



GARMIN®

Q3 2018 Earnings
October 31, 2018

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 "proposed" and "intends" or "intended" and "expects" or "expected." Any statements regarding Garmin's revenue, operating earnings, pro forma tax rate and pro forma EPS for fiscal 2018, Garmin's expected segment revenue growth rates, margins, currency movements, expenses, pricing, new products to be introduced in 2018 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

3rd Quarter Financial Review

- Consolidated revenue of \$810 million, up 8%
- Marine, aviation, fitness and outdoor segments on a combined basis grew 16% and contributed 80% of total revenue
- Gross and operating margin of 59.4% and 24.2%, respectively
- Operating income of \$196 million, growth of 13%
- GAAP EPS of \$0.97 and pro forma EPS of \$1.00
- Updating EPS guidance on strong year-to-date 2018 results

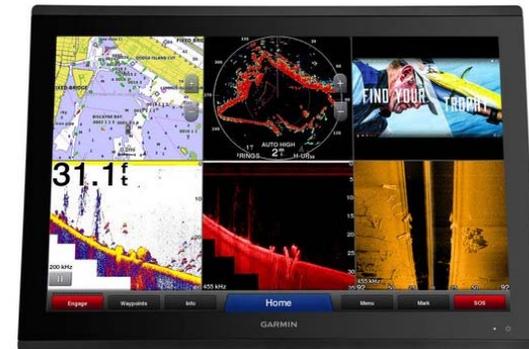
Marine

3rd Quarter Business Review

- Robust revenue growth of 28%, driven by both organic growth and our recent acquisitions
- Gross and operating margin of 59% and 14%, respectively

Market/Product Update

- Honored with six awards by NMEA, including Manufacturer of the Year
- Recently announced the 2019 lineup of marine electronics, including the GPSMAP 8600 series



Aviation

3rd Quarter Business Review

- Strong revenue growth of 17%
- Gross and operating margin of 76% and 35%, respectively
- Operating income growth of 49%



Market/Product Update

- Acquired FltPlan.com, a leading electronic planning and services provider
- Selected by Gulfstream to provide ADS-B for the G280 aircraft
- Teaming with Bell Helicopter for On-Demand Mobility Avionics System



Fitness

3rd Quarter Business Review

- Strong revenue growth of 14% primarily driven by growth in wearables
- Gross and operating margin of 54% and 20%, respectively
- Operating income growth of 12%



Market/Product Update

- Launched the vivosmart 4, with pulse ox and energy monitoring
- Announced vivofit jr. 2 interactive mobile app and bands featuring Disney Princess and Marvel's Spiderman



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Outdoor

3rd Quarter Business Review

- Revenue growth of 13%, primarily driven by growth in wearables
- Gross margin and operating margin of 65% and 38%, respectively
- Operating income growth of 16%



Market/Product Update

- Announced Spotify integration on our fēnix 5 Plus series watches, allowing customers to listen to offline music playlists from their wrist
- Recently introduced Instinct, a rugged and reliable GPS smartwatch designed to expand the market for outdoor wearables



Auto

3rd Quarter Business Review

- Revenue declined 16%
- Gross and operating margin of 43% and 9%, respectively

Market/Product Update

- Global PND market share remains strong
- Selected by Geely Auto Group to provide camera and driving recorder systems beginning in model year 2020



2018 Guidance

	2018 Updated	2018 Prior
Revenue	~\$3.3 B	~\$3.3 B
Gross Margin	~58.5%	~58.5%
Operating Margin	~22.0%	~21.5%
Tax Rate (Pro Forma)	~16.0%	~17.5%
EPS (Pro Forma)	~\$3.45	~\$3.30

Our outlook for revenue by segment is unchanged.

