

TRIMBLE NAVIGATION LTD /CA/  
Form 10-Q  
August 12, 2015  
Table of Contents

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

---

FORM 10-Q

---

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED July 3, 2015

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 NAVIGATION LIMITED  
(Exact name of registrant as specified in its charter)

---

California  
(State or other jurisdiction of 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)

94-2802192  
(I.R.S. Employer Identification Number)

---

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 August 7, 2015, there were 257,048,584 shares of Common Stock (no par value) outstanding.

---

Table of Contents

TRIMBLE NAVIGATION LIMITED  
FORM 10-Q for the Quarter Ended July 3, 2015  
TABLE OF CONTENTS

	Page
PART I. <u>Financial Information</u>	
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>37</u>
ITEM 4. <u>Controls and Procedures</u>	<u>38</u>
PART II. <u>Other Information</u>	
ITEM 1. <u>Legal Proceedings</u>	<u>38</u>
ITEM 1A. <u>Risk Factors</u>	<u>39</u>
ITEM 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>39</u>
ITEM 6. <u>Exhibits</u>	<u>39</u>
<u>SIGNATURES</u>	<u>41</u>

Table of Contents

## PART I – FINANCIAL INFORMATION

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

As of (In millions)	Second Quarter of 2015	Fiscal Year End 2014
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 129.0	\$ 148.0
Accounts receivable, net	355.5	362.0
Other receivables	26.0	29.5
Inventories, net	280.8	278.1
Deferred income taxes	48.2	45.6
Other current assets	45.6	39.4
Total current assets	885.1	902.6
Property and equipment, net	161.7	157.4
Goodwill	2,087.4	2,101.2
Other purchased intangible assets, net	525.5	594.5
Other non-current assets	120.5	118.6
Total assets	\$3,780.2	\$ 3,874.3
<b>LIABILITIES</b>		
Current liabilities:		
Current portion of long-term debt	\$ 124.2	\$ 64.4
Accounts payable	109.6	103.8
Accrued compensation and benefits	96.2	98.9
Deferred revenue	258.1	211.6
Accrued warranty expense	19.1	20.6
Other current liabilities	89.4	89.0
Total current liabilities	696.6	588.3
Non-current portion of long-term debt	515.4	674.0
Non-current deferred revenue	28.5	26.3
Deferred income taxes	104.3	121.1
Other non-current liabilities	96.2	95.8
Total liabilities	1,441.0	1,505.5
Commitments and contingencies (Note 8)		
<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; 257.3 and 259.2 shares issued and outstanding as of the end of the second quarter of fiscal 2015 and fiscal year end 2014, respectively	1,235.8	1,207.3
Retained earnings	1,210.9	1,211.0
Accumulated other comprehensive loss	(108.6	) (61.3
Total Trimble Navigation Ltd. shareholders' equity	2,338.1	2,357.0
Noncontrolling interests	1.1	11.8

Total equity	2,339.2	2,368.8
Total liabilities and equity	\$3,780.2	\$ 3,874.3

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)	Second Quarter of		First Two Quarters of		
	2015	2014	2015	2014	
Revenue:					
Product	\$394.6	\$468.9	\$795.2	\$911.5	
Service	105.7	100.1	206.6	193.4	
Subscription	85.5	73.2	166.6	142.0	
Total revenue	585.8	642.2	1,168.4	1,246.9	
Cost of sales:					
Product	190.8	212.4	378.5	416.1	
Service	42.2	37.6	83.6	71.8	
Subscription	25.9	17.6	49.7	36.6	
Amortization of purchased intangible assets	23.0	20.0	45.5	40.9	
Total cost of sales	281.9	287.6	557.3	565.4	
Gross margin	303.9	354.6	611.1	681.5	
Operating expense:					
Research and development	84.5	81.8	171.7	158.2	
Sales and marketing	96.2	95.6	192.7	193.0	
General and administrative	64.2	61.4	128.9	118.8	
Restructuring charges	5.2	0.8	6.3	1.1	
Amortization of purchased intangible assets	17.8	17.8	36.0	37.5	
Total operating expense	267.9	257.4	535.6	508.6	
Operating income	36.0	97.2	75.5	172.9	
Non-operating income (expense), net:					
Interest expense, net	(6.3	) (3.1	) (12.7	) (6.8	)
Foreign currency transaction gain (loss)	—	(0.5	) 1.1	(0.6	)
Income from equity method investments	6.4	5.2	9.4	8.7	
Other income (expense), net	(0.3	) —	6.7	13.1	
Total non-operating income (expense), net	(0.2	) 1.6	4.5	14.4	
Income before taxes	35.8	98.8	80.0	187.3	
Income tax provision	10.0	20.7	20.2	41.1	
Net income	25.8	78.1	59.8	146.2	
Less: Net gain (loss) attributable to noncontrolling interests	(0.1	) 0.2	(0.2	) (0.3	)
Net income attributable to Trimble Navigation Ltd.	\$25.9	\$77.9	\$60.0	\$146.5	
Basic income per share	\$0.10	\$0.30	\$0.23	\$0.56	
Shares used in calculating basic income per share	258.4	261.1	258.9	260.4	
Diluted income per share	\$0.10	\$0.29	\$0.23	\$0.55	
Shares used in calculating diluted income per share	261.4	266.0	261.9	265.4	

See accompanying Notes to the Condensed Consolidated Financial Statements.

Table of Contents

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

	Second Quarter of		First Two Quarters of	
	2015	2014	2015	2014
(In millions)				
Net income	\$25.8	\$78.1	\$59.8	\$146.2
Foreign currency translation adjustments	19.7	(1.0	) (47.5	) (2.4
Net unrealized actuarial loss	(0.1	) —	—	—
Comprehensive income	45.4	77.1	12.3	143.8
Less: Comprehensive gain (loss) attributable to noncontrolling interests	(0.1	) 0.2	(0.2	) (0.3
Comprehensive income attributable to Trimble Navigation Ltd.	\$45.5	\$76.9	\$12.5	\$144.1

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 Two Quarters of	
	2015	2014
Cash flow from operating activities:		
Net income	\$59.8	\$146.2
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation expense	17.9	15.6
Amortization expense	81.5	78.4
Provision for doubtful accounts	1.2	0.9
Deferred income taxes	(0.8)	(1.7)
Stock-based compensation	24.5	21.1
Income from equity method investments	(9.4)	(8.7)
Gain on an equity sale	—	(15.1)
Acquisition / divestiture gain (loss)	(5.6)	4.3
Excess tax benefit for stock-based compensation	(0.9)	(13.5)
Provision for excess and obsolete inventories	2.0	1.7
Other non-cash items	10.0	(6.2)
Add decrease (increase) in assets:		
Accounts receivable	1.3	(42.6)
Other receivables	3.7	(3.7)
Inventories	(11.8)	(21.3)
Other current and non-current assets	(8.3)	(8.0)
Add increase (decrease) in liabilities:		
Accounts payable	6.1	0.5
Accrued compensation and benefits	(0.8)	5.6
Deferred revenue	49.5	49.0
Accrued warranty expense	(1.4)	1.1
Other liabilities	(14.5)	11.0
Net cash provided by operating activities	204.0	214.6
Cash flow from investing activities:		
Acquisitions of businesses, net of cash acquired	(59.1)	(25.1)
Acquisitions of property and equipment	(26.5)	(28.4)
Purchases of equity investments	(2.8)	(2.6)
Net proceeds from sale of business	12.6	—
Dividends received from equity method investments	7.7	22.5
Other	0.4	(0.1)
Net cash used in investing activities	(67.7)	(33.7)
Cash flow from financing activities:		
Issuances of common stock, net of tax withholding	16.0	39.3
Repurchase and retirement of common stock	(73.0)	—
Excess tax benefit for stock-based compensation	0.9	13.5
Proceeds from debt and revolving credit lines	220.0	17.0
Payments on debt and revolving credit lines	(312.1)	(119.5)
Net cash used in financing activities	(148.2)	(49.7)
Effect of exchange rate changes on cash and cash equivalents	(7.1)	0.5
Net increase (decrease) in cash and cash equivalents	(19.0)	131.7
Cash and cash equivalents, beginning of period	148.0	147.2

Cash and cash equivalents, end of period	\$129.0	\$278.9
--	---------	---------

See accompanying Notes to the Condensed Consolidated Financial Statements.

6

---



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. The Company provides technology solutions that enable professionals and field mobile workers to improve or transform their work processes. 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, contractors, 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.

The Company has a 52-53 week fiscal year, ending on the Friday nearest to December 31, which for fiscal 2014 was January 2, 2015. The second quarter of fiscal 2015 and 2014 ended on July 3, 2015 and July 4, 2014, respectively. Both fiscal 2015 and 2014 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.

The accompanying financial data for and as of the end of the second quarter of fiscal 2015 and for the second quarter and the first two quarters of fiscal 2015 and 2014 has 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 2014 is derived from the audited Consolidated Financial Statements included in the Annual Report on Form 10-K of Trimble Navigation Limited for fiscal year 2014. The following discussion should be read in conjunction with the Company's 2014 Annual Report on Form 10-K.

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 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.

In the opinion of management, all adjustments necessary have been made to present a fair statement of results for the interim periods presented. The results of operations for the second quarter and the first two quarters of fiscal 2015 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.

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).

Historically, the Company allocated stock-based compensation to each segment. Beginning with the first quarter of fiscal 2015, the Company changed its methodology for allocating stock-based compensation to its segments.

Stock-based compensation is shown in the aggregate within unallocated corporate expense and is not reflected in the segment results, which is consistent with the way the Chief Operating Decision Maker (CODM) evaluates each of the segment's performance and allocates resources. The Company has adjusted the presentation of previously reported segment information to conform to the current year methodology within Note 7.

7

---

Table of Contents

NOTE 2. UPDATES TO SIGNIFICANT ACCOUNTING POLICIES

There have been no material changes to the Company's significant accounting policies during the first two quarters of fiscal 2015 from those disclosed in the Company's most recent Form 10-K.

Recent Accounting Pronouncements

In April 2014, the FASB issued amendments to guidance for reporting discontinued operations and disposals of components of an entity. The amended guidance requires that a disposal representing a strategic shift that has (or will have) a major effect on an entity's financial results or a business activity classified as held for sale should be reported as discontinued operations. The amendments also expand the disclosure requirements for discontinued operations and add new disclosures for individually significant dispositions that do not qualify as discontinued operations. The Company adopted the amendments beginning in the first quarter of fiscal 2015. The adoption did not have a material impact on the Company's Condensed Consolidated Financial Statements.

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. The revised effective date for the Company under the new standard will be the beginning of fiscal 2018, with early adoption permitted as of the original effective date. Entities have the option of using either a full retrospective or modified retrospective approach for the adoption of the standard. The Company is currently evaluating the effect of the updated standard 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 standard is effective for the Company in fiscal 2016, although early adoption is permitted. The Company does not anticipate a material impact on its consolidated financial statements as a result of the amendments.

In April 2015, the FASB issued amendments to the guidance for debt issuance costs that will require debt issuance costs related to a recognized debt liability to be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability instead of being recorded as an asset. Amortization of the costs will continue to be reported as interest expense. The amendments are effective for the Company beginning in fiscal 2016. However, early adoption is permitted and the Company plans to adopt this standard in the fourth quarter of fiscal 2015. The new guidance will be applied retrospectively to each prior period presented. The Company does not anticipate a material impact on its consolidated financial statements as a result of this change.

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 the updated standard on its consolidated financial statements and related disclosures.

