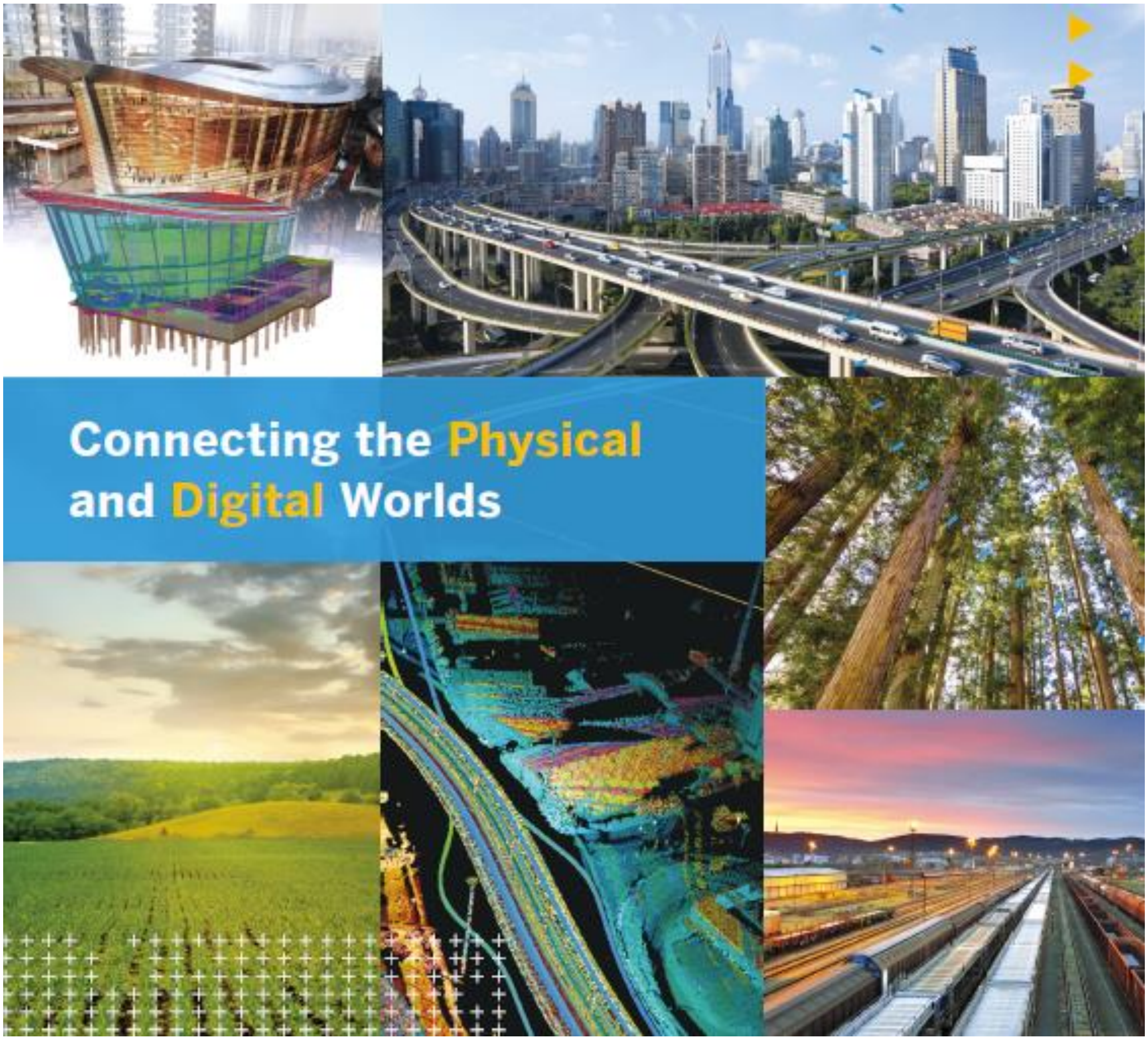

3rd Quarter 2018 Earnings Conference Call Prepared Remarks

November 1, 2018

Trimble Corporate Participants

Steven W. Berglund – President and CEO
Robert Painter – Senior Vice President and CFO
Michael Leyba – Director of Investor Relations

Presentation

Michael Leyba – Director of Investor Relations

Good afternoon everyone and thanks for joining us on the call. I'm here today with Steve Berglund, our CEO, and Rob Painter, our CFO.

