UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31 , 2024

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	**59-3157093**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification Number)**
125 Technology Park, Lake Mary Florida	**32746**
(Address of Principal Executive Offices)	**(Zip Code)**

Registrant's telephone number, including area code: (407) 333-9911

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

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

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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 has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant’s executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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

The aggregate market value of the Registrant’s common stock held by non-affiliates of the Registrant on June 28, 2024 (the last trading day of the Registrant’s most recently completed second fiscal quarter) was $ 303,911,472 based on the closing price of the Registrant’s common stock on such date on the Nasdaq Global Select Market, and assuming solely for the purposes of this calculation that all directors and executive officers of the Registrant are “affiliates.”

As of February 20, 2025, there were outstanding 18,981,676 shares of the Registrant’s common stock.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant’s definitive proxy statement for the 2025 Annual Meeting of Shareholders are incorporated by reference into Part III of this Annual Report on Form 10-K to the extent stated herein. Such proxy statement will be filed with the Securities and Exchange Commission within 120 days of the registrant’s fiscal year ended December 31, 2024.

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PART I

CAUTIONARY STATEMENTS FOR FORWARD-LOOKING INFORMATION

FARO Technologies, Inc. (“FARO,” the “Company,” “us,” “we” or “our”) has made “forward-looking statements” in this Annual Report on Form 10-K (the “Annual 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 Annual 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 Annual 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 (defined below);
- 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; and
- our ability to comply with the requirements for favorable tax rates in foreign jurisdictions.

A detailed discussion of these and other risks and uncertainties that could cause actual results and events to differ materially from such forward-looking statements is included throughout this filing and particularly in Part I, Item 1A of this Annual Report. 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 Annual Report, unless otherwise required by law.

ITEM 1. BUSINESS

FARO is a Florida corporation founded in 1982 with worldwide headquarters located at 125 Technology Park, Lake Mary, Florida 32746.

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 selection 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, augmented by sales through indirect channels across a range of sectors including manufacturing, surveying, architecture, engineering and construction, public safety forensics and other industries.

Strategy

Our executive leadership team is comprised of functional leaders in areas such as sales, marketing, operations, research and development and general and administrative, and resources are allocated to each function at a consolidated unit level. Our Chief Executive Officer (“CEO”), who is also our Chief Operating Decision Maker (“CODM”), allocates resources and evaluates performance with respect to operations, operating results or planning at the total Company level. We report as one reporting segment that develops, manufactures, markets, supports and sells a suite of 3D imaging and software solutions.

Over the past four years, we strategically pursued growth and long-term profitability through a combination of strategic acquisitions to bolster our investment in software development, increase gross margins, optimize working capital and targeted restructuring initiatives to lower our operating expense base.

Acquisitions

On June 4, 2021, we acquired Holobuilder, a company focused on a 360° photo software platform which delivers hardware agnostic image capture, registration and viewing to the Construction and Digital Twin market. With an initial focus on construction management, Holobuilder’s technology platform provides general contractors a solution to efficiently capture and virtually manage construction progress using off-the-shelf 360° cameras.

On September 1, 2022, we acquired UK-based NGH Holdings Limited and its subsidiaries (collectively, “GeoSLAM”), a leading provider of mobile scanning solutions with proprietary high-productivity simultaneous localization and mapping (“SLAM”) software. GeoSLAM's software enables mobile 3D documentation of indoor or enclosed environments without the need for global positioning system (“GPS”). GeoSLAM’s products and solutions are primarily used today in the geospatial and mining markets. However, there is a growing demand for high productivity mobile scanning in the construction, operations and maintenance markets as well.

On December 1, 2022, we acquired SiteScape Inc. (“SiteScape”), an innovator in light detecting and ranging (“LiDAR”) 3D scanning software solutions for the architecture, engineering and construction (“AEC”) and operations and maintenance (“O&M”) markets. SiteScape enables LiDAR equipped mobile devices to easily capture indoor spaces digitally, providing a readily available entry-point to scanning physical spaces for a broad range of applications. The SiteScape software is available for all LiDAR equipped iPhone operating system (“iOS”) devices, which enables quick and easily accessible data capture to be available to the consumer-based market.

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. 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 Corporation (“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. As of December 31, 2024, in relation with 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 Corporation, and the continued optimization of our facilities assets to align with current and expected future utilization. As of December 31, 2024, we have recorded $2.6 million in employee severance costs associated with the 2024 Restructuring Plans. Additionally, we paid $1.8 million primarily consisting of severance and related benefits.

Industry Background

We have a wide variety of customers that support a large number of sectors, including manufacturing, surveying, architecture, engineering and construction, as well as, public safety forensics. The pressures in reducing overall manufacturing costs, improving profitability in the AEC market and the need for complete information in public safety are all driving the need for automated solutions to quickly and accurately capture 3D data, and for this information to be made accessible remotely. In each of the industries we serve, there is a growing need for accurate 3D information for high accuracy inspection, machine alignment and calibration, as-built modeling and design, quality control, digital twin and crash and crime scene investigations as well as pre-incident planning. Each of these industries are undergoing a form of transformation where the use of FARO’s digital technology would help improve customers’ yields, reduce costs and drive additional profitability.

In the manufacturing industry, the continued focus on higher yields, cost reductions and decreased time to market all drive the need for accurate information to support overall manufacturing processes, which include part quality, machine down time and overall manufacturing yield. The dimensional metrology market will be challenged to continue to provide higher accuracy results and meet the continuing demand of tightening tolerances in both the automotive and aerospace industries. The higher accuracy requirements will also result in trends away from traditional hand measurement tools towards automated and integrated equipment. With increasing pressure on costs, the need for tighter quality control and increased automation will likely drive the adoption of applications and processes that support real-time 3D information to make quick, accurate decisions resulting in optimized manufacturing processes. Industry 4.0/5.0 will also continue to drive the need to have 3D information available on-demand across the entire manufacturing ecosystem.

The emergence of building information modeling ("BIM") in the AEC market has required improvements in 3D documentation, coordination, collaboration, and simulation across the entire building lifecycle. BIM, in part, is the compilation of a 3D model representation of a project that can be updated real time and compare actual to design. BIM is believed to become more prevalent as it aides in reducing the costs associated with scrap and overruns. The ability to obtain accurate, real-time 3D measurements and information will help to replace existing methodologies such as tape measures and chalk lines. In addition, an increase in modular and pre-fab construction is being driven by growing urbanization, government initiatives and a need for affordable housing. Modular and prefabrication construction allow for building all, or large portions of a building and then assembling them on-site. The processes of creating such structures resembles more traditional manufacturing flows where real-time 3D measurements and information can vastly improve the costs associated with re-work of materials and poor quality.

The increased focus in public safety around cost, technology adoption and public scrutiny will increase the acceptance of 3D solutions to accurately capture and analyze crime and crash scenes. Body cams, drones, and advanced analytical software are all examples of increased adoption of technology in the public safety sector. Laser scanning technology is used today to capture crime scenes quickly and accurately before leaving the scene. The 3D point cloud that is generated from this data allows for further detailed analysis around bullet trajectory, blood spatter and cast off with full confidence and without the need to revisit the crime scene. This information can be easily shared between police investigators, district attorneys and defense attorneys across multiple jurisdictions. In addition, crash scenes can also be reconstructed by using the 3D information collected while on-site. This information can also be easily shared among different departments, insurance companies and investigators. 3D data capture and analysis allows pre-incident planning activities to prepare in the event of an emergency such as fires or for tactical planning of safety-relevant events like political summits or schools. The time savings and confidence in data collection and analysis will continue to result in 3D technology becoming an integral set of tools in public safety analytics.

In 2022, we acquired UK-based GeoSLAM and US-based SiteScape. The acquisition of GeoSLAM enables the Company to provide mobile scanning solutions using SLAM software to create 3D models for use in Digital Twin applications. GeoSLAM's capture technologies integrate into our 4D digital reality-based SaaS offering and allow customers to access multiple 4D data sources for visualization and analysis through a single user experience. The acquisition of SiteScape integrates an iOS-enabled low-resolution LiDAR capture capability into the FARO Sphere XG Platform. This acquisition is a further step in streamlining multiple capture methods into a centralized environment to be accessed in a single environment on a single coordinate system. We believe this unique capability enables FARO's construction and facilities customers to access the widest portfolio of reality capture methods in the market, ranging from low-resolution Lidar, 360° photo, video, mobile mapping to terrestrial laser scanning.

FARO Products

FaroArm® Portfolio. The FaroArm® portfolio consists of a combination of a portable, articulated measurement arm available in various sizes, a computer, and CAM2® software programs, which are described below under "FARO Software", and optional laser line probes ("LLP") for scanning larger objects. They are primarily sold to customers in the automotive, aerospace, metal and machine fabrication industries.

- ***Quantum X FaroArm®*** – The FARO Quantum X FaroArm Series is part of our portfolio of portable measurement arms, offering an increase in accuracy over comparable previous generation models. Quantum X comes with five length options and three accuracy performance levels each, and with multiple Laser Line Probes that address various non-contract measurement needs. The addition of the FARO 8-Axix Max, an 8-axis rotary worktable reduces measurement time while maintaining accuracy.

FARO Laser Tracker. The FARO Vantage® Laser Tracker combines a portable, large-volume laser measurement tool, a computer, and CAM2 ® software programs, representing a product offering primarily sold to customers in the aerospace, automotive, metal and machine fabrication industries.

- ***Vantage®*** – The FARO Laser Tracker Vantage® utilizes a laser beam for ultra-precise measurement of objects of up to 80 meters. It enables manufacturing, engineering, and quality control professionals to build, measure and inspect large parts, machine tools and other large objects, on-site and in-process.

- ***Vantage® Max*** – The higher end Laser Tracker maximizes 6 degrees of freedom (6DoF) measurement capabilities via the optional 6Probe, enabling precise measurement of hidden areas and small features. The Vantage Max provides more accurate 6DoF probing that helps speed up inspections and reduce the number of tooling changes and device moves.

FARO Handheld Metrology Scanner. The FARO Leap ST® is an advanced handheld 3D metrology solution. A compact, high accuracy scanner with five operating modes, Leap ST offers versatility and portability that benefits various workflows and industries, from aerospace and automotive to transportation equipment and metals fabrication and more. The five modes include: Ultra-fast scanning for fast coverage to measure part features for small to medium parts, Hyper fine scanning for capturing details of complex objects with maximum resolution , Photogrammetry to maintain best accuracy over large sized objects , Deep hole scanning for maximum allowable depth with hard-to-reach areas and deep holes , and Large-area scanning ideal for capturing large features that need to be inspected, or when a first rough scan of a medium to large part is required.

FARO Laser Projector. The FARO Tracer[M] and Tracer[SI] accurately project a laser outline onto a 3D surface or object, providing a virtual template that operators and assemblers can use to quickly and accurately position components. The laser template is created using a 3D Computer-Aided Design ("CAD") model that enables the system to visually project a laser outline of parts, reference points, or areas of interest. The result is a virtual and collaborative 3D template to eliminate scrap and streamline a wide range of assembly and production applications. This product is primarily sold to customers in the aerospace, metal working and AEC industries.

FARO Laser Scanning Portfolio. The laser scanning portfolio utilizes laser technology to measure and collect a cloud of data points, allowing for the detailed and precise 3D rendering of an object or area. This technology is primarily used for factory planning, facility life-cycle management, quality control, forensic analysis and capturing large volumes of 3D data.

- ***Focus*** – The FARO Focus Laser Scanner utilizes laser technology to measure and collect a cloud of data points, allowing for the accurate and photorealistic 3D representations of an object or environment such as building, facility, street, mine or even crash/crime scene. The Focus is available in several models which allow the customer to choose the right tool for their applications: Focus Core, Focus Premium and Focus Premium Max. The Focus connects with the FARO Stream mobile app, bridging FARO hardware to the FARO Sphere XG cloud environment. Users can also benefit from Hybrid Reality Capture™, powered by Flash Technology™. The new scan mode for the FARO Focus Premium Laser Scanner is available as an add-on subscription that combines the accuracy of a 3D scan with the speed of a panoramic camera. This product line is primarily sold to customers in the AEC and public safety industries.

- ***Freestyle 2*** – The FARO Freestyle 2 is a high-quality, portable 3D scanner designed for photorealistic 3D reality capture. It is a lightweight, handheld device with a high degree of flexibility, allowing operators to scan anywhere in most conditions. This product is primarily sold to customers in the AEC and public safety industries.

FARO Mobile Laser Portfolio. The Mobile Scanner Portfolio, inherited from the GeoSLAM acquisition, uses LiDAR technology and SLAM technology to provide fast, highly portable accurate 3D scanning. The portability allows for these solutions to be used in difficult environments and attached to other mobile devices such as drones.

- ***Orbis —*** The FARO Orbis™ range are 3D mobile scanning solutions created to optimize workflows and elevate productivity. Designed for surveying and mapping, engineering, and construction, and public safety professionals, Orbis delivers rapid speed of capture, while returning highly accurate 3D visual representations of the real world. Integrating FARO's Flash Technology™ in Orbis allows for stationary scans and provides excellent details.

- ***Orbis Premium —*** The FARO Orbis Premium delivers mobile scanning with a higher resolution camera and an IP54 rating for rugged conditions, capturing vivid and quality images for point cloud colorization. It's the solution for professionals needing accuracy and resilience in any environment.

- Powered by GeoSLAM's proven SLAM algorithm, Orbis and Orbis Premium are the next steps for industry professionals looking to quickly deliver accurate results, reduce user impact, and increase overall efficiency.

- ***GeoSLAM Zeb —*** The legacy GeoSLAM Zeb series is still offered. Several models (Zeb Go, Zeb Revo, Zeb Horizon) provide different levels of point cloud density, range and accuracy.

FARO Software. We provide a complete portfolio of software solutions that integrate with FARO hardware products to merge data and provide collaborative workflows and applications.

- **FARO Sphere XG** is a cloud-based digital reality platform that provides its users a centralized, collaborative experience across the company's reality capture applications. When paired with the Stream mobile app, Sphere XG enables faster 3D data capture, processing and project management from anywhere in the world. It also allows construction contractors to create, document, analyze, compare and share virtual 3D views of construction projects utilizing commercially available 360° cameras. Sphere XG is offered as a subscription based plan.

- **CAM2**® allows users in the 3D metrology market to efficiently fulfill quality assurance and inspection tasks. CAM2 ® is currently offered under either a subscription based plan or as a standalone licensed product.
- **BuildIT Metrology** is a 3D metrology software platform for alignment, inspection and build applications. BuildIT Metrology is currently offered under either a subscription based plan or as a standalone licensed product.
- **BuildIT Projector** allows manufacturers to plan and operate imaging laser projection and verification workflows to improve the quality and speed of assembly processes. BuildIT Projector is currently offered under either a subscription based plan or as a standalone licensed product.
- **BuildIT Construction** is a construction quality control software solution that leverages reality data to uncover design deviations compared to construction industry standards. BuildIT Construction is currently offered under either a subscription based plan or as a standalone licensed product.
- **FARO SCENE** software combines ease-of-use, networking, and an enhanced 3D experience to deliver a complete scan processing solution. With SCENE, customers can display, analyze, administer and edit 3D point clouds. FARO SCENE is currently offered under either a subscription based plan or as a standalone licensed product.
- **FARO Connect** automatically processes mobile scanning data that allows customers to perform additional workflows. It has the capability to provide point cloud measurements, classify the data and perform manual and automatic alignment of multiple data sets. FARO Connect is currently offered under either a subscription based plan or as a standalone license product.
- **FARO Zone** allows public safety professionals to diagram, analyze and share any scene, available in both 2D and 3D. The software combines data to accelerate forensic crime investigations, crashes and pre-incident planning. FARO Zone is currently offered under either a subscription based plan or as a standalone licensed product.
- **FARO As-Built**™ enables AEC professionals to integrate reality data into any CAD and virtual design environment for buildings. FARO As-Built ™ is currently offered under either a subscription based plan or as a standalone license product.
- **SiteScape** is a cloud based virtual reality capturing software that uses the Apple LiDAR sensor as a core part of its 3D scanning engine. This software allows users to capture up to 10 scans back-to-back and seamlessly merge them into a single, accurate model. Scans and models can be cloud hosted with the SiteScape web application.

Hardware Warranty, Repair & Other Services. We generally warrant our products against defects in design, materials and workmanship for one to two years. To support our product lines, we also separately sell hardware service contracts that typically range from one year to three years, software maintenance contracts which enable our customers to receive the latest software updates and typically range from one year to three years, and comprehensive support, training and technology consulting services to our customers.

Customers

Our sales are diversified across a broad number of over 14,000 customers worldwide in a range of metrology, reverse engineering, factory automation, building information modeling, public safety and other applications. Our metrology, reverse engineering and factory automation applications are purchased by customers in the automotive and aerospace markets and a diverse array of manufacturing customers from small machine shops to large industrial manufacturers. Applications are used by these customers for alignment, part inspection, dimensional analysis, first article inspection, incoming and in-process inspection, machine calibration, non-contact inspection, robot calibration, tool building and setup, and assembly guidance. Our building information modeling applications are purchased primarily by customers in the AEC markets. Applications are used by these customers for as-built documentation, construction monitoring, surveying, asset and facility management, and heritage preservation. Our public safety applications are purchased primarily by law enforcement agencies, private investigators, and forensic experts and are used for capturing environmental or situational scenes, crash and fire scene investigations and environmental safety evaluations. Our ten largest customers by revenue represented an aggregate of approximately 4.2% of our total sales in 2024.

Sales and Marketing

We sell our products worldwide through direct sales and service offices, as well as third-party distributors and resellers. We have direct sales personnel in Australia, Brazil, Canada, China, France, Germany, India, Italy, Japan, Malaysia, Mexico, the

Netherlands, Poland, Portugal, Romania, Singapore, South Korea, Spain, Sweden, Switzerland, Thailand, Turkey, United Arab Emirates, the United Kingdom, Austria, Belgium and the United States. Our sales and marketing efforts use a process of integrated lead qualification and sales demonstration. Once a customer opportunity is identified, we employ a team-based sales approach involving inside and outside sales personnel. Each team has the ability to sell multiple product lines. We employ a variety of marketing techniques to promote brand awareness and customer identification. As of December 31, 2024, we employed 546 sales and marketing staff globally.

Our marketing team focuses its efforts on gaining an increased understanding of customer applications and workflows which enables value-based product positioning while optimizing our customer's total cost of ownership. By strengthening our understanding of customer applications and workflows, we continue to develop high-value solutions across our product and software platforms. Our sales and marketing leadership teams have transformed our lead generation process and implemented technology to provide our sales organization with higher quality leads which optimizes the time and effort spent by our sales team.

Research and Development

We believe that our future success depends, in part, on our ability to maintain what we believe to be our technological leadership, which will require ongoing enhancements of both our hardware and software products and the development of new applications and products that provide 3D measurement and imaging solutions. The field of 3D measurement and imaging continues to expand, and new technologies and applications will be essential to compete in this market. Accordingly, we intend to continue to make substantial investments in the development of new technologies, the commercialization of new products that build on our existing technological base, and the enhancement and development of additional applications for our products.

Our research and development efforts are directed primarily at enhancing the functional adaptability of our current products and developing new and innovative products that respond to specific requirements of the emerging market for 3D measurement and imaging solutions. Research and development activities, especially with respect to new products and technologies, are subject to significant risks, and there can be no assurance that any of our research and development activities will be completed successfully or on schedule, or, if completed, will be commercially accepted.

At December 31, 2024, we employed 241 staff in our research and development efforts. Research and development expenses were approximately $40.1 million in 2024.

Intellectual Property

We own approximately 453 registered patents and 140 pending patent applications worldwide, which generally expire on a rolling basis between 2025 and 2045. We also own approximately 293 trademark registrations worldwide, with 58 pending trademark applications.

Our success and ability to maintain a competitive position depends, in large part, on our ability to protect our intellectual property. We rely on a combination of contractual provisions and trade secret laws to protect our proprietary information. However, there can be no assurance that the steps taken by us to protect our trade secrets and proprietary information will be sufficient to prevent misappropriation of our proprietary information or preclude third-party development of similar intellectual property.

Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy aspects of our products or to obtain and use information that we regard as proprietary. We intend to vigorously defend our proprietary rights against infringement by third parties. However, policing unauthorized use of our products is difficult, particularly in foreign countries, and we may be unable to determine the extent, if any, to which unauthorized uses of our products exist. In addition, the laws of some foreign countries do not protect our proprietary rights to the same extent as the laws of the United States.

We do not believe that any of our products infringe on the valid, proprietary rights of third parties. There can be no assurance, however, that third parties will not claim infringement by us with respect to current or future products. Such claims, with or without merit, could be time consuming, result in costly litigation, cause product shipment delays or require us to enter into royalty or licensing agreements, which could have a material adverse effect upon our business, operating results and financial condition. In addition, such royalty or licensing agreements, if required, may not be available on terms acceptable to us, if at all.

