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Garmin Reports Third Quarter Revenue and Earnings Growth; Updates EPS Guidance for 2018

Schaffhausen, October 31st, 2018 – Garmin Ltd. announced results for the third quarter ended September 29, 2018.

Highlights for the third quarter 2018 include:

- Total revenue of \$810 million, growing 8% over the prior year, with marine, aviation, fitness and outdoor collectively growing 16% over the prior year quarter and contributing 80% of total revenue

- Gross margin of 59.4% compared to 58.2% in the prior year quarter
- Operating margin of 24.2% compared to 23.1% in the prior year quarter
- Operating income was \$196 million, growing 13% over the prior year quarter
- GAAP EPS was \$0.97 and pro forma EPS(1) was \$1.00
- Shipped the 200 millionth product within the quarter, a testament to our ability to design, manufacture, and sell unique applications of technology for active lifestyles
- Opened the first phase of our Olathe campus expansion more than doubling our aviation product manufacturing capacity
- Announced the acquisition of FltPlan.com, a leading electronic flight planning and services provider, expanding our ability to offer premium flight services to our customers

Executive Overview from Cliff Pemble, President and Chief Executive Officer:

“During the third quarter, we continued our strong performance achieving double-digit revenue growth in four of our five segments and double-digit growth of consolidated operating income,” said Cliff Pemble, president and chief executive officer of Garmin Ltd. “We are well positioned for the remainder of 2018 with a solid lineup of products and are raising our EPS guidance to reflect our strong performance.”

Marine

The marine segment posted robust revenue growth of 28% driven by organic growth across multiple product categories and our recent acquisitions. Gross and operating margins were 59% and 14%, respectively. For the fourth consecutive year Garmin was recognized as the Manufacturer of the Year by the National Marine Electronics Association (NMEA), winning a total of six awards including the prestigious NMEA Technology Award. We recently announced the 2019 line up of marine electronics including the GPSMAP® 8600 series, the first product line compatible with the combined Garmin and Navionics chart content. We remain focused on innovations and achieving market share gains within the inland fishing category.

Aviation

The aviation segment posted strong revenue growth of 17%. Gross and operating margins increased to 76% and 35%, respectively, resulting in operating income growth of 49%. Growth in the quarter was broad based across multiple product categories. Gulfstream recently selected our ADS-B In solution for their new production and aftermarket G280 business jets. During the quarter, we announced the acquisition of FltPlan.com, a leading electronics flight planning and service provider, and have begun integration into Garmin Connected Aviation Services such as Garmin Pilot™. We recently announced the G1000 NXi upgrade for the Piper M500, expanding the addressable market for NXi retrofits. We continue to invest in upcoming certifications with our OEM partners and ongoing aftermarket opportunities.

Fitness

The fitness segment posted strong revenue growth of 14% primarily driven by strength in wearables. Gross and operating margins were 54% and 20%, respectively, resulting in operating income growth of 12%. During the third quarter, we launched the vívosmart® 4, a smart activity tracker that introduces a wrist-based pulse ox sensor in a slim design, new advanced sleep monitoring and the innovative Body Battery, which monitors individual energy levels. We also announced new vívofit® jr. 2 interactive adventures and bands featuring Disney Princess and Marvel's Spider-Man. We continue to pursue opportunities for wearables and cycling within the fitness segment.

Outdoor

During the third quarter of 2018, the outdoor segment grew 13% driven primarily by wearable devices. Gross margin improved year-over-year to 65%, while operating margin improved to 38% resulting in a 16% increase in operating income. We recently announced the integration of Spotify on the fēnix® 5 Plus series, giving customers the ability to listen to offline music playlists from their wrist. We also recently introduced Instinct®, a GPS smartwatch that is rugged and reliable. Looking forward, we remain focused on opportunities in wearables and other product categories within the outdoor segment.

Auto

Revenue from the auto segment declined 16% in the third quarter of 2018, primarily due to the ongoing PND market contraction. Gross and operating

margins were 43% and 9%, respectively. We recently announced the selection of our integrated camera solution by the Chinese auto company, Geely Auto Group. Looking forward, we are focused on disciplined execution to bring desired innovation to the market while managing profitability within the segment.

Additional Financial Information

Total operating expenses in the quarter were \$285 million, an 8% increase from the prior year. Research and development increased 7% driven by the incremental costs associated with acquisitions, investments in the outdoor and fitness segments for the development of advanced wearable products and continued innovation in the aviation segment. Selling, general and administrative expenses increased 13% driven primarily by personnel related expenses and incremental costs associated with acquisitions. Advertising expenses decreased 4% year-over-year.

The effective tax rate in the third quarter of 2018 was 8.5% compared to the effective tax rate of 20.5% in the prior year quarter. The decrease in the current quarter effective tax rate is primarily due to the benefits from U.S. tax reform and increased benefit from U.S. research and development tax credits.

In the third quarter of 2018, we generated \$264 million of net cash provided by operating activities and \$234 million of free cash flow (see attached table for reconciliation of this non-GAAP measure). We continued to return cash to shareholders with our quarterly dividend of approximately \$100 million. We ended the quarter with cash and marketable securities of approximately \$2.5 billion.

2018 Guidance

We have increased our 2018 guidance to reflect the strong third quarter performance. We anticipate our fourth quarter revenue to be relatively flat year-over-year with total full year revenue of approximately \$3.3 billion and a gross margin of 58.5%. We are raising our full year operating margin to approximately 22.0% and lowering our full year pro forma effective tax rate to about 16.0% resulting in a pro forma EPS of approximately \$3.45.

Revenue Standard Adoption

We adopted the new revenue standard in the first quarter of 2018. The prior periods presented have been restated to reflect adoption of this new Standard.