Financial Update

Doug Boessen
CFO and Treasurer

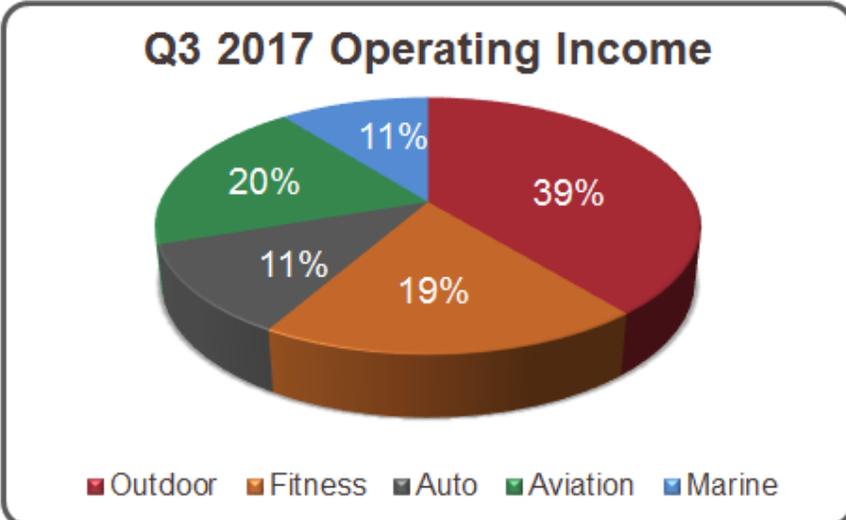
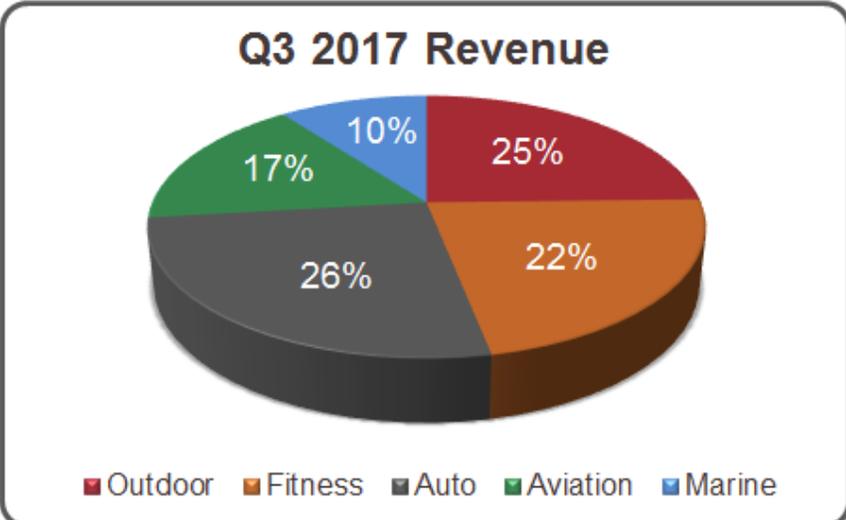
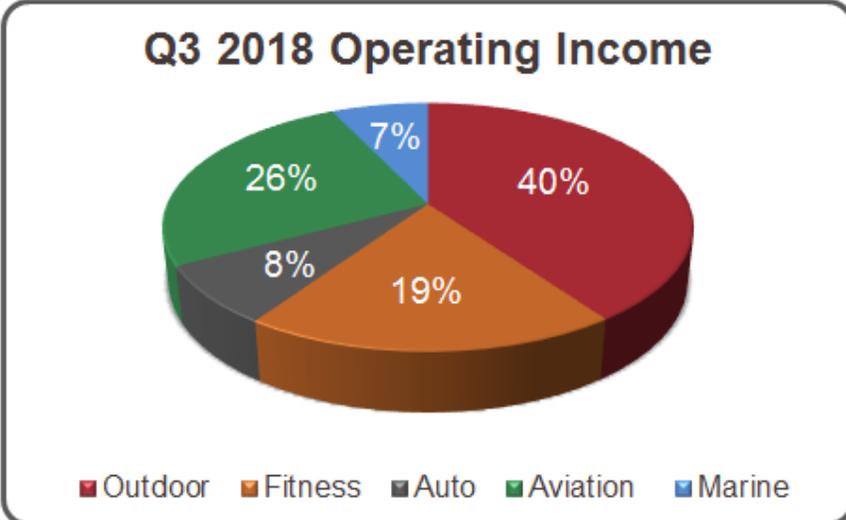
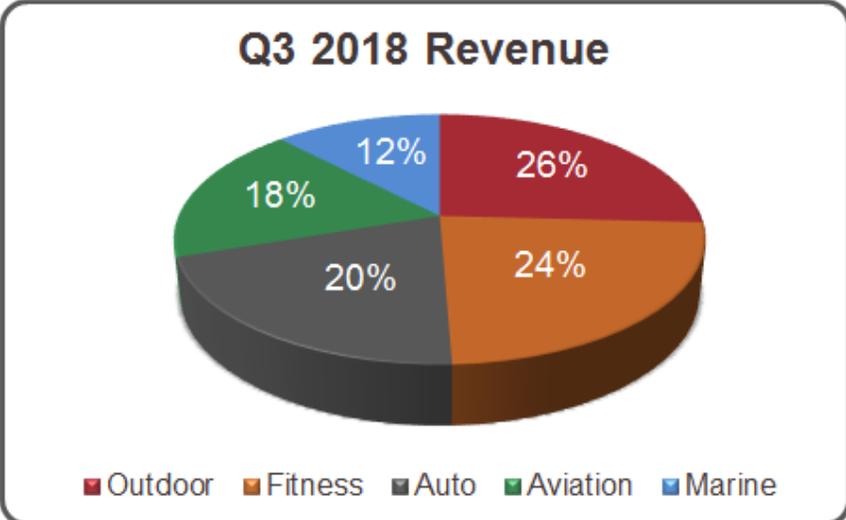
Q3 Income Statement

