Garmin Ltd. (GRMN)

Baird Facts

Please refer to Appendix - Important Disclosures and Analyst Certification.

<table>
<thead>
<tr>
<th>Price ($) (5/18/20):</th>
<th>81.89</th>
</tr>
</thead>
<tbody>
<tr>
<td>52WK H-L ($) :</td>
<td>106 - 61</td>
</tr>
<tr>
<td>Market Cap (mil):</td>
<td>15,657</td>
</tr>
<tr>
<td>Shares Out (mil):</td>
<td>191.2</td>
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<tr>
<td>Float (mil):</td>
<td>138.3</td>
</tr>
<tr>
<td>Dividend ($) :</td>
<td>2.28</td>
</tr>
<tr>
<td>Yield (%):</td>
<td>2.8</td>
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<table>
<thead>
<tr>
<th>Rating: Suitability:</th>
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<tbody>
<tr>
<td>Price Target ($) :</td>
</tr>
<tr>
<td>L-Term Rev. Gr Rate Est:</td>
</tr>
<tr>
<td>L-Term EPS Gr Rate Est:</td>
</tr>
<tr>
<td>Debt/Cap:</td>
</tr>
<tr>
<td>ROE:</td>
</tr>
<tr>
<td>Neutral Higher Risk</td>
</tr>
<tr>
<td>FY Dec</td>
</tr>
<tr>
<td>2019A</td>
</tr>
<tr>
<td>Q1</td>
</tr>
<tr>
<td>Q2</td>
</tr>
<tr>
<td>Q3</td>
</tr>
<tr>
<td>Q4</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

**Headquartered**

| Kansas City, KS | 2000/1989 |

**Management**

<table>
<thead>
<tr>
<th>CEO</th>
<th>Clifton Pemble</th>
</tr>
</thead>
<tbody>
<tr>
<td>CFO</td>
<td>Douglas Boessen</td>
</tr>
</tbody>
</table>

**Company Description**

Garmin, founded in 1989 and headquartered in Kansas City, Kansas, is a developer and manufacturer of navigation, information and communication equipment primarily for the automotive, aviation, fitness, marine and outdoor segments. The company's historical expertise lies in creating GPS-enabled devices including personal navigation devices (PNDs). However, Garmin has branched out into other information and communication segments including fitness trackers, adventure watches, infotainment, radar and others.

**Revenue Profile**

**Competition**

**Automotive/Mobile**: TomTom, Apple, Google, Nokia  
**Aviation**: Honeywell, Rockwell Collins  
**Fitness**: Fitbit, Samsung, Apple, Google  
**Marine**: Navico, Raymarine  
**Outdoor**: Bushnell, GoPro

**Quick Summary**

We rate the stock Neutral based on the following factors:

- **Ex auto, solid growth.** Though auto remains a headwind, the company has generated solid growth in aviation, outdoors, fitness and marine.
- **Competition in fitness intense.** Fitbit and Apple regularly introduce new products, with the competitive environment overall likely to remain intense.
- **Strong balance sheet.** Garmin ended 2019 with roughly $2.6 billion in cash and investments, or ~$14 per share, and no debt. Additionally, the company generated roughly $580 million of free cash flow in 2019.
- **Expect material negative impact from COVID-19.** GRMN expects weakness across all of its segments amid store closures and a weaker economy. Garmin withdrew its 2020 guidance.

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- **PND business in secular decline.** Though well known, PND sales continue to decline roughly 15% YOY, driven in large part by smartphone cannibalization. The auto/PND segment still comprises about 15% of revenue, partially offsetting growth elsewhere.

- **Valuation fair in light of limited growth.** GRMN is currently trading at the high end of its historical average range of 15-20x.

**Investment Thesis**

**Ex auto, solid growth.** Though auto remains a headwind, the company has generated solid growth in aviation, outdoors, fitness and marine.

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- **Valuation fair in light of limited growth.** GRMN is currently trading at the high end of its historical average range of 15-20x.

- **Solid Dividend.** GRMN's dividend yield should enhance total returns.

**Risks & Caveats**

- **Highly competitive industry.** Garmin faces significant competition from a wide range of competitors across its segments, including, but not limited to, Honeywell, Rockwell Collins, Raymarine, Navman, Apple and Fitbit, to name a few.

- **Consumer spending.** More than 70% of Garmin's revenues are from consumer products. A significant slowdown in discretionary spending or consumer confidence could negatively impact Garmin's revenues.

- **Mapping software.** Garmin is dependent on third parties for its mapping software. Although Garmin has secured a long-term contract with Nokia, the lack of in-house mapping data limits Garmin's flexibility and could eventually become an issue if a competitor were to acquire Nokia's business.

- **Foreign currency translation.** Garmin is exposed to movements in currency exchange rates especially the Taiwan dollar, euro and British pound. Additionally, Garmin Corporation is currently domiciled in Switzerland.

**Supplemental Information**

GRMN is currently trading at 19.3x our 2021 adjusted EPS forecast and 16.1x adding back current net cash.

Our $90 target price is based on 18x our 2021E EPS plus current net cash of $13.77 per share, putting it roughly in line with the S&P 500 at about ~18x, reflecting strong diversification offset by significant COVID-related impacts.
Appendix - Important Disclosures and Analyst Certification

Approved on 19 May 2020 15:23EDT/ Published on 19 May 2020 15:28EDT.

Rating and Price Target History for: Garmin Ltd. (GRMN) as of 05-18-2020

1 Robert W. Baird & Co. Incorporated makes a market in the securities of GRMN.

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Garmin Ltd.
May 19, 2020

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