

**Fourth Quarter 2014  
Results Summary**



The World's **Sixth Sense**™

# Disclaimer

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Q4 2014

# Highlights

## Revenue

**\$434 Million**

*up 9% vs PY*

## EPS

**\$0.51 / \$0.52 adjusted\***

*up 49% vs PY\**

## Operating Margin

**20%\***

*Up 310 basis points vs PY\**

- Overall backlog reached \$547 million
  - Down \$32 million from Q3 2014
  - Up \$58 million from prior year
- Stronger U.S. dollar negatively impacted revenue by approximately 2%
- \$9.4 million favorable discrete tax items during the quarter
  - Increased legal expenses in Q4 largely offset this benefit
- Q4 cost savings from 2013 restructuring initiative in the mid single digit millions
  - \$0.7 million of after-tax restructuring charges in the quarter (\$1 million pre-tax)
- Thermal products unit volumes increased 55% vs prior year

*\* Adjusted to exclude restructuring and executive retirement charges.*

Q4 2014

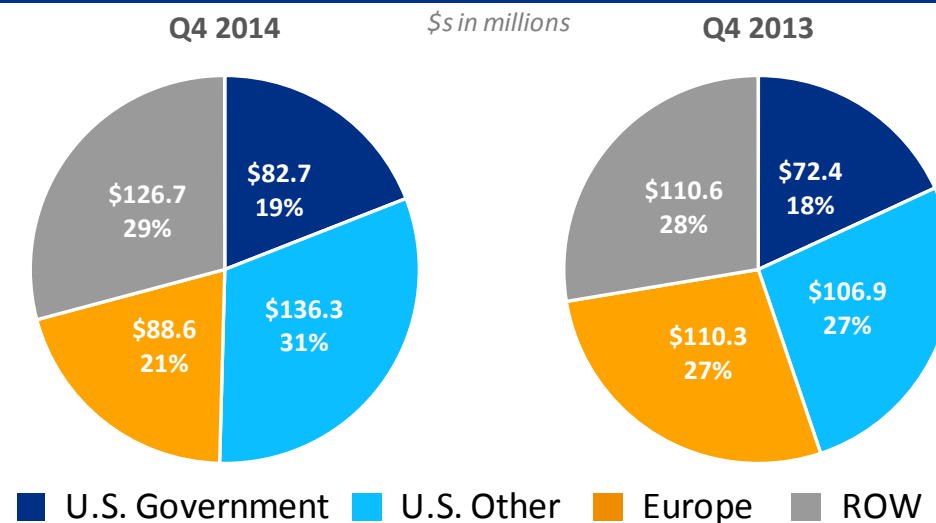
# Full Year 2015 Outlook

- Revenue \$1.55 – \$1.6 billion
  - An increase of approximately 3% over 2014 at the midpoint
  - Approximately 3% - 4% negative impact due to currency
- EPS \$1.60 – \$1.70
  - An increase of approximately 11% over 2014 at the midpoint, excluding expenses related to restructuring
- Increasing quarterly dividend to \$0.11 per share, payable on March 6<sup>th</sup>