I would like to point out that our earnings release, and the slide presentation supplementing today's call, are available on our website at www.Trimble.com as well as within the webcast, and we will be referring to the presentation today. In addition, we will also be posting our prepared remarks on our investor relations website at investor.trimble.com shortly after the completion of this call.

Turning to slide 2 of the presentation, I would like to remind you that the forward-looking statements made in today's call, and the subsequent question and answer period, are subject to risks and uncertainties.

Trimble's actual results may differ materially from those currently anticipated, due to a number of factors detailed in the company's form 10-K and 10-Q, or other documents filed with the Securities and Exchange Commission.

The non-GAAP measures that we discuss in today's call are fully reconciled to GAAP measures in the tables from our press release. With that, **please turn to slide 3** for an agenda of the call today.

First, Steve will start with an overview of the quarter. After that, Rob will take us through the remainder of the slides, including an in-depth review of the quarter, our guidance and then we will go to Q&A.

I would also like to briefly mention that we will be attending the Baird 2018 Global Industrial Conference on November 7 in Chicago.

With that, **please turn to slide 4**, and I will turn the call over to Steve.

Steven W. Berglund – President and CEO

Good afternoon.

The third quarter was largely consistent with prior quarters—we delivered double-digit organic growth and 32 percent operating leverage that resulted in EBITDA of 23 percent and year-to-year EPS growth of 26 percent. The strength was seen across all segments and most regions.

During the quarter we launched a period of very active and positive engagement with our markets. In September, October and November we have conducted, or will conduct, five user conferences.

- SketchUp's conference "3D Basecamp" was held in September with more than 1,200 attendees. The focus was on 3D modeling innovations and workflows for architects, designers and makers.
- Transportation's conference "Insight" was also held in September with more than 2,100 fleet operators, shippers and logistics providers. The key theme of the conference was the unique and comprehensive solution available from combined PeopleNet and TMW capabilities. The event also marked the full transition to the unified Trimble brand.
- e-Builder's users conference "Elevate" was held in October with over 500 participants. The user community was primarily private and public project owners. Beyond the traditional conference emphasis on the introduction of greater product functionality, the focus was on the potential of the e-Builder and Trimble combination and the breakout benefits for the user, which will be become available over time.

- Viewpoint's users conference "Collaborate" was also held in October with over 2,200 attendees—most of them contractors. The focus was on the full rollout of the Office-Team-Field information architecture. The additional theme at the conference was also on the potential of the Viewpoint/Trimble combination and the path to fully integrated information—including, for example, the real-time integration of machine performance into the enterprise system.
- Trimble's flagship users conference "Dimensions" will be held next week in Las Vegas with more than 4,000 participants. The majority of the audience will consist of contractors, engineers and geospatial professionals. Dimensions has become a central feature in Trimble's go-to-market identity and has become a construction industry fixture. The primary emphasis will be on education and the transfer of knowledge from user to user. We will also release several new products and demonstrate emerging new technology capabilities such as autonomy, augmented reality and vision tracking.

We are finding these close engagements with the market to be highly validating in three respects.

- The first is increasing belief in technology as a transformative force. The number of true believers is growing.
- The second is growing understanding that tighter integration of information solutions enhances the probability of breakout results.
- The third is a belief that Trimble is a unique force in assembling and integrating work flow solutions. In particular, we are receiving reinforcement that we are on the right path in our focus on integrating the physical and digital worlds.

The Viewpoint and e-Builder conferences also provided visible evidence of early success from the collaboration among Trimble, Viewpoint and e-Builder. Both acquired businesses are on track with the deal financial models and the level of synergistic innovation is exceeding expectations. The overall picture is very encouraging.

We are anticipating closing the year with fourth quarter revenue performance consistent with the strategic growth model we identified at our Investors Day and year-to-year improvement in the financial model. Total year performance will end well above our strategic profile. We will also enter 2019 with arguably the most robust portfolio in Trimble's history. The contribution from each of the vertical market components is well balanced, we have regional platforms in place that will allow us to provide international market leadership, and our mix of software and hardware is steadily shifting to software—which will enable us to maintain our position as the premier provider of value in our markets.

We have recently announced two strategic moves that will incrementally improve our portfolio. Brazil, although currently a country in some turmoil, is an important market for us, both in the present and future. We have experienced significant Brazilian growth year to date on the strength of agricultural sales. We have now enhanced our Brazilian position in transportation with the recent acquisition of Veltec, a well established provider of fleet and monitoring services to the Brazilian transportation market. Although the acquisition was of modest size, it provides us with a strong platform to establish and expand a presence in the general trucking market. We also see it as potentially reinforcing our existing positions in agriculture and plantation forestry. Those markets are unique in a number of different ways and one of their limiting constraints tends to be transportation logistics. With the new capability provided by Veltec we hope to augment our precision farming and logistics capabilities and provide a more holistic response to the challenges faced by Brazilian farmers and foresters.

