

SEAGATE TECHNOLOGY PLC

FORM 8-K

(Current report filing)

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of report (date of earliest event reported): **July 20, 2010**

SEAGATE TECHNOLOGY PUBLIC LIMITED COMPANY
(Exact Name of Registrant as Specified in its Charter)

Ireland
(State or Other Jurisdiction
of Incorporation)

001-31560
(Commission File Number)

98-0648577
(IRS Employer
Identification Number)

Arthur Cox Building
Earlsfort Terrace
Dublin 2
Ireland
(Address of Principal Executive Office)

NA
(Zip Code)

Registrant's telephone number, including area code: **(353) (1) 618-0517**

NA
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 2.02 Results of Operations and Financial Condition.

On July 20, 2010, Seagate Technology plc (or the “Company”) issued a press release and supplemental commentary reporting its financial results for the fiscal quarter and fiscal year ended July 2, 2010. The press release and supplemental commentary are attached to this Current Report on Form 8-K as Exhibits 99.1 and 99.2, respectively.

The information contained in this report and the attached press release is “furnished” but not “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

The following exhibit is attached to this Current Report on Form 8-K:

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press release, dated July 20, 2010, of Seagate Technology plc entitled “Seagate Technology Reports Fiscal Fourth Quarter and Year-End 2010 Financial Results.”
99.2	Supplemental Commentary, dated July 20, 2010, of Seagate Technology plc entitled "Seagate Technology Fiscal Fourth Quarter and 2010 Financial Results."

Cautionary Note Regarding Forward-Looking Statements

This Current Report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements include, but are not limited to, statements related to the Company’s future operating and financial performance in the September 2010 quarter, and thereafter, and include statements regarding expected revenue, gross margin, customer demand for disk drives and general market conditions. These forward-looking statements are based on information available to Seagate as of the date of this Current Report. Current expectations, forecasts and assumptions involve a number of risks, uncertainties, and other factors that could cause actual results to differ materially from those anticipated by these forward-looking statements. Such risks, uncertainties, and other factors may be beyond the Company’s control. In particular, global economic conditions may pose a risk to the Company’s operating and financial performance. Such risks and uncertainties also include the impact of variable demand; dependence on the Company’s ability to successfully qualify, manufacture and sell its disk drive products in increasing volumes on a cost-effective basis and with acceptable quality, particularly the new disk drive products with lower cost structures; the impact of competitive product announcements; and the Company’s ability to achieve projected cost savings. Information concerning risks, uncertainties and other factors that could cause results to differ materially from those projected in the forward-looking statements is contained in the Company’s Annual Report on Form 10-K as filed with the U.S. Securities and Exchange Commission on August 19, 2009 and in the Company’s Quarterly Report on Form 10-Q as filed with the U.S. Securities and Exchange Commission on May 5, 2010, which statements are incorporated into this Current Report by reference. These forward-looking statements should not be relied upon as representing the Company’s views as of any subsequent date and the Company undertakes no obligation to update forward-looking statements to reflect events or circumstances after the date they were made.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereto duly authorized.

SEAGATE TECHNOLOGY PUBLIC LIMITED COMPANY

By: /s/ PATRICK J. O'MALLEY

Name: Patrick J. O'Malley

Title: Executive Vice President and Chief Financial Officer

Date: July 20, 2010



Press Release

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**SEAGATE TECHNOLOGY REPORTS FISCAL FOURTH QUARTER
AND YEAR-END 2010 FINANCIAL RESULTS**

- Record fiscal year profit of \$1.61 billion and earnings per share of \$3.14
 - Record fiscal year shipments of 193 million disk drives
 - Record fourth quarter operating results

SCOTTS VALLEY, CA — July 20, 2010 — Seagate Technology plc (NASDAQ: STX) today reported financial results for the quarter ended July 2, 2010 of 46.8 million disk drive unit shipments, revenue of \$2.66 billion, gross margin of 27.4%, net income of \$379 million and diluted earnings per share of \$0.76. The financial results for the quarter include \$6 million of purchased intangibles amortization expense, \$16 million of restructuring charges, \$3 million expense (Other income/expense) for the May 2010 termination of Seagate's revolving credit facility offset by a \$6 million recovery of previously impaired long-lived assets and a \$50 million income tax benefit due principally to valuation allowance adjustments related to deferred tax assets. The aggregate impact of these items was a \$31 million increase to net income or approximately \$0.06 per diluted share.