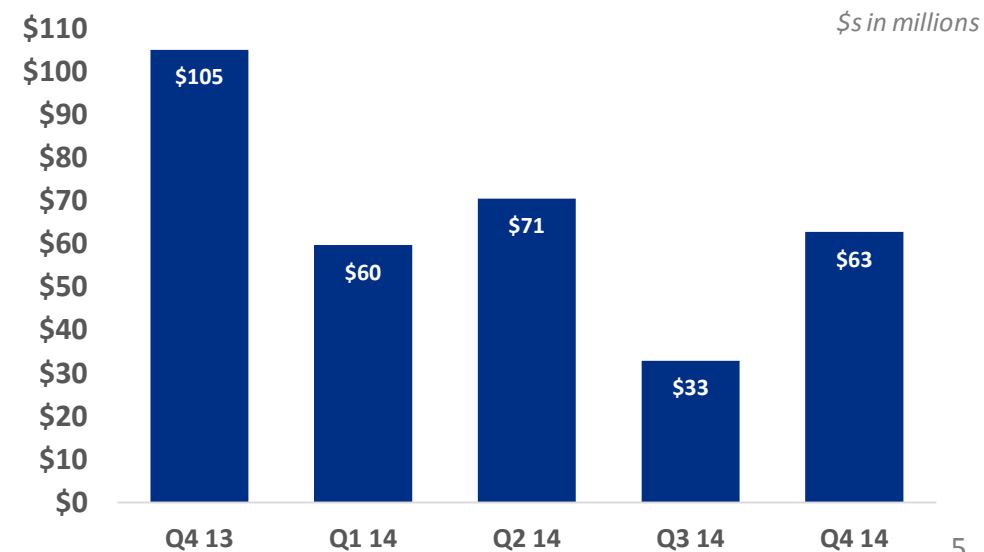
# Q4 2014 Cash Flow & Other

- Operating cash flow \$63 million
  - Negatively impacted by timing of large A/R
- \$20.3 million in capex
- \$14.1 million in dividends
- \$62.6 million in share repurchases
  - 2.0 million shares at an average price of \$31.64
- Ending cash balance of \$531 million
  - Foreign currency translation negatively impacted cash by \$13 million in the quarter

## Revenue by Geography



## Operating Cash Flow Trend



# Q4 2014

# Segments Summary

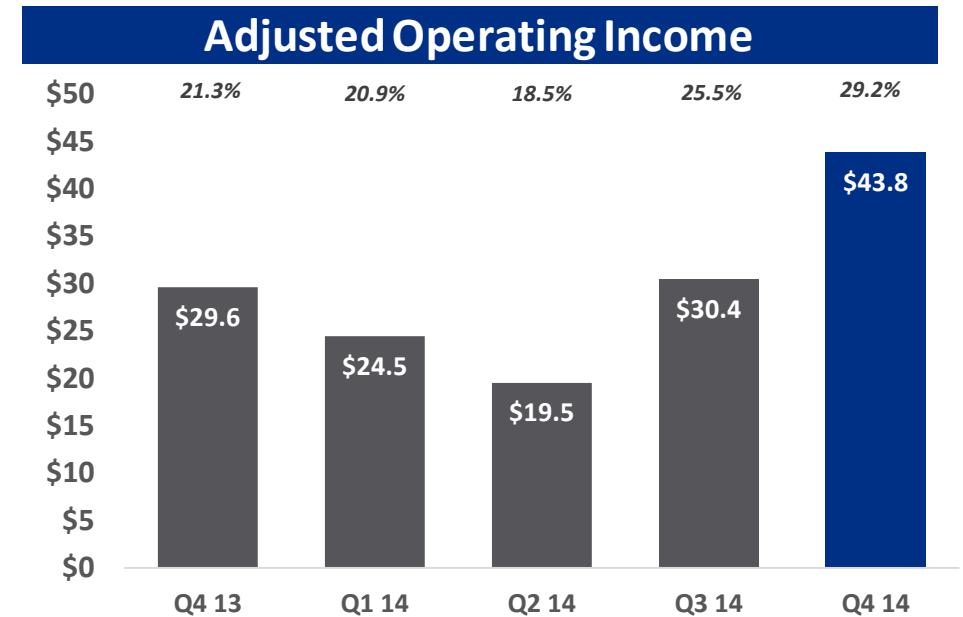
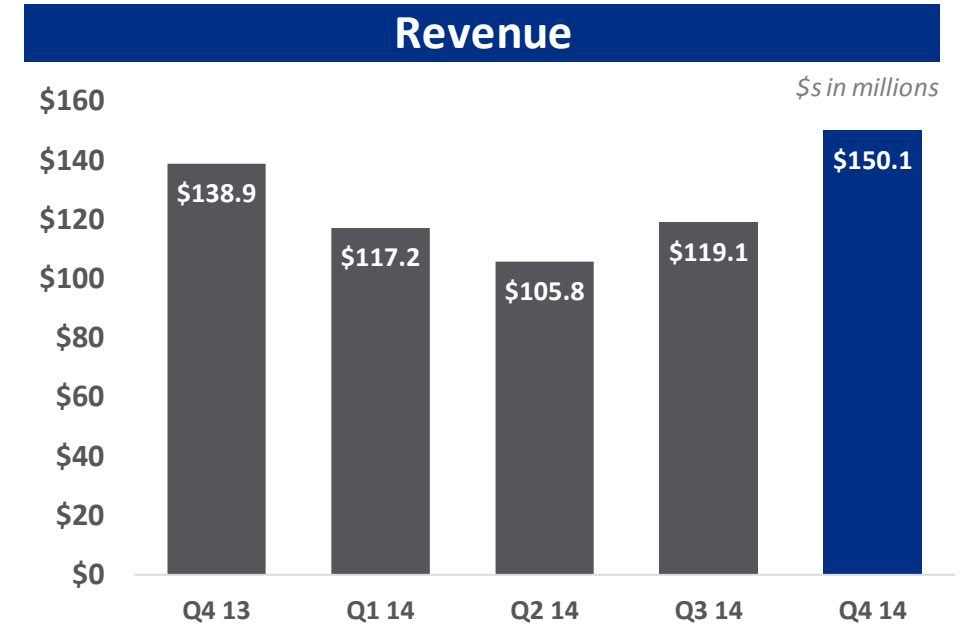
*(\$s in millions)*