The other strategic move announced this morning is a strategic collaboration between HCSS and Trimble. HCSS has been a very well respected provider of construction management software to the heavy civil market for three decades. Its market presence has been centered on its core capabilities in bidding and estimating. The focus of the inter-company collaboration will be on selective integration of the two companies' software offerings to promote a tighter and more seamless workflow for the contractor. In addition, we anticipate Trimble will become the primary distribution arm for HCSS outside North America. This addition to the already robust construction information architecture evolving under Trimble and Viewpoint will provide compelling value to the contractor and incrementally bolster Trimble's leadership position in the heavy civil market.

Although generalized concerns about the macro economy are being expressed in the media, we are not experiencing market conditions that cause us to question our optimism for 2019. That said, we are seeing a number of what might be called "micro" effects. In isolation they do not rate much attention but in aggregate they had a marginal effect on the third quarter and will have some impact on the fourth. They can be broadly categorized as “discrete,” “geopolitical” and “trade.”

The discrete impacts include lower September year-end spending by the U.S. government than we have traditionally seen; severe droughts in Australia and eastern Europe, which have impacted regional agriculture sales; and the northern California fire, which disrupted our operations in Redding.
The geopolitical effects include foreign exchange volatility, which has created head winds in some countries such as Turkey, Russia, and Brazil; current and potential new Russian sanctions, which have not yet had a direct impact on us but tend to intensify a background negativism towards U.S. products; and Brexit induced uncertainties and resulting negative UK investment sentiment.

The direct financial impact resulting from the application of U.S. tariffs remains a peripheral issue for us – at least for the moment. We are more concerned about the potential longer term secondary effects as other countries respond to U.S. tariffs either directly or indirectly. For us the clearest example of a potential impactful response has been the Chinese restriction on U.S. agricultural exports. The resulting uncertainty on farm incomes may impact U.S. farmers’ willingness to invest. We can at least partially arbitrage any impact in the U.S. by intensifying our engagement with markets such as Brazil, which are eager to replace U.S. sources of supply to China and require precision farming solutions to step up production. At a more general level, we are concerned that aggressive U.S. actions will provide justification for greater economic nationalism around the world—which could take multiple forms, including increased explicit favoritism for preferred national industry champions.

The improving operational performance over the last several years has enabled us to intensify our emphasis on long-term strategic outcomes. I have previously described our internal 3-4-3 framework that places strategic outcomes on an equal footing with quarterly results. The beginning point in that process is to create an unbounded three-year concept that represents breakout performance and then to reverse engineer the execution back to present day. Our objective is to “perform to potential” with potential being represented by the penetration available in our markets. The objective is to surpass the incrementalism of more conventional budgetary processes.

Before turning the call over to Rob, let me point out that 2018 represents Trimble’s 40th anniversary. The company was founded in 1978 by Charlie Trimble who was CEO until 1998. Charlie established the strong tradition of innovation we still leverage today. I followed Charlie in 1999 and the two of us represent the entire CEO leadership over the 40 year history—which makes us quite unique among publicly traded companies and has enabled both strategic consistency and deep market relationships. The earliest experiments on GPS-based construction machine control began late in Charlie’s tenure. That technology has evolved and has transformed site preparation and road construction. Recently, we opened a new indoor test facility in Dayton, Ohio, which is a dome supported by air pressure, in which we can develop and test machine control systems using multiple large machines simultaneously. An image is included on **page 7**. This building represents our ongoing commitment to innovation as well as our willingness to step up and apply the scale and scope necessary to compete successfully in today’s market.

Rob…

Robert Painter – Senior Vice President and CFO

Thanks Steve. Let’s start with the punchline. Our third quarter performance was strong, with total revenue growth of 19 percent and organic revenue growth of over 10 percent. This represents our fifth quarter in a row of double-digit organic revenue growth. In addition, we outperformed at the operating income and EBITDA margin levels, and we exceeded our third quarter earnings per share guidance, delivering 49 cents earnings per share. Our operating cash flow was strong, and we continue to hold a favorable strategic position in the marketplace.

Let’s turn now to a detailed review of the results starting on **slide 8**.

