



GARMIN®

Q4 2014 Earnings Call Webcast

February 18, 2015

Business Update

Cliff Pemble
President and CEO

4th Quarter Financial Review

**Revenue growth and gross margin improvement
contribute to pro forma EPS growth**

- Outdoor, fitness, aviation and marine segments combined grew 23% and contributed 58% of total revenue
- Gross and operating margin of 54% and 22%, respectively
- Advertising investment was substantial, which supported significant market share gains

2014 Financial Review

Delivered four consecutive quarters of revenue and strong pro forma EPS growth

- Consolidated revenue growth of 9%, with non-auto/mobile growing 23% and contributing 57% of total revenue
- Gross and operating margin improvement to 56% and 24%, respectively
- Pro forma EPS growth of 18%, or \$3.10 in 2014
- Returned over \$600 million to shareholders via dividend and share repurchase

Fitness

2014 Business Review

- Revenue growth of 60% with all categories contributing
- Gross and operating margin stable at 63% and 34%, respectively
- Gained mid-teens market share in activity trackers for the year



2015 Outlook

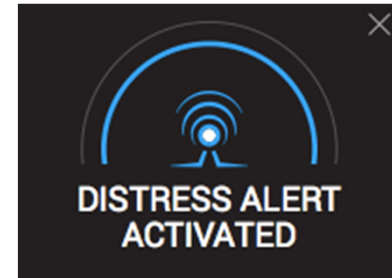
- Revenue growth of ~25%
- Announced vívofit 2 and vívoactive to drive further activity tracker market share
- Grow market share in existing product categories while expanding into new areas of opportunity



Fitness

Long-term Strategic Initiatives




- Build innovative next-generation running, multi-sport and cycling products to drive deeper penetration and strong replacement demand
- Gain share in the activity tracker market with industry leading utility and form factors
- Deliver best-in-class capabilities via Connect and Connect Mobile to our millions of active users
- Expand the essential nature of our products through integrated third-party applications via Connect IQ



Lifeline Response



Moxy

iSKI	TELLURIDE
 47-53 in	
 17/19	
 123/127	

iSki

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Outdoor

2014 Business Review

- Revenue growth of 4%
- Gross and operating margins declined slightly to 62% and 35%, respectively
- Faced headwinds in the golf industry and remain niche player in the action camera market

2015 Outlook

- Revenues expected to be flat
- Deliver feature-rich products and accessories capturing new and repeat customers
- Capitalize on wearables momentum with fēnix 3 and epix



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Outdoor

Long-term Strategic Initiatives

- Continue to identify adjacent markets and product categories that will expand our addressable market
- Innovate in the wearables and action camera markets to drive market share gains
- Expand the essential nature of our products through integrated third-party applications via Connect IQ



Aviation



2014 Business Review

- Full year revenue growth of 14%
- Gross and operating margin improvement to 73% and 28%, respectively
- Additional Part 25 certifications

2015 Outlook

- Revenue growth of 10%
- Supporting numerous OEM partners in the completion of aircraft/helicopter certifications and system enhancements
- Capitalize on OEM and aftermarket opportunities

Aviation

Long-term Strategic Initiatives

- Continued development of integrated flight decks for business jets and helicopters
- Identify aftermarket and military opportunities that leverage our core product and technology capabilities
- Develop unique technologies to address opportunities in our product portfolio
- Capitalize on FAA's NextGen transformation of the National Airspace System (NAS), as well as global regulatory mandates



Marine

2014 Business Review

- Revenue growth of 11%
- Gross margin steady at 52% with operating margin improving to 11%
- Competitive pricing continues to pressure profitability
- Acquired Fusion; expanding our product portfolio to a full line-up of marine entertainment solutions



2015 Outlook

- Revenue growth of ~10%
- 2015 product introductions focused on innovation in sonar, radar and auto pilot
- Gain market share while managing costs and driving efficiencies

