



Garmin reports record second quarter revenue and profits; raises guidance

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Garmin Ltd. (Nasdaq: GRMN – News) today announced results for the second quarter ended June 29, 2019.

Highlights for the second quarter 2019 include:

- Record second quarter revenue of \$955 million, a 7% increase, with aviation, marine, fitness and outdoor collectively increasing 12% over the prior year quarter
- Gross margin of 60.3% compared to 58.5% in the prior year quarter
- Operating margin of 26.8% compared to 24.3% in the prior year quarter
- Operating income of \$256 million, increasing 18% over the prior year quarter
- GAAP diluted EPS was \$1.17 and pro forma diluted EPS⁽¹⁾ was \$1.16, increasing 17% over the prior year quarter
- Aviation segment continues to capitalize on the ADS-B opportunity with strong unit market share
- Recently announced the innovative Force™ trolling motor and won Best of Show at ICAST, the world's largest sportfishing trade show
- Launched the refreshed line of Forerunner® running watches, providing both smartwatch features and enhanced running dynamics for all runners

| (in thousands, except per share data) | 13-Weeks Ended | | | 26-Weeks Ended | | |
|--|------------------|------------------|----------------------|------------------|------------------|----------------------|
| | June 29, 2019 | June 30, 2018 | Yr over Yr Change | June 29, 2019 | June 30, 2018 | Yr over Yr Change |
| Net sales | \$ 954,840 | \$ 894,452 | 7% | \$ 1,720,890 | \$ 1,605,325 | 7% |
| Aviation | 183,965 | 153,006 | 20% | 354,741 | 298,719 | 19% |
| Marine | 151,407 | 134,583 | 13% | 285,376 | 248,138 | 15% |
| Fitness | 251,653 | 225,095 | 12% | 431,908 | 391,130 | 10% |
| Outdoor | 210,404 | 201,640 | 4% | 364,455 | 345,899 | 5% |
| Auto | 157,411 | 180,128 | -13% | 284,410 | 321,439 | -12% |
| Gross margin % | 60.3% | 58.5% | | 59.7% | 59.2% | |
| Operating income % | 26.8% | 24.3% | | 23.7% | 22.4% | |
| GAAP diluted EPS | \$ 1.17 | \$ 1.00 | 17% | \$ 1.91 | \$ 1.69 | 13% |
| Pro forma diluted EPS ⁽¹⁾ | \$ 1.16 | \$ 0.99 | 17% | \$ 1.89 | \$ 1.67 | 13% |

(1) See attached Non-GAAP Financial Information for discussion and reconciliation of non-GAAP financial measures, including pro forma diluted EPS

Executive Overview from Cliff Pemble, President and Chief Executive Officer:

“We achieved record second quarter revenue and profits with three of our five segments delivering strong double-digit revenue growth rates,” said Cliff Pemble, president and chief executive officer of Garmin Ltd. “We are very pleased with the results we have delivered thus far, giving us the confidence to raise our full year 2019 revenue and EPS guidance.”

Aviation:

Revenue in the aviation segment grew 20% in the quarter with contributions from both the aftermarket and OEM categories. Gross and operating margins came in at 75% and 36%, respectively, resulting in 27% operating income growth. Aftermarket systems and ADS-B solutions contributed to our positive results and we continue to capitalize on ADS-B opportunities ahead of the December 31, 2019 mandate deadline. During the quarter, we achieved certification of the G5000® integrated flight deck for the Citation Excel and XLS, bringing modernization to this family of aircraft. We recently announced the availability of the G1000® NXi integrated flight deck retrofit for additional aircraft models and continue to see strong customer demand and appreciation for this upgrade program.

Marine:

Revenue from the marine segment grew 13% in the quarter, driven by strong demand for our chartplotters and Panoptix™ LiveScope™ sonars. Gross and operating margins improved to 61% and 28%, respectively, resulting in strong operating income growth. Fusion®, a Garmin brand and worldwide leader in marine entertainment, was selected by Independent Boat Builders, Inc. to supply audio entertainment to their 19-member network. We recently announced our entry into the freshwater trolling motor market with Force. This quiet, powerful and efficient trolling motor has quickly earned accolades in the industry, winning the coveted Best of Show at the recent ICAST, sportfishing trade show.

