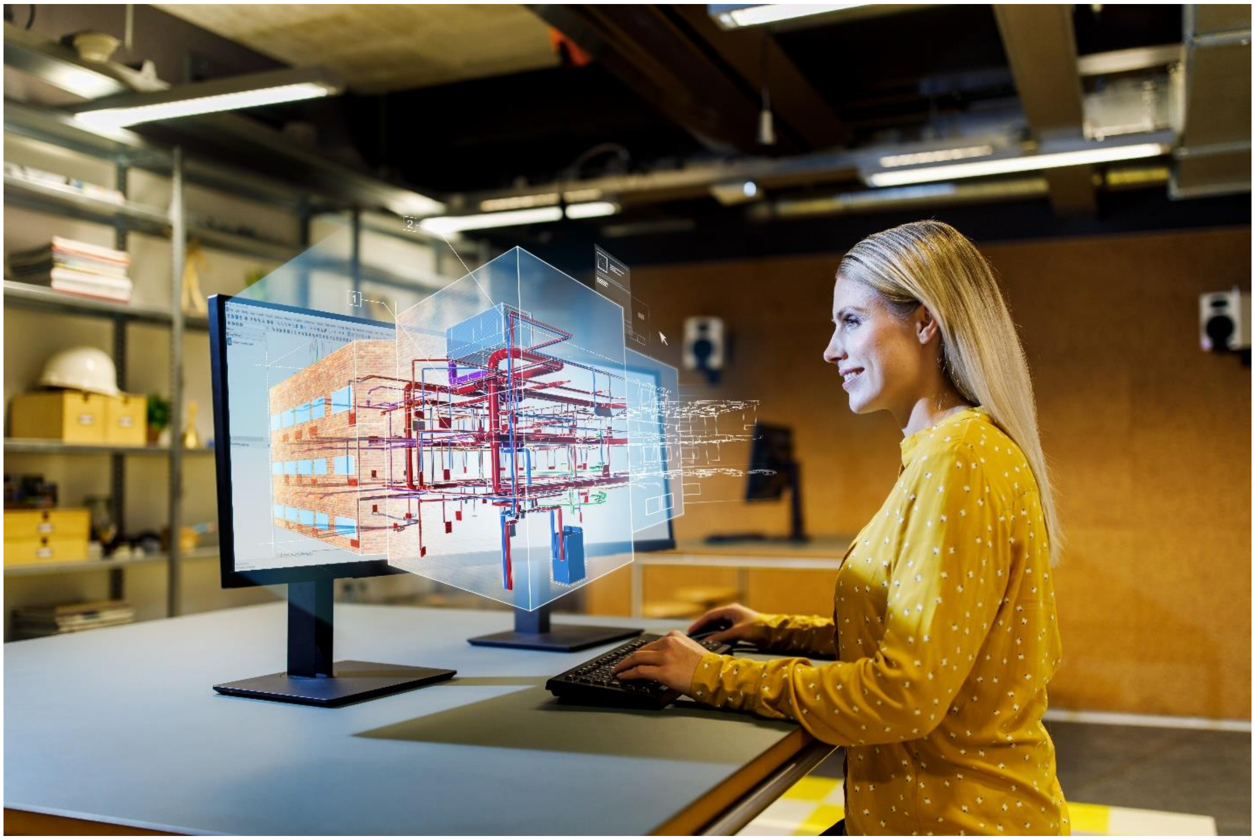

Managed, real-world content transforms disconnected workflows into a coordinated, constructible and actionable building model. Experienced engineers and technicians can use Trimble Nova to model virtual 3D models of buildings, with a focus on technical building services (BSE). With Building Information Modeling (BIM) functionality and IFC and DWG interfaces, any number of planners, architects, engineers or designers can work together on a project. The software enables customers to focus on the constructability of the building. It integrates design, drawing and engineering calculation and analysis.

First Quarter 2023 Earnings Conference Call Prepared Remarks

May 3, 2023

Trimble Corporate Participants

Rob Painter – President and CEO
David Barnes – Senior Vice President and CFO

Trimble
Transforming the Way the World Works

Presentation

Rob Painter, CEO

Welcome everyone. Before I get started, our presentation is available on our website; and we ask that you refer to the safe harbor at the back.

