



# Q4 2011 Earnings Call Webcast

## February 22, 2012



# 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 COO**

# 4<sup>th</sup> Quarter Financial Highlights

**Revenue growth in all segments, as well as consolidated operating income and EPS growth**

- Consolidated revenue of \$910 million, up 9%
- Gross margin improved to 47.7%
- Pro forma EPS of \$0.96, up 16%
- Traditional market segments contributed 61% of total operating income
- Sold 6.1 million units, flat to 2010
- Generated \$213 million of free cash flow

# 2011 Financial Highlights

**Full year revenue growth as we further diversified into new product categories and geographies**

- Consolidated revenue of almost \$2.8 billion, up 3%
- Traditional market segments grew 14% and contributed 71% of total operating income
- Sold over 15.8 million units
- EMEA revenue growth of 19% with strong market share gains in PND
- Generated \$784 million of free cash flow

## 2011 Highlights

- Full year revenue growth of 12%
- Market share gains across the product portfolio including OEM and fishfinders
- Expanded product portfolio with sonar and autopilot solutions to target sailing and the large boat market
- Accelerated R&D investment to support future growth





## 2012 Outlook

- Revenue growth of 5-10%
- Grow OEM market share targeting mid and large size boats
- Significant investment in R&D

## Long-Term Strategic Initiatives

- Volvo Penta strategic alliance
- Expand presence in inland market
- Interphase acquisition



## 2011 Highlights

- Full year revenue growth of 9%
- Named cockpit provider for the Cessna M2 (G3000 in 2013) and Cessna Latitude (G5000 in 2015)
- Helicopter OEM win with Bell
- Introduced the GTN 650/750 – 1<sup>st</sup> touchscreen-based navigation and communication system for business and general aviation aircraft





## 2012 Outlook

- Revenue growth of 5-10%
- OEM market to remain relatively flat
- Growth in the retrofit market

## Long-Term Strategic Initiatives

- Continued development of integrated flight decks for business jets
- Retrofit opportunities for our integrated cockpit systems
- Expansion of market share in the helicopter market; recently introduced G5000H
- FAA's NextGen transformation of the National Airspace System (NAS)



## 2011 Highlights

- Full year revenue growth of 14%
- Expanded our reach in the dog market through the acquisition of Tri-Tronics
- Achieved significant market share gain in the golf category
- Introduced the Montana for high-end customers while also refreshing our entry-level eTrex – catering to all segments of the market



## 2012 Outlook

- Revenue growth of 5-10%
- Leverage Tri-Tronics dog training technology
- Expansion of golf product distribution and market share



## Long-Term Strategic Initiatives

- Identify adjacent markets
- Deliver superior technologies and focus on compelling form factors and content



## 2011 Highlights

- Full year revenue growth of 24%
- Market share leader in GPS-enabled fitness
- New Forerunner 610 with innovative touch screen interface
- Expanded our reach in the cycling market with the Edge 200 – a value-priced cycling computer

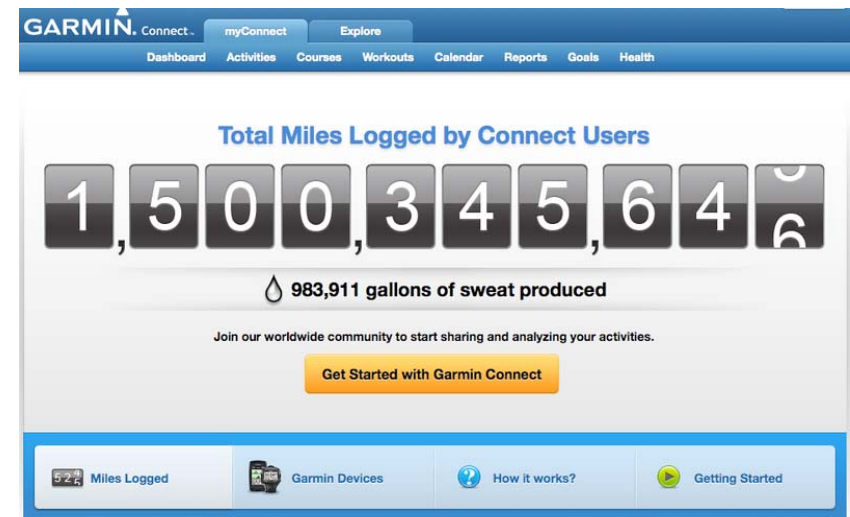
## 2012 Outlook

- Revenue growth of 20-25%
- Expand our reach in the cycling market with the Vector power meter
- Further penetration of fitness markets with innovative products serving multiple market segments ranging from recreational participants to high-performance athletes



