



Q4 2019 Earnings
February 19, 2020



GARMIN®

Safe Harbor Statement

These materials include projections and other forward-looking statements. These statements are based on the current expectations of Garmin Ltd. and are naturally subject to uncertainty and changes in circumstances. Forward-looking statements include, without limitation, statements containing words such as “anticipates”, “would,” “may,” “expects,” “estimates,” “plans,” “intends,” “projects,” and other words or phrases with similar meanings. Any statements regarding Garmin’s revenue, operating earnings, pro forma tax rate and pro forma EPS for fiscal 2020, Garmin’s expected segment revenue growth rates, margins, currency movements, expenses, pricing, new products to be introduced in 2020 and Garmin’s plans and objectives are forward-looking statements. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements. Other unknown or unpredictable factors could cause actual results to differ materially from those in the forward-looking statements. These factors include those discussed or identified in the filing by Garmin Ltd. with the U.S. Securities and Exchange Commission in its Annual Report on Form 10-K. Garmin Ltd. does not undertake any obligation to update publicly or revise forward-looking statements, whether as a result of new information, future events or otherwise, except to the extent legally required.

Business Update

Cliff Pemble
President and CEO

4th Quarter Financial Review

Strong revenue and operating income growth

- Consolidated revenue of \$1.1 billion, up 18%
- Fitness, aviation, marine and outdoor segments combined grew 24%
- Gross margin of 58.0% compared to 58.9% in the prior year
- Operating margin improved to 25.1%
- Operating income of \$277 million, up 24%
- GAAP EPS of \$1.89 and pro forma EPS of \$1.29

2019 Financial Review

Fourth consecutive year of revenue and operating income growth

- Record consolidated revenue of \$3.758 billion, up 12%
- Fitness, aviation, marine and outdoor segments grew 18% on a combined basis
- Gross margin and operating margin improved to 59.5% and 25.2%, respectively
- Record operating income of \$946 million, up 21%
- GAAP EPS of \$4.99 and pro forma EPS of \$4.45
- Propose to increase quarterly dividend by 7%

Fitness

FY 2019 Business Review

- Revenue growth of 22% driven by wearables and contributions from Tacx
- Gross margin and operating margin of 51% and 18%, respectively
- Operating income growth of 6%



FY 2020 Outlook

- Revenue growth of ~10%
- Launch new feature-rich products
- Leverage the Tacx acquisition through expanded distribution



Aviation

FY 2019 Business Review

- Revenue growth of 22%, with growth in both aftermarket and OEM
- Gross margin and operating margin of 74% and 34%, respectively
- Operating income growth of 24%

FY 2020 Outlook

- Revenue comparable to 2019
- Growth in aftermarket systems offset by declining ADS-B revenue
- Newer platforms and trainers are opportunities



Marine

FY 2019 Business Review

- Revenue growth of 15% with strength in multiple product categories
- Gross margin and operating margin improved to 60% and 22%, respectively
- Operating income growth of 73%

FY 2020 Outlook

- Revenue growth of ~10%
- Build on the momentum of Panoptix LiveScope and Force trolling motor
- Grow OEM contribution with more electronics installed at the factory



Outdoor

FY 2019 Business Review

- Revenue growth of 13% driven by demand for adventure watches
- Gross margin and operating margin of 65% and 36%, respectively
- Operating income growth of 15%



FY 2020 Outlook

- Revenue growth of ~10%
- Growth in adventure watches with innovative new features and technologies
- Grow inReach satellite subscription base



Auto

FY 2019 Business Review

- Revenue declined 14%
- Gross margin and operating margin of 47% and 10%, respectively
- Operating income growth of 50%

FY 2020 Outlook

- Revenue decline of ~5%
- Specialty categories offer growth opportunities
- Anticipate a growth inflection for auto OEM in the back half of the year
- Increased investment in facilities, equipment, and people to support recent program wins



