

TRIMBLE INC.  
Form 10-Q  
November 05, 2018  
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 September 28, 2018

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM                      TO

Commission file number: 001-14845

TRIMBLE INC.

(Exact name of registrant as specified in its charter)

---

Delaware                      94-2802192

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

935 Stewart Drive, Sunnyvale, CA 94085

(Address of principal executive offices) (Zip Code)

Telephone Number (408) 481-8000

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.    Yes ☒    No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).    Yes ☒    No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, 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            ☐ Smaller Reporting Company ☐

Emerging Growth Company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).    Yes ☐    No ☒

Table of Contents

As of November 2, 2018, there were 251,146,789 shares of Common Stock, par value \$0.001 per share, outstanding.

---

Table of Contents

TRIMBLE INC.

FORM 10-Q for the Quarter Ended September 28, 2018

TABLE OF CONTENTS

PART I.	<u>Financial Information</u>	Page
ITEM 1.	<u>Financial Statements (Unaudited):</u>	
	<u>Condensed Consolidated Balance Sheets</u>	<u>4</u>
	<u>Condensed Consolidated Statements of Income</u>	<u>5</u>
	<u>Condensed Consolidated Statements of Comprehensive Income</u>	<u>6</u>
	<u>Condensed Consolidated Statements of Cash Flows</u>	<u>7</u>
	<u>Notes to Condensed Consolidated Financial Statements</u>	<u>8</u>
ITEM 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>30</u>
ITEM 3.	<u>Quantitative and Qualitative Disclosures about Market Risk</u>	<u>48</u>
ITEM 4.	<u>Controls and Procedures</u>	<u>49</u>
PART II.	<u>Other Information</u>	
ITEM 1.	<u>Legal Proceedings</u>	<u>49</u>
ITEM 1A.	<u>Risk Factors</u>	<u>49</u>
ITEM 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>50</u>
ITEM 4.	<u>Mine Safety Disclosures</u>	<u>50</u>
ITEM 6.	<u>Exhibits</u>	<u>50</u>
	<u>SIGNATURES</u>	<u>51</u>

Table of Contents

## PART I – FINANCIAL INFORMATION

## ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## TRIMBLE INC.

## CONDENSED CONSOLIDATED BALANCE SHEETS

## (UNAUDITED)

As of	Third Quarter of 2018	Fiscal Year End 2017 *As Adjusted
(In millions, except par value)		
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$205.4	\$ 358.5
Short-term investments	—	178.9
Accounts receivable, net	476.0	427.7
Other receivables	27.2	42.8
Inventories	286.3	264.6
Other current assets	66.3	39.2
Total current assets	1,061.2	1,311.7
Property and equipment, net	206.1	174.0
Goodwill	3,548.6	2,287.1
Other purchased intangible assets, net	780.0	364.8
Deferred costs, non-current	37.2	35.0
Other non-current assets	149.1	143.7
Total assets	\$5,782.2	\$ 4,316.3
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Short-term debt	\$226.1	\$ 128.4
Accounts payable	155.7	146.0
Accrued compensation and benefits	137.5	143.9
Deferred revenue	326.1	237.6
Accrued warranty expense	16.4	18.3
Other current liabilities	117.5	99.2
Total current liabilities	979.3	773.4
Long-term debt	1,786.6	785.5
Non-current deferred revenue	38.2	39.0
Deferred income tax liabilities	88.5	47.8
Income taxes payable	72.4	94.1
Other non-current liabilities	168.6	162.0
Total liabilities	3,133.6	1,901.8
Commitments and contingencies (Note 15)		
Stockholders' equity:		
Preferred stock, \$0.001 par value; 3.0 shares authorized; none issued and outstanding	—	—
Common stock, \$0.001 par value; 360.0 shares authorized; 251.1 and 248.9 shares issued and outstanding as of the end of the third quarter of fiscal 2018 and fiscal year end 2017, respectively	0.3	0.2
Additional paid-in-capital	1,574.8	1,461.1

Edgar Filing: TRIMBLE INC. - Form 10-Q

Retained earnings	1,227.2	1,084.6
Accumulated other comprehensive loss	(153.9 )	(131.4 )
Total Trimble Inc. stockholders' equity	2,648.4	2,414.5
Noncontrolling interests	0.2	—
Total stockholders' equity	2,648.6	2,414.5
Total liabilities and stockholders' equity	\$5,782.2	\$ 4,316.3

\* See Note 2 for a summary of adjustments

See accompanying Notes to the Condensed Consolidated Financial Statements.

Table of Contents

TRIMBLE INC.  
 CONDENSED CONSOLIDATED STATEMENTS OF INCOME  
 (UNAUDITED)

(In millions, except per share amounts)	Third Quarter of		First Three Quarters of	
	2018	2017 *As Adjusted	2018	2017 *As Adjusted
Revenue:				
Product	\$499.7	\$ 449.4	\$1,528.5	\$1,304.4
Service	156.5	124.3	421.4	342.8
Subscription	139.0	102.5	373.0	299.5
Total revenue	795.2	676.2	2,322.9	1,946.7
Cost of sales:				
Product	237.5	226.8	723.1	642.6
Service	64.6	46.9	183.8	141.1
Subscription	38.0	28.3	95.0	82.4
Amortization of purchased intangible assets	28.2	23.0	75.2	62.5
Total cost of sales	368.3	325.0	1,077.1	928.6
Gross margin	426.9	351.2	1,245.8	1,018.1
Operating expense:				
Research and development	114.1	92.6	333.5	272.1
Sales and marketing	119.7	100.0	354.6	294.5
General and administrative	91.6	74.0	262.6	218.4
Restructuring charges	2.5	1.3	6.3	6.5
Amortization of purchased intangible assets	21.6	17.0	57.7	46.6
Total operating expense	349.5	284.9	1,014.7	838.1
Operating income	77.4	66.3	231.1	180.0
Non-operating income (expense), net:				
Interest expense, net	(22.7 )	(6.3 )	(50.8 )	(18.4 )
Foreign currency transaction gain (loss), net	(0.1 )	1.6	0.6	3.0
Income from equity method investments, net	8.8	8.7	23.2	22.8
Other income, net	0.7	1.6	5.9	12.2
Total non-operating income (expense), net	(13.3 )	5.6	(21.1 )	19.6
Income before taxes	64.1	71.9	210.0	199.6
Income tax provision (benefit)	(9.6 )	14.7	13.5	45.3
Net income	73.7	57.2	196.5	154.3
Net gain attributable to noncontrolling interests	—	—	0.2	—
Net income attributable to Trimble Inc.	\$73.7	\$ 57.2	\$196.3	\$154.3
Basic earnings per share	\$0.29	\$ 0.23	\$0.79	\$0.61
Shares used in calculating basic earnings per share	250.5	252.6	249.6	252.5
Diluted earnings per share	\$0.29	\$ 0.22	\$0.78	\$0.60
Shares used in calculating diluted earnings per share	253.6	257.9	253.0	257.0
* See Note 2 for a summary of adjustments				

See accompanying Notes to the Condensed Consolidated Financial Statements.



Table of Contents

TRIMBLE INC.

## CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(UNAUDITED)

	Third Quarter of		First Three	
	2018	2017	2018	2017
		*As		*As
		Adjusted		Adjusted
(In millions)				
Net income	\$73.7	\$ 57.2	\$196.5	\$ 154.3
Foreign currency translation adjustments, net of tax	7.4	30.0	(22.8 )	91.3
Net unrealized gain (loss) on short-term investments, net of tax	(0.1 )	0.1	0.1	—
Net unrealized actuarial gain (loss), net of tax	—	(0.1 )	0.2	(0.3 )
Comprehensive income	81.0	87.2	174.0	245.3
Comprehensive gain attributable to noncontrolling interests	—	—	0.2	—
Comprehensive income attributable to Trimble Inc.	\$81.0	\$ 87.2	\$173.8	\$ 245.3

\* See Note 2 for a summary of adjustments

See accompanying Notes to the Condensed Consolidated Financial Statements.



Table of Contents

TRIMBLE INC.  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(UNAUDITED)

(In millions)	First Three Quarters of	
	2018	2017 *As Adjusted
Cash flow from operating activities:		
Net income	\$ 196.5	\$ 154.3
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation expense	26.2	26.4
Amortization expense	132.9	109.1
Stock-based compensation	53.1	45.0
Income from equity method investments	(0.2)	(9.9)
Other non-cash items	6.9	(6.3)
Increase in assets:		
Accounts receivable, net	(15.8)	(33.9)
Inventories	(29.0)	(18.3)
Other current and non-current assets	(15.7)	(16.7)
Increase (decrease) in liabilities:		
Accounts payable	9.2	27.7
Accrued compensation and benefits	(13.8)	7.7
Deferred revenue	53.8	27.7
Other liabilities	(19.3)	9.8
Net cash provided by operating activities	384.8	322.6
Cash flow from investing activities:		
Acquisitions of businesses, net of cash acquired	(1,741.4)	(279.0)
Acquisitions of property and equipment	(53.1)	(26.4)
Purchases of short-term investments	(24.0)	(220.0)
Proceeds from maturities of short-term investments	6.2	84.6
Proceeds from sales of short-term investments	196.8	92.1
Other	2.7	20.5
Net cash used in investing activities	(1,612.8)	(328.2)
Cash flow from financing activities:		
Issuance of common stock, net of tax withholdings	52.3	73.0
Repurchases of common stock	(53.0)	(111.5)
Proceeds from debt and revolving credit lines	2,592.0	517.0
Payments on debt and revolving credit lines	(1,499.4)	(444.3)
Other	(8.9)	(7.3)
Net cash provided by financing activities	1,083.0	26.9
Effect of exchange rate changes on cash and cash equivalents	(8.1)	17.6
Net increase (decrease) in cash and cash equivalents	(153.1)	38.9
Cash and cash equivalents - beginning of period	358.5	216.1
Cash and cash equivalents - end of period	\$ 205.4	\$ 255.0
* See Note 2 for a summary of adjustments		

See accompanying Notes to the Condensed Consolidated Financial Statements.



Table of Contents

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – UNAUDITED

NOTE 1. OVERVIEW AND BASIS OF PRESENTATION

Company and Background

The Company began operations in 1978 and was originally incorporated in California as Trimble Navigation Limited in 1981. On October 1, 2016, Trimble Navigation Limited changed its name to Trimble Inc. ("Trimble" or the "Company") and changed its state of incorporation from the State of California to the State of Delaware. Other than the change in corporate domicile, the reincorporation did not result in any change in the business, physical location, management, assets, liabilities or total stockholders' equity of the Company, nor did it result in any change in location of the Company's employees, including the Company's management.

Basis of Presentation

The Company has a 52-53 week fiscal year, ending on the Friday nearest to December 31, which for fiscal 2017 was December 29, 2017. The third quarter of fiscal 2018 and 2017 ended on September 28, 2018 and September 29, 2017, respectively. Both fiscal 2018 and 2017 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 stockholders' proportionate share of the net assets and results of operations of the Company's consolidated subsidiaries.

The unaudited interim Condensed Consolidated Financial Statements and accompanying notes are prepared in accordance with U.S generally accepted accounting principles ("GAAP"). In the opinion of management, the unaudited interim Condensed Consolidated Financial Statements reflect all adjustments of a normal recurring nature that are necessary for a fair presentation of the results for the interim periods presented. Interim results are not necessarily indicative of results for the full year. The information included in this Form 10-Q should be read in conjunction with information included in Trimble's Form 10-K filed with the U.S. Securities and Exchange Commission on February 27, 2018.

Effective the first quarter of fiscal 2018, the Company adopted the new revenue recognition standard, Revenue from Contracts with Customers, and several other new standards as discussed in Note 2. All amounts and disclosures set forth in this Form 10-Q have been updated to comply with the new standards. Certain prior period amounts reported in the Company's Condensed Consolidated Financial Statements and notes thereto have been reclassified to conform to the current presentation.

Segment Information

The Company's Chief Executive Officer (chief operating decision maker) views and evaluates operations based on the results of the Company's reportable operating segments under its management reporting system. These results are not necessarily in conformity with U.S. GAAP. Beginning with the third quarter of fiscal 2018, the Company presented segment revenue and income excluding the effects of certain acquired deferred revenue that was written down to fair value in purchase accounting. Segment income presented also excludes the effects of certain acquired capitalized commissions that were eliminated in purchase accounting, along with other adjustments that have historically been excluded in prior periods, as though the acquired companies operated independently in the periods presented. This is consistent with the way the chief operating decision maker evaluates each of the segment's performance and allocates resources. Comparative period financial information by reportable segment has been recast to conform with the current presentation. See Note 6 of the Notes to the Condensed Consolidated Financial Statements for further information.

Use of Estimates

The preparation of financial statements in accordance with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in its Condensed Consolidated Financial Statements and accompanying notes. Estimates and assumptions are used for revenue recognition, including determining the nature and timing of satisfaction of performance obligations and determining standalone selling price of performance obligations, allowances for doubtful accounts, sales returns reserve, allowances for inventory valuation, warranty costs, investments, goodwill impairment, intangibles impairment, purchased intangibles, useful

lives for tangible and intangible assets, stock-based compensation and income taxes among others. Management bases its estimates on historical experience and various other assumptions believed to be reasonable. Actual results and outcomes may differ from management's estimates and assumptions.

Table of Contents

NOTE 2. UPDATES TO SIGNIFICANT ACCOUNTING POLICIES

Summary of Significant Accounting Policies

There have been no material changes to the Company's significant accounting policies during the first three quarters of fiscal 2018 from those disclosed in the Company's most recent Form 10-K, except for significant changes to our accounting policies as a result of adopting the new revenue recognition standard as discussed below:

Revenue Recognition

Significant Judgments

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

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

Nature of Goods and Services

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

Product

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

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

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

Services

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

In some contracts, products and professional services may be combined into a single performance obligation. This generally arises when products or subscriptions are sold with significant customization, modification, or integration services. Revenue for the combined performance is recognized over time as the work progresses because of the continuous transfer of control to the customer. When the Company is unable to reasonably estimate the total costs for the performance obligation, but expects to recover the costs incurred, revenue is recognized to the extent of the costs incurred (zero margin) until such time the Company can reasonably measure the expected costs.

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

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

## Table of Contents

### Subscription

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

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

See Note 6 - Segment Information for disaggregation of revenue by geography.

### Accounts receivable, net

Accounts receivable, net, includes billed and unbilled amounts due from customers. Unbilled receivables include revenue recognized that exceed the amount billed to customer, provided the billing is not contingent upon future performance and the company has the unconditional right to future payment with only the passage of time required. Both billed and unbilled amounts due are stated at their net estimated realizable value.

The Company maintains an allowance for doubtful accounts to provide for the estimated amount of receivables that will not be collected. Each reporting period, the Company evaluates the collectibility of its trade accounts receivable based on a number of factors such as age of the accounts receivable balances, credit quality, historical experience and current economic conditions that may affect a customer's ability to pay. The allowance for doubtful accounts was \$5.6 million and \$3.6 million at the end of the third quarter of fiscal 2018 and end of fiscal 2017, respectively.

### Deferred Costs to Obtain Customer Contracts

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

See Note 10 - Deferred Costs to Obtain Customer Contracts for further information.

### Remaining Performance Obligations

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

See Note 12 - Deferred Revenue and Remaining Performance Obligations for further information.

### Recently Adopted Accounting Pronouncements

#### Financial Instruments - Overall

In January 2016, the FASB issued new guidance that will require entities to measure equity investments currently accounted for under the cost method at fair value and recognize any changes in fair value in net income. For equity investments without readily determinable fair values, an entity may elect an alternative measurement method at cost minus impairment, if any, plus or minus any adjustments from observable market transactions. The Company adopted the guidance in the first quarter of fiscal 2018 on a prospective basis for equity investments without readily determinable fair values by electing the alternative measurement method. The Company's equity investments are immaterial on its Condensed Consolidated Balance Sheets, therefore, adoption of this guidance does not have a material impact.

### Statement of Cash Flows

In August 2016, the FASB issued new guidance related to statement of cash flows. This guidance amended the existing accounting standards for the statement of cash flows and provided guidance on certain classification issues related to the statement of cash flows. The Company adopted the amendments retrospectively to all periods presented in the first quarter of fiscal 2018. The impact of adoption on the Company's Condensed Consolidated Statements of Cash Flows is presented along with adoption of Revenue from Contracts with Customers.

### Accounting for Income Taxes - Intra-Entity Asset Transfers





## Table of Contents

In October 2016, the FASB issued new guidance related to income taxes. This standard requires the recognition of the income tax consequences of an intra-entity transfer of an asset, other than inventory, when the transfer occurs. The Company adopted the guidance beginning in the first quarter of fiscal 2018. The adoption did not have a material impact on the Company's Condensed Consolidated Financial Statements.

