

TRIMBLE NAVIGATION LTD /CA/
Form 10-Q
May 10, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED April 1, 2016

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: 001-14845

TRIMBLE NAVIGATION LIMITED
(Exact name of registrant as specified in its charter)

California 94-2802192
(State or other jurisdiction of (I.R.S. Employer Identification Number)
incorporation or organization)
935 Stewart Drive, Sunnyvale, CA 94085
(Address of principal executive offices) (Zip Code)
Telephone Number (408) 481-8000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (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 registrant 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, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

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

As of May 6, 2016, there were 251,073,522 shares of Common Stock (no par value) outstanding.

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PART I – FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 TRIMBLE NAVIGATION LIMITED
 CONDENSED CONSOLIDATED BALANCE SHEETS
 (UNAUDITED)

As of (In millions)	First Quarter of 2016	Fiscal Year End 2015
ASSETS		
Current assets:		
Cash and cash equivalents	\$174.7	\$ 116.0
Accounts receivable, net	377.8	361.9
Other receivables	15.3	14.9
Inventories	255.5	261.1
Other current assets	49.3	44.5
Total current assets	872.6	798.4
Property and equipment, net	155.4	159.2
Goodwill	2,128.4	2,106.4
Other purchased intangible assets, net	452.5	487.1
Other non-current assets	141.0	129.6
Total assets	\$3,749.9	\$ 3,680.7
LIABILITIES		
Current liabilities:		
Short-term debt	\$135.3	\$ 118.3
Accounts payable	112.6	99.8
Accrued compensation and benefits	86.6	98.9
Deferred revenue	287.2	234.6
Accrued warranty expense	17.9	18.5
Other current liabilities	87.2	90.8
Total current liabilities	726.8	660.9
Long-term debt	539.6	611.4
Non-current deferred revenue	32.3	29.6
Deferred income taxes liabilities	53.5	51.7
Other non-current liabilities	111.0	106.5
Total liabilities	1,463.2	1,460.1
Commitments and contingencies (Note 12)		
EQUITY		
Shareholders' equity:		
Preferred stock, no par value; 3.0 shares authorized; none outstanding	—	—
Common stock, no par value; 360.0 shares authorized; 251.4 and 250.7 shares issued and outstanding as of the end of the first quarter of fiscal 2016 and fiscal year end 2015, respectively	1,267.3	1,238.3
Retained earnings	1,157.3	1,148.2
Accumulated other comprehensive loss	(138.7) (166.8
Total Trimble Navigation Limited shareholders' equity	2,285.9	2,219.7
Noncontrolling interests	0.8	0.9

Total shareholders' equity	2,286.7	2,220.6
Total liabilities and shareholders' equity	\$3,749.9	\$ 3,680.7

See accompanying Notes to the Condensed Consolidated Financial Statements.

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TRIMBLE NAVIGATION LIMITED
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

(In millions, except per share amounts)	First Quarter of	
	2016	2015
Revenue:		
Product	\$393.6	\$400.6
Service	101.6	100.9
Subscription	87.8	81.1
Total revenue	583.0	582.6
Cost of sales:		
Product	190.0	187.7
Service	41.6	41.4
Subscription	26.7	23.8
Amortization of purchased intangible assets	24.1	22.5
Total cost of sales	282.4	275.4
Gross margin	300.6	307.2
Operating expense:		
Research and development	87.7	87.2
Sales and marketing	96.7	96.5
General and administrative	68.3	64.7
Restructuring charges	1.8	1.1
Amortization of purchased intangible assets	16.2	18.2
Total operating expense	270.7	267.7
Operating income	29.9	39.5
Non-operating income (expense), net:		
Interest expense	(6.6)	(6.4)
Foreign currency transaction gain (loss), net	(0.1)	1.1
Income from equity method investments, net	2.9	3.0
Other income, net	3.3	7.0
Total non-operating income (expense), net	(0.5)	4.7
Income before taxes	29.4	44.2
Income tax provision	9.7	10.2
Net income	19.7	34.0
Less: Net loss attributable to noncontrolling interests	(0.1)	(0.1)
Net income attributable to Trimble Navigation Limited:	\$19.8	\$34.1
Basic earnings per share	\$0.08	\$0.13
Shares used in calculating basic earnings per share	251.0	259.4
Diluted earnings per share	\$0.08	\$0.13
Shares used in calculating diluted earnings per share	254.0	262.4
See accompanying Notes to the Condensed Consolidated Financial Statements.		

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TRIMBLE NAVIGATION LIMITED
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
 (UNAUDITED)

	First Quarter of	
	2016	2015
(In millions)		
Net income	\$19.7	\$34.0
Foreign currency translation adjustments, net of tax	28.2	(70.3)
Net unrealized actuarial gain (loss), net of tax	(0.1)	0.1
Comprehensive income (loss)	47.8	(36.2)
Less: Comprehensive loss attributable to noncontrolling interests	(0.1)	(0.1)
Comprehensive income (loss) attributable to Trimble Navigation Limited	\$47.9	\$(36.1)
See accompanying Notes to the Condensed Consolidated Financial Statements.		

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TRIMBLE NAVIGATION LIMITED
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

(In millions)	First Quarter of	
	2016	2015
Cash flows from operating activities:		
Net income	\$19.7	\$34.0
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation expense	9.1	8.7
Amortization expense	40.3	40.7
Provision for doubtful accounts	0.6	1.0
Deferred income taxes	(0.1)	(1.3)
Stock-based compensation	13.7	12.5
Income from equity method investments	(2.9)	(3.0)
Divestitures gain, net	(3.1)	(5.8)
Excess tax benefit for stock-based compensation	(1.2)	(0.7)
Provision for excess and obsolete inventories	4.1	0.8
Other non-cash items	0.7	11.0
Decrease (increase) in assets:		
Accounts receivable	(14.1)	(28.9)
Other receivables	(2.2)	4.9
Inventories	3.1	(6.4)
Other current and non-current assets	(4.9)	(8.0)
Increase (decrease) in liabilities:		
Accounts payable	11.9	11.2
Accrued compensation and benefits	(13.5)	(15.0)
Deferred revenue	54.1	49.4
Accrued warranty	(0.7)	(1.5)
Other liabilities	(1.4)	3.6
Net cash provided by operating activities	113.2	107.2
Cash flows from investing activities:		
Acquisitions of businesses, net of cash acquired	(15.8)	(36.9)
Acquisitions of property and equipment	(4.9)	(10.6)
Purchases of equity method investments	(0.4)	(1.3)
Net proceeds from sale of businesses	8.1	12.6
Dividends received from equity method investments	5.0	—
Other	(0.3)	0.8
Net cash used in investing activities	(8.3)	(35.4)
Cash flows from financing activities:		
Issuances of common stock, net of tax withholdings	16.1	14.7
Repurchase and retirement of common stock	(12.2)	(12.6)
Excess tax benefit for stock-based compensation	1.2	0.7
Proceeds from debt and revolving credit lines	92.0	130.0
Payments on debt and revolving credit lines	(147.0)	(198.0)
Net cash used in financing activities	(49.9)	(65.2)
Effect of exchange rate changes on cash and cash equivalents	3.7	(8.9)
Net increase (decrease) in cash and cash equivalents	58.7	(2.3)
Cash and cash equivalents, beginning of period	116.0	148.0
Cash and cash equivalents, end of period	\$174.7	\$145.7

See accompanying Notes to the Condensed Consolidated Financial Statements.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – UNAUDITED

NOTE 1. OVERVIEW AND BASIS OF PRESENTATION

Trimble Navigation Limited (Trimble or the Company) began operations in 1978 and incorporated in California in 1981. The Company provides technology solutions that enable professionals and field mobile workers to improve or transform their work processes. Trimble's solutions are used across a range of industries including agriculture, architecture, civil engineering, survey and land administration, construction, geospatial, environmental management, government, natural resources, transportation and utilities. Representative Trimble customers include engineering and construction firms, surveying companies, farmers and agricultural companies, enterprise firms with large-scale fleets, energy, mining and utility companies, and state, federal and municipal governments.

