

Q3 2019 Earnings
October 30, 2019

GARMIN®

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 “anticipates”, “would,” “may,” “expects,” “estimates,” “plans,” “intends,” “projects,” and other words or phrases with similar meanings. 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

3rd Quarter Financial Review

- Record consolidated revenue of \$934 million, up 15%
- Aviation, fitness, outdoor and marine segments on a combined basis grew 24%
- Gross and operating margins of 60.7% and 28.0%, respectively
- Record operating income of \$261 million, up 33%
- GAAP EPS of \$1.19 and pro forma EPS of \$1.27
- Raising guidance based on strong year-to-date performance

Aviation

3rd Quarter Business Review

- Revenue growth of 28%, with contributions from both OEM and aftermarket
- Gross and operating margins of 74% and 35%, respectively
- Operating income growth of 30%



Market/Product Update

- Business jet and helicopter certifications continue to represent market share gains
- Unveiled the Autoland system for general aviation, designed to safely land the aircraft in the event of an emergency



Fitness

3rd Quarter Business Review

- Revenue growth of 28%, driven by strength in wearables and contributions from Tacx
- Gross and operating margins of 52% and 20%, respectively
- Operating income growth of 33%



Market/Product Update

- Recent IFA launches showcase our strongest ever lineup of wearable devices
- Introduced the Tacx NEO 2T Smart cycling trainer



Outdoor

3rd Quarter Business Review

- Revenue growth of 23%, with growth in multiple product categories led by adventure smartwatches
- Gross and operating margins of 66% and 41%, respectively
- Strong operating income growth



Market/Product Update

- Launched the fēnix 6 series of adventure smartwatches which includes our first wearable with solar technology
- inReach devices surpass 4,000 SOS incidents reported



Marine

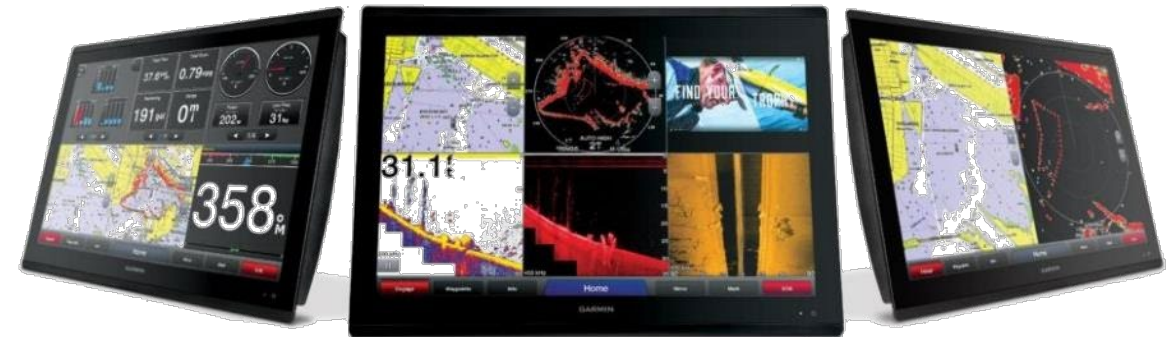
3rd Quarter Business Review

- Revenue growth of 9%, driven by strength across several product categories led by chartplotters
- Gross and operating margins of 60% and 19%, respectively
- Strong operating income growth



Market/Product Update

- Named manufacturer of the year by the NMEA for the 5th consecutive year
- Selected as the exclusive marine electronics supplier to both Regulator Marine and Sea Hunt



Auto

3rd Quarter Business Review

- Revenue decline of 17% due to OEM and ongoing PND market contraction
- Gross and operating margins of 48% and 15%, respectively
- Operating income growth of 39%

Market/Product Update

- Global PND market share remains strong
- Started shipping Overlander, an all-terrain GPS navigator



2019 Guidance

	Updated	Prior
Revenue	~\$3.65B	~\$3.6B
Gross Margin	~59.5%	~59.5%
Operating Margin	~24.3%	~23.2%
Tax Rate	~16.0%	~16.5%
EPS	~\$4.15	~\$3.90

