

Seagate Technology plc
Form 10-Q
April 30, 2015
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 April 3, 2015

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

Edgar Filing: Seagate Technology plc - Form 10-Q

(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)

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post 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. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer:

Accelerated filer:

Non-accelerated filer:

Smaller reporting company:

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of April 28, 2015, 317,381,531 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.
<u>PART I</u>	
<u>FINANCIAL INFORMATION</u>	
<u>Item 1.</u>	3
<u>Financial Statements</u>	
<u>Condensed Consolidated Balance Sheets April 3, 2015 and June 27, 2014 (Unaudited)</u>	3
<u>Condensed Consolidated Statements of Operations Three and Nine Months ended April 3, 2015 and March 28, 2014 (Unaudited)</u>	4
<u>Condensed Consolidated Statements of Comprehensive Income Three and Nine Months ended April 3, 2015 and March 28, 2014 (Unaudited)</u>	5
<u>Condensed Consolidated Statements of Cash Flows Nine Months ended April 3, 2015 and March 28, 2014 (Unaudited)</u>	6
<u>Condensed Consolidated Statement of Shareholders Equity Nine Months ended April 3, 2015 (Unaudited)</u>	7
<u>Notes to Condensed Consolidated Financial Statements (Unaudited)</u>	8
<u>Item 2.</u>	27
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	
<u>Item 3.</u>	34
<u>Quantitative and Qualitative Disclosures About Market Risk</u>	
<u>Item 4.</u>	35
<u>Controls and Procedures</u>	
<u>PART II</u>	
<u>OTHER INFORMATION</u>	
<u>Item 1.</u>	36
<u>Legal Proceedings</u>	
<u>Item 1A.</u>	36
<u>Risk Factors</u>	
<u>Item 2.</u>	36
<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	
<u>Item 3.</u>	36
<u>Defaults Upon Senior Securities</u>	
<u>Item 4.</u>	36
<u>Mine Safety Disclosures</u>	
<u>Item 5.</u>	36
<u>Other Information</u>	
<u>Item 6.</u>	36
<u>Exhibits</u>	
<u>SIGNATURES</u>	37

Table of Contents**PART I****FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****SEAGATE TECHNOLOGY PLC****CONDENSED CONSOLIDATED BALANCE SHEETS****(In millions)****(Unaudited)**

	April 3, 2015	June 27, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,604	\$ 2,634
Short-term investments	6	20
Restricted cash and investments	4	4
Accounts receivable, net	1,769	1,729
Inventories	1,083	985
Deferred income taxes	121	126
Other current assets	244	279
Total current assets	5,831	5,777
Property, equipment and leasehold improvements, net	2,182	2,136
Goodwill	871	537
Other intangible assets, net	410	359
Deferred income taxes	499	499
Other assets, net	243	184
Total Assets	\$ 10,036	\$ 9,492
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 1,683	\$ 1,549
Accrued employee compensation	256	296
Accrued warranty	147	148
Accrued expenses	483	405
Current portion of long-term debt	474	
Total current liabilities	3,043	2,398
Long-term accrued warranty	126	125
Long-term accrued income taxes	34	90
Other non-current liabilities	185	127
Long-term debt	3,457	3,920
Total Liabilities	6,845	6,660
Commitments and contingencies (See Notes 11 and 13)		
Equity:		
Seagate Technology plc Shareholders' Equity:		
Ordinary shares and additional paid-in capital	5,696	5,511
Accumulated other comprehensive loss	(33)	(2)
Accumulated deficit	(2,472)	(2,677)
Total Seagate Technology plc Shareholders' Equity	3,191	2,832
Noncontrolling interest		

Edgar Filing: Seagate Technology plc - Form 10-Q

Total Equity		3,191		2,832
Total Liabilities and Equity	\$	10,036	\$	9,492

The information as of June 27, 2014 was derived from the Company's audited Consolidated Balance Sheet as of June 27, 2014.

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	
	April 3, 2015	March 28, 2014	April 3, 2015	March 28, 2014
Revenue	\$ 3,330	\$ 3,406	\$ 10,811	\$ 10,423
Cost of revenue	2,375	2,447	7,778	7,502
Product development	346	297	1,029	903
Marketing and administrative	219	190	654	561
Amortization of intangibles	33	26	95	71
Restructuring and other, net	14	2	24	20
Gain on arbitration award, net			(620)	
Total operating expenses	2,987	2,962	8,960	9,057
Income from operations	343	444	1,851	1,366
Interest income	1	1	4	7
Interest expense	(48)	(52)	(152)	(145)
Other, net	8	(3)	118	44
Other income (expense), net	(39)	(54)	(30)	(94)
Income before income taxes	304	390	1,821	1,272
Provision for (benefit from) income taxes	13	(5)	216	22
Net income	291	395	1,605	1,250
Less: Net income attributable to noncontrolling interest				
Net income attributable to Seagate Technology plc	\$ 291	\$ 395	\$ 1,605	\$ 1,250
Net income per share attributable to Seagate Technology plc ordinary shareholders:				
Basic	\$ 0.90	\$ 1.21	\$ 4.92	\$ 3.68
Diluted	0.88	1.17	4.81	3.56
Number of shares used in per share calculations:				
Basic	323	327	326	340
Diluted	330	338	334	351
Cash dividends declared per Seagate Technology plc ordinary share	\$ 0.54	\$ 0.43	\$ 1.51	\$ 1.24

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		For the Nine Months Ended	
	April 3, 2015	March 28, 2014	April 3, 2015	March 28, 2014
Net income	\$ 291	\$ 395	\$ 1,605	\$ 1,250
Other comprehensive income (loss), net of tax:				
Cash flow hedges				
Change in net unrealized gain (loss) on cash flow hedges	(3)	1	(12)	
Less: reclassification for amounts included in net income	7		9	
Net change	4	1	(3)	
Marketable securities				
Change in net unrealized gain (loss) on marketable securities				1
Less: reclassification for amounts included in net income				
Net change				1
Post-retirement plans				
Change in unrealized gain (loss) on post-retirement plans				1
Less: reclassification for amounts included in net income				
Net change				1
Foreign currency translation adjustments	(12)	4	(28)	9
Total other comprehensive income (loss), net of tax	(8)	5	(31)	11
Comprehensive income	283	400	1,574	1,261
Less: Comprehensive income attributable to noncontrolling interest				
Comprehensive income attributable to Seagate Technology plc	\$ 283	\$ 400	\$ 1,574	\$ 1,261

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	
	April 3, 2015	March 28, 2014
OPERATING ACTIVITIES		
Net income	\$ 1,605	\$ 1,250
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	629	668
Share-based compensation	106	87
Deferred income taxes	(3)	(17)
(Gain) loss on sale of property and equipment	1	(6)
Gain on sale of investments		(32)
Loss on redemption and repurchase of debt	52	7
Other non-cash operating activities, net	(9)	16
Changes in operating assets and liabilities:		
Restricted cash and investments		104
Accounts receivable, net	(36)	32
Inventories	(61)	8
Accounts payable	149	(274)
Accrued employee compensation	(40)	(123)
Accrued expenses, income taxes and warranty	(9)	16
Vendor non-trade receivables	30	204
Other assets and liabilities	5	41
Net cash provided by operating activities	2,419	1,981
INVESTING ACTIVITIES		
Acquisition of property, equipment and leasehold improvements	(546)	(428)
Proceeds from the sale of strategic investments		72
Purchases of short-term investments	(5)	(87)
Sales of short-term investments	4	463
Maturities of short-term investments	19	61
Cash used in acquisition of business	(450)	
Other investing activities, net	(90)	(29)
Net cash (used in) provided by investing activities	(1,068)	52
FINANCING ACTIVITIES		
Redemption and repurchase of debt	(536)	(64)
Net proceeds from issuance of long-term debt	498	791
Repurchases of ordinary shares	(907)	(1,886)
Dividends to shareholders	(493)	(417)
Proceeds from issuance of ordinary shares under employee stock plans	91	98
Other financing activities, net	(12)	(5)
Net cash used in financing activities	(1,359)	(1,483)
Effect of foreign currency exchange rate changes on cash and cash equivalents	(22)	1
Increase (decrease) in cash and cash equivalents	(30)	551
Cash and cash equivalents at the beginning of the period	2,634	1,708
Cash and cash equivalents at the end of the period	\$ 2,604	\$ 2,259

Edgar Filing: Seagate Technology plc - Form 10-Q

See Notes to Condensed Consolidated Financial Statements.

Table of Contents

SEAGATE TECHNOLOGY PLC
CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS EQUITY

For the Nine Months Ended April 3, 2015

(In millions)

(Unaudited)

	Seagate Technology plc Ordinary Shareholders							Noncontrolling Interest
	Total Equity	Number of Ordinary Shares	Par Value of Shares	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total	
Balance at June 27, 2014	\$ 2,832	327	\$	\$ 5,511	\$ (2)	\$ (2,677)	\$ 2,832	\$
Net income	1,605					1,605	1,605	
Other comprehensive income (loss)	(31)				(31)		(31)	
Issuance of ordinary shares under employee stock plans	91	6		91			91	
Repurchases of ordinary shares	(907)	(15)				(907)	(907)	
Dividends to shareholders	(493)					(493)	(493)	
Share-based compensation	106			106			106	
Other	(12)			(12)			(12)	
Balance at April 3, 2015	\$ 3,191	318	\$	\$ 5,696	\$ (33)	\$ (2,472)	\$ 3,191	\$

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

The Company is a leading provider of electronic data storage solutions. Its principal products are hard disk drives, commonly referred to as disk drives, hard drives or HDDs. Hard disk drives are devices that store digitally encoded data on rapidly rotating disks with magnetic surfaces. Disk drives are used as the primary medium for storing electronic data. In addition to HDDs, we produce a broad range of electronic data storage products including solid state hybrid drives (SSHD) and solid state drives (SSD).

