current Report on Form 8-K filed by the Company on July 6, 2010 (the Redomestication). On July 27, 2010, in connection with the Redomestication, the Company, as sole shareholder of Seagate-Cayman, approved a form of deed of indemnity (the Deed of Indemnity), which provides for the indemnification by Seagate-Cayman of any director, officer, employee or agent of the Company, Seagate-Cayman or any subsidiary of the Company (each, a Deed Indemnitee), in addition to any indemnification rights of a Deed Indemnitee under the Company's Articles of Association, applicable law or otherwise, with a similar scope to the Revised Indemnification Agreement. Seagate-Cayman entered into Deeds of Indemnity with certain Deed Indemnitees effective as of July 3, 2010 and continues to enter into Deeds of Indemnity with additional Deed Indemnitees from time to time.

The nature of these indemnification obligations prevents the Company from making a reasonable estimate of the maximum potential amount it could be required to pay on behalf of its officers and directors. Historically, the Company has not made any significant indemnification payments under such agreements and no amount has been accrued in the Company's consolidated financial statements with respect to these indemnification obligations.

Intellectual Property Indemnification Obligations

The Company has entered into agreements with customers and suppliers that include limited intellectual property indemnification obligations that are customary in the industry. These guarantees generally require the Company to compensate the other party for certain damages and costs incurred as a result of third party intellectual property claims arising from these transactions. The nature of the intellectual property indemnification obligations prevents the Company from making a reasonable estimate of the maximum potential amount it could be required to pay to its customers and suppliers. Historically, the Company has not made any significant indemnification payments under such agreements and no amount has been accrued in the Company's condensed consolidated financial statements with respect to these indemnification obligations.

Product Warranty

The Company estimates probable product warranty costs at the time revenue is recognized. The Company generally warrants its products for a period of 1 to 5 years. The Company uses estimated repair or replacement costs and uses statistical modeling to estimate product return rates in order to determine its warranty obligation. Changes in the Company's product warranty liability during the three and nine months ended March 29, 2019 and March 30, 2018 were as follows:

(Dollars in millions)	For the Three Months Ended		For the Nine Months Ended	
	March 29, 2019	March 30, 2018	March 29, 2019	March 30, 2018
Balance, beginning of period	\$ 222	\$ 236	\$ 237	\$ 233
Warranties issued	24	36	89	111
Repairs and replacements	(23)	(26)	(75)	(80)
Changes in liability for pre-existing warranties, including expirations	(11)	(11)	(39)	(29)
Balance, end of period	\$ 212	\$ 235	\$ 212	\$ 235

Table of Contents**13. Earnings Per Share**

Basic earnings per share is computed by dividing income available to shareholders by the weighted-average number of shares outstanding during the period. Diluted earnings per share is computed by dividing income available to shareholders by the weighted-average number of shares outstanding during the period and the number of additional shares that would have been outstanding if the potentially dilutive securities had been issued. Potentially dilutive securities include outstanding options, unvested restricted stock units and performance-based share units and shares to be purchased under the Company's Employee Stock Purchase Plan (ESPP). The dilutive effect of potentially dilutive securities is reflected in diluted earnings per share by application of the treasury stock method. Under the treasury stock method, an increase in fair market value of the Company's share price can result in a greater dilutive effect from potentially dilutive securities. The following table sets forth the computation of basic and diluted net income per share attributable to the shareholders of the Company:

(In millions, except per share data)	For the Three Months Ended		For the Nine Months Ended	
	March 29, 2019	March 30, 2018	March 29, 2019	March 30, 2018
Numerator:				
Net income	\$ 195	\$ 381	\$ 1,029	\$ 721
Number of shares used in per share calculations:				
Total shares for purposes of calculating basic net income per share	281	286	284	288
Weighted-average effect of dilutive securities:				
Employee equity award plans	3	5	4	3
Total shares for purpose of calculating diluted net income per share	284	291	288	291
Net income per share:				
Basic	\$ 0.69	\$ 1.33	\$ 3.62	\$ 2.50
Diluted	\$ 0.69	\$ 1.31	\$ 3.57	\$ 2.48

The anti-dilutive shares related to employee equity award plans that were excluded from the computation of diluted net income per share were less than 1 million for the three and nine months ended March 29, 2019, and approximately 1 million for the three and nine months ended March 30, 2018.

14. Legal, Environmental and Other Contingencies

The Company assesses the probability of an unfavorable outcome of all its material litigation, claims, or assessments to determine whether a liability had been incurred and whether it is probable that one or more future events will occur confirming the fact of the loss. In the event that an unfavorable outcome is determined to be probable and the amount of the loss can be reasonably estimated, the Company establishes an accrual for the litigation, claim or assessment. In addition, in the event an unfavorable outcome is determined to be less than probable, but reasonably possible, the Company will disclose an estimate of the possible loss or range of such loss; however, when a reasonable estimate cannot be made, the Company will provide disclosure to that effect. Litigation is inherently uncertain and may result in adverse rulings or decisions. Additionally, the Company may enter into settlements or be subject to judgments that may, individually or in the aggregate, have a material adverse effect on its results of operations. Accordingly, actual results could differ materially.

Intellectual Property Litigation

Convolve, Inc. (Convolve) and Massachusetts Institute of Technology (MIT) v. Seagate Technology LLC, et al. On July 13, 2000, Convolve and MIT filed suit against Compaq Computer Corporation and Seagate Technology LLC in the U.S. District Court for the Southern District of New York, alleging infringement of U.S. Patent No. 4,916,635 (the 635 patent) and U.S. Patent No. 5,638,267 (the 267 patent), misappropriation of trade secrets, breach of contract and other claims. On January 16, 2002, Convolve filed an amended complaint, alleging defendants were infringing U.S. Patent No. 6,314,473 (the 473 patent). The district court ruled in 2010 that the 267 patent was out of the case.

