



Q3 2022 Earnings

October 26, 2022

# 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 2022 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, share repurchase programs, currency movements, expenses, pricing, new product launches, market reach, 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 this release 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 25, 2021 filed by Garmin with the Securities and Exchange Commission (Commission file number 001-41118). A copy of Garmin’s 2021 Form 10-K can be downloaded from <https://www.garmin.com/en-US/investors/sec/>. All information provided in this release and in the attachments is as of September 24, 2022. Undue reliance should not be placed on the forward-looking statements in this press release, 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

# Consolidated Q3 2022

Revenue  
**\$1.14B**  
4% y/y decline

Operating income  
**\$239M**  
15% y/y decline

Operating margin  
**21.0%**

## BUSINESS INSIGHTS

- Revenue negatively impacted by \$70 million due to FX
- Gross margin improved
- Increased 2022 EPS guidance

# Fitness

## Q3 2022

Revenue

**\$280M**

18% y/y decline

Operating income

**\$41M**

45% y/y decline

Operating margin

**15%**

## SEGMENT INSIGHTS

- Decline primarily driven by advanced wellness and indoor cycling
- Launched the Index BPM smart blood pressure monitor
- Launched the Venu Sq 2
- 2022 revenue growth estimate: -25%



# Outdoor Q3 2022

Revenue  
**\$340M**  
5% y/y growth

Operating income  
**\$121M**  
2% y/y decline

Operating margin  
**36%**

## SEGMENT INSIGHTS

- Growth driven by adventure watches and inReach devices and services
- Launched the inReach Messenger satellite communicator
- Over 10,000 inReach SOS responses since inception
- 2022 revenue growth estimate: +17%



# Aviation

## Q3 2022

Revenue

**\$188M**

4% y/y growth

Operating income

**\$48M**

6% y/y decline

Operating margin

**26%**

## SEGMENT INSIGHTS

- Growth in multiple product lines, primarily in aftermarket
- G3000 selected for U.S. Department of Defense F-5 aircraft
- Named #1 in avionics product support by AIN
- 2022 revenue growth estimate: +7%



# Marine

## Q3 2022

Revenue

**\$197M**

5% y/y decline

Operating income

**\$45M**

18% y/y decline

Operating margin

**23%**

## SEGMENT INSIGHTS

- Return of typical seasonal trends
- Launched the LiveScope XR and LiveScope Plus ice fishing bundle
- Awarded Manufacturer of the Year by NMEA
- 2022 revenue growth estimate: +3%

# Auto

## Q3 2022

Revenue  
**\$136M**  
2% y/y decline

Operating loss  
**(\$16M)**

Operating margin  
**(12%)**

## SEGMENT INSIGHTS

- Decline in consumer products more than offset OEM growth
- Tread selected by Artic Cat for UTV/ATV applications
- 2022 revenue growth estimate: -7%

# Financial Update

Doug Boessen  
CFO and Treasurer

# Income Statement

## Q3

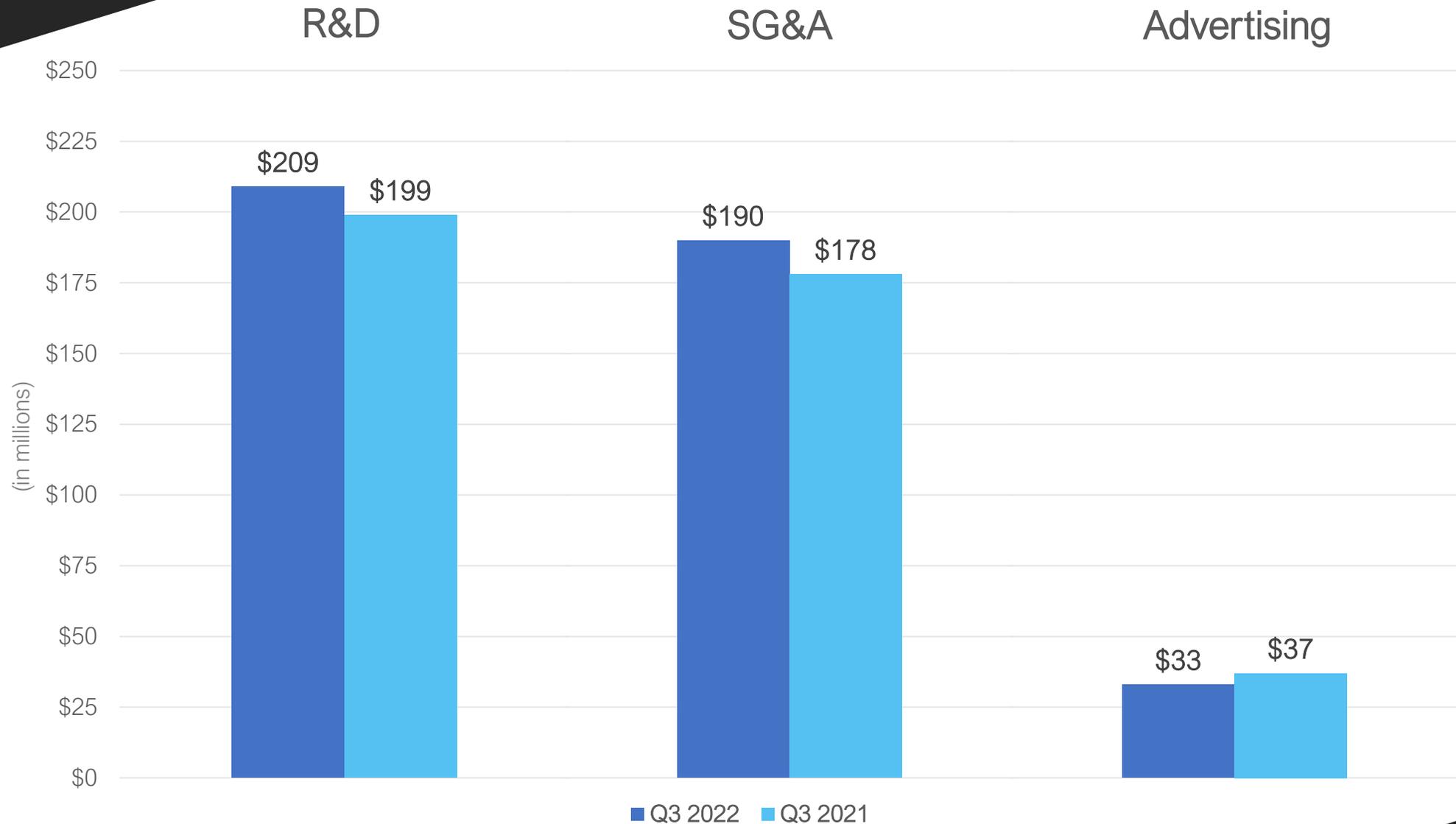
(in millions)	Q3 2022	Q3 2021	Change
Net sales	\$1,140	\$1,192	(4%)
Gross profit	670	696	(4%)
<i>Margin %</i>	<i>58.8%</i>	<i>58.4%</i>	<i>40 bps</i>
Operating expense	431	413	4%
Operating income	\$239	\$283	(15%)
<i>Margin %</i>	<i>21.0%</i>	<i>23.7%</i>	<i>(270 bps)</i>
GAAP EPS	\$1.09	\$1.34	(19%)
Pro Forma EPS	\$1.24	\$1.41	(12%)

