



April 29, 2013

Cognex Reports Record First Quarter Results

NATICK, Mass.--(BUSINESS WIRE)-- [Cognex Corporation](#) (NASDAQ: CGNX) today announced its results for the first quarter of 2013. Selected financial data for the quarter ended March 31, 2013, is compared to the first and fourth quarters of 2012 in the table below. A reconciliation of certain financial measures from GAAP to non-GAAP is shown in Exhibit 2 of this news release.

| | <u>Revenue</u> | <u>Net Income</u> | <u>Net Income per Diluted Share</u> |
|-------------------------------------|---------------------|---------------------|-------------------------------------|
| <u>Quarterly Comparisons</u> | | | |
| Current quarter: Q1-13 | \$80,892,000 | \$15,583,000 | \$0.35 |
| Prior year's quarter: Q1-12 | \$77,709,000 | \$14,282,000 | \$0.33 |
| Change from Q1-12 to Q1-13 | 4% | 9% | 8% |
| Prior quarter: Q4-12 | \$82,168,000 | \$16,244,000 | \$0.37 |
| Change from Q4-12 to Q1-13 | (2%) | (4%) | (5%) |

"What a quarter! We set new first quarter records for revenue, net income and earnings per share," said [Dr. Robert J. Shillman](#), Chairman of Cognex.

"We are proud of our performance in the first quarter," said [Robert J. Willett](#), Chief Executive Officer of Cognex. "We reported solid revenue growth year-on-year and were highly profitable while continuing to increase our investments in product development and sales force expansion. More importantly, we introduced innovative new products which we believe will further strengthen our leadership position in the vision market."

"Our outlook for the second quarter is positive with revenue expected to increase between 3% and 6% on a sequential basis," concluded Mr. Willett.

Details of the Quarter

Statement of Operations Highlights — First Quarter of 2013

- Revenue increased 4% from Q1 2012 and decreased 2% from Q4 2012. On a year-on-year basis, growth came from the factory automation market where revenue increased 7% to set a new quarterly revenue record of \$63 million. On a sequential basis, revenue decreased as expected due to lower surface inspection revenue as compared to the near-record level reported for Q4 2012. Somewhat offsetting the decline in surface inspection revenue was higher SEMI revenue. In addition, factory automation revenue also increased, which is contrary to the typical Q4 to Q1 trend.
- Gross margin was 76% in Q1 2013 as compared to 75% reported for both Q1 and Q4 of 2012.
- Research, Development & Engineering (RD&E) spending increased 9% from Q1 2012 and 4% from Q4 2012. The increase, both year-on-year and sequentially, was due to the company's investment in engineering personnel hired to accelerate the introduction of new products. In addition, the year-on-year increase includes higher spending on outside services for products under development. The sequential increase also includes higher stock option expense.
- Selling, General & Administrative (SG&A) spending increased 5% from Q1 2012 and 6% from Q4 2012. The increase year-on-year is due to Cognex's sales force expansion, primarily in China. The sequential increase is due to higher personnel-related costs, particularly stock option expense, and demonstration equipment related to new product introductions.
- The tax rate was 16% in Q1 2013 compared to 21% in Q1 2012 and 24% in Q4 2012. Excluding discrete tax items, the tax rate was 19%, 21% and 21%, respectively (tax adjustments are summarized in Exhibit 2). The tax rate excluding tax adjustments decreased both year-on-year and sequentially due to a higher percentage of income being earned in lower-tax jurisdictions.

Balance Sheet Highlights — March 31, 2013

- Cognex's financial position as of March 31, 2013, was very strong, with no debt and \$413,652,000 in cash and investments.

Financial Outlook

- Cognex expects revenue for Q2 2013 to be between \$83 million and \$86 million. Gross margin is expected to continue in the mid-70% range. Operating expenses are expected to increase by approximately 3% on a sequential basis. The effective tax rate is expected to be 19%.

