



GARMIN®

Q2 2019 Earnings
July 31, 2019

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 2019, Garmin's expected segment revenue growth rates, margins, currency movements, expenses, pricing, new products to be introduced in 2019 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

2nd Quarter Financial Review

- Record consolidated revenue of \$955 million, up 7%
- Aviation, marine, fitness and outdoor segments on a combined basis grew 12%
- Gross and operating margins of 60.3% and 26.8%, respectively
- Operating income of \$256 million, up 18%
- GAAP EPS of \$1.17 and pro forma EPS of \$1.16
- Raising guidance based on strong first half 2019 results

Aviation

2nd Quarter Business Review

- Revenue growth of 20%, with contributions from both aftermarket and OEM
- Gross and operating margins of 75% and 36%, respectively
- Operating income growth of 27%

Market/Product Update

- Capitalize on the remaining ADS-B opportunity
- Announced certification of the G5000 for the Citation Excel/XLS
- Expanded the availability of the G1000 NXi on additional aircraft



Marine

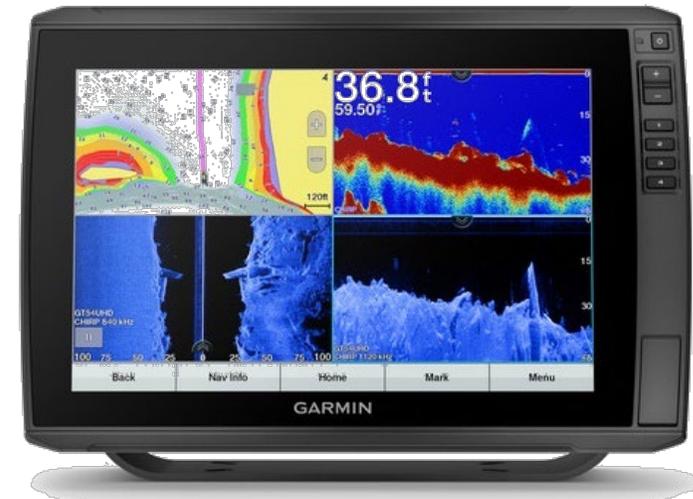
2nd Quarter Business Review

- Revenue growth of 13%, driven by strong chartplotter and sonar sales
- Gross and operating margins of 61% and 28%, respectively
- Strong operating income growth



Market/Product Update

- Garmin Fusion was named a supplier of choice by Independent Boat Builders, Inc.
- Announced the Force trolling motor and won Best of Show at the recent ICAST sportfishing trade show



Fitness

2nd Quarter Business Review

- Revenue growth of 12%, driven by strong running sales and contributions from recently acquired Tacx
- Gross and operating margins of 54% and 20%, respectively

Market/Product Update

- Launched the refreshed Forerunner line of running watches
- Tacx cycling trainers and accessories now available from Garmin



Outdoor

2nd Quarter Business Review

- Revenue growth of 4%, with growth in our golf and inReach product offerings
- Gross and operating margins of 64% and 34%, respectively

Market/Product Update

- Initial shipments of MARQ; strong demand for Instinct and golf wearables
- Introduced a refreshed line of handheld navigators, bringing inReach satellite communication to our flagship GPSMAP 66i



Auto

2nd Quarter Business Review

- Revenue decline of 13%
- Gross and operating margins of 48% and 16%, respectively

Market/Product Update

- Global PND market share remains strong
- Launched the new DriveSmart 65 with Amazon Alexa and built-in voice controlled navigation
- Announced the Garmin Overlander, an all-terrain navigator for off-grid guidance and built-in topographical mapping



2019 Guidance

	Updated	Prior
Revenue	~\$3.6B	~\$3.5B
Gross Margin	~59.5%	~59.5%
Operating Margin	~23.2%	~22.7%
Tax Rate	~16.5%	~16.5%
EPS	~\$3.90	~\$3.70

2019 Guidance

	Revenue Growth Estimates	
Segment	Updated	Prior
Aviation	~17%	~10%
Fitness	~13%	~13%
Marine	~12%	~10%
Outdoor	~10%	~10%
Auto	~(15%)	~(18%)

