



GARMIN®

Q4 2017 Earnings
February 21, 2018

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 2018, Garmin's expected segment revenue growth rates, margins, currency movements, expenses, pricing, new products to be introduced in 2018 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

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

- Consolidated revenue of \$888 million, up 3%
- Outdoor, marine, aviation and fitness segments combined grew 9% and contributed 78% of total revenue
- Gross and operating margin of 56.2% and 20.2%, respectively
- Operating income of \$179 million, growth of 12%
- GAAP EPS of \$0.73 and pro forma EPS of \$0.79

2017 Financial Review

Delivered two consecutive years of revenue and operating income growth

- Consolidated revenue exceeded \$3 billion, up 2%
- Outdoor, fitness, marine and aviation segments combined grew 9% and contributed 76% of total revenue
- Gross and operating margin of 57.8% and 21.7%, respectively
- Operating income of \$669 million, growth of 7%
- GAAP EPS of \$3.68 and pro forma EPS of \$2.94

Outdoor

FY 2017 Business Review

- Robust revenue growth of 28%; strong demand for wearables
- Gross margin and operating margin of 64% and 36%, respectively
- Operating income growth of 36%
- High engagement in Connect IQ delivering over 45M downloads since inception

FY 2018 Outlook

- Revenue growth of ~13%
- Continue to capitalize on wearables serving a broad range of consumers
- Strengthen and expand our inReach satellite subscription base and market share in adjacent categories



Aviation

FY 2017 Business Review

- Revenue exceeded \$500 million, a significant milestone, representing growth of 14%
- Gross and operating margins at 74% and 31%, respectively
- Operating income growth of 23%
- Announced as the avionics provider on the Cessna Sky Courier
- First in product support for 14 consecutive years and won 2 Supplier of the Year Awards from Embraer

FY 2018 Outlook

- Revenue growth of ~13%
- Supporting OEM partners in the completion of aircraft and helicopter certifications and system enhancements
- Capitalize on market share gains and aftermarket opportunities



Marine

FY 2017 Business Review

- Strong revenue growth of 13% with growth across multiple product categories
- Gross margin of 57%
- Operating margin of 13%
- GPSMAP selected by Sea Hunt Boat Company

FY 2018 Outlook

- Revenue growth of ~18% with both organic growth and contributions from our recent Navionics acquisition
- Capitalize on market momentum with a strong product lineup resulting in market share gains



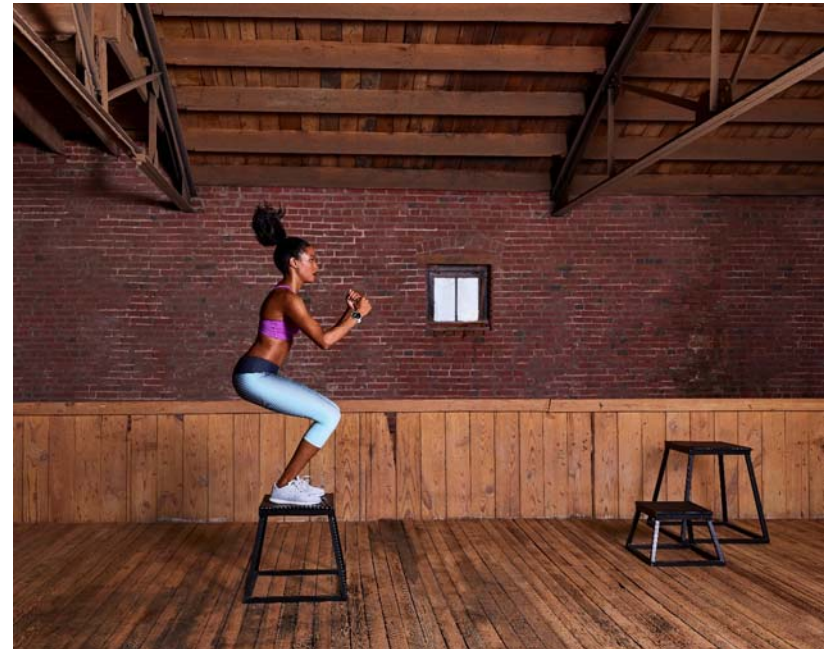
Fitness

FY 2017 Business Review

- Revenue declined 7% driven by the rapidly maturing market for basic activity trackers
- Gross and operating margin of 55% and 19%, respectively
- Launched several new wearables that have been well received by the market including the Forerunner 935, vívoactive 3 and vívofit jr. 2