Non-GAAP Financial Measures

- Exhibit 2 of this news release includes a reconciliation of certain financial measures from GAAP to non-GAAP. Cognex believes these non-GAAP financial measures are helpful because they allow investors to more accurately compare Cognex results over multiple periods using the same methodology used by management in its budgeting process and in its review of Cognex's operating results. In particular, non-GAAP presentations exclude the following: (1) stock option expense for the purpose of calculating non-GAAP adjusted operating income, non-GAAP adjusted net income and non-GAAP adjusted net income per share (because these expenses have no current effect on cash or the future uses of cash, and they fluctuate as a result of changes in Cognex's stock price), (2) the impact of currency exchange rate fluctuations from non-GAAP revenue (because period-to-period comparisons are better understood by assuming constant exchange rates), and (3) certain one-time discrete events, such as tax adjustments. Cognex does not intend for non-GAAP financial measures to be considered in isolation, nor as a substitute for financial information provided in accordance with GAAP.
- The tax effect of items identified in the reconciliation is estimated by applying the effective tax rate to the pre-tax amount. However, if a specific tax rate or tax treatment is required because of the nature of the item and/or the tax jurisdiction where the item was recorded, the tax effect is estimated by applying the relevant specific tax rate or tax treatment rather than the effective tax rate.

Analyst Conference Call and Simultaneous Webcast

- Cognex will host a conference call today at 5:00 p.m. eastern time. The telephone number is (866) 256-9239 (or (703) 639-1213 if outside the United States). A replay will begin at 8:00 p.m. eastern time today and will run continuously until 11:59 p.m. eastern time on Thursday, May 2, 2013. The telephone number for the replay is (888) 266-2081 (or (703) 925-2533 if outside the United States). The access code for both the live call and the replay is 1609770.
- Internet users can listen to a real-time audio broadcast of the conference call, or an archived recording, on the Cognex Investor Relations website: <http://www.cognex.com/Investor>.

About Cognex Corporation

Cognex Corporation designs, develops, manufactures and markets a range of products that incorporate sophisticated machine vision technology that gives them the ability to "see." Cognex products include barcode readers, machine vision sensors and machine vision systems that are used in factories, warehouses and distribution centers around the world to guide, gauge, inspect, identify and assure the quality of items during the manufacturing and distribution process. Cognex is the world's leader in the machine vision industry, having shipped more than 850,000 vision-based products, representing over \$3 billion in cumulative revenue, since the company's founding in 1981. Headquartered in Natick, Massachusetts, USA, Cognex has regional offices and distributors located throughout North America, Japan, Europe, Asia and Latin America. For details visit Cognex online at <http://www.cognex.com>.

Certain statements made in this news release, which do not relate solely to historical matters, are forward-looking statements. These statements can be identified by use of the words "expects," "anticipates," "estimates," "believes," "projects," "intends," "plans," "will," "may," "shall," "could," "should," and similar words. These forward-looking statements, which include statements regarding business and market trends, future financial performance, new product introductions, expected areas of growth, product development activities, and strategic plans, involve known and unknown risks and uncertainties that could cause actual results to differ materially from those projected. Such risks and uncertainties include: (1) current and future conditions in the global economy; (2) the cyclical nature of the semiconductor and electronics industries; (3) the reliance on revenue from the automotive industry; (4) the inability to penetrate new markets; (5) the inability to achieve significant international revenue; (6) fluctuations in foreign currency exchange rates; (7) the loss of a large customer; (8) the inability to attract and retain skilled employees; (9) the reliance upon key suppliers to manufacture and deliver critical components for Cognex products; (10) the failure to effectively manage product transitions or accurately forecast customer demand; (11) the inability to design and manufacture high-quality products; (12) the technological obsolescence of current products and the inability to develop new products; (13) the failure to properly manage the distribution of products and services; (14) the inability to protect Cognex proprietary technology and intellectual property; (15) involvement in time-consuming and costly litigation; (16) the impact of competitive pressures; (17) the challenges in integrating and achieving expected results from acquired businesses; (18)

potential impairment charges with respect to Cognex's investments or for acquired intangible assets or goodwill; (19) exposure to additional tax liabilities; (20) information security breaches or business systems disruptions; and (21) the other risks detailed in Cognex reports filed with the SEC, including its Form 10-K for the fiscal year ended December 31, 2012. You should not place undue reliance upon any such forward-looking statements, which speak only as of the date made. Cognex disclaims any obligation to update forward-looking statements after the date of such statements.

