

July 27, 2016

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

### **Second Quarter and Year-to-Date Revenue Growth of 2% and 6%, Respectively; Second Quarter Operating Cash Flow Growth of 67%; Firm-Order Backlog Growth of 17%, to \$629 Million**

WILSONVILLE, OR -- (Marketwired) -- 07/27/16 -- FLIR Systems, Inc. (NASDAQ: FLIR) today announced financial results for the second quarter ended June 30, 2016. Second quarter 2016 revenue was \$402.7 million, up 2% compared to second quarter 2015 revenue of \$393 million. Year-to-date revenue of \$782 million was 6% above the prior year. Operating income in the second quarter was \$65.2 million, compared to \$70.5 million in the second quarter of 2015. Profitability in comparison to the prior year was negatively impacted by changes in product mix, manufacturing cost under-absorption, and additional costs associated with the ramp up of an internal low-cost optics capability.

Second quarter 2016 net earnings were \$45.4 million, or \$0.33 per diluted share, compared with net earnings of \$50.5 million, or \$0.36 per diluted share in the second quarter a year ago. Net earnings in the second quarter of 2016 were negatively impacted by a \$2 million write-down of a non-core minority investment. Excluding this write-down, adjusted earnings per diluted share were \$0.34. Cash provided by operations in the second quarter reached \$81.7 million, FLIR's highest quarterly cash flow since 2013, and was driven by reductions in working capital.

Revenue from the Surveillance segment was \$113.4 million, an increase of 5% from the second quarter results last year. The Instruments segment contributed \$78.1 million of revenue during the second quarter, down 14% from the prior year, due to continued softness in mid-range handheld thermal products and strong MERS-related revenue in the prior year. The Security segment recorded revenue of \$63.4 million in the second quarter, up 6% from the prior year. FLIR's OEM & Emerging Markets segment had \$57 million of revenue, an increase of 23% over the prior year. Revenue from the Maritime segment was \$55.2 million, which was up 6% from the second quarter of 2015. The Detection segment contributed \$35.7 million of revenue, a decrease of 2% from the prior year.

FLIR's backlog of firm orders for delivery within the next twelve months was approximately \$629 million as of June 30, 2016, an increase of \$16 million, or 3%, during the quarter and an increase of \$93 million, or 17%, over the \$536 million balance at the end of the second quarter of 2015.

"We are encouraged by the growth we saw in our bookings and backlog during the second quarter, and our initiatives to improve working capital utilization resulted in strong cash flow," said Andy Teich, President and CEO of FLIR. "As we anticipated, profitability during the second quarter was lower than our historic trend given an unusual product mix in our Surveillance segment as well as higher costs in our Instruments and Security segments. While we expect product mix to return to normal levels in the second half of the year, we have initiated a plan to reduce our costs which we expect to improve our overall profitability in the second half.

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

Based on financial results for the first half of the year and the outlook for the remainder of the year, FLIR expects revenue in 2016 to be in the range of \$1.6 billion to \$1.65 billion, and adjusted net earnings to now be in the range of \$1.60 to \$1.65 per diluted share. This guidance excludes the impact of discrete tax items, the investment write-down described above, and charges related to the cost reduction initiative planned for the second half.

### ***Dividend Declaration***

FLIR's Board of Directors has declared a quarterly cash dividend of \$0.12 per share on FLIR common stock, payable September 2, 2016, to shareholders of record as of close of business on August 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](http://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 second 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 from GAAP in the current quarter for a write-down of a cost-based investment and incrementally adjusted in the full year outlook for certain discrete tax items and charges associated with certain cost reduction initiatives anticipated in the second half of 2016. 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		Six Months Ended	
	June 30,		June 30,	
	2016	2015	2016	2015
Revenue	\$ 402,729	\$ 392,975	\$ 782,201	\$ 737,492
Cost of goods sold	219,407	203,360	421,189	371,980
Gross profit	183,322	189,615	361,012	365,512
Operating expenses:				
Research and development	36,945	35,126	73,356	69,900

Selling, general and administrative	81,165	83,958	165,067	159,327
Total operating expenses	118,110	119,084	238,423	229,227
Earnings from operations	65,212	70,531	122,589	136,285
Interest expense	4,360	3,358	7,807	7,019
Interest income	(328 )	(295 )	(588 )	(542 )
Other expense (income), net	1,327	1,020	(103 )	320
Earnings before income taxes	59,853	66,448	115,473	129,488
Income tax provision	14,485	15,948	68,980	31,078
Net earnings	<u>\$ 45,368</u>	<u>\$ 50,500</u>	<u>\$ 46,493</u>	<u>\$ 98,410</u>
Earnings per share:				
Basic	<u>\$ 0.33</u>	<u>\$ 0.36</u>	<u>\$ 0.34</u>	<u>\$ 0.70</u>
Diluted	<u>\$ 0.33</u>	<u>\$ 0.36</u>	<u>\$ 0.33</u>	<u>\$ 0.70</u>
Weighted average shares outstanding:				
Basic	<u>137,861</u>	<u>140,063</u>	<u>137,686</u>	<u>139,916</u>
Diluted	<u>138,993</u>	<u>141,491</u>	<u>138,832</u>	<u>141,484</u>

