

GARMIN LTD
Form 10-Q
May 02, 2018
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 March 31, 2018

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, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer", "smaller reporting company" and "emerging growth company" 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 Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. YES NO

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 April 30, 2018

CHF 0.10 par value: 198,077,418 (including treasury shares)

Garmin Ltd.

Form 10-Q

Quarter Ended March 31, 2018

Table of Contents

<u>Part I - Financial Information</u>	Page
<u>Item 1. Condensed Consolidated Financial Statements</u>	3
<u>Condensed Consolidated Balance Sheets at March 31, 2018 and December 30, 2017 (Unaudited)</u>	3
<u>Condensed Consolidated Statements of Income for the 13-weeks ended March 31, 2018 and April 1, 2017 (Unaudited)</u>	4
<u>Condensed Consolidated Statements of Comprehensive Income for the 13-weeks ended March 31, 2018 and April 1, 2017 (Unaudited)</u>	5
<u>Condensed Consolidated Statements of Cash Flows for the 13-weeks ended March 31, 2018 and April 1, 2017 (Unaudited)</u>	6
<u>Notes to Condensed Consolidated Financial Statements (Unaudited)</u>	7
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	20
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	26
<u>Item 4. Controls and Procedures</u>	26
<u>Part II - Other Information</u>	
<u>Item 1. Legal Proceedings</u>	28
<u>Item 1A. Risk Factors</u>	28
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	28
<u>Item 3. Defaults Upon Senior Securities</u>	28
<u>Item 4. Mine Safety Disclosures</u>	29

<u>Item 5. Other Information</u>	29
<u>Item 6. Exhibits</u>	29
<u>Signature Page</u>	30
<u>Index to Exhibits</u>	31

Part I - Financial Information**Item I - Condensed Consolidated Financial Statements****Garmin Ltd. And Subsidiaries****Condensed Consolidated Balance Sheets (Unaudited)
(In thousands, except per share information)**

	March 31, 2018	December 30, 2017
Assets		
Current assets:		
Cash and cash equivalents	\$898,981	\$891,488
Marketable securities	167,745	161,687
Accounts receivable, net	409,704	590,882
Inventories, net	547,412	517,644
Deferred costs	29,327	30,525
Prepaid expenses and other current assets	138,114	153,912
Total current assets	2,191,283	2,346,138
Property and equipment, net	604,813	595,684
Restricted cash	279	271
Marketable securities	1,309,185	1,260,033
Deferred income taxes	199,090	195,981
Noncurrent deferred costs	32,428	33,029
Intangible assets, net	421,006	409,801
Other assets	97,138	107,352
Total assets	\$4,855,222	\$4,948,289
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$136,132	\$169,640
Salaries and benefits payable	90,137	102,802
Accrued warranty costs	35,422	36,827
Accrued sales program costs	56,266	93,250
Deferred revenue	98,660	103,140
Accrued royalty costs	17,445	32,204
Accrued advertising expense	16,007	30,987
Other accrued expenses	69,949	93,652

Edgar Filing: GARMIN LTD - Form 10-Q

Income taxes payable	37,825	33,638
Dividend payable	—	95,975
Total current liabilities	557,843	792,115
Deferred income taxes	74,714	76,612
Noncurrent income taxes	140,368	138,295
Noncurrent deferred revenue	83,222	87,060
Other liabilities	1,882	1,788
Stockholders' equity:		
Shares, CHF 0.10 par value, 198,077 shares authorized and issued; 188,521 shares outstanding at March 31, 2018; and 188,189 shares outstanding at December 30, 2017;	17,979	17,979
Additional paid-in capital	1,818,532	1,828,386
Treasury stock	(450,160)	(468,818)
Retained earnings	2,546,400	2,418,444
Accumulated other comprehensive income	64,442	56,428
Total stockholders' equity	3,997,193	3,852,419
Total liabilities and stockholders' equity	\$4,855,222	\$4,948,289

See accompanying notes.

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

	13-Weeks Ended	
	March 31, 2018	April 1, 2017
Net sales	\$710,872	\$641,510
Cost of goods sold	284,337	268,704
Gross profit	426,535	372,806
Advertising expense	25,311	31,525
Selling, general and administrative expense	117,065	102,051
Research and development expense	141,957	122,202
Total operating expense	284,333	255,778
Operating income	142,202	117,028
Other income (expense):		
Interest income	10,227	8,444
Foreign currency gains (losses)	816	(37,497)
Other income	735	400
Total other income (expense)	11,778	(28,653)
Income before income taxes	153,980	88,375
Income tax provision (benefit)	24,606	(150,029)
Net income	\$129,374	\$238,404
Net income per share:		
Basic	\$0.69	\$1.27
Diluted	\$0.68	\$1.26
Weighted average common shares outstanding:		
Basic	188,322	188,333
Diluted	189,292	189,031

See accompanying notes.

4

Garmin Ltd. And Subsidiaries

Condensed Consolidated Statements of Comprehensive Income (Unaudited)

(In thousands)

	13-Weeks Ended	
	March 31, 2018	April 1, 2017
Net income	\$ 129,374	\$ 238,404
Foreign currency translation adjustment	23,500	62,614
Change in fair value of available-for-sale marketable securities, net of deferred taxes	(15,034)	