

FARO Announces Second Quarter Financial Results

August 8, 2024

- Revenue of \$82.1 million
- Gross margin of 54.6%; Non-GAAP gross margin 55.0%, above guidance range
- Loss per share of \$(0.03); Non-GAAP earnings per share ("EPS") of \$0.18, above guidance range
- Cash flow from operations of \$4.2 million

LAKE MARY, Fla., Aug. 8, 2024 /PRNewswire/ -- FARO® Technologies, Inc. (Nasdaq: FARO), a global leader in 4D digital reality solutions, today announced its financial results for the second quarter ended June 30, 2024.



"As I reflect on the completion of my first year at FARO, I am pleased with the execution of the first phase of our journey to drive operational excellence and we are pacing well ahead of our expectations," said Peter Lau, President & Chief Executive Officer. "By continuing to build a strong base of financial performance, marked by consistent EBITDA and free cash flow generation, we are investing in several multi-year value creation activities. Against the backdrop of a difficult macroeconomic environment, FARO delivered GAAP net loss of \$0.5 million and \$8.4 million of adjusted EBITDA, or 10.3% of revenue, concluding a first half of 2024 adjusted EBITDA that exceeded full year fiscal 2023 adjusted EBITDA. Looking forward, we are excited about the next phase in our journey, as we communicated in March, to deliver on the key organic growth plans which our operational improvements has enabled."

Second Quarter 2024 Financial Summary

- Total sales of \$82.1 million, down 7% year over year
- Gross margin of 54.6%, compared to 37.8% in the prior year period
- Non-GAAP gross margin of 55.0%, compared to 38.7% in the prior year period
- Operating expenses of \$43.0 million, compared to \$58.7 million in the prior year period
- Non-GAAP operating expenses of \$40.0 million, compared to \$44.1 million in the prior year period
- Net loss of \$0.5 million, or \$(0.03) per share compared to net loss of \$28.2 million, or \$(1.49) per share in the prior year period
- Non-GAAP net income of \$3.4 million, or \$0.18 per share compared to non-GAAP net loss of \$10.8 million, or \$(0.57) per share in the prior year period
- Adjusted EBITDA of \$8.4 million, or 10.3% of total sales compared to \$(7.2) million, or (1.0%) of total sales in the prior year period
- Cash, cash equivalents & short-term investments of \$97.9 million compared to \$96.3 million as of December 31, 2023

* A reconciliation of the non-GAAP financial measures to the most directly comparable GAAP financial measures is provided in the financial schedules portion at the end of this press release. An additional explanation of these measures is included below under the heading "Non-GAAP Financial Measures".

Outlook for the Third Quarter 2024

For the third quarter ending September 30, 2024, FARO currently expects:

- Revenue in the range of \$76 to \$84 million
- Gross margin in the range of 53.0% to 54.5%. Non-GAAP gross margin in the range of 53.5% to 55.0%
- Operating expenses in the range of \$45 to \$47 million. Non-GAAP operating expenses in the range of \$40 to \$42 million
- Net loss per share in the range of (\$0.32) to (\$0.12). Non-GAAP net loss to net income per share in the range of \$(0.01) to \$0.19.

Conference Call

The Company will host a conference call to discuss these results on Thursday, August 8, 2024, at 4:30 p.m. ET. Interested parties can access the conference call by dialing (800) 267-6316 (U.S.) or +1 (203) 518-9783 (International) and using the passcode FARO. A live webcast will be available in the Investor Relations section of FARO's website at: <https://www.faro.com/en/About-Us/Investor-Relations/Financial-Events-and-Presentations>

A replay webcast will be available in the Investor Relations section of the Company's web site approximately two hours after the conclusion of the call and will remain available for approximately 30 calendar days.

About FARO

For over 40 years, FARO has provided industry-leading technology solutions that enable customers to measure their world, and then use that data to make smarter decisions faster. FARO continues to be a pioneer in bridging the digital and physical worlds through data-driven reliable accuracy, precision, and immediacy. For more information, visit www.faro.com.

