## Summary

Question and Answers from analysts related to the Seagate Technology PLC STX Q4 2013 Earnings Call Q&A.

Analysts were impressed with 28% margin given the weak PC sales. CEO Luczo stated that growth in nearline was responsible for this, and that Seagate had declined to participate in pricing competitions that had resulted in the loss of market share on the client side, but kept margins higher. Questions about the company’s strategy around nearline were deferred until the Investor Day conference. Later in the call however, Luczo seemed to imply that the company was waiting for growth in the cloud to raise margins and justify additional captial expenditures.

In response to a question about the strengthening of the overall economy, Luczo demurred, but implied that Seagate had been reactive to opportunities in the cloud market segment, which they were able to do because of their cautious quarterly planning process.

A question surrounding exabyte growthing was answered by EVP of Operations, Dave Mosely who predicted that exabyte levels would grow from 420 to 500 by FY 2015. Per Luczo, TAM would be flat (at 132) for the September quarter, and up from that in December.

There was discussion about Seagate’s participation in the SSDs. The company defended its strategy of organic growth and development partnership with Samsung, but acknowledge competitive acquisitions in that area.

Luczo made repeated comments to the effect that Seagate was more optimistic about the PC industry than others, but hedged that statement with the assertion that it would be important to see PC’s evolving.

A question about Seagate’s entry into the cloud business was answered by Luczo who said investments were in nearline drives, rather than moving “up the stack”, however there was further discussion and references to OpenStack and changes Seagate would need to make to “effectively move us up the stack.” CMO Rocky Pimental indicated this was happening within a few quarters.

## Full Text

**Transcript Call Date** 07/24/2013

**Operator**: Richard Kugele, Needham & Company.

**Richard Kugele - Needham & Company**: Just a couple of questions from me. I guess, first on the long-term trajectory for your business. It seems you've have intentionally focused on the enterprise and some of the other higher capacity opportunities can you just talk about perhaps long-term, Steve, what you think two years out your mix might be between enterprise and all of its flavors, retail and client?

**Stephen J. Luczo - Chairman, President and CEO**: I think it's probably more appropriate we talk about that at the Investor Day, Rich, where we're talking about our longer-term strategic vision.

**Richard Kugele - Needham & Company**: I will hop off of that. Then more near-term to the enterprise hybrid that you launched, can you just talk about how you think that, that will work into the product line and the customer interest? Would you expect most of your OEMs to move to that or is that for a specific subset of the client of the customer side?

**Dave Mosley - EVP of Operations**: Yes, Rich, this is Dave. I can give you some flavor of that. So, obviously we know a lot about enterprise workloads because we've been studying the drives in the markets for better part of 15 years as people have integrated into the high-performance servers that we develop today. As we look at those workloads, what we see is that sometimes the drives get used as I'm going to call them almost memory devices, the data is spread all over the place in the drive, but oftentimes the systems level operating systems, the applications layers so on, have been able to aggregate into more sequential workloads. So, what the hybrid drive does is it allows the drive to shift from one to the other really well. And we foresee that there is not really any massive changes coming in server architecture or the operating systems architectures, that's going to address the drive, so this is going to be a good value proposition for the high-performance drive for some time to come. We think that most of the market will move over to these kinds of drives as people see that value performance of that (indiscernible).

**Richard Kugele - Needham & Company**: Just two last housekeeping, one on the TAM. Can you just give us your sense of what you thought the TAM was in June? Then lastly, if you can make any comments on the appeals court process that was announced yesterday?

**Stephen J. Luczo - Chairman, President and CEO**: Yeah, it seems like the TAM in June was 132, 133, Rich. And I will let Ken answer the question about the Court of Appeals.

**Ken Massaroni - EVP, General Counsel and Chief Administrative Officer**: The Company is pleased of the Court of Appeal has reversed and remanded the judgment back to the District Court with an order to enter the findings on our behalf that we did as indicated that will appeal to the Supreme Court, Minnesota which has a discretionary appeal that Supreme Court is not compelled to take it. Seagate will do everything that we have to defend the judgment that we have received at this point in time, and we'll see what Supreme Court elects to do.