Trimble focuses on integrating broad technological and application capabilities to create system-level solutions that transform how work is done within the industries the Company serves. Products are sold based on return on investment and provide benefits such as lower operational costs, higher productivity, improved quality, enhanced safety and regulatory compliance, and reduced environmental impact. Representative products include equipment that automates large industrial equipment such as tractors and bulldozers; integrated systems that track fleets of vehicles and workers and provide real-time information and powerful analytics to the back-office; data collection systems that enable the management of large amounts of geo-referenced information; software solutions that connect all aspects of a construction site or a farm; and building information modeling (BIM) software that is used throughout the design, build, and operation of buildings.

The Company has a 52-53 week fiscal year, ending on the Friday nearest to December 31, which for fiscal 2015 was January 1, 2016. The first quarter of fiscal 2016 and 2015 ended on April 1, 2016 and April 3, 2015, respectively. Both fiscal 2016 and 2015 are 52-week years. Unless otherwise stated, all dates refer to the Company's fiscal year and fiscal periods.

The Condensed Consolidated Financial Statements include the results of the Company and its consolidated subsidiaries. Inter-company accounts and transactions have been eliminated. Noncontrolling interests represent the noncontrolling shareholders' proportionate share of the net assets and results of operations of the Company's consolidated subsidiaries.

The accompanying financial data for and as of the end of the first quarter of fiscal 2016 and 2015 has been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Certain information and footnote disclosures normally included in financial statements, prepared in accordance with U.S. generally accepted accounting principles, have been condensed or omitted pursuant to such rules and regulations. The Condensed Consolidated Balance Sheet as of fiscal year end 2015 is derived from the audited Consolidated Financial Statements included in the Annual Report on Form 10-K of Trimble Navigation Limited for fiscal year 2015. The following discussion should be read in conjunction with the Company's 2015 Annual Report on Form 10-K.

The preparation of financial statements in accordance with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in its Condensed Consolidated Financial Statements and accompanying notes. Estimates are used for allowances for doubtful accounts, sales returns reserve, allowances for inventory valuation, warranty costs, investments, goodwill impairment, intangibles impairment, purchased intangibles, stock-based compensation, and income taxes among others. Management bases its estimates on historical experience and various other assumptions believed to be reasonable. Although these estimates are based on management's best knowledge of current events and actions that may impact the company in the future, actual results may be different from the estimates.

In the opinion of management, all adjustments necessary have been made to present a fair statement of results for the interim periods presented. The results of operations for the first quarter of fiscal 2016 are not necessarily indicative of the operating results for the full fiscal year or any future periods. Individual segment revenue may be affected by seasonal buying patterns and general economic conditions.

The Company has presented revenue and cost of sales separately for products, service and subscriptions. Product revenue includes primarily hardware, software licenses, parts and accessories; service revenue includes primarily hardware and software maintenance and support, training and professional services; subscription revenue includes

software as a service (SaaS).

As disclosed in the Company's fiscal 2015 Annual Report on Form 10-K, the Company identified an error in its previously reported financial statements with regard to a portion of its goodwill balance arising from deferred tax liabilities in foreign jurisdictions that had not been properly translated to U.S. dollars. As a result, both goodwill and the cumulative translation adjustment included in Accumulated other comprehensive income (loss) on the Condensed Consolidated Balance Sheets were overstated and the resulting foreign currency translation adjustment component of Other comprehensive income (loss) was incorrect. There was no impact on net income or cash flows.

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The Company evaluated the impact of the error, both quantitatively and qualitatively, and concluded that the differences were not material individually or in the aggregate to any of the prior reporting periods. The impact had no effect on net income or cash flows, but in light of the significance of the cumulative amount of the error on comprehensive income for the third quarter and the full fiscal year 2015, the Company revised previously issued financial information, including the first quarter of fiscal 2015 contained in this Quarterly Report on Form 10-Q, to correct for the foreign currency translation figures. See Note 13 of the Notes to Condensed Consolidated Financial Statements for further information.

NOTE 2. UPDATES TO SIGNIFICANT ACCOUNTING POLICIES

There have been no material changes to the Company's significant accounting policies during the first quarter of fiscal 2016 from those disclosed in the Company's most recent Form 10-K.

Recent Accounting Pronouncements

In May 2014, the FASB issued a comprehensive new revenue recognition standard that replaces the current revenue recognition guidance under U.S. GAAP. The new standard requires companies to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The revised effective date for the Company under the new standard will be the beginning of fiscal 2018, with early adoption permitted as of fiscal 2017, the original effective date. Entities have the option of using either a full retrospective or modified retrospective approach for the adoption of the standard. The Company is currently evaluating the effect of the updated standard on its consolidated financial statements and related disclosures.

In February 2015, the FASB issued amendments to the consolidation guidance. The amendments under the new guidance modify the evaluation of whether limited partnerships and similar legal entities are variable interest entities (VIEs) or voting interest entities and eliminate the presumption that a general partner should consolidate a limited partnership. The Company adopted the amendments beginning in the first quarter of fiscal 2016. The adoption did not have a material impact on the Company's consolidated financial statements.

In July 2015, the FASB issued amendments to simplify the measurement of inventory. Under the amendments, inventory will be measured at the "lower of cost and net realizable value" and options that currently exist for "market value" will be eliminated. The guidance defines net realizable value as the "estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation". No other changes were made to the current guidance on inventory measurement. The amendments are effective for the Company beginning in fiscal 2017, although early adoption is permitted. The Company is currently evaluating the effect of the updated standard on its consolidated financial statements and related disclosures.

In September 2015, the FASB issued new guidance related to business combinations. The new guidance requires that any adjustments to provisional amounts in a business combination be recorded in the period such adjustments are determined, rather than retrospectively adjusting previously reported amounts. The Company adopted the amendments beginning in the first quarter of fiscal 2016. The adoption did not have a material impact on the Company's consolidated financial statements.

In January 2016, the FASB issued final guidance that will require entities to measure equity investments that do not result in consolidation and are not accounted for under the equity method at fair value and recognize any changes in fair value in net income unless the investments qualify for the new practicability exception. The amendments are effective for the Company beginning in fiscal 2018, although early adoption is permitted and should be applied by means of a cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year of adoption, with certain exceptions. The Company is currently evaluating the effect of the updated standard on its consolidated financial statements and related disclosures.

In February 2016, the FASB issued new guidance that requires a lessee to recognize assets and liabilities arising from leases on the balance sheet. Previous GAAP did not require lease assets and liabilities to be recognized for most leases. Additionally, companies are permitted to make an accounting policy election to not recognize lease assets and

liabilities for leases with a term of 12 months or less. For both finance leases and operating leases, the lease liability should be initially measured at the present value of the lease payments. The recognition, measurement and presentation of expenses and cash flows arising from a lease by a lessee will not significantly change under this new guidance. This new guidance is effective for the Company beginning in fiscal 2019, although early adoption is permitted. The Company is currently evaluating the effect of this guidance on its consolidated financial statements and related disclosures.

In March 2016, the FASB issued amendments to its guidance on the accounting for derivatives and hedging. The new guidance clarifies the requirements for assessing whether contingent call or put options that can accelerate the payment of principal on debt instruments are clearly and closely related to their debt hosts. This guidance is effective for the Company beginning in fiscal 2017,

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although early adoption is permitted. The Company is currently evaluating the effect of this guidance on its consolidated financial statements and related disclosures.

In March 2016, the FASB issued new guidance related to equity investments and joint ventures. This standard eliminates the requirement that when an existing cost method investment qualifies for use of the equity method, an investor must restate its historical financial statements, as if the equity method had been used during all previous periods. Under the new guidance, at the point an investment qualifies for the equity method, any unrealized gain or loss in accumulated other comprehensive income will be recognized through earnings. This guidance is effective for the Company beginning in fiscal 2017, although early adoption is permitted. The Company is currently evaluating the effect of this guidance on its consolidated financial statements and related disclosures.

In March 2016, the FASB issued final guidance that will change how companies account for certain aspects of share-based payments to employees. Several aspects of the accounting for share-based payment award transactions are affected, including income tax consequences, classification of awards as either equity or liabilities, application of the forfeiture rate and classification on the statement of cash flows. The guidance is effective for the Company beginning in fiscal 2017, although early adoption is permitted. The Company is currently evaluating the effect of the updated standard on its consolidated financial statements and related disclosures.