Manufacturing and Assembly

Manufacturing consists primarily of assembling and integrating components and subassemblies purchased from suppliers into finished products. The primary components, which include machined parts and electronic circuit boards, are produced by subcontractors according to our specifications. Products are assembled, calibrated and tested for accuracy and functionality before shipment. Typically, we enter into purchase commitments for manufacturing components to cover production requirements for 60 to 120 days. We have entered, and may continue to enter, into longer agreements to purchase sufficient inventory to satisfy warranty commitments or to ensure adequate component availability. We are continuing to monitor ongoing supply chain disruptions that may constrain the availability of raw materials and components used in our products and remain committed to aggressively pursuing adequate sources to ensure continuity of supply and minimize material cost increases that would negatively impact our business.

Our FARO Laser Tracker, FaroArm®, and FAROBlu™ laser line probe products are all registered to ISO 17025:2005. We continue to examine our scope of registration as our business evolves, and we have chosen English as the standard business language for our operations.

Sanmina currently manufactures our FARO Quantum X Arm, 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.

Competition

Our measurement systems compete in the broad and highly competitive market for measurement devices for manufacturing, industrial, construction and public safety applications, which, in addition to portable articulated arms, laser trackers, terrestrial scanners and mobile scanner products, consist of fixed-base coordinate measuring machines (CMMs), handheld scanners, laser radars, gauges, check fixtures, handheld measurement tools, total stations, vehicle mounted scanning systems, photogrammetry solutions, digital levels and GNSS systems. In the FaroArm® portfolio, FARO Laser Tracker, FARO Orbis, FARO Focus and FARO Sphere solution lines, we compete primarily with Hexagon Manufacturing Intelligence, a division of Hexagon AB; Automated Precision, Inc.; KEYENCE Corporation K.K.; Leica Geosystems AG, a division of Hexagon AB; Creaform, a division of Ametek; and Trimble Inc. In the FARO Laser Projector product line, we compete primarily with Virtek Vision International, a division of Ametek. In our cloud based virtual reality capturing software, Sphere XG product line, we compete primarily with OpenSpace and StructionSite. We also compete in these product lines with a number of other companies. We compete on the basis of technical innovation, product performance, quality and value with respect to all of our products.

We will be required to make continued investments in technology and product development to maintain and extend the technological advantage that we believe we currently have over our competition. However, we cannot be certain that our technology or our product development efforts will allow us to successfully compete as the industry evolves. As the market for our measurement systems expands, additional competition may emerge, and our existing and future competitors may commit more resources to the markets in which we participate.

Government Regulation

Our operations are subject to numerous governmental laws and regulations, including those governing antitrust and competition, the environment, collection, recycling, treatment and disposal of covered electronic products and components, import and export of products, currency conversions and repatriation, taxation of foreign earnings, and the use of local employees and suppliers. Our foreign operations are subject to the U.S. Foreign Corrupt Practices Act, or FCPA, and similar foreign anti-corruption laws, which makes illegal any payments to government officials or government employees that are intended to induce their influence to assist us or to gain any improper advantage for us. We operate in certain regions in the Middle East, Africa, Latin America and Asia-Pacific that are more prone to risk under these anti-corruption laws.

In addition, a number of data protection laws impact, or may impact, the manner in which we collect, process and transfer personal data. Most notably, the European Union’s General Data Protection Regulation (“EU GDPR”), the United Kingdom General Data Protection Regulation and Data Protection Act 2018 (collectively, the “UK GDPR”) and the China personal Information Protection Law adopted in 2021 (the "China GDPR") (the EU GDPR, UK GDPR and China GDPR together referred to as the “GDPR”). The GDPR imposes comprehensive data privacy compliance obligations in relation to our collection, processing, sharing, disclosure, transfer and other use of data relating to an identifiable living individual or “personal data”, including a principal of accountability and the obligation to demonstrate compliance through policies, procedures, training and audit. Further, a number of other regions where we do business, including the United States, the Asia-Pacific region and Latin America, have enacted or are considering new data protection regulations that may impact our business activities that involve the processing of personal data. For example, in the United States, the Federal Trade Commission and state regulators enforce a variety of data privacy issues. In addition, certain states, including California, Colorado, Connecticut, Virginia and Utah, have adopted new or modified privacy and security laws and regulations that may apply to our business. These laws are prompting a wave of similar legislative developments in other states in the United States, which creates the potential for a patchwork of overlapping but different state laws. In order to comply with the varying state laws around data breaches, we must maintain adequate security measures, which require significant investments in resources and ongoing attention. In addition, U.S. and international laws that have been applied to protect user privacy (including laws regarding unfair and deceptive practices in the U.S. and GDPR in the EU) may be subject to evolving interpretations or applications in light of privacy developments. For example, evolution of laws governing the cross-border transfer of data, such as the invalidation of the EU–U.S. Privacy Shield, creates additional uncertainty around the legality and logistics of such transfers. Compliance with enhanced data protection laws requires additional resources and efforts, and noncompliance with personal data protection regulations could result in increased regulatory enforcement and significant monetary fines and costs.

We historically have sold our products and related services to the U.S. Government (the “Government”) under two General Services Administration (“GSA”) Federal Supply Schedule contracts (the “GSA Contracts”) through the end of 2021. Beginning in 2022, we have sold our products and related services to the government through approved distributors . We chose to make this change in our sales strategy to simplify operations and mitigate compliance risk. The Government, as well as state and local governments, can typically terminate or modify their contracts with our distributors either at their discretion or if these distributors default by failing to perform under the terms of their applicable contract, which could impede our ability to compete in the future for contracts and orders.

Backlog and Seasonality

At December 31, 2024, we had orders representing approximately $25.3 million in sales outstanding, of which $10.8 million related to services that we expect to deliver within one year. At December 31, 2023 and 2022, we had orders representing approximately $28.2 million and $29.9 million in sales outstanding, respectively.

We typically experience greater order volume during the fourth quarter, as customers spend the remaining balances of their capital expenditure budgets.

Human Capital

At December 31, 2024, we had 1,181 full-time employees and 51 part-time employees worldwide, consisting of 546 sales and marketing professionals, 199 customer service/training/application engineering specialists, 95 production and supply chain staff, 241 research and development staff, and 151 administrative staff. As we are a global company, so too is the distribution of our headcount with 37% residing in the Americas, 43% in Europe, the Middle East, and Africa ("EMEA") and 20% in the Asia-Pacific ("APAC") region.

The Company believes that our future growth and success will depend in part on our ability to attract and retain highly-skilled personnel. The executive management team is responsible for developing and executing the Company's human capital strategy. The human capital strategy includes the attraction, acquisition, engagement and development of the Company's employees necessary to execute on our strategy and design of employee compensation and benefits programs to fit the needs of our worldwide employees. We are not a party to any collective bargaining agreements and believe our employee relations are satisfactory.

Our CEO and Chief Human Resource Officer regularly update the Company's board of directors on key areas of our human capital strategy, including the following:

Diversity, Inclusion and Belonging: Because we want our employees to grow professionally and personally during their careers at FARO, we have pledged to provide an inclusive and collaborative environment rich in equal opportunities. We actively strive to maintain an environment that treats all employees with dignity and respect and believe that the combined knowledge and diverse views our employees contribute across our global locations strengthens our competitive edge. To foster a respectful atmosphere that embraces diversity of thought and capabilities, in 2023 we launched our first Employee Resource Groups, sponsored and supported by senior leaders across our Company to foster a culture of support, collaboration and inclusion. As of December 31, 2024, approximately 29% of our global workforce identified as female and 27% of our employees in managerial roles identified as female. As of December 31, 2024, minorities represented approximately 36% of the Company's U.S. workforce.

Employee Engagement: To assess and improve employee retention and engagement, the Company surveys employees with the assistance of third-party consultants and takes actions to address areas of employee concern. 82% of employees responded to our annual survey in 2024. Feedback from the survey informs our functional level action plan as well as corporate-wide initiatives.

Core Values and Ethics: Our culture and values, along with our approximately 1,181 full-time employees in approximately 28 countries, are the most valuable assets of our Company. The "Power of We" describes our values, which are the foundation of our Company culture. They are:

We Strive for Excellence: We aim to exceed the expectation of our internal and external customers.

We Think Big & Move Fast : We are pioneers in digitalization, leaders with bold ideas who act quickly to ensure we deliver on the value customers expect.

We Make our Mark : We offer solutions that enable our customers to work more efficiently and competitively, creating a more sustainable world.

We Support Each Other: We embrace a culture of trust, integrity, transparency, and diversity to nurture talent and foster a collaborative work environment.

Our employees are required to participate in ethics training covering key topics like our Global Ethics policy, code of conduct and other policies. To ensure we live our values and that our culture stays unique and strong, our Board of Directors and the executive team put significant focus on our human capital resources.

*Employee Recruitmen*t: We work diligently to attract the best talent from diverse backgrounds in order to meet the current and future demands of our business. In 2024, we hired 122 new employees in 13 different countries. Our average employee tenure is 7 years.

Our investment in tomorrow includes providing experiences for higher-education students through immersive programs. FARO University provides professional experience opportunities through a select number of part-time paid internships. In the last year, we hosted 10 interns in the United States and Germany. Interns are embedded in a variety of functional teams, including R&D Engineering, Software Engineering, Internal Audit, and Customer Experience.

Health and Safety: Health, safety, and the well-being of our employees is one of our top priorities. We strive to achieve world-class safety levels on an annual basis. Our safety culture focuses on reducing workplace injuries and is supported by effective communication and reporting of workplace injuries. To protect our employees in facilities in which our teams operate, we have employed preventative measures to help ensure the health and safety of our employees. We ensure our preventative measures are in compliance with the most recent local governmental regulations and requirements.

Available Information

We make available, free of charge on our Internet website at www.faro.com, our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after they are electronically filed with, or furnished to, the Securities and Exchange Commission(the "SEC"). You can find these reports on our website at www.faro.com by first clicking "Investor Relations" and then "SEC Filings." We have included our website address throughout this filing as textual references only. The information on, or accessible through, our website is not a part of, or incorporated into, this Annual Report. You may also access this information at the SEC's website at http://www.sec.gov. This site contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC.

ITEM 1A. RISK FACTORS

The statements under this heading describe the most significant risks to our business identified by management and should be considered carefully in conjunction with the discussion in Management's Discussion and Analysis of Financial Condition and Results of Operations included in Part II, Item 7 of this Annual Report, in our Consolidated Financial Statements and notes thereto included in Part II, Item 8 of this Annual Report, and in our other public filings before deciding to invest in, or retain, shares of our common stock.

Any of the following risks and uncertainties could materially and adversely affect our business, results of operations, liquidity, and financial condition. These 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 do not consider to be material to our business.

Risks Related to Our Business and Industry

The failure to attract and retain qualified personnel could lead to a loss of sales or decreased profitability and could have a material adverse impact on our business.

We depend on the experience, skill and contributions of our senior management and other key employees. If we fail to attract, motivate and retain highly qualified management, technical, compliance and sales personnel, our future success could be harmed. Our senior management provides strategic direction for our company, and the loss of any of our current executive officers, or other key personnel, could adversely affect our sales, profitability or growth.

Any changes or turnover of management could also adversely impact our stock price, and our client relationships and could make recruiting for management positions in the future more difficult. Moreover, we face competition for qualified personnel and we continue to rely, in part, on equity awards to attract and retain qualified personnel. Our ability to attract and retain qualified personnel could result in increased salaries and other compensation expenses and could negatively affect our profitability.

Competitors may develop products that make our products obsolete or less competitive.

The 3D measurement and imaging solutions market is characterized by rapid technological change. Competitors may develop new or improved products, processes or technologies that may make our products obsolete or less competitive.

As a result, our success depends, in part, on our ability to maintain our technological advantage by developing new products and applications and enhancing our existing products, which can be complex and time-consuming and require substantial investment. Significant delays in new product releases or difficulties in developing new products could adversely affect our business and results of operations. We can provide no assurance that we will be able to adapt to evolving markets and technologies or maintain our technological advantage.

Our growth depends on the ability of our products to attain broad market acceptance.

The market for traditional fixed-base coordinate measurement machines, or CMMs, check fixtures, handheld measurement tools, and surveying equipment is mature. Part of our strategy is to continue to displace these traditional measurement devices. Displacing traditional measurement devices and achieving broad market acceptance for our products requires significant effort to convince customers to reevaluate their historical measurement procedures and methodologies.

We market closely interdependent hardware products and related software for use in measurement, inspection, and high density surveying applications. Substantially all of our revenues are currently derived from sales of these products and software, and we plan to continue our business strategy of focusing on the hardware and software solution-driven, 3D measurement and imaging solutions market. Consequently, our financial performance will depend, in large part, on computer-based measurement, inspection and high density surveying products achieving broad market acceptance. If our products cannot attain broad market acceptance, we will not grow as anticipated and may be required to make increased expenditures on research and development for new applications or new products.

The buying process for most of our customers for our measurement products is highly decentralized and typically requires significant time and expense for us to further penetrate the potential market of a specific customer, which may delay our ability to generate additional revenue.

Our success depends, in part, on our ability to further penetrate our customer base. During 2024, approximately 85% of our revenue was attributable to sales to our existing customers who have previously purchased products or services from us. If we are not able to continue to further penetrate our existing customer base, our future sales may decline. However, most of our customers have a decentralized buying process for measurement devices, and we must spend significant time and resources to increase revenues from a specific customer. For example, we may provide products to only one of our customer's manufacturing facilities or for a specific product line within a manufacturing facility. We cannot offer any assurance that we will be able to maintain or increase the amount of sales to our existing customers, which could adversely affect our financial results.

If our efforts to develop our current services towards a subscription-based business model do not succeed, we may reduce our revenue growth rate and profitability, fail to keep pace with technological developments and harm our business.

We are currently developing cloud-computing application services to deliver new and existing software offerings. The markets for our 3D measurement, imaging and realization clouds remain relatively new and it is uncertain whether our efforts will ever result in significant revenue for us. Further, the introduction of a significant platform change, including our SphereXG platform, and introduction of new services, may not be successful, and early stage interest and adoption of such new services may not result in long term success or significant revenue for us. Our continued efforts to develop new and existing services may not succeed and may reduce our revenue growth rate.

Additionally, if we are unable to rapidly enhance or develop new features for the technology underlying our future subscription-based business model that keep pace with the current and future technological environment, our business will be harmed. The success of enhancements, new features and services depends on several factors, including the timely completion introduction and user acceptance of the feature, service or enhancement. Further, because our services will be designed to operate on a variety of network hardware and software platforms using a standard browser, we will need to continuously enhance our services to keep pace with changes in Internet-related hardware, software, communication, browser and database technologies. We may not be successful in identifying the technology trends and developing the enhancements, or in bringing them to market timely. Furthermore, uncertainties about the timing and nature of new network platforms or technologies, or modifications to existing platforms or technologies, could increase our research and development or service delivery expenses. Any failure of our services to operate effectively with future network platforms and technologies could reduce the demand for our services, result in customer dissatisfaction and harm our business.

Tariffs and other trade restrictions could have a material adverse effect on our business.

The U.S. could significantly change U.S. trade policy and impose new tariffs and/or other trade restrictions that could impact our business, potentially increasing our costs and adversely impacting our ability to compete in the marketplace. Such restrictions could be universal or country specific in nature. Retaliatory actions by other countries such as China based on U.S. tariff policy could also have a material adverse impact on our business.

We have experienced volatility in our stock price.

The price of our common stock has been, and may continue to be, highly volatile in response to various factors, many of which are beyond our control, including:

- fluctuations in demand for, and sales of, our products or prolonged downturns in the industries that we serve;
- actual or anticipated variations in quarterly or annual operating results;
- general economic uncertainties;
- issuances of shares of our common stock, whether in connection with an acquisition or upon conversion of some or all of our outstanding Notes;
- speculation in the press or investment community; and
- announcements of technological innovations or new products by us or our competitors.

The market price of our common stock has in the past and may in the future also be affected by announcements of executive leadership changes or our inability to meet analyst and investor expectations and failure to achieve projected financial results. Any failure to meet such expectations or projected financial results, even if minor, could cause the market price of our common stock to decline significantly. Volatility in our stock price may result in the inability of our shareholders to sell their shares at or above the price at which they purchased them.

Our relatively small public float and daily trading volume have in the past caused, and may in the future result in, significant volatility in our stock price. At December 31, 2024, we had approximately 18.5 million shares outstanding held by non-affiliates. Our daily trading volume for the quarter ended December 31, 2024 averaged approximately 172,495 shares.

In addition, stock markets have experienced in the past and may in the future experience a high level of price and volume volatility, and the market prices of equity securities of many companies have experienced in the past and may in the future experience wide price fluctuations not necessarily related to the operating performance of such companies. These broad market fluctuations have and may continue to adversely affect the market price of our common stock. In the past, securities class action lawsuits frequently have been instituted against companies following periods of volatility in the market price of such companies' securities. If any such litigation is instigated against us, it could result in substantial costs and a diversion of management's attention and resources, which could have a material adverse effect on our results of operations and financial condition.

We may not be able to identify or consummate acquisitions or achieve expected benefits from or effectively integrate acquisitions, which could harm our growth.

Our growth strategy partly depends on our ability to obtain additional technologies, complementary product lines and sales channels through selective acquisitions and strategic investments. We may not be able to identify and successfully negotiate suitable acquisitions, obtain financing for future acquisitions, if necessary, on satisfactory terms or otherwise complete acquisitions in the future. In the past, we have used our stock as consideration for acquisitions. Our common stock may not remain at a price at which it can be used as consideration for acquisitions without diluting our existing shareholders, and potential acquisition candidates may not view our stock attractively.

In addition, realization of the benefits of acquisitions often requires integration of some or all of the sales and marketing, distribution, manufacturing, engineering, software development, customer service, finance and administrative organizations of the acquired companies. The integration of acquisitions demands substantial attention from senior management and the management of the acquired companies. Our recent acquisitions are, and any future acquisitions may be, subject to a variety of risks and uncertainties including:

- the inability to assimilate effectively the operations, products, technologies and personnel of the acquired companies (some of which may be located in diverse geographic regions);
- the inability of the acquired business to meet our performance expectations;
- the inability to maintain uniform standards, controls, procedures and policies;
- the need or obligation to divest portions of the acquired companies; and
- the potential impairment of relationships with customers.

We cannot offer any assurance that we will be able to identify, complete or successfully integrate any suitable acquisitions, that any acquired companies will operate profitably, or that we will realize the expected synergies and other benefits from any acquisition.

Our operations are significantly vulnerable to the effects of pandemics, which have, and could continue to materially impact our business.

We are significantly vulnerable to the economic effects of pandemics and other public health crises, such as a crisis similar to the COVID-19 pandemic, in any of the global locations we operate in. The risk of COVID-19 resurgence and its variants, or a similar crisis, could have a material adverse effect on our business, financial condition and results of operations in the future.

Should we experience a pandemic similar to COVID-19 or and its variants, the impact on our business could include, but not be limited to, the following:

- potential production slowdowns of our factories in impacted countries or potential supply and distribution chain disruption (including any impact on our contract manufacturer, Sanmina, located in Thailand), which could in the future result in increased costs and decreased efficiency, and which have and could impact our ability to respond to rapid changes in demand;
- the demand for our products and services, and whether the pandemic leads to continued recessionary conditions in any of our key markets, including potential trade customer financial restructuring or insolvency and increases in uncollectible accounts receivable balances with our trade customer base; Potential future impairment in value of our tangible or intangible assets could be recorded as a result of weaker economic conditions;
- potential significant disruption of global financial markets, which could have a negative impact on our ability to access capital in the future;
- fluctuations in forecasted earnings before tax and corresponding volatility in our effective tax rate;
- potential operational disruption if key employees terminate their employment or become ill, as well as diversion of our management team's attention from non-pandemic related matters; and
- potential investigations, legal claims or litigation against us for actions we have taken or may take, or decisions we have made or may make, as a consequence of the pandemic;

As such, the potential future impact on our financial condition and results of operations cannot be determined at this time.

We derive a substantial part of our revenues from our international operations, which are subject to greater volatility and often require more management time and expense to achieve profitability than our domestic operations.

We derive more than half of our revenues from international operations. Our international operations are subject to various risks, including:

- difficulties in staffing and managing foreign operations;
- political and economic instability;
- economic slowdown in certain countries, such as the recent slowdown in China;
- unexpected changes in regulatory requirements and laws;
- longer customer payment cycles and difficulty collecting accounts receivable;
- compliance with export and import regulations, including tariffs, and trade restrictions;
- governmental restrictions on the transfer of funds to us from our operations outside the United States; and
- burdens of complying with a wide variety of foreign laws and labor practices.

