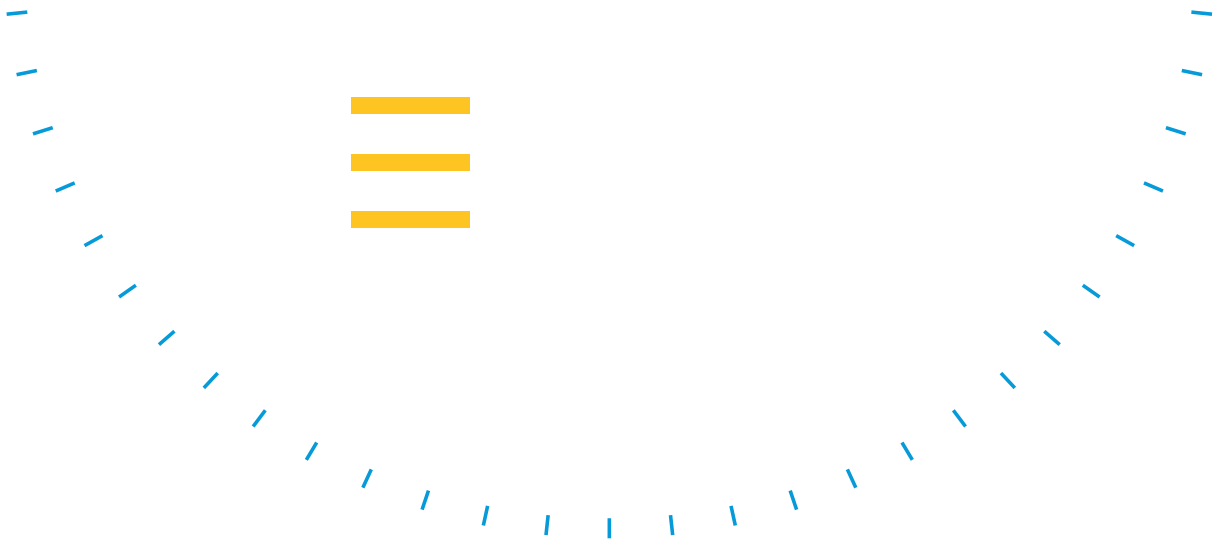


TRANSFORMING THE WAY THE WORLD WORKS

# CONNECTING THE PHYSICAL AND DIGITAL WORLDS



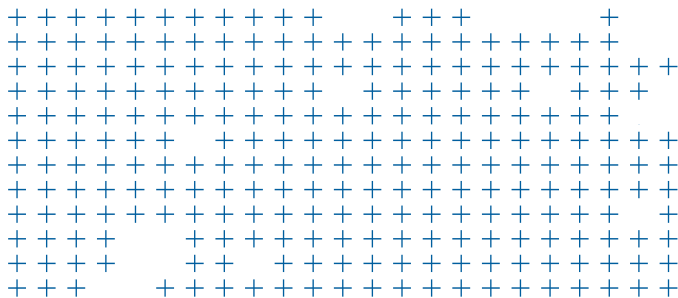
2019  
ANNUAL REPORT



## ▶ ABOUT TRIMBLE



Trimble is transforming the way the world works by delivering products and services that connect the physical and digital worlds. Core technologies in positioning, modeling, connectivity and data analytics enable customers to improve productivity, quality, safety and sustainability. From purpose-built products to enterprise lifecycle solutions, Trimble software, hardware and services are transforming industries such as agriculture, construction, geospatial and transportation.



**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**FORM 10-K**

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the fiscal year ended January 3, 2020**

**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 No.)

935 Stewart Drive, Sunnyvale, CA  
(Address of principal executive offices)  
94085  
(Zip Code)

Registrant's telephone number, including area code: (408) 481-8000  
Securities registered pursuant to Section 12(b) of the Act:

| Title of each class<br>(Title of Class) | Trading Symbol(s) | Name of each exchange on which registered |
|---|-------------------|---|
| Common Stock, \$0.001 par value         | TRMB              | NASDAQ Global Select Market               |

Securities registered pursuant to Section 12(g) of the Act: NONE

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities

Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange

Act. Yes  No

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 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, or a non-accelerated filer.

|                         |                                     |                           |                          |
|-------------------------|-------------------------------------|---------------------------|--------------------------|
| Large Accelerated Filer | <input checked="" type="checkbox"/> | Accelerated Filer         | <input type="checkbox"/> |
| Non-accelerated Filer   | <input type="checkbox"/>            | Smaller Reporting Company | <input type="checkbox"/> |
| Emerging Growth Company | <input type="checkbox"/>            |                           |                          |

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

As of June 28, 2019, the aggregate market value of the common stock held by non-affiliates of the registrant was approximately \$11.4 billion based on the closing price as reported on the NASDAQ Global Select Market. Shares of common stock held by each officer and director of the registrant have been excluded in that such person may be deemed to be an affiliate. This determination of affiliate status is not necessarily a conclusive determination for any other purpose.

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

| <b>Class</b>                    | <b>Outstanding at February 26, 2020</b> |        |
|---------------------------------|---|--------|
| Common stock, \$0.001 par value | 250,166,168                             | shares |

## **DOCUMENTS INCORPORATED BY REFERENCE**

Certain parts of Trimble Inc. Proxy Statement relating to the annual meeting of stockholders to be held on May 27, 2020 (the “Proxy Statement”) are incorporated by reference into Part III of this Annual Report on Form 10-K.

## SPECIAL NOTE ON FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K 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 revenue, sales to U.S. governmental agencies, agricultural equipment business revenue, 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 our acquisitions and our ability to successfully integrate the acquired businesses;
- 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 this Report under the section entitled “Risk Factors” and elsewhere, and in other reports Trimble files with the Securities and Exchange Commission (“SEC”), specifically the most recent reports on Form 8-K and Form 10-Q, each as it may be amended from time to time. These forward-looking statements are made as of the date of this Annual Report on Form 10-K. We reserve the right to update these statements for any reason, including the occurrence of material events, but assume no duty to update these statements to reflect subsequent events. The risks and uncertainties under the caption “Risks and Uncertainties” contained herein, among other things, should be considered in evaluating our prospects and future financial performance.

**TRIMBLE INC.**  
**2019 FORM 10-K ANNUAL REPORT**  
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## PART I

### Item 1. **Business**

Trimble Inc., a Delaware corporation, is a leading provider of technology solutions that enable professionals and field mobile workers to improve or transform their work processes. Our comprehensive work process solutions are used across a range of industries including agriculture, architecture, civil engineering, survey, construction, geospatial, government, natural resources, transportation, and utilities. Representative Trimble customers include engineering and construction firms, contractors, owners, surveying companies, farmers and agricultural companies, trucking companies, energy, utility companies, and state, federal, and municipal governments.

We transform the way the world works by delivering products and services that connect the physical and digital worlds. Core technologies used in positioning, modeling, connectivity, and data analytics enable customers to improve productivity, quality, safety, and sustainability. Our products are sold based on return on investment and provide benefits such as lower operational costs, higher productivity, improved quality, enhanced safety and regulatory compliance, and reduced environmental impact. Representative products include equipment that automates and enables increased precision within large industrial equipment such as tractors and bulldozers; integrated systems that track and manage fleets of vehicles and workers and provide real-time information and analytics to the back-office; data collection systems that enable the management of large amounts of geo-referenced information; software solutions that connect all aspects of a construction site or a farm; and building information modeling ("BIM") software that is used throughout the design, build, and operation of buildings.

We focus on integrating our 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 provides 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.

Many of our products integrate real-time positioning or location technologies with wireless communications and software or information technologies. Information about location or position is transmitted via a wireless link to a domain-specific software application, which enhances the productivity of the worker, asset, or work process. Position is provided through a number of technologies including the Global Positioning System ("GPS"), other Global Navigation Satellite Systems ("GNSS") and their augmentation systems, and systems that use laser, optical, inertial, or other technologies to establish real-time position. Integration of wireless communications in our solutions facilitates real-time data flow, communication, and situational awareness within sites and between work sites or vehicles and offices.

Software is a key element of most of our solutions and accounts for a steadily increasing portion of our business. Our software products and services range from embedded real-time firmware to application software that integrates field data with large scale enterprise back-office applications. Many of our software solutions are built on configurable and enterprise grade scalable platforms that can be tailored to the workflows that our customers follow to implement their customized business processes. Our software capabilities include extensive 3-D modeling, analysis and design solutions, design and data preparation software, BIM software, enterprise resource planning and project management solutions, cloud-based collaboration solutions, applications for advanced surveying and geospatial data collection and analysis, farm productivity solutions, fleet management solutions for transportation, as well as a large suite of domain-specific software applications used across a host of industries including agriculture, construction, utilities, and transportation. Our software is sold as a perpetual license or as a subscription and can be delivered for on-premise installation or in a hosted environment as Software as a Service ("SaaS"). Our software products allow our customers to optimize their work processes for targeted outcomes, improve their productivity, and gain insight into their projects and operations to enhance their decision making and to gain maximum benefit from a broad range of other Trimble products and systems.

Our global operations include major development, manufacturing, or logistics operations in the United States, Sweden, Finland, Germany, New Zealand, Canada, the United Kingdom, the Netherlands, China, and India. Products are sold in more than 100 countries, through dealers, representatives, joint ventures, and other channels throughout the world, as well as direct sales to end-users. Sales are supported by our own offices located in over 40 countries around the world.

We began operations in 1978 and were 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. Our common stock has been publicly traded on NASDAQ since 1990 under the symbol TRMB.



## Business Strategy

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 are each multi-trillion dollar global industries that operate in 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 compelling return on investment, 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 over time 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 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 services* - Software and services targeted for the needs of vertical end markets are increasingly important elements of our solutions and are core to our growth strategy. Trimble generally has an open application programming interface philosophy and open vendor environment, which leads to increased adoption of our software and analytics offerings. These software and services solutions integrate and optimize additional workflows for our customers, thereby improving their work productivity, and in the case of subscription, maintenance, and support services, also provide us with enhanced business visibility over time. Professional services constitute an additional customer offering 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 over 85 countries.
- *Optimized go-to-market strategies to best access our markets* - We utilize vertically focused go-to-market strategies that leverage domain expertise to best serve the needs of individual markets both domestically and abroad. These go-to-market capabilities include independent dealers, joint ventures, original equipment manufacturers ("OEM"), and distribution alliances with key partners, such as CNH Global, Caterpillar, and Nikon, as well as direct sales to end-users, which provides 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.

## Business Segments and Markets

Our segments are distinguished by the markets they serve. Each segment consists of businesses that are responsible for product development, marketing, sales, strategy, and financial performance. We report our financial performance, including revenue and operating income, based on four reportable segments: Buildings and Infrastructure, Geospatial, Resources and Utilities, and Transportation. For further financial information about our segments, see Note 6 to the Consolidated Financial Statements.

### Buildings and Infrastructure

The Buildings and Infrastructure segment primarily serves architects, engineers, contractors, owners, and operators. Within this segment, our most substantial product portfolios are focused on building construction and civil engineering and construction.

*Building Construction.* The Trimble building construction portfolio of solutions for the commercial and industrial building industry spans the entire life cycle of a building and is used by owners, architects, designers, general contractors, sub-contractors, engineers, and facility owners or lessees. These solutions serve to improve productivity and to enhance data sharing and collaboration across different teams and stakeholders to help keep projects within cost, time, and quality targets. The suite of technologies and solutions we provide to the building industry includes program management solutions for owners, software for 3D conceptual design and modeling, BIM software that is used in design, engineering, and construction, enterprise resource planning and project management and project collaboration for general contractors, advanced integrated site layout and measurement systems, cost estimating, scheduling, and project controls solutions for contractors. The suite also includes applications for sub-contractors and construction trades such as steel, concrete and mechanical, electrical and plumbing, and an integrated workplace management services ("IWMS") software suite for real estate management, project coordination, and capital program planning and management. In addition,

Trimble's Connect collaboration platform streamlines customer workflows and enables interoperability between Trimble's and other providers' solutions. These solutions for the building industry serve to automate, streamline, and transform work processes across the building construction industry. Our solutions provide customer benefits such as reduced costs, reduced waste and re-work, increased worker safety and efficiencies, faster project completion times, improved information flow, better decision making, and enhanced quality control and sustainability. During 2019, we announced advances in several of our software packages and solutions.

*Civil Engineering and Construction.* Before dirt is ever moved in civil construction, feasibility, design, and scheduling are critical steps to site construction. Trimble provides the civil engineering and construction industry with a continuum of field solutions, software solutions, and services at every stage of the project - from planning and design, to construction, operation, and maintenance. Our civil construction solutions are used in civil infrastructure such as roads, railways, airports, land management, marine construction, and landfills. Our solutions are used across the entire project life cycle to improve productivity, reduce waste and re-work, and enable more informed decision making through enhanced situational awareness, data flow, and project collaboration. At the same time, our solutions can improve worker safety and reduce environmental impact. Our suite of integrated solutions and technologies in this area includes field and office software for optimized route selection and design, systems to automatically guide and control construction equipment such as excavators, bulldozers, wheel loaders, motor graders, and paving equipment, systems to monitor, track, and manage assets, equipment, and workers, and software to facilitate the sharing and communication of data in real time. Together, these solutions are designed to transform how work is done within the civil construction industry.

The civil construction market portfolio integrates data and information across the entire construction process and across mixed fleets. This includes data from site positioning and machine control systems, construction asset management equipment and services, and various software applications. Utilizing wireless and internet-based site communications infrastructure, our solutions include the ability to track and control equipment, perform remote machine diagnostics, and reduce re-work. By leveraging the Trimble technology, contractors gain greater insight into their operations, helping them to lower costs and improve productivity, worker safety, and asset utilization.

A joint venture with Caterpillar, Caterpillar-Trimble Control Technologies ("CTCT"), was formed in 2002 to develop the next generation of advanced electronic guidance and control products for earthmoving machines. The joint venture develops machine control and guidance products that use site design information combined with accurate positioning technology to automatically control dozer blades and other machine tools. Caterpillar generally offers joint venture products as a factory-installed option, while Trimble focuses on the aftermarket with products for mixed fleets of earthmoving machines from Caterpillar and other equipment manufacturers to allow improved management of construction sites and projects.

During 2019, we announced a number of developments, including the launch of an e-commerce platform for pre-owned Trimble products, and new collaborations with multiple OEMs intended to improve the interoperability of technologies and data for civil engineering and construction projects.

We sell and distribute our products in the Building and Infrastructure segment through both a direct sales force and global networks of independent dealers with expertise and customer relationships in the respective markets, including the network of SITECH Technology Dealers, which serves the civil construction industry. BuildingPoint is an initiative to form a global network of specialized distribution partners to serve the needs of the building construction industry by supporting customers in the adoption of the Trimble Buildings solutions. We sell many of our software solutions through our own direct salesforce.

Competitors in this segment are typically companies that provide optical, laser, or GNSS positioning products as well as companies that produce software specific to the construction process. Our principal competitors are Topcon Corporation, Hexagon AB, and Autodesk. As the Company extends its software and services offerings to cover the full set of construction life cycle management solutions used by owners, designers, and construction companies, we increasingly compete with large established companies that offer similar systems across all industries, such as Oracle. We compete principally on the basis of innovation, differentiated products, domain expertise, service, quality, and geographic reach.

## **Geospatial**

The Geospatial segment primarily serves customers working in surveying, engineering, and government. Within this segment our most substantial product portfolios are focused on surveying and geospatial, and geographic information systems ("GIS").

*Surveying and Geospatial.* Through our surveying and geospatial product portfolio, professional surveyors and engineers provide services to the construction, engineering, mining, oil and gas, energy and utilities, government, and land management sectors. Our survey and geospatial solutions replace less productive conventional methods of surveying, mapping, 2D or 3D modeling, measurement, reporting, and analysis. Our suite of solutions includes field-based data collection systems and field software, real time communications systems, and back-office software for data processing, modeling, reporting, and analysis. Our field-based

technologies are used in handheld, land mobile, and airborne applications and incorporate technologies such as mobile application software, high precision GNSS, robotic measurement systems, inertial positioning, 3D laser scanning, digital imaging, and optical or laser measurement. We maintain a joint venture with Nikon, which focuses on the design and manufacture in Japan of surveying instruments including mechanical total stations and related products. Our office-based products include software for planning, data processing and editing, quality control, 3D modeling, intelligent data analysis and feature extraction, deformation monitoring, project reporting, and data export. Our customers in this area gain benefits from the use of our products including significantly improved productivity in both field and office activities, improved safety through non-contact measurement and detection of potentially dangerous ground or structure movement, and improved data flow that enables better decision making.

*Geographic Information Systems.* Our GIS product line collects authoritative field data and integrates that data into GIS databases. Our handheld data collection systems allow users to quickly log positions and descriptive information about their assets, ensure the integrity and accuracy of GIS information, and ultimately enable better decision-making. Through a combination of wireless technologies and software solutions, fieldwork results are seamlessly delivered to the back-office GIS, and mobile workers can also access GIS information remotely. This capability provides significant advantages to users, including improved productivity, accuracy, and access to information in the field.

During 2019, we announced the release of a new GNSS receiver, the launch of a new 3D laser scanning system, and the launch of a new high-performance field computer for our Mapping and Geographic Information Systems (GIS) portfolio.

We sell and distribute our products in the Geospatial segment primarily through a global network of independent dealers and business partners. Competitors in this segment are typically survey instrument companies utilizing GNSS technology such as Topcon Corporation and Hexagon AB. We compete principally on the basis of robust performance, ease of use, price, interoperability, and interconnectedness.

## **Resources and Utilities**

The Resources and Utilities segment primarily serves customers working in agriculture, forestry, and utilities. Within this segment, our most substantial product portfolio addresses the agriculture market.

Our precision agriculture products and services consist of guidance and positioning systems, automated and variable-rate application and technology systems, and information management solutions that enable farmers and their partners to improve crop performance, profitability, and environmental quality. Trimble precision agriculture solutions can assist farmers throughout every step of their farming process, beginning with land preparation and continuing through the planting, nutrient, and pest management, and harvesting phases of a crop cycle. We provide manual and automated navigation guidance for tractors and other farm equipment used in spraying, planting, cultivating, and harvesting applications. The benefits to the farmer include faster machine operation, higher yields, and lower consumption of fuel and chemicals than conventional equipment. In addition, we provide solutions to automate application of pesticide and seeding. Our water solutions help farmers minimize their water costs and distribute water more efficiently and include applications for leveling agricultural fields for irrigation and aligning drainage systems to better manage water flow in fields.

Software solutions that use data to enhance farm productivity are an increasing focus in our agriculture business. In 2019, we announced the launch of Farmer Core, a new entry-level software subscription that enables farmers to connect all aspects of their farm operation. Trimble agricultural software is used by farmers to help integrate all of the information on the farm, and is also used by advisors, suppliers, and purchasers to share information to help improve efficiencies. Trimble agricultural software enables farmers to make more informed decisions leading to higher yields, better quality crops, increased profitability, and reduced environmental impact.

For many of Trimble's end market applications and customer needs, the positional accuracy that can be derived from GNSS satellite signals alone is insufficient. In these applications, higher levels of positional accuracy are required. For these situations, Trimble provides an augmentation service that improves the positional accuracy that is available to the customer, thereby enabling higher levels of precision and automation in work processes that are conducted in the field. This service is provided by Trimble Positioning Services ("Positioning Services") and is available in a variety of formats and accuracy levels, depending on the relevant application's specific needs. Positioning Services serves customers in a variety of end markets, including agriculture, construction, geospatial, and other markets, with a majority of its customers being in agriculture.

During the third quarter of 2019, we completed the acquisition of 3LOG Systems, Inc., a supplier of timber management software solutions. The acquisition complements Trimble's forestry business software portfolio and further expands the Trimble Connected Forest™ solutions, which offer a complete end-to-end ecosystem for forest management, traceability, and timber processing.

During the fourth quarter of 2019, we completed the acquisition of privately-held Azteca Systems LLC (dba "Cityworks"), a provider of enterprise asset management (EAM) software for utilities and local government. Cityworks' solutions address the global challenges associated with maintaining and replacing aging utility, transportation, and public assets and infrastructure.

Additionally, during the fourth quarter of 2019, we announced the acquisitions of Cansel Survey Equipment's Can-Net and AllTerra New Zealand's iBase networks. The acquisitions significantly increase the global footprint of Trimble-owned Virtual Reference Station (VRS) networks by adding geographies in Canada and New Zealand. Subscription-based VRS correction services are now accessible to more customers around the world who rely on high-accuracy corrections to increase productivity and reduce operational costs.

We use multiple distribution approaches to access the agricultural market including independent dealers and direct selling to enterprise accounts. A significant portion of our sales are through CNH Global and affiliated dealer networks. Trimble distributors provide a premier level of technical expertise, customer service and support capabilities, and operate with a strategy that fosters technology interoperability in mixed fleets used on a farm. Trimble distributors are committed to providing reliable, responsive, and dedicated in-field service and support as well as creating a hassle-free experience for the grower and their advisors when implementing advanced technology solutions. They also provide training to help farmers and advisors gain a better understanding of how to use the technology in a way that best meets their needs. Our forestry and utilities portfolios use a mix of direct sales and indirect distribution.

Competitors in the agricultural market are vertically integrated farm equipment and implement companies, such as John Deere and AGCO, and agricultural instrumentation companies, such as Raven. We compete principally on the basis of robust performance, ease of use, domain expertise, customer support, price, interoperability, interconnectedness, and the completeness of our solutions.

## **Transportation**

Trimble's transportation solutions are multi-modal and provide capabilities for the long-haul trucking, field service management, rail, and construction logistics industries to create a fully integrated supply chain and connect all aspects of transportation and logistics trucks, drivers, back office, and freight. Trimble provides enterprise and mobility solutions focused on business intelligence and data analytics, safety and regulatory compliance, navigation and routing, freight brokerage, supply chain visibility and final mile, and transportation management and fleet maintenance. Within this segment, our most substantial product portfolio addresses the transportation market.

In the transportation market, we offer a suite of solutions marketed primarily under the Trimble brand. Together, this range of products provides a comprehensive fleet and transportation management, analytics, routing, mapping, reporting, and predictive modeling solution to enable the transportation industry to achieve greater overall operational efficiency, fleet performance, and profitability while ensuring regulatory compliance. Our enterprise strategy focuses on sales to large enterprise accounts. In addition to Trimble-hosted solutions, we also integrate our applications and services directly into the customer's IT infrastructure.

The telematics solutions encompass route management, safety and compliance, end-to-end vehicle management, and supply chain communications. The transportation software platform serves as a central hub from which the core operations of transportation organizations are managed, data is stored and analyzed, and mission critical business processes are automated. Our software platform automates business processes spanning the entire surface transportation life cycle, order-to-cash, delivering visibility, control, and decision support for the intricate relationships and complex processes involved in the movement of freight. Trimble products also provide truck routing, mileage, and mapping solutions, as well as a voice guided turn-by-turn navigation solution.

The Transportation segment generally sells directly to end-users and OEMs. Sales cycles tend to be long, often involving field trials followed by an extensive decision-making process. Key competitors in this segment include Omnitrac and McLeod, among others. We compete principally on the basis of interoperability, domain expertise, customer support and service, price, innovative product offerings, quality, and provision of a complete solution.

## **Patents, Licenses and Intellectual Property**

We seek to establish and maintain our proprietary rights in our technology and products through the use of patents, copyrights, trademarks, and trade secret laws. We have a program to file applications for and obtain patents, copyrights, and trademarks in the United States and in selected foreign countries where we believe filing for such protection is appropriate. We hold over 1,200 unique issued and enforceable patents, the majority of which cover GNSS based technologies and other applications such as optical and laser technology. We generally prefer to own the intellectual property used in our products, either directly or through subsidiaries. From time to time we license technology from third parties. We are not dependent on any one patent and license. We also own numerous trademarks and service marks that contribute to the identity and recognition of Trimble and its global products and services.

## **Competition**

Our markets are highly competitive, and we expect that both direct and indirect competition will increase in the future. Within our markets, we encounter direct competition from other GNSS, software, optical, and laser suppliers such as Hexagon and Topcon, and competition may intensify from various larger U.S. and non-U.S. competitors. Our hardware products are increasingly subject to competition from existing and new entrants from emerging markets such as China, which compete aggressively on price at the lower-priced end of the market as well as on economic nationalism. Our integrated hardware and software products may also be subject to increasing competition from mass market devices such as smartphones and tablets combined with relatively inexpensive applications, which have not been heavily used for commercial applications in the past. Our software solutions are also increasingly subject to competition from existing and new entrants into the marketplace, including from some companies that may have access to significantly more resources than Trimble.

Many of our products and solutions are focused on specific industries. In each of these industries, we face competition from companies providing point solutions, or more traditionally, less technology intensive products and services. These companies often have greater financial resources and more established and recognized brands in those industries. Competing in vertical markets with more established industry participants requires that we successfully establish a market position, and that we market new and sometimes unfamiliar technology and automated solutions to customers that have not previously used such products. We also increasingly offer enterprise level solutions designed to meet the specific needs of our target industries. In doing so, we face competition from larger and more well-established providers of enterprise software and services with whom we have not previously competed. See also "Risk Factors - We face substantial competition in our markets, which could decrease our revenue and growth rates or impair our operating results and financial condition."

## **Sales and Marketing**

We tailor our go-to-market strategies to the needs of our products and regional markets around the world. In addition to direct sales, many of our products are sold worldwide primarily through indirect channels, including distributors, dealers, and authorized representatives. Occasionally we grant exclusive rights to market certain products or within specific countries. These channels are supported by our regional sales offices throughout the world. We also utilize distribution alliances, OEM relationships, and joint ventures with other companies as a means to serve selected markets as well as direct sales to end-users.

## **Seasonality of Business**

Construction equipment revenue, within our Buildings and Infrastructure segment, historically have been higher in early spring. Our agricultural equipment revenue, within our Resources and Utilities segment, have 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.

## **Manufacturing**

We outsource the manufacturing of many of our hardware products to our key contract manufacturing partners that include Flex Ltd., Benchmark Electronics Inc., and Jabil. Our contract manufacturing partners are responsible for significant material procurement, assembly, and testing. We continue to manage product design through pilot production for the subcontracted products, and we are directly involved in qualifying suppliers and key components used in all our products. Our current contract with Flex Ltd. continues in effect until either party gives the other ninety days written notice. We also utilize original design manufacturers for some of our products.

We manufacture our laser and optics-based products, as well as some of our GPS products, at our plants in Dayton, Ohio; Danderyd, Sweden; and Shanghai, China. Some of these products or portions of these products are also subcontracted to third parties for assembly.

Our design, manufacturing, and distribution sites in Dayton, Ohio; Sunnyvale, California; Danderyd, Sweden; Eindhoven, Netherlands; Auckland, New Zealand, and Shanghai, China are registered to ISO9001:2015 covering the design, production, distribution, and servicing of all our products.

### **Research and Development**

We believe that our competitive position is maintained through the development and introduction of new products, including software and services, that incorporate improved features and functionality, better performance, smaller size and weight, lower cost, or some combination of these factors. We invest substantially in the development of new products. We also make significant investment in the positioning, communication, and information technologies that underlie our products and will likely provide competitive advantages.

We expect to continue investing in research and development at a rate consistent with our past, with the goal of maintaining or improving our competitive position and entering new markets.

### **Employees**

At the end of fiscal 2019, we employed 11,484 employees with approximately 56% of employees in locations outside the United States.

Some employees in Sweden and Finland are represented by unions and in Germany and France are represented by works councils. We also employ temporary and contract personnel that are not included in the above headcount numbers. We have not experienced work stoppages or similar labor actions.

### **Available Information**

The Company's annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to these reports are available free of charge on the Company's web site through [investor.trimble.com](http://investor.trimble.com), as soon as reasonably practicable after such material is electronically filed with or furnished to the Securities and Exchange Commission. Financial news and reports and related information about our Company as well as GAAP to non-GAAP reconciliations are also found on this web site. Information contained on our web site is not part of this annual report on Form 10-K.

In addition, you may request a copy of these filings (excluding exhibits) at no cost by writing or telephoning us at our principal executive offices at the following address or telephone number:

Trimble Inc.  
935 Stewart Drive, Sunnyvale, CA 94085  
Attention: Investor Relations Telephone: 303-635-8551

## Information about our Executive Officers

The names, ages and positions of the Company's executive officers as of February 28, 2020 are as follows:

| Name               | Age | Position   |
|--------------------|-----|--|
| Steve W. Berglund  | 68  | Executive Chairman                                   |
| Robert G. Painter  | 48  | President and Chief Executive Officer                |
| David G. Barnes    | 58  | Chief Financial Officer                              |
| Michael D. Bank    | 58  | Senior Vice President                                |
| Ronald J. Bisio    | 51  | Senior Vice President                                |
| Bryn A. Fosburgh   | 57  | Senior Vice President                                |
| James A. Kirkland  | 60  | Senior Vice President, General Counsel and Secretary |
| James Langley      | 45  | Senior Vice President                                |
| Darryl R. Matthews | 52  | Senior Vice President                                |
| Julie A. Shepard   | 62  | Chief Accounting Officer                             |

**Steven W. Berglund**—Steven Berglund was appointed executive chairman of Trimble's board in January 2020, and previously served as the president and chief executive officer of Trimble since March 1999. Prior to joining Trimble, Mr. Berglund was president of Spectra Precision, a group within Spectra Physics AB. Mr. Berglund's business experience includes a variety of senior leadership positions with Spectra Physics, and manufacturing and planning roles at Varian Associates. He began his career as a process engineer at Eastman Kodak. He attended the University of Oslo and the University of Minnesota where he received a B.S. in chemical engineering. Mr. Berglund received his M.B.A. from the University of Rochester. Mr. Berglund is a member of the board of directors of the Silicon Valley Leadership Group and the Association of Equipment Manufacturers (AEM), as well as chairman of AEM's construction sector board. He is also a member of the board of directors and audit committee of Belden Inc., a global provider of end-to-end signal transmission solutions.