The Company's products are designed for enterprise servers and storage systems in mission critical and nearline applications; client compute applications, where its products are designed primarily for desktop and mobile computing; and client non-compute applications, where its products are designed for a wide variety of end user devices such as digital video recorders (DVRs), personal data backup systems, portable external storage systems and digital media systems.

The Company continues to make strategic investments in order to expand its storage solutions, enter new market adjacencies, and expand its technical expertise. As a result of recent acquisitions, the Company's product and solution portfolio for the enterprise data storage industry includes storage enclosures, integrated application platforms and high performance computing (HPC) data storage solutions. The Company's storage subsystems supports a range of high-speed interconnect technologies to meet demanding cost and performance specifications. The Company's modular subsystem architecture allows it to support many segments within the networked storage market by enabling different specifications of storage subsystem designs to be created from a standard set of interlocking technology modules.

In addition to manufacturing and selling data storage products, the Company provides data storage services for small to medium-sized businesses, including online backup, data protection and recovery solutions.

Basis of Presentation and Consolidation

The 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.

Edgar Filing: Seagate Technology plc - Form 10-Q

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 27, 2014, are included in its Annual Report on Form 10-K as filed with the United States Securities and Exchange Commission (SEC) on August 7, 2014. 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 27, 2014, and the notes thereto, are adequate to make the information presented not misleading.

The results of operations for the three and nine months ended April 3, 2015, are not necessarily indicative of the results of operations to be expected for any subsequent interim period in the Company's fiscal year ending July 3, 2015. The Company operates and reports financial results on a fiscal year of 52 or 53 weeks ending on the Friday closest to June 30. The three and nine months ended April 3, 2015 consisted of 13 weeks and 40 weeks, respectively. The three and nine months ended March 28, 2014 consisted of 13 weeks and 39 weeks, respectively. Fiscal year 2015 will be comprised of 53 weeks and will end on July 3, 2015. The fiscal quarters ended April 3, 2015, January 2, 2015, and March 28, 2014, are also referred to herein as the March 2015 quarter, the December 2014 quarter, and the March 2014 quarter, respectively.

Summary of Significant Accounting Policies

There have been no significant changes in our significant accounting policies. Please refer to Note 1 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 27, 2014, as filed with the SEC on August 7, 2014 for a discussion of the Company's other significant accounting policies.

Table of Contents*Recently Issued Accounting Pronouncements*

In May 2014, the FASB issued ASU 2014-09 (ASC Topic 606), *Revenue from Contracts with Customers*. The ASU outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. 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. The ASU, as currently proposed, will be effective for the Company's first quarter of fiscal year 2019. The Company is in the process of assessing the impact, if any, of ASU 2014-09 on its consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03 (ASC Subtopic 835-30), *Interest-Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs*. The amendments in this ASU require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability. The amendments in this ASU are effective for fiscal years, and interim periods within those years, beginning after December 15, 2015. Early adoption is permitted for financial statements that have not been previously issued. The adoption of this new guidance will not have a material impact on the Company's consolidated financial statements and disclosures.

2. Balance Sheet Information*Investments*

The following table summarizes, by major type, the fair value and amortized cost of the Company's investments as of April 3, 2015:

(Dollars in millions)	Amortized Cost	Unrealized Gain/(Loss)	Fair Value
Available-for-sale securities:			
Money market funds	\$ 705	\$	\$ 705
Corporate bonds	6		6
Certificates of deposit	1,485		1,485
	\$ 2,196	\$	\$ 2,196
Included in Cash and cash equivalents			\$ 2,186
Included in Short-term investments			6
Included in Restricted cash and investments			4
Total			\$ 2,196

As of April 3, 2015, the Company's Restricted cash and investments consisted of \$4 million in cash and investments held as collateral at banks for various performance obligations.

Edgar Filing: Seagate Technology plc - Form 10-Q

As of April 3, 2015, the Company had no available-for-sale securities that had been in a continuous unrealized loss position for a period greater than 12 months. The Company determined that no available-for-sale securities were other-than-temporarily impaired as of April 3, 2015.

The fair value and amortized cost of the Company's investments classified as available-for-sale at April 3, 2015, by remaining contractual maturity were as follows:

(Dollars in millions)	Amortized Cost		Fair Value	
Due in less than 1 year	\$	2,190	\$	2,190
Due in 1 to 5 years		6		6
Thereafter				
Total	\$	2,196	\$	2,196

Edgar Filing: Seagate Technology plc - Form 10-Q

Table of Contents

The following table summarizes, by major type, the fair value and amortized cost of the Company's investments as of June 27, 2014:

(Dollars in millions)	Amortized Cost	Unrealized Gain/(Loss)	Fair Value
Available-for-sale securities:			
Money market funds	\$ 793	\$	\$ 793
Commercial paper	1,261		1,261
Corporate bonds	6		6
Certificates of deposit	273		273
Total	\$ 2,333	\$	\$ 2,333
Included in Cash and cash equivalents			
			\$ 2,309
Included in Short-term investments			
			20
Included in Restricted cash and investments			
			4
Total			\$ 2,333

As of June 27, 2014, the Company had no 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 27, 2014.

Inventories

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

(Dollars in millions)	April 3, 2015	June 27, 2014
Raw materials and components	\$ 366	\$ 324
Work-in-process	288	267
Finished goods	429	394
	\$ 1,083	\$ 985

Property, Equipment and Leasehold Improvements, net

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

(Dollars in millions)	April 3, 2015	June 27, 2014
Property, equipment and leasehold improvements	\$ 9,403	\$ 8,979
Accumulated depreciation and amortization	(7,221)	(6,843)
	\$ 2,182	\$ 2,136

Table of Contents*Accumulated Other Comprehensive Income (Loss) (AOCI)*

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

(Dollars in millions)	Unrealized Gains (Losses) on Cash Flow Hedges	Unrealized Gains (Losses) on Marketable Securities (a)	Unrealized Gains (Losses) on post- retirements	Foreign currency translation adjustments	Total
Balance at June 27, 2014	\$ (1)	\$	\$ (10)	\$ 9	\$ (2)
Other comprehensive income (loss) before reclassifications	(12)			(28)	(40)
Amounts reclassified from AOCI	9				9
Other comprehensive income (loss)	(3)			(28)	(31)
Balance at April 3, 2015	\$ (4)	\$	\$ (10)	\$ (19)	\$ (33)
Balance at June 28, 2013	\$	\$ (3)	\$ (10)	\$	\$ (13)
Other comprehensive income (loss) before reclassifications		1	1	9	11
Amounts reclassified from AOCI					
Other comprehensive income (loss)		1	1	9	11
Balance at March 28, 2014	\$	\$ (2)	\$ (9)	\$ 9	\$ (2)

(a) The cost of a security sold or the amount reclassified out of AOCI into earnings was determined using specific identification.

3. Debt

Short-Term Borrowings

On January 15, 2015, the Company and its subsidiary, Seagate HDD Cayman, entered into the Third Amendment to the 2011 Credit Agreement which increased the commitments available under the senior secured revolving credit facility (the Revolving Credit Facility) from \$500 million to \$700 million and also extended the maturity date on the Credit Agreement until January 15, 2020, provided that if the Company does not have Investment Grade Ratings (as defined in the Credit Agreement) on August 15, 2018, then the maturity date will be August 16, 2018 unless certain extension conditions have been satisfied. The loans made under the Credit Agreement 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 of its material subsidiaries fully and unconditionally guarantee the Revolving Credit Facility. The Revolving Credit Facility is available for cash borrowings and for the issuance of letters of credit up to a sub-limit of \$75 million. As of April 3, 2015, no borrowings had been drawn or letters of credit utilized under the Revolving Credit Facility.

Long-Term Debt

\$600 million Aggregate Principal Amount of 6.8% Senior Notes due October 2016 (the 2016 Notes). The interest on the 2016 Notes was payable semi-annually on April 1 and October 1 of each year. The issuer under the 2016 Notes was Seagate HDD Cayman, and the obligations under the 2016 Notes were unconditionally guaranteed by certain of the Company's significant subsidiaries. During the December 2014 quarter, the 2016 Notes were fully extinguished through repurchase and redemption for cash at a premium to their principal amount, plus accrued and unpaid interest.

\$800 million Aggregate Principal Amount of 3.75% Senior Notes due November 2018 (the 2018 Notes). The interest on the 2018 Notes is payable semi-annually on May 15 and November 15 of each year. The issuer under the 2018 Notes is Seagate HDD Cayman, and the obligations under the 2018 Notes are fully and unconditionally guaranteed, on a senior unsecured basis, by the Company.

\$600 million Aggregate Principal Amount of 6.875% Senior Notes due May 2020 (the 2020 Notes). The interest on the 2020 Notes is payable semi-annually on May 1 and November 1 of each year. The issuer under the 2020 Notes is Seagate HDD Cayman, and the obligations under the 2020 Notes are fully and unconditionally guaranteed, on a senior unsecured basis, by the Company. During the March 2015 quarter, the Company repurchased \$1 million aggregate principal amount of its 2020 Notes for cash at a premium to their principal amount, plus accrued and unpaid interest. On April 7, 2015, Seagate HDD Cayman announced that it will redeem all of its remaining outstanding 2020 Notes. The Notes will be redeemed on May 7, 2015 (the Redemption Date) at a redemption price equal to \$1,034.38 per \$1,000 principal amount of the 2020 Notes redeemed plus accrued and unpaid interest from the interest payment date of May 1, 2015 to the Redemption Date. As a result, the 2020 Notes are classified as Current portion of long-term debt on the Company's Condensed Consolidated Balance Sheet at April 3, 2015.