### Other Income – Gains and Losses from the Derecognition of Non-financial Assets and Definition of a Business

In February 2017, the FASB issued new guidance clarifying the scope and application of existing guidance related to the sale or transfer of non-financial assets to non-customers, including partial sales. In January 2017, the FASB issued amendments to the definition of a business for companies that sell or acquire businesses. The Company adopted both of these amendments beginning in the first quarter of fiscal 2018. The adoption did not have a material impact on the Company's Condensed Consolidated Financial Statements.

### Compensation - Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost

In March 2017, the FASB issued new guidance to improve the presentation for components of defined benefit pension cost, which requires employers to report the service cost component of net periodic pension cost in the same line item as other compensation expense arising from services rendered during the period. The standard also requires the other components of net periodic cost be presented in the income statement separately from the service cost component and outside of a subtotal of income from operations. The Company adopted the guidance retrospectively to all periods presented beginning in the first quarter of fiscal 2018. The Company has defined benefit pension plans that are immaterial for its Condensed Consolidated Financial Statements, therefore, adoption of this guidance did not have a material impact.

### Revenue from Contracts with Customers

In May 2014, the FASB issued a comprehensive new revenue recognition standard that replaces the prior 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 Company adopted the requirements of the new standard starting the first quarter of fiscal 2018, utilizing the full retrospective method of transition. Adoption of the new standard resulted in changes to the Company's accounting policies for revenue recognition and accounts receivable, net and deferred costs to obtain customer contracts as described in Note 2 above. The Company applied the new standard using a practical expedient where the remaining performance obligations and an explanation of when it expects to recognize that amount as revenue for all reporting periods presented before the date of the initial application is not disclosed. In addition, the Company did not restate revenue for contracts that begin and end in the same fiscal year.

The impact of adopting the new standard on the Consolidated Statements of Income for fiscal 2017 and 2016 is not material. The majority of revenue, which is related to hardware, software perpetual licenses, SaaS and other service and support offerings, remains substantially unchanged. The primary revenue impacts related to the new standard are earlier recognition of software term licenses, certain professional service contracts and non-standard terms and conditions. Previously, the Company expensed the majority of its commission expense as incurred. Under the new standard, the Company capitalizes and amortizes incremental commission costs to obtain the contract over a benefit period. The Company has elected a practical expedient to exclude contracts with a benefit period of a year or less from this deferral requirement for both retrospective and future financial statement periods.

The impact of adoption of the new standard on the Consolidated Balance Sheets for fiscal 2017 and 2016 is material with the primary impacts due to a reduction in deferred revenue for revenue streams that are recognized sooner under the new standard and capitalization of incremental costs to obtain customer contracts.

Adoption of the new standard had no impact to cash provided by or used in operating, financing or investing activities on the Statements of Cash Flows for fiscal 2017 and 2016, although cash provided from operating activities had offsetting adjustments within accounts.

### Impacts to Previously Reported Results

Adoption of the standard using the full retrospective method required the Company to restate certain previously reported results primarily related to revenue and cost of sales, accounts receivable, net, deferred costs to obtain customer contracts and deferred income taxes as shown in the Company's previously reported results below.

Table of Contents

Adoption of Revenue from Contracts with Customers standards and the new Statement of Cash Flows impacted Company's previously reported results as follows:

(In millions, except per share amounts)	Third Quarter of Fiscal 2017			First Three Quarters of Fiscal 2017		
	As Previously Reported	Adjustments <sup>a</sup>	As Adjusted	As Previously Reported	Adjustments <sup>a</sup>	As Adjusted
Revenue	\$670.0	\$ 6.2	\$ 676.2	\$1,945.8	\$ 0.9	\$ 1,946.7
Gross margin	349.5	1.7	351.2	1,022.6	(4.5)	1,018.1
Operating income	64.0	2.3	66.3	183.2	(3.2)	180.0
Income tax provision	13.9	0.8	14.7	46.7	(1.4)	45.3
Net Income attributable to Trimble Inc.	\$55.7	\$ 1.5	\$ 57.2	\$156.1	\$ (1.8)	\$ 154.3
Diluted earnings per share	\$0.22	\$ —	\$ 0.22	\$0.61	\$ (0.01)	\$ 0.60

## Fiscal Year End 2017

(In millions)	As Previously Reported	Adjustments <sup>a</sup>	As Adjusted
Accounts receivable, net	\$414.8	\$ 12.9	\$ 427.7
Inventories	271.8	(7.2)	264.6
Deferred costs, non-current	—	35.0	35.0
Other current and non-current assets	205.5	(22.6)	182.9
Current and non-current deferred revenue	313.4	(36.8)	276.6
Other current liabilities	101.0	(1.8)	99.2
Deferred income tax liabilities	40.4	7.4	47.8
Stockholders' equity	\$2,366.0	\$ 48.5	\$ 2,414.5

a. Adjusted to reflect the adoption of Revenue from Contracts with Customers

(In millions)	First Three Quarters of Fiscal 2017		
	As Previously Reported	Adjustments <sup>b</sup>	As Adjusted
Net cash provided by operating activities	\$310.0	\$ 12.6	\$ 322.6
Net cash used in investing activities	(322.9)	(5.3)	(328.2)
Net cash provided by financing activities	\$34.2	\$ (7.3)	\$ 26.9

b. Adjusted to reflect the adoption of Statement of Cash Flows

### Recently issued Accounting Pronouncements not yet adopted

#### Leases

In February 2016, the FASB issued new guidance that requires a lessee to recognize lease assets and lease liabilities on the balance sheet for most leases and provide enhanced disclosures. This new guidance is effective beginning in fiscal 2019 with early adoption permitted. In July 2018, the FASB issued additional guidance for companies to elect transition using either (1) a modified retrospective approach for leases that exist upon adoption and in the comparative periods presented, or (2) an optional transition approach to initially apply the new lease guidance upon the adoption date, without adjusting the comparative periods presented. The Company plans to elect the optional transition approach and will adopt the standard beginning in fiscal 2019 by applying certain of the available practical expedients upon transition. Currently, the Company is in the process of implementing changes to its systems, processes and controls in conjunction with adoption of the new standard. While the Company continues to evaluate the effect of adopting this guidance on its Condensed Consolidated Financial Statements, the Company expects its operating

leases, as disclosed in Note 15: Commitments and Contingencies, will be subject to the new standard, which will increase its total assets and liabilities.

## Table of Contents

### Financial Instruments - Credit Losses

In June 2016, the FASB issued new guidance that requires credit losses on financial assets measured at amortized cost basis to be presented based on the net amount expected to be collected, not based on incurred losses. Further, credit losses on available-for-sale debt securities should be recorded through an allowance for credit losses limited to the amount by which fair value is below amortized cost. The new standard is effective for the Company beginning in fiscal 2020. Early adoption for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018 is permitted. The Company is currently evaluating the effect of the updated standard on its Condensed Consolidated Financial Statements.

### Intangibles - Goodwill and Other

In January 2017, the FASB issued new guidance that simplifies the accounting for goodwill impairment by requiring impairment charges to be based on the first step in the current two-step impairment test. The impairment test is performed by comparing the fair value of a reporting unit with its carrying amount and an impairment charge would be recognized for the amount by which the carrying amount exceeds the reporting unit's fair value. The new standard is to be applied on a prospective basis and is effective for the Company beginning in fiscal 2020 and early adoption is permitted. The Company currently anticipates that the adoption will not have a material impact on its Condensed Consolidated Financial Statements.

### Intangibles - Internal-Use Software

In August 2018, the FASB issued new guidance that clarifies the accounting for implementation costs incurred in a cloud computing arrangement that is a service contract. This guidance aligns the accounting for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the accounting for implementation costs incurred to develop or obtain internal-use software. The Company is required to adopt the guidance in the first quarter of fiscal year 2020. Early adoption is permitted. The Company is currently evaluating the effect of the new guidance on its Condensed Consolidated Financial Statements.

## NOTE 3. STOCKHOLDERS' EQUITY

### Stock Repurchase Activities

In November 2017, the Company's Board of Directors approved a stock repurchase program ("2017 Stock Repurchase Program"), authorizing the Company to repurchase up to \$600.0 million of Trimble's common stock.

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.

During the first quarter of fiscal 2018, the Company repurchased approximately 1.3 million shares of common stock in open market purchases, at an average price of \$39.43 per share, for a total of \$50.0 million under the 2017 Stock Repurchase Program. The Company temporarily suspended its stock repurchase program in April 2018. There were no shares repurchased during the second quarter and third quarter of fiscal 2018.

Stock repurchases are reflected as a decrease to common stock based on par value and additional-paid-in-capital based on the average book value per share for all outstanding shares calculated at the time of each individual repurchase transaction. The excess of the purchase price over this average for each repurchase is charged to retained earnings. As a result of the repurchases, retained earnings was reduced by \$42.5 million in the first quarter of fiscal 2018. Common stock repurchases under the program were recorded based upon the trade date for accounting purposes. At the end of the third quarter of fiscal 2018, the 2017 Stock Repurchase Program had remaining authorized funds of \$392.2 million.

### Stock-Based Compensation Expense

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

The following table summarizes stock-based compensation expense for the third quarter and first three quarters of fiscal 2018 and 2017:



Table of Contents

	Third Quarter of 2018		First Three Quarters of 2018	
	2018	2017	2018	2017
(In millions)				
Cost of sales	\$1.1	\$1.1	\$3.3	\$2.8
Research and development	3.9	2.7	10.2	7.7
Sales and marketing	2.5	2.4	7.2	7.0
General and administrative	11.3	9.9	32.4	27.5
Total operating expense	17.7	15.0	49.8	42.2
Total stock-based compensation expense	\$18.8	\$16.1	\$53.1	\$45.0

## NOTE 4. BUSINESS COMBINATIONS

During the first three quarters of fiscal 2018, the Company acquired five businesses, with total cash consideration of \$1,753.9 million, including the acquisitions of Waterfall Holdings, Inc., the holding company of Viewpoint, Inc. ("Viewpoint") and e-Builder, Inc. ("e-Builder") in all cash transactions valued at \$1,211.2 million and \$485.2 million, respectively. The Condensed Consolidated Statements of Income include the operating results of the businesses from the dates of acquisition. The businesses acquired during the first three quarters of fiscal 2018 contributed less than three percent to the Company's total revenue during the first three quarters of fiscal 2018.

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. The fair value of liabilities assumed includes deferred revenue which is written down to the cost, plus a reasonable profit margin, to fulfill customer contractual obligations. For certain acquisitions completed in the first three quarters of fiscal 2018, 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, was 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 all acquisitions, including the changes in the fair value of the contingent consideration liabilities, a net expense of \$10.7 million and \$34.8 million for the third quarter and the first three quarters of fiscal 2018, respectively, and a net benefit of \$0.3 million and a net expense of \$6.1 million for the third quarter and the first three quarters of fiscal 2017, respectively, were recorded as incurred.

The following table summarizes the Company's business combinations completed during the first three quarters of fiscal 2018 including Viewpoint and e-Builder (the acquisitions of which are described below):

	First Three Quarters of 2018
(In millions)	
Fair value of total purchase consideration	\$1,753.9
Less fair value of net assets acquired:	
Net tangible assets acquired	5.1

Identifiable intangible assets	551.5
Deferred income taxes	(83.2 )
Goodwill	\$1,280.5

Intangible Assets

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



Table of Contents

As of	Third Quarter of Fiscal 2018			Fiscal Year End 2017		
	Gross			Gross		
(In millions)	Carrying Amount	Accumulated Amortization	Net Carrying Amount	Carrying Amount	Accumulated Amortization	Net Carrying Amount
Developed product technology	\$1,218.8	\$ (806.8 )	\$ 412.0	\$915.3	\$ (729.9 )	\$ 185.4
Trade names and trademarks	73.0	(52.2 )	20.8	58.7	(48.6 )	10.1
Customer relationships	717.2	(393.1 )	324.1	512.1	(351.3 )	160.8
Distribution rights and other intellectual property	86.3	(63.2 )	23.1	69.2	(60.7 )	8.5
	\$2,095.3	\$ (1,315.3 )	\$ 780.0	\$1,555.3	\$ (1,190.5 )	\$ 364.8

The estimated future amortization expense of purchased intangible assets as of the end of the third quarter of fiscal 2018 was as follows:

(In millions)	
2018 (Remaining)	\$46.0
2019	166.8
2020	138.2
2021	116.6
2022	98.4
Thereafter	214.0
Total	\$780.0

## Goodwill

The changes in the carrying amount of goodwill by segment for the first three quarters of fiscal 2018 were as follows:

	Buildings and Infrastructure	Geospatial	Resources and Utilities	Transportation	Total
(In millions)					
Balance as of fiscal year end 2017	\$ 706.8	\$ 415.3	\$ 314.5	\$ 850.5	\$2,287.1
Additions due to acquisitions	1,280.5	—	—	—	1,280.5
Purchase price adjustments- prior years' acquisitions	—	—	(0.4 )	(0.7 )	(1.1 )
Foreign currency translation adjustments	(4.2 )	(5.4 )	(4.1 )	(2.4 )	(16.1 )
Divestiture (1)	—	(1.8 )	—	—	(1.8 )
Balance as of the end of the third quarter of fiscal 2018	\$ 1,983.1	\$ 408.1	\$ 310.0	\$ 847.4	\$3,548.6

(1) In the first quarter of 2018, the Company sold its Geoline business, which was part of the Geospatial segment.

## Viewpoint and e-Builder acquisitions

On July 2, 2018, the Company acquired all of the outstanding shares of Viewpoint, Inc., in an all-cash transaction valued at \$1,211.2 million (the “Viewpoint acquisition”). Viewpoint is a provider of construction management software, which integrates a contractor’s financial and resource management to their project operations in the field. The integration across the office, team and field workflows enables contractors to employ Viewpoint to effectively manage and gain visibility over data and workflows that span the construction lifecycle from pre-production planning, to product operations and supply chain management, through project hand over and asset operation and maintenance. The Company incurred approximately \$17.5 million in acquisition-related costs, which were expensed as incurred in General and administrative expense.

On February 2, 2018, the Company completed the acquisition of e-Builder. e-Builder is a SaaS-based construction program management solution for capital program owners and program management firms that provides an integrated project delivery solution for owners, program managers and contractors across the design, construct and operate lifecycle. Trimble acquired all of the issued and outstanding shares of common stock of e-Builder for a total purchase price of \$485.2 million, subject to certain adjustments described in the purchase agreement. The Company incurred approximately \$18.6 million in acquisition-related costs, primarily comprising compensation costs incurred

post-closing associated with options which were accelerated in connection with

15

---

Table of Contents

the acquisition transaction, which were expensed as incurred and included in Cost of Sales - Service, Research and development, Sales and marketing and General and administrative expense.

Viewpoint and e-Builder's results of operations since their respective acquisition dates have been included in the Company's Condensed Consolidated Statements of Income for the first three quarters of fiscal 2018. Both Viewpoint and e-Builder's performance are reported under the Buildings and Infrastructure segment.

The two acquisitions were funded through the use of approximately \$211.2 million of the Company's existing cash, with the remainder funded through the issuance of senior notes and the Company's 2018 Credit Facilities (as defined below).

The following table summarizes the consideration transferred to acquire Viewpoint and e-Builder, the assets acquired and liabilities assumed and the estimated useful lives of the identifiable intangible assets as of the date of the acquisition:

(In millions)	Viewpoint		e-Builder	
Total purchase consideration	\$1,211.2		\$485.2	
Net tangible assets acquired	3.5		1.3	
Intangible assets acquired:		Estimated Useful Life		Estimated Useful Life
Developed product technology	222.0	6 years	60.5	7 years
In-Process Research & Development	12.8	n/a	—	
Order backlog	—		1.7	6 months
Customer relationships	158.6	10 years	42.4	10 years
Trade name	8.9	5 years	4.8	7 years
Favorable Lease	4.3	4 - 9 years	—	
Subtotal	406.6		109.4	
Deferred tax liability	(58.2 )		(18.4 )	
Less fair value of all assets/liabilities acquired	351.9		92.3	
Goodwill	\$859.3		\$392.9	

Details of the net assets acquired are as follows:

	Viewpoint	e-Builder
	As of July	As of
	2, 2018	February
		2, 2018
(In millions)		
Cash and cash equivalents	\$ 9.1	\$ 2.5
Accounts receivable, net	19.8	14.4
Other receivables	1.7	43.3
Other current assets	9.6	0.7
Property and equipment, net	7.6	—
Other non-current assets	3.2	0.2
Accounts payable	(1.3 )	(8.4 )
Accrued compensation and benefits	(8.7 )	—
Deferred revenue	(23.9 )	(11.8 )
Other current liabilities	(11.4 )	(39.6 )
Other non-current liabilities	(2.2 )	—
Net tangible assets acquired	\$ 3.5	\$ 1.3

Goodwill represents the excess of the fair value of consideration paid over the fair value of the underlying net tangible and intangible assets acquired. Goodwill consisted of highly skilled and valuable assembled workforce, a proven ability to generate new products and services to drive future revenue and a premium paid by the Company for synergies unique to its business. The Company

Table of Contents

recorded \$859.3 million and \$392.9 million of goodwill from Viewpoint and e-Builder acquisitions, respectively. Of the third quarter of fiscal 2018 goodwill balance, \$95.8 million for Viewpoint is expected to be deductible for tax purposes.

