## Summary

The call begins with standard protocol and disclosures from the operator preceding the summary by the CEO Steve Luczo for the June 2013 quarter. Luczo summarized the annual achievements for the year respectively, representing $14.4B in revenue and 28% gross margin (non-GAAP), with net income of $2B and EPS $5.31. 90% of free cash flow was returned to shareholders in the form of dividends and share redemptions. The company restructured its debt reducing its annual interest expenses by $40M, and held $2.3B in cash. The same shareholder return on free cash flow was planned for 2014.

Luczo characterized the environment as a time of change, uncertainty and opportunity, and pointed to accomplishments in the cloud market. A 4 TB nearline product was highlighted as an exciting achievement. The company also expanded into the SSD market with drives developed with Samsung, and further investments in SSD were mentioned, but not detailed. Low profile (7mm and 5mm) disk drives for the mobile market were introduced. There was mention of new products in home storage, as well as the acquisition of LaCie.

Mobile and cloud market segments were called out as priority efforts, but there was assurance that R&D would stay flat and product margin would not decrease. Although forecast for the September quarter was upbeat, the tone was a cautious one.

## Full Text

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

**Operator**: Good afternoon, and welcome to Seagate Technology's Fiscal Fourth Quarter and Year-End 2013 Financial Results Conference Call. My name is Chikwana and I will be your coordinator for today. At this time, all participants are in a listen-only mode. Following the prepared remarks there will a question-and-answer session. As a reminder, this conference is being recorded for replay purposes.

At this time I would like to turn the call over to Kate Scolnick, Vice President, Investor Relations. Please proceed, Kate.

**Kate Scolnick - VP, IR**: Thank you. Good morning and welcome to today's call. Joining me today in Dublin, Ireland are Seagate's executive team; our CEO, Steve Luczo; CFO, Pat O'Malley; EVP of Sales and Marketing, Rocky Pimentel; EVP of Operations, Dave Mosley; and EVP and General Counsel, Ken Massaroni.

We have posted our press release and detailed supplemental information about our fiscal fourth quarter and year end 2013 on our Investor Relations site at seagate.com. During today's call, we will review the highlights from the June quarter and provide the Company's outlook for the fiscal first quarter 2014. After that, we will open up the call to questions.

As a reminder, this conference call contains forward-looking statements including, but not limited to statements relating to the Company's historical and currently anticipated future operating and financial performance in the September quarter and thereafter and includes statements regarding customer demand in general market conditions. These forward-looking statements are based on information available to Seagate as of the date of this conference call and are subject to a number of known and unknown risks and uncertainties and other factors that could cause actual results to differ materially from those anticipated by these forward-looking statements. Such risks and uncertainties such as global economic conditions and other factors may be beyond the Company's control and may pose a risk to the Company's operating and financial performance.

Information concerning additional factors that could cause results to differ materially from those projected in the forward-looking statements are contained in the Company's Annual Report on Form 10-K, as filed with the SEC on August 8, 2012 and in the Company's quarterly report on Form 10-Q filed with the SEC on May 2, 2013. These forward-looking statements should not be relied upon as representing the Company's view of any subsequent date and Seagate undertakes no obligation to update forward-looking statements to reflect events or circumstances after the date they were made.

I would now like to turn the call over to Steve Luczo. Please go ahead, Steve.

**Stephen J. Luczo - Chairman, President and CEO**: Thanks, Kate. Good morning, everyone, and thank you for joining us today. Seagate demonstrated strong operational performance in the June quarter achieving revenues of $3.4 billion and on a non-GAAP basis gross margin of 28%, net income of $447 million, and diluted earnings per share of $1.20. Both of our revenue and gross margin results for the quarter were higher or at the higher end of our expectations, primarily driven by near line market demand as a wide variety of customers deploy cloud infrastructure and applications.

