



# FLIR SYSTEMS, INC.

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## SECOND QUARTER 2020 EARNINGS SUMMARY

AUGUST 6, 2020

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# DISCLAIMER AND USE OF NON-GAAP MEASURES

This presentation contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Statements regarding expectations for FLIR's performance are based on current expectations, estimates, and projections about FLIR's business based, in part, on assumptions made by management and involve certain risks and uncertainties. Actual results could materially differ due to factors in the presentation and in the risk factors section of the Company's Form 10-K and other reports and filings with the Securities and Exchange Commission. FLIR does not undertake any obligation to update any forward-looking statement to reflect events or circumstances after the date of this presentation, or for changes made to this document by external parties.

FLIR reports financial results in accordance with U.S. generally accepted accounting principles (GAAP) and additionally on a non-GAAP basis. The terms "adjusted" and "adj" in this presentation refer to adjusted results, which are non-GAAP measures. See GAAP to non-GAAP reconciliations in the Appendix to this presentation. These non-GAAP measures of financial performance are not prepared in accordance with GAAP and computational methods may differ from those used by other companies. In calculating non-GAAP financial measures, FLIR excludes certain items to facilitate a review of the comparability of its core operating performance on a period-to-period basis. Items excluded consist of: separation, transaction, and integration costs, amortization of acquired intangibles, restructuring expenses and asset impairment charges, discrete legal and compliance matters, and discrete tax items. FLIR management believes these adjusted earnings metrics provide a view of the Company's core ongoing operating results and facilitate consistent comparison of financial results over time. A full reconciliation of GAAP to non-GAAP financial data can be found in FLIR's earnings release issued on August 6, 2020, which should be reviewed in conjunction with this presentation.

# Q2 2020 FINANCIAL HIGHLIGHTS

## REVENUE

**\$482**  
MILLION

+0.0% YOY

## ADJ. OPERATING INCOME

**\$126**  
MILLION

+31.7% YOY

## ADJ. DILUTED EPS

**\$0.64**

+23.1% YOY

## BOOKINGS<sup>(1)</sup>

**\$546**  
MILLION

+19% YOY

## CURRENT BACKLOG<sup>(2)</sup>

**\$731**  
MILLION

+9% YOY

## TOTAL BACKLOG<sup>(3)</sup>

**\$913**  
MILLION

+13% YOY

## ADJ. GROSS PROFIT

**\$262**  
MILLION

+6% YOY

## AJD. OPERATING MARGINS

**26.2%**

+629 BPS YOY

(1) Bookings is defined as a contractual agreement awarded during the reporting period.

(2) Current backlog is defined as orders received when delivery or performance is expected to occur within 12 months.

(3) Total backlog is defined as total estimated amount of future revenues to be recognized under negotiated contracts.

## COVID-19 PANDEMIC

# Q2 2020 BUSINESS UPDATE

### OPERATIONS CONTINUITY

FLIR an essential business under the Cybersecurity and Infrastructure Security Agency exemption

Health and safety of employees is top priority

All manufacturing facilities remain open and operational

### CONTINUED DEMAND FOR FLIR EST CAMERAS OFFSETTING HEADWINDS

Prioritizing delivery and development of thermal cameras for use in Elevated Skin Temperature (EST) screening to help mitigate spread of COVID-19

Booked ~\$70 million in EST orders in Q2 for a total of ~\$170 million YTD; ~\$25 million EST backlog exiting Q2

**Industrial Technologies**  
Softness in commercial businesses

**Defense Technologies**  
Steady demand, experiencing administrative-related process delays

### ADVANCING STRATEGIC PRIORITIES

Continued growth in unmanned solutions

Embedding artificial intelligence and decision support across product portfolio

Continued alignment with major programs of record

### FINANCIAL FLEXIBILITY

~\$700 million total liquidity<sup>(1)</sup> as of June 30, 2020

Focus on working capital management and prudent cash optimization

*(1) Total liquidity comprised of cash on hand and availability under revolving credit facility.*