2020 Guidance

	2020 Guidance
Revenue	~\$4.0B
Gross Margin	~59.2%
Operating Margin	~23.5%
Tax Rate	~10.0%
EPS	~\$4.60

Segment	Revenue Growth Estimates
Fitness	~10%
Outdoor	~10%
Marine	~10%
Aviation	~0%
Auto	~(5%)

Financial Update

Doug Boessen
CFO and Treasurer

Q4 Income Statement

(\$ Millions)	Q4 2019	Q4 2018	Change
Revenue	\$1,102	\$932	18%
Gross Profit	639	549	16%
Gross Margin %	58.0%	58.9%	(90 bps)
Total Operating Expense	363	326	11%
Operating Income	277	223	24%
Operating Margin %	25.1%	23.9%	120 bps
Other Income	11	9	
Income Tax Benefit (Expense)	73	(42)	
U.S. GAAP Net Income	361	190	90%
Pro Forma Net Income	246	194	27%
U.S. GAAP EPS	\$1.89	\$1.00	89%
Pro Forma EPS	\$1.29	\$1.02	26%

Full Year Income Statement

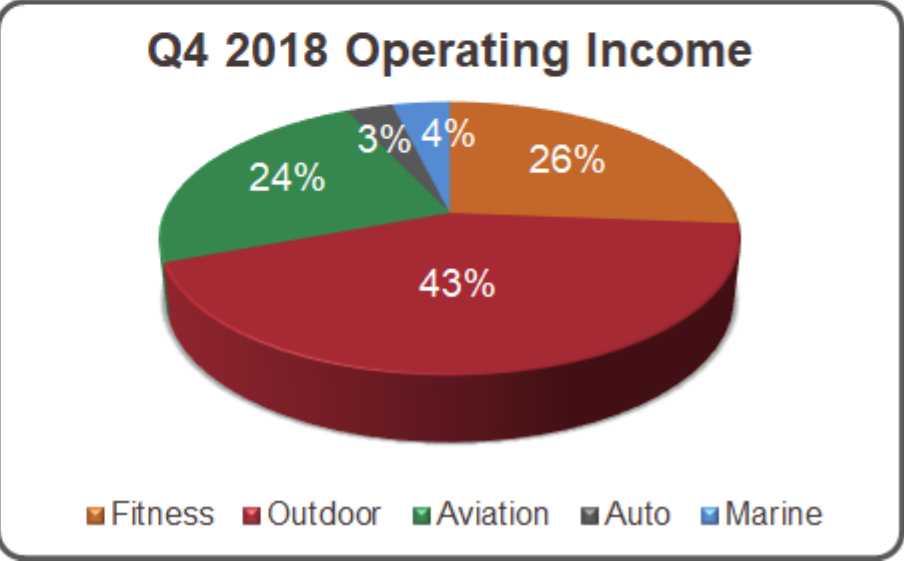
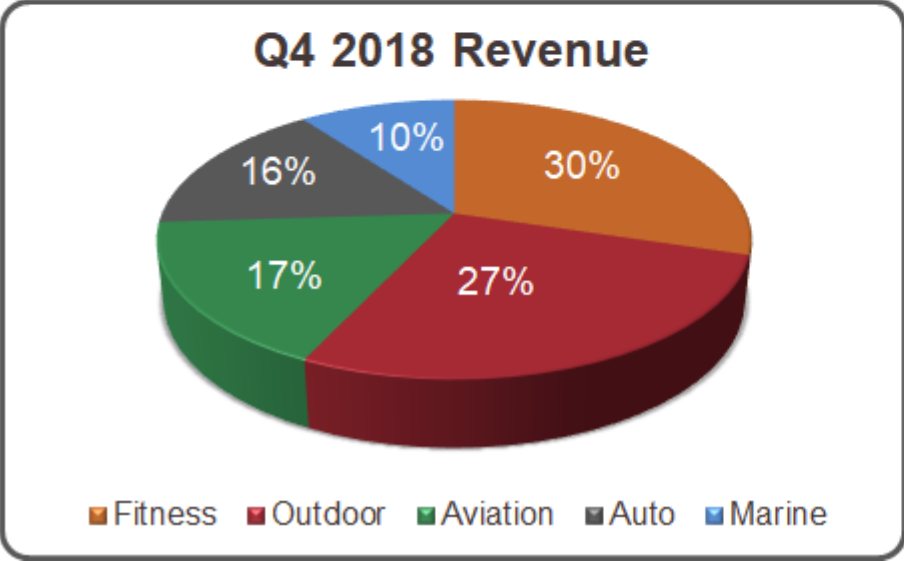
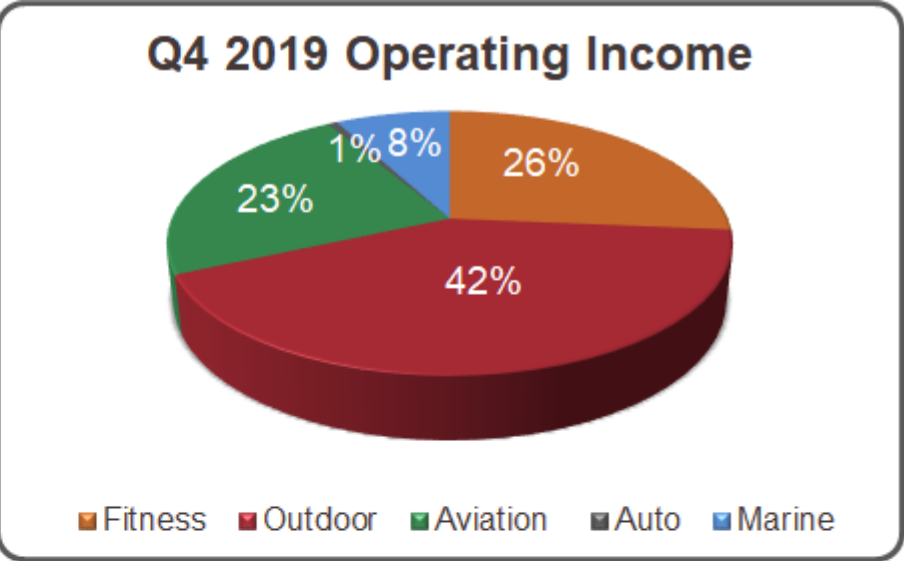
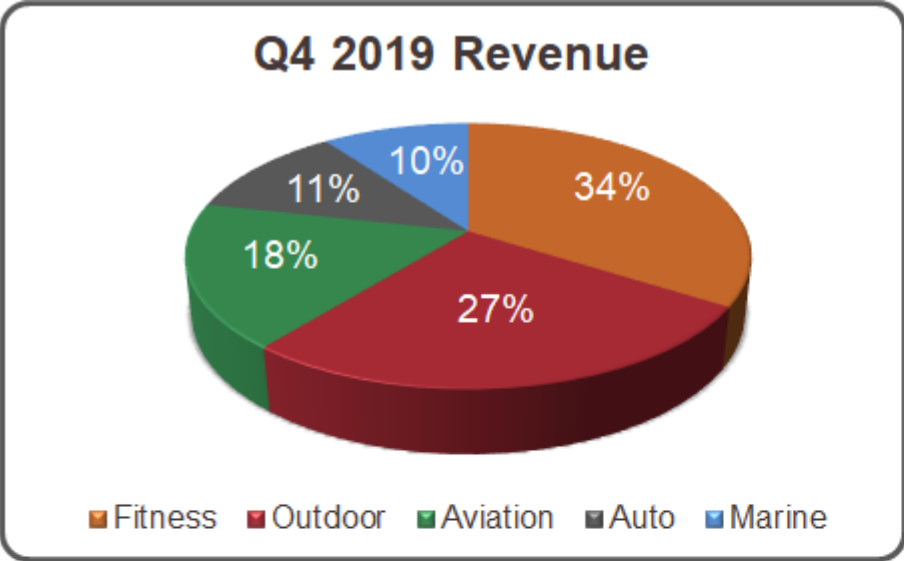
(\$ Millions)	2019	2018	Change
Revenue	\$3,758	\$3,347	12%
Gross Profit	2,234	1,980	13%
Gross Margin %	59.5%	59.1%	40 bps
Total Operating Expense	1,288	1201	7%
Operating Income	946	778	21%
Operating Margin %	25.2%	23.3%	190 bps
Other Income	42	45	
Income Tax (Expense)	(35)	(129)	
U.S. GAAP Net Income	952	694	37%
Pro Forma Net Income	849	701	21%
U.S. GAAP EPS	\$4.99	\$3.66	36%
Pro Forma EPS	\$4.45	\$3.69	21%