Financial Update

Doug Boessen
CFO and Treasurer

Q2 Income Statement

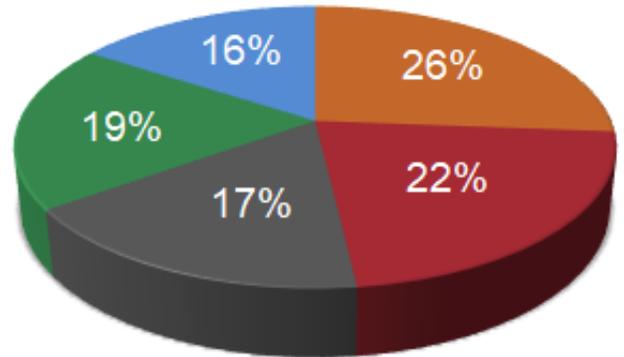
(\$ Millions)	Q2 2019	Q2 2018	Change
Revenue	\$955	\$894	7%
Gross Profit	575	523	10%
Gross Margin %	60.3%	58.5%	180 bps
Total Operating Expense	319	306	4%
Operating Income	256	218	18%
Operating Margin %	26.8%	24.3%	250 bps
Other Income	20	19	
Income Tax Expense	(52)	(46)	
Net Income (GAAP)	224	190	18%
Net Income (Pro-Forma)	221	188	17%
EPS (GAAP)	\$1.17	\$1.00	17%
EPS (Pro-Forma)	\$1.16	\$0.99	17%

Q2 Revenue

Q2 Revenue by Segment				
(\$ M)	2019	2018	Change	
Aviation	\$184	\$153	20%	
Marine	151	135	13%	
Fitness	252	225	12%	
Outdoor	210	202	4%	
Auto	157	180	(13%)	
Total	\$955	\$894	7%	

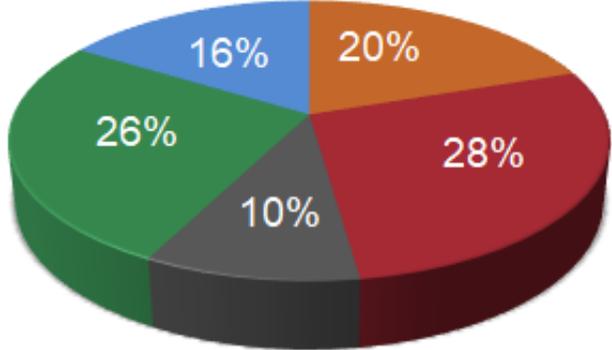
Q2 Revenue & Operating Income

Q2 2019 Revenue



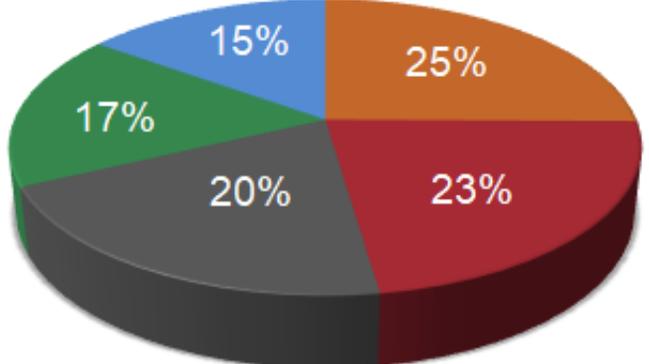
■ Fitness ■ Outdoor ■ Auto ■ Aviation ■ Marine

Q2 2019 Operating Income



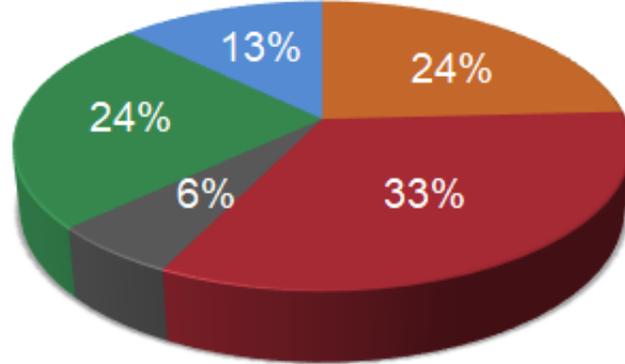
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Q2 2018 Revenue



