



Q4 2021 and Fiscal Year Earnings

February 16, 2022

# Safe Harbor Statement

These materials include projections and other forward-looking statements regarding Garmin Ltd. and its business that are commonly identified by words such as “anticipates,” “would,” “may,” “expects,” “estimates,” “plans,” “intends,” “projects,” and other words or phrases with similar meanings. Any statements regarding the Company’s expected fiscal 2022 GAAP and pro forma estimated earnings, EPS, and effective tax rate, and the Company’s expected segment revenue growth rates, consolidated revenue, gross margins, operating margins, potential future acquisitions, currency movements, expenses, pricing, new products to be introduced, statements relating to possible future dividends, statements related to the ongoing impact of the COVID-19 pandemic, statements relating to the effect of global and regional economic conditions and governmental measures to prevent the spread of COVID-19 and the Company’s plans and objectives are forward-looking statements. The forward-looking events and circumstances discussed in these materials may not occur and actual results could differ materially as a result of risk factors and uncertainties affecting Garmin, including, but not limited to, the risk factors that are described in the Annual Report on Form 10-K for the year ended December 25, 2021 filed by Garmin with the Securities and Exchange Commission (Commission file number 001-41118). A copy of Garmin’s 2021 Form 10-K can be downloaded from <https://www.garmin.com/en-US/investors/sec/>. All information provided in this presentation is as of December 25, 2021. Undue reliance should not be placed on the forward-looking statements in this presentation, which are based on information available to us on the date hereof. We undertake no duty to update this information unless required by law.

# Business Update

Cliff Pemble  
President and CEO

# Consolidated Q4 2021

Revenue	Operating income	Operating margin
<b>\$1.39B</b> 3% y/y growth	<b>\$315M</b> 15% y/y decline	<b>22.6%</b>

## BUSINESS INSIGHTS

- Record quarter with growth over strong prior year comparable
- 12% revenue CAGR since Q4 2019 with strong development in each business segment
- Solid financial performance

# Consolidated FY 2021

Revenue	Operating income	Operating margin
<b>\$4.98B</b>	<b>\$1.22B</b>	<b>24.5%</b>
19% y/y growth	16% y/y growth	

## BUSINESS INSIGHTS

- Record revenue with double-digit growth in each segment
- Strong performance despite challenging operating environment
- Encouraging outlook for 2022
- Proposing 9% dividend increase

# Fitness FY 2021

Revenue

**\$1.53B**

16% y/y growth

Operating income

**\$373M**

17% y/y growth

Operating margin

**24%**

## SEGMENT INSIGHTS

- Revenue growth led by advanced wearables and cycling products
- Lily differentiates and brings new customers to Garmin
- Demand for cycling products is normalizing
- 2022 revenue growth estimate: 0%



**GARMIN**

# Outdoor FY 2021

Revenue

**\$1.28B**

14% y/y growth

Operating income

**\$481M**

9% y/y growth

Operating margin

**38%**

## SEGMENT INSIGHTS

- Revenue growth driven by multiple categories led by adventure watches
- Component constraints limited supply of handheld & dog products
- All new adventure watch lineup is a strong growth catalyst
- 2022 revenue growth estimate: +20%



**GARMIN**

# Aviation FY 2021

Revenue

**\$712M**

14% y/y growth

Operating income

**\$192M**

40% y/y growth

Operating margin

**27%**

## SEGMENT INSIGHTS

- Revenue growth in both OEM and aftermarket categories
- Component constraints limited supply of aftermarket products
- Positive outlook for both OEM and aftermarket categories
- 2022 revenue growth estimate: +10%



**GARMIN**

# Marine FY 2021

Revenue

**\$875M**

33% y/y growth

Operating income

**\$244M**

39% y/y growth

Operating margin

**28%**

## SEGMENT INSIGHTS

- Strong demand across multiple categories led by chartplotters
- Experiencing market expansion and market share growth
- Acquired Vesper Marine
- 2022 revenue growth estimate: +15%