	Q4 2014	Q4 2013	YoY Chg %
<b>Revenue</b>			
Surveillance	\$150.1	\$138.9	8%
Instruments	103.5	101.5	2%
OEM & Emerging	58.0	53.5	8%
Security	56.4	41.7	35%
Maritime	40.1	42.6	(6%)
Detection	26.2	22.1	19%
<b>Total Revenue</b>	<b>\$434.4</b>	<b>\$400.3</b>	<b>9%</b>
<b>Operating Income</b>			
Surveillance	\$43.8	\$29.6	48%
Instruments	35.4	33.2	7%
OEM & Emerging	18.9	10.8	75%
Security	10.3	5.6	85%
Maritime	1.3	2.2	(39%)
Detection	5.2	2.6	104%
Corporate	(26.6)	(15.2)	(75%)
<b>Total Operating Income</b>	<b>\$88.4</b>	<b>\$68.8</b>	<b>28%</b>

*Operating Income adjusted to exclude restructuring and executive retirement charges.*

# Q4 2014 Surveillance

- Q4 revenue up 8% vs prior year
- 2014 revenue down 7% vs prior year
- Q4 adjusted operating income up 48% vs prior year
  - Excluding \$0.2 and \$5.4 million of pre-tax restructuring charges in 2014 and 2013, respectively
- 2014 adjusted operating income down 7% vs prior year
  - Excluding \$5.2 and \$5.4 million of pre-tax restructuring charges in 2014 and 2013, respectively
- Q4 ending backlog of \$295 million, up 5% vs prior year
  - Q4 bookings up 11% over prior year, with no orders > \$10 million
  - Q4 book-to-bill of 0.7x
  - Full year 2014 book-to-bill of 1.0x
- Q4 highlights
  - Adjusted operating margin improved year-over-year and sequentially
    - Positive impact from shifts in product mix
    - 15% y-o-y reduction in operating expenses due primarily to restructuring

