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Garmin Equity Research – Macro and
Industry Trends Shaping Market
Opportunities

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Abstract

This equity research report provides a comprehensive evaluation of Garmin Ltd., resulting in a SELL recommendation with a target share price of \$182.57 as of December 31, 2025, reflecting a downside risk of 13.7% from the current share price of \$212.72. Garmin's recent share price surge is not supported by anticipated growth in its key markets, suggesting overvaluation. Garmin faces profitability pressures due to its growing Auto OEM segment and operational risks from geopolitical uncertainties. However, favorable demographic trends and expansion into growth markets present opportunities, particularly in fitness and outdoor industries. While Garmin's financial stability is supported by low debt levels, challenges in its revenue mix and external risks remain key concerns.

Keywords

Garmin

Equity Research

Industry Analysis

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This report is part of the Garmin Equity Research report (annexed), developed by Karim Hanna and Karim Matar, and should be read as an integral part of it.

Table of Contents

INTRODUCTION	5
INDUSTRY ANALYSIS.....	6
▪ <i>Fitness & Outdoor.....</i>	<i>6</i>
▪ <i>Aviation & Avionics.....</i>	<i>6</i>
▪ <i>Marine.....</i>	<i>8</i>
▪ <i>Auto OEM</i>	<i>9</i>
▪ <i>Similarities & Differences across Industries.....</i>	<i>10</i>
COMPETITIVE LANDSCAPE.....	11
VALUATION.....	12
THE WACC	14
▪ <i>Cost of Equity</i>	<i>15</i>
▪ <i>Cost of Debt.....</i>	<i>15</i>
▪ <i>Terminal Growth</i>	<i>16</i>
DCF.....	16
APV	17
FTE.....	17
EVA	17
MULTIPLES.....	18
SENSITIVITIES.....	ERROR! BOOKMARK NOT DEFINED.
RECOMMENDATION	19
REFERENCES	21
APPENDIX	23

Introduction

The purpose of this joint equity research report is to provide a comprehensive valuation of Garmin Ltd. and assess its investment potential through in-depth analysis. This report combines two individual contributions, each focusing on distinct yet complementary aspects of the company and its environment, to arrive at a well-rounded conclusion. Our joint recommendation for Garmin is SELL, supported by a thorough evaluation of the company's financial and operational performance, market trends, and valuation metrics.

This report is structured into two main sections. One section, provides a foundational overview of Garmin's business, including its portfolio, historical performance, and economic context. It explores key value drivers, forecasts, and an analysis of Garmin's operational and financial performance across its business units. It also examines company-specific risks, ESG considerations, and scenario analyses.

The second section, attributed to me, delves into the industry dynamics, competitive landscape, and valuation methodologies applied to Garmin. It provides an in-depth analysis of the fitness, outdoor, aviation, marine, and Auto OEM markets, highlighting key trends as well as similarities and differences across industries. The valuation approach includes multiple methods, such as DCF, APV, EVA, FTE, and multiples analysis, as well as sensitivities that inform our recommendation.

Together, these sections provide a holistic understanding of Garmin's position in its markets and the financial rationale behind our investment decision.

Industry Analysis

With its broad product offering, Garmin has achieved a strong market position and is consolidating this with a growing portfolio. The product portfolio mainly serves five industries: Fitness, Outdoor, Aviation & Avionics, Marine, and Auto OEM. The following analysis focuses on these industries to identify the key drivers and forecasts that can serve as a basis for a reliable valuation model.

▪ Fitness & Outdoor

The fitness and outdoor industries overlap, as some products serve both markets but are tailored for different applications. In this case, we have combined these sectors and identified the main products, including smart bands, smart watches, and smart scales. Smart bands and smart watches can be further categorized into sports watches and watches for everyday use. However, products like personal navigation devices (PND), dog trackers, and golf trackers are excluded from this breakdown due to their smaller market share ('Garmin Annual Report 2023' 2024). By the end of 2024, the fitness and outdoor market are projected to reach a size of \$ 41.27bn, reflecting over 30% growth from \$ 30.79bn in 2022. This strong upward trend is expected to continue, with the market forecasted to reach \$ 56.82bn by 2029. The number of users in this market has grown significantly from 138.2mn in 2018 to a projected 745mn by the end of 2024, with further growth expected to reach 1.081bn by 2029 ('Fitness Trackers - Worldwide | Statista Market Forecast' 2024).

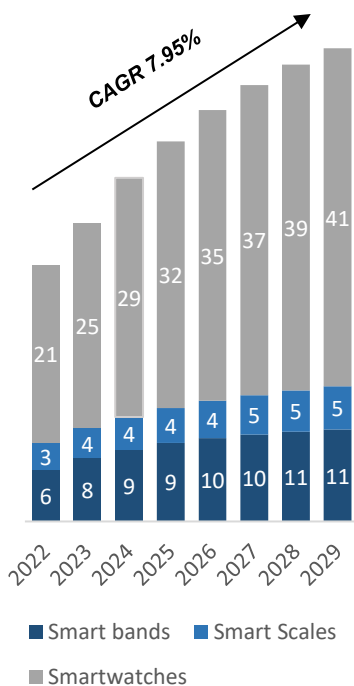


Figure 1: Fitness & Outdoor Market size (in \$ bn)

Key geographical markets include the U.S., China, the U.K., and Japan, with India anticipated to join the key markets in terms of revenue contribution by 2029.

The fitness and outdoor market are driven by the rising popularity of fitness, particularly among younger and urban populations. As urbanization continues, demand of fitness-related products is expected to increase. In 2021, 56% of the global population lived in urban areas, and this is expected to rise to 68% by 2050. Additionally, high consumer spending, especially in countries with high GDP per capita, is driving growth further in key markets ('Fitness Trackers - Worldwide | Statista Market Forecast' 2024).

However, certain factors may limit growth, such as competition from luxury brands. Some consumers prefer traditional luxury watches over smartwatches due to brand image and sentiment, particularly in markets where status plays a significant role in consumer purchasing behaviour.

▪ Aviation & Avionics

The aviation & avionics industry is extensive, ranging from electronics for military aircraft to aircraft engines. As Garmin specialises in flight solutions and flight

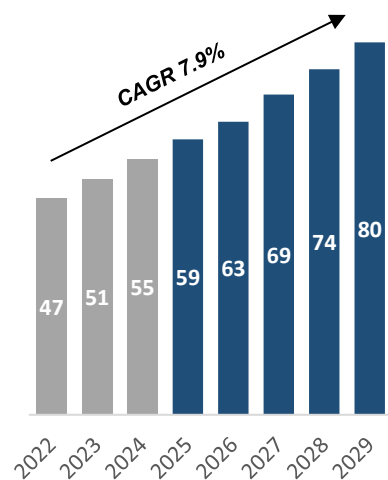


Figure 2: Aviation & Avionics Market size (in \$ bn)

Heavy regulation can lead to a slowdown in growth within the avionics industry

electronics, also known as avionics, this analysis focuses on the avionics industry. The avionics industry serves both commercial and military aircraft and is divided into retrofitting and line fitting. The main products in this industry include integrated flight decks (IFD), electronic flight instruments, navigation and communication products, as well as traffic detection and avoidance solutions.

The avionics market is projected to reach a size of \$ 54.9bn by the end of 2024 and grow to \$ 80.1bn by 2029, corresponding to a compound annual growth rate (CAGR) of 7.9 % ('Avionics Market Size, Share, Trends & Forecast by 2034 | FMI' 2024).

The most important geographical markets for avionics are the U.S., the U.K., China, Japan, and South Korea. These regions are expected to experience higher-than-average growth, with a CAGR of 8% in the US to a CAGR of 10% in South Korea over the forecasted period. These strong growth expectations are partly driven by higher defence spending due to the mentioned tensions in the global economic landscape.

The market for avionics is growing significantly as demand for commercial aircraft increases, particularly in emerging markets where air travel is becoming more accessible. The growing middle-income segment and economic development in regions such as Asia-Pacific, Latin America, and the Middle East have led to increased demand for air travel, driving the need for more aircraft. As airlines expand their fleets, there is a parallel increase in demand for advanced avionics systems to ensure safety, improve operational efficiency, and meet evolving regulatory standards.

The need to bring outdated aircraft up to the latest safety standards is another driver for the avionics industry. In the military sector, fleet modernisation continues to drive sales of avionics systems, particularly due to the growing demand for unmanned aerial vehicles (UAVs). Modernising aircraft with advanced avionics improves mission capabilities and ensures compatibility with the latest technology, which is a priority for defence agencies worldwide ('Avionics Market Size, Share, Trends & Forecast by 2034 | FMI' 2024).

Despite this robust growth, the avionics industry faces several challenges. Regulations and certification requirements might make it difficult to adopt new technologies. The high cost of research, development, and testing for these products creates high barriers to entry. Additionally, cybersecurity threats present a growing risk to aviation safety and the integrity of avionics system. Pressure to reduce carbon emissions is another challenge, that has intensified significantly in recent years, as air travel is one of the most emission-intensive modes of transportation, the aviation industry faces growing demand for sustainable solutions ('Avionics Market Size, Share, Trends & Forecast by 2034 | FMI' 2024).

- Marine

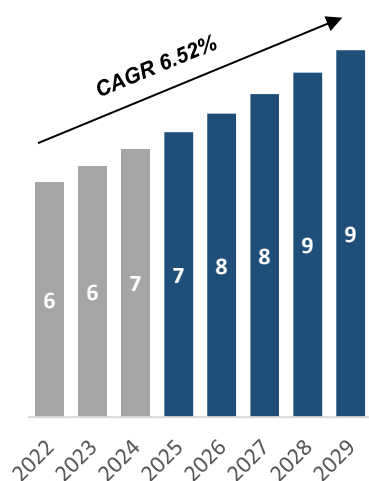


Figure 3: Marine Market size (in \$ bn)

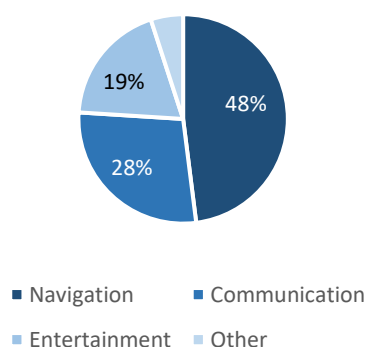


Figure 4: Marine Market size by Application (%)

Rising maritime activities boost demand for marine electronics

High R&D costs limit rapid growth in the Marine electronics industry

Garmin's marine unit focuses primarily on marine electronics, which include essential products such as chart plotters, radar systems, sonar technology, and advanced communication devices. These products serve various sectors, including commercial and military applications where there is high demand for precision, reliability, and advanced technological features. Commercial customers use these systems for navigation, fleet management, and security, while military organisations integrate them into complex operational systems to improve situational awareness and secure communications.

The marine electronics market reached a size of \$ 6.38bn in 2023 and is expected to reach \$ 9.32bn by 2034, growing at a CAGR of 6.52% (Precedence Research 2024). North America currently holds the largest market share, accounting for of 38%, followed by Europe with 29% and Asia-Pacific with 23%. In 2023, the market in North America was valued at \$ 1.82bn and is expected to grow to \$ 3.71bn by 2034, representing a CAGR of 6.68%. The market in Asia-Pacific is expected to grow faster, with a CAGR of 7.42% by 2034 (Precedence Research 2024).

The market is segmented by application, with navigation systems holding the largest share with 48%, followed by communication systems at 28%, and entertainment systems at 19%, while 5% is accounted for by other products. The market is also divided into hardware and software segments, with hardware accounting for over 71% of the market in 2023. However, the software segment is expected to grow faster at a 7.42% CAGR (Precedence Research 2024).

A key driver of growth in the marine electronics industry is the rise in maritime activities, including commercial transport, fishing, passenger travel, and other maritime operations. This growth has increased the demand for advanced safety measures and integrated technology within vessels. Marine electronics play a critical role in making voyages safer, enhancing operational efficiency, and improving onboard communication, all of which are increasingly prioritized across the industry. Additionally, the expansion of offshore energy projects, including oil, gas, and renewable energy, has further increased demand for marine electronics. These systems are essential for the precise navigation, site selection, and safe execution of complex projects, contributing to safer work environments and more efficient project outcomes (Precedence Research 2024).

A significant challenge for the marine electronics market is the high cost of research and development (R&D) for advanced products. The considerable investment required for R&D creates high barriers to entry, restrict competition, and potentially stifles innovation. In addition, the high costs can make these technologies less accessible to certain economies, restricting market growth (Precedence Research 2024).

▪ Auto OEM

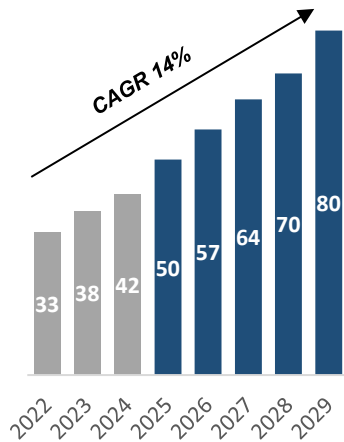


Figure 5: ADAS Market size (in \$ bn)

Increasing regulation is driving demand for ADAS

Rising costs of semiconductors might hinder growth for ADAS

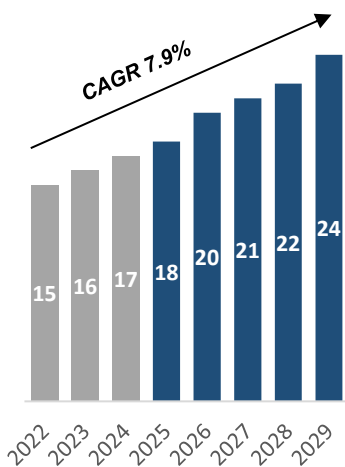


Figure 6: In Car Infotainment Market size (in \$ bn)

Garmin's Auto OEM business unit is composed of two segments. The first focuses on domain controllers, primarily supporting advanced driver-assistance systems (ADAS), which include features such as adaptive cruise control, blind spot detection, and park assistance. The second segment centres around infotainment units, delivering in-car entertainment and information systems.

The ADAS industry reached a market size of \$ 33bn in 2022 and is expected to reach \$ 80bn by 2029, reflecting a CAGR of 14% during this period ('Advanced Driver Assistance Systems Market' 2024). Similar to the marine electronics industry, North America is the largest market, holding 35% of the global market share. The fastest-growing market is Asia-Pacific, mainly driven by China, Japan, and South Korea. Europe, a centre for major car manufacturers, is an established market for ADAS systems and is also expected to see growth in the forecasted period ('Advanced Driver Assistance Systems Market' 2024).

Growth drivers in the industry include safety regulations set by regulatory authorities. For example, the European Union has mandated that all new cars must be equipped with certain ADAS, such as autonomous emergency braking and lane departure warning systems. This increasing emphasis on safety underlines the growing importance of ADAS, which is even mandatory in various regions around the world. As a result, the demand for these safety technologies is expected to increase significantly, further fuelling market growth ('Advanced Driver Assistance Systems Market' 2024).

However, major challenges in this industry include the high costs of production, development, and testing of these advanced products, which may make them inaccessible to certain economies. In addition, the rising price of semiconductors is another challenge that could hamper the industry's growth by limiting production capacity and increasing prices for end-users. Together, these factors could hinder the rapid growth of the market. ('Advanced Driver Assistance Systems Market' 2024).

The in-car infotainment industry had a market size of \$ 15bn in 2022 and is expected to reach \$ 24bn by the end of 2029, growing at a CAGR of 7.9%. The main products include audio, display, navigation, and communication systems ('In-Car Infotainment Market' 2024). Asia Pacific leads the market in this industry with a market share of 39% translating to \$ 5.66bn, which is attributed to the increase in automotive production in this region, mainly in China, Japan, and South Korea. North America shows robust growth due to the presence of major automotive manufacturers and high customer expectations for connectivity and entertainment features withing vehicles. The European market has also been growing, mainly due to its luxury and performance vehicle manufacturers and is further growing

due to strong regulations that promote safety in vehicles. The Middle East, Africa, and Latin America are catching up and are showing potential for strong growth due to a strong rise in middle class (Li 2024).

As such systems are typically integrated into luxury vehicles, demand is being driven by consumer expectations for a seamless and integrated digital experience with vehicles. This transition to digital technologies is being fuelled by smart devices and AI capabilities, which have been a key growth factor in recent years ('In-Car Infotainment Market' 2024).

Like the marine and ADAS industries, this industry is constrained by production and R&D costs, making products more expensive and less accessible to certain economies. In addition, development cycles are relatively long, delaying product releases, and potentially slowing market growth.

Both these industries tie together to shape Garmin's Auto OEM portfolio.

▪ Similarities & Differences across Industries

Garmin's markets have several key similarities. All sectors show strong growth potential, with the fitness and outdoor market expected to grow from \$ 41.27bn in 2024 to \$ 56.82bn by 2029. Similarly, the avionics, marine electronics, and auto OEM markets expect significant growth, driven by technological advances in all markets, such as wearable devices in the fitness sector, advanced avionics systems for aviation, and cutting-edge electronics for vehicles and boats. In addition, these sectors share a high consumer demand for precision, safety, and efficiency, be it the desire for reliable fitness wearables, aviation systems, or safety features in vehicles. This creates a unified global market demand.

Despite these similarities, the markets Garmin serves differ in several ways. One key distinction is the target audience for each market. The Fitness & Outdoor market caters primarily to individual consumers that prioritize health and personal fitness. In contrast, the Aviation & Avionics and Marine markets are geared more toward commercial, military, and specialized users. The Auto OEM sector serves both individual consumers through aftermarket infotainment and manufacturers through components like ADAS systems. Moreover, the maturity of these markets also varies. While the Fitness & Outdoor industry experiences rapid growth, sectors like avionics and marine electronics are more established but continue to evolve through continued technological innovation. Regulatory requirements also differ widely, with avionics facing stringent certifications, Auto OEM dealing with safety regulations like ADAS, and Fitness & Outdoor and Marine markets having less regulatory oversight. Capital intensity is another distinguishing factor. The Auto OEM and avionics industries demand heavy investment in R&D and production. This high capital intensity can limit the number of competitors in these

Possible stagnation in market growth due to long development cycles

Key markets show growth, driven by technology and demand for precision

Garmin's markets vary in consumer focus, maturity, regulations, and risks

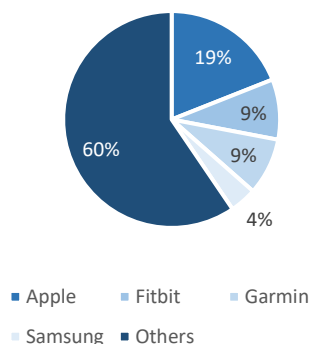


Figure 7: Fitness & Outdoor Competitors' Market Share 2024 (%)

markets and may create higher barriers to entry. In contrast, the Fitness and Outdoor industry have lower barriers to entry, making it more accessible for new entrants but also fostering greater competition. Lastly, geopolitical risks impact these industries to varying degrees, with avionics and marine sectors being more susceptible to global tensions, given the reliance on international supply chains, military contracts, and cross-border regulations. The Fitness & Outdoor industries are less affected, with a more localized impact driven by consumer trends and economic conditions in specific regions.

Competitive Landscape

Garmin operates in a highly competitive environment across multiple sectors, competing with well-established players. In the fitness and outdoor segments Garmin competes with Apple, Fitbit, Catapult, Samsung, TomTom, Xiaomi, Vista Outdoor, and Zepp Health. Apple leads the wearable smartwatch market with the largest market share thanks to its versatile smartwatches that offer more than fitness tracking, such as mobile connectivity, camera integration, and messaging apps. Garmin holds the third-largest market share and differentiates itself with precision-engineered products designed specifically for fitness enthusiasts and outdoor adventurers. This gives Garmin a competitive advantage over generalist wearables from companies such as Apple and Xiaomi ('Fitness Trackers - Worldwide | Statista Market Forecast' 2024).

In the Aviation & Avionics segment, Garmin faces competition from Honeywell, L3Harris Technologies, and Innovative Solutions & Support. The company's G1000 series is a market leader in general aviation, providing integrated, user-friendly avionics systems optimized for smaller aircraft. This focus on usability and integration sets Garmin apart from competitors offering complex, commercial-grade systems and position Garmin well for general aviation customers who prioritize ease of use and efficiency.

In the Marine sector, Garmin competes with Furuno and Johnson Outdoors. Its advanced sonar and chart-plotting technology, such as the Panoptix LiveScope, delivers real-time imaging capabilities that surpass traditional marine equipment, giving Garmin a technological advantage.

Within the Automotive OEM space, Garmin faces competition from Aptiv, Valeo, and Visteon, which primarily focus on ADAS and infotainment solutions. Garmin's innovative and reliable navigation products provide a competitive advantage, particularly in the automotive aftermarket and OEM markets.

