

Seagate Technology Holdings plc

Seagate's strategic innovation toward next generation storage solutions combined with rising AI infrastructure demands will drive accelerated revenue growth and margin expansion.

Business Overview

Seagate Technology Holdings plc (Nasdaq: STX) is a global leader in data storage technology and infrastructure, with operations spanning Singapore, the United States, the Netherlands, and beyond. Seagate's market capitalization is approximately \$21.48 billion, and in the fiscal year 2024, the company reported revenues of \$6.55 billion and a net income of \$335 million. Founded in 1978, Seagate designs, manufactures, and markets a broad portfolio of storage solutions. Its product mix includes enterprise nearline hard disk drives (HDDs) and solid-state drives (SSDs), specialized systems for video, imaging, and network-attached storage, as well as consumer-facing external storage products. Recently, the company has been investing in its Lyve edge-to-cloud platform, a modular hardware and software suite aimed at bridging on-premises storage for AI & cloud computing infrastructure, to address the evolving needs of data centers and enterprise clients in today's digital transformation era.

Investment Thesis

- Transformation & Innovation:** Seagate is transitioning from legacy HDD technologies towards advanced storage solutions that cater to the demands of cloud computing, artificial intelligence, and big data analytics. This strategic innovation involves significant investments in R&D to develop next-generation SSDs, hybrid storage systems, and the Lyve edge-to-cloud platform, which together are designed to provide seamless integration of on-premises and cloud storage infrastructure. Seagate's rollout of its next generation Lyve platform and enhanced SSD product line is expected to deliver a 7% revenue beat in its cloud computing segment surpassing street projections. As digitalization accelerates globally, Seagate's commitment to innovation not only strengthens its product offerings but also reinforces its market leadership, ensuring that it remains at the forefront of addressing the evolving needs of enterprise data centers and high-performance computing environments.
- Market Recovery & Margin Expansion:** Seagate's fundamentals are deeply rooted in a periodic industry that is positioned for growth. Historically, periods of reduced capital expenditure in data centers have been followed by strong recovery in enterprise investment. As the technology sector improves and data centers ramp up expansion projects, Seagate is well-positioned to benefit from increased capacity utilization and pricing power, which are expected to drive significant margin expansion. This recovery is expected to drive top-line revenue growth as demand for these storage solutions increases. Furthermore, this untapped growth potential, combined with operational enhancements implemented during the downturn, are likely to yield improved efficiency and profitability, setting the stage for a substantial turnaround in the company's earnings.
- Seagate's demand for data storage solutions will drive its P/E Multiple:** Seagate's recent advancements are positioned to drive significant growth in storage platforms, leading to a substantial increase in its P/E multiple. The recent launch of the ExosM hard drive, which uses Seagate's proprietary HAMR technology, marks a significant upgrade in storage density, perfect for powering AI systems and high-performance cloud applications. Additionally, Seagate's strategic partnerships with NVIDIA and Ansys have accelerated product design cycles and improved time-to-market efficiency, enabling faster innovation and stronger product pipelines. While the street remains fixated on legacy revenue streams and undervalues these transformative initiatives, I believe that we could see a multiple expansion of 10–15%. This difference instilled in our understanding of Seagate's enhanced competitive positioning and growth potential, represents an unrealized gain relative to current street estimates.

2/14/2025

Technology:

Data Storage Solutions

Parv Jain

parvjain@iu.edu

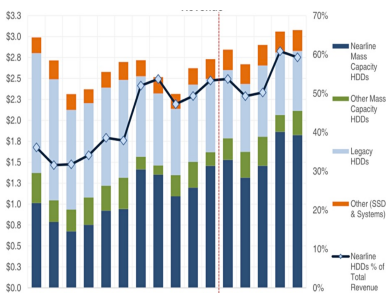
Recommendation

Rating: OUTPERFORM
Price Target: \$120.58
Implied Upside: 18.3%

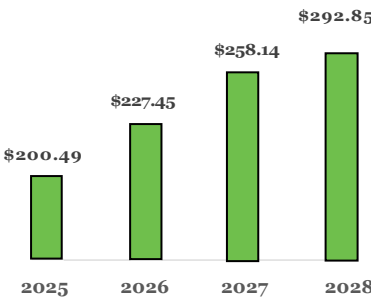
Key Metrics

NASDAQ:	STX
Current Price:	\$101.47
Market Cap (USD bn):	21.48
52 Wk H/L:	\$115.32/ \$82.31
Beta:	1.09
FY24E EPS:	1.58
FY25E EPS:	2.37
FY24E Revenue (bn):	\$6.55
FY25E Revenue (bn):	\$8.03
LTM P/E Ratio:	18.6x
NTM P/E Ratio:	13.6x
Net Margin:	14.7%

Revenue Breakdown



Projected Growth of the Global Data Storage Market (Billions)



STX vs S&P 500 (1YR)