NOTE 3. SHAREHOLDERS' EQUITY

Stock Repurchase Activities

In August 2014, the Company's Board of Directors approved a stock repurchase program (2014 Stock Repurchase Program), authorizing the Company to repurchase up to \$300.0 million of Trimble's common stock, replacing a stock repurchase program which had been in place since 2011. In August 2015, the Company's Board of Directors approved a stock repurchase program (2015 Stock Repurchase Program), authorizing the Company to repurchase up to \$400.0 million of Trimble's common stock, replacing the 2014 Stock Repurchase Program.

During the first quarter of fiscal 2015, the Company repurchased approximately 0.5 million shares of common stock in open market purchases, at an average price of \$26.34 per share, for a total of \$12.6 million under the 2014 Stock Repurchase Program.

During the first quarter of fiscal 2016, the Company repurchased approximately 0.5 million shares of common stock in open market purchases, at an average price of \$24.30 per share, for a total of \$12.2 million under the 2015 Stock Repurchase Program.

Stock repurchases are reflected as a decrease to common stock based on the average book value per share for all outstanding shares calculated at the time of each individual repurchase transaction. The excess of the purchase price over this average for each repurchase is charged to retained earnings. As a result of the 2016 repurchases, retained earnings was reduced by \$9.7 million in the first of fiscal 2016. Common stock repurchases under the program were recorded based upon the trade date for accounting purposes. All common shares repurchased under the programs have been canceled.

At the end of the first quarter of fiscal 2016, the 2015 Stock Repurchase Program had remaining authorized funds of \$237.7 million. Under the share repurchase program, the Company may repurchase shares from time to time in open market transactions, privately negotiated transactions, accelerated share buyback programs, tender offers, or by other means. The timing and amount of repurchase transactions will be determined by the Company's management based on its evaluation of market conditions, share price, legal requirements and other factors. The program may be suspended, modified or discontinued at any time without prior notice.

Stock-Based Compensation Expense

Stock compensation expense is recognized based on the fair value of the portion of share-based payment awards that is expected to vest during the period and is net of estimated forfeitures.

The following table summarizes stock-based compensation expense for the first quarter of fiscal 2016 and 2015.

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	First Quarter of 2016 2015	
(Dollars in millions)		
Cost of sales	\$1.0	\$0.9
Research and development	2.3	2.2
Sales and marketing	2.0	2.3
General and administrative	8.4	7.1
Total operating expense	12.7	11.6
Total stock-based compensation expense	\$13.7	\$12.5

NOTE 4. BUSINESS COMBINATIONS

During the first quarter of fiscal 2016, the Company acquired two businesses, with total cash consideration of \$10.0 million, both in its Engineering and Construction segment. The Condensed Consolidated Statements of Income include the operating results of the businesses from the dates of acquisition. The acquisitions were not significant individually or in the aggregate. The largest acquisition was a cloud-based software developer for the design of sustainable and high-performance buildings, based in London and New York. In the aggregate, the businesses acquired during the first quarter of fiscal 2016 contributed less than one percent to the Company's total revenue during the first quarter of fiscal 2016.

The Company determined the total consideration paid for each of its acquisitions as well as the fair value of the assets acquired and liabilities assumed as of the date of acquisition. For certain acquisitions completed in the last three quarters of fiscal 2015 and the first quarter of fiscal 2016, the fair value of the assets acquired and liabilities assumed are preliminary and may be adjusted as the Company obtains additional information, primarily related to adjustments for the true up of acquired net working capital in accordance with certain purchase agreements, and estimated values of certain net tangible assets and liabilities including tax balances, pending the completion of final studies and analyses. If there are adjustments made for these items, the fair value of intangible assets and goodwill could be impacted. Thus the provisional measurements of fair value are subject to change. Such changes could be significant. The Company expects to finalize the valuation of the net tangible and intangible assets as soon as practicable, but not later than one-year from the acquisition date.

The fair value of identifiable assets acquired and liabilities assumed were determined under the acquisition method of accounting for business combinations. The excess of purchase consideration over the fair value of net tangible and identifiable intangible assets acquired was recorded as goodwill. The fair value of intangible assets acquired is generally determined based on a discounted cash flow analysis. Acquisition costs directly related to the acquisitions, including the changes in the fair value of the contingent consideration liabilities, of \$1.7 million and \$2.8 million for the first quarter of fiscal 2016 and 2015, respectively, were expensed as incurred and were included in General and administrative expense in the Condensed Consolidated Statements of Income.

The following table summarizes the Company's business combinations completed during the first quarter of fiscal 2016.

	First Quarter of 2016
(Dollars in millions)	
Fair value of total purchase consideration	\$ 10.0
Less fair value of net assets acquired:	
Net tangible liabilities assumed	(1.7)
Identifiable intangible assets	4.3
Noncontrolling interests	(0.1)
Goodwill	\$ 7.5

Intangible Assets

The following table presents details of the Company's total intangible assets:

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As of	First Quarter of Fiscal 2016			Fiscal Year End 2015		
	Gross			Gross		
(Dollars in millions)	Carrying Amount	Accumulated Amortization	Net Carrying Amount	Carrying Amount	Accumulated Amortization	Net Carrying Amount
Developed product technology	\$811.9	\$ (567.3)	\$ 244.6	\$802.1	\$ (536.0)	\$ 266.1
Trade names and trademarks	53.0	(41.4)	11.6	52.8	(39.8)	13.0
Customer relationships	451.0	(271.2)	179.8	448.1	(258.0)	190.1
Distribution rights and other intellectual properties	79.3	(62.8)	16.5	78.6	(60.7)	17.9
	\$1,395.2	\$ (942.7)	\$ 452.5	\$1,381.6	\$ (894.5)	\$ 487.1

The estimated future amortization expense of purchased intangible assets as of the end of the first quarter of fiscal 2016 was as follows:

(Dollars in millions)	
2016 (Remaining)	\$ 112.7
2017	130.7
2018	101.9
2019	60.2
2020	31.4
Thereafter	15.6
Total	\$452.5

Goodwill

The changes in the carrying amount of goodwill by segment for the first quarter of fiscal 2016 were as follows:

(Dollars in millions)	Engineering and Construction	Field Solutions	Mobile Solutions	Advanced Devices	Total
Balance as of fiscal year end 2015	\$ 1,140.1	\$ 125.7	\$ 820.7	\$ 19.9	\$2,106.4
Additions due to acquisition	7.5	—	—	—	7.5
Purchase price adjustments	—	0.1	0.1	—	0.2
Foreign currency translation adjustments	14.3	1.1	3.2	0.7	19.3
Divestiture	—	—	(5.0)	—	(5.0)
Balance as of the end of the first quarter of fiscal 2016	\$ 1,161.9	\$ 126.9	\$ 819.0	\$ 20.6	\$2,128.4

In February 2016, the Company sold the Omega Group assets to TriTech Software Systems. The Omega Group provides software solutions for public safety agencies. The sale of the Omega Group assets resulted in a \$2.7 million gain in the first quarter of fiscal 2016, and is included in Other income, net on the Company's Condensed Consolidated Statements of Income.

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NOTE 5. INVENTORIES

Inventories consisted of the following:

	First Quarter of 2016	Fiscal Year End 2015
As of (Dollars in millions)		
Raw materials	\$ 96.8	\$ 107.5
Work-in-process	6.8	5.9
Finished goods	151.9	147.7
Total inventories	\$ 255.5	\$ 261.1

Finished goods includes \$15.5 million as of the end of the first quarter of fiscal 2016 and \$14.6 million as of fiscal year end 2015 for costs that have been deferred in connection with deferred revenue arrangements.

NOTE 6. SEGMENT INFORMATION

To achieve distribution, marketing, production and technology advantages, the Company manages its operations in the following four segments:

Engineering and Construction: This segment primarily serves customers working in architecture, engineering, construction, geospatial and government. Within this segment our most substantial product portfolios are focused on civil engineering and construction, building construction, and geospatial.

- **Field Solutions:** This segment provides solutions for the farming, government and consumer markets, with its products focused on agriculture and geographic information systems (GIS).

• **Mobile Solutions:** This segment provides solutions that enable end-users to monitor and manage their mobile work, mobile workers and mobile assets in the areas of transportation and logistics and field services management.

• **Advanced Devices:** The various operations that comprise this segment are aggregated on the basis that these operations, taken as a whole, do not exceed 10% of the Company's total revenue, operating income or assets. This segment is comprised of the Embedded Technologies, Timing, Applanix, Military and Advanced Systems and ThingMagic businesses.