Marine



Long-term Strategic Outlook

- Expand our market share presence in fishing and sailing through innovation
- Capitalize on recent acquisitions to further diversify our product portfolio
- Build on OEM market share by supplying complete systems of plotters, sonar, radar, autopilots and entertainment
- Focus on disciplined pricing and cost management to improve profitability

Automotive/Mobile

2014 Business Review

- Revenue decline of 5%, as PND industry declines were offset by market share gains, growth in OEM, and positive contributions from deferred revenues
- Strong profitability continues
- Announced OEM relationship with Honda



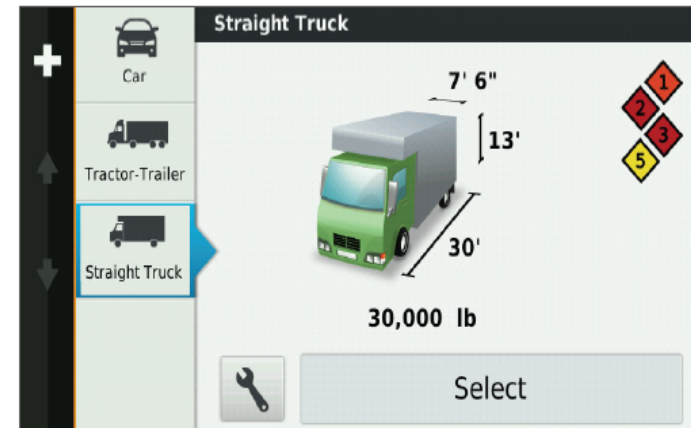
2015 Outlook

- Revenue decline of ~15% due to PND industry declines and reduced deferred revenue contribution
- Maintain PND market leadership while maximizing profitability
- Build on momentum in auto OEM as the market opportunity expands

Automotive/Mobile

Long-term Strategic Initiatives

- Balanced approach to OEM focused on both software partnerships (Mercedes, Honda) and full infotainment solutions (Suzuki, Toyota in APAC)
- Identify opportunities to advance the in-vehicle experience (cameras, sensors) – both aftermarket and OEM
- Continue to manage segment profitability while PND volumes decline
- Continue to capitalize on niche navigation opportunities in motorcycle, trucking, and RV



2015 Guidance

	2015 Guidance
Revenue	~\$2.9 B
Gross Margin	~56%
Operating Income	~\$675 M
Operating Margin	~23%
Tax Rate	16-17%
EPS (Pro Forma)	~\$3.10

Assumes EUR/USD FX rate of 1.15 in 2015

Financial Update

Doug Boessen
CFO and Treasurer

Q4 Income Statement

(\$ Millions)	Q4 2014 Actual	Q4 2013 Actual	Change
Revenue	\$803	\$760	6%
Gross Profit	431	395	9%
Gross Margin %	54%	52%	170 bps
Total Operating Expense	255	222	15%
Operating Income	176	172	2%
Operating Margin %	22%	23%	(80 bps)
Other Income/(Expense)	24	32	
Income Tax	(10)	41	
Net Income (GAAP)	210	164	28%
Net Income Pro-Forma	149	150	(1%)
EPS (GAAP)	\$1.09	\$0.83	31%
EPS Pro-Forma	\$0.77	\$0.76	1%
Units Shipped (K)	5,132	4,504	14%

