

October 24, 2014

FLIR Systems Announces Third Quarter 2014 Financial Results

GAAP EPS Increases 16%

WILSONVILLE, OR -- (Marketwired) -- 10/24/14 -- FLIR Systems, Inc. (NASDAQ: FLIR) today announced financial results for the third quarter ended September 30, 2014. Revenue was \$375.4 million, up 5% compared to third quarter 2013 revenue of \$358.1 million. Operating income in the third quarter was \$70 million, compared to \$63.5 million in the third quarter of 2013, and was impacted by \$4.1 million in pretax charges related to previously-announced restructuring initiatives. Third quarter 2014 net income was \$52.9 million, or \$0.37 per diluted share, compared with net income of \$46.5 million, or \$0.32 per diluted share in the third quarter a year ago. The net after tax impact of the restructuring charges in the third quarter was approximately \$3.1 million, or \$0.02 per diluted share. Cash provided by operations in the third quarter was \$33 million.

Revenue from the Instruments segment contributed \$82.6 million of revenue during the third quarter, up 7% from the prior year. The OEM & Emerging Markets segment had \$56.1 million of revenue, an increase of 2% over the prior year. FLIR's Security segment recorded revenue of \$48.6 million in the third quarter, up 37% from the prior year. Revenue from the Maritime segment was \$44.7 million, and was up 8% over the third quarter of 2013. Surveillance segment revenue was \$119.1 million, a decrease of 6% from the third quarter results last year. The Detection segment contributed \$24.2 million of revenue, an increase of 6% from the prior year.

FLIR's backlog of firm orders for delivery within the next twelve months was approximately \$579 million as of September 30, 2014, an increase of \$31 million, or 6%, during the quarter and an increase of \$89 million, or 18%, since the beginning of 2014.

"We are pleased with our third quarter results. Our revenue expansion, improved margins, and strong backlog reflect the execution of our growth and cost reduction initiatives," said Andy Teich, President and CEO of FLIR. "The restructuring program we launched a year ago is proving to be successful from both a financial and organizational efficiency standpoint. Recent product introductions have generated interest in our technology at levels never seen before. Our product innovation continued in the third quarter and we are committed to investing in innovation into the future in order to create new and increasingly-affordable advanced sensing solutions."

Revenue and Earnings Outlook for 2014

Based on financial results for the first nine months of 2014 and the outlook for the remainder of the year, FLIR now expects revenue for the full year 2014 to be in the range of \$1.48 billion to \$1.53 billion and net earnings, excluding restructuring charges associated with the business realignment, to be in the range of \$1.43 to \$1.48 per diluted share.

Dividend Declaration

FLIR's Board of Directors has declared a quarterly cash dividend of \$0.10 per share on FLIR common stock, payable December 5, 2014, to shareholders of record as of close of business on November 18, 2014.

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 may be accessed online from a link in the Events & Presentations 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. A summary presentation of third quarter financial results and operating highlights is also available online from a link in the Events & Presentations section of www.FLIR.com/investor. Summary third quarter and historical financial data may be accessed online from the Financial Info Database link 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

