

TRIMBLE INC.  
Form 10-Q  
November 07, 2016  
Table of Contents

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

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FORM 10-Q

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(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED September 30, 2016

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)

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Delaware

94-2802192

(State or other jurisdiction of (I.R.S. Employer Identification Number) incorporation or organization)

935 Stewart Drive, Sunnyvale, CA 94085

(Address of principal executive offices) (Zip Code)

Telephone Number (408) 481-8000

(Registrant's telephone number, including area code)

TRIMBLE NAVIGATION LIMITED

(Former name or former address, if changed since last report.)

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer

Accelerated Filer

Non-accelerated Filer  (Do not check if a smaller reporting company) Smaller Reporting Company

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 November 4, 2016, there were 250,583,803 shares of Common Stock, par value \$0.001 per share, outstanding.

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Table of Contents

TRIMBLE INC.  
FORM 10-Q for the Quarter Ended September 30, 2016  
TABLE OF CONTENTS

PART I. <u>Financial Information</u>	Page
ITEM 1. <u>Financial Statements (Unaudited):</u>	
<u>Condensed Consolidated Balance Sheets</u>	<u>3</u>
<u>Condensed Consolidated Statements of Income</u>	<u>4</u>
<u>Condensed Consolidated Statements of Comprehensive Income</u>	<u>5</u>
<u>Condensed Consolidated Statements of Cash Flows</u>	<u>6</u>
<u>Notes to Condensed Consolidated Financial Statements</u>	<u>7</u>
ITEM 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>21</u>
ITEM 3. <u>Quantitative and Qualitative Disclosures about Market Risk</u>	<u>35</u>
ITEM 4. <u>Controls and Procedures</u>	<u>35</u>
PART II. <u>Other Information</u>	
ITEM 1. <u>Legal Proceedings</u>	<u>36</u>
ITEM 1A. <u>Risk Factors</u>	<u>36</u>
ITEM 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>36</u>
ITEM 4. <u>Mine Safety Disclosures</u>	<u>37</u>
ITEM 6. <u>Exhibits</u>	<u>37</u>
<u>SIGNATURES</u>	<u>38</u>

Table of Contents

## PART I – FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
 TRIMBLE NAVIGATION LIMITED  
 CONDENSED CONSOLIDATED BALANCE SHEETS  
 (UNAUDITED)

	Third Quarter of 2016	Fiscal Year End 2015
As of		
(In millions)		
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$213.5	\$ 116.0
Short-term investments	62.1	—
Accounts receivable, net	369.2	361.9
Other receivables	35.4	14.9
Inventories	224.3	261.1
Other current assets	53.4	44.5
Total current assets	957.9	798.4
Property and equipment, net	149.4	159.2
Goodwill	2,111.1	2,106.4
Other purchased intangible assets, net	371.1	487.1
Other non-current assets	141.9	129.6
Total assets	\$3,731.4	\$ 3,680.7
<b>LIABILITIES</b>		
Current liabilities:		
Short-term debt	\$145.3	\$ 118.3
Accounts payable	102.0	99.8
Accrued compensation and benefits	86.8	98.9
Deferred revenue	259.1	234.6
Accrued warranty expense	18.1	18.5
Other current liabilities	82.7	90.8
Total current liabilities	694.0	660.9
Long-term debt	524.5	611.4
Non-current deferred revenue	35.2	29.6
Deferred income taxes liabilities	45.4	51.7
Other non-current liabilities	112.6	106.5
Total liabilities	1,411.7	1,460.1
Commitments and contingencies (Note 13)		
<b>EQUITY</b>		
Shareholders' equity:		
Preferred stock, no par value; 3.0 shares authorized; none outstanding	—	—
Common stock, no par value; 360.0 shares authorized; 250.2 and 250.7 shares issued and outstanding as of the end of the third quarter of fiscal 2016 and fiscal year end 2015, respectively	1,316.0	1,238.3
Retained earnings	1,159.1	1,148.2
Accumulated other comprehensive loss	(155.2	) (166.8
Total Trimble Navigation Limited shareholders' equity	2,319.9	2,219.7

Noncontrolling interests	(0.2	) 0.9
Total shareholders' equity	2,319.7	2,220.6
Total liabilities and shareholders' equity	\$3,731.4	\$ 3,680.7

See accompanying Notes to the Condensed Consolidated Financial Statements.

Table of Contents

TRIMBLE NAVIGATION LIMITED  
 CONDENSED CONSOLIDATED STATEMENTS OF INCOME  
 (UNAUDITED)

(In millions, except per share amounts)	Third Quarter of		First Three Quarters of	
	2016	2015	2016	2015
Revenue:				
Product	\$384.9	\$373.0	\$1,185.5	\$1,168.2
Service	105.6	103.9	316.9	310.5
Subscription	93.6	85.4	274.3	252.0
Total revenue	584.1	562.3	1,776.7	1,730.7
Cost of sales:				
Product	186.6	175.5	576.0	554.0
Service	40.7	39.4	126.3	123.0
Subscription	26.0	26.1	79.3	75.8
Amortization of purchased intangible assets	21.8	23.3	69.9	68.8
Total cost of sales	275.1	264.3	851.5	821.6
Gross margin	309.0	298.0	925.2	909.1
Operating expense:				
Research and development	86.9	79.6	266.6	251.3
Sales and marketing	88.6	89.1	282.7	281.8
General and administrative	59.2	63.2	193.1	192.1
Restructuring charges	3.5	2.7	9.8	9.0
Amortization of purchased intangible assets	15.5	17.4	47.3	53.4
Total operating expense	253.7	252.0	799.5	787.6
Operating income	55.3	46.0	125.7	121.5
Non-operating income (expense), net:				
Interest expense	(6.6 )	(6.4 )	(19.8 )	(19.1 )
Foreign currency transaction gain (loss), net	—	0.1	(1.6 )	1.2
Income from equity method investments, net	5.2	4.7	13.9	14.1
Other income (expense), net	(1.7 )	(0.9 )	1.7	5.8
Total non-operating income (expense), net	(3.1 )	(2.5 )	(5.8 )	2.0
Income before taxes	52.2	43.5	119.9	123.5
Income tax provision	13.0	6.5	25.4	26.7
Net income	39.2	37.0	94.5	96.8
Less: Net loss attributable to noncontrolling interests	—	(0.1 )	(0.2 )	(0.3 )
Net income attributable to Trimble Navigation Limited:	\$39.2	\$37.1	\$94.7	\$97.1
Basic earnings per share	\$0.16	\$0.15	\$0.38	\$0.38
Shares used in calculating basic earnings per share	249.7	254.8	250.5	257.5
Diluted earnings per share	\$0.15	\$0.14	\$0.37	\$0.37
Shares used in calculating diluted earnings per share	253.2	257.2	253.7	260.3

See accompanying Notes to the Condensed Consolidated Financial Statements.

Table of Contents

TRIMBLE NAVIGATION LIMITED  
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
 (UNAUDITED)

	Third Quarter of		First Three Quarters of	
	2016	2015	2016	2015
(In millions)				
Net income	\$39.2	\$37.0	\$94.5	\$96.8
Foreign currency translation adjustments, net of tax	4.5	(15.3 )	11.5	(70.5 )
Net unrealized actuarial gain, net of tax	—	—	0.1	0.2
Comprehensive income	43.7	21.7	106.1	26.5
Less: Comprehensive loss attributable to noncontrolling interests	—	(0.1 )	(0.2 )	(0.3 )
Comprehensive income attributable to Trimble Navigation Limited	\$43.7	\$21.8	\$106.3	\$26.8
See accompanying Notes to the Condensed Consolidated Financial Statements.				

Table of Contents

TRIMBLE NAVIGATION LIMITED  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(UNAUDITED)

(In millions)	First Three Quarters of	
	2016	2015
Cash flows from operating activities:		
Net income	\$94.5	\$96.8
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation expense	27.9	27.0
Amortization expense	117.2	122.2
Provision for doubtful accounts	2.5	1.7
Deferred income taxes	1.2	(0.5 )
Stock-based compensation	40.0	37.3
Income from equity method investments	(13.9 )	(14.1 )
Divestitures (gain) loss, net	0.1	(5.8 )
Excess tax benefit for stock-based compensation	(5.0 )	(1.4 )
Provision for excess and obsolete inventories	12.0	5.1
Other non-cash items	3.9	9.0
Decrease (increase) in assets:		
Accounts receivable	(9.9 )	12.3
Other receivables	(2.7 )	6.5
Inventories	25.7	(6.4 )
Other current and non-current assets	(11.1 )	(9.5 )
Increase (decrease) in liabilities:		
Accounts payable	2.7	(6.9 )
Accrued compensation and benefits	(12.8 )	(15.4 )
Deferred revenue	32.8	38.6
Accrued warranty	(0.5 )	(1.4 )
Other liabilities	(22.6 )	(18.7 )
Net cash provided by operating activities	282.0	276.4
Cash flows from investing activities:		
Acquisitions of businesses, net of cash acquired	(22.3 )	(101.7 )
Acquisitions of property and equipment	(19.7 )	(35.7 )
Purchases of equity method investments	(1.5 )	(3.6 )
Acquisitions of intangible assets	(0.3 )	(0.1 )
Purchases of available-for-sale investments	(62.1 )	—
Net proceeds from sale of businesses	10.7	12.1
Dividends received from equity method investments	16.5	15.3
Other	0.1	0.3
Net cash used in investing activities	(78.6 )	(113.4 )
Cash flows from financing activities:		
Issuances of common stock, net of tax withholdings	50.0	29.1
Repurchase and retirement of common stock	(102.2 )	(234.4 )
Excess tax benefit for stock-based compensation	5.0	1.4
Proceeds from debt and revolving credit lines	291.0	458.0
Payments on debt and revolving credit lines	(351.3 )	(431.1 )
Net cash used in financing activities	(107.5 )	(177.0 )
Effect of exchange rate changes on cash and cash equivalents	1.6	(10.4 )

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Net increase (decrease) in cash and cash equivalents	97.5	(24.4 )
Cash and cash equivalents, beginning of period	116.0	148.0
Cash and cash equivalents, end of period	\$213.5	\$123.6

See accompanying Notes to the Condensed Consolidated Financial Statements.

6

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Table of Contents

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – UNAUDITED

NOTE 1. OVERVIEW AND BASIS OF PRESENTATION

Trimble Navigation Limited (Trimble or the Company) began operations in 1978 and incorporated in California in 1981. On October 1, 2016, subsequent to the end of the third quarter of fiscal 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 (the “Reincorporation”). As the change occurred subsequent to quarter-end, the Condensed Consolidated Financial Statements and accompanying notes continue to be presented as Trimble Navigation Limited. Other than the change in corporate domicile, the reincorporation did not result in any change in the business, physical location, management, assets, liabilities or total shareholders' equity of the Company, nor did it result in any change in location of the Company's employees, including the Company's management. Additionally, the reincorporation did not alter any shareholder's percentage ownership interest or number of shares owned in the Company. The Reincorporation was previously approved by the Company's shareholders at its 2016 annual meeting of shareholders.

The Company provides technology solutions that enable professionals and field mobile workers to improve or transform their work processes. Trimble's solutions are used across a range of industries including agriculture, architecture, civil engineering, survey and land administration, construction, geospatial, environmental management, government, natural resources, transportation and utilities. Representative Trimble customers include engineering and construction firms, surveying companies, farmers and agricultural companies, enterprise firms with large-scale fleets, energy, mining and utility companies, and state, federal and municipal governments.

Trimble focuses on integrating broad technological and application capabilities to create system-level solutions that transform how work is done within the industries the Company serves. 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 large industrial equipment such as tractors and bulldozers; integrated systems that track fleets of vehicles and workers and provide real-time information and powerful 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.

Basis of Presentation

The Company has a 52-53 week fiscal year, ending on the Friday nearest to December 31, which for fiscal 2015 was January 1, 2016. The third quarter of fiscal 2016 and 2015 ended on September 30, 2016 and October 2, 2015, respectively. Both fiscal 2016 and 2015 are 52-week years. Unless otherwise stated, all dates refer to the Company's fiscal year and fiscal periods.

The Condensed 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 shareholders' proportionate share of the net assets and results of operations of the Company's consolidated subsidiaries.

