TRIMBLE INC.
Form 10-Q
May 09, 2018
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)
ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED March 30, 2018
OR
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM TO
Commission file number: 001-14845
TRIMBLE INC.
(Exact name of registrant as specified in its charter)

Delaware	94-2802192
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

935 Stewart Drive, Sunnyvale, CA 94085
(Address of principal executive offices) (Zip Code)
Telephone Number (408) 481-8000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes ý No ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer	ý	Accelerated Filer	¨
Non-accelerated Filer	¨ (Do not check if a smaller reporting company)	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

As of May 4, 2018, there were 249,219,655 shares of Common Stock, par value $0.001 per share, outstanding.

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PART I – FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
TRIMBLE INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

As of	First Quarter of 2018	Fiscal Year End 2017 *As Adjusted
(In millions, except par value)		
ASSETS		
Current assets:		
Cash and cash equivalents	$274.5	$ 358.5
Short-term investments	—	178.9
Accounts receivable, net	475.7	427.7
Other receivables	33.4	42.8
Inventories	289.1	264.6
Other current assets	51.9	39.2
Total current assets	1,124.6	1,311.7
Property and equipment, net	184.3	174.0
Goodwill	2,726.4	2,287.1
Other purchased intangible assets, net	466.2	364.8
Deferred costs, non-current	35.6	35.0
Other non-current assets	136.6	143.7
Total assets	$4,673.7	$ 4,316.3
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Short-term debt	$430.5	$ 128.4
Accounts payable	157.4	146.0
Accrued compensation and benefits	105.8	143.9
Deferred revenue	324.2	237.6
Accrued warranty expense	18.9	18.3
Other current liabilities	110.0	99.2
Total current liabilities	1,146.8	773.4
Long-term debt	691.8	785.5
Non-current deferred revenue	36.2	39.0
Deferred income tax liabilities	49.8	47.8
Income taxes payable	80.4	94.1
Other non-current liabilities	168.8	162.0
Total liabilities	2,173.8	1,901.8
Commitments and contingencies (Note 15)		
Stockholders' equity:		
Preferred stock, $0.001 par value; 3.0 shares authorized; none issued and outstanding	—	—
Common stock, $0.001 par value; 360.0 shares authorized; 248.7 and 248.9 shares issued and outstanding as of the end of the first quarter of fiscal 2018 and fiscal year end 2017, respectively	0.2	0.2
Additional paid-in-capital	1,497.0	1,461.1

Retained earnings	1,103.6	1,084.6
Accumulated other comprehensive loss	(101.1)	(131.4)
Total Trimble Inc. stockholders' equity	2,499.7	2,414.5
Noncontrolling interests	0.2	—
Total stockholders' equity	2,499.9	2,414.5
Total liabilities and stockholders' equity	$4,673.7	$ 4,316.3

* See Note 2 for a summary of adjustments

See accompanying Notes to the Condensed Consolidated Financial Statements.

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TRIMBLE INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

	First Quarter of	
(In millions, except per share amounts)	2018	2017 *As Adjusted
Revenue:		
Product	$497.8	$ 409.6
Service	128.8	106.6
Subscription	115.6	94.4
Total revenue	742.2	610.6
Cost of sales:		
Product	235.4	193.4
Service	59.6	47.0
Subscription	27.9	26.9
Amortization of purchased intangible assets	23.1	19.0
Total cost of sales	346.0	286.3
Gross margin	396.2	324.3
Operating expense:		
Research and development	109.3	88.7
Sales and marketing	122.1	94.4
General and administrative	81.6	69.3
Restructuring charges	1.6	2.9
Amortization of purchased intangible assets	17.4	14.3
Total operating expense	332.0	269.6
Operating income	64.2	54.7
Non-operating income, net:		
Interest expense, net	(9.5)	(6.1)
Foreign currency transaction gain, net	3.7	1.4
Income from equity method investments, net	4.9	4.2
Other income, net	3.4	9.5
Total non-operating income, net	2.5	9.0
Income before taxes	66.7	63.7
Income tax provision	8.0	13.9
Net income	58.7	49.8
Net gain attributable to noncontrolling interests	0.2	—
Net income attributable to Trimble Inc.	$58.5	$ 49.8
Basic earnings per share	$0.24	$ 0.20
Shares used in calculating basic earnings per share	248.8	252.0
Diluted earnings per share	$0.23	$ 0.19
Shares used in calculating diluted earnings per share	253.2	255.9

* See Note 2 for a summary of adjustments

See accompanying Notes to the Condensed Consolidated Financial Statements.

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

	First Quarter of	
	2018	2017 *As Adjusted
(In millions)		
Net income	$58.7	$ 49.8
Foreign currency translation adjustments, net of tax	30.3	25.7
Net unrealized loss on short-term investments	—	(0.1)
Net unrealized actuarial loss, net of tax	—	(0.1)
Comprehensive income	89.0	75.3
Comprehensive gain attributable to noncontrolling interests	0.2	—
Comprehensive income attributable to Trimble Inc.	$88.8	$ 75.3

* See Note 2 for a summary of adjustments
See accompanying Notes to the Condensed Consolidated Financial Statements.