NOTE 3. GAIN ON EQUITY SALE

In October, 2008, VirtualSite Solutions (VSS), a business formed by the Company and Caterpillar, began operations. Originally, the Company had a 65% ownership and Caterpillar had a 35% ownership in VSS. VSS develops software for fleet management and connected worksite solutions for both Caterpillar and Trimble and in turn, sells software subscription services to Caterpillar and Trimble, which are sold through Caterpillar's and the Company's respective distribution channels. For financial reporting purposes, VSS's assets and liabilities were consolidated with those of the Company, as were its results of operations, which were reported under the Engineering and Construction segment. Caterpillar's 35% interest was included in the overall Consolidated Financial Statements as Noncontrolling interest. Effective January 4, 2014, the Company sold 15% of its ownership in VSS to Caterpillar resulting in both the Company and Caterpillar owning 50% of the VSS joint venture. After the sale the Company no longer held a controlling interest in VSS. The sale of the 15% ownership resulted in the deconsolidation of VSS and a gain in the

amount of \$15.1 million in the first quarter of fiscal 2014. Of this amount, \$8.5 million relates to the remeasurement of the Company's retained interest to fair value which was measured using a combination of the income and market approaches. The total gain is included in Other income (expense), net on the Company's Condensed Consolidated Statements of Income. The Company's 50% investment in VSS is classified as an equity method investment.

8

---

Table of Contents

## NOTE 4. 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. No shares of common stock were repurchased during the first two quarters of fiscal 2014. During the first two quarters of fiscal 2015, the Company repurchased approximately 2.9 million shares of common stock in open market purchases, at an average price of \$24.74 per share, for a total of \$73.0 million. The purchase price was 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 was charged to retained earnings. As a result, retained earnings was reduced by \$58.9 million in the first two quarters of fiscal 2015. Common stock repurchases under the program were recorded based upon the trade date for accounting purposes. All common shares repurchased under this program have been cancelled. At the end of the second quarter of fiscal 2015, the 2014 Stock Repurchase Program had remaining authorized funds of \$177.0 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

The Company accounts for its employee stock options, restricted stock units and employee stock purchase plan (ESPP) under the fair value method, which requires stock-based compensation to be estimated using the fair value on the date of grant using an option-pricing model. The value of the portion of the award that is expected to vest is recognized as expense over the related employees' requisite service periods in the Company's Condensed Consolidated Statements of Income.

The following table summarizes stock-based compensation expense related to employee stock-based compensation (for all plans) included in the unaudited Condensed Consolidated Statements of Income for the second quarter and the first two quarters of fiscal 2015 and 2014.

	Second Quarter of		First Two Quarters of	
	2015	2014	2015	2014
(Dollars in millions)				
Cost of sales	\$1.0	\$0.8	\$1.9	\$1.5
Research and development	2.1	1.7	4.3	3.2
Sales and marketing	2.2	2.1	4.5	4.0
General and administrative	6.7	6.4	13.8	12.4
Total operating expenses	11.0	10.2	22.6	19.6
Total stock-based compensation expense	\$12.0	\$11.0	\$24.5	\$21.1

## Fair Value of Trimble Options

Stock option expense recognized in the Condensed Consolidated Statements of Income is 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 Company's compensation expense for stock options is recognized on a straight-line basis over the vesting period, typically four to five years. The fair values for stock options are estimated on the date of grant using the binomial valuation model. The binomial model takes into account variables such as volatility, dividend yield rate and risk free interest rate. In addition, the binomial model incorporates actual option-pricing behavior and changes in volatility over the option's contractual term. For options granted during the second quarter and the first two quarters of fiscal 2015 and 2014, the following weighted average assumptions were used:

	Second Quarter of		First Two Quarters of	
	2015	2014	2015	2014
Expected dividend yield	—	—	—	—

Edgar Filing: TRIMBLE NAVIGATION LTD /CA/ - Form 10-Q

Expected stock price volatility	35.4%	35.3%	35.4%	35.4%
Risk free interest rate	1.4%	1.2%	1.4%	1.2%
Expected life of options	4.3 years	4.0 years	4.3 years	4.0 years

9

---

Table of Contents

Expected Dividend Yield – The dividend yield assumption is based on the Company’s history and expectation of dividend payouts.

Expected Stock Price Volatility – The Company’s computation of expected volatility is based on a combination of implied volatilities from traded options on the Company’s stock and historical volatility, commensurate with the expected life of the stock options.

Expected Risk Free Interest Rate – The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant for the expected life of the stock options.

Expected Life Of Options – The Company’s expected life represents the period that the Company’s stock options are expected to be outstanding and is determined based on historical experience of similar stock options with consideration to the contractual terms of the stock options, vesting schedules and expectations of future employee behavior.

Fair Value of Restricted Stock Units

Restricted stock units are converted into shares of Trimble common stock upon vesting on a one-for-one basis.

Vesting of restricted stock units is subject to the employee’s continuing service to the Company. The compensation expense related to these awards is determined using the fair value of Trimble’s common stock on the date of grant, and the expense is recognized on a straight-line basis over the vesting period. Restricted stock units typically vest at the end of three years.

Fair Value of Employee Stock Purchase Plan

Under the Employee Stock Purchase Plan, rights to purchase shares are generally granted during the first and third quarter of each year. The fair value of rights granted under the Employee Stock Purchase Plan is estimated at the date of grant using the Black-Scholes option-pricing model.

NOTE 5. BUSINESS COMBINATIONS

During the first two quarters of fiscal 2015, the Company acquired seven businesses, all with cash consideration, in its Engineering and Construction, Field Solutions and Mobile Solutions segments. 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 purchase prices ranged from less than \$2.0 million to \$22.0 million. The largest acquisition was of a company that provides food traceability and quality inspection solutions. In the aggregate, the businesses acquired during the first two quarters of fiscal 2015 collectively contributed less than one percent to the Company’s total revenue during the first two quarters of fiscal 2015.

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 two quarters of fiscal 2014 and the first two quarters of fiscal 2015, 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, including the changes in the fair value of the contingent consideration liabilities, of \$2.8 million and \$5.6 million for the second quarter and the first two quarters of fiscal 2015, respectively, and \$2.0 million and \$3.4 million for the corresponding periods of fiscal 2014, respectively, were expensed as incurred and were included in General and administrative expense in the Condensed Consolidated Statements of Income.





Table of Contents

The following table summarizes the Company's business combinations completed during the first two quarters of fiscal 2015.

	First Two Quarters of 2015
(Dollars in millions)	
Fair value of total purchase consideration	\$64.1
Fair value of net assets acquired	1.1
Identifiable intangible assets	31.2
Deferred income taxes	(3.2 )
Goodwill	\$35.0

## Intangible Assets

Intangible Assets consisted of the following:

As of	Second Quarter of Fiscal 2015			Fiscal Year End 2014		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
(Dollars in millions)						
Developed product technology	\$775.6	\$(489.0 )	\$286.6	\$770.4	\$(445.4 )	\$325.0
Trade names and trademarks	51.2	(36.8 )	14.4	51.2	(33.9 )	17.3
Customer relationships	441.0	(237.9 )	203.1	455.0	(226.8 )	228.2
Distribution rights and other intellectual properties	78.9	(57.5 )	21.4	78.5	(54.5 )	24.0
	\$1,346.7	\$(821.2 )	\$525.5	\$1,355.1	\$(760.6 )	\$594.5

The estimated future amortization expense of purchased intangible assets as of the end of the second quarter of fiscal 2015 was as follows:

(Dollars in millions)	
2015 (Remaining)	\$80.1
2016	144.7
2017	121.7
2018	92.8
2019	50.9
Thereafter	35.3
Total	\$525.5
Goodwill	

The changes in the carrying amount of goodwill by segment for the first two quarters of fiscal 2015 were as follows:

Table of Contents

	Engineering and Construction	Field Solutions	Mobile Solutions	Advanced Devices	Total
(Dollars in millions)					
Balance as of fiscal year end 2014	\$1,186.0	\$96.0	\$796.0	\$23.2	\$2,101.2
Additions due to acquisitions	12.0	11.1	11.9	—	35.0
Purchase price adjustments	(0.1	) 1.6	(0.7	) —	0.8
Foreign currency translation adjustments	(29.9	) (2.5	) (2.5	) (1.0	) (35.9
Divestiture	(13.7	) —	—	—	(13.7
Balance as of the end of the second quarter of fiscal 2015	\$1,154.3	\$106.2	\$804.7	\$22.2	\$2,087.4

## NOTE 6. INVENTORIES

Inventories, net, consisted of the following:

As of	Second Quarter of 2015	Fiscal Year End 2014
(Dollars in millions)		
Raw materials	\$101.5	\$116.8
Work-in-process	6.1	4.8
Finished goods	173.2	156.5
Total inventories, net	\$280.8	\$278.1

Finished goods includes \$11.4 million as of the end of the second quarter of fiscal 2015 and \$9.4 million as of fiscal year end 2014 for costs that have been deferred in connection with deferred revenue arrangements.

## NOTE 7. SEGMENT INFORMATION

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

**Engineering and Construction** — Consists of hardware, software and services solutions for a variety of applications including: survey, heavy civil and building construction; infrastructure, geospatial, railway, mining and utilities.

**Field Solutions** — Consists of hardware, software and services solutions for applications including agriculture, mapping and geographic information systems (GIS), utilities, and energy distribution.

**Mobile Solutions** — Consists of hardware, software and services solutions that enable end-users to monitor and manage their mobile work, mobile workers and mobile assets.

**Advanced Devices** — The various operations that comprise this segment are aggregated on the basis that these operations, taken as a whole, do not exceed 10% of the Company's total revenue, operating income or assets. This segment is comprised of the Embedded Technologies and Timing, Military and Advanced Systems, Applinix, Trimble Outdoors, 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, amortization of purchased intangible assets, stock-based compensation, amortization of acquisition-related inventory step-up, acquisition costs and restructuring costs. The identifiable assets that the CODM views by segment are accounts receivable, inventories and goodwill.



Table of Contents

	Reporting Segments				Total
	Engineering and Construction	Field Solutions	Mobile Solutions	Advanced Devices	
(Dollars in millions)					
Second Quarter of Fiscal 2015					
Segment revenue	\$338.5	\$87.1	\$128.3	\$31.9	\$585.8
Operating income	60.5	24.9	18.9	11.1	115.4
Depreciation expense	3.5	0.3	1.3	0.2	5.3
Second Quarter of Fiscal 2014					
Segment revenue	\$368.1	\$114.4	\$122.9	\$36.8	\$642.2
Operating income	95.7	39.6	21.7	12.6	169.6
Depreciation expense	3.2	0.2	1.3	0.1	4.8
First Two Quarters of Fiscal 2015					
Segment revenue	\$637.8	\$202.4	\$256.5	\$71.7	\$1,168.4
Operating income	97.5	65.5	39.4	26.3	228.7
Depreciation expense	7.1	0.6	2.6	0.3	10.6
First Two Quarters of Fiscal 2014					
Segment revenue	\$677.4	\$252.6	\$241.5	\$75.4	\$1,246.9
Operating income	156.8	93.3	39.0	24.8	313.9
Depreciation expense	6.3	0.4	2.5	0.3	9.5
As of the Second Quarter of Fiscal 2015					
Accounts receivable	\$219.4	\$48.3	\$66.5	\$21.3	\$355.5
Inventories	196.0	44.0	24.2	16.6	280.8
Goodwill	1,154.3	106.2	804.7	22.2	2,087.4
As of Fiscal Year End 2014					
Accounts receivable	\$227.7	\$51.6	\$62.9	\$19.8	\$362.0
Inventories	185.2	51.0	26.1	15.8	278.1
Goodwill	1,186.0	96.0	796.0	23.2	2,101.2

Historically, the Company allocated stock-based compensation to each segment. Beginning with the first quarter of fiscal 2015, the Company changed its methodology for allocating stock-based compensation to its segments. Stock-based compensation is shown in the aggregate within unallocated corporate expense and not reflected in the segment results, which is consistent with the way the CODM evaluates each of the segment's performance and allocates resources. The Company has adjusted the presentation of segment information for the second quarter and first two quarters of fiscal 2014 to conform to the current year methodology. The following table shows the amount of stock-based compensation that had been previously allocated to the business segments in the second quarter and first two quarters of fiscal 2014 and the impact to those segments' Operating income.

