

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549**

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2025

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission File Number: 0-23081

FARO TECHNOLOGIES, INC.
(Exact Name of Registrant as Specified in Its Charter)

Florida
(State or other Jurisdiction of Incorporation or Organization)

59-3157093
(I.R.S. Employer Identification No.)

**125 Technology Park,
Lake Mary
Florida**
(Address of Principal Executive Offices)

32746
(Zip Code)

(407) 333-9911
(Registrant's Telephone Number, including Area Code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$.001	FARO	Nasdaq Global Select Market LLC

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☐
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. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes ☐ No ☒

There were 19,226,240 shares of the registrant’s common stock outstanding as of April 21, 2025.

FARO TECHNOLOGIES, INC.

Quarterly Report on Form 10-Q
Quarter Ended March 31, 2025

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PART I. FINANCIAL INFORMATION
Item 1. Financial Statements
FARO TECHNOLOGIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands, except share and per share data)		March 31, 2025 (unaudited)	December 31, 2024
ASSETS			
Current assets:			
Cash and cash equivalents	\$	92,445	\$ 88,703
Short-term investments		10,189	9,999
Accounts receivable, net		85,669	87,022
Inventories, net		33,272	32,121
Prepaid expenses and other current assets		33,610	30,326
Total current assets		255,185	248,171
Non-current assets:			
Property, plant and equipment, net		18,777	18,767
Operating lease right-of-use assets		19,196	15,880
Goodwill		108,664	106,555
Intangible assets, net		43,459	44,133
Service and sales demonstration inventory, net		23,265	22,760
Deferred income tax assets, net		23,090	23,005
Other long-term assets		3,393	3,734
Total assets	\$	495,029	\$ 483,005
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Accounts payable	\$	26,346	\$ 27,336
Accrued liabilities		25,121	27,735
Income taxes payable		7,937	6,736
Current portion of unearned service revenues		41,763	41,590
Customer deposits		4,633	4,989
Lease liabilities		4,784	4,474
Total current liabilities		110,584	112,860
Loan - 5.50% Convertible Senior Notes		70,378	70,267
Unearned service revenues - less current portion		19,962	19,886
Lease liabilities - less current portion		16,902	14,056
Deferred income tax liabilities		15,478	14,809
Income taxes payable - less current portion		1,530	1,485
Other long-term liabilities		28	32
Total liabilities		234,862	233,395
Commitments and contingencies - See Note 13			
Shareholders' equity:			
Common stock - par value \$0.001, 50,000,000 shares authorized; 21,187,604 and 20,916,723 issued, respectively; 19,225,837 and 18,954,956 outstanding, respectively		20	20
Additional paid-in capital		361,891	358,133
Retained earnings		(17,949)	(18,855)
Accumulated other comprehensive loss		(43,126)	(49,019)
Common stock in treasury, at cost - 1,961,767 and 1,961,767 shares held, respectively		(40,669)	(40,669)
Total shareholders' equity		260,167	249,610
Total liabilities and shareholders' equity	\$	495,029	\$ 483,005

The accompanying notes are an integral part of these condensed consolidated financial statements.

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

(in thousands, except share and per share data)	Three Months Ended March 31,	
	2025	2024
Sales		
Product	\$ 62,975	\$ 63,536
Service	19,888	20,708
Total sales	82,863	84,244
Cost of sales		
Product	26,153	30,452
Service	9,473	10,485
Total cost of sales	35,626	40,937
Gross profit	47,237	43,307
Operating expenses		
Selling, general and administrative	33,818	39,593
Research and development	9,485	9,024
Restructuring costs	120	—
Total operating expenses	43,423	48,617
Income (loss) from operations	3,814	(5,310)
Other (income) expense		
Interest expense, net	888	831
Other (income) expense, net	467	25
Income (loss) before income tax	2,459	(6,166)
Income tax expense	1,553	1,101
Net income (loss)	\$ 906	\$ (7,267)
Net income (loss) per share - Basic	\$ 0.05	\$ (0.38)
Net income (loss) per share - Diluted	\$ 0.05	\$ (0.38)
Weighted average shares - Basic	19,052,385	19,046,855
Weighted average shares - Diluted	19,732,364	19,046,855

The accompanying notes are an integral part of these condensed consolidated financial statements.

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

(in thousands)	Three Months Ended March 31,	
	2025	2024
Net income (loss)	\$ 906	\$ (7,267)
Currency translation adjustments, net of income taxes	5,893	(3,898)
Comprehensive income (loss)	<u>\$ 6,799</u>	<u>\$ (11,165)</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

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

(in thousands)	Three Months Ended March 31,	
	2025	2024
Cash flows from:		
Operating activities:		
Net income (loss)	\$ 906	\$ (7,267)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization	4,212	3,621
Stock-based compensation	3,758	4,539
Deferred income tax (benefit) and other non-cash charges	114	(805)
Provision for excess and obsolete inventory	46	152
Amortization of debt discount and issuance costs	111	112
Loss on disposal of assets	448	96
(Reversal of) provisions for bad debts	(21)	300
Change in operating assets and liabilities:		
Decrease (Increase) in:		
Accounts receivable	3,305	1,405
Inventories	153	1,957
Prepaid expenses and other current assets	(2,973)	5,587
(Decrease) Increase in:		
Accounts payable and accrued liabilities	(4,541)	(5,721)
Income taxes payable	1,131	783
Customer deposits	(455)	819
Unearned service revenues	(1,013)	1,282
Other liabilities	(150)	(285)
Net cash provided by operating activities	5,031	6,575
Investing activities:		
Purchases of property and equipment	(1,342)	(1,323)
Cash paid for technology development, patents and licenses	(1,452)	(1,442)
Net cash provided by (used in) investing activities	(2,794)	(2,765)
Financing activities:		
Payments on finance leases	(14)	(40)
Net cash used in financing activities	(14)	(40)
Effect of exchange rate changes on cash and cash equivalents	1,519	(1,039)
Increase in cash and cash equivalents	3,742	2,731
Cash and cash equivalents, beginning of period	88,703	76,787
Cash and cash equivalents, end of period	\$ 92,445	\$ 79,518

The accompanying notes are an integral part of these condensed consolidated financial statements.

FARO TECHNOLOGIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(UNAUDITED)

(in thousands, except share data)	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Common Stock in Treasury	Total
	Shares	Amounts					
BALANCE JANUARY 1, 2025	18,954,956	\$ 20	\$ 358,133	\$ (18,855)	\$ (49,019)	\$ (40,669)	\$ 249,610
Net income	—	—	—	906	—	—	906
Currency translation adjustment	—	—	—	—	5,893	—	5,893
Stock-based compensation	—	—	3,758	—	—	—	3,758
Common stock issued, net of shares withheld for employee taxes	270,881	—	—	—	—	—	—
BALANCE MARCH 31, 2025	19,225,837	\$ 20	\$ 361,891	\$ (17,949)	\$ (43,126)	\$ (40,669)	\$ 260,167

(in thousands, except share data)	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Common Stock in Treasury	Total
	Shares	Amounts					
BALANCE JANUARY 1, 2024	18,968,798	\$ 20	\$ 346,277	\$ (9,789)	\$ (37,247)	\$ (30,655)	\$ 268,606
Net loss	—	—	—	(7,267)	—	—	(7,267)
Currency translation adjustment	—	—	—	—	(3,898)	—	(3,898)
Stock-based compensation	—	—	4,539	—	—	—	4,539
Common stock issued, net of shares withheld for employee taxes	236,563	—	—	—	—	—	—
BALANCE MARCH 31, 2024	19,205,361	\$ 20	\$ 350,816	\$ (17,056)	\$ (41,145)	\$ (30,655)	\$ 261,980

The accompanying notes are an integral part of these condensed consolidated financial statements.

FARO TECHNOLOGIES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

(in thousands, except share and per share data, or as otherwise noted)

NOTE 1 – DESCRIPTION OF BUSINESS

FARO Technologies, Inc. and its subsidiaries (collectively “FARO,” the “Company,” “us,” “we” or “our”) is a global technology company that designs, develops, manufactures, markets and supports software driven, three-dimensional (“3D”) measurement, imaging, and realization solutions for the manufacturing, architecture, engineering and construction (“AEC”), operations and maintenance (“O&M”) and public safety analytics markets. We enable our customers to capture, measure, manipulate, interact with and share 4D, 3D and 2D data from the physical world in a virtual environment and then translate this information back into the physical domain. Our broad technology set provides customers with a wide selection of 3D capture technologies that range from ultra-high accuracy laser-scanner-based technology to lower accuracy, photogrammetry-based technology. Our suite of 3D products and software solutions are used for inspection of components and assemblies, rapid prototyping, reverse engineering, documenting large volume or structures in 3D, surveying and construction, construction management, assembly layout, machine guidance as well as in investigation and reconstructions of crash and crime scenes. We sell the majority of our solutions through a direct sales force, augmented by sales through indirect channels across a range of sectors including manufacturing, surveying, architecture, engineering and construction, public safety forensics and other industries.

NOTE 2 – PRINCIPLES OF CONSOLIDATION

Our condensed consolidated financial statements include the accounts of FARO Technologies, Inc. and its wholly owned subsidiaries (collectively “FARO,” the “Company,” “us,” “we” or “our”). All intercompany transactions and balances have been eliminated. The financial statements of our foreign subsidiaries are translated into U.S. dollars using exchange rates in effect at period-end for assets and liabilities and average exchange rates during each reporting period for results of operations. Translation adjustments are reflected as a separate component of accumulated other comprehensive loss, while foreign currency transaction gains and losses are included in net income (loss).