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

(In millions)	First Quarter of 2018	2017 *As Adjusted
Cash flow from operating activities:		
Net income	$58.7	$ 49.8
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation expense	8.5	8.9
Amortization expense	40.5	33.3
Stock-based compensation	17.4	13.7
Income from equity method investments	(0.1)	(2.7)
Other non-cash items	(7.4)	(9.7)
Decrease (increase) in assets:		
Accounts receivable	(29.4)	(34.0)
Inventories	(21.7)	(2.4)
Other current and non-current assets	(10.6)	(4.7)
Increase (decrease) in liabilities:		
Accounts payable	11.1	3.5
Accrued compensation and benefits	(41.6)	(14.8)
Deferred revenue	69.6	53.3
Other liabilities	(12.1)	9.8
Net cash provided by operating activities	82.9	104.0
Cash flow from investing activities:		
Acquisitions of businesses, net of cash acquired	(518.7)	(78.5)
Acquisitions of property and equipment	(18.2)	(5.7)
Purchases of short-term investments	(24.0)	(59.0)
Proceeds from maturities of short-term investments	6.2	24.4
Proceeds from sales of short-term investments	196.8	3.9
Other	4.4	19.6
Net cash used in investing activities	(353.5)	(95.3)
Cash flow from financing activities:		
Issuance of common stock, net of tax withholdings	25.3	39.6
Repurchases of common stock	(53.0)	(14.2)
Proceeds from debt and revolving credit lines	591.0	252.0
Payments on debt and revolving credit lines	(383.0)	(226.1)
Other	—	(0.3)
Net cash provided by financing activities	180.3	51.0
Effect of exchange rate changes on cash and cash equivalents	6.3	5.0
Net increase (decrease) in cash and cash equivalents	(84.0)	64.7
Cash and cash equivalents - beginning of period	358.5	216.1
Cash and cash equivalents - end of period	$274.5	$ 280.8

* See Note 2 for a summary of adjustments

See accompanying Notes to the Condensed Consolidated Financial Statements.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – UNAUDITED

NOTE 1. OVERVIEW AND BASIS OF PRESENTATION

Company and Background

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

Basis of Presentation

The Company has a 52-53 week fiscal year, ending on the Friday nearest to December 31, which for fiscal 2017 was December 29, 2017. The first quarter of fiscal 2018 and 2017 ended on March 30, 2018 and March 31, 2017, respectively. Both fiscal 2018 and 2017 are 52-week years. Unless otherwise stated, all dates refer to the Company’s fiscal year and fiscal periods.

The Condensed Consolidated Financial Statements include the results of the Company and its consolidated subsidiaries. Inter-company accounts and transactions have been eliminated. Noncontrolling interests represent the noncontrolling stockholders’ proportionate share of the net assets and results of operations of the Company’s consolidated subsidiaries.

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

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

Use of Estimates

The preparation of financial statements in accordance with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in its Condensed Consolidated Financial Statements and accompanying notes. Estimates and assumptions are used for revenue recognition, including determining the nature and timing of satisfaction of performance obligations and determining standalone selling price of performance obligations, allowances for doubtful accounts, sales returns reserve, allowances for inventory valuation, warranty costs, investments, goodwill impairment, intangibles impairment, purchased intangibles, useful lives for tangible and intangible assets, stock-based compensation, and income taxes among others. Management bases its estimates on historical experience and various other assumptions believed to be reasonable. Actual results and outcomes may differ from management's estimates and assumptions.

NOTE 2. UPDATES TO SIGNIFICANT ACCOUNTING POLICIES

Summary of Significant Accounting Policies

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

Revenue Recognition

Significant Judgments

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

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

Nature of Goods and Services

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

Product

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

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

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

Services

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

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

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

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

Subscription

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

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

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

Accounts receivable, net

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

The Company maintains an allowance for doubtful accounts to provide for the estimated amount of receivables that will not be collected. Each reporting period, the Company evaluates the collectibility of its trade accounts receivable based on a number of factors such as age of the accounts receivable balances, credit quality, historical experience, and current economic conditions that may affect a customer's ability to pay. The allowance for doubtful accounts was $5.0 million and $3.6 million at the end of the first quarter of fiscal 2018 and end of fiscal 2017, respectively.

