

April 26, 2016

FLIR Systems Announces First Quarter 2016 Financial Results

First Quarter Revenue Growth of 10%; Firm-Order Backlog Increases to \$613 Million

WILSONVILLE, OR -- (Marketwired) -- 04/26/16 -- FLIR Systems, Inc. (NASDAQ: FLIR) today announced financial results for the first quarter ended March 31, 2016. First quarter 2016 revenue was \$379.5 million, up 10% compared to first quarter 2015 revenue of \$344.5 million. On a constant currency basis, first quarter 2016 revenue was up 12% versus the prior year. Operating income in the first quarter was \$57.4 million, compared to \$65.8 million in the first quarter of 2015. Profitability in comparison to the prior year was negatively impacted by product mix shifts, higher production costs, and unusually low corporate expenses in the prior year.

First quarter 2016 net income was \$1.1 million, or \$0.01 per diluted share, compared with net income of \$47.9 million, or \$0.34 per diluted share in the first quarter a year ago. Net income in the first quarter of 2016 was negatively impacted by the recording of \$40 million of tax reserves related primarily to the previously disclosed ongoing dispute between the European Commission and the Belgium government over certain tax legislation. Excluding the tax reserve expense, earnings per diluted share were \$0.30. Cash provided by operations in the first quarter was \$44.9 million.

Revenue from the Surveillance segment was \$124.2 million, an increase of 10% from the first quarter results last year. The Instruments segment contributed \$79.4 million of revenue during the first quarter, down 5% from the prior year and down 3% on a constant currency basis. The Security segment recorded revenue of \$47.1 million in the first quarter, up 21% from the prior year. FLIR's OEM & Emerging Markets segment had \$47.8 million of revenue, an increase of 20% over the prior year. Revenue from the Maritime segment was \$51.7 million, which was up 1% from the first quarter of 2015 and up 5% on a constant currency basis. The Detection segment contributed \$29.3 million of revenue, an increase of 61% from the prior year.

FLIR's backlog of firm orders for delivery within the next twelve months was approximately \$613 million as of March 31, 2016, an increase of \$9 million during the quarter and an increase of \$56 million, or 10%, compared to \$557 million at the end of the first quarter of 2015.

"We are pleased with the growth we saw in revenue and backlog in the first quarter. Strength in our government businesses drove our backlog to its highest level since 2008," said Andy Teich, President and CEO of FLIR. "While our profitability was negatively impacted by product mix and increased manufacturing costs, we intend to improve our cost management as we move through the rest of the year. Our product development engine continues to deliver innovative solutions for improving overall safety, security, operational efficiency, and environmental protection. As demonstrated by our recent product introductions, our ability to increase the addressable markets in these areas continues to progress."

Revenue and Earnings Outlook for 2016

Based on financial results for the first three months of 2016 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 net earnings to be in the range of \$1.60 to \$1.70 per diluted share. This guidance excludes the impact of discrete tax items.

Dividend Declaration

FLIR's Board of Directors has declared a quarterly cash dividend of \$0.12 per share on FLIR common stock, payable June 3, 2016, to shareholders of record as of close of business on May 20, 2016.

Conference Call

FLIR has scheduled a conference call at 11:00 a.m. ET (8:00 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. A replay will be available after 2:00 p.m. ET (11:00 a.m. PT) at this same internet address. Summary first 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.

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.

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	
	March 31,	
	2016	2015
Revenue	\$ 379,472	\$ 344,517
Cost of goods sold	201,782	168,620
Gross profit	177,690	175,897
Operating expenses:		
Research and development	36,411	34,774
Selling, general and administrative	83,902	75,369
Total operating expenses	120,313	110,143
Earnings from operations	57,377	65,754
Interest expense	3,447	3,661
Interest income	(260)	(247)
Other income, net	(1,430)	(700)
Earnings before income taxes	55,620	63,040
Income tax provision	54,495	15,130
Net earnings	\$ 1,125	\$ 47,910
Earnings per share:		
Basic	\$ 0.01	\$ 0.34
Diluted	\$ 0.01	\$ 0.34
Weighted average shares outstanding:		
Basic	137,496	139,768