Table of Contents

	Reporting Segments				Total
	Engineering and Construction	Field Solutions	Mobile Solutions	Advanced Devices	
(Dollars in millions)					
Second Quarter of Fiscal 2014					
Operating income	\$95.7	\$39.6	\$21.7	\$12.6	\$169.6
Previously allocated stock-based compensation	(3.8)	(0.9)	(1.3)	(0.5)	(6.5)
Previously reported operating income	\$91.9	\$38.7	\$20.4	\$12.1	\$163.1
First Two Quarters of Fiscal 2014					
Operating income	\$156.8	\$93.3	\$39.0	\$24.8	\$313.9
Previously allocated stock-based compensation	(7.4)	(1.7)	(2.4)	(1.0)	(12.5)
Previously reported operating income	\$149.4	\$91.6	\$36.6	\$23.8	\$301.4
A reconciliation of the Company's consolidated segment operating income to consolidated income before income taxes is as follows:					

	Second Quarter of		First Two Quarters of	
	2015	2014	2015	2014
(Dollars in millions)				
Consolidated segment operating income	\$115.4	\$169.6	\$228.7	\$313.9
Unallocated corporate expense	(35.8)	(32.6)	(66.1)	(59.2)
Amortization of purchased intangible assets	(40.8)	(37.8)	(81.5)	(78.4)
Acquisition costs	(2.8)	(2.0)	(5.6)	(3.4)
Consolidated operating income	36.0	97.2	75.5	172.9
Non-operating income (expense), net:	(0.2)	1.6	4.5	14.4
Consolidated income before taxes	\$35.8	\$98.8	\$80.0	\$187.3

**NOTE 8. DEBT, COMMITMENTS AND CONTINGENCIES**

Debt consisted of the following:

	Second Quarter of	Fiscal Year End
As of	2015	2014
(Dollars in millions)		
Notes	\$400.0	\$400.0
Unamortized discount on Notes	(3.0)	(3.2)
Credit Facilities:		
2014 Credit facility	118.0	277.0
Uncommitted facilities	124.0	57.0
Promissory notes and other debt	0.6	7.6
Total debt	639.6	738.4
Less current portion of long-term debt	124.2	64.4
Non-current portion	\$515.4	\$674.0
Notes		

On October 30, 2014, the Company filed a shelf registration statement with the Securities and Exchange Commission ("SEC") for the issuance of senior debt securities. On November 24, 2014, the Company issued \$400.0 million of Senior Notes ("Notes") under the shelf registration statement. Net proceeds from the offering were \$396.9 million after deducting the 0.795% discount on the public offering price. The Company recognized \$3.0 million of debt issuance costs associated with the issuance of the



Table of Contents

Notes, including an underwriting discount of \$2.6 million. The discount and debt issuance costs are being amortized to interest expense using the effective interest rate method over the term of the Notes. 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, beginning on June 1, 2015. The Notes are classified as long-term in the Condensed Consolidated Balance Sheet.

Prior to September 1, 2024, Trimble may redeem the Notes at its option at any time, in whole or in part, at a redemption price equal to the greater of (i) 100% of the aggregate principal amount of the Notes to be redeemed and (ii) the sum of the present values of the remaining scheduled payments of interest and principal, calculated on a semiannual basis using a discount rate equal to the U.S. Treasury rate plus 40 basis points. After September 1, 2024, Trimble may redeem the Notes at its option at any time, in whole or in part, at a redemption price equal to 100% of the aggregate principal amount of the Notes to be redeemed, plus accrued and unpaid interest thereon. In addition, in the event of a change of control, as defined in the prospectus filed with the SEC, each holder of the Notes will have the right to require Trimble to purchase for cash all or a portion of such holder's Notes at a purchase price equal to 101% of the principal amount of the Notes, plus any accrued and unpaid interest.

In connection with the closing of the Notes offering, Trimble entered into an Indenture with U.S. Bank National Association, as trustee. The Indenture contains covenants limiting Trimble's ability to create certain liens, enter into sale and lease-back transactions, and consolidate or merge with or into, or convey, transfer or lease all or substantially all of Trimble's properties and assets to, another person, each subject to certain exceptions. The Notes contain no financial covenants.

## Credit Facilities

## 2014 Credit Facility

On November 24, 2014, the Company entered into a new five-year credit agreement with a group of lenders (the "2014 Credit Facility"). The 2014 Credit Facility provides for an unsecured revolving loan facility of \$1.0 billion and a letter of credit sub-facility of up to \$50.0 million. Subject to the terms of the 2014 Credit Facility, the revolving loan facility may be increased and/or term loan facilities may be established in an amount up to \$500.0 million. The outstanding balance of \$118.0 million is classified as long-term in the Condensed Consolidated Balance Sheet.

The 2014 Credit Facility replaced the Company's previous 2012 Credit Facility comprised of a five-year revolving loan facility of \$700.0 million and a five-year \$700.0 million term loan facility. Upon entering into the 2014 Credit Facility, the Company recognized \$1.6 million of debt issuance costs associated with the 2014 Credit Facility. The remaining unamortized debt issuance costs associated with the 2012 Credit Facility and the new debt issuance costs associated with the 2014 Credit Facility are being amortized to interest expense using the effective interest rate method over the term of the 2014 Credit Facility.

The funds available under the 2014 Credit Facility may be used for working capital and general corporate purposes including the financing of certain acquisitions and the payment of transaction fees and expenses related to such acquisitions. Under the 2014 Credit Facility, the Company 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. Amounts not borrowed under the revolving facility will be subject to a commitment fee, to be paid in arrears on the last day of each fiscal quarter, ranging from 0.10% to 0.30% per annum depending on either the Company's credit rating at such time or the Company's leverage ratio as of the most recently ended fiscal quarter, whichever results in more favorable pricing to the Company.

The Company may borrow funds under the 2014 Credit Facility in U.S. Dollars, Euros or in certain other agreed currencies, and borrowings will bear interest, at the Company's option, at either: (i) a floating per annum base rate determined by reference to the highest of: (a) the administrative agent's prime rate; (b) 0.50% per annum above the federal funds effective rate; and (c) reserve-adjusted LIBOR for an interest period of one month plus 1.00%, plus a margin of between 0.00% and 0.75%, or (ii) a reserve-adjusted fixed per annum rate based on LIBOR or EURIBOR, depending on the currency borrowed, plus a margin of between 1.00% and 1.75%. The applicable margin in each case is determined based on either Trimble's credit rating at such time or Trimble's leverage ratio as of its most recently ended fiscal quarter, whichever results in more favorable pricing to Trimble. Interest is payable on the last day of each

fiscal quarter with respect to borrowings bearing interest at the base rate, or on the last day of an interest period, but at least every three months, with respect to borrowings bearing interest at LIBOR or EURIBOR rate.

The 2014 Credit Facility contains various customary representations and warranties by the Company, which include customary use of materiality, material adverse effect and knowledge qualifiers. The 2014 Credit Facility also contains customary affirmative and negative covenants including, among other requirements, negative covenants that restrict the Company's ability to create liens and enter into sale and leaseback transactions, and that restrict its subsidiaries' ability to incur indebtedness. Further, the 2014 Credit Facility contains financial covenants that require the maintenance of minimum interest coverage and maximum leverage ratios. Specifically, the Company must maintain as of the end of each fiscal quarter a ratio of (a) EBITDA (as defined in the 2014 Credit Facility) to (b) interest expense for the most recently ended period of four fiscal quarters of not less than 3.50 to 1.00. The Company must also maintain, at the end of each fiscal quarter, a ratio of (x) total indebtedness (as defined in the 2014 Credit Facility) to (y) EBITDA (as defined in the 2014 Credit Facility) for the most recently ended period of four fiscal quarters of not greater than 3.00 to 1.00; provided, that on the completion of a material acquisition, the Company may increase the ratio by 0.50



Table of Contents

for the fiscal quarter during which such acquisition occurred and each of the three subsequent fiscal quarters. The Company was in compliance with these covenants at the end of the second quarter of fiscal 2015.

The 2014 Credit Facility contains events of default that include, among others, non-payment of principal, interest or fees, breach of covenants, inaccuracy of representations and warranties, cross defaults to certain other indebtedness, bankruptcy and insolvency events, material judgments, and events constituting a change of control. Upon the occurrence and during the continuance of an event of default, interest on the obligations will accrue at an increased rate and the lenders may accelerate the Company's obligations under the 2014 Credit Facility, except that acceleration will be automatic in the case of bankruptcy and insolvency events of default.

The interest rate on the non-current debt outstanding under the credit facilities was 1.47% and 1.42% at the end of the second quarter of fiscal 2015 and fiscal year end 2014, respectively.

Uncommitted Facilities

The Company also has two \$75 million revolving credit facilities which are uncommitted (the "Uncommitted Facilities"). The Uncommitted Facilities may be called by the lenders at any time, have no covenants and no specified expiration date. The interest rate on the Uncommitted Facilities is 1.00% plus either LIBOR or the bank's cost of funds or as otherwise agreed upon by the bank and the Company. The \$124.0 million outstanding at the end of the second quarter of fiscal 2015 and the \$57.0 million outstanding at the end of fiscal 2014 under the Uncommitted Facilities are classified as short-term in the Condensed Consolidated Balance Sheet. The weighted average interest rate on the Uncommitted Facilities was 1.12% at the end of the second quarter of fiscal 2015 and 1.15% at the end of fiscal 2014.

Promissory Notes and Other Debt

At the end of the second quarter of fiscal 2015 and the end of fiscal 2014, the Company had promissory notes and other notes payable totaling approximately \$0.6 million and \$7.6 million, respectively, of which less than \$0.4 million for both periods was classified as long-term in the Consolidated Balance Sheet.

Debt Maturities

At the end of the second quarter of fiscal 2015, the Company's debt maturities based on outstanding principal were as follows (dollars in millions):

Year Payable	
2015 (Remaining)	\$124.1
2016	0.1
2017	0.2
2018	—
2019	118.0
Thereafter	400.2
Total	\$642.6

Leases and Other Commitments

The estimated future minimum operating lease commitments as of the end of the second quarter of fiscal 2015 are as follows (dollars in millions):

2015 (Remaining)	\$17.7
2016	26.8
2017	21.7
2018	16.4
2019	12.9
Thereafter	36.1
Total	\$131.6

As of the end of the second quarter of fiscal 2015, the Company had unconditional purchase obligations of approximately \$132.6 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.



Table of Contents

## 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—Observable inputs such as unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date.

Level II—Inputs (other than quoted prices included in Level I) are either directly or indirectly observable for the asset or liability. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.

Level III—Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. Consideration is given to the risk inherent in the valuation technique and the risk inherent in the inputs to the model.

## Fair Value on a Recurring Basis

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

(Dollars in millions)	Fair Values as of the end of the Second Quarter of Fiscal 2015				Fair Values as of Fiscal Year End 2014			
	Level I	Level II	Level III	Total	Level I	Level II	Level III	Total
<b>Assets</b>								
Deferred compensation plan assets (1)	\$21.0	\$—	\$—	\$21.0	\$19.2	\$—	\$—	\$19.2
Derivative assets (2)	—	0.4	—	0.4	—	2.9	—	2.9
Contingent consideration assets (3)	—	—	8.3	8.3	—	—	8.3	8.3
<b>Total</b>	<b>\$21.0</b>	<b>\$0.4</b>	<b>\$8.3</b>	<b>\$29.7</b>	<b>\$19.2</b>	<b>\$2.9</b>	<b>\$8.3</b>	<b>\$30.4</b>
<b>Liabilities</b>								
Deferred compensation plan liabilities (1)	\$21.0	\$—	\$—	\$21.0	\$19.2	\$—	\$—	\$19.2
Derivative liabilities (2)	—	1.9	—	1.9	—	1.4	—	1.4
Contingent consideration liabilities (4)	—	—	2.6	2.6	—	—	3.7	3.7
<b>Total</b>	<b>\$21.0</b>	<b>\$1.9</b>	<b>\$2.6</b>	<b>\$25.5</b>	<b>\$19.2</b>	<b>\$1.4</b>	<b>\$3.7</b>	<b>\$24.3</b>

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 (1) 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 on the Company's Condensed Consolidated Balance Sheets.

Derivative assets and liabilities primarily represent forward currency exchange contracts. The Company typically (2) 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 represents arrangements for buyers to pay the Company for certain businesses that (3) 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 \$4.2 million. Contingent consideration assets are included in Other receivables and Other non-current assets on the Company's Condensed Consolidated Balance Sheets.