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

	June 30, 2016	December 31, 2015
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 903,179	\$ 472,785
Accounts receivable, net	279,323	326,098
Inventories	387,393	393,092
Prepaid expenses and other current assets	87,927	95,539
Total current assets	1,657,822	1,287,514
Property and equipment, net	271,726	272,629
Deferred income taxes, net	55,578	55,429
Goodwill	592,946	596,316
Intangible assets, net	133,364	141,302
Other assets	83,515	53,210
	<u>\$ 2,794,951</u>	<u>\$ 2,406,400</u>
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
Current liabilities:		
Accounts payable	\$ 101,170	\$ 139,540
Deferred revenue	30,738	31,933
Accrued payroll and related liabilities	46,629	54,806
Accrued expenses	35,597	40,930
Accrued income taxes	3,007	201
Other current liabilities	40,291	53,241
Current portion long-term debt	264,924	264,694
Total current liabilities	522,356	585,345
Long-term debt	505,040	93,750
Deferred income taxes	3,893	3,623
Accrued income taxes	51,807	10,457
Other long-term liabilities	64,311	63,710
Commitments and contingencies		

Shareholders' equity		1,647,544	1,649,515
	\$	<u>2,794,951</u>	<u>\$ 2,406,400</u>

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2016	2015	2016	2015
<b>Cash flows from operating activities:</b>				
Net earnings	\$ 45,368	\$ 50,500	\$ 46,493	\$ 98,410
Income items not affecting cash:				
Depreciation and amortization	13,839	12,122	27,778	24,611
Deferred income taxes	(145 )	46	(372 )	142
Stock-based compensation arrangements	8,293	8,181	14,381	12,938
Other non-cash items	9,644	2,480	15,451	(823 )
Changes in operating assets and liabilities, net of acquisitions	4,745	(24,397 )	22,890	(11,419 )
<b>Cash provided by operating activities</b>	<u>81,744</u>	<u>48,932</u>	<u>126,621</u>	<u>123,859</u>
<b>Cash flows from investing activities:</b>				
Additions to property and equipment	(10,884 )	(17,644 )	(20,876 )	(30,783 )
Proceeds from sale of property and equipment	-	30	4,875	30
Business acquisitions, net of cash acquired	(42,445 )	-	(42,445 )	-
<b>Cash used by investing activities</b>	<u>(53,329 )</u>	<u>(17,614 )</u>	<u>(58,446 )</u>	<u>(30,753 )</u>
<b>Cash flows from financing activities:</b>				
Net proceeds from credit agreement and long-term debt	525,766	-	525,766	-
Repayments of credit agreement and long-term debt	(108,750 )	(3,750 )	(112,500 )	(7,500 )
Repurchase of common stock	(29,747 )	(31,426 )	(29,747 )	(31,426 )
Dividends paid	(16,583 )	(15,397 )	(33,090 )	(30,774 )
Proceeds from shares issued pursuant to stock-based compensation plans	2,552	15,222	6,541	19,636
Excess tax benefit of stock options exercised	538	3,262	1,579	4,041
Other financing activities	7	(1 )	10	(8 )
<b>Cash provided (used) by financing activities</b>	<u>373,783</u>	<u>(32,090 )</u>	<u>358,559</u>	<u>(46,031 )</u>
Effect of exchange rate changes on cash	(9,632 )	13,182	3,660	(18,259 )
<b>Net increase in cash and cash equivalents</b>	392,566	12,410	430,394	28,816
<b>Cash and cash equivalents:</b>				
Beginning of period	510,613	547,780	472,785	531,374
<b>End of period</b>	<u>\$ 903,179</u>	<u>\$ 560,190</u>	<u>\$ 903,179</u>	<u>\$ 560,190</u>

**FLIR SYSTEMS, INC.**  
**REVENUE AND EARNINGS FROM OPERATIONS BY SEGMENT**  
(In thousands)(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2016	2015	2016	2015
<b>REVENUE</b>				
Surveillance	\$ 113,440	\$ 107,814	\$ 237,591	\$ 220,715

Instruments	78,068	90,260	157,487	174,080
Security	63,380	60,048	110,441	98,854
OEM & Emerging Markets	56,980	46,285	104,825	86,120
Maritime	55,163	52,030	106,883	103,002
Detection	35,698	36,538	64,974	54,721
	<u>\$ 402,729</u>	<u>\$ 392,975</u>	<u>\$ 782,201</u>	<u>\$ 737,492</u>

**EARNINGS (LOSS) FROM OPERATIONS**

Surveillance	\$ 26,135	\$ 26,378	\$ 61,375	\$ 56,546
Instruments	19,133	28,341	38,629	56,404
Security	3,214	7,874	(430 )	11,689
OEM & Emerging Markets	16,094	10,495	26,127	19,274
Maritime	6,721	6,421	11,719	11,210
Detection	9,963	9,380	17,843	12,059
Other	(16,048 )	(18,358 )	(32,674 )	(30,897 )
	<u>\$ 65,212</u>	<u>\$ 70,531</u>	<u>\$ 122,589</u>	<u>\$ 136,285</u>

***Investor Relations***

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