



GARMIN®

Q2 2017 Earnings – August 2, 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 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, currency movements, expenses, pricing, new products to be introduced in 2017, statements relating to possible future dividends and the Company'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 Overview

Second quarter revenue growth and improved gross margins contribute to operating income growth

- Consolidated revenue of \$817 million, up 1%
- Outdoor, aviation, marine and fitness segments combined grew 8% and contributed 74% of total revenue
- Gross margin and operating margin improved to 58.5% and 24.9%, respectively
- Operating income growth of 1%
- GAAP EPS of \$0.91 and pro forma EPS of \$0.88
- Connect IQ app store delivered 17 million downloads in the past year

Outdoor

2nd Quarter Business Review

- Robust revenue growth of 46%, as a result of the strong demand for the fēnix 5 watch series
- Gross margin and operating margin of 66% and 38%, respectively
- Operating income growth of 53%

Market/Product Update

- Solid growth of our new inReach and subscription products
- Launched Approach S60 premium golf watch
- Recently announced the newest members of our Foretrex and Rino product lines
- Focus on opportunities in wearables and inReach product lines



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Aviation

2nd Quarter Business Review

- Strong revenue growth of 15%, driven primarily by aftermarket sales, as well as positive OEM contributions
- Gross margin and operating margin of 75% and 32%, respectively
- Operating income growth of 28%

Market/Product Update

- Strong demand for our ADS-B offerings
- Announced our first Head-up Display
- Expanded the distribution of previously announced G1000 NXi offering with EASA approval
- Focus on opportunities in ADS-B and market share gains



Marine

2nd Quarter Business Review

- Revenue declined 3%; YTD revenue is up 10%
- Gross margin and operating margin of 57% and 22%, respectively

Market/Product Update

- Continued growth in our entertainment and fishfinder product lines resulting in additional market share gains
- Launched the next generation quatix
- Completed the acquisition of Active Captain, a developer of crowd sourced content for boaters
- Focus on product innovation and gaining share in the inland fishing market



Fitness

2nd Quarter Business Review

- Revenue decline of 15% driven by the rapidly declining market for basic activity trackers and the timing of new product introductions
- Gross margin and operating margin of 56% and 21%, respectively

Market/Product Update

- Expect ongoing declines in the market for basic activity trackers
- Expect product refreshes in the back half of the year
- Focus on growth opportunities in advanced wearable devices



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Auto

2nd Quarter Business Review

- Revenue declined 15%
- Gross margin and operating margin of 45% and 13%, respectively

Market/Product Update

- Global PND market share remains strong
- Launched the VIRB 360, a compact, full spherical 360-degree camera
- Focus on disciplined execution and optimizing profitability



2017 Guidance Update

	Update	Prior
Revenue	~ \$3.04B	~ \$3.02B
Gross Margin	~ 57.5%	~ 56%
Operating Margin	~ 21%	~ 20%
Tax Rate (Pro Forma)	~ 22%	~ 22%
EPS (Pro Forma)	~ \$2.80	~ \$2.65

2016 Revenue Guidance by Segment

	Updated Growth	Prior Growth
Outdoor	~25%	10%
Aviation	~10%	5%
Marine	~10%	10%
Fitness	~(5%)	5%
Auto	~(17%)	(17%)

Financial Update

Doug Boessen
CFO and Treasurer

Q2 Income Statement

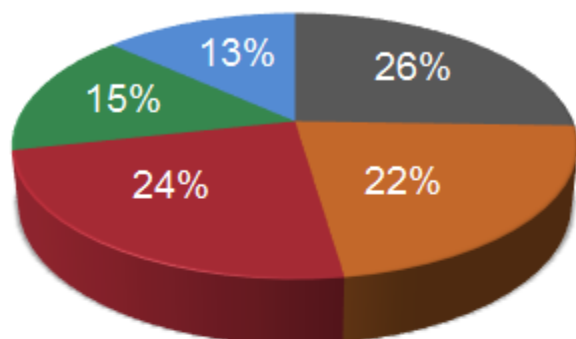
(\$ Millions)	Q2 2017	Q2 2016	Change
Revenue	\$817	\$812	1%
Gross Profit	478	463	3%
Gross Margin %	58.5%	57.0%	150 bps
Total Operating Expense	275	262	5%
Operating Income	203	201	1%
Operating Margin %	24.9%	24.7%	20 bps
Other Income	25	3	
Income Tax	(57)	(43)	
Net Income (GAAP)	171	161	6%
Net Income (Pro-Forma)	166	166	0%
EPS (GAAP)	\$0.91	\$0.85	7%
EPS (Pro-Forma)	\$0.88	\$0.87	1%