Several of the countries where we operate have emerging or developing economies, which may be subject to greater currency volatility, negative growth, high inflation, limited availability of foreign exchange and other risks. These factors may harm our results of operations and any measures that we may implement to reduce the effect of volatile currencies and other risks of our international operations may not be effective.

We are subject to risks of natural disasters and other catastrophic events.

The occurrence of one or more natural disasters, such as fires, explosions, tornadoes, hurricanes, earthquakes, floods and other forms of severe weather, or the occurrence of acts of war, political unrest, terrorist activities or labor issues, including due to public health crises such as pandemics and epidemics, where our contracted manufacturer or we have a manufacturing facility could result in physical damage to, and complete or partial closure of, such manufacturing facilities, which could adversely affect our business, operations and financial performance. Since most of our manufacturing is done by our contract manufacturer located in Thailand, a natural disaster or other catastrophic event impacting that site could result in a significant impact on our business. Interruptions in our manufacturing operations or damage to any of our manufacturing facilities could reduce our revenues and increase our costs, and the extent of losses from natural disasters, severe weather and such other events will be a function of both the severity of the event and the total amount of insured exposure. Although we maintain insurance coverage, we can offer no assurance that our insurance coverage will be adequate to cover any losses or that we will be able to maintain insurance at a reasonable cost in the future. If losses from business interruption or property damage exceed the amounts for which we are insured, our business, results of operations and financial condition could be adversely affected.

We may face difficulties managing the effects of any future growth.

If our business grows rapidly in the future, we expect it to result in:

- increased complexity;
- increased responsibility for existing and new management personnel; and
- incremental strain on our operations and financial and management systems.

If we are not able to manage the effects of any future growth, our business, financial condition and operating results may be harmed.

Market conditions and changing circumstances, some of which may be beyond our control, could impair our ability to access our existing cash, cash equivalents and investments and to timely pay key vendors and others.

Market conditions and changing circumstances, some of which may be beyond our control, could impair our ability to access our existing cash, cash equivalents and investments and to timely pay key vendors and others. If banks and financial institutions with whom we have banking relationships enter receivership or become insolvent in the future, we may be unable to access, or we may lose, some or all of our existing cash, cash equivalents and investments, to the extent those funds are not insured or otherwise protected by the FDIC. In addition, in such circumstances we might not be able to timely pay key vendors and others. We regularly maintain cash balances that are not insured or are in excess of the FDIC's insurance limit. Any delay in our ability to access our cash, cash equivalents and investments, or the loss of some or all of such funds, or inability to timely pay key vendors and others, could have a material adverse effect on our operations and cause us to seek additional capital sooner than planned.

Reductions in defense spending could adversely affect our business.

Certain of our customers operate in the defense sector and depend significantly on U.S. government spending, and, as a result, purchase volumes of our products by such customers are subject to changes in military strategy and government priorities. Further, while many of the U.S. government defense programs span several years, they are often funded annually, and funding is generally subject to congressional appropriations. When U.S. and foreign allied governments are faced with competing national priorities, such as addressing financial or spending crises or public health emergencies, there can be significant pressure to reduce defense spending, which could reduce the demand for our products and adversely affect our financial position, results of operations and cash flows. Reductions in defense spending that impact the aerospace and defense industries, or uncertainty regarding future levels of government expenditures, could have an adverse effect on our results of operations. Additionally, if Congress is unable to pass appropriations bills in a timely manner, a government shutdown could result, which may have impacts in addition to those resulting from budget cuts, sequestration impacts or program-level appropriations, including payment delays, impairment of our ability to perform work on existing contracts and reductions in future orders.

Anti-takeover provisions in our articles of incorporation, bylaws and provisions of Florida law could delay or prevent a change of control that you may favor.

Our articles of incorporation, bylaws and provisions of Florida law could make it more difficult for a third-party to acquire us. Although we believe such provisions are appropriate to protect long-term value for our shareholders, these provisions could discourage potential takeover attempts and could adversely affect the market price of our shares. Because of these provisions, you might not be able to receive a premium on your investment. These provisions include:

- a limitation on shareholders' ability to call a special meeting of our shareholders;
- advance notice requirements to nominate directors for election to our board of directors or to propose matters that can be acted on by shareholders at shareholder meetings;
- our classified board of directors, which means that approximately one-third of our directors are elected each year; and

- the authority of the board of directors to issue, without shareholder approval, preferred stock with such terms as the board of directors may determine.

The provisions described above could delay or make more difficult transactions involving a change in control of the Company or our management.

Our bylaws designate specific courts in Florida and the federal district courts of the United States of America are the exclusive forums for substantially all litigation that may be initiated by the Company's shareholders, which could limit our shareholders' ability to obtain a favorable judicial forum for disputes with us.

Our amended and restated bylaws provide that, unless the Company consents in writing to the selection of an alternative forum, the sole and exclusive forum for (i) any derivative action or proceeding brought on behalf of the Company, (ii) any action asserting a claim of breach of a fiduciary duty owed by any director or officer or other employee or shareholder of the Company to the Company or the Company's shareholders, (iii) any action asserting a claim arising pursuant to any provision of the Florida Business Corporation Act or the Company's articles of incorporation or bylaws (as either may be amended from time to time), or (iv) any action governed by the internal affairs doctrine, will be a state court located within Seminole County in the State of Florida (or, if no such state court within Seminole County has jurisdiction, another state court located within the State of Florida, or if no such other state court located within the State of Florida has jurisdiction, the federal district court for the Middle District of Florida) (the "Florida Forum Provision"), except for, as to each of (i) through (iv) above, any claim as to which such court determines that there is an indispensable party not subject to the jurisdiction of such court (and the indispensable party does not consent to the personal jurisdiction of such court within ten days following such determination), which is vested in the exclusive jurisdiction of a court or forum other than such court or for which such court does not have subject matter jurisdiction.

Unless the Company consents in writing to the selection of an alternative forum, the federal district courts of the United States of America shall be the sole and exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act, against any person in connection with any offering of the Company's securities, including, without limitation and for the avoidance of doubt, any auditor, underwriter, expert, control person or other defendant. In addition, our amended and restated bylaws provide that any person or entity purchasing, holding or otherwise acquiring any interest in any security of the Company is deemed to have notice of and consented to the provisions of our amended and restated bylaws; provided, however, that shareholders cannot and will not be deemed to have waived our compliance with the U.S. federal securities laws and the rules and regulations thereunder.

The exclusive-forum provisions in our bylaws may impose additional litigation costs on shareholders in pursuing any such claims. Additionally, the exclusive-forum provisions may limit our shareholders' ability to bring a claim in a judicial forum that they find favorable for disputes with us or our directors, officers or employees, which may discourage the filing of lawsuits against us and our directors, officers and employees, even though an action, if successful, might benefit our shareholders. In addition, if the exclusive-forum are found to be unenforceable, we may incur additional costs associated with resolving such matters. The exclusive forum provisions may also impose additional litigation costs on shareholders who assert that the provision is not enforceable or invalid. The courts specified in the exclusive-forum provisions may also reach different judgments or results than would other courts, including courts where a shareholder considering an action may be located or would otherwise choose to bring the action, and such judgments may be more or less favorable to us than our shareholders.

Risks Related to Our Financial Position and Need for Additional Capital

Our financial performance is dependent on the conditions of various industries, including the automotive, aerospace, and heavy-equipment industries, which have from time to time experienced, and may again experience, significant disruptions in the economic environment.

A significant portion of our sales are to manufacturers in the automotive, aerospace, and heavy equipment industries. We are dependent upon the continued viability and financial stability of our customers in these industries, which are highly cyclical and dependent upon the general health of the economy and consumer spending.

Because a significant portion of our revenues, expenses, and assets are denominated in foreign currencies, we face significant exposure to foreign exchange rate risk.

We conduct a significant portion of our business outside the United States and consequently much of our revenues, expenses and assets are denominated in foreign currencies, most notably the Euro, Japanese Yen, Swiss Franc, Chinese Yuan and Brazilian Real. Our results of operations are affected by fluctuations in exchange rates, which have caused, and may in the future cause, significant fluctuations in our quarterly and annual results of operations. Fluctuations in exchange rates may have a material adverse effect on our results of operations and financial condition and could result in potentially significant foreign exchange gains and losses. The impact of future exchange rate fluctuations on the results of our operations cannot be accurately predicted due to our constantly changing exposure to various currencies, and the fact that all foreign currencies do not react in the same manner in relation to the U.S. dollar. Additionally, currency fluctuations could require us to increase prices to foreign customers, which could result in lower net sales by us to those customers. If we do not adjust the prices for our products in response to unfavorable currency fluctuations, we could be forced to sell our products at a lower margin or at a net loss. 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 will 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. 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.

We may be unable to recognize the anticipated benefits of our 2024 Restructuring Plan, our new strategic plan, and any future restructuring and strategic plans.

On November 1, 2024, our Board of Directors approved a global restructuring plan (the “2024 Restructuring Plan”), which is intended to provide for cost out opportunities to better align with geographical and after market demand needs. Actual results, including the final costs of this 2024 Restructuring Plan, our new strategic plan and any further restructuring and strategic plans and our ability to sustain savings, may differ materially from our expectations, resulting in our inability to realize the expected benefits of this Restructuring Plan and negatively impact our ability to execute our future plans and strategies, which could have a material adverse effect on our business, financial condition and results of operations.

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

Our international sales operations are subject to extensive laws, governmental regulations and policies, including but not limited to tariffs and other export regulations. Changes in export regulations could increase the cost of our products sold as exports to our international customers. If our international customers are not willing to absorb the incremental costs resulting from those tariffs or other export regulations, it could negatively impact our sales to such customers, as well as our profitability.

We may not be able to achieve financial results within our target goals, and our operating results may fluctuate due to a number of factors, many of which are beyond our control.

Our ability to achieve financial results that are within our goals is subject to a number of factors beyond our control. Moreover, our annual and quarterly operating results have varied significantly in the past and likely will vary significantly in the future. Factors that cause our financial results to fluctuate include, but are not limited to, the following:

- adverse changes with regard to our contract manufacturer, the manufacturing industry in general and general economic conditions;
- the effectiveness of sales promotions;
- geographic expansion in our regions;
- training and ramp-up time for new sales people;
- investments in strategic sales, product or other initiatives;
- investments in technologies and new products and product enhancements, including costs associated with new development and product introductions, and the timing and market acceptance of new products and product enhancements;
- manufacturing inefficiencies related to new product introductions;
- excess or obsolete inventory, shrinkage or other inventory losses due to product obsolescence, change in demand for our products, scrap or material price changes;
- impairment charges of goodwill or intangible assets;
- expansion of our third-party manufacturer's capability;
- the size and timing of customer orders, many of which are received towards the end of a quarter;
- the amount of time that it takes to fulfill orders and ship our products;
- the length of our sales cycle to new customers;
- customer order deferrals in anticipation of new products and product enhancements;

- start-up costs and ramp-up time associated with opening new sales offices outside of the United States;
- variations in our effective income tax rate and difficulty in predicting our effective tax rate on a quarterly and annual basis; and
- litigation and regulatory action brought against us.

Any one or a combination of these factors could adversely affect our annual and quarterly operating results in the future and could cause us to fail to achieve our target financial results.

Future impairments of our goodwill, intangible and long-lived assets could adversely affect our financial condition and results of operations.

Because the historical and projected future performance of certain of our recently acquired operations were lower than our expectations, the technologies, intellectual property, know-how and related intangibles were no longer aligned with our go-forward strategies, and due to other initiatives in connection with our new strategic plan, in the second quarter of 2020, we disposed of certain of our operations. See Note 19, “Restructuring” to the Notes to Consolidated Financial Statements included in Part II, Item 8 of this Annual Report for further information regarding the impairment. We currently hold a total of $44.1 million in intangible assets, net of accumulated amortization, and $106.6 million in goodwill at December 31, 2024. Additionally, as a result of an assessment over the current development strategy of our internally developed software, we determined a shift in our current resources was necessary towards a more efficient path for subscription based software. Events may occur or circumstances may change such that the carrying value is not recoverable or it becomes more likely than not that the fair value of long-lived assets is reduced below the carrying value of the assets, which could result in a further write-down of our assets.

In addition, certain of our long-lived assets such as leasehold improvements, machinery, equipment, and sales demonstration assets may experience impairment as a result of events such as the closure of sites, introduction of new products, decisions to exit certain products or markets, and changes in technology. We depreciate long-lived assets and amortize intangible assets at levels we believe are adequate; however, an impairment of these assets could have a material adverse impact on our business, financial condition and results of operations.

We may require additional capital to support our liabilities, operations or the growth of our business, and we cannot be certain that this capital will be available on reasonable terms when required, or at all.

On occasion, we may need additional financing for a variety of reasons, including servicing our liabilities, operating or growing our business, responding to business opportunities, undertaking acquisitions, funding stock repurchases, or repaying indebtedness. As of December 31, 2024, the outstanding principal balance of our Convertible Senior Notes was $72 million.

Our ability to refinance or obtain additional financing, if and when required, will depend on investor and lender demand, our operating performance, the condition of the capital markets and other factors. We cannot guarantee that additional financing will be available to us on favorable terms when required, or at all. If we raise additional funds through the issuance of equity, equity-linked or debt securities, those securities may have rights, preferences or privileges senior to the rights of our common stock, and our existing stockholders may experience dilution. If we are unable to obtain adequate financing or financing on terms satisfactory to us when we require it, our ability to continue to support the operation or growth of our business could be significantly impaired and our operating results may be harmed. Rising interest rates may reduce our access to equity-linked or debt capital and increase our cost of borrowings, which could adversely impact our business, operating results and financial position.

Inflation in the global economy could negatively impact our business and results of operations.

General inflation in the United States, Europe and other geographies has risen to levels not experienced in recent years. General inflation, including rising prices for our raw materials and other inputs as well as rising salaries negatively impact our business by increasing our 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.

If we fail to establish and maintain effective internal controls over financial reporting, our financial statements could contain a material misstatement, which could adversely affect our business and financial condition.

Under Section 404 of the Sarbanes-Oxley Act of 2002 and the rules promulgated by the SEC, companies are required to conduct a comprehensive evaluation of their internal controls over financial reporting. As part of this process, we are required to document and test our internal controls over financial reporting, management is required to assess and issue a report concerning our internal controls over financial reporting, and our independent registered public accounting firm is required to attest to the effectiveness of our internal controls over financial reporting. Our internal controls over financial reporting may not prevent or detect misstatements because of their inherent limitations, including the possibility of human error, the circumvention or overriding of controls, or fraud. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and may not be prevented or detected on a timely basis. Even effective internal controls over financial reporting can provide only reasonable assurance with respect to the preparation and fair presentation of financial statements.

As described in Part II, Item 9A — Controls and Procedures, of the Annual Report on Form 10-K, during the year ended December 31, 2023, filed February 28, 2024, we identified a material weakness in our internal control related to information technology general controls ("ITGC") in the area of user access over certain IT systems that support the Company's financial reporting process. A material weakness, as defined by the SEC rules, is a deficiency, or a combination of deficiencies, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. During the year ended December 31, 2024 , we implemented remediation actions to address the material weakness in our internal controls related to ITGC and, as of December 31, 2024, this material weakness has been deemed remediated.

If additional material weaknesses in internal control over financial reporting are discovered or occur in the future, our consolidated financial statements may contain material misstatements and we could be required to revise or restate our financial results, which could materially and adversely affect our business, results of operations and financial condition, restrict our ability to access the capital markets, require us to expend significant resources to correct the material weakness, subject us to fines, penalties or judgments, harm our reputation, adversely affect the trading price of our common stock, or otherwise cause a decline in investor confidence.

Our financial results may be adversely affected by exposure to additional tax liabilities.

As a multinational corporation, we are subject to income tax in the United States and numerous foreign jurisdictions. Our effective tax rate is directly impacted by the application of complex tax laws and regulations and is highly dependent upon the geographic mix of our worldwide earnings or losses, the tax regulations in each country or geographic region in which we operate, and the availability of tax credits and loss carry-forwards. Our provision for income taxes and tax liability in the future could be adversely affected by many factors including, but not limited to, income before taxes being lower than anticipated in countries with lower statutory tax rates and higher than anticipated in countries with higher statutory tax rates, changes in the valuation of deferred tax assets and liabilities, and changes in tax laws, regulations, accounting principles or interpretation of accounting principles. Application of tax laws and regulations is also subject to legal and factual interpretation, judgment, and uncertainty. Further, tax laws are subject to change as a result of changes in fiscal policy and legislation and the evolution of regulations and court rulings.

The income and non-income tax regimes we are subject to or operate under may be subject to significant change. Changes in tax laws or tax rulings, or changes in interpretations of existing laws, could materially affect our financial position and results of operations. Certain countries in Europe, as well as a number of other countries and organizations, have recently proposed or recommended changes to existing tax laws that could significantly increase our tax obligations in many countries where we do business or require us to change the manner in which we operate our business. The Organization for Economic Cooperation and Development ("OECD") has continued to issue guidelines and proposals related to its Base Erosion and Profit Sharing initiative, which could potentially result in legislative changes to the tax treatment of our foreign operations, as well as impact our effective tax rate and the value of our deferred tax assets.

A valuation allowance may be required for our deferred tax assets, which may reduce our earnings and have a material adverse effect on our business, results of operations and financial condition.

Our balance sheet includes $23.0 million in deferred tax assets as of December 31, 2024. On a quarterly basis, we assess our ability to realize our deferred tax assets to ensure if any valuation allowances are required. The ultimate realization of our deferred tax assets is dependent upon our ability to generate future taxable income in the jurisdiction during the periods in which those deferred tax assets would be deductible. We continue to monitor whether any valuation allowances are necessary, and if we are required to establish a valuation allowance against any of our deferred tax assets, it could have a material adverse effect on our results of operations and financial condition.

Risks Related to Our Outstanding Convertible Notes

Our indebtedness and liabilities could limit the cash flow available for our operations, expose us to risks that could adversely affect our business, financial condition and results of operations and impair our ability to satisfy our existing debt obligations, including the Notes.

On January 24, 2023, we issued $75 million in aggregate principal amount of our Notes. We may also incur additional indebtedness to meet future financing needs. Our indebtedness could have significant negative consequences for our security holders and our business, results of operations and financial condition by, among other things:

- increasing our vulnerability to adverse economic and industry conditions;
- limiting our ability to obtain additional financing;
- requiring the dedication of a substantial portion of our cash flow from operations to service our indebtedness, which will reduce the amount of cash available for other purposes;
- limiting our flexibility to plan for, or react to, changes in our business;
- diluting the interests of our existing stockholders as a result of issuing shares of our common stock upon conversion of the Notes; and
- placing us at a possible competitive disadvantage with competitors that are less leveraged than us or have better access to capital.

Our business may not generate sufficient funds, and we may otherwise be unable to maintain sufficient cash reserves, to pay amounts due under our indebtedness, including the Notes, and our cash needs may increase in the future. In addition, any future indebtedness that we may incur may contain financial and other restrictive covenants that limit our ability to operate our business, raise capital or make payments under any existing indebtedness. If we fail to comply with these covenants or to make payments under any existing indebtedness when due, then we would be in default under that indebtedness, which could, in turn, result in that and any existing other indebtedness becoming immediately payable in full. Any of the foregoing could have a material adverse effect on our business, results of operations or financial condition.

We may not have sufficient cash to settle conversions of the Notes in cash, to repurchase the Notes upon a fundamental change, or to repay the principal amount of the Notes in cash at their maturity, and our future debt may contain limitations on our ability to pay cash upon conversion or repurchase of the Notes.

Holders of the Notes will have the right to require us to repurchase all or a portion of the Notes upon the occurrence of a fundamental change before the applicable maturity date at a repurchase price equal to 100% of the principal amount of such Notes to be repurchased, plus accrued and unpaid interest or special interest, if any, as described in the indenture governing the Notes. In addition, upon conversion of the Notes, unless we elect to deliver solely shares of our common stock to settle such conversion (other than paying cash in lieu of delivering any fractional share), we will be required to make cash payments in respect of such Notes being converted, as described in the indenture governing the Notes. Moreover, we will be required to repay the Notes in cash at their maturity unless earlier converted, redeemed, or repurchased. However, we may not have enough available cash on hand or be able to obtain financing at the time we are required to make repurchases of such Notes surrendered therefor or pay cash with respect to such series of Notes being converted or at their respective maturity. Further, if the Notes convert and we elect to issue common stock in lieu of cash upon conversion, our existing stockholders could suffer significant dilution.