This release includes projections and other forward-looking statements regarding Garmin Ltd. and its business that are commonly identified by words such as “would,” “may,” “expects,” “estimates,” “plans,” “intends,” “projects,” and other words or phrases with similar meanings. Any statements regarding the Company’s GAAP and pro forma estimated earnings, EPS, and effective tax rate, and the Company’s expected segment revenue growth rates, consolidated revenue, gross margins, operating margins, currency movements, expenses, pricing, new products to be introduced in 2018, statements relating to possible future dividends and the Company’s plans and objectives are forward-looking statements. The forward-looking events and circumstances discussed in this release may not occur and actual results could differ materially as a result of risk factors and uncertainties affecting Garmin, including, but not limited to, the risk factors that are described in the Annual Report on Form 10-K for the year ended December 30, 2017 filed by Garmin with the Securities and Exchange Commission (Commission file number 0-31983). A copy of Garmin’s 2017 Form 10-K can be downloaded from

<https://www.garmin.com/en-US/company/investors/sec/form-10-K/>.

Non-GAAP Financial Measures

This release and the attachments contain non-GAAP financial measures. A reconciliation to the nearest GAAP measure and a discussion of the Company’s use of these measures are included in the attachments.

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Non-GAAP Financial Information

To supplement our financial results presented in accordance with GAAP, this release includes the following measures defined by the Securities and

Exchange Commission as non-GAAP financial measures: pro forma net income (earnings) per share, forward-looking pro forma earnings per share, pro forma effective tax rate, forward-looking pro forma effective tax rate and free cash flow. These non-GAAP measures are not based on any comprehensive set of accounting rules or principles and should not be considered a substitute for, or superior to, financial measures calculated in accordance with GAAP, and may be different from non-GAAP measures used by other companies, limiting the usefulness of the measures for comparison with other companies. Management believes providing investors with an operating view consistent with how it manages the Company provides enhanced transparency into the operating results of the Company, as described in more detail by category below.

Pro forma effective tax rate

The Company's income tax expense is periodically impacted by discrete tax items that are not reflective of income tax expense incurred as a result of current period earnings. Therefore, management believes disclosure of the effective tax rate and income tax provision before the effect of certain discrete tax items are important measures to permit investors' consistent comparison between periods. In the first three quarters of 2018, there were no such discrete tax items identified.

The net release of uncertain tax position reserves, amounting to approximately \$27.7 million and \$17.2 million in the 39-weeks ended September 29, 2018 and September 30, 2017, respectively, have not been included as pro forma adjustments in the above presentation of pro forma income tax provision as related items tend to be more recurring in nature or such amounts are individually not significant.

Pro forma net income (earnings) per share

Management believes that net income (earnings) per share before the impact of foreign currency gains or losses and certain discrete income tax items, as discussed above, is an important measure in order to permit a consistent comparison of the Company's performance between periods.

Free cash flow

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 less capital expenditures for property and equipment. Management believes that excluding purchases of property and equipment provides a better understanding of the underlying trends in the Company's operating performance and allows more accurate comparisons of the Company's operating results to historical performance. This metric may also be useful to investors, but should not be considered in isolation as it is not a measure of cash flow available for discretionary expenditures. The most comparable GAAP measure is cash provided by operating activities.

Forward-looking pro forma tax rate

Forward-looking pro forma tax rate and pro forma earnings per share are calculated before the effect of certain discrete tax items. Management believes certain discrete tax items may not be reflective of income tax expense incurred as a result of current period earnings. Therefore, in order to permit consistent comparison between periods, the tax rate and earnings per share before the effect of such discrete tax items are important measures. At this time management is unable to determine whether or not significant discrete tax items will be identified in fiscal 2018.

Forward-looking pro forma earnings per share (EPS)

In addition to the discrete tax items discussed in the forward-looking pro forma effective tax rate section above, our forward looking 2018 pro forma EPS excludes foreign currency exchange gains and losses. The estimated impact of such foreign currency gains and losses cannot be reasonably estimated on a forward-looking basis due to the high variability and low visibility with respect to non-operating foreign currency exchange gains and losses and the related tax effects of such gains and losses. The impact of such foreign currency gains and losses, net of tax effects, was \$0.01 for the 39-weeks ended September 29, 2018.

Über Garmin

Garmin entwickelt seit mehr als 25 Jahren mobile Produkte für Piloten,

Segler, Autofahrer, Golfspieler, Läufer, Fahrradfahrer, Bergsteiger, Schwimmer und für viele aktive Menschen. Von Automotive über Fitness und Outdoor bis hin zu Marine und Aviation hat Garmin seit der Gründung 1989 über 200 Millionen Produkte verkauft. Über 12.000 Mitarbeiter arbeiten heute weltweit in 50 Niederlassungen daran, ihre Kunden ganz nach dem Motto #BeatYesterday dabei zu unterstützen gesünder zu leben, sich mehr zu bewegen, wohler zu fühlen, oder Neues zu entdecken. Garmin zeichnet sich durch eine konstante Diversifikation aus, dank derer Fitness & Health Tracker, Smartwatches, Golf- und Laufuhren erfolgreich etabliert werden konnten. Das Unternehmen mit Hauptsitz in Schaffhausen (CH) ist in der DACH-Region mit Standorten in Garching bei München (D), Graz (A) und Neuhausen am Rheinfall (CH) vertreten. In Würzburg (D) wird außerdem ein eigener Forschungs- und Entwicklungsstandort unterhalten. Ein zentrales Erfolgsprinzip ist die vertikale Integration: Die Entwicklung vom Entwurf bis zum verkaufsfertigen Produkt sowie der Vertrieb verbleiben weitestgehend im Unternehmen. So kann Garmin höchste Qualitäts- und Designstandards garantieren und seine Kunden täglich aufs Neue motivieren.

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