

**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): May 9, 2017

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))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02. Results of Operations and Financial Condition.

On May 9, 2017, FARO Technologies, Inc. (the “Company”) issued a press release announcing its results of operations for the first fiscal quarter ended March 31, 2017. 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 exhibit is furnished with this Current Report on Form 8-K:

| Exhibit Number | Description |
|---------------------------|---------------------------------|
| 99.1 | Press release dated May 9, 2017 |

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)

May 9, 2017

/s/ Robert Seidel

By: Robert Seidel
Its: Chief Financial Officer
(Principal Financial Officer)

EXHIBIT INDEX

**Exhibit
Number**

Description

99.1

Press release dated May 9, 2017



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

FOR IMMEDIATE RELEASE

FARO Reports Q1 2017 Financial Results and Status of Renewal Efforts

LAKE MARY, FL, May 9, 2017 - FARO[®] (NASDAQ: FARO), the world's most trusted source for 3D measurement and imaging solutions for factory metrology, construction BIM-CIM, product design, public safety forensics and 3D solutions and services, today announced its financial results for the first quarter ended March 31, 2017.

"In early 2016, FARO initiated a broad-reaching strategic reorganization and renewal initiative to return the company to growth company status with double-digit sales growth and operating margin," stated Dr. Simon Raab, President and Chief Executive Officer. "We re-aligned our selling, marketing, and product development teams into five verticals: factory metrology, construction BIM-CIM, product design, public safety forensics, and 3D solutions. We re-organized our research and development activities to create a new product drumbeat delivering next generation, technically superior products in a more frequent cadence to drive a higher gross margin. We continued to aggressively expand our salesforce to accelerate growth in sales opportunities, especially in our emerging verticals with high growth potential, such as public safety forensics and product design and incurred the resulting increase to our selling and marketing expenses. We are reducing our aged demonstration and service inventory with the expected short-term impact on our gross margin. As previously discussed, we expect that by the end of second quarter we will have completed the harmonization of our primary global processes and systems to have a more efficient platform for growth and to reduce our operating costs as a percentage of sales, especially general and administrative costs."

New order bookings for first quarter 2017 were \$86.9 million, an increase of 18.2%, compared with \$73.5 million for the first quarter last year. Sales for first quarter 2017 increased to \$81.6 million, an increase of 7.7%, compared with \$75.7 million for first quarter last year. Excluding an unfavorable foreign exchange impact of approximately \$1.5 million, sales for first quarter 2017 would have increased by 9.6%. Our sales increase was primarily driven by an increase in product unit sales, especially in construction BIM-CIM, and higher service revenue. Demonstration and service inventory sales increased 34% in first quarter 2017.

Our actual period-ending sales headcount for first quarter 2017 was 593, an increase of 30.0%, compared with 456 for the same prior year period. In addition, we also actively manage sales headcount based on our full-time experienced ("FTE") metric whereby sales headcount is measured as a time-weighted average with the first-year contribution of a new employee discounted by an experience factor. Our sales FTE headcount for first quarter 2017 was 525, an increase of 13.9%, compared with 461 for first quarter last year.

Gross margin for first quarter 2017 decreased to 53.6%, compared with 56.3% for first quarter last year, and increased 0.5 percentage points compared with fourth quarter 2016. The year-over-year decrease is related primarily to the production start-up of new core platform products and lower average product selling prices reflecting increased sales of demonstration and service inventory as well as less favorable product and geographical sales mix.

We reported an operating loss of \$2.0 million for first quarter 2017, compared with an operating income of \$4.3 million in the first quarter last year. This decrease is primarily due to an increase in operating expenses related to our various strategic initiatives such as a 30.0% expansion of our salesforce over last year and an increase in R&D expense to support an accelerated new product drumbeat and newly acquired technologies, and a lower gross margin on account of two new core platform products and the continued sales of demonstration and service inventory. General and administrative expenses as a percentage of sales decreased 0.3 percentage points to 13.1% of sales for first quarter 2017, compared with 13.4% for the same prior year period.

Net loss for the first quarter 2017 was \$1.5 million or \$0.09 per share, compared with net income of \$3.1 million or \$0.19 per share in the first quarter last year.

As of March 31, 2017, cash and short-term investments decreased by \$0.3 million from December 31, 2016 to \$148.8 million, of which \$94.8 million was held by foreign subsidiaries.

