
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

**Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): February 23, 2011

FARO TECHNOLOGIES, INC.

(Exact Name of Registrant as Specified in its Charter)

Florida
(State or Other Jurisdiction
of Incorporation)

0-23081
(Commission
File Number)

59-3157093
(IRS Employer
Identification No.)

250 Technology Park, Lake Mary, Florida 32746
(Address of Principal Executive Offices) (Zip Code)

Registrant's telephone number, including area code: (407) 333-9911

N/A
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 2.02. Results of Operations and Financial Condition.

On February 23, 2011, FARO Technologies, Inc. (the "Company") issued a press release announcing its results of operations for the fourth fiscal quarter and fiscal year ended December 31, 2010. A copy of the press release is furnished as Exhibit 99.1 hereto and is incorporated herein by reference.

The information furnished pursuant to Item 2.02 and Exhibit 99.1 of this Current Report on Form 8-K shall not be deemed to be "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities of that section. The information in this Current Report shall not be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, whether made before or after the date of this Current Report, regardless of any general incorporation language in the filing.

Item 9.01. Financial Statements and Exhibits.**(d) Exhibits**

The following exhibits are furnished with this Current Report on Form 8-K:

| Exhibit Number | Description |
|-----------------------|--|
| 99.1 | Press release dated February 23, 2011. |

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

FARO Technologies, Inc.
(Registrant)

February 23, 2011

/s/ Keith Bair

By: Keith Bair
Its: Chief Financial Officer

EXHIBIT INDEX

Exhibit
Number

Description

99.1

Press release dated February 23, 2011.



FARO Technologies Inc.
250 Technology Park
Lake Mary, FL 32746

Keith Bair, Senior Vice President and CFO
keith.bair@FARO.com, 407-333-9911

FARO Reports 2010 Sales Growth of 29.9%

2010 Orders Growth of 30.5%

Net Income of \$11.1 million

LAKE MARY, FL, February 23, 2011 – FARO Technologies, Inc. (NASDAQ: FARO) today announced results for the fourth quarter ended December 31, 2010. Sales in the fourth quarter of 2010 increased 27.1%, to \$58.5 million, from \$46.0 million in the fourth quarter of 2009. The Company reported net income of \$4.8 million, or \$0.29 per share, compared to a net loss of \$0.04 per share in the fourth quarter of 2009.

Fiscal 2010 sales were \$191.8 million, an increase of 29.9%, compared to fiscal 2009 sales of \$147.7 million. New order bookings for fiscal 2010 were \$197.9 million, an increase of 30.5%, from \$151.7 million in fiscal 2009. Net income for fiscal 2010 was \$11.1 million compared to net loss of \$10.6 million in fiscal 2009.

New order bookings for the fourth quarter of 2010 were \$67.4 million, an increase of \$14.3 million, or 26.9%, compared to \$53.1 million in the fourth quarter of 2009.

“The fourth quarter was extremely strong for us, a significant accomplishment compared to the fourth quarter of 2009 when sales started to improve,” stated Jay Freeland, FARO’s President and CEO. “Asia continued its rapid expansion, growing sales 43% in the fourth quarter and more than 50% for the year. We finished 2010 with approximately \$23 million in backlog, our highest level ever, providing a solid foundation for the first quarter of 2011. Finally, the launch of the new Focus 3D Laser Scanner exceeded our expectations. Orders for the Focus in the fourth quarter of 2010 were substantially higher than any total year for the previous laser scanner models. We believe this reflects the disruptive nature of this product, with its cutting edge performance and market-leading size, weight, ease of use and price.”

Gross margin for the fourth quarter of 2010 was 59.0%, compared to 55.4% in the fourth quarter of 2009. Gross margin increased primarily due to an increase in the proportion of higher margin product sales relative to lower margin service revenue.