# Revenue Q3

(in millions)	Q3 2022	Q3 2021	Change
Fitness	\$280	\$342	(18%)
Outdoor	340	324	5%
Aviation	188	180	4%
Marine	197	208	(5%)
Auto	136	138	(2%)
<b>Total</b>	<b>\$1,140</b>	<b>\$1,192</b>	<b>(4%)</b>

(in millions)	Q3 2022	Q3 2021	Change
Americas	\$563	\$573	(2%)
EMEA	383	443	(14%)
APAC	194	176	10%
<b>Total</b>	<b>\$1,140</b>	<b>\$1,192</b>	<b>(4%)</b>

# Operating Expenses



Prior year amounts have been recast to conform to current year expense classification.

# Other Financial Items

## Q3 2022

### Balance Sheet

Cash and marketable securities

**\$2.70B**

Accounts receivable

**\$641M**

Inventory

**\$1.53B**

### Cash Flow

Free Cash Flow

**\$104M**

Capital Expenditures

**\$50M**

Dividends Paid

**\$141M**

### Taxes

Effective Tax Rate

**4.3%**

# Guidance

	2022
Revenue	\$4.85B
Gross margin	57.5%
Operating margin	20.7%
Tax rate	8.0%
EPS	\$4.95

All amounts and %s are approximate.

**GARMIN**<sup>▲</sup>®

# Appendix

## October 26, 2022

## ***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 in the subsequent 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. In the first three quarters 2022 and 2021, there were no such discrete tax items identified.

## 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.

(In thousands, except per share information)

	13-Weeks Ended		39-Weeks Ended	
	September 24, 2022	September 25, 2021	September 24, 2022	September 25, 2021
GAAP net income	\$ 210,848	\$ 259,039	\$ 680,313	\$ 796,064
Foreign currency losses <sup>(1)</sup>	29,863	15,014	55,809	30,621
Tax effect of foreign currency losses <sup>(2)</sup>	(1,277)	(891)	(4,159)	(3,475)
Pro forma net income	\$ 239,434	\$ 273,162	\$ 731,963	\$ 823,210
GAAP net income per share:				
Basic	\$ 1.09	\$ 1.35	\$ 3.53	\$ 4.14
Diluted	\$ 1.09	\$ 1.34	\$ 3.52	\$ 4.13
Pro forma net income per share:				
Basic	\$ 1.24	\$ 1.42	\$ 3.79	\$ 4.28
Diluted	\$ 1.24	\$ 1.41	\$ 3.79	\$ 4.27
Weighted average common shares outstanding:				
Basic	192,672	192,322	192,878	192,123
Diluted	193,105	193,185	193,378	192,955

(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 losses was calculated using the effective tax rates of 4.3% and 7.5% for the 13-weeks and 39-weeks ended September 24, 2022, respectively and 5.9% and 11.3% for the 13-weeks and 39-weeks ended September 25, 2021, respectively.

## 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.

(In thousands)

	<b>13-Weeks Ended</b>		<b>39-Weeks Ended</b>	
	<b>September 24, 2022</b>	<b>September 25, 2021</b>	<b>September 24, 2022</b>	<b>September 25, 2021</b>
Net cash provided by operating activities	\$ 154,118	\$ 245,423	\$ 419,594	\$ 843,465
Less: purchases of property and equipment	(50,130)	(41,418)	(184,928)	(187,960)
Free Cash Flow	<u>\$ 103,988</u>	<u>\$ 204,005</u>	<u>\$ 234,666</u>	<u>\$ 655,505</u>

## ***Forward-looking financial measures.***

The forward-looking financial measures in our 2022 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 \$0.27 per share for the 39-weeks ended September 24, 2022.

At this time, management is unable to determine whether or not significant discrete tax items will occur in fiscal 2022 or anticipate the impact of any other events that may be considered in the calculation of non-GAAP financial measures.