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Garmin Ltd.

Third Quarter 2025 Earnings

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CORPORATE SPEAKERS:

Teri Seck

Garmin Ltd.; Director of Investor Relations

Clifton Pemble

Garmin Ltd.; President, Chief Executive Officer

Douglas Boessen

Garmin Ltd.; Chief Financial Officer, Treasurer

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PRESENTATION:

Operator^ Hello. And thank you for standing by. (Operator Instructions) At this time I would like to welcome everyone to Garmin Ltd. Third Quarter 2025 Earnings Call. (Operator Instructions)

I would now like to turn the conference over to Teri Seck, Director of Investor Relations.

You may begin.

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Teri Seck^ Good morning.

We would like to welcome you to Garmin Limited's Third Quarter 2025 Earnings Call.

Please note that the earnings press release and related slides are available at Garmin's Investor Relations site on the Internet at www.garmin.com/stock.

An archive of the webcast and related transcript will also be available on our website.

This earnings call includes projections and other forward-looking statements regarding Garmin Ltd. and its business.

Any statements regarding our future financial position, revenues, segment growth rates, earnings, gross margins, operating margins, future dividends or share repurchases, market shares, product introductions, foreign currency, tariff impacts, future demand for our products and plans and objectives are forward-looking statements.

The forward-looking events and circumstances discussed in this earnings call may not occur.

And actual results could differ materially as a result of risk factors affecting Garmin.

Information concerning these risk factors is contained in our Form 10-K and Form 10-Q filed with the Securities and Exchange Commission.

Presenting on behalf of Garmin Limited this morning are Cliff Pemble, President and Chief Executive Officer; and Doug Boessen, Chief Financial Officer and Treasurer.

At this time I would like to turn the call over to Cliff Pemble.

Clifton Pemble^ Thank you, Teri. And good morning, everyone.

As announced earlier today, Garmin achieved another quarter of outstanding financial results, reflecting the strength of our unique, highly diversified business model. Consolidated revenue increased 12% to nearly \$1.8 billion, which is a new third quarter record, and we experienced strong double-digit revenue growth in three of our business segments. These results are even more remarkable, considering the strong comparison from last year when consolidated revenue increased over 24%. Gross and operating margins were 59.1% and 25.8%, respectively, resulting in record third quarter operating income of \$457 million, up 4% year-over-year and pro forma EPS of \$1.99.

We are pleased with our results so far in 2025, and we are on track to achieve full year revenue of \$7.1 billion as communicated in July. Given our strong year-to-date performance and outlook for the remainder of the year, we are raising our full year EPS guidance.

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We now anticipate pro forma EPS of \$8.15 a share, reflecting in an increase of \$0.15 over the prior guidance.

In a moment, I will cover changes to the segment revenue model that is the foundation for our consolidated guidance.

But it's important to remember that the segment model is simply a point-in-time guideline that evolves based on trends throughout the year.

With the majority of 2025 behind us, and the momentum we are experiencing entering the important Q4 holiday season, we anticipate delivering another record year of double-digit growth in revenue, operating income and EPS. Doug will discuss our financial results and outlook in greater detail in a few minutes, but first, I'll provide a few remarks on the performance and outlook for each business segment.

Starting with Fitness. Revenue increased 30% to \$601 million, with growth led by strong demand for advanced wearables.

Our performance can be attributed to the breadth and depth of our wearable product lines, which offer highly differentiated features across many different price points.

Gross and operating margins were 60% and 32%, respectively, resulting in operating income of \$194 million.

During the quarter, we launched several new products including the Edge 550 and 850 cycling computers that bring new coaching plans and cycling metrics to the Edge lineup, the Bounce two smartwatch for kids offering voice calling, messaging and geo-fencing alerts and the Venu four smartwatch with a premium all metal design, a built-in flashlight and many new health and wellness features.