For the fiscal year ended July 2, 2010 the company reported 193.2 million disk drive unit shipments, revenue of \$11.4 billion, gross margin of 28.1%, net income of \$1.61 billion and diluted earnings per share of \$3.14. The financial results for the fiscal year ended July 2, 2010 include \$35 million of purchased intangibles amortization expense, \$66 million of restructuring costs, \$3 million expense (Other income/expense) related to the May 2010 termination of the revolving credit line, a net write down of long-lived assets of \$57 million offset by a \$50 million income tax benefit due principally to valuation allowance adjustments related to deferred tax assets. The aggregate impact of these items was a \$111 million reduction of net income or approximately \$0.22 per diluted share.

“I’m very encouraged by our financial and operational performance throughout fiscal 2010,” said Steve Luczo, Seagate chairman, president and CEO. “In fiscal year 2010 we delivered record shipments, profitability and operating margin. The company responded well to the increase in global hard drive demand, which grew 22% year-over-year, introduced key new products, continued to strengthen the capital structure, and remained focused on improving key business fundamentals to position Seagate for future growth.

“Specific to our fiscal fourth quarter, two of our key assumptions entering the quarter did not materialize as expected and impacted our financial results — macro-economic stability and pricing reflective of balanced supply and demand. Industry demand in the fiscal fourth quarter was at the low end of our expectations due primarily to issues emanating from the debt crisis in Europe and slowing consumer spending especially in the U.S. and Europe. The lower unit shipments and unfavorable pricing at some key capacity points impacted Seagate’s ability to deliver revenue and earnings for the quarter within our target range. Despite these factors, Seagate reported the highest operating results for a June quarter in the company’s history.”

Conference Call

Seagate will hold a conference call to review the fourth fiscal quarter and full-year results today at 3:00 p.m. Pacific Time. The conference call will consist of opening comments from Steve Luczo followed by a question and answer session with the executive management team. During today’s conference call, the company will provide an outlook for its first fiscal quarter of 2011, including key underlying assumptions.

Seagate has issued a Supplemental Commentary document that contains information historically presented during the conference call. The Supplemental Commentary will not be read during today’s call, but rather it is available in the investor relations section of seagate.com.

The conference call can be accessed online at seagate.com or by phone as follows:

USA: (800) 901-5241

International: (617) 786-2963

Participant Passcode: 44887384

Replay

A replay will be available beginning today at 6:00 p.m. Pacific Time. The replay can be accessed from seagate.com.

About Seagate

Seagate is the world leader in hard disk drives and storage solutions. Learn more at seagate.com.

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SEAGATE TECHNOLOGY PLC
CONDENSED CONSOLIDATED BALANCE SHEETS

(In millions)
(Unaudited)

	July 2, 2010	July 3, 2009 (a)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,263	\$ 1,427
Short-term investments	252	114
Restricted cash and investments	114	508
Accounts receivable, net	1,400	1,033
Inventories	757	587
Deferred income taxes	118	97
Other current assets	514	528
Total Current Assets	5,418	4,294
Property, equipment and leasehold improvements, net	2,263	2,229
Deferred income taxes	395	372
Other assets, net	171	192
Total Assets	\$ 8,247	\$ 7,087
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Short-term borrowings	\$ —	\$ 350
Accounts payable	1,780	1,573
Accrued employee compensation	263	144
Accrued warranty	189	213
Accrued expenses	422	483
Accrued income taxes	14	10
Current portion of long-term debt	329	421
Total Current Liabilities	2,997	3,194
Long-term accrued warranty	183	224
Long-term accrued income taxes	59	69
Other non-current liabilities	111	120
Long-term debt, less current portion	2,173	1,926
Total Liabilities	5,523	5,533
Total Shareholders' Equity	2,724	1,554
Total Liabilities and Shareholders' Equity	\$ 8,247	\$ 7,087