In terms of financial metrics, Garmin's market valuation reflects the company's strong growth potential. According to the latest information, Garmin is currently trading at an EV/Sales ratio of 6.6, significantly higher than the competitors' mean

of 2.4, indicating that the market values Garmin at a premium relative to its competitors. Additionally, Garmin's EV/EBITDA ratio is 24.56, compared to the peer average of 20.4, further highlighting its higher valuation. These metrics suggest that investors have a high level of confidence in Garmin's ability to continue to deliver growth.

Valuation

To derive a comprehensive valuation, we applied five distinct methods, each offering a unique perspective on the company's intrinsic value: Discounted Cash Flows (DCF), Adjusted Present Value (APV), Flow to Equity (FTE), Economic Value Added (EVA), and Trading Multiples. Each approach provides insight into the company's valuation, enabling a multi-faceted understanding of its financial standing.

In the DCF approach, we projected the company's cash flows over a defined period, followed by calculating a terminal value at the end of the final year. These projected free cash flows to the firm (FCFF) were then discounted using the weighted average cost of capital (WACC), which accounts for the company's blended cost of equity and debt based on its current capital structure. This approach aims to reflect the intrinsic value of the firm by focusing on cash flows from operations and future growth potential (Fernando 2024).

The APV method uses a different approach. First, we forecast the unlevered free cash flows for a given period and discount these cash flows with an unlevered WACC, which only considers the risk of the asset without factoring in the capital structure. This provides an unbiased view of the company's core activities. We then forecast the annual interest tax shield resulting from interest payments on debt and discount it by the cost of debt to reflect the lower risk of tax benefits. The sum of these discounted values results in the enterprise value, from which we deduct the net debt to determine the equity value. (Hargrave 2024).

The Economic Value Added (EVA) approach, also known as the economic profit method, focuses on calculating the annual Net Operating Profit Less Adjusted Taxes (NOPLAT) and invested capital to determine the Return on Invested Capital (ROIC). By comparing the ROIC with the WACC, we calculate the annual economic profit, which shows whether the company is generating a return above the cost of capital. These annual economic profits are totalled together with the discounted terminal value to calculate the enterprise value (McCulre 2023).

The flow to equity (FTE) method is similar to the DCF method, as it also uses the FCFF figures but applies the cost of equity as the discount rate. Here we consider net financial payments, which include new lease obligations and right-of-use (ROU) payments. In addition, the interest tax shield is included in the tax

calculation, while taxes on interest income from the company's short-term and long-term investments are deducted, reflecting the company's financing dynamics.

Finally, using the trading multiples method, we analysed information from comparable companies in the industry with similar business models to determine relevant multiples such as EV/Sales and EV/EBITDA. By comparing our company's ratios to these industry benchmarks, we calculated the equity value based on the prevailing market multiples (Smith 2024).

Together, these valuation methods provide a thorough assessment of the company's worth, balancing the operational, financial, and market-based factors influencing its value.

In this valuation analysis, we conducted both company-level and division-level analyses and ultimately derived a 'sum-of-the-parts' valuation that reflects the different characteristics of each business unit. By breaking down the valuation by division, we captured the unique growth rates, working capital requirements, and cost of capital specific to each segment. Each segment's cash flow was modelled individually, with assumptions based on industry norms and the operating efficiencies that each unit could realistically achieve. This approach ensured a differentiated view of enterprise value that considered the different risk profiles and business cycles of the individual segments.

In our valuation methodology, we have assigned the following weights to the sum-of-the-parts valuation approaches: 50% for the DCF approach, 30% for the FTE method and 20% for the APV approach. We have deliberately not included a company-wide valuation in the final result, as the sum-of-the-parts approach offers a more detailed and accurate perspective. The reason for this decision lies in the fundamental differences between Garmin's divisions, including variations in risk profiles, maturity levels, and customer types. Each division operates in a unique business environment that reflects different operating dynamics and growth potential. A company-wide valuation would therefore not adequately reflect the differentiated structure and opportunities in Garmin's diversified portfolio.

Additionally, we opted for absolute valuation methods over relative valuation for two critical reasons. First, the availability of publicly accessible data on Garmin's competitors is highly limited, restricting the reliability of relative benchmarks. Second, Garmin's business model is fundamentally different from its competitors. Unlike other companies in the industry, Garmin integrates a wide array of product lines and revenue streams under a single umbrella, making direct comparisons challenging and less meaningful. This combination of methodological rigor and strategic alignment ensures that our valuation approach accurately captures Garmin's unique market position and growth potential.

However, we chose to include these additional valuation methods, including company-wide approaches and relative valuation, in our model for reference purposes, but we did not assign weights to them in the final valuation. This decision was made to offer a broader perspective and serve as a benchmark for validating our primary valuation approach, without directly affecting the final outcome.

The WACC

The WACC consists of two main components: the cost of equity and the cost of debt. To understand the impact of each, they are weighted by the debt to capital and the equity to capital ratios. Calculating the WACC, therefore, requires determining the cost of equity, the cost of debt, and both the debt to capital and the equity to capital ratio.

Regarding the debt and equity ratios, or more specifically, the weights of debt and equity in the capital structure, we forecasted Garmin's target capital structure based on the company's historical leverage trends. Over the past seven years, Garmin has consistently operated with minimal debt, reflecting its management's clear preference for an almost debt-free operational strategy. The company's debt has been limited primarily to ROU lease liabilities.

Additionally, we analyzed the debt-to-equity (D/E) ratios of Garmin's competitors, recognizing that direct comparisons are inherently challenging due to Garmin's unique business model and diversified operations. To establish a relevant benchmark, we analyzed the D/E ratios of competitors within Garmin's key operating segments. This involved calculating the D/E ratio for each competitor by dividing their total outstanding debt by their equity market value and comparing these figures to the corresponding D/E ratios of Garmin's operating segments. Companies with a D/E ratio of 2x or below are typically considered to have moderate leverage. A D/E ratio between 2x and 4x indicates high leverage, while a ratio above 4x signifies very high leverage.

The analysis showed that Garmin's leverage is broadly in line with industry norms, although it remains notably lower across all segments. In Fitness & Outdoor, the average D/E ratio was 0.16x, compared to Garmin's 0.02x. In Aviation & Avionics, the average stood at 0.17x, with Garmin at 0.02x. For Marine, the mean D/E ratio was 0.14x, while Garmin again maintained 0.02x. Finally, in Auto OEM, the average D/E ratio was 0.13x, compared to Garmin's 0.02x.

This analysis highlights that competitors in these segments also maintain relatively low leverage, consistent with Garmin's approach. The industry's trend toward minimal debt supports our forecasted target capital structure, which assumes Garmin will continue emphasizing equity financing while maintaining minimal reliance on debt.

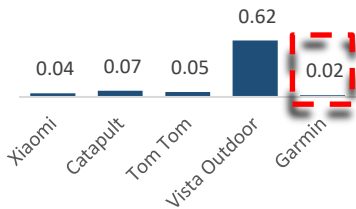


Figure 8: Fitness & Outdoor Peers' D/E

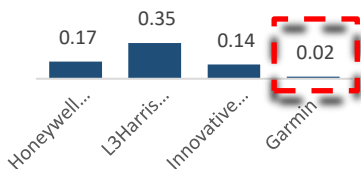


Figure 9: Avionics Peers' D/E

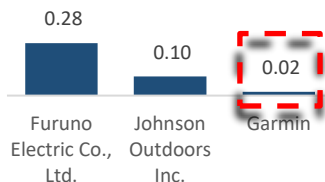


Figure 10: Marine Peers' D/E

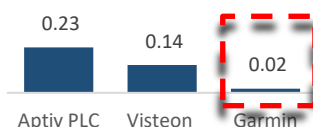


Figure 11: Auto OEM Peers' D/E

- Cost of Equity

To calculate the cost of equity, we first determine the betas for the company and each business unit separately. At the company level, calculating the equity beta is straightforward, as it is obtained by regressing Garmin's returns against the market's returns.

Equity Beta	
Company Level	1.09
Fitness	0.72
Outdoor	0.77
Aviation & Avionics	0.54
Marine	0.64
Auto OEM	0.73

Figure 12: Equity Betas by Segment

At the business unit level, we replicate Garmin's product portfolio within a set of peer companies chosen to represent each of Garmin's business units. We use the betas of these peers as proxies for each business unit's beta, ensuring careful selection of companies that closely reflect Garmin's specific product lines. We use the MSCI World Index as a proxy for the market because it represents a broad and diversified benchmark of global equity markets, capturing companies across developed countries and industries.

To account for any potential COVID-related effects on beta, we average the historical beta over the past two, three, and four years to mitigate bias from any single event. We then un-lever the betas of each peer company based on their specific D/E ratios and re-lever them according to Garmin's capital structure, allowing us to estimate Garmin's beta for each business unit more accurately.

With these betas, we calculate the cost of equity using the CAPM formula:

Cost of Equity	
Company Level	10.34%
Fitness	8.30%
Outdoor	8.60%
Aviation & Avionics	7.33%
Marine	7.86%
Auto OEM	8.36%

Figure 13: Cost of Equity by Segment

Cost of Equity = Risk-Free Rate (rf) + Beta × Market Risk Premium (MRP)

We use an MRP of 5.54%, the average in the US from 2011 to 2024 ('Average Market Risk Premium in the U.S. 2011-2024' 2024), and a risk-free rate (rf) of 4.33% ('10 Year Treasury Note Yield' 2024). This yields a cost of equity of 10.34% for Garmin. Applying the same method for each business unit results in a cost of equity of 8.3% for Fitness, 8.6% for Outdoor, 7.3% for Aviation & Avionics, 7.86% for Marine, and 8.36% for Auto OEM.

- Cost of Debt

Since Garmin has only ROU leases and no outstanding bonds or bank facilities, and credit ratings are unavailable, we estimate the cost of debt using the debt beta. This is done by subtracting the unlevered equity beta from the levered equity beta and dividing by the D/E ratio, minus the unlevered equity beta. This yields the debt beta, allowing us to calculate the cost of debt using the CAPM, applying the same market MRP and rf. This results in a cost of debt (rd) of 4.4% at the company level and 4.39% on the business unit levels.

Cost of Debt	
Company Level	4.40%
Fitness	4.39%
Outdoor	4.39%
Aviation & Avionics	4.39%
Marine	4.39%
Auto OEM	4.39%

Figure 14: Cost of Debt by Segment

This approach enables us to calculate WACC at both the company and business unit levels. Notably, Garmin has a very low D/E ratio, meaning the impact of debt on WACC is minimal. Nevertheless, the WACC at the company level is higher, at 10.24%, compared to approximately 8% for the business units. Specifically, the

WACC is 8.23% for Fitness, 8.52% for Outdoor, 7.27% for Aviation & Avionics, 7.79% for Marine, and 8.28% for Auto OEM.

- Terminal Growth

We assessed the terminal growth rate using the Return on New Invested Capital (RONIC) method, which calculates growth by multiplying the RONIC by the reinvestment rate. This approach theoretically reflects growth achieved through reinvested profits, with RONIC determined as the incremental NOPLAT over incremental Operating Invested Capital. While this method often yields reasonable results, in our case, it produced terminal growth rates ranging between 8% and 10% for several business units, which we believe are overly optimistic. To ensure a more conservative and realistic valuation, we opted for a terminal growth rate of 3%, aligning with the more stable growth rates observed in typical valuation benchmarks (Vipond, n.d.).

DCF

In the DCF approach, we projected the company's cash flows over an 11-year period, followed by calculating a terminal value at the end of the final year. The cash flow projections began with EBITDA, from which we deducted adjusted taxes, not accounting for the tax shield from ROU expenses. We then subtracted changes in adjusted working capital, which includes core working capital as well as additional accounts like salaries and benefits payable. CapEx was allocated per division, including ROU assets and intangible investments. CapEx allocations were based on management's historical overhead distribution, as indicated in past annual reports.

For terminal value calculations, we used a perpetual growth rate of 3% in the base case, which allowed us to determine the enterprise value of each business unit. From this, we deducted each unit's allocated net debt to arrive at the final valuation. Notably, net debt was calculated by subtracting only the excess cash from outstanding lease liabilities. Minimum cash reserves were excluded as they are considered part of the working capital requirements, serving as a plug in the working capital calculation. This approach ensures that only surplus cash is treated as an offset to debt, aligning with the company's operational liquidity requirements and enhancing the precision of our net debt assessment.

Through this layered approach, we wanted to get a comprehensive view of the company's value by considering the financial nuances of each division and the company as a whole.

Ultimately, our valuation resulted in a share price of \$127 at the company level, as opposed to a significantly higher sum-of-the-parts valuation of \$189.

APV

The APV method allows us to separately value the cash flows attributable to equity holders and the benefits of debt financing.

We began by forecasting the company's future cash flows, which we discounted at the unlevered cost of equity (r_u) to reflect the returns expected by equity investors. This approach emphasizes the perspective of the equity holders and the cash flows available to them. In addition, we analysed the value of the interest tax shield that the company receives from its debt and discounted this with the cost of debt. This dual approach is crucial as it highlights the different risk profiles of equity and debt financing and differentiates the APV approach from the traditional DCF method. In addition, we integrated the book value of Garmin's non-core businesses into our analysis to ensure a complete valuation of the entire company.

Our calculations resulted in a share price of \$113 at the company level, while at the division level, the valuation of the entire company resulted in a share price of \$176 per share.

FTE

The FTE method focuses on valuing cash flows available to equity holders by discounting them at the cost of equity. We began by adjusting Garmin's forecasted FCFF to account for net financial payments, such as new lease obligations and ROU payments. Taxes were recalculated to include the interest tax shield from debt financing while deducting taxes on interest income from investments. This approach emphasizes the perspective of equity investors and integrates Garmin's financing dynamics into the valuation.

At the company-wide level, we calculated a share price of \$119, compared to a higher sum-of-parts valuation of \$179. This discrepancy reinforces the insight gained from valuing each business unit independently.

EVA

In the EVA analysis, we calculated Garmin's annual economic profit using Return on New Invested Capital (RONIC) and WACC. This approach assesses the company's ability to create value beyond investors' expectations. We started by determining the annual economic profit by calculating the difference between RONIC and WACC and multiplying it by the invested capital. The result was an annual economic profit, the present value of which was the company valuation of Garmin. By deducting the net debt, we were able to calculate the equity value. Importantly, we also included the book value of the non-core business in the analysis to ensure a comprehensive valuation. By adding this value, we considered all aspects of Garmin's business activities.

Similar to the other valuation methodologies, we performed this analysis at both the company and business unit level. At the company level, the calculated share price was at \$91 per share, while at the division level, a share price of \$155 was calculated.

Multiples

In our valuation methodology using trading multiples, we selected peer companies to value both Garmin as a whole and its individual business units, focusing on EV/Sales and EV/EBITDA multiples. The EV/Sales multiple was used to value loss-making units as it emphasizes revenue generation independent of profitability. The EV/EBITDA multiple was added to assess operating value by excluding non-cash expenses such as depreciation and amortization as well as the impact of financing structures and tax jurisdictions. This provides a clearer perspective on operating performance.

We decided not to use the P/E ratio in our analysis. While competitors' debt levels are generally consistent with Garmin's, differences in tax jurisdictions and geographic distribution of operations introduce variability that can distort comparability. In addition, the P/E ratio is less suitable for analytical equity research as it is influenced by non-operational factors such as tax policy and financing structures. Furthermore, it is susceptible to market rumors and sentiment, which can lead to short-term distortions and mispricing, making it a less reliable measure of intrinsic value in this context.

For the analysis at company and business unit level, we took the average of the historical and forecast multiples to obtain a balanced perspective that considers both historical performance and forward-looking expectations. Using this method, we arrived at an average company share price of \$113. Using the sum-of-the-parts method, where individual business units were aggregated, we achieved a higher share price of \$145. This discrepancy suggests that while the consolidated approach reflects the overall market view of the company, the sum-of-the-parts approach isolates the unique dynamics of each business unit. Therefore, this method emphasizes the different contributions of the company's operating and financial segments.

Scenario Analysis

We conducted a scenario analysis to assess the potential valuation of Garmin under various future conditions, including a base, best and worst-case scenario. The base case scenario combines historical trends, management forecasts, and our own estimates. Certain balance sheet items have been projected using historical averages to reflect past performance, while others have been adjusted

to be consistent with management's strategic objectives and our projections for the company. The best-case scenario assumes favourable adjustments to most forecasted items, including improved profit margins and more efficient working capital management. This scenario represents an optimistic outlook in which the company benefits from accelerated growth and operational improvements. The worst-case scenario, on the other hand, reflects a more difficult environment with lower margins and deteriorated working capital management, which represents a more conservative projection of financial performance.

We have also considered specific scenarios to capture geopolitical and economic risks, including the reintroduction of 'Trump tariffs' following Trump's election victory. These tariffs, originally imposed between 2018 and 2020 as part of the "America First" policy, were heavily targeted at Chinese imports and were intended to support domestic manufacturing and address perceived trade imbalances. Given their historical impact on global trade, the reintroduction of these tariffs could negatively impact the company's operating costs, particularly in terms of margins and working capital management, due to supply chain disruptions and increased import costs.

Another geopolitical scenario we considered was the potential escalation of tensions between China and Taiwan. In this case, we modelled potential disruptions at Garmin's Taiwan-based manufacturing facilities and suppliers, which could have a significant impact on operating efficiency. For this scenario, we assumed a further decline in margins and working capital performance to reflect the financial burden that would likely arise due to these increased operational risks and supply chain disruptions.

The resulting equity valuations varied substantially across these scenarios, underscoring the value of scenario analysis in providing a range of potential outcomes. In the base case, the share value yielded a result of \$184. Under the best-case scenario, the valuation increased to \$276. The worst-case scenario yielded a lower equity value of \$95. Finally, the geopolitical scenarios showed significant negative impacts on valuation, with both the "Trump tariffs" and Taiwan-China escalation scenarios yielding results of \$134 and \$123, respectively. These outcomes emphasize the sensitivity of the company's financial performance to both operational adjustments and broader geopolitical risks.

Recommendation

Based on this report's comprehensive analysis of the company, incorporating multiple forecasted scenarios on a sum of parts levels, our base case scenario yields a target share price of \$183.6. Compared to the current trading price of \$213, this suggests an overvaluation of approximately 13.7%. Given these findings, we

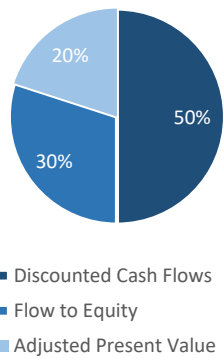


Figure 15: Garmin Valuation Weights

recommend a Sell rating on the stock. This recommendation reflects our view that the current market price exceeds the company's intrinsic value, considering both the forecasted growth trajectory and the associated risks under our base case scenario, which we believe is the most probable outcome. Investors may wish to reassess their positions, as current valuations imply limited upside and potential downside relative to our valuation estimates.

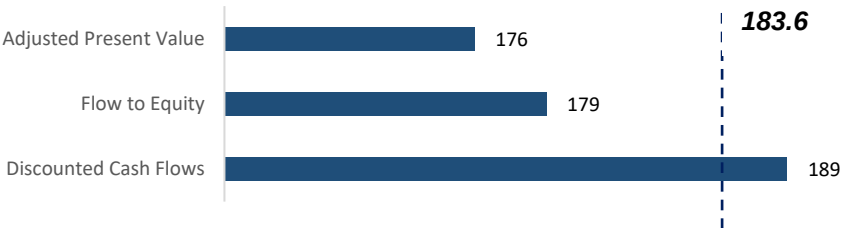


Figure 16: Garmin Target Share Price

“GARMIN LTD.”

“IT HARDWARE AND COMMUNICATIONS
EQUIPMENT”

STUDENT: KARIM HANNA, KARIM MATAR

COMPANY REPORT

17 DECEMBER 2024

57949@novasbe.pt
58204@novasbe.pt

Relentless pursuit of innovation

*Garmin's Auto OEM segment weighs on profitability,
limiting margin expansion*

- Our recommendation for Garmin is to **SELL** Garmin LTD., as our **target** share price is **\$182.57** as of 31.12.2025. This reflects a downside risk of 13.7% to the current share price of \$212.72.
- We believe Garmin's recent share price surge is not supported by its expected growth in key markets, indicating an overvaluation.
- As the Auto OEM segment grows in Garmin's revenue mix, its low gross margins may pressure overall profitability.
- Geopolitical uncertainty, including the China-Taiwan conflict, poses risks to Garmin's Taiwan facility.
- Demographic trends, including an aging population and increased health awareness, present favourable prospects for the fitness and outdoor industry.
- Garmin's exclusive contract with IBBI to supply marine electronics from 2025 to 2029 expands its market reach with 15 major U.S. boat manufacturers.
- Garmin's low debt levels contribute to reduced financial risk, strengthening its overall stability

Company description

Garmin, founded in 1989, is a technology company specialising in GPS and wearables. Headquartered in Olathe, Kansas, it offers products for the aviation, marine, automotive, outdoor and fitness markets. Garmin is listed on the NYSE.

