

Trimble Inc. Investor Day, September 2022



Driving Long Term Shareholder
Value Through Connect & Scale

Presented By: David Barnes, *Chief Financial Officer*



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Key Messages

We have **transformed** our business and financial model over the last 10 years and **created significant shareholder value...**

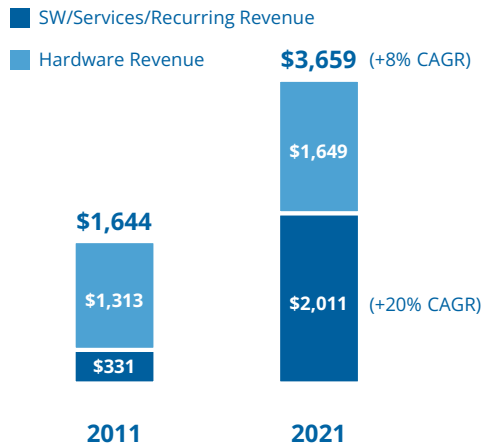


... and our **Connect & Scale** strategy points the way for **continued and accelerated transformation** and **value creation** in the years ahead

Business model evolution over time

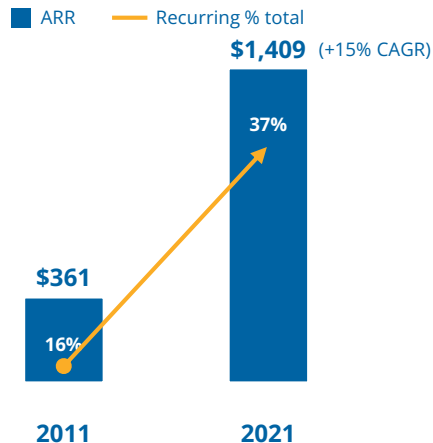
Our business model has evolved with **higher software, recurring revenue** and **significantly improved profitability**

Revenue (\$ Millions)



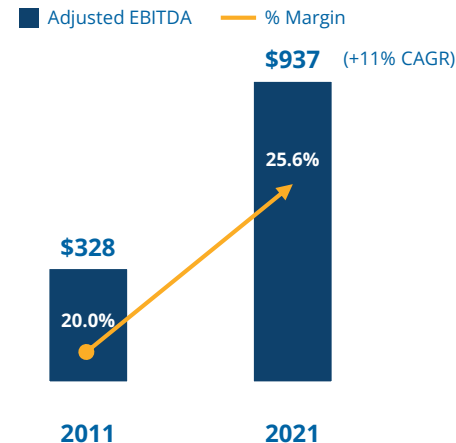
55% Software/Services/Recurring representing over **\$2 billion** in revenue

Annualized Recurring Revenue (\$ Millions)



Current **\$1.51 billion** in ARR growing at double-digit rates

Adjusted EBITDA (\$ Millions)



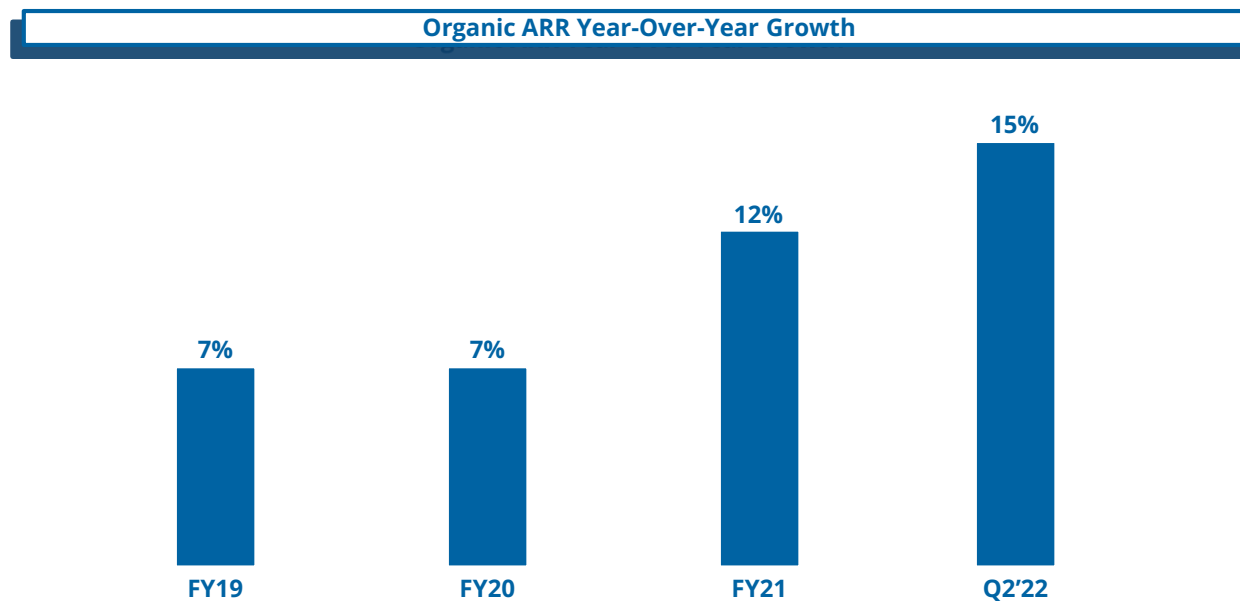
Expanding margins and an **asset light** business model