In addition, our ability to repurchase or pay cash upon conversion or at maturity of the Notes may be limited by law or regulatory authority. Our failure to repurchase Notes following a fundamental change, to pay cash upon conversion, or at maturity, as required by the indenture, would constitute a default under such indenture. A default under such indenture or the fundamental change itself could also lead to a default under agreements governing our existing and future indebtedness. Moreover, the occurrence of a fundamental change under the indenture governing the Notes could constitute an event of default under any such agreement. If the payment of the related indebtedness were to be accelerated after any applicable notice or grace periods, we may not have sufficient funds to repay such indebtedness and repurchase the Notes or pay cash with respect to such series of Notes being converted or at maturity of such series of Notes.

The conditional conversion feature of the Notes, if triggered, may adversely affect our financial condition and operating results.

In the event the conditional conversion feature of either series of Notes is triggered, holders of the Notes will be entitled under the indenture governing the Notes to convert the Notes at any time during the specified periods at their option. Upon such event, if one or more holders elect to convert their Notes, unless we elect to satisfy our conversion obligation by delivering solely shares of our common stock (other than paying cash in lieu of delivering any fractional share), we would be required to settle a portion or all of our conversion obligation in cash, which could adversely affect our liquidity. As noted in our SEC Form 8-K filed on January 19, 2023, there is a maximum number of shares of the Company's common stock that may be issued upon the conversion of the Notes. The maximum number of shares is based on the initial maximum conversion rate of 28.3286 shares of common stock per $1,000 principal amount of Notes that are outstanding, which is subject to customary anti-dilution adjustment provisions.

The accounting method for the Notes could affect our reported financial condition and results.

The accounting method for reflecting the Notes on our consolidated balance sheets, accruing interest expense for the Notes and reflecting the underlying shares of our common stock in our reported diluted earnings per share may adversely affect our reported earnings and financial condition. In August 2020, the Financial Accounting Standards Board published an Accounting Standards Update (“ASU 2020-06”), which simplified certain of the accounting standards that apply to convertible notes. ASU 2020-06 became effective for us beginning with the fiscal year ending December 31, 2022, including interim periods within that fiscal year.

In accordance with ASU 2020-06, the Notes will be reflected as a liability on our consolidated balance sheets, with the initial carrying amount equal to the principal amount of the Notes, net of issuance costs. The issuance costs will be treated as a debt discount for accounting purposes, which will be amortized into interest expense over the term of the Notes. As a result of this amortization, the interest expense that we expect to recognize for the Notes for accounting purposes will be greater than the cash interest payments we will pay on the Notes, which will result in lower reported income.

In addition, the shares of common stock underlying the Notes will be reflected in our diluted earnings per share using the “if converted” method, in accordance with ASU 2020-06. Under that method, diluted earnings per share would generally be calculated assuming that all the Notes were converted solely into shares of common stock at the beginning of the reporting period, unless the result would be anti-dilutive. The application of the if-converted method may reduce our reported diluted earnings per share to the extent we are profitable in the future, and accounting standards may change in the future in a manner that may adversely affect our diluted earnings per share.

Furthermore, if any of the conditions to the convertibility of the Notes is satisfied, then we may be required under applicable accounting standards to reclassify the liability carrying value of the notes as a current, rather than a long-term, liability. This reclassification could be required even if the conversion option is not exercised, and could materially reduce our reported working capital.

Risks Related To Product Development And Regulatory Process

Product failures or product availability and performance issues could result in increased warranty costs and delays in new product introductions and enhancements, and could adversely affect our business and financial condition.

We regularly introduce new products and enhance existing products. The impact of new product introductions, including the costs associated with new product introductions, such as product development, marketing, assembly line start-up costs and low introductory period production volumes, and manufacturing inefficiencies associated with new product introductions could have an adverse effect on our business and financial condition. Failures in, or performance issues impacting, our new or existing products could result in increased warranty costs, product recall costs, delays in new product introductions or existing product enhancements, and a loss of sales and customers, which would have an adverse effect on our business and financial condition. The supply of raw materials for a new or existing product could be delayed or constrained, or a key vendor could delay shipments, which may decrease product availability, causing a loss of sales and customers.

Increases in the cost and constraints in the availability of raw materials or components used in our products could negatively impact our business and profitability.

Our products contain various raw materials, including steel, steel byproducts, aluminum, aluminum byproducts, resin products and various electronic components. We use raw materials directly in manufacturing and in components that we purchase from our suppliers. These raw materials are subject to extensive laws, governmental regulations, policies, including tariffs and other import restrictions, inflationary pressures, exchange rate fluctuations and supply shortages. Some of the raw materials are obtained from suppliers outside the United States, and to the extent that the quantity or proportion of materials derived from such foreign suppliers increases in the future, our exposure to tariffs and other import restrictions, supply chain disruptions and exchange rate fluctuations may increase. The occurrence and impact of future changes in laws, governmental regulations, policies, inflationary pressures, exchange rate fluctuations and supply shortages cannot be accurately predicted. Changes to the laws, governmental regulations and policies governing these raw materials, including tariffs and other import restrictions, have increased and could continue to increase the cost of such raw materials and, correspondingly, the cost of manufacturing our products. Further, interruptions in global supply chains, inflationary pressures and exchange rate fluctuations have increased and could continue to increase the cost of such raw materials, and have constrained and could continue to constrain the availability of such raw materials. If the costs of our raw materials further increase, whether due to changes in laws, governmental regulations, policies, supply shortages or for other reasons, we may not be able to pass on these costs to our customers, which could have a material adverse effect on our business, results of operations and financial condition. Even in the event that increased costs can be substantially passed through to our customers, our gross margin percentages would decline.

We compete with manufacturers of measurement systems and traditional measurement devices, many of which have more resources than us and may develop new products and technologies.

Our measurement systems compete in the broad and highly competitive market for measurement devices for manufacturing, industrial, construction and public safety applications, which, in addition to portable articulated arms, laser trackers, terrestrial scanners and mobile scanner products, consist of fixed-base CMMs, handheld scanners, laser radars, gauges, check fixtures, handheld measurement tools, total stations, vehicle mounted scanning systems, photogrammetry solutions, digital levels and GNSS systems. In the FaroArm®, FARO ScanArm, FARO Laser Tracker™, FARO Orbis™ and FARO Focus product lines, we compete primarily with Hexagon Manufacturing Intelligence, a division of Hexagon AB; Automated Precision, Inc.; KEYENCE Corporation K.K.; Leica Geosystems AG, a division of Hexagon AB; Creaform, a division of Ametek; and Trimble Inc. In the FARO Laser Projector product line, we compete primarily with Virtek Vision International, a division of Ametek. In our cloud based virtual reality capturing software, Sphere XG product line, we compete primarily with OpenSpace and StructionSite. We also compete in these product lines with a number of other companies. We compete on the basis of technical innovation, product performance, quality and price with respect to all of our products.

We will be required to make continued investments in technology and product development to maintain the technological advantage that we believe we currently have over our competition. Some of our competitors possess substantially greater financial, technical, and marketing resources than we possess. Moreover, we cannot be certain that our technology or our product development efforts will allow us to successfully compete as the industry evolves. If the market for our measurement systems expands, additional competition may emerge and our existing and future competitors may commit more resources to the markets in which we participate. Our results of operations could be adversely affected by pricing strategies pursued by competitors or technological or product developments by competitors.

We are subject to the impact of governmental and other similar certification processes and regulations, which could adversely affect our business and results of operations.

Our operations are subject to numerous governmental laws and regulations, including those governing antitrust and competition, the environment, collection, recycling, treatment and disposal of covered electronic products and components, import and export of products, currency conversions and repatriation, taxation of foreign earnings and use of local employees and suppliers. An inability to comply with these regulations or obtain any necessary certifications in a timely manner could have an adverse effect on our business and results of operations.

Manufacturers of electrical goods are subject to the European Union's RoHS2 and WEEE directives, which took effect during 2006. RoHS2 prohibits the use of lead, mercury and certain other specified substances in electronics products, and WEEE makes producers of electrical goods financially responsible for specified collection, recycling, treatment, and disposal of covered electronic products and components. While we currently hold RoHS2 and WEEE registration and believe we are in compliance with the directives of the European Union, including the RoHS2 directive, parallel initiatives are being proposed in other jurisdictions, including several states in the United States and China. If we do not comply with any such initiatives, our sales and results of operations could be materially impacted.

In addition, a number of data protection laws impact, or may impact, the manner in which we collect, process and transfer personal data. Most notably, the European Union's General Data Protection Regulation ("EU GDPR"), the United Kingdom General Data Protection Regulation and Data Protection Act 2018 (collectively, the "UK GDPR") and the China personal Information Protection Law adopted in 2021 (the China GDPR") GDPR together referred to as the "GDPR"). The GDPR imposes comprehensive data privacy compliance obligations in relation to our collection, processing, sharing, disclosure, transfer and other use of data relating to an identifiable living individual or "personal data", including a principal of accountability and the obligation to demonstrate compliance through policies, procedures, training and audit. The effect of regulations in Europe and other geographic regions regarding the use and ownership of customer data could materially impact our business.

Further, a number of other regions where we do business, including the United States, the remaining Asia-Pacific region and Latin America, have enacted or are considering new data protection regulations that may impact our business activities that involve the processing of personal data. For example, in the United States, the Federal Trade Commission and state regulators enforce a variety of data privacy issues. In addition, certain states, including California, Colorado, Connecticut, Virginia and Utah, have adopted new or modified privacy and security laws and regulations that may apply to our business. These laws are prompting a wave of similar legislative developments in other states in the United States, which creates the potential for a patchwork of overlapping but different state laws. In order to comply with the varying state laws around data breaches, we must maintain adequate security measures, which require significant investments in resources and ongoing attention.

In addition, U.S. and international laws that have been applied to protect user privacy (including laws regarding unfair and deceptive practices in the U.S. and GDPR in the EU and UK) may be subject to evolving interpretations or applications in light of privacy developments. For example, evolution of laws governing the cross-border transfer of data, such the Court of Justice of the European Union ("CJEU") invalidating the EU-U.S. Privacy Shield in 2020. The CJEU noted that reliance on the standard contractual clauses alone may not necessarily be sufficient in all circumstances and that transfers must be assessed on a case-by-case basis, creates additional uncertainty around the legality and logistics of such transfers. The European Commission has since published revised standard contractual clauses for data transfers from the EEA: the revised clauses have been mandatory for relevant transfers since September 27, 2021; existing standard contractual clauses arrangements were required to be migrated to the revised clauses by December 27, 2022. We have or are in the process of implementing revised standard contractual clauses for existing intragroup, customer and vendor arrangements. In addition, the United Kingdom's Information Commissioner's Office has published new data transfer standard contracts for transfers from the UK under the UK GDPR. This new documentation was mandatory for relevant data transfers from September 21, 2022; existing standard contractual clauses arrangements must be migrated to the new documentation by March 21, 2024. We will be required to implement the latest UK data transfer documentation for data transfers subject to the UK GDPR, in relation to relevant existing contracts and certain additional contractual arrangements, within the relevant time frames.

Further, European court and regulatory decisions subsequent to the CJEU decision have taken a restrictive approach to international data transfers. Therefore, as the enforcement landscape further develops, and supervisory authorities issue further guidance on international data transfers, we could suffer additional costs, complaints and/or regulatory investigations or fines; we may have to stop using certain tools and vendors and make other operational changes. More generally, compliance with enhanced data protection laws requires additional resources and efforts, and noncompliance with personal data protection regulations could result in increased regulatory enforcement and significant monetary fines and costs.

Failure to comply with the GDPR could result in penalties for noncompliance. Since we are subject to the supervision of relevant data protection authorities under the EU GDPR, the UK GDPR and the China GDPR, we could be fined under each of those regimes independently in respect of the same breach. Penalties for certain breaches are up to the greater of EUR 20 million/ GBP 17.5 million or 4% of our global annual turnover. In addition to fines, a breach of the GDPR may result in regulatory investigations, reputational damage, orders to cease/ change our data processing activities, enforcement notices, assessment notices (for a compulsory audit) and/ or civil claims (including class actions). Outside of the EU, the UK and China, other data privacy regimes may impose similar fines and consequences on the same or greater scale.

Risks generally associated with our information systems or cybersecurity attacks on our systems could adversely affect our business reputation, the results of our business operations and our financial condition.

We rely on the efficient and uninterrupted operation of our information systems and networks, including cloud-based and other third-party services, to obtain, rapidly process, analyze and manage data to, among other things:

- capture, store, measure, manipulate, interact with and share 4D, 3D and 2D scanned data generated from our products and software;
- facilitate the purchase and distribution of thousands of inventory items used in the manufacture of our products;
- develop, maintain and license our software systems used by customers;
- receive, process and ship orders for our products and software on a timely basis;
- accurately bill and collect from customers;
- process payments to suppliers and employees; and
- summarize results, manage our business and report our financial results.

As with any information systems, unforeseen issues may arise that could affect our ability to receive adequate, accurate and timely financial information, which could in turn inhibit effective and timely business decisions. It is possible that the centers hosting our information systems, or the information systems themselves, could experience a complete or partial shutdown. Such shutdowns, or a significant network disruption, could be the result of a new system implementation, the integration of systems, facility issues, power outages, energy blackouts, telecommunications failures, computer viruses, cyber security attacks, or security breaches, including ransomware, some of which could go undetected for an extended period. We also face the challenge of supporting our older systems, which are vulnerable to increased risks, including the risk of system breaches, failures, and disruptions, and implementing necessary upgrades.

Threats to our information technology security can take a variety of forms. Individuals or groups of hackers, or sophisticated organizations including state-sponsored organizations, may take steps that attack or pose threats to our customers and our information technology infrastructure. If we were to experience a complete or partial shutdown, disruption or attack, it would likely adversely impact our product shipments and net sales, as order processing and product distribution are heavily dependent on our information systems. Such an interruption could also result in a loss of our intellectual property or the release of sensitive competitive information or partner, customer or employee confidential information or personal data. Any loss of such information could harm our competitive position, result in a loss of customer confidence, impact our business reputation, and cause us to incur liability and significant costs to remedy the damages caused by the disruptions or security breaches. In addition, existing or changing laws and regulations governing our responsibility to safeguard private data could result in a significant increase in our operating or capital expenditures which are needed to comply with these laws or regulations. If any of the foregoing events were to occur, our operating results during such periods would be adversely impacted.

We have experienced cybersecurity incidents from time to time as part of our operations. Cybersecurity attacks have been increasing in sophistication and frequency and can include third parties gaining access to employee or customer data using stolen or inferred credentials, computer malware, viruses, spamming, phishing attacks, ransomware, card skimming code, and other deliberate attacks and attempts to gain unauthorized access. Given the dynamic and rapidly evolving nature of cyber threats, we are continually working to maintain reliable information systems to manage our business and improve our ability to deliver our products to our customers worldwide. Our efforts include, but are not limited to the following: firewalls, antivirus protection, patching, logging and monitoring, back-up infrastructure with offsite retention of storage media, system audits, periodic password changes and training of our employees. Our internal information technology and security policies continue to evolve as our business and the nature of the cyber security threats we face changes.

No assurance can be given that our efforts to continue to enhance our information systems and our cyber security capabilities will always be successful. We may experience future unauthorized access and cyber incidents that could result in significant liability, damage to our brand and reputation and materially adversely affect and impact our business, results of operations and financial condition. For further information regarding our Cybersecurity programs, please see Item 1C. Cybersecurity in this Annual Report on Form 10-K.

Our sales to the U.S. government are subject to compliance with regulatory and contractual requirements, and noncompliance could expose us to liability or impede current or future business.

The U.S. Government (the "Government"), as well as state and local governments, can typically terminate or modify their contracts with us either at their discretion or if we default by failing to perform under the terms of the applicable contract, which could expose us to liability and impede our ability to compete in the future for contracts and orders. The failure to comply with regulatory and contractual requirements could subject us to investigations, price reductions, up to treble damages, fines or other sanctions and penalties. Additionally, violations of certain regulatory and contractual requirements could also result in us being suspended or debarred from future government contracting.

For sales to the Government since 2022, we have sold our products and related services through approved distributors. We chose to make this change in our sales strategy to simplify operations and mitigate compliance risk. The Government, as well as state and local governments, can typically terminate or modify their contracts with our distributors either at their discretion or if these distributors default by failing to perform under the terms of their applicable contract, which could impede our ability to compete in the future for contracts and orders.

Any failure to comply with the Foreign Corrupt Practices Act or similar anti-corruption, anti-bribery or anti-money-laundering laws could subject us to fines and penalties.

We utilize third parties to sell our products and services and conduct our business abroad. We and our third-party intermediaries may have direct or indirect interactions with officials and employees of government agencies or state-owned or affiliated entities, and, in certain circumstances, we could be held liable for any corrupt or other illegal activities of these third-party business partners and intermediaries, our team members, representatives, contractors, partners and agents, even if we do not authorize such activities. We have policies and controls that are designed to mitigate the risks of non-compliance by our employees and agents, therefore we cannot be assured that all of our team members and agents will comply at all times with our policies and applicable law, for which we may be ultimately held responsible. As we increase our international sales and business, or if we increase our reliance on third parties abroad, our risks under these laws may increase.

In addition, many countries in which we operate have increased regulation regarding anti-corruption practices generally. Compliance with such regulations could be costly and could adversely impact our results of operations or delay entry into new markets.

Our failure to comply with trade compliance and economic sanctions laws and regulations of the United States and applicable international jurisdictions could materially adversely affect our reputation and results of operations.

Our business must be conducted in compliance with applicable economic and trade sanctions and export control laws and regulations, such as those administered and enforced by the U.S. Department of Treasury's Office of Foreign Assets Control, the U.S. Department of State, the U.S. Department of Commerce, the United Nations Security Council and other relevant sanctions authorities. Such laws and regulations prohibit or restrict certain operations, investment decisions and sales activities, including dealings with certain countries or territories, and with certain governments and designated persons. Our global operations expose us to the risk of violating, or being accused of violating, economic and trade sanctions and export control laws and regulations. In addition, our employees, representatives or distributors may engage in conduct for which we might be held responsible. Our failure to comply with these laws and regulations may expose us to reputational harm as well as significant penalties, including criminal fines, imprisonment, civil fines, disgorgement of profits, injunctions and debarment from government contracts, as well as other remedial measures. Investigations of alleged violations can be expensive and disruptive. Despite our compliance efforts and activities, we cannot assure compliance by our employees, distributors or representatives for which we may be held responsible, and any such violation could materially adversely affect our reputation, business, financial condition and results of operations.

Risks Related to Intellectual Property

Any failure to protect our patents and proprietary rights in the United States and foreign countries could adversely affect our revenues.

Our success depends, in large part, on our ability to obtain and maintain patents and other proprietary rights protection for our processes and products in the United States and other countries. We also rely upon trade secrets, technical know-how and continuing inventions to maintain our competitive position. We seek to protect our technology and trade secrets, in part, by confidentiality agreements with our employees and contractors. However, our employees may breach these agreements, or our trade secrets may otherwise become known or be independently discovered by inventors. If we are unable to obtain or maintain protection of our patents, trade secrets and other proprietary rights, we may not be able to prevent third parties from using our proprietary rights, which could have a material adverse effect on our results of operations.

In addition, despite our efforts to protect our patents and other proprietary rights, unauthorized parties may attempt to copy aspects of our products or to obtain and use information that we regard as proprietary. Policing unauthorized use of our products is difficult, particularly in foreign countries, and we may be unable to determine the extent, if any, to which unauthorized uses of our products exist. In addition, the laws of some foreign countries do not protect our proprietary rights to the same extent as the laws of the United States.

Our patent protection involves complex legal and technical questions. Our patents may be challenged, narrowed, invalidated or circumvented. Further, we may be able to protect our proprietary rights from infringement by third parties only to the extent that our proprietary processes and products are covered by valid and enforceable patents or are effectively maintained as trade secrets. Furthermore, others may independently develop similar or alternative technologies or design around our patented technologies. Litigation or other proceedings to defend or enforce our intellectual property rights could require us to spend significant time and money, which could have an adverse impact on our financial condition.

Claims from others that we infringed on their intellectual property rights may adversely affect our business and financial condition.

From time to time, we receive notices from others claiming that we infringed on their intellectual property rights. Resolving these claims may require us to enter into royalty or licensing agreements on unfavorable terms, require us to stop selling or to redesign affected products, or require us to pay damages. In addition, from time to time, we are involved in intellectual property lawsuits. We could, in the future, incur judgments or enter into settlements of lawsuits and claims that could have a material adverse effect on our financial condition. Any litigation or interference proceedings, regardless of their outcome, may be costly and may require significant time and attention of our management and technical personnel.

Risks Related To Reliance On Third Parties

Our dependence on suppliers for materials could impair our ability to manufacture our products.

Outside vendors provide key components, such as electronic components and semiconductors, used in the manufacture of our products. Any supply interruption in a limited source component would hinder our ability to manufacture our products until a new source of supply is identified. In addition, an uncorrected defect or supplier's variation in a component, either known or unknown, or incompatibility with our manufacturing processes, could hinder our ability to manufacture our products. We may not be able to find a sufficient alternative supplier in a reasonable period of time, or on commercially reasonable terms, if at all. If we fail to obtain a supplier for the manufacture of components of our products, we may experience delays or interruptions in our operations, which would adversely affect our business, results of operations and financial condition.

