




GARMIN®

**Q4 2016 Earnings
February 22, 2017**

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 2017, Garmin's expected segment revenue growth rates, margins, currency movements, expenses, pricing, new products to be introduced in 2017 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 fourth quarter revenue growth and improved gross margins contribute to operating income growth

- Consolidated revenue of \$861 million, up 10%
- Outdoor, fitness, marine and aviation segments combined grew 25% and contributed 74% of total revenue
- Gross and operating margin of 54.7% and 18.6%, respectively
- Operating income growth of 10%
- GAAP EPS of \$0.72 and pro forma EPS of \$0.73

2016 Financial Review

Delivered four consecutive quarters of solid revenue growth and full year double digit EPS growth

- Consolidated revenue exceeded \$3 billion, up 7%
- Outdoor, fitness, marine and aviation segments combined grew 21% and contributed 71% of total revenue
- Gross and operating margin of 55.6% and 20.7%, respectively
- Operating income growth of 14%
- GAAP EPS of \$2.70 and pro forma EPS of \$2.83
- Shipped over 16.8 million units, representing 4% growth

Outdoor

FY 2016 Business Review

- Robust revenue growth of 33%; growth in all product categories led by strong demand for wearables
- Gross margin and operating margin of 62% and 34%, respectively
- Operating income growth of 32%
- High engagement in Connect IQ delivering over 24M downloads



FY 2017 Outlook

- Revenue growth of ~10%
- Continue to capitalize on wearables with fēnix 5 series serving a broad range of consumers
- Strengthen and expand our handheld category with inReach satellite communication technology



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Fitness

FY 2016 Business Review

- Revenue growth of 24% driven by strong demand for wearables
- Gross and operating margin of 53% and 20%, respectively
- Operating income growth of 19%
- vívofit jr. was well received by customers



FY 2017 Outlook

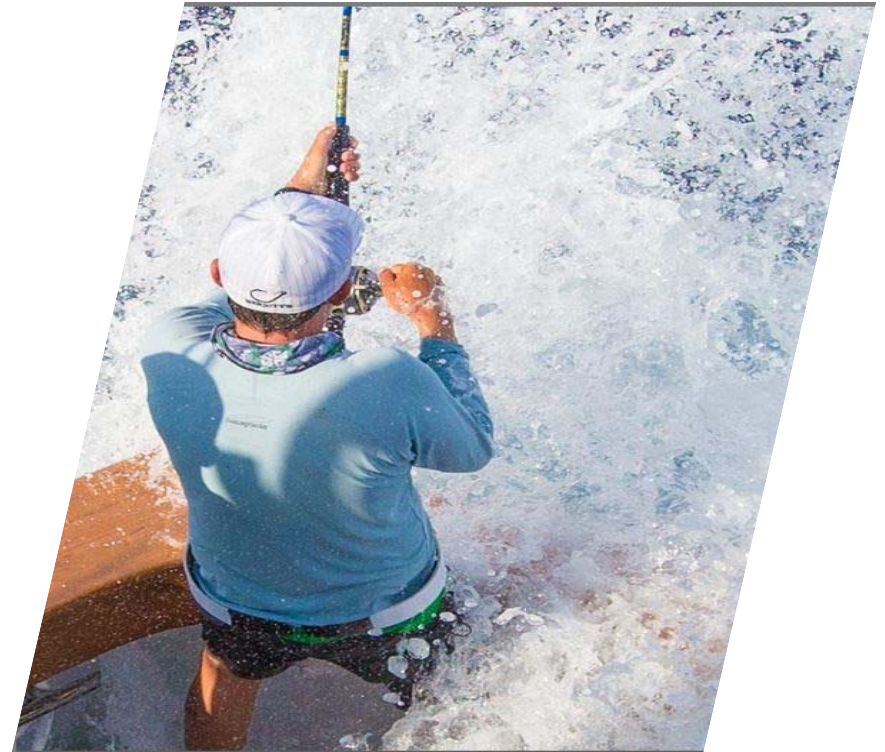
- Revenue growth of ~5%
- Deliver feature-rich products capturing new and repeat customers



Marine

FY 2016 Business Review

- Revenue growth of 16% with growth across multiple product categories
- Gross margin and operating margin of 55% and 16%, respectively
- Operating income growth of 82%



FY 2017 Outlook

- Revenue growth of ~10% building on current momentum and market share gains
- Capitalize on market momentum with a strong product lineup



