



GARMIN®

**Q4 2018 Earnings
February 20, 2019**

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 2019, Garmin's expected segment revenue growth rates, margins, currency movements, expenses, pricing, new products to be introduced in 2019 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

Revenue growth and improved margins contribute to strong operating income growth

- Consolidated revenue of \$932 million, up 4%
- Aviation, marine, outdoor and fitness segments combined grew 13%
- Gross and operating margins improved to 58.9% and 23.9%, respectively
- Operating income of \$223 million, up 21%
- GAAP EPS of \$1.00 and pro forma EPS of \$1.02

2018 Financial Review

Third consecutive year of revenue and operating income growth

- Consolidated revenue of over \$3.3 billion, up 7%
- Aviation, marine, outdoor and fitness segments grew 16% on a combined basis
- Gross and operating margin improved to 59.1% and 23.3%, respectively
- Operating income of \$778 million, up 14%
- GAAP EPS of \$3.66 and pro forma EPS of \$3.69
- Propose to increase quarterly dividend by 8%

Aviation

FY 2018 Business Review

- Revenue growth of 20%, with growth in both aftermarket and OEM
- Gross and operating margins improved to 75% and 34%, respectively
- Operating income growth of 33%
- Capitalized on ADS-B opportunities and secured new tandem cockpit program
- Supplier of the year awards from Airbus Helicopters and Embraer, and #1 in product support for the 15th consecutive year

FY 2019 Outlook

- Revenue growth of ~10%
- Supporting OEM partners in the completion of aircraft and helicopter certifications and system enhancements
- Capitalize on market share gains and aftermarket opportunities



Marine

FY 2018 Business Review

- Revenue growth of 18% with growth across multiple product categories
- Gross and operating margins improved to 59% and 14%, respectively
- Operating income growth of 26%
- Launched the revolutionary Panoptix LiveScope and introduced a new line of cartography combining the best of Garmin and Navionics content
- Selected as the exclusive marine electronics supplier to several OEMs

FY 2019 Outlook

- Revenue growth of ~10%
- Gain market share by leveraging unique technologies such as Panoptix LiveScope and new product innovations



Outdoor

FY 2018 Business Review

- Revenue growth of 16% driven by demand for adventure watches
- Gross margin and operating margin of 65% and 36%, respectively
- Operating income growth of 16%
- Launched several new watches including the fēnix 5 Plus series, Instinct, Descent and the S10 golf watch



FY 2019 Outlook

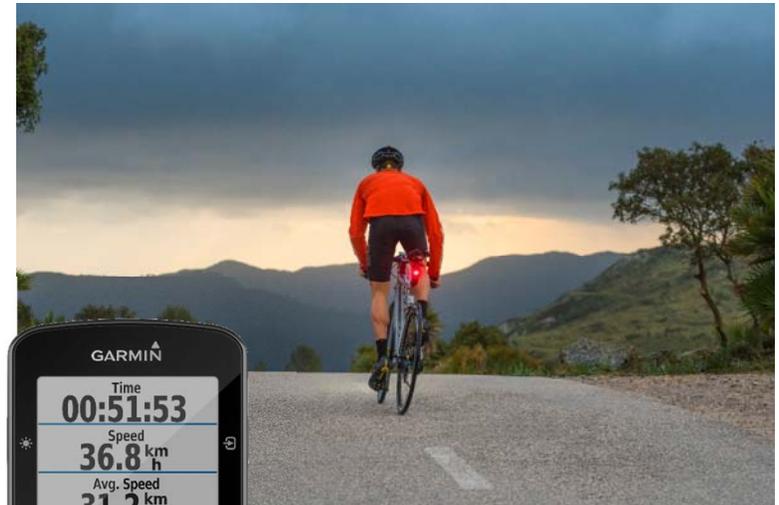
- Revenue growth of ~10%
- Expand the adventure watch category to serve a broad range of consumers
- Grow our inReach satellite subscription base



Fitness

FY 2018 Business Review

- Revenue growth of 13% driven by growth in all product categories
- Gross and operating margin of 55% and 21%, respectively
- Operating income growth of 24%
- Expanded our music compatible devices and integrated seven music providers into our Connect IQ app store including Spotify, Deezer and KKBOX



FY 2019 Outlook

- Revenue growth of ~13%, with both organic growth and contributions from our pending acquisition of Tacx
- Leverage the Tacx acquisition and the expanded addressable market it creates