Non-GAAP Financial Measures

This press release contains information about our financial results that are not presented in accordance with U.S. generally accepted accounting principles ("GAAP"). These non-GAAP financial measures, including non-GAAP gross profit, non-GAAP gross margin, non-GAAP operating expenses, non-GAAP income (loss) from operations, non-GAAP net income (loss) and non-GAAP net income (loss) per share, exclude the impact of purchase accounting intangible amortization expense, stock-based compensation, restructuring and other charges, and other tax adjustments, and are provided to enhance investors' overall understanding of our historical operations and financial performance.

In addition, we present EBITDA, which is calculated as net income (loss) before interest (income) expense, net, income tax benefit (expense) and depreciation and amortization, and Adjusted EBITDA, which is calculated as EBITDA, excluding other (income) expense, net, stock-based compensation, and restructuring and other charges, as measures of our operating profitability. The most directly comparable GAAP measure to EBITDA and Adjusted EBITDA is net income (loss). We also present Adjusted EBITDA margin, which is calculated as Adjusted EBITDA as a percent of total sales.

We have included non-GAAP total sales on a constant currency basis. The most directly comparable GAAP measure to total sales on a constant currency basis is total sales. We believe constant currency information is useful in analyzing underlying trends in our business and the commercial performance of our products by eliminating the impact of highly volatile fluctuations in foreign currency markets and allows for period-to-period comparisons of our performance. For simplicity, we may elect to omit this information in future periods if we determine a lack of material impact. To present this information, current period performance for entities reporting in currencies other than U.S. dollars are converted to U.S. dollars at the exchange rate in effect during the last day of the prior comparable period.

Management believes that these non-GAAP financial measures provide investors with relevant period-to-period comparisons of our core operations using the same methodology that management employs in its review of the Company's operating results. These financial measures are not recognized terms under GAAP and should not be considered in isolation or as a substitute for a measure of financial performance prepared in accordance with GAAP.

These non-GAAP financial measures have limitations that should be considered before using these measures to evaluate a company's financial performance. These non-GAAP financial measures, as presented, may not be comparable to similarly titled measures of other companies due to varying methods of calculation. The financial statement tables that accompany this press release include a reconciliation of these non-GAAP financial measures to the most directly comparable GAAP financial measures.

Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995

This press release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that are subject to risks and uncertainties, such as statements about the outlook for the third quarter of 2024, demand for and customer acceptance of FARO's products, FARO's product development and product launches, FARO's growth, strategic and restructuring plans and initiatives, including but not limited to the additional restructuring charges expected to be incurred in connection with our restructuring and integration plans and the timing and amount of cost savings and other benefits expected to be realized from the restructuring and integration plans and other strategic initiatives, and FARO's growth potential and profitability. Statements that are not historical facts or that describe the Company's plans, objectives, projections, expectations, assumptions, strategies, or goals are forward-looking statements. In addition, words such as "is," "will" and similar expressions or discussions of FARO's plans or other intentions identify forward-looking statements. Forward-looking statements are not guarantees of future performance and are subject to various known and unknown risks, uncertainties, and other factors that may cause actual results, performances, or achievements to differ materially from future results, performances, or achievements expressed or implied by such forward-looking statements. Consequently, undue reliance should not be placed on these forward-looking statements.

Factors that could cause actual results to differ materially from what is expressed or forecasted in such forward-looking statements include, but are not limited to:

- the Company's ability to realize the intended benefits of its undertaking to transition to a company that is reorganized around functions to improve the efficiency of its sales organization and to improve operational effectiveness;
- the Company's inability to successfully execute its strategic plan, restructuring plan and integration plan, including but not limited to additional impairment charges and/or higher than expected severance costs and exit costs, and its inability to realize the expected benefits of such plans;
- the changes in our executive management team in 2023 and 2024 and the loss of any of our executive officers or other key personnel, which may be impacted by factors such as our inability to competitively address inflationary pressures on employee compensation and flexibility in employee work arrangements;
- the outcome of any litigation to which the Company is or may become a party;
- loss of future government sales;
- potential impacts on customer and supplier relationships and the Company's reputation;
- development by others of new or improved products, processes or technologies that make the Company's products less competitive or obsolete;
- the Company's inability to maintain its technological advantage by developing new products and enhancing its existing products;
- declines or other adverse changes, or lack of improvement, in industries that the Company serves or the domestic and international economies in the regions of the world where the Company operates and other general economic, business,

and financial conditions;

- the effect of general economic and financial market conditions, including in response to public health concerns;
- assumptions regarding the Company's financial condition or future financial performance may be incorrect;
- the impact of fluctuations in foreign exchange rates and inflation rates; and
- other risks and uncertainties discussed in Part I, Item 1A. Risk Factors in the Company's Annual Report on Form 10-K for the year ended December 31, 2023, filed with the Securities and Exchange Commission on February 28, 2024, as supplemented by the Company's Quarterly Reports on Form 10-Q, and in other SEC filings.

