

Earnings power, financial resilience, and capacity to return cash have improved substantially

1 | KEY RESULTS VS. CONSENSUS

Metric	Reported	Consensus	vs. Cons.
Revenue	\$4.233 billion	\$4.11 billion	+3.0%
Operating Income (adjusted, vs. Prior Quarter)	\$2.147 billion	\$1.619 billion	+32.6%
Diluted EPS (adjusted)	\$7.68	\$7.39	+3.9%
SEGMENT REVENUE			
Data Center	\$3.449 billion	N/A	N/A
Edge IoT	\$784 million	N/A	N/A

2 | GUIDANCE AND OUTLOOK

December revenue guidance is \$4.7 billion to \$4.9 billion and adjusted EPS \$9.00 to \$9.40, versus consensus of \$4.5 billion and \$8.43. These are initial December ranges, not raised company guidance. Further margin improvement is expected mainly from pricing. Other expense is expected to decline from \$38 million to \$25 million, adding approximately \$0.05 of EPS. HAMR target reaffirmed: approximately 50% of nearline exabyte run rate exiting calendar 2026. Repurchases should increase from the March 2027 quarter. Mozaic 5 qualification shipments remain targeted toward late 2027.

3 | EARNINGS ANALYSIS

BEAT LED BY MONETIZATION. Data center contributed approximately \$516 million of the \$604 million sequential revenue increase, revenue up 17.6% sequentially; Edge IoT grew 12.5%. These are end-market categories, not separately disclosed profit segments. Total shipped capacity rose approximately 0.9% against revenue growth of 16.6%: improved monetization drove most of the increase. The operating-margin surprise exceeded the gross-margin surprise on tightly controlled operating expenses. A credible execution beat, but realized upside was considerably smaller than year-over-year growth rates suggest.

CASH SUPPORTS EARNINGS QUALITY. Operating cash flow of \$1.690 billion missed the \$1.710 billion consensus, preventing an unqualified beat. Free cash flow of \$1.479 billion was approximately 83.0% of adjusted net income. Working capital used approximately \$200 million, partly offset by \$272 million of accrued expenses, taxes and warranty. Adjusted earnings excluded \$77 million of stock compensation expense and \$44 million of debt-transaction losses, offset by \$107 million of net tax adjustments. Near-convergence of GAAP and adjusted EPS reflects offsetting adjustments.

PRICING DRIVES MARGIN EXPANSION. Adjusted gross margin reached 57.8% and operating margin 50.7%. Management attributed further improvement mainly to pricing, not collapsing manufacturing costs. Internally manufactured component cost reductions were offset by external-component inflation of unverified magnitude. Operating expenses rose only from \$293 million to \$300 million, but expense-ratio gains faded in power. Future margin expansion increasingly requires product economics and price realization; continued favorable pricing is defensible, not a commitment to repeating September's rate of increase.

CAPITAL RETURNS FOLLOW DELEVERAGING. Principal debt was approximately \$2.383 billion against \$1.258 billion of cash; net leverage was approximately 0.2x. Subsequent debt retirement and expected year-end net cash create flexibility for increased repurchases. Capital spending doubled year over year to \$211 million while remaining approximately 5% of revenue: capital-efficient is not capital-free. The earnings trajectory is demonstrably stronger; the unresolved issue is how much of the present price-cost spread survives as commitments roll forward and industry supply adapts.

OPERATING EXECUTION MUST DELIVER. Additional Mozaic 4 qualifications should unlock December shipment growth. Inventory rose \$129 million to \$1.700 billion, consistent with staging but not proof of timely shipment. Planned transitions can still incur scrap and temporary lost capacity.

CONTRACTS ARE NOT BACKLOG. Most nearline supply is allocated through 2028, with some cloud agreements through 2030. Pricing is finalized closer to delivery. These are not fixed-price commitments; cancellation penalties and take-or-pay provisions remain undisclosed.

4 | KEY READ-THROUGHS

HARD DISK DRIVES: INDUSTRY PRICING POWER IS MORE IMPORTANT THAN THE HAMR LEADERSHIP DEBATE
Western Digital (WDC) | Positive | Strong positive
Industry-wide scarcity and contract repricing support Western Digital without transferring Seagate's HAMR economics. Seagate's 57.8% gross margin rose 510 basis points sequentially despite limited exabyte growth and external-component inflation. Western Digital reported 58.1% and guided December to 60%-61%; this corroborates an existing forecast, not an unreported quarter. Customer pull reductions or competing supply outrunning demand would weaken the positive view.

CLOUD STORAGE OPERATORS: BACKBLAZE FACES A MORE CONCENTRATED COST HEADWIND THAN THE HYPERSCALERS
Backblaze (BLZE) | Negative | Potentially material
Higher hardware cost per usable terabyte raises upfront investment and later depreciation before pricing recovers the spending. Backblaze guided capital expenditure to 55%-65% of revenue and anticipated 300-600 basis points of margin pressure through mid-2027. Seagate adds risk to recovery timing, not evidence of weaker demand or an imminent liquidity problem. November 2 results should clarify procurement costs, utilization and the margin trough.

HAMR VALIDATES HOYA'S GLASS EXPOSURE, BUT AREAL DENSITY LIMITS THE VOLUME MULTIPLIER
HOYA (7741) | Positive | Moderate business-level relevance
HAMR adoption supports glass-substrate demand and customer conversion. Seagate reaffirmed approximately 50% HAMR nearline exabyte run rate exiting calendar 2026 while retaining its 10-disk platform. Higher capacity per disk does not require proportionally more substrates. HOYA's opportunity depends on glass penetration, customer wins, platter counts and specification mix, not exabyte growth alone. Its approximately ¥50 billion Vietnam investment supports longer-term expansion, not December capacity.

HYPERSCALE CLOUD: STORAGE INFLATION IS A CASH-FLOW HEADWIND, NOT AN IMMEDIATE CLOUD-DEMAND WARNING
Microsoft (MSFT), Amazon (AMZN), Alphabet (GOOGL) | Negative | Meaningful within storage infrastructure; low direct consolidated earnings materiality
More expensive storage raises capital expenditure first; depreciation affects cloud margins after equipment enters service. Allocations through 2028 or 2030 provide supply assurance, not fixed-price protection, as future terms remain negotiated. Seagate reported no customer purchasing delays from land or power constraints. Microsoft's qualified denser-storage configuration offers efficiency offsets. Amazon and Alphabet are industry exposures, not identified counterparties.