



Cognex Reports Results for the Third Quarter of 2018

October 29, 2018

NATICK, Mass.--(BUSINESS WIRE)--Oct. 29, 2018-- [Cognex Corporation](#) (NASDAQ: CGNX) today announced financial results for the third quarter of 2018. Table 1 below shows selected financial data for Q3-18 compared with Q3-17 and Q2-18, and the first nine months of 2018 compared with the first nine months of 2017. All periods presented reflect the two-for-one stock split that occurred in Q4-17.

Table 1*

(Dollars in thousands, except per share amounts)

| | Revenue | Net Income | Net Income per Diluted Share | Non-GAAP Net Income per Diluted Share** |
|--|------------------|------------------|------------------------------------|--|
| Quarterly Comparisons | | | | |
| Current quarter : Q3-18 | \$232,221 | \$80,436 | \$0.45 | \$0.39 |
| Prior year's quarter: Q3-17 | \$266,042 | \$102,493 | \$0.57 | \$0.51 |
| Change: Q3-17 to Q3-18 | (13%) | (22%) | (21%) | (24%) |
| Prior quarter: Q2-18 | \$211,264 | \$56,196 | \$0.32 | \$0.31 |
| Change: Q2-18 to Q3-18 | 10% | 43% | 41% | 26% |
| Year-to-Date Comparisons | | | | |
| Nine months ended Sep. 30, 2018 | \$613,052 | \$173,849 | \$0.98 | \$0.88 |
| Nine months ended Oct. 1, 2017 | \$583,161 | \$204,459 | \$1.14 | \$0.98 |
| Change from first nine months of 2017 to first nine months of 2018 | 5% | (15%) | (14%) | (10%) |

* The financial results for all periods presented reflect the retroactive adoption of a new revenue recognition standard (ASC 606, "Revenue from Contracts with Customers") that became effective on January 1, 2018. This standard did not have a material impact on total revenue. For a historical perspective, Exhibit 4 of this news release includes the company's quarterly Statement of Operations for 2017 adjusted for the impact of the new standard.

**Non-GAAP net income per diluted share excludes tax adjustments. A reconciliation from GAAP to Non-GAAP is shown in Exhibit 2 of this news release.

"Our results for Q3-18 were very good," said [Dr. Robert J. Shillman](#), Chairman of Cognex. "We reported the second-best quarterly revenue, net income and earnings per share from continuing operations in our company's 37-year history. These results were surpassed only by our spectacular performance in last year's third quarter, which was driven by exceptional growth across our business, particularly in our largest end market—consumer electronics."

"I am pleased with the substantial revenue growth and operating margin expansion that we achieved on a sequential basis," said [Robert J. Willett](#), Chief Executive Officer of Cognex. "More importantly, we accomplished significant company objectives that are expected to set us up for long-term growth. These include successfully implementing our new Enterprise Resource Planning (ERP) system and passing a number of key product development milestones."

Mr. Willett continued, "While we are pleased with our Q3-18 results, slower spending trends that we are experiencing in China have reduced our revenue outlook for Q4-18."

In separate news releases issued today, Cognex announced that its Board of Directors declared a quarterly cash dividend of \$0.05 per share, payable on November 30, 2018 to all shareholders of record at the close of business on November 16, 2018. This dividend represents an increase of \$0.005 per share, or 11%, over the \$0.045 per share dividend paid in the prior quarter. In addition, the Board authorized the repurchase of up to \$200 million of Cognex stock in open market transactions, subject to market conditions and other relevant factors. This new authorization will commence after Cognex completes an existing \$150 million repurchase program, of which approximately \$53 million remains available.

Details of the Quarter

Statement of Operations Highlights – Third Quarter of 2018

- Revenue decreased 13% from Q3-17 and increased 10% from Q2-18. In constant currency, revenue decreased 13% year-on-year and grew 12% sequentially. The decline year-on-year is due to significantly lower revenue in Q3-18 from

large customers in OLED display and smartphone manufacturing following an extraordinarily high level of investment by them in machine vision in Q3-17. The increase in revenue on a sequential basis is due to a higher concentration of large orders from customers in the consumer electronics market in Q3-18.