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Full year fiscal 2013 revenues were $14.4 billion and on a non-GAAP basis we achieved gross margin of 28%, net income of $2 billion, and diluted earnings per share of $5.31. We met our shareholder capital return goals for the year returning 70% of operating cash flow and 90% of free cash flow in the form of dividends and share redemptions.

In addition, we successfully restructured our debt profile this quarter to optimize Seagate's capital structure and to support the long-term growth of the Company reducing our annual interest expense by over $40 million. We ended the fiscal year with approximately $2.3 billion in cash and investments and $359 million ordinary shares outstanding.

Going forward, we remain committed to return cash to shareholders through dividends and share redemptions. We have nearly completed our share redemption plans for the September quarter purchasing approximately 4 million shares in the month of July. For fiscal 2014, we are targeting to return up to 70% of operating cash flow and up to 90% of free cash flow to shareholders.

Our senior management is pleased that Seagate executed well in a time of change, uncertainty and opportunity over the course of fiscal year 2013. In addition to meeting the vast majority of our financial goals, we successfully enhanced and expanded our storage technology portfolio through organic growth, partnership, and acquisition to position us for future success with an expanding base of customers.

For the cloud market, we introduced several new enterprise products and features designed to specifically address the manageability, performance, total cost of ownership and security requirements through these environments. We particularly excited about the opportunities of our new 4 terabyte near line product with a competitive combination of capacity and energy efficiency that customers are demanding.

We expanded our SSD solutions over the last several months to include our newest enterprise SSD that we developed with Samsung and we have made strategic investments focused on the emerging enterprise PCIe market, and key architecture advancements in next generation SSD technology.

In the mobile market, we have introduced our 7 millimeter hybrid drives and 5 millimeter disk drives for thin and light and tablet computing. As the mobile market continues to evolve and expand, we believe we are well positioned with competitive products that are high capacity, high performance, and cost effective storage solutions.

In the branding market our acquisition of LaCie and new products such as Seagate Wireless Plus and Seagate Central has significantly boasted our external drives and personal cloud offerings for easy-to-use home storage solutions that we believe will continue to be in strong demand.

Over Seagate's history, we have successfully invested in our technology portfolio to deliver the industry's highest standard of security, reliability and performance. Coupled with these efforts, we have worked to make cost-effective and well-timed capital investments to support our global manufacturing operations. In fiscal year '13 our capital expenditures were less than 6% of revenue and focused on maintenance investment for our existing infrastructure and improvements to our global manufacturing and R&D footprint including the Korea Design Center for our Samsung acquisition and planning for our improved media R&D center in Fremont, California. In fiscal year '14, we expect our capital investments to remain within our long-term targeted range of 6% to 8% of revenue.

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Mobile and cloud will continue to be the priority areas where we are investing in our R&D efforts and aligning our technology portfolio and we expect our operating expenses to remain relatively flat. At the same time, maintaining our product gross margin is the key priority at Seagate which will enable us to make the investments required for advancement of our technology portfolio.

For the past several quarters, our model has proven to be effective for us to leverage both market opportunities and manage through uncertainty. We will continue to work to balance near term financial performance with long-term strategic development while maximizing shareholder value. We remain mindful on the uncertainties affecting our industry including macroeconomic factors, monetary policies, government spending and the technology transitions taking place, particularly in mobile computing.

For the September quarter, we believe the demand environment will be up moderately, sequentially and we expect revenues of approximately $3.5 billion to $3.6 billion and non-GAAP gross margins to remain relatively flat.

In summary, we believe Seagate is well-positioned for this era of data growth and technology transformation. We are optimistic about our leadership position in product portfolio and technology, and we look forward to updating you on our vision and strategic plan at our Investor Meeting on September 10.

On behalf of the entire management team, I want to thank our employees for meeting our operational goals for the fiscal year and positioning Seagate for ongoing success in fiscal year 2014. I also want to thank our customers, partners, suppliers, and shareholders for their continued support and commitment.

We're now ready to open up the call for questions.