
**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 5, 2010

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 May 5, 2010, FARO Technologies, Inc. (the “Company”) issued a press release announcing its results of operations for the first fiscal quarter ended April 3, 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:

<u>Exhibit Number</u>	<u>Description</u>
99.1	Press release dated May 5, 2010.

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 5, 2010

/s/ Keith Bair

By: Keith Bair

Its: Chief Financial Officer

EXHIBIT INDEX

Exhibit
Number

Description

99.1

Press release dated May 5, 2010.



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 First Quarter 2010 Sales Growth of 34.4%

Orders Growth of 45.3%

Net Income of \$2.1 million

LAKE MARY, FL, May 5, 2010 – FARO Technologies, Inc. (NASDAQ: FARO) today announced results for the first quarter ended April 3, 2010. Sales in the first quarter of 2010 increased 34.4%, to \$42.3 million, from \$31.4 million in the first quarter of 2009. The Company reported net income of \$2.1 million, or \$0.13 per share, compared to a net loss of \$0.41 per share in the first quarter of 2009.

New order bookings for the first quarter of 2010 were \$39.8 million, an increase of \$12.4 million, or 45.3%, compared to \$27.4 million in the first quarter of 2009.

“All three regions posted strong double-digit sales growth in the first quarter. Even more encouraging was our new orders growth rate of 45%, driven by a 79% increase in Asia and a 60% increase in the Americas. Overall, our top line performance in the first quarter was the result of continued momentum in our end-markets and improved productivity from our sales team,” stated Jay Freeland, FARO’s President and CEO.

Gross margin for the first quarter of 2010 was 60.1%, compared to 51.7% in the first 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.

Selling expenses as a percentage of sales decreased to 26.6% in the first quarter of 2010 from 40.8% in the first quarter of 2009, primarily as a result of an increase in sales and lower compensation costs. Selling expenses in the first quarter of 2010 decreased by \$1.6 million from the first quarter of 2009 to \$11.2 million.

General and administrative expenses decreased to 14.8% of sales in the first quarter of 2010 from 20.0% in the first quarter of 2009. General and administrative expenses in the first quarter of 2010 decreased by \$0.1 million to \$6.2 million from \$6.3 million in the first quarter of 2009. General and administrative expenses included \$0.4 million related to patent litigation expenses in the first quarter of 2010.

R&D expenses were \$3.0 million in the first quarter of 2010, a decrease of \$0.5 million from \$3.5 million in the first quarter of 2009. R&D expenses were 7.1% of sales in the first quarter of 2010 compared to 11.1% of sales in the first quarter of 2009.

Operating income for the first quarter of 2010 increased by \$11.0 million, to \$3.4 million, from an operating loss of \$7.6 million in the first quarter of 2009. Operating margin for the first quarter of 2010 was 8.0% compared to an operating loss of 24.3% in the first quarter of 2009.

Income tax expense increased by \$2.4 million to \$0.8 million for the first quarter of 2010 from a benefit of \$1.6 million in the first quarter of 2009 due to an increase in pretax income of \$11.0 million

“In addition to our strong orders and sales performance in the first quarter, we are also pleased by the speed with which gross margin and operating income have improved. This is a direct result of the cost actions and positioning moves we made last year,” 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 approximately 20,000 installations and 10,000 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
(UNAUDITED)

<u>(in thousands, except share and per share data)</u>	Three Months Ended	
	Apr 3, 2010	Apr 4, 2009
SALES		
Product	\$ 33,938	\$ 24,214
Service	8,331	7,235
Total Sales	42,269	31,449
COST OF SALES		
Product	11,275	9,127
Service	5,603	6,062
Total Cost of Sales (exclusive of depreciation and amortization, shown separately below)	16,878	15,189
GROSS PROFIT	25,391	16,260
OPERATING EXPENSES:		
Selling	11,235	12,824
General and administrative	6,247	6,299
Depreciation and amortization	1,540	1,291
Research and development	2,989	3,479
Total operating expenses	22,011	23,893
INCOME (LOSS) FROM OPERATIONS	3,380	(7,633)
OTHER (INCOME) EXPENSE		
Interest income	(19)	(158)
Other expense, net	505	661
Interest expense	27	3
INCOME (LOSS) BEFORE INCOME TAX EXPENSE	2,867	(8,139)
INCOME TAX EXPENSE (BENEFIT)	803	(1,554)
NET INCOME (LOSS)	\$ 2,064	\$ (6,585)
NET INCOME (LOSS) PER SHARE - BASIC	\$ 0.13	\$ (0.41)
NET INCOME (LOSS) PER SHARE - DILUTED	\$ 0.13	\$ (0.41)
Weighted average shares - Basic	16,124,886	16,227,363
Weighted average shares - Diluted	16,267,231	16,227,363