FY 2018 Outlook

- Revenues expected to be flat with growth in advanced wearables and cycling offset by declines in the basic activity trackers
- Deliver feature-rich products capturing new and repeat customers



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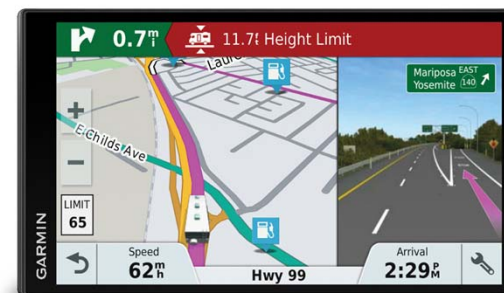
Auto

FY 2017 Business Review

- Revenue declined 15%
- Gross and operating margin of 44% and 9%, respectively
- Global PND market share remains strong
- Solid growth in OEM and other niche categories

FY 2018 Outlook

- Revenue decline of ~17% due to PND category declines
- Opportunities in OEM, truck, RV and camera categories
- Continue to invest in bringing connectivity to the vehicle through OEM and aftermarket products



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2018 Guidance

	2018 Guidance*
Revenue	~\$3.2 B
Gross Margin	~58.5%
Operating Margin	~21%
Tax Rate (Pro Forma)	~19%
EPS (Pro Forma)	~\$3.05

Segment Revenue	Growth
Auto*	(17%)
Fitness	0%
Aviation	13%
Outdoor	13%
Marine	18%

* Consolidated and Auto segment guidance assumes the adoption of the new revenue recognition standard in 2018 and restatement of 2017 amounts.

Financial Update

Doug Boessen
CFO and Treasurer

Q4 Income Statement

(\$ Millions)	Q4 2017	Q4 2016	Change
Revenue	\$888	\$861	3%
Gross Profit	500	471	6%
Gross Margin %	56.2%	54.7%	150 bps
Total Operating Expense	320	311	3%
Operating Income	179	160	12%
Operating Margin %	20.2%	18.6%	160 bps
Other Income	1	9	
Income Tax	(42)	(32)	
Net Income (GAAP)	139	137	2%
Net Income (Pro-Forma)	150	138	9%
EPS (GAAP)	\$0.73	\$0.72	2%
EPS (Pro-Forma)	\$0.79	\$0.73	9%

Full Year Income Statement

(\$ Millions)	2017	2016	Change
Revenue	\$3,087	\$3,019	2%
Gross Profit	1,783	1,680	6%
Gross Margin %	57.8%	55.6%	220 bps
Total Operating Expense	1,114	1056	6%
Operating Income	669	624	7%
Operating Margin %	21.7%	20.7%	100 bps
Other Income	13	6	
Income Tax	13	(119)	
Net Income (GAAP)	695	511	36%
Net Income (Pro-Forma)	555	536	4%
EPS (GAAP)	\$3.68	\$2.70	36%
EPS (Pro-Forma)	\$2.94	\$2.83	4%

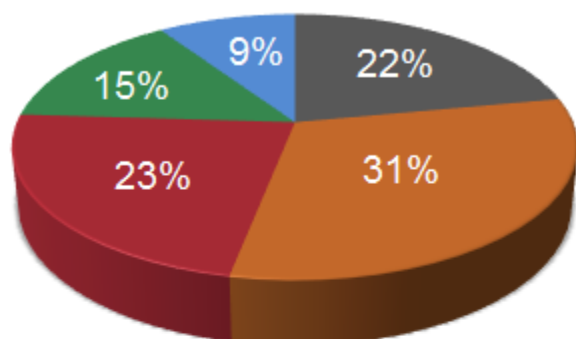
Q4 and Full Year Revenue

Q4 Revenue by Segment			
(\$ M)	2017	2016	Change
Outdoor	\$203	\$175	16%
Aviation	130	117	11%
Marine	84	67	24%
Fitness	276	274	1%
Auto	196	227	(14%)
Total	\$888	\$861	3%