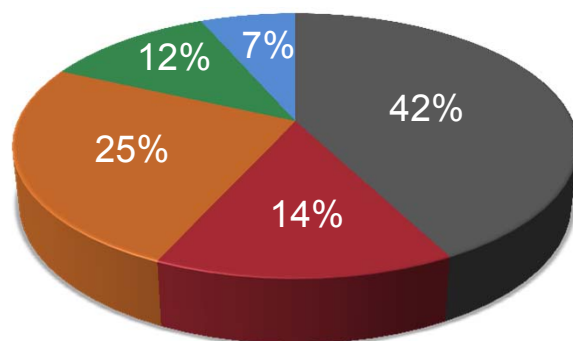
Full Year Income Statement

(\$ Millions)	FY 2014 Actual	FY 2013 Actual	Change
Revenue	\$2,871	\$2,632	9%
Gross Profit	1,604	1,407	14%
Gross Margin %	56%	53%	240 bps
Total Operating Expense	914	833	10%
Operating Income	691	574	20%
Operating Margin %	24%	22%	230 bps
Other Income/(Expense)	33	80	
Income Tax	360	41	
Net Income (GAAP)	364	612	(41%)
Net Income Pro-Forma	602	514	17%
EPS (GAAP)	\$1.88	\$3.12	(40%)
EPS Pro-Forma	\$3.10	\$2.62	18%
Units Shipped (K)	15,150	13,920	9%

Q4 Revenue

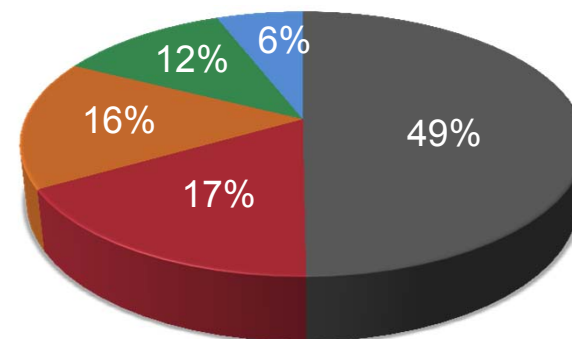
Revenue by Segment			
(\$ M)	Q4 2014	Q4 2013	Change
Auto / Mobile	\$340	\$383	(11%)
Fitness	\$201	\$119	70%
Outdoor	\$116	\$127	(8%)
Aviation	\$93	\$88	7%
Marine	\$52	\$45	18%
Total	\$803	\$760	6%

Q4 2014 Revenue



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

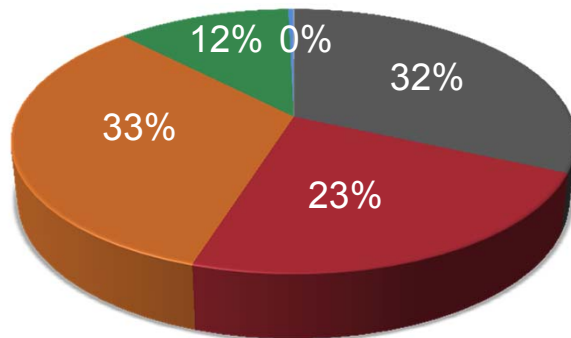
Q4 2013 Revenue



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

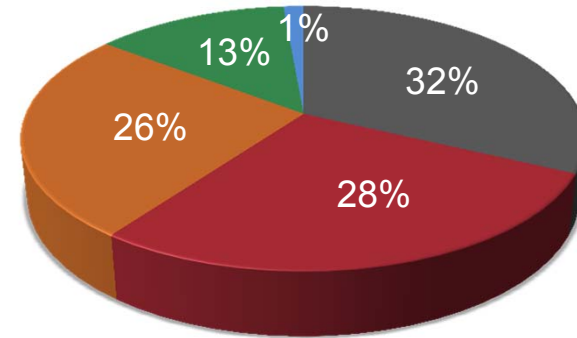
Q4 Operating Income

Q4 2014 Operating Income



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

Q4 2013 Operating Income



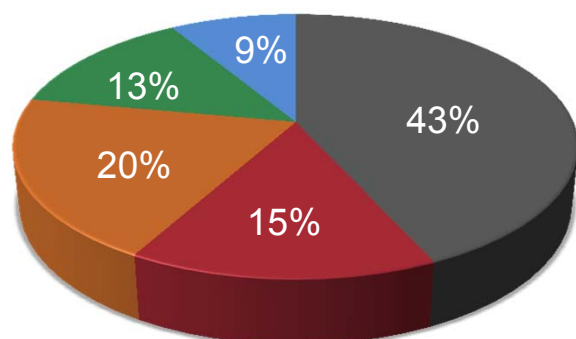
■ Auto/Mobile ■ Outdoor ■ Fitness ■ Aviation ■ Marine