Edgar Filing: Seagate Technology plc - Form 10-Q

Table of Contents

\$600 million Aggregate Principal Amount of 7.00% Senior Notes due November 2021 (the 2021 Notes) . The interest on the 2021 Notes is payable semi-annually on January 1 and July 1 of each year. The issuer under the 2021 Notes is Seagate HDD Cayman, and the obligations under the 2021 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.

\$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, which commenced on January 1, 2015. 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.

\$500 million Aggregate Principal Amount of 5.75% Senior Notes due December 1, 2034 (the 2034 Notes) . On December 2, 2014, Seagate HDD Cayman issued, in a private placement, \$500 million in aggregate principal amount of 5.75% Senior Notes due 2034 which mature on December 1, 2034. The interest on the Notes is payable semi-annually on June 1 and December 1 of each year, commencing on June 1, 2015. At any time before June 1, 2034, Seagate HDD Cayman may redeem some or all of the Notes at a make-whole redemption price. The make-whole redemption price will be equal to (1) 100% of the principal amount of the Notes redeemed, plus (2) the excess, if any of (x) the sum of the present values of the remaining scheduled payments of principal and interest on the Notes being redeemed, discounted to the redemption date on a semi-annual basis at a rate equal to the sum of the Treasury Rate plus 50 basis points, minus accrued and unpaid interest, if any, on the Notes being redeemed to, but excluding, the redemption date over (y) the principal amount of the Notes being redeemed, plus (3) accrued and unpaid interest, if any, on the Notes being redeemed to, but excluding, the redemption date. At any time on or after June 1, 2034, the Company may redeem some or all of the Notes at a redemption price equal to 100% of the principal amount of the Notes redeemed, plus accrued and unpaid interest, if any, to, but excluding, the redemption date. 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 April 3, 2015, future principal payments on long-term debt were as follows (in millions):

Fiscal Year	Amount
Remainder of 2015	\$ 474
2016	
2017	
2018	
2019	800
Thereafter	2,659
	\$ 3,933

4. Income Taxes

The Company recorded an income tax provision of \$13 million and \$216 million in the three and nine months ended April 3, 2015, respectively. The income tax provision for the nine months ended April 3, 2015, included approximately \$181 million of net tax expense due to the final audit

Edgar Filing: Seagate Technology plc - Form 10-Q

assessment received from the Jiangsu Province State Tax Bureau of the People's Republic of China (China assessment) for calendar years 2007 through 2013.

The Company's income tax provision recorded for the three and nine months ended April 3, 2015 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, (ii) tax expense associated with the China assessment recorded in the three months ended January 2, 2015, and (iii) a decrease in valuation allowance for certain U.S. deferred tax assets.

During the nine months ended April 3, 2015, the Company's unrecognized tax benefits excluding interest and penalties decreased by \$39 million primarily due to (i) reductions associated with audit settlements of \$45 million, (ii) increases in current year unrecognized tax benefits of \$8 million, (iii) reductions associated with the expiration of certain statutes of limitations of \$4 million, and (iv) net increases associated with changes in prior years' positions of \$2 million.

Table of Contents

The unrecognized tax benefits that, if recognized, would impact the effective tax rate were \$76 million at April 3, 2015, subject to certain future valuation allowance reversals. During the 12 months beginning April 4, 2015, the Company expects that its unrecognized tax benefits could be reduced by approximately \$3 million as a result of the expiration of certain statutes of limitation.

The Company is subject to taxation in many jurisdictions globally and is required to file U.S. federal, U.S. state and non-U.S. income tax returns. In June 2014, the Company received the Revenue Agent's Report and Notices of Proposed Adjustments for its U.S. federal income tax returns for fiscal years 2008, 2009 and 2010. The Company is currently contesting certain of these proposed adjustments through the IRS Appeals Office. The Company believes that the resolution of these disputed issues will not have a material impact on its financial statements. As discussed above, on December 31, 2014, the Company received the final audit assessment from the Jiangsu Province State Tax Bureau of the People's Republic of China. The assessment was related to tax and interest associated with changes to the Company's tax filings for calendar years 2007 through 2013.

The Company recorded an income tax benefit and an income tax provision of \$5 million and \$22 million in the three and nine months ended March 28, 2014, respectively. The income tax benefit for the three months ended March 28, 2014 included \$14 million of net discrete tax benefits related to releases of tax reserves due to audit settlements. The income tax provision recorded for the nine months ended March 28, 2014 included \$7 million of net discrete tax benefits for the reversal of a portion of the U.S. valuation allowance recorded in prior periods and a net decrease in tax reserves related to audit settlements offset by tax reserves on non-U.S. tax positions taken in prior fiscal years.

The Company's income tax provision recorded for the three and nine months ended March 28, 2014 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 U.S. deferred tax assets.

5. Acquisitions

LSI's Flash Business

On September 2, 2014, the Company completed the acquisition of certain assets and liabilities of LSI Corporation's (LSI) Accelerated Solutions Division and Flash Components Division (collectively, the Flash Business) from Avago Technologies Limited for \$450 million in cash. The transaction is expected to strengthen Seagate's strategy to deliver a full suite of storage solutions, providing Seagate with established enterprise PCIe flash and SSD controller capabilities to deliver solutions for the growing flash storage market.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the acquisition date:

(Dollars in millions)	Amount
Inventories	\$ 37
Property, plant and equipment	22

Edgar Filing: Seagate Technology plc - Form 10-Q

Intangible assets	141
Other assets	6
Goodwill	337
Total assets	543
Liabilities	(93)
Total liabilities	(93)
Total	\$ 450

Edgar Filing: Seagate Technology plc - Form 10-Q

Table of Contents

The following table shows the fair value of the separately identifiable intangible assets at the time of acquisition and the weighted-average period over which intangible assets within each category will be amortized:

(Dollars in millions)	Fair Value	Weighted-Average Amortization Period
Existing technology	\$ 84	3.5 years
Customer relationships	40	3.8 years
Trade names	17	4.5 years
Total acquired identifiable intangible assets	\$ 141	

The goodwill recognized is primarily attributable to the benefits the Company expects to derive from enhanced market opportunities, and is not deductible for income tax purposes.

The Company incurred approximately \$1 million of expenses related to the acquisition of LSI's Flash Business during the nine months ended April 3, 2015, which are included within Marketing and administrative expense on the Consolidated Statement of Operations.

The amounts of revenue and earnings of LSI's Flash Business included in the Company's Consolidated Statement of Operations from the acquisition date are not significant.

Xyratex Ltd

On March 31, 2014, the Company acquired all of the outstanding shares of Xyratex Ltd (Xyratex), a leading provider of data storage technology. The Company paid \$13.25 per share, or approximately \$376 million in cash for the acquisition. The acquisition of Xyratex further strengthens the Company's vertically integrated supply and manufacturing chain for disk drives and provides access to important capital requirements, as well as expands the Company's storage solutions portfolio.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the acquisition date:

(Dollars in millions)	Amount
Cash and cash equivalents	\$ 91
Accounts receivable, net	67
Inventories	111
Other current and non-current assets	28
Property, plant and equipment	55
Intangible assets	80
Goodwill	60

Edgar Filing: Seagate Technology plc - Form 10-Q

Total assets	492
Accounts payable and accrued expenses	(116)
Total liabilities	(116)
Total	\$ 376

The accounts receivable of \$67 million are net of an immaterial allowance at March 31, 2014.

The following table shows the fair value of the separately identifiable intangible assets at the time of acquisition and the weighted-average period over which intangible assets within each category will be amortized:

(Dollars in millions)	Fair Value	Weighted-Average Amortization Period
Existing technology	\$ 23	5.5 years
Customer relationships	18	3.9 years
Total amortizable intangible assets acquired	41	4.8 years
In-process research and development	39	
Total acquired identifiable intangible assets	\$ 80	

Table of Contents

The goodwill recognized is primarily attributable to the synergies expected to arise from the acquisition, and is not deductible for income tax purposes.

The Company incurred a total of \$10 million of expenses related to the acquisition of Xyratex in fiscal year 2014, which are included within Marketing and administrative expense on the Consolidated Statement of Operations.

The amounts of revenue and earnings of Xyratex included in the Company's Consolidated Statement of Operations from the acquisition date are not significant.

6. **Goodwill and Other Intangible Assets**

Goodwill

The changes in the carrying amount of goodwill for the nine months ended April 3, 2015, are as follows:

(Dollars in millions)	Amount
Balance at June 27, 2014	\$ 537
Goodwill acquired	337
Foreign currency translation effect	(3)
Balance at April 3, 2015	\$ 871

Other Intangible Assets

Other intangible assets consist primarily of existing technology, customer relationships, in-process research and development and trade names acquired in business combinations. With the exception of in-process research and development, acquired 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 Condensed Consolidated Statements of Operations. In-process research and development has been determined to have an indefinite useful life and is not amortized, but instead tested for impairment annually or more frequently if events or changes in circumstance indicate that the asset might be impaired. If the carrying amount of in-process research and development exceeds its fair value, an impairment loss is recognized in an amount equal to that excess. There were no impairment charges recognized for in-process research and development. Upon completion of the in-process research and development, the related assets will be accounted for as existing technology and will be amortized over their useful life.

The carrying value of other intangible assets subject to amortization as of April 3, 2015, is set forth in the following table:

Edgar Filing: Seagate Technology plc - Form 10-Q

(Dollars in millions)	Gross Carrying Amount		Accumulated Amortization		Net Carrying Amount	Weighted Average Remaining Useful Life
Existing technology	\$ 173	\$	(55)	\$	118	3.6 years
Customer relationships	486		(259)		227	2.6 years
Trade names	27		(5)		22	3.4 years
Other intangible assets	28		(3)		25	4.4 years
Total amortizable other intangible assets	\$ 714	\$	(322)	\$	392	3.1 years

The carrying value of in-process research and development not subject to amortization was \$18 million on April 3, 2015.

