

**Q1 2020 Earnings**  
**April 29, 2020**

**GARMIN®**



# Safe Harbor Statement

These materials include projections and other forward-looking statements regarding Garmin Ltd. and its business that are commonly identified by words such as “anticipates”, “would,” “may,” “expects,” “estimates,” “plans,” “intends,” “projects,” and other words or phrases with similar meanings. 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, potential future acquisitions, currency movements, expenses, pricing, new products to be introduced in 2020, statements relating to possible future dividends and the Company’s plans and objectives are forward-looking statements. The forward-looking events and circumstances discussed in these materials may not occur and actual results could differ materially as a result of risk factors and uncertainties affecting Garmin, including, but not limited to, the risk factors that are described in both the Annual Report on Form 10-K for the year ended December 28, 2019 and the Quarterly Report on Form 10-Q for the quarter ended March 28, 2020 filed by Garmin with the Securities and Exchange Commission (Commission file number 0-31983). A copy of Garmin’s 2019 Form 10-K and the Q1 2020 Form 10-Q can be downloaded from <https://www.garmin.com/en-US/investors/sec/>

# **Business Update**

Cliff Pemble  
President and CEO

# 1st Quarter Financial Review

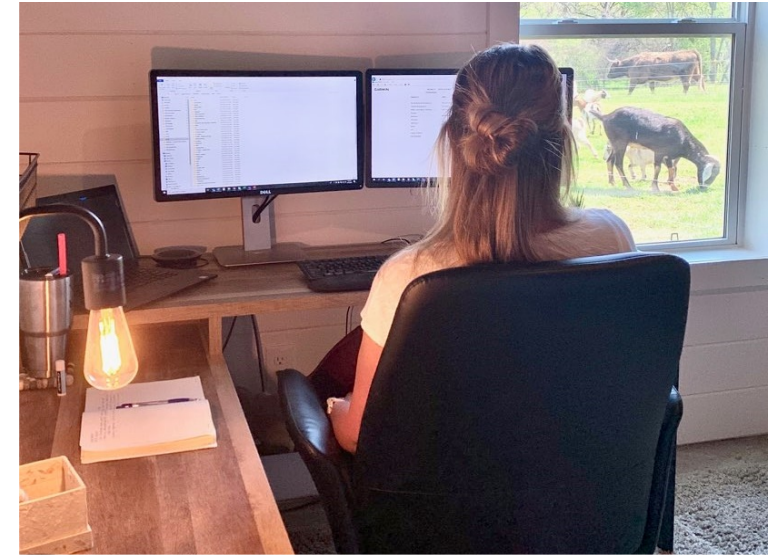
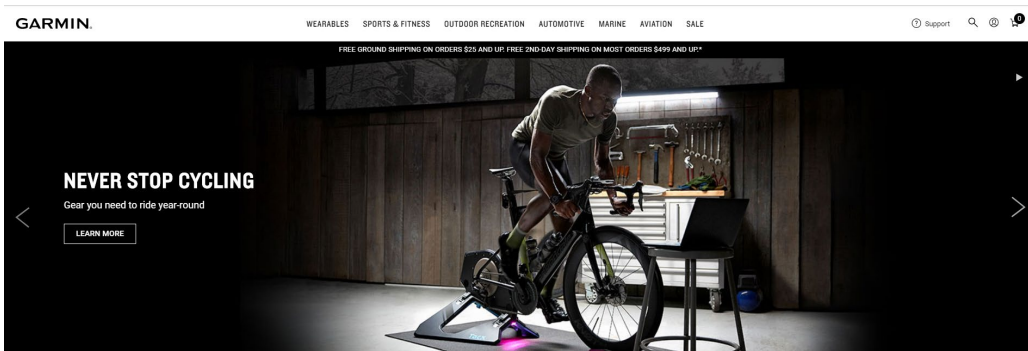
## Strong revenue and operating income growth

- Record consolidated revenue of \$856 million, up 12%
- Gross margin steady at 59.2%
- Operating margin improved to 20.7%
- Operating income of \$177 million, up 17%
- GAAP EPS of \$0.84 and pro forma EPS of \$0.91
- Withdrawing fiscal 2020 guidance due to economic uncertainty caused by the COVID-19 pandemic



# Our Business Priorities

- Provide a safe and healthy work environment
- Strengthen our supply chain
- Focus on opportunities





# Our Leadership Philosophy

- Think positive
- Respond accordingly
- Focus on the long term



# Our Strengths

- A diversified business model
  - We operate in five diversified market segments
  - Our markets are well aligned with future opportunities
- A strategic focus on vertical integration
  - Efficient and flexible Garmin owned & operated manufacturing
  - Diverse, worldwide distribution channels
- A strong balance sheet
  - No debt and \$2.6 billion of cash and marketable securities
  - Committed to dividend proposal of \$2.44





# Fitness

## 1st Quarter Business Review

- Q1 revenue growth of 24% driven by advanced wearables and contributions from Tacx
- Q1 gross margin and operating margin of 50% and 14%, respectively



## Market Outlook

- Increasing consumer focus on fitness, health, and wellness
- We offer a compelling product lineup that is relevant today and in the future



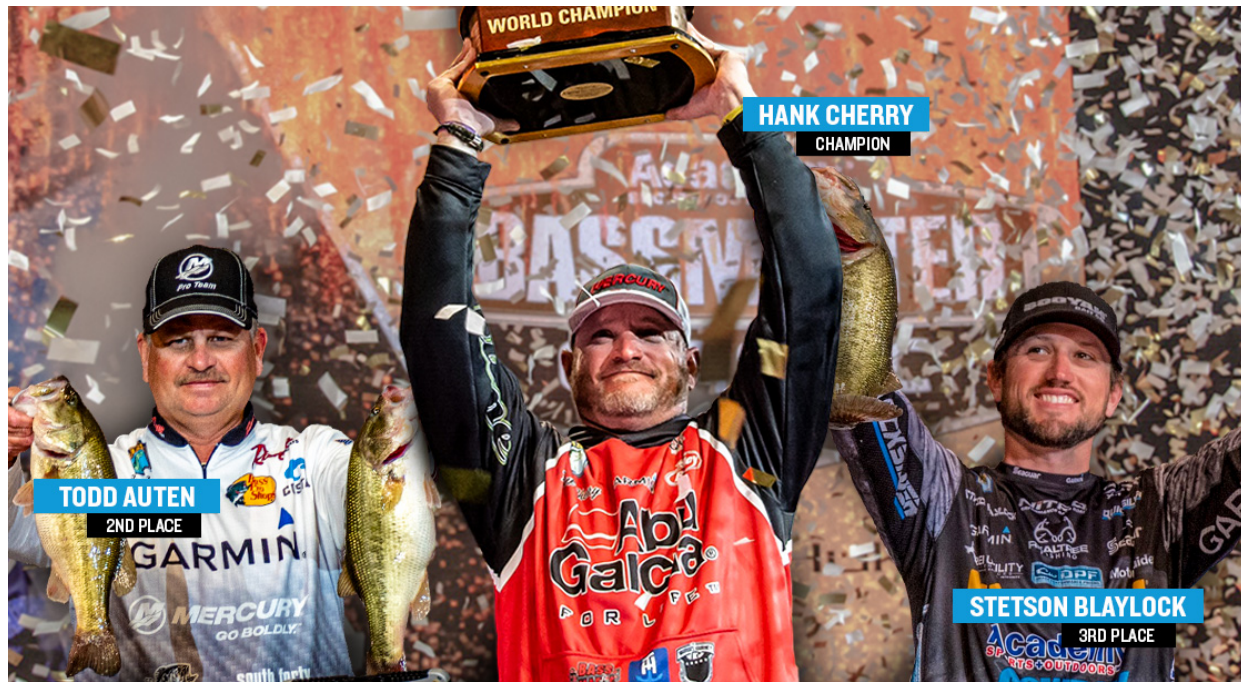
# Marine

## 1st Quarter Business Review

- Q1 revenue growth of 22% driven by chartplotters and advanced sonar
- Q1 gross margin and operating margin of 58% and 25%, respectively