ARR refers to annualized recurring revenue, and is calculated by adding the portion of the contract value of all of our term licenses attributable to the current quarter to our non GAAP recurring revenue for the current quarter and dividing that sum by the number of days in the quarter and then multiplying that quotient by 365.
Adjusted EBITDA refers to non GAAP operating income plus depreciation plus income from equity method investments, net.



ARR growth rate

Our **ARR has accelerated** over the last several years



Organic Annualized Recurring Revenue refers to Annualized Recurring Revenue excluding the impacts of (i) foreign currency translation, and (ii) acquisitions and divestitures.

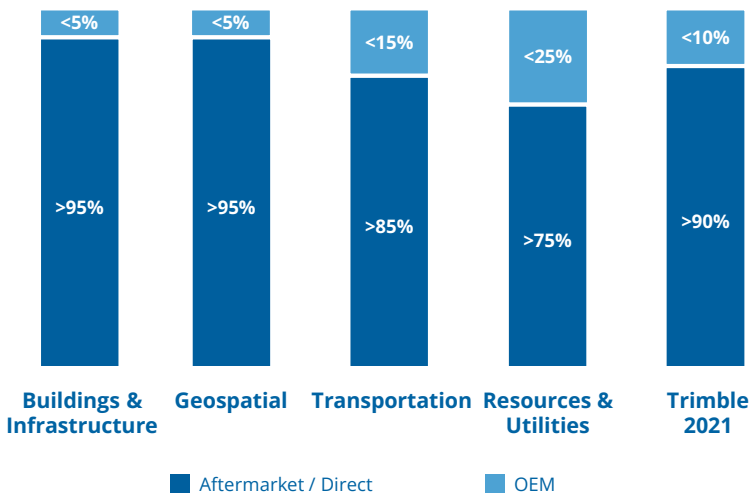




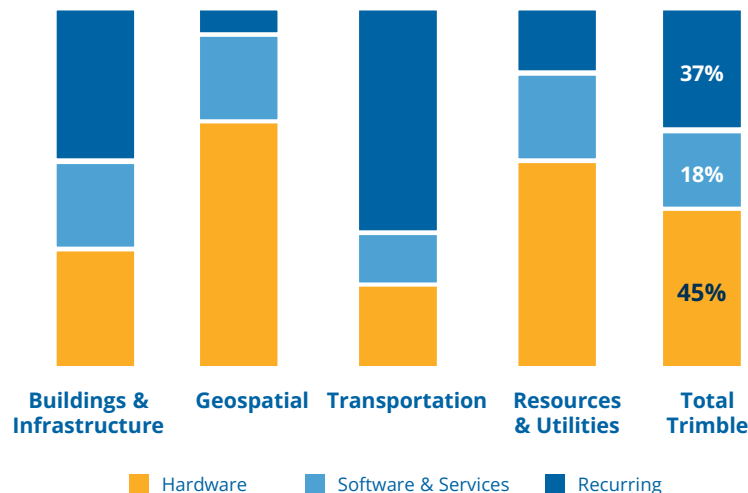
Revenue mix

Trimble end markets are **end-user/aftermarket** focused and **have a growing mix of software**

