

**Third Quarter 2014  
Results Summary**



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# Disclaimer

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# Q3 2014 Highlights

Revenue	EPS	Operating Margin
<b>\$375 Million</b> <i>up 5% vs PY</i>	<b>\$0.37 / \$0.39</b> adjusted <i>up 22% vs PY (adj)</i>	<b>20%</b> (adjusted) <i>Up 200 basis points vs PY</i>

- Overall backlog reached \$579 million
  - Up \$31 million from Q2 2014
  - Up \$56 million from PY
- \$6 million in Q3 cost savings from 2013 restructuring initiative
  - \$3.1 million of after-tax charges in the quarter (\$4.1 million pre-tax)
- Thermal products unit volumes increased 50% vs PY
- Introduced 2 new Lepton-based products and began shipping FLIR One smartphone accessory



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Q3 2014

# New Lepton Products

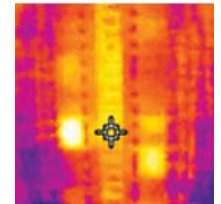
## AX8

- Compact, fixed-mount thermal imager for continuous condition monitoring and alarming
- Based on Lepton thermal camera core
- MSX™ thermal and visible blending
- \$995 price point creates new entry point in thermal automation solutions
- Applications:
  - Processing and manufacturing lines
  - Data centers
  - Energy generation and distribution
  - Mass transit
  - Engine rooms/compartments
  - Refrigeration/storage



## TG165

- Handheld imaging thermometer
- Based on Lepton thermal camera core
- Mixes non-radiometric thermal image with a laser thermometer
- \$499 price point fills gap between spot thermometers and thermal imagers



Both products are part of the Instruments segment's product suite



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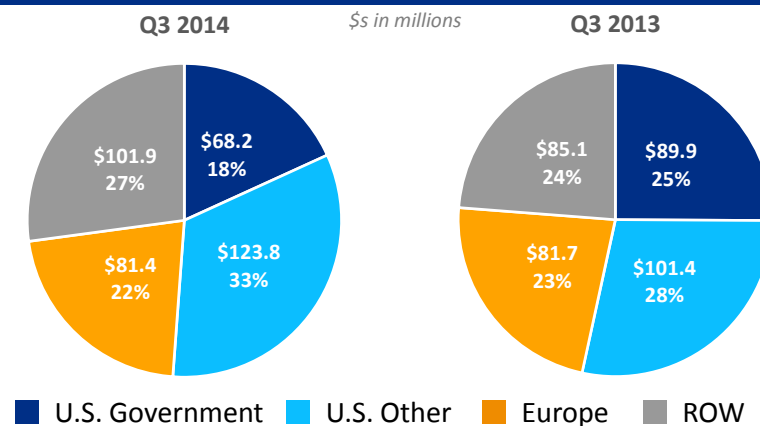
## Q3 2014 Full Year 2014 Outlook

- Revenue \$1.48B – \$1.53B
  - Narrowed from \$1.45 - \$1.55 billion
- EPS \$1.43 – \$1.48, excluding expenses related to restructuring
  - Narrowed from \$1.40 - \$1.50
- Dividend of \$0.10 per share payable on December 5<sup>th</sup>

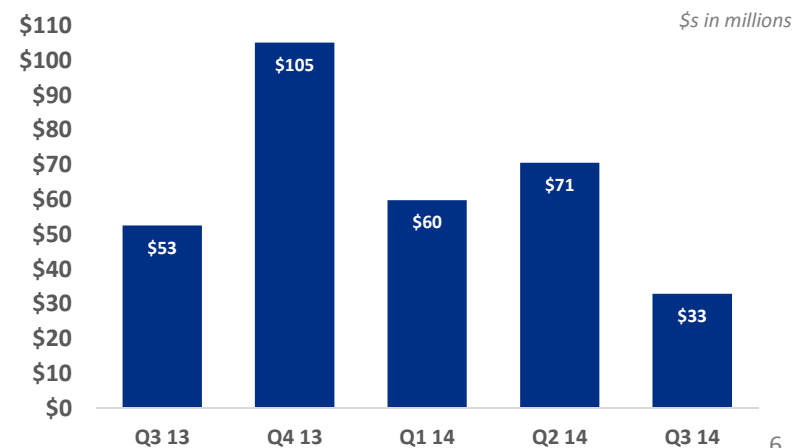
# Q3 2014 Cash Flow

- Operating cash flow \$33 million
  - Negatively impacted by timing of large A/R
- \$15.1 million in capex
- \$14.2 million in dividends
- \$33.6 million in share repurchases
  - 1.0 million shares at an average price of \$33.62
- Ending cash balance of \$565 million
  - FX translation negatively impacted cash by \$21 million in the quarter