Margin Review

- GM of 54%; strong due to segment mix
- Aviation GM decline related to product mix in the quarter
- Marine GM decline related to product mix and competitive pricing
- Operating margin declined from 23% to 22% driven by increased advertising spend

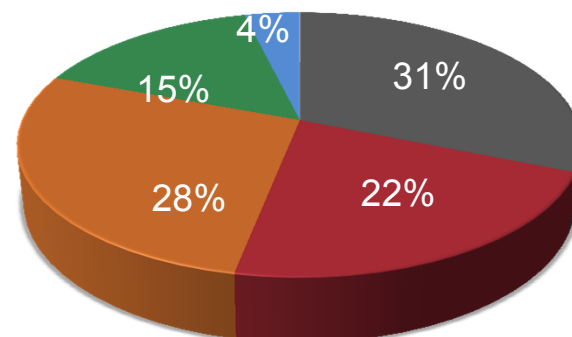
Q4 Revenue & Operating Income

FY 2014 Revenue



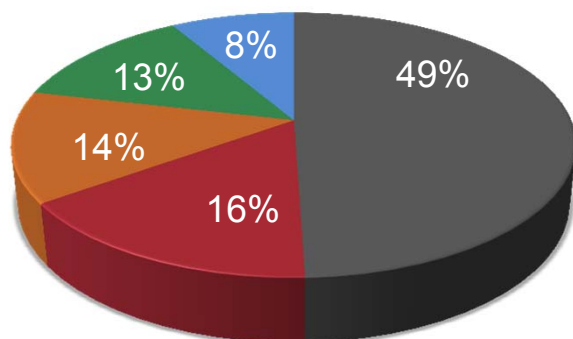
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FY 2014 Operating Income



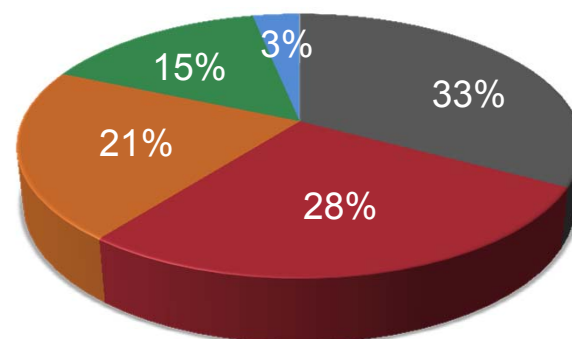
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FY 2013 Revenue



