GARMIN LTD
Form 10-Q
July 29, 2015

United States

Securities and Exchange Commission

Washington, D.C. 20549

FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 27, 2015

or

.. **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission file number 0-31983

GARMIN LTD.

(Exact name of Company as specified in its charter)

Switzerland **98-0229227**

(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer identification no.)
Mühlentalstrasse 2 **8200 Schaffhausen** **Switzerland**	N/A (Zip Code)
(Address of principal executive offices)	

Company's telephone number, including area code: **+41 52 630 1600**

Indicate by check mark whether the Company (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Company was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES þ NO ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES þ NO ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of “accelerated filer and large accelerated filer” in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer þ Accelerated Filer ¨ Non-accelerated Filer ¨ (Do not check if a smaller reporting company) Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES ¨ NO þ

Number of shares outstanding of the registrant’s common shares as of July 27, 2015

CHF 10.00 par value: 208,077,418 (including treasury shares)

Garmin Ltd.

Form 10-Q

Quarter Ended June 27, 2015

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Part I - Financial Information

Item I - Condensed Consolidated Financial Statements

Garmin Ltd. And Subsidiaries

Condensed Consolidated Balance Sheets

(In thousands, except per share information)

	(Unaudited) June 27, 2015	December 27, 2014
Assets		
Current assets:		
Cash and cash equivalents	$ 938,183	$ 1,196,268
Marketable securities	199,007	167,989
Accounts receivable, net	502,034	570,191
Inventories, net	458,451	420,475
Deferred income taxes	53,858	56,102
Deferred costs	48,033	51,336
Prepaid expenses and other current assets	83,730	48,615
Total current assets	2,283,296	2,510,976
Property and equipment, net	445,672	430,887
Marketable securities	1,309,405	1,407,344
Restricted cash	279	308
Noncurrent deferred income tax	67,246	67,712
Noncurrent deferred costs	32,504	36,140
Intangible assets, net	222,968	218,083
Other assets	62,039	21,853
Total assets	$ 4,423,409	$ 4,693,303
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 146,088	$ 149,094
Salaries and benefits payable	55,185	62,764
Accrued warranty costs	26,101	27,609
Accrued sales program costs	40,924	58,934
Deferred revenue	174,365	203,598
Accrued royalty costs	9,509	51,889
Accrued advertising expense	29,762	26,334
Other accrued expenses	76,003	67,780

Deferred income taxes	3,848	17,673
Income taxes payable	10,609	182,260
Dividend payable	389,287	185,326
Total current liabilities	961,681	1,033,261
Deferred income taxes	41,628	39,497
Non-current income taxes	85,436	80,611
Non-current deferred revenue	124,625	135,130
Other liabilities	1,534	1,437
Stockholders' equity:		
Shares, CHF 10 par value, 208,077 shares authorized and issued; 190,936 shares outstanding at June 27, 2015 and 191,815 shares outstanding at December 27, 2014	1,797,435	1,797,435
Additional paid-in capital	85,233	73,521
Treasury stock	(374,839)	(330,132)
Retained earnings	1,676,601	1,859,972
Accumulated other comprehensive income	24,075	2,571
Total stockholders' equity	3,208,505	3,403,367
Total liabilities and stockholders' equity	$ 4,423,409	$ 4,693,303

See accompanying notes.

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Garmin Ltd. And Subsidiaries

Condensed Consolidated Statements of Income (Unaudited)

(In thousands, except per share information)

	13-Weeks Ended		**26-Weeks Ended**	
	June 27, 2015	June 28, 2014	June 27, 2015	June 28, 2014
Net sales	$773,830	$777,848	$1,359,224	$1,361,069
Cost of goods sold	354,580	333,363	595,852	585,750
Gross profit	419,250	444,485	763,372	775,319
Advertising expense	45,794	34,918	73,466	59,346
Selling, general and administrative expense	97,552	92,409	196,302	182,282
Research and development expense	109,240	98,404	215,242	194,568
Total operating expense	252,586	225,731	485,010	436,196
Operating income	166,664	218,754	278,362	339,123
Other income (expense):				
Interest income	7,420	9,670	15,444	19,437
Foreign currency gains (losses)	(487)	(20,378)	(44,751)	(7,563)
Other income (loss)	(39)	674	698	190
Total other income (expense)	6,894	(10,034)	(28,609)	12,064
Income before income taxes	173,558	208,720	249,753	351,187
Income tax provision	35,805	26,737	45,208	50,387
Net income	$137,753	$181,983	$204,545	$300,800
Net income per share:				
Basic	$0.72	$0.94	$1.07	$1.55
Diluted	$0.72	$0.93	$1.07	$1.54
Weighted average common shares outstanding:				
Basic	191,101	193,771	191,432	194,431
Diluted	191,600	194,955	191,939	195,464
Dividends declared per share	$2.04	$1.92	$2.04	$1.92

See accompanying notes.

