



**GARMIN.**

## Q3 2013 Earnings Call Webcast

October 30, 2013

# Safe Harbor Statement

These materials include forward-looking statements. These statements are based on the current expectations of Garmin Ltd. and are naturally subject to uncertainty and changes in circumstances. Forward-looking statements include, without limitation, statements containing words such as "proposed" and "intends" or "intended" and "expects" or "expected." By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements. Other unknown or unpredictable factors could cause actual results to differ materially from those in the forward-looking statements. These factors include those discussed or identified in the filing by Garmin Ltd. with the U.S. Securities and Exchange Commission in its Annual Report on Form 10-K. Garmin Ltd. does not undertake any obligation to update publicly or revise forward-looking statements, whether as a result of new information, future events or otherwise, except to the extent legally required.

# **Business Update**

**Cliff Pemble**  
**President and CEO**

# 3<sup>rd</sup> Quarter Financial Review

**Strong third quarter revenue and margin performance  
leading to increased EPS guidance for 2013**

- Non-automotive/mobile market segments grew 12% and contributed 50% of total revenue
- Gross and operating margin of 55% and 24%, respectively
- Operating expenses increased just 1% with ongoing R&D investment
- Free cash flow of \$205 million
- Raising EPS guidance

# Outdoor

## 3<sup>rd</sup> Quarter Business Review

- Revenue decline of 4%
- Gross and operating margins remained strong at 69% and 44%, respectively

## Market/Product Update

- Introduction of VIRB and VIRB Elite action cameras
- Anticipate VIRB serving as a catalyst for growth in 2014



# Fitness

## 3<sup>rd</sup> Quarter Business Review

- Revenue growth of 25% with all categories contributing
- Vector and cycling computers growing in contribution
- Gross and operating margin of 61% and 33%, respectively
- Operating income growth of 25%

## Market/Product Update

- New product introductions include Edge Touring and Forerunner 220 and 620
- New adjacent market opportunities in focus for next year





# Aviation



## 3<sup>rd</sup> Quarter Business Review

- Revenue growth of 15%; OEM and aftermarket contributing
- Operating income growth of 37% with gross and operating margin improvement
- 10<sup>th</sup> consecutive year: #1 in AIN Avionics Product Support Survey

## Market/Product Update

- Supporting our OEM partners in the completion of aircraft certifications
- Near-term challenges due to FAA furlough though long-term opportunities remain intact

# Marine



## 3<sup>rd</sup> Quarter Business Review

- Revenue growth of 24% due to strong chartplotter demand
- Competitive pricing and product mix pressuring margins

## Market/Product Update

- 2014 product introductions expected to be timely
- Committed to innovation that will enhance market share position and ensure long-term profitability





# Automotive/Mobile

## **3<sup>rd</sup> Quarter Business Review**

- Revenue decline of 16% as the PND category performed as expected; partially offset by growth in OEM and mobile product categories
- Strong gross and operating margins at 46% and 17%, respectively

## **Market/Product Update**

- Expect PND market to decline approximately 20% globally; managing the business accordingly as we approach 2014
- OEM opportunities have been slow to develop as expected, but continue to invest with success evident with Garmin navigation featured in some 2014 Mercedes Benz models



# 2013 Guidance Update

	2013 Update	Prior
Revenue *	\$2.5 - \$2.6 B	\$2.5 - \$2.6 B
Gross Margin	53 - 54%	53 - 54%
Operating Income	~\$530 M	~\$500 M
Operating Margin	~21%	~20%
Tax Rate	16%	15%
EPS (Pro Forma)	\$2.40 - \$2.45	\$2.30 - \$2.40
Free Cash Flow	\$525 M	\$525 M