NOTE 3 – BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements and notes thereto have been prepared in accordance with United States generally accepted accounting principles (“U.S. GAAP”) for interim financial information and with the instructions of Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. These condensed consolidated financial statements include all normal recurring accruals and adjustments considered necessary by management for a fair presentation in conformity with U.S. GAAP. Preparing financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from those estimates. The condensed consolidated results of operations for the three months ended March 31, 2025 are not necessarily indicative of results that may be expected for the year ending December 31, 2025, or any future period.

The information included in this Quarterly Report on Form 10-Q, including the interim condensed consolidated financial statements and the accompanying notes, should be read in conjunction with the audited consolidated financial statements and related notes included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2024. The accompanying December 31, 2024 condensed consolidated balance sheet has been derived from those audited consolidated financial statements.

Stock-based compensation expense is allocated to the applicable departmental cost in our condensed consolidated financial statements. The following table summarizes total stock-based compensation expense for each of the line items on our condensed consolidated statements of operations:

	Three Months Ended March 31,	
	2025	2024
Cost of sales		
Product	\$ 291	\$ 276
Service	114	54
Total cost of sales	405	330
Operating expenses		
Selling, general and administrative	2,725	3,942
Research and development	628	267
Total operating expenses	3,353	4,209
Total stock-based compensation	\$ 3,758	\$ 4,539

NOTE 4 – IMPACT OF RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Impact of Recently Adopted Accounting Standards

In November 2023, the the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Updates (“ASU”) No. 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures (“ASU 2023-07”), which requires disclosure of significant segment expenses and other segment items on an annual and interim basis under Accounting Standards Codification 280. ASU 2023-07 is effective for fiscal years beginning after December 15, 2023, and for interim periods beginning after December 15, 2024. Early adoption is permitted and the amendments in this ASU should be applied on a retrospective basis to all periods presented. The Company adopted this ASU during the year ended December 31, 2024. See Note 16, "Segment Information" for further information.

Recently Issued Accounting Pronouncements Not Yet Adopted

In November 2024, the FASB issued ASU 2024-03, Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses. The new standard requires disclosures about specific types of expenses included in the expense captions presented on the face of the income statement as well as disclosures about selling expenses. This standard is effective for annual reporting periods beginning after December 15, 2026, with early adoption permitted. The Company is currently evaluating the impact that the adoption of this standard will have on its disclosure.

In December 2023, the FASB issued ASU No. 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures ("ASU 2023-09"), which improves income tax disclosures by requiring (1) consistent categories and greater disaggregation of information in the rate reconciliation and (2) income taxes paid disaggregated by jurisdiction. It also includes certain other amendments to improve the effectiveness of income tax disclosures. ASU 2023-09 is effective for annual periods beginning after December 15, 2024. Early adoption is permitted. ASU 2023-09 indicates that all entities will apply its guidance prospectively with an option for retroactive application to each period in the financial statements. The requirements of this ASU are disclosure-related and will not have an impact on the Company’s financial condition, results of operations, or cash flows. The Company is currently evaluating the impact of ASU 2023-09 on its disclosures.

NOTE 5 – REVENUES

The following tables present our revenues by sales type as presented in our condensed consolidated statements of operations disaggregated by the timing of transfer of goods or services (in thousands):

	Three Months Ended March 31,	
	2025	2024
Product sales		
Product transferred to customers at a point in time	\$ 56,781	\$ 57,774
Product transferred to customers over time	6,194	5,762
Total product sales	<u>\$ 62,975</u>	<u>\$ 63,536</u>

	Three Months Ended March 31,	
	2025	2024
Service sales		
Service transferred to customers at a point in time	\$ 8,783	\$ 9,753
Service transferred to customers over time	11,105	10,955
Total service sales	<u>\$ 19,888</u>	<u>\$ 20,708</u>

The following table presents our revenues disaggregated by geography, based on the billing addresses of our customers (in thousands):

	Three Months Ended March 31,	
	2025	2024
Total sales to external customers		
Americas ⁽¹⁾	\$ 36,008	\$ 37,228
EMEA ⁽¹⁾	25,108	25,435
APAC ⁽¹⁾	21,747	21,581
	<u>\$ 82,863</u>	<u>\$ 84,244</u>

⁽¹⁾ Regions represent North America and South America (the “Americas”); Europe, the Middle East, and Africa (“EMEA”); and Asia-Pacific (“APAC”).

For revenue related to our measurement and imaging equipment and related software, we allocate the contract price to performance obligations based on our best estimate of the standalone selling price. We make this allocation estimate utilizing data from the sale of our applicable products and services to customers separately in similar circumstances. Revenue related to our measurement and imaging equipment and related software is generally recognized upon shipment from our facilities or when delivered to the customer location, as determined by the agreed upon shipping terms, at which time we are entitled to payment and title and control has passed to the customer. Software arrangements generally include short-term maintenance that is considered post-contract support (“PCS”), which is considered to be product transferred to the customer over time and a separate performance obligation. We generally establish a standalone sales price for this PCS component based on our maintenance renewal rate. Maintenance renewals are recognized on a straight-line basis over the term of the maintenance agreement. Payments for products and services are collected within a short period of time following transfer of control or commencement of delivery of services, as applicable.

Further, customers frequently purchase extended hardware service contracts with the purchase of measurement equipment and related software. Hardware service contracts are considered a performance obligation when services are transferred to a customer over time, and, as such, we recognize revenue on a straight-line basis over the contractual term. Hardware service contracts include contract periods that extend between one month to three years.

We capitalize commission expenses related to deliverables transferred to a customer over time and amortize such costs ratably over the term of the contract. As of March 31, 2025, the deferred cost asset related to deferred commissions was approximately \$3.7 million. For classification purposes, \$2.8 million and \$0.9 million are comprised within the Prepaid expenses and other current assets and Other long-term assets, respectively, on our condensed consolidated balance sheet as of March 31, 2025. As of December 31, 2024, the deferred cost asset related to deferred commissions was approximately \$4.0 million. For classification purposes, \$3.1 million and \$0.9 million were comprised within the Prepaid expenses and other current assets and Other long-term assets, respectively, on our condensed consolidated balance sheet as of December 31, 2024.

The unearned service revenue liabilities reported on our condensed consolidated balance sheets reflect the contract liabilities to satisfy the remaining performance obligations for extended warranties, subscription-based software and software maintenance. The current portion of unearned service revenues on our condensed consolidated balance sheets is what we expect to recognize as revenue within twelve months after the applicable balance sheet date relating to extended warranties, subscription-based software and software maintenance contract liabilities. The unearned service revenues less the current portion on our condensed consolidated balance sheets is what we expect to recognize as revenue extending beyond twelve months after the applicable balance sheet date relating to extended warranties, subscription-based software and software maintenance contract liabilities. Customer deposits on our condensed consolidated balance sheets represent customer prepayments on contracts for performance obligations that we must satisfy in the future to recognize the related contract revenue. These amounts are generally related to performance obligations which are delivered in less than 12 months. The following table presents revenue recognized from deferred revenue on our consolidated balance sheets as of December 31, 2024 and December 31, 2023 (in thousands).

	December 31, 2024	December 31, 2023
Deferred revenue recognized	\$ 13,820	\$ 12,1

The following table presents revenue recognized from invoicing activity where performance obligations have been satisfied within the quarter for overtime deliverables for the three months ended March 31, 2025 and 2024 (in thousands).

	March 31, 2025	March 31, 2024
Revenue recognized from invoicing activity	\$ 1,045	\$ 1,7

The nature of certain of our contracts gives rise to variable consideration, primarily related to an allowance for sales returns. We are required to estimate the contract asset related to sales returns and record a corresponding adjustment to Cost of sales. Our allowance for sales returns for each of March 31, 2025 and December 31, 2024 was less than \$0.1 million.

Shipping and handling fees billed to customers in a sales transaction are recorded in Product Sales and shipping and handling costs incurred are recorded in Cost of sales. We exclude from Sales any value-added sales and other taxes that we collect concurrently with revenue-producing activities.

NOTE 6 – ACCOUNTS RECEIVABLE

Accounts receivable consist of the following (in thousands):

	As of March 31, 2025	As of December 31, 2024
Accounts receivable	\$ 89,305	\$ 90,692
Allowance for credit losses	(3,636)	(3,670)
Total	\$ 85,669	\$ 87,022

Activity related to the allowance for credit losses was as follows (in thousands):

	Three Months Ended March 31,	
	2025	2024
Beginning balance of the allowance for credit losses	\$ 3,670	\$ 3,167
Current period (recovery) provision for expected credit losses, net of recoveries	(21)	300
Charge-offs of amounts previously expensed	(13)	(129)
Ending balance of the allowance for credit losses	\$ 3,636	\$ 3,338

NOTE 7 – INVENTORIES

Inventories are stated at the lower of cost or net realizable value using the first-in first-out (FIFO) method. We have three principal categories of inventory: 1) manufactured product to be sold; 2) sales demonstration inventory - completed product used to support our sales force for demonstrations and held for sale; and 3) service inventory - completed product and parts used to support our service department and held for sale. Shipping and handling costs are classified as a component of Cost of sales in our condensed consolidated statements of operations. Sales demonstration inventory is held by our sales representatives for up to three years, at which time it would be refurbished and transferred to finished goods as used equipment, stated at the

lower of cost or net realizable value. We expect these refurbished units to remain in finished goods inventory and sold within 12 months at prices that produce reduced gross margins. Service inventory is used to provide a temporary replacement product to a customer covered by a premium warranty when the customer's unit requires service or repair and as training equipment. Service inventory is available for sale; however, management does not expect service inventory to be sold within 12 months and, as such, classifies this inventory as a long-term asset. Service inventory that we utilize for training or repairs and which we deem as no longer available for sale is transferred to fixed assets at the lower of cost or net realizable value and depreciated over the remaining life, typically three years.