Forward-looking statements in this release represent the Company's judgment as of the date of this release. The Company undertakes no obligation to update publicly any forward-looking statements, whether as a result of new information, future events, or otherwise, unless otherwise required by law.

FARO TECHNOLOGIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended		Six Months Ended	
<u>(in thousands, except share and per share data)</u>	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Sales				
Product	\$ 61,312	\$ 67,603	\$ 124,848	\$ 132,843
Service	20,773	20,608	41,481	40,335
Total sales	<u>82,085</u>	<u>88,211</u>	<u>166,329</u>	<u>173,178</u>
Cost of sales				
Product	26,119	44,094	56,571	78,051
Service	11,177	10,794	21,662	22,088
Total cost of sales	<u>37,296</u>	<u>54,888</u>	<u>78,233</u>	<u>100,139</u>
Gross profit	44,789	33,323	88,096	73,039
Operating expenses				
Selling, general and administrative	32,590	38,561	72,183	79,937
Research and development	9,833	11,662	18,857	24,380
Restructuring costs	616	8,450	616	12,688
Total operating expenses	<u>43,039</u>	<u>58,673</u>	<u>91,656</u>	<u>117,005</u>
Income (loss) from operations	<u>1,750</u>	<u>(25,350)</u>	<u>(3,560)</u>	<u>(43,966)</u>
Other (income) expense				
Interest expense	761	1,003	1,592	1,838
Other income (expense), net	(43)	476	(18)	256
Income (loss) before income tax	1,032	(26,829)	(5,134)	(46,060)
Income tax expense	1,556	1,416	2,657	3,349
Net loss	<u>\$ (524)</u>	<u>\$ (28,245)</u>	<u>\$ (7,791)</u>	<u>\$ (49,409)</u>
Net loss per share - Basic	<u>\$ (0.03)</u>	<u>\$ (1.49)</u>	<u>\$ (0.41)</u>	<u>\$ (2.62)</u>
Net loss per share - Diluted	<u>\$ (0.03)</u>	<u>\$ (1.49)</u>	<u>\$ (0.41)</u>	<u>\$ (2.62)</u>
Weighted average shares - Basic	<u>19,293,778</u>	<u>18,920,675</u>	<u>19,183,822</u>	<u>18,871,007</u>
Weighted average shares - Diluted	<u>19,293,778</u>	<u>18,920,675</u>	<u>19,183,822</u>	<u>18,871,007</u>

FARO TECHNOLOGIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

<u>(in thousands, except share and per share data)</u>	June 30, 2024	December 31, 2023
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 97,914	\$ 76,787
Short-term investments	—	19,496
Accounts receivable, net	84,868	92,028
Inventories, net	34,409	34,529
Prepaid expenses and other current assets	30,468	38,768
Total current assets	<u>247,659</u>	<u>261,608</u>
Non-current assets:		
Property, plant and equipment, net	18,412	21,181

