

**Q4 2020 Earnings**  
**February 17, 2021**

**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 2021 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, statements relating to the effect of global and regional economic conditions and governmental measures to prevent the spread of COVID-19 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 the Annual Report on Form 10-K for the year ended December 26, 2020 filed by Garmin with the Securities and Exchange Commission (Commission file number 0-31983). A copy of Garmin’s 2020 Form 10-K can be downloaded from <https://www.garmin.com/en-US/investors/sec/>. All information provided in this presentation is as of December 26, 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

# Fourth Quarter Highlights

## Record fourth quarter revenue and operating income

- Revenue of \$1.35 billion
- Gross and operating margins of 58.5% and 27.5%, respectively
- Operating income of \$371 million
- GAAP and pro forma EPS of \$1.73





# 2020 Financial Highlights

## Fifth consecutive year of revenue and operating income growth

- Revenue of \$4.19 billion
- Gross and operating margins of 59.3% and 25.2%, respectively
- Operating income of \$1.05 billion
- GAAP EPS of \$5.17 and pro forma EPS of \$5.14
- Propose 10% dividend increase



# Fitness

## FY 2020 Business Review

- Revenue increased 26%
- Gross and operating margins of 53% and 24%, respectively
- Operating income increased 66%
- Advanced wearables and cycling products drive growth



## FY 2021 Outlook

- Revenue growth of ~10%
- Capitalize on trends in wellness and fitness
- Leverage strategic acquisitions





# Outdoor

## FY 2020 Business Review

- Revenue increased 23%
- Gross and operating margins of 66% and 39%, respectively
- Operating income increased 32%
- Launched a full line-up of solar powered adventure watches

## FY 2021 Outlook

- Revenue growth of ~10%
- Capitalize on increased consumer interest in outdoor activities
- Strategic focus on inReach devices and related services



# Aviation

## FY 2020 Business Review

- Revenue decreased 15%
- Gross margin and operating margins of 73% and 22%, respectively
- Autoland certified on three aircraft models

## FY 2021 Outlook

- Revenue growth of ~5%
- Focus on safety enhancing products and aftermarket opportunities
- Support OEM partners in the completion of certifications and system enhancements





# Marine

## FY 2020 Business Review

- Revenue increased 29%
- Gross and operating margins of 58% and 27%, respectively
- Operating income increased 60%
- Industry recognition

## FY 2021 Outlook

- Revenue growth of ~15%
- Capitalize on the expanding marine market
- Increase market share with disruptive technologies and innovative new products



# Auto

## FY 2020 Business Review

- Revenue decreased 16%
- Gross margin of 45% with an operating loss of \$19 million
- Growth in specialty categories and OEM
- Entered production phase for BMW

## FY 2021 Outlook

- Revenue growth of ~5%
- Revenue inflection for OEM with significant ongoing investment in new programs





# 2021 Guidance

	2021 Guidance
Revenue	~\$4.6B
Gross Margin	~59.2%
Operating Margin	~23.5%
Tax Rate	~10.5%
EPS	~\$5.15

Segment	Revenue Growth Estimates
Fitness	~10%
Outdoor	~10%
Aviation	~5%
Marine	~15%
Auto	~5%

# Financial Update

Doug Boessen  
CFO and Treasurer



# Q4 Income Statement

(\$ Millions)	Q4 2020	Q4 2019	Change
<b>Revenue</b>	<b>\$1,351</b>	<b>\$1,102</b>	<b>23%</b>
Gross Profit	791	639	<b>24%</b>
<b>Gross Margin %</b>	<b>58.5%</b>	<b>58.0%</b>	<b>50 bps</b>
Total Operating Expense	420	363	16%
Operating Income	371	277	34%
<b>Operating Margin %</b>	<b>27.5%</b>	<b>25.1%</b>	<b>240 bps</b>
Other Income	20	11	
Income Tax (Expense) Benefit	(58)	73	
<b>GAAP Net Income</b>	<b>334</b>	<b>361</b>	<b>(8%)</b>
<b>Pro Forma Net Income</b>	<b>333</b>	<b>246</b>	<b>35%</b>
<b>GAAP EPS</b>	<b>\$1.73</b>	<b>\$1.89</b>	<b>(8%)</b>
<b>Pro Forma EPS</b>	<b>\$1.73</b>	<b>\$1.29</b>	<b>34%</b>