Aviation

FY 2016 Business Review

- Revenue growth of 10%
- Gross margin and operating margin at 75% and 28%, respectively
- Operating income growth of 12%
- Announced as the avionics provider on the Textron Airland Scorpion
- First in product support for 13 consecutive years



FY 2017 Outlook

- Revenue growth of ~5%
- Supporting OEM partners in the completion of aircraft and helicopter certifications and system enhancements
- Capitalize on market share gains and aftermarket opportunities



Auto

FY 2016 Business Review

- Revenue declined 17%
- Gross and operating margin of 44% and 12%, respectively
- Global PND market share remains strong
- Strong growth in OEM head unit, camera, and software solutions

FY 2017 Outlook

- Revenue decline of ~17% due to PND category declines
- Opportunities in OEM, truck, RV and camera categories
- Selected as a Tier 1 infotainment hardware supplier to BMW, affirming recent investments in the category



2017 Guidance

	2017 Guidance
Revenue	~\$3.02 B
Gross Margin	~56%
Operating Margin	~20%
Tax Rate (Pro Forma)	~22%
EPS (Pro Forma)	~\$2.65

Segment Revenue	Growth
Auto	(17%)
Outdoor	10%
Fitness	5%
Marine	10%
Aviation	5%

Financial Update

Doug Boessen
CFO and Treasurer

Q4 Income Statement

(\$ Millions)	Q4 2016	Q4 2015	Change
Revenue	\$861	\$781	10%
Gross Profit	471	413	14%
Gross Margin %	54.7%	52.9%	180 bps
Total Operating Expense	311	267	16%
Operating Income	160	146	10%
Operating Margin %	18.6%	18.7%	(10 bps)
Other Income	9	7	
Income Tax	(32)	(20)	
Net Income (GAAP)	137	132	3%
Net Income (Pro-Forma)	138	140	(2%)
EPS (GAAP)	\$0.72	\$0.70	3%
EPS (Pro-Forma)	\$0.73	\$0.74	(1%)

Full Year Income Statement

(\$ Millions)	2016 Actual	2015 Actual	Change
Revenue	\$3,019	\$2,820	7%
Gross Profit	1,680	1,539	9%
Gross Margin %	55.6%	54.6%	100 bps
Total Operating Expense	1,056	989	7%
Operating Income	624	550	14%
Operating Margin %	20.7%	19.5%	120 bps
Other Income	6	18	
Income Tax	(119)	(111)	
Net Income (GAAP)	511	456	12%
Net Income (Pro-Forma)	536	475	13%
EPS (GAAP)	\$2.70	\$2.39	13%
EPS (Pro-Forma)	\$2.83	\$2.49	14%

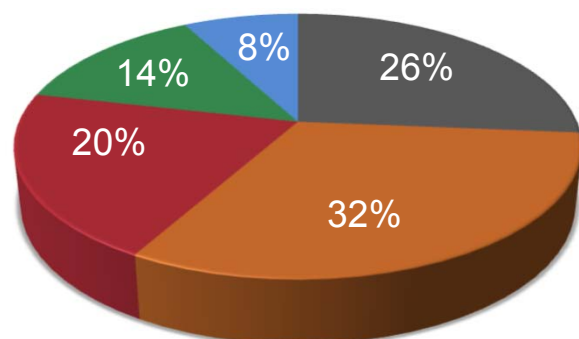
Q4 and Full Year Revenue

Q4 Revenue by Segment			
(\$ M)	2016	2015	Change
Outdoor	\$175	\$120	46%
Fitness	274	229	20%
Marine	67	56	19%
Aviation	117	104	13%
Auto	227	272	(17%)
Total	\$861	\$781	10%

FY Revenue by Segment			
(\$ M)	2016	2015	Change
Outdoor	\$546	\$411	33%
Fitness	818	662	24%
Marine	332	287	16%
Aviation	439	399	10%
Auto	883	1,062	(17%)
Total	\$3,019	\$2,820	7%