Deferred Costs to Obtain Customer Contracts

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

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

Remaining Performance Obligations

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

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

Recently Adopted Accounting Pronouncements

Financial Instruments - Overall

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

Statement of Cash Flows

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

Accounting for Income Taxes - Intra-Entity Asset Transfers

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

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

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

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

In March 2017, the FASB issued new guidance to improve the presentation for components of defined benefit pension cost, which requires employers to report the service cost component of net periodic pension cost in the same line item as other compensation expense arising from services rendered during the period. The standard also requires the other components of net periodic cost be presented in the income statement separately from the service cost component and outside of a subtotal of income from operations. The Company adopted the guidance retrospectively to all periods presented beginning in the first quarter of fiscal 2018. The

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Company has defined benefit pension plans that are immaterial for its consolidated financial statements; therefore, adoption of this guidance did not have a material impact.

Revenue from Contracts with Customers

In May 2014, the FASB issued a comprehensive new revenue recognition standard that replaces the prior revenue recognition guidance under U.S. GAAP. The new standard requires companies to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

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

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

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

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

Impacts to Previously Reported Results

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

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

	First quarter of fiscal 2017		
(In millions, except per share amounts)	As Previously Reported	Adjustments a	As Adjusted
Revenue	$613.9	$ (3.3)	$ 610.6
Gross margin	326.6	(2.3)	324.3
Operating income	56.6	(1.9)	54.7
Income tax provision	15.1	(1.2)	13.9
Net Income attributable to Trimble Inc.	$50.5	$ (0.7)	$ 49.8
Diluted earnings per share	$0.20	$ (0.01)	$ 0.19

	Fiscal Year End 2017		
(In millions)	As Previously Reported	Adjustments a	As Adjusted
Accounts receivable, net	$414.8	$ 12.9	$427.7
Inventories	271.8	(7.2)	264.6
Deferred costs, non-current	—	35.0	35.0
Other current and non-current assets	205.5	(22.6)	182.9
Current and non-current deferred revenue	313.4	(36.8)	276.6
Other current liabilities	101.0	(1.8)	99.2
Deferred income tax liabilities	40.4	7.4	47.8
Stockholders' equity	$2,366.0	$ 48.5	$2,414.5

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

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	Fiscal Year End 2017		
(In millions)	As Previously Reported	Adjustments b	As Adjusted
Net cash provided by operating activities	$411.9	$ 17.8	$429.7
Net cash used in investing activities	(366.0)	(5.2)	(371.2)
Net cash provided by financing activities	$79.1	$ (12.6)	$66.5

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

Recently issued Accounting Pronouncements not yet adopted

Leases

In February 2016, the FASB issued new guidance that requires a lessee to recognize lease assets and lease liabilities on the balance sheet for most leases and provide enhanced disclosures. Most prominent is the recognition of assets and liabilities by lessees for those leases classified as operating leases under previous U.S. GAAP. Under the new standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. Leases will continue to be classified as either finance or operating leases, and for both, the initial lease liabilities should be measured at the present value of the lease payments. Right of use assets for leases are measured based on the lease liability adjusted for deferred and prepaid rent as well as lease incentives paid. This new guidance is effective beginning in fiscal 2019, although early adoption is permitted. Currently, companies are required to use a modified retrospective approach for leases that exist or are entered into after the beginning of the earliest comparative period in the financial statements, and there are certain practical expedients that companies may elect, including an accounting policy election to not recognize lease assets and liabilities for leases with a term of twelve months or less. At its November 29, 2017 meeting, the FASB announced that it plans to allow a simplified transition approach for companies to elect not to restate their comparative periods in the period of adoption when transitioning to the new lease accounting. The Company plans to elect the simplified transition approach upon final issuance of the update. While the Company is continuing to assess all potential impacts of the standard, it currently anticipates that the standard will have a material effect on its consolidated balance sheets, with the most significant impact related to the accounting for real estate lease assets and liabilities. The Company plans to adopt the standard in fiscal 2019 and is evaluating the use of optional

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practical expedients. Currently, the Company is evaluating all of its leases to determine the overall accounting impacts and the lease system requirements to provide the new accounting and reporting for leases.

Financial Instruments - Credit Losses

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

Intangibles - Goodwill and Other

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

NOTE 3. STOCKHOLDERS’ EQUITY

Stock Repurchase Activities

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

Under the share repurchase program, the Company may repurchase shares from time to time in open market transactions, privately negotiated transactions, accelerated share buyback programs, tender offers, or by other means. The timing and amount of repurchase transactions will be determined by the Company’s management based on its evaluation of market conditions, share price, legal requirements and other factors. The program may be suspended, modified or discontinued at any time without prior notice.

During the first quarter of fiscal 2018, the Company repurchased approximately 1.3 million shares of common stock in open market purchases, at an average price of $39.43 per share, for a total of $50.0 million under the 2017 Stock Repurchase Program.

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

Stock-Based Compensation Expense

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

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

	First Quarter of	
	2018	2017
(In millions)		
Cost of sales	$1.1	$0.8
Research and development	3.1	2.4

Sales and marketing	2.3	2.2
General and administrative	10.9	8.3
Total operating expense	16.3	12.9
Total stock-based compensation expense	$17.4	$13.7

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NOTE 4. BUSINESS COMBINATIONS

During the first quarter of fiscal 2018, the Company acquired two businesses, with total cash consideration of $526.9 million. The Condensed Consolidated Statements of Income include the operating results of the businesses from the dates of acquisition. The acquisitions were not significant individually or in the aggregate. In the aggregate, the businesses acquired during the first quarter of fiscal 2018 contributed less than two percent to the Company's total revenue during the first quarter of fiscal 2018.