**Robert G. Painter**—Robert Painter was appointed Trimble's president and chief executive officer in January 2020. From 2016 through 2019, he served as the Company's chief financial officer, where he was responsible for Trimble's worldwide finance operations. In 2015, Mr. Painter was appointed vice president of Trimble buildings businesses, a group focused on BIM-centric divisions that span the design-build-operate continuum of the building life cycle. From 2011 to 2014, he served as general manager of the Company's joint venture with Hilti, which was created to foster collaborative development of product innovations for the building construction industry. From 2009 to 2010, he served as general manager of the Company's construction services division. Mr. Painter joined Trimble in 2006 and assumed leadership of Trimble's business development, leading all acquisition and corporate strategy activities. Prior to joining the Company, Mr. Painter served in a variety of management and finance positions at Cenveo, Rapt Inc., Bain & Company, Whole Foods Market, and Kraft Foods. In 1993, he earned a Bachelor of Science degree in Finance from West Virginia University and received an MBA in Business from Harvard University in 1998.

**David G. Barnes**—David G. Barnes joined Trimble as chief financial officer in January 2020 with more than 35 years of financial and strategic management experience, including treasury, tax, investor relations, and risk management. Prior to Trimble, Mr. Barnes served as chief financial officer at MWH Global Inc., a global provider of engineering and construction services, from January 2009 to May 2016. At MWH, he served on the board of directors and had responsibility for information technology and procurement in addition to his financial role. Following the sale of MWH to Stantec Inc., Mr. Barnes assumed operational responsibility for Stantec's businesses outside North America from September 2017 to January 2019. He also served as a leader on the committee overseeing the integration of MWH into Stantec from May 2016 to July 2017. Prior to MWH, Mr. Barnes held financial leadership positions at Western Union, Coors, and YUM Brands. He began his career as a strategy consultant at Bain & Company. In 1983, he received a Bachelor of Science in Applied Mathematics from Yale University and his MBA in Finance and Marketing from the University of Chicago in 1987. Mr. Barnes also serves as a board member and chair of the Audit Committee of CSG Systems International.

**Michael D. Bank**—In February 2019, Michael Bank was appointed senior vice president of Trimble's civil engineering and construction business, where he had previously served as vice president since January 2016, as well as supervising Trimble's precision tools, accessories, mining, aggregates, construction logistics, lifting solutions, and mobile computing solutions divisions. Prior to 2016, he served in general manager and business area manager roles in the precision tools, accessories, and mobile computing solutions divisions. He joined Trimble in 2006 through the acquisition of Apache Technologies, where he served as worldwide sales and marketing manager. Mr. Bank has over 35 years of experience in the construction technology industry. He has held positions in sales, marketing, engineering, product design, and technical support. He received his BS in Civil Engineering from the University of Cincinnati in 1984.

**Ronald J. Bisio**—In February 2019, Ronald Bisio was appointed senior vice president responsible for Trimble’s surveying and geospatial businesses, where he had previously served as vice president since April 2015. Prior to this role, he served as general manager for Trimble’s rail division from January 2011 until April 2015. He joined Trimble in 1996 and has held several marketing, sales, and general management positions since then at Trimble. He earned a Master of Business Administration degree from the University of Denver, a Master of Regional Planning degree from the University of Massachusetts, and a Bachelor of Science degree in Cartography from Salem State University in Salem, Massachusetts.

**Bryn A. Fosburgh**—Bryn Fosburgh currently serves as senior vice president responsible for Trimble’s construction businesses, which includes Trimble’s civil engineering and construction, buildings, Viewpoint and e-Builder divisions, as well as Trimble’s joint ventures with Caterpillar, Hilti, and Nikon. From 2016 to 2019, Mr. Fosburgh was the Company’s senior vice president responsible for Trimble’s joint ventures, as well as U.S. Federal government strategy and accounts, OEM construction machine division, and professional services groups. From 2014 to 2016, he served as senior vice president for Trimble’s geospatial, civil engineering and construction, and building divisions, and the Caterpillar and Hilti-related joint ventures. From 2010 to 2014, Mr. Fosburgh was responsible for buildings and heavy civil construction divisions along with Caterpillar and Hilti joint ventures. From 2009 to 2010, Mr. Fosburgh served as vice president for Trimble’s construction division, transportation and logistics, field service management, and a number of corporate functions and geographical regions. From 2007 to 2009, Mr. Fosburgh was vice president for Trimble’s construction and agriculture divisions, and from 2005 to 2007, Mr. Fosburgh served as vice president and general manager of Trimble’s engineering and construction division. Mr. Fosburgh joined Trimble in 1994 and has held numerous roles, including vice president and general manager for Trimble’s geomatics and engineering division, and division vice president of survey and infrastructure. Prior to Trimble, Mr. Fosburgh was a civil engineer and also held various positions for the U.S. Army Corps of Engineers and Defense Mapping Agency. Mr. Fosburgh received a B.S. in geology from the University of Wisconsin in Green Bay in 1985 and an M.S. from the school of civil engineering at Purdue University in 1989.

**James A. Kirkland**—James Kirkland currently serves as senior vice president, general counsel, and secretary. He joined the company as vice president and general counsel in July 2008. Prior to joining Trimble, he served as general counsel and executive vice president, strategic development at Covad Communications. Mr. Kirkland also served as senior vice president of spectrum development and general counsel at Clearwire Technologies, Inc. Mr. Kirkland began his career in 1984 as an associate at Mintz Levin and in 1992 he was promoted to partner. Mr. Kirkland received his BA from Georgetown University in Washington, D.C. in 1981 and his J.D. from Harvard Law School in 1984.

**James Langley**—James Langley currently serves as a senior vice president responsible for Trimble transportation businesses. He was appointed to this role in September 2019 and before that served as Trimble’s general manager of Trimble transportation enterprise since April 2019. Prior to that, Mr. Langley was with Dart Transit Company, a transportation and tractor fleet company based in Eagan, Minnesota, where he served as president from December 2017 until March 2019, and chief operating officer from January 2016 until March 2019. Before Dart, Mr. Langley was with TMW Systems, one of Trimble’s transportation businesses, as vice president and general manager of business intelligence and optimization from May 2011 until December 2015. Mr. Langley has extensive experience in the transportation industry, having also held positions at US Xpress, Transcard, and JB Hunt, where he worked in the areas of operations, IT, engineering and analytics. Mr. Langley holds a degree from the University of Arkansas in transportation and logistics.

**Darryl R. Matthews**—Darryl Matthews currently serves as senior vice president responsible for Trimble’s natural resources businesses, which includes agriculture, forestry, and global services divisions. From 2010 to 2015, Mr. Matthews served as president and general manager of the NAFTA Region for Nufarm Americas, Inc., a subsidiary of Nufarm Limited, a publicly-traded multinational agricultural chemical company. From 2008 to 2010, Mr. Matthews served as general manager of Nufarm Agriculture Inc., the Canadian subsidiary of Nufarm Limited. Mr. Matthews began his career at Dow AgroSciences in Canada where he held management roles in sales and marketing. From 2010 to 2015, he served on the Board of Directors for CropLife America. He received an Honors B.Sc. in Agriculture majoring in Horticultural Science and Business from the University of Guelph in Ontario, Canada in 1994.

**Julie A. Shepard**—Julie Shepard currently serves as chief accounting officer. She joined Trimble in December of 2006 as vice president of finance and was appointed chief accounting officer in May 2017. Prior to joining Trimble, Ms. Shepard served as vice president of finance and corporate controller at Quantum Corporation. Ms. Shepard brings with her over 30 years of experience in a broad range of finance roles, with diverse experience ranging from early stage private equity backed technology companies to large multinational corporations. Ms. Shepard began her career at Price Waterhouse and is a Certified Public Accountant. She received a B.S. in Accounting from California State University. She is a member of the AICPA, Financial Executive Institute, and the California Society of CPAs.



## Item 1A. Risk Factors

### RISKS AND UNCERTAINTIES

You should carefully consider the following risk factors, in addition to the other information contained in this Form 10-K and in any other documents to which we refer you in this Form 10-K, before purchasing our securities. The risks and uncertainties described below are not the only ones we face.

#### **The volatility of our stock price could adversely affect an investment in our common stock**

The market price of our common stock has been, and may continue to be, highly volatile. During fiscal 2019, our stock price ranged from \$30.93 to \$45.94. We believe that a variety of factors could cause the price of our common stock to fluctuate, perhaps substantially, including:

- general conditions in the worldwide economy,
- quarterly fluctuations in our actual or anticipated operating results and order levels, announcements and reports of developments related to our business, our major customers and partners, and the industries in which we compete or the industries in which our customers compete,
- security breaches,
- acquisition announcements,
- new products or product enhancements announced or introduced by us or our competitors,
- disputes with respect to developments in patents or other intellectual property rights,
- developments in our relationships with our partners, customers, and suppliers,
- the imposition of tariffs or other trade barriers,
- political, economic or social uncertainty, and
- acts of terrorism.

In addition, the stock market in general and the markets for shares of “high-tech” companies in particular have frequently experienced extreme price fluctuations, which have often been unrelated to the operating performance of affected companies. Any such fluctuations in the future could adversely affect the market price of our common stock.

#### **We operate globally and are subject to significant risks in many jurisdictions**

*Global or regional conditions may harm our financial results.* We have operations in many countries and a significant portion of our revenue is derived from countries outside of the United States. As a result, our operations and our financial results, including our ability to design, develop, or sell products, may be adversely affected by a number of factors outside of our control, including:

- global and local economic conditions,
- the demand and cost of commodities, such as corn and oil,
- the strength of the agricultural, engineering, and construction markets,
- inadequate infrastructure and other disruptions, such as supply chain interruptions and large-scale outages or unreliable provision of services from utilities, transportation, data hosting, or telecommunications providers,
- government restrictions on our operations in any country, or restrictions on our ability to repatriate earnings from a particular country,
- differing employment practices and labor issues,
- formal or informal imposition of new or revised export and/or import and doing-business regulations, including trade sanctions, tariffs, and import or export licensing requirements, which could be changed without notice,
- ineffective legal protection of our IP rights in certain countries,
- uncertain economic and political conditions in countries where we do business,
- local business and cultural factors that differ from our normal standards and practices, and
- increased uncertainty regarding social, political, immigration, and trade policies in the U.S. and abroad, such as recent U.S. government action and policies, and the continuing uncertainty regarding the United Kingdom's impending withdrawal from the European Union ("Brexit").

There is inherent risk that political, diplomatic, or military events could result in trade disruptions, including tariffs, trade embargoes, export restrictions, and other trade barriers. A significant trade disruption or the establishment or increase of any trade barrier in any area where we do business, including the Asia Pacific region, could increase the cost of our products, which could adversely impact the margin that we earn on sales; make our products more expensive for customers or create uncertainty around demand for certain types of products, which could make our products less competitive and reduce customer demand; or otherwise have a materially adverse impact on our future revenue and profits, our and our customers' businesses, and our results of operations. In

response to U.S. tariffs, other countries may adopt tariffs and other trade barriers that could limit our ability to competitively offer our products and services. Recently, the U.S. government imposed tariffs on certain products imported into the U.S., and the Chinese government imposed tariffs on certain products imported into China. Tariffs may be increased in the future. Given the current U.S. political climate and recent actions of the administration, there is significant uncertainty about the trade policies, treaties, government regulations, and tariffs that could apply to trade between the U.S. and China, as well as other nations, in the future. In addition, if there is significant deterioration in the global economy, the economies of the countries or regions where our customers are located or do business, or the industries that we or our customers serve, the demand for our products and services would likely decrease and our results of operations, financial position, and cash flows could be materially and adversely affected. In addition, government or customer efforts, attitudes, laws or policies may lead to non-U.S. customers favoring domestic suppliers that could compete with or replace our products, which would also have an adverse effect on our business. Changes in economic conditions and political uncertainty surrounding international trade also make it difficult to make financial forecasts, which could cause us to miss our financial guidance and adversely affect our stock price.

*We face risks inherent in conducting business internationally, including compliance with international and U.S. laws and regulations that apply to our international operations.* These laws and regulations include data privacy requirements, labor relations laws, tax laws, anti-competition regulations, import and trade restrictions, export control laws, and laws that prohibit corrupt payments to governmental officials or certain payments or remunerations to customers, including the U.S. Foreign Corrupt Practices Act ("FCPA"), the U.K. Bribery Act, or other anti-corruption laws that have recently been the subject of a substantial increase in global enforcement. Many of our products are subject to U.S. export law restrictions that limit the destinations and types of customers to which our products may be sold or that require an export license in connection with sales outside the United States. Given the high level of complexity of these laws, there is a risk that some provisions may be inadvertently or intentionally breached, for example through fraudulent or negligent behavior of individual employees, our failure to comply with certain formal documentation requirements or otherwise. Also, we may be held liable for actions taken by our local dealers and partners. Violations of these laws and regulations could result in fines, criminal sanctions against us, our officers or our employees, and prohibitions or conditions on the conduct of our business. Any such violations could include prohibitions or conditions on our ability to offer our products in one or more countries and could materially damage our reputation, our brand, our international expansion efforts, our ability to attract and retain employees, our business, and our operating results.

We operate in many parts of the world that have experienced significant governmental corruption to some degree and, in certain circumstances, strict compliance with anti-bribery laws may conflict with local customs and practices. We may be subject to competitive disadvantages to the extent that our competitors are able to secure business, licenses, or other preferential treatment by making payments to government officials and others in positions of influence or through other methods that relevant law and regulations prohibit us from using. Our success depends, in part, on our ability to anticipate these risks and manage these difficulties.

Existing privacy-related laws and regulations in the United States and other countries are evolving and are subject to potentially differing interpretations, and various U.S. federal and state or other international legislative and regulatory bodies may expand or enact laws regarding privacy and data security-related matters. For example, the European Union General Data Protection Regulation became effective in May 2018 and is wide-ranging in scope. In order to be compliant with the new EU requirements, we must continue to invest resources necessary to implement and manage policy changes across our business units and services relating to how we collect and use personal data relating to customers, employees, and vendors. Failure to comply may lead to sizable fines. In parallel, with the advent of the EU-U.S. Privacy Shield (the new framework agreement between the U.S. Department of Commerce and the European Commission for transferring personal data from the European Union to the United States) and other national requirements, we expect that the international transfer of personal data will present ongoing compliance challenges and complicate our business transactions. Countries outside the EU are considering or have passed legislation that requires local storage and processing of data, which could increase the cost and complexity of delivering our services.

*We may be affected by fluctuations in currency exchange rates.* We are potentially exposed to adverse as well as beneficial movements in currency exchange rates. Although most of our sales occur in U.S. dollars, expenses may be paid in local currencies. An increase in the value of the dollar could increase the real cost to our customers of our products in those markets outside the U.S. where we sell in dollars, and a weakened dollar could increase the cost of expenses such as payroll, utilities, tax, and marketing expenses, as well as overseas capital expenditures. We also conduct certain investing and financing activities in local currencies. Our hedging programs reduce, but do not eliminate, the impact of currency exchange rate movements; therefore, changes in exchange rates could harm our results of operations and financial condition.

*Catastrophic events or geopolitical conditions could disrupt our operations.* Acts of war, acts of terrorism or civil unrest, natural disasters and other catastrophic events, especially any events that impact our larger markets or GNSS signals or systems, could have a material adverse impact on our business, operating results, and financial condition. The threat of terrorism and war and heightened security and military activity in response to this threat, or any future acts of terrorism or hostilities, may involve a redeployment of the satellites used in GNSS or interruptions of the system. Civil unrest, local conflicts, or other political instability

may adversely impact regional economies, cause work stoppages, or result in limitations on business transactions with the affected foreign jurisdictions. To the extent that such interruptions result in delays or the cancellation of orders, disruption of the manufacturing or shipment of our products, or reduced demand for our products, these interruptions could have a material adverse effect on our business, results of operations, and financial condition.

*Public health crises and epidemics, such as the novel coronavirus outbreak that is significantly affecting China, could impact our international operations and sales.* Our results of operations could be adversely affected to the extent that the novel coronavirus or any other epidemic harms the Chinese economy or other significant markets where we do business. Contagious disease epidemics or global pandemics could significantly impact our international supply chain and result in component and product shortages and general disruptions to the economy. Such outbreaks could also result in mass quarantines, business closures, and significantly impact our suppliers, customers, and commercial partners in affected areas, which may materially and adversely affect our business, financial condition, and results of operations.

*Engaging in international business inherently involves a number of other difficulties and risks.*

These risks include:

- longer payment cycles and difficulties in enforcing agreements and collecting receivables through certain foreign legal systems,
- difficulties and costs of staffing and managing foreign operations,
- differing local customer product preferences and requirements than our U.S. markets, and
- difficulties protecting or procuring intellectual property rights.

These factors or any combination of these factors may adversely affect our revenue or our overall financial performance.

**Investing in and integrating new acquisitions could be costly, place a significant strain on our management systems and resources, or may fail to deliver the expected return on investment, which could negatively impact our operating results**

We typically acquire a number of businesses each year and intend to continue to acquire other businesses. Acquisitions entail numerous risks, including:

- potential inability to successfully integrate acquired operations and products or to realize cost savings or other anticipated benefits from integration,
- loss of key employees or customers of acquired operations,
- difficulty of assimilating geographically dispersed operations and personnel of the acquired companies,
- potential disruption of our business or the acquired business,
- unanticipated expenses related to acquisitions,
- unanticipated difficulties in conforming business practices, policies, procedures, internal controls, and financial records of acquisitions with our own business,
- impairment of relationships with employees, customers, vendors, distributors or business partners of either an acquired company or our own business,
- inability to accurately forecast the performance of recently acquired businesses, resulting in unforeseen adverse effects on our operating results,
- potential liabilities, including liabilities resulting from known or unknown compliance or legal issues, associated with an acquired business, and
- negative accounting impact to our results of operations because of purchase accounting treatment and the business or accounting practices of acquired companies.

Any such effects from acquisitions could be costly and place a significant strain on our management systems and resources.

As a result of acquisitions, we have significant assets that include goodwill and other purchased intangibles. The testing of goodwill and intangibles for impairment under established accounting guidelines requires significant use of judgment and assumptions. Changes in business conditions or in the prospects or results of operations of the acquired business could require negative adjustments to the valuation of these assets resulting in write-offs that would adversely affect our results. If we divest a business and the proceeds are less than the net book value at the time, we would be forced to write off the difference. In addition, changes in the operating results or the valuation of companies in which we have investments may have a direct impact on our financial statements or could result in our having to write down the value of such investment.

Even if successfully negotiated and closed, acquisitions may not yield expected synergies, may not advance our business strategy as expected, may fall short of expected return-on-investment targets, or may not prove successful or effective for our business. Companies that we acquire may operate with different cost and margin structures, which could further cause fluctuations in our operating results and adversely affect our operating margins.

**Our internal and customer-facing systems, and systems of third parties we rely upon, may be subject to cybersecurity breaches, disruptions, or delays**

A cybersecurity incident in our own systems or the systems of our third-party providers may compromise the confidentiality, integrity, or availability of our own internal data, the availability of our products and websites designed to support our customers, or our customer data. Computer hackers, foreign governments, or cyber terrorists may attempt to or succeed in penetrating our network security and our website. Unauthorized access to our proprietary business information or customer data may be obtained through break-ins, sabotage, breach of our secure network by an unauthorized party, computer viruses, computer denial-of-service attacks, employee theft or misuse, breach of the security of the networks of our third party providers, or other misconduct. Additionally, outside parties may attempt to fraudulently induce employees or users to disclose sensitive or confidential information in order to gain access to data. We have experienced security breaches in the past, and despite our efforts to maintain the security and integrity of our systems, it is impossible to eliminate this risk. For example, in late 2015 and early 2016, we were the subject of an attack by hackers operating in China. This incident resulted in the theft of proprietary and confidential data related to our GPS technology but has not had a meaningful impact on our business. Because the techniques used by computer hackers who may attempt to penetrate and sabotage our network security or our website change frequently, they may take advantage of weaknesses in third party technology or standards of which we are unaware or that we do not control, and may not be recognized until long after they have been launched against a target. We may be unable to anticipate or counter these techniques. It is also possible that unauthorized access to customer data or confidential information may be obtained through inadequate use of security controls by customers, vendors, or business partners. Efforts to prevent hackers from disrupting our service or otherwise accessing our systems are expensive to develop, implement, and maintain. Such efforts require ongoing monitoring and updating as technologies change and efforts to overcome security measures become more sophisticated and may limit the functionality of, or otherwise negatively impact our service offering and systems. A cybersecurity incident affecting our systems may also result in theft of our intellectual property, proprietary data or trade secrets, which would compromise our competitive position, reputation, and operating results. We also may be required to notify regulators about any actual or perceived personal data breach (including the EU Lead Data Protection Authority) as well as the individuals who are affected by the incident within strict time periods.

The systems we rely upon also remain vulnerable to damage or interruption from a number of other factors, including access to the Internet, the failure of our network or software systems, or significant variability in visitor traffic on our product websites, earthquakes, floods, fires, power loss, telecommunication failures, computer viruses, human error, and similar events or disruptions. Some of our systems are not fully redundant, and our disaster recovery planning is not sufficient for all eventualities. Our systems are also subject to intentional acts of vandalism. Despite any precautions we may take, the occurrence of a natural disaster, a decision by any of our third-party hosting providers to close a facility we use without adequate notice for financial or other reasons, or other unanticipated problems at our hosting facilities could cause system interruptions and delays, and result in loss of critical data and lengthy interruptions in our services.

We rely on our information systems and those of third parties for activities such as processing customer orders, delivery of products, hosting and providing services and support to our customers, billing and tracking our customers, hosting and managing our customer data, and otherwise running our business. Any disruptions or unexpected incompatibilities in our information systems and those of the third parties upon whom we rely could have a significant impact on our business.

An increasing portion of our revenue comes from SaaS solutions and other hosted services in which we store, retrieve, communicate, and manage data which is critical to our customers' business systems. Disruption of our systems that support these services and solutions could cause disruptions in our customers' systems and in the businesses that rely on these systems. Any such disruptions could harm our reputation, create liabilities to our customers, hurt demand for our services and solutions, and negatively impact our revenue and profitability.

**We are subject to evolving privacy laws in the United States and other jurisdiction that are subject to potentially differing interpretations and which could adversely impact our business and require that we incur substantial costs and expenses**

Existing privacy-related laws and regulations in the United States and other countries are evolving and are subject to potentially differing interpretations, and various U.S. federal and state or other international legislative and regulatory bodies may expand or enact laws regarding privacy and data security-related matters. For example, the European Union General Data Protection Regulation ("GDPR") became effective in May 2018 and is wide-ranging in scope. In order to be compliant with the EU requirements, we must continue to invest resources necessary to implement and manage policy changes across our business units

and services relating to how we collect and use personal data relating to customers, employees, and vendors. Failure to comply may lead to sizable fines. Brexit could also lead to further legislative and regulatory changes with regard to personal data. The United Kingdom Data Protection Act that substantially implements the GDPR became law in May 2018. It remains unclear, however, how United Kingdom data protection laws or regulations will develop in the medium to longer term and how data transfers to and from the United Kingdom will be regulated at the time that Brexit is effectuated and implemented. In parallel, with the advent of the EU-U.S. Privacy Shield (the new framework agreement between the U.S. Department of Commerce and the European Commission for transferring personal data from the European Union to the United States) and other national requirements, we expect that the international transfer of personal data will present ongoing compliance challenges and complicate our business transactions. Countries outside the EU are considering or have passed legislation that requires local storage and processing of data, which could increase the cost and complexity of delivering our services. In addition, in June 2018, California enacted the California Consumer Privacy Act (the “CCPA”), which took effect in January 2020. The CCPA will, among other things, give California residents expanded rights to access and delete their personal information, opt out of certain personal information sharing, and receive detailed information about how their personal information is used. The CCPA was amended in September 2018, and further modifications may be made to this law before it takes effect. Additionally, in October 2019, the California Department of Justice published a notice of proposed rulemaking action with respect to draft regulations to implement the CCPA. We cannot yet predict the impact of the CCPA on our business or operations, but it may require us to modify our data processing practices and policies and to incur substantial costs and expenses in an effort to comply.

### **We may not be able to enter into or maintain important alliances and distribution relationships**

We believe that in certain business opportunities our success will depend on our ability to form and maintain alliances with industry participants, such as Caterpillar, Nikon, Hilti, and CNH Global. Our failure to form and maintain such alliances, or the preemption or disruption of such alliances by actions of competitors, could adversely affect our ability to sell our products to customers. Our relationships with substantial industry participants such as Caterpillar and CNH are complex and multifaceted and are likely to evolve over time based upon the changing business needs and objectives of the parties. Since these strategic relationships contribute to significant ongoing business in certain of our important markets, changes in these relationships could adversely affect our sales and revenue. In addition, we utilize dealer networks, including those affiliated with some of our strategic allies such as Caterpillar and CNH, to market, sell, and service many of our products.

Changes in our product mix, including increasing provision of software and bundled solutions tailored to the needs of specific vertical markets, impose new demands on our distribution channels and may require significant changes in the skills and expertise required to successfully distribute our products and services, or the creation of new distribution channels. Recruiting and retaining qualified channel partners and training them in the use and the selling of our technology and product offerings requires significant time and resources. In order to develop and expand our distribution channels, we must continue to expand and improve our processes and procedures that support our distribution channels, including our investment in systems and training, and those processes and procedures may become increasingly complex and difficult to manage. The time and expense required for sales and marketing organizations of our channel partners to become familiar with our product offerings, including our new product developments, and newer types of offering such as software and services, may make it more difficult to introduce those products to end-users and delay end-user adoption, which could result in lower revenue.

Disruption of dealer coverage within specific geographic or end-user markets could cause difficulties in marketing, selling, or servicing our products and have an adverse effect on our business, operating results, or financial condition. Moreover, dealers who carry products that compete with our products may focus their inventory purchases and sales efforts on goods provided by competitors due to industry demand or profitability. Such sourcing decisions can adversely impact our sales, financial condition, and results of operations.

### **Our products are highly technical and may contain undetected errors, product defects, security vulnerabilities, or software errors**

Our products, including our software products, are highly technical and complex and, when deployed, may contain errors, defects, or security vulnerabilities. We must develop our products quickly to keep pace with the rapidly changing market, and we have a history of frequently introducing new products. Products and services as sophisticated as ours could contain undetected errors or defects, especially when first introduced or when new models or versions are released. Such occurrences could result in damage to our reputation, lost revenue, diverted development resources, increased customer service and support costs, warranty claims, and litigation.

We warrant that our products will be free of defect for various periods of time, depending on the product. In addition, certain of our contracts include epidemic failure clauses. If invoked, these clauses may entitle the customer to return or obtain credits for products and inventory, or to cancel outstanding purchase orders even if the products themselves are not defective.

Errors, viruses or bugs may be present in software or hardware that we acquire or license from third parties and incorporate into our products or in third party software or hardware that our customers use in conjunction with our products. Our customers' proprietary software and network firewall protections may corrupt data from our products and create difficulties in implementing our solutions. Changes to third party software or hardware that our customers use in conjunction with our software could also render our applications inoperable. Any errors, defects or security vulnerabilities in our products or any defects in, or compatibility issues with, any third party hardware or software or customers' network environments discovered after commercial release could result in loss of revenue or delay in revenue recognition, loss of customers, theft of trade secrets, data or intellectual property and increased service and warranty cost, any of which could adversely affect our business, financial condition, and results of operations.

Undiscovered vulnerabilities in our products alone or in combination with third party hardware or software could expose them to hackers or other unscrupulous third parties who develop and deploy viruses, and other malicious software programs that could attack our products. Actual or perceived security vulnerabilities in our products could harm our reputation and lead some customers to return products, to reduce or delay future purchases, or use competitive products.

**If we are unable to effectively manage our increasingly diverse and complex businesses and operations, our ability to generate growth and revenue from new or existing customers may be adversely affected**

Because our operations are geographically diverse and increasingly complex, our personnel resources and infrastructure could become strained, and our reputation in the market and our ability to successfully manage and grow our business may be adversely affected. The size, complexity, and diverse nature of our business and the expansion of our product lines and customer base have placed increased demands on our management and operations, and further growth, if any, may place additional strains on our resources in the future. Our ability to effectively compete and to manage our planned future growth will depend on, among other things, the following:

- effectively managing executive leadership transitions, and maintaining continuity in our senior management and key personnel,
- increasing the productivity of our existing employees,
- attracting, retaining, training, and motivating our employees, particularly our technical and management personnel,
- deploying our solutions using third-party information systems, which may require changes to our applications, documentation, and operational processes,
- improving our operational, financial and management controls, and
- improving our information reporting systems and procedures.

The Company has increasingly diversified the nature of its businesses both organically and by acquisition. As a result, an increasing amount of our business involves business models which require managerial techniques and skill sets which are different from those required to manage our historical core businesses.

Over the last few years we have focused more on SaaS subscription models. As a result, we expect to derive an increasing portion of our revenue in the future from subscriptions. This subscription model provides our customers the right to access certain of our software in a hosted environment or use downloaded software for a specified subscription period. Market acceptance of such offerings is affected by a variety of factors, including but not limited to: security, reliability, performance, current license terms, customer preference, social/community engagement, customer concerns with entrusting a third party to store and manage their data, public concerns regarding privacy and the enactment of restrictive laws or regulations. If we are unable to successfully support and host our SaaS offerings in light of the foregoing risks and uncertainties, our results of operations could be negatively impacted.

**Our annual and quarterly performance may fluctuate, which could negatively impact our operations, financial results, and stock price**

Our operating results have fluctuated and can be expected to continue to fluctuate in the future on a quarterly and annual basis as a result of a number of factors, many of which are beyond our control. Results in any period could be affected by:

- changes in market demand,
- competitive market conditions,
- the timing of recognizing revenue,
- fluctuations in foreign currency exchange rates,
- the cost and availability of components,
- the mix of our customer base and sales channels,
- the mix of products sold,

- pricing of products,
- changes in U.S. or foreign policies on taxes, trade, or spending, including the 2017 Tax Cuts and Jobs Act (the "Tax Act"), and
- other risks, including those described below.

Seasonal variations in demand for our products may also affect our quarterly results. Construction equipment revenue has historically been the highest in early spring. Our agricultural equipment revenue 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. If we do not accurately forecast seasonal demand we may be left with unsold inventory or have a shortage of inventory, which could negatively impact our financial results.

Due in part to the buying patterns of our customers, a significant portion of our quarterly revenue occurs from orders received and immediately shipped to customers in the last few weeks and days of each quarter, while our operating expense tends to remain fairly predictable. These patterns could harm our operating results if for any reason expected sales are deferred, orders are not received, or shipments are delayed a few days at the end of a quarter.