**GARMIN**

# Auto FY 2021

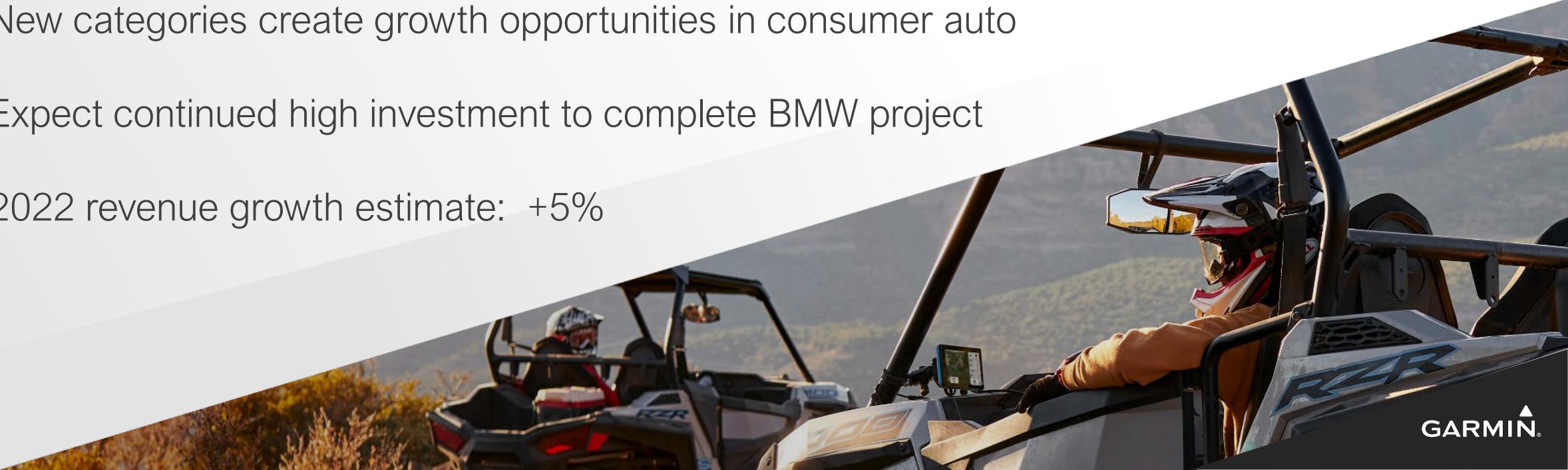
Revenue  
**\$579M**  
26% y/y growth

Operating loss  
**(\$71M)**

Operating margin  
**(12%)**

## SEGMENT INSIGHTS

- Revenue growth driven by OEM programs and consumer auto
- New categories create growth opportunities in consumer auto
- Expect continued high investment to complete BMW project
- 2022 revenue growth estimate: +5%



# Financial Update

Doug Boessen  
CFO and Treasurer

# Income Statement

## Q4

(in millions)	Q4 2021	Q4 2020	Y/Y
Net sales	\$1,392	\$1,351	3%
Gross profit	772	791	(2%)
Margin %	55.5%	58.5%	(300 bps)
Operating expense	457	420	9%
Operating income	\$315	\$371	(15%)
Margin %	22.6%	27.5%	(480 bps)
GAAP EPS	\$1.48	\$1.73	(14%)
Pro Forma EPS	\$1.55	\$1.73	(10%)

# Income Statement

## Full Year

(in millions)	2021	2020	Y/Y
Net sales	\$4,983	\$4,187	19%
Gross profit	2,890	2,481	16%
Margin %	58.0%	59.3%	(130 bps)
Operating expense	1,672	1,427	17%
Operating income	\$1,219	\$1,054	16%
Margin %	24.5%	25.2%	(70 bps)
GAAP EPS	\$5.61	\$5.17	9%
Pro Forma EPS	\$5.82	\$5.14	13%