We also announced our collaboration with King's College London to study the health of women and their partners during and after pregnancy with an emphasis on detecting and managing potentially dangerous conditions such as gestational diabetes and hypertension. Garmin is the exclusive partner of King's College London for this study, which is one of the largest of its kind to incorporate wearables into study protocols and results. Given the strong performance of the Fitness segment and the demand we are expecting during the holiday season, we are raising our revenue growth estimate to 29% for the year.

Moving to Outdoor. Revenue decreased 5% to \$498 million, driven primarily by consumer auto and adventure watches following the one year anniversary of the dezl series launch as well as the highly successful fenix 8 launch. Gross and operating margins were 66% and 34%, respectively, resulting in operating income of \$170 million.

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During the quarter, we launched the fenix 8 Pro, which adds satellite and cellular connections and offers a range of communications options including voice, text, live tracking and SOS using the Garmin Response Center, making this smartwatch the ideal companion for adventures on and off the grid.

In addition, the fenix 8 Pro lineup now includes a version with a microLED display.

MicroLED has been highly sought after for its superior brightness and the ability and the fenix 8 Pro is the first device of its kind to offer this exciting new display technology.

I'm proud of our global team who worked very hard to bring microLED technology to the wearable market.

Also during the quarter, we entered a new market with the launch of our Blaze equine wellness system designed to help horse riders, owners and trainers monitor their horses' health and fitness levels.

We are pleased with the performance of the Outdoor segment, but delivering back-to-back years of double-digit revenue growth has been more challenging than originally anticipated, following the 1-year anniversary of the highly successful product launches in this segment, most notably the fenix 8. The recent launch of the fenix 8 Pro partially offset pipeline fills from the previous year, but did not fully close the gap when compared to the fenix 8 launch.

As it has in the past, product release cycles can create short-term noise, but in the long-term view, the Outdoor segment has been a remarkable performer and has a remarkable track record of growth. Considering our year-to-date performance and outlook for the fourth quarter, we now expect Outdoor revenue to increase 3% for the year.

Looking next at Aviation, revenue increased 18% in the third quarter to \$240 million, with growth contributions from both OEM and aftermarket product categories. Gross and operating margins were 75% and 25%, respectively, resulting in operating income of \$61 million.

During the quarter, we certified a retrofit integrated cockpit system for the Cessna Citation CJ1, which brings new capabilities and safety-enhancing technologies to this popular light jet.

We also added Autoland and Autothrottle capability to the King Air 350, which is the largest and most complex aircraft to receive Autoland capability to date. And we announced additional certifications for our GFC 600 autopilot bringing the performance and safety enhancing benefits of our flight control technology to more aircraft models. Given the strong third quarter performance of the Aviation segment and recent trends, we are raising our revenue growth estimate to 10% for the year. Turning to the Marine segment. Revenue increased 20% to \$267 million, with growth across multiple categories including chartplotters, audio and cartography.

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Gross and operating margins expanded to 56% and 19%, respectively, resulting in operating income of \$49 million.

During the quarter, we expanded our trolling motor product lines with the Force Current, which is the industry's first hands-free Kayak propulsion system, and we expanded the Force Kraken lineup, which now includes a model with a 110-inch drive shaft for large fishing boats.

We also launched the ECHOMAP Ultra two chartplotter offering a large 16-inch display, premium mapping and exceptional sonar capabilities.

We were recently recognized by the National Marine Electronics Association as Manufacturer of the Year for the 11th consecutive year, and we received eight Product of Excellence awards ranging from chartplotters to marine smartwatches, reflecting the strength and diversity of our product lineup. Given the strong third quarter performance of the Marine segment and recent trends, we are raising our revenue growth estimate to 10% for the year.

And moving finally to the Auto OEM segment, revenue decreased 2% to \$165 million as certain legacy programs approach end of life and were partially offset by growth in our most recent BMW domain controller program. Gross margin was 15% and was negatively impacted by an increase in accrued warranty costs associated with prior period sales, which contributed to the operating loss of \$17 million.

