

GARMIN LTD  
Form 10-Q  
October 28, 2015

**United States**

**Securities and Exchange Commission**

**Washington, D.C. 20549**

**FORM 10-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 26, 2015

or

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 0-31983

**GARMIN LTD.**

(Exact name of Company as specified in its charter)

**Switzerland**

**98-0229227**

(State or other jurisdiction)

(I.R.S. Employer identification no.)

of incorporation or organization)

**Mühlentalstrasse 2**

N/A

**8200 Schaffhausen**

(Zip Code)

**Switzerland**

(Address of principal executive offices)

Company's telephone number, including area code: **+41 52 630 1600**

Indicate by check mark whether the Company (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Company was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES  NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES  NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer  Accelerated Filer  Non-accelerated Filer  (Do not check if a smaller reporting company)  
Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  
YES  NO

Number of shares outstanding of the registrant's common shares as of October 26, 2015

CHF 10.00 par value: 208,077,418 (including treasury shares)

**Garmin Ltd.**

**Form 10-Q**

**Quarter Ended September 26, 2015**

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Part I -  
Financial  
Information  
Item I -  
Condensed  
Consolidated  
Financial  
Statements

Garmin Ltd.  
And  
Subsidiaries  
Condensed  
Consolidated  
Balance  
Sheets  
(In  
thousands,  
except per  
share  
information)

|   | (Unaudited)      |                         |
|---|------------------|-------------------------|
|   | Sept 26,<br>2015 | December<br>27,<br>2014 |
| Assets                                    |                  |                         |
| Current assets:                           |                  |                         |
| Cash and cash equivalents                 | \$914,907        | \$1,196,268             |
| Marketable securities                     | 211,834          | 167,989                 |
| Accounts receivable, net                  | 431,942          | 570,191                 |
| Inventories, net                          | 503,183          | 420,475                 |
| Deferred income taxes                     | 49,857           | 56,102                  |
| Deferred costs                            | 47,526           | 51,336                  |
| Prepaid expenses and other current assets | 72,704           | 48,615                  |
| Total current assets                      | 2,231,953        | 2,510,976               |
| Property and equipment, net               | 439,094          | 430,887                 |
| Marketable securities                     | 1,290,147        | 1,407,344               |
| Restricted cash                           | 259              | 308                     |
| Noncurrent deferred income tax            | 67,126           | 67,712                  |
| Noncurrent deferred costs                 | 32,709           | 36,140                  |
| Intangible assets, net                    | 220,848          | 218,083                 |
| Other assets                              | 106,336          | 21,853                  |
| Total assets                              | \$4,388,472      | \$4,693,303             |

## Liabilities and Stockholders' Equity

## Current liabilities:

|                               |            |            |
|-------------------------------|------------|------------|
| Accounts payable              | \$ 158,663 | \$ 149,094 |
| Salaries and benefits payable | 70,622     | 62,764     |
| Accrued warranty costs        | 24,649     | 27,609     |
| Accrued sales program costs   | 46,005     | 58,934     |
| Deferred revenue              | 169,225    | 203,598    |
| Accrued royalty costs         | 10,832     | 51,889     |
| Accrued advertising expense   | 20,434     | 26,334     |
| Other accrued expenses        | 70,741     | 67,780     |
| Deferred income taxes         | 13,299     | 17,673     |
| Income taxes payable          | 18,221     | 182,260    |
| Dividend payable              | 291,965    | 185,326    |
| Total current liabilities     | 894,656    | 1,033,261  |

|                              |         |         |
|------------------------------|---------|---------|
| Deferred income taxes        | 43,170  | 39,497  |
| Non-current income taxes     | 96,311  | 80,611  |
| Non-current deferred revenue | 118,090 | 135,130 |
| Other liabilities            | 1,560   | 1,437   |

## Stockholders' equity:

|  |              |              |
|--|--------------|--------------|
| Shares, CHF 10 par value, 208,077 shares authorized and issued; 190,342 shares outstanding at September 26, 2015 and 191,815 shares outstanding at December 27, 2014 | 1,797,435    | 1,797,435    |
| Additional paid-in capital   | 89,879       | 73,521       |
| Treasury stock   | (425,380 )   | (330,132 )   |
| Retained earnings  | 1,795,900    | 1,859,972    |
| Accumulated other comprehensive income   | (23,149 )    | 2,571        |
| Total stockholders' equity   | 3,234,685    | 3,403,367    |
| Total liabilities and stockholders' equity   | \$ 4,388,472 | \$ 4,693,303 |

*See accompanying notes.*

Garmin Ltd.  
And  
Subsidiaries  
Condensed  
Consolidated  
Statements of  
Income  
(Unaudited)  
(In  
thousands,  
except per  
share  
information)

|   | 13-Weeks Ended   |                  | 39-Weeks Ended   |                  |
|---|------------------|------------------|------------------|------------------|
|   | Sept 26,<br>2015 | Sept 27,<br>2014 | Sept 26,<br>2015 | Sept 27,<br>2014 |
| Net sales                                   | \$679,690        | \$ 706,283       | \$2,038,913      | \$2,067,352      |
| Cost of goods sold                          | 317,500          | 308,037          | 913,352          | 893,788          |
| Gross profit                                | 362,190          | 398,246          | 1,125,561        | 1,173,564        |
| Advertising expense                         | 36,887           | 33,112           | 110,352          | 92,457           |
| Selling, general and administrative expense | 94,057           | 90,632           | 290,359          | 272,914          |
| Research and development expense            | 105,789          | 98,998           | 321,031          | 293,567          |
| Total operating expense                     | 236,733          | 222,742          | 721,742          | 658,938          |
| Operating income                            | 125,457          | 175,504          | 403,819          | 514,626          |
| Other income (expense):                     |                  |                  |                  |                  |
| Interest income                             | 6,851            | 9,344            | 22,295           | 28,781           |
| Foreign currency gains (losses)             | 30,573           | (12,703 )        | (14,177 )        | (20,266 )        |
| Other income                                | 2,010            | 517              | 2,707            | 707              |
| Total other income (expense)                | 39,434           | (2,842 )         | 10,825           | 9,222            |
| Income before income taxes                  | 164,891          | 172,662          | 414,644          | 523,848          |
| Income tax provision                        | 45,592           | 319,496          | 90,800           | 369,882          |
| Net income (loss)                           | \$119,299        | (\$146,834)      | \$323,844        | \$153,966        |
| Net income (loss) per share:                |                  |                  |                  |                  |
| Basic                                       | \$0.63           | (\$0.76 )        | \$1.69           | \$0.79           |
| Diluted                                     | \$0.63           | (\$0.76 )        | \$1.69           | \$0.79           |
| Weighted average common                     |                  |                  |                  |                  |

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shares outstanding:

|         |         |         |         |         |
|---------|---------|---------|---------|---------|
| Basic   | 190,342 | 192,239 | 191,068 | 193,700 |
| Diluted | 190,822 | 192,239 | 191,523 | 194,763 |

|                              |  |  |        |        |
|------------------------------|--|--|--------|--------|
| Dividends declared per share |  |  | \$2.04 | \$1.92 |
|------------------------------|--|--|--------|--------|

*See accompanying notes.*



Garmin Ltd.  
 And  
 Subsidiaries  
 Condensed  
 Consolidated  
 Statements of  
 Comprehensive  
 Income  
 (Unaudited)  
 (In thousands)

|   | 13-Weeks Ended   |                  | 39-Weeks Ended   |                  |
|---|------------------|------------------|------------------|------------------|
|   | Sept 26,<br>2015 | Sept 27,<br>2014 | Sept 26,<br>2015 | Sept 27,<br>2014 |
| Net income  | \$119,299        | (\$146,834)      | \$323,844        | \$153,966        |
| Foreign currency translation adjustment   | (55,161 )        | (22,791 )        | (34,690 )        | (15,552 )        |
| Change in fair value of available-for-sale marketable securities, net of deferred taxes | 7,937            | (3,332 )         | 8,970            | 24,681           |
| Comprehensive income  | \$72,075         | (\$172,957)      | \$298,124        | \$163,095        |

*See accompanying notes.*

Garmin Ltd.  
And  
Subsidiaries  
Condensed  
Consolidated  
Statements of  
Cash Flows  
(Unaudited)  
(In  
thousands)

|   | 39-Weeks Ended   |                  |
|---|------------------|------------------|
|   | Sept 26,<br>2015 | Sept 27,<br>2014 |
| Operating Activities:   |                  |                  |
| Net income  | \$323,844        | \$153,966        |
| Adjustments to reconcile net income to net cash provided by operating activities: |                  |                  |
| Depreciation  | 37,936           | 35,860           |
| Amortization  | 20,447           | 19,705           |
| (Gain) loss on sale of property and equipment                                     | (190 )           | (742 )           |
| Provision for doubtful accounts   | (1,781 )         | 778              |
| Deferred income taxes   | 5,796            | 55,235           |
| Unrealized foreign currency loss  | 30,473           | 22,610           |
| Provision for obsolete and slow moving inventories                                | 9,925            | 21,051           |
| Stock compensation expense  | 19,596           | 18,988           |
| Realized (gain) loss on marketable securities                                     | (76 )            | 685              |
| Changes in operating assets and liabilities:                                      |                  |                  |
| Accounts receivable   | 123,875          | 74,323           |
| Inventories   | (111,008 )       | (107,273 )       |
| Other current and non-current assets  | (110,695 )       | 1,528            |
| Accounts payable  | 16,864           | (3,209 )         |
| Other current and non-current liabilities   | (44,636 )        | (1,997 )         |
| Deferred revenue  | (49,790 )        | (80,712 )        |
| Deferred cost   | 7,080            | 11,136           |
| Income taxes payable  | (155,529 )       | 155,762          |
| Net cash provided by operating activities   | 122,131          | 377,694          |
| Investing activities:   |                  |                  |
| Purchases of property and equipment   | (53,297 )        | (54,829 )        |
| Proceeds from sale of property and equipment                                      | 670              | 748              |
| Purchase of intangible assets   | (2,817 )         | (9,422 )         |
| Purchase of marketable securities   | (649,881 )       | (746,305 )       |
| Redemption of marketable securities   | 720,717          | 807,778          |
| Proceeds from repayment on loan receivable  | —                | 137,379          |
| Change in restricted cash   | 48               | (44 )            |
| Acquisitions, net of cash acquired  | (12,632 )        | (18,871 )        |
| Net cash provided by investing activities   | 2,808            | 116,434          |

|   |            |             |
|---|------------|-------------|
| Financing activities:   |            |             |
| Dividends paid  | (281,247 ) | (268,023 )  |
| Purchase of treasury stock under share repurchase plan            | (108,057 ) | (241,460 )  |
| Purchase of treasury stock related to equity awards               | (241 )     | (11,274 )   |
| Proceeds from issuance of treasury stock related to equity awards | 8,554      | 12,761      |
| Tax benefit from issuance of equity awards                        | 1,257      | 4,422       |
| Net cash used in financing activities                             | (379,734 ) | (503,574 )  |
| <br>  |            |             |
| Effect of exchange rate changes on cash and cash equivalents      | (26,566 )  | (15,145 )   |
| <br>  |            |             |
| Net decrease in cash and cash equivalents                         | (281,361 ) | (24,591 )   |
| Cash and cash equivalents at beginning of period                  | 1,196,268  | 1,179,149   |
| Cash and cash equivalents at end of period                        | \$914,907  | \$1,154,558 |

*See accompanying notes.*

**Garmin Ltd. and Subsidiaries**

**Notes to Condensed Consolidated Financial Statements (Unaudited)**

**September 26, 2015**

**(In thousands, except per share information)**

**1. Basis of Presentation**

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Additionally, the condensed consolidated financial statements should be read in conjunction with Item 2 of Management's Discussion and Analysis of Financial Condition and Results of Operations, included in this Form 10-Q. Operating results for the 13-week and 39-week periods ended September 26, 2015 are not necessarily indicative of the results that may be expected for the year ending December 26, 2015.

The condensed consolidated balance sheet at December 27, 2014 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended December 27, 2014.

