

October 26, 2016

## **FLIR Systems Announces Third Quarter 2016 Financial Results**

### **Third Quarter and Year-To-Date Revenue Growth of 6%; Sequential Operating Margin Improvement of 380 Basis Points; Year-Over-Year Backlog Growth of 13%, to \$644 Million**

WILSONVILLE, OR -- (Marketwired) -- 10/26/16 -- FLIR Systems, Inc. (NASDAQ: FLIR) today announced financial results for the third quarter ended September 30, 2016. Third quarter 2016 revenue was \$405.2 million, up 6% over third quarter 2015 revenue of \$381.9 million. Year-to-date revenue of \$1.187 billion was 6% above the prior year. Operating income in the third quarter grew 6% to \$80.8 million, compared to \$76 million in the third quarter of 2015. Profitability in comparison to the prior year was negatively impacted by a \$2 million charge related to the previously disclosed SkyWatch product quality issue.

Third quarter 2016 net earnings were \$58.6 million, or \$0.43 per diluted share, compared with net earnings of \$73.1 million, or \$0.52 per diluted share in the third quarter a year ago. The SkyWatch product repair charge negatively impacted third quarter 2016 earnings per diluted share by \$0.01. Net earnings in the third quarter of 2015 included a discrete tax benefit of \$17.4 million, or approximately \$0.12 per diluted share. Cash provided by operations in the third quarter reached \$88.6 million, FLIR's highest quarterly cash flow since 2013, and was driven by continued improvements in working capital.

Revenue from the Surveillance segment was \$136.4 million, an increase of 4% from the third quarter results last year. The Instruments segment contributed \$82.7 million of revenue during the third quarter, up 11% from the prior year. The Security segment recorded revenue of \$56.4 million in the third quarter, down 5% from the prior year as increasing competition in retail channels negatively impacted the business. FLIR's OEM & Emerging Markets segment had \$62.7 million of revenue, an increase of 22% over the prior year. Revenue from the Maritime segment was \$40.6 million, which was up 4% from the third quarter of 2015. The Detection segment contributed \$26.4 million of revenue, an increase of 2% over the prior year.

FLIR's backlog of firm orders for delivery within the next twelve months was approximately \$644 million as of September 30, 2016, an increase of \$15 million, or 2%, during the quarter and an increase of \$76 million, or 13%, over the \$568 million balance at the end of the third quarter of 2015.

"Overall performance in the third quarter was in line with our expectations. Profitability improvements in our Instruments and Surveillance segments helped drive significant sequential gross profit and operating income growth," said Andy Teich, President and CEO of FLIR. "While we expect continued softness in our Security segment's retail channels in the near term, we are very enthusiastic about all of our segments' product roadmaps and the opportunities they present for 2017 and beyond. Our commitment to our mission of providing innovative intelligent imaging solutions to our customers in a way that delivers significant value to our shareholders is stronger than ever."

### ***Revenue and Earnings Outlook for 2016***

Based on financial results for the first nine months of the year and the outlook for the remainder of the year, FLIR continues to expect revenue in 2016 to be in the range of \$1.6 billion to \$1.65 billion and adjusted net earnings to be in the range of \$1.60 to \$1.65 per diluted share. This guidance excludes the impact of certain discrete tax items, the second quarter investment write-down, and SkyWatch charges.

### ***Dividend Declaration***

FLIR's Board of Directors has declared a quarterly cash dividend of \$0.12 per share on FLIR common stock, payable December 2, 2016, to shareholders of record as of close of business on November 18, 2016.

### ***Conference Call***

FLIR has scheduled a conference call at 8:00 a.m. ET (5:00 a.m. PT) today to discuss its results for the quarter. A simultaneous webcast of the conference call and the accompanying summary presentation may be accessed online from a link in the Events section of [www.FLIR.com/investor](http://www.FLIR.com/investor). A replay will be available after 11:00 a.m. ET (8:00 a.m. PT) at this same internet address. Summary third quarter and historical financial data may be accessed online from the Financial Info Database link under the Financials & Filings section at [www.FLIR.com/investor](http://www.FLIR.com/investor).

## About FLIR Systems

FLIR Systems, Inc. is a world leader in the design, manufacture, and marketing of sensor systems that enhance perception and awareness. FLIR's advanced systems and components are used for a wide variety of thermal imaging, situational awareness, and security applications, including airborne and ground-based surveillance, condition monitoring, navigation, recreation, research and development, manufacturing process control, search and rescue, drug interdiction, transportation safety, border and maritime patrol, environmental monitoring, and chemical, biological, radiological, nuclear, and explosives (CBRNE) threat detection. For more information, visit FLIR's web site at [www.FLIR.com](http://www.FLIR.com).