Third quarter total revenue was $805 million on a non-GAAP basis, up 19 percent year over year.
Breaking that down, currency translation subtracted less than 1 percent and acquisitions added 9 percent. Organic growth was over 10 percent. As previewed on our last call, as of the third quarter, we are now reporting a non-GAAP revenue measure that excludes the effects of deferred revenue write-downs associated with acquisition accounting. Note that prior periods have also been restated to reflect this non-GAAP measure and that historical information is available on our investor relations website.

Gross margin in the third quarter was 57.9 percent, up 200 basis points year over year, reflecting favorable pricing dynamics as well as favorable product mix, which was driven both organically and inorganically.

The adjusted EBITDA margin, which includes income from our joint ventures and equity investments, was 23.0 percent in the third quarter, up 180 basis points year over year. Operating income dollars increased 32 percent to $167 million, with operating margins increasing 210 basis points to 20.8 percent. Our non-GAAP tax rate declined from 23 percent to 19 percent year over year, reflecting U.S. tax reform. Our net income was up 23 percent and non-GAAP earnings per share in the third quarter were $0.49 cents, up 10 cents, or 26 percent, year over year.

Reflecting our low capital intensity and attractive cash generation profile of the business, deferred revenue was up 28 percent year over year, and net working capital, inclusive of deferred revenue, was 3 percent of our trailing twelve month revenue. Cash flow from operations was $117 million and was up 69 percent year over year, driven by the growth in net income, favorable working capital dynamics and the growth in deferred revenue balances. Year-to-date operating cash flow was up 19 percent on a year-over- year basis.

To cover our capital structure, we closed the quarter at a gross debt level of just over $2.0 billion, and net debt of just over $1.8 billion, representing 2.75 times net debt to adjusted EBITDA on a trailing 12-month basis, which is ahead of plan and favorable relative to what we have previously communicated. That leverage ratio of 2.75 times incorporates approximately 8 months of financial results from e-Builder and 3 months of results from Viewpoint. If a full 12 months of results from e-Builder and Viewpoint were incorporated, that metric would be lower still. Our balance sheet is demonstrably strong.

Turning now to slide 9, let’s go through the revenue details at the reporting segment level, which are presented on a year-over-year basis. Organic revenue was up in each segment. Buildings and Infrastructure delivered 7 percent organic growth, with continued growth in both civil construction and buildings. With acquisitions, the segment was up 36 percent. Geospatial delivered 10 percent organic growth, driven by discrete end market applications. Resources and Utilities was up 14 percent organically, with North America and Europe regions leading the way, to both aftermarket and OEM customers. As a reminder, the third quarter of 2017 was Mueller’s first quarter under Trimble and created a favorable comp for this quarter. Finally, the Transportation segment was up 11 percent organically, driven by subscription revenue growth. The slide also presents a 1 and 3 year growth trend for the segments, which fits the profile of the model we articulated at investor day back in May.

To put a finer point on the revenue mix we had in the quarter, we saw relative strength in a couple of areas. First, the transportation segment performed exceptionally well in the quarter and came in ahead of expectations. Second, both the e-Builder and Viewpoint acquisitions performed well in the quarter, especially when looking at the underlying growth in bookings and mix towards subscription revenue over perpetual license revenue. Steve hit on the negative micro impacts we experienced in his commentary.

Slide 10 provides an overview of the geographic revenue mix. Between the relative strength of the U.S. economy, the strong quarter in Transportation, and the North American centricity of recent acquisitions, we see the portfolio mix tilting towards North America in the quarter. The trailing 12-month performance reflects the strength we’ve also seen out of Europe. Let me reiterate commentary from last quarter, where we highlighted that China represents less than 5 percent of Company revenue. And separate, but related to trade issues, I would also like to note that China represents a small portion of our country of origin cost of goods sold. So while tariffs and trade barriers to trade are a headwind to growth, we do feel the current situation is well within our ability to manage.

Let’s turn to slide 11 and look at our revenue mix by type. For the quarter, software, services and recurring revenue reached a record level of 53 percent of total revenue. The slide presents the data on a trailing 12-month basis, with 50 percent, or $1.5 billion dollars, of software, services and recurring revenue, and 50 percent hardware. Within the software revenue elements, recurring revenue, which is mainly comprised of subscription revenue and support and maintenance agreements, is now $865 million on a trailing 12-month basis, or 28 percent of total revenue. Software and services, which is mainly comprised of perpetual and term licenses as well as professional services, represents $630 million of revenue on a trailing 12-month basis. Each revenue type grew double digit, reflecting strength across the entire business.