Q4 and Full Year Revenue

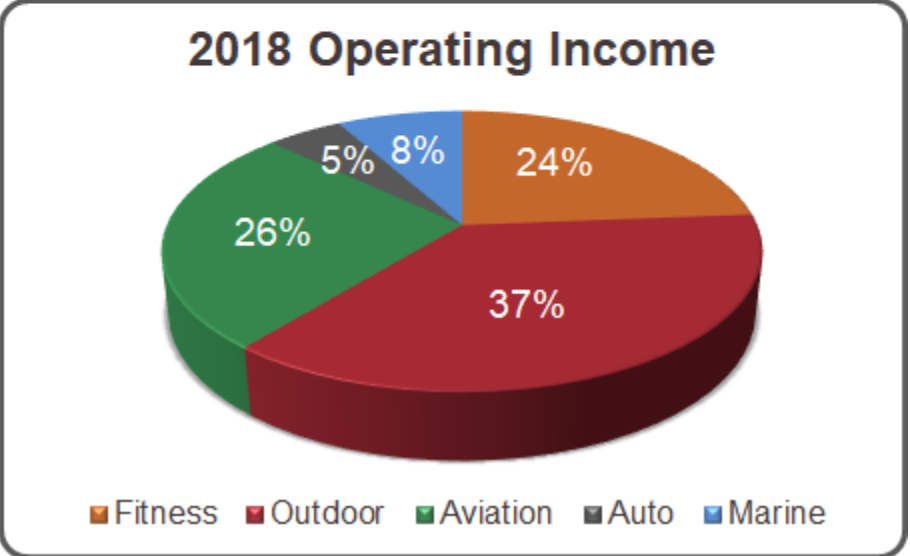
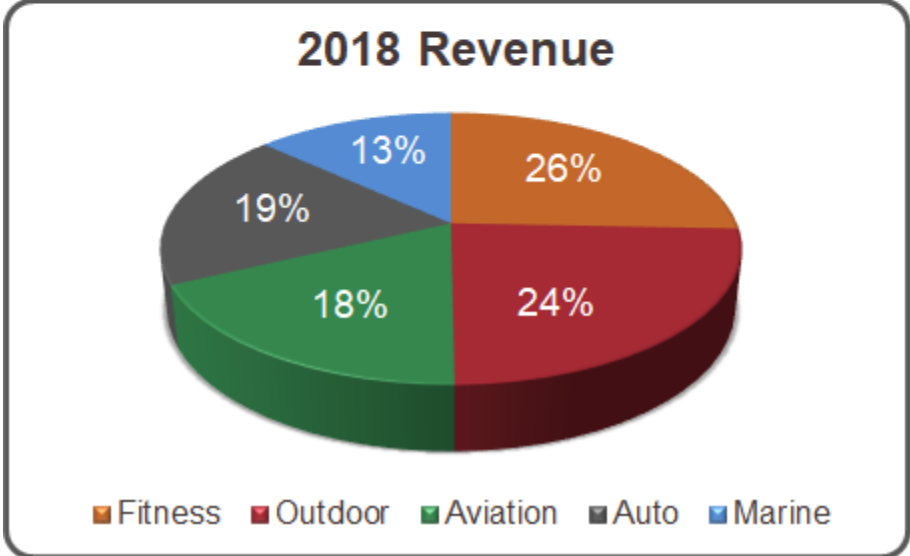
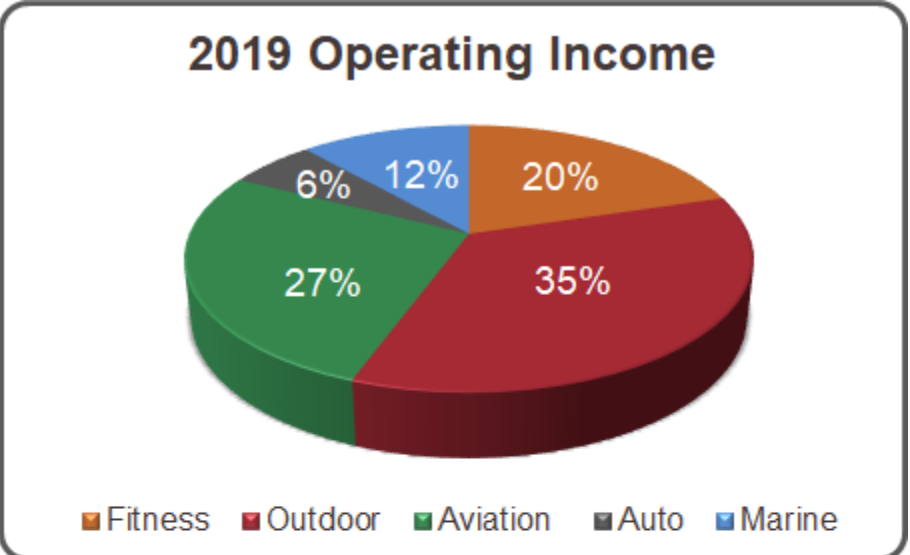
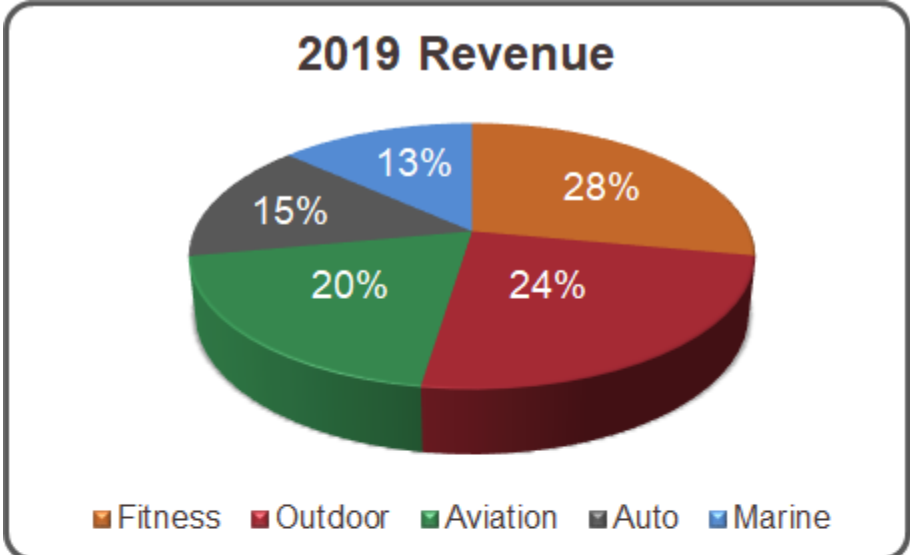
Q4 Revenue by Segment			
(\$ M)	2019	2018	Change
Fitness	\$373	\$277	34%
Aviation	193	158	22%
Marine	116	95	22%
Outdoor	295	255	16%
Auto	126	148	(15%)
Total	\$1,102	\$932	18%

Full Year Revenue by Segment			
(\$ M)	2019	2018	Change
Fitness	\$1,048	\$858	22%
Aviation	735	603	22%
Marine	509	442	15%
Outdoor	918	810	13%
Auto	548	634	(14%)
Total	\$3,758	\$3,347	12%