The Company's fiscal year is based on a 52-53 week period ending on the last Saturday of the calendar year. Therefore the financial results of certain fiscal years, and the associated 14-week quarters, will not be exactly comparable to the prior and subsequent 52-week fiscal years and the associated quarters having only 13 weeks. The quarters ended September 26, 2015 and September 27, 2014 both contain operating results for 13 weeks.

**2. Inventories**

The components of inventories consist of the following:

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|                            | <b>September 26, 2015</b> | <b>December 27, 2014</b> |
|----------------------------|---------------------------|--------------------------|
| Raw Materials              | \$ 187,048                | \$ 161,444               |
| Work-in-process            | 64,472                    | 53,824                   |
| Finished goods             | 289,947                   | 244,282                  |
| Inventory Reserves         | (38,284                   | ) (39,075                |
| Inventory, net of reserves | \$ 503,183                | \$ 420,475               |

### 3. Earnings Per Share

The following table sets forth the computation of basic and diluted net income per share:

|   | 13-Weeks Ended   |                  |
|---|------------------|------------------|
|   | Sept 26,<br>2015 | Sept 27,<br>2014 |
| Numerator:  |                  |                  |
| Numerator for basic and diluted net income per share - net income                                   | \$119,299        | \$(146,834)      |
| Denominator:  |                  |                  |
| Denominator for basic net income per share – weighted-average common shares                         | 190,342          | 192,239          |
| Effect of dilutive securities – stock options, stock appreciation rights and restricted stock units | 480              | —                |
| Denominator for diluted net income per share – adjusted weighted-average common shares              | 190,822          | 192,239          |
| Basic net income per share  | \$0.63           | \$(0.76 )        |
| Diluted net income per share  | \$0.63           | \$(0.76 )        |
|   |                  |                  |
|   | 39-Weeks Ended   |                  |
|   | Sept 26,<br>2015 | Sept 27,<br>2014 |
| Numerator:  |                  |                  |
| Numerator for basic and diluted net income per share - net income                                   | \$323,844        | \$153,966        |
| Denominator:  |                  |                  |
| Denominator for basic net income per share – weighted-average common shares                         | 191,068          | 193,700          |
| Effect of dilutive securities – stock options, stock appreciation rights and restricted stock units | 455              | 1,063            |
| Denominator for diluted net income per share – adjusted weighted-average common shares              | 191,523          | 194,763          |
| Basic net income per share  | \$1.69           | \$0.79           |
| Diluted net income per share  | \$1.69           | \$0.79           |

There were 4,075 anti-dilutive stock options, stock appreciation rights and restricted stock units (collectively “equity awards”) outstanding during the 13-week period ended September 26, 2015. For the 13-week periods ended September 27, 2014, the effect of dilutive securities has been excluded because the effect would have been anti-dilutive.

There were 4,108 and 2,253 anti-dilutive stock options, stock appreciation rights and restricted stock units (collectively “equity awards”) outstanding during the 39-week periods ended September 26, 2015 and September 27, 2014, respectively.

There were 5 and 81 shares issued as a result of exercises and releases of equity awards for the 13-week periods ended September 26, 2015 and September 27, 2014, respectively.

There were 133 and 446 shares issued as a result of exercises and releases of equity awards for the 39-week periods ended September 26, 2015 and September 27, 2014, respectively.

There were 214 employee stock purchase plan (ESPP) shares issued from outstanding Treasury stock during the 39-week period ended September 26, 2015.

#### **4. Segment Information**

The Company has identified five reportable segments – Auto, Aviation, Marine, Outdoor and Fitness. The Company’s Chief Operating Decision Maker (CODM) assesses segment performance and allocates resources to each segment individually.

During the 39-week period ended September 26, 2015, the measure of segment profit or loss used by the CODM to assess segment performance and allocate resources changed from income before income taxes to operating income. This change did not impact the measurement methods used to determine reported segment profit or loss in the 13-week and 39-week periods ended September 26, 2015 and September 27, 2014.

Net sales, gross profit, and operating income for each of the Company’s reportable segments are presented below:

| <b>Reporting Segments</b> |                |               |             |                 |              |
|---------------------------|----------------|---------------|-------------|-----------------|--------------|
| <b>Outdoor</b>            | <b>Fitness</b> | <b>Marine</b> | <b>Auto</b> | <b>Aviation</b> | <b>Total</b> |

**13-Weeks Ended September 26, 2015**

|                  |           |           |          |           |          |           |
|------------------|-----------|-----------|----------|-----------|----------|-----------|
| Net sales        | \$115,284 | \$143,216 | \$62,315 | \$264,643 | \$94,232 | \$679,690 |
| Gross profit     | \$68,175  | \$77,261  | \$34,115 | \$112,598 | \$70,041 | \$362,190 |
| Operating income | \$37,761  | \$26,577  | \$5,737  | \$31,660  | \$23,722 | \$125,457 |

**13-Weeks Ended September 27, 2014**

|                  |           |           |          |           |          |           |
|------------------|-----------|-----------|----------|-----------|----------|-----------|
| Net sales        | \$121,079 | \$116,171 | \$62,128 | \$307,558 | \$99,347 | \$706,283 |
| Gross profit     | \$79,227  | \$74,056  | \$31,510 | \$140,995 | \$72,458 | \$398,246 |
| Operating income | \$51,382  | \$36,670  | \$5,452  | \$53,042  | \$28,958 | \$175,504 |

**39-Weeks Ended September 26, 2015**

|                  |           |           |           |           |           |             |
|------------------|-----------|-----------|-----------|-----------|-----------|-------------|
| Net sales        | \$301,523 | \$432,859 | \$230,325 | \$779,646 | \$294,560 | \$2,038,913 |
| Gross profit     | \$185,341 | \$248,795 | \$128,204 | \$347,407 | \$215,814 | \$1,125,561 |
| Operating income | \$99,012  | \$94,286  | \$34,204  | \$99,010  | \$77,307  | \$403,819   |

**39-Weeks Ended September 27, 2014**

|                  |           |           |           |           |           |             |
|------------------|-----------|-----------|-----------|-----------|-----------|-------------|
| Net sales        | \$311,123 | \$367,137 | \$195,911 | \$900,545 | \$292,636 | \$2,067,352 |
| Gross profit     | \$194,805 | \$236,204 | \$105,097 | \$422,379 | \$215,079 | \$1,173,564 |
| Operating income | \$110,345 | \$133,054 | \$26,919  | \$158,248 | \$86,060  | \$514,626   |



Allocation of certain research and development expenses, and selling, general, and administrative expenses are made to each segment on a percent of revenue basis.

Net sales and property and equipment, net by geographic area are as follows as of and for the 39-week periods ended September 26, 2015 and September 27, 2014. Note that APAC includes Asia Pacific and EMEA includes Europe, the Middle East and Africa:

|                                 | Americas    | APAC      | EMEA      | Total       |
|---------------------------------|-------------|-----------|-----------|-------------|
| September 26, 2015              |             |           |           |             |
| Net sales to external customers | \$1,057,359 | \$237,202 | \$744,352 | \$2,038,913 |
| Property and equipment, net     | \$282,930   | \$108,650 | \$47,514  | \$439,094   |
| September 27, 2014              |             |           |           |             |
| Net sales to external customers | \$1,090,267 | \$195,225 | \$781,860 | \$2,067,352 |
| Property and equipment, net     | \$263,581   | \$117,191 | \$50,981  | \$431,753   |

## 5. Warranty Reserves

The Company's products sold are generally covered by a warranty for periods ranging from one to two years. The Company's estimate of costs to service its warranty obligations are based on historical experience and expectation of future conditions and are recorded as a liability on the balance sheet. The following reconciliation provides an illustration of changes in the aggregate warranty reserve.

|   | 13-Weeks Ended        |                          |
|---|-----------------------|--------------------------|
|   | September 26,<br>2015 | September<br>27,<br>2014 |
| Balance - beginning of period               | \$ 26,101             | \$ 27,349                |
| Accrual for products sold during the period | 8,075                 | 8,512                    |
| Expenditures                                | (9,527)               | (9,318)                  |
| Balance - end of period                     | \$ 24,649             | \$ 26,543                |
|   | 39-Weeks Ended        |                          |
|   | September 26,<br>2015 | September<br>27,<br>2014 |
| Balance - beginning of period               | \$ 27,609             | \$ 26,767                |
| Accrual for products sold during the period | 25,165                | 29,803                   |
| Expenditures                                | (28,125)              | (30,027)                 |
| Balance - end of period                     | \$ 24,649             | \$ 26,543                |

**6. Commitments and Contingencies**

The Company is party to certain commitments, which include purchases of raw materials, advertising expenditures, investments in certain low income housing tax credit projects, and other indirect purchases in connection with conducting our business. Pursuant to these agreements, the Company is contractually committed to make payments of approximately \$312,258 over the next five years.

In the normal course of business, the Company and its subsidiaries are parties to various legal claims, investigations and complaints, including matters alleging patent infringement and other intellectual property claims. The Company evaluates, on a quarterly basis, developments in legal proceedings, investigations or claims that could affect the amount of any accrual or disclosure. The assessment regarding whether a loss is probable or a reasonable possibility, and whether the loss or a range of loss is estimable, often involves a series of complex judgments about future events.

Management of the Company currently does not believe there is at least a reasonable possibility the Company may have incurred a material loss, or a material loss in excess of recorded accruals, with respect to loss contingencies individually and in the aggregate, for the fiscal quarter ended September 26, 2015. The results of legal proceedings, investigations and claims, however, cannot be predicted with certainty. Although management considers the likelihood to be remote, an adverse resolution of one or more of such matters in excess of management's expectations could have a material adverse effect on the Company's results of operations in a particular quarter or fiscal year.

The Company settled or resolved certain matters during the fiscal quarter ended September 26, 2015 that did not individually or in the aggregate have a material impact on the Company's financial condition or results of operations.

## 7. Income Taxes

The Company's income tax expense decreased by \$273,904, to \$45,592 for the 13-week period ended September 26, 2015, from \$319,496 for the 13-week period ended September 27, 2014. The effective tax rate was 28% in the third quarter of 2015. The third quarter 2015 income tax expense decreased compared to the third quarter 2014 due to:

- the tax expense of \$307,635 associated with the inter-company restructuring recorded in the third quarter 2014

Offset by:

the release of uncertain tax position reserves due to expiration of certain statutes of limitations or completion of tax audits was insignificant in third quarter 2015 and reduced the Company's expense by \$24,400 in third quarter 2014 and

the current projected full year income mix for 2015 compared to the same projection at third quarter of 2014 is unfavorable resulting in an increased effective tax rate

The Company's income tax expense decreased by \$279,082 to \$90,800 for the first three quarters of 2015, from \$369,882 for the first three quarters of 2014. The effective tax rate was 22% in the first three quarters of 2015. The first three quarters of 2015 income tax expense decreased compared to the first three quarters of 2014 due to:

- the tax expense of \$307,635 associated with the inter-company restructuring recorded in the third quarter 2014

Offset by:

the release of uncertain tax position reserves due to expiration of certain statutes of limitations or completion of tax audits reduced expense by \$7,197 and \$35,385, respectively, in the first three quarters of 2015 and the first three quarters of 2014 and

the current projected full year income mix for 2015 compared to the same projection at third quarter of 2014 is unfavorable resulting in an increased effective tax rate

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## 8. Marketable Securities

The Financial Accounting Standards Board (“FASB”) ASC topic entitled *Fair Value Measurements and Disclosures* defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). The accounting guidance classifies the inputs used to measure fair value into the following hierarchy:

- Level 1 Unadjusted quoted prices in active markets for the identical asset or liability
- Level 2 Observable inputs for the asset or liability, either directly or indirectly, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability
- Level 3 Unobservable inputs for the asset or liability

The Company endeavors to utilize the best available information in measuring fair value. Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Valuation is based on prices obtained from an independent pricing vendor using both market and income approaches. The primary inputs to the valuation include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, contractual cash flows, benchmark yields, and credit spreads.