FY Revenue by Segment			
(\$ M)	2017	2016	Change
Outdoor	\$699	\$546	28%
Aviation	501	439	14%
Marine	374	332	13%
Fitness	762	818	(7%)
Auto	751	883	(15%)
Total	\$3,087	\$3,019	2%

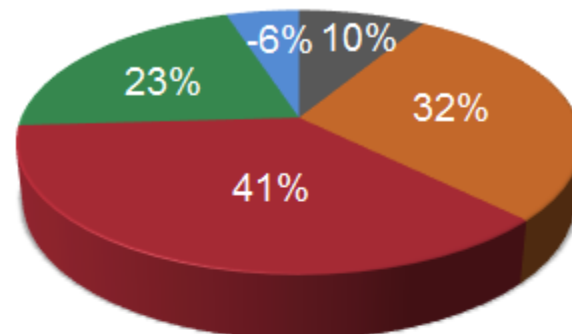
Q4 Revenue & Operating Income

Q4 2017 Revenue



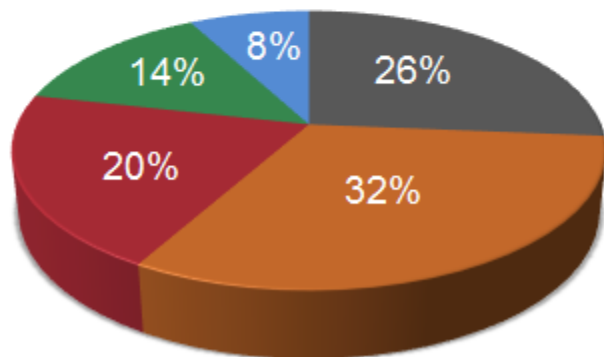
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Q4 2017 Operating Income



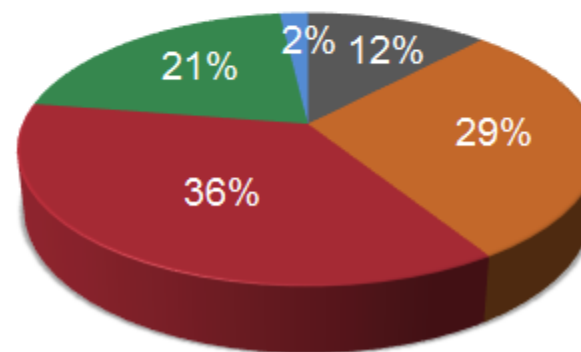
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Q4 2016 Revenue



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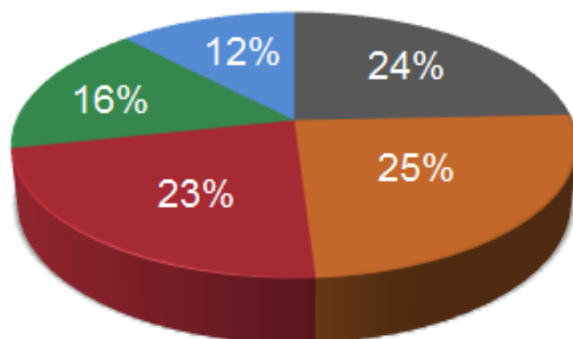
Q4 2016 Operating Income