**Operator**: Ananda Baruah, Brean Capital.

**Ananda Baruah - Brean Capital**: Steve, big acceleration – nice acceleration in the enterprise drives this quarter you referenced it as well. I was interested in things if you give us some of the dynamics behind the 9% sequential increase and then also you are commenting on, I guess, if you think this is sort of the signal that some of the stronger growth (economy) that you mentioned on last quarter call as well and then I have a follow-up?

**Stephen J. Luczo - Chairman, President and CEO**: I think I'll let Rocky follow-up, but I mean generically it's continues to be what we see as big build-out of called infrastructure whether or not that's CSP related or ISP related or even private calls related, I mean, clearly architecturally there is a big change going on in terms of how people are storing and managing their data. So, I think, it is a continuation of that trend. Those growth rates have tended to be accelerating and it is an extension of what I think is going to happen over the course of the next several years. I think what's going to be interesting about this business is it will be spiky I think from time to time. I mean that more from an upside perspective, I think the general trend is positive and I think on top of that you're probably going to have these spikes for either big ISPs or CSPs decide that they have to do some big build out competitively or geographically and that's what we kind of manage our way through. You don't see that in the normal quarterly or maybe multi-quarterly planning process, but then in quarter all of a sudden you can get these opportunities and the ability to respond to them is important. So, I think it is the continued trend of an overall architectural change that is certainly driving higher capacity drives in the infrastructure.

**Albert 'Rocky' Pimentel - EVP, Chief Sales and Marketing Officer**: Yeah to add on Steve's comments, it definitely was a strength of the quarter-to-quarter growth and what we would define as a cloud customer class. As Steve mentioned between each account characteristics differ, but the overall group continues to grow very robustly on a quarter-to-quarter basis and I think also this last quarter we filled in some of our product portfolio on the near line, which gained a lot of momentum particularly in our 4 terabyte drive class category, so couple of very positive drivers in the whole near line data center class products that's what we benefited from.

**Ananda Baruah - Brean Capital**: Then guess just part and parcel with that, gross margin guidance was flattish in the September quarter. Can you just walk through I guess the puts and takes on the flash margin guidance kind of in the face of seeing improved mix as we get into the second half of the year?

**Stephen J. Luczo - Chairman, President and CEO**: Actually in the second half of the year you usually don't get improved mix, you get a stronger notebook play and you get a smaller gaming play, so actually the mix works against you the second half of the year and that's been in this case offset against we think continued growth on the cloud side.

**Operator**: Aaron Rakers, Stifel Nicolaus.

**Aaron Rakers - Stifel Nicolaus**: The first question on – looking at your 855 average capacity per drive as we look forward through this next fiscal year where do you think that that exists this next fiscal year. Then I think last quarter you had alluded the possibility of tightness on finished media if the industry were to get towards a 500 exabyte level or about 420 right now, what's your view on that – updated view on that dynamic?

**Stephen J. Luczo - Chairman, President and CEO**: Let me go to Dave and answer the second question first.

**Dave Mosley - EVP of Operations**: So we're not quite there yet, I think it really does depend on the growth of the cloud specific Aaron, to the extent that five disk drives are in the norm, Rocky mentioned the 4 terabytes for example, that continues to grow. So I won't talk about box count, but I'd just talk about exabyte growth and then that really starts to strain the media. I don't think we're going to be there in FY '14, but it'll be more of a FY '15 commentary.

**Stephen J. Luczo - Chairman, President and CEO**: Then on the first question, I think if you look at the product offerings, the 4 GB product that we mentioned and kind of the demand we seeing for that, and then in the consumer marketplace, which is really where the higher capacity drives are going obviously, there will a bunch of 2 GB products coming on. So I think exiting the fiscal year will be certainly crusting our near 1 terabyte on an average capacity per drive. Again, you got to remember that the classic enterprise drives are lower capacity drives, but much higher performance. So, it's really what's going on in cloud and what's going on in consumer both those trends are quite positive from a capacity perspective.