## Revenue by Geography



## Operating Cash Flow Trend



# Q3 2014 Segments Summary

(\$s in millions)

	Q3 2014	Q3 2013	YoY Chg %
<b>Revenue</b>			
Surveillance	\$119.1	\$126.6	(5.9%)
Instruments	82.6	77.2	6.9%
OEM & Emerging	56.1	54.8	2.4%
Security	48.6	35.4	37.4%
Maritime	44.7	41.3	8.3%
Detection	24.2	22.9	5.8%
<b>Total Revenue</b>	<b>\$375.4</b>	<b>\$358.1</b>	<b>4.8%</b>
<b>Operating Income</b>			
Surveillance	\$30.4	\$29.8	2.0%
Instruments	26.9	20.4	31.5%
OEM & Emerging	16.1	16.8	(4.1%)
Security	7.0	4.5	56.7%
Maritime	4.6	3.0	56.5%
Detection	4.2	4.1	1.6%
Corporate	(15.1)	(15.1)	0.5%
<b>Total Operating Income</b>	<b>\$74.1</b>	<b>\$63.5</b>	<b>16.6%</b>

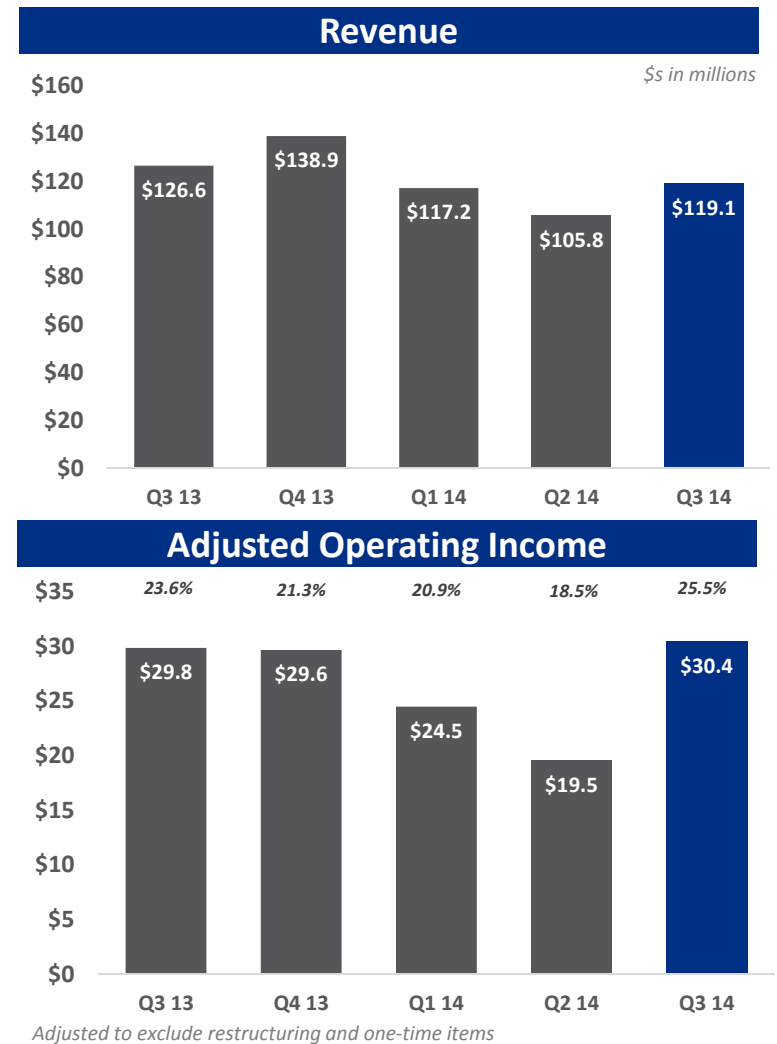


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Operating Income adjusted to exclude restructuring and one-time items