2021 Aftermarket vs. OEM Revenue Mix by Segment



2021 Revenue Mix by Segment

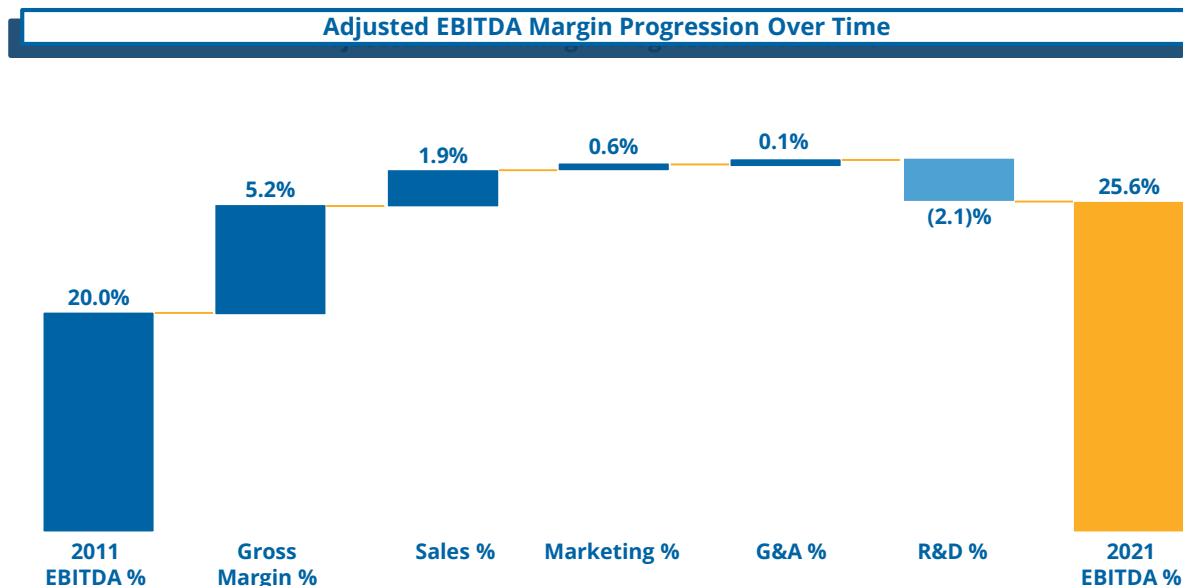


Recurring revenue includes term license revenue.



Margin expansion over time

Over time our **margins have improved** while we have **continued to invest in future growth**

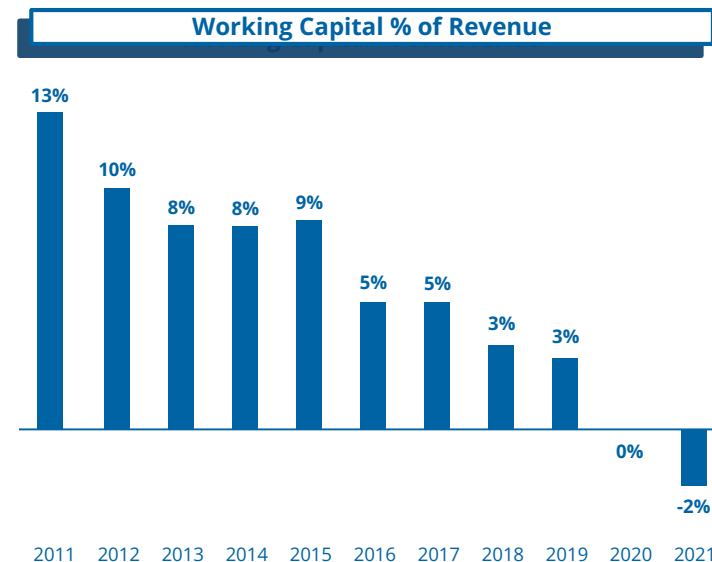
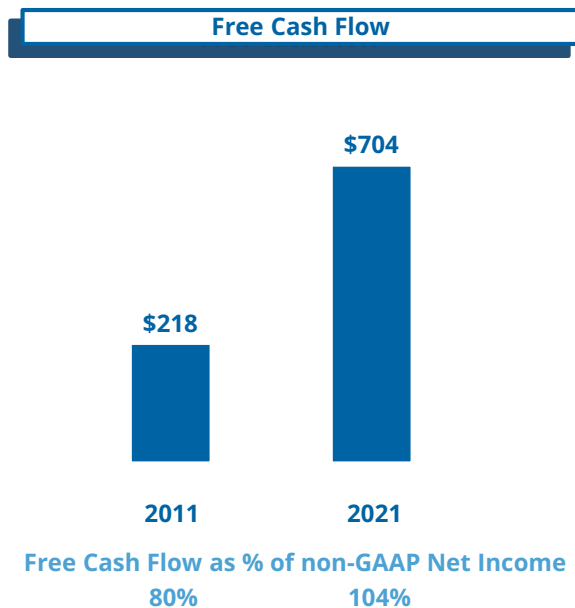