Unaudited Interim Financial Information

The accompanying financial data as of the end of the third quarter of fiscal 2016 and for the third quarter and the first three quarters of fiscal 2016 and 2015 have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Certain information and footnote disclosures normally included in financial statements, prepared in accordance with U.S. generally accepted accounting principles, have been condensed or omitted pursuant to such rules and regulations. The Condensed Consolidated Balance Sheet as of fiscal year end 2015 is derived from the audited Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for fiscal year 2015. The following discussion should be read in conjunction with the Company's 2015 Annual Report on Form 10-K.

In the opinion of management, all adjustments necessary have been made to present a fair statement of financial positions and results for the interim periods presented. The results of operations for the third quarter and the first three quarters of fiscal 2016 are not necessarily indicative of the operating results for the full fiscal year or any future periods. Individual segment revenue may be affected by seasonal buying patterns and general economic conditions.

Use of Estimates

The preparation of financial statements in accordance with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in its Condensed Consolidated Financial Statements and accompanying notes. Estimates are used for allowances for doubtful accounts, sales returns reserve, allowances for inventory valuation, warranty costs, investments, goodwill impairment, intangibles impairment, purchased intangibles, stock-based compensation, and income taxes among others. Management bases its estimates on historical experience and various other

7

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## Table of Contents

assumptions believed to be reasonable. Although these estimates are based on management's best knowledge of current events and actions that may impact the company in the future, actual results may be different from the estimates.

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

### NOTE 2. UPDATES TO SIGNIFICANT ACCOUNTING POLICIES

There have been no material changes to the Company's significant accounting policies during the first three quarters of fiscal 2016 from those disclosed in the Company's most recent Form 10-K, except as noted below.

#### Cash, cash equivalents and short-term investments

The Company invests in debt securities, including those of the U.S. government, corporate debt securities and commercial paper and municipal securities. The Company classifies all investments that are considered readily convertible to known amounts of cash and have stated maturities of three months or less from the date of purchase as cash equivalents, and those with stated maturities of greater than three months as short-term investments based on the nature of the investments and their availability for use in current operations.

The Company determines the appropriate classification of its investments at the time of purchase and reevaluates such designation at each balance sheet date. The Company has classified and accounted for its investments as available-for-sale. These investments are carried at fair value, and any unrealized gains and losses, net of taxes, are reported in accumulated other comprehensive income (loss), except for unrealized losses determined to be other-than-temporary, which would be recorded within other income (expense), net. Realized gains or losses on the sale of marketable securities are determined on a specific identification method, and such gains and losses are recorded as a component of other income (expense), net.

#### Recent Accounting Pronouncements

In May 2014, the FASB issued a comprehensive new revenue recognition standard that replaces the current revenue recognition guidance under U.S. GAAP. The new standard requires companies to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Since the issuance of the revised standard, the FASB has issued several updates to the guidance for which the Company is monitoring and reviewing in contemplation of adoption. The effective date for the Company under the new standard will be the beginning of fiscal 2018, with early adoption permitted as of fiscal 2017. Entities have the option of using either a full retrospective or modified retrospective approach for the adoption of the standard. The Company expects to adopt this accounting standard update in the first quarter of fiscal 2018, and is currently evaluating the effect that the updated standard will have on its consolidated financial statements and related disclosures.

In February 2015, the FASB issued amendments to the consolidation guidance. The amendments under the new guidance modify the evaluation of whether limited partnerships and similar legal entities are variable interest entities (VIEs) or voting interest entities and eliminate the presumption that a general partner should consolidate a limited partnership. The Company adopted the amendments beginning in the first quarter of fiscal 2016. The adoption did not have a material impact on the Company's consolidated financial statements.

In July 2015, the FASB issued amendments to simplify the measurement of inventory. Under the amendments, inventory will be measured at the "lower of cost and net realizable value" and options that currently exist for "market value" will be eliminated. The guidance defines net realizable value as the "estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation". No other changes were made to the current guidance on inventory measurement. The amendments are effective for the Company beginning in fiscal 2017, although early adoption is permitted. The Company is currently evaluating the effect of this guidance on its consolidated financial statements and related disclosures.

In September 2015, the FASB issued new guidance related to business combinations. The new guidance requires that any adjustments to provisional amounts in a business combination be recorded in the period such adjustments are

determined, rather than retrospectively adjusting previously reported amounts. The Company adopted the amendments beginning in the first quarter of fiscal 2016. The adoption did not have a material impact on the Company's consolidated financial statements.

In January 2016, the FASB issued final guidance that will require entities to measure equity investments that do not result in consolidation and are not accounted for under the equity method at fair value and recognize any changes in fair value in net income unless the investments qualify for the new practicability exception. The amendments are effective for the Company beginning in fiscal 2018, although early adoption is permitted and should be applied by means of a cumulative-effect adjustment to the balance

Table of Contents

sheet as of the beginning of the fiscal year of adoption, with certain exceptions. The Company is currently evaluating the effect of the updated standard on its consolidated financial statements and related disclosures.

In February 2016, the FASB issued new guidance that requires a lessee to recognize assets and liabilities arising from leases on the balance sheet. Previous GAAP did not require lease assets and liabilities to be recognized for most leases. Additionally, companies are permitted to make an accounting policy election to not recognize lease assets and liabilities for leases with a term of 12 months or less. For both finance leases and operating leases, the lease liability should be initially measured at the present value of the lease payments. The recognition, measurement and presentation of expenses and cash flows arising from a lease by a lessee will not significantly change under this new guidance. This new guidance is effective for the Company beginning in fiscal 2019, although early adoption is permitted. The Company is currently evaluating the effect of this guidance on its consolidated financial statements and related disclosures.

In March 2016, the FASB issued amendments to its guidance on the accounting for derivatives and hedging. The new guidance clarifies the requirements for assessing whether contingent call or put options that can accelerate the payment of principal on debt instruments are clearly and closely related to their debt hosts. This guidance is effective for the Company beginning in fiscal 2017, although early adoption is permitted. The Company is currently evaluating the effect of this guidance on its consolidated financial statements and related disclosures.

In March 2016, the FASB issued new guidance related to equity investments and joint ventures. This standard eliminates the requirement that when an existing cost method investment qualifies for use of the equity method, an investor must restate its historical financial statements, as if the equity method had been used during all previous periods. Under the new guidance, at the point an investment qualifies for the equity method, any unrealized gain or loss in accumulated other comprehensive income will be recognized through earnings. This guidance is effective for the Company beginning in fiscal 2017, although early adoption is permitted. The Company is currently evaluating the effect of this guidance on its consolidated financial statements and related disclosures.

In March 2016, the FASB issued final guidance that will change how companies account for certain aspects of share-based payments to employees. Several aspects of the accounting for share-based payment award transactions are affected, including income tax consequences, classification of awards as either equity or liabilities, application of the forfeiture rate and classification on the statement of cash flows. The guidance is effective for the Company beginning in fiscal 2017, although early adoption is permitted. The Company is currently evaluating the effect of the updated standard on its consolidated financial statements and related disclosures.

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. Further, 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 effective for the Company beginning in fiscal 2020. Early adoption for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018 is permitted. The Company is currently evaluating the effect of the updated standard on its consolidated financial statements and related disclosures.

In August 2016, the FASB issued new guidance related to statement of cash flows. This guidance amended the existing accounting standards for the statement of cash flows and provided guidance on eight classification issues related to the statement of cash flows. The new standard is effective for the Company beginning in fiscal 2019 and early adoption is permitted. The amendments should be applied retrospectively to all periods presented. For issues that are impracticable to apply retrospectively, the amendments may be applied prospectively as of the earliest date practicable. The Company is currently evaluating the timing and the impact of these amendments on its statement of cash flows.

In October 2016, the FASB issued new guidance related to income taxes. This standard requires the recognition of the income tax consequences of an intra-entity transfer of an asset, other than inventory, when the transfer occurs. The guidance will be effective for the Company in its first quarter of fiscal 2018. The Company is currently evaluating the effect of the updated standard on its consolidated financial statements and related disclosures.

In October 2016, the FASB issued amendments to its guidance on the accounting for related parties, which amends the consolidation guidance issued in February 2015 regarding the treatment of indirect interests held through related parties that are under common control. The standard will be effective for the Company in the first quarter of fiscal 2017. The Company is currently evaluating the effect of the updated standard on its consolidated financial statements and related disclosures.

Table of Contents

## NOTE 3. SHAREHOLDERS' EQUITY

## Stock Repurchase Activities

In August 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, replacing a stock repurchase program which had been in place since 2011. 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.

During the first three quarters of fiscal 2016, the Company repurchased approximately 4.2 million shares of common stock in open market purchases, at an average price of \$24.20 per share, for a total of \$102.2 million under the 2015 Stock Repurchase Program.

During the first three quarters of fiscal 2015, the Company repurchased approximately 7.5 million shares of common stock in open market purchases, at an average price of \$21.29 per share. This total included \$75.1 million and \$84.3 million of open market purchases completed under the 2015 and 2014 Stock Repurchase Programs, respectively.

As part of the 2015 Stock Repurchase Program, in September 2015, the Company entered into an accelerated share repurchase agreement, or ASR, with an investment bank for \$75.0 million. As previously reported, the ASR was completed in December 2015 and resulted in the aggregate repurchase of approximately 3.7 million shares of common stock with a volume weighted average price of \$20.11 per share.

Stock repurchases are reflected as a decrease to common stock 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 is charged to retained earnings. As a result of the 2016 repurchases, retained earnings was reduced by \$80.8 million in the first three quarters of fiscal 2016. Common stock repurchases under the program were recorded based upon the trade date for accounting purposes. All common shares repurchased under the programs have been canceled.

At the end of the first three quarters of fiscal 2016, the 2015 Stock Repurchase Program had remaining authorized funds of \$147.7 million. Under the share 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.

## Stock-Based Compensation Expense

Stock compensation expense is recognized based on the fair value of the portion of share-based payment awards that is expected to vest during the period and is net of estimated forfeitures.

The following table summarizes stock-based compensation expense for the third quarter and first three quarters of fiscal 2016 and 2015.

	Third Quarter of		First Three Quarters of	
	2016	2015	2016	2015
(Dollars in millions)				
Cost of sales	\$0.9	\$1.0	\$2.8	\$2.9
Research and development	2.2	2.1	6.9	6.4
Sales and marketing	2.1	2.2	6.3	6.7
General and administrative	8.1	7.5	24.0	21.3
Total operating expense	12.4	11.8	37.2	34.4
Total stock-based compensation expense	\$13.3	\$12.8	\$40.0	\$37.3

## NOTE 4. BUSINESS COMBINATIONS

During the first three quarters of fiscal 2016, the Company acquired three businesses, with total cash consideration of \$13.6 million, all in its Engineering and Construction segment. The Condensed Consolidated Statements of Income include the operating results of the businesses from the dates of acquisition. The acquisitions were not significant individually or in the aggregate. The largest acquisition was a cloud-based software developer for the design of

sustainable and high-performance buildings, based in London

10

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Table of Contents

and New York. In the aggregate, the businesses acquired during the first three quarters of fiscal 2016 contributed less than one percent to the Company's total revenue during the first three quarters of fiscal 2016.

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 acquisition. For certain acquisitions completed in the last quarter of fiscal 2015 and the first three quarters of fiscal 2016, the fair value of the assets acquired and liabilities assumed are preliminary and may be adjusted as the Company obtains additional information, primarily related to adjustments for the true up of acquired net working capital in accordance with certain purchase agreements, and estimated values of certain net tangible assets and liabilities including tax balances, pending the completion of final studies and analyses. If there are adjustments made for these items, the fair value of intangible assets and goodwill could be impacted. Thus the provisional measurements of fair value are subject to change. Such changes could be significant. The Company expects to finalize the valuation of the net tangible and intangible assets as soon as practicable, but not later than one-year from the acquisition date.

The fair value of identifiable assets acquired and liabilities assumed were determined under the acquisition method of accounting for business combinations. 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. Acquisition costs directly related to the acquisitions, along with the changes in the fair value of the contingent consideration liabilities, of \$0.9 million and \$3.4 million for the third quarter and the first three quarters of fiscal 2016, respectively, and \$2.7 million and \$9.8 million for the corresponding periods of fiscal 2015, respectively, were expensed as incurred and were included in General and administrative expense in the Condensed Consolidated Statements of Income.