## Long-Term Strategic Initiatives

- Utilize our unique asset base including devices, connectivity, measurement sensors and web portal to expand leadership in GPS-enabled fitness and wellness
- Leverage Garmin Connect to compliment our capabilities and build community amongst users
- Increase share in the cycling market
- Capitalize on profitable wellness-focused opportunities





# Automotive / Mobile

## 2011 Highlights



- Maintained strong profitability with normalized operating margin of 17%
- Market share growing globally with 60+% in North America and approximately 28% in EMEA
- Launched a simplified product lineup designed for every budget and lifestyle with Essential, Advanced and Prestige categories
- Acquired Navigon – OEM customers and technology base, PND market share in Europe, and mobile applications

# Automotive OEM



## 2011 Highlights

- Won J.D. Power and Associates award for Highest Customer Satisfaction with Factory-Installed Navigation for the 2011 Dodge Charger
- Selected as the exclusive navigation provider for the Volkswagen UP
- Extended relationship with Suzuki providing connected navigation in the 2012 Grand Vitara and SX4



# Automotive / Mobile

## 2012 Outlook



- Revenue decline of 7-10%
- Continued investment in auto OEM to generate growth
- Profitable market share growth in EMEA and emerging markets
- Opportunities in mobile applications

## Long-Term Strategic Initiatives



- Opportunities in auto OEM as navigation becomes an integral part of the dashboard
- Maintain PND market leadership while maximizing profitability

# 2012 Guidance

	2012
Revenue *	\$2.7 - \$2.8 B
Gross Margin	49 - 50%
Operating Income	\$520 - \$540 M
Operating Margin	19 – 20%
Tax Rate	13%
EPS (Pro Forma)	\$2.45 - \$2.60

\* Assumes EUR/USD FX rate of 1.30 in 2012

## Strong Q4 Results

- Growth in every segment
- Revenue at or above 2011 levels in every geography
- Growth in operating income and pro forma EPS

## Solid FY Results

- Market share gains
- Desirable new products
- Growing markets

## Looking Ahead

- Improving economic conditions
- Significant opportunities in every segment
- Positioned to serve with new products



## **Financial Update**

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

# Q4 Income Statement

(\$ Millions)	Q4 2011	Q4 2010	Change
<b>Revenue</b>	<b>\$910</b>	<b>\$838</b>	<b>9%</b>
Gross Profit	434	380	14%
<b>Gross Margin %</b>	<b>47.7%</b>	<b>45.3%</b>	<b>240 bps</b>
Advertising	56	44	27%
SG&A	93	79	18%
R&D	85	72	18%
Total Operating Expense	234	195	20%
Operating Income	200	185	8%
<b>Operating Margin %</b>	<b>22.0%</b>	<b>22.0%</b>	<b>No change</b>
Other Income/(Expense)	(15)	28	NA
Income Tax	20	24	(17%)
<b>Net Income (GAAP)</b>	<b>166</b>	<b>133</b>	<b>25%</b>
<b>Net Income (Pro-Forma)</b>	<b>188</b>	<b>162</b>	<b>16%</b>
EPS (GAAP)	\$0.85	\$0.68	25%
EPS Pro-Forma (excl. FX / tax)	\$0.96	\$0.83	16%
Units Shipped (k)	6,072	6,084	0%

# 2011 Income Statement

(\$ Millions)	2011	2010	Change
<b>Revenue</b>	<b>\$2,759</b>	<b>\$2,690</b>	<b>3%</b>
Gross Profit	1,339	1,346	(1%)
<b>Gross Margin %</b>	<b>48.5%</b>	<b>50.0%</b>	<b>(150 bps)</b>
Advertising	145	145	NC
SG&A	341	288	19%
R&D	299	277	8%
Total Operating Expense	785	710	11%
Operating Income	554	637	(13%)
<b>Operating Margin %</b>	<b>20.1%</b>	<b>23.7%</b>	<b>(360 bps)</b>
Other Income/(Expense)	30	(59)	N/A
Income Tax/(Credit)	63	(7)	N/A
<b>Net Income (GAAP)</b>	<b>521</b>	<b>585</b>	<b>(11%)</b>
<b>Net Income (Pro-Forma)</b>	<b>532</b>	<b>560</b>	<b>(5%)</b>
EPS (GAAP)	\$2.67	\$2.95	(9%)
Pro-Forma EPS (excl. FX / tax)	\$2.73	\$2.83	(4%)
Units Shipped (k)	15,805	16,036	(1%)