Inventories consist of the following (in thousands):

	As of March 31, 2025		As of December 31, 2024	
Raw materials	\$	14,107	\$	15,971
Finished goods		19,165		16,150
Inventories, net		33,272		32,121
Service and sales demonstration inventory, net	\$	23,265	\$	22,760

NOTE 8 – INTANGIBLE ASSETS

Intangible assets consist of the following (in thousands):

	As of March 31, 2025		
	Carrying Value	Accumulated Amortization	Net Intangible
Amortizable intangible assets:			
Product technology	\$ 24,059	\$ 19,102	\$ 4,957
Patents and trademarks	17,148	10,361	6,787
Customer relationships	25,237	9,105	16,132
Other	30,621	15,038	15,583
Total	<u>\$ 97,065</u>	<u>\$ 53,606</u>	<u>\$ 43,459</u>
	As of December 31, 2024		
	Carrying Value	Accumulated Amortization	Net Intangible
Amortizable intangible assets:			
Product technology	\$ 23,645	\$ 18,134	\$ 5,511
Patents and trademarks	17,298	10,246	7,052
Customer relationships	24,597	8,548	16,049
Other	29,449	13,928	15,521
Total	<u>\$ 94,989</u>	<u>\$ 50,856</u>	<u>\$ 44,133</u>

Amortization expense, was \$2.5 million and \$2.1 million for the three months ended March 31, 2025 and 2024, respectively.

NOTE 9 – EARNINGS (LOSS) PER SHARE

Basic net income (loss) per share is computed by dividing net income (loss) by the weighted average number of shares outstanding. Diluted net income (loss) per share is computed by also considering the impact of potential common stock on both net income (loss) and the weighted average number of shares outstanding. We compute diluted earnings per share using the weighted average number of common shares outstanding plus the effect of outstanding time-based and market-based restricted stock units, using the treasury stock method, and the effect of our convertible debt using the if-converted method. Our potential common stock is included in the diluted earnings per share calculation when adding such potential common stock would not be anti-dilutive. Market-based awards are included in the computation of diluted earnings per share only to the extent that the underlying conditions (and any applicable market condition) (i) are satisfied as of the end of the reporting period or (ii) would be considered satisfied if the end of the reporting period were the end of the related contingency period and the result would be dilutive under the treasury stock method. When we report a net loss for the period presented, the calculation of diluted net loss per share excludes our potential common stock, as the effect would be anti-dilutive.

The outstanding convertible notes were excluded from the computation of diluted earnings per share for the periods presented because the conversion price exceeded the average market price of the common stock, rendering the convertible notes nonconvertible.

A reconciliation of the number of common shares used in the calculation of basic and diluted net income (loss) per share per share is presented as follows (in thousands, except per share data):

	Three Months Ended March 31,	
	2025	2024
Numerator:		
Net income (loss)	\$ 906	\$ (7,267)
Denominator:		
Weighted average shares - Basic	19,052	19,047
Dilutive RSUs	680	—
Weighted average shares - Diluted	19,732	19,047
Net income (loss) per share - Basic	\$ 0.05	\$ (0.38)
Net income (loss) per share - Diluted	\$ 0.05	\$ (0.38)

NOTE 10 – ACCRUED LIABILITIES

Accrued liabilities consist of the following (in thousands):

	As of March 31, 2025	As of December 31, 2024
Accrued compensation and benefits	\$ 14,084	\$ 16,109
Accrued restructuring costs	1,037	1,642
Accrued warranties	2,476	2,031
Professional and legal fees	1,741	1,105
Accrued interest	846	1,795
Taxes other than income	3,302	2,897
Other accrued liabilities	1,635	2,156
Total accrued liabilities	\$ 25,121	\$ 27,735

Activity related to accrued warranties was as follows (in thousands):

	Three Months Ended March 31,	
	2025	2024
Balance, beginning of period	\$ 2,031	\$ 2,831
Provision for warranty expense	788	837
Fulfillment of warranty obligations	(343)	(997)
Balance, end of period	\$ 2,476	\$ 2,671

NOTE 11 – FAIR VALUE MEASUREMENTS AND INVESTMENTS

Fair Value Measurements

The guidance on fair value measurements and disclosures defines fair value, establishes a framework for measuring fair value, and requires enhanced disclosures about assets and liabilities measured at fair value. Fair value is defined as the price at which an asset could be exchanged in a current transaction between knowledgeable, willing parties. A liability's fair value is defined as the amount that would be paid to transfer the liability to a new obligor, not the amount that would be paid to settle the liability with the creditor. Where available, fair value is based on observable market prices or parameters or derived from such prices or parameters. Where observable prices or inputs are not available, valuation models are used to determine fair value. These models employ valuation techniques that involve some level of management estimation and judgment, the degree of which is dependent on the price transparency for the instruments or market and the instruments' complexity.

Assets and liabilities recorded at fair value on a recurring basis in our condensed consolidated balance sheets are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Hierarchical levels, defined by the guidance on fair value measurements, are directly related to the amount of subjectivity associated with the inputs to fair valuation of these assets and liabilities and are as follows:

Level 1 - Valuation is based upon quoted market prices for identical instruments traded in active markets.

Level 2 - Valuation is based on quoted market prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3 - Valuation is generated from model-based techniques that use significant assumptions not observable in the market. Valuation techniques include use of discounted cash flow models and similar techniques.

The fair values of our cash and cash equivalents, accounts receivable, and accounts payable, approximate their carrying amounts due to their short duration.

As of March 31, 2025, the carrying amount of investments in U.S. Treasury Bills was \$25.2 million. The Company had \$15.0 million classified as Cash and cash equivalents and \$10.2 million classified as Short-term investments on our consolidated balance sheets. Additionally, the Company also had the carrying amount of \$5.2 million in money market funds that were classified as Cash and cash equivalents on our condensed consolidated balance sheets. At March 31, 2025, the fair value of these investments approximated its carrying amount. The fair value of the money market fund and the U.S. Treasury Bills is considered a Level 1 measurement.

The fair value of our convertible notes was determined based on the closing trading price of our convertible notes on March 31, 2025 and was primarily affected by the trading price of the Company's common stock and market interest rates. The fair value of our convertible notes is considered a Level 2 measurement as they are not actively traded.

Fair Value on a Recurring Basis

Assets and liabilities measured at fair value on a recurring basis are categorized in the tables below based upon the lowest level of significant input to the valuations (in thousands):

	As of March 31, 2025	
	Level 1	Level 2
Assets		
Cash equivalents: Money market fund	\$ 5,217	-
Cash equivalents: U.S. Treasury securities	15,134	-
Short-term investments: U.S. Treasury securities	10,190	-
Total	\$ 30,541	-
Liabilities		
Convertible Senior Notes due 2028	—	\$ 75,240
	As of December 31, 2024	
	Level 1	Level 2
Assets		
Cash equivalents: Money market fund	\$ 10,466	-
Cash equivalents: U.S. Treasury securities	9,999	-
Short-term investments: U.S. Treasury securities	9,999	-
Total	\$ 30,464	-
Liabilities		
Convertible Senior Notes due 2028	—	\$ 72,500

NOTE 12 – RESTRUCTURING

On February 14, 2020, our Board of Directors approved a global restructuring plan (the “Restructuring Plan”) to improve operating performance and help ensure that we are appropriately structured and resourced to deliver sustainable value to our shareholders and customers. Key activities under the Restructuring Plan have targeted and achieved approximately \$40 million

in annualized savings. In conjunction with the Restructuring Plan, on July 15, 2021, we entered into a manufacturing services agreement (the “Agreement”) with Sanmina Corporation (“Sanmina”). Under the Agreement, Sanmina provides manufacturing services for the Company’s measurement device products previously manufactured by the Company at the Company’s Lake Mary, Florida, Exton, Pennsylvania, Stuttgart, Germany and Portugal manufacturing sites. This phased transition to a Sanmina production facility was completed at the beginning of the third quarter of 2022 as part of our cost reduction initiative. As a result of an evaluation on the usage of our manufacturing spaces, we decided to abandon 17,000 square feet of unused space at our Exton, Pennsylvania facility in the third quarter of 2022. In connection with the Restructuring Plan, we recorded a total pre-tax charge of approximately \$4.6 million, which includes expenses to be paid in cash of \$3.0 million, primarily consisting of severance and related benefits, professional fees and other related charges and a non-cash expense of \$1.6 million, consisting of the impairment of assets. We paid \$6.4 million for the year ended December 31, 2022, primarily consisting of severance and related benefits.

On February 7, 2023, our Board of Directors approved an integration plan (the “Integration Plan”) to streamline and simplify operations, particularly around our recent acquisitions and the resulting redundant operations and offerings. The Integration Plan was amended on May 3, 2023, and the Board approved increases to both the expected pre-tax charges and the annualized cost savings. Key activities under the Integration Plan include a decrease in headcount, consolidation of our cloud-based offerings from 3 platforms (2 acquired, 1 organic) into a single customer offering, and the optimization of our facility assets to align with current and expected future utilization.