The Company's chief operating decision maker (CODM), its Chief Executive Officer, evaluates each of its segment's performance and allocates resources based on segment operating income before income taxes and some corporate allocations. The Company and each of its segments employ consistent accounting policies. In each of its segments the Company sells many individual products. For this reason it is impracticable to segregate and identify revenue for each of the individual products or group of products.

The following table presents revenue, operating income, depreciation expense and identifiable assets for the four segments. Operating income is revenue less cost of sales and operating expense, excluding general corporate expense, acquisition costs, amortization of purchased intangible assets, restructuring charges, stock-based compensation and executive transition costs. The identifiable assets that the CODM views by segment are accounts receivable, inventories and goodwill.

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	Reporting Segments				Total
	Engineering and Construction	Field Solutions	Mobile Solutions	Advanced Devices	
(Dollars in millions)					
First Quarter of Fiscal 2016					
Revenue	\$309.8	\$106.0	\$136.3	\$30.9	\$583.0
Operating income	44.1	33.9	18.9	10.3	107.2
Depreciation expense	3.4	0.3	1.3	0.2	5.2
First Quarter of Fiscal 2015					
Revenue	\$299.3	\$115.3	\$128.2	\$39.8	\$582.6
Operating income	37.0	40.6	20.5	15.2	113.3
Depreciation expense	3.6	0.3	1.3	0.1	5.3
As of the First Quarter of Fiscal 2016					
Accounts receivable	\$215.2	\$73.3	\$70.0	\$19.3	\$377.8
Inventories	176.1	34.8	26.5	18.1	255.5
Goodwill	1,161.9	126.9	819.0	20.6	2,128.4
As of Fiscal Year End 2015					
Accounts receivable	\$215.9	\$57.1	\$69.6	\$19.3	\$361.9
Inventories	178.0	36.0	30.4	16.7	261.1
Goodwill	1,140.1	125.7	820.7	19.9	2,106.4

A reconciliation of the Company's consolidated segment operating income to consolidated income before income taxes is as follows:

	First Quarter of	
	2016	2015
(Dollars in millions)		
Consolidated segment operating income	\$107.2	\$113.3
Unallocated corporate expense	(21.2)	(19.3)
Restructuring charges	(2.1)	(1.3)
Stock-based compensation	(13.7)	(12.5)
Amortization of purchased intangible assets	(40.3)	(40.7)
Consolidated operating income	29.9	39.5
Non-operating income (expense), net:	(0.5)	4.7
Consolidated income before taxes	\$29.4	\$44.2

Unallocated corporate expense includes general corporate expense, acquisition costs and executive transition costs.

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NOTE 7. DEBT

Debt consisted of the following:

	First Quarter of 2016	Fiscal Year End 2015
As of (Dollars in millions)		
Notes:		
Principal amount	\$400.0	\$ 400.0
Unamortized discount on Notes	(2.8)	(2.8)
Debt issuance costs	(2.6)	(2.7)
Credit Facilities:		
2014 Credit Facility	144.0	216.0
Uncommitted facilities	135.0	118.0
Promissory notes and other debt	1.3	1.2
Total debt	674.9	729.7
Less: Short-term debt	135.3	118.3
Long-term debt	\$539.6	\$ 611.4

Notes

In November 2014, the Company issued \$400.0 million of Senior Notes (Notes) in a public offering registered with the Securities and Exchange Commission. The Notes mature on December 1, 2024 and accrue interest at a rate of 4.75% per annum, payable semiannually in arrears in cash on December 1 and June 1 of each year. The Notes are classified as long-term in the Condensed Consolidated Balance Sheet and are presented net of unamortized discount and debt issuance costs. The discount and debt issuance costs are being amortized to interest expense using the effective interest rate method over the term of the Notes.

In connection with the Notes offering, Trimble entered into an Indenture with U.S. Bank National Association, as trustee. Trimble may redeem the Notes at its option at any time, in accordance with the terms and conditions set forth in the Indenture. The Indenture contains no financial covenants. Further details regarding the terms of the Notes, including the redemption rights, and the Indenture, are provided in the Company's fiscal 2015 Annual Report on Form 10-K.

Credit Facilities

2014 Credit Facility

In November 2014, the Company entered into a five-year credit agreement with a group of lenders (2014 Credit Facility), which provides for an unsecured revolving loan facility of \$1.0 billion. Under the 2014 Credit Facility, the Company may borrow, repay and reborrow funds under the revolving loan facility until its maturity on November 24, 2019, at which time the revolving facility will terminate, and all outstanding loans, together with all accrued and unpaid interest, must be repaid. The interest rate on the non-current debt outstanding under the 2014 Credit Facility was 1.66% and 1.46% at the end of the first quarter of fiscal 2016 and fiscal year end 2015, respectively, and is payable on a quarterly basis. Amounts not borrowed under the revolving facility will be subject to a commitment fee. The outstanding balance of \$144.0 million as of the end of the first quarter of fiscal 2016 and \$216.0 million at the end of fiscal 2015 are classified as long-term debt in the Condensed Consolidated Balance Sheet. Unamortized debt issuance costs associated with the 2014 Credit Facility are presented as assets in the Condensed Consolidated Balance sheet and are being amortized to interest expense using the effective interest rate method over the term of the 2014 Credit Facility.

In February 2016, the Company entered into a first amendment to the 2014 Credit Facility to facilitate the Company's proposed reincorporation from California to Delaware and to effect other non-financial terms.

The Company was in compliance with all covenants pertaining to the 2014 Credit Facility at the end of the first quarter of fiscal 2016.

Uncommitted Facilities

The Company also has two \$75 million revolving credit facilities which are uncommitted (Uncommitted Facilities). The Uncommitted Facilities may be called by the lenders at any time, have no covenants and no specified expiration date. The \$135.0 million outstanding at the end of the first quarter of fiscal 2016 and the \$118.0 million outstanding at the end of fiscal 2015 under the Uncommitted Facilities are classified as short-term debt in the Condensed Consolidated Balance Sheet. The weighted average interest rate on the Uncommitted Facilities was both 1.37% at the end of the first quarter of fiscal 2016 and the end of fiscal 2015.

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Promissory Notes and Other Debt

At the end of the first quarter of fiscal 2016 and the end of fiscal 2015, the Company had promissory notes and other notes payable totaling approximately \$1.3 million and \$1.2 million, respectively, of which \$1.0 million and \$0.9 million was classified as long-term in the Condensed Consolidated Balance Sheet.

Debt Maturities

At the end of the first quarter of fiscal 2016, the Company's debt maturities based on outstanding principal were as follows (in millions):

Year Payable

2016 (Remaining)	\$ 135.3
2017	0.3
2018	0.2
2019	144.2
2020	0.1
Thereafter	400.2
Total	\$ 680.3

NOTE 8. FAIR VALUE MEASUREMENTS

The Company determines fair value based on the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. Where available, fair value is based on observable market prices or parameters. Where observable prices or inputs are not available, valuation models are applied. Hierarchical levels, defined by the guidance on fair value measurements, are directly related to the amount of subjectivity associated with the inputs to fair valuation of these assets and liabilities, and are as follows:

Level I—Observable inputs such as unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date.

Level II—Inputs (other than quoted prices included in Level I) are either directly or indirectly observable for the asset or liability. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.

Level III—Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. Consideration is given to the risk inherent in the valuation technique and the risk inherent in the inputs to the model.

Fair Value on a Recurring Basis

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Assets and liabilities measured at fair value on a recurring basis are categorized in the tables below based upon the lowest level of significant input to the valuations.

