
**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): August 2, 2016

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 August 2, 2016, FARO Technologies, Inc. (the “Company”) issued a press release announcing its results of operations for the second fiscal quarter ended June 30, 2016. 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 August 2, 2016 |

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.

August 2, 2016

FARO Technologies, Inc.
(Registrant)

/s/ Robert Seidel

By: Robert Seidel

Its: Vice President of Finance & Investor Relations

EXHIBIT INDEX

| Exhibit Number | Description |
|---------------------------|------------------------------------|
| 99.1 | Press release dated August 2, 2016 |

NEWS BULLETIN



The Measure of Success

FARO Technologies, Inc.
250 Technology Park
Lake Mary, FL 32746**FOR IMMEDIATE RELEASE****FARO Reports Second Quarter 2016 Financial Results**

LAKE MARY, FL, August 2, 2016 – FARO® (NASDAQ: FARO), the world's most trusted source for 3D measurement and imaging solutions for metrology, factory automation, product design, public safety, BIM-CIM and 3D solutions and services, today announced its financial results for the second quarter and six months ended June 30, 2016.

Six months ended June 30, 2016

Sales were \$154.3 million for the six months ended June 30, 2016, up 0.4% compared with \$153.7 million for the six months ended June 27, 2015. Excluding the negative impact of foreign exchange rates on sales of \$0.9 million, sales for the first six months of 2016 would have increased approximately 1% compared with the same prior year period. Our year-to-date 2016 sales increase is mostly related to year-over-year growth in service revenue and metrology product sales offset partly by lower 3D documentation sales.

New order bookings for the six months ended June 30, 2016 were \$155.1 million, up 1.4% compared with \$152.9 million for the six months ended June 27, 2015.

Gross margin was 56.1%, up 1.4 percentage points compared with 54.7% in the prior year period mostly due to higher average selling prices and favorable sales mix.

Operating income was \$8.8 million, up 21.3% compared with \$7.3 million in the same prior year period, reflecting an increase in gross margin on slightly higher sales.

Net income and EPS for the first six months of 2016 was \$6.5 million and \$0.39 per share, respectively, up 34.5% as compared with \$4.8 million and \$0.27 per share, respectively, for the first six months of 2015.

Our cash and short-term investments increased by \$26.1 million to \$176.5 million at June 30, 2016 from \$150.4 million at December 31, 2015 primarily driven by strong cash flow from operations of \$27.7 million.

Second quarter 2016

Sales for the quarter ended June 30, 2016 were \$78.5 million, down 6.3% compared with \$83.8 million in the second quarter last year. Foreign exchange rates had a slightly positive impact on sales of \$0.2 million, increasing sales growth by 0.2 percentage points. Our decrease in sales reflected lower product sales within the Americas region given strong prior year performance, offset partly by higher metrology sales in Asia-Pacific and an increase in global service revenue.

New order bookings were \$81.6 million for the second quarter of 2016, down 2.7% compared with \$83.8 million for the second quarter of 2015.

Gross margin for the quarter was 55.9%, up 2.7 percentage points compared with 53.2% in the prior year period mostly due to higher average selling prices, warranty revenue growth, and higher manufacturing costs in the prior year period.

Operating income for the quarter was \$4.5 million, down 17.1% compared with \$5.4 million in the prior year period, mostly due to lower product sales partially offset by an increase in gross margin.

Net income and EPS for the quarter was \$3.4 million and \$0.20 per share, respectively, compared with \$4.1 million and \$0.24 per share, respectively, in the prior year period.

“For the first six months of 2016, we delivered a 35% increase in net income by driving gross margin and managing operating expenses,” stated Dr. Simon Raab, President and Chief Executive Officer. “We continue to execute on our renewal initiatives to ensure FARO’s technical and market leadership in 3D measurement. The vertical focus is guiding our R&D teams and M&A efforts in the development of a regular drumbeat of new market-leading product solutions for those areas of interest. We released six new or upgraded products in the quarter; and on July 11th, we acquired BuildIT Software & Solutions Ltd. to strengthen our metrology software offering. We will remain attentive to annual performance while undertaking this top-to-bottom reorganization in order to deliver long-term shareholder value.”

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, 2015.