Recommendation: **SELL**

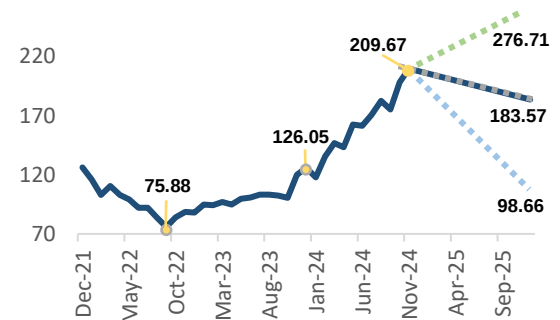
Price Target FY25: **\$183.57**

Price (as of 16-Dec-24) **\$212.72**

Source: Yahoo Finance

52-week range (\$)	119.15-222.97
Market Cap (\$b)	40.848
Outstanding Shares (m)	192.02

Source: Yahoo Finance



Source: Yahoo Finance

(Values in \$ mns)	2023	2024E	2025F
Revenues	5,228	6,212	8,230
Gross Profit Margin (%)	60.9	60.7	62.3
EBITDA	1270	1598	2093
EBIT	1,092	1,412	1,851
EBIT Margin (%)	20.9	22.7	22.5
Net Profit	1,290	1,267	1,599
Net Profit Margin (%)	24.7	20.4	19.4
CAPEX	209	210	312

Source: Annual Report 2023, Analyst Estimations

THIS REPORT WAS PREPARED EXCLUSIVELY FOR ACADEMIC PURPOSES BY [INSERT STUDENT'S NAME], A MASTER IN FINANCE STUDENT OF THE NOVA SCHOOL OF BUSINESS AND ECONOMICS. THE REPORT WAS SUPERVISED BY A NOVA SBE FACULTY MEMBER, ACTING IN A MERE ACADEMIC CAPACITY, WHO REVIEWED THE VALUATION METHODOLOGY AND THE FINANCIAL MODEL.
(PLEASE REFER TO THE DISCLOSURES AND DISCLAIMERS AT END OF THE DOCUMENT)

Table of Contents

COMPANY OVERVIEW	3
COMPANY PORTFOLIO.....	3
STOCK OVERVIEW	4
ECONOMIC LANDSCAPE	4
INDUSTRY ANALYSIS.....	6
▪ <i>Fitness & Outdoor</i>	6
▪ <i>Aviation & Avionics</i>	6
▪ <i>Marine</i>	8
▪ <i>Auto OEM</i>	9
▪ <i>Similarities & Differences across Industries</i>	10
COMPETITIVE LANDSCAPE.....	11
HISTORICAL PERFORMANCE	12
FORECASTS AND THEIR VALUE DRIVERS	13
METHODOLOGY.....	13
BUSINESS UNIT GROWTH.....	15
▪ <i>Fitness & Outdoor</i>	15
▪ <i>Aviation & Avionics</i>	15
▪ <i>Marine</i>	16
▪ <i>Auto OEM</i>	16
OTHER BALANCE SHEET & INCOME STATEMENT ITEMS.....	17
OPERATING PERFORMANCE AND MARGIN DEVELOPMENT.....	19
VALUATION.....	21
THE WACC	23
▪ <i>Cost of Equity</i>	24
▪ <i>Cost of Debt</i>	25
▪ <i>Terminal Growth</i>	25
DCF	25
APV	26
FTE.....	26
EVA	27
MULTIPLES.....	27
SENSITIVITIES.....	28
SCENARIO ANALYSIS	30
ESG AND COMPANY SPECIFIC RISKS	31
RECOMMENDATION	32
REFERENCES	33
APPENDIX	35
DISCLOSURES AND DISCLAIMERS	42
REPORT RECOMMENDATIONS.....	42

Company Overview



Figure 1: Garmin Facilities Location

Garmin was founded in 1989 in Kansas, USA, and initially focussed on the sale of Global Positioning Systems (GPS) for the aviation industry. Since then, Garmin has expanded its product portfolio and entered various new markets. The company has evolved beyond the aviation industry into fitness, outdoor, marine, and automotive original equipment manufacturer (OEM) industries, diversifying from traditional GPS devices to include smartwatches, rangefinders, bike computers, and infotainment systems. Garmin designs, develops, and manufactures its products in-house at facilities in the U.S., U.K., Taiwan, Canada, and it maintains offices worldwide.

Company Portfolio

Garmin has leveraged significant technological advancements over the past decades, evolving from GPS systems for aviation to more compact and versatile applications, such as the first GPS-integrated mobile phone in 1998. This innovation enabled Garmin to diversify its product portfolio and venture into wearable devices. By 2024, Garmin has established itself as a leader in both the marine electronics industry and the smartwatch market for fitness and outdoor activities. Across its business units, products primarily revolve around GPS technology, with fitness and outdoor products serving as sports accessories enhanced by GPS functionality. Similar technology supports offerings in the Aviation, Marine, and Auto OEM segments.

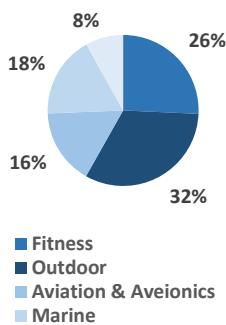


Figure 2: Garmin Revenue Split 2023

The contribution of each business unit to Garmin's revenue varies significantly. In 2023, Fitness and Outdoor accounted for the largest shares, generating 26% and 32% of revenue, respectively. Aviation & Avionics contributed 16%, Marine 18%, and Auto OEM, the newest business unit, represented 8% of total revenue. Geographically, the Americas contributed the majority share of revenue at 50%, followed by Europe, the Middle East, and Africa with 34%, and APAC with 16%.

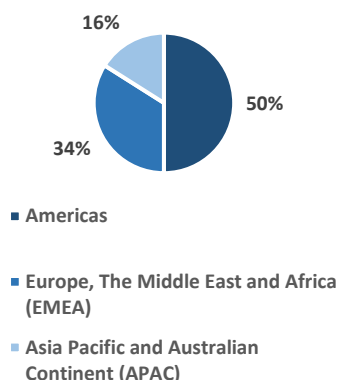


Figure 3: Garmin Revenue by Geography 2023

In response to evolving market demands, Garmin has realigned its revenue streams, positioning the Auto OEM sector as a key growth area. This segment recorded a 53% year-on-year increase in the third quarter of 2024, making it the fastest-growing division (Appendix 6). This shift reflects Garmin's response to the rising demand for integrated automotive technology and underlines its commitment to high-potential markets.

Garmin aims to drive growth through innovation, expand its presence across all segments, and increase recurring revenue from subscription services. The company has strategically acquired businesses to enhance its offerings, including

solutions for indoor cycling, LED lighting for maritime applications, and advanced audio systems. These acquisitions, combined with internal innovations, create synergies that strengthen Garmin's market position.

Garmin's products are distributed through various indirect channels, such as independent retailers, dealers, distributors, installation and repair shops, and OEMs. In addition, Garmin sells directly through its online shop, subscription services, and its own retail stores. In 2023, direct channels generated over 10% of Garmin's total net sales ('Garmin Annual Report 2023' 2024).

Stock Overview

Garmin (GRMN) stock is held by a diverse group of insiders, retail, and institutional investors. Institutional investors account for approximately 40.2% of the company's shares, with Vanguard Index Funds being the largest shareholder at 7.59%. Insiders own 19.4% of Garmin shares, while the remaining 40.4% are distributed among public companies and private investors.

Garmin's stock has exhibited strong performance, reflecting robust quarterly growth trends in recent years. Over the past 18 months, the share price increased significantly, from \$104.65 in October 2023 to a peak of \$222.97 in December 2024. Compared to the S&P 500, Garmin's resilience stands out, particularly in its recovery and ability to surpass pre-2023 levels. This growth is attributed to sustained demand for its technology products, with notable price highs in the second and fourth quarters of 2024.

Garmin also pursues a stable dividend policy, paying quarterly dividends that appeal to income-focused investors. Recent payouts were \$0.75 per share in both September and June 2024, reflecting a steady increase from \$0.73 in 2023. Garmin's consistent dividend history and incremental increases highlight its commitment to delivering shareholder value ('Garmin Annual Report 2023' 2024).

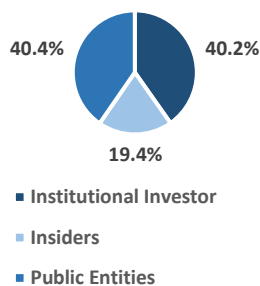


Figure 4: Ownership structure 2024

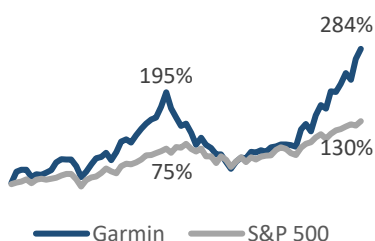


Figure 5: Garmin, S&P500 Returns since 2018

Economic Landscape

The global macroeconomic environment is shaped by several key factors, including consumer spending, inflation, interest rates, and supply chain dynamics, all of which have influenced Garmin's performance and strategies. Consumer spending, a primary driver of economic activity, significantly impacts demand for goods and services, especially in non-essential sectors such as wearable technology and fitness devices. During the COVID-19 pandemic, consumer spending sharply declined, especially in discretionary sectors, due to economic uncertainty. However, spending has since recovered, reaching nearly \$ 58tr in

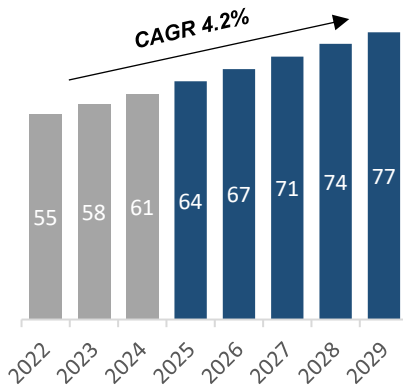


Figure 6: Consumer Spending (in \$ tr)

Geopolitical conflicts disrupt global supply chains and trade

Houthi attacks in the Red Sea Region amplify costs and volatility in global trade.

2023, with forecasts projecting growth to \$ 77tr by 2029. This growth signals a strong recovery and expanding economic opportunities across industries that depend on consumer demand ('Consumption Indicators - Global | Statista Market Forecast' 2024). Garmin is well-positioned to capitalize on these opportunities.

Inflation, particularly in the energy sector, played a significant role in shaping operational costs. Garmin, like many companies, faced higher costs due to rising energy prices and supply chain disruptions between 2020 and 2023. However, by 2024, inflation has significantly decreased, dropping from around 10% to 2% (Appendix 9), creating a more favourable environment for businesses ('Inflation in the Euro Area' 2024). This moderation in inflation allowed Garmin to stabilize operational costs, helping it to focus on expanding its product offerings and pursuing growth opportunities in the auto OEM sector.

Interest rates have similarly impacted the global economy. Rising rates during the inflationary period made borrowing more expensive, potentially limiting investment. However, with inflation under control, the European Central Bank (ECB) has started to lower interest rates, creating a more favourable environment for capital access and growth. Lower borrowing costs stimulate investment and economic expansion (European Central Bank 2024).

Supply chain disruptions, amplified by the pandemic and ongoing geopolitical tensions such as the war in Ukraine, have posed substantial challenges to the global economy and Garmin's global operations ('How Is the War in Ukraine Impacting the Global Supply Chain? | MIT SCALE' 2022). The company experienced delays in sourcing key components and faced higher manufacturing costs as supply chains adjusted. Nevertheless, Garmin's diversified manufacturing base have helped mitigate some of these disruptions. The global supply chain is gradually recovering (Business Standard 2024), and Garmin has adapted by enhancing its inventory management and localizing some production to reduce future vulnerabilities.

Geopolitical instability continues to create uncertainty for international companies, including Garmin. Conflicts in regions like the Middle East and parts of Africa contribute to market instability, affecting trade flows, currency markets, and economic policies (The Economist 2020). These dynamics complicate the operations of international companies, increase costs, and create volatility in already fragile markets. However, Garmin's diversified market footprint help it navigate these challenges, continuing to meet consumer demand despite global uncertainties. As geopolitical tensions evolve, they remain critical factors influencing economic stability and business resilience.

Industry Analysis

With its broad product offering, Garmin has achieved a strong market position and is consolidating this with a growing portfolio. The product portfolio mainly serves five industries: Fitness, Outdoor, Aviation & Avionics, Marine, and Auto OEM. The following analysis focuses on these industries to identify the key drivers and forecasts that can serve as a basis for a reliable valuation model.

▪ Fitness & Outdoor

The fitness and outdoor industries overlap, as some products serve both markets but are tailored for different applications. In this case, we have combined these sectors and identified the main products, including smart bands, smart watches, and smart scales. Smart bands and smart watches can be further categorized into sports watches and watches for everyday use. However, products like personal navigation devices (PND), dog trackers, and golf trackers are excluded from this breakdown due to their smaller market share ('Garmin Annual Report 2023' 2024). By the end of 2024, the fitness and outdoor market are projected to reach a size of \$ 41.27bn, reflecting over 30% growth from \$ 30.79bn in 2022. This strong upward trend is expected to continue, with the market forecasted to reach \$ 56.82bn by 2029. The number of users in this market has grown significantly from 138.2mn in 2018 to a projected 745mn by the end of 2024, with further growth expected to reach 1.081bn by 2029 ('Fitness Trackers - Worldwide | Statista Market Forecast' 2024).

Key geographical markets include the U.S., China, the U.K., and Japan, with India anticipated to join the key markets in terms of revenue contribution by 2029.

The fitness and outdoor market are driven by the rising popularity of fitness, particularly among younger and urban populations. As urbanization continues, demand of fitness-related products is expected to increase. In 2021, 56% of the global population lived in urban areas, and this is expected to rise to 68% by 2050. Additionally, high consumer spending, especially in countries with high GDP per capita, is driving growth further in key markets ('Fitness Trackers - Worldwide | Statista Market Forecast' 2024).

However, certain factors may limit growth, such as competition from luxury brands. Some consumers prefer traditional luxury watches over smartwatches due to brand image and sentiment, particularly in markets where status plays a significant role in consumer purchasing behaviour.

▪ Aviation & Avionics

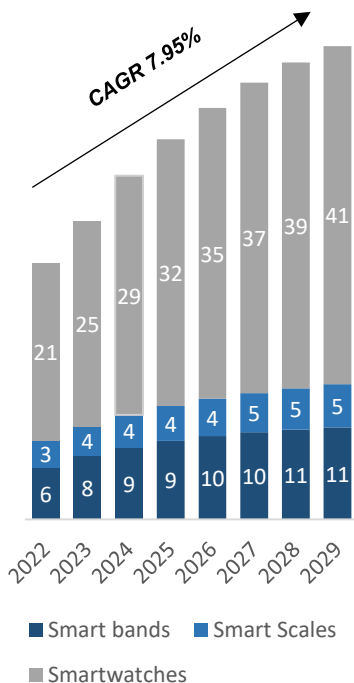


Figure 7: Fitness & Outdoor Market size (in \$ bn)

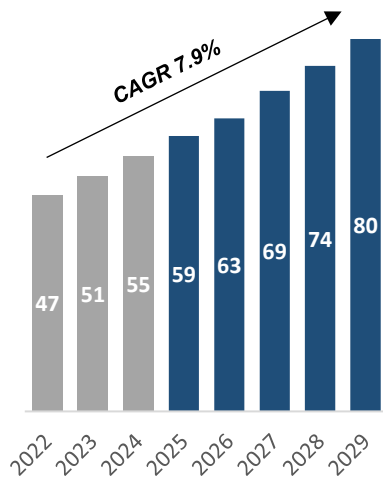


Figure 8: Aviation & Avionics Market size (in \$ bn)

The aviation & avionics industry is extensive, ranging from electronics for military aircraft to aircraft engines. As Garmin specialises in flight solutions and flight electronics, also known as avionics, this analysis focuses on the avionics industry. The avionics industry serves both commercial and military aircraft and is divided into retrofitting and line fitting. The main products in this industry include integrated flight decks (IFD), electronic flight instruments, navigation and communication products, as well as traffic detection and avoidance solutions.

The avionics market is projected to reach a size of \$ 54.9bn by the end of 2024 and grow to \$ 80.1bn by 2029, corresponding to a compound annual growth rate (CAGR) of 7.9 % ('Avionics Market Size, Share, Trends & Forecast by 2034 | FMI' 2024).

The most important geographical markets for avionics are the U.S., the U.K., China, Japan, and South Korea. These regions are expected to experience higher-than-average growth, with a CAGR of 8% in the US to a CAGR of 10% in South Korea over the forecasted period. These strong growth expectations are partly driven by higher defence spending due to the mentioned tensions in the global economic landscape.

The market for avionics is growing significantly as demand for commercial aircraft increases, particularly in emerging markets where air travel is becoming more accessible. The growing middle-income segment and economic development in regions such as Asia-Pacific, Latin America, and the Middle East have led to increased demand for air travel, driving the need for more aircraft. As airlines expand their fleets, there is a parallel increase in demand for advanced avionics systems to ensure safety, improve operational efficiency, and meet evolving regulatory standards.

The need to bring outdated aircraft up to the latest safety standards is another driver for the avionics industry. In the military sector, fleet modernisation continues to drive sales of avionics systems, particularly due to the growing demand for unmanned aerial vehicles (UAVs). Modernising aircraft with advanced avionics improves mission capabilities and ensures compatibility with the latest technology, which is a priority for defence agencies worldwide ('Avionics Market Size, Share, Trends & Forecast by 2034 | FMI' 2024).

Despite this robust growth, the avionics industry faces several challenges. Regulations and certification requirements might make it difficult to adopt new technologies. The high cost of research, development, and testing for these products creates high barriers to entry. Additionally, cybersecurity threats present a growing risk to aviation safety and the integrity of avionics system. Pressure to

Heavy regulation can lead to a slowdown in growth within the avionics industry

reduce carbon emissions is another challenge, that has intensified significantly in recent years, as air travel is one of the most emission-intensive modes of transportation, the aviation industry faces growing demand for sustainable solutions ('Avionics Market Size, Share, Trends & Forecast by 2034 | FMI' 2024).

▪ Marine

Garmin's marine unit focuses primarily on marine electronics, which include essential products such as chart plotters, radar systems, sonar technology, and advanced communication devices. These products serve various sectors, including commercial and military applications where there is high demand for precision, reliability, and advanced technological features. Commercial customers use these systems for navigation, fleet management, and security, while military organisations integrate them into complex operational systems to improve situational awareness and secure communications.

The marine electronics market reached a size of \$ 6.38bn in 2023 and is expected to reach \$ 9.32bn by 2034, growing at a CAGR of 6.52% (Precedence Research 2024). North America currently holds the largest market share, accounting for 38%, followed by Europe with 29% and Asia-Pacific with 23%. In 2023, the market in North America was valued at \$ 1.82bn and is expected to grow to \$ 3.71bn by 2034, representing a CAGR of 6.68%. The market in Asia-Pacific is expected to grow faster, with a CAGR of 7.42% by 2034 (Precedence Research 2024).

The market is segmented by application, with navigation systems holding the largest share with 48%, followed by communication systems at 28%, and entertainment systems at 19%, while 5% is accounted for by other products. The market is also divided into hardware and software segments, with hardware accounting for over 71% of the market in 2023. However, the software segment is expected to grow faster at a 7.42% CAGR (Precedence Research 2024).

A key driver of growth in the marine electronics industry is the rise in maritime activities, including commercial transport, fishing, passenger travel, and other maritime operations. This growth has increased the demand for advanced safety measures and integrated technology within vessels. Marine electronics play a critical role in making voyages safer, enhancing operational efficiency, and improving onboard communication, all of which are increasingly prioritized across the industry. Additionally, the expansion of offshore energy projects, including oil, gas, and renewable energy, has further increased demand for marine electronics. These systems are essential for the precise navigation, site selection, and safe execution of complex projects, contributing to safer work environments and more efficient project outcomes (Precedence Research 2024).

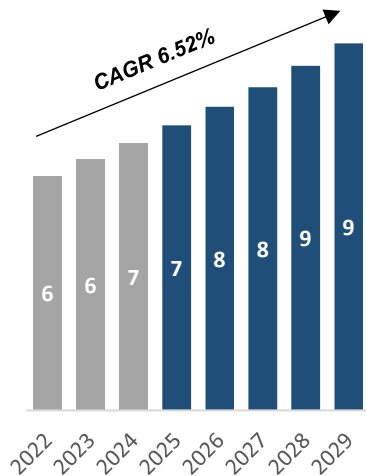


Figure 9: Marine Market size (in \$ bn)

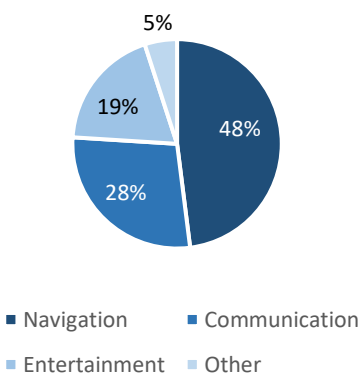


Figure 10: Marine Market size by Application (%)

Rising maritime activities boost demand for marine electronics

High R&D costs limit rapid growth in the Marine electronics industry

A significant challenge for the marine electronics market is the high cost of research and development (R&D) for advanced products. The considerable investment required for R&D creates high barriers to entry, restrict competition, and potentially stifles innovation. In addition, the high costs can make these technologies less accessible to certain economies, restricting market growth (Precedence Research 2024).