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Available-for-sale securities measured at estimated fair value on a recurring basis are summarized below:

### Fair Value Measurements as of September 26, 2015

|                            | Total       | Level 1 | Level 2     | Level 3 |
|----------------------------|-------------|---------|-------------|---------|
| U.S. Treasury securities   | \$27,584    | \$ —    | \$27,584    | \$ —    |
| Agency securities          | 236,086     | —       | 236,086     | —       |
| Mortgage-backed securities | 396,501     | —       | 396,501     | —       |
| Corporate securities       | 545,682     | —       | 545,682     | —       |
| Municipal securities       | 219,994     | —       | 219,994     | —       |
| Other                      | 76,134      | —       | 76,134      | —       |
| Total                      | \$1,501,981 | \$ —    | \$1,501,981 | \$ —    |

**Fair Value Measurements as  
of December 27, 2014 <sup>(1)</sup>**

|                            | <b>Total</b>       | <b>Level<br/>1</b> | <b>Level 2</b>     | <b>Level<br/>3</b> |
|----------------------------|--------------------|--------------------|--------------------|--------------------|
| U.S. Treasury securities   | \$30,144           | \$ —               | \$30,144           | \$ —               |
| Agency securities          | 428,320            | —                  | 428,320            | —                  |
| Mortgage-backed securities | 324,307            | —                  | 324,307            | —                  |
| Corporate securities       | 594,402            | —                  | 594,402            | —                  |
| Municipal securities       | 125,410            | —                  | 125,410            | —                  |
| Other                      | 72,750             | —                  | 72,750             | —                  |
| <b>Total</b>               | <b>\$1,575,333</b> | <b>\$ —</b>        | <b>\$1,575,333</b> | <b>\$ —</b>        |

<sup>(1)</sup> Certain available-for-sale securities held as of December 27, 2014 have been reclassified among major security types to conform to the current year presentation. These reclassifications had no effect on fair value measurement.

Marketable securities classified as available-for-sale securities are summarized below:

**Available-For-Sale Securities as  
of September 26, 2015**

|                            | <b>Amortized<br/>Cost</b> | <b>Gross<br/>Unrealized<br/>Gains</b> | <b>Gross<br/>Unrealized<br/>Losses-OTTI<br/>(2)</b> | <b>Gross<br/>Unrealized<br/>Losses-Other<br/>(3)</b> | <b>Estimated<br/>Fair<br/>Value (Net<br/>Carrying<br/>Amount)</b> |
|----------------------------|---------------------------|---------------------------------------|---|--|---|
| U.S. Treasury securities   | \$27,433                  | \$ 178                                | \$ —  | \$ (27   | ) \$27,584  |
| Agency securities          | 238,559                   | 205                                   | (2,553  | ) (125   | ) 236,086   |
| Mortgage-backed securities | 399,866                   | 465                                   | (987  | ) (2,843   | ) 396,501   |
| Corporate securities       | 549,830                   | 241                                   | (1,453  | ) (2,936   | ) 545,682   |
| Municipal securities       | 219,911                   | 893                                   | (1  | ) (809   | ) 219,994   |
| Other                      | 76,170                    | 7                                     | (17   | ) (26  | ) 76,134  |
| <b>Total</b>               | <b>\$1,511,769</b>        | <b>\$ 1,989</b>                       | <b>\$ (5,011</b>                                    | <b>) \$ (6,766</b>                                   | <b>) \$1,501,981</b>  |

**Available-For-Sale Securities as  
of December 27, 2014 <sup>(1)</sup>**

|                          | <b>Amortized<br/>Cost</b> | <b>Gross<br/>Unrealized<br/>Gains</b> | <b>Gross<br/>Unrealized<br/>Losses-OTTI<br/>(2)</b> | <b>Gross<br/>Unrealized<br/>Losses-Other<br/>(3)</b> | <b>Estimated<br/>Fair<br/>Value (Net<br/>Carrying<br/>Amount)</b> |
|--------------------------|---------------------------|---------------------------------------|---|--|---|
| U.S. Treasury securities | \$30,185                  | \$ 26                                 | \$ (25  | ) \$ (42   | ) \$30,144  |

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|                            |                    |                 |                   |          |                  |          |                    |
|----------------------------|--------------------|-----------------|-------------------|----------|------------------|----------|--------------------|
| Agency securities          | 436,817            | 169             | (8,259            | )        | (407             | )        | 428,320            |
| Mortgage-backed securities | 329,048            | 580             | (1,813            | )        | (3,508           | )        | 324,307            |
| Corporate securities       | 600,674            | 689             | (2,874            | )        | (4,087           | )        | 594,402            |
| Municipal securities       | 125,183            | 497             | (48               | )        | (222             | )        | 125,410            |
| Other                      | 72,857             | 59              | (12               | )        | (154             | )        | 72,750             |
| <b>Total</b>               | <b>\$1,594,764</b> | <b>\$ 2,020</b> | <b>\$ (13,031</b> | <b>)</b> | <b>\$ (8,420</b> | <b>)</b> | <b>\$1,575,333</b> |

- (1) Certain available-for-sale securities held as of December 27, 2014 have been reclassified among major security types to conform to the current year presentation. These reclassifications had no effect on fair value measurement.
- (2) Represents impairment not related to credit for those investment securities that have been determined to be other-than-temporarily impaired.
- (3) Represents unrealized losses on investment securities that have not been determined to be other-than-temporarily impaired.

The Company's investment policy requires investments to be rated A or better with the objective of minimizing the potential risk of principal loss. The fair value of the securities varies from period to period due to changes in interest rates, in the performance of the underlying collateral and in the credit performance of the underlying issuer, among other factors. The Company does not intend to sell the securities that have an unrealized loss shown in the table above and it is not more likely than not that the Company will be required to sell the investment before recovery of their amortized costs bases, which may be maturity.

The Company recognizes the credit component of other-than-temporary impairments of debt securities in “Other Income” and the noncredit component in “Other comprehensive income (loss)” for those securities that we do not intend to sell and for which it is not more likely than not that we will be required to sell before recovery. During 2014 and the 39-week period ending September 26, 2015, the Company did not record any material impairment charges on its outstanding securities.

The amortized cost and estimated fair value of the securities at an unrealized loss position at September 26, 2015 were \$1,018,087 and \$1,006,310, respectively. Approximately 49% of securities in the Company’s portfolio were at an unrealized loss position at September 26, 2015. We have the ability to hold these securities until maturity or their value is recovered. We do not consider these unrealized losses to be other than temporary credit losses because there has been no deterioration in credit quality and no change in the cash flows of the underlying securities. The Company does not intend to sell the securities and it is not more likely than not that the Company will be required to sell the securities; therefore, no impairment has been recorded in the accompanying condensed consolidated statement of income.

The cost of securities sold is based on the specific identification method.

The following table displays additional information regarding gross unrealized losses and fair value by major security type for available-for-sale securities in an unrealized loss position as of September 26, 2015.

|                            | <b>As of September 26, 2015</b>                |                       |  |                       |
|----------------------------|--|-----------------------|--|-----------------------|
|                            | <b>Less than 12<br/>Consecutive<br/>Months</b> |                       | <b>12 Consecutive<br/>Months or Longer</b> |                       |
|                            | <b>Gross<br/>Unrealized<br/>Losses</b>         | <b>Fair<br/>Value</b> | <b>Gross<br/>Unrealized<br/>Losses</b>     | <b>Fair<br/>Value</b> |
| U.S. Treasury securities   | \$ (27 )                                       | \$2,326               | \$—  | \$—                   |
| Agency securities          | \$ (468 )                                      | \$90,244              | \$ (2,210)                                 | \$85,942              |
| Mortgage-backed securities | \$ (2,381)                                     | \$252,600             | \$ (1,449)                                 | \$71,097              |
| Corporate securities       | \$ (4,020)                                     | \$376,149             | \$ (369 )                                  | \$21,725              |
| Municipal securities       | \$ (769 )                                      | \$68,517              | \$ (41 )                                   | \$8,670               |
| Other                      | \$ (11 )                                       | \$11,318              | \$ (32 )                                   | \$17,722              |
| <b>Total</b>               | <b>\$ (7,676)</b>                              | <b>\$801,154</b>      | <b>\$ (4,101)</b>                          | <b>\$205,156</b>      |

The amortized cost and estimated fair value of marketable securities at September 26, 2015, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because the issuers of the securities may have the right to prepay obligations without prepayment penalties.



|  | <b>Cost</b>        | <b>Estimated<br/>Fair Value</b> |
|--|--------------------|---------------------------------|
| Due in one year or less                | \$211,698          | \$211,834                       |
| Due after one year through five years  | 1,099,194          | 1,093,285                       |
| Due after five years through ten years | 135,930            | 133,289                         |
| Due after ten years                    | 64,946             | 63,573                          |
|  | <b>\$1,511,768</b> | <b>\$1,501,981</b>              |

## 9. Share Repurchase Plan

On February 13, 2015, the Board of Directors approved a share repurchase program authorizing the Company to repurchase up to \$300,000 of the common shares of Garmin Ltd. The repurchases may be made from time to time as market and business conditions warrant on the open market or in negotiated transactions in compliance with the SEC's Rule 10b-18. The timing and amounts of any repurchases will be determined by the Company's management depending on market conditions and other factors including price, regulatory requirements and capital availability. The program does not require the purchase of any minimum number of shares and may be suspended or discontinued at any time. The share repurchase authorization expires on December 31, 2016. As of September 26, 2015, the Company had repurchased 2,494 shares using cash of \$108,057. There remains approximately \$191,943 available to repurchase additional shares under this authorization.

**10. Accumulated Other Comprehensive Income**

The following provides required disclosure of changes in accumulated other comprehensive income (AOCI) balances by component for the 13-week and the 39-week periods ended September 26, 2015:

|  | 13-Weeks Ended September 26, 2015                |  |   | Total      |
|--|--|--|---|------------|
|  | Foreign<br>Currency<br>Translation<br>Adjustment | Gross unrealized<br>losses<br>on<br>available-for-sale<br>securities-OTTI <sup>(4)</sup> | Net unrealized<br>gains<br>(losses) on<br>available-<br>for-sale<br>securities-<br>Other <sup>(5)</sup> |            |
| Beginning Balance  | \$41,345   | \$ (9,414 )  | \$ (7,856 )   | \$24,075   |
| Other comprehensive income before reclassification               | (55,161)   | 4,403  | 3,324   | (47,434)   |
| Amounts reclassified from accumulated other comprehensive income | —  | —  | 210   | 210        |
| Net current-period other comprehensive income                    | (55,161)   | 4,403  | 3,534   | (47,224)   |
| Ending Balance   | \$(13,816)                                       | \$ (5,011 )  | \$ (4,322 )   | \$(23,149) |

|  | 39-Weeks Ended September 26, 2015                |  |   | Total      |
|--|--|--|---|------------|
|  | Foreign<br>Currency<br>Translation<br>Adjustment | Gross unrealized<br>losses<br>on<br>available-for-sale<br>securities-OTTI <sup>(4)</sup> | Net unrealized<br>gains<br>(losses) on<br>available-<br>for-sale<br>securities-<br>Other <sup>(5)</sup> |            |
| Beginning Balance  | \$20,874   | \$ (13,031 )   | \$ (5,272 )   | \$2,571    |
| Other comprehensive income before reclassification               | (34,690)   | 8,020  | 1,066   | (25,604)   |
| Amounts reclassified from accumulated other comprehensive income | —  | —  | (116 )  | (116 )     |
| Net current-period other comprehensive income                    | (34,690)   | 8,020  | 950   | (25,720)   |
| Ending Balance   | \$(13,816)                                       | \$ (5,011 )  | \$ (4,322 )   | \$(23,149) |

(4) Represents the change in impairment, not related to credit, for those investment securities that have been determined to be other-than-temporarily impaired.

(5) Represents the change in unrealized gains (losses) on investment securities that have not been determined to be other-than-temporarily impaired.



