



# Presentation to the Celani Fund

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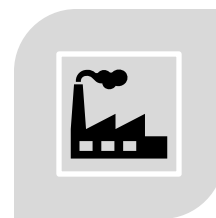
Ryan McCamant & Lexi Berning | April 19, 2021



INVESTMENT  
SUMMARY



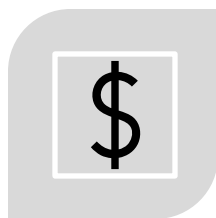
COMPANY  
OVERVIEW



INDUSTRY  
OVERVIEW



RATIO ANALYSIS



VALUATION



RISKS



RECOMMENDATION

**Recommendation: BUY \$50,000 share equivalent**

- Achieved 5 consecutive years of revenue growth
- Garmin’s outdoor and fitness segments substantially grew in 2020 due to Covid-19
- Did not experience economic downturn during the pandemic due to the amount of cash on hand

**Garmin 1 Year Trend**



**Target Price: \$155.00**

**Implied Price: \$142.88**

**Market Data**

**Market Price (4/15/21): \$138.55**  
**Market Cap: \$26,934,882**  
**PE Ratio: 27.20**  
**Beta: 0.93**

**Total Return**

**Upside: 11.87%**  
**Quarterly Dividend: \$0.67**  
**Dividend yield: 1.93%**  
**Total Return: 13.81%**

# Company Overview



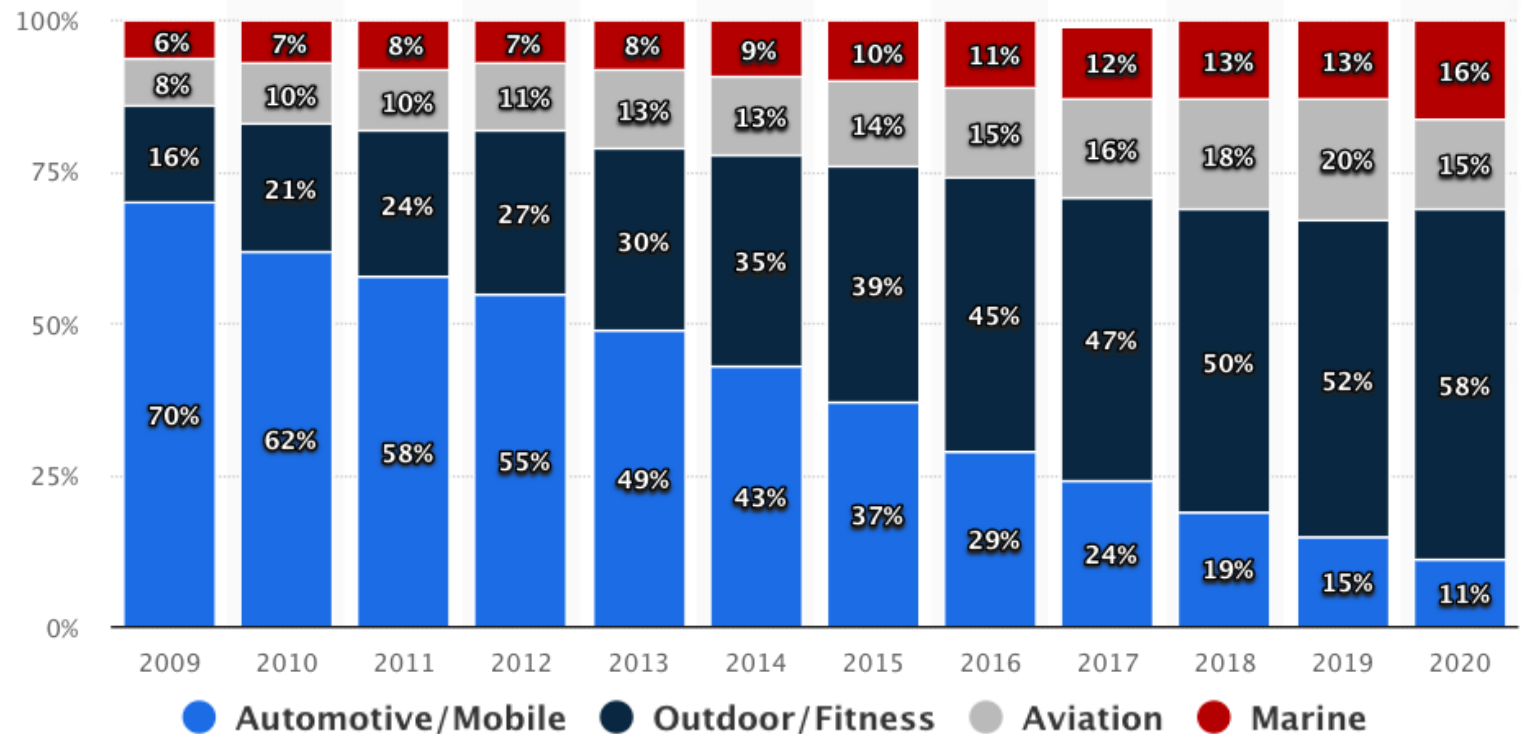
## Overview of Garmin

- Headquartered in Schaffhausen, Switzerland
- Technology company that specializes in wireless devices and applications
- Produce products in 5 segments: auto, aviation, fitness, marine, and outdoor
- Since starting the business, they have delivered over 220 million products