▪ Auto OEM

Garmin's Auto OEM business unit is composed of two segments. The first focuses on domain controllers, primarily supporting advanced driver-assistance systems (ADAS), which include features such as adaptive cruise control, blind spot detection, and park assistance. The second segment centres around infotainment units, delivering in-car entertainment and information systems.

The ADAS industry reached a market size of \$ 33bn in 2022 and is expected to reach \$ 80bn by 2029, reflecting a CAGR of 14% during this period ('Advanced Driver Assistance Systems Market' 2024). Similar to the marine electronics industry, North America is the largest market, holding 35% of the global market share. The fastest-growing market is Asia-Pacific, mainly driven by China, Japan, and South Korea. Europe, a centre for major car manufacturers, is an established market for ADAS systems and is also expected to see growth in the forecasted period ('Advanced Driver Assistance Systems Market' 2024).

Growth drivers in the industry include safety regulations set by regulatory authorities. For example, the European Union has mandated that all new cars must be equipped with certain ADAS, such as autonomous emergency braking and lane departure warning systems. This increasing emphasis on safety underlines the growing importance of ADAS, which is even mandatory in various regions around the world. As a result, the demand for these safety technologies is expected to increase significantly, further fuelling market growth ('Advanced Driver Assistance Systems Market' 2024).

However, major challenges in this industry include the high costs of production, development, and testing of these advanced products, which may make them inaccessible to certain economies. In addition, the rising price of semiconductors is another challenge that could hamper the industry's growth by limiting production capacity and increasing prices for end-users. Together, these factors could hinder the rapid growth of the market. ('Advanced Driver Assistance Systems Market' 2024).

The in-car infotainment industry had a market size of \$ 15bn in 2022 and is expected to reach \$ 24bn by the end of 2029, growing at a CAGR of 7.9%. The

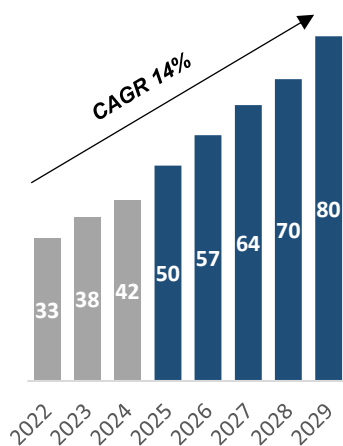


Figure 11: ADAS Market size (in \$ bn)

Increasing regulation is driving demand for ADAS

Rising costs of semiconductors might hinder growth for ADAS

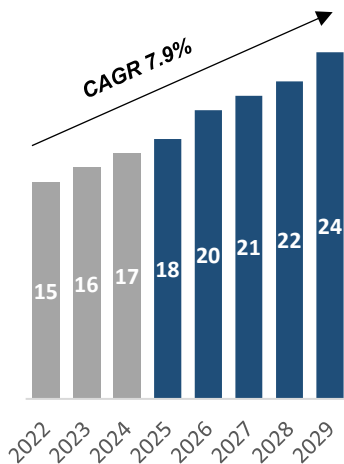


Figure 12: In Car Infotainment Market size (in \$ bn)

Possible stagnation in market growth due to long development cycles

main products include audio, display, navigation, and communication systems ('In-Car Infotainment Market' 2024). Asia Pacific leads the market in this industry with a market share of 39% translating to \$ 5.66bn, which is attributed to the increase in automotive production in this region, mainly in China, Japan, and South Korea. North America shows robust growth due to the presence of major automotive manufacturers and high customer expectations for connectivity and entertainment features withing vehicles. The European market has also been growing, mainly due to its luxury and performance vehicle manufacturers and is further growing due to strong regulations that promote safety in vehicles. The Middle East, Africa, and Latin America are catching up and are showing potential for strong growth due to a strong rise in middle class (Li 2024).

As such systems are typically integrated into luxury vehicles, demand is being driven by consumer expectations for a seamless and integrated digital experience with vehicles. This transition to digital technologies is being fuelled by smart devices and AI capabilities, which have been a key growth factor in recent years ('In-Car Infotainment Market' 2024).

Like the marine and ADAS industries, this industry is constrained by production and R&D costs, making products more expensive and less accessible to certain economies. In addition, development cycles are relatively long, delaying product releases, and potentially slowing market growth.

Both these industries tie together to shape Garmin's Auto OEM portfolio.

▪ Similarities & Differences across Industries

Garmin's markets have several key similarities. All sectors show strong growth potential, with the fitness and outdoor market expected to grow from \$ 41.27bn in 2024 to \$ 56.82bn by 2029. Similarly, the avionics, marine electronics, and auto OEM markets expect significant growth, driven by technological advances in all markets, such as wearable devices in the fitness sector, advanced avionics systems for aviation, and cutting-edge electronics for vehicles and boats. In addition, these sectors share a high consumer demand for precision, safety, and efficiency, be it the desire for reliable fitness wearables, aviation systems, or safety features in vehicles. This creates a unified global market demand.

Despite these similarities, the markets Garmin serves differ in several ways. One key distinction is the target audience for each market. The Fitness & Outdoor market caters primarily to individual consumers that prioritize health and personal fitness. In contrast, the Aviation & Avionics and Marine markets are geared more toward commercial, military, and specialized users. The Auto OEM sector serves both individual consumers through aftermarket infotainment and manufacturers

Key markets show growth, driven by technology and demand for precision

Garmin's markets vary in consumer focus, maturity, regulations, and risks

through components like ADAS systems. Moreover, the maturity of these markets also varies. While the Fitness & Outdoor industry experiences rapid growth, sectors like avionics and marine electronics are more established but continue to evolve through continued technological innovation. Regulatory requirements also differ widely, with avionics facing stringent certifications, Auto OEM dealing with safety regulations like ADAS, and Fitness & Outdoor and Marine markets having less regulatory oversight. Capital intensity is another distinguishing factor. The Auto OEM and avionics industries demand heavy investment in R&D and production. This high capital intensity can limit the number of competitors in these markets and may create higher barriers to entry. In contrast, the Fitness and Outdoor industry have lower barriers to entry, making it more accessible for new entrants but also fostering greater competition. Lastly, geopolitical risks impact these industries to varying degrees, with avionics and marine sectors being more susceptible to global tensions, given the reliance on international supply chains, military contracts, and cross-border regulations. The Fitness & Outdoor industries are less affected, with a more localized impact driven by consumer trends and economic conditions in specific regions.

Competitive Landscape

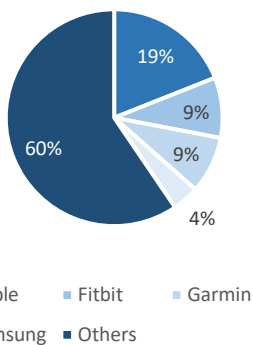


Figure 13: Fitness & Outdoor Competitors' Market Share 2024 (%)

Garmin operates in a highly competitive environment across multiple sectors, competing with well-established players. In the fitness and outdoor segments Garmin competes with Apple, Fitbit, Catapult, Samsung, TomTom, Xiaomi, Vista Outdoor, and Zepp Health. Apple leads the wearable smartwatch market with the largest market share thanks to its versatile smartwatches that offer more than fitness tracking, such as mobile connectivity, camera integration, and messaging apps. Garmin holds the third-largest market share and differentiates itself with precision-engineered products designed specifically for fitness enthusiasts and outdoor adventurers. This gives Garmin a competitive advantage over generalist wearables from companies such as Apple and Xiaomi ('Fitness Trackers - Worldwide | Statista Market Forecast' 2024).

In the Aviation & Avionics segment, Garmin faces competition from Honeywell, L3Harris Technologies, and Innovative Solutions & Support. The company's G1000 series is a market leader in general aviation, providing integrated, user-friendly avionics systems optimized for smaller aircraft. This focus on usability and integration sets Garmin apart from competitors offering complex, commercial-grade systems and position Garmin well for general aviation customers who prioritize ease of use and efficiency.

In the Marine sector, Garmin competes with Furuno and Johnson Outdoors. Its advanced sonar and chart-plotting technology, such as the Panoptix LiveScope, delivers real-time imaging capabilities that surpass traditional marine equipment, giving Garmin a technological advantage.

Within the Automotive OEM space, Garmin faces competition from Aptiv, Valeo, and Visteon, which primarily focus on ADAS and infotainment solutions. Garmin's innovative and reliable navigation products provide a competitive advantage, particularly in the automotive aftermarket and OEM markets.

In terms of financial metrics, Garmin's market valuation reflects the company's strong growth potential. According to the latest information, Garmin is currently trading at an EV/Sales ratio of 6.6, significantly higher than the competitors' mean of 2.4, indicating that the market values Garmin at a premium relative to its competitors. Additionally, Garmin's EV/EBITDA ratio is 24.56, compared to the peer average of 20.4, further highlighting its higher valuation. These metrics suggest that investors have a high level of confidence in Garmin's ability to continue to deliver growth.

Historical Performance

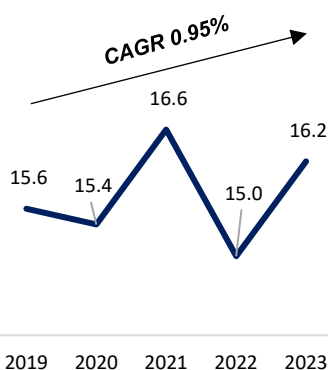


Figure 14: Garmin Total Units Sold (in mn)

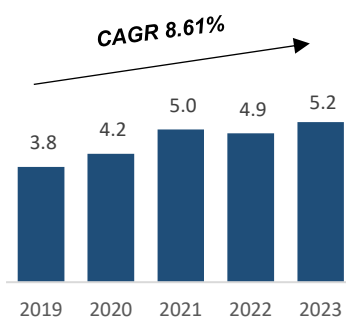


Figure 15: Garmin Total Sales (in USD bn)

Garmin demonstrated strong overall growth and profitability from 2019 to 2023. Total units sold grew modestly, with a CAGR of 0.95%, rising from 15.6mn in 2019 to 16.2mn in 2023. Despite the moderate unit growth, Garmin's total sales achieved a robust CAGR of 8.61% during this period, driven by product mix optimization and increasing average selling prices across divisions. The company maintained an impressive average net profit margin of 23%, underlining its strong operational efficiency and profitability across revenue streams ('Garmin Annual Report 2023' 2024).

Analysing Garmin's historical performance from 2019 to 2023 reveals clear growth patterns and profitability trends. During this period, the CAGR of sales figures varies across the main segments: 6.44% in fitness, 16.62% in outdoor, 3.57% in aviation, 15.86% in marine and 23.39% in auto OEM. This emphasises the outdoor and auto OEM segments as key growth drivers, significantly outperforming the other divisions in terms of growth ('Garmin Annual Report 2023' 2024).

Analysis of the company's gross profit margin from 2019 to 2023 shows a consistent average of 62%, highlighting the company's resilience to significant economic, geopolitical, and market disruptions. Gross profit margins also vary significantly between divisions, indicating their unique cost structures and market dynamics. On average, gross profit margins for the period 2019-2023 were 55%,

68%, 77%, 60% and 39% in the Fitness, Outdoor, Aviation, Marine and Auto OEM divisions, respectively. The consistently high margins in the aviation segment are driven by the premium pricing and specialized offerings, while the lower margin in the auto OEM segment reflects the higher costs and the relatively young stage of this segment ('Garmin Annual Report 2023' 2024).

Garmin's balance sheet shows strong financial stability, supported by effective working capital management and conservative use of debt between 2019 and 2023. The company achieved an average current ratio of 3.0x, underlining its strong liquidity position. While inventory levels averaged 227 days, the company was able to offset this through efficient management of other components. Prepayments averaged 54 days, receivables were settled in just 62 days, payables in 56 days, unearned revenue in 23 days, and accrued expenses in 69 days. This effective working capital management allowed the company to consistently meet its short-term obligations while optimizing cash flows ('Garmin Annual Report 2023' 2024).

In terms of leverage, Garmin operated with extremely low financial risk, maintaining an average debt-to-equity ratio of just 0.02x from 2019 to 2023. Furthermore, the company's ability to cover debt obligations was exemplary, with an average debt service coverage ratio (DSCR) of 65x over the same period, reflecting minimal reliance on debt financing and strong earnings to service any existing liabilities ('Garmin Annual Report 2023' 2024). This conservative approach underscores Garmin's careful financial management and ability to maintain stability even in volatile markets.

Forecasts and their Value Drivers

Methodology

While Garmin's sales are subject to seasonality, particularly in the first quarter when consumer spending tends to be lower, the company's sales are significantly influenced by new product launches. Additionally, a large portion of its revenue comes from Fitness and Outdoor products, which typically experience higher demand in the second quarter, driven by increased consumer activity during the spring season. Sales also tend to peak in the fourth quarter due to heightened consumer interest in electronics during the holiday season ('Garmin Annual Report 2023' 2024).

Given Garmin's limited disclosure of segment-specific or product-level data and the lack of access to proprietary details, we were unable to apply a bottom-up forecasting approach. This method typically involves forecasting revenue at the

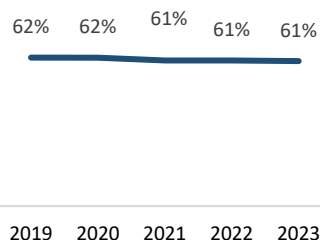


Figure 16: Garmin Gross Profit Margin (%)

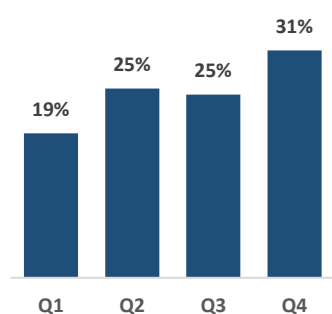


Figure 17: Fitness & Outdoor Seasonality

product level, which is then aggregated to obtain a company-wide estimate. Instead, we have chosen a top-down approach for Garmin, as it allows us to align revenue forecasts with macroeconomic and industry trends, while providing a comprehensive view of the company's potential. Starting with an assessment of the broader global markets in which Garmin operates, this approach ensures that forecasts are based on realistic assumptions about industry growth and market dynamics. By focusing on external factors such as market size, competitive positioning, and industry trends, it captures the broad economic environment that influences Garmin's performance. In addition, the top-down perspective provides a strategic, high-level view of Garmin's revenue potential relative to its competitors and overall market share, allowing us to assess the company's opportunities and constraints in the evolving technology and navigation sector. This ensures that our forecasts are not only in line with industry benchmarks, but also reflect Garmin's unique position in its markets.

Since Garmin's reported revenue breakdown is available only by geography and not by segment, it would not have been methodologically sound to forecast revenues by geography without incorporating the segment perspective. Segments have distinct cost structures, risk profiles, and business models that are not adequately captured by a purely geographical approach. Consequently, we chose to forecast and present the financial model based on segments rather than geographic regions. We believe this approach is essential, as using segments as the primary driver provides a more accurate reflection of the company's diverse operational landscape and better aligns with the distinct risk and business profiles associated with each segment.

This approach also enhances our scenario analysis. By focusing on segments, we can more precisely capture how different risk factors and operational dynamics affect the various units, enabling us to provide a clearer view of potential outcomes across different scenarios.

This top-down approach involved initially sourcing the overall market size for each of Garmin's primary business segments. By analysing industry reports, market research data, and macroeconomic trends, we were able to establish a reasonable estimate for the total market potential in each segment.

Subsequently, we utilized Garmin's historical sales data to calculate the company's implied market share for each segment over the past three years. This was achieved by dividing Garmin's total sales in each segment by the estimated market size for that respective year. The resulting market share figures provided valuable insights into the company's competitive position and relative performance within each market.

Forecasting was done by subdivisions to reflect Garmin's diverse operations

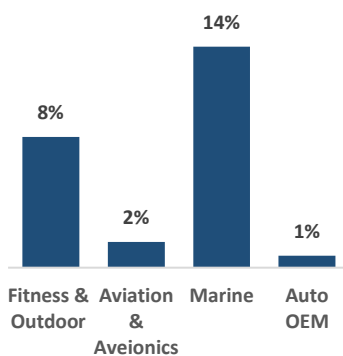


Figure 18: Garmin Effective Market Share 2023

Business Unit Growth

■ Fitness & Outdoor

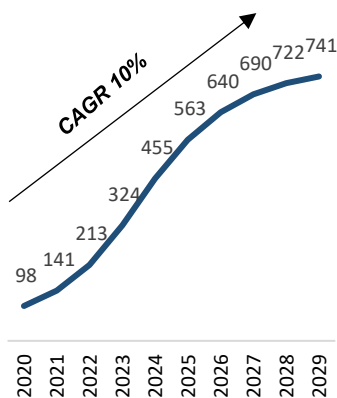


Figure 19: Global Number of Smartwatch Users (in mn)

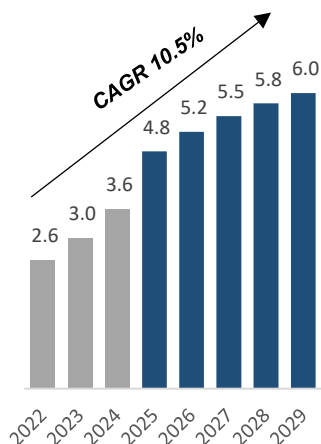


Figure 20: Fitness & Outdoor Revenue Growth (\$ bn)

A detailed analysis of Garmin's Fitness and Outdoor market share from 2021 to 2024 indicates an average implied market share of 9%. For the forecasted period, we project an increase in market share to 10%, driven by both qualitative and quantitative factors. This projected 1% market penetration reflects key demographic and industry trends, such as an aging global population, increasing health consciousness, and rising consumer demand for fitness and outdoor products (Texas Health, 2023). These trends are further supported by technological advancements, including wearable fitness devices and virtual fitness platforms, which enhance the accessibility and appeal of fitness and outdoor activities (Irwin, 2024).

The market penetration forecast is based on Garmin's historical performance, industry growth rates, and its ability to leverage these trends through innovative product offerings ('Garmin Annual Report 2023,' 2024). Furthermore, the number of global smartwatch users is expected to grow from 455mn in 2024 to 741mn in 2029, reflecting a CAGR of 10%. This significant market expansion positions Garmin to capitalize on the growing demand, further justifying the projected 1% increase in market share ('Fitness Trackers - Worldwide | Statista Market Forecast' 2024).

In our base case scenario, we assume that Garmin maintains its competitive position and gradually gains market share through its strong brand presence, continuous innovation, and a growing product ecosystem. As a result, Garmin's fitness and outdoor segment revenue is expected to increase from \$ 3.6bn in 2024 to \$ 6.0bn in 2029, representing a CAGR of 10.5% over the five-year period.

■ Aviation & Avionics

A thorough analysis of the Aviation & Avionics sector's effective market share from 2021 to 2024 indicates an average implied market share of 1.65%. For the forecasted period, we project an increase in market penetration to 2%, driven by the sector's robust growth trajectory and Garmin's potential to capture a larger share of this market.

This growth is driven by increasing demand for commercial aircraft, particularly in emerging markets, where factors such as economic growth, a growing middle class, and the need to modernise ageing fleets are leading to increased investment. In addition, defence agencies worldwide are prioritising the adoption of advanced avionics technologies to improve mission capability and adapt to

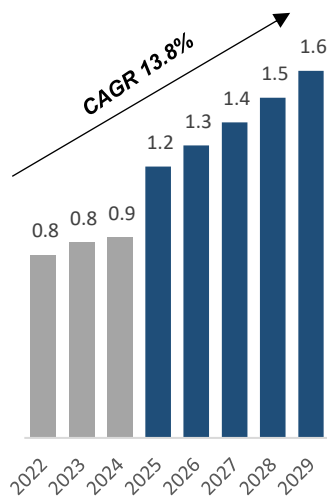


Figure 21: Aviation & Avionics Revenue Growth (\$ bn)

evolving regulatory requirements. Garmin's established reputation for innovation and expanded product offerings position the company to capitalise on these trends ('Avionics Market Size, Share, Trends & Forecast by 2034 | FMI' 2024).

As a result of our forecast, Garmin's Aviation & Avionics segment revenues are projected to grow from \$ 0.9bn in 2024 to \$ 1.6bn in 2029, reflecting a CAGR of 13.8% over the five-year period.