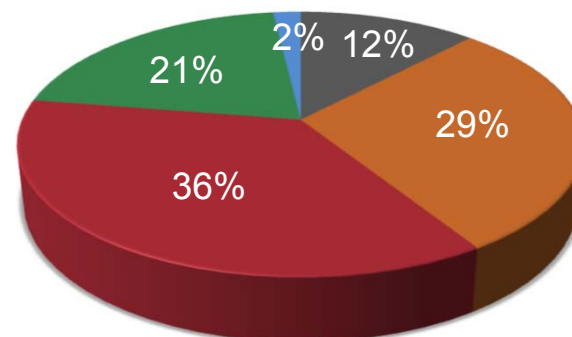
Q4 Revenue & Operating Income

Q4 2016 Revenue



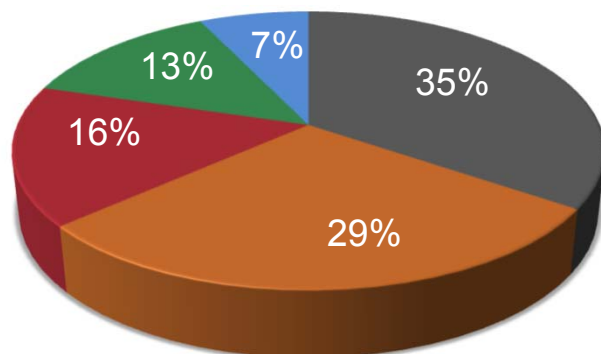
■ Auto ■ Fitness ■ Outdoor ■ Aviation ■ Marine

Q4 2016 Operating Income



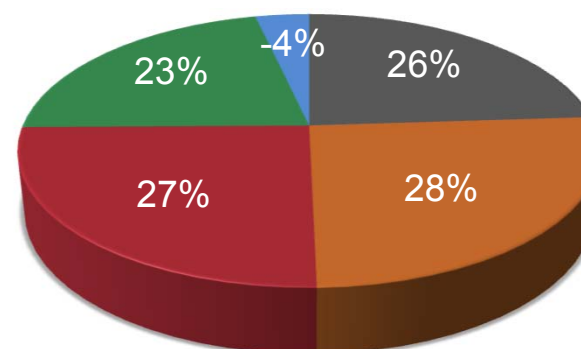
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Q4 2015 Revenue



■ Auto ■ Fitness ■ Outdoor ■ Aviation ■ Marine

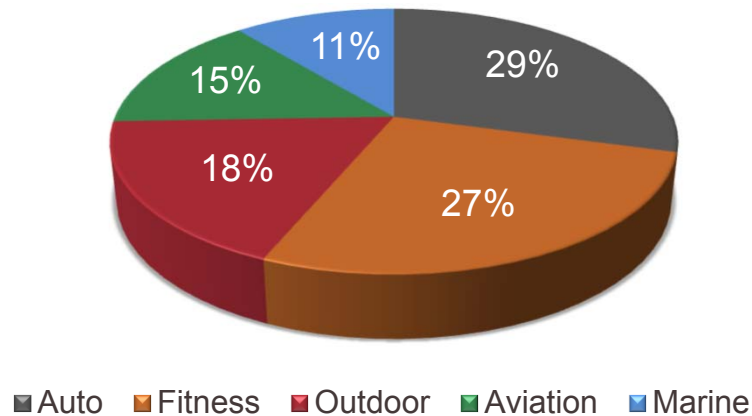
Q4 2015 Operating Income



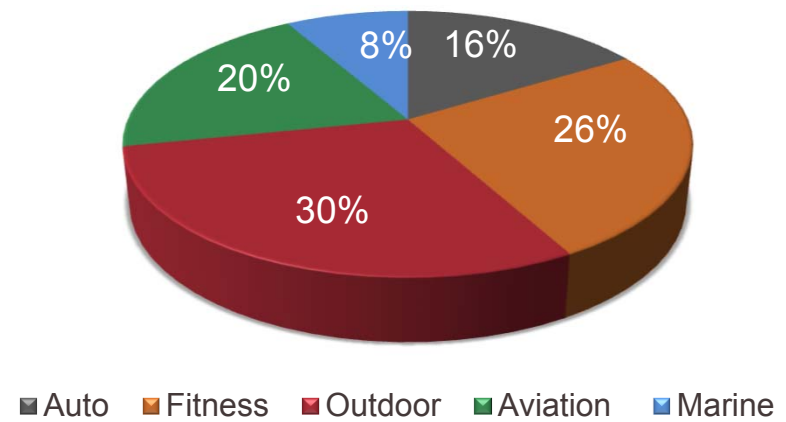
■ Auto ■ Fitness ■ Outdoor ■ Aviation ■ Marine

