

Trimble Second Quarter 2020 Results Summary

Second quarter 2020 highlights

Key Messages

- Outperformed expectations in the quarter despite COVID-19 challenges - results demonstrated increased resilience and diversification of portfolio
- Early and decisive actions fortified the business, financially and strategically
- We are committed to foster a diverse and inclusive culture and to proactively address sustainability
- Executing on our Connect & Scale 2025 strategy remains our priority
- Short-term market uncertainty remains high, long-term market conviction remains strong

Financial Highlights

- Revenue -14% Y/Y; recurring revenue resilient with ARR, now inclusive of term licenses, of ≈\$1.21 billion
- Expanded gross margins and execution on costs led to adjusted EBITDA margin of 25.7%
- Healthy cash flow enabled debt paydown in the quarter, Net Debt: TTM EBITDA 2.2X

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.

TTM refers to trailing twelve months.

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

Figures may vary due to rounding.

Second quarter income statement

\$M, Except Per Share	Second Quarter of		
	2019	2020	Y/Y Change
Non-GAAP Income Statement Highlights			
Revenue	\$855.8	\$735.2	-14%
Gross Margin % of Revenue	56.9%	58.9%	+200bps
Adjusted EBITDA	\$198.8	\$189.4	-5%
Adjusted EBITDA % of Revenue	23.2%	25.7%	+250bps
Operating Income	\$175.8	\$169.9	-3%
Operating Income % of Revenue	20.5%	23.1%	+260bps
Tax Rate	20.0%	17.1%	-290bps
Net Income	\$133.9	\$131.5	-2%
Diluted Earnings Per Share	\$0.53	\$0.52	-2%

- Non-GAAP Revenue: -14.1% Y/Y;
 - Organic -15%, currency translation -1%, Acquisitions/divestitures +2%
 - ARR +6% YOY, +3% organic; Non-recurring revenue -23%
- Non-GAAP gross margin % up due to higher margin software/recurring revenue

Second quarter cash flow and balance sheet

\$M, Except Per Share	Second Quarter of		
	2019	2020	Y/Y Change
Cash Flow & Balance Sheet Highlights			
Cash Flow from Operations	\$177.9	\$147.5	-17%
Free Cash Flow	\$153.9	\$134.6	-13%
Cash	\$199.6	\$196.4	-2%
Net Debt	\$1,543.3	\$1,636.3	+6%
TTM Adjusted EBITDA	\$742.8	\$745.4	+0%
Net Debt to EBITDA (TTM)	2.1x	2.2x	+0.1x

- Operating cash flow 1.12X non-GAAP net income; free cash flow at 18.3% of non-GAAP revenue, ahead of Q219
- No scheduled principal payments on debt prior to July 2022
- \$1.2 billion available liquidity on \$1.25 billion revolver

Financial metric highlights

**Annualized recurring revenue ≈\$1.21B
(+6% growth)**

Approx. \$1.2B backlog

**\$1.8B in TTM software, services
and recurring revenue**

**TTM research & development
14.8% of revenue
(>65% of R&D in software)**

**Net working capital
1% of TTM revenue**

+17% Deferred Revenue growth

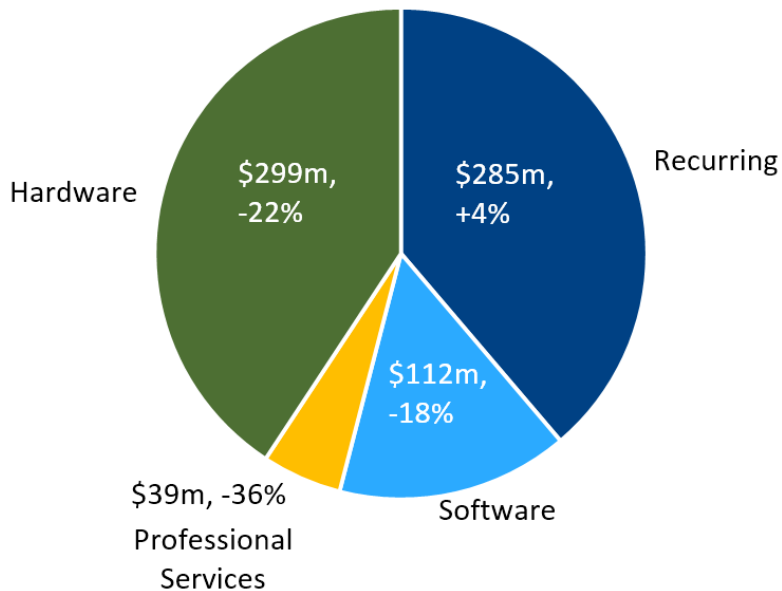
Software, Services, Recurring refers to software, services and recurring revenues. Recurring revenue includes subscription, maintenance and support revenues. Software includes perpetual and term licenses. Services includes professional and other services.