## Product Breakdown

- GPS navigation or GNSS (global navigation satellite systems) used for navigation, positioning, and tracking
- Satellites used are from the US, Japan, Europe, Russia, and China
- Offer subscription service that gives access to the Iridium satellite network. This is a network of 66 low orbit satellites that give 100% coverage globally
- For fitness and outdoor, they create wearable tech, such as smart watches or tracking devices.
- For marine and aviation, an example of their products would be auto pilot systems

## Revenue Breakdown (2009-2020)



## Communication Equipment Industry

- Produces broadcasting and other wireless communication equipment
- \$24.1B a year industry expecting -0.4% annual growth from 2020-2025
- Low capital intensity, high barriers to entry, and low concentration
- Key drivers: number of broadband connections, demand from broadcasting equipment, corporate profit, trade weighted index

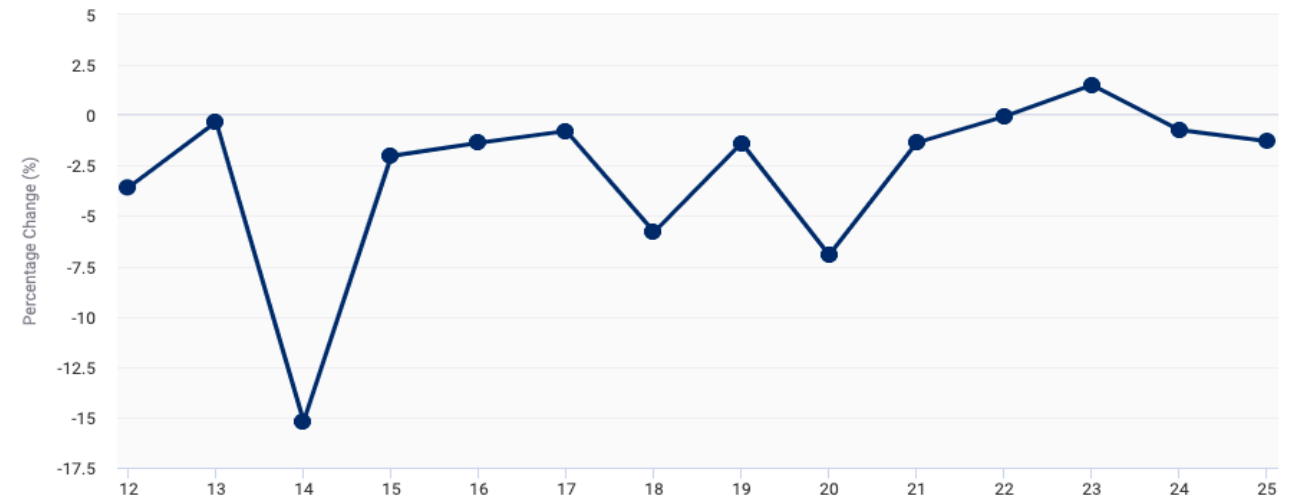
## Industry Outlook

- Imports remain a threat as they will diminish foreign and domestic market share
- Rising demand and changing infrastructure
- Trending technology developments are expected to facilitate and accelerate growth

