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BA 303
Assignment #1

Company of Focus: FLIR Systems, Inc.

Link to the 2017 10K Report

1. Description of Operations and Corporate Strategy

As per pages 2 and 3 of the Form 10K, FLIR Systems has six operating segments contributing to a total consolidated revenue of approximately $1.8 billion:

1. Surveillance, with revenue at $545.8 million (30% of total);
2. Instruments, with revenue at $357.8 million (20% of total);
3. Security, with revenue at $231.5 million (13% of total);
4. OEM & Emerging Markets, with revenue at $347.2 million (19% of total);
5. Maritime, with revenue at $189.7 million (11% of total);
6. Detection, with revenue at $128.5 million (7% of total);

FLIR is best known for their thermal imaging products, including smartphone and specialized drone attachments. FLIR is capitalizing on the falling costs of thermal imaging (pp. 1) technology/components to establish themselves as leaders in the thermal sensing subsector. These systems have applications spanning broad sections of defense, commercial, industrial and scientific operations and research.

FLIR credits to its success the ability to innovate new technologies and augment existing platforms for new or expanded use, creating new avenues for growth (pp. 5). To maintain this trend, $170.7 million was spent on R&D (research and development), about 9.5% of that year's revenue and a 13.6% increase from the previous year's R&D spending.

2. Company Strengths

Pages 5-7 outline FLIR's competitive advantages, with focus on marketing and operating strategies, internally funded R&D, a diverse customer base and a financial strategy that consistently generates free cash flows which allow for a sustained focus on making investments, acquisitions and other capital deployment decisions.

3. Company Weaknesses

Pages 20-28 outline a variety of risks that FLIR faces. This include risks shared by their competitors, such as capital fluctuations, but also include inherent risks such as:

- Dependence on the U.S. Government as a large customer. Changes in federal spending policy could adversely affect business.
- Adverse actions from a failure to adhere to Federal rules surrounding procurement and other regulations could cause significant loss of business.
- Operating margins can be affected by lost sales of changes in product mix.

Factors such as these are important to note in the current U.S. political climate. For example, if FLIR sources parts from China found to be in violation of current U.S. policy, they could face penalties AND lose a substantially large part of their business, affecting not only revenues but also their operating margins, compromising their ability to serve other customers.