# Revenue

## Q4

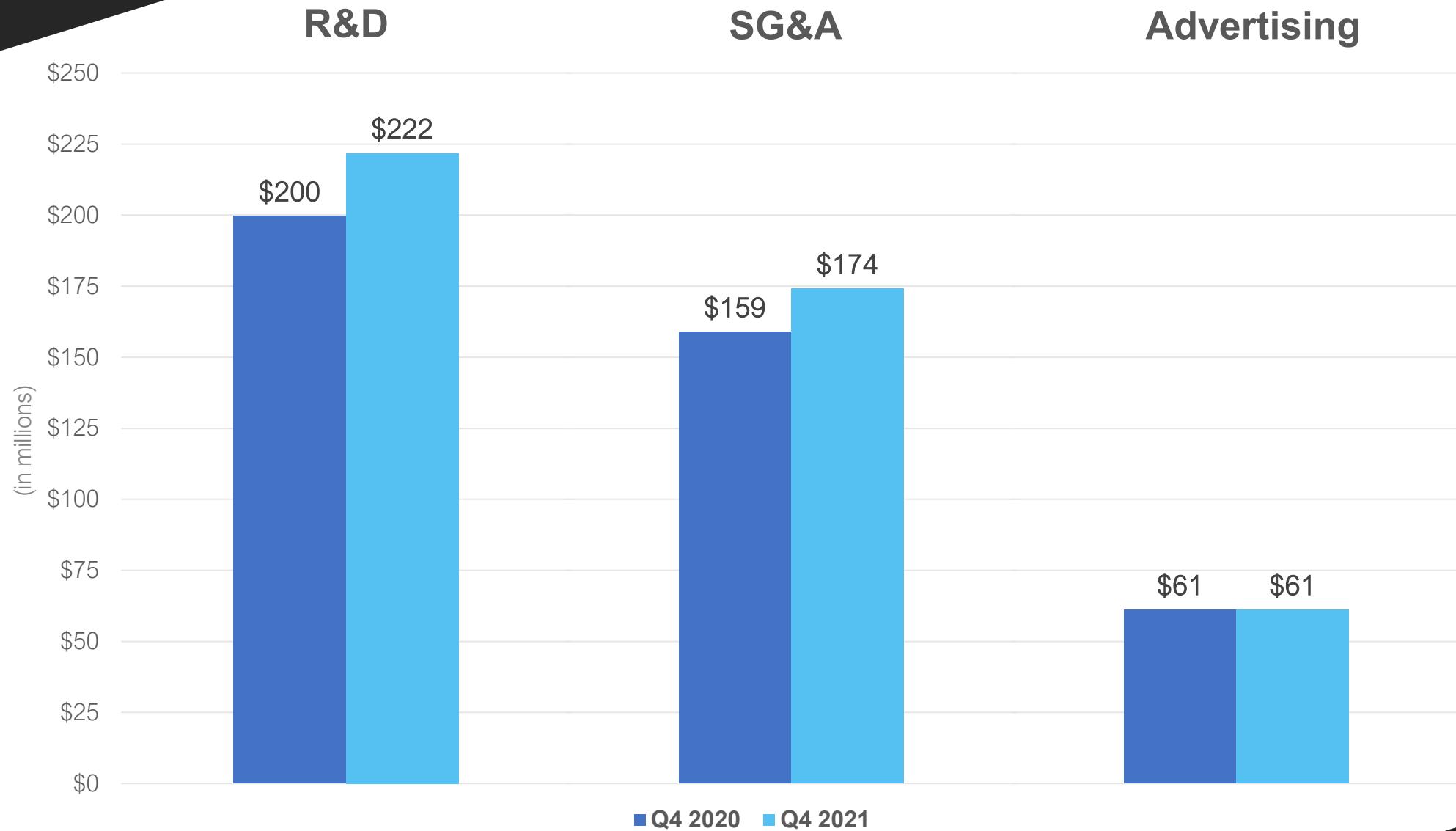
(in millions)	Q4 2021	Q4 2020	Change
Fitness	\$470	\$471	0%
Outdoor	378	412	(8%)
Aviation	178	157	13%
Marine	196	172	14%
Auto	169	140	21%
<b>Total</b>	<b>\$1,392</b>	<b>\$1,351</b>	<b>3%</b>
(in millions)	Q4 2021	Q4 2020	Change
Americas	\$626	\$596	5%
EMEA	528	537	(2%)
APAC	237	219	8%
<b>Total</b>	<b>\$1,392</b>	<b>\$1,351</b>	<b>3%</b>