Let's begin on slide 2 with our key messages. Annualized recurring revenue is our key top line metric at Trimble. Our team, led by our construction software group, achieved 13 percent organic growth in the quarter, 100 basis points ahead of our expectations. We now stand at $1.65 billion of ARR, which compares to $1.2 billion when we began our Connect and Scale journey in 2020 and under $700 million at the beginning of 2017. Kudos to the Trimble team who have worked so hard to execute on our transformation.

EBITDA is our other key P&L metric, and we delivered EBITDA of 27.2 percent—also slightly ahead of our expectations, which was driven by record gross margins of 64.2 percent. For perspective, gross margins in 2019 were 57.7 percent and 56.3 percent in 2016. Free cash flow conversion of 1.14X was also ahead of our expectations.

I recognize that consensus numbers and the trading algorithms both still focus on total revenue and EPS. While these figures are important—they are secondary in relevance to ARR and cash flow, which are much more closely tied to fundamental value creation. Revenue and margins were both above expectations we set with the investor community back in February. We believe the delta to consensus figures was simply a function of the challenge in getting our quarters mapped correctly against our annual guidance. As a result, we will be more prescriptive with our second quarter commentary.

With respect to the macro, like most companies, we are navigating an economic environment with a heightened sense of uncertainty, trying to find the signal through the noise. Despite the noise, what we sell to customers is productivity, quality, safety, transparency and environmental sustainability. The mid- to long-term secular tailwinds remain strong in the industries we serve—they are large, global industries that are under-served and under-penetrated and they will continue to digitally transform. Our strategy compels us to be mindful of our cost structure in the short term, while continuing to invest in our most attractive long-term opportunities.

With respect to capital allocation, there are three main points. First, we divested three small businesses in the first quarter, bringing the total to 16 since 2020. Second, our recent B2W and Ryvit deals are both off to a strong start and performing ahead of expectations. Third, the investment we are making in our business transformation has initially been focused towards our software businesses. $1.65B of ARR growing double digit in this climate is a proof point of high-quality capital allocation. We are transforming our go-to-market motions to deliver bundled and connected solutions, while building the systems and processes to efficiently and effectively scale our business. At the company level, we think about our rule of 40 as the sum of ARR growth and EBITDA margin, which represents our aspirational bar. Many of our software businesses have already cleared this hurdle, while others are steering this direction. Looking at our hardware businesses, this is where we have felt the whipsaw of supply chain availability and channel inventory stabilization, which continues to make quarterly comparisons of our numbers incomplete, at best. To find the signal you have to look at a multi-year view. Our largest hardware businesses—in agriculture, civil construction and geospatial, collectively grew revenues at a mid-single digit rate from the first quarter of 2019 through the first quarter of 2023. In the first quarter, channel inventories continued to draw down, thus retail demand significantly exceeded wholesale demand.

Moving to slide 3, let's look at the progression of our Connect and Scale strategy through the lens of our reporting segments, beginning with Buildings and Infrastructure.

The market backdrop generally remains healthy. In North America, we see strength in infrastructure and non-residential construction such as data centers, renewable energy and manufacturing, slightly offset by pressure on residential. Customer backlogs remain healthy, and technology helps to address the skilled worker shortage. By the numbers, ACV bookings grew double digits in the quarter and ahead of plan, while ARR grew in excess of the company growth rate. Our Trimble Construction One commercial offering is helping to grow new logo and cross sell bookings, and our next wave of systems automation will be released in the next few weeks. Through the lens of strategic progression, customer wins at

England's National Highways and the Norwegian Public Roads Administration demonstrate customers want integrated Trimble offerings. At ConExpo, our technology was present on 20 OEM booths, demonstrating the continued relevance of the mixed fleet. And our introduction of an all-in-one system for on machine excavator guidance and site surveying demonstrates that we can continue to expand the size of the addressable market by virtue of reaching new machine categories.

In Geospatial, the market backdrop is generally the same as Buildings and Infrastructure, with a higher mix of residential exposure, which presents a headwind. Managing channel inventory levels is a priority in this segment. By the numbers, revenue was ahead of our internal expectations in the quarter. Strategically speaking, we continue to see strong demand from US state departments of transportation, and we see product lines such as mobile mapping showing solid growth.