In 2023, we completed an evaluation of our leased facilities located in Lake Mary, Florida, Stuttgart and Dresden, Germany, Portugal and Singapore and determined that we would abandon portions of these facilities. Consequently, we recorded right-of-use asset and leasehold improvement impairment charges of \$4.0 million, which was included in restructuring costs on the consolidated statements of operations. Additionally, we recorded \$1.4 million in asset impairment charges to fully expense the net book value of certain software assets. As part of the Integration Plan, we also evaluated our product portfolio and decided to discontinue certain legacy products. As of December 31, 2024, in relation with the Integration Plan, we incurred total restructuring charges of \$26.7 million, and have made cash payments of \$10.4 million. Substantially all of our planned activities under the Restructuring Plan and the Integration Plan are complete.

On November 1, 2024, our Board of Directors approved a restructuring plan (the “2024 Restructuring Plan”), which is intended to support its strategic plan in an effort to improve operating performance and streamline and simplify operations, particularly around our redundant operations and underperforming countries primarily driven by economic and demand challenges in the manufacturing and construction sectors. Key activities under the 2024 Restructuring Plan include a planned decrease in headcount, consolidation of our manufacturing operations from recent acquisitions to our global manufacturing partner, Sanmina, and the continued optimization of our facilities assets to align with current and expected future utilization. As a result, we expect to incur potentially \$6 million to \$9 million in pre-tax charges, primarily in the fourth quarter of 2024 and first half of 2025, comprised primarily of \$5 million to \$8 million of one-time severance and other employee-related termination benefits. As of March 31, 2025, in relation with the 2024 Restructuring Plan, we have incurred total restructuring charges of \$2.7 million, and have made cash payments of \$2.2 million.

In the first quarter of 2025, we recognized \$0.1 million in employee severance, other professional costs and asset write offs associated with the 2024 Restructuring Plan, and paid \$0.7 million primarily consisting of severance and related benefits. In the first quarter of 2024, we did not incur costs relating to the Integration Plan, as substantially all of our planned activities under the Restructuring Plan and Integration Plan are complete. We paid \$0.4 million for the three months ended March 31, 2024, primarily consisting of severance and related benefits associated with the Integration Plan.

Activity related to the accrued restructuring charges for the 2024 Restructuring Plan and the Integration Plan, and cash payments during the three months ended March 31, 2025 and 2024 is as follows (in thousands):

	Severance and other benefits	Professional fees and other related charges	Total
Balance at December 31, 2024	\$ 1,522	\$ 120	\$ 1,642
Additions charged to expense	86	—	86
Cash payments	(638)	(53)	(691)
Balance at March 31, 2025	\$ 970	\$ 67	\$ 1,037

	Severance and other benefits	Professional fees and other related charges	Total
Balance at December 31, 2023	\$ 1,489	\$ 120	\$ 1,609
Additions charged to expense	—	—	—
Cash payments	(403)	—	(403)
Balance at March 31, 2024	\$ 1,086	\$ 120	\$ 1,206

Substantially all of our planned activities under the Restructuring Plan and the Integration Plan are complete. We expect the 2024 Restructuring Plan actions to be completed by the end of 2025.

NOTE 13 – COMMITMENTS AND CONTINGENCIES

Purchase Commitments — We enter into purchase commitments for products and services in the ordinary course of business. These commitments typically support production requirements, materials needed to service customer units throughout the product lifecycle, warranty-related obligations and software subscriptions. As of March 31, 2025, we had approximately \$19.4 million in outstanding purchase commitments, primarily related to production materials. These commitments are generally non-cancelable and are expected to be primarily fulfilled within the next 12 months. We do not expect these obligations to have a material adverse effect on our liquidity or financial condition.

Future lease payment amounts for operating and finance are as follows (in thousands):

Year Ending December 31,	Operating leases	Finance leases
2025 (excluding the first 3 months)	\$ 4,106	\$ 45
2026	4,572	46
2027	3,721	27
2028	3,391	17
2029	3,100	5
Thereafter	8,230	—
Total lease payments	27,120	140
Less imputed interest	(5,434)	(10)
Total	\$ 21,686	\$ 130

Legal Proceedings — We are involved in disputes, claims and other legal actions arising in the normal course of our business. Although it is not possible to predict the outcome of these matters, we believe that the results of these proceedings will not have a material adverse effect on our business, financial condition or results of operations. However, any litigation, regardless of its outcome, may be costly and may require significant time and attention of our management and technical personnel.

NOTE 14 – INCOME TAXES

For the three months ended March 31, 2025, we recorded an income tax expense of \$1.6 million compared with \$1.1 million for the three months ended March 31, 2024. Our effective tax rate was 63.2% for the three months ended March 31, 2025, compared with 17.9% in the prior year period. Fluctuations observed in both our income tax expense and effective tax rate are primarily associated with shifts in the geographic mix of pretax income projected for the entirety of 2025. The increase in the effective tax rate compared to the prior year period also reflects the continued impact of valuation allowances in certain jurisdictions, which limit the recognition of tax benefits on current-period losses.

Our quarterly estimate of our annual effective tax rate, and our quarterly provision for income tax (benefit) expense, are subject to significant variation due to numerous factors, including variability in accurately predicting our pre-tax and taxable income or loss and the mix of jurisdictions to which they relate, as well as the amount of pre-tax income or loss recognized during the quarter.

NOTE 15 - DEBT

On January 24, 2023, the Company issued \$75 million aggregate principal amount of 5.50% Convertible Senior Notes due 2028 (the “Notes”). The Notes are general senior unsecured obligations of the Company and will mature on February 1, 2028, unless earlier redeemed, repurchased or converted. The Notes bear interest from January 24, 2023, at a rate of 5.50% per annum payable semiannually in arrears on February 1 and August 1 of each year, beginning August 1, 2023. The annual effective interest rate of the Notes is 6.27% when including discounts and offering expenses incurred by the Company.

The Notes will be convertible at the option of the holders of the Notes at any time prior to November 1, 2027 only under the following circumstances: (1) during any calendar quarter commencing after the calendar quarter ending on March 31, 2023 (and only during such fiscal quarter), if the last reported sale price of the Company’s common stock, par value \$0.001 per share (hereinafter referred to as “common stock”), for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on and including, the last trading day of the immediately preceding calendar quarter exceeds 130% of the conversion price on each applicable trading day; (2) during the five-business day period after any ten consecutive trading day period (the “measurement period”) in which the trading price per \$1,000 principal amount of the Notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price of the Company’s common stock and the conversion rate for the Notes on each such trading day; (3) upon the occurrence of certain corporate events or distributions on the Company’s common stock; (4) if the Company calls such Notes for redemption; or (5) upon the occurrence of specified corporate events. On or after November 1, 2027, holders may convert all or any portion of their Notes at any time prior to the close of business on the second scheduled trading day immediately preceding the maturity date regardless of the foregoing conditions. Upon conversion, the Company will satisfy its conversion obligation by paying or delivering, as the case may be, cash, shares of common stock or a combination of cash and shares of common stock, at the Company’s election. The conversion rate for the Notes will initially be 23.6072 shares of the common stock per \$1,000 principal amount of the Notes, which is equivalent to an initial conversion price of approximately \$42.36 per share of the common stock. The initial conversion price of the Notes represents a premium of approximately 20% to the \$35.30 per share last reported sale price of the common stock on January 19, 2023. The conversion rate is subject to adjustment under certain circumstances in accordance with the terms of the Indenture. During the three months ended March 31, 2025, the conditions allowing holders of the Notes to convert have not been met. The Notes are therefore not convertible as of March 31, 2025 and are classified in long term liabilities in the condensed consolidated balance sheet.

The Company may not redeem the Notes prior to February 5, 2026. The Company may redeem for cash all or any portion of the Notes, at its option, on or after February 5, 2026 and on or before the 50th scheduled trading day immediately before the maturity date, if the last reported sale price of the common stock exceeds 130% of the conversion price on (i) each of at least 20 trading days (whether or not consecutive) during the 30 consecutive trading days ending on and including the last trading day immediately before the date on which the Company provides notice of redemption and (ii) the trading day immediately before the date the Company provides such notice. The redemption price will be equal to 100% of the principal amount of the Notes to be redeemed, plus any accrued and unpaid interest to, but excluding, the redemption date. No sinking fund is provided for the Notes, which means that the Company is not required to redeem or retire the Notes periodically.

Upon the occurrence of a fundamental change (as defined in the indenture governing the Notes) prior to the maturity date, subject to certain conditions, holders of the Notes may require the Company to repurchase all or a portion of the Notes for cash at a repurchase price equal to 100% of the principal amount of the Notes to be repurchased, plus any accrued and unpaid interest to, but excluding, the fundamental change repurchase date.

The proceeds from the issuance of the Notes are presented under the long term liabilities of our condensed consolidated balance sheet. The net proceeds from the issuance of the Notes were approximately \$72.3 million, after deducting underwriting discounts of \$2.3 million and other offering expenses of \$0.4 million.

In June 2024, the Company entered into separate, privately negotiated transactions with certain holders of the Notes to repurchase \$3.0 million aggregate principal amount of the Notes for an aggregated cash repurchase price of \$2.7 million and a gain on debt extinguishment of \$0.3 million, which was recorded in “Other (income) expense, net”, on the condensed consolidated statements of operations. After the repurchase, \$72.0 million aggregate principal amount of the Notes remained outstanding on March 31, 2025. The Company is in compliance with all covenants under the indenture governing the Notes as of March 31, 2025.

