



Q2 2023 Earnings

August 2, 2023

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 2023 GAAP and pro forma estimated earnings, EPS, and effective tax rate, and the Company’s expected segment revenue growth rates, projected compound annual growth rate of Auto OEM, future profitability and revenue of Auto OEM, 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 31, 2022 filed by Garmin with the Securities and Exchange Commission (Commission file number 001-41118). A copy of Garmin’s 2022 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 July 1, 2023. 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 Q2 2023

Revenue
\$1.32B
6% y/y growth

Operating income
\$284M
3% y/y decline

Operating margin
21.5%

BUSINESS INSIGHTS

- Solid second quarter revenue performance
- Revenue growth in three of five segments demonstrating the importance of a diversified business model
- Updated revenue guidance \$5.05B

Fitness

Q2 2023

Revenue

\$335M

23% y/y growth

Operating income

\$54M

Operating margin

16%

SEGMENT INSIGHTS

- Revenue growth across all product categories
- Launched Edge 540 and Edge 840 cycling computers offering dynamic performance insights, solar charging, and advanced mapping
- 2023 revenue growth estimate: +10%



Outdoor Q2 2023

Revenue

\$448M

3% y/y decline

Operating income

\$138M

Operating margin

31%

SEGMENT INSIGHTS

- Revenue growth in adventure watches more than offset by declines in multiple product categories
- Launched fēnix 7 Pro Series, epix Pro Series, and Approach S70
- 2023 revenue estimate: Flat

Aviation

Q2 2023

Revenue
\$217M
6% y/y growth

Operating income
\$63M

Operating margin
29%

SEGMENT INSIGHTS

- Revenue growth driven by OEM product categories
- Announced pending certification for the first retrofit Autoland and Autothrottle systems in select King Air models
- Smart Glide was recently selected as a 2023 FLYING Editor's Choice Award recipient, the 15th time Garmin has received this prestigious award
- 2023 revenue growth estimate: +5%

Marine

Q2 2023

Revenue

\$216M

11% y/y decline

Operating income

\$46M

Operating margin

21%

SEGMENT INSIGHTS

- Revenue decline primarily due to timing of promotions impacting chartplotter product lines
- Launched the Force Kraken, the most powerful trolling motor on the market
- Market is facing headwinds from higher interest rates and economic concerns
- 2023 revenue estimate: -7%

Auto OEM

Q2 2023

Revenue
\$105M
77% y/y growth

Operating income
(\$18M)

Operating margin
(17%)

SEGMENT INSIGHTS

- Revenue growth driven by increased shipments of domain controllers
- Received approval to begin production of a new domain controller for instrument clusters
- 2023 revenue growth estimate: +35%

Financial Update

Doug Boessen
CFO and Treasurer

Income Statement

Q2

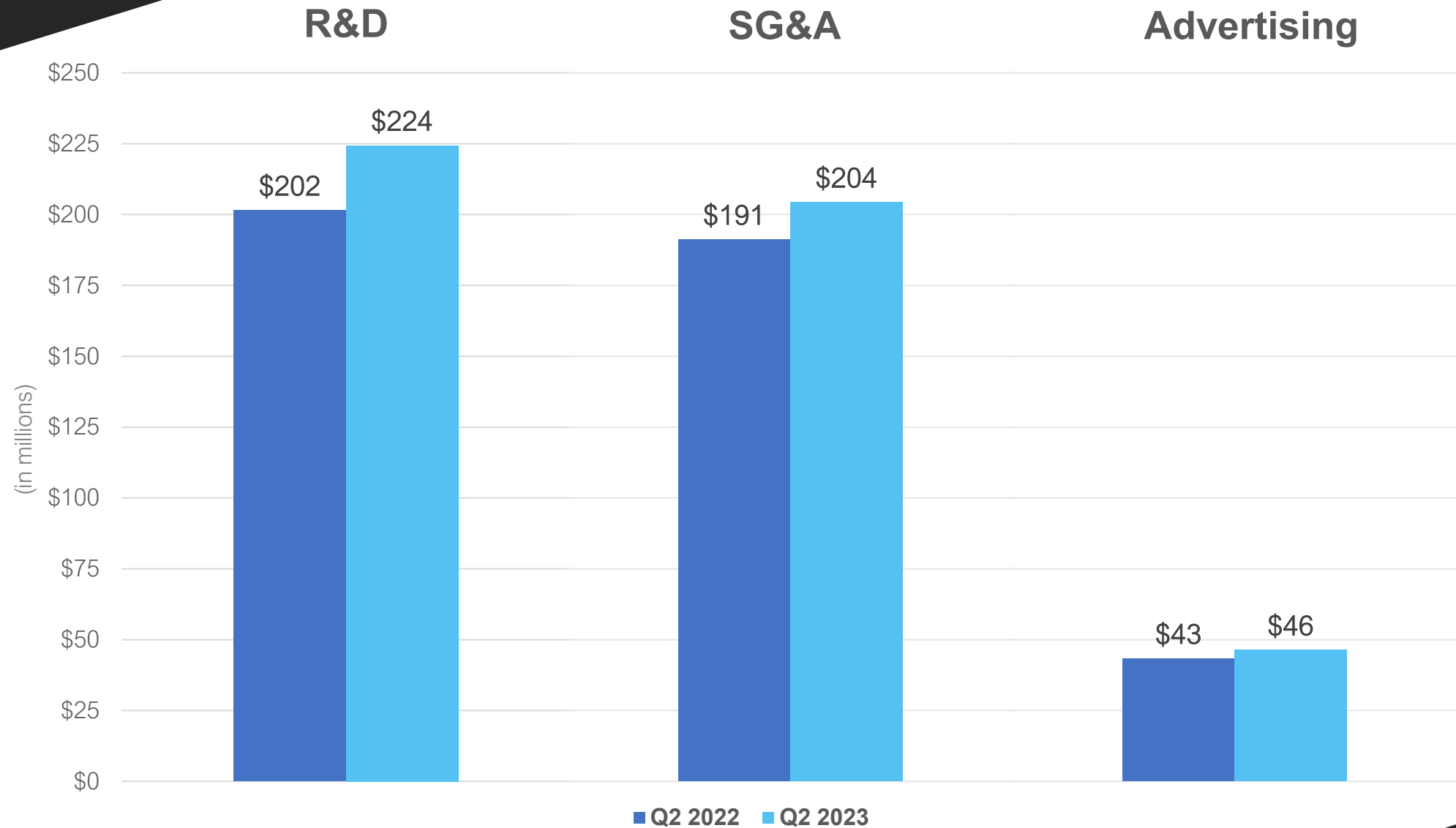
(in millions)	Q2 2023	Q2 2022	Y/Y
Net sales	\$1,321	\$1,241	6%
Gross profit	759	729	4%
<i>Margin %</i>	<i>57.5%</i>	<i>58.7%</i>	<i>(120 bps)</i>
Operating expenses	475	436	9%
Operating income	\$284	\$293	(3%)
<i>Margin %</i>	<i>21.5%</i>	<i>23.6%</i>	<i>(210 bps)</i>
GAAP EPS	\$1.50	\$1.33	13%
Pro Forma EPS	\$1.45	\$1.44	1%

