

Needham Investor Conference

January 15, 2025

FROM FOCUS COMES GROWTH



FARO[®]

Peter Lau

President and
Chief Executive Officer

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Certain statements made or incorporated by reference in this presentation and at this conference reflect management's estimates and beliefs and are intended to be, and are hereby identified as, "Forward-Looking Statements" for purposes of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Statements and diagrams that describe the Company's plans, objectives, projections, expectations, assumptions, strategies, or goals are forward-looking statements. These statements often include words such as "believe", "expect", "anticipate", "intend", "plan", "estimate" or similar expressions. These statements are based on certain assumptions that FARO has made in light of its experience in the industry as well as its perspective of historical trends, current conditions, expected future developments and other factors it believes are appropriate under the circumstances. Actual results may differ materially from the anticipated results because of certain risks and uncertainties. These risks and uncertainties are set forth in FARO's Annual Report on Form 10-K and other filings made from time to time with the Securities and Exchange Commission. 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.

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Non-GAAP Financial Measures

This presentation 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 margin, non-GAAP operating expenses, non-GAAP net income (loss) and non-GAAP net income (loss) per share, exclude the impact of purchase accounting intangible amortization expense and fair value adjustments, stock-based compensation, inventory reserve charge, 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 expense and depreciation and amortization, and Adjusted EBITDA, which is calculated as EBITDA, excluding other (income) expense, net, stock-based compensation, inventory reserve charge, 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).

Free Cash Flow represents cash from operating activities less capital spending. Adjusted Free Cash Flow represents free cash flow further adjusted to exclude restructuring cash payments.

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 presentation include a reconciliation of these non-GAAP financial measures to the most directly comparable GAAP financial measures.

FARO Overview

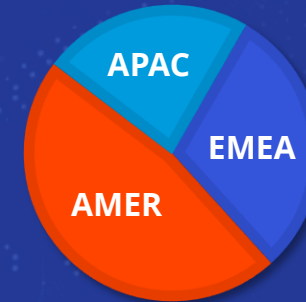
- #1 or 2 in Served Markets
- Broad Set of 3D Capture Devices
- Software Delivers Insights across Hardware, Cloud and Mobile
- 13,000+ 3D Customers
- 730 Patents
- 82% Brand Loyalty

FARO has a strong foundation

FY 2024 Outlook

FY24 Revenue

\$341M

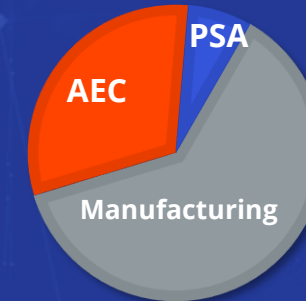


FY24 Non-GAAP
Gross Margin

55%

FY24 Adjusted EBITDA
Margin

10%



Revenue Characteristics

- **76% Hardware/Software Solutions**
- **24% Aftermarket Services**
- **33% Re-occurring**

Note: Revenue, Non-GAAP Gross Margin and Adjusted EBITDA Margin assumes TTM at the mid-point of Q4 2024 guidance range. Non-GAAP Gross Margin and Adjusted EBITDA Margin are non-GAAP measures. Reconciliation of the non-GAAP measures to GAAP counterparts is provided at the end of this presentation.

Innovators in Digitization of the Physical World



AIRBUS

3M



LOCKHEED MARTIN



Ford

Pepper Construction

SKANSKA

SIEMENS

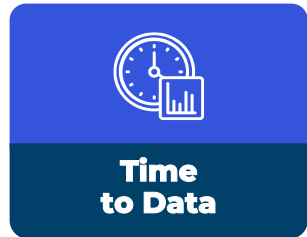
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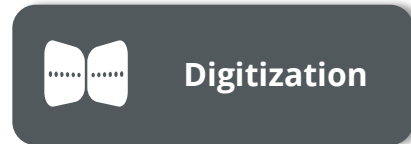
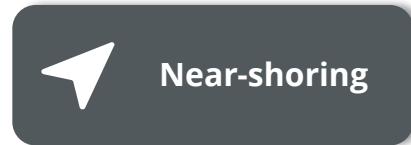
40 years enabling customers to make smarter decisions, faster

Creating Value for Customers

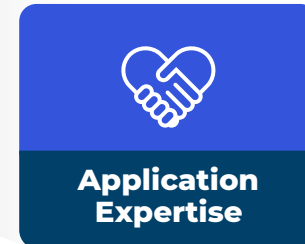
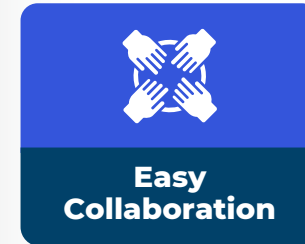
Our Customers Need 3D Data



Megatrends Creating the Need for More Data



FARO Delivers Differentiation



FARO is well-positioned to capitalize on customers' need for 3D Data

Created a new Operating Model in 2023...