The price of our common stock could decline substantially in the event any of these risks result in our financial performance being below the expectations of public market analysts and investors, which are based on historical and predictive models that are not necessarily accurate representations of the future.

### **Changes in our software and subscription businesses may negatively affect our operations and financial results**

An increasing portion of our revenue is generated through software maintenance and subscription revenue, which includes SaaS. Our customers have no obligation to renew their agreements for our software maintenance or subscription services after the expiration of their initial contract period, which typically ranges from one to five years. Our customer acquisition and renewal rates may decline or fluctuate as a result of a number of factors, including overall economic conditions, the health of their businesses, competitive offerings, and customer dissatisfaction with our services. If customers do not renew their contracts for our products, our maintenance and subscription revenue will decline, and our financial results will suffer. Any reduction in the number of licenses that we sell, even if our customer acquisition rates do not change, will have a negative impact on our future maintenance revenue growth. If any of our assumptions about expenses, revenue or revenue recognition principles from these initiatives proves incorrect, or our attempts to improve efficiency are not successful, our actual results may vary materially from those anticipated, and our financial results will be negatively impacted.

We continually re-evaluate our software licensing programs and subscription renewal programs, including specific license models, delivery methods, and terms and conditions. Changes to our licensing programs and subscription renewal programs, including the timing of the release of enhancements, upgrades, maintenance releases, the term of the contract, discounts, promotions and other factors, could impact the timing of the recognition of revenue for our products, related enhancements and services and could adversely affect our operating results and financial condition. We may implement different licensing models which require the Company to recognize licensing fees over a longer period. Over the last few years, we have increasingly offered additional products through a SaaS model. SaaS revenue is currently recognized ratably over the subscription period. Any significant increase in the percentage of our business generated from a subscription model could increase the amount of revenue to be recognized over time as opposed to upfront, which would delay revenue recognition and have a negative impact on our operating results in a quarterly period. Due to these complexities, we may not be able to accurately forecast our revenue, which could cause us to miss our earnings estimates or revenue projections and negatively impact our stock price.

### **We face substantial competition in our markets, which could decrease our revenue and growth rates or impair our operating results and financial condition**

Our markets are highly competitive, and we expect that both direct and indirect competition will increase in the future. Our overall competitive position depends on a number of factors including the price, quality and performance of our products, the effectiveness of our distribution channel and direct sales force, the level of customer service, the development of new technology, and our ability to participate in emerging markets. Within each of our markets, we encounter direct competition from other GNSS, software, optical, and laser suppliers, and competition may intensify from various larger U.S. and non-U.S. competitors and new market entrants, particularly from emerging markets such as China. Our products, which commonly use GNSS for basic location information, may be subject to competition from alternative location technologies such as simultaneous location and mapping technology. As we sell an increasing amount of software and subscription services, we face competition from a group of large well-established companies with whom we have not previously competed. Our integrated hardware and software products may be subject to increasing competition from mass market devices such as smartphones and tablets used in conjunction with relatively inexpensive applications, which have not been heavily used for commercial applications in the past. These developments may require us to rapidly adapt to technological and customer preference changes that we have not previously been exposed to, including those related to cloud computing, mobile devices, and new computing platforms. Such competition has in the past resulted, and

in the future may result, in price reductions, reduced margins or loss of market share, any of which could decrease our revenue and growth rates or impair our operating results and financial condition. We believe that our ability to compete successfully in the future against existing and additional competitors will depend largely on our ability to execute our strategy to provide products with significantly differentiated features compared to currently available products. We may not be able to implement this strategy successfully, and our products may not be competitive with other technologies or products that may be developed by our competitors, many of whom have significantly greater financial, technical, manufacturing, marketing, sales, and other resources than we do.

**We are dependent on new products and services, and if we are unable to successfully introduce them into the market or to effectively compete with new, disruptive product alternatives, our customer base may decline or fail to grow as anticipated**

Our future revenue stream depends to a large degree on our ability to bring new products and services to market on a timely basis. We must continue to make significant investments in research and development in order to continue to develop new products and services, enhance existing products and achieve market acceptance of such products and services. We may encounter problems in the future in innovating and introducing new products and services. Our development stage products may not be successfully completed or, if developed, may not achieve significant customer acceptance. Development and manufacturing schedules for technology products are difficult to predict, and we might not achieve our goals as to the timing of introducing new technology products or could encounter increased costs. The timely availability and cost-effective production of these products in volume and their acceptance by customers are important to our future success. If we are unable to introduce new products and services, if other companies develop competing technology products and services, or if we do not develop compelling new products and services, our number of customers may not grow as anticipated, or may decline, which could harm our operating results. Many of our offerings are increasingly focused on software and subscription services. The software industry is characterized by rapidly changing customer preferences which require us to address multiple delivery platforms, new mobile devices, and cloud computing. Life cycles of software products can be short, and this can exacerbate the risks associated with developing new products. The introduction of third-party solutions embodying new, disruptive technologies and the emergence of new industry standards could make our existing and future software solutions and other products obsolete or non-competitive. If we are not able to develop software and other solutions that address the increasingly sophisticated needs of our customers, or if we are unable to adapt to new platforms, technologies or new industry standards that impact our markets, our ability to retain or increase market share and operating results could be materially adversely affected.

**Changes in our effective tax rate may reduce our net income in future periods**

As a global company, we are subject to income and other taxes in the United States and numerous foreign jurisdictions. Significant judgment is required to determine and estimate worldwide tax liabilities. While we believe our tax positions are consistent with the tax laws in the jurisdictions in which we conduct our business, it is possible that these positions may be contested or overturned by jurisdictional tax authorities, which may have a significant impact on our global provision for income taxes. Our effective tax rate is largely based on the geographic mix of earnings, statutory rates, inter-company transfer pricing, and enacted tax laws. A number of factors may increase our future effective tax rates, including:

- the jurisdictions in which profits are determined to be earned and taxed,
- the resolution of issues arising from tax audits with U.S. and foreign tax authorities,
- changes in our intercompany transfer pricing methodology,
- changes in the valuation of our deferred tax assets and liabilities,
- increases in expense not deductible for tax purposes, including transaction costs and impairments of goodwill in connection with acquisitions,
- changes in the realizability of available tax credits,
- changes in share-based compensation,
- changes in tax laws or the interpretation of such tax laws, including the Tax Act and the Base Erosion and Profit Shifting (“BEPS”) project conducted by the Organization for Economic Co-operation and Development (“OECD”), and
- changes in generally accepted accounting principles.

Tax laws are dynamic and subject to change as new laws are passed and new interpretations of the law are issued or applied, and governmental tax authorities are increasingly scrutinizing the tax positions of companies. On December 22, 2017, the U.S. government enacted the Tax Act, which made substantial changes to U.S. tax law. The ongoing implementation and interpretation of the Tax Act, any additional forthcoming legislative or administrative guidance and accounting standards related to the Tax Act could adversely affect our future effective tax rates. The implementation by us of new practices and processes designed to comply with, and benefit from, the Tax Act and its rules and regulations could require us to make substantial changes to our business practices, allocate additional resources, and increase our costs, which could negatively affect our business, results of operations, and financial condition. In light of recent changes in U.S. tax laws and to align with our international business operations, in the fourth quarter of 2019, we completed a non-U.S. intercompany transfer of our intellectual property to a subsidiary in the Netherlands.



This transfer and other changes we make to practices and processes based upon changes in U.S. and other tax laws are subject to challenge, and an adverse outcome in any such challenge could adversely affect our reported financial results.

Additionally, longstanding international tax norms that determine each country's jurisdiction to tax cross-border international trade are evolving as a result of the BEPS reporting requirements recommended by the G8, G20, and the OECD. The foreign countries where we do business may change tax laws, regulations, and interpretations on a prospective or retroactive basis and these potential changes could adversely affect our effective tax rates. As these and other tax laws and related regulations change, our financial results could be materially impacted. Given the unpredictability of these possible changes and their potential interdependency, it is very difficult to assess whether the overall effect of such potential tax changes would be cumulatively positive or negative for our earnings and cash flow, but such changes could adversely impact our financial results.

On June 1, 2018, we filed a petition with the U.S. tax court relating to a Notice of Deficiency pertaining to our 2011 tax year. In the third quarter of fiscal 2019, we received a decision from the U.S. Tax Court resulting in no changes to our federal income tax liability for 2011. We are currently in various stages of multiple year examinations by state and foreign taxing authorities. If taxing authorities of any jurisdiction were to successfully challenge a material tax position, we could become subject to higher taxes and our earnings would be adversely affected.

### **Our debt could adversely affect our cash flow and prevent us from fulfilling our financial obligations**

On November 24, 2014, we issued \$400.0 million of 4.75% Senior Notes due December 1, 2024. On June 15, 2018, we issued \$300.0 million of 4.15% Senior Notes due June 15, 2023 and \$600.0 million of 4.90% Senior Notes due June 15, 2028. When our Senior Notes mature, we will have to expend significant resources to repay these Senior Notes or seek to refinance them. If we decide to refinance the Senior Notes, we may be required to do so on different or less favorable terms or we may be unable to refinance the Senior Notes at all, both of which may adversely affect our financial condition. Any downgrade by credit rating agencies could adversely affect our cost of borrowing, limit our access to the capital markets, or result in more restrictive covenants in future debt agreements.

In May 2018, we entered into a new credit agreement (the "2018 Credit Facility"), with JPMorgan Chase Bank, N.A. and certain other institutional lenders that provides for \$1.75 billion of unsecured credit facilities comprised of a \$1.25 billion loan facility maturing May 2023 (the "Revolving Credit Facility") and a \$500.0 million delayed draw term loan facility that matures on the third anniversary of the funding date (the "Term Loan"). Subject to the terms of the 2018 Credit Facility, we may request an additional loan facility up to \$500.0 million. We also have two \$75.0 million and one €100.0 million that are uncommitted (the "Uncommitted Facilities") at the end of 2019 and may be called by the lenders with very little notice. At the end of fiscal 2019, our total debt was comprised primarily of Senior Notes of \$1,300.0 million, a term loan balance of \$225.0 million, a revolver credit facility of \$110.0 million under the 2018 Credit Facility, and three revolving credit facilities of \$218.7 million under the Uncommitted Facilities.

Our outstanding indebtedness could have other important consequences, such as:

- requiring us to dedicate a portion of our cash flow from operations and other capital resources to debt service, thereby reducing our ability to fund working capital, capital expenditures, general corporate purposes, and other cash requirements, particularly if the ratings assigned to our debt securities by rating organizations were revised downward,
- increasing our vulnerability to adverse economic and industry conditions,
- reducing our ability to make investments and acquisitions which support the growth of the company, or to repurchase shares of our common stock,
- placing us at a competitive disadvantage as compared to our competitors, to the extent that they are not as highly leveraged,
- limiting our flexibility in planning for, or reacting to, changes and opportunities in, our industry, which may place us at a competitive disadvantage, and
- limiting our ability to incur additional debt on acceptable terms, if at all.

There are various financial covenants and other restrictions in our debt instruments. If we fail to comply with any of these requirements, the related indebtedness (and other unrelated indebtedness) could become due and payable prior to its stated maturity, and we may not be able to repay the indebtedness that becomes due. A default under our debt instruments may also significantly affect our ability to obtain additional or alternative financing.

Our ability to make scheduled payments or to refinance our obligations with respect to indebtedness will depend on our operating and financial performance, which in turn, is subject to prevailing economic conditions and to financial, business and other factors beyond our control. A significant portion of our outstanding debt has interest rates which float based on prevailing interest rates and we may incur additional variable-rate debt in the future. Such rates tend to fluctuate based on general economic conditions,

general interest rates, Federal Reserve rates, and the supply of and demand for credit in the relevant interbanking market. In recent years, the Federal Reserve has incrementally raised the target range for the federal funds rate, with additional increases expected to come over the next year. If interest rates increase, our interest expense will also increase as would the costs of refinancing existing indebtedness or obtaining new debt.

Our ability to incur additional indebtedness over time may be limited due to applicable financial covenants and restrictions, and due to the risk that significantly increasing our level of indebtedness could impact the ratings assigned to our debt securities by rating organizations, which in turn would increase the interest rates and fees that we pay in connection with our indebtedness.

**Some of our products rely on third party technologies including open source software, which could result in product incompatibilities or harm availability of our products and services**

We license software, technologies, and intellectual property underlying some of our software from third parties. The third party licenses we rely upon may not continue to be available to us on commercially reasonable terms, or at all, and the software and technologies may not be appropriately supported, maintained, or enhanced by the licensors, resulting in development delays. Some software licenses are subject to annual renewals at the discretion of the licensors. In some cases, if we were to breach a provision of these license agreements, the licensor could terminate the agreement immediately. The loss of licenses to, or inability to support, maintain, and enhance, any such third party software or technology could result in increased costs, or delays in software releases or updates, until such issues have been resolved. This could have a material adverse effect on our business, financial condition, results of operations, cash flows, and future prospects.

We also incorporate open source software into our products. Although we monitor our use of open source software, the terms of many open source licenses have not been interpreted by U.S. courts, and there is a risk that such licenses could be construed in a manner that could impose unanticipated conditions or restrictions on our ability to market or sell our products or to develop new products. In such event, we could be required to seek licenses from third-parties in order to continue offering our products, to disclose and offer royalty-free licenses in connection with our own source code, to re-engineer our products, or to discontinue the sale of our products in the event re-engineering cannot be accomplished on a timely basis, any of which could adversely affect our business.

**We are dependent on proprietary technology, which could result in litigation that could divert significant valuable resources**

Our future success and competitive position is dependent upon our proprietary technology, and we rely on patent, trade secret, trademark, and copyright laws to protect our intellectual property. The patents owned or licensed by us may be invalidated, circumvented, infringed, or challenged. The rights granted under these patents may not provide competitive advantages to us. Any of our pending or future patent applications may not be issued within the scope of the claims sought by us, if at all.

Despite our efforts to protect our intellectual property rights, unauthorized parties may attempt to copy or otherwise obtain our software or develop software with the same functionality or to obtain and use information that we regard as proprietary. Others may develop technologies that are similar or superior to our technology, duplicate our technology or design around the patents owned by us. In addition, effective copyright, patent, and trade secret protection may be unavailable, limited, or not applied for in certain countries. The steps taken by us to protect our technology might not prevent the misappropriation of such technology.

The value of our products relies substantially on our technical innovation in fields in which there are many current patent filings. Third parties may claim that we or our customers (some of whom are indemnified by us) are infringing their intellectual property rights. For example, individuals and groups may purchase intellectual property assets for the purpose of asserting claims of infringement and attempting to extract settlements from us or our customers. The number of these claims has increased in recent years. As new patents are issued or are brought to our attention by the holders of such patents, it may be necessary for us to secure a license from such patent holders, redesign our products, or withdraw products from the market. In addition, the legal costs and engineering time required to safeguard intellectual property or to defend against litigation could become a significant expense of operations. Any such litigation could require us to incur substantial costs and divert significant valuable resources, including the efforts of our technical and management personnel, which could harm our results of operations and financial condition.

**We are dependent on limited source manufacturers and suppliers for certain of our products and critical components, and a disruption in our supply chain could adversely affect our margins, revenue, and operating results**

We are dependent upon a limited number of contract manufacturers for the manufacture, testing, and assembly of certain products and specific suppliers for a number of our critical components. Our current reliance on a limited group of suppliers and contract manufacturers involves risks, including a potential inability to obtain an adequate supply of required products or components to meet customers' delivery requirements, a risk that we may accumulate excess inventories if we inaccurately forecast demand for our products, reduced control over pricing and delivery schedules, discontinuation of or increased prices for certain components, and economic conditions that may adversely impact the viability of our suppliers and contract manufacturers. Any disruption in

our supply chain could reduce our revenue and adversely impact our financial results. Such a disruption could occur as a result of any number of events, including, but not limited to, increases in wages that drive up prices or labor stoppages, the imposition of regulations, quotas or embargoes on components, a scarcity of, or significant increase in the price of, required electronic components for our products, trade restrictions, tariffs or duties, fluctuations in currency exchange rates, transportation failures affecting the supply chain and shipment of materials and finished goods, third party interference in the integrity of the products sourced through the supply chain, the unavailability of raw materials, severe weather conditions, natural disasters, civil unrest, military conflicts, geopolitical developments, war or terrorism, and disruptions in utility and other services. Any inability to obtain adequate deliveries or any other circumstance that would require us to seek alternative sources of supply or to manufacture, assemble and test such components internally could significantly delay our ability to ship our products, which could damage relationships with current and prospective customers and could harm our reputation and brand as well as our operating results.

**We are dependent on the availability and unimpaired use of allocated bands within the radio frequency spectrum, and our products may be subject to harmful interference from new or modified spectrum uses**

Our GNSS technology is dependent on the use of satellite signals and on terrestrial communication bands. International allocations of radio frequency are made by the International Telecommunications Union ("ITU"), a specialized technical agency of the United Nations. These allocations are further governed by radio regulations that have treaty status and which may be subject to modification every two to three years by the World Radio Communication Conference. Each country also has regulatory authority over how each band is used in the country. In the United States, the Federal Communications Commission ("FCC") and the National Telecommunications and Information Administration share responsibility for radio frequency allocations and spectrum usage regulations.

Any ITU or local reallocation of radio frequency bands, including frequency band segmentation and sharing of spectrum, or other modifications of the permitted uses of relevant frequency bands, may materially and adversely affect the utility and reliability of our products and have significant negative impacts on our customers, both of which could reduce demand for our products. For example, the FCC has been considering proposals to repurpose spectrum adjacent to the GPS bands for terrestrial broadband wireless operations throughout the United States. If the FCC were to permit implementation of such proposals, or similar proposals, terrestrial broadband wireless operations could create harmful interference to GPS receivers within range of such operations and impose costs to retrofit or replace affected receivers. Similarly, other countries have considered proposals for use of frequencies used by our products as well as adjacent bands that could cause harmful interference to our products.

Many of our products use other radio frequency bands, such as the public land mobile radio bands, together with the GNSS signal, to provide enhanced GNSS capabilities, such as real-time kinematics precision. The continuing availability of these non-GNSS radio frequencies is essential to provide enhanced GNSS products to our precision survey, agriculture, and construction machine controls markets. In addition, transmissions and emissions from other services and equipment operating in adjacent frequency bands or in-band may impair the utility and reliability of our products. Any regulatory changes in spectrum allocation or in allowable operating conditions could have a material adverse effect on our business, results of operations, and financial condition.

**Many of our products rely on GNSS technology, GPS and other satellite systems, which may become degraded or inoperable and result in lost revenue**

GNSS technology, GPS satellites, and their ground support systems are complex electronic systems subject to electronic and mechanical failures and possible intentional disruption. Many of the GPS satellites currently in orbit were originally designed to have lives of 7.5 years and are subject to damage by the hostile space environment in which they operate. However, of the current deployment of operational satellites in orbit, several have been in operation for 15 years or more. Repair of damaged or malfunctioning satellites is currently not economically feasible. If a significant number of satellites were to become inoperable, there could be a substantial delay before they are replaced with new satellites. A reduction in the number of operating satellites below the 24-satellite standard established for GPS may impair the utility of the GPS system and the growth of current and additional market opportunities. In addition, software updates to GPS satellites and ground control segments, and infrequent known events such as GPS week number rollover, may adversely affect our products and customers. We depend on public access to open technical specifications in advance of system updates to mitigate these problems, which may not be available or complete.

We are dependent on continued operation of GPS, the principal GNSS currently in operation. The GPS constellation is operated by the U. S. Government, which is committed to maintenance and improvement of GPS. If supporting policies were to change, or if user fees were imposed, it could have a material adverse effect on our business, results of operations, and financial condition.

Many of our products also use signals from systems that augment GPS, such as the Wide Area Augmentation System and National Differential GPS System, and satellites transmitting signal corrections data on mobile satellite services frequencies utilized by our RTX corrections services. Some of these augmentation systems are operated by the U.S. government and rely on continued funding and maintenance of these systems. Any curtailment of the operating capability of these systems or limitations on access to, or use

of the signals, or discontinuance of service could result in degradation of our services or product performance, with an adverse effect on our business.

Many of our products use satellite signals from the Russian GLONASS System. Other countries, including China and India, are in the process of creating their own GNSS systems, and we either have developed or will develop products which use GNSS signals from these systems. The European community is developing an independent radio navigation satellite system, known as Galileo. National or European authorities may provide preferential access to signals to companies associated with their markets, including our competitors, which could harm our competitive position. Use of non-U.S. GNSS signals may also be subject to FCC waiver requirements and to restrictions based upon international trade or geopolitical considerations. If we are unable to develop timely and competitive commercial products using these systems, or obtain timely and equal access to service signals, this could result in lost revenue. These authorities may also adopt protectionist measures favoring national companies who make use of their GNSS systems, to the detriment of Trimble products using the U.S. GPS system, which would harm our business.

**We are subject to the impact of governmental and other certifications processes and regulations, which could adversely affect our products and our business**

We market many products that are subject to governmental regulations and certifications before they can be sold. The European Union increasingly regulates the use of our products on agriculture, construction, and other types of machinery. CE certification is required for GNSS receivers and data communications products, which must conform to the European harmonized GNSS receiver standard and the radio equipment directive, to be sold in the European community. Delays in publication of the European harmonized GNSS receiver standard could affect GNSS product access to European markets. In the future, U.S., European, or other governmental authorities may propose GPS receiver testing and certification for compliance with published GPS signal interface or other specifications. An inability to obtain any such certifications in a timely manner could have an adverse effect on our operating results. Governmental authorities may also propose other forms of GPS receiver performance standards, which may limit design alternatives, hamper product innovation, or impose additional costs. Some of our products that use integrated radio communication technology require product type certification and some products require an end-user to obtain licensing from the FCC for frequency-band usage. An inability or delay in obtaining such certifications or changes in applicable rules could adversely affect our ability to bring our products to market which could harm our customer relationships, and therefore, our operating results. Compliance with evolving product regulations in our major markets could require that we redesign our products, cease selling products in certain markets, and increase our costs of product development. Failure to comply may result in fines and limitations on sales of our products.

**We have claims and lawsuits against us that may result in adverse outcomes**

We are subject to a variety of claims and lawsuits. Adverse outcomes in some or all of these claims may result in significant monetary damages or injunctive relief that could adversely affect our ability to conduct our business. Litigation and other claims are subject to inherent uncertainties and the outcomes can be difficult to predict. Management may not adequately reserve for a contingent liability, or may suffer unforeseen liabilities, which could then impact the results of a financial period. A material adverse impact on our consolidated financial statements could occur for the period in which the effect of an unfavorable final outcome becomes probable and reasonably estimable which, if not expected, could harm our results of operations and financial condition.

**Item 1B. Unresolved Staff Comments**

None.

**Item 2. Properties**

Our corporate headquarters is located in Sunnyvale, California where we lease approximately 139 thousand square feet. We also currently own approximately 316 thousand square feet in Dayton, Ohio and 250 thousand square feet in Westminster, Colorado. These facilities are used by all reporting segments. For financial information regarding leases, see Note 8 to the Consolidated Financial Statements.

We believe that our existing facilities are adequate to support current and near-term operations.

**Item 3. Legal Proceedings**

From time to time, we are 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 4. Mine Safety Disclosures**

None.

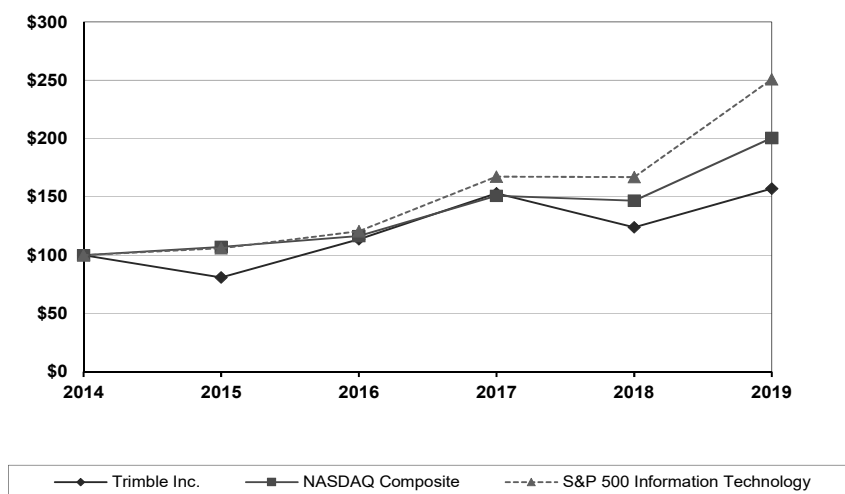
## PART II

### Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

#### Company Stock Performance

Our common stock is traded on the NASDAQ under the symbol "TRMB." The following graph compares the cumulative five-year total return provided stockholders on Trimble Inc. common stock relative to the cumulative total returns of the NASDAQ Composite Index and the S&P 500 Information Technology Index. An investment of \$100 (with reinvestment of all dividends) is assumed to have been made in our common stock and in each of the indexes on December 31, 2014, and its relative performance is tracked through December 31, 2019.

Comparison of Cumulative Five Year Total Return



#### Stock Repurchase Program

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 Trimble's common stock. The stock repurchase authorization does not have an expiration date and replaces the 2015 Stock Repurchase Program, which was completed. The timing and amount of repurchase transactions is determined by our 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.

During fiscal 2019, we repurchased approximately 4.7 million shares of common stock in open market purchases under the 2017 Stock Repurchase Programs, at an average price of \$38.51 per share, for a total of \$179.8 million. At the end of fiscal 2019, the 2017 Stock Repurchase Program had remaining authorized funds of \$172.4 million.

The Company did not repurchase any common stock during the fourth quarter of 2019.

As of February 26, 2020, there were approximately 552 holders of record of our common stock.

#### Dividend Policy

We have not declared or paid any cash dividends on our common stock during any period for which financial information is provided in this Annual Report on Form 10-K. At this time, we intend to retain future earnings, if any, to fund the development and growth of our business and do not anticipate paying any cash dividends on our common stock in the foreseeable future.

## Item 6. Selected Financial Data

The following selected consolidated financial data should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our Consolidated Financial Statements and related notes appearing elsewhere in this annual report. Historical results are not necessarily indicative of future results. In particular, because the results of operations and financial condition related to our acquisitions are included in our Consolidated Statements of Income and Consolidated Balance Sheets data commencing on those respective acquisition dates; comparisons of our results of operations and financial condition for periods prior to and subsequent to those acquisitions are not indicative of future results.

| <b>Fiscal Years</b>                                   | <b>2019</b> | <b>2018</b> | <b>2017</b> | <b>2016</b> | <b>2015</b> |
|---|-------------|-------------|-------------|-------------|-------------|
| <i>(In millions, except per share data)</i>           |             |             |             |             |             |
| Revenue   | \$ 3,264.3  | \$ 3,108.4  | \$ 2,646.5  | \$ 2,362.1  | \$ 2,290.4  |
| Gross margin  | \$ 1,780.9  | \$ 1,681.0  | \$ 1,377.6  | \$ 1,234.5  | \$ 1,202.2  |
| Gross margin percentage                               | 54.6%       | 54.1%       | 52.1%       | 52.3%       | 52.5%       |
| Net income attributable to Trimble Inc.               | \$ 514.3    | \$ 282.8    | \$ 118.4    | \$ 132.4    | \$ 121.1    |
| Net income  | \$ 514.5    | \$ 283.3    | \$ 118.5    | \$ 132.2    | \$ 120.7    |
| Earnings per share                                    |             |             |             |             |             |
| —Basic  | \$ 2.05     | \$ 1.13     | \$ 0.47     | \$ 0.53     | \$ 0.47     |
| —Diluted  | \$ 2.03     | \$ 1.12     | \$ 0.46     | \$ 0.52     | \$ 0.47     |
| Shares used in calculating basic earnings per share   | 250.8       | 250.0       | 252.1       | 250.5       | 255.8       |
| Shares used in calculating diluted earnings per share | 252.9       | 253.4       | 256.7       | 253.9       | 258.5       |
| <br>  |             |             |             |             |             |
| <b>At the End of Fiscal Year</b>                      | <b>2019</b> | <b>2018</b> | <b>2017</b> | <b>2016</b> | <b>2015</b> |
| <i>(In millions)</i>                                  |             |             |             |             |             |
| Total assets  | \$ 6,640.7  | \$ 5,776.4  | \$ 4,316.3  | \$ 3,692.2  | \$ 3,680.7  |
| Long-term debt and other non-current liabilities      | \$ 1,777.1  | \$ 1,862.5  | \$ 947.5    | \$ 603.4    | \$ 717.9    |

## Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

*The following discussion should be read in conjunction with the consolidated financial statements and the related notes. The following discussion contains forward-looking statements that reflect our plans, estimates, and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to these differences include, but are not limited to, those discussed below and those listed under “Risks Factors.” This section of this Form 10-K generally discusses 2019 and 2018 items and year-to-year comparisons between 2019 and 2018. Discussions of 2017 items and year-to-year comparisons between 2018 and 2017 that are not included in this Form 10-K can be found in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 of the Company's Annual Report on Form 10-K for the fiscal year ended December 28, 2018.*

### 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 enable professionals and field mobile workers to improve or transform their work processes. Our comprehensive work process solutions are used across a range of industries including agriculture, architecture, civil engineering, survey and land administration, construction, geospatial, government, natural resources, transportation, and utilities. Representative Trimble customers include engineering and construction firms, contractors, owners, surveying companies, farmers and agricultural companies, 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 provides 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 potential 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 over 85 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 both domestically and abroad. These channel capabilities include independent dealers, joint ventures, original equipment manufacturers ("OEM"), and sales and distribution alliances with key partners, such as CNH Global, Caterpillar, and Nikon, as well as direct sales to end-users. This provides 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.

During fiscal 2019, the Company acquired four businesses with total purchase consideration of \$247.0 million. The largest acquisition was Cityworks, which we acquired in the fourth quarter of 2019. Cityworks is a provider of enterprise asset management (EAM) software for utilities and local government.

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 life cycle.

In January 2020, a novel strain of coronavirus was identified in China, resulting in shutdowns of manufacturing and commerce, as well as global travel restrictions to contain the virus. The impact has extended to other regions. We have suppliers and employees in China, and the region represents an end market for our products. Our customers and suppliers within China and other impacted countries are also affected by the coronavirus related restrictions and closures. The coronavirus is expected to have a negative effect on our financial results for fiscal 2020. The full extent and duration are uncertain and could be material.