- Gross margin was 75% for Q3-18 compared with 74% for both Q3-17 and Q2-18, consistent with Cognex's target range.
- Research, Development & Engineering (RD&E) expenses increased 14% from Q3-17 and 10% from Q2-18. The year-on-year increase in RD&E is attributable to Cognex's investment in engineering resources for new product development. The sequential increase is primarily related to personnel-related costs and engineering materials.
- Selling, General & Administrative (SG&A) expenses increased 8% from Q3-17 and decreased 1% from Q2-18. SG&A increased year-on-year due to continued investments in sales resources as well as higher commissions and travel expenses. On a sequential basis, the decrease was primarily due to the impact of currency exchange rate fluctuations in the company's international operations.
- Investment and other income totaled \$3.8 million in Q3-18, \$2.0 million in Q3-17 and \$3.3 million in Q2-18. The increase both year-on-year and sequentially is from higher yields and a higher average invested balance. Also contributing was a lower expense in Q3-18 associated with changes to the fair value of contingent consideration related to recent acquisitions.
- The effective tax rate was 1% in Q3-18, 9% in Q3-17 and 16% in Q2-18. All periods presented include varying discrete tax adjustments realized during that quarter. Notably, Q3-18 included \$12.2 million of discrete tax benefits, with the largest being a \$7.7 million reduction of the estimated tax liability that was recorded in Q4-17 associated with the Tax Cuts and Jobs Act of 2017 (Tax Act). This estimated tax liability may be further adjusted as regulatory guidance regarding the Tax Act continues to develop.
- Excluding all discrete tax events, the rate was 16%, 18% and 17% in Q3-18, Q3-17 and Q2-18, respectively (tax adjustments are summarized in Exhibit 2). The decrease in the rate year-on-year was due primarily to the impact of the Tax Act, which lowered the U.S. federal statutory corporate tax rate from 35% to 21%.

Balance Sheet Highlights – September 30, 2018

- Cognex's financial position as of September 30, 2018, continued to be strong, with \$809 million in cash and investments, with no debt. Cash and investments decreased by \$19 million from the end of 2017. During the first nine months of 2018, cash inflows consisted of \$152 million generated from operations and \$26 million received from the exercise of employee stock options. Cash outflows included \$142 million spent to repurchase Cognex common stock, \$27 million for capital expenditures, and \$23 million in dividends paid to shareholders. Cognex intends to continue to repurchase shares of its common stock in Q4-18, subject to market conditions and other relevant factors.
- Inventories increased by \$26 million, or 38%, from the end of 2017 due to strategic purchases (including safety stock in anticipation of our ERP implementation in Q3-18) and in preparation for planned new product introductions.

Financial Outlook – Q4 2018

This financial outlook reflects the new revenue recognition standard (ASC 606, "Revenue from Contracts with Customers") that took effect on January 1, 2018. This standard did not have a material impact on total revenue. For a historical perspective, Exhibit 4 of this news release includes the company's quarterly Statement of Operations for 2017 adjusted for the impact of the new standard.

- Revenue for Q4-18 is expected to be between \$180 million and \$190 million. At the mid-point, that range represents a slight increase year-on-year, which is lower than the company's long-term growth target due to both the slower spending by customers in China and a lingering headwind from last year's high level of investment by large OLED display and smartphone manufacturers. Excluding an expected \$15 million reduction related to the OLED/smartphone revenue, the year-on-year anticipated increase is approximately 10%.
- Gross margin is expected to be in the mid-70% range, slightly lower than the gross margin reported for Q3-18.
- Operating expenses are expected to be approximately flat on a sequential basis.
- The effective tax rate is expected to be 16% before discrete tax items.

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 that management employs in its budgeting process and in its review of Cognex's operating results. Non-GAAP presentations exclude the following: (1) stock option expense for calculating non-GAAP adjusted operating income and net income from continuing operations (because these expenses have no current effect on cash or the future uses of cash, and they fluctuate because of changes in Cognex's stock price), and (2) certain one-time discrete events, such as tax adjustments (because these costs are outside of Cognex's normal business operations). Cognex also uses results on a constant-currency basis as one measure to evaluate performance. Constant-currency information compares results between periods as if the exchange rates had remained constant period-over-period. Cognex does not intend for non-GAAP financial measures to be considered in isolation, or 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 (ET). The telephone number is (877) 704-4573 (or (201) 389-0911 if outside the United States). A replay will begin at 8:00 p.m. ET today and will be available until 11:59 p.m. ET on Thursday, November 1, 2018. The telephone number for the replay is (877) 660-6853 (or (201) 612-7415 if outside the United States). The access code for both the live call and the replay is 13682517.
- 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 wide range of image-based products, all of which use artificial intelligence (AI) techniques that give them the human-like ability to make decisions on what they see. Cognex products include machine vision systems, machine vision sensors and barcode readers that are used in factories and distribution centers around the world where they eliminate production and shipping errors.

