

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED September 27, 2019**

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: 001-14845

TRIMBLE INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

94-2802192

(I.R.S. Employer Identification Number)

935 Stewart Drive, Sunnyvale, CA 94085

(Address of principal executive offices) (Zip Code)

Telephone Number (408) 481-8000

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (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 registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definition of "large accelerated filer", "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer

Accelerated Filer

Non-accelerated Filer

Smaller Reporting Company

Emerging Growth Company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.001 par value per share	TRMB	NASDAQ Global Select Market

As of November 1, 2019, there were 249,133,702 shares of Common Stock, par value \$0.001 per share, outstanding.

TRIMBLE INC.
FORM 10-Q for the Quarter Ended September 27, 2019
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PART I – FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

TRIMBLE INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

As of	Third Quarter of	Fiscal Year End
(In millions, except par value)	2019	2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 184.6	\$ 172.5
Accounts receivable, net	488.9	512.6
Other receivables	27.2	33.2
Inventories	290.1	298.0
Other current assets	71.0	72.8
Total current assets	1,061.8	1,089.1
Property and equipment, net	229.0	212.9
Operating lease right-of-use assets	133.7	—
Goodwill	3,534.4	3,540.0
Other purchased intangible assets, net	627.3	744.3
Deferred costs, non-current	41.9	41.3
Other non-current assets	175.8	148.8
Total assets	\$ 5,803.9	\$ 5,776.4
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Short-term debt	\$ 236.3	\$ 256.2
Accounts payable	156.7	147.6
Accrued compensation and benefits	115.1	169.2
Deferred revenue	375.1	348.4
Accrued warranty expense	14.9	15.3
Other current liabilities	161.2	118.5
Total current liabilities	1,059.3	1,055.2
Long-term debt	1,514.0	1,712.3
Deferred revenue, non-current	43.9	38.8
Deferred income tax liabilities	75.7	73.8
Income taxes payable	73.3	71.3
Operating lease liabilities	109.0	—
Other non-current liabilities	140.6	150.2
Total liabilities	3,015.8	3,101.6
Commitments and contingencies (Note 15)		
Stockholders' equity:		
Preferred stock, \$0.001 par value; 3.0 shares authorized; none issued and outstanding	—	—
Common stock, \$0.001 par value; 360.0 shares authorized; 249.1 and 250.9 shares issued and outstanding third quarter of 2019 and fiscal year end 2018	0.2	0.3
Additional paid-in-capital	1,661.6	1,591.9
Retained earnings	1,332.3	1,268.3
Accumulated other comprehensive loss	(207.3)	(186.1)
Total Trimble Inc. stockholders' equity	2,786.8	2,674.4
Noncontrolling interests	1.3	0.4
Total stockholders' equity	2,788.1	2,674.8
Total liabilities and stockholders' equity	\$ 5,803.9	\$ 5,776.4

See accompanying Notes to the Condensed Consolidated Financial Statements.

TRIMBLE INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

<i>(In millions, except per share amounts)</i>	Third Quarter of		First Three Quarters of	
	2019	2018	2019	2018
Revenue:				
Product	\$ 458.8	\$ 499.7	\$ 1,468.3	\$ 1,528.5
Service	168.0	156.5	501.8	421.4
Subscription	157.1	139.0	470.2	373.0
Total revenue	783.9	795.2	2,440.3	2,322.9
Cost of sales:				
Product	230.8	237.5	718.5	723.1
Service	58.9	64.6	192.2	183.8
Subscription	48.9	38.0	137.4	95.0
Amortization of purchased intangible assets	23.3	28.2	71.3	75.2
Total cost of sales	361.9	368.3	1,119.4	1,077.1
Gross margin	422.0	426.9	1,320.9	1,245.8
Operating expense:				
Research and development	112.3	114.1	350.1	333.5
Sales and marketing	119.7	119.7	375.9	354.6
General and administrative	77.2	91.6	239.9	262.6
Restructuring charges	3.6	2.5	10.0	6.3
Amortization of purchased intangible assets	17.5	21.6	57.3	57.7
Total operating expense	330.3	349.5	1,033.2	1,014.7
Operating income	91.7	77.4	287.7	231.1
Non-operating expense, net:				
Interest expense, net	(19.7)	(22.7)	(62.2)	(50.8)
Foreign currency transaction gain (loss), net	(1.5)	(0.1)	(3.4)	0.6
Income from equity method investments, net	8.8	8.8	30.5	23.2
Other income (expense), net	(0.4)	0.7	16.9	5.9
Total non-operating expense, net	(12.8)	(13.3)	(18.2)	(21.1)
Income before taxes	78.9	64.1	269.5	210.0
Income tax provision (benefit)	0.8	(9.6)	34.4	13.5
Net income	78.1	73.7	235.1	196.5
Net gain attributable to noncontrolling interests	—	—	0.1	0.2
Net income attributable to Trimble Inc.	\$ 78.1	\$ 73.7	\$ 235.0	\$ 196.3
Basic earnings per share	\$ 0.31	\$ 0.29	\$ 0.94	\$ 0.79
Shares used in calculating basic earnings per share	250.4	250.5	251.2	249.6
Diluted earnings per share	\$ 0.31	\$ 0.29	\$ 0.93	\$ 0.78
Shares used in calculating diluted earnings per share	252.1	253.6	253.4	253.0

See accompanying Notes to the Condensed Consolidated Financial Statements.

TRIMBLE INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED)

	Third Quarter of		First Three Quarters of	
	2019	2018	2019	2018
<i>(In millions)</i>				
Net income	\$ 78.1	\$ 73.7	\$ 235.1	\$ 196.5
Foreign currency translation adjustments, net of tax	(26.9)	7.4	(21.4)	(22.8)
Net unrealized gain (loss), net of tax	—	(0.1)	0.2	0.3
Comprehensive income	51.2	81.0	213.9	174.0
Comprehensive gain attributable to noncontrolling interests	—	—	0.1	0.2
Comprehensive income attributable to Trimble Inc.	<u>\$ 51.2</u>	<u>\$ 81.0</u>	<u>\$ 213.8</u>	<u>\$ 173.8</u>

See accompanying Notes to the Condensed Consolidated Financial Statements.

TRIMBLE INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(UNAUDITED)

	Common stock			Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity	Noncontrolling Interest	Total
	Shares	Amount	Additional Paid-In Capital					
<i>(In millions)</i>								
Balance at the end of fiscal 2018	250.9	\$ 0.3	\$ 1,591.9	\$ 1,268.3	\$ (186.1)	\$ 2,674.4	\$ 0.4	\$ 2,674.8
Net income	—	—	—	62.3	—	62.3	0.1	62.4
Other comprehensive income	—	—	—	—	3.6	3.6	—	3.6
Comprehensive income						65.9		66.0
Issuance of common stock under employee plans, net of tax withholdings	1.6	—	33.3	(7.7)	—	25.6	—	25.6
Stock repurchases	(1.0)	—	(6.5)	(33.5)	—	(40.0)	—	(40.0)
Stock-based compensation	—	—	16.6	—	—	16.6	—	16.6
Noncontrolling interest investments	—	—	(0.8)	—	—	(0.8)	0.8	—
Balance at the end of the first quarter of fiscal 2019	251.5	\$ 0.3	\$ 1,634.5	\$ 1,289.4	\$ (182.5)	\$ 2,741.7	\$ 1.3	\$ 2,743.0
Net income	—	—	—	94.6	—	94.6	—	94.6
Other comprehensive income	—	—	—	—	2.1	2.1	—	2.1
Comprehensive income						96.7		96.7
Issuance of common stock under employee plans, net of tax withholdings	0.7	—	1.7	(13.5)	—	(11.8)	—	(11.8)
Stock repurchases	(0.4)	—	(2.9)	(16.1)	—	(19.0)	—	(19.0)
Stock-based compensation	—	—	16.4	—	—	16.4	—	16.4
Balance at the end of the second quarter of fiscal 2019	251.8	0.3	1,649.7	1,354.4	(180.4)	2,824.0	1.3	2,825.3
Net income	—	—	—	78.1	—	78.1	—	78.1
Other comprehensive income	—	—	—	—	(26.9)	(26.9)	—	(26.9)
Comprehensive income						51.2		51.2
Issuance of common stock under employee plans, net of tax withholdings	0.6	—	15.5	(0.7)	—	14.8	—	14.8
Stock repurchases	(3.3)	(0.1)	(21.2)	(99.5)	—	(120.8)	—	(120.8)
Stock-based compensation	—	—	17.6	—	—	17.6	—	17.6
Balance at the end of the third quarter of fiscal 2019	249.1	\$ 0.2	\$ 1,661.6	\$ 1,332.3	\$ (207.3)	\$ 2,786.8	\$ 1.3	\$ 2,788.1

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	Common stock			Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity	Noncontrolling Interest	Total
	Shares	Amount	Additional Paid-In Capital					
<i>(In millions)</i>								
Balance at the end of fiscal 2017	248.9	\$ 0.2	\$ 1,461.1	\$ 1,084.6	\$ (131.4)	\$ 2,414.5	\$ —	\$ 2,414.5
Net income	—	—	—	58.5	—	58.5	0.2	58.7
Other comprehensive income	—	—	—	—	30.3	30.3	—	30.3
Comprehensive income						88.8		89.0
Issuance of common stock under employee plans, net of tax withholdings	1.1	—	25.8	3.0	—	28.8	—	28.8
Stock repurchases	(1.3)	—	(7.5)	(42.5)	—	(50.0)	—	(50.0)
Stock-based compensation	—	—	17.6	—	—	17.6	—	17.6
Balance at the end of the first quarter of fiscal 2018	248.7	\$ 0.2	\$ 1,497.0	\$ 1,103.6	\$ (101.1)	\$ 2,499.7	\$ 0.2	\$ 2,499.9
Net income	—	—	—	64.1	—	64.1	—	64.1
Other comprehensive income	—	—	—	—	(60.1)	(60.1)	—	(60.1)
Comprehensive income						4.0		4.0
Issuance of common stock under employee plans, net of tax withholdings	1.2	—	10.2	(13.7)	—	(3.5)	—	(3.5)
Stock repurchases	—	—	—	—	—	—	—	—
Stock-based compensation	—	—	17.2	—	—	17.2	—	17.2
Balance at the end of the second quarter of fiscal 2018	249.9	0.2	1,524.4	1,154.0	(161.2)	2,517.4	0.2	2,517.6
Net income	—	—	—	73.7	—	73.7	—	73.7
Other comprehensive income	—	—	—	—	7.3	7.3	—	7.3
Comprehensive income						81.0		81.0
Issuance of common stock under employee plans, net of tax withholdings	1.2	0.1	31.2	(0.5)	—	30.8	—	30.8
Stock repurchases	—	—	—	—	—	—	—	—
Stock-based compensation	—	—	19.2	—	—	19.2	—	19.2
Balance at the end of the third quarter of fiscal 2018	251.1	\$ 0.3	\$ 1,574.8	\$ 1,227.2	\$ (153.9)	\$2,648.4	\$ 0.2	\$ 2,648.6

See accompanying Notes to the Condensed Consolidated Financial Statements.

TRIMBLE INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

<i>(In millions)</i>	First Three Quarters of	
	2019	2018
Cash flow from operating activities:		
Net income	\$ 235.1	\$ 196.5
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation expense	29.7	26.2
Amortization expense	128.6	132.9
Deferred income taxes	4.4	(27.4)
Stock-based compensation	52.1	53.1
Income from equity method investments, net of dividends	(9.5)	(0.2)
Other, net	4.3	14.4
(Increase) decrease in assets:		
Accounts receivable, net	16.8	(15.8)
Inventories	1.7	(29.0)
Other current and non-current assets	10.4	(4.1)
Increase (decrease) in liabilities:		
Accounts payable	13.6	9.2
Accrued compensation and benefits	(52.3)	(13.8)
Deferred revenue	33.4	53.8
Other current and non-current liabilities	(5.5)	(11.0)
Net cash provided by operating activities	462.8	384.8
Cash flow from investing activities:		
Acquisitions of businesses, net of cash acquired	(28.6)	(1,741.4)
Acquisitions of property and equipment	(54.6)	(53.1)
Purchases of short-term investments	—	(24.0)
Proceeds from maturities of short-term investments	—	6.2
Proceeds from sales of short-term investments	—	196.8
Other, net	14.5	2.7
Net cash used in investing activities	(68.7)	(1,612.8)
Cash flow from financing activities:		
Issuance of common stock, net of tax withholdings	28.4	52.3
Repurchases of common stock	(179.8)	(53.0)
Proceeds from debt and revolving credit lines	818.0	2,694.8
Payments on debt and revolving credit lines	(1,033.6)	(1,602.2)
Other, net	(10.2)	(8.9)
Net cash provided by (used in) financing activities	(377.2)	1,083.0
Effect of exchange rate changes on cash and cash equivalents	(4.8)	(8.1)
Net increase (decrease) in cash and cash equivalents	12.1	(153.1)
Cash and cash equivalents - beginning of period	172.5	358.5
Cash and cash equivalents - end of period	\$ 184.6	\$ 205.4

See accompanying Notes to the Condensed Consolidated Financial Statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – UNAUDITED

NOTE 1. OVERVIEW AND BASIS OF PRESENTATION

Company and Background

The Company began operations in 1978 and was originally incorporated in California as Trimble Navigation Limited in 1981. On October 1, 2016, Trimble Navigation Limited changed its name to Trimble Inc. ("Trimble" or the "Company") and changed its state of incorporation from the State of California to the State of Delaware. Other than the change in corporate domicile, the reincorporation did not result in any change in the business, physical location, management, assets, liabilities, or total stockholders' equity of the Company, nor did it result in any change in location of the Company's employees, including the Company's management.