Drivers of margin growth:

- Gross margin % up > 500 bps; higher mix of software and competitive innovation
- Leveraged G&A, marketing, and selling costs as we have grown, while investing incrementally in software focused R&D



Consistently strong cash flow driven by our asset light business model



Free cash flow refers to cash flow from operating activities minus capital expenditures.

Working capital refers to accounts receivable plus inventories, minus accounts payable and accrued expenses minus deferred revenue.



Creating value through acquisitions

Our **acquisitions** over the **last 5 years** have been both **financially and strategically accretive**

Material acquisitions since 2017



Strategic value created

- All recurring revenue focused
- Meaningful contributors to our industry platforms

Financial progression

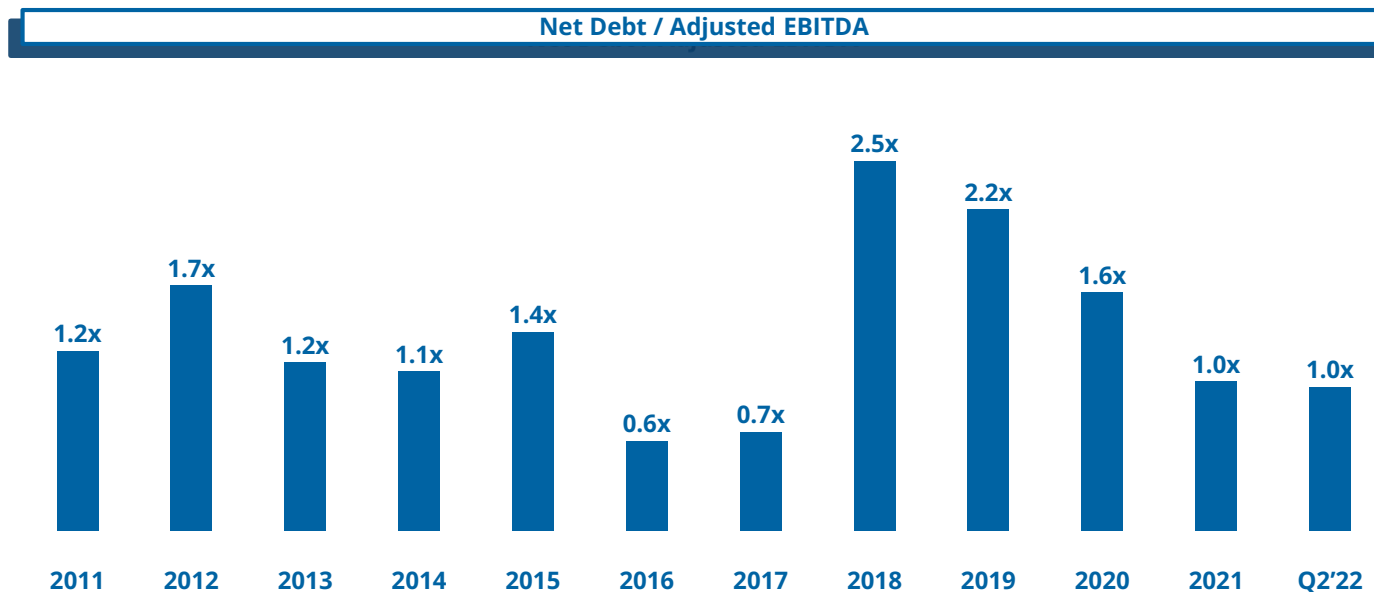
- **Pre-acquisition**
 - ~\$300M revenue
 - ~\$210M ARR
 - ~17% Operating margin
- **FY22**
 - ~\$440M revenue (+13% organic)
 - ~\$420M ARR (+16% organic)
 - ~28% Operating margin

