Technology To Make Your Life Easier, Better, Safer—

The Amazing Applications of GPS Technology
Our #1 Top Technology Pick

A special report by
the Yield Shark Team
“Any sufficiently advanced technology is indistinguishable from magic.”
—Arthur C. Clark

“Technology is a gift of God. After the gift of life it is perhaps the greatest of God’s gifts.”
—Freeman Dyson

It is curse as well as a perk to travel as much as I do.

My work has taken me to places I could have never imagined as a little boy growing up in rural Texas. I have traveled to every continent (short of Antarctica, but it is on my list), visited over 60 countries, and met some of the most fascinating, wonderful people on this planet along the way.

Seeing new cities is exciting, but navigating around unknown cities is a real challenge. Thank goodness, then, for GPS navigating systems that make it possible for me to actually get to meetings on time as well as enjoy the best of what a new city has to offer.

Global positioning systems (GPS) trace their origins to the Cold War arms race—they were a creation of the US Department of Defense. The military was initially wary of giving up the technology to the corporate sector, but the Pentagon was eventually persuaded by companies that saw the vast potential market for the technology.
GPS is a satellite-based navigation system that provides precise location information anywhere on Earth where there is an unobstructed line of sight to at least three GPS satellites. Thanks to GPS, Trident submarines can launch missiles from under the ocean and hit targets thousands of miles away with pinpoint accuracy, and drones can deliver deadly explosives within inches of their intended targets.

It is no exaggeration to say that GPS is critical to US national security—the technology is integrated into virtually every facet of US military operations.

Aside from using GPS in automobiles or on the street to find directions, there are a variety of other important uses. GPS is used for mapping and surveying the earth. It is also able to help monitor earthquakes. Civilian pilots use GPS in flight, as do airlines to coordinate flights.

GPS has now expanded deep into the civilian sector and is now used for hundreds of applications affecting almost every aspect of modern life, making things faster, more efficient, and safer.

GPS technology is now present in farming, construction, mining, surveying, package delivery, and logistical supply-chain management.

One of my best Texas friends is an avid hunter, and he has spent some serious money to buy and train his hunting dogs. The last thing he wants is for one of his prized babies to run off into the woods and never be found again, so he attaches a GPS device to their collars and can track their movements anywhere.
Another of my closest friends is from Montana. He always takes a GPS unit with him when he goes hiking deep in the mountains of Glacier National Park, because getting lost is easier than you think, and getting found can definitely be even harder.

An unheralded but extremely valuable feature of GPS is its capability of precise time measurement. Communication networks, banking systems, financial markets, and power grids all depend on GPS for accurate time stamps and synchronization.

In its most basic form, global positioning technology provides users with real-time information about their locations. However, as this technology continues to evolve, developers are melding it with other technologies to create advanced devices that were once thought to be impossible.

As GPS technology gets ever more compact, it can be integrated into more and more products. GPS is already in your phone, your computer, and your car, and before long it will be on your children, in things you mail, and in just about anything else that moves.

### Peeking into the Future

It may sound like Star Trek, but self-guided automobiles are already being tested. And cars of the future will be fitted with GPS devices that help the car drive and navigate itself to the desired location. Punch in a destination, and the car will drive itself there more efficiently and with less potential for accidents than any human driver could manage. Japanese test cars have driven 40 blocks at a speed of 15 mph without human intervention.

The visually impaired may soon be able to toss their canes away: Personal navigation devices equipped with specialty gyroscopes, lasers, remote sensing chips, and GPS will give them travel freedom that they’ve never had.

GPS-enabled shopping carts are already in development.

These GPS-enabled carts will be a welcome tool for people, like George H. W. Bush and me who don’t spend a lot of time in grocery stores. They will alert us to sales, dispense discount coupons, and guide us to the right shelves.

Robotics is now advanced enough that it will soon be possible to integrate GPS systems into many types of machinery. For example, grading and paving equipment could be run around the clock without operators to build and maintain roads.
Glasses will be turned into smartphones for your eyes. GPS-enabled glasses will allow wearers to access information that will be displayed on the glass directly in front of the user’s eyes. The glasses can link the user to relevant information based on their location, through a camera and a GPS.