(a) As adjusted due to changes to the accounting for convertible debt instruments implemented in the first quarter of fiscal year 2010, applied on a retrospective basis.

SEAGATE TECHNOLOGY PLC
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In millions, except per share data)
(Unaudited)

	For the Three Months Ended		For the Fiscal Year Ended	
	July 2, 2010	July 3, 2009 (a)	July 2, 2010	July 3, 2009 (a)
Revenue	\$ 2,656	\$ 2,353	\$ 11,395	\$ 9,805
Cost of revenue	1,928	1,938	8,191	8,395
Product development	219	215	877	953
Marketing and administrative	115	113	437	537
Amortization of intangibles	4	14	27	55
Restructuring and other, net	16	84	66	210
Impairment of goodwill and other long-lived assets, net of recoveries	(6)	—	57	2,320
Total operating expenses	<u>2,276</u>	<u>2,364</u>	<u>9,655</u>	<u>12,470</u>
Income (loss) from operations	380	(11)	1,740	(2,665)
Interest income	2	2	6	17
Interest expense	(46)	(41)	(174)	(143)
Other, net	4	(6)	(3)	(23)
Other income (expense), net	<u>(40)</u>	<u>(45)</u>	<u>(171)</u>	<u>(149)</u>
Income (loss) before income taxes	340	(56)	1,569	(2,814)
Provision for (benefit from) income taxes	<u>(39)</u>	<u>27</u>	<u>(40)</u>	<u>311</u>
Net income (loss)	<u>\$ 379</u>	<u>\$ (83)</u>	<u>\$ 1,609</u>	<u>\$ (3,125)</u>
Net income (loss) per share:				
Basic	\$ 0.79	\$ (0.17)	\$ 3.28	\$ (6.40)
Diluted	0.76	(0.17)	3.14	(6.40)
Number of shares used in per share calculations:				
Basic	479	491	491	488
Diluted	500	491	514	488
Dividends declared per share	\$ —	\$ —	\$ —	\$ 0.27

(a) As adjusted due to changes to the accounting for convertible debt instruments implemented in the first quarter of fiscal year 2010, applied on a retrospective basis.

SEAGATE TECHNOLOGY PLC
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)

(Unaudited)

	For the Fiscal Year Ended	
	July 2, 2010	July 3, 2009 (a)
OPERATING ACTIVITIES		
Net income (loss)	\$ 1,609	\$ (3,125)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	780	931
Stock-based compensation	57	83
Impairment of goodwill and other long-lived assets	57	2,320
Deferred income taxes	(31)	306
Other non-cash operating activities, net	34	8
Changes in operating assets and liabilities:		
Accounts receivable	(367)	372
Inventories	(170)	358
Accounts payable	2	(79)
Accrued employee compensation	119	(296)
Accrued expenses and warranty	(161)	(117)
Other assets and liabilities	3	62
Net cash provided by (used in) operating activities	<u>1,932</u>	<u>823</u>
INVESTING ACTIVITIES		
Acquisition of property, equipment and leasehold improvements	(639)	(633)
Purchases of short-term investments	(373)	(155)
Maturities and sales of short-term investments	233	192
Decrease (increase) in restricted cash and investments	15	(128)
Proceeds from liquidation of deferred compensation plan investments	—	85
Proceeds from sale of investment in equity securities	—	11
Other investing activities, net	12	10
Net cash provided by (used in) investing activities	<u>(752)</u>	<u>(618)</u>
FINANCING ACTIVITIES		
Proceeds from short-term borrowings	15	350
Repayment of short-term borrowings	(365)	—
Net proceeds from issuance of long-term debt	587	399
Repayment of long-term debt	(462)	(55)
Decrease (increase) in restricted cash and investments	379	(380)
Proceeds from exercise of employee stock options and employee stock purchase plan	86	54
Repurchase of common shares	(584)	—
Dividends to shareholders	—	(132)
Other financing activities, net	—	(4)
Net cash provided by (used in) financing activities	<u>(344)</u>	<u>232</u>
Increase (decrease) in cash and cash equivalents	836	437
Cash and cash equivalents at the beginning of the period	1,427	990
Cash and cash equivalents at the end of the period	<u>\$ 2,263</u>	<u>\$ 1,427</u>