During the third quarter and the first three quarters of fiscal 2018, Viewpoint and e-Builder contributed \$50.3 million and \$65.9 million of revenue, respectively, and recorded \$3.0 million and \$1.5 million of operating income, respectively. The following table presents pro forma results of operations of the Company, Viewpoint and e-Builder, as if the companies had been combined as of the beginning of the earliest period presented. The unaudited pro forma results of operations are not necessarily indicative of results that would have occurred had the acquisitions taken place on the first day of fiscal 2017, or of future results. Included in the pro forma results are fair value adjustments based on the fair values of assets acquired and liabilities assumed as of the applicable acquisition dates. For the third quarter and first three quarters of fiscal 2018 and 2017, the major impacts for the pro-forma results include amortization of intangible assets related to the acquisitions, impacts from adoption of Revenue from Contracts with Customers, interest expense for debt used to purchase Viewpoint and e-Builder, income tax effects, and other adjustments to reflect fair value. The pro forma information for the third quarter and first three quarters of fiscal 2018 and 2017 is as follows:

Fiscal Period (in millions, except per share data)	Third Quarter of		First Three Quarters of	
	2018	2017	2018	2017
Revenue	\$795.2	\$728.3	\$2,420.0	\$2,091.9
Net income attributable to Trimble Inc.	81.9	42.2	189.5	108.6
Basic earnings per share	0.33	0.17	0.76	0.43
Diluted earnings per share	0.32	0.16	0.75	0.42

**NOTE 5. INVENTORIES**

Inventories consisted of the following:

As of	Third Quarter of	Fiscal Year End
	2018	2017
		*As Adjusted

(In millions)

Raw materials	\$ 93.3	\$ 85.2
Work-in-process	13.2	12.4
Finished goods	179.8	167.0
Total inventories	\$ 286.3	\$ 264.6

\* See Note 2 for a summary of adjustments

Finished goods includes \$7.6 million and \$8.7 million at the end of the third quarter of fiscal 2018 and fiscal year end 2017 for costs of sales that have been deferred in connection with deferred revenue arrangements.

**NOTE 6. SEGMENT INFORMATION**

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

group of products.

The Company's reportable segments are described below:

• **Buildings and Infrastructure:** This segment primarily serves customers working in architecture, engineering, construction and operations and maintenance.

• **Geospatial:** This segment primarily serves customers working in surveying, engineering, government and land management.

• **Resources and Utilities:** This segment primarily serves customers working in agriculture, forestry and utilities.

Table of Contents

Transportation: This segment primarily serves customers working in long haul trucking, field service management, rail and military aviation.

The following Reporting Segment tables reflect the results of the Company's reportable operating segments under its management reporting system. These results are not necessarily in conformity with U.S. GAAP. Beginning with the third quarter of fiscal 2018, the Company presented segment revenue and income excluding the effects of certain acquired deferred revenue that was written down to fair value in purchase accounting. Segment income presented also excludes the effects of certain acquired capitalized commissions that were eliminated in purchase accounting, along with other adjustments that have historically been excluded in prior periods, as though the acquired companies operated independently in the periods presented. This is consistent with the way the chief operating decision maker evaluates each of the segment's performance and allocates resources. Comparative period financial information by reportable segment has been recast to conform with the current presentation.

	Reporting Segments				
	Buildings and Infrastructure	Geospatial	Resources and Utilities	Transportation	Total
(In millions)					
Third Quarter of Fiscal 2018					
Revenue	\$286.6	\$ 185.4	\$ 133.0	\$ 190.2	\$795.2
Acquired deferred revenue adjustment	9.2	—	0.2	0.1	9.5
Segment revenue	\$295.8	\$ 185.4	\$ 133.2	\$ 190.3	\$804.7
Operating income	\$60.9	\$ 47.4	\$ 38.3	\$ 37.0	\$183.6
Acquired deferred revenue adjustment	9.2	—	0.2	0.1	9.5
Amortization of acquired capitalized commissions	(1.8 )	—	—	—	(1.8 )
Segment operating income	\$68.3	\$ 47.4	\$ 38.5	\$ 37.1	\$191.3
Depreciation expense	\$1.8	\$ 1.5	\$ 1.1	\$ 1.1	\$5.5
Third Quarter of Fiscal 2017					
Revenue (*As Adjusted)	\$217.9	\$ 169.4	\$ 117.2	\$ 171.7	\$676.2
Acquired deferred revenue adjustment	0.1	—	0.4	0.2	0.7
Segment revenue	\$218.0	\$ 169.4	\$ 117.6	\$ 171.9	\$676.9
Operating income (*As Adjusted)	\$55.1	\$ 36.3	\$ 27.2	\$ 30.3	\$148.9
Acquired deferred revenue adjustment	0.1	—	0.4	0.2	0.7
Amortization of acquired capitalized commissions	(0.2 )	—	—	—	(0.2 )
Segment operating income	\$55.0	\$ 36.3	\$ 27.6	\$ 30.5	\$149.4
Depreciation expense	\$1.4	\$ 1.5	\$ 0.9	\$ 1.3	\$5.1

Table of Contents

	Reporting Segments				
	Buildings and Infrastructure	Geospatial	Resources and Utilities	Transportation	Total
(In millions)					
First Three Quarters of Fiscal 2018					
Revenue	\$785.6	\$ 544.3	\$ 437.2	\$ 555.8	\$2,322.9
Acquired deferred revenue adjustment	15.1	—	0.8	0.3	16.2
Segment revenue	\$800.7	\$ 544.3	\$ 438.0	\$ 556.1	\$2,339.1
Operating income	\$171.8	\$ 126.3	\$ 132.3	\$ 98.5	\$528.9
Acquired deferred revenue adjustment	15.1	—	0.8	0.3	16.2
Amortization of acquired capitalized commissions	(2.7 )	—	(0.2 )	—	(2.9 )
Segment operating income	\$184.2	\$ 126.3	\$ 132.9	\$ 98.8	\$542.2
Depreciation expense	\$4.6	\$ 4.4	\$ 3.1	\$ 3.4	\$15.5
First Three Quarters of Fiscal 2017					
Revenue (*As Adjusted)	\$625.0	\$ 483.6	\$ 349.0	\$ 489.1	\$1,946.7
Acquired deferred revenue adjustment	0.4	—	0.6	0.5	1.5
Segment revenue	\$625.4	\$ 483.6	\$ 349.6	\$ 489.6	\$1,948.2
Operating income (*As Adjusted)	\$134.6	\$ 94.0	\$ 104.8	\$ 79.2	\$412.6
Acquired deferred revenue adjustment	0.4	—	0.6	0.5	1.5
Amortization of acquired capitalized commissions	(0.7 )	—	(0.1 )	(0.1 )	(0.9 )
Segment operating income	\$134.3	\$ 94.0	\$ 105.3	\$ 79.6	\$413.2
Depreciation expense	\$4.7	\$ 4.3	\$ 2.1	\$ 4.1	\$15.2

	Reporting Segments				
	Buildings and Infrastructure	Geospatial	Resources and Utilities	Transportation	Total
(In millions)					
As of the Third Quarter of Fiscal 2018					
Accounts receivable, net	\$165.1	\$ 125.8	\$ 71.0	\$ 114.1	\$476.0
Inventories	66.5	131.4	45.5	42.9	286.3
Goodwill	1,983.1	408.1	310.0	847.4	3,548.6
As of Fiscal Year End 2017					
Accounts receivable, net (*As Adjusted)	120.1	121.5	78.5	107.6	427.7
Inventories (*As Adjusted)	62.1	110.3	46.0	46.2	264.6
Goodwill	\$706.8	\$ 415.3	\$ 314.5	\$ 850.5	\$2,287.1

\* See Note 2 for a summary of adjustments



Table of Contents

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

	Third Quarter of		First Three	
	2018	2017	2018	2017
		*As		*As
		Adjusted		Adjusted
(In millions)				
Consolidated segment operating income	\$191.3	\$ 149.4	\$ 542.2	\$ 413.2
Unallocated corporate expense	(24.3 )	(23.0 )	(70.2 )	(61.8 )
Restructuring charges	(2.6 )	(1.6 )	(6.8 )	(7.8 )
Acquired deferred revenue adjustment	(9.5 )	(0.7 )	(16.2 )	(1.5 )
Amortization of purchased intangible assets	(49.8 )	(40.0 )	(132.9 )	(109.1 )
Stock-based compensation	(18.8 )	(16.1 )	(53.1 )	(45.0 )
Amortization of acquired capitalized commissions	1.8	0.2	2.9	0.9
Amortization of acquisition-related inventory step-up	—	(2.2 )	—	(2.8 )
Acquisition / divestiture items	(10.7 )	0.3	(34.8 )	(6.1 )
Consolidated operating income	77.4	66.3	231.1	180.0
Non-operating income (expense), net:	(13.3 )	5.6	(21.1 )	19.6
Consolidated income before taxes	\$64.1	\$ 71.9	\$ 210.0	\$ 199.6

\* See Note 2 for a summary of adjustments

Table of Contents

On a total Company basis, the disaggregation of revenue by geography is summarized in the tables below. Revenue is defined as revenue from external customers attributed to countries based on the location of the customer and excludes the effects of certain acquired deferred revenue that was written down to fair value in purchase accounting, consistent with the Reporting Segment tables above.

	Reporting Segments				
	Buildings and Infrastructure	Geospatial	Resources and Utilities	Transportation	Total
(In millions)					
Third Quarter of Fiscal 2018					
North America	\$167.8	\$ 83.4	\$ 43.5	\$ 156.7	\$451.4
Europe	77.7	48.8	55.3	21.7	203.5
Asia Pacific	45.0	42.2	12.1	11.5	110.8
Rest of World	5.3	11.0	22.3	0.4	39.0
Total consolidated revenue	\$295.8	\$ 185.4	\$ 133.2	\$ 190.3	\$804.7
Third Quarter of Fiscal 2017 (*As Adjusted)					
North America	\$111.9	\$ 74.9	\$ 37.4	\$ 142.3	\$366.5
Europe	60.1	44.1	45.4	18.5	168.1
Asia Pacific	37.1	39.4	13.4	9.3	99.2
Rest of World	8.9	11.0	21.4	1.8	43.1
Total consolidated revenue	\$218.0	\$ 169.4	\$ 117.6	\$ 171.9	\$676.9
First Three Quarters of Fiscal 2018					
North America	\$433.2	\$ 223.0	\$ 140.3	\$ 455.0	\$1,251.5
Europe	236.9	154.6	197.6	64.4	653.5
Asia Pacific	111.6	130.4	35.7	35.0	312.7
Rest of World	19.0	36.3	64.4	1.7	121.4
Total consolidated revenue	\$800.7	\$ 544.3	\$ 438.0	\$ 556.1	\$2,339.1
First Three Quarters of Fiscal 2017 (*As Adjusted)					
North America	\$326.8	\$ 194.3	\$ 125.1	\$ 406.6	\$1,052.8
Europe	180.3	131.5	131.9	52.1	495.8
Asia Pacific	91.9	119.4	35.7	26.8	273.8
Rest of World	26.4	38.4	56.9	4.1	125.8
Total consolidated revenue	\$625.4	\$ 483.6	\$ 349.6	\$ 489.6	\$1,948.2

\* Adjusted to reflect adoption of the new revenue recognition standard, Revenue from Contracts with Customers. For further information, see Note 2.

Table of Contents

## NOTE 7. DEBT

Debt consisted of the following:

As of		Third Quarter of 2018 Amount	Fiscal Year End 2017 Amount
Instrument (In millions)	Date of Issuance		
Senior Notes:			
2023 Senior Notes, 4.15%, due June 2023	June 2018	\$ 300.0	\$ —
2028 Senior Notes, 4.90%, due June 2028	June 2018	600.0	—
2024 Senior Notes, 4.75%, due December 2024	November 2014	400.0	400.0
Credit Facilities:			
2014 Credit Facility, floating rate, retired	November 2014	—	389.0
2018 Credit Facility, floating rate:			
Term Loan, due May 2021	May 2018	500.0	—
Revolving Credit Facility, due May 2023	May 2018	—	—
Uncommitted facilities, floating rate		225.8	128.0
Promissory notes and other debt		1.1	1.2
Unamortized discount and issuance costs		(14.2 )	(4.3 )
Total debt		2,012.7	913.9
Less: Short-term debt		226.1	128.4
Long-term debt		\$ 1,786.6	\$ 785.5

Each of the Company's debt agreements requires it to maintain compliance with certain debt covenants, all of which the Company was in compliance with at the end of the third quarter of fiscal 2018.

## Debt Maturities

At the end of the third quarter of fiscal 2018, the Company's debt maturities based on outstanding principal were as follows (in millions):

## Year Payable

2018 (Remaining)	\$0.3
2019	226.2
2020	0.3
2021	500.1
2022	—
Thereafter	1,300.0
Total	\$ 2,026.9

## Senior Notes:

## 2023 Senior Notes

In June 2018, the Company issued an aggregate principal amount of \$300.0 million in senior notes (the "2023 Senior Notes") that will mature in June 2023 and bear interest at a fixed rate of 4.15 percent per annum. The interest is payable semi-annually in June and December of each year, commencing in December 2018. The interest rate is subject to adjustment from time to time if Moody's or S&P (or, if applicable, a substitute rating agency) downgrades (or subsequently upgrades) its rating assigned to the 2023 Senior Notes, as set forth in the applicable indenture. The 2023 Senior Notes were sold at 99.964 percent of the aggregate principal amount. The Company incurred issuance costs of \$0.9 million in connection with the 2023 Senior Notes that, along with the debt discount upon issuance, are being amortized to interest expense over the term of the 2023 Senior Notes. The 2023 Senior Notes are unsecured and rank equally in right of payment with all of the Company's other senior unsecured indebtedness.



## Table of Contents

### 2028 Senior Notes

In June 2018, the Company issued an aggregate principal amount of \$600.0 million in senior notes (the "2028 Senior Notes") that will mature in June 2028 and bear interest at a fixed rate of 4.90 percent per annum. The interest is payable semi-annually in June and December of each year, commencing in December 2018. The interest rate is subject to adjustment from time to time if Moody's or S&P (or, if applicable, a substitute rating agency) downgrades (or subsequently upgrades) its rating assigned to the 2028 Senior Notes, as set forth in the applicable indenture. The 2028 Senior Notes were sold at 99.867 percent of the aggregate principal amount. The Company incurred issuance costs of \$1.8 million in connection with the 2028 Senior Notes that, along with the debt discount upon issuance, are being amortized to interest expense over the term of the 2028 Senior Notes. The 2028 Senior Notes are unsecured and rank equally in right of payment with all of our other senior unsecured indebtedness.

### 2024 Senior Notes

In November 2014, the Company issued an aggregate principal amount of \$400.0 million in senior notes (the "2024 Senior Notes") that will mature in December 2024 and bear interest at a fixed rate of 4.75 percent per annum. The interest is payable semi-annually in December and June of each year. The Company incurred issuance costs of \$3.0 million in connection with the 2024 Senior Notes that, along with the debt discount upon issuance, are being amortized to interest expense over the term of the senior notes. The 2024 Senior Notes are unsecured and rank equally in right of payment with all of our other senior unsecured indebtedness.

The 2023 Senior Notes, the 2028 Senior Notes and the 2024 Senior Notes are collectively referred to herein as the "Senior Notes." The Company may redeem the notes of each series of Senior Notes at its option in whole or in part at any time, in accordance with the terms and conditions set forth in the indenture governing such series. Such indenture also contains covenants limiting the Company's ability to create certain liens, enter into sale and lease-back transactions, and consolidate or merge with or into, or convey, transfer or lease all or substantially all of the Company's properties and assets, each subject to certain exceptions.

The Senior Notes are classified as long-term debt in the Consolidated Balance Sheets.

### Credit facilities:

#### Bridge Facility:

In April 2018, the Company entered into a bridge loan commitment letter with a group of lenders (the "Bridge Facility") that was subsequently terminated in June 2018 upon the issuance of the 2023 Senior Notes, the 2028 Senior Notes and after entering into the 2018 Credit Facility (as defined below). The Company incurred costs in connection with the Bridge Facility of \$5.8 million that were recorded to Interest expense, net.