## **CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

The preparation of financial statements and related disclosures in conformity with U.S. generally accepted accounting principles ("GAAP") requires us to make judgments, assumptions, and estimates that affect the reported amounts of assets, liabilities, revenue, costs of sales, operating expenses, and related disclosures. We consider the accounting policies described below to be our critical accounting policies. These critical accounting policies are impacted significantly by judgments, assumptions, and estimates used in the preparation of the consolidated financial statements, and actual results could differ materially from the amounts reported based on these policies. Our accounting policies are more fully described in Note 2 of our accompanying Notes to Consolidated Financial Statements included in Part II, Item 8, "Financial Statements and Supplementary Data" of this Annual Report on Form 10-K.

### **Revenue Recognition**

Revenue is recognized upon transfer of control of promised products or services to customers in an amount that reflects the consideration that we expect to receive in exchange for those products or services. Revenue is recognized net of allowance for returns and any taxes collected from customers. We enter into contracts that can include various combinations of products and services, which are generally capable of being distinct and accounted for as separate performance obligations; however, determining whether products or services are considered distinct performance obligations that should be accounted for separately versus together may sometimes require significant judgment.

Judgment is required to determine stand-alone selling price ("SSP") for each distinct performance obligation. We use a range of amounts to estimate SSP when products and services are sold separately and determine whether there is a discount to be allocated based on the relative SSP of the various products and services. In instances where SSP is not directly observable, we determine SSP using information that may include market conditions and other observable inputs.

### **Income Taxes**

We are a U.S. based multinational company operating in multiple U.S. and foreign jurisdictions. Judgment is required in evaluating our uncertain tax positions and determining our provision for income taxes. We consider many factors when evaluating and estimating our tax positions and tax benefits, which may require periodic adjustments and may not accurately forecast actual tax audit outcomes. Determining whether an uncertain tax position is effectively settled requires judgment. Changes in recognition

or measurement of our uncertain tax positions would result in the recognition of a tax benefit or an additional charge to the tax provision.

Income taxes are accounted for under the liability method, whereby deferred tax assets or liability account balances are calculated at the balance sheet date using current tax laws and rates in effect for the year in which the differences are expected to affect taxable income. A valuation allowance is recorded to reduce the carrying amounts of deferred tax assets if we believe it is more likely than not such assets will not be realized.

We are subject to the periodic examination of our domestic and foreign tax returns by the IRS, state, local, and foreign tax authorities who may challenge our tax positions. We regularly assess the likelihood of adverse outcomes from these examinations in determining the adequacy of our provision for income taxes.

### **Business Combinations and Valuation of Goodwill and Purchased Intangible Assets**

We allocate the fair value of purchase consideration to the assets acquired, liabilities assumed, and non-controlling interests in the acquiree based on their fair values at the acquisition date. The excess of the fair value of purchase consideration over the fair value of these assets acquired, liabilities assumed, and non-controlling interests in the acquiree is recorded as goodwill.

When determining the fair values of assets acquired, liabilities assumed, and non-controlling interests in the acquiree, management makes significant estimates and assumptions, especially with respect to intangible assets. Critical estimates in valuing intangible assets include, but are not limited to, expected future cash flows, which includes consideration of future growth rates and margins, customer attrition rates, future changes in technology and brand awareness, loyalty and position, and discount rates. Identifiable intangible assets are comprised of distribution channels and distribution rights, patents, licenses, technology, acquired backlog, trademarks, and in-process research and development.

We evaluate goodwill at the reporting unit level in the fourth quarter of each fiscal year or more frequently if indicators of potential impairment exist. We utilize either a qualitative assessment or a quantitative test to assess the likelihood of an impairment. In performing the qualitative assessment, we consider macroeconomic conditions, industry and market considerations, overall financial performance, and other relevant events and factors that may impact the reporting units. When we perform a quantitative test, the estimation of the fair value of a reporting unit involves the use of certain estimates and assumptions including expected future operating performance using risk-adjusted discount rates.

We amortize identifiable intangible assets over their estimated useful lives on a straight-line basis. Changes in circumstances such as technological advances, changes to its business model, or changes in the capital strategy could result in a revised useful life. If the useful life of an asset is revised, the net book value of the estimated residual value is amortized over its revised remaining useful life. Intangible assets are evaluated for impairment whenever events or changes in circumstances indicate that the carrying amount of those assets may not be recoverable based on their future cash flows. The estimated future cash flows are primarily based upon assumptions about expected future operating performance.

## 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.

| Fiscal Years<br>(In millions)                         | 2019       | 2018       | 2017       |
|---|------------|------------|------------|
| Revenue:  |            |            |            |
| Product   | \$ 1,934.8 | \$ 1,999.9 | \$ 1,763.8 |
| Service   | 686.2      | 588.7      | 475.4      |
| Subscription  | 643.3      | 519.8      | 407.3      |
| Total revenue   | \$ 3,264.3 | \$ 3,108.4 | \$ 2,646.5 |
| Gross margin  | 1,780.9    | 1,681.0    | 1,377.6    |
| Gross margin %  | 54.6%      | 54.1%      | 52.1%      |
| Operating income                                      | 375.9      | 320.7      | 235.7      |
| Operating income as a % of revenue                    | 11.5%      | 10.3%      | 8.9%       |
| Diluted earnings per share                            | \$ 2.03    | \$ 1.12    | \$ 0.46    |
| Non-GAAP revenue *                                    | \$ 3,271.3 | \$ 3,132.0 | \$ 2,649.3 |
| Non-GAAP operating income *                           | 667.8      | 643.9      | 471.5      |
| Non-GAAP operating income as a % of Non-GAAP Revenue* | 20.4%      | 20.6%      | 17.8%      |
| Non-GAAP diluted earnings per share *                 | \$ 1.99    | \$ 1.94    | \$ 1.45    |

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

### Basis of Presentation

We have a 52-53 week fiscal year, ending on the Friday nearest to December 31, which for fiscal 2019 was January 3, 2020. Fiscal 2019 was a 53-week year, and 2018 and 2017 were 52-week years.

### Revenue

In fiscal 2019, total revenue increased by \$155.9 million, or 5%, to \$3.26 billion from \$3.11 billion in fiscal 2018. Overall revenue increased due to organic growth in Buildings and Infrastructure and to a lesser extent, Transportation and Resources and Utilities, partially offset by a decrease in Geospatial. Acquisitions, including Viewpoint, contributed to growth, particularly in service and subscription revenue. We consider acquisition growth to include acquisition revenue that was not applicable in the prior corresponding periods.

By revenue category, overall product revenue decreased \$65.1 million, or 3%, service revenue increased \$97.5 million, or 17%, and subscription revenue increased \$123.5 million, or 24%. 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. Service and subscription revenue increased across all segments, with the biggest impact due to an increase in Buildings and Infrastructure due to the Viewpoint acquisition as well as organic growth, and to a lesser extent, Transportation, Resources and Utilities, and Geospatial.

By segment, Buildings and Infrastructure revenue increased \$170.5 million, or 16%, Transportation increased \$39.2 million, or 5%, Resources and Utilities revenue increased \$3.3 million or 1%, and Geospatial revenue decreased \$73.7 million, or 10%, as compared to fiscal 2018. Buildings and Infrastructure revenue increased due to the Viewpoint acquisition, which was acquired in the third quarter of fiscal 2018, and organic growth. Transportation revenue increased due to increased organic growth and acquisition revenue. Resources and Utilities was up slightly due to organic and acquisition growth. Geospatial revenue decreased mainly due to market softness.

During fiscal 2019, sales to customers in North America represented 55%, Europe represented 28%, Asia Pacific represented 11%, and the rest of world represented 6% of our total revenue. We anticipate that sales to international customers will continue to account for a significant portion of our revenue.

No single customer accounted for 10% or more of our total revenue in fiscal 2019 or 2018. No single customer accounted for 10% or more of our accounts receivable as of fiscal years ended 2019 and 2018.

### *Gross Margin*

Our gross margin varies due to a number of factors including product mix, pricing, distribution channel, production volumes, new product start-up costs, and foreign currency translations.

In fiscal 2019, our gross margin increased by \$99.9 million as compared to fiscal 2018, primarily due to increased organic service and subscription revenue growth in Buildings and Infrastructure, as well as the Viewpoint acquisition, partially offset by a decrease in Geospatial due to revenue declines. Gross margin as a percentage of total revenue was relatively flat at 54.6% in fiscal 2019 and 54.1% in fiscal 2018 due to Buildings and Infrastructure improved product mix, largely offset by Geospatial revenue decline and Transportation product mix and pricing pressures.

### *Operating Income*

Operating income increased by \$55.2 million for fiscal 2019 as compared to fiscal 2018. Operating income as a percentage of total revenue for fiscal 2019 was 11.5% as compared to 10.3% for fiscal 2018. The increase in operating income was attributable to lower intangible asset amortization resulting from expiration of prior acquisitions' amortization and strong operating results in Buildings and Infrastructure. These increases were partially offset by Geospatial revenue decline and Transportation gross margin compression and increased research and development costs.

### **Research and Development, Sales and Marketing, and General and Administrative Expenses**

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

| <b>Fiscal Years</b>        | <b>2019</b>       | <b>2018</b>       | <b>2017</b>       |
|----------------------------|-------------------|-------------------|-------------------|
| <i>(In millions)</i>       |                   |                   |                   |
| Research and development   | \$ 469.7          | \$ 446.1          | \$ 370.2          |
| Percentage of revenue      | 14.4%             | 14.4%             | 14.0%             |
| Sales and marketing        | 504.2             | 479.8             | 400.1             |
| Percentage of revenue      | 15.4%             | 15.4%             | 15.1%             |
| General and administrative | 330.6             | 349.8             | 301.7             |
| Percentage of revenue      | 10.1%             | 11.3%             | 11.4%             |
| Total                      | <u>\$ 1,304.5</u> | <u>\$ 1,275.7</u> | <u>\$ 1,072.0</u> |

Overall, R&D, sales and marketing, and G&A expenses increased by approximately \$28.8 million in fiscal 2019 compared to fiscal 2018.

Research and development expense increased by \$23.6 million, or 5%, in fiscal 2019, as compared to fiscal 2018. Overall, research and development spending was 14% of revenue in fiscal 2019 and 2018, respectively. As compared to the prior year, the increase in fiscal 2019 was primarily due to the impact of the Viewpoint acquisition and, to a lesser extent, increased compensation expenses in Transportation, partially offset by favorable foreign currency impacts.

We believe that the development and introduction of new products are critical to our future success, and we expect to continue active development of new products.

Sales and marketing expense increased by \$24.4 million, or 5%, in fiscal 2019, as compared to fiscal 2018. Overall, spending for sales and marketing was 15% of revenue in fiscal 2019 and 2018, respectively. As compared to the prior year, the increase in fiscal 2019 was primarily due to the impact of the Viewpoint acquisition and, to a lesser extent, an increase in compensation expense, partially offset by favorable foreign currency impacts.

General and administrative expense decreased by \$19.2 million, or 5%, in fiscal 2019, as compared to fiscal 2018. Overall, general and administrative spending was 10% and 11% of revenue in fiscal 2019 and 2018, respectively. As compared to the prior year, the decrease in fiscal 2019 was primarily due to lower compensation expense related to incentive compensation plans and, to a lesser extent, lower consulting costs and favorable foreign currency impacts, partially offset by the impact of the Viewpoint acquisition.

## Amortization of Purchased Intangible Assets

| Fiscal Years<br>(In millions) | 2019            | 2018            | 2017            |
|-------------------------------|-----------------|-----------------|-----------------|
| Cost of sales                 | \$ 94.1         | \$ 103.2        | \$ 85.8         |
| Operating expenses            | 73.7            | 76.4            | 63.0            |
| Total                         | <u>\$ 167.8</u> | <u>\$ 179.6</u> | <u>\$ 148.8</u> |

Total amortization expense of purchased intangibles decreased \$11.8 million as compared to fiscal 2018. The decrease was primarily due to the expiration of prior acquisitions' amortization.

## Non-operating Income (Expense), Net

The following table shows non-operating income (expense), net for the periods indicated and should be read in conjunction with the narrative descriptions below:

| Fiscal Years<br>(In millions)              | 2019             | 2018             | 2017           |
|--|------------------|------------------|----------------|
| Interest expense, net                      | \$ (82.4)        | \$ (73.2)        | \$ (25.2)      |
| Income from equity method investments, net | 35.8             | 28.7             | 29.5           |
| Other income, net                          | 15.5             | 1.8              | 8.2            |
| Total non-operating income (expense), net  | <u>\$ (31.1)</u> | <u>\$ (42.7)</u> | <u>\$ 12.5</u> |

Total non-operating expense, net decreased by \$11.6 million during fiscal 2019 compared with fiscal 2018. The decrease was due to increased joint venture profitability and a gain from the sale of an equity investment included in Other income, net, partially offset by higher interest costs due to Viewpoint acquisition debt being outstanding for a full year in fiscal 2019.

## Income Tax Provision

The 2017 Tax Cuts and Jobs Act (the "Tax Act") reduced the U.S. federal tax rate from 35% to 21%, imposed a one-time transition tax on accumulated foreign earnings and created new taxes on certain foreign-sourced earnings referred to as Global Intangible Low-Taxed Income ("GILTI"). As a result, we recorded a provisional net income tax expense of \$80.2 million in fiscal 2017. In fiscal 2018, we completed the accounting for the tax effects of the Tax Act and made immaterial adjustments to the provisional amounts recorded previously. Additionally, in fiscal 2018, we finalized our accounting policy election to recognize deferred taxes in relation to GILTI.

To align with our international business operations, in the fourth quarter of 2019, we completed a non-U.S. intercompany transfer of our intellectual property to a subsidiary in the Netherlands. The transaction resulted in deferred tax assets in the Netherlands and GILTI deferred tax liabilities in the U.S., recorded at the applicable statutory tax rates, resulting in a one-time income tax benefit of approximately \$206.3 million.

Our effective income tax rates for fiscal 2019 and 2018 were -49% and -2%, respectively. The fiscal 2019 rate was lower than the U.S. federal statutory rate of 21%, primarily due to a one-time tax benefit from a non-U.S. intercompany transfer of intellectual property, and benefits from reserve release due to expiration of the U.S. federal statute of limitations for certain tax years. The fiscal 2018 rate was lower than the U.S. federal statutory rate of 21%, primarily due to benefits from reserve release due to expiration of the U.S. federal statute of limitations for certain tax years, a one-time benefit from deferred taxes in relation to GILTI, and benefits from stock based compensation.

## Results by Segment

We report our financial performance, including revenue and operating income, based on four reportable segments: Buildings and Infrastructure, Geospatial, Resources and Utilities, and Transportation.

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. These results are not necessarily in conformance with U.S. GAAP. For additional discussion of our segments, see Note 6 of the Notes to the Consolidated Financial Statements.

The following table is a breakdown of revenue and operating income by segment for the periods indicated and should be read in conjunction with the narrative descriptions below:

| Fiscal Years<br>(In millions)                            | 2019       | 2018       | 2017     |
|--|------------|------------|----------|
| <b>Buildings and Infrastructure</b>                      |            |            |          |
| Segment revenue  | \$ 1,258.2 | \$ 1,087.7 | \$ 830.5 |
| Segment revenue as a percent of total revenue            | 38%        | 35%        | 31%      |
| Segment operating income                                 | \$ 319.9   | \$ 256.7   | \$ 176.2 |
| Segment operating income as a percent of segment revenue | 25.4%      | 23.6%      | 21.2%    |
| <b>Geospatial</b>  |            |            |          |
| Segment revenue  | \$ 649.4   | \$ 723.1   | \$ 658.5 |
| Segment revenue as a percent of total revenue            | 20%        | 23%        | 25%      |
| Segment operating income                                 | \$ 132.2   | \$ 166.4   | \$ 129.4 |
| Segment operating income as a percent of segment revenue | 20.4%      | 23.0%      | 19.7%    |
| <b>Resources and Utilities</b>                           |            |            |          |
| Segment revenue  | \$ 571.4   | \$ 568.1   | \$ 482.0 |
| Segment revenue as a percent of total revenue            | 18%        | 18%        | 18%      |
| Segment operating income                                 | \$ 169.1   | \$ 168.2   | \$ 137.9 |
| Segment operating income as a percent of segment revenue | 29.6%      | 29.6%      | 28.6%    |
| <b>Transportation</b>                                    |            |            |          |
| Segment revenue  | \$ 792.3   | \$ 753.1   | \$ 678.3 |
| Segment revenue as a percent of total revenue            | 24%        | 24%        | 26%      |
| Segment operating income                                 | \$ 125.9   | \$ 143.3   | \$ 114.8 |
| Segment operating income as a percent of segment revenue | 15.9%      | 19.0%      | 16.9%    |

A reconciliation of our consolidated segment operating income to consolidated income before income taxes follows:

| Fiscal Years<br>(In millions)                         | 2019            | 2018            | 2017            |
|---|-----------------|-----------------|-----------------|
| Consolidated segment operating income                 | \$ 747.1        | \$ 734.6        | \$ 558.3        |
| Unallocated corporate expense                         | (79.3)          | (90.7)          | (86.8)          |
| Acquired deferred revenue adjustment                  | (7.0)           | (23.6)          | (2.8)           |
| Restructuring charges                                 | (27.9)          | (8.7)           | (10.5)          |
| Amortization of purchased intangible assets           | (167.8)         | (179.6)         | (148.8)         |
| Stock-based compensation                              | (75.0)          | (76.9)          | (64.8)          |
| Amortization of acquisition-related inventory step-up | —               | (0.2)           | (2.8)           |
| Acquisition and divestiture items                     | (20.5)          | (38.9)          | (7.4)           |
| Amortization of acquired capitalized commissions      | 6.3             | 4.7             | 1.3             |
| Consolidated operating income                         | <u>375.9</u>    | <u>320.7</u>    | <u>235.7</u>    |
| Non-operating income (expense), net                   | (31.1)          | (42.7)          | 12.5            |
| Consolidated income before taxes                      | <u>\$ 344.8</u> | <u>\$ 278.0</u> | <u>\$ 248.2</u> |

#### *Buildings and Infrastructure*

Buildings and Infrastructure revenue increased by \$170.5 million, or 16%, and segment operating income increased by \$63.2 million, or 25%, for fiscal 2019 as compared to fiscal 2018. Revenue increased due to the impact of the Viewpoint acquisition, as well as strong organic growth. Building construction, including Viewpoint, and civil engineering and construction experienced strong growth in service, primarily software maintenance, and subscription revenue. Segment operating income and operating income percentage increased due to organic revenue growth, higher margin service and subscription product mix and improved operating expense control, and, to a lesser extent, the impact of the Viewpoint acquisition.

### *Geospatial*

Geospatial revenue decreased by \$73.7 million, or 10%, and segment operating income decreased by \$34.2 million, or 21%, for fiscal year 2019 as compared to fiscal 2018. Revenue decreased mainly due to continuing weakness in OEM hardware sales, primarily China, and softness in geospatial survey sales. The hardware revenue decline was partially offset by stronger software sales, particularly in geospatial survey. Segment operating income and operating income percentage decreased primarily due to the negative impact from the revenue shortfall.

### *Resources and Utilities*

Resources and Utilities revenue increased by \$3.3 million, or 1%, and segment operating income increased by \$0.9 million, or 1%, for fiscal year 2019 as compared to fiscal 2018. The revenue increased mainly due to growth in positioning services, utilities, and to a lesser extent acquisition revenue, partially offset by weakness in agriculture OEM and reseller hardware sales, due to continued market uncertainties. Segment operating income increased slightly due to revenue growth and improved gross margin due to increased software, service, and subscription product mix. Operating income percentage was flat.

### *Transportation*

Transportation revenue increased by \$39.2 million, or 5%, while segment operating income decreased by \$17.4 million, or 12%, for fiscal 2019 as compared to fiscal 2018. Revenue increased primarily due to subscription growth as customers convert from software licenses and hardware growth from transportation customers. Segment operating income and operating income percentage decreased primarily due to gross margin compression resulting from hardware product mix, as well as pricing pressures, and increased research and development investments related to meeting demands of the electronic logging device regulatory mandate. We expect revenue and operating income impacts from these factors to continue into fiscal 2020, as we meet the demands of the electronic logging device regulatory mandate.

## **OFF-BALANCE SHEET ARRANGEMENTS**

Other than inventory purchases and other commitments incurred in the normal course of business (see Contractual Obligations table below), we do not have any off-balance sheet financing arrangements or liabilities.

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 may agree 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. 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 Consolidated Balance Sheets at the end of fiscal 2019 and 2018.

## LIQUIDITY AND CAPITAL RESOURCES

| <b>At the End of Fiscal Year</b>                             | <b>2019</b>    | <b>2018</b>       | <b>2017</b>     |
|--|----------------|-------------------|-----------------|
| <i>(In millions)</i>   |                |                   |                 |
| Cash and cash equivalents and short-term investments         | \$ 189.2       | \$ 172.5          | \$ 537.4        |
| As a percentage of total assets                              | 3.0%           | 3.0%              | 12.5%           |
| Principal balance of outstanding debt                        | \$ 1,854.0     | \$ 1,981.9        | \$ 918.2        |
| <br>   |                |                   |                 |
| <b>Fiscal Years</b>  | <b>2019</b>    | <b>2018</b>       | <b>2017</b>     |
| <i>(In millions)</i>   |                |                   |                 |
| Cash provided by operating activities                        | \$ 585.0       | \$ 486.7          | \$ 429.7        |
| Cash used in investing activities                            | (275.3)        | (1,649.6)         | (371.2)         |
| Cash provided by (used in) financing activities              | (292.6)        | 989.4             | 66.5            |
| Effect of exchange rate changes on cash and cash equivalents | (0.4)          | (12.5)            | 17.4            |
| Net increase (decrease) in cash and cash equivalents         | <u>\$ 16.7</u> | <u>\$ (186.0)</u> | <u>\$ 142.4</u> |

### *Cash and Cash Equivalents*

Our ability to continue to generate cash from operations will depend in large part on profitability, the rate of collections of accounts receivable, our inventory turns, and our ability to manage other areas of working capital. Our cash and cash equivalents are maintained with several financial institutions. Deposits held with banks may exceed the amount of insurance provided on such deposits. Generally, these deposits may be redeemed upon demand and are maintained with financial institutions considered to be of reputable credit and to present little credit risk. We believe that our cash and cash equivalents, and borrowings, as described below under the heading "Debt", along with cash provided by operations, will be sufficient to meet our anticipated operating cash needs, debt service, stock repurchases under the stock repurchase program, and planned capital expenditures.

### *Operating Activities*

Cash provided by operating activities was \$585.0 million for fiscal 2019, as compared to \$486.7 million for fiscal 2018. The increase of \$98.3 million was primarily driven by an increase in net income, net of non-cash items, and favorable working capital requirements mainly resulting from an increase in deferred revenue associated with revenue growth, partially offset by a decrease in accrued compensation and benefits.

### *Investing Activities*

Cash used in investing activities was \$275.3 million for fiscal 2019, as compared to \$1,649.6 million for fiscal 2018. The decrease of \$1,374.3 million used in investing activities was primarily due to spending for business acquisitions during fiscal 2018, 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, also in fiscal 2018.

### *Financing Activities*

Cash used in financing activities was \$292.6 million for fiscal 2019, as compared to cash provided by financing activities of \$989.4 million during fiscal 2018. The decrease of cash provided by financing activities of \$1,282.0 million was primarily driven by the repayment of debt, net of borrowings, in fiscal 2019 as compared to the increase in debt proceeds, net of repayments, used to fund the Viewpoint and e-Builder acquisitions in fiscal 2018.

### *Debt*

During fiscal 2019, we repaid \$127.5 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 fiscal 2019. Refer to Note 7 of the Notes to Consolidated Financial Statements for more information regarding our debt.



## CONTRACTUAL OBLIGATIONS

The following table summarizes our contractual obligations at the end of fiscal 2019:

|  | Payments Due By Period |                  |                 |                 |                   |
|--|------------------------|------------------|-----------------|-----------------|-------------------|
|  | Total                  | Less than 1 year | 1-3 years       | 3-5 years       | More than 5 years |
| <i>(In millions)</i>                           |                        |                  |                 |                 |                   |
| Principal payments on debt (1)                 | \$ 1,854.0             | \$ 219.0         | \$ 225.0        | \$ 810.0        | \$ 600.0          |
| Interest payments on debt (2)                  | 410.3                  | 74.1             | 132.3           | 102.2           | 101.7             |
| Operating leases (3)                           | 212.7                  | 46.8             | 63.7            | 38.4            | 63.8              |
| Other purchase obligations and commitments (4) | 324.7                  | 236.3            | 86.2            | 2.2             | —                 |
| Income taxes payable (5)                       | 72.7                   | 3.7              | 14.5            | 31.8            | 22.7              |
| Total  | <u>\$ 2,874.4</u>      | <u>\$ 579.9</u>  | <u>\$ 521.7</u> | <u>\$ 984.6</u> | <u>\$ 788.2</u>   |

- (1) Amount represents principal payments over the life of the debt obligations. For further information, see Note 7 to the Consolidated Financial Statements.
- (2) Amount represents the expected interest payments relating to our debt, calculated using rates in effect as of the end of fiscal 2019. For further information, see Note 7 to the Consolidated Financial Statements.
- (3) Operating leases represent undiscounted lease payments and include short-term leases and leases that were signed, but have not yet commenced as of the end of fiscal year 2019.
- (4) Other purchase obligations and commitments primarily represent open non-cancelable purchase orders for material purchases with our vendors, and also include estimated payments due for acquisition related earn-outs.
- (5) Income taxes payable represents a one-time transition tax liability related to known amounts of cash taxes payable in future years as a result of the Tax Act. For further information, see Note 13 to the Consolidated Financial Statements.

Excluded from the table above are unrecognized tax benefits of \$66.4 million included in Other non-current liabilities, including interest and penalties. At this time, we cannot make a reasonably reliable estimate of the period of cash settlement with tax authorities regarding this liability, and therefore, such amounts are not included in the contractual obligations table above.

## EFFECT OF NEW ACCOUNTING PRONOUNCEMENTS

The impact of recent accounting pronouncements is disclosed in Note 2 of our accompanying Notes to the Consolidated Financial Statements included in Part II, Item 8, "Financial Statements and Supplementary Data" of this Annual Report on Form 10-K.