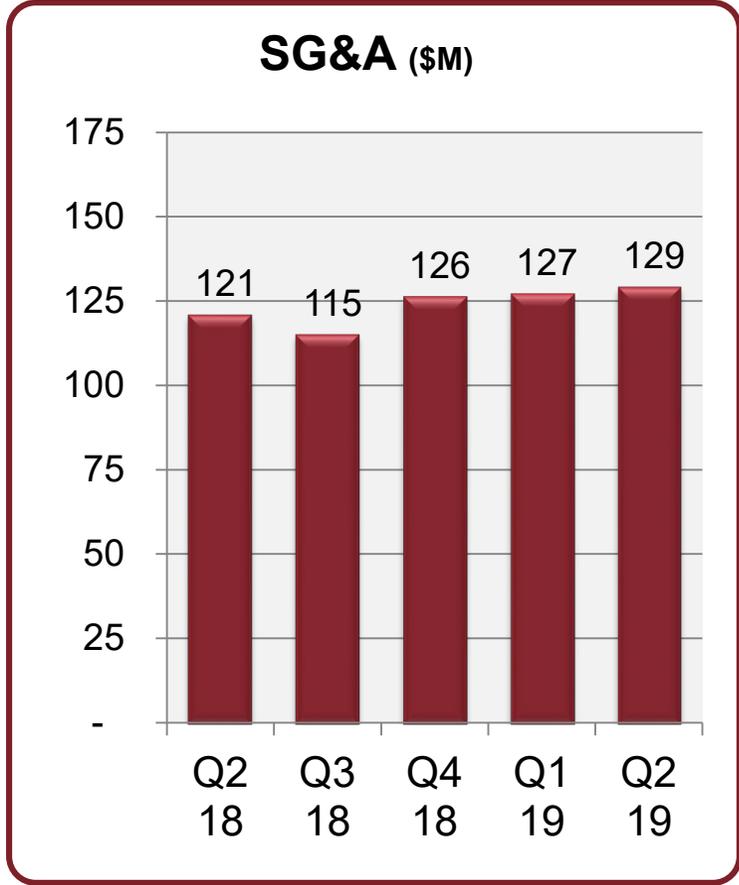
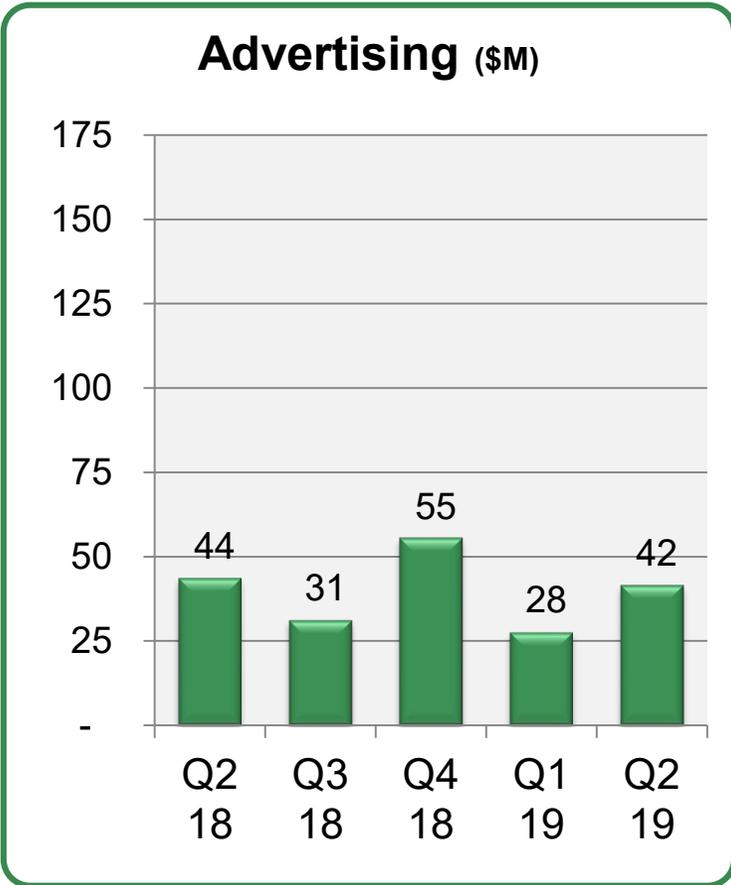
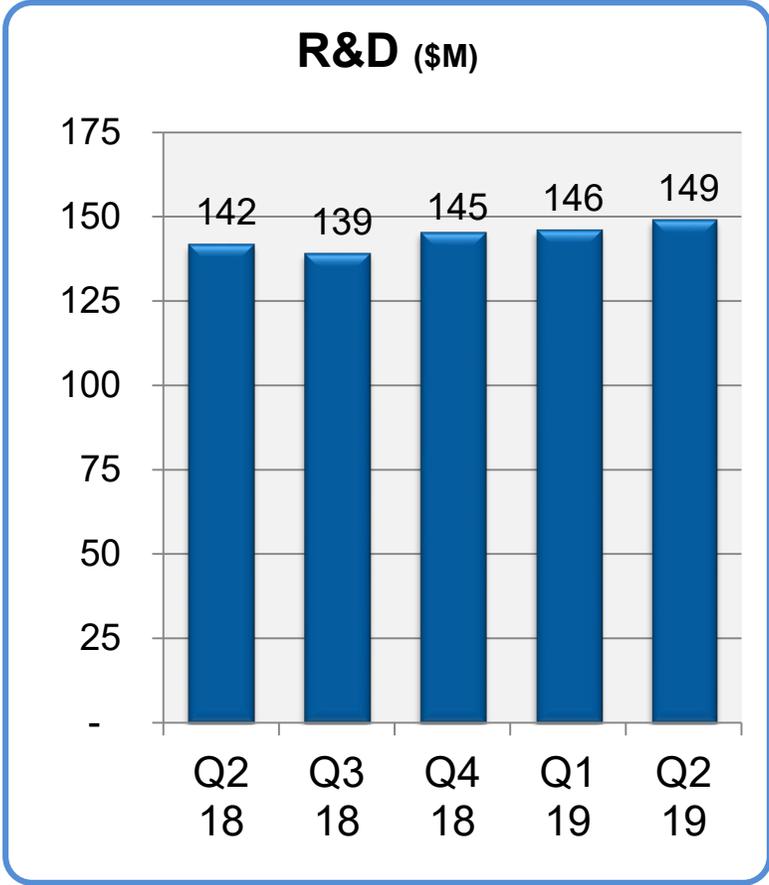
■ Fitness ■ Outdoor ■ Auto ■ Aviation ■ Marine