World geopolitical conflict, including the Russia/Ukraine, Israel/Hamas and China/Taiwan conflicts, have materially impacted economic activities, and may materially impact our global and regional operations.

The global economy has been negatively impacted by geopolitical conflicts. For example, governments including the U.S., United Kingdom, and those of the European Union have imposed export controls on certain products and financial and economic sanctions on certain industry sectors and parties in Russia which has triggered retaliatory sanctions by the Russian government and its allies. The outcome and future impacts of these conflicts remain highly uncertain, continue to evolve and may grow more severe. Risks associated with world geopolitical conflicts that have arisen or could arise in the future, include, but are not limited to, adverse effects on political developments and on general economic conditions, including inflation and consumer spending; disruptions to our supply chains; disruptions to our information systems, including through network failures, malicious or disruptive software, or cyberattacks; trade disruptions; energy shortages or rationing that may adversely impact our manufacturing facilities and consumer spending; rising fuel and/or rising costs of producing, procuring and shipping our products; our exposure to foreign currency exchange rate fluctuations; and constraints, volatility or disruption in the financial markets.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 1C. CYBERSECURITY

The Company’s Board of Directors (the “Board”) recognizes the critical importance of maintaining the trust and confidence of our customers, clients, business partners and employees. The Board is involved in the oversight of the Company’s risk management program, and cybersecurity represents an important component of the Company’s overall approach to enterprise risk management. The Company’s cybersecurity policies, standards, processes, and practices are being integrated into the Company’s enterprise risk management program and are based on recognized frameworks and other applicable industry standards, including without limitation the National Institute of Standards and Technology Cybersecurity Framework 2.0, Center for Internet Security controls and American Institute of Certified Public Accountants framework. In general, the Company seeks to address cybersecurity risks through a comprehensive, cross-functional approach that is focused on preserving the confidentiality, security and availability of the information that the Company collects and stores by identifying, preventing and mitigating cybersecurity threats and effectively responding to cybersecurity incidents when they occur.

Risk Management and Strategy

As part of our overall enterprise risk management approach, the Company’s cybersecurity program framework is focused on the following key areas:

Governance*:* As discussed in more detail under the heading “Governance” below, the Board receives presentations and interacts with management on cybersecurity readiness.

Collaborative Approach: The Company has implemented a comprehensive, cross-functional approach to identifying, preventing and mitigating cybersecurity threats and incidents, while also implementing controls and procedures that provide for the prompt escalation of certain cybersecurity incidents so that decisions regarding the public disclosure and reporting of such incidents can be made by management in a timely manner.

Technical Safeguards: The Company deploys technical safeguards that are designed to protect the Company’s information systems from cybersecurity threats, including firewalls, intrusion prevention and detection systems, anti-malware functionality and access controls, which are evaluated and improved through vulnerability assessments and cybersecurity threat intelligence. We also utilize a managed security provider (the “Security Provider”) to identify and assess vulnerabilities. Our Security Provider monitors our network, conducts vulnerability scanning, provides event logging services, and raises potential and actual threats with the Company’s security operations center when appropriate.

Incident Response Plan: The Company has established and maintains an incident response plan that governs the Company’s response to a cybersecurity incident, and such plan is evaluated annually. Potentially material cybersecurity risks and incidents are escalated to management and the Board as applicable.

Third-Party Risk Management : The Company maintains a risk-based approach to identifying and overseeing cybersecurity risks presented by third parties, including vendors, service providers and other external users of the Company’s systems, as well as the systems of third parties that could adversely impact our business in the event of a cybersecurity incident affecting those third-party systems.

Education and Awareness: The Company provides regular, mandatory training for personnel regarding cybersecurity threats as a means to equip the Company’s personnel with effective tools to address cybersecurity threats, and to communicate the Company’s evolving information security policies, standards, processes and practices.

The Company engages in the periodic assessment and testing of the Company’s policies, standards, processes and practices that are designed to address cybersecurity threats and incidents. These efforts include a wide range of activities, including audits, assessments, tabletop exercises, vulnerability testing and other exercises focused on evaluating the effectiveness of our cybersecurity measures and planning. On occasion, the Company engages third parties to perform assessments on our cybersecurity measures, including information security maturity assessments, audits and independent reviews of our information security control environment and operating effectiveness. The results of such assessments, audits and reviews are reported to the Board and Audit Committee, and the Company adjusts its cybersecurity policies, standards, processes and practices as necessary based on the information provided by these assessments, audits and reviews.

Governance

Our Board and Audit Committee oversee the Company's cybersecurity risk management. Management presents to, and discusses with, the Board the security of our systems and applications. Our Chief Digital Officer ("CDO") and our Information Security Senior Director provide strategic and technical leadership for the Company's cybersecurity program and lead teams across the Company that support the cybersecurity functions. Our CDO has 30 years of experience in IT, including being accountable for IT compliance and security, and previously served as Chief Information Officer for a publicly traded company for 5 years. Our Information Security Senior Director has nearly 30 years of experience in software development and IT, and, for 17 of those years, was responsible for security, compliance and privacy. These executives regularly report to the Chief Executive Officer and Chief Financial Officer with regards to our cybersecurity program and readiness.

Although we experience cybersecurity incidents from time to time as part of operations, these incidents have not had, and are not reasonably likely to have, a material impact on our business strategy, results of operations or financial condition. Any breach of our security measures, or those of our third-party service providers, could result in unauthorized access to and misappropriation of our information, corruption of data or disruption of systems, operations or transactions, any of which could have a material adverse effect on our business strategy, results of operations or financial condition. See "Risk Factors" on page 13 of this Form 10-K for further discussion of the risks related to cybersecurity threats.

ITEM 2. PROPERTIES

FARO's facility strategy is to lease properties in the global regions in which we serve our customers with global administrative functions residing in the United States and engineering for key products residing in the locations where the technical expertise exists. We have adopted a hybrid work strategy that reduces the overall need for leased square footage.

The Americas

Our operations in the Americas are primarily located in leased facilities in Lake Mary, Florida, which consists of approximately 35,000 square feet and Exton, Pennsylvania, which consists of approximately 90,400 square feet, of which 73,400 square feet is being used for operations at December 31, 2024. In these facilities, we house our sales, marketing, customer service, research and development, service and administrative functions. We also lease a facility in Nuevo Leon, Mexico containing service and sales operations, which consists of approximately 36,000 square feet. We also lease a facility in Sao Paulo, Brazil containing service and sales operations, which consists of approximately 12,300 square feet.

Europe/Middle East/Africa

In Europe, the Middle East, and Africa ("EMEA"), our primary operations are located in a leased facility in Korntal-Muenchingen, Germany containing approximately 105,300 square feet, a majority of which is being used for our research and development activities at December 31, 2024. This facility houses the research and development, administration, sales, marketing and service management personnel for our EMEA operations. Additionally, we also have a leased service and sales facility located in Warwickshire, England consisting of approximately 12,700 square feet and Nottingham, England consisting of approximately 8,300 square feet. These facilities house additional research and development, administration, sales, marketing and service management personnel for our EMEA operations.

Asia-Pacific

In Asia-Pacific ("APAC"), our primary operations are located in leased facilities in Nagoya, Japan containing approximately 17,200 square feet, Shanghai, China containing approximately 24,700 square feet, New Delhi, India containing approximately 10,510 square feet, and Bangkok, Thailand containing approximately 7,500 square feet. These facilities house our sales, service and administrative functions in support of our APAC operations.

We believe our current facilities and third-party resources will be adequate for our needs in 2025 and that we will be able to locate suitable space for additional regional offices or enhanced production needs as necessary.

As part of our Integration Plan, we have abandoned several office buildings under operating leases in 2023. See Note 19, "Restructuring" in the notes to the consolidated financial statements included in Part II, Item 8, "Financial Statements and Supplementary Data" of this Annual Report for additional information regarding our facilities consolidation efforts.

The information required by the remainder of this Item is incorporated herein by reference to Exhibit 99.1 to this Annual Report.

ITEM 3. 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 4. MINE SAFETY DISCLOSURES

None.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information and Holders

Our common stock is listed and traded on the Nasdaq Global Select Market under the symbol “FARO”.

As of February 20, 2025, we had 33 holders of record of our common stock. The actual number of stockholders is greater than this number of record holders, and includes stockholders who are beneficial owners, but whose shares are held in street name by brokers and other nominees.

Dividends

To date, we have not paid any cash dividends on our common stock. We expect to retain future earnings for use in operating and expanding our business, and we do not anticipate paying any cash dividends in the reasonably foreseeable future.

Recent Sales of Unregistered Securities

There were no sales of unregistered securities during the year ended December 31, 2024.

Purchases of Equity Securities

On November 24, 2008, our Board of Directors approved a $30.0 million share repurchase program. Subsequently, in October 2015, our Board of Directors authorized an increase to the existing share repurchase program from $30.0 million to $50.0 million. In December 2018, our Board of Directors authorized management to utilize the share repurchase program, beginning January 1, 2019, to maintain the number of our issued and outstanding shares to address the dilutive impact of stock options exercises and the settlement of restricted stock units. 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 under this program. 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 2024, we purchased a total of 588,856 shares for a total cash payment of $10.0 million. We made no stock repurchases during the years ended December 31, 2023 and 2022 under this program. As of December 31, 2024, we had authorization to repurchase $8.3 million remaining under the repurchase program.

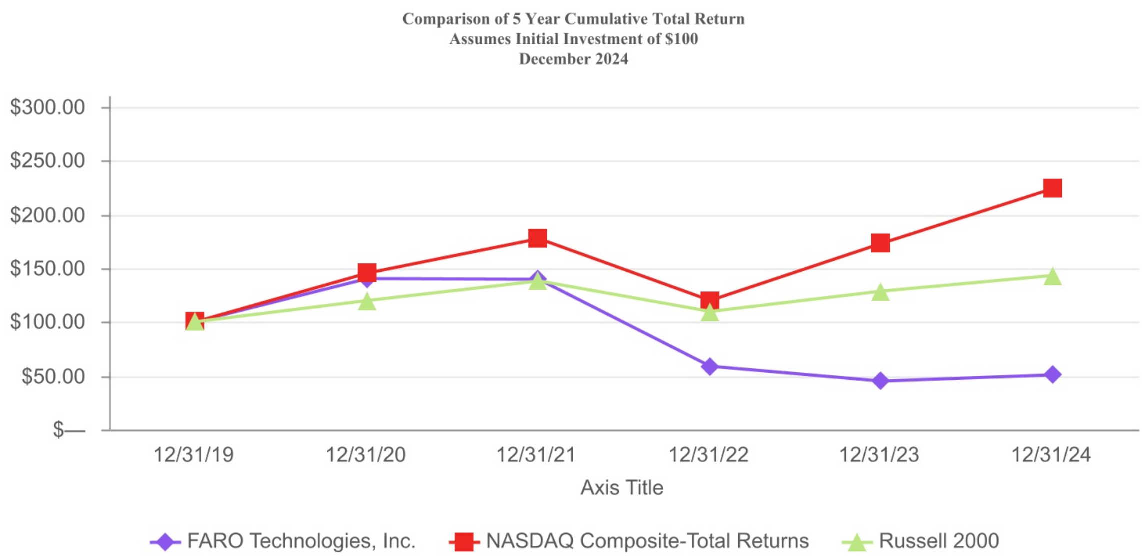
Performance Graph

The following performance graph and related information shall not be deemed to be "soliciting material" or to be "filed" with the SEC, nor shall such information be incorporated by reference into any future filing under the Securities Act or the Exchange Act, except to the extent that we specifically incorporate it by reference into such filing.

The following graph shows a comparison of the cumulative total stockholder return on our common stock with the cumulative total returns of the NASDAQ Composite Index and the Russell 2000 Index.

The graph tracks the performance of a $100 investment in our common stock and in each of the indexes during the last five fiscal years ended December 31, 2024. Data for the NASDAQ Composite Index and the Russell 2000 Index assume reinvestment of dividends.

The comparison in the graph below is based on historical data. The stock price performance shown on the graph is not necessarily indicative of future price performance.



Company/Market/Peer Group	2019	2020	2021	2022	2023	2024
FARO Technologies, Inc.	$ 100.00	$ 140.28	$ 139.07	$ 58.40	$ 44.74	$ 50.35
Nasdaq Composite-Total Returns	$ 100.00	$ 144.92	$ 177.06	$ 119.45	$ 172.77	$ 223.87
Russell 2000	$ 100.00	$ 119.96	$ 137.74	$ 109.59	$ 128.14	$ 142.93

ITEM 6. Reserved.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following information should be read in conjunction with our Consolidated Financial Statements, including the notes thereto, included in Part II, Item 8 of this Annual Report.

Amounts reported in millions within this Annual Report are computed based on the amounts in thousands. As a result, the sum of the components reported in millions may not equal the total amount reported in millions due to rounding. 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.

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, augmented by sales through indirect channels 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 and 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 Corporation (“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 consolidated financial statements. 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. We have not used hedging instruments in the past 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.

Executive Summary

Our executive leadership team is comprised of functional leaders in areas such as sales, marketing, operations, research and development and general and administrative, and resources are allocated to each function at a consolidated unit level. Our Chief Executive Officer (“CEO”) who is also our Chief Operating Decision Maker (“CODM”) allocates resources and evaluates performance with respect to operations, operating results or planning at the total Company level. We report as one reporting segment that develops, manufactures, markets, supports and sells a suite of 3D imaging and software solutions.

Over the past four years, we strategically pursued growth and long-term profitability through a combination of strategic acquisitions to bolster our investment in software development, increase gross margin, optimizing working capital and targeted restructuring initiatives to lower our operating expense base.

Acquisitions

On September 1, 2022, we acquired UK-based NGH Holdings Limited and its subsidiaries (collectively, “GeoSLAM”), a leading provider of mobile scanning solutions with proprietary high-productivity simultaneous localization and mapping (“SLAM”) software. GeoSLAM's software enables mobile 3D documentation of indoor or enclosed environments without the need for global positioning system (“GPS”). GeoSLAM’s products and solutions are primarily used today in the geospatial and mining markets. However, there is a growing demand for high productivity mobile scanning in the construction, operations and maintenance markets as well.

On December 1, 2022, we acquired SiteScape Inc. (“SiteScape”), an innovator in light detecting and ranging (“LiDAR”) 3D scanning software solutions for the architecture, engineering and construction (“AEC”) and operations and maintenance (“O&M”) markets. SiteScape enables LiDAR equipped mobile devices to easily capture indoor spaces digitally, providing a readily available entry-point to scanning physical spaces for a broad range of applications. The SiteScape software is available for all LiDAR equipped iPhone operating system (“iOS”) devices, which enables quick and easily accessible data capture to be available to the consumer-based market.

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. 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. As of December 31, 2024, in relation with 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 Corporation, and the continued optimization of our facilities assets to align with current and expected future utilization. As of December 31, 2024, we have recorded $2.6 million in employee severance costs associated with the 2024 Restructuring Plans. Additionally, we paid $1.8 million primarily consisting of severance and related benefits.

Faro Sphere and the Unified Software Environment

FARO Sphere XG is our new 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 current software products was $44.9 million, $44.4 million and $44.4 million for the years ended December 31, 2024, December 31, 2023, and December 31, 2022, respectively. Our recurring revenue which is comprised of hardware service contracts, software maintenance contracts, and subscription based software applications was $68.4 million, $67.5 million, and $68.3 million for the years ended December 31, 2024, December 31, 2023, and December 31, 2022, respectively.

Sanmina Relationship Components: As presented on our 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 consolidated balance sheets as of December 31, 2024 and December 31, 2023.

	December 31, 2024		December 31, 2023	
Current Assets:				
Prepaid expenses and other current assets	$	8,909	$	9,540
Current Liabilities:				
Accounts payable [1]	$	9,020	$	6,454

[1] As of December 31, 2024, we had a net payable balance of $9.0 million, which includes $3.4 million of accounts receivable due from Sanmina and $12.4 million of accounts payable owed to Sanmina. As of December 31, 2023, we had a net payable balance of $6.5 million, which included $5.4 million of accounts receivable due from Sanmina and $11.9 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

We have elected to omit discussion on the earliest of the three years covered by the consolidated financial statements presented. The discussion of our fiscal 2023 performance compared to our fiscal 2022 performance and our financial condition is incorporated by reference to Part II, Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" located in our Form 10-K for the fiscal year ended December 31, 2023, filed on February 28, 2024.

2024 Compared to 2023

	Years ended December 31,				Change ($)
	2024		2023		
(dollars in thousands)		% of Sales		% of Sales	2024 vs 2023
Sales					
Product	$ 260,194	76.0 %	$ 278,572	77.6 %	$ (18,378)
Service	82,233	24.0 %	80,259	22.4 %	1,974
Total sales	342,427	100.0 %	358,831	100.0 %	(16,404)
Cost of sales					
Product	112,894	33.0 %	150,472	41.9 %	(37,578)
Service	42,380	12.4 %	43,360	12.1 %	(980)
Total cost of sales	155,274	45.3 %	193,832	54.0 %	(38,558)
Gross profit	187,153	54.7 %	164,999	46.0 %	22,154
Operating expenses					
Selling, general and administrative	140,584	41.1 %	157,336	43.8 %	(16,752)
Research and development	40,056	11.7 %	41,806	11.7 %	(1,750)
Restructuring costs	3,184	0.9 %	15,393	4.3 %	(12,209)
Total operating expenses	183,824	53.7 %	214,535	59.8 %	(30,711)
Income (loss) from operations	3,329	1.0 %	(49,536)	(13.8)%	52,865
Other (income) expense					
Interest expense (income)	3,551	1.0 %	3,348	0.9 %	203
Other (income) expense, net	712	0.2 %	1,178	0.3 %	(466)
Loss before income tax	(934)	(0.3)%	(54,062)	(15.1)%	53,128
Income tax expense	8,132	2.4 %	2,515	0.7 %	5,617
Net loss	$ (9,066)	(2.6)%	$ (56,577)	(15.8)%	$ 47,511

Consolidated Results

Sales. Total sales decreased by $16.4 million, or 4.6%, to $342.4 million for the year ended December 31, 2024 from $358.8 million for the year ended December 31, 2023. Total product sales decreased by $18.4 million, or 6.6%, to $260.2 million for the year ended December 31, 2024 from $278.6 million for the year ended December 31, 2023. Total service sales increased by $1.9 million, or 2.5%, to $82.2 million for the year ended December 31, 2024 from $80.3 million for the year ended December 31, 2023. The overall decrease in sales was mainly influenced by weakened demand across most product lines, particularly in the China and United States markets, which together accounted for a $15.0 million decrease in sales. This decline is attributed to the challenging macroeconomic environment. Additionally, the weakening of the Japanese Yen against the US Dollar contributed to a $1.7 million reduction in net sales, as higher Yen values translated to lower reported revenue in USD.

Gross profit. Gross profit increased by $22.2 million, or 13.4%, to $187.2 million for the year ended December 31, 2024 from $165.0 million for the year ended December 31, 2023. Gross margin increased to 54.7% for the year ended December 31, 2024 from 46.0% in the prior year period. Gross margin from product revenue increased by 10.6 percentage points to 56.6% for the year ended December 31, 2024 from 46.0% in 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. Margins were positively impacted by favorable product and geographical mix. Gross margin from service revenue increased by 2.4 percentage points to 48.4% for the year ended December 31, 2024 from 46.0% for the prior year period, primarily due to higher revenue levels with a relatively consistent fixed cost structure.

Selling, general and administrative expenses**.** Selling, general and administrative ("SG&A") expenses decreased by $16.7 million, or 10.6%, to $140.6 million, for the year ended December 31, 2024 from $157.3 million for the year ended December 31, 2023. This decrease was primarily driven by the savings realized from the Integration Plan and lower stock compensation expense driven by senior executive transitions. SG&A expenses as a percentage of sales decreased to 41.1% for the year ended December 31, 2024 from 43.8% for the year ended December 31, 2023.

Research and development expenses**.** Research and development expenses decreased by $1.7 million, or 4.2%, to $40.1 million for the year ended December 31, 2024 from $41.8 million for the year ended December 31, 2023. This decrease was primarily driven by the savings realized from the Integration Plan. Research and development expenses as a percentage of sales remained consistent to the year ended December 31, 2023.

Restructuring costs. In February 2023, we initiated 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. 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. Restructuring costs included in operating expenses decreased by $12.2 million, or 79.3% to $3.2 million for the year ended December 31, 2024 from $15.4 million for the year ended December 31, 2023 as substantially all of our planned activities under the Restructuring Plan and the Integration Plan were completed in 2023. The 2024 costs of $3.2 million were driven primarily by severance and related benefits charges and professional fees as a part of the 2024 Restructuring Plan. The 2023 costs of $15.4 million were primarily driven by severance and related benefits charges and professional fees, and non-cash impairment of right-of-use assets and leasehold improvement assets related to facilities optimization as a part of the Integration Plan.

