Garmin Ltd. (GRMN)

Updated February 22nd, 2025, by Josh Arnold

Key Metrics

Current Price:	$225	**5 Year CAGR Estimate:**	6.1%	**Market Cap:**	$44 B
Fair Value Price:	$184	**5 Year Growth Estimate:**	9.0%	**Ex-Dividend Date:**	03/14/25
% Fair Value:	122%	**5 Year Valuation Multiple Estimate:**	-3.9%	**Dividend Payment Date:**	03/28/25
Dividend Yield:	1.5%	**5 Year Price Target**	$283	**Years Of Dividend Growth:**	8
Dividend Risk Score:	D	**Retirement Suitability Score:**	F	**Rating:**	Hold

Overview & Current Events

Garmin is a technology company based in Switzerland. It manufactures navigation, communication, and information devices and applications that are enabled by GPS. Its business segments are as follows: Auto, Aviation, Marine, Outdoor, and Fitness. The Auto segment offers auto navigation products for vehicles. The Aviation segment includes navigation, communications transmitters and receivers, multi-function displays, electronic flight instrumentation systems, automatic flight control systems, and traffic advisory systems. The Marine segment includes products for recreational boats. The Outdoor segment makes products for outdoor activities, while the Fitness segment makes products designed for activity tracking. Garmin produces over $6 billion in annual revenue and has a $44 billion market capitalization.

Garmin posted fourth quarter and full-year earnings on February 19th, 2025, and results were once again much better than expected as the company continues its impressive run. Adjusted earnings-per-share came to $2.41, which was a staggering 39 cents ahead of estimates. Revenue soared 23% year-over-year to $1.82 billion, beating estimates by $120 million.

The fitness segment posted 31% revenue growth, while outdoor was up 29%; both segments saw very strong demand for wearables. Revenue from the auto OEM segment was also up 30% on higher shipments of domain controllers.

Gross margins rose 100 basis points year-over-year to 59.3% of revenue. Operating margin was 28.3% of revenue, up sharply from 23% a year ago. This helped earnings-per-share rise 40% year over year in Q4.

Operating cash flow for the quarter was $484 million, while free cash flow was $399 million. The company ended the quarter with $3.7 billion in cash.

With very strong momentum, and new product launches planned, we see $8 in adjusted earnings-per-share for 2025, which would mark an ~8% gain from 2024 if achieved.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$2.49	$2.83	$2.94	$3.66	$4.45	$5.14	$5.82	$5.13	$5.59	$7.39	***$8.00***	***$12.31***
DPS	$2.04	$2.04	$2.04	$2.12	$2.24	$2.40	$2.68	$2.86	$2.92	$3.00	***$3.45***	***$4.40***
Shares[1]	189.7	188.6	188.2	189.5	191.2	191.6	192.8	191.6	191.8	192.4	***193***	***196***

Garmin has engineered a major turnaround due to structural changes in the technology industry. Garmin rose to prominence due in large part to its automotive GPS devices. However, GPS devices for the automotive industry were rendered virtually obsolete with the widespread adoption of the smartphone.

As a result, Garmin has restructured itself around the aviation, marine, outdoor, and fitness markets, and has had major success in those categories. We expect 9% annual earnings growth through 2030. We see higher margins as helping boost earnings, and as Garmin's top line strength has been quite sustainable. Dividends are expected to grow at a slower rate, and we see the payout rising to $4.40 per share by 2030. Garmin declared all four of its 2025 dividends and is set to pay $3.45 per share this year, up from $3 in 2024.

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[1] Share count in millions

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Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	17.4	15.7	18.0	17.2	18.6	18.9	24.6	18.0	23.0	27.9	***28.1***	***23.0***
Avg. Yld.	4.7%	4.6%	3.9%	3.4%	2.7%	2.5%	1.9%	3.2%	2.3%	1.5%	***1.5%***	***1.6%***

In the past 10 years, Garmin stock traded with an average price-to-earnings ratio of ~20; on this basis, the stock looks overvalued today. However, more recently, shares have been valued at higher multiples due to rapid earnings expansion. Shares trade at 28.1 times earnings estimates for 2025, well above our raised fair value of 23 times earnings. We see the stock as quite overvalued at the moment, as the share price has risen much more quickly than earnings estimates. The yield is now at 1.5%, and could rise over time as the valuation declines. We note the stock looks expensive based upon the dividend yield as well, and despite the very strong revenue and earnings growth we've seen, the stock is simply too expensive.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	82%	72%	69%	58%	50%	47%	46%	57%	52%	41%	***43%***	***36%***