Operating lease right-of-use assets	10,960	12,231
Goodwill	108,164	109,534
Intangible assets, net	46,135	47,891
Service and sales demonstration inventory, net	21,044	23,147
Deferred income tax assets, net	24,792	25,027
Other long-term assets	3,915	4,073
Total assets	<u>\$ 481,081</u>	<u>\$ 504,692</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:		
Accounts payable	\$ 27,867	\$ 27,404
Accrued liabilities	25,373	29,930
Income taxes payable	3,227	5,699
Current portion of unearned service revenues	40,014	40,555
Customer deposits	5,208	4,251
Lease liabilities	4,645	5,434
Total current liabilities	<u>106,334</u>	<u>113,273</u>
Loan - 5.50% Convertible Senior Notes	69,983	72,760
Unearned service revenues - less current portion	19,984	20,256
Lease liabilities - less current portion	9,556	10,837
Deferred income tax liabilities	12,498	13,308
Income taxes payable - less current portion	6,114	5,629
Other long-term liabilities	16	23
Total liabilities	<u>224,485</u>	<u>236,086</u>
Commitments and contingencies		
Shareholders' equity:		
Common stock - par value \$0.001, 50,000,000 shares authorized; 20,779,711 and 20,343,359 issued, respectively; 19,406,669 and 18,968,798 outstanding, respectively	20	20
Additional paid-in capital	351,849	346,277
Retained earnings	(17,580)	(9,789)
Accumulated other comprehensive loss	(47,038)	(37,247)
Common stock in treasury, at cost - 1,373,042 and 1,374,561 shares held, respectively	<u>(30,655)</u>	<u>(30,655)</u>
Total shareholders' equity	<u>256,596</u>	<u>268,606</u>
Total liabilities and shareholders' equity	<u>\$ 481,081</u>	<u>\$ 504,692</u>

FARO TECHNOLOGIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

<u>(in thousands)</u>	<u>Six Months Ended June 30,</u>	
	<u>2024</u>	<u>2023</u>
Cash flows from:		
Operating activities:		
Net loss	\$ (7,791)	\$ (49,409)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	7,788	7,925
Stock-based compensation	5,703	8,584
Inventory write-downs	—	8,132
Asset impairment charges	—	4,571
Deferred income tax (benefit) and other non-cash charges	(1,327)	(41)
Provision for excess and obsolete inventory	490	1,033
Amortization of debt discount and issuance costs	223	181
Loss on disposal of assets	994	130
Provisions for bad debts, net of recoveries	304	408
Change in operating assets and liabilities:		
Decrease (Increase) in:		
Accounts receivable	3,943	3,280
Inventories	(3,764)	1,587
Prepaid expenses and other current assets	7,771	3,105

(Decrease) Increase in:		
Accounts payable and accrued liabilities	(3,087)	(277)
Income taxes payable	(1,853)	(263)
Customer deposits	1,126	(1,210)
Unearned service revenues	965	(750)
Other liabilities	(698)	(193)
Net cash provided by (used in) operating activities	<u>10,787</u>	<u>(13,207)</u>
Investing activities:		
Purchases of property and equipment	(1,688)	(4,312)
Maturity of short-term investments	20,009	(20,024)
Cash paid for technology development, patents and licenses	(3,392)	(3,616)
Net cash provided by (used in) investing activities	<u>14,929</u>	<u>(27,952)</u>
Financing activities:		
Payments on finance leases	(109)	(105)
Cash settlement of equity awards	—	(277)
Proceeds from issuance of 5.50% Convertible Senior Notes, due 2028, net of discount, issuance cost and accrued interest	—	72,310
Repayment of 5.50% Convertible Senior Notes, due 2028	(2,685)	—
Net cash (used in) provided by financing activities	<u>(2,794)</u>	<u>71,928</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(1,795)</u>	<u>(353)</u>
Increase in cash and cash equivalents	21,127	30,416
Cash and cash equivalents, beginning of period	76,787	37,812
Cash and cash equivalents, end of period	<u>\$ 97,914</u>	<u>\$ 68,228</u>

FARO TECHNOLOGIES, INC. AND SUBSIDIARIES
RECONCILIATION OF GAAP TO NON-GAAP
(UNAUDITED)

