

FARO Technologies, Inc. Logo

FARO Technologies Reports Fourth Quarter And Full Year Results; -- Quarter-over-Quarter EPS Increased by Three Cents --

March 14, 2002

LAKE MARY, Fla., March 14 /PRNewswire-FirstCall/ -- FARO Technologies, Inc. (Nasdaq: FARO), a leading provider of computer-aided manufacturing measurement (CAM2) solutions, today announced financial results for the fourth quarter and year ended December 31, 2001, highlighted by its first profitable quarter in 2001.

(Photo: <http://www.newscom.com/cgi-bin/prnh/20000522/FLM035LOGO>)

Fourth quarter sales were approximately \$10.0 million, an 8.3% decrease from approximately \$10.9 million in the fourth quarter of 2000. Earnings per share for the fourth quarter of 2001 were five cents, an increase of three cents per share from two cents in the fourth quarter of 2000. The Company's fourth quarter 2001 earnings before interest, taxes, depreciation and amortization (EBITDA) remained essentially flat compared to the fourth quarter of 2000 at approximately \$1.0 million.

For the full year ended December 31, 2001, sales decreased 13.3% to approximately \$35.1 million compared to approximately \$40.5 million in 2000. Earnings per share for the year ended December 31, 2001 decreased twenty-six cents to a loss of twenty-six cents compared to break even in 2000. For the year 2001, EBITDA decreased approximately \$3.4 million from approximately \$2.5 million in 2000 to a loss of approximately \$847,000 in 2001.

Sequentially, Selling, General and Administrative (SG&A) expenses in the fourth quarter dropped for the second quarter in a row to approximately \$4.3 million, or 43.1% of sales, compared to approximately \$5.3 million (63.9% of sales) and approximately \$4.8 million (57.5% of sales) in the second and third quarters of 2001, respectively.

"Despite the sustained sluggish economies in our traditional direct sales territories, results in the fourth quarter were better than in the three previous quarters," said Simon Raab, FARO's President and CEO. "This resulted from stronger sales in countries with newer direct sales teams, such as Spain, Italy and Japan, and in countries where the Company does not have a direct presence including Brazil, Korea, and China.

"We are making good progress towards our goal to reduce SG&A expenses as a percentage of sales to 38-40%," continued Raab. "While selling expenses in particular were significantly reduced in the quarter, such expenses reflect severance payments, lease buy-outs and other non-recurring charges and accordingly I expect selling expenses to drop even further as a percentage of sales in 2002. This of course depends somewhat on how long it takes us to integrate the former SMX team into FARO. We also had significant non-recurring G&A expenses in the fourth quarter and earlier in the year in connection with patent enforcement and tax planning that should not continue beyond the first quarter of 2002. The reduction in SG&A expenses in the second half of 2001 resulted in cash from operations improving significantly compared to the first half of the year."

For the year sales in the USA were down 31.0% from approximately \$20.0 million in 2000 to approximately \$13.8 million in 2001. Sales in Europe decreased 2.6% to approximately \$14.7 million from approximately \$15.1 million in 2000. In native currencies European sales were up 2.5% but the translation effect of the stronger US dollar compared to the European currencies in 2001 led to sales in US dollars being lower. Sales in the rest of the world increased 24.1% to approximately \$6.7 million in 2001 from approximately \$5.4 million in 2000. "Our international expansion over the past few years has helped to offset the dramatic decrease in sales in the USA which resulted from the continuing downturn in the USA economy in 2001," said Raab.

As announced in January 2002 the company completed the acquisition of SpatialMetrix Corporation ("SMX") of Kennett Square, PA, a leading manufacturer of laser trackers, a complementary product to FARO's Control Station. The Company estimates that SMX has 35% of the installed laser tracker market. The Company concluded the purchase of SMX only after the successful design by SMX of a new generation laser tracker, which the Company expects to sell at very competitive prices compared to the previous generation SMX tracker and competitor's current products. "We feel that a laser tracker selling in the \$100,000 price range will result in sales growth from small and medium size customers who were not previously a large segment of SMX's sales, but which are key components of our Control Station product market," said Simon Raab. "In addition to the positive effect on sales growth of the lower purchase price of the new generation product, we expect to grow laser tracker sales beyond SMX's historical growth rate from higher sales outside the United States. Our direct sales teams in North America, Europe and Japan, together with distributors in many other industrialized countries are in marked contrast to SMX's largely USA-based sales organization," Raab concluded.

For the year ended December 31, 2001, SMX revenues were approximately \$11.2 million, a twenty-one percent drop from approximately \$14.1 million in 2000. The Company is awaiting the completion of the audit for SMX for 2001 and 2000 before reporting earnings and other financial results for SMX. The results mentioned above also are subject to the completion of SMX's audit. The Company expects to report these results in its Form 10-K, which will be filed with the Securities and Exchange Commission on or before March 29, 2002. The drop in 2001 sales was a result of a production halt by SMX of its earlier generation laser tracker in September 2001 as part of a patent suit settlement with a competitor. At December 31, 2001, SMX had backlog of new generation tracker orders of approximately \$2.5 million and Company expects to begin to ship this backlog by the second quarter of 2002.