Interest (income) expense, net**.** For the year ended December 31, 2024, we recorded interest expense, net of $3.6 million compared with $3.3 million for the year ended December 31, 2023. This charge primarily related to interest expense associated with the Notes issued in January 2023 offset by interest income earned on short-term investments.

Other (income) expense, net**.** Other expense, net was $0.7 million for the year ended December 31, 2024 compared with $1.2 million for the year ended December 31, 2023. This change was primarily driven by the effect of foreign exchange rates on our non-U.S.-dollar-denominated balance sheet.

Income tax expense**.** Income tax expense for the year ended December 31, 2024 was $8.1 million compared with $2.5 million for the year ended December 31, 2023. Our effective tax rate was 870.7% for the year ended December 31, 2024 compared to 4.7% for the year ended December 31, 2023. The increase in income tax expense is primarily attributable to the improvement in pre-tax income, which fell from a loss of $54.1 million in 2023 to a loss of $0.9 million in 2024. Additionally, the increase reflects higher income earned in foreign jurisdictions subject to differing tax rates. The significant increase in the effective tax rate is primarily driven by the low level of pre-tax loss in 2024, combined with the impact of valuation allowances. This dynamic contributed to the elevated effective tax rate, as the tax expense in profitable jurisdictions was not offset by tax benefits from loss-making jurisdictions.

Net loss**.** Net loss was $9.1 million for the year ended December 31, 2024 compared with $56.6 million for the year ended December 31, 2023, reflecting the impact of the factors described above.

Liquidity and Capital Resources

Cash and cash equivalents increased by $11.9 million to $88.7 million at December 31, 2024 from $76.8 million at December 31, 2023. We also had $10.0 million in U.S. Treasury Bills recorded as short-term investments on our consolidated balance sheet. The increase in Cash and cash equivalents was primarily driven by maturities of short-term investments, cash generated from operating activities, partially offset by purchases of short-term investments, repurchases of common stock and Notes, and purchase of property and equipment.

Cash provided in operating activities was $30.6 million during the year ended December 31, 2024 compared to $1.1 million during the year ended December 31, 2023. The change in cash provided by operating activities was primarily due to a smaller current year net loss.

Cash used in investing activities during the year ended December 31, 2024 was $3.2 million compared with $33.5 million during the year ended December 31, 2023. This decrease was primarily due to net cash changes in maturities and purchases of short-term investments and lower spending on technology development, patents and licenses in 2024 as compared with 2023.

Cash flows used by financing activities during the year ended December 31, 2024 was $12.9 million compared with cash provided by financing activities of $71.3 million during the year ended December 31, 2023. The financing cash change was primarily driven by the Company's issuance of the Notes in January 2023. In the second quarter of 2024, the Company repurchased $3.0 million aggregate principal amount of the Notes for an aggregated cash repurchase price of $2.7 million. The Notes are general senior unsecured obligations of the Company. In the third quarter of 2024, the Company purchased a total of 588,856 shares for a total cash payment of $10.0 million as a part of our share repurchase program. As of December 31, 2024, we had authorization to repurchase $8.3 million remaining under the repurchase program.

Of our cash and cash equivalents, $49.2 million was held by foreign subsidiaries as of December 31, 2024. On December 22, 2017, the United States enacted the U.S. Tax Cuts and Jobs Act, resulting in significant modifications to existing 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. The Company reinvested a large portion of its undistributed foreign earnings and profits in acquisitions and other investments and intends to bring back a portion of foreign cash in certain jurisdictions where the Company will not be subject to local withholding taxes and which were subject already to transition tax and GILTI tax. Also, the United States enacted the Inflation Reduction Act of 2022, which introduced a 15% minimum tax on book income and a 1% excise tax on stock buybacks starting January 1, 2023.

On November 24, 2008, our Board of Directors approved a $30.0 million share repurchase program. Subsequently, in October 2015, our Board of Directors authorized an increase to the existing share repurchase program from $30.0 million to $50.0 million. In December 2018, our Board of Directors authorized management to utilize the share repurchase program, beginning January 1, 2019, to maintain the number of our issued and outstanding shares to address the dilutive impact of stock options exercises and the settlement of restricted stock units. 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 under this program. 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 2024, we purchased a total of 588,856 shares for a total cash payment of $10.0 million. As of December 31, 2024, we had authorization to repurchase $8.3 million remaining under the repurchase program.

The Company's material cash requirements include the following contractual and other obligations:

Debt

On January 24, 2023, the Company issued $75 million aggregate principal amount of 5.50% Notes due 2028. 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 consolidated statements of operations. After the repurchase, $72.0 million aggregate principal amount of the Notes remained outstanding on December 31, 2024. Total remaining interest expense associated with the convertible senior notes is $13.5 million, of which $4.0 million is due within 12 months.

Contractual obligations

We lease certain facilities under non-cancellable operating lease arrangements. As of December 31, 2024, we had fixed lease payment obligations of $21.4 million, with $5.3 million payable within 12 months. See Note 17, "Leases" for additional information regarding our lease obligations.

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.

Critical Accounting Policies

The preparation of our 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. While for any given estimate or assumption made by our management that there may be other estimates or assumptions that are reasonable, we believe that, given the current facts and circumstances, it is unlikely that applying any such other reasonable estimate or assumption would materially impact the financial statements.

In response to the SEC's financial reporting release, FR-60, “Cautionary Advice Regarding Disclosure About Critical Accounting Policies,” we have selected our critical accounting policies for purposes of explaining the methodology used in our calculation, in addition to any inherent uncertainties pertaining to the possible effects on our financial condition. The critical policies discussed below are our processes of recognizing revenue, the reserve for excess and obsolete inventory, income taxes, the reserve for warranties, goodwill impairment, business combinations and stock-based compensation. These policies affect current assets, current liabilities and operating results and are therefore critical in assessing our financial and operating status. These policies involve certain assumptions that, if incorrect, could have an adverse impact on our operating results and financial position.

Revenue Recognition

For arrangements with multiple performance obligations, which represent promises within an arrangement that are capable of being distinct, we allocate revenue to all distinct performance obligations based on their relative standalone selling prices (“SSP”). When available, we use observable prices to determine the SSP. When observable prices are not available, SSPs are established that reflect our best estimates of what the selling prices of the performance obligations would be if they were sold regularly on a standalone basis.

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's 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. Fees billed to customers associated with the distribution of products are classified as revenue. We generally warrant our products against defects in design, materials and workmanship for a period of one to two years. A provision for estimated future costs relating to warranty expense is recorded when products are shipped. To support our product lines, we also sell hardware service contracts that typically range from one year to three years. Hardware service contract revenues are recognized on a straight-line basis over the term of the contract. Costs relating to hardware service contracts are recognized as incurred. Revenue from sales of licensed software only is recognized when no further significant production, modification or customization of the software is required and when the risks and rewards of ownership have passed to the customer. These software arrangements generally include short-term maintenance that is considered post-contract support (“PCS”), which is considered to be a separate performance obligation. We generally establish a standalone sales price for this PCS component based on our software maintenance contract renewals. Software maintenance contracts, when sold, are recognized on a straight-line basis over the term of the contract. Revenue from sales of subscription based software are recognized as such services are performed and are deferred when billed in advance of the performance of services. Revenues resulting from sales of comprehensive support, training and technology consulting services are recognized as such services are performed and are deferred when billed in advance of the performance of services. Payment for products and services is collected within a short period of time following transfer of control or commencement of delivery of services, as applicable. Revenues are presented net of sales-related taxes.

Reserve for Excess and Obsolete Inventory

Because the value of inventory that will ultimately be realized cannot be known with exact certainty, we rely upon past sales history, adjusted for any known events to determine expected usage that provides a basis for the determination of the reserve. Inventory is considered potentially obsolete if we have withdrawn those products from the market or had no sales of the product for the past 12 months and have no sales forecasted for the next 12 months. Inventory is considered potentially excess if the quantity on hand exceeds 12 months of expected remaining usage. The resulting obsolete and excess parts are then reviewed to determine if a substitute usage or a future need exists. Items without an identified current or future usage are reserved in an amount equal to 100% of the first-in first-out cost of such inventory. Our products are subject to changes in technologies that may make certain of our products or their components obsolete or less competitive, which may increase our historical provisions to the reserve. We review these assumptions regularly for all of our inventories which include sales demonstration and service inventories.

Income Taxes

We review our deferred tax assets on a regular basis to evaluate their recoverability based upon expected future reversals of deferred tax liabilities, projections of future taxable income, and tax planning strategies that we might employ to utilize such assets, including net operating loss carryforwards. Based on the positive and negative evidence of recoverability, we establish a valuation allowance against the net deferred assets of a taxing jurisdiction in which we operate, unless it is “more likely than not” that we will recover such assets through the above means. Our evaluation of the need for the valuation allowance is significantly influenced by our ability to achieve profitability and our ability to predict and achieve future projections of taxable income.

Significant judgment is required in determining our worldwide provision for income taxes. In the ordinary course of operating a global business, there are many transactions for which the ultimate tax outcome is uncertain. We establish provisions for income taxes when, despite the belief that tax positions are fully supportable, there remain certain positions that do not meet the minimum probability threshold as described by Financial Accounting Standards Board ("FASB") ASC Topic 740, which is a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority. In the ordinary course of business, we are examined by various federal, state, and foreign tax authorities. We regularly assess the potential outcome of these examinations and any future examinations for the current or prior years in determining the adequacy of our provision for income taxes. We assess the likelihood and amount of potential adjustments and adjust the income tax provision, the current tax liability and deferred taxes in the period in which the facts that gave rise to a revision become known.

Reserve for Warranties

We establish at the time of sale a liability for the one or two year warranty included with the initial purchase price of our products, based on our assessment of the costs that will have to be incurred to satisfy warranty obligations on recorded net sales. The warranty period is measured in installation-months for each major product group. The warranty expense is estimated by applying the actual total repair expenses for each product group in the prior period and determining a rate of repair expense per installation-month. This repair rate is multiplied by the number of installation-months of warranty for each product group to determine the provision for warranty expenses for the period. We evaluate our exposure to warranty costs at the end of each period using the estimated expense per installation-month for each major product group, the number of units remaining under warranty, and the remaining number of months each unit will be under warranty. We have a history of new product introductions and enhancements to existing products, which may result in unforeseen issues that increase our warranty costs. While such expenses have historically been within expectations, we cannot guarantee this will continue in the future.

Goodwill Impairment

Goodwill represents the excess cost of a business acquisition over the fair value of the net assets acquired. We do not amortize goodwill; however, we perform an annual review each year, or more frequently if indicators of potential impairment exist (i.e., that it is more likely than not that the fair value of the reporting unit is less than the carrying value), to determine if the carrying value of the recorded goodwill or indefinite lived intangible assets is impaired.

Each period, we can elect to perform a qualitative assessment to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. If we believe, as a result of our qualitative assessment, that it is not more likely than not that the fair value of a reporting unit containing goodwill is less than its carrying amount, then the quantitative goodwill impairment test is necessary. If we elect to bypass the qualitative assessment option, or if the qualitative assessment was performed and resulted in the Company being unable to conclude that it is not more likely than not that the fair value of a reporting unit containing goodwill is greater than its carrying amount, we will perform the quantitative goodwill impairment test. We perform the quantitative goodwill impairment test by calculating the fair value of the reporting unit using a discounted cash flow method and market approach method, and then comparing the respective fair value with the carrying amount of the reporting unit. If the carrying amount of the reporting unit exceeds its fair value, we impair goodwill for the excess amount of the reporting unit compared to its fair value, not to be reduced below zero. Management concluded there was no goodwill impairment for the years ended December 31, 2024 and 2023.

Business Combinations

We allocate the fair value of purchase consideration to the assets acquired and liabilities assumed based generally on their fair values at the acquisition date. The excess of the fair value of purchase consideration over the fair value of the assets acquired and liabilities assumed is recorded as goodwill. When determining the fair values of assets acquired and liabilities assumed, management makes significant estimates and assumptions, especially with respect to intangible assets. Critical estimates in valuing intangible assets include, but are not limited to, expected future cash flows, which include consideration of future growth rates and margins, customer attrition rates, future changes in technology and brand awareness, loyalty and position, and discount rates. Critical estimates are also made in valuing contingent considerations, which represent arrangements to pay former owners based on the satisfaction of performance criteria. Fair value estimates are based on the assumptions management believes a market participant would use in pricing the asset or liability. Amounts recorded in a business combination may change during the measurement period, which is a period not to exceed one year from the date of acquisition, as additional information about conditions existing at the acquisition date becomes available.

Stock-Based Compensation

We measure and record compensation expense using the applicable accounting guidance for share-based payments related to stock options, restricted stock awards, restricted stock units and market-based awards granted to our directors and employees. The fair value of stock options, including performance awards, without a market condition is determined by using the Black-Scholes option valuation model. The fair value of restricted stock units and stock options with a market condition is estimated, at the date of grant, using the Monte Carlo Simulation valuation model. The Black-Scholes and Monte Carlo Simulation valuation models incorporate assumptions as to stock price volatility, the expected life of options or awards, a risk-free interest rate and dividend yield. In valuing our stock options, significant judgment is required in determining the expected volatility of our common stock and the expected life that individuals will hold their stock options prior to exercising. Expected volatility for stock options is based on the historical and implied volatility of our own common stock while the volatility for our restricted stock units with a market condition is based on the historical volatility of our own stock and the stock of companies within our defined peer group. The expected life of stock options is derived from the historical actual term of option grants and an estimate of future exercises during the remaining contractual period of the option. While volatility and estimated life are assumptions that do not bear the risk of change subsequent to the grant date of stock options, these assumptions may be difficult to measure, as they represent future expectations based on historical experience. Further, our expected volatility and expected life may change in the future, which could substantially change the grant-date fair value of future awards of stock options and, ultimately, the expense we record. The fair value of restricted stock, including performance awards, without a market condition is estimated using the current market price of our common stock on the date of grant. We elect to account for forfeitures related to the service condition-based awards as they occur.

We expense stock-based compensation for stock options, restricted stock awards, restricted stock units and performance awards over the requisite service period. For awards with only a service condition, we expense stock-based compensation using the straight-line method over the requisite service period for the entire award. For awards with both performance and service conditions, we expense the stock-based compensation on a straight-line basis over the requisite service period for each separately vesting portion of the award, taking into account the probability that we will satisfy the performance condition. Furthermore, we expense awards with a market condition over the three-year vesting period regardless of the value that the award recipients ultimately receive.

Our non-employee directors may elect to have their annual cash retainers and annual equity retainers paid in the form of deferred stock units pursuant to the 2022 Equity Incentive Plan and the 2018 Non-Employee Director Deferred Compensation Plan, as amended. Each deferred stock unit represents the right to receive one share of our common stock upon the non-employee director's separation of service from the Company. We record compensation cost associated with our deferred stock units over the period of service. We discontinued deferral elections in December 2023.

Impact of Recently Adopted Accounting Standards

In November 2023, the FASB issued 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 ASC 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 and Demographic Information" for further information.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign Exchange Exposure

We conduct a significant portion of our business outside the United States. In 2024, 59% of our revenue was invoiced, and a significant portion of our operating expenses were paid, in foreign currencies. At December 31, 2024, 41% 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 2024, 2023 or 2022. 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 investments of $10.0 million and cash equivalents of $20.5 million as of December 31, 2024, 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 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders
FARO Technologies, Inc.

Opinion on the financial statements

We have audited the accompanying consolidated balance sheets of FARO Technologies, Inc. (a Florida corporation) and subsidiaries (the “Company”) as of December 31, 2024 and 2023, the related consolidated statements of operations, comprehensive loss, shareholders’ equity, and cash flows for each of the three years in the period ended December 31, 2024, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2024, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the Company’s internal control over financial reporting as of December 31, 2024, based on criteria established in the 2013 Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”), and our report dated February 24, 2025 expressed an unqualified opinion.

Basis for opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical audit matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing a separate opinion on the critical audit matters or on the accounts or disclosures to which they relate.

Reserve for excess and obsolete inventory

As described further in note 1 to the financial statements, the reserve for excess and obsolete inventory is established utilizing the Company’s past sales history, adjusted for any known events to determine expected usage. Inventory is considered to be potentially obsolete if the product has been withdrawn from the market or the product had no sales for the past 12 months and the product has no sales forecasted for the next 12 months. Inventory is considered potentially excess if the quantity on hand exceeds 12 months of expected usage. The resulting excess and obsolete items are then reviewed to determine if a substitute usage or a future need exists, and items without an identified current or future usage are reserved in an amount equal to 100% of the first-in first-out cost of the inventory. We identified the reserve for excess and obsolete inventory as a critical audit matter.

The principal consideration for our determination that the reserve for excess and obsolete inventory was a critical audit matter was the high risk of estimation uncertainty due to significant judgments in management’s analysis, which included management’s assessment of current and future usage of identified potentially excess and obsolete inventory.

Our audit procedures related to the reserve for excess and obsolete inventory included the following, among others:

- We evaluated the design and tested the operating effectiveness of key controls relating to the excess and obsolete reserve.
- We tested the completeness and accuracy of the previous 12 months' usage utilized by the Company to evaluate the excess and obsolete reserve.
- We developed an independent estimate of the Company's excess and obsolete reserve testing the significant assumptions utilized by the Company, including historical usage, expected usage and need for replacement parts, and compared it to management's reserve.

Income taxes

As described further in note 11 to the financial statements, the Company is a multinational corporation that is subject to income taxes in the United States and numerous foreign jurisdictions. The Company's effective tax rate is directly impacted by the application of complex tax laws and regulations, which are highly dependent upon the geographic mix of worldwide earnings or losses, the tax regulations in each country or geographic region, and the availability of tax credit and loss carryforwards. In addition, the realization of the Company's U.S. based deferred tax assets is based on the weight of positive and negative evidence of recoverability, which includes projections of future taxable income, reversals of deferred tax liabilities, and tax planning strategies. We identified the completeness of the Company's foreign deferred tax assets and liabilities and the valuation, net of the Company's U.S. deferred tax assets as critical audit matters.

The principal consideration for our determination that the completeness of the foreign deferred tax assets and liabilities and valuation, net of the Company's U.S. based deferred tax assets was a critical audit matter was due to the multinational presence of the Company in numerous foreign jurisdictions, with varying complex tax laws and regulations. These rules may be subject to interpretation depending on the jurisdiction and may involve significant management judgment. In addition, there is a high risk of estimation uncertainty due to significant management judgment related to recording a valuation allowance against the U.S. deferred tax assets, which may be based on various forms of positive and negative evidence as well as prospective financial information. The audit effort involved the use of professionals with specialized skills and knowledge to assist in evaluating the audit evidence obtained.

Our audit procedures related to the completeness of foreign deferred tax assets and liabilities and the valuation allowance for the U.S. deferred tax assets included the following, amongst others:

- We evaluated the design and tested the operating effectiveness of the key controls relating to the foreign deferred tax assets and liabilities calculations. We also evaluated the design and tested the operating effectiveness of key controls related to the assumptions around the timing of reversals of existing taxable temporary differences within the U.S. jurisdiction. We also tested management's controls around the review of the completeness and accuracy of the qualitative and quantitative valuation allowance analysis.
- We involved tax specialists to assess a selection of significant foreign deferred tax assets and liabilities and perform procedures over selected foreign deferred tax assets and liabilities calculations for completeness and accuracy.
- We involved tax specialists to test a selection of the Company's assumptions regarding its geographic mix of worldwide earnings or losses.
- We tested the Company's analysis of recoverability of its U.S. based deferred tax assets, including the assessment of the weight of the positive and negative evidence evaluated by management.

/s/ GRANT THORNTON LLP

We have served as the Company's auditor since 2004.