“In the first quarter, our efforts over the past year started to produce the intended top-line results with new order bookings growth at 18.2%,” stated Dr. Raab. “We continued to lay the foundation for growth by significantly increasing our salesforce, rapidly expanding the use of online demonstrations and delivering on our product drumbeat commitment by introducing our new Laser Tracker product line. Our intention to return to growth company status will only be attained by persisting in our strategy to drive sales and operating margin.”

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 long-term growth, demand for and customer acceptance of FARO's products, anticipated improvement in the markets in which FARO operates, and FARO's product development and product launches. 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 "is," "are," "expects," "continues," "may," "will," and similar expressions or discussions of FARO's plans 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:

- the Company's inability to successfully identify and acquire target companies or achieve expected benefits from acquisitions that are consummated;*
- development by others of new or improved products, processes or technologies that make the Company's products less competitive or obsolete;*

- *the Company's inability to maintain its technological advantage by developing new products and enhancing its existing products;*
- *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 financial conditions;*
- *the impact of fluctuations of foreign exchange rates; and*
- *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, 2016.*

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, unless otherwise required by law.

About FARO

FARO is the world's most trusted source for 3D measurement technology. The Company develops and markets computer-aided measurement and imaging devices and software. Technology from FARO permits high-precision 3D measurement, imaging and comparison of parts and complex structures within production and quality assurance processes. The devices are used for inspecting components and assemblies, rapid prototyping, documenting large volume spaces or structures in 3D, surveying and construction, as well as for investigation and reconstruction of accident sites or crime scenes.

FARO's global headquarters is located in Lake Mary, Florida. The Company also has a technology center and manufacturing facility consisting of approximately 90,400 square feet located in Exton, Pennsylvania containing research and development, manufacturing and service operations of our FARO Laser Tracker[™] and FARO Cobalt Array Imager product lines. The Company's European regional headquarters is located in Stuttgart, Germany and its Asia Pacific regional headquarters is located in Singapore. FARO has other offices in the United States, Canada, Mexico, Brazil, Germany, the United Kingdom, France, Spain, Italy, Poland, Turkey, the Netherlands, Switzerland, India, China, Malaysia, Thailand, South Korea, Japan, and Australia.

More information is available at <http://www.faro.com>

FARO TECHNOLOGIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UnAUDITED)

| (in thousands, except share and per share data) | Three Months Ended | |
|--|--------------------|-------------------|
| | March 31, 2017 | March 31, 2016 |
| Sales | | |
| Product | \$ 62,380 | \$ 59,312 |
| Service | 19,182 | 16,436 |
| Total sales | <u>81,562</u> | <u>75,748</u> |
| Cost of Sales | | |
| Product | 27,058 | 23,996 |
| Service | 10,755 | 9,081 |
| Total cost of sales (exclusive of depreciation and amortization, shown separately below) | <u>37,813</u> | <u>33,077</u> |
| Gross Profit | 43,749 | 42,671 |
| Operating Expenses: | | |
| Selling and marketing | 22,872 | 17,903 |
| General and administrative | 10,699 | 10,150 |
| Depreciation and amortization | 3,718 | 3,086 |
| Research and development | 8,466 | 7,202 |
| Total operating expenses | <u>45,755</u> | <u>38,341</u> |
| (Loss) income from operations | <u>(2,006)</u> | <u>4,330</u> |
| Other (income) expense | | |
| Interest income, net | (82) | (44) |
| Other expense, net | 8 | 751 |
| (Loss) income before income tax (benefit) expense | <u>(1,932)</u> | <u>3,623</u> |
| Income tax (benefit) expense | <u>(471)</u> | <u>543</u> |
| Net (loss) income | <u>\$ (1,461)</u> | <u>\$ 3,080</u> |
| Net (loss) income per share - Basic | <u>\$ (0.09)</u> | <u>\$ 0.19</u> |
| Net (loss) income per share - Diluted | <u>\$ (0.09)</u> | <u>\$ 0.19</u> |
| Weighted average shares - Basic | <u>16,684,164</u> | <u>16,609,084</u> |
| Weighted average shares - Diluted | <u>16,684,164</u> | <u>16,638,458</u> |

