February 9, 2012

Garmin Ltd.

February 9, 2012

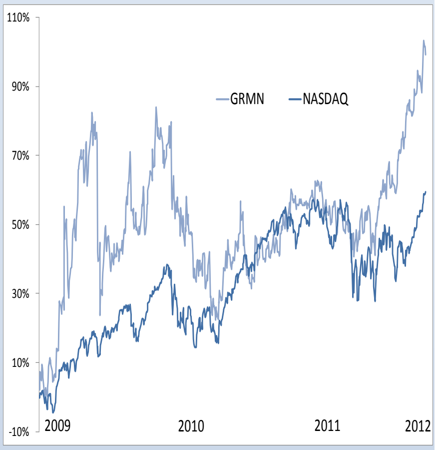


Chart shows GRMN against the NASDAQ. GRMN has outperformed the NASDAQ by over 40% since June 2009.

Market Profile ***(2/8/2012)***

52 Week Price Range	$29.23-$44.38
Average Daily Volume	1.1 Mil
Dividend Yield	3.70%
Payout Ratio (mrq)	48.0%
Shares Outstanding	196 Mil
Market Capitalization	$8.6 Bil
Institutional Holdings	38.6%
Insider Holdings	44.6%
Cash per Share	$7.54
Book Value per Share	$15.80
Debt to Total Capital	0%
FCF per Share	$3.98
Return on Equity (ttm)	16.5%

Competitors

Aviation: Honeywell, Rockwell-Collins,
Marine: FLIR, Navico, Johnson Outdoor
Auto: TomTom, Harmon, Continental
Fitness: Nike, TomTom, Polar

Sean O'Neill +1-913-206-1904
Jacob Painter +1-847-533-5767
John Pecis +1-785-213-7735
Thad Sieracki +1-530-848-1357

Ticker: ● NASDAQ: GRMN
Price: ● $43.48

Recommendation: ● SELL
Price Target: ● $38.00

Earnings/Share

	Mar./Q1	Jun./Q2	Sept./Q3	Dec./Q4	Year	P/E Ratio
2009A	$0.23	$0.79	$1.05	$1.38	$3.46	12.6x
2010A	0.19	0.67	1.40	0.67	2.94	14.9x
2011E	0.48	0.56	0.77	0.50	2.31	18.9x
2012E	0.57	0.70	0.64	0.59	2.49	17.5x

Auto OEM, Fitness growth won't make up for declining core PND segment

- **Secular decline in PNDs will continue, accelerate:**
  Although Garmin has established itself as one of only two major players in single-function personal navigation devices (PNDs), navigation-capable smartphones and tablets will continue to shrink mobile PND's addressable market. We forecast the industry will decline at an ~14 percent CAGR over the next four years due to strong growth in substitutable products like smartphone apps and in-dash navigation (see below). With Garmin's main engine sputtering, EBITDA will decrease by ~27 percent in FY2011. We see FY2012 EBITDA falling an additonal ~6 percent, largely driven by continued drops in Average Selling Prices (ASPs). We believe management's guidance on ASPs of flat to down 50 bps is a too aggressive in this environment. ASPs will more likely drop 50-100 bps in addition to unit sales declines in the mid-to-high single digits.

- **Auto OEM segment now in focus, but it won't provide enough incremental profits:**
  Garmin's IR team has done a terrific job of taking the focus off of its unattractive core segment and pushed a strong growth story, particularly in Infotainment. GRMN currently provides several OEM manufacturers with software packages at prices modestly higher than the mobile units, leading to 20 percent margins, but will launch the new infotainment console product (best new model at the 2012 CES show in Las Vegas) with a sticker price of ~$400-$500. We believe the ~40 percent increase in the share price over the last six months reflects too much upside for this new segment without discounting the integration and execution risks.

- **Fitness margins will fall with the entrance of and partnership between TomTom and Nike:**
  Garmin's Outdoor & Fitness segment is the industry leader, catering to a higher end niche customer base with few scalable competitors. Fitness, GRMN's fastest growing segment, has consistently maintained 62 percent gross margins over the past two years. Nike and TomTom have partnered to enter this market in Q42011 as a direct competitor to GRMN. Due to Nike's expertise in the area and few barriers to entry we forcast substaintal margin erosion moving forward, and forecast Fitness gross margins falling to 55 percent by FY2014. We cannot identify a natural growth area going forward to return the segment to its current levels of profitability.

- **Valuation too high for firm with declining markets, sales, and earnings**
  Current valuation—at 10.5x NTM EBITDA—is far too rich considering limited growth opportunities, declining sales, and declining EPS. Comparable companies are trading at an average of ~6.5x NTM EBITDA including TomTom, Harman Intl., Magellan, Alpine Electronics, and Johnson Outdoors. In our minds, Garmin outed itself as a value stock when it instituted a healthy dividend, which should result in further discounting of the current multiple.

`

Company Description

Garmin's Auto/Mobile segment still accounts for the majority of revenue, but that proportion is declining.

Garmin specializes in developing user-friendly software and hardware that utilizes GPS technology across several markets. The company currently operates in five business segments: Auto/Mobile, Aviation, Outdoor, Fitness and Marine. Auto/Mobile, Garmin's flagship segment, is undergoing a transformation as Garmin tries to break into the auto OEM market to compensate for the rapidly shrinking demand for PNDs.

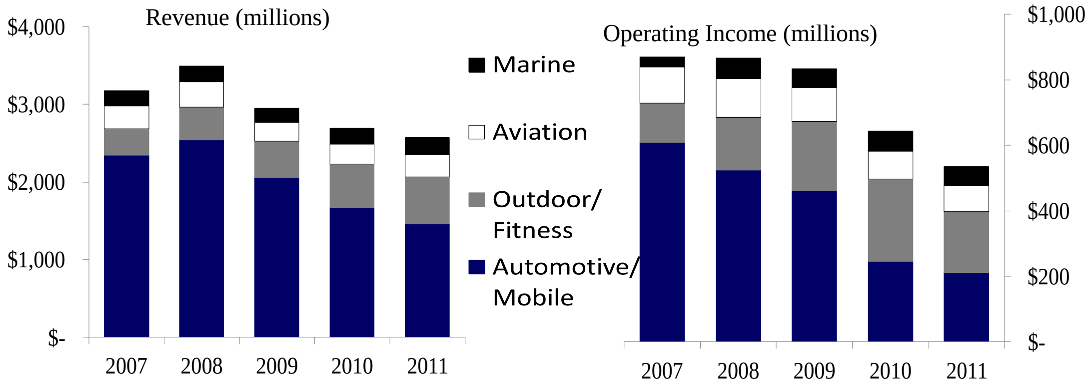


Figure 1

Garmin…then, now and the future

When Garmin was flying high in FY2007, it had $3.2 billion (bn) in revenue, with the Auto/Mobile segment contributing 74 percent, as well as 67 percent of the company's $912 mm of operating income. The company was running at 28.7 percent operating margins and R&D costs dropped to as low as 5 percent of revenues. In the two years that followed, the PND market dropped by 12.3 percent and Garmin failed spectacularly to break into the smartphone market.

Outdoor/Fitness will overtake the Auto/Mobile segment as the biggest contributor to operating income in FY2011.

Based on our current FY2011 estimates, Garmin's revenue will have dropped 19 percent from its high in 2008 to roughly $2.5 bn, with operating margin down into the low twenties, and R&D costs rising to over 10 percent of revenues (which is over double what it was in 2007 as a proportion of sales). The company's Auto/Mobile segment now accounts for only 57 percent of revenues and 40 percent of income. But Outdoor/Fitness has picked up some of the slack, with growing revenues and wide 20 percent operating margins. Combined Outdoor/Fitness now accounts for a greater share of operating income than Auto/Mobile. Marine has been growing market share and producing cash, while Aviation is dominating its current markets and looking to break into the small business jet market (which is costing the company in R&D expenditures). On the investor side, management has been playing up Garmin as the rare high-dividend-paying growth company.

Entry into Auto OEM /Infotainment is a question mark, as is the ability to defend the fitness market from product entry by the Nike/TomTom JV.

Garmin's revenue and operating income mix will continue to evolve over the next two years. Management is trying to get investors excited about the Auto OEM/Infotainment segment that it is breaking out from PND, although notwithstanding recent contracts for individual Chrysler and VW models, there is little visibility on their likelihood of being able to break Harman Intl's stranglehold on the OEM market. The company's Fitness business, thus far unchallenged by worthy competitors, will receive major downward pressure on both ASPs and market-share with the entry of a joint venture by Nike and TomTom. Marine, which has been growing market share, is being newly-challenged by Raymarine since FLIR acquired the troubled British marine electronics company. Finally, Aviation will either have successfully broken into the potentially lucrative business-jet market, or its major deployment of R&D to the segment will have been for naught.