Jacksonville, Florida
February 24, 2025

FARO TECHNOLOGIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(in thousands, except share and per share data)	December 31, 2024	December 31, 2023
ASSETS		
Current assets:		
Cash and cash equivalents	$ 88,703	$ 76,787
Short-term investments	9,999	19,496
Accounts receivable, net	87,022	92,028
Inventories, net	32,121	34,529
Prepaid expenses and other current assets	30,326	38,768
Total current assets	248,171	261,608
Non-current assets:		
Property, plant and equipment, net	18,767	21,181
Operating lease right-of-use asset	15,880	12,231
Goodwill	106,555	109,534
Intangible assets, net	44,133	47,891
Service and sales demonstration inventory, net	22,760	23,147
Deferred income tax assets, net	23,005	25,027
Other long-term assets	3,734	4,073
Total assets	$ 483,005	$ 504,692
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 27,336	$ 27,404
Accrued liabilities	27,735	29,930
Income taxes payable	6,736	5,699
Current portion of unearned service revenues	41,590	40,555
Customer deposits	4,989	4,251
Lease liability	4,474	5,434
Total current liabilities	112,860	113,273
Loan - 5.50 % Convertible Senior Notes	70,267	72,760
Unearned service revenues - less current portion	19,886	20,256
Lease liability - less current portion	14,056	10,837
Deferred income tax liabilities	14,809	13,308
Income taxes payable - less current portion	1,485	5,629
Other long-term liabilities	32	23
Total liabilities	233,395	236,086
Commitments and contingencies - See Note 12		
Shareholders' equity:		
Common stock - par value $ 0.001 , 50,000,000 shares authorized; 20,916,723 and 20,343,359 issued; 18,954,956 and 18,968,798 outstanding, respectively	20	20
Additional paid-in capital	358,133	346,277
Accumulated deficit	(18,855)	(9,789)
Accumulated other comprehensive loss	(49,019)	(37,247)
Common stock in treasury, at cost - 1,961,767 and 1,376,220 shares held, respectively	(40,669)	(30,655)
Total shareholders' equity	249,610	268,606
Total liabilities and shareholders' equity	$ 483,005	$ 504,692

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

FARO TECHNOLOGIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except share and per share data)	Years ended December 31, 2024	2023	2022
Sales			
Product	$ 260,194	$ 278,572	$ 265,280
Service	82,233	80,259	80,485
Total sales	342,427	358,831	345,765
Cost of sales			
Product	112,894	150,472	123,836
Service	42,380	43,360	46,166
Total cost of sales	155,274	193,832	170,002
Gross profit	187,153	164,999	175,763
Operating expenses			
Selling, general and administrative	140,584	157,336	146,657
Research and development	40,056	41,806	49,415
Restructuring costs	3,184	15,393	4,614
Total operating expenses	183,824	214,535	200,686
Income (loss) from operations	3,329	(49,536)	(24,923)
Other (income) expense			
Interest expense (income)	3,551	3,348	(36)
Other (income) expense, net	712	1,178	(3,236)
Loss before income tax	(934)	(54,062)	(21,651)
Income tax expense	8,132	2,515	5,105
Net loss	$ (9,066)	$ (56,577)	$ (26,756)
Net loss per share - Basic	$ (0.47)	$ (2.99)	$ (1.46)
Net loss per share - Diluted	$ (0.47)	$ (2.99)	$ (1.46)
Weighted average shares - Basic	19,151,551	18,917,778	18,318,191
Weighted average shares - Diluted	19,151,551	18,917,778	18,318,191

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

FARO TECHNOLOGIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

	Years ended December 31,		
(in thousands)	2024	2023	2022
Net loss	$ (9,066)	$ (56,577)	$ (26,756)
Currency translation adjustments, net of income tax	(11,772)	(3,916)	(15,957)
Comprehensive loss	$ (20,838)	$ (60,493)	$ (42,713)

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

FARO TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2024, 2023, AND 2022

(in thousands, except share data)	Common Stock Shares	Common Stock Amounts	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Common Stock in Treasury	Total
BALANCE JANUARY 1, 2022	18,205,636	$ 20	$ 301,061	$ 73,544	$ (17,374)	$ (30,792)	$ 326,459
Net loss				(26,756)			(26,756)
Currency translation adjustment, net of income tax					(15,957)		(15,957)
Stock-based compensation			13,317				13,317
Common stock issued, net of shares withheld for employee taxes	78,815		(2,029)			137	(1,892)
Acquisition of business	495,562		15,878				15,878
BALANCE DECEMBER 31, 2022	18,780,013	20	328,227	46,788	(33,331)	(30,655)	311,049
Net loss				(56,577)			(56,577)
Currency translation adjustment, net of income tax					(3,916)		(3,916)
Stock-based compensation			17,833				17,833
Common stock issued, net of shares withheld for employee taxes	188,785		217				217
BALANCE DECEMBER 31, 2023	18,968,798	20	346,277	(9,789)	(37,247)	(30,655)	268,606
Net loss				(9,066)			(9,066)
Currency translation adjustment					(11,772)		(11,772)
Stock-based compensation			11,689				11,689
Common stock repurchased	(588,856)					(10,014)	(10,014)
Common stock issued, net of shares withheld for employee taxes	575,014		167				167
BALANCE DECEMBER 31, 2024	18,954,956	$ 20	$ 358,133	$ (18,855)	$ (49,019)	$ (40,669)	$ 249,610

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

FARO TECHNOLOGIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)	Years Ended December 31, 2024	2023	2022
Cash flows from:			
Operating activities:			
Net loss	$ (9,066)	$ (56,577)	$ (26,756)
Adjustments to reconcile net loss to net cash used by operating activities:			
Depreciation and amortization	15,737	15,377	13,983
Stock-based compensation	11,689	17,833	13,317
Inventory write-downs	—	9,340	—
Asset impairment charges	—	5,707	507
Provision for bad debts, net of recoveries	957	1,030	163
Amortization of debt discount and issuance costs	507	450	—
Loss on disposal of assets	1,548	274	156
Provision for excess and obsolete inventory	1,118	2,361	(68)
Impairment of intangible assets	—	—	1,135
Deferred income tax (benefit) and other non-cash charges	4,926	(26)	2,412
Change in operating assets and liabilities, net of acquisitions:			
(Increase) decrease in:			
Accounts receivable, net	(975)	(50)	(11,198)
Inventories	(2,773)	736	3,379
Prepaid expenses and other assets	6,988	3,387	(21,239)
(Decrease) increase in:			
Accounts payable and accrued liabilities	(259)	4,421	4,777
Income taxes payable	(2,931)	(3,808)	(1,904)
Customer deposits	1,044	(2,533)	1,343
Unearned service revenues	3,344	2,786	(4,863)
Other liabilities	(1,225)	367	—
Net cash provided by (used in) operating activities	30,629	1,075	(24,856)
Investing activities:			
Purchases of property and equipment	(5,842)	(6,817)	(6,371)
Purchases of short-term investments	(9,999)	(19,496)	—
Maturities of short-term investments	20,009	—	—
Cash paid for technology development, patents and licenses	(7,358)	(7,177)	(10,567)
Acquisitions of businesses and minority share investments, net of cash received	—	—	(32,959)
Net cash used in investing activities	(3,190)	(33,490)	(49,897)
Financing activities:			
Payments on capital leases	(155)	(154)	(220)
Repurchases of common stock	(10,014)	—	—
Cash settlement of equity awards	—	217	(1,892)
Short term debt	—	—	1,115
Proceeds from issuance of 5.50 % Convertible Senior Notes, due 2028, net of discount, issuance cost and accrued interest	—	72,310	—
Repayment of 5.50 % Convertible Senior Notes, due 2028	(2,685)	—	—
Payment of contingent consideration for business acquisition	—	(1,098)	—
Net cash (used in) provided by financing activities	(12,854)	71,275	(997)
Effect of exchange rate changes on cash and cash equivalents	(2,669)	115	(8,427)
Increase (Decrease) in cash and cash equivalents	11,916	38,975	(84,177)
Cash and cash equivalents, beginning of period	76,787	37,812	121,989
Cash and cash equivalents, end of period	$ 88,703	$ 76,787	$ 37,812

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

FARO TECHNOLOGIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024, 2023 and 2022
(in thousands, except share and per share data or as otherwise noted)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business—FARO Technologies, Inc. and its subsidiaries (collectively “FARO,” the “Company,” “us,” “we” or “our”) design, develop, manufacture, market and support 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, augmented by sales through indirect channels across a range of sectors including manufacturing, surveying, architecture, engineering and construction, public safety forensics and other industries.

Principles of Consolidation— Our consolidated financial statements include the accounts of FARO Technologies, Inc. and its subsidiaries, all of which are wholly owned. 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. Adjustments resulting from financial statement translations are reflected as a separate component of accumulated other comprehensive loss. Foreign currency transaction gains and losses are included in net income (loss).

Use of Estimates— The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 from those estimates.

Revenue Recognition, Product Warranty and Extended Warranty Contracts— Revenue is recognized as performance obligations within a contract are satisfied in an amount that reflects the consideration we expect to receive in exchange for satisfaction of those performance obligations, or standalone selling price. Our contracts with customers may include multiple performance obligations. For such arrangements, we allocate revenues to each performance obligation based on its relative 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's 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. Fees billed to customers associated with the distribution of products are classified as revenue. We generally warrant our products against defects in design, materials and workmanship for one year to two years . A provision for estimated future costs relating to warranty expense is recorded when products are shipped. To support our product lines, we also sell hardware service contracts which revenues are recognized on a straight-line basis over the term of the contract. Hardware service contracts generally extend between one month and three years . Costs relating to hardware service contracts are recognized as incurred. Revenue from sales of commercial software licenses is only recognized when no further significant production, modification or customization of the software is required and when the risks and rewards of ownership have passed to the customer. These software arrangements generally include short-term maintenance that is considered post-contract support (“PCS”), which is considered to be a separate performance obligation. We generally establish a standalone sales price for this PCS component based on our software maintenance contract renewals. Software maintenance contracts, when sold, are recognized on a straight-line basis over the term of the contract. Revenue from the sales of software subscriptions sold as a service are recognized on a straight-line basis over the term of the contract. Software subscriptions generally extend between one month and three years . Revenues resulting from sales of comprehensive support, training and technology consulting services are recognized as such services are performed and are deferred when billed in advance of the performance of services. Payment for products and services is collected within a short period of time following transfer of control or commencement of delivery of services, as applicable. Revenues are presented net of sales-related taxes. As of December 31, 2024, none of our customers individually accounted for 10% or more of the Company's Total sales or Accounts receivable, net.

Cash and Cash Equivalents— We consider cash on hand and amounts on deposit with financial institutions, including U.S. Treasury Bill investments, with original maturities of three months or less to be cash and cash equivalents. We had deposits with foreign banks totaling $ 49.2 million and $ 47.4 million as of December 31, 2024 and 2023, respectively.

Investments— The Company's investments consist of U.S. Treasury Bills and are classified as held-to-maturity securities. These investments are recorded at amortized cost. Investments with original maturities of three months or less are considered cash equivalents. Investments with original maturities exceeding three months and less than one year are categorized as short-term investments. These investments are classified as held-to-maturity securities, based on the intent and ability to hold these investments to maturity. Our investments in money market fund and the U.S. Treasury Bills with three months maturity were classified as cash equivalents and investments with six months maturity were classified as short-term investment on the consolidated balance sheets. These investments were considered held-to-maturity securities and were recorded at amortized cost.

Accounts Receivable and Related Allowance for Credit Losses — Credit is extended to customers based on an evaluation of a customer's financial condition and, generally, collateral is not required. Accounts receivable are generally due within 30 to 90 days and are stated at amounts due from customers, net of an allowance for credit losses. Accounts outstanding longer than the contractual payment terms are considered past due. We make judgments as to the collectability of accounts receivable based on historical trends and future expectations. Management estimates an allowance for credit losses, which adjusts gross trade accounts receivable to their net realizable value. The allowance for credit losses is based on an analysis of all receivables for possible impairment issues and historical write-off percentages. We write off accounts receivable when they become uncollectible, and payments subsequently received on such receivables are credited to the allowance for credit losses. We do not generally charge interest on past due receivables.

Inventories— Inventories are stated at the lower of cost or net realizable value using the first-in first-out ("FIFO") method. Shipping and handling costs are classified as a component of cost of sales in the consolidated statements of operations. Sales demonstration inventory is comprised of measuring and imaging devices utilized by sales representatives to present our products to customers. Management expects sales demonstration inventory to be held by our sales representatives for up to three years , at which time it is refurbished and transferred to finished goods as used equipment, stated at the lower of cost or net realizable value. Management expects these refurbished units to remain in finished goods inventory and be sold within 12 months at prices that produce reduced gross margins. Sales demonstration inventory remains classified as inventory, as it is available for sale and any required refurbishment prior to sale is minimal.

Service inventory is typically 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 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 its remaining useful life, typically three years . See Note 6, "Inventories" for further information regarding inventories.

Reserve for Excess and Obsolete Inventory— Because the value of inventory that will ultimately be realized cannot be known with exact certainty, we rely upon past sales history, adjusted for any known events to determine expected usage, to provide a basis for the determination of the reserve. Inventory is considered potentially obsolete if we have withdrawn those products from the market or had no sales of the product for the past 12 months and have no sales forecasted for the next 12 months. Inventory is considered potentially excess if the quantity on hand exceeds 12 months of expected remaining usage. The resulting potentially obsolete and excess parts are then reviewed to determine if a substitute usage or a future need exists. Items without an identified current or future usage are reserved in an amount equal to 100 % of the FIFO cost of such inventory. Our products are subject to changes in technologies that may make certain of our products or their components obsolete or less competitive, which may increase our historical provisions to the reserve. We review these assumptions regularly for all of our inventories which include sales demonstration and service inventories.

Property and Equipment— Property and equipment purchases generally exceeding two thousand five hundred dollars are capitalized and recorded at cost. Depreciation is calculated using the straight-line method over the life of the asset, commencing in the first of the month after the asset is placed into service. The estimated useful lives of various asset classes are as follows:

Machinery, equipment and software	2 to 5 years
Furniture and fixtures	3 to 10 years

Leasehold improvements are amortized on a straight-line basis over the lesser of the life of the asset or the remaining term of the lease.

Depreciation expense was $ 7.0 million, $ 7.7 million and $ 8.3 million in 2024, 2023 and 2022, respectively. Accelerated methods of depreciation are used for income tax purposes in contrast to book purposes, and as a result, appropriate provisions are made for the related deferred income taxes. Balances of major classes of depreciable assets and total accumulated depreciation as of December 31, 2024 and 2023 are as follows:

	December 31, 2024	December 31, 2023
Property, plant and equipment:		
Machinery and equipment	$ 98,211	$ 99,111
Furniture and fixtures	6,235	6,646
Leasehold improvements	19,935	20,464
Property, plant and equipment at cost	124,381	126,221
Less: accumulated depreciation and amortization	(105,614)	(105,040)
Property, plant and equipment, net	$ 18,767	$ 21,181

Business Combinations— We allocate the purchase consideration of acquired companies to the assets acquired and liabilities assumed based generally on their fair values at the acquisition date. The excess of the fair value of purchase consideration over the fair value of these assets acquired and liabilities assumed is recorded as goodwill. Acquisition-related expenses are recognized separately from the business combination and are expensed as incurred. While the Company uses its best estimates and assumptions as part of the purchase price allocation process to accurately value assets acquired and liabilities assumed, these estimates are inherently uncertain and subject to refinement. Amounts recorded in a business combination may change during the measurement period, which is a period not to exceed one year from the date of acquisition, as additional information about conditions existing at the acquisition date becomes available.

Goodwill and Intangible Assets— Goodwill represents the excess cost of a business acquisition over the fair value of the net assets acquired. We perform an annual review each year, or more frequently if indicators of potential impairment exist (i.e., that it is more likely than not that the fair value of the reporting unit is less than the carrying value), to determine if the carrying value of the recorded goodwill or indefinite lived intangible assets is impaired.

Each period, and for our single reporting unit, we can elect to perform a qualitative assessment to determine whether it is necessary to perform a quantitative goodwill impairment test. If we believe, as a result of our qualitative assessment, that it is not more likely than not that the fair value of our reporting unit containing goodwill is less than its carrying amount, then the quantitative goodwill impairment test is necessary. We calculate the fair value of the reporting unit using a discounted cash flow method and market approach method, and then comparing the respective fair value with the carrying amount of the reporting unit. If the carrying amount of the reporting unit exceeds its fair value, we record the amount of the impairment loss, if any.

Management concluded there was no goodwill impairment for the years ended 2024, 2023 and 2022. We test goodwill for impairment annually on December 31 of each reporting year or more frequently if an event occurs or circumstances would indicate that it is more likely than not the fair value of the reporting unit is less than the carrying value. We performed our annual test of goodwill during 2024, 2023 and 2022 as of December 31. See Note 7, “Goodwill” for further information regarding goodwill.

Our intangible assets principally include patents, existing product technology, internally developed software and customer relationships that arose in connection with our acquisitions. Other intangible assets are recorded at fair value at the date of acquisition and are amortized over their estimated useful lives of 3 to 14 years.

Product technology and patents are recorded at cost. Amortization expense is computed using the straight-line method over the estimated useful lives of the product technology and patents of 7 to 14 years.

Internally developed software exceeding two thousand five hundred dollars are capitalized and recorded at cost. Amortization expense is computed using the straight-line method over the estimated useful lives of the internally developed software ranging between 1 to 3 years.

Definite-lived intangible assets are re-evaluated whenever events or changes in circumstances indicate that their estimated useful lives may require revision or carrying value of the related asset group may not be recoverable by its projected undiscounted cash flows. If the carrying value of the asset group is determined to be unrecoverable, an impairment charge would be recognized in an amount equal to the amount by which the carrying value of the asset group exceeds its fair value.

As a result of an assessment over the current development strategy of our internally developed software, we determined a shift in our current resources was necessary towards a more efficient path for subscription based software. As a result, we recognized an impairment charge related to construction-in-progress intangible assets of $ 1.1 million in 2022, which was included in restructuring costs on the consolidated statements of operations. We recognized no impairment charges related to intangibles in 2024 and 2023. See Note 8, “Intangible Assets” for further information regarding intangible assets.

As of December 31, 2024 and 2023, there were no indefinite-lived intangible assets.

Research and Development — Research and development costs incurred in the discovery of new knowledge and the resulting translation of this new knowledge into plans and designs for new products prior to the attainment of the related products’ technological feasibility are recorded as expenses in the period incurred. To date, the time incurred between the attainment of the related products' technological feasibility and general release to customers has been short. 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 1 year to 3 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. Any costs related to preliminary project activities and post implementation activities of internal-use software are expensed as incurred. The amount of costs capitalized relating to internally developed computer software to be sold as a service was $ 4.5 million during 2024, $ 4.2 million during 2023 and $ 5.4 million during 2022. In 2024, 2023 and 2022, we recognized $ 1.7 million, $ 1.6 million and $ 0.6 million in amortization expense related to these assets. Of the $ 1.6 million in 2023, $ 1.4 million was related to the impairment of Sphere asset and was included in restructuring costs. These capitalized costs, which total $ 10.3 million as of December 31, 2024 and $ 7.4 million as of December 31, 2023, are primarily included in net intangible assets in our consolidated balance sheets.

Reserve for Warranties — We establish at the time of sale a liability for the one to two year warranty included with the initial purchase price of our products, based upon an estimate of the repair expenses likely to be incurred for the warranty period. The warranty period is measured in installation-months for each major product group. Installation-month is defined as the length of time measured in months that our purchased products are covered by our warranty. The warranty reserve is included in accrued liabilities in the accompanying consolidated balance sheets. The warranty expense is estimated by applying the actual total repair expenses for each product group in the prior period and determining a rate of repair expense per installation-month. This repair rate is multiplied by the number of installation-months of warranty for each product group to determine the provision for warranty expenses for the period. We evaluate our exposure to warranty costs at the end of each period using the estimated expense per installation-month for each major product group, the number of units remaining under warranty, and the remaining number of months each unit will be under warranty. We have a history of new product introductions and enhancements to existing products, which may result in unforeseen issues that increase our warranty costs. While such expenses have historically been within expectations, we cannot guarantee this will continue in the future.

Income Taxes — We account for income taxes using the asset and liability method in accordance with ASC Topic 740, *Income Taxes* . The objectives of accounting for income taxes under ASC Topic 740 are to recognize the amount of taxes payable or refundable for the current year and to recognize the deferred tax assets and liabilities that relate to tax consequences in future years, which result from differences between the respective tax basis of assets and liabilities and their financial reporting amounts and tax attribute carryforwards. Deferred tax assets and liabilities are measured using the enacted tax rates in effect for the year in which the respective temporary differences or tax credit carryforwards are expected to be recovered or settled. We review our deferred tax assets on a regular basis to evaluate their recoverability based upon expected future reversals of deferred tax assets and liabilities, projections of future taxable income, and tax planning strategies that we might employ to utilize such assets, including net operating loss carryforwards. The realization of deferred tax assets is contingent upon the generation of future taxable income and other restrictions that may exist under the tax laws of the jurisdiction in which a deferred tax asset exists. We assess the available positive and negative evidence to estimate whether sufficient future taxable income will be generated to permit the use of existing deferred tax assets. Management's evaluation begins with a jurisdictional review of cumulative gains or losses incurred over recent years. A significant piece of objective negative evidence exists when a jurisdiction has incurred cumulative losses over recent years. Such objective evidence limits the ability to consider other subjective evidence, such as our projections for future growth. Based on the positive and negative evidence for recoverability, we establish a valuation allowance against the net deferred tax assets of a taxing jurisdiction in which we operate unless it is “more likely than not” that we will recover such assets through the above means.