The net carrying amount of the Notes was as follows (in thousands) :

	As of March 31, 2025	As of December 31, 2024
Principal	\$ 72,000	\$ 72,000
Unamortized discount and issuance costs	(1,622)	(1,733)
Net carrying amount	\$ 70,378	\$ 70,267

The following table sets forth the interest expense recognized related to the Notes (in thousands):

	Three Months Ended March 31,	
	2025	2024
Contractual interest expense	\$ 990	\$ 1,031
Amortization of discount and issuance costs	111	112
Total interest expense related to the Notes	\$ 1,101	\$ 1,143

NOTE 16 – SEGMENT INFORMATION

Our executive leadership team is comprised of functional leaders in areas such as sales, marketing, operations, research and development, general and administrative and human resources. We report as one reporting segment that develops, manufactures, markets, supports and sells CAD-based quality assurance products integrated with CAD-based inspection, statistical process control software and 3D documentation systems. Our CEO, who is also our Chief Operating Decision Maker (“CODM”) assesses performance of our reporting segment and decides how to allocate resources based on consolidated net income (loss) that is also reported on the consolidated statement of operations as consolidated net income (loss). The measure of segment assets is reported on the consolidated balance sheets as total consolidated assets. The CEO uses consolidated net income (loss) to evaluate income (loss) generated from segment assets in deciding whether to reinvest profits into the segment. We do not have separate business units or segment managers or vertical leaders who report to the CODM with respect to operations, operating results or planning for levels or components below the total Company level. Our reporting segment sells into a variety of end markets, including automotive, aerospace, metal and machine fabrication, architecture, engineering, construction and public safety. These activities represent more than 99% of consolidated sales.

Segment results for the three months ended March 31, 2025 and 2024 are as follows (in thousands):

	Three Months Ended March 31,	
	2025	2024
Sales	\$ 82,863	\$ 84,244
Cost of sales	35,626	40,937
Gross profit	47,237	43,307
Segment expenses		
Employee compensation	28,043	29,278
Stock compensation	3,353	4,209
Restructuring costs	120	—
Depreciation & amortization	2,222	1,894
Interest expense, net	888	831
Other (income) expense, net	467	25
Income tax expense	1,553	1,101
Facilities	1,866	1,972
Technology services and infrastructure	3,631	3,341
Travel	2,222	2,009
Other segment expenses ⁽¹⁾	1,966	5,914
Segment net income (loss)	906	(7,267)
<i>Reconciliation of profit or loss</i>		
Adjustments and reconciling items	—	—
Consolidated net income (loss)	\$ 906	\$ (7,267)

⁽¹⁾ Other segment expenses primarily consist of consulting and audit fees, trade show cost, marketing spend and legal fees.

NOTE 17 - SUBSEQUENT EVENTS

In April 2025, the U.S. announced a 10% import tariff, with significant possible increases for countries including an additional 36% related to Thailand, a key manufacturing source. We are evaluating mitigation options, including a potential price increase, but there can be no assurance that this will not have a material adverse impact on our operating performance.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following information should be read in conjunction with the condensed consolidated financial statements, including the notes thereto, included elsewhere in this Quarterly Report on Form 10-Q (the "Quarterly Report") and Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended December 31, 2024, as filed with the Securities and Exchange Commission on February 24, 2025 (the Annual Report").

Amounts reported in millions within this Quarterly Report are computed based on the amounts in thousands. As a result, due to rounding, the sum of the components reported in millions may not equal the total amount reported in millions. Certain columns and rows within the tables that follow may not add due to the use of rounded numbers. Percentages presented are calculated based on the respective amounts in thousands.

FARO Technologies, Inc. ("FARO," the "Company," "us," "we" or "our") has made "forward-looking statements" in this report within the meaning of the Private Securities Litigation Reform Act of 1995. Statements that are not historical facts or that describe our plans, beliefs, goals, intentions, objectives, projections, expectations, assumptions, strategies, or future events are forward-looking statements. In addition, words such as "may," "might," "would," "will," "will be," "future," "strategy," "believe," "plan," "should," "could," "seek," "expect," "anticipate," "intend," "estimate," "goal," "objective," "project," "forecast," "target" and similar words, or the negative of these terms or other similar expressions, identify forward-looking statements.

Forward-looking statements are not guarantees of future performance and are subject to a number of known and unknown risks, uncertainties, assumptions, including those described in the section titled "Risk Factors" and elsewhere in this Quarterly Report, and other factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements. Consequently, undue reliance should not be placed on these forward-looking statements. These forward-looking statements speak only as of the date of this Quarterly Report. We do not intend to update any forward-looking statements, whether as a result of new information, future events, or otherwise, unless required by law. Important factors that could cause actual results to differ materially from those contemplated in such forward-looking statements include, among others, the following:

- an economic downturn or other adverse changes in the industries that we serve or the domestic and international economies in the regions of the world where we operate and other general economic, business, and financial conditions;
- the effects of shipping and other supply chain disruptions and the impact of supply chain disruptions on our ability to deliver our products to customers;
- the effect of any changes in our executive management team and the loss of any of our executive officers or other key personnel, which may be impacted by factors such as our inability to competitively address inflationary pressures on employee compensation and flexibility in employee work arrangements, including the impact of our 2025 "return to office" policy;
- our inability to realize the intended benefits of reorganizing our business functions and improve operational effectiveness;
- our inability to realize the intended benefits of our undertaking to transition to a subscription-based business model to deliver new and existing software offerings on a cloud-computing-based platform, including but not limited to impairment charges of capitalized expenditures related to the development of Sphere, our cloud-computing-based platform, and our inability to realize the expected benefits;
- our inability to successfully execute our strategic plan and our 2024 Restructuring Plan (defined below), including but not limited to additional impairment charges including existing leasehold improvements and/or higher than expected severance costs and exit costs, and our inability to realize the expected benefits of such plans;
- our inability to realize the anticipated benefits of our partnership with Sanmina Corporation ("Sanmina");
- our inability to reasonably source essential equipment and materials to manufacture our products as a result of global supply shortages;
- global macroeconomic conditions, including inflationary pressures and higher than historical interest rates;
- our inability to successfully realize increases to the pricing of our products and services;
- our inability to achieve and maintain profitability to fully realize the economic benefit of recorded deferred tax assets;
- our inability to further penetrate our customer base and target markets;

- development by others of new or improved products, processes or technologies that make our products less competitive or obsolete;
- our inability to maintain what we believe to be our technological advantage by developing new products and enhancing our existing products;
- risks associated with expanding international operations, such as difficulties in staffing and managing foreign operations, increased political and economic instability, compliance with potentially evolving 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;
- changes in trade regulation, which result in rising prices of imported steel, steel byproducts, aluminum and aluminum byproducts and various other raw materials that we use in the production of measurement devices, and our ability to pass those costs on to our customers or require our suppliers to absorb such costs;
- changes in foreign regulation which may result in rising prices of our measurement devices sold as exports to our international customers, our customers' willingness to absorb incremental import tariffs, and the corresponding impact on our profitability;
- our inability to successfully identify and acquire target companies and achieve expected benefits from, and effectively integrate, acquisitions that are consummated, including the operations from Holobuilder, Inc., UK-based NGH Holdings Limited and its subsidiaries (collectively, "GeoSLAM") and US-based SiteScape Inc., and the intellectual property acquired;
- our inability to realize the intended benefits of the technology, products, operations, contracts, and personnel of our acquisitions;
- the cyclical nature of the industries of our customers and material adverse changes in our customers' access to liquidity and capital;
- changes in the potential for the computer-aided measurement market and the potential adoption rate for our products, which are difficult to quantify and predict;
- our inability to protect our patents and other proprietary rights in the United States and foreign countries;
- our inability to defend against a cyberattack, security or other data breach of our systems, which may compromise the confidentiality, integrity, or availability of our internal data and the availability of our products and websites designed to support our customers or their data;
- our inability to adequately maintain effective internal controls over financial reporting;
- fluctuations in our annual and quarterly operating results and the inability to achieve our financial operating targets as a result of a number of factors including, without limitation (i) litigation and regulatory action brought against us, (ii) quality issues with our products, (iii) excess or obsolete inventory, shrinkage or other inventory losses due to product obsolescence, change in demand for our products, scrap or material price changes, (iv) raw material price fluctuations and other inflationary pressures, (v) expansion of our manufacturing capability, (vi) the size and timing of customer orders, (vii) the amount of time that it takes to fulfill orders and ship our products, (viii) the length of our sales cycle to new customers and the time and expense incurred in further penetrating our existing customer base, (ix) manufacturing inefficiencies associated with new product introductions, (x) costs associated with new product introductions, such as product development, marketing, assembly line start-up costs and low introductory period production volumes, (xi) the timing and market acceptance of new products and product enhancements, (xii) customer order deferrals in anticipation of new products and product enhancements, (xiii) the inability of our sales and marketing programs to achieve their sales targets, (xiv) start-up costs associated with opening new sales offices outside of the United States, (xv) fluctuations in revenue without proportionate adjustments in fixed costs, (xvi) inefficiencies in the management of our inventories and fixed assets, (xvii) compliance with government regulations including health, safety, and environmental matters, and (xviii) costs associated with the training and ramp-up time for new sales people;
- changes in gross margins due to a changing mix of products sold and the different gross margins on different products and sales channels;
- changes in applicable laws, rules or regulations, or their interpretation or enforcement, or the enactment of new laws, rules or regulations that apply to our business operations or require us to incur significant expenses for compliance;
- our inability to successfully comply with the requirements of product compliance regulations, including but not limited to the Restriction of Hazardous Substances Directive and the Waste Electrical and Electronic Equipment Directive in the European Union;