INCOME STATEMENT

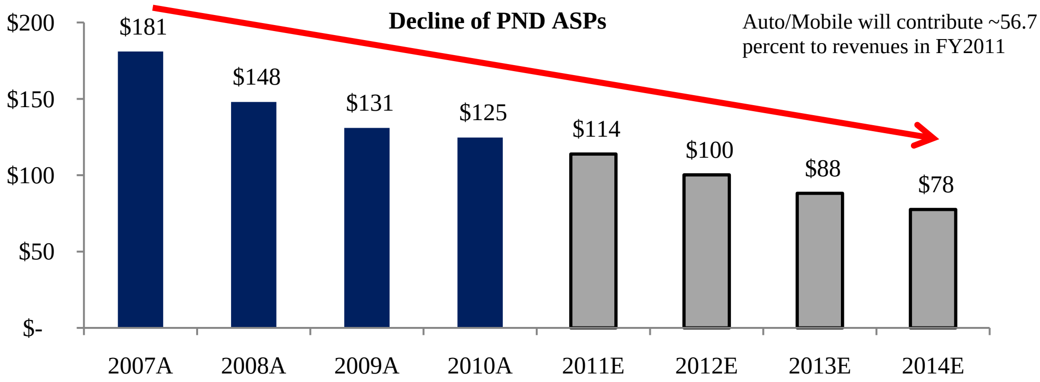
In Thousands	FY 2009A	FY 2010A	FY 2011E	FY 2012E	FY 2013E	FY 2014E	FY 2015E
Outdoor	$ -	$ 229,562	$ 339,858	$ 350,029	$ 355,191	$ 358,672	$ 362,187
Fitness	-	159,475	267,216	279,406	278,708	274,039	265,544
Marine	177,644	198,860	219,345	230,312	241,828	253,919	266,615
Automotive/Mobile	2,054,127	1,668,939	1,456,906	1,276,557	1,036,591	831,399	650,154
Infotainment	-	-	-	83,313	170,898	437,846	537,087
Aviation	245,745	262,520	286,652	298,374	321,319	344,923	369,760
Outdoor/Fitness	468,924	170,555	-	-	-	-	-
Total Revenue	2,946,440	2,689,911	2,569,977	2,517,990	2,404,535	2,500,799	2,451,348
COGS	1,502,329	1,343,536	1,361,679	1,255,441	1,235,221	1,325,802	1,297,801
Gross Income	1,444,111	1,346,375	1,208,297	1,262,549	1,169,314	1,174,997	1,153,547
Operating Expenses	658,100	709,698	747,974	759,768	730,979	767,745	752,564
Operating Income	786,011	636,677	460,324	502,781	438,335	407,251	400,983
Net Income	**703,950**	**584,605**	**453,284**	**387,418**	**414,649**	**387,761**	**382,591**

Segment Overview and Competitive Positioning

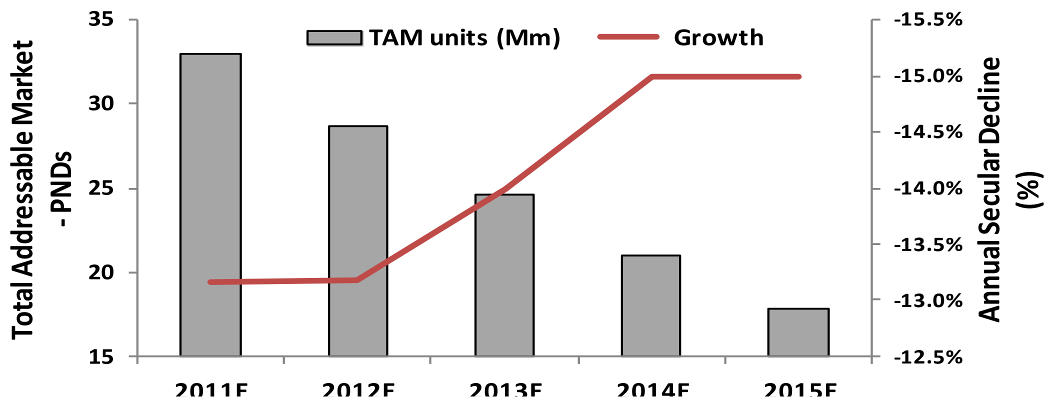
Garmin's unit sales peaked in FY2008 with over 14 mm; they have declined 16.8 percent to 11.7 mm in FY2011.

PNDs – Personal Navigation Devices

The personal navigation device market has passed the initial consolidation phase marking a concentrated and mature industry. Scale now dominates and three main players remain: Garmin, TomTom and Magellan. Combined, these companies hold more than 75 percent of the global market, with Garmin leading at 38 percent. Garmin has held market share by delivering a strong value proposition: sell simple, easy-to-use products with a better user experience. Garmin's unit sales peaked in FY2008 with over 14 mm PNDs sold. The subsequent decline in unit sales, 11.7 mm in FY2011, prompted new research and development projects into new product delivery channels, including smartphones. But experience has taught us that Garmin has been able to dominate market share in innovative product segments that they essentially created—such as PNDs and fitness watches—but they struggle to find and compete in product segments where they try to break in and compete from a reactionary position.



Longer term, Garmin is weakly-positioned in the supply-chain of two major inputs: maps and satellites. They do not own the maps that they use to power their software applications, having chosen instead to contract with Nokia's NAVTEQ. They also do not own unique rights to access the government-maintained satellites that make GPS possible. This reduces their defenses and adds risk to their future input costs.



While market uncertainty in PNDs, Garmin is now forced to defend a shrinking market and compete with substitutes, including smartphone and tablets applications. The low marginal cost to consumers using these devices for navigation are making PNDs a niche market.

PND								
	FY 2008	**FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
Revenue	$ 2,537,900	$ 2,054,100	$ 1,668,500	$ 1,458,900	$ 1,276,557	$ 1,036,591	$ 831,399	$ 650,154
Gross Margin	38.5%	41.7%	40.5%	33.6%	36.5%	37.9%	39.3%	40.6%
Operating Margin	20.7%	22.4%	14.7%	15.0%	15.0%	15.0%	14.0%	14.0%

In Auto OEM, Garmin is initially focusing efforts on US manufacturers to gain a market share foothold .

Auto OEM division

Garmin's relatively new automotive original equipment manufacturer (OEM) in-dash business is a natural fit for both their software and hardware offerings. During the last few years they have focused their efforts on providing software plugs for in-dash units built by other manufacturers. As a tier 2 supplier they have essentially been able to sell the PND product without needing to create the hardware component achieving 20 percent operating margins which are modestly higher than if they had merely sold it as a PND. Sales in FY2011 will come in around $125mm, which comes from their contracts with both the Volkswagen Up! model as well as a host of Chrysler brand models (including Jeep and Dodge).

The commoditization of map applications combined with the drive toward a more socially integrated vehicle experience will drive strong growth in the infotainment console industry. While we assume US auto production, where Garmin is focusing their efforts, output will trend with GDP growth of between 2-3 percent annually, the rate at which US autos will be produced with fully-integrated infotainment consoles, or in-dash navigation controls, will increase at a 10 percent CAGR through 2015. This growth will be driven by lower cost models which Garmin's innovative concept will address. The long (annual) sales cycle for OEMs launching new models effectively acts as a barrier to entry. Management's long-run operating margins guidance ranges from 10-15 percent which are inline with the strongest competitor in the space Harman International (Nasdaq: HAR). Other competitors include Continental, Bosch and Pioneer.

INFOTAINMENT	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Revenue	$ -	$ -	$ 63,440	$ 83,313	$ 147,305	$ 170,898	$ 437,846	$ 537,087
Gross Margin			20.0%	18.0%	30.0%	30.0%	25.0%	25.0%
Operating Margin			9.8%	11.5%	18.0%	18.0%	10.0%	10.0%

Outdoor Segment

Garmin produces consumer products for the avid hunter, hiker, or geocacher[1]. *Dakota* is GRMN's entry level product line providing built-in worldwide basemap, altimeter, compass and option to expand memory for customized maps. The *Oregon* line takes a step beyond the Dakota by adding a 3-inch color touch screen, 3.2 megapixel 4x zoom digital camera where each photo is automatically tagged to the exact spot it was taken. *Rino* is GRMN's two-way radio line with the higher end products including features of the Oregon line while adding a seven-channel weather receiver for increased information during long hikes. *GPSMAP 62* is GRMN's highest end product line. Its capabilities include wireless connectivity for route sharing and 100,000 preloaded topographic maps of the United States or 50,000 preloaded maps for devices sold in Canada. *Astro* is GRMN's GPS-enabled dog tracking system. At its maximum capacity Astro can handle up to 10 dogs on one handheld system while encompassing most of the other outdoor product line features. Outdoor gains its competitive advantage via addressable market size and low intensity of competition. We used geocaching.com's (leading industry online user interface) subscriber base of 4,000,000 to estimate market size attributing a 75 percent market share as guided by company management.

OUTDOOR	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Revenue			$ 229,562	$ 339,858	$ 350,029	$ 355,191	$ 358,672	$ 362,187
Gross Margin			67.1%	64.0%	62.0%	62.0%	62.0%	62.0%
Operating Margin			67.1%	38.7%	37.5%	36.9%	36.9%	36.9%

We believe the Nike and TomTom partnership will erode Garmin's massive 75 percent market share.

Fitness Segment

Garmin's Fitness segment is the company's fastest growing segment with 48 percent projected FY 2011 revenue growth. GRMN caters to a higher end niche market where its customers are typically more devoted competitors. GRMN's three product areas are golf, cycling, and running/triathlons. The *Approach* product line is an all inclusive electronic caddy including handheld devices with water proof screens, 14,000 preloaded golf courses, and new shot statistics tracking feature. During Q42010 GRMN released the S1, a golf watch with GPS capabilities to all previously available courses. *Edge Integrated Personal Training* has revolutionized how cyclists train. This product line has the capability to measure speed, distance, time, calories burned, climb and descent, altitude, heart rate, and peddling speed. Garmin gains product exposure by endorsing the United States Cycling Team, providing them with the most technologically advanced products on the market. Lastly, GRMN's *Forerunner* line goes beyond providing basic data to uploading workout statistics to a computer interface so runs can be tracked by a wrist-worn GPS enabled device. Historical training data can be used to create a *Virtual Partner* to push its customers to new milestones. As

[1] *Geocaching: an outdoor sporting activity in which participants use GPS or other navigations techniques to hide and seek containers, called "geocahces", anywhere in the world. GRMN currently stands as the industry leader, though market size is much smaller than anticipated its customer base has proven to be some of the companies most loyal.*

the Nike Tom Tom partnership enter this space in Q42011 we expect GRMN to suffer due to its customer base finding more readily avlaible alternatives, lowering their pricing power. For GRMN to keep its market share it will need to attempt to compete with Nike's advertising budget of $2.5 bn in FY 2010 causing advertsing margin to move from 6.5 percent in FY2010 to 12.5 percent in FY 2011.