Table of Contents

On August 16, 2011, the district court granted in part and denied in part the Company's motion for summary judgment. On July 1, 2013, the U.S. Court of Appeals for the Federal Circuit: 1) affirmed the district court's summary judgment rulings that Seagate did not misappropriate any of the alleged trade secrets and that the asserted claims of the '635 patent are invalid; 2) reversed and vacated the district court's summary judgment of non-infringement with respect to the '473 patent; and 3) remanded the case for further proceedings on the '473 patent. On July 11, 2014, the district court granted the Company's further summary judgment motion regarding the '473 patent. On February 10, 2016, the U.S. Court of Appeals for the Federal Circuit: 1) affirmed the district court's summary judgment of no direct infringement by Seagate because Seagate's ATA/SCSI disk drives do not meet the user interface limitation of the asserted claims of the '473 patent; 2) affirmed the district court's summary judgment of non-infringement by Compaq's products as to claims 1, 3, and 5 of the '473 patent because Compaq's F10 BIOS interface does not meet the commands limitation of those claims; 3) vacated the district court's summary judgment of non-infringement by Compaq's accused products as to claims 7-15 of the '473 patent; 4) reversed the district court's summary judgment of non-infringement based on intervening rights; and 5) remanded the case to the district court for further proceedings on the '473 patent. In view of the rulings made by the district court and the Court of Appeals and the uncertainty regarding the amount of damages, if any, that could be awarded Convolve in this matter, the Company does not believe that it is currently possible to determine a reasonable estimate of the possible range of loss related to this matter.

Lambeth Magnetic Structures LLC v. Seagate Technology (US) Holdings, Inc., et al. On April 29, 2016, Lambeth Magnetic Structures LLC filed a complaint against Seagate Technology (US) Holdings, Inc. and Seagate Technology LLC in the U.S. District Court for the Western District of Pennsylvania, alleging infringement of U.S. Patent No. 7,128,988, Magnetic Material Structures, Devices and Methods. The Company believes the claims asserted in the complaint are without merit and intends to vigorously defend this case. The court issued its claim construction ruling on October 18, 2017. No trial date has been set. While the possible range of loss for this matter remains uncertain, the Company estimates the amount of loss to be immaterial to the financial statements.

Environmental Matters

The Company's operations are subject to U.S. and foreign laws and regulations relating to the protection of the environment, including those governing discharges of pollutants into the air and water, the management and disposal of hazardous substances and wastes and the cleanup of contaminated sites. Some of the Company's operations require environmental permits and controls to prevent and reduce air and water pollution, and these permits are subject to modification, renewal and revocation by issuing authorities.

The Company has established environmental management systems and continually updates its environmental policies and standard operating procedures for its operations worldwide. The Company believes that its operations are in material compliance with applicable environmental laws, regulations and permits. The Company budgets for operating and capital costs on an ongoing basis to comply with environmental laws. If additional or more stringent requirements are imposed on the Company in the future, it could incur additional operating costs and capital expenditures.

Some environmental laws, such as the Comprehensive Environmental Response Compensation and Liability Act of 1980 (as amended, the Superfund law) and its state equivalents, can impose liability for the cost of cleanup of contaminated sites upon any of the current or former site owners or operators or upon parties who sent waste to these sites, regardless of whether the owner or operator owned the site at the time of the release of hazardous substances or the lawfulness of the original disposal activity. The Company has been identified as a responsible or potentially responsible party at several sites. At each of these sites, the Company has an assigned portion of the financial liability based on the type and amount of hazardous substances disposed of by each party at the site and the number of financially viable parties. The Company has fulfilled its responsibilities at some of these sites and remains involved in only a few at this time.

While the Company's ultimate costs in connection with these sites is difficult to predict with complete accuracy, based on its current estimates of cleanup costs and its expected allocation of these costs, the Company does not expect costs in connection with these sites to be material.

The Company may be subject to various state, federal and international laws and regulations governing the environment, including those restricting the presence of certain substances in electronic products. For example, the European Union (EU) enacted the Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment (2011/65/EU), which prohibits the use of certain substances, including lead, in certain products, including disk drives and server storage products, put on the market after July 1, 2006. Similar legislation has been or may be enacted in other jurisdictions, including in the United States, Canada, Mexico, Taiwan, China, Japan and others. The European Union REACH Directive (Registration, Evaluation, Authorization, and Restriction of Chemicals, EC 1907/2006) also restricts substances of very high concern (SVHCs) in products. If the Company or its suppliers fails to comply with the substance restrictions, recycle requirements or other environmental requirements as they are enacted worldwide, it could have a materially adverse effect on the Company's business.

Table of Contents

Other Matters

The Company is involved in a number of other judicial, regulatory or administrative proceedings and investigations incidental to its business, and the Company may be involved in such proceedings and investigations arising in the normal course of its business in the future. Although occasional adverse decisions or settlements may occur, the Company believes that the final disposition of such matters will not have a material adverse effect on its financial position or results of operations.

15. Commitments

Unconditional Long-term Purchase Obligations

As of March 29, 2019, the Company had unconditional long-term purchase obligations of approximately \$196 million, primarily related to purchase minimum quarterly amounts of inventory components at fixed contractual prices. The Company expects the commitment to total \$2 million, \$13 million, \$8 million, \$50 million, \$48 million and \$75 million for fiscal years 2020, 2021, 2022, 2024, 2025 and thereafter, respectively.

Unconditional Long-term Capital Expenditures

As of March 29, 2019, the Company had \$16 million of unconditional long-term commitment primarily related to purchases of equipment.

16. Subsequent Events

Dividend Declared

On April 30, 2019, the Company's Board of Directors declared a quarterly cash dividend of \$0.63 per share, which will be payable on July 3, 2019 to shareholders of record as of the close of business on June 19, 2019.

Table of Contents

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is a discussion of the financial condition, changes in financial condition, and results of operations for our fiscal quarters ended March 29, 2019, December 28, 2018 and March 30, 2018, referred to herein as the March 2019 quarter, the December 2018 quarter, and the March 2018 quarter, respectively. We operate and report financial results on a fiscal year of 52 or 53 weeks ending on the Friday closest to June 30. The March 2019, December 2018 and March 2018 quarters were all 13 weeks.

You should read this discussion in conjunction with financial information and related notes included elsewhere in this report. Unless the context indicates otherwise, as used herein, the terms we, us, Seagate, the Company and our subsidiaries refer to Seagate Technology plc, an Irish public limited company, and its subsidiaries. References to \$ are to United States dollars.