Basis of Presentation

The Company has a 52-53 week fiscal year, ending on the Friday nearest to December 31, which for fiscal 2019 is January 3, 2020 and for fiscal 2018 was December 28, 2018. The third quarter of fiscal 2019 and 2018 ended on September 27, 2019 and September 28, 2018, respectively. Fiscal 2019 is 53-week year and 2018 is 52-week year. Unless otherwise stated, all dates refer to the Company's fiscal year and fiscal periods.

The Condensed Consolidated Financial Statements include the results of the Company and its consolidated subsidiaries. Inter-company accounts and transactions have been eliminated. Noncontrolling interests represent the noncontrolling stockholders' proportionate share of the net assets and results of operations of the Company's consolidated subsidiaries.

The unaudited interim Condensed Consolidated Financial Statements and accompanying notes are prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). In the opinion of management, the unaudited interim Condensed Consolidated Financial Statements reflect all adjustments of a normal recurring nature that are necessary for a fair presentation of the results for the interim periods presented. Interim results are not necessarily indicative of results for the full year. The information included in this Form 10-Q should be read in conjunction with information included in Trimble's Form 10-K filed with the U.S. Securities and Exchange Commission on February 21, 2019.

Use of Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in its Condensed Consolidated Financial Statements and accompanying notes. Estimates and assumptions are used for revenue recognition, including determining the nature and timing of satisfaction of performance obligations and determining standalone selling price of performance obligations, allowances for doubtful accounts, sales returns reserve, allowances for inventory valuation, warranty costs, investments, goodwill impairment, intangibles impairment, purchased intangibles, useful lives for tangible and intangible assets, stock-based compensation, and income taxes among others. Management bases its estimates on historical experience and various other assumptions believed to be reasonable. Actual results and outcomes may differ from management's estimates and assumptions.

NOTE 2. UPDATES TO SIGNIFICANT ACCOUNTING POLICIES

Summary of Significant Accounting Policies

There have been no material changes to the Company's significant accounting policies during the first three quarters of fiscal 2019 from those disclosed in the Company's most recent Form 10-K, except for the adoption of the new lease standard during the first quarter of fiscal 2019, as discussed below.

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Recently Adopted Accounting Pronouncements

Leases

In February 2016, the FASB issued a new lease standard that requires a lessee to recognize lease assets and lease liabilities on the balance sheet for most leases and provide enhanced disclosures. The Company adopted the new standard at the beginning of fiscal year 2019 by applying a modified retrospective method without restating comparative periods. Upon adoption, certain practical expedients were used to carry forward existing leases as previously defined and classified. Leases containing both lease and non-lease components are accounted for as part of the overall lease arrangement.

Operating leases with lease terms greater than one year are included in Operating lease right-of-use ("ROU") assets, Other current liabilities, and Operating lease liabilities on the Company's Condensed Consolidated Balance Sheets. Those ROU assets and liabilities are recognized at the present value of lease payments over the lease terms by utilizing the Company's incremental borrowing rate.

The standard had a material impact on the Company's Condensed Consolidated Balance Sheets but did not have an impact on its Condensed Consolidated Statements of Income and Condensed Consolidated Statements of Cash Flows. The most significant impact was the recognition of \$123.5 million ROU assets and \$126.1 million lease liabilities for its operating leases at the adoption date.

Recently issued Accounting Pronouncements not yet adopted

Financial Instruments - Credit Losses

In June 2016, the FASB issued new guidance that requires credit losses on financial assets measured at amortized cost basis to be presented based on the net amount expected to be collected, not based on incurred losses. Further, credit losses on available-for-sale debt securities should be recorded through an allowance for credit losses limited to the amount by which fair value is below amortized cost. The new standard is applied on a modified-retrospective basis and is effective for the Company beginning in fiscal 2020. Early adoption for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018 is permitted. The Company currently anticipates that the adoption will not have a material impact on its Condensed Consolidated Financial Statements.

Intangibles - Goodwill and Other

In January 2017, the FASB issued new guidance that simplifies the accounting for goodwill impairment by requiring impairment charges to be based on the first step in the current two-step impairment test. The impairment test is performed by comparing the fair value of a reporting unit with its carrying amount, and an impairment charge would be recognized for the amount by which the carrying amount exceeds the reporting unit's fair value. The new standard is applied on a prospective basis and is effective for the Company beginning in fiscal 2020, and early adoption is permitted. The Company currently anticipates that the adoption will not have a material impact on its Condensed Consolidated Financial Statements.

Intangibles - Internal-Use Software

In August 2018, the FASB issued new guidance that clarifies the accounting for implementation costs incurred in a cloud computing arrangement that is a service contract. This guidance aligns the accounting for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the accounting for implementation costs incurred to develop or obtain internal-use software.

The Company is required to adopt the guidance in the first quarter of fiscal year 2020 on a prospective basis for all implementation costs incurred after the date of adoption. Early adoption is permitted. The Company is currently evaluating the effect of the new guidance on its Condensed Consolidated Financial Statements.

NOTE 3. STOCKHOLDERS' EQUITY

Stock Repurchase Activities

In November 2017, the Company's Board of Directors approved a stock repurchase program ("2017 Stock Repurchase Program"), authorizing the Company to repurchase up to \$600.0 million of Trimble's common stock.

Under the share repurchase program, the Company may repurchase shares from time to time in open market transactions, privately negotiated transactions, accelerated share buyback programs, tender offers, or by other means. The timing and amount of repurchase transactions will be determined by the Company's management based on its evaluation of market conditions, share price, legal requirements, and other factors. The program may be suspended, modified, or discontinued at any time without prior notice.

During the third quarter and first three quarters of fiscal 2019, the Company repurchased approximately 3.3 million and 4.7 million shares of common stock in open market purchases, at an average price of \$37.57 per share and \$38.51 per share for a total of \$120.8 million and \$179.8 million, respectively, under the 2017 Stock Repurchase Program.

Stock repurchases are reflected as a decrease to common stock based on par value and additional-paid-in-capital based on the average book value per share for all outstanding shares, calculated at the time of each individual repurchase transaction. The excess of the purchase price over this average for each repurchase is charged to retained earnings. As a result of the repurchases, retained earnings was reduced by \$99.5 million and \$149.1 million in the third quarter and first three quarters of fiscal 2019, respectively. Common stock repurchases under the program were recorded based upon the trade date for accounting purposes. At the end of the third quarter of fiscal 2019, the 2017 Stock Repurchase Program had remaining authorized funds of \$172.4 million.

NOTE 4. BUSINESS COMBINATIONS

During the first three quarters of fiscal 2019, the Company acquired two businesses for total cash consideration of \$40.2 million. The Condensed Consolidated Statements of Income include the operating results of the businesses from the dates of acquisition. The acquisitions were not significant individually or in the aggregate. The businesses acquired during the first three quarters of fiscal 2019 contributed less than 1% to the Company's total revenue.

The Company determined the total consideration paid for each of its acquisitions as well as the fair value of the assets acquired and liabilities assumed as of the date of acquisition. The excess of purchase consideration over the fair value of net tangible and identifiable intangible assets acquired was recorded as goodwill. The fair value of intangible assets acquired is generally determined based on a discounted cash flow analysis. For the acquisitions in the first three quarters of fiscal 2019, the preliminary fair values of net tangible assets and intangible assets acquired were based on preliminary valuations and estimates, and assumptions are subject to change within the measurement period (up to one year from the acquisition date).

Intangible Assets

The following table presents details of the Company's total intangible assets:

As of	Third Quarter of Fiscal 2019			Fiscal Year End 2018		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
<i>(In millions)</i>						
Developed product technology	\$ 1,221.6	\$ (892.2)	\$ 329.4	\$ 1,220.3	\$ (825.3)	\$ 395.0
Trade names and trademarks	72.6	(57.4)	15.2	72.9	(53.3)	19.6
Customer relationships	717.2	(449.2)	268.0	715.1	(406.5)	308.6
Distribution rights and other intellectual property	77.8	(63.1)	14.7	84.4	(63.3)	21.1
	<u>\$ 2,089.2</u>	<u>\$ (1,461.9)</u>	<u>\$ 627.3</u>	<u>\$ 2,092.7</u>	<u>\$ (1,348.4)</u>	<u>\$ 744.3</u>

The estimated future amortization expense of purchased intangible assets as of the end of the third quarter of fiscal 2019 was as follows:

<i>(In millions)</i>	
2019 (Remaining)	\$ 37.2
2020	140.8
2021	119.7
2022	100.8
2023	87.4
Thereafter	141.4
Total	<u>\$ 627.3</u>

Goodwill

The changes in the carrying amount of goodwill by segment for the first three quarters of fiscal 2019 were as follows:

	Buildings and Infrastructure	Geospatial	Resources and Utilities	Transportation	Total
<i>(In millions)</i>					
Balance as of fiscal year end 2018	\$ 1,970.2	\$ 403.1	\$ 305.7	\$ 861.0	\$ 3,540.0
Additions due to acquisitions	0.3	—	19.9	—	20.2
Purchase price and foreign currency translation adjustments	(13.2)	(5.7)	(3.7)	(3.2)	(25.8)
Balance as of the end of the third quarter of fiscal 2019	<u>\$ 1,957.3</u>	<u>\$ 397.4</u>	<u>\$ 321.9</u>	<u>\$ 857.8</u>	<u>\$ 3,534.4</u>

Viewpoint and e-Builder acquisitions

On February 2, 2018, the Company completed the acquisition of e-Builder in an all-cash transaction valued at \$485.5 million. e-Builder is a SaaS-based construction program management solution for capital program owners and program management firms that provides an integrated project delivery solution for owners, program managers, and contractors across the design, construct, and operate lifecycle.

On July 2, 2018, the Company acquired all of the outstanding shares of Viewpoint in an all-cash transaction valued at \$1,212.1 million. Viewpoint is a provider of construction management software, which integrates a contractor's financial and resource management to their project operations in the field. The integration across the office, team, and field workflows enables contractors to employ Viewpoint to effectively manage and gain visibility over data and workflows that span the construction lifecycle from pre-production planning, to product operations and supply chain management, through project hand over, and asset operation and maintenance.

Viewpoint and e-Builder's results of operations have been included in the Company's Condensed Consolidated Statements of Income since their respective acquisition dates. Both Viewpoint and e-Builder's performance are reported under the Buildings and Infrastructure segment.

The two acquisitions were funded through the use of approximately \$211.2 million of the Company's existing cash, with the remainder funded through the

issuance of senior notes and the Company's 2018 Credit Facilities (as defined in Note 7).

The following table summarizes the consideration transferred to acquire Viewpoint and e-Builder, the assets acquired, and liabilities assumed, and the estimated useful lives of the identifiable intangible assets as of the dates of the acquisitions:

<i>(In millions)</i>	<u>Viewpoint</u>		<u>e-Builder</u>	
Total purchase consideration	\$	1,212.1	\$	485.5
Net tangible assets acquired		(0.6)		2.0
Intangible assets acquired:		<u>Estimated Useful Life</u>		<u>Estimated Useful Life</u>
Developed product technology	225.4	6 years	60.5	7 years
In-Process Research & Development	12.9	n/a	—	
Order backlog	—		1.7	6 months
Customer relationships	158.6	10 years	42.4	10 years
Trade name	8.9	5 years	4.8	7 years
Favorable Lease	4.3	4 - 9 years	—	
Subtotal	410.1		109.4	
Deferred tax liability	(61.2)		(18.2)	
Less fair value of all assets/liabilities acquired	348.3		93.2	
Goodwill	\$	<u>863.8</u>	\$	<u>392.3</u>

Goodwill consisted of highly skilled and valuable assembled workforce, a proven ability to generate new products and services to drive future revenue, and a premium paid by the Company for synergies unique to its business. Goodwill of \$95.8 million for Viewpoint is expected to be deductible for tax purposes.

The following table presents unaudited supplemental pro forma results of operations of the Company, Viewpoint, and e-Builder, as if the companies had been combined as of the beginning of the earliest period presented. The pro forma results of operations are not necessarily indicative of results that would have occurred had the acquisitions taken place on the first day of fiscal 2018, or of future results. Included in the pro forma results are fair value adjustments based on the fair values of assets acquired and liabilities assumed as of the applicable acquisition dates. For the third quarter and the first three quarters of fiscal 2018, the major impacts for the pro forma results include amortization of intangible assets related to the acquisitions, impacts from adoption of Revenue from Contracts with Customers, interest expense for debt used to purchase Viewpoint and e-Builder, income tax effects, and other adjustments to reflect fair value. The pro forma information for the first three quarters of fiscal 2018 is as follows:

<u>Fiscal Period</u>	<u>First Three Quarters of</u>	
	<u>2018</u>	
<i>(in millions, except per share data)</i>		
Revenue	\$	2,420.0
Net income attributable to Trimble Inc.		189.5
Basic earnings per share		0.76
Diluted earnings per share		0.75

NOTE 5. INVENTORIES

Inventories consisted of the following:

As of	Third Quarter of	Fiscal Year End
<i>(In millions)</i>	2019	2018
Raw materials	\$ 96.7	\$ 96.2
Work-in-process	12.3	12.6
Finished goods	181.1	189.2
Total inventories	<u>\$ 290.1</u>	<u>\$ 298.0</u>

NOTE 6. SEGMENT INFORMATION

The Company's operating segments were determined based on how the Company's chief operating decision maker views and evaluates operations. The Company's reportable segments are described below:

- Buildings and Infrastructure: This segment primarily serves customers working in architecture, engineering, construction, and operations and maintenance.
- Geospatial: This segment primarily serves customers working in surveying, engineering, government, and land management.
- Resources and Utilities: This segment primarily serves customers working in agriculture, forestry, and utilities.
- Transportation: This segment primarily serves customers working in long haul trucking, field service management, rail, and military aviation.