# STRATEGIC PRIORITIES

## EST SCREENING TECHNOLOGY

Fulfilling demand for EST products and solutions in response to COVID-19 has become an extraordinary priority



### SENSOR LEADERSHIP

Create market-leading and differentiated sensors throughout the FLIR ecosystem which support decisions and enable the safeguarding of people and property



### UNMANNED & AUTONOMOUS

Deliver fully-integrated unmanned solutions for defense, public safety, and enterprise markets to enhance decision-making at safe standoff distances



### INTELLIGENCE, SURVEILLANCE, RECONNAISSANCE & TARGETING (ISRT)

Provide sensing and perception solutions that deliver actionable intelligence so military and law enforcement professionals can rapidly detect, track, classify and respond

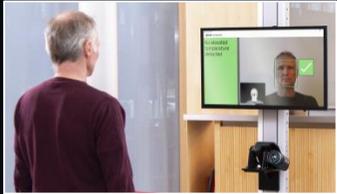


### DECISION SUPPORT

Enhance the performance of human operators by providing actionable information and insights, guiding decision-making, and ultimately enabling efficient, decisive action

# INDUSTRIAL TECHNOLOGIES SEGMENT

## RECENT KEY DEVELOPMENTS (Q2'20)



Launched FLIR Screen-EST Software for use with FLIR T-Series, Exx-Series, and A-Series thermal imaging cameras for increased speed and accuracy

- Software provides automatic measurement tools that perform EST screenings in two seconds or less at entries, checkpoints, and other high-traffic areas



Announced line of enhanced FLIR thermal cameras specifically for EST Screening, including upgraded screening mode to offer fast, safe, and simplified frontline screening

- Axxx-EST, T5xx-EST, and Exx-EST series cameras are designed to simplify the screening process
- Cameras are easy to use and require limited training, reducing the burden on screening operators



Announced the installation of FLIR's integrated EST screening solution, the A700 EST-IS, featuring the FLIR A700 thermal imaging camera at the Pentagon Visitor Center to help screen visitors



Received a significant order from a large OEM customer



# DEFENSE TECHNOLOGIES SEGMENT

## RECENT KEY DEVELOPMENTS (Q2'20)



Recent awards brings total orders to \$65 million for nearly 500 Centaur unmanned group vehicles (UGV) from the Air Force, Marine Corps and Navy through the Army's Man Transportable Robotic System Increment II (MTRS Inc II) program

- \$23.5 million order from the U.S. Army and Navy for over 160 Centaurs (June 2020)
- \$18.6 million order from the U.S. Marine Corps for over 140 Centaurs (April 2020)
- Q2 awards follow \$23.0 million order from U.S. Airforce for over 180 Centaurs (March 2020)



\$21 million contract from U.S. Army for Black Hornet 3 Personal Reconnaissance Systems

- Award augments the Army's \$40 Million initial order for the Black Hornet Nano-UAV Systems in early 2019 through the Army's Soldier Borne Sensor (SBS) program



\$10 million contract from the U.S. Marine Corps to deliver our R80D SkyRaider Unmanned Aerial Systems

# NEW FLIR PRODUCTS

MAY 2020

## FLIR C5

- New addition to the popular Cx-Series allows for instant uploading of images to the Cloud
- Pocket portable thermal camera provides reduced diagnostic time
- Ideal for commercial electrical testing, mechanical engineering, home and building inspection, energy auditing, and general contracting



JUNE 2020

## FLIR SCREEN-EST

- For use with FLIR software for FLIR T-Series, Exx-Series, and A-Series thermal imaging cameras used for elevated skin temperature screening
- Provides automatic measurement tools that perform screenings in two seconds
- Ideal for use at workplace entries, checkpoints, and other high-traffic areas



JUNE 2020

## FLIR Star SAFIRE 380X

- New hardware, firmware, software upgrade supports advanced image-aiding features for Star SAFIRE 380-HD and 380-HDc
- Features customizable configurations for multi-tile video management and visual user interface
- Ready for future Augmented Reality and AI Applications