Operating margin refers to non-GAAP operating income as a percentage of revenue.



Flexible balance sheet

After years of **strong cash flow**, we have **de-levered** significantly and have room to invest within our 2.5X long term leverage target



Net debt refers to total debt minus total cash and cash equivalents.



Achievement of financial targets

Achieved or exceeded majority of 2018 analyst day targets despite unplanned headwinds



2018-2021			
Financial Metric	Target	Actuals	Comment
Organic Revenue Growth	+6-9%	+4%	Solid growth despite pandemic, supply chain challenges, and trade war
Software/Services/Recurring % of Revenue	55%	55%	Business model evolution as planned
Adjusted EBITDA % of Revenue	23-24%	25.6%	Margins exceeded objectives even as we invested in Connect & Scale
Non-GAAP EPS Growth %	+Mid-teens	+11%	Lower growth offset by margin expansion
Operating Cash Flow % of Net Income	~110%	111%	Asset light business model

Organic revenue refers to revenue excluding the impacts of (i) foreign currency translation (FX), and (ii) acquisitions and divestitures
Organic revenue growth from 2018-2022 is expected to be approximately 6%



Going forward for the next 5 years: financial model drivers and implications



Financial Model Drivers

- 1 The markets we serve are **poised for sustained growth**
- 2 Our strategy and capabilities position us to **outgrow our markets**
- 3 Our business will increasingly be driven by **bundled solutions** - enabled by a **connected digital infrastructure**