The following table summarizes the Company's business combinations completed during the first three quarters of fiscal 2016.

	First Three Quarters of 2016
(Dollars in millions)	
Fair value of total purchase consideration	\$ 13.6
Less fair value of net assets acquired:	
Net tangible liabilities assumed	(1.9 )
Identifiable intangible assets	6.5
Goodwill	\$ 9.0

## Intangible Assets

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

As of	Third Quarter of Fiscal 2016			Fiscal Year End 2015		
	Gross		Net	Gross		Net
(Dollars in millions)	Carrying	Accumulated	Carrying	Carrying	Accumulated	Carrying
	Amount	Amortization	Amount	Amount	Amortization	Amount
Developed product technology	\$810.6	\$ (615.2 )	\$ 195.4	\$802.1	\$ (536.0 )	\$ 266.1
Trade names and trademarks	51.6	(42.4 )	9.2	52.8	(39.8 )	13.0
Customer relationships	447.0	(289.0 )	158.0	448.1	(258.0 )	190.1
Distribution rights and other intellectual properties	65.6	(57.1 )	8.5	78.6	(60.7 )	17.9
	\$1,374.8	\$ (1,003.7 )	\$ 371.1	\$1,381.6	\$ (894.5 )	\$ 487.1

The estimated future amortization expense of purchased intangible assets as of the end of the third quarter of fiscal 2016 was as follows:



Table of Contents

(Dollars in millions)

2016 (Remaining)	\$35.1
2017	128.4
2018	100.3
2019	59.8
2020	31.4
Thereafter	16.1
Total	\$371.1

## Goodwill

The changes in the carrying amount of goodwill by segment for the first three quarters of fiscal 2016 were as follows:

	Engineering and Construction	Field Solutions	Mobile Solutions	Advanced Devices	Total
(Dollars in millions)					
Balance as of fiscal year end 2015	\$ 1,140.1	\$ 125.7	\$ 820.7	\$ 19.9	\$2,106.4
Additions due to acquisitions and current year acquisitions' purchase price adjustments	9.0	—	—	—	9.0
Purchase price adjustments- prior years' acquisitions and others	(1.2	) 0.1	0.1	—	(1.0 )
Foreign currency translation adjustments	1.4	0.8	0.6	0.5	3.3
Divestitures	—	—	(6.6	) —	(6.6 )
Balance as of the end of the third quarter of fiscal 2016	\$ 1,149.3	\$ 126.6	\$ 814.8	\$ 20.4	\$2,111.1

In the first three quarters of 2016, the Company sold the Omega Group assets and Advanced Public Safety (APS) business. Both businesses provided software solutions for public safety agencies and were part of the Company's Mobile Solutions segment. The sales resulted in a \$4.9 million gain in the first three quarters of fiscal 2016, and that was included in Other income, net on the Company's Condensed Consolidated Statements of Income.

## NOTE 5. INVENTORIES

Inventories consisted of the following:

	Third Quarter of 2016	Fiscal Year End 2015
(Dollars in millions)		
Raw materials	\$ 81.8	\$ 107.5
Work-in-process	7.8	5.9
Finished goods	134.7	147.7
Total inventories	\$ 224.3	\$ 261.1

Finished goods included \$15.3 million and \$14.6 million of costs that were deferred in connection with deferred revenue arrangements as of the end of the third quarter of fiscal 2016 and fiscal year end 2015, respectively.

## NOTE 6. SEGMENT INFORMATION

To achieve distribution, marketing, production and technology advantages, the Company manages its operations in the following four segments:

**Engineering and Construction:** This segment primarily serves customers working in architecture, engineering, construction, geospatial and government. Within this segment our most substantial product portfolios are focused on civil engineering and construction, building construction, and geospatial.



Table of Contents

- Field Solutions: This segment provides solutions for the farming, government and consumer markets, with its products focused on agriculture and geographic information systems (GIS).

• Mobile Solutions: This segment provides solutions that enable end-users to monitor and manage their mobile work, mobile workers and mobile assets in the areas of transportation and logistics and field services management.

Advanced Devices: The various operations that comprise this segment are aggregated on the basis that these operations do not exceed 10% of the Company's total revenue, operating income or assets. This segment is comprised of the Embedded Technologies, Timing, Applanix, Military and Advanced Systems and ThingMagic businesses.

The Company's chief operating decision maker (CODM), its Chief Executive Officer, evaluates each of its segment's performance and allocates resources based on segment operating income before income taxes and some corporate allocations. The Company and each of its segments employ consistent accounting policies. 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 following table presents revenue, operating income, depreciation expense and identifiable assets for the four segments. Operating income is revenue less cost of sales and operating expense, excluding general corporate expense, acquisition costs, amortization of purchased intangible assets, restructuring charges, stock-based compensation and executive transition costs. The identifiable assets that the CODM views by segment are accounts receivable, inventories and goodwill.

	Reporting Segments				Total
	Engineering and Construction	Field Solutions	Mobile Solutions	Advanced Devices	
(Dollars in millions)					
Third Quarter of Fiscal 2016					
Revenue	\$332.4	\$ 77.9	\$ 138.5	\$ 35.3	\$584.1
Operating income	69.1	22.1	22.4	14.3	127.9
Depreciation expense	3.2	0.3	1.4	0.2	5.1
Third Quarter of Fiscal 2015					
Revenue	\$326.4	\$ 73.5	\$ 131.6	\$ 30.8	\$562.3
Operating income	68.8	19.5	23.1	10.8	122.2
Depreciation expense	3.5	0.3	1.4	0.1	5.3
First Three Quarters of Fiscal 2016					
Segment revenue	\$993.4	\$ 271.0	\$ 412.9	\$ 99.4	\$1,776.7
Operating income	175.0	81.5	60.2	36.1	352.8
Depreciation expense	10.4	0.9	4.1	0.5	15.9
First Three Quarters of Fiscal 2015					
Segment revenue	\$964.2	\$ 275.9	\$ 388.1	\$ 102.5	\$1,730.7
Operating income	166.3	85.0	62.5	37.1	350.9
Depreciation expense	10.6	0.9	4.0	0.4	15.9
As of the Third Quarter of Fiscal 2016					
Accounts receivable	\$214.1	\$ 59.3	\$ 71.7	\$ 24.1	\$369.2
Inventories	146.7	32.6	30.9	14.1	224.3
Goodwill	1,149.3	126.6	814.8	20.4	2,111.1
As of Fiscal Year End 2015					
Accounts receivable	\$215.9	\$ 57.1	\$ 69.6	\$ 19.3	\$361.9
Inventories	178.0	36.0	30.4	16.7	261.1
Goodwill	1,140.1	125.7	820.7	19.9	2,106.4

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

13

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Table of Contents

	Third Quarter of		First Three Quarters of	
	2016	2015	2016	2015
(Dollars in millions)				
Consolidated segment operating income	\$127.9	\$122.2	\$352.8	\$350.9
Unallocated corporate expense (1)	(18.0 )	(19.7 )	(58.9 )	(60.1 )
Restructuring charges (2)	(4.0 )	(3.0 )	(11.0 )	(9.8 )
Stock-based compensation	(13.3 )	(12.8 )	(40.0 )	(37.3 )
Amortization of purchased intangible assets	(37.3 )	(40.7 )	(117.2 )	(122.2 )
Consolidated operating income	55.3	46.0	125.7	121.5
Non-operating income (expense), net:	(3.1 )	(2.5 )	(5.8 )	2.0
Consolidated income before taxes	\$52.2	\$43.5	\$119.9	\$123.5

(1) Unallocated corporate expense includes general corporate expense, acquisition costs and executive transition costs.

(2) Restructuring charges primarily consist of severance and benefits, resulting from employee headcount reductions in connection with the Company's restructuring programs related to decisions to streamline processes and reduce the cost structure. As of the end of the third quarter of fiscal 2016, the Company's restructuring liability was \$2.6 million, which was expected to be settled by the third quarter of fiscal 2017. Restructuring liabilities are reported within Other current liabilities on the Condensed Consolidated Balance Sheets.

## NOTE 7. DEBT

Debt consisted of the following:

As of	Third Quarter Fiscal Year End of	
	2016	2015
(Dollars in millions)		
Notes:		
Principal amount	\$400.0	\$ 400.0
Unamortized discount on Notes	(2.6 )	(2.8 )
Debt issuance costs	(2.5 )	(2.7 )
Credit Facilities:		
2014 Credit Facility	129.0	216.0
Uncommitted facilities	145.0	118.0
Promissory notes and other debt	0.9	1.2
Total debt	669.8	729.7
Less: Short-term debt	145.3	118.3
Long-term debt	\$524.5	\$ 611.4

## Notes

In November 2014, the Company issued \$400.0 million of Senior Notes (Notes) in a public offering registered with the Securities and Exchange Commission. The Notes mature on December 1, 2024 and accrue interest at a rate of 4.75% per annum, payable semiannually in arrears in cash on December 1 and June 1 of each year. The Notes are classified as long-term in the Condensed Consolidated Balance Sheet and are presented net of unamortized discount and debt issuance costs. The discount and debt issuance costs are being amortized to interest expense using the effective interest rate method over the term of the Notes.

In connection with the Notes offering, Trimble entered into an Indenture with U.S. Bank National Association, as trustee. Trimble may redeem the Notes at its option at any time, in accordance with the terms and conditions set forth in the Indenture. The Indenture contains no financial covenants. Further details regarding the terms of the Notes, including the redemption rights, and the Indenture, are provided in the Company's fiscal 2015 Annual Report on Form 10-K.

Credit Facilities

2014 Credit Facility

In November 2014, the Company entered into a five-year credit agreement with a group of lenders, which provides for an unsecured revolving loan facility of \$1.0 billion (2014 Credit Facility). Under the 2014 Credit Facility, the Company may borrow, repay and

14

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Table of Contents

reborrow funds under the revolving loan facility until its maturity on November 24, 2019, at which time the revolving facility will terminate, and all outstanding loans, together with all accrued and unpaid interest, must be repaid. The interest rate on the non-current debt outstanding under the 2014 Credit Facility was 1.73% and 1.46% at the end of the third quarter of fiscal 2016 and fiscal year end 2015, respectively, and is payable on a quarterly basis. Amounts not borrowed under the revolving facility will be subject to a commitment fee.

The outstanding balance of \$129.0 million as of the end of the third quarter of fiscal 2016 and \$216.0 million at the end of fiscal 2015 are classified as long-term debt in the Condensed Consolidated Balance Sheet. Unamortized debt issuance costs associated with the 2014 Credit Facility are presented as assets in the Condensed Consolidated Balance sheet and are being amortized to interest expense using the effective interest rate method over the term of the 2014 Credit Facility.

In February 2016, the Company entered into an amendment to the 2014 Credit Facility to facilitate the Company's proposed reincorporation from California to Delaware and to effect other non-financial terms. In August 2016, the Company entered into a second amendment to revise a definition used in determining when a change of control of the Company may occur.

The Company was in compliance with all covenants pertaining to the 2014 Credit Facility at the end of the third quarter of fiscal 2016.

**Uncommitted Facilities**

The Company also has two \$75 million revolving credit facilities which are uncommitted (Uncommitted Facilities). The Uncommitted Facilities may be called by the lenders at any time, have no covenants and no specified expiration date. The \$145.0 million outstanding at the end of the third quarter of fiscal 2016 and the \$118.0 million outstanding at the end of fiscal 2015 under the Uncommitted Facilities are classified as short-term debt in the Condensed Consolidated Balance Sheet. The weighted average interest rate on the Uncommitted Facilities was 1.40% at the end of the third quarter of fiscal 2016 and 1.37% the end of fiscal 2015.

**Promissory Notes and Other Debt**

At the end of the third quarter of fiscal 2016 and the year end of fiscal 2015, the Company had promissory notes and other notes payable totaling approximately \$0.9 million and \$1.2 million, respectively, of which \$0.6 million and \$0.9 million, respectively, were classified as long-term in the Condensed Consolidated Balance Sheet.