Fitness:

Revenue from the fitness segment grew 12% in the quarter driven by strength in running and contributions from Tacx, our recent acquisition. Gross and operating margins were 54% and 20%, respectively. During the quarter we began shipping the Tacx cycling and accessory products, strengthening our cycling portfolio. Tacx® smart trainers provide a highly realistic ride simulation allowing riders to continue their training regardless of the weather conditions. We also launched our refreshed line of Forerunners, providing both smartwatch features and enhanced running dynamics for all runners.

Outdoor:

Revenue from the outdoor segment grew 4% in the quarter with growth driven by our golf and inReach® product offerings. Gross and operating margins remained strong at 64% and 34%, respectively. During the quarter, we began shipping the MARQ™ luxury watch. In addition, we experienced strong demand for golf wearables and the Instinct™ adventure watch. We also refreshed several of our handheld offerings, including the new GPSMAP® 66i, combining Garmin's GPS capability with inReach satellite communication capabilities.

Auto:

The auto segment declined 13% in the quarter, due to the ongoing PND market contraction. Gross and operating margins improved to 48% and 16%, respectively. During the quarter, we announced the Garmin Overlander™, an all terrain GPS navigator specifically designed to fit the needs of the growing overlanding community. We also announced the DriveSmart™ 65 with built-in Alexa personal assistant, bringing easy voice-controlled functionality to drivers, and the RV785, with a built-in dash cam to record and save video.

Additional Financial Information:

Total operating expenses in the quarter were \$319 million, a 4% increase from the prior year. Research and development expenses increased 5%, primarily due to engineering personnel costs. Selling, general and administrative expenses increased 7% driven primarily by personnel related expenses and incremental costs associated with acquisitions. Advertising decreased 5%, driven primarily by lower expense in the Auto segment.

The effective tax rate in the second quarter of 2019 was 18.9% compared to 19.4% in the prior year quarter.

In the second quarter of 2019, we generated \$80 million of free cash flow (see attached table for reconciliation of this non-GAAP measure). We continued to return cash to shareholders with our quarterly dividend of approximately \$108 million. We ended the quarter with cash and marketable securities of approximately \$2.4 billion.

2019 Guidance ⁽²⁾:

Based on our strong performance in the first half of 2019, we are updating our full year guidance. We now anticipate revenue of approximately \$3.6 billion driven by higher expectations for our aviation, marine and auto segments. Our outlook for the fitness and outdoor segments is unchanged. We anticipate our full year pro forma EPS will be approximately \$3.90 based on a gross margin of about 59.5%, operating margin of about 23.2% and an unchanged full year pro forma effective tax rate of about 16.5%.

| | 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 |

(2) See attached discussion on Forward-looking Financial Measures

| Segment | 2019 Revenue Growth Estimates | |
|----------|-------------------------------|--------|
| | Updated | Prior |
| Aviation | ~17% | ~10% |
| Fitness | ~13% | ~13% |
| Marine | ~12% | ~10% |
| Outdoor | ~10% | ~10% |
| Auto | ~(15%) | ~(18%) |

Webcast Information/Forward-Looking Statements:

The information for Garmin Ltd.'s earnings call is as follows:

When: Wednesday, July 31, 2019 at 10:30 a.m. Eastern
 Where: <http://www.garmin.com/en-US/company/investors/events/>
 How: Simply log on to the web at the address above or call to listen in at 855-757-3897

An archive of the live webcast will be available until August 7, 2020 on the Garmin website at www.garmin.com. To access the replay, click on the Investor Relations link and click over to the Events Calendar page.

This release includes projections and other forward-looking statements regarding Garmin Ltd. and its business that are commonly identified by words such as "would," "may," "expects," "estimates," "plans," "intends," "projects," and other words or phrases with similar meanings. Any statements regarding the Company's 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 in 2019, statements relating to possible future dividends and the Company's plans and objectives are forward-looking statements. The forward-looking events and circumstances discussed in this release 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 29, 2018 filed by Garmin with the Securities and Exchange Commission (Commission file number 0-31983). A copy of Garmin's 2018 Form 10-K can be downloaded from <https://www.garmin.com/en-US/company/investors/sec/form-10-K/>.

