

FARO Technologies, Inc. Logo

FARO Technologies to Introduce Advanced New Product Line, Pursue New Marketing Strategy to Grow Sales 400% by Year 2000

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-- Company Expects Lower Top, Bottom Line for Next Two Quarters
As it Repositions Products to Achieve Longer Term Growth --

LAKE MARY, Fla., Sept. 1 /PRNewswire/ -- FARO Technologies, Inc. (Nasdaq: FARO), global provider of CAD (Computer Aided Design)-based quality assurance solutions, today disclosed plans to introduce next week a new, completely redesigned generation of standard-setting hardware and software products aimed at repositioning the \$25 million company from being a niche to a mainstream player in the \$3 billion overall CAD/CAM worldwide marketplace and achieving its goal of exceeding \$100 million in revenue in the year 2000.

FARO expects to demonstrate its entire New Generation line in the United States initially at the International Manufacturing Technology Show in Chicago, beginning Sept. 9, and in Europe initially at the Quality in Manufacturing convention in the United Kingdom, beginning Sept. 8.

"Our New Generation product is so reliable, so easy to use and so improved in price-performance that it will now appeal to the mainstream user of measurement equipment," said Simon Raab, FARO's chairman and CEO in revealing the company's plans. "Unlike pacesetters, mainstream users do not want to exceed budget just to be first on the block with new, high potential technology. Mainstream users have no tolerance for the reliability problems associated with promising Beta versions of innovative new products. Nor do they want to disrupt work force productivity with unforgiving program features that will rarely be used. We at FARO have understood that from the start, which is why we've fielded a task force of some 15 R&D specialists over the last 18 months in a \$1.9 million effort to develop this new generation.

"The result completely obsoletes our last generation of product, which appealed to early adopters and pacesetters. New Generation will bear the mark of technology change at every level of product, from internal components to external finish, from manufacturing process to packaging."

Calling the company's new product and marketing strategy "aggressive," Raab noted, "This is the strategy we need in the next two years to exceed the 73% compounded top line growth rate of the last three years and surpass \$100 million in revenue in the next two years. We'll drop the average unit price for a turnkey product by as much as 30 to 50 percent from today's \$45,000, while maintaining and potentially increasing our historic margins and dramatically increasing market share at the same time. As a result of the wider hardware and software product line, average unit sales price will no longer be a relevant indicator."

To clear the way for New Generation, FARO has sold for this quarter and will continue to sell for part of the next quarter its last generation at discount to reduce inventory. New Generation product deliveries in September and early October will be primarily to replace over 100 of the last generation of demonstration units in the field, worldwide.

"Benefits of New Generation products include, besides the drop in average unit price, surprisingly higher reliability and precision, and greatly improved ease of use," Raab noted. "Precision will improve by a factor of two; reliability, by a factor of five.

"These customer benefits are interrelated," Raab added. "We can offer higher reliability because, without compromising on performance, we have simplified our product design. We can offer lower price for better performance not only because of simplified product design, with few parts, but also because improved reliability lowers our product service costs. And all these improvements aimed at the mainstream user will lower our marketing approach and selling costs. We'll still sell solutions; but, given the nature of both the new product and the order taker and his advisors, we anticipate a less protracted time frame in which to make a sale, less customizing, less time spent on educating. We're going mainstream."

FARO's AnthroCAM(R) Portable-Measure software, announced last week, is a New Generation product. Being publicly demonstrated for the first time at next week's trade shows, it illustrates the quantum leap in the hardware introductions FARO will soon be making. The company has described this software as a lower-priced, easier-to-use, faster, streamlined version of FARO's standard-setting 3-D CAD-based measurement and analysis software. FARO will also demonstrate six new FaroARMS(R) at the shows.

In addition, FARO will demonstrate at next week's shows four additional software programs developed by its recently acquired CATS unit. FARO said today it will aggressively introduce these products in North America under the FARO label. The added software products include a CAD analyzer program, a CMM measurements program and a statistical process control program.

"These software products from our Germany-based unit will broaden our product line and improve our ability to sell not only to managers at the grass roots level but also to executives responsible for the entire manufacturing function," Raab said. "We will greatly extend our product's focus beyond measurement on the factory floor. We will have product that impacts virtually the entire plant -- engineering, quality lab, factory floor, and post assembly line statistical control."

Raab explained why FARO had decided to introduce New Generation now and as a replacement instead of incremental improvement to its existing product.

"Since 1994, we have pioneered the market with standard setting equipment," he said. "We have grown at a 73 percent compound annual growth rate to \$25 million and established a worldwide user base of over 700 customers, small and large. But we recognize that in today's rapidly changing industry, incremental change equates to falling behind and quantum leaps equate to moving ahead. We also recognize that the best time to move into the future -- to institute basic change in a company -- is during the height of success, not later.

"Introducing small incremental product improvements appeals to some. But we believe you rarely sufficiently distance the improved product from the old in the minds of customers in terms of price and attributes. That undercuts the ability to reposition the product in the market."

The company declined to give further details of its new products before next week's shows.

"FARO's top and bottom line growth will slow, and top and bottom line results for the next two quarters will be less than analysts' consensus estimate," Raab noted, adding:

"It will take two to four quarters to regain where we are today in terms of top and bottom line growth rate. We should be there in mid 1999, facing a much greater potential market than we face today. The market should still be the same; the industries should still be the same. What we expect to change is that we'll no longer be a niche player. Today some of our customers have as many as 100 units spread over 20 plants. Yet each one of those plants could, given the proper product, use 100 units. We're now introducing the proper product."

Third quarter 1998 revenues are expected to be similar to third quarter 1997 revenues of \$5.9 million, FARO said, and net income should range between break-even and 2 cents per diluted share. The company estimates that fourth quarter 1998 revenues will be similar to the \$7.3 million reported for the fourth quarter of 1997 and that net income will range between 3 cents and 5 cents per diluted share. Analysts' consensus estimates for the third and fourth quarters as of Aug. 27 were \$0.13 and \$0.16 per share.

"We're delaying short-term growth in pursuit of significantly greater long-term investor benefit," Raab noted.

The worldwide market for CAD, CAM and related software products amounted to \$3.0 billion in 1996 and is expected to grow at a rate of at least 15.5% per year, to \$5.6 billion in 2000, according to International Data Corporation. Based on the size of the CAD/CAM market in 1996, FARO sees the growth of the Computer Assisted Manufacturing Measurement -- or CAMM -- market in which FARO operates as continuing towards the size of the traditional coordinate measuring machine market, which was \$1.2 billion in 1995.

FARO Technologies, Inc. and its international subsidiaries are pioneers in CAD-based quality assurance products. These products play a key role in the worldwide trend toward CAD-based total quality management for shortened production cycles and the reduction in scrap and rework. FARO's product line includes portable measurement equipment, a broad line of CAD-based inspection software, and enterprise level statistical process control (SPC) software for portable and fixed-base coordinate measurement machines. FARO's products are used worldwide by more than 700 customers. News and information are available at the company's Website at <http://www.faro.com>.

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