## Market Outlook

- Boating promotes family time, relaxation, and a sense of freedom
- Compelling innovation drives market share gains today, with more to come





# Outdoor

## 1st Quarter Business Review

- Q1 revenue growth of 14% driven by adventure watches
- Q1 gross margin and operating margin of 64% and 27%, respectively

## Market/Product Update

- We believe interest in outdoor adventure will increase in the future
- Compelling new products and categories are coming





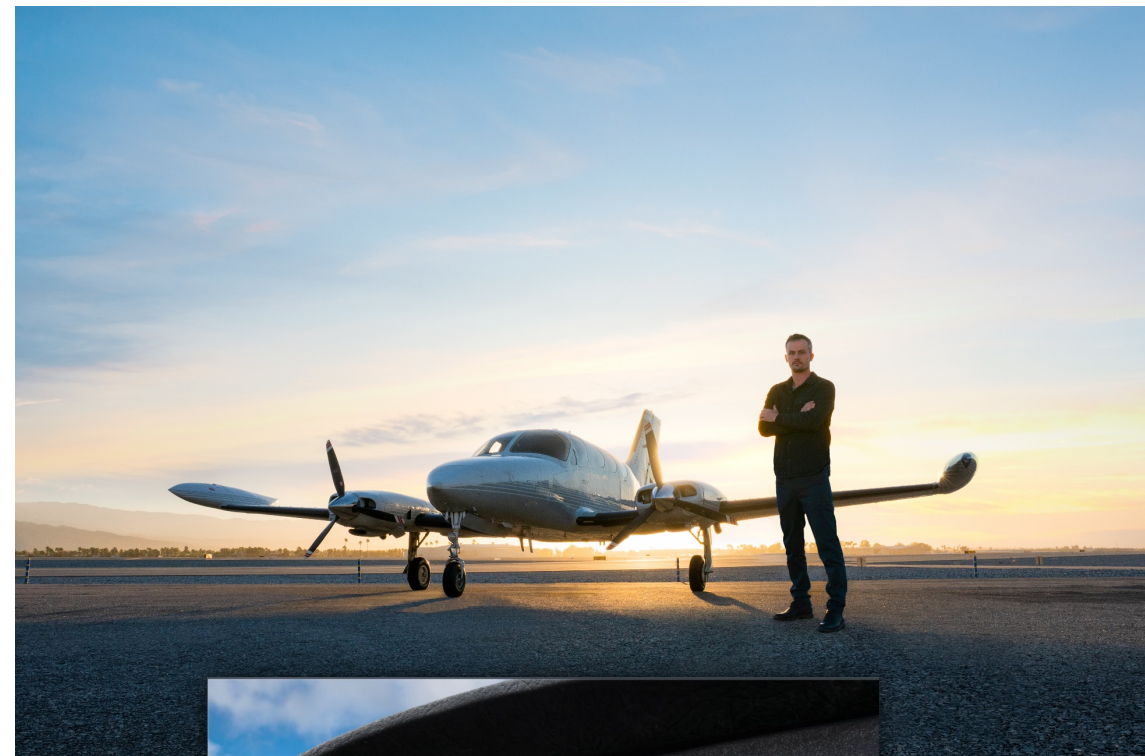
# Aviation

## 1st Quarter Business Review

- Q1 revenue growth of 10% driven by multiple product categories
- Q1 gross margin and operating margin of 74% and 31%, respectively

## Market/Product Update

- General aviation offers transportation options that are secure, flexible and convenient
- Disruptive cockpit innovations are coming



# Auto

## 1st Quarter Business Review

- Q1 revenue decline of 17%
- Q1 gross margin of 47% and breakeven operating income

## Market/Product Update

- Personal transportation will remain important in the future
- Prioritizing our transition to a tier 1 auto OEM supplier
- New consumer product categories are coming



# Our Approach to Guidance

- Withdrawing fiscal 2020 guidance due to economic uncertainty caused by the COVID-19 pandemic
- We will provide guidance once economic and market conditions stabilize
- Expect Q2 revenue to decline significantly
- Expect to remain profitable in Q2



# Financial Update

Doug Boessen  
CFO and Treasurer

# Q1 Income Statement

(\$ Millions)	Q1 2020	Q1 2019	Change
<b>Revenue</b>	<b>\$856</b>	<b>\$766</b>	<b>12%</b>
Gross Profit	507	452	12%
<b>Gross Margin %</b>	<b>59.2%</b>	<b>59.0%</b>	<b>20 bps</b>
Total Operating Expense	329	300	10%
Operating Income	177	151	17%
<b>Operating Margin %</b>	<b>20.7%</b>	<b>19.8%</b>	<b>90 bps</b>
Other Income	0	15	
Income Tax (Expense)	(16)	(26)	
<b>GAAP Net Income</b>	<b>161</b>	<b>140</b>	<b>15%</b>
<b>Pro Forma Net Income</b>	<b>175</b>	<b>140</b>	<b>25%</b>
<b>GAAP EPS</b>	<b>\$0.84</b>	<b>\$0.74</b>	<b>14%</b>
<b>Pro Forma EPS</b>	<b>\$0.91</b>	<b>\$0.73</b>	<b>25%</b>

# Q1 Revenue

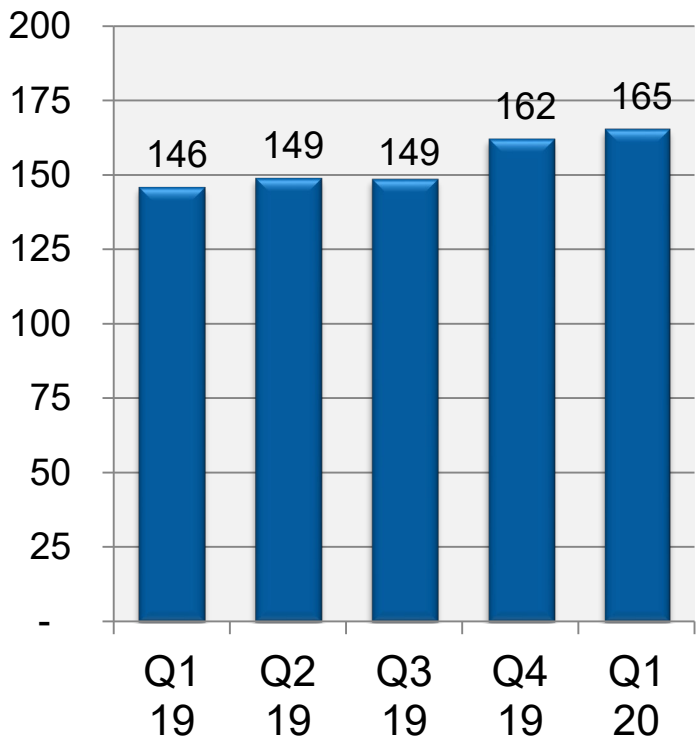
Revenue by Segment			
(\$ M)	Q1 2020	Q1 2019	Change
Fitness	\$224	\$180	24%
Marine	163	134	22%
Outdoor	175	154	14%
Aviation	189	171	10%
Auto	106	127	(17%)
<b>Total</b>	<b>\$856</b>	<b>\$766</b>	<b>12%</b>

Revenue by Geography			
(\$ M)	Q1 2020	Q1 2019	Change
Americas	\$427	\$379	13%
EMEA	300	260	15%
APAC	129	127	2%
<b>Total</b>	<b>\$856</b>	<b>\$766</b>	<b>12%</b>