# Q3 2014 Surveillance

- Q3 revenue down 6% vs PY
- YTD revenue down 13% vs PY
- Q3 operating income up 2% vs PY
- YTD operating income down 24% vs PY
  - Excluding \$4.1, \$0.6, and \$0.4 million of pre-tax restructuring charges in Q1, Q2, and Q3 of 2014, respectively
- Q3 ending backlog of \$340 million, up 5% vs PY
  - Q3 book-to-bill of 1.3x
  - Bookings included only one order > \$10 million
- Q3 highlights
  - Adjusted operating margin improved year-over-year and sequentially
    - Positive impact from shifts in product mix
    - Improved manufacturing costs

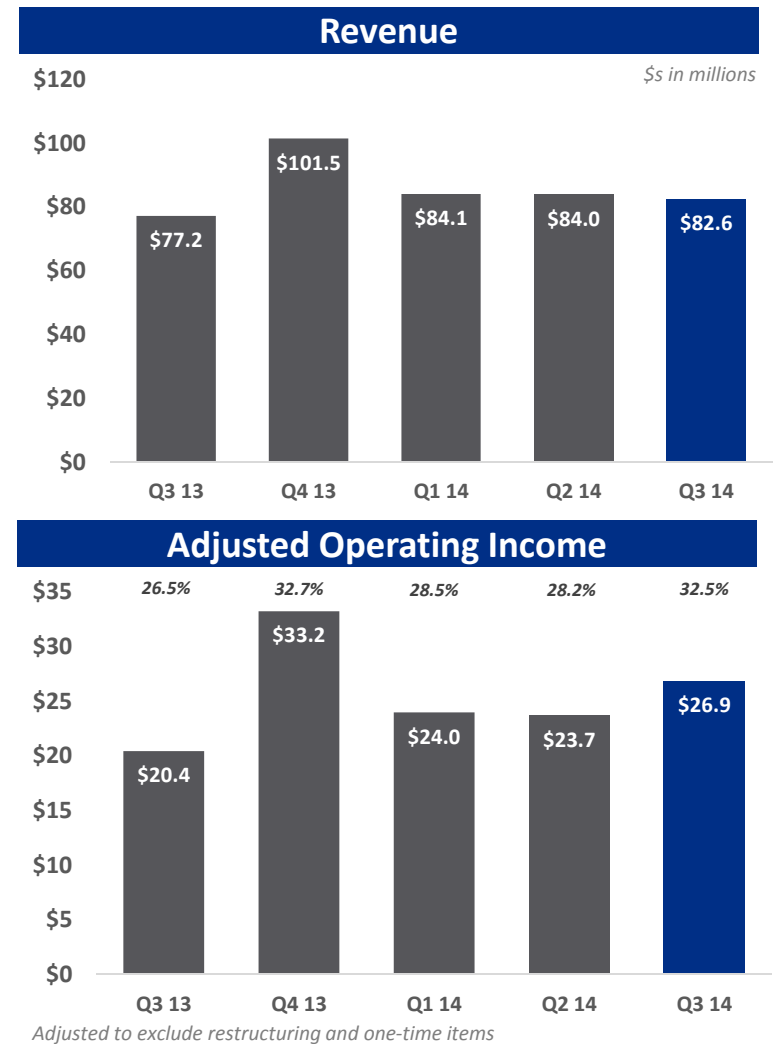