# Pro Forma Net Income

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

	<u>14-Weeks Ended</u>	<u>13-Weeks Ended</u>	<u>53-Weeks Ended</u>	<u>52-Weeks Ended</u>
	<u>December 31,</u>	<u>December 25,</u>	<u>December 31,</u>	<u>December 25,</u>
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Net Income (GAAP)	\$165,556	\$132,907	\$520,896	\$584,603
Foreign currency (gain) / loss, net of normalized	\$21,930	\$28,687	\$10,790	\$74,383
One-time tax adjustment	-	-	-	(\$98,737)
Net income (Pro Forma)	<u>\$187,486</u>	<u>\$161,594</u>	<u>\$531,686</u>	<u>\$560,249</u>
Net income per share (GAAP):				
Basic	\$0.85	\$0.68	\$2.68	\$2.97
Diluted	\$0.85	\$0.68	\$2.67	\$2.95
Net income per share (Pro Forma):				
Basic	\$0.96	\$0.83	\$2.74	\$2.84
Diluted	\$0.96	\$0.83	\$2.73	\$2.83
Weighted average common shares outstanding:				
Basic	194,319	194,043	194,105	196,979
Diluted	195,100	194,858	194,894	198,009

Note: Tax effects are based on respective periods' effective tax rate.



# Deferred Revenue/Cost Impact

Effect of revenue and cost deferrals on: *	Q4 2011	Q4 2010	FY 2011	FY 2010
Sales (\$M)	(\$72)	(\$65)	(\$179)	(\$131)
Operating Income (\$M)	(\$57)	(\$43)	(\$143)	(\$100)
Net Income (\$M)	(\$51)	(\$37)	(\$128)	(\$84)
Diluted EPS	(\$0.26)	(\$0.19)	(\$0.66)	(\$0.42)

\* All figures are net of current year amortization

# Revenue by Segment

(\$ Millions)	Q4 2011	Q4 2010	Change
Auto / Mobile	\$579	\$559	4%
Outdoor	121	90	35%
Fitness	95	81	17%
Marine	43	37	16%
Aviation	72	71	1%
<b>Total Revenue</b>	<b>\$910</b>	<b>\$838</b>	<b>9%</b>

(\$ Millions)	2011	2010	Change
Auto / Mobile	\$1,591	\$1,669	(5%)
Outdoor	363	319	14%
Fitness	298	240	24%
Marine	222	199	12%
Aviation	285	263	9%
<b>Total Revenue</b>	<b>\$2,759</b>	<b>\$2,690</b>	<b>3%</b>

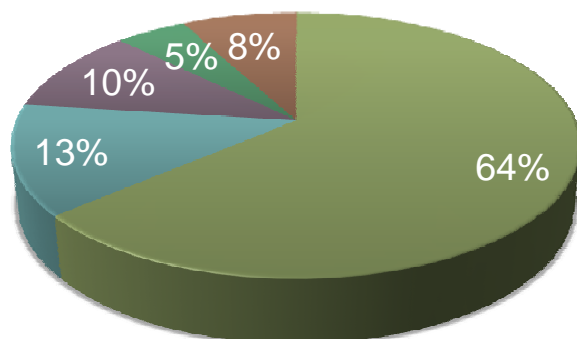
# Revenue by Geography

(\$ Millions)	Q4 2011	Q4 2010	Change
Americas	\$537	\$537	0%
EMEA	301	235	28%
APAC	72	66	9%
<b>Total Revenue</b>	<b>\$910</b>	<b>\$838</b>	<b>9%</b>

(\$ Millions)	2011	2010	Change
Americas	\$1,528	\$1,647	(7%)
EMEA	983	823	19%
APAC	248	220	13%
<b>Total Revenue</b>	<b>\$2,759</b>	<b>\$2,690</b>	<b>3%</b>