(Dollars in millions)	Fair Values as of the end of the First Quarter of Fiscal 2016				Fair Values as of Fiscal Year End 2015			
	Level I	Level II	Level III	Total	Level I	Level II	Level III	Total
Assets								
Deferred compensation plan assets (1)	\$21.4	\$ —	\$ —	\$21.4	\$21.1	\$ —	\$ —	\$21.1
Derivative assets (2)	—	0.8	—	0.8	—	2.9	—	2.9
Contingent consideration assets (3)	—	—	7.0	7.0	—	—	7.0	7.0
Total	\$21.4	\$ 0.8	\$ 7.0	\$29.2	\$21.1	\$ 2.9	\$ 7.0	\$31.0
Liabilities								
Deferred compensation plan liabilities (1)	\$21.4	\$ —	\$ —	\$21.4	\$21.1	\$ —	\$ —	\$21.1
Derivative liabilities (2)	—	1.0	—	1.0	—	2.1	—	2.1
Contingent consideration liabilities (4)	—	—	5.0	5.0	—	—	6.6	6.6
Total	\$21.4	\$ 1.0	\$ 5.0	\$27.4	\$21.1	\$ 2.1	\$ 6.6	\$29.8

The Company maintains a self-directed, non-qualified deferred compensation plan for certain executives and other highly compensated employees. The plan assets and liabilities are invested in actively traded mutual funds and (1) individual stocks valued using observable quoted prices in active markets. Deferred compensation plan assets and liabilities are included in Other non-current assets and Other non-current liabilities, respectively, on the Company's Condensed Consolidated Balance Sheets.

Derivative assets and liabilities primarily represent forward currency exchange contracts. The Company typically enters into these contracts to minimize the short-term impact of foreign currency exchange rates on certain trade and inter-company receivables and payables. Derivative assets and liabilities are included in Other current assets and Other current liabilities on the Company's Condensed Consolidated Balance Sheets. (2)

Contingent consideration assets represents arrangements for buyers to pay the Company for certain businesses that it has divested. The fair value is determined based on the Company's expectations of future receipts. The minimum amount to be received under these arrangements is \$3.5 million. Contingent consideration assets are included in Other receivables and Other non-current assets on the Company's Condensed Consolidated Balance Sheets. (3)

Contingent consideration liabilities represent arrangements to pay the former owners of certain companies that Trimble acquired. The undiscounted maximum payment under the arrangements is \$18.3 million at the end of the (4) first quarter of fiscal 2016, based on estimated future revenues, gross margins or other milestones. Contingent consideration liabilities are included in Other current liabilities and Other non-current liabilities on the Company's Condensed Consolidated Balance Sheets.

Additional Fair Value Information

The following table provides additional fair value information relating to the Company's financial instruments outstanding:

As of	Carrying Fair Amount Value		Carrying Fair Amount Value	
	First Quarter of Fiscal 2016	Fiscal Year End 2015	First Quarter of Fiscal 2016	Fiscal Year End 2015
(Dollars in millions)				
Assets:				
Cash and cash equivalents	\$174.7	\$174.7	\$116.0	\$116.0
Liabilities:				
Notes	\$400.0	\$409.2	\$400.0	\$399.9
2014 Credit Facility	144.0	144.0	216.0	216.0

Uncommitted facilities	135.0	135.0	118.0	118.0
Promissory notes and other debt	1.3	1.3	1.2	1.2

The fair value of cash and cash equivalents is based on quoted prices in active markets for identical assets or liabilities, and is categorized as Level I in the fair value hierarchy. The fair value of the Notes was determined based on observable market prices in less active markets and is categorized accordingly as Level II in the fair value hierarchy. The fair value of the bank borrowings

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and promissory notes has been calculated using an estimate of the interest rate the Company would have had to pay on the issuance of notes with a similar maturity and discounting the cash flows at that rate, and is categorized as Level II in the fair value hierarchy. The fair values do not give an indication of the amount that the Company would currently have to pay to extinguish any of this debt.

NOTE 9. PRODUCT WARRANTIES

The Company accrues for warranty costs as part of its cost of sales based on associated material product costs, technical support, labor costs, and costs incurred by third parties performing work on the Company's behalf. The Company's expected future costs are primarily estimated based upon historical trends in the volume of product returns within the warranty period and the costs to repair or replace the equipment. When products sold include warranty provisions, they are covered by a warranty for periods ranging generally from 1 year to 2 years.

While the Company engages in extensive product quality programs and processes, including actively monitoring and evaluating the quality of component suppliers, its warranty obligation is affected by product failure rates, material usage and service delivery costs incurred in correcting a product failure. Should actual product failure rates, material usage, or service delivery costs differ from the estimates, revisions to the estimated warranty accrual and related costs may be required.

Changes in the Company's product warranty liability during the first quarter of fiscal 2016 are as follows:

(Dollars in millions)

Balance as of fiscal year end 2015	\$18.5
Accruals for warranties issued	3.7
Changes in estimates	1.4
Warranty settlements (in cash or in kind)	(5.7)
Balance as of the end of the first quarter of fiscal 2016	\$17.9

NOTE 10. EARNINGS PER SHARE

Basic earnings per share is computed by dividing Net income attributable to Trimble Navigation Limited by the weighted-average number of shares of common stock outstanding during the period. Diluted earnings per share is computed by dividing Net income attributable to Trimble Navigation Limited by the weighted-average number of shares of common stock outstanding during the period increased to include the number of additional shares of common stock that would have been outstanding if the potentially dilutive securities had been issued. Potentially dilutive securities include outstanding stock options, shares to be purchased under the Company's employee stock purchase plan and restricted stock units. The dilutive effect of potentially dilutive securities is reflected in diluted earnings per share by application of the treasury stock method. Under the treasury stock method, an increase in the fair market value of the Company's common stock can result in a greater dilutive effect from potentially dilutive securities. The following table shows the computation of basic and diluted earnings per share:

First Quarter
of
2016 2015

(In millions, except per share amounts)

Numerator:

Net income attributable to Trimble Navigation Limited	\$19.8	\$34.1
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Denominator:

Weighted-average shares outstanding	251.0	259.4
Effect of dilutive securities	3.0	3.0
Weighted-average dilutive shares outstanding	254.0	262.4
Basic earnings per share	\$0.08	\$0.13
Diluted earnings per share	\$0.08	\$0.13

For the first quarter of fiscal 2016 and 2015, the Company excluded 5.5 million and 5.0 million shares of outstanding stock options, respectively, from the calculation of diluted earnings per share because their effect would have been antidilutive.

NOTE 11. INCOME TAXES

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In the first quarter of fiscal 2016, the Company's effective income tax rate was 33%, as compared to 23% in the corresponding period in fiscal 2015. The rate increase in the first quarter of fiscal 2016 was primarily due to an increase in nondeductible expenses and other discrete items. This compared to a rate decrease in the first quarter of fiscal 2015 due to a benefit resulting from the closure of a foreign tax audit.

Historically, the Company's effective tax rate has been lower than the U.S. federal statutory rate of 35% primarily due to favorable tax rates associated with certain earnings from operations in lower-tax jurisdictions. The Company has not provided U.S. taxes for all of such earnings due to the indefinite reinvestment of some of those earnings outside the U.S.

The Company and its subsidiaries are subject to U.S. federal and state, and foreign income tax. The Company is currently in different stages of multiple year examinations by the Internal Revenue Service (IRS) as well as various state and foreign taxing authorities.

In the first quarter of fiscal 2015, the Company received a Notice of Proposed Adjustment from the IRS for the fiscal years 2010 and 2011. The proposed adjustments primarily relate to the valuations of intercompany transfers of acquired intellectual property. The assessments of tax, interest and penalties for the years in question total \$67.0 million. The Company does not agree with the IRS position and filed a protest with the IRS Appeals Office in April 2015. The IRS appeals process commenced in March, 2016. While the Company and the IRS continue the appeals process, the Company has not changed its conclusions regarding its original filing positions. No payments have been made on the assessment, and the Company intends to continue to vigorously defend its position.

Based on the information currently available, the Company does not anticipate a significant increase or decrease to its unrecognized tax benefits within the next twelve months. The unrecognized tax benefits of \$56.0 million and \$52.7 million as of the end of the first quarter of fiscal 2016 and fiscal year end 2015, respectively, if recognized, would favorably affect the effective income tax rate in future periods. Unrecognized tax benefits are recorded in Other non-current liabilities and in the deferred tax accounts in the accompanying Condensed Consolidated Balance Sheets. The Company's practice is to recognize interest and/or penalties related to income tax matters in income tax expense. The Company's unrecognized tax benefit liabilities include interest and penalties as of the end of the first quarter of fiscal 2016 and fiscal year end 2015, of \$7.7 million and \$6.7 million, respectively, which were recorded in Other non-current liabilities in the accompanying Condensed Consolidated Balance Sheets.