Cognex is the world's leader in the machine vision industry, having shipped more than 1.5 million vision-based products, representing over \$5 billion in cumulative revenue, since the company's founding in 1981. Headquartered in Natick, Massachusetts, USA, Cognex has offices and distributors located throughout the Americas, Europe and Asia. For details visit Cognex online at 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 and other statements of a similar sense. These forward-looking statements, which include statements regarding business and market trends, future financial performance, customer order rates and timing of related revenue, expected areas of growth, new product introductions, research and development activities, Cognex's stock repurchase program and further stock repurchases, investments, strategic plans and tax matters, involve known and unknown risks and uncertainties that could cause actual results to differ materially from those projected. Such risks and uncertainties include: (1) the loss of a large customer; (2) current and future conditions in the global economy, including the imposition of tariffs; (3) the reliance on revenue from the consumer electronics or automotive industries; (4) the inability to penetrate new markets; (5) the inability to achieve significant international revenue; (6) fluctuations in foreign currency exchange rates and the use of derivative instruments; (7) information security breaches or business system disruptions; (8) the inability to attract and retain skilled employees; (9) the failure to effectively manage our growth; (10) the reliance upon key suppliers to manufacture and deliver critical components for our products; (11) the failure to effectively manage product transitions or accurately forecast customer demand; (12) the inability to design and manufacture high-quality products; (13) the technological obsolescence of current products and the inability to develop new products; (14) the failure to properly manage the distribution of products and services; (15) the inability to protect our proprietary technology and intellectual property; (16) our involvement in time-consuming and costly litigation; (17) the impact of competitive pressures; (18) the challenges in integrating and achieving expected results from acquired businesses; (19) potential impairment charges with respect to our investments or for acquired intangible assets or goodwill; (20) exposure to additional tax liabilities; 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, 2017. 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 | | | Nine-months Ended | | |
|---|--------------------|--------------|-----------------|--------------------|-----------------|---|
| | September 30, 2018 | July 1, 2018 | October 1, 2017 | September 30, 2018 | October 1, 2017 | |
| Revenue (1) | \$ 232,221 | \$ 211,264 | \$ 266,042 | \$ 613,052 | \$ 583,161 | |
| Cost of revenue (1) | 58,860 | 54,169 | 68,061 | 153,227 | 142,757 | |
| Gross margin | 173,361 | 157,095 | 197,981 | 459,825 | 440,404 | |
| Percentage of revenue | 75 | % 74 | % 74 | % 75 | % 76 | % |
| Research, development, and engineering expenses (1) | 29,700 | 26,888 | 26,078 | 87,664 | 72,225 | |
| Percentage of revenue | 13 | % 13 | % 10 | % 14 | % 12 | % |
| Selling, general, and administrative expenses (1) | 65,817 | 66,752 | 61,054 | 196,266 | 160,093 | |
| Percentage of revenue | 28 | % 32 | % 23 | % 32 | % 27 | % |

| | | | | | |
|----------------------------------|------------------|-----------|------------|-------------------|------------|
| Operating income | 77,844 | 63,455 | 110,849 | 175,895 | 208,086 |
| Percentage of revenue | 34 | % 30 | % 42 | % 29 | % 36 |
| Foreign currency (loss) | (379) |) (195) |) (127) |) (708) |) (574) |
| Investment and other income | 3,808 | 3,313 | 2,030 | 10,638 | 6,281 |
| Income before income tax expense | 81,273 | 66,573 | 112,752 | 185,825 | 213,793 |
| Income tax expense | 837 | 10,377 | 10,259 | 11,976 | 9,334 |
| Net income | \$ 80,436 | \$ 56,196 | \$ 102,493 | \$ 173,849 | \$ 204,459 |
| Percentage of revenue | 35 | % 27 | % 39 | % 28 | % 35 |