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# Q3 2014 Instruments

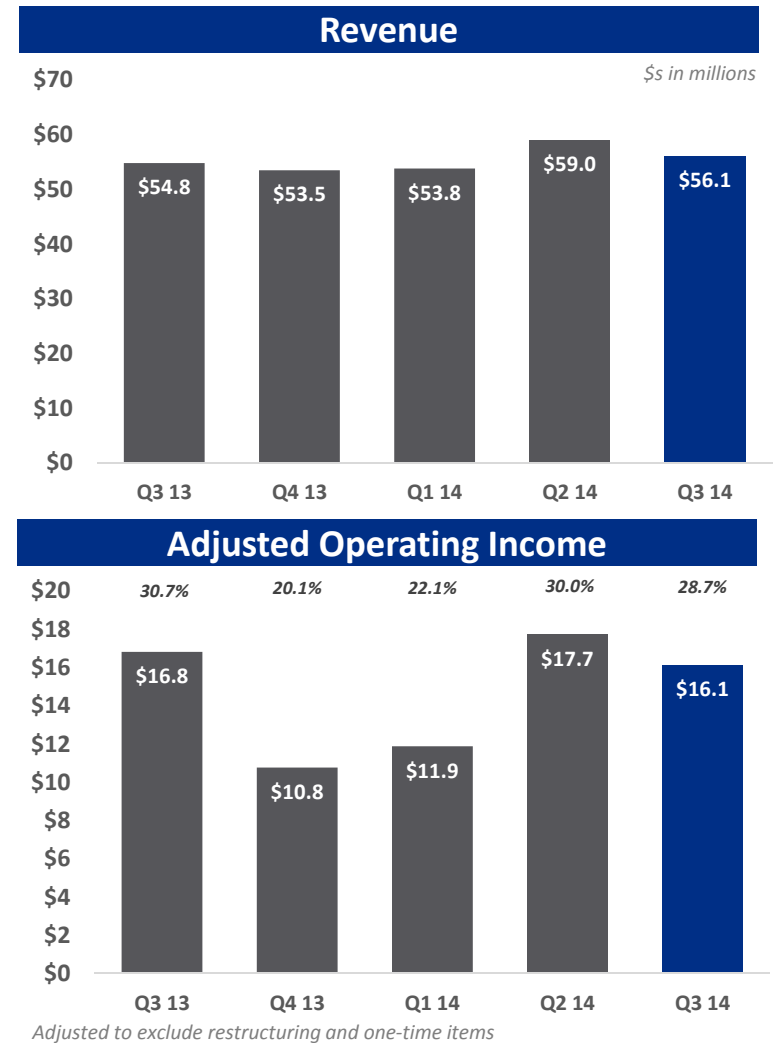
- Q3 revenue up 7% vs PY
- YTD revenue up 6% vs PY
- Q3 operating income up 31% vs PY
  - Excluding \$3.7 million of pre-tax restructuring charges
- YTD operating income up 18% vs PY
  - Excluding \$9.9 million of pre-tax restructuring charges
- Q3 highlights
  - Firefighting product revenue +27%
  - Automation camera revenue +41%
  - Introduced two Lepton-enabled products for shipment in Q4
    - TG165 handheld infrared imaging thermometer
    - AX8 industrial condition monitoring thermal camera