**Aaron Rakers - Stifel Nicolaus**: And then the final question from me. What assumption are you making as far as the TAM through the back half of this calendar year and how does that reflect the new game console cycle?

**Stephen J. Luczo - Chairman, President and CEO**: While we have only talked to September quarter so we are not really talking to the back half of the year. Again we will give you a little better clarity about what we think some of the longer term trends are for the December quarter and to Rich's question earlier little bit or insight about two or three years out. I think that market estimates are implied in our moderately sequential number. We are kind of thinking that it is – there was 132 last quarter or you could see 135 to 140 in the September quarter and we'd expect December to be up from that.

**Aaron Rakers - Stifel Nicolaus**: And game console?

**Stephen J. Luczo - Chairman, President and CEO**: In terms of what absolute numbers or…?

**Aaron Rakers - Stifel Nicolaus**: Yeah, in terms of just the new game console cycle with the Xbox One and then the PS4?

**Stephen J. Luczo - Chairman, President and CEO**: Yeah, it should be positive.

**Operator**: (indiscernible).

**Unidentified Analyst**: Just following up on some of the comments around solid state drive developments that you had with Samsung, I was just curious in terms of where you think you will be on commercialization of some of those products between now and year end. And then secondly any comments around some of the – there was couple of acquisitions were relatively high profile in that area and I was curious where you guys stand on buy versus build given those acquisitions and given your own incremental developments?

**Albert 'Rocky' Pimentel - EVP, Chief Sales and Marketing Officer**: I think based on the activities – this is Rocky, by the way – that we have done over the last year we are still very interested in making strategic investments in SSD and PCIe category products. Organically, we have been utilizing our Samsung partnership as well as our internal development efforts. Right now, based on our forecast as we would exit this year, our organic efforts in SSD would be greater than any of those companies that were recently acquired by in an open marketplace. So, I think we feel pretty positive about the evolution of our SSD initiatives.

**Stephen J. Luczo - Chairman, President and CEO**: I mean, obviously, there was nothing secret about any acquisitions that occurred and it's our decision not to participate, and we are confident in what we are doing internally right now

**Unidentified Analyst**: Then just secondly just looking at the notebook market for the second half, can you may be talk about where you stand in terms of 5-millimeter drives design wins, how much momentum you think that can contribute to your business as the year progresses?

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**Stephen J. Luczo - Chairman, President and CEO**: I don't know that I view 5-millimeter necessarily as a notebook drive. I think we view 7-millimeter as probably the right platform for thin and light notebooks. 5-millimeter probably is a more compelling drive for something even more mobile like tablet. We are happy with the engagement that we have on the 7-millimeter side as most OEMs are incorporating 7-millimeter and 7-millimeter hybrid into their next generation thin and light offerings. We are pleased to-date with the engagement we've had on the 5-millimeter side going into tablet. So, we do think that high capacity, high performance and much lower cost on our per gigabyte basis is compelling to mobile users. So, we will see how it plays out the rest of this fiscal year, but so far I'd say we are encouraged by what we are seeing from the OEMs. Rocky, you want to add?

**Albert 'Rocky' Pimentel - EVP, Chief Sales and Marketing Officer**: Yeah, I was going to say this quarter we'll be shipping a meaningful amount of 5-millimeter drives as we launch into our initial program. So, we're pretty positive. We have several major OEM commitments on the 5 millimeter that we will be pursuing as we exit the September quarter and then continue to build that volume in the December quarter.

**Operator**: Robert Cihra, Evercore Partners.

**Robert Cihra - Evercore Partners**: Two questions, I guess if I could. One on gross margin, it was actually solid in the quarter, 28% even on a weak PC market. I am just wondering though if you look at your target range, what you think you need to see to get higher up that, is it simply better capacity utilization or there are more drivers to that? And I have a follow-up, if that's alright.