Revenue Q2

(in millions)	Q2 2023	Q2 2022	Change
Fitness	\$335	\$272	23%
Outdoor	448	462	(3%)
Aviation	217	205	6%
Marine	216	243	(11%)
Auto OEM	105	59	77%
Total	\$1,321	\$1,241	6%

(in millions)	Q2 2023	Q2 2022	Change
Americas	\$642	\$646	(1%)
EMEA	458	413	11%
APAC	221	182	22%
Total	\$1,321	\$1,241	6%

Operating Expenses



Other Financial Items

Q2 2023

Balance Sheet

Cash and marketable securities

\$2.78B

Accounts receivable

\$717M

Inventory

\$1.40B

Cash Flow

Free Cash Flow

\$221M

Capital Expenditures

\$53M

Dividends Paid

\$140M

Share Repurchases

\$26M

Taxes

Effective Tax Rate

8.9%

Guidance

	2023
Revenue	\$5.05B
Gross margin	57.2%
Operating margin	20.0%
Tax rate	8.5%
EPS	\$5.15

All amounts and %s are approximate.

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Appendix

August 2, 2023

Change in reportable segments

The Company announced an organization realignment in January 2023, which combined the consumer auto operating segment with the outdoor operating segment. As a result, the Company's operating segments, which also represent our reportable segments, are fitness, outdoor, aviation, marine, and auto OEM. Results for the 13-week and 26-week periods ended June 25, 2022 have been recast to conform with the current period presentation. This change had no effect on the Company's consolidated results of operations.

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 half 2023 and 2022, 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		26-Weeks Ended	
	July 1, 2023	June 25, 2022	July 1, 2023	June 25, 2022
GAAP net income	\$ 287,939	\$ 257,873	\$ 490,266	\$ 469,464
Foreign currency gains / losses ⁽¹⁾	(10,797)	22,439	(18,484)	25,946
Tax effect of foreign currency gains/ losses ⁽²⁾	958	(1,697)	1,632	(2,286)
Pro forma net income	\$ 278,100	\$ 278,615	\$ 473,414	\$ 493,124
GAAP net income per share:				
Basic	\$ 1.51	\$ 1.34	\$ 2.56	\$ 2.43
Diluted	\$ 1.50	\$ 1.33	\$ 2.56	\$ 2.43
Pro forma net income per share:				
Basic	\$ 1.45	\$ 1.44	\$ 2.47	\$ 2.56
Diluted	\$ 1.45	\$ 1.44	\$ 2.47	\$ 2.55
Weighted average common shares outstanding:				
Basic	191,293	193,074	191,395	192,980
Diluted	191,597	193,450	191,741	193,515

(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 rates of 8.9% and 8.8% for the 13-weeks and 26-weeks ended July 1, 2023, respectively and 7.6% and 8.8% for the 13-weeks and 26-weeks ended June 25, 2022, 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)

	13-Weeks Ended		26-Weeks Ended	
	July 1, 2023	June 25, 2022	July 1, 2023	June 25, 2022
Net cash provided by operating activities	\$ 273,702	\$ 79,842	\$ 552,912	\$ 265,476
Less: purchases of property and equipment	(52,533)	(75,084)	(99,346)	(134,798)
Free Cash Flow	\$ 221,169	\$ 4,758	\$ 453,566	\$ 130,678

Forward-looking financial measures

The forward-looking financial measures in our 2023 guidance 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 \$0.09 per share for the 26-weeks ended July 1, 2023.

At this time, management is unable to determine whether or not significant discrete tax items will occur in fiscal 2023 or anticipate the impact of any other events that may be considered in the calculation of non-GAAP financial measures.