GRMN recently introduced the *GTU-10 GPS Trackers*. This new product line focuses on child, pet, and property safety by combining a web-based tracking service with GPS to track location. This service can be accessed via phone or internet. We see low value created by this line as cellular devices have eroded the majority of the growth prospects in this market.

FITNESS	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Revenue			$ 159,475	$ 267,216	$ 279,406	$ 278,708	$ 274,039	$ 265,544
Gross Margin			61.3%	58.0%	58.0%	55.0%	52.0%	50.0%
Operating Margin			61.3%	20.5%	19.7%	17.8%	16.0%	14.8%

The general aviation market is forecasted to grow at 1 percent per year, and the retrofit market is predicted to decline by over 30 percent by FY2018.

Aviation Segment

Garmin competes predominately in the general aviation market with plans to expand into commercial aviation in the future. In the general aviation market, Garmin outperforms all competitors in both retrofit and OEM segments. In the retrofit segment Garmin commands a greater than 80 percent market share and in the OEM segment they have over 70 percent market share. However, these markets are shrinking: according to the General Aviation Manufacturers Association (GAMA) reported that shipments were down nearly 10 percent in FY2011[2] and and the Federal Aviation Administration (FAA) predicts stagnant growth rates for the market, citing economic decline as the main factor.[3] The industry trend has been shifting toward the retrofit market but this market is predicted to decline by over 30 percent by FY2018 due to market saturation and the economics of upgrading aging platforms.[4] This trend will challenge Garmin's revenues and profits from the general aviation market as well as its smaller competitors including Aspen, Avidyne, and L3 Avionics.

Garmin is responding to these trends by increasing R&D spending to expand into the larger commercial aviation market. However, this will prove difficult as they run into stiff competition from large entrenched companies such as Honeywell, Rockwell Collins, and Meggitt. This venture into the commercial aviation market is unlikely to unseat these larger companies and will cost Garmin as they continue to burn through cash.

AVIATION	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Revenue	$ 323,406	$ 245,745	$ 262,520	$ 286,614	$ 298,374	$ 321,319	$344,923	$369,760
Gross Margin	67.3%	69.2%	70.2%	67.5%	68.0%	68.0%	68.0%	68.0%
Operating Margin	36.3%	23.7%	27.5%	27.3%	28.3%	28.9%	28.9%	29.0%

Garmin has been gaining market share marine electronics and now holds a 15 percent share.

Marine Segment

Garmine's Marine segment competes mostly within the highly variable (follows the housing market) consumer electronics subset of the $1.8 bn global marine electronics market. Low-priced (<$100 ASP) fishfinders account for approximately 65 percent of their unit sales and 20 percent of their revenue. Higher-priced navigation systems and in-dash displays account for the rest of their marine revenue, with a recent deal with Bayliner bringing OEM to 10 percent of the segment's total revenues of $230 mm in 2011.

Garmin has been picking up market share in the navigation and in-dash markets, where the company competes most directly with FLIR's Raymarine and Navico's Lowrance. Furuno is the other major player and is solidly entrenched in the commercial side of the market markets. In the fishfinder subsegment, Garmin competes best in the lower-end as they have been slow to develop the sidescan technology offered by top-of-the-line units. Their main competitors here are Lowrance and Johnson Outdoor's Humminbird division.

MARINE	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Revenue	$ 204,477	$ 177,644	$ 198,860	$ 219,345	$ 230,312	$ 241,828	$253,919	$266,615
Gross Margin	54.5%	59.2%	62.7%	57.6%	55.0%	55.0%	55.0%	55.0%
Operating Margin	31.3%	32.3%	31.4%	26.7%	25.0%	25.0%	25.0%	25.0%

[2] GAMA General Aviation Statistical Databook & Industry Outlook
[3] FAA 2011-2031 Aerospace Forecast
[4] According to G2 solutions

Investment Highlights

Growth in product substitutes will drive PND ASPs to decline by an 12 percent CAGR through FY2015.

Disruptive technologies continue driving secular decline in PNDs
Disruptive technologies, such as smartphones and tablets that also have GPS capabilities, create a more convenient and affordable form of navigation. Smartphones, in particular, already come GPS-enabled with map software that is free or a fraction of the price of a PND unit. Applications for smartphones and tablets range from $0-$50 which will accelerate the ASP decline. Growth of these substitutes will drive PND ASPs to decline by an 12 percent CAGR through FY2015. Although Garmin and their competitors have yet to saturate emerging markets, the adoption of cheaper smartphone technology sets a lower ceiling on the addressable market year on year.

Auto OEM segment now in focus, but it won't provide enough incremental profits

Garmin successfully hired a former HAR executive, Matthew Munn, as well as opening a Detroit office over the last 12 months to appeal to the US OEMs. Garmin's ability to provide a superior user experience at a relatively low cost will drive uptake/attachment rates on options as they have already seen upwards of 30 percent in the Chrysler models. Strategic alliances with Kenwood and Panasonic may seem impressive, but we see likely integration and execution risks as nearly all initial products suffer from. Infotainment ASPs are between $400-$500 over the near term although no material contracts are believed to provide revenues until FY2014. We see the combination of the software plugs and infotainment console packages averaging out to $250 and $225 in FY2014 and FY2015.

Disruptive technologies will likely devastate Garmin's long-term growth strategy in Auto OEM.

Another disruptive technology that we see possibly changing the Auto OEM market dynamic could come from a simple in-dash mounting bracket for the IPad, or other tablet device, allowing users to access navigation apps without use of either a PND or in-dash manufactured product. We see this as a huge value for consumers utilizing existing products with more functionality and mobility. This will likely devastate Garmin's long-term growth strategy from this new segment which will not provide enough incremental profits to make up for the major declines in operating income from the core PND segment.

Fitness margins will fall with the entrance and partnership of TomTom and Nike
Garmin has benefitted from changing consumer behavior moving towards a more health conscious culture. In 2008, 16 percent of US citizens 15 years and older engaged in some form of physical activity on a daily basis[5]. Of that group 54 percent devote 30 minutes to an hour and a half per day to exercise[6].

Garmin faces Nike's advertising muscle of over $2.5bn

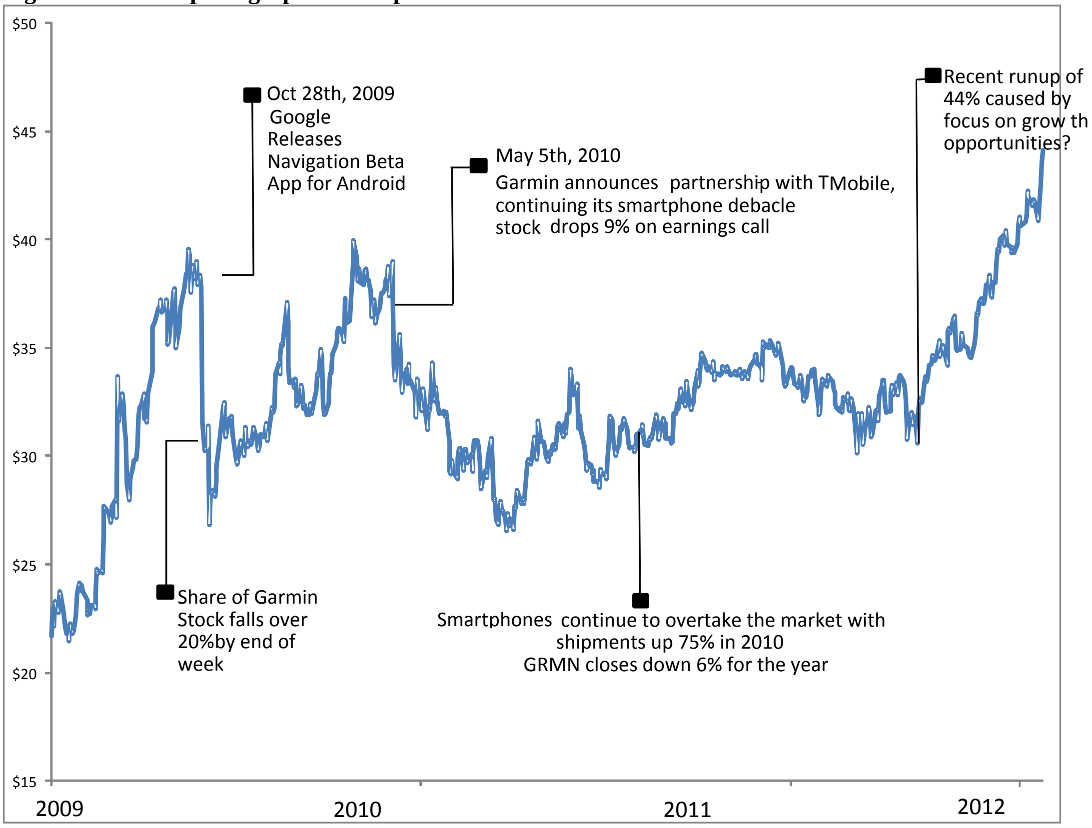
Historically GRMN has been able to control a market when it is the industry innovator and first entrant into the space. We believe fitness will play out differently than the success its auto segment had in the PND space considering the competitive environment surrounding them. Nikes recent partnership with Tom Tom to bring a GPS enabled watch to consumers will slash GRMN's segment EBIT margin from 23 percent Q32011 to 19 percent FY2013 eroding its profitability for multiple reasons. First, Nike has revolutionzed the fitness industry and has many decades of experience in incorporating new concpets into its product lines. Second, we believe GRMN will address high segment ASPs ($221 Q32011) by lowering average pricing points 8 percent by FY2012 to make its product more competitive to Nike's $200 product. Third, we project fitness spending $19.53mm on advertising in FY2011 vs. Nike's $2.5 bn advertising budget. Once a marketing campaign is launched feauturing there new product there will be little GRMN can do to stop a substaintial loss of market share. We agree, GRMN has had success expanding into other areas like cycling to add to potiential future growth. Going forward we don't see a clear growth opportunity for GRMN to take advtanage with so few competitors. Lacking aggressive growth we believe this segment will underperform company and shareholder expectations with segmented revenue growth falling dramatically to 4.6 percent YoY for FY2012 as GRMN struggles to find ways to identify itself as a brand name in the marketplace.