**Patrick O'Malley - Chief Financial Officer**: This is Pat, Rob. Clearly, volume would be beneficial to us. But given the world that we're seeing is with the moderate growth rates right now, we're really managing on the price stability as much as we can because we need these margins to continue to invest and also just mix. As Steve talked about with the cloud build out that's certainly been helpful to maintain it, but to drive to the middle of the range you need either greater mix or some volume because I think we're doing a pretty good job on maintaining the economics on the drives being sold.

**Robert Cihra - Evercore Partners**: Then just in CapEx you obviously have been running lean and you said running at sort of whatever operational levels. I know you gave the guide for fiscal '14 to stay in your target range. Do you feel like you're almost running too low, you're running nicely conservative, but was fiscal '13 almost too low when you started looking at new technologies and that sort of thing? Is there a chance for higher up in that range as get in fiscal '14 or do you think you can still rely on maintenance levels?

**Stephen J. Luczo - Chairman, President and CEO**: I don't think it depends on – I think the answer to your question is no, I don't think it was too low. I think it was appropriate for the visibility that we have around demand, which is both again a technical transition issue on the client side offset by a technical transition on the enterprise side offset by very squishy macroeconomic conditions and not a lot of that has changed, so we are going to run the capital pretty tight. If the trends continue where the client side shows little or no growth and cloud continues to grow, we do think we will hit capacity issues which then will probably evidence themselves and shortages and different margin structure at which point then we can consider what we do on the capital side. But we are not going to lean into it other than maintaining what we need for technical advancements. Dave, you want to add?

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**Dave Mosley - EVP of Operations**: No, I think that's right.

**Operator**: Sherri Scribner, Deutsche Bank.

**Sherri Scribner - Deutsche Bank**: I just wanted to get a little bit of detail on your thoughts on ASPs as we head into the back half. I know, Pat, you said that you are managing to have good economics, and you guys had good gross margins in the quarter but I think some of the OEMs have said they've seen HDD pricing starting to come down. So, can you give us some sense of your expectations for ASPs as we move into September?

**Patrick O'Malley - Chief Financial Officer**: Our position has been as the last several quarters remaining relatively flat. Obviously, our view is we still want to drive the cost of storage down by delivering compelling products through technology and cost management, but our view on the price is going to be relatively stable, and that's our plans for the rest of this calendar year.

**Sherri Scribner - Deutsche Bank**: Then you also talked about having I think the commentary was meaningful and also 5-millimeter drives in the September quarter. Are you going to start breaking out the hybrid and the SSD products at any time over the next couple of quarters because it seems like it's becoming a more important piece of your business?

**Stephen J. Luczo - Chairman, President and CEO**: I think we'll be able to give some level of guidance as that market develops for us, probably little premature right now, as Rocky said, we're going through a lot of OEM qualifications were filled and fairly positive. But once it starts taking traction that's probably a fair breakout for a period of time.

**Sherri Scribner - Deutsche Bank**: Then just my final question. I know you guys, anniversaried the Samsung acquisition in the beginning of the year or last year December. Have you had any progress in terms of integrating that business, I know couple of quarters ago you said you won't really focus on that, but just wanted to get an update.

**Patrick O'Malley - Chief Financial Officer**: Under (Mapcom), we're still under (Mapcom) agreement which we are working very positively with the agency. So, we don't view it as a huge challenge, but we are operating these two entities on the interface that customers vary independently still today.

**Stephen J. Luczo - Chairman, President and CEO**: The R&D side and the op side has been integrated for a while, but it's just the customer facing activities that we are managing separately, and we will continue to do so until we're releasing those restrictions by (Mapcom)

**Operator**: Scott Smith, Morgan Stanley.

**Scott Smith - Morgan Stanley**: Can you just run through some of the puts and takes on the free cash flow side and when you expect to get back to levels that allow to meet your repurchase goals?

**Stephen J. Luczo - Chairman, President and CEO**: So, maybe on the repurchase goals I don't know what you are referring to. But from our standpoint, Steve in his prepared comments talked about returning 70% of operating cash flow, which was our goal last year and we met it, and we're continuing try to target up to that this year as well and also as much as 90% cash flow. So for fiscal 2013, we have never had a stated goal other than to continue to return large amount of the cash flow to the shareholders.