The carrying value of other intangible assets subject to amortization as of June 27, 2014 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	\$ 68	\$	(18)	\$	50	2.9 years
Customer relationships	450		(192)		258	3.3 years
Trade names	10		(1)		9	3.1 years
Other intangible assets	4		(1)		3	4.4 years
Total amortizable other intangible assets	\$ 532	\$	(212)	\$	320	3.2 years

The carrying value of in-process research and development not subject to amortization was \$39 million on June 27, 2014.

Edgar Filing: Seagate Technology plc - Form 10-Q

Table of Contents

For the three and nine months ended April 3, 2015, amortization expense of other intangible assets was \$40 million and \$112 million. For the three and nine months ended March 28, 2014, amortization expense of other intangible assets was \$26 million and \$103 million. As of April 3, 2015, expected amortization expense for other intangible assets for each of the next five fiscal years and thereafter is as follows:

(Dollars in millions)	Amount	
Remainder of 2015	\$	40
2016		139
2017		120
2018		60
2019		22
Thereafter		11
	\$	392

7. Derivative Financial Instruments

The Company is exposed to market risks due to the volatility of interest rates, foreign currency exchange rates, and bond markets. The Company enters into foreign currency forward exchange contracts to manage the foreign currency exchange rate risk on forecasted expenses denominated in foreign currencies and to mitigate the remeasurement risk of certain foreign currency denominated liabilities. 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 the Condensed Consolidated Balance Sheets at fair value. The changes in the fair values of the effective portions of designated cash flow hedges are recorded in Accumulated other comprehensive income (loss) until the hedged item is recognized in earnings. Derivatives that are not designated as hedging instruments and the ineffective portions of cash flow hedges are adjusted to fair value through earnings. The amount of net unrealized losses on cash flow hedges was \$4 million and \$1 million as of April 3, 2015 and June 27, 2014, respectively.

The Company dedesignates its cash flow hedges when the forecasted hedged transactions are realized 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 income (loss) are reclassified immediately into earnings and any subsequent changes in the fair value of such derivative instruments are immediately reflected in earnings. 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 April 3, 2015. As of April 3, 2015, the Company's existing foreign currency forward exchange contracts mature within 12 months. The deferred amount currently recorded in Accumulated other comprehensive income (loss) expected to be recognized into earnings over the next 12 months is \$5 million.

The following tables show the total notional value of the Company's outstanding foreign currency forward exchange contracts as of April 3, 2015 and June 27, 2014:

(Dollars in millions)	As of April 3, 2015	
	Contracts Designated as Hedges	Contracts Not Designated as Hedges
Thai Baht	\$	\$ 36
Singapore Dollars		80 41
Chinese Renminbi		31 16

Edgar Filing: Seagate Technology plc - Form 10-Q

Euro				11
	\$	111	\$	104

Edgar Filing: Seagate Technology plc - Form 10-Q

Table of Contents

(Dollars in millions)	As of June 27, 2014	
	Contracts Designated as Hedges	Contracts Not Designated as Hedges
Thai Baht	\$	\$ 143
British Pound Sterling	25	
Malaysian Ringgit	9	
	\$ 34	\$ 143

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 the quarter ended December 27, 2013, 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 April 3, 2015, the notional investments underlying the TRS amounted to \$98 million. The contract term of the TRS is through January 2016 and is settled on a monthly basis, therefore limiting counterparty performance risk. The Company did 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 fair value as reflected in the Condensed Consolidated Balance Sheet as of April 3, 2015 and June 27, 2014:

(Dollars in millions)	As of April 3, 2015			
	Asset Derivatives		Liability Derivatives	
	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	\$ (5)
Derivatives not designated as hedging instruments:				
Foreign currency forward exchange contracts	Other current assets	\$	Accrued expenses	\$ (3)
Total return swap	Other current assets		Accrued expenses	
Total derivatives		\$		\$ (8)

(Dollars in millions)	As of June 27, 2014			
	Asset Derivatives		Liability Derivatives	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments:				
Foreign currency forward exchange contracts	Other current assets	\$ 3	Accrued expenses	\$
Derivatives not designated as hedging instruments:				
Foreign currency forward exchange contracts	Other current assets	\$ 2	Accrued expenses	\$
Total return swap			Accrued expenses	

Edgar Filing: Seagate Technology plc - Form 10-Q

	Other current assets			
Total derivatives		\$	5	\$

Edgar Filing: Seagate Technology plc - Form 10-Q

Table of Contents

The following tables show the effect of the Company's derivative instruments on the Condensed Consolidated Statement of Comprehensive Income and the Condensed Consolidated Statement of Operations for the three and nine months ended April 3, 2015:

(Dollars in millions)

	Amount of Gain or (Loss) Recognized in OCI on Derivatives (Effective Portion)		Location of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)		Location of Gain or (Loss) Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Amount of Gain or (Loss) Recognized in Income (Ineffective Portion and Amount Excluded from Effectiveness Testing) (a)	
	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	\$ (3)	\$ (13)	Cost of revenue	\$ (7)	\$ (9)	Cost of revenue	\$ 1	\$ 1

Derivatives Not Designated as Hedging Instruments	Location of Gain or (Loss) Recognized in Income on Derivative	Amount of Gain or (Loss) Recognized in Income on Derivative	
		For the Three Months	For the Nine Months
Foreign currency forward exchange contracts	Other, net	\$ 1	\$ (4)
Total return swap	Operating expenses	\$ 2	\$ 2

(a) The amount of gain or (loss) recognized in income represents \$0 related to the ineffective portion of the hedging relationships and \$1 million related to the amount excluded from the assessment of hedge effectiveness for the three and nine months ended April 3, 2015, respectively.

The following tables show the effect of the Company's derivative instruments on the Condensed Consolidated Statement of Comprehensive Income and the Condensed Consolidated Statement of Operations for the three and nine months ended March 28, 2014:

(Dollars in millions)

Amount of Gain or (Loss) Recognized in OCI on	Location of Gain or (Loss) Reclassified from Accumulated	Amount of Gain or (Loss) Reclassified from	Location of Gain or (Loss) Recognized in Income on Derivatives	Amount of Gain or (Loss) Recognized in Income
---	--	--	--	---

Edgar Filing: Seagate Technology plc - Form 10-Q

Derivatives Designated as Hedging Instruments	Derivatives (Effective Portion)		OCI into	Accumulated OCI into Income (Effective Portion)		(Ineffective Portion and Amount Excluded	(Ineffective Portion and Amount Excluded from Effectiveness Testing) (a)	
	For the Three Months	For the Nine Months	Income (Effective Portion)	For the Three Months	For the Nine Months	from Effectiveness Testing)	For the Three Months	For the Nine Months
Foreign currency forward exchange contracts	\$ 1	\$	Cost of revenue	\$	\$	Cost of revenue	\$	\$

Table of Contents

Derivatives Not Designated as Hedging Instruments	Location of Gain or (Loss) Recognized in Income on Derivatives	Amount of Gain or (Loss) Recognized in Income on Derivatives	
		For the Three Months	For the Nine Months
Foreign currency forward exchange contracts	Other, net	\$ 1	\$ (4)

(a) The amount of gain or (loss) recognized in income represents \$0 related to the ineffective portion of the hedging relationship and \$0 related to the amount excluded from the assessment of hedge effectiveness for the three and nine months ended March 28, 2014.

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.

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 reflects 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:

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.

Edgar Filing: Seagate Technology plc - Form 10-Q

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.

Table of Contents*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 April 3, 2015:

(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	\$ 705	\$	\$	\$ 705
Certificates of deposit		1,481		1,481
Corporate bonds		6		6
Total cash equivalents and short-term investments	705	1,487		2,192
Restricted cash and investments:				
Certificates of deposit		4		4
Total assets	\$ 705	\$ 1,491	\$	\$ 2,196
Liabilities:				
Derivative liabilities	\$	\$ 8	\$	\$ 8
Total liabilities	\$	\$ 8	\$	\$ 8

(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	\$ 705	\$ 1,481	\$	\$ 2,186
Short-term investments		6		6
Restricted cash and investments		4		4
Total assets	\$ 705	\$ 1,491	\$	\$ 2,196
Liabilities:				
Accrued expenses	\$	\$ 8	\$	\$ 8
Total liabilities	\$	\$ 8	\$	\$ 8

Table of Contents

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 27, 2014:

(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	\$ 793	\$	\$	\$ 793
Commercial paper		1,261		1,261
Certificates of deposit		269		269
Corporate bonds		6		6
Total cash equivalents and short-term investments	793	1,536		2,329
Restricted cash and investments:				
Certificates of deposit		4		4
Derivative assets		5		5
Total assets	\$ 793	\$ 1,545	\$	\$ 2,338
Liabilities:				
Derivative liabilities	\$	\$	\$	\$
Total liabilities	\$	\$	\$	\$

(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	\$ 793	\$ 1,516	\$	\$ 2,309
Short-term investments		20		20
Restricted cash and investments		4		4
Other assets, net		5		5
Total assets	\$ 793	\$ 1,545	\$	\$ 2,338
Liabilities:				
Accrued expenses	\$	\$	\$	\$
Total liabilities	\$	\$	\$	\$

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

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 and U.S. Treasuries. 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 values 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

Edgar Filing: Seagate Technology plc - Form 10-Q

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 April 3, 2015, 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.

Table of Contents

The Company enters into certain strategic investments for the achievement of business and strategic objectives. Strategic investments in equity securities where the Company does not have the ability to exercise significant influence over the investees, are included in Other assets, net in the Condensed Consolidated Balance Sheets, are recorded at cost and are periodically analyzed to determine whether or not there are indicators of impairment. The carrying value of the Company's strategic investments at April 3, 2015 and June 27, 2014 totaled \$105 million and \$46 million, respectively, and consisted primarily of privately held equity securities without a readily determinable fair value.