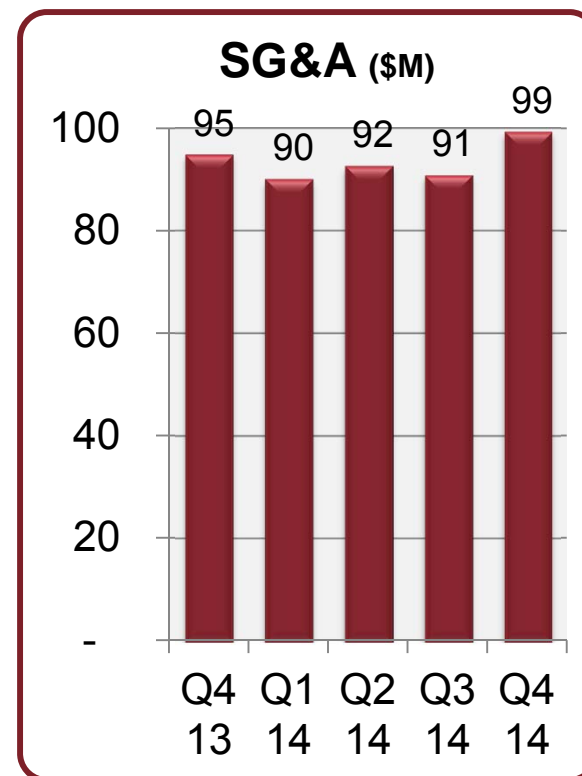
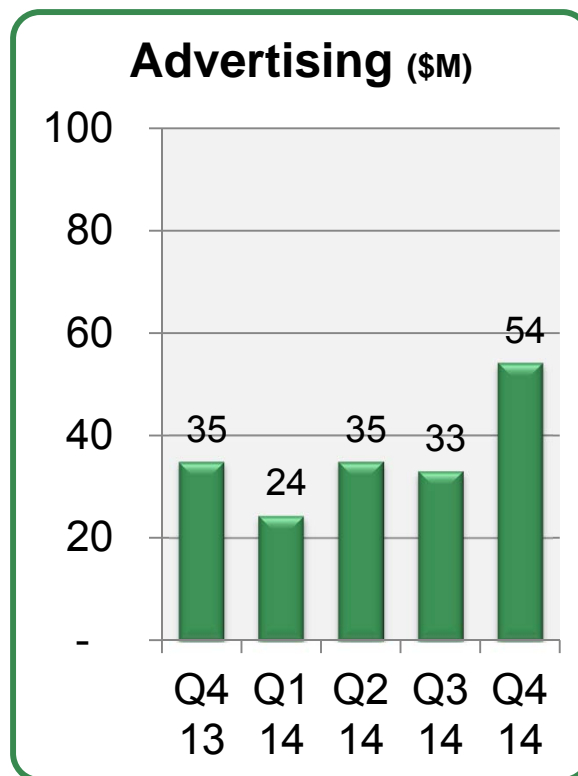
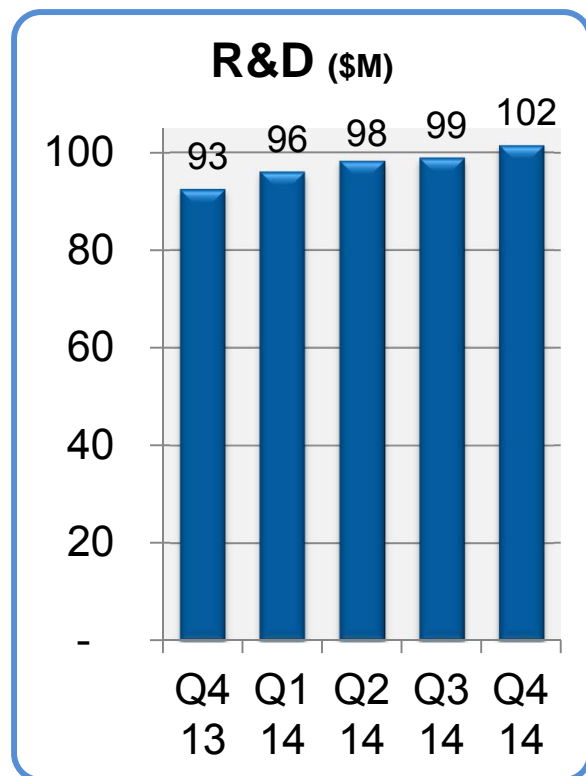
■ Auto/Mobile ■ Outdoor ■ Fitness ■ Aviation ■ Marine

FY 2013 Operating Income



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

Operating Expenses



Balance Sheet/Cash Flow

Balance Sheet

- Ended quarter with almost \$2.8 billion of cash and marketable securities
- Accounts receivable increased sequentially due to strong sales in the holiday quarter
- Inventory balance decreased sequentially as anticipation of the seasonally lower Q1 sales but increased year-over-year due to new product categories and raw material requirements

