



**GARMIN.**

## Q4 2013 Earnings Call Webcast

February 19, 2014



# 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**

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

**Strong revenue and margin performance leading to pro forma EPS growth**

- Outdoor, fitness, aviation and marine segments combined grew 14% and contributed 50% of total revenue
- Gross and operating margin of 52% and 23%, respectively
- Operating expenses decreased 1% though R&D investment continued to grow
- Operating income growth in all segments
- Free cash flow of \$135 million

# 2013 Financial Review

## **Record annual revenues in our growth segments of outdoor, fitness, aviation and marine**

- Consolidated revenue of over \$2.6 billion, down 3%
- Gross and operating margins stable at 53% and 22%, respectively
- Outdoor, fitness, aviation and marine segments combined contributed 51% and 67% of total revenue and operating income, respectively
- Generated \$574 million of free cash flow

# Outdoor

## 2013 Business Review

- Revenue growth of 2%
- Gross and operating margins remained strong at 64% and 39%, respectively
- Entered the action camera market with VIRB and VIRB Elite



## 2014 Outlook

- Revenue growth of 10 – 15%
- Grow market share in key growth categories including action cameras, golf and pet technologies



# Outdoor

## **Long-term Strategic Initiatives**

- Continue to identify adjacent markets and leverage the strength of the Garmin brand to expand our addressable market
- Innovate in the action camera market to drive market share gains
- Deliver superior technologies through compelling form factors and content
- Embrace mobile platforms to expand the essential nature of our products



# Fitness

## 2013 Business Review

- Revenue growth of 11%
- Running and cycling contributed to growth
- Gross and operating margin of 63% and 34%, respectively

## 2014 Outlook

- Revenue growth of 10 – 15%
- Announced and launched vívofit and vívokí
- Capitalize on new product introductions to further penetrate running, cycling and multi-sport categories

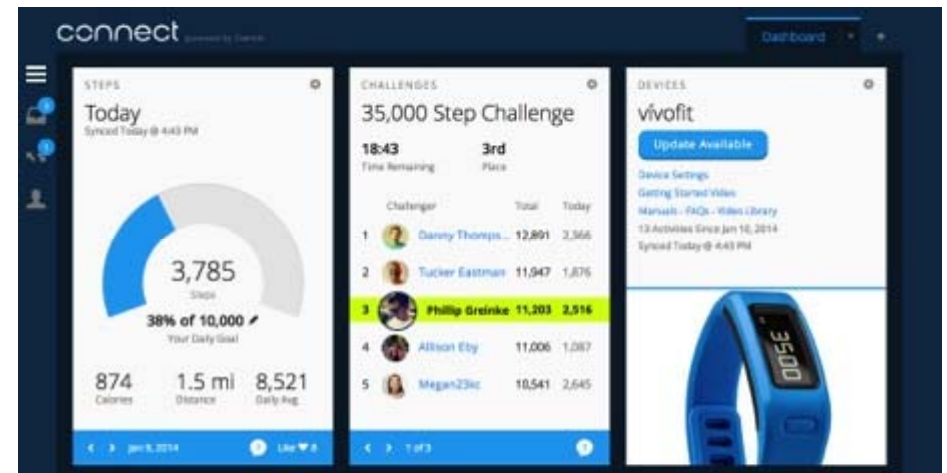




# Fitness

## Long-term Strategic Initiatives

- Build innovative next-generation running and cycling products to drive deeper penetration and strong replacement demand
- Leverage connectivity capabilities and the newly designed Garmin Connect to build community and social networking amongst users
- Gain share in the activity monitor market with industry leading utility and form factors



# Aviation



## 2013 Business Review

- Full year revenue growth of 16%
- Operating income growth of 20% with gross and operating margin improvement
- First Part 25 certifications with Cessna and Bombardier