<u>(dollars in thousands, except per share data)</u>	<u>Three Months Ended June 30, Six Months Ended June 30,</u>			
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Gross profit, as reported	\$ 44,789	\$ 33,323	\$ 88,096	\$ 73,039
Stock-based compensation ⁽¹⁾	374	419	704	691
Restructuring and other costs ⁽²⁾	—	435	3	870
Non-GAAP adjustments to gross profit	<u>374</u>	<u>854</u>	<u>707</u>	<u>1,561</u>
Non-GAAP gross profit	<u>\$ 45,163</u>	<u>\$ 34,177</u>	<u>\$ 88,803</u>	<u>\$ 74,600</u>
Gross margin, as reported	54.6 %	37.8 %	53.0 %	42.2 %
Non-GAAP gross margin	55.0 %	38.7 %	53.4 %	43.1 %
Selling, general and administrative, as reported	\$ 32,590	\$ 38,561	\$ 72,183	\$ 79,937
Stock-based compensation ⁽¹⁾	(196)	(3,554)	(4,138)	(6,122)
Restructuring and other costs ⁽²⁾	(745)	(359)	(3,453)	(1,154)
Purchase accounting intangible amortization	(341)	(688)	(884)	(1,361)
Non-GAAP selling, general and administrative	<u>\$ 31,308</u>	<u>\$ 33,960</u>	<u>\$ 63,708</u>	<u>\$ 71,300</u>
Research and development, as reported	\$ 9,833	\$ 11,662	\$ 18,857	\$ 24,380
Stock-based compensation ⁽¹⁾	(594)	(977)	(861)	(1,771)
Purchase accounting intangible amortization	(515)	(541)	(1,004)	(1,040)
Non-GAAP research and development	<u>\$ 8,724</u>	<u>\$ 10,144</u>	<u>\$ 16,992</u>	<u>\$ 21,569</u>
Operating expenses, as reported	\$ 43,039	\$ 58,673	\$ 91,656	\$ 117,005
Stock-based compensation ⁽¹⁾	(790)	(4,531)	(4,999)	(7,893)
Restructuring and other costs ⁽²⁾	(1,361)	(8,809)	(4,069)	(13,842)
Purchase accounting intangible amortization	(856)	(1,229)	(1,888)	(2,401)
Non-GAAP adjustments to operating expenses	<u>(3,007)</u>	<u>(14,569)</u>	<u>(10,956)</u>	<u>(24,136)</u>
Non-GAAP operating expenses	<u>\$ 40,032</u>	<u>\$ 44,104</u>	<u>\$ 80,700</u>	<u>\$ 92,869</u>
Income (loss) from operations, as reported	\$ 1,750	\$ (25,350)	\$ (3,560)	\$ (43,966)
Non-GAAP adjustments to gross profit	374	854	707	1,561

Non-GAAP adjustments to operating expenses	3,007	14,569	10,956	24,136
Non-GAAP income (loss) from operations	\$ 5,131	\$ (9,927)	\$ 8,103	\$ (18,269)
Net loss, as reported	\$ (524)	\$ (28,245)	\$ (7,791)	\$ (49,409)
Non-GAAP adjustments to gross profit	374	854	707	1,561
Non-GAAP adjustments to operating expenses	3,007	14,569	10,956	24,136
Income tax effect of non-GAAP adjustments ⁽³⁾	(641)	(5,888)	(2,713)	(8,457)
Other tax adjustments ⁽³⁾	1,146	7,959	3,894	14,342
Non-GAAP net income (loss)	\$ 3,362	\$ (10,751)	\$ 5,053	\$ (17,827)
Net loss per share - Diluted, as reported	\$ (0.03)	\$ (1.49)	\$ (0.41)	\$ (2.62)
Stock-based compensation ⁽¹⁾	0.06	0.26	0.30	0.46
Restructuring and other costs ⁽²⁾	0.07	0.49	0.21	0.78
Purchase accounting intangible amortization	0.05	0.06	0.10	0.13
Income tax effect of non-GAAP adjustments ⁽³⁾	(0.03)	(0.31)	(0.14)	(0.45)
Other tax adjustments ⁽³⁾	0.06	0.42	0.20	0.76
Non-GAAP net income (loss) per share - Diluted	\$ 0.18	\$ (0.57)	\$ 0.26	\$ (0.94)

⁽¹⁾ We exclude stock-based compensation, which is non-cash, from the non-GAAP financial measures because the Company believes that such exclusion provides a better comparison of results of ongoing operations for current and future periods with such results from past periods.

⁽²⁾ On February 14, 2020, our Board of Directors approved a global restructuring plan (the "Restructuring Plan"), which is intended to support our strategic plan in an effort to improve operating performance and ensure that we are appropriately structured and resourced to deliver increased and sustainable value to our shareholders and customers. On February 7, 2023, our Board of Directors approved an integration plan (the "Integration Plan"), which is intended to streamline and simplify operations, particularly around our recent acquisitions and the resulting redundant operations and offerings. The Restructuring and other costs primarily consist of severance and related benefits associated with the Restructuring Plan, Integration Plan, and executive transitions.