**Debt Maturities**

At the end of the third quarter of fiscal 2016, the Company's debt maturities based on outstanding principal were as follows (in millions):

**Year Payable**

2016 (Remaining)	\$ 145.1
2017	0.3
2018	0.2
2019	129.1
2020	0.2
Thereafter	400.0
Total	\$ 674.9

**NOTE 8. CASH EQUIVALENTS AND INVESTMENTS**

In September 2016, the Company invested \$94.9 million in available-for-sale securities. The Company did not have any investments as of its fiscal 2015 year end. The following table summarizes the Company's available-for-sale securities as of the end of the third quarter of fiscal 2016.

Table of Contents

(Dollars in millions)	Third Quarter of Fiscal 2016			Fair Value
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	
Available-for-sale securities:				
U.S. Treasury securities	\$ 11.7	\$ —	\$ —	\$ 11.7
Municipal debt securities	10.0	—	—	10.0
Corporate debt securities	15.8	—	—	15.8
Commercial paper	57.4	—	—	57.4
Total available-for-sale securities	\$ 94.9	\$ —	\$ —	\$ 94.9
Reported as:				
Cash and cash equivalents	\$ 32.8	\$ —	\$ —	\$ 32.8
Short-term investments	62.1	—	—	62.1
Total	\$ 94.9	\$ —	\$ —	\$ 94.9

The Company did not recognize any realized gains or losses on its available-for-sale securities during the third quarter of fiscal 2016, or any unrealized gains or losses on its investments as of the end of the third quarter of fiscal 2016 due to the short duration of time the investments were held.

The following table presents the contractual maturities of the Company's available-for-sale investments as of the end of the third quarter of fiscal 2016.

(Dollars in millions)	Third Quarter of Fiscal 2016 Amortized Cost
Due in less than 1 year	\$ 65.0
Due in 1 to 5 years	19.9
Due in 5-10 years	2.0
Due after 10 years	8.0
Total	\$ 94.9

The Company's available-for-sale securities are liquid and maybe sold in the future to fund future operating needs. As a result, the Company recorded all of its available-for-sale securities, not classified as cash equivalents, in Short-term investments as of the end of the third quarter of fiscal 2016, regardless of the contractual maturity date of the securities.

**NOTE 9. 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. Where available, fair value is based on observable market prices or parameters. Where observable prices or inputs are not available, valuation models are applied. Hierarchical levels, defined by the guidance on fair value measurements, 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—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.

Table of Contents

## 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.

(Dollars in millions)	Fair Values as of the end of the Third Quarter of Fiscal 2016				Fair Values as of Fiscal Year End 2015			
	Level I	Level II	Level III	Total	Level I	Level II	Level III	Total
<b>Assets</b>								
Available-for-sale securities:								
U.S. Treasury securities (1)	\$—	\$ 11.7	\$ —	\$11.7	\$—	\$—	\$ —	\$—
Municipal debt securities (1)	—	10.0	—	10.0	—	—	—	—
Corporate debt securities (1)	—	15.8	—	15.8	—	—	—	—
Commercial paper (1)	—	57.4	—	57.4	—	—	—	—
Total available-for-sale securities	—	94.9	—	94.9	—	—	—	—
Deferred compensation plan assets (2)	22.5	—	—	22.5	21.1	—	—	21.1
Derivative assets (3)	—	0.2	—	0.2	—	2.9	—	2.9
Contingent consideration assets (4)	—	—	7.0	7.0	—	—	7.0	7.0
Total assets measured at fair value	\$22.5	\$ 95.1	\$ 7.0	\$ 124.6	\$21.1	\$ 2.9	\$ 7.0	\$31.0
<b>Liabilities</b>								
Deferred compensation plan liabilities (2)	\$22.5	\$ —	\$ —	\$22.5	\$21.1	\$—	\$ —	\$21.1
Derivative liabilities (3)	—	0.1	—	0.1	—	2.1	—	2.1
Contingent consideration liabilities (5)	—	—	4.5	4.5	—	—	6.6	6.6
Total liabilities measured at fair value	\$22.5	\$ 0.1	\$ 4.5	\$27.1	\$21.1	\$ 2.1	\$ 6.6	\$29.8

The Company's available-for sale securities are valued using readily available pricing sources for comparable (1) instruments, or model-driven valuations using significant inputs derived from or corroborated by observable market data, including yield curves and credit ratings.

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 (2) 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 Condensed Consolidated Balance Sheets.

Derivative assets and liabilities primarily represent forward currency exchange contracts. The Company typically (3) 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 Condensed Consolidated Balance Sheets.

Contingent consideration assets represent arrangements for buyers to pay the Company for certain businesses that (4) it has divested. The fair value is determined based on the Company's expectations of future receipts. The minimum amount to be received under these arrangements is \$3.5 million. Contingent consideration assets are included in Other receivables and Other non-current assets on the Company's Condensed Consolidated Balance Sheets.

Contingent consideration liabilities represent arrangements to pay the former owners of certain companies that Trimble acquired. The undiscounted maximum payment under the arrangements is \$18.1 million at the end of the (5) third quarter of fiscal 2016, based on estimated future revenues, gross margins or other milestones. Contingent consideration liabilities are included in Other current liabilities and Other non-current liabilities on the Company's Condensed Consolidated Balance Sheets.

## Additional Fair Value Information

The following table provides additional fair value information relating to the Company's financial instruments outstanding:



Table of Contents

As of	Carrying Amount	Fair Value	Carrying Amount	Fair Value
(Dollars in millions)	Third Quarter of Fiscal 2016	Third Quarter of Fiscal 2016	Fiscal Year End 2015	Fiscal Year End 2015
<b>Liabilities:</b>				
Notes	\$400.0	\$407.0	\$400.0	\$399.9
2014 Credit Facility	129.0	129.0	216.0	216.0
Uncommitted facilities	145.0	145.0	118.0	118.0
Promissory notes and other debt	0.9	0.9	1.2	1.2

The fair value of the 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 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 10. PRODUCT WARRANTIES**

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 costs are primarily estimated based upon historical trends in the volume of product returns within the warranty period and the costs to repair or replace the equipment. When products sold include warranty provisions, they are covered by a warranty for periods ranging generally from 1 year to 2 years.

While the Company engages in extensive product quality programs and processes, including actively monitoring and evaluating the quality of component suppliers, its warranty obligation is affected by product failure rates, material usage and service delivery costs incurred in correcting a product failure. Should actual product failure rates, material usage, or service delivery costs differ from the estimates, revisions to the estimated warranty accrual and related costs may be required.

Changes in the Company's product warranty liability during the first three quarters of fiscal 2016 are as follows:

(Dollars in millions)	
Balance as of fiscal year end 2015	\$18.5
Accruals for warranties issued	13.5
Changes in estimates	0.5
Warranty settlements (in cash or in kind)	(14.4 )
Balance as of the end of the third quarter of fiscal 2016	\$18.1

**NOTE 11. EARNINGS PER SHARE**

Basic earnings per share is computed by dividing Net income attributable to Trimble Navigation Limited 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 Navigation Limited 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 the potentially dilutive securities had been issued. Potentially dilutive securities include outstanding stock options, shares to be purchased under the Company's employee stock purchase plan and restricted stock units. The dilutive effect of potentially dilutive securities is reflected in diluted earnings per share by application of the treasury stock method. Under the treasury stock method, an increase in the fair market value of the Company's common stock can result in a greater dilutive effect from potentially dilutive securities. The following table shows the computation of basic and diluted earnings per share:

Table of Contents

	Third		First Three	
	Quarter of		Quarters of	
	2016	2015	2016	2015
(In millions, except per share amounts)				
Numerator:				
Net income attributable to Trimble Navigation Limited	\$39.2	\$37.1	\$94.7	\$97.1
Denominator:				
Weighted-average shares outstanding	249.7	254.8	250.5	257.5
Effect of dilutive securities	3.5	2.4	3.2	2.8
Weighted-average dilutive shares outstanding	253.2	257.2	253.7	260.3
Basic earnings per share	\$0.16	\$0.15	\$0.38	\$0.38
Diluted earnings per share	\$0.15	\$0.14	\$0.37	\$0.37

For the third quarter of fiscal 2016 and 2015, the Company excluded 4.0 million and 8.8 million shares of outstanding stock options, respectively, from the calculation of diluted earnings per share because their effect would have been antidilutive. For the first three quarters of fiscal 2016 and 2015, the Company excluded 4.5 million and 5.8 million shares of outstanding stock options, respectively, from the calculation of diluted earnings per share because their effect would have been antidilutive.

**NOTE 12. INCOME TAXES**

For the third quarter of fiscal 2016, the Company's effective income tax rate was 25%, as compared to 15% in the corresponding period in fiscal 2015. The lower tax rate in the third quarter of fiscal 2015 was primarily due to discrete tax benefits from U.S. research credits and U.S. production activities, and foreign net operating loss benefit. For the first three quarters of fiscal 2016, the Company's effective income tax rate, after discrete items, was 21% as compared to 22% in the corresponding period in fiscal 2015. The decrease in the tax rate for the first three quarters of fiscal 2016 was primarily due to a one time discrete tax benefit from the APS divestiture in the second quarter of fiscal 2016, partially offset by the differences in the geographic mix of pre-tax income and a tax benefit from a closure of a foreign tax audit in the first quarter of fiscal 2015.

Historically, the Company's effective tax rate has been lower than the U.S. federal statutory rate of 35% primarily due to favorable tax rates associated with certain earnings from operations in lower-tax jurisdictions. The Company has not provided U.S. taxes for all of such earnings due to the indefinite reinvestment of some of those earnings outside the U.S.

The Company and its subsidiaries are subject to U.S. federal and state, and foreign income tax. The Company is currently in different stages of multiple year examinations by the Internal Revenue Service (IRS) as well as various state and foreign taxing authorities.

In the first quarter of fiscal 2015, the Company received a Notice of Proposed Adjustment from the IRS for the fiscal years 2010 and 2011. The proposed adjustments primarily relate to the valuations of intercompany transfers of acquired intellectual property. The assessments of tax, interest and penalties for the years in question total \$67.0 million. The Company does not agree with the IRS position and filed a protest with the IRS Appeals Office in April 2015. The IRS appeals process commenced in March, 2016. While the Company and the IRS continue the appeals process, the Company has not changed its conclusions regarding its original filing positions. No payments have been made on the assessment, and the Company intends to continue to vigorously defend its position.

Based on the information currently available, the Company does not anticipate a significant increase or decrease to its unrecognized tax benefits within the next twelve months. The unrecognized tax benefits of \$60.3 million and \$52.7 million as of the end of the third quarter of fiscal 2016 and fiscal year end 2015, respectively, if recognized, would favorably affect the effective income tax rate in future periods. Unrecognized tax benefits are recorded in Other non-current liabilities and in the deferred tax accounts in the accompanying Condensed Consolidated Balance Sheets. The Company's practice is to recognize interest and/or penalties related to income tax matters in income tax expense. The Company's unrecognized tax benefit liabilities include interest and penalties as of the end of the third quarter of fiscal 2016 and fiscal year end 2015, of \$8.6 million and \$6.7 million, respectively, which were recorded in Other non-current liabilities in the accompanying Condensed Consolidated Balance Sheets.

NOTE 13. COMMITMENTS AND CONTINGENCIES

Leases and Other Commitments

19

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Table of Contents

The estimated future minimum operating lease commitments as of the end of the third quarter of fiscal 2016 are as follows (in millions):

2016 (Remaining)	\$8.5
2017	29.4
2018	21.8
2019	15.9
2020	11.7
Thereafter	32.7
Total	\$120.0

As of the end of the third quarter of fiscal 2016, the Company had unconditional purchase obligations of approximately \$146.8 million. These unconditional purchase obligations primarily represent open non-cancelable purchase orders for material purchases with the Company's vendors. Purchase obligations exclude agreements that are cancelable without penalty.

Litigation

On September 2, 2011, Recreational Data Services, LLC filed a lawsuit in the Superior Court for the State of Alaska in Anchorage against Trimble Navigation Limited, Cabela's Incorporated, AT&T Mobility and Alascom, Inc., alleging breach of contract, breach of fiduciary duty, interference with contract, promissory estoppel, fraud, and negligent misrepresentation. The case was tried in front of a jury in Alaska beginning on September 9, 2014. On September 26, 2014, the jury returned a verdict in favor of the plaintiff and awarded the plaintiff damages of \$51.3 million. On January 29, 2015, the court granted our Motion for Judgment notwithstanding the Verdict, and on March 18, 2015, the Court awarded the Company a portion of its incurred attorneys' fees and costs, and entered Final Judgment in the Company's favor in the amount of \$0.6 million. The Final Judgment also provides that the plaintiff take nothing on its claims. On April 17, 2015, the plaintiff filed a Notice of Appeal to the Alaska Supreme Court. The parties have completed all appellate briefing, and oral arguments were heard before the Alaska Supreme Court on February 24, 2016. A decision by the Alaska Supreme Court has not been made.