- the inability of our products to displace traditional measurement devices and attain broad market acceptance;
- the impact of competitive products and pricing on our current offerings;
- difficulties in recruiting research and development engineers, application engineers, or other key personnel;
- the failure to effectively manage the effects of any future growth;
- the impact of reductions or projected reductions in government spending, or uncertainty regarding future levels of government expenditures, particularly in the defense sector;
- variations in our effective income tax rate, which makes it difficult to predict our effective income tax rate on a quarterly and annual basis, and the impact of the U.S. Tax Cuts and Jobs Act of 2017 on the global intangible low-taxed income of foreign subsidiaries;
- the loss of key suppliers and the inability to find sufficient alternative suppliers in a reasonable period of time or on commercially reasonable terms;
- the impact of fluctuations in exchange rates on non-U.S. dollar-denominated revenues and expenses;
- the impact of geopolitical conditions and conflicts;
- the effect of estimates and assumptions with respect to critical accounting policies and the impact of the adoption of recently issued accounting pronouncements;
- the effect of changes in political conditions in the U.S. and other countries in which we operate, including the effect of changes in U.S. trade and tariff policies on market conditions, global trade policies and currency exchange rates;
- the effect of European regulations regarding the use and ownership of customer data;
- the magnitude of increased warranty costs from new product introductions and enhancements to existing products;
- the sufficiency of our plants and third-party resources to meet manufacturing requirements;
- the continuation of our share repurchase program;
- the sufficiency of our working capital and cash flows from operations to fund our short- and long-term liquidity requirements;
- the impact of geographic changes in the manufacturing or sales of our products on our effective income tax rate;
- our ability to comply with the requirements for favorable tax rates in foreign jurisdictions; and
- other risks and uncertainties discussed in Part I, Item 1A. Risk Factors in our Annual Report, elsewhere in this Quarterly Report, and in our other SEC filings.

These statements are inherently uncertain, and investors are cautioned not to unduly rely upon these statements. Moreover, new risks and uncertainties emerge from time to time, and we undertake no obligation to update publicly or review the risks and uncertainties included in this Quarterly Report, unless otherwise required by law.

Overview

We are a global technology company that designs, develops, manufactures, markets and supports software driven, three-dimensional (“3D”) measurement, imaging, and realization solutions for the manufacturing, architecture, engineering and construction (“AEC”), Operations and Maintenance (“O&M”) and public safety analytics markets. We enable our customers to capture, measure, manipulate, interact with and share 4D, 3D and 2D data from the physical world in a virtual environment and then translate this information back into the physical domain. Our broad technology set equips our customers with a wide range of 3D capture technologies that range from ultra-high accuracy laser-scanner-based technology to lower accuracy, photogrammetry-based technology. Our FARO suite of 3D products and software solutions are used for inspection of components and assemblies, rapid prototyping, reverse engineering, documenting large volume or structures in 3D, surveying and construction, construction management, assembly layout, machine guidance as well as in investigation and reconstructions of crash and crime scenes. We sell the majority of our solutions through a direct sales force, with an increasing volume being sold through an indirect channel across a range of industries including automotive, aerospace, metal and machine fabrication, surveying, architecture, engineering and construction, public safety forensics and other industries.

We derive our revenues primarily from the sale of our measurement equipment and related multi-faceted software programs. Revenue related to these products is generally recognized upon shipment. In addition, we sell extended warranties, training and technology consulting services relating to our products. We recognize the revenue from hardware service contracts

and software maintenance contracts on a straight-line basis over the contractual term, and revenue from training and technology consulting services when the services are provided.

We operate in international markets throughout the world and maintain sales offices in Brazil, China, Germany, India, Italy, Japan, Mexico, Singapore, South Korea, Spain, Switzerland, Thailand, the United Kingdom and the United States.

Sanmina currently manufactures our FARO Quantum XFaroArm, FARO Focus Laser Scanner, FARO Laser Tracker and our FARO Laser Projector products in their facility located in Thailand. We expect these third-party manufacturing facilities to have the production capacity necessary to support our volume requirements during 2025.

We account for wholly-owned foreign subsidiaries in the currency of the respective foreign jurisdiction; therefore, fluctuations in exchange rates may have an impact on the value of the intercompany account balances denominated in different currencies and reflected in our condensed consolidated financial statements. We have not used off-balance sheet financial instruments or other hedging instruments to hedge exposure to foreign currency exchange rates, including cross-currency swaps, forward contracts and foreign currency options, as fluctuations in exchange rate on our revenue were mostly offset by those same fluctuations in exchange rate on our expenses, providing a natural hedge in foreign jurisdictions. Our exchange rate exposure may change as a result of our current or future operational strategies and we will continue assessing the appropriateness of hedging for our business.

Restructuring Plan, Integration Plan and 2024 Restructuring Plan

On February 14, 2020, our Board of Directors approved a global restructuring plan (the “Restructuring Plan”) to improve operating performance and help ensure that we are appropriately structured and resourced to deliver sustainable value to our shareholders and customers. We believe we have successfully redefined our go-to-market strategy to place an increased focus on our customers and to help enable our sales employees, supported by our talented pool of field application engineers, to sell all product lines globally. On July 15, 2021, we entered into a manufacturing services agreement (the “Agreement”) with Sanmina, in connection with the Restructuring Plan. Under the Agreement, Sanmina provides manufacturing services for the Company’s measurement device products previously manufactured by the Company at the Company’s Lake Mary, Florida, Exton, Pennsylvania, Stuttgart, Germany and Portugal manufacturing sites. This phased transition to a Sanmina production facility was completed at the beginning of the third quarter of 2022 as part of our cost reduction initiative. As a result of an evaluation on the usage of our manufacturing spaces, we decided to abandon 17,000 square feet of unused space at our Exton, Pennsylvania facility in the third quarter of 2022. Since the approval of the Restructuring Plan, we paid \$24.8 million, primarily consisting of severance and related benefits. All actions under the Restructuring Plan were completed as of March 31, 2023, and the remaining amounts payable of \$0.5 million were rolled forward to the Integration Plan discussed below.

On February 7, 2023, our Board of Directors approved an integration plan (the “Integration Plan”) to streamline and simplify operations, particularly around our recent acquisitions and the resulting redundant operations and offerings. The Integration Plan was amended on May 3, 2023, and the Board approved increases to both the expected pre-tax charges and the annualized cost savings. Key activities under the Integration Plan include a decrease in headcount, consolidation of our cloud-based offerings from 3 platforms (2 acquired, 1 organic) into a single customer offering, and the optimization of our facility assets to align with current and expected future utilization. Since the approval of the Integration Plan, we have incurred total restructuring charges of \$26.7 million, and have made cash payments of \$10.4 million, primarily consisting of severance and related benefits, and right-of-use asset impairment charges.

On November 1, 2024, our Board of Directors approved a restructuring plan (the “2024 Restructuring Plan”), which is intended to support its strategic plan in an effort to improve operating performance and streamline and simplify operations, particularly around our redundant operations and underperforming countries primarily driven by economic and demand challenges in the manufacturing and construction sectors. Key activities under the 2024 Restructuring Plan include a planned decrease in headcount, consolidation of our manufacturing operations from recent acquisitions to our global manufacturing partner, Sanmina, and the continued optimization of our facilities assets to align with current and expected future utilization.

In the first quarter of 2025, we recognized \$0.1 million in employee severance, other professional costs and asset write offs associated with the 2024 Restructuring Plan, and paid \$0.7 million primarily consisting of other professional costs, severance and related benefits.

FARO Sphere and the Unified Software Environment

FARO Sphere XG is our cloud-based platform that is the foundation to our new software and solution strategy. Our objective is to provide differentiated value by offering workflow enhancements which include data uploads from any location, access to our existing suite of 3D software applications, cloud-based data analysis and global user access. FARO Sphere XG represents the next step into expansion of our cloud-based software offerings that we believe will deliver greater value to our customers and to our shareholders. The FARO Sphere XG environment could be adopted globally across a wide range of markets, including construction management, facilities, operations and maintenance, robotic simulation and incident preplanning. This potential adoption would lead to an increase in the number of users and thus enable revenue growth of our software and a shift toward increased levels of recurring revenue over time. We released the first phase of FARO Sphere to our customers during the second quarter of 2022 with the next generation with additional features and functionality FARO Sphere XG announced on October 23, 2023 which is the culmination of the consolidation of our cloud-based offerings into a single unified software environment.

Revenue from our software products was \$10.4 million and \$10.9 million for the three months ended March 31, 2025 and 2024, respectively. Our recurring revenue which is comprised of hardware service contracts, software maintenance contracts, and subscription-based software applications was \$17.3 million and \$16.7 million for the three months ended March 31, 2025 and 2024, respectively.

Research and development costs incurred relating to the development of internal-use software and website development, including software used to upgrade and enhance our websites and applications to be sold as a service are capitalized in the period incurred and amortized over 2 year to 4 years. These costs include external direct costs of materials and services and internal costs such as payroll and benefits of those employees directly associated with the development of new functionality in internal use software to be sold as a service. The amount of costs capitalized relating to internally developed computer software to be sold as a service was \$1.3 million and \$1.1 million for the three months ended March 31, 2025 and 2024, respectively. Cash paid relating to these development costs are included as an investing activity within the Cash paid for technology development, patents and licenses line of our condensed consolidated statement of cash flows.

Sanmina Relationship Components: As presented on our Condensed Consolidated Balance Sheets

In order to provide greater transparency on our financial transactions with Sanmina, the following table presents the components of Sanmina relationship with the Company, as presented on our condensed consolidated balance sheets as of March 31, 2025 and December 31, 2024.

	March 31, 2025		December 31, 2024	
Current Assets:				
Prepaid expenses and other current assets	\$	12,965	\$	8,909
Current Liabilities:				
Accounts payable ⁽¹⁾	\$	(7,258)	\$	(9,020)

⁽¹⁾ As of March 31, 2025, we had a net payable balance of \$7.3 million, which includes \$5.2 million of accounts receivable due from Sanmina and \$12.5 million of accounts payable owed to Sanmina. As of December 31, 2024, we had a net payable balance of \$9.0 million, which included \$3.4 million of accounts receivable due from Sanmina and \$12.4 million of accounts payable owed to Sanmina.