Prioritization

- Prioritize and focus on core business
- Apply intensity around 80/20 principles and allocate resources to priorities

Innovation

- Introduce new solutions that expand addressable market
- Refresh key solutions and simplify offering

Digitization

- Improve customer experience
- Optimize business process and productivity

Operational Excellence

- Aligned goals to value creation
- Identify and execute margin and cash flow opportunities

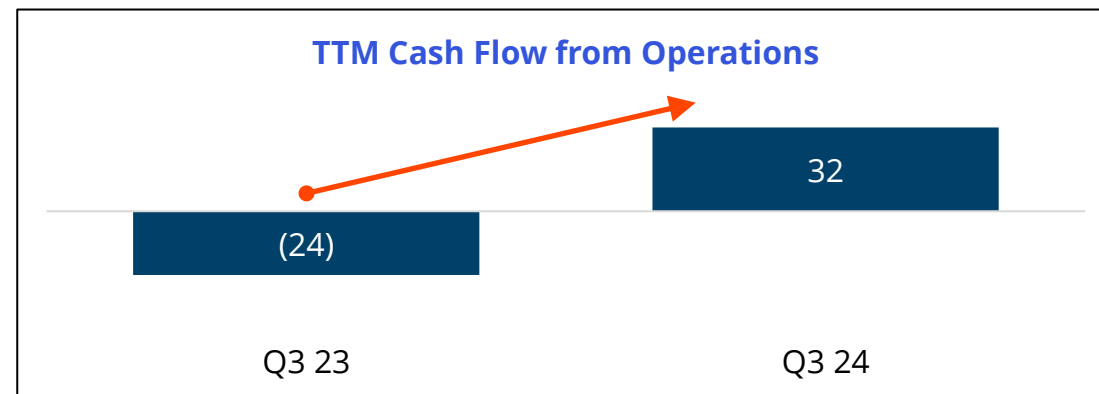
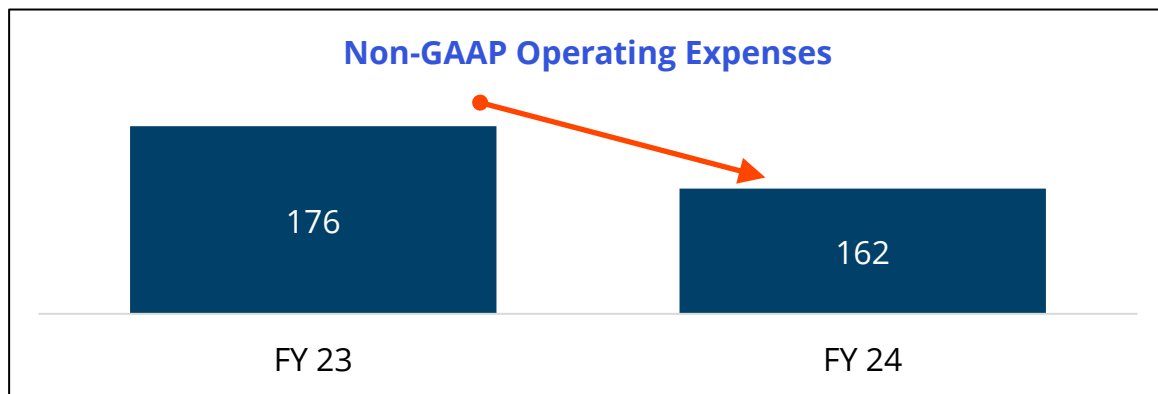
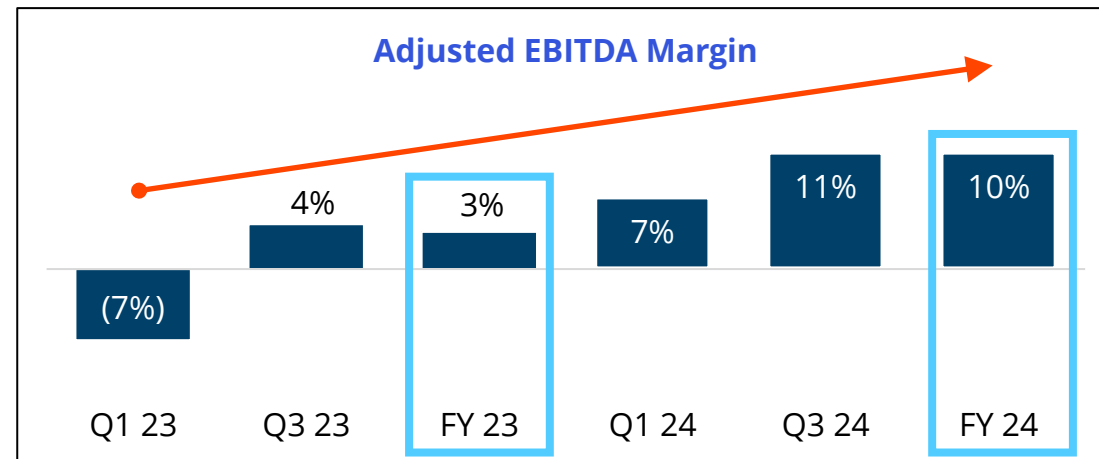
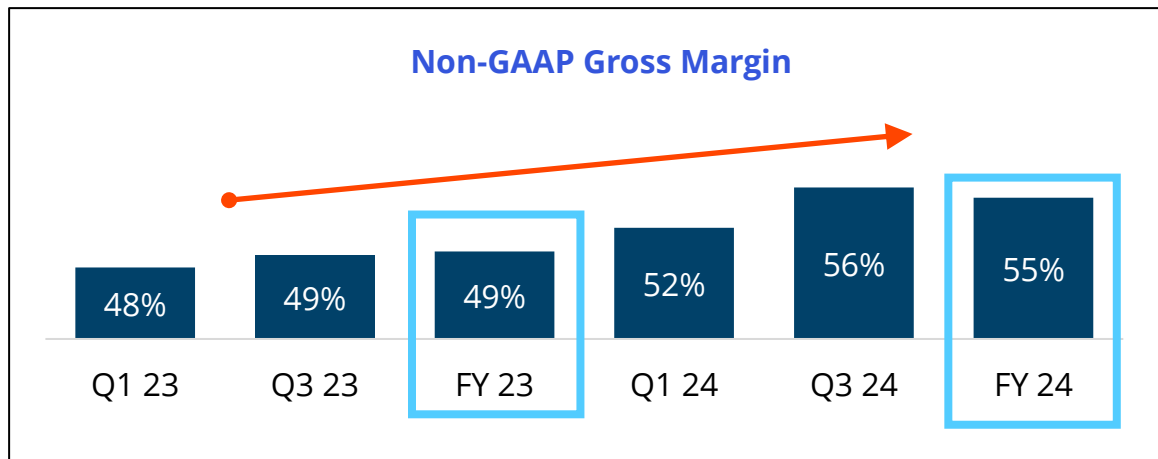
Intense focus on operating model yields improved execution