Exhibit 1

COGNEX CORPORATION
Statements of Operations
(Unaudited)

Dollars in thousands, except per share amounts

| | Three-months Ended | | |
|---|---------------------------|--------------------------|-------------------------|
| | Mar. 31, 2013 | Dec. 31, 2012 | Apr. 1, 2012 |
| Revenue | \$80,892 | \$82,168 | \$77,709 |
| Cost of revenue (1) | 19,423 | 20,382 | 19,058 |
| Gross margin | 61,469 | 61,786 | 58,651 |
| <i>Percentage of revenue</i> | 76% | 75% | 75% |
| Research, development, and engineering expenses (1) | 11,321 | 10,886 | 10,361 |
| <i>Percentage of revenue</i> | 14% | 13% | 13% |
| Selling, general, and administrative expenses (1) | 32,167 | 30,387 | 30,549 |
| <i>Percentage of revenue</i> | 40% | 37% | 39% |
| Operating income | 17,981 | 20,513 | 17,741 |
| <i>Percentage of revenue</i> | 22% | 25% | 23% |
| Foreign currency gain/(loss) | 63 | 197 | (638) |
| Investment and other income | 509 | 734 | 975 |
| Income before income tax expense | 18,553 | 21,444 | 18,078 |
| Income tax expense | 2,970 | 5,200 | 3,796 |
| Net income | \$15,583 | \$16,244 | \$14,282 |
| <i>Percentage of revenue</i> | 19% | 20% | 18% |
| Earnings per weighted-average common and common-equivalent share: | | | |
| Basic | \$ 0.36 | \$ 0.38 | \$ 0.34 |
| Diluted | \$ 0.35 | \$ 0.37 | \$ 0.33 |
| Weighted-average common and common-equivalent shares outstanding: | | | |
| Basic | 43,261 | 42,998 | 42,570 |
| Diluted | 44,130 | 43,729 | 43,590 |
| Cash dividends per common share | \$ - | \$ 1.22 | \$ 0.10 |
| Cash and investments per common share | \$ 9.52 | \$ 9.02 | \$ 8.98 |
| Book value per common share | \$ 13.80 | \$ 13.29 | \$ 13.75 |

(1) Amounts include stock option expense, as follows:

| | | | |
|--|-----------------|-----------------|-----------------|
| Cost of revenue | \$ 290 | \$ 134 | \$ 308 |
| Research, development, and engineering | 813 | 414 | 867 |
| Selling, general, and administrative | 2,195 | 1,177 | 2,139 |
| Total stock option expense | <u>\$ 3,298</u> | <u>\$ 1,725</u> | <u>\$ 3,314</u> |

Exhibit 2

COGNEX CORPORATION
Reconciliation of Selected Items from GAAP to Non-GAAP
(Unaudited)
Dollars in thousands, except per share amounts

| | <u>Three-months Ended</u> | | |
|--|--------------------------------|--------------------------------|-------------------------------|
| | <u>Mar. 31,</u> <u>2013</u> | <u>Dec. 31,</u> <u>2012</u> | <u>Apr. 1,</u> <u>2012</u> |
| Adjustment for stock option expense | | | |
| Operating income (GAAP) | \$ 17,981 | \$ 20,513 | \$ 17,741 |
| Stock option expense | 3,298 | 1,725 | 3,314 |
| Operating income (Non-GAAP) | <u>\$ 21,279</u> | <u>\$ 22,238</u> | <u>\$ 21,055</u> |
| <i>Percentage of revenue (Non-GAAP)</i> | <i>26%</i> | <i>27%</i> | <i>27%</i> |
| Net income (GAAP) | \$ 15,583 | \$ 16,244 | \$ 14,282 |
| Stock option expense | 3,298 | 1,725 | 3,314 |
| Tax effect on stock options | (1,094) | (560) | (1,087) |
| Net income (Non-GAAP) | <u>\$ 17,787</u> | <u>\$ 17,409</u> | <u>\$ 16,509</u> |
| <i>Percentage of revenue (Non-GAAP)</i> | <i>22%</i> | <i>21%</i> | <i>21%</i> |
| Net income per diluted share (GAAP) | \$ 0.35 | \$ 0.37 | \$ 0.33 |
| Stock option expense per diluted share | 0.07 | 0.04 | 0.08 |
| Tax effect on stock options | (0.02) | (0.01) | (0.03) |
| Net income per diluted share excluding stock option expense (Non-GAAP) | <u>\$ 0.40</u> | <u>\$ 0.40</u> | <u>\$ 0.38</u> |
| Adjustment to income tax expense | | | |
| Income before income tax expense (GAAP) | \$ 18,553 | \$ 21,444 | \$ 18,078 |
| Income tax expense (GAAP) | \$ 2,970 | \$ 5,200 | \$ 3,796 |
| <i>Effective tax rate (GAAP)</i> | <i>16%</i> | <i>24%</i> | <i>21%</i> |
| Tax adjustments: | | | |
| True up of annual tax rate | - | 595 | - |
| Discrete tax events | (555) | 101 | - |
| | <u>(555)</u> | <u>696</u> | <u>-</u> |
| Income tax expense excluding tax adjustments (Non-GAAP) | <u>\$ 3,525</u> | <u>\$ 4,504</u> | <u>\$ 3,796</u> |
| <i>Effective tax rate (Non-GAAP)</i> | <i>19%</i> | <i>21%</i> | <i>21%</i> |