The statements in this release by Andy Teich and the statements in the section captioned "Revenue and Earnings Outlook for 2014" 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 | | Nine Months Ended | |
|---|--------------------|------------|-------------------|--------------|
| | September 30, | | September 30, | |
| | 2014 | 2013 | 2014 | 2013 |
| Revenue | \$ 375,366 | \$ 358,141 | \$ 1,096,288 | \$ 1,096,053 |
| Cost of goods sold | 190,980 | 185,251 | 560,652 | 549,134 |
| Gross profit | 184,386 | 172,890 | 535,636 | 546,919 |
| Operating expenses: | | | | |
| Research and development | 34,022 | 32,986 | 106,655 | 109,271 |
| Selling, general and administrative | 76,295 | 76,365 | 241,737 | 234,706 |
| Restructuring expenses | 4,060 | - | 15,420 | - |
| Total operating expenses | 114,377 | 109,351 | 363,812 | 343,977 |
| Earnings from operations | 70,009 | 63,539 | 171,824 | 202,942 |
| Interest expense | 3,663 | 3,696 | 11,000 | 10,361 |
| Interest income | (398) | (256) | (934) | (721) |
| Other income, net | (3,719) | 53 | (4,987) | (536) |
| Earnings from continuing operations before income taxes | 70,463 | 60,046 | 166,745 | 193,838 |
| Income tax provision | 17,606 | 13,560 | 39,236 | 45,558 |
| Net earnings | \$ 52,857 | \$ 46,486 | \$ 127,509 | \$ 148,280 |
| Earnings per share: | | | | |
| Basic | \$ 0.37 | \$ 0.33 | \$ 0.90 | \$ 1.04 |
| Diluted | \$ 0.37 | \$ 0.32 | \$ 0.89 | \$ 1.02 |
| Weighted average shares outstanding: | | | | |
| Basic | 141,433 | 141,863 | 141,315 | 142,849 |
| Diluted | 143,413 | 144,231 | 143,756 | 144,831 |

FLIR SYSTEMS, INC.

CONSOLIDATED BALANCE SHEETS

(In thousands)(Unaudited)

September 30,

December 31,

| | 2014 | 2013 |
|---|---------------------|---------------------|
| <u>ASSETS</u> | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 565,373 | \$ 542,476 |
| Accounts receivable, net | 298,559 | 286,573 |
| Inventories | 343,300 | 344,719 |
| Prepaid expenses and other current assets | 89,789 | 97,574 |
| Deferred income taxes, net | 38,154 | 38,389 |
| Total current assets | 1,335,175 | 1,309,731 |
| Property and equipment, net | 237,837 | 234,041 |
| Deferred income taxes, net | 18,666 | 17,883 |
| Goodwill | 560,488 | 575,701 |
| Intangible assets, net | 138,991 | 154,195 |
| Other assets | 63,135 | 51,808 |
| | <u>\$ 2,354,292</u> | <u>\$ 2,343,359</u> |

LIABILITIES AND SHAREHOLDERS' EQUITY

| | | |
|---|---------------------|---------------------|
| Current liabilities: | | |
| Accounts payable | \$ 90,500 | \$ 85,730 |
| Deferred revenue | 25,831 | 28,844 |
| Accrued payroll and related liabilities | 62,959 | 62,069 |
| Accrued expenses | 38,903 | 39,316 |
| Accrued income taxes | 2,527 | 663 |
| Other current liabilities | 52,106 | 44,893 |
| Current portion long-term debt | 15,000 | 15,000 |
| Total current liabilities | 287,826 | 276,515 |
| Long-term debt | 361,622 | 372,528 |
| Deferred income taxes | 14,001 | 12,255 |
| Accrued income taxes | 19,742 | 19,996 |
| Other long-term liabilities | 49,367 | 48,685 |
| Commitments and contingencies | | |
| Shareholders' equity | 1,621,734 | 1,613,380 |
| | <u>\$ 2,354,292</u> | <u>\$ 2,343,359</u> |

FLIR SYSTEMS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)(Unaudited)

| | Three Months Ended | | Nine Months Ended | |
|---|--------------------|-----------|-------------------|------------|
| | September 30, | | September 30, | |
| | 2014 | 2013 | 2014 | 2013 |
| Cash flows from operating activities: | | | | |
| Net earnings | \$ 52,857 | \$ 46,486 | \$ 127,509 | \$ 148,280 |
| Income items not affecting cash: | | | | |
| Depreciation and amortization | 13,572 | 14,876 | 44,278 | 44,978 |
| Deferred income taxes | 56 | (64) | 971 | (38) |
| Stock-based compensation arrangements | 6,803 | 7,347 | 24,006 | 20,673 |
| Gain on sale of certain optics assets | (4,129) | - | (4,129) | - |
| Other non-cash items | 6,840 | 2,061 | 3,241 | 1,485 |
| Changes in operating assets and liabilities | (43,013) | (18,178) | (32,476) | 34,413 |
| Cash provided by operating activities | 32,986 | 52,528 | 163,400 | 249,791 |
| Cash flows from investing activities: | | | | |
| Additions to property and equipment, net | (15,100) | (13,706) | (40,928) | (36,997) |