From time to time, the Company is also involved in litigation arising out of the ordinary course of our business. There are no other 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.

Table of Contents

**SPECIAL NOTE ON FORWARD-LOOKING STATEMENTS**

This Quarterly Report on Form 10-Q 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 coming from sales to international customers;
- seasonal fluctuations in our construction and agricultural equipment business revenues, geospatial and macroeconomic conditions and business conditions in the markets we serve;
- our plans to continue to invest in research and development at a rate consistent with our past, to develop and introduce new products, and to improve our competitive position, and to enter new markets;
- our belief that increases in recurring revenue from our software and solutions will provide us with enhanced business visibility over time;
- our potential exposure in connection with pending proceedings;
- our belief that our cash and cash equivalents, together with borrowings under our 2014 Credit Facility, will be sufficient to meet our anticipated operating cash needs, debt service, planned capital expenditures, and stock purchases under the stock repurchase program for at least the next twelve months;
- our expectation that planned capital expenditures will constitute a partial use of our cash resources; and
- fluctuations in interest rates.

The forward-looking statements regarding future events and the future results of Trimble Inc. (formerly Trimble Navigation Limited) (“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 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,” “exp,” “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 “Risk Factors” below and elsewhere in this report, as well as in the Company’s Annual Report on Form 10-K for fiscal year 2015 and in other reports Trimble files with the Securities and Exchange Commission, each as it may be amended from time to time. These forward-looking statements are made as of the date of this Quarterly Report on Form 10-Q. We reserve the right to update these forward-looking statements for any reason, including the occurrence of material events, but assume no duty to update these statements to reflect subsequent events.

**ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The discussion and analysis of our financial condition and results of operations are based upon our Condensed Consolidated Financial Statements, which have been prepared in accordance with accounting principles generally accepted in the U. S. The preparation of these financial statements requires us to make estimates and assumptions that affect the amounts reported in the Condensed Consolidated Financial Statements and accompanying notes. We base our estimates on historical experience and various other assumptions believed to be reasonable. Although these estimates are based on our best knowledge of current events and actions that may impact us in the future, actual results may be different from the estimates.

**CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

Management’s Discussion and Analysis of Financial Condition and Results of Operations is based on our Condensed Consolidated Financial Statements. The preparation of financial statements and related disclosures in conformity with U.S. generally accepted accounting principles requires us to make judgments, assumptions, and estimates that affect the amounts reported in the Condensed Consolidated Financial Statements and accompanying Notes. Management bases its estimates on historical experience and various other assumptions believed to be reasonable. Although these estimates are based on management’s best knowledge of current events and actions that may impact the company in the future, actual results may be different from the estimates. Management believes that there have been no significant changes during the third quarter of fiscal 2016 to the items that we disclosed as our critical accounting policies and

estimates in the Management's Discussion and Analysis of Financial Condition and Results of Operations in our 2015 Annual Report on Form 10-K.

**RECENT ACCOUNTING PRONOUNCEMENTS**

For a summary of recent accounting pronouncements applicable to our Consolidated Financial Statements, see Note 2 to our Condensed Consolidated Financial Statements in Item 1, which is incorporated herein by reference.

## Table of Contents

### EXECUTIVE LEVEL OVERVIEW

Trimble began operations in 1978 and incorporated in California 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 (the "Reincorporation"). The Reincorporation was previously approved by our shareholders at our 2016 annual meeting of shareholders.

Trimble is a leading provider of technology solutions that optimize the work processes of office and mobile field professionals around the world. Our comprehensive process solutions are used across a range of industries including agriculture, architecture, civil engineering, construction, government, natural resources, transportation and utilities. Representative Trimble customers include engineering and construction firms, contractors, surveying companies, farmers and agricultural companies, transportation and logistics companies, energy, mining and 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" which is at the center of our "Connected Construction Site" solutions which provide real-time, connected, and cohesive information environments for the design, build, and operational phases of projects. In agriculture, we continue to develop "Connected Farm" solutions to optimize operations across the agriculture workflow. In transportation and logistics, 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 which 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 ripe 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 have been spending an average of 13% to 15% of revenue over the past several years on R&D and currently have over 1,100 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 growth where the opportunity for technological change is high and which have a requirement for the integration of multiple technologies into complete vertical solutions.

Increasing focus on software and services - Software and services are increasingly important elements of our solutions and are core to our growth strategy. Trimble has an open application programming interface (API) philosophy and open vendor environment which leads to increased adoption of our software offerings. Professional services constitute an additional growth channel that helps our customers integrate and optimize the use of our offerings in their environment. The increased recurring revenue from these solutions will provide us with enhanced business visibility over time.

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 43 countries and distribution channels in over 100 countries. In the third quarter of fiscal 2016, 50% of our sales were to customers located in countries outside of the U.S.

Optimized distribution channels to best access our markets - We utilize vertically-focused distribution channels that leverage domain expertise to best serve the needs of individual markets domestically and abroad. These channels include independent dealers, joint ventures, original equipment manufacturers (OEM) sales, and distribution alliances

with key partners, such as CNH Global, Caterpillar, and Nikon, as well as direct sales to end-users, that provide 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 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 level of 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 services 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.

Table of Contents

For the third quarter of 2016, revenue increased by \$21.8 million as compared to the third quarter of 2015. By geography, performance in the third quarter was mixed. North America was slightly up, Europe was slightly down, Asia-Pacific and the rest of the world was up year over year. Within the quarter, we continued to experience a shift in revenue towards a more significant mix of software, recurring revenue, and services, driven both by organic growth and acquisitions.

During the first three quarters of fiscal 2016, we acquired three businesses, with total cash consideration of \$13.6 million, all in our Engineering and Construction segment. The largest acquisition was a cloud-based software developer for the design of sustainable and high-performance buildings, based in London and New York. Our Condensed Consolidated Statements of Income include the operating results of the businesses from the dates of acquisition.

In addition, during the first three quarters of 2016, we sold the Omega Group assets and Advanced Public Safety (APS) business for total cash consideration of \$12.0 million. Both divested businesses provide software solutions for public safety agencies and were part of our Mobile Solutions segment. Our Condensed Consolidated Statements of Income exclude the operating results of the businesses from the dates of divestiture.

**Seasonality of Business**

Construction purchases tend to occur in early spring, and U.S. governmental agencies tend to utilize funds available at the end of the government's fiscal year for additional purchases at the end of our third fiscal quarter in September of each year. Our agricultural equipment business revenues 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 revenues, we may experience less seasonality in the future. Changes in global macroeconomic conditions could also impact the level of seasonality we experience.

**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.

	Third Quarter of		First Three Quarters of	
	2016	2015	2016	2015
(Dollars in millions)				
<b>Revenue:</b>				
Product	\$384.9	\$373.0	\$1,185.5	\$1,168.2
Service	105.6	103.9	316.9	310.5
Subscription	93.6	85.4	274.3	252.0
Total revenue	\$584.1	\$562.3	1,776.7	1,730.7
Gross margin	\$309.0	\$298.0	\$925.2	\$909.1
Gross margin %	52.9 %	53.0 %	52.1 %	52.5 %
Operating income	\$55.3	\$46.0	\$125.7	\$121.5
Operating income %	9.5 %	8.2 %	7.1 %	7.0 %

**Revenue**

In the third quarter of fiscal 2016, total revenue increased \$21.8 million or 4% as compared to the third quarter of fiscal 2015. Product revenue increased \$11.9 million or 3%, service revenue increased \$1.7 million or 2%, and subscription revenue increased \$8.2 million or 10%. In the first three quarters of fiscal 2016, total revenue increased \$46.0 million or 3%, as compared to the first three quarters of fiscal 2015. Of this increase, product revenue increased \$17.3 million or 1%, service revenue increased \$6.4 million or 2%, and subscription revenue increased \$22.3 million or 9%. For the third quarter, the product, service and subscription increases were primarily due to organic growth in Engineering and Construction and Mobile Solutions and to a lesser extent, acquisition growth in Field Solutions. Advanced Devices also contributed to the product revenue for the quarter. For the first three quarters, product, service

and subscription revenue increases were due to organic growth in Engineering and Construction and Mobile Solutions, partially offset by a decrease within Field Solutions and Advanced Devices for the first three quarters of the year. We consider organic growth to include all revenue except for revenue associated with acquisitions made within the last four quarters.

23

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Table of Contents

On a segment basis, Engineering and Construction revenue for the third quarter of fiscal 2016 increased \$6.0 million or 2%, Mobile Solutions increased \$6.9 million or 5%, Field Solutions increased \$4.4 million or 6%, and Advanced Devices increased \$4.5 million or 15%, as compared to the third quarter of fiscal 2015. Engineering and Construction revenue for the first three quarters of fiscal 2016 increased \$29.2 million or 3% and Mobile Solutions increased \$24.8 million or 6%, partially offset by a decrease in Field Solutions of \$4.9 million or 2% and Advanced Devices of \$3.1 million or 3%, as compared to the corresponding period of fiscal 2015. For the third quarter, Engineering and Construction revenue increased primarily driven by civil engineering and construction organic growth, partially offset by declines in geospatial. Field Solutions revenue increased due to strong performance in agriculture, particularly in Latin America. Mobile Solutions revenue increased due to continued growth in the transportation and logistics market. Advanced Devices revenue increased for the third quarter due to strong OEM and end user demand. For the first three quarters, Engineering and Construction revenue increased driven by civil engineering and construction, partially offset by declines in geospatial. Field Solutions revenue was down for the first three quarters due to softness in agriculture markets in the first quarter. Mobile Solutions revenue increased due to continued growth in the transportation and logistics market. Advanced Devices revenue was down for the first three quarters due to decreased OEM and end user demand in the first quarter as compared to prior year first quarter sales.

**Gross Margin**

Gross margin varies due to a number of factors including product mix, pricing, distribution channel, production volumes and foreign currency translations.

Gross margin increased by \$11.0 million and \$16.1 million for the third quarter and first three quarters of fiscal 2016, respectively, as compared to the corresponding periods in fiscal 2015. Gross margin as a percentage of total revenue was 52.9% and 52.1% for the third quarter and first three quarters of fiscal 2016, respectively, as compared to 53.0% and 52.5% for the corresponding periods in fiscal 2015. The slight decrease for the third quarter and first three quarters was primarily attributable to geospatial product mix within Engineering and Construction and transportation and logistics hardware and subscription product mix within Mobile Solutions, partially offset by product mix within Field Solutions.

**Operating Income**

Operating income increased by \$9.3 million and \$4.2 million for the third quarter and the first three quarters of fiscal 2016, respectively, as compared to the corresponding periods in fiscal 2015. Operating income as a percentage of total revenue was 9.5% for the third quarter and 7.1% for the first three quarters of fiscal 2016, respectively, as compared to 8.2% and 7.0% for the corresponding periods in fiscal 2015.

The increases to operating income and operating income percentage for the third quarter were attributable to revenue increases across all segments and strong operating expense control as well as lower amortization of purchased intangible assets, partially offset by selected investments in growth opportunities in Engineering and Construction and Mobile Solutions. Operating income and operating income percentage for the first three quarters of fiscal 2016 was negatively impacted by a decrease in Field Solutions and Advanced Devices sales in the first quarter as compared to the prior year period.

**Results by Segment**

To achieve distribution, marketing, production, and technology advantages in our targeted markets, we manage our operations in the following four segments: Engineering and Construction, Field Solutions, Mobile Solutions, and Advanced Devices. Operating income is revenue less cost of sales and operating expense, excluding general corporate expense, acquisition/divestiture costs, amortization of purchased intangible assets, restructuring charges, stock-based compensation and executive transition costs.