Q4 Revenue & Operating Income



Full Year Revenue & Operating Income

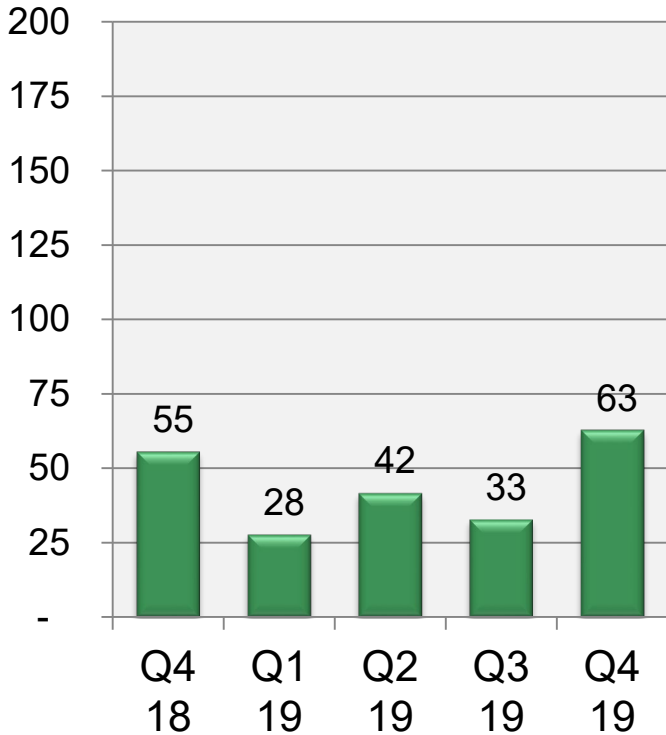


Operating Expenses

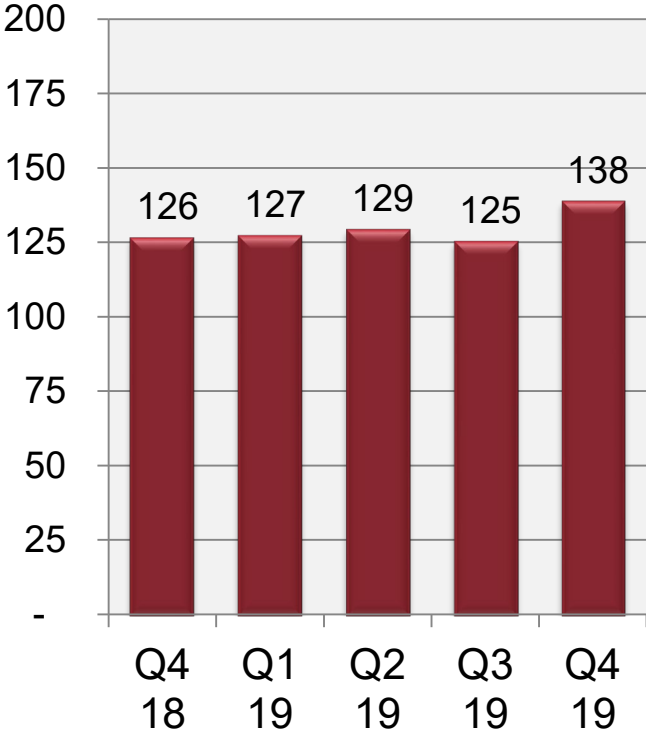
R&D (in millions)



Advertising (in millions)



SG&A (in millions)



Balance Sheet / Cash Flow / Dividends

Balance Sheet

- Ended quarter with approximately \$2.6 billion of cash and marketable securities
- Accounts receivable increased sequentially and year-over-year due to strong sales during the holiday quarter
- Inventory balance increased year-over-year due to our strategy to increase days of supply and the acquisition of Tacx

Cash Flow

- Generated free cash flow of approximately \$208 million during the fourth quarter 2019 and \$581 million during the full year 2019

Dividend

- Dividend of \$0.57 per share to be paid at close of March 2020
- Seeking shareholder approval for \$2.44 per share dividend; payable quarterly at \$0.61 per share beginning in June 2020, representing a 7% increase over the prior year