Q2 Revenue

Revenue by Segment			
(\$ M)	Q2 2017	Q2 2016	Change
Outdoor	\$195	\$133	46%
Aviation	124	108	15%
Marine	109	112	(3%)
Fitness	181	213	(15%)
Auto	208	246	(15%)
Total	\$817	\$812	1%

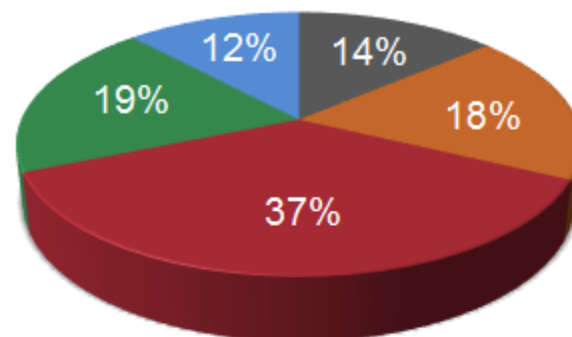
Q2 Revenue & Operating Income

Q2 2017 Revenue



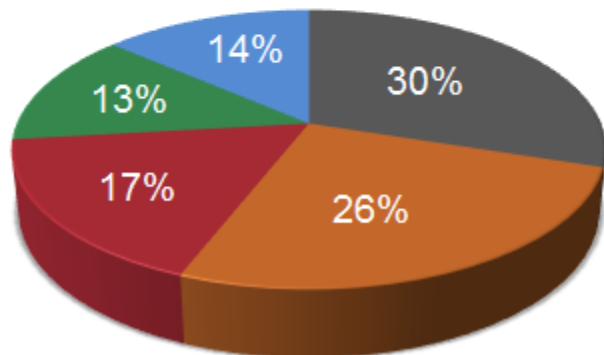
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Q2 2017 Operating Income



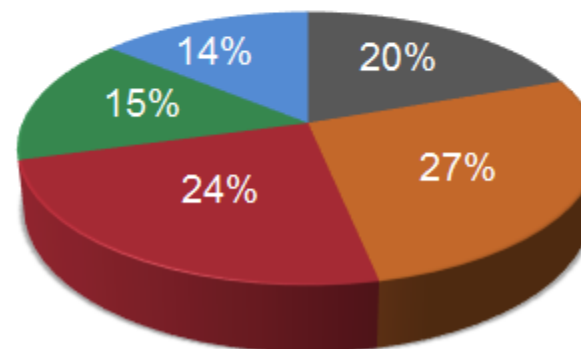
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Q2 2016 Revenue