# FY Income Statement

(\$ Millions)	2020 Actual	2019 Actual	Change
<b>Revenue</b>	<b>\$4,187</b>	<b>\$3,758</b>	<b>11%</b>
Gross Profit	2,481	2,234	11%
<b>Gross Margin %</b>	<b>59.3%</b>	<b>59.5%</b>	<b>(20 bps)</b>
Total Operating Expense	1,427	1,288	11%
Operating Income	1,054	946	11%
<b>Operating Margin %</b>	<b>25.2%</b>	<b>25.2%</b>	<b>0 bps</b>
Other Income	49	42	
Income Tax (Expense)	(111)	(35)	
<b>GAAP Net Income</b>	<b>992</b>	<b>952</b>	<b>4%</b>
<b>Pro Forma Net Income</b>	<b>987</b>	<b>849</b>	<b>16%</b>
<b>GAAP EPS</b>	<b>\$ 5.17</b>	<b>\$4.99</b>	<b>4%</b>
<b>Pro Forma EPS</b>	<b>\$ 5.14</b>	<b>\$4.45</b>	<b>16%</b>

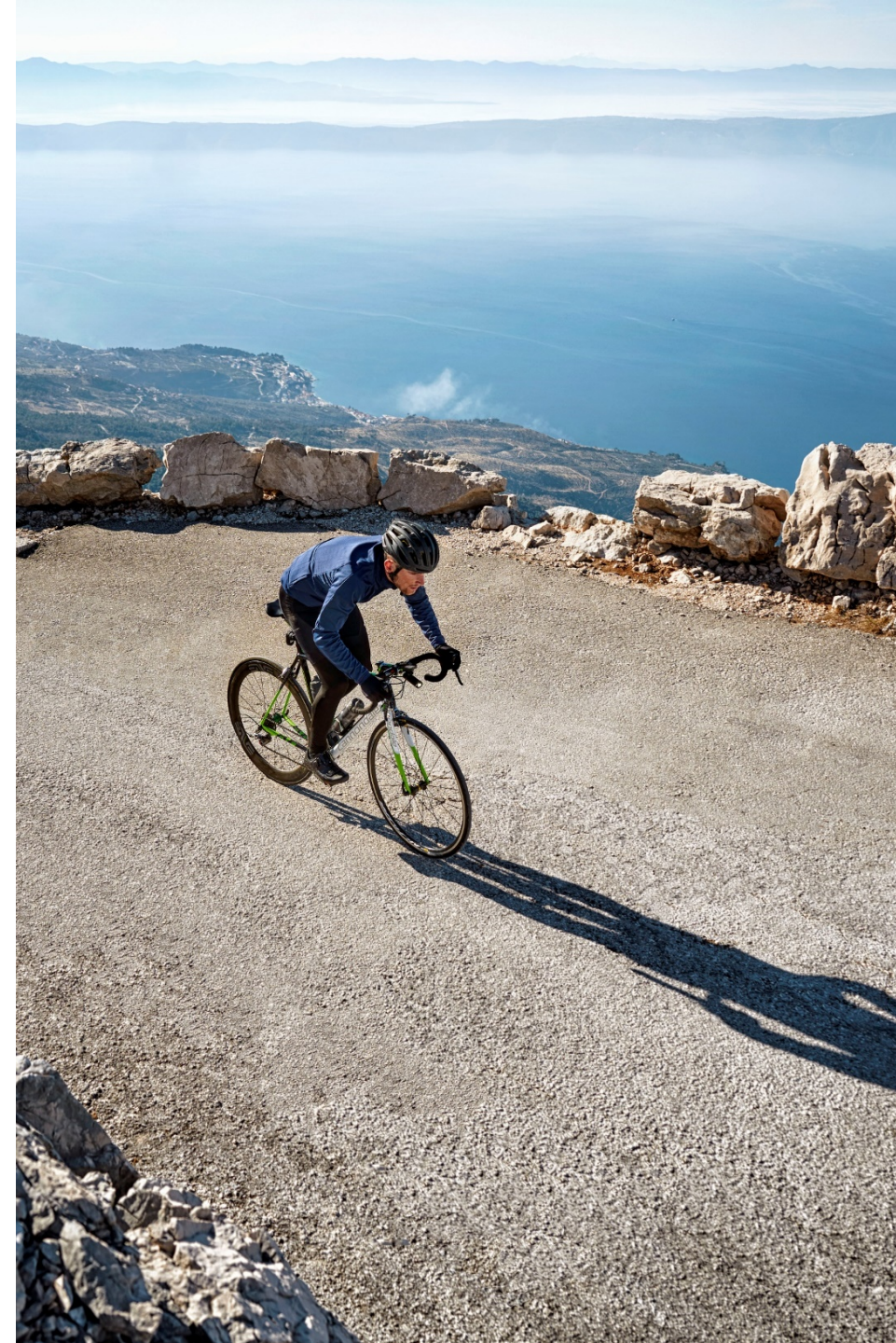




# Q4 Revenue

Revenue by Segment			
(\$ M)	Q4 2020	Q4 2019	Change
Fitness	\$471	\$373	26%
Outdoor	412	295	40%
Aviation	157	193	(19%)
Marine	172	116	48%
Auto	140	126	11%
<b>Total</b>	<b>\$1,351</b>	<b>\$1,102</b>	<b>23%</b>

