

**Second Quarter 2015  
Results Summary**



The World's **Sixth Sense**™

# Disclaimer

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# Second Quarter 2015 Review

Andy Teich

President and CEO

# Q2 2015

# Highlights

## Revenue

**\$393 Million**

*up 6% vs PY  
(up ~12% vs PY constant currency)*

## EPS

**\$0.36**

*up 9% vs PY\**

## Operating Margin

**18%**

*Operating profit up 13% vs PY\**

- Stronger U.S. dollar negatively impacted revenue by approximately \$20 million
- 1H 2015 EPS increased 21% versus the 1H 2014 (excluding restructuring charges)
- 1H 2015 operating margin reached 19% versus 16% 1H 2014 (excluding restructuring charges)
  - Improved profitability in government-related business and Instruments
- Several new products began shipping in Q2:
  - K2 firefighting thermal camera
  - K65 NFPA-compliant firefighting thermal camera
  - Second-generation FLIR ONE smartphone accessory
  - FLIR FX high-definition wi-fi home monitoring camera
  - MR160 moisture meter
  - FLIR Vue plug-and-play thermal camera for UASs
  - Raymarine eS
  - CM 55 and CM 57 flexible clamp meters

*\* Adjusted to exclude restructuring charges.*

- Reaffirming Revenue range of \$1.55 – \$1.6 billion
  - An increase of approximately 3% over 2014 at the midpoint
- Reaffirming EPS range of \$1.60 – \$1.70
  - An increase of approximately 11% over 2014 at the midpoint, excluding expenses related to restructuring
- Announced quarterly dividend of \$0.11 per share, payable on September 4<sup>th</sup> to shareholders of record as of August 21<sup>st</sup>

# **Second Quarter 2015**

## **Financials Review**

Dave Muessele

Interim CFO and VP Corporate Controller

# Q2 2015 Financials Review

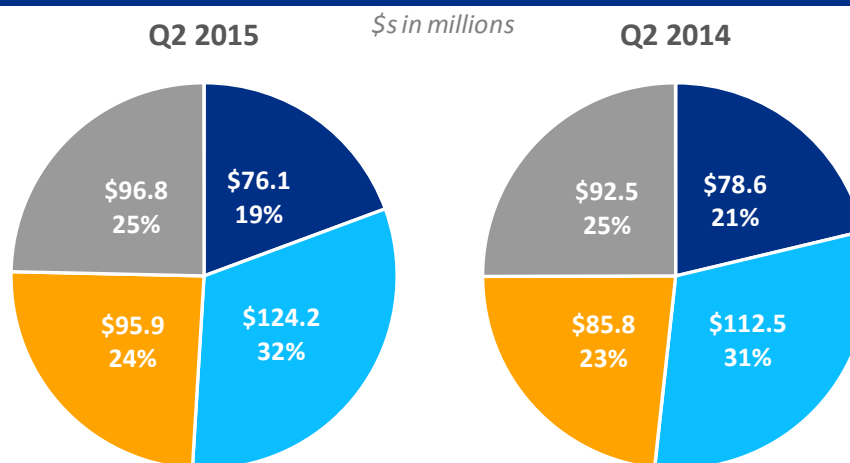
(\$s in millions, except per share amounts)

	Q2 2015	Q2 2014	YoY Chg %
<b>Revenue</b>	<b>\$393.0</b>	<b>\$369.4</b>	<b>6%</b>
Gross Profit	189.6	182.7	4%
Gross Margin %	48%	49%	-121 bps
Operating Income	\$70.5	\$59.4	19%
Restructuring Charges (Pre-Tax)	0.5	3.5	
<b>Adjusted Operating Income</b>	<b>\$71.0</b>	<b>\$62.9</b>	<b>13%</b>
Operating Margin %	18%	17%	103 bps
<b>Adj Net Income</b>	<b>\$50.8</b>	<b>\$47.5</b>	<b>7%</b>
Diluted Share Count	141.5	144.1	
<b>Adjusted EPS</b>	<b>\$0.36</b>	<b>\$0.33</b>	<b>9%</b>
EPS as reported	\$0.36	\$0.31	16%

Amounts adjusted to exclude restructuring charges.

