

FARO Technologies, Inc. Logo

FARO Technologies Reports First Quarter Results

May 14, 2002

LAKE MARY, Fla., May 14 /PRNewswire-FirstCall/ -- FARO Technologies, Inc. (Nasdaq: FARO), a leading provider of computer-aided manufacturing measurement (CAM2) solutions, today announced financial results for the first quarter ended March 31, 2002.

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First quarter sales were approximately \$8.6 million, a 2.4% increase from approximately \$8.4 million in the first quarter of 2001. The net loss for the first quarter of 2002 was approximately \$1.7 million, or 14 cents per share, compared to approximately \$1.1 million, or 10 cents per share in the year ago quarter. Excluding the impact on sales of SpatialmetriX Corporation ("SMX"), which was acquired in January 2002, first quarter sales were approximately \$7.8 million, a 7.1% drop from the year ago quarter. Excluding the impact of SMX the Company had a net loss of approximately \$666,000 or six cents per share in the first quarter of 2002, a decrease of four cents from 10 cents per share in the first quarter of 2001. The Summary Financial Table below shows the results of operations with and without the effect of SMX in the first quarter.

Regionally, as a result of the sales from the former SMX unit in the first quarter of 2002, sales in the USA increased 14.7% to approximately \$3.9 million in the first quarter of 2002, from approximately \$3.4 million in the same period in 2001. Sales in Europe decreased 11.8% in the first quarter of 2002 to approximately \$3.0 million from approximately \$3.4 million in the same quarter in 2001. Sales in the rest of the world dropped 6.3% to approximately \$1.7 million in the first quarter of 2002 from approximately \$1.6 million in 2001. There were virtually no sales in Europe or the rest of the world related to the SMX acquisition.

"We saw a continued slowdown in capital spending by manufacturers worldwide in the first quarter which resulted in a year-over-year decline in sales of our traditional products," said Simon Raab, FARO's President and CEO. "However, the first quarter will hopefully represent a low water mark for FARO in terms of revenues and earnings as we had only \$829,000 in low margin service and parts sales from the former SMX unit in the quarter, but all of its \$1.3 million in operating expenses. Approximately one half of these operating expenses were research and development costs related to completing the development of the new laser tracker product, and we expect these laser tracker product R&D expenses to drop off by as much as 30% as this development is completed. Also, based on other organizational changes and headcount reductions I expect the payroll related to the former SMX unit to be cut by 35%, from approximately \$1.0 million in the first quarter to approximately \$650,000 by the third quarter of 2002. With a ramp up in supply of the new laser tracker, and streamlining of operating expenses of the former SMX unit, by the third quarter the SMX acquisition should be accretive to earnings."

The company had cash and total investments of approximately \$9.1 million and virtually no debt at March 31, 2002.

A conference call reviewing First Quarter results will be held Wednesday, May 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 August 10, 2002 by dialing 800-938-2803. International callers should dial 402-220-9032. 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=5203>

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 operating 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			
	2002	March 31,		2001
	(WITH SMX)	2001	2002	2001
		(EXCLUDING SMX)		
Sales	\$8,589,611	\$8,405,530	7,760,176	\$8,405,530
Cost of sales	3,828,633	3,439,527	3,275,087	3,439,527
Gross profit	4,760,978	4,966,003	4,485,089	4,966,003
Operating expenses:				
Selling	3,226,923	3,429,125	2,782,642	3,429,125
General and administrative	1,557,681	1,383,121	1,438,756	1,383,121
Depreciation and amortization	661,359	666,937	525,878	666,937
Research and development	1,222,806	921,051	658,530	921,051
Employee stock options	13,397	--	13,397	0
Total operating expenses	6,682,166	6,400,234	5,419,203	6,400,234
Income (loss) from operations	(1,921,188)	(1,434,231)	(934,114)	(1,434,231)
Interest income	205,728	236,043	205,728	236,043
Other income, net	102,498	85,716	102,498	85,716
Income (Loss) before income taxes	(1,612,962)	(1,112,472)	(625,888)	(1,112,472)
Income tax provision	39,801	14,783	39,801	14,783
Net income (loss)	\$(1,652,763)	\$(1,127,255)	\$(665,689)	\$(1,127,255)
Net income (loss) per common share - Basic	\$(0.14)	\$(0.10)	\$(0.06)	\$(0.10)
Weighted average shares - Basic	11,744,252	11,030,706	11,035,919	11,030,706
Net income (loss) per common share - Diluted	\$(0.14)	\$(0.10)	\$(0.06)	\$(0.10)
Weighted average shares - Diluted	11,744,252	11,030,706	11,035,919	11,030,706

SELECTED CONSOLIDATED BALANCE SHEET DATA

(Unaudited)

March 31, 2002

Cash and investments	\$9,104,078
Current assets	\$27,192,063
Total assets	\$42,096,461
Current liabilities	\$9,639,190
Total debt	\$51,582
Total liabilities	\$9,779,841
Total shareholders' equity	32,316,620
Total liabilities and shareholders' equity	\$42,096,461

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