Q2 2018 Operating Income



■ Fitness ■ Outdoor ■ Auto ■ Aviation ■ Marine

Operating Expenses



Balance Sheet / Cash Flow / Taxes

Balance Sheet

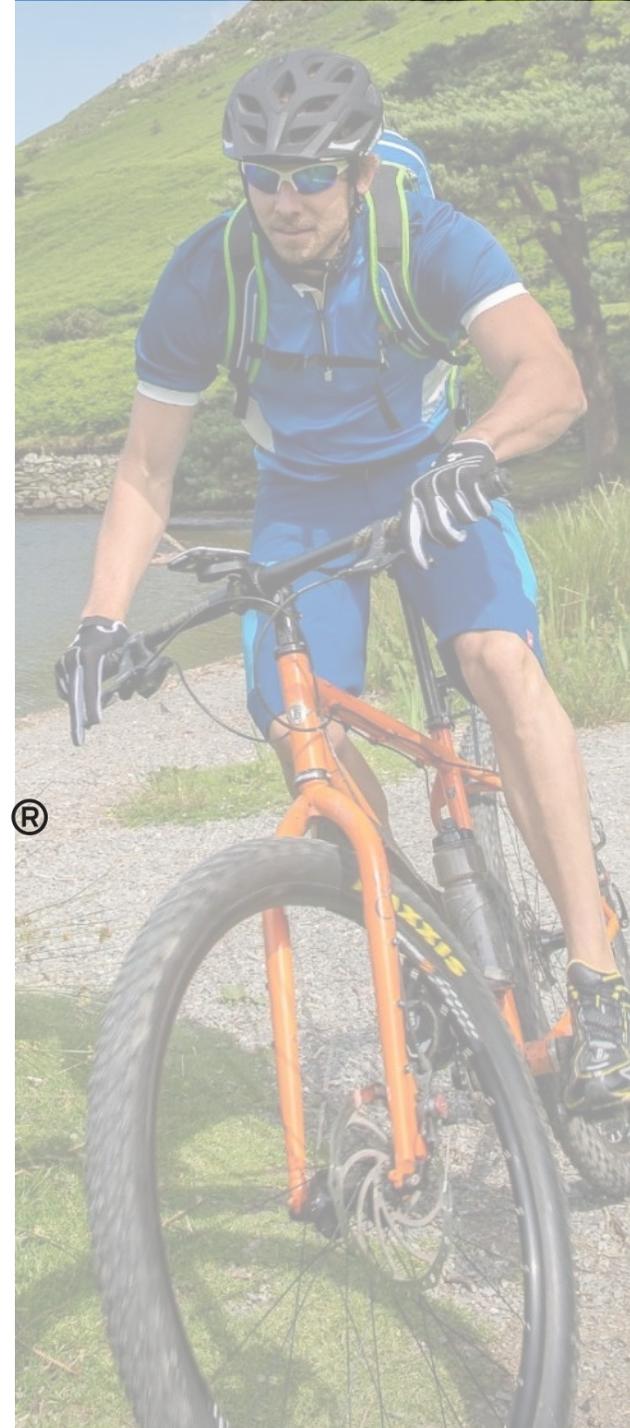
- Ended quarter with approximately \$2.4 billion of cash and marketable securities
- Accounts receivable increased sequentially, as expected, following the seasonally strong second quarter
- Inventory balance increased on both a sequential and year-over-year basis primarily due to timing of new products, raw material requirements and the acquisition of Tacx