Table of Contents

Contingent consideration liabilities represent arrangements to pay the former owners of certain companies that Trimble acquired. The undiscounted maximum payment under the arrangements is \$14.9 million at the end of the (4)second quarter of fiscal 2015, based on estimated future revenues or other milestones based on quantities sold.

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:

As of	Carrying Amount Second Quarter of Fiscal 2015	Fair Value Second Quarter of Fiscal 2015	Carrying Amount Fiscal Year End 2014	Fair Value Fiscal Year End 2014
(Dollars in millions)				
Assets:				
Cash and cash equivalents	\$129.0	\$129.0	\$148.0	\$148.0
Liabilities:				
Notes	\$400.0	\$400.4	\$400.0	\$396.9
Credit facilities	118.0	118.0	277.0	277.0
Uncommitted facilities	124.0	124.0	57.0	57.0
Promissory notes and other debt	0.6	0.6	7.6	7.6

The fair value of cash and cash equivalents is based on quoted prices in active markets for identical assets or liabilities, and is categorized as Level I in the fair value hierarchy. 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. The products sold are generally covered by a warranty for periods ranging from 90 days to 5.5 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 two quarters of fiscal 2015 are as follows:

(Dollars in millions)	
Balance as of fiscal year end 2014	\$20.6
Acquired warranties	0.1
Accruals for warranties issued	8.3
Changes in estimates	2.5
Warranty settlements (in cash or in kind)	(12.4)
Balance as of the end of the second quarter of fiscal 2015	\$19.1

## NOTE 11. INCOME PER SHARE

Basic income per share is computed by dividing Net income attributable to Trimble Navigation Ltd. by the weighted-average number of shares of common stock outstanding during the period. Diluted income per share is computed by dividing Net income

18

---

Table of Contents

attributable to Trimble Navigation Ltd. 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 unvested restricted stock units. The dilutive effect of potentially dilutive securities is reflected in diluted income 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 income per share:

	Second Quarter of		First Two Quarters of	
	2015	2014	2015	2014
(In millions, except per share amounts)				
Numerator:				
Net income attributable to Trimble Navigation Ltd.	\$25.9	\$77.9	\$60.0	\$146.5
Denominator:				
Weighted average number of common shares used in basic income per share	258.4	261.1	258.9	260.4
Effect of dilutive securities	3.0	4.9	3.0	5.0
Weighted average number of common shares and dilutive potential common shares used in diluted income per share	261.4	266.0	261.9	265.4
Basic income per share	\$0.10	\$0.30	\$0.23	\$0.56
Diluted income per share	\$0.10	\$0.29	\$0.23	\$0.55

For the second quarter of fiscal 2015 and 2014, the Company excluded 5.6 million and 0.4 million shares of outstanding stock options, respectively, from the calculation of diluted income per share because their effect would have been antidilutive. For the first two quarters of fiscal 2015 and 2014, the Company excluded 5.6 million and 0.2 million shares of outstanding stock options, respectively, from the calculation of diluted earnings per share.

**NOTE 12. INCOME TAXES**

In the second quarter of fiscal 2015, the Company's effective income tax rate was 28% as compared to 21% in the corresponding period in fiscal 2014, primarily due to the differences in the geographic mix of pretax income. In the first two quarters of fiscal 2015, the Company's effective income tax rate was 25% as compared to 22% in the corresponding period in fiscal 2014. The first two quarters of fiscal 2015 had a higher effective income tax rate due to differences in the geographic mix of pretax income, partially offset by a tax benefit associated with the closure of a foreign tax audit in the first quarter of 2015 and a tax charge on a partial equity sale of VSS in the first quarter of 2014.

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 2015, the Company received a Notice of Proposed Adjustment from the IRS for the fiscal years ended 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 has filed a protest with the IRS Appeals Office in April 2015. No payments have been made on the assessment. The Company intends to vigorously contest the IRS 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 \$44.9 million and \$45.6

million as of the end of the second quarter of fiscal 2015 and fiscal year end 2014, 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.



Table of Contents

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 second quarter of fiscal 2015 and fiscal year end 2014, of \$5.2 million and \$4.7 million, respectively, which were recorded in Other non-current liabilities in the accompanying Condensed Consolidated Balance Sheets.

NOTE 13. LITIGATION

On August 9, 2013, Harbinger Capital Partners, LLC and additional plaintiffs (the "Harbinger Plaintiffs") filed a lawsuit against Deere & Co., Garmin International, Inc., the Company and two other defendants in the U.S. District Court in Manhattan in connection with the Harbinger Plaintiffs' investment in LightSquared. The Harbinger Plaintiffs allege, among other things, fraud and negligent misrepresentation, claiming that the defendants were aware of material facts that caused the Federal Communications Commission to take adverse action against LightSquared and affirmatively misrepresented and failed to disclose those facts prior to the Harbinger Plaintiffs' investment in LightSquared. The Harbinger Plaintiffs sought \$1.9 billion in damages from the defendants. On November 1, 2013, debtor LightSquared, Inc. and two related parties ("LightSquared Plaintiffs") filed suit against the same defendants in the U.S. Bankruptcy Court in Manhattan. The LightSquared Plaintiffs assert claims similar to those made by the Harbinger Plaintiffs, as well as additional claims, including breach of contract and tortious interference, and alleged that LightSquared invested billions of dollars in reliance on the promises and representations of defendants. On January 31, 2014, the U.S. District Court granted defendants' motion to withdraw the LightSquared action from the U.S. Bankruptcy Court to the U.S. District Court. On February 5, 2015, the U.S. District Court dismissed all claims brought by the Harbinger Plaintiffs and the majority of those brought by the LightSquared Plaintiffs, including those for breach of contract, promissory estoppel, quantum merit, and tortious interference, but allowed the LightSquared Plaintiffs' claims of negligent representation and constructive fraud to proceed to discovery. On February 11, 2015, the Harbinger Plaintiffs filed a notice of appeal of the District Court's dismissal of their claims. Although an unfavorable outcome of these litigation matters may have a material adverse effect on the Company's operating results, liquidity, or financial position, the Company believes the claims in these lawsuits are without merit and intends to vigorously contest these lawsuits.

On March 12, 2015, Rachel Thompson filed a putative class action complaint in California Superior Court against the Company, the members of its Board of Directors, and JP Morgan Chase Bank. The suit alleges that the Company's Board of Directors breached their fiduciary obligations to the Company's shareholders by entering into a credit agreement with JP Morgan Chase Bank that contains certain change of control provisions that plaintiff contends are disadvantageous to shareholders. The complaint seeks declaratory relief, injunctive relief and costs of the action, including attorney's fees, but does not seek monetary damages. The Company intends to vigorously contest these claims.

From time to time, the Company is also involved in litigation arising out of the ordinary course of its 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, 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 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,” “expects,” “anticipates,” “future,” “i,” “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 2014 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

There have been no material changes to our significant accounting policies during the first two quarters of fiscal 2015 from those disclosed in our 2014 Form 10-K.

#### Recent Accounting Pronouncements

In April 2014, the FASB issued amendments to guidance for reporting discontinued operations and disposals of components of an entity. The amended guidance requires that a disposal representing a strategic shift that has (or will have) a major effect on an entity’s financial results or a business activity classified as held for sale should be reported as discontinued operations. The amendments also expand the disclosure requirements for discontinued operations and add new disclosures for individually significant dispositions that do not qualify as discontinued operations. We

adopted the amendments beginning in the first quarter of fiscal 2015. The adoption did not have a material impact on our Condensed Consolidated Financial Statements.

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. The revised effective date for the Company under the new standard will be the beginning of fiscal 2018, with early adoption permitted as of the original effective date. Entities have the option of using either a full

## Table of Contents

retrospective or modified retrospective approach for the adoption of the standard. We are currently evaluating the effect of the updated standard on our 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 standard is effective for us in fiscal 2016, although early adoption is permitted. We don't anticipate a material impact on our consolidated financial statements as a result of the amendments.

In April 2015, the FASB issued amendments to the guidance for debt issuance costs that will require debt issuance costs related to a recognized debt liability to be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability instead of being recorded as an asset. Amortization of the costs will continue to be reported as interest expense. The amendments are effective for us beginning in fiscal 2016. However, early adoption is permitted and our plan is to adopt this standard in the fourth quarter of fiscal 2015. The new guidance will be applied retrospectively to each prior period presented. We don't anticipate a material impact on our consolidated financial statements as a result of this change.

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 us beginning in fiscal 2017, although early adoption is permitted. We are currently evaluating the effect of the updated standard on our consolidated financial statements and related disclosures.

### EXECUTIVE LEVEL OVERVIEW

Trimble Navigation Limited 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, environmental management, government, natural resources, transportation and utilities. Representative Trimble customers include engineering and construction firms, contractors, 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 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 will provide a real-time, connected, and cohesive information environment for the design, build, and operational phases of a project. In agriculture, we continue to develop "Connected Farm" solutions to optimize operations across the agriculture workflow. In transportation and logistics, we provide transportation companies with tools to enhance fuel efficiency, safety, and transparency 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 capabilities from hardware-driven point solutions to integrated work process solutions by developing domain expertise and heavily reinvesting in R&D, capex and acquisitions. Over the last several years and through the first half of fiscal 2015, we have been spending approximately 13% to 15% of revenue on R&D and currently hold over 1,000 unique patents. We intend to continue to leverage our divisional structure to take advantage

of our technology portfolio and deep domain knowledge to quickly and cost-effectively deliver specific, targeted solutions to each of the verticals we serve. We look for opportunities where the need 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

## Table of Contents

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 over 35 countries and third party representation in over 100 countries. In the second quarter of fiscal 2015, 49% of our sales occurred 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 to an increasingly diversified business model. Software and services growth is driving increased recurring revenue, leading to improved visibility in our business. 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.

For the second quarter of 2015, revenue was down 9% as compared to the second quarter of 2014. The decline in revenue came primarily from softness in our Field Solutions and Engineering and Construction segments and negative foreign currency effects due to the weaker Euro. The declines were partially offset by acquisitions, primarily within Engineering and Construction which were not applicable in the prior period. By geography, North America, Europe, and Rest of World were down 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 second quarter of 2015, we completed acquisitions for total consideration of \$26.3 million. We acquired the assets of HarvestMark®, a provider of food traceability and quality inspection solutions, from YottaMark, Inc. of Redwood City, California. Its platform and tools make food data collection efficient, complex information simple to view and prioritize, and provides actionable insights to drive sales and profit. HarvestMark's performance is reported under our Field Solutions business segment. We also acquired the assets of privately held Cadec Global Inc. of Manchester, New Hampshire. Cadec's driver and truck-based platforms, coupled with its unique back office analytic tools, enable companies to maximize the value of their food service and private fleets and improve customer service. Cadec's performance is reported under our Mobile Solutions business segment.

### Seasonality of Business

Our individual segment revenue may be affected by seasonal buying patterns. Historically, the second fiscal quarter has been the strongest quarter for the Company driven by the construction buying season. However, as a result of diversification of our business into software and subscription revenue, we may experience less seasonality in the future.

Table of Contents

## 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.

(Dollars in millions)	Second Quarter of		First Two Quarters of		
	2015	2014	2015	2014	
Revenue:					
Product	\$394.6	\$468.9	\$795.2	\$911.5	
Service	105.7	100.1	206.6	193.4	
Subscription	85.5	73.2	166.6	142.0	
Total revenue	\$585.8	\$642.2	1,168.4	1,246.9	
Gross margin	\$303.9	\$354.6	\$611.1	\$681.5	
Gross margin %	51.9	% 55.2	% 52.3	% 54.7	%
Operating income	\$36.0	\$97.2	\$75.5	\$172.9	
Operating income %	6.1	% 15.1	% 6.5	% 13.9	%

## Revenue

In the second quarter of fiscal 2015, total revenue decreased by \$56.4 million or 9%, as compared to the second quarter of fiscal 2014. Of this decrease, product revenue decreased \$74.3 million or 16%, partially offset by an increase in service revenue of \$5.6 million or 6%, and subscription revenue of \$12.3 million or 17%. In the first two quarters of fiscal 2015, total revenue decreased by \$78.5 million or 6%, as compared to the first two quarters of fiscal 2014. Of this decrease, product revenue decreased \$116.3 million or 13%, partially offset by an increase in service revenue of \$13.2 million or 7% and subscription revenue of \$24.6 million or 17%.