FARO TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

<u>(in thousands, except share data)</u>	April 3, 2010 Unaudited	December 31, 2009
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 38,331	\$ 35,078
Short-term investments	64,986	64,986
Accounts receivable, net	40,550	42,944
Inventories, net	25,811	26,582
Deferred income taxes, net	4,482	4,473
Prepaid expenses and other current assets	8,805	6,016
Total current assets	182,965	180,079
Property and Equipment:		
Machinery and equipment	21,628	19,867
Furniture and fixtures	5,095	5,225
Leasehold improvements	9,423	9,434
Property and equipment at cost	36,146	34,526
Less: accumulated depreciation and amortization	(21,499)	(20,788)
Property and equipment, net	14,647	13,738
Goodwill		
Intangible assets, net	19,091	19,934
Service inventory	7,576	7,985
Deferred income taxes, net	12,748	12,079
Deferred income taxes, net	1,763	1,895
Total Assets	\$ 238,790	\$ 235,710
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Notes Payable	\$ 2,490	\$ —
Accounts payable	9,576	8,985
Accrued liabilities	9,504	8,173
Income taxes payable	—	229
Current portion of unearned service revenues	12,158	12,226
Customer deposits	1,621	2,173
Current portion of obligations under capital leases	60	80
Total current liabilities	35,409	31,866
Unearned service revenues - less current portion	5,784	5,910
Deferred tax liability, net	1,075	1,143
Obligations under capital leases - less current portion	189	193
Total Liabilities	42,457	39,112
Shareholders' Equity:		
Common stock - par value \$.001, 50,000,000 shares authorized; 16,815,066 and 16,795,289 issued; 16,134,831 and 16,115,054 outstanding, respectively	17	17
Additional paid-in-capital	153,224	152,380
Retained earnings	48,980	46,915
Accumulated other comprehensive income	3,187	6,361
Common stock in treasury, at cost - 680,235 shares	(9,075)	(9,075)
Total Shareholders' Equity	196,333	196,598
Total Liabilities and Shareholders' Equity	\$ 238,790	\$ 235,710

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

<u>(in thousands)</u>	<u>Three Months Ended</u>	
	<u>April 3, 2010</u>	<u>April 4, 2009</u>
CASH FLOWS FROM:		
OPERATING ACTIVITIES:		
Net income (loss)	\$ 2,064	\$ (6,585)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,540	1,291
Compensation for stock options and restricted stock units	564	538
Provision for bad debts	348	397
Deferred income tax expense	34	30
Change in operating assets and liabilities:		
Decrease (increase) in:		
Accounts receivable	506	17,669
Inventories, net	(2,748)	(1,078)
Prepaid expenses and other current assets	(3,039)	(1,027)
Income tax benefit from exercise of stock options	(6)	—
Increase (decrease) in:		
Accounts payable and accrued liabilities	2,199	(8,835)
Income taxes payable	(234)	(2,008)
Customer deposits	(540)	(39)
Unearned service revenues	348	(441)
Net cash provided by (used in) operating activities	1,036	(88)
INVESTING ACTIVITIES:		
Purchases of property and equipment	(613)	(1,647)
Payments for intangible assets	(205)	(188)
Purchases of short-term investments	—	(32,975)
Proceeds from sales of short-term investments	—	81,965
Net cash (used in) provided by investing activities	(818)	47,155
FINANCING ACTIVITIES:		
Proceeds from notes payable	2,490	—
Payments on capital leases	(19)	(55)
Income tax benefit from exercise of stock options	6	—
Purchases of treasury stock	—	(8,829)
Proceeds from issuance of stock, net	275	—
Net cash provided by (used in) financing activities	2,752	(8,884)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	283	(450)
INCREASE IN CASH AND CASH EQUIVALENTS	3,253	37,733
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	35,078	23,494
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 38,331	\$ 61,227