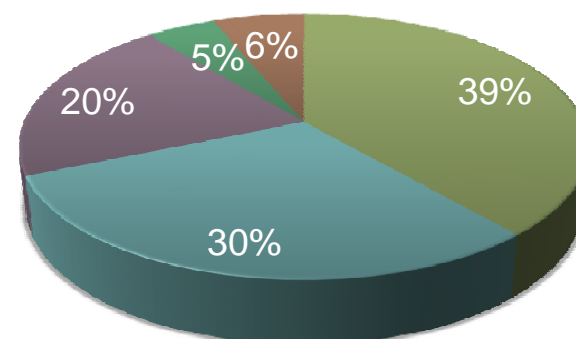
# Q4 Revenue & Operating Income

## Q4 2011 Revenue



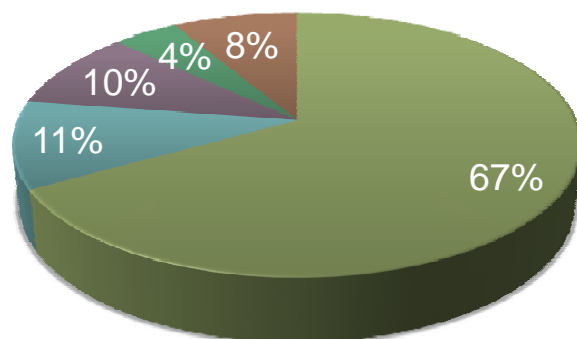
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## Q4 2011 Operating Income



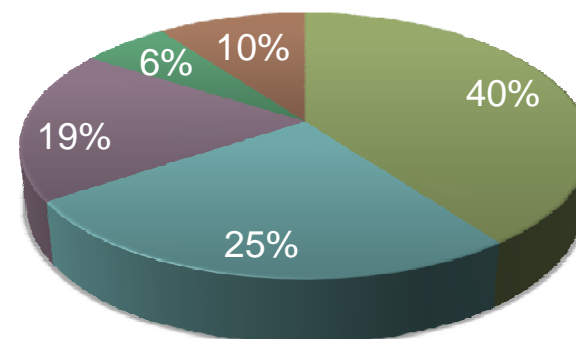
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## Q4 2010 Revenue



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

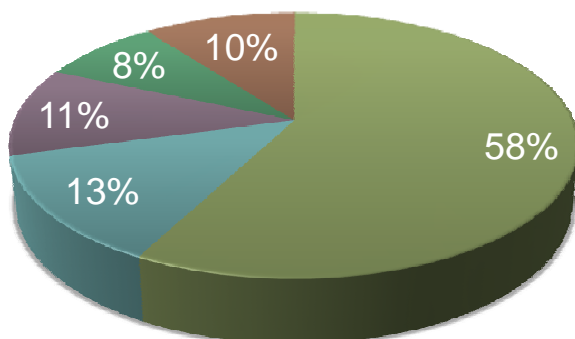
## Q4 2010 Operating Income



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

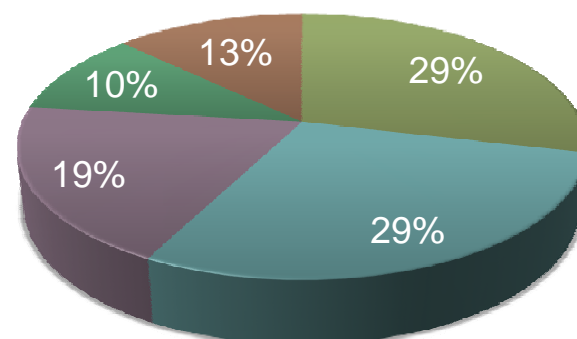
# 2011 Revenue & Operating Income

**FY 2011 Revenue**



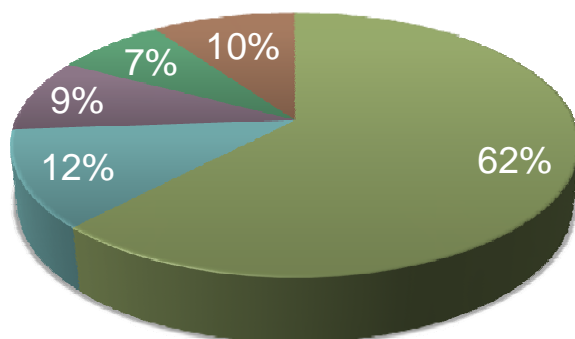
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**FY 2011 Operating Income**



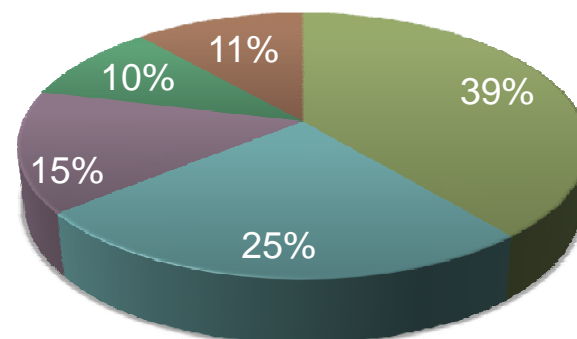
■ Auto/Mobile ■ Outdoor ■ Fitness ■ Marine ■ Aviation

