

Trimble April 2024 Resegmentation Prepared Remarks

April 12, 2024

Trimble Corporate Participants

Phi Sawarynski – Incoming Chief Financial Officer
Michael Leyba – Investor Relations



Presentation

Michael Leyba – Investor Relations

Hello, and thank you for your interest in our new segment reporting structure. Page 2 of our slide presentation contains the safe harbor language which governs our call. Our financial commentary will reflect non-GAAP performance metrics, including organic growth comparisons, which refer to the corresponding period of last year, unless otherwise noted. Unless otherwise specified, references to 2024 guidance performance metrics are non-GAAP.

The purpose of our session is to dive deeper into our three new reporting segments. Today we have issued a press release and accompanying slides as well as tables which provide two years of historical performance for our new segments. The material we share with you now will also provide some detail into how our previously issued guidance for 2024 is expected to unfold for each segment.

I'll note that the goal of our session today is not to provide an update on performance so far this year, nor is it to update our outlook for the full year. All discussion of our guidance reflects our expectations as of our February earnings call. Information regarding 2024 performance will be conveyed in our regular earnings call which we will host in early May.

One other note - much of the data we share today will reflect the "as-adjusted" framework we presented in February - with data presented as-adjusted for the pro forma impact of the AGCO joint venture. On April 1 we announced the closing of the JV, known as PTx Trimble, and this timing is consistent with the assumption we made when we guided in February. The appendix of our materials today shows a bridge of the numbers from an as-reported view - with full Trimble ownership of the Ag business through the first quarter of 2024 - to the as-adjusted view, which we think reflects more clearly the ongoing trends of our business as we manage for the future.

Phil Sawarynski will lead our session today. As we announced last November, Phil will be assuming the CFO role in May.

Phil, over to you.

Phil Sawarynski – Incoming Chief Financial Officer

Thanks Michael. I'll start with page 3 of our presentation. Our agenda today is brief, and our primary goal is to give an overview of our new segments, including recent performance and how the 2024 guidance we issued in February breaks out across these segments. Our presentation today is intended to provide the perspective you need to build your models in anticipation of our first quarter earnings release, as from the first quarter forward we will report using our new segments.

Moving to slide 4, in the February call covering our fourth quarter and full year 2023 financial performance, we described at a high level our new segment reporting structure. This change in segment reporting reflects both the transfer of the majority of our Agriculture business into a joint venture with AGCO and a new, simplified organization structure. The structural changes we have made bring businesses with similar operating models together, enabling us to better allocate resources and generate scale efficiencies. This updated operating model will better position us for success going forward and provides additional clarity on the underlying drivers of our major businesses.

On the right hand side of the page, we have detailed the components of our new reporting segments, through which we are bringing together operating units with similar underlying business models. So our Architects, Engineers, Construction, and Owners segment - which we will call AECO - now houses all of our software businesses targeting construction end markets. These businesses operate predominantly through a direct sales model, and our software offerings are increasingly integrated and being sold through bundled solutions. Our Field Systems segment brings together the businesses which market hardware and the software that makes the hardware work. Field Systems businesses largely operate on an indirect basis, where we go to market in partnership with our global dealers. The Transportation & Logistics segment reflects minor changes from how we previously reported the Transportation segment. Slide 7 in the appendix of our slide presentation details the changes from our old segment structure to this new structure.

I'll transition now to slide 5, which translates the 2023 actuals and our full year 2024 guidance that we gave in February to our new segments and reporting structure. In 2023 AECO had revenue of just over \$1.1 billion, and revenue growth at an organic rate of 15%. Segment annualized recurring revenue, or ARR, of over \$1 billion grew by 17% in 2023. As a software centric business, AECO has gross margins over 80% and achieved segment operating margins of almost 30%. From a seasonality standpoint AECO organic revenue growth in 2023 was higher in the first quarter, and lower in the fourth quarter, with an impact from shifts in the timing of term license renewals. Our 2024 guidance reflects our expectation for continued growth in AECO, with high teens to low twenties organic revenue growth. Organic revenue growth is expected to be in the low to mid teens excluding \$70M in AECO revenue resulting from the 53rd week, with ARR expected to continue to see strong organic growth in the mid-teens. Operating margins for the year are expected to increase by approximately 300 basis points, driven in part by the favorable impact of the extra week in our fiscal year. Margins without the 53rd week are expected to be up approximately 50 basis points. I'll note that we are investing, with confidence, in our AECO business in support of future growth opportunities, with higher year on year spending in sales & marketing, R&D, and business systems. All of Trimble's expected growth in operating expense in 2024 is dedicated to AECO.

Next is the Field Systems segment, representing the majority of our construction and geospatial related hardware-based businesses. As adjusted for the Ag transaction, revenue of the segment in 2023 was \$1.46 billion. Revenues were down organically at a low single digit rate for 2023, reflecting declining channel inventories and subdued demand through much of 2023. Gross margins in the Field Systems segment were approximately 55 percent, and as-adjusted operating margin in 2023 was nearing 30 percent. In 2024, we expect as-adjusted revenue to be flat to down in the low single digits. Overall our 2024 guidance reflects improved underlying growth dynamics on revenue, offset by an impact from model conversions from perpetual to subscription software in both our civil construction and survey and mapping businesses, as well as lower sales to US federal customers. From a revenue mix perspective, note that half of Field Systems segment revenue comes from hardware and half from software, services and recurring revenue, which illustrates that all of our hardware offerings are enabled by software. Recurring revenue is 20% of the Field Systems segment. Margins in the Field Systems segment are expected to be down approximately 100 basis points year over year on an as-adjusted basis, due to changes in customer and product mix. Note that on an as-reported basis, margins are expected to be down approximately 300 basis points as expected and previously communicated due to the impact of the joint venture transaction with AGCO.

Finally, the Transportation and Logistics segment. This segment is largely unchanged and includes Mobility, Transportation Management Systems, Maps and Transporeon. There were some minor movements of some of our smaller businesses between Field Systems and Transportation and Logistics. Revenue in 2023 was \$720 million, with organic revenue growth of 4%, gross margins of approximately 60% and operating margins of 16%. ARR in 2023 was up 4% organically. In 2024, revenue is expected to be nearing \$800 million and flat to up in the low single digits organically, with growth in Transporeon, MAPS, and Enterprise software offset by lower North American Mobility revenue. We expect reduced hardware revenue in mobility as we are intentionally pivoting that business away from lower margin hardware sales to OEMs, instead focusing on the higher value added data flows. ARR is expected to be up in the mid single digits organically, and Transportation margins in 2024 are expected to be up approximately 100 basis points year over year.

That concludes our overview of our new segments. We will report on our first quarter in a few weeks, and we look forward to providing additional details and answering questions at that point. Thank you.