- Revenue negatively impacted by stronger U.S. dollar vs the prior year
  - On a constant currency basis, revenue grew approximately 12%
- Effective tax rate of 24%

## Revenue by Geography



■ U.S. Government ■ U.S. Other ■ Europe ■ ROW

# Q2 2015

# Financials Review

*(\$s in millions)*

	Q2 2015	Q1 2015	QoQ Chg %	Q2 2014	YoY Chg %
<b>Key Balance Sheet Items</b>					
Cash	\$560.2	\$547.8	2%	\$602.1	(7%)
A/R	327.7	311.8	5%	270.1	21%
Inventory	360.6	340.3	6%	350.1	3%
Other Assets	<u>1,131.2</u>	<u>1,112.5</u>	2%	<u>1,179.9</u>	(4%)
Total Assets	\$2,379.7	\$2,312.4	3%	\$2,402.2	(1%)
A/P	\$121.6	\$106.1	15%	\$100.0	22%
Total Debt	365.7	369.4	(1%)	380.3	(4%)
Other Liabilities	253.9	251.1	1%	270.2	(6%)
Equity	\$1,638.5	\$1,585.8	3%	\$1,651.7	(1%)
<b>Key Cash Flow Items</b>					
Cash Flow From Operations	\$48.9			\$70.6	(31%)
Capital Expenditures	(17.6)			(16.2)	8%
Share Repurchases	(31.4)			(41.2)	(24%)
Dividends	(15.4)			(14.2)	9%
Net Effect of FX Rate on Cash	\$13.2			(\$0.9)	n/a
Net Change in Cash	\$12.4			\$18.0	(31%)



# Second Quarter 2015 Segment Review

Tom Surran  
COO

# Q2 2015

# Segments Summary

(\$s in millions)

	Q2 2015	Q2 2014	YoY Chg %
<b>Revenue</b>			
Surveillance	\$107.8	\$113.6	(5%)
Instruments	90.3	84.0	7%
OEM & Emerging	46.3	51.1	(9%)
Maritime	52.0	55.2	(6%)
Security	60.0	44.7	34%
Detection	36.5	20.7	77%
<b>Total Revenue</b>	<b>\$393.0</b>	<b>\$369.4</b>	<b>6%</b>
<b>Operating Income</b>			
Surveillance	\$26.3	\$23.2	13%
Instruments	28.8	23.7	22%
OEM & Emerging	10.5	14.0	(25%)
Maritime	6.4	9.7	(34%)
Security	7.9	5.9	34%
Detection	9.4	3.3	185%
<b>Segment Operating Income</b>	<b>\$89.3</b>	<b>\$79.9</b>	<b>12%</b>
<i>Segment Operating Margin %</i>	23%	22%	111 bps
Corporate	(18.4)	(17.0)	(8%)
<b>Total Operating Income</b>	<b>\$71.0</b>	<b>\$62.9</b>	<b>13%</b>
<i>Total Operating Margin %</i>	18%	17%	103 bps