| | | | | |
|--|-------------------|-------------------|-------------------|-------------------|
| Business acquisitions, net of cash acquired | - | (14,908) | - | (20,073) |
| Proceeds from sale of certain optics assets | 12,000 | - | 12,000 | - |
| Cash used by investing activities | <u>(3,100)</u> | <u>(28,614)</u> | <u>(28,928)</u> | <u>(57,070)</u> |
| Cash flows from financing activities: | | | | |
| Proceeds from long term debt | - | - | - | 150,000 |
| Repayments of long term debt | (3,750) | (3,750) | (11,250) | (7,500) |
| Repurchase of common stock | (33,621) | (16,219) | (76,624) | (133,049) |
| Dividends paid | (14,166) | (12,786) | (42,410) | (38,695) |
| Proceeds from shares issued pursuant to stock-based compensation plans | 5,199 | 2,067 | 34,168 | 5,953 |
| Excess tax benefit of stock options exercised | 1,147 | 459 | 7,705 | 928 |
| Other financing activities | (21) | (306) | (36) | (1,273) |
| Cash used by financing activities | <u>(45,212)</u> | <u>(30,535)</u> | <u>(88,447)</u> | <u>(23,636)</u> |
| Effect of exchange rate changes on cash | <u>(21,374)</u> | <u>6,387</u> | <u>(23,128)</u> | <u>1,375</u> |
| Net increase (decrease) in cash and cash equivalents | (36,700) | (234) | 22,897 | 170,460 |
| Cash and cash equivalents: | | | | |
| Beginning of period | 602,073 | 492,433 | 542,476 | 321,739 |
| End of period | <u>\$ 565,373</u> | <u>\$ 492,199</u> | <u>\$ 565,373</u> | <u>\$ 492,199</u> |

FLIR SYSTEMS, INC.

REVENUE AND EARNINGS FROM OPERATIONS BY SEGMENT

(In thousands)(Unaudited)

| | Three Months Ended | | Nine Months Ended | |
|---|--------------------|-------------------|---------------------|---------------------|
| | September 30, | | September 30, | |
| | 2014 | 2013 | 2014 | 2013 |
| <u>REVENUE - EXTERNAL CUSTOMERS</u> | | | | |
| Surveillance | \$ 119,127 | \$ 126,591 | 342,105 | 392,439 |
| Instruments | 82,560 | 77,199 | \$ 250,583 | \$ 236,011 |
| OEM and Emerging Markets | 56,105 | 54,782 | 168,895 | 153,700 |
| Maritime | 44,728 | 41,297 | 152,533 | 146,437 |
| Security | 48,648 | 35,409 | 122,692 | 99,331 |
| Detection | 24,198 | 22,863 | 59,480 | 68,135 |
| | <u>\$ 375,366</u> | <u>\$ 358,141</u> | <u>\$ 1,096,288</u> | <u>\$ 1,096,053</u> |
| <u>EARNINGS (LOSS) FROM OPERATIONS</u> | | | | |
| Surveillance | \$ 30,069 | \$ 29,836 | 69,365 | 97,811 |
| Instruments | 23,191 | 20,433 | \$ 64,678 | \$ 63,379 |
| OEM and Emerging Markets | 16,121 | 16,814 | 45,445 | 43,453 |
| Maritime | 4,614 | 2,966 | 23,159 | 20,447 |
| Security | 6,988 | 4,460 | 14,560 | 12,096 |
| Detection | 4,168 | 4,102 | 5,520 | 10,546 |
| Other | (15,142) | (15,072) | (50,903) | (44,790) |
| | <u>\$ 70,009</u> | <u>\$ 63,539</u> | <u>\$ 171,824</u> | <u>\$ 202,942</u> |

Investor Relations

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