Backlog represents contracted revenue for which goods or services have not been delivered and includes both invoiced amounts in deferred revenue as well as amounts that are not yet invoiced. The backlog excludes recurring billings for a portion of the existing customer base that are billed monthly as services are incurred.

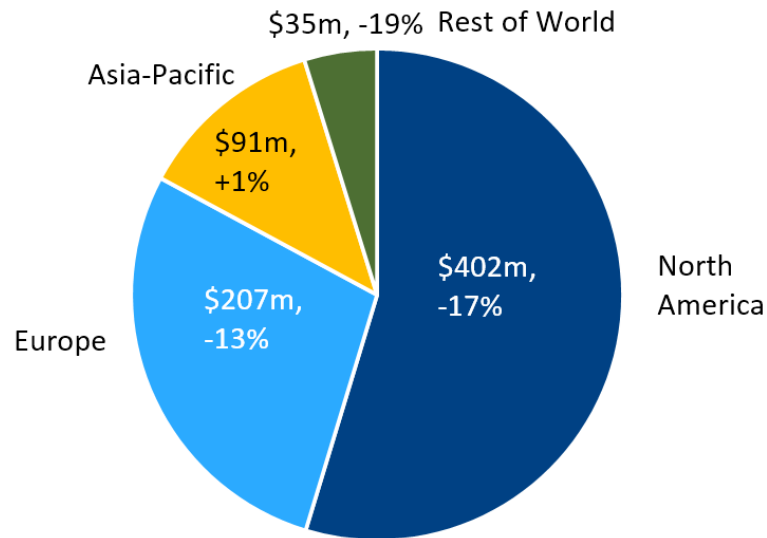
Net working capital refers to accounts receivable plus inventory minus accounts payable minus accrued compensation and benefits minus deferred revenue (short-term and long-term).

Second quarter revenue mix by type and geography

Q2'2020 Revenue by Type



Q2'2020 Revenue by Geography



Second quarter segment results

\$M	Q2'20 Revenue & Y/Y Growth	Q2'20 Operating Income \$ / %	Q2'20 Commentary
Buildings & Infrastructure	\$295.3, -13% (-12% organic, -1% FX, 0% M&A)	\$85.4 28.9%	<ul style="list-style-type: none"> Strong ARR growth due to organic growth and subscription transition, including Viewpoint, eBuilder, and SketchUp Hardware, perpetual software and professional services revenue down > 20% Margin up 400 bps Y/Y due to revenue mix and cost reductions
Geospatial	\$145.2, -12% (-11% organic, -1% FX, -1% M&A)	\$37.4 25.8%	<ul style="list-style-type: none"> Non-recurring revenue down in mid-teens, ARR growth Y/Y Margin up 680 bps Y/Y due to revenue mix and cost reductions
Resources & Utilities	\$143.8, -6% (-13% organic, -1% FX, +8% M&A)	\$49.1 34.1%	<ul style="list-style-type: none"> Ag revenue down primarily due to lower OEM revenue, offset by M&A ARR growth Y/Y Margin up 440 bps driven primarily by revenue mix and cost reductions
Transportation	\$150.9, -24% (-24% organic, -1% FX, +1% M&A)	\$14.4 9.5%	<ul style="list-style-type: none"> Revenue down due to lower hardware installations (OEM and aftermarket), churn, and subscription transition. ARR down Y/Y Margin down 710 bps; lower revenue, subscription transition, and M&A, offset by cost reductions
Trimble Total	\$735.2, -14% (-15% organic, -1% FX, +2% M&A)	\$169.9 23.1%	

Q3 outlook considerations

- Revenue
 - Buildings & Infrastructure, Geospatial, and Transportation segments expected to be down Y/Y but less than Q2
 - Resources & Utilities expected to grow Y/Y
 - ARR: expect continued growth Y/Y due to organic growth and subscription transition
 - Hardware, perpetual software, professional services: continued Y/Y decline but improving from Q2 Y/Y dynamics
- Gross margin
 - Y/Y expansion due to increased software mix
- Operating expenses
 - Opex expected up sequentially
 - Ongoing management of cost structure
 - Anticipate decremental margins in the mid-30s
- Net interest expense: ~\$19M
- Shares outstanding: 252M
- Non-GAAP tax rate 17%
- Portfolio review
- Cash flow
 - Full year operating cash flow > non-GAAP net income, capex lower Y/Y