The following provides required disclosure of reporting reclassifications out of AOCI for the 13-week and 26-week periods ended September 26, 2015:

### 13-Weeks Ended September 26, 2015

| Details about accumulated other comprehensive income components | Amount reclassified from accumulated other comprehensive income | Affected line item in the statement where net income is presented |
|---|---|---|
| Unrealized gains (losses) on available-for-sale securities      | \$ (289 )   | Other income (expense)  |
|   | \$ 79   | Income tax (provision) benefit                                    |
|   | \$ (210 )   | Net of tax  |

### 39-Weeks Ended September 26, 2015

| Details about accumulated other comprehensive income components | Amount reclassified from accumulated other comprehensive income | Affected line item in the statement where net income is presented |
|---|---|---|
| Unrealized gains (losses) on available-for-sale securities      | \$ 76   | Other income (expense)  |
|   | \$ 41   | Income tax (provision) benefit                                    |
|   | \$ 117  | Net of tax  |

## 11. Recently Issued Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (Topic 606) (“ASU 2014-09”), which supersedes previous revenue recognition guidance. ASU 2014-09 requires that a company will recognize revenue at an amount that reflects the consideration to which the company expects to be entitled in exchange or transferring goods or services to a customer. In applying the new guidance, a company will (1) identify the contract(s) with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the contract’s performance obligations; and (5) recognize revenue when (or as) the entity satisfies a performance obligation. The new standard may be applied retrospectively to each prior period presented or in a modified retrospective approach in which the cumulative effect will be recognized as of the date of adoption.

In August 2015, the FASB issued Accounting Standards Update No. 2015-14, which defers the effective date of the new guidance by one year such that the new provisions will now be required for annual reporting periods beginning after December 15, 2017. The Company is currently evaluating the impact of adopting the new revenue standard on its consolidated financial statements.

## **12. Stock Compensation Plans**

In February 2015, Restricted Stock Units (RSUs) were granted to certain employees under the Company's 2005 Equity Incentive Plan (the "2005 Plan"). The vesting of these RSUs is contingent upon the achievement of certain revenue and profitability goals, as well as on time-based vesting requirements. The compensation expense related to these grants did not have a material impact on the results of operations for the 13-week or 39-week periods ended September 26, 2015 and is not expected to have a material impact on the results of operations for the fiscal year ending December 26, 2015. The 2005 Plan is discussed further in the Company's Annual Report on Form 10-K for the fiscal year ended December 27, 2014.

## **Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

The discussion set forth below, as well as other portions of this Quarterly Report, contains statements concerning potential future events. Such forward-looking statements are based upon assumptions by management, as of the date of this Quarterly Report, including assumptions about risks and uncertainties faced by the Company. Readers can identify these forward-looking statements by their use of such verbs as expects, anticipates, believes or similar verbs or conjugations of such verbs. If any of the Company's assumptions prove incorrect or should unanticipated circumstances arise, actual results could materially differ from those anticipated by such forward-looking statements. The differences could be caused by a number of factors or combination of factors including, but not limited to, those factors identified in the Company's Annual Report on Form 10-K for the year ended December 27, 2014. This report has been filed with the Securities and Exchange Commission (the "SEC" or the "Commission") in Washington, D.C. and can be obtained by contacting the SEC's public reference operations or obtaining it through the SEC's web site on the World Wide Web at <http://www.sec.gov>. Readers are strongly encouraged to consider those factors when evaluating any forward-looking statement concerning the Company. The Company will not update any forward-looking statements in this Quarterly Report to reflect future events or developments.

The information contained in this Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the Condensed Consolidated Financial Statements and Notes thereto included in this Form 10-Q and the audited financial statements and notes thereto in the Company's Annual Report on Form 10-K for the year ended December 27, 2014.

The Company is a leading worldwide provider of navigation, communications and information devices, most of which are enabled by Global Positioning System, or GPS, technology. We operate in five business segments, the outdoor, fitness, marine, auto and aviation markets. The Company's segments offer products through its network of independent dealers and distributors. However, the nature of products and types of customers for the five segments may vary significantly. As such, the segments are managed separately.

## Results of Operations

The following table sets forth the Company's results of operations as a percentage of net sales during the periods shown:

|                                     | 13-Weeks Ended     |                    |  |   |
|-------------------------------------|--------------------|--------------------|--|---|
|                                     | September 26, 2015 | September 27, 2014 |  |   |
| Net sales                           | 100                | % 100              |  | % |
| Cost of goods sold                  | 47                 | % 44               |  | % |
| Gross profit                        | 53                 | % 56               |  | % |
| Advertising                         | 5                  | % 5                |  | % |
| Selling, general and administrative | 14                 | % 13               |  | % |
| Research and development            | 16                 | % 14               |  | % |
| Total operating expenses            | 35                 | % 32               |  | % |
| Operating income                    | 18                 | % 25               |  | % |
| Other income (expense), net         | 6                  | % 0                |  | % |
| Income before income taxes          | 24                 | % 24               |  | % |
| Provision for income taxes          | 7                  | % 45               |  | % |
| Net income                          | 18                 | % -21              |  | % |
|                                     |                    |                    |  |   |
|                                     | 39-Weeks Ended     |                    |  |   |
|                                     | September 26, 2015 | September 27, 2014 |  |   |
| Net sales                           | 100                | % 100              |  | % |
| Cost of goods sold                  | 45                 | % 43               |  | % |
| Gross profit                        | 55                 | % 57               |  | % |
| Advertising                         | 5                  | % 4                |  | % |
| Selling, general and administrative | 14                 | % 14               |  | % |
| Research and development            | 16                 | % 14               |  | % |
| Total operating expenses            | 35                 | % 32               |  | % |
| Operating income                    | 20                 | % 25               |  | % |
| Other income (expense), net         | 1                  | % 0                |  | % |
| Income before income taxes          | 20                 | % 25               |  | % |
| Provision for income taxes          | 4                  | % 18               |  | % |
| Net income                          | 16                 | % 7                |  | % |

The Company manages its operations in five segments: outdoor, fitness, marine, auto, and aviation, and each of its segments employs the same accounting policies. Allocation of certain research and development expenses, and selling, general, and administrative expenses are made to each segment on a percent of revenue basis. The segment table located in Note 4 sets forth the Company's results of operations (in thousands) including revenue (net sales), operating income, and income before taxes for each of the Company's five segments during the periods shown. For each line item in the table, the total of the outdoor, fitness, marine, auto, and aviation segments' amounts equals the amount in the condensed consolidated statements of income included in Item 1.





**Comparison of 13-Weeks Ended September 26, 2015 and September 27, 2014***(Amounts included in the following discussion are stated in thousands unless otherwise indicated)***Net Sales**

|          | 13-weeks ended September 26, 2015 |               | 13-weeks ended September 27, 2014 |               | Year over Year |          |
|----------|-----------------------------------|---------------|-----------------------------------|---------------|----------------|----------|
|          | Net Sales                         | % of Revenues | Net Sales                         | % of Revenues | \$ Change      | % Change |
| Outdoor  | \$115,284                         | 17%           | \$121,079                         | 17%           | (\$5,795)      | -5%      |
| Fitness  | 143,216                           | 21%           | 116,171                           | 16%           | 27,045         | 23%      |
| Marine   | 62,315                            | 9%            | 62,128                            | 9%            | 187            | 0%       |
| Auto     | 264,643                           | 39%           | 307,558                           | 44%           | (42,915)       | -14%     |
| Aviation | 94,232                            | 14%           | 99,347                            | 14%           | (5,115)        | -5%      |
| Total    | \$679,690                         | 100%          | \$706,283                         | 100%          | (\$26,593)     | -4%      |

Net sales decreased 4% for the 13-week period ended September 26, 2015 when compared to the year-ago quarter. All segments, excluding aviation, were impacted by revenues denominated in currencies that have weakened against the U.S. Dollar. In total, it is estimated that the strong U.S. Dollar reduced revenues by approximately \$52 million, which represents 7% of revenue. Auto revenue remains the largest portion of our revenue mix at 39% in the third quarter of 2015 compared to 44% in the third quarter of 2014.

Total unit sales increased to 3,861 in the third quarter of 2015 from 3,679 in the same period of 2014. Unit sales volume in the third quarter of fiscal 2015 primarily grew in fitness.

Auto segment revenue decreased 14% from the year-ago quarter, as both PND volumes and the contribution of amortization of previously deferred revenue declined when compared to third quarter 2014. Revenues in our fitness segment increased 23% from the year-ago quarter driven primarily by growth in activity tracking devices. Revenues in our marine segment were flat after the seasonally strong second quarter 2015. Aviation revenues decreased 5% from the year-ago quarter due to industry-wide weakness. Outdoor revenues decreased 5% from the year-ago quarter due to geographic exposure to weak currencies.

**Cost of Goods Sold**

Year over Year

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|          | 13-weeks ended September<br>26, 2015 |               | 13-weeks ended September<br>27, 2014 |               |           |          |
|----------|--------------------------------------|---------------|--------------------------------------|---------------|-----------|----------|
|          | Cost of Goods                        | % of Revenues | Cost of Goods                        | % of Revenues | \$ Change | % Change |
| Outdoor  | \$47,109                             | 41%           | \$41,852                             | 35%           | \$5,257   | 13%      |
| Fitness  | 65,955                               | 46%           | 42,115                               | 36%           | 23,840    | 57%      |
| Marine   | 28,200                               | 45%           | 30,618                               | 49%           | (2,418)   | -8%      |
| Auto     | 152,045                              | 57%           | 166,563                              | 54%           | (14,518)  | -9%      |
| Aviation | 24,191                               | 26%           | 26,889                               | 27%           | (2,698)   | -10%     |
| Total    | \$317,500                            | 47%           | \$308,037                            | 44%           | \$9,463   | 3%       |

Cost of goods sold increased 300 basis points as a percentage of revenue from the year ago quarter with increases in the fitness, outdoor, and auto segments, while increasing 3% in absolute dollars. Cost of goods as a percentage of revenue increased in part due to a stronger U.S. Dollar that created downward pressure on revenue in all segments excluding aviation as discussed above. The absolute dollar increase of 3% reflects increased unit sales and a competitive pricing environment within some product categories.

In the auto segment, the 9% cost of goods sold decrease reflects lower PND shipments and product mix shift toward lower margin software-focused OEM solutions. The fitness cost of goods increase was primarily related to strong volume growth and product mix shift toward higher cost per unit products. In the marine segment, the 8% cost of goods sold decrease reflects the product mix shift toward lower cost per unit products. In the outdoor segment, the 13% increase in cost of goods sold reflects product mix shift toward higher cost per unit products. The 10% decrease in cost of goods sold for aviation was due to decreased volumes and increased contribution of software sales which carry a higher margin.

**Gross Profit**

|          | 13-weeks ended September 26, 2015 |               | 13-weeks ended September 27, 2014 |               | Year over Year |          |
|----------|-----------------------------------|---------------|-----------------------------------|---------------|----------------|----------|
|          | Gross Profit                      | % of Revenues | Gross Profit                      | % of Revenues | \$ Change      | % Change |
| Outdoor  | \$68,175                          | 59%           | \$79,227                          | 65%           | (\$11,052)     | -14%     |
| Fitness  | 77,261                            | 54%           | 74,056                            | 64%           | 3,205          | 4%       |
| Marine   | 34,115                            | 55%           | 31,510                            | 51%           | 2,605          | 8%       |
| Auto     | 112,598                           | 43%           | 140,995                           | 46%           | (28,397)       | -20%     |
| Aviation | 70,041                            | 74%           | 72,458                            | 73%           | (2,417)        | -3%      |
| Total    | \$362,190                         | 53%           | \$398,246                         | 56%           | (\$36,056)     | -9%      |

Gross profit dollars in the third quarter of 2015 decreased 9% while gross profit margin decreased 300 basis points compared to the third quarter of 2014. Fitness, outdoor, and auto suffered gross margin decline, as discussed above. Marine gross margins increased while aviation was relatively stable to prior year results, as discussed above.