▪ Marine

A comprehensive analysis of Garmin's marine segment from 2021 to 2024 shows an average implied market share of 15.2%. For the forecast period, we expect market share to increase to 17.5%, driven by Garmin's strong market position and the expected growth of the marine electronics market. This forecast is supported by Garmin's reputation as a leading provider of innovative solutions for both recreational and commercial maritime applications, complemented by the global expansion of maritime activities.

This increase in market penetration is further supported by Garmin's recent agreement to become the exclusive supplier of marine electronics and audio solutions for Independent Boat Builders, Inc. (IBBI) from model years 2025 through 2029. The agreement covers Garmin's full range of products, including chart plotters, navigation systems, trolling motors, stereos, and speakers. IBBI represents a network of 15 prominent U.S. boat manufacturers, collectively accounting for over 25% of the nation's boat production ('Marine Electronics Market Size, Share & Growth Report 2030' 2024).

The growth of the marine electronics market is driven by increasing maritime operations such as commercial shipping, fishing, passenger transport, and offshore energy projects. These activities are increasing the demand for advanced electronic solutions. In addition, the growing focus on safety and operational efficiency is accelerating the adoption of technologies that improve navigation accuracy, optimise vessel performance, and enhance communication capabilities. Garmin's extensive product portfolio and strong focus on innovation positions the company to capture a larger share of this market. (Precedence Research, 2024).

As a result of our forecast, Garmin's Marine segment revenues are projected to grow from \$ 1.1bn in 2024 to \$ 1.6bn in 2029, reflecting a CAGR of 8.6% over the five-year period.

▪ Auto OEM

Our analysis of Garmin's Auto OEM division reveals an average implied market share of 0.8% from 2021 to 2024. For the forecast period, we project an increase

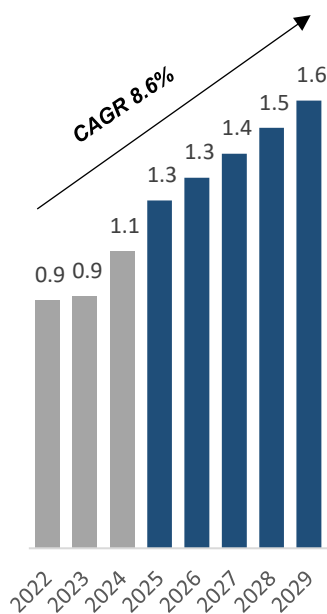


Figure 22: Marine Revenue Growth (\$ bn)

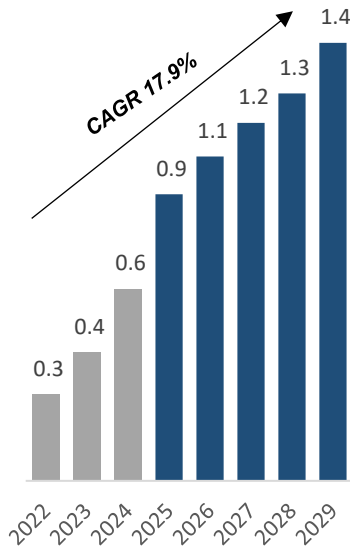


Figure 23: Auto OEM Revenue Growth (\$ bn)

in market penetration to 1.4%, reflecting Garmin's potential to grow in this emerging business unit. This projection was derived by analysing market performance, industry growth trends, and Garmin's capability to expand its presence.

The forecasted increase in market share is supported by key market drivers. A key factor is the increasing demand for ADAS, driven by stricter global safety regulations mandating technologies such as adaptive cruise control and lane departure warning. Garmin's technological expertise and innovation in this area positions the company well to gain further market share. The growing popularity of infotainment systems, which enhance the driving experience with integrated navigation and entertainment solutions, also supports the division's growth potential ('Advanced Driver Assistance Systems Market' 2024).

As a result of our forecast, Garmin's Auto OEM segment revenues are projected to grow from \$ 0.6bn in 2024 to \$ 1.4bn in 2029, reflecting a CAGR of 17.9% over the five-year period

Other Balance Sheet & Income Statement Items

We analysed the working capital needs over the forecast period of 2021 to 2024 and reviewed the key balance sheet items to understand the efficiency of the company's cash management and operational financing. During this period, the days on hand for Inventory, Accounts Receivable, Prepaid Expenses, Accounts Payable, Unearned Revenue, and Accrued Expenses were recorded at 255, 56, 60, 52, 18, and 66 days, respectively. Additionally, the cash balance was notably high, representing approximately 30% of total sales. The cash conversion cycle stood at 194 days in 2021, 282 days in 2022, 225 days in 2023, and 234 days in 2024, respectively.

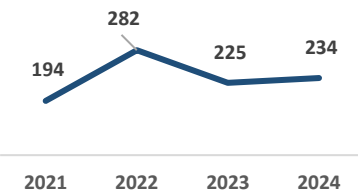


Figure 24: Garmin Cash Conversion Cycle

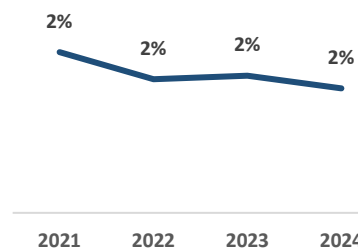


Figure 25: CAPEX as % of Sales

In the base case scenario, we assumed targeted improvements in working capital management with a focus on reducing or extending inventory days on hand to increase cash flow efficiency. Specifically, we projected a 20% reduction in days of inventory, bringing it down to 204 days, and a 15% reduction in days sales outstanding, bringing it down to 48 days. Prepayments were also expected to decrease by 25%, resulting in 45 days, while trade payables were extended by 20%, bringing them to 62 days. Similarly, we expected revenue prepayments to increase by 30%, totalling 24 days, and accrued expenses to increase by 20%, resulting in 79 days. These adjustments reflect our confidence in management's ability to streamline working capital through economies of scale and process optimisation, thereby reducing capital tied up in operations.

Given the high cash balance, we established a minimum cash reserve based on the company's operational cash requirements, as determined by its cash conversion cycle. Practically, the year-over-year increase in cash is set to match the gap arising from changes in working capital, ensuring that the total cash balance aligns with the cumulative working capital requirements. Any surplus cash beyond this calculated minimum is classified as excess cash. This approach ensures sufficient liquidity for operational stability while optimizing cash utilization, thereby enhancing overall asset returns.

In terms of investments in Property, Plant, and Equipment (PP&E) and capital expenditures (CapEx), we opted to maintain historical spending levels as a percentage of sales, consistent with prior patterns observed from 2021 to 2024. Specifically, these historical allocations equated to 1.75% of sales for buildings and 2.03% for machinery. However, we chose a more strategic approach for investments in intangibles. Historically, these investments represented just 0.29% of sales for the period between 2021 and 2024. Given the critical role of intangibles in sustaining and enhancing the company's competitive position, we decided to increase this figure to 1.5% of sales. This higher allocation reflects the essential value that investments in intellectual property and patents bring to the company's product innovation and market momentum. As discussed previously, a substantial portion of the company's long-term value is derived from its commitment to developing new intellectual properties, which are foundational to sustaining its market differentiation and growth trajectory. By increasing investment in these areas, we aim to solidify the company's ability to drive innovation and maintain a robust pipeline of differentiated products.

Intellectual property is key to Garmin's innovation and growth

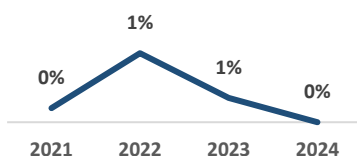


Figure 26: New Lease Contracts as % of Sales

Regarding the existing lease liabilities recorded on the company's books, we have opted to amortize the remaining balance over the weighted average remaining lease term. This decision was guided by the limited disclosure available in the company's annual reports. Notably, the last payment recorded was a one-time bullet payment, which was not consistent with the company's usual pattern of annual lease payments. To smooth out this irregularity, we amortized this bullet payment over an additional four years to better align it with typical lease payment structures and ensure a more manageable cash flow profile. For forecasting new lease contracts, we established a base case scenario in which new lease commitments are projected at 0.56% of sales, based on the average historical lease-to-sales ratio from 2021 to 2024. Each new lease contract is assumed to have a repayment term of 10 years, with an annual borrowing rate of 3.80%, which corresponds with the company's weighted average discount rate for its lease contracts. This consistent approach allows for a realistic reflection of the

company's leasing strategy, maintaining alignment with its established financial practices while accommodating expected operational growth.

For dividend payouts, we based our analysis on management's plan of maintaining the historical payout ratio, which averaged 49% over the years 2021 to 2024. This consistent dividend policy aligns with shareholder expectations and reflects a stable return strategy without compromising the company's reinvestment needs or liquidity.

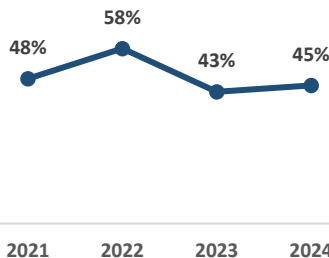


Figure 27: Garmin Dividends Payout Ratio

For other assets and liabilities, we opted to retain the base case scenario consistent with historical trends. The primary components here include short- and long-term investments, which are largely comprised of corporate bonds. These investments have averaged around 23% of sales from 2021 to 2024, providing a steady source of income. On average, these investments have yielded a 2% return as a percentage of the total short- and long-term investments combined with the cash balance over the same period. This return underscores a conservative yet reliable investment strategy, allowing the company to maintain liquidity and earn a modest return on its assets without significantly altering its risk profile.

The firm's cash flow remains consistent across the forecasted period, with the exception of 2025. As the first forecasted year, 2025 reflects the adjustments necessary to align with changes in working capital and other balance sheet and income statement items transitioning from actual to forecasted figures, making it an outlier in comparison to subsequent years. Beyond this initial adjustment, cash flow from operations (CFO) demonstrates a steady year-on-year increase, driven primarily by gross operating cash flows, changes in working capital, and tax effects. Cash flow from investing activities (CFI) is largely composed of CAPEX for business expansion and maintenance, investments in intangibles, right-of-use assets, and financial instruments. These items represent the firm's ongoing investments in both tangible and intangible assets to support future growth. Meanwhile, cash flow from financing activities (CFF) predominantly includes payments for right-of-use leases and dividend distributions to shareholders. This reflects the firm's commitment to maintaining its capital structure and returning value to investors while managing its long-term obligations

Cash flow adjusts in 2025, then grows steadily, supporting expansion and returns

Operating Performance and Margin Development

In 2022, Garmin's revenue breakdown was dominated by the Fitness & Outdoor segment, which accounted for 54% of total revenues, followed by Marine at 19%, Aviation at 16%, and Auto OEM at 6%. However, by 2029, the revenue composition is projected to shift to 56% for Fitness & Outdoor, 15% for Aviation, 15% for Marine, and a significant increase to 13% for Auto OEM.

By 2029, Auto OEM's revenue share grows through market size growth

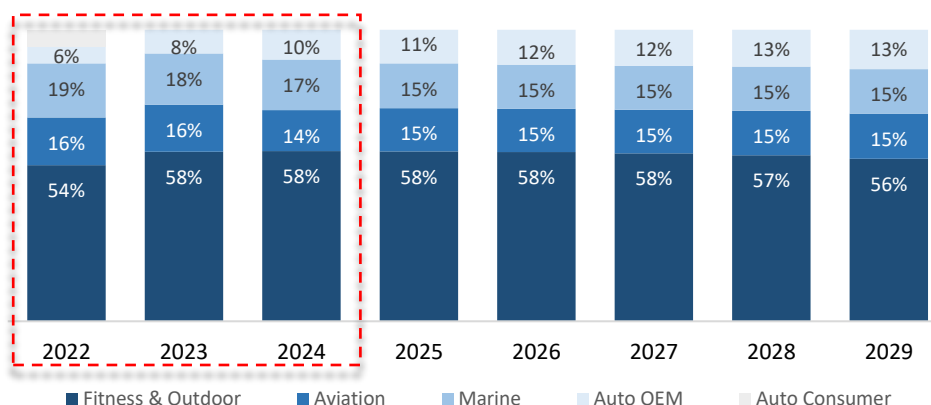


Figure 28: Revenue Split (%)

This notable rise in the Auto OEM segment's share is not driven by an increase in Garmin's market share within this category, as the market share remains uniform across the forecasted period. Instead, the growth is attributed to the rapid expansion of the Auto OEM market itself, which is forecasted to grow at a CAGR of 12% from 2023 to 2029, outpacing the average CAGR of 8% observed in Garmin's other markets. This disparity underlines the significant size and growth potential of the Auto OEM market compared to Garmin's other operational segments, driving its increasing contribution to the overall revenue mix.

Garmin's diverse product portfolio offers a unique blend of high-margin and growth opportunities. Historically, from 2021 to 2024, Garmin's divisions exhibited varying levels of profitability, with the Fitness division achieving an average gross profit margin of 56%, Outdoor at 68%, Aviation & Avionics at 78%, Marine at 58%, and Auto OEM at 31%. A key driver of Garmin's success is its relentless focus on innovation. The company's substantial investment in R&D, which averaged 17% of sales from 2021 to 2024, has enabled it to consistently introduce cutting-edge products that cater to the evolving needs of its customers. To further strengthen its competitive position, we anticipate an increase in R&D spending to 21% of sales, fuelling the development of ground-breaking technologies and innovative product features. To forecast the enhanced gross profit margins, we applied assumptions grounded in the company's anticipated economies of scale. For the Fitness, Outdoor, Aviation, Marine and Auto OEM divisions, we project a minimal improvement in their respective cost of goods sold (COGS) margins, leading to corresponding enhancements in gross profit margins. Specifically, gross profit margins for the Fitness, Outdoor, Aviation, Marine and Auto OEM divisions are expected to increase to 59%, 69%, 79%, 60% and 34% respectively, compared to their four-year averages (2021–2024) of 56%, 68%, 78%, 58% and 31%. This improvement reflects operational efficiencies, better cost management, and potential economies of scales ('Benefits of Implementing Economies of Scale')

Garmin's innovation and R&D boost portfolio growth

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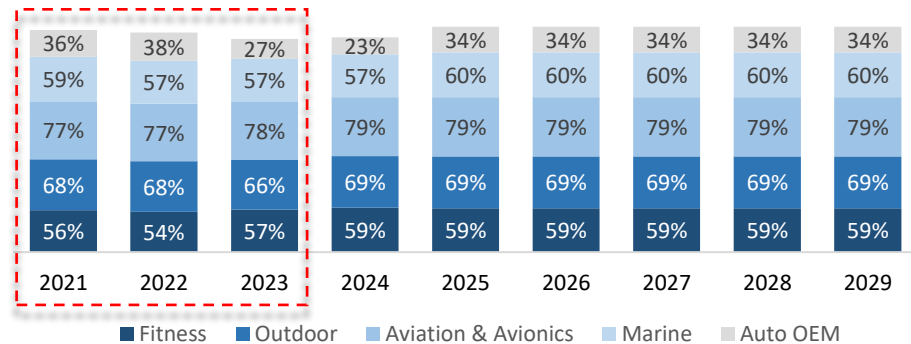


Figure 29: Gross Profit Margin Breakdown (%)

Valuation

Margins improve with economies of scale, especially in Auto OEM

To derive a comprehensive valuation, we applied five distinct methods, each offering a unique perspective on the company's intrinsic value: Discounted Cash Flows (DCF), Adjusted Present Value (APV), Flow to Equity (FTE), Economic Value Added (EVA), and Trading Multiples. Each approach provides insight into the company's valuation, enabling a multi-faceted understanding of its financial standing.

In the DCF approach, we projected the company's cash flows over a defined period, followed by calculating a terminal value at the end of the final year. These projected free cash flows to the firm (FCFF) were then discounted using the weighted average cost of capital (WACC), which accounts for the company's blended cost of equity and debt based on its current capital structure. This approach aims to reflect the intrinsic value of the firm by focusing on cash flows from operations and future growth potential (Fernando 2024).

The APV method uses a different approach. First, we forecast the unlevered free cash flows for a given period and discount these cash flows with an unlevered WACC, which only considers the risk of the asset without factoring in the capital structure. This provides an unbiased view of the company's core activities. We then forecast the annual interest tax shield resulting from interest payments on debt and discount it by the cost of debt to reflect the lower risk of tax benefits. The sum of these discounted values results in the enterprise value, from which we deduct the net debt to determine the equity value. (Hargrave 2024).

The Economic Value Added (EVA) approach, also known as the economic profit method, focuses on calculating the annual Net Operating Profit Less Adjusted Taxes (NOPLAT) and invested capital to determine the Return on Invested Capital

(ROIC). By comparing the ROIC with the WACC, we calculate the annual economic profit, which shows whether the company is generating a return above the cost of capital. These annual economic profits are totalled together with the discounted terminal value to calculate the enterprise value (McCulre 2023).

The flow to equity (FTE) method is similar to the DCF method, as it also uses the FCFF figures but applies the cost of equity as the discount rate. Here we consider net financial payments, which include new lease obligations and right-of-use (ROU) payments. In addition, the interest tax shield is included in the tax calculation, while taxes on interest income from the company's short-term and long-term investments are deducted, reflecting the company's financing dynamics.

Finally, using the trading multiples method, we analysed information from comparable companies in the industry with similar business models to determine relevant multiples such as EV/Sales and EV/EBITDA. By comparing our company's ratios to these industry benchmarks, we calculated the equity value based on the prevailing market multiples (Smith 2024).

Together, these valuation methods provide a thorough assessment of the company's worth, balancing the operational, financial, and market-based factors influencing its value.

In this valuation analysis, we conducted both company-level and division-level analyses and ultimately derived a 'sum-of-the-parts' valuation that reflects the different characteristics of each business unit. By breaking down the valuation by division, we captured the unique growth rates, working capital requirements, and cost of capital specific to each segment. Each segment's cash flow was modelled individually, with assumptions based on industry norms and the operating efficiencies that each unit could realistically achieve. This approach ensured a differentiated view of enterprise value that considered the different risk profiles and business cycles of the individual segments.

In our valuation methodology, we have assigned the following weights to the sum-of-the-parts valuation approaches: 50% for the DCF approach, 30% for the FTE method and 20% for the APV approach. We have deliberately not included a company-wide valuation in the final result, as the sum-of-the-parts approach offers a more detailed and accurate perspective. The reason for this decision lies in the fundamental differences between Garmin's divisions, including variations in risk profiles, maturity levels, and customer types. Each division operates in a unique business environment that reflects different operating dynamics and growth potential. A company-wide valuation would therefore not adequately reflect the differentiated structure and opportunities in Garmin's diversified portfolio.

Additionally, we opted for absolute valuation methods over relative valuation for two critical reasons. First, the availability of publicly accessible data on Garmin's competitors is highly limited, restricting the reliability of relative benchmarks. Second, Garmin's business model is fundamentally different from its competitors. Unlike other companies in the industry, Garmin integrates a wide array of product lines and revenue streams under a single umbrella, making direct comparisons challenging and less meaningful. This combination of methodological rigor and strategic alignment ensures that our valuation approach accurately captures Garmin's unique market position and growth potential.

However, we chose to include these additional valuation methods, including company-wide approaches and relative valuation, in our model for reference purposes, but we did not assign weights to them in the final valuation. This decision was made to offer a broader perspective and serve as a benchmark for validating our primary valuation approach, without directly affecting the final outcome.

The WACC

The WACC consists of two main components: the cost of equity and the cost of debt. To understand the impact of each, they are weighted by the debt to capital and the equity to capital ratios. Calculating the WACC, therefore, requires determining the cost of equity, the cost of debt, and both the debt to capital and the equity to capital ratio.

Regarding the debt and equity ratios, or more specifically, the weights of debt and equity in the capital structure, we forecasted Garmin's target capital structure based on the company's historical leverage trends. Over the past seven years, Garmin has consistently operated with minimal debt, reflecting its management's clear preference for an almost debt-free operational strategy. The company's debt has been limited primarily to ROU lease liabilities.

Additionally, we analyzed the debt-to-equity (D/E) ratios of Garmin's competitors, recognizing that direct comparisons are inherently challenging due to Garmin's unique business model and diversified operations. To establish a relevant benchmark, we analyzed the D/E ratios of competitors within Garmin's key operating segments. This involved calculating the D/E ratio for each competitor by dividing their total outstanding debt by their equity market value and comparing these figures to the corresponding D/E ratios of Garmin's operating segments. Companies with a D/E ratio of 2x or below are typically considered to have moderate leverage. A D/E ratio between 2x and 4x indicates high leverage, while a ratio above 4x signifies very high leverage.

