

October 28, 2015

## **FLIR Systems Announces Third Quarter 2015 Financial Results**

### **Constant Currency Revenue Growth of 6% and as Reported EPS Growth of 41% Over the Prior Year**

WILSONVILLE, OR -- (Marketwired) -- 10/28/15 -- FLIR Systems, Inc. (NASDAQ: FLIR) today announced financial results for the third quarter ended September 30, 2015. Revenue was \$381.9 million, up 2% compared to third quarter 2014 revenue of \$375.4 million. On a constant-currency basis, revenue for the third quarter was up 6% compared to the prior year, as foreign currency exchange fluctuations negatively impacted revenue by approximately \$14 million. Operating income in the third quarter was \$76 million, compared to \$70 million in the third quarter of 2014. Operating income was impacted by pretax charges related to previously-announced restructuring initiatives of \$0.3 million in the third quarter of 2015 and \$4.1 million in the third quarter of 2014.

Third quarter 2015 net income was \$73.1 million, or \$0.52 per diluted share, compared with net income of \$52.9 million, or \$0.37 per diluted share in the third quarter a year ago. Net income for the third quarter of 2015 included a discrete tax benefit of \$17.4 million, or approximately \$0.12 per diluted share, related to the release of a previously recorded tax reserve. Cash provided by operations in the third quarter of 2015 was \$73.6 million, an increase of 123% compared to the prior year.

The Surveillance segment contributed \$131.6 million of revenue during the third quarter, increasing 5% over the prior year. The Instruments segment had \$74.8 million of revenue, down 9% from the prior year, and was negatively impacted by foreign currency exchange fluctuations by approximately \$6 million, resulting in a 3% decline on a constant currency basis. FLIR's OEM & Emerging Markets segment recorded revenue of \$51.4 million in the third quarter, up 3% over the prior year. Revenue from the Maritime segment was \$38.9 million, down 13% from the third quarter of 2014, and was negatively impacted by foreign currency exchange fluctuations by approximately \$4 million, resulting in a 4% decline on a constant currency basis. Security segment revenue was \$59.3 million, an increase of 22% over the third quarter results last year. The Detection segment contributed \$25.8 million of revenue, an increase of 7% from the prior year.

FLIR's backlog of firm orders for delivery within the next twelve months was approximately \$568 million as of September 30, 2015, an increase of \$31 million, or 6%, during the quarter and a decrease of \$12 million, or 2%, from the third quarter of 2014.

"In the third quarter we saw constant currency revenue growth of 6%, improved our operating profitability, significantly improved our cash flow, and introduced several new market-defining products, however, the global economic environment created a headwind for our overall performance," said Andy Teich, President and CEO of FLIR. "Our proven ability to advance our sensing technologies, rapidly develop new products, and address new market opportunities enables our mission of being the 'World's Sixth Sense.' We have confidence in our ability to create long-term shareholder value given our focus on innovation, product differentiation, and market positioning."

### ***Revenue and Earnings Outlook for 2015***

Based on financial results for the first nine months of 2015 and the outlook for the remainder of the year, FLIR now expects revenue for the full year 2015 to be in the range of \$1.52 billion to \$1.57 billion and net earnings, excluding restructuring charges and the third quarter discrete tax benefit described above, to be in the range of \$1.55 to \$1.60 per diluted share. Including the impact of the third quarter discrete tax benefit and an estimated \$12 million after-tax gain in the fourth quarter on an investment, net earnings is expected to be in the range of \$1.76 to \$1.81 per diluted share.

### ***Dividend Declaration***

FLIR's Board of Directors has declared a quarterly cash dividend of \$0.11 per share on FLIR common stock, payable December 4, 2015, to shareholders of record as of close of business on November 20, 2015.

### ***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 1:00 p.m. ET (10:00 a.m. PT) at this same internet address. Summary third 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).

## Forward-Looking Statements

The statements in this release by Andy Teich and the statements in the section captioned "Revenue and Earnings Outlook for 2015" above are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. 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, FLIR's continuing compliance with U.S. export control laws and regulations, the timely receipt of any required 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 FLIR's Securities and Exchange Commission filings and reports. 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 September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Revenue	\$ 381,928	\$ 375,366	\$ 1,119,420	\$ 1,096,288
Cost of goods sold	201,189	190,980	573,169	560,652
Gross profit	180,739	184,386	546,251	535,636
Operating expenses:				
Research and development	31,050	34,022	100,898	106,655
Selling, general and administrative	73,380	76,295	231,991	241,737
Restructuring expenses	327	4,060	1,095	15,420
Total operating expenses	104,757	114,377	333,984	363,812
Earnings from operations	75,982	70,009	212,267	171,824
Interest expense	3,670	3,663	10,689	11,000
Interest income	(319)	(398)	(861)	(934)
Other expense (income), net	1,455	(3,719)	1,775	(4,987)
Earnings before income taxes	71,176	70,463	200,664	166,745
Income tax (benefit) provision	(1,896)	17,606	29,182	39,236
Net earnings	\$ 73,072	\$ 52,857	\$ 171,482	\$ 127,509
Earnings per share:				
Basic	\$ 0.52	\$ 0.37	\$ 1.23	\$ 0.90
Diluted	\$ 0.52	\$ 0.37	\$ 1.21	\$ 0.89
Weighted average shares outstanding:				
Basic	139,596	141,433	139,808	141,315
Diluted	140,525	143,413	141,262	143,756