Garmin Ltd. And Subsidiaries

Condensed Consolidated Statements of Comprehensive Income (Unaudited)

(In thousands)

	13-Weeks Ended		26-Weeks Ended	
	June 27, 2015	June 28, 2014	June 27, 2015	June 28, 2014
Net income	$137,753	$181,983	$204,545	$300,800
Foreign currency translation adjustment	17,716	22,757	20,471	7,239
Change in fair value of available-for-sale marketable securities, net of deferred taxes	(10,216)	15,234	1,033	28,013
Comprehensive income	$145,253	$219,974	$226,049	$336,052

See accompanying notes.

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Garmin Ltd. And Subsidiaries

Condensed Consolidated Statements of Cash Flows (Unaudited)

(In thousands)

	26-Weeks Ended	
	June 27, 2015	June 28, 2014
Operating Activities:		
Net income	$204,545	$300,800
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	24,915	23,736
Amortization	13,215	13,722
Loss (gain) on sale of property and equipment	420	(662)
Provision for doubtful accounts	(1,499)	2,383
Deferred income taxes	(9,325)	3,071
Unrealized foreign currency loss	59,046	7,483
Provision for obsolete and slow moving inventories	6,569	16,414
Stock compensation expense	14,742	13,459
Realized (gain) loss on marketable securities	(364)	192
Changes in operating assets and liabilities:		
Accounts receivable	60,016	65,317
Inventories	(45,635)	(61,812)
Other current and non-current assets	(74,725)	(4,291)
Accounts payable	(7,084)	(14,598)
Other current and non-current liabilities	(53,808)	(75,826)
Deferred revenue	(38,836)	(66,265)
Deferred cost	6,892	9,783
Income taxes payable	(174,788)	2,446
Net cash (used by)/provided by operating activities	(15,704)	235,352
Investing activities:		
Purchases of property and equipment	(39,732)	(36,761)
Proceeds from sale of property and equipment	665	669
Purchase of intangible assets	(1,939)	(1,556)
Purchase of marketable securities	(480,090)	(534,952)
Redemption of marketable securities	540,785	590,887
Proceeds from repayment on loan receivable	-	137,379
Change in restricted cash	29	(1)
Acquisitions, net of cash acquired	(12,632)	-
Net cash provided by investing activities	7,086	155,665
Financing activities:		
Dividends paid	(183,925)	(175,574)
Purchase of treasury stock under share repurchase plan	(57,295)	(162,359)

Purchase of treasury stock related to equity awards	(240)	(11,249)
Proceeds from issuance of treasury stock related to equity awards	8,560	11,398
Tax benefit from issuance of equity awards	1,239	3,434
Net cash used in financing activities	(231,661)	(334,350)
Effect of exchange rate changes on cash and cash equivalents	(17,806)	(930)
Net decrease in cash and cash equivalents	(258,085)	55,737
Cash and cash equivalents at beginning of period	1,196,268	1,179,149
Cash and cash equivalents at end of period	$938,183	$1,234,886

See accompanying notes.

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Garmin Ltd. and Subsidiaries

Notes to Condensed Consolidated Financial Statements (Unaudited)

June 27, 2015

(In thousands, except per share information)

1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Additionally, the condensed consolidated financial statements should be read in conjunction with Item 2 of Management's Discussion and Analysis of Financial Condition and Results of Operations, included in this Form 10-Q. Operating results for the 13-week and 26-week periods ended June 27, 2015 are not necessarily indicative of the results that may be expected for the year ending December 26, 2015.

The condensed consolidated balance sheet at December 27, 2014 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 27, 2014.

The Company’s fiscal year is based on a 52-53 week period ending on the last Saturday of the calendar year. Therefore the financial results of certain fiscal years, and the associated 14-week quarters, will not be exactly comparable to the prior and subsequent 52-week fiscal years and the associated quarters having only 13 weeks. The quarters ended June 27, 2015 and June 28, 2014 both contain operating results for 13 weeks.