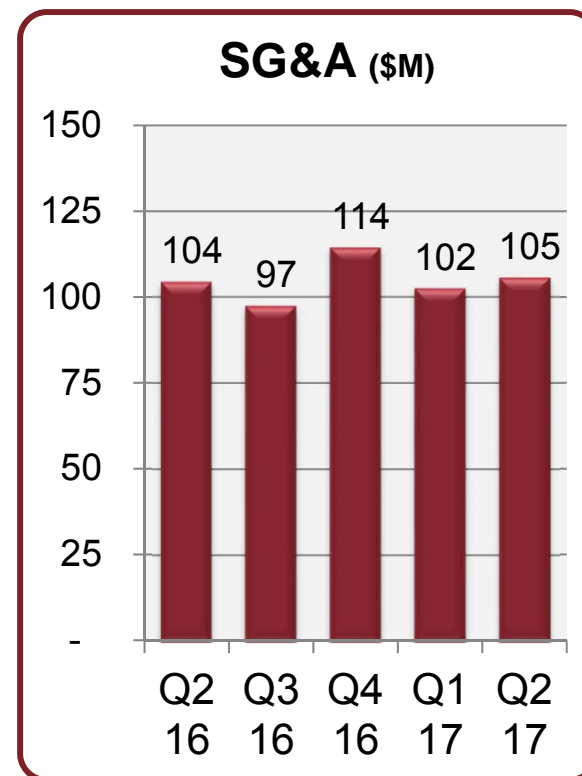
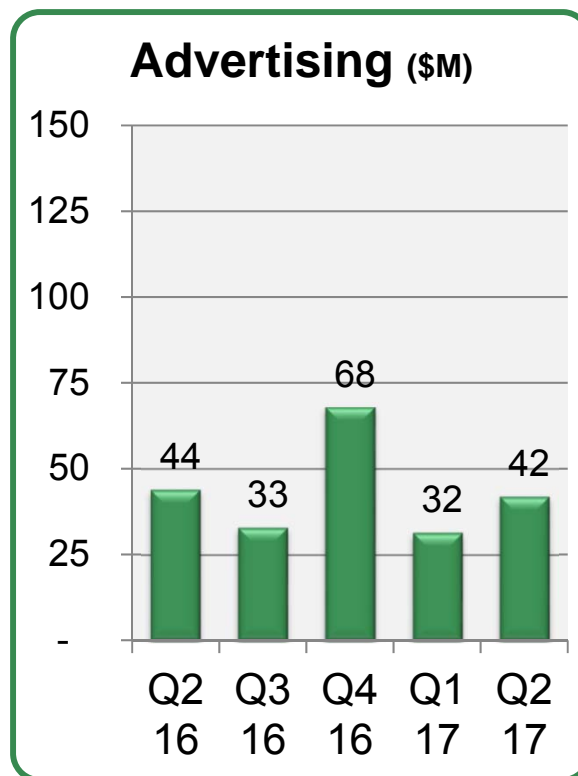
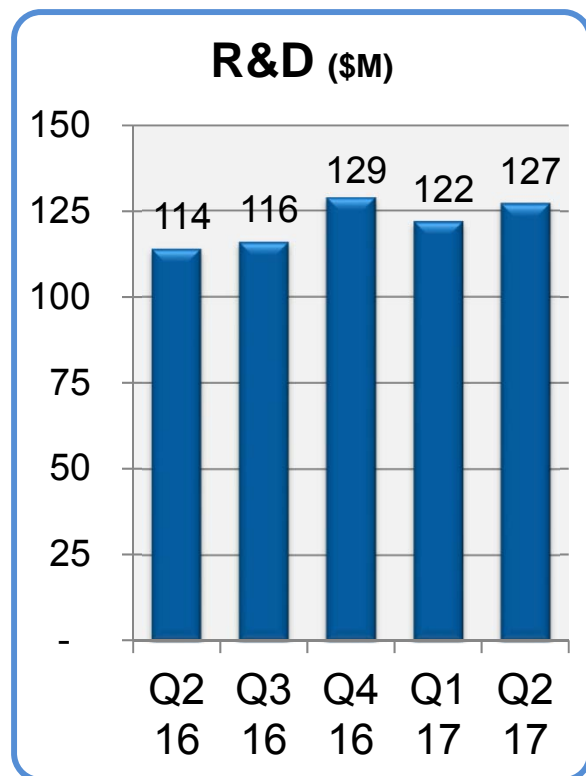
■ Auto ■ Fitness ■ Outdoor ■ Aviation ■ Marine

Q2 2016 Operating Income



■ Auto ■ Fitness ■ Outdoor ■ Aviation ■ Marine

Operating Expenses



Balance Sheet/Cash Flow

Balance Sheet

- Ended quarter with approximately \$2.3 billion of cash and marketable securities
- Accounts receivable increased sequentially as expected following the seasonally strong second quarter
- Inventory balance decreased on a sequential basis as we exited the seasonally strong second quarter, but remains higher year-over-year

Cash Flow

- Generated \$129 million of free cash flow in Q2 2017
- Repurchased approximately \$36 million of company stock in Q2 2017
- Approximately \$11 million remaining in the Share Repurchase Program, which was extended through December 31, 2017

Taxes

- Q2 2017 effective tax rate of 25.0%
 - Includes \$7 million of tax expense resulting from a new accounting standard related to the expiration of share-based awards
- Pro forma effective tax rate of 21.9% in Q2 2017 compared to an effective tax rate of 21.0% in Q2 2016
 - The increase is primarily due to the Company's election to align certain Switzerland tax positions with evolving international tax initiatives partially offset by income mix by tax jurisdiction
- Maintain our full year 2017 pro forma effective tax rate guidance of ~22%