## Non-GAAP Financial Measures

This earnings release makes reference to a non-GAAP measure of adjusted net earnings per diluted share which is adjusted in the full year outlook for certain discrete tax items, a write-down of a cost-based investment in the second quarter, and charges for expected SkyWatch product repair costs. The Company uses this non-GAAP financial measure because it excludes items that are generally not directly related to the performance of the Company's core business operations and therefore provides useful supplemental information to management and investors regarding the performance of the Company's business operations, facilitates comparisons to the Company's historical operating results, and enhances investors' ability to review the Company's business from the same perspective as management. This non-GAAP measure should not be considered a substitute for any other performance measure determined in accordance with GAAP and the Company cautions investors and potential investors to consider this measure in addition to, not as a substitute for, its consolidated financial results as presented in accordance with GAAP. With respect to the outlook for the full year 2016, certain items that affect GAAP net earnings per diluted share are out of the Company's control and/or cannot be reasonably predicted. Consequently, the Company is unable to provide a reasonable estimate of GAAP net earnings per diluted share or a corresponding reconciliation to GAAP net earnings per diluted share for the full year.

## Forward-Looking Statements

Statements in this release by Andy Teich and the statements in the section captioned "Revenue and Earnings Outlook for 2016" above are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Any statements that are not statements of historical fact (including statements containing the words "believes," "plans," "anticipates," "expects," "estimates," or similar expressions) should be considered to be forward looking statements. Such statements are based on current expectations, estimates, and projections about FLIR's business based, in part, on assumptions made by management. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements due to numerous factors, including the following: changes in demand for FLIR's products, product mix, the timing of customer orders and deliveries, the impact of competitive products and pricing, the impact of FLIR's continuing compliance with U.S. export control laws and regulations and similar laws and regulations, the timely receipt of any necessary export licenses, constraints on supplies of critical components, excess or shortage of production capacity, the ability to manufacture and ship the products in the time period required, actual purchases under agreements, the continuing eligibility of FLIR to act as a federal contractor, the amount and availability of appropriated government procurement funds and other risks discussed from time to time in filings and reports filed with the Securities and Exchange Commission. In addition, such statements could be affected by general industry and market conditions and growth rates, and general domestic and international economic conditions. Such forward-looking statements speak only as of the date on which they are made and FLIR does not undertake any obligation to update any forward-looking statement to reflect events or circumstances after the date of this release, or for changes made to this document by wire services or internet service providers.

### FLIR SYSTEMS, INC.

#### CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share amounts)(Unaudited)

|                                     | Three Months Ended |            | Nine Months Ended |              |
|-------------------------------------|--------------------|------------|-------------------|--------------|
|                                     | September 30,      |            | September 30,     |              |
|                                     | 2016               | 2015       | 2016              | 2015         |
| Revenue                             | \$ 405,228         | \$ 381,928 | \$ 1,187,429      | \$ 1,119,420 |
| Cost of goods sold                  | 213,852            | 201,189    | 635,041           | 573,169      |
| Gross profit                        | 191,376            | 180,739    | 552,388           | 546,251      |
| Operating expenses:                 |                    |            |                   |              |
| Research and development            | 32,664             | 31,200     | 106,020           | 101,100      |
| Selling, general and administrative | 77,863             | 73,557     | 242,930           | 232,884      |
| Total operating expenses            | 110,527            | 104,757    | 348,950           | 333,984      |