## 2014 Outlook

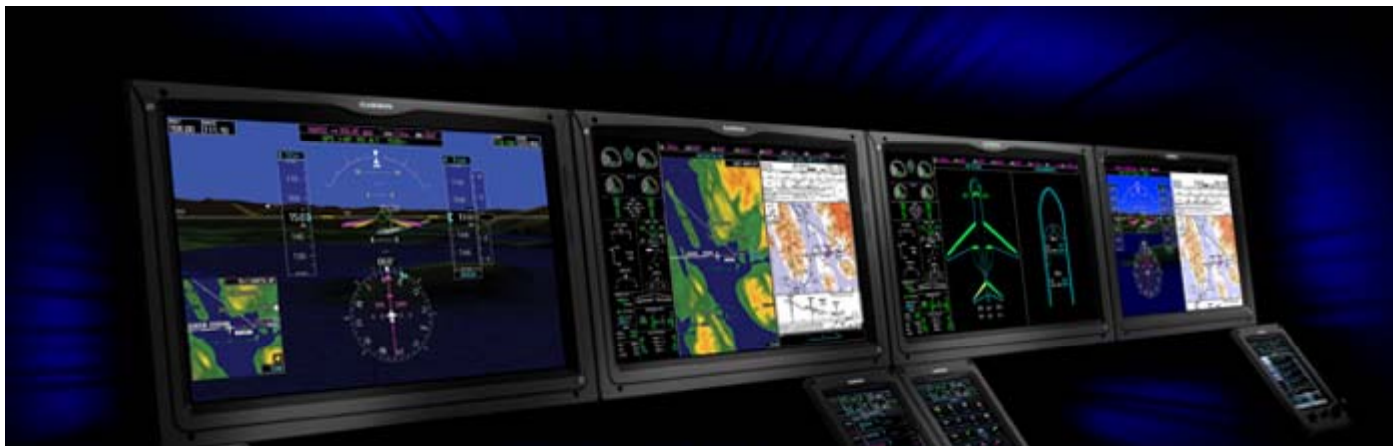
- Revenue growth of 10 – 15%
- Supporting our numerous OEM partners in the completion of aircraft certifications and system enhancements
- Capitalize on market share gains and aftermarket opportunities

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# Aviation

## **Long-term Strategic Initiatives**

- Continued development of integrated flight decks for business jets and helicopters
- Identify aftermarket and military opportunities
- Develop unique technologies to address gaps in our product portfolio
- Capitalize on FAA's NextGen transformation of the National Airspace System (NAS)





# Marine

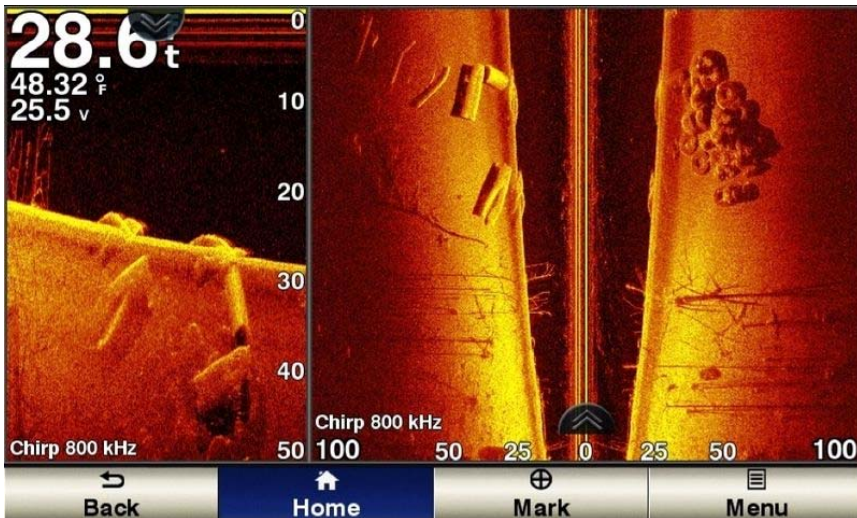


## 2013 Business Review

- Revenue growth of 7% as results improved in the second half with new product introductions
- Competitive pricing and product mix pressuring profitability

## 2014 Outlook

- Revenue growth of 10 – 15%
- 2014 product portfolio delivered early in the marine season creating market share and profitability improvement opportunities



# Marine



## Long-term Strategic Outlook

- Expand our participation in the fishing market with enhanced sonar and cartography
- Expand our participation in the sailing market
- Grow our OEM position by supplying new systems of plotters, sonar, radar, and autopilots
- Innovate with new products and categories



# Automotive/Mobile

## 2013 Business Review

- Revenue decline of 13% as PND industry declines were partially offset by market share gains, growth in OEM and mobile, and positive contributions from previously deferred revenues
- Strong gross and operating margins
- Announced OEM relationship with Mercedes