The Company determined the total consideration paid for each of its acquisitions as well as the fair value of the assets acquired and liabilities assumed as of the date of acquisition. The fair value of liabilities assumed includes deferred revenue which is written down to the cost, plus a reasonable profit margin, to fulfill customer contractual obligations. For certain acquisitions completed in the last three quarters of fiscal 2017 and the first quarter of fiscal 2018, the fair value of the assets acquired and liabilities assumed are preliminary and may be adjusted as the Company obtains additional information, primarily related to adjustments for the true up of acquired net working capital in accordance with certain purchase agreements, and estimated values of certain net tangible assets and liabilities including tax balances, pending the completion of final studies and analyses. If there are adjustments made for these items, the fair value of intangible assets and goodwill could be impacted. Thus, the provisional measurements of fair value are subject to change. Such changes could be significant. The Company expects to finalize the valuation of the net tangible and intangible assets as soon as practicable, but not later than one-year from the acquisition date.

The fair value of identifiable assets acquired and liabilities assumed were determined under the acquisition method of accounting for business combinations. The excess of purchase consideration over the fair value of net tangible and identifiable intangible assets acquired was recorded as goodwill. The fair value of intangible assets acquired is generally determined based on a discounted cash flow analysis. Acquisition costs directly related to all acquisitions, including the changes in the fair value of the contingent consideration liabilities, a net expense of $16.0 million and $2.1 million for the first quarter of fiscal 2018 and 2017, respectively, were expensed as incurred.

The following table summarizes the Company’s business combinations completed during the first quarter of fiscal 2018 including e-Builder (the acquisition of which is described below):

(In millions)	First Quarter of 2018
Fair value of total purchase consideration	$526.9
Less fair value of net assets acquired:	
Net tangible assets acquired	2.6
Identifiable intangible assets	135.0
Deferred income taxes	(26.3)
Goodwill	$415.6

Intangible Assets

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

As of	First Quarter of Fiscal 2018			Fiscal Year End 2017		
(In millions)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Developed product technology	$1,006.7	$(762.7)	$ 244.0	$915.3	$(729.9)	$ 185.4
Trade names and trademarks	64.8	(49.9)	14.9	58.7	(48.6)	10.1
Customer relationships	564.8	(367.5)	197.3	512.1	(351.3)	160.8
Distribution rights and other intellectual properties	71.6	(61.6)	10.0	69.2	(60.7)	8.5
	$1,707.9	$(1,241.7)	$ 466.2	$1,555.3	$(1,190.5)	$ 364.8

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

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(In millions)	
2018 (Remaining)	$111.1
2019	110.0
2020	80.6
2021	58.7
2022	40.4
Thereafter	65.4
Total	$466.2

Goodwill

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

	Buildings and Infrastructure	Geospatial	Resources and Utilities	Transportation	Total
(In millions)					
Balance as of fiscal year end 2017	$ 706.8	$ 415.3	$ 314.5	$ 850.5	$2,287.1
Additions due to acquisitions	415.6	—	—	—	415.6
Purchase price adjustments- prior years' acquisitions	—	—	—	(0.2)	(0.2)
Foreign currency translation adjustments	17.3	3.0	3.9	1.5	25.7
Divestiture (1)	—	(1.8)	—	—	(1.8)
Balance as of the end of the first quarter of fiscal 2018	$ 1,139.7	$ 416.5	$ 318.4	$ 851.8	$2,726.4

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

e-Builder, Inc.

On February 2, 2018, the Company completed the acquisition of e-Builder, Inc., a Florida corporation (“e-Builder”). e-Builder is a SaaS-based construction program management solution for capital program owners and program management firms that is expected to extend the Company’s ability to accelerate industry transformation by providing an integrated project delivery solution for owners, program managers and contractors across the design, construct and operate lifecycle. Trimble acquired all of the issued and outstanding shares of common stock of e-Builder for a total purchase price of $485.2 million, subject to certain adjustments described in the purchase agreement. The Company incurred approximately $18.6 million in acquisition-related costs primarily comprising compensation costs incurred post-closing associated with options which were accelerated in connection with the acquisition transaction, which were expensed as incurred and included in Cost of Sales - Service, Research and development, Sales and marketing, and General and administrative expense. e-Builder’s results of operations since February 2, 2018 have been included in the Company’s Condensed Consolidated Statements of Income for the first quarter of fiscal 2018.

e-Builder's performance is reported under the Buildings and Infrastructure segment.