The following Reporting Segment tables reflect the results of the Company's reportable operating segments under its management reporting system. These results are not necessarily in conformity with U.S. GAAP. The Company presents segment revenue and income excluding the effects of certain acquired deferred revenue that was written down to fair value in purchase accounting. Segment income presented also excludes the effects of certain acquired capitalized commissions that were eliminated in purchase accounting, along with other adjustments that have historically been excluded in prior periods, as though the acquired companies operated independently in the periods presented. This is consistent with the way the chief operating decision maker evaluates each of the segment's performance and allocates resources.

	Reporting Segments					Total
	Buildings and Infrastructure	Geospatial	Resources and Utilities	Transportation		
<i>(In millions)</i>						
Third Quarter of Fiscal 2019						
Revenue	\$ 309.6	\$ 155.1	\$ 120.9	\$ 198.3	\$	783.9
Acquired deferred revenue adjustment	0.2	—	0.2	—		0.4
Segment revenue	\$ 309.8	\$ 155.1	\$ 121.1	\$ 198.3	\$	784.3
Operating income	\$ 83.0	\$ 30.6	\$ 34.3	\$ 31.2	\$	179.1
Acquired deferred revenue adjustment	0.2	—	0.2	—		0.4
Amortization of acquired capitalized commissions	(1.5)	—	—	—		(1.5)
Segment operating income	\$ 81.7	\$ 30.6	\$ 34.5	\$ 31.2	\$	178.0
Depreciation expense	\$ 1.9	\$ 1.5	\$ 1.0	\$ 1.0	\$	5.4
Third Quarter of Fiscal 2018						
Revenue	\$ 286.6	\$ 185.4	\$ 133.0	\$ 190.2	\$	795.2
Acquired deferred revenue adjustment	9.2	—	0.2	0.1		9.5
Segment revenue	\$ 295.8	\$ 185.4	\$ 133.2	\$ 190.3	\$	804.7
Operating income	\$ 60.9	\$ 47.4	\$ 38.3	\$ 37.0	\$	183.6
Acquired deferred revenue adjustment	9.2	—	0.2	0.1		9.5
Amortization of acquired capitalized commissions	(1.8)	—	—	—		(1.8)
Segment operating income	\$ 68.3	\$ 47.4	\$ 38.5	\$ 37.1	\$	191.3
Depreciation expense	\$ 1.8	\$ 1.5	\$ 1.1	\$ 1.1	\$	5.5
First Three Quarters of Fiscal 2019						
Revenue	\$ 940.6	\$ 480.7	\$ 432.8	\$ 586.2	\$	2,440.3
Acquired deferred revenue adjustment	3.8	—	0.5	—		4.3
Segment revenue	\$ 944.4	\$ 480.7	\$ 433.3	\$ 586.2	\$	2,444.6
Operating income	\$ 229.7	\$ 91.1	\$ 130.7	\$ 95.3	\$	546.8
Acquired deferred revenue adjustment	3.8	—	0.5	—		4.3
Amortization of acquired capitalized commissions	(4.7)	—	(0.1)	—		(4.8)
Segment operating income	\$ 228.8	\$ 91.1	\$ 131.1	\$ 95.3	\$	546.3

Depreciation expense	\$ 6.1	\$ 4.7	\$ 3.2	\$ 3.3	\$ 17.3
First Three Quarters of Fiscal 2018					
Revenue	\$ 785.6	\$ 544.3	\$ 437.2	\$ 555.8	\$ 2,322.9
Acquired deferred revenue adjustment	15.1	—	0.8	0.3	\$ 16.2
Segment revenue	\$ 800.7	\$ 544.3	\$ 438.0	\$ 556.1	\$ 2,339.1
Operating income	\$ 171.8	\$ 126.3	\$ 132.3	\$ 98.5	528.9
Acquired deferred revenue adjustment	15.1	—	0.8	0.3	16.2
Amortization of acquired capitalized commissions	(2.7)	—	(0.2)	—	(2.9)
Segment operating income	\$ 184.2	\$ 126.3	\$ 132.9	\$ 98.8	\$ 542.2
Depreciation expense	\$ 4.6	\$ 4.4	\$ 3.1	\$ 3.4	\$ 15.5

	Reporting Segments				
	Buildings and Infrastructure	Geospatial	Resources and Utilities	Transportation	Total
<i>(In millions)</i>					
As of the Third Quarter of Fiscal 2019					
Accounts receivable, net	\$ 175.3	\$ 109.1	\$ 73.7	\$ 130.8	\$ 488.9
Inventories	61.3	123.0	44.9	60.9	290.1
Goodwill	1,957.3	397.4	321.9	857.8	3,534.4
As of Fiscal Year End 2018					
Accounts receivable, net	177.5	118.7	83.8	132.6	512.6
Inventories	70.3	133.5	46.2	48.0	298.0
Goodwill	\$ 1,970.2	\$ 403.1	\$ 305.7	\$ 861.0	\$ 3,540.0

A reconciliation of the Company's consolidated segment operating income to consolidated income before income taxes is as follows:

	Third Quarter of		First Three Quarters of	
	2019	2018	2019	2018
<i>(In millions)</i>				
Consolidated segment operating income	\$ 178.0	\$ 191.3	\$ 546.3	\$ 542.2
Unallocated corporate expense	(16.0)	(24.3)	(56.7)	(70.2)
Restructuring charges	(3.6)	(2.6)	(10.2)	(6.8)
Acquired deferred revenue adjustment	(0.4)	(9.5)	(4.3)	(16.2)
Amortization of purchased intangible assets	(40.8)	(49.8)	(128.6)	(132.9)
Stock-based compensation	(18.6)	(18.8)	(52.1)	(53.1)
Amortization of acquired capitalized commissions	1.5	1.8	4.8	2.9
Acquisition / divestiture items	(8.4)	(10.7)	(11.5)	(34.8)
Consolidated operating income	91.7	77.4	287.7	231.1
Non-operating expense, net	(12.8)	(13.3)	(18.2)	(21.1)
Consolidated income before taxes	\$ 78.9	\$ 64.1	\$ 269.5	\$ 210.0

On a total Company basis, the disaggregation of revenue by geography is summarized in the tables below. Revenue is defined as revenue from external customers attributed to countries based on the location of the customer and excludes the effects of certain acquired deferred revenue that was written down to fair value in purchase accounting, consistent with the Reporting Segment tables above.

	Reporting Segments				
	Buildings and Infrastructure	Geospatial	Resources and Utilities	Transportation	Total
<i>(In millions)</i>					
Third Quarter of Fiscal 2019					
North America	\$ 180.9	\$ 63.4	\$ 35.9	\$ 157.5	\$ 437.7
Europe	79.9	49.5	54.2	21.9	205.5
Asia Pacific	41.3	30.4	10.4	9.3	91.4
Rest of World	7.7	11.8	20.6	9.6	49.7

Total consolidated revenue	\$ 309.8	\$ 155.1	\$ 121.1	\$ 198.3	\$ 784.3
Third Quarter of Fiscal 2018					
North America	\$ 167.8	\$ 83.4	\$ 43.5	\$ 156.7	\$ 451.4
Europe	77.7	48.8	55.3	21.7	203.5
Asia Pacific	45.0	42.2	12.1	11.5	110.8
Rest of World	5.3	11.0	22.3	0.4	39.0
Total consolidated revenue	\$ 295.8	\$ 185.4	\$ 133.2	\$ 190.3	\$ 804.7
First Three Quarters of Fiscal 2019					
North America	\$ 545.7	\$ 197.6	\$ 130.7	\$ 471.4	\$ 1,345.4
Europe	253.8	160.2	211.1	65.9	691.0
Asia Pacific	121.9	88.3	35.0	29.6	274.8
Rest of World	23.0	34.6	56.5	19.3	133.4
Total consolidated revenue	\$ 944.4	\$ 480.7	\$ 433.3	\$ 586.2	\$ 2,444.6
First Three Quarters of Fiscal 2018					
North America	\$ 433.2	\$ 223.0	\$ 140.3	\$ 455.0	\$ 1,251.5
Europe	236.9	154.6	197.6	64.4	653.5
Asia Pacific	111.6	130.4	35.7	35.0	312.7
Rest of World	19.0	36.3	64.4	1.7	121.4
Total consolidated revenue	\$ 800.7	\$ 544.3	\$ 438.0	\$ 556.1	\$ 2,339.1

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NOTE 7. DEBT

Debt consisted of the following:

As of Instrument	Date of Issuance	Third Quarter of 2019		Fiscal Year End 2018
		Effective Interest Rate	Amount	Amount
<i>(In millions)</i>				
Senior Notes:				
2023 Senior Notes, 4.15%, due June 2023	June 2018	4.36%	\$ 300.0	\$ 300.0
2028 Senior Notes, 4.90%, due June 2028	June 2018	5.04%	600.0	600.0
2024 Senior Notes, 4.75%, due December 2024	November 2014	4.95%	400.0	400.0
Credit Facilities:				
2018 Credit Facility, floating rate:				
Term Loan, due May 2021	May 2018	3.54%	225.0	425.0
Uncommitted facilities, floating rate		1.93%	236.3	255.9
Promissory notes and other debt			0.3	1.0
Unamortized discount and issuance costs			(11.3)	(13.4)
Total debt			1,750.3	1,968.5
Less: Short-term debt			236.3	256.2
Long-term debt			\$ 1,514.0	\$ 1,712.3

Each of the Company's debt agreements requires it to maintain compliance with certain debt covenants. The Company was in compliance with all its debt covenants at the end of the third quarter of fiscal 2019.

Debt Maturities

At the end of the third quarter of fiscal 2019, the Company's debt maturities based on outstanding principal were as follows (in millions):

<u>Year Payable</u>	
2019 (Remaining)	\$ 236.3
2020	0.3
2021	225.0
2022	—
2023	300.0
Thereafter	1,000.0
Total	\$ 1,761.6

Senior Notes

All series of Senior Notes in the above table bear interest that is payable semi-annually in June and December of each year. For the 2023 and 2028 Senior Notes, the interest rate is subject to adjustment from time to time if Moody's or S&P (or, if applicable, a substitute rating agency) downgrades (or subsequently upgrades) its rating assigned to the notes.

Senior Notes are unsecured and rank equally in right of payment with all of the Company's other senior unsecured indebtedness. The Company may redeem the notes of each series of Senior Notes at its option in whole or in part at any time. Such indenture also contains covenants limiting the Company's ability to create certain liens, enter into sale and lease-back transactions, and consolidate or merge with or into, or convey, transfer or lease all or substantially all of the Company's properties and assets, each subject to certain exceptions.

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2018 Credit facilities

The Credit Facility in the above table provides for unsecured credit facilities in the aggregate principal amount of \$1.75 billion, which is comprised of \$1.25 billion revolving credit facility maturing May 2023 and \$500.0 million delayed draw term loan facility that matures on the third anniversary of the funding date. The Company may request an additional loan facility up to \$500.0 million.

Uncommitted Facilities

The Company has two \$75.0 million and one €100.0 million revolving credit facilities, which are uncommitted (the "Uncommitted Facilities") at the end of the third quarter of fiscal 2019.

For further information, refer to Note 7 of the Notes to the Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for fiscal year 2018.

NOTE 8. LEASES

The Company has operating leases primarily for certain of its major facilities, including corporate offices, research and development facilities, and manufacturing facilities. The remaining lease terms generally range from 1 to 10 years, and certain leases include options to extend the lease for up to 9 years. The Company considers options to extend the lease in determining the lease term.

Operating lease expense consisted of:

As of	Third Quarter of	First Three Quarters of
<i>(In millions)</i>	2019	2019
Operating lease expense	\$ 9.7	\$ 28.7
Short-term lease expense and other	4.1	13.5
Total lease expense	<u>\$ 13.8</u>	<u>\$ 42.2</u>

Supplemental cash flow information related to leases was as follows:

As of	First Three Quarters of
<i>(In millions)</i>	2019
Cash paid for liabilities included in the measurement of lease liabilities:	
Operating cash flows from operating leases (1)	\$ 28.3
Right-of-use assets obtained in exchange for Operating lease liabilities:	\$ 39.2

(1) Excludes cash payments for short-term leases, which are not capitalized.

Supplemental balance sheet information related to leases was as follows:

As of	Third Quarter of
<i>(In millions)</i>	2019
Operating lease right-of-use assets	\$ 133.7
Other current liabilities	\$ 29.1
Operating lease liabilities	109.0
Total operating lease liabilities	<u>\$ 138.1</u>
Weighted-average discount rate	4.36%
Weighted-average remaining lease term	6 years

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At the end of the third quarter of fiscal 2019, the Company's maturities of lease liabilities were as follows (in millions):

Year Payable		
2019 (Remaining)	\$	8.7
2020		34.2
2021		29.3
2022		23.8
2023		18.7
Thereafter		41.7
Total lease payments	\$	156.4
Less imputed interest	\$	18.3
Total	\$	138.1

The Company has one operating lease for real estate of \$31.2 million that has not yet commenced as of the end of the third quarter of fiscal 2019, and as such, has not been recognized on the Company's Condensed Consolidated Balance Sheets. This operating lease is expected to commence in 2021 with a lease term of 13 years.

NOTE 9. FAIR VALUE MEASUREMENTS

The Company determines fair value based on the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Hierarchical levels are directly related to the amount of subjectivity associated with the inputs to fair valuation of these assets and liabilities and are as follows:

Level I—Observable inputs such as unadjusted, quoted prices in active markets for identical assets or liabilities.

Level II—Inputs (other than quoted prices included in Level I) are either directly or indirectly observable for the asset or liability. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.

Level III—Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. Consideration is given to the risk inherent in the valuation technique and the risk inherent in the inputs to the model.