Table of Contents

The following table is a summary of revenue and operating income by segment:

	Third Quarter of		First Three Quarters of	
	2016	2015	2016	2015
(Dollars in millions)				
Engineering and Construction				
Revenue	\$332.4	\$326.4	\$993.4	\$964.2
Segment revenue as a percent of total revenue	57 %	58 %	56 %	56 %
Operating income	\$69.1	\$68.8	\$175.0	\$166.3
Operating income as a percent of segment revenue	21 %	21 %	18 %	17 %
Field Solutions				
Revenue	\$77.9	\$73.5	\$271.0	\$275.9
Segment revenue as a percent of total revenue	13 %	13 %	15 %	16 %
Operating income	\$22.1	\$19.5	\$81.5	\$85.0
Operating income as a percent of segment revenue	28 %	27 %	30 %	31 %
Mobile Solutions				
Revenue	\$138.5	\$131.6	\$412.9	\$388.1
Segment revenue as a percent of total revenue	24 %	23 %	23 %	22 %
Operating income	\$22.4	\$23.1	\$60.2	\$62.5
Operating income as a percent of segment revenue	16 %	18 %	15 %	16 %
Advanced Devices				
Revenue	\$35.3	\$30.8	\$99.4	\$102.5
Segment revenue as a percent of total revenue	6 %	6 %	6 %	6 %
Operating income	\$14.3	\$10.8	\$36.1	\$37.1
Operating income as a percent of segment revenue	41 %	35 %	36 %	36 %

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

	Third Quarter of		First Three Quarters of	
	2016	2015	2016	2015
(Dollars in millions)				
Consolidated segment operating income	\$127.9	\$122.2	\$352.8	\$350.9
Unallocated corporate expense	(18.0 )	(19.7 )	(58.9 )	(60.1 )
Restructuring charges	(4.0 )	(3.0 )	(11.0 )	(9.8 )
Stock-based compensation	(13.3 )	(12.8 )	(40.0 )	(37.3 )
Amortization of purchased intangible assets	(37.3 )	(40.7 )	(117.2 )	(122.2 )
Consolidated operating income	55.3	46.0	125.7	121.5
Non-operating income (expense), net:	(3.1 )	(2.5 )	(5.8 )	2.0
Consolidated income before taxes	\$52.2	\$43.5	\$119.9	\$123.5

Unallocated corporate expense includes general corporate expense, acquisition costs and executive transition costs.

**Engineering and Construction**

Engineering and Construction revenue increased by \$6.0 million or 2% and \$29.2 million or 3% for the third quarter and first three quarters of fiscal 2016, respectively, as compared to the corresponding periods in fiscal 2015. Segment operating income was flat for the third quarter and increased \$8.7 million or 5% for the first three quarters of fiscal 2016, respectively, as compared to the corresponding periods in fiscal 2015.

The revenue increase for the third quarter and first three quarters of fiscal 2016 was primarily due to civil engineering and construction driven by strong OEM sales, partially offset by declines in geospatial due to continued challenges in the North American market from the after effects of lower oil and gas prices which reduced product demand.

Operating income increased for the third quarter and first three quarters of fiscal 2016 primarily due to stronger results in civil engineering and construction



Table of Contents

and operating expense control across all businesses, partially offset by weaker geospatial results and growth related investments in the segment.

**Field Solutions**

Field Solutions revenue increased \$4.4 million or 6% for the third quarter of fiscal 2016 and decreased by \$4.9 million or 2% for the first three quarters of fiscal 2016, as compared to the corresponding periods in fiscal 2015. Segment operating income increased by \$2.6 million or 13% for the third quarter and decreased by \$3.5 million or 4% for the first three quarters of fiscal 2016, as compared to the corresponding periods in fiscal 2015.

Field Solutions revenue increased for the third quarter, due to strong performance in agriculture, particularly in Latin America as well as the impact of acquisitions, partially offset by a decline in GIS. Operating income was up for the third quarter due to stronger agriculture results including higher margin product mix and expense control across all businesses, partially offset by weaker GIS results. Field Solutions revenue and operating income decreased for the first three quarters primarily due to softness in the agriculture markets in the first quarter and continued weakness in GIS, partially offset by the impact of acquisitions.

**Mobile Solutions**

Mobile Solutions revenue increased by \$6.9 million or 5% and \$24.8 million or 6% for the third quarter and first three quarters of fiscal 2016, respectively, as compared to the corresponding periods in fiscal 2015. Segment operating income was flat for the third quarter of fiscal 2016 and decreased by \$2.3 million or 4% for first three quarters of fiscal 2016, as compared to the corresponding periods in fiscal 2015.

Mobile Solutions revenue increased for the third quarter and first three quarters of fiscal 2016 primarily due to continued organic growth in the transportation and logistics business, with strength expected throughout the year. Although revenue was up, operating income was down for third quarter and first three quarters of fiscal 2016 primarily due to the impact of lower margin product mix and growth related investments in the segment.

**Advanced Devices**

Advanced Devices revenue increased by \$4.5 million or 15% for the third quarter of fiscal 2016 and decreased by \$3.1 million or 3% for the first three quarters of fiscal 2016, as compared to the corresponding periods in fiscal 2015. Segment operating income increased by \$3.5 million or 32% for the third quarter and decreased by \$1.0 million or 3% for the first three quarters of fiscal 2016, as compared to the corresponding periods in fiscal 2015.

Advanced Devices revenue and operating income increased for the third quarter of fiscal 2016 primarily due to strong OEM and end user sales and operating expense control. Advanced Devices revenue and operating income decreased for the first three quarters of fiscal 2016 primarily due to weaker OEM and end user sales in the first quarter, as compared to the corresponding period in the prior year.

**Research and Development, Sales and Marketing and General and Administrative Expense**

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

	Third Quarter of		First Three Quarters of	
	2016	2015	2016	2015
(Dollars in millions)				
Research and development	\$86.9	\$79.6	\$266.6	\$251.3
Percentage of revenue	15	% 14	% 15	% 15
Sales and marketing	\$88.6	\$89.1	\$282.7	\$281.8
Percentage of revenue	15	% 16	% 16	% 16
General and administrative	\$59.2	\$63.2	\$193.1	\$192.1
Percentage of revenue	10	% 11	% 11	% 11
Total	\$234.7	\$231.9	\$742.4	\$725.2
Percentage of revenue	40	% 41	% 42	% 42

Overall, R&D, S&M and G&A expense increased by approximately \$2.8 and \$17.2 million for the third quarter and first three quarters of fiscal 2016, respectively, as compared to the corresponding periods in fiscal 2015.



## Table of Contents

Research and development expense increased by \$7.3 million or 9% and \$15.3 million or 6% for the third quarter and first three quarters of fiscal 2016, respectively, as compared to the corresponding periods in fiscal 2015. Overall, research and development spending was 15% of revenue in both the third quarter and first three quarters of fiscal 2016, respectively, as compared to approximately 14% and 15% in the corresponding periods of fiscal 2015. As compared to the prior year, the third quarter of fiscal 2016 research and development expense increased due to higher compensation expense, increased consulting costs, and an increase due to expense from acquisitions not applicable in the prior corresponding period, partially offset by a decrease due to favorable foreign exchange rates and other expenses.

As compared to the prior year, the first three quarters of fiscal 2016 research and development expense increased due to expense from acquisitions not applicable in the prior corresponding period, higher compensation expense, and increased consulting costs, partially offset by a decrease due to favorable foreign exchange rates and other expenses.

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 was flat for both the third quarter and first three quarters of fiscal 2016, as compared to the corresponding periods in fiscal 2015. Overall, spending for sales and marketing was 15% and 16% of revenue in the third quarter and first three quarters of fiscal 2016, respectively, as compared to approximately 16% in both the corresponding periods of fiscal 2015.

As compared to the prior year, the third quarter of fiscal 2016 sales and marketing expense increased due to expense from acquisitions not applicable in the prior corresponding period, partially offset by a decrease in travel and other expenses.

As compared to the prior year, the first three quarters of fiscal 2016 sales and marketing expense increased due to expense from acquisitions not applicable in the prior corresponding period, partially offset by a decrease in travel and other expenses, and a decrease due to favorable foreign exchange rates.

General and administrative expense decreased by \$4.0 million, or 6% for the third quarter of fiscal 2016 and increased by \$1.0 million or 1% for the first three quarters of fiscal 2016, respectively, as compared to the corresponding periods in fiscal 2015. Overall, general and administrative spending was 10% and 11% of revenue in the third quarter and first three quarters of fiscal 2016, respectively, as compared to approximately 11% in both the corresponding periods of fiscal 2015.

As compared to the prior year, the third quarter of fiscal 2016 general and administrative expense decreased due to lower tax and legal costs, lower travel and consulting expense, and a decrease due to favorable foreign exchange rates, partially offset by an increase due to expense from acquisitions not applicable in the prior corresponding period.

As compared to the prior year, the first three quarters of fiscal 2016 general and administrative expense increased due to expense from acquisitions not applicable in the prior corresponding period, partially offset by a decrease due to lower tax and legal costs.

### Restructuring charges

Restructuring charges primarily consist of severance and benefits, resulting from employee headcount reductions in connection with our restructuring programs related to decisions to streamline processes and reduce the cost structure. As of the end of the third quarter of fiscal 2016, our restructuring liability was \$2.6 million, which was expected to be settled by the third quarter of fiscal 2017. Restructuring liabilities are reported within Other current liabilities on the Condensed Consolidated Balance Sheets.

### Amortization of Purchased Intangible Assets

Amortization of purchased intangible assets was \$37.3 million in the third quarter of fiscal 2016, as compared to \$40.7 million in the third quarter of fiscal 2015. Of the total \$37.3 million in the third quarter of fiscal 2016, \$15.5 million is presented as a separate line within Operating expense and \$21.8 million is presented as a separate line within Cost of sales in our Condensed Consolidated Statements of Income. Of the total \$40.7 million in the third quarter of fiscal 2015, \$17.4 million is presented as a separate line within Operating expense and \$23.3 million is presented as a separate line within Cost of sales in our Condensed Consolidated Statements of Income. Amortization in the third quarter and first three quarters of fiscal 2016 reflects acquisitions not included in the the corresponding periods of fiscal 2015 offset by the expiration of amortization for prior acquisitions. As of the end of the third quarter of fiscal 2016 future amortization of intangible assets is expected to be \$35.1 million during the remainder of fiscal 2016, \$128.4 million during 2017, \$100.3 million during 2018, \$59.8 million during 2019, \$31.4 million during 2020 and \$16.1 million thereafter.

Table of Contents

## Non-operating Income (Expense), Net

The components of Non-operating income (expense), net, were as follows:

	Third Quarter of 2016		First Three Quarters of 2015	
(Dollars in millions)				
Interest expense	\$(6.6)	\$(6.4)	\$(19.8)	\$(19.1)
Foreign currency transaction gain (loss), net	—	0.1	(1.6 )	1.2
Income from equity method investments, net	5.2	4.7	13.9	14.1
Other income (expense), net	(1.7 )	(0.9 )	1.7	5.8
Total non-operating income (expense), net	\$(3.1)	\$(2.5)	\$(5.8 )	\$2.0

Non-operating income (expense), net decreased \$0.6 million and \$7.8 million for the third quarter and first three quarters of fiscal 2016, respectively, as compared to the corresponding periods in fiscal 2015. The decrease for the third quarter was primarily due to losses recognized on divested businesses, partially offset by gains on deferred compensation plan. The decrease for the first three quarters related to gains recognized on divested businesses in the prior year, as well as changes in foreign currency transaction gains and losses.

## Income Tax Provision

Our effective income tax rate, after discrete items, for the third quarter of fiscal 2016 was 25%, as compared to 15% in the corresponding period in fiscal 2015. The lower tax rate in the third quarter of fiscal 2015 was primarily due to discrete tax benefits from U.S. research credits and U.S. production activities, and foreign net operating loss benefit. For the first three quarters of fiscal 2016, our effective income tax rate, after discrete items, was 21% as compared to 22% in the corresponding period in fiscal 2015. The decrease in the tax rate for the first three quarters of fiscal 2016 was primarily due to a one time discrete tax benefit from the APS divestiture in the second quarter of fiscal 2016, partially offset by the differences in the geographic mix of pre-tax income and a tax benefit from a closure of a foreign tax audit in the first quarter of fiscal 2015.