“Overall, 2010 was an outstanding year. We had excellent sales growth and ground-breaking product introductions. We capitalized on the cost leverage we created in 2009 which added substantially to the bottom line and also allowed for the introduction of both the FARO Focus 3D and the FARO AMP. The Company is positioned well for 2011, with equally exciting product introductions lined-up and additional capacity to leverage our structure. We did not issue any guidance in 2009 and 2010 and we will not be issuing specific guidance for 2011. However, we maintain the view that our markets remain highly underpenetrated and we believe we have the ongoing opportunity to achieve the annual 20-25% sales growth rates we historically achieved. Our top priority continues to be strengthening our position as the leader in this space,” Freeland concluded.

This press release contains forward-looking statements (within the meaning of the Private Securities Litigation Reform Act of 1995) that are subject to risks and uncertainties, such as statements about FARO’s focus, plans and strategies, and its future operating results and financial condition. Statements that are not historical facts or that describe the Company’s plans, objectives, projections, expectations, assumptions, strategies, or goals are forward-looking statements. In addition, words such as “intend,” “believe,” “will,” “expect” and similar expressions or discussions of our strategy or other intentions identify forward-looking statements. Forward-looking statements are not guarantees of future performance and are subject to various known and unknown risks, uncertainties, and other factors that may cause actual results, performances, or achievements to differ materially from future results, performances, or achievements expressed or implied by such forward-looking statements. Consequently, undue reliance should not be placed on these forward-looking statements.

Factors that could cause actual results to differ materially from what is expressed or forecasted in such forward-looking statements include, but are not limited to:

- *development by others of new or improved products, processes or technologies that make the Company’s products obsolete or less competitive;*
- *the cyclical nature of the industries of the Company’s customers and material adverse changes in customers’ access to liquidity and capital;*
- *declines or other adverse changes, or lack of improvement, in industries that the Company serves or the domestic and international economies in the regions of the world where the Company operates and other general economic, business, and financing conditions;*
- *fluctuations in the Company’s annual and quarterly operating results and the inability to achieve its financial operating targets;*
- *risks associated with expanding international operations, such as fluctuations in currency exchange rates, difficulties in staffing and managing foreign operations, political and economic instability, compliance with import and export regulations, and the burdens and potential exposure of complying with a wide variety of U.S. and foreign laws and labor practices;*

- *other risks detailed in Part I, Item 1A. Risk Factors in the Company's Annual Report on Form 10-K for the year ended December 31, 2009.*

Forward-looking statements in this release represent the Company's judgment as of the date of this release. The Company undertakes no obligation to update publicly any forward-looking statements, whether as a result of new information, future events, or otherwise.

About FARO

With over 20,000 installations and 11,000 customers globally, FARO Technologies, Inc. designs, develops, and markets portable, computerized measurement and imaging devices and software used to create digital models — or to perform evaluations against an existing model — for anything requiring highly detailed 3-D measurements, including part and assembly inspection, factory planning and asset documentation, as well as specialized applications ranging from surveying, recreating accident sites and crime scenes to digitally preserving historical sites.

FARO's technology increases productivity by dramatically reducing the amount of on-site measuring time, and the various industry-specific software packages enable users to process and present their results quickly and more effectively.

Principal products include the world's best-selling portable measurement arm — the FaroArm; the world's best-selling laser tracker — the FARO Laser Tracker X and Xi; the FARO Laser ScanArm; FARO Photon Laser Scanners; the FARO Gage, Gage-PLUS and PowerGAGE; and the CAM2 Q family of advanced CAD-based measurement and reporting software. FARO Technologies is ISO-9001 certified and ISO-17025 laboratory registered.