Some of the statements and assumptions included in this Quarterly Report on Form 10-Q are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 or Section 21E of the Securities Exchange Act of 1934, each as amended, including, in particular, statements about our plans, strategies and prospects, demand for our products, shifts in technology, estimates of industry growth, our ability to effectively manage our debt obligations and our cash liquidity position, our restructuring efforts, the sufficiency of our sources of cash to meet our cash needs for the next 12 months, our expectations regarding capital expenditures, and the impact of the 2017 U.S. Tax Cuts and Jobs Act (the Tax Act) on our financial statements and the projected costs savings for the fiscal year ending June 28, 2019. These statements identify prospective information and may include words such as expects, intends, plans, anticipates, believes, estimates, predicts, projects, may, will, or negative of these words and comparable terminology. These forward-looking statements are based on information available to the Company as of the date of this Quarterly Report on Form 10-Q 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 our control and may pose a risk to our operating and financial condition. Such risks and uncertainties include, but are not limited to:

the uncertainty in global economic and political conditions;

the development and introduction of products based on new technologies and expansion into new data storage markets;

the impact of competitive product announcements and unexpected advances in competing technologies or changes in market trends;

the impact of variable demand and an adverse pricing environment for storage products;

the Company's ability to achieve projected cost savings in connection with its restructuring plans and consolidation of its manufacturing activities;

the Company's ability to effectively manage its debt obligations and comply with certain covenants in its credit facilities with respect to financial ratios and financial condition tests and maintain a favorable cash liquidity position;

the Company's ability to successfully qualify, manufacture and sell its storage products, particularly the new disk drive products with lower cost structures, in increasing volumes on a cost-effective basis and with acceptable quality;

possible excess industry supply both with respect to particular disk drive products and competing alternative storage technology solutions;

disruptions to the Company's supply chain or production capabilities;

consolidation trends in the data storage industry;

fluctuations in interest rates;

currency fluctuations that may impact the Company's margins, international sales and results of operations;

fluctuations in the value of the Company's investments and the associated investment income;

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;

the evolving legal, regulatory and administrative climate in the international markets where the Company operates including changes in regulations relating to privacy and protection of data and environmental matters; and

Table of Contents

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, and the cybersecurity threats and vulnerabilities associated with the Company's infrastructure updates to its information technology systems. Information concerning risks, uncertainties and other factors that could cause results to differ materially from those projected in such forward-looking statements is also set forth in Item 1A. Risk Factors of our Annual Report on Form 10-K for the fiscal year ended June 29, 2018, which we encourage you to carefully read. These forward-looking statements should not be relied upon as representing our views as of any date subsequent to the date on which they were made and we undertake no obligation to update forward-looking statements to reflect new information or future events or circumstances after the date they were made.

Our Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) is provided in addition to the accompanying condensed consolidated financial statements and notes to assist readers in understanding our results of operations, financial condition, and cash flows. MD&A is organized as follows:

Our Company. Overview of our business.

Overview of the March 2019 quarter. Highlights of events in the March 2019 quarter that impacted our financial position.

Results of Operations. An analysis of our financial results comparing the March 2019 quarter to the December 2018 quarter and the March 2018 quarter.

Liquidity and Capital Resources. An analysis of changes in our balance sheet and cash flows, and discussion of our financial condition including the credit quality of our investment portfolio and potential sources of liquidity.

Contractual Obligations and Commitments. Overview of contractual obligations and contingent liabilities and commitments outstanding as of March 29, 2019.

Critical Accounting Policies. Accounting policies and estimates that we believe are important to understanding the assumptions and judgments incorporated in our reported financial results.

Our Company

We are a leading provider of data storage technology and solutions. Our principal products are hard disk drives, commonly referred to as disk drives, hard drives or HDDs. In addition to HDDs, we produce a broad range of data storage products including solid state drives (SSD) and storage subsystems.

Hard disk drives are devices that store digitally encoded data on rapidly rotating disks with magnetic surfaces. Disk drives continue to be the primary medium of mass data storage due to their performance attributes, high quality and cost effectiveness. Complementing existing data center storage architecture, solid-state storage devices use integrated circuit assemblies as memory to store data, and most SSDs use NAND flash memory.

Our HDD products are designed for mission critical and nearline applications in enterprise servers and storage systems; edge compute applications, where our products are designed primarily for desktop and mobile computing; and edge non-compute applications, where our products are designed for a wide variety of end user devices such as portable external storage systems, surveillance systems, digital video recorders (DVRs), network-attached storage (NAS) and gaming consoles. Our SSD products mainly include serial attached SCSI (SAS) and Non-Volatile Memory Express (NVMe) SSDs.

Our enterprise data solutions (formerly referred to as the cloud systems and solutions) portfolio includes modular original equipment manufacturer (OEM) storage systems and scale-out storage servers.

Overview of the March 2019 quarter

During the March 2019 quarter, we shipped 77 exabytes of HDD storage capacity. We generated revenue of approximately \$2.3 billion, gross margin of 26% and our operating cash flow was \$438 million. We repurchased approximately 7 million of our ordinary shares for \$327 million and paid \$178 million in dividends. We entered into a new senior unsecured revolving credit facility (the 2019 Revolving Credit Facility) and borrowed \$200 million from the 2019 Revolving Credit Facility.