|                                      |                  |                  |                   |                   |
|--------------------------------------|------------------|------------------|-------------------|-------------------|
| Earnings from operations             | 80,849           | 75,982           | 203,438           | 212,267           |
| Interest expense                     | 5,736            | 3,670            | 13,543            | 10,689            |
| Interest income                      | (336)            | (319)            | (924)             | (861)             |
| Other expense, net                   | <u>241</u>       | <u>1,455</u>     | <u>138</u>        | <u>1,775</u>      |
| Earnings before income taxes         | 75,208           | 71,176           | 190,681           | 200,664           |
| Income tax provision (benefit)       | <u>16,575</u>    | <u>(1,896)</u>   | <u>85,555</u>     | <u>29,182</u>     |
| Net earnings                         | <u>\$ 58,633</u> | <u>\$ 73,072</u> | <u>\$ 105,126</u> | <u>\$ 171,482</u> |
| Earnings per share:                  |                  |                  |                   |                   |
| Basic                                | <u>\$ 0.43</u>   | <u>\$ 0.52</u>   | <u>\$ 0.76</u>    | <u>\$ 1.23</u>    |
| Diluted                              | <u>\$ 0.43</u>   | <u>\$ 0.52</u>   | <u>\$ 0.76</u>    | <u>\$ 1.21</u>    |
| Weighted average shares outstanding: |                  |                  |                   |                   |
| Basic                                | <u>136,963</u>   | <u>139,596</u>   | <u>137,438</u>    | <u>139,808</u>    |
| Diluted                              | <u>137,938</u>   | <u>140,525</u>   | <u>138,594</u>    | <u>141,262</u>    |

**FLIR SYSTEMS, INC.**

CONSOLIDATED BALANCE SHEETS

(In thousands)(Unaudited)

|   | September 30,<br>2016 | December 31,<br>2015 |
|---|-----------------------|----------------------|
| <u>ASSETS</u>                               |                       |                      |
| Current assets:                             |                       |                      |
| Cash and cash equivalents                   | \$ 677,688            | \$ 472,785           |
| Accounts receivable, net                    | 309,602               | 326,098              |
| Inventories                                 | 380,225               | 393,092              |
| Prepaid expenses and other current assets   | <u>88,625</u>         | <u>95,539</u>        |
| Total current assets                        | 1,456,140             | 1,287,514            |
| Property and equipment, net                 | 267,149               | 272,629              |
| Deferred income taxes, net                  | 55,194                | 55,429               |
| Goodwill                                    | 626,243               | 596,316              |
| Intangible assets, net                      | 135,878               | 141,302              |
| Other assets                                | <u>47,290</u>         | <u>53,210</u>        |
|   | <u>\$ 2,587,894</u>   | <u>\$ 2,406,400</u>  |
| <u>LIABILITIES AND SHAREHOLDERS' EQUITY</u> |                       |                      |
| Current liabilities:                        |                       |                      |
| Accounts payable                            | \$ 109,663            | \$ 139,540           |
| Deferred revenue                            | 36,553                | 31,933               |
| Accrued payroll and related liabilities     | 54,277                | 54,806               |
| Accrued expenses                            | 35,449                | 40,930               |
| Accrued income taxes                        | 6,133                 | 201                  |
| Other current liabilities                   | 53,573                | 53,241               |
| Current portion long-term debt              | <u>15,000</u>         | <u>264,694</u>       |
| Total current liabilities                   | 310,648               | 585,345              |
| Long-term debt                              | 501,606               | 93,750               |
| Deferred income taxes                       | 3,711                 | 3,623                |
| Accrued income taxes                        | 53,397                | 10,457               |
| Other long-term liabilities                 | 65,126                | 63,710               |
| Commitments and contingencies               |                       |                      |
| Shareholders' equity                        | <u>1,653,406</u>      | <u>1,649,515</u>     |
|   | <u>\$ 2,587,894</u>   | <u>\$ 2,406,400</u>  |

**FLIR SYSTEMS, INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS**

(In thousands)(Unaudited)