This release and the attachments contain non-GAAP financial measures. A reconciliation to the nearest GAAP measure and a discussion of the Company's use of these measures are included in the attachments.

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Garmin Ltd. And Subsidiaries
Condensed Consolidated Statements of Income (Unaudited)
(In thousands, except per share information)

| | 13-Weeks Ended | | 26-Weeks Ended | |
|---|--------------------------|--------------------------|--------------------------|--------------------------|
| | June 29, 2019 | June 30, 2018 | June 29, 2019 | June 30, 2018 |
| Net sales | \$ 954,840 | \$ 894,452 | \$ 1,720,890 | \$ 1,605,325 |
| Cost of goods sold | <u>379,475</u> | <u>371,182</u> | <u>693,827</u> | <u>655,520</u> |
| Gross profit | 575,365 | 523,270 | 1,027,063 | 949,805 |
| Advertising expense | 41,523 | 43,549 | 69,139 | 68,861 |
| Selling, general and administrative expense | 128,738 | 120,500 | 255,519 | 237,564 |
| Research and development expense | <u>148,883</u> | <u>141,713</u> | <u>294,801</u> | <u>283,670</u> |
| Total operating expense | <u>319,144</u> | <u>305,762</u> | <u>619,459</u> | <u>590,095</u> |
| Operating income | 256,221 | 217,508 | 407,604 | 359,710 |
| Other income: | | | | |
| Interest income | 13,735 | 10,995 | 27,439 | 21,222 |
| Foreign currency gains | 3,413 | 2,647 | 3,727 | 3,463 |
| Other income | <u>2,409</u> | <u>4,918</u> | <u>3,273</u> | <u>5,653</u> |
| Total other income | <u>19,557</u> | <u>18,560</u> | <u>34,439</u> | <u>30,338</u> |
| Income before income taxes | 275,778 | 236,068 | 442,043 | 390,048 |
| Income tax provision | <u>52,122</u> | <u>45,726</u> | <u>78,214</u> | <u>70,333</u> |
| Net income | <u>\$ 223,656</u> | <u>\$ 190,342</u> | <u>\$ 363,829</u> | <u>\$ 319,715</u> |
| Net income per share: | | | | |
| Basic | \$ 1.18 | \$ 1.01 | \$ 1.92 | \$ 1.70 |
| Diluted | \$ 1.17 | \$ 1.00 | \$ 1.91 | \$ 1.69 |
| Weighted average common shares outstanding: | | | | |
| Basic | 189,855 | 188,542 | 189,728 | 188,432 |
| Diluted | 190,714 | 189,461 | 190,657 | 189,377 |

Garmin Ltd. And Subsidiaries
Condensed Consolidated Balance Sheets (Unaudited)
(In thousands, except per share information)

| | <u>June 29,</u> <u>2019</u> | <u>December 29,</u> <u>2018</u> |
|---|--------------------------------|------------------------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 820,181 | \$ 1,201,732 |
| Marketable securities | 239,765 | 182,989 |
| Accounts receivable, net | 583,913 | 569,833 |
| Inventories | 648,140 | 561,840 |
| Deferred costs | 27,040 | 28,462 |
| Prepaid expenses and other current assets | 141,539 | 120,512 |
| Total current assets | 2,460,578 | 2,665,368 |
| Property and equipment, net | 702,108 | 663,527 |
| Operating lease right-of-use assets | 59,166 | - |
| Restricted cash | 73 | 73 |
| Marketable securities | 1,319,026 | 1,330,123 |
| Deferred income taxes | 162,739 | 176,959 |
| Noncurrent deferred costs | 27,018 | 29,473 |
| Intangible assets, net | 653,014 | 417,080 |
| Other assets | 141,061 | 100,255 |
| Total assets | \$ 5,524,783 | \$ 5,382,858 |
| Liabilities and Stockholders' Equity | | |
| Current liabilities: | | |
| Accounts payable | \$ 214,763 | \$ 204,985 |
| Salaries and benefits payable | 106,331 | 113,087 |
| Accrued warranty costs | 39,330 | 38,276 |
| Accrued sales program costs | 74,302 | 90,388 |
| Deferred revenue | 94,980 | 96,372 |
| Accrued royalty costs | 14,578 | 24,646 |
| Accrued advertising expense | 28,444 | 31,657 |
| Other accrued expenses | 90,439 | 69,777 |
| Income taxes payable | 39,879 | 51,642 |
| Dividend payable | 324,655 | 200,483 |
| Total current liabilities | 1,027,701 | 921,313 |
| Deferred income taxes | 105,865 | 92,944 |
| Noncurrent income taxes | 121,997 | 127,211 |
| Noncurrent deferred revenue | 71,700 | 76,566 |
| Noncurrent operating lease liabilities | 46,281 | - |
| Other liabilities | 273 | 1,850 |
| Stockholders' equity: | | |
| Shares, CHF 0.10 par value, 198,077 shares authorized and issued; 190,102 shares outstanding at June 29, 2019 and 189,461 shares outstanding at December 29, 2018 | 17,979 | 17,979 |
| Additional paid-in capital | 1,825,135 | 1,823,638 |
| Treasury stock | (368,200) | (397,692) |
| Retained earnings | 2,641,371 | 2,710,619 |
| Accumulated other comprehensive income | 34,681 | 8,430 |
| Total stockholders' equity | 4,150,966 | 4,162,974 |
| Total liabilities and stockholders' equity | \$ 5,524,783 | \$ 5,382,858 |