Table of Contents**Results of Operations**

We list in the tables below summarized information from our Condensed Consolidated Statements of Operations by dollars and as a percentage of revenue:

(Dollars in millions)	For the Three Months Ended			For the Nine Months Ended	
	March 29, 2019	December 28, 2018	March 30, 2018	March 29, 2019	March 30, 2018
Revenue	\$ 2,313	\$ 2,715	\$ 2,803	\$ 8,019	\$ 8,349
Cost of revenue	1,712	1,921	1,956	5,711	5,889
Gross margin	601	794	847	2,308	2,460
Product development	238	246	254	750	767
Marketing and administrative	110	120	135	345	422
Amortization of intangibles	6	5	6	17	47
Restructuring and other, net	11	7	11	41	95
Income from operations	236	416	441	1,155	1,129
Other expense, net	(21)	(18)	(48)	(74)	(177)
Income before income taxes	215	398	393	1,081	952
Provision for income taxes	20	14	12	52	231
Net income	\$ 195	\$ 384	\$ 381	\$ 1,029	\$ 721

	For the Three Months Ended			For the Nine Months Ended	
	March 29, 2019	December 28, 2018	March 30, 2018	March 29, 2019	March 30, 2018
Revenue	100%	100%	100%	100%	100%
Cost of revenue	74	71	70	71	71
Gross margin	26	29	30	29	29
Product development	10	9	9	9	9
Marketing and administrative	5	5	5	4	5
Amortization of intangibles					1
Restructuring and other, net	1			1	1
Income from operations	10	15	16	15	13
Other expense, net	(1)	(1)	(2)	(1)	(2)
Income before income taxes	9	14	14	14	11
Provision for income taxes	1			1	2
Net income	8%	14%	14%	13%	9%

Table of Contents*Revenue*

The following table summarizes information regarding consolidated revenues by channel and geography, HDD average drive selling prices (ASPs) and HDD exabytes shipped:

	For the Three Months Ended			For the Nine Months Ended	
	March 29, 2019	December 28, 2018	March 30, 2018	March 29, 2019	March 30, 2018
Revenues by Channel (%)					
OEMs	68%	69%	70%	70%	69%
Distributors	18%	16%	17%	17%	17%
Retailers	14%	15%	13%	13%	14%
Revenues by Geography (%)					
Americas	35%	27%	32%	32%	32%
EMEA	19%	22%	19%	19%	19%
Asia Pacific	46%	51%	49%	49%	49%
HDD ASPs (per unit)	\$ 68	\$ 68	\$ 70	\$ 69	\$ 67
HDD Exabytes Shipped	77	87	87	263	245

Revenue in the March 2019 quarter decreased by \$402 million from the December 2018 quarter primarily due to the decrease in exabytes shipped as a result of lower demand for our products, seasonality declines and price erosion.

Revenue in the March 2019 quarter decreased by \$490 million from the March 2018 quarter primarily due to the decrease in exabytes shipped as a result of less favorable market conditions and price erosion.

Revenue for the nine months ended March 29, 2019 decreased by \$330 million from the nine months ended March 30, 2018 primarily due to price erosion, partially offset by an increase in exabytes shipped.

We maintain various sales incentive programs such as channel rebates and price masking. Sales incentive programs were approximately 13%, 13% and 12% of gross drive revenue for the March 2019, December 2018 and March 2018 quarters, respectively. Adjustments to revenues due to under or over accruals for sales incentive programs related to revenues reported in prior quarterly periods were less than 1% of quarterly gross revenue in all periods presented.

Cost of Revenue and Gross Margin

(Dollars in millions)	For the Three Months Ended			For the Nine Months Ended	
	March 29, 2019	December 28, 2018	March 30, 2018	March 29, 2019	March 30, 2018
Cost of revenue	\$ 1,712	\$ 1,921	\$ 1,956	\$ 5,711	\$ 5,889
Gross margin	601	794	847	2,308	2,460
Gross margin percentage	26%	29%	30%	29%	29%

Gross margin as a percentage of revenue for the March 2019 quarter decreased from the December 2018 quarter primarily driven by factory underutilization and price erosion.

Compared to the March 2018 quarter, gross margin as a percentage of revenue for the March 2019 quarter decreased primarily driven by price erosion and factory underutilization.

Compared to the nine months ended March 29, 2019, gross margin as a percentage of revenue for the nine months ended March 30, 2018 remained flat primarily driven by favorable product mix offset by price erosion.

In the March 2019 quarter, total warranty cost was 0.6% of revenue and included a favorable change in estimates of prior warranty accruals of 0.5% of revenue due to improvements in return rates on newer generation products. Warranty cost related to new shipments was 1.1%, 1.1% and 1.3% of revenue for the March 2019, December 2018 and March 2018 quarters, respectively.

Table of Contents*Operating Expenses*

(Dollars in millions)	For the Three Months Ended			For the Nine Months Ended	
	March 29, 2019	December 28, 2018	March 30, 2018	March 29, 2019	March 30, 2018
Product development	\$ 238	\$ 246	\$ 254	\$ 750	\$ 767
Marketing and administrative	110	120	135	345	422
Amortization of intangibles	6	5	6	17	47
Restructuring and other, net	11	7	11	41	95
Operating expenses	\$ 365	\$ 378	\$ 406	\$ 1,153	\$ 1,331

Product development expense. Product development expense for the March 2019 quarter decreased by \$8 million compared to the December 2018 quarter due to a \$7 million decrease in other general expenses mainly as a result of timing of materials purchases, a \$4 million decrease in variable compensation expense, offset by a \$2 million increase in share-based compensation expense.

Compared to the March 2018 quarter, Product development expense for the March 2019 quarter decreased by \$16 million primarily due to a \$10 million decrease in variable compensation expense and an \$8 million decrease in other general expenses due to operational efficiencies.

Compared to the corresponding nine months ended March 30, 2018, Product development expense for the nine months ended March 29, 2019 decreased by \$17 million primarily due to an \$18 million decrease in variable compensation expense and a \$5 million decrease in salaries and employee benefits primarily due to the voluntary early exit program and restructuring of our workforce in prior periods, partially offset by a \$9 million increase in share-based compensation expense.

Marketing and administrative expense. Marketing and administrative expense for the March 2019 quarter decreased by \$10 million from the December 2018 quarter, primarily due to a decrease in other general expenses.

Compared to the March 2018 quarter, Marketing and administrative expense for the March 2019 quarter decreased by \$25 million, primarily due to a \$4 million decrease in salaries and employee benefits as a result of the restructuring of our workforce in prior periods, a \$13 million decrease in other general expenses and a \$7 million decrease in variable compensation expense.

Compared to the corresponding nine months ended March 30, 2018, Marketing and administrative expense for the nine months ended March 29, 2019 decreased by \$77 million, primarily due to a \$31 million decrease in salaries and employee benefits as a result of the restructuring of our workforce in prior periods, a \$30 million decrease in other general expenses due to related operational efficiencies and a \$15 million decrease in variable compensation expense.