JUNE 2020

## FLIR-EST Cameras

- Enhanced FLIR thermal cameras specified for elevated skin temperature screening
- EST-series cameras are designed to simplify the screening process, reducing the burden operators and adhering to recommended social distancing guidelines



JUNE 2020

## Raymarine Axiom+ and LightHouse Charts

- New, more powerful line multifunction displays for anglers, cruisers, and sailors
- Provides 4x improvement in sensitivity for accurate navigation
- LightHouse Charts is a new electronic catalog crafted from hydrographic sources - the same data used by maritime professionals



JUNE 2020

## FLIR Blackfly S

- First FLIR machine vision camera to integrate the Sony Pregius S IMX540 Sensor
- Provides high megapixel count and fast imaging to enable engineers and researchers from biomedical to semiconductor industries to inspect more in less time with fewer cameras required



# PROJECT BE READY

**\$30 - 45 M**

ESTIMATED ANNUALIZED RUN-RATE SAVINGS



## DRIVE EFFICIENCY

Drive process improvements and find leaner ways to operate



## OPTIMIZE R&D

Re-align our portfolio towards strategic market and product priorities



## OPERATE AS “ONE FLIR”

Simplify our operating model and organizational design

# FINANCIAL RESULTS – Q2 2020

## REVENUE

**\$482 M**

+0.0% YOY

### KEY DRIVERS

- Increase in demand for EST cameras and increased volume for unmanned systems offset by shipping delays and COVID-19 related headwinds in commercial end markets
- Includes -1.5% FX impact
- Record total backlog<sup>(1)</sup>: \$913M

## ADJ. GROSS MARGIN

**54%**

+322 BPS YOY

### KEY DRIVERS

- Favorable product mix in the Industrial Technologies Segment

## ADJ. OPERATING INCOME

**\$126 M**

+31.7% YOY

### KEY DRIVERS

- Higher revenue and gross profit
- Decrease in marketing, travel, and deferred compensation expenses

## ADJ. DILUTED EPS

**\$0.64**

+23.1% YOY

### KEY DRIVERS

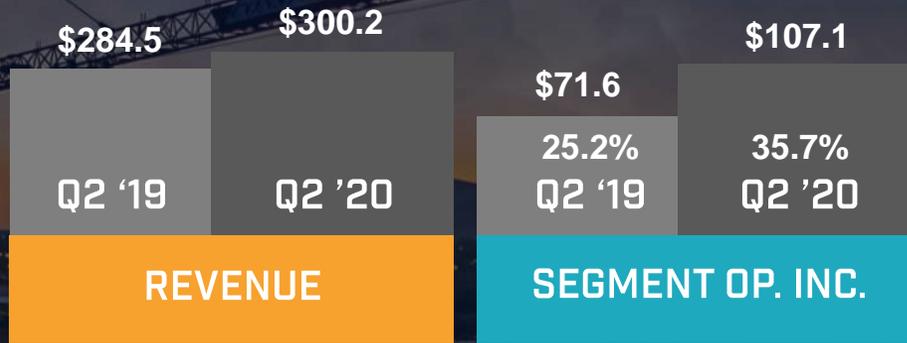
- Higher revenue and gross profit
- Reduced operating expenses
- Lower share count due to repurchases

# SEGMENT RESULTS – Q2 2020

(\$s in millions)