Garmin Ltd. And Subsidiaries
Condensed Consolidated Statements of Cash Flows (Unaudited)
(In thousands)

| | 26-Weeks Ended | |
|---|------------------|------------------|
| | June 29, 2019 | June 30, 2018 |
| Operating activities: | | |
| Net income | \$ 363,829 | \$ 319,715 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation | 34,526 | 31,800 |
| Amortization | 16,208 | 16,420 |
| Loss (gain) on sale or disposal of property and equipment | 94 | (1,042) |
| Provision for doubtful accounts | 660 | 616 |
| Provision for obsolete and slow moving inventories | 17,842 | 11,725 |
| Unrealized foreign currency (gain) loss | (6,811) | 2,401 |
| Deferred income taxes | 7,077 | 11,000 |
| Stock compensation expense | 30,961 | 27,747 |
| Realized (gains) losses on marketable securities | (60) | 231 |
| Changes in operating assets and liabilities, net of acquisitions: | | |
| Accounts receivable | 5,529 | 48,099 |
| Inventories | (86,059) | (4,666) |
| Other current and non-current assets | (68,370) | (4,841) |
| Accounts payable | 5,960 | 1,618 |
| Other current and non-current liabilities | (33,001) | (49,237) |
| Deferred revenue | (6,252) | (7,483) |
| Deferred costs | 3,876 | 962 |
| Income taxes payable | (10,791) | 32,998 |
| Net cash provided by operating activities | 275,218 | 438,063 |
| Investing activities: | | |
| Purchases of property and equipment | (60,495) | (93,072) |
| Proceeds from sale of property and equipment | 271 | 1,282 |
| Purchase of intangible assets | (853) | (2,452) |
| Purchase of marketable securities | (192,168) | (209,387) |
| Redemption of marketable securities | 182,860 | 127,152 |
| Acquisitions, net of cash acquired | (276,014) | (9,417) |
| Net cash used in investing activities | (346,399) | (185,894) |
| Financing activities: | | |
| Dividends | (308,905) | (196,086) |
| Proceeds from issuance of treasury stock related to equity awards | 12,982 | 14,142 |
| Purchase of treasury stock related to equity awards | (12,954) | (6,900) |
| Net cash used in financing activities | (308,877) | (188,844) |
| Effect of exchange rate changes on cash, cash equivalents, and restricted cash | (1,493) | (8,217) |
| Net (decrease) increase in cash, cash equivalents, and restricted cash | (381,551) | 55,108 |
| Cash, cash equivalents, and restricted cash at beginning of period | 1,201,805 | 891,759 |
| Cash, cash equivalents, and restricted cash at end of period | \$ 820,254 | \$ 946,867 |