Auto

FY 2018 Business Review

- Revenue declined 19%
- Gross and operating margin of 43% and 6%, respectively
- Global PND market share remains strong
- Recently introduced new 2019 Drive line of PNDs



FY 2019 Outlook

- Revenue decline of ~18% with ongoing declines in the PND market and OEM program timing



2019 Guidance

	2019 Guidance
Revenue	~\$3.5B
Gross Margin	~59.5%
Operating Margin	~22.7%
Tax Rate	~16.5%
EPS	~\$3.70

Segment	Revenue Growth Estimates
Fitness	~13%
Aviation	~10%
Outdoor	~10%
Marine	~10%
Auto	~(18%)

Financial Update

Doug Boessen
CFO and Treasurer

Q4 Income Statement

(\$ Millions)	Q4 2018	Q4 2017	Change
Revenue	\$932	\$897	4%
Gross Profit	549	503	9%
Gross Margin %	58.9%	56.1%	280 bps
Total Operating Expense	326	320	2%
Operating Income	223	183	21%
Operating Margin %	23.9%	20.4%	350 bps
Other Income (Expense):			
Interest Income / Other	13	10	
Foreign Currency Losses	(4)	(9)	
Income Tax Expense	(42)	(42)	
Net Income (GAAP)	190	143	33%
Net Income (Pro Forma)	194	154	26%
EPS (GAAP)	\$1.00	\$0.75	33%
EPS (Pro Forma)	\$1.02	\$0.81	26%

Full Year Income Statement

(\$ Millions)	2018	2017	Change
Revenue	\$3,347	\$3,122	7%
Gross Profit	1,980	1,798	10%
Gross Margin %	59.1%	57.6%	150 bps
Total Operating Expense	1,201	1114	8%
Operating Income	778	684	14%
Operating Margin %	23.3%	21.9%	140 bps
Other Income (Expense):			
Interest Income / Other	53	36	
Foreign Currency Losses	(8)	(23)	
Income Tax (Expense) Benefit	(129)	12	
Net Income (GAAP)	694	709	(2%)
Net Income (Pro Forma)	701	569	23%
EPS (GAAP)	\$3.66	\$3.76	(3%)
EPS (Pro Forma)	\$3.69	\$3.02	22%

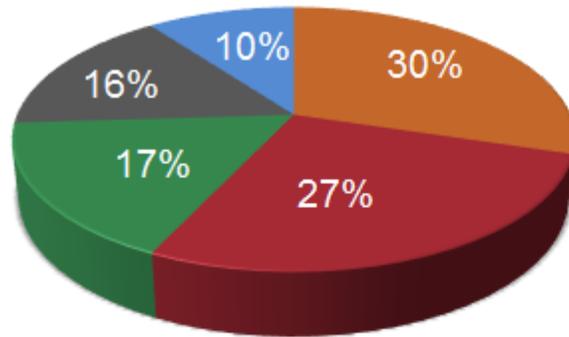
Q4 and Full Year Revenue

Q4 Revenue by Segment			
(\$ M)	2018	2017	Change
Aviation	\$158	\$130	22%
Marine	95	84	13%
Outdoor	255	203	25%
Fitness	277	276	0%
Auto	148	204	(28%)
Total	\$932	\$897	4%

Full Year Revenue by Segment			
(\$ M)	2018	2017	Change
Aviation	\$603	\$501	20%
Marine	442	374	18%
Outdoor	810	699	16%
Fitness	858	762	13%
Auto	634	785	(19%)
Total	\$3,347	\$3,122	7%

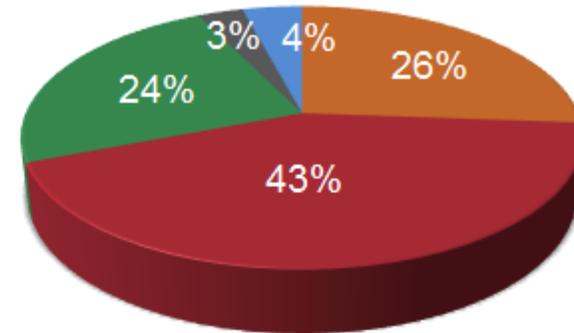
Q4 Revenue & Operating Income

Q4 2018 Revenue



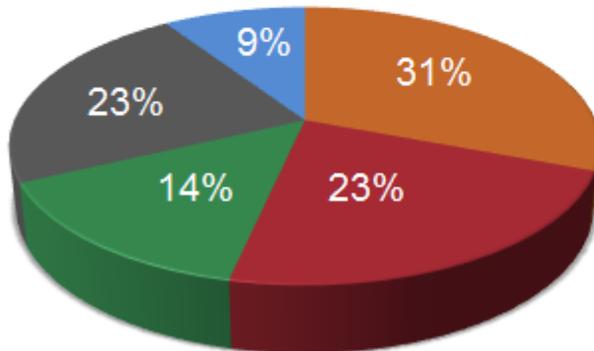
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Q4 2018 Operating Income