## 2014 Outlook

- Revenue decline of 10 – 15%
- Maintain PND market leadership while maximizing profitability through stable pricing and niche opportunities
- Continued investment in auto OEM as the market for infotainment and navigation expands



# Automotive/Mobile

## Long-term Strategic Initiatives

- Balanced approach to OEM segment growth based on strategic software partnerships (Mercedes) combined with full infotainment hardware applications (Suzuki)
- Identify opportunities to advance the in-vehicle experience (dash cams, HUD)
- Continue to manage segment profitability while PND volumes decline
- Capitalize on niche navigation opportunities in motorcycle, fleet management, trucking, and RV



# 2014 Guidance

	<b>2014 Guidance</b>
Revenue *	\$2.6 - \$2.7 B
Gross Margin	54 - 55%
Operating Income	\$530 - \$565 M
Operating Margin	~21%
Tax Rate	17%
EPS (Pro Forma)	\$2.50 - \$2.60
Free Cash Flow	\$550 -\$600 M

\* Assumes EUR/USD FX rate of 1.35 in 2014



# **Financial Update**

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

# Q4 Income Statement

(\$ Millions)	Q4 2013 Actual	Q4 2012 Actual	Change
<b>Revenue</b>	<b>\$760</b>	<b>\$769</b>	<b>(1%)</b>
Gross Profit	395	374	6%
<b>Gross Margin %</b>	<b>52%</b>	<b>49%</b>	<b>330 bps</b>
Advertising	35	47	(25%)
SG&A	95	94	1%
R&D	93	83	11%
Total Operating Expense	222	224	(1%)
Operating Income	172	150	15%
<b>Operating Margin %</b>	<b>23%</b>	<b>19%</b>	<b>320 bps</b>
Other Income/(Expense)	32	5	
Income Tax	41	26	
<b>Net Income (GAAP)</b>	<b>164</b>	<b>129</b>	<b>27%</b>
<b>Net Income Pro-Forma (excl. FX and taxes)</b>	<b>150</b>	<b>133</b>	<b>13%</b>
<b>EPS (GAAP)</b>	<b>\$0.83</b>	<b>\$0.66</b>	<b>26%</b>
<b>EPS Pro-Forma (excl. FX and Taxes)</b>	<b>\$0.76</b>	<b>\$0.68</b>	<b>12%</b>
Units Shipped (K)	4,489	5,048	(11%)

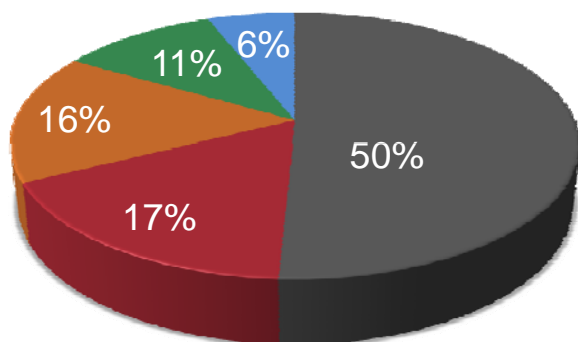
# 2013 Income Statement

(\$ Millions)	FY 2013	FY 2012	Change
<b>Revenue</b>	<b>\$2,632</b>	<b>\$2,716</b>	<b>(3%)</b>
Gross Profit	1,407	1,438	<b>(2%)</b>
<b>Gross Margin %</b>	<b>53%</b>	<b>53%</b>	<b>50 bps</b>
Advertising	113	139	<b>(19%)</b>
SG&A	355	370	<b>(4%)</b>
R&D	365	326	12%
Total Operating Expense	833	834	<b>(%)</b>
Operating Income	574	604	<b>(5%)</b>
<b>Operating Margin %</b>	<b>22%</b>	<b>22%</b>	<b>(40) bps</b>
Other Income/(Expense)	80	20	
Income Tax	41	82	
<b>Net Income (GAAP)</b>	<b>612</b>	<b>542</b>	<b>13%</b>
<b>Net Income Pro-Forma (excl. FX and Taxes)</b>	<b>514</b>	<b>560</b>	<b>(8%)</b>
<b>EPS (GAAP)</b>	<b>\$3.12</b>	<b>\$2.76</b>	<b>13%</b>
<b>EPS Pro-Forma (excl. FX and Taxes)</b>	<b>\$2.62</b>	<b>\$2.85</b>	<b>(8%)</b>
Units Shipped (K)	13,867	15,367	<b>(10%)</b>