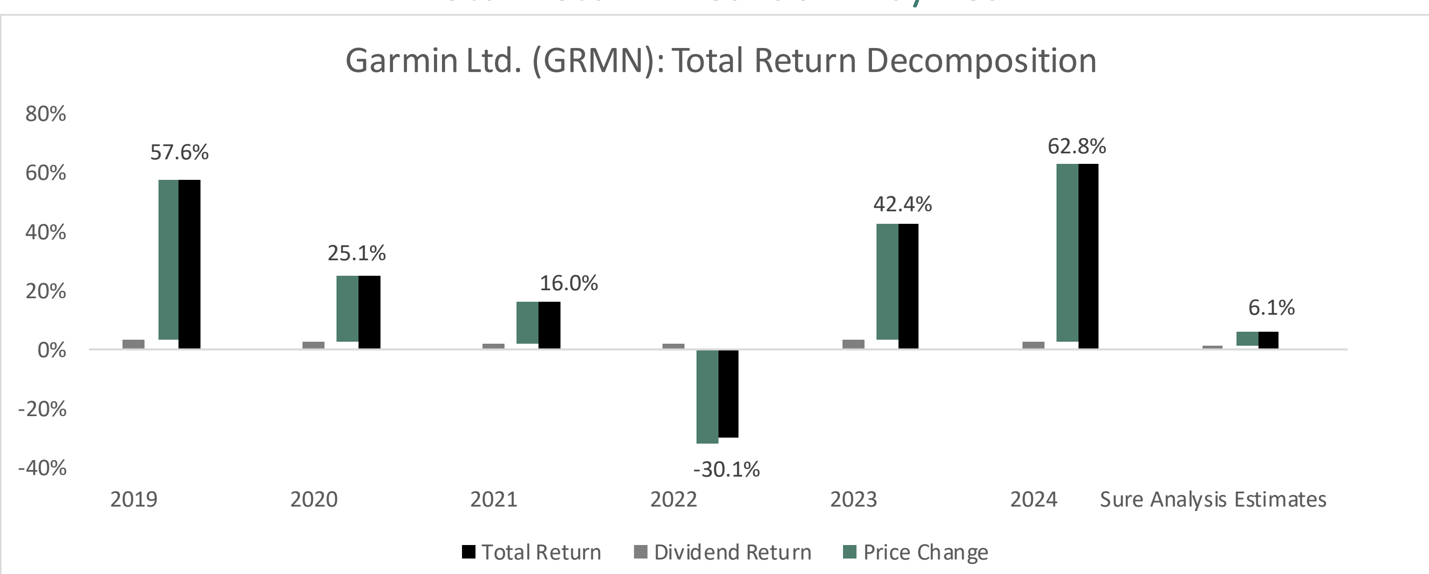
The dividend appears secure, with a payout ratio of 43% of earnings. During the Great Recession in 2008-2009, the company saw earnings drop, but managed to continue to pay out its dividend. We do not believe Garmin would be resistant to a prolonged recession when consumers reduce spending on discretionary technology products.

Garmin does not possess many notable competitive advantages, which are hard to come by in the technology sector. Technology is a highly competitive and rapidly changing industry. Garmin lost its advantage in automotive GPS devices when trends changed related to widespread smartphone adoption. However, the company has been investing heavily in non-automotive markets to fuel future growth, and we note its leadership in Aviation and Marine products.

Final Thoughts & Recommendation

Garmin is a financially healthy company with a very strong balance sheet, and strong rates of growth. Garmin continues to produce strong revenue growth, and even better margin expansion. Following 2024 results, total annual returns are estimated at 6.1%. We see the valuation as a big headwind to total returns, while our growth estimate of 9%, and yield of 1.5% are good enough for a reiteration of a hold rating.

Total Return Breakdown by Year



Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.

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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	2,820	3,046	3,122	3,347	3,758	4,187	4,983	4,860	5,228	6,297
Gross Profit	1,539	1,689	1,798	1,980	2,234	2,481	2,890	2,807	3,005	3,697
Gross Margin	54.6%	55.4%	57.6%	59.1%	59.5%	59.3%	58.0%	57.8%	57.5%	58.7%
SG&A Exp.	562	588	603	634	683	721	832	944	1,008	1,109
D&A Exp.	78	86	86	96	106	127	155	164	178	180
Operating Profit	550	633	684	778	946	1,054	1,219	1,028	1,092	1,594
Operating Margin	19.5%	20.8%	21.9%	23.3%	25.2%	25.2%	24.5%	21.2%	20.9%	25.3%
Net Profit	456	518	709	694	952	992	1,082	974	1,290	1,411
Net Margin	16.2%	17.0%	22.7%	20.7%	25.3%	23.7%	21.7%	20.0%	24.7%	22.4%
Free Cash Flow	196	609	509	759	578	948	703	542	1,181	1,239
Income Tax	111	121	(12)	129	35	111	125	91	-89	284

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	4,499	4,525	4,948	5,383	6,167	7,031	7,854	7,731	8,604	9,631
Cash & Equivalents	833	847	891	1,202	1,028	1,458	1,498	1,279	1,693	2,079
Accounts Receivable	531	527	591	570	707	849	843	657	815	983
Inventories	501	485	518	562	753	762	1,228	1,515	1,346	1,474
Goodwill & Int. Ass.	246	305	410	417	660	829	791	746	795	758
Total Liabilities	1,154	1,107	1,096	1,220	1,373	1,515	1,740	1,527	1,592	1,782
Accounts Payable	179	172	170	205	241	259	370	212	254	359
Long-Term Debt	---	---	---	---	---	---	---	0	0	0
Shareholder's Equity	3,345	3,418	3,852	4,163	4,793	5,516	6,114	6,204	7,012	7,848
LTD/E Ratio	---	---	---	---	---	---	---	0	0	0

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	9.9%	11.5%	15.0%	13.4%	16.5%	15.0%	14.5%	12.5%	15.8%	15.5%
Return on Equity	13.5%	15.3%	19.5%	17.3%	21.3%	19.3%	18.6%	15.8%	19.5%	19.0%
ROIC	13.5%	15.3%	19.5%	17.3%	21.3%	19.3%	18.6%	15.8%	19.5%	19.0%
Shares Out.	189.7	188.6	188.2	189.5	191.2	191.6	192.8	193.0	192.1	193.3
Revenue/Share	14.76	16.09	16.54	17.64	19.68	21.82	25.81	25.18	27.22	32.60
FCF/Share	1.03	3.22	2.70	4.00	3.03	4.94	3.64	2.81	6.15	6.41

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.