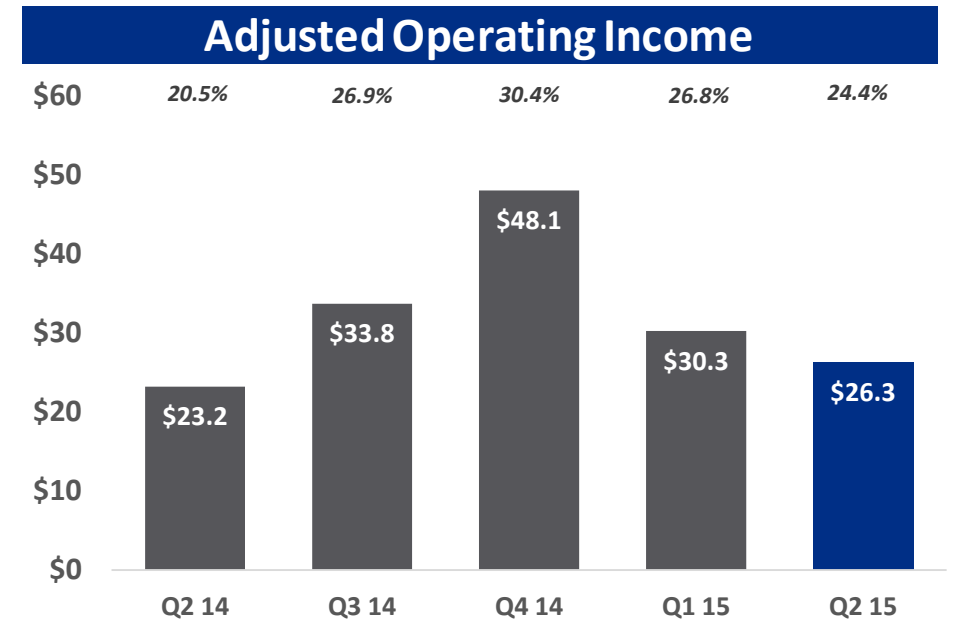
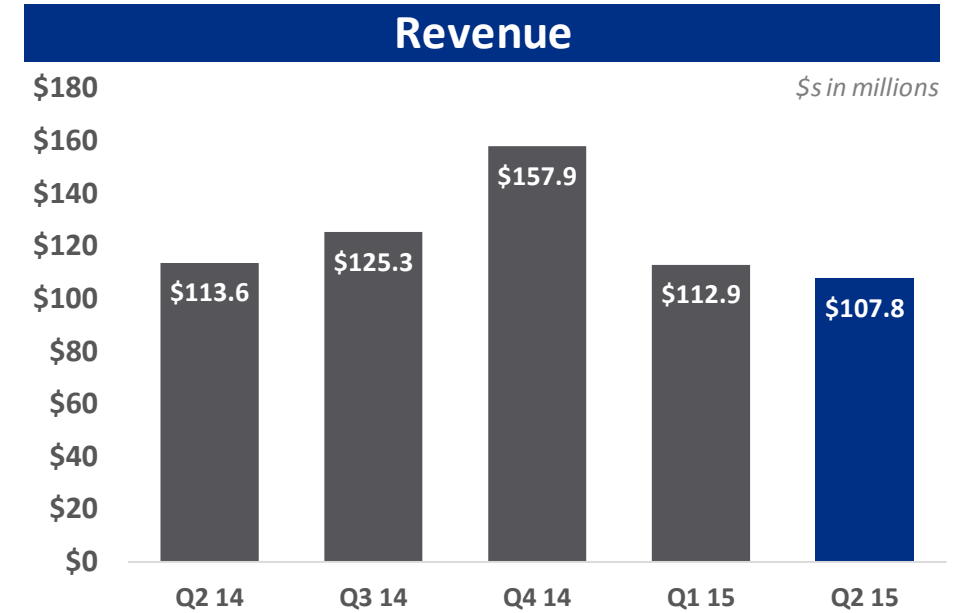
Operating Income adjusted to exclude restructuring charges.



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# Q2 2015 Surveillance

- Q2 revenue down 5% vs prior year
  - Strength from Man-Portable and Land-based imaging systems, partially offset by softness in Airborne gimbals and PVS product lines
- Q2 adjusted operating income growth of 13% over prior year
  - Adjusted operating margin improved ~400 basis points year-over-year driven by improved product margins and reduced operating expenses
  - Adjusted to excludes \$0.6 million of pre-tax restructuring charges in 2014
- Q2 ending backlog of \$286 million, increased 6% vs prior quarter
  - Q2 book-to-bill of 1.2x
  - Trailing 12-months book-to-bill of 1.0x

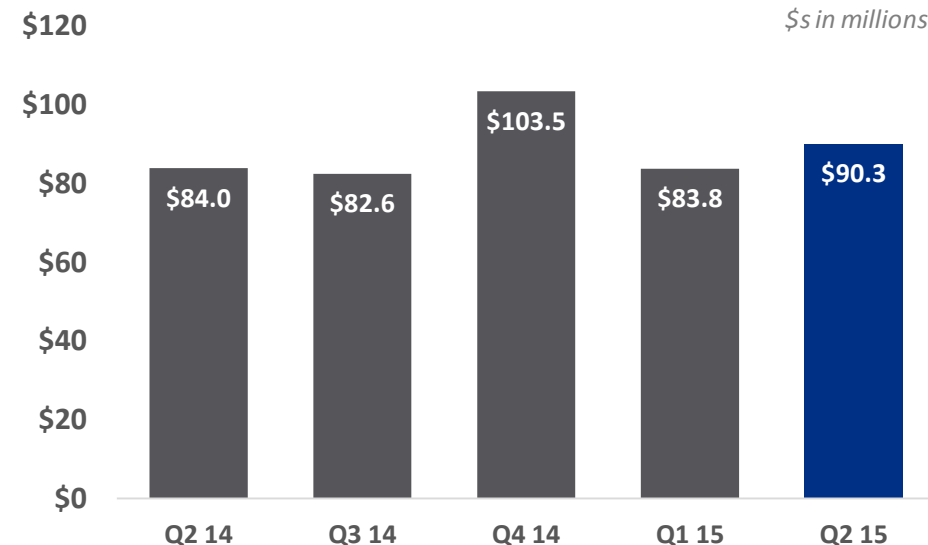


Operating Income adjusted to exclude restructuring charges for all periods. 2014 Revenue and Adjusted Operating Income amounts restated for the addition of PVS.