# Q4 Revenue

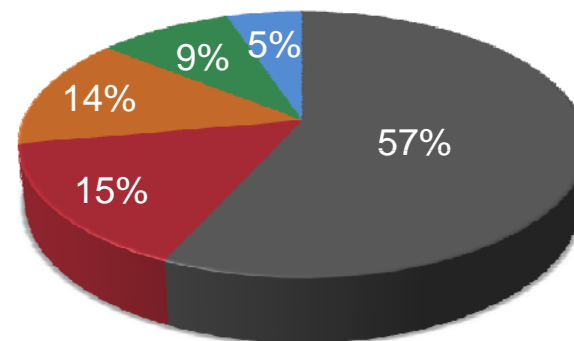
Revenue by Segment			
(\$ M)	Q4 2013	Q4 2012	Change
Auto / Mobile	\$382	\$436	(12%)
Outdoor	\$127	\$119	7%
Fitness	\$119	\$104	14%
Aviation	\$87	\$70	25%
Marine	\$45	\$40	13%
<b>Total</b>	<b>\$760</b>	<b>\$769</b>	<b>(1%)</b>

Q4 2013 Revenue



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

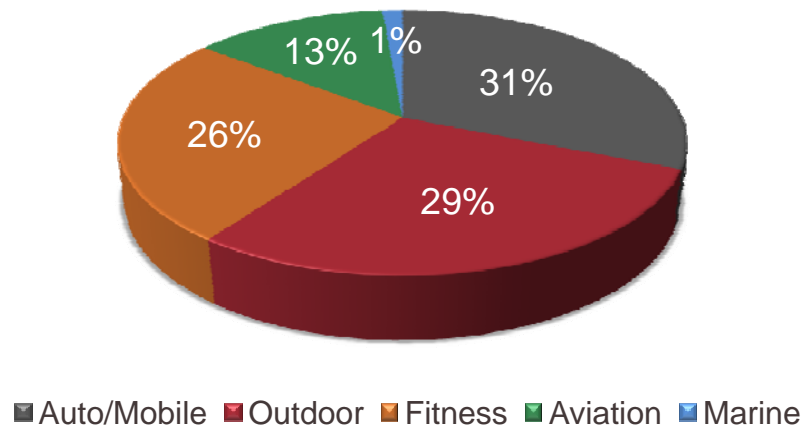
Q4 2012 Revenue



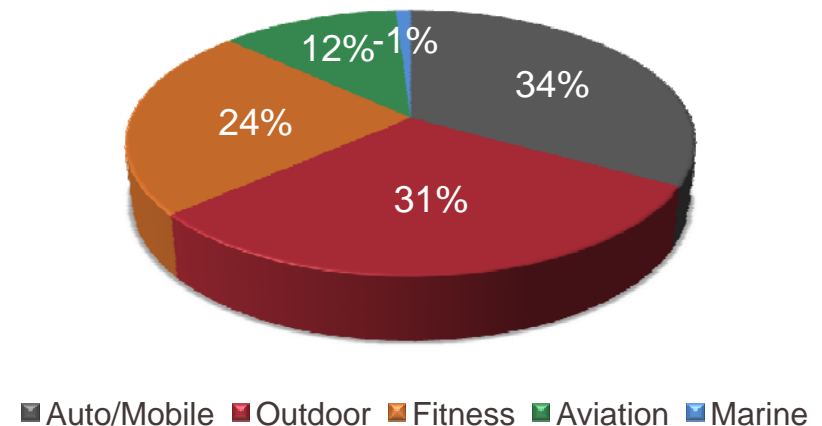
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# Q4 Operating Income

Q4 2013 Operating Income



Q4 2012 Operating Income

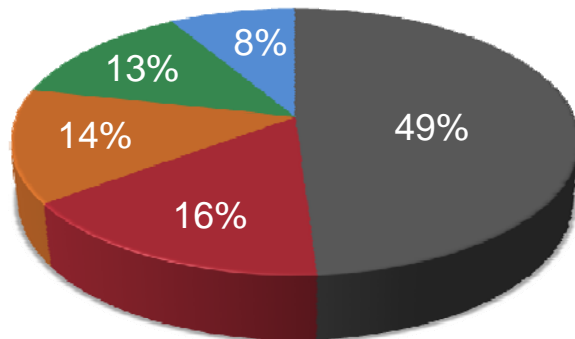


## Margin Review

- Gross margin of 52% in Q4 2013 - improvement from 49% in Q4 2012 - due to segment mix and improving gross margins in all segments excluding outdoor
- New products contributing in fitness and marine; reduced deferred revenue impact contributing in auto/mobile
- Operating margin improved from 19% to 23% driven primarily by the gross margin improvement