## INDUSTRIAL TECHNOLOGIES

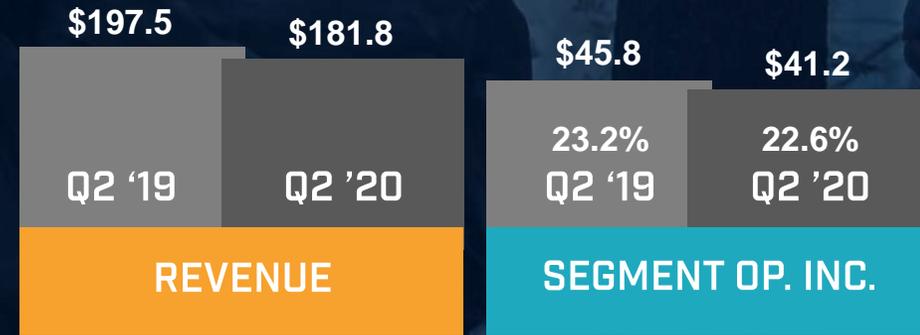
**+5.5%**      **+49.6%**



- Year-over-year revenue increase driven by demand for EST cameras partially offset by lower volume in commercial end markets such as maritime and security products
- Segment operating margin increased 10.5 percent year-over-year due to higher revenue and associated gross profit, favorable product mix, and lower marketing, travel, and deferred compensation expenses
- Q2 bookings of \$334M; book-to-bill ratio of 1.11
- Total backlog<sup>(1)</sup> of \$351M increased 48.1% versus prior year

## DEFENSE TECHNOLOGIES

**-7.9%**      **-10.1%**



- Year-over-year revenue decrease driven by the completion of certain large contracts that contributed to revenue in Q2 2019, offset by contributions from unmanned systems
- Segment operating margin declined 0.6 percent year-over-year due to lower revenue and associated gross profit
- Q2 bookings of \$212M; book-to-bill ratio of 1.17
- Total backlog<sup>(1)</sup> of \$562M declined 1.8% versus prior year

# BALANCE SHEET AND LIQUIDITY

Focus on working capital management and prudent cash optimization in the COVID-19 environment

## KEY FINANCIAL METRICS FOR THE THREE MONTHS ENDED JUNE 30, 2020<sup>(1)</sup>:

**\$333M**

CASH ON HAND

**\$63M**

CASH FLOW FROM OPERATIONS

**\$15M**

CAPITAL EXPENDITURES

**\$847M**

TOTAL DEBT OUTSTANDING

**~\$365M**

CREDIT FACILITY AVAILABILITY

**1.2X**

NET DEBT-TO-EBITDA MULTIPLE<sup>(2)</sup>

(1) Key financial metrics exclude the \$500 million, 2.5% notes offering completed July 20, 2020.

(2) Net Debt-to-EBITDA calculated based on net debt as of June 30, 2020 (excluding standby letters of credit) and last-twelve-month EBITDA based on the Company's revolving credit agreement definitions.



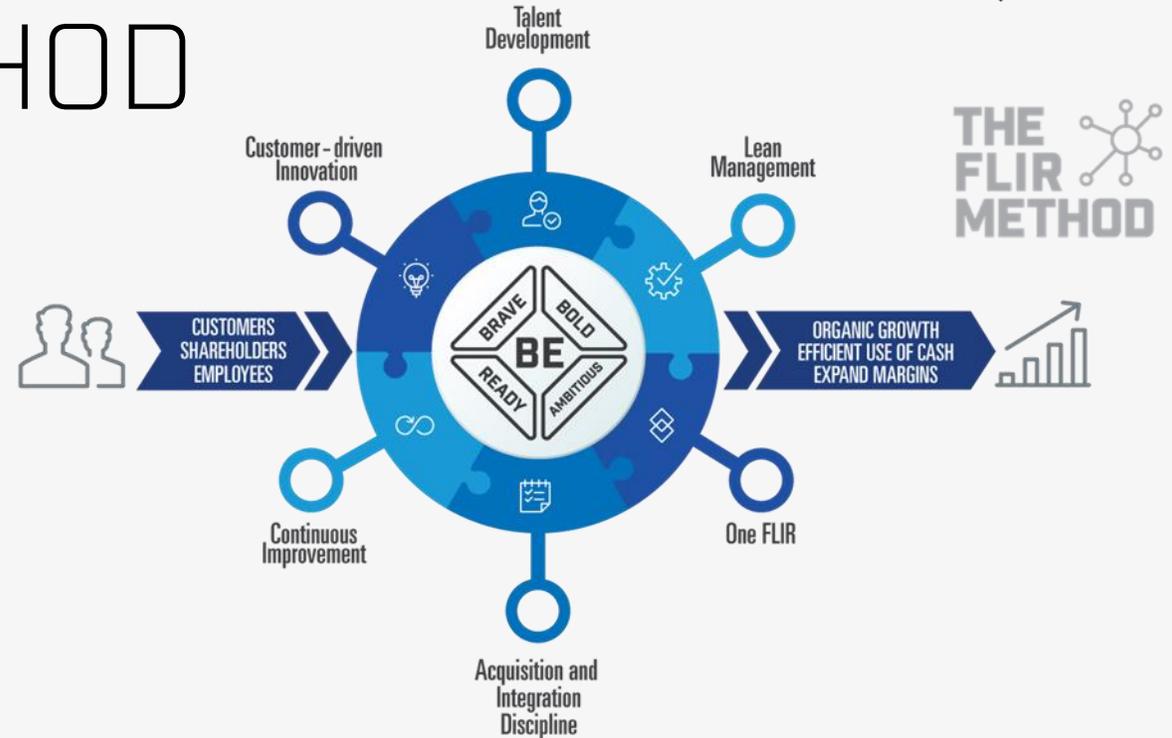
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# Appendix