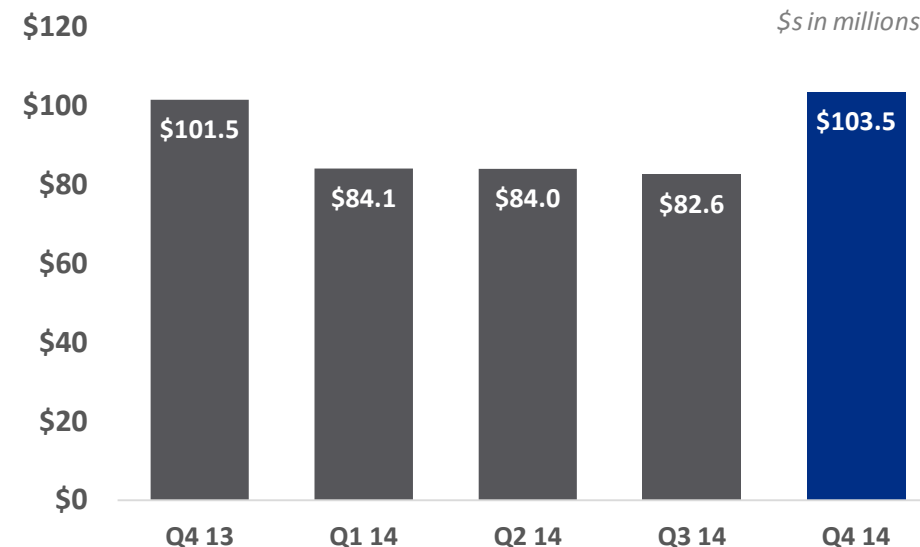


*Adjusted to exclude restructuring charges.*

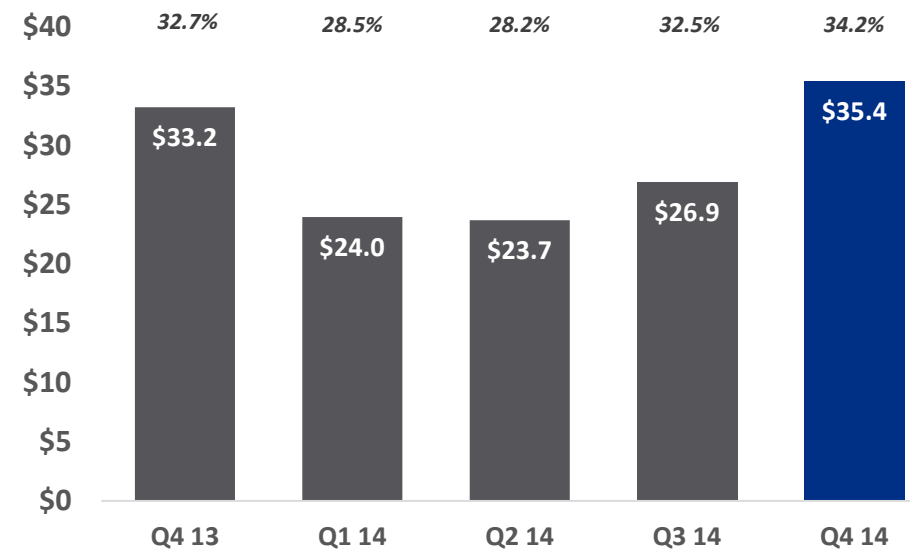
# Q4 2014 Instruments

- Q4 revenue up 2% vs prior year
- 2014 revenue up 5% vs prior year
  - Stronger U.S. dollar negatively impacted revenue in Q4 and full year
- Q4 adjusted operating income up 7% vs prior year
  - Excluding \$1.1 and \$15.5 million of pre-tax restructuring charges in 2014 and 2013, respectively
- 2014 adjusted operating income up 14% vs prior year
  - Excluding \$11 and \$15.5 million of pre-tax restructuring charges in 2014 and 2013, respectively
- Q4 highlights
  - Began shipping TG-165, which set an Instruments segment record for number of units shipped in a quarter
  - E-series product revenues +21%
  - Automation camera revenue +31%