Other Fair Value Disclosures

The Company's debt is carried at amortized cost. The fair value of the Company's debt is derived using the closing price 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 in order of maturity:

(Dollars in millions)	April 3, 2015		June 27, 2014	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
6.8% Senior Notes due October 2016	\$	\$	\$ 335	\$ 374
3.75% Senior Notes due November 2018	800	832	800	820
6.875% Senior Notes due May 2020	474	492	534	578
7.00% Senior Notes due November 2021	159	172	251	284
4.75% Senior Notes due June 2023	1,000	1,052	1,000	1,009
4.75% Senior Notes due January 2025	1,000	1,040	1,000	995
5.75% Senior Notes due December 2034	498	542		
Long-term debt	\$ 3,931	\$ 4,130	\$ 3,920	\$ 4,060

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 318,076,549 shares were outstanding as of April 3, 2015, and 100,000,000 preferred shares, par value \$0.00001, of which none were issued or outstanding as of April 3, 2015.

Ordinary shares Holders of ordinary shares are entitled to receive dividends when and as 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.

Edgar Filing: Seagate Technology plc - Form 10-Q

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

On July 24, 2013, the Board of Directors authorized the Company to repurchase an additional \$2.5 billion of its outstanding ordinary shares.

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

Table of Contents

As of April 3, 2015, \$0.6 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 April 3, 2015:

(In millions)	Number of Shares Repurchased	Dollar Value of Shares Repurchased
Repurchased during the three months ended October 3, 2014	3	\$ 183
Repurchased during the three months ended January 2, 2015 (1)	0	18
Repurchased during the three months ended April 3, 2015	12	706
Fiscal year repurchased through April 3, 2015	15	\$ 907

(1) A total of 0.3 million shares were repurchased during the three months ended January 2, 2015.

On April 22, 2015, the Board of Directors authorized the Company to repurchase an additional \$2.5 billion of its outstanding ordinary shares.

10. Compensation

The Company recorded approximately \$33 million and \$106 million of stock-based compensation expense during the three and nine months ended April 3, 2015, respectively. The Company recorded approximately \$30 million and \$87 million of stock-based compensation expense during the three and nine months ended March 28, 2014, respectively.

11. Guarantees

Indemnifications to 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

Edgar Filing: Seagate Technology plc - Form 10-Q

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.

On July 3, 2010, pursuant to a corporate reorganization, the common shareholders of Seagate-Cayman became ordinary shareholders of Seagate Technology plc (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 of a Deed Indemnitee's indemnification rights under the Company's Articles of Association, applicable law or otherwise, with a similar scope to the Revised Indemnification Agreement. Seagate-Cayman entered into the Deed of Indemnity with certain Deed Indemnitees effective as of July 3, 2010 and continues to enter into the Deed 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 accompanying consolidated financial statements with respect to these indemnification obligations.

Table of Contents*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 accompanying 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 April 3, 2015 and March 28, 2014 were as follows:

(Dollars in millions)	For the Three Months Ended		For the Nine Months Ended	
	April 3, 2015	March 28, 2014	April 3, 2015	March 28, 2014
Balance, beginning of period	\$ 282	\$ 300	\$ 273	\$ 320
Warranties issued	36	43	116	139
Repairs and replacements	(45)	(55)	(145)	(174)
Changes in liability for pre-existing warranties, including expirations		(2)	21	1
Warranty liability assumed from business acquisitions			8	
Balance, end of period	\$ 273	\$ 286	\$ 273	\$ 286

12. 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 share units and shares to be purchased under the 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 Seagate Technology plc:

(In millions, except per share data)	For the Three Months Ended		For the Nine Months Ended	
	April 3, 2015	March 28, 2014	April 3, 2015	March 28, 2014

Edgar Filing: Seagate Technology plc - Form 10-Q

Numerator:								
Net income attributable to Seagate Technology plc	\$	291	\$	395	\$	1,605	\$	1,250
Number of shares used in per share calculations:								
Total shares for purposes of calculating basic net income per share attributable to Seagate Technology plc		323		327		326		340
Weighted-average effect of dilutive securities:								
Employee equity award plans		7		11		8		11
Total shares for purpose of calculating diluted net income per share attributable to Seagate Technology plc		330		338		334		351
Net income per share attributable to Seagate Technology plc shareholders:								
Basic	\$	0.90	\$	1.21	\$	4.92	\$	3.68
Diluted	\$	0.88	\$	1.17	\$	4.81	\$	3.56

Table of Contents

The anti-dilutive shares related to employee equity award plans that were excluded from the computation of diluted net income per share attributable to Seagate Technology plc were immaterial for the three and nine months ended April 3, 2015 and March 28, 2014.

13. 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 Nos. 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. In the complaint, the plaintiffs requested injunctive relief, \$800 million in compensatory damages and unspecified punitive damages, including for willful infringement. On January 16, 2002, Convolve filed an amended complaint, alleging defendants infringe US Patent No. 6,314,473 (the 473 patent). The district court ruled in 2010 that the 267 patent was out of the case.

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 summary judgment motion regarding Convolve's only remaining cause of action, which alleged infringement of the 473 patent. The court entered judgment in favor of the Company on July 14, 2014. Convolve filed a notice of appeal on August 13, 2014. The court of appeals has not yet set a date for oral argument. 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.

Alexander Shukh v. Seagate Technology On February 12, 2010, Alexander Shukh filed a complaint against the Company in the U.S. District Court for the District of Minnesota, alleging, among other things, employment discrimination based on his Belarusian national origin and wrongful failure to name him as an inventor on several patents and patent applications. Mr. Shukh's employment was terminated as part of a company-wide reduction in force in fiscal year 2009. He seeks damages in excess of \$75 million. On March 31, 2014, the district court granted Seagate's summary judgment motion and entered judgment in favor of Seagate. Mr. Shukh filed a notice of appeal on April 7, 2014. Oral argument at the court of appeals has been scheduled for June 4, 2015. In view of the uncertainty regarding the amount of damages, if any, that could be awarded 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.

LEAP Co., Ltd. v. Seagate Singapore International Headquarters Pte. Ltd. and Nippon Seagate Inc. On July 4, 2012, LEAP Co., Ltd. filed a lawsuit in the Tokyo District Court of Japan against Seagate Singapore International Headquarters Pte. Ltd., Nippon Seagate Inc. and Buffalo Inc. alleging wrongful termination of purchase agreements and other claims, and seeking approximately \$38 million in damages. A date for the start of trial has not yet been scheduled. The Company believes the claims are without merit and intends to vigorously defend this case. In view of the uncertainty regarding the amount of damages, if any, that could be awarded 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.

Realtek Semiconductor Corporation ITC Investigation re Certain Integrated Circuit Chips and Products Containing the Same-On September 19, 2012, Realtek Semiconductor Corporation filed a complaint with the International Trade Commission (ITC) seeking an investigation pursuant to Section 337 of the Tariff Act of 1930, as amended (Section 337). The complaint names LSI Corporation and Seagate Technology as respondents and alleges infringement of U.S. patents relating to integrated circuit chips that include bond pad structures. Realtek seeks an order to exclude entry of infringing integrated circuit chips and products containing the infringing integrated circuit chips into the U.S. and a cease and desist order. The ITC initiated an investigation on October 18, 2012. On March 21, 2014, the Administrative Law Judge (ALJ) issued an Initial Determination in favor of Seagate and LSI.

Table of Contents

On July 21, 2014, the Commission gave notice that it had determined to affirm in part, reverse in part and vacate in part the ALJ's Initial Determination; the Commission found that no violation of Section 337 by Seagate or LSI has occurred based on findings that certain of the patent claims at issue were invalid, and that Realtek failed to show the existence of an industry in the U.S. that exploits the patent. Realtek filed a notice of appeal on September 18, 2014. By agreement of the parties, Realtek's appeal was dismissed on October 17, 2014. In view of the Commission's July 21, 2014 decision and the October 17, 2014 dismissal of Realtek's appeal, the Company believes that this matter will not result in any loss or other adverse result.

Enova Technology Corporation v. Seagate Technology (US) Holdings, Inc., et al.-On June 5, 2013, Enova Technology Corporation filed a complaint against Seagate Technology (US) Holdings, Inc. and Seagate Technology LLC in the U.S. District Court for the District of Delaware alleging infringement of U.S. Patent No. 7,136,995, Cryptographic Device, and U.S. Patent No. 7,900,057, Cryptographic Serial ATA Apparatus and Method. The complaint seeks unspecified compensatory damages, enhanced damages, injunctive relief, attorneys' fees, and other relief. The trial is scheduled to begin July 11, 2016. On April 27, 2015, the district court ordered a stay of the case until October 15, 2015, in view of proceedings regarding the 995 and 057 Patents before the Patent Trial and Appeal Board of the U.S. Patent and Trademark Office. The Company believes the claims are without merit and intends to vigorously defend this case. In view of the uncertainty regarding the amount of damages, if any, that could be awarded 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.

Seagate Technology LLC v. Western Digital Corp. On October 8, 2014, the Minnesota Supreme Court ruled that the arbitration award in favor of the Company in its case against Western Digital for the misappropriation of the Company's trade secrets should be confirmed. In the arbitration award, issued on January 23, 2012, the arbitrator determined that Western Digital and its former employee had misappropriated the Company's trade secrets. The arbitrator awarded the Company \$525 million in compensatory damages and, after adding interest, issued a final award of \$630 million. Interest on the final award has been accruing at 10%. On October 14, 2014, the Company received a partial payment from Western Digital in the amount of \$773 million. The amount of the final award, less litigation and other related costs, has been recorded by the Company in Gain on arbitration award, net, and the remaining amount received has been recorded in Other, net.

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 potentially responsible

Edgar Filing: Seagate Technology plc - Form 10-Q

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, 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 and administrative proceedings incidental to its business, and the Company may be involved in various legal proceedings 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.