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FARO TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

| (in thousands, except share and per share data) | Three Months Ended | | Twelve Months Ended | |
|--|--------------------|--------------|---------------------|--------------|
| | Dec 31, 2010 | Dec 31, 2009 | Dec 31, 2010 | Dec 31, 2009 |
| SALES | | | | |
| Product | \$ 49,456 | \$ 38,422 | \$ 157,331 | \$ 117,714 |
| Service | 9,059 | 7,604 | 34,444 | 29,989 |
| Total Sales | 58,515 | 46,026 | 191,775 | 147,703 |
| COST OF SALES | | | | |
| Product | 17,775 | 15,646 | 54,571 | 46,293 |
| Service | 6,204 | 4,897 | 23,806 | 20,702 |
| Total Cost of Sales (exclusive of depreciation and amortization, shown separately below) | 23,979 | 20,543 | 78,377 | 66,995 |
| GROSS PROFIT | 34,536 | 25,483 | 113,398 | 80,708 |
| OPERATING EXPENSES: | | | | |
| Selling | 15,710 | 12,164 | 50,679 | 48,598 |
| General and administrative | 7,300 | 6,365 | 26,776 | 24,956 |
| Depreciation and amortization | 1,492 | 1,440 | 6,326 | 5,530 |
| Research and development | 3,854 | 3,047 | 12,690 | 12,613 |
| Total operating expenses | 28,356 | 23,016 | 96,471 | 91,697 |
| INCOME (LOSS) FROM OPERATIONS | 6,180 | 2,467 | 16,927 | (10,989) |
| OTHER (INCOME) EXPENSE | | | | |
| Interest income | (22) | (28) | (105) | (253) |
| Other (income) expense, net | 983 | (233) | 2,783 | (592) |
| Interest expense | 3 | 5 | 34 | 14 |
| INCOME (LOSS) BEFORE INCOME TAX EXPENSE (BENEFIT) | 5,216 | 2,723 | 14,215 | (10,158) |
| INCOME TAX EXPENSE | 377 | 3,344 | 3,147 | 424 |
| NET INCOME (LOSS) | \$ 4,839 | \$ (621) | \$ 11,068 | \$ (10,582) |
| NET INCOME (LOSS) PER SHARE - BASIC | \$ 0.30 | \$ (0.04) | \$ 0.69 | \$ (0.66) |
| NET INCOME (LOSS) PER SHARE - DILUTED | \$ 0.29 | \$ (0.04) | \$ 0.68 | \$ (0.66) |
| Weighted average shares - Basic | 16,179,531 | 16,101,412 | 16,153,831 | 16,125,449 |
| Weighted average shares - Diluted | 16,424,638 | 16,101,412 | 16,365,826 | 16,125,449 |

FARO TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

| (in thousands, except share data) | December 31, 2010 | December 31, 2009 |
|--|----------------------|----------------------|
| ASSETS | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ 50,722 | \$ 35,078 |
| Short-term investments | 64,986 | 64,986 |
| Accounts receivable, net | 51,862 | 42,944 |
| Inventories, net | 28,242 | 26,582 |
| Deferred income taxes, net | 4,455 | 4,473 |
| Prepaid expenses and other current assets | 8,045 | 6,016 |
| Total current assets | 208,312 | 180,079 |
| Property and Equipment: | | |
| Machinery and equipment | 24,840 | 19,867 |
| Furniture and fixtures | 5,700 | 5,225 |
| Leasehold improvements | 9,682 | 9,434 |
| Property and equipment at cost | 40,222 | 34,526 |
| Less: accumulated depreciation and amortization | (24,982) | (20,788) |
| Property and equipment, net | 15,240 | 13,738 |
| Goodwill | 19,015 | 19,934 |
| Intangible assets, net | 7,204 | 7,985 |
| Service inventory | 13,726 | 12,079 |
| Deferred income taxes, net | 2,522 | 1,895 |
| Total Assets | \$ 266,019 | \$ 235,710 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current Liabilities: | | |
| Accounts payable | \$ 12,025 | \$ 8,985 |
| Accrued liabilities | 15,208 | 8,173 |
| Income taxes payable | 1,138 | 229 |
| Current portion of unearned service revenues | 13,357 | 12,226 |
| Customer deposits | 3,679 | 2,173 |
| Current portion of obligations under capital leases | 91 | 80 |
| Total current liabilities | 45,498 | 31,866 |
| Unearned service revenues - less current portion | 6,758 | 5,910 |
| Deferred income taxes, net | 1,161 | 1,143 |
| Obligations under capital leases - less current portion | 125 | 193 |
| Total Liabilities | 53,542 | 39,112 |
| Shareholders' Equity: | | |
| Common stock - par value \$.001, 50,000,000 shares authorized; 16,894,374 and 16,795,289 issued; 16,214,139 and 16,115,054 outstanding, respectively | 17 | 17 |
| Additional paid-in-capital | 156,310 | 152,380 |
| Retained earnings | 57,983 | 46,915 |
| Accumulated other comprehensive income | 7,242 | 6,361 |
| Common stock in treasury, at cost - 680,235 shares | (9,075) | (9,075) |
| Total Shareholders' Equity | 212,477 | 196,598 |
| Total Liabilities and Shareholders' Equity | \$ 266,019 | \$ 235,710 |