Diluted

138,779141,472

FLIR SYSTEMS, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands)(Unaudited)

	March 31, 2016	December 31, 2015
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 510,613	\$ 472,785
Accounts receivable, net	298,530	326,098
Inventories	398,870	393,092
Prepaid expenses and other current assets	82,217	95,539
Total current assets	1,290,230	1,287,514
Property and equipment, net	275,148	272,629
Deferred income taxes, net	55,877	55,429
Goodwill	601,247	596,316
Intangible assets, net	138,639	141,302
Other assets	52,068	53,210
	\$ 2,413,209	\$ 2,406,400
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
Current liabilities:		
Accounts payable	\$ 106,394	\$ 139,540
Deferred revenue	33,360	31,933
Accrued payroll and related liabilities	52,212	54,806
Accrued expenses	35,163	40,930
Accrued income taxes	3,227	201
Other current liabilities	39,984	53,241
Current portion long-term debt	264,809	264,694
Total current liabilities	535,149	585,345
Long-term debt	90,000	93,750
Deferred income taxes	3,787	3,623
Accrued income taxes	53,629	10,457
Other long-term liabilities	62,615	63,710
Commitments and contingencies		
Shareholders' equity	1,668,029	1,649,515
	\$ 2,413,209	\$ 2,406,400

FLIR SYSTEMS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)(Unaudited)

	Three Months Ended March 31,	
	2016	2015
Cash flows from operating activities:		
Net earnings	\$ 1,125	\$ 47,910
Income items not affecting cash:		
Depreciation and amortization	13,939	12,489
Deferred income taxes	(227)	96
Stock-based compensation arrangements	6,088	4,757
Other non-cash items	5,807	(3,303)

Changes in operating assets and liabilities	18,145	12,978
Cash provided by operating activities	<u>44,877</u>	<u>74,927</u>
Cash flows from investing activities:		
Additions to property and equipment	(9,992)	(13,169)
Proceeds from sale of property and equipment.	<u>4,875</u>	<u>30</u>
Cash used by investing activities	<u>(5,117)</u>	<u>(13,139)</u>
Cash flows from financing activities:		
Repayments of long term debt	(3,750)	(3,750)
Dividends paid	(16,507)	(15,377)
Proceeds from shares issued pursuant to stock-based compensation plans	3,989	4,414
Excess tax benefit of stock options exercised	1,041	779
Other financing activities	<u>3</u>	<u>(7)</u>
Cash used by financing activities	<u>(15,224)</u>	<u>(13,941)</u>
Effect of exchange rate on cash	<u>13,292</u>	<u>(31,441)</u>
Net increase in cash and cash equivalents	37,828	16,406
Cash and cash equivalents:		
Beginning of period	<u>472,785</u>	<u>531,374</u>
End of period	<u>\$ 510,613</u>	<u>\$ 547,780</u>

FLIR SYSTEMS, INC.

REVENUE AND EARNINGS FROM OPERATIONS BY SEGMENT

(In thousands)(Unaudited)

	Three Months Ended	
	March 31,	
	<u>2016</u>	<u>2015</u>
REVENUE		
Surveillance	\$ 124,151	\$ 112,901
Instruments	79,418	83,821
Security	47,061	38,806
OEM & Emerging Markets	47,845	39,834
Maritime	51,720	50,972
Detection	<u>29,277</u>	<u>18,183</u>
	<u>\$ 379,472</u>	<u>\$ 344,517</u>
EARNINGS (LOSS) FROM OPERATIONS		
Surveillance	\$ 35,240	\$ 30,166
Instruments	19,496	28,063
Security	(3,645)	3,816
OEM & Emerging Markets	10,032	8,779
Maritime	4,998	4,789
Detection	7,880	2,680
Other	<u>(16,624)</u>	<u>(12,539)</u>
	<u>\$ 57,377</u>	<u>\$ 65,754</u>

Investor Relations

Shane Harrison

503-498-3547

[Email Contact](#)

Source: FLIR Systems, Inc.