Taxes

- During fiscal year 2019, we reported \$35 million of income tax expense
 - Includes a \$118 million income tax benefit due to the revaluation and step-up of certain Switzerland deferred tax assets as a result of Switzerland tax reform
- Excluding the \$118 million income tax benefit, the fiscal year 2019 pro forma effective tax rate was 15.5% compared to 15.7% in fiscal year 2018
- Fiscal year 2020 pro forma effective tax rate is expected to decrease to approximately 10% primarily due to the migration of intellectual property ownership from Switzerland to the United States
 - Taking into consideration the recent major tax reforms in Switzerland and the United States, the migration maintains an efficient tax structure and responds to changing global tax landscape.
 - The migration includes an intercompany license agreement that shifts intellectual property ownership for our consumer products from Switzerland to the United States over multiple years.



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Appendix

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Segment Information

	<u>Fitness</u>	<u>Outdoor</u>	<u>Aviation</u>	<u>Auto</u>	<u>Marine</u>	<u>Total</u>
52-Weeks Ended December 28, 2019						
Net sales	\$ 1,047,527	\$ 917,567	\$ 735,458	\$ 548,103	\$ 508,850	\$ 3,757,505
Gross profit	532,604	598,443	543,385	256,595	302,949	2,233,976
Operating income	191,858	334,041	252,943	56,868	109,876	945,586

52 -Weeks Ended December 29, 2018

Net sales	\$ 858,329	\$ 809,883	\$ 603,459	\$ 634,213	\$ 441,560	\$ 3,347,444
Gross profit	471,764	528,254	450,152	270,793	258,756	1,979,719
Operating income	181,745	290,510	204,746	37,998	63,344	778,343

In the first quarter of fiscal 2019, the methodology used to allocate certain selling, general, and administrative expenses to the segments was refined. The Company's composition of segments did not change. Prior year amounts are presented above as they were originally reported. We estimate segment operating income for the 52 weeks ended December 29, 2018 would have been approximately \$18 million less for the aviation segment, approximately \$11 million more for the marine segment, approximately \$7 million more for the outdoor segment, and not significantly different for the fitness and auto segments.

Non-GAAP Financial Information

To supplement our financial results presented in accordance with GAAP, this release includes the following measures defined by the Securities and Exchange Commission as non-GAAP financial measures: pro forma net income (earnings) per share, pro forma effective tax rate and free cash flow. These non-GAAP measures are not based on any comprehensive set of accounting rules or principles and should not be considered a substitute for, or superior to, financial measures calculated in accordance with GAAP, and may be different from non-GAAP measures used by other companies, limiting the usefulness of the measures for comparison with other companies. Management believes providing investors with an operating view consistent with how it manages the Company provides enhanced transparency into the operating results of the Company, as described in more detail by category below.

The tables below provide reconciliations between the GAAP and non-GAAP measures.

Pro forma effective tax rate

The Company's income tax expense is periodically impacted by discrete tax items that are not reflective of income tax expense incurred as a result of current period earnings. Therefore, management believes disclosure of the effective tax rate and income tax provision before the effect of certain discrete tax items are important measures to permit investors' consistent comparison between periods. In 2018, there were no such discrete tax items identified.

	13-Weeks Ended		52-Weeks Ended	
	December 28,		December 28,	
	2019		2019	
	\$	ETR ⁽¹⁾	\$	ETR ⁽¹⁾
U.S. GAAP income tax (benefit) provision	\$ (73,379)	(25.5%)	\$ 34,736	3.5%
Pro forma discrete tax item:				
Switzerland deferred tax assets ⁽²⁾	117,989		117,989	
Pro forma income tax provision	\$ 44,610	15.5%	\$ 152,725	15.5%

(1) Effective tax rate is calculated by taking the income tax provision divided by income before taxes, as presented on the face of the Condensed Consolidated Statements of Income.

(2) In fourth quarter 2019, a \$118 million income tax benefit was recognized resulting from the revaluation and step-up of certain Switzerland tax assets as a result of the enactment of Switzerland Federal and Schaffhausen cantonal tax reform and related transitional measures. This impact is not reflective of income tax expense incurred as a result of current period earnings and therefore affects period-to-period comparability.