Revenue by Geography			
(\$ M)	Q4 2020	Q4 2019	Change
Americas	\$596	\$528	13%
EMEA	537	408	32%
APAC	219	166	32%
<b>Total</b>	<b>\$1,351</b>	<b>\$1,102</b>	<b>23%</b>





# FY Revenue

## Revenue by Segment

(\$ M)	2020	2019	Change
Fitness	\$1,317	\$1,048	26%
Outdoor	1,128	918	23%
Aviation	623	735	(15%)
Marine	658	509	29%
Auto	460	548	(16%)
<b>Total</b>	<b>\$4,187</b>	<b>\$3,758</b>	<b>11%</b>

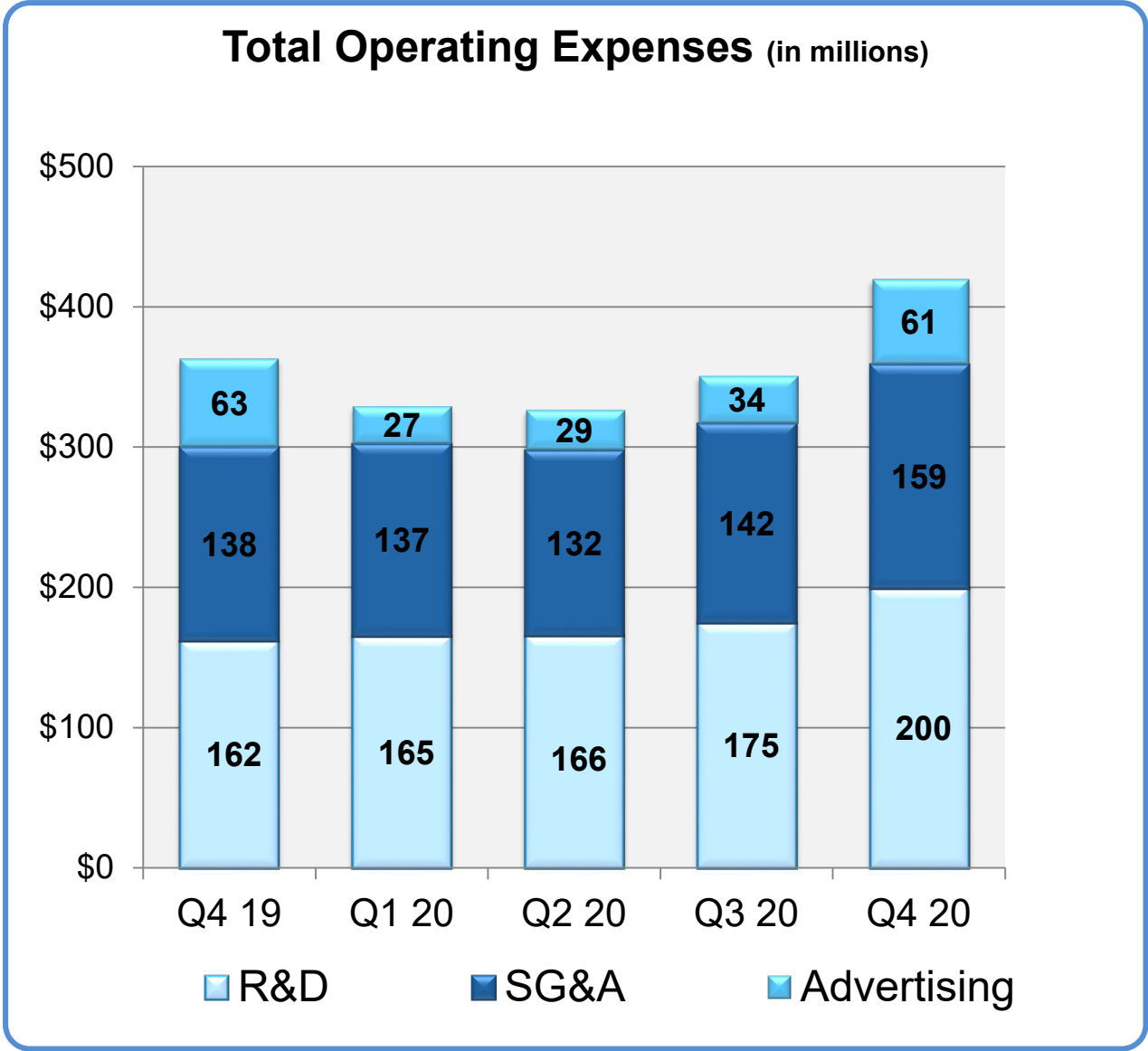
## Revenue by Geography

(\$ M)	2020	2019	Change
Americas	\$1,968	\$1,818	8%
EMEA	1,580	1,351	17%
APAC	639	589	8%
<b>Total</b>	<b>\$4,187</b>	<b>\$3,758</b>	<b>11%</b>





# Operating Expenses



# Balance Sheet/Cash Flow/Dividend

## **Balance Sheet**

- Cash and marketable securities of \$2.98 billion
- Accounts receivable of \$849 million
- Inventory of \$762 million