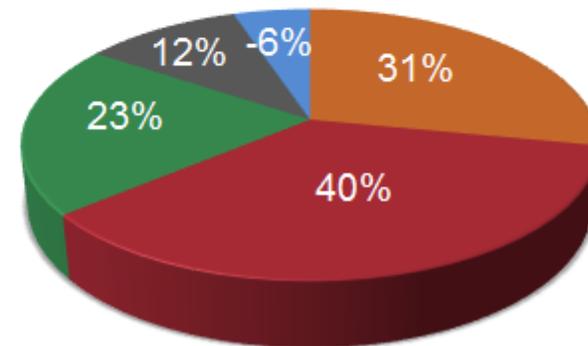
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Q4 2017 Revenue



■ Fitness ■ Outdoor ■ Aviation ■ Auto ■ Marine

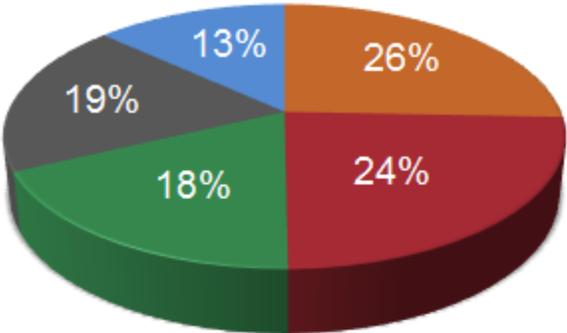
Q4 2017 Operating Income



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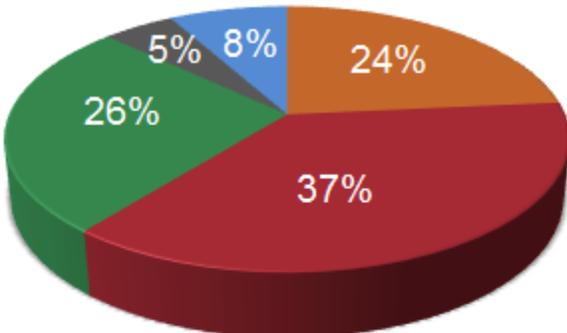
Full Year Revenue & Operating Income

2018 Revenue



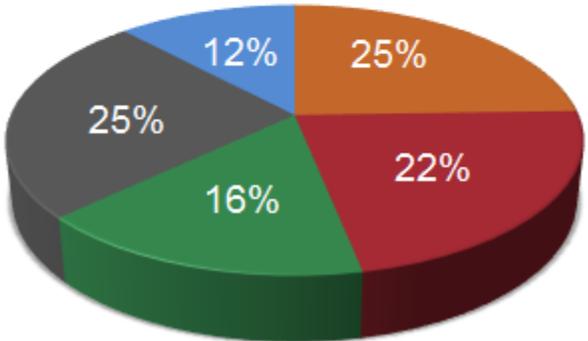
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2018 Operating Income



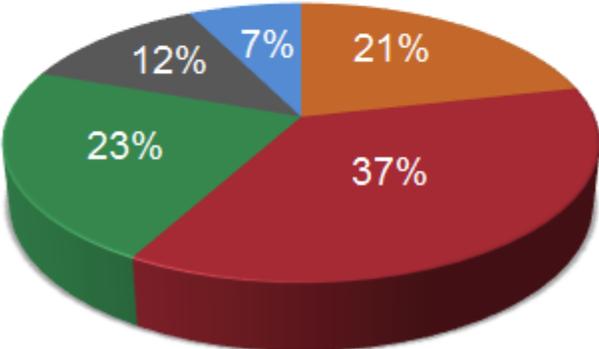
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2017 Revenue