|  | Three Months Ended |                   | Nine Months Ended |                   |
|--|--------------------|-------------------|-------------------|-------------------|
|  | September 30,      |                   | September 30,     |                   |
|  | 2016               | 2015              | 2016              | 2015              |
| Cash flows from operating activities:                                  |                    |                   |                   |                   |
| Net earnings   | \$ 58,633          | \$ 73,072         | \$ 105,126        | \$ 171,482        |
| Income items not affecting cash:                                       |                    |                   |                   |                   |
| Depreciation and amortization  | 14,079             | 11,854            | 41,857            | 36,465            |
| Deferred income taxes  | 172                | (17,380)          | (200)             | (17,238)          |
| Stock-based compensation arrangements                                  | 6,872              | 6,511             | 21,253            | 19,449            |
| Other non-cash items   | 4,379              | 5,169             | 19,830            | 4,346             |
| Changes in operating assets and liabilities, net of acquisitions       | 4,471              | (5,606)           | 27,361            | (17,025)          |
| Cash provided by operating activities                                  | <u>88,606</u>      | <u>73,620</u>     | <u>215,227</u>    | <u>197,479</u>    |
| Cash flows from investing activities:                                  |                    |                   |                   |                   |
| Additions to property and equipment                                    | (6,806)            | (19,393)          | (27,682)          | (50,146)          |
| Proceeds from sale of property and equipment                           | 2,111              | 30                | 6,986             | 30                |
| Business acquisitions, net of cash acquired                            | -                  | -                 | (42,445)          | -                 |
| Cash used by investing activities                                      | <u>(4,695)</u>     | <u>(19,363)</u>   | <u>(63,141)</u>   | <u>(50,116)</u>   |
| Cash flows from financing activities:                                  |                    |                   |                   |                   |
| Net proceeds from credit agreement and long-term debt                  | (940)              | -                 | 524,826           | -                 |
| Repayments of credit agreement and long-term debt                      | (254,935)          | (3,750)           | (367,435)         | (11,250)          |
| Repurchase of common stock   | (36,310)           | (61,955)          | (66,057)          | (93,381)          |
| Dividends paid   | (16,474)           | (15,419)          | (49,564)          | (46,193)          |
| Proceeds from shares issued pursuant to stock-based compensation plans | 806                | 1,552             | 7,347             | 21,188            |
| Excess tax benefit of stock options exercised                          | 26                 | 175               | 1,605             | 4,216             |
| Other financing activities   | -                  | (2)               | 10                | (10)              |
| Cash (used) provided by financing activities                           | <u>(307,827)</u>   | <u>(79,399)</u>   | <u>50,732</u>     | <u>(125,430)</u>  |
| Effect of exchange rate changes on cash                                | <u>(1,575)</u>     | <u>(9,672)</u>    | <u>2,085</u>      | <u>(27,931)</u>   |
| Net (decrease) increase in cash and cash equivalents                   | (225,491)          | (34,814)          | 204,903           | (5,998)           |
| Cash and cash equivalents:   |                    |                   |                   |                   |
| Beginning of period  | <u>903,179</u>     | <u>560,190</u>    | <u>472,785</u>    | <u>531,374</u>    |
| End of period  | <u>\$ 677,688</u>  | <u>\$ 525,376</u> | <u>\$ 677,688</u> | <u>\$ 525,376</u> |

**FLIR SYSTEMS, INC.****REVENUE AND EARNINGS FROM OPERATIONS BY SEGMENT**

(In thousands)(Unaudited)

|                | Three Months Ended |            | Nine Months Ended |            |
|----------------|--------------------|------------|-------------------|------------|
|                | September 30,      |            | September 30,     |            |
|                | 2016               | 2015       | 2016              | 2015       |
| <b>REVENUE</b> |                    |            |                   |            |
| Surveillance   | \$ 136,402         | \$ 131,598 | \$ 373,993        | \$ 352,312 |
| Instruments    | 82,673             | 74,796     | 240,160           | 248,877    |

|                        |                   |                   |                     |                     |
|------------------------|-------------------|-------------------|---------------------|---------------------|
| Security               | 56,431            | 59,331            | 166,872             | 158,185             |
| OEM & Emerging Markets | 62,719            | 51,448            | 167,544             | 137,568             |
| Maritime               | 40,586            | 38,920            | 147,469             | 141,922             |
| Detection              | 26,417            | 25,835            | 91,391              | 80,556              |
|                        | <u>\$ 405,228</u> | <u>\$ 381,928</u> | <u>\$ 1,187,429</u> | <u>\$ 1,119,420</u> |

**EARNINGS (LOSS) FROM OPERATIONS**

|                        |                  |                  |                   |                   |
|------------------------|------------------|------------------|-------------------|-------------------|
| Surveillance           | \$ 38,426        | \$ 39,918        | \$ 99,801         | \$ 96,464         |
| Instruments            | 27,010           | 21,555           | 65,640            | 77,959            |
| Security               | 2,958            | 7,222            | 2,527             | 18,911            |
| OEM & Emerging Markets | 19,936           | 14,233           | 46,063            | 33,507            |
| Maritime               | 2,391            | 1,848            | 14,110            | 13,058            |
| Detection              | 6,641            | 5,290            | 24,484            | 17,349            |
| Other                  | (16,513)         | (14,084)         | (49,187)          | (44,981)          |
|                        | <u>\$ 80,849</u> | <u>\$ 75,982</u> | <u>\$ 203,438</u> | <u>\$ 212,267</u> |

***Investor Relations***

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