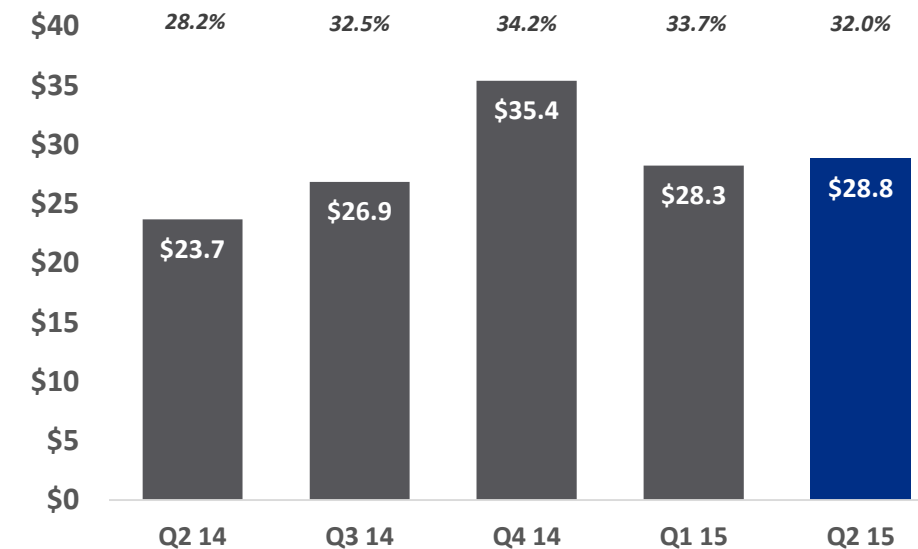
# Q2 2015 Instruments

- Q2 revenue up 7% vs prior year
  - Constant-currency growth of 16%, with foreign exchange negatively impacting revenue by approximately \$7 million
  - Strength from new C2 pocket-sized thermal camera, Science camera products, and Firefighting product lines
- Q2 adjusted operating income up 22% vs prior year
  - Adjusted operating margin increased ~370 basis points year-over-year
  - Adjusted to exclude \$0.5 million and \$2.7 million of pre-tax restructuring charges in 2015 and 2014, respectively

## Revenue



## Adjusted Operating Income



Adjusted to exclude restructuring charges.

## New Products

**FLIR K2**

- Thermal imaging for seeing through smoke and identifying hot spots
- New entry price point for market
- Compact, light, and easy to use
- Engineered to survive severe conditions
- Multi-spectral dynamic imaging (MSX)
- Available now for \$1,295

**FLIR K65**

- National Fire Protection Association-compliant
- Rugged design for high performance in extreme conditions
- Flexible scene enhancement (FSX) for clear and crisp thermal images
- In-camera video storage
- Available now for \$6,995

**FLIR MR160**

- Moisture meter with built-in thermal technology
- Scan, target, and capture moisture readings and thermal images on one screen
- Review images and generate reports with FLIR Tools software
- Featuring Infrared Guided Measurement (IGM) technology powered by Lepton
- Rugged design, small form factor, and internal rechargeable battery
- Available now for \$599



