

July 24, 2015

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

### **Revenue and EPS Increase 6% and 16% Over the Prior Year, Respectively; Year to Date EPS Increases 35% Over the Prior Year**

WILSONVILLE, OR -- (Marketwired) -- 07/24/15 -- FLIR Systems, Inc. (NASDAQ: FLIR) today announced financial results for the second quarter ended June 30, 2015. Revenue was \$393 million, up 6% compared to second quarter 2014 revenue of \$369.4 million. On a constant-currency basis, revenue for the second quarter was up 12% compared to the prior year, as foreign currency exchange fluctuations negatively impacted revenue by approximately \$20 million. Operating income in the second quarter was \$70.5 million, compared to \$59.4 million in the second quarter of 2014. Operating income was impacted by pretax charges related to previously-announced restructuring initiatives of \$0.5 million in the second quarter of 2015 and \$3.5 million in the second quarter of 2014. Second quarter 2015 net income was \$50.5 million, or \$0.36 per diluted share, compared with net income of \$44.8 million, or \$0.31 per diluted share in the second quarter a year ago. Net income was impacted by after-tax restructuring charges of \$0.3 million in the second quarter of 2015 and \$2.7 million, or \$0.02 per diluted share, in the second quarter of 2014. Cash provided by operations in the second quarter of 2015 was \$48.9 million.

The Surveillance segment contributed \$107.8 million of revenue during the second quarter, down 5% from the prior year. The Instruments segment had \$90.3 million of revenue, up 7% versus the prior year, and was negatively impacted by foreign currency exchange fluctuations by approximately \$7 million. FLIR's OEM & Emerging Markets segment recorded revenue of \$46.3 million in the second quarter, down 9% from the prior year. Revenue from the Maritime segment was \$52 million, down 6% from the second quarter of 2014, and was negatively impacted by foreign currency exchange fluctuations by approximately \$7 million. Security segment revenue was \$60 million, an increase of 34% over the second quarter results last year. The Detection segment contributed \$36.5 million of revenue, an increase of 77% from the prior year.

"With currency-neutral revenue growth of approximately 7% and EPS growth of 35%, we have been successful in executing on our strategies in the first half of 2015," said Andy Teich, President and CEO of FLIR. "Innovations in many of our commercial markets have driven broader adoption of our thermal and other sensing technologies. FLIR's commercially-developed, military qualified (CDMQ) model continues to be a positive differentiator in our government and military markets while our restructuring initiatives have proven very beneficial from a profitability standpoint. We look forward to continuing this momentum into the second half of 2015."

FLIR's backlog of firm orders for delivery within the next twelve months was approximately \$536 million as of June 30, 2015, a decrease of \$21 million, or 4%, during the quarter and a decrease of \$12 million, or 2%, from the second quarter of 2014.

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

Based on financial results for the first half of 2015 and the outlook for the remainder of the year, FLIR continues to expect revenue for the full year 2015 to be in the range of \$1.55 billion to \$1.6 billion and net earnings, excluding restructuring charges, to be in the range of \$1.60 to \$1.70 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 September 4, 2015, to shareholders of record as of close of business on August 21, 2015.

### ***Conference Call***

FLIR has scheduled a conference call at 8:00 a.m. ET (5:00 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 & Presentations section of [www.FLIR.com/investor](http://www.FLIR.com/investor). A replay will be available after 11:00 a.m. ET (8:00 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 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		Six Months Ended	
	June 30,		June 30,	
	2015	2014	2015	2014
Revenue	\$ 392,975	\$ 369,380	\$ 737,492	\$ 720,923
Cost of goods sold	203,360	186,662	371,980	369,673
Gross profit	189,615	182,718	365,512	351,250
Operating expenses:				
Research and development	35,154	36,307	69,848	72,633
Selling, general and administrative	83,476	83,500	158,611	165,442
Restructuring expenses	454	3,547	768	11,361
Total operating expenses	119,084	123,354	229,227	249,436
Earnings from operations	70,531	59,364	136,285	101,814
Interest expense	3,358	3,629	7,019	7,337
Interest income	(295)	(272)	(542)	(536)
Other expense (income), net	1,020	(1,070)	320	(1,269)
Earnings before income taxes	66,448	57,077	129,488	96,282
Income tax provision	15,948	12,319	31,078	21,630
Net earnings	\$ 50,500	\$ 44,758	\$ 98,410	\$ 74,652
Earnings per share:				
Basic	\$ 0.36	\$ 0.32	\$ 0.70	\$ 0.53
Diluted	\$ 0.36	\$ 0.31	\$ 0.70	\$ 0.52
Weighted average shares outstanding:				
Basic	140,063	141,574	139,916	141,255
Diluted	141,491	144,120	141,484	143,964

### FLIR SYSTEMS, INC.

#### CONSOLIDATED BALANCE SHEETS

(In thousands)(Unaudited)