2. Inventories

The components of inventories consist of the following:

	June 27, 2015	December 27, 2014
Raw materials	$190,974	$ 161,444
Work-in-process	59,736	53,824
Finished goods	244,662	244,282
Inventory reserves	(36,921)	(39,075)
Inventory, net of reserves	$458,451	$ 420,475

3. Earnings Per Share

The following table sets forth the computation of basic and diluted net income per share:

	13-Weeks Ended	
	June 27, 2015	June 28, 2014
Numerator:		
Numerator for basic and diluted net income per share - net income	$137,753	$181,983
Denominator:		
Denominator for basic net income per share – weighted-average common shares	191,101	193,771
Effect of dilutive securities – stock options, stock appreciation rights and restricted stock units	499	1,184
Denominator for diluted net income per share – adjusted weighted-average common shares	191,600	194,955
Basic net income per share	$0.72	$0.94
Diluted net income per share	$0.72	$0.93

	26-Weeks Ended	
	June 27, 2015	June 28, 2014
Numerator:		
Numerator for basic and diluted net income per share - net income	$204,545	$300,800
Denominator:		
Denominator for basic net income per share – weighted-average common shares	191,432	194,431
Effect of dilutive securities – stock options, stock appreciation rights and restricted stock units	507	1,033
Denominator for diluted net income per share – adjusted weighted-average common shares	191,939	195,464
Basic net income per share	$1.07	$1.55
Diluted net income per share	$1.07	$1.54

There were 3,558 and 2,230 anti-dilutive stock options, stock appreciation rights and restricted stock units (collectively “equity awards”) outstanding during the 13-week periods ended June 27, 2015 and June 28, 2014, respectively.

There were 3,598 and 2,277 anti-dilutive stock options, stock appreciation rights and restricted stock units (collectively “equity awards”) outstanding during the 26-week periods ended June 27, 2015 and June 28, 2014, respectively.

There were 91 and 124 shares issued as a result of exercises and releases of equity awards for the 13-week periods ended June 27, 2015 and June 28, 2014, respectively.

There were 128 and 366 shares issued as a result of exercises and releases of equity awards for the 26-week periods ended June 27, 2015 and June 28, 2014, respectively.

There were 214 employee stock purchase plan (ESPP) shares issued from outstanding Treasury stock during the 13-week and 26-week periods ended June 27, 2015.

4. Segment Information

The Company has identified five reportable segments – Auto, Aviation, Marine, Outdoor and Fitness. The Company’s Chief Operating Decision Maker (CODM), assesses segment performance and allocates resources to each segment individually.

During the fiscal quarter ended June 27, 2015, the measure of segment profit or loss used by the CODM to assess segment performance and allocate resources changed from income before income taxes to operating income. This change did not impact the measurement methods used to determine reported segment profit or loss in the 13-week and 26-week periods ended June 27, 2015 and June 28, 2014.

Net sales, gross profit, and operating income for each of the Company's reportable segments are presented below:

Garmin Ltd. And Subsidiaries

Net Sales, Gross Proft and Operating Income by Segment (Unaudited)

	Reportable Segments					
	Outdoor	Fitness	Marine	Auto	Aviation	Total
13-Weeks Ended June 27, 2015						
Net sales	$110,324	$158,649	$103,713	$298,878	$102,266	$773,830
Gross profit	$66,946	$88,458	$58,577	$131,006	$74,263	$419,250
Operating income	$37,417	$33,070	$23,901	$44,871	$27,405	$166,664
13-Weeks Ended June 28, 2014						
Net sales	$106,059	$150,678	$73,780	$350,036	$97,295	$777,848
Gross profit	$64,668	$98,063	$42,536	$167,593	$71,625	$444,485
Operating income	$35,281	$62,872	$17,657	$74,642	$28,302	$218,754
26-Weeks Ended June 27, 2015						
Net sales	$186,239	$289,644	$168,010	$515,004	$200,327	$1,359,224
Gross profit	$117,166	$171,534	$94,090	$234,809	$145,773	$763,372
Operating income	$61,250	$67,709	$28,468	$67,350	$53,585	$278,362
26-Weeks Ended June 28, 2014						
Net sales	$190,044	$250,965	$133,783	$592,988	$193,289	$1,361,069
Gross profit	$115,578	$162,148	$73,588	$281,384	$142,621	$775,319
Operating income	$58,964	$96,384	$21,467	$105,206	$57,102	$339,123

Allocation of certain research and development expenses, and selling, general, and administrative expenses are made to each segment on a percent of revenue basis.

Net sales and property and equipment, net by geographic area are as follows as of and for the 26-week periods ended June 27, 2015 and June 28, 2014. Note that APAC includes Asia Pacific and EMEA includes Europe, the Middle East and Africa:

	Americas	APAC	EMEA	Total
June 27, 2015				
Net sales to external customers	$722,317	$154,102	$482,805	$1,359,224
Property and equipment, net	$287,171	$110,524	$47,977	$445,672
June 28, 2014				
Net sales to external customers	$716,156	$123,883	$521,030	$1,361,069
Property and equipment, net	$255,422	$120,369	$52,691	$428,482

5. Warranty Reserves

The Company's products sold are generally covered by a warranty for periods ranging from one to two years. The Company's estimate of costs to service its warranty obligations are based on historical experience and expectation of future conditions and are recorded as a liability on the balance sheet. The following reconciliation provides an illustration of changes in the aggregate warranty reserve.