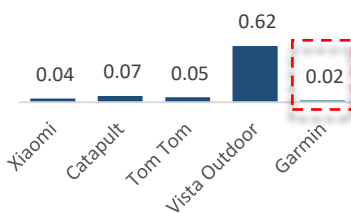


Figure 30: Fitness & Outdoor Peers' D/E

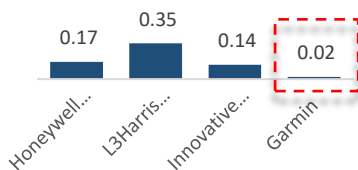


Figure 31: Avionics Peers' D/E

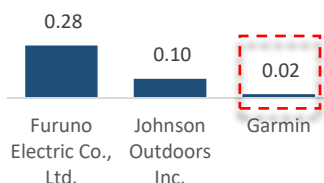


Figure 32: Marine Peers' D/E

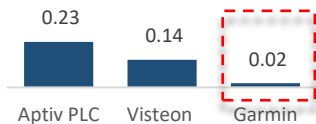


Figure 33: Auto OEM Peers' D/E

The analysis showed that Garmin's leverage is broadly in line with industry norms, although it remains notably lower across all segments. In Fitness & Outdoor, the average D/E ratio was 0.16x, compared to Garmin's 0.02x. In Aviation & Avionics, the average stood at 0.17x, with Garmin at 0.02x. For Marine, the mean D/E ratio was 0.14x, while Garmin again maintained 0.02x. Finally, in Auto OEM, the average D/E ratio was 0.13x, compared to Garmin's 0.02x.

This analysis highlights that competitors in these segments also maintain relatively low leverage, consistent with Garmin's approach. The industry's trend toward minimal debt supports our forecasted target capital structure, which assumes Garmin will continue emphasizing equity financing while maintaining minimal reliance on debt.

Cost of Equity

To calculate the cost of equity, we first determine the betas for the company and each business unit separately. At the company level, calculating the equity beta is straightforward, as it is obtained by regressing Garmin's returns against the market's returns.

At the business unit level, we replicate Garmin's product portfolio within a set of peer companies chosen to represent each of Garmin's business units. We use the betas of these peers as proxies for each business unit's beta, ensuring careful selection of companies that closely reflect Garmin's specific product lines. We use the MSCI World Index as a proxy for the market because it represents a broad and diversified benchmark of global equity markets, capturing companies across developed countries and industries.

To account for any potential COVID-related effects on beta, we average the historical beta over the past two, three, and four years to mitigate bias from any single event. We then un-lever the betas of each peer company based on their specific D/E ratios and re-lever them according to Garmin's capital structure, allowing us to estimate Garmin's beta for each business unit more accurately.

With these betas, we calculate the cost of equity using the CAPM formula:

$$\text{Cost of Equity} = \text{Risk-Free Rate (rf)} + \text{Beta} \times \text{Market Risk Premium (MRP)}$$

We use an MRP of 5.54%, the average in the US from 2011 to 2024 ('Average Market Risk Premium in the U.S. 2011-2024' 2024), and a risk-free rate (rf) of 4.33% ('10 Year Treasury Note Yield' 2024). This yields a cost of equity of 10.34% for Garmin. Applying the same method for each business unit results in a cost of equity of 8.3% for Fitness, 8.6% for Outdoor, 7.3% for Aviation & Avionics, 7.86% for Marine, and 8.36% for Auto OEM.

Equity Beta	
Company Level	1.09
Fitness	0.72
Outdoor	0.77
Aviation & Avionics	0.54
Marine	0.64
Auto OEM	0.73

Figure 34: Equity Betas by Segment

Cost of Equity	
Company Level	10.34%
Fitness	8.30%
Outdoor	8.60%
Aviatio & Avionics	7.33%
Marine	7.86%
Auto OEM	8.36%

Figure 35: Cost of Equity by Segment

■ Cost of Debt

Cost of Debt	
Company Level	4.40%
Fitness	4.39%
Outdoor	4.39%
Aviatio & Avionics	4.39%
Marine	4.39%
Auto OEM	4.39%

Figure 36: Cost of Debt by Segment

Since Garmin has only ROU leases and no outstanding bonds or bank facilities, and credit ratings are unavailable, we estimate the cost of debt using the debt beta. This is done by subtracting the unlevered equity beta from the levered equity beta and dividing by the D/E ratio, minus the unlevered equity beta. This yields the debt beta, allowing us to calculate the cost of debt using the CAPM, applying the same market MRP and r_f . This results in a cost of debt (r_d) of 4.4% at the company level and 4.39% on the business unit levels.

This approach enables us to calculate WACC at both the company and business unit levels. Notably, Garmin has a very low D/E ratio, meaning the impact of debt on WACC is minimal. Nevertheless, the WACC at the company level is higher, at 10.24%, compared to approximately 8% for the business units. Specifically, the WACC is 8.23% for Fitness, 8.52% for Outdoor, 7.27% for Aviation & Avionics, 7.79% for Marine, and 8.28% for Auto OEM.

■ Terminal Growth

We assessed the terminal growth rate using the Return on New Invested Capital (RONIC) method, which calculates growth by multiplying the RONIC by the reinvestment rate. This approach theoretically reflects growth achieved through reinvested profits, with RONIC determined as the incremental NOPLAT over incremental Operating Invested Capital. While this method often yields reasonable results, in our case, it produced terminal growth rates ranging between 8% and 10% for several business units, which we believe are overly optimistic. To ensure a more conservative and realistic valuation, we opted for a terminal growth rate of 3%, aligning with the more stable growth rates observed in typical valuation benchmarks (Vipond, n.d.).

DCF

In the DCF approach, we projected the company's cash flows over an 11-year period, followed by calculating a terminal value at the end of the final year. The cash flow projections began with EBITDA, from which we deducted adjusted taxes, not accounting for the tax shield from ROU expenses. We then subtracted changes in adjusted working capital, which includes core working capital as well as additional accounts like salaries and benefits payable. CapEx was allocated per division, including ROU assets and intangible investments. CapEx allocations were based on management's historical overhead distribution, as indicated in past annual reports.

For terminal value calculations, we used a perpetual growth rate of 3% in the base case, which allowed us to determine the enterprise value of each business unit. From this, we deducted each unit's allocated net debt to arrive at the final valuation. Notably, net debt was calculated by subtracting only the excess cash from outstanding lease liabilities. Minimum cash reserves were excluded as they are considered part of the working capital requirements, serving as a plug in the working capital calculation. This approach ensures that only surplus cash is treated as an offset to debt, aligning with the company's operational liquidity requirements and enhancing the precision of our net debt assessment.

Through this layered approach, we wanted to get a comprehensive view of the company's value by considering the financial nuances of each division and the company as a whole.

Ultimately, our valuation resulted in a share price of \$127 at the company level, as opposed to a significantly higher sum-of-the-parts valuation of \$189.

APV

The APV method allows us to separately value the cash flows attributable to equity holders and the benefits of debt financing.

We began by forecasting the company's future cash flows, which we discounted at the unlevered cost of equity (r_u) to reflect the returns expected by equity investors. This approach emphasizes the perspective of the equity holders and the cash flows available to them. In addition, we analysed the value of the interest tax shield that the company receives from its debt and discounted this with the cost of debt. This dual approach is crucial as it highlights the different risk profiles of equity and debt financing and differentiates the APV approach from the traditional DCF method. In addition, we integrated the book value of Garmin's non-core businesses into our analysis to ensure a complete valuation of the entire company.

Our calculations resulted in a share price of \$113 at the company level, while at the division level, the valuation of the entire company resulted in a share price of \$176 per share.

FTE

The FTE method focuses on valuing cash flows available to equity holders by discounting them at the cost of equity. We began by adjusting Garmin's forecasted FCFF to account for net financial payments, such as new lease obligations and ROU payments. Taxes were recalculated to include the interest tax shield from debt financing while deducting taxes on interest income from investments. This

approach emphasizes the perspective of equity investors and integrates Garmin's financing dynamics into the valuation.

At the company-wide level, we calculated a share price of \$119, compared to a higher sum-of-parts valuation of \$179. This discrepancy reinforces the insight gained from valuing each business unit independently.

EVA

In the EVA analysis, we calculated Garmin's annual economic profit using Return on New Invested Capital (RONIC) and WACC. This approach assesses the company's ability to create value beyond investors' expectations. We started by determining the annual economic profit by calculating the difference between RONIC and WACC and multiplying it by the invested capital. The result was an annual economic profit, the present value of which was the company valuation of Garmin. By deducting the net debt, we were able to calculate the equity value. Importantly, we also included the book value of the non-core business in the analysis to ensure a comprehensive valuation. By adding this value, we considered all aspects of Garmin's business activities.

Similar to the other valuation methodologies, we performed this analysis at both the company and business unit level. At the company level, the calculated share price was at \$91 per share, while at the division level, a share price of \$155 was calculated.

Multiples

In our valuation methodology using trading multiples, we selected peer companies to value both Garmin as a whole and its individual business units, focusing on EV/Sales and EV/EBITDA multiples. The EV/Sales multiple was used to value loss-making units as it emphasizes revenue generation independent of profitability. The EV/EBITDA multiple was added to assess operating value by excluding non-cash expenses such as depreciation and amortization as well as the impact of financing structures and tax jurisdictions. This provides a clearer perspective on operating performance.

We decided not to use the P/E ratio in our analysis. While competitors' debt levels are generally consistent with Garmin's, differences in tax jurisdictions and geographic distribution of operations introduce variability that can distort comparability. In addition, the P/E ratio is less suitable for analytical equity research as it is influenced by non-operational factors such as tax policy and financing structures. Furthermore, it is susceptible to market rumors and

sentiment, which can lead to short-term distortions and mispricing, making it a less reliable measure of intrinsic value in this context.

For the analyses at company and business unit level, we took the average of the historical and forecast multiples to obtain a balanced perspective that considers both historical performance and forward-looking expectations. Using this method, we arrived at an average company share price of \$113. Using the sum-of-the-parts method, where individual business units were aggregated, we achieved a higher share price of \$145. This discrepancy suggests that while the consolidated approach reflects the overall market view of the company, the sum-of-the-parts approach isolates the unique dynamics of each business unit. Therefore, this method emphasizes the different contributions of the company's operating and financial segments.

Sensitivities

We conducted a sensitivity analysis to assess the impact of key valuation assumptions, including equity beta, terminal growth rate, overheads (R&D and SG&A), market share, and COGS margin to estimate the potential range of outcomes.

Equity Beta is a key driver of the cost of equity, which impacts the discount rate and, ultimately, the share price. A higher equity beta increases the cost of equity, raising the discount rate and decreasing the present value of future cash flows, thus lowering the share price. The lower and upper bounds of the betas were determined using the 95% confidence interval from the regression results. At the lower bound share prices increased by 5.3% in Fitness, 25% in Outdoor, 9.8% in Aviation, 6.4% in Marine, and 0.9% in Auto OEM compared to the base-case scenario. At the upper bound share prices decreased by -4.4% in Fitness, -12.5% in Outdoor, -5.4% in Aviation, -3% in Marine, and -0.5% in Auto OEM.

The terminal growth rate significantly influences the terminal value and, consequently, the overall valuation. A higher terminal growth rate raises the terminal value, increasing the share price, while a lower growth rate reduces the terminal value and lowers the share price. Using a sum-of-parts approach, we analysed the effect of terminal growth rates ranging from 2% to 4%, with 3% as the base case, on each business unit independently, keeping all other segments stable. When the terminal growth rate is reduced to 2%, share prices decrease by 2% in Fitness, 5% in Outdoor, 4% in Aviation, 1% in Marine, and 0.3% in Auto OEM. Conversely, increasing the terminal growth rate to 4% raises share prices

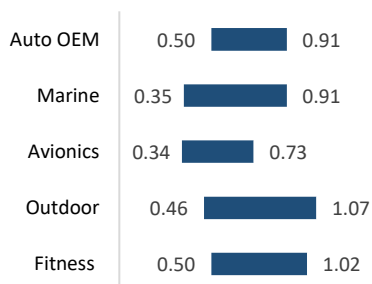


Figure 37: Beta range by Segment

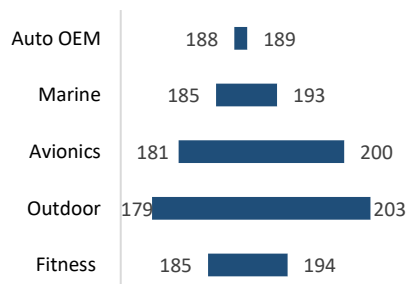


Figure 38: Share Price Variance per Terminal Growth Sensitivity

by 3% in Fitness, 8% in Outdoor, 6% in Aviation, 2% in Marine, and 0.5% in Auto OEM.

Overheads, particularly R&D and SG&A expenses, significantly impact profitability. While higher spending on R&D and SG&A can reduce short-term profitability, it has the potential to drive long-term growth. We analysed the effects of changes in R&D and SG&A expenditures at the business unit level. In our base case, R&D spending is set at 20.8% of sales, and SG&A at 16% of sales. Both were adjusted simultaneously by 2% upward and downward to evaluate their impact. A 2% reduction in R&D and SG&A spending increases the share price to \$233.5, while a 2% increase decreases the share price to \$145.3.

The company's market share affects future revenue and profitability. A larger market share leads to higher future revenue and a higher share price, while a decrease in market share can reduce the share price. The base case assumes market shares of 10.5% for Fitness and Outdoor, 2.1% for Aviation & Avionics, 17.5% for Marine, and 1.4% for Auto OEM. To isolate the effects, we adjusted the market share of each business unit by 2% in either direction while keeping the other market shares constant. An increase of 2% in market share leads to a 7% rise in share price for Fitness and Outdoor, a 45% rise for Aviation & Avionics, a 1% rise for Marine, and a 16% drop for Auto OEM. Conversely, a 2% decrease in market share results in a -7% drop for Fitness and Outdoor, a -22% drop for Aviation & Avionics, a -1% drop for Marine, and a 9% increase for Auto OEM. The inverse relationship observed in Auto OEM reflects the unit's current stage of immaturity and lack of profitability, where a decrease in market share reduces the drag on overall valuation, leading to a positive effect on the share price.

Finally, COGS influences the company's margins. A higher COGS reduces margins and profitability, lowering the share price, while a lower COGS improves margins, leading to a higher share price. A 2% increase in the COGS margin results in a 3% decrease in the share price for Fitness and Outdoor and a 2% decrease for Aviation & Avionics, Marine, and Auto OEM, when compared to the base-case scenario. Conversely, a 2% decrease in the COGS margin leads to a 3% increase in share price for Fitness and Outdoor and a 2% increase for the other segments.

The sensitivity analysis reveals several key insights. Garmin's share price is highly sensitive to changes in the equity beta of Outdoor. Additionally, changes in the terminal growth rate have the most impact on Garmin's share price when applied to Outdoor and Aviation. In terms of market share, the Aviation & Avionics segment stands out, as capturing more market share in this segment results in a substantial

increase in Garmin's share price, since a 1% increase in market share is almost a 100% increase to the base case.

Scenario Analysis

We conducted a scenario analysis to assess the potential valuation of Garmin under various future conditions, including a base, best and worst-case scenario. The base case scenario combines historical trends, management forecasts, and our own estimates. Certain balance sheet items have been projected using historical averages to reflect past performance, while others have been adjusted to be consistent with management's strategic objectives and our projections for the company. The best-case scenario assumes favourable adjustments to most forecasted items, including improved profit margins and more efficient working capital management. This scenario represents an optimistic outlook in which the company benefits from accelerated growth and operational improvements. The worst-case scenario, on the other hand, reflects a more difficult environment with lower margins and deteriorated working capital management, which represents a more conservative projection of financial performance.

We have also considered specific scenarios to capture geopolitical and economic risks, including the reintroduction of 'Trump tariffs' following Trump's election victory. These tariffs, originally imposed between 2018 and 2020 as part of the “America First” policy, were heavily targeted at Chinese imports and were intended to support domestic manufacturing and address perceived trade imbalances. Given their historical impact on global trade, the reintroduction of these tariffs could negatively impact the company's operating costs, particularly in terms of margins and working capital management, due to supply chain disruptions and increased import costs.

Another geopolitical scenario we considered was the potential escalation of tensions between China and Taiwan. In this case, we modelled potential disruptions at Garmin's Taiwan-based manufacturing facilities and suppliers, which could have a significant impact on operating efficiency. For this scenario, we assumed a further decline in margins and working capital performance to reflect the financial burden that would likely arise due to these increased operational risks and supply chain disruptions.

The resulting equity valuations varied substantially across these scenarios, underscoring the value of scenario analysis in providing a range of potential outcomes. In the base case, the share value yielded a result of \$184. Under the best-case scenario, the valuation increased to \$276. The worst-case scenario

yielded a lower equity value of \$95. Finally, the geopolitical scenarios showed significant negative impacts on valuation, with both the "Trump tariffs" and Taiwan-China escalation scenarios yielding results of \$134 and \$123, respectively. These outcomes emphasize the sensitivity of the company's financial performance to both operational adjustments and broader geopolitical risks.

ESG and Company Specific Risks

Garmin demonstrates strengths in ESG sustainability but has areas for improvement. Environmentally, it operates ISO 45001-certified facilities, recycles, and reduced plastic packaging for consumer products by 20%, with over 90% of its wearables shipped in foam-free packaging. In 2023, Garmin recycled approximately 5,000 metric tons of materials. Socially, Garmin ensures safe workplaces and community engagement, with U.S. employee benefits scoring 32% higher than the industry median. Garmin's turnover rate is notably low at 12%, and employee satisfaction ranks in the top 20% of peers ('Garmin Corporate Impact Report 2023' 2024). Governance is strong, with 4 out of 6 board members being independent. Garmin's overall ESG score is on par with its industry peers, according to ('Company ESG Risk Rating - Sustainalytics' 2024). Strengthening these areas further could enhance Garmin's competitive edge.

Garmin is exposed to a number of significant risks that could affect its business operations and financial performance. One of the most pressing issues is the geopolitical tension surrounding Taiwan, where Garmin's major manufacturing facilities are located. The People's Republic of China (PRC) claims control over Taiwan and has indicated that it may resort to military action under certain circumstances, which could disrupt Garmin's operations and adversely affect its financial results (Matthews 2024).

Trade disputes, particularly the tariffs imposed during the Trump administration, could impact Garmin, especially with its facility in Taiwan. Any changes in tariffs or trade restrictions on Taiwanese products could disrupt production, increase costs, and negatively affect profitability (Walters 2024).

In addition to the geopolitical risks, Garmin has made significant investments in its Auto OEM segment. Although these investments are aimed at strengthening its market position, they are currently weighing on overall profitability. Success in this sector depends on securing additional contracts. However, if these investments do not lead to profitability, this could have a significant negative impact on shareholder value.

The company also relies heavily on suppliers for essential components such as semiconductors, batteries, and displays. Disruptions in the supply chain, whether through rising costs, shortages, or delays, could seriously impact Garmin's ability to effectively manufacture its products, jeopardizing the company's overall financial health.

Finally, many of Garmin's products depend on GPS and other global satellite navigation systems. Any problems with satellite functionality or changes in government policy regarding access to GPS could disrupt business operations and hinder growth opportunities.

Recommendation

Based on this report's comprehensive analysis of the company, incorporating multiple forecasted scenarios on a sum of parts levels, our base case scenario yields a target share price of \$183.6. Compared to the current trading price of \$213, this suggests an overvaluation of approximately 13.7%. Given these findings, we recommend a Sell rating on the stock. This recommendation reflects our view that the current market price exceeds the company's intrinsic value, considering both the forecasted growth trajectory and the associated risks under our base case scenario, which we believe is the most probable outcome. Investors may wish to reassess their positions, as current valuations imply limited upside and potential downside relative to our valuation estimates.