Full Year Revenue & Operating Income

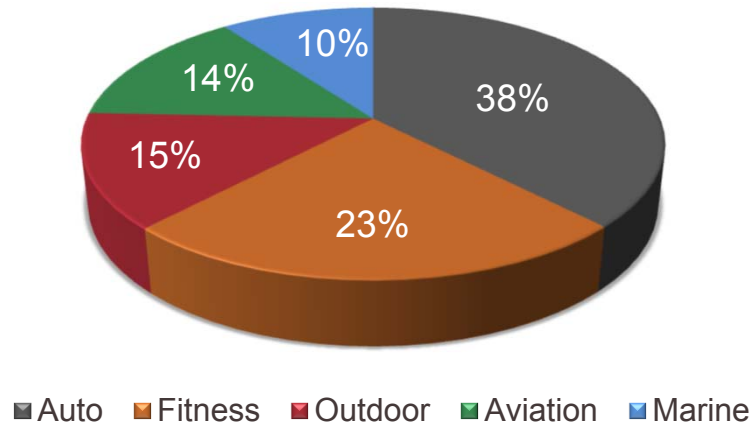
2016 Revenue



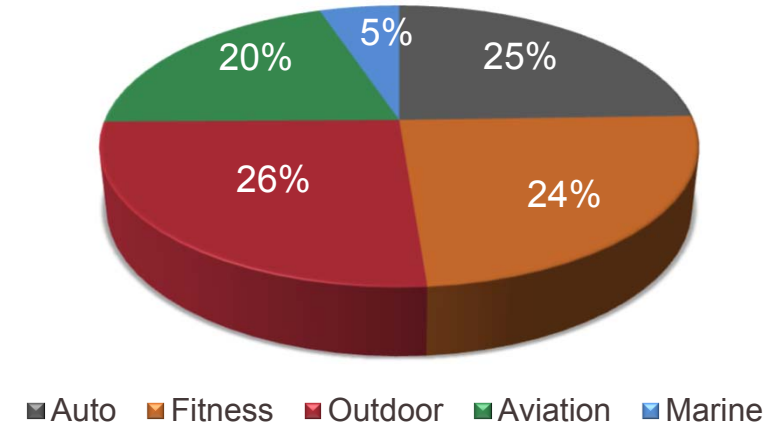
2016 Operating Income



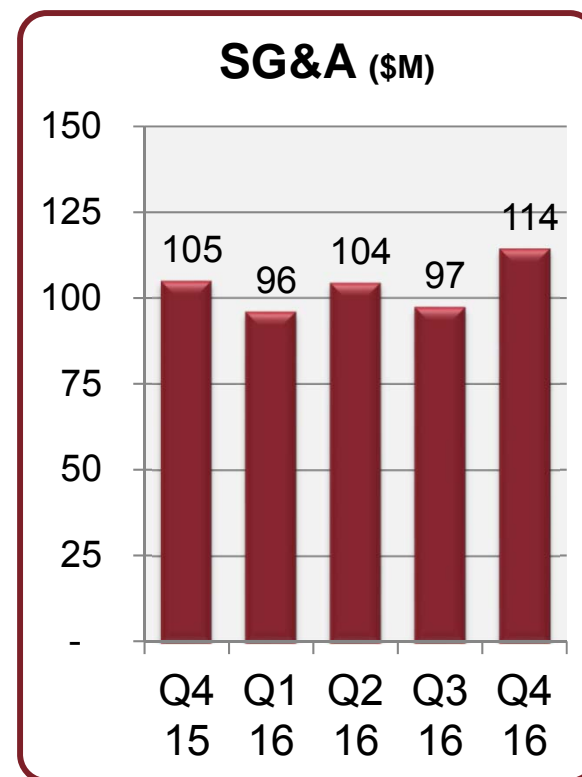
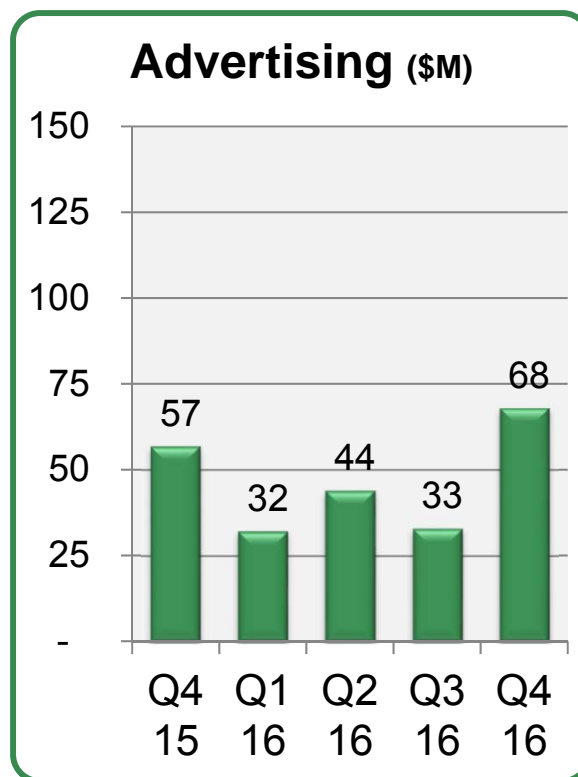
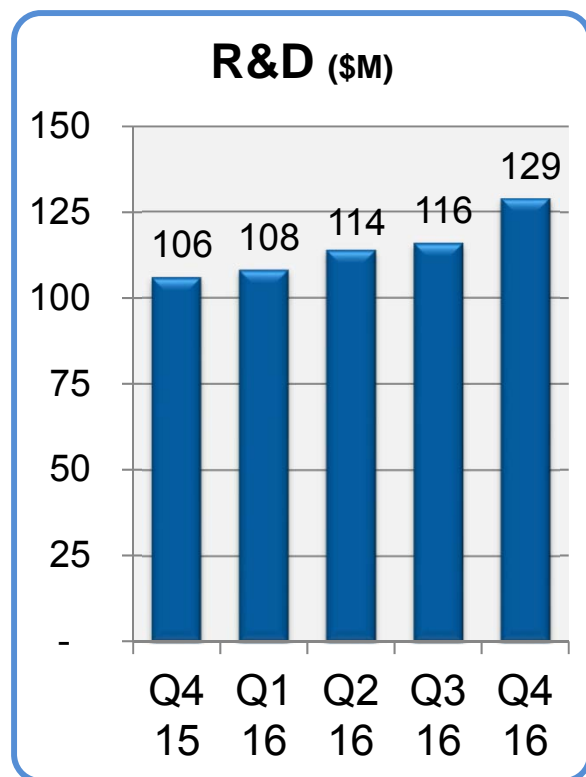
2015 Revenue



2015 Operating Income



Operating Expenses



Balance Sheet/Cash Flow

Balance Sheet

- Ended quarter with approximately \$2.3 billion of cash and marketable securities
- Accounts receivable increased sequentially due to strong sales in the holiday quarter and relatively flat to the prior year
- Inventory balance decreased on a sequential and year-over-year basis

Cash Flow

- Generated \$165 million of free cash flow in Q4 2016
- Repurchased approximately \$28 million in company stock in Q4 2016
- Approximately \$75 million remaining in the Share Repurchase Program, which was extended through December 31, 2017
- Management expects to repurchase Company stock during 2017 as business and market conditions warrant

Taxes

- Effective Tax Rate of 19.0% in Q4 2016 compared to 13.2% in Q4 2015
 - The full year impact of the U.S. research and development tax credit was recorded in the fourth quarter 2015 compared to being spread over four quarters in 2016
- Effective Tax Rate of 18.9% in FY 2016 compared to 19.6% in FY 2015
- FY 2017 pro forma Effective Tax Rate is expected to increase to 22%
 - The increase is primarily due to the Company's election to adjust certain Switzerland tax positions to address potential tax risk from evolving global tax initiatives

Dividends

- Dividend of \$0.51 per share to be paid at close of March 2017
- Seeking shareholder approval for \$2.04 per share dividend; payable quarterly at \$0.51 per share beginning in June 2017




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Appendix

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Pro forma net income (earnings) per share

Management believes that net income (earnings) per share before the impact of foreign currency gain or loss and certain discrete income tax items, as discussed below, is an important measure. The majority of the Company's consolidated foreign currency gain or loss is typically driven by movements in the Taiwan Dollar, Euro and the 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 gain or loss. The Company's income tax expense is periodically impacted by discrete tax items that are not reflective of the income tax expense that is incurred related to the current period earnings. Accordingly, earnings per share before the impact of foreign currency translation gain or loss and certain discrete income tax items permits a consistent comparison of the Company's operating performance between periods.