## SUPPLEMENTAL DISCLOSURE OF NON-GAAP FINANCIAL MEASURES

To supplement our 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.

|   | Fiscal Years      |              |                   |              |                   |              |
|---|-------------------|--------------|-------------------|--------------|-------------------|--------------|
|   | 2019              |              | 2018              |              | 2017              |              |
|   | Dollar Amount     | % of Revenue | Dollar Amount     | % of Revenue | Dollar Amount     | % of Revenue |
| <i>(In millions, except per share data)</i> |                   |              |                   |              |                   |              |
| <b>REVENUE:</b>                             |                   |              |                   |              |                   |              |
| GAAP revenue:                               | \$ 3,264.3        |              | \$ 3,108.4        |              | \$ 2,646.5        |              |
| Acquired deferred revenue adjustment (A)    | 7.0               |              | 23.6              |              | 2.8               |              |
| Non-GAAP revenue:                           | <u>\$ 3,271.3</u> |              | <u>\$ 3,132.0</u> |              | <u>\$ 2,649.3</u> |              |
| <b>GROSS MARGIN:</b>                        |                   |              |                   |              |                   |              |
| GAAP gross margin:                          | \$ 1,780.9        | 54.6 %       | \$ 1,681.0        | 54.1 %       | \$ 1,377.6        | 52.1 %       |
| Acquired deferred revenue adjustment (A)    | 7.0               |              | 23.6              |              | 2.8               |              |
| Restructuring charges (B)                   | 1.1               |              | 0.5               |              | 3.6               |              |

|  |     |                   |        |   |        |   |        |
|--|-----|-------------------|--------|---|--------|---|--------|
| Amortization of purchased intangible assets            | (C) | 94.1              |        | 103.2                                   |        | 85.8                                    |        |
| Stock-based compensation                               | (D) | 5.6               |        | 4.5                                     |        | 3.9                                     |        |
| Amortization of acquisition-related inventory step-up  | (E) | —                 |        | 0.2                                     |        | 2.8                                     |        |
| Acquisition / divestiture items                        | (F) | —                 |        | 2.0                                     |        | —                                       |        |
| Non-GAAP gross margin:                                 |     | <u>\$ 1,888.7</u> | 57.7 % | <u>\$ 1,815.0</u>                       | 58.0 % | <u>\$ 1,476.5</u>                       | 55.7 % |
| <b>OPERATING EXPENSES:</b>                             |     |                   |        |   |        |   |        |
| GAAP operating expenses:                               |     | \$ 1,405.0        | 43.0 % | \$ 1,360.3                              | 43.8 % | \$ 1,141.9                              | 43.1 % |
| Restructuring charges                                  | (B) | (26.8)            |        | (8.2)                                   |        | (6.9)                                   |        |
| Amortization of purchased intangible assets            | (C) | (73.7)            |        | (76.4)                                  |        | (63.0)                                  |        |
| Stock-based compensation                               | (D) | (69.4)            |        | (72.4)                                  |        | (60.9)                                  |        |
| Acquisition / divestiture items                        | (F) | (20.5)            |        | (36.9)                                  |        | (7.4)                                   |        |
| Amortization of acquired capitalized commissions       | (G) | 6.3               |        | 4.7                                     |        | 1.3                                     |        |
| Non-GAAP operating expenses:                           |     | <u>\$ 1,220.9</u> | 37.3 % | <u>\$ 1,171.1</u>                       | 37.4 % | <u>\$ 1,005.0</u>                       | 37.9 % |
| <b>OPERATING INCOME:</b>                               |     |                   |        |   |        |   |        |
| GAAP operating income:                                 |     | \$ 375.9          | 11.5 % | \$ 320.7                                | 10.3 % | \$ 235.7                                | 8.9 %  |
| Acquired deferred revenue adjustment                   | (A) | 7.0               |        | 23.6                                    |        | 2.8                                     |        |
| Restructuring charges                                  | (B) | 27.9              |        | 8.7                                     |        | 10.5                                    |        |
| Amortization of purchased intangible assets            | (C) | 167.8             |        | 179.6                                   |        | 148.8                                   |        |
| Stock-based compensation                               | (D) | 75.0              |        | 76.9                                    |        | 64.8                                    |        |
| Amortization of acquisition-related inventory step-up  | (E) | —                 |        | 0.2                                     |        | 2.8                                     |        |
| Acquisition / divestiture items                        | (F) | 20.5              |        | 38.9                                    |        | 7.4                                     |        |
| Amortization of acquired capitalized commissions       | (G) | (6.3)             |        | (4.7)                                   |        | (1.3)                                   |        |
| Non-GAAP operating income:                             |     | <u>\$ 667.8</u>   | 20.4 % | <u>\$ 643.9</u>                         | 20.6 % | <u>\$ 471.5</u>                         | 17.8 % |
| <b>NON-OPERATING INCOME (EXPENSE), NET:</b>            |     |                   |        |   |        |   |        |
| GAAP non-operating expense, net:                       |     | \$ (31.1)         |        | \$ (42.7)                               |        | \$ 12.5                                 |        |
| Acquisition / divestiture items                        | (F) | (12.1)            |        | (0.3)                                   |        | (0.3)                                   |        |
| Debt issuance costs                                    | (H) | —                 |        | 6.7                                     |        | —                                       |        |
| Non-GAAP non-operating expense, net:                   |     | <u>\$ (43.2)</u>  |        | <u>\$ (36.3)</u>                        |        | <u>\$ 12.2</u>                          |        |
|  |     |                   |        | <b>GAAP and Non-GAAP Tax Rate % (N)</b> |        | <b>GAAP and Non-GAAP Tax Rate % (N)</b> |        |
| <b>INCOME TAX PROVISION (BENEFIT):</b>                 |     |                   |        |   |        |   |        |
| GAAP income tax provision (benefit):                   |     | \$ (169.7)        | (49)%  | \$ (5.3)                                | (2)%   | \$ 129.7                                | 52 %   |
| Non-GAAP items tax effected                            | (I) | 41.1              |        | 47.8                                    |        | 46.9                                    |        |
| Difference in GAAP and Non-GAAP tax rate               | (J) | 30.1              |        | 27.3                                    |        | 14.8                                    |        |
| Tax reform impacts                                     | (K) | —                 |        | 21.3                                    |        | (80.2)                                  |        |
| Reserve release upon statute of limitations expiration | (L) | \$ 14.0           |        | 24.3                                    |        | —                                       |        |
| IP restructuring impacts                               | (M) | \$ 206.3          |        | —                                       |        | —                                       |        |
| Non-GAAP income tax provision:                         |     | <u>\$ 121.8</u>   | 20 %   | <u>\$ 115.4</u>                         | 19 %   | <u>\$ 111.2</u>                         | 23 %   |
| <b>NET INCOME:</b>                                     |     |                   |        |   |        |   |        |
| GAAP net income attributable to Trimble Inc.:          |     | \$ 514.3          |        | \$ 282.8                                |        | \$ 118.4                                |        |
| Acquired deferred revenue adjustment                   | (A) | 7.0               |        | 23.6                                    |        | 2.8                                     |        |
| Restructuring charges                                  | (B) | 27.9              |        | 8.7                                     |        | 10.5                                    |        |
| Amortization of purchased intangible assets            | (C) | 167.8             |        | 179.6                                   |        | 148.8                                   |        |
| Stock-based compensation                               | (D) | 75.0              |        | 76.9                                    |        | 64.8                                    |        |

|  |               |                 |                 |                 |
|--|---------------|-----------------|-----------------|-----------------|
| Amortization of acquisition-related inventory step-up              | ( E )         | —               | 0.2             | 2.8             |
| Acquisition / divestiture items                                    | ( F )         | 8.4             | 38.6            | 7.1             |
| Amortization of acquired capitalized commissions                   | ( G )         | (6.3)           | (4.7)           | (1.3)           |
| Debt issuance costs  | ( H )         | —               | 6.7             | —               |
| Non-GAAP tax adjustments   | ( I ) - ( M ) | (291.5)         | (120.7)         | 18.5            |
| Non-GAAP net income attributable to Trimble Inc.                   |               | <u>\$ 502.6</u> | <u>\$ 491.7</u> | <u>\$ 372.4</u> |
| <b>DILUTED NET INCOME PER SHARE:</b>                               |               |                 |                 |                 |
| GAAP diluted net income per share attributable to Trimble Inc.     |               | \$ 2.03         | \$ 1.12         | \$ 0.46         |
| Acquired deferred revenue adjustment                               | ( A )         | 0.03            | 0.09            | 0.01            |
| Restructuring charges  | ( B )         | 0.11            | 0.04            | 0.04            |
| Amortization of purchased intangible assets                        | ( C )         | 0.66            | 0.71            | 0.58            |
| Stock-based compensation   | ( D )         | 0.30            | 0.30            | 0.25            |
| Amortization of acquisition-related inventory step-up              | ( E )         | —               | —               | 0.01            |
| Acquisition / divestiture items                                    | ( F )         | 0.03            | 0.15            | 0.03            |
| Amortization of acquired capitalized commissions                   | ( G )         | (0.02)          | (0.02)          | —               |
| Debt issuance costs  | ( H )         | —               | 0.03            | —               |
| Non-GAAP tax adjustments   | ( I ) - ( M ) | (1.15)          | (0.48)          | 0.07            |
| Non-GAAP diluted net income per share attributable to Trimble Inc. |               | <u>\$ 1.99</u>  | <u>\$ 1.94</u>  | <u>\$ 1.45</u>  |
| <b>ADJUSTED EBITDA:</b>  |               |                 |                 |                 |
| <b>OPERATING INCOME:</b>   |               |                 |                 |                 |
| GAAP operating income:   |               | \$ 375.9        | \$ 320.7        | \$ 235.7        |
| Acquired deferred revenue adjustment                               | ( A )         | 7.0             | 23.6            | 2.8             |
| Restructuring charges  | ( B )         | 27.9            | 8.7             | 10.5            |
| Amortization of purchased intangible assets                        | ( C )         | 167.8           | 179.6           | 148.8           |
| Stock-based compensation   | ( D )         | 75.0            | 76.9            | 64.8            |
| Amortization of acquisition-related inventory step-up              | ( E )         | —               | 0.2             | 2.8             |
| Acquisition / divestiture items                                    | ( F )         | 20.5            | 38.9            | 7.4             |
| Amortization of acquired capitalized commissions                   | ( G )         | (6.3)           | (4.7)           | (1.3)           |
| Non-GAAP operating income:   |               | <u>\$ 667.8</u> | <u>\$ 643.9</u> | <u>\$ 471.5</u> |
| Depreciation expense   |               | 39.4            | 35.6            | 34.6            |
| Income from equity method investments, net                         |               | 35.8            | 28.7            | 29.5            |
| Adjusted EBITDA  |               | <u>\$ 743.0</u> | <u>\$ 708.2</u> | <u>\$ 535.6</u> |

### Non-GAAP Revenue and Operating Income Results

Non-GAAP revenue increased by \$139.3 million or 4% as compared to 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 and Resources and Utilities, partially offset by Geospatial due to market softness.

Non-GAAP operating income increased by \$23.9 million or 4% as compared to fiscal 2018, due to strong operating results in Buildings and Infrastructure, partially offset by Geospatial and Transportation. Resources and Utilities operating income was relatively flat.

## **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 acquired deferred revenue that was written down to fair value in purchase accounting, restructuring charges, amortization of purchased intangible assets, stock-based compensation, amortization of acquisition-related inventory step-up, 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, amortization of acquisition-related inventory step-up, 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 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 acquisitions 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, that 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, amortization of acquisition-related inventory step-up, 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 as 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, amortization of acquisition-related inventory step-up, 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 as 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, amortization of acquisition-related inventory step-up, 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 fiscal years 2019, 2018 and 2017, stock-based compensation was allocated as follows:

| (In millions)                          | Fiscal Years |         |         |
|--|--------------|---------|---------|
|  | 2019         | 2018    | 2017    |
| Cost of sales                          | \$ 5.6       | \$ 4.5  | \$ 3.9  |
| Research and development               | 16.7         | 15.0    | 10.4    |
| Sales and Marketing                    | 13.0         | 10.0    | 9.3     |
| General and administrative             | 39.7         | 47.4    | 41.2    |
| Total stock-based compensation expense | \$ 75.0      | \$ 76.9 | \$ 64.8 |

- (E) *Amortization of acquisition-related inventory step-up.* The purchase accounting entries associated with our business acquisitions require us to record inventory at its fair value, which is sometimes greater than the previous book value of the inventory. Included in our GAAP presentation, the increase in inventory value is amortized to cost of sales over the period that the related product is sold. We exclude inventory step-up amortization from our non-GAAP measures because it is a non-cash expense that we do not believe is indicative of our ongoing operating results. We further believe that excluding this item from our non-GAAP results is useful to investors in that it allows for period-over-period comparability.
- (F) *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 expense, net, acquisition/divestiture items include 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.
- (G) *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.
- (H) *Debt issuance costs.* Included in our non-operating expense, 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.
- (I) *Non-GAAP items tax effected.* This amount adjusts the provision for income taxes to reflect the effect of the non-GAAP items (A) - (H) 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.
- (J) *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 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.
- (K) *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 primarily includes a one-time tax benefit from the policy election to establish deferred taxes in relation to GILTI as created by the Tax Act. 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.
- (L) *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 for certain years. We excluded this because it is non-recurring and is not indicative of our core operating performance.

- (M) *IP restructuring impacts.* These amounts represent net deferred tax impacts resulting from a non-U.S. intercompany transfer of intellectual property, consistent with changes in tax laws and our international business operations. We excluded this because it is not indicative of our core operating performance.
- (N) *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 7A. 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**

Our cash equivalents consisted primarily of interest and non-interest bearing bank deposits as well as bank time deposits. The main objective of these instruments is safety of principal and liquidity while maximizing return, without significantly increasing risk.

Due to the nature of our cash equivalents that they are readily convertible to cash, we do not anticipate any material effect on our portfolio due to fluctuations in interest rates.

We are exposed to market risk due to the possibility of changing interest rates under our credit facilities. Our 2018 Credit Facility is comprised of a five-year revolving loan facility with a maturity date of May 2023 and a three-year term loan facility with a maturity date of May 2021. We also have three unsecured uncommitted revolving credit facilities that are callable by the bank at any time. We may borrow funds under the 2018 Credit Facility in U.S. Dollars in the case of the Term Loan and U.S. Dollars, Euros or in certain other agreed currencies in the case of the Revolving Credit Facility as described under Note 7 of Notes to the Consolidated Financial Statements.

At the end of fiscal 2019, we had outstanding a term loan facility of \$225.0 million and a revolver credit facility of \$110.0 million under the 2018 Credit Facility and three revolving credit facilities of \$218.7 million under the Uncommitted Facilities. A hypothetical 10% increase in our borrowing rates at the end of fiscal 2019 could result in approximately \$5.6 million annual increase in interest expense on these existing principal balances.

The hypothetical changes and assumptions made above will be different from what actually occurs in the future. Furthermore, the computations do not anticipate actions that may be taken by our management should the hypothetical market changes actually occur over time. As a result, actual earnings effects in the future will differ from those quantified above.

### **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 Euros. 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 fiscal 2019, revenue and operating income were unfavorably impacted by foreign currency exchange rates by \$43.8 million and \$2.1 million, respectively.



We enter into foreign currency forward contracts to minimize the short-term impact of foreign currency exchange rate fluctuations on cash, debt, and certain trade and inter-company receivables and payables, primarily denominated in Euros, 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 at the end of fiscal 2019 and 2018 are summarized as follows:

|                      | At the End of Fiscal 2019 |            | At the End of Fiscal 2018 |            |
|----------------------|---------------------------|------------|---------------------------|------------|
|                      | Nominal Amount            | Fair Value | Nominal Amount            | Fair Value |
| <i>(In millions)</i> |                           |            |                           |            |
| Forward contracts:   |                           |            |                           |            |
| Purchased            | \$ (84.3)                 | \$ 0.3     | \$ (65.8)                 | \$ —       |
| Sold                 | \$ 159.2                  | \$ (1.0)   | \$ 144.2                  | \$ 0.4     |

**TRIMBLE INC.**  
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**Item 8. Financial Statements and Supplementary Data**

**CONSOLIDATED BALANCE SHEETS**

| At the End of Fiscal Year  | 2019              | 2018              |
|--|-------------------|-------------------|
| <i>(In millions, except par values)</i>  |                   |                   |
| <b>ASSETS</b>  |                   |                   |
| Current assets:  |                   |                   |
| Cash and cash equivalents  | \$ 189.2          | \$ 172.5          |
| Accounts receivable, net   | 608.2             | 512.6             |
| Inventories  | 312.1             | 298.0             |
| Other current assets   | 102.3             | 106.0             |
| Total current assets   | 1,211.8           | 1,089.1           |
| Property and equipment, net  | 241.4             | 212.9             |
| Operating lease right-of-use assets  | 140.3             | —                 |
| Goodwill   | 3,680.6           | 3,540.0           |
| Other purchased intangible assets, net   | 678.7             | 744.3             |
| Deferred income tax assets   | 475.5             | 12.2              |
| Other non-current assets   | 212.4             | 177.9             |
| Total assets   | <u>\$ 6,640.7</u> | <u>\$ 5,776.4</u> |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>  |                   |                   |
| Current liabilities:   |                   |                   |
| Short-term debt  | \$ 219.0          | \$ 256.2          |
| Accounts payable   | 159.3             | 147.6             |
| Accrued compensation and benefits  | 123.5             | 169.2             |
| Deferred revenue   | 490.4             | 348.4             |
| Other current liabilities  | 198.1             | 133.8             |
| Total current liabilities  | 1,190.3           | 1,055.2           |
| Long-term debt   | 1,624.2           | 1,712.3           |
| Deferred revenue, non-current  | 51.5              | 38.8              |
| Deferred income tax liabilities  | 318.2             | 73.8              |
| Income taxes payable   | 69.1              | 71.3              |
| Operating lease liabilities  | 114.1             | —                 |
| Other non-current liabilities  | 152.9             | 150.2             |
| Total liabilities  | 3,520.3           | 3,101.6           |
| Commitments and contingencies (Note 9)   |                   |                   |
| 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; 249.9 and 250.9 shares issued and outstanding at the end of fiscal 2019 and 2018, respectively | 0.2               | 0.3               |
| Additional paid-in-capital   | 1,692.8           | 1,591.9           |
| Retained earnings  | 1,602.8           | 1,268.3           |
| Accumulated other comprehensive loss   | (176.8)           | (186.1)           |
| Total Trimble Inc. stockholders' equity  | 3,119.0           | 2,674.4           |
| Noncontrolling interests   | 1.4               | 0.4               |
| Total stockholders' equity   | 3,120.4           | 2,674.8           |
| Total liabilities and stockholders' equity   | <u>\$ 6,640.7</u> | <u>\$ 5,776.4</u> |

*See accompanying Notes to the Consolidated Financial Statements.*

## CONSOLIDATED STATEMENTS OF INCOME

| Fiscal Years  | 2019            | 2018            | 2017            |
|---|-----------------|-----------------|-----------------|
| <i>(In millions, except per share data)</i>           |                 |                 |                 |
| Revenue:  |                 |                 |                 |
| Product   | \$ 1,934.8      | \$ 1,999.9      | \$ 1,763.8      |
| Service   | 686.2           | 588.7           | 475.4           |
| Subscription  | 643.3           | 519.8           | 407.3           |
| Total revenue   | <u>3,264.3</u>  | <u>3,108.4</u>  | <u>2,646.5</u>  |
| Cost of sales:  |                 |                 |                 |
| Product   | 939.4           | 938.9           | 875.6           |
| Service   | 253.9           | 247.3           | 194.4           |
| Subscription  | 196.0           | 138.0           | 113.1           |
| Amortization of purchased intangible assets           | 94.1            | 103.2           | 85.8            |
| Total cost of sales                                   | <u>1,483.4</u>  | <u>1,427.4</u>  | <u>1,268.9</u>  |
| Gross margin  | <u>1,780.9</u>  | <u>1,681.0</u>  | <u>1,377.6</u>  |
| Operating expense:                                    |                 |                 |                 |
| Research and development                              | 469.7           | 446.1           | 370.2           |
| Sales and marketing                                   | 504.2           | 479.8           | 400.1           |
| General and administrative                            | 330.6           | 349.8           | 301.7           |
| Restructuring charges                                 | 26.8            | 8.2             | 6.9             |
| Amortization of purchased intangible assets           | 73.7            | 76.4            | 63.0            |
| Total operating expense                               | <u>1,405.0</u>  | <u>1,360.3</u>  | <u>1,141.9</u>  |
| Operating income                                      | <u>375.9</u>    | <u>320.7</u>    | <u>235.7</u>    |
| Non-operating income (expense), net:                  |                 |                 |                 |
| Interest expense, net                                 | (82.4)          | (73.2)          | (25.2)          |
| Income from equity method investments, net            | 35.8            | 28.7            | 29.5            |
| Other income, net                                     | 15.5            | 1.8             | 8.2             |
| Total non-operating income (expense), net             | <u>(31.1)</u>   | <u>(42.7)</u>   | <u>12.5</u>     |
| Income before taxes                                   | <u>344.8</u>    | <u>278.0</u>    | <u>248.2</u>    |
| Income tax provision (benefit)                        | <u>(169.7)</u>  | <u>(5.3)</u>    | <u>129.7</u>    |
| Net income  | <u>514.5</u>    | <u>283.3</u>    | <u>118.5</u>    |
| Net gain attributable to noncontrolling interests     | 0.2             | 0.5             | 0.1             |
| Net income attributable to Trimble Inc.               | <u>\$ 514.3</u> | <u>\$ 282.8</u> | <u>\$ 118.4</u> |
| Basic earnings per share                              | <u>\$ 2.05</u>  | <u>\$ 1.13</u>  | <u>\$ 0.47</u>  |
| Shares used in calculating basic earnings per share   | <u>250.8</u>    | <u>250.0</u>    | <u>252.1</u>    |
| Diluted earnings per share                            | <u>\$ 2.03</u>  | <u>\$ 1.12</u>  | <u>\$ 0.46</u>  |
| Shares used in calculating diluted earnings per share | <u>252.9</u>    | <u>253.4</u>    | <u>256.7</u>    |

*See accompanying Notes to the Consolidated Financial Statements.*

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| <b>Fiscal Years</b>   | <b>2019</b>     | <b>2018</b>     | <b>2017</b>     |
|---|-----------------|-----------------|-----------------|
| <i>(In millions)</i>  |                 |                 |                 |
| Net income  | \$ 514.5        | \$ 283.3        | \$ 118.5        |
| Foreign currency translation adjustments, net of tax \$0.1 in 2019 and 2018, respectively and \$3.7 in 2017 | 10.3            | (55.6)          | 90.9            |
| Net unrealized gain (loss), net of tax  | (1.0)           | 0.9             | (0.5)           |
| Comprehensive income  | 523.8           | 228.6           | 208.9           |
| Comprehensive income attributable to noncontrolling interests   | 0.2             | 0.5             | 0.1             |
| Comprehensive income attributable to Trimble Inc.   | <u>\$ 523.6</u> | <u>\$ 228.1</u> | <u>\$ 208.8</u> |

*See accompanying Notes to the Consolidated Financial Statements.*

## CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

|  | 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 2016                                      | 251.3        | \$ 0.3 | \$ 1,348.3                 | \$ 1,228.5        | \$ (221.8)                           | \$ 2,355.3                 | \$ (0.1)                | \$ 2,355.2   |
| Net income   | —            | —      | —                          | 118.4             | —                                    | 118.4                      | 0.1                     | 118.5        |
| Other comprehensive income   | —            | —      | —                          | —                 | 90.4                                 | 90.4                       | —                       | 90.4         |
| Comprehensive income   |              |        |                            |                   |                                      | <u>208.8</u>               |                         | <u>208.9</u> |
| Issuance of common stock under employee plans, net of tax withholdings | 5.0          | —      | 90.0                       | (16.7)            | —                                    | 73.3                       | —                       | 73.3         |
| Stock repurchases  | (7.4)        | (0.1)  | (42.2)                     | (246.0)           | —                                    | (288.3)                    | —                       | (288.3)      |
| Stock-based compensation   | —            | —      | 65.0                       | —                 | —                                    | 65.0                       | —                       | 65.0         |
| Tax benefit from stock option exercises                                | —            | —      | —                          | 0.4               | —                                    | 0.4                        | —                       | 0.4          |
| 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   | —            | —      | —                          | 282.8             | —                                    | 282.8                      | 0.5                     | 283.3        |
| Other comprehensive loss   | —            | —      | —                          | —                 | (54.7)                               | (54.7)                     | —                       | (54.7)       |
| Comprehensive income   |              |        |                            |                   |                                      | <u>228.1</u>               |                         | <u>228.6</u> |
| Issuance of common stock under employee plans, net of tax withholdings | 4.4          | 0.1    | 67.5                       | (27.4)            | —                                    | 40.2                       | —                       | 40.2         |
| Stock repurchases  | (2.4)        | —      | (14.7)                     | (75.3)            | —                                    | (90.0)                     | —                       | (90.0)       |
| Stock-based compensation   | —            | —      | 78.0                       | —                 | —                                    | 78.0                       | —                       | 78.0         |
| Noncontrolling interest investments                                    | —            | —      | —                          | —                 | —                                    | —                          | (0.1)                   | (0.1)        |
| Tax benefit on new accounting guidance adoption                        | —            | —      | —                          | 3.6               | —                                    | 3.6                        | —                       | 3.6          |
| 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   | —            | —      | —                          | 514.3             | —                                    | 514.3                      | 0.2                     | 514.5        |
| Other comprehensive income   | —            | —      | —                          | —                 | 9.3                                  | 9.3                        | —                       | 9.3          |
| Comprehensive income   |              |        |                            |                   |                                      | <u>523.6</u>               |                         | <u>523.8</u> |
| Issuance of common stock under employee plans, net of tax withholdings | 3.7          | —      | 59.8                       | (30.7)            | —                                    | 29.1                       | —                       | 29.1         |
| Stock repurchases  | (4.7)        | (0.1)  | (30.6)                     | (149.1)           | —                                    | (179.8)                    | —                       | (179.8)      |
| Stock-based compensation   | —            | —      | 72.5                       | —                 | —                                    | 72.5                       | —                       | 72.5         |
| Noncontrolling interest investments                                    | —            | —      | (0.8)                      | —                 | —                                    | (0.8)                      | 0.8                     | —            |
| Balance at the end of fiscal 2019                                      | 249.9        | \$ 0.2 | \$ 1,692.8                 | \$ 1,602.8        | \$ (176.8)                           | \$ 3,119.0                 | \$ 1.4                  | \$ 3,120.4   |

See accompanying Notes to the Consolidated Financial Statements.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

| Fiscal Years<br>(In millions)   | 2019            | 2018             | 2017            |
|---|-----------------|------------------|-----------------|
| Cash flows from operating activities  |                 |                  |                 |
| Net income  | \$ 514.5        | \$ 283.3         | \$ 118.5        |
| Adjustments to reconcile net income to net cash provided by operating activities: |                 |                  |                 |
| Depreciation expense  | 39.4            | 35.6             | 34.6            |
| Amortization expense  | 167.8           | 179.6            | 148.8           |
| Deferred income taxes   | (220.2)         | (47.6)           | (16.1)          |
| Stock-based compensation  | 75.0            | 76.9             | 64.8            |
| Income (loss) from equity method investments, net of dividends                    | (7.8)           | 1.9              | (11.4)          |
| Other, net  | 5.5             | 21.3             | 5.5             |
| (Increase) decrease in assets:  |                 |                  |                 |
| Accounts receivable, net  | (96.0)          | (51.0)           | (42.7)          |
| Inventories   | (21.3)          | (45.0)           | (37.3)          |
| Other current and non-current assets  | 11.0            | (17.6)           | (15.6)          |
| Increase (decrease) in liabilities:   |                 |                  |                 |
| Accounts payable  | 14.5            | (2.0)            | 25.7            |
| Accrued compensation and benefits   | (46.4)          | 18.6             | 34.0            |
| Deferred revenue  | 148.2           | 76.3             | 19.3            |
| Other current and non-current liabilities   | 0.8             | (43.6)           | 101.6           |
| Net cash provided by operating activities   | <u>585.0</u>    | <u>486.7</u>     | <u>429.7</u>    |
| Cash flow from investing activities:  |                 |                  |                 |
| Acquisitions of businesses, net of cash acquired                                  | (220.8)         | (1,763.5)        | (280.2)         |
| Acquisitions of property and equipment  | (69.0)          | (67.6)           | (43.7)          |
| Purchases of short-term investments   | —               | (24.0)           | (288.0)         |
| Proceeds from maturities of short-term investments                                | —               | 6.2              | 122.1           |
| Proceeds from sales of short-term investments                                     | —               | 196.8            | 97.7            |
| Other, net  | 14.5            | 2.5              | 20.9            |
| Net cash used in investing activities   | <u>(275.3)</u>  | <u>(1,649.6)</u> | <u>(371.2)</u>  |
| Cash flows from financing activities:   |                 |                  |                 |
| Issuance of common stock, net of tax withholdings                                 | 29.1            | 40.2             | 73.8            |
| Repurchase of common stock  | (179.8)         | (93.0)           | (285.3)         |
| Proceeds from debt and revolving credit lines                                     | 1,195.4         | 2,976.4          | 786.0           |
| Payments on debt and revolving credit lines                                       | (1,322.9)       | (1,925.1)        | (495.4)         |
| Other, net  | (14.4)          | (9.1)            | (12.6)          |
| Net cash provided by (used in) financing activities                               | <u>(292.6)</u>  | <u>989.4</u>     | <u>66.5</u>     |
| Effect of exchange rate changes on cash and cash equivalents                      | <u>(0.4)</u>    | <u>(12.5)</u>    | <u>17.4</u>     |
| Net increase (decrease) in cash and cash equivalents                              | 16.7            | (186.0)          | 142.4           |
| Cash and cash equivalents - beginning of fiscal year                              | 172.5           | 358.5            | 216.1           |
| Cash and cash equivalents - end of fiscal year                                    | <u>\$ 189.2</u> | <u>\$ 172.5</u>  | <u>\$ 358.5</u> |

*See accompanying Notes to the Consolidated Financial Statements.*

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 1: DESCRIPTION OF BUSINESS

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. ("Trimble" or the "Company") 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 enable professionals and field mobile workers to improve or transform their work processes. Our comprehensive work process solutions are used across a range of industries including agriculture, architecture, civil engineering, survey and land administration, construction, geospatial, government, natural resources, transportation, and utilities. Representative Trimble customers include engineering and construction firms, contractors, owners, surveying companies, farmers and agricultural companies, trucking companies, energy, utility companies, and state, federal, and municipal governments.

Trimble focuses in transforming the way the world works by delivering products and services that connect the physical and digital worlds. Core technologies used in positioning, modeling, connectivity, and data analytics enable customers to improve productivity, quality, safety, and sustainability. Products are sold based on return on investment and provide benefits such as lower operational costs, higher productivity, improved quality, enhanced safety and regulatory compliance, and reduced environmental impact. Representative products include equipment that automates and enables increased precision within large industrial equipment such as tractors and bulldozers; integrated systems that track fleets of vehicles and workers and provide real-time information and analytics to the back-office; data collection systems that enable the management of large amounts of geo-referenced information; software solutions that connect all aspects of a construction site or a farm; and building information modeling ("BIM") software that is used throughout the design, build, and operation of buildings.

### NOTE 2: ACCOUNTING POLICIES

#### Use of Estimates

The preparation of financial statements in accordance with U.S. generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Estimates 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, 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.

#### Basis of Presentation

The Company has a 52-53 week fiscal year, ending on the Friday nearest to December 31. Fiscal 2019 is a 53-week year and ended on January 3, 2020, and 2018 and 2017 were 52-week years, ended on December 28, 2018 and December 29, 2017, respectively. Unless otherwise stated, all dates refer to the Company's fiscal year.

These 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 Company has presented revenue and cost of sales separately for products, service, and subscriptions. Product revenue includes hardware, software licenses, parts and accessories; service revenue includes maintenance and support for hardware and software products, training, and professional services; subscription revenue includes software as a service ("SaaS"), data, and hosting services.

#### Reportable Segments

The Company reports its financial performance, including revenue and operating income, based on four reportable segments: Buildings and Infrastructure, Geospatial, Resources and Utilities, and Transportation.

The Company's Chief Executive Officer (chief operating decision maker) views and evaluates operations based on the results of the Company's reportable operating segments under its management reporting system. These results are not necessarily in conformance with U.S. GAAP.



## **Revenue Recognition**

### ***Significant Judgments***

Revenue is recognized upon transfer of control of promised products or services to customers in an amount that reflects the consideration that the Company expects to receive in exchange for those products or services. Revenue is recognized net of allowance for returns and any taxes collected from customers. The Company enters into contracts that can include various combinations of products and services, which are generally capable of being distinct and accounted for as separate performance obligations; however, determining whether products or services are considered distinct performance obligations that should be accounted for separately versus together may sometimes require significant judgment.

Judgment is required to determine stand-alone selling price ("SSP") for each distinct performance obligation. The Company uses a range of amounts to estimate SSP when products and services are sold separately and determines whether there is a discount to be allocated based on the relative SSP of the various products and services. In instances where SSP is not directly observable, the Company determines SSP using information that may include market conditions and other observable inputs.

### ***Nature of Goods and Services***

The Company generates revenue primarily from products, services, and subscriptions; each of which is a distinct performance obligation. Product revenue includes hardware and software. Services, including software maintenance, extended warranty, and subscriptions, are performance obligations generally recognized over time. Descriptions are as follows:

#### ***Product***

Revenue for hardware is recognized when the control of the product transfers to the customer, which is generally when the product is shipped. The Company recognizes shipping fees reimbursed by the customer as revenue and the cost for shipping as an expense in Cost of sales when control over products has transferred to the customer.

Revenue for perpetual and term software licenses is recognized upon delivery and commencement of license term. In general, the Company's contracts do not provide for customer specific acceptances.