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 are 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 Factory Array 3D 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, Vietnam, Thailand, South Korea, and Japan.

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 | | Six Months Ended | |
|--|--------------------|-------------------|-------------------|-------------------|
| | June 30, 2016 | June 27, 2015 | June 30, 2016 | June 27, 2015 |
| SALES | | | | |
| Product | \$ 61,640 | \$ 69,437 | \$ 120,952 | \$ 124,481 |
| Service | 16,898 | 14,338 | 33,334 | 29,233 |
| Total sales | <u>78,538</u> | <u>83,775</u> | <u>154,286</u> | <u>153,714</u> |
| COST OF SALES | | | | |
| Product | 25,055 | 29,532 | 49,063 | 51,709 |
| Service | 9,547 | 9,697 | 18,614 | 17,848 |
| Total cost of sales (exclusive of depreciation and amortization, shown separately below) | <u>34,602</u> | <u>39,229</u> | <u>67,677</u> | <u>69,557</u> |
| GROSS PROFIT | <u>43,936</u> | <u>44,546</u> | <u>86,609</u> | <u>84,157</u> |
| OPERATING EXPENSES | | | | |
| Selling and marketing | 18,747 | 20,063 | 36,372 | 39,168 |
| General and administrative | 10,167 | 9,066 | 20,708 | 18,867 |
| Depreciation and amortization | 3,266 | 2,739 | 6,352 | 5,232 |
| Research and development | 7,259 | 7,254 | 14,350 | 13,610 |
| Total operating expenses | <u>39,439</u> | <u>39,122</u> | <u>77,782</u> | <u>76,877</u> |
| INCOME FROM OPERATIONS | <u>4,497</u> | <u>5,424</u> | <u>8,827</u> | <u>7,280</u> |
| OTHER (INCOME) EXPENSE | | | | |
| Interest income, net | (54) | (24) | (98) | (43) |
| Other expense, net | 240 | 83 | 991 | 1,390 |
| INCOME BEFORE INCOME TAX EXPENSE | <u>4,311</u> | <u>5,365</u> | <u>7,934</u> | <u>5,933</u> |
| INCOME TAX EXPENSE | <u>919</u> | <u>1,217</u> | <u>1,462</u> | <u>1,121</u> |
| NET INCOME | <u>\$ 3,392</u> | <u>\$ 4,148</u> | <u>\$ 6,472</u> | <u>\$ 4,812</u> |
| NET INCOME PER SHARE - BASIC | <u>\$ 0.20</u> | <u>\$ 0.24</u> | <u>\$ 0.39</u> | <u>\$ 0.28</u> |
| NET INCOME PER SHARE - DILUTED | <u>\$ 0.20</u> | <u>\$ 0.24</u> | <u>\$ 0.39</u> | <u>\$ 0.27</u> |
| Weighted average shares - Basic | <u>16,659,115</u> | <u>17,384,382</u> | <u>16,634,323</u> | <u>17,360,749</u> |
| Weighted average shares - Diluted | <u>16,672,600</u> | <u>17,502,219</u> | <u>16,654,415</u> | <u>17,500,619</u> |