The product revenue decrease was primarily within Field Solutions, Engineering and Construction, Advanced Devices and to a lesser extent, Mobile Solutions. Service and subscription increases were primarily due to acquisitions within Engineering and Construction which were not applicable in the prior period and organic growth in Mobile Solutions. We consider organic growth to include all revenue except for revenue associated with acquisitions made within the last four quarters.

On a segment basis, Engineering and Construction revenue for the second quarter of fiscal 2015 decreased \$29.6 million or 8%, Field Solutions decreased \$27.3 million or 24% and Advanced Devices decreased \$4.9 million or 13%, partially offset by an increase in Mobile Solutions of \$5.4 million or 4%, as compared to the second quarter of fiscal 2014. Engineering and Construction revenue for the first two quarters of fiscal 2015 decreased \$39.6 million or 6%, Field Solutions decreased \$50.2 million or 20% and Advanced Devices decreased \$3.7 million or 5%, partially offset by an increase in Mobile Solutions of \$15.0 million or 6%, as compared to the corresponding period of fiscal 2014. Engineering and Construction was primarily driven by the impact of oil price declines on regional economies, primarily in geospatial and to a lesser extent, heavy civil construction, and the negative foreign currency effects due to the weaker Euro. The decline was partially offset by building construction which was up due to acquisitions not applicable in the prior year and to a lesser extent, organic growth. The decline in Field Solutions revenue was primarily due to softness in agricultural markets and to a lesser extent, GIS and foreign currency effects. Mobile Solutions increased due to continued growth in the transportation and logistics market, partially offset by a decline in Field Services. Advanced Devices revenue decreased primarily due to weaker sales of timing component products.

## 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 decreased by \$50.7 million and \$70.4 million for the second quarter and first two quarters of fiscal 2015, respectively, as compared to the corresponding periods in fiscal 2014. The decrease was primarily due to decreased revenue in Engineering and Construction and to a lesser extent, Mobile Solutions. Gross margin as a percentage of total revenue was 51.9% and 52.3% for the second quarter and first two quarters of fiscal 2015,

respectively, as compared to 55.2% and 54.7% for the corresponding periods in fiscal 2014. The decrease was primarily due to Engineering and Construction due to product mix and to a lesser extent, Mobile Solutions due to a one time subscription cost benefit in the prior year.



Table of Contents

## Operating Income

Operating income decreased by \$61.2 million and 97.4 million for the second quarter and first two quarters of fiscal 2015, respectively, as compared to the corresponding periods in fiscal 2014. Operating income as a percentage of total revenue was 6.1% and 6.5% for the second quarter and first two quarters of fiscal 2015, respectively, as compared to 15.1% and 13.9% for the corresponding periods in fiscal 2014.

The decrease in operating income and operating income percentage for the second quarter and first two quarters of fiscal 2015 was primarily due to revenue shortfalls in Engineering and Construction and Field Solutions as well as a gross margin percentage decrease in Engineering and Construction and to a lesser extent, Mobile Solutions. To a lesser extent, acquisitions also contributed to the operating income decrease, particularly within Engineering and Construction.

## 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 equals net revenue less cost of sales and operating expense, excluding general corporate expense, amortization of purchased intangible assets, stock-based compensation, amortization of acquisition-related inventory step-up, acquisition costs and restructuring costs. Operating leverage is defined as an increase in operating income as a percentage of the increase in revenue.

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

	Second Quarter of		First Two Quarters of		
	2015	2014	2015	2014	
(Dollars in millions)					
Engineering and Construction					
Revenue	\$338.5	\$368.1	\$637.8	\$677.4	
Segment revenue as a percent of total revenue	58	% 57	% 55	% 54	%
Operating income	\$60.5	\$95.7	\$97.5	\$156.8	
Operating income as a percent of segment revenue	18	% 26	% 15	% 23	%
Field Solutions					
Revenue	\$87.1	\$114.4	\$202.4	\$252.6	
Segment revenue as a percent of total revenue	15	% 18	% 17	% 20	%
Operating income	\$24.9	\$39.6	\$65.5	\$93.3	
Operating income as a percent of segment revenue	29	% 35	% 32	% 37	%
Mobile Solutions					
Revenue	\$128.3	\$122.9	\$256.5	\$241.5	
Segment revenue as a percent of total revenue	22	% 19	% 22	% 20	%
Operating income	\$18.9	\$21.7	\$39.4	\$39.0	
Operating income as a percent of segment revenue	15	% 18	% 15	% 16	%
Advanced Devices					
Revenue	\$31.9	\$36.8	\$71.7	\$75.4	
Segment revenue as a percent of total revenue	5	% 6	% 6	% 6	%
Operating income	\$11.1	\$12.6	\$26.3	\$24.8	
Operating income as a percent of segment revenue	35	% 34	% 37	% 33	%

Historically, we allocated stock-based compensation to each segment. Beginning with the first quarter of fiscal 2015, we changed our methodology for allocating stock-based compensation to our segments. Stock-based compensation is shown in the aggregate within unallocated corporate expense and is not reflected in the segment results, which is

consistent with the way the Chief Operating Decision Maker evaluates each of the segment's performance and allocates resources. The change in the allocation of stock-based compensation is designed to help ensure that business segment results reflect only those items that are directly attributable to that segment's performance. We have adjusted the presentation of segment information for the second quarter and first two quarters of fiscal 2014 to conform to the current year methodology. The following table shows the amount of stock-based compensation that had been previously allocated to the business segments in the second quarter and first two quarters of fiscal 2014 and the impact to those segments' Operating income.

25

---

Table of Contents

	Reporting Segments				Total
	Engineering and Construction	Field Solutions	Mobile Solutions	Advanced Devices	
(Dollars in millions)					
Second Quarter of Fiscal 2014					
Operating income	\$95.7	\$39.6	\$21.7	\$12.6	\$169.6
Previously allocated stock-based compensation	(3.8 )	(0.9 )	(1.3 )	(0.5 )	(6.5 )
Previously reported operating income	\$91.9	\$38.7	\$20.4	\$12.1	\$163.1
First Two Quarters of Fiscal 2014					
Operating income	\$156.8	\$93.3	\$39.0	\$24.8	\$313.9
Previously allocated stock-based compensation	(7.4 )	(1.7 )	(2.4 )	(1.0 )	(12.5 )
Previously reported operating income	\$149.4	\$91.6	\$36.6	\$23.8	\$301.4

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

	Second Quarter of		First Two Quarters of	
	2015	2014	2015	2014
(Dollars in millions)				
Consolidated segment operating income	\$115.4	\$169.6	\$228.7	\$313.9
Unallocated corporate expense	(35.8 )	(32.6 )	(66.1 )	(59.2 )
Amortization of purchased intangible assets	(40.8 )	(37.8 )	(81.5 )	(78.4 )
Acquisition costs	(2.8 )	(2.0 )	(5.6 )	(3.4 )
Consolidated operating income	36.0	97.2	75.5	172.9
Non-operating income (expense), net:	(0.2 )	1.6	4.5	14.4
Consolidated income before taxes	\$35.8	\$98.8	\$80.0	\$187.3

**Engineering and Construction**

Engineering and Construction revenue decreased by \$29.6 million or 8% and \$39.6 million or 6% for the second quarter and first two quarters of fiscal 2015, respectively, as compared to the corresponding periods in fiscal 2014.

Segment operating income decreased by \$35.2 million or 37% and \$59.3 million or 38% for the second quarter and first two quarters of fiscal 2015, respectively, as compared to the corresponding periods in fiscal 2014.

The revenue decrease for the second quarter and first two quarters of fiscal 2015 was primarily driven by the impact of oil price declines on regional economies, primarily in geospatial and to a lesser extent, heavy civil construction, and the negative foreign currency effects due to the weaker Euro. The decline was partially offset by building construction which was up due to acquisitions not applicable in the prior year and to a lesser extent, organic growth. The operating income decrease for the second quarter and first two quarters of fiscal 2015 was primarily due to decreased revenue and lower gross margin with the impacts from lower sales of high margin geospatial products and negative foreign currency effects. Acquisitions also contributed to the decrease in operating income with the biggest impact from building construction software project completions. To the extent these trends continue, our results of operations will be further impacted.

**Field Solutions**

Field Solutions revenue decreased by \$27.3 million or 24% and \$50.2 million or 20% for the second quarter and first two quarters of fiscal 2015, respectively, as compared to the corresponding periods in fiscal 2014. Segment operating income decreased by \$14.7 million or 37% and \$27.8 million or 30% for the second quarter and first two quarters of fiscal 2015, respectively, as compared to the corresponding periods in fiscal 2014.

Field Solutions revenue and operating income decreased for the second quarter and first two quarters of fiscal 2015 primarily due to continued softness in agriculture markets, particularly in the OEM channels, and to a lesser extent, GIS. The biggest drop was in North America. Negative foreign currency effects also contributed to the revenue and operating income decrease. To the extent these trends continue, our results of operations will be further impacted.



Table of Contents

## Mobile Solutions

Mobile Solutions revenue increased by \$5.4 million or 4% and \$15.0 million or 6% for the second quarter and first two quarters of fiscal 2015, respectively, as compared to the corresponding periods in fiscal 2014. Segment operating income decreased by \$2.8 million or 13% for the second quarter and increased \$0.4 million or 1% for the first two quarters of fiscal 2015, respectively, as compared to the corresponding periods in fiscal 2014.

Mobile Solutions revenue increased for the second quarter and first two quarters of fiscal 2015 primarily due to continued organic growth in the transportation and logistics market, which focuses on enterprise solutions, partially offset by a decline in Field Services. The majority of the sales are in the U.S. Operating income decreased for the second quarter primarily due to increased operating expense associated with new product development and lower gross margin as the prior year included a one time subscription cost benefit. Operating income increased for the first two quarters primarily due to higher revenue and product mix, including software, maintenance and subscription revenue, partially offset by increased operating expense associated with new product development.

## Advanced Devices

Advanced Devices revenue decreased by \$4.9 million or 13% and \$3.7 million or 5% for the second quarter and first two quarters of fiscal 2015, respectively, as compared to the corresponding periods in fiscal 2014. Segment operating income decreased by \$1.5 million or 12% for the second quarter and increased \$1.5 million or 6% for the first two quarters of fiscal 2015, respectively, as compared to the corresponding periods in fiscal 2014.

Advanced Devices revenue and operating income decreased in the second quarter of fiscal 2015, primarily due to decreased sales of timing component products. Revenue decreased in the first two quarters of fiscal 2015 primarily due to decreased sales of timing component products, while operating income increased due to strong gross margin and operating expense control.

## 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:

	Second Quarter of		First Two Quarters of		
	2015	2014	2015	2014	
(Dollars in millions)					
Research and development	\$84.5	\$81.8	\$171.7	\$158.2	
Percentage of revenue	15	% 13	% 15	% 13	%
Sales and marketing	\$96.2	\$95.6	\$192.7	\$193.0	
Percentage of revenue	16	% 15	% 16	% 15	%
General and administrative	\$64.2	\$61.4	\$128.9	\$118.8	
Percentage of revenue	11	% 9	% 11	% 10	%
Total	\$244.9	\$238.8	\$493.3	\$470.0	
Percentage of revenue	42	% 37	% 42	% 38	%

Overall, R&D, S&M and G&A expense increased by approximately \$6.1 million and \$23.3 million for the second quarter and first two quarters of fiscal 2015, respectively, as compared to the corresponding periods in fiscal 2014. Research and development expense increased by \$2.7 million and \$13.5 million for the second quarter and first two quarters of fiscal 2015, respectively, as compared to the corresponding periods in fiscal 2014. Research and development spending overall was at approximately 15% of revenue in both the second quarter and first two quarters of fiscal 2015, respectively, as compared to approximately 13% in both the corresponding periods of fiscal 2014. The cost of software developed for external sale subsequent to reaching technical feasibility was not material and was expensed as incurred.