Three-months Ended March 31, 2013

Currency impact on certain segment revenue

| | Growth over Q4 '12 (Non-GAAP) | Currency Impact | Growth over Q4 '12 (GAAP) |
|---------------------------------------|-------------------------------------|--------------------|---------------------------------|
| Factory automation revenue from Japan | 7% | -12% | -5% |

| | Growth over Q1 '12 (Non-GAAP) | Currency Impact | Growth over Q1 '12 (GAAP) |
|---------------------------------------|-------------------------------------|--------------------|---------------------------------|
| Factory automation revenue from Japan | 0% | -13% | -13% |

Exhibit 3

COGNEX CORPORATION
Balance Sheets
(Unaudited)
In thousands

| | <u>March 31,</u> <u>2013</u> | <u>December 31,</u> <u>2012</u> |
|---|---------------------------------|------------------------------------|
| Assets | | |
| Cash and investments | \$ 413,652 | \$ 388,520 |
| Accounts receivable | 42,780 | 42,387 |
| Inventories | 26,057 | 26,182 |
| Property, plant, and equipment | 34,647 | 34,820 |
| Goodwill and intangible assets | 95,498 | 96,459 |
| Other assets | <u>39,894</u> | <u>39,237</u> |
| Total assets | <u>\$ 652,528</u> | <u>\$ 627,605</u> |
| Liabilities and Shareholders' Equity | | |
| Accounts payable and accrued liabilities | \$ 31,073 | \$ 36,405 |
| Income taxes | 8,175 | 6,225 |
| Deferred revenue and customer deposits | 13,819 | 12,690 |
| Shareholders' equity | <u>599,461</u> | <u>572,285</u> |
| Total liabilities and shareholders' equity | <u>\$ 652,528</u> | <u>\$ 627,605</u> |

Exhibit 4

COGNEX CORPORATION
Additional Information Schedule
(Unaudited)
Dollars in thousands

| | Three-months Ended | | |
|--|---------------------------|--------------------------|-------------------------|
| | Mar. 31, 2013 | Dec. 31, 2012 | Apr. 1, 2012 |
| Revenue | <u>\$80,892</u> | <u>\$82,168</u> | <u>\$77,709</u> |
| Revenue by division: | | | |
| <i>Modular Vision Systems Division</i> | 87% | 82% | 85% |
| <i>Surface Inspection Systems Division</i> | 13% | 18% | 15% |
| <i>Total</i> | <u>100%</u> | <u>100%</u> | <u>100%</u> |
| Revenue by geography: | | | |
| <i>Americas</i> | 34% | 38% | 36% |
| <i>Europe</i> | 32% | 32% | 33% |
| <i>Asia</i> | 22% | 18% | 18% |
| <i>Japan</i> | 12% | 12% | 13% |
| <i>Total</i> | <u>100%</u> | <u>100%</u> | <u>100%</u> |
| Revenue by market: | | | |
| <i>Factory automation</i> | 78% | 76% | 76% |
| <i>Web and surface inspection</i> | 13% | 18% | 15% |
| <i>Semiconductor and electronics capital equipment</i> | 9% | 6% | 9% |
| <i>Total</i> | <u>100%</u> | <u>100%</u> | <u>100%</u> |

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