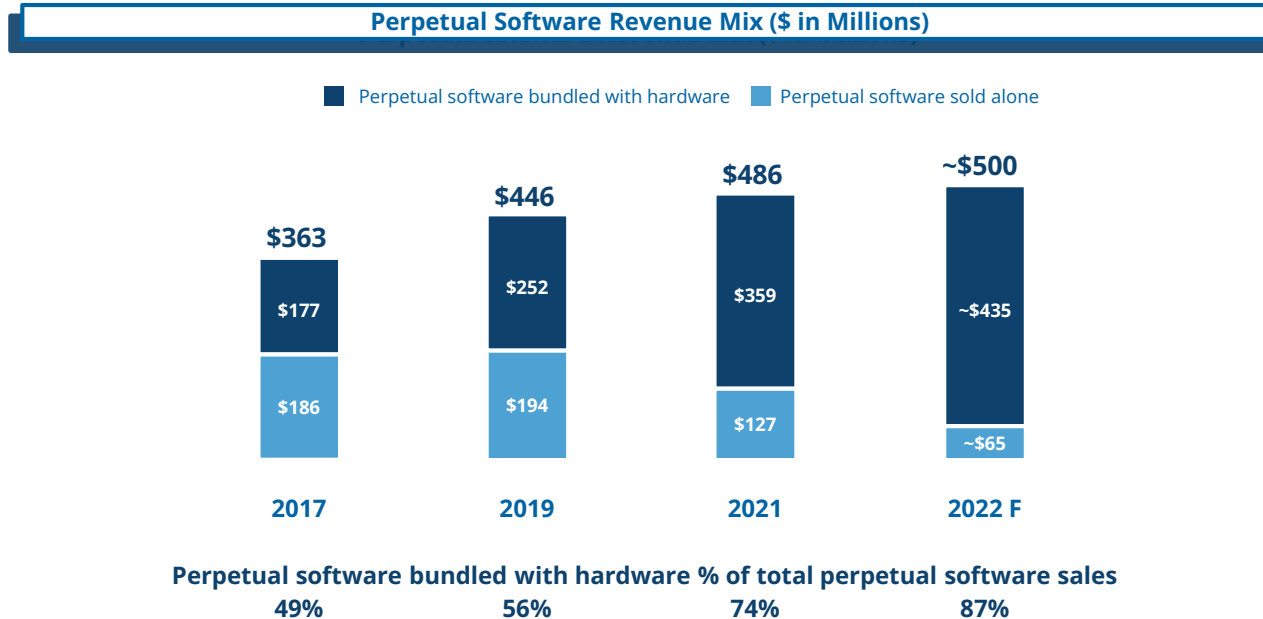
Financial Outlook Implications

- 1 We will have sustained **high ARR growth**
- 2 Software and recurring will **continue to grow as % of total mix**
- 3 Our business will become **increasingly resilient to macroeconomic downturns**
- 4 **Revenue growth will lag ARR growth** as models transition
- 5 **Consistent cash flow growth** driven by software mix and working capital efficiency
- 6 Operating and M&A capital focused on **adding power to industry platforms**



Progression of software model conversions

We have **largely completed our software model conversions to recurring** - with a meaningful opportunity to transition hardware / software bundles to recurring



Progression of model conversions

Going forward we are focused on **converting** our **bundled hardware / software offerings** into **recurring revenue models**



Conversion of hardware / perpetual software bundles to recurring revenue models will help us sustain ARR growth (while pressuring revenues by 150 - 200 bps over the next five years)

Traditional approach (illustrative)



Hardware: \$75k
Perpetual Software: \$25k
Transaction revenue: \$100k



Transition to recurring model (illustrative)

Model 1: Recurring software bundle

Hardware: \$50k
Term Software: \$25k / year

Model 2: Full as a Service bundle

Annual recurring payment: \$40k / year

- Move from capex to opex expands addressable market
- Moves value equation to customer lifetime value
- Provides basis to “land and expand” with software



Our Digital Transformation will enable connected sales of solutions across a growing portion of our business +

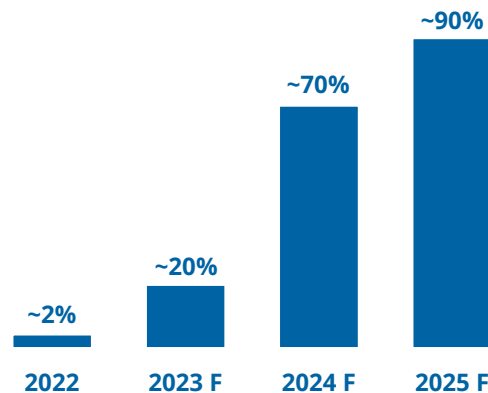


Digital Transformation: A optimized set of business processes across historically independent Trimble businesses and entities, supported by a streamlined go-to-market organization and enabled by shared customer-facing technology.

Early Results from our pilot Digital Transformation in France / Benelux

- Increased salesperson efficiency through streamlined process and system reduction (Lead to Quote in 5 Minutes or less)
- Steadily increasing Average Revenue Per Account over 5 months = greater share of wallet per sale
- Full automation of fulfillment and billing has reduced burden on Trimble resources by ~20%