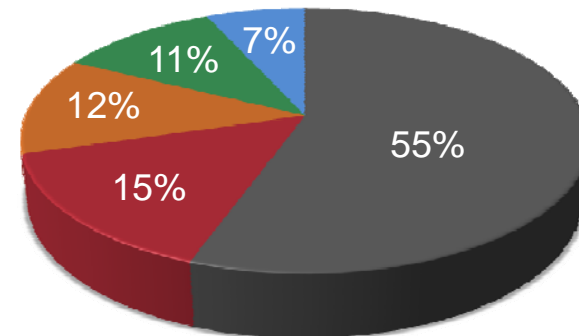
# FY Revenue & Operating Income

**FY 2013 Revenue**



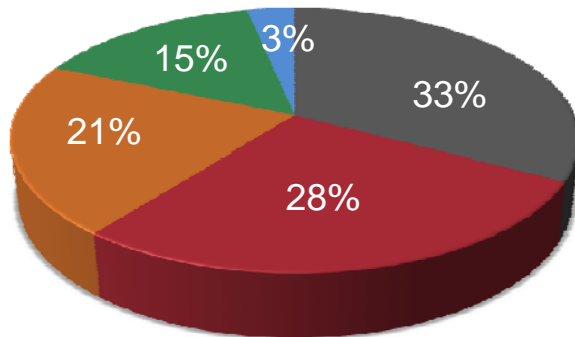
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**FY 2012 Revenue**



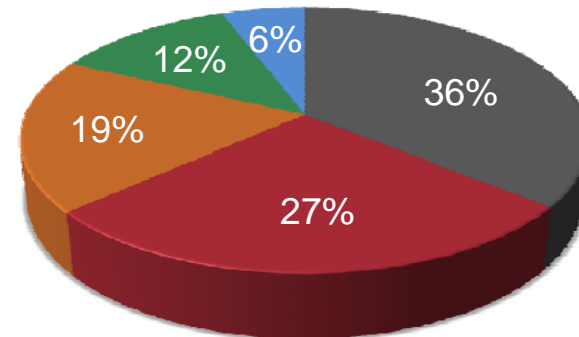
■ Auto/Mobile ■ Outdoor ■ Fitness ■ Aviation ■ Marine

