GARMIN LTD
Form 10-Q
May 06, 2009

United States
Securities and Exchange Commission
Washington, D.C. 20549

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 28, 2009

or

o 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 0-31983

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GARMIN LTD.
(Exact name of Company as specified in its charter)

| | |
|---|---|
| Cayman Islands<br>(State or other jurisdiction<br>of incorporation or organization) | 98-0229227<br>(I.R.S. Employer identification no.) |
| P.O. Box 10670, Grand Cayman KY1-1006<br>Suite 3206B, 45 Market Street, Gardenia Court<br>Camana Bay, Cayman Islands<br>(Address of principal executive offices) | N/A<br>(Zip Code) |

Company's telephone number, including area code: (345) 640-9050

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the Company (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 Company was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES þ NO o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of “accelerated filer and large accelerated filer” in Rule 12b-2 of the Exchange Act.
Large Accelerated Filer þ Accelerated Filer o Non-accelerated Filer o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
YES o NO þ

Number of shares outstanding of the Company's common shares as of May 1, 2009
Common Shares, $.005 par value: 200,291,184

Garmin Ltd.
Form 10-Q
Quarter Ended March 28, 2009

Table of Contents

Garmin Ltd.
Form 10-Q
Quarter Ended March 28, 2009

Part I – Financial Information

Item 1. Condensed Consolidated Financial Statements

Introductory Comments

The Condensed Consolidated Financial Statements of Garmin Ltd. ("Garmin" or the "Company") included herein have been prepared by the Company, without audit, pursuant to the rules and regulations of the United States Securities and Exchange Commission. Certain information and note disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to enable a reasonable understanding of the information presented. These Condensed Consolidated Financial Statements should be read in conjunction with the audited financial statements and the notes thereto for the year ended December 27, 2008. Additionally, the Condensed Consolidated Financial Statements should be read in conjunction with Item 2 of Management's Discussion and Analysis of Financial Condition and Results of Operations, included in this Form 10-Q.

The results of operations for the 13-week period ended March 28, 2009 are not necessarily indicative of the results to be expected for the full year 2009.

Garmin Ltd. And Subsidiaries
Condensed Consolidated Balance Sheets
(In thousands, except share information)

| | (Unaudited) March 28, 2009 | December 27, 2008 |
|---|---|---|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | $ 922,329 | $ 696,335 |
| Marketable securities | 15,747 | 12,886 |
| Accounts receivable, net | 420,081 | 741,321 |
| Inventories, net | 353,532 | 425,312 |
| Deferred income taxes | 60,795 | 49,825 |
| Prepaid expenses and other current assets | 55,348 | 58,746 |
| Total current assets | 1,827,832 | 1,984,425 |
| Property and equipment, net | 440,611 | 445,252 |
| Marketable securities | 303,636 | 262,009 |
| Restricted cash | 1,898 | 1,941 |
| Licensing agreements, net | 11,521 | 16,013 |
| Other intangible assets, net | 208,691 | 214,941 |
| Total assets | $ 2,794,189 | $ 2,924,581 |
| Liabilities and Stockholders' Equity | | |
| Current liabilities: | | |
| Accounts payable | $ 79,453 | $ 160,094 |
| Salaries and benefits payable | 28,426 | 34,241 |
| Accrued warranty costs | 68,847 | 87,408 |
| Accrued sales program costs | 58,039 | 90,337 |
| Other accrued expenses | 47,083 | 87,021 |
| Income taxes payable | 20,314 | 20,075 |
| Total current liabilities | 302,162 | 479,176 |
| Deferred income taxes | 11,951 | 4,070 |
| Non-current taxes | 220,450 | 214,366 |
| Other liabilities | 1,153 | 1,115 |
| Stockholders' equity: | | |
| Common stock, $0.005 par value, 1,000,000,000 shares authorized: Issued and outstanding shares - 200,282,000 as of March 28, 2009 and 200,363,000 as of December 27, 2008 | 1,000 | 1,002 |
| Additional paid-in capital | 8,885 | - |

| | | | | |
|---|---|---|---|---|
| Retained earnings | | 2,311,044 | | 2,262,503 |
| Accumulated other comprehensive gain/(loss) | | (62,456) | | (37,651) |
| | | | | |
| Total stockholders' equity | | 2,258,473 | | 2,225,854 |
| Total liabilities and stockholders' equity | $ | 2,794,189 | $ | 2,924,581 |

See accompanying notes.

Garmin Ltd. And Subsidiaries
Condensed Consolidated Statements of Income (Unaudited)
(In thousands, except per share information)

| | 13-Weeks Ended March 28, 2009 | 13-Weeks Ended March 29, 2008 |
|---|---|---|
| Net sales | $ 436,699 | $ 663,805 |
| Cost of goods sold | 240,704 | 343,690 |
| Gross profit | 195,995 | 320,115 |
| Advertising expense | 23,225 | 38,129 |
| Selling, general and administrative expense | 59,777 | 59,696 |
| Research and development expense | 55,034 | 49,558 |
| Total operating expense | 138,036 | 147,383 |
| Operating income | 57,959 | 172,732 |
| Interest income | 5,097 | 8,327 |
| Foreign currency | (2,438) | (3,999) |
| Other | (694) | 5,383 |
| Total other income (expense) | 1,965 | 9,711 |
| Income before income taxes | 59,924 | 182,443 |
| Income tax provision | 11,386 | 34,664 |
| Net income | $ 48,538 | $ 147,779 |
| Net income per share: | | |
| Basic | $ 0.24 | $ 0.68 |
| Diluted | $ 0.24 | $ 0.67 |
| Weighted average common shares outstanding: | | |
| Basic | 200,352 | 216,505 |
| Diluted | 200,725 | 218,979 |

See accompanying notes.

Garmin Ltd. And Subsidiaries
Condensed Consolidated Statements of Cash Flows (Unaudited)
(In thousands)

| | 13-Weeks Ended March 28, 2009 | March 29, 2008 |
|---|---|---|
| Operating Activities: | | |
| Net income | $ 48,538 | $ 147,779 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation | 13,574 | 9,861 |
| Amortization | 8,088 | 7,775 |
| Gain on sale of property and equipment | (3) | (1) |
| Provision for doubtful accounts | (1,101) | 350 |
| Deferred income taxes | (3,200) | 17,067 |
| Foreign currency transaction gains/losses | (420) | 64,946 |
| Provision for obsolete and slow moving inventories | 7,709 | 11,669 |
| Stock compensation expense | 10,587 | 9,124 |
| Realized losses/(gains) on marketable securities | 1,274 | (5,245) |
| Changes in operating assets and liabilities, net of acquisitions: | | |
| Accounts receivable | 318,095 | 458,821 |
| Inventories | 58,876 | (169,501) |
| Other current assets | (1,128) | 9,946 |
| Accounts payable | (77,595) | (159,590) |
| Other current and non-current liabilities | (88,727) | (137,588) |
| Income taxes payable | 3,993 | (60,701) |
| Purchase of licenses | 856 | (12,247) |
| Net cash provided by operating activities | 299,416 | 192,465 |
| | | |
| Investing activities: | | |
| Purchases of property and equipment | (13,136) | (26,690) |
| Proceeds from sale of property and equipment | - | 8 |
| Purchase of intangible assets | (872) | (2,562) |
| Purchase of marketable securities | (68,662) | (265,758) |
| Redemption of marketable securities | 16,638 | 102,374 |
| Change in restricted cash | 43 | (11) |
| Acquisitions, net of cash acquired | - | (23,725) |
| Net cash used in investing activities | (65,989) | (216,364) |
| | | |
| Financing activities: | | |
| Proceeds from issuance of common stock from stock purchase plan | 119 | 1,524 |
| Stock repurchase | (1,849) | (90,050) |
| Tax benefit related to stock option exercise | 26 | 1,633 |
| Net cash used in financing activities | (1,704) | (86,893) |
| | | |
| Effect of exchange rate changes on cash and cash equivalents | (5,729) | 1,918 |

| | | | | |
|---|---|---|---|---|
| Net increase/(decrease) in cash and cash equivalents | | 225,994 | | (108,874) |
| Cash and cash equivalents at beginning of period | | 696,335 | | 707,689 |
| Cash and cash equivalents at end of period | $ | 922,329 | $ | 598,815 |

See accompanying notes.

Garmin Ltd. and Subsidiaries

Notes to Condensed Consolidated Financial Statements (Unaudited)

March 28, 2009
(In thousands, except share and per share information)

1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the 13-week period ended March 28, 2009 are not necessarily indicative of the results that may be expected for the year ending December 26, 2009.

The condensed consolidated balance sheet at December 27, 2008 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended December 27, 2008.

The Company's fiscal year is based on a 52-53 week period ending on the last Saturday of the calendar year. Therefore the financial results of certain fiscal years, and the associated 14-week quarters, will not be exactly comparable to the prior and subsequent 52-week fiscal years and the associated quarters having only 13-weeks. The quarters ended March 28, 2009 and March 29, 2008 both contain operating results for 13-weeks for both year-to-date periods.

2. Inventories

The components of inventories consist of the following:

| | March 28, 2009 | December 27, 2008 |
|---|---|---|
| Raw Materials | $ 137,491 | $ 151,132 |
| Work-in-process | 34,890 | 28,759 |
| Finished goods | 208,684 | 268,625 |
| Inventory Reserves | (27,533) | (23,204) |
| Inventory, net of reserves | $ 353,532 | $ 425,312 |

3. Share Repurchase Plan

The Board of Directors approved a share repurchase program on October 22, 2008, authorizing the Company to purchase up to $300,000 of its common shares as market and business conditions warrant. The share repurchase authorization expires on December 31, 2009. In the quarter ended March 28, 2009, the Company repurchased 117,600 shares using cash of $1,849. There remains approximately $256,000 available for repurchase under this authorization given the $42,000 of purchases in fiscal 2008.

7

4. Earnings Per Share

The following table sets forth the computation of basic and diluted net income per share:

| | 13-Weeks Ended | |
|---|---|---|
| | March 28, 2009 | March 29, 2008 |
| Numerator: | | |
| Numerator for basic and diluted net income per share - net income | $ 48,538 | $ 147,779 |
| Denominator: | | |
| Denominator for basic net income per share – weighted-average common shares | 200,352 | 216,505 |
| Effect of dilutive securities – employee stock options | 373 | 2,474 |
| Denominator for diluted net income per share – adjusted weighted-average common shares | 200,725 | 218,979 |
| Basic net income per share | $ 0.24 | $ 0.68 |
| Diluted net income per share | $ 0.24 | $ 0.67 |

There were 9,488,615 anti-dilutive options for the 13-week period ended March 28, 2009. There were 3,107,431 anti-dilutive options for the 13-week period ended March 29, 2008.

There were 12,098 shares issued as a result of exercises of stock appreciation rights and stock options for the 13-week period ended March 28, 2009.

5. Comprehensive Income

Comprehensive income is comprised of the following:

| | 13-Weeks Ended | |
|---|---|---|
| | March 28, 2009 | March 29, 2008 |
| Net income | $ 48,538 | $ 147,779 |
| Translation adjustment | (18,763) | 79,794 |
| Change in fair value of available-for-sale marketable securities, net of deferred taxes | (6,042) | (32,974) |
| Comprehensive income | $ 23,733 | $ 194,599 |

6. Segment Information

Net sales, operating income, and income before taxes for each of the Company's reportable segments are presented below:

| | Reportable Segments | | | | |
|---|---|---|---|---|---|
| | Outdoor/ Fitness | Marine | Auto/ Mobile | Aviation | Total |
| 13-Weeks Ended March 28, 2009 | | | | | |
| Net sales | $ 80,004 | $ 38,017 | $ 259,586 | $ 59,092 | $ 436,699 |
| Operating income | $ 28,505 | $ 10,572 | $ 4,605 | $ 14,277 | $ 57,959 |
| Income before taxes | $ 27,660 | $ 9,723 | $ 9,158 | $ 13,383 | $ 59,924 |
| 13-Weeks Ended March 29, 2008 | | | | | |
| Net sales | $ 70,495 | $ 56,006 | $ 451,859 | $ 85,445 | $ 663,805 |
| Operating income | $ 19,311 | $ 17,836 | $ 107,641 | $ 27,944 | $ 172,732 |
| Income before taxes | $ 20,447 | $ 19,333 | $ 112,304 | $ 30,359 | $ 182,443 |

Allocation of certain research and development expenses, and selling, general, and administrative expenses are made to each segment on a percent of revenue basis.