A small amount of revenue is derived from the licensing of software to OEM customers. Royalty revenue is recognized as and when the sales or usage occurs, which generally is at the time the OEM ships products incorporating the Company's software.

#### ***Services***

*Professional services* include installation, training, configuration, project management, system integrations, customization, data migration/conversion, and other implementation services. The majority of professional services are not complex, can be provided by other vendors, and are readily available and billed on a time-and-material basis. Revenue for distinct professional services is recognized over time, based on work performed.

In some contracts, products and professional services may be combined into a single performance obligation. This generally arises when products or subscriptions are sold with significant customization, modification, or integration services. Revenue for the combined performance is recognized over time as the work progresses because of the continuous transfer of control to the customer.

*Software maintenance* entitles the customer to receive software product upgrades and enhancements on a when and if available basis and technical support. Software maintenance is recognized on a straight-line basis commencing upon product delivery over the post contract support term, which ranges from one to three years, with one year term being most common.

*Extended warranty* entitles the customer to receive replacement parts and repair services. Extended warranty is separately priced and is recognized on a straight-line basis over the extended service period, which begins after the standard warranty period, ranging from one to two years depending on the product line.

### ***Subscription***

The Company's software as a service ("SaaS") performance obligations may be sold with devices used to collect, generate, and transmit data. SaaS is distinct from the related devices. In addition, the Company may host the software that the customer has separately licensed. Hosting services are distinct from the underlying software.

Subscription terms generally range from month-to-month to five years. Subscription revenue is recognized monthly over the service duration, commencing from activation.

### **Deferred Costs to Obtain Customer Contracts**

The Company's incremental cost of obtaining contracts, which consists of sales commissions related to customer contracts that include maintenance or subscription revenue, are deferred if the contractual term is greater than a year or if renewals are expected, and the renewal commission is not commensurate with the initial commission. These commission costs are deferred and amortized over a benefit period, either the contract term or the shorter of customer or product life, which is generally between three to seven years. The Company has elected the practical expedient to exclude contracts with an amortization period of a year or less from this deferral requirement.

### **Remaining Performance Obligations**

Remaining performance obligations represent contracted revenue for which goods or services have not been delivered. The contracted revenue, which will be recognized in future periods, includes both invoiced amounts in deferred revenue as well as amounts that are not yet invoiced.

### **Foreign Currency Translation**

Assets and liabilities of non-U.S. subsidiaries that operate in local currencies are translated to U.S. dollars at exchange rates in effect at the balance sheet date, with the resulting translation adjustments, net of tax, recorded in Accumulated other comprehensive loss within the stockholders' equity section of the Consolidated Balance Sheets. Income and expense accounts are translated at average monthly exchange rates during the year.

### **Derivative Financial Instruments**

The Company enters into foreign exchange forward contracts to minimize the short-term impact of foreign currency fluctuations on cash and certain trade and inter-company receivables and payables, primarily denominated in Euro, British pound, New Zealand dollars, Australian dollars, Brazil 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 original maturity. The Company occasionally enters into foreign currency forward contracts to hedge the purchase price of some of our larger business acquisitions. The Company does not enter into foreign currency forward contracts for trading purposes. As of the fiscal years ended 2019 and 2018, there were no derivative financial instruments outstanding that were accounted for as hedges.

### **Concentrations of Risk**

Cash and cash equivalents are maintained with several financial institutions. Deposits held with banks may exceed the amount of insurance provided on such deposits. Generally, these deposits may be redeemed upon demand and are maintained with financial institutions of reputable credit and therefore bear minimal credit risk.

The Company is also exposed to credit risk in the Company's trade receivables, which are derived from sales to end-user customers in diversified industries as well as various resellers. The Company performs ongoing credit evaluations of its customers' financial conditions and limits the amount of credit extended, when deemed necessary, but generally does not require collateral.

In addition, the Company relies on a limited number of suppliers for a number of its critical components.

### **Accounts Receivable, Net**

Accounts receivable, net, includes billed and unbilled amounts due from customers. Unbilled receivables include revenue recognized that exceeds the amount billed to the customer, provided the billing is not contingent upon future performance, and the Company has the unconditional right to future payment with only the passage of time required. Both billed and unbilled amounts due are stated at their net estimated realizable value. The unbilled receivables were \$129.5 million and \$22.3 million at the end of fiscal 2019 and 2018, respectively.

The Company maintains an allowance for doubtful accounts to provide for the estimated amount of receivables that will not be collected. Each reporting period, the Company evaluates the collectibility of its trade accounts receivable based on a number of factors such as age of the accounts receivable balances, credit quality, historical experience, and current economic conditions that may affect a customer's ability to pay. The allowance for doubtful accounts was \$5.9 million and \$4.6 million at the end of the fiscal 2019 and 2018, respectively.

### **Inventories**

Inventories are stated at the lower of cost or net realizable value. Adjustments are also made to reduce the cost of inventory for estimated excess or obsolete balances. Factors influencing these adjustments include declines in demand that impact inventory purchasing forecasts, technological changes, product life cycle and development plans, component cost trends, product pricing, physical deterioration, and quality issues. If the Company's estimates used to reserve for excess and obsolete inventory differ from what it expected, the Company may be required to recognize additional reserves, which would negatively impact its gross margin.

### **Property and Equipment, Net**

Property and equipment, net is stated at cost less accumulated depreciation. Depreciation of property and equipment is computed using the straight-line method over the shorter of the estimated useful lives or the lease terms when applicable. Useful lives generally range from four to six years for machinery and equipment, five to ten years for furniture and fixtures, two to five years for computer equipment and software, thirty-nine years for buildings, and the life of the lease for leasehold improvements. The Company capitalizes eligible costs to acquire or develop certain internal use software that are incurred subsequent to the preliminary project stage. Capitalized costs related to internal-use software are amortized using the straight-line method over the estimated useful lives of the assets, which range generally from two to five years. The costs of repairs and maintenance are expensed when incurred, while expenditures for refurbishments and improvements that significantly add to the productive capacity or extend the useful life of an asset are capitalized. Depreciation expense was \$39.4 million in fiscal 2019, \$35.6 million in fiscal 2018 and \$34.6 million in fiscal 2017.

### **Leases**

The Company determines if an arrangement is a lease at inception. Operating leases with lease terms greater than one year are included in operating lease right-of-use ("ROU") assets and operating lease liabilities in our Consolidated Balance Sheets.

ROU assets represent our right to use an underlying asset for the lease term, and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. Present value is determined by using the Company's incremental borrowing rate based on the estimated rate of interest for collateralized borrowing over a similar term of the lease payments at commencement date. The operating lease ROU asset includes adjustments made for uneven rents and lease incentives. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

Lease agreements that include both lease and non-lease components are accounted for as part of the overall lease arrangement.

## **Business Combinations**

The Company allocates the fair value of purchase consideration to the assets acquired, liabilities assumed, and non-controlling interests in the acquiree based on their fair values at the acquisition date. The excess of the fair value of purchase consideration over the fair value of these assets acquired, liabilities assumed, and non-controlling interests in the acquiree is recorded as goodwill.

When determining the fair values of assets acquired, liabilities assumed, and non-controlling interests in the acquiree, management makes significant estimates and assumptions, especially with respect to intangible assets. Critical estimates in valuing intangible assets include expected future cash flows based on consideration of future growth rates and margins, customer attrition rates, future changes in technology and brand awareness, loyalty and position, and discount rates. Fair value estimates are based on the assumptions management believes a market participant would use in pricing the asset or liability. Amounts recorded in a business combination may change during the measurement period, which is a period not to exceed one year from the date of acquisition, as additional information about conditions existing at the acquisition date becomes available.

## **Goodwill and Purchased Intangible Assets**

Goodwill represents the excess of the purchase consideration over the fair value of the net tangible and identifiable intangible assets acquired in a business combination. Intangible assets acquired individually, with a group of other assets, or in a business combination are recorded at fair value. Identifiable intangible assets are comprised of technology, patents, licenses, customer contracts, acquired backlog, trademarks, and in-process research and development. Identifiable intangible assets are amortized over the period of estimated benefit using the straight-line method and have estimated useful lives ranging from three years to ten years with a weighted average useful life of 6.6 years. Goodwill is not subject to amortization, but is subject to, at a minimum, an annual assessment for impairment.

## **Impairment of Goodwill, Intangible Assets, and Other Long-Lived Assets**

The Company evaluates goodwill on an annual basis or more frequently if indicators of potential impairment exist. The annual goodwill impairment test is performed at the reporting unit level in the fourth fiscal quarter of each year. We utilize either a qualitative assessment or a quantitative test to assess the likelihood of an impairment. In performing the qualitative assessment, we consider macroeconomic conditions, industry and market considerations, overall financial performance, and other relevant events and factors that may impact the reporting units. When the Company performs a quantitative test, the estimation of the fair value of a reporting unit involves the use of certain estimates and assumptions including expected future operating performance using risk-adjusted discount rates.

Identifiable intangible assets are amortized over their estimated useful lives on a straight-line basis. Changes in circumstances such as technological advances, changes to business models, or changes in the capital strategy could result in a revised useful life. If the useful life of an asset is revised, the net book value of the estimated residual value is amortized over its revised remaining useful life. Intangible assets are evaluated for impairment whenever events or changes in circumstances indicate that the carrying amount of those assets may not be recoverable based on their future cash flows. The estimated future cash flows are primarily based upon assumptions about expected future operating performance.

## **Warranty**

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 cost is primarily estimated based upon historical trends in the volume of product returns within the warranty period and the cost to repair or replace the equipment. When products sold include warranty provisions, they are covered by a warranty for periods ranging from one year to two years.

Accrued warranty expenses of \$16.3 million and \$15.3 million is included in Other current liabilities in the Consolidated Balance Sheets at the end of fiscal 2019 and 2018.

## **Guarantees, Including Indirect Guarantees of Indebtedness of Others**

In the normal course of business to facilitate sales of our products, the Company indemnifies other parties, including customers, lessors, and parties to other transactions with us with respect to certain matters. The Company may agree 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. In connection with divesting some of the Company's businesses or assets, the Company may also indemnify purchasers for certain matters in the normal course of business, such as breaches of representations, covenants, or

excluded liabilities. In addition, the Company entered into indemnification agreements with our officers and directors, and the Company's bylaws contain similar indemnification obligations to the Company's 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 the Company under these agreements were not material, and no liabilities have been recorded for these obligations on the Consolidated Balance Sheets at the end of fiscal 2019 and 2018.

### **Advertising and Promotional Costs**

The Company expenses all advertising and promotional costs as incurred. Advertising and promotional expense was approximately \$42.7 million, \$42.7 million, and \$37.2 million, in fiscal 2019, 2018, and 2017, respectively.

### **Research and Development Costs**

Research and development costs are charged to expense as incurred. Costs of software developed for external sale subsequent to reaching technical feasibility were not significant and were expensed as incurred. The Company received third-party funding of approximately \$16.5 million, \$19.5 million, and \$18.1 million in fiscal 2019, 2018, and 2017, respectively. The Company offsets research and development expense with any unconditional third-party funding earned and retains the rights to any technology developed under such arrangements.

### **Stock-Based Compensation**

Stock-based compensation expense recognized in the Consolidated Statements of Income is based on the grant date fair value of the stock-based awards, net of estimated forfeitures. The Company attributes the fair value of stock options and restricted stock units ("RSUs") to expense using the straight-line method. The fair value for RSUs with service conditions and performance-based conditions is measured at the grant date using the fair value of Trimble's common stock. Total expense for performance-based RSUs is based upon the probable expected achievement of the underlying performance goals as adjusted in future periods for changes in expectations and actual achievement. The fair value for market-based RSUs is measured at the grant date using a Monte Carlo model. The grant date fair value for stock options and rights to purchase shares under the Company's Employee Stock Purchase Plan ("ESPP") is estimated using the Black-Scholes option pricing model. The Company estimates forfeitures at the date of grant and revises those estimates in subsequent periods if actual forfeitures differ from those estimates. The Company uses historical and current information to estimate forfeitures.

## **Income Taxes**

Income taxes are accounted for under the liability method, whereby deferred tax assets or liability account balances are calculated at the balance sheet date using current tax laws and rates in effect for the year in which the differences are expected to affect taxable income. A valuation allowance is recorded to reduce the carrying amounts of deferred tax assets if it is more likely than not such assets will not be realized. The Company's valuation allowance is primarily attributable to foreign net operating losses and state research and development credit carryforwards. Management believes that it is more likely than not that the Company will not realize certain of these deferred tax assets, and, accordingly, a valuation allowance has been provided for such amounts. Valuation allowance adjustments associated with an acquisition after the measurement period are recorded through income tax expense.

Relative to uncertain tax positions, the Company only recognizes a tax benefit if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such positions are then measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. The Company considers many factors when evaluating and estimating our tax positions and tax benefits, which may require periodic adjustments and may not accurately forecast actual tax audit outcomes. Determining whether an uncertain tax position is effectively settled requires judgment. Changes in recognition or measurement of the Company's uncertain tax positions would result in the recognition of a tax benefit or an additional charge to the tax provision. The Company's practice is to recognize interest and/or penalties related to income tax matters in income tax expense.

The Company is subject to income taxes in the U.S. and numerous other countries and is subject to routine corporate income tax audits in many of these jurisdictions. The Company generally believes that positions taken on its tax returns are more likely than not to be sustained upon audit, but tax authorities in some circumstance have, and may in the future, successfully challenge these positions. Accordingly, the Company's income tax provision includes amounts intended to satisfy assessments that may result from these challenges. Determining the income tax provision for these potential assessments and recording the related effects requires management judgments and estimates. The amounts ultimately paid on resolution of an audit could be materially different from the amounts previously included in the Company's income tax provision and, therefore, could have a material impact on its income tax provision, net income, and cash flows. The Company's accrual for uncertain tax positions includes uncertainties concerning the tax treatment of our international operations, including the allocation of income among different jurisdictions, intercompany transactions, and related interest.

## **Computation of Earnings Per Share**

The number of shares used in the calculation of basic earnings per share represents the weighted average common shares outstanding during the period and excludes any potentially dilutive securities. The dilutive effects of outstanding stock options, restricted stock units, and shares to be purchased under the Company's employee stock purchase plan are included in diluted earnings per share unless they are anti-dilutive.

## **Recent Accounting Pronouncements**

### *Fiscal 2019 Adoption*

#### *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 ROU assets, Other current liabilities, and Operating lease liabilities on the Company's 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 Consolidated Balance Sheets but did not have an impact on its Consolidated Income Statements or Statement 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.

## Fiscal 2020 Adoption

### *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. Furthermore, 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. The Company currently anticipates that the adoption will not have a material impact on its 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. The Company currently anticipates that the adoption will not have a material impact on its 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. The Company currently anticipates that the adoption will not have a material impact on its Consolidated Financial Statements.

## Future Adoption

### *Income Taxes - Simplifying the Accounting for Income Taxes*

In December 2019, the FASB issued amendments to the accounting for Income Taxes to reduce complexity by removing certain exceptions and implementing targeted simplifications. The new standard is effective for the Company beginning in fiscal 2021. Early adoption is permitted. The Company is currently evaluating the effect of the amendments on its Consolidated Financial Statements.

### NOTE 3: 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 potentially dilutive securities had been issued. Potentially dilutive securities include outstanding stock options, restricted stock units, contingently issuable shares, and shares to be purchased under the Company's employee stock purchase plan.

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

| <u>Fiscal Years</u>  | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|--|-------------|-------------|-------------|
| <i>(In millions, except per share data)</i>  |             |             |             |
| Numerator:   |             |             |             |
| Net income attributable to Trimble Inc.  | \$ 514.3    | \$ 282.8    | \$ 118.4    |
| Denominator:   |             |             |             |
| Weighted average number of common shares used in basic earnings per share  | 250.8       | 250.0       | 252.1       |
| Effect of dilutive securities  | 2.1         | 3.4         | 4.6         |
| Weighted average number of common shares and dilutive potential common shares used in diluted earnings per share | 252.9       | 253.4       | 256.7       |
| Basic earnings per share   | \$ 2.05     | \$ 1.13     | \$ 0.47     |
| Diluted earnings per share   | \$ 2.03     | \$ 1.12     | \$ 0.46     |

For fiscal 2019, 2018, and 2017, the Company excluded an insignificant number of shares from the calculation of diluted earnings per share because their effect would have been antidilutive.

### NOTE 4: BUSINESS COMBINATIONS

During fiscal 2019, 2018, and 2017, the Company acquired multiple businesses, all with cash consideration. The Consolidated Statements of Income include the operating results of the businesses from the dates of acquisition.

During fiscal 2019, the Company acquired four businesses, with total purchase consideration of \$247.0 million. The acquisitions were not significant individually or in the aggregate. The largest acquisition was Azteca Systems LLC (dba "Cityworks"), a privately-held company that provides enterprise asset management (EAM) software for utilities and local government, based in Sandy, Utah. In the aggregate, the businesses acquired during fiscal 2019 collectively contributed less than 1% percent to the Company's total revenue during fiscal 2019.

During fiscal 2018, the Company acquired six businesses, with total purchase consideration of \$1.8 billion, including the acquisitions of Waterfall Holdings, Inc., the holding company of Viewpoint, Inc. ("Viewpoint"), and e-Builder, Inc. ("e-Builder") having cash transactions valued at \$1,212.1 million and \$485.5 million, respectively. In the aggregate, the businesses acquired during fiscal 2018 contributed approximately 5% percent to the Company's total revenue during fiscal 2018.

During fiscal 2017, the Company acquired ten businesses, with total purchase consideration of \$331.2 million. The largest acquisition was Müller-Elektronik, a privately held German company specializing in implement control and precision farming solutions. In the aggregate, the businesses acquired during fiscal 2017 contributed less than 2% percent to the Company's total revenue during fiscal 2017.

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 each 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 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).

Acquisition costs of \$20.5 million, \$38.9 million, and \$7.4 million in fiscal 2019, 2018, and 2017, respectively, were expensed as incurred and are included in General and administrative expenses in the Consolidated Statements of Income.



The following table summarizes the Company's business combinations completed during fiscal 2019, 2018, and 2017:

| <u>Fiscal Years</u>                        | <u>2019</u>     | <u>2018</u>       | <u>2017</u>     |
|--|-----------------|-------------------|-----------------|
| <i>(In millions)</i>                       |                 |                   |                 |
| Fair value of total purchase consideration | \$ 247.0        | \$ 1,782.9        | \$ 331.2        |
| Less fair value of net assets acquired:    |                 |                   |                 |
| Net tangible assets acquired               | 6.7             | 5.0               | 29.7            |
| Identified intangible assets               | 104.6           | 568.3             | 166.7           |
| Deferred taxes                             | (3.4)           | (89.2)            | (5.8)           |
| Goodwill                                   | <u>\$ 139.1</u> | <u>\$ 1,298.8</u> | <u>\$ 140.6</u> |

### Intangible Assets

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

| <i>(In millions)</i>                                  | <u>At the End of Fiscal 2019</u>         |                       |                          |                     | <u>At the End of Fiscal 2018</u> |                          |                     |  |
|---|--|-----------------------|--------------------------|---------------------|----------------------------------|--------------------------|---------------------|--|
|   | Weighted-Average Useful Lives (in years) | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount | Gross Carrying Amount            | Accumulated Amortization | Net Carrying Amount |  |
| Developed product technology                          | 6  | \$ 1,266.7            | \$ (923.4)               | \$ 343.3            | \$ 1,220.3                       | \$ (825.3)               | \$ 395.0            |  |
| Trade names and trademarks                            | 5  | 74.8                  | (59.8)                   | 15.0                | 72.9                             | (53.3)                   | 19.6                |  |
| Customer relationships                                | 8  | 769.8                 | (465.6)                  | 304.2               | 715.1                            | (406.5)                  | 308.6               |  |
| Distribution rights and other intellectual properties | 6  | 79.7                  | (63.5)                   | 16.2                | 84.4                             | (63.3)                   | 21.1                |  |
|   |  | <u>\$ 2,191.0</u>     | <u>\$ (1,512.3)</u>      | <u>\$ 678.7</u>     | <u>\$ 2,092.7</u>                | <u>\$ (1,348.4)</u>      | <u>\$ 744.3</u>     |  |

The estimated future amortization expense of intangible assets at the end of fiscal 2019 is as follows (in millions):

|            |                 |
|------------|-----------------|
| 2020       | \$ 152.7        |
| 2021       | 131.6           |
| 2022       | 112.4           |
| 2023       | 98.8            |
| 2024       | 73.1            |
| Thereafter | 110.1           |
| Total      | <u>\$ 678.7</u> |

## Goodwill

The changes in the carrying amount of goodwill by segment for fiscal 2019 are as follows:

| <i>(In millions)</i>  | <u>Buildings and<br/>Infrastructure</u> | <u>Geospatial</u> | <u>Resources<br/>and Utilities</u> | <u>Transportation</u> | <u>Total</u>      |
|---|---|-------------------|------------------------------------|-----------------------|-------------------|
| At the end of fiscal 2018                                   | \$ 1,970.2                              | \$ 403.1          | \$ 305.7                           | \$ 861.0              | \$ 3,540.0        |
| Additions due to acquisitions                               | 0.3                                     | —                 | 138.8                              | —                     | 139.1             |
| Purchase price and foreign currency translation adjustments | 2.5                                     | (1.6)             | 0.9                                | (0.3)                 | 1.5               |
| At the end of fiscal 2019                                   | <u>\$ 1,973.0</u>                       | <u>\$ 401.5</u>   | <u>\$ 445.4</u>                    | <u>\$ 860.7</u>       | <u>\$ 3,680.6</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 life cycle.

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 enable contractors to employ Viewpoint to effectively manage and gain visibility over data and workflows that span the construction life cycle 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 since their respective acquisition dates have been included in the Company's Consolidated Statements of Income since their respective acquisitions 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 Facility.

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 date of the acquisition:

| <i>(In millions)</i>                               | <u>Viewpoint</u> |                              | <u>e-Builder</u> |                              |
|--|------------------|------------------------------|------------------|------------------------------|
| Total purchase consideration                       | \$ 1,212.1       |                              | \$ 485.5         |                              |
| Net tangible assets (liabilities) 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   | <u>410.1</u>     |                              | <u>109.4</u>     |                              |
| Deferred tax liability                             | (61.2)           |                              | (18.2)           |                              |
| Less fair value of all assets/liabilities acquired | <u>348.3</u>     |                              | <u>93.2</u>      |                              |
| 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. The Company recorded \$863.8 million and \$392.3 million of goodwill from Viewpoint and e-Builder acquisitions, respectively.

## NOTE 5: CERTAIN BALANCE SHEET COMPONENTS

The following tables provide details of selected balance sheet items:

| <u>At the End of Fiscal Year</u> | <u>2019</u>     | <u>2018</u>     |
|----------------------------------|-----------------|-----------------|
| <i>(In millions)</i>             |                 |                 |
| Inventories:                     |                 |                 |
| Raw materials                    | \$ 95.8         | \$ 96.2         |
| Work-in-process                  | 13.2            | 12.6            |
| Finished goods                   | 203.1           | 189.2           |
| Total inventories                | <u>\$ 312.1</u> | <u>\$ 298.0</u> |

Finished goods includes \$5.6 million at the end of fiscal year 2019 and \$7.3 million at the end of fiscal year 2018 for costs of sales that have been deferred in connection with deferred revenue arrangements.

| <u>At the End of Fiscal Year</u>  | <u>2019</u>     | <u>2018</u>     |
|-----------------------------------|-----------------|-----------------|
| <i>(In millions)</i>              |                 |                 |
| Property and equipment, net:      |                 |                 |
| Machinery and equipment           | \$ 165.3        | \$ 134.2        |
| Software and licenses             | 143.0           | 135.9           |
| Buildings                         | 115.3           | 106.5           |
| Leasehold improvements            | 49.9            | 40.7            |
| Construction in progress          | 38.3            | 16.4            |
| Furniture and fixtures            | 35.7            | 31.4            |
| Land                              | 10.1            | 9.9             |
|                                   | <u>557.6</u>    | <u>475.0</u>    |
| Less: accumulated depreciation    | <u>(316.2)</u>  | <u>(262.1)</u>  |
| Total property and equipment, net | <u>\$ 241.4</u> | <u>\$ 212.9</u> |

| <u>At the End of Fiscal Year</u>    | <u>2019</u>     | <u>2018</u>     |
|-------------------------------------|-----------------|-----------------|
| <i>(In millions)</i>                |                 |                 |
| Other non-current liabilities:      |                 |                 |
| Unrecognized tax benefits           | \$ 66.4         | \$ 65.8         |
| Deferred compensation               | 36.2            | 28.5            |
| Pension                             | 20.2            | 19.2            |
| Other                               | 30.1            | 36.7            |
| Total other non-current liabilities | <u>\$ 152.9</u> | <u>\$ 150.2</u> |

## NOTE 6: REPORTING SEGMENT AND GEOGRAPHIC INFORMATION

The Company's operating segments were determined based on how the Company's chief operating decision maker views and evaluates operations. Various factors, including market separation and customer specific applications, go-to market channels, and products and services, were considered in determining these operating segments. Segment operating results are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to each segment and to assess performance. In each of its segments, the Company sells many individual products. For this reason, it is impracticable to segregate and identify revenue for each of the individual products or group of products.

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. This is consistent with the way the chief operating decision maker evaluates each of the segment's performance and allocates resources.

|  | Reporting Segments              |                 |                            |                 |                   |
|--|---------------------------------|-----------------|----------------------------|-----------------|-------------------|
|  | Buildings and<br>Infrastructure | Geospatial      | Resources<br>and Utilities | Transportation  | Total             |
| <i>(In millions)</i>                             |                                 |                 |                            |                 |                   |
| <b>Fiscal 2019</b>                               |                                 |                 |                            |                 |                   |
| Revenue  | \$ 1,254.2                      | \$ 649.4        | \$ 568.4                   | \$ 792.3        | \$ 3,264.3        |
| Acquired deferred revenue adjustment             | 4.0                             | —               | 3.0                        | —               | 7.0               |
| Segment revenue                                  | <u>\$ 1,258.2</u>               | <u>\$ 649.4</u> | <u>\$ 571.4</u>            | <u>\$ 792.3</u> | <u>\$ 3,271.3</u> |
| Operating income                                 | \$ 322.1                        | \$ 132.2        | \$ 166.2                   | \$ 125.9        | \$ 746.4          |
| Acquired deferred revenue adjustment             | 4.0                             | —               | 3.0                        | —               | 7.0               |
| Amortization of acquired capitalized commissions | (6.2)                           | —               | (0.1)                      | —               | (6.3)             |
| Segment operating income                         | <u>\$ 319.9</u>                 | <u>\$ 132.2</u> | <u>\$ 169.1</u>            | <u>\$ 125.9</u> | <u>\$ 747.1</u>   |
| Depreciation expense                             | \$ 8.1                          | \$ 6.3          | \$ 4.4                     | \$ 4.4          | \$ 23.2           |
| <b>Fiscal 2018</b>                               |                                 |                 |                            |                 |                   |
| Revenue  | \$ 1,065.5                      | \$ 723.1        | \$ 567.1                   | \$ 752.7        | \$ 3,108.4        |
| Acquired deferred revenue adjustment             | 22.2                            | —               | 1.0                        | 0.4             | 23.6              |
| Segment revenue                                  | <u>\$ 1,087.7</u>               | <u>\$ 723.1</u> | <u>\$ 568.1</u>            | <u>\$ 753.1</u> | <u>\$ 3,132.0</u> |
| Operating income                                 | \$ 239.0                        | \$ 166.4        | \$ 167.4                   | \$ 142.9        | \$ 715.7          |
| Acquired deferred revenue adjustment             | 22.2                            | —               | 1.0                        | 0.4             | 23.6              |
| Amortization of acquired capitalized commissions | (4.5)                           | —               | (0.2)                      | —               | (4.7)             |
| Segment operating income                         | <u>\$ 256.7</u>                 | <u>\$ 166.4</u> | <u>\$ 168.2</u>            | <u>\$ 143.3</u> | <u>\$ 734.6</u>   |
| Depreciation expense                             | \$ 6.4                          | \$ 6.0          | \$ 4.2                     | \$ 4.5          | \$ 21.1           |
| <b>Fiscal 2017</b>                               |                                 |                 |                            |                 |                   |
| Revenue  | \$ 829.4                        | \$ 658.5        | \$ 481.0                   | \$ 677.6        | \$ 2,646.5        |
| Acquired deferred revenue adjustment             | 1.1                             | —               | 1.0                        | 0.7             | 2.8               |
| Segment revenue                                  | <u>\$ 830.5</u>                 | <u>\$ 658.5</u> | <u>\$ 482.0</u>            | <u>\$ 678.3</u> | <u>\$ 2,649.3</u> |
| Operating income                                 | \$ 176.0                        | \$ 129.4        | \$ 137.0                   | \$ 114.4        | \$ 556.8          |
| Acquired deferred revenue adjustment             | 1.1                             | —               | 1.0                        | 0.7             | 2.8               |
| Amortization of acquired capitalized commissions | (0.9)                           | —               | (0.1)                      | (0.3)           | (1.3)             |
| Segment operating income                         | <u>\$ 176.2</u>                 | <u>\$ 129.4</u> | <u>\$ 137.9</u>            | <u>\$ 114.8</u> | <u>\$ 558.3</u>   |
| Depreciation expense                             | \$ 6.2                          | \$ 5.4          | \$ 3.2                     | \$ 5.2          | \$ 20.0           |

**Reporting Segments**

|                                   | <b>Buildings and<br/>Infrastructure</b> | <b>Geospatial</b> | <b>Resources<br/>and Utilities</b> | <b>Transportation</b> | <b>Total</b> |
|-----------------------------------|---|-------------------|------------------------------------|-----------------------|--------------|
| <i>(In millions)</i>              |   |                   |                                    |                       |              |
| <b>As of Fiscal Year End 2019</b> |   |                   |                                    |                       |              |
| Accounts receivable, net          | \$ 232.0                                | \$ 115.5          | \$ 93.3                            | \$ 167.4              | \$ 608.2     |
| Inventories                       | 67.1                                    | 125.0             | 45.5                               | 74.5                  | 312.1        |
| Goodwill                          | 1,973.0                                 | 401.5             | 445.4                              | 860.7                 | 3,680.6      |
| <b>As of Fiscal Year End 2018</b> |   |                   |                                    |                       |              |
| 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      |
| <b>As of Fiscal Year End 2017</b> |   |                   |                                    |                       |              |
| Accounts receivable, net          | \$ 120.1                                | \$ 121.5          | \$ 78.5                            | \$ 107.6              | \$ 427.7     |
| Inventories                       | 62.1                                    | 110.3             | 46.0                               | 46.2                  | 264.6        |
| Goodwill                          | 706.8                                   | 415.3             | 314.5                              | 850.5                 | 2,287.1      |

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

| Fiscal Years  | <b>2019</b>     | <b>2018</b>     | <b>2017</b>     |
|---|-----------------|-----------------|-----------------|
| <i>(In millions)</i>                                  |                 |                 |                 |
| Consolidated segment operating income                 | \$ 747.1        | \$ 734.6        | \$ 558.3        |
| Unallocated corporate expense (1)                     | (79.3)          | (90.7)          | (86.8)          |
| Acquired deferred revenue adjustment                  | (7.0)           | (23.6)          | (2.8)           |
| Restructuring charges                                 | (27.9)          | (8.7)           | (10.5)          |
| Amortization of purchased intangible assets           | (167.8)         | (179.6)         | (148.8)         |
| Stock-based compensation                              | (75.0)          | (76.9)          | (64.8)          |
| Amortization of acquisition-related inventory step-up | —               | (0.2)           | (2.8)           |
| Acquisition and divestiture items                     | (20.5)          | (38.9)          | (7.4)           |
| Amortization of acquired capitalized commissions      | 6.3             | 4.7             | 1.3             |
| Consolidated operating income                         | <u>375.9</u>    | <u>320.7</u>    | <u>235.7</u>    |
| Non-operating income (expense), net:                  | (31.1)          | (42.7)          | 12.5            |
| Consolidated income before taxes                      | <u>\$ 344.8</u> | <u>\$ 278.0</u> | <u>\$ 248.2</u> |

(1) Unallocated corporate expense includes general corporate expense.