Those are just some examples that are already in development, and there are undoubtedly thousands of other GPS applications that we can’t even imagine today.

Accompanying that innovation will be great profits for companies that can deliver GPS services to make our lives easier, safer, and better. Now I’ll turn things over to the analysts at Mauldin Economics for an investment option in this sector.

GPS Giant Offers High Yield and Growth
Finding Your Way to a 5% Dividend

How does an established technology company sound that dominates its industry, pays a 5% dividend, has zero debt, sells for just 13 times earnings, AND has a catalyst for some significant growth?
It sounds fantastic to us, and we want to introduce you to Garmin (GRMN), a global leader in GPS technology.

Global positioning system technology isn’t new, but what is, is the widespread accessibility and rapidly expanding uses of GPS technology.

Most people would list off companies like Google for its Google Earth service and Apple for the mapping function on iPhones.

While not as widely known, Garmin is one of the most important players in the global GPS industry. The company is the leading provider of global positioning satellite navigation systems used in a variety of products that are accessed through a network of global positioning system satellites.

Garmin may not be a household name, but it’s big and important enough to be added to the S&P 500 index last December, replacing R. R. Donnelley.

Garmin grew to fame selling automotive and handheld personal navigation devices and is still the biggest seller of them today. In fact, the odds are good that your late-model car is equipped with a Garmin-manufactured navigation system or that your household owns one of the tens of millions of personal navigation devices, or PNDs, that Garmin has sold in the US.
Garmin’s secret of success is simple: Its navigation systems do much more than just give directions. Garmin fills its products with cool features like up-to-date traffic flow and incident information, MP3 players, language translators, currency converters, travel guides, digital photo organizers, gas price data, weather forecasts, and movie show times for area theaters.

Garmin is the industry leader in auto/handheld navigation devices (55% of sales) but also manufactures a complete line of outdoor (15%), fitness (12%), aviation (11%), and marine (7%) devices.

**Business Overview:** Garmin has a three-prong approach to tackling the GPS market:

**#1 Mega-Markets:** Identify markets with huge growth potential, enter early, and sell at a premium until competitors enter the industry. This is what Garmin did for the auto market and personal navigation device (PND) market in the late 1990s and early 2000s.

**#2 Heavily Regulated Markets:** Dominate markets with imposing barriers to entry that offer sustainable revenue and high margins. Example: the aviation and marine navigation markets are highly regulated, which requires time-consuming and costly government approval processes. Plus, Garmin is heavily tied to a network of established aviation and marine original equipment manufacturers (OEMs).
**#3 Niche Markets:** Compete in niche markets that require specialized navigation tools. Example: the outdoor and fitness market for activities like hunting, rock climbing, jogging, and cycling.

Garmin’s historical dependence on the first category, the Mega-Markets, is why an industry leader in a key technology is selling for only 13 times earnings.

**The automotive and PND markets make up over half of Garmin’s sales, but those two markets are shrinking.**

The market for automobile GPSs and PNDs has declined because of the free mapping functions in smart phones and factory-installed vehicle systems.

In fact, Garmin expects the market to shrink even more; management has forecast that this segment will fall by another 10% to 15% in 2013.

As the above chart shows, mobile/smartphones have been steadily eating into Garmin’s business, and that is why Wall Street thinks Garmin is a technology has-been.

But that couldn’t be further from the truth. Here’s why:
Reason #1: Mature but Stable. Even though the auto/handheld navigation market peaked in 2008, sales have been relatively stable in spite of the introduction of GPS-enabled phones.

Clearly, the PND market is not the growth juggernaut that it used to be, but as the above chart shows, the PND market has stubbornly clung to the 40-million-units-per-year sales range.
Also, a little-appreciated but important characteristic of mature, stable markets is that the lack of growth squeezes out smaller players, discourages new competitors, and concentrates the sales in a small handful of large, dominant companies. That’s good news for Garmin, because it is definitely the 800-pound gorilla in the PND industry, with a 70% market share in the US and a 32% share in Europe.