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# Q3 2014 OEM & Emerging

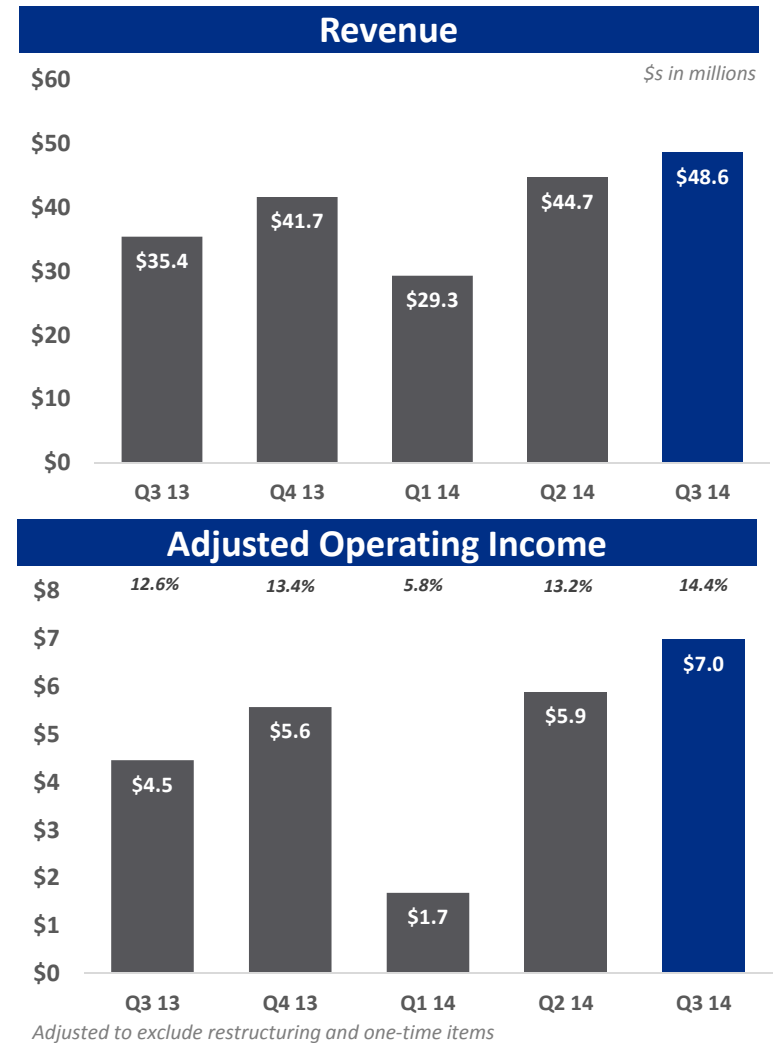
- Q3 revenue up 2% vs PY
- YTD revenue up 10% vs PY
- Q3 operating income down 4% vs PY
- YTD operating income up 5% vs PY
  - Excluding \$0.3 million of pre-tax restructuring charges
- Q3 highlights
  - FLIR One delivering and on Apple store shelves
  - Uncooled cores unit volume +13%
  - Introduced the Muon thermal camera core
    - Designed for OEM customers with advanced integration capabilities



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# Q3 2014 Security

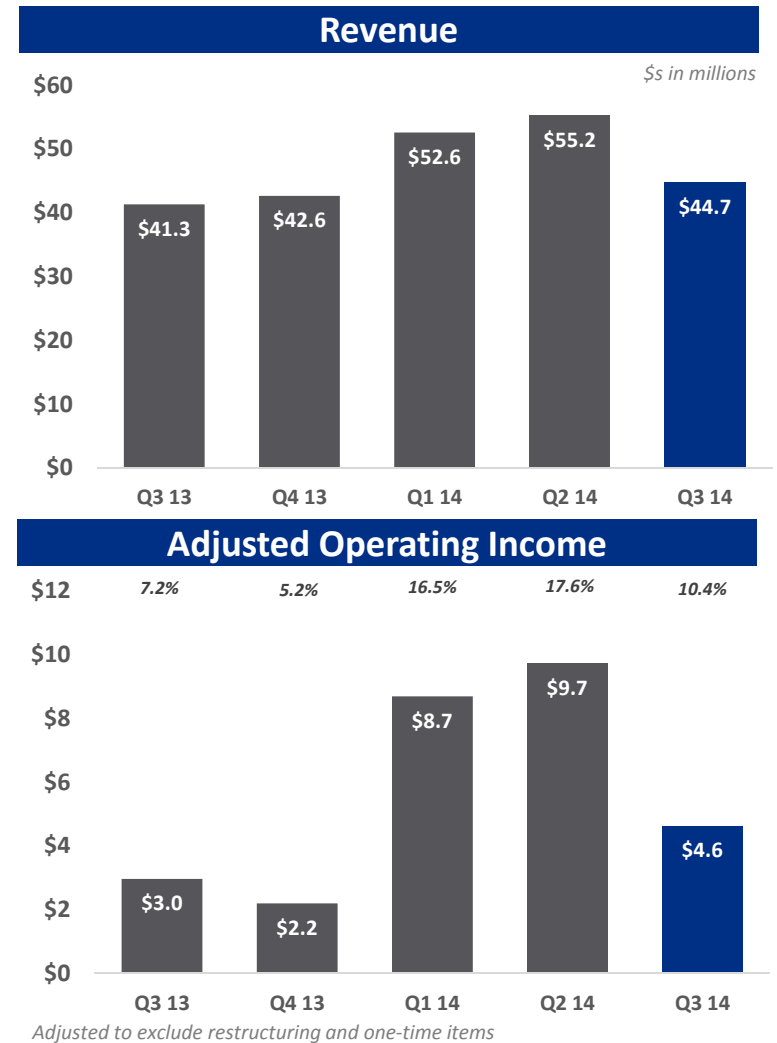
- Q3 revenue up 37% vs PY
- YTD revenue up 24% vs PY
- Q3 operating income up 57% vs PY
- YTD operating income up 20% vs PY
- Q3 highlights
  - Thermal security camera revenue +39%
  - Lorex-branded visible security revenue +34%
  - FLIR-branded visible security revenue +43%