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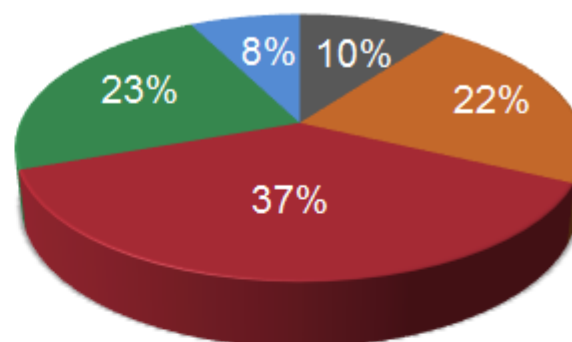
Full Year Revenue & Operating Income

2017 Revenue



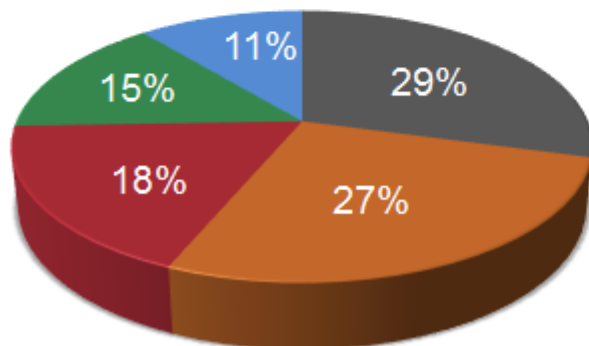
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2017 Operating Income



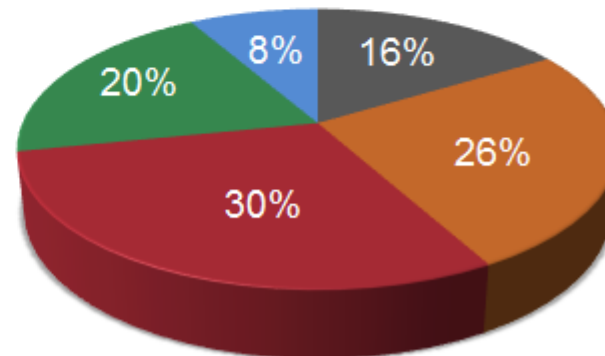
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2016 Revenue