Historically, our effective tax rate has been lower than the U.S. federal statutory rate of 35% primarily due to the favorable tax rates associated with certain earnings from operations in lower-tax jurisdictions. We have not provided U.S. taxes for such earnings due to the indefinite reinvestment of some of those earnings outside the U.S.

## OFF-BALANCE SHEET FINANCINGS AND LIABILITIES

Other than lease commitments incurred in the normal course of business, we do not have any off-balance sheet financing arrangements or liabilities, guarantee contracts, retained or contingent interests in transferred assets, or any obligation arising out of a material variable interest in an unconsolidated entity. We do not have any majority-owned subsidiaries that are not included in the Condensed Consolidated Financial Statements. Additionally, we do not have any interest in, or relationship with, any special purpose entities.

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 have agreed 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. From time to time, 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 have 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 Condensed Consolidated Balance Sheets as of the end of the third quarter of fiscal 2016 and fiscal year end 2015.





Table of Contents

## LIQUIDITY AND CAPITAL RESOURCES

	Third Quarter of 2016	Fiscal Year End 2015	
As of (In millions)			
Cash and cash equivalents	\$213.5	\$ 116.0	
Short-term investments	62.1	—	
Total cash, cash equivalents, and investments	275.6	116.0	
As a percentage of total assets	7.4	% 3.2	%
Principal balance of outstanding debt	674.9	735.2	
	First Three Quarters of 2016	2015	
(In millions)			
Cash provided by operating activities	\$282.0	\$ 276.4	
Cash used in investing activities	(78.6 )	(113.4 )	
Cash used in financing activities	(107.5 )	(177.0 )	
Effect of exchange rate changes on cash and cash equivalents	1.6	(10.4 )	
Net increase (decrease) in cash and cash equivalents	\$97.5	\$ (24.4 )	

## Cash and Cash Equivalents and Short-Term Investments

As of the end of the third quarter of fiscal 2016, cash, cash equivalents, and short-term investments totaled 275.6 million as compared to 116.0 million as of fiscal year end 2015. We had a principal balance of outstanding debt of \$674.9 million as of the end of the third quarter of fiscal 2016, as compared to \$735.2 million as of fiscal year end 2015.

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, cash equivalents and short-term investments 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. Our investment policy requires the portfolio to include only securities with high credit quality and a weighted average maturity not to exceed 6 months, with the main objective of preserving capital and maintaining liquidity. We maintain an investment portfolio of various holdings, types, and maturities. We classify our investments as short-term investments based on their nature and their availability for use in current operations. We believe that our cash and cash equivalents, short-term investments, and borrowings under our 2014 Credit Facility as described below under the heading “Debt”, will be sufficient to meet our anticipated operating cash needs, debt service, planned capital expenditures, acquisitions and stock repurchases under the stock repurchase program for at least the next twelve months.

We anticipate that planned capital expenditures primarily for enhancements of our ERP system, computer equipment, software, manufacturing tools and test equipment and leasehold improvements associated with business expansion, will constitute a partial use of our cash resources. Decisions related to how much cash is used for investing are influenced by the expected amount of cash to be provided by operations.

## Operating Activities

Cash provided by operating activities was \$282.0 million for the first three quarters of fiscal 2016, as compared to \$276.4 million for the first three quarters of fiscal 2015. The increase of \$5.6 million was primarily driven by a decrease in working capital requirements.

## Investing Activities

Cash used in investing activities was \$78.6 million for the first three quarters of fiscal 2016, as compared to \$113.4 million for the first three quarters of fiscal 2015. The decrease of \$34.8 million was primarily due to reduced spending for business acquisitions and capital expenditures, partially offset by purchases of available-for-sale investments.

Table of Contents

## Financing Activities

Cash used in financing activities was \$107.5 million for the first three quarters of fiscal 2016, as compared to \$177.0 million for the first three quarters of fiscal 2015. The decrease of cash used in financing activities of \$69.5 million was primarily due to a decrease in stock repurchases and payments on debt and revolving credit lines.

## Accounts Receivable and Inventory Metrics

	Third Quarter Fiscal Year End of	
As of	2016	2015
Accounts receivable days sales outstanding	58	59
Inventory turns per year	4.6	4.0

Accounts receivable days sales outstanding were down at 58 days as of the end of the third quarter of fiscal 2016, as compared to 59 days as of the end of fiscal 2015. Accounts receivable days sales outstanding are calculated based on ending accounts receivable, net, divided by revenue for the corresponding fiscal quarter, times a quarterly average of 91 days. Our inventory turns were 4.6 as of the end of the third quarter of fiscal 2016 and 4.0 as of the end of fiscal 2015. Our inventory turnover is calculated based on total cost of sales for the most recent twelve months divided by average ending inventory, net, for this same twelve month period.

## Debt

## Notes

In November 2014, we issued \$400.0 million of Senior Notes (Notes) in a public offering registered with the Securities and Exchange Commission. The Notes mature on December 1, 2024 and accrue interest at a rate of 4.75% per annum, payable semiannually in arrears in cash on December 1 and June 1 of each year. In connection with the Notes offering, we entered into an Indenture with U.S. Bank National Association, as trustee. We may redeem the Notes at our option at any time, in accordance with the terms and conditions set forth in the Indenture. Further details regarding the terms of the Notes, including the redemption rights, and the Indenture, are provided in the Company's Annual Report on Form 10-K for fiscal 2015.

## 2014 Credit Facility

In November 2014, we entered into a five-year credit agreement with a group of lenders, which provides for an unsecured revolving loan facility of \$1.0 billion (2014 Credit Facility). Under the 2014 Credit Facility, we may borrow, repay and reborrow funds under the revolving loan facility until its maturity on November 24, 2019, at which time the revolving facility will terminate, and all outstanding loans, together with all accrued and unpaid interest, must be repaid. The interest rate on the non-current debt outstanding under the 2014 Credit Facility was 1.73% and 1.46% at the end of the third quarter of fiscal 2016 and fiscal year end 2015, respectively, and is payable on a quarterly basis. Amounts not borrowed under the revolving facility will be subject to a commitment fee. In February 2016, we entered into an amendment to the 2014 Credit Facility to facilitate our proposed reincorporation from California to Delaware and to effect other non-financial terms. In August 2016, we entered into a second amendment to revise a definition used in determining when a change of control of the Company may occur. We were in compliance with all covenants pertaining to the 2014 Credit Facility at the end of the third quarter of fiscal 2016.

## Uncommitted Facilities

We also have two \$75 million revolving credit facilities which are uncommitted (Uncommitted Facilities). The Uncommitted Facilities may be called by the lenders at any time, have no covenants and no specified expiration date. The \$145.0 million outstanding at the end of the third quarter of fiscal 2016 and the \$118.0 million outstanding at the end of fiscal 2015 under the Uncommitted Facilities are considered short-term. The weighted average interest rate on the Uncommitted Facilities was 1.40% at the end of the third quarter of fiscal 2016 and 1.37% the end of fiscal 2015.

## Promissory Notes and Other Debt

At the end of the third quarter of fiscal 2016 and the end of fiscal 2015, we had promissory notes and other notes payable totaling approximately \$0.9 million and \$1.2 million, respectively, of which \$0.6 million and \$0.9 million, respectively, were classified as long-term in the Condensed Consolidated Balance Sheet.

For additional discussion of our debt, see Note 7 of Notes to Condensed Consolidated Financial Statements.

Repatriation of Foreign Earnings and Income Taxes

As of the third quarter of fiscal 2016, \$195.1 million of cash and cash equivalents was held by our foreign subsidiaries, of which \$5.8 million was borrowed from the U.S. under intercompany financing arrangements. If these loaned funds are needed for our operations in the U.S., we would not be required to accrue and pay U.S. federal and state taxes to repatriate the loaned funds. To the

Table of Contents

extent of other repatriation of cash held by foreign entities, we generally would be required to pay U.S. federal and state taxes. While a significant portion of our foreign earnings continue to be permanently reinvested in our foreign subsidiaries, it is anticipated this reinvestment will not impede cash needs at the parent company level. However, if we were to make significant acquisitions or stock repurchases, we may be required to increase our outstanding indebtedness, which could result in increased borrowing costs. In our determination of which foreign earnings are permanently reinvested, we consider numerous factors, including the financial requirements of the U.S. parent company, the financial requirements of the foreign subsidiaries, and the tax consequences of remitting the foreign earnings back to the U.S. There are no other material impediments to our ability to access sources of liquidity and our resulting ability to meet short and long-term liquidity needs, other than in the event we are not in compliance with the covenants under our 2014 Credit Facility or the potential tax costs of remitting foreign earnings back to the U.S.

**RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL MEASURES**

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 included in the tables below as well as detailed explanations to the adjustments to comparable GAAP measures, are set forth below:

**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 restructuring costs, amortization of purchased intangible assets and stock-based compensation from GAAP gross margin. We believe that these exclusions 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 costs, amortization of purchased intangible assets, stock-based compensation, acquisition/divestiture costs associated with external and incremental costs resulting directly from merger and acquisition activities such as legal, due diligence, and integration costs, and executive transition costs from GAAP operating expenses. We believe that these exclusions 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 restructuring costs, amortization of purchased intangible assets, stock-based compensation, acquisition/divestiture costs associated with external and incremental costs resulting directly from merger and acquisition activities such as legal, due diligence, and integration costs, and executive transition costs. We believe that these exclusions offer an alternative means for our investors to evaluate current operating performance compared to results of other periods.

**Non-GAAP non-operating expense, net**

We believe this measure helps investors evaluate our non-operating income trends. Non-GAAP non-operating expense, net excludes acquisition and divestiture gains/losses associated with unusual acquisition related items such as intangible asset impairment charges and gains or losses related to the acquisition or sale of certain businesses and investments. Non-GAAP non-operating expense, net also excludes the write-off of debt issuance cost associated with terminated and/or modified credit facilities and costs associated with the issuance of new credit facilities and Senior Notes that were not capitalized as 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 which are driven by non-GAAP income before taxes and our non-GAAP tax rate. Non-GAAP net income excludes restructuring costs, amortization of purchased

intangible assets, stock-based compensation, acquisition and divestiture costs, executive transition costs, write-off of debt issuance cost and non-GAAP tax adjustments from GAAP net income. We believe our investors benefit from understanding these exclusions 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

31

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Table of Contents

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 restructuring costs, amortization of purchased intangible assets, stock-based compensation, acquisition and divestiture costs, executive transition costs, a write-off of debt issuance costs and non-GAAP tax adjustments from GAAP diluted net income per share. We believe that these exclusions offer investors a useful view of our diluted net income per share as compared to our past diluted net income per share.

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 restructuring, amortization of purchased intangible assets, stock based compensation, acquisition and divestiture items, executive transition costs, write-off of debt issuance costs and non-GAAP tax adjustments. For detailed explanations of the adjustments made to comparable GAAP measures, see items ( A ) - ( H ) below.