We applaud GRMN for their ability to produce industry leading products and being the best in customer service time and time again. With the goliath of Nike looming on the horizon we think the street has overestimated the potiential growth sustainability for this segment.

[5] US Beureau of Labor Statistics – Sports & Exercise *(May 2008)*
[6] *US Beureau of Labor Statistics – Sports & Exercise (May 2008)*

Garmin has outperformed the NASDAQ by 44% in FY2011.

Figure 1: Garmin price graph with important historical dates



Source: Historical price dates provided by Bloomberg

The above graph shows GRMN stock price history since June 1st, 2009. Shown above are effects on the stock price due to historical events. Included are the release of Google Inc.'s Navigation Beta app, which sent the stock down over 20 percent by the end of the week. Also included is Garmin's ill fated venture into the smartphone industry and the decline in Garmin's stock due to the rapid adoption of smartphones and particularly free applications that contain mapping functions. Lastly, the recent 40 percent rise in Garmin's stock price is unwarranted based on our analysis, yet we attribute it to the street overhyping growth stemming from innovation in the Infotainment segment.

Financial Analysis

Income Statement & Earnings

Declining ASP's in Auto/Mobile & Fitness will erode margins 35 percent by FY2015

We believe Garmin's future earnings to be in jeopardy due to revenue growth decline through FY2015 and cost margins steadily rising. Through FY 2013 we believe GRMN will slightly grow EPS ~$0.03 vs. FY2013 to FY2015 taking a hit of ~$0.18 as its higher growth revenue segments subside.

We are forecasting revenue growth and gross profit through each segment before aggregating operating costs (Advertising, SGA and R&D) into operating income. Therefore unit sales and gross margins were the key drivers of our analysis. As mentioned in the segment overviews, margins have topped out for most all segments, putting the onus on unit sales growth. We project Auto/Mobile revenues to decline by 15 percent and 22.3 percent in FY2012 and FY2013 respectively. We have broken out the Infotainment division of the Auto/Mobile segment to show incremental differences once the become material in 2014. This is also due to the major difference in ASPs and margins compared to the rest of Auto/Mobile.

Total Revenue will decline from $2.6 bn in FY2011 to $2.5 bn in FY2012. Although revenue growth will return in FY2014 with the booking of Infotainment sales, operating income will continue its decline. FY 2012 operating income will grow 18 percent from $522 mm to $616 mm.

GEOGRAPHIC REVENUE	FY 2009A	FY 2010A
North America	$ 767,696	$ 537,214
Asia	45,074	65,884
Europe	246,613	234,617
Total Revenues	$ 1,059,383	$ 837,715

Fundamentally Garmin will perform well in FY2012 as the deferred revenue cycle will mature allowing more revenue to become recognized of which cash has already been received in prior years. This will also trickle

Operating margins will have dropped 10 percentage points by 2015 from their high in 2009.

down to the bottom line driving EPS growth of 12.7 percent over FY2011 EPS of $2.60. Earnings will erode though as margins pare down through increased competition in their growth markets. But technically these cosmetic effects of GAAP should not sway our recommendation since the cash has already been received. We are much more concerned with their ability to maintain free cash flow to finance innovation through R&D, as well as maintain the dividend that will start to define the company as a value stock instead of a growth company.

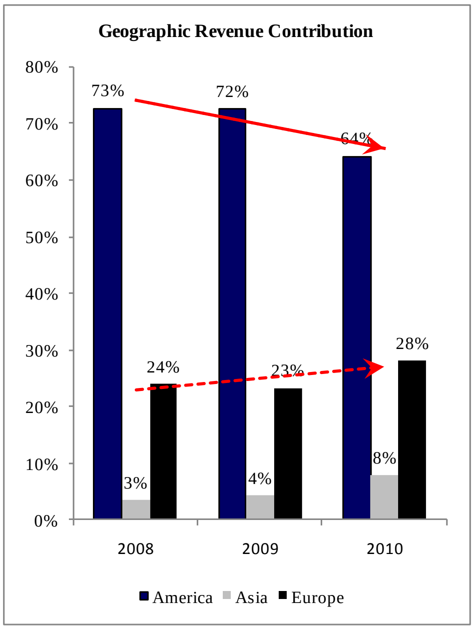
MARGIN ANALYSIS							
	FY 2009A	FY 2010A	FY 2011E	FY 2012E	FY 2013E	FY 2014E	FY 2015E
COGS Margin	51.0%	49.9%	53.0%	49.9%	54.7%	57.9%	54.4%
Gross Margin	49.0%	50.1%	47.0%	46.8%	48.6%	47.0%	47.1%
Advertising Margin	5.3%	5.4%	5.0%	4.9%	4.9%	5.2%	5.2%
Selling, General, & Admin Margin	9.0%	10.7%	13.2%	14.0%	14.0%	14.0%	14.0%
R & D Margin	8.1%	10.3%	11.0%	11.3%	11.5%	11.5%	11.5%
Operating Margin	26.7%	23.7%	17.9%	16.7%	18.2%	16.3%	16.4%
Profit Margin	**23.9%**	**21.7%**	**17.6%**	**15.4%**	**17.2%**	**15.5%**	**15.6%**

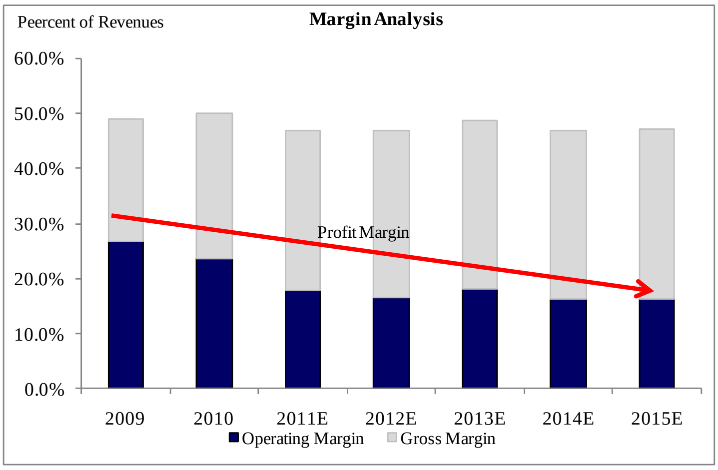
Cash Flow / Free Cash Flow

Lack of free cash flow will not be a threat to Garmin anytime into the forseeable future. With no debt to pay down, consistently profitable business segments, and cash balance of $7.54 per share Garmin will have no problem covering operations expenses and acquisitions with their $3.84 FCF per share. Garmin's only threat to consistent cash flows is material volatility in exchange rates with 11.2 percent of Q42010 revenues coming from Asia and 33.6 percent coming from Europe. Management doesn't imploy capital to hedging, with tail risk from European headlines over the medium term this could potientially cause unexpected material losses. We don't foresee this issue having the scale to cause Garmin problems with FY2012 to FY2015 16.9 percent forecasted FCF growth.

Balance Sheet & Financing

Garmin is in excellent financial position to compete in any market environment. GRMN's management has historically never relied on leverage to finance capital projects within the company, having $0 long-term debt outstanding since 2006. The companies cash balance implies the opportunity for expansionary strategic aquistions going forward with projected $1.89 bn cash in FY2011. Most recent acquisitions include navigation provider Navigon AG, leading dog training provider Tri-Tronics, and South African mobile applications provider Garmap for an aggregate amount of $68.0 mm. GRMN has kept acquistions in the modest $15-$30 mm range. GRMN currently has sufficient resources to cover future capital inlays without financing the acquisition, opting to use free cash flows to finance both R&D programs and acquisitions. Behind acquisitions, management has made shareholders second priority in the capital lien, currently planning to distribute dividends and buy back shares during throughout FY2012. We forecast an 36.7 percent increase in FY2012 dividends increasing to $1.64 per share. Over the same time period we feel management will put capital to work buying back ~4.0 percent of outsanding shares ending the year at 189.3 mm shares.





Valuation

Sum-of-parts valuation implies $38 twelve-month price target
We feel that a sum-of-parts valuation is the most accurate way to price Garmin. Although each segment is similar in terms of development and production of their products, Garmin sells those end products to very different markets with very different competitive landscapes. A sum-of-parts method allows us to account for those differences in our valuation.

Auto/Mobile Valuation			
(in $ per share)	times NTM EBITDA		
	6.0x	7.0x	8.0x
Bear	$ 5.48	$ 6.39	$ 7.30
Base	$ 5.92	$ 6.90	$ 7.89
Bull	$ 6.37	$ 7.44	$ 8.50

Auto/Mobile Valuation
Since the PND segment has a pure play competitor in TomTom, we used an EBIT multiple of 7x FY2012 operating income of $1.34 bn to come to a segment value of $6.90 per share. Since this segment is declining year-on-year, we confirm this multiple as a below average consumer electronics market multiple, although it is a premium to TomTom.