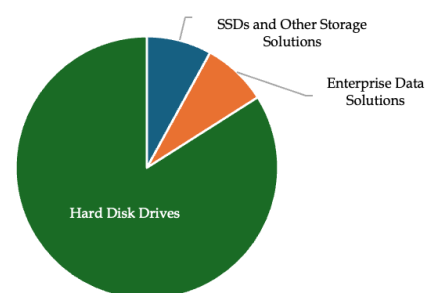
Investment Risks

- Impact of Tariffs on Seagate's Manufacturing and Operations Strategy:** The recent tariffs imposed by the Trump administration introduce a significant risk to Seagate's manufacturing operations, particularly at its China facility. This facility represents roughly 12% of Seagate's total manufacturing capacity in Asia. The 10% tariff on exports from Seagate's facility in China to the U.S. introduces a significant risk to the company's financial performance and represents approximately \$78.6 million in additional costs or 1.2% total revenue loss. The tariff adds a direct cost burden on the products manufactured in the China facility. With extra costs, Seagate's operating expenses could rise, putting pressure on profit margins, particularly if the company's current net margin of 14.7% is weakened by these charges. Shifting production away from China and expanding to other facilities in Asia could be a potential mitigation strategy. To further mitigate these risks, Seagate may consider diversifying its production base and increasing capacity in non-Chinese facilities. Overall, the 10% tariffs could compress Seagate's margins and impact its competitive positioning in an increasingly global market.
- Global Supply Chain Disruptions:** Seagate operates within a global supply chain that relies on the seamless movement of raw materials, semiconductor components, and finished storage products across multiple regions, including the United States, Singapore, and the Netherlands. However, ongoing supply chain volatility, driven by semiconductor shortages, logistical issues, and fluctuating commodity prices pose a significant risk to Seagate's cost structure and production timelines. The semiconductor industry which plays a crucial role in Seagate's product development, remains vulnerable to supply demand imbalances, impacting the availability and pricing of critical components.

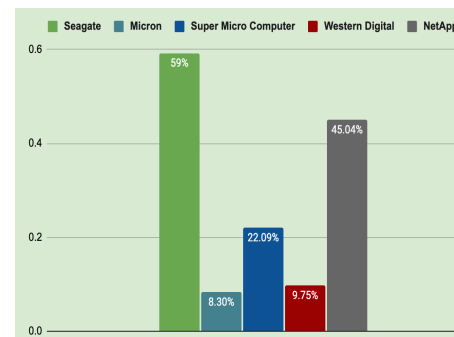
Valuation

- I arrived at a 1-year price target of **\$120.58**, implying an upside of **18.3%**. Seagate Technology (STX) is currently trading at \$101.47 as of 2/14/2025. Based on the differentiated catalysts and operational improvements, I calculated that Seagate's total equity value will expand to around \$25.53B over the next year. Dividing this projected equity value by the current 211.7 million shares outstanding yields a target price of \$120.58. I also applied a forward P/E multiple of 16.2x, which is lower than the consensus multiple and reflects my view that Seagate will outperform street estimates.

Seagate Product Revenue



Distribution ROE



Acquisitions and Subsidiaries:



KIOXIA
Formerly known as TOSHIBA

Implied Enterprise Value	\$29,967
(+) Cash and Cash Equivalents	\$1,239
(-) Total Debt	\$5,679
(-) Preferred Stock	\$0
(-) Non-Controlling Interest	\$0
Implied Equity Value	\$25,527
Fully Diluted Shares Outstanding	212
Implied Share Price	120.58

Seagate Technology Holdings plc Comparable Companies Analysis

Comparable Companies Analysis		Financials											
Company Name	Ticker	Share Price	Market Cap	EV	Sales	EBITDA	EBIT	NTM EPS	EV/Sales	EV/EBITDA	EV/EBIT	NTM P/E	
Western Digital Corporation	WDC	\$ 68.39	\$ 23,787.00	\$ 29,434.00	\$15,601.00	\$ 2,996.00	\$2,463.00	\$ 5.78	1.89x	9.82x	11.95x	11.83x	
Super Micro Computer Inc	SMCI	\$ 47.91	\$ 28,054.00	\$ 28,559.00	\$14,942.00	\$ 1,304.60	\$1,265.00	\$ 2.62	1.91x	21.89x	22.58x	18.29x	
Micron Technology, Inc	MU	\$ 99.52	\$110,882.00	\$ 116,581.00	\$29,094.00	\$12,361.00	\$4,548.00	\$ 7.66	4.01x	9.43x	25.63x	12.99x	
NetApp, Inc.	NTAP	\$ 119.06	\$ 24,205.00	\$ 24,226.00	\$ 6,473.00	\$ 1,626.00	\$1,407.00	\$ 7.58	3.74x	14.90x	17.22x	15.71x	
Seagate Technology Holdings plc	STX	\$ 101.47	\$ 21,481.00	\$ 25,921.00	\$ 8,035.00	\$ 1,608.00	\$1,355.00	\$ 8.56	3.23x	16.12x	19.13x	11.85x	
								Max	4.01x	21.89x	25.63x	18.29x	
								75th percentile	3.81x	16.65x	23.34x	16.35x	
								Median	2.83x	12.36x	19.90x	14.35x	
								Mean	2.89x	14.01x	19.34x	14.70x	
								25th Percentile	1.91x	9.73x	15.90x	12.70x	
								Min	1.89x	9.43x	11.95x	11.83x	