## Revenue



## Adjusted Operating Income

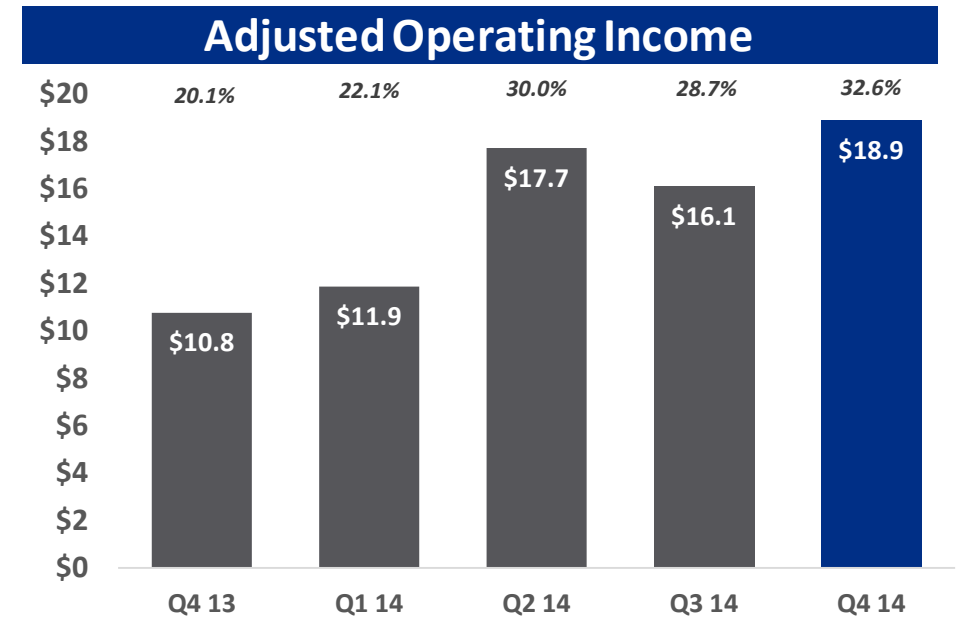
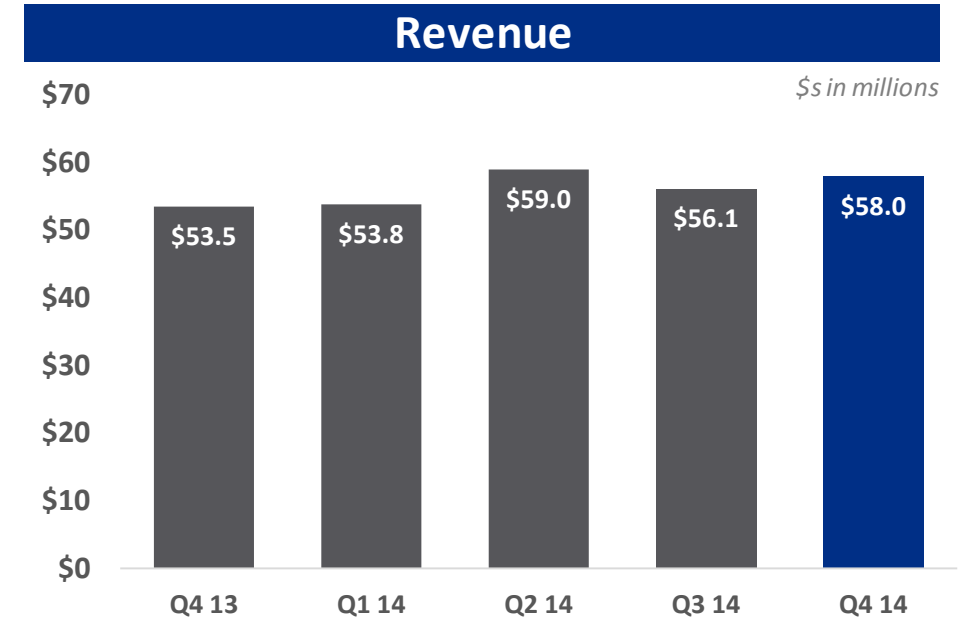


Adjusted to exclude restructuring charges.