**Advertising Expense**

|          | 13-weeks ended September 26, 2015 |               | 13-weeks ended September 27, 2014 |               | Year over Year |          |
|----------|-----------------------------------|---------------|-----------------------------------|---------------|----------------|----------|
|          | Advertising Expense               | % of Revenues | Advertising Expense               | % of Revenues | \$ Change      | % Change |
| Outdoor  | \$5,704                           | 5%            | \$6,070                           | 5%            | (\$366)        | -6%      |
| Fitness  | 16,394                            | 11%           | 10,213                            | 9%            | 6,181          | 61%      |
| Marine   | 3,220                             | 5%            | 2,653                             | 4%            | 567            | 21%      |
| Auto     | 10,229                            | 4%            | 12,399                            | 4%            | (2,170)        | -18%     |
| Aviation | 1,340                             | 1%            | 1,777                             | 2%            | (437)          | -25%     |
| Total    | \$36,887                          | 5%            | \$33,112                          | 5%            | \$3,776        | 11%      |

Advertising expense increased 11% in absolute dollars and were flat as a percent of revenues. The increase in absolute dollars primarily occurred in fitness with increased media spend, point of sale presence at key retailers and cooperative advertising. This increase was partially offset by decreased spending in auto due to reduced cooperative advertising associated with lower volumes.

**Selling, General and Administrative Expense**

|  | 13-weeks ended September 26, 2015 | 13-weeks ended September 27, 2014 | Year over Year |
|--|-----------------------------------|-----------------------------------|----------------|
|  | Selling, General &                | Selling, General &                |                |

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|          | Admin. Expenses | % of Revenues | Admin. Expenses | % of Revenues | \$ Change | % Change |
|----------|-----------------|---------------|-----------------|---------------|-----------|----------|
| Outdoor  | \$15,480        | 13%           | \$15,010        | 12%           | \$470     | 3%       |
| Fitness  | 21,458          | 15%           | 16,649          | 14%           | 4,809     | 29%      |
| Marine   | 12,119          | 19%           | 10,898          | 18%           | 1,221     | 11%      |
| Auto     | 38,649          | 15%           | 42,050          | 14%           | (3,401)   | -8%      |
| Aviation | 6,351           | 7%            | 6,025           | 6%            | 326       | 5%       |
| Total    | \$94,057        | 14%           | \$90,632        | 13%           | \$3,425   | 4%       |

Selling, general and administrative expense increased 4% in absolute dollars and 100 basis points as a percent of revenues compared to the year-ago quarter. The absolute dollar increase is related to IT and product support. Variances by segment are primarily due to the allocation of certain selling, general and administrative expenses based on percentage of total revenues.

***Research and Development Expense***

|          | 13-weeks ended September 26, 2015 |               | 13-weeks ended September 27, 2014 |               | Year over Year |          |
|----------|-----------------------------------|---------------|-----------------------------------|---------------|----------------|----------|
|          | Research & Development            | % of Revenues | Research & Development            | % of Revenues | \$ Change      | % Change |
| Outdoor  | \$9,230                           | 8%            | \$6,765                           | 6%            | \$2,465        | 36%      |
| Fitness  | 12,832                            | 9%            | 10,524                            | 9%            | 2,308          | 22%      |
| Marine   | 13,039                            | 21%           | 12,507                            | 20%           | 532            | 4%       |
| Auto     | 32,060                            | 12%           | 33,504                            | 11%           | (1,444)        | -4%      |
| Aviation | 38,628                            | 41%           | 35,698                            | 36%           | 2,930          | 8%       |
| Total    | \$105,789                         | 16%           | \$98,998                          | 14%           | \$6,791        | 7%       |

Research and development expense increased 7% due to ongoing development activities for new products and the addition of approximately 100 new engineering personnel to our staff since the year-ago quarter. In absolute dollars, research and development costs increased \$6.8 million when compared with the year-ago quarter and increased as a percent of revenue by 150 basis points. Our research and development spending is focused on product development, improving existing software capabilities, and exploring new categories.

### ***Operating Income***

|          | 13-weeks ended September 26, 2015 |               | 13-weeks ended September 27, 2014 |               | Year over Year |          |
|----------|-----------------------------------|---------------|-----------------------------------|---------------|----------------|----------|
|          | Operating Income                  | % of Revenues | Operating Income                  | % of Revenues | \$ Change      | % Change |
| Outdoor  | \$37,761                          | 33%           | \$51,382                          | 42%           | (\$13,621)     | -27%     |
| Fitness  | 26,577                            | 19%           | 36,670                            | 32%           | (10,093)       | -28%     |
| Marine   | 5,737                             | 9%            | 5,452                             | 9%            | 285            | 5%       |
| Auto     | 31,660                            | 12%           | 53,042                            | 17%           | (21,382)       | -40%     |
| Aviation | 23,722                            | 25%           | 28,958                            | 29%           | (5,236)        | -18%     |
| Total    | \$125,457                         | 18%           | \$175,504                         | 25%           | (\$50,047)     | -29%     |

Operating income decreased 29% in absolute dollars and 640 basis points as a percent of revenue when compared to the third quarter of 2014. Declines in the gross margin percentage, as discussed above, coupled with increases in all categories of operating expense, contributed to the decline.

### ***Other Income (Expense)***

|                                 | 13-weeks ended<br>September 26, 2015 | 13-weeks ended<br>September 27, 2014 |
|---------------------------------|--------------------------------------|--------------------------------------|
| Interest Income                 | \$6,851                              | \$9,344                              |
| Foreign Currency gains (losses) | 30,573                               | (12,703)                             |
| Other                           | 2,010                                | 517                                  |
| Total                           | \$39,434                             | (\$2,842)                            |

The average return on cash and investments during the third quarter of 2015 was 1.1% compared to 1.4% during the same quarter of 2014. Lower interest income in the third quarter of 2015, as compared to the same period of 2014, is due to a reduced interest rate and a lower cash and investments balance.

Foreign currency gains and losses for the Company are typically driven by movements in the Taiwan Dollar and the Euro in relation to the U.S. Dollar. The Taiwan Dollar is the functional currency of Garmin Corporation. The U.S. Dollar is the functional currency of Garmin (Europe) Ltd. The Euro is the functional currency of most other European subsidiaries. As these entities have grown, currency fluctuations can generate material gains and losses. Additionally, Euro-based inter-company transactions can also generate currency gains and losses. Due to the relative size of the entities using a functional currency other than the Taiwan Dollar and the Euro, currency fluctuations related to these entities are not expected to have a material impact on the Company's financial statements.

The \$30.6 million currency gain in the third quarter 2015 was due to the U.S. Dollar strengthening against the Taiwan Dollar while the U.S. Dollar weakened slightly against the Euro. During the third quarter of 2015, the U.S. Dollar strengthened 6.5% compared to the Taiwan Dollar resulting in a gain of \$41.1 million while the U.S. Dollar weakened 0.1% against the Euro resulting in a gain of \$0.3 million. The remaining net currency loss of \$10.8 million is related to other currencies and timing of transactions.

The majority of the \$12.7 million currency loss in the third quarter of 2014 was due to the strengthening of the U.S. Dollar compared to the Euro and the British Pound Sterling. The strengthening of the U.S. Dollar compared to the Taiwan Dollar contributed an offsetting gain. The movements of the Taiwan Dollar and Euro/British Pound Sterling have offsetting impacts due to the use of the Taiwan Dollar for manufacturing costs and cash held in non-functional currency while the Euro and British Pound Sterling transactions relate to revenue. During the third quarter of 2014, the U.S. Dollar strengthened 6.6% compared to the Euro and 4.3% compared to the British Pound Sterling resulting in a net loss of \$24.2 million. This was partially offset as the U.S. Dollar strengthened 1.5% compared to the Taiwan Dollar resulting in a gain of \$12.8 million. The remaining net currency loss of \$1.4 million is related to other currencies and timing of transactions.

**Income Tax Provision**

The Company's income tax expense decreased by \$273.9 million, to \$45.6 million for the 13-week period ended September 26, 2015, from \$319.5 million for the 13-week period ended September 27, 2014. The effective tax rate was 28% in the third quarter of 2015. The third quarter 2015 income tax expense decreased compared to the third quarter 2014 due to:

- the tax expense of \$307.6 million associated with the inter-company restructuring recorded in the third quarter 2014

Offset by:

- the release of uncertain tax position reserves due to expiration of certain statutes of limitations or completion of tax audits was insignificant in third quarter 2015 and reduced our expense by \$24.4 million in third quarter 2014 and

- the current projected full year income mix for 2015 compared to the same projection at third quarter of 2014 is unfavorable resulting in an increased effective tax rate

**Net Income**

As a result of the above, net income increased by \$266.1 million for the 13-week period ended September 26, 2015 to \$119.3 million compared to a loss of \$146.8 million for the 13-week period ended September 27, 2014.

**Comparison of 39-Weeks Ended September 26, 2015 and September 27, 2014**

*(Amounts included in the following discussion are stated in thousands unless otherwise indicated)*

**Net Sales**

|          | 39-weeks ended Sep 26, 2015 |               | 39-weeks ended Sep 27, 2014 |               | Year over Year |          |
|----------|-----------------------------|---------------|-----------------------------|---------------|----------------|----------|
|          | Net Sales                   | % of Revenues | Net Sales                   | % of Revenues | \$ Change      | % Change |
| Outdoor  | \$301,523                   | 15%           | \$311,123                   | 15%           | (\$9,600)      | -3%      |
| Fitness  | 432,859                     | 21%           | 367,137                     | 18%           | 65,722         | 18%      |
| Marine   | 230,325                     | 11%           | 195,911                     | 9%            | 34,414         | 18%      |
| Auto     | 779,646                     | 38%           | 900,545                     | 44%           | (120,899)      | -13%     |
| Aviation | 294,560                     | 14%           | 292,636                     | 14%           | 1,924          | 1%       |
| Total    | \$2,038,913                 | 100%          | \$2,067,352                 | 100%          | (\$28,439)     | -1%      |

Net sales decreased 1% for the 39-week period ended September 26, 2015 when compared to the year-ago period. All segments, excluding aviation, experienced significant declines due to revenues denominated in currencies that have weakened against the U.S. Dollar. In total, the strong U.S. Dollar reduced revenues by approximately \$148 million, which represents approximately 7% of revenue. Auto revenue remains the largest portion of our revenue mix at 38% in the first three quarters of 2015 compared to 44% in the first three quarters of 2014.

Total unit sales increased 10% to 11,055 in the first three quarters of 2015 from 10,018 in the same period of 2014. The increase in unit sales volume was attributable to fitness and marine volumes partially offset by declines in each of the other segments.

Auto segment revenue decreased 13% from the year-ago period, as both the contribution of amortization of previously deferred revenue declined when compared to first three quarters of 2014 and volumes declined. Fitness revenues increased 18% on the strength of our wearables portfolio. Aviation revenues increased 1% from the year-ago period as market share gains were offset by industry weakness. Outdoor revenues decreased 3% from the year-ago period due to geographic exposure to weak currencies. Revenues in our marine segment increased 18% as the release of new marine products drove strong revenue growth.



**Cost of Goods Sold**

|          | 39-weeks ended Sep 26, 2015 |               | 39-weeks ended Sep 27, 2014 |               | Year over Year |          |
|----------|-----------------------------|---------------|-----------------------------|---------------|----------------|----------|
|          | Cost of Goods               | % of Revenues | Cost of Goods               | % of Revenues | \$ Change      | % Change |
| Outdoor  | \$116,182                   | 39%           | \$116,318                   | 37%           | (\$136)        | 0%       |
| Fitness  | 184,064                     | 43%           | 130,933                     | 36%           | 53,131         | 41%      |
| Marine   | 102,121                     | 44%           | 90,814                      | 46%           | 11,307         | 12%      |
| Auto     | 432,239                     | 55%           | 478,166                     | 53%           | (45,927)       | -10%     |
| Aviation | 78,746                      | 27%           | 77,557                      | 27%           | 1,190          | 2%       |
| Total    | \$913,352                   | 45%           | \$893,788                   | 43%           | \$19,564       | 2%       |

Cost of goods sold increased 2% in absolute dollars for the first three quarters of 2015 when compared to the year ago period. Cost of goods as a percentage of revenue increased in part due to a stronger U.S. Dollar that created downward pressure on revenue in all segments excluding aviation as discussed above.