## Major Players



## Industry Performance by Revenue (2012-2025)

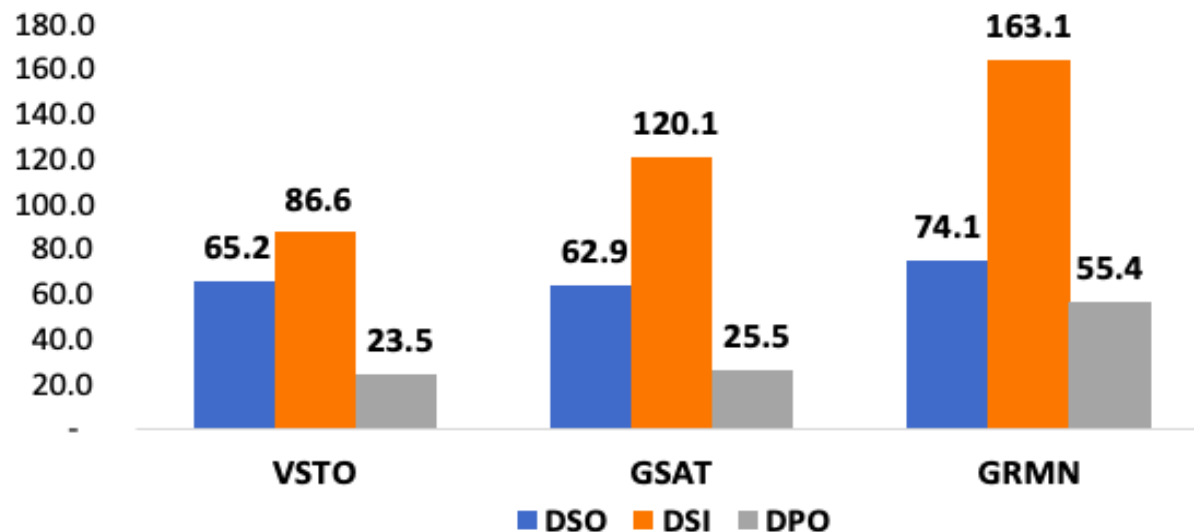


# Ratio Analysis



USD \$ in MM	Market Data			Liquidity		Leverage		Margins		
	Price	Shares O/S	Market Cap	Cash	Current	Debt/Equity	Interest	Profit	EBITDA	Gross
Vista Outdoor	\$23.76	57.9	1,375	0.13	2.87	1.16	(3.40)	-8.8%	5.5%	20.4%
Globalstar	\$0.34	1,674.6	569	0.15	0.60	0.91	(1.22)	-85.3%	29.3%	-46.0%
Garmin	\$138.55	191.5	26,532	1.25	3.15	N/A	N/A	23.7%	28.2%	59.3%

## Efficiency Comparative (2020)



## Other Key Financial Metrics

### Management Effectiveness

Return on Equity: 19.25%

Return on Assets: 9.98%

Return on Invested Capital: 13.26%

### Current Values

Price to Sales: 6.44x

EV to Sales: 6.01x

EV to EBITDA: 21.13x

## Valuation Overview

- Arrived at a valuation using an EV to EBITDA and EV to Sales multiple
- Garmin has various competitors in different business segments
- Chose to value Garmin with Vista Outdoor due to its fitness and outdoor segment now being the largest of the 6

EV to EBITDA	
EBITDA Multiple	8.87
Price per Share	62.58
Market Price	138.55
<b>Overvalued</b>	<b>55%</b>

EV to Sales	
EV/Sales Multiple	0.49
Price Per Share	18.67
Market price	138.55
<b>Overvalued</b>	<b>87%</b>

- No true competitor in the industry
- Both the EV to EBITDA and EV to Sales valuations are overvalued
- **Multiple valuation rejected**

## Discounted Cash Flow Valuation

	2021	2022	2023	2024	2025
EBIT	1,186,020	1,334,273	1,501,057	1,688,689	1,899,775
Tax	175,531	197,472	222,156	249,926	281,167
<b>NOPAT</b>	<b>\$1,010,489</b>	<b>\$1,136,800</b>	<b>\$1,278,900</b>	<b>\$1,438,763</b>	<b>\$1,618,608</b>
Add: Depreciation	-	-	-	-	-
Less: Capex	(106,942)	(120,310)	(135,349)	(152,268)	(171,301)
Less: NWC Changes	(95,602)	(93,720)	(105,435)	(118,614)	(133,441)
<b>FCF</b>	<b>\$807,945</b>	<b>\$922,770</b>	<b>\$1,038,116</b>	<b>\$1,167,881</b>	<b>\$1,313,866</b>

Key Assumptions
<b>Sales Growth: 12.5%</b>
<b>Tax Rate: 14.8%</b>
<b>WACC: 7.41%</b>
<b>Net Reinvestment: 18.83%</b>
<b>Terminal Growth Rate: 2.5%</b>

## Valuation Analysis

**Equity Value: \$27.37MM**  
**Implied Share Price: \$142.88**  
**Market Price: \$138.55**  
***Undervaluation of 3.03%***  
***Accept the DCF Valuation***

		WACC					
		142.88	5.00%	6.00%	7.41%	8.00%	9.00%
LTGR	1.00%	\$184.76	\$147.72	\$115.23	\$105.54	\$92.43	
	1.50%	\$207.54	\$161.37	\$122.91	\$111.81	\$97.00	
	2.00%	\$237.91	\$178.43	\$132.02	\$119.11	\$102.23	
	2.50%	\$280.43	\$200.36	\$142.99	\$127.75	\$108.27	
	3.00%	\$344.21	\$229.60	\$156.44	\$138.11	\$115.31	



## Company Risks

- Dependent on third party suppliers, some are the sole source for components used in its products
- Continuing to invest in auto OEM
- Steady decline in revenue from auto since 2007
- Revenues fluctuate due to seasonality
- Many of the products depend on GPS and GNSS

## Economic Risks

- Changes in trade regulations, such as sanctions, tariffs, or restrictions could be extremely harmful
- U.K.'s withdrawal from the EU adds uncertainty for Garmin's operations
- Dependent on independent dealers and distributors to sell products
- Change in tax laws could affect the company

**Recommendation:  
Buy \$50,000 of  
Garmin**

- 11.87% upside and total return of 13.81%
- Anticipated 12-month target price from analysts between \$129.00 - \$155.00
- Expected dividend increase according to 2020 Q4 earnings call
- Consistent revenue growth despite the decline in the telecommunication equipment industry
- Constant innovation and introduction of new communication equipment

## Exit Strategy for Garmin

In April 2022, if GRMN price per share drops below \$116.10 (10% lower than the lowest target estimate price)



**Liquidate 50%**



In April 2022, if GRMN price per share rises above \$170.50 (10% higher than highest target estimate price)



Questions

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