(a) As adjusted due to changes to the accounting for convertible debt instruments implemented in the first quarter of fiscal year 2010, applied on a retrospective basis.



Seagate Technology Fiscal Fourth Quarter and 2010 Financial Results

Supplemental Commentary
July 20, 2010

The information in this written commentary, which was historically presented during our live conference call, is now being provided to the investment community concurrently with our press release to allow for additional time for review and analysis prior to commencement of the live call. Please note that these remarks will not be read during the call. The live call will consist of opening comments from Steve Luczo, Chairman, President and CEO, followed by a Q&A session with the executive management team.

Cautionary Note Regarding Forward-Looking Statements

This document contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements include, but are not limited to, statements related to the Company's future operating and financial performance in the fiscal September 2010 quarter, and thereafter, and include statements regarding expected revenue, gross margin, customer demand for disk drives and general market conditions. These forward-looking statements are based on information available to Seagate as of the date of this document. Current expectations, forecasts and assumptions involve a number of risks, uncertainties, and other factors that could cause actual results to differ materially from those anticipated by these forward-looking statements. Such risks, uncertainties, and other factors may be beyond the Company's control. In particular, global economic conditions may pose a risk to the Company's operating and financial performance. Such risks and uncertainties also include the impact of variable demand; dependence on Seagate's ability to successfully qualify, manufacture and sell its disk drive products in increasing volumes on a cost-effective basis and with acceptable quality, particularly the new disk drive products with lower cost structures; the impact of competitive product announcements; and the Company's ability to achieve projected cost savings. Information concerning risks, uncertainties and other factors that could cause results to differ materially from those projected in the forward-looking statements is contained in the Company's Annual Report on Form 10-K as filed with the U.S. Securities and Exchange Commission on August 19, 2009 and in the Company's Quarterly Report on Form 10-Q as filed with the U.S. Securities and Exchange Commission on May 5, 2010, which statements are incorporated into this document by reference. These forward-looking statements should not be relied upon as representing the Company's views as 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.

Fiscal Year 2010 Financial Highlights

Seagate reported fiscal year revenue of \$11.4 billion, net income of \$1.61 billion and diluted earnings per share of \$3.14. The reported net income and diluted earnings per share include, approximately \$111 million (or \$0.22 per diluted share) of net charges not related to the company's on-going operating results. These net charges consist of \$35 million of purchased intangibles amortization expense, \$66 million of restructuring costs, \$3 million of expense (Other income/expense) related to the May 2010 termination of Seagate's revolving credit facility, and \$57 million for the net write down of long-lived assets offset by a \$50 million income tax benefit due principally to valuation allowance adjustments related to deferred tax assets.

Reflecting the strength of the business, cash flow from operations was \$1.9 billion, while free cash flow (cash flow from operations less capital expenditures) was \$1.3 billion.

Fiscal Fourth Quarter Financial Highlights

Seagate's fourth fiscal quarter of 2010 reflected a return to a seasonal demand pattern for hard disk drives, coupled with deteriorating macro-economic conditions and challenging competitive dynamics.

