TRIMBLE INC.
Form 10-Q
November 05, 2018

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

FORM 10-Q

(Mark One)
ý 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 incorporation or organization)	(I.R.S. Employer Identification Number)

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 ý 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 ý 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	ý	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 ý

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

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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)		
ASSETS		
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
LIABILITIES AND STOCKHOLDERS' EQUITY		
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

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.

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TRIMBLE INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

	Third Quarter of		First Three Quarters of	
(In millions, except per share amounts)	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.

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TRIMBLE INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED)

	Third Quarter of		First Three Quarters of	
	2018	2017 *As Adjusted	2018	2017 *As 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.

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

	First Three Quarters of	
(In millions)	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.

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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.

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NOTE 2. UPDATES TO SIGNIFICANT ACCOUNTING POLICIES

Summary of Significant Accounting Policies

There have been no material changes to the Company's significant accounting polices 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.

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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

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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.

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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 a	As Adjusted	As Previously Reported	Adjustments a	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

(In millions)	Fiscal Year End 2017		
	As Previously Reported	Adjustments a	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
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(In millions)	First Three Quarters of Fiscal 2017		
	As Previously Reported	Adjustments b	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.

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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:

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	Third Quarter of		First Three Quarters of	
	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:

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As of	Third Quarter of Fiscal 2018			Fiscal Year End 2017		
(In millions)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross 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:

(In millions)	Buildings and Infrastructure	Geospatial	Resources and Utilities	Transportation	Total
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

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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