#### 2018 Credit Facility

In May 2018, the Company entered into a new credit agreement, (the "2018 Credit Facility"), with JPMorgan Chase Bank, N.A. and certain other institutional lenders that provides for unsecured credit facilities in the aggregate principal amount of \$1.75 billion, comprised of a five-year revolving loan facility of \$1.25 billion (the "Revolving Credit Facility") and a delayed draw three-year term loan facility of \$500.0 million (the "Term Loan"). Subject to the terms of the 2018 Credit Facility, the Company may request an additional loan facility up to \$500.0 million. At the end of third quarter of fiscal 2018, \$500 million was outstanding under the Term Loan and no amounts were outstanding under the 2018 Credit Facility. The Company may use the proceeds of future borrowings under the Revolving Credit Facility for refinancing other indebtedness, working capital, capital expenditures and other general corporate purposes, including permitted acquisitions. The Company recognized \$4.9 million of debt issuance costs associated with the 2018 Credit Facility that, along with prior unamortized costs, are being amortized to interest expense over the term of the 2018 Credit Facility.

The Company may borrow funds under the 2018 Credit Facility in U.S. Dollars in the case of the Term Loan and U.S. Dollars, Euros or in certain other agreed currencies in the case of the Revolving Credit Facility. Borrowings will bear

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

Table of Contents

The 2018 Credit Facility contains various customary representations and warranties by the Company, which include customary use of materiality, material adverse effect and knowledge qualifiers. The 2018 Credit Facility also contains customary affirmative and negative covenants including, among other requirements, negative covenants that restrict the Company's and its subsidiaries' ability to create liens and enter into sale and leaseback transactions and that restrict its subsidiaries' ability to incur indebtedness. Further, the 2018 Credit Facility contains financial covenants that require the 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 2018 Credit Facility) to (b) interest expense for the most recently ended period of four fiscal quarters (adjusted for proforma effects of the Viewpoint acquisition) of not less than 3.50 to 1.00. The Company must also maintain a Leverage Ratio (as defined in the 2018 Credit Facility) of not greater than 3.50:1.00; provided that (i) the maximum Leverage Ratio permitted at the end of the third quarter of fiscal 2018 and at the end of each of the three fiscal quarters immediately following the third quarter of fiscal 2018 shall be 4.25:1.00 and the maximum Leverage Ratio permitted at the end of each of the next two fiscal quarters immediately following thereafter shall be 3.75:1.00, and (ii) in the event the Company or any subsidiary shall complete any Material Acquisition (as defined in the 2018 Credit Facility) (other than the Viewpoint acquisition) in which the cash consideration paid by it exceeds \$100.0 million, the Company may, by a notice delivered to the administrative agent (which shall furnish a copy thereof to each Lender), increase to 3.75:1.00 the maximum Leverage Ratio permitted at the end of the fiscal quarter during which such Material Acquisition shall have occurred and each of the three immediately following fiscal quarters (but not for any subsequent fiscal quarter).

The 2018 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. If any principal is not paid when due, interest on such amount will accrue at an increased rate. Upon the occurrence and during the continuance of an event of default, the lenders may accelerate the Company's obligations under the 2018 Credit Facility; however, that acceleration will be automatic in the case of bankruptcy and insolvency events of default involving the Company.

**Uncommitted Facilities**

The Company has two \$75.0 million and one €100.0 million revolving credit facilities which are uncommitted (the "Uncommitted Facilities") at the end of the third quarter of fiscal 2018. The \$225.8 million outstanding under the Uncommitted Facilities at the end of the third quarter of fiscal 2018 and \$128.0 million outstanding at the end of fiscal 2017 are classified as short-term debt in the Condensed Consolidated Balance Sheet. The weighted average interest rate was 1.80% and 2.24% at the end of the third quarter of fiscal 2018 and fiscal 2017, respectively.

**Promissory Notes and Other Debt**

At the end of the third quarter of fiscal 2018 and the year end of fiscal 2017, the Company had promissory notes and other notes payable totaling approximately \$1.1 million and \$1.2 million, respectively, of which \$0.8 million in both periods was classified as long-term in the Condensed Consolidated Balance Sheet.

**NOTE 8. CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS**

The Company sold its available-for-sale securities to fund its acquisitions during the first quarter of fiscal 2018. The following table summarizes the Company's available-for-sale securities at the end of fiscal 2017.

	At the end of Fiscal 2017
(In millions)	
Available-for-sale securities:	
U.S. Treasury securities	\$9.6
Corporate debt securities	96.0

Commercial paper	100.1
Total available-for-sale securities	\$205.7

Reported as:

Cash and cash equivalents	\$26.8
Short-term investments	178.9
Total	\$205.7



Table of Contents

The gross realized gains or losses on the Company's available-for-sale investments for the first three quarters of fiscal 2018 and 2017 were not significant. The gross unrealized losses on the Company's available-for-sale investments at the end of fiscal 2017 was de minimis.

**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 at the measurement date. 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.

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.

(In millions)	Fair Values as of the end of the Third Quarter of Fiscal 2018				Fair Values as of Fiscal Year End 2017			
	Level I	Level II	Level III	Total	Level I	Level II	Level III	Total
<b>Assets</b>								
Available-for-sale securities:								
U.S. Treasury securities (1)	\$—	\$ —	\$ —	\$—	\$—	\$9.6	\$ —	\$9.6
Corporate debt securities (1)	—	—	—	—	—	96.0	—	96.0
Commercial paper (1)	—	—	—	—	—	100.1	—	100.1
Total available-for-sale securities	—	—	—	—	—	205.7	—	205.7
Deferred compensation plan assets (2)	32.8	—	—	32.8	27.1	—	—	27.1
Derivative assets (3)	—	0.1	—	0.1	—	0.5	—	0.5
Total assets measured at fair value	\$32.8	\$ 0.1	\$ —	\$32.9	\$27.1	\$206.2	\$ —	\$233.3
<b>Liabilities</b>								
Deferred compensation plan liabilities (2)	\$32.8	\$ —	\$ —	\$32.8	\$27.1	\$—	\$ —	\$27.1
Derivative liabilities (3)	—	0.5	—	0.5	—	0.1	—	0.1
Contingent consideration liabilities (4)	—	—	4.8	4.8	—	—	14.2	14.2
Total liabilities measured at fair value	\$32.8	\$ 0.5	\$ 4.8	\$38.1	\$27.1	\$0.1	\$ 14.2	\$41.4

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

The Company maintains a self-directed, non-qualified deferred compensation plan for certain executives and other highly compensated employees. The plan assets and liabilities are invested in actively traded mutual funds and (2) individual stocks valued using observable quoted prices in active markets. Deferred compensation plan assets and liabilities are included in Other non-current assets and Other non-current liabilities, respectively, on the Company's Condensed Consolidated Balance Sheets.

Derivative assets and liabilities primarily represent forward currency exchange contracts. The Company typically (3) enters into these contracts to minimize the short-term impact of foreign currency exchange rates on certain trade and inter-

Table of Contents

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 liabilities represent arrangements to pay the former owners of certain companies that Trimble acquired. The undiscounted maximum payment under the arrangements is \$52.6 million at the end of the third quarter of fiscal 2018. The fair values are estimated using scenario-based methods or option pricing methods (4) based upon estimated future revenues, gross margins or other milestones. Contingent consideration liabilities are included in Other current liabilities and Other non-current liabilities on the Company's Condensed Consolidated Balance Sheets.

**Additional Fair Value Information**

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

As of	Carrying Fair		Carrying Fair	
	Amount	Value	Amount	Value
	Third Quarter	Fiscal Year	Fiscal Year	
	of Fiscal 2018	End 2017	End 2017	
(In millions)				
<b>Liabilities:</b>				
2023 Senior Notes	\$300.0	\$299.6	\$ —	\$ —
2024 Senior Notes	400.0	404.4	400.0	430.4
2028 Senior Notes	600.0	605.0	—	—
2014 Credit Facility, retired	—	—	389.0	389.0
2018 Term Loan	500.0	500.0	—	—
Uncommitted facilities	225.8	225.8	128.0	128.0
Promissory notes and other debt	1.1	1.1	1.2	1.2

The fair value of the Senior Notes was determined based on observable market prices in less active markets and is categorized accordingly as Level II in the fair value hierarchy. The fair value of the bank borrowings and promissory notes has been calculated using an estimate of the interest rate the Company would have had to pay on the issuance of notes with a similar maturity and 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. DEFERRED COSTS TO OBTAIN CUSTOMER CONTRACTS**

We classify all deferred costs to obtain customer contracts, which consists of deferred commissions, as a non-current asset, included in Deferred Costs, non-current on the Company's Condensed Consolidated Balance Sheets. At the end of the third quarter of fiscal 2018 and fiscal year end 2017, we had \$37.2 million and \$35.0 million of deferred costs to obtain customer contracts, respectively.

Amortization expense related to deferred costs to obtain customer contracts, for the third quarter and first three quarters of fiscal 2018, was \$6.2 million and \$17.2 million, respectively, and was \$5.3 million and \$15.2 million, respectively, for the third quarter and first three quarters of fiscal 2017. It was included in sales and marketing expenses in the Company's Condensed Consolidated Statements of Income. There was no impairment loss related to the deferred commissions for either period presented.

**NOTE 11. PRODUCT WARRANTIES**

The Company accrues for warranty costs as part of its cost of sales based on associated material product costs, technical support, labor costs and costs incurred by third parties performing work on the Company's behalf. The Company's expected future costs are primarily estimated based upon historical trends in the volume of product returns within the warranty period and the costs to repair or replace the equipment. When products sold include warranty provisions, they are covered by a warranty for periods ranging generally from one year to two years.

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

Changes in the Company's product warranty liability during the first three quarters of fiscal 2018 are as follows:

Table of Contents

(In millions)

Balance as of fiscal year end 2017	\$18.3
Acquired warranties	—
Accruals for warranties issued	11.8
Changes in estimates	(0.9 )
Warranty settlements (in cash or in kind)	(12.8 )
Balance as of the end of the third quarter of fiscal 2018	\$16.4

**NOTE 12. DEFERRED REVENUE AND REMAINING PERFORMANCE OBLIGATIONS****Deferred Revenue**

Changes in the Company's deferred revenue during the third quarter and first three quarters of fiscal 2018 and 2017 are as follows:

(In millions)	Third Quarter of		First Three Quarters of	
	2018	2017	2018	2017
		*As		*As
		Adjusted		Adjusted
Beginning balance of the period	\$356.2	\$ 307.3	\$276.6	246.4
Revenue recognized	(41.5 )	(43.3 )	(201.7 )	(185.8 )
Acquired deferred revenue	26.6	1.5	50.3	6.1
Net deferred revenue activity	23.0	19.4	239.1	218.2
Ending balance of the period	\$364.3	\$ 284.9	\$364.3	\$ 284.9

\* See Note 2 for a summary of adjustments

**Remaining Performance Obligations**

As of the end of the third quarter of fiscal 2018, approximately \$1.0 billion of revenue is expected to be recognized from remaining performance obligations for which goods or services have not been delivered, primarily hardware, subscription, software maintenance and professional services contracts. The Company expects to recognize revenue of approximately 73% and 16% on these remaining performance obligations over the next 12 and 24 months, respectively, with the remainder recognized thereafter.

**NOTE 13. EARNINGS PER SHARE**

Basic earnings per share is computed by dividing Net income attributable to Trimble Inc. by the weighted-average number of shares of common stock outstanding during the period. Diluted earnings per share is computed by dividing Net income attributable to Trimble Inc. by the weighted-average number of shares of common stock outstanding during the period increased to include the number of additional shares of common stock that would have been outstanding if 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, restricted stock units and contingently issuable shares. The dilutive effect of potentially dilutive securities is reflected in diluted earnings per share by application of the treasury stock method. Under the treasury stock method, an increase in the fair market value of the Company's common stock can result in a greater dilutive effect from potentially dilutive securities. The following table shows the computation of basic and diluted earnings per share:

Table of Contents

	Third Quarter of 2018		First Three Quarters of 2018	
	2017 *As Adjusted		2017 *As Adjusted	
(In millions, except per share amounts)				
Numerator:				
Net income attributable to Trimble Inc.	\$73.7	\$ 57.2	\$196.3	\$ 154.3
Denominator:				
Weighted average number of common shares used in basic earnings per share	250.5	252.6	249.6	252.5
Effect of dilutive securities	3.1	5.3	3.4	4.5
Weighted average number of common shares and dilutive potential common shares used in diluted earnings per share	253.6	257.9	253.0	257.0
Basic earnings per share	\$0.29	\$ 0.23	\$0.79	\$ 0.61
Diluted earnings per share	\$0.29	\$ 0.22	\$0.78	\$ 0.60

\* See Note 2 for a summary of adjustments

For the third quarter and the first three quarters of fiscal 2018 and 2017, the Company excluded insignificant shares of outstanding stock options from the calculation of diluted earnings per share because their effect would have been antidilutive.

**NOTE 14. INCOME TAXES**

Effective 2018, the Tax Cuts and Jobs Act ("Tax Act") reduced U.S. federal tax from 35% to 21% and created new taxes on certain foreign-source earnings (referred to as "GILTI") and certain related-party payments. The Company recorded reasonable estimates as provisional amounts arising from the Tax Act in the fourth quarter of fiscal 2017. As of the third quarter of fiscal 2018, the Company made immaterial adjustments to its provisional tax estimates to reflect the impact of additional analysis of the transition tax liability. The Company continues to perform necessary analysis by incorporating ongoing legislative guidance and accounting interpretations. Additionally, the Company has not yet determined its policy election as to whether it will recognize deferred taxes for basis differences expected to reverse as GILTI or whether GILTI will be accounted for as a period cost. The accounting remains provisional and the Company expects to complete its analysis for the tax effects of the Tax Act by the end of fiscal 2018.

For the third quarter of fiscal 2018, the Company's effective income tax rate resulted in a benefit of 15%, compared to an expense of 20% in the corresponding period in fiscal 2017. The change is primarily due to a benefit from reserve releases due to expiration of the U.S. federal statute of limitations for certain tax years of approximately twenty-two percentage points, a benefit from the 2017 federal return to provision adjustments of approximately nine percentage points, and a benefit from the reduced U.S. federal tax rate of approximately eight percentage points, partially offset by increased U.S. tax on certain foreign earnings of four percentage points related mainly to a provisional GILTI tax. For the first three quarters of fiscal 2018, the Company's effective income tax rate was 6% as compared to 23% in the corresponding period in fiscal 2017, primarily due to the reduced U.S. federal tax rate of approximately eight percentage points, a benefit from reserve releases of approximately seven percentage points due to expiration of the U.S. federal statute of limitations, a benefit from 2017 federal return to provision adjustments of approximately three percentage points, and a benefit from other items of approximately two percentage points, partially offset by increased U.S. tax on certain foreign earnings of three percentage points related mainly to a provisional GILTI tax.

The Company's effective tax rate is lower than the newly enacted U.S. federal statutory rate of 21% primarily due to reserve releases, favorable tax rates associated with certain earnings from operations in lower-tax jurisdictions, a benefit from U.S. federal R&D credit and stock-based compensation deductions.

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 (the "IRS") as well as various state and foreign taxing authorities. In addition, as discussed below, the Company has a pending matter in U.S. tax court regarding fiscal 2011. The Company believes its reserves are more likely than not to be adequate to cover

final resolution of all open tax matters.

In the first quarter of fiscal 2015, the Company received a Notice of Proposed Adjustment from the IRS for the fiscal years 2010 and 2011. The proposed adjustments primarily relate to the valuations of intercompany transfers of acquired intellectual property. The assessments of tax and penalties for the years in question total \$67.0 million. In January 2018, the Company and IRS reached agreement to settle certain aspects of the assessments constituting \$15.8 million of the total \$67.0 million assessment. The Company has paid \$8.6 million during 2018 to settle the \$15.8 million assessment. The Company's reserves were adequate to cover the

Table of Contents

partial agreement. On March 7, 2018 the Company received a formal Notice of Deficiency for fiscal year 2011, assessing tax and penalties totaling \$51.2 million for the remainder of the assessment. The Company does not agree with the IRS position. Accordingly, on June 1, 2018, the Company filed a petition with the U.S. tax court relating to the Notice of Deficiency. On August 3, 2018, the IRS filed its response to the Company's petition, with no changes to its position.

Although timing of the resolution and/or closure of audits is not certain, the Company believes it is reasonably possible that its gross unrecognized tax benefits could decrease (whether by payment, release or a combination of both) in the next 12 months by up to \$7.0 million primarily related to release of U.S. federal tax reserve due to the statute of limitation expiration of fiscal year 2013.

Unrecognized tax benefits of \$62.9 million and \$68.5 million as of the end of the third quarter of fiscal 2018 and fiscal year end 2017, respectively, if recognized, would favorably affect the effective income tax rate in future periods.

Unrecognized tax benefits are recorded in Other non-current liabilities and in the deferred tax accounts in the accompanying Condensed Consolidated Balance Sheets.