In Resources and Utilities**,** while farmer sentiment has been dropping, the market fundamentals continue to be healthy. Commodity prices remain high by historical standards and input costs are moderating. Strategically speaking, we are on the path towards building out our aftermarket distribution in agriculture. We believe in giving farmers a choice in their technology platforms and we believe in the power of independent technology dealers where we have the direct relationship. While there is a lot of work ahead of us, feedback from current and prospective partners is positive. We know how to build and manage a channel. I reference our SITECH model in civil construction and a similar initiative in our geospatial channel as case studies in excellence of channel development. In the quarter, we also announced advanced path planning technology, which takes us a step further on the path towards fully autonomous equipment for a variety of industries. In our positioning services business, we announced that Nissan has gone live with their most advanced driver assist system to date, which is enabled by Trimble positioning technology. This is another example of Connect and Scale—taking a core Trimble technology and applying it across new and existing verticals. By the numbers, we were largely on plan this quarter.

In Transportation, the market backdrop is very dynamic with a softening freight market pressuring carriers to find new frontiers of efficiency, which technology can help address. By the numbers, we met our expectations in the quarter, and we have delivered five sequential quarterly increases in operating income as a percent of revenue. Strategically speaking, we are making progress with our new in-cab technology platform, which delivers the open platform that our customers have been asking for. We launched new functionality in the quarter, including the first industry dwell time metrics for fleet management, which provides customers with additional metrics that they can use to improve their operational efficiency.

The biggest news for us in Transportation was the closing of the **Transporeon** deal on April 3. I've described this business as a perfect example of a platform play within our strategy. The why comes in the form of a network of over 158,000 carriers, and over 1,400 shippers transacting approximately 55 billion euros of freight on an annual basis. Every day, over 110,000 transports and over 100,000 dock scheduling appointments are managed on the Transporeon platform. **Slide 4** provides a summary overview of how we see the complementary aspects coming together to create a stronger franchise—in the form of complementary capabilities, customers and geographic reach.

The business model of Transporeon is fundamentally a consumption-based model based on an array of transaction fees. Since we announced the deal in December, demand in Europe has slowed and the mix has shifted towards a greater percentage of contract over spot transactions, which are monetized at a lower rate. Our guidance reflects what we believe is a de-risked 2023 level of dollar denominated revenue—approximately 10 percent below what we communicated in December. While this is disappointing, there are also positive signals. Bookings are still expected to grow well over 30 percent for the year, market share is holding, customer churn is almost non-existent, our tax rate assumption improved and cross selling opportunities with Trimble are looking stronger than they did just a few months ago.

Let me now turn the call over to David to take us through the numbers.

David Barnes, CFO

Thank you Rob.

I'll start on slide 5. First quarter revenue of $915 million was above our expectations coming into the quarter. I'll remind you that revenues were exceptionally strong early last year as we recovered from our supply chain challenges and worked to bring down backlog, so our comps this quarter were difficult. Our organic revenue decline in the first quarter is entirely attributable to reductions in dealer inventories.

Gross margins were exceptionally strong in the quarter. As Rob mentioned, our 64.2 percent gross margins are a record in the history of Trimble, reflecting both an accelerated mix toward higher margin software offerings and the positive net impact of price realization and lower input costs for our hardware products. Gross margins in the first quarter benefited from a high level of term license renewals in several of our software businesses, so we expect some moderation from this high level in the coming quarters.

While we continued to spend in the quarter against our strategic initiatives, our strong performance on the gross margin line led to higher EBITDA and operating margins, up 170 and 120 basis points respectively versus prior year. We are pleased with our ability to drive high margins even in a tough environment and as we invest in our business.

Cash flow in the quarter improved significantly year on year, with both cash flow from operations and free cash flow in excess of non-GAAP net income. Our improved cash generation reflects a reduction in cash outflow for hardware component purchases and lower incentive compensation. Note that we did not repurchase any shares in the quarter and will continue the suspension of share repurchases until we have paid down a meaningful portion of the debt raised to fund the Transporeon acquisition.