	13-Weeks Ended	
	June 27, 2015	June 28, 2014
Balance - beginning of period	$23,866	$25,016
Accrual for products sold during the period	10,348	11,806
Expenditures	(8,113)	(9,473)
Balance - end of period	$26,101	$27,349

	26-Weeks Ended	
	June 27, 2015	June 28, 2014
Balance - beginning of period	$27,609	$26,767
Accrual for products sold during the period	17,090	21,291
Expenditures	(18,598)	(20,709)
Balance - end of period	$26,101	$27,349

6. Commitments and Contingencies

The Company is party to certain commitments, which include purchases of raw materials, advertising expenditures, investments in certain low income housing tax credit projects, and other indirect purchases in connection with conducting our business. Pursuant to these agreements, the Company is contractually committed to make payments of approximately $333,281 over the next five years. Subsequent to June 27, 2015, a portion of a commitment was satisfied with a $43,000 prepayment to a supplier, all of which will be classified as a noncurrent asset.

In the normal course of business, the Company and its subsidiaries are parties to various legal claims, investigations and complaints, including matters alleging patent infringement and other intellectual property claims. The Company evaluates, on a quarterly basis, developments in legal proceedings, investigations or claims that could affect the amount of any accrual or disclosure. The assessment regarding whether a loss is probable or a reasonable possibility, and whether the loss or a range of loss is estimable, often involves a series of complex judgments about future events.

Management of the Company currently does not believe there is at least a reasonable possibility the Company may have incurred a material loss, or a material loss in excess of recorded accruals, with respect to loss contingencies individually and in the aggregate, for the fiscal quarter ended June 27, 2015. The results of legal proceedings, investigations and claims, however, cannot be predicted with certainty. Although management considers the likelihood to be remote, an adverse resolution of one or more of such matters in excess of management's expectations could have a material adverse effect on the Company's results of operations in a particular quarter or fiscal year.

The Company settled or resolved certain matters during the fiscal quarter ended June 27, 2015 that did not individually or in the aggregate have a material impact on the Company's financial condition or results of operations.

7. Income Taxes

The Company's income tax expense increased by $9,068, to $35,805 for the 13-week period ended June 27, 2015, from $26,737 for the 13-week period ended June 28, 2014. The effective tax rate was 20.6% in the second quarter of 2015 compared to 12.8% in the second quarter of 2014. The second quarter 2015 effective tax rate increased compared to the second quarter 2014 due to the release of uncertain tax position reserves due to expiration of certain statutes of limitations or completion of tax audits reducing our expense by $1,637 and $5,190, respectively, in second quarter 2015 and second quarter 2014. In addition, the second quarter 2015 effective tax rate increased as compared to second quarter 2014 due to the current projected full year income mix for 2015 compared to the same projection at second quarter of 2014.

Our income tax expense decreased by $5,179 to $45,208 for the first half of 2015, from $50,387 for the first half of 2014. The effective tax rate was 18.1% in the first half of 2015 compared to 14.3% in the first half of 2014. The first half 2015 effective tax rate increased as compared to first half of 2014 due to the release of uncertain tax position reserves due to expiration of certain statutes of limitations or completion of tax audits reducing our expense by $6,924 and $10,985, respectively, in the first half of 2015 and the first half of 2014. The first half 2015 effective tax rate increased as compared to first half 2014 primarily due to the current projected full year income mix for 2015 compared to the same projection at second quarter of 2014.

8. Marketable Securities

The FASB ASC topic entitled Fair Value Measurements and Disclosures defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). The accounting guidance classifies the inputs used to measure fair value into the following hierarchy:

Level 1	Unadjusted quoted prices in active markets for the identical asset or liability
Level 2	Observable inputs for the asset or liability, either directly or indirectly, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability
Level 3	Unobservable inputs for the asset or liability

The Company endeavors to utilize the best available information in measuring fair value. Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Valuation is based on prices obtained from an independent pricing vendor using both market and income approaches. The primary inputs to the valuation include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, contractual cash flows, benchmark yields, and credit spreads.