Moving now to slide 12, let's go through the operating income details at a reporting segment level. At a company level, operating income was 20.8 percent with operating leverage of 32 percent. Drivers of operating income growth were similar across each of the reporting segments, where gross margins expanded based on product mix and pricing. When combined with operating expense management, this enabled us to significantly expand our operating margins over 200 basis points over the third quarter of last year.

Turning to page 13, the eight listed metrics are financially representative of our identity as a technology company. From revenue mix, growth, contracted backlog and our low capital intensity, our metrics demonstrate the strength of the Trimble financial model. ARR, or annualized recurring revenue, stands at approximately $1 billion in the quarter. This is the first time we have presented this metric, and this metric demonstrates the attractiveness of the underlying revenue profile.

Before turning towards guidance, an update on acquisitions. Viewpoint and e-Builder continued to demonstrate strength in the quarter, with strong bookings growth in both businesses. On the e-Builder side, indicative of their strong leadership and process strength, we have moved some of our project management solutions over to their management team to run. On the Viewpoint side, in the months since we have owned the business, it is clear that we acquired a leader in construction management software. The integrated suite of Office-Team-Field workflows continues to mature with the recent release of a native integration between the ERP and the management of time, equipment and labor in the field. This integration enables Project Controls in a unique manner in the industry. Further, we are already demonstrating client success of cross selling solutions. Finally, the financial model is healthy, with the combined revenue mix at over 70 percent recurring, and a bookings mix that is increasingly shifting towards subscription over perpetual.

As Steve mentioned, we acquired Veltec a few weeks ago, and on slide 6 you will see an overview of the business and the strategic rationale. The Veltec business is at the beginning stages of a conversion to SaaS. Therefore the top and bottom headline financial results do not tell the full story of what is an attractive business in a compelling market context in Brazil.

Let's now move to fourth quarter and total year guidance on **slide 14**.

For the fourth quarter, we expect non-GAAP revenue of $791 to $821 million and EPS of $0.44 to $0.48 cents per share.

Two comments to add color to our fourth quarter guidance:

First, Revenue. On one side, our guidance reflects incremental uncertainty we see with trade and geopolitics, the strengthening U.S. dollar and the micro effects that Steve mentioned in his commentary. On the other side, our guidance reflects the competitive strength of our franchises, continued organic growth and acquisition performance. One note on the Veltec acquisition; it does <u>not</u> move the revenue needle in the fourth quarter as it is in the early stages of a SaaS transition.

Second, EPS. The implied EPS reflects the resiliency of our model and the actions we have taken over the last couple of years to balance our exposure and to exit non-core activities. In addition, I would like to remind investors that in the fourth quarter we have our bi-annual Dimensions user conference, which is an incremental multi-million dollar expense. In addition, Veltec is dilutive for 2 to 3 quarters because of the timing of the SaaS transition. And lastly, equity income from our joint ventures normally trends down sequentially in the fourth quarter.

Moving to full-year 2018 guidance. For the full year, we expect non-GAAP revenue between $3.13 to $3.16 billion. And we expect full-year non-GAAP EPS to be between $1.89 and $1.93, which is <u>above</u> our previously announced range.

Let's step back and put our full-year 2018 financial expectations into context. With an assumption of achieving fourth quarter results within our guidance range, the compelling value we are creating in the marketplace is translating through to our financial model. For 2018, we expect to deliver total revenue growth in the range of 18 to 19 percent, with approximately 10 percent organic growth. We expect to achieve gross margin expansion of about 200 basis points as a result of pricing discipline and through organic and inorganic growth in our software businesses. Further, we expect our total-year revenue mix to be approximately 50 percent software, services and recurring. Walking down the P&L, we expect that our management of the portfolio and the operating expenses will translate into EBITDA margin expansion of about 200 basis points, and EPS growth greater than 30 percent year over year. Finally, we expect to achieve a record level of operating cash flow. This is a testament to our customers who are deploying our transformative technology, and to our employees around the world who make this possible.

Before moving to the Q&A, a brief word on 2019. While it is too early to say anything definitive about 2019, I will comment that our current expectation is to achieve the growth and margin expansion model that we put forward at investor day. This view is 6 to 9 percent organic growth and operating leverage in the range of 25 to 30 percent over a multi-year period. This baseline provides an initial view of how we see the business next year. In addition, for 2019 specifically, we expect our recent acquisitions to provide a little more than 3 points of additional growth. We also expect to incrementally accelerate the transition of license revenue towards subscription revenue, primarily in our construction business and secondarily in our transportation business.

Let’s now take your questions.