The Company's practice is to recognize interest and/or penalties related to income tax matters in income tax expense. As of the end of the third quarter of fiscal 2018 and fiscal year end 2017, the Company had accrued \$12.0 million and \$12.7 million, respectively, for interest and penalties, which are recorded in Other non-current liabilities in the accompanying Condensed Consolidated Balance Sheets.

**NOTE 15. COMMITMENTS AND CONTINGENCIES****Operating Leases and Other Commitments**

The estimated future minimum operating lease commitments as of the end of the third quarter of fiscal 2018 are as follows (in millions):

2018 (Remaining)	\$ 11.1
2019	37.6
2020	30.7
2021	25.3
2022	20.6
Thereafter	33.7
Total	\$ 159.0

As of the end of the third quarter of fiscal 2018, the Company had unconditional purchase obligations of approximately \$226.4 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.

Additionally, the Company has certain acquisitions which include additional earn-out cash payments based on estimated future revenues, gross margins or other milestones. As of the end of the third quarter of fiscal 2018, the Company had \$4.8 million included in Other current liabilities and Other non-current liabilities related to these earn-outs, representing the fair value of the contingent consideration.

**Litigation**

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 expected to come from sales to customers located in countries outside of the U.S.;
- seasonal fluctuations in our construction equipment revenues, sales to U.S. governmental agencies, agricultural equipment business revenues, global macroeconomic conditions and expectations that we may experience less seasonality in the future;
- our plans to continue to invest in research and development to actively develop and introduce new products and to deliver targeted solutions to the markets we serve;
- a continued shift in revenue towards a more significant mix of software, recurring revenue and services;
- our belief that increases in recurring revenue from our software and solutions will provide us with enhanced business visibility over time;
- our belief that our cash and cash equivalents and short-term investments, together with borrowings under the commitments for our credit facilities and senior notes, will be sufficient to meet our anticipated operating cash needs, debt service and planned capital expenditures for at least the next twelve months;
- any anticipated benefits to us from the acquisitions of e-Builder and Viewpoint and our ability to successfully integrate e-Builder and Viewpoint businesses;
- fluctuations in interest rates and foreign currency exchange rates;
- and
- our growth strategy, including our focus on historically underserved large markets, the relative importance of organic growth versus strategic acquisitions and the reasons that we acquire businesses.

The forward-looking statements regarding future events and the future results of Trimble Inc. (“Trimble” or “the Company” or “we” or “our” or “us”) are based on current expectations, estimates, forecasts and projections about the industries in which Trimble operates and the beliefs and assumptions of the management of Trimble. Discussions containing such forward-looking statements may be found in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” below. In some cases, forward-looking statements can be identified by terminology such as “may,” “will,” “should,” “could,” “predicts,” “potential,” “continue,” “expects,” “anticipates,” “future,” “intends,” “plans,” “believes,” “estimates,” and similar expressions. These forward-looking statements involve certain risks and uncertainties that could cause actual results, levels of activity, performance, achievements and events to differ materially from those implied by such forward-looking statements, including but not limited to those discussed in “Risk Factors” below and elsewhere in this report, as well as in the Company’s Annual Report on Form 10-K for fiscal year 2017 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

#### CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Management's Discussion and Analysis of Financial Condition and Results of Operations is based on our Condensed Consolidated Financial Statements. The preparation of financial statements and related disclosures in conformity with U.S. generally accepted accounting principles requires us to make judgments, assumptions and estimates that affect the amounts reported in the Condensed Consolidated Financial Statements and accompanying Notes. Management bases its estimates on historical experience and various other assumptions believed to be reasonable. Although these estimates are based on management’s best knowledge of current events and actions that may impact the company in the future, actual results may be different from the estimates. Management believes that, except for the adoption of the new revenue recognition standard as discussed in Note 2 of the Notes to the Condensed Consolidated Financial

Statements, there have been no significant changes during the first three quarters of fiscal 2018 to the items that we disclosed as our critical accounting policies and estimates in the Management's Discussion and Analysis of Financial Condition and Results of Operations in our 2017 Annual Report on Form 10-K.

**RECENT ACCOUNTING PRONOUNCEMENTS**

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

## Table of Contents

### EXECUTIVE LEVEL OVERVIEW

Trimble began operations in 1978 and was originally incorporated in California as Trimble Navigation Limited in 1981. On October 1, 2016, Trimble Navigation Limited changed its name to Trimble Inc. ("Trimble" or the "Company") and changed its state of incorporation from the State of California to the State of Delaware.

The Buildings and Infrastructure segment primarily serves customers working in architecture, engineering, construction and operations and maintenance. The Geospatial segment primarily serves customers working in surveying, engineering, government and land management. The Resources and Utilities segment primarily serves customers working in agriculture, forestry and utilities. The Transportation segment primarily serves customers working in long haul trucking, field service management, rail and military aviation.

Trimble is a leading provider of technology solutions that optimize the work processes of office and mobile field professionals around the world. Our comprehensive work process solutions are used across a range of industries including agriculture, architecture, civil engineering, construction, government, natural resources, transportation and utilities. Representative Trimble customers include engineering and construction firms, contractors, surveying companies, farmers and agricultural companies, long haul trucking companies, energy, utility companies, and state, federal and municipal governments.

Trimble focuses on integrating its broad technological and application capabilities to create vertically-focused, system-level solutions that transform how work is done within the industries we serve. The integration of sensors, software, connectivity and information in our portfolio gives us the unique ability to provide an information model specific to the customer's workflow. For example, in construction, our strategy is centered on the concept of a "constructible model" which is at the center of our "Connected Construction" solutions which provide real-time, connected and cohesive information environments for the design, build and operational phases of construction projects. In agriculture, we continue to develop "Connected Farm" solutions to optimize operations across the agriculture workflow. In long haul trucking, our "Connected Fleet" solutions provide transportation companies with tools to enhance fuel efficiency, safety and transparency through connected vehicles and fleets across the enterprise.

Our growth strategy is centered on multiple elements:

Focus on attractive markets with significant growth and profitability potential - We focus on large markets historically underserved by technology that offer significant potential for long-term revenue growth, profitability and market leadership. Our core industries such as construction, agriculture and transportation markets are each multi-trillion dollar global industries 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 attractive for substituting Trimble's technology and solutions in place of traditional operating methods.

Domain knowledge and technological innovation that benefit a diverse customer base - We have redefined our technological focus from hardware-driven point solutions to integrated work process solutions by developing domain expertise and heavily reinvesting in R&D and acquisitions. We have been spending approximately 14% of revenue over the past two years on R&D and currently have over 1,200 unique patents. We intend to continue to take advantage of our technology portfolio and deep domain knowledge to quickly and cost-effectively deliver specific, targeted solutions to each of the vertical markets we serve. We look for opportunities where the opportunity for technological change is high and which have a requirement for the integration of multiple technologies into complete vertical solutions.

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

Geographic expansion with localization strategy - We view international expansion as an important element of our strategy and we continue to position ourselves in geographic markets that will serve as important sources of future growth. We currently have a physical presence in over 40 countries and distribution channels in over 100 countries. In the third quarter of 2018, approximately half of our sales were to customers located in countries outside of the U.S.

Optimized go to market strategies to best access our markets - We utilize vertically-focused distribution channels that leverage domain expertise to best serve the needs of individual markets 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 domain expertise, technology, products or distribution capabilities that augment

Table of Contents

our portfolio and allow us to penetrate existing markets more effectively, or to establish a market beachhead. Our success in targeting and effectively integrating acquisitions is an important aspect of our growth strategy. Trimble's focus on these growth drivers has led over time to growth in revenue and profitability as well as an increasingly diversified business model. Software and services growth is driving increased recurring revenue, leading to improved visibility in some of our businesses. As our solutions have expanded, our go to market model has also evolved, with a balanced mix between direct, distribution and OEM customers, and an increasing number of enterprise level customer relationships.

For the third quarter of fiscal 2018, total revenue increased by \$119.0 million compared to the third quarter of fiscal 2017. By geography, North America and Europe were significantly up and to a lesser extent, Asia-Pacific. The rest of the world was slightly down year over year. We continue to experience a shift in revenue towards a more significant mix of software, recurring revenue and services, driven both by organic growth and acquisitions.

During the first three quarters of fiscal 2018, we acquired five businesses, with total cash consideration of \$1,753.9 million in our Buildings and Infrastructure Segment. The largest acquisition is the acquisition of Waterfall Holdings, Inc., the holding company of Viewpoint, Inc., ("Viewpoint"), in an all-cash transaction valued at \$1.2 billion. Viewpoint is a provider of construction management software, which integrates contractors' financial and resource management with project operations, jobsite and field work flows. The acquisition is highly complementary to our construction technology portfolio and positions Trimble to further our strategy to lead the industry's transformation. With Viewpoint, we will be able to offer customers a central workflow platform for delivering integrated, end-to-end construction management, while further enabling connectivity across the complete construction lifecycle.

Our Condensed Consolidated Statements of Income includes the operating results of the businesses from the dates of acquisition.

**Seasonality of Business**

Construction equipment revenues, within our Buildings and Infrastructure segment, historically have been higher in early spring. Our agricultural equipment revenues, within our Resources and Utilities segment, have historically been the highest in the first quarter, followed by the second quarter, reflecting buying in anticipation of the spring planting season in the Northern hemisphere. However, overall as a company, as a result of diversification of our business across segments and the increased impact of subscription revenues, we may experience less seasonality in the future. Changes in global macroeconomic conditions could also impact the level of seasonality we experience.

**RESULTS OF OPERATIONS****Overview**

The following table is a summary of revenue, gross margin and operating income for the periods indicated and should be read in conjunction with the narrative descriptions below:

	Third Quarter of		First Three Quarters of	
	2018	2017	2018	2017
		*As		*As
		Adjusted		Adjusted
(In millions)				
Revenue:				
Product	\$499.7	\$449.4	\$1,528.5	\$1,304.4
Service	156.5	124.3	421.4	342.8
Subscription	139.0	102.5	373.0	299.5
Total revenue	\$795.2	\$676.2	2,322.9	1,946.7
Gross margin	\$426.9	\$351.2	\$1,245.8	\$1,018.1
Gross margin %	53.7	% 51.9	% 53.6	% 52.3
Operating income	\$77.4	\$66.3	\$231.1	\$180.0
Operating income %	9.7	% 9.8	% 9.9	% 9.2

\* See Note 2 of the Notes to the Condensed Consolidated Financial Statements.  
Revenue

32

---

## Table of Contents

Total revenue increased \$119.0 million or 18% and \$376.2 million or 19% for the third quarter and the first three quarters of fiscal 2018, respectively, compared to the corresponding periods in fiscal 2017. For the third quarter, revenue increased due to organic growth across all segments and most major regions and revenue from acquisitions, primarily from Viewpoint and e-Builder. For the first three quarters of fiscal 2018, revenue increased due to organic growth across all segments and most major regions and to a lesser extent, acquisition revenue, as Viewpoint was acquired in the third quarter of fiscal 2018 and e-Builder was acquired in the first quarter of fiscal 2018. We consider organic growth to include all revenue except for revenue associated with acquisitions made within the last four quarters.

For the third quarter of fiscal 2018, Buildings and Infrastructure revenue increased primarily due to the impact of the Viewpoint and e-Builder acquisitions and to a lesser extent, organic growth in civil engineering and construction and building construction. For the first three quarters of fiscal 2018, Buildings and Infrastructure revenue increased due to organic growth and to a lesser extent, acquisition revenue, including e-Builder and Viewpoint, which were acquired in the first and third quarters, respectively. For the third quarter of fiscal 2018 and the first three quarters of fiscal 2018, Resources and Utilities revenue increased primarily due to continued organic growth in agriculture markets, Geospatial revenue increased mainly due to surveying organic growth, and to a lesser extent, OEM sales, including autonomy products, and Transportation revenue increased due to organic increased subscription growth from new and existing transportation and logistics customers and to a lesser extent, product sales.

By revenue category, for the third quarter of fiscal 2018 and the first three quarters of fiscal 2018, product revenue increased primarily due to strong organic growth in Buildings and Infrastructure due to civil engineering and construction product sales, in Geospatial due to surveying product sales, and in Resources and Utilities due to agriculture product sales. Transportation contributed to a lesser extent. Service and subscription revenue increases were primarily due to growth in Buildings and Infrastructure, including the impact of the Viewpoint and e-Builder acquisitions, Transportation, and to a lesser extent, Resources and Utilities. For the third quarter of fiscal 2018, service and subscription revenue were particularly impacted by the Viewpoint acquisition.

### Gross Margin

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

Gross margin increased by \$75.7 million and \$227.7 million for the third quarter and the first three quarters of fiscal 2018, respectively, compared to the corresponding periods in fiscal 2017 due to increased revenue growth across all segments. Gross margin as a percentage of total revenue was 53.7% and 53.6% for the third quarter and the first three quarters of fiscal 2018, respectively, compared to 51.9% and 52.3% for the corresponding periods in fiscal 2017. For the third quarter and first three quarters of fiscal 2018, the increase in gross margin percentage was primarily due to improved product mix across all segments, partially offset by increased intangibles amortization and the effects of Viewpoint and e-Builder acquired deferred revenue that was written down to fair value in purchase accounting.

### Operating Income

Operating income increased by \$11.1 million and \$51.1 million for the third quarter and the first three quarters of fiscal 2018, respectively, compared to the corresponding periods in fiscal 2017. Operating income as a percentage of total revenue was 9.7% and 9.9% for the third quarter and the first three quarters of fiscal 2018, respectively, compared to 9.8% and 9.2% for the corresponding periods in fiscal 2017.

For the third quarter of fiscal 2018, the increase in operating income was attributable to segment revenue and gross margin expansion and operating expense control, partially offset by higher amortization of purchased intangible assets, primarily due to the Viewpoint and e-Builder acquisitions, and acquisition costs associated with the Viewpoint acquisition. For the first three quarters of fiscal 2018, the increase in operating income was attributable to segment revenue and gross margin expansion and operating expense control, partially offset by higher amortization of purchased intangible assets, acquisition costs associated with the Viewpoint and e-Builder acquisitions and expense related to the acceleration of e-Builder employee stock options in the first quarter.

Table of Contents

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

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

	Third Quarter of		First Three Quarters of	
	2018	2017	2018	2017
		*As		*As
		Adjusted		Adjusted
(In millions)				
Research and development	\$114.1	\$92.6	\$333.5	\$272.1
Percentage of revenue	14 %	14 %	14 %	14 %
Sales and marketing	\$119.7	\$100.0	\$354.6	\$294.5
Percentage of revenue	15 %	15 %	15 %	15 %
General and administrative	\$91.6	\$74.0	\$262.6	\$218.4
Percentage of revenue	12 %	11 %	11 %	11 %
Total	\$325.4	\$266.6	\$950.7	\$785.0

\* See Note 2 of the Notes to the Condensed Consolidated Financial Statements.

Overall, R&D, S&M and G&A expense increased by approximately \$58.8 million and 165.7 million for the third quarter and the first three quarters of fiscal 2018, respectively, compared to the corresponding periods in fiscal 2017. Research and development expense increased by \$21.5 million or 23% and \$61.4 million or 23% for the third quarter and the first three quarters of fiscal 2018, respectively, compared to the corresponding periods in fiscal 2017. As compared to the prior year, the increase in the third quarter and the first three quarters of fiscal 2018 was primarily due to the impact of acquisitions, primarily Viewpoint and e-Builder expenses not applicable in the prior corresponding periods, and to a lesser extent, an increase in compensation expense associated with increased headcount, particularly in Transportation.

Overall, research and development spending was 14% of revenue in the third quarter and the first three quarters of fiscal 2018 and 2017. 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 \$19.7 million or 20% and \$60.1 million or 20% in the third quarter and the first three quarters of fiscal 2018, respectively, compared to the corresponding periods in fiscal 2017. As compared to the prior year, the increase in the third quarter and the first three quarters of fiscal 2018 was primarily due to the impact of acquisitions, primarily Viewpoint and e-Builder expenses not applicable in the prior corresponding periods, and to a lesser extent, increased sales compensation expense.

Overall, spending for sales and marketing was 15% of revenue in the third quarter and the first three quarters of fiscal 2018 and 2017.

General and administrative expense increased by a \$17.6 million, or 24% and \$44.2 million or 20% for the third quarter and the first three quarters of fiscal 2018, respectively, compared to the corresponding periods in fiscal 2017. As compared to the prior year, the increase in the third quarter and first three quarters of fiscal 2018 was primarily due to the impact of acquisitions, primarily Viewpoint and e-Builder expenses not applicable in the prior corresponding periods and increased stock-based compensation expense.

Overall, general and administrative spending was 12% and 11% of revenue in the third quarter and the first three quarters of fiscal 2018, respectively, compared to 11% in each of the corresponding periods in fiscal 2017.

**Restructuring charges**

Restructuring charges primarily consist of severance and benefits, resulting from employee headcount reductions in connection with our restructuring programs related to decisions to streamline processes and reduce the cost structure. As of the end of the third quarter of fiscal 2018, our restructuring liability was \$3.4 million, which is expected to be substantially settled by the third quarter of fiscal 2019. Restructuring liabilities are reported within Other current



liabilities on the Condensed Consolidated Balance Sheets.

34

---

Table of Contents

## Amortization of Purchased Intangible Assets

	Third Quarter of 2018		First Three Quarters of 2018	
	2018	2017	2018	2017
(In millions)				
Cost of sales	\$28.2	\$23.0	\$75.2	\$62.5
Operating expenses	21.6	17.0	57.7	46.6
Total amortization expense of purchased intangibles	\$49.8	\$40.0	\$132.9	\$109.1

Total amortization expense of purchased intangibles represented 6% of revenue in the third quarter and the first three quarters of fiscal 2018 and 2017. The expense for the third quarter and the first three quarters of fiscal 2018 was higher as compared to the corresponding periods in fiscal 2017 due to new acquisitions amortization including the Viewpoint, e-Builder and Stabiplan acquisitions, which were not applicable in the prior year.

## Non-operating Income (Expense), Net

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

	Third Quarter of 2018		First Three Quarters of 2018	
	2018	2017	2018	2017
(In millions)				
Interest expense, net	\$(22.7)	\$(6.3)	\$(50.8)	\$(18.4)
Foreign currency transaction gain (loss), net	(0.1)	1.6	0.6	3.0
Income from equity method investments, net	8.8	8.7	23.2	22.8
Other income, net	0.7	1.6	5.9	12.2
Total non-operating income (expense), net	\$(13.3)	\$5.6	\$(21.1)	\$19.6

Non-operating income (expense), net decreased \$18.9 million and \$40.7 million for the third quarter and the first three quarters of fiscal 2018, respectively, compared to the corresponding periods in fiscal 2017. The decrease for the third quarter was primarily due to higher interest costs associated with increased debt. The decrease for the first three quarters was primarily due to higher interest costs associated with increased debt, and costs in connection with the Bridge Facility, a decrease in Other income, net as the prior year included a divestiture gain.

## Income Tax Provision

Our effective income tax rate, after including discrete items, for the third quarter of fiscal 2018 resulted in a benefit of 15%, compared to an expense of 20% in the corresponding period in fiscal 2017. The change is primarily due to a benefit from reserve releases due to expiration of the U.S. federal statute of limitations for certain tax years of approximately twenty-two percentage points, a benefit from the 2017 federal return to provision adjustments of approximately nine percentage points, and a benefit from the reduced U.S. federal tax rate of approximately eight percentage points, partially offset by increased U.S. tax on certain foreign earnings of four percentage points related mainly to a provisional GILTI tax. For the first three quarters of fiscal 2018, the Company's effective income tax rate was 6% as compared to 23% in the corresponding period in fiscal 2017, primarily due to the reduced U.S. federal tax rate of approximately eight percentage points, a benefit from reserve releases of approximately seven percentage points due to expiration of the U.S. federal statute of limitations, a benefit from 2017 federal return to provision adjustments of approximately three percentage points, and a benefit from other items of approximately two percentage points, partially offset by increased U.S. tax on certain foreign earnings of three percentage points related mainly to a provisional GILTI tax. Our effective tax rate has been lower than the newly enacted U.S. federal statutory rate of 21% primarily due to reserve releases, favorable tax rates associated with certain earnings from operations in lower-tax jurisdictions, a benefit from U.S. federal R&D credit and stock-based compensation deductions.

## Results by Segment

Our Chief Executive Officer (chief operating decision maker) views and evaluates operations based on the results of our reportable operating segments under our management reporting system. These results are not necessarily in conformity with U.S. GAAP. Beginning with the third quarter of fiscal 2018, we presented segment revenue and

income excluding the effects of certain acquired deferred revenue that was written down to fair value in purchase accounting. Segment income presented also excludes the effects of certain acquired capitalized commissions that were eliminated in purchase accounting, along with other adjustments that have historically been excluded in prior periods, as though the acquired companies operated independently in the periods presented.

Table of Contents

This is consistent with the way the chief operating decision maker evaluates each of the segment's performance and allocates resources. Comparative period financial information by reportable segment has been recast to conform with the current presentation.

For additional discussion of our segments, see Note 6 of the Notes to the Condensed Consolidated Financial Statements.

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

	Third Quarter of		First Three Quarters of	
	2018	2017	2018	2017
		*As		*As
		Adjusted		Adjusted
(In millions)				
Buildings and Infrastructure				
Segment revenue	\$295.8	\$218.0	\$800.7	\$625.4
Segment revenue as a percent of total segment revenue	37 %	33 %	34 %	32 %
Segment operating income	\$68.3	\$55.0	\$184.2	\$134.3
Segment operating income as a percent of segment revenue	23 %	25 %	23 %	21 %
Geospatial				
Segment revenue	\$185.4	\$169.4	\$544.3	\$483.6
Segment revenue as a percent of total segment revenue	23 %	25 %	23 %	25 %
Segment operating income	\$47.4	\$36.3	\$126.3	\$94.0
Segment operating income as a percent of segment revenue	26 %	21 %	23 %	19 %
Resources and Utilities				
Segment revenue	\$133.2	\$117.6	\$438.0	\$349.6
Segment revenue as a percent of total segment revenue	16 %	17 %	19 %	18 %
Segment operating income	\$38.5	\$27.6	\$132.9	105.3
Segment operating income as a percent of segment revenue	29 %	23 %	30 %	30 %
Transportation				
Segment revenue	\$190.3	\$171.9	\$556.1	\$489.6
Segment revenue as a percent of total segment revenue	24 %	25 %	24 %	25 %
Segment operating income	\$37.1	\$30.5	\$98.8	\$79.6
Segment operating income as a percent of segment revenue	19 %	18 %	18 %	16 %

\* See Note 2 of the Notes to the Condensed Consolidated Financial Statements.

Table of Contents

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

	Third Quarter of		First Three Quarters of	
	2018	2017	2018	2017
		*As		*As
		Adjusted		Adjusted
(In millions)				
Consolidated segment operating income	\$191.3	\$ 149.4	\$542.2	\$ 413.2
Unallocated corporate expense	(24.3 )	(23.0 )	(70.2 )	(61.8 )
Restructuring charges	(2.6 )	(1.6 )	(6.8 )	(7.8 )
Acquired deferred revenue adjustment	(9.5 )	(0.7 )	(16.2 )	(1.5 )
Amortization of purchased intangible assets	(49.8 )	(40.0 )	(132.9 )	(109.1 )
Stock-based compensation	(18.8 )	(16.1 )	(53.1 )	(45.0 )
Amortization of acquired capitalized commissions	1.8	0.2	2.9	0.9
Amortization of acquisition-related inventory step-up	—	(2.2 )	—	(2.8 )
Acquisition / divestiture items	(10.7 )	0.3	(34.8 )	(6.1 )
Consolidated operating income	77.4	66.3	231.1	180.0
Non-operating income (expense), net:	(13.3 )	5.6	(21.1 )	19.6
Consolidated income before taxes	\$64.1	\$ 71.9	\$210.0	\$ 199.6

\* See Note 2 of the Notes to the Condensed Consolidated Financial Statements.

#### Buildings and Infrastructure

Buildings and Infrastructure revenue increased by \$77.8 million or 36% and \$175.3 million or 28% for the third quarter and the first three quarters of fiscal 2018, respectively, compared to the corresponding periods in fiscal 2017. Segment operating income increased \$13.3 million or 24% and \$49.9 million or 37% for the third quarter and the first three quarters of fiscal 2018, respectively, compared to the corresponding periods in fiscal 2017.

For the third quarter of fiscal 2018, Buildings and Infrastructure revenue increased primarily due to the impact of the Viewpoint and e-Builder acquisitions and to a lesser extent, organic growth in civil engineering and construction and building construction. For the first three quarters of fiscal 2018, Buildings and Infrastructure revenue increased due to organic growth in building construction and civil engineering and construction including new product introductions such as Earthworks and SiteWorks and to a lesser extent, acquisition revenue, including e-Builder and Viewpoint, which were acquired in the first and third quarters, respectively. Segment operating income increased for the third quarter and the first three quarters of fiscal 2018 primarily due to revenue and gross margin expansion and operating expense control across the segment. Segment operating income percentage decreased slightly for the third quarter due to Viewpoint's lower operating income percentage as revenue is transitioning from software license and support to subscription revenue. Segment operating income percentage increased for the first three quarters of fiscal 2018 primarily due to revenue and gross margin expansion and operating expense control across the segment, marginally offset by Viewpoint's lower operating income percentage.

#### Geospatial

Geospatial revenue increased \$16.0 million or 9% and \$60.7 million or 13% for the third quarter and the first three quarters of fiscal 2018, respectively, compared to the corresponding periods in fiscal 2017. Segment operating income increased by \$11.1 million or 31% and \$32.3 million or 34% for the third quarter and the first three quarters of fiscal 2018, respectively, compared to the corresponding periods in fiscal 2017.

Revenue increased for the third quarter and the first three quarters of fiscal 2018 primarily due to organic growth for optical and Global Navigation Satellite Systems surveying products, across most major regions, with North America and Europe particularly strong. New products, end market diversification, stronger economies, and to a lesser extent, OEM sales, including autonomy products, contributed to growth. Segment operating income and operating income percentage increased for the third quarter and the first three quarters of fiscal 2018 primarily due to revenue and gross margin expansion due to the sale of higher margin products.

#### Resources and Utilities

Resources and Utilities revenue increased \$15.6 million or 13% and \$88.4 million or 25% for the third quarter and the first three quarters of fiscal 2018, respectively, compared to the corresponding periods in fiscal 2017. Segment operating income increased \$10.9 million or 39% and \$27.6 million or 26% for the third quarter and the first three quarters of fiscal 2018, respectively, compared to the corresponding periods in fiscal 2017.

## Table of Contents

Revenue increased for the third quarter and the first three quarters of fiscal 2018, primarily due to continued organic growth in agriculture, including the impact of the Müller acquisition, which was acquired in the third quarter of fiscal 2017. Growth in Europe was significantly up for the third quarter and first three quarters due to the Müller acquisition and to a lesser extent, agriculture organic growth in North America and Europe. Demand in Asia Pacific was weaker for agricultural products due to droughts in Australia. Segment operating income for the third quarter and the first three quarters of fiscal 2018 increased due to increased revenue, gross margin expansion due to product mix and operating expense control.

### Transportation

Transportation revenue increased by \$18.4 million or 11% and \$66.5 million or 14% for the third quarter and the first three quarters of fiscal 2018, respectively, compared to the corresponding periods in fiscal 2017. Segment operating income increased \$6.6 million or 22% and \$19.2 million or 24% for the third quarter and the first three quarters of fiscal 2018, respectively, compared to the corresponding periods in fiscal 2017.

Transportation revenue increased for the third quarter and the first three quarters of fiscal 2018 primarily due to continued organic subscription growth from new and existing transportation and logistics customers and to a lesser extent, product sales, including enterprise software licenses and hardware. Segment operating income and operating income percentage increased for the third quarter and the first three quarters of fiscal 2018 primarily due to revenue and gross margin expansion, due to higher margin subscription revenue, partially offset by increased research and development investments.

### OFF-BALANCE SHEET FINANCINGS AND LIABILITIES

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

In the normal course of business to facilitate sales of our products, we indemnify other parties, including customers, lessors and parties to other transactions with us, with respect to certain matters. We have agreed to hold the other party harmless against losses arising from a breach of representations or covenants, or out of intellectual property infringement or other claims made against certain parties. These agreements may limit the time within which an indemnification claim can be made and the amount of the claim. From time to time, in connection with divesting some of our businesses or assets, we may also indemnify purchasers for certain matters in the normal course of business, such as breaches of representations, covenants or excluded liabilities. In addition, we entered into indemnification agreements with our officers and directors, and our bylaws contain similar indemnification obligations to our agents. It is not possible to determine the maximum potential amount under these indemnification agreements due to the limited history of prior indemnification claims and the unique facts and circumstances involved in each particular agreement. Historically, payments made by us under these agreements were not material and no liabilities have been recorded for these obligations on the Condensed Consolidated Balance Sheets as of the end of the third quarter of fiscal 2018 and fiscal year end 2017.

Table of Contents

## LIQUIDITY AND CAPITAL RESOURCES

As of	Third Quarter of 2018	Fiscal Year End 2017
(In millions, except percentages)		
Cash and cash equivalents and short-term investments	\$205.4	\$ 537.4
As a percentage of total assets	3.6	% 12.5
Principal balance of outstanding debt	\$2,026.9	\$ 918.2

	First Three Quarters of 2018	2017 *As Adjusted
(In millions)		
Cash provided by operating activities	\$384.8	\$ 322.6
Cash used in investing activities	(1,612.8 )	(328.2 )
Cash provided by financing activities	1,083.0	26.9
Effect of exchange rate changes on cash and cash equivalents	(8.1 )	17.6
Net increase in cash and cash equivalents	\$(153.1 )	\$ 38.9

\* See Note 2 of the Notes to the Condensed Consolidated Financial Statements.

## Cash and Cash Equivalents and Short-Term Investments

As of the end of the third quarter of fiscal 2018, cash, cash equivalents and short-term investments totaled \$205.4 million compared to \$537.4 million as of fiscal year end 2017. As a result of the 2017 Tax Act, we can repatriate our cumulative undistributed foreign earnings back to the U.S. when needed with minimal U.S. income tax consequences other than the transition tax. We have reinvested a large portion of our undistributed foreign earnings in acquisitions and other investments and we intend to bring back a portion of foreign cash which was subject to the transition tax. During the first three quarters of fiscal 2018, we repatriated \$558.3 million of our foreign earnings to the U.S. For further information on the transition tax, refer to Note 11 of the Notes to the Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for fiscal year 2017.

In the second quarter of fiscal 2018, we restructured our debt facilities and issued bonds in anticipation of the Viewpoint acquisition as described below under the heading "Debt". On July 2, 2018, we completed the Viewpoint acquisition. As of the end of the third quarter of fiscal 2018, our total debt outstanding was \$2,012.7 million. Our ability to continue to generate cash from operations will depend in large part on profitability, the rate of collections of accounts receivable, our inventory turns and our ability to manage other areas of working capital. Our cash, cash equivalents and short-term investments are maintained with several financial institutions. Deposits held with banks may exceed the amount of insurance provided on such deposits. Generally, these deposits may be redeemed upon demand and are maintained with financial institutions considered to be of reputable credit and to present little credit risk. Our investment policy requires the portfolio to include only securities with high credit quality and a weighted average maturity not to exceed six months, with the main objective of preserving capital and maintaining liquidity. We maintain an investment portfolio of various holdings, types and maturities. We classify our investments as short-term investments based on their nature and their availability for use in current operations. We believe that our cash and cash equivalents, short-term investments and borrowings, as described below under the heading "Debt", will be sufficient to meet our anticipated operating cash needs, debt service and planned capital expenditures.

## Operating Activities

Cash provided by operating activities was \$384.8 million for the first three quarters of fiscal 2018, compared to \$322.6 million for the first three quarters of fiscal 2017. The increase of \$62.2 million was primarily driven by



increased net income, partially offset by an increase in working capital requirements, particularly inventory purchases and a decrease in other liabilities for income taxes paid.

Table of Contents

## Investing Activities

Cash used in investing activities was \$1,612.8 million for the first three quarters of fiscal 2018, compared to \$328.2 million for the first three quarters of fiscal 2017. The increase of cash used in investing activities of \$1,284.6 million was primarily due to increased spending for business acquisitions, including the \$1,211.2 million purchase of Viewpoint and \$485.2 million purchase of e-Builder, partially offset by proceeds from the sale of short-term investments.

## Financing Activities

Cash provided by financing activities was \$1,083.0 million for the first three quarters of fiscal 2018, compared to cash provided by financing activities of \$26.9 million for the first three quarters of fiscal 2017. The increase of cash provided by financing activities of \$1,056.1 million was primarily driven by the net proceeds from our debt facilities and our senior notes offering.

## Accounts Receivable and Inventory Metrics

	Third Quarter of 2018	Fiscal Year End 2017 *As Adjusted
As of		
Accounts receivable days sales outstanding	54	56
Inventory turns per year	5.1	5.4

\* See Note 2 of the Notes to the Condensed Consolidated Financial Statements.

Accounts receivable days sales outstanding was 54 days as of the end of the third quarter of fiscal 2018, compared to 56 days as of the end of fiscal 2017. Our 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 5.1 as of the end of the third quarter of fiscal 2018, compared to 5.4 as of the end of fiscal 2017. 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

Each of our debt agreements requires us to maintain compliance with certain debt covenants, all of which we were in compliance with at the end of the third quarter of fiscal 2018.

## Senior Notes:

## 2023 Senior Notes

In June 2018, we issued an aggregate principal amount of \$300.0 million in senior notes (the "2023 Senior Notes") that will mature in June 2023 and bear interest at a fixed rate of 4.15 percent per annum. The interest is payable semi-annually in June and December of each year, commencing in December 2018. The interest rate is subject to adjustment from time to time if Moody's or S&P (or, if applicable, a substitute rating agency) downgrades (or subsequently upgrades) its rating assigned to the 2023 Senior Notes, as set forth in the applicable indenture. The 2023 Senior Notes were sold at 99.964 percent of the aggregate principal amount. We incurred issuance costs of \$0.9 million in connection with the 2023 Senior Notes that, along with the debt discount upon issuance, are being amortized to interest expense over the term of the 2023 Senior Notes. The 2023 Senior Notes are unsecured and rank equally in right of payment with all of our other senior unsecured indebtedness.

## 2028 Senior Notes

In June 2018, we issued an aggregate principal amount of \$600.0 million in senior notes (the "2028 Senior Notes") that will mature in June 2028 and bear interest at a fixed rate of 4.90 percent per annum. The interest is payable semi-annually in June and December of each year, commencing in December 2018. The interest rate is subject to adjustment from time to time if Moody's or S&P (or, if applicable, a substitute rating agency) downgrades (or subsequently upgrades) its rating assigned to the 2028 Senior Notes, as set forth in the applicable indenture. The 2028 Senior Notes were sold at 99.867 percent of the aggregate principal amount. We incurred issuance costs of \$1.8

million in connection with the 2028 Senior Notes that, along with the debt discount upon issuance, are being amortized to interest expense over the term of the 2028 Senior Notes. The 2028 Senior Notes are unsecured and rank equally in right of payment with all of our other senior unsecured indebtedness.

## Table of Contents

### 2024 Senior Notes

In November 2014, we issued an aggregate principal amount of \$400.0 million in senior notes (the "2024 Senior Notes") that will mature in December 2024 and bear interest at a fixed rate of 4.75 percent per annum. The interest is payable semi-annually in December and June of each year. We incurred issuance costs of \$3.0 million in connection with the 2024 Senior Notes that, along with the debt discount upon issuance, are being amortized to interest expense over the term of the senior notes. The 2024 Senior Notes are unsecured and rank equally in right of payment with all of our other senior unsecured indebtedness.

The 2023 Senior Notes, the 2028 Senior Notes and the 2024 Senior Notes are collectively referred to herein as the "Senior Notes." We may redeem the notes of each series of Senior Notes at its option in whole or in part at any time, in accordance with the terms and conditions set forth in the indenture governing such series. Such indenture also 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, each subject to certain exceptions.

The Senior Notes are classified as long-term debt in the Consolidated Balance Sheets.

### Credit facilities:

#### Bridge Facility:

In April 2018, we entered into a bridge loan commitment letter with a group of lenders (the "Bridge Facility") that was subsequently terminated in June 2018 upon the issuance of the 2023 Senior Notes and the 2028 Senior Notes and after entering into the 2018 Credit Facility (as defined below). We incurred costs in connection with the Bridge Facility of \$5.8 million that were recorded to Interest expense, net.

#### 2018 Credit Facility

In May 2018, we entered into a new credit agreement, (the "2018 Credit Facility"), with JPMorgan Chase Bank, N.A. and certain other institutional lenders that provides for unsecured credit facilities in the aggregate principal amount of \$1.75 billion, comprised of a five-year Revolving Credit Facility of \$1.25 billion and a delayed draw three-year Term Loan of \$500.0 million. Subject to the terms of the 2018 Credit Facility, we may request an additional loan facility up to \$500.0 million. The proceeds of the borrowings under the Revolving Credit Facility, together with cash on hand, were used to pay in full the outstanding amounts under and to terminate our prior revolving credit facility dated November 2014. At the end of third quarter of fiscal 2018, \$500.0 million was outstanding under the Term Loan and no amounts were outstanding under the 2018 Credit Facility. We may use the proceeds of future borrowings under the Revolving Credit Facility for refinancing other indebtedness, working capital, capital expenditures and other general corporate purposes, including permitted acquisitions. We recognized \$4.9 million of debt issuance costs associated with the 2018 Credit Facility that, along with prior unamortized costs, are being amortized to interest expense over the term of the 2018 Credit Facility.

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

The 2018 Credit Facility contains various customary representations and warranties by the Company, which include customary use of materiality, material adverse effect and knowledge qualifiers. The 2018 Credit Facility also contains customary affirmative and negative covenants including, among other requirements, negative covenants that restrict the Company's and its subsidiaries' ability to create liens and enter into sale and leaseback transactions and that restrict its subsidiaries' ability to incur indebtedness. Further, the 2018 Credit Facility contains financial covenants that require the 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 2018 Credit Facility) to (b) interest expense for the most recently ended period of four fiscal quarters (adjusted for proforma effects of the Viewpoint acquisition) of not less than 3.50 to 1.00. We must also maintain a Leverage Ratio (as defined in the 2018 Credit Facility) of not greater than 3.50:1.00; provided that (i) the maximum Leverage Ratio permitted at the end of the third quarter of fiscal 2018 and at the end of each of the three fiscal quarters immediately following the third quarter of fiscal 2018 shall be 4.25:1.00 and the

Table of Contents

maximum Leverage Ratio permitted at the end of each of the next two fiscal quarters immediately following thereafter shall be 3.75:1.00, and (ii) in the event we or any subsidiary shall complete any Material Acquisition (as defined in the 2018 Credit Facility) (other than the Viewpoint acquisition) in which the cash consideration paid by it exceeds \$100.0 million, we may, by a notice delivered to the administrative agent (which shall furnish a copy thereof to each Lender), increase to 3.75:1.00 the maximum Leverage Ratio permitted at the end of the fiscal quarter during which such Material Acquisition shall have occurred and each of the three immediately following fiscal quarters (but not for any subsequent fiscal quarter).

The 2018 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. If any principal is not paid when due, interest on such amount will accrue at an increased rate. Upon the occurrence and during the continuance of an event of default, the lenders may accelerate our obligations under the 2018 Credit Facility; however, that acceleration will be automatic in the case of bankruptcy and insolvency events of default involving us.

**Uncommitted Facilities**

We also have two \$75.0 million and one €100.0 million revolving credit facilities which are uncommitted (the "Uncommitted Facilities") at the end of the third quarter of fiscal 2018. The \$225.8 million outstanding under the Uncommitted Facilities at the end of the third quarter of fiscal 2018 and \$128.0 million outstanding at the end of fiscal 2017 are classified as short-term debt in the Condensed Consolidated Balance Sheet. The weighted average interest rate was 1.80% and 2.24% at the end of the third quarter of fiscal 2018 and fiscal 2017, respectively.

**Promissory Notes and Other Debt**

At the end of the third quarter of fiscal 2018 and the end of fiscal 2017, we had promissory notes and other notes payable totaling approximately \$1.1 million and \$1.2 million, respectively, of which \$0.8 million in both periods was classified as long-term in the Condensed Consolidated Balance Sheet.

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

**CONTRACTUAL OBLIGATIONS**

There have been no material changes except for the contractual obligations related to our debt presented in following table at the end of third quarter of fiscal 2018:

**Payments Due By Period**

Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
-------	------------------------	--------------	--------------	-------------------------

(in millions)

Principal payments on debt (1)	\$2,026.9	\$226.1	\$500.8	\$300.0	\$1,000.0
Interest payments on debt (2)	529.1	83.4	222.1	107.3	116.3

(1) Amount represents principal payments over the life of the debt obligations. (See Note 7 of the Notes to the Condensed Consolidated Financial Statements for further financial information regarding our debt.)

Amount represents the expected interest payments relating to our debt. On November 24, 2014, we issued \$400.0 million of 4.75% Senior Notes due December 1, 2024. On June 15, 2018, we issued \$300.0 million of 4.15% Senior Notes due June 15, 2023 and \$600.0 million of 4.90% Senior Notes due June 15, 2028.

(2) Interest on our Term Loan, Revolving Credit Facility and Uncommitted Facilities was estimated to be 3.72%, 2.55% and 1.80% per annum, respectively, based upon recent trends and is payable at least quarterly.

Table of Contents

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

Non-GAAP revenue

We believe this measure helps investors understand the performance of our business as non-GAAP revenue excludes the effects of certain acquired deferred revenue that was written down to fair value in purchase accounting. Management believes that excluding fair value purchase accounting adjustments more closely correlates with the ordinary and ongoing course of the acquired company's operations and facilitates analysis of revenue growth and business trends.

Non-GAAP gross margin

We believe our investors benefit by understanding our non-GAAP gross margin as a way of understanding how product mix, pricing decisions and manufacturing costs influence our business. Non-GAAP gross margin excludes the effects of certain acquired deferred revenue that was written down to fair value in purchase accounting, restructuring charges, amortization of purchased intangible assets, stock-based compensation, amortization of acquisition-related inventory step-up and acquisition/divestiture items associated with the acceleration of acquisition stock options from GAAP gross margin. We believe that these adjustments offer investors additional information that may be useful to view trends in our gross margin performance.

Non-GAAP operating expenses

We believe this measure is important to investors evaluating our non-GAAP spending in relation to revenue. Non-GAAP operating expenses exclude restructuring charges, amortization of purchased intangible assets, stock-based compensation, acquisition/divestiture items associated with external and incremental costs resulting directly from merger and acquisition activities such as legal, due diligence, integration and other costs including the acceleration of acquisition stock options, as well as adjustment to the fair value of earn-out liabilities, and the effects of certain acquired capitalized commissions that were eliminated in purchase accounting from GAAP operating expenses. We believe that these adjustments offer investors supplemental information to facilitate comparison of our operating expenses to our prior results.

Non-GAAP operating income

We believe our investors benefit by understanding our non-GAAP operating income trends which are driven by revenue, gross margin and spending. Non-GAAP operating income excludes the effects of purchase accounting adjustments to certain acquired deferred revenue and acquired capitalized commissions, restructuring charges, amortization of purchased intangible assets, stock-based compensation, amortization of acquisition-related inventory step-up, and acquisition/divestiture items from GAAP operating income. We believe that these adjustments offer an alternative means for our investors to evaluate current operating performance compared to results of other periods.

Non-GAAP non-operating income (expense), net

We believe this measure helps investors evaluate our non-operating income trends. Non-GAAP non-operating income (expense), net excludes acquisition/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 debt issuance costs. We believe that these exclusions provide investors with a supplemental view of our ongoing financial results.

Non-GAAP income tax provision

We believe that providing investors with the non-GAAP income tax provision is beneficial because it provides for consistent treatment of the excluded items in our non-GAAP presentation.

Non-GAAP net income

This measure provides a supplemental view of net income trends which are driven by non-GAAP income before taxes and our non-GAAP tax rate. Non-GAAP net income excludes the effects of purchase accounting adjustments to certain acquired deferred revenue and acquired capitalized commissions, restructuring charges, amortization of purchased intangible assets, stock-based compensation, amortization of acquisition-related inventory step-up, acquisition/divestiture items, debt issuance costs and non-GAAP tax adjustments from GAAP net income. We believe our investors benefit from understanding these adjustments and from an alternative view of our net income performance compared to our past net income performance.



Table of Contents

## Non-GAAP diluted net income per share

We believe our investors benefit by understanding our non-GAAP operating performance as reflected in a per share calculation as a way of measuring non-GAAP operating performance by ownership in the company. Non-GAAP diluted net income per share excludes the effects of purchase accounting adjustments to certain acquired deferred revenue and acquired capitalized commissions, restructuring charges, amortization of purchased intangible assets, stock-based compensation, amortization of acquisition-related inventory step-up, acquisition/divestiture items, debt issuance costs and non-GAAP tax adjustments from GAAP diluted net income per share. We believe that these adjustments offer investors a useful view of our diluted net income per share compared to our past diluted net income per share.

## Adjusted EBITDA

We believe that adjusted EBITDA assists investors in comparing our performance over various reporting periods on a consistent basis. Adjusted EBITDA refers to non-GAAP operating income plus depreciation and income from equity method investments. We also believe the measure provides useful information to investors in understanding and evaluating our operating results in the same manner as our management and board of directors.

These non-GAAP measures can be used to evaluate our historical and prospective financial performance, as well as our performance relative to competitors. We believe some of our investors track our "core operating performance" as a means of evaluating our performance in the ordinary, ongoing and customary course of our operations. Core operating performance excludes items that are non-cash, not expected to recur or not reflective of ongoing financial results. Management also believes that looking at our core operating performance provides a supplemental way to provide consistency in period to period comparisons. Accordingly, management excludes from non-GAAP those items relating to the effects of purchase accounting adjustments to certain acquired deferred revenue and acquired capitalized commissions, restructuring charges, amortization of purchased intangible assets, stock-based compensation, amortization of acquisition-related inventory step-up, acquisition/divestiture items, debt issuance costs and non-GAAP tax adjustments. For detailed explanations of the adjustments made to comparable GAAP measures, see items ( A ) - ( M ) below.

	Third Quarter 2018		2017 *As Adjusted		First Three Quarters of 2018		2017 *As Adjusted	
	Dollar Amount	% of Revenue	Dollar Amount	% of Revenue	Dollar Amount	% of Revenue	Dollar Amount	% of Revenue
(In millions, except per share amounts)								
REVENUE:								
GAAP revenue:	\$795.2		\$676.2		\$2,322.9		\$1,946.7	
Acquired deferred revenue adjustment ( A )	9.5		0.7		16.2		1.5	
Non-GAAP Revenue:	\$804.7		\$676.9		\$2,339.1		\$1,948.2	
GROSS MARGIN:								
GAAP gross margin:	\$426.9	53.7 %	\$351.2	51.9 %	\$1,245.8	53.6 %	\$1,018.1	52.3 %
Acquired deferred revenue adjustment ( A )	9.5		0.7		16.2		1.5	
Restructuring charges ( B )	0.1		0.3		0.5		1.3	
Amortization of purchased intangible assets ( C )	28.2		23.0		75.2		62.5	
Stock-based compensation ( D )	1.1		1.1		3.3		2.8	
Amortization of acquisition-related inventory step-up ( E )	—		2.2		—		2.8	
Acquisition / divestiture items ( F )	—		—		2.0		—	

Edgar Filing: TRIMBLE INC. - Form 10-Q

Non-GAAP gross margin:		\$465.8	57.9	%	\$378.5	55.9	%	\$1,343.0	57.4	%	\$1,089.0	55.9	%
OPERATING EXPENSES:													
GAAP operating expenses:		\$349.5	44.0	%	\$284.9	42.1	%	\$1,014.7	43.7	%	\$838.1	43.1	%
Restructuring charges	( B )	(2.5	)		(1.3	)		(6.3	)		(6.5	)	
Amortization of purchased intangible assets	( C )	(21.6	)		(17.0	)		(57.7	)		(46.6	)	
Stock-based compensation	( D )	(17.7	)		(15.0	)		(49.8	)		(42.2	)	
Acquisition / divestiture items	( F )	(10.7	)		0.3			(32.8	)		(6.1	)	

Table of Contents

Amortization of acquired capitalized commissions	( G )	1.8		\$0.2		2.9		0.9	
Non-GAAP operating expenses:		\$298.8	37.1 %	\$252.1	37.2 %	\$871.0	37.2 %	\$737.6	37.9 %
OPERATING INCOME:									
GAAP operating income:		\$77.4	9.7 %	\$66.3	9.8 %	\$231.1	9.9 %	\$180.0	9.2 %
Acquired deferred revenue adjustment	( A )	9.5		0.7		16.2		1.5	
Restructuring charges	( B )	2.6		1.6		6.8		7.8	
Amortization of purchased intangible assets	( C )	49.8		40.0		132.9		109.1	
Stock-based compensation	( D )	18.8		16.1		53.1		45.0	
Amortization of acquisition-related inventory step-up	( E )	—		2.2		—		2.8	
Acquisition / divestiture items	( F )	10.7		(0.3 )		34.8		6.1	
Amortization of acquired capitalized commissions	( G )	(1.8 )		(0.2 )		(2.9 )		(0.9 )	
Non-GAAP operating income:		\$167.0	20.8 %	\$126.4	18.7 %	\$472.0	20.2 %	\$351.4	18.0 %
NON-OPERATING INCOME (EXPENSE), NET:									
GAAP non-operating income (expense), net:		\$(13.3 )		\$5.6		\$(21.1 )		\$19.6	
Acquisition / divestiture items	( F )	0.8		—		(1.3 )		(8.9 )	
Debt issuance costs	( H )	—		—		6.7		—	
Non-GAAP non-operating income (expense), net:		\$(12.5 )		\$5.6		\$(15.7 )		\$10.7	
				GAAP and Non-GAAP Tax Rate % ( M )		GAAP and Non-GAAP Tax Rate % ( M )		GAAP and Non-GAAP Tax Rate % ( M )	
INCOME TAX PROVISION (BENEFIT):									
GAAP income tax provision (benefit):		\$(9.6 )	(15 )%	\$14.7	20 %	\$13.5	6 %	\$45.3	23 %
Non-GAAP items tax effected	( I )	12.4		12.0		36.8		36.8	
Difference in GAAP and Non-GAAP tax rate	( J )	8.1		3.7		18.0		1.2	
Tax reform impacts	( K )	3.6		—		3.6		—	
Reserve release upon statute of limitations expiration	( L )	14.8		—		14.8		—	
Non-GAAP income tax provision:		\$29.3	19 %	\$30.4	23 %	\$86.7	19 %	\$83.3	23 %