FARO TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

| (in thousands) | Years Ended December 31, | | |
|--|--------------------------|-------------------|------------------|
| | 2010 | 2009 | 2008 |
| CASH FLOWS FROM: | | | |
| OPERATING ACTIVITIES: | | | |
| Net income (loss) | \$ 11,068 | \$ (10,582) | \$ 13,952 |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | | |
| Depreciation and amortization | 6,326 | 5,530 | 4,505 |
| Compensation for stock options and restricted stock units | 2,392 | 2,449 | 2,237 |
| Provision for bad debts | 2,408 | 1,852 | 1,092 |
| Deferred income tax (benefit) expense | (693) | 1,986 | (1,972) |
| Change in operating assets and liabilities: | | | |
| Decrease (increase) in: | | | |
| Accounts receivable | (13,018) | 5,769 | 2,993 |
| Inventories, net | (6,273) | 8,301 | (6,429) |
| Prepaid expenses and other current assets | (2,172) | 1,964 | (1,187) |
| Income tax benefit from exercise of stock options | (133) | (4) | (45) |
| Increase (decrease) in: | | | |
| Accounts payable and accrued liabilities | 10,435 | (7,891) | (5,317) |
| Income taxes payable | 829 | (1,749) | (355) |
| Customer deposits | 1,474 | 1,736 | 82 |
| Unearned service revenues | 2,338 | (396) | 3,710 |
| Net cash provided by operating activities | 14,981 | 8,965 | 13,266 |
| INVESTING ACTIVITIES: | | | |
| Purchases of property and equipment | (4,047) | (3,387) | (9,705) |
| Payments for intangible assets | (979) | (670) | (3,766) |
| Purchases of short-term investments | — | (64,986) | (81,965) |
| Proceeds from sales of short-term investments | — | 81,965 | 77,375 |
| Net cash (used in) provided by investing activities | (5,026) | 12,922 | (18,061) |
| FINANCING ACTIVITIES: | | | |
| Proceeds from notes payable | 2,490 | — | — |
| Payments on notes payable | (2,490) | — | — |
| Payments on capital leases | (84) | (88) | (11) |
| Income tax benefit from exercise of stock options | 133 | 4 | 45 |
| Purchases of treasury stock | — | (8,829) | (95) |
| Proceeds from issuance of stock, net | 1,405 | 83 | 92 |
| Net cash provided by (used in) financing activities | 1,454 | (8,830) | 31 |
| EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS | \$ 4,235 | \$ (1,473) | \$ 2,460 |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 15,644 | 11,584 | (2,304) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD | 35,078 | 23,494 | 25,798 |
| CASH AND CASH EQUIVALENTS, END OF PERIOD | \$ 50,722 | \$ 35,078 | \$ 23,494 |