NOTE 12. COMMITMENTS AND CONTINGENCIES**Leases and Other Commitments**

The estimated future minimum operating lease commitments as of the end of the first quarter of fiscal 2016 are as follows (in millions):

2016 (Remaining)	\$24.6
2017	28.0
2018	20.6
2019	15.9
2020	12.7
Thereafter	32.1
Total	\$133.9

As of the end of the first quarter of fiscal 2016, the Company had unconditional purchase obligations of approximately \$143.6 million. These unconditional purchase obligations primarily represent open non-cancelable purchase orders for material purchases with the Company's vendors. Purchase obligations exclude agreements that are cancelable without penalty.

Litigation

On September 2, 2011 Research Data Services, LLC filed a lawsuit in the Superior Court for the State of Alaska in Anchorage against Trimble Navigation Limited, Cabela's Incorporated, AT&T Mobility and Alascom, Inc., alleging breach of contract, breach of fiduciary duty, interference with contract, promissory estoppel, fraud, and negligent misrepresentation. The case was tried in front of a jury in Alaska beginning on September 9, 2014. On September 26, 2014, the jury returned a verdict in favor of the plaintiff and awarded the plaintiff damages of \$51.3 million. On

January 29, 2015, the court granted our Motion for Judgment notwithstanding the Verdict, and on March 18, 2015, the Court awarded the Company a portion of its incurred attorneys' fees and

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costs, and entered Final Judgment in the Company's favor in the amount of \$0.6 million. The Final Judgment also provides that the plaintiff take nothing on its claims. On April 17, 2015, the plaintiff filed a Notice of Appeal to the Alaska Supreme Court. The parties have completed all appellate briefing, and oral arguments were heard before the Alaska Supreme Court on February 24, 2016. A decision by the Alaska Supreme Court has not been made. On March 12, 2015, Rachel Thompson filed a putative class action complaint in California Superior Court against the Company, the members of its Board of Directors, and JP Morgan Chase Bank. The suit alleges that the Company's Board of Directors breached their fiduciary obligations to the Company's shareholders by entering into a credit agreement with JP Morgan Chase Bank that contains certain change of control provisions that plaintiff contends are disadvantageous to shareholders. The complaint seeks declaratory relief, injunctive relief, and costs of the action but does not seek monetary damages. The parties have reached a proposed settlement, which would modify one provision of the credit agreement and permit the named plaintiff to seek recovery of attorney's fees. By order filed February 1, 2016, the Court granted preliminary approval of the proposed settlement, ordered that notice be provided to shareholders, and scheduled a hearing on June 10, 2016 to consider any objections to the settlement. From time to time, the Company is also involved in litigation arising out of the ordinary course of our business. There are no other material legal proceedings, other than ordinary routine litigation incidental to the business, to which the Company or any of its subsidiaries is a party or of which any of the Company's or its subsidiaries' property is subject.

NOTE 13. REVISIONS TO PREVIOUSLY REPORTED FINANCIAL INFORMATION

As disclosed in the Company's fiscal 2015 Annual Report on Form 10-K, the Company identified an error in its previously reported financial statements with regard to a portion of its goodwill balance arising from deferred tax liabilities in foreign jurisdictions that had not been properly translated to U.S. dollars. As a result, both goodwill and the cumulative translation adjustment included in Accumulated other comprehensive loss on the Condensed Consolidated Balance Sheets were overstated and the resulting foreign currency translation adjustment component of Other comprehensive income (loss) was incorrect. There was no impact on net income or cash flows.

The Company evaluated the impact of the error, both quantitatively and qualitatively, and concluded that the differences were not material individually or in the aggregate to any of the prior reporting periods. The impact had no effect on net income or cash flows, but in light of the significance of the cumulative amount of the error on comprehensive income for the third quarter and full fiscal year 2015, the Company revised previously issued financial information, including the first quarter of fiscal 2015 contained in this Quarterly Report on Form 10-Q, to correct for the foreign currency translation figures.

The following table presents the impact of these corrections in the Condensed Consolidated Statements of Comprehensive Income for the first quarter of 2015 (in millions):

Consolidated Statements of Comprehensive Income	First Quarter of 2015		
	As previously Reported	Adjustment	As Revised
Net income	\$34.0	\$ —	\$34.0
Foreign currency translation adjustments	(67.2)	(3.1)	(70.3)
Net unrealized actuarial gain	0.1	—	0.1
Comprehensive loss	(33.1)	(3.1)	(36.2)
Less: Comprehensive loss attributable to noncontrolling interests	(0.1)	—	(0.1)
Comprehensive loss attributable to Trimble Navigation Limited	\$(33.0)	\$(3.1)	\$(36.1)

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SPECIAL NOTE ON FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, which are subject to the “safe harbor” created by those sections. These statements include, among other things:

- the portion of our revenue coming from sales to international customers;
- seasonal fluctuations in our construction and agricultural equipment business revenues, and macroeconomic conditions and business conditions in the markets we serve;
- our plans to continue to invest in research and development at a rate consistent with our past, to develop and introduce new products, and to improve our competitive position, and to enter new markets;
- our belief that increases in recurring revenue from our software and solutions will provide us with enhanced business visibility over time;
- our potential exposure in connection with pending proceedings;
- our belief that our cash and cash equivalents, together with borrowings under our 2014 Credit Facility, will be sufficient to meet our anticipated operating cash needs, debt service, planned capital expenditures, and stock purchases under the stock repurchase program for at least the next twelve months;
- our expectation that planned capital expenditures will constitute a partial use of our cash resources; and
- fluctuations in interest rates.

The forward-looking statements regarding future events and the future results of Trimble Navigation Limited (“Trimble” or “the Company” or “we” or “our” or “us”) are based on current expectations, estimates, forecasts, and projections about the industries in which Trimble operates and the beliefs and assumptions of the management of Trimble. Discussions containing such forward-looking statements may be found in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” below. In some cases, forward-looking statements can be identified by terminology such as “may,” “will,” “should,” “could,” “predicts,” “potential,” “continue,” “expects,” “anticipates,” “future,” “i believe,” “believes,” “estimates,” and similar expressions. These forward-looking statements involve certain risks and uncertainties that could cause actual results, levels of activity, performance, achievements, and events to differ materially from those implied by such forward-looking statements, including but not limited to those discussed in “Risk Factors” below and elsewhere in this report, as well as in the Company’s Annual Report on Form 10-K for fiscal year 2015 and in other reports Trimble files with the Securities and Exchange Commission, each as it may be amended from time to time. These forward-looking statements are made as of the date of this Quarterly Report on Form 10-Q. We reserve the right to update these forward-looking statements for any reason, including the occurrence of material events, but assume no duty to update these statements to reflect subsequent events.

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The discussion and analysis of our financial condition and results of operations are based upon our Condensed Consolidated Financial Statements, which have been prepared in accordance with accounting principles generally accepted in the U. S. The preparation of these financial statements requires us to make estimates and assumptions that affect the amounts reported in the Condensed Consolidated Financial Statements and accompanying notes. We base our estimates on historical experience and various other assumptions believed to be reasonable. Although these estimates are based on our best knowledge of current events and actions that may impact us in the future, actual results may be different from the estimates.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Management’s Discussion and Analysis of Financial Condition and Results of Operations is based on our Condensed Consolidated Financial Statements. The preparation of financial statements and related disclosures in conformity with U.S. generally accepted accounting principles requires us to make judgments, assumptions, and estimates that affect the amounts reported in the Condensed Consolidated Financial Statements and accompanying Notes. Management bases its estimates on historical experience and various other assumptions believed to be reasonable. Although these estimates are based on management’s best knowledge of current events and actions that may impact the company in the future, actual results may be different from the estimates. Management believes that there have been no significant

changes during the first quarter of fiscal 2016 to the items that we disclosed as our critical accounting policies and estimates in the Management's Discussion and Analysis of Financial Condition and Results of Operations in our 2015 Annual Report on Form 10-K.

RECENT ACCOUNTING PRONOUNCEMENTS

For a summary of recent accounting pronouncements applicable to our Consolidated Financial Statements, see Note 2 to our Condensed Consolidated Financial Statements in Item 1, which is incorporated herein by reference.