(\$ Millions)	Q3 2018	Q3 2017	Change
Revenue	\$810	\$751	8%
Gross Profit	481	438	10%
Gross Margin %	59.4%	58.2%	120 bps
Total Operating Expense	285	264	8%
Operating Income	196	174	13%
Operating Margin %	24.2%	23.1%	110 bps
Other Income (Expense):			
Interest Income / Other	12	8	
Foreign Currency (Losses) Gains	(7)	9	
Income Tax Expense	(17)	(39)	
Net Income (GAAP)	184	151	22%
Net Income (Pro-Forma)	190	144	32%
EPS (GAAP)	\$0.97	\$0.80	21%
EPS (Pro-Forma)	\$1.00	\$0.77	30%

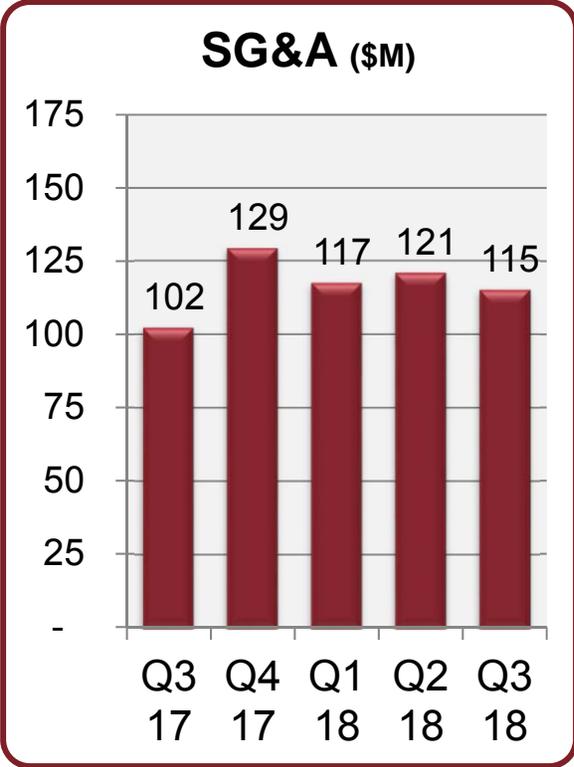
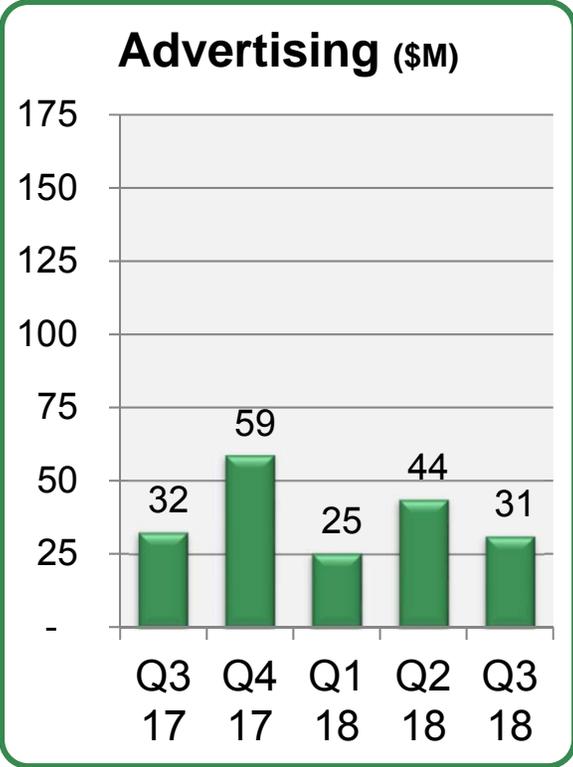
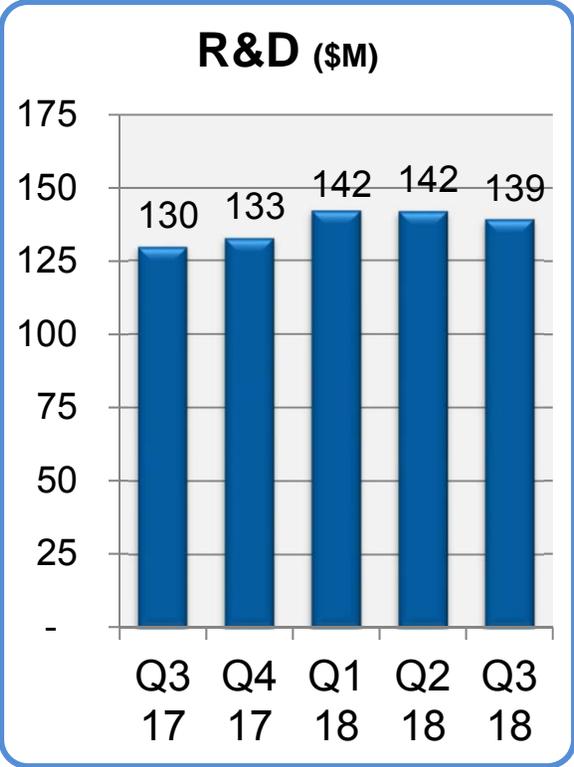
Q3 Revenue

Q3 Revenue by Segment				
(\$ M)	2018	2017	Change	
Marine	\$99	\$77	28%	
Aviation	146	125	17%	
Fitness	190	167	14%	
Outdoor	209	185	13%	
Auto	165	197	(16%)	
Total	\$810	\$751	8%	

Q3 Revenue & Operating Income



Operating Expenses



Balance Sheet / Cash Flow

Balance Sheet

- Ended quarter with approximately \$2.5 billion of cash and marketable securities
- Accounts receivable decreased sequentially due to seasonal trends but increased year-over-year on stronger sales
- Inventory increased on a sequential basis as we prepared for the seasonally strong fourth quarter

Cash Flow

- Generated \$234 million of free cash flow in Q3 2018

Taxes

Tax Rate

- Q3 2018 effective tax rate of 8.5% compared to an effective tax rate of 20.5% in Q3 2017
 - The decrease is primarily due to the benefits from U.S. tax reform and increased benefit from U.S. research and development tax credits
- Updating our full year 2018 pro forma effective tax rate guidance to ~16.0%



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Appendix

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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, the effective tax rate and income tax provision before the effect of such discrete tax items are important measures to permit consistent comparison between periods. In fiscal 2016, there were no such discrete tax items identified.