Garmin Ltd. And Subsidiaries
Net Sales, Gross Profit and Operating Income by Segment (Unaudited)
(in thousands)

| | <u>Reportable Segments</u> | | | | | |
|--------------------------------------|----------------------------|----------------|---------------|-------------|-----------------|--------------|
| | <u>Outdoor</u> | <u>Fitness</u> | <u>Marine</u> | <u>Auto</u> | <u>Aviation</u> | <u>Total</u> |
| 13-Weeks Ended June 29, 2019 | | | | | | |
| Net sales | \$ 210,404 | \$ 251,653 | \$ 151,407 | \$ 157,411 | \$ 183,965 | \$ 954,840 |
| Gross profit | 135,508 | 135,136 | 91,683 | 74,861 | 138,177 | 575,365 |
| Operating income | 71,336 | 50,413 | 42,730 | 24,908 | 66,834 | 256,221 |
| 13-Weeks Ended June 30, 2018 | | | | | | |
| Net sales | \$ 201,640 | \$ 225,095 | \$ 134,583 | \$ 180,128 | \$ 153,006 | \$ 894,452 |
| Gross profit | 128,872 | 126,431 | 78,785 | 75,452 | 113,730 | 523,270 |
| Operating income | 71,916 | 52,548 | 27,768 | 12,612 | 52,664 | 217,508 |
| 26-Weeks Ended June 29, 2019 | | | | | | |
| Net sales | \$ 364,455 | \$ 431,908 | \$ 285,376 | \$ 284,410 | \$ 354,741 | \$ 1,720,890 |
| Gross profit | 232,996 | 225,970 | 169,739 | 132,198 | 266,160 | 1,027,063 |
| Operating income | 113,290 | 68,537 | 68,205 | 33,121 | 124,451 | 407,604 |
| 26 -Weeks Ended June 30, 2018 | | | | | | |
| Net sales | \$ 345,899 | \$ 391,130 | \$ 248,138 | \$ 321,439 | \$ 298,719 | \$ 1,605,325 |
| Gross profit | 222,158 | 223,032 | 145,468 | 136,463 | 222,684 | 949,805 |
| Operating income | 115,739 | 85,922 | 40,899 | 16,079 | 101,071 | 359,710 |

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. For comparative purposes, we estimate segment operating income for the 13 weeks ended June 30, 2018 would have been approximately \$5 million less for the aviation segment, approximately \$4 million more for the marine segment, \$1 million more for the outdoor segment, and not significantly different for the fitness and auto segments. We estimate segment operating income for the 26 weeks ended June 30, 2018 would have been approximately \$9 million less for the aviation segment, approximately \$8 million more for the marine segment, \$1 million more for the outdoor segment, and not significantly different for the fitness and auto segments. Also, 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.

Garmin Ltd. And Subsidiaries
Net Sales by Geography (Unaudited)
(In thousands)

| | 13-Weeks Ended | | | 26-Weeks Ended | | |
|-----------|------------------|------------------|----------------------|------------------|------------------|----------------------|
| | June 29, 2019 | June 30, 2018 | Yr over Yr Change | June 29, 2019 | June 30, 2018 | Yr over Yr Change |
| Net sales | \$ 954,840 | \$ 894,452 | 7% | \$ 1,720,890 | \$ 1,605,325 | 7% |
| Americas | 470,840 | 437,116 | 8% | 850,296 | 783,091 | 9% |
| EMEA | 338,595 | 309,116 | 10% | 598,615 | 555,029 | 8% |
| APAC | 145,405 | 148,220 | -2% | 271,979 | 267,205 | 2% |

EMEA - Europe, Middle East and Africa; APAC - Asia Pacific and Australian Continent

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.

Garmin Ltd. And Subsidiaries Pro Forma Net Income (Earnings) Per Share (in thousands, except per share information)

| | 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) | <u>\$ 220,888</u> | <u>\$ 188,208</u> | <u>\$ 360,762</u> | <u>\$ 316,876</u> |
| 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.

Garmin Ltd. And Subsidiaries
Free Cash Flow
(in thousands)

| | 13-Weeks Ended | | 26-Weeks Ended | |
|---|------------------|------------------|------------------|------------------|
| | June 29, 2019 | June 30, 2018 | June 29, 2019 | June 30, 2018 |
| 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 | \$ 80,235 | \$ 157,137 | \$ 214,723 | \$ 344,991 |

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.