**Scott Smith - Morgan Stanley**: I guess, I'm just referring to the $250 million target exiting 2014?

**Patrick O'Malley - Chief Financial Officer**: Yes okay, that's calendar 2014. So, that's still a target with us. Obviously, the share price does have an effect on it, so we'll manage the business and we will continue in the meantime to return significant amounts of cash flow to the shareholders. So, that's the fiscal '13 goal.

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**Scott Smith - Morgan Stanley**: Then Pat, just on the free cash flow this quarter, I think there was a large other item, can you just run through what drove the lower free cash flow in the quarter?

**Patrick O'Malley - Chief Financial Officer**: The redemption of the debt we issued $1 billion, but we also redeemed $700 million. So, we had $111 million of basically premium and charges to accelerate that redemption, but in the period, we're going to save over $40 million a year, extended our debt maturities over two years and dropped overall portfolio by 130 basis points. So, that was a one-time charge of the whole restructuring of the debt profile.

**Operator**: Andrew Nowinski, Piper Jaffray.

**Daniel Garofalo - Piper Jaffray**: It's Dan Garofalo on for Andy. Thanks for taking the questions. I just wanted to focus on the enterprise; I know there has been a few questions, obviously another strong quarter especially in the near line category. I guess as you look at that category, it looks like 21% year-over-year unit growth in fiscal '13 given the increasing capacity that is getting shipped into cloud applications, how should we think about unit growth in that category. Is it fair to think that it could accelerate?

**Stephen J. Luczo - Chairman, President and CEO**: It is tended to have accelerated over the last two years. I think the conditions that are causing that acceleration are still in their early stages. So, I think, as cloud continues to build out we still expect growth in that area.

**Daniel Garofalo - Piper Jaffray**: Then I guess just one follow-up if I could focusing on the PC industry. In addition to talk about second half catalyst related to new product intros, there has also been talk of Microsoft gaining support for Windows XP next April, potentially being a catalyst for the PC industry. I just wonder how are you looking at that event as well as any color you could provide on your view of the PC pipeline for the second half of the year.

**Stephen J. Luczo - Chairman, President and CEO**: Well, we have our own perspective on it, which is we are more positive than the doomsday scenario of the PC is dead. As you know, we tend to – we still (indiscernible) wise line about PC Plus, not post PC. We believe that the PC has an important role to play in a computing environment for sure as do the mobile devices that connect to it and around it as does the cloud that everything on it is going to ultimately connect to. So, our view is positive on the client side in all of its forms. I wouldn't want to specifically identify an action by Microsoft, but we think the long-term trends are still positive for the PC industry, but there is no reason for us to kind of plan to that right today. We just – we have the capacity and ability to address that marketplace that's in front of us, and as it stabilizes or recovers we'll be in a position to I think have a good product offering to fit all the different segmentations that are occurring around how people use technology to make their lives better.

**Operator**: Monika Garg, Pacific Crest Securities.

**Monika Garg - Pacific Crest Securities**: My question is on enterprise SSD market. We are seeing strong adoption of enterprise, SSD and Seagate also made investment in the field. So, could you maybe talk about the impact of enterprise SSDs on the mission critical drive?

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**Albert 'Rocky' Pimentel - EVP, Chief Sales and Marketing Officer**: Clearly, there is emerging evolution of what's the high performance layer in the data centers, which is – it's a blend between mission critical and enterprise SSD, and I think it's important that we have both sides of that equation covered. Certainly, there is, again, ebbs and flows of the transition between somebody wanting mission critical elements of HDDs and their typology versus SSD. So, I think with the growing success of our enterprise SSD initiatives, we're less concerned about what does that mean for mission critical drives then it means about our kind of high performance element of the enterprise overall. So, certainly we see some customers migrating more to SSD – enterprise class SSD solution, but still the mission critical is an important element in the overall architecture. So, both elements are important and the fact that we're succeeding it both kind of gives us confidence that whatever the customer wants we can fulfill their need.

**Stephen J. Luczo - Chairman, President and CEO**: We'd like to (indiscernible) our characterization that these are complementary technologies, I have heard that somewhere before.