# Q4 2014 OEM & Emerging

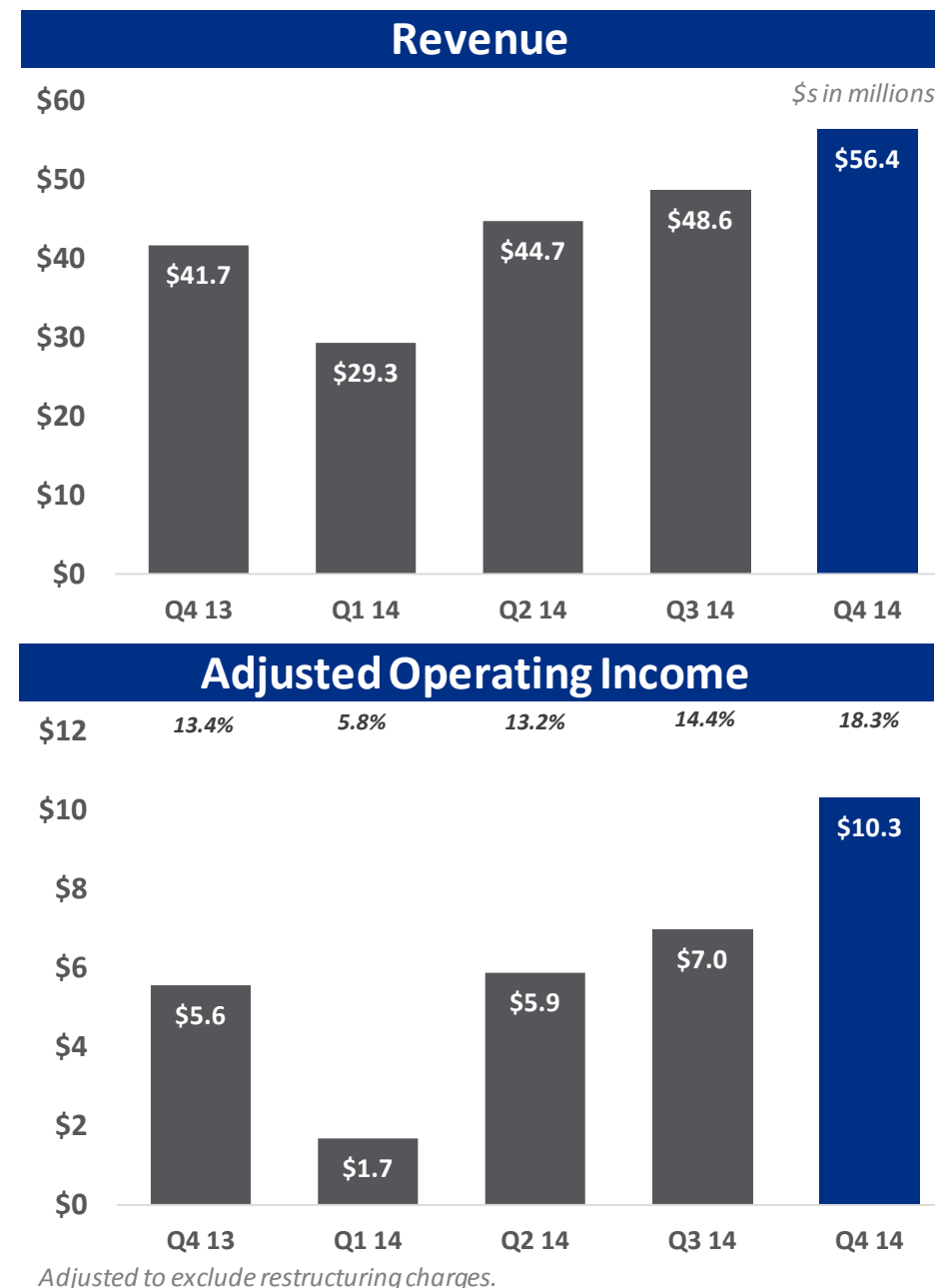
- Q4 revenue up 8% vs prior year
- 2014 revenue up 9% vs prior year
- Q4 adjusted operating income up 75% vs prior year
  - Excluding \$(0.1) and \$1.5 million pre-tax restructuring charges in 2014 and 2013, respectively
- 2014 adjusted operating income up 19% vs prior year
  - Excluding \$0.2 and \$1.5 million pre-tax restructuring charges in 2014 and 2013, respectively
- Q4 highlights
  - Cores & Components revenue up 31% vs prior year
  - Revenue growth despite divestiture of OCG business
    - OCG revenue in Q4 2013 of \$4.1 million