# Revenue

## Full Year

(in millions)	2021	2020	Change
Fitness	\$1,534	\$1,317	16%
Outdoor	1,282	1,128	14%
Aviation	712	623	14%
Marine	875	658	33%
Auto	579	460	26%
<b>Total</b>	<b>\$4,983</b>	<b>\$4,187</b>	<b>19%</b>
(in millions)	2021	2020	Change
Americas	\$2,350	\$1,968	19%
EMEA	1,859	1,580	18%
APAC	774	639	21%
<b>Total</b>	<b>\$4,983</b>	<b>\$4,187</b>	<b>19%</b>

# Operating Expenses



# Other Financial Items FY 2021

## Balance Sheet

Cash and marketable securities

**\$3.11B**

Accounts receivable

**\$843M**

Inventory

**\$1.23B**

## Cash Flow

Free Cash Flow

**\$705M**

Capital Expenditures

**\$308M**

Dividends Paid

**\$491M**

## Taxes

Effective Tax Rate

**10.3%**

# Guidance

2022	
Revenue	\$5.5B
Gross margin	57.5%
Operating margin	22.8%
Tax rate	10.5%
EPS	\$5.90

All amounts and %s are approximate.

# Subsequent Event

## EXPENSE CLASSIFICATION AND SEGMENT ALLOCATION METHODOLOGIES

- Beginning in Q1 2022, will refine our expense classification and segment allocation methodologies
- Will recast prior periods to conform to revised presentation
- Estimate that for 2021 approximately \$61M will be recast from R&D to SG&A
- Believe refinements will provide more meaningful representation of costs
- Has no effect on consolidated operating income



# Appendix

## February 16, 2022

## ***Changes in expense classification and segment allocation methodologies***

Beginning with reports filed in the first quarter of fiscal 2022, the Company will reflect a refined methodology used in classifying certain indirect costs in accordance with the way the Company's management will use the information in decision making, which we believe will provide a more meaningful representation of costs incurred to support research and development activities. Future reports will also reflect a refined methodology used to allocate certain selling, general, and administrative expenses to the segments in a more direct manner to provide a more meaningful representation of segment profit or loss.

These changes in classification and allocation had no effect on the Company's consolidated operating or net income or on the Company's composition of operating segments and reportable segments. The Company expects to report its financial results in accordance with these changes beginning with the Company's first quarter 2022 Form 10-Q and will recast prior periods to conform to the revised presentation.

We estimate the expense classification change will result in a decrease to research and development expense of approximately \$61 million, with a corresponding increase to selling, general, and administrative expenses, for the recast fiscal year ended December 25, 2021.

We estimate the segment allocation change will result in the following impacts to segment operating income for the recast fiscal year ended December 25, 2021:

52-Weeks Ended December 25, 2021 (in millions)								
	Fitness	Outdoor	Aviation	Marine	Total Auto	Consumer Auto	Auto OEM	Total
Operating income (decrease) increase	\$(13)	\$(5)	\$1	\$6	\$11	\$3	\$8	\$ -