The Total Available Market ("TAM") for hard disk drives in the June quarter was approximately 156 million units, which was near the low-end of the company's expectations. This represents a 4% decline compared to the prior quarter and a 19% increase compared to the year-ago quarter.

Units Shipped, Revenue and Gross Margin

Seagate shipped 46.8 million units, down 7% as compared to the prior quarter and up 15% compared to the year-ago quarter. Revenue was \$2.66 billion and gross margin as a percent of revenue was 27.4%. Revenue was less than originally expected due primarily to 1] lower demand stemming from the European debt crisis and slowing consumer spending in the U.S. and Europe, and 2] supply exceeding demand within the quarter as one competitor significantly increased production, which resulted in price reductions that were greater than expected, particularly for high-capacity 3.5-inch ATA and branded retail products. These effects were more pronounced in the consumer market versus the commercial market, which, in turn, negatively impacted mix and pricing.

Operating Expenses

R&D and SG&A totaled \$334 million for the June quarter, which was slightly better than expected.

Restructuring

Restructuring charges of \$16 million in the June quarter reflects approximately \$13 million associated with previously announced restructuring activities.

Other Income and Expense

Other Income and Expense for the June quarter was an expense of \$40 million and included approximately \$3 million for fees related to the termination of our revolving credit facility in May of 2010. It is expected that in the September quarter a non-recurring charge in the range of \$15 — 20 million related to the call for redemption of the Maxtor convertible debentures will be reflected in the GAAP results for Other Income and Expense.

Tax Rate

The tax provision for the June quarter was a benefit of \$39 million which includes an income tax benefit of \$50 million due principally to valuation allowance adjustments related to deferred tax assets. The tax rate for fiscal 2011 is expected to be approximately 3%.

Selected Balance Sheet Items

Cash, cash equivalents, restricted cash, and short-term investments totaled \$2.6 billion at the end of the June quarter, up approximately \$250 million as compared to the March quarter. Cash Flow from Operations was \$324 million, Capital Investments were \$267 million and free cash flow was \$57 million.

Days Sales Outstanding increased by 5 days to 48 days as a typical seasonal pattern returned for the June quarter, which is characterized by sequentially lower unit demand and a majority of the shipments occurring during the last month of the quarter.

Inventory on the balance sheet increased from the prior quarter by \$72 million to \$757 million. Finished goods (up \$63 million) comprise the majority of the increase. Seagate ended the quarter with approximately 2 weeks of inventory on hand (based on units), up less than 2 days from the prior quarter.

In May of 2010, Seagate issued \$600 million of senior unsecured notes due in May of 2020 with a coupon rate of 6.875%. Additionally, Seagate gave notice to holders of its 5.75% Convertible Subordinated Debentures due March 2012 (the “5.75% Notes”) and its 2.375% Convertible Senior Notes due August 2012 (the “2.375% Notes”) that it will call for redemption of the entire outstanding amount of each note. The 5.75% Notes will be redeemed for cash (\$33 million outstanding) on July 27, 2010 at 100% of their principal amount, plus accrued and unpaid interest to the redemption date. The 2.375% Notes (\$326 million outstanding) will be redeemed for cash on August 20, 2010 at a redemption price equal to 100.68% of their principal amount, plus accrued and unpaid interest to the redemption date.

In late January of 2010, the Board approved an anti-dilution stock repurchase plan. Under this plan during the June quarter, the company repurchased 18.9 million common shares for approximately \$333 million.

Seagate continues to work towards strengthening the capital structure of the company with the primary objectives being an overall debt level of \$1.5 — 1.75 billion and a fully diluted share count of 500 million shares or less.