Amortization of intangibles. Amortization of intangibles for the March 2019 quarter remained flat compared to the December 2018 quarter and March 2018 quarter. Amortization of intangibles for the nine months ended March 29, 2019 decreased by \$30 million from the nine months ended March 30, 2018 due to certain intangible assets reaching the end of their useful lives.

Restructuring and other, net. Restructuring and other, net for nine months ended March 29, 2019 was comprised of charges primarily related to a voluntary early exit program. There was no new restructuring plan in the March 2019 quarter.

Restructuring and other, net for nine months ended March 30, 2018 was comprised of restructuring charges to reduce our global workforce by 1,100 employees.

Other Expense, Net

(Dollars in millions)	For the Three Months Ended		For the Nine Months Ended		
	March 29, 2019	December 28, 2018	March 30, 2018	March 29, 2019	March 30, 2018
Other expense, net	\$ (21)	\$ (18)	\$ (48)	\$ (74)	\$ (177)

Table of Contents

Other expense, net. Other expense, net for the March 2019 quarter remained flat compared to the December 2018 quarter.

Compared to the March 2018 quarter, Other expense, net for the March 2019 quarter decreased by \$27 million primarily due to a \$16 million increase in interest income on our investment in a debt security, a \$9 million net increase in gains due to favorable changes in foreign currency exchange rates, a \$6 million decrease in interest expense due to the repayment of certain senior notes, a \$3 million decrease due to impairment charge of a strategic investment that did not recur in fiscal year 2019, offset by a \$5 million decrease in interest income primarily due to lower average invested balances.

Other expense, net for the nine months ended March 29, 2019 decreased by \$103 million from the corresponding period in the prior year, primarily due to a \$47 million increase in interest income on our investment in a debt security, a \$43 million net increase in gains due to favorable changes in foreign currency exchange rates and a \$14 million decrease in interest expense due to the repayment of certain senior notes.

Income Taxes

(Dollars in millions)	For the Three Months Ended		For the Nine Months Ended		
	March 29, 2019	December 28, 2018	March 30, 2018	March 29, 2019	March 30, 2018
Provision for income taxes	\$ 20	\$ 14	\$ 12	\$ 52	\$ 231

Table of Contents

We recorded income tax provisions of \$20 million and \$52 million in the three and nine months ended March 29, 2019, respectively. The income tax provision for the three and nine months ended March 29, 2019 included approximately \$9 million and \$5 million of net discrete tax expense, respectively, primarily associated with a deferred withholding tax liability resulting from a change in indefinite reinvestment assertion for a foreign subsidiary. This was partially offset by the recognition of previously unrecognized tax benefits related to the expiration of certain statutes of limitation.

Our income tax provision recorded for the three and nine months ended March 29, 2019 differed from the provision for income taxes that would be derived by applying the Irish statutory rate of 25% to income before income taxes, primarily due to the net effect of (i) tax benefits related to non-U.S. earnings generated in jurisdictions that are subject to tax incentive programs and are considered indefinitely reinvested outside of Ireland and (ii) a decrease in valuation allowance for certain deferred tax assets.

During the nine months ended March 29, 2019, our unrecognized tax benefits excluding interest and penalties decreased by approximately \$19 million to \$41 million. The unrecognized tax benefits that, if recognized, would impact the effective tax rate were \$41 million at March 29, 2019, subject to certain future valuation allowance reversals. During the 12 months beginning March 30, 2019, we expect that our unrecognized tax benefits could be reduced by approximately \$6 million, primarily as a result of the expiration of certain statutes of limitation.

Our income tax provision was \$12 million and \$231 million in the three and nine months ended March 30, 2018, respectively. The income tax provision for the three and nine months ended March 30, 2018 included approximately \$2 million of net discrete tax benefit and approximately \$195 million of net discrete tax expense, respectively. The discrete items for the nine months ended March 30, 2018 are primarily associated with the revaluation of U.S. deferred tax assets as a result of the enactment of the Tax Act on December 22, 2017, partially offset by the recognition of previously unrecognized tax benefits associated with the expiration of certain statutes of limitation.

Our income tax provision recorded for the nine months ended March 30, 2018 differed from the provision for income taxes that would be derived by applying the Irish statutory rate of 25% to income before income taxes, primarily due to the net effect of (i) tax benefits related to non-U.S. earnings generated in jurisdictions that are subject to tax holidays or tax incentive programs and are considered indefinitely reinvested outside of Ireland and (ii) a decrease in valuation allowance for certain deferred tax assets.

On December 22, 2017, the Tax Act was enacted into law in the United States. The Tax Act significantly revises U.S. corporate income tax law by, among other things, lowering U.S. corporate income tax rates from 35% to 21%, implementing a territorial tax system, and imposing a one-time transition tax on deemed repatriated earnings of non-U.S. subsidiaries.

The U.S. tax law changes, including limitations on various business deductions such as executive compensation under Internal Revenue Code §162(m), will not impact our tax expense in the short-term due to our large net operating loss and tax credit carryovers and associated valuation allowance. The Tax Act's new international rules, including Global Intangible Low-Taxed Income (GILTI), Foreign Derived Intangible Income (FDII), and Base Erosion Anti-Avoidance Tax (BEAT) are effective beginning in fiscal year 2019. For fiscal year 2019, we have included these effects of the Tax Act in our financial statements and concluded the impact will not be material.

As of the quarter ended September 28, 2018, pursuant to SEC Staff Accounting Bulletin (SAB) 118 (regarding the application of ASC 740 associated with the enactment of the Tax Act), we had considered SAB 118 and believed our accounting under ASC 740 for the provisions of the Tax Act was complete.

Liquidity and Capital Resources

The following sections discuss our principal liquidity requirements, as well as our sources and uses of cash and our liquidity and capital resources. Our cash and cash equivalents are maintained in investments with remaining maturities of 90 days or less at the time of purchase. Our short-term investments consist primarily of money market funds, time deposits and certificates of deposit. The principal objectives of our investment policy are the preservation of principal and maintenance of liquidity. We believe our cash equivalents and short-term investments are liquid and accessible. We operate in some countries that have restrictive regulations over the movement of cash and/or foreign exchange across their borders. However, we believe our sources of cash have been and will continue to be sufficient to meet our cash needs for the next 12 months. We are not aware of any downgrades, losses or other significant deterioration in the fair value of our cash equivalents or short-term investments and we do not believe the fair value of our short-term investments has significantly changed from the values reported as of March 29, 2019.

