

February 11, 2016

FLIR Systems Announces Fourth Quarter and Full Year 2015 Financial Results

Fourth Quarter and Full Year Constant Currency Revenue Growth of 3% and 6%, Respectively; Fourth Quarter and Full Year Operating Income Growth of 7% and 18%, Respectively; Fourth Quarter and Full Year Operating Cash Flow Growth of 25% and 22%, Respectively

WILSONVILLE, OR -- (Marketwired) -- 02/11/16 -- FLIR Systems, Inc. (NASDAQ: FLIR) today announced financial results for the fourth quarter and full year ended December 31, 2015. Fourth quarter 2015 revenue was \$437.6 million, up 1% compared to fourth quarter 2014 revenue of \$434.4 million. On a constant currency basis, fourth quarter 2015 revenue was up 3% versus the prior year. Operating income in the fourth quarter was \$93.5 million, compared to \$87.4 million in the fourth quarter of 2014. Operating income was impacted by pretax charges related to previously-announced restructuring initiatives of \$0.3 million in the fourth quarter of 2015 and \$1.0 million in the fourth quarter of 2014.

Fourth quarter 2015 net income was \$70.2 million, or \$0.51 per diluted share, compared with net income of \$72.8 million, or \$0.51 per diluted share in the fourth quarter a year ago. Net income in the fourth quarter of 2015 was impacted by an after-tax gain on the sale of an investment of \$12.7 million, offset by after-tax restructuring charges of \$0.2 million and discrete tax charges of \$7.4 million, netting to a \$0.04 benefit to earnings per diluted share. Net income in the fourth quarter of 2014 was impacted by after-tax restructuring charges of \$0.7 million and a discrete tax benefit of \$9.4 million, netting to a \$0.06 benefit to earnings per diluted share. Cash provided by operations in the fourth quarter reached \$78.3 million, increasing 25% over the fourth quarter of 2014.

Revenue from the Surveillance segment was \$150.7 million, a decrease of 5% from the fourth quarter results last year. The Instruments segment contributed \$98.6 million of revenue during the fourth quarter, down 5% from the prior year but flat on a constant currency basis. The Security segment recorded revenue of \$68.4 million in the fourth quarter, up 21% from the prior year. FLIR's OEM & Emerging Markets segment had \$49.2 million of revenue, a decrease of 2% from the prior year. Revenue from the Maritime segment was \$36.0 million, and was down 10% from the fourth quarter of 2014 and down 4% on a constant currency basis. The Detection segment contributed \$34.7 million of revenue, an increase of 32% from the prior year.

For the full year, revenue was \$1,557.1 million, up 2% compared to \$1,530.7 million for the year ended December 31, 2014. On a constant currency basis, full year 2015 revenue grew 6% over 2014. Operating income for 2015 was \$305.8 million compared to \$259.2 million in 2014, an increase of 18% for the year. Net income for 2015 was \$241.7 million, or \$1.72 per diluted share, compared with 2014 net income of \$200.3 million, or \$1.39 per diluted share. Cash provided by operations during 2015 was \$275.8 million, which compares to \$226.2 million in the prior year and represents a 22% increase.

FLIR's backlog of firm orders for delivery within the next twelve months was approximately \$604 million as of December 31, 2015, an increase of \$36 million, or 6%, during the quarter and an increase of \$56 million, or 10%, compared to \$547 million at the end of 2014.

"The fourth quarter was in-line with our expectations. While revenues were up only slightly year over year given the strong dollar, our operating profitability improved due to strong execution and focus on costs. Cash flow from operations grew considerably compared to the fourth quarter of 2014 as we improve our working capital utilization. Additionally, sales bookings growth of over 20% during the fourth quarter resulted in the highest ending backlog balance since 2008," said Andy Teich, President and CEO of FLIR. "We were pleased with the financial performance over the full year 2015, with operating income growing 18% and earnings per share up 24%. As we look forward to 2016, we intend to grow in our existing and new markets through continued product innovation, operational discipline, strategic marketing, and opportunistic use of our capital."

Revenue and Earnings Outlook for 2016

FLIR also announced today that it currently expects 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 assumes a full year 2016 effective tax rate of 26%, excluding the impact of any future discrete items.

Dividend Increase and Declaration

FLIR's Board of Directors has approved a quarterly cash dividend of \$0.12 per share on FLIR common stock, an increase of 9% over the previous paid quarterly dividend of \$0.11 per share. The Board of Directors has declared the dividend payable on March 4, 2016, to shareholders of record as of close of business on February 19, 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 fourth 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		Twelve Months Ended	
	December 31,		December 31,	
	2015	2014	2015	2014
Revenue	\$ 437,647	\$ 434,366	\$ 1,557,067	\$ 1,530,654
Cost of goods sold	230,337	219,629	803,506	780,281
Gross profit	207,310	214,737	753,561	750,373
Operating expenses:				
Research and development	31,994	36,096	132,892	142,751
Selling, general and administrative	81,553	90,258	313,544	331,995
Restructuring expenses	266	963	1,361	16,383
Total operating expenses	113,813	127,317	447,797	491,129
Earnings from operations	93,497	87,420	305,764	259,244
Interest expense	3,397	3,593	14,086	14,593

Interest income	(306)	(471)	(1,167)	(1,405)
Other (income) expense, net	<u>(14,376)</u>	<u>1,514</u>	<u>(12,601)</u>	<u>(3,473)</u>
Earnings before income taxes	104,782	82,784	305,446	249,529
Income tax provision	<u>34,578</u>	<u>10,032</u>	<u>63,760</u>	<u>49,268</u>
Net earnings	<u>\$ 70,204</u>	<u>\$ 72,752</u>	<u>\$ 241,686</u>	<u>\$ 200,261</u>
Earnings per share:				
Basic	<u>\$ 0.51</u>	<u>\$ 0.52</u>	<u>\$ 1.73</u>	<u>\$ 1.42</u>
Diluted	<u>\$ 0.51</u>	<u>\$ 0.51</u>	<u>\$ 1.72</u>	<u>\$ 1.39</u>
Weighted average shares outstanding:				
Basic	<u>138,000</u>	<u>140,634</u>	<u>139,353</u>	<u>141,143</u>
Diluted	<u>138,970</u>	<u>142,520</u>	<u>140,774</u>	<u>143,569</u>

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

	December 31, 2015	December 31, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 472,785	\$ 531,374
Accounts receivable, net	326,098	354,658
Inventories	393,092	320,605
Prepaid expenses and other current assets	95,539	93,691
Total current assets	1,287,514	1,300,328
Property and equipment, net	272,629	247,094
Deferred income taxes, net	55,429	54,102
Goodwill	596,316	553,335
Intangible assets, net	141,302	133,212
Other assets	53,210	61,240
	<u>\$ 2,406,400</u>	<u>\$ 2,349,311</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 139,540	\$ 98,173
Deferred revenue	31,933	27,878
Accrued payroll and related liabilities	54,806	62,065
Accrued expenses	40,930	51,810
Accrued income taxes	201	4,586
Other current liabilities	53,241	50,045
Current portion long-term debt	264,694	15,000
Total current liabilities	585,345	309,557
Long-term debt	93,750	357,986
Deferred income taxes	3,623	9,193
Accrued income taxes	10,457	11,096
Other long-term liabilities	63,710	51,706
Commitments and contingencies		
Shareholders' equity	1,649,515	1,609,773
	<u>\$ 2,406,400</u>	<u>\$ 2,349,311</u>

FLIR SYSTEMS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)(Unaudited)

	Three Months Ended		Twelve Months Ended	
	December 31,		December 31,	
	2015	2014	2015	2014
Cash flows from operating activities:				
Net earnings	\$ 70,204	\$ 72,752	\$ 241,686	\$ 200,261
Income items not affecting cash:				
Depreciation and amortization	13,069	12,967	49,534	57,245
Deferred income taxes	3,426	(2,214)	(13,812)	(1,242)
Stock-based compensation arrangements	6,299	6,782	25,748	30,788
Gain on sale of certain assets, net	(20,211)	-	(19,166)	(4,129)
Other non-cash items	3,376	(4,032)	7,722	(791)
Changes in operating assets and liabilities, net of acquisitions	2,172	(23,411)	(15,898)	(55,888)
Cash provided by operating activities	<u>78,335</u>	<u>62,844</u>	<u>275,814</u>	<u>226,244</u>
Cash flows from investing activities:				
Additions to property and equipment, net	(18,118)	(20,333)	(68,234)	(61,262)
Business acquisitions, net of cash acquired	(92,260)	-	(92,260)	-
Proceeds from sale of certain assets	25,649	-	25,649	12,000
Cash used by investing activities	<u>(84,729)</u>	<u>(20,333)</u>	<u>(134,845)</u>	<u>(49,262)</u>
Cash flows from financing activities:				
Repayments of long term debt	(3,750)	(3,750)	(15,000)	(15,000)
Repurchase of common stock	(29,812)	(62,614)	(123,193)	(139,238)
Dividends paid	(15,206)	(14,102)	(61,399)	(56,513)
Proceeds from shares issued pursuant to stock-based compensation plans	3,647	13,413	24,835	47,581
Excess tax benefit of stock options exercised	4,027	3,456	8,243	11,161
Other financing activities	(14)	15	(24)	(18)
Cash used by financing activities	<u>(41,108)</u>	<u>(63,582)</u>	<u>(166,538)</u>	<u>(152,027)</u>
Effect of exchange rate changes on cash	<u>(5,089)</u>	<u>(12,928)</u>	<u>(33,020)</u>	<u>(36,057)</u>
Net decrease in cash and cash equivalents	(52,591)	(33,999)	(58,589)	(11,102)
Cash and cash equivalents:				
Beginning of period	525,376	565,373	531,374	542,476
End of period	<u>\$ 472,785</u>	<u>\$ 531,374</u>	<u>\$ 472,785</u>	<u>\$ 531,374</u>

FLIR SYSTEMS, INC.

REVENUE AND EARNINGS FROM OPERATIONS BY SEGMENT

(In thousands)(Unaudited)

REVENUE	Three Months Ended		Twelve Months Ended	
	December 31,		December 31,	
	2015	2014	2015	2014
Surveillance	\$ 150,733	\$ 157,911	\$ 503,045	\$ 519,983
Instruments	98,599	103,540	347,476	354,124
Security	68,390	56,398	226,575	179,090
OEM & Emerging Markets	49,154	50,168	186,722	199,095
Maritime	36,026	40,103	177,948	192,636

Detection	34,745	26,246	115,301	85,726
	<u>\$ 437,647</u>	<u>\$ 434,366</u>	<u>\$ 1,557,067</u>	<u>\$ 1,530,654</u>
EARNINGS (LOSS) FROM OPERATIONS				
Surveillance	\$ 49,173	\$ 47,929	\$ 145,637	\$ 127,221
Instruments	34,394	34,277	112,353	98,954
Security	9,229	10,310	28,140	24,871
OEM & Emerging Markets	7,558	14,732	41,065	50,250
Maritime	553	1,335	13,611	24,494
Detection	9,555	5,438	26,904	10,958
Other	(16,965)	(26,601)	(61,946)	(77,504)
	<u>\$ 93,497</u>	<u>\$ 87,420</u>	<u>\$ 305,764</u>	<u>\$ 259,244</u>

Investor Relations

Shane Harrison

503-498-3547

[Email Contact](#)

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