We remain focused on executing our long term strategy - Connect & Scale 2025

Strategic Levers

- Connect industry lifecycles

- Deliver breakout innovation

- Accelerate business model transformation

- Scale the business

Execution

- Connected supply chain - [Community load match](#) functionality connects Trimble's shipper and carrier asset communities through an open and integrated platform to optimize the procurement process for spot and contract truckload requirements
- Connected construction - [SNCF selected Trimble Quadri and Trimble Connect](#) to provide an open BIM platform to review and manage railway construction assets and building construction data

- Viewpoint extends value of Viewpoint analytics project financial data with labor and material unit costs, subcontract data, and job site data including weather and safety, giving contractors an expanded view of impacts to active project performance
- Launched Construction analytics for building product manufacturers
- Government of Nepal completed fieldwork for measuring Mt. Everest's height using [Trimble GNSS equipment](#)

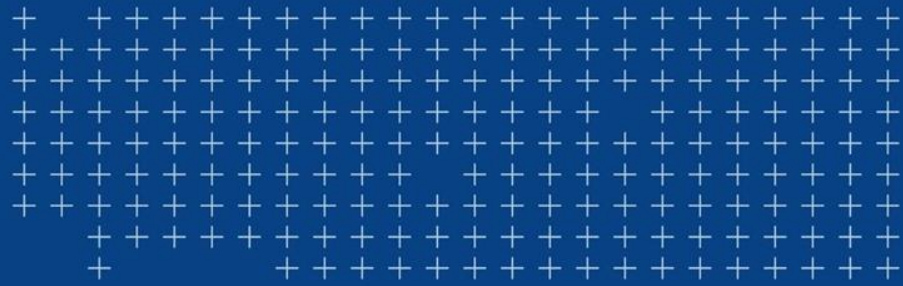
- Transportation: [hardware as a service offering](#)
- Construction: [platform as a service offering](#) to launch in Q3
- Utilities: [solutions as a service](#) for remote monitoring of water and wastewater infrastructure

- Investing in digital fulfillment systems to reduce transactional friction
- Divested [Reftek](#) business
- Real estate consolidation: 30 office locations closed year-to-date

Forward-looking statements

Certain statements made in this presentation and any subsequent Q&A period are forward-looking statements, within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, and are made pursuant to the safe harbor provisions of the Securities Litigation Reform Act of 1995. These statements include expectations about the impact of the COVID-19 pandemic, including impacts upon our financial or operational results. These forward-looking statements are subject to change, and actual results may materially differ due to certain risks and uncertainties. The Company's results may be adversely affected if the Company is unable to market, manufacture and ship new products, obtain new customers, or effectively integrate new acquisitions. The Company's results would also be negatively impacted by further deterioration in economic conditions as a result of the COVID-19 pandemic, adverse geopolitical developments, further weakening in the macro environment, foreign exchange fluctuations, critical part supply chain shortages, the imposition of barriers to international trade, and a further softening in the agricultural or oil & gas sectors. Any failure to achieve predicted results could negatively impact the Company's revenue, cash flow from operations, and other financial results. The Company's financial results will also depend on a number of other factors and risks detailed from time to time in reports filed with the SEC, including its quarterly reports on Form 10-Q and its annual report on Form 10-K. Undue reliance should not be placed on any forward-looking statement contained herein. These statements reflect the Company's position as of the date of this presentation. The Company expressly disclaims any undertaking to release publicly any updates or revisions to any statements to reflect any change in the Company's expectations or any change of events, conditions, or circumstances on which any such statement is based.

To help our investors understand our past financial performance and our future results, as well as our performance relative to competitors, we supplement the financial results that we provide in accordance with generally accepted accounting principles, or GAAP, with non-GAAP financial measures. The following pages contain non-GAAP measures including non-GAAP revenue, Adjusted EBITDA, non-GAAP operating income, non-GAAP gross margins, non-GAAP tax rate, non-GAAP net income, and non-GAAP diluted earnings per share. The specific non-GAAP measures, which we use along with a reconciliation to the nearest comparable GAAP measures can be found on our website at <http://investor.trimble.com>.



Q&A