Earnings per weighted-average common and common-equivalent share

| | | | | | |
|---------|----------------|---------|---------|----------------|---------|
| (2): | | | | | |
| Basic | \$ 0.47 | \$ 0.33 | \$ 0.59 | \$ 1.01 | \$ 1.18 |
| Diluted | \$ 0.45 | \$ 0.32 | \$ 0.57 | 0.98 | 1.14 |

Weighted-average common and common-equivalent shares outstanding

| | | | | | |
|---------|----------------|---------|---------|----------------|---------|
| (2): | | | | | |
| Basic | 172,189 | 172,370 | 173,234 | 172,613 | 173,052 |
| Diluted | 177,245 | 177,149 | 179,354 | 178,021 | 179,124 |

| | | | | | |
|---|------------------|-----------|-----------|------------------|-----------|
| Cash dividends per common share (2) | \$ 0.0450 | \$ 0.0450 | \$ 0.0425 | \$ 0.1350 | \$ 0.1225 |
| Cash and investments per common share (2) | \$ 4.70 | \$ 4.39 | \$ 4.45 | \$ 4.70 | \$ 4.45 |
| Book value per common share (2) | \$ 6.68 | \$ 6.27 | \$ 6.55 | \$ 6.68 | \$ 6.55 |

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

| | | | | | |
|--|-----------------|----------|----------|------------------|-----------|
| Cost of revenue | \$ 544 | \$ 557 | \$ 520 | \$ 1,898 | \$ 1,404 |
| Research, development, and engineering | 3,197 | 3,154 | 2,765 | 11,166 | 8,090 |
| Selling, general, and administrative | 5,402 | 5,291 | 4,741 | 18,275 | 13,861 |
| Total stock option expense | \$ 9,143 | \$ 9,002 | \$ 8,026 | \$ 31,339 | \$ 23,355 |

(2) Prior periods share and per share amounts have been adjusted to reflect the 2-for-1 stock split of the Company's common stock that occurred in the fourth quarter of 2017.

Exhibit 2

COGNEX CORPORATION

Reconciliation of Selected Items from GAAP to Non-GAAP

(Unaudited)

Dollars in thousands, except per share amounts

| | Three-months Ended | | | Nine-months Ended | |
|---|--------------------|--------------|-----------------|--------------------|-----------------|
| | September 30, 2018 | July 1, 2018 | October 1, 2017 | September 30, 2018 | October 1, 2017 |
| Adjustment for stock option expense and tax benefit for stock option exercises | | | | | |
| Operating income (GAAP) | \$ 77,844 | \$ 63,455 | \$ 110,849 | \$ 175,895 | \$ 208,086 |
| Stock option expense | 9,143 | 9,002 | 8,026 | 31,339 | 23,355 |
| Operating income (Non-GAAP) | \$ 86,987 | \$ 72,457 | \$ 118,875 | \$ 207,234 | \$ 231,441 |
| Percentage of revenue (Non-GAAP) | 37 | % 34 | % 45 | % 34 | % 40 |
| Net income (GAAP) | \$ 80,436 | \$ 56,196 | \$ 102,493 | \$ 173,849 | \$ 204,459 |
| Stock option expense | 9,143 | 9,002 | 8,026 | 31,339 | 23,355 |
| Tax effect on stock option expense | (1,654) |) (1,607) |) (2,639) | (5,608) |) (7,661) |
| Discrete tax benefit related to employee stock option exercises | (2,811) |) (654) |) (8,620) | (8,400) |) (27,574) |
| Net income (Non-GAAP) | \$ 85,114 | \$ 62,937 | \$ 99,260 | \$ 191,180 | \$ 192,579 |
| Percentage of revenue (Non-GAAP) | 37 | % 30 | % 37 | % 31 | % 33 |
| Net income per diluted weighted-average common and common-equivalent share (GAAP) (1) | \$ 0.45 | \$ 0.32 | \$ 0.57 | \$ 0.98 | \$ 1.14 |
| Share impact of non-GAAP adjustments identified above (1) | 0.03 | 0.04 | (0.02) | 0.09 | (0.06) |