The amounts presented in the table above are based on the balances in the above captions, as of the dates indicated, and do not reflect our entire financial relationship with Sanmina.

Results of Operations

The following table sets forth, for the periods indicated, our unaudited results of operations expressed as dollar amounts and as a percentage of total sales.

(dollars in thousands)	Three Months Ended March 31,			
	2025	% of Sales	2024	% of Sales
Sales				
Product	\$ 62,975	76.0 %	\$ 63,536	75.4 %
Service	19,888	24.0 %	20,708	24.6 %
Total sales	82,863	100.0 %	84,244	100.0 %
Cost of sales				
Product	26,153	31.6 %	30,452	36.1 %
Service	9,473	11.4 %	10,485	12.4 %
Total cost of sales	35,626	43.0 %	40,937	48.6 %
Gross profit	47,237	57.0 %	43,307	51.4 %
Operating expenses				
Selling, general and administrative	33,818	40.8 %	39,593	47.0 %
Research and development	9,485	11.4 %	9,024	10.7 %
Restructuring costs	120	0.1 %	—	— %
Total operating expenses	43,423	52.4 %	48,617	57.7 %
Income (loss) from operations	3,814	4.6 %	(5,310)	(6.3)%
Other (income) expense				
Interest expense, net	888	1.1 %	831	1.0 %
Other (income) expense, net	467	0.6 %	25	— %
Income (loss) before income tax	2,459	3.0 %	(6,166)	(7.3)%
Income tax expense	1,553	1.9 %	1,101	1.3 %
Net income (loss)	\$ 906	1.1 %	\$ (7,267)	(8.6)%

Consolidated Results

Three Months Ended March 31, 2025 Compared to the Three Months Ended March 31, 2024

Sales. Total sales were \$82.9 million for the three months ended March 31, 2025 compared to \$84.2 million for the three months ended March 31, 2024. Total product sales decreased by \$0.5 million, or 0.9%, to \$63.0 million for the three months ended March 31, 2025 from \$63.5 million for the three months ended March 31, 2024. Total sales were impacted primarily by the APAC region being down \$1.4 million driven by most of the end markets within China.

Gross profit. Gross profit increased by \$3.9 million, or 9.1%, to \$47.2 million for the three months ended March 31, 2025 from \$43.3 million for the three months ended March 31, 2024. Gross margin increased by 5.6 percentage points to 57.0% for the three months ended March 31, 2025 from 51.4% for the three months ended March 31, 2024. Gross margin from product revenue increased by 6.4 percentage points to 58.5% for the three months ended March 31, 2025 from 52.1% for the prior year period primarily driven by better average selling price on our Arm and Scanner products, and by lower material costs driven by the consolidation of our production activities. Gross margin from service revenue increased by 3.0 percentage points to 52.4% for the three months ended March 31, 2025 from 49.4% for the prior year period.

In April 2025, the U.S. announced a 10% import tariff, with significant possible increases for countries including an additional 36% related to Thailand, a key manufacturing source. We are evaluating mitigation options, including a potential price increase, but there can be no assurance that this will not have a material adverse impact on our operating performance.

Selling, general and administrative expenses. Selling, general and administrative expenses decreased by \$5.8 million, or 14.6%, to \$33.8 million for the three months ended March 31, 2025 from \$39.6 million for the three months ended March 31, 2024. This decrease was primarily driven by the savings realized from the 2024 Restructuring Plan and lower sales commission expenses driven by lower sales. Selling, general and administrative expenses as a percentage of sales decreased by 6.2 percentage points to 40.8% for the three months ended March 31, 2025 from 47.0% for the three months ended March 31, 2024.

Research and development expenses. Research and development expenses increased by \$0.5 million, or 5.1%, to \$9.5 million for the three months ended March 31, 2025 from \$9.0 million for the three months ended March 31, 2024. Research and development expenses as a percentage of sales increased to 11.4% for the three months ended March 31, 2025 from 10.7% for the three months ended March 31, 2024, primarily due to higher payroll costs resulting from talent investment and increased disposal costs associated with the streamlining of our patent portfolio.

Interest (income) expense, net. We recorded interest expense, net of \$0.9 million and \$0.8 million for the three month ended March 31, 2025 and 2024, respectively. Interest expense is primarily associated with the Notes issued in January 2023 offset by interest income earned on cash equivalents and short-term investments.

Other income (expense), net. For the three months ended March 31, 2025, other expense was \$0.5 million compared to other income of less than \$0.1 million for the three months ended March 31, 2024.

Income tax expense. For the three months ended March 31, 2025 we recorded an income tax expense of \$1.6 million compared to \$1.1 million for the three months ended March 31, 2024. Our effective tax rate was 63.2% for the three months ended March 31, 2025 compared to 17.9% in the prior year period. The fluctuations observed in both our income tax expense and effective tax rate are primarily associated with shifts in the geographic mix of pretax income projected for the entirety of 2025. The increase in the effective tax rate compared to the prior year period also reflects the continued impact of valuation allowances in certain jurisdictions, which limit the recognition of tax benefits on current-period losses.

Our quarterly estimate of our annual effective tax rate and our quarterly provision for income tax expense (benefit) are subject to significant variation due to numerous factors, including variability in accurately predicting our pre-tax and taxable income or loss and the mix of jurisdictions to which they relate, as well as the amount of pre-tax income or loss recognized during the quarter.

Net income (loss). Our net income was \$0.9 million for the three months ended March 31, 2025 compared with net loss of \$7.3 million for the prior year period, reflecting the impact of the factors described above.

Liquidity and Capital Resources

Cash and cash equivalents increased by \$3.7 million to \$92.4 million at March 31, 2025, from \$88.7 million at December 31, 2024. We also had \$10.2 million in U.S. Treasury Bills recorded as short-term investments on our consolidated balance sheet. The increase was primarily driven by cash generated from operating activities, partially offset by purchase of property and equipment in investing activities.

Cash provided by operating activities was \$5.0 million during the three months ended March 31, 2025, compared to \$6.6 million of cash provided by operating activities during the three months ended March 31, 2024. The change in cash usage was primarily driven by fluctuations in Prepaid expenses and other current assets, partially offset by a net income in the period.

Cash used in investing activities during each of the three months ended March 31, 2025 and 2024 was \$2.8 million.

Cash used in financing activities for each of three months ended March 31, 2025 and 2024 was less than \$0.1 million.

The Notes will mature on February 1, 2028, unless earlier redeemed, repurchased or converted. The Notes bear interest from January 24, 2023, at a rate of 5.50% per annum payable semiannually in arrears on February 1 and August 1 of each year, beginning August 1, 2023. The Notes may bear additional interest under specified circumstances relating to the Company's failure to comply with its reporting obligations under the indenture governing the Notes or if the Notes are not freely tradeable as required by the indenture.

In June 2024, the Company entered into separate, privately negotiated transactions with certain holders of the Notes to repurchase \$3.0 million aggregate principal amount of the Notes for an aggregated cash repurchase price of \$2.7 million and a gain on debt extinguishment of \$0.3 million, which was recorded in Other income (expense), net, on the condensed consolidated statements of operations. After the repurchase, \$72.0 million aggregate principal amount of the Notes remained outstanding on March 31, 2025.

Of our cash and cash equivalents, \$52.8 million was held by foreign subsidiaries as of March 31, 2025. On December 22, 2017, the United States enacted the U.S. Tax Cuts and Jobs Act, resulting in significant modifications to existing tax law, which included a transition tax on the mandatory deemed repatriation of foreign earnings. As a result of the U.S. Tax Cuts and Jobs Act, the Company can repatriate foreign earnings and profits to the U.S. with minimal U.S. income tax consequences, other than the transition tax and global intangible low-taxed income ("GILTI") tax. We have reinvested a large portion of our undistributed foreign earnings and profits in acquisitions and other investments and intend to bring back a portion of foreign cash in certain jurisdictions where we will not be subject to local withholding taxes and which were subject already to transition tax and GILTI tax.

On November 24, 2008, our Board of Directors approved a \$30.0 million share repurchase program. Acquisitions for the share repurchase program may be made from time to time at prevailing prices, as permitted by securities laws and other legal requirements, and subject to market conditions and other factors. The share repurchase program may be discontinued at any time. There is no expiration date or other restriction governing the period over which we can repurchase shares under the program. In October 2015, our Board of Directors authorized an increase to the existing share repurchase program from \$30.0 million to \$50.0 million. As of March 31, 2025, we had authorization to repurchase \$8.3 million remaining under the repurchase program.

In order to reduce future cash interest payments, as well as future amounts due at maturity or upon redemption, we may, from time to time, purchase our debt for cash in open-market purchases and/or privately negotiated transactions and upon such terms and at such prices as we may determine. We will evaluate any such transactions in light of then-existing market conditions, taking into account our current liquidity and prospects for future access to capital. The amounts involved in any such transactions, individually or in the aggregate, may be material.

We believe that our working capital and anticipated cash flow from operations will be sufficient to fund our short- and long-term liquidity operating requirements for at least the next 12 months and beyond.

We have no off-balance sheet arrangements.