The acquisition was funded through the use of approximately $200.0 million of the Company’s existing cash, with the remainder funded through the Company’s credit facilities.

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

(In millions)	Estimated Fair Value	
Total purchase consideration	$ 485.2	
Net tangible assets acquired	1.5	
Intangible assets acquired:		Estimated Useful Life
Developed product technology	60.5	7 years
Order backlog	1.7	6 months
Customer relationships	42.4	10 years
Trade name	4.8	7 years
Subtotal	109.4	
Deferred tax liability	(19.6)	
Less fair value of all assets/liabilities acquired	91.3	
Goodwill	$ 393.9	

Details of the net assets acquired are as follows:

(In millions)	As of February 2, 2018
Cash and cash equivalents	$ 2.5
Accounts receivable	14.2
Other receivables	43.9
Other current assets	0.7
Property and equipment, net	0.1
Other non-current assets	0.1
Accounts payable	(8.4)
Accrued liabilities	(39.9)
Deferred revenue liability	(11.7)
Net tangible assets acquired	$ 1.5

Goodwill represents the excess of the fair value of consideration paid over the fair value of the underlying net tangible and intangible assets acquired. Goodwill consisted of e-Builder’s highly skilled and valuable assembled workforce, a proven ability to generate new products and services to drive future revenue, and a premium paid by the Company for synergies unique to its business. The Company recorded $393.9 million of goodwill from this acquisition. None of the goodwill recognized is expected to be deductible for income tax purposes.

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During the first quarter of fiscal 2018, e-Builder contributed $5.0 million of revenue and recorded $1.5 million of operating loss within the business segment. The following table presents pro forma results of operations of the Company and e-Builder, as if the companies had been combined as of the beginning of the earliest period presented. The unaudited pro forma results of operations are not necessarily indicative of results that would have occurred had the acquisition taken place on the first day of fiscal 2017, or of future results. Included in the pro forma results are fair value adjustments based on the fair values of assets acquired and liabilities assumed as of the acquisition date of February 2, 2018. For the first quarter of fiscal 2018 and 2017, the pro-forma results include amortization of intangible assets related to the acquisition, impacts from adoption of Revenue from Contracts with Customers, interest expense for debt used to purchase e-Builder, and income tax effects. The pro forma information for the first quarter of fiscal 2018 and 2017 is as follows:

	First Quarter of	
Fiscal Period	2018	2017
(in millions, except per share data)		
Revenue	$750.5	$620.9
Net income attributable to Trimble Inc.	74.4	47.1
Basic earnings per share	0.30	0.19
Diluted earnings per share	0.29	0.19

NOTE 5. INVENTORIES

Inventories consisted of the following:

	First Quarter of	Fiscal Year End
As of	2018	2017 *As Adjusted
(In millions)		
Raw materials	$ 91.0	$ 85.2
Work-in-process	11.7	12.4
Finished goods	186.4	167.0
Total inventories	$ 289.1	$ 264.6

* See Note 2 for a summary of adjustments

Finished goods includes $7.8 million and $8.7 million at the end of the first quarter of fiscal 2018 and fiscal year end 2017 for costs of sales that have been deferred in connection with deferred revenue arrangements.

NOTE 6. SEGMENT INFORMATION

Operating segments are defined as components of an enterprise that engage in business activities for which separate financial information is available and evaluated by the Company's Chief Executive Officer (our chief operating decision maker or "CODM") in deciding how to allocate resources and assess performance. The CODM evaluates each segment’s performance and allocates resources based on segment operating income before income taxes and corporate allocations. The Company and each of its segments employ consistent accounting policies. In each of its segments, the Company sells many individual products. For this reason it is impracticable to segregate and identify revenue for each of the individual products or group of products. Stock-based compensation is shown in the aggregate within unallocated corporate expense and is not reflected in the segment results, which is consistent with the way the CODM evaluates each segment's performance and allocates resources.

The Company’s reportable segments are described below:

- Buildings and Infrastructure: This segment primarily serves customers working in architecture, engineering, construction, and operations and maintenance.
- Geospatial: This segment primarily serves customers working in surveying, engineering, government, and land management.
- Resources and Utilities: This segment primarily serves customers working in agriculture, forestry, and utilities.
- Transportation: This segment primarily serves customers working in transportation, including transportation and logistics, automotive, rail, and military aviation.

The following tables present revenue, operating income, depreciation expense and identifiable assets for the four reportable segments. Operating income is revenue less cost of sales and operating expense, excluding unallocated corporate expenses, restructuring charges, amortization of purchased intangible assets, stock-based compensation, amortization of acquisition-related inventory step-up, and acquisition and divestiture items. The identifiable assets that the CODM views by segment are accounts receivable, inventories and goodwill.