Fair Value on a Recurring Basis

The fair value of assets and liabilities measured and recorded at fair value on a recurring basis at the end of period were as follows:

(In millions)	Fair Values as of the end of the Third Quarter of Fiscal 2019				Fair Values as of Fiscal Year End 2018			
	Level I	Level II	Level III	Total	Level I	Level II	Level III	Total
Assets								
Deferred compensation plan assets (1)	\$ 33.5	\$ —	\$ —	\$ 33.5	\$ 28.5	\$ —	\$ —	\$ 28.5
Derivatives assets (2)	—	0.6	—	0.6	—	0.4	—	0.4
Total assets measured at fair value	\$ 33.5	\$ 0.6	\$ —	\$ 34.1	\$ 28.5	\$ 0.4	\$ —	\$ 28.9
Liabilities								
Deferred compensation plan liabilities (1)	\$ 33.5	\$ —	\$ —	\$ 33.5	\$ 28.5	\$ —	\$ —	\$ 28.5
Derivatives liabilities (2)	—	0.3	—	0.3	—	—	—	—
Contingent consideration liabilities (3)	—	—	9.2	9.2	—	—	5.6	5.6
Total liabilities measured at fair value	\$ 33.5	\$ 0.3	\$ 9.2	\$ 43.0	\$ 28.5	\$ —	\$ 5.6	\$ 34.1

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- (1) The Company maintains a self-directed, non-qualified deferred compensation plan for certain executives and other highly compensated employees. The plan assets and liabilities are invested in actively traded mutual funds and individual stocks valued using observable quoted prices in active markets.
- (2) Derivative assets and liabilities primarily represent forward currency exchange contracts to minimize the short-term impact of foreign currency exchange rates on certain trade and inter-company receivables and payables.
- (3) Contingent consideration liabilities represent arrangements to pay the former owners of certain companies that Trimble acquired. The fair values are estimated using scenario-based methods or option pricing methods based upon estimated future revenues, gross margins, or other milestones.

Additional Fair Value Information

The total estimated fair value of all outstanding financial instruments that are not recorded at fair value on a recurring basis (debt) was approximately \$1.8 billion and \$2.0 billion for the third quarter of 2019 and fiscal year end 2018, respectively, consistent with the carrying values.

The fair value of the Senior Notes was determined based on observable market prices in less active markets and is categorized accordingly as Level II in the fair value hierarchy. The fair value of the bank borrowings and promissory notes has been calculated using an estimate of the interest rate the Company would have had to pay on the issuance of notes with a similar maturity and by discounting the cash flows at that rate and is categorized as Level II in the fair value hierarchy. The fair values do not give an indication of the amount that the Company would currently have to pay to extinguish any of this debt.

NOTE 10. DEFERRED COSTS TO OBTAIN CUSTOMER CONTRACTS

The Company classifies all deferred costs to obtain customer contracts, which consists of deferred commissions, as a non-current asset included in Deferred Costs, non-current on the Company's Condensed Consolidated Balance Sheets. At the end of the third quarter of fiscal 2019 and fiscal year end 2018, the Company had \$41.9 million and \$41.3 million, respectively, of deferred costs to obtain customer contracts.

Amortization expense related to deferred costs to obtain customer contracts for the third quarter and the first three quarters of fiscal 2019 was \$5.3 million and \$16.2 million, respectively, and was \$6.2 million and \$17.2 million, respectively, for the third quarter and first three quarters of fiscal 2018. This expense was included in Sales and marketing expenses in the Company's Condensed Consolidated Statements of Income. There was no impairment loss related to the deferred commissions for either period presented.

NOTE 11. PRODUCT WARRANTIES

The Company accrues for warranty costs as part of its cost of sales based on associated material product costs, technical support, labor costs, and costs incurred by third parties performing work on the Company's behalf. The Company's expected future costs are primarily estimated based upon historical trends in the volume of product returns within the warranty period and the costs to repair or replace the equipment. When products sold include warranty provisions, they are covered by a warranty for periods ranging generally from one year to two years.

While the Company engages in extensive product quality programs and processes, including actively monitoring and evaluating the quality of component suppliers, its warranty obligation is affected by product failure rates, material usage, and service delivery costs incurred in correcting a product failure. Should actual product failure rates, material usage or service delivery costs differ from the estimates, revisions to the estimated warranty accrual and related costs may be required.

Changes in the Company's product warranty liability during the first three quarters of fiscal 2019 are as follows:

(In millions)

Balance as of fiscal year end 2018	\$	15.3
Accruals for warranties issued		14.9
Changes in estimates		0.4
Warranty settlements (in cash or in kind)		(15.7)
Balance as of the end of the third quarter of fiscal 2019	\$	14.9

NOTE 12. DEFERRED REVENUE AND REMAINING PERFORMANCE OBLIGATIONS

Deferred Revenue

Changes in the Company's deferred revenue during the third quarter of fiscal 2019 and 2018 were as follows:

<i>(In millions)</i>	Third Quarter of		First Three Quarters of	
	2019	2018	2019	2018
Beginning balance of the period	\$ 452.4	\$ 356.2	\$ 387.2	\$ 276.6
Revenue recognized	(76.7)	(41.5)	(300.5)	(201.7)
Acquired deferred revenue	1.5	26.6	1.5	50.3
Net deferred revenue activity	41.8	23.0	330.8	239.1
Ending balance of the period	\$ 419.0	\$ 364.3	\$ 419.0	\$ 364.3

Remaining Performance Obligations

As of the end of the third quarter of fiscal 2019, approximately \$1.1 billion of revenue is expected to be recognized from remaining performance obligations for which goods or services have not been delivered, primarily subscription and software maintenance, and to a lesser extent, hardware and professional services contracts. The Company expects to recognize revenue of approximately 71% and 17% on these remaining performance obligations over the next 12 and 24 months, respectively, with the remainder recognized thereafter.

NOTE 13. EARNINGS PER SHARE

Basic earnings per share is computed by dividing Net income attributable to Trimble Inc. by the weighted-average number of shares of common stock outstanding during the period. Diluted earnings per share is computed by dividing Net income attributable to Trimble Inc. by the weighted-average number of shares of common stock outstanding during the period increased to include the number of additional shares of common stock that would have been outstanding if the potentially dilutive securities had been issued. Potentially dilutive securities include outstanding stock options, shares to be purchased under the Company's employee stock purchase plan, restricted stock units, and contingently issuable shares.

The following table shows the computation of basic and diluted earnings per share:

	Third Quarter of		First Three Quarters of	
	2019	2018	2019	2018
<i>(In millions, except per share amounts)</i>				
Numerator:				
Net income attributable to Trimble Inc.	\$ 78.1	\$ 73.7	\$ 235.0	\$ 196.3
Denominator:				
Weighted average number of common shares used in basic earnings per share	250.4	250.5	251.2	249.6
Effect of dilutive securities	1.7	3.1	2.2	3.4
Weighted average number of common shares and dilutive potential common shares used in diluted earnings per share	252.1	253.6	253.4	253.0
Basic earnings per share	\$ 0.31	\$ 0.29	\$ 0.94	\$ 0.79
Diluted earnings per share	\$ 0.31	\$ 0.29	\$ 0.93	\$ 0.78

For the third quarter and for the first three quarters of fiscal 2019 and 2018, the Company excluded an insignificant number of shares from the calculation of diluted earnings per share, because their effect would have been antidilutive.

NOTE 14. INCOME TAXES

For the third quarter of fiscal 2019, the Company's effective income tax rate resulted in an expense of 1%, as compared to a benefit of 15% in the corresponding period in fiscal 2018; the increase was primarily due to a tax benefit from 2017 U.S. federal provision to return adjustments in the third quarter of fiscal 2018 and a lower tax rate benefit percentage from reserve releases due to expiration of the U.S. federal statute of limitations for certain tax years.

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For the first three quarters of fiscal 2019, the Company's effective income tax rate was 13% as compared to 6% in the corresponding period in fiscal 2018; the increase was primarily due to a tax benefit from 2017 U.S. federal provision to return adjustments in the third quarter of fiscal 2018 and transfer pricing tax reserves for stock-based compensation deductions in the second quarter of fiscal 2019.

The Company's effective tax rate is lower than the U.S. federal statutory rate of 21% primarily due to reserve releases, favorable tax rates associated with certain earnings from operations in lower-tax jurisdictions, a benefit from U.S. federal R&D credit, and stock-based compensation deductions.

The Company and its subsidiaries are subject to U.S. federal and state and foreign income tax. The Company is currently in different stages of multiple year examinations by various state and foreign taxing authorities. The Company believes its reserves are more likely than not to be adequate to cover final resolution of all open tax matters.

In the first quarter of fiscal 2018, the Company had received a formal Notice of Deficiency from the Internal Revenue Service for fiscal year 2011, assessing tax and penalties totaling \$51.2 million. In the third quarter of fiscal 2019, the Company received a decision from U.S. tax court resulting in no change to its federal income tax liability for fiscal 2011. There are no federal income tax returns currently under examination.

Although timing of the resolution and/or closure of audits in other jurisdictions is not certain, the Company does not believe that its gross unrecognized tax benefits would materially change in the next twelve months.

Unrecognized tax benefits of \$60.9 million and \$60.5 million as of the end of the third quarter of fiscal 2019 and fiscal year end 2018, respectively, if recognized, would favorably affect the effective income tax rate in future periods. Unrecognized tax benefits are recorded in Other non-current liabilities and in the deferred tax accounts in the accompanying Condensed Consolidated Balance Sheets.

The Company's practice is to recognize interest and/or penalties related to income tax matters in income tax expense. As of the end of the third quarter of fiscal 2019 and fiscal year end 2018, the Company had accrued \$11.1 million and \$11.0 million, respectively, for interest and penalties, which are recorded in other non-current liabilities in the accompanying Condensed Consolidated Balance Sheets.

NOTE 15. COMMITMENTS AND CONTINGENCIES

Commitments

As of the end of the third quarter of fiscal 2019, the Company had unconditional purchase obligations of approximately \$263.7 million. These unconditional purchase obligations primarily represent open non-cancelable purchase orders for material purchases with the Company's vendors. Purchase obligations exclude agreements that are cancelable without penalty. The Company also had approximately \$9.0 million of unconditional capital commitments related to an equity investment.

Litigation

From time to time, the Company is also involved in litigation arising out of the ordinary course of its business. There are no material legal proceedings, other than ordinary routine litigation incidental to the business, to which the Company or any of its subsidiaries is a party or of which any of the Company's or its subsidiaries' property is subject.

SPECIAL NOTE ON FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, which are subject to the “safe harbor” created by those sections. These statements include, among other things:

- the portion of our revenue expected to come from sales to customers located in countries outside of the U.S.;
- seasonal fluctuations in our construction equipment revenues, sales to U.S. governmental agencies, agricultural equipment business revenues, global macroeconomic conditions, and expectations that we may experience less seasonality in the future;
- our plans to continue to invest in research and development to actively develop and introduce new products and to deliver targeted solutions to the markets we serve;
- a continued shift in revenue towards a more significant mix of software, recurring revenue, and services;
- our belief that increases in recurring revenue from our software and subscription solutions will provide us with enhanced business visibility over time;
- our belief that our cash and cash equivalents, together with borrowings under the commitments for our credit facilities and senior notes, will be sufficient to meet our anticipated operating cash needs, debt service, and planned capital expenditures for at least the next twelve months;
- any anticipated benefits to us from the acquisition Viewpoint and our ability to successfully integrate the Viewpoint business;
- fluctuations in interest rates and foreign currency exchange rates;
- our belief that our gross unrecognized tax benefits will not materially change in the next twelve months; and
- our growth strategy, including our focus on historically underserved large markets, the relative importance of organic growth versus strategic acquisitions, and the reasons that we acquire businesses.

The forward-looking statements regarding future events and the future results of Trimble Inc. (“Trimble” or “the Company” or “we” or “our” or “us”) are based on current expectations, estimates, forecasts, and projections about the industries in which Trimble operates, Trimble's current tax structure, including where Trimble's assets are deemed to reside for tax purposes, and the beliefs and assumptions of the management of Trimble. Discussions containing such forward-looking statements may be found in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” below. In some cases, forward-looking statements can be identified by terminology such as “may,” “will,” “should,” “could,” “predicts,” “potential,” “continue,” “expects,” “anticipates,” “future,” “intends,” “plans,” “believes,” “estimates,” and similar expressions. These forward-looking statements involve certain risks and uncertainties that could cause actual results, levels of activity, performance, achievements, and events to differ materially from those implied by such forward-looking statements, including but not limited to those discussed in “Risk Factors” below and elsewhere in this report, as well as in the Company’s Annual Report on Form 10-K for fiscal year 2018 and in other reports Trimble files with the Securities and Exchange Commission, each as it may be amended from time to time. These forward-looking statements are made as of the date of this Quarterly Report on Form 10-Q. We reserve the right to update these forward-looking statements for any reason, including the occurrence of material events, but assume no duty to update these statements to reflect subsequent events.

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Management's Discussion and Analysis of Financial Condition and Results of Operations is based on our Condensed Consolidated Financial Statements. The preparation of financial statements and related disclosures in conformity with U.S. generally accepted accounting principles requires us to make judgments, assumptions, and estimates that affect the amounts reported in the Condensed Consolidated Financial Statements and accompanying Notes. Management bases its estimates on historical experience and various other assumptions believed to be reasonable. Although these estimates are based on management’s best knowledge of current events and actions that may impact the company in the future, actual results may be different from the estimates. Management believes that, except for the adoption of the new lease standard as discussed in Note 2 of the Notes to the Condensed Consolidated Financial Statements, there have been no significant changes during the first three quarters of fiscal 2019 to the items that we disclosed as our critical accounting policies and estimates in the Management's Discussion and Analysis of Financial Condition and Results of Operations in our 2018 Annual Report on Form 10-K.

RECENT ACCOUNTING PRONOUNCEMENTS

For a summary of recent accounting pronouncements applicable to our Consolidated Financial Statements, see Note 2 of the Notes to our Condensed Consolidated Financial Statements in Item 1, which is incorporated herein by reference.

EXECUTIVE LEVEL OVERVIEW

Trimble began operations in 1978 and was originally incorporated in California as Trimble Navigation Limited in 1981. On October 1, 2016, Trimble Navigation Limited changed its name to Trimble Inc. and changed its state of incorporation from the State of California to the State of Delaware.