## **Cash Flow**

- Generated \$387 million of free cash flow in the quarter and \$950 million in full year 2020

## **Dividend**

- Paid quarterly dividend of \$117 million
- Dividend of \$0.61 per share to be paid at close of March 2021
- Proposing 10% dividend increase over the prior year



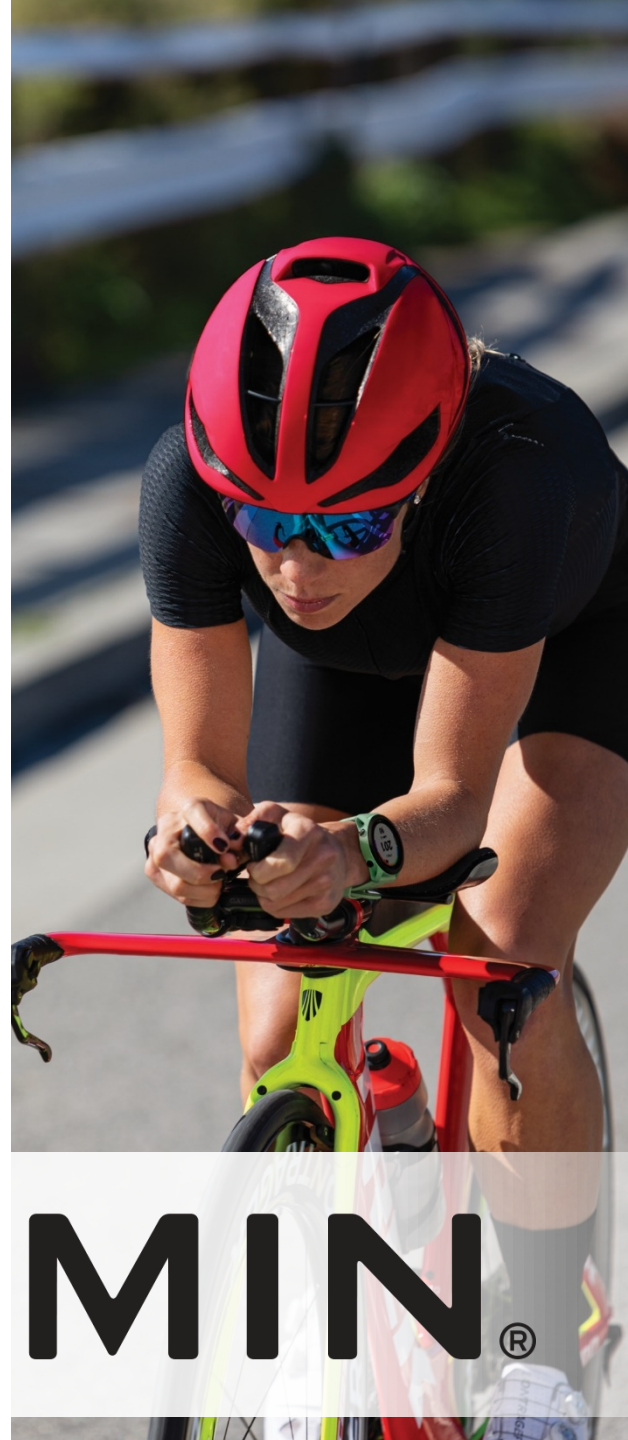


# Taxes

- Fiscal year 2020 GAAP effective tax rate of 10.1%
- Fiscal year 2020 pro forma effective tax rate of 10.4% compared to 15.5% in the prior year
- Expect 2021 pro forma effective tax rate to be 10.5%, relatively flat year-over-year







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# Appendix

February 17, 2021

## 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 effective tax rate, pro forma net income (earnings) per share 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 on the following slides 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.