Auto OEM Valuation			
(in $ per share)	Terminal Growth Rate		
	0.5%	1.0%	2.0%
Bear	$ 2.23	$ 2.37	$ 2.68
Base	$ 2.70	$ 2.86	$ 3.25
Bull	$ 3.18	$ 3.36	$ 3.82

Auto OEM Valuation
We arrived at a $2.86/share for the new Auto OEM segment using a DCF valuation method. We assume they will take market share from 17 percent of US in-dash navigation market to 25 percent by FY2015. We discounted the operating income back at the 8.95 percent WACC with a terminal growth rate of 1 percent reflecting the limited growth prospects outlined above. It should be noted that we were rather aggressive in projecting market share to make the point that the incremental operating income will not provide enough offsetting profits to justify the current valuation.

Aviation Valuation			
(in $ per share)	Terminal Growth Rate		
	0%	0.50%	1.00%
Bear	$ 4.67	$ 4.88	$ 5.13
Base	$ 5.97	$ 6.25	$ 6.57
Bull	$ 7.45	$ 7.81	$ 8.21

Aviation Valuation
We arrived at a $6.25/share valuation for the aviation industry using a DCF valuation method. The valuation assumes that the general aviation market will grow at a rate of 1 percent and Garmin's market share will grow 1 percent on top of this as they move into the larger business jet market. This growth will drive aviation revenues as the company moves forward. A terminal growth rate of 0.5 percent was used to reflect the decline in the retrofit market and a 8.95 percent WACC was used to discount the cash flows.

Outdoor/Fitness Valuation			
(in $ per share)	Combined Growth Terminal Growth Rate		
	1%	2.50%	3.50%
Bear	$ 7.71	$ 8.17	$ 8.30
Base	$ 11.61	$ 12.33	$ 12.51
Bull	$ 20.93	$ 22.48	$ 23.02

Outdoor/Fitness Valuation
To value the Garmin Outdoor/Fitness segment we used a discounted EBIT sum-of-the-Parts assuming a 8.95 percent WACC, 1.0 percent Outdoor terminal growth rate, and 1.5 percent Fitness terminal growth rate to account for relatively higher future growth prospects. We forecasted Outdoor and Fitness unit sales growth and change in ASP to reflect new entrants in the competitive environment around the two business segements. We believe the Outdoor segment to be valued at $9.06 and the Fitness segment at $3.20 to reflect the Nike/TomTom partnership eroding pricing power with Outdoor ASPs rising at 2.0 percent per year until FY2015 and Fitness ASPs falling at 2.0 percent in FY2011 and a 5.0 percent CAGR until FY2015.

Marine Valuation			
	times NTM EBITDA		
(in $ per share)	7.0x	8.4x	9.0x
Bear	$1.82	$2.19	$2.34
Base	$2.36	$2.83	$3.04
Bull	$2.58	$3.10	$3.32

Marine
The marine segment has several close deal and public comparables. We use an 8.4x forward EBITDA multiple to value the segment, which is the same multiple implied by Lowrance's merger with Nimrad in 2006. Despite its age, this fits well with the other comparables. Garmin deserves a significant premium to Johnson Outdoors (JOUT), which carries a 4.3x forward EBITDA multiple, due to its broader product line and potential for full-dash and OEM. Raymarine was acquired by FLIR in late FY2010 with a 9.3x forward multiple, which represents a small premium because FLIR was largely interested in acquiring Raymarine's distribution channels. Lowrance, on the other hand, has similar product mix and market share as Garmin. Using Lowrance's 8.4x forward EBITDA multiple, we value Garmin's marine segment at $2.84 per share ($65 mm EBITDA x 8.4/196 mm shares) .

Sum-of-the-Parts Wrap-Up
Using a combination of DCF and comparable analysis, we value Garmin at $38.56, with the greatest contribution from outdoor ($9.06 per share) and cash ($7.54 per share). If bear scenarios were to play out for each of the segments, this valuation could fall as low as $31.42, while bull scenarios could lead to a run-up to $51.47. We believe it is more likely that the company realize the bear or bull scenarios in two of their segments. In a "2-bear" (aviation and outdoor) scenario, the company could fall as low as $33.89, while a "2-bull" scenario (fitness and outdoor) could put the company's value as high as $44.65. Thus we give a price target of $38.00 with $9.59 of downside risk and $5.17 of downside.

Other valuation methods

We used several other valuation methods using the entire company to confirm our sum-of-parts valuation estimates, including relative valuation, DCF, P/E, and P/S. The relative valuation used a 8x 2012 EBITDA multiple, which is a premium to its comparables TomTom, Harman, and Johnson Outdoors. One of our DCF valuations assumed a terminal growth rate of 0.5 percent after FY2015, while the other used a 8x EBITDA exit multiple. Each used a 8.95 percent discount rate, which we feel is generous for a company that is depending on growth into new, defended markets to make up for its declining core. The P/E valuation uses a 12.2x FY2012 EPS. Depending on the valuation method, Garmin is currently has between 2.4 percent upside and 37.0 percent downside, and the average of these price targets is 15.85 percent lower than the current price. The consistency of diverse valuation methods reinforce our SELL recommendation.

SOTP VALUATION				
		Price Targets		
In Thousands	EBITDA 2011 (Base)	Bear	Base	Bull
Outdoor	$ 141,003	$ 5.73	$ 9.06	$ 13.38
Fitness	60,787	2.39	3.20	8.96
Marine	71,070	2.20	2.85	3.10
Auto/Mobile	1,641,263	6.39	6.90	7.44
Infotainment	14,996	2.37	2.86	3.36
Aviation	78,262	4.81	6.15	7.69
Cash	1,462,190	7.54	7.54	7.54
SOTP Price Target		**$ 31.42**	**$ 38.56**	**$ 51.47**
Price *2/9/2012	**$ 43.48**	% over/under valued		
Shares Out.	197.200	-28.4%	-12.1%	17.4%

Other Valuation Methods			
Method and Price Target			**+/- from Current Price**
Relative Valuation (8**x** 2012E EBITDA)	$	31.77	-27.3%
DCF- Implied Terminal Growth of 0.5%	$	44.78	2.4%
DCF- Using 8x 2015E EBITDA exit mult.	$	32.28	-26.2%
P/E Valuation (**12.2x** 2012E EPS)	$	30.41	-30.4%
DDM (3% growth)	$	27.56	-37.0%
P/Sales Valuation (2.36x 2012 Sales)	$	30.56	-30.1%
Average Target Price	$	32.00	-26.8%

Insider and Institutional Ownership Structure

Executives and insiders own a substantial chunk of the shares that limits the float available for trade. Short interest on this stock has ebbed and flowed since the recession took hold in FY2008 between 8-14 percent. Currently it is in a trough as the last six months have seen significant price appreciation (~40 percent). We believe short interest will begin to return to normal levels in the next few months as Garmin's valuation has become overstretched, this is also evidenced by the unusual amount of put buying since Jan 1.

Investment Risks

Risks to our SELL recommendation include:

Garmin captures greater market share in Auto OEM. Our analysis has assumed Garmin captures a generous portion of automotive infotainment systems in the OEM market come FY2014 tied to an ability to execute and fully integrate through strategic alliances that are not completely proven yet . If they were to execute as management is guiding toward, then Garmin could outperform our rating.

We have underestimated the conservativeness of Garmin's revenue recognition. When Garmin began offering lifetime maps with its PND products, it was forced to adjust its revenue recognition for PNDs. There is still not perfect visibility on the effect this had on Garmin's PND segment. If it turns out that Garmin's revenue recognition method is more conservative than we believe it to be, Garmin's revenues and margins could exceed our projections and our rating could prove too negative.

Garmin maintains margins in outdoor/fitness segments. We believe that Garmin has taken the low-hanging fruit in outdoor/fitness and that the introduction of new competitors, as well as a shift downmarket, will substantially hurt their margins in the segment. If Garmin continues to develop innovative products that sell at high margins in outdoor/fitness, our projections could be too pessimistic.

Garmin successfully enters new aviation markets. Garmin has successfully dominated its market in aviation. While we believe Garmin will move into the larger business jet market, but we do not foresee Garmin taking the same market share their as in their current, smaller-plane markets. Also, we do not predict Garmin to have a significant market share in the cargo and commercial aviation market. If Garmin does capture the lion's share of the cargo and commercial aviation markets, our projections could fall short of Garmin's actual future growth.

Garmin acquires a map-making company. Since Garmin does not own any of the maps that they package and resell in their products, they are subject to business risks including pricing driven by a concentrated market. If they bought one of these companies, likely NAVTEQ, then the vertical integration strategy would be more complete enhancing value.