**FY 2010 Revenue**



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

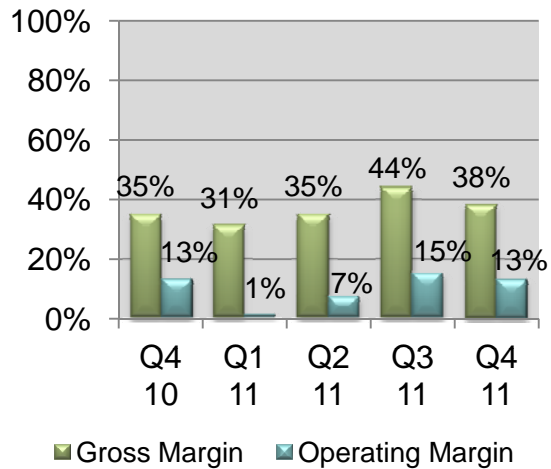
**FY 2010 Operating Income**



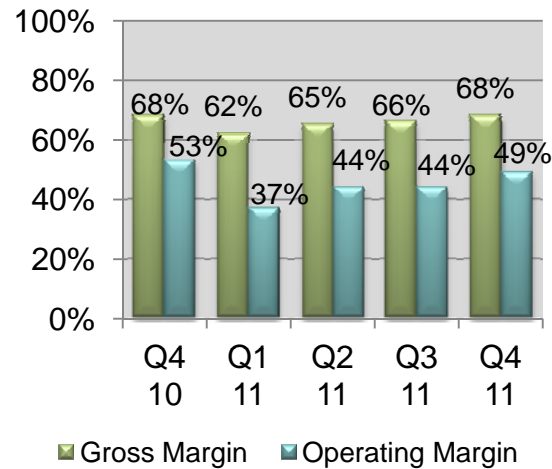
■ Auto/Mobile ■ Outdoor ■ Fitness ■ Marine ■ Aviation