Cash Flow

- Generated \$80 million of free cash flow in Q2 2019

Taxes

- Q2 2019 effective tax rate of 18.9% compared to 19.4% in Q2 2018



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Appendix

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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 the first and second quarters of 2019 and 2018, there were no such discrete tax items identified. The net release of uncertain tax position reserves, amounting to approximately \$6.7 million and \$10.3 million in the 26-weeks ended June 29, 2019 and June 30, 2018, respectively, have not been identified as pro forma adjustments as such items tend to be more recurring in nature.

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		26-Weeks Ended	
	June 29, 2019	June 30, 2018	June 29, 2019	June 30, 2018
Net income (GAAP)	\$ 223,656	\$ 190,342	\$ 363,829	\$ 319,715
Foreign currency gains / losses ⁽¹⁾	(3,413)	(2,647)	(3,727)	(3,463)
Tax effect of foreign currency gains / losses ⁽²⁾	645	513	660	624
Net income (Pro Forma)	\$ 220,888	\$ 188,208	\$ 360,762	\$ 316,876
Net income per share (GAAP):				
Basic	\$ 1.18	\$ 1.01	\$ 1.92	\$ 1.70
Diluted	\$ 1.17	\$ 1.00	\$ 1.91	\$ 1.69
Net income per share (Pro Forma):				
Basic	\$ 1.16	\$ 1.00	\$ 1.90	\$ 1.68
Diluted	\$ 1.16	\$ 0.99	\$ 1.89	\$ 1.67
Weighted average common shares outstanding:				
Basic	189,855	188,542	189,728	188,432
Diluted	190,714	189,461	190,657	189,377

- (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 effective tax rate of 18.9% and 17.7% for the 13-weeks and 26-weeks ended June 29, 2019, respectively, and an effective tax rate of 19.4% and 18.0% for the 13-weeks and 26-weeks ended June 30, 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>26-Weeks Ended</u>	
	<u>June 29, 2019</u>	<u>June 30, 2018</u>	<u>June 29, 2019</u>	<u>June 30, 2018</u>
Net cash provided by operating activities	\$ 110,636	\$ 223,873	\$ 275,218	\$ 438,063
Less: purchases of property and equipment	(30,401)	(66,736)	(60,495)	(93,072)
Free Cash Flow	<u>\$ 80,235</u>	<u>\$ 157,137</u>	<u>\$ 214,723</u>	<u>\$ 344,991</u>

Forward-looking Financial Measures

The forward-looking financial measures in our 2019 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.

The Company expects to record an income tax benefit due to the revaluation of certain Switzerland deferred tax assets resulting from Swiss tax reform, which may have a favorable effect on the U.S. GAAP-basis effective tax rate and may be identified as a pro forma adjustment in fiscal 2019. However, the Company is unable to estimate the timing and the amount of the income tax benefit due to the dependency on the future enactment of Swiss cantonal tax rate.

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 EPS of foreign currency gains and losses, net of tax effects, was \$0.02 per share for the 26-weeks ended June 29, 2019.

At this time, management is unable to determine whether or not other significant discrete tax items will occur in fiscal 2019 or anticipate the impact of any other events that may be considered in the calculation of non-GAAP financial measures.