Disk Drive Market Commentary

Beginning with this quarter's report, Seagate has changed how it provides data and commentary related to the various market categories that exist. The major market categories that will be discussed are 1] Enterprise, 2] Client Compute, 3] Client non-Compute. A disk drive is associated with one of these three market categories based on how it is configured. For example, if a customer buys a standard 2.5-inch ATA drive from Seagate, this would be included in the Client Compute category regardless of the application into which the drive is ultimately integrated. The Client non-Compute category will only contain drives specifically designed or configured for non-compute applications.

Enterprise Products

The TAM for enterprise class disk drives, which includes disk drives for both mission critical and nearline applications, was approximately 12 million units. Mission critical products continue to represent the bulk of the TAM at just over 7 million units. Seagate shipped 4.7 million drives for mission critical server and storage applications and 1.8 million drives for nearline applications during the quarter, representing a 31% increase and 38% increase year-over-year, respectively.

Seagate expects the TAM for enterprise class drives to be slightly up in the September quarter.

Client Compute Products

The TAM for client compute disk drives, which includes disk drives designed for use in mobile and desktop computers, was approximately 110 million units up 16% year-over-year. The mobile TAM was approximately 60 million units, up 25% year-over-year, while the desktop TAM was approximately 50 million units, up 6% year-over-year.

Seagate shipped in total 31.8 million client compute disk drives in the June quarter. Mobile drives accounted for 12.2 million units and desktop drives for 19.6 million units, which represents year-over-year growth of 22% and 3%, respectively.

Inventory of Seagate 3.5-inch ATA (desktop) disk drives in the distribution channel at the end of the quarter was approximately 4 weeks on hand, which is the low end of Seagate's targeted range.

For the September quarter, Seagate expects the client compute TAM to increase seasonally.

Non-compute Market

The non-compute market consists of disk drives specifically configured for consumer electronic ("CE") applications plus Seagate branded products sold at retail. The June quarter TAM for the non-compute market was approximately 34 million disk drives, comprised of 20 million CE drives and 14 million for branded products, which represents year-over-year growth of 23% and 21%, respectively.

In the June quarter, Seagate shipped 5.9 million CE disk drives, an increase of 48% year-over-year and 2.6 million Seagate branded storage products, down 4% year-over-year.

For the September quarter, Seagate expects the non-compute TAM to be seasonally higher.

Operations, Products/Technology

The focus in R&D and operations continues to be on executing time-to-market product introductions and supplying customers with high-quality products.

Products and Technology

Overall, Seagate continues to make progress on new product execution and time-to-market deliveries for the broadest portfolio in the industry. Some new product highlights include:

- Mission critical: the transition of the 2.5-inch, 10,000 RPM product line from 450GB to 600GB continues on plan and is ramping to volume production.
- Retail: the company launched the industry's most versatile external storage family of products, including the industry's first 3TB, 3.5-inch product (FreeAgent® GoFlex Desk) in the June quarter.
- Client compute: continued to qualify with OEM customers and increase production of the 2.5-inch, 7mm 250GB product line (Momentus® Thin) and the 2.5-inch, "hybrid" product line (Momentus® XT). Additionally, qualification was completed at a major OEM of the industry's first 2.5-inch, 7200 RPM product at 375GB per disk (750GB total capacity).

Operations/Component Supply

Inventory turns for the quarter was approximately 10.2 — below the target range of 11-13 turns, due to lower demand than expected and strategic purchases of critical components. Availability of glass substrates, finished media and heads improved during the quarter; however, supply of these critical components is still expected to be generally tight for the second half of the calendar year, reflecting typical seasonal patterns.

Current expectations are for inventory turns to improve toward the low-end of our target range in the September quarter.

Capital Investments/Capacity Planning

Fiscal year 2010 investment in capital equipment totaled approximately \$639 million based on cash payments. During the June quarter receipt of capital equipment was adjusted to align with capacity requirements, which caused a significant amount of capital equipment to be received late in the June quarter, resulting in the cash payment to be made in the September quarter.

Looking out to fiscal 2011, we are modeling capital investment to be in the targeted range of 6-8% of revenue.