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EXECUTIVE LEVEL OVERVIEW

Trimble is a leading provider of technology solutions that optimize the work processes of office and mobile field professionals around the world. Our comprehensive process solutions are used across a range of industries including agriculture, architecture, civil engineering, construction, environmental management, government, natural resources, transportation and utilities. Representative Trimble customers include engineering and construction firms, contractors, surveying companies, farmers and agricultural companies, enterprise firms with large-scale fleets, energy, mining and utility companies, and state, federal and municipal governments.

Trimble focuses on integrating its broad technological and application capabilities to create vertically-focused, system-level solutions that transform how work is done within the industries we serve. The integration of sensors, software, connectivity, and information in our portfolio gives us the unique ability to provide an information model specific to the customer's workflow. For example, in construction, our strategy is centered on the concept of a "constructible model" which is at the center of our "Connected Construction Site" solutions which provide real-time, connected, and cohesive information environments for the design, build, and operational phases of projects. In agriculture, we continue to develop "Connected Farm" solutions to optimize operations across the agriculture workflow. In transportation and logistics, we provide transportation companies with tools to enhance fuel efficiency, safety, and transparency through connected vehicles and fleets across the enterprise.

Our growth strategy is centered on multiple elements:

Focus on attractive markets with significant growth and profitability potential - We focus on large markets historically underserved by technology that offer significant potential for long-term revenue growth, profitability and market leadership. Our core industries such as construction, agriculture, and transportation markets are each multi-trillion dollar global industries which operate in increasingly demanding environments with technology adoption in the early phases relative to other industries. With the emergence of mobile computing capabilities, the increasing technological know-how of end users and the compelling return on investment to our customers, we believe many of our markets are ripe for substituting Trimble's technology and solutions in place of traditional operating methods.

Domain knowledge and technological innovation that benefit a diverse customer base - We have over time redefined our technological focus from hardware-driven point solutions to integrated work process solutions by developing domain expertise and heavily reinvesting in R&D and acquisitions. We have been spending an average of 13% to 14% of revenue over the past several years on R&D and currently have over 1,100 unique patents. We intend to continue to take advantage of our technology portfolio and deep domain knowledge to quickly and cost-effectively deliver specific, targeted solutions to each of the vertical markets we serve. We look for opportunities where the need for technological change is high and which have a requirement for the integration of multiple technologies into complete vertical solutions.

Increasing focus on software and services - Software and services are increasingly important elements of our solutions and are core to our growth strategy. Trimble has an open application programming interface (API) philosophy and open vendor environment which leads to increased adoption of our software offerings. Professional services constitute an additional growth channel that helps our customers integrate and optimize the use of our offerings in their environment. The increased recurring revenue from these solutions will provide us with enhanced business visibility over time.

Geographic expansion with localization strategy - We view international expansion as an important element of our strategy and we continue to position ourselves in geographic markets that will serve as important sources of future growth. We currently have a physical presence in 43 countries and distribution channels in over 100 countries. In the first quarter of fiscal 2016, 51% of our sales were to customers located in countries outside of the U.S.

Optimized distribution channels to best access our markets - We utilize vertically-focused distribution channels that leverage domain expertise to best serve the needs of individual markets domestically and abroad. These channels include independent dealers, joint ventures, original equipment manufacturers (OEM) sales, and distribution alliances with key partners, such as CNH Global, Caterpillar, and Nikon, as well as direct sales to end-users, that provide us with broad market reach and localization capabilities to effectively serve our markets.

Strategic acquisitions - Organic growth continues to be our primary focus, while acquisitions serve to enhance our market position. We acquire businesses that bring technology, products, or distribution capabilities that augment our

portfolio and allow us to penetrate existing markets more effectively, or to establish a market beachhead. Our level of success in targeting and effectively integrating acquisitions is an important aspect of our growth strategy.

Trimble's focus on these growth drivers has led over time to growth in revenue and profitability as well as an increasingly diversified business model. Software and services growth is driving increased recurring revenue, leading to improved visibility in our business. As our solutions have expanded, our go to market model has also evolved, with a balanced mix between direct, distribution and OEM customers, and an increasing number of enterprise level customer relationships.

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For the first quarter of 2016, revenue was flat as compared to the first quarter of 2015. By geography, performance in the first quarter was mixed. Asia, Europe, and Rest of World were down year over year, and North America was up slightly. Within the quarter, we continued to experience a shift in revenue towards a more significant mix of software, recurring revenue, and services, driven both by organic growth and acquisitions.

During the first quarter of 2016, we completed two acquisitions for total consideration of \$10.0 million, most significant of which was our acquisition of Sefaira Ltd., a developer of cloud-based software for the design of sustainable and high-performance buildings, based in London and New York. The acquisitions' results are reported under our Engineering and Construction business segment.

Seasonality of Business

Construction purchases tend to occur in early spring, and U.S. governmental agencies tend to utilize funds available at the end of the government's fiscal year for additional purchases at the end of our third fiscal quarter in September of each year. Our agricultural equipment business revenues have historically been the highest in the first quarter, followed by the second quarter, reflecting buying in anticipation of the spring planting season in the Northern hemisphere. However, overall as a company, as a result of diversification of our business across segments and the increased impact of subscription revenues, we may experience less seasonality in the future. Changes in global macroeconomic conditions could also impact the level of seasonality we experience.

RESULTS OF OPERATIONS**Overview**

The following table is a summary of revenue, gross margin and operating income for the periods indicated and should be read in conjunction with the narrative descriptions below.

	First Quarter of	
	2016	2015
(Dollars in millions)		
Revenue:		
Product	\$393.6	\$400.6
Service	101.6	100.9
Subscription	87.8	81.1
Total revenue	\$583.0	\$582.6
Gross margin	\$300.6	\$307.2
Gross margin %	51.6 %	52.7 %
Operating income	\$29.9	\$39.5
Operating income %	5.1 %	6.8 %

Revenue

In the first quarter of fiscal 2016, total revenue was flat as compared to the first quarter of fiscal 2015. Subscription revenue increased \$6.7 million or 8%, service revenue increased \$0.7 million or 1%, partially offset by a decrease in product revenue of \$7.0 million or 2%. Service and subscription increases were primarily due to organic growth within Mobile Solutions and to a lesser extent, acquisition growth within Field Solutions. The product revenue decrease was primarily within Field Solutions and Advanced Devices, partially offset by increases in Engineering and Construction and Mobile Solutions. We consider organic growth to include all revenue except for revenue associated with acquisitions made within the last four quarters.

On a segment basis, Engineering and Construction revenue for the first quarter of fiscal 2016 increased \$10.5 million or 4% and Mobile Solutions increased \$8.1 million or 6%, partially offset by a decrease in Field Solutions of \$9.3 million or 8% and a decrease in Advanced Devices of \$8.9 million or 22%, as compared to the first quarter of fiscal 2015. Engineering and Construction increased revenue was primarily driven by heavy civil organic and acquisition growth, partially offset by geospatial due to continued weakness as a result of the effects of oil price declines on regional economies. Mobile Solutions revenue increased due to continued growth in the transportation and logistics

market. The decline in Field Solutions revenue was primarily due to continued softness in agricultural markets. Advanced Devices revenue decreased primarily due to weaker OEM and end user sales.

Gross Margin

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Gross margin varies due to a number of factors including product mix, pricing, distribution channel, production volumes and foreign currency translations.

Gross margin decreased by \$6.6 million for the first quarter of fiscal 2016, as compared to the first quarter of fiscal 2015. Gross margin as a percentage of total revenue was 51.6% for the first quarter of fiscal 2016, as compared to 52.7% for the first quarter of fiscal 2015. The decrease was primarily due to geographic mix in Field Solutions and the impact of product mix in transportation and logistics within Mobile Solutions.

Operating Income

Operating income decreased by \$9.6 million for the first quarter of fiscal 2016, as compared to the first quarter of fiscal 2015. Operating income as a percentage of total revenue was 5.1% for the first quarter of fiscal 2016, as compared to 6.8% for the first quarter of fiscal 2015.

The decrease in operating income and operating income percentage for the first quarter of fiscal 2016 was primarily due to revenue declines in Field Solutions and Advanced Devices and the impact of product mix and growth investments in Mobile Solutions.

Results by Segment

To achieve distribution, marketing, production, and technology advantages in our targeted markets, we manage our operations in the following four segments: Engineering and Construction, Field Solutions, Mobile Solutions, and Advanced Devices. Operating income is revenue less cost of sales and operating expense, excluding general corporate expense, acquisition/divestiture costs, amortization of purchased intangible assets, restructuring charges, stock-based compensation and executive transition costs.

