

**Q3 2020 Earnings**  
**October 28, 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 expected fiscal 2020 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, statements relating to possible future dividends, statements related to the ongoing impact of the COVID-19 pandemic, 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 September 26, 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 Q3 2020 Form 10-Q can be downloaded from <https://www.garmin.com/en-US/investors/sec/>. All information provided in this presentation is as of October 28, 2020. Undue reliance should not be placed on the forward-looking statements in this presentation, which are based on information available to us on the date hereof. We undertake no duty to update this information unless required by law.

# **Business Update**

Cliff Pemble  
President and CEO

# 3rd Quarter Highlights

## Record third quarter revenue and operating income

- Revenue exceeded \$1.1 billion
- Operating income of \$317 million
- Gross and operating margins of 60.2% and 28.6%, respectively
- GAAP EPS of \$1.63 and pro forma EPS of \$1.58





# Marine

## Q3 Business Review

- Revenue up 54%
- Gross and operating margins of 61% and 31%, respectively
- Operating income growth of over 150%
- Notable recognition in a competitive industry

## Outlook

- Strong interest in boating and fishing
- Well positioned with compelling products and disruptive technologies



**GARMIN.**

NATIONAL MARINE ELECTRONICS ASSOCIATION  
**MANUFACTURER OF THE YEAR**

GARMIN MARINE RANKED

**NO. 1**

FOR 6TH YEAR IN A ROW

**4**

PRODUCT OF EXCELLENCE AWARDS

GPSMAP 8616XSV | REACTOR 40 | ACTIVECAPTAIN | APOLLO RA770

# Fitness

## Q3 Business Review

- Revenue up 35%
- Gross and operating margins of 54% and 27%, respectively
- Operating income growth of 75%
- Launched the Forerunner 745 and Venu Sq

## Outlook

- Strong interest in wellness and fitness
- Leverage strategic acquisitions





# Outdoor

## Q3 Business Review

- Revenue up 30%
- Gross margin and operating margin of 67% and 44%, respectively
- Operating income growth of 40%
- inReach devices surpass 5,000 SOS incidents reported

## Outlook

- Strong interest in outdoor and adventure lifestyles
- Leverage our unique products and technologies that support these lifestyles





# Auto

## Q3 Business Review

- Revenue decline of 6%
- Gross margin and operating margin of 45% and 3%, respectively
- Launched Catalyst, an industry-first coaching tool to optimize motorsports driving performance

## Outlook

- Growing opportunity in specialty categories
- Leverage the tier one OEM opportunity





# Aviation

## Q3 Business Review

- Revenue down 19%
- Gross margin and operating margin of 71% and 19%, respectively
- Autoland certified in the Cirrus Vision Jet



## Outlook

- Expect market stabilization and improvement in the long term
- Leverage our compelling products and technologies



# 2020 Guidance

	2020 Guidance	Segment	2020 Revenue Growth Estimates
Revenue	~\$4.0B	Marine	~25%
Gross Margin	~59.0%	Fitness	~20%
Operating Margin	~24.0%	Outdoor	~15%
Tax Rate	~10.0%	Aviation	~(17%)
EPS	~\$4.70	Auto	~(20%)



# Financial Update

Doug Boessen  
CFO and Treasurer

# Income Statement

(\$ Millions)	Q3 2020	Q3 2019	Change
<b>Revenue</b>	<b>\$1,109</b>	<b>\$934</b>	<b>19%</b>
Gross Profit	668	567	18%
<b>Gross Margin %</b>	<b>60.2%</b>	<b>60.7%</b>	<b>(50 bps)</b>
Total Operating Expense	351	306	15%
Operating Income	317	261	21%
<b>Operating Margin %</b>	<b>28.6%</b>	<b>28.0%</b>	<b>60 bps</b>
<b>GAAP Net Income</b>	<b>313</b>	<b>228</b>	<b>37%</b>
<b>GAAP EPS</b>	<b>\$1.63</b>	<b>\$1.19</b>	<b>37%</b>
<b>Pro Forma Net Income</b>	<b>304</b>	<b>242</b>	<b>26%</b>
<b>Pro Forma EPS</b>	<b>\$1.58</b>	<b>\$1.27</b>	<b>24%</b>





# Q3 Revenue

Revenue by Segment			
(\$ M)	Q3 2020	Q3 2019	Change
Marine	\$165	\$108	54%
Fitness	328	243	35%
Outdoor	335	258	30%
Auto	129	138	(6%)
Aviation	151	188	(19%)
<b>Total</b>	<b>\$1,109</b>	<b>\$934</b>	<b>19%</b>

Revenue by Geography			
(\$ M)	Q3 2020	Q3 2019	Change
Americas	\$522	\$439	19%
EMEA	408	344	19%
APAC	179	151	19%
<b>Total</b>	<b>\$1,109</b>	<b>\$934</b>	<b>19%</b>