...and a Playbook for Sustainable Financial Growth



Playbook enables meaningful, multi-year value creation

Financial Playbook Driving Improvement in 2023 and 2024



Note: \$ in millions
 Non-GAAP Gross Margin and Adjusted EBITDA Margin assumes TTM at the mid-point of Q4 2024 guidance range.
 Gross Margin, Operating Expense and Adjusted EBITDA Margin are on a non-GAAP basis.

Note: Reconciliation of the non-GAAP measured to GAAP counterparts is provided at the end of this presentation.
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Strategic Priorities

1

Operating model refresh drives focus on execution to grow margins and free cash flow

2

Growth through rapid refresh cycles of core FARO integrated hardware and software solutions

3

Growth through expansion of core addressable market - deliver new solutions driven by voice of customer

4

Growth through new partner alliances to expand global reach of in-demand FARO solutions & technology

5

Invest in breakthrough innovation and adjacencies to core with milestone attainment

2025 Update | Long Term Aspirational Goal

Annual Revenue Scenarios	FY24(F) \$341M	\$340M	\$375M	\$400M	\$425M
Gross Margin improvement	55%	200 bps	300 bps	400 bps	450 bps
Annual Opex Growth*	\$162M	(2)-0%	(2)-0%	1-3%	1-3%
Adj. EBTIDA Margin %	10%	13-15%	14-16%	20%	21-23%
FCF Conversion	Positive	> 50%	> 55%	> 70%	> 75%
Annual FCF	Positive	> \$22M	> \$33M	> \$56M	> \$67M