Trimble is a leading provider of technology solutions that optimize the work processes of office and mobile field professionals around the world. Our comprehensive work process solutions are used across a range of industries including agriculture, architecture, civil engineering, construction, government, natural resources, transportation, and utilities. Representative Trimble customers include engineering and construction firms, contractors, surveying companies, farmers and agricultural companies, long haul trucking companies, energy, utility companies, and state, federal, and municipal governments.

Trimble focuses on integrating its broad technological and application capabilities to create vertically-focused, system-level solutions that transform how work is done within the industries we serve. The integration of sensors, software, connectivity, and information in our portfolio gives us the unique ability to provide an information model specific to the customer's workflow. For example, in construction, our strategy is centered on the concept of a "constructible model" that is at the center of our "Connected Construction" solutions, which provide real-time, connected, and cohesive information environments for the design, build, and operational phases of construction projects. In agriculture, we continue to develop "Connected Farm" solutions to optimize operations across the agriculture workflow. In long haul trucking, our "Connected Fleet" solutions provide transportation companies with tools to enhance fuel efficiency, safety, and transparency through connected vehicles and fleets across the enterprise.

Our growth strategy is centered on multiple elements:

- *Focus on attractive markets with significant growth and profitability potential* - We focus on large markets historically underserved by technology that offer significant potential for long-term revenue growth, profitability, and market leadership. Our core industries such as construction, agriculture, and transportation markets are each multi-trillion dollar global industries that operate in increasingly demanding environments with technology adoption in the early phases relative to other industries. With the emergence of mobile computing capabilities, the increasing technological know-how of end users, and the compelling return on investment to our customers, we believe many of our markets are attractive for substituting Trimble's technology and solutions in place of traditional operating methods.
- *Domain knowledge and technological innovation that benefit a diverse customer base* - We have redefined our technological focus from hardware-driven point solutions to integrated work process solutions by developing domain expertise and heavily reinvesting in R&D and acquisitions. We have been spending approximately 14% of revenue over the past two years on R&D and currently have over 1,200 unique patents. We intend to continue to take advantage of our technology portfolio and deep domain knowledge to quickly and cost-effectively deliver specific, targeted solutions to each of the vertical markets we serve. We look for opportunities where the opportunity for technological change is high and that have a requirement for the integration of multiple technologies into complete vertical solutions.
- *Increasing focus on software and subscription offerings* - Software and subscription services are increasingly important elements of our solutions and are core to our growth strategy. Trimble has an open application programming interface philosophy and open vendor environment, which leads to increased adoption of our software and subscription offerings. We believe that increased recurring revenue from these solutions will provide us with enhanced business visibility over time. Professional services constitute an additional growth channel that helps our customers integrate and optimize the use of our offerings in their environment.
- *Geographic expansion with localization strategy* - We view international expansion as an important element of our strategy, and we continue to position ourselves in geographic markets that will serve as important sources of future growth. We currently have a physical presence in over 40 countries and distribution channels in over 100 countries.
- *Optimized go to market strategies to best access our markets* - We utilize vertically-focused distribution channels that leverage domain expertise to best serve the needs of individual markets domestically and abroad. These channels include independent dealers, joint ventures, original equipment manufacturers ("OEM") sales and distribution alliances with key partners, such as CNH Global, Caterpillar, and Nikon, as well as direct sales to end-users, that provide us with broad market reach and localization capabilities to effectively serve our markets.
- *Strategic acquisitions* - Organic growth continues to be our primary focus, while acquisitions serve to enhance our market position. We acquire businesses that bring domain expertise, technology, products, or distribution capabilities that augment our portfolio and allow us to penetrate existing markets more effectively, or to establish a market beachhead. Our success in targeting and effectively integrating acquisitions is an important aspect of our growth strategy.

Trimble's focus on these growth drivers has led over time to growth in revenue and profitability as well as an increasingly diversified business model. Software and subscription growth is driving increased recurring revenue, leading to improved visibility in some of our businesses. As our solutions have expanded, our go to market model has also evolved, with a balanced mix between direct, distribution, and OEM customers, and an increasing number of enterprise level customer relationships.

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For the third quarter of fiscal 2019, total revenue decreased by \$11.3 million compared to the third quarter of fiscal 2018. By geography, North America and Asia Pacific were down, while Europe and rest of the world were up. We continue to experience a shift in revenue towards a more significant mix of software, maintenance, subscription, and services, driven both by organic business and acquisitions.

During fiscal 2018, we acquired six businesses with total cash consideration of \$1.8 billion. The largest acquisition was Viewpoint, which we acquired in the third quarter of 2018 with total cash consideration of \$1.2 billion. Viewpoint is a provider of construction management software, which integrates a contractor's financial and resource management to their project operations in the field. The acquisition is highly complementary to our construction technology portfolio and positions us to further our strategy to lead the industry's transformation. With Viewpoint, we offer customers a central workflow platform for delivering integrated end-to-end construction management, while further enabling connectivity across the complete construction lifecycle.

Our Condensed Consolidated Statements of Income includes the operating results of the businesses from the date of acquisition.

Seasonality of Business

Construction equipment revenue, within our Buildings and Infrastructure segment, historically has been higher in early spring. Our agricultural equipment revenue, within our Resources and Utilities segment, has historically been the highest in the first quarter, followed by the second quarter, reflecting buying in anticipation of the spring planting season in the Northern hemisphere. However, overall as a company, as a result of diversification of our business across segments and the increased impact of subscription revenue, we may experience less seasonality in the future. Changes in global macroeconomic conditions could also impact the level of seasonality we experience.

RESULTS OF OPERATIONS

Overview

The following table is a summary of revenue, gross margin, and operating income for the periods indicated and should be read in conjunction with the narrative descriptions below:

	Third Quarter of		First Three Quarters of	
	2019	2018	2019	2018
<i>(In millions)</i>				
Revenue:				
Product	\$ 458.8	\$ 499.7	\$ 1,468.3	\$ 1,528.5
Service	168.0	156.5	501.8	421.4
Subscription	157.1	139.0	470.2	373.0
Total revenue	\$ 783.9	\$ 795.2	2,440.3	2,322.9
Gross margin	\$ 422.0	\$ 426.9	\$ 1,320.9	\$ 1,245.8
Gross margin as a % of revenue	53.8%	53.7%	54.1%	53.6%
Operating income	\$ 91.7	\$ 77.4	\$ 287.7	\$ 231.1
Operating income as a % of revenue	11.7%	9.7%	11.8%	9.9%
Diluted earnings per share	\$ 0.31	\$ 0.29	\$ 0.93	\$ 0.78
Total non-GAAP revenue *	\$ 784.3	\$ 804.7	\$ 2,444.6	\$ 2,339.1
Non-GAAP operating income *	\$ 162.0	\$ 167.0	\$ 489.6	\$ 472.0
Non-GAAP operating income as a % of Non-GAAP Revenue*	20.7%	20.8%	20.0%	20.2%
Non-GAAP diluted earnings per share *	\$ 0.48	\$ 0.49	\$ 1.45	\$ 1.46

* See **SUPPLEMENTAL DISCLOSURE OF NON-GAAP FINANCIAL MEASURES** for a reconciliation of our GAAP results to our non-GAAP measures.

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Revenue

By segment, total revenue decreased \$11.3 million or 1% for the third quarter of fiscal 2019, compared to the corresponding period in fiscal 2018, due to Geospatial and Resources and Utilities weakness in OEM sales, partially offset by organic growth in Buildings and Infrastructure and, to a lesser extent, Transportation. For the first three quarters of fiscal 2019, revenue increased \$117.4 million or 5%, compared to the corresponding period in fiscal 2018, due to the impact of Viewpoint, which was acquired in the third quarter of fiscal 2018 and, to a lesser extent, organic growth in Buildings and Infrastructure and Transportation, partially offset by a decrease in Geospatial due to market softness. Resources and Utilities was also slightly down for the first three quarters. We consider organic growth to include revenue from acquisitions completed in, or before, the corresponding prior year period.

By revenue category, product revenue decreased \$40.9 million or 8%, service revenue increased \$11.5 million or 7%, and subscription revenue increased \$18.1 million or 13% for the third quarter of fiscal 2019, compared to the corresponding period in fiscal 2018. Product revenue decreased \$60.2 million or 4%, service revenue increased \$80.4 million or 19%, and subscription revenue increased \$97.2 million or 26% for the first three quarters of fiscal 2019, compared to the corresponding period in fiscal 2018. For both the third quarter and first three quarters of fiscal 2019, product revenue decreased, primarily due to ongoing weakness in our Geospatial OEM hardware sales and, to a lesser extent, Resources and Utilities agriculture OEM sales. For both the third quarter and first three quarters, service and subscription revenue increased, primarily due to an increase in Buildings and Infrastructure due to Viewpoint, which was acquired in the third quarter of fiscal 2018, and strong organic growth in both service and subscription revenue and, to a lesser extent, organic growth in Transportation subscription revenue.

Gross Margin

Gross margin varies due to a combination of factors including product mix, pricing, distribution channel, and production volumes.

Gross margin decreased by \$4.9 million for the third quarter of fiscal 2019, compared to the corresponding period in fiscal 2018, primarily due to Geospatial and Resources and Utilities revenue declines, partially offset by Buildings and Infrastructure organic service and subscription growth. Gross margin increased \$75.1 million for the first three quarters of fiscal 2019, compared to the corresponding periods in fiscal 2018, primarily due to Viewpoint, which was acquired in the third quarter of fiscal 2018 and, to a lesser extent, increased organic service and subscription revenue growth in Buildings and Infrastructure, partially offset by a decrease in Geospatial due to revenue declines.

Gross margin as a percentage of total revenue was relatively flat, 53.8% and 54.1% for the third quarter and first three quarters of fiscal 2019, respectively, compared to 53.7% and 53.6% for the corresponding periods in fiscal 2018, due to Buildings and Infrastructure improved product mix, largely offset by Geospatial revenue declines and Transportation product mix.

Operating Income

Operating income increased by \$14.3 million for the third quarter of fiscal 2019, compared to the corresponding period in fiscal 2018, due to lower intangible asset amortization resulting from expiration of prior acquisitions' amortization and strong operating results in Buildings and Infrastructure. These decreases were partially offset by Geospatial and Resources and Utilities revenue declines and increased Transportation research and development costs. Operating income increased \$56.6 million for the first three quarters of fiscal 2019, compared to the corresponding period in fiscal 2018, due to the same factors described in the preceding paragraph.

Operating income as a percentage of total revenue was 11.7% and 11.8% for the third quarter and first three quarters of fiscal 2019, respectively, compared to 9.7% and 9.9% for the corresponding periods in fiscal 2018, due to the same factors described in the preceding paragraph.

Research and Development, Sales and Marketing, and General and Administrative Expense

Research and development (R&D), sales and marketing (S&M), and general and administrative (G&A) expense are summarized in the following table:

	Third Quarter of		First Three Quarters of	
	2019	2018	2019	2018
<i>(In millions)</i>				
Research and development	\$ 112.3	\$ 114.1	\$ 350.1	\$ 333.5
Percentage of revenue	14.3%	14.3%	14.3%	14.4%
Sales and marketing	\$ 119.7	\$ 119.7	\$ 375.9	\$ 354.6
Percentage of revenue	15.3%	15.1%	15.4%	15.3%
General and administrative	\$ 77.2	\$ 91.6	\$ 239.9	\$ 262.6
Percentage of revenue	9.8%	11.5%	9.8%	11.3%
Total	\$ 309.2	\$ 325.4	\$ 965.9	\$ 950.7

Overall, R&D, S&M, and G&A expenses decreased by \$16.2 million or 5% and increased \$15.2 million or 2% for the third quarter and first three quarters of fiscal 2019, respectively, compared to the corresponding periods in fiscal 2018.

Research and development expense decreased by \$1.8 million or 2% for the third quarter of fiscal 2019, compared to the corresponding period in fiscal 2018, due to a reduction in compensation expense and favorable foreign currency impacts, partially offset by higher consulting expenses. Research and development expense increased by \$16.6 million or 5% for the first three quarters of fiscal 2019, compared to the corresponding period in fiscal 2018, primarily due to Viewpoint, which was acquired in the third quarter of 2018 and, to a lesser extent, increased compensation expenses associated with increased headcount, particularly in Transportation, partially offset by favorable foreign currency impacts.

Overall, research and development expense was 14.3% of revenue in the third quarter and first three quarters of fiscal 2019, which was substantially consistent with the corresponding periods in fiscal 2018. We believe that the development and introduction of new solutions are critical to our future success, and we expect to continue active development of new products.

Sales and marketing expense remained flat for the third quarter of fiscal 2019, compared to the corresponding periods in fiscal 2018. Sales and marketing expense increased by \$21.3 million or 6% for the first three quarters of fiscal 2019, compared to the corresponding periods in fiscal 2018, primarily due to Viewpoint, which was acquired in the third quarter of fiscal 2018 and, to a lesser extent, an increase in compensation expense, partially offset by favorable foreign currency impacts.

Overall, spending for sales and marketing was 15.3% and 15.4% of revenue in the third quarter and first three quarters of fiscal 2019, respectively, compared to 15.1% and 15.3% in the corresponding periods in fiscal 2018.

General and administrative expense decreased by \$14.4 million or 16% and \$22.7 million or 9% for the third quarter and first three quarters of fiscal 2019, respectively, compared to the corresponding periods in fiscal 2018. The expense decrease was due to lower compensation expense, primarily incentive compensation plans and, to a lesser extent, lower consulting costs and favorable foreign currency impacts, partially offset by Viewpoint, which was acquired in the third quarter of fiscal 2018.

Overall, general and administrative spending was 9.8% of revenue in the third quarter and first three quarters of fiscal 2019, compared to 11.5% and 11.3% in the corresponding periods in fiscal 2018.