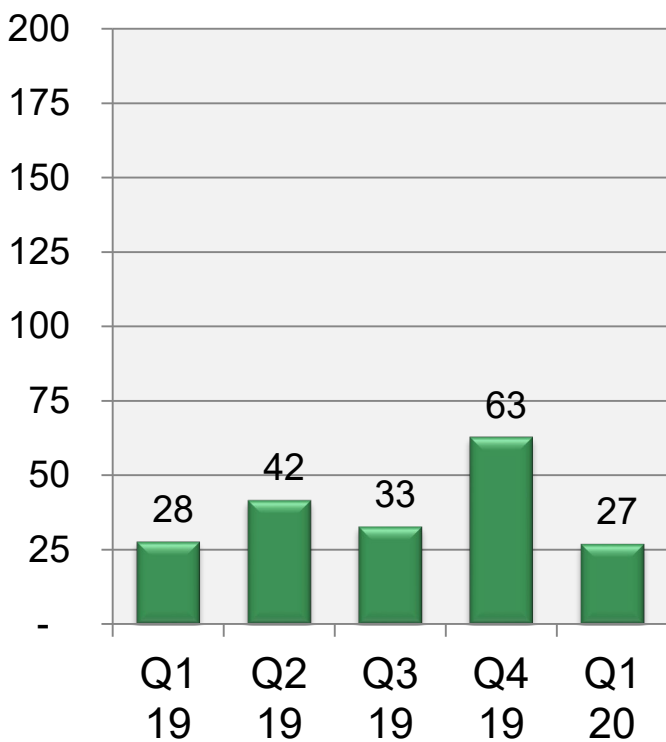


# Operating Expenses

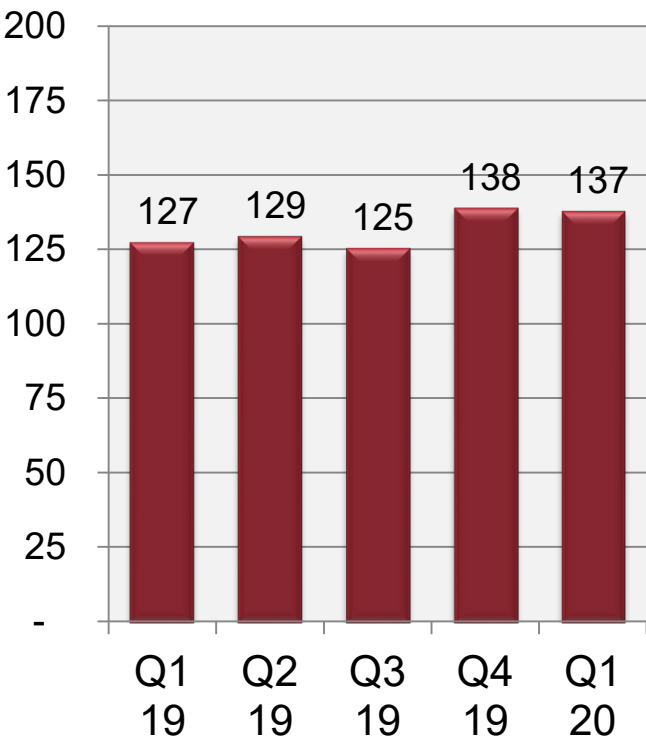
**R&D** (in millions)



**Advertising** (in millions)



**SG&A** (in millions)



# Balance Sheet / Cash Flow / Taxes

## **Balance Sheet**

- Ended quarter with approximately \$2.6 billion of cash and marketable securities
- Accounts receivable declined sequentially following the seasonally strong fourth quarter and increased year-over-year
- Inventory balance increased on both a sequential and year-over-year basis