Pro forma net income (earnings) per share

Management believes that net income (earnings) per share before the impact of foreign currency gains or losses and certain discrete income tax items, as discussed above, is an important measure in order to permit a consistent comparison of the Company's performance between periods.

	13-Weeks Ended		52-Weeks Ended	
	December 28, 2019	December 29, 2018	December 28, 2019	December 29, 2018
GAAP net income	\$ 360,792	\$ 190,150	\$ 952,486	\$ 694,080
Foreign currency gains / losses ⁽¹⁾	4,230	4,211	16,799	7,616
Tax effect of foreign currency gains / losses ⁽²⁾	(657)	(758)	(2,599)	(1,195)
Switzerland deferred tax assets ⁽³⁾	(117,989)	-	(117,989)	-
Pro forma net income	\$ 246,376	\$ 193,603	\$ 848,697	\$ 700,501

GAAP net income per share:

Basic	\$ 1.90	\$ 1.01	\$ 5.01	\$ 3.68
Diluted	\$ 1.89	\$ 1.00	\$ 4.99	\$ 3.66

Pro forma net income per share:

Basic	\$ 1.30	\$ 1.03	\$ 4.47	\$ 3.71
Diluted	\$ 1.29	\$ 1.02	\$ 4.45	\$ 3.69

Weighted average common shares outstanding:

Basic	190,165	188,878	189,931	188,635
Diluted	191,225	190,177	190,899	189,734

(1) The majority of the Company's consolidated foreign currency gains and losses are driven by movements in the Taiwan Dollar, Euro, and British Pound Sterling in relation to the U.S. Dollar and the related exchange rate impact on the significant cash, receivables, and payables held in a currency other than the functional currency at one of the Company's subsidiaries. However, there is minimal cash impact from such foreign currency gains and losses.

(2) The tax effect of foreign currency gains and losses was calculated using the pro forma effective tax rate of 15.5% for the quarter and fiscal year ended December 28, 2019, respectively, and an effective tax rate of 18.0% and 15.7% for the quarter and fiscal year ended December 29, 2018, respectively.

Free Cash Flow

Management believes that free cash flow is an important financial measure because it represents the amount of cash provided by operations that is available for investing and defines it as operating cash flows less capital expenditures for property and equipment. Management believes that excluding purchases of property and equipment provides a better understanding of the underlying trends in the Company's operating performance and allows more accurate comparisons of the Company's operating results to historical performance. This metric may also be useful to investors, but should not be considered in isolation as it is not a measure of cash flow available for discretionary expenditures. The most comparable GAAP measure is net cash provided by operating activities.

	<u>13-Weeks Ended</u>		<u>52-Weeks Ended</u>	
	<u>December 28,</u>	<u>December 29,</u>	<u>December 28,</u>	<u>December 29,</u>
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Net cash provided by operating activities	\$ 234,379	\$ 217,737	\$ 698,550	\$ 919,520
Less: purchases of property and equipment	(26,562)	(32,909)	(118,031)	(155,755)
Free Cash Flow	<u>\$ 207,817</u>	<u>\$ 184,828</u>	<u>\$ 580,519</u>	<u>\$ 763,765</u>

Forward-looking Financial Measures

The forward-looking financial measures in our 2020 guidance provided above do not consider the potential future net effect of certain discrete tax items, foreign currency exchange gains and losses, and any other impacts that may be identified as pro forma adjustments in calculating the non-GAAP measures described above.

At this time, management is unable to determine whether or not significant discrete tax items will occur in fiscal 2020, reasonably estimate such foreign currency gains and losses, or anticipate the impact of any other events that may be considered in the calculation of non-GAAP financial measures.

The estimated impact of foreign currency gains and losses cannot be reasonably estimated on a forward-looking basis due to the high variability and low visibility with respect to non-operating foreign currency exchange gains and losses and the related tax effects of such gains and losses. The impact on diluted net income per share of foreign currency gains and losses, net of tax effects, was \$0.07 per share for the 52-weeks ended December 28, 2019.