AUGUST 6, 2020

# TFM – THE FLIR METHOD

Focus on utilizing the tools of TFM to assess the overall complexity of FLIR, with the strategic goal of simplifying and optimizing our portfolio to better penetrate key end markets and meet the needs of our customers



## KEY GOALS

### ELIMINATE

unnecessary complexity

### RESHAPE

portfolio with a focus on higher growth markets

### ENHANCE

fundamental compliance resources

### OPTIMIZE

allocation of R&D spending to support strategic focus and long-term value creation

### ACCELERATE

new product development and speed to market through robust but simplified stage gate process

# GAAP TO NON-GAAP RECONCILIATIONS

## Three Months Ended June 30, 2020

(In thousands, except per share amounts)(Unaudited)

	<b>As Reported</b>	Separation, transaction, and integration costs	Amortization of acquired intangibles assets	Restructuring expenses and asset impairment charges	Discrete legal and compliance matters	Discrete tax items	<b>Adjusted Non- GAAP Results</b>
Gross profit.....	\$ 252,200	\$ 410	\$ 9,253	\$ -	\$ -	\$ -	\$ 261,863
Operating expenses.....	(152,390)	1,513	2,501	7,702	4,900	-	(135,774)
Earnings from operations.....	99,810	1,923	11,754	7,702	4,900	-	126,089
Non-operating expense, net.....	(17,916)	-	-	-	-	-	(17,916)
Earnings before income taxes.....	81,894	1,923	11,754	7,702	4,900	-	108,173
Income tax provision.....	(20,637)	(429)	(2,621)	(1,717)	(1,093)	2,377	(24,120)
Net earnings.....	\$ 61,257	\$ 1,494	\$ 9,133	\$ 5,985	\$ 3,807	\$ 2,377	\$ 84,053
Gross margin.....	52.3%	0.1%	1.9%	0.0%	0.0%	0.0%	54.3%
Operating margin.....	20.7%	0.4%	2.5%	1.6%	1.0%	0.0%	26.2%
Net earnings per diluted share.....	\$ 0.47	\$ 0.01	\$ 0.07	\$ 0.05	\$ 0.03	\$ 0.02	\$ 0.64
Weighted average diluted shares outstanding..	131,687	131,687	131,687	131,687	131,687	131,687	131,687