# YTD Revenue

Revenue by Segment			
(\$ M)	2020	2019	Change
Marine	\$486	\$393	24%
Fitness	847	675	25%
Outdoor	716	623	15%
Auto	320	422	(24%)
Aviation	466	542	(14%)
<b>Total</b>	<b>\$2,835</b>	<b>\$2,655</b>	<b>7%</b>

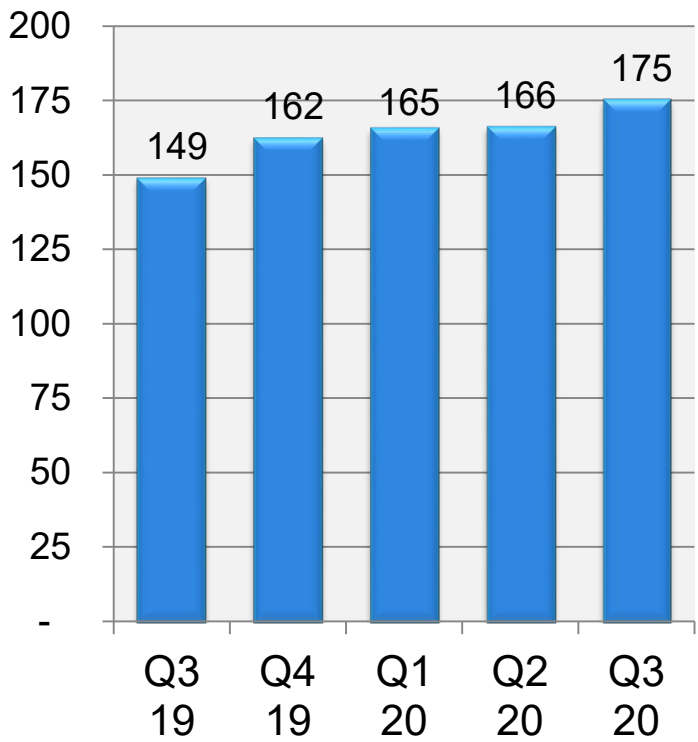
Revenue by Geography			
(\$ M)	2020	2019	Change
Americas	\$1,372	\$1,289	6%
EMEA	1,043	943	11%
APAC	420	423	(1%)
<b>Total</b>	<b>\$2,835</b>	<b>\$2,655</b>	<b>7%</b>



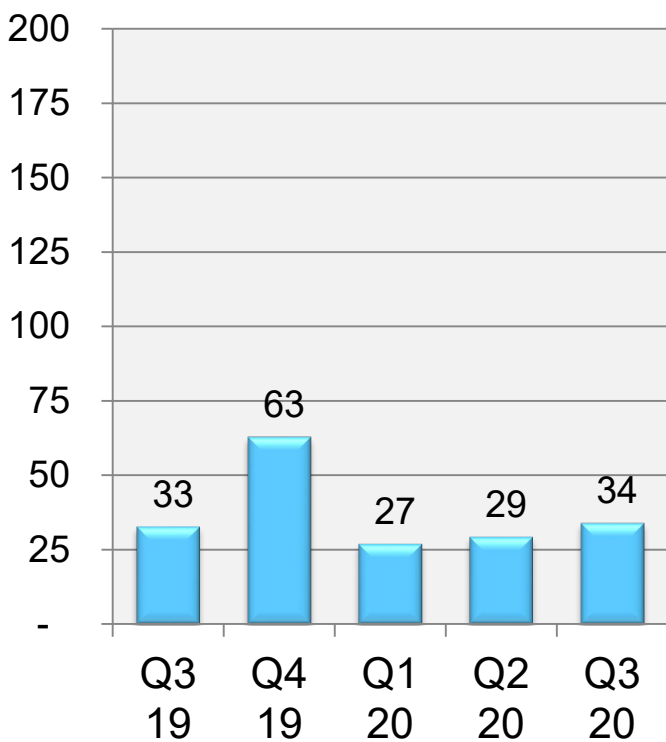


# Operating Expenses

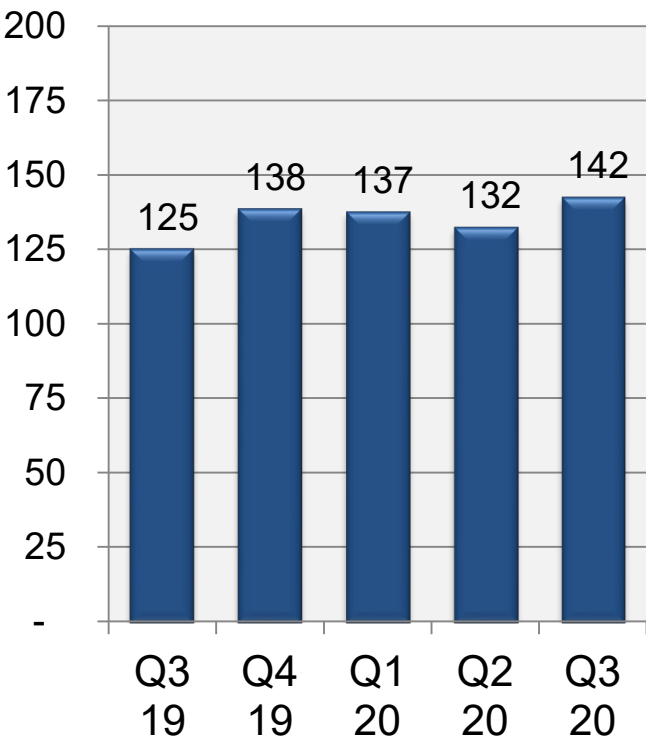
**R&D** (in millions)