| | | | | | |
|---|------------------|-----------|------------|-------------------|------------|
| Net income per diluted weighted-average common and common-equivalent share (Non-GAAP) (1) | \$ 0.48 | \$ 0.36 | \$ 0.55 | \$ 1.07 | \$ 1.08 |
| Diluted weighted-average common and common-equivalent shares outstanding (GAAP) (1) | 177,245 | 177,149 | 179,354 | 178,021 | 179,124 |
| Exclusion of tax adjustments | | | | | |
| Income before income tax expense (GAAP) | \$ 81,273 | \$ 66,573 | \$ 112,752 | \$ 185,825 | \$ 213,793 |
| Income tax expense (GAAP) | \$ 837 | \$ 10,377 | \$ 10,259 | \$ 11,976 | \$ 9,334 |
| Effective tax rate (GAAP) | 1 | % 16 | % 9 | % 6 | % 4 |
| Tax adjustments: | | | | | |
| Discrete tax benefit related to employee stock option exercises | (2,811) | (654) | (8,620) | (8,400) | (27,574) |
| Discrete tax benefit related to Tax Act | (7,699) | — | — | (7,699) | — |
| Other discrete tax events | (1,657) | — | (1,765) | (1,657) | (1,908) |
| Income tax expense excluding tax adjustments (Non-GAAP) | \$ 13,004 | \$ 11,031 | \$ 20,644 | \$ 29,732 | \$ 38,816 |
| Effective tax rate (Non-GAAP) | 16 | % 17 | % 18 | % 16 | % 18 |
| Net income excluding tax adjustments (Non-GAAP) | \$ 68,269 | \$ 55,542 | \$ 92,108 | \$ 156,093 | \$ 174,977 |
| Percentage of revenue (Non-GAAP) | 29 | % 26 | % 35 | % 25 | % 30 |
| Net income per diluted weighted-average common and common-equivalent share (GAAP) (1) | \$ 0.45 | \$ 0.32 | \$ 0.57 | \$ 0.98 | \$ 1.14 |
| Share impact of non-GAAP adjustments identified above (1) | (0.06) | (0.01) | (0.06) | (0.10) | (0.16) |
| Net income per diluted weighted-average common and common-equivalent share (Non-GAAP) (1) | \$ 0.39 | \$ 0.31 | \$ 0.51 | \$ 0.88 | \$ 0.98 |
| Diluted weighted-average common and common-equivalent shares outstanding (GAAP) (1) | 177,245 | 177,149 | 179,354 | 178,021 | 179,124 |

(1) Prior periods share and per share amounts have been adjusted to reflect the 2-for-1 stock split of the Company's common stock that occurred in the fourth quarter of 2017.

Exhibit 3

COGNEX CORPORATION

Balance Sheets

(Unaudited)

Dollars in thousands

| | September 30, 2018 | December 31, 2017 |
|---|---------------------|-------------------|
| Assets | | |
| Cash and investments | \$ 809,316 | \$ 827,984 |
| Accounts receivable | 135,441 | 119,388 |
| Unbilled revenue | 13,948 | 7,454 |
| Inventories | 94,035 | 67,923 |
| Property, plant, and equipment | 88,930 | 78,048 |
| Goodwill and intangible assets | 124,090 | 126,397 |
| Other assets | 58,936 | 60,559 |
| Total assets | \$ 1,324,696 | \$ 1,287,753 |
| Liabilities and Shareholders' Equity | | |
| Accounts payable and accrued expenses | \$ 88,927 | \$ 91,712 |
| Deferred revenue and customer deposits | 13,252 | 9,420 |
| Income taxes | 67,599 | 85,044 |
| Other liabilities | 5,474 | 5,904 |
| Shareholders' equity | 1,149,444 | 1,095,673 |
| Total liabilities and shareholders' equity | \$ 1,324,696 | \$ 1,287,753 |

Exhibit 4

COGNEX CORPORATION
Restated Statements of Operations under ASC 606 "Revenue from Contracts with Customers"
(Unaudited)
Dollars in thousands