Amortization of Purchased Intangible Assets

	Third Quarter of		First Three Quarters of	
	2019	2018	2019	2018
<i>(In millions)</i>				
Cost of sales	\$ 23.3	\$ 28.2	\$ 71.3	\$ 75.2
Operating expenses	17.5	21.6	57.3	57.7
Total amortization expense of purchased intangibles	\$ 40.8	\$ 49.8	\$ 128.6	\$ 132.9

Total amortization expense of purchased intangibles represented 5% of revenue in the third quarter and first three quarters of fiscal 2019, respectively, compared to 6% in the corresponding periods in fiscal 2018. The expense for the third quarter and first three quarters of fiscal 2019 was lower as compared to the corresponding periods in fiscal 2018 due to the expiration of prior acquisitions' amortization.

Non-operating Expense, Net

The components of Non-operating expense, net, were as follows:

	Third Quarter of		First Three Quarters of	
	2019	2018	2019	2018
<i>(In millions)</i>				
Interest expense, net	\$ (19.7)	\$ (22.7)	\$ (62.2)	\$ (50.8)
Foreign currency transaction gain (loss), net	(1.5)	(0.1)	(3.4)	0.6
Income from equity method investments, net	8.8	8.8	30.5	23.2
Other income (expense), net	(0.4)	0.7	16.9	5.9
Total non-operating expense, net	\$ (12.8)	\$ (13.3)	\$ (18.2)	\$ (21.1)

Non-operating expense, net decreased by \$0.5 million and \$2.9 million for the third quarter and first three quarters of fiscal 2019, compared to the corresponding periods in fiscal 2018. The decrease for the third quarter of fiscal 2019 was primarily due to lower interest costs associated with reduced debt balances, largely offset by unfavorable foreign currency impacts. The decrease for the first three quarters of 2019 was primarily due to a gain from the sale of an equity investment included in Other income, net, and increased joint venture profitability, partially offset by higher interest costs associated with higher debt balances in the first half of the year.

Income Tax Provision

Our effective income tax rate for the third quarter of fiscal 2019 resulted in expense of 1%, as compared to a benefit of 15% in the corresponding period in fiscal 2018. The increase was primarily due to a tax benefit from the 2017 U.S. federal provision to return adjustments in the third quarter of fiscal 2018 and a lower tax benefit from reserve releases due to expiration of the U.S. federal statute of limitations for certain tax years.

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For the first three quarters of fiscal 2019, our effective income tax rate was 13%, as compared to 6% in the corresponding period in fiscal 2018. The increase was primarily due to a tax benefit from the 2017 U.S. federal provision to return adjustments in the third quarter of fiscal 2018 and transfer pricing tax reserves for stock-based compensation deductions in the second quarter of fiscal 2019.

Our effective tax rate is lower than the U.S. federal statutory rate of 21% primarily due to reserve releases, favorable tax rates associated with certain earnings from operations in lower-tax jurisdictions, a benefit from U.S. federal R&D credit, and stock-based compensation deductions.

Results by Segment

Our Chief Executive Officer (chief operating decision maker) views and evaluates operations based on the results of our reportable operating segments under our management reporting system. For additional discussion of our segments, see Note 6 of the Notes to the Condensed Consolidated Financial Statements.

The following table is a summary of revenue and operating income by segment:

	Third Quarter of		First Three Quarters of	
	2019	2018	2019	2018
<i>(In millions)</i>				
Buildings and Infrastructure				
Segment revenue	\$ 309.8	\$ 295.8	\$ 944.4	\$ 800.7
Segment revenue as a percent of total revenue	40%	37%	39%	34%
Segment operating income	\$ 81.7	\$ 68.3	\$ 228.8	\$ 184.2
Segment operating income as a percent of segment revenue	26.4%	23.1%	24.2%	23.0%
Geospatial				
Segment revenue	\$ 155.1	\$ 185.4	\$ 480.7	\$ 544.3
Segment revenue as a percent of total revenue	20%	23%	20%	23%
Segment operating income	\$ 30.6	\$ 47.4	\$ 91.1	\$ 126.3
Segment operating income as a percent of segment revenue	19.7%	25.6%	19.0%	23.2%
Resources and Utilities				
Segment revenue	\$ 121.1	\$ 133.2	\$ 433.3	\$ 438.0
Segment revenue as a percent of total revenue	15%	16%	18%	19%
Segment operating income	\$ 34.5	\$ 38.5	\$ 131.1	\$ 132.9
Segment operating income as a percent of segment revenue	28.5%	28.9%	30.3%	30.3%
Transportation				
Segment revenue	\$ 198.3	\$ 190.3	\$ 586.2	\$ 556.1
Segment revenue as a percent of total revenue	25%	24%	24%	24%
Segment operating income	\$ 31.2	\$ 37.1	\$ 95.3	\$ 98.8
Segment operating income as a percent of segment revenue	15.7%	19.5%	16.3%	17.8%

The following table is a reconciliation of our consolidated segment operating income to consolidated income before taxes:

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	Third Quarter of		First Three Quarters of	
	2019	2018	2019	2018
<i>(In millions)</i>				
Consolidated segment operating income	\$ 178.0	\$ 191.3	\$ 546.3	\$ 542.2
Unallocated corporate expense	(16.0)	(24.3)	(56.7)	(70.2)
Restructuring charges	(3.6)	(2.6)	(10.2)	(6.8)
Acquired deferred revenue adjustment	(0.4)	(9.5)	(4.3)	(16.2)
Amortization of purchased intangible assets	(40.8)	(49.8)	(128.6)	(132.9)
Stock-based compensation	(18.6)	(18.8)	(52.1)	(53.1)
Amortization of acquired capitalized commissions	1.5	1.8	4.8	2.9
Acquisition / divestiture items	(8.4)	(10.7)	(11.5)	(34.8)
Consolidated operating income	91.7	77.4	287.7	231.1
Non-operating expense, net	(12.8)	(13.3)	(18.2)	(21.1)
Consolidated income before taxes	\$ 78.9	\$ 64.1	\$ 269.5	\$ 210.0

Buildings and Infrastructure

Buildings and Infrastructure revenue increased by \$14.0 million or 5% and \$143.7 million or 18% for the third quarter and first three quarters of fiscal 2019, respectively, compared to the corresponding periods in fiscal 2018. Segment operating income increased \$13.4 million or 20% and \$44.6 million or 24% for the third quarter and first three quarters of fiscal 2019, respectively, compared to the corresponding periods in fiscal 2018.

For the third quarter and first three quarters of fiscal 2019, revenue increased due to the impact of Viewpoint, which was acquired in the third quarter of fiscal 2018, which included software maintenance and subscription revenue and, to a lesser extent, organic growth driven by increased service, primarily software maintenance, and subscription revenue. Civil engineering and construction experienced growth in software, service, and subscription revenue, and e-Builder experienced subscription revenue growth as well. Segment operating income increased for the third quarter and first three quarters of fiscal 2019 due to the impact of Viewpoint, as well as organic revenue growth and gross margin expansion due to increased service and subscription product mix and improved operating expense control.

Geospatial

Geospatial revenue decreased \$30.3 million or 16% and \$63.6 million or 12% for the third quarter and first three quarters of fiscal 2019, respectively, compared to the corresponding periods in fiscal 2018. Segment operating income decreased by \$16.8 million or 35% and \$35.2 million or 28% for the third quarter and first three quarters of fiscal 2019, respectively, compared to the corresponding periods in fiscal 2018.

For the third quarter and first three quarters of fiscal 2019, revenue decreased mainly due to continuing weakness in OEM hardware sales, primarily China, and softness in geospatial survey sales due to reduced government sales. Geospatial survey sales were also weaker as compared to the corresponding periods in the prior year that benefited from significant new product introductions. Segment operating income decreased for the third quarter and first three quarters of fiscal 2019 primarily due to the negative impact from the revenue shortfall.

Resources and Utilities

Resources and Utilities revenue decreased \$12.1 million or 9% and \$4.7 million or 1% for the third quarter and first three quarters of fiscal 2019, respectively, compared to the corresponding periods in fiscal 2018. Segment operating income decreased by \$4.0 million or 10% and \$1.8 million or 1% for the third quarter and first three quarters of fiscal 2019, respectively, compared to the corresponding periods in fiscal 2018.

For the third quarter and first three quarters of 2019, revenue decreased mainly due to weakness in agriculture OEM and reseller hardware sales, due to continued weakness in North America as a result of agriculture market uncertainties, as well as weakness in Latin America and Europe due to geopolitical and weather-related drought conditions. The decreases were partially offset by good growth in positioning services revenue. Segment operating income decreased for the third quarter and first three quarters of fiscal 2019, primarily due to the negative impact from the revenue shortfall, partially offset by improved operating expense control.

Transportation

Transportation revenue increased by \$8.0 million or 4% and \$30.1 million or 5% for the third quarter and first three quarters of fiscal 2019, respectively, compared to the corresponding periods in fiscal 2018. Segment operating income decreased \$5.9 million or 16% and \$3.5 million or 4% for the third quarter and first three quarters of fiscal 2019, respectively, compared to the corresponding periods in fiscal 2018.

For the third quarter and first three quarters of fiscal 2019, revenue increased primarily due to hardware and subscription growth from new and existing transportation and logistics customers. Segment operating income decreased for the third quarter and first three quarters of fiscal 2019, primarily due to gross margin compression resulting from hardware product mix and increased research and development investments, partially offset by revenue growth.

OFF-BALANCE SHEET FINANCINGS AND LIABILITIES

Other than inventory purchases and other commitments incurred in the normal course of business, we do not have any off-balance sheet financing arrangements or liabilities, guarantee contracts, retained or contingent interests in transferred assets, or any obligation arising out of a material variable interest in an unconsolidated entity. We do not have any majority-owned subsidiaries that are not included in the Condensed Consolidated Financial Statements. Additionally, we do not have any interest in, or relationship with, any special purpose entities.

In the normal course of business to facilitate sales of our products, we indemnify other parties, including customers, lessors, and parties to other transactions with us, with respect to certain matters. We have agreed to hold the other party harmless against losses arising from a breach of representations or covenants, or out of intellectual property infringement, or other claims made against certain parties. These agreements may limit the time within which an indemnification claim can be made and the amount of the claim. From time to time, in connection with divesting some of our businesses or assets, we may also indemnify purchasers for certain matters in the normal course of business, such as breaches of representations, covenants, or excluded liabilities. In addition, we entered into indemnification agreements with our officers and directors, and our bylaws contain similar indemnification obligations to our agents.

It is not possible to determine the maximum potential amount under these indemnification agreements due to the limited history of prior indemnification claims and the unique facts and circumstances involved in each particular agreement. Historically, payments made by us under these agreements were not material and no liabilities have been recorded for these obligations on the Condensed Consolidated Balance Sheets as of the end of the third quarter of fiscal 2019 and fiscal year end 2018.

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LIQUIDITY AND CAPITAL RESOURCES

As of	Third Quarter of 2019	Fiscal Year End 2018
<i>(In millions, except percentages)</i>		
Cash and cash equivalents	\$ 184.6	\$ 172.5
As a percentage of total assets	3.2%	3.0%
Principal balance of outstanding debt	\$ 1,761.6	\$ 1,981.9

	First Three Quarters of	
<i>(In millions)</i>	2019	2018
Cash provided by operating activities	\$ 462.8	\$ 384.8
Cash used in investing activities	(68.7)	(1,612.8)
Cash provided by (used in) financing activities	(377.2)	1,083.0
Effect of exchange rate changes on cash and cash equivalents	(4.8)	(8.1)
Net increase (decrease) in cash and cash equivalents	<u>\$ 12.1</u>	<u>\$ (153.1)</u>

Cash and Cash Equivalents and Short-Term Investments

As of the end of the third quarter of fiscal 2019, cash and cash equivalents totaled \$184.6 million compared to \$172.5 million as of fiscal year end 2018.

We believe that our cash and cash equivalents, together with our borrowings under the commitments for our credit facilities and senior notes, will be sufficient to meet our anticipated operating cash needs, debt service, and planned capital expenditures in the next twelve months.

Operating Activities

Cash provided by operating activities was \$462.8 million for the first three quarters of fiscal 2019, compared to \$384.8 million for the first three quarters of fiscal 2018. The increase of \$78.0 million was primarily driven by increased net income, after adjusting for non-cash items and lower inventory and accounts receivable, partially offset by a decrease in accrued compensation and benefits.

Investing Activities

Cash used in investing activities was \$68.7 million for the first three quarters of fiscal 2019, compared to \$1,612.8 million for the first three quarters of fiscal 2018. The decrease of cash used in investing activities of \$1,544.1 million was primarily due to spending for business acquisitions, including the \$1,212.1 million purchase of Viewpoint and \$485.5 million purchase of e-Builder, partially offset by proceeds from the sale of short-term investments, all in the prior year.

Financing Activities

Cash used by financing activities was \$377.2 million for the first three quarters of fiscal 2019, compared to cash provided by financing activities of \$1,083.0 million for the first three quarters of fiscal 2018. The decrease in cash flows from financing activities of \$1,460.2 million was primarily driven by the repayment of debt, net of borrowings, as compared to the increase in debt proceeds, net of repayments, in the prior year used to fund the Viewpoint and e-Builder acquisitions.

Accounts Receivable and Inventory Metrics

As of	Third Quarter of 2019	Fiscal Year End 2018
Accounts receivable days sales outstanding	57	59
Inventory turns per year	5.0	4.9

Our accounts receivable days sales outstanding are calculated based on ending accounts receivable, net, divided by revenue for the corresponding fiscal quarter, times a quarterly average of 91 days. Our inventory turnover is calculated based on total cost of sales for the most recent twelve months divided by average ending inventory, net, for this same twelve-month period.

Debt

During the third quarter of fiscal 2019, we repaid \$10.8 million of debt, net of borrowings. Each of our debt agreements requires us to maintain compliance with certain debt covenants, all of which we were in compliance with at the end of the third quarter of fiscal 2019. Refer to Note 7 of the Notes to Condensed Consolidated Financial Statements for more information regarding our debt.