Table of Contents*Cash and Cash Equivalents*

(Dollars in millions)	March 29, 2019	June 29, 2018	Change
Cash and cash equivalents	\$ 1,388	\$ 1,853	\$ (465)

Our cash and cash equivalents as of March 29, 2019 decreased by \$465 million from June 29, 2018 primarily as a result of repurchases of our ordinary shares of \$613 million, dividends to our shareholders of \$539 million, repayment of our 2018 Senior Notes of \$499 million, and payments for capital expenditures of \$451 million, partially offset by net proceeds from the borrowing on the 2019 Revolving Credit Facility of \$196 million and net cash provided by operating activities.

Cash Provided by Operating Activities

Cash provided by operating activities for the nine months ended March 29, 2019 was \$1,313 million and includes the effects of net income adjusted for non-cash items including depreciation, amortization, share-based compensation and:

a decrease of \$296 million in accounts receivable, primarily due to a decrease in revenue and improved collections;

partially offset by a decrease of \$366 million in accounts payable, primarily due to lower material purchases and timing of payments; and

a decrease of \$108 million in accrued employee compensation primarily due to cash paid to our employees as part of our variable compensation plans.

Cash Used in Investing Activities

Cash used in investing activities for the nine months ended March 29, 2019 was \$359 million, primarily attributable to the payments for the purchase of property, equipment and leasehold improvements of \$451 million, offset by the proceeds from the settlement of foreign currency forward exchange contracts of \$66 million and the proceeds from the sale of properties previously classified as held for sale of \$27 million.

Cash Used in Financing Activities

Cash used in financing activities of \$1,417 million for the nine months ended March 29, 2019 was primarily attributable to the following activities:

\$613 million in payments for repurchase of our ordinary shares;

\$539 million in dividend payments;

\$499 million in repayment of our 2018 Senior Notes; and

\$30 million in payments for taxes related to net share settlement of equity awards;

partially offset by \$196 million in net proceeds from the borrowing on the 2019 revolving credit facility; and

\$68 million in proceeds from the issuance of ordinary shares under employee stock plans.

Liquidity Sources, Cash Requirements and Commitments

Our primary sources of liquidity as of March 29, 2019 consisted of: (1) approximately \$1.4 billion in cash and cash equivalents, (2) cash we expect to generate from operations, and (3) \$1.1 billion available for borrowing from our 2019 Revolving Credit Facility.

Table of Contents

On February 20, 2019, we terminated our senior unsecured revolving credit facility scheduled to expire on January 15, 2020, under which we were able to draw up to \$700 million. Upon termination, we and our subsidiary Seagate HDD Cayman entered into a new credit agreement which provides us with a \$1.3 billion senior unsecured revolving credit facility and an option to increase the facility by up to an aggregate of \$300 million provided that (i) there has been, and will be after giving effect to such increase, no default, (ii) the increase is at least \$25 million, and (iii) the existing commitments under the facility receive 0.50% most favored nation protection.

As of March 29, 2019, approximately \$200 million in borrowings had been drawn and no borrowings had been utilized for letters of credit or swing line loans issued under the 2019 Revolving Credit Facility. The 2019 Revolving Credit Facility is available for borrowings, subject to compliance with financial covenants and other customary conditions to borrowing.

The 2019 Revolving Credit Facility includes three financial covenants: (1) interest coverage ratio, (2) total leverage ratio, and (3) a minimum liquidity amount. The term of the 2019 Revolving Credit Facility is through February 20, 2024. We were in compliance with the covenants as of March 29, 2019 and expect to be in compliance for the next 12 months.

Our liquidity requirements are primarily to meet our working capital, product development and capital expenditure needs, to fund scheduled payments of principal and interest on our indebtedness, and to fund our quarterly dividend and any future strategic investments. Our ability to fund these requirements will depend on our future cash flows, which are determined by future operating performance, and therefore, subject to prevailing global macroeconomic conditions and financial, business and other factors, some of which are beyond our control.

For fiscal year 2019, we expect capital expenditures to remain within our long-term targeted range of 6% to 8% of revenue.

From time to time we may repurchase any of our outstanding notes in open market or privately negotiated purchases or otherwise, or we may repurchase outstanding notes pursuant to the terms of the applicable indenture.

Dividends declared in the March 2019 quarter of \$174 million were subsequently paid on April 3, 2019. Our Board of Directors declared a quarterly cash dividend of \$0.63 per share on April 30, 2019, which is payable on July 3, 2019 to shareholders of record at the close of business on June 19, 2019.

From time to time we may repurchase any of our outstanding ordinary shares through private, open market, tender offers broker-assisted purchases or other means. On October 29, 2018, our Board of Directors authorized the repurchase of an additional \$2.3 billion of its outstanding ordinary shares. As of March 29, 2019, \$2.5 billion remained available for repurchase under our existing repurchase authorization limit. All repurchases are effected as redemptions in accordance with our Articles of Association.

Table of Contents**Contractual Obligations and Commitments**

Our contractual cash obligations and commitments as of March 29, 2019, have been summarized in the table below:

(Dollars in millions)	Total	Fiscal Year(s)			
		Remainder of 2019	2020-2021	2022-2023	Thereafter
Contractual Cash Obligations:					
Long-term debt, including current portion	\$ 4,563	\$	\$	\$ 1,701	\$ 2,862
Interest payments on debt	1,440	55	420	388	577
Purchase obligations ⁽¹⁾	1,207	924	102	8	173
Operating leases ⁽²⁾	111	4	20	16	71
Capital expenditures	385	113	272		
Other funding requirements ⁽³⁾	13	2	11		
Subtotal	7,719	1,098	825	2,113	3,683
Commitments:					
Letters of credit or bank guarantees	105	13	92		
Total	\$ 7,824	\$ 1,111	\$ 917	\$ 2,113	\$ 3,683

(1) Purchase obligations are defined as contractual obligations for the purchase of goods or services, which are enforceable and legally binding on us, and that specify all significant terms.