⁽³⁾ The Income tax effect of non-GAAP adjustments is calculated by applying a statutory tax rate to Non-GAAP adjustments, including Stock-based compensation, Restructuring and other costs, non-recurring Inventory reserve charges, and Purchase accounting intangible amortization and fair value adjustments. In addition, when estimating our Non-GAAP income tax rate, we exclude the impact of items that impact our reported income tax rate that we do not believe are representative of our ongoing operating results, including the impact of valuation allowances we are currently recording in certain jurisdictions and certain discrete items such as adjustments to uncertain tax position reserves, as these items are difficult to predict and can impact our effective income tax rate. Specifically, Other tax adjustments during the six months ended June 30, 2024 were comprised of \$3.6 million related to the impact of valuation allowance adjustments and \$0.3 million related to other discrete items. During the three months ended June 30, 2024, Other tax adjustments were comprised of \$0.8 million related to the impact of valuation allowance adjustments and \$0.3 million related to other discrete items. In 2023, Other tax adjustments during the six months ended June 30, 2023 were comprised of \$9.2 million related to the impact of valuation allowance adjustments and \$5.3 million related to other items, including equity based compensation book to tax differences, non-GAAP adjustments impact on Global intangible low-taxed income and Prepaid tax on intercompany profit. During the three months ended June 30, 2023, Other tax adjustments were comprised of \$4.6 million related to the impact of valuation allowance adjustments and \$3.4 million related to other items, including equity based compensation book to tax differences, non-GAAP adjustments impact on Global intangible low-taxed income and Prepaid tax on intercompany profit.

FARO TECHNOLOGIES, INC. AND SUBSIDIARIES

RECONCILIATION OF NET INCOME (LOSS) TO EBITDA AND ADJUSTED EBITDA (UNAUDITED)

(in thousands)	Three Months Ended June 30, Six Months Ended June 30,			
	2024	2023	2024	2023
Net loss	\$ (524)	\$ (28,245)	\$ (7,791)	\$ (49,409)
Interest expense, net	761	1,003	1,592	1,838
Income tax expense	1,556	1,416	2,657	3,349
Depreciation and amortization	4,167	3,947	7,788	7,925
EBITDA	5,960	(21,879)	4,246	(36,297)
Other expense (income), net	(43)	476	(18)	256
Stock-based compensation	1,164	4,950	5,703	8,584
Restructuring and other costs ⁽¹⁾	1,361	9,244	4,072	14,712
Adjusted EBITDA	\$ 8,442	\$ (7,209)	\$ 14,003	\$ (12,745)
Adjusted EBITDA margin ⁽²⁾	10.3 %	1.0 %	8.4 %	(2.7) %

(1) On February 14, 2020, our Board of Directors approved the Restructuring Plan, which is intended to support our strategic plan in an effort to improve operating performance and ensure that we are appropriately structured and resourced to deliver increased and sustainable value to our shareholders and customers. On February 7, 2023, our Board of Directors approved the Integration Plan, which is intended to streamline and simplify operations, particularly around our recent acquisitions and the resulting redundant operations and offerings. The Restructuring and other costs primarily consist of severance and related benefits associated with the Restructuring Plan, Integration Plan, and executive transitions.

(2) Calculated as Adjusted EBITDA as a percentage of total sales.

FARO TECHNOLOGIES, INC. AND SUBSIDIARIES

KEY SALES MEASURES (UNAUDITED)

<u>(in thousands)</u>	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Total sales to external customers as reported				
Americas ⁽¹⁾	\$ 40,167	\$ 41,358	\$ 77,395	\$ 83,701
EMEA ⁽¹⁾	24,600	24,855	50,035	49,020
APAC ⁽¹⁾	17,318	21,998	38,899	40,457
	<u>\$ 82,085</u>	<u>\$ 88,211</u>	<u>\$ 166,329</u>	<u>\$ 173,178</u>

<u>(in thousands)</u>	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Total sales to external customers in constant currency ⁽²⁾				
Americas ⁽¹⁾	\$ 40,425	\$ 41,482	\$ 77,714	\$ 83,210
EMEA ⁽¹⁾	24,931	24,964	50,395	47,860
APAC ⁽¹⁾	17,783	21,446	39,552	38,544
	<u>\$ 83,139</u>	<u>\$ 87,892</u>	<u>\$ 167,661</u>	<u>\$ 169,614</u>

(1) Regions represent North America and South America ("Americas"); Europe, the Middle East, and Africa ("EMEA"); and the Asia-Pacific ("APAC").