	13-Weeks Ended		39-Weeks Ended	
	September 30, 2017		September 30, 2017	
	\$	ETR ⁽¹⁾	\$	ETR ⁽¹⁾
U.S. GAAP income tax provision (benefit)	\$ 38,840	20.5%	\$ (53,840)	(10.5%)
Pro forma discrete tax items:				
Switzerland corporate tax election ⁽²⁾	-		168,755	
Tax expense from share-based award expirations ⁽³⁾	-		(7,275)	
Total pro forma discrete tax items	-		161,480	
Income tax provision (Pro Forma)	\$ 38,840	20.5%	\$ 107,640	21.0%

⁽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 first quarter 2017, a \$169 million tax benefit was recognized resulting primarily from the revaluation of certain Switzerland deferred tax assets. The revaluation is due to the Company's election in the first quarter of 2017 to align certain Switzerland corporate tax positions with international tax initiatives. As this revaluation is not reflective of income tax expense incurred related to the current period earnings, it has been identified as a pro forma discrete tax item.

⁽³⁾ Following adoption in fiscal 2017 of Accounting Standards Update No. 2016-09, Compensation – Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting (“ASU 2016-09”), the Company may periodically incur tax expense resulting from stock options and stock appreciation rights (SARs) expiring unexercised. New grants of stock options and SARs no longer comprise a significant component of the Company's compensation arrangements. As the tax expense from expired awards is not related to current period earnings or compensation activities, it has been identified as a pro forma adjustment.

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		39-Weeks Ended	
	September 29, 2018	September 30, 2017	September 29, 2018	September 30, 2017
Net income (GAAP)	\$ 184,214	\$ 151,074	\$ 503,930	\$ 566,456
Foreign currency gains / losses ⁽¹⁾	6,868	(8,579)	3,405	13,808
Tax effect of foreign currency gains / losses ⁽²⁾	(584)	1,755	(503)	(2,899)
Pro forma discrete tax items ⁽³⁾	-	-	-	(161,480)
Net income (Pro Forma)	\$ 190,498	\$ 144,250	\$ 506,832	\$ 415,885
Net income per share (GAAP):				
Basic	\$ 0.98	\$ 0.81	\$ 2.67	\$ 3.01
Diluted	\$ 0.97	\$ 0.80	\$ 2.66	\$ 3.00
Net income per share (Pro Forma):				
Basic	\$ 1.01	\$ 0.77	\$ 2.69	\$ 2.21
Diluted	\$ 1.00	\$ 0.77	\$ 2.67	\$ 2.20
Weighted average common shares outstanding:				
Basic	188,799	187,616	188,554	187,902
Diluted	190,005	188,490	189,586	188,671

(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 losses.

(2) The tax effect of foreign currency gains and losses was calculated using the effective tax rate of 8.5% and 14.8% for the quarter and year-to-date ended September 29, 2018, respectively, and an effective tax rate of 20.5% for the quarter ended September 30, 2017 and a pro forma tax rate of 21.0% for the year-to-date ended September 30, 2017.

(3) The discrete tax items are discussed in the pro forma effective tax rate section above.

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 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 cash provided by operating activities.

	13-Weeks Ended		39-Weeks Ended	
	September 29, 2018	September 30, 2017	September 29, 2018	September 30, 2017
Net cash provided by operating activities	\$ 263,719	\$ 198,750	\$ 701,782	\$ 462,577
Less: purchases of property and equipment	(29,773)	(45,399)	(122,846)	(85,211)
Free Cash Flow	<u>\$ 233,946</u>	<u>\$ 153,351</u>	<u>\$ 578,936</u>	<u>\$ 377,366</u>

Forward-looking pro forma tax rate

Forward-looking pro forma tax rate and pro forma earnings per share are calculated before the effect of certain discrete tax items. Management believes certain discrete tax items may not be reflective of income tax expense incurred as a result of current period earnings. Therefore, in order to permit consistent comparison between periods, the tax rate and earnings per share before the effect of such discrete tax items are important measures. At this time management is unable to determine whether or not significant discrete tax items will be identified in fiscal 2018.

Forward-looking pro forma earnings per share (EPS)

In addition to the discrete tax items discussed in the forward-looking pro forma effective tax rate section above, our 2018 pro forma EPS excludes foreign currency exchange gains and losses. The estimated impact of such 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 of such foreign currency gains and losses, net of tax effects, was \$0.01 for the 39-weeks ended September 29, 2018.