We recognize tax benefits related to uncertain tax positions only if it is more likely than not that the tax position will be sustained upon examination by taxing authorities. For those positions where it is not more likely than not that a tax benefit will be sustained, no tax benefit has been recognized in the financial statements. In the ordinary course of business, we are examined by various federal, state, and foreign tax authorities. We regularly assess the potential outcomes of these examinations and any future examinations for the current or prior years in determining the adequacy of our provision for income taxes. See Note 11, “Income Taxes” for further information regarding income taxes.

Loss Per Share ("EPS")— Basic (loss) earnings per share is computed by dividing net (loss) income by the weighted average number of shares outstanding. Diluted earnings per share is computed by also considering the impact of potential common stock on both net income and the weighted average number of shares outstanding. Our potential common stock consists of employee stock options, restricted stock, restricted stock units, market-based awards, and common stock issued for settlement of the Notes (as defined in Note 20 to the consolidated financial statements). Our potential common stock is excluded from the basic earnings per share calculation and is included in the diluted earnings per share calculation when doing so 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 performance 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 loss for the period presented, the diluted loss per share calculation does not include our potential common stock, as the inclusion of these shares in the calculation would have an anti-dilutive effect. A reconciliation of the number of common shares used in the calculation of basic and diluted EPS is presented in Note 14, "Loss Per Share."

Accounting for Stock-Based Compensation—We have one stock-based employee and director compensation plan, which is described more fully in Note 13, "Stock Compensation Plan."

We measure and record compensation expense using the applicable accounting guidance for share-based payments related to stock options, restricted stock, restricted stock units and market-based awards granted to our directors and employees. The fair value of stock options, including performance awards, without a market condition is estimated, at the date of grant, using the Black-Scholes option-valuation model. The fair value of restricted stock unit awards and stock options with a market condition is estimated, at the date of grant, using the Monte Carlo Simulation valuation model. The Black-Scholes and Monte Carlo Simulation valuation models incorporate assumptions as to stock price volatility, the expected life of options or awards, a risk-free interest rate and dividend yield. In valuing our stock options, significant judgment is required in determining the expected volatility of our common stock and the expected life that individuals will hold their stock options prior to exercising.

We expense stock-based compensation for stock options, restricted stock units and performance awards over the requisite service period. For awards with only a service condition, we expense stock-based compensation using the straight-line method over the requisite service period for the entire award. For awards with both performance and service conditions, we expense the stock-based compensation on a straight-line basis over the requisite service period for each separately vesting portion of the award, taking into account the probability that we will satisfy the performance conditions. Furthermore, we expense awards with a market condition over the three-year vesting period regardless of the value that the award recipients ultimately receive. All income tax-related cash flows resulting from share-based payments are reported as operating activities in the statement of cash flows in the deferred income tax benefit line item. We elect to account for forfeitures related to the service condition-based awards as they occur.

Concentration of Credit Risk— Financial instruments that expose us to concentrations of credit risk consist principally of operating demand deposit accounts. Our policy is to place our operating demand deposit accounts with high credit quality financial institutions, the balances of which at times may exceed federally insured limits. We continually monitor our banking relationships and believe we are not exposed to any significant credit risk on our operating demand deposit accounts.

Concentration of Supplier Risk— The Company currently outsources the manufacturing of its hardware devices to a sole contract manufacturer. Although there are a limited number of manufacturers, management believes that other suppliers could provide similar manufacturing services on comparable terms.

Impact of Recently Adopted Accounting Standards —In November 2023, the FASB issued 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 ASC 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 and Demographic Information" for further information.

Recently Issued Accounting Pronouncements Not Yet Adopted as of December 31, 2024— 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 the adoption of this standard will have on our 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. The ASU indicates that all entities will apply its guidance prospectively with an option for retroactive application to each period in the financial statements. The Company is currently evaluating the impact of ASU 2023-09 on its disclosures.

2. SUPPLEMENTAL CASH FLOW INFORMATION

Selected cash payments and non-cash activities were as follows:

	Years ended December 31,		
	2024	2023	2022
Supplemental cash flow information:			
Cash paid for interest	$ 4,098	$ 2,185	$ 4
Cash paid for income taxes	6,698	5,276	1,659
Supplemental noncash investing and financing activities:			
Transfer of service and sales demonstration inventory to fixed assets	495	4,428	175
Purchases of Property, plant, equipment and Intangibles accrued but not paid	$ 272	$ 434	$ 157

3. REVENUES

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

	Years ended December 31,		
	2024	2023	2022
Product Sales			
Products transferred to a customer at a point in time	$ 235,153	$ 256,104	$ 242,969
Products transferred to a customer over time	25,041	22,468	22,311
	$ 260,194	$ 278,572	$ 265,280

	Years ended December 31,		
	2024	2023	2022
Service Sales			
Service transferred to a customer at a point in time	$ 38,910	$ 35,230	$ 34,525
Service transferred to a customer over time	43,323	45,029	45,960
	$ 82,233	$ 80,259	$ 80,485

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

	Years ended December 31,		
	2024	2023	2022
Total Sales to External Customers			
Americas (1)	$ 158,311	$ 167,269	$ 154,422
EMEA (1)	108,418	108,298	98,174
APAC (1)	75,698	83,264	93,169
	$ 342,427	$ 358,831	$ 345,765

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

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 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 are comprised within the Prepaid expenses and other current assets and Other long-term assets, respectively, on our consolidated balance sheets as of December 31, 2024. As of December 31, 2023, the deferred cost asset related to deferred commissions was approximately

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$ 4.6 million. For classification purposes, $ 3.5 million and $ 1.1 million are comprised within the Prepaid expenses and other current assets and Other long-term assets, respectively, on our consolidated balance sheets as of December 31, 2023.

The unearned service revenue liabilities reported on our 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 consolidated balance sheets is what we expect to recognize to revenue within twelve months after the applicable balance sheet date relating to extended warranty, subscription based software and software maintenance contract liabilities. The unearned service revenues - less current portion on our consolidated balance sheets is what we expect to recognize to revenue extending beyond twelve months after the applicable balance sheet date relating to extended warranty, subscription based software and software maintenance contract liabilities. Customer deposits on our 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, 2023 and December 31, 2022.

	December 31, 2023		December 31, 2022	
Deferred revenue recognized	$	34,231	$	33,77

The following table presents revenue recognized from invoicing activity where performance obligations have been satisfied within the year for overtime deliverables for the year ended December 31, 2024 and December 31, 2023.

	December 31, 2024		December 31, 2023	
Revenue recognized from invoicing activity	$	34,133	$	33,72

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 December 31, 2024 and December 31, 2023 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.

4. ALLOWANCE FOR CREDIT LOSSES

Activity in the allowance for credit losses was as follows:

	Years ended December 31,					
	2024		2023		2022	
Balance, beginning of year	$	3,167	$	2,285	$	2,231
Current period provision for expected credit losses, net of recoveries		957		1,030		163
Charge-offs of amounts previously written off		(454)		(148)		(109)
Balance, end of year	$	3,670	$	3,167	$	2,285

5. PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets consist of the following:

	December 31, 2024		December 31, 2023	
VAT receivable and other indirect taxes	$	10,121	$	17,848
Prepaid maintenance and insurance		4,519		3,832
Income taxes receivable		2,145		2,651
Prepaid sales compensation		3,084		3,512
Other prepaid expenses		10,457		10,925
Total	$	30,326	$	38,768

6. INVENTORIES

Inventories are stated at the lower of cost or net realizable value using the first-in first-out 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 consolidated statements of operations. Sales demonstration inventory is held by our sales representatives for up to three years , at which time it is 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 to be 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:

	December 31, 2024	December 31, 2023
Raw materials	$ 15,971	$ 18,460
Finished goods	16,150	16,069
Inventories, net	32,121	34,529
Service and sales demonstration inventory, net	$ 22,760	$ 23,147

7. GOODWILL

We had approximately $ 106.6 million and $ 109.5 million of goodwill as of December 31, 2024 and 2023, respectively. Changes in these balances are shown below:

	December 31, 2024	December 31, 2023
Goodwill, beginning	$ 109,534	$ 107,155
Acquired goodwill	—	—
Foreign currency translation	(2,979)	2,379
Goodwill, ending	$ 106,555	$ 109,534

We test goodwill for impairment annually on December 31 of each reporting year or more frequently if an event occurs or circumstances would indicate that it is more likely than not the fair value of the reporting unit is less than the carrying value. We performed our annual qualitative test of goodwill as of December 31, 2024, and did not identify any qualitative factors that suggest it is more likely than not that the fair value of its reporting units is less than their carrying amount, and as such, a quantitative impairment test was not necessary.

During fiscal year 2023, the Company's common stock price declined significantly and dropped below its equity book value, which triggered a goodwill impairment analysis under FASB Topic *350 Intangibles – Goodwill and Other* . For the purposes of the impairment analysis, goodwill was tested at the entity level as the Company had only one reporting unit. In determining the fair value of the reporting unit, we used a combination of the income approach and the market approach, with each method weighted equally. Under the income approach, fair value was determined based on our estimates of future after-tax cash flows, discounted using the appropriate weighted average cost of capital. Under the market approach, the fair value was derived based on the valuation multiples of comparable publicly traded companies. The quantitative impairment test concluded the fair value of the reporting unit exceeded its net book value. As a result, there was no impairment charge recorded in 2023.

We report as one single reporting segment and have one reporting unit that develops, manufactures, markets, supports and sells CAD-based quality assurance products integrated with CAD-based inspection and statistical process control software and 3D documentation systems. Our reporting segment sells into a variety of end markets, including automotive, aerospace, metal and machine fabrication, architecture, engineering, construction and public safety.

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8. INTANGIBLE ASSETS

Intangible assets consist of the following:

	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	$ 94,989	$ 50,856	$ 44,133

	As of December 31, 2023		
	Carrying Value	Accumulated Amortization	Net Intangible
Amortizable intangible assets:			
Product technology	$ 24,127	$ 15,742	$ 8,385
Patents and trademarks	19,687	11,509	8,178
Customer relationships	25,164	7,279	17,885
Other	22,062	8,619	13,443
Total	$ 91,040	$ 43,149	$ 47,891

Amortization expense was $ 8.7 million, $ 7.7 million and $ 5.7 million in 2024, 2023 and 2022, respectively. In 2023, we had $ 1.4 million related to the impairment of Sphere that is included in restructuring costs. The estimated amortization expense for each of the years 2025 through 2029 and thereafter is as follows:

Years ending December 31,	**Amount**
2025	$ 6,668
2026	5,440
2027	3,195
2028	1,273
2029	1,213
Thereafter	26,344
Total	$ 44,133

9. ACCRUED LIABILITIES

Accrued liabilities consist of the following:

	As of December 31,	
	2024	2023
Accrued compensation and benefits	$ 16,109	$ 15,347
Accrued restructuring costs	1,642	1,609
Accrued warranties	2,031	2,831
Professional and legal fees	1,105	2,851
Accrued interest	1,795	1,712
Taxes other than income	2,897	3,313
Other accrued liabilities	2,156	2,267
Total	$ 27,735	$ 29,930

Activity related to accrued warranties was as follows:

	Years ended December 31,		
	2024	2023	2022
Balance, beginning of year	$ 2,831	$ 2,610	$ 1,880
Provision for warranty expense	3,196	3,986	3,715
Fulfillment of warranty obligations	(3,996)	(3,765)	(2,985)
Balance, end of year	$ 2,031	$ 2,831	$ 2,610

10. 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 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 December 31, 2024, the Company had $ 20.0 million investments in U.S. Treasury Bills, with $ 10.0 million classified as Cash and cash equivalents and $ 10.0 million classified as Short-term investments on our consolidated balance sheets. Additionally, the Company also had $ 10.5 million investment in money market fund that was classified as Cash and cash equivalents on our consolidated balance sheets. At December 31, 2024, 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 the Convertible Senior Notes due 2028 (the "Notes") was determined based on the closing trading price of the Notes on December 31, 2024 and was primarily affected by the trading price of the Company's common stock and market interest rates. The fair value of the Notes is considered a Level 2 measurement as they are not actively traded.

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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.

	December 31, 2024		
	Level 1	Level 2	Level 3
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	$ —	$ 72,540	$ —

	December 31, 2023		
	Level 1	Level 2	Level 3
Assets			
Cash equivalents: U.S. Treasury securities	$ 9,871	$ —	$ —
Short-term investments: U.S. Treasury securities	19,496	—	—
Total	29,367	—	—
Liabilities			
Convertible Senior Notes due 2028	$ —	$ 65,250	$ —

11. INCOME TAXES

Income (loss) before income tax expense consists of the following:

	Years ended December 31,		
	2024	2023	2022
Domestic	$ (22,298)	$ (67,914)	$ (37,875)
Foreign	21,364	13,852	16,224
Income (loss) before income taxes	$ (934)	$ (54,062)	$ (21,651)

The components of the income tax expense for income taxes are as follows:

	Years ended December 31,		
	2024	2023	2022
Current:			
Federal	$ —	$ (515)	$ (1,329)
State	59	179	162
Foreign	4,237	2,269	3,860
Current income tax expense	$ 4,296	$ 1,933	$ 2,693
Deferred:			
Federal	$ 1	$ —	$ 2
State	6	10	(32)
Foreign	3,829	572	2,442
Deferred income tax expense	3,836	582	2,412
Income tax expense	$ 8,132	$ 2,515	$ 5,105

Reconciliations of the income tax expense at the U.S. federal statutory income tax rate compared to our actual income tax expense (benefit) are summarized below:

	Years ended December 31,		
	2024	2023	2022
Tax expense at statutory rate	$ (197)	$ (11,353)	$ (4,548)
State income taxes, net of federal benefit	(298)	(3,030)	(864)
Foreign tax rate difference	420	390	314
Change in valuation allowance	2,494	9,150	2,534
Prepaid tax on intercompany profit [1]	1,669	(564)	(150)
Impact of permanent differences of non-deductible cost	894	555	2,221
Withholding/other foreign taxes	406	798	165
Research and development credit	(545)	(608)	(273)
Impact of foreign source income and tax credits [1]	2,354	6,449	6,204
Foreign currency gain/loss	(1,264)	415	(468)
Provision to return adjustments & deferred adjustments	394	(1,691)	(245)
Change in enacted tax rates	—	(196)	(883)
Equity based compensation	1,712	2,089	1,144
Uncertain tax positions	92	109	(46)
Other	1	2	—
Income tax expense	$ 8,132	$ 2,515	$ 5,105

[1] Historical numbers were adjusted to be consistent with current year change in presentation.

The components of our net deferred income tax assets and liabilities are as follows:

	As of December 31,	
	2024	2023
Net deferred income tax asset - Non-current		
Warranty cost	$ 337	$ 381
Inventory reserve	1,050	1,676
Unearned service revenue	9,352	8,294
Employee stock options	1,610	5,102
Tax credits	8,016	6,133
Loss carryforwards	16,577	20,965
Depreciation	(128)	773
Other, net	3,039	—
Intangibles & goodwill	16,165	13,996
Lease liability	3,777	3,419
Total deferred tax assets	59,795	60,739
Valuation allowance	(48,603)	(46,515)
Total deferred tax assets net of valuation allowance	11,192	14,224
Net deferred income tax liability - Non-current		
Other, net	—	(150)
Operating lease right-of-use asset	(3,120)	(2,433)
Total deferred tax liabilities	(3,120)	(2,583)
Net deferred tax assets	$ 8,072	$ 11,641

Our domestic entities had a net deferred tax liability in the amount of $ 0.5 million and $ 0.5 million as of December 31, 2024 and December 31, 2023, respectively. Our foreign entities had net deferred tax assets in the amount of $ 8.6 million and $ 12.1 million as of December 31, 2024 and December 31, 2023, respectively. At December 31, 2024 we had U.S. federal and state net operating loss carryforwards of $ 13.2 million and $ 133.5 million, respectively. $ 13.0 million of our federal net operating losses carryforward indefinitely while a portion of our federal and state net operating loss carryforwards will begin to expire in 2029. We had interest expense limitation carryforwards of $ 3.7 million that will carryforward indefinitely. We also had federal and state R&D credits of $ 5.3 million and $ 0.4 million, respectively. The federal credits will begin to expire in 2037 and our state credits carryforward indefinitely. We had foreign tax credits of $ 2.3 million that will begin to expire in 2032. Foreign net operating losses are $ 42.4 million, the majority of which can be carried forward indefinitely.

At December 31, 2024, our foreign subsidiaries had net deferred tax assets primarily relating to Intangibles of $ 7.6 million and net operating losses of $ 7.7 million, the majority of which can be carried forward indefinitely. At December 31, 2023, our foreign subsidiaries had net deferred tax assets primarily relating to Intangibles of $ 8.5 million and net operating losses of $ 8.0 million, the majority of which can be carried forward indefinitely.

The realization of deferred tax assets is contingent upon the generation of future taxable income and other restrictions that may exist under the tax laws of the jurisdiction in which a deferred tax asset exists. We assess the available positive and negative evidence to estimate whether sufficient future taxable income will be generated to permit the use of existing deferred tax assets. Management's evaluation begins with a jurisdictional review of cumulative gains or losses incurred over recent years. A significant piece of objective negative evidence exists when a jurisdiction has incurred cumulative losses over recent years. Such objective evidence limits the ability to consider other subjective evidence, such as our projections for future growth. Based on the positive and negative evidence for recoverability, we establish a valuation allowance against the net deferred tax assets of a taxing jurisdiction in which we operate unless it is “more likely than not” that we will recover such assets through the above means. We have valuation allowances of $ 48.6 million and $ 46.5 million for the years December 31, 2024 and 2023, respectively. The net change in the total valuation allowance for each of the years ended December 31, 2024, 2023 and 2022 was a $ 2.1 million increase, $ 9.2 million increase and $ 2.1 million increase, respectively. The increase in the valuation allowance for the year ended December 31, 2024 primarily relates to the recording of valuation allowances against our net U.S. and Singapore deferred tax assets.

On December 22, 2017, the United States enacted the U.S. Tax Cuts and Jobs Act, resulting in significant modifications to existing 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 GILTI tax. The Company reinvested a large portion of its undistributed foreign earnings and profits in acquisitions and other investments and intends to bring back a portion of foreign cash in certain jurisdictions where the Company will not be subject to local withholding taxes and which were subject already to transition tax and GILTI tax.

Significant judgment is required in determining our worldwide provision for income taxes. In the ordinary course of a global business, there are many transactions for which the ultimate tax outcome is uncertain. We review our tax contingencies on a regular basis and make appropriate accruals as necessary.

During 2022, the United States enacted the Inflation Reduction Act of 2022 and the CHIPS and Science Act of 2022. We have performed an analysis of the applicable tax law changes and have determined any change was immaterial.

As of December 31, 2024, 2023 and 2022, our unrecognized tax benefits totaled $ 2.6 million, $ 2.5 million and $ 2.4 million, respectively, which are included in Income taxes payable and offsetting an associated deferred tax asset.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	Years ended December 31,		
	2024	2023	2022
Balance at January 1	$ 2,523	$ 2,428	$ 1,664
Additions based on tax positions related to the current year	27	723	1,924
Additions for tax positions of prior years	52	—	—
Reductions for tax provisions of prior years	—	(177)	—
Lapse of statute of limitations	—	(451)	(1,160)
Balance at December 31	$ 2,602	$ 2,523	$ 2,428

We file income tax returns in the U.S. federal jurisdiction and various state and foreign jurisdictions. The table below summarizes the open tax years and ongoing tax examinations in major jurisdictions as of December 31, 2024.

Jurisdiction	Open Years	Examination in Process
United States - Federal Income Tax	2021 - 2024	N/A
United States - various states	2020 - 2024	N/A
Germany	2013 - 2024	N/A
Switzerland	2022 - 2024	N/A
Singapore	2020 - 2024	N/A
India	2019 - 2024	2019 - 2023

We recognize accrued interest and penalties related to unrecognized tax benefits in income tax expense. The total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate is $ 2.6 million. We do not currently anticipate that the total amount of unrecognized tax benefits will result in material changes to our financial position. We are subject to income taxes at the federal, state and foreign country level. Our tax returns are subject to examination at the U.S. state level and are subject to a three to four year statute of limitations, depending on the state.

12. COMMITMENTS AND CONTINGENCIES

Purchase Commitments — We enter into purchase commitments for products and services in the ordinary course of business. These purchases generally cover production requirements for 60 to 120 days as well as materials necessary to service customer units through the product lifecycle and for warranty commitments. As of December 31, 2024, we had approximately $ 23.0 million in purchase commitments that are expected to be delivered within the next 12 months. The Company's long-term purchase commitments were immaterial as a result of the ongoing transition towards direct sