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

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FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended **September 29, 2023**

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)**

10368 Westmoor Drive, Westminster, CO 80021

(Address of principal executive offices) (Zip Code)

(720) 887-6100

(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, a smaller reporting company, or an emerging growth company. See definition of “large accelerated filer”, “accelerated filer”, “smaller reporting company” and “emerging growth 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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.001 par value per share	**TRMB**	**NASDAQ Global Select Market**

As of October 30, 2023, there were 248,767,565 shares of Common Stock, par value $0.001 per share, outstanding.

SPECIAL NOTE ON FORWARD-LOOKING STATEMENTS

This report 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:

- general U.S. and global macroeconomic outlook, including slowing growth, inflationary pressures, and increases in interest rates;
- economic disruptions caused by potential impact of volatility and conflict in the political and economic environment, including the conflicts in the Middle East and between Russian and Ukraine;
- our belief that inflationary cost pressures will diminish over time as supply chain conditions continue to normalize;
- fluctuations in foreign currency exchange rates;
- the cyclical nature of our hardware revenue and our expectation that our inventory levels will normalize over the first half of 2024;
- our expectations that we will experience less seasonality in the future;
- the portion of our revenue expected to come from sales to customers located in countries outside of the U.S.;
- our plans to continue to invest in research and development for the active development and introduction of new products and to deliver targeted solutions to the markets we serve;
- our shift towards a more significant mix of recurring revenue;
- our belief that increases in recurring revenue will provide us with enhanced business visibility over time;
- risks associated with our growth strategy, focusing on historically underserved large markets;
- any anticipated benefits or impact to our results of operations and financial conditions from our acquisitions and our ability to successfully integrate the acquired businesses;
- any anticipated benefits associated with the pending contribution of our precision agriculture business, excluding certain products and technologies, to a newly formed joint venture (the "JV") and the sale of the majority interest in the JV to AGCO Corporation ("AGCO");
- our belief that our cash and cash equivalents and borrowings, along with cash provided by operations, will be sufficient in the foreseeable future to meet our anticipated operating cash needs, debt service, expenditures related to our Connect and Scale strategy, and any acquisitions;
- tax payments or refunds related to research and development ("R&D") costs;
- our belief that our gross unrecognized tax benefits will not materially change in the next twelve months; and
- our commitments to environmental, social, and governance matters.

The forward-looking statements regarding future events and the future results of Trimble Inc. ("the Company" or "we" or "our" or "us") are based on current expectations, estimates, forecasts, and projections about the industries in which we operate, and the beliefs and assumptions of our management. Discussions containing such forward-looking statements may be found in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” section of this report. 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 this report under the section entitled “Risk Factors” and elsewhere, and in other reports we file with the Securities and Exchange Commission (“SEC”), specifically the most recent Form 10-K for 2022 (the “2022 Form 10-K”) and in other reports we file with the SEC, each as it may be amended from time to time. These forward-looking statements are made as of the date of this report. 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.

TRIMBLE INC.

FORM 10-Q for the Quarter Ended September 29, 2023

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PART I – FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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TRIMBLE INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

(In millions, except par value)	As of Third Quarter of 2023	As of Year End 2022
ASSETS		
Current assets:		
Cash and cash equivalents	$ 216.8	$ 271.0
Accounts receivable, net	641.4	643.3
Inventories	257.2	402.5
Other current assets	196.4	201.4
Assets held for sale	378.7	—
Total current assets	1,690.5	1,518.2
Property and equipment, net	203.7	219.0
Operating lease right-of-use assets	114.5	121.2
Goodwill	5,279.7	4,137.9
Other purchased intangible assets, net	1,259.6	498.1
Deferred income tax assets	418.0	438.4
Other non-current assets	364.7	336.2
Total assets	$ 9,330.7	$ 7,269.0
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Short-term debt	$ 58.3	$ 300.0
Accounts payable	179.5	175.5
Accrued compensation and benefits	169.9	159.4
Deferred revenue	594.2	639.1
Income taxes payable	104.9	23.7
Other current liabilities	184.3	164.4
Liabilities held for sale	46.9	—
Total current liabilities	1,338.0	1,462.1
Long-term debt	2,995.4	1,220.0
Deferred revenue, non-current	98.4	98.5
Deferred income tax liabilities	283.6	157.8
Operating lease liabilities	104.1	105.1
Other non-current liabilities	168.2	175.3
Total liabilities	4,987.7	3,218.8
Commitments and contingencies (Note 13)		
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; 248.8 and 246.9 shares issued and outstanding at the end of the third quarter of 2023 and year end 2022	0.2	0.2
Additional paid-in-capital	2,201.5	2,054.9
Retained earnings	2,455.4	2,230.0
Accumulated other comprehensive loss	(314.1)	(234.9)
Total stockholders' equity	4,343.0	4,050.2

See accompanying Notes to the Condensed Consolidated Financial Statements.

TRIMBLE INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

(In millions, except per share amounts)	Third Quarter of 2023	Third Quarter of 2022	First Three Quarters of 2023	First Three Quarters of 2022
Revenue:				
Product	$ 444.0	$ 472.5	$ 1,368.9	$ 1,570.3
Subscription and services	513.3	412.4	1,497.4	1,249.5
Total revenue	957.3	884.9	2,866.3	2,819.8
Cost of sales:				
Product	215.6	239.8	665.7	815.5
Subscription and services	123.8	109.8	364.2	338.4
Amortization of purchased intangible assets	27.7	19.9	80.9	63.4
Total cost of sales	367.1	369.5	1,110.8	1,217.3
Gross margin	590.2	515.4	1,755.5	1,602.5
Operating expense:				
Research and development	162.5	127.0	496.6	407.4
Sales and marketing	146.2	137.1	436.9	407.9
General and administrative	117.2	109.6	369.2	318.0
Restructuring	11.8	8.2	26.1	20.5
Amortization of purchased intangible assets	31.2	11.1	74.8	34.5
Total operating expense	468.9	393.0	1,403.6	1,188.3
Operating income	121.3	122.4	351.9	414.2
Non-operating income (expense), net:				
Divestitures gain, net	5.5	6.0	10.6	103.1
Interest expense, net	(46.8)	(15.6)	(113.2)	(46.9)
Income from equity method investments, net	5.2	6.8	24.6	22.3
Other income (expense), net	(5.8)	(1.7)	23.6	(14.7)
Total non-operating income (expense), net	(41.9)	(4.5)	(54.4)	63.8
Income before taxes	79.4	117.9	297.5	478.0
Income tax provision	4.5	32.1	49.2	113.9
Net income	$ 74.9	$ 85.8	$ 248.3	$ 364.1
Earnings per share:				
Basic	$ 0.30	$ 0.35	$ 1.00	$ 1.46
Diluted	$ 0.30	$ 0.34	$ 1.00	$ 1.45
Shares used in calculating earnings per share:				
Basic	248.6	247.5	248.0	249.1
Diluted	249.7	248.9	249.1	250.8

See accompanying Notes to the Condensed Consolidated Financial Statements.

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

	Third Quarter of				First Three Quarters of			
	2023		2022		2023		2022	
(In millions)								
Net income	$	74.9	$	85.8	$	248.3	$	364.1
Foreign currency translation adjustments, net of tax		(119.7)		(95.6)		(75.6)		(173.0)
Net change related to derivatives and other, net of tax		(0.2)		—		(3.6)		—
Comprehensive (loss) income	$	(45.0)	$	(9.8)	$	169.1	$	191.1

See accompanying Notes to the Condensed Consolidated Financial Statements.

TRIMBLE INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(UNAUDITED)

(In millions)	Common stock Shares	Amount	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
Balance at the end of 2022	246.9	$ 0.2	$ 2,054.9	$ 2,230.0	$ (234.9)	$ 4,050.2
Net income	—	—	—	128.8	—	128.8
Other comprehensive income	—	—	—	—	16.5	16.5
Issuance of common stock under employee plans, net of tax withholdings	0.5	—	16.9	(2.9)	—	14.0
Stock-based compensation	—	—	35.7	—	—	35.7
Balance at the end of the first quarter of 2023	**247.4**	**$ 0.2**	**$ 2,107.5**	**$ 2,355.9**	**$ (218.4)**	**$ 4,245.2**
Net income	—	—	—	44.6	—	44.6
Other comprehensive income	—	—	—	—	24.2	24.2
Issuance of common stock under employee plans, net of tax withholdings	0.9	—	(4.2)	(19.4)	—	(23.6)
Stock-based compensation	—	—	40.9	—	—	40.9
Balance at the end of the second quarter of 2023	**248.3**	**$ 0.2**	**$ 2,144.2**	**$ 2,381.1**	**$ (194.2)**	**$ 4,331.3**
Net income	—	—	—	74.9	—	74.9
Other comprehensive loss	—	—	—	—	(119.9)	(119.9)
Issuance of common stock under employee plans, net of tax withholdings	0.5	—	18.2	(0.6)	—	17.6
Stock-based compensation	—	—	39.1	—	—	39.1
Balance at the end of the third quarter of 2023	**248.8**	**$ 0.2**	**$ 2,201.5**	**$ 2,455.4**	**$ (314.1)**	**$ 4,343.0**

	Common stock					
	Shares	Amount	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
(In millions)						
Balance at the end of 2021	250.9	$ 0.3	$ 1,935.6	$ 2,170.5	$ (161.7)	$ 3,944.7
Net income	—	—	—	110.3	—	110.3
Other comprehensive loss	—	—	—	—	(2.2)	(2.2)
Issuance of common stock under employee plans, net of tax withholdings	0.7	—	15.2	(17.6)	—	(2.4)
Stock repurchases	(1.5)	—	(11.8)	(92.9)	—	(104.7)
Stock-based compensation	—	—	42.2	—	—	42.2
Balance at the end of the first quarter of 2022	**250.1**	**$ 0.3**	**$ 1,981.2**	**$ 2,170.3**	**$ (163.9)**	**$ 3,987.9**
Net income	—	—	—	168.0	—	168.0
Other comprehensive loss	—	—	—	—	(75.2)	(75.2)
Issuance of common stock under employee plans, net of tax withholdings	0.6	—	(2.3)	(17.1)	—	(19.4)
Stock repurchases	(3.1)	(0.1)	(24.4)	(175.5)	—	(200.0)
Stock-based compensation	—	—	33.2	—	—	33.2
Balance at the end of the second quarter of 2022	**247.6**	**$ 0.2**	**$ 1,987.7**	**$ 2,145.7**	**$ (239.1)**	**$ 3,894.5**
Net income	—	—	—	85.8	—	85.8
Other comprehensive loss	—	—	—	—	(95.6)	(95.6)
Issuance of common stock under employee plans, net of tax withholdings	0.4	—	17.9	(0.9)	—	17.0
Stock repurchases	(1.4)	—	(11.4)	(78.6)	—	(90.0)
Stock-based compensation	—	—	33.1	—	—	33.1
Balance at the end of the third quarter of 2022	**246.6**	**$ 0.2**	**$ 2,027.3**	**$ 2,152.0**	**$ (334.7)**	**$3,844.8**

See accompanying Notes to the Condensed Consolidated Financial Statements.

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

(In millions)	First Three Quarters of 2023	First Three Quarters of 2022
Cash flow from operating activities:		
Net income	$ 248.3	$ 364.1
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation expense	29.5	30.1
Amortization expense	155.7	97.9
Deferred income taxes	(104.0)	(41.3)
Stock-based compensation	112.5	93.2
Divestitures gain, net	(10.6)	(103.1)
Other, net	(5.9)	22.7
(Increase) decrease in assets:		
Accounts receivable, net	24.0	13.2
Inventories	46.3	(99.5)
Other current and non-current assets	(35.5)	(31.7)
Increase (decrease) in liabilities:		
Accounts payable	5.0	(3.8)
Accrued compensation and benefits	12.3	(52.9)
Deferred revenue	(39.7)	14.3
Income taxes payable	62.5	(16.6)
Other current and non-current liabilities	(2.2)	(1.5)
Net cash provided by operating activities	498.2	285.1
Cash flow from investing activities:		
Acquisitions of businesses, net of cash acquired	(2,088.9)	(318.1)
Purchases of property and equipment	(32.2)	(36.6)
Net proceeds from divestitures	15.1	214.3
Other, net	41.6	(11.8)
Net cash used in investing activities	(2,064.4)	(152.2)
Cash flow from financing activities:		
Issuance of common stock, net of tax withholdings	8.0	(4.8)
Repurchases of common stock	—	(394.7)
Proceeds from debt and revolving credit lines	3,398.8	529.3
Payments on debt and revolving credit lines	(1,856.8)	(235.9)
Other, net	(29.3)	(8.9)
Net cash provided by (used in) financing activities	1,520.7	(115.0)
Effect of exchange rate changes on cash and cash equivalents	(2.6)	(34.9)
Net decrease in cash and cash equivalents	(48.1)	(17.0)
Cash and cash equivalents - beginning of period	271.0	325.7
Cash and cash equivalents - end of period [1]	$ 222.9	$ 308.7

[1] Includes $6.1 million of cash and cash equivalents classified as held for sale as of September 29, 2023.

See accompanying Notes to the Condensed Consolidated Financial Statements.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 1. OVERVIEW AND ACCOUNTING POLICIES

Basis of Presentation

The Condensed Consolidated Financial Statements include our results of our consolidated subsidiaries. Intercompany accounts and transactions have been eliminated.

We use a 52- to 53-week year ending on the Friday nearest to December 31. Both 2023 and 2022 are 52-week years. The third quarter of 2023 and 2022 ended on September 29, 2023 and September 30, 2022. Unless otherwise stated, all dates refer to these periods.

Use of Estimates

We prepared our interim Condensed Consolidated Financial Statements that accompany these notes in conformity with U.S. GAAP, consistent in all material respects with those applied in our Form 10-K filed with the U.S. Securities and Exchange Commission on February 17, 2023 (the “2022 Form 10-K”).

The interim financial information is unaudited, and reflects all normal adjustments that are, in our opinion, necessary to provide a fair statement of results for the interim periods presented. This report should be read in conjunction with our 2022 Form 10-K that includes additional information about our significant accounting policies and the methods and assumptions used in our estimates.

The preparation of financial statements in accordance with U.S. generally accepted accounting principles (“GAAP”) requires us to make estimates and assumptions that affect the amounts reported in the 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 (“SSP”) of performance obligations, provision for credit losses, sales returns reserve, inventory valuation, warranty costs, investments, acquired intangibles, goodwill and intangible asset impairment analysis, other long-lived asset impairment analysis, stock-based compensation, and income taxes. We base our estimates on historical experience and various other assumptions we believe to be reasonable. Actual results that we experience may differ materially from our estimates.

Change in Presentation

During the first quarter of 2023, we changed the presentation of revenue and cost of sales in the Condensed Consolidated Statements of Income. This change was made to better reflect our Connect and Scale strategy and business model evolution with a continued shift toward a more significant mix of recurring revenue, which includes subscription, maintenance and support, recurring transactions, and term licenses. As such, we revised our presentation, including (a) the combination of subscription and services into one line item, and (b) moving term licenses from product to subscription and services. The subscription and services line item is more aligned with our performance measures, how we manage our business, and is helpful to investors and others to better understand our results.

Previously, we presented revenue and cost of sales on three lines as follows:

- product, which included hardware and software licenses (both perpetual and term licenses);

- service, which included hardware and software maintenance and support and professional services;
- subscription, which included Software as a Service (“SaaS”), data, and hosting services.

The revised categories are as follows:

- product, which includes hardware and perpetual software licenses;
- subscription and services, which includes SaaS, data, and hosting services, as well as term licenses, hardware and software maintenance and support, and professional services.

Prior period amounts have been revised to conform to the current period presentation. This change in presentation did not affect the total revenue or total cost of sales. The effect of the changes on the Condensed Consolidated Statements of Income for the third quarter and first three quarters of 2022 were as follows:

(In millions)	Third Quarter of 2022			First Three Quarters of 2022		
	As Previously Reported	Effect of Change in Presentation	As Reported Herein	As Previously Reported	Effect of Change in Presentation	As Reported Herein
Revenue:						
Product	$ 503.9	$ (31.4)	$ 472.5	$ 1,690.0	$ (119.7)	$ 1,570.3
Subscription and services	—	412.4	412.4	—	1,249.5	1,249.5
Service	158.3	(158.3)	—	477.4	(477.4)	—
Subscription	222.7	(222.7)	—	652.4	(652.4)	—
Total revenue	$ 884.9	$ —	$ 884.9	$ 2,819.8	$ —	$ 2,819.8
Cost of sales:						
Product	$ 240.7	$ (0.9)	$ 239.8	$ 819.0	$ (3.5)	$ 815.5
Subscription and services	—	109.8	109.8	—	338.4	338.4
Service	53.9	(53.9)	—	180.6	(180.6)	—
Subscription	55.0	(55.0)	—	154.3	(154.3)	—
Amortization of purchased intangible assets	19.9	—	19.9	63.4	—	63.4
Total cost of sales	$ 369.5	$ —	$ 369.5	$ 1,217.3	$ —	$ 1,217.3

Recently issued Accounting Pronouncements not yet Adopted

There are no recently issued accounting pronouncements applicable to us not yet adopted.

Recently Adopted Accounting Pronouncements

There are no recently adopted accounting pronouncements.

NOTE 2. COMMON STOCK REPURCHASE

In August 2021, our Board of Directors approved a new stock repurchase program ("2021 Stock Repurchase Program"), authorizing up to $750.0 million in repurchases of our common stock. The 2021 Stock Repurchase Program's authorization does not have an expiration date.

Under the 2021 Stock Repurchase Program, we may repurchase stock from time to time through open market transactions, privately-negotiated transactions, accelerated stock repurchase plans, or by other means. The timing and actual number of any stock repurchased will depend on a variety of factors, including market conditions, our stock price, other available uses of capital, applicable legal requirements, and other factors. The 2021 Stock Repurchase Program may be suspended, modified, or discontinued at any time at the Company's discretion without notice. At the end of the third quarter of 2023, the 2021 Stock Repurchase Program had remaining authorized funds of $215.3 million.

In the fourth quarter of 2023, we plan to reinstate share repurchases, which were temporarily discontinued in the fourth quarter of 2022.

During the third quarter and first three quarters of 2022, we repurchased approximately 1.4 million and 6.0 million shares of common stock in open market purchases at an average price of $64.23 and $65.90 per share for a total of $90.0 million and $394.7 million under the 2021 Stock Repurchase Program.

Stock repurchases are reflected as a decrease to common stock based on par value and additional-paid-in-capital, determined by the average book value per share of outstanding stock, calculated at the time of each individual repurchase transaction. The excess of the purchase price over this average for each repurchase was charged to retained earnings. Common stock repurchases under the program were recorded based upon the trade date for accounting purposes.

NOTE 3. ACQUISITION

On April 3, 2023, we acquired all of the issued and outstanding shares of TP Group Holding GmbH and Sixfold GmbH, which owned Transporeon, in an all-cash transaction. Transporeon is a Germany-based company and leading cloud-based transportation management software platform that connects key stakeholders across the industry lifecycle to positively impact the optimization of global supply chains, which aligns with our Connect and Scale strategy. Transporeon is reported as part of our Transportation segment.

The total purchase consideration was €1.9 billion or $2.1 billion, which included the repayment of outstanding Transporeon debt of $339.6 million. The acquisition was funded through a combination of cash on hand and debt. See Note 8 “Debt” of this report for more information.

Purchase Price Allocation

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.

The following table summarizes the consideration transferred to acquire Transporeon and the preliminary allocation of the purchase price among the assets acquired and liabilities assumed, as well as the estimated useful lives of the identifiable intangible assets as of the date of the acquisition. The allocation of the purchase price is still preliminary as we finalize deferred income taxes, certain tangible assets and liabilities acquired, and valuations of intangible assets. Preliminary estimates will be finalized within one year of the acquisition date.

(In millions)	Fair Value as of the Acquisition Date	Estimated Useful Life
Total purchase consideration	**$ 2,082.6**	
Net tangible assets acquired:		
Cash and cash equivalents	12.9	
Accounts receivable, net	41.8	
Other current assets	28.0	
Non-current assets	24.7	
Accounts payable	(4.1)	
Accrued compensation and benefits	(9.7)	
Deferred revenue	(16.5)	
Other current liabilities	(47.2)	
Non-current liabilities	(22.3)	
Total net tangible assets acquired	**7.6**	
Intangible assets acquired:		
Customer relationships	759.5	11 years
Developed product technology	168.4	7 years
Trade name	11.9	1 year
Total intangible assets acquired	**939.8**	
Deferred tax liability	**(256.6)**	
Fair value of all assets/liabilities acquired	690.8	
Goodwill	**$ 1,391.8**	

Goodwill consists of growth potential, synergies, and economies of scale expected from combining Transporeon's operations with ours, together with the highly skilled and valuable assembled workforce. We do not expect the goodwill to be deductible for income tax purposes.

Financial Information

The following table presents the amounts of revenue and net loss included in the Condensed Consolidated Statements of Income resulting from Transporeon since the acquisition date, which includes the effects of purchase accounting, primarily amortization of intangible assets and other adjustments.

	Third Quarter of		First Three Quarters of	
	2023		2023	
(In millions)				
Total revenue	$	41.0	$	81.5
Net loss		(12.4)		(27.0)

Pro Forma Financial Information

The pro forma financial information presented in the following table was computed by combining the historical financial information of Trimble and Transporeon along with the effects from business combination accounting and the associated debt resulting from this acquisition as if the companies were combined on January 1, 2022. This information is presented for informational purposes only, and is not necessarily indicative of the operating results that would have occurred if the acquisition had been consummated as of that date. This information should not be used as a predictive measure of our future financial position, results of operations, or liquidity.

	Third Quarter of				First Three Quarters of			
	2023		2022		2023		2022	
(In millions)								
Total revenue	$	957.3	$	922.7	$	2,906.8	$	2,936.3
Net income		74.9		56.7		210.0		252.2

NOTE 4. ASSETS HELD FOR SALE

On September 28, 2023, we executed a definitive agreement with AGCO that provides for the formation of a JV with AGCO in the mixed fleet precision agriculture market (the “Trimble Ag JV Transaction”). Under the terms of the agreement, we will contribute our precision agriculture business (“Trimble Ag”), excluding certain Global Navigation Satellite System (“GNSS”) and guidance technologies, and AGCO will contribute its JCA Technologies business to the JV. We will sell an interest in the JV to AGCO for $2.0 billion in pre-tax cash proceeds, subject to working capital adjustments. Immediately following the closing of the Trimble Ag JV Transaction, we will own 15% of the JV and AGCO will own 85% of the JV.

Additionally, we plan to enter into the following agreements with AGCO as part of the overall transaction:

- a seven-year, renewable Supply Agreement through which we will provide key GNSS and guidance technologies to the JV for use in professional agriculture machines sold by AGCO, on an exclusive basis with limited exceptions;
- a Technology Transfer and License Agreement to govern the licensing of certain non-divested intellectual property and technology for use by the JV in the agriculture field and, upon expiration of the Supply Agreement, to govern fixed and variable royalty payments made to us by the JV;
- a Trademark License Agreement to govern the licensing of certain Trimble trademarks for use by the JV in the agriculture field;

- a Positioning Services Agreement through which the JV will serve as our channel partner for the positioning services in the agriculture market; and
- a Transition Services Agreement to provide contract manufacturing services for the divested products for two years following the closing of the transaction.

The transaction is expected to close in the first half of 2024 and is subject to customary closing conditions, including regulatory approvals. Trimble Ag is reported as a part of our Resources and Utilities segment.

Following the closing of the Trimble Ag JV Transaction, our 15% ownership interest in the JV is expected to be reported as an equity method investment.

The assets and liabilities of Trimble Ag that are subject to the transaction were classified as held for sale in the third quarter of 2023. The following table presents the carrying values of the major classes of assets and liabilities classified as held for sale in our Condensed Consolidated Balance Sheets at the end of the third quarter of 2023:

(In millions)		As of Third Quarter of 2023
Cash and cash equivalents	$	6.1
Accounts receivable, net		11.7
Inventories, net		85.8
Other current assets		3.0
Property and equipment, net		18.8
Other purchased intangible assets, net		19.3
Goodwill		231.1
Other non-current assets		2.9
Total Assets Held for Sale	**$**	**378.7**
Accounts payable	$	3.7
Deferred revenue, current		13.3
Other current liabilities		14.8
Deferred revenue, non-current		8.3
Long-term liabilities		6.8
Total Liabilities Held for Sale	**$**	**46.9**

NOTE 5. INTANGIBLE ASSETS AND GOODWILL

Intangible Assets

The following table presents a summary of our intangible assets:

	Third Quarter of 2023			Year End 2022		
(In millions)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Developed product technology	$ 927.2	$ (554.1)	$ 373.1	$ 1,004.8	$ (722.7)	$ 282.1
Customer relationships	1,347.1	(469.8)	877.3	654.1	(445.9)	208.2
Trade names and trademarks	44.8	(36.6)	8.2	39.5	(32.7)	6.8
Distribution rights and other intellectual property	4.4	(3.4)	1.0	8.0	(7.0)	1.0
	$ 2,323.5	$ (1,063.9)	$ 1,259.6	$ 1,706.4	$ (1,208.3)	$ 498.1

The estimated future amortization expense of intangible assets at the end of the third quarter of 2023 was as follows:

(In millions)	
2023 (Remaining)	$ 57.5
2024	200.1
2025	162.8
2026	157.7
2027	144.0
Thereafter	537.5
Total	$ 1,259.6

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Goodwill

The changes in the carrying amount of goodwill by segment for the first three quarters of 2023 were as follows:

	Buildings and Infrastructure	Geospatial	Resources and Utilities	Transportation	Total
(In millions)					
Balance as of year end 2022	$ 2,300.1	$ 382.1	$ 471.8	$ 983.9	$ 4,137.9
Additions due to acquisitions	28.1	—	—	1,391.8	1,419.9
Assets held for sale	—	(1.7)	(229.4)	—	(231.1)
Foreign currency translation and other adjustments	(2.2)	(3.6)	2.0	(43.2)	(47.0)
Balance as of the end of the third quarter of 2023	$ 2,326.0	$ 376.8	$ 244.4	$ 2,332.5	$ 5,279.7

NOTE 6. INVENTORIES

The components of inventory, net were as follows:

As of	Third Quarter of 2023	Year End 2022
(In millions)		
Raw materials	$ 92.0	$ 154.9
Work-in-process	9.8	13.1
Finished goods	155.4	234.5
Total inventories	$ 257.2	$ 402.5

NOTE 7. SEGMENT INFORMATION

We determined our operating segments based on how our Chief Operating Decision Maker (“CODM”) views and evaluates operations. Our 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, and government.
- **Resources and Utilities**. This segment primarily serves customers working in agriculture, forestry, and utilities.
- **Transportation**. This segment primarily serves customers working in long haul trucking and freight shipper markets.

The following Reporting Segment tables reflect the results of our reportable operating segments under our management reporting system. These results are not necessarily in conformity with U.S. GAAP. This is consistent with the way the CODM evaluates each of the segment's performance and allocates resources.

(In millions)	Reporting Segments: Buildings and Infrastructure	Geospatial	Resources and Utilities	Transportation	Total
Third Quarter of 2023					
Segment revenue	$ 395.1	$ 180.7	$ 184.9	$ 196.6	$ 957.3
Segment operating income	113.5	57.9	69.2	35.8	276.4
Third Quarter of 2022					
Segment revenue	$ 363.6	$ 184.2	$ 191.7	$ 145.4	$ 884.9
Segment operating income	96.7	61.5	64.2	16.0	238.4
First Three Quarters of 2023					
Segment revenue	$ 1,204.6	$ 526.0	$ 589.5	$ 546.2	$ 2,866.3
Segment operating income	332.6	162.3	209.6	90.0	794.5
First Three Quarters of 2022					
Segment revenue	$ 1,143.8	$ 585.4	$ 636.4	$ 454.2	$ 2,819.8
Segment operating income	318.8	177.2	212.3	37.0	745.3

(In millions)	Reporting Segments: Buildings and Infrastructure	Geospatial	Resources and Utilities	Transportation	Total
As of the end of the Third Quarter of 2023					
Accounts receivable, net	$ 255.9	$ 133.0	$ 78.8	$ 173.7	$ 641.4
Inventories	68.8	124.0	11.0	53.4	257.2
Goodwill	2,326.0	376.8	244.4	2,332.5	5,279.7
As of Year End 2022					
Accounts receivable, net	$ 305.1	$ 137.2	$ 79.2	$ 121.8	$ 643.3
Inventories	93.2	146.1	100.3	62.9	402.5
Goodwill	2,300.1	382.1	471.8	983.9	4,137.9

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

	Third Quarter of		First Three Quarters of	
	2023	2022	2023	2022
(In millions)				
Consolidated segment operating income	$ 276.4	$ 238.4	$ 794.5	$ 745.3
Unallocated general corporate expenses	(25.4)	(28.5)	(86.4)	(91.6)
Amortization of purchased intangible assets	(58.9)	(31.0)	(155.7)	(97.9)
Acquisition / divestiture items	(22.0)	(9.1)	(55.5)	(20.3)
Stock-based compensation / deferred compensation	(37.9)	(31.7)	(115.4)	(82.9)
Restructuring and other costs	(10.9)	(15.7)	(29.6)	(38.4)
Consolidated operating income	121.3	122.4	351.9	414.2
Total non-operating income (expense), net	(41.9)	(4.5)	(54.4)	63.8
Consolidated income before taxes	$ 79.4	$ 117.9	$ 297.5	$ 478.0

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 is consistent with the Reporting Segment tables above.

(In millions)	Reporting Segments Buildings and Infrastructure	Geospatial	Resources and Utilities	Transportation	Total
Third Quarter of 2023					
North America	$ 256.1	$ 85.8	$ 55.1	$ 121.4	$ 518.4
Europe	78.3	51.2	74.6	56.6	260.7
Asia Pacific	51.3	33.2	12.1	9.3	105.9
Rest of World	9.4	10.5	43.1	9.3	72.3
Total segment revenue	$ 395.1	$ 180.7	$ 184.9	$ 196.6	$ 957.3
Third Quarter of 2022					
North America	$ 235.8	$ 84.1	$ 55.5	$ 113.0	$ 488.4
Europe	67.6	52.9	79.6	18.1	218.2
Asia Pacific	52.8	33.8	8.6	7.1	102.3
Rest of World	7.4	13.4	48.0	7.2	76.0
Total segment revenue	$ 363.6	$ 184.2	$ 191.7	$ 145.4	$ 884.9
First Three Quarters of 2023					
North America	$ 773.9	$ 233.0	$ 159.8	$ 359.1	$ 1,525.8
Europe	259.4	158.8	254.9	138.1	811.2
Asia Pacific	148.4	104.7	42.6	23.9	319.6
Rest of World	22.9	29.5	132.2	25.1	209.7
Total segment revenue	$ 1,204.6	$ 526.0	$ 589.5	$ 546.2	$ 2,866.3
First Three Quarters of 2022					
North America	$ 710.6	$ 255.4	$ 178.8	$ 354.9	$ 1,499.7
Europe	263.9	185.4	291.3	58.2	798.8
Asia Pacific	149.6	108.6	41.3	22.1	321.6
Rest of World	19.7	36.0	125.0	19.0	199.7
Total segment revenue	$ 1,143.8	$ 585.4	$ 636.4	$ 454.2	$ 2,819.8

Total revenue in the United States as included in the Condensed Consolidated Statements of Income was $478.6 million and $444.5 million for the third quarter of 2023 and 2022, and $1,401.2 million and $1,358.9 million for the first three quarters of 2023 and 2022. No single customer or country other than the United States accounted for 10% or more of our total revenue.

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NOTE 8. DEBT

Debt consisted of the following:

Instrument	Date of Issuance	Third Quarter of 2023			Year End 2022	
(In millions)		Effective interest rate				
Senior Notes:						
Senior Notes, 4.15%, due June 2023	June 2018		$	—	$	300.0
Senior Notes, 4.75%, due December 2024	November 2014	4.95%		400.0		400.0
Senior Notes, 4.90%, due June 2028	June 2018	5.04%		600.0		600.0
Senior Notes, 6.10%, due March 2033	March 2023	6.13%		800.0		—
Credit Facilities:						
2022 Revolving Credit Facility, due March 2027	September 2022	6.68%		210.0		225.0
Term Loan, due April 2026	April 2023	6.94%		500.0		—
Term Loan, due April 2028	April 2023	7.03%		500.0		—
Uncommitted Credit Facilities, floating rate		6.38%		58.3		—
Unamortized discount and issuance costs				(14.6)		(5.0)
Total debt			$	3,053.7	$	1,520.0
Less: Short-term debt				58.3		300.0
Long-term debt			$	2,995.4	$	1,220.0

Debt Maturities

At the end of the third quarter of 2023, our debt maturities based on outstanding principal were as follows (in millions):

Year Payable		
2023 (Remaining)	$	58.3
2024		400.0
2025		—
2026		518.8
2027		253.7
Thereafter		1,837.5
Total	$	3,068.3

Senior Notes

All of our senior notes are unsecured obligations. Interest on the senior notes is payable semi-annually in June and December of each year, except for the interest on the 2033 senior notes payable in March and September. Additional details are unchanged from the information disclosed in Note 7 “Debt” of the 2022 Form 10-K.

During the second quarter of 2023, the $300 million senior notes due June 2023 matured and were repaid in full.

2033 Senior Notes

In March 2023, we issued an aggregate principal amount of $800.0 million in senior notes that will mature in March 2033. The proceeds were partly used to finance our acquisition of Transporeon. The interest is payable semi-annually in March and September of each year, commencing in September 2023.

Credit Facilities

2022 Term Loan Credit Agreement

On December 27, 2022, we entered into a $1.0 billion unsecured, delayed draw term loan credit agreement comprised of commitments for a 3-year tranche of $500.0 million and a 5-year tranche of $500.0 million. On April 3, 2023, both variable-rate term loans were drawn to fund the acquisition of Transporeon.

Prepayments are allowed without penalty and cannot be reborrowed.

2022 Credit Facility and Amendment

In March 2022, we entered into a credit agreement maturing in March 2027. The 2022 credit facility provides for a five-year, unsecured revolving credit facility in an aggregate principal amount of $1.25 billion, and permits us, subject to the satisfaction of certain conditions, to increase the commitments for revolving loans by an aggregate principal amount of up to $500.0 million. The variable interest rate and commitment fees are based on our current long-term, senior unsecured debt ratings, our leverage ratio, and certain specified sustainability targets.

On December 27, 2022, we entered into an amendment to the 2022 credit facility that made available up to $600.0 million of the existing commitments for the acquisition of Transporeon and increased our maximum permitted leverage ratio following the closing of the acquisition. On April 3, 2023, we borrowed $225.0 million as part of the proceeds to finance the acquisition. For additional information related to the Transporeon acquisition, see Note 3 "Acquisition" of this report.

Uncommitted Facilities

At the end of the third quarter of 2023, we had two $75.0 million, one €100.0 million, and one £55.0 million revolving credit facilities, which are uncommitted. Generally, these variable-rate uncommitted facilities may be redeemed upon demand. Borrowings under the uncommitted facilities are classified as short-term debt in the Condensed Consolidated Balance Sheet.

Covenants

The 2022 term loan credit agreement and 2022 credit facility, as amended, contain customary covenants including, among other requirements, limitations that restrict the Company's and its subsidiaries' ability to create liens and enter into sale and leaseback transactions, and restrictions on the ability of the subsidiaries to incur indebtedness. Further, both debt agreements contain financial covenants that require the maintenance of maximum leverage and minimum interest coverage ratios. At the end of the third quarter of 2023, we were in compliance with the covenants for each of our debt agreements.

NOTE 9. FAIR VALUE MEASUREMENTS

The following table summarizes the fair values of financial instruments at fair value on a recurring basis for the periods indicated and determined using the following inputs:

(In millions)	Fair Values at the end of the third quarter of 2023				Fair Values at the end of 2022			
	Quoted prices in Active Markets for Identical Assets (Level I)	**Significant Other Observable Inputs (Level II)**	**Significant Unobservable Inputs (Level III)**	**Total**	**Quoted prices in Active Markets for Identical Assets (Level I)**	**Significant Other Observable Inputs (Level II)**	**Significant Unobservable Inputs (Level III)**	**Total**
Assets								
Deferred compensation plan [(1)]	$ 29.2	$ —	$ —	$ 29.2	$ 31.5	$ —	$ —	$ 31.5
Derivatives [(2)]	—	0.1	—	0.1	—	18.0	—	18.0
Contingent consideration [(3)]	—	—	1.0	1.0	—	—	3.1	3.1
Total assets measured at fair value	$ 29.2	$ 0.1	$ 1.0	$ 30.3	$ 31.5	$ 18.0	$ 3.1	$ 52.6
Liabilities								
Deferred compensation plan [(1)]	$ 29.2	$ —	$ —	$ 29.2	$ 31.5	$ —	$ —	$ 31.5
Derivatives [(2)]	—	0.4	—	0.4	—	0.2	—	0.2
Total liabilities measured at fair value	$ 29.2	$ 0.4	$ —	$ 29.6	$ 31.5	$ 0.2	$ —	$ 31.7

(1) Represents a self-directed, non-qualified deferred compensation plan for certain executives and other highly compensated employees included in Other non-current assets and Other non-current liabilities on our Condensed Consolidated Balance Sheets. The plan is invested in actively traded mutual funds and individual stocks valued using observable quoted prices in active markets.

(2) Represents forward currency exchange contracts, and for 2022, a treasury rate lock contract, all that are included in Other current assets and Other current liabilities on our Condensed Consolidated Balance Sheets.

(3) Represents arrangements to receive payments from buyers of our divested companies that are included in Other current assets on our Condensed Consolidated Balance Sheets. The fair values are estimated using scenario-based methods based upon estimated future milestones.

At the end of 2022, derivative assets included foreign currency exchange contracts and a treasury rate lock contract, both related to the acquisition of Transporeon and associated debt and were settled in the first two quarters of 2023. See Note 10 “Fair Value Measurements” of the 2022 Form 10-K for additional details.

Additional Fair Value Information

The total estimated fair value of all outstanding financial instruments that are not recorded at fair value on a recurring basis (debt) was approximately $3.0 billion and $1.5 billion at the end of the third quarter of 2023 and the end of 2022.

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. The fair values do not indicate the amount we would currently have to pay to extinguish the debt.

NOTE 10. DEFERRED REVENUE AND REMAINING PERFORMANCE OBLIGATIONS

Deferred Revenue

Changes in our deferred revenue during the third quarter of 2023 and 2022 were as follows:

	Third Quarter of		First Three Quarters of	
(In millions)	2023	2022	2023	2022
Beginning balance of the period	$ 745.6	$ 685.2	$ 737.6	$ 631.8
Revenue recognized from prior year-end	(107.8)	(92.0)	(543.0)	(453.8)
Billings net of revenue recognized from current year and other	54.8	43.6	498.0	458.8
Ending balance of the period	$ 692.6	$ 636.8	$ 692.6	$ 636.8

Remaining Performance Obligations

At the end of the third quarter of 2023, approximately $1.5 billion of revenue is expected to be recognized from remaining performance obligations for which goods or services have not been delivered, primarily subscription, software, and software maintenance, and to a lesser extent, hardware and professional services contracts. We expect to recognize $1.1 billion or 70% of our remaining performance obligations as revenue during the next 12 months and the remainder thereafter. The remaining performance obligations exclude $43.5 million related to the pending Trimble Ag JV Transaction.

NOTE 11. EARNINGS PER SHARE

Basic earnings per share is computed based on the weighted-average number of shares of common stock outstanding during the period. Diluted earnings per share is computed based on the weighted-average number of shares of common stock outstanding during the period plus additional shares of common stock that would have been outstanding if potentially dilutive securities had been issued. Potentially dilutive securities include outstanding stock options, restricted stock units, contingently issuable stock, and stock to be purchased under our employee stock purchase plan.

The following table shows the computation of basic and diluted earnings per share:

(In millions, except per share amounts)	Third Quarter of 2023	Third Quarter of 2022	First Three Quarters of 2023	First Three Quarters of 2022
Numerator:				
Net income	$ 74.9	$ 85.8	$ 248.3	$ 364.1
Denominator:				
Weighted-average number of common shares used in basic earnings per share	248.6	247.5	248.0	249.1
Effect of dilutive securities	1.1	1.4	1.1	1.7
Weighted-average number of common shares and dilutive potential common shares used in diluted earnings per share	249.7	248.9	249.1	250.8
Basic earnings per share	$ 0.30	$ 0.35	$ 1.00	$ 1.46
Diluted earnings per share	$ 0.30	$ 0.34	$ 1.00	$ 1.45
Antidilutive weighted-average shares (1)	1.3	1.7	1.7	1.5

(1) Antidilutive stock-based awards are excluded from the calculation of diluted shares and diluted earnings per share because their impact would increase diluted earnings per share.

NOTE 12. INCOME TAXES

For the third quarter, our effective income tax rate was 5.7%, as compared to 27.2% in the corresponding period in 2022. The decrease was primarily due to increases in tax benefit from U.S. federal R&D credit and foreign-derived intangible income in 2023, favorable geographic mix of earnings, and a tax charge associated with prior year divestiture gains. For the first three quarters, our effective income tax rate was 16.5%, as compared to 23.8% in the prior year. The decrease was primarily due to the same factors in the third quarter, partially offset by lower stock-based compensation deductions in the current year.

Unrecognized tax benefits of $62.0 million and $51.6 million at the end of the third quarter of 2023 and at the end of 2022, if recognized, would favorably affect the effective income tax rate in future periods. At the end of the third quarter of 2023 and at the end of 2022, we accrued interest and penalties of $10.9 million and $8.4 million. Although the timing of the resolution and/or closure of audits is not certain, we do not believe that our gross unrecognized tax benefits would materially change in the next twelve months.

NOTE 13. COMMITMENTS AND CONTINGENCIES

Commitments

At the end of the third quarter of 2023, we had unconditional purchase obligations of approximately $683.1 million. These unconditional purchase obligations primarily represent (i) open non-cancellable purchase orders for material purchases with our inventory vendors, and (ii) various non-cancelable agreements with certain service providers with minimum or fixed commitments.

Litigation

From time to time, we are involved in litigation arising in the ordinary course of our business. There are no material legal proceedings, other than ordinary routine litigation incidental to the business, that we or any of our subsidiaries is a party, or that any of our or our subsidiaries' property is subject.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

There have been no material changes to our critical accounting policies and estimates during the first three quarters of 2023. For a complete discussion of our critical accounting policies and estimates, refer to "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of the 2022 Form 10-K.

RECENT ACCOUNTING PRONOUNCEMENTS

For a summary of recent accounting pronouncements applicable to our Condensed Consolidated Financial Statements, refer to Note 1 "Overview and Accounting Policies" of this report.

EXECUTIVE LEVEL OVERVIEW

We are a leading provider of technology solutions that enable professionals and field mobile workers to improve or transform their work processes. Our comprehensive work process solutions are used across a range of industries including architecture, building construction, civil engineering, geospatial, survey and mapping, agriculture, natural resources, utilities, transportation, and government. Our representative customers include construction owners, contractors, engineering and construction firms, surveying companies, farmers and agricultural companies, energy and utility companies, trucking companies, and state, federal, and municipal governments.

Our growth strategy is centered on multiple elements:

- Executing on our Connect and Scale strategy;
- Increasing focus on software and services;
- Focus on attractive markets with significant growth and profitability potential;
- Domain knowledge and technological innovation that benefits a diverse customer base;
- Geographic expansion with a localization strategy;
- Optimized go-to-market strategies to best access our markets;
- Strategic acquisitions, joint ventures, and investments; and
- Sustainability.

Our focus on these growth drivers has led over time to growth in revenue and profitability and an increasingly diversified business model. We continue to experience a shift toward a more significant mix of recurring revenue as demonstrated by our success in driving annualized recurring revenue ("ARR") of $1,935.1 million, which represents growth of 25% year-over-year at the end of the third quarter of 2023. Excluding the impact of foreign currency, acquisitions, and divestitures, ARR organic growth was 13%. This shift toward recurring revenue has positively impacted our revenue mix, growth, and profitability over time and is leading to improved visibility in our businesses. Additionally, we continue to maintain focus on new product introductions and transitions to recurring revenue as evidenced by the Transporeon acquisition.

As our solutions have expanded, our go-to-market model has also evolved with a balanced mix between direct, distribution, and OEM customers as well as enterprise-level customer relationships.

Throughout this “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, we refer to organic revenue growth, which is a non-GAAP measure. For a full definition of ARR, organic ARR, and organic revenue growth as used in this discussion and analysis, refer to the “Supplemental Disclosure of Non-GAAP Financial Measures and Annualized Recurring Revenue” found later in this Item 2.

Impact of Recent Events on Our Business

Acquisitions and Divestitures

We acquire businesses that align with our long-term growth strategies including our strategic product roadmap and, conversely, we divest certain business that no longer fit those strategies.

On September 28, 2023, we executed a definitive agreement with AGCO that provides for the formation of a JV with AGCO in the mixed fleet precision agriculture market (the “Trimble Ag JV Transaction”). Under the terms of the agreement, we will contribute our precision agriculture business (“Trimble Ag”), excluding certain Global Navigation Satellite System (“GNSS”) and guidance technologies, and AGCO will contribute its JCA Technologies business to the JV. We will sell an interest in the JV to AGCO for $2.0 billion in pre-tax cash proceeds, subject to working capital adjustments. Immediately following the closing of the Trimble Ag JV Transaction, we will own 15% of the JV and AGCO will own 85% of the JV.

Additionally, we plan to enter into the following agreements with AGCO as part of the overall transaction:

- a seven-year, renewable Supply Agreement through which we will provide key GNSS and guidance technologies to the JV for use in professional agriculture machines sold by AGCO, on an exclusive basis with limited exceptions;
- a Technology Transfer and License Agreement to govern the licensing of certain non-divested intellectual property and technology for use by the JV in the agriculture field and, upon expiration of the Supply Agreement, to govern fixed and variable royalty payments made to us by the JV;
- a Trademark License Agreement to govern the licensing of certain Trimble trademarks for use by the JV in the agriculture field;
- a Positioning Services Agreement through which the JV will serve as our channel partner for the positioning services in the agriculture market; and
- a Transition Services Agreement to provide contract manufacturing services for the divested products for two years following closing of the Transaction.

The formation of the JV is expected to better serve farmers with factory fit and aftermarket applications in the mixed fleet precision agriculture market to help farmers drive productivity, efficiency, and sustainability. Additionally, the transaction is expected to (i) simplify our Connect and Scale strategy, (ii) reduce risk of channel transition in the agriculture market, and (iii) enhance our financial profile and flexibility with a resulting higher mix of software, services, and recurring revenue, as well as repaying $1.1 billion of our debt and repurchasing our shares through use of the net proceeds.

The transaction is expected to close in the first half of 2024 and is subject to customary closing conditions, including regulatory approvals. Trimble Ag is reported as a part of our Resources and Utilities segment.

The assets and liabilities of Trimble Ag that are subject to the transaction were classified as held for sale at the end of the third quarter of 2023. See Note 4 “Assets Held for Sale” of this report.

On April 3, 2023, we acquired all of the outstanding shares of Transporeon in an all-cash transaction valued at €1.9 billion or $2.1 billion. Transporeon is a Germany-based company and leading cloud-based transportation management software platform that connects key stakeholders across the industry lifecycle to positively impact the optimization of global supply chains, which aligns with our Connect and Scale strategy. By combining Transporeon’s operations with ours, we expect economies of scale and meaningful synergies such as acceleration of recurring revenue, expansion of the addressable market, cross-sell opportunities, and enhanced productivity and sustainability solutions for our customers. Transporeon is reported in our Transportation segment. We have included the financial results of Transporeon in our Condensed Consolidated Financial Statements starting in the second quarter of 2023.

Macroeconomic Conditions

Macroeconomic conditions, including geopolitical tensions, such as the ongoing military conflicts in the Middle East and between Russia and Ukraine and related sanctions, exchange rate and interest rate volatility, and inflationary pressures, will continue to evolve globally.

In the first three quarters of 2023, as compared to the prior year, our organic hardware sales declined and bookings moderated as dealers moved toward lower levels of inventories due to improved product lead times and macroeconomic concerns. Geospatial, Buildings and Infrastructure, and Resources and Utilities all had strong hardware sales in the prior year. Due to previously extended component lead times, we made binding commitments over a longer horizon for certain components. We expect that our inventory levels will normalize over the first half of 2024. However, as our inventory levels continue to normalize, macroeconomic conditions, including rising interest rates and inflation, could negatively impact the timing of inventory normalization.

Global inflation has risen sharply, and interest rates are rising in an effort to curb inflation. These macroeconomic conditions have had and are expected to have a negative impact on our results of operations. Additionally, we may experience higher borrowing costs on variable-rate debt. At the end of the third quarter of 2023, our outstanding balance of variable-rate debt was $1.3 billion.

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RESULTS OF OPERATIONS

Overview

The following table shows revenue by category, gross margin and gross margin as a percentage of revenue, operating income and operating income as a percentage of revenue, diluted earnings per share, and annualized recurring revenue compared for the periods indicated:

	Third Quarter of				First Three Quarters of			
	2023	**2022**	**Dollar Change**	**% Change**	**2023**	**2022**	**Dollar Change**	**% Change**
(In millions, except per share amounts)								
Revenue:								
Product	$ 444.0	$ 472.5	$ (28.5)	(6)%	$1,368.9	$1,570.3	$(201.4)	(13)%
Subscription and services	513.3	412.4	100.9	24%	1,497.4	1,249.5	247.9	20%
Total revenue	$ 957.3	$ 884.9	$ 72.4	8%	$2,866.3	$2,819.8	$ 46.5	2%
Gross margin	$ 590.2	$ 515.4	$ 74.8	15%	$1,755.5	$1,602.5	$ 153.0	10%
Gross margin as a % of revenue	61.7 %	58.2 %			61.2 %	56.8 %		
Operating income	$ 121.3	$ 122.4	$ (1.1)	(1)%	$ 351.9	$ 414.2	$ (62.3)	(15)%
Operating income as a % of revenue	12.7 %	13.8 %			12.3 %	14.7 %		
Diluted earnings per share	$ 0.30	$ 0.34	$ (0.04)	(12)%	$ 1.00	$ 1.45	$ (0.45)	(31)%
Non-GAAP operating income [(1)]	$ 251.0	$ 209.9	$ 41.1	20%	$ 708.1	$ 653.7	$ 54.4	8%
Non-GAAP operating income as a % of revenue[(1)]	26.2 %	23.7 %			24.7 %	23.2 %		
Non-GAAP diluted earnings per share [(1)]	$ 0.68	$ 0.66	$ 0.02	3%	$ 2.04	$ 2.04	$ —	NM
Annualized Recurring Revenue (“ARR”) [(1)]	$1,935.1	$1,546.8	$ 388.3	25%	N/A	N/A	N/A	N/A

(1) Refer to “Supplemental Disclosure of Non-GAAP Financial Measures and Annualized Recurring Revenue” of this report for definitions.

Third Quarter and First Three Quarters of 2023 as Compared to 2022

Revenue

Change versus the corresponding period in 2022	Third Quarter of 2023 % Change			First Three Quarters of 2023 % Change		
	Product	Subscription and Services	Total Revenue	Product	Subscription and Services	Total Revenue
Change in Revenue	(6)%	24 %	8 %	(13)%	20 %	2 %
Acquisitions	1 %	11 %	6 %	1 %	9 %	4 %
Divestitures	— %	(1)%	(1)%	(4)%	(1)%	(3)%
Foreign currency exchange	1 %	1 %	1 %	— %	(1)%	— %
Organic growth	(8)%	13 %	2 %	(10)%	13 %	1 %

Organic total revenue increased for the third quarter and first three quarters, with strong growth coming from recurring revenue.

Organic product revenue decreased for the third quarter due to weakening end-user demand for our hardware products reflecting lower demand across markets, amid macroeconomic concerns. The first three quarters' decline was also impacted by changes in dealer inventory levels due to improved product lead times. The decreases were in Buildings and Infrastructure, Resources and Utilities, and Geospatial.

Organic subscription and services revenue for the third quarter and first three quarters was up primarily due to strong growth across all segments, particularly for Buildings and Infrastructure. The recurring growth was driven by increased subscription and term license sales to new and existing customers, as evidenced by overall organic ARR growth of 13%.

Gross Margin

Gross margin and gross margin as a percentage of revenue increased for the third quarter and first three quarters due to strong growth of software and subscription revenue, favorable pricing and costs, as well as a higher margin mix within our product offerings.

Operating Income

Operating income and operating income as a percentage of revenue decreased for the third quarter and first three quarters primarily due to increased operating expense, partially offset by gross margin expansion. Operating expense increased primarily associated with the Transporeon acquisition, including higher amortization of purchased intangible assets and acquisition costs. In addition, we incurred higher research and development and general and administrative costs, including investments related to our Connect and Scale strategy.

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

The following table shows research and development ("R&D"), sales and marketing ("S&M"), and general and administrative ("G&A") expense along with these expenses as a percentage of revenue for the periods indicated:

	Third Quarter of				First Three Quarters of			
	2023	2022	Dollar Change	% Change	2023	2022	Dollar Change	% Change
(In millions)								
Research and development	$ 162.5	$ 127.0	$ 35.5	28%	$ 496.6	$ 407.4	$ 89.2	22%
Percentage of revenue	17.0 %	14.4 %			17.3 %	14.4 %		
Sales and marketing	$ 146.2	$ 137.1	$ 9.1	7%	$ 436.9	$ 407.9	$ 29.0	7%
Percentage of revenue	15.3 %	15.5 %			15.2 %	14.5 %		
General and administrative	$ 117.2	$ 109.6	$ 7.6	7%	$ 369.2	$ 318.0	$ 51.2	16%
Percentage of revenue	12.2 %	12.4 %			12.9 %	11.3 %		
Total	$ 425.9	$ 373.7	$ 52.2	14%	$1,302.7	$1,133.3	$ 169.4	15%

R&D expense increased for the third quarter and first three quarters primarily due to higher compensation expense and the impact of the Transporeon acquisition. For the first three quarters, the increase was partially offset by divestitures. We believe that the development and introduction of new solutions are critical to our future success, and we expect to continue the active development of new products.

S&M expense increased for the third quarter and first three quarters primarily due to the impact of the Transporeon acquisition. For the first three quarters, the increase also was driven by higher consulting, advertising, and trade show costs, partially offset by divestitures.

G&A expense increased for the third quarter and first three quarters primarily due to the impact of the Transporeon acquisition and higher compensation expense.

Amortization of Purchased Intangible Assets

	Third Quarter of				First Three Quarters of			
	2023	2022	Dollar Change	% Change	2023	2022	Dollar Change	% Change
(In millions)								
Cost of sales	$ 27.7	$ 19.9	$ 7.8	39%	$ 80.9	$ 63.4	$ 17.5	28%
Operating expenses	31.2	11.1	20.1	181%	74.8	34.5	40.3	117%
Total amortization expense of purchased intangibles	$ 58.9	$ 31.0	$ 27.9	90%	$ 155.7	$ 97.9	$ 57.8	59%
Total amortization expense of purchased intangibles as a percentage of revenue	6 %	4 %			5 %	3 %		

Total amortization expense of purchased intangibles increased for the third quarter and first three quarters primarily due to amortization of intangibles acquired from the Transporeon acquisition, 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				First Three Quarters of			
	2023	2022	Dollar Change	% Change	2023	2022	Dollar Change	% Change
(In millions)								
Divestitures gain, net	$ 5.5	$ 6.0	$ (0.5)	(8)%	$ 10.6	$ 103.1	$ (92.5)	(90)%
Interest expense, net	(46.8)	(15.6)	(31.2)	200%	(113.2)	(46.9)	(66.3)	141%
Income from equity method investments, net	5.2	6.8	(1.6)	(24)%	24.6	22.3	2.3	10%
Other income (expense), net	(5.8)	(1.7)	(4.1)	241%	23.6	(14.7)	38.3	(261)%
Total non-operating income (expense), net	$ (41.9)	$ (4.5)	$ (37.4)	831%	$ (54.4)	$ 63.8	$(118.2)	(185)%

Non-operating expense, net increased for the third quarter and first three quarters primarily due to lower net gains from divestitures and higher interest expense from the new debt associated with the Transporeon acquisition. For the first three quarters, the increase was partially offset by a $27.6 million foreign currency exchange contract gain related to the Transporeon acquisition as well as fluctuations in the deferred compensation plan assets included in Other income (expense), net.

Income Tax Provision

For the third quarter, our effective income tax rate was 5.7%, as compared to 27.2% in the corresponding period in 2022. The decrease was primarily due to increases in tax benefit from U.S. federal R&D credit and foreign-derived intangible income in 2023, favorable geographic mix of earnings, and a tax charge associated with prior year divestiture gains. For the first three quarters, our effective income tax rate was 16.5%, as compared to 23.8% in the prior year. The decrease was primarily due to the same factors in the third quarter, partially offset by lower stock-based compensation deductions in the current year.

Results by Segment

We report our financial performance, including revenue and operating income, based on four reportable segments: Buildings and Infrastructure, Geospatial, Resources and Utilities, and Transportation.

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. For additional discussion of our segments, refer to Note 7 “Segment Information” of this report.

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The following table is a summary of revenue and operating income by segment compared for the periods indicated:

	Third Quarter of				First Three Quarters of			
	2023	2022	Dollar Change	% Change	2023	2022	Dollar Change	% Change
(In millions)								
Buildings and Infrastructure								
Segment revenue	$ 395.1	$ 363.6	$ 31.5	9%	$1,204.6	$1,143.8	$ 60.8	5%
Segment revenue as a % of total revenue	41 %	41 %			42 %	41 %		
Segment operating income	$ 113.5	$ 96.7	16.8	17%	$ 332.6	$ 318.8	13.8	4%
Segment operating income as a % of segment revenue	28.7 %	26.6 %			27.6 %	27.9 %		
Geospatial								
Segment revenue	$ 180.7	$ 184.2	(3.5)	(2)%	$ 526.0	$ 585.4	(59.4)	(10)%
Segment revenue as a % of total revenue	19 %	21 %			18 %	21 %		
Segment operating income	$ 57.9	$ 61.5	(3.6)	(6)%	$ 162.3	$ 177.2	(14.9)	(8)%
Segment operating income as a % of segment revenue	32.0 %	33.4 %			30.9 %	30.3 %		
Resources and Utilities								
Segment revenue	$ 184.9	$ 191.7	(6.8)	(4)%	$ 589.5	$ 636.4	(46.9)	(7)%
Segment revenue as a % of total revenue	19 %	22 %			21 %	22 %		
Segment operating income	$ 69.2	$ 64.2	5.0	8%	$ 209.6	$ 212.3	(2.7)	(1)%
Segment operating income as a % of segment revenue	37.4 %	33.5 %			35.6 %	33.4 %		
Transportation								
Segment revenue	$ 196.6	$ 145.4	51.2	35%	$ 546.2	$ 454.2	92.0	20%
Segment								

The following table is a reconciliation of our consolidated segment operating income to consolidated income before taxes:

	Third Quarter of		First Three Quarters of	
	2023	2022	2023	2022
(In millions)				
Consolidated segment operating income	$ 276.4	$ 238.4	$ 794.5	$ 745.3
Unallocated general corporate expenses	(25.4)	(28.5)	(86.4)	(91.6)
Amortization of purchased intangible assets	(58.9)	(31.0)	(155.7)	(97.9)
Acquisition / divestiture items	(22.0)	(9.1)	(55.5)	(20.3)
Stock-based compensation / deferred compensation	(37.9)	(31.7)	(115.4)	(82.9)
Restructuring and other costs	(10.9)	(15.7)	(29.6)	(38.4)
Consolidated operating income	121.3	122.4	351.9	414.2
Total non-operating income (expense), net	(41.9)	(4.5)	(54.4)	63.8
Consolidated income before taxes	$ 79.4	$ 117.9	$ 297.5	$ 478.0

Buildings and Infrastructure

Change versus the corresponding period in 2022	Third Quarter of 2023	First Three Quarters of 2023
	% Change	% Change
Change in Revenue - Buildings and Infrastructure	9 %	5 %
Acquisitions	2 %	3 %
Divestitures	— %	(3)%
Foreign currency exchange	1 %	(1)%
Organic growth	6 %	6 %

Organic revenue increased for the third quarter and first three quarters due to strong demand for our subscription and term license software and good net retention. The increases resulted from higher sales to new and existing customers as well as conversions to recurring offerings. Perpetual software revenue increased due to civil construction software application sales. In the third quarter, the increase in organic revenue was offset by lower civil construction hardware sales due to weakening end-user demand. For the first three quarters, organic revenue was also negatively impacted by changes in dealer inventory levels.

Operating income increased for the third quarter and first three quarters primarily due to higher revenue and gross margin expansion, offset by increased operating expense associated with revenue growth as well as investments, including our Connect and Scale strategy. Operating income as a percentage of revenue increased for the third quarter due to the same factors. Operating income as a percentage of revenue was relatively flat for the first three quarters.

Geospatial

Change versus the corresponding period in 2022	Third Quarter of 2023	First Three Quarters of 2023
	% Change	% Change
Change in Revenue - Geospatial	(2)%	(10)%
Divestitures	(1)%	(5)%
Foreign currency exchange	1 %	— %
Organic growth	(2)%	(5)%

Organic revenue decreased for the third quarter due to weakening end-user demand, partially offset by higher U.S. Federal government sales. For the first three quarters, hardware and related perpetual software sales were also negatively impacted by changes in dealer inventory levels.

Operating income decreased for the third quarter and first three quarters primarily due to reduced revenue, partially offset by gross margin expansion and operating expense control. Operating income as a percentage of revenue decreased for the third quarter due to the same factors. Operating income as a percentage of revenue was relatively flat for the first three quarters.

Resources and Utilities

Change versus the corresponding period in 2022	Third Quarter of 2023	First Three Quarters of 2023
	% Change	% Change
Change in Revenue - Resources and Utilities	(4)%	(7)%
Acquisitions	— %	1 %
Divestitures	(1)%	(1)%
Foreign currency exchange	1 %	— %
Organic growth	(4)%	(7)%

Organic revenue decreased for the third quarter and first three quarters from weaker dealer aftermarket sales due to robust market strength in the prior year and impacts related to changes in our distribution network. The declines were partially offset by an increase in subscription and services revenue, mainly from positioning services, forestry, and utilities businesses.

Operating income and operating income as a percentage of revenue increased for the third quarter primarily due to gross margin expansion, partially offset by higher operating expense. Operating income for the first three quarters was relatively flat, and operating income as a percentage of revenue was slightly up due to gross margin expansion.

Transportation

Change versus the corresponding period in 2022	Third Quarter of 2023 % Change	First Three Quarters of 2023 % Change
Change in Revenue - Transportation	35 %	20 %
Acquisitions	28 %	18 %
Divestitures	(1)%	(3)%
Foreign currency exchange	1 %	— %
Organic growth	7 %	5 %

Organic revenue increased for the third quarter and first three quarters primarily driven by enterprise and MAPS subscription revenue growth. Additionally, North American Mobility hardware sales increased in the third quarter.

Operating income and operating income as a percentage of revenue increased for the third quarter and first three quarters primarily due to the impact of the Transporeon acquisition, as well as organic revenue growth, gross margin expansion, and targeted cost reductions.

LIQUIDITY AND CAPITAL RESOURCES

As of	Third Quarter of 2023	Year End 2022	Dollar Change	% Change
(In millions, except percentages)				
Cash and cash equivalents [1]	$ 222.9	$ 271.0	$ (48.1)	(18)%
As a percentage of total assets	2.4 %	3.7 %		
Principal balance of outstanding debt	$ 3,068.3	$ 1,525.0	$ 1,543.3	101 %

	First Three Quarters of 2023	First Three Quarters of 2022	Dollar Change	% Change
(In millions)				
Net cash provided by operating activities	$ 498.2	$ 285.1	$ 213.1	75 %
Net cash used in investing activities	(2,064.4)	(152.2)	(1,912.2)	1256 %
Net cash provided by (used in) financing activities	1,520.7	(115.0)	1,635.7	(1422)%
Effect of exchange rate changes on cash and cash equivalents	(2.6)	(34.9)	32.3	(93)%
Net decrease in cash and cash equivalents	$ (48.1)	$ (17.0)		

[1] Includes $6.1 million of cash and cash equivalents classified as held for sale as of September 29, 2023.

Operating Activities

The increase in cash provided by operating activities was primarily driven by a reduction in inventory purchases in the current year, and incentive compensation payouts and tax payments in the prior year. The increase was partially offset by a decrease in deferred revenue due to the timing of billings and higher interest payments.

Investing Activities

The increase in cash used in investing activities was primarily due to the Transporeon acquisition and higher divestiture proceeds in the prior year.

Financing Activities

The increase in cash provided by financing activities was driven by proceeds from our $800.0 million issuance of the 2033 senior notes, borrowings of $1.0 billion in term loans in the current year, and common stock repurchases occurring in the prior year. The increase was partially offset by the repayment of the 2023 senior notes.

Cash and Cash Equivalents

We believe that our cash and cash equivalents and borrowings, along with cash provided by operations will be sufficient in the foreseeable future to meet our anticipated operating cash needs, debt service, expenditures related to our Connect and Scale strategy, and any acquisitions.

Our 2022 credit facility allows us to borrow up to $1.25 billion, with an option to increase the borrowings up to $1.75 billion with lender approval. As of September 29, 2023, $210.0 million was outstanding under the 2022 credit facility.

Our 2023 senior notes totaling $300.0 million matured and were paid in June 2023.

In the second quarter of 2023, we acquired Transporeon, which was funded through a combination of $1.0 billion of term loans, $225.0 million drawn on the 2022 credit facility, as amended, and the 2033 senior notes, see Note 3 “Acquisition” of this report.

In the third quarter of 2023, we executed a definitive agreement to contribute our Trimble Ag business to a newly formed JV with AGCO and sell 85% of the stake in the JV to AGCO for $2.0 billion in pre-tax cash proceeds, subject to certain adjustments. See Note 4 “Assets Held for Sale” of this report. Although we will continue to evaluate the optimal capital structure for our business following the completion of the pending sale, we expect to use the $1.5 billion of estimated proceeds after tax to repay approximately $1.1 billion in debt and repurchase shares.

As a result of R&D cost capitalization for tax purposes, our tax cash costs in 2022 were approximately $88.0 million higher than they would have been had R&D costs continued to be expensed upfront for tax purposes. In 2023, we are expecting to pay approximately $60.0 million relating to this provision. The majority relates to Federal tax liability and will be paid during the fourth quarter of 2023, as we qualified for payment postponement under the IRS relief initiative for California disaster area taxpayers.

Our cash requirements have not otherwise materially changed since the 2022 Form 10-K.

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SUPPLEMENTAL DISCLOSURE OF NON-GAAP FINANCIAL MEASURES AND ANNUALIZED RECURRING REVENUE

To supplement our consolidated financial information, we included non-GAAP financial measures, which are not meant to be considered in isolation or as a substitute for comparable GAAP. We believe non-GAAP financial measures provide useful information to investors and others in understanding our “core operating performance”, which excludes (i) the effect of non-cash items and certain variable charges not expected to recur; and (ii) transactions that are not meaningful in comparison to our past operating performance or not reflective of ongoing financial results. Lastly, we believe that our core operating performance offers a supplemental measure for period-to-period comparisons and can be used to evaluate our historical and prospective financial performance, as well as our performance relative to competitors.

Organic revenue growth is a non-GAAP measure that refers to revenue excluding the impacts of (i) foreign currency translation, and (ii) acquisitions and divestitures. We believe organic revenue growth provides useful information in evaluating the results of our business because it excludes items that are not indicative of ongoing performance or impact comparability with the prior year. We provide a reconciliation table showing the change in revenue growth to organic revenue growth in the “Results of Operations” section found earlier in this Item 2.

In addition to providing non-GAAP financial measures, we disclose Annualized Recurring Revenue (“ARR”) to give the investors supplementary indicators of the value of our current recurring revenue contracts. ARR represents the estimated annualized value of recurring revenue. ARR is calculated by taking our subscription, maintenance and support, and recurring transaction revenue for the current quarter and adding the portion of the contract value of all of our term licenses attributable to the current quarter, and dividing that sum by the number of days in the quarter and then multiplying that quotient by 365. Organic ARR refers to annualized recurring revenue excluding the impacts of (i) foreign currency translation, and (ii) acquisitions and divestitures. ARR and organic ARR should be viewed independently of revenue and deferred revenue as they are performance measures and are not intended to be combined with or to replace either of those items.

The non-GAAP financial measures, definitions, and explanations to the adjustments to comparable GAAP measures are included below:

(In millions, except per share amounts)		Third Quarter of 2023 Dollar Amount	% of Revenue	2022 Dollar Amount	% of Revenue	First Three Quarters of 2023 Dollar Amount	% of Revenue	2022 Dollar Amount	% of Revenue
REVENUE:									
GAAP revenue:		$ 957.3		$ 884.9		$2,866.3		$2,819.8	
GROSS MARGIN:									
GAAP gross margin:		$ 590.2	61.7 %	$ 515.4	58.2 %	$1,755.5	61.2 %	$1,602.5	56.8 %
Amortization of purchased intangible assets	(A)	27.7		19.9		80.9		63.4	
Acquisition / divestiture items	(B)	—		—		0.4		—	
Stock-based compensation / deferred compensation	(C)	3.8		3.4		11.4		8.7	
Restructuring and other costs	(D)	0.1		(0.1)		(0.6)		1.0	
Non-GAAP gross margin:		$ 621.8	65.0 %	$ 538.6	60.9 %	$1,847.6	64.5 %	$1,675.6	59.4 %
OPERATING EXPENSES:									
GAAP operating expenses:		$ 468.9	49.0 %	$ 393.0	44.4 %	$1,403.6	49.0 %	$1,188.3	42.1 %
Amortization of purchased intangible assets	(A)	(31.2)		(11.1)		(74.8)		(34.5)	
Acquisition / divestiture items	(B)	(22.0)		(9.1)		(55.1)		(20.3)	
Stock-based compensation / deferred compensation	(C)	(34.1)		(28.3)		(104.0)		(74.2)	
Restructuring and other costs	(D)	(10.8)		(15.8)		(30.2)		(37.4)	
Non-GAAP operating expenses:		$ 370.8	38.7 %	$ 328.7	37.1 %	$1,139.5	39.8 %	$1,021.9	36.2 %
OPERATING INCOME:									
GAAP operating income:		$ 121.3	12.7 %	$ 122.4	13.8 %	$ 351.9	12.3 %	$ 414.2	14.7 %
Amortization of purchased intangible assets	(A)	58.9		31.0		155.7		97.9	
Acquisition / divestiture items	(B)	22.0		9.1		55.5		20.3	
Stock-based compensation / deferred compensation	(C)	37.9		31.7		115.4		82.9	
Restructuring and other costs	(D)	10.9		15.7		29.6		38.4	
Non-GAAP operating									

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		Third Quarter of				First Three Quarters of			
		2023		2022		2023		2022	
NON-OPERATING INCOME (EXPENSE), NET:									
GAAP non-operating income (expense), net:		$ (41.9)		$ (4.5)		$ (54.4)		$ 63.8	
Acquisition / divestiture items	(B)	(5.1)		(5.6)		(37.6)		(103.0)	
Deferred compensation	(C)	0.8		0.2		(2.9)		10.5	
Restructuring and other costs	(D)	0.1		—		1.4		0.1	
Non-GAAP non-operating expense, net:		$ (46.1)		$ (9.9)		$ (93.5)		$ (28.6)	
			GAAP and Non-GAAP Tax Rate % (G)		GAAP and Non-GAAP Tax Rate % (G)		GAAP and Non-GAAP Tax Rate % (G)		GAAP and Non-GAAP Tax Rate % (G)
INCOME TAX PROVISION:									
GAAP income tax provision:		$ 4.5	5.7 %	$ 32.1	27.2 %	$ 49.2	16.5 %	$113.9	23.8 %
Non-GAAP items tax effected	(E)	7.2		22.3		48.6		34.7	
Difference in GAAP and Non-GAAP tax rate	(F)	23.0		(18.4)		9.7		(33.9)	
Non-GAAP income tax provision:		$ 34.7	16.9 %	$ 36.0	18.0 %	$107.5	17.5 %	$114.7	18.3 %
NET INCOME:									
GAAP net income:		$ 74.9		$ 85.8		$248.3		$364.1	
Amortization of purchased intangible assets	(A)	58.9		31.0		155.7		97.9	
Acquisition / divestiture items	(B)	16.9		3.5		17.9		(82.7)	
Stock-based compensation / deferred compensation	(C)	38.7		31.9		112.5		93.4	
Restructuring and other costs	(D)	11.0		15.7		31.0		38.5	
Non-GAAP tax adjustments	(E) - (F)	(30.2)		(3.9)		(58.3)		(0.8)	
Non-GAAP net income:		$170.2		$164.0		$507.1		$510.4	
DILUTED NET INCOME PER SHARE:									
GAAP diluted net income per share:		$ 0.30		$ 0.34		$ 1.00		$ 1.45	
Amortization of purchased intangible assets	(A)	0.24		0.13		0.63		0.39	

Non-GAAP Definitions

Non-GAAP gross margin

We define Non-GAAP gross margin as GAAP gross margin, excluding the effects of amortization of purchased intangible assets, acquisition/divestiture items, stock-based compensation, deferred compensation, and restructuring and other costs. 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 operating expenses

We define Non-GAAP operating expenses as GAAP operating expenses, excluding the effects of amortization of purchased intangible assets, acquisition/divestiture items, stock-based compensation, deferred compensation, and restructuring and other costs. We believe this measure is important to investors evaluating our non-GAAP spending in relation to revenue.