The tax effect of foreign currency gains (losses) was calculated using effective tax rates of 19.0% and 13.2% for the fourth quarters of 2016 and 2015, respectively and 18.9% and 19.6% for the fiscal years of 2016 and 2015. The 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 both on a quarterly and fiscal year basis.

There were no discrete tax items identified by management in the 53-weeks and 52-weeks ended December 31, 2016 and December 26, 2015, respectively, that were excluded from pro forma earnings per share. The net release of other uncertain tax position reserves, amounting to approximately \$11.9 million and \$7.3 million for the 53-weeks and 52-weeks ended December 31, 2016 and December 26, 2015, respectively, have not been included as pro forma adjustments in the above presentation of pro forma earnings per share as such amounts tend to be more recurring in nature, and do not affect comparability between periods.

Pro Forma Net Income

Garmin Ltd. And Subsidiaries
Net income per share (Pro Forma)
(in thousands, except per share information)

	<u>14-Weeks Ended</u>	<u>13-Weeks Ended</u>	<u>53-Weeks Ended</u>	<u>52-Weeks Ended</u>
	<u>Dec 31,</u>	<u>Dec 26,</u>	<u>Dec 31,</u>	<u>Dec 26,</u>
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Net Income (GAAP)	\$136,605	\$132,383	\$510,814	\$456,227
Foreign currency losses	1,648	9,288	31,651	23,465
Tax effect of foreign currency losses	(312)	(1,227)	(5,974)	(4,590)
Net income (Pro Forma)	<u>\$137,941</u>	<u>\$140,444</u>	<u>\$536,491</u>	<u>\$475,102</u>
Net income per share (GAAP):				
Basic	\$0.73	\$0.70	\$2.71	\$2.39
Diluted	\$0.72	\$0.70	\$2.70	\$2.39
Net income per share (Pro Forma):				
Basic	\$0.73	\$0.74	\$2.84	\$2.49
Diluted	\$0.73	\$0.74	\$2.83	\$2.49
Weighted average common shares outstanding:				
Basic	188,233	189,317	188,818	190,631
Diluted (GAAP)	189,171	189,847	189,343	191,107

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 flow plus non-recurring cash payments associated with our inter-company restructuring less capital expenditures for property and equipment.

Garmin Ltd. And Subsidiaries

Free Cash Flow (in thousands)

	<u>14-Weeks Ended</u>	<u>13-Weeks Ended</u>	<u>53-Weeks Ended</u>	<u>52-Weeks Ended</u>
	<u>Dec 31,</u>	<u>Dec 26,</u>	<u>Dec 31,</u>	<u>Dec 26,</u>
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Net cash provided by operating activities	\$213,315	\$158,336	\$705,682	\$280,467
Less: purchases of property and equipment	(48,803)	(27,295)	(90,960)	(80,592)
Plus: taxes paid related to inter-company restructuring	-	-	-	182,800
Free Cash Flow	<u>\$164,512</u>	<u>\$131,041</u>	<u>\$614,722</u>	<u>\$382,675</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. In the 53-weeks ended December 31, 2016, there were no such discrete tax items identified. However, in fiscal 2017, management believes certain discrete tax items will be recognized on a U.S. GAAP-basis, that will have an effect on comparability between periods:

- The Company's fiscal 2017 pro forma tax rate is expected to increase to 22% due to the Company's election to adjust certain Switzerland corporate tax positions to address potential tax risk from evolving global tax initiatives. The 2017 pro forma tax rate of 22% excludes the effect of the expected revaluation of certain Switzerland deferred tax assets, for which the Company anticipates recording approximately \$150 million of income tax benefit in the first quarter of 2017.
- The fiscal 2017 pro forma tax rate of 22% also excludes the tax effects from share-based compensation as a result of the adoption of *Accounting Standards Update No. 2016-09, Compensation – Stock Compensation (Topic 718): Improvements to Employee Share-Based Accounting* ("ASU 2016-09"), which may have a material effect on the U.S. GAAP-basis tax rate. However, the Company is unable to project these amounts due to the dependency of this item on the underlying share price of the Company.

While management expects the above to have a significant impact on comparability, management is unable to determine whether or not additional significant discrete tax items will be identified in fiscal 2017.

Forward-looking pro forma earnings per share (EPS)

In addition to the discrete tax items discussed in the forward-looking pro forma tax rate section above, our 2017 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 and \$0.13 per share for the 14-weeks and 53-weeks ended December 31, 2016, respectively.