The company had cash and total investments of approximately \$14.1 million and virtually no debt at December 31, 2001. The Company used approximately \$4.9 million in cash in January 2002 as part of the SMX purchase price, and related debt settlements.

A conference call reviewing Fourth Quarter and Year 2001 results will be held Friday, March 15, 2002 beginning at 11:00 AM (Eastern)/ 8:00 AM (Pacific). To participate please dial 800-233-2795 five minutes prior to start time. International callers should dial 785-832-1077. The Conference ID is "FARO". A recording of the call will be available until June 13, 2002 by dialing 800-283-4641. International callers should dial 402-220-0851. No access code is needed for the replay. The call will be simultaneously broadcast over the Internet at <http://www.videonewswire.com/event.asp?id=3779>. The call will be archived at the Company's website at <http://www.faro.com>.

Financial Tables Follow

Statements contained in this press release that are not historical facts are forward-looking statements that are made pursuant to the safe harbor

provisions of the Private Securities Litigation Reform Act of 1995. In addition, words such as "believes," "anticipates," "expects" and similar expressions are intended to identify forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties or other factors that 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:

- * inability of the Company's products to attain broad market acceptance,
- * inability of the Company to reduce selling expenses,
- * the impact of competitive products due to delayed shipments of the Company's new laser trackers,
- * inability of the Company to ship its new laser trackers in the second quarter of 2002 as a result of manufacturing delays,
- * foreign exchange fluctuation,
- * the impact of competitive products and pricing,
- * fluctuations in quarterly operating results as a result of the size, timing and recognition of revenue from significant orders, increases in operating expenses required for product development and marketing, the timing and market acceptance of new products and product enhancements; customer order deferrals in anticipation of new products and product enhancements; the Company's success in expanding its sales and marketing programs, and general economic condition,
- * increased length of the Company's sales cycle,
- * uncertainties in patent enforcement or the protection of other proprietary rights,
- * dependence on Simon Raab and Gregory A. Fraser and other key personnel,
- * the cyclical nature of the industries of the Company's customers,
- * the other risks detailed in the Company's 10-K report and other filings from time to time with the Securities and Exchange Commission.

Forward-looking statements in this release represent the Company's judgment as of the date of this release. The Company disclaims, however, any intent or obligation to update these forward-looking statements.

FARO TECHNOLOGIES
SUMMARY FINANCIAL TABLE
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended		Twelve Months Ended	
	December 31		December 31,	
	2001	2000	2001	2000
Sales	\$10,026,049	\$10,868,895	\$35,113,596	\$40,452,913
Cost of sales	4,284,369	3,614,829	14,304,083	14,748,628
Gross profit	5,741,680	7,254,066	20,809,513	25,704,285
Operating expenses:				
Selling	2,904,637	3,769,270	13,436,209	14,033,725
General and administrative	1,412,911	1,638,077	5,812,803	5,763,040
Depreciation and amortization	575,691	863,614	2,559,495	2,931,546
Research and development	765,071	858,210	3,370,716	3,549,670
Employee stock options	0	28,391	--	123,404
Total operating expenses	5,658,310	7,157,562	25,179,223	26,401,385
Income (loss) from operations	83,370	96,504	(4,369,710)	(697,100)
Interest income	215,532	275,650	900,281	860,254
Other income, net	384,445	48,410	963,203	301,044
Income (Loss) before				

income taxes	683,347	420,564	(2,506,226)	464,198
Income tax provision	121,738	194,488	341,738	424,681
Net income (loss)	\$561,609	\$226,076	\$(2,847,964)	\$39,517
Net income (loss) per common share - Basic	\$0.05	\$0.02	\$(0.26)	\$0.00
Weighted average shares - Basic	11,035,252	11,025,225	11,032,449	11,021,606
Net income (loss) per common share - Diluted	\$0.05	\$0.02	\$(0.26)	\$0.00
Weighted average shares - Diluted	11,095,154	11,109,037	11,032,449	11,094,144

SELECTED CONSOLIDATED
BALANCE SHEET DATA
(Unaudited)

December 31,
2001 2000

Cash and investments	\$11,983,123	\$14,247,954
Current assets	\$29,417,023	\$32,281,913
Total assets	\$39,654,124	\$44,699,274
Current liabilities	\$7,113,819	\$8,609,177
Total debt	\$80,626	\$66,657
Total liabilities	\$7,317,663	\$8,743,821
Total shareholders' equity	32,336,461	35,955,453
Total liabilities and shareholders' equity	\$39,654,124	\$44,699,274

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