**Monika Garg - Pacific Crest Securities**: Then if I may, just a follow-up on the same question. We are seeing the NAND companies moving in the enterprise SSD space and the given more than 80% of the cost of enterprise SSD is just raw flash, so the question is how you think HDD industry and Seagate compete against with NAND vendors when given they are increasing the offering in this space too?

**Stephen J. Luczo - Chairman, President and CEO**: Obviously, understanding the customers and integrating with the customers is a key point of how successful you are going to be in. So, pointing back to Seagate experience in the enterprise space, understanding customer workloads is really important. I will say that the market itself is very complex, and so at some places the SSDs are being used as storage devices and some places they are actually storage class memory or memory like devices and different buses that you might be hanging up of, it's a really complex space, painting with one brush and say you know 10k or 15k HDDs belong here and SSDs belong here, especially given the plethora of applications and the servers this will be really completed.

**Patrick O'Malley - Chief Financial Officer**: I think the reality is that the workload and application aspects that we either favor SSD or HDDs are different and those that favor SSDs weren't really being served by HDDs, it's actually opening up in an entirely new application set and the front-end of that set has advantages to SSD if it's random and if it enables there for the analysis of more and more data then we think that obviously supports the need for high availability data to run through that front end. So, we actually think (indiscernible) store and things like that are becoming very important as well. So, again, the replacement aspect of IE, I use an SSD drive to replace a boot drive that's a three year old story that was about 1% of the mission critical drives that we sold. I think the reality is just like phones that aren't using disk drives are driving the creation and sharing content that's impacting the need for more HDD and the infrastructure, SSDs on the enterprise side are doing the same thing with basically big data analytics and we are one having products that will participate in that category directly, we do it with partners, we do it with our own products and it also benefits us on the HDD side or on the hybrid side to one of the earlier questions, I think which Kugele asked about the nature of that customer which seems to be the big data customers that need an accelerator into the SSD. So, we think again this is just part of an overall architectural change that favors big data growth and big data needs to sit on that disk drive ultimately.

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**Joseph Wittine - Longbow Research**: I hate to look at market share just on a short-term basis but any comments you can make on whether the strength in enterprise reflects any share gains during the quarter and conversely the softness and client reflects any share losses or anything you walked away from?

**Stephen J. Luczo - Chairman, President and CEO**: We have tended not to chase prices much on the client side, which may have resulted in some share loss. I would say, on the enterprise side again, it's the ability to kind of execute in quarter, those could either be architectural issues where we happen to be qualified at some OEM or with some particular CSP in someone else – or it could product related. We do feel good about probably more of a Q1 story than a Q4 story. But we do feel good about the positioning of our new 4 terabyte drive. But I think in general, I think any market share shifts in the 1% range is pretty much noise level at this point, and I wouldn't read too much into it. I think the industry is kind of fairly stable in its market share right now. I don't see any big shifts occurring there one way the other.

**Joseph Wittine - Longbow Research**: Then a quick follow-up on OpEx. We've crept over the percentage of sales for a few quarters now, maybe it's not surprising given all new products you've introduced. But you guided flat again kind of what changes going forward that enables if you kind of keep at this current level any…

**Stephen J. Luczo - Chairman, President and CEO**: No, it's an important question. I think with the gross margin change that we've seen over the last couple of years anywhere from 800 basis points to 1000 basis points of additional gross margin, and of course, the Company has been good about returning a big percentage of that to our shareholders. I also think given all the opportunities in storage both on the mobile and the cloud side that it's important for us to invest in some new technologies and products that are resulting from that change in marketplace, and that's where we've been making some investments and it has pushed the OpEx up marginally. It's obviously tied to our expectations of revenues and profits downstream. Some of that is SSD related, some of that is core technology related to make sure that we can keep areal density growing at the rates that we need to, some of its specifically to mobile and some of it is to cloud. Again, at the September meeting, we'll continue to update you on whatever our views are about these investments and the particular markets, and the technologies that we are deploying. But I do think it's important for the Company to make those investments and position itself to generate revenue growth and margin growth downstream from those investments. We watch it closely as you know. OpEx is something that we fight hard for every day and it's one of the nice DNA's of Seagate. So, we are actively managing it, but I do think it's important for us to take some of that gross margin expansion and position our Company for growth because there is so much growth related to the storage that we were missed not to.