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Available-for-sale securities measured at estimated fair value on a recurring basis are summarized below:

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	Fair Value Measurements as of June 27, 2015			
	Total	**Level 1**	**Level 2**	**Level 3**
U.S. Treasury securities	$27,255	$ -	$27,255	$ -
Agency securities	255,200	-	255,200	-
Mortgage-backed securities	404,838	-	404,838	-
Corporate securities	532,555	-	532,555	-
Municipal securities	215,846	-	215,846	-
Other	72,718	-	72,718	-
Total	$1,508,412	$ -	$1,508,412	$ -

	Fair Value Measurements as of December 27, 2014 [1]			
	Total	**Level 1**	**Level 2**	**Level 3**
U.S. Treasury securities	$30,144	$ -	$30,144	$ -
Agency securities	428,320	-	428,320	-
Mortgage-backed securities	324,307	-	324,307	-
Corporate securities	594,402	-	594,402	-
Municipal securities	125,410	-	125,410	-
Other	72,750	-	72,750	-
Total	$1,575,333	$ -	$1,575,333	$ -

[1] Certain available-for-sale securities held as of December 27, 2014 have been reclassified among major security types to conform to the current year presentation. These reclassifications had no effect on fair value measurement.

Marketable securities classified as available-for-sale securities are summarized below:

	Available-For-Sale Securities as of June 27, 2015				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses-OTTI [2]	Gross Unrealized Losses-Other [3]	Estimated Fair Value (Net Carrying Amount)
U.S. Treasury securities	$27,194	$ 72	$ -	$ (10)	$ 27,256
Agency securities	261,054	119	(5,477)	(496)	255,200
Mortgage-backed securities	411,376	342	(1,540)	(5,340)	404,838
Corporate securities	537,232	291	(2,354)	(2,614)	532,555
Municipal securities	216,967	318	(21)	(1,418)	215,846
Other	72,750	12	(21)	(24)	72,717
Total	$1,526,573	$ 1,154	$ (9,413)	$ (9,902)	$ 1,508,412

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	Available-For-Sale Securities as of December 27, 2014 (3)				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses-OTTI (2)	Gross Unrealized Losses- Other (3)	Estimated Fair Value (Net Carrying Amount)
U.S. Treasury securities	$30,185	$ 26	$ (25)	$ (42)	$ 30,144
Agency securities	436,817	169	(8,259)	(407)	428,320
Mortgage-backed securities	329,048	580	(1,813)	(3,508)	324,307
Corporate securities	600,674	689	(2,874)	(4,087)	594,402
Municipal securities	125,183	497	(48)	(222)	125,410
Other	72,857	59	(12)	(154)	72,750
Total	$1,594,764	$ 2,020	$ (13,031)	$ (8,420)	$ 1,575,333

(1) Certain available-for-sale securities held as of December 27, 2014 have been reclassified among major security types to conform to the current year presentation. These reclassifications had no effect on fair value measurement.

(2) Represents impairment not related to credit for those investment securities that have been determined to be other-than-temporarily impaired.

(3) Represents unrealized losses on investment securities that have not been determined to be other-than-temporarily impaired.

The Company’s investment policy requires investments to be rated A or better with the objective of minimizing the potential risk of principal loss. The fair value of our securities varies from period to period due to changes in interest rates, in the performance of the underlying collateral and in the credit performance of the underlying issuer, among other factors. The Company does not intend to sell the securities that have an unrealized loss shown in the table above and it is not more likely than not that the Company will be required to sell the investment before recovery of their amortized costs bases, which may be maturity.

The Company recognizes the credit component of other-than-temporary impairments of debt securities in "Other Income" and the noncredit component in "Other comprehensive income (loss)" for those securities that we do not intend to sell and for which it is not more likely than not that we will be required to sell before recovery. During 2014 and the 26-week period ended June 27, 2015, the Company did not record any material impairment charges on its outstanding securities.

The amortized cost and estimated fair value of the securities at an unrealized loss position at June 27, 2015 were $1,175,780 and $1,156,465, respectively. Approximately 56% of securities in our portfolio were at an unrealized loss position at June 27, 2015. We have the ability to hold these securities until maturity or their value is recovered. We do not consider these unrealized losses to be other than temporary credit losses because there has been no deterioration in credit quality and no change in the cash flows of the underlying securities. We do not intend to sell the securities and it is not more likely than not that we will be required to sell the securities; therefore, no impairment has been recorded in the accompanying condensed consolidated statement of income.

The cost of securities sold is based on the specific identification method.

The following table displays additional information regarding gross unrealized losses and fair value by major security type for available-for-sale securities in an unrealized loss position as of June 27, 2015.