## ***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 effective tax rate, pro forma net income (earnings) per share 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 in the subsequent slides 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 thousands, except ETR information)	13-Weeks Ended				52-Weeks Ended			
	December 25, 2021		December 26, 2020		December 25, 2021		December 26, 2020	
	\$	ETR <sup>(1)</sup>						
U.S GAAP income tax provision (benefit)	\$22,702	7.4%	\$ 57,918	14.8%	\$124,596	10.3%	\$111,086	10.1%
Pro forma discrete tax items:								
Uncertain tax reserve release <sup>(2)</sup>							14,308	
Switzerland deferred tax assets <sup>(3)</sup>			(11,016)				(11,016)	
Pro forma income tax provision	\$22,702	7.4%	\$ 46,902	12.0%	\$124,596	10.3%	\$114,378	10.4%

(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 second quarter 2020, the Company recognized a \$14.3 million income tax benefit due to the release of uncertain tax position reserves associated with the 2014 intercompany restructuring, which was a pro forma adjustment in 2014. The second quarter 2020 impact of the reserve release is not reflective of income tax expense incurred as a result of current period earnings and therefore affects period-to-period

(3) Certain Switzerland deferred tax assets related to the enactment of Switzerland Federal and Schaffhausen cantonal tax reform and related transitional measures were revalued in the fourth quarter of 2020 resulting in \$11.0 million income tax expense. The impact of the revaluation of these Switzerland deferred tax assets 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.

(In thousands, except per share information)	13-Weeks Ended		52-Weeks Ended	
	December 25, 2021	December 26, 2020	December 25, 2021	December 26, 2020
GAAP net income	\$ 286,135	\$ 333,547	\$ 1,082,200	\$ 992,324
Foreign currency gains / losses <sup>(1)</sup>	14,642	(12,627)	45,263	(2,825)
Tax effect of foreign currency losses / gains <sup>(2)</sup>	(1,076)	1,513	(4,673)	293
Pro forma discrete tax items <sup>(3)</sup>		11,016		(3,292)
Pro forma net income	<u>\$ 299,701</u>	<u>\$ 333,449</u>	<u>\$ 1,122,790</u>	<u>\$ 986,500</u>
GAAP net income per share:				
Basic	\$ 1.49	\$ 1.74	\$ 5.63	\$ 5.19
Diluted	\$ 1.48	\$ 1.73	\$ 5.61	\$ 5.17
Pro forma net income per share:				
Basic	\$ 1.56	\$ 1.74	\$ 5.84	\$ 5.16
Diluted	\$ 1.55	\$ 1.73	\$ 5.82	\$ 5.14
Weighted average common shares outstanding:				
Basic	192,353	191,278	192,180	191,085
Diluted	193,306	192,303	193,043	191,895

(1) Foreign currency gains and losses for the Company are driven by movements of a number of currencies 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 a given legal entity. 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 7.4% and 10.3% for the 13-weeks and fiscal year ended December 25, 2021, respectively, and the pro forma effective tax rate of 12.0% and 10.4% for the 13-weeks and fiscal year ended December 26, 2020, respectively.

(3) The 2021 and 2020 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 liquidity 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 operations and allows more accurate comparisons of the Company's results between periods. 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.

(In thousands)

	13-Weeks Ended		52-Weeks Ended	
	December 25,	December 26,	December 25,	December 26,
	2021	2020	2021	2020
Net cash provided by operating activities	\$ 168,962	\$ 435,818	\$ 1,012,427	\$ 1,135,267
Less: purchases of property and equipment	(119,685)	(48,329)	(307,645)	(185,401)
Free Cash Flow	<u>\$ 49,277</u>	<u>\$ 387,489</u>	<u>\$ 704,782</u>	<u>\$ 949,866</u>

## ***Forward-looking financial measures***

The forward-looking financial measures in our 2022 guidance provided above do not consider the potential future net effect of foreign currency exchange gains and losses, certain discrete tax items and any other impacts that may be identified as pro forma adjustments in calculating the non-GAAP measures described above.

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 \$0.21 per share for the 52-weeks ended December 25, 2021.

At this time, management is unable to determine whether or not significant discrete tax items will occur in fiscal 2022 or anticipate the impact of any other events that may be considered in the calculation of non-GAAP financial measures.