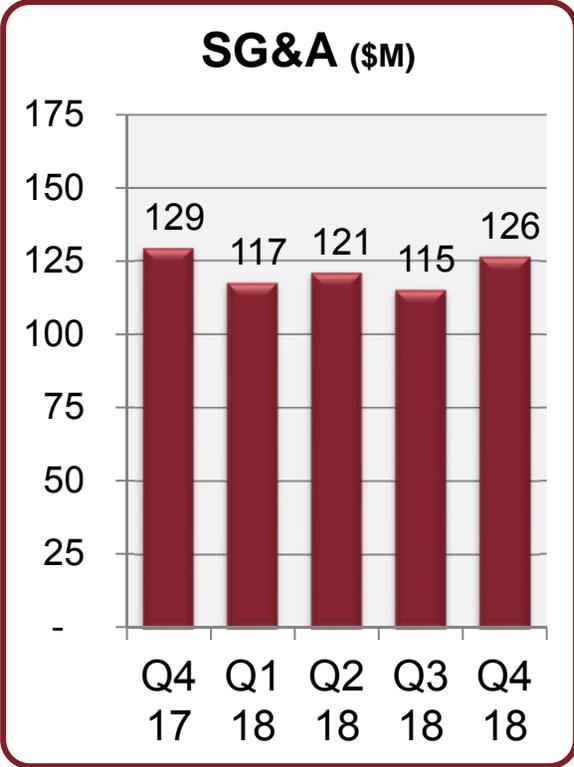
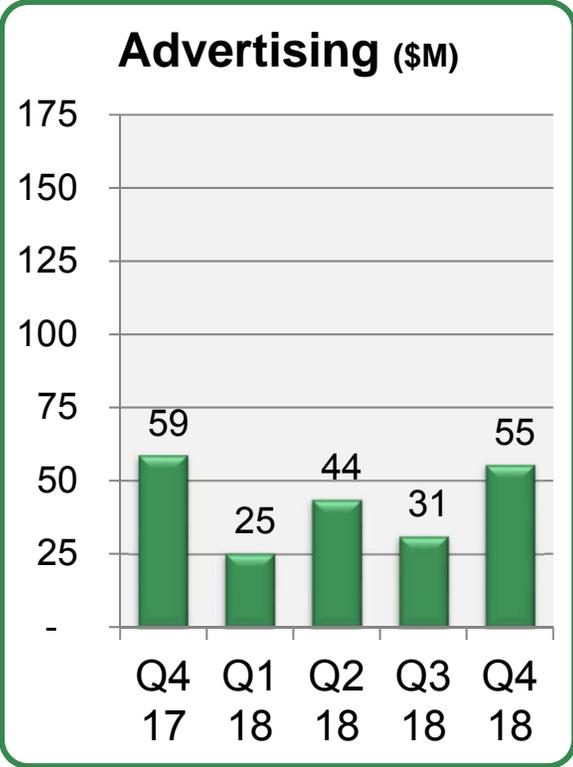
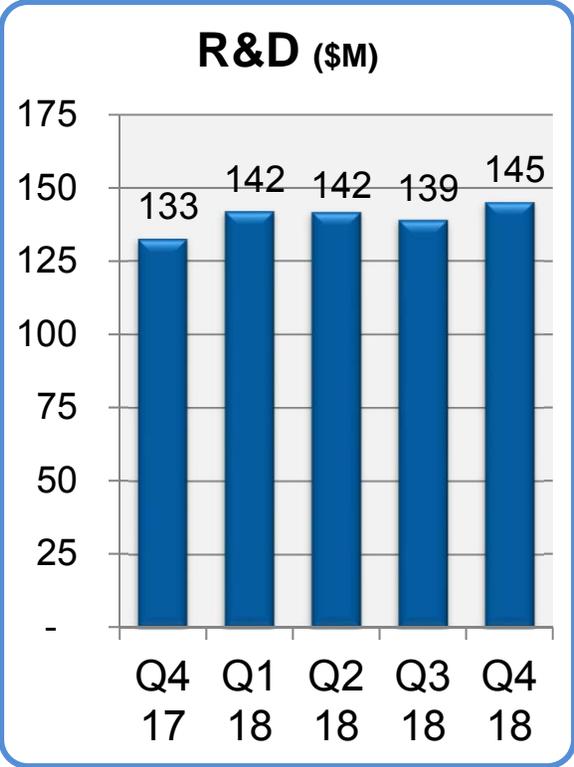
■ Fitness ■ Outdoor ■ Aviation ■ Auto ■ Marine