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	As of June 27, 2015			
	Less than 12 Consecutive Months		12 Consecutive Months or Longer	
	Gross Unrealized Losses	Fair Value	**Gross Unrealized Losses**	Fair Value
U.S. Treasury securities	$(10)	$6,158	$ -	$ -
Agency securities	$(519)	$53,678	$ (5,455)	$ 174,780
Mortgage-backed securities	$(4,337)	$258,964	$ (2,543)	$ 102,575
Corporate securities	$(2,397)	$291,522	$ (2,571)	$ 120,916
Municipal securities	$(1,362)	$106,358	$ (77)	$ 16,005
Other	$(21)	$20,304	$ (24)	$ 5,205
Total	$(8,646)	$736,984	$ (10,670)	$ 419,481

The amortized cost and estimated fair value of marketable securities at June 27, 2015, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because the issuers of the securities may have the right to prepay obligations without prepayment penalties.

	Cost	Estimated Fair Value
Due in one year or less	$198,988	$199,007
Due after one year through five years	1,009,357	1,001,271
Due after five years through ten years	230,612	223,721
Due after ten years	87,616	84,413
	$1,526,573	$1,508,412

9. Share Repurchase Plan

On February 13, 2015, the Board of Directors approved a share repurchase program authorizing the Company to repurchase up to $300,000 of the common shares of Garmin Ltd. The repurchases may be made from time to time as market and business conditions warrant on the open market or in negotiated transactions in compliance with the SEC's Rule 10b-18. The timing and amounts of any repurchases will be determined by the Company's management depending on market conditions and other factors including price, regulatory requirements and capital availability. The program does not require the purchase of any minimum number of shares and may be suspended or discontinued at any time. The share repurchase authorization expires on December 31, 2016. As of June 27, 2015, the Company had repurchased 1,221 shares using cash of $57,295. There remains approximately $242,705 available to repurchase additional shares under this authorization.

10. Accumulated Other Comprehensive Income

The following provides required disclosure of changes in accumulated other comprehensive income (AOCI) balances by component for the 13-week and the 26-week periods ended June 27, 2015:

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	13-Weeks Ended June 27, 2015			
	Foreign Currency Translation Adjustment	Gross unrealized losses on available-for-sale securities-OTTI(4)	Net unrealized gains (losses) on available-for-sale securities-Other(5)	Total
Beginning Balance	$23,629	$ (6,027)	$ (1,027)	$16,575
Other comprehensive income before reclassification	17,716	(3,387)	(6,826)	7,503
Amounts reclassified from accumulated other comprehensive income	-	-	(3)	(3)
Net current-period other comprehensive income	17,716	(3,387)	(6,829)	7,500
Ending Balance	$41,345	$ (9,414)	$ (7,856)	$24,075

	26-Weeks Ended June 27, 2015			
	Foreign Currency Translation Adjustment	Gross unrealized losses on available-for-sale securities-OTTI(4)	Net unrealized gains (losses) on available-for-sale securities-Other(5)	Total
Beginning Balance	$20,874	$ (13,031)	$ (5,272)	$2,571
Other comprehensive income before reclassification	20,471	3,617	(2,258)	21,830
Amounts reclassified from accumulated other comprehensive income	-	-	(326)	(326)
Net current-period other comprehensive income	20,471	3,617	(2,584)	21,504
Ending Balance	$41,345	$ (9,414)	$ (7,856)	$24,075

(4) Represents the change in impairment, not related to credit, for those investment securities that have been determined to be other-than- temporarily impaired.

(5) Represents the change in unrealized gains (losses) on investment securities that have not been determined to be other-than-temporarily impaired.

The following provides required disclosure of reporting reclassifications out of AOCI for the 13-week and 26-week periods ended June 27, 2015:

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13-Weeks Ended June 27, 2015

Details about accumulated other comprehensive income components	Amount reclassified from accumulated other comprehensive income			Affected line item in the statement where net income is presented
Unrealized gains (losses) on available-for-sale securities	$	24		Other income (expense)
	$	(21	)	Income tax (provision) benefit
	$	3		Net of tax

26-Weeks Ended June 27, 2015

Details about accumulated other comprehensive income components	Amount reclassified from accumulated other comprehensive income			Affected line item in the statement where net income is presented
Unrealized gains (losses) on available-for-sale securities	$	364		Other income (expense)
	$	(38	)	Income tax (provision) benefit
	$	326		Net of tax

11. Recently Issued Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update No. 2014-09 “Revenue from Contracts with Customers” (ASU 2014-09), which supersedes previous revenue recognition guidance. ASU 2014-09 requires that a company will recognize revenue at an amount that reflects the consideration to which the company expects to be entitled in exchange or transferring goods or services to a customer. In applying the new guidance, a company will (1) identify the contract(s) with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the contract’s performance obligations; and (5) recognize revenue when (or as) the entity satisfies a performance obligation. The provisions of this new guidance are effective for reporting periods beginning after December 15, 2017 and can be adopted using either a full retrospective or modified approach. The Company is currently evaluating the impact of adopting this new guidance on the Company’s financial statements.