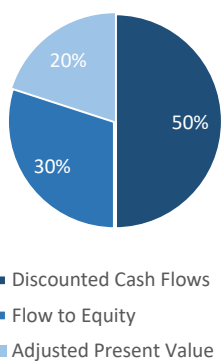


Figure 39: Garmin Valuation Weights

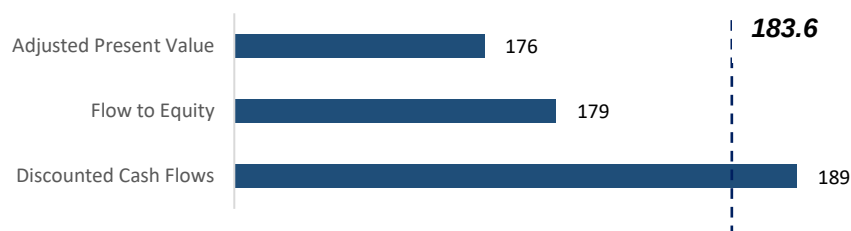


Figure 40: Garmin Target Share Price

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Appendix

Financial Statements Appendix 1: Income Statement

Finstat		OKAY	Base Case	Sell																
Annual Count	#	-7	-6	-5	-4	-3	-2	-1	0	1	2	3	4	5	6	7	8	9	10	11
Year	year	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
BoP	date	Jan/2018	Jan/2019	Jan/2020	Jan/2021	Jan/2022	Jan/2023	Jan/2024	Jan/2025	Jan/2026	Jan/2027	Jan/2028	Jan/2029	Jan/2030	Jan/2031	Jan/2032	Jan/2033	Jan/2034	Jan/2035	Jan/2036
EoP	date	Dec/2018	Dec/2019	Dec/2020	Dec/2021	Dec/2022	Dec/2023	Dec/2024	Dec/2025	Dec/2026	Dec/2027	Dec/2028	Dec/2029	Dec/2030	Dec/2031	Dec/2032	Dec/2033	Dec/2034	Dec/2035	Dec/2036
Number of days in the period	days	365	365	366	365	365	365	366	365	365	365	366	365	365	365	366	365	365	365	366
Number of months in the period	months	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12
Income Statement																				
Revenues	USD 000	3,347,444	3,757,505	4,186,573	4,982,795	4,860,286	5,228,252	6,211,978	8,230,041	8,926,176	9,546,680	10,106,501	10,698,283	11,483,277	12,365,909	13,338,427	14,173,880	15,063,525	15,999,190	17,027,225
COGS	USD 000	(1,271,531)	(1,417,354)	(1,578,522)	(1,937,518)	(1,889,658)	(2,045,725)	(2,438,481)	(3,106,064)	(3,382,304)	(3,626,392)	(3,843,671)	(4,092,134)	(4,404,572)	(4,767,355)	(5,173,578)	(5,472,877)	(5,790,554)	(6,123,046)	(6,488,685)
Gross Profit	USD 000	2,075,913	2,340,151	2,608,051	3,045,277	2,970,628	3,182,527	3,773,497	5,123,977	5,543,871	5,920,288	6,262,831	6,606,148	7,078,705	7,598,554	8,164,850	8,701,003	9,272,972	9,876,144	10,538,540
Gross Profit Margin	%	62%	62%	62%	61%	61%	60.9%	60.7%	62.3%	62%	62%	62%	62%	62%	61%	61%	61%	62%	62%	62%
SG&A (Incl. ROU Expense as per Annual report)	USD 000	(633,571)	(683,024)	(774,754)	(893,089)	(944,003)	(1,008,099)	(1,155,693)	(1,320,197)	(1,432,168)	(1,532,261)	(1,622,750)	(1,718,310)	(1,844,838)	(1,986,977)	(2,143,488)	(2,278,075)	(2,420,719)	(2,571,156)	(2,736,398)
R&D	USD 000	(567,805)	(605,366)	(652,342)	(778,750)	(834,927)	(904,696)	(1,019,487)	(1,710,896)	(1,855,611)	(1,984,604)	(2,100,982)	(2,224,004)	(2,387,192)	(2,570,677)	(2,772,848)	(2,946,526)	(3,131,469)	(3,325,979)	(3,539,691)
EBITDA	USD 000	874,537	1,051,761	1,180,955	1,373,438	1,191,698	1,269,732	1,598,317	2,092,885	2,256,093	2,403,423	2,539,099	2,663,834	2,846,676	3,040,900	3,248,513	3,476,401	3,720,783	3,979,009	4,262,451
EBITDA Margin	%	26%	28%	28%	28%	25%	24%	26%	25%	25%	25%	25%	25%	25%	25%	24%	25%	25%	25%	25%
Depreciation	USD 000	(64,798)	(71,921)	(78,121)	(103,498)	(118,743)	(132,347)	(140,953)	(162,355)	(183,639)	(206,402)	(230,501)	(256,010)	(283,391)	(312,877)	(344,682)	(378,479)	(414,397)	(435,804)	(458,246)
Amortization - Intangibles	USD 000	(31,396)	(34,254)	(48,594)	(51,320)	(45,110)	(45,225)	(45,446)	(60,877)	(77,614)	(95,514)	(96,875)	(89,077)	(110,608)	(133,794)	(158,804)	(169,948)	(181,456)	(193,554)	(206,531)
Amortization - RoU	USD 000	-	-	-	-	-	-	-	(18,957)	(23,929)	(29,247)	(34,877)	(40,837)	(47,233)	(54,122)	(61,552)	(69,448)	(77,839)	(86,794)	(96,307)
EBIT	USD 000	778,343	945,586	1,054,240	1,218,620	1,027,845	1,092,160	1,411,918	1,850,696	1,970,911	2,072,259	2,176,846	2,277,910	2,405,443	2,540,107	2,683,476	2,858,527	3,047,092	3,281,857	3,525,368
EBIT Margin	%	23%	25%	25%	24%	21%	21%	23%	22%	22%	22%	22%	21%	21%	21%	20%	20%	20%	21%	21%
Interest Income	USD 000	47,147	52,817	37,002	28,573	40,826	77,302	101,858	173,204	167,539	176,899	187,054	198,368	212,977	229,486	247,439	263,012	279,275	296,343	314,778
FX Gain / (Loss)	USD 000	(7,616)	(16,800)	2,825	(45,263)	(11,274)	26,434	15,585	-	-	-	-	-	-	-	-	-	-	-	-
Other Income	USD 000	5,373	5,619	9,343	4,866	7,577	4,460	2,622	-	-	-	-	-	-	-	-	-	-	-	-
EBT	USD 000	823,247	987,222	1,103,410	1,206,796	1,064,974	1,200,356	1,531,983	2,023,899	2,138,450	2,249,158	2,363,900	2,476,278	2,618,420	2,769,593	2,930,914	3,121,539	3,326,367	3,578,200	3,840,145
EBT Margin	%	25%	26%	26%	24%	22%	23%	25%	25%	24%	24%	23%	23%	23%	22%	22%	22%	22%	22%	23%
Corporate Income Tax	USD 000	(93,424)	(123,073)	(104,471)	(130,040)	(233,844)	(250,446)	(265,288)	(425,019)	(449,074)	(472,323)	(496,419)	(520,018)	(549,868)	(581,615)	(615,492)	(655,523)	(698,537)	(751,422)	(806,431)
Deferred Tax	USD 000	(35,743)	88,337	(6,615)	5,444	142,455	339,726	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Profit	USD 000	694,080	952,486	992,324	1,082,200	973,585	1,289,636	1,266,695	1,598,881	1,689,375	1,776,835	1,867,481	1,956,259	2,068,552	2,187,979	2,315,422	2,466,015	2,627,830	2,826,778	3,033,715
Net Profit Margin	%	21%	25%	24%	22%	20%	25%	20%	19%	19%	19%	18%	18%	18%	18%	17%	17%	17%	18%	18%

Appendix 2: Balance Sheet

FinStat		OKAY	Base Case	Sell																
Annual Count	#	-7	-6	-5	-4	-3	-2	-1	0	1	2	3	4	5	6	7	8	9	10	11
Year	year	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
BoP	date	Jan/2018	Jan/2019	Jan/2020	Jan/2021	Jan/2022	Jan/2023	Jan/2024	Jan/2025	Jan/2026	Jan/2027	Jan/2028	Jan/2029	Jan/2030	Jan/2031	Jan/2032	Jan/2033	Jan/2034	Jan/2035	Jan/2036
EoP	date	Dec/2018	Dec/2019	Dec/2020	Dec/2021	Dec/2022	Dec/2023	Dec/2024	Dec/2025	Dec/2026	Dec/2027	Dec/2028	Dec/2029	Dec/2030	Dec/2031	Dec/2032	Dec/2033	Dec/2034	Dec/2035	Dec/2036
Number of days in the period	days	365	365	366	365	365	365	366	365	365	365	366	365	365	365	366	365	365	365	366
Number of months in the period	months	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12
Balance Sheet																				
Excess Cash	USD 000	-	-	-	-	-	-	184,224	663,571	862,977	1,170,663	1,577,260	1,970,473	2,317,586	2,662,964	3,035,460	3,562,195	4,167,903	4,822,125	5,519,267
Cash	USD 000	1,201,732	1,027,567	1,458,442	1,498,058	1,279,194	1,693,452	1,838,214	1,693,502	1,838,706	1,967,436	2,077,075	2,208,159	2,371,609	2,557,553	2,756,176	2,930,778	3,108,307	3,294,038	3,489,772
Short Term Investments	USD 000	182,989	376,463	387,642	347,980	173,288	274,618	327,197	433,493	470,159	502,843	532,329	563,500	604,847	651,337	702,561	746,566	793,426	842,709	896,858
Accounts Receivable	USD 000	569,833	706,763	849,469	843,445	656,847	815,243	950,619	1,082,307	1,173,853	1,255,454	1,325,443	1,406,897	1,510,130	1,626,202	1,749,302	1,863,962	1,980,957	2,104,003	2,233,079
Prepaid Expenses	USD 000	120,512	169,044	191,569	328,719	315,915	318,556	399,271	382,939	416,996	447,089	472,582	504,510	543,029	587,756	636,096	674,738	713,904	754,896	797,789
Inventory	USD 000	561,840	752,908	762,084	1,227,609	1,515,045	1,345,955	1,696,834	1,735,992	1,890,384	2,026,805	2,142,374	2,287,111	2,461,733	2,664,494	2,883,633	3,058,814	3,236,364	3,422,196	3,616,644
Other Current Assets	USD 000	28,462	25,105	20,145	15,961	14,862	16,316	19,427	25,738	27,915	29,855	31,606	33,456	35,911	38,672	41,713	44,326	47,108	50,034	53,249
Total Current Assets	USD 000	2,665,368	3,057,850	3,669,351	4,261,772	3,955,151	4,464,140	5,415,787	6,017,542	6,680,990	7,400,145	8,158,669	8,974,107	9,844,845	10,788,977	11,804,942	12,881,379	14,047,968	15,290,001	16,606,658
Long Term Investments	USD 000	1,330,123	1,205,475	1,131,175	1,268,698	1,208,360	1,125,191	1,192,190	1,873,088	2,031,523	2,172,744	2,300,155	2,434,839	2,613,497	2,814,377	3,035,714	3,225,856	3,428,332	3,641,281	3,875,253
Net Fixed Assets	USD 000	663,527	728,921	855,539	1,067,478	1,147,005	1,224,097	1,293,691	1,442,848	1,597,071	1,752,016	1,904,053	2,052,979	2,204,237	2,359,418	2,519,604	2,677,615	2,833,382	3,003,158	3,189,404
Operating Lease Right of Use	USD 000	-	63,589	94,626	89,457	138,040	143,724	143,724	170,613	196,407	220,340	241,761	260,519	277,254	292,016	304,766	314,275	320,348	341,677	364,221
Goodwill	USD 000	301,017	467,108	584,210	575,080	567,994	608,474	611,884	611,884	611,884	611,884	611,884	611,884	611,884	611,884	611,884	611,884	611,884	611,884	611,884
Intangibles	USD 000	116,063	192,521	244,356	215,993	178,461	186,601	164,196	226,769	283,048	330,734	385,456	456,854	518,495	570,189	611,462	654,122	698,619	745,052	793,930
Deferred Tax Assets	USD 000	176,959	268,518	245,455	260,205	441,071	754,635	777,019	777,019	777,019	777,019	777,019	777,019	777,019	777,019	777,019	777,019	777,019	777,019	777,019
Deferred Charges	USD 000	29,473	23,493	16,510	12,361	9,831	11,057	13,704	8,289	9,236	10,993	10,722	11,534	13,704	18,156	19,692	21,061	22,296	23,602	25,333
Other Long-Term Assets	USD 000	100,328	159,324	190,151	103,383	85,257	85,650	113,206	149,983	162,670	173,978	184,180	194,964	209,270	225,355	243,078	258,303	274,516	291,568	310,302
Total Non-Current Assets	USD 000	2,717,490	3,108,949	3,362,022	3,592,655	3,776,019	4,139,429	4,309,615	5,260,494	5,668,857	6,049,707	6,415,230	6,800,593	7,225,361	7,668,415	8,123,219	8,540,135	8,966,396	9,435,241	9,947,347
Total Assets	USD 000	5,382,858	6,166,799	7,031,373	7,854,427	7,731,170	8,603,569	9,725,401	11,278,036	12,349,847	13,449,852	14,573,899	15,774,700	17,070,206	18,457,392	19,928,161	21,421,514	23,014,364	24,725,242	26,554,005
New Money Need	USD 000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accounts Payable	USD 000	204,985	240,831	258,885	370,048	212,417	253,790	346,502	527,605	574,528	615,990	651,114	695,102	748,174	809,797	876,398	929,639	983,601	1,040,079	1,099,176
Salaries & Benefits Payable	USD 000	113,087	128,426	181,937	211,371	176,114	190,014	234,256	331,519	359,561	384,556	405,994	430,944	462,565	498,119	535,825	570,947	606,783	644,473	684,010
Current Portion of Lease	USD 000	-	14,762	18,874	20,503	25,149	29,342	28,448	26,651	27,530	31,655	33,048	37,416	42,364	47,955	68,635	62,179	66,438	70,867	-
Unearned Revenue	USD 000	96,372	94,562	86,865	87,654	91,092	101,189	120,919	218,067	237,957	255,731	270,984	290,106	312,936	339,478	368,160	391,394	415,097	440,382	466,084
Current Income Tax Payable	USD 000	51,642	56,913	68,585	128,083	246,180	225,475	227,735	227,735	227,735	227,735	227,735	227,735	227,735	227,735	227,735	227,735	227,735	227,735	227,735
Accrued Expenses	USD 000	254,747	283,179	315,431	372,469	320,951	372,446	441,089	672,271	732,060	784,890	829,645	885,695	953,318	1,031,838	1,116,701	1,184,541	1,253,298	1,325,262	1,400,563
Dividends Payable	USD 000	200,480	217,260	233,640	258,020	139,732	139,997	144,058	193,971	204,950	215,560	226,557	237,327	250,950	265,439	280,900	299,169	318,800	342,936	368,041
Total Current Liabilities	USD 000	921,313	1,035,933	1,164,217	1,448,148	1,211,635	1,312,253	1,543,007	2,197,820	2,364,321	2,516,117	2,645,076	2,804,325	2,998,042	3,220,361	3,474,354	3,665,604	3,871,752	4,091,734	4,245,609
Long Term Lease	USD 000	-	49,238	75,958	70,044	114,541	111,469	83,021	102,215	124,409	145,934	169,185	191,363	212,968	233,897	239,564	256,341	273,815	292,073	386,923
Unearned Revenue	USD 000	76,566	67,329	49,934	41,618	35,702	36,148	49,672	89,792	97,982	105,301	111,582	119,455	128,856	139,785	151,595	161,162	170,922	181,334	191,917
Def. Tax Liab	USD 000	92,944	114,754	116,844	117,595	129,965	114,682	104,996	104,996	104,996	104,996	104,996	104,996	104,996	104,996	104,996	104,996	104,996	104,996	104,996
Other Non - Current Liab	USD 000	129,061	106,049	108,304	62,863	34,987	16,957	47,745	63,256	68,606	73,375	77,678	82,227	88,260	95,044	102,519	108,940	115,778	122,969	130,871
Total Non-Current Liabilities	USD 000	298,571	337,707	351,040	292,120	315,195	279,256	285,434	360,259	395,993	429,606	463,441	498,041	535,080	573,722	598,674	631,440	665,511	701,372	814,707
Total Liabilities	USD 000	1,219,884	1,373,303	1,515,257	1,740,268	1,526,830	1,591,509	1,828,441	2,558,079	2,760,314	2,945,724	3,108,517	3,302,367	3,533,121	3,794,083	4,073,029	4,297,043	4,537,263	4,793,105	5,060,316
Common Stock	USD 000	17,979	17,979	17,979	17,979	17,979	19,588	19,490	19,490	19,490	19,490	19,490	19,490	19,490	19,490	19,490	19,490	19,490	19,490	19,490
Additional Paid in Capital	USD 000	1,823,638	1,835,622	1,880,354	1,960,722	2,042,472	2,125,467	2,218,170	2,218,170	2,218,170	2,218,170	2,218,170	2,218,170	2,218,170	2,218,170	2,218,170	2,218,170	2,218,170	2,218,170	2,218,170
Treasury Stock	USD 000	(397,692)	(345,040)	(320,016)	(303,114)	(475,095)	(330,909)	(243,994)	(243,994)	(243,994)	(243,994)	(243,994)	(243,994)	(243,994)	(243,994)	(243,994)	(243,994)	(243,994)	(243,99	