The following table is a summary of revenue and operating income by segment:

	First Quarter of	
	2016	2015
(Dollars in millions)		
Engineering and Construction		
Revenue	\$309.8	\$299.3
Segment revenue as a percent of total revenue	53	% 51 %
Operating income	\$44.1	\$37.0
Operating income as a percent of segment revenue	14	% 12 %
Field Solutions		
Revenue	\$106.0	\$115.3
Segment revenue as a percent of total revenue	18	% 20 %
Operating income	\$33.9	\$40.6
Operating income as a percent of segment revenue	32	% 35 %
Mobile Solutions		
Revenue	\$136.3	\$128.2
Segment revenue as a percent of total revenue	23	% 22 %
Operating income	\$18.9	\$20.5
Operating income as a percent of segment revenue	14	% 16 %
Advanced Devices		
Revenue	\$30.9	\$39.8
Segment revenue as a percent of total revenue	6	% 7 %
Operating income	\$10.3	\$15.2
Operating income as a percent of segment revenue	33	% 38 %

A reconciliation of our consolidated segment operating income to consolidated income before taxes follows:

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	First Quarter of	
	2016	2015
(Dollars in millions)		
Consolidated segment operating income	\$107.2	\$113.3
Unallocated corporate expense	(21.2)	(19.3)
Restructuring charges	(2.1)	(1.3)
Stock-based compensation	(13.7)	(12.5)
Amortization of purchased intangible assets	(40.3)	(40.7)
Consolidated operating income	29.9	39.5
Non-operating income (expense), net:	(0.5)	4.7
Consolidated income before taxes	\$29.4	\$44.2

Unallocated corporate expense includes general corporate expense, acquisition costs and executive transition costs.
Engineering and Construction

Engineering and Construction revenue increased by \$10.5 million or 4% for the first quarter of fiscal 2016, as compared to the corresponding period in fiscal 2015. Segment operating income increased by \$7.1 million or 19% for the first quarter of fiscal 2016, as compared to the corresponding period in fiscal 2015.

The revenue increase for the first quarter of fiscal 2016 was primarily driven by heavy civil organic and acquisition growth with strength in most regions, while geospatial was down with continued weakness as a result of the effects of oil price declines on regional economies, primarily in North America. To a lesser extent, building construction contributed to the growth. Operating income increased due to stronger revenue and gross margins in heavy civil and cost containment in building construction and geospatial, which offset some of the effects of the revenue decline in geospatial.

Field Solutions

Field Solutions revenue decreased by \$9.3 million or 8% for the first quarter of fiscal 2016, as compared to the corresponding period in fiscal 2015. Segment operating income decreased by \$6.7 million or 17% for the first quarter of fiscal 2016, as compared to the corresponding period in fiscal 2015.

Field Solutions revenue decreased for the first quarter of fiscal 2016 primarily due to continued softness in agriculture markets, impacted negatively by difficult markets in North America and Brazil, partially offset by growth due to acquisitions. Operating income decreased due to agriculture revenue and gross margin declines, partially offset by cost containment actions. The agriculture markets remain challenging and although our expectation is that our product sales will improve, to the extent that negative trends continue, our revenue and operating income could be further impacted.

Mobile Solutions

Mobile Solutions revenue increased by \$8.1 million or 6% for the first quarter of fiscal 2016, as compared to the corresponding period in fiscal 2015. Segment operating income decreased by \$1.6 million or 8% for the first quarter of fiscal 2016, as compared to the corresponding period in fiscal 2015.

Mobile Solutions revenue increased for the first quarter of fiscal 2016 primarily due to continued organic growth in the transportation and logistics business, with strength expected throughout the year as a result of large customer wins. Although revenue was up, operating income was down primarily due to the impact of lower margin product mix and growth related investments in the business. We expect that Mobile Solutions operating income will improve as a result of increased revenue and improved gross margin mix. However, both revenue and operating income could be negatively impacted to the extent that the deployment of these large customer shipments are delayed.

Advanced Devices

Advanced Devices revenue decreased by \$8.9 million or 22% for the first quarter of fiscal 2016, as compared to the corresponding period in fiscal 2015. Segment operating income decreased by \$4.9 million or 32% for the first quarter of fiscal 2016, as compared to the corresponding period in fiscal 2015.

Advanced Devices revenue decreased for the first quarter of fiscal 2016 primarily due to weaker OEM and end user sales, as the prior period included unusually strong sales. Advanced Devices revenue can be lumpy due to the timing of these sales. Operating income decreased primarily due to the revenue declines.

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Research and Development, Sales and Marketing and General and Administrative Expense

Research and development (R&D), sales and marketing (S&M) and general and administrative (G&A) expense are summarized in the following table:

	First Quarter of			
	2016	2015		
(Dollars in millions)				
Research and development	\$87.7	\$87.2		
Percentage of revenue	15	% 15	%	
Sales and marketing	\$96.7	\$96.5		
Percentage of revenue	16	% 17	%	
General and administrative	\$68.3	\$64.7		
Percentage of revenue	12	% 11	%	
Total	\$252.7	\$248.4		
Percentage of revenue	43	% 43	%	

Overall, R&D, S&M and G&A expense increased by approximately \$4.3 million for the first quarter of fiscal 2016, as compared to the corresponding period in fiscal 2015.

Research and development expense was flat for the first quarter of fiscal 2016, as compared to the corresponding period in fiscal 2015. Overall, research and development spending was 15% of revenue in the first quarter of both fiscal 2016 and 2015. As compared to the prior year, first quarter of fiscal 2016 research and development expense increased 4% due to expense from acquisitions not applicable in the prior corresponding period, partially offset by a 2% decrease due to favorable foreign exchange rates and a 2% decrease due to lower compensation and other expenses.

We believe that the development and introduction of new products are critical to our future success and we expect to continue active development of new products.

Sales and marketing expense was flat for the first quarter of fiscal 2016, as compared to the corresponding period in fiscal 2015. Overall, spending for sales and marketing was 16% of revenue in the first quarter of fiscal 2016 versus 17% in the corresponding period of fiscal 2015. As compared to the prior year, first quarter of fiscal 2016 sales and marketing expense increased 3% due to expense from acquisitions not applicable in the prior corresponding period and a 1% increase due to higher compensation, partially offset by a 2% decrease due to a decrease in other expenses and a 2% decrease due to favorable foreign exchange rates.

General and administrative expense increased by \$3.6 million, or 6%, for the first quarter of fiscal 2016, as compared to the corresponding period in fiscal 2015. Overall, general and administrative spending was 12% of revenue in first quarter of fiscal 2016 versus 11% in the corresponding period of fiscal 2015. As compared to the prior year, first quarter of fiscal 2016 general and administrative expense increased 4% due to expense from acquisitions not applicable in the prior corresponding period, a 3% increase due to increased consulting expense and a 1% increase due to executive transition costs, partially offset by a 1% decrease due to favorable foreign exchange rates and a 1% decrease in other expenses.

Amortization of Purchased Intangible Assets

Amortization of purchased intangible assets was \$40.3 million in the first quarter of fiscal 2016, as compared to \$40.7 million in the first quarter of fiscal 2015. Of the total \$40.3 million in the first quarter of fiscal 2016, \$16.2 million is presented as a separate line within Operating expense and \$24.1 million is presented as a separate line within Cost of sales in our Condensed Consolidated Statements of Income. Of the total \$40.7 million in the first quarter of fiscal 2015, \$18.2 million is presented as a separate line within Operating expense and \$22.5 million is presented as a separate line within Cost of sales in our Condensed Consolidated Statements of Income. Amortization in the first

quarter of fiscal 2016 reflects acquisitions not included in the first quarter of fiscal 2015 offset by the expiration of amortization for prior acquisitions. As of the end of the first quarter of fiscal 2016 future amortization of intangible assets is expected to be \$112.7 million during the remainder of fiscal 2016, \$130.7 million during 2017, \$101.9 million during 2018, \$60.2 million during 2019, \$31.4 million during 2020 and \$15.6 million thereafter.

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Non-operating Income (Expense), Net

The components of Non-operating income (expense), net, were as follows: