

GARMIN LTD  
Form 10-Q  
May 06, 2009

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 28, 2009

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)

Cayman Islands  
(State or other jurisdiction  
of incorporation or organization)

98-0229227  
(I.R.S. Employer identification no.)

P.O. Box 10670, Grand Cayman KY1-1006  
Suite 3206B, 45 Market Street, Gardenia Court  
Camana Bay, Cayman Islands  
(Address of principal executive offices)

N/A  
(Zip Code)

Company's telephone number, including area code: (345) 640-9050

(Former name, former address and former fiscal year, if changed since last report)

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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.  
Large Accelerated Filer  Accelerated Filer  Non-accelerated Filer

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 Company's common shares as of May 1, 2009  
Common Shares, \$.005 par value: 200,291,184

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Part I – Financial Information

Item 1. Condensed Consolidated Financial Statements

Introductory Comments

The Condensed Consolidated Financial Statements of Garmin Ltd. ("Garmin" or the "Company") included herein have been prepared by the Company, without audit, pursuant to the rules and regulations of the United States Securities and Exchange Commission. Certain information and note 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, although the Company believes that the disclosures are adequate to enable a reasonable understanding of the information presented. These Condensed Consolidated Financial Statements should be read in conjunction with the audited financial statements and the notes thereto for the year ended December 27, 2008. Additionally, the Condensed Consolidated Financial Statements should be read in conjunction with Item 2 of Management's Discussion and Analysis of Financial Condition and Results of Operations, included in this Form 10-Q.

The results of operations for the 13-week period ended March 28, 2009 are not necessarily indicative of the results to be expected for the full year 2009.

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

|   | (Unaudited)<br>March 28,<br>2009 | December 27,<br>2008 |
|---|----------------------------------|----------------------|
| Assets  |                                  |                      |
| Current assets:   |                                  |                      |
| Cash and cash equivalents   | \$ 922,329                       | \$ 696,335           |
| Marketable securities   | 15,747                           | 12,886               |
| Accounts receivable, net  | 420,081                          | 741,321              |
| Inventories, net  | 353,532                          | 425,312              |
| Deferred income taxes   | 60,795                           | 49,825               |
| Prepaid expenses and other current assets                         | 55,348                           | 58,746               |
| <b>Total current assets</b>                                       | <b>1,827,832</b>                 | <b>1,984,425</b>     |
| Property and equipment, net                                       | 440,611                          | 445,252              |
| Marketable securities   | 303,636                          | 262,009              |
| Restricted cash   | 1,898                            | 1,941                |
| Licensing agreements, net   | 11,521                           | 16,013               |
| Other intangible assets, net                                      | 208,691                          | 214,941              |
| <b>Total assets</b>   | <b>\$ 2,794,189</b>              | <b>\$ 2,924,581</b>  |
| Liabilities and Stockholders' Equity                              |                                  |                      |
| Current liabilities:  |                                  |                      |
| Accounts payable  | \$ 79,453                        | \$ 160,094           |
| Salaries and benefits payable                                     | 28,426                           | 34,241               |
| Accrued warranty costs  | 68,847                           | 87,408               |
| Accrued sales program costs                                       | 58,039                           | 90,337               |
| Other accrued expenses  | 47,083                           | 87,021               |
| Income taxes payable  | 20,314                           | 20,075               |
| <b>Total current liabilities</b>                                  | <b>302,162</b>                   | <b>479,176</b>       |
| Deferred income taxes   | 11,951                           | 4,070                |
| Non-current taxes   | 220,450                          | 214,366              |
| Other liabilities   | 1,153                            | 1,115                |
| Stockholders' equity:   |                                  |                      |
| Common stock, \$0.005 par value, 1,000,000,000 shares authorized: |                                  |                      |
| Issued and outstanding shares - 200,282,000                       |                                  |                      |
| as of   |                                  |                      |
| March 28, 2009 and 200,363,000 as of                              |                                  |                      |
| December 27, 2008   | 1,000                            | 1,002                |
| Additional paid-in capital  | 8,885                            | -                    |

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|   |              |              |
|---|--------------|--------------|
| Retained earnings                           | 2,311,044    | 2,262,503    |
| Accumulated other comprehensive gain/(loss) | (62,456)     | (37,651)     |
| Total stockholders' equity                  | 2,258,473    | 2,225,854    |
| Total liabilities and stockholders' equity  | \$ 2,794,189 | \$ 2,924,581 |

See accompanying notes.

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

|   | 13-Weeks Ended    |                   |
|---|-------------------|-------------------|
|   | March 28,<br>2009 | March 29,<br>2008 |
| Net sales                                   | \$ 436,699        | \$ 663,805        |
| Cost of goods sold                          | 240,704           | 343,690           |
| Gross profit                                | 195,995           | 320,115           |
| Advertising expense                         | 23,225            | 38,129            |
| Selling, general and administrative expense | 59,777            | 59,696            |
| Research and development expense            | 55,034            | 49,558            |
| Total operating expense                     | 138,036           | 147,383           |
| Operating income                            | 57,959            | 172,732           |
| Interest income                             | 5,097             | 8,327             |
| Foreign currency                            | (2,438)           | (3,999)           |
| Other                                       | (694)             | 5,383             |
| Total other income (expense)                | 1,965             | 9,711             |
| Income before income taxes                  | 59,924            | 182,443           |
| Income tax provision                        | 11,386            | 34,664            |
| Net income                                  | \$ 48,538         | \$ 147,779        |
| Net income per share:                       |                   |                   |
| Basic                                       | \$ 0.24           | \$ 0.68           |
| Diluted                                     | \$ 0.24           | \$ 0.67           |
| Weighted average common shares outstanding: |                   |                   |
| Basic                                       | 200,352           | 216,505           |
| Diluted                                     | 200,725           | 218,979           |

See accompanying notes.



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

|   | 13-Weeks Ended    |                   |
|---|-------------------|-------------------|
|   | March 28,<br>2009 | March 29,<br>2008 |
| <b>Operating Activities:</b>  |                   |                   |
| Net income  | \$ 48,538         | \$ 147,779        |
| Adjustments to reconcile net income to net cash provided by operating activities: |                   |                   |
| Depreciation  | 13,574            | 9,861             |
| Amortization  | 8,088             | 7,775             |
| Gain on sale of property and equipment  | (3)               | (1)               |
| Provision for doubtful accounts   | (1,101)           | 350               |
| Deferred income taxes   | (3,200)           | 17,067            |
| Foreign currency transaction gains/losses   | (420)             | 64,946            |
| Provision for obsolete and slow moving inventories                                | 7,709             | 11,669            |
| Stock compensation expense  | 10,587            | 9,124             |
| Realized losses/(gains) on marketable securities                                  | 1,274             | (5,245)           |
| Changes in operating assets and liabilities, net of acquisitions:                 |                   |                   |
| Accounts receivable   | 318,095           | 458,821           |
| Inventories   | 58,876            | (169,501)         |
| Other current assets  | (1,128)           | 9,946             |
| Accounts payable  | (77,595)          | (159,590)         |
| Other current and non-current liabilities   | (88,727)          | (137,588)         |
| Income taxes payable  | 3,993             | (60,701)          |
| Purchase of licenses  | 856               | (12,247)          |
| Net cash provided by operating activities   | 299,416           | 192,465           |
| <b>Investing activities:</b>  |                   |                   |
| Purchases of property and equipment   | (13,136)          | (26,690)          |
| Proceeds from sale of property and equipment                                      | -                 | 8                 |
| Purchase of intangible assets   | (872)             | (2,562)           |
| Purchase of marketable securities   | (68,662)          | (265,758)         |
| Redemption of marketable securities   | 16,638            | 102,374           |
| Change in restricted cash   | 43                | (11)              |
| Acquisitions, net of cash acquired  | -                 | (23,725)          |