The increase in R&D expense in the second quarter of fiscal 2015, as compared to the corresponding period of fiscal 2014 was primarily due to a \$4.4 million increase in compensation related expense due to headcount increases and the inclusion of \$4.0 million in expense from acquisitions not applicable in the prior corresponding period, partially offset by a \$5.7 million decrease due to the favorable effects of changes in foreign currency exchange rates.

The increase in R&D expense in the first two quarters of fiscal 2015, as compared to the corresponding period in fiscal 2014 was primarily due to a \$12.1 million increase in compensation related expense due to headcount increases,

the inclusion of expense

27

---

Table of Contents

of \$8.3 million from acquisitions not applicable in the prior corresponding period and a \$4.1 million increase in other expense, partially offset by a \$11.0 million decrease due to the favorable effects of changes in foreign currency exchange rates.

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

Sales and marketing expense increased by \$0.6 million in the second quarter and decreased \$0.3 million in the first two quarters of fiscal 2015, respectively, as compared to the corresponding periods in fiscal 2014. Sales and marketing spending overall was at approximately 16% of revenue in both the second quarter and first two quarters of fiscal 2015, as compared to approximately 15% of revenue in both the corresponding periods of fiscal 2014.

The increase in Sales and marketing expense in the second quarter of fiscal 2015, as compared to the corresponding period of fiscal 2014 was primarily due to the inclusion of \$5.2 million in expense from acquisitions not applicable in the prior period, a \$0.6 million increase in compensation related expense due to headcount increases and a \$1.7 million increase in other expense, partially offset by a \$6.9 million decrease due to the favorable effects of changes in foreign currency exchange rates.

The decrease in Sales and marketing expense in the first two quarters of fiscal 2015, as compared to the corresponding period in fiscal 2014 was primarily due to the inclusion of expense of \$10.6 million from acquisitions not applicable in the prior corresponding period, a \$1.4 million increase in compensation related expense due to headcount increases and a \$0.5 million increase in other expense, more than offset by a \$12.8 million decrease due to the favorable effects of changes in foreign currency exchange rates.

Our future growth will depend in part on the timely development and continued viability of the markets in which we currently compete, as well as our ability to continue to identify and develop new markets for our products.

General and administrative expense increased by \$2.8 million and \$10.1 million for the second quarter and first two quarters of fiscal 2015, respectively, as compared to the corresponding periods in fiscal 2014. General and administrative spending overall was at approximately 11% of revenue in both the second quarter and first two quarters of fiscal 2015 as compared to 9% and 10% in the corresponding periods of fiscal 2014.

The increase in G&A expenses in the second quarter of fiscal 2015, as compared to the second quarter of fiscal 2014 was primarily due to the inclusion of \$6.8 million in expense from acquisitions not applicable in the prior period and a \$2.8 million increase in other expense, partially offset by a \$4.3 million decrease in compensation related expense and a \$2.5 million decrease due to the favorable effects of changes in foreign currency exchange rates.

The increase in G&A expenses in the first two quarters of fiscal 2015, as compared to the corresponding period in fiscal 2014 was primarily due to the inclusion of expense of \$13.8 million from acquisitions not applicable in the prior period, a \$2.2 million increase in acquisition cost, a \$0.6 million increase in bad debt expense and a \$3.4 million increase in other expense, partially offset by a \$5.1 million decrease in compensation related expense and a \$4.8 million decrease due to the favorable effects of changes in foreign currency exchange rates.

#### Amortization of Purchased Intangible Assets

Amortization of purchased intangible assets was \$40.8 million in the second quarter of fiscal 2015, as compared to \$37.8 million in the second quarter of fiscal 2014. Of the total \$40.8 million in the second quarter of fiscal 2015, \$17.8 million is presented as a separate line within Operating expense and \$23.0 million is presented as a separate line within Cost of sales in our Condensed Consolidated Statements of Income. Of the total \$37.8 million in the second quarter of fiscal 2014, \$17.8 million is presented as a separate line within Operating expense and \$20.0 million is presented as a separate line within Cost of sales in our Condensed Consolidated Statements of Income. Amortization in the second quarter of fiscal 2015 reflects acquisitions not included in the second quarter of fiscal 2014 offset by the expiration of amortization for prior acquisitions. As of the end of the second quarter of fiscal 2015 future amortization of intangible assets is expected to be \$80.1 million during the remainder of fiscal 2015, \$144.7 million during 2016, \$121.7 million during 2017, \$92.8 million during 2018, \$50.9 million during 2019 and \$35.3 million thereafter.

Table of Contents

## Non-operating Income (Expense), Net

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

	Second Quarter of		First Two Quarters of	
	2015	2014	2015	2014
(Dollars in millions)				
Interest expense, net	\$ (6.3	) \$ (3.1	) \$ (12.7	) \$ (6.8
Foreign currency transaction gain (loss)	—	(0.5	) 1.1	(0.6
Income from equity method investments, net	6.4	5.2	9.4	8.7
Other income (expense), net	(0.3	) —	6.7	13.1
Total non-operating income (expense), net	\$ (0.2	) \$ 1.6	\$ 4.5	\$ 14.4

Non-operating income (expense), net decreased \$1.8 million and \$9.9 million for the second quarter and the first two quarters of fiscal 2015, respectively, as compared to the corresponding periods in fiscal 2014. The decrease was primarily due to higher interest expense, and a gain on a partial equity sale of Virtual Site Solutions (VSS) included in the first quarter of fiscal 2014 included in Other income (expense), net.

## Income Tax Provision

Our effective income tax rate for the second quarter of fiscal 2015 was 28% as compared to 21% in the corresponding period in fiscal 2014, primarily due to the differences in the geographic mix of pretax income. In the first two quarters of fiscal 2015, our effective income tax rate was 25% as compared to 22% in the corresponding period in fiscal 2014. The first two quarters of fiscal 2015 had a higher effective income tax rate due to differences in the geographic mix of pretax income, partially offset by a tax benefit associated with the closure of a foreign tax audit in the first quarter of 2015 and a tax charge on a partial equity sale of VSS in the first quarter of 2014.

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. 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 second quarter of fiscal 2015 and fiscal year end 2014.



Table of Contents

## LIQUIDITY AND CAPITAL RESOURCES

As of (In millions)	Second Quarter of 2015	Fiscal Year End 2014
Cash and cash equivalents	\$129.0	\$148.0
Total debt	639.6	738.4
	First Two Quarters of 2015	2014
(In millions)		
Cash provided by operating activities	\$204.0	\$214.6
Cash used in investing activities	(67.7	) (33.7
Cash used in financing activities	(148.2	) (49.7
Effect of exchange rate changes on cash and cash equivalents	(7.1	) 0.5
Net increase (decrease) in cash and cash equivalents	\$(19.0	) \$131.7

## Cash and Cash Equivalents

As of the end of the second quarter of fiscal 2015, cash and cash equivalents totaled \$129.0 million as compared to \$148.0 million as of fiscal year end 2014. Debt was \$639.6 million as of the end of the second quarter of fiscal 2015, as compared to \$738.4 million as of fiscal year end 2014.

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. We believe that our cash and cash equivalents, together with 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, and stock purchases under the stock repurchase program for at least the next twelve months. We anticipate that planned capital expenditures primarily for enhancements of our Oracle 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 \$204.0 million for the first two quarters of fiscal 2015, as compared to \$214.6 million for the first two quarters of fiscal 2014. The decrease of \$10.6 million was primarily driven by lower net income, partially offset by a decrease in working capital requirements, primarily attributable to accounts receivable due to higher billings in the second quarter of fiscal 2014.

## Investing Activities

Cash used in investing activities was \$67.7 million for the first two quarters of fiscal 2015, as compared to \$33.7 million for the first two quarters of fiscal 2014. The increase of \$34.0 million was due to higher cash requirements for business acquisitions.

## Financing Activities

Cash used in financing activities was \$148.2 million for the first two quarters of fiscal 2015, as compared to \$49.7 million for the first two quarters of fiscal 2014. The increase of cash used in financing activities of \$98.5 million was primarily due to cash used for stock repurchases.

## Accounts Receivable and Inventory Metrics

Table of Contents

As of	Second Quarter of 2015	Fiscal Year End 2014
Accounts receivable days sales outstanding	55	58
Inventory turns per year	3.9	3.9

Accounts receivable days sales outstanding were 55 days as of the end of the second quarter of fiscal 2015, as compared to 58 days as of the end of fiscal 2014. The decrease in days sales outstanding was primarily due to collections improvement partially offset by seasonally higher revenue within the quarter. 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 both 3.9 as of the end of the second quarter of fiscal 2015 and the end of fiscal 2014. 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**

On October 30, 2014, we filed a shelf registration statement with the Securities and Exchange Commission (“SEC”) for the issuance of senior debt securities. On November 24, 2014, we issued \$400.0 million of Senior Notes (“Notes”) under the shelf registration statement. The Notes mature on December 1, 2024 and accrue interest at a rate of 4.75% per annum, payable semiannually in arrears on December 1 and June 1 of each year, beginning on June 1, 2015. The Notes are classified as long-term in the Condensed Consolidated Balance Sheet.

Prior to September 1, 2024, we may redeem the Notes at our option at any time, in whole or in part, at a redemption price equal to the greater of (i) 100% of the aggregate principal amount of the Notes to be redeemed and (ii) the sum of the present values of the remaining scheduled payments of interest and principal, calculated on a semiannual basis using a discount rate equal to the U.S. Treasury rate plus 40 basis points. After September 1, 2024, we may redeem the Notes at our option at any time, in whole or in part, at a redemption price equal to 100% of the aggregate principal amount of the Notes to be redeemed, plus accrued and unpaid interest thereon. In addition, in the event of a change of control, as defined in the prospectus filed with the SEC, each holder of the Notes will have the right to require us to purchase for cash all or a portion of such holder’s Notes at a purchase price equal to 101% of the principal amount of the Notes, plus any accrued and unpaid interest.

In connection with the closing of the Notes offering, we entered into an Indenture with U.S. Bank National Association, as trustee. The Indenture contains covenants limiting our ability to create certain liens, enter into sale and lease-back transactions, and consolidate or merge with or into, or convey, transfer or lease all or substantially all of our properties and assets to, another person, each subject to certain exceptions. The Notes contain no financial covenants.

**2014 Credit Facility**

On November 24, 2014, we entered into a new five-year credit agreement with a group of lenders (the “2014 Credit Facility”), which replaced our previous 2012 Credit Facility. The 2014 Credit Facility provides for an unsecured revolving loan facility of \$1.0 billion and a letter of credit sub-facility of up to \$50.0 million. Subject to the terms of the 2014 Credit Facility, the revolving loan facility may be increased and/or term loan facilities may be established in an amount up to \$500.0 million. The outstanding balance of \$118.0 million is classified as long-term in the Condensed Consolidated Balance Sheet.

The funds available under the 2014 Credit Facility may be used for working capital and general corporate purposes, the financing of certain acquisitions and the payment of transaction fees and expenses related to such acquisitions. 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. Amounts not borrowed under the \$1.0 billion revolving facility will be subject to a commitment fee, to be paid in arrears on the last day of each fiscal quarter, ranging from 0.10% to 0.30% per annum depending on either our credit rating at such time or our leverage ratio as of the most recently ended fiscal quarter, whichever results in more favorable pricing to us.

We may borrow funds under the 2014 Credit Facility in U.S. Dollars, Euros or in certain other agreed currencies, and borrowings will bear interest, at our option, at either: (i) a floating per annum base rate determined by reference to the

highest of: (a) the administrative agent's prime rate; (b) 0.50% per annum above the federal funds effective rate; and (c) reserve-adjusted LIBOR for an interest period of one month plus 1.00%, plus a margin of between 0.00% and 0.75%, or (ii) a reserve-adjusted fixed per annum rate based on LIBOR or EURIBOR, depending on the currency borrowed, plus a margin of between 1.00% and 1.75%. The applicable margin in each case is determined based on either Trimble's credit rating at such time or Trimble's leverage ratio as of its most recently ended fiscal quarter, whichever results in more favorable pricing to us. Interest is payable on the last day of each fiscal quarter with respect to borrowings bearing interest at the base rate, or on the last day of an interest period, but at least every three months, with respect to borrowings bearing interest at LIBOR or EURIBOR rate.