(2) We compare the change in the sales from one period to another period using constant currency disclosure. We present constant currency information to provide a framework for assessing how our underlying business performed excluding the effect of foreign currency rate fluctuations. To present this information, current and comparative prior period results for entities reporting in currencies other than United States dollars are converted into United States dollars at the exchange rate in effect during the last day of the prior comparable period, rather than the actual exchange rates in effect during the respective periods.

<u>(in thousands)</u>	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Hardware	\$ 50,051	\$ 56,816	\$ 102,667	\$ 111,778
Software	11,262	10,786	22,182	21,065
Service	20,772	20,609	41,480	40,335
Total Sales	<u>\$ 82,085</u>	<u>\$ 88,211</u>	<u>\$ 166,329</u>	<u>\$ 173,178</u>
Hardware as a percentage of total sales	61.0 %	64.4 %	61.7 %	64.5 %
Software as a percentage of total sales	13.7 %	12.2 %	13.3 %	12.2 %
Service as a percentage of total sales	25.3 %	23.4 %	24.9 %	23.3 %
Total Recurring Revenue ⁽³⁾	\$ 17,139	\$ 16,396	\$ 33,856	\$ 33,081
Recurring revenue as a percentage of total sales	20.9 %	18.6 %	20.4 %	19.1 %

(3) Recurring revenue is comprised of hardware service contracts, software maintenance contracts, and subscription based software applications.

FARO TECHNOLOGIES, INC. AND SUBSIDIARIES

FREE CASH FLOW RECONCILIATION (UNAUDITED)

<u>(in thousands)</u>	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Net cash provided by (used in) operating activities	\$ 4,212	\$ 5,137	\$ 10,787	\$ (13,207)
Purchases of property and equipment	(365)	(2,624)	(1,688)	(4,312)
Cash paid for technology development, patents and licenses	(1,950)	(1,796)	(3,392)	(3,616)
Free Cash Flow	1,897	717	5,707	(21,135)
Restructuring and other cash payments ⁽¹⁾	2,354	3,192	2,757	3,988
Adjusted Free Cash Flow	\$ 4,251	\$ 3,909	\$ 8,464	\$ (17,147)

⁽¹⁾ On February 7, 2023, our Board of Directors approved the Integration Plan, which is intended to streamline and simplify operations, particularly around our recent acquisitions and the resulting redundant operations and offerings. The Restructuring and other costs primarily consist of severance and related benefits associated with the Restructuring Plan, Integration Plan, and executive transitions.

FARO TECHNOLOGIES, INC. AND SUBSIDIARIES
RECONCILIATION OF OUTLOOK - GAAP TO NON-GAAP

	Fiscal quarter ending September 30, 2024	
	Low	High
GAAP gross margin	53.0 %	54.5 %
Stock-based compensation	0.5 %	0.5 %
Non-GAAP gross margin	53.5 %	55.0 %

<u>(in thousands)</u>	Fiscal quarter ending September 30, 2024	
	Low	High
GAAP operating expenses	\$45,000	\$47,000
Stock-based compensation	(4,000)	(4,000)
Purchase accounting intangible amortization	(1,000)	(1,000)
Non-GAAP operating expenses	\$40,000	\$42,000

	Fiscal quarter ending September 30, 2024	
	Low	High
GAAP diluted loss per share range	\$(0.32)	\$(0.12)
Stock-based compensation	0.19	0.19
Purchase accounting intangible amortization	0.05	0.05
Non-GAAP tax adjustments	0.07	0.07
Non-GAAP diluted loss per share	\$(0.01)	\$0.19

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