Projected % of Trimble Revenue Transacted Through Connected Digital Platform

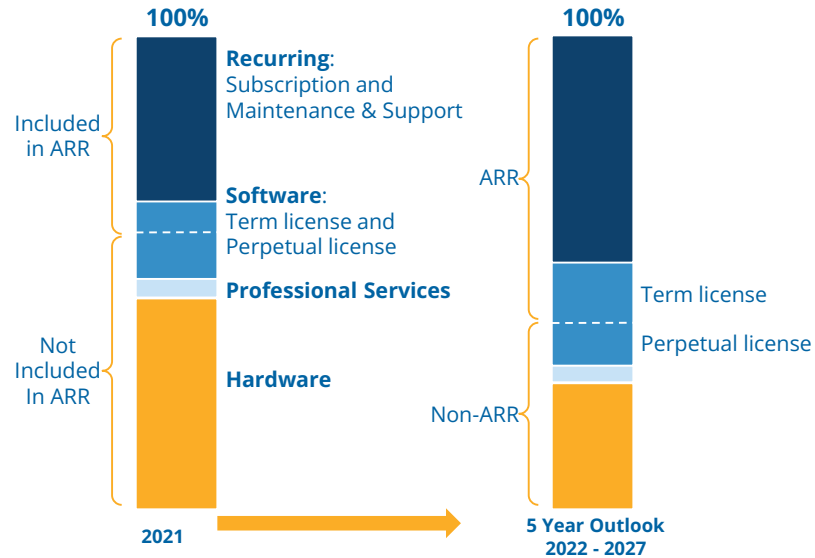


Business mix change

As we **drive more of the value of our bundles from hardware to software** and transition the software bundles to recurring, our revenue mix will continue to evolve



Projected Business Mix Evolution

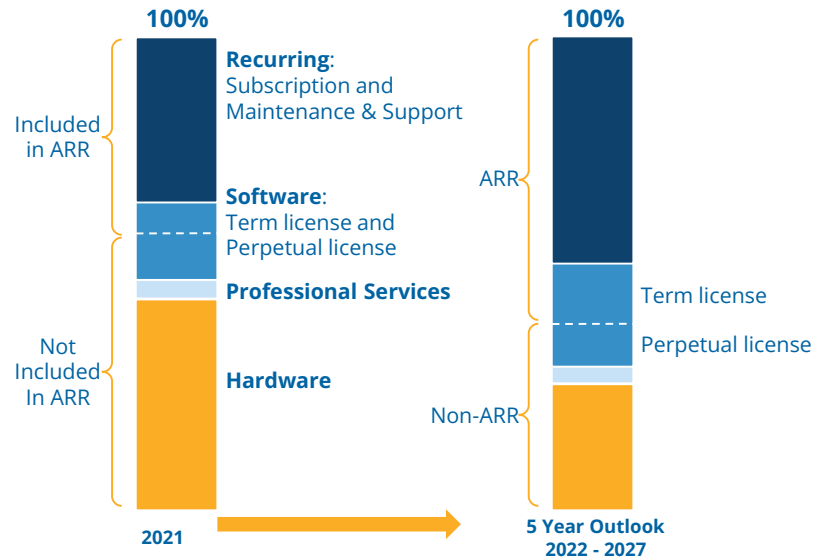


Business mix change

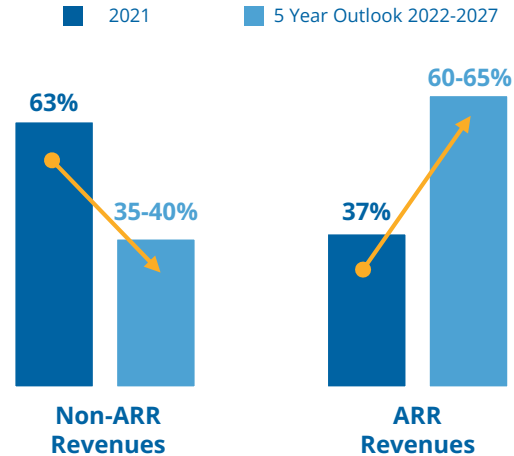
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Projected Business Mix Evolution



ARR Growth as Mix Evolves



- Non-recurring revenues flat to down slightly as perpetual software transitions to recurring over the next 5 years
- ~All of revenue growth expected to come from recurring revenue sources



Capital allocation - operating expense



Goal: invest for growth and deliver operating leverage

% of Revenue - Q2 2022 TTM



- Enhance offerings & digital infrastructure to connect our solutions (and data) via industry platforms
- Extend automation to autonomy
- Maintain leadership in positioning technologies



- Enhance our ability to sell connected solutions
- Build the Trimble brand



- Drive for efficiency as model scales

Long Term Trend (% of revenue)



Capital allocation - balance sheet



Goal: Use cash flow to accelerate growth while retaining access to investment grade capital

Allocation of Cash Flow from Operations (2017- 2021)



Capex:

- Maintain asset light model



Share Repurchase:

- Return excess capital and offset equity issuance



M&A:

- Acquire businesses which add power to our industry platforms
- Divest businesses which don't drive Connect & Scale



Key Performance Indicators

ARR Growth, Operating Margin, and Cash Flow are the **metrics** we use to measure our progress - we focus on a small number of core operational drivers



Key Performance Indicators	Operational Drivers
ARR Growth	<ul style="list-style-type: none"> ● Net retention % ● Cross-sell / upsell execution ● Go to market efficiency (customer lifetime value / acquisition cost) ● Share of wallet at key customers ● Annual contract value bookings ● Strength of marketing pipeline
Operating Income Margin / EBITDA Margin	<ul style="list-style-type: none"> ● Business mix ● Operating leverage
Cash Flow	<ul style="list-style-type: none"> ● Working capital efficiency



Long-term financial targets

Our go-forward financial outlook - The Top Line



	Long-term outlook: ~5 years	Commentary
ARR growth	<ul style="list-style-type: none"> • Mid teens organic growth • Acquisitions to provide further upside 	<ul style="list-style-type: none"> • Growth driven by multiple factors, including end market growth, technology penetration, cross-selling, upselling, and model conversions
Revenue growth	<ul style="list-style-type: none"> • 5% - 8% organic revenue growth over a multi-year period • Additional growth from acquisitions 	<ul style="list-style-type: none"> • Revenue growth will be at higher end of the range after 2024 <ul style="list-style-type: none"> ○ Improving macroeconomic environment ○ Positive impacts from digital transformation ○ Model transitions of hardware businesses begin to ramp up in 2023 and 2024; sustained ~150 - 200 basis point impact • Acquisitions which augment connected industry platforms remain highest priority for capital deployment



Long-term financial targets

Our go-forward financial outlook - Margins and Cash Flow



	Long-term outlook: ~5 years	Commentary
Margins and Operating Leverage	<ul style="list-style-type: none"> Growth to 26-27% non-GAAP operating margin, 28-29% adjusted EBITDA margin Operating leverage 30%-35% 	<ul style="list-style-type: none"> Expect margins and operating leverage to accelerate post 2024 as digital transformation spending slows and mix shift improves Operating leverage achieved despite the impact of hardware bundle model conversions
Non-GAAP EPS	<ul style="list-style-type: none"> ~10%+ growth over long term 	<ul style="list-style-type: none"> Revenue growth supplemented by margin expansion EPS growth gains momentum as operating margins improve
Cash Flow and Leverage	<ul style="list-style-type: none"> FCF \sim Non GAAP Net Income Retain investment grade rating 	<ul style="list-style-type: none"> Asset light business model enables strong cash flow generation Leverage ratio \leq 2.5X over time

Operating leverage refers to change in operating income divided by change in revenue.
 Note: targets are organic and exclude the impact of future acquisitions and divestitures.





Drivers of growth

Growth is expected to be led by Buildings and Infrastructure and ARR

~5 years					
Financial Metric	Buildings & Infrastructure	Geospatial	Resources & Utilities	Transportation	Trimble Total
Organic ARR Growth %	+High teens to low 20s	+Low teens	+Low teens	+HSD to low teens	+Mid teens
Organic Revenue Growth	+HSD to low teens	+LSD to MSD	+MSD	+MSD	+5-8%
Commentary	<ul style="list-style-type: none"> • Cross-sell increasingly drives ARR growth • Hardware / software models transition 	<ul style="list-style-type: none"> • Most mature market • Remains hardware centric, but bundled software transitions to recurring 	<ul style="list-style-type: none"> • Growing importance of software libraries • Software moves to recurring • Less dependent over time on sales of hardware to OEMs 	<ul style="list-style-type: none"> • Reduced dependence on hardware • Turnaround efforts drive improvement in 2023 • Bundled solutions drives sustained ARR growth 	

LSD refers to low single digit. MSD refers to mid single digit. HSD refers to high single digit.



In Conclusion

We have **transformed** our business and financial model over the last 10 years and **created significant shareholder value...**



...and our **Connect & Scale** strategy points the way for **continued and accelerated transformation** and **value creation** in the years ahead