\* Assumes EUR/USD FX rate of 1.30 in 2013

# **Financial Update**

**Kevin Rauckman**  
**CFO and Treasurer**

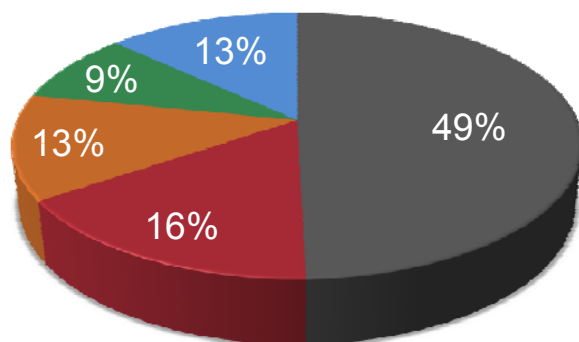
# Q3 Income Statement

(\$ Millions)	Q3 2013 Actual	Q3 2012 Actual	Change
<b>Revenue</b>	<b>\$644</b>	<b>\$672</b>	<b>(4%)</b>
Gross Profit	353	359	<b>(2%)</b>
<b>Gross Margin %</b>	<b>55%</b>	<b>53%</b>	<b>140 bps</b>
Advertising	26	30	<b>(13%)</b>
SG&A	86	86	%
R&D	88	82	7%
Total Operating Expense	201	199	1%
Operating Income	152	160	<b>(5%)</b>
<b>Operating Margin %</b>	<b>24%</b>	<b>24%</b>	<b>(20) bps</b>
Other Income/(Expense)	9	3	
Income Tax	<b>(27)</b>	22	
<b>Net Income (GAAP)</b>	<b>188</b>	<b>140</b>	<b>34%</b>
Net Income (Pro-Forma)	136	146	<b>(7%)</b>
<b>EPS (GAAP)</b>	<b>\$0.96</b>	<b>\$0.72</b>	<b>34%</b>
EPS Pro-Forma (excl. FX and Taxes)	\$0.69	\$0.74	<b>(7%)</b>
Units Shipped (K)	3,263	3,689	<b>(12%)</b>

# Q3 Revenue

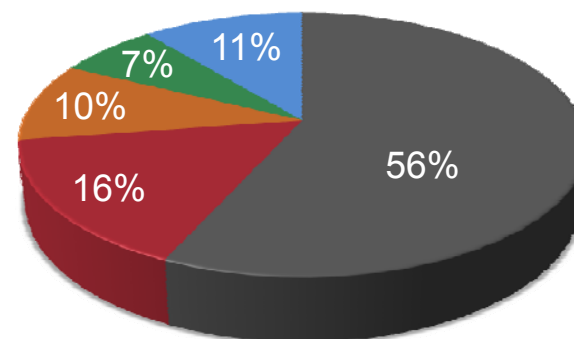
Revenue by Segment			
(\$M)	Q3 2013	Q3 2012	Growth
Auto / Mobile	\$323	\$384	(16%)
Outdoor	\$101	\$105	(4%)
Fitness	\$81	\$65	25%
Marine	\$55	\$45	24%
Aviation	\$84	\$73	15%
<b>Total</b>	<b>\$644</b>	<b>\$672</b>	<b>(4%)</b>