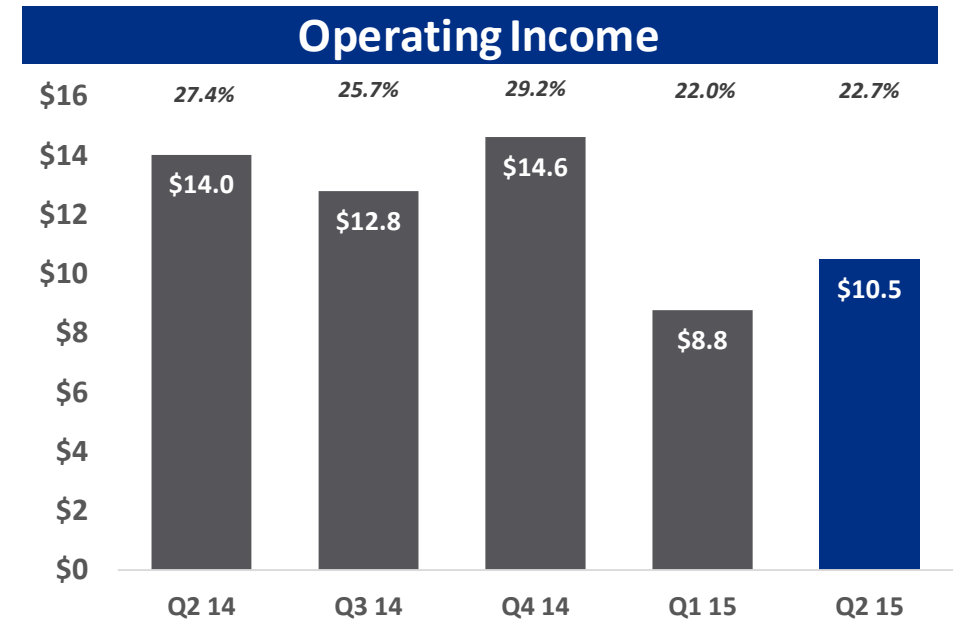
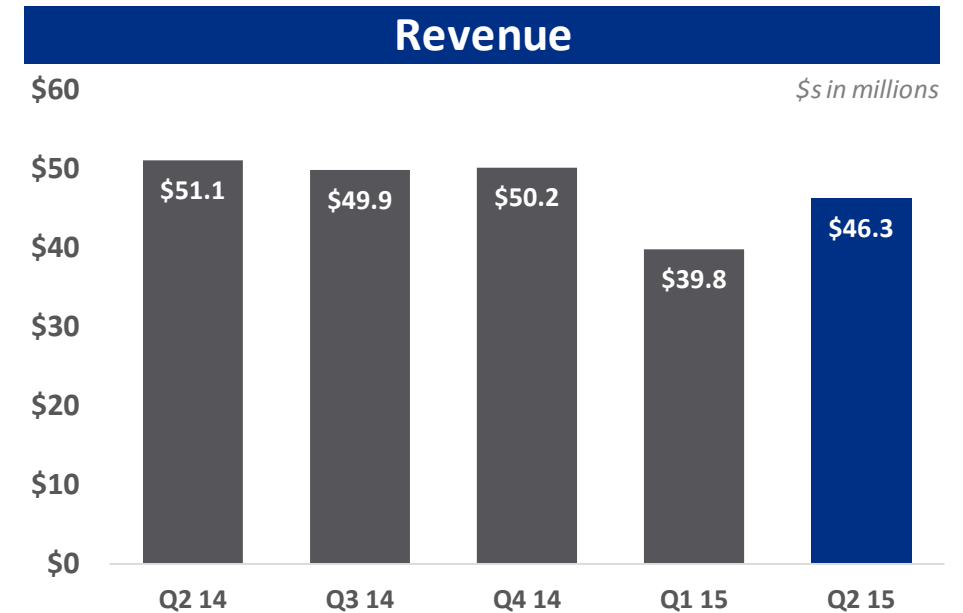
Scanning ceiling &amp; wall joint for moisture issues



IGM shows cold spots, guiding where to measure

# Q2 2015 OEM & Emerging

- Q2 revenue down 9% vs prior year
  - Approximately \$2 million negative impact from foreign exchange
  - Decline driven by divestment of OCG business (\$3 million)
  - Order delays for cooled cores
- Q2 operating income down 25% vs prior year
  - Adjusted operating margin decreased 475 basis points to 23%



*Operating Income adjusted to exclude restructuring charges. Revenue and Adjusted Operating Income amounts restated for the removal of PVS.*