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

The following is a discussion of the financial condition and results of operations for our fiscal quarters ended April 3, 2015, January 2, 2015, and March 28, 2014, referred to herein as the March 2015 quarter, the December 2014 quarter, and the March 2014 quarter, respectively. Unless the context indicates otherwise, as used herein, the terms we, us, Seagate, the Company and our refer to Seagate Technology plc, an Irish public limited company, and its subsidiaries. References to \$ are to United States dollars.

You should read this discussion in conjunction with financial information and related notes included elsewhere in this report. 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 2015, December 2014, and March 2014 quarters were all 13 weeks. The nine months ended March 2015 and March 2014 were 40 and 39 weeks, respectively. Except as noted, references to any fiscal year mean the twelve-month period ending on the Friday closest to June 30 of that year.

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, and estimates of industry growth for the fiscal quarter and year ending July 3, 2015 and beyond. These statements identify prospective information and may include words such as expects, intends, plans, anticipates, believes, estimates, predicts, projects, and similar expressions. These forward-looking statements are based on information available to the Company as of the date of this 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: uncertainty in global economic conditions, as consumers and businesses may defer purchases in response to tighter credit and financial news; the impact of variable demand and the adverse pricing environment for disk drives, particularly in view of current business and economic conditions; our ability to successfully qualify, manufacture and sell our disk drive products in increasing volumes on a cost-effective basis and with acceptable quality, particularly the new disk drive products with lower cost structures; the impact of competitive product announcements; currency fluctuations that may impact our margins and international sales; possible excess industry supply with respect to particular disk drive products; and the Company's ability to achieve projected cost savings in connection with restructuring plans. We also encourage you to read our Annual Report on Form 10-K for the year ended June 27, 2014, which contains information concerning risk, uncertainties and other factors that could cause results to differ materially from those projected in the forward-looking statements and this Form 10-Q. These forward-looking statements should not be relied upon as representing our views as of any subsequent date and we undertake no obligation to update forward-looking statements to reflect events or circumstances after the date they were made.

Edgar Filing: Seagate Technology plc - Form 10-Q

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. Our MD&A is organized as follows:

- *Our Company.* Overview of our business.
- *Overview of the March 2015 quarter.* Highlights of events in the March 2015 quarter that impacted our financial position.
- *Results of Operations.* An analysis of our financial results comparing the March 2015 quarter to the December 2014 quarter and the March 2014 quarter, and the nine-month period ended March 2015 to the nine-month period ended March 2014.
- *Liquidity and Capital Resources.* An analysis of changes in our balance sheets and cash flows, and discussion of our financial condition including the credit quality of our investment portfolio and potential sources of liquidity.
- *Critical Accounting Policies.* Accounting policies and estimates that we believe are important to understanding the assumptions and judgments incorporated in our reported financial results.

Table of Contents

Our Company

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

Our products are designed for enterprise servers and storage systems in mission critical and nearline applications; client compute applications, where our products are designed primarily for desktop and mobile computing; and client non-compute applications, where our products are designed for a wide variety of end user devices such as digital video recorders (DVRs), personal data backup systems, portable external storage systems and digital media systems.

We continue to make strategic investments in order to expand our storage solutions, enter new market adjacencies, and expand our technical expertise. As a result of recent acquisitions, our product and solution portfolio for the enterprise data storage industry includes storage enclosures, integrated application platforms and high performance computing (HPC) data storage solutions. Our storage subsystems support a range of high-speed interconnect technologies to meet demanding cost and performance specifications. Our modular subsystem architecture allows us to support many segments within the networked storage market by enabling different specifications of storage subsystem designs to be created from a standard set of interlocking technology modules.

In addition to our data storage products and subsystems, we provide data storage services for small to medium-sized businesses, including online backup, data protection and recovery solutions.

Overview of the March 2015 Quarter

During the March 2015 quarter, we shipped 50 million drive units totaling 55 exabytes of storage capacity, generating revenue of \$3.3 billion and gross margin of 29%. Our operating cash flow was \$374 million. We paid \$706 million for share repurchases, \$176 million for dividend payments to shareholders, and \$225 million payment related to the final audit assessment received from the Jiangsu Province State Tax Bureau of the People's Republic of China for tax and interest associated with changes to our tax filings for the calendar years 2007 through 2013.

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:

Edgar Filing: Seagate Technology plc - Form 10-Q

(Dollars in millions)	For the Three Months Ended			For the Nine Months Ended	
	April 3, 2015	January 2, 2015	March 28, 2014	April 3, 2015	March 28, 2014
Revenue	\$ 3,330	\$ 3,696	\$ 3,406	\$ 10,811	\$ 10,423
Cost of revenue	2,375	2,669	2,447	7,778	7,502
Gross margin	955	1,027	959	3,033	2,921
Product development	346	341	297	1,029	903
Marketing and administrative	219	218	190	654	561
Amortization of intangibles	33	32	26	95	71
Restructuring and other, net	14	3	2	24	20
Gain on arbitration award, net		(620)		(620)	
Income from operations	343	1,053	444	1,851	1,366
Other income (expense), net	(39)	73	(54)	(30)	(94)
Income before income taxes	304	1,126	390	1,821	1,272
Provision for income taxes	13	193	(5)	216	22
Net income	\$ 291	\$ 933	\$ 395	\$ 1,605	\$ 1,250

Edgar Filing: Seagate Technology plc - Form 10-Q

Table of Contents

	For the Three Months Ended			For the Nine Months Ended		
	April 3, 2015	January 2, 2015	March 28, 2014	April 3, 2015	March 28, 2014	
Revenue	100%	100%	100%	100%	100%	100%
Cost of revenue	71	72	72	72	72	72
Gross margin	29	28	28	28	28	28
Product development	10	9	9	10		9
Marketing and administrative	7	6	5	6		5
Amortization of intangibles	1	1	1	1		1
Restructuring and other, net						
Gain on arbitration award, net		(16)		(6)		
Income from operations	11	28	13	17		13
Other income (expense), net	(1)	2	(1)			(1)
Income before income taxes	10	30	12	17		12
Provision for income taxes		5		2		
Net income	10%	25%	12%	15%		12%

Revenue

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

(In millions, except percentages, exabytes and ASPs)	For the Three Months Ended			For the Nine Months Ended		
	April 3, 2015	January 2, 2015	March 28, 2014	April 3, 2015	March 28, 2014	
Unit Shipments:						
Enterprise	9	9	8	27		24
Client Compute	31	36	36	106		108
Client Non-Compute	10	12	11	34		36
Total Units Shipped	50	57	55	167		168
ASPs (per unit)	\$ 62	\$ 61	\$ 61	\$ 61		\$ 61
Exabytes Shipped	55	61	51	176		152
Revenues by Channel (%)						
OEMs	70%	69%	66%	70%		67%
Distributors	18%	18%	20%	18%		21%
Retailers	12%	13%	14%	12%		12%
Revenues by Geography (%)						
Americas	29%	26%	26%	27%		28%
EMEA	16%	18%	20%	17%		19%
Asia Pacific	55%	56%	54%	56%		53%

Revenue in the March 2015 quarter decreased by \$366 million and \$76 million as compared to the December 2014 quarter and March 2014 quarter, respectively, primarily due to a decrease in shipments and moderate price erosion, partially offset by favorable product mix.

Revenue for the nine months ended March 2015 increased by \$388 million, or 4%, as compared to the nine months ended March 2014 mostly due to revenue contributed from our acquisitions of Xyratex and LSI's Flash Business and a favorable product mix, partially offset by moderate price erosion.

We maintain various sales programs such as point-of-sale rebates, sales price adjustments and price protection, aimed at increasing customer demand. Sales programs were approximately 10.8%, 9.4%, and 7.8% of gross drive revenue for the March 2015 quarter, December 2014 quarter and March 2014 quarter, respectively. Adjustments to revenues due to under or over accruals for sales programs related to revenues reported in prior quarterly periods have averaged 0.3% of quarterly gross revenue and were 0.7% of quarterly gross revenue in the March 2015 quarter.

Table of Contents

Cost of Revenue and Gross Margin

(Dollars in millions)	For the Three Months Ended			For the Nine Months Ended	
	April 3, 2015	January 2, 2015	March 28, 2014	April 3, 2015	March 28, 2014
Cost of revenue	\$ 2,375	\$ 2,669	\$ 2,447	\$ 7,778	\$ 7,502
Gross margin	955	1,027	959	3,033	2,921
Gross margin percentage	29%	28%	28%	28%	28%

Gross margin as a percentage of revenue for the March 2015 quarter increased compared to the December 2014 quarter and March 2014 quarter due to favorable product mix, partially offset by moderate price erosion.

Gross margin as a percentage of revenue for the nine months ended March 2015 compared to the nine months ended March 2014, was relatively flat. These margins reflect an environment where price erosion has been modest and was offset by improved product mix and cost savings due to increases in operational efficiencies.

In the March 2015 quarter, total warranty cost was 1.1% of revenue and changes in estimates of prior warranty accruals of revenue were insignificant. Warranty cost related to new shipments was 1.1%, 1.1%, and 1.3% of revenue for the March 2015 quarter, December 2014 quarter and March 2014 quarter, respectively.

Operating Expenses

(Dollars in millions)	For the Three Months Ended			For the Nine Months Ended	
	April 3, 2015	January 2, 2015	March 28, 2014	April 3, 2015	March 28, 2014
Product development	\$ 346	\$ 341	\$ 297	\$ 1,029	\$ 903
Marketing and administrative	219	218	190	654	561
Amortization of intangibles	33	32	26	95	71
Restructuring and other, net	14	3	2	24	20
Gain on arbitration award, net		(620)		(620)	
Operating expenses	\$ 612	\$ (26)	\$ 515	\$ 1,182	\$ 1,555

Product development expense. Product development expense for the March 2015 quarter was relatively flat compared to the December 2014 quarter. Compared to the March 2014 quarter, product development expense increased by \$49 million, or 17%, primarily due to an increase in headcount related costs of \$27 million and other integration related costs attributed to the consolidation of Xyratex and LSI's Flash Business.