In the auto segment, the cost of goods decline was largely consistent with the segment revenue decline. In the fitness segment, the cost of goods increase outpaced revenue growth due to product mix and competitive pricing dynamics. The cost of goods increases in marine are due to increased sales of higher margin products. Aviation was largely consistent with the segment revenue growth.

**Gross Profit**

|          | 39-weeks ended Sep 26, 2015 |               | 39-weeks ended Sep 27, 2014 |               | Year over Year |          |
|----------|-----------------------------|---------------|-----------------------------|---------------|----------------|----------|
|          | Gross Profit                | % of Revenues | Gross Profit                | % of Revenues | \$ Change      | % Change |
| Outdoor  | \$185,341                   | 61%           | \$194,805                   | 63%           | (\$9,464)      | -5%      |
| Fitness  | 248,795                     | 57%           | 236,204                     | 64%           | 12,591         | 5%       |
| Marine   | 128,204                     | 56%           | 105,097                     | 54%           | 23,107         | 22%      |
| Auto     | 347,407                     | 45%           | 422,379                     | 47%           | (74,972)       | -18%     |
| Aviation | 215,814                     | 73%           | 215,079                     | 73%           | 735            | 0%       |
| Total    | \$1,125,561                 | 55%           | \$1,173,564                 | 57%           | (\$48,003)     | -4%      |

Gross profit dollars in the first three quarters of 2015 decreased 4% while gross profit margin decreased 160 basis points compared to the first three quarters of 2014. The auto gross margin declined slightly to 45% driven by the lower amortization of previously deferred high margin revenues, as discussed above. Marine margins increased while fitness and outdoor margins declined and aviation held consistent, as discussed above.

*Advertising Expense*

|          | 39-weeks ended Sep 26, 2015 |               | 39-weeks ended Sep 27, 2014 |               | Year over Year |          |
|----------|-----------------------------|---------------|-----------------------------|---------------|----------------|----------|
|          | Advertising<br>Expense      | % of Revenues | Advertising<br>Expense      | % of Revenues | \$ Change      | % Change |
| Outdoor  | \$16,059                    | 5%            | \$20,266                    | 7%            | (\$4,207)      | -21%     |
| Fitness  | 47,519                      | 11%           | 25,077                      | 7%            | 22,442         | 89%      |
| Marine   | 13,020                      | 6%            | 9,849                       | 5%            | 3,171          | 32%      |
| Auto     | 29,260                      | 4%            | 32,377                      | 4%            | (3,117)        | -10%     |
| Aviation | 4,494                       | 2%            | 4,888                       | 2%            | (394)          | -8%      |
| Total    | \$110,352                   | 5%            | \$92,457                    | 4%            | \$17,895       | 19%      |

Advertising expense increased 19% in absolute dollars and 100 basis points as a percent of revenue compared to the year-ago period. The increase in absolute dollars primarily occurred in fitness and marine to support new product introductions with increased media spend, point of sale presence at key retailers and cooperative advertising. This increase was partially offset by decreased spending in outdoor due to higher spending in 2014 to support new product introductions.

***Selling, General and Administrative Expenses***

|          | 39-weeks ended Sep 26, 2015           |               | 39-weeks ended Sep 27, 2014           |               | Year over Year |          |
|----------|---------------------------------------|---------------|---------------------------------------|---------------|----------------|----------|
|          | Selling, General &<br>Admin. Expenses | % of Revenues | Selling, General &<br>Admin. Expenses | % of Revenues | \$ Change      | % Change |
| Outdoor  | \$42,819                              | 14%           | \$42,733                              | 14%           | \$86           | 0%       |
| Fitness  | 68,661                                | 16%           | 50,639                                | 14%           | 18,022         | 36%      |
| Marine   | 41,396                                | 18%           | 32,604                                | 17%           | 8,792          | 27%      |
| Auto     | 118,813                               | 15%           | 129,068                               | 14%           | (10,255)       | -8%      |
| Aviation | 18,670                                | 6%            | 17,870                                | 6%            | 800            | 4%       |
| Total    | \$290,359                             | 14%           | \$272,914                             | 13%           | \$17,445       | 6%       |

Selling, general and administrative expense increased 6% in absolute dollars and 100 basis points as a percent of revenues compared to the year-ago period. The absolute dollar increase is related to product support, IT, and legal fees associated with the defense of multiple matters. Variances by segment are primarily due to the allocation of certain selling, general and administrative expenses based on percentage of total revenues.

***Research and Development Expense***

|          | 39-weeks ended Sep 26, 2015 |               | 39-weeks ended Sep 27, 2014 |               | Year over Year |          |
|----------|-----------------------------|---------------|-----------------------------|---------------|----------------|----------|
|          | Research &<br>Development   | % of Revenues | Research &<br>Development   | % of Revenues | \$ Change      | % Change |
| Outdoor  | \$27,451                    | 9%            | \$21,461                    | 7%            | \$5,990        | 28%      |
| Fitness  | 38,329                      | 9%            | 27,434                      | 7%            | 10,895         | 40%      |
| Marine   | 39,584                      | 17%           | 35,725                      | 18%           | 3,859          | 11%      |
| Auto     | 100,324                     | 13%           | 102,686                     | 11%           | (2,362)        | -2%      |
| Aviation | 115,343                     | 39%           | 106,261                     | 36%           | 9,082          | 9%       |
| Total    | \$321,031                   | 16%           | \$293,567                   | 14%           | \$27,464       | 9%       |

Research and development expense increased 9% due to ongoing development activities for new products and the addition of over 100 new engineering personnel to our staff since the year-ago period. In absolute dollars, research and development costs increased \$27.5 million when compared with the year-ago period and increased 150 basis point as a percent of revenues compared to the year-ago period. Our research and development spending is focused on product development, improving existing software capabilities, and exploring new categories.

***Operating Income***

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|          | 39-weeks ended Sep 26, 2015 |               | 39-weeks ended Sep 27, 2014 |               | Year over Year |          |
|----------|-----------------------------|---------------|-----------------------------|---------------|----------------|----------|
|          | Operating Income            | % of Revenues | Operating Income            | % of Revenues | \$ Change      | % Change |
| Outdoor  | \$99,012                    | 33%           | \$110,345                   | 35%           | (\$11,333)     | -10%     |
| Fitness  | 94,286                      | 22%           | 133,054                     | 36%           | (38,768)       | -29%     |
| Marine   | 34,204                      | 15%           | 26,919                      | 14%           | 7,285          | 27%      |
| Auto     | 99,010                      | 13%           | 158,248                     | 18%           | (59,238)       | -37%     |
| Aviation | 77,307                      | 26%           | 86,060                      | 29%           | (8,753)        | -10%     |
| Total    | \$403,819                   | 20%           | \$514,626                   | 25%           | (\$110,807)    | -22%     |

Operating income declined 22% in absolute dollars and 500 basis points as a percent of revenue when compared to the year-ago period. Declining gross margin percentages and increases in all operating expenses as a percentage of revenue, as discussed above, contributed to the decline.

***Other Income (Expense)***

|                                | 39-weeks ended<br>September 26, 2015 | 39-weeks ended<br>September 27, 2014 |
|--------------------------------|--------------------------------------|--------------------------------------|
| Interest Income                | \$22,295                             | \$28,781                             |
| Foreign Currency gains(losses) | (14,177)                             | (20,266)                             |
| Other                          | 2,707                                | 707                                  |
| Total                          | \$10,825                             | \$9,222                              |

The average return on cash and investments during the first three quarters of 2015 was 1.2% compared to 1.3% during the same period of 2014. The decrease in interest income is attributable to decreasing cash and investments balances and a slight decrease in interest rates.

The majority of the \$14.2 million currency loss in the first three quarters of 2015 was due to the strengthening of the U.S. Dollar against both the Euro and the Taiwan Dollar. During the first three quarters of 2015, the U.S. Dollar strengthened 8.2% compared to the Euro resulting in a loss of \$24.7 million while strengthening against the Taiwan Dollar by 4.1% resulting in a gain of \$20.6 million. The remaining net currency loss of \$10.1 million is related to other currencies and timing of transactions.

The majority of the \$20.3 million currency loss in the first three quarters of 2014 was due to the strengthening of the U.S. Dollar compared to the Euro and the British Pound Sterling. The strengthening of the U.S. Dollar compared to the Taiwan Dollar contributed an offsetting gain. During the first three quarters of 2014, the U.S. Dollar strengthened 7.5% compared to the Euro and 1.1% compared to the British Pound Sterling resulting in a net loss of \$26.6 million. This was partially offset as the U.S. Dollar strengthened 1.0% compared to the Taiwan Dollar resulting in a gain of \$8.0 million. The remaining net currency loss of \$1.7 million is related to other currencies and timing of transactions.

***Income Tax Provision***

Our income tax expense decreased by \$279.1 million to \$90.8 million for the first three quarters of 2015, from \$369.9 million for the first three quarters of 2014. The effective tax rate was 22% in the first three quarters of 2015. The first three quarters of 2015 income tax expense decreased compared to the first three quarters of 2014 due to:

the tax expense of \$307.6 million associated with the inter-company restructuring recorded in the third quarter 2014

Offset by:

The release of uncertain tax position reserves due to expiration of certain statutes of limitations or completion of tax audits reduced our expense by \$7.2 million and \$35.4 million, respectively, in the first three quarters of 2015 and the first three quarters of 2014 and

the current projected full year income mix for 2015 compared to the same projection at third quarter of 2014 is unfavorable resulting in an increased effective tax rate

***Net Income***

As a result of the above, net income increased by \$169.9 million for the 39-week period ended September 26, 2015 to \$323.8 million compared to \$154.0 million for the 39-week period ended September 27, 2014

## Liquidity and Capital Resources

### *Operating Activities*

| (In thousands)                            | 39-Weeks Ended   |                  |
|---|------------------|------------------|
|   | Sept 26,<br>2015 | Sept 27,<br>2014 |
| Net cash provided by operating activities | \$ 122,131       | \$ 377,694       |

The \$255.6 million decrease in cash provided by operating activities in first three quarters of 2015 compared to first three quarters of 2014 was primarily due to the following:

- the impact of income taxes payable providing \$311.3 million less cash due primarily to the timing of disbursements related to the inter-company restructuring announced in the third quarter 2014

- other current and noncurrent assets providing \$112.2 million less cash primarily due to royalties and timing of payments for insurance and

- the impact of deferred income taxes providing \$49.4 million less cash primarily due to timing of withholding taxes paid

- other current and noncurrent liabilities providing \$42.6 million less cash primarily due to timing of payments for advertising and sales programs

Partially offset by:

- net income increasing \$169.9 million as discussed in the Results of Operations section above

- accounts receivable providing \$49.6 million more cash primarily due to the impact of lower revenues and the associated decline in receivables

- deferred revenue/costs providing \$26.9 million more working capital benefit due to the decreased amortization of previously deferred revenue/cost as discussed in the Results of Operations section above

- Accounts payable providing \$20.1 million more cash primarily due to the timing of payments

*Investing Activities*

| (In thousands)                            | 39-Weeks Ended   |                  |
|---|------------------|------------------|
|   | Sept 26,<br>2015 | Sept 27,<br>2014 |
| Net cash provided by investing activities | \$2,808          | \$116,434        |

The \$113.6 million decrease in cash provided by investing activities in the first three quarters of 2015 compared to the first three quarters of 2014 was primarily due to the following:

• collection of cash advanced under a loan receivable commitment with Bombardier of \$137.4 million in the first three quarters of 2014 and

Partially offset by:

- increased net redemptions of marketable securities of \$9.4 million
- decreased cash payments for intangible assets of \$6.6 million
- decreased cash payments for acquisitions of \$6.2 million

It is management's goal to invest the on-hand cash consistent with Garmin's investment policy, which has been approved by the Board of Directors. The investment policy's primary purpose is to preserve capital, maintain an acceptable degree of liquidity, and maximize yield within the constraint of low credit risk. Garmin's average interest rate returns on cash and investments during first three quarters of 2015 and 2014 were approximately 1.2% and 1.3%, respectively.