*Adjusted to exclude restructuring charges.*

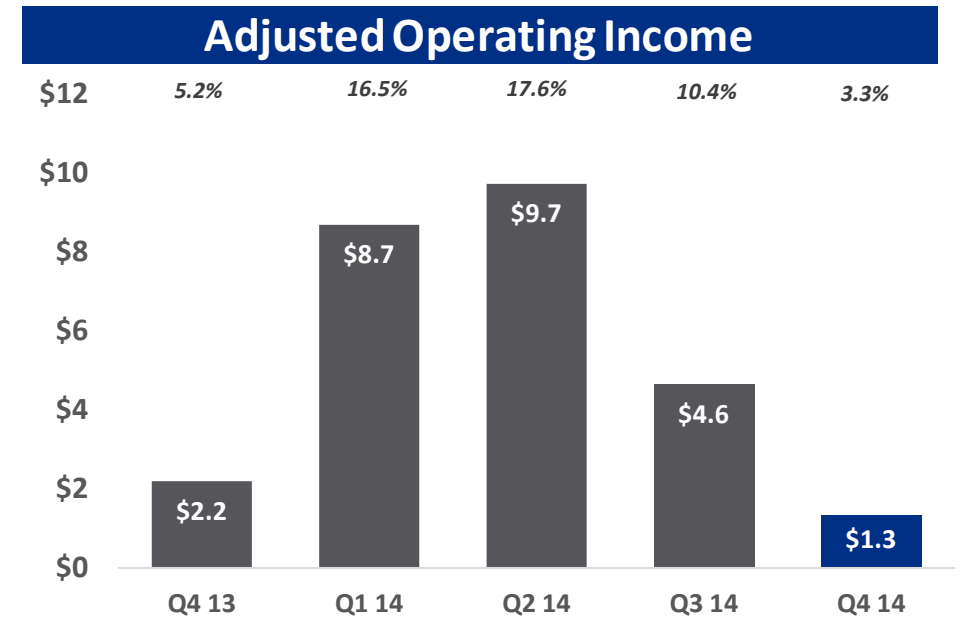
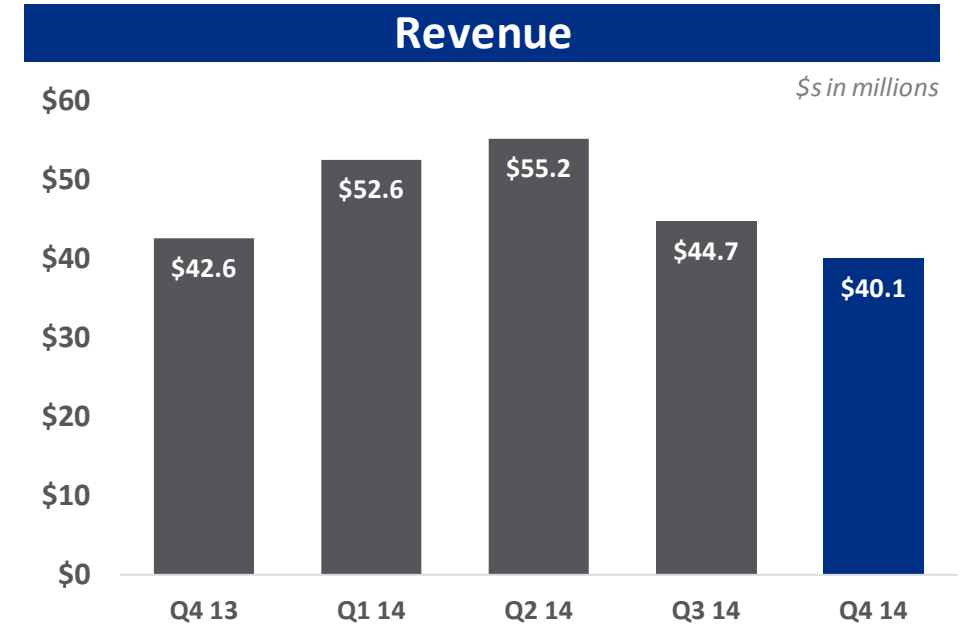
# Q4 2014 Security

- Q4 revenue up 35% vs prior year
- 2014 revenue up 27% vs prior year
- Q4 adjusted operating income up 85% vs prior year
  - Excluding \$0.3 million of pre-tax restructuring charges in 2013 (no charges in 2014)
- 2014 adjusted operating income up 41% vs prior year
  - Excluding \$0.3 million of pre-tax restructuring charges in 2013 (no charges in 2014)
- Q4 highlights
  - Thermal security camera revenue +67%
  - Lorex-branded visible security revenue +24%