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	Reporting Segments				
(In millions)	Buildings and Infrastructure	Geospatial	Resources and Utilities	Transportation	Total
First Quarter of Fiscal 2018					
Revenue	$224.7	$ 174.5	$ 159.2	$ 183.8	$742.2
Operating income	43.5	37.3	51.7	30.4	162.9
Depreciation expense	1.4	1.4	1.0	1.1	4.9
First Quarter of Fiscal 2017					
Revenue (*As Adjusted)	$186.5	$ 149.6	$ 120.2	$ 154.3	$610.6
Operating income (*As Adjusted)	31.7	27.9	42.6	23.5	125.7
Depreciation expense	1.8	1.3	0.6	1.4	5.1
As of the First Quarter of Fiscal 2018					
Accounts receivable, net	$148.0	$ 124.0	$ 99.1	$ 104.6	$475.7
Inventories	66.3	121.8	48.6	52.4	289.1
Goodwill	1,139.7	416.5	318.4	851.8	2,726.4
As of Fiscal Year End 2017					
Accounts receivable, net (*As Adjusted)	$120.1	$ 121.5	$ 78.5	$ 107.6	$427.7
Inventories (*As Adjusted)	62.1	110.3	46.0	46.2	264.6
Goodwill	706.8	415.3	314.5	850.5	2,287.1

* See Note 2 for a summary of adjustments

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

	First Quarter of	
(In millions)	2018	2017 *As Adjusted
Consolidated segment operating income	$162.9	$ 125.7
Unallocated corporate expense	(23.4)	(18.4)
Restructuring charges	(1.4)	(3.4)
Amortization of purchased intangible assets	(40.5)	(33.3)
Stock-based compensation	(17.4)	(13.7)
Amortization of acquisition-related inventory step-up	—	(0.1)
Acquisition and divestiture items	(16.0)	(2.1)
Consolidated operating income	64.2	54.7
Non-operating income, net:	2.5	9.0
Consolidated income before taxes	$66.7	$ 63.7

* See Note 2 for a summary of adjustments

The disaggregation of revenue by geography is summarized in the tables below. Revenue is defined as revenue from external customers is attributed to countries based on the location of the customer.

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	Reporting Segments				
	Buildings and Infrastructure	Geospatial	Resources and Utilities	Transportation	Total
(In millions)					
First Quarter of Fiscal 2018					
North America	$113.3	$ 69.4	$ 48.4	$ 151.2	$382.3
Europe	75.6	49.6	79.9	21.3	226.4
Asia Pacific	29.2	43.3	11.3	10.8	94.6
Rest of World	6.6	12.2	19.6	0.5	38.9
Total consolidated revenue	224.7	174.5	159.2	183.8	742.2
First Quarter of Fiscal 2017 (*As Adjusted)					
North America	$96.7	$ 55.2	$ 42.1	$ 127.7	$321.7
Europe	57.5	41.5	49.2	16.2	164.4
Asia Pacific	23.6	40.4	11.3	9.2	84.5
Rest of World	8.7	12.5	17.6	1.2	40.0
Total consolidated revenue	186.5	149.6	120.2	154.3	610.6

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

NOTE 7. DEBT

Debt consisted of the following:

As of	First Quarter of 2018	Fiscal Year End 2017
(In millions)		
Notes:		
Principal amount	$400.0	$ 400.0
Unamortized discount on Notes	(2.1)	(2.2)
Debt issuance costs	(2.0)	(2.1)
Credit Facilities:		
2014 Credit Facility	295.0	389.0
2018 Interim Credit facilities	300.0	—
Uncommitted facilities	130.0	128.0
Promissory notes and other debt	1.4	1.2
Total debt	1,122.3	913.9
Less: Short-term debt	430.5	128.4
Long-term debt	$691.8	$ 785.5

Notes

In November 2014, the Company issued $400.0 million of Senior Notes (the "Notes") in a public offering registered with the Securities and Exchange Commission. The Notes mature on December 1, 2024 and accrue interest at a rate of 4.75% per annum, payable semiannually in arrears in cash on December 1 and June 1 of each year. The Notes are classified as long-term in the Condensed Consolidated Balance Sheet and are presented net of unamortized discount and debt issuance costs. The discount and debt issuance costs are being amortized to interest expense using the effective interest rate method over the term of the Notes.

In connection with the Notes offering, Trimble entered into an Indenture with U.S. Bank National Association, as trustee. Trimble may redeem the Notes at its option at any time, in accordance with the terms and conditions set forth in the Indenture. The Indenture contains no financial covenants. Further details regarding the terms of the Notes, including the redemption rights, and the Indenture, are provided in the Company's fiscal 2017 Annual Report on Form 10-K.