Cash Flow

- Continued strong cash flow with \$145 million of operating cash and \$127 million of free cash flow in the quarter
- Returned over \$600 million of cash in 2014 via dividend and share repurchase

Taxes

Taxes

- Pro forma ETR of 19.1% in Q4 2014, excluding a tax benefit from reserve releases, compared to 20.0% in Q4 2013
 - Rate decrease driven primarily by R&D tax credit offset by unfavorable income mix by tax jurisdiction and the expiration of Taiwan tax holidays
- Pro forma ETR of 17.2% and 16.8% in FY 2014 and 2013, respectively, excluding tax expense associated with inter-company restructuring in 2014 and tax benefits from reserve releases in both 2014 and 2013
- Expect FY 2015 ETR of 16-17%

Dividends/Share Repurchase

Dividend

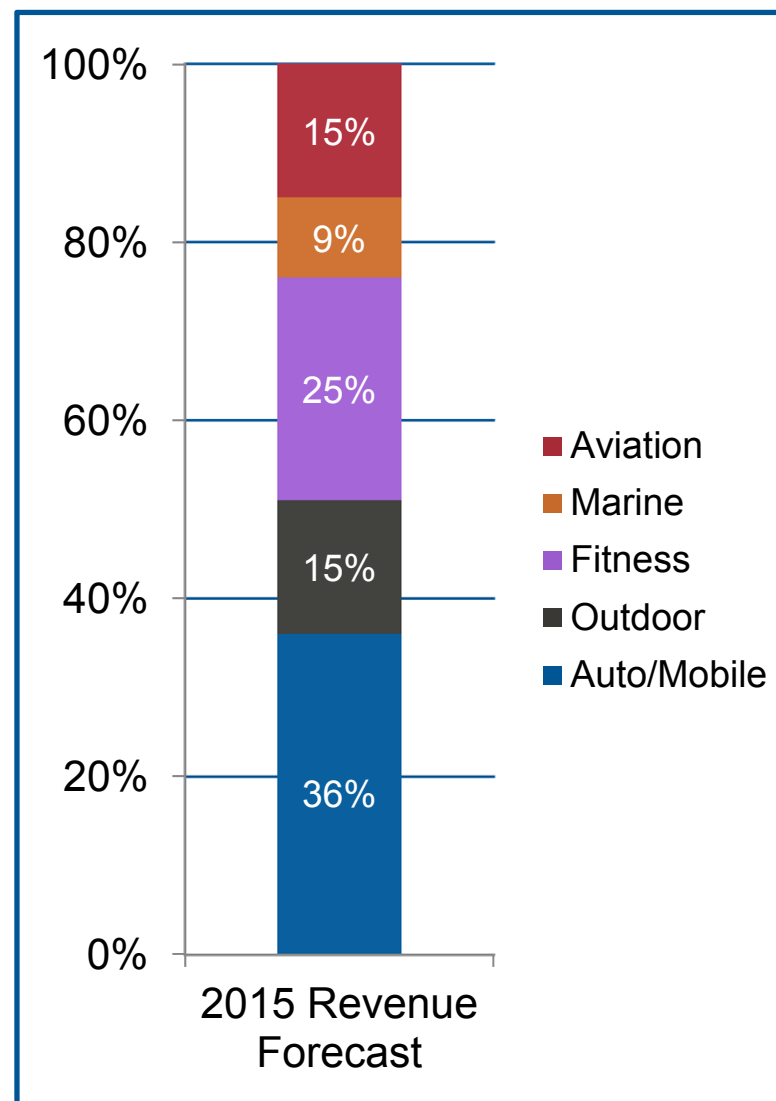
- Dividend of \$0.48 per share to be paid at close of March 2015
- Seeking shareholder approval for \$0.51 per share quarterly dividend beginning in June 2015, representing \$2.04 annually