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# Q3 2014 Maritime

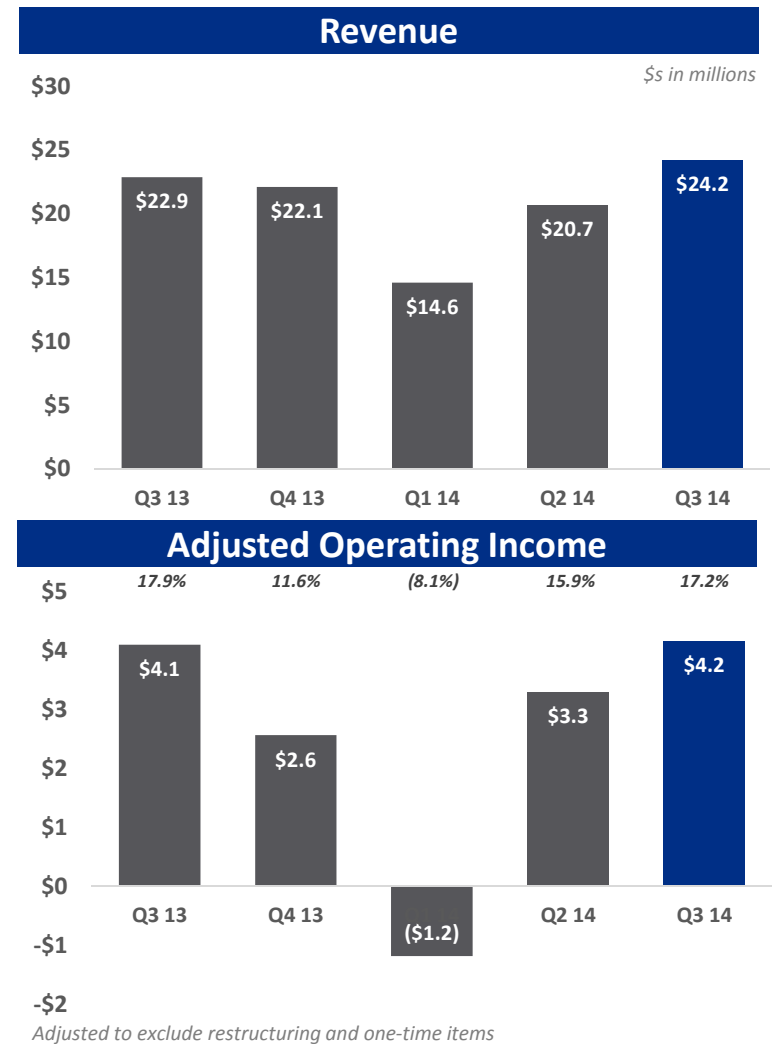
- Q3 revenue up 8% vs PY
- YTD revenue up 4% vs PY
- Q3 operating income up 57% vs PY
- YTD operating income up 13% vs PY
- Q3 highlights
  - Multifunction displays revenue +20%
  - Instruments revenue +9%
  - Operating margin expanded 310 bps y-o-y



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# Q3 2014 Detection

- Q3 revenue up 6% vs PY
- YTD revenue down 13% vs PY
  
- Q3 operating income up 2% vs PY
- YTD operating income down 40% vs PY
  - Excluding \$0.6 and \$0.1 million of pre-tax restructuring charges in Q1 and Q2 of 2014, respectively (no charges in Q3)
  
- Q3 ending backlog of \$37 million, flat vs PY
  - PY bookings included \$10 million DR SKO and initial production units order
  
- Q3 highlights
  - Delivered low-rate initial production units for DRSKO program



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