

FARO Technologies, Inc. Logo

Faro Technologies Net Income More than Doubles in Second Quarter 1998, Excluding One-Time Charges

July 30, 1998

Revenues up 42.2 Percent

LAKE MARY, Fla., July 30 /PRNewswire/ -- Faro Technologies, Inc. (Nasdaq: FARO), today announced that net income for the second quarter ended June 30, 1998, more than doubled to \$1,197,863, exclusive of one-time pre-tax charges. Earnings per share, assuming dilution, were 11 cents despite an increase of 46.1% in weighted average shares from 7,333,290 at June 30, 1997, to 10,718,310 at June 30, 1998. Net income for the second quarter in 1997 was \$535,877, or 7 cents per share assuming dilution.

The Company's revenues for the quarter were \$7,721,808, an increase of 42.2% compared with the same quarter in 1997 when revenues were \$5,429,064.

Including a one-time, pre-tax charge of \$14,374,000 for in-process research and development associated with the acquisition on May 15, 1998, of CATS Computer Aided Technologies, GmbH ("CATS"), a leading software company in Germany, the company reported a net loss of \$11,576,137 for the quarter, or \$1.08 per common share assuming dilution.

For the six months ended June 30, 1998, net income increased 76.9% to \$2,221,254, or 21 cents per share, assuming dilution, excluding one-time charges related to the company's acquisition of CATS. Including this one-time charge the company reported a net loss of \$10,552,746, or \$1.01 per common share assuming dilution, for the six months ended June 30, 1998.

Revenues for the six months ended June 30, 1998 were \$14,404,009, an increase of 39.6% compared to \$10,318,535 for the same period in 1997.

Commenting on FARO's performance in the second quarter, Simon Raab, President and Chief Executive Officer, said, "We achieved aggressive top and bottom line growth and, at the same time, completed a strategic international acquisition and increased our sales force by 30%. New product developments in the first two quarters have also been successful, and should result in several exciting new third quarter product introductions and an expanded price and performance range with stronger margins, which we expect will contribute to strong fourth quarter growth."

"We are also happy to report that the CATS integration is proceeding smoothly," Mr. Raab continued. "I am very pleased with our 64.0% gross margin in the quarter, which was a result of both the early impact of higher margin CATS software sales and continued cost savings. Cross marketing plans for both companies' products are in place, and cooperative sales have begun. CATS has early stage installations in all major German automotive manufacturers, strategically positioning FARO for penetration into this market.

"In another second-quarter development, related to CATS, we executed an agreement with Zeiss, the third largest conventional CMM manufacturer in the world, to supply software for one of Zeiss's main product lines. The use of CATS' software is value-added to Zeiss's customers in that it allows CAD-to- Part inspection in high accuracy, controlled-environment settings, and we expect this agreement to lead to additional revenues for CATS.

"Faro's marketing strategy of independence from any one large customer or geographic focus has paid dividends since we have performed well with only minor impact from major strikes or major regional economic downturns. Increased revenues from our European sales offices and distributors, and in Germany from CATS, offset a drop in sales from the Asia Pacific, resulting in an increase in international sales to 52% of total sales from 48% last quarter. Our largest end user customers in the quarter were Boeing (8% of sales) and Daimler Benz (6% of sales). No other customer represented more than 5% of sales."

"Going forward, we remain optimistic regarding the growth potential of CAD-based inspection technology. Driven by worldwide demand for improved quality and efficiency, the market cuts across industries and is geographically diverse. With the purchase of CATS GmbH, FARO is now able to offer a more complete line of Computer Aided Manufacturing Measurement (CAMM) products and is well positioned to close the gap between the design department and the factory floor. With the prospect of continued strong revenue growth and improved margins, we are excited about the future," Mr. Raab concluded.

A pioneer in software-driven, 3-D measurement technology, Faro Technologies, Inc. designs, develops, markets and supports portable, three-dimensional measurement systems that bring precision measurement, quality inspection and specification conformance capabilities -- integrated with leading CAD software -- to the factory floor. The Company's principal products, the FAROArm articulated measuring device and companion AnthroCam software, are used worldwide by more than 600 customers, ranging from small machine shops to the largest of industrial companies. Large and small alike have selected FARO to help them improve productivity, enhance product quality and decrease rework and scrap in the manufacturing process in an era of ever-intensifying global competition.

This press release contains "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties or other factors which may cause actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Factors that might cause such a difference include, but are not limited to: availability of qualified sales personnel, cyclicalities of the automotive market, and fluctuations in quarterly operating results.

FARO TECHNOLOGIES, INC.
SUMMARY FINANCIAL TABLE
CONSOLIDATED INCOME STATEMENTS
(Unaudited)

Three Months Ended

Six Months Ended

	June 30,		June 30,	
	1998	1997	1998	1997
Sales	\$7,721,808	\$5,429,064	\$14,404,009	\$10,318,535
Cost of Sales	2,779,843	2,239,731	5,461,605	4,188,280
Gross Profit	4,941,965	3,189,333	8,942,404	6,130,255
Operating Expenses				
Selling	2,211,523	1,353,507	3,795,059	2,512,066
General and Administrative	517,136	319,569	1,115,718	622,092
Depreciation and amortization	262,517	65,773	372,879	124,646
Research and development	435,534	216,766	821,978	394,839
Employee stock options	43,041	360,876	86,082	364,146
In-process research and development resulting from acquisition	14,374,000	0	14,374,000	0
Total operating expenses	17,843,751	2,316,491	20,565,716	4,017,789
Income (Loss)				
From Operations	(12,901,786)	872,842	(11,623,312)	2,112,466
Interest and Other Income	308,260	51,877	625,533	46,067
Interest Expense	(7,865)	(31,591)	(7,865)	(65,853)
Income (Loss) Before Income Taxes	(12,601,391)	893,128	(11,005,644)	2,092,680
Income Tax Benefit (Expense)	1,025,254	(357,251)	452,898	(837,072)
Net Income (Loss)	\$(11,576,137)	\$535,877	\$(10,552,746)	\$1,255,608
Net Income (Loss) Per Common Share-Basic	\$(1.10)	\$0.08	\$(1.03)	\$0.18
Weighted Average Shares	10,531,132	7,000,000	10,239,613	7,000,000
Net Income (Loss) Per Common Share- Assuming Dilution	\$(1.08)	\$0.07	\$(1.01)	\$0.17
Weighted Average Shares and Assumed Conversions	10,718,310	7,333,290	10,457,662	7,333,290

CONSOLIDATED BALANCE SHEETS
(Unaudited)

	June 30, 1998	June 30, 1997
Current Assets	\$38,172,179	\$8,967,622
Total Assets	\$43,668,172	\$10,558,549
Current Liabilities	\$4,266,431	\$3,991,299
Total Liabilities	\$4,402,994	\$5,209,081
Shareholders' Equity	39,265,178	5,349,468
Total Liabilities and Shareholders' Equity	\$43,668,172	\$10,558,549

SOURCE Faro Technologies, Inc.

Web site: <http://www.faro.com>

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