**FY 2013 Operating Income**



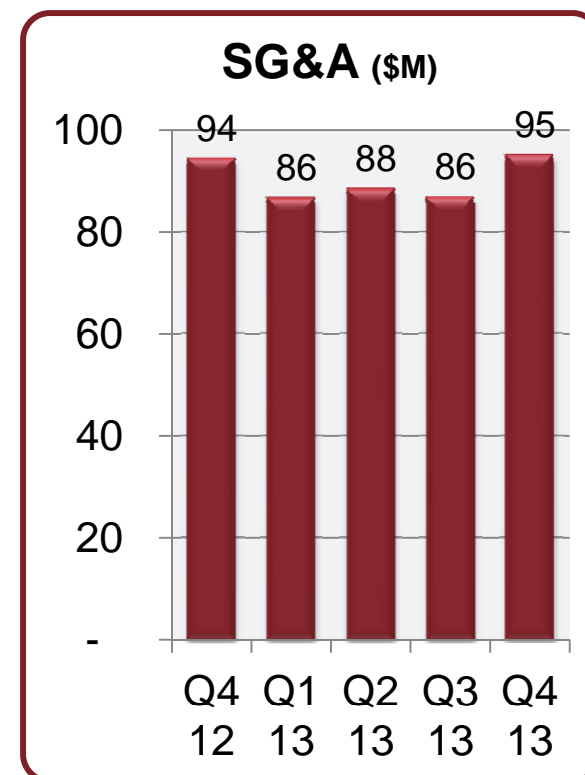
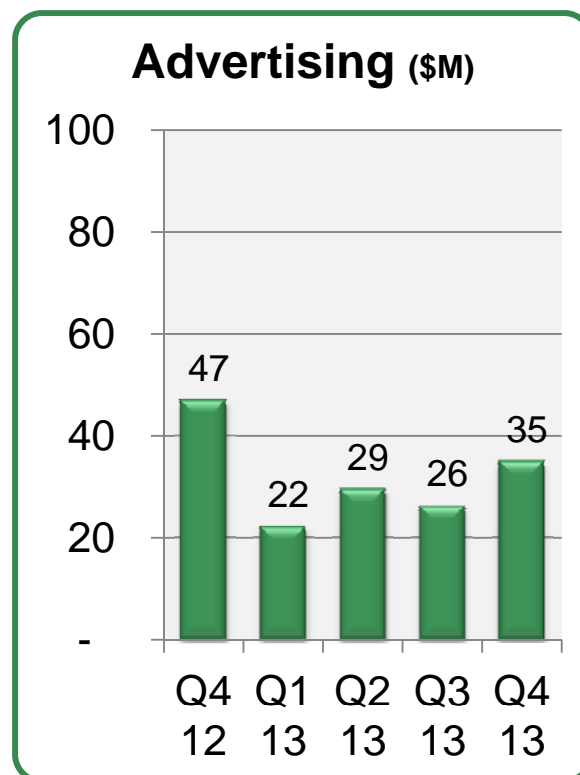
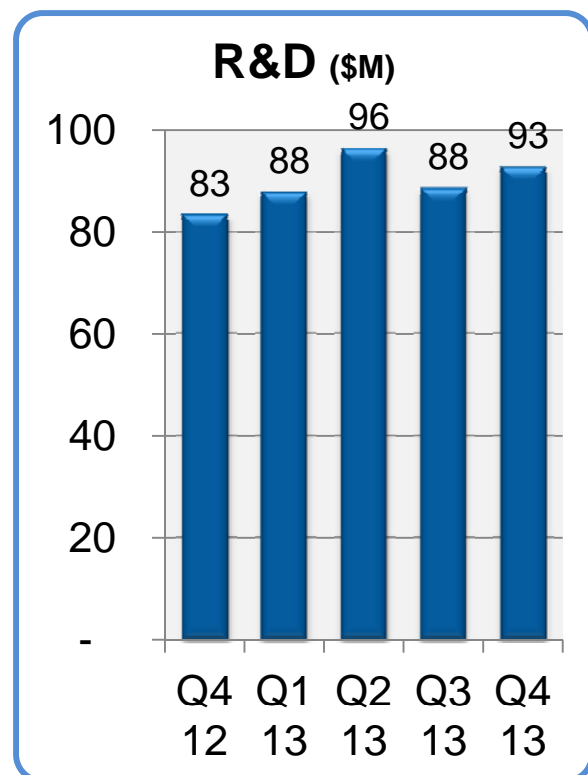
■ Auto/Mobile ■ Outdoor ■ Fitness ■ Aviation ■ Marine

**FY 2012 Operating Income**



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

# Q4 Operating Expenses



# Balance Sheet/Cash Flow

## **Balance Sheet**

- Ended quarter with over \$2.8 billion of cash and marketable securities
- Accounts receivable increased sequentially in the holiday quarter but declined from the prior year
- Inventory balance decreased on a sequential and year-over-year basis

## **Cash Flow**

- Continued strong cash flow with \$150 million of operating cash and \$135 million of free cash flow in the quarter
- Repurchased \$31 million in company stock; repurchase authorization remains in effect and management intends to repurchase shares in 2014