(2) Includes total future minimum rent expense under non-cancelable leases for both occupied and vacated facilities (rent expense is shown net of sublease income).

(3) Consists of funding requirements related to strategic commitments.

As of March 29, 2019, we had a liability of \$41 million for unrecognized tax benefits excluding interest and penalties, of which \$3 million and an additional \$1 million of interest and penalties could result in potential cash payments, none of which is expected to be settled within one year. Outside of one year, we are unable to make a reasonably reliable estimate of when cash settlement with a taxing authority will occur.

Critical Accounting Policies

Our discussion and analysis of financial condition and results of operations are based upon our condensed consolidated financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of such statements requires us to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities as of the date of the financial statements. Our estimates are based on historical experience and other assumptions that we consider to be appropriate in the circumstances. However, actual future results may vary from our estimates.

Other than as described in Part I, Item 1. Financial Statements Note 1. Basis of Presentation and Summary of Significant Accounting Policies, there have been no other material changes in our critical accounting policies and estimates. Refer to Management's Discussion and Analysis of Financial Condition and Results of Operations contained in Part II, Item 7 of our Annual Report on Form 10-K for the fiscal year ended June 29, 2018, as filed with the SEC on August 3, 2018, for a discussion of our critical accounting policies and estimates.

Recent Accounting Pronouncements

See Part I, Item 1. Financial Statements Note 1. Basis of Presentation and Summary of Significant Accounting Policies for information regarding the effect of new accounting pronouncements on our financial statements.

Table of Contents**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

We have exposure to market risks due to the volatility of interest rates, foreign currency exchange rates, credit rating changes, equity and bond markets. A portion of these risks may be hedged, but fluctuations could impact our results of operations, financial position and cash flows.

Interest Rate Risk. Our exposure to market risk for changes in interest rates relates primarily to our cash investment portfolio including investment in debt security in Toshiba Memory Corporation (TMC , formerly known as K.K. Pangea). As of March 29, 2019, we had no other-than-temporary impairment for our investment in debt security and we had no available-for-sale debt securities that had been in a continuous unrealized loss position for a period greater than 12 months. We determined no available-for-sale debt securities were other-than-temporarily impaired as of March 29, 2019.

We have fixed rate and variable rate debt obligations. We enter into debt obligations for general corporate purposes including capital expenditures and working capital needs. Our 2019 revolving credit facility bears interest at a variable rate equal to LIBOR plus a variable margin.

The table below presents principal amounts and related weighted-average interest rates by year of maturity for our investment portfolio and debt obligations as of March 29, 2019.

(Dollars in millions, except percentages)	Fiscal Years Ended						Total	Fair Value at March 29, 2019
	2019	2020	2021	2022	2023	Thereafter		
Assets								
Cash equivalents:								
Floating rate	\$ 539	\$	\$	\$	\$	\$	\$ 539	\$ 539
Average interest rate	2.74%						2.74%	
Investment in debt security including accrued PIK income:								
Fixed rate	\$	\$	\$	\$	\$	\$ 1,300	\$ 1,300	\$ 1,322
Fixed interest rate						5.00%	5.00%	
Debt								
Fixed rate	\$	\$	\$	\$ 750	\$ 951	\$ 2,662	\$ 4,363	\$ 4,285
Average interest rate				4.25%	4.75%	4.99%	4.81%	
Variable rate	\$	\$	\$	\$	\$	\$ 200	\$ 200	\$ 200
Average interest rate						4.03%	4.03%	

Foreign Currency Exchange Risk. From time to time, we may enter into foreign currency forward exchange contracts to manage exposure related to certain foreign currency commitments and anticipated foreign currency denominated expenditures. Our policy prohibits us from entering into derivative financial instruments for speculative or trading purposes. At this time, we have not identified any material exposure associated with the potential changes related to the British vote to exit the European Union.

We hedge portions of our foreign currency denominated balance sheet positions with foreign currency forward exchange contracts to reduce the risk that our earnings will be adversely affected by changes in currency exchange rates. Our foreign currency forward exchange contracts include an aggregate notional amount of 139.5 billion Japanese Yen (\$1.3 billion at March 29, 2019 and June 29, 2018), to hedge foreign exchange fluctuations of our investment principal in non-convertible preferred stock debt security of TMC. We did not designate these contracts as

hedges under *ASC 815, Derivatives and Hedging* and, therefore, the change in fair value of these contracts is recognized in earnings in the same period as the gains and losses from the remeasurement of the assets and liabilities. All foreign currency forward exchange contracts discussed above mature within 12 months.

We evaluate hedging effectiveness prospectively and retrospectively. As of March 29, 2019, our foreign currency forward exchange contracts include a notional amount of approximately 10.1 billion Japanese Yen (\$91 million), to hedge the PIK income related to our TMC investment, out of which \$39 million is designated as a cash flow hedge and the remainder of \$52 million was de-designated and included in contracts not designated as hedges.

Table of Contents

We did not have any material net gains or losses recognized in Other expense, net for cash flow hedges due to hedge ineffectiveness or discontinued cash flow hedges during the three and nine months ended March 29, 2019.

The table below provides information as of March 29, 2019 about our foreign currency forward exchange contracts. The table is provided in U.S. dollar equivalent amounts and presents the notional amounts (at the contract exchange rates) and the weighted-average contractual foreign currency exchange rates.

(Dollars in millions, except weighted-average contract rate)	Notional Amount	Weighted- Average Contract Rate	Estimated Fair Value ⁽¹⁾
Foreign currency forward exchange contracts:			
Thai Baht	\$ 19	\$ 33.07	\$ 1
Singapore Dollar	25	1.36	
Chinese Renminbi	10	6.79	
British Pound Sterling	38	0.77	1
Japanese Yen	1,353	110.51	(22)
Total	\$ 1,445		\$ (20)

(1) Equivalent to the unrealized net gain (loss) on existing contracts.

Other Market Risks. We have exposure to counterparty credit downgrades in the form of credit risk related to our foreign currency forward exchange contracts and our fixed income portfolio. We monitor and limit our credit exposure for our foreign currency forward exchange contracts by performing ongoing credit evaluations. We also manage the notional amount of contracts entered into with any one counterparty, and we maintain limits on maximum tenor of contracts based on the credit rating of the financial institution. Additionally, the investment portfolio is diversified and structured to minimize credit risk.