Figure 1: Income Statement

INCOME STATEMENT - GARMIN (GRMN)																
In Millions $	FY 2008A	FY 2009A	FY 2010A	Q1 2011A	Q2 2011A	Q3 2011A	Q4 2011E	FY 2011E	Q1 2012E	Q2 2012E	Q3 2012E	Q4 2012E	FY 2012E	FY 2013E	FY 2014E	FY 2015E
Revenues																
Outdoor	-	-	229,562	66,450	81,007	94,720	97,681	339,858	68,919	84,407	97,580	99,122	350,029	355,191	358,672	362,187
Fitness	-	-	159,475	56,367	78,014	69,030	63,805	267,216	58,969	81,672	72,089	66,676	279,406	278,708	274,039	265,544
Marine	204,477	177,644	198,860	51,308	79,117	48,055	40,865	219,345	53,873	83,073	50,458	42,908	230,312	241,828	253,919	266,615
Automotive/Mobile	2,538,411	2,054,127	1,668,939	264,550	362,706	384,150	445,500	1,456,906	213,665	359,015	317,897	385,981	1,276,557	1,036,591	831,399	650,154
Infotainment	-	-	-	-	-	-	-	-	83,313	-	-	-	83,313	170,898	437,846	537,087
Aviation	323,406	245,745	262,520	69,159	73,255	71,038	73,200	286,652	74,491	74,559	74,628	74,696	298,374	321,319	344,923	369,760
Outdoor/Fitness	427,784	468,924	170,555	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenue	**3,494,078**	**2,946,440**	**2,689,911**	**507,834**	**674,099**	**666,993**	**721,051**	**2,569,977**	**553,230**	**682,726**	**612,652**	**669,383**	**2,517,990**	**2,404,535**	**2,500,799**	**2,451,348**
Outdoor	-	-	(75,448)	(25,097)	(28,059)	(32,333)	(35,165)	(120,654)	(24,811)	(31,231)	(36,105)	(36,675)	(128,821)	(134,973)	(136,295)	(137,631)
Fitness	-	-	(61,746)	(22,575)	(32,512)	(27,554)	(26,798)	(109,439)	(24,767)	(34,302)	(30,278)	(28,004)	(117,351)	(125,419)	(131,539)	(132,772)
Marine	(38,450)	(72,429)	(74,211)	(18,110)	(34,909)	(21,677)	(18,389)	(93,085)	(24,243)	(37,383)	(22,706)	(19,309)	(103,641)	(108,823)	(114,264)	(119,977)
Automotive/Mobile	(916,688)	(1,192,226)	(995,986)	(181,999)	(233,918)	(217,209)	(312,336)	(945,462)	(146,804)	(219,769)	(187,211)	(256,365)	(810,149)	(643,557)	(504,944)	(386,283)
Infotainment	-	-	-	-	-	-	-	-	-	-	-	-	-	(119,629)	(328,384)	(402,815)
Aviation	(50,449)	(75,591)	(78,204)	(21,679)	(22,601)	(23,889)	(24,870)	(93,039)	(23,837)	(23,859)	(23,881)	(23,903)	(95,480)	(102,822)	(110,375)	(118,323)
Outdoor/Fitness	(96,743)	(162,083)	(57,942)	-	-	-	-	-	-	-	-	-	-	-	-	-
Cost Of Goods Sold	**(1,940,562)**	**(1,502,329)**	**(1,343,536)**	**(269,460)**	**(351,999)**	**(322,662)**	**(417,558)**	**(1,361,679)**	**(244,462)**	**(346,544)**	**(300,180)**	**(364,256)**	**(1,255,441)**	**(1,235,221)**	**(1,325,802)**	**(1,297,801)**
Outdoor	-	-	154,114	41,353	52,948	62,387	62,516	219,204	44,108	53,177	61,476	62,447	221,207	220,219	222,377	224,556
Fitness	-	-	97,729	33,792	45,502	41,476	37,007	157,777	34,202	47,370	41,812	38,672	162,056	153,289	142,501	132,772
Marine	38,843	105,215	124,649	33,198	44,208	26,378	22,476	126,260	29,630	45,690	27,752	23,600	126,672	133,005	139,656	146,638
Automotive/Mobile	537,981	861,901	672,953	82,551	128,788	166,941	133,164	511,444	66,861	139,245	130,686	129,616	466,408	393,034	326,455	263,872
Infotainment	-	-	-	-	-	-	-	-	-	-	-	-		51,269	109,461	134,272
Aviation	98,049	170,154	184,316	47,480	50,654	47,149	48,330	193,613	50,654	50,700	50,747	50,793	202,894	218,497	234,548	251,437
Outdoor/Fitness	141,399	306,841	112,613	-	-	-	-	-	-	-	-	-	-	-	-	-
Gross Profit	**1,553,516**	**1,444,111**	**1,346,375**	**238,374**	**322,100**	**344,331**	**303,492**	**1,208,297**	**308,768**	**336,182**	**312,472**	**305,127**	**1,179,237**	**1,169,314**	**1,174,997**	**1,153,547**
Advertising Expense	(208,177)	(155,522)	(144,612)	(19,956)	(34,098)	(35,310)	(38,216)	(127,580)	(21,576)	(34,819)	(32,471)	(34,808)	(123,673)	(117,822)	(130,042)	(127,470)
Selling General & Admin Exp.	(277,213)	(264,202)	(287,825)	(73,187)	(85,896)	(88,751)	(90,852)	(338,686)	(92,943)	(87,389)	(83,933)	(87,689)	(351,954)	(336,635)	(350,112)	(343,189)
R & D Exp.	(206,109)	(238,376)	(277,261)	(70,478)	(70,515)	(72,936)	(67,779)	(281,708)	(76,899)	(71,686)	(68,617)	(66,938)	(284,140)	(276,522)	(287,592)	(281,905)
Total Operating Expense	**(691,499)**	**(658,100)**	**(709,698)**	**(163,621)**	**(190,509)**	**(196,997)**	**(196,847)**	**(747,974)**	**(191,417)**	**(193,894)**	**(185,021)**	**(189,435)**	**(759,768)**	**(730,979)**	**(767,745)**	**(752,564)**
Operating Income	**862,017**	**786,011**	**636,677**	**74,753**	**131,591**	**147,334**	**106,646**	**460,324**	**117,351**	**142,288**	**127,451**	**115,692**	**419,469**	**438,335**	**407,251**	**400,983**
Interest Expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest Income	35,268	23,691	25,017	7,214	7,639	8,464	8,582	31,899	8,668	8,755	8,843	8,931	35,197	35,549	35,904	36,263
Gain/(Loss) on Sale of Marketable Securities	-	2,850	805	-	-	-	-	-	-	-	-	-	-	-	-	-
Gain on Sale of Equity Securities	45,686	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Foreign Currency Gains/(Loss)	(35,286)	(6,040)	(88,378)	12,140	(14,611)	14,893	-	12,422	-	-	-	-	-	-	-	-
Other Income/Expenses	6,680	2,140	3,152	2,819	2,453	4,345	-	9,617	-	-	-	-	-	-	-	-
Other Income/Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Other Income/(Expenses)	**52,348**	**22,641**	**(59,404)**	**22,173**	**(4,519)**	**27,702**	**8,582**	**53,938**	**8,668**	**8,755**	**8,843**	**8,931**	**35,197**	**35,549**	**35,904**	**36,263**
Income Before Taxes	**914,365**	**808,652**	**577,273**	**96,926**	**127,072**	**175,036**	**115,228**	**514,262**	**126,019**	**151,043**	**136,294**	**124,623**	**454,666**	**473,884**	**443,156**	**437,247**
Income Tax/(Benefit)	(181,516)	(104,702)	7,332	(1,444)	(17,595)	(24,655)	(17,284)	(60,978)	(15,752)	(18,880)	(17,037)	(15,578)	(67,247)	(59,236)	(55,394)	(54,656)
Net Income	**732,849**	**703,950**	**584,605**	**95,482**	**109,477**	**150,381**	**97,944**	**453,284**	**110,267**	**132,163**	**119,257**	**109,045**	**387,418**	**414,649**	**387,761**	**382,591**
Earnings per Share (Basic)	$ 3.658	$ 3.515	$ 3.01	$ 0.49	$ 0.56	$ 0.77	$ 0.50	$ 2.33	$ 0.57	$ 0.68	$ 0.61	$ 0.56	$ 2.00	$ 2.14	$ 2.00	$ 1.97
Earnings per Share (Diluted)	$ 3.499	$ 3.499	$ 2.95	$ 0.48	$ 0.56	$ 0.77	$ 0.50	$ 2.30	$ 0.56	$ 0.67	$ 0.60	$ 0.55	$ 1.96	$ 2.10	$ 1.97	$ 1.94
Dividend per Share (Basic)	$ -	$ -	$ -	$ -	$ 0.40	$ 0.40	$ 0.40	$ 1.20	$ 0.50	$ 0.50	$ 0.50	$ 0.50	$ 2.00	$ 2.00	$ 2.00	$ 2.00
Dividend per Share (Dilued)																
YoY Growth																
EBITDA Growth	-	-	-13.4%	-7.7%	-33.0%	-13.1%	-46.7%	-28.9%	45.1%	-2.3%	-27.2%	-6.4%	-4.2%	-10.8%	-5.8%	-1.2%
Revenue Growth	9.9%	-15.7%	-8.7%	17.8%	-7.5%	-3.7%	-13.9%	-4.5%	8.9%	1.3%	-8.1%	-7.2%	-2.0%	-4.5%	4.0%	-2.0%
Operating Income Growth	-5.0%	-8.8%	-19.0%	-10.3%	-34.9%	-11.6%	-42.2%	-27.7%	57.0%	8.1%	-13.5%	8.5%	-8.9%	4.5%	-7.1%	-1.5%

`

Figure 2: Balance Sheet
in millions

BALANCE SHEET STATEMENT - GARMIN (GRMN)