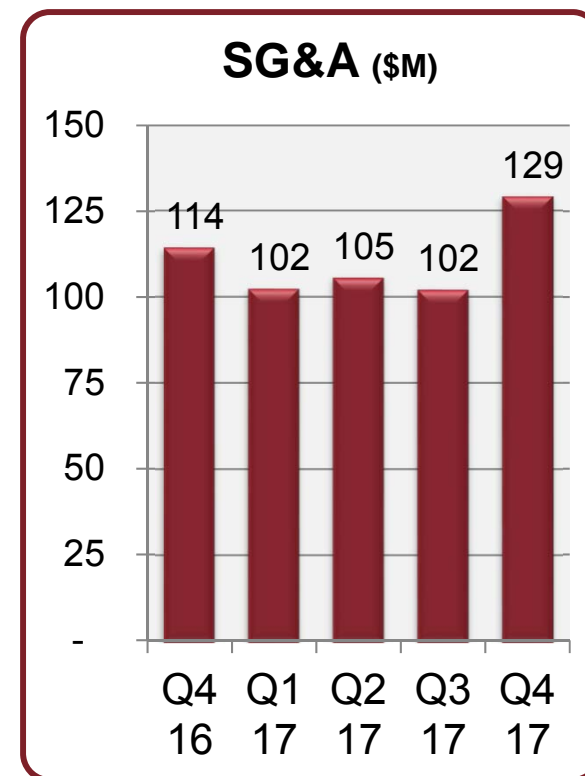
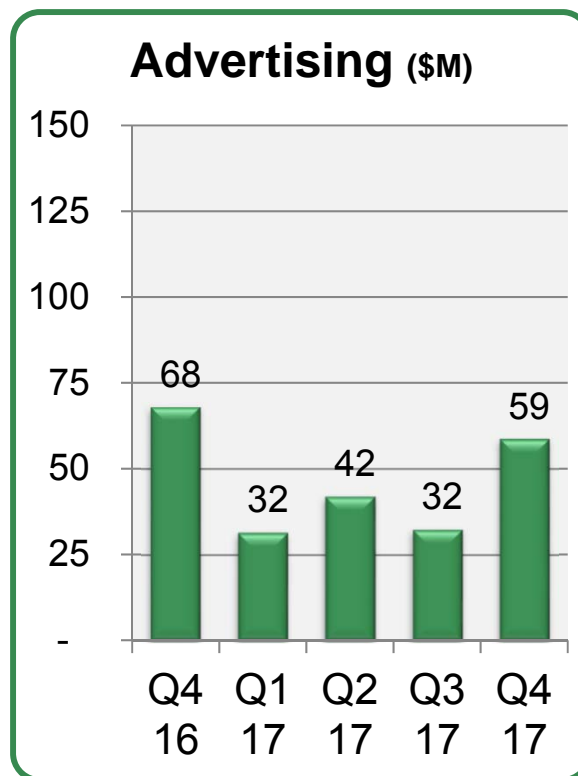
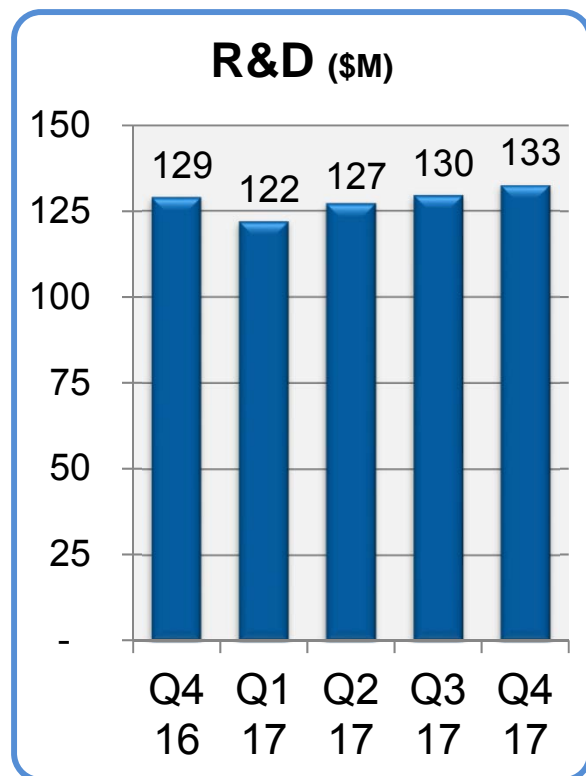
■ Auto ■ Fitness ■ Outdoor ■ Aviation ■ Marine

2016 Operating Income



■ Auto ■ Fitness ■ Outdoor ■ Aviation ■ Marine

Operating Expenses



Balance Sheet / Cash Flow / Dividends

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
- Inventory balance decreased on a sequential basis as we exited the seasonally strong quarter, but was higher year-over-year

Cash Flow

- Generated \$144 million of free cash flow in Q4 2017

Dividends

- Dividend of \$0.51 per share to be paid at close of March 2018
- Seeking shareholder approval for \$2.12 per share dividend; payable quarterly at \$0.53 per share beginning in June 2018

Taxes

- The full year 2017 income tax benefit includes pro forma net discrete tax items of \$157 million:
 - \$180 million income tax benefit due to the change in tax balance sheet accounts as a result of the Switzerland corporate tax election
 - \$23 million tax expense resulting from a new accounting standard related to the expiration of share-based awards
- Excluding the \$157 million of pro forma discrete tax items, the pro forma effective tax rate is 21.2% in FY 2017 compared to 18.9% in FY 2016
 - The increase is primarily due to the Company's election to align certain Switzerland tax positions with evolving international tax initiatives
- FY 2018 pro forma effective tax rate is expected to decrease to 19%
 - The decrease is primarily due to the U.S. Tax Cuts and Jobs Act

New Revenue Recognition Standard

- During the first quarter of 2018, adopted the new revenue recognition standard, Accounting Standards Codification Topic 606, Revenue from Contracts with Customers
- Will utilize the full retrospective method and restate prior year financials
- Auto segment is the only segment impacted

(\$ Millions)	FY 17		
	Reported	Restated	Impact
Revenue - Consolidated	\$ 3,087	\$ 3,122	\$ 35
Revenue - Auto segment	751	785	35
Operating Income - Consolidated	669	684	15
Operating Income - Auto segment	68	83	15



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Appendix

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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 such discrete tax items are important measures to permit investors' consistent comparison between periods. In fiscal 2016, there were no such discrete tax items identified.