	13-Weeks Ended				52-Weeks Ended			
	December 26,		December 28,		December 26,		December 28,	
	2020		2019		2020		2019	
	\$	ETR <sup>(1)</sup>	\$	ETR <sup>(1)</sup>	\$	ETR <sup>(1)</sup>	\$	ETR <sup>(1)</sup>
U.S GAAP income tax provision (benefit)	\$ 57,918	14.8%	\$ (73,379)	(25.5)%	\$111,086	10.1%	\$ 34,736	3.5%
Pro forma discrete tax items:								
Uncertain Tax Reserve Release <sup>(2)</sup>					14,308			
Switzerland deferred tax assets <sup>(3)</sup>	(11,016)		117,989		(11,016)		117,989	
Pro forma income tax provision	\$ 46,902	12.0%	\$ 44,610	15.5%	\$114,378	10.4%	\$152,725	15.5%

(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 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.

(3) In fourth quarter 2019, a \$118 million income tax benefit was recognized resulting from the revaluation and step-up of certain Switzerland deferred tax assets as a result of the enactment of Switzerland Federal and Schaffhausen cantonal tax reform and related transitional measures. In fourth quarter 2020, certain Switzerland deferred tax assets related to the Switzerland tax reform transitional measures were revalued resulting in an \$11 million income tax expense. The impact of the revaluation of these Switzerland deferred tax assets 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		52-Weeks Ended	
	December 26, 2020	December 28, 2019	December 26, 2020	December 28, 2019
GAAP net income	\$ 333,547	\$ 360,792	\$ 992,324	\$ 952,486
Foreign currency gains / losses <sup>(1)</sup>	(12,627)	4,230	(2,825)	16,799
Tax effect of foreign currency gains / losses <sup>(2)</sup>	1,513	(657)	293	(2,599)
Pro forma discrete tax items <sup>(3)</sup>	11,016	(117,989)	(3,292)	(117,989)
Pro forma net income	\$ 333,449	\$ 246,376	\$ 986,500	\$ 848,697
GAAP net income per share:				
Basic	\$ 1.74	\$ 1.90	\$ 5.19	\$ 5.01
Diluted	\$ 1.73	\$ 1.89	\$ 5.17	\$ 4.99
Pro forma net income per share:				
Basic	\$ 1.74	\$ 1.30	\$ 5.16	\$ 4.47
Diluted	\$ 1.73	\$ 1.29	\$ 5.14	\$ 4.45
Weighted average common shares outstanding:				
Basic	191,278	190,165	191,085	189,931
Diluted	192,303	191,225	191,895	190,899

(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 12.0% and 10.4% for the 13-weeks and fiscal year ended December 26, 2020, respectively, and the pro forma effective tax rate of 15.5% for the 13-weeks and fiscal year ended December 28, 2019.

(3) The 2019 and 2020 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 liquidity 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 operations and allows more accurate comparisons of the Company's results between periods. 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.

	<b>13-Weeks Ended</b>		<b>52-Weeks Ended</b>	
	<b>December 26, 2020</b>	<b>December 28, 2019</b>	<b>December 26, 2020</b>	<b>December 28, 2019</b>
Net cash provided by operating activities	\$ 435,818	\$ 234,379	\$ 1,135,267	\$ 698,549
Less: purchases of property and equipment	(48,329)	(26,562)	(185,401)	(118,031)
Free Cash Flow	<u>\$ 387,489</u>	<u>\$ 207,817</u>	<u>\$ 949,866</u>	<u>\$ 580,518</u>

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

The forward-looking financial measures in our 2021 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 \$0.01 per share for the 52-weeks ended December 26, 2020.

At this time, management is unable to determine whether or not significant discrete tax items will occur in fiscal 2021 or anticipate the impact of any other events that may be considered in the calculation of non-GAAP financial measures.



## ***Supplemental Financial Information***

Management believes that supplemental financial information for the consumer auto and auto OEM operating segments is useful to the readers of the financial statements. As such, this information has been included in the segment tables in the Earnings Release dated February 17, 2021 and the Annual Report on Form 10-K for the year ended December 26, 2020. Also, since comparable quarterly information will be presented in subsequent Quarterly Reports on Form 10-Q, we have provided the 2020 and 2019 quarterly supplemental consumer auto and auto OEM financial information in the Form 8-K filed with the SEC on February 17, 2021 to further enhance comparability of the financial information to be provided in future Quarterly Reports on Form 10-Q.