	June 30, 2015	December 31, 2014
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 560,190	\$ 531,374
Accounts receivable, net	327,653	354,658
Inventories	360,571	320,605
Prepaid expenses and other current assets	86,000	93,691
Deferred income taxes, net	38,509	38,873
Total current assets	1,372,923	1,339,201
Property and equipment, net	260,763	247,094
Deferred income taxes, net	20,146	19,941
Goodwill	544,501	553,335
Intangible assets, net	122,344	133,212
Other assets	59,039	61,240
	<u>\$ 2,379,716</u>	<u>\$ 2,354,023</u>
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
Current liabilities		
Accounts payable	\$ 121,605	\$ 98,173
Deferred revenue	29,989	27,878
Accrued payroll and related liabilities	53,740	62,065
Accrued expenses	35,348	51,810
Accrued income taxes	3,991	4,586
Other current liabilities	50,634	50,045
Current portion long-term debt	15,000	15,000
Total current liabilities	310,307	309,557
Long-term debt	350,715	357,986
Deferred income taxes	13,365	13,905
Accrued income taxes	11,513	11,096
Other long-term liabilities	55,341	51,706
Commitments and contingencies		
Shareholders' equity	1,638,475	1,609,773
	<u>\$ 2,379,716</u>	<u>\$ 2,354,023</u>

**FLIR SYSTEMS, INC.**

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Cash flows from operating activities:				
Net earnings	\$ 50,500	\$ 44,758	\$ 98,410	\$ 74,652
Income items not affecting cash:				
Depreciation and amortization	12,122	14,236	24,611	30,706
Deferred income taxes	46	(591)	142	915
Stock-based compensation arrangements	8,181	8,447	12,938	17,203
Other non-cash items	2,480	(2,109)	(823)	(3,599)
Changes in operating assets and liabilities	(24,397)	5,848	(11,419)	10,536
Cash provided by operating activities	<u>48,932</u>	<u>70,589</u>	<u>123,859</u>	<u>130,413</u>
Cash flows from investing activities:				

Additions to property and equipment, net	<u>(17,614)</u>	<u>(16,239)</u>	<u>(30,753)</u>	<u>(25,828)</u>
Cash used by investing activities	<u>(17,614)</u>	<u>(16,239)</u>	<u>(30,753)</u>	<u>(25,828)</u>
Cash flows from financing activities:				
Repayments of long term debt	(3,750)	(3,750)	(7,500)	(7,500)
Repurchase of common stock	(31,426)	(41,237)	(31,426)	(43,003)
Dividends paid	(15,397)	(14,160)	(30,774)	(28,245)
Proceeds from shares issued pursuant to stock-based compensation plans	15,222	20,093	19,636	28,969
Excess tax benefit of stock options exercised	3,262	3,860	4,041	6,559
Other financing activities	<u>(1)</u>	<u>(264)</u>	<u>(8)</u>	<u>(14)</u>
Cash used by financing activities	<u>(32,090)</u>	<u>(35,458)</u>	<u>(46,031)</u>	<u>(43,234)</u>
Effect of exchange rate changes on cash	<u>13,182</u>	<u>(914)</u>	<u>(18,259)</u>	<u>(1,754)</u>
Net increase in cash and cash equivalents	12,410	17,978	28,816	59,597
Cash and cash equivalents:				
Beginning of period	<u>547,780</u>	<u>584,095</u>	<u>531,374</u>	<u>542,476</u>
End of period	<u>\$ 560,190</u>	<u>\$ 602,073</u>	<u>\$ 560,190</u>	<u>\$ 602,073</u>

**FLIR SYSTEMS, INC.**

REVENUE AND EARNINGS FROM OPERATIONS BY SEGMENT

(In thousands)(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2015	2014	2015	2014
<b><u>REVENUE</u></b>				
Surveillance	\$ 107,814	\$ 113,641	\$ 220,715	\$ 236,729
Instruments	90,260	83,968	174,080	168,023
OEM and Emerging Markets	46,285	51,124	86,120	99,039
Maritime	52,030	55,230	103,002	107,805
Security	60,048	44,735	98,854	74,045
Detection	<u>36,538</u>	<u>20,682</u>	<u>54,721</u>	<u>35,282</u>
	<u>\$ 392,975</u>	<u>\$ 369,380</u>	<u>\$ 737,492</u>	<u>\$ 720,923</u>
<b><u>EARNINGS (LOSS) FROM OPERATIONS</u></b>				
Surveillance	\$ 26,378	\$ 22,634	\$ 56,546	\$ 45,900
Instruments	28,341	21,037	56,404	41,486
OEM and Emerging Markets	10,495	13,914	19,274	22,720
Maritime	6,421	9,714	11,210	18,544
Security	7,874	5,886	11,689	7,572
Detection	9,380	3,152	12,059	1,353
Other	<u>(18,358)</u>	<u>(16,973)</u>	<u>(30,897)</u>	<u>(35,761)</u>
	<u>\$ 70,531</u>	<u>\$ 59,364</u>	<u>\$ 136,285</u>	<u>\$ 101,814</u>

**Investor Relations**

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Source: FLIR Systems, Inc.

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