## Three Months Ended June 30, 2019

	<b>As Reported</b>	Separation, transaction, and integration costs	Amortization of acquired intangibles assets	Restructuring expenses and asset impairment charges	Discrete legal and compliance matters	Discrete tax items	<b>Adjusted Non- GAAP Results</b>
Gross profit.....	\$ 233,408	\$ 492	\$ 12,429	\$ -	\$ -	\$ -	\$ 246,329
Operating expenses.....	(169,671)	2,765	8,617	3,001	4,733	-	(150,555)
Earnings from operations.....	63,737	3,257	21,046	3,001	4,733	-	95,774
Non-operating expense, net.....	(5,614)	-	-	-	-	-	(5,614)
Earnings before income taxes.....	58,123	3,257	21,046	3,001	4,733	-	90,160
Income tax provision.....	(12,005)	(668)	(4,314)	(615)	(970)	90	(18,483)
Net earnings.....	\$ 46,118	\$ 2,589	\$ 16,732	\$ 2,386	\$ 3,763	\$ 90	\$ 71,677
Gross margin.....	48.4%	0.1%	2.6%	0.0%	0.0%	0.0%	51.1%
Operating margin.....	13.2%	0.7%	4.4%	0.6%	1.0%	0.0%	19.9%
Net earnings per diluted share.....	\$ 0.34	\$ 0.02	\$ 0.12	\$ 0.02	\$ 0.03	\$ 0.00	\$ 0.52
Weighted average diluted shares outstanding..	137,084	137,084	137,084	137,084	137,084	137,084	137,084

# GAAP TO NON-GAAP RECONCILIATIONS

Six Months Ended June 30, 2020

(In thousands, except per share amounts)(Unaudited)

	<b>As Reported</b>	Separation, transaction, and integration costs	Amortization of acquired intangibles assets	Restructuring expenses and asset impairment charges	Discrete legal and compliance matters	Discrete tax items	<b>Adjusted Non- GAAP Results</b>
Gross profit.....	\$ 471,568	\$ 1,148	\$ 18,638	\$ -	\$ -	\$ -	\$ 491,354
Operating expenses.....	(343,263)	6,027	5,012	28,486	13,981	-	(289,757)
Earnings from operations.....	128,305	7,175	23,650	28,486	13,981	-	201,597
Non-operating expense, net.....	(23,213)	-	-	-	-	-	(23,213)
Earnings before income taxes.....	105,092	7,175	23,650	28,486	13,981	-	178,384
Income tax provision.....	(28,411)	(1,448)	(4,773)	(5,749)	(2,822)	5,743	(37,460)
Net earnings.....	\$ 76,681	\$ 5,727	\$ 18,877	\$ 22,737	\$ 11,159	\$ 5,743	\$ 140,924
Gross margin.....	50.5%	0.1%	2.1%	0.0%	0.0%	0.0%	52.7%
Operating margin.....	13.8%	0.8%	2.5%	3.0%	1.5%	0.0%	21.6%
Net earnings per diluted share.....	\$ 0.57	\$ 0.04	\$ 0.14	\$ 0.17	\$ 0.08	\$ 0.04	\$ 1.06
Weighted average diluted shares outstanding..	133,389	133,389	133,389	133,389	133,389	133,389	133,389

Six Months Ended June 30, 2019

	<b>As Reported</b>	Separation, transaction, and integration costs	Amortization of acquired intangibles assets	Restructuring expenses and asset impairment charges	Discrete legal and compliance matters	Discrete tax items	<b>Adjusted Non- GAAP Results</b>
Gross profit.....	\$ 467,269	\$ 492	\$ 16,107	\$ -	\$ -	\$ -	\$ 483,868
Operating expenses.....	(322,450)	9,242	10,867	3,610	8,075	-	(290,656)
Earnings from operations.....	144,819	9,734	26,974	3,610	8,075	-	193,212
Non-operating expense, net.....	(11,939)	-	-	-	-	-	(11,939)
Earnings before income taxes.....	132,880	9,734	26,974	3,610	8,075	-	181,273
Income tax provision.....	(25,014)	(1,995)	(5,530)	(740)	(1,655)	(2,226)	(37,161)
Net earnings.....	\$ 107,866	\$ 7,739	\$ 21,444	\$ 2,870	\$ 6,420	\$ (2,226)	\$ 144,112
Gross margin.....	50.4%	0.1%	1.7%	0.0%	0.0%	0.0%	52.2%
Operating margin.....	15.6%	1.0%	2.9%	0.4%	0.9%	0.0%	20.8%
Net earnings per diluted share.....	\$ 0.79	\$ 0.06	\$ 0.16	\$ 0.02	\$ 0.05	\$ (0.02)	\$ 1.05
Weighted average diluted shares outstanding..	137,105	137,105	137,105	137,105	137,105	137,105	137,105