Q3 2013 Revenue



■ Auto/Mobile ■ Outdoor ■ Fitness ■ Marine ■ Aviation

Q3 2012 Revenue

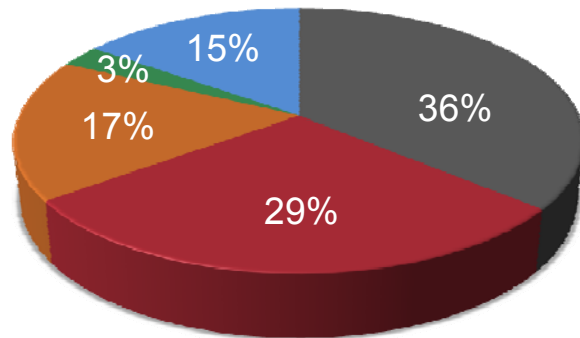


■ Auto/Mobile ■ Outdoor ■ Fitness ■ Marine ■ Aviation



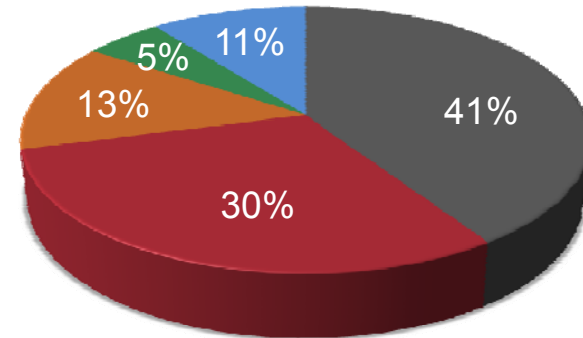
# Q3 Operating Income

Q3 2013 Operating Income



■ Auto/Mobile ■ Outdoor ■ Fitness ■ Marine ■ Aviation

Q3 2012 Operating Income



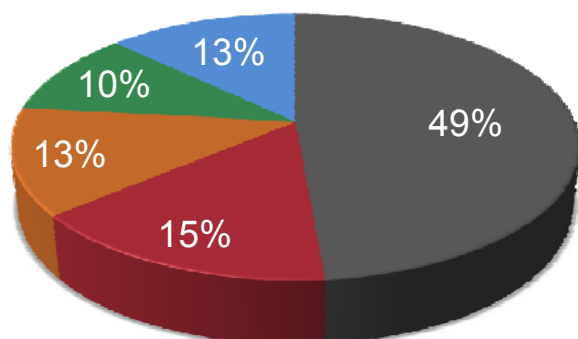
■ Auto/Mobile ■ Outdoor ■ Fitness ■ Marine ■ Aviation

## Margin Review

- Gross margin of 55%; increased from 53% in 2012
  - Auto/mobile increased to 46% primarily due to reduced impact of deferred revenue
  - Fitness and marine declines related to product mix in the quarter and competitive pricing dynamics in the marine electronics industry
- Operating margin of 24%; stable from 2012
  - Driven by increased R&D of \$6M

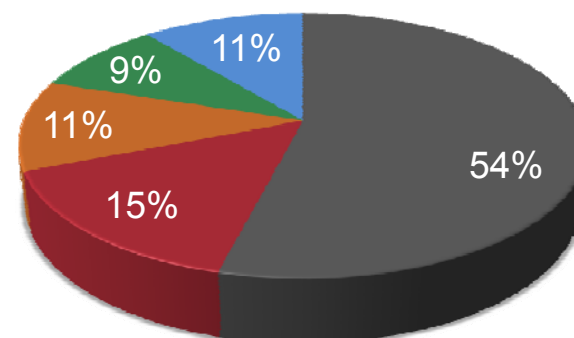
# YTD Revenue & Operating Income

**YTD 2013 Revenue**



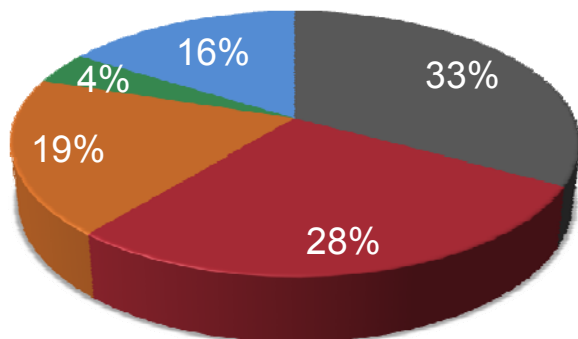
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**YTD 2012 Revenue**



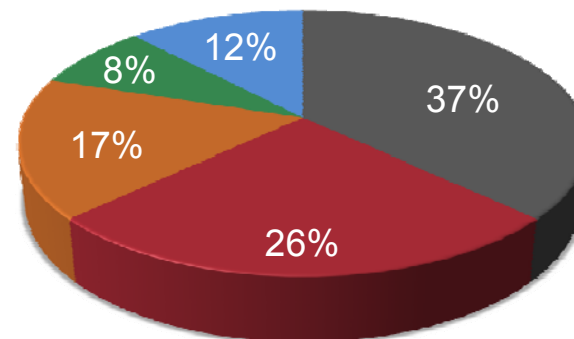
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**YTD 2013 Operating Income**