2019 Guidance

	Revenue Growth Estimates	
Segment	Updated	Prior
Aviation	~20%	~17%
Fitness	~16%	~13%
Marine	~12%	~12%
Outdoor	~11%	~10%
Auto	~(15%)	~(15%)

Financial Update

Doug Boessen
CFO and Treasurer

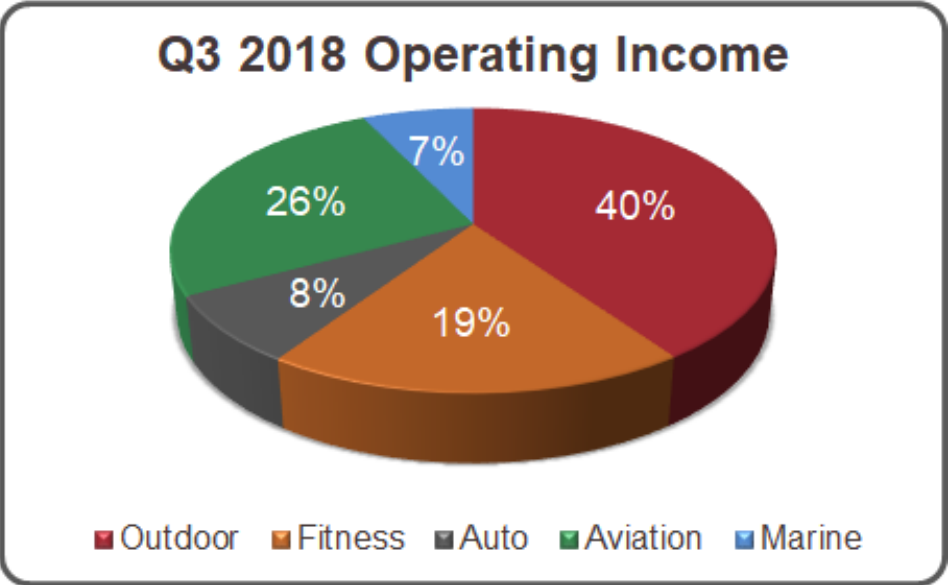
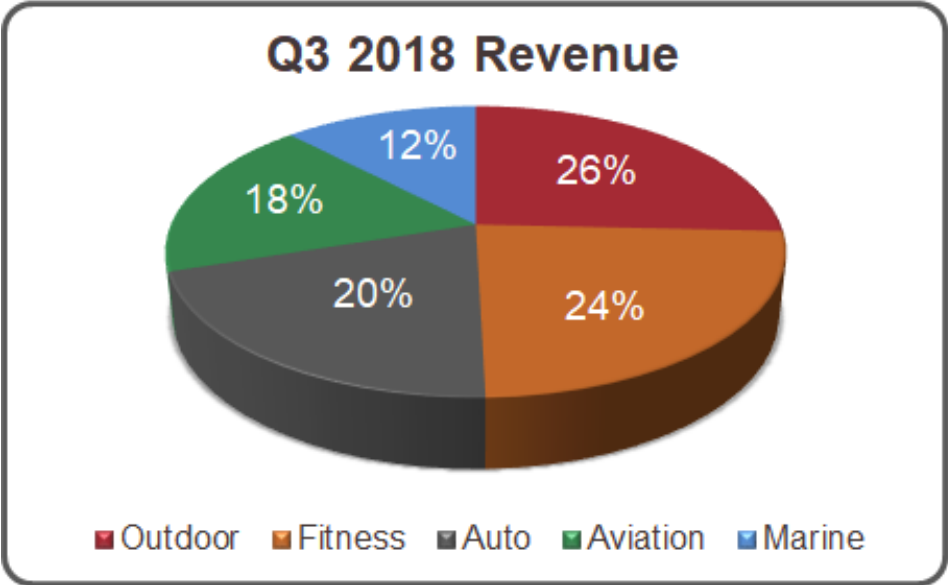
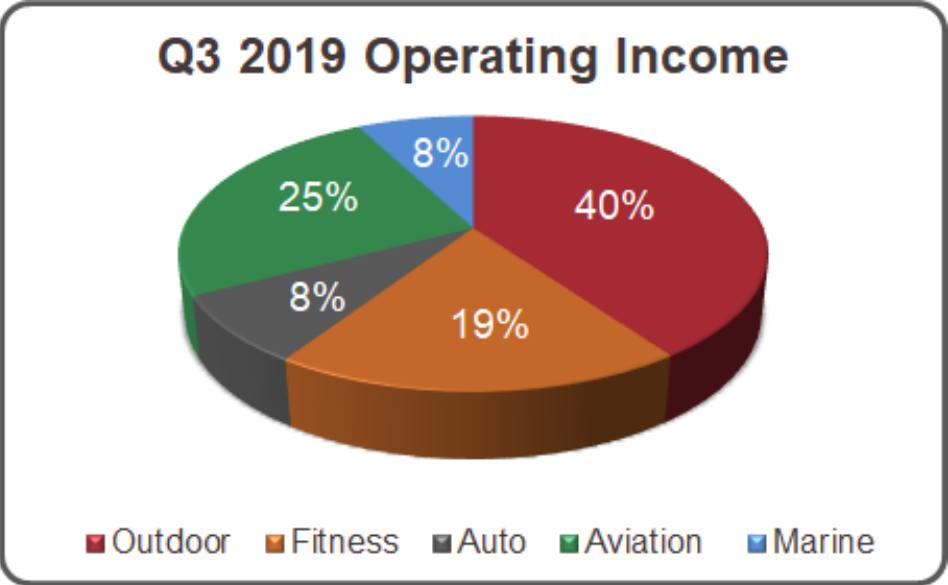
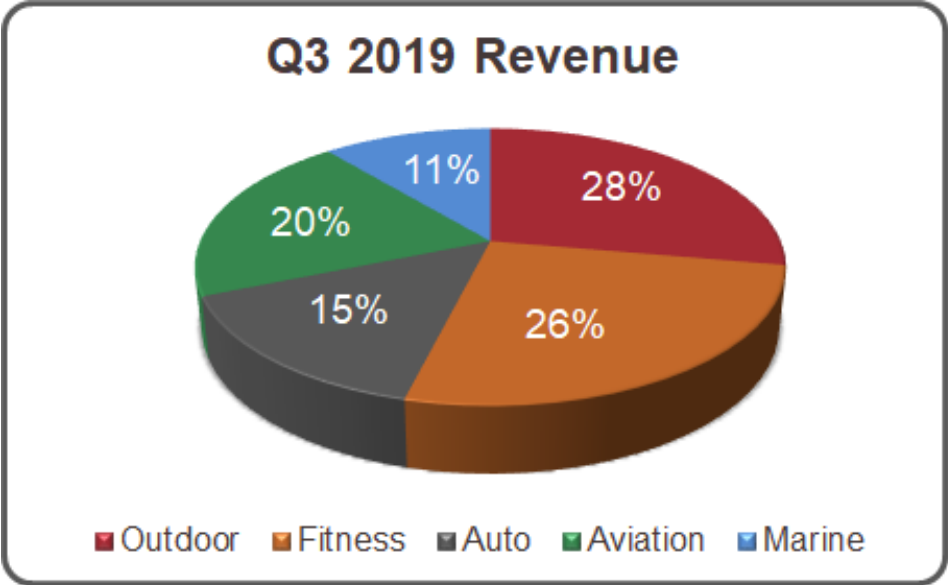
Q3 Income Statement