**Advertising** (in millions)



**SG&A** (in millions)



# Balance Sheet / Cash Flow / Taxes

## **Balance Sheet**

- Cash and marketable securities of \$2.7 billion
- Accounts receivable of \$658 million
- Inventory balance of \$821 million

## **Cash Flow**

- Generated \$236 million of free cash flow
- Paid quarterly dividend of \$117 million

## **Taxes**

- Q3 2020 effective tax rate of 6.9% compared to an effective tax rate of 11.6% in Q3 2019







# GARMIN®



# Appendix

October 28, 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 39 weeks of 2019, there were no such discrete tax items identified.

	<b>13-Weeks Ended</b>		<b>39-Weeks Ended</b>	
	<b>September 26,</b>		<b>September 26,</b>	
	<b>2020</b>		<b>2020</b>	
	<b>\$</b>	<b>ETR<sup>(1)</sup></b>	<b>\$</b>	<b>ETR<sup>(1)</sup></b>
U.S GAAP income tax provision	\$ 23,300	6.9%	\$ 53,168	7.5%
Pro forma discrete tax item:				
Uncertain Tax Reserve Release <sup>(2)</sup>			14,308	
Pro forma income tax provision	\$ 23,300	6.9%	\$ 67,476	9.5%

(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 second quarter 2020, the Company recognized a \$14.3 million income tax benefit due to the release of uncertain tax position reserves associated with the 2014 intercompany restructuring, which was a pro forma adjustment in 2014. The second quarter 2020 impact of the reserve release is not reflective of income tax expense incurred as a result of current period earnings and therefore affects period-to-period comparability.



## 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 26, 2020	September 28, 2019	September 26, 2020	September 28, 2019
GAAP net income	\$ 313,417	\$ 227,866	\$ 658,776	\$ 591,695
Foreign currency gains / losses <sup>(1)</sup>	(10,113)	16,296	9,802	12,568
Tax effect of foreign currency gains / losses <sup>(2)</sup>	700	(1,890)	(929)	(1,942)
Pro forma discrete tax item <sup>(3)</sup>	—	—	(14,308)	—
Pro forma net income	\$ 304,004	\$ 242,272	\$ 653,341	\$ 602,321
GAAP net income per share:				
Basic	\$ 1.64	\$ 1.20	\$ 3.45	\$ 3.12
Diluted	\$ 1.63	\$ 1.19	\$ 3.44	\$ 3.10
Pro forma net income per share:				
Basic	\$ 1.59	\$ 1.27	\$ 3.42	\$ 3.17
Diluted	\$ 1.58	\$ 1.27	\$ 3.41	\$ 3.16
Weighted average common shares outstanding:				
Basic	191,234	190,102	191,021	189,853
Diluted	191,998	190,962	191,760	190,790

(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 pro forma effective tax rate of 6.9% and 9.5% for the 13-weeks and 39-weeks ended September 26, 2020, respectively, and an effective tax rate of 11.6% and 15.4% for the 13-weeks and 39-weeks ended September 28, 2019, respectively.

(3) The discrete tax item is 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.

	13-Weeks Ended		39-Weeks Ended	
	September 26, 2020	September 28, 2019	September 26, 2020	September 28, 2019
Net cash provided by operating activities	\$ 274,339	\$ 188,952	\$ 699,449	\$ 464,170
Less: purchases of property and equipment	(38,802)	(30,974)	(137,072)	(91,469)
Free Cash Flow	<u>\$ 235,537</u>	<u>\$ 157,978</u>	<u>\$ 562,377</u>	<u>\$ 372,701</u>



## ***Forward-looking Financial Measures***

The forward-looking financial measures in our 2020 guidance provided above do not consider the potential future net effect of foreign currency exchange gains and losses, certain discrete tax items and any other impacts that may be identified as pro forma adjustments in calculating the non-GAAP measures described above.

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 \$0.05 per share for the 39-weeks ended September 26, 2020.

At this time, management is unable to determine whether or not additional significant discrete tax items will occur in fiscal 2020 or anticipate the impact of any other events that may be considered in the calculation of non-GAAP financial measures.