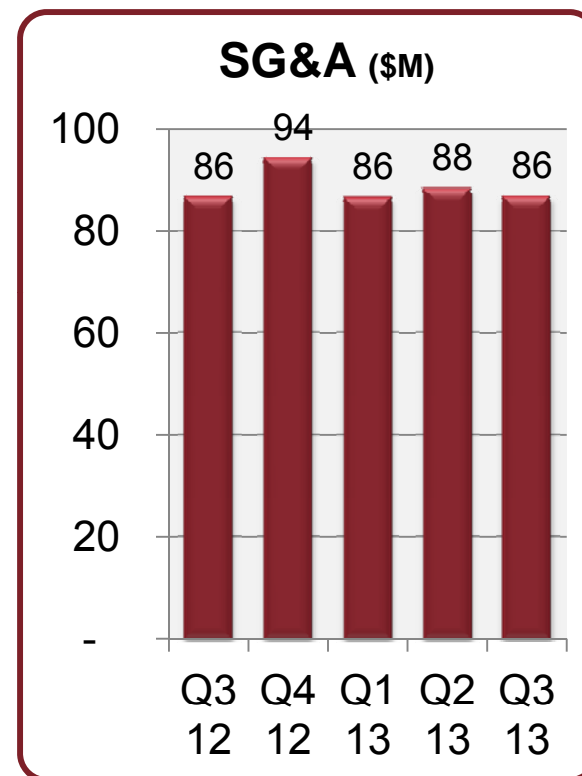
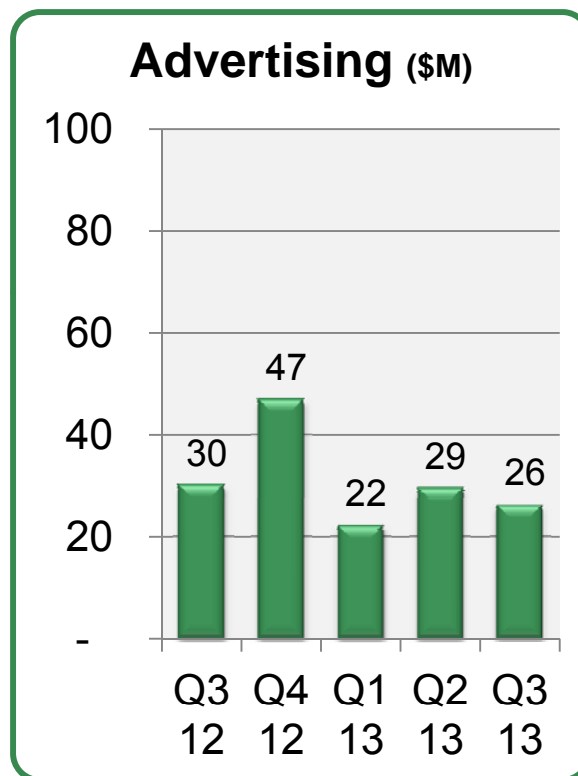
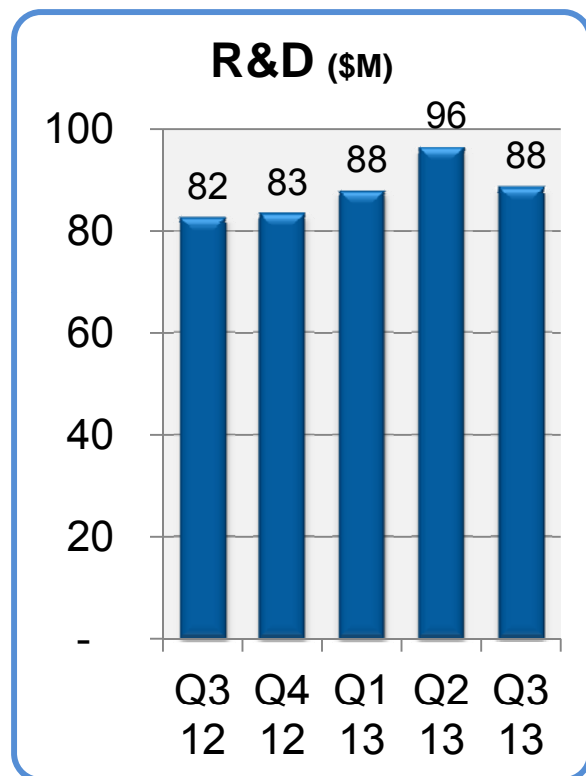
■ Auto/Mobile ■ Outdoor ■ Fitness ■ Marine ■ Aviation