## New Product

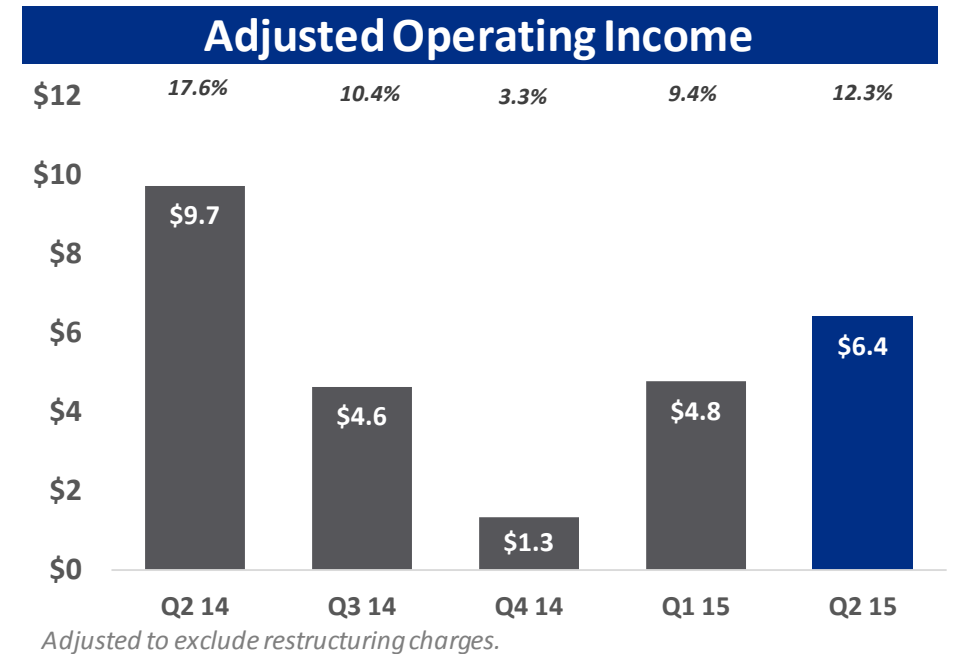
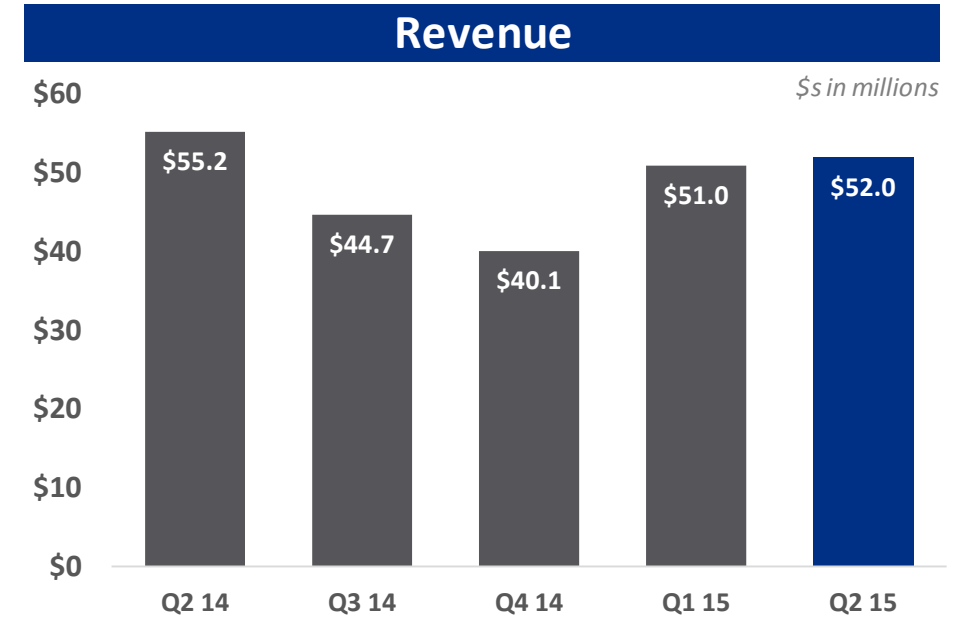
**FLIR VUE™****FLIR VUE**

- Compact thermal camera customized specifically for commercial sUAS (small unmanned aircraft systems) operators
- Small and lightweight
  - Compact wire connections won't interfere with most gimbals
  - Minimize the impact to aircraft weight, center of gravity, and flight time
- Affordable
  - \$1,499 for 336 resolution, \$2,999 for 640 resolution
  - Image settings optimized for airborne operations
- Easy to integrate
  - Plug-and-play easy of use
  - Simple power-in / video-out interface
  - Same mini-USB interface thousands of sUAS operators already use
- Select applications: search and rescue, substation inspections, livestock monitoring, precision agriculture, critical infrastructure security, pipeline and power line inspections, and emergency response operations