## NET INCOME:

GAAP net income attributable to Trimble Inc.:		\$73.7	\$57.2	\$196.3	\$154.3
Acquired deferred revenue adjustment	( A )	9.5	0.7	16.2	1.5
Restructuring charges	( B )	2.6	1.6	6.8	7.8
Amortization of purchased intangible assets	( C )	49.8	40.0	132.9	109.1
Stock-based compensation	( D )	18.8	16.1	53.1	45.0
Amortization of acquisition-related inventory step-up	( E )	—	2.2	—	2.8
Acquisition / divestiture items	( F )	11.5	(0.3 )	33.5	(2.8 )
Amortization of acquired capitalized commissions	( G )	(1.8 )	(0.2 )	(2.9 )	(0.9 )
Debt issuance costs	( H )	—	—	6.7	—
	( I ) + ( J )				
Non-GAAP tax adjustments	) + ( K ) + ( L )	(38.9 )	(15.7 )	(73.2 )	(38.0 )
Non-GAAP net income attributable to Trimble Inc.:		\$125.2	\$101.6	\$369.4	\$278.8

DILUTED NET INCOME  
PER SHARE:

Table of Contents

GAAP diluted net income per share attributable to Trimble Inc.:	\$ 0.29	\$ 0.22	\$ 0.78	\$ 0.60
Acquired deferred revenue adjustment	( A 0.04 )	—	0.06	0.01
Restructuring charges	( B 0.01 )	0.01	0.03	0.03
Amortization of purchased intangible assets	( C 0.20 )	0.15	0.52	0.42
Stock-based compensation	( D 0.07 )	0.06	0.21	0.17
Amortization of acquisition-related inventory step-up	( E — )	0.01	—	0.01
Acquisition / divestiture items	( F 0.04 )	—	0.13	(0.01 )
Amortization of acquired capitalized commissions	( G (0.01 ) )	—	(0.01 )	—
Debt issuance costs	( H — )	—	0.03	—
	( I )			
	( J )			
Non-GAAP tax adjustments	( K (0.15 ) )	(0.06 )	(0.29 )	(0.15 )
	( L )			
Non-GAAP diluted net income per share attributable to Trimble Inc.:	\$ 0.49	\$ 0.39	\$ 1.46	\$ 1.08
ADJUSTED EBITDA:				
Non-GAAP operating income:	\$ 167.0	\$ 126.4	\$ 472.0	\$ 351.4
Depreciation expense	9.0	8.7	26.2	26.4
Income from equity method investments, net	8.8	8.7	23.2	22.8
Adjusted EBITDA	\$ 184.8	\$ 143.8	\$ 521.4	\$ 400.6

\* See Note 2 of the Notes to the Condensed Consolidated Financial Statements.

(A). Acquired deferred revenue adjustment. Purchase accounting generally requires us to write-down acquired deferred revenue to fair value. Our GAAP revenue includes the fair value impact from purchase accounting for post contract support and subscriptions contracts assumed in connection with our acquisitions. The non-GAAP adjustment to our revenue is intended to reflect the full amount of such revenue. We believe this adjustment is useful to investors as a measure of the ongoing performance of our business and facilitates analysis of revenue growth and business trends.

(B). Restructuring charges. Included in our GAAP presentation of cost of sales and operating expenses, restructuring charges recorded are primarily for employee compensation resulting from reductions in employee headcount in connection with our company restructurings. We exclude restructuring charges from our non-GAAP measures because we believe they do not reflect expected future operating expenses, they are not indicative of our core operating performance, and they are not meaningful in comparisons to our past operating performance. We have incurred restructuring expense in each of the periods presented. However the amount incurred can vary

significantly based on whether a restructuring has occurred in the period and the timing of headcount reductions.

Amortization of purchased intangible assets. Included in our GAAP presentation of gross margin and operating expenses is amortization of purchased intangible assets. U.S. GAAP accounting requires that intangible assets are recorded at fair value and amortized over their useful lives. Consequently, the timing and size of our acquisitions will cause our operating results to vary from period to period, making a comparison to past performance difficult for investors. This accounting treatment may cause differences when comparing our results to companies that grow internally because the fair value assigned to the intangible assets acquired through acquisition may significantly exceed the equivalent expenses that a company may incur for similar efforts when performed internally. Furthermore, the useful life that we use to amortize our intangible assets over may be substantially different from the time period that an internal growth company incurs and recognizes such expenses. We believe that by excluding the amortization of purchased intangible assets, which primarily represents technology and/or customer relationships already developed, 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 stock purchase plan. We exclude stock-based compensation expense from our non-GAAP measures because some investors may view it as not reflective of our core operating performance as it is a non-cash expense. For the third quarter and first three quarters of fiscal years 2018 and 2017, stock-based compensation was allocated as follows:

Table of Contents

	Third Quarter		First Three Quarters of	
(Dollars in millions)	2018	2017	2018	2017
Cost of sales	\$1.1	\$1.1	\$3.3	\$2.8
Research and development	3.9	2.7	10.2	7.7
Sales and Marketing	2.5	2.4	7.2	7.0
General and administrative	11.3	9.9	32.4	27.5
Total stock-based compensation expense	\$18.8	\$16.1	\$53.1	\$45.0

Amortization of acquisition-related inventory step-up. The purchase accounting entries associated with our business acquisitions require us to record inventory at its fair value, which is sometimes greater than the previous book value of the inventory. Included in our GAAP presentation, the increase in inventory value is amortized to (E). 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 cost of sales and operating expenses, acquisition costs consist of external and incremental costs resulting directly from merger and acquisition and strategic investment activities such as legal, due diligence, integration and other closing costs, including the acceleration of acquisition stock options, as well as adjustments to the fair value of earn-out liabilities. Included in (F). our GAAP presentation of non-operating income (expense), net, acquisition/divestiture items includes unusual acquisition, investment and/or divestiture gains/losses. Although we do numerous acquisitions, the costs that have been excluded from the non-GAAP measures are costs specific to particular acquisitions. These are one-time costs that vary significantly in amount and timing and are not indicative of our core operating performance.

Amortization of acquired capitalized commissions. Purchase accounting generally requires us to eliminate capitalized sales commissions balances as of the acquisition date. Our GAAP sales and marketing expenses generally do not reflect the amortization of these capitalized sales commissions balances. The non-GAAP (G). adjustment to increase our sales and marketing expenses is intended to reflect the full amount of amortization related to such balances as though the acquired companies operated independently in the periods presented. We believe this adjustment to sales and marketing expenses is useful to investors as a measure of the ongoing performance of our business.

Debt issuance costs. Included in our non-operating income (loss), net this amount represents incurred costs in connection with the Bridge Facility, costs associated with the issuance of new credit facilities and Senior Notes that were not capitalized as debt issuance costs and a write-off of debt issuance costs for terminated and/or (H). modified credit facilities. We excluded the debt issuance cost write-off from our non-GAAP measures. We believe that investors benefit from excluding this item from our non-operating income to facilitate an evaluation of our non-operating income trends.

Non-GAAP items tax effected. This amount adjusts the provision for income taxes to reflect the effect of the (I). non-GAAP items ( A ) - ( H ) on non-GAAP net income. We believe this information is useful to investors because it provides for consistent treatment of the excluded items in this non-GAAP presentation.

(J). Difference in GAAP and Non-GAAP tax rate. This amount represents the difference between the GAAP and Non-GAAP tax rates applied to the Non-GAAP operating income plus the Non-GAAP non-operating income (expense), net. We believe that investors benefit from excluding this amount from our non-GAAP income tax

provision because it facilitates a comparison of the non-GAAP tax provision in the current and prior periods.

Tax reform impacts. This amount represents the provision for income taxes recorded as a result of the Tax Act enacted in December 22, 2017. The provision primarily includes a one-time transition tax on accumulated foreign earnings and related adjustments to deferred taxes and reserves, and revaluation of deferred taxes due to the (K).reduction of U.S. income tax rate. We are required to recognize the effect of the tax law changes in the period of enactment. We excluded this item as it is a non-recurring expense. We believe that investors benefit from excluding this item from our non-GAAP income tax provision because it allows for period-over-period comparability.

Reserve release upon statute of limitations expiration. This amount represents a one time benefit of \$14.8 million (L).in the third quarter of 2018 resulting from a reserve release due to the expiration of year 2010 and 2014 statute of limitations. We excluded this because it is non-recurring and is not indicative of our core operating performance.



## Table of Contents

GAAP and non-GAAP tax rate percentages. These percentages are defined as GAAP income tax provision as a percentage of GAAP income before taxes and non-GAAP income tax provision as a percentage of non-GAAP income before taxes. We believe that investors benefit from a presentation of non-GAAP tax rate percentage as a way of facilitating a comparison to non-GAAP tax rates in prior periods.

### Non-GAAP Operating Income

Non-GAAP operating income increased by \$40.6 million or 32.1% and \$120.6 million or 34.3% for the third quarter and the first three quarters of fiscal 2018, respectively, compared to the corresponding periods in fiscal 2017.

Non-GAAP operating income as a percentage of total revenue was 20.8% and 20.2% for the third quarter and the first three quarters of fiscal 2018, respectively, compared to 18.7% and 18.0% for the corresponding periods in fiscal 2017.

Non-GAAP operating income and Non-GAAP operating income percentage for the third quarter and first three quarters of fiscal 2018 increased primarily due to revenue and operating income expansion across all segments.

## 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, other than we borrowed more debt to fund the Viewpoint acquisition in the second quarter and third quarter of fiscal 2018. For additional discussion, refer to Item 7A on our 2017 Annual Report on Form 10-K and Note 7 to the Notes to the Condensed Consolidated Financial Statements on the current Quarterly Report on Form 10-Q.

### 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 Euro. Additionally, a portion of our expenses, primarily the cost to manufacture, cost of personnel to deliver technical support on our products and professional services, sales and sales support and research and development, are denominated in foreign currencies, primarily the Euro.

Revenue resulting from selling in local currencies and costs incurred in local currencies are exposed to foreign currency exchange rate fluctuations which can affect our operating income. As exchange rates vary, operating income may differ from expectations. In the third quarter of fiscal 2018, revenue was negatively impacted by foreign currency exchange rates by \$3.9 million and operating income was favorably impacted by \$2.2 million.

We enter into foreign currency forward contracts to minimize the short-term impact of foreign currency exchange rate fluctuations on cash, debt, certain trade and inter-company receivables and payables, primarily denominated in Euro, British pound, New Zealand, Australian dollars, Brazilian Real and Canadian dollars. These contracts reduce the exposure to fluctuations in foreign currency exchange rate movements as the gains and losses associated with foreign currency balances are generally offset with the gains and losses on the forward contracts. These instruments are marked to market through earnings every period and generally range from one to two months in maturity. We do not enter into foreign currency forward contracts for trading purposes. We occasionally enter into foreign currency forward contracts to hedge the purchase price of some of our larger business acquisitions. Foreign currency forward contracts outstanding as of the end of the third quarter of fiscal 2018 and fiscal year end 2017 are summarized as follows (in millions):

Table of Contents

	Third Quarter of Fiscal 2018	Fiscal Year End 2017
	Nominal Amount	Nominal Amount
Forward contracts:		
Purchased	\$ (77.0 ) \$ (0.1 )	\$ (54.3 ) \$ (0.1 )
Sold	\$ 130.0 \$ (0.3 )	\$ 217.8 \$ 0.5

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

The management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, our disclosure controls and procedures are effective.

**(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**

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 2017 Annual Report on Form 10-K and Quarterly Reports on Form 10-Q and is incorporated herein by reference. The risk factors described in our Annual Report on Form 10-K and Quarterly Reports on Form 10-Q 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. There have been no material changes to the risk factor disclosure since our 2017 Annual Report on Form 10-K and first two quarters of fiscal 2018 Quarterly Report on Form 10-Q, except as noted below.

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

On November 24, 2014, we issued \$400.0 million of 4.75% Senior Notes due December 1, 2024. On June 15, 2018, we issued \$300.0 million of 4.15% Senior Notes due June 15, 2023 and \$600.0 million of 4.90% Senior Notes due June 15, 2028. When our Senior Notes mature, we will have to expend significant resources to repay these Senior Notes or seek to refinance them. If we decide to refinance the Senior Notes, we may be required to do so on different or less favorable terms or we may be unable to refinance the Senior Notes at all, both of which may adversely affect our financial condition.

On May 15, 2018, we entered into a new 2018 Credit Facility, with a group of lenders that provides for unsecured credit facilities in the aggregate principal amount of \$1.75 billion, comprised of a five-year Revolving Credit Facility of \$1.25 billion and a delayed draw three-year Term Loan of \$500.0 million. Subject to the terms of the 2018 Credit Facility, we may request an additional term loan up to \$500.0 million. We also have two \$75.0 million and one €100.0 million Uncommitted Facilities, which are uncommitted and may be called by the lenders with very little notice.

At the end of the third quarter of fiscal 2018, we had total indebtedness of 2,012.7 million.

## Table of Contents

The proceeds of the borrowings under the Revolving Credit Facility, together with cash on hand, were used to repay and terminate the 2014 Credit Facility. The net proceeds of the Senior Notes offering in June 2018 were used to repay and terminate the 2018 Interim Credit Facility and to temporarily pay down the outstanding borrowings under the Revolving Credit Facility. At the end of the third quarter of fiscal 2018, our total debt was comprised primarily of Senior Notes of \$1.3 billion.

In April 2018, as a result of the announcement of the Viewpoint acquisition and our plans to incur additional indebtedness, Moody's Investor Service, Inc. downgraded our ratings from Baa2 to Baa3 and, while our Standard & Poor's ratings were stable, we received a negative outlook. As a result of this downgrade, our interest expense on our 2014 credit facility was increased by 0.25% per annum. Any further downgrade in our ratings would further increase our interest expense and result in an upward adjustment in the interest rates of our 2023 Senior Notes and our 2028 Senior Notes. Any such downgrade by credit rating agencies could also adversely affect our cost of borrowing, limit our access to the capital markets or result in more restrictive covenants in future debt agreements. We publicly announced that we intend to limit additional acquisitions in order to prioritize our deleveraging plan. We temporarily suspended our share repurchase program.

Our outstanding indebtedness, and the additional indebtedness we incurred in connection with the Viewpoint acquisition, could have other important consequences, such as:

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

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

Our ability to make scheduled payments or to refinance our obligations with respect to indebtedness will depend on our operating and financial performance, which in turn, is subject to prevailing economic conditions and to financial, business and other factors beyond our control. A significant portion of our outstanding debt has interest rates which float based on prevailing interest rates. If interest rates increase, our interest expense will also increase.

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

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

(a) None

(b) None

(c) None

ITEM 4. MINE SAFETY DISCLOSURES

None.

ITEM 6. EXHIBITS

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

50

---

Table of Contents

SIGNATURES

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

TRIMBLE INC.  
(Registrant)

By: /s/ Robert G. Painter  
Robert G. Painter  
Chief Financial Officer  
(Authorized Officer and Principal  
Financial Officer)  
DATE: November 5, 2018

Table of Contents

EXHIBIT INDEX

- .
- 3.1 Certificate of Incorporation of the Company. (1)
- 3.2 Bylaws of the Company. (2)
- 4.1 Specimen copy of certificate for shares of Common Stock of the Company. (3)
- 31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 dated November 5, 2018. (4)
- 31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 dated November 5, 2018. (4)
- 32.1 Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 dated November 5, 2018. (4)
- 32.2 Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 dated November 5, 2018. (4)

101.INS XBRL Instance Document.

101.SCH XBRL Taxonomy Extension Schema Document.

101.CAL XBRL Taxonomy Extension Calculation Linkbase Document.

101.DEF XBRL Taxonomy Extension Definition Document.

101.LAB XBRL Taxonomy Extension Label Linkbase Document.

101.PRE XBRL Taxonomy Extension Presentation Linkbase Document.

(1) Incorporated by reference to exhibit 3.1 to the Company's Current Report on Form 8-K filed October 3, 2016.

(2) Incorporated by reference to exhibit 3.2 to the Company's Current Report on Form 8-K filed October 3, 2016.

(3) Incorporated by reference to exhibit 4.1 to the Company's Current Report on Form 8-K filed October 3, 2016.

(4) Furnished or filed herewith.