**YTD 2012 Operating Income**



■ Auto/Mobile ■ Outdoor ■ Fitness ■ Marine ■ Aviation

# Operating Expenses



# Balance Sheet/Cash Flow

## **Balance Sheet**

- Ended quarter with almost \$2.8 billion of cash and marketable securities
- Accounts receivable decreased sequentially along with the sales decline
- Inventory balance increased on a sequential basis as we prepare for the stronger holiday season

## **Cash Flow**

- Continued strong cash flow with \$217 million of operating cash and \$205 million of free cash flow in the quarter
- Paid Sept 2013 dividend after close of fiscal quarter
- Repurchased \$14 million in company stock; repurchase authorization remains in effect and management intends to repurchase shares from time to time as conditions warrant

# Taxes / Guidance

## Taxes

- Pro forma tax rate was 15.7% for Q3 2013 compared to 13.7% in Q3 2012
  - Unfavorable income mix by geographic region
  - Reduced Taiwan tax incentives
- Actual Tax rate for Q3 2013 was (16.7%). We booked a \$52M net income tax reserve release due to statute of limitations expirations.
- Full year pro forma 2013 tax rate now expected at 16% compared to 13.1% in 2012

## Guidance

- Pro forma EPS of \$2.40 - \$2.45
- Anticipate that automotive/mobile will be less than 50% of total revenue in 2013



# **Appendix**

## **October 30, 2013**

# Pro Forma Net Income

**Garmin Ltd. And Subsidiaries**  
**Net income per share (Pro Forma)**  
(in thousands, except per share information)

	<b>13-Weeks Ended</b>		<b>39-weeks Ended</b>	
	<b>Sept 28, 2013</b>	<b>Sept 29, 2012</b>	<b>Sept 28, 2013</b>	<b>Sept 29, 2012</b>
Net Income (GAAP)	\$187,669	\$140,348	\$448,827	\$413,109
Foreign currency (gain) / loss, net of tax effects	\$692	\$5,493	(\$15,475)	\$14,184
Income tax benefit due to completion of tax audits and/or expiration of statutes	(\$52,180)	-	(\$68,716)	-
<b>Net income (Pro Forma)</b>	<b>\$136,181</b>	<b>\$145,841</b>	<b>\$364,636</b>	<b>\$427,293</b>
Net income per share (GAAP):				
Basic	\$0.96	\$0.72	\$2.30	\$2.12
Diluted	\$0.96	\$0.72	\$2.29	\$2.11
Net income per share (Pro Forma):				
Basic	\$0.70	\$0.75	\$1.87	\$2.19
Diluted	\$0.69	\$0.74	\$1.86	\$2.18
Weighted average common shares outstanding:				
Basic	195,325	194,912	195,488	194,834
Diluted	196,384	196,161	196,372	196,171

# Free Cash Flow

**Garmin Ltd. And Subsidiaries**  
**Free Cash Flow**  
**(in thousands)**

	<b>13-Weeks Ended</b>		<b>39-weeks Ended</b>	
	<b>Sept 28, 2013</b>	<b>Sept 29, 2012</b>	<b>Sept 28, 2013</b>	<b>Sept 29, 2012</b>
Net cash provided by operating activities	\$216,610	\$164,901	\$480,271	\$510,034
Less: purchases of property and equipment	(\$11,602)	(\$9,455)	(\$41,325)	(\$26,881)
Free Cash Flow	<u>\$205,008</u>	<u>\$155,446</u>	<u>\$438,946</u>	<u>\$483,153</u>