Changes in our corporate issuer credit ratings have minimal impact on our near term financial results, but downgrades may negatively impact our future ability to raise capital, increase the cost of such capital and our ability to execute transactions with various counterparties.

We have an investment in debt security of \$1.3 billion carried at amortized cost. We review our debt security for impairment when events and circumstances indicate a decline in fair value of such asset below carrying value is other-than-temporary.

We are subject to equity market risks due to changes in the fair value of the notional investments selected by our employees as part of our Seagate Deferred Compensation Plan (the SDCP). In fiscal year 2014, we entered into a Total Return Swap (TRS) in order to manage the equity market risks associated with the SDCP liabilities. We pay a floating rate, based on LIBOR plus an interest rate spread, on the notional amount of the TRS. The TRS is designed to substantially offset changes in the SDCP liability due to changes in the value of the investment options made by employees. See Part I, Item 1. Financial Statements Note 7. Derivative Financial Instruments of this Quarterly Report on Form 10-Q.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

As required by the Exchange Act Rule 13a-15, as of March 29, 2019 we carried out an evaluation under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report. Based on the evaluation, our management, including our chief executive officer and chief financial officer, concluded that our disclosure controls and procedures are effective as of March 29, 2019.

Table of Contents

Changes in Internal Control over Financial Reporting

During the quarter ended March 29, 2019, there were no changes in our internal control over financial reporting that materially affected, or were reasonably likely to materially affect, our internal control over financial reporting.

PART II

OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For a discussion of legal proceedings, see Part I, Item 1. Financial Statements Note 14. Legal, Environmental and Other Contingencies of this Quarterly Report on Form 10-Q.

ITEM 1A. RISK FACTORS

There have been no material changes to the description of the risk factors associated with our business previously disclosed in Risk Factors in Part I, Item 1A in our Annual Report on Form 10-K for the fiscal year ended June 29, 2018. In addition to the other information set forth in this report, you should carefully consider the risk factors discussed in our Annual Report on Form 10-K as they could materially affect our business, financial condition and future results.

The Risk Factors are not the only risks facing us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially and adversely affect our business, financial condition or operating results.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Repurchase of Equity Securities

All repurchases are effected as redemptions in accordance with the Company's Articles of Association.

On October 29, 2018, the Company's Board of Directors authorized the repurchase of an additional \$2.3 billion of its outstanding ordinary shares. As of March 29, 2019, \$2.5 billion remained available for repurchase under the existing repurchase authorization limit. There is no expiration date on this authorization.

The following table sets forth information with respect to all repurchases of our shares made during the fiscal quarter ended March 29, 2019, including statutory tax withholdings related to vesting of employee equity awards:

(In millions, except average price paid per share)

Total Number of Shares	Average Price Paid Per Share	Total Number of Shares Repurchased as Part of	Approximate Dollar Value of Shares that
------------------------	------------------------------	---	---

	Repurchased⁽¹⁾		Publicly Announced or Programs		May Yet Be Purchased Under the Plans or Programs⁽¹⁾	
December 29, 2018 through January 25, 2019	1	\$ 39.90	1	\$ 2,815		
January 26, 2019 through February 22, 2019	2	45.46	2	2,740		
February 23, 2019 through March 29, 2019	4	46.74	4	2,544		
Total	7		7			

⁽¹⁾ Repurchase of shares including tax withholdings.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

Table of Contents

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Not applicable.

Table of Contents**ITEM 6. EXHIBITS**

Exhibit Number	Description of Exhibit	Incorporated by Reference				Filed
		Form	File No.	Exhibit	Filing Date	Herewith
3.1	<u>Constitution of Seagate Technology public limited company as amended and restated by Special Resolution dated October 19, 2016.</u>	8-K	001-31560	3.10	10/24/2016	
3.2	<u>Certificate of Incorporation of Seagate Technology plc.</u>	10-K	001-31560	3.20	8/20/2010	
10.1	<u>Credit Agreement, dated as of February 20, 2019, among Seagate Technology public limited company, Seagate HDD Cayman, as Borrower, the lending institutions thereto, The Bank of Nova Scotia, as Administrative Agent, an Arranger and a Bookrunner, Bank of America, N.A., BNP Paribas Securities Corp., and Morgan Stanley Senior Funding, Inc., as Syndication Agents, and MUFG Bank, Ltd. and Wells Fargo Bank, National Association, as Documentation Agents.</u>					X
10.2	<u>U.S. Guarantee Agreement, dated as of February 20, 2019, among Seagate Technology public limited company and the subsidiaries party thereto, as the Guarantor parties, and The Bank of Nova Scotia, as Administrative Agent.</u>					X
10.3	<u>Indemnity, Subrogation and Contribution Agreement, dated as of February 20, 2019, among Seagate Technology public limited company, Seagate HDD Cayman, as Borrower, and the subsidiary parties thereto, as the Guarantor parties, and The Bank of Nova Scotia, as Administrative Agent.</u>					X
31.1	<u>Certification of the Chief Executive Officer pursuant to rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act</u>					X

	<u>of 2002.</u>	
31.2	<u>Certification of the Chief Financial Officer pursuant to rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>	X
32.1	<u>Certification of the Chief Executive Officer and Chief Financial Officer pursuant to Rule 13a-14(b) and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act.</u>	X
101.INS	XBRL Instance Document.	X
101.SCH	XBRL Taxonomy Extension Schema Document.	X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.	X
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.	X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.	X
101.DEF	XBRL Taxonomy Extension Definition Linkbase.	X

The certifications attached as Exhibit 32.1 that accompany this Quarterly Report on Form 10-Q are not deemed filed with the Securities and Exchange Commission and are not to be incorporated by reference into any filing of Seagate Technology plc under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Form 10-Q, irrespective of any general incorporation language contained in such filing.

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**SEAGATE TECHNOLOGY PUBLIC LIMITED
COMPANY**

DATE: April 30, 2019

BY: /s/ Gianluca Romano
Gianluca Romano
Executive Vice President and Chief Financial
Officer

(Principal Financial and Accounting Officer)