***Financing Activities***

| (In thousands)                        | 39-Weeks Ended   |                  |
|---------------------------------------|------------------|------------------|
|                                       | Sept 26,<br>2015 | Sept 27,<br>2014 |
| Net cash used in financing activities | \$(379,734)      | \$(503,574)      |

The \$123.8 million decrease in cash used in financing activities in the first three quarters of 2015 compared to the first three quarters of 2014 was primarily due to the following:

- decreased purchase of treasury stock of \$133.4 million under a share repurchase authorization

Partially offset by:

- increased dividend payments of \$13.2 million due to the increase in our year-over-year dividend rate

We currently use cash flow from operations to fund our capital expenditures, to support our working capital requirements, to pay dividends, and to fund share repurchases. We expect that future cash requirements will principally be for capital expenditures, working capital, payment of dividends declared, share repurchases and the funding of strategic acquisitions. We believe that our existing cash balances and cash flow from operations will be sufficient to meet our long-term projected capital expenditures, working capital and other cash requirements.

***Off-Balance Sheet Arrangements***

We do not have any off-balance sheet arrangements.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk**

There are numerous market risks that can affect our future business, financial condition and results of operations. In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part II, “Item 7A. Quantitative and Qualitative Disclosures About Market Risk” in our Annual Report on Form 10-K for the fiscal year ended December 27, 2014. There have been no material changes during the 13-week period ended

September 26, 2015 in the risks described in our Annual Report on Form 10-K related to market sensitivity, inflation, foreign currency exchange rate risk and interest rate risk.

#### **Item 4. Controls and Procedures**

(a) *Evaluation of disclosure controls and procedures.* The Company maintains a system of disclosure controls and procedures that are designed to provide reasonable assurance that information, which is required to be timely disclosed, is accumulated and communicated to management in a timely fashion. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. As of September 26, 2015, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the Company's disclosure controls and procedures. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded as of September 26, 2015 that our disclosure controls and procedures were effective such that the information relating to the Company, required to be disclosed in our Securities and Exchange Commission ("SEC") reports (i) is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and (ii) is accumulated and communicated to the Company's management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

(b) *Changes in internal control over financial reporting.* There has been no change in the Company's internal controls over financial reporting that occurred during the Company's fiscal quarter ended September 26, 2015 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

## Part II - Other Information

### Item 1. Legal Proceedings

*Harbinger Capital Partners LLC et al v. Deere & Company et al; LightSquared Inc. et al. v. Deere & Company et al.*

On August 9, 2013, Harbinger Capital Partners LLC and ten related entities (“Harbinger”) filed a lawsuit (the “Harbinger Lawsuit”) in the United States District Court for the Southern District of New York against Deere & Company (“Deere”), Garmin International, Inc. (“Garmin”), Trimble Navigation Ltd. (“Trimble”), The U.S. GPS Industry Council (the “Council”), and the Coalition to Save Our GPS. The Coalition to Save Our GPS is no longer a defendant. Plaintiffs filed a first amended complaint on August 16, 2013, a second amended complaint on January 21, 2014, and a third amended complaint on March 18, 2014. The third amended complaint seeks damages of at least \$1.9 billion based on allegations of violation of Rule 10b5-1 of the Securities Exchange Act of 1934 (the “1934 Act”), violation of Section 20(a) of the 1934 Act, fraud, negligent misrepresentation, constructive fraud, equitable estoppel, breach of contract, and violation of Section 349 of the New York General Business Law. Plaintiffs allege that they invested in a company now called LightSquared in the belief that LightSquared would be able to operate a new terrestrial, mobile telecommunications network (the “Terrestrial Plan”) on certain satellite radio frequencies. Plaintiffs also allege that LightSquared was not able to obtain approval from the Federal Communications Commission (“FCC”) to operate the proposed Terrestrial Plan because of interference it would cause to Global Positioning System (“GPS”) receivers operating in an adjacent frequency band. Plaintiffs further allege that defendants concealed the likelihood of such interference and breached an earlier alleged agreement with a predecessor of LightSquared regarding a different technical issue. Plaintiffs allege they were third-party beneficiaries of the agreement.

On November 1, 2013, LightSquared, Inc. and two related entities (collectively, “LightSquared”) filed an adversary proceeding (the “LightSquared Lawsuit”) in the United States Bankruptcy Court for the Southern District of New York (where a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code filed by LightSquared and certain related entities is pending) against Deere, Garmin, Trimble, the Council, and the Coalition to Save Our GPS. LightSquared filed a first amended complaint on March 18, 2014. LightSquared’s amended complaint seeks damages based on claims of promissory estoppel, quantum meruit, breach of contract, breach of implied covenant of good faith, unjust enrichment, negligent misrepresentation, constructive fraud, civil conspiracy, and tortious interference with contractual or business relationships. Like the allegations in the Harbinger Lawsuit, LightSquared alleges that it was not able to obtain approval from the FCC to operate its proposed Terrestrial Plan because of interference it would cause to GPS receivers. LightSquared also alleges that the inability to obtain FCC approval caused LightSquared damages, including the loss of third-party contracts. LightSquared further alleges that defendants concealed the likelihood of such interference and/or represented to LightSquared that any interference issues had been resolved and that defendants breached earlier alleged agreements with LightSquared regarding a different technical issue. On November 15, 2013, Garmin, Deere, Trimble, and the Council filed a motion to withdraw the reference of the LightSquared adversary proceeding from the Bankruptcy Court to the United States District Court for the Southern District of New York (the “District Court”). On January 31, 2014 the District Court granted the defendants’ motion to withdraw the reference.

The defendants filed joint motions to dismiss all counts of both the Harbinger and LightSquared Lawsuits on May 29, 2014. On February 5, 2015 the District Court issued an order dismissing with prejudice all counts of the Harbinger Lawsuit and all counts of the LightSquared Lawsuit except for the claims alleging negligent misrepresentation and constructive fraud. Harbinger has filed an appeal with the U.S. Court of Appeals for the Second Circuit against the dismissal of the Harbinger Lawsuit. The Second Circuit will hear oral argument on Harbinger's appeal on November 30, 2015. Although there can be no assurance that an unfavorable outcome of this litigation would not have a material adverse effect on our operating results, liquidity or financial position, Garmin believes that the claims in the Harbinger and LightSquared Lawsuits are without merit and intends to vigorously defend these actions.

*In the Matter of Certain Marine Sonar Imaging Systems, Products Containing the Same and Components Thereof*

On July 18, 2014, Johnson Outdoors Inc. and Johnson Outdoors Marine Electronics Inc. filed a complaint with the United States International Trade Commission (“ITC”) against Garmin International, Inc., Garmin North America, Inc., Garmin USA, Inc. and Garmin Corporation (collectively “Garmin”) alleging a violation of Section 337 of the Tariff Act of 1930, as amended, through alleged infringement by Garmin of U.S. Patents 7,652,952 (“the ‘952 patent”); 7,710,825 (“the ‘825 patent”); and 7,755,974 (“the ‘974 patent”). On August 15, 2014 the ITC instituted an investigation pursuant to the complaint. Garmin believes that each asserted claim of the ‘952 patent, the ‘825 patent, and the ‘974 patent is invalid and/or not infringed and, in addition, that the ‘952, ‘825, and ‘974 patents are unenforceable under the doctrine of inequitable conduct and that Johnson Outdoors’ claims are barred in whole or in part by the doctrines of prosecution history estoppel and/or prosecution disclaimer. A trial hearing before the Administrative Law Judge (“ALJ”) was held on April 7 through April 10, 2015. On July 13, 2015 the ALJ issued an Initial Determination finding that the ‘952, ‘825, and ‘974 patents are valid and enforceable but that there is no infringement by Garmin of any of the asserted claims of the ‘952 and ‘825 patents and that there is no infringement by Garmin of claim 25 of the ‘974 patent. The ALJ found that there is infringement by Garmin of claims 14, 18, 21, 22, 23 and 33 of the ‘974 patent. This initial determination is subject to review by the ITC and the final decision will be contained in a final determination issued by the ITC. Garmin disagrees with the ALJ’s finding of infringement of the ‘974 patent and has requested review by the ITC of this finding. Although there can be no assurance that an unfavorable outcome of this litigation would not have a material adverse effect on our operating results, liquidity, or financial position, Garmin believes that the claims in this investigation are without merit and intends to vigorously defend the investigation.

*In the Matter of Certain Marine Sonar Imaging Devices, Including Downscan and Sidescan Devices, Products Containing the Same , and Components Thereof*

On June 9, 2014 Navico Inc. and Navico Holding AS filed a complaint with the United States International Trade Commission (“ITC”) against Garmin International, Inc., Garmin North America, Inc., Garmin USA, Inc. and Garmin (Asia) Corporation (collectively “Garmin”) alleging a violation of Section 337 of the Tariff Act of 1930, as amended, through alleged infringement by Garmin of U.S. Patents 8,300,499 (“the ‘499 patent”); 8,305,840 (“the ‘840 patent”); and 8,605,550 (“the ‘550 patent”). On July 9, 2014 the ITC instituted an investigation pursuant to the complaint. Garmin believes that each asserted claim of the ‘499 patent, the ‘840 patent, and the ‘550 patent is invalid and/or not infringed. A trial hearing before the Administrative Law Judge (“ALJ”) was held on March 18 through March 24, 2015. The ALJ issued his initial determination on July 2, 2015 finding that the ‘840, ‘499 and ‘550 patents are valid but that there is no infringement by Garmin of the ‘840 patent, the ‘499 patent or the ‘550 patent. This initial determination is subject to review by the ITC and the final decision will be contained in a final determination issued by the ITC. Although there can be no assurance that an unfavorable outcome of this litigation would not have a material adverse effect on our operating results, liquidity, or financial position, Garmin believes that the claims in this investigation are without merit and intends to vigorously defend the investigation.

*Johnson Outdoors Inc. and Johnson Outdoors Marine Electronics, Inc. v. Garmin International, Inc., Garmin North America, Inc. and Garmin USA, Inc.*

On July 17, 2014, Johnson Outdoors Inc. and Johnson Outdoors Marine Electronics Inc. filed suit in the United States District Court for the Middle District of Alabama, Northern Division, against Garmin International, Inc., Garmin North America, Inc. and Garmin USA, Inc. (collectively, “Garmin”) alleging infringement of U.S. Patents 7,652,952 (“the ‘952 patent”); 7,710,825 (“the ‘825 patent”); and 7,755,974 (“the ‘974 patent”). On August 15, 2014, Garmin filed an answer. On October 17, 2014, Garmin filed an amended answer. In its amended answer Garmin asserts that each asserted claim of the ‘952 patent, the ‘825 patent and the ‘974 patent is invalid and/or not infringed and, in addition, that the ‘952, ‘825, and ‘974 patents are unenforceable under the doctrine of inequitable conduct, and that Johnson Outdoors’ claims are barred in whole or in part by the doctrines of prosecution history estoppel and/or prosecution disclaimer and Garmin seeks treble damages against Johnson Outdoors for antitrust violations under Section 2 of the Sherman Act, 15 U.S.C. § 2. Garmin intends to vigorously defend this action. On May 12, 2015, pursuant to an agreement between the parties, the court entered an order staying this lawsuit until there is a final decision in the ITC investigation described above under *In the Matter of Certain Marine Sonar Imaging Systems, Products Containing the Same and Components Thereof* including any Federal Circuit appeals but not including any Supreme Court petitions or appeals. Although there can be no assurance that an unfavorable outcome of this litigation would not have a material adverse effect on our operating results, liquidity or financial position, Garmin believes that the claims in this lawsuit are without merit and intends to vigorously defend this action.