Table of Contents

The 2014 Credit Facility contains various customary representations and warranties by us, which include customary use of materiality, material adverse effect and knowledge qualifiers. The 2014 Credit Facility also contains customary affirmative and negative covenants including, among other requirements, negative covenants that restrict our ability to create liens and enter into sale and leaseback transactions, and that restrict our subsidiaries' ability to incur indebtedness. Further, the 2014 Credit Facility contains financial covenants that require the maintenance of minimum interest coverage and maximum leverage ratios. Specifically, we must maintain as of the end of each fiscal quarter a ratio of (a) EBITDA (as defined in the 2014 Credit Facility) to (b) interest expense for the most recently ended period of four fiscal quarters of not less than 3.50 to 1.00. We must also maintain, at the end of each fiscal quarter, a ratio of (x) total indebtedness (as defined in the 2014 Credit Facility) to (y) EBITDA (as defined in the 2014 Credit Facility) for the most recently ended period of four fiscal quarters of not greater than 3.00 to 1.00; provided, that on the completion of a material acquisition, we may increase the ratio by 0.50 for the fiscal quarter during which such acquisition occurred and each of the three subsequent fiscal quarters. We were in compliance with these covenants at the end of the second quarter of fiscal 2015.

The 2014 Credit Facility contains events of default that include, among others, non-payment of principal, interest or fees, breach of covenants, inaccuracy of representations and warranties, cross defaults to certain other indebtedness, bankruptcy and insolvency events, material judgments and events constituting a change of control. Upon the occurrence and during the continuance of an event of default, interest on the obligations will accrue at an increased rate and the lenders may accelerate our obligations under the 2014 Credit Facility, except that acceleration will be automatic in the case of bankruptcy and insolvency events of default. The interest rate on the non-current debt outstanding under the credit facilities was 1.47% and 1.42% at the end of the second quarter of fiscal 2015 and fiscal year end 2014, respectively.

**Uncommitted Facilities**

We also have two \$75 million revolving credit facilities which are uncommitted (the "Uncommitted Facilities"). The Uncommitted Facilities may be called by the lenders at any time, have no covenants and no specified expiration date. The interest rate on the Uncommitted Facilities is 1.00% plus either LIBOR or the bank's cost of funds or as otherwise agreed upon by the bank and us. The \$124.0 million outstanding at the end of the second quarter of fiscal 2015 and the \$57.0 million outstanding at the end of fiscal 2014 under the Uncommitted Facilities are classified as short-term in the Condensed Consolidated Balance Sheet. The weighted average interest rate on the Uncommitted Facilities was 1.12% at the end of second quarter of fiscal 2015 and 1.15% at the end of fiscal 2014.

For additional discussion of our debt, see Note 8 of Notes to the Condensed Consolidated Financial Statements.

**Repatriation of Foreign Earnings and Income Taxes**

As of the end of the second quarter of fiscal 2015, \$115.8 million of cash and cash equivalents was held by our foreign subsidiaries. If these funds are needed for our operations in the U.S., we would not be required to accrue and pay U.S. taxes to repatriate the funds due to intercompany financing arrangements with our foreign subsidiaries. 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. 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, stock-based compensation and amortization of acquisition-related inventory step-up 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

32

---

## Table of Contents

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, and acquisition/divestiture costs associated with external and incremental costs resulting directly from merger and acquisition activities such as legal, due diligence, and integration 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, amortization of acquisition-related inventory step-up, and acquisition/divestiture costs associated with external and incremental costs resulting directly from merger and acquisition activities such as legal, due diligence, and integration 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 income (loss), net

We believe this measure helps investors evaluate our non-operating income trends. Non-GAAP non-operating income (loss), 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, and a gain on an equity sale. These gains/losses are specific to particular acquisitions and divestitures and vary significantly in amount and timing. Non-GAAP non-operating income, net also excludes the write-off of debt issuance costs 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. In fiscal 2015 we began calculating a non-GAAP tax rate separate from the GAAP rate as we expect this to add consistency in the quarterly non-GAAP trends. We have not retroactively gone back to prior periods to restate our quarterly non-GAAP results with a similar separate rate. Therefore, comparability between periods may be affected.

### 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, amortization of acquisition-related inventory step-up, acquisition and divestiture costs, a gain on an equity sale, a write off of debt issuance costs 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

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, amortization of acquisition-related inventory step-up, acquisition and divestiture costs, a gain on an equity sale, 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.

### Non-GAAP operating leverage

We believe this information is beneficial to investors as a measure of how much incremental revenue contributed to our operating income. Non-GAAP operating leverage is the increase in non-GAAP operating income as a percentage of the increase in revenue. We believe that this information offers investors supplemental information to evaluate our current performance and to compare to our past non-GAAP operating leverage.



Table of Contents

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 costs, amortization of purchased intangible assets, stock based compensation, amortization of acquisition-related inventory step-up, acquisition and divestiture costs, a gain on an equity sale, a 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)-( K ) below,

(In millions, except per share amounts)

	Second Quarter of				First Two Quarters of			
	2015		2014		2015		2014	
	Dollar	% of	Dollar	% of	Dollar	% of	Dollar	% of
	Amount	Revenue	Amount	Revenue	Amount	Revenue	Amount	Revenue
<b>GROSS MARGIN:</b>								
GAAP gross margin:	\$303.9	51.9 %	\$354.6	55.2 %	\$611.1	52.3 %	\$681.5	54.7 %
Restructuring charges ( A )	0.3	0.1 %	0.1	— %	0.5	— %	0.2	— %
Amortization of purchased intangible assets ( B )	23.0	3.9 %	20.0	3.1 %	45.5	3.9 %	40.9	3.3 %
Stock-based compensation ( C )	1.0	0.2 %	0.8	0.2 %	1.9	0.2 %	1.5	0.1 %
Amortization of acquisition-related inventory step-up ( D )	—	— %	0.1	— %	—	— %	0.1	— %
Non-GAAP gross margin:	\$328.2	56.1 %	\$375.6	58.5 %	\$659.0	56.4 %	\$724.2	58.1 %
<b>OPERATING EXPENSES:</b>								
GAAP operating expenses:	\$267.9	45.7 %	\$257.4	40.1 %	\$535.6	45.8 %	\$508.6	40.8 %
Restructuring charges ( A )	(5.2 )	(0.9 )%	(0.8 )	(0.1 )%	(6.3 )	(0.5 )%	(1.1 )	(0.1 )%
Amortization of purchased intangible assets ( B )	(17.8 )	(3.0 )%	(17.8 )	(2.8 )%	(36.0 )	(3.1 )%	(37.5 )	(3.0 )%
Stock-based compensation ( C )	(11.0 )	(1.9 )%	(10.2 )	(1.6 )%	(22.6 )	(1.9 )%	(19.6 )	(1.6 )%
Acquisition / divestiture items ( E )	(2.8 )	(0.5 )%	(2.0 )	(0.3 )%	(5.6 )	(0.5 )%	(3.4 )	(0.3 )%
Non-GAAP operating expenses:	\$231.1	39.4 %	\$226.6	35.3 %	\$465.1	39.8 %	\$447.0	35.8 %
<b>OPERATING INCOME:</b>								
GAAP operating income:	\$36.0	6.1 %	\$97.2	15.1 %	\$75.5	6.5 %	\$172.9	13.9 %
Restructuring charges ( A )	5.5	0.9 %	0.9	0.1 %	6.8	0.6 %	1.3	0.1 %
Amortization of purchased intangible assets ( B )	40.8	7.0 %	37.8	5.9 %	81.5	7.0 %	78.4	6.3 %
Stock-based compensation ( C )	12.0	2.0 %	11.0	1.8 %	24.5	2.0 %	21.1	1.6 %
Amortization of acquisition-related inventory step-up ( D )	—	— %	0.1	— %	—	— %	0.1	— %



Edgar Filing: TRIMBLE NAVIGATION LTD /CA/ - Form 10-Q

Acquisition / divestiture items	( E )	2.8	0.6	%	2.0	0.3	%	5.6	0.5	%	3.4	0.3	%
Non-GAAP operating income:		\$97.1	16.6	%	\$149.0	23.2	%	\$193.9	16.6	%	\$277.2	22.2	%
NON-OPERATING INCOME (LOSS), NET:													
GAAP non-operating income (loss), net:		\$(0.2 )			\$1.6			\$4.5			\$14.4		
Acquisition / divestiture items	( E )	0.2			2.6			(5.6 )			4.3		
Gain on an equity sale	( F )	—			—			—			(15.1 )		
Debt issuance cost write-off	( G )	0.1			—			—			—		
Non-GAAP non-operating loss, net:		\$0.1			\$4.2			\$(1.1 )			\$3.6		
					GAAP and Non-GAAP Tax Rate % ( K )			GAAP and Non-GAAP Tax Rate % ( K )			GAAP and Non-GAAP Tax Rate % ( K )		
INCOME TAX PROVISION:													

Table of Contents

GAAP income tax provision:		\$10.0	28	%	\$20.7	21	%	\$20.2	25	%	\$41.1	22	%
Non-GAAP items tax effected:	(H)	17.2			11.4			29.0			22.4		
Difference in GAAP and Non-GAAP tax rate	(I)	(3.9 )			—			(2.9 )			—		
Tax on gain on an equity sale	(J)	—			—			—			(5.8 )		
Non-GAAP income tax provision:		\$23.3	24	%	\$32.1	21	%	\$46.3	24	%	\$57.7	21	%
NET INCOME:													
GAAP net income attributable to Trimble Navigation Ltd.		\$25.9			\$77.9			\$60.0			\$146.5		
Restructuring charges	(A)	5.5			0.9			6.8			1.3		
Amortization of purchased intangible assets	(B)	40.8			37.8			81.5			78.4		
Stock-based compensation	(C)	12.0			11.0			24.5			21.1		
Amortization of acquisition-related inventory step-up	(D)	—			0.1			—			0.1		
Acquisition / divestiture items	(E)	3.0			4.6			—			7.7		
Gain on an equity sale	(F)	—			—			—			(15.1 )		
Debt issuance cost write-off	(G)	0.1			—			—			—		
Non-GAAP tax adjustments	(H), (I), (J)	(13.3 )			(11.4 )			(26.1 )			(16.6 )		
Non-GAAP net income attributable to Trimble Navigation Ltd.		\$74.0			\$120.9			\$146.7			\$223.4		
DILUTED NET INCOME PER SHARE:													
GAAP diluted net income per share attributable to Trimble Navigation Ltd.		\$0.10			\$0.29			\$0.23			\$0.55		
Restructuring charges	(A)	0.02			—			0.03			0.01		
Amortization of purchased intangible assets	(B)	0.16			0.14			0.31			0.30		
Stock-based compensation	(C)	0.04			0.04			0.09			0.08		
Amortization of acquisition-related inventory step-up	(D)	—			—			—			—		
Acquisition / divestiture items	(E)	0.01			0.02			—			0.03		
Gain on an equity sale	(F)	—			—			—			(0.06 )		
Debt issuance cost write-off	(G)	—			—			—			—		
Non-GAAP tax adjustments	(H), (I), (J)	(0.05 )			(0.04 )			(0.10 )			(0.07 )		

Non-GAAP diluted net income per share attributable to Trimble Navigation Ltd.	\$0.28	\$0.45	\$0.56	\$0.84
OPERATING LEVERAGE:				
Increase (decrease) in non-GAAP operating income	\$(51.9 )	\$28.7	\$(83.3 )	\$46.7
Increase (decrease) in revenue	\$(56.4 )	\$65.9	\$(78.5 )	\$114.5
Operating leverage (increase in non-GAAP operating income as a % of increase in revenue)	N/A	43.6 %	N/A	40.8 %

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 A. 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.