# Q2 2015 Maritime

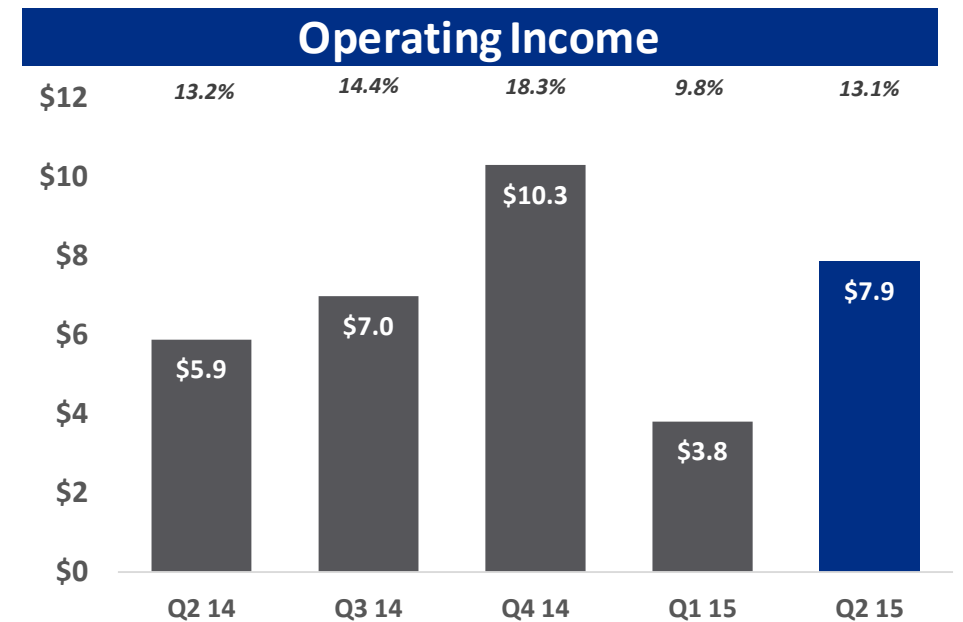
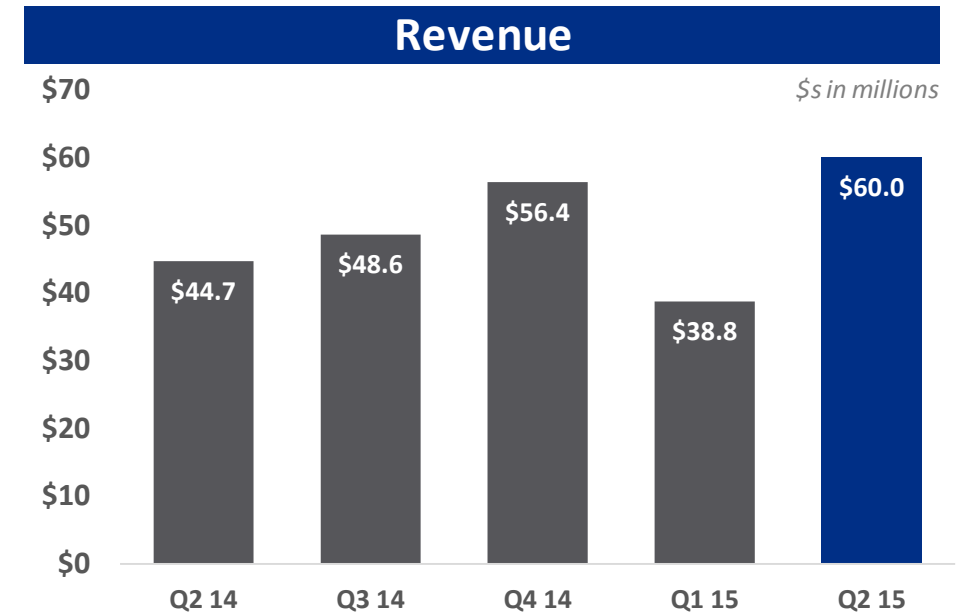
- Q2 revenue down 6% vs prior year
  - Growth of 6% on a constant-currency basis
  - FLIR-branded thermal up 20%
- Q2 adjusted operating income down 34% vs prior year
  - Significant negative impact due to foreign exchange