FARO TECHNOLOGIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

| (in thousands, except share data) | June 30, 2016 (unaudited) | December 31, 2015 |
|--|---------------------------------|----------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$133,541 | \$ 107,356 |
| Short-term investments | 42,975 | 42,994 |
| Accounts receivable, net | 56,825 | 69,918 |
| Inventories, net | 51,809 | 45,571 |
| Deferred income tax assets, net | 7,547 | 7,792 |
| Prepaid expenses and other current assets | 16,592 | 18,527 |
| Total current assets | 309,289 | 292,158 |
| Property and equipment: | | |
| Machinery and equipment | 55,702 | 54,124 |
| Furniture and fixtures | 6,164 | 5,945 |
| Leasehold improvements | 19,271 | 18,471 |
| Property and equipment, at cost | 81,137 | 78,540 |
| Less: accumulated depreciation and amortization | (47,745) | (42,594) |
| Property and equipment, net | 33,392 | 35,946 |
| Goodwill | 26,963 | 26,371 |
| Intangible assets, net | 15,573 | 15,985 |
| Service and sales demonstration inventory, net | 33,097 | 33,709 |
| Deferred income tax assets, net | 4,087 | 4,050 |
| Other long term assets | 947 | 967 |
| Total assets | \$423,348 | \$ 409,186 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 10,848 | \$ 11,345 |
| Accrued liabilities | 21,737 | 22,574 |
| Income taxes payable | 452 | — |
| Current portion of unearned service revenues | 26,940 | 26,114 |
| Customer deposits | 2,085 | 2,998 |
| Total current liabilities | 62,062 | 63,031 |
| Unearned service revenues - less current portion | 16,005 | 15,025 |
| Deferred income tax liabilities | 872 | 686 |
| Other long-term liabilities | 2,813 | 2,800 |
| Total liabilities | 81,752 | 81,542 |
| Shareholders' equity: | | |
| Common stock - par value \$.001, 50,000,000 shares authorized; 18,163,600 and 18,077,594 issued; 16,674,124 and 16,588,118 outstanding, respectively | 18 | 18 |
| Additional paid-in capital | 209,650 | 206,996 |
| Retained earnings | 178,801 | 172,329 |
| Accumulated other comprehensive loss | (15,035) | (19,861) |
| Common stock in treasury, at cost - 1,489,476 shares | (31,838) | (31,838) |
| Total shareholders' equity | 341,596 | 327,644 |
| Total liabilities and shareholders' equity | \$423,348 | \$ 409,186 |

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

| (in thousands) | Six Months Ended | |
|---|-------------------|------------------|
| | June 30, 2016 | June 27, 2015 |
| CASH FLOWS FROM: | | |
| OPERATING ACTIVITIES: | | |
| Net income | \$ 6,472 | \$ 4,812 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | |
| Depreciation and amortization | 6,352 | 5,232 |
| Compensation for stock options and restricted stock units | 2,731 | 2,468 |
| Provision for bad debts | 574 | 410 |
| Loss on disposal of assets | 305 | 644 |
| Write-down of inventories | 1,440 | 1,505 |
| Deferred income tax (benefit) expense | (261) | 561 |
| Income tax benefit from exercise of stock options | (70) | (286) |
| Change in operating assets and liabilities: | | |
| Decrease (increase) in: | | |
| Accounts receivable | 13,818 | 11,820 |
| Inventories | (4,918) | (15,097) |
| Prepaid expenses and other current assets | 2,115 | (1,948) |
| (Decrease) increase in: | | |
| Accounts payable and accrued liabilities | (1,596) | (12,636) |
| Income taxes payable | 522 | 722 |
| Customer deposits | (870) | (589) |
| Unearned service revenues | 1,114 | 782 |
| Net cash provided by (used in) operating activities | <u>27,728</u> | <u>(1,600)</u> |
| INVESTING ACTIVITIES: | | |
| Purchases of property and equipment | (2,580) | (6,073) |
| Payments for intangible assets | (712) | (1,185) |
| Purchase of businesses acquired | — | (12,011) |
| Net cash used in investing activities | <u>(3,292)</u> | <u>(19,269)</u> |
| FINANCING ACTIVITIES: | | |
| Payments on capital leases | (4) | (5) |
| Income tax benefit from exercise of stock options | 70 | 286 |
| Proceeds from issuance of stock, net | 513 | 2,175 |
| Net cash provided by financing activities | <u>579</u> | <u>2,456</u> |
| EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS | <u>1,170</u> | <u>(300)</u> |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | <u>26,185</u> | <u>(18,713)</u> |
| CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD | <u>107,356</u> | <u>109,289</u> |
| CASH AND CASH EQUIVALENTS, END OF PERIOD | <u>\$ 133,541</u> | <u>\$ 90,576</u> |

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

| (in thousands) | Three Months Ended | | Six Months Ended | |
|---|--------------------|-----------------|------------------|---------------|
| | June 30, 2016 | June 27, 2015 | June 30, 2016 | June 27, 2015 |
| Net income | \$ 3,392 | \$ 4,148 | \$ 6,472 | \$ 4,812 |
| Currency translation adjustments, net of income tax | (1,795) | 2,191 | 4,826 | (4,587) |
| Comprehensive income | <u>\$ 1,597</u> | <u>\$ 6,339</u> | <u>\$ 11,298</u> | <u>\$ 225</u> |