Non-GAAP operating income

We define Non-GAAP operating income as GAAP operating income, excluding the effects of amortization of purchased intangible assets, acquisition/divestiture items, stock-based compensation, deferred compensation, and restructuring and other costs. We believe our investors benefit by understanding our non-GAAP operating income trends, which are driven by revenue, gross margin, and spending.

Non-GAAP non-operating expense, net

We define Non-GAAP non-operating expense, net as GAAP non-operating income (expense), net, excluding acquisition/divestiture items, deferred compensation, and restructuring and other costs. We believe this measure helps investors evaluate our non-operating expense trends.

Non-GAAP income tax provision

We define Non-GAAP income tax provision as GAAP income tax provision, excluding charges and benefits such as net deferred tax impacts resulting from the non-U.S. intercompany transfer of intellectual property, tax law changes, and significant one-time reserve releases upon the statute of limitations expirations. We believe this measure helps investors because it provides for consistent treatment of excluded items in our non-GAAP presentation and a difference in the GAAP and non-GAAP tax rates.

Non-GAAP net income

We define Non-GAAP net income as GAAP net income, excluding the effects of amortization of purchased intangible assets, acquisition/divestiture items, stock-based compensation, restructuring and other costs, and non-GAAP tax adjustments. 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 diluted net income per share

We define Non-GAAP diluted net income per share as GAAP diluted net income per share, excluding the effects of amortization of purchased intangible assets, acquisition/divestiture items, stock-based compensation, restructuring and other costs, and non-GAAP tax adjustments. 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.

Adjusted EBITDA

We define Adjusted EBITDA as non-GAAP operating income plus depreciation expense, cloud computing amortization, and income from equity method investments, net. Other companies may define Adjusted EBITDA differently. Adjusted EBITDA is not intended to purport to be an alternative to net income or operating income as a measure of operating performance or cash flow from operating activities as a measure of liquidity. Adjusted EBITDA is a performance measure that we believe offers a useful view of the overall operations of our business because it facilitates operating performance comparisons by removing potential differences caused by variations unrelated to operating performance, such as capital structures (interest expense), income taxes, depreciation, and amortization of purchased intangibles and cloud computing costs.

Explanations of Non-GAAP adjustments

(A). **Amortization of purchased intangible assets.** Non-GAAP gross margin and operating expenses exclude the amortization of purchased intangible assets, which primarily represents technology and/or customer relationships already developed.

(B). **Acquisition / divestiture items.** Non-GAAP gross margin and operating expenses exclude costs consisting of external and incremental costs resulting directly from acquisitions, divestitures, and strategic investment activities such as legal, due diligence, integration, and other closing costs, including the acceleration of acquisition stock options and adjustments to the fair value of earn-out liabilities. Non-GAAP non-operating expense, net, excludes unusual one-time acquisition/divestiture charges, including foreign currency exchange rate gains/losses related to an acquisition, divestiture gains/losses, and strategic investment impairments. These are one-time costs that vary significantly in amount and timing and are not indicative of our core operating performance.

(C). **Stock-based compensation / deferred compensation.** Non-GAAP gross margin and operating expenses exclude stock-based compensation and income or expense associated with movement in our non-qualified deferred compensation plan liabilities. Changes in non-qualified deferred compensation plan assets, included in non-operating expense, net, offset the income or expense in the plan liabilities.

(D). **Restructuring and other costs.** Non-GAAP gross margin and operating expenses exclude restructuring and other costs comprised of termination benefits related to reductions in employee headcount and closure or exit of facilities, executive severance agreements, business exit costs, as well as a $20 million commitment to donate to the Trimble Foundation that was paid over four quarters ending in the first quarter of 2023.

(E). **Non-GAAP items tax effected.** This amount adjusts the provision for income taxes to reflect the effect of the non-GAAP items (A) - (D) on non-GAAP net income.

(F). **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 expense, net. The non-GAAP tax rate excludes charges and benefits such as net deferred tax impacts resulting from a non-U.S. intercompany transfer of intellectual property and significant one-time reserve releases upon statute of limitations expirations.

(G). **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.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES 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

Our cash equivalents consisted primarily of interest and non-interest bearing bank deposits as well as bank time deposits. The main objective of these instruments is safety of principal and liquidity while maximizing return, without significantly increasing risk. Due to the nature of our cash equivalents that are readily convertible to cash, we do not anticipate any material effect on our portfolio due to fluctuations in interest rates.

In the second quarter of 2023, we borrowed $1.2 billion of variable-rate debt in conjunction with the Transporeon acquisition. At the end of the third quarter of 2023, our outstanding balance of variable-rate debt was $1.3 billion. We are exposed to market risk due to the possibility of changing interest rates. While not predictive, a hypothetical 50 basis point increase in interest rates on our variable-rate debt would result in an increase of approximately $6.4 million in annual interest expense.

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. In addition, volatile market conditions could result in changes in exchange rates.

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, favorable impacts from foreign currency exchange rates were $9.6 million on revenue and $0.5 million on operating income. In the first three quarters of 2023, unfavorable impacts from foreign currency exchange rates were $8.8 million on revenue and $5.8 million on operating income.

We enter into foreign currency forward contracts to minimize the short-term impact of foreign currency exchange rate fluctuations on cash, debt, and certain trade and intercompany receivables and payables, primarily denominated in Euro, Canadian Dollars, New Zealand Dollars, British Pound, and Brazilian Real. 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. We occasionally enter into foreign currency exchange contracts to hedge the purchase price of some of our larger business acquisitions.

Our foreign currency contracts are marked-to-market through earnings every period and generally range in maturity from one to two months, or from four to six months for acquisitions. We do not enter into foreign currency contracts for trading purposes. Foreign currency forward contracts outstanding at the end of the third quarter of 2023 and at the end of 2022 are summarized as follows (in millions):

	Third Quarter of 2023		Year End 2022	
	Nominal Amount	Fair Value	Nominal Amount	Fair Value
Forward contracts:				
Purchased	$ (159.5)	$ (0.4)	$ (77.9)	$ —
Sold	61.8	0.1	130.6	0.2
Foreign currency exchange contract related to acquisition	—	—	1,999.4	10.4

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 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 involved in litigation arising out of the ordinary course of our business. There are no 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

There have been no material changes to our risk factor disclosures since our 2022 Form 10-K except for the one listed below. The risk factors described in the 2022 Form 10-K are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially and adversely affect our business, financial condition, or operating results.

The announced contribution of Trimble Ag to a newly formed JV and the sale of a majority interest in the JV are subject to various risks and uncertainties.

In September 2023, we signed a definitive agreement to contribute our Trimble Ag business, excluding certain GNSS and guidance technologies, to a joint venture ("JV") with AGCO, of which we will retain a 15% stake. The transaction is expected to close in the first half of 2024. The pending transaction may not be completed in accordance with announced plans, on the currently expected timeline, or at all, and the pending sale may be disruptive to our business operations and adversely affect our profitability. In addition, the risks and uncertainties associated with the new JV include that (i) we may fail to realize the anticipated benefits of the formation of the JV, (ii) the closing of the transaction is subject to conditions that may not be satisfied or may take longer to be satisfied than expected, (iii) the benefits from the long-term Supply Agreement, the Technology Transfer and License Agreement, the Trademark License Agreement, and the Transition Services Agreement with the JV will be dependent upon the JV's ability to successfully develop and market products, (iv) we may fail to realize the benefits of our noncontrolling stake in the JV, (v) unanticipated difficulties may arise in separating the precision agriculture business, (vi) unanticipated factors may arise affecting the cost of operating the JV as a standalone business, (vii) we may be unable to successfully integrate AGCO's JCA Technologies business into the JV, (viii) the use of proceeds may be affected by market conditions and alternative uses that become more attractive over time, (ix) the development of technology synergies will depend on the level of research and development spending and the success of future innovation, and (x) we may fail to obtain governmental or regulatory approval that may be required for the proposed transaction, or that, if such approval is obtained, the approval may be obtained subject to unexpected conditions.

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

(a) None.

(b) None.

(c) None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

None.

ITEM 5. OTHER INFORMATION

Rule 10b5-1 Trading Plan

During the third quarter of 2023, none of our directors or executive officers (as defined in Rule 16a-1(f) under the Exchange Act) adopted or terminated a Rule 10b5-1 trading arrangements or a non-Rule 10b5-1 trading arrangement (each as defined in Item 408(a) of Regulation S-K under the Exchange Act).

ITEM 6. EXHIBITS

We have filed, or incorporated into the Report by reference, the exhibits listed on the accompanying Index to Exhibits immediately preceding the signature page of this report.

EXHIBIT INDEX

Exh. No.	Description of Exhibit	Filed or furnished herewith or incorporated by reference to:
2.1	Sale and Purchase Agreement, dated December 11, 2022, by and among the Company, Trimble Trailblazer GmbH, and Spider Investments Luxembourg S.à r.l.	Exhibit 2.1 to Form 8-K/A filed Dec. 21, 2022
2.2	Sale and Contribution Agreement, dated September 28, 2023, by and among the Company, Trimble Solutions, LLC, and AGCO Corporation	Exhibit 10.1 to Form 8-K/A filed Sep. 29, 2023
3.1	Certificate of Incorporation of Trimble Inc.	Exhibit 3.1 to Form 8-K filed Oct. 3, 2016
3.2	Amended and Restated By-Laws of Trimble Inc. (effective June 1, 2023)	Exhibit 3.1 to Form 8-K filed Jun. 6, 2023
10.1	Incentive Compensation Recoupment Policy of the Company, as amended September 24, 2023	Filed herewith
31.1	Certification of CEO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
31.2	Certification of CFO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
32.1	Certification of CEO pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Furnished herewith
32.2	Certification of CFO pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Furnished herewith
101	The following financial statements from the Company's Quarterly Report on Form 10-Q for the quarter ended September 29, 2023, formatted in Inline XBRL, tagged as blocks of text and including detailed tags: (i) Condensed Consolidated Balance Sheets, (ii) Condensed Consolidated Statements of Income, (iii) Condensed Consolidated Statements of Comprehensive Income (Loss), (iv) Condensed Consolidated Statements of Stockholders' Equity, (v) Condensed Consolidated Statements of Cash Flows, and (vi) Notes to Condensed Consolidated Financial Statements.	
104	The cover page from this Report on Form 10-Q, formatted in Inline XBRL	

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/ DAVID G. BARNES

David G. Barnes
Chief Financial Officer
(Authorized Officer and Principal Financial Officer)

DATE: November 3, 2023