# Taxes / Dividends

## **Taxes**

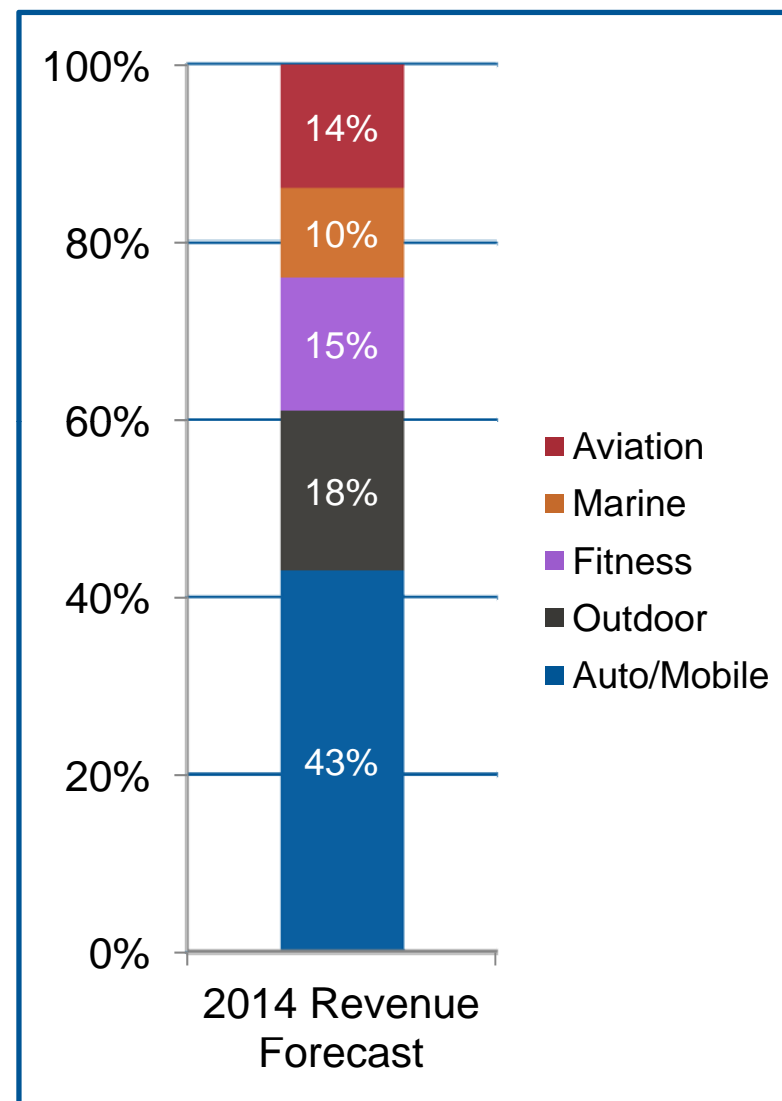
- Q4 2013 effective tax rate was 20.0% compared to 16.5% in prior year
- 2013 pro forma tax rate was 16.8% compared to 13.1% in 2012
- Expect 2014 rate to be stable with 2013 full year pro forma rate

## **Dividend**

- Dividend of \$0.45 per share to be paid at close of March 2014
- Seeking shareholder approval for \$0.48 per share quarterly dividend beginning in June 2014

# 2014 Guidance

Segment Revenue	Growth
Auto / Mobile	(15% - 10%)
Outdoor	10% - 15%
Fitness	10% - 15%
Marine	10% - 15%
Aviation	10% - 15%





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# **Appendix**

## **February 19, 2014**

# 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>52-weeks Ended</b>	
	<b>Dec 28, 2013</b>	<b>Dec 29, 2012</b>	<b>Dec 28, 2013</b>	<b>Dec 29, 2012</b>
Net Income (GAAP)	\$163,585	\$129,294	\$612,412	\$542,403
Foreign currency (gain) / loss, net of tax effects	(\$13,802)	\$3,254	(\$29,564)	\$17,389
Income tax benefit due to completion of tax audits and/or expiration of statutes	-	-	(\$68,716)	-
<b>Net income (Pro Forma)</b>	<b>\$149,783</b>	<b>\$132,548</b>	<b>\$514,132</b>	<b>\$559,792</b>
Net income per share (GAAP):				
Basic	\$0.84	\$0.66	\$3.13	\$2.78
Diluted	\$0.83	\$0.66	\$3.12	\$2.76
Net income per share (Pro Forma):				
Basic	\$0.77	\$0.68	\$2.63	\$2.87
Diluted	\$0.76	\$0.68	\$2.62	\$2.85
Weighted average common shares outstanding:				
Basic	195,181	195,101	195,411	194,909
Diluted	196,338	196,275	196,339	196,213

# Free Cash Flow

## Garmin Ltd. And Subsidiaries

### Free Cash Flow (in thousands)

	13-Weeks Ended		52-weeks Ended	
	Dec 28, 2013	Dec 29, 2012	Dec 28, 2013	Dec 29, 2012
Net cash provided by operating activities	\$149,813	\$174,711	\$630,084	\$684,745
Less: purchases of property and equipment	(\$14,758)	(\$11,564)	(\$56,083)	(\$38,445)
Free Cash Flow	\$135,055	\$163,147	\$574,001	\$646,300