2017 Operating Income



■ Fitness ■ Outdoor ■ Aviation ■ Auto ■ Marine

Operating Expenses



Balance Sheet / Cash Flow / Dividends

Balance Sheet

- Ended quarter with approximately \$2.7 billion of cash and marketable securities
- Accounts receivable increased sequentially due to strong sales in the holiday quarter but decreased year-over-year
- Inventory balance increased on both a sequential and year-over-year basis

Cash Flow

- Generated free cash flow of approximately \$185 million in fourth quarter 2018 and \$764 million in full year 2018

Dividends

- Dividend of \$0.53 per share to be paid at close of March 2019
- Seeking shareholder approval for \$2.28 per share dividend; payable quarterly at \$0.57 per share beginning in June 2019, representing an 8% increase over the prior year

Taxes

- FY 2018 effective tax rate of 15.7% compared to the FY 2017 pro forma effective tax rate of 20.9%
 - The decrease is primarily due to the benefits from U.S. tax reform
- FY 2019 pro forma effective tax rate is expected to increase to 16.5%
 - The increase is primarily due to lower expected reserve releases



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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 2018, there were no such discrete tax items identified.

	13-Weeks Ended December 30, 2017		52-Weeks Ended December 30, 2017	
	\$	ETR ⁽¹⁾	\$	ETR ⁽¹⁾
U.S. GAAP income tax provision (benefit)	\$ 41,905	22.7%	\$ (11,936)	(1.7%)
Pro forma discrete tax items:				
Switzerland corporate tax election ⁽²⁾	11,279		180,034	
Tax expense from share-based award expirations ⁽³⁾	<u>(15,345)</u>		<u>(22,620)</u>	
Total pro forma discrete tax items	<u>(4,066)</u>		<u>157,414</u>	
Income tax provision (Pro Forma)	<u>\$ 37,839</u>	<u>20.5%</u>	<u>\$ 145,478</u>	<u>20.9%</u>

⁽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 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, 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		52-Weeks Ended	
	December 29, 2018	December 30, 2017	December 29, 2018	December 30, 2017
Net income (GAAP)	\$ 190,150	\$ 142,550	\$ 694,080	\$ 709,007
Foreign currency gains / losses ⁽¹⁾	4,211	8,772	7,616	22,579
Tax effect of foreign currency gains / losses ⁽²⁾	(758)	(1,799)	(1,195)	(4,712)
Pro forma discrete tax items ⁽³⁾	-	4,066	-	(157,414)
Net income (Pro Forma)	\$ 193,603	\$ 153,589	\$ 700,501	\$ 569,460
Net income per share (GAAP):				
Basic	\$ 1.01	\$ 0.76	\$ 3.68	\$ 3.77
Diluted	\$ 1.00	\$ 0.75	\$ 3.66	\$ 3.76
Net income per share (Pro Forma):				
Basic	\$ 1.03	\$ 0.82	\$ 3.71	\$ 3.03
Diluted	\$ 1.02	\$ 0.81	\$ 3.69	\$ 3.02
Weighted average common shares outstanding:				
Basic	188,878	187,607	188,635	187,828
Diluted	190,177	188,915	189,734	188,732

(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 losses.

(2) The tax effect of foreign currency gains and losses was calculated using the effective tax rate of 18.0% and 15.7% for the quarter and year-to-date ended December 29, 2018, respectively, and a pro forma effective tax rate of 20.5% and 20.9% for the quarter and year-to-date ended December 30, 2017, respectively.

(3) The 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 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.

	<u>13-Weeks Ended</u>		<u>52-Weeks Ended</u>	
	<u>December 29, 2018</u>	<u>December 30, 2017</u>	<u>December 29, 2018</u>	<u>December 30, 2017</u>
Net cash provided by operating activities	\$ 217,737	\$ 198,265	\$ 919,520	\$ 660,842
Less: purchases of property and equipment	(32,909)	(54,484)	(155,755)	(139,696)
Free Cash Flow	<u>\$ 184,828</u>	<u>\$ 143,781</u>	<u>\$ 763,765</u>	<u>\$ 521,146</u>

Forward-looking Financial Measures

The forward-looking financial measures in our 2019 guidance provided above do not consider the potential 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. At this time management is unable to determine whether or not significant discrete tax items will occur in fiscal 2019, reasonably estimate such foreign currency gains and losses, or anticipate the impact of any other events that may be considered in the calculation of non-GAAP financial measures.