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Credit Facilities

2014 Credit Facility

In November 2014, the Company entered into a five-year credit agreement with a group of lenders, which provides for an unsecured revolving loan facility of $1.0 billion (the "2014 Credit Facility"). Under the 2014 Credit Facility, the Company may borrow, repay and reborrow funds under the revolving loan facility until its maturity on November 24, 2019, at which time the revolving facility will terminate, and all outstanding loans, together with all accrued and unpaid interest, must be repaid. The interest rate on the non-current debt outstanding under the 2014 Credit Facility was 2.85% and 2.55% at the end of the first quarter of fiscal 2018 and fiscal year end 2017, respectively, and is payable on a quarterly basis. Amounts not borrowed under the revolving facility will be subject to a commitment fee. The outstanding balance of $295.0 million as of the end of the first quarter of fiscal 2018 and $389.0 million at the end of fiscal 2017 are classified as long-term debt in the Condensed Consolidated Balance Sheet. Unamortized debt issuance costs associated with the 2014 Credit Facility are presented as assets in the Condensed Consolidated Balance sheet and are being amortized to interest expense using the effective interest rate method over the term of the 2014 Credit Facility.

In February 2016, the Company entered into an amendment to the 2014 Credit Facility to facilitate the Company's reincorporation from California to Delaware and to effect other non-financial terms. In August 2016, the Company entered into a second amendment to revise a definition used in determining when a change of control of the Company may occur.

The Company was in compliance with all covenants pertaining to the 2014 Credit Facility at the end of the first quarter of fiscal 2018.

Uncommitted Facilities

The Company has two $75.0 million revolving credit facilities which are uncommitted (the "Uncommitted Facilities"). The Uncommitted Facilities may be called by the lenders at any time, have no covenants and no specified expiration date. The $130.0 million outstanding at the end of the first quarter of fiscal 2018 and the $128.0 million outstanding at the end of fiscal 2017 under the Uncommitted Facilities are classified as short-term debt in the Condensed Consolidated Balance Sheet. The weighted average interest rate on the Uncommitted Facilities was 2.27% at the end of the first quarter of fiscal 2018 and 2.24% at the end of fiscal 2017 and is payable on a monthly basis.

Interim Credit Facility

On February 2, 2018, the Company entered into a $300.0 million Revolving Credit Agreement (the “2018 Interim Credit Facility”), by and between the Company and The Bank of Nova Scotia in connection with the acquisition of e-Builder, Inc., a Florida corporation. The Company may borrow, repay and reborrow funds under the 2018 Interim Credit Facility until its maturity on January 31, 2019. Borrowings under the 2018 Interim Credit Facility will bear interest, at the Company's option, at either: (i) a floating per annum base rate determined by reference to the highest of: (a) The Bank of Nova Scotia’s prime rate; (b) 0.50% per annum above the federal funds effective rate; and (c) LIBOR for an interest period of one month; plus a margin equal to 0.125%, (ii) a fixed per annum rate based on LIBOR plus a margin of 1.125% or (iii) an interest rate agreed between us and The Bank of Nova Scotia. The 2018 Interim Credit Facility contains various customary representations and warranties and affirmative and negative covenants that are substantially the same as those contained in the 2014 Credit Facility.

The outstanding balance of $300.0 million as of the end of the first quarter of fiscal 2018 is classified as short-term debt in the Condensed Consolidated Balance Sheet. The interest rate under the 2018 Interim Credit Facility was 2.75% at the end of the first quarter of fiscal 2018 and is payable on a monthly basis.

The Company was in compliance with all covenants pertaining to the 2018 Credit Facility at the end of the first quarter of fiscal 2018.

Promissory Notes and Other Debt

At the end of the first quarter of fiscal 2018 and the year end of fiscal 2017, the Company had promissory notes and other notes payable totaling approximately $1.4 million and $1.2 million, respectively, of which $0.9 million and $0.8 million, respectively, was classified as long-term in the Condensed Consolidated Balance Sheet.

Debt Maturities

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

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Year Payable	
2018 (Remaining)	$130.5
2019	595.5
2020	0.4
2021	—
2022	—
Thereafter	400.0
Total	$1,126.4

On April 23, 2018, the Company entered into a definitive agreement to acquire privately-held Viewpoint from Bain Capital in an all-cash transaction valued at $1.2 billion. The all-cash purchase price of $1.2 billion is expected to be funded through a combination of cash on hand and new borrowings. For additional discussion, see Note 16 to the consolidated financial statements.

NOTE 8. CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS

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

(In millions)	At the end of Fiscal 2017
Available-for-sale securities:	
U.S. Treasury securities	$9.6
Corporate debt securities	96.0
Commercial paper	100.1
Total available-for-sale securities	$205.7
Reported as:	
Cash and cash equivalents	$26.8
Short-term investments	178.9
Total	$205.7

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

NOTE 9. FAIR VALUE MEASUREMENTS

The Company determines fair value based on the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Where available, fair value is based on observable market prices or parameters. Where observable prices or inputs are not available, valuation models are applied. Hierarchical levels, defined by the guidance on fair value measurements, are directly related to the amount of subjectivity associated with the inputs to fair valuation of these assets and liabilities, and are as follows:

Level I—Observable inputs such as unadjusted, quoted prices in active markets for identical assets or liabilities.