| | Three-months Ended | | | |
|---|--------------------|-----------------|--------------------|----------------------|
| | April 2, 2017 | July 2, 2017 | October 1, 2017 | December 31, 2017 |
| Revenue | \$ 139,039 | \$ 178,080 | \$ 266,042 | \$ 182,922 |
| Cost of revenue | 32,532 | 42,164 | 68,061 | 44,532 |
| Gross margin | 106,507 | 135,916 | 197,981 | 138,390 |
| <i>Percentage of revenue</i> | 77 | % 76 | % 74 | % 76 |
| Research, development, and engineering expenses | 22,770 | 23,377 | 26,078 | 26,980 |
| <i>Percentage of revenue</i> | 16 | % 13 | % 10 | % 15 |
| Selling, general, and administrative expenses | 46,521 | 52,518 | 61,054 | 60,635 |
| <i>Percentage of revenue</i> | 33 | % 29 | % 23 | % 33 |
| Operating income | 37,216 | 60,021 | 110,849 | 50,775 |
| <i>Percentage of revenue</i> | 27 | % 34 | % 42 | % 28 |
| Foreign currency (loss) | (263) | (184) | (127) | (1,027) |
| Investment and other income | 2,282 | 1,969 | 2,030 | 2,923 |
| Income before income tax expense | 39,235 | 61,806 | 112,752 | 52,671 |
| Income tax expense (benefit) | (6,236) | 5,311 | 10,259 | 80,418 |
| Net income (loss) | \$ 45,471 | \$ 56,495 | \$ 102,493 | \$ (27,747) |
| <i>Percentage of revenue</i> | 33 | % 32 | % 39 | % (15) |
| Earnings per weighted-average common and common-equivalent share (1): | | | | |
| Basic | \$ 0.26 | \$ 0.33 | \$ 0.59 | \$ (0.16) |
| Diluted | \$ 0.25 | \$ 0.32 | \$ 0.57 | \$ (0.16) |
| Weighted-average common and common-equivalent shares outstanding (1): | | | | |
| Basic | 172,646 | 173,278 | 173,234 | 173,397 |
| Diluted | 178,354 | 179,228 | 179,354 | 173,397 |

(1) Prior periods share and per share amounts have been adjusted to reflect the 2-for-1 stock split of the Company's common stock that occurred in the fourth quarter of 2017.

Adjustments to certain financial data as a result of the implementation of ASC 606 "Revenue from Contracts with Customers on Jan. 1 2018"

| | Three-months Ended | | | |
|--------------------------------|--------------------|-----------------|--------------------|----------------------|
| | April 2, 2017 | July 2, 2017 | October 1, 2017 | December 31, 2017 |
| Revenue as reported | \$ 134,942 | \$ 172,904 | \$ 259,739 | \$ 180,365 |
| Adjustments to revenue | 4,097 | 5,176 | 6,303 | 2,557 |
| Revenue as restated | \$ 139,039 | \$ 178,080 | \$ 266,042 | \$ 182,922 |
| Cost of revenue as reported | 28,225 | 37,471 | 62,360 | 40,642 |
| Adjustments to cost of revenue | 4,307 | 4,693 | 5,701 | 3,890 |
| Cost of revenue as restated | \$ 32,532 | \$ 42,164 | \$ 68,061 | \$ 44,532 |
| Gross margin as reported | \$ 106,717 | \$ 135,433 | \$ 197,379 | \$ 139,723 |

| | | | | | | | | |
|--|------------|----|-----------|----|------------|----|------------|----|
| Adjustments to gross margin | (210 |) | 483 | | 602 | | (1,333 |) |
| Gross margin as restated | \$ 106,507 | | 135,916 | | \$ 197,981 | | \$ 138,390 | |
| Gross margin percentage as reported | 79 | % | 78 | % | 76 | % | 77 | % |
| Adjustments to gross margin percentage | (2 |)% | (2 |)% | (2 |)% | (1 |)% |
| Gross margin percentage as restated | 77 | % | 76 | % | 74 | % | 76 | % |
| Operating income as reported | \$ 37,426 | | \$ 59,538 | | \$ 110,247 | | \$ 52,108 | |
| Adjustments to operating income | (210 |) | 483 | | 602 | | (1,333 |) |
| Operating income as restated | \$ 37,216 | | \$ 60,021 | | \$ 110,849 | | \$ 50,775 | |
| Operating margin as reported | 28 | % | 34 | % | 42 | % | 29 | % |
| Adjustments to operating margin | (1 |)% | — | % | — | % | (1 |)% |
| Operating margin as restated | 27 | % | 34 | % | 42 | % | 28 | % |

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Source: Cognex Corporation

Cognex Corporation
Susan Conway, 508-650-3353
Senior Director of Investor Relations
susan.conway@cognex.com