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Appendix

August 2, 2017

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		26-Weeks Ended	
	July 1, 2017		July 1, 2017	
	\$	ETR ⁽¹⁾	\$	ETR ⁽¹⁾
U.S. GAAP income tax provision (benefit)	\$57,105	25.0%	(\$93,015)	(29.5%)
Pro forma discrete tax items:				
Revaluation of deferred tax asset ⁽²⁾	-		168,755	
Tax expense from share-based award expirations ⁽³⁾	(7,275)		(7,275)	
Total pro forma discrete tax items	(7,275)		161,480	
Income tax provision (Pro Forma)	\$49,830	21.9%	\$68,465	21.7%

⁽¹⁾ Effective tax rate is calculated by taking the Income tax provision (benefit) 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 from the revaluation of certain Switzerland deferred tax assets. The revaluation is due to the Company's election in February 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, and therefore affects period-to-period comparability, it has been identified as a pro forma adjustment.

⁽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, and affects period-to-period comparability, 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		26-Weeks Ended	
	July 1, 2017	June 25, 2016	July 1, 2017	June 25, 2016
Net income (GAAP)	\$170,950	\$161,064	\$408,762	\$249,155
Foreign currency gains / losses ⁽¹⁾	(15,110)	5,743	22,387	10,582
Tax effect of foreign currency gains / losses ⁽²⁾	3,302	(1,204)	(4,855)	(2,114)
Discrete tax items ⁽³⁾	7,275	-	(161,480)	-
Net income (Pro Forma)	\$166,417	\$165,603	\$264,814	\$257,623
Net income per share (GAAP):				
Basic	\$0.91	\$0.85	\$2.17	\$1.32
Diluted	\$0.91	\$0.85	\$2.17	\$1.31
Net income per share (Pro Forma):				
Basic	\$0.89	\$0.88	\$1.41	\$1.36
Diluted	\$0.88	\$0.87	\$1.40	\$1.36
Weighted average common shares outstanding:				
Basic	187,757	188,892	187,974	189,195
Diluted	188,492	189,356	188,691	189,491

(1) The majority of the Company's consolidated foreign currency gains and losses are typically 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 pro forma effective tax rate of 21.9% and 21.7% for the quarter and year-to-date ended July 1, 2017, respectively, and an effective tax rate of 21.0% and 20.0% for the quarter and year-to-date ended June 25, 2016, respectively.

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

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 less capital expenditures for property and equipment.

	13-Weeks Ended		26-Weeks Ended	
	July 1, 2017	June 25, 2016	July 1, 2017	June 25, 2016
Net cash provided by operating activities	\$143,432	\$149,985	\$263,827	\$279,372
Less: purchases of property and equipment	(14,275)	(14,706)	(39,812)	(28,614)
Free Cash Flow	<u>\$129,157</u>	<u>\$135,279</u>	<u>\$224,015</u>	<u>\$250,758</u>

Forward-looking pro forma tax rate

Forward-looking pro forma effective tax rate and forward-looking pro forma net income (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 effective tax rate and earnings per share before the effect of such discrete tax items are important measures. In fiscal 2017, management believes certain discrete tax items recognized on a GAAP-basis have an effect on comparability between periods:

- The fiscal 2017 pro forma effective tax rate excludes certain tax effects from share-based compensation as a result of ASU 2016-09. The Company is unable to reasonably estimate these amounts on a forward-looking basis due to the dependency of this item on the underlying share price of the Company. The fiscal 2017 pro forma effective tax rate excludes the \$7.3 million tax expense resulting from the expiration of share-based awards as discussed in the pro forma effective tax rate section above. The impact of this discrete tax item was \$0.04 per share for the first half of 2017.
- The fiscal 2017 pro forma effective tax rate excludes the \$168.8 million income tax benefit resulting from the revaluation of certain Switzerland deferred tax assets as discussed in the pro forma effective tax rate section above. The impact of this discrete tax item was (\$0.90) per share for the first half of 2017.

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 the second half of 2017.

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 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 \$17.5 million, or \$0.09 per share for the first half of 2017.