(\$ Millions)	Q3 2019	Q3 2018	Change
Revenue	\$934	\$810	15%
Gross Profit	567	481	18%
Gross Margin %	60.7%	59.4%	130 bps
Total Operating Expense	306	285	7%
Operating Income	261	196	33%
Operating Margin %	28.0%	24.2%	380 bps
Other Income	(4)	5	
Income Tax Expense	(30)	(17)	
Net Income (GAAP)	228	184	24%
Net Income (Pro-Forma)	242	190	27%
EPS (GAAP)	\$1.19	\$0.97	23%
EPS (Pro-Forma)	\$1.27	\$1.00	27%

Q3 Revenue

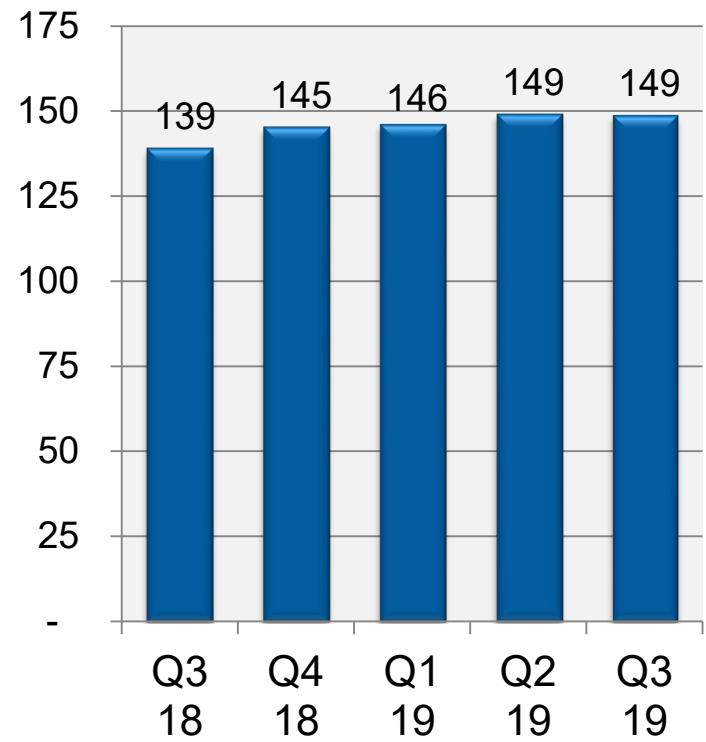
Q3 Revenue by Segment			
(\$ M)	2019	2018	Change
Aviation	\$188	\$146	28%
Fitness	243	190	28%
Outdoor	258	209	23%
Marine	108	99	9%
Auto	138	165	(17%)
Total	\$934	\$810	15%