Share Repurchase

- Board authorized share repurchase of up to \$300M of the company's shares through December 31, 2016

2015 Guidance

Segment Revenue	Growth
Auto / Mobile	(15%)
Outdoor	Flat
Fitness	25%
Marine	10%
Aviation	10%





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Appendix

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Pro Forma net income (earnings) per share

Management believes that net income per share before the impact of foreign currency translation gain or loss and income tax adjustments that materially impact the effective tax rate, as discussed below, is an important measure. The majority of the Company's consolidated foreign currency gain or loss result from transactions involving the Euro, the British Pound Sterling and the Taiwan Dollar and from the exchange rate impact of the significant cash and marketable securities, receivables and payables held in U.S. dollars at the end of each reporting period by the Company's various non-U.S. subsidiaries. Such gain or loss is required under GAAP because the functional currency of the subsidiaries differs from the currency in which various assets and liabilities are held. However, there is minimal cash impact from such foreign currency gain or loss. The Company's income tax expense is periodically impacted by material net releases of reserves primarily related to completion of audits and/or the expiration of statutes effecting prior periods. Thus, reported income tax expense is not reflective of the income tax expense that is incurred related to the current period earnings. The net release of other uncertain tax position reserves, amounting to approximately \$11 million in both 2014 and 2013, respectively, have not been included as pro forma adjustments in the following presentation of pro forma net income as such amounts have been considered immaterial, tend to be more recurring in nature and are comparable between periods. In the third quarter of 2014, the company incurred tax expense of \$308 million associated with our inter-company restructuring. As this is a one-time transaction and not reflective of income tax expense incurred related to the current period earnings, it has been excluded from pro forma net income (earnings) per share. Accordingly, earnings per share before the impact of foreign currency translation gain or loss and income tax adjustments that materially impact the effective tax rate permits a consistent comparison of the Company's operating performance between periods.

Pro Forma Net Income

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

	13-Weeks Ended		52-weeks Ended	
	Dec 27, 2014	Dec 28, 2013	Dec 27, 2014	Dec 28, 2013
Net Income (Loss) (GAAP)	\$210,245	\$163,585	\$364,211	\$612,412
Foreign currency (gain) / loss, net of tax effects	(\$12,917)	(\$13,802)	\$3,557	(\$29,564)
Income tax benefit due to completion of tax audits and/or expiration of statutes	(\$48,542)	-	(\$72,942)	(\$68,716)
Tax due to inter-company restructuring	-	-	\$307,635	-
Net income (Pro Forma)	\$148,786	\$149,783	\$602,461	\$514,132
Net income (loss) per share (GAAP):				
Basic	\$1.10	\$0.84	\$1.89	\$3.13
Diluted	\$1.09	\$0.83	\$1.88	\$3.12
Net income per share (Pro Forma):				
Basic	\$0.78	\$0.77	\$3.12	\$2.63
Diluted	\$0.77	\$0.76	\$3.10	\$2.62
Weighted average common shares outstanding:				
Basic	191,322	195,181	193,106	195,411
Diluted	192,356	196,338	194,165	196,339

Free Cash Flow

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

	13-Weeks Ended		52-weeks Ended	
	Dec 27, 2014	Dec 28, 2013	Dec 27, 2014	Dec 28, 2013
Net cash provided by operating activities	\$145,017	\$149,813	\$522,711	\$630,084
Less: purchases of property and equipment	(\$18,510)	(\$14,758)	(\$73,339)	(\$56,083)
Plus: taxes paid related to inter-company restructuring	-	-	\$78,137	-
Free Cash Flow	<u>\$126,507</u>	<u>\$135,055</u>	<u>\$527,509</u>	<u>\$574,001</u>

Management believes that free cash flow is an important financial measure because it represents the amount of cash provided by operations that is available for investing and defines it as operating cash flow plus one-time cash payments associated with our inter-company restructuring less capital expenditures for property and equipment.