**Operator**: Cindy Shaw, Discern.

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**Cindy Shaw - Discern**: Several questions. First, you talked at your Investor Meeting last year about going out after the cloud storage by trying to really go up the stack and go more directly and there is talk about potentially getting higher margins and prices to that value-add. As you look at what you are getting in terms of cloud business now, is that what's happening or is it more of a classic near line drive?

**Stephen J. Luczo - Chairman, President and CEO**: No, it's a classic near line drive.

**Cindy Shaw - Discern**: Is there still a thought that you can with some of these folks that are trying to use more commodity like drives go up the stack and get those higher margins?

**Stephen J. Luczo - Chairman, President and CEO**: We think about it very differently. With OpenStack deployment, there is the opportunity for a desegregation of the software and services level that exist today and many companies are pursuing architectures that say how do you take our devices and deploy it with OpenStack to achieve their storage goals. To do that, there are many changes that we may need to make at the device level that effectively move us up the stack and yes we have those discussions ongoing with a wide variety of technology providers.

**Cindy Shaw - Discern**: Any thought as to when that might actually start to happen in the marketplace, are we talking the quarters, years?

**Albert 'Rocky' Pimentel - EVP, Chief Sales and Marketing Officer**: Quarters.

**Cindy Shaw - Discern**: Then following up on a couple of the earlier questions, there were some discussion about potential for capacity constraints if demand start to improve and the constraint being media. Do you feel like you have got a lot of capacity in another area such as heads and spindles and things like that or would you start to bump into other things pretty quickly after the media?

**Albert 'Rocky' Pimentel - EVP, Chief Sales and Marketing Officer**: It really depends on how it comes out, Cindy. If it's the cloud drives that are obviously heads media rich, if their client devices which were not, as Steve said earlier, we're not really leaning into then those are more box cap related where we have to procure individual parts and test time and things like that. So, there is a balancing act. I think right now, we've got enough capacity for what we see in FY '14 and we're going to be cautious with our CapEx.

**Cindy Shaw - Discern**: Then one final clarification, when you answered one of the earlier questions, I wanted to see it was talking about PC long-term trends, you used the word stabilizing recover. Is it your view that the year-over-year declines in PCs was been seen in the last few quarters are somewhat temporary phenomenon and the PC units are going to actually start to grow or is that factoring and potentially getting hard drives into tablets?

**Stephen J. Luczo - Chairman, President and CEO**: Yeah, I think it's maybe closer to the second half. I think that we need to stop viewing the world as defining it as the technology that's 10 years old. When someone says PC, I don't know what they think about that giant desktop thing or the notebook thing. But our technology market has continued to evolve over the 35 years, I've been in it. What's happening with tablets is in my mind not any different than what happened when we went from mainframe to many client servers to PC to now phones and it's a constant evolution of technology that's basically becoming more and more available to more and more people, which allows more people to share and create and at the end of the day that's driving more storage. So, yes, we are positive on the future of client devices if client devices are things that go in individuals hands and they will take the form of something I carry in my pocket or something that I can carry in my briefcase, or something that's in my home or something that's in my workplace that is all connected and some of it may also be in a shared services that many people connect to. So, I just think we need to kind of change our thinking about what's happening to the PC. The PC is evolving, just like it has for the last 30 years it's going to continue to evolve and yes, we are positive on it.

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**Cindy Shaw - Discern**: Thanks.

**Stephen J. Luczo - Chairman, President and CEO**: Okay. I think that's last question. Again, we want to thank everybody for your time this morning and for accommodating on early call. We look forward to seeing you in September and then talking to you on the next call. Thank you.

**Operator**: Thank you for your participation in today's conference. This concludes the presentation. You may now disconnect and have a great day.