Table of Contents

Amortization of purchased intangible assets. Included in our GAAP presentation of gross margin and operating expenses is amortization of purchased intangible assets. US GAAP accounting requires that intangible assets are recorded at fair value and amortized over their useful lives. Consequently, the timing and size of our acquisitions will cause our operating results to vary from period to period, making a comparison to past performance difficult for investors. This accounting treatment may cause differences when comparing our results to companies that grow internally because the fair value assigned to the intangible assets acquired through acquisition may significantly exceed the equivalent expenses that a company may incur for similar efforts when performed internally.

B. 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-acquisition and to those of our competitors that have pursued internal growth strategies. However, we note that companies that grow internally will incur costs to develop intangible assets that will be expensed in the period incurred, which may make a direct comparison more difficult.

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 C. 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 second quarter and first two quarters of fiscal 2015 and 2014, stock-based compensation was allocated as follows:

(Dollars in millions)	Second Quarter of		First Two Quarters of	
	2015	2014	2015	2014
Cost of sales	\$1.0	\$0.8	\$1.9	\$1.5
Research and development	2.1	1.7	4.3	3.2
Sales and Marketing	2.2	2.1	4.5	4.0
General and administrative	6.7	6.4	13.8	12.4
	\$12.0	\$11.0	\$24.5	\$21.1

Amortization of acquisition-related inventory step-up. The purchase accounting entries associated with our business acquisitions require us to record inventory at its fair value, which is sometimes greater than the previous book value of the inventory. Included in our GAAP presentation of cost of sales, the increase in inventory value is amortized to D. cost of sales over the period that the related product is sold. We exclude inventory step-up amortization from our non-GAAP measures because it is a non-cash expense that we do not believe is indicative of our ongoing operating results. We further believe that excluding this item from our non-GAAP results is useful to investors in that it allows for period-over-period comparability.

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.

E. Included in our GAAP presentation of non-operating income 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.

F. Gain on an equity sale. Included in our GAAP presentation of non-operating income (loss), net this amount represents a gain on a partial equity sale of Virtual Site Solutions. We excluded the gain from our non-GAAP measures. We believe that investors benefit from excluding this item from our non-GAAP measures because it facilitates an evaluation of our non-operating income trends.

Debt issuance cost write-off. Included in our GAAP non-operating income (loss), net this amount represents a write-off of debt issuance costs for 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 excluded the debt issuance cost write-off from our non-GAAP measures. We believe that investors benefit from excluding this item from our non-operating income to facilitate a more meaningful evaluation of our non-operating income trends.

Table of Contents

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

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 I. (Loss), Net. In fiscal 2015 we began calculating a non-GAAP tax rate separate from the GAAP rate as we expect this to add consistency in the quarterly trends. We have not retroactively gone back to prior periods to restate them with a similar separate rate. Therefore, comparability between periods may be affected.

Tax on gain on an equity sale. This amount represents the tax effect of a gain on a partial equity sale of Virtual Site J. Solutions. We excluded this item as it represents the tax effect of a non-recurring gain. We believe that investors benefit from excluding this item from our non-GAAP income tax provision because it facilitates a comparison of the non-GAAP tax rate in 2014 to the non-GAAP tax rates in the current and prior periods.

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 K. 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. However, this comparability may be impacted since we began separately calculating a non-GAAP tax rate in fiscal 2015.

**Non-GAAP Operating Income**

Non-GAAP operating income decreased by \$51.9 million and \$83.3 million for the second quarter and first two quarters of fiscal 2015, respectively, as compared to the corresponding periods in fiscal 2014. Non-GAAP operating income as a percentage of total revenue was 16.6% for both the second quarter and first two quarters of fiscal 2015, respectively, as compared to 23.2% and 22.2% for the corresponding periods in fiscal 2014, respectively. The Non-GAAP operating income and Non-GAAP operating income percentage for the second quarter and first two quarters of fiscal 2015 decreased primarily due to revenue shortfalls in Engineering and Construction and Field Solutions as well as gross margin compression in Engineering and Construction. Acquisitions also contributed to the operating income decline, particularly within Engineering and Construction.

**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 2014 Annual Report on Form 10-K on page 51.

**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, Swedish Krona, New Zealand Dollar and Canadian Dollar. 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 second quarter of fiscal 2015, revenue and operating income was negatively impacted by foreign currency exchange rates by \$26.3 million and \$1.7 million, respectively.

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 Australian, Canadian, Singapore and New Zealand Dollars, Japanese Yen, Chinese Yuan, Indian Rupee, Brazilian Real, South African Rand, Swedish Krona, Swiss Franc, Euro and British pound. 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

37

---

Table of Contents

contracts. These instruments are marked to market through earnings every period and generally range from one to three 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 second quarter of fiscal 2015 and fiscal year end 2014 are summarized as follows (in millions):

	Second Quarter of Fiscal 2015		Fiscal Year End 2014	
	Nominal Amount	Fair Value	Nominal Amount	Fair Value
Forward contracts:				
Purchased	\$ (74.6	) \$ (1.2	) \$ (58.4	) \$ (1.1
Sold	\$ 102.6	\$ (0.3	) \$ 132.9	\$ 2.6

**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.

**(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 August 9, 2013, Harbinger Capital Partners, LLC and additional plaintiffs (“Harbinger Plaintiffs”) filed a lawsuit against Deere & Co., Garmin International, Inc., the Company and two other defendants in the U.S. District Court in Manhattan in connection with the Harbinger Plaintiffs’ investment in LightSquared. The Harbinger Plaintiffs alleged, among other things, fraud and negligent misrepresentation, claiming that the defendants were aware of material facts that caused the Federal Communications Commission to take adverse action against LightSquared and affirmatively misrepresented and failed to disclose those facts prior to the Harbinger Plaintiffs’ investment in LightSquared. The Harbinger Plaintiffs sought \$1.9 billion in damages from the defendants. On November 1, 2013, debtor LightSquared, Inc. and two related parties (“LightSquared Plaintiffs”) filed suit against the same defendants in the U.S. Bankruptcy Court in Manhattan. The LightSquared Plaintiffs asserted claims similar to those made by the Harbinger Plaintiffs, as well as additional claims, including breach of contract and tortious interference, and alleged that LightSquared invested billions of dollars in reliance on the promises and representations of defendants. On January 31, 2014, the U.S. District Court granted defendants’ motion to withdraw the LightSquared action from the U.S. Bankruptcy Court to the U.S. District Court. On February 5, 2015, the U.S. District Court dismissed all claims brought by the Harbinger Plaintiffs and the majority of those brought by the LightSquared Plaintiffs, including those for breach of contract, promissory estoppel, quantum meruit, and tortious interference, but allowed the LightSquared Plaintiffs’ claims of negligent representation and constructive fraud to proceed to discovery. On February 11, 2015, the Harbinger Plaintiffs filed a notice of appeal of the District Court’s dismissal of their claims. Although an unfavorable outcome of these litigation matters may have a material adverse effect on our operating results, liquidity, or financial position, we believe the claims in these lawsuits are without merit and intends to vigorously contest these lawsuits.

On March 12, 2015, Rachel Thompson filed a putative class action complaint in California Superior Court against the Company, the members of its Board of Directors, and JP Morgan Chase Bank. The suit alleges that the Company’s Board of Directors breached their fiduciary obligations to the Company’s shareholders by entering into a credit agreement with JP Morgan Chase Bank that contains certain change of control provisions that plaintiff contends are disadvantageous to shareholders. We intend to vigorously contest the claims.





Table of Contents

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 2014 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 2014 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 second quarter of fiscal 2015.

	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 (1)
April 4, 2015 – May 8, 2015	255,313	\$25.39	255,313	\$230,914,128
May 9, 2015 – June 5, 2015	2,215,908	\$24.31	2,215,908	177,035,836
June 6, 2015 – July 3, 2015	—	—	—	177,035,836
Total	2,471,221	\$24.74	2,471,221	

(1) 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. At the end of the second quarter of fiscal 2015 the 2014 Stock Repurchase Program had remaining authorized funds of \$177.0 million. 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 6. EXHIBITS**

- 3.1 Restated Articles of Incorporation of the Company filed June 25, 1986. (2)
- 3.2 Certificate of Amendment of Articles of Incorporation of the Company filed October 6, 1988. (2)
- 3.3 Certificate of Amendment of Articles of Incorporation of the Company filed July 18, 1990. (2)
- 3.4 Certificate of Amendment of Articles of Incorporation of the Company filed May 29, 2003. (3)

Table of Contents

- 3.5 Certificate of Amendment of Articles of Incorporation of the Company filed March 4, 2004. (4)
- 3.6 Certificate of Amendment of Articles of Incorporation of the Company filed February 21, 2007. (6)
- 3.7 Certificate of Amendment of Articles of Incorporation of the Company filed March 20, 2013. (7)
- 3.8 Bylaws of the Company, amended and restated through May 7, 2015. (5)
- 4.1 Specimen copy of certificate for shares of Common Stock of the Company. (1)
- 31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 dated August 11, 2015. (8)
- 31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 dated August 11, 2015. (8)
- 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 August 11, 2015. (8)
- 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 August 11, 2015. (8)
- 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 4.1 to the registrant's Registration Statement on Form S-1, as amended (File No. 33-35333), which became effective July 19, 1990.
- (2) Incorporated by reference to identically numbered exhibits to the registrant's Annual Report on Form 10-K for the fiscal year ended January 1, 1999.
- (3) Incorporated by reference to exhibit number 3.5 to the registrant's Quarterly Report on Form 10-Q for the quarter ended July 4, 2003.
- (4) Incorporated by reference to exhibit number 3.6 to the registrant's Quarterly Report on Form 10-Q for the quarter ended April 2, 2004.
- (5) Incorporated by reference to exhibit number 3.2 to the Company's Current Report on Form 8-K, filed March 25, 2015.
- (6) Incorporated by reference to exhibit number 3.7 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 30, 2007.
- (7) Incorporated by reference to exhibit number 3.1 to the Company's Current Report on Form 8-K, filed March 20, 2013.
- (8)Furnished or filed herewith.



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 NAVIGATION LIMITED  
(Registrant)

By: /s/ François Delépine  
François Delépine  
Chief Financial Officer  
(Authorized Officer and Principal  
Financial Officer)

DATE: August 11, 2015

Table of Contents

EXHIBIT INDEX

3.1	Restated Articles of Incorporation of the Company filed June 25, 1986. (2)
3.2	Certificate of Amendment of Articles of Incorporation of the Company filed October 6, 1988. (2)
3.3	Certificate of Amendment of Articles of Incorporation of the Company filed July 18, 1990. (2)
3.4	Certificate of Amendment of Articles of Incorporation of the Company filed May 29, 2003. (3)
3.5	Certificate of Amendment of Articles of Incorporation of the Company filed March 4, 2004. (4)
3.6	Certificate of Amendment of Articles of Incorporation of the Company filed February 21, 2007. (6)
3.7	Certificate of Amendment of Articles of Incorporation of the Company filed March 20, 2013. (7)
3.8	Bylaws of the Company, amended and restated through May 7, 2015. (5)
4.1	Specimen copy of certificate for shares of Common Stock of the Company. (1)
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 dated August 11, 2015. (8)
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 dated August 11, 2015. (8)
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 August 11, 2015. (8)
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 August 11, 2015. (8)
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 4.1 to the registrant's Registration Statement on Form S-1, as amended (File No. 33-35333), which became effective July 19, 1990.

(2) Incorporated by reference to identically numbered exhibits to the registrant's Annual Report on Form 10-K for the fiscal year ended January 1, 1999.

(3)

Edgar Filing: TRIMBLE NAVIGATION LTD /CA/ - Form 10-Q

- Incorporated by reference to exhibit number 3.5 to the registrant's Quarterly Report on Form 10-Q for the quarter ended July 4, 2003.
- (4) Incorporated by reference to exhibit number 3.6 to the registrant's Quarterly Report on Form 10-Q for the quarter ended April 2, 2004.
- (5) Incorporated by reference to exhibit number 3.2 to the Company's Current Report on Form 8-K, filed March 25, 2015.
- (6) Incorporated by reference to exhibit number 3.7 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 30, 2007.
- (7) Incorporated by reference to exhibit number 3.1 to the Company's Current Report on Form 8-K, filed March 20, 2013.
- (8)Furnished or filed herewith.