Product development expense for the nine months ended March 2015 increased by \$126 million, or 14%, as compared to the corresponding period in the prior year mostly due to an increase in headcount related costs of \$71 million and other integration related costs attributed to the consolidation of Xyratex and LSI's Flash Business as well as a 14-week September 2014 quarter.

Edgar Filing: Seagate Technology plc - Form 10-Q

Marketing and administrative expense. Marketing and administrative expense for the March 2015 quarter was flat compared to the December 2014 quarter. Compared to the March 2014 quarter, marketing and administrative expense increased by \$29 million, or 15%, which was primarily due to an increase in headcount related expense attributed to the consolidation of Xyratex and LSI's Flash Business.

Marketing and administrative expense for the nine months ended March 2015 increased by \$93 million, or 17%, as compared to the corresponding period in the prior year mostly due to an increase in headcount related expenses attributed to the consolidation of Xyratex and LSI's Flash Business as well as a 14-week September 2014 quarter.

Amortization of intangibles. Amortization of intangibles for the March 2015 quarter was relatively flat when compared to the December 2014 quarter. Compared to the March 2014 quarter, amortization of intangibles increased by \$7 million, or 27%, as a result of the acquisitions of LSI's Flash Business and Xyratex.

Amortization of intangibles for the nine months ended March 2015 increased as compared to the corresponding period in the prior year by \$24 million, or 34%, as a result of the acquisitions of LSI's Flash Business and Xyratex.

Restructuring and other, net. Restructuring and other, net for the March 2015 quarter increased by \$11 million and \$12 million, as compared to the December 2014 quarter and March 2014 quarter, respectively, due to a restructuring charge recorded during the March 2015 quarter to reduce work force as a result of our ongoing focus on cost efficiencies in all areas of our business.

Table of Contents

Restructuring and other, net for the nine months ended March 2015 increased by \$4 million, or 20%, as compared to the nine months ended March 2014 due to restructuring charges recorded during the March 2015 and September 2014 quarters to reduce work force as a result of our ongoing focus on cost efficiencies in all areas of our business.

Gain on arbitration award, net. Gain on arbitration award, net for the nine months ended March 2015 was related to the final award amount of \$630 million, less litigation and other related costs of \$10 million, in the Company's case against Western Digital for the misappropriation of the Company's trade secrets. Gain on arbitration award, net was recognized during the December 2014 quarter.

Other income (expense), net

(Dollars in millions)	For the Three Months Ended			For the Nine Months Ended	
	April 3, 2015	January 2, 2015	March 28, 2014	April 3, 2015	March 28, 2014
Other income (expense), net	\$ (39)	\$ 73	\$ (54)	\$ (30)	\$ (94)

Other income (expense), net decreased for the March 2015 quarter when compared to the December 2014 quarter by \$112 million, which was due to the partial payment of \$143 million for interest accrued on the final arbitration award amount in the Company's case against Western Digital in the December 2014 quarter, partially offset by a \$37 million decrease in losses from the early redemption and repurchase of debt. Compared to the March 2014 quarter, Other income (expense), net remained flat.

Other income (expense), net increased for the nine months ended March 2015 as compared to the corresponding period in the prior year primarily due to the partial payment of \$143 million for interest accrued on the final arbitration award amount in our case against Western Digital in the December 2014 quarter, partially offset by a \$44 million increase in losses from the early redemption and repurchase of debt and a gain of \$32 million from the sale of one of our strategic investments in the nine months ended March 2014.

Income taxes

(Dollars in millions)	For the Three Months Ended			For the Nine Months Ended	
	April 3, 2015	January 2, 2015	March 28, 2014	April 3, 2015	March 28, 2014
Provision for (benefit from) income taxes	\$ 13	\$ 193	\$ (5)	\$ 216	\$ 22

Our income tax provision recorded for the first nine months of fiscal year 2015 included approximately \$181 million of net tax expense due to the final audit assessment received from the Jiangsu Province State Tax Bureau of the People's Republic of China (China assessment) for calendar years 2007 through 2013.

Edgar Filing: Seagate Technology plc - Form 10-Q

Our income tax provision recorded for the March 2015 quarter and for the first nine months of fiscal year 2015 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, (ii) tax expense associated with the China assessment recorded during the December 2014 quarter, and (iii) a decrease in valuation allowance for certain U.S. deferred tax assets. The acquisition of LSI's Flash Business is not expected to have a material impact on our effective tax rate in fiscal year 2015.

During the nine months ended April 3, 2015, our unrecognized tax benefits excluding interest and penalties decreased by \$39 million primarily due to (i) reductions associated with audit settlements of \$45 million, (ii) increases in current year unrecognized tax benefits of \$8 million, (iii) reductions associated with the expiration of certain statutes of limitations of \$4 million, and (iv) net increases associated with changes in prior years' positions of \$2 million.

The unrecognized tax benefits that, if recognized, would impact the effective tax rate were \$76 million at April 3, 2015, subject to certain future valuation allowance reversals. During the 12 months beginning April 4, 2015, we expect that our unrecognized tax benefits could be reduced by approximately \$3 million as a result of the expiration of certain statutes of limitation.

We are subject to taxation in many jurisdictions globally and are required to file U.S. federal, U.S. state, and non-U.S. income tax returns. In June 2014, we received the Revenue Agent's Report and Notices of Proposed Adjustments for our U.S. federal income tax returns for fiscal years 2008, 2009 and 2010. We are currently contesting certain of these proposed adjustments through the IRS Appeals Office. We believe that the resolution of these disputed issues will not have a material

Table of Contents

impact on our financial statements. As discussed above, on December 31, 2014, we received the final audit assessment from the Jiangsu Province State Tax Bureau of the People's Republic of China. The assessment was related to tax and interest associated with changes to our tax filings for calendar years 2007 through 2013. Resolving the audit in connection with obtaining agreement from the China tax authorities on predictable, future tax expense provides stability to our business model. Additional, future tax expense required by the agreement is not expected to have a material impact on our financial statements.

Our income tax benefit recorded for the March 2014 quarter included \$14 million of net discrete tax benefits related to releases of tax reserves due to audit settlements. Our income tax provision recorded for the first nine months of fiscal year 2014 included \$7 million of net discrete tax benefits related to the reversal of a portion of the U.S. valuation allowance recorded in prior periods and a net decrease in tax reserves related to audit settlements offset by tax reserves for non-U.S. tax positions taken in prior years.

Our income tax benefit for the March 2014 quarter and for the first nine months of fiscal year 2014 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.

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 of readily marketable securities with remaining maturities of more than 90 days at the time of purchase. The principal objectives of our investment policy are the preservation of principal and maintenance of liquidity. We intend to maintain a highly liquid portfolio by investing in money market funds, time deposits, interest-bearing bank accounts, and would invest only in those marketable securities that we believe have active secondary or resale markets. 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, these restrictions have not impeded our ability to conduct our business, nor do we expect them to in 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 accordingly, we do not believe the fair value of our short-term investments has significantly changed from the values reported as of April 3, 2015.

Cash and Cash Equivalents, Short-term Investments, and Restricted Cash and Investments

(Dollars in millions)	April 3, 2015		June 27, 2014		Change
Cash and cash equivalents	\$	2,604	\$	2,634	\$ (30)
Short-term investments		6		20	(14)
Restricted cash and investments		4		4	
Total	\$	2,614	\$	2,658	\$ (44)

Our cash and cash equivalents, short-term investments and restricted cash and investments decreased from June 27, 2014 as a result of net cash outflow for repurchase of our ordinary shares, early redemption and repayments of long-term debt, dividends paid to our shareholders, capital

Edgar Filing: Seagate Technology plc - Form 10-Q

expenditures and the acquisition of LSI's Flash Business. These cash outflows were partially offset by our cash provided by operating activities, which included an arbitration award partial payment of \$773 million from Western Digital, and the proceeds from the issuance of \$500 million of our 5.75% Senior Notes due 2034, as discussed below.

Cash Provided by Operating Activities

Cash provided by operating activities for the nine months ended April 3, 2015 of \$2.4 billion includes the effects of net income adjusted for non-cash items including depreciation, amortization, share-based compensation.

Net income includes a partial payment of \$773 million for the arbitration award and related accrued interest received from Western Digital and a \$225 million payment related to the final audit assessment received from the Jiangsu Province State Tax Bureau of the People's Republic of China for tax and interest associated with changes to our tax filings for the calendar years 2007 through 2013.

Cash Used in Investing Activities

Cash used for investing activities for the nine months ended April 3, 2015 was \$1,068 million which includes \$546 million used for acquired property, equipment and leasehold improvements and \$450 million used for the acquisition of LSI's Flash Business.

Table of Contents

Cash Used in Financing Activities

Net cash used in financing activities of \$1,359 million for the nine months ended April 3, 2015 was attributable to the following activities:

- \$907 million paid to repurchase ordinary shares;
- \$536 million of redemption and repayments of long-term debt;
- \$493 million in dividend payments; partially offset by
- net proceeds of \$498 million from issuance of our 5.75% Senior Notes due 2034.

Liquidity Sources, Cash Requirements and Commitments

Our primary sources of liquidity as of April 3, 2015 consisted of: (1) approximately \$2.6 billion in cash, cash equivalents, and short-term investments, (2) cash we expect to generate from operations and (3) a \$700 million senior revolving credit facility.