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

	September 30, 2015	December 31, 2014
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 525,376	\$ 531,374
Accounts receivable, net	304,270	354,658
Inventories	387,113	320,605
Prepaid expenses and other current assets	90,957	93,691
Deferred income taxes, net	38,484	38,873
Total current assets	1,346,200	1,339,201
Property and equipment, net	269,724	247,094
Deferred income taxes, net	20,521	19,941
Goodwill	541,971	553,335
Intangible assets, net	118,418	133,212
Other assets	57,969	61,240
	\$ 2,354,803	\$ 2,354,023
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 125,739	\$ 98,173
Deferred revenue	27,394	27,878
Accrued payroll and related liabilities	55,713	62,065
Accrued expenses	38,516	51,810
Accrued income taxes	-	4,586
Other current liabilities	51,521	50,045
Current portion long-term debt	15,000	15,000
Total current liabilities	313,883	309,557
Long-term debt	347,080	357,986
Deferred income taxes	1,012	13,905
Accrued income taxes	11,255	11,096
Other long-term liabilities	56,715	51,706
Commitments and contingencies		
Shareholders' equity	1,624,858	1,609,773
	\$ 2,354,803	\$ 2,354,023

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Cash flows from operating activities:				
Net earnings	\$ 73,072	\$ 52,857	\$ 171,482	\$ 127,509
Income items not affecting cash:				
Depreciation and amortization	11,854	13,572	36,465	44,278
Deferred income taxes	(17,380)	56	(17,238)	971
Stock-based compensation arrangements	6,511	6,803	19,449	24,006
Gain on sale of certain optics assets	-	(4,129)	-	(4,129)

Other non-cash items	5,169	6,840	4,346	3,241
Changes in operating assets and liabilities	(5,606)	(43,013)	(17,025)	(32,476)
Cash provided by operating activities	<u>73,620</u>	<u>32,986</u>	<u>197,479</u>	<u>163,400</u>
Cash flows from investing activities:				
Additions to property and equipment, net	(19,363)	(15,100)	(50,116)	(40,928)
Proceeds from sale of certain optics assets	-	12,000	-	12,000
Cash used by investing activities	<u>(19,363)</u>	<u>(3,100)</u>	<u>(50,116)</u>	<u>(28,928)</u>
Cash flows from financing activities:				
Repayments of long term debt	(3,750)	(3,750)	(11,250)	(11,250)
Repurchase of common stock	(61,955)	(33,621)	(93,381)	(76,624)
Dividends paid	(15,419)	(14,166)	(46,193)	(42,410)
Proceeds from shares issued pursuant to stock-based compensation plans	1,552	5,199	21,188	34,168
Excess tax benefit of stock options exercised	175	1,147	4,216	7,705
Other financing activities	(2)	(21)	(10)	(36)
Cash used by financing activities	<u>(79,399)</u>	<u>(45,212)</u>	<u>(125,430)</u>	<u>(88,447)</u>
Effect of exchange rate changes on cash	<u>(9,672)</u>	<u>(21,374)</u>	<u>(27,931)</u>	<u>(23,128)</u>
Net (decrease) increase in cash and cash equivalents	(34,814)	(36,700)	(5,998)	22,897
Cash and cash equivalents:				
Beginning of period	560,190	602,073	531,374	542,476
End of period	<u>\$ 525,376</u>	<u>\$ 565,373</u>	<u>\$ 525,376</u>	<u>\$ 565,373</u>

**FLIR SYSTEMS, INC.**

**REVENUE AND EARNINGS FROM OPERATIONS BY SEGMENT**

(In thousands) (Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2015	2014	2015	2014
<b><u>REVENUE</u></b>				
Surveillance	\$ 131,598	\$ 125,343	\$ 352,312	\$ 362,073
Instruments	74,796	82,561	248,877	250,583
OEM and Emerging Markets	51,448	49,888	137,568	148,927
Maritime	38,920	44,728	141,922	152,533
Security	59,331	48,648	158,185	122,692
Detection	25,835	24,198	80,556	59,480
	<u>\$ 381,928</u>	<u>\$ 375,366</u>	<u>\$ 1,119,420</u>	<u>\$ 1,096,288</u>
<b><u>EARNINGS (LOSS) FROM OPERATIONS</u></b>				
Surveillance	\$ 39,918	\$ 33,393	\$ 96,464	\$ 79,293
Instruments	21,555	23,191	77,959	64,678
OEM and Emerging Markets	14,233	12,798	33,507	35,518
Maritime	1,848	4,614	13,058	23,159
Security	7,222	6,988	18,911	14,560
Detection	5,290	4,167	17,349	5,519
Other	(14,084)	(15,142)	(44,981)	(50,903)
	<u>\$ 75,982</u>	<u>\$ 70,009</u>	<u>\$ 212,267</u>	<u>\$ 171,824</u>

**Investor Relations**

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