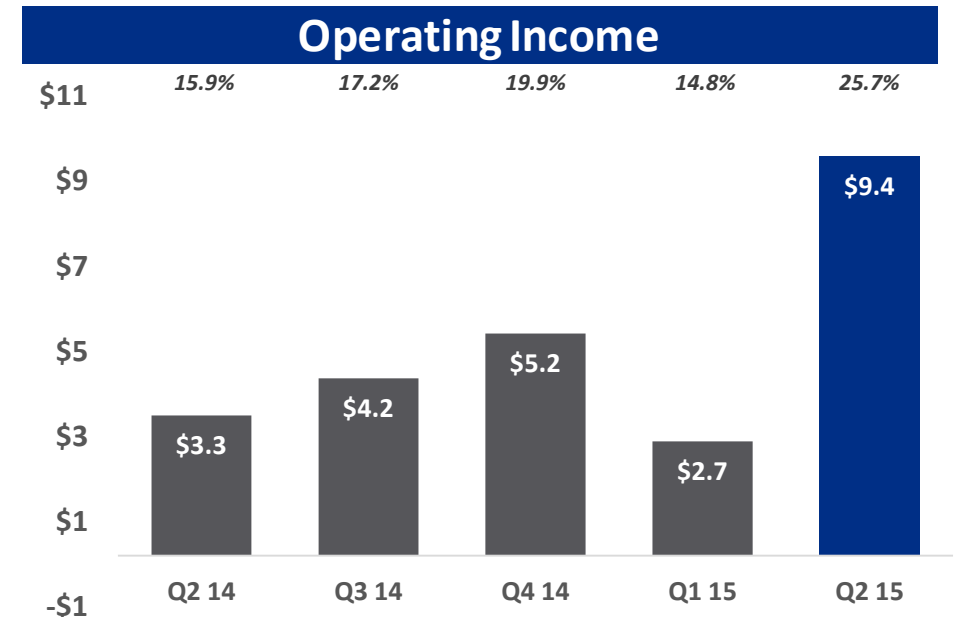
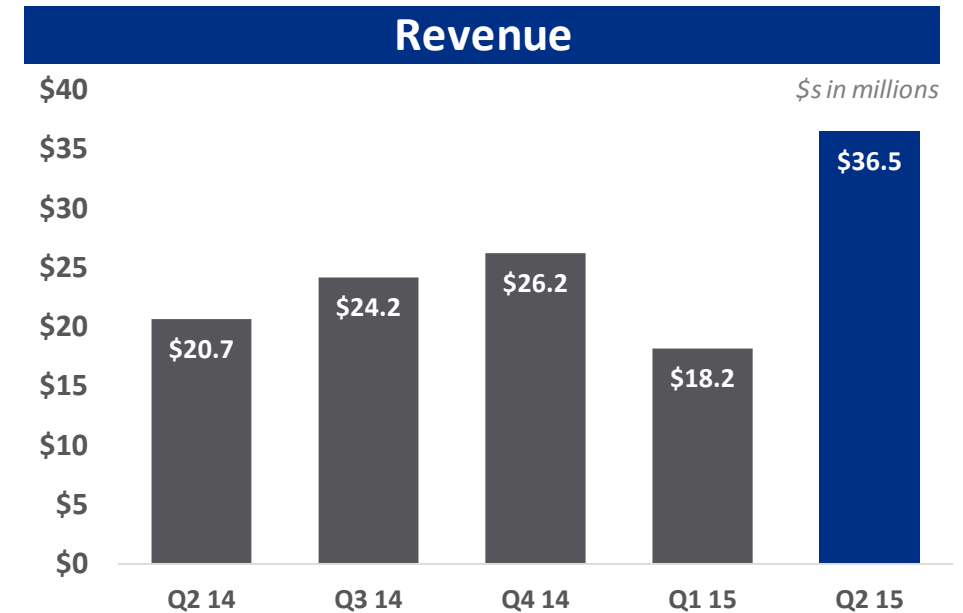
# Q2 2015 Security

- Q2 revenue up 34% vs prior year
  - Thermal products up 45%
  - FLIR-branded visible up 33%
  - Lorex-branded visible up 29%
- Q2 operating income up 34% vs prior year
  - Product mix led to slightly lower gross margins, offset by slower growth in operating expenses



# Q2 2015 Detection

- Q2 revenue up 77% vs prior year
  - Driven primarily by deliveries of DR SKO units to the U.S. Government
  - Explosives products up over 42%
- Q2 operating income up 185% vs prior year
  - Operating margin increased ~1,000 basis points
- Q2 ending backlog of \$83 million, down compared to Q1
  - Decline due to DR SKO deliveries during the quarter



*Adjusted to exclude restructuring charges.*



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