On January 15, 2015, the Company and Seagate HDD Cayman entered into the Third Amendment to the Credit Agreement (the Amendment) which increased the commitments available under the Revolving Credit Facility from \$500 million to \$700 million and also extended the maturity date on the Credit Agreement until January 15, 2020, provided that if the Company does not have Investment Grade Ratings (as defined in the Credit Agreement) on August 15, 2018, then the maturity date will be August 16, 2018 unless certain extension conditions have been satisfied. As of May 1, 2015, no borrowings have been drawn or letters of credit utilized under the Revolving Credit Facility. The line of credit is available for borrowings, subject to compliance with financial covenants and other customary conditions to borrowings.

The credit agreement that governs our revolving credit facility, as amended, contains certain covenants that we must satisfy in order to remain in compliance with the credit agreement, as amended. The agreement also includes three financial covenants: (1) minimum cash, cash equivalents and marketable securities; (2) a fixed charge coverage ratio; and (3) a net leverage ratio. As of April 3, 2015, we were in compliance with all of the covenants under our Revolving Credit Facility and debt agreements. Based on our current outlook, we expect to be in compliance with the covenants of our debt agreements over 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. 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.

Edgar Filing: Seagate Technology plc - Form 10-Q

For fiscal year 2015, we expect capital expenditures to be 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 may repurchase outstanding notes pursuant to the terms of the applicable indenture. On April 7, 2015, Seagate HDD Cayman announced the redemption of all of its 6.875% Senior Notes due 2020 with a remaining outstanding balance of \$474 million. Seagate anticipates that the Notes will be redeemed on May 7, 2015 at a redemption price equal to \$1,034.38 per \$1,000 principal amount of the Notes redeemed plus accrued and unpaid interest from the interest payment date of May 1, 2015 to the redemption date of May 7, 2015.

The Company's Board of Directors declared a quarterly cash dividend of \$0.54 per share on April 17, 2015, which is payable on May 15, 2015 to shareholders of record at the close of business on May 1, 2015.

From time to time we may repurchase any of our outstanding ordinary shares through private, open market, or broker assisted purchases. As of April 3, 2015, \$0.6 billion remained available for repurchase under our existing repurchase authorization limit. All repurchases are effected as redemptions in accordance with the Company's Articles of Association.

On April 22, 2015, the Board of Directors authorized the Company to repurchase up to an additional \$2.5 billion of its outstanding ordinary shares.

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.

Since our fiscal year ended June 27, 2014, there have been no 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 27, 2014, as filed with the SEC on August 7, 2014, for a discussion of our critical accounting policies and estimates.

Table of Contents**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.

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, and bond markets. A portion of these risks are hedged, but fluctuations could impact our results of operations, financial position and cash flows. Additionally, we have exposure to downgrades in the credit ratings of our counterparties as well as exposure related to our credit rating changes.

Interest Rate Risk. Our exposure to market risk for changes in interest rates relates primarily to our investment portfolio. At April 3, 2015, we had no 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 April 3, 2015. We currently do not use derivative financial instruments in our investment portfolio.

We have fixed rate debt obligations. We enter into debt obligations to support general corporate purposes including capital expenditures and working capital needs.

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 April 3, 2015.

Fiscal Years Ended

(Dollars in millions, except percentages)	2015	2016	2017	2018	2019	Thereafter	Total	Fair Value at April 3, 2015
Assets								
Cash equivalents:								
Fixed rate	\$ 2,186	\$	\$	\$	\$	\$	\$ 2,186	\$ 2,186
Average interest rate	0.21%						0.21%	
Short-term investments:								
Fixed rate	\$	\$ 1	\$ 5	\$	\$	\$	\$ 6	\$ 6
Average interest rate		4.22%	9.11%				8.29%	
Total fixed income	\$ 2,186	\$ 1	\$ 5	\$	\$	\$	\$ 2,192	\$ 2,192
Average interest rate	0.21%	4.22%	9.11%				0.23%	
Debt								

Edgar Filing: Seagate Technology plc - Form 10-Q

Fixed rate	\$	474	\$	\$	\$	800	\$	2,659	\$	3,933	\$	4,130
Average interest rate		6.88%				3.75%		5.07%		5.02%		

Foreign Currency Exchange Risk. 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.

We also hedge a portion 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. The changes in fair value of these hedges are recognized in earnings in the same period as the gains and losses from the remeasurement of the assets and liabilities. These foreign currency forward exchange contracts are not designated as hedging instruments under ASC 815, *Derivatives and Hedging*. All these foreign currency forward contracts mature within 12 months.

We evaluate hedging effectiveness prospectively and retrospectively and record any ineffective portion of the hedging instruments in Cost of revenue on the Consolidated Statements of Operations. We did not have any material net gains (losses) recognized in Cost of revenue for cash flow hedges due to hedge ineffectiveness or discontinued cash flow hedges during the three months ended April 3, 2015.

Table of Contents

The table below provides information as of April 3, 2015 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 average contract rate)	Notional Amount	Average Contract Exchange Rate	Estimated Fair Value (1)
Foreign currency forward exchange contracts:			
Singapore Dollars	\$ 121	\$ 1.27	\$ (8)
Chinese Renminbi	47	6.23	
Thai Baht	36	32.65	
Euro	11	1.10	
Total	\$ 215		\$ (8)

(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. As of April 3, 2015, we had no material credit exposure related to our foreign currency forward exchange contracts. Changes in our corporate issuer credit ratings have minimal impact on our financial results, but downgrades may negatively impact our future transaction costs and our ability to execute transactions with various counterparties.

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 the quarter ended December 2013, 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.

ITEM 4. CONTROLS AND PROCEDURES

An evaluation was performed 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 were effective as of April 3, 2015. During the quarter ended April 3, 2015, 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.

Table of Contents

PART II

OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For a discussion of legal proceedings, see Part I, Item 1. Financial Statements Note 13, Legal, Environmental and Other Contingencies of this 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 Part I, Item 1A, Risk Factors in our Annual Report on Form 10-K for the year ended June 27, 2014. 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 July 24, 2013, the Board of Directors authorized the Company to repurchase \$2.5 billion of its outstanding ordinary shares. As of April 3, 2015, \$0.6 billion remained available for repurchase under the existing repurchase authorization limit. There is no expiration date on this authorization. On April 22, 2015, the Board of Directors authorized the Company to repurchase up to an additional \$2.5 billion of its outstanding ordinary shares. There is no expiration date on this authorization.

The following table sets forth information with respect to all repurchases of our shares made during fiscal quarter ended April 3, 2015:

(In millions, except average price paid per share)	Total Number of Shares Repurchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
January 3, 2015 through January 30, 2015	2.4	\$ 57.98	2.4	\$ 1,152
January 31, 2015 through February 27, 2015	6.8	59.70	6.8	748
February 28, 2015 through April 3, 2015	2.8	57.84	2.8	584
Total	12.0	\$ 58.51	12.0	\$ 584

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Not applicable

ITEM 6. EXHIBITS

See Exhibit Index on the page immediately following the signature page to this Report for a list of exhibits to this Report, which Exhibit Index is incorporated herein by reference.

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, 2015 BY: /s/ STEPHEN J. LUCZO
Stephen J. Luczo
Chief Executive Officer, Director and
Chairman of the Board of Directors
(Principal Executive Officer)

DATE: April 30, 2015 BY: /s/ PATRICK J. O MALLEY
Patrick J. O Malley
Executive Vice President, Finance and Chief
Financial Officer
(Principal Financial Officer)

Table of Contents

EXHIBIT INDEX

Exhibit Number	Description of Exhibit
3.1	Memorandum and Articles of Association of the Company, as amended and restated by Special Resolution dated October 30, 2013, filed as Exhibit 3.1 to the Company's current report on Form 8-K filed on November 4, 2013 and incorporated herein by reference.
3.2	Certificate of Incorporation of the Company, filed as Exhibit 3.2 to the Company's annual report on Form 10-K filed on August 20, 2010 and incorporated herein by reference.
4.1	Indenture dated as of December 2, 2014, among Seagate HDD Cayman, as issuer, the Company, as guarantor, and U.S. Bank National Association, as trustee, filed as Exhibit 4.1 to the Company's current report on Form 8-K filed on December 2, 2014 and incorporated herein by reference.
4.2	Form of 5.75% Senior Note due 2034, included in Exhibit 4.1 to the Company's current report on Form 8-K filed on December 2, 2014 and incorporated herein by reference.
4.3	Registration Rights Agreement dated as of December 2, 2014, among Seagate HDD Cayman, the Company and Morgan Stanley & Co. LLC, filed as Exhibit 4.3 to the Company's current report on Form 8-K filed on December 2, 2014 and incorporated herein by reference.
10.1	Third Amendment to Credit Agreement, dated as of January 15, 2015, to the Credit Agreement, dated as of January 18, 2011(as amended), among the Company, Seagate HDD Cayman, the Bank of Nova Scotia and the lenders, filed as Exhibit 10.1 to the Company's current report on Form 8-K filed on January 16, 2015 and incorporated herein by reference.
10.2+	First Amendment to the Seagate US LLC Reduction in Force Separation Pay Plan.
31.1+	Certification of Stephen J. Luczo, Chairman and Chief Executive Officer of the Company, as required by Section 302 of the Sarbanes-Oxley Act of 2002.
31.2+	Certification of Patrick J. O Malley, Executive Vice President and Chief Financial Officer of the Company, as required by Section 302 of the Sarbanes-Oxley Act of 2002.
32.1+	Certification of Stephen J. Luczo, Chairman and Chief Executive Officer of the Company and Patrick J. O Malley, Executive Vice President and Chief Financial Officer of the Company, as required by Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS+	XBRL Instance Document.
101.SCH+	XBRL Taxonomy Extension Schema Document.
101.CAL+	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF+	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB+	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE+	XBRL Taxonomy Extension Presentation Linkbase Document.

+ Filed herewith.

Edgar Filing: Seagate Technology plc - Form 10-Q

The certifications attached as Exhibit 32.1 that accompany this 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.