(In millions, except per share amounts)

	Third Quarter				First Three Quarters of			
	2016		2015		2016		2015	
	Dollar Amount	% of Revenue	Dollar Amount	% of Revenue	Dollar Amount	% of Revenue	Dollar Amount	% of Revenue
<b>GROSS MARGIN:</b>								
GAAP gross margin:	\$309.0	52.9 %	\$298.0	53.0 %	\$925.2	52.1 %	\$909.1	52.5 %
Restructuring charges ( A )	0.5	0.1 %	0.3	0.1 %	1.2	0.1 %	0.8	— %
Amortization of purchased intangible assets ( B )	21.8	3.7 %	23.3	4.1 %	69.9	3.9 %	68.8	4.0 %
Stock-based compensation ( C )	0.9	0.2 %	1.0	0.2 %	2.8	0.1 %	2.9	0.2 %
Non-GAAP gross margin:	\$332.2	56.9 %	\$322.6	57.4 %	\$999.1	56.2 %	\$981.6	56.7 %
<b>OPERATING EXPENSES:</b>								
GAAP operating expenses:	\$253.7	43.4 %	\$252.0	44.8 %	\$799.5	45.0 %	\$787.6	45.5 %
Restructuring charges ( A )	(3.5 )	(0.6 )%	(2.7 )	(0.5 )%	(9.8 )	(0.5 )%	(9.0 )	(0.5 )%
Amortization of purchased intangible assets ( B )	(15.5 )	(2.7 )%	(17.4 )	(3.1 )%	(47.3 )	(2.7 )%	(53.4 )	(3.1 )%
Stock-based compensation ( C )	(12.4 )	(2.1 )%	(11.8 )	(2.1 )%	(37.2 )	(2.1 )%	(34.4 )	(2.0 )%
Acquisition / divestiture items ( D )	(0.9 )	(0.1 )%	(2.4 )	(0.4 )%	(3.4 )	(0.2 )%	(8.0 )	(0.4 )%
Executive transition costs ( E )	—	— %	—	— %	(1.0 )	(0.1 )%	—	— %
Non-GAAP operating expenses:	\$221.4	37.9 %	\$217.7	38.7 %	\$700.8	39.4 %	\$682.8	39.5 %
<b>OPERATING INCOME:</b>								
GAAP operating income:	\$55.3	9.5 %	\$46.0	8.2 %	\$125.7	7.1 %	\$121.5	7.0 %
Restructuring charges ( A )	4.0	0.7 %	3.0	0.5 %	11.0	0.6 %	9.8	0.6 %
Amortization of purchased intangible assets ( B )	37.3	6.4 %	40.7	7.2 %	117.2	6.6 %	122.2	7.1 %
Stock-based compensation ( C )	13.3	2.3 %	12.8	2.3 %	40.0	2.2 %	37.3	2.1 %
Acquisition / divestiture items ( D )	0.9	0.1 %	2.4	0.5 %	3.4	0.2 %	8.0	0.5 %
Executive transition costs ( E )	—	— %	—	— %	1.0	0.1 %	—	— %
Non-GAAP operating income:	\$110.8	19.0 %	\$104.9	18.7 %	\$298.3	16.8 %	\$298.8	17.3 %
<b>NON-OPERATING INCOME (EXPENSE), NET:</b>								
GAAP non-operating income (expense), net:	\$(3.1 )		\$(2.5 )		\$(5.8 )		\$2.0	

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Acquisition / divestiture items	( D )2.8	(0.2 )	0.1	(5.8 )
Non-GAAP non-operating expense, net:	\$(0.3 )	\$(2.7 )	\$(5.7 )	\$(3.8 )

32

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Table of Contents

		GAAP and Non-GAAP <sup>(H)</sup> Tax Rate %	GAAP and Non-GAAP <sup>(H)</sup> Tax Rate %	GAAP and Non-GAAP <sup>(H)</sup> Tax Rate %	GAAP and Non-GAAP <sup>(H)</sup> Tax Rate %
INCOME TAX PROVISION:					
GAAP income tax provision:	\$13.0	25 %	\$6.5	15 %	\$25.4 21 %
Non-GAAP items tax effected:	( F ) 14.6		8.8		36.3 37.8
Difference in GAAP and Non-GAAP tax rate	( G ) (1.1 )		9.2		8.5 6.3
Non-GAAP income tax provision:	\$26.5	24 %	\$24.5	24 %	\$70.2 24 %
NET INCOME:					
GAAP net income attributable to Trimble Navigation Limited	\$39.2		\$37.1		\$94.7 \$97.1
Restructuring charges	( A ) 4.0		3.0		11.0 9.8
Amortization of purchased intangible assets	( B ) 37.3		40.7		117.2 122.2
Stock-based compensation	( C ) 13.3		12.8		40.0 37.3
Acquisition / divestiture items	( D ) 3.7		2.2		3.5 2.2
Executive transition costs	( E ) —		—		1.0 —
Non-GAAP tax adjustments	+ ( G ) (13.5 )		(18.0 )		(44.8 ) (44.1 )
Non-GAAP net income attributable to Trimble Navigation Limited	\$84.0		\$77.8		\$222.6 \$224.5
DILUTED EARNINGS PER SHARE:					
GAAP diluted earnings per share attributable to Trimble Navigation Limited	\$0.15		\$0.14		\$0.37 \$0.37
Restructuring charges	( A ) 0.02		0.01		0.05 0.04
Amortization of purchased intangible assets	( B ) 0.15		0.16		0.46 0.47
Stock-based compensation	( C ) 0.05		0.05		0.16 0.14
Acquisition / divestiture items	( D ) 0.01		0.01		0.02 0.01
Executive transition costs	( E ) —		—		— —
Non-GAAP tax adjustments	+ ( G ) (0.05 )		(0.07 )		(0.18 ) (0.17 )
Non-GAAP diluted earnings per share attributable to Trimble Navigation Limited	\$0.33		\$0.30		\$0.88 \$0.86

A. Restructuring costs. Included in our GAAP presentation of cost of sales and operating expenses, restructuring costs recorded are primarily for employee compensation resulting from reductions in employee headcount in connection with our company restructurings. We exclude restructuring costs 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.

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 B. 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

Table of Contents

for similar efforts when performed internally. Furthermore, the useful life that we expense 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, it provides an alternative way for investors to compare our operations pre-acquisition to those post-acquisitions 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.

C. 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 the third quarter and the first three quarters of fiscal years 2016 and 2015, stock-based compensation was allocated as follows:

	Third		First Three	
	Quarter		Quarters of	
(Dollars in millions)	2016	2015	2016	2015
Cost of sales	\$0.9	\$1.0	\$2.8	\$2.9
Research and development	2.2	2.1	6.9	6.4
Sales and Marketing	2.1	2.2	6.3	6.7
General and administrative	8.1	7.5	24.0	21.3
	\$13.3	\$12.8	\$40.0	\$37.3

D. Acquisition / divestiture items. Included in our GAAP presentation of 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, and integration costs, as well as adjustments to the fair value of earn-out liabilities. Included in our GAAP presentation of non-operating income (expense), net, acquisition / divestiture items includes unusual acquisition, investment, 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.

E. Executive transition costs. Included in our GAAP presentation of operating expenses are amounts paid to the Company's former CFO upon his departure under the terms of his executive severance agreement. We excluded these payments from our non-GAAP measures because they represent non-recurring expenses and are not indicative of our ongoing operating expenses. We further believe that excluding the executive transition costs from our non-GAAP results is useful to investors in that it allows for period-over-period comparability.

F. Non-GAAP items tax effected. This amount adjusts the provision for income taxes to reflect the effect of the non-GAAP items ( A ) - ( F ) 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.

G. 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 income, net.

H. GAAP and non-GAAP tax rate %. 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.

Non-GAAP Operating Income

Non-GAAP operating income increased by \$5.9 million or 6% for the third quarter of fiscal 2016 and was flat for the first three quarters of fiscal 2016, respectively, as compared to the corresponding period in fiscal 2015. Non-GAAP operating income as a percentage of total revenue was 19.0% and 16.8% for the third quarter and first three quarters of fiscal 2016, respectively, as compared to 18.7% and 17.3% for the corresponding periods in fiscal 2015.

Non-GAAP operating income increased for the third quarter of fiscal 2016, as compared to the prior year, primarily due to revenue increases across all segments and strong operating expense control, partially offset by selected investments in growth opportunities in Engineering and Construction and Mobile Solutions. Non-GAAP operating income for the first three quarters of fiscal 2016 was

Table of Contents

flat primarily due to product mix in both Engineering and Construction and Mobile Solutions, as well as investments in growth opportunities for both segments. In addition, operating income for the first three quarters of fiscal 2016 was negatively impacted by a decrease in Field Solutions high margin product sales and a decrease in Advanced Devices sales in the first quarter as compared to the prior year period.

**ITEM 3. 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**

There have been no significant changes to our market interest rate risk assessment. Refer to our 2015 Annual Report on Form 10-K on page 52.

**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 the third quarter of fiscal 2016, the impacts by foreign currency exchange were immaterial on both revenue and operating income.

We enter into foreign currency forward contracts to minimize the short-term impact of foreign currency exchange rate fluctuations on cash and certain trade and inter-company receivables and payables, primarily denominated in Swiss Franc, Euro, British pound and New Zealand 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 as of the end of the third quarter of fiscal 2016 and fiscal year end 2015 are summarized as follows (in millions):

	Third Quarter of Fiscal 2016		Fiscal Year End 2015	
	Nominal Amount	Fair Value	Nominal Amount	Fair Value
Forward contracts:				
Purchased	\$ 106.9	\$ 0.1	\$(86.5)	\$ 1.3
Sold	\$ 96.8	\$ —	\$ 88.1	\$ (0.5)

**ITEM 4. CONTROLS AND PROCEDURES****(a) Disclosure Controls and Procedures.**

The 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.



Table of Contents

(b) Internal Control Over Financial Reporting.

There have not been any changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

On September 2, 2011, Recreational Data Services, LLC filed a lawsuit in the Superior Court for the State of Alaska in Anchorage against Trimble Navigation Limited, Cabela's Incorporated, AT&T Mobility and Alascom, Inc., alleging breach of contract, breach of fiduciary duty, interference with contract, promissory estoppel, fraud, and negligent misrepresentation. The case was tried in front of a jury in Alaska beginning on September 9, 2014. On September 26, 2014, the jury returned a verdict in favor of the plaintiff and awarded the plaintiff damages of \$51.3 million. On January 29, 2015, the court granted our Motion for Judgment notwithstanding the Verdict, and on March 18, 2015, the Court awarded us a portion of its incurred attorneys' fees and costs, and entered judgment in our favor in the amount of \$0.6 million. The judgment also provides that the plaintiff take nothing on its claims. On April 17, 2015, the plaintiff filed a Notice of Appeal to the Alaska Supreme Court. The parties have completed all appellate briefing, and oral arguments were heard before the Alaska Supreme Court on February 24, 2016. A decision by the Alaska Supreme Court has not been made.

From time to time, we are also involved in litigation arising out of the ordinary course of our business. There are no other 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 1A. RISK FACTORS

A description of factors that could materially affect our business, financial condition, or operating results is included under "Risk and Uncertainties" in Item 1A of Part I of our 2015 Annual Report on Form 10-K and is incorporated herein by reference. There have been no material changes to the risk factor disclosure since our 2015 Annual Report on Form 10-K. The risk factors described in our Form 10-K are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial conditions and/or operating results.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

(a) None

(b) None

(c) The following table provides information relating to our purchases of equity securities for the third quarter of fiscal 2016.

Table of Contents

	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Program	
July 2, 2016 – August 5, 2016	413,973	\$24.16	413,973	\$147,698,817	(1)
August 6, 2016 – September 2, 2016	—		—	—	
September 3, 2016 – September 30, 2016	—		—	—	
Total	413,973		413,973		

(1) 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. 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 public notice.

## ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

## ITEM 6. EXHIBITS

We have filed, or incorporated into the Report by reference, the exhibits listed on the accompanying Index to Exhibits immediately following the signature page of this Form 10-Q.



Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TRIMBLE INC.  
(Registrant)

By: /s/ Robert G. Painter  
Robert G. Painter  
Chief Financial Officer  
(Authorized Officer and Principal  
Financial Officer)  
DATE: November 7, 2016

Table of Contents

EXHIBIT INDEX

- .
- 3.1 Certificate of Incorporation of the Company. (1)
- 3.2 Bylaws of the Company. (2)
- 4.1 Specimen copy of certificate for shares of Common Stock of the Company. (3)
- 10.1 Second Amendment dated as of August 9, 2016 to the Five-Year Credit Agreement dated November 24, 2014 among the Company, the subsidiary borrowers from time to time party thereto, the lenders from time to time party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent. (4)
- 31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 dated November 7, 2016. (4)
- 31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 dated November 7, 2016. (4)
- 32.1 Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 dated November 7, 2016. (4)
- 32.2 Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 dated November 7, 2016. (4)
- 101.INS XBRL Instance Document.
- 101.SCH XBRL Taxonomy Extension Schema Document.
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document.
- 101.DEF XBRL Taxonomy Extension Definition Document.
- 101.LAB XBRL Taxonomy Extension Label Linkbase Document.
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document.
- (1) Incorporated by reference to exhibit number 3.1 to the registrant's Current Report on Form 8-K filed October 3, 2016.
- (2) Incorporated by reference to exhibit number 3.2 to the registrant's Current Report on Form 8-K filed October 3, 2016.
- (3) Incorporated by reference to exhibit number 4.1 to the Company's Current Report on Form 8-K, filed October 3, 2016.
- (4)Furnished or filed herewith.