Q3 Revenue & Operating Income

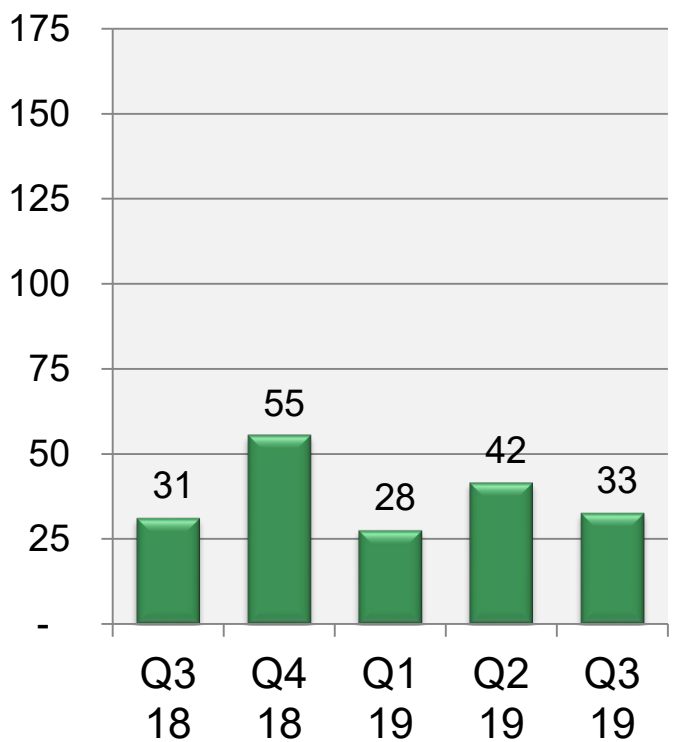


Operating Expenses

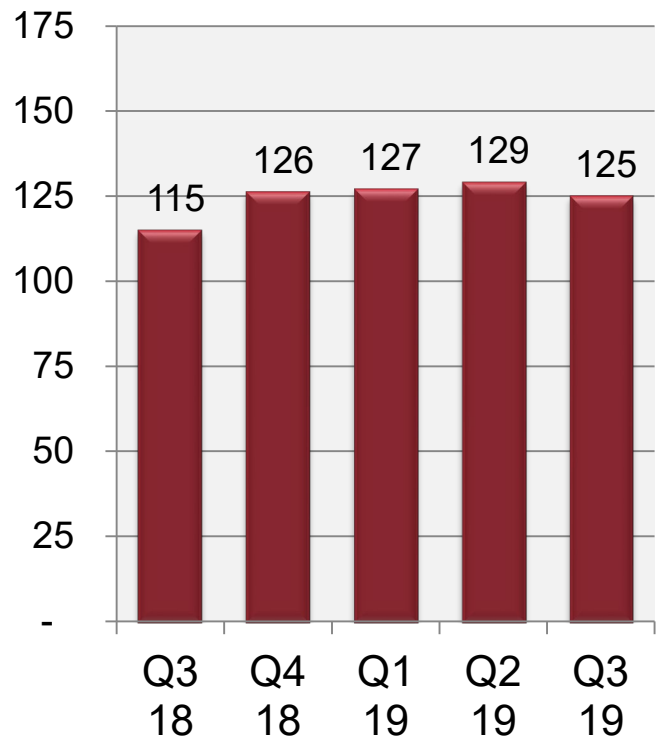
R&D (\$M)



Advertising (\$M)



SG&A (\$M)



Balance Sheet / Cash Flow

Balance Sheet

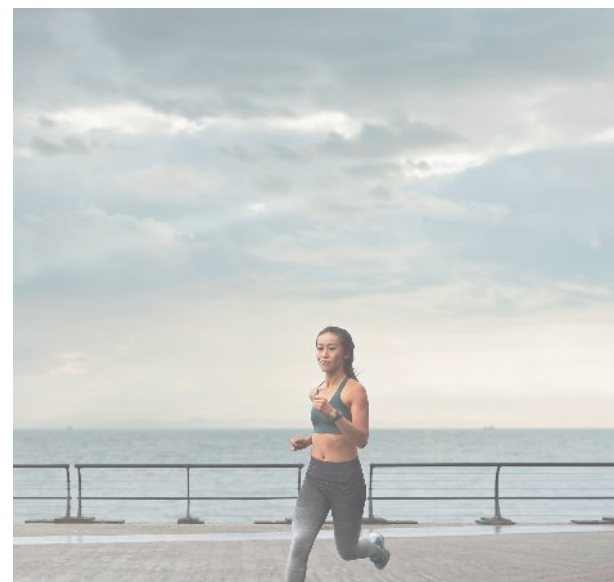
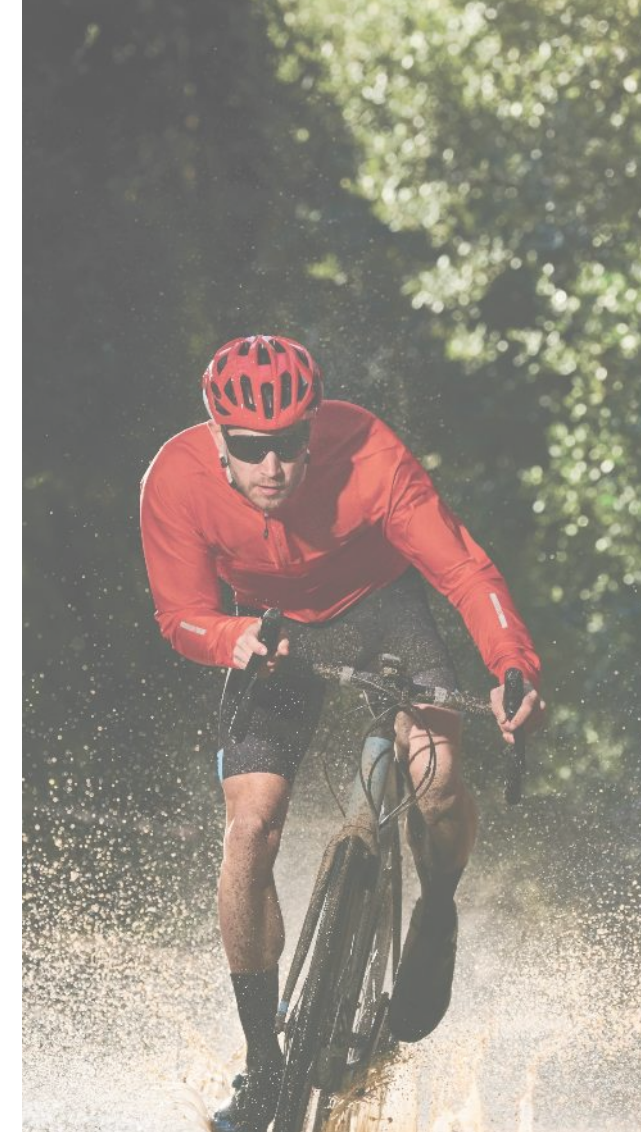
- Ended Q3 2019 with approximately \$2.5 billion of cash and marketable securities
- Accounts receivable decreased sequentially due to seasonal trends but increased year-over-year on stronger sales
- Inventory balance increased sequentially as we prepare for the seasonally strong fourth quarter and year-over-year due to timing of new products, the acquisition of Tacx and efforts to increase days of supply