Turning now to slide 6 for some perspective on the underlying drivers of our revenue trends. I'd like to call your attention to a change we have made in the presentation of our revenue breakout on our financial statements. Going forward our revenue will be broken out in two components—the first category is products while the second category is subscriptions & services. Product revenue consists of our hardware offerings and our non-recurring perpetual software, while subscription and services revenue is predominantly recurring. In presenting our revenue in this way we are being responsive to investors, who increasingly think of our growth separately in recurring and non-recurring revenues. We think this new presentation is better aligned with our strategy going forward.

Product revenue—including hardware and perpetual software, was down 15 percent organically in the first quarter. The decline in product revenue this quarter reflects a tough comparison with the first quarter of 2022 when our supply chain was freeing up and we were working through extraordinarily high backlog. Our dealers reduced their inventories as expected in the first quarter this year, and we estimate that dealer inventory reductions accounted for roughly $40 million, or nearly half, of our product revenue decline.

Subscription and services revenue was up 14 percent on an organic basis.

To put our first quarter revenue performance into a longitudinal perspective, it is instructive to look at the compound growth back to 2019, before the impacts of COVID and supply chain swings. In this view, total revenue compounded at a 5 percent rate in the first quarter of 2023 vs 2019.

From a geographic perspective, revenue was down 9 percent organically in Europe. Nearly half of the Europe revenue decline can be attributed to our decision to exit our Russia business. In North America and Asia Pacific our revenues in the quarter were essentially flat, while revenue in the Rest of World grew 6 percent—driven by strong demand from Agriculture customers in Latin America.

Turning now to slide 7, we ended the first quarter with ARR at $1.65 billion, up 13 percent organically. Backlog of $1.6 billion was up slightly vs the prior quarter, and down from $1.7B a year ago. Hardware and perpetual software related backlog was down $200 million year over year—driven by our dramatically improved lead times. Recurring related backlog was up over $100 million year-over-year and up $40M sequentially due to our growing bookings of recurring solutions. On a 12-month rolling basis, our software, services and recurring revenue of $2.2 billion represents 62 percent of our revenues, up 700 basis points from year-ago levels. As we neared the completion of the Transporeon acquisition, we did so from a strong balance sheet position, with net debt at approximately 1.1X EBITDA.

Turning now to results by segment on slide 8, our software portfolio in Buildings and Infrastructure had a strong quarter, with ARR up organically by approximately 20 percent. Segment revenue to our civil construction customers, which are predominantly made up of hardware, were down year on year in the quarter as expected, as our dealers worked down their inventories. Excluding the impact of dealer inventory changes, we estimate that our retail sales of civil construction offerings were up in the quarter at a high, single-digit rate, reflecting a favorable environment for infrastructure investment. In total, Buildings and Infrastructure saw 5 percent organic revenue growth with operating margins over 28 percent.

Transportation segment revenues grew year on year organically in the quarter, while operating margins exceeded 15 percent. Importantly, ARR grew at a mid-single digit rate in the quarter for this segment. The turnaround of our Transportation business is underway, and we are encouraged by the continuous improvement in ARR growth, revenue growth, and operating margins.

In the Resources and Utilities segment, revenue was down organically as expected. Like our other hardware-centric businesses, R&U revenue trends were impacted significantly by tough comps with prior year. In the first quarter of 2022, R&U revenues grew 16 percent organically, as our supply chain freed up and we worked to bring down backlog. On a 4-year basis first quarter revenues were up at a compound annual growth rate of just over 6 percent. Segment margins were extremely strong in the quarter, reflecting lower input cost and the benefit of higher price realization.

In the Geospatial segment, which is also heavily dependent on hardware, we saw revenue down 16 percent on an organic basis in the quarter but modestly better than our forecast. More than half of the year-on-year organic revenue decline for the segment relates to dealer inventory dynamics, as dealers reduced their overall inventory levels this year. Geospatial revenues grew organically by over 16 percent in the first quarter of last year as we brought down backlog. Our geospatial business has felt the slowdown in residential home construction, which has impacted many of our survey customers.

I will turn now to guidance on slide 9, where we have a number of moving pieces. We are updating our annual guidance to bridge the addition of Transporeon for the remainder of the year. We are also being more prescriptive with our view on the second quarter with the addition of Transporeon.