Level II—Inputs (other than quoted prices included in Level I) are either directly or indirectly observable for the asset or liability. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.

Level III—Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. Consideration is given to the risk inherent in the valuation technique and the risk inherent in the inputs to the model.

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Fair Value on a Recurring Basis

Assets and liabilities measured at fair value on a recurring basis are categorized in the tables below based upon the lowest level of significant input to the valuations.

	Fair Values as of the end of the First Quarter of Fiscal 2018				Fair Values as of Fiscal Year End 2017			
(In millions)	Level I	Level II	Level III	Total	Level I	Level II	Level III	Total
Assets								
Available-for-sale securities:								
U.S. Treasury securities (1)	$—	$ —	$ —	$—	$—	$9.6	$ —	$9.6
Corporate debt securities (1)	—	—	—	—	—	96.0	—	96.0
Commercial paper (1)	—	—	—	—	—	100.1	—	100.1
Total available-for-sale securities	—	—	—	—	—	205.7	—	205.7
Deferred compensation plan assets (2)	29.7	—	—	29.7	27.1	—	—	27.1
Derivative assets (3)	—	0.7	—	0.7	—	0.5	—	0.5
Total assets measured at fair value	$29.7	$ 0.7	$ —	$30.4	$27.1	$206.2	$ —	$233.3
Liabilities								
Deferred compensation plan liabilities (2)	$29.7	$ —	$ —	$29.7	$27.1	$—	$ —	$27.1
Derivative liabilities (3)	—	0.2	—	0.2	—	0.1	—	0.1
Contingent consideration liabilities (4)	—	—	6.2	6.2	—	—	14.2	14.2
Total liabilities measured at fair value	$29.7	$ 0.2	$ 6.2	$36.1	$27.1	$0.1	$ 14.2	$41.4

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

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

(3) Derivative assets and liabilities primarily represent forward currency exchange contracts. The Company typically enters into these contracts to minimize the short-term impact of foreign currency exchange rates on certain trade and inter-company receivables and payables. Derivative assets and liabilities are included in Other current assets and Other current liabilities on the Company's Condensed Consolidated Balance Sheets.

(4) Contingent consideration liabilities represent arrangements to pay the former owners of certain companies that Trimble acquired. The undiscounted maximum payment under the arrangements is $53.4 million at the end of the first quarter of fiscal 2018. The fair values are estimated using scenario-based methods or option pricing methods based upon estimated future revenues, gross margins or other milestones. Contingent consideration liabilities are included in Other current liabilities and Other non-current liabilities on the Company's Condensed Consolidated Balance Sheets.

Additional Fair Value Information

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

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As of	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	First Quarter of Fiscal 2018		Fiscal Year End 2017	
(In millions)				
Liabilities:				
Notes	$400.0	$418.5	$400.0	$430.4
2014 Credit Facility	295.0	295.0	389.0	389.0
2018 Interim Credit Facility	300.0	300.0	—	—
Uncommitted facilities	130.0	130.0	128.0	128.0
Promissory notes and other debt	1.4	1.4	1.2	1.2

The fair value of the Notes was determined based on observable market prices in less active markets and is categorized accordingly as Level II in the fair value hierarchy. The fair value of the bank borrowings and promissory notes has been calculated using an estimate of the interest rate the Company would have had to pay on the issuance of notes with a similar maturity and discounting the cash flows at that rate, and is categorized as Level II in the fair value hierarchy. The fair values do not give an indication of the amount that the Company would currently have to pay to extinguish any of this debt.

NOTE 10. DEFERRED COSTS TO OBTAIN CUSTOMER CONTRACTS

We classify all deferred costs to obtain customer contracts, which consists of deferred commissions, as a non-current asset, included in Deferred Costs, non-current on the Company's condensed consolidated balance sheets. As of the end of first quarter of fiscal 2018 and fiscal year end 2017, we had $35.6 million and $35.0 million of deferred costs to obtain customer contracts, respectively.

Amortization expense related to deferred costs to obtain customer contracts, in the first quarter of fiscal 2018 and 2017, was $5.4 million and $4.9 million, respectively. Amortization expense is included in sales and marketing expenses in the Company's condensed consolidated statements of income. There was no impairment loss related to the deferred commissions for either period presented.

NOTE 11. PRODUCT WARRANTIES

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

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

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

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(In millions)	
Balance as of fiscal year end 2017	$18.3
Acquired warranties	—
Accruals for warranties issued	4.7
Changes in estimates	(0.9)
Warranty settlements (in cash or in kind)	(3.2)
Balance as of the end of the first quarter of fiscal 2018	$18.9

NOTE 12. DEFERRED REVENUE AND PERFORMANCE OBLIGATIONS

Deferred Revenue

Changes in the Company’s deferred revenue during the first quarter of fiscal 2018 and 2017 are as follows:

	First Quarter of	
	2018	2017 *As Adjusted
(In millions)		
Balance as of prior fiscal year end	$276.6	