During the quarter, we shipped the 3 millionth BMW domain controller, demonstrating our capability as a respected Tier one supplier to the automotive market.

We continue to achieve important milestones leading up to the launch of our next large auto OEM program, which is anticipated to add significant production volumes and expand the scale of our business. Given the year-to-date performance and recent trends, we now expect Auto OEM revenue to increase approximately 8% for the year.

That concludes my remarks. Next, Doug will walk you through additional details on our financial results. Doug?

Douglas Boessen^ Thanks, Cliff. Good morning, everyone.

I'll begin by reviewing our third quarter financial results and provide comments on the balance sheet, cash flow statement, taxes, updated guidance. Posted revenue of \$1.77 billion for the third quarter, representing a 12% increase year-over-year. Gross margin was 59.1%, a 90 basis point decrease from the prior quarter.

The decrease was primarily due to higher product costs.

Operating expense as a percentage of sales was 33.3%, a 90 basis point increase.

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Operating income was \$457 million, a 4% increase.

Operating margin was 25.8% 180 basis point decrease compared to prior year quarter.

Our GAAP EPS was \$2.08, and pro forma EPS was \$1.99.

Next, we look at our third quarter revenue by segment and geography.

In the third quarter, we achieved double-digit growth in three of our five segments, led by the Fitness segment with outstanding growth of 30%, followed by Marine segment growth of 20%, Aviation segment growth of 18%.

By geography, we achieved double growth in all three of our regions, led by 14% growth in APAC, followed by 13% growth in EMEA and 10% growth in Americas.

Looking at operating expenses. Third quarter operating expense increased by \$76 million or 15%.

Research and development increased by \$37 million, SG&A increased by \$38 million. Both increases were primarily due to personnel-related expenses. A few highlights on the balance sheet, cash flow statement, taxes.

We ended the quarter with cash and marketable securities of approximately \$3.9 billion. Accounts receivables increased year-over-year to approximately \$956 million following the strong sales in the third quarter.

Inventory increased year-over-year sequentially to approximately \$1.9 billion.

We're executing our strategy to increase inventory of certain product lines to support strong customer demand as well as mitigate the effects of potential increases in tariffs.

For the third quarter of 2025, we generated free cash flow of \$425 million, a \$206 million increase on prior year quarter. Capital expenditures for the third quarter of 2025 were \$60 million, which is \$22 million higher than the prior quarter.

We expect full year 2025 free cash flow to be approximately \$1.3 billion with capital expenditures of approximately \$275 million.

During the third quarter of 2025, we paid dividends of \$173 million, purchased \$36 million of company stock.

At quarter end, we had approximately \$107 million remaining in the share repurchase program, which is authorized through December 2026.

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We had an effective tax rate of 21.2% compared to 17.9% in the prior year quarter.

Increase in effective tax rate was primarily due to the new U.S. tax legislation enacted during the quarter, which changed capitalization requirements of certain R&D costs resulting in a year-to-date adjustment due to a decrease in certain U.S. tax deductions and credits. Turning next to our full year guidance.

We estimate revenue of approximately \$7.1 billion and gross margin of approximately 58.5%, both of which are consistent with our previous guidance.

We now expect our operating margin to be approximately 25.2%, which is higher than our previous guidance of 24.8% due to lower operating expenses.

Also we expect a pro forma effective tax rate to approximately 17.5%, consistent with our previous guidance.

Expected pro forma earnings per share is approximately \$8.15 compared to our previous guidance of \$8. This concludes our formal remarks. Bella, can you please open the line for Q&A?

Teri Seck^ Thank you all for joining us today.

We are available for callbacks. And we hope you have a great day.

Bye.

Operator^ Ladies and gentlemen, that concludes today's call. Thank you all for joining. And you may now disconnect.

Everyone have a great day.