SUPPLEMENTAL DISCLOSURE OF NON-GAAP FINANCIAL MEASURES

To supplement our condensed consolidated financial information, we believe that the following information is helpful to an overall understanding of our past

financial performance and prospects for the future. Our non-GAAP measures are not meant to be considered in isolation or as a substitute for comparable GAAP measures. The non-GAAP financial measures and detailed explanations to the adjustments to comparable GAAP measures are below.

	Third Quarter				First Three Quarters of			
	2019		2018		2019		2018	
	Dollar Amount	% of Revenue	Dollar Amount	% of Revenue	Dollar Amount	% of Revenue	Dollar Amount	% of Revenue
<i>(In millions, except per share amounts)</i>								
REVENUE:								
GAAP revenue:	\$ 783.9		\$ 795.2		\$2,440.3		\$ 2,322.9	
Acquired deferred revenue adjustment (A)	0.4		9.5		4.3		16.2	
Non-GAAP Revenue:	\$ 784.3		\$ 804.7		\$2,444.6		\$ 2,339.1	
GROSS MARGIN:								
GAAP gross margin:	\$ 422.0	53.8%	\$ 426.9	53.7%	\$1,320.9	54.1%	\$ 1,245.8	53.6%
Acquired deferred revenue adjustment (A)	0.4		9.5		4.3		16.2	
Restructuring charges (B)	—		0.1		0.2		0.5	
Amortization of purchased intangible assets (C)	23.3		28.2		71.3		75.2	
Stock-based compensation (D)	1.5		1.1		4.2		3.3	
Acquisition / divestiture items (E)	—		—		—		2.0	
Non-GAAP gross margin:	\$ 447.2	57.0%	\$ 465.8	57.9%	\$1,400.9	57.3%	\$ 1,343.0	57.4%
OPERATING EXPENSES:								
GAAP operating expenses:	\$ 330.3	42.1%	\$ 349.5	44.0%	\$1,033.2	42.3%	\$ 1,014.7	43.7%
Restructuring charges (B)	(3.6)		(2.5)		(10.0)		(6.3)	
Amortization of purchased intangible assets (C)	(17.5)		(21.6)		(57.3)		(57.7)	
Stock-based compensation (D)	(17.1)		(17.7)		(47.9)		(49.8)	
Acquisition / divestiture items (E)	(8.4)		(10.7)		(11.5)		(32.8)	
Amortization of acquired capitalized commissions (F)	1.5		1.8		4.8		2.9	
Non-GAAP operating expenses:	\$ 285.2	36.4%	\$ 298.8	37.1%	\$ 911.3	37.3%	\$ 871.0	37.2%
OPERATING INCOME:								
GAAP operating income:	\$ 91.7	11.7%	\$ 77.4	9.7%	\$ 287.7	11.8%	\$ 231.1	9.9%
Acquired deferred revenue adjustment (A)	0.4		9.5		4.3		16.2	
Restructuring charges (B)	3.6		2.6		10.2		6.8	
Amortization of purchased intangible assets (C)	40.8		49.8		128.6		132.9	
Stock-based compensation (D)	18.6		18.8		52.1		53.1	
Acquisition / divestiture items (E)	8.4		10.7		11.5		34.8	
Amortization of acquired capitalized commissions (F)	(1.5)		(1.8)		(4.8)		(2.9)	
Non-GAAP operating income:	\$ 162.0	20.7%	\$ 167.0	20.8%	\$ 489.6	20.0%	\$ 472.0	20.2%
NON-OPERATING EXPENSE, NET:								
GAAP non-operating expense, net:	\$ (12.8)		\$ (13.3)		\$ (18.2)		\$ (21.1)	
Acquisition / divestiture items (E)	0.3		0.8		(12.5)		(1.3)	
Debt issuance costs (G)	—		—		—		6.7	
Non-GAAP non-operating expense, net:	\$ (12.5)		\$ (12.5)		\$ (30.7)		\$ (15.7)	
		GAAP and Non-GAAP Tax Rate %		GAAP and Non-GAAP Tax Rate %		GAAP and Non-GAAP Tax Rate %		GAAP and Non-GAAP Tax Rate %
		(L)		(L)		(L)		(L)
INCOME TAX PROVISION (BENEFIT):								
GAAP income tax provision (benefit):	\$ 0.8	1%	\$ (9.6)	(15)%	\$ 34.4	13%	\$ 13.5	6%
Non-GAAP items tax effected (H)	13.3		12.4		34.0		36.8	
Difference in GAAP and Non-GAAP tax rate (I)	0.3		8.1		7.9		18.0	
Tax reform impacts (J)	—		3.6		—		3.6	
Reserve release upon statute of limitations expiration (K)	14.0		14.8		14.0		14.8	
Non-GAAP income tax provision:	\$ 28.4	19%	\$ 29.3	19%	\$ 90.3	20%	\$ 86.7	19%
NET INCOME:								

GAAP net income attributable to Trimble Inc.:		\$ 78.1	\$ 73.7	\$ 235.0	\$ 196.3
Acquired deferred revenue adjustment	(A)	0.4	9.5	4.3	16.2
Restructuring charges	(B)	3.6	2.6	10.2	6.8
Amortization of purchased intangible assets	(C)	40.8	49.8	128.6	132.9
Stock-based compensation	(D)	18.6	18.8	52.1	53.1
Acquisition / divestiture items	(E)	8.7	11.5	(1.0)	33.5
Amortization of acquired capitalized commissions	(F)	(1.5)	(1.8)	(4.8)	(2.9)
Debt issuance costs	(G)	—	—	—	6.7
Non-GAAP tax adjustments	(H)-(K)	(27.6)	(38.9)	(55.9)	(73.2)
Non-GAAP net income attributable to Trimble Inc.:		\$ 121.1	\$ 125.2	\$ 368.5	\$ 369.4

DILUTED NET INCOME PER SHARE:

GAAP diluted net income per share attributable to Trimble Inc.:		\$ 0.31	\$ 0.29	\$ 0.93	\$ 0.78
Acquired deferred revenue adjustment	(A)	—	0.04	0.01	0.06
Restructuring charges	(B)	0.01	0.01	0.04	0.03
Amortization of purchased intangible assets	(C)	0.16	0.20	0.51	0.52
Stock-based compensation	(D)	0.07	0.07	0.20	0.21
Acquisition / divestiture items	(E)	0.03	0.04	—	0.13
Amortization of acquired capitalized commissions	(F)	—	(0.01)	(0.02)	(0.01)
Debt issuance costs	(G)	—	—	—	0.03
Non-GAAP tax adjustments	(H)-(K)	(0.10)	(0.15)	(0.22)	(0.29)
Non-GAAP diluted net income per share attributable to Trimble Inc.:		\$ 0.48	\$ 0.49	\$ 1.45	\$ 1.46

ADJUSTED EBITDA:

GAAP operating income:		\$ 91.7	\$ 77.4	\$ 287.7	\$ 231.1
Acquired deferred revenue adjustment	(A)	0.4	9.5	4.3	16.2
Restructuring charges	(B)	3.6	2.6	10.2	6.8
Amortization of purchased intangible assets	(C)	40.8	49.8	128.6	132.9
Stock-based compensation	(D)	18.6	18.8	52.1	53.1
Acquisition / divestiture items	(E)	8.4	10.7	11.5	34.8
Amortization of acquired capitalized commissions	(F)	(1.5)	(1.8)	(4.8)	(2.9)
Non-GAAP operating income:		162.0	167.0	489.6	472.0
Depreciation expense		9.4	9.0	29.7	26.2
Income from equity method investments, net		8.8	8.8	30.5	23.2
Adjusted EBITDA		\$ 180.2	\$ 184.8	\$ 549.8	\$ 521.4

Non-GAAP Revenue and Operating Income Results

Non-GAAP revenue decreased by \$20.4 million or 3% for the third quarter of fiscal 2019, compared to the corresponding period in fiscal 2018, due to Geospatial and Resources and Utilities declines in OEM and channel sales, partially offset by organic growth in Buildings and Infrastructure, and to a lesser extent, Transportation. Non-GAAP revenue increased by \$105.5 million or 5% for the first three quarters of fiscal 2019, compared to the corresponding period in fiscal 2018, due to the impact of Viewpoint, which was acquired in the third quarter of fiscal 2018, and to a lesser extent organic growth in Buildings and Infrastructure and Transportation, partially offset by Geospatial due to market softness. Resources and Utilities was also slightly down for the first three quarters.

Non-GAAP operating income decreased by \$5.0 million or 3% for the third quarter of fiscal 2019, compared to the corresponding period in fiscal 2018, due to Geospatial and Resources and Utilities revenue declines and Transportation increased research and development costs, partially offset by strong operating results in Buildings and Infrastructure. Non-GAAP operating income increased by \$17.6 million or 4% for the first three quarters of fiscal 2019, compared to the corresponding period in fiscal 2018, due to the same factors, as well as the impact of Viewpoint, which was acquired in the third quarter of 2018.

Non-GAAP Explanations

Non-GAAP revenue

We believe this measure helps investors understand the performance of our business as non-GAAP revenue excludes the effects of certain acquired deferred revenue that was written down to fair value in purchase accounting. Management believes that excluding fair value purchase accounting adjustments more closely

correlates with the ordinary and ongoing course of the acquired company's operations and facilitates analysis of revenue growth and business trends.

Non-GAAP gross margin

We believe our investors benefit by understanding our non-GAAP gross margin as a way of understanding how product mix, pricing decisions and manufacturing costs influence our business. Non-GAAP gross margin excludes the effects of certain acquired deferred revenue that was written down to fair value in purchase accounting, restructuring charges, amortization of purchased intangible assets, stock-based compensation, and acquisition/divestiture items associated with the acceleration of acquisition stock options from GAAP gross margin. We believe that these adjustments offer investors additional information that may be useful to view trends in our gross margin performance.

Non-GAAP operating expenses

We believe this measure is important to investors evaluating our non-GAAP spending in relation to revenue. Non-GAAP operating expenses exclude restructuring charges, amortization of purchased intangible assets, stock-based compensation, and acquisition/divestiture items associated with external and incremental costs resulting directly from merger and acquisition activities such as: legal, due diligence, integration, and other costs including the acceleration of acquisition stock options, adjustment to the fair value of earn-out liabilities, and the effects of certain acquired capitalized commissions that were eliminated in purchase accounting from GAAP operating expenses. We believe that these adjustments offer investors supplemental information to facilitate comparison of our operating expenses to our prior results.

Non-GAAP operating income

We believe our investors benefit by understanding our non-GAAP operating income trends, which are driven by revenue, gross margin, and spending. Non-GAAP operating income excludes the effects of purchase accounting adjustments to certain acquired deferred revenue and acquired capitalized commissions, restructuring charges, amortization of purchased intangible assets, stock-based compensation, and acquisition/divestiture items from GAAP operating income. We believe that these adjustments offer an alternative means for our investors to evaluate current operating performance compared to results of other periods.

Non-GAAP non-operating income (expense), net

We believe this measure helps investors evaluate our non-operating income trends. Non-GAAP non-operating income (expense), net, excludes acquisition/divestiture gains/losses associated with unusual acquisition related items such as intangible asset impairment charges, gains or losses related to the acquisition or sale of certain businesses and investments, and debt issuance costs. We believe that these exclusions provide investors with a supplemental view of our ongoing financial results.

Non-GAAP income tax provision

We believe that providing investors with the non-GAAP income tax provision is beneficial because it provides for consistent treatment of the excluded items in our non-GAAP presentation.

Non-GAAP net income

This measure provides a supplemental view of net income trends, which are driven by non-GAAP income before taxes and our non-GAAP tax rate. Non-GAAP net income excludes the effects of purchase accounting adjustments to certain acquired deferred revenue and acquired capitalized commissions, restructuring charges, amortization of purchased intangible assets, stock-based compensation, acquisition/divestiture items, debt issuance costs, and non-GAAP tax adjustments from GAAP net income. We believe our investors benefit from understanding these adjustments and from an alternative view of our net income performance compared to our past net income performance.

Non-GAAP diluted net income per share

We believe our investors benefit by understanding our non-GAAP operating performance as reflected in a per share calculation as a way of measuring non-GAAP operating performance by ownership in the company. Non-GAAP diluted net income per share excludes the effects of purchase accounting adjustments to certain acquired deferred revenue and acquired capitalized commissions, restructuring charges, amortization of purchased intangible assets, stock-based compensation, acquisition/divestiture items, debt issuance costs, and non-GAAP tax adjustments from GAAP diluted net income per share. We believe that these adjustments offer investors a useful view of our diluted net income per share compared to our past diluted net income per share.

Adjusted EBITDA

We believe that adjusted EBITDA assists investors in comparing our performance over various reporting periods on a consistent basis. Adjusted EBITDA refers to non-GAAP operating income plus depreciation and income from equity method investments. We also believe the measure provides useful information to investors in understanding and evaluating our operating results in the same manner as our management and board of directors.

These non-GAAP measures can be used to evaluate our historical and prospective financial performance, as well as our performance relative to competitors. We believe some of our investors track our "core operating performance" as a means of evaluating our performance in the ordinary, ongoing, and customary course of our operations. Core operating performance excludes items that are non-cash, not expected to recur, or not reflective of ongoing financial results. Management also believes that looking at our core operating performance provides a supplemental way to provide consistency in period-to-period comparisons. Accordingly, management excludes from non-GAAP those items relating to the effects of purchase accounting adjustments to certain acquired deferred revenue and acquired capitalized commissions, restructuring charges, amortization of purchased intangible assets, stock-based compensation, acquisition/divestiture items, debt issuance costs, and non-GAAP tax adjustments.