*Andrea Katz, on behalf of herself and all others similarly situated, v. Garmin Ltd. and Garmin International, Inc.*

On December 18, 2013, a purported class action lawsuit was filed against Garmin International, Inc. and Garmin Ltd. in the U.S. District Court for the Northern District of Illinois. The lead plaintiff was Andrea Katz, on behalf of herself and all others similarly situated. The class of plaintiffs that Andrea Katz purported to represent includes all individuals who purchased any model of Forerunner watch in the State of Illinois and the United States. Plaintiff asserted claims for breach of contract, breach of express warranty, breach of implied warranties, negligence, negligent misrepresentation, and violations of Illinois statutory law. Plaintiff alleged that Forerunner watch bands have an unacceptable rate of failure in that they detach from the watch. Plaintiff sought compensatory and punitive damages, prejudgment interest, costs, and attorneys' fees, and injunctive relief. On January 29, 2014 the court dismissed the lawsuit without prejudice. On January 30, 2014, the plaintiff re-filed the lawsuit with the same claims for relief as the earlier action and adding an additional claim for unjust enrichment. On February 4, 2014, the court ordered the case to be transferred to the United States District Court for the District of Utah. The plaintiff voluntarily dismissed the case filed in Illinois and, on March 6, 2014, she refiled the lawsuit in the District Court for the District of Utah with the same claims, but with additional claims for violations of the Utah Consumers Sales Practice Act, Lanham Act, and Utah Truth in Advertising Act. The relief she requested is the same. On March 31, 2014, Garmin filed a motion to transfer the venue of the Utah action back to the Northern District of Illinois. On October 21, 2014, the United States District Court for the District of Utah denied Garmin's motion to transfer venue. On December 26, 2014, Garmin filed a motion to dismiss certain counts of the complaint. On April 16, 2015 the court granted Garmin's motion in part and dismissed with prejudice (i) Mr. Katz's (but not Mrs. Katz's) claim for breach of the implied warranty of merchantability, (ii) the plaintiffs' Lanham Act claim, (iii) the plaintiffs' negligence claim and (iv) the plaintiffs' negligent misrepresentation claim. No class has been certified at this time. Although there can be no assurance that an unfavorable outcome of this litigation would not have a material adverse effect on our operating results, liquidity, or financial position, Garmin believes that the claims in this lawsuit are without merit and intends to vigorously defend this action.

*Brian Meyers, on behalf of himself and all others similarly situated, v. Garmin International, Inc. Garmin USA, Inc. and Garmin Ltd.*

On August 13, 2013, Brian Meyers filed a putative class action complaint against Garmin International, Inc., Garmin USA, Inc. and Garmin Ltd. in the United States District Court for the District of Kansas. Meyers alleges that lithium-ion batteries in certain Garmin products are defective and alleges violations of the Kansas Consumer Protection Act, breach of an implied warranty of merchantability, breach of contract, unjust enrichment, breach of express warranty and also requests declaratory relief that the batteries are defective and must be covered by Garmin's warranties. The complaint seeks an order for class certification, a declaration that the batteries are defective, an order of injunctive relief, payment of damages in an unspecified amount on behalf of a putative class of all purchasers of certain Garmin products, and an award of attorneys' fees. On September 18, 2013 the plaintiff voluntarily dismissed Garmin Ltd. as a defendant without prejudice. On October 18, 2013 the plaintiff filed an amended class action complaint. On November 1, 2013 the remaining Garmin defendants filed a motion to dismiss all counts of the complaint for failure to state a claim on which relief can be granted. On January 24, 2014, the Court granted the motion to dismiss in part and denied it in part, dismissing the count for declaratory relief and the prayer for a declaration that the batteries are defective, but allowing the case to proceed on other substantive counts. On March



17, 2015, the plaintiff filed a motion for leave to file a second amended complaint. On April 7, 2015, Garmin filed an opposition to plaintiff's motion for leave to file a second amended complaint. On April 28, 2015 the court granted plaintiff's motion for leave to file a second amended complaint. On May 11, 2015 the plaintiff filed a motion for class certification. On July 10, 2015 Garmin filed its opposition to the motion for class certification. On September 11, 2015, the plaintiff filed a reply to Garmin's opposition to the motion for class certification. On September 24, 2015, Garmin filed a motion for leave to file a surreply. No class has been certified at this time, and Garmin believes that its defenses to Plaintiff's motion for class certification are meritorious and that no class will be certified. Although there can be no assurance that an unfavorable outcome of this litigation would not have a material adverse effect on our operating results, liquidity, or financial position, Garmin believes that the claims in this lawsuit are without merit and intends to vigorously defend this action.

*Navico Inc. and Navico Holding AS v. Garmin International, Inc. and Garmin USA, Inc.*

On June 4, 2014 Navico Inc. and Navico Holding AS filed suit in the United States District Court for the Northern District of Oklahoma against Garmin International, Inc. and Garmin USA, Inc. alleging infringement of U.S. Patents 8,300,499 (“the ‘499 patent”); 8,305,840 (“the ‘840 patent”); and 8,605,550 (“the ‘550 patent”). On October 21, 2014, Garmin filed its answer asserting that each asserted claim of the ‘499, ‘840, and ‘550 patents is invalid and/or not infringed. On September 30, 2015, the court held a hearing on claim construction and the parties await the court’s claim construction order. Although there can be no assurance that an unfavorable outcome of this litigation would not have a material adverse effect on our operating results, liquidity or financial position, Garmin believes that the claims in this lawsuit are without merit and intends to vigorously defend this lawsuit.

*Visteon Global Technologies, Inc. and Visteon Technologies LLC v. Garmin International, Inc.*

On February 10, 2010, Visteon Global Technologies, Inc. and Visteon Technologies LLC filed suit in the United States District Court for the Eastern District of Michigan, Southern Division, against Garmin International, Inc. alleging infringement of U.S. Patent No. 5,544,060 (“the ‘060 patent”), U.S. Patent No. 5,654,892 (“the ‘892 patent”), U.S. Patent No. 5,832,408 (“the ‘408 patent”), U.S. Patent No 5,987,375 (“the ‘375 patent”) and U.S. Patent No 6,097,316 (“the ‘316 patent”). On May 17, 2010, Garmin filed its answer asserting that each claim of the ‘060 patent, the ‘892 patent, the ‘408 patent and the ‘375 patent is invalid and/or not infringed. On April 12, 2011, the special master appointed by the court held a claim construction hearing. On December 12, 2011, the court issued an order adopting the special master’s report construing the claims of the patents-in-suit. On September 14, 2012, Garmin filed with the U.S. Patent and Trademark Office petitions for *ex parte* reexamination of the ‘408 patent and the ‘060 patent as being anticipated and obvious in view of the prior art. The U.S. Patent and Trademark Office subsequently granted Garmin’s requests for *ex parte* reexaminations and initially rejected all identified claims. On April 15, 2013, the U.S. Patent and Trademark Office issued a reexamination certificate confirming the patentability of the challenged claims of the ‘060 patent. On November 30, 2012, Garmin filed motions for summary judgment of non-infringement and/or invalidity for the ‘892, ‘316, and ‘375 patents. Visteon filed its own motions for summary judgment of infringement of the ‘408 patent and validity, under section 112, of the ‘375 and ‘060 patents. On February 4, 2013, the summary judgment motions were referred to the special master for consideration. On May 23, 2014 the special master held a hearing on the summary judgment motions. Prior to the hearing Visteon dropped its claim that Garmin infringes the ‘316 patent. On September 17, 2014, the special master issued a report recommending that Garmin’s motion for summary judgment of non-infringement of the ‘375 patent be granted, Visteon’s motion for summary judgment of validity under section 112 of the ‘375 and ‘060 patents be granted, and that all other motions for summary judgment be denied. On March 18, 2015, the court issued an order granting Garmin’s motion for summary judgment of non-infringement of the ‘375 patent, denying Visteon’s motion for summary judgment as to the ‘408 patent, rejecting the Special Master’s recommendation to grant Visteon’s motion for summary judgment as to the Garmin’s Section 112 defenses and denying Visteon’s motion for summary judgment as to Garmin’s Section 112 defenses, denying Garmin’s motion for summary judgment as to the ‘892 patent and dismissing as withdrawn Visteon’s claim of infringement of the ‘316 patent. On November 21, 2014, Garmin filed a second request for *ex parte* reexamination of the ‘408 patent. On March 23, 2015, the U.S. Patent Office issued a non-final office action finding the challenged claims of the ‘408 patent to be invalid and/or obvious in view of the prior art. Although there can be no assurance that an unfavorable outcome of this litigation would not have a material adverse effect on our operating results, liquidity or financial position, Garmin

believes that the claims in this lawsuit are without merit and intends to vigorously defend this action.

In the normal course of business, the Company and its subsidiaries are parties to various legal claims, actions, and complaints, including matters involving patent infringement, other intellectual property, product liability, customer claims and various other risks. It is not possible to predict with certainty whether or not the Company and its subsidiaries will ultimately be successful in any of these legal matters, or if not, what the impact might be. However, the Company's management does not expect that the results in any of these legal proceedings will have a material adverse effect on the Company's results of operations, financial position or cash flows.

**Item 1A. Risk Factors**

There are many risks and uncertainties that can affect our future business, financial performance or share price. In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, “Item 1A. Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended December 27, 2014. There have been no material changes during the 13-week period ended September 26, 2015 in the risks described in our Annual Report on Form 10-K. These risks, however, are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

Items (a) and (b) are not applicable.

**(c) Issuer Purchases of Equity Securities**

The Board of Directors approved a share repurchase program on February 13, 2015, authorizing the Company to purchase up to \$300 million of its common shares as market and business conditions warrant. The share repurchase authorization expires on December 31, 2016. The following table lists the Company’s share purchases during the third quarter of fiscal 2015:

| Period                               | Total # of Shares Purchased | Average Price Paid Per Share | Total Number of Shares Purchased as Part of | Maximum Number of Shares (or approx. Dollar Value of Shares in Thousands) That May Yet Be |
|--------------------------------------|-----------------------------|------------------------------|---|---|
|                                      |                             |                              | Publicly Announced Plans or Programs        | Purchased Under the Plans or Programs   |
| June 28, 2015 - July 25, 2015        | 333,144                     | \$43.55                      | 333,144                                     | \$228,197   |
| July 26, 2015 - August 22, 2015      | 400,000                     | \$40.86                      | 400,000                                     | \$211,851   |
| August 23, 2015 - September 26, 2015 | 540,450                     | \$36.84                      | 540,450                                     | \$191,943   |
| <b>Total</b>                         | <b>1,273,594</b>            | <b>\$39.86</b>               | <b>1,273,594</b>                            | <b>\$191,943</b>  |

**Item 3. Defaults Upon Senior Securities**

None

**Item 4. Mine Safety Disclosures**

Not applicable

**Item 5. Other Information**

Not applicable

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**Item 6. Exhibits**

- Exhibit 31.1 Certification of Chief Executive Officer pursuant to Exchange Act Rule 13a-14(a) or 15d-14(a).
- Exhibit 31.2 Certification of Chief Financial Officer pursuant to Exchange Act Rule 13a-14(a) or 15d-14(a).
- Exhibit 32.1 Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
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- Exhibit  
101.INS XBRL Instance Document
- Exhibit  
101.SCH XBRL Taxonomy Extension Schema
- Exhibit  
101.CAL XBRL Taxonomy Extension Calculation Linkbase
- Exhibit  
101.LAB XBRL Taxonomy Extension Label Linkbase
- Exhibit  
101.PRE XBRL Taxonomy Extension Presentation Linkbase
- Exhibit  
101.DEF XBRL Taxonomy Extension Definition Linkbase

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

GARMIN LTD.

By /s/ Douglas G. Boessen  
Douglas G. Boessen  
Chief Financial Officer  
(Principal Financial  
Officer and  
Principal Accounting  
Officer)

Dated: October 28, 2015



**INDEX TO EXHIBITS**

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|-----------------|---|
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| Exhibit 101.INS | XBRL Instance Document  |

|                    |   |
|--------------------|---|
| Exhibit<br>101.SCH | XBRL<br>Taxonomy<br>Extension<br>Schema                   |
| Exhibit<br>101.CAL | XBRL<br>Taxonomy<br>Extension<br>Calculation<br>Linkbase  |
| Exhibit<br>101.LAB | XBRL<br>Taxonomy<br>Extension Label<br>Linkbase           |
| Exhibit<br>101.PRE | XBRL<br>Taxonomy<br>Extension<br>Presentation<br>Linkbase |
| Exhibit<br>101.DEF | XBRL<br>Taxonomy<br>Extension<br>Definition<br>Linkbase   |