

SEAGATE TECHNOLOGY
Form 10-Q
October 29, 2007
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 28, 2007

.. 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

(Exact name of registrant as specified in its charter)

Cayman Islands
(State or other jurisdiction of
incorporation or organization)

P.O. Box 309GT

Ugland House, South Church Street

George Town, Grand Cayman

98-0355609
(I.R.S. Employer
Identification Number)

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Cayman Islands

(Address of Principal Executive Offices)

Telephone: (345) 949-8066

(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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act (Check one):

Large accelerated filer: Accelerated filer: Non-accelerated filer:

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 October 22, 2007, 532,029,983 shares of the registrant's common shares, par value \$0.00001 per share, were issued and outstanding.

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	September 28, 2007	June 29, 2007 (a)
ASSETS		
Cash and cash equivalents	\$ 1,263	\$ 988
Short-term investments	235	156
Accounts receivable, net	1,519	1,383
Inventories	763	794
Deferred income taxes	215	196
Other current assets	354	284
Total Current Assets	4,349	3,801
Property, equipment and leasehold improvements, net	2,246	2,278
Goodwill	2,327	2,300
Other intangible assets, net	169	188
Deferred income taxes	678	574
Other assets, net	296	331
Total Assets	\$ 10,065	\$ 9,472
LIABILITIES		
Accounts payable	\$ 1,551	\$ 1,301
Accrued employee compensation	232	157
Accrued expenses	739	786
Accrued income taxes	11	75
Current portion of long-term debt	330	330
Total Current Liabilities	2,863	2,649
Other non-current liabilities	363	353
Long-term accrued income taxes	225	
Long-term debt, less current portion	1,734	1,733
Total Liabilities	5,185	4,735
Commitments and contingencies		
SHAREHOLDERS EQUITY		
Common shares and additional paid-in capital	3,295	3,204
Accumulated other comprehensive loss	(1)	(4)

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Retained earnings		1,586	1,537
Total Shareholders' Equity		4,880	4,737
Total Liabilities and Shareholders' Equity		\$ 10,065	\$ 9,472

(a) The information in this column was derived from the Company's audited Consolidated Balance Sheet as of June 29, 2007.
See notes to Condensed Consolidated Financial Statements.

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SEAGATE TECHNOLOGY
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In millions, except per share data)

(Unaudited)

	For the Three Months Ended	
	September 28,	September 29,
	2007	2006
Revenue	\$ 3,285	\$ 2,793
Cost of revenue	2,476	2,351
Product development	242	243
Marketing and administrative	153	180
Amortization of intangibles	13	11
Restructuring, net	5	(4)
Total operating expenses	2,889	2,781
Income from operations	396	12
Interest income	16	19
Interest expense	(32)	(20)
Other, net	(5)	3
Other income (expense), net	(21)	2
Income before income taxes	375	14
Provision for (benefit from) for income taxes	20	(5)
Net income	\$ 355	\$ 19
Net income per share:		
Basic	\$ 0.67	\$ 0.03
Diluted	\$ 0.64	\$ 0.03
Number of shares used in per share calculations:		
Basic	531	576
Diluted	560	606
Cash dividends declared per share	\$ 0.10	\$ 0.08

See notes to Condensed Consolidated Financial Statements.

Table of Contents**SEAGATE TECHNOLOGY****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(In millions)****(Unaudited)**

	For the Three Months Ended	
	September 28,	September 29,
	2007	2006
OPERATING ACTIVITIES		
Net income	\$ 355	\$ 19
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	205	199
Stock-based compensation	29	38
Allowance for doubtful accounts receivable	(3)	40
Other non-cash operating activities, net	18	(4)
Changes in operating assets and liabilities:		
Accounts receivable	(133)	78
Inventories	31	(42)
Accounts payable	250	(244)
Accrued expenses, employee compensation and warranty	(2)	(246)
Accrued income taxes	(2)	(5)
Other assets and liabilities	6	(14)
Net cash provided by (used in) operating activities	754	(181)
INVESTING ACTIVITIES		
Acquisition of property, equipment and leasehold improvements	(150)	(227)
Purchases of short-term investments	(198)	(305)
Maturities and sales of short-term investments	119	335
Acquisition, net of cash acquired	(6)	
Other investing activities, net	(3)	(6)
Net cash used in investing activities	(238)	(203)
FINANCING ACTIVITIES		
Net proceeds from issuance of long-term debt		1,477
Proceeds from exercise of employee stock options and employee stock purchase plan	62	49
Dividends to shareholders	(54)	(46)
Repurchases of common shares	(249)	(150)
Net cash (used in) provided by financing activities	(241)	1,330
Increase in cash and cash equivalents	275	946
Cash and cash equivalents at the beginning of the period	988	910
Cash and cash equivalents at the end of the period	\$ 1,263	\$ 1,856
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	\$ 10	\$ 5

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Cash paid for income taxes, net of refunds

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See notes to Condensed Consolidated Financial Statements.

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SEAGATE TECHNOLOGY
CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

Three Months Ended September 28, 2007

(In millions)

(Unaudited)

	Number of Common Shares	Par Value of Shares	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total
Balance at June 29, 2007	535	\$	\$ 3,204	\$ (4)	\$ 1,537	\$ 4,737
Cumulative effect adjustment to adopt recognition and measurement provisions of FASB Interpretation No. 48 (See Note 3)					(3)	(3)
Comprehensive income, net of tax:						
Change in unrealized gain (loss) on cash flow hedges, net				3		3
Net income					355	355
Comprehensive income						358
Issuance of common shares related to employee stock options and employee stock purchase plan	5		62			62
Dividends to shareholders					(54)	(54)
Repurchases of common shares	(10)				(249)	(249)
Stock-based compensation			29			29
Balance at September 28, 2007	530	\$	\$ 3,295	\$ (1)	\$ 1,586	\$ 4,880

See notes to Condensed Consolidated Financial Statements.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. Summary of Significant Accounting Policies

Nature of Operations Seagate Technology (Seagate, or the Company) designs, manufactures and markets rigid disc drives. Rigid disc drives, which are commonly referred to as disc drives, are used as the primary medium for storing electronic information in systems ranging from desktop and notebook computers and consumer electronics devices to data centers delivering information over corporate networks and the Internet. The Company produces a broad range of disc drive products addressing enterprise applications, where its products are primarily used in enterprise servers, mainframes and workstations; desktop applications, where its products are used in desktop computers; mobile computing applications, where its products are used in notebook computers; and consumer electronics applications, where its products are used in digital video recorders, digital music players and gaming devices. The Company sells its disc drives primarily to major original equipment manufacturers (OEMs), distributors and retailers. The Company also provides data storage services through EVault, Inc. (EVault), which it acquired in fiscal year 2007. The Company also sells storage products containing its disc drives under the Seagate and Maxtor brands.

Basis of Presentation and Consolidation The Condensed Consolidated Financial Statements include the accounts of