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<br>Infrastructure | Geospatial      | Resources<br>and Utilities | Transportation  | Total             |
| <i>(In millions)</i>  |                                 |                 |                            |                 |                   |
| <b>Fiscal 2019</b>    |                                 |                 |                            |                 |                   |
| North America         | \$ 722.7                        | \$ 263.0        | \$ 173.3                   | \$ 636.3        | \$ 1,795.3        |
| Europe                | 338.7                           | 217.5           | 273.6                      | 90.4            | 920.2             |
| Asia Pacific          | 165.3                           | 122.7           | 47.4                       | 39.7            | 375.1             |
| Rest of World         | 31.5                            | 46.2            | 77.1                       | 25.9            | 180.7             |
| Total segment revenue | <u>\$ 1,258.2</u>               | <u>\$ 649.4</u> | <u>\$ 571.4</u>            | <u>\$ 792.3</u> | <u>\$ 3,271.3</u> |
| <b>Fiscal 2018</b>    |                                 |                 |                            |                 |                   |
| North America         | \$ 595.0                        | \$ 290.6        | \$ 175.0                   | \$ 609.4        | \$ 1,670.0        |
| Europe                | 312.1                           | 211.2           | 260.0                      | 90.2            | 873.5             |
| Asia Pacific          | 152.7                           | 171.7           | 46.4                       | 47.5            | 418.3             |
| Rest of World         | 27.9                            | 49.6            | 86.7                       | 6.0             | 170.2             |
| Total segment revenue | <u>\$ 1,087.7</u>               | <u>\$ 723.1</u> | <u>\$ 568.1</u>            | <u>\$ 753.1</u> | <u>\$ 3,132.0</u> |
| <b>Fiscal 2017</b>    |                                 |                 |                            |                 |                   |
| North America         | \$ 428.5                        | \$ 257.5        | \$ 163.7                   | \$ 562.9        | \$ 1,412.6        |
| Europe                | 237.9                           | 187.1           | 189.5                      | 72.7            | 687.2             |
| Asia Pacific          | 127.2                           | 162.5           | 52.6                       | 37.7            | 380.0             |
| Rest of World         | 36.9                            | 51.4            | 76.2                       | 5.0             | 169.5             |
| Total segment revenue | <u>\$ 830.5</u>                 | <u>\$ 658.5</u> | <u>\$ 482.0</u>            | <u>\$ 678.3</u> | <u>\$ 2,649.3</u> |

No single customer or country other than the United States accounted for 10% or more of Trimble's total revenue in fiscal years 2019, 2018 and 2017. No single customer accounted for 10% or more of Trimble's accounts receivable as of fiscal years ended 2019 and 2018.

Property and equipment, net by geographic area was as follows:

| <u>At the End of Fiscal Year</u>  | <u>2019</u>     | <u>2018</u>     |
|-----------------------------------|-----------------|-----------------|
| <i>(In millions)</i>              |                 |                 |
| Property and equipment, net:      |                 |                 |
| United States                     | \$ 192.7        | \$ 170.1        |
| Europe                            | 38.6            | 34.2            |
| Asia Pacific and Rest of World    | 10.1            | 8.6             |
| Total property and equipment, net | <u>\$ 241.4</u> | <u>\$ 212.9</u> |

**NOTE 7: DEBT**

Debt consisted of the following:

| <b>At the End of Fiscal Year</b><br><i>(In millions, except percentages)</i> | <b>Date of Issuance</b> | <b>Effective interest rate<br/>for fiscal 2019</b> | <b>2019</b>       | <b>2018</b>       |
|--|-------------------------|--|-------------------|-------------------|
| 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                | 3.25%  | 225.0             | 425.0             |
| Revolving Credit Facility, due May 2023                                      | May 2018                | 3.47%  | 110.0             | —                 |
| Uncommitted facilities, floating rate  |                         | 1.54%  | 218.7             | 255.9             |
| Promissory notes and other debt  |                         |  | 0.3               | 1.0               |
| Unamortized discount and issuance costs                                      |                         |  | (10.8)            | (13.4)            |
| Total debt   |                         |  | <u>1,843.2</u>    | <u>1,968.5</u>    |
| Less: Short-term debt  |                         |  | 219.0             | 256.2             |
| Long-term debt   |                         |  | <u>\$ 1,624.2</u> | <u>\$ 1,712.3</u> |

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

**Debt Maturities:**

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

| <u>Year Payable</u> |                   |
|---------------------|-------------------|
| 2020                | \$ 219.0          |
| 2021                | 225.0             |
| 2022                | —                 |
| 2023                | 410.0             |
| 2024                | 400.0             |
| Thereafter          | 600.0             |
| Total               | <u>\$ 1,854.0</u> |

**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.

### ***2018 Credit Facility:***

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 prior to the maturity of the Credit Facility and subject to approval.

The Company may borrow funds under the 2018 Credit Facility in U.S. Dollars in the case of the Term Loan and U.S. Dollars, Euros, or in certain other agreed currencies in the case of the Revolving Credit Facility. Borrowings will bear interest, at the Company's option, at either: (a) the alternate base rate, which is defined as a fluctuating rate per annum equal to the greatest of (i) the prime rate then in effect, (ii) the federal funds rate then in effect, plus 0.50% per annum, or (iii) an adjusted LIBOR rate determined on the basis of a one-month interest period, plus 1.00%, in each case, plus a margin of between 0.00% and 0.875%; (b) an adjusted LIBOR rate (based on one, two, three or six-month interest periods), plus a margin of between 1.00% and 1.875%; or (c) an adjusted EURIBOR rate (based on one, two, three or six-month interest periods), plus a margin of between 1.00% and 1.875%. The applicable margin in each case is determined based on either the Company's credit rating at such time or the Company's leverage ratio as of its most recently ended fiscal quarter, whichever results in more favorable pricing to the Company. Interest is payable quarterly in arrears with respect to borrowings bearing interest at the alternate base rate, or on the last day of an interest period, but at least every three months, with respect to borrowings bearing interest at LIBOR rate or EURIBOR rate.

The 2018 Credit Facility also contains customary affirmative and negative covenants including, among other requirements, negative covenants that restrict the Company's and its subsidiaries' ability to create liens and enter into sale and leaseback transactions and that restrict its subsidiaries' ability to incur indebtedness. Further, the 2018 Credit Facility contains financial covenants that require the Company to maintain a minimum interest coverage of not less than 3.50:1.00 and a current maximum leverage ratio of not greater than 3.75:1.00.

### ***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 fiscal 2019. Generally, these uncommitted facilities may be redeemed upon demand. Uncommitted facilities are classified as short-term debt in the Consolidated Balance Sheet. The weighted average interest rate was 1.54% and 2.16% at the end of fiscal 2019 and 2018, respectively.

### **Promissory Notes and Other Debt**

At the end of fiscal 2019 the Company had promissory notes and other notes payable totaling approximately \$0.3 million classified as short-term in the Consolidated Balance Sheet. At the end of fiscal 2018, the Company had promissory notes and other payables totaling \$1.0 million, of which \$0.3 million was classified as short-term in the Consolidated Balance Sheet.



**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 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:

| <u>At the End of Fiscal Year</u>   | <u>2019</u>    |
|------------------------------------|----------------|
| <i>(In millions)</i>               |                |
| Operating lease expense            | \$ 38.3        |
| Short-term lease expense and other | 18.4           |
| Total lease expense                | <u>\$ 56.7</u> |

Supplemental cash flow information related to leases was as follows:

| <u>At the End of Fiscal Year</u>  | <u>2019</u> |
|---|-------------|
| <i>(In millions)</i>  |             |
| Cash paid for liabilities included in the measurement of lease liabilities: |             |
| Operating cash flows from operating leases (1)                              | \$ 37.9     |
| Right-of-use assets obtained in exchange for Operating lease liabilities:   | \$ 53.2     |

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

Supplemental balance sheet information related to leases was as follows:

| <u>At the End of Fiscal Year</u>      | <u>2019</u>     |
|---------------------------------------|-----------------|
| <i>(In millions)</i>                  |                 |
| Operating lease right-of-use assets   | \$ 140.3        |
| Other current liabilities             | \$ 28.9         |
| Operating lease liabilities           | 114.1           |
| Total operating lease liabilities     | <u>\$ 143.0</u> |
| Weighted-average discount rate        | 4.23%           |
| Weighted-average remaining lease term | 6 years         |

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

|                       |    |       |
|-----------------------|----|-------|
| Year Payable          |    |       |
| 2020                  | \$ | 34.0  |
| 2021                  |    | 32.2  |
| 2022                  |    | 25.8  |
| 2023                  |    | 20.3  |
| 2024                  |    | 15.0  |
| Thereafter            |    | 33.5  |
| Total lease payments  | \$ | 160.8 |
| Less imputed interest |    | 17.8  |
| Total                 | \$ | 143.0 |

The Company signed operating leases for real estate of approximately \$39.4 million that have not yet commenced at the end of fiscal 2019, and as such, have not been recognized on the Company's Consolidated Balance Sheets. These operating leases are expected to commence in 2020 and 2021 with lease terms ranging from 1 to 13 years.

#### **NOTE 9: COMMITMENTS AND CONTINGENCIES**

At the end of fiscal 2019, the Company had unconditional purchase obligations of approximately \$324.7 million. These unconditional purchase obligations primarily represent open non-cancelable purchase orders for material purchases with the Company's vendors.

#### **Litigation**

From time to time, the Company is 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.

#### **NOTE 10: 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

Assets and liabilities measured at fair value on a recurring basis are categorized in the tables below based upon the lowest level of significant input to the valuations.

| At the End of Fiscal Year<br><i>(In millions)</i> | 2019           |               |                |                | 2018           |               |               |                |
|---|----------------|---------------|----------------|----------------|----------------|---------------|---------------|----------------|
|   | Level I        | Level II      | Level III      | Total          | Level I        | Level II      | Level III     | Total          |
| <b>Assets</b>                                     |                |               |                |                |                |               |               |                |
| Deferred compensation plan assets (1)             | \$ 36.2        | \$ —          | \$ —           | \$ 36.2        | \$ 28.5        | \$ —          | \$ —          | \$ 28.5        |
| Derivative assets (2)                             | —              | 0.3           | —              | 0.3            | —              | 0.4           | —             | 0.4            |
| Total assets measured at fair value               | <u>\$ 36.2</u> | <u>\$ 0.3</u> | <u>\$ —</u>    | <u>\$ 36.5</u> | <u>\$ 28.5</u> | <u>\$ 0.4</u> | <u>\$ —</u>   | <u>\$ 28.9</u> |
| <b>Liabilities</b>                                |                |               |                |                |                |               |               |                |
| Deferred compensation plan liabilities (1)        | \$ 36.2        | \$ —          | \$ —           | \$ 36.2        | \$ 28.5        | \$ —          | \$ —          | \$ 28.5        |
| Derivative liabilities (2)                        | —              | 1.0           | —              | 1.0            | —              | —             | —             | —              |
| Contingent consideration liabilities (3)          | —              | —             | 19.9           | 19.9           | —              | —             | 5.6           | 5.6            |
| Total liabilities measured at fair value          | <u>\$ 36.2</u> | <u>\$ 1.0</u> | <u>\$ 19.9</u> | <u>\$ 57.1</u> | <u>\$ 28.5</u> | <u>\$ —</u>   | <u>\$ 5.6</u> | <u>\$ 34.1</u> |

- (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. Deferred compensation plan assets and liabilities are included in Other non-current assets and Other non-current liabilities, respectively, on the Company's Consolidated Balance Sheets.
- (2) Derivative assets and liabilities primarily represent forward currency exchange contracts. The Company typically enters into these contracts to minimize the short-term impact of foreign currency exchange rates on certain trade and inter-company receivables and payables. Derivative assets and liabilities are included in Other current assets and Other current liabilities on the Company's Consolidated Balance Sheets.
- (3) Contingent consideration liabilities represent arrangements to pay the former owners of certain companies that Trimble acquired. The undiscounted maximum payment under the arrangements is \$33.7 million at the end of fiscal 2019. The fair values are estimated using scenario-based methods or option pricing methods based upon estimated future revenue, gross margin, or other milestones. At the end of fiscal 2019, the Company had \$13.7 million included in Other current liabilities and \$6.2 million included in Other non-current liabilities on the Company's Consolidated Balance Sheets.

## 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 \$1.9 billion and \$2.0 billion at the end of fiscal year 2019 and 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 11. DEFERRED COSTS TO OBTAIN CUSTOMER CONTRACTS

Deferred cost to obtain customer contracts of \$45.4 million and \$41.3 million is included in Other non-current assets in the Consolidated Balance Sheets at the end of fiscal 2019 and 2018, respectively.

Amortization expense related to deferred costs to obtain customer contracts, for fiscal 2019, 2018, and 2017, was \$22.3 million, \$23.6 million, and \$21.3 million, respectively. This expense was included in Sales and marketing expenses in the Company's Consolidated Statements of Income. There were no impairment losses related to the deferred commissions for the periods presented.

## NOTE 12. DEFERRED REVENUE AND REMAINING PERFORMANCE OBLIGATIONS

### Deferred Revenue

Changes in the Company's deferred revenue during fiscal 2019 and 2018 are as follows:

| <b>Fiscal Years</b>             | <b>2019</b>     | <b>2018</b>     |
|---------------------------------|-----------------|-----------------|
| <i>(In millions)</i>            |                 |                 |
| Beginning balance of the period | \$ 387.2        | \$ 276.6        |
| Revenue recognized              | (341.3)         | (226.9)         |
| Acquired deferred revenue       | 6.1             | 50.3            |
| Net deferred revenue activity   | 489.9           | 287.2           |
| Ending balance of the period    | <u>\$ 541.9</u> | <u>\$ 387.2</u> |

### Remaining Performance Obligations

As of the end of fiscal 2019, approximately \$1.2 billion of revenue is expected to be recognized from remaining performance obligations for which goods or services have not been delivered, primarily hardware, subscription, software maintenance, 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: INCOME TAXES

Income before taxes and the provision (benefit) for taxes consisted of the following:

| <b>Fiscal Years</b>            | <b>2019</b>       | <b>2018</b>     | <b>2017</b>     |
|--------------------------------|-------------------|-----------------|-----------------|
| <i>(In millions)</i>           |                   |                 |                 |
| Income before taxes:           |                   |                 |                 |
| United States                  | \$ 43.0           | \$ 25.4         | \$ 33.2         |
| Foreign                        | 301.8             | 252.6           | 215.0           |
| Total                          | <u>\$ 344.8</u>   | <u>\$ 278.0</u> | <u>\$ 248.2</u> |
| Provision (benefit) for taxes: |                   |                 |                 |
| U.S. Federal:                  |                   |                 |                 |
| Current                        | \$ (3.8)          | \$ (19.7)       | \$ 98.6         |
| Deferred                       | 252.3             | (25.8)          | (6.1)           |
|                                | <u>248.5</u>      | <u>(45.5)</u>   | <u>92.5</u>     |
| U.S. State:                    |                   |                 |                 |
| Current                        | 5.1               | 5.0             | 4.5             |
| Deferred                       | (0.7)             | (3.6)           | (1.0)           |
|                                | <u>4.4</u>        | <u>1.4</u>      | <u>3.5</u>      |
| Foreign:                       |                   |                 |                 |
| Current                        | 49.2              | 57.0            | 42.7            |
| Deferred                       | (471.8)           | (18.2)          | (9.0)           |
|                                | <u>(422.6)</u>    | <u>38.8</u>     | <u>33.7</u>     |
| Income tax provision (benefit) | <u>\$ (169.7)</u> | <u>\$ (5.3)</u> | <u>\$ 129.7</u> |
| Effective tax rate             | <u>(49)%</u>      | <u>(2)%</u>     | <u>52%</u>      |

The difference between the tax provision (benefit) at the statutory federal income tax rate and the tax provision (benefit) as a percentage of income before taxes ("effective tax rate") was as follows:

| <u>Fiscal Years</u>                                    | <u>2019</u>  | <u>2018</u> | <u>2017</u> |
|--|--------------|-------------|-------------|
| Statutory federal income tax rate                      | 21 %         | 21 %        | 35 %        |
| Increase (reduction) in tax rate resulting from:       |              |             |             |
| Foreign income taxed at different rates                | (7)%         | (7)%        | (15)%       |
| U.S. State income taxes                                | 2 %          | 1 %         | 1 %         |
| U.S. Federal research and development credits          | (3)%         | (4)%        | (3)%        |
| Stock-based compensation                               | 1 %          | 1 %         | 2 %         |
| Excess tax benefit related to stock-based compensation | (2)%         | (3)%        | (4)%        |
| Effect of U.S. tax law change                          | — %          | (8)%        | 33 %        |
| Other US taxes on foreign operations                   | 1 %          | 2 %         | — %         |
| Tax reserve releases                                   | (5)%         | (9)%        | — %         |
| Intercompany transfer of intellectual property         | (60)%        | — %         | — %         |
| Other  | 3 %          | 4 %         | 3 %         |
| Effective tax rate                                     | <u>(49)%</u> | <u>(2)%</u> | <u>52 %</u> |

Tax Cuts and Jobs Act (the "Tax Act") reduced the U.S. federal tax rate from 35% to 21%, imposed a one-time transition tax on accumulated foreign earnings, and created new taxes on certain foreign-sourced earnings referred to as Global Intangible Low-Taxed Income ("GILTI"). As a result, the Company recorded a provisional net income tax expense of \$80.2 million in fiscal 2017. In fiscal 2018, the Company completed the accounting for the tax effects of the Tax Act and made immaterial adjustments to the provisional amounts recorded previously. Additionally, in fiscal 2018, the Company finalized its accounting policy election to record GILTI deferred taxes and recorded a \$15.1 million one-time tax benefit.

To align with its international business operations, in the fourth quarter of 2019, the Company completed a non-U.S. intercompany transfer of its intellectual property to a subsidiary in the Netherlands. The transaction resulted in deferred tax assets in the Netherlands and GILTI deferred tax liabilities in the U.S., recorded at the applicable statutory tax rates, resulting in a one-time income tax benefit of approximately \$206.3 million.

The effective income tax rates in fiscal 2019 decreased compared to 2018 primarily due to the one-time tax benefit from the non-U.S. intercompany transfer of intellectual property.

The effective income tax rates in fiscal 2018 decreased compared to 2017 primarily due to the one-time impacts from the Tax Act, benefits from reserve releases due to the expiration of the U.S. federal statute of limitations for certain tax years, and a one-time benefit from deferred taxes in relation to GILTI.

Deferred income taxes reflect the net effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The significant components of the Company's deferred tax assets and liabilities are as follows:

| <b>At the End of Fiscal Year</b>            | <b>2019</b>     | <b>2018</b>      |
|---|-----------------|------------------|
| <i>(In millions)</i>                        |                 |                  |
| Deferred tax liabilities:                   |                 |                  |
| Purchased intangibles                       | \$ 158.7        | \$ 177.1         |
| Global intangible low-taxed income          | 233.7           | —                |
| Operating lease right-of-use assets         | 35.3            | —                |
| Other                                       | 12.8            | 13.8             |
| Total deferred tax liabilities              | <u>440.5</u>    | <u>190.9</u>     |
| Deferred tax assets:                        |                 |                  |
| Expenses not currently deductible           | 28.0            | 33.4             |
| Depreciation and amortization               | 471.5           | 7.3              |
| U.S. tax credit carryforwards               | 34.2            | 30.3             |
| U.S. net operating loss carryforwards       | 9.8             | 20.8             |
| Foreign net operating loss carryforwards    | 16.2            | 16.9             |
| Stock-based compensation                    | 13.3            | 20.3             |
| Global intangible low-taxed income          | —               | 13.4             |
| Operating lease liabilities                 | 36.0            | —                |
| Other                                       | 14.1            | 14.7             |
| Total deferred tax assets                   | <u>623.1</u>    | <u>157.1</u>     |
| Valuation allowance                         | <u>(25.3)</u>   | <u>(27.8)</u>    |
| Total deferred tax assets                   | <u>597.8</u>    | <u>129.3</u>     |
| Total net deferred tax assets               | <u>\$ 157.3</u> | <u>\$ (61.6)</u> |
| Reported as:                                |                 |                  |
| Non-current deferred income tax assets      | \$ 475.5        | \$ 12.2          |
| Non-current deferred income tax liabilities | <u>(318.2)</u>  | <u>(73.8)</u>    |
| Net deferred tax assets (liabilities)       | <u>\$ 157.3</u> | <u>\$ (61.6)</u> |

At the end of fiscal 2019, the Company has U.S. federal and foreign net operating loss carryforwards, or NOLs, of approximately \$21.5 million and \$81.0 million, respectively. The U.S. federal NOLs will begin to expire in 2026. There is, generally, no expiration for the foreign NOLs. Utilization of the Company's U.S. federal and state NOLs is subject to annual limitations in accordance with the applicable tax code. The Company has determined that it is more likely than not that the Company will not realize a portion of the foreign NOLs and, accordingly, a valuation allowance has been established for such amount.

The Company has U.S. federal and California research and development credit carryforwards of approximately \$11.1 million and \$33.0 million, respectively. The U.S. federal tax credit carryforwards will expire beginning 2031. The California research tax credits have an indefinite carryforward period. The Company believes that it is more likely than not that the Company will not realize a portion of the California research and development credit carryforwards and, accordingly, a valuation allowance has been established for such amount.

As a result of the Tax Act, the Company can repatriate foreign earnings back to the U.S. when needed with minimal U.S. income tax consequences, other than the transition tax and GILTI tax. The Company reinvested a large portion of its undistributed foreign earnings in acquisitions and other investments and intends to bring back a portion of foreign cash which was subject to the transition tax and GILTI. During fiscal 2019, the Company repatriated \$239.4 million of its foreign earnings to the U.S.

The total amount of the unrecognized tax benefits at the end of fiscal 2019 was \$71.6 million. A reconciliation of gross unrecognized tax benefit is as follows:

| Fiscal Years  | 2019           | 2018           | 2017           |
|---|----------------|----------------|----------------|
| <i>(In millions)</i>                                      |                |                |                |
| Beginning balance   | \$ 69.1        | \$ 82.4        | \$ 72.9        |
| Increase (decrease) related to prior years' tax positions | 3.8            | 4.5            | (0.6)          |
| Increase related to current year tax positions            | 12.6           | 10.0           | 12.1           |
| Lapse of statute of limitations                           | (8.2)          | (18.9)         | (1.6)          |
| Settlement with taxing authorities                        | (5.7)          | (8.9)          | (0.4)          |
| Ending balance  | <u>\$ 71.6</u> | <u>\$ 69.1</u> | <u>\$ 82.4</u> |

The Company's total unrecognized tax benefits that, if recognized, would affect its effective tax rate were \$59.5 million and \$60.5 million at the end of fiscal 2019 and 2018, respectively.

The Company and its subsidiaries are subject to U.S. federal, state, and foreign income taxes. The Company's tax years are substantially closed for all U.S. federal and state income taxes for audit purposes through 2014. Non-U.S. income tax matters have been concluded for years through 2007. The Company is currently in various stages of multiple year examinations state, and foreign (multiple jurisdictions) taxing authorities. While the Company generally believes it is more likely than not that its tax positions will be sustained, it is reasonably possible that future obligations related to these matters could arise. The Company believes that its reserves are adequate to cover any potential assessments that may result from the examinations and negotiations.

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 is not certain, the Company does not believe that its gross unrecognized tax benefits would materially change in the next twelve months.

The Company's practice is to recognize interest and/or penalties related to income tax matters in income tax expense. The Company's liability for unrecognized tax benefits including interest and penalties was recorded in Other non-current liabilities in the accompanying Consolidated Balance Sheets. At the end of fiscal 2019 and 2018, the Company had accrued \$11.5 million and \$11.0 million, respectively, for payment of interest and penalties.

#### **NOTE 14: ACCUMULATED OTHER COMPREHENSIVE LOSS**

The components of accumulated other comprehensive loss, net of related tax were as follows:

| <u>At the End of Fiscal Year</u>                     | 2019              | 2018              |
|--|-------------------|-------------------|
| <i>(In millions)</i>                                 |                   |                   |
| Accumulated foreign currency translation adjustments | \$ (173.1)        | \$ (183.4)        |
| Net unrealized actuarial losses                      | (3.7)             | (2.7)             |
| Total accumulated other comprehensive loss           | <u>\$ (176.8)</u> | <u>\$ (186.1)</u> |

#### **NOTE 15: EMPLOYEE STOCK BENEFIT PLANS**

##### **2002 Stock Plan**

Trimble's 2002 Stock Plan provides for the granting of incentive and non-statutory stock options and RSUs for up to 74.6 million shares. At the end of fiscal 2019, the remaining number of shares available for grant under the 2002 stock plan was 8.1 million.

## Stock-Based Compensation Expense

The following table summarizes the components of stock-based compensation expense recognized in the Company's Consolidated Statements of Income for the periods indicated:

| <u>Fiscal Years</u>                    | <u>2019</u>    | <u>2018</u>    | <u>2017</u>    |
|--|----------------|----------------|----------------|
| <i>(In millions)</i>                   |                |                |                |
| Restricted stock units                 | \$ 67.3        | \$ 68.9        | \$ 53.3        |
| Stock options                          | 0.6            | 1.5            | 5.7            |
| ESPP                                   | 7.1            | 6.5            | 5.8            |
| Total stock-based compensation expense | <u>\$ 75.0</u> | <u>\$ 76.9</u> | <u>\$ 64.8</u> |

At the end of fiscal 2019, total unamortized stock-based compensation expense was \$174.4 million, with a weighted-average recognition period of 2.4 years.

### **Restricted Stock Units**

The Company grants RSUs containing only service conditions as well as performance stock units ("PSUs") containing a combination of service, performance, and/or market conditions. RSUs containing only service conditions vest ratably over a three to four year service period. PSUs are granted to executive officers and other senior employees and vest after a two to three year service period.

For PSUs granted prior to 2019, the number of shares received at vesting will range from 0% to 200% of the target grant amount based on either (1) market conditions or (2) performance conditions. Market conditions consider the achievement of the Company's relative total stockholder return ("TSR") of its common stock as compared to the TSR of the constituents of the S&P 500 over the vesting period. Performance conditions consider the achievement of the Company's financial results over the vesting period.

PSUs granted during fiscal 2019 contain both performance and market conditions, and the number of shares received at vesting will range from 0% to 250% of the target grant amount.

|   | <b>2019 Restricted Stock Units<br/>Outstanding</b> |   |
|---|--|---|
|   | <b>Number of<br/>Units (1)</b>                     | <b>Weighted Average<br/>Grant-Date Fair Value</b> |
| <i>(In millions, except for per share data)</i> |  |   |
| Outstanding at the beginning of year            | 4.9  | \$ 35.94  |
| Granted (2)                                     | 3.7  | \$ 41.38  |
| Shares vested, net                              | (2.4)  | \$ 31.41  |
| Canceled and forfeited                          | <u>(0.5)</u>                                       | \$ 38.61  |
| Outstanding at the end of year                  | 5.7  | \$ 39.62  |

(1) Includes 1.9 million PSUs granted, 1.3 million PSUs vested, and 2.0 million PSUs outstanding at the end of the year.

(2) Includes 0.6 million PSUs related to performance adjustments above target levels at the vesting date.

The weighted-average grant date fair value of all RSUs granted during fiscal years 2019, 2018, and 2017 was \$41.38, \$37.43, and \$40.19 per share, respectively. The fair value of all RSUs vested during fiscal years 2019, 2018, and 2017 was \$75.7 million, \$73.9 million, and \$40.4 million, respectively.



### ***Stock options***

Employee stock options vest over three years with annual or monthly vesting and expire seven to ten years from the date of grant. The following table summarizes information about stock options outstanding at the end of fiscal 2019:

|                                      | <u>Number<br/>Of Shares<br/>(in millions)</u> | <u>Weighted-<br/>Average<br/>Exercise Price<br/>per Share</u> | <u>Weighted-<br/>Average<br/>Remaining<br/>Contractual Term<br/>(in years)</u> | <u>Aggregate<br/>Intrinsic<br/>Value<br/>(in millions)</u> |
|--------------------------------------|---|---|--|--|
| Outstanding at the beginning of year | 2.4   | \$ 28.26  |  |  |
| Options granted                      | 0.1   | 40.57   |  |  |
| Options exercised                    | (1.4)   | 27.75   |  |  |
| Cancelled and forfeited              | —   | 23.53   |  |  |
| Outstanding at the end of year       | <u>1.1</u>                                    | 29.96   | 2.0  | \$ 12.0  |
| Options exercisable                  | <u>0.9</u>                                    | \$ 28.61  | 1.2  | \$ 11.4  |

The total intrinsic value of options exercised during fiscal years 2019, 2018, and 2017 was \$16.4 million, \$30.0 million, and \$41.1 million, respectively.