	13-Weeks Ended		52-weeks Ended	
	December 30,		December 30,	
	2017		2017	
	\$	ETR ⁽¹⁾	\$	ETR ⁽¹⁾
U.S. GAAP income tax provision (benefit)	\$41,711	23.1%	(\$12,661)	(1.9%)
Pro forma discrete tax items:				
Switzerland corporate tax election ⁽²⁾	11,279		180,034	
Tax expense from share-based award expirations ⁽³⁾	(15,345)		(22,620)	
Total pro forma discrete tax items	(4,066)		157,414	
Income tax provision (Pro Forma)	\$37,645	20.9%	\$144,753	21.2%

⁽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. In the fourth quarter 2017, an additional \$11 million benefit was recognized as a result of this Switzerland election. These impacts during the transitional period following the election are not reflective of current income tax expense incurred and therefore affect period-to-period comparability.

⁽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.

	<u>13-Weeks Ended</u>		<u>14-Weeks Ended</u>		<u>52-weeks Ended</u>		<u>53-weeks Ended</u>	
	<u>December 30,</u>		<u>December 31,</u>		<u>December 30,</u>		<u>December 31,</u>	
	<u>2017</u>		<u>2016</u>		<u>2017</u>		<u>2016</u>	
Net income (GAAP)	\$	138,780	\$	136,605	\$	694,955	\$	510,814
Foreign currency losses ⁽¹⁾		8,772		1,648		22,579		31,651
Tax effect of foreign currency losses ⁽²⁾		(1,829)		(312)		(4,791)		(5,974)
Discrete tax items ⁽³⁾		4,066		-		(157,414)		-
Net income (Pro Forma)	\$	149,789	\$	137,941	\$	555,329	\$	536,491
Net income per share (GAAP):								
Basic	\$	0.74	\$	0.73	\$	3.70	\$	2.71
Diluted	\$	0.73	\$	0.72	\$	3.68	\$	2.70
Net income per share (Pro Forma):								
Basic	\$	0.80	\$	0.73	\$	2.96	\$	2.84
Diluted	\$	0.79	\$	0.73	\$	2.94	\$	2.83
Weighted average common shares outstanding:								
Basic		187,607		188,233		187,828		188,818
Diluted		188,915		189,171		188,732		189,343

(1) The majority of the Company's consolidated foreign currency 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 losses.

(2) The tax effect of foreign currency losses was calculated using the pro forma effective tax rate of 20.9% for the quarter and 21.2% for the fiscal year ended December 30, 2017, respectively, and an effective tax rate of 19.0% for the quarter and 18.9% for the fiscal year ended December 31, 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 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 cash provided by operating activities.

	13-Weeks Ended	14-Weeks Ended	52-weeks Ended	53-weeks Ended
	December 30,	December 31,	December 30,	December 31,
	2017	2016	2017	2016
Net cash provided by operating activities	\$198,265	\$213,315	\$660,842	\$705,682
Less: purchases of property and equipment	(54,484)	(48,803)	(139,696)	(90,960)
Free Cash Flow	<u>\$143,781</u>	<u>\$164,512</u>	<u>\$521,146</u>	<u>\$614,722</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 52-weeks ended December 30, 2017, such discrete tax items were recognized on a U.S. GAAP-basis that would have affected comparability between periods and were therefore removed from the pro forma tax rate. However, at this time management is unable to determine whether or not significant discrete tax items will be identified in fiscal 2018.

Forward-looking pro forma earnings per share (EPS)

Our 2018 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 \$0.04 and \$0.09 per share for the 13-weeks and 52-weeks ended December 30, 2017, respectively.