Goal = Adjusted EBITDA margin goal of 20% at \$400M in revenue

* annual non-GAAP operating expense growth assumes 2024 at the mid-point of Q4 2024 guidance range
 Note: \$ in millions, Gross Margin, Operating Expense and Adjusted EBITDA are on a non-GAAP basis.
 Reconciliations to GAAP counterparts available in FARO public filings.
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Summary



1

Compelling Market Opportunity

– Large, highly fragmented market growing MSD over the cycle

2

Best-In-Class Technology Solutions

– Inventor of market leading form factors with 82% customer loyalty rate

3

Diversified, Blue-Chip Customer Base with little Concentration

– Long-tenured relationships with top 10 customers making up 2.3% of total revenue

4

Global Footprint and Reach

– Optimized manufacturing and outsourced production model, with global sales and services capacities

5

Significant Progress in Margin Optimization Journey, with more opportunity

– Productivity, price, and supply chain localization execution

6

Multiple Vectors to accelerate Growth

– Market, Accelerated refresh cycles, increase addressable market through new products, and partnerships

7

Attractive Financial Profile

– Significant operating leverage opportunity and attractive re-occurring revenue

8

Experienced Management Team

– Aligned on prioritizing value creation for our customers and shareholders

Quarterly 2024 GAAP to Non-GAAP Reconciliations

	Q1	Q2	Q3	Q4*	FY2024*
Total revenue	\$84.2	\$82.1	\$82.6	\$92.0	\$340.9
GAAP gross profit	\$43.3	\$44.8	\$46.0	\$51.8	\$185.9
Stock-based compensation	0.3	0.4	0.4	0.4	1.5
Non-GAAP gross profit	\$43.6	\$45.2	\$46.4	\$52.2	\$187.4
GAAP gross margin	51.4%	54.6%	55.7%	56.3%	54.5%
Non-GAAP gross margin	51.8%	55.0%	56.1%	56.8%	55.0%

Note: \$ in millions; * Q4 assumes mid-point of Q4 2024 guidance. FY2024 assumes TTM at the mid-point of Q4 2024 guidance range. Amounts are computed based the amounts in thousands. Certain columns and rows within the tables may not add due to the use of rounded numbers. For more information related to the historical GAAP to Non-GAAP reconciliations, refer to our website at <https://www.faro.com/en/About-Us/Investor-Relations>

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Quarterly 2024 GAAP to Non-GAAP Reconciliations

	Q1	Q2	Q3	Q4*	FY2024*
GAAP operating expenses	\$48.6	\$43.0	\$43.8	\$48.4	\$183.9
Stock-based compensation	4.2	0.8	2.4	3.6	11.0
Purchase accounting intangible amortization	1.0	0.9	1.4	1.1	4.4
Restructuring and other costs	2.7	1.4	0.0	2.2	6.3
Non-GAAP operating expenses	\$40.7	\$40.0	\$40.1	\$41.5	\$162.2

Note: \$ in millions; * Q4 assumes mid-point of Q4 2024 guidance. FY2024 assumes TTM at the mid-point of Q4 2024 guidance range. Amounts are computed based the amounts in thousands. Certain columns and rows within the tables may not add due to the use of rounded numbers. For more information related to the historical GAAP to Non-GAAP reconciliations, refer to our website at <https://www.faro.com/en/About-Us/Investor-Relations>
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Quarterly 2024 GAAP to Non-GAAP Reconciliations

	Q1	Q2	Q3	Q4*	FY2024*
GAAP (loss) income	(\$7.3)	(\$0.5)	(\$0.3)	(\$0.9)	(\$9.0)
Interest expense, net	0.8	0.8	1.0	1.0	3.6
Income tax expense	1.1	1.6	1.2	1.8	5.7
Depreciation & amortization	3.6	4.2	3.9	4.0	15.6
EBITDA	(\$1.7)	\$6.0	\$5.9	\$5.9	\$15.9
Other expense (income)	0.0	(0.0)	0.2	0.0	0.2
Stock-based compensation	4.5	1.2	2.8	4.1	12.6
Restructuring and other costs	2.7	1.4	0.0	2.2	6.3
Adjusted EBITDA	\$5.6	\$8.4	\$8.9	\$12.2	35.1
Adjusted EBITDA margin	6.6%	10.3%	10.7%	13.3%	10.3%

Note: \$ in millions; * Q4 assumes mid-point of Q4 2024 guidance. FY2024 assumes TTM at the mid-point of Q4 2024 guidance range. Amounts are computed based the amounts in thousands. Certain columns and rows within the tables may not add due to the use of rounded numbers. For more information related to the historical GAAP to Non-GAAP reconciliations, refer to our website at <https://www.faro.com/en/About-Us/Investor-Relations>

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