FARO TECHNOLOGIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

| (in thousands, except share data) | March 31, 2017 (unaudited) | December 31, 2016 |
|--|-------------------------------|-------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 105,858 | \$ 106,169 |
| Short-term investments | 42,912 | 42,942 |
| Accounts receivable, net | 60,633 | 61,364 |
| Inventories, net | 52,537 | 51,886 |
| Prepaid expenses and other current assets | 17,829 | 16,304 |
| Total current assets | 279,769 | 278,665 |
| Property and equipment: | | |
| Machinery and equipment | 58,566 | 57,063 |
| Furniture and fixtures | 6,868 | 6,099 |
| Leasehold improvements | 19,099 | 18,778 |
| Property and equipment, at cost | 84,533 | 81,940 |
| Less: accumulated depreciation and amortization | (53,108) | (50,262) |
| Property and equipment, net | 31,425 | 31,678 |
| Goodwill | 47,433 | 46,744 |
| Intangible assets, net | 21,386 | 22,279 |
| Service and sales demonstration inventory, net | 31,935 | 29,136 |
| Deferred income tax assets, net | 14,478 | 14,307 |
| Other long-term assets | 750 | 905 |
| Total assets | \$ 427,176 | \$ 423,714 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 11,953 | \$ 11,126 |
| Accrued liabilities | 21,920 | 24,572 |
| Income taxes payable | — | 618 |
| Current portion of unearned service revenues | 28,865 | 27,422 |
| Customer deposits | 2,799 | 2,872 |
| Total current liabilities | 65,537 | 66,610 |
| Unearned service revenues - less current portion | 13,390 | 13,813 |
| Deferred income tax liabilities | 1,445 | 1,409 |
| Other long-term liabilities | 2,622 | 2,225 |
| Total liabilities | 82,994 | 84,057 |
| Shareholders' equity: | | |
| Common stock - par value \$.001, 50,000,000 shares authorized; 18,178,495 and 18,170,267 issued; 16,692,019 and 16,680,791 outstanding, respectively | 18 | 18 |
| Additional paid-in capital | 214,715 | 212,602 |
| Retained earnings | 181,679 | 183,436 |
| Accumulated other comprehensive loss | (20,402) | (24,561) |
| Common stock in treasury, at cost; 1,486,476 and 1,489,476 shares, respectively | (31,828) | (31,838) |
| Total shareholders' equity | 344,182 | 339,657 |
| Total liabilities and shareholders' equity | \$ 427,176 | \$ 423,714 |

FARO TECHNOLOGIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

| (in thousands) | Three Months Ended | |
|--|--------------------|----------------|
| | March 31, 2017 | March 31, 2016 |
| Cash flows from: | | |
| Operating activities: | | |
| Net (loss) income | \$ (1,461) | \$ 3,080 |
| Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities: | | |
| Depreciation and amortization | 3,718 | 3,086 |
| Stock-based compensation | 1,417 | 1,482 |
| Provision for bad debts | 89 | 310 |
| Loss on disposal of assets | 77 | 64 |
| Provision for excess and obsolete inventory | 567 | 413 |
| Deferred income tax expense | 6 | 165 |
| Income tax benefit from exercise of stock options | — | (65) |
| Change in operating assets and liabilities: | | |
| Decrease (increase) in: | | |
| Accounts receivable | 1,722 | 11,109 |
| Inventories | (2,480) | (1,585) |
| Prepaid expenses and other current assets | (1,181) | (717) |
| (Decrease) increase in: | | |
| Accounts payable and accrued liabilities | (2,442) | (5,305) |
| Income taxes payable | (618) | 641 |
| Customer deposits | (123) | (635) |
| Unearned service revenues | 430 | 1,077 |
| Net cash (used in) provided by operating activities | (279) | 13,120 |
| Investing activities: | | |
| Purchases of property and equipment | (1,745) | (2,057) |
| Payments for intangible assets | (332) | (322) |
| Net cash used in investing activities | (2,077) | (2,379) |
| Financing activities: | | |
| Payments on capital leases | (2) | (2) |
| Income tax benefit from exercise of stock options | — | 65 |
| Proceeds from issuance of stock, net | 268 | 452 |
| Net cash provided by financing activities | 266 | 515 |
| Effect of exchange rate changes on cash and cash equivalents | 1,779 | 1,666 |
| (Decrease) increase in cash and cash equivalents | (311) | 12,922 |
| Cash and cash equivalents, beginning of period | 106,169 | 107,356 |
| Cash and cash equivalents, end of period | \$ 105,858 | \$ 120,278 |

FARO TECHNOLOGIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED)

| (in thousands) | Three Months Ended | |
|---|--------------------|----------------|
| | March 31, 2017 | March 31, 2016 |
| Net (loss) income | \$ (1,461) | \$ 3,080 |
| Currency translation adjustments, net of income tax | 4,159 | 6,621 |
| Comprehensive income | \$ 2,698 | \$ 9,701 |