In Millions $	FY 2008A	FY 2009A	FY 2010A	Q1 2011A	Q2 2011A	Q3 2011A	Q4 2011E	FY 2011E	Q1 2012E	Q2 2012E	Q3 2012E	Q4 2012E	FY 2012E	FY 2013E	FY 2014E	FY 2015E
Current Assets																
Cash and Cash Equivalents	696,335	1,091,581	1,260,936	1,210,615	1,418,871	1,389,406	1,889,264	1,889,264	2,013,756	2,002,663	1,910,359	2,129,855	2,129,855	2,296,964	2,576,165	2,681,626
Marketable Securities	12,886	19,583	24,418	41,723	62,626	72,784	67,074	67,074	66,388	68,273	66,835	73,024	73,024	75,933	82,218	89,140
Accounts Receivables	741,321	874,110	747,249	434,935	493,057	519,226	670,745	670,745	663,875	682,726	640,499	699,810	699,810	727,688	753,665	817,116
Inventories	425,312	309,938	387,577	411,021	385,678	461,304	558,954	558,954	553,230	568,938	545,817	596,360	596,360	601,134	650,893	705,691
Deferred Income Taxes	49,825	61,397	33,628	33,582	27,691	26,297	33,537	33,537	33,194	34,136	38,987	54,768	54,768	31,639	41,109	44,570
Prepaid Expenses and Other Current Assets	58,746	34,156	24,894	38,018	46,261	53,117	55,895	55,895	55,323	56,894	61,265	73,024	73,024	63,277	68,515	89,140
Total Current Assets	**1,984,425**	**2,396,079**	**2,498,755**	**2,192,837**	**2,462,527**	**2,553,914**	**3,275,470**	**3,275,470**	**3,385,765**	**3,413,630**	**3,263,763**	**3,626,840**	**3,626,840**	**3,796,635**	**4,172,566**	**4,427,283**
Non Current Assets																
Net Propery & Equipment	445,252	441,338	427,805	427,110	423,697	423,041	570,133	570,133	553,230	574,628	568,095	608,530	608,530	664,411	698,853	779,974
Marketable Securities	262,009	746,464	777,401	1,027,381	1,016,869	983,563	1,397,385	1,397,385	1,272,428	1,365,452	1,392,390	1,460,472	-	1,487,015	1,562,143	1,782,799
License Agreement Net	16,013	15,400	1,800	4,658	8,305	7,603	11,179	11,179	11,065	11,379	11,139	12,171	12,171	12,655	13,703	14,857
Other Intangible Assets	214,941	198,260	183,352	184,821	181,004	255,618	290,656	290,656	265,550	278,780	289,617	328,606	328,606	316,386	349,427	363,988
Noncurrent Deffered Costs	-	7,996	24,685	25,700	31,047	36,134	44,716	44,716	44,258	45,515	44,556	48,682	48,682	50,622	54,812	59,427
Restricted Cash	1,941	2,047	1,277	1,389	1,393	1,399	-	-	-	-	-	-	-	-	-	-
Total Assets	**2,934,421**	**3,828,082**	**3,988,688**	**3,937,509**	**4,198,455**	**4,334,885**	**5,589,540**	**5,589,540**	**5,532,296**	**5,689,383**	**5,569,561**	**6,085,301**	**6,085,301**	**6,327,725**	**6,851,504**	**7,428,327**
Liabilities & Equity																
Accounts Payable	160,094	203,388	132,348	118,845	125,680	182,651	217,992	217,992	221,292	216,197	211,643	249,497	249,497	265,764	287,763	289,705
Other Accrued Expenses	24,329	40,373	63,043	58,164	70,622	97,081	111,791	111,791	105,114	113,788	111,391	121,706	121,706	113,899	130,179	148,567
Salaries and Benefits Payable	34,241	45,236	49,288	34,811	37,393	46,591	55,895	55,895	55,323	56,894	55,696	60,853	60,853	63,277	68,515	74,283
Income Taxes Payable	20,075	22,846	56,028	29,959	13,795	20,163	33,537	33,537	44,258	39,826	50,126	36,512	36,512	31,639	61,664	51,998
Deferred Revenue	680	27,910	89,711	104,818	134,341	139,528	178,865	178,865	177,033	182,060	178,226	194,730	194,730	202,487	219,248	237,706
Accrued Warranty Costs	87,408	87,424	49,885	44,030	41,691	43,473	55,895	55,895	55,323	56,894	55,696	60,853	60,853	63,277	68,515	74,283
Dividend Payable	-	-	-	-	388,148	232,889	195,634	195,634	-	347,052	278,478	432,056	432,056	145,538	383,684	557,125
Total Current Liabilities	**479,176**	**685,876**	**669,037**	**469,913**	**916,087**	**914,072**	**849,610**	**849,610**	**658,343**	**1,012,710**	**941,256**	**1,156,207**	**1,156,207**	**885,881**	**1,219,568**	**1,433,667**
Non Current Liabilities																
Long-term Debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Noncurrent Deferred Revenue	-	38,574	108,076	114,795	146,973	173,355	173,276	173,276	232,356	227,575	217,213	212,986	212,986	132,882	89,070	334,275
Deferred Income Taxes	13,910	10,170	6,986	11,068	13,180	12,199	16,769	16,769	16,597	17,068	16,709	18,256	18,256	18,983	20,555	22,285
Other Liabilities	1,115	1,267	1,406	1,457	1,542	1,522	-	-	-	-	-	-	-	-	-	-
Shareholders' Equity																
Common Stock - Par Value	1,002	1,001	1,797,435	1,797,435	1,797,435	1,797,435	2,420,742	2,420,742	2,356,758	2,560,223	2,456,176	2,817,495	2,817,495	2,594,367	2,877,632	3,067,899
Additional Paid in Capital	-	32,221	38,268	45,435	53,707	61,309	72,664	72,664	71,920	73,962	72,404	79,109	79,109	82,260	89,070	96,568
Treasury Stock - Common	-	-	(106,758)	(118,018)	(116,099)	(113,681)	(145,328)	(145,328)	(143,840)	(147,924)	(144,809)	(158,218)	(158,218)	(189,832)	(205,545)	(445,700)
Retained Earnings	2,262,503	2,816,607	1,264,613	1,377,007	1,097,970	1,248,443	1,676,862	1,676,862	1,565,640	1,672,679	1,737,703	1,673,458	1,673,458	1,999,561	2,028,045	2,183,928
AccumOther Comprehensive Income (Loss)	(37,651)	(13,382)	56,004	91,370	129,681	74,686	145,328	145,328	138,307	176,371	100,252	158,218	158,218	113,899	164,436	237,706
Total Shareholders Equity	**2,225,854**	**2,836,447**	**3,049,562**	**3,193,229**	**2,962,694**	**3,068,192**	**4,170,268**	**4,170,268**	**3,988,785**	**4,335,310**	**4,221,727**	**4,570,061**	**4,570,061**	**4,600,256**	**4,953,637**	**5,140,402**
Liabilities & Shareholder Equity	**2,934,421**	**3,828,082**	**3,988,688**	**3,937,509**	**4,198,455**	**4,334,885**	**5,589,540**	**5,589,540**	**5,532,296**	**5,689,383**	**5,569,561**	**6,085,301**	**6,085,301**	**6,327,725**	**6,851,504**	**7,428,327**
Shares Outstanding (Basic)	200.363	200.274	194.358	194.016	194.087	194.172	191.259	187.434	185.560	183.704	181.867	180.049	181.489	172.415	170.690	172.397
Shares Outstanding (Diluted)	210.680	201.200	198.009	198.000	197.000	196.000	194.040	196.368	194.208	192.072	189.959	187.870	187.006	182.704	180.695	183.405