12. Stock Compensation Plans

In February 2015, Restricted Stock Units (RSUs) were granted to certain employees under the Company’s 2005 Equity Incentive Plan (the “2005 Plan”). The vesting of these RSUs is contingent upon the achievement of certain revenue and profitability goals, as well as on time-based vesting requirements. The compensation expense related to these grants did not have a material impact on the results of operations for the 13-week or 26-week periods ended June 27, 2015 and is not expected to have a material impact on the results of operations for the fiscal year ending December 26, 2015. The 2005 Plan is discussed further in our Annual Report on Form 10-K for the fiscal year ended December 27, 2014.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The discussion set forth below, as well as other portions of this Quarterly Report, contains statements concerning potential future events. Such forward-looking statements are based upon assumptions by our management, as of the date of this Quarterly Report, including assumptions about risks and uncertainties faced by the Company. Readers can identify these forward-looking statements by their use of such verbs as expects, anticipates, believes or similar verbs or conjugations of such verbs. If any of our assumptions prove incorrect or should unanticipated circumstances arise, our actual results could materially differ from those anticipated by such forward-looking statements. The differences could be caused by a number of factors or combination of factors including, but not limited to, those factors identified in the Company's Annual Report on Form 10-K for the year ended December 27, 2014. This report has been filed with the Securities and Exchange Commission (the "SEC" or the "Commission") in Washington, D.C. and can be obtained by contacting the SEC's public reference operations or obtaining it through the SEC's web site on the World Wide Web at http://www.sec.gov. Readers are strongly encouraged to consider those factors when evaluating any forward-looking statement concerning the Company. The Company will not update any forward-looking statements in this Quarterly Report to reflect future events or developments.

The information contained in this Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the Condensed Consolidated Financial Statements and Notes thereto included in this Form 10-Q and the audited financial statements and notes thereto in the Company's Annual Report on Form 10-K for the year ended December 27, 2014.

The Company is a leading worldwide provider of navigation, communications and information devices, most of which are enabled by Global Positioning System, or GPS, technology. We operate in five business segments, the outdoor, fitness, marine, auto and aviation markets. Our segments offer products through our network of independent dealers and distributors. However, the nature of products and types of customers for the five segments may vary significantly. As such, the segments are managed separately.

Results of Operations

The following table sets forth our results of operations as a percentage of net sales during the periods shown:

	13-Weeks Ended			
	June 27, 2015		June 28, 2014	
Net sales	100	%	100	%
Cost of goods sold	46	%	43	%
Gross profit	54	%	57	%
Advertising	6	%	4	%
Selling, general and administrative	13	%	12	%
Research and development	14	%	13	%
Total operating expenses	33	%	29	%
Operating income	22	%	28	%
Other income (expense), net	1	%	-1	%
Income before income taxes	22	%	27	%
Provision for income taxes	5	%	4	%
Net income	18	%	23	%

	26-Weeks Ended			
	June 27, 2015		June 28, 2014	
Net sales	100	%	100	%
Cost of goods sold	44	%	43	%
Gross profit	56	%	57	%
Advertising	5	%	4	%
Selling, general and administrative	14	%	14	%
Research and development	16	%	14	%
Total operating expenses	36	%	32	%
Operating income	20	%	25	%
Other income (expense), net	-2	%	1	%
Income before income taxes	18	%	26	%
Provision for income taxes	3	%	4	%
Net income	15	%	22	%

The Company manages its operations in five segments: outdoor, fitness, marine, auto, and aviation, and each of its segments employs the same accounting policies. Allocation of certain research and development expenses, and selling, general, and administrative expenses are made to each segment on a percent of revenue basis. The segment table located in Note 4 sets forth our results of operations (in thousands) including revenue (net sales), operating income, and income before taxes for each of our five segments during the periods shown. For each line item in the table, the total of the outdoor, fitness, marine, auto, and aviation segments' amounts equals the amount in the condensed consolidated statements of income included in Item 1.