**Reason #2: The Non-PND Market Is Growing.** Garmin still has a commanding share of the navigation market, but it has proven time and time again that it can identify new uses and new markets for expansion.

Growth in Garmin’s non-PND market, particularly outdoor and fitness, is expected to expand in 2013, with management expecting marine and aviation to grow 5% and outdoor and fitness to grow between 5% and 10%.

For fiscal year 2012, Garmin enjoyed rising sales in three of its five divisions:

- Auto/Mobile segment revenue decreased 6% to $1.49 billion
- Outdoor segment revenue increased 11% to $402 million
- Fitness segment revenue increased 8% to $322 million
- Aviation segment revenue increased 2% to $292 million
- Marine segment revenue decreased 6% to $208 million

As you can see, it is a mistake to focus on the auto/mobile section, because most of Garmin’s other divisions are doing very well. And check out these profit margins by category:
GRMN’s highly recognizable brand will make it difficult for competitors to encroach on their market share in any section but auto/mobile.

<table>
<thead>
<tr>
<th>Division</th>
<th>Market Share</th>
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<tbody>
<tr>
<td>Auto/mobile</td>
<td>38.1%</td>
</tr>
<tr>
<td>Marine</td>
<td>50.6%</td>
</tr>
<tr>
<td>Fitness</td>
<td>60.2%</td>
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<tr>
<td>Outdoor</td>
<td>62.4%</td>
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<tr>
<td>Aviation</td>
<td>73.2%</td>
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By the Numbers: Cheap... but Not for Long

No question; the auto/mobile market isn’t the cash cow that it used to be; however, that is why Garmin is cheap. How cheap?

Garmin is selling for only 13 times trailing earnings. However, if you back out the $1.23 billion or $6.35 per share of cash that Garmin holds, the P/E drops to only 11 times earnings.

As mentioned above, Garmin has $1.23 billion of cash, but it also has ZERO debt.

Garmin is definitely on sale, having fallen from its 52-week high of $43.33 to the mid $30s now because of the concerns about the auto/mobile market.

In our view, however, Wall Street has ignored the fact that the auto/mobile market may be smaller but is still profitable and completely ignored the growth in the other three handsomely-growing divisions.
Garmin’s Big Fat Dividend

Garmin pays a $1.80 annual dividend, which translates into a very attractive 5% dividend yield.

Does 5% sound too high to you? Not to us, because we consider the dividend to be very secure—that $1.80 a year works out to a dividend payout ratio of only 64%.

That gives Garmin flexibility to finance growth, and we think there is even room for Garmin to increase its dividend, which is exactly what it did in June 2012 when it raised its quarterly dividend from 40 to 45 cents.

Plus, Garmin is buying back its own stock. On February 15, the Garmin Board of Directors authorized a $300 million share buyback through December 31, 2014. Over the last 10 years, Garmin has reduced the number of outstanding shares from 216 million to 195 million.

<table>
<thead>
<tr>
<th>Dividend Date</th>
<th>Record Date</th>
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<tbody>
<tr>
<td>June 28, 2013</td>
<td>June 18, 2013</td>
<td>$0.45</td>
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<tr>
<td>September 30, 2013</td>
<td>September 16, 2013</td>
<td>$0.45</td>
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<tr>
<td>December 31, 2013</td>
<td>December 16, 2013</td>
<td>$0.45</td>
</tr>
<tr>
<td>March 31, 2014</td>
<td>March 17, 2014</td>
<td>$0.45</td>
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The last dividend was paid out in June, so you will have to wait until September to collect your first dividend. Garmin is a misunderstood company, but it wouldn’t be selling where it is and yielding as much as it does if Wall Street understood the positive dynamics of Garmin’s non-auto/mobile business. We do, and we think the stock is a great buy at current prices. Here’s what to do:

Assuming a $100,000 portfolio, buy 150 shares of Garmin, symbol GRMN, at the market.

Then place a protective stop to SELL ALL your shares at $25.40.

Note to subscribers: Garmin was first introduced to the Yield Shark portfolio in April 2013.