Source: Company Documents, Student Estimat

`

Figure 3: Statement of Cash Flows

CASH FLOWS STATEMENT - GARMIN (GRMN)																
In Millions $	FY 2008A	FY 2009A	FY 2010A	Q1 2011A	Q2 2011A	Q3 2011A	Q4 2011E	FY 2011E	Q1 2012E	Q2 2012E	Q3 2012E	Q4 2012E	FY 2012E	FY 2013E	FY 2014E	FY 2015E
Operating Activities																
Net Income	732,849	703,950	584,605	95,482	204,959	355,340	97,944	453,284	110,267	132,163	119,257	109,045	387,418	414,649	387,761	382,591
Depreciation	46,910	56,695	53,487	13,839	27,393	40,558	36,665	53,487	13,372	13,372	13,372	13,372	53,487	53,487	53,487	53,487
Amortization	31,507	39,791	41,164	8,583	10,861	19,772	17,573	41,164	10,291	10,291	10,291	10,291	41,164	41,164	41,164	41,164
Gain/loss on Sale of Assets	124	(14)	(306)	(2)	308	(2,407)	98	98	110	132	119	109	109	415	388	383
G/L Marketable Securities	(50,884)	(2,741)	2,382	(1,492)	(4,176)	(5,633)	(1,763)	(1,763)	441	(2,115)	(2,385)	872	872	(4,146)	4,653	-
Stock Compensation Expense	38,872	43,616	40,332	8,666	17,315	27,258	7,836	7,836	7,719	9,251	8,348	7,633	7,633	29,025	27,143	26,781
Provision for Doubtful Accounts	32,355	(1,332)	(4,476)	(858)	3,563	6,227	846	846	1,103	(1,322)	1,193	(1,090)	(1,090)	4,146	(3,878)	3,826
Unrealized Foreigne Currency G/L	15,887	7,480	62,770	867	16,363	(5,366)	2,410	2,410	11,027	(6,608)	1,193	(3,271)	(3,271)	8,293	3,878	(11,478)
Foreign Currency Transaction G/L	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Provision for Slow Inventories	24,461	61,323	5,753	(4,349)	(6,998)	2,590	(2,364)	(2,364)	(2,205)	3,965	4,770	(545)	(545)	4,146	19,388	11,478
Deferred Income Taxes	50,887	(25,096)	(471)	1,023	7,149	12,429	2,631	2,631	3,859	4,626	4,174	3,817	3,817	14,513	13,572	13,391
Deferred Costs	-	(5,314)	(31,445)	(3,905)	(14,652)	(23,175)	(5,798)	(5,798)	(5,513)	(6,608)	(5,963)	(5,452)	(5,452)	(20,732)	(19,388)	(19,130)
Purchase of Licenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
License Fees	(15,289)	(13,735)	(3,329)	(2,900)	(3,344)	(6,562)	(2,127)	(2,127)	(1,654)	(1,982)	(1,193)	(872)	(872)	(12,439)	(2,714)	(3,826)
Accounts Receivable	206,101	(131,978)	129,698	327,151	265,448	256,656	177,726	177,726	71,673	264,325	119,257	81,784	81,784	559,776	387,761	765,181
Inventories	83,035	61,189	(77,122)	(11,067)	20,659	(58,655)	(5,882)	(5,882)	(6,616)	(7,930)	(7,155)	(6,543)	(6,543)	(24,879)	(23,266)	(22,955)
Accounts Payable	(236,287)	38,875	(81,354)	(17,573)	(13,082)	(5,603)	(8,607)	(8,607)	(11,027)	(7,930)	(10,733)	(7,633)	(7,633)	(33,172)	(19,388)	(49,737)
Income Taxes Payables	(90,180)	15,772	52,238	(16,550)	(30,033)	(21,987)	(12,463)	(12,463)	(9,924)	(17,181)	(9,541)	12,540	12,540	24,879	(54,287)	(49,737)
Deferred Revenue	680	65,706	131,303	21,826	83,628	115,096	31,359	31,359	24,259	29,076	40,547	23,990	23,990	91,223	116,328	84,170
Accrued Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Prepaid Expenses and Other Current Assets	(4,356)	8,054	9,886	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Current and Non-current Liabilities	(4,507)	172,215	(144,476)	(190,770)	(142,918)	(72,349)	(94,642)	(94,642)	(38,593)	(66,081)	(89,443)	(119,950)	(119,950)	(269,522)	(368,373)	(329,028)
Licensing Agreement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Income Taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Current Assets	1	-	-	(20,372)	(31,490)	(36,713)	(15,355)	(15,355)	(17,643)	(18,503)	(17,889)	(13,085)	(13,085)	(62,197)	(54,287)	(57,389)
Cash Flow from Operating Activities	**862,166**	**1,094,456**	**770,639**	**207,599**	**410,953**	**597,476**	**226,084**	**621,838**	**160,945**	**330,941**	**178,220**	**105,010**	**454,372**	**818,628**	**509,943**	**839,173**
Investing Activities																
Purchase of Property and Equipment	(119,623)	(49,199)	(32,232)	(7,178)	(14,315)	(26,523)	(7,171)	(7,171)	(7,719)	(9,251)	(8,348)	(7,633)	(7,633)	(29,025)	(27,143)	(26,781)
Proceeds from Assets Sales	19	5	139	-	-	-	-	-	-	-	-	-	-	-	-	-
Acquisitions, Net of Cash Acquired	(60,131)	-	(12,120)	-	-	(52,688)	(4,841)	(4,841)	(5,513)	(3,965)	(11,926)	(2,181)	(2,181)	(45,611)	(3,878)	(19,130)
(Purchases) of Intangible Assets	(6,971)	(7,573)	(3,883)	(2,626)	(2,587)	(8,611)	(2,101)	(2,101)	(2,205)	(2,643)	(2,385)	(2,181)	(2,181)	(8,293)	(7,755)	(7,652)
Sale of Marketable Securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Redemption of Marketable Securities	504,324	285,970	668,495	98,614	263,428	599,740	130,783	130,783	154,373	158,595	170,537	109,045	109,045	505,871	523,478	535,627
Purchase of Marketable Securities-net	(373,580)	(776,966)	(694,038)	(363,263)	(520,759)	(835,965)	(283,968)	(283,968)	(165,400)	(264,325)	(238,514)	125,402	125,402	(145,127)	77,552	(937,347)
Changes in Restricted Cash	(387)	(106)	770	(112)	(116)	(122)	(68)	(68)	(110)	(132)	(119)	(109)	(109)	(415)	(388)	(383)
Cash Flow from Investing Activities	**(56,349)**	**(547,869)**	**(72,869)**	**(274,565)**	**(274,349)**	**(324,169)**	**(167,367)**	**(167,367)**	**(26,574)**	**(121,722)**	**(90,754)**	**222,343**	**222,343**	**277,400**	**561,866**	**(455,666)**
Financing Activities																
Principle LT Debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of Stock	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Proceeds from Exercise Cost	2,875	3,783	9,465	-	-	-	-	-	-	-	-	-	-	-	-	-
Proceeds Stock Repurchase	9,029	3,712	-	3,041	-	-	1,040	1,040	-	2,643	3,816	1,090	1,090	3,732	3,878	7,652
Stock Repurchase	(671,847)	(20,258)	(225,928)	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends	(150,251)	(149,846)	(298,853)	-	-	(154,835)	(76,504)	(231,339)	(76,080)	(75,319)	(74,566)	(73,820)	(148,385)	(284,484)	(283,346)	(286,179)
Tax Benefit Stock Option	2,143	1,366	4,495	787	1,197	1,542	601	601	(662)	(793)	(716)	(654)	(654)	(2,488)	(2,327)	(2,296)
Proceeds Option & Repurchase	-	-	-	-	4,337	5,619	1,207	1,207	1,323	1,982	1,193	2,072	2,072	8,293	4,265	6,887
Taxes Paid Settlement of Equity	-	-	-	-	(336)	(375)	(88)	(88)	(110)	(132)	(119)	(109)	(109)	(415)	(388)	(383)
Cash Flow from Financing Activities	**(808,051)**	**(161,243)**	**(510,821)**	**3,828**	**5,198**	**(148,049)**	**(73,743)**	**(228,578)**	**(75,528)**	**(71,618)**	**(70,392)**	**(71,421)**	**(145,986)**	**(275,362)**	**(277,917)**	**(274,319)**
Net Cash Increase/(Decrease)	(2,234)	385,344	186,949	(63,138)	141,802	125,258	(15,026)	225,893	58,842	137,601	17,074	255,932	530,728	820,666	793,892	109,188
Beginning Cash	541,634	1,083,056	1,427,202	1,942,157	1,376,881	2,100,092	1,505,351	1,505,351	1,490,325	1,549,168	1,686,768	1,566,241	1,566,241	1,942,701	2,386,907	2,736,593
FX Effect on Cash	(9,118)	9,902	(17,592)	12,817	16,133	3,212							-			
Net Changes in Cash	491,760	608,158	514,955	(565,276)	723,211	(594,741)	499,858	499,858	124,491	137,601	(120,527)	376,460	376,460	444,206	349,686	(240,498)
Ending Cash Balance	**1,033,394**	**1,691,214**	**1,942,157**	**1,376,881**	**2,100,092**	**1,505,351**	**1,490,325**	**1,490,325**	**1,549,168**	**1,686,768**	**1,566,241**	**1,942,701**	**1,942,701**	**2,386,907**	**2,736,593**	**2,496,095**

Other Statements or Exhibits
in millions

Source: Company

COMPARABLE VALUATION				
Comparison Metrics	**Garmin GRMN**	**Comparable Averages**	**Harman International HAR**	**TomTom TOM2**
Gross Margin (%)	50.5%	37.5%	26.2%	48.9%
Profit Margin (%)	21.7%	5.3%	3.6%	7.1%
ROE (ttm)	6.5%	10.3%	10.6%	10.0%
ROA (ttm)	13.8%	4.5%	4.8%	4.1%
ROIC (ttm)	26.7%	10.3%	12.6%	8.1%
P/E (ttm)	15.4	19.1	22.0	16.1
P/E (2011)	18.7	9.0	20.0	-2.0
P/E (2012)	21.9	13.5	15.3	11.8
Price/Sales (ttm)	3.2	0.6	0.8	0.5
TEV/EBITDA (ttm)	11.2	6.4	9.3	3.5
TEV/EBITDA (2012)	11.9	5.7	6.5	5.0
Dividend/Share	$ 1.60	$ 0.03	$ 0.05	$ -
Dividend Yield (%)	3.7%	0.1%	0.1%	0.0%

Disclosures:

Ownership and material conflicts of interest:
The author(s), or a member of their household, of this report [holds/does not hold] a financial interest in the securities of this company.
The author(s), or a member of their household, of this report [knows/does not know] of the existence of any conflicts of interest that might bias the content or publication of this report. [The conflict of interest is…]
Receipt of compensation:
Compensation of the author(s) of this report is not based on investment banking revenue.
Position as a officer or director:
The author(s), or a member of their household, does [not] serves as an officer, director or advisory board member of the subject company.
Market making:
The author(s) does [not] act as a market maker in the subject company's securities.
Ratings guide:
Banks rate companies as either a BUY, HOLD or SELL. A BUY rating is given when the security is expected to deliver absolute returns of 15% or greater over the next twelve month period, and recommends that investors take a position above the security's weight in the S&P 500, or any other relevant index. A SELL rating is given when the security is expected to deliver negative returns over the next twelve months, while a HOLD rating implies flat returns over the next twelve months.
Investment Research Challenge and Global Investment Research Challenge Acknowledgement:
[*Society Name*] Investment Research Challenge as part of the CFA Institute Global Investment Research Challenge is based on the Investment Research Challenge originally developed by the New York Society of Security Analysts.
Disclaimer:
The information set forth herein has been obtained or derived from sources generally available to the public and believed by the author(s) to be reliable, but the author(s) does not make any representation or warranty, express or implied, as to its accuracy or completeness. The information is not intended to be used as the basis of any investment decisions by any person or entity. This information does not constitute investment advice, nor is it an offer or a solicitation of an offer to buy or sell any security. This report should not be considered to be a recommendation by any individual affiliated with [*Society Name*], CFA Institute or the Global Investment Research Challenge with regard to this company's stock.