- (A). *Acquired deferred revenue adjustment.* Purchase accounting generally requires us to write-down acquired deferred revenue to fair value. Our GAAP revenue includes the fair value impact from purchase accounting for post-contract support and subscriptions contracts assumed in connection with our acquisitions. The non-GAAP adjustment to our revenue is intended to reflect the full amount of such revenue. We believe this adjustment is useful to investors as a measure of the ongoing performance of our business and facilitates analysis of revenue growth and business trends.

- (B). *Restructuring charges.* Included in our GAAP presentation of cost of sales and operating expenses, restructuring charges recorded are primarily for employee compensation resulting from reductions in employee headcount in connection with our company restructurings. We exclude restructuring charges from our non-GAAP measures because we believe they do not reflect expected future operating expenses, they are not indicative of our core operating performance, and they are not meaningful in comparisons to our past operating performance. We have incurred restructuring expense in each of the periods presented. However the amount incurred can vary significantly based on whether a restructuring has occurred in the period and the timing of headcount reductions.
- (C). *Amortization of purchased intangible assets.* Included in our GAAP presentation of gross margin and operating expenses is amortization of purchased intangible assets. U.S. GAAP accounting requires that intangible assets are recorded at fair value and amortized over their useful lives. Consequently, the timing and size of our acquisitions will cause our operating results to vary from period to period, making a comparison to past performance difficult for investors. This accounting treatment may cause differences when comparing our results to companies that grow internally because the fair value assigned to the intangible assets acquired through acquisition may significantly exceed the equivalent expenses that a company may incur for similar efforts when performed internally. Furthermore, the useful life that we use to amortize our intangible assets over may be substantially different from the time period that an internal growth company incurs and recognizes such expenses. We believe that by excluding the amortization of purchased intangible assets, which primarily represents technology and/or customer relationships already developed, this provides an alternative way for investors to compare our operations pre-acquisition to those post-acquisition and to those of our competitors that have pursued internal growth strategies. However, we note that companies that grow internally will incur costs to develop intangible assets that will be expensed in the period incurred, which may make a direct comparison more difficult.
- (D). *Stock-based compensation.* Included in our GAAP presentation of cost of sales and operating expenses, stock-based compensation consists of expenses for employee stock options and awards and purchase rights under our employee stock purchase plan. We exclude stock-based compensation expense from our non-GAAP measures because some investors may view it as not reflective of our core operating performance as it is a non-cash expense. For the third quarter and first three quarters of fiscal years 2019 and 2018, stock-based compensation was allocated as follows:

(Dollars in millions)	Third Quarter of		First Three Quarters of	
	2019	2018	2019	2018
Cost of sales	\$ 1.5	\$ 1.1	\$ 4.2	\$ 3.3
Research and development	4.2	3.9	11.7	10.2
Sales and marketing	3.8	2.5	9.6	7.2
General and administrative	9.1	11.3	26.6	32.4
Total stock-based compensation expense	\$ 18.6	\$ 18.8	\$ 52.1	\$ 53.1

- (E). *Acquisition / divestiture items.* Included in our GAAP presentation of cost of sales and operating expenses, acquisition costs consist of external and incremental costs resulting directly from merger and acquisition and strategic investment activities such as legal, due diligence, integration, and other closing costs including the acceleration of acquisition stock options and adjustments to the fair value of earn-out liabilities. Included in our GAAP presentation of non-operating income (expense), net, acquisition/divestiture items includes unusual acquisition, investment, and/or divestiture gains/losses. Although we do numerous acquisitions, the costs that have been excluded from the non-GAAP measures are costs specific to particular acquisitions. These are one-time costs that vary significantly in amount and timing and are not indicative of our core operating performance.
- (F). *Amortization of acquired capitalized commissions.* Purchase accounting generally requires us to eliminate capitalized sales commissions balances as of the acquisition date. Our GAAP sales and marketing expenses generally do not reflect the amortization of these capitalized sales commissions balances. The non-GAAP adjustment to increase our sales and marketing expenses is intended to reflect the full amount of amortization related to such balances as though the acquired companies operated independently in the periods presented. We believe this adjustment to sales and marketing expenses is useful to investors as a measure of the ongoing performance of our business.
- (G). *Debt issuance costs.* Included in our non-operating income (loss), net this amount represents incurred costs in connection with a bridge facility we put in place for the Viewpoint acquisition, costs associated with the issuance of new credit facilities and our senior notes issued in 2018 that were not capitalized as debt issuance costs and a write-off of debt issuance costs for terminated and/or modified credit facilities. We excluded the debt issuance cost write-off from our non-GAAP measures. We believe that investors benefit from excluding this item from our non-operating income to facilitate an evaluation of our non-operating income trends.
- (H). *Non-GAAP items tax effected.* This amount adjusts the provision for income taxes to reflect the effect of the non-GAAP items (A) - (G) on non-GAAP net income. We believe this information is useful to investors because it provides for consistent treatment of the excluded items in this non-GAAP presentation.
- (I). *Difference in GAAP and Non-GAAP tax rate.* This amount represents the difference between the GAAP and Non-GAAP tax rates applied to the Non-GAAP operating income plus the Non-GAAP non-operating income (expense), net. We believe that investors benefit from excluding this amount from our non-GAAP income tax provision because it facilitates a comparison of the non-GAAP tax provision in the current and prior periods.
- (J). *Tax reform impacts.* This amount represents the provision for income taxes recorded as a result of the Tax Act enacted in December 22, 2017. The provision in the third quarter of 2018 primarily includes an adjustment of a one-time transition tax on accumulated foreign earnings. We excluded this item as it is a non-recurring expense. We believe that investors benefit from excluding this item from our non-GAAP income tax provision because it allows for period-over-period comparability.
- (K). *Reserve release upon statute of limitations expiration.* This amount represents a one time tax benefit resulting from a reserve release due to the expiration of statute of limitations. The reserve release in the third quarter of 2019 was due to the expiration of year 2011 and 2015 of U.S. federal statute of limitations. The reserve release in the third quarter of 2018 was due to the expiration of year 2010 and 2014 of U.S. federal statute of limitations. We excluded this because it is non-recurring and is not indicative of our core operating performance.

- (L). *GAAP and non-GAAP tax rate percentages.* These percentages are defined as GAAP income tax provision as a percentage of GAAP income before taxes and non-GAAP income tax provision as a percentage of non-GAAP income before taxes. We believe that investors benefit from a presentation of non-GAAP tax rate percentage as a way of facilitating a comparison to non-GAAP tax rates in prior periods.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

We are exposed to market risk related to changes in interest rates and foreign currency exchange rates. We use certain derivative financial instruments to manage these risks. We do not use derivative financial instruments for speculative purposes. All financial instruments are used in accordance with policies approved by our Board of Directors.

Market Interest Rate Risk

There have been no significant changes to our market interest rate risk assessment since December 28, 2018. For discussion of financial markets risks related to changes in interest rate, refer to Item 7A on our 2018 Annual Report on Form 10-K.

Foreign Currency Exchange Rate Risk

We operate in international markets, which expose us to market risk associated with foreign currency exchange rate fluctuations between the U.S. Dollar and various foreign currencies, the most significant of which is the Euro.

Historically, the majority of our revenue contracts are denominated in U.S. Dollars, with the most significant exception being Europe, where we invoice primarily in Euro. Additionally, a portion of our expenses, primarily the cost to manufacture, cost of personnel to deliver technical support on our products and professional services, sales and sales support, and research and development, are denominated in foreign currencies, primarily the Euro.

Revenue resulting from selling in local currencies and costs incurred in local currencies are exposed to foreign currency exchange rate fluctuations, which can affect our operating income. As exchange rates vary, operating income may differ from expectations. In the third quarter and first three quarters of fiscal 2019, revenue and operating income were negatively impacted by foreign currency exchange rates by \$8.1 million and \$0.6 million and \$37.1 million and \$1.5 million, respectively.

We enter into foreign currency forward contracts to minimize the short-term impact of foreign currency exchange rate fluctuations on cash, debt, certain trade and inter-company receivables and payables, primarily denominated in Euro, British pound, New Zealand dollars, Australian dollars, Brazilian Real, and Canadian dollars. These contracts reduce the exposure to fluctuations in foreign currency exchange rate movements, as the gains and losses associated with foreign currency balances are generally offset with the gains and losses on the forward contracts. These instruments are marked-to-market through earnings every period and generally range from one to two months in maturity. We do not enter into foreign currency forward contracts for trading purposes. We occasionally enter into foreign currency forward contracts to hedge the purchase price of some of our larger business acquisitions. Foreign currency forward contracts outstanding as of the end of the third quarter of fiscal 2019 and fiscal year end 2018 are summarized as follows (in millions):

	Third Quarter of Fiscal 2019		Fiscal Year End 2018	
	Nominal Amount	Fair Value	Nominal Amount	Fair Value
Forward contracts:				
Purchased	\$ (81.9)	\$ (0.3)	\$ (65.8)	\$ —
Sold	\$ 122.3	\$ 0.6	\$ 144.2	\$ 0.4

ITEM 4. CONTROLS AND PROCEDURES

(a) Disclosure Controls and Procedures.

The management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, our disclosure controls and procedures are effective.

(b) Internal Control Over Financial Reporting.

There have not been any changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time, we are also involved in litigation arising out of the ordinary course of our business. There are no material legal proceedings, other than ordinary routine litigation incidental to the business, to which we or any of our subsidiaries is a party or of which any of our or our subsidiaries' property is subject.

ITEM 1A. RISK FACTORS

A description of factors that could materially affect our business, financial condition, or operating results is included under "Risk and Uncertainties" in Item 1A of Part I of our 2018 Annual Report on Form 10-K is incorporated herein by reference. There have been no material changes to the risk factor disclosure since our 2018 Annual Report on Form 10-K. The risk factors described in our Form 10-K are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial conditions, and/or operating results.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

(a) None.

(b) None.

(c) The following table provides information relating to our purchases of equity securities for the first three quarters of fiscal 2019.

	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Maximum Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program
December 29, 2018 – February 1, 2019	—	\$ —	—	\$ — (1)
February 2, 2019 – March 1, 2019	49,510	\$ 40.39	49,510	\$ 350,157,687
March 2, 2019 – March 29, 2019	960,817	\$ 39.55	960,817	\$ 312,158,958
March 30, 2019 – May 3, 2019	—	\$ —	—	\$ 312,158,958
May 4, 2019 – May 31, 2019	—	\$ —	—	\$ 312,158,958
June 1, 2019 – June 28, 2019	443,452	\$ 42.89	443,452	\$ 293,138,568
June 29, 2019 – August 2, 2019	225,000	\$ 38.20	225,000	\$ 284,543,860
August 3, 2019 – August 30, 2019	2,880,894	\$ 37.53	2,880,894	\$ 176,414,708
August 31, 2019 – September 27, 2019	109,263	\$ 37.10	109,263	\$ 172,360,707
Total	<u>4,668,936</u>		<u>4,668,936</u>	

(1) In November 2017, our Board of Directors approved a stock repurchase program (2017 Stock Repurchase Program), authorizing us to repurchase up to \$600.0 million of the Company's common stock. The timing and amount of repurchase transactions will be determined by the Company's management based on its evaluation of market conditions, share price, legal requirements, and other factors. The program may be suspended, modified, or discontinued at any time without public notice. In April 2018, the Company temporarily suspended its stock repurchase program, which was reactivated in November 2018.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

We have filed, or incorporated into the Report by reference, the exhibits listed on the accompanying Index to Exhibits immediately preceding the signature page of this Form 10-Q.

EXHIBIT INDEX

- 3.1 [Certificate of Incorporation of the Company](#). (1)
- 3.2 [Bylaws of the Company](#). (2)
- 4.1 [Specimen copy of certificate for shares of Common Stock of the Company](#). (3)
- 31.1 [Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 dated November 4, 2019](#). (4)
- 31.2 [Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 dated November 4, 2019](#). (4)
- 32.1 [Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 dated November 4, 2019](#). (4)
- 32.2 [Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 dated November 4, 2019](#). (4)

- 101 The following financial statements from the Company's Quarterly Report on Form 10-Q for the quarter ended September 27, 2019, formatted in Inline XBRL: (i) Condensed Consolidated Balance Sheets, (ii) Condensed Consolidated Statements of Income, (iii) Condensed Consolidated Statements of Comprehensive Income, (iv) Condensed Consolidated Statements of Stockholders' Equity, (v) Condensed Consolidated Statements of Cash Flows, and (vi) Notes to Condensed Consolidated Financial Statements, tagged as blocks of text and including detailed tags.

- 104 The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended September 27, 2019, formatted in Inline XBRL.

- (1) Incorporated by reference to exhibit 3.1 to the Company's Current Report on Form 8-K filed October 3, 2016.
- (2) Incorporated by reference to exhibit 3.2 to the Company's Current Report on Form 8-K filed October 3, 2016.
- (3) Incorporated by reference to exhibit 4.1 to the Company's Current Report on Form 8-K filed October 3, 2016.
- (4) Furnished or file herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TRIMBLE INC.

(Registrant)

By: _____
/s/ Robert G. Painter
Robert G. Painter
Chief Financial Officer
*(Authorized Officer and Principal
Financial Officer)*

DATE: November 4, 2019

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Steven W. Berglund, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Trimble Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date:

November 4, 2019 /s/ Steve W. Berglund

Steven W. Berglund
Chief Executive Officer

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Robert G. Painter, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Trimble Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 4, 2019

/s/ Robert G. Painter

Robert G. Painter

Chief Financial Officer

**CERTIFICATION OF CEO PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Trimble Inc. (the "Company") for the period ended September 27, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Steven W. Berglund, as Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of his knowledge, that:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934,
and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Steven W. Berglund

Steven W. Berglund
Chief Executive Officer

November 4, 2019

**CERTIFICATION OF CEO PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Trimble Inc. (the "Company") for the period ended September 27, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Robert G. Painter, as Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of his knowledge, that:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934,
and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Robert G. Painter

Robert G. Painter

Chief Financial Officer

November 4, 2019