Appendix 3: Cash Flow

Instat	OKAY	Base Case	Sell																	
Annual Count	#	-7	-6	-5	-4	-3	-2	-1	0	1	2	3	4	5	6	7	8	9	10	11
Year	year	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
BoP	date	Jan/2018	Jan/2019	Jan/2020	Jan/2021	Jan/2022	Jan/2023	Jan/2024	Jan/2025	Jan/2026	Jan/2027	Jan/2028	Jan/2029	Jan/2030	Jan/2031	Jan/2032	Jan/2033	Jan/2034	Jan/2035	Jan/2036
EOp	date	Dec/2018	Dec/2019	Dec/2020	Dec/2021	Dec/2022	Dec/2023	Dec/2024	Dec/2025	Dec/2026	Dec/2027	Dec/2028	Dec/2029	Dec/2030	Dec/2031	Dec/2032	Dec/2033	Dec/2034	Dec/2035	Dec/2036
Number of days in the period	days	365	365	366	365	365	365	366	365	365	365	366	365	365	365	366	365	365	365	366
Number of months in the period	months	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12
Cashflow Statement																				
EBITDA	USD 000	874,537	1,051,761	1,180,955	1,373,438	1,191,698	1,269,732	1,598,317	2,092,885	2,256,093	2,403,423	2,539,099	2,663,834	2,846,676	3,040,900	3,248,513	3,476,401	3,720,783	3,979,009	4,262,451
Add Back Lease Expense	USD 000	-	-	-	-	-	-	5,351	5,978	6,786	7,794	8,888	9,949	11,124	12,320	13,534	14,712	15,292	16,316	17,396
Less: Taxes Paid	USD 000	(161,540)	(99,214)	(74,261)	(79,097)	(141,788)	(260,272)	(295,098)	(425,019)	(449,074)	(472,323)	(496,419)	(520,018)	(549,868)	(581,615)	(615,492)	(655,523)	(698,537)	(751,422)	(806,431)
Gross Operating Cashflow	USD 000	712,997	952,547	1,106,694	1,294,341	1,049,910	1,009,460	1,308,570	1,673,844	1,813,805	1,938,894	2,051,567	2,153,765	2,307,932	2,471,605	2,646,555	2,835,590	3,037,538	3,243,904	3,473,417
Change in Inventory	USD 000	(561,840)	(191,068)	(9,176)	(465,525)	(287,436)	169,090	(350,879)	(39,158)	(154,392)	(136,421)	(115,569)	(144,737)	(174,623)	(202,761)	(219,139)	(175,180)	(177,551)	(185,831)	(194,449)
Change in Accounts Receivable	USD 000	(569,833)	(136,930)	(142,706)	6,024	186,598	(158,396)	(135,376)	(131,688)	(91,546)	(81,601)	(69,989)	(81,455)	(103,232)	(116,072)	(123,100)	(114,660)	(116,995)	(123,064)	(129,076)
Change in Prepaid Expenses	USD 000	(120,512)	(48,532)	(22,552)	(137,150)	(12,804)	2,641	(80,715)	16,332	(34,057)	(30,093)	(25,493)	(31,927)	(38,520)	(44,772)	(48,340)	(38,643)	(39,166)	(40,992)	(42,893)
Change in Accounts Payable	USD 000	204,985	35,846	18,054	111,163	127,631	41,373	92,712	181,104	46,923	41,461	35,124	43,989	53,072	61,623	66,601	53,241	53,962	56,478	59,097
Change in Unearned Revenue	USD 000	172,938	(11,047)	(25,092)	(7,527)	(2,478)	10,543	33,255	137,267	28,080	25,094	21,533	26,995	32,230	37,471	40,492	32,801	33,463	35,697	36,285
Change Accrued Expenses	USD 000	254,747	28,432	32,252	57,038	(51,518)	51,495	68,643	231,182	59,789	52,830	44,754	56,050	67,623	78,520	84,863	67,839	68,757	71,964	75,301
Net Change in Working Capital	USD 000	(619,515)	(323,299)	(149,193)	(435,977)	(299,661)	111,464	(372,361)	395,040	(145,203)	(128,730)	(109,639)	(131,085)	(163,449)	(185,944)	(198,623)	(174,602)	(177,529)	(185,731)	(195,734)
Change in Other Assets	USD 000	(128,790)	(55,639)	(25,867)	90,952	19,225	(1,847)	(30,667)	(43,088)	(14,863)	(13,248)	(11,953)	(12,635)	(16,761)	(18,845)	(20,764)	(17,838)	(18,995)	(19,978)	(21,950)
Change in Other Liabilities	USD 000	129,061	(23,012)	2,255	(45,441)	(27,876)	(18,030)	30,788	15,511	5,350	4,769	4,303	4,548	6,033	6,784	7,475	6,421	6,838	7,191	7,901
Change in Salaries & Benefits Payable	USD 000	113,087	15,339	53,511	29,434	(35,257)	13,900	44,242	97,264	28,041	24,995	21,438	24,950	31,621	35,554	37,707	35,121	35,836	37,690	39,537
Change in Deferred Charges	USD 000	(29,473)	5,980	6,983	4,149	2,530	(1,226)	(2,647)	5,415	(947)	(1,757)	270	(812)	(2,170)	(4,452)	(1,536)	(1,369)	(1,235)	(1,306)	(1,732)
FX Gain / (Loss)	USD 000	(7,616)	(16,800)	2,825	(45,263)	(11,274)	26,434	15,585	-	-	-	-	-	-	-	-	-	-	-	-
Cashflow from Operations	USD 000	169,751	555,116	997,208	892,195	697,597	1,140,155	993,509	2,143,985	1,686,183	1,824,923	1,955,987	2,038,732	2,163,206	2,304,701	2,470,813	2,683,324	2,882,454	3,081,771	3,301,439
CAPEX	USD 000	(728,325)	(137,315)	(204,739)	(315,437)	(198,270)	(209,439)	(210,547)	(311,512)	(337,861)	(361,348)	(382,537)	(404,937)	(434,649)	(468,057)	(504,868)	(536,490)	(570,164)	(605,579)	(644,491)
Change in ROU	USD 000	-	(63,589)	(31,037)	5,169	(48,583)	(5,684)	-	(45,846)	(49,724)	(53,180)	(56,299)	(59,595)	(63,968)	(68,885)	(74,302)	(78,956)	(83,912)	(89,124)	(94,851)
Change in Intangibles	USD 000	(448,476)	(276,803)	(217,531)	(13,827)	(492)	(93,845)	(26,451)	(123,451)	(133,893)	(143,200)	(151,598)	(160,474)	(172,249)	(185,489)	(200,076)	(212,608)	(225,953)	(239,988)	(255,408)
Change in Investments	USD 000	(1,513,112)	(68,826)	63,121	(97,861)	235,001	(18,161)	(119,578)	(787,194)	(195,101)	(173,905)	(156,898)	(165,855)	(220,005)	(247,369)	(272,562)	(234,147)	(249,335)	(262,323)	(288,121)
Cashflow from Investing	USD 000	(2,689,913)	(546,533)	(390,186)	(421,956)	(12,315)	(327,129)	(356,576)	(1,268,002)	(716,579)	(731,633)	(747,331)	(790,861)	(890,872)	(969,800)	(1,051,808)	(1,062,201)	(1,129,364)	(1,196,924)	(1,282,871)
Change in Lease	USD 000	-	64,000	30,832	(4,285)	49,143	1,121	(34,693)	11,419	16,286	17,856	15,756	16,598	15,427	14,201	12,813	(4,391)	6,440	6,370	6,588
Increase (Decrease) in Equity	USD 000	1,841,617	11,984	44,732	80,368	81,750	84,604	92,605	-	-	-	-	-	-	-	-	-	-	-	-
Less: Dividends	USD 000	(200,177)	(417,264)	(450,633)	(491,455)	(679,093)	(558,771)	(572,172)	(725,972)	(808,820)	(851,629)	(895,231)	(938,538)	(990,177)	(1,047,266)	(1,108,138)	(1,178,407)	(1,255,569)	(1,347,607)	(1,447,057)
Interest Income	USD 000	47,147	52,817	37,002	28,573	40,826	77,302	101,858	173,204	167,539	176,899	187,054	198,368	212,977	229,486	247,439	263,012	279,275	296,343	314,778
Other Income	USD 000	5,373	5,619	9,343	4,866	7,577	4,460	2,622	-	-	-	-	-	-	-	-	-	-	-	-
Other Adjustments	USD 000	(1,248)	-	-	-	-	(200,589)	-	-	-	-	-	-	-	-	-	-	-	-	-
Less Treasury Stock	USD 000	(397,692)	52,652	25,024	16,902	(171,981)	144,186	86,915	-	-	-	-	-	-	-	-	-	-	-	-
OCI	USD 000	8,430	47,444	127,553	(65,592)	(232,368)	48,919	14,919	-	-	-	-	-	-	-	-	-	-	-	-
Cashflow from Financing	USD 000	1,303,450	(182,748)	(176,147)	(430,623)	(904,146)	(398,768)	(307,946)	(541,348)	(624,995)	(656,875)	(692,420)	(723,573)	(761,773)	(803,579)	(847,886)	(919,786)	(969,853)	(1,044,894)	(1,125,692)
Change in Cash	USD 000	-	(174,165)	430,874	39,615	(218,864)	414,257	328,987	334,634	344,609	436,416	516,235	524,298	510,561	531,322	571,119	701,336	783,236	839,952	892,876
Beginning Balance	USD 000	-	1,201,732	1,027,567	1,458,442	1,498,058	1,498,058	1,279,194	1,693,452	2,022,438	2,357,073	2,701,683	3,138,099	3,654,335	4,178,632	4,689,195	5,220,517	5,791,636	6,492,973	7,276,210
Ending Balance	USD 000	1,201,732	1,027,567	1,458,442	1,498,058	1,279,194	1,693,452	2,022,438	2,357,073	2,701,683	3,138,099	3,654,335	4,178,632	4,689,195	5,220,517	5,791,636	6,492,973	7,276,210	8,116,163	9,009,039

Appendix 4: Ratios

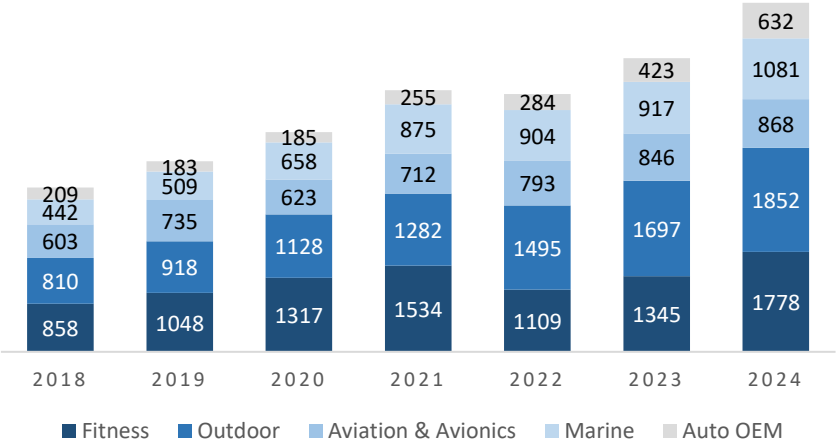
Finstat	OKAY	Base Case	Sell																			
Annual Count	#	-7	-6	-5	-4	-3	-2	-1	0	1	2	3	4	5	6	7	8	9	10	11		
Year	year	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036		
BoP	date	Jan/2018	Jan/2019	Jan/2020	Jan/2021	Jan/2022	Jan/2023	Jan/2024	Jan/2025	Jan/2026	Jan/2027	Jan/2028	Jan/2029	Jan/2030	Jan/2031	Jan/2032	Jan/2033	Jan/2034	Jan/2035	Jan/2036		
EoP	date	Dec/2018	Dec/2019	Dec/2020	Dec/2021	Dec/2022	Dec/2023	Dec/2024	Dec/2025	Dec/2026	Dec/2027	Dec/2028	Dec/2029	Dec/2030	Dec/2031	Dec/2032	Dec/2033	Dec/2034	Dec/2035	Dec/2036		
Number of days in the period	days	365	365	366	365	365	365	366	365	365	365	366	365	365	365	366	365	365	365	366		
Number of months in the period	months	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12		

Ratios																					
Liquidity																					
Current Ratio	x	2.9	3.0	3.2	2.9	3.3	3.4	3.5	2.7	2.8	2.9	3.1	3.2	3.3	3.4	3.4	3.5	3.6	3.7	3.9	
Quick Ratio	x	2.3	2.2	2.5	2.1	2.0	2.4	2.4	1.9	2.0	2.1	2.3	2.4	2.5	2.5	2.6	2.7	2.8	2.9	3.1	
Cash Ratio	x	1.3	1.0	1.3	1.0	1.1	1.3	1.3	1.1	1.1	1.2	1.4	1.5	1.6	1.6	1.7	1.8	1.9	2.0	2.1	
Leverage																					
Debt to Equity	x	-	0.0	0.0	0.0	0.0	0.0	0.0	0.015	0.016	0.017	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Net Debt / Equity	x	-	0.0	0.0	0.0	0.0	0.0	(0.0)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	
Assets / Equity	x	1.3	1.3	1.3	1.3	1.2	1.2	1.2	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.2	1.2	1.2	
Debt Service Coverage Ratio (DSCR)	x	-	-	80.0	72.8	58.1	50.5	46.1	60.8	67.5	68.0	62.6	62.0	58.6	55.6	52.8	41.7	48.0	48.1	48.3	
Interest Coverage Ratio (DSCR)	x	-	-	-	-	-	-	298.7	350.1	332.4	308.3	285.7	267.7	255.9	246.8	240.0	236.3	243.3	243.9	245.0	
Profitability																					
Gross Profit Margin	x	62%	62%	62%	61%	61%	61%	61%	62%	62%	62%	62%	62%	62%	61%	61%	61%	62%	62%	62%	
EBITDA Margin	x	26%	28%	28%	28%	25%	24%	26%	25%	25%	25%	25%	25%	25%	25%	24%	25%	25%	25%	25%	
EBIT Margin	x	23%	25%	25%	24%	21%	21%	23%	22%	22%	22%	22%	21%	21%	21%	20%	20%	20%	21%	21%	
EBT Margin	x	25%	26%	26%	24%	22%	23%	25%	25%	24%	24%	23%	23%	23%	22%	22%	22%	22%	22%	23%	
Net Profit Margin	x	21%	25%	24%	22%	20%	25%	20%	19%	19%	19%	18%	18%	18%	18%	17%	17%	17%	18%	18%	
Return on Assets	x	13%	15%	14%	14%	13%	15%	13%	14%	14%	13%	13%	12%	12%	12%	12%	12%	11%	11%	11%	
Return on Equity	x	17%	20%	18%	18%	16%	18%	16%	18%	18%	17%	16%	16%	15%	15%	15%	14%	14%	14%	14%	
Dupont Ratio	x	17%	20%	18%	18%	16%	18%	16%	18%	18%	17%	16%	16%	15%	15%	15%	14%	14%	14%	14%	
Efficiency																					
Asset Turnover	x	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.6	0.6	
Inventory Days on Hand	days	161	194	177	231	293	240	255	204	204	204	204	204	204	204	204	204	204	204	204	
Receivables Days on Hand	days	62	69	74	62	49	57	56	48	48	48	48	48	48	48	48	48	48	48	48	
Prepaid Expenses Days on Hand	days	35	44	44	62	61	57	60	45	45	45	45	45	45	45	45	45	45	45	45	
Payables Days on Hand	days	59	62	60	70	41	45	52	62	62	62	62	62	62	62	62	62	62	62	62	
Unearned Revenues Days on Hand	days	39	32	26	21	18	17	19	24	24	24	24	24	24	24	24	24	24	24	24	
Accrued Expenses Days on Hand	days	73	73	73	70	62	66	66	79	79	79	79	79	79	79	79	79	79	79	79	
Cash Conversion Cycle	days	87	139	136	194	282	225	234	132	132	132	132	132	132	132	132	132	132	132	132	

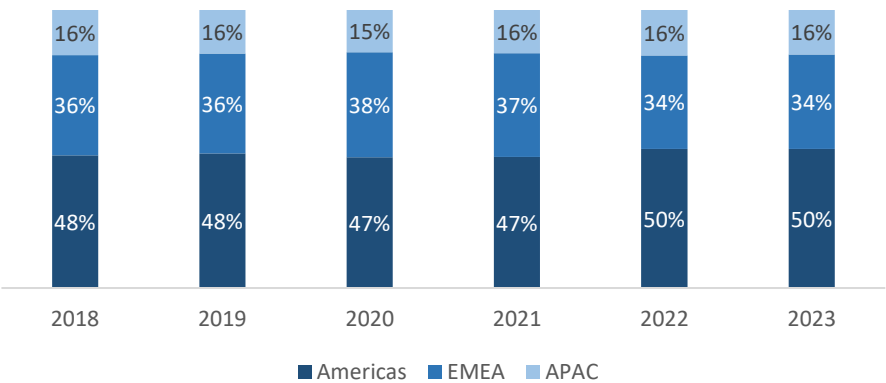
Appendix 5: Scenario Analysis

Revenue Assumptions			Adjustment Factor (+/-)						Effective Case
Market Share			Average	Base Case	Best Case	Worst Case	wan - China VTrump Tariffs		Base Case
Fitness & Outdoor	%	10.5%	9.1%	15.00%	25.00%	-15.00%	-5.00%	-2.00%	15.00%
Aviation & Avionics	%	2.1%	1.7%	25.00%	35.00%	-15.00%	-5.00%	-2.00%	25.00%
Marine	%	17.5%	15.2%	15.00%	35.00%	-15.00%	-5.00%	-2.00%	15.00%
Auto OEM	%	1.4%	0.8%	80.00%	100.00%	-15.00%	-5.00%	-2.00%	80.00%
COGS Assumptions			Adjustment Factor (+/-)						
COGS Margin			Average	Base Case	Best Case	Worst Case	wan - China VTrump Tariffs		Base Case
Fitness	%	41.4%	43.6%	-5.00%	-10.00%	2.00%	5.00%	1.00%	-5.00%
Outdoor	%	30.8%	32.4%	-5.00%	-10.00%	2.00%	5.00%	1.00%	-5.00%
Aviation & Avionics	%	21.0%	22.1%	-5.00%	-10.00%	2.00%	5.00%	1.00%	-5.00%
Marine	%	40.2%	42.3%	-5.00%	-10.00%	2.00%	5.00%	1.00%	-5.00%
Auto OEM	%	65.8%	69.3%	-5.00%	-25.00%	2.00%	5.00%	1.00%	-5.00%
Overheads Assumptions			Adjustment Factor (+/-)						
			Average	Base Case	Best Case	Worst Case	wan - China VTrump Tariffs		Base Case
SG&A as % of Sales	%	16.0%	18.8%	-15.00%	-25.00%	5.00%	-15.00%	-15.00%	-15.00%
R&D as % of Sales	%	20.8%	16.6%	25.00%	35.00%	5.00%	25.00%	25.00%	25.00%
Retained Earnings Assumptions			Adjustment Factor (+/-)						
			Average	Base Case	Best Case	Worst Case	wan - China VTrump Tariffs		Base Case
Dividends Payout Ratio	%	48.5%	48.5%	0.00%	-5.00%	1.00%	0.00%	0.00%	0.00%
Working Capital Assumptions			Adjustment Factor (+/-)						
			Average	Base Case	Best Case	Worst Case	wan - China VTrump Tariffs		Base Case
Inventory DOH	days	204	255	-20.00%	-25.00%	5.00%	-20.00%	-20.00%	-20%
Account Receivables DOH	days	48	56	-15.00%	-20.00%	5.00%	-15.00%	-15.00%	-15%
Prepaid Expenses DOH	days	45	60	-25.00%	-30.00%	5.00%	-25.00%	-25.00%	-25%
Accounts Payable DOH	days	62	52	20.00%	30.00%	-5.00%	20.00%	20.00%	20%
Current Unearned Revenue DOH	days	17	13	30.00%	35.00%	-5.00%	30.00%	30.00%	30%
Non - Current Unearned Revenue DOH	days	7	5.0	30.00%	35.00%	-5.00%	30.00%	30.00%	30%
Accrued Expenses DOH	days	79	66	20.00%	30.00%	-5.00%	20.00%	20.00%	20%
Other Balance Sheet Assumptions			Adjustment Factor (+/-)						
			Average	Base Case	Best Case	Worst Case	wan - China VTrump Tariffs		Base Case
Salaries & Benefits Payable DOH	days	40	40.0	0.00%	10.00%	-2.00%	0.00%	0.00%	0%
Other Non - Current Liabilities as % of Sales	%	0.8%	0.8%	0.00%	10.00%	-2.00%	0.00%	0.00%	0%
Short Term Investments as % of Sales	%	5.3%	5.3%	0.00%	-10.00%	2.00%	0.00%	0.00%	0%
Other Current Assets as % of Sales	%	0.3%	0.3%	0.00%	-10.00%	2.00%	0.00%	0.00%	0%
Long Term Investments as % of Sales	%	22.8%	22.8%	0.00%	-10.00%	2.00%	0.00%	0.00%	0%
Other Long term Assets as % of Sales	%	1.8%	1.8%	0.00%	-10.00%	2.00%	0.00%	0.00%	0%
Deferred Charges % of Sales	%	0.2%	0.2%	0.00%	-10.00%	2.00%	0.00%	0.00%	0%

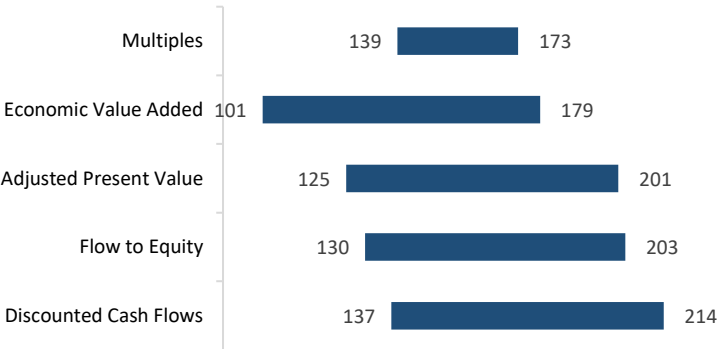
Appendix 6: Revenue Development



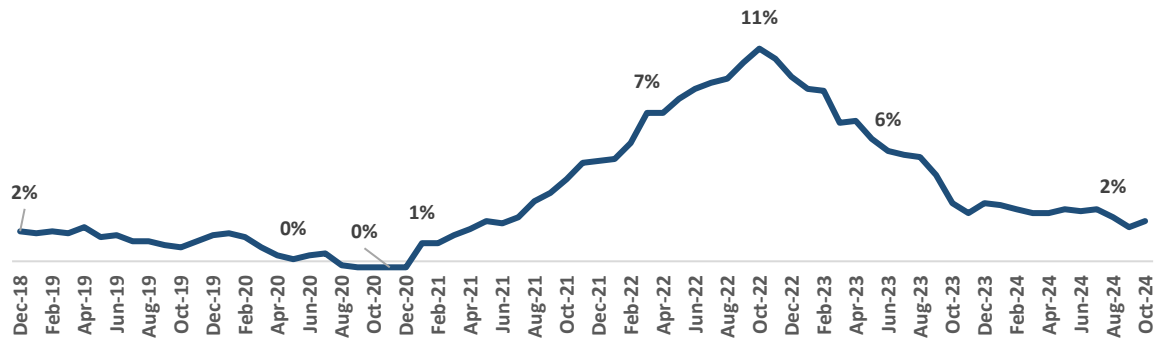
Appendix 7: Revenue Development by Region



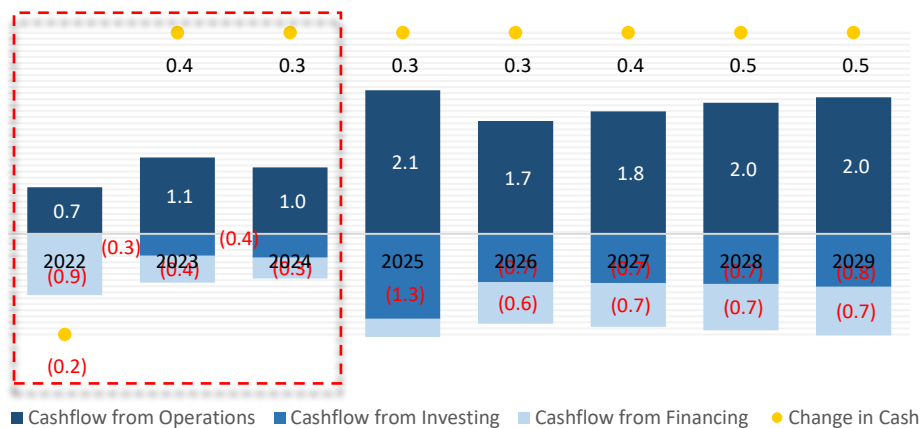
Appendix 8: Football-Field



Appendix 9: Inflation in the Eurozone



Appendix 10: Cash Flow Breakdown (\$ bn)



Disclosures and Disclaimers

Report Recommendations

Buy	Expected total return (including expected capital gains and expected dividend yield) of more than 10% over a 12-month period.
Hold	Expected total return (including expected capital gains and expected dividend yield) between 0% and 10% over a 12-month period.
Sell	Expected negative total return (including expected capital gains and expected dividend yield) over a 12-month period.

This report was prepared by Karim Hanna & Karim Matar, Master in Finance students of Nova School of Business and Economics (“Nova SBE”), within the context of the Field Lab – Equity Research.

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