# Margin by Segment

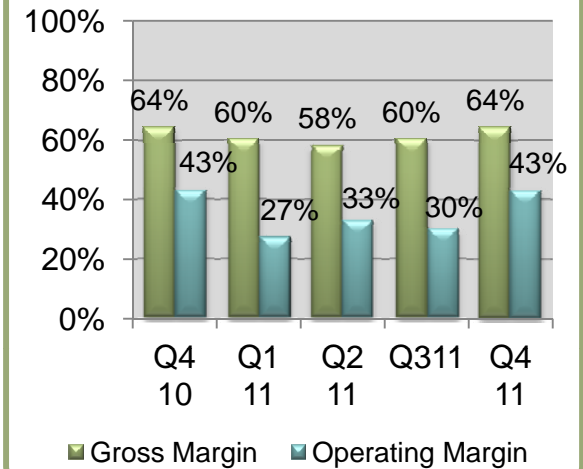
## Auto / Mobile



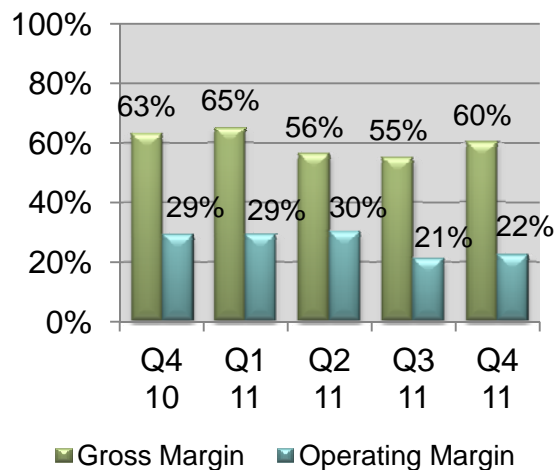
## Outdoor



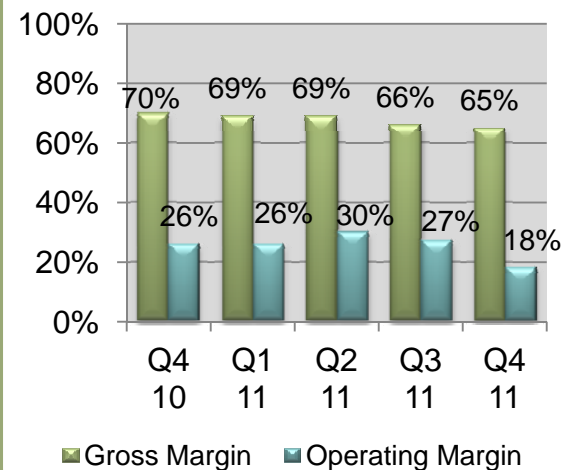
## Fitness



## Marine



## Aviation



# 2011 Balance Sheet

(\$ Millions)	FY 2010	Q1 2011	Q2 2011	Q3 2011	Q4 2011
<b>Cash &amp; Marketable Securities</b>	<b>2,064</b>	<b>2,281</b>	<b>2,500</b>	<b>2,446</b>	<b>2,496</b>
Accounts Receivable	747	435	493	519	607
Inventory	388	411	386	461	398
Deferred Income Taxes	107	107	101	100	150
Prepaid Assets	25	38	43	53	69
Property, Plant & Equipment	428	427	424	423	417
Other Assets / Goodwill	230	239	249	333	334
<b>Total Assets</b>	<b>3,989</b>	<b>3,938</b>	<b>4,196</b>	<b>4,335</b>	<b>4,471</b>
Accounts Payable	132	119	126	183	164
Other Accrued Liabilities	483	213	251	336	344
Income Taxes Payable	210	177	169	186	240
Dividend Payable	0	0	388	233	78
Deferred Revenue	198	220	281	312	377
Deferred Income Taxes	12	15	18	17	11
<b>Shareholders Equity</b>	<b>3,050</b>	<b>3,193</b>	<b>2,963</b>	<b>3,068</b>	<b>3,257</b>
<b>Total Liabilities / Equity</b>	<b>4,085</b>	<b>3,937</b>	<b>4,196</b>	<b>4,335</b>	<b>4,471</b>



# Cash Flow

(\$ Millions)	FY 2010	Q1 2011	Q2 2011	Q3 2011	Q4 2011	2011
<b>Net Income</b>	<b>585</b>	<b>95</b>	<b>109</b>	<b>150</b>	<b>166</b>	<b>520</b>
Depreciation / Amortization	95	22	16	22	34	94
Accounts Receivable	130	327	(62)	(8)	(87)	170
Inventory	(77)	(11)	32	(79)	52	(6)
Accounts Payable	(81)	(18)	4	7	73	66
Deferred Revenue	131	22	62	31	64	179
Income Taxes	52	(17)	(13)	8	43	21
Other Cash from Operations	(64)	(212)	55	55	(120)	(222)
<b>Cash Flow from Operations</b>	<b>771</b>	<b>208</b>	<b>203</b>	<b>186</b>	<b>225</b>	<b>822</b>
Investing Activities	(73)	(275)	0	(50)	(164)	(489)
Financing Activities	(511)	4	2	(153)	(160)	(307)
Exchange Rate Changes	(18)	13	3	(12)	(3)	1
<b>Net Increase / (Decrease) in Cash</b>	<b>169</b>	<b>(50)</b>	<b>208</b>	<b>(29)</b>	<b>(102)</b>	<b>27</b>
Cash at End of Period	1,260	1,210	1,418	1,389	1,287	1,287
Marketable Securities	804	1,070	1,082	1,057	1,209	1,209
<b>Total Cash and Marketable Securities</b>	<b>2,064</b>	<b>2,280</b>	<b>2,500</b>	<b>2,446</b>	<b>2,496</b>	<b>2,496</b>

# Uses of Cash, Taxes

## Uses of Cash

- Expect continued strong free cash flow generation in 2012
- Dividend of \$0.40 per share to be paid at close of March; seeking shareholder approval for \$0.45 per share quarterly dividend beginning in June 2012
- Continued focus on acquisitions with additional niche markets and tuck-in technologies under evaluation

## Taxes

- Tax rate was 10.8% for 2011. We expect the rate to be approximately 13% in 2012.

# 2012 Guidance

	2012
Revenue *	\$2.7 - \$2.8 B
Gross Margin	49 - 50%
Operating Income	\$520 - \$540 M
Operating Margin	19 – 20%
Tax Rate	13%
EPS (Pro Forma)	\$2.45 - \$2.60

\* Assumes EUR/USD FX rate of 1.30 in 2012

Segment Revenue	Growth
Auto / Mobile	(7% - 10%)
Outdoor	5% - 10%
Fitness	20% - 25%
Marine	5% - 10%
Aviation	5% - 10%

# Q4 2011 Earnings Call Webcast

## February 22, 2012



**GARMIN.**