Cash Flow

- Generated \$158 million of free cash flow in Q3 2019

Taxes

- Q3 2019 effective tax rate of 11.6% compared to an effective tax rate of 8.5% in Q3 2018
 - The increase is primarily due to lower income tax reserve releases
- Updating our full year 2019 pro forma effective tax rate guidance to ~16.0%



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Appendix

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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 39 weeks ended September 28, 2019 and September 29, 2018, there were no such discrete tax items identified. The net release of uncertain tax position reserves, amounting to approximately \$23.3 million and \$27.7 million in the 39 weeks ended September 28, 2019 and September 29, 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.

	13-Weeks Ended		39-Weeks Ended	
	September 28, September 29,		September 28, September 29,	
	2019	2018	2019	2018
Net income (GAAP)	\$ 227,866	\$ 184,214	\$ 591,695	\$ 503,930
Foreign currency gains / losses ⁽¹⁾	16,296	6,868	12,568	3,405
Tax effect of foreign currency gains / losses ⁽²⁾	(1,890)	(584)	(1,942)	(503)
Net income (Pro Forma)	\$ 242,272	\$ 190,498	\$ 602,321	\$ 506,832
Net income per share (GAAP):				
Basic	\$ 1.20	\$ 0.98	\$ 3.12	\$ 2.67
Diluted	\$ 1.19	\$ 0.97	\$ 3.10	\$ 2.66
Net income per share (Pro Forma):				
Basic	\$ 1.27	\$ 1.01	\$ 3.17	\$ 2.69
Diluted	\$ 1.27	\$ 1.00	\$ 3.16	\$ 2.67
Weighted average common shares outstanding:				
Basic	190,102	188,799	189,853	188,554
Diluted	190,962	190,005	190,790	189,586

(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 11.6% and 15.4% for the third quarter and year-to-date ended September 28, 2019, respectively, and an effective tax rate of 8.5% and 14.8% for the quarter and year-to-date ended September 29, 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.

	13-Weeks Ended		39-Weeks Ended	
	September 28, September 29,		September 28, September 29,	
	2019	2018	2019	2018
Net cash provided by operating activities	\$ 188,952	\$ 263,719	\$ 464,170	\$ 701,782
Less: purchases of property and equipment	(30,974)	(29,773)	(91,469)	(122,846)
Free Cash Flow	<u>\$ 157,978</u>	<u>\$ 233,946</u>	<u>\$ 372,702</u>	<u>\$ 578,936</u>

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.

Switzerland corporate tax reform was approved by public referendum in May 2019 and enacted in October 2019. Accordingly, the Company expects to record an income tax benefit of approximately \$20 to \$220 million in the fourth quarter of 2019 due to an increase in certain Switzerland deferred tax assets resulting from enactment of Switzerland federal and Schaffhausen cantonal tax reform. The Company is evaluating transitional measures in Switzerland tax law that may affect the overall increase in deferred tax assets. The income tax benefit from the increase is expected to be a pro forma adjustment in fiscal 2019 as it will not be reflective of income tax expense incurred as a result of current period earnings.

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 diluted net income per share of foreign currency gains and losses, net of tax effects, was \$0.06 per share for the 39-weeks ended September 28, 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.