Net Sales and long-lived assets (property and equipment) by geographic area are as follows as of and for the 13-week periods ended March 28, 2009 and March 29, 2008:

| | North America | Asia | Europe | Total |
|---|---|---|---|---|
| March 28, 2009 | | | | |
| Net sales to external customers | $ 264,777 | $ 28,140 | $ 143,782 | $ 436,699 |
| Long lived assets | $ 226,384 | $ 160,087 | $ 54,140 | $ 440,611 |
| March 29, 2008 | | | | |
| Net sales to external customers | $ 411,432 | $ 41,786 | $ 210,587 | $ 663,805 |
| Long lived assets | $ 195,784 | $ 150,324 | $ 45,893 | $ 392,001 |

7. Warranty Reserves

The Company's products sold are generally covered by a warranty for periods ranging from one to two years. The Company's estimate of costs to service its warranty obligations are based on historical experience and expectation of future conditions and are recorded as a liability on the balance sheet. The following reconciliation provides an illustration of changes in the aggregate warranty reserve.

| | 13-Weeks Ended | |
|---|---|---|
| | March 28, 2009 | March 29, 2008 |
| Balance - beginning of the period | $ 87,408 | $ 71,636 |
| Accrual for products sold during the period | 23,993 | 35,321 |

| | | |
|---|---|---|
| Expenditures | (42,554) | (34,206) |
| Balance - end of the period | $ 68,847 | $ 72,751 |

8. Commitments

Pursuant to certain supply agreements, the Company is contractually committed to make purchases of approximately $37,200 over the next 5 years.

9. Income Taxes

Our earnings before taxes decreased 67% when compared to the same quarter in 2008, and our income tax expense decreased by $23,278, to $11,386 for the 13-week period ended March 28, 2009, from $34,664 for the 13-week period ended March 29, 2008. The effective tax rate was 19.0% in the first quarter of 2009 and the first quarter of 2008.

10. Fair Value Measurements

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, Fair Value Measurements ("SFAS No. 157"). SFAS No. 157 establishes a framework for measuring fair value in GAAP, and expands disclosures about fair value measurements. SFAS No. 157 applies under other accounting pronouncements that require or permit fair value measurements. The Company adopted SFAS No. 157 effective December 30, 2007.

SFAS No. 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). SFAS No. 157 classifies the inputs used to measure fair value into the following hierarchy:

Level 1 Unadjusted quoted prices in active markets for identical assets or liability

Level 2 Unadjusted quoted prices in active markets for similar assets or liabilities, or

Unadjusted quoted prices for identical or similar assets

Level 3 Unobservable inputs for the asset or liability

The Company endeavors to utilize the best available information in measuring fair value. Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

Assets and liabilities measured at estimated fair value on a recurring basis are summarized below:

Fair Value Measurements as of March 28, 2009

| Description | Total | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| Available for-sale securites | $ 253,839 | $ 253,839 | - | - |
| Failed Auction rate securities | 65,544 | - | - | 65,544 |
| | | | | |
| Total | $ 319,383 | $ 253,839 | $ - | $ 65,544 |

10

For assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the period, SFAS No. 157 requires a reconciliation of the beginning and ending balances, separately for each major category of assets. The reconciliation is as follows:

| | | Fair Value Measurements Using Significant Unobservable Inputs (Level 3) 13-Weeks Ended Mar 28, 2009 |
|---|---|---|
| Beginning balance of auction rate securities | $ | 71,303 |
| Total unrealized losses included in other comprehensive income | | (5,759) |
| Purchases in and/or out of Level 3 | | - |
| Transfers in and/or out of Level 3 | | - |
| Ending balance of auction rate securities | $ | 65,544 |

## 11. Recently Issued Accounting Pronouncements

In May 2008, the FASB issued EITF 07-1, Accounting for Collaborative Arrangements. EITF Issue 07-1 requires entities entering into collaborative arrangements in which two or more parties actively participate in a joint operating activity and are exposed to significant risks and rewards that depend on the commercial success of the joint operating activity to make specific disclosures regarding that arrangement. Garmin announced a strategic alliance with ASUSTeK Computer Inc. on February 4, 2009 that will leverage the companies' navigation and mobile telephony expertise to design, manufacture and distribute co-branded location-centric mobile phones. The mobile phone product line will be known as the Garmin-Asus nüvifone series. The Company has adopted EITF Issue 07-1 and the strategic alliance did not have a material impact on the Company's financial condition or operating results in the first quarter of 2009.

In April 2009, the FASB released FASB Staff Position (FSP) SFAS 107-1 and Accounting Principles Board (APB) Opinion No. 28-1, "Interim Disclosures about Fair Value of Financial Instruments" (SFAS 107-1 and APB 28-1). This FSP amends FASB Statement No. 107, "Disclosures about Fair Values of Financial Instruments," to require disclosures about fair value of financial instruments in interim financial statements as well as in annual financial statements. The FSP also amends APB Opinion No. 28, "Interim Financial Reporting," to require those disclosures in all interim financial statements. This FSP is effective for interim periods ending after June 15, 2009, but early adoption is permitted for interim periods ending after March 15, 2009. The Company plans to adopt SFAS 107-1 and APB 28-1 and provide the additional disclosure requirements for second quarter 2009.

In April 2009, the FASB released FASB Staff Position SFAS 157-4, "Determining Whether a Market Is Not Active and a Transaction Is Not Distressed" (SFAS 157-4). This FSP provides additional guidance in determining whether a market for a financial asset is not active and a transaction is not distressed for fair value measurement purposes as defined in SFAS 157, "Fair Value Measurements." SFAS 157-4 is effective for interim periods ending after June 15, 2009, but early adoption is permitted for interim periods ending after March 15, 2009. The Company plans to adopt the provisions of SFAS 157-4 during second quarter 2009, but does not believe this guidance will have a significant impact on the Company's financial position, cash flows, or disclosures.

In April 2009, the FASB issued FASB Staff Position SFAS 115-2 and SFAS 124-2 "Recognition and Presentation of Other-Than-Temporary Impairments." This FSP provides guidance in determining whether impairments in debt securities are other than temporary, and modifies the presentation and disclosures surrounding such instruments. This

FSP is effective for interim periods ending after June 15, 2009, but early adoption is permitted for interim periods ending after March 15, 2009.  The Company plans to adopt the provisions of this Proposed Staff Position during second quarter 2009, but does not believe this guidance will have a significant impact on the Company's financial position, cash flows, or disclosures.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The discussion set forth below, as well as other portions of this Quarterly Report, contains statements concerning potential future events. Such forward-looking statements are based upon assumptions by our management, as of the date of this Quarterly Report, including assumptions about risks and uncertainties faced by the Company. Readers can identify these forward-looking statements by their use of such verbs as expects, anticipates, believes or similar verbs or conjugations of such verbs. If any of our assumptions prove incorrect or should unanticipated circumstances arise, our actual results could materially differ from those anticipated by such forward-looking statements. The differences could be caused by a number of factors or combination of factors including, but not limited to, those factors identified in the Company's Annual Report on Form 10-K for the year ended December 27, 2008. This report has been filed with the Securities and Exchange Commission (the "SEC" or the "Commission") in Washington, D.C. and can be obtained by contacting the SEC's public reference operations or obtaining it through the SEC's web site on the World Wide Web at http://www.sec.gov. Readers are strongly encouraged to consider those factors when evaluating any forward-looking statement concerning the Company. The Company will not update any forward-looking statements in this Quarterly Report to reflect future events or developments.

The information contained in this Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the Condensed Consolidated Financial Statements and Notes thereto included in this Form 10-Q and the audited financial statements and notes thereto in the Company's Annual Report on Form 10-K for the year ended December 27, 2008.

The Company is a leading worldwide provider of navigation, communications and information devices, most of which are enabled by Global Positioning System, or GPS, technology. We operate in four business segments, the outdoor/fitness, marine, automotive/mobile and aviation markets. Our segments offer products through our network of independent dealers and distributors. However, the nature of products and types of customers for the four segments may vary significantly. As such, the segments are managed separately.

Results of Operations

The following table sets forth our results of operations as a percentage of net sales during the periods shown:

| | 13-Weeks Ended | |
|---|---|---|
| | March 28, 2009 | March 29, 2008 |
| Net sales | 100.0% | 100.0% |
| Cost of goods sold | 55.1% | 51.8% |
| Gross profit | 44.9% | 48.2% |
| Advertising | 5.3% | 5.7% |
| Selling, general and administrative | 13.7% | 9.0% |
| Research and development | 12.6% | 7.5% |
| Total operating expenses | 31.6% | 22.2% |
| Operating income | 13.3% | 26.0% |
| Other income (expense), net | 0.4% | 1.5% |
| Income before income taxes | 13.7% | 27.5% |
| Provision for income taxes | 2.6% | 5.2% |
| Net income | 11.1% | 22.3% |

The Company manages its operations in four segments: outdoor/fitness, marine, automotive/mobile, and aviation, and each of its segments employs the same accounting policies. Allocation of certain research and development expenses, and selling, general, and administrative expenses are made to each segment on a percent of revenue basis. The following table sets forth our results of operations (in thousands) including revenue (net sales), gross profit, and operating income for each of our four segments during the periods shown. For each line item in the table, the total of the outdoor/fitness, marine, automotive/mobile, and aviation segments' amounts equals the amount in the condensed consolidated statements of income included in Item 1.

| | | Reportable Segments | | | | |
|---|---|---|---|---|---|---|
| | | Outdoor/ Fitness | Marine | Auto/ Mobile | Aviation | Total |
| 13-Weeks Ended | March 28, 2009 | | | | | |
| Net sales | | $ 80,004 | $ 38,017 | $ 259,586 | $ 59,092 | $ 436,699 |
| Operating income | | $ 28,505 | $ 10,572 | $ 4,605 | $ 14,277 | $ 57,959 |
| Income before taxes | | $ 27,660 | $ 9,723 | $ 9,158 | $ 13,383 | $ 59,924 |
| 13-Weeks Ended | March 29, 2008 | | | | | |
| Net sales | | $ 70,495 | $ 56,006 | $ 451,859 | $ 85,445 | $ 663,805 |
| Operating income | | $ 19,311 | $ 17,836 | $ 107,641 | $ 27,944 | $ 172,732 |
| Income before taxes | | $ 20,447 | $ 19,333 | $ 112,304 | $ 30,359 | $ 182,443 |

Comparison of 13-Weeks Ended March 28, 2009 and March 29, 2008
(Amounts included in the following discussion are stated in thousands unless otherwise indicated)

Net Sales

| | 13-weeks ended March 28, 2009 | | 13-weeks ended March 29, 2008 | | Quarter over Quarter | |
|---|---|---|---|---|---|---|
| | Net Sales | % of Revenues | Net Sales | % of Revenues | $ Change | % Change |
| Outdoor/Fitness | $ 80,004 | 18.3% | $ 70,495 | 10.6% | $ 9,509 | 13.5% |
| Marine | 38,017 | 8.7% | 56,006 | 8.4% | (17,989) | -32.1% |
| Automotive/Mobile | 259,586 | 59.5% | 451,859 | 68.1% | (192,273) | -42.6% |
| Aviation | 59,092 | 13.5% | 85,445 | 12.9% | (26,353) | -30.8% |
| Total | $ 436,699 | 100.0% | $ 663,805 | 100.0% | $ (227,106) | -34.2% |

Net sales decreased 34.2% for the 13-week period ended March 28, 2009 when compared to the year-ago quarter. The decline was driven by the automotive/mobile segment, as well as aviation and marine. These declines were partially offset by a 13.5% increase in outdoor/fitness. Automotive/mobile revenue remains the largest portion of our revenue mix, but declined from 68.1% in the first quarter of 2008 to 59.5% in the first quarter of 2009.

Total unit sales decreased 13% to 2,416,000 in the first quarter of 2009 from 2,787,000 in the same period of 2008. The lower unit sales volume in the first quarter of fiscal 2009 was attributable to declining volumes in automotive, aviation and marine products offset by unit growth in the outdoor/fitness segment.

Automotive/mobile segment revenue declined the most during the quarter, down 43% from the year-ago quarter, as the average selling price declined due to price protection credits offered to our retail partners and retailers significantly reduced inventory levels. This segment is also being slowed due to global macroeconomic conditions which have impacted all geographies. The aviation and marine segments declined 31% and 32%, respectively, from the year-ago quarter as both industries experience significant slowdowns associated with the macroeconomic conditions. Revenues in our outdoor/fitness segment grew relative to the first quarter of 2008 due to ongoing channel penetration and market share gains of our fitness products.

Gross Profit

| | 13-weeks ended March 28, 2009 | | 13-weeks ended March 29, 2008 | | Quarter over Quarter | |
|---|---|---|---|---|---|---|
| | Gross Profit | % of Revenues | Gross Profit | % of Revenues | $ Change | % Change |
| Outdoor/Fitness | $ 48,424 | 60.5% | $ 37,439 | 53.1% | $ 10,985 | 29.3% |
| Marine | $ 22,878 | 60.2% | 32,463 | 58.0% | | |