Contractual Obligations and Commercial Commitments

We enter into purchase commitments for products and services in the ordinary course of business. These commitments typically support production requirements, materials needed to service customer units throughout the product lifecycle, warranty-related obligations and software subscriptions. As of March 31, 2025, we had approximately \$19.4 million in outstanding purchase commitments, primarily related to production materials. These commitments are generally non-cancelable and are expected to be primarily fulfilled within the next 12 months. Other than as described in the preceding sentences, there have been no material changes to the contractual obligations and commercial commitments table included in Part II, Item 7 of our Annual Report.

Critical Accounting Estimates and Policies

The preparation of our condensed consolidated financial statements requires our management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses, as well as disclosure of contingent assets and liabilities. We base our estimates on historical experience, along with various other factors believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Some of these judgments can be subjective and complex and, consequently, actual results may differ from these estimates under different assumptions or conditions. A discussion of our critical accounting policies is included in Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report. As of March 31, 2025, our critical accounting policies have not changed from those described in our Annual Report.

Item 3. Quantitative and Qualitative Disclosures About Market Risk**Foreign Exchange Exposure**

We conduct a significant portion of our business outside the United States. As of and for the three months ended March 31, 2025, more than 61% of our revenue was invoiced, and a significant portion of our operating expenses and manufacturing costs were paid, in foreign currencies, and approximately 42% of our assets were denominated in foreign currencies. Fluctuations in exchange rates between the U.S. dollar and such foreign currencies may have a material adverse effect on our results of operations and financial condition and could specifically result in foreign exchange gains and losses. The impact of future exchange rate fluctuations on the results of our operations cannot be accurately predicted due to the constantly changing exposure to various currencies, the fact that all foreign currencies do not react in the same manner in relation to the U.S. dollar and the number of currencies involved, although our most significant exposures are to the Euro, Swiss franc, Japanese yen, Chinese renminbi, British pound and Brazilian real. To the extent that the percentage of our non-U.S. dollar revenues derived from international sales increases in the future, our exposure to risks associated with fluctuations in foreign exchange rates may increase. We have not used off-balance sheet financial instruments to hedge exposure to foreign currency exchange rates, including cross-currency swaps, forward contracts and foreign currency options, as fluctuations in exchange rate on our revenue were mostly offset by those same fluctuations in exchange rate on our expenses, providing a natural hedge in foreign jurisdictions. No such instruments were utilized by the Company in the three months ended March 31, 2025. Our exchange rate exposure may change as a result of our current or future operational strategies and we will continue assessing the appropriateness of hedging for our business.

Interest Rate Exposure

We had short-term investment of \$10.2 million and cash equivalent of \$20.3 million as of March 31, 2025, consisting of U.S. Treasury obligations. Our investments are made for capital preservation purposes. We do not enter into investments for trading or speculative purposes. All our investments are denominated in U.S. dollars.

Our investments in U.S. Treasury obligations are subject to market risk due to changes in interest rates. Fixed rate securities may have their market value negatively impacted due to a rise in interest rates, while floating rate securities may produce less income than expected if interest rates fall. Due in part to these factors, our future investment income may fall short of expectations due to changes in interest rates or we may suffer losses in principal if we are forced to sell securities that decline in market value due to changes in interest rates.

We do not believe that an increase or decrease in interest rates of 5 percent would have a material effect on our business, financial condition or results of operations.

Global Inflation Exposure

General inflation in the United States, Europe and other geographies has risen to levels not experienced in recent decades. General inflation, including rising prices for our raw materials and other inputs as well as rising salaries negatively impact our business by increasing our cost of sales and operating expenses. A period of a rising rate of inflation also negatively impacts our business by decreasing the capital for our customers to deploy to purchase our products and services. Inflation may cause our customers to reduce or delay orders for our goods and services thereby causing a decrease in sales of our products and services. The impact of future inflation fluctuations on the results of our operations cannot be accurately predicted.

Item 4. Controls and Procedures

We are responsible for establishing and maintaining disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), that are designed to provide reasonable assurance that information required to be disclosed in our reports filed under the Exchange Act, such as this Quarterly Report on Form 10-Q, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s (the “SEC”) rules and forms. Disclosure controls and procedures also include, without limitation, controls and procedures that are designed to provide reasonable assurance that such information is accumulated and communicated to our management, including our Principal Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objective. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that our management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our Principal Executive Officer and our Chief Financial Officer, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of March 31, 2025. Based on that evaluation, our Principal Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of March 31, 2025 to provide reasonable assurance that information required to be disclosed in this Quarterly Report on Form 10-Q was recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and was accumulated and communicated to our management, including our Principal Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

During the quarter ended March 31, 2025, there was no change in our internal control over financial reporting (as such term is defined in Rule 13a-15(f) under the Exchange Act) that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

We are involved in disputes, claims and other legal actions arising in the normal course of our business. Although it is not possible to predict the outcome of these matters, we believe that the results of these proceedings will not have a material adverse effect on our business, financial condition or results of operations. However, any litigation, regardless of its outcome, may be costly and may require significant time and attention of our management and technical personnel.

Item 1A. Risk Factors

In addition to the other information set forth in this Quarterly Report, you should carefully consider the factors discussed under “Risk Factors” in Item 1A in our Annual Report on Form 10-K for the fiscal year ended December 31, 2024, before deciding to invest in, or retain, shares of our common stock. These risks and uncertainties could materially and adversely affect our business, financial condition, and results of operations. The risks described in our Annual Report, in this Quarterly Report, and in subsequent periodic reports filed with the SEC are not the only risks we face. Our operations could also be affected by additional factors that are not presently known by us or by factors that we currently consider to be immaterial to our business. There have been no material changes in our risk factors from those set forth in our Annual Report on Form 10-K for the fiscal year ended December 31, 2024, other than as set forth below.

Changes in tariffs and other export regulations could increase the cost of our products sold, which could negatively impact our sales and profitability.

We manufacture a significant portion of our products in Thailand through a services agreement with Sanmina Corporation. Changes in U.S. trade policy—such as the imposition or reinstatement of tariffs on Thai imports—could increase our manufacturing costs, disrupt our supply chain, and negatively impact our margins. If we are unable to offset these costs or adapt our operations, our business and financial results could be materially affected.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Purchases of Equity Securities by the Issuer Under the Share Repurchase Plan

On November 24, 2008, our Board of Directors approved a \$30.0 million share repurchase program. Acquisitions for the share repurchase program may be made from time to time at prevailing prices, as permitted by securities laws and other legal requirements, and subject to market conditions and other factors. The share repurchase program may be discontinued at any time. There is no expiration date or other restriction governing the period over which we can repurchase shares under the program. In October 2015, our Board of Directors authorized an increase to the existing share repurchase program from \$30.0 million to \$50.0 million. We made no stock repurchases during the three month period ended March 31, 2025 under this program. As of March 31, 2025, we had authorization to repurchase \$8.3 million remaining under the repurchase program.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

(c) Securities Trading Plans of Directors and Executive Officers

During the fiscal quarter ended March 31, 2025, no director or officer, as defined in Rule 16a-1(f), adopted or terminated a “Rule 10b5-1 trading arrangement” or a “non-Rule 10b5-1 trading arrangement,” each as defined in Regulation S-K Item 408.

Item 6. Exhibits

EXHIBIT INDEX					
Exhibit Number	Exhibit Description	Incorporated by Reference			Provided Herewith
		Form	Exhibit	Filing Date	
3.1	Amended and Restated Articles of Incorporation, as amended	S-1/A	3.1	September 10, 1997	
3.2	Amended and Restated Bylaws	8-K	3.1	May 30, 2023	
4.1	Specimen Stock Certificate	S-1/A	4.1	September 10, 1997	
31.1	Certification of the Principal Executive Officer Pursuant to Rule 13a-14(a)/15d-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				X
31.2	Certification of the Chief Financial Officer Pursuant to Rule 13a-14(a)/15d-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				X
32.1*	Certification of the Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				X
32.2*	Certification of the Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				X
101.SCH	Inline XBRL Taxonomy Extension Schema Document				X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document				X
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document				X
101.PRE	Inline XBRL Taxonomy Presentation Linkbase Document				X
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document				X
104	Cover Page Interactive Data File (formatted as inline XBRL with applicable taxonomy extension information contained in Exhibits 101.)				X

* - The certifications attached as Exhibit 32.1 and 32.2 that accompany this Quarterly Report are deemed furnished and not filed with the Securities and Exchange Commission and are not to be incorporated by reference into any filing of the Registrant under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Quarterly Report, irrespective of any general incorporation language contained in such filing.

SIGNATURE

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

FARO Technologies, Inc.
(Registrant)

Date: April 24, 2025

By: /s/ Matthew Horwath
Name: Matthew Horwath
Title: Chief Financial Officer
(Duly Authorized Officer and Principal Financial Officer)

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Peter J. Lau, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of FARO Technologies, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 24, 2025

/s/ Peter J. Lau

Peter J. Lau
President and Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Matthew Horwath, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of FARO Technologies, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 24, 2025

/s/ Matthew Horwath

Matthew Horwath
Chief Financial Officer
(Principal Financial Officer)

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Solely for the purposes of complying with 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, I, the undersigned President, Chief Executive Officer and Principal Executive Officer of FARO Technologies, Inc. (the Company), hereby certify that the Quarterly Report on Form 10-Q for the quarter ended March 31, 2025 (the Report) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 24, 2025

/s/ Peter J. Lau

Peter J. Lau
President and Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF
THE SARBANES-OXLEY ACT OF 2002**

Solely for the purposes of complying with 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, I, the undersigned Chief Financial Officer of FARO Technologies, Inc. (the Company), hereby certify that the Quarterly Report on Form 10-Q for the quarter ended March 31, 2025 (the Report) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 24, 2025

/s/ Matthew Horwath

Matthew Horwath

Chief Financial Officer

(Principal Financial Officer)