# Q4 2014 Maritime

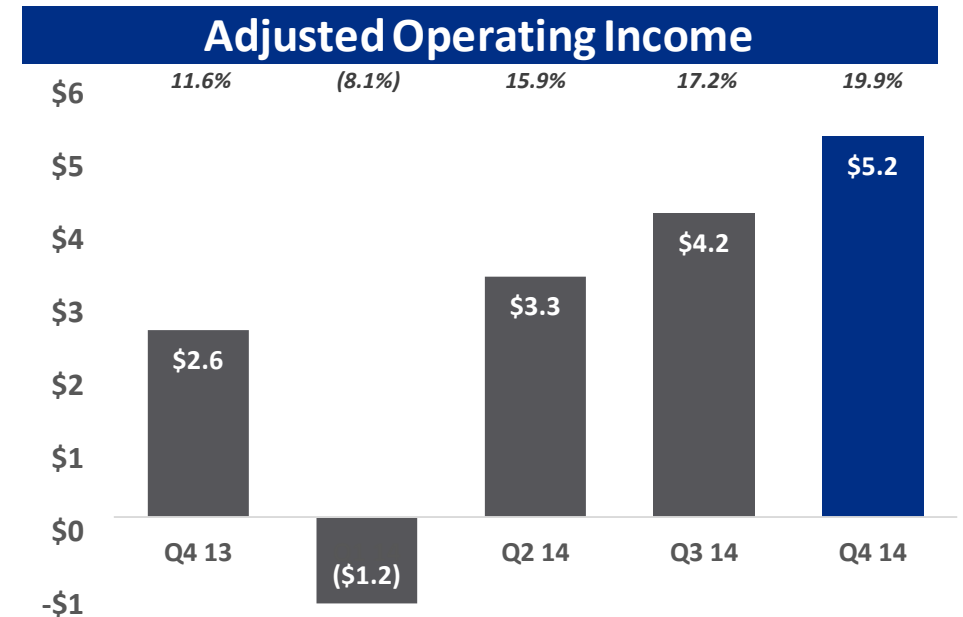
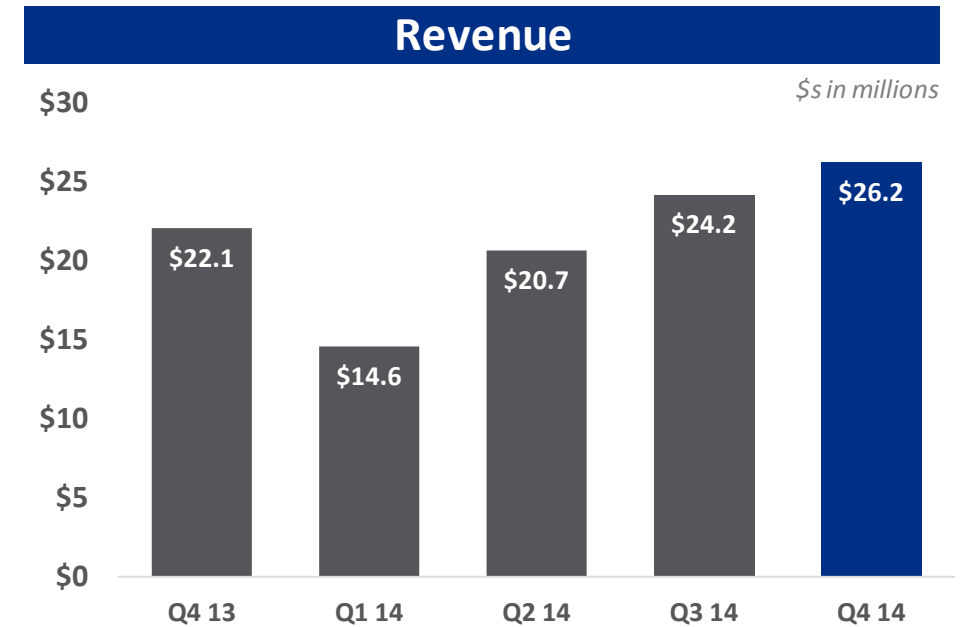
- Q4 revenue down 6% vs prior year
- 2014 revenue up 2% vs prior year
- Q4 adjusted operating income down 39% vs prior year
  - Excluding \$0.4 million pre-tax restructuring charges in 2013
- 2014 adjusted operating income up 8% vs prior year
  - Excluding \$(0.1) and \$0.4 million pre-tax restructuring charges in 2014 and 2013, respectively
- Q4 highlights
  - Thermal camera bookings up 8% vs prior year
  - Launched new lineup of VHF radios



*Adjusted to exclude restructuring charges.*

# Q4 2014 Detection

- Q4 revenue up 19% vs prior year
- 2014 revenue down 5% vs prior year
- Q4 adjusted operating income up 104% vs prior year
  - Excluding \$(0.2) and \$4.2 million pre-tax restructuring charges in 2014 and 2013, respectively
- 2014 adjusted operating income down 12% vs prior year
  - Excluding \$0.5 and \$4.2 million pre-tax restructuring charges in 2014 and 2013, respectively
- Q4 ending backlog of \$51 million, up 70% vs prior year
- Q4 highlights
  - Received \$27 million order for DR SKO production units
  - Record operating margin



*Adjusted to exclude restructuring charges.*