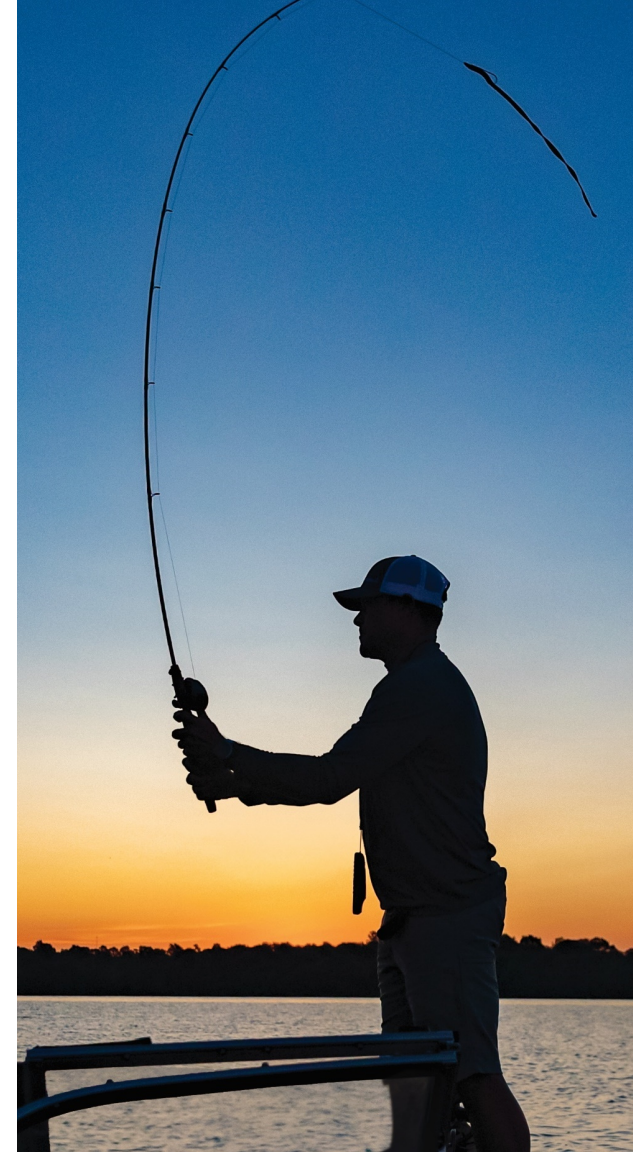
## **Cash Flow**

- Generated \$185 million of free cash flow in Q1 2020
- Paid quarterly dividend of \$109 million in Q1 2020

## **Taxes**

- Effective tax rate decreased from 15.7% in Q1 2019 to 9.3% in Q1 2020 primarily due to the migration of intellectual property ownership from Switzerland to the United States





**GARMIN®**



# Appendix

April 29, 2020



## 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 first quarter 2020 and 2019, there were no such discrete tax items identified. The net release of uncertain tax position reserves, amounting to approximately \$4.1 million and \$4.4 million in the first quarter 2020 and 2019, respectively, have not been included 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	
	March 28, 2020	March 30, 2019
GAAP net income	\$ 161,180	\$ 140,173
Foreign currency gains / losses <sup>(1)</sup>	15,423	(314)
Tax effect of foreign currency gains / losses <sup>(2)</sup>	(1,429)	49
Pro forma net income	\$ 175,174	\$ 139,908
GAAP net income per share:		
Basic	\$ 0.84	\$ 0.74
Diluted	\$ 0.84	\$ 0.74
Pro forma net income per share:		
Basic	\$ 0.92	\$ 0.74
Diluted	\$ 0.91	\$ 0.73
Weighted average common shares outstanding:		
Basic	190,803	189,601
Diluted	191,684	190,599

(1) Foreign currency gains and losses for the Company are driven by movements of a number of currencies 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 a given legal entity. 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 9.3% and 15.7% for the first quarter ended March 28, 2020 and March 30, 2019, 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	
	March 28, 2020	March 30, 2019
Net cash provided by operating activities	\$ 225,874	\$ 164,582
Less: purchases of property and equipment	(41,361)	(30,094)
Free Cash Flow	<u>\$ 184,513</u>	<u>\$ 134,488</u>