The weighted-average grant date fair value per share of stock options granted during fiscal years 2019 and 2018 was \$12.92, and \$10.62, respectively. The fair value of all stock options vested during fiscal years 2019, 2018, and 2017 was \$0.2 million, \$1.9 million, and \$6.5 million, respectively.

### ***Employee Stock Purchase Plan***

The Company has an ESPP under which the stockholders have approved an aggregate of 39.0 million shares of Common Stock for issuance to eligible employees. The plan permits eligible employees to purchase Common Stock through payroll deductions at 85% of the lower of the fair market value of the Common Stock at the beginning or at the end of each offering period, which is generally six months. Rights to purchase shares are granted during the first and third quarter of each fiscal year. The ESPP terminates on March 15, 2027. In fiscal 2019, 2018, and 2017, 0.8 million shares were issued, in each fiscal year respectively, representing \$25.7 million, \$24.0 million, and \$20.4 million in cash received for the issuance of stock under the Purchase Plan. At the end of fiscal 2019, the number of shares reserved for future purchases was 7.4 million.

### **NOTE 16: COMMON STOCK REPURCHASE**

In November 2014, the Company's Board of Directors approved a stock repurchase program ("2014 Stock Repurchase Program"), authorizing the Company to repurchase up to \$300.0 million of Trimble's common stock. In August 2015, the Company's Board of Directors approved a stock repurchase program ("2015 Stock Repurchase Program"), authorizing the Company to repurchase up to \$400.0 million of Trimble's common stock, replacing the 2014 Stock Repurchase Program. 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. The stock repurchase authorization does not have an expiration date and replaces the 2015 Stock Repurchase Program, which was completed.

Under the stock 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. At the end of fiscal 2019, the 2017 Stock Repurchase Program had remaining authorized funds of \$172.4 million.

During fiscal 2019, the Company repurchased approximately 4.7 million shares of common stock in open market purchases, at an average price of \$38.51 per share, for a total of \$179.8 million under the 2017 Stock Repurchase Program.

During fiscal 2018, the Company repurchased approximately 2.4 million shares of common stock in open market purchases, at an average price of \$37.23 per share, for a total of \$90.0 million under the 2017 Stock Repurchase Program.

During fiscal 2017, the Company repurchased approximately 7.4 million shares of common stock in open market purchases, at an average price of \$39.18 per share, for a total of \$288.3 million under the 2017 and 2015 Stock Repurchase Programs.

Stock repurchases are reflected as a decrease to common stock based on par value and additional-paid-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 was charged to retained earnings. As a result of the 2019 repurchases, retained

earnings was reduced by \$149.1 million in fiscal 2019. Common stock repurchases under the program were recorded based upon the trade date for accounting purposes.

**NOTE 17: STATEMENT OF CASH FLOW DATA**

| <u>Fiscal Years</u>                               | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|---|-------------|-------------|-------------|
| <i>(In millions)</i>                              |             |             |             |
| Supplemental disclosure of cash flow information: |             |             |             |
| Interest paid                                     | \$ 79.2     | \$ 69.3     | \$ 28.4     |
| Income taxes paid                                 | \$ 63.1     | \$ 62.3     | \$ 46.6     |

**NOTE 18: SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)**

Trimble has a 52-53 week fiscal year, ending on the Friday nearest to December 31. Fiscal 2019 was a 53-week year and 2018 was a 52-week year. Therefore, the fourth quarter of fiscal 2019 included the 53<sup>rd</sup> week.

| <u>Fiscal Period</u>                        | <u>First<br/>Quarter<br/>2019</u> | <u>Second<br/>Quarter<br/>2019</u> | <u>Third<br/>Quarter<br/>2019</u> | <u>Fourth<br/>Quarter<br/>2019</u> |
|---|-----------------------------------|------------------------------------|-----------------------------------|------------------------------------|
| <i>(In millions, except per share data)</i> |                                   |                                    |                                   |                                    |
| Revenue                                     | \$ 801.6                          | \$ 854.8                           | \$ 783.9                          | \$ 824.0                           |
| Gross margin                                | 438.3                             | 460.6                              | 422.0                             | 460.0                              |
| Net income attributable to Trimble Inc.     | 62.3                              | 94.6                               | 78.1                              | 279.3                              |
| Basic net income per share                  | 0.25                              | 0.38                               | 0.31                              | 1.12                               |
| Diluted net income per share                | 0.25                              | 0.37                               | 0.31                              | 1.11                               |

| <u>Fiscal Period</u>                        | <u>First<br/>Quarter<br/>2018</u> | <u>Second<br/>Quarter<br/>2018</u> | <u>Third<br/>Quarter<br/>2018</u> | <u>Fourth<br/>Quarter<br/>2018</u> |
|---|-----------------------------------|------------------------------------|-----------------------------------|------------------------------------|
| <i>(In millions, except per share data)</i> |                                   |                                    |                                   |                                    |
| Revenue                                     | \$ 742.2                          | \$ 785.5                           | \$ 795.2                          | \$ 785.5                           |
| Gross margin                                | 396.2                             | 422.7                              | 426.9                             | 435.2                              |
| Net income attributable to Trimble Inc.     | 58.5                              | 64.1                               | 73.7                              | 86.5                               |
| Basic net income per share                  | 0.24                              | 0.26                               | 0.29                              | 0.34                               |
| Diluted net income per share                | 0.23                              | 0.25                               | 0.29                              | 0.34                               |

## **Report of Independent Registered Public Accounting Firm**

To the Stockholders and the Board of Directors of Trimble Inc.

### **Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of Trimble Inc. (the Company) as of January 3, 2020 and December 28, 2018, the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended January 3, 2020, and the related notes and financial statement schedule listed in the Index at Item 15(a) (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at January 3, 2020 and December 28, 2018, and the results of its operations and its cash flows for each of the three years in the period ended January 3, 2020, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of January 3, 2020, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 28, 2020 expressed an unqualified opinion thereon.

### **Basis for Opinion**

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

### **Critical Audit Matters**

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

### ***Revenue Recognition - Identification of Performance Obligations***

#### *Description of the Matter*

As described in Note 2 to the consolidated financial statements, the Company enters into contracts that can include various combinations of products and services, which are generally capable of being distinct and accounted for as separate performance obligations. In some contracts, products and professional services may be combined into a single performance obligation when products or subscriptions are sold with significant customization, modification, or integration services. Determining whether products or services are considered distinct performance obligations that should be recognized separately or combined into a single performance obligation may sometimes require significant judgment.

Auditing the Company's determination of distinct performance obligations was complex due to the effort involved in assessing whether the various product and service offerings promised within each contract are separate performance obligations or should be combined into a single performance obligation.

#### *How We Addressed the Matter in Our Audit*

We obtained an understanding, evaluated the design, and tested the operating effectiveness of the Company's internal controls over the evaluation of the relevant terms of its contracts, and the appropriate identification of distinct performance obligations. This included testing relevant controls over the information systems that are important to the initiation, recording, and billing of revenue transactions.

Our audit procedures included evaluating management's revenue recognition policy which included the application of management's judgment in the identification of performance obligations. Among other procedures to evaluate management's identification and determination of the distinct performance obligations, we read executed contracts for a sample of sales transactions to understand the terms in the customer agreement and evaluated the appropriateness of management's application of the Company's accounting policy. We evaluated the accuracy of the Company's contract summary documentation, specifically related to the identification and determination of distinct performance obligations, and the related revenue recognition. Finally, we assessed the appropriateness of the related disclosures in the consolidated financial statements.

### ***Income Taxes - Intra-Entity Transfer of Intellectual Property***

#### *Description of the Matter*

As described in Note 13 to the consolidated financial statements, the Company completed a non-U.S. intercompany transfer of intellectual property during fiscal 2019 to a subsidiary in the Netherlands. The transaction resulted in deferred tax assets and deferred tax liabilities recorded at the applicable statutory tax rates, resulting in a one-time income tax benefit of \$206.3 million.

Auditing the Company's accounting for the intercompany transfer was complex due to the effort and auditor judgment related to management's identification, interpretation, and application of tax laws in jurisdictions impacted by the transaction.

#### *How We Addressed the Matter in Our Audit*

We obtained an understanding, evaluated the design, and tested the operating effectiveness of the Company's internal controls over its accounting for the transaction. This included testing controls over the identification, interpretation, and application of tax laws, management's review of the analyses provided by third-party advisors, and review of the underlying data used to record the one-time income tax benefit.

Among other procedures to evaluate management's accounting for the transaction, we tested the Company's compliance with intercompany agreements executed as part of the transaction. We also evaluated management's identification, interpretation, and application of tax laws and evaluated third-party advice obtained by the Company. We tested the completeness and accuracy of the data used to calculate and record the one-time income tax benefit with the assistance of our valuation specialists and tax professionals. Finally, we assessed the appropriateness of the related disclosures in the consolidated financial statements.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 1986.

San Jose, California  
February 28, 2020

## **Report of Independent Registered Public Accounting Firm**

To the Stockholders and the Board of Directors of Trimble Inc.

### **Opinion on Internal Control over Financial Reporting**

We have audited Trimble Inc.'s internal control over financial reporting as of January 3, 2020, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Trimble Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of January 3, 2020, based on the COSO criteria.

As indicated in the accompanying Management's Report on Internal Control over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of all current year acquisitions, which are included in the 2019 consolidated financial statements of the Company and constituted less than 1% of tangible assets and net assets as of January 3, 2020, and less than 1% of revenue and net income for the year then ended. Our audit of internal control over financial reporting of the Company also did not include an evaluation of the internal control over financial reporting of all current year acquisitions.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of January 3, 2020 and December 28, 2018, the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended January 3, 2020, and the related notes and financial statement schedule listed in the Index at Item 15(a) and our report dated February 28, 2020 expressed an unqualified opinion thereon.

### **Basis for Opinion**

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

### **Definition and Limitations of Internal Control over Financial Reporting**

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

San Jose, California  
February 28, 2020

## **Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

None

### **Item 9A. Controls and Procedures**

#### **(a) Evaluation of Disclosure Controls and Procedures**

The Company's 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.

#### **Inherent Limitations on Effectiveness of Controls**

The Company's management, including the CEO and CFO, does not expect that our internal control over financial reporting will prevent or detect all error and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

#### **(b) Management's Report on Internal Control over Financial Reporting**

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Our internal control over financial reporting is designed 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.

The Company's management, including the CEO and CFO, conducted an evaluation of the effectiveness of its internal control over financial reporting based on the Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework). The Company has excluded from its evaluation the internal control over financial reporting of all current year acquisitions, which are included in the January 3, 2020 consolidated financial statements and constituted less than 1% of tangible assets and net assets, respectively, as of January 3, 2020, and less than 1% of revenue and net income, respectively, for the year then ended. Based on the results of this evaluation, the Company's management concluded that its internal control over financial reporting was effective at the end of fiscal 2019.

The effectiveness of our internal control over financial reporting at the end of fiscal 2019 has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report which is included elsewhere herein.

#### **Changes in Internal Control over Financial Reporting**

During the fourth quarter of fiscal 2019, there were no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

### **Item 9B. Other Information**

None.

## PART III

### **Item 10. Directors, Executive Officers and Corporate Governance**

The information required by this item, insofar as it relates to Trimble's directors, will be contained under the captions "Election of Directors" and "Section 16(a) Beneficial Ownership Reporting Compliance" in the Proxy Statement and is incorporated herein by reference. The information required by this item relating to executive officers is set forth above in Item 1 Business Overview under the caption "Executive Officers."

The information required by this item insofar as it relates to the nominating and audit committees will be contained in the Proxy Statement under the caption "Board Meetings and Committees; Director Independence."

#### *Code of Ethics*

The Company's Business Ethics and Conduct Policy applies to, among others, the Company's Chief Executive Officer, Chief Financial Officer, Chief Accounting Officer, and other finance organization employees. The Business Ethics and Conduct Policy is available on the Company's website at [www.trimble.com](http://www.trimble.com) under the heading "Corporate Governance - Governance Documents" on the Investor Relations page of our website. A copy will be provided, without charge, to any stockholder who requests one by written request addressed to General Counsel, Trimble Inc., 935 Stewart Drive, Sunnyvale, CA 94085.

If any substantive amendments to the Business Ethics and Conduct Policy are made or any waivers are granted, including any implicit waiver, from a provision of the Business Ethics and Conduct Policy, to its Chief Executive Officer, Chief Financial Officer, Chief Accounting Officer, or Corporate Controller, the Company will disclose the nature of such amendment or waiver on the Company's website at [www.trimble.com](http://www.trimble.com) or in a report on Form 8-K.

### **Item 11. Executive Compensation**

The information required by this item will be contained in the Proxy Statement under the captions "Executive Compensation" and "Non-Employee Director Compensation" and is incorporated herein by reference.

### **Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters**

The information required by this item will be contained in the Proxy Statement under the caption "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters" and is incorporated herein by reference.

### **Item 13. Certain Relationships and Related Transactions, and Director Independence**

The information required by this item will be contained in the Proxy Statement under the caption "Certain Relationships and Related Person Transactions" and is incorporated herein by reference.

### **Item 14. Principal Accounting Fees and Services**

The information required by this item will be contained in the Proxy Statement under the caption "Principal Accounting Fees and Services" and is incorporated herein by reference.



## PART IV

### Item 15. Exhibits and Financial Statement Schedules.

#### (a) (1) Financial Statements

The following consolidated financial statements required by this item are included in Part II Item 8 hereof under the caption “Financial Statements and Supplementary Data.”

|  | <b>Page in this<br/>Annual Report<br/>on Form 10-K</b> |
|--|--|
| Consolidated Balance Sheets                              | 49   |
| Consolidated Statements of Income                        | 50   |
| Consolidated Statements of Comprehensive Income          | 51   |
| Consolidated Statements of Stockholders’ Equity          | 52   |
| Consolidated Statements of Cash Flows                    | 53   |
| Notes to Consolidated Financial Statements               | 54   |
| Reports of Independent Registered Public Accounting Firm | 81   |

#### (2) Financial Statement Schedules

The following financial statement schedule is filed as part of this report:

|   | <b>Page in this<br/>Annual Report<br/>on Form 10-K</b> |
|---|--|
| Schedule II—Valuation and Qualifying Accounts | 92   |

All other schedules have been omitted as they are either not required or not applicable, or the required information is included in the consolidated financial statements or the notes thereto.

#### (b) 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-K.

### Item 16. Form 10-K Summary.

None.

## INDEX TO EXHIBITS

| <u>Exh. No.</u> | <u>Description of Exhibit</u>   | <u>Filed herewith or incorporated by reference to:</u> |
|-----------------|---|--|
| 2.1             | Agreement and Plan of Merger dated September 30, 2016 between Trimble Inc. and Trimble Navigation Limited   | Exhibit 2.1 to Form 8-K filed October 3, 2016          |
| 2.2             | Stock Purchase Agreement dated as of February 2, 2018 by and among Trimble Inc., e_Builder, Inc. and the stockholders of e_Builder named therein  | Exhibit 2.1 to Form 8-K filed February 2, 2018         |
| 2.3             | Agreement and Plan of Merger dated April 23, 2018, regarding the acquisition of Viewpoint, Inc.   | Exhibit 2.1 to Form 8-K filed April 24, 2018           |
| 3.1             | Certificate of Incorporation of Trimble Inc.  | Exhibit 3.1 to Form 8-K filed October 3, 2016          |
| 3.2             | By-Laws of Trimble Inc., effective as of January 4, 2020  | Exhibit 3.1 to Form 8-K filed November 15, 2019        |
| 4.1             | Form of Common Stock Certificate of Trimble Inc.  | Exhibit 4.1 to Form 8-K filed October 3, 2016          |
| 4.2             | Description of Securities of Trimble Inc.   | Filed herewith   |
| 4.3(A)          | Indenture, dated as of October 30, 2014, between the Company and U.S. Bank National Association   | Exhibit 4.2 to Form S-3 filed October 30, 2014         |
| 4.3(B)          | First Supplemental Indenture, dated November 24, 2014, between the Company and U.S. Bank National Association (which includes Form of 4.750% Senior Note due 2024)                                      | Exhibit 4.1 to Form 8-K filed November 24, 2014        |
| 4.3(C)          | Second Supplemental Indenture, dated October 1, 2016, between Trimble Inc., Trimble Navigation Limited and U.S. Bank National Association   | Exhibit 4.2 to Form 8-K filed October 3, 2016          |
| 4.3(D)          | Third Supplemental Indenture, dated June 15, 2018, between Trimble Inc. and U.S. Bank National Association (which includes Form of 4.150% Senior Note due 2023 and Form of 4.900% Senior Note due 2028) | Exhibit 4.1 to Form 8-K filed June 15, 2018            |
| 10.1(A)         | Lease dated May 11, 2005 between Carr America Realty Operating Partnership, L.P. and the Company  | Exhibit 10.17 to Form 10-K filed March 10, 2006        |
| 10.1(B)         | First Amendment to Lease between Carr NP Properties, LLC and the Company  | Exhibit 10.23 to Form 10-K filed March 1, 2011         |
| 10.1(C)         | Second Amendment to Lease between the Company and Wilson Oakmead West, LLC (successor in interest to Carr NP Properties, LLC)   | Exhibit 10.6 to Form 10-Q filed August 8, 2017         |
| 10.2            | Credit Agreement dated as of May 15, 2018 by and among Trimble Inc., the borrowing subsidiaries party thereto, the lenders party thereto and JPMorgan Chase Bank, N.A.                                  | Exhibit 10.1 to Form 8-K filed May 16, 2018            |
| 10.3+           | Form of Indemnification Agreement between the Company and its officers and directors  | Exhibit 10.1 to Form 8-K filed November 15, 2017       |
| 10.4+           | Board of Directors Compensation Policy, effective as of May 7, 2015   | Exhibit 10.1 to Form 8-K filed May 11, 2015            |
| 10.5+           | Incentive Compensation Recoupment Policy  | Exhibit 99.1 to Form 8-K filed May 8, 2017             |
| 10.6+           | Deferred Compensation Plan, as amended December 31, 2018  | Exhibit 10.1 to Form 10-Q filed May 7, 2019            |
| 10.7+           | Age and Service Equity Vesting Program  | Exhibit 10.3 to Form 10-Q filed August 8, 2017         |
| 10.8(A)+        | Employee Stock Purchase Plan, as amended March 13, 2017   | Appendix B of Form DEF 14A filed March 23, 2017        |
| 10.8(B)+        | Employee Stock Purchase Plan - Form of global subscription agreement  | Exhibit 10.5 to Form 10-Q filed November 10, 2015      |
| 10.9(A)+        | 2002 Stock Plan, as amended January 1, 2019   | Exhibit 10.1 to Form 10-Q filed May 7, 2019            |
| 10.9(B)+        | 2002 Stock Plan - Form of stock option agreement (U.S. directors)   | Exhibit 10.2 to Form 10-Q filed November 7, 2014       |
| 10.9(C)+        | 2002 Stock Plan - Form of stock option agreement (non-U.S. directors)   | Exhibit 10.3 to Form 10-Q filed November 7, 2014       |
| 10.9(D)+        | 2002 Stock Plan - Form of global stock option agreement (officers)  | Exhibit 10.1 to Form 10-Q filed November 10, 2015      |

|          |   |  |
|----------|---|--|
| 10.9(E)+ | 2002 Stock Plan - Form of global restricted stock unit award agreement  | Exhibit 10.2 to Form 10-Q filed November 10, 2015  |
| 10.9(F)+ | 2002 Stock Plan - Form of global performance restricted stock unit award agreement  | Exhibit 10.6 to Form 10-Q filed November 10, 2015  |
| 10.9(G)+ | 2002 Stock Plan - Form of global restricted stock unit award agreement (officers)   | Exhibit 10.30 to Form 10-K filed February 24, 2017 |
| 10.9(H)+ | 2002 Stock Plan - Form of global performance stock unit award agreement (Operating Income/Revenue)  | Exhibit 10.4 to Form 10-Q filed August 8, 2017     |
| 10.9(I)+ | 2002 Stock Plan - Form of global performance stock unit award agreement (Total Stockholder Return)  | Exhibit 10.5 to Form 10-Q filed August 8, 2017     |
| 10.9(J)+ | 2002 Stock Plan - Form of global performance stock unit award agreement (officers)  | Exhibit 10.1 to Form 10-Q filed August 2, 2019     |
| 10.9(K)+ | 2002 Stock Plan - Performance stock option agreement between the Company and Rob Painter issued January 4, 2020   | Filed herewith                                     |
| 10.10+   | Annual Management Incentive Plan Description  | Exhibit 10.1 to Form 10-Q filed May 8, 2017        |
| 10.11+   | Form of Change in Control Severance Agreement between the Company and certain Company officers, together with a schedule identifying material differences in the agreements entered into with specific officers   | Exhibit 10.1 to Form 10-Q filed August 8, 2017     |
| 10.12+   | Form of Executive Severance Agreement between the Company and certain Company officers, together with a schedule identifying material differences in the agreements entered into with specific officers   | Exhibit 10.2 to Form 10-Q filed August 8, 2017     |
| 10.13+   | Change in Control Severance Agreement between the Company and Steven W. Berglund dated February 20, 2019  | Exhibit 10.1 to Form 10-K filed February 22, 2019  |
| 10.14+   | Executive Severance Agreement between the Company and Steven W. Berglund dated February 20, 2019  | Exhibit 10.2 to Form 10-K filed February 22, 2019  |
| 10.15+   | Offer Letter between the Company and David Barnes (in his capacity as CFO) dated November 8, 2019   | Exhibit 10.1 to Form 8-K filed November 18, 2019   |
| 10.16+   | Severance Agreement between the Company and Rosalind Buick executed December 6, 2019  | Filed herewith                                     |
| 21.1     | Subsidiaries of the Company   | Filed herewith                                     |
| 23.1     | Consent of Independent Registered Public Accounting Firm  | Filed herewith                                     |
| 24.1     | Power of Attorney (included on signature page herein)   |  |
| 31.1     | Certification of CEO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002  | Filed herewith                                     |
| 31.2     | Certification of CFO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002  | Filed herewith                                     |
| 32.1     | Certification of CEO pursuant to Section 906 of the Sarbanes-Oxley Act of 2002  | Filed herewith                                     |
| 32.2     | Certification of CFO pursuant to Section 906 of the Sarbanes-Oxley Act of 2002  | Filed herewith                                     |
| 101++    | The following financial statements from this Annual Report on Form 10-K, formatted in Inline XBRL: (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Income, (iii) Consolidated Statements of Comprehensive Income, (iv) Consolidated Statements of Stockholders' Equity, (v) Consolidated Statements of Cash Flows, and (vi) Notes to Consolidated Financial Statements, tagged as blocks of text and including detailed tags |  |
| 104++    | The cover page from this Annual Report on Form 10-K, formatted in Inline XBRL   |  |

+ Indicates management contract or compensatory plan or arrangement required to be filed as an exhibit to this Annual Report on Form 10-K.

++ Pursuant to applicable securities laws and regulations, the Company is deemed to have complied with the reporting obligation relating to the submission of interactive data files in such exhibits and is not subject to liability under any anti-fraud provisions of the federal securities laws as long as the Company has made a good faith attempt to comply with the submission requirements and promptly amends the interactive data files after becoming aware that the interactive data files fails to comply with the submission requirements.

\*\* Portions of this document have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment under Rule 24b-2.

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized.

**TRIMBLE INC.**

By:

/s/ ROBERT G. PAINTER  
**Robert G. Painter,**  
**President and Chief Executive Officer**

February 28, 2020

## POWER OF ATTORNEY

Know all persons by these presents, that each person whose signature appears below constitutes and appoints Robert G. Painter as his attorney-in-fact, with the power of substitution, for him in any and all capacities, to sign any amendments to this Report on Form 10-K, and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that said attorney-in-fact, or his substitute or substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report on Form 10-K has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

| Signature  | Capacity in which Signed                                   |                   |
|--|--|-------------------|
| /s/ ROBERT G. PAINTER<br>Robert G. Painter         | President, Chief Executive Officer, Director               | February 28, 2020 |
| /s/ DAVID G. BARNES<br>David G. Barnes             | Chief Financial Officer<br>(Principal Financial Officer)   | February 28, 2020 |
| /s/ JULIE A. SHEPARD<br>Julie A. Shepard           | Chief Accounting Officer<br>(Principal Accounting Officer) | February 28, 2020 |
| /s/ STEVEN W. BERGLUND<br>Steven W. Berglund       | Director   | February 28, 2020 |
| /s/ BORJE EKHOLM<br>Börje Ekholm                   | Director   | February 28, 2020 |
| /s/ KAIGHAM (KEN) GABRIEL<br>Kaigham (Ken) Gabriel | Director   | February 28, 2020 |
| /s/ MERIT E. JANOW<br>Merit E. Janow               | Director   | February 28, 2020 |
| /s/ MEAGHAN LLOYD<br>Meaghan Lloyd                 | Director   | February 28, 2020 |
| /s/ SANDRA MACQUILLAN<br>Sandra MacQuillan         | Director   | February 28, 2020 |
| /s/ RON S. NERSESIAN<br>Ron S. Nersesian           | Director   | February 28, 2020 |
| /s/ MARK S. PEEK<br>Mark S. Peek                   | Director   | February 28, 2020 |
| /s/ JOHAN WIBERGH<br>Johan Wibergh                 | Director   | February 28, 2020 |

**SCHEDULE II**  
**TRIMBLE INC.**  
**VALUATION AND QUALIFYING ACCOUNTS**

| <b>Fiscal Years</b>                     | <b>2019</b>   | <b>2018</b>   | <b>2017</b>   |
|---|---------------|---------------|---------------|
| <i>(In millions)</i>                    |               |               |               |
| <u>Allowance for doubtful accounts:</u> |               |               |               |
| Balance at beginning of period          | \$ 4.6        | \$ 3.6        | \$ 5.0        |
| Acquired allowance                      | 0.2           | 1.6           | 0.3           |
| Bad debt expense                        | 6.5           | 3.4           | 1.2           |
| Write-offs, net of recoveries           | (5.4)         | (4.0)         | (2.9)         |
| Balance at end of period                | <u>\$ 5.9</u> | <u>\$ 4.6</u> | <u>\$ 3.6</u> |



# MANAGEMENT INFORMATION



## BOARD OF DIRECTORS

### Steven W. Berglund

Executive Chairman

### Robert G. Painter

President and  
Chief Executive Officer

### Börje Ekholm

President and Chief Executive Officer,  
Ericsson

### Dr. Kaigham Gabriel

President and Chief Executive Officer,  
Draper

### Merit E. Janow

Dean, School of International and  
Public Affairs, and Professor of  
Practice, Columbia University

### Mark S. Peek

EVP, Managing Director, and Head of  
Workday Ventures

### Meaghan Lloyd

Partner,  
Gehry Partners, LLP

### Sandra MacQuillan

Executive Vice President and  
Chief Supply Chain Officer,  
Mondelēz Global LLC

### Ron S. Nersesian

Chairman, President, and  
Chief Executive Officer,  
Keysight Technologies

### Johan Wibergh

Group Chief Technology Officer,  
Vodafone

## EXECUTIVE MANAGEMENT

### Robert G. Painter

President and  
Chief Executive Officer

### Business Operations

#### Ronald J. Bisio

Senior Vice President

#### Patricia Boothe

Senior Vice President

#### Bryn A. Fosburgh

Senior Vice President

### Staff Operations

#### Thomas Fansler

Senior Vice President  
Chief Technology &  
Data Officer

#### James A. Kirkland

Senior Vice President  
General Counsel

#### Leah K. Lambertson

Senior Vice President  
Operations and  
Chief Information Officer

### David G. Barnes

Senior Vice President and  
Chief Financial Officer

#### Cyndee Hoagland

Senior Vice President

#### James Langley

Senior Vice President

#### Darryl R. Matthews

Senior Vice President

#### Michael Lesyna

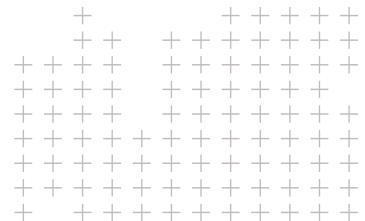
Senior Vice President  
Strategy and  
Corporate Development

#### E. Michael Scarpa

Senior Vice President  
Chief Human Resources  
Officer

#### Julie A. Shepard

Vice President  
Finance and Chief  
Accounting Officer



## CORPORATE HEADQUARTERS

### Trimble Inc.

935 Stewart Drive  
Sunnyvale, California 94085  
+1 (408) 481-8000  
www.trimble.com

## TRIMBLE INVESTOR INFORMATION

Traded: The NASDAQ Stock Exchange  
Symbol: **TRMB**

## STOCKHOLDER INFORMATION

### Independent Auditor

### Ernst & Young LLP

San Jose, California

### Transfer Agent & Registrar

### American Stock

### Transfer & Trust Company

6201 15th Avenue  
Brooklyn, New York 11219  
+1 (800) 937-5449  
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### Investor Relations Contact

+1 (408) 481-7838  
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## LOCATIONS

|           |             |                          |
|-----------|-------------|--------------------------|
| Argentina | Hungary     | Poland                   |
| Australia | India       | Romania                  |
| Austria   | Indonesia   | Russia                   |
| Belgium   | Ireland     | Saudi Arabia             |
| Brazil    | Italy       | Singapore                |
| Bulgaria  | Japan       | South Africa             |
| Canada    | Kenya       | Spain                    |
| China     | Korea       | Sweden                   |
| Denmark   | Lithuania   | Switzerland              |
| Finland   | Malaysia    | Thailand                 |
| France    | Mexico      | United Arab Emirates     |
| Germany   | Netherlands | United Kingdom           |
| Ghana     | New Zealand | United States of America |
| Hong Kong | Norway      |                          |

The company's annual report on Form 10-K, as filed with the Securities Exchange Commission, accompanies this annual report to stockholders and is also available on the Investor Relations section of the company's website at: [www.trimble.com](http://www.trimble.com)

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