

FARO TECHNOLOGIES INC
Form 10-Q
November 02, 2011
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

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

For the quarterly period ended October 1, 2011

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)

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Florida (State or other Jurisdiction of Incorporation or Organization)	59-3157093 (I.R.S. Employer Identification No.)
250 Technology Park, Lake Mary, Florida (Address of Principal Executive Offices)	32746 (Zip Code)
(407) 333-9911 (Registrant's Telephone Number, including area code)	

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller Reporting Company

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 16,627,341 shares of the registrant's common stock outstanding as of October 28, 2011.

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FARO TECHNOLOGIES, INC.

Quarterly Report on Form 10-Q

Quarter Ended October 1, 2011

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(in thousands, except share data)	Oct 1, 2011 (unaudited)	December 31, 2010
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 54,345	\$ 50,722
Short-term investments	64,995	64,986
Accounts receivable, net	50,670	51,862
Inventories, net	49,299	28,242
Deferred income taxes, net	4,349	4,455
Prepaid expenses and other current assets	10,713	8,045
Total current assets	234,371	208,312
Property and Equipment:		
Machinery and equipment	28,217	24,840
Furniture and fixtures	6,005	5,700
Leasehold improvements	10,151	9,682
Property and equipment at cost	44,373	40,222
Less: accumulated depreciation and amortization	(28,298)	(24,982)
Property and equipment, net	16,075	15,240
Goodwill	18,998	19,015
Intangible assets, net	6,978	7,204
Service inventory	15,683	13,726
Deferred income taxes, net	2,520	2,522
Total Assets	\$ 294,625	\$ 266,019
LIABILITIES AND SHAREHOLDERS EQUITY		
Current Liabilities:		
Accounts payable	\$ 11,647	\$ 12,025
Accrued liabilities	16,633	15,208
Income taxes payable	391	1,138
Current portion of unearned service revenues	15,010	13,357
Customer deposits	2,490	3,679
Current portion of obligations under capital leases	25	91
Total current liabilities	46,196	45,498
Unearned service revenues - less current portion	8,785	6,758
Deferred tax liability, net	1,160	1,161
Obligations under capital leases - less current portion	156	125

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Total Liabilities	56,297	53,542
Commitments and contingencies - See Note R		
Shareholders' Equity:		
Common stock - par value \$.001, 50,000,000 shares authorized; 17,306,911 and 16,894,374 issued; 16,626,676 and 16,214,139 outstanding, respectively	17	17
Additional paid-in capital	167,491	156,310
Retained earnings	71,889	57,983
Accumulated other comprehensive income	8,006	7,242
Common stock in treasury, at cost - 680,235 shares	(9,075)	(9,075)
Total Shareholders' Equity	238,328	212,477
Total Liabilities and Shareholders' Equity	\$ 294,625	\$ 266,019

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

Table of Contents**FARO TECHNOLOGIES, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF INCOME**

(UNAUDITED)

(in thousands, except share and per share data)	Three Months Ended		Nine Months Ended	
	Oct 1, 2011	Oct 2, 2010	Oct 1, 2011	Oct 2, 2010
SALES				
Product	\$ 54,032	\$ 36,725	\$ 146,682	\$ 107,875
Service	10,775	8,561	30,402	25,385
 Total Sales	 64,807	 45,286	 177,084	 133,260
COST OF SALES				
Product	21,605	12,901	56,527	36,796
Service	6,813	6,002	20,380	17,602
 Total Cost of Sales (exclusive of depreciation and amortization, shown separately below)	 28,418	 18,903	 76,907	 54,398
GROSS PROFIT	36,389	26,383	100,177	78,862
OPERATING EXPENSES:				
Selling	14,696	11,707	44,157	34,969
General and administrative	6,424	7,201	19,931	19,476
Depreciation and amortization	1,711	1,779	5,047	4,834
Research and development	3,591	2,850	11,037	8,836
 Total operating expenses	 26,422	 23,537	 80,172	 68,115
 INCOME FROM OPERATIONS	 9,967	 2,846	 20,005	 10,747
OTHER (INCOME) EXPENSE				
Interest income	(19)	(38)	(84)	(83)
Other expense (income), net	780	(544)	775	1,800
Interest expense	2	2	33	31
 INCOME BEFORE INCOME TAX EXPENSE	 9,204	 3,426	 19,281	 8,999
INCOME TAX EXPENSE	2,775	1,098	5,376	2,770
 NET INCOME	 \$ 6,429	 \$ 2,328	 \$ 13,905	 \$ 6,229
 NET INCOME PER SHARE - BASIC	 \$ 0.39	 \$ 0.14	 \$ 0.85	 \$ 0.39
 NET INCOME PER SHARE - DILUTED	 \$ 0.38	 \$ 0.14	 \$ 0.83	 \$ 0.38

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Weighted average shares - Basic	16,609,005	16,160,378	16,435,337	16,144,366
Weighted average shares - Diluted	16,849,282	16,270,741	16,788,776	16,292,938

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

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FARO TECHNOLOGIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

(in thousands)	Nine Months Ended	
	Oct 1, 2011	Oct 2, 2010
CASH FLOWS FROM:		
OPERATING ACTIVITIES:		
Net income	\$ 13,905	\$ 6,229