Comparison of 13-Weeks Ended June 27, 2015 and June 28, 2014

(Dollar amounts included in the following discussion are stated in thousands unless otherwise indicated)

Net Sales

	13-weeks ended June 27, 2015		13-weeks ended June 28, 2014		Year over Year	
	Net Sales	% of Revenues	Net Sales	% of Revenues	$ Change	% Change
Outdoor	$ 110,324	14 %	$ 106,059	14 %	$4,265	4 %
Fitness	158,649	21 %	150,678	19 %	7,971	5 %
Marine	103,713	13 %	73,780	9 %	29,933	41 %
Auto	298,878	39 %	350,036	45 %	(51,158)	-15 %
Aviation	102,266	13 %	97,295	13 %	4,971	5 %
Total	$ 773,830	100 %	$ 777,848	100 %	$(4,018)	-1 %

Net sales decreased 1% for the 13-week period ended June 27, 2015 when compared to the year-ago quarter. All segments, excluding aviation, were impacted by revenues denominated in currencies that have weakened against the U.S. Dollar. In total, it is estimated that the strong U.S. Dollar reduced revenues by approximately $59 million, which represents over 750 basis points. Auto revenue remains the largest portion of our revenue mix at 39% in the second quarter of 2015 compared to 45% in the second quarter of 2014.

Total unit sales increased to 4,150 in the second quarter of 2015 from 3,841 in the same period of 2014. Unit sales volume in the second quarter of fiscal 2015 primarily grew in fitness and marine.

Auto segment revenue decreased 15% from the year-ago quarter, as both PND volumes and the contribution of amortization of previously deferred revenue declined when compared to second quarter 2014. Revenues in our fitness segment increased 5% from the year-ago quarter on the strength of wellness products and multisport products. Revenues in our marine segment increased 41% due to new product introductions and the Fusion® Electronics acquisition which was completed in the back half of 2014. Aviation revenues increased 5% from the year-ago quarter as gains in aftermarket were partially offset by OEM weakness. Outdoor revenues increased 4% from the year-ago quarter with growth in our wearable products more than offsetting weakness in the handheld and golf business.

Cost of Goods Sold

	13-weeks ended June 27, 2015	13-weeks ended June 28, 2014	Year over Year

	Cost of Goods	% of Revenues		Cost of Goods	% of Revenues		$ Change	% Change	
Outdoor	$ 43,378	39	%	$ 41,391	39	%	$ 1,987	5	%
Fitness	70,191	44	%	52,615	35	%	17,576	33	%
Marine	45,136	44	%	31,244	42	%	13,892	44	%
Auto	167,872	56	%	182,443	52	%	(14,571)	-8	%
Aviation	28,003	27	%	25,670	26	%	2,333	9	%
Total	$ 354,580	46	%	$ 333,363	43	%	$ 21,217	6	%

Cost of goods sold increased 300 basis points as a percentage of revenue from the year ago quarter with increases primarily in the fitness and auto segments, while increasing 6% in absolute dollars. Cost of goods as a percentage of revenue increased in part due to a stronger U.S. Dollar that created downward pressure on revenue in all segments excluding aviation as discussed above. The absolute dollar increase of 6% reflects increased unit sales and product mix.

In the auto segment, the 8% cost of goods sold decrease reflects lower PND shipments partially offset by product mix shift toward software-focused OEM solutions. In the fitness segment, the 33% cost of goods sold increase reflects strong volume growth partially offset by product mix shift toward lower cost per unit activity trackers. In the marine segment, the 44% cost of goods sold increase reflects strong volume growth partially offset by product mix shift toward lower cost per unit Fusion® entertainment products. In the outdoor segment, the 5% increase in cost of goods sold reflects product mix shift toward higher cost per unit wearables partially offset by inventory reserves recorded in the second quarter of 2014 which negatively impacted cost of goods in that period. The 9% increase in cost of goods sold for aviation was largely consistent with the segment revenue growth.

Gross Profit

	13-weeks ended June 27, 2015		13-weeks ended June 28, 2014		Year over Year	
	Gross Profit	% of Revenues	Gross Profit	% of Revenues	$ Change	% Change
Outdoor	$ 66,946	61 %	$ 64,668	61 %	$2,278	4 %
Fitness	88,458	56 %	98,063	65 %	(9,605)	-10 %
Marine	58,577	56 %	42,536	58 %	16,041	38 %
Auto	131,006	44 %	167,593	48 %	(36,587)	-22 %
Aviation	74,263	73 %	71,625	74 %	2,638	4 %
Total	$ 419,250	54 %	$ 444,485	57 %	$(25,235)	-6 %

Gross profit dollars in the second quarter of 2015 decreased 6% while gross profit margin decreased 300 basis points compared to the second quarter of 2014. Fitness and auto suffered gross margin decline, as discussed above. Outdoor, marine, and aviation gross margins were relatively stable to prior year results, as discussed above.

Advertising Expense

13-weeks ended June 27, 2015	13-weeks ended June 28, 2014	
Advertising Expense	Advertising	Year over Year