Let’s start with the annual outlook pre-Transporeon, where we are confirming our baseline guidance view for the business, including our outlook for mid-teens organic ARR growth and full year organic revenue growth of 2 to 5 percent.

Incorporating Transporeon, we expect the addition of approximately $135 million in revenues over the balance of the year, and approximately $175 million of ARR by the end of the year. As such, we now expect full year revenue to be in the range of $3.835 billion to $3.935 billion. We project that our ARR, including Transporeon will be approximately $2 billion at the end of 2023.

We continue to expect that gross margins will expand in the range of 300 basis points for the year vs 2022, coming down sequentially in the second quarter and then progressing up again in the second half of the year. We expect non-GAAP operating margins to be in the range of 23 to 24 percent.

Our guidance now assumes a more favorable tax rate than our last forecast, based on a more favorable outlook on our tax rate from the Transporeon acquisition. Our updated outlook for earnings per share is in the range of $2.52 to $2.72, reflecting a mid-single digit percentage dilution from Transporeon and related interest expense, which is in line with what we indicated in December. We continue to expect that Transporeon will be roughly neutral to 2024 EPS and accretive thereafter.

We affirm our free cash flow projection for the year of approximately 1X non-GAAP net income, reflecting in part our plan to reduce inventory levels. Shortly after the close of the Transporeon acquisition, our pro forma net leverage stood at approximately 3.25X, with approximately $3.1 billion in net debt. The debt we raised in connection with our Transporeon acquisition carries an interest rate of approximately 6.3 percent, in line with our expectations at the time the deal was announced. Given our current cash flow projections, we expect to end 2023 with leverage under 3X. We said in our announcement of the Transporeon acquisition that we expected to restore leverage to below 2.5X within 18 to 24 months following the acquisition. Our updated projections suggest that we will be able to de-lever to our 2.5x goal sooner than that original timeline.

Turning to the second quarter, the midpoint of our guidance reflects a return to organic revenue growth, with revenue between $962 million to $992 million, and EPS in the range of $0.55 - $0.61. We expect the impact of additional dealer inventory reductions in the second quarter will be about half the rate of the first quarter, with stocking levels at or near normal levels by the end of June. We expect that our gross margin percentage will be lower sequentially in the second quarter due to lower term license revenue and a higher share of hardware. Operating margins will also be down sequentially to approximately 22 percent, reflecting both lower gross margins and higher operating expense from annual salary increases.

Looking at the back half of the year, we expect higher rates of ARR and revenue growth. We expect revenue to increase sequentially from the second quarter through the fourth quarter. We project that the fourth quarter will be our best of the year across the key metrics of financial performance, including total revenue, ARR growth, organic revenue growth and operating margins.

As it relates to a view on segment growth throughout the rest of the year, we expect all four of our segments to post improving sequential organic ARR and revenue growth through the balance of 2023. Buildings and Infrastructure will remain our fastest growing segment, as we expect our recurring software businesses to sustain solid performance while our civil hardware business improves with more normalized dealer inventories. We expect our Geospatial segment to return to positive organic growth in the second half of the year but remain modestly down for the full year. We expect Resources and Utilities to return to growth late in the second half of the year, driven by an expected pickup in our aftermarket channels.

Over to you Rob.

Rob Painter, CEO

When we think about our right to win at Trimble, we believe we can uniquely bring together users, and connect workflow, between the physical and digital worlds across industry continuums. Connect and Scale is our strategy. Our strategy is a platform strategy. Our platform strategy is in turn a data strategy. If we are successful in our pursuits, we will collect one of the most complete data sets in and across industries, creating a flywheel of enhanced insights and data connectivity. AI has captured the world's attention. Ours too. We believe our corpus of industry specific data will unlock and accelerate our long-term value creation model.

As I conclude my remarks, I want to take a moment to honor the memory of Sandra MacQuillan, who passed away last week after a years-long battle with cancer. Sandra was a dedicated member of our board and was a valuable contributor to our company’s success. Sandra’s insight, courage and support for our business will be greatly missed. She helped make Trimble a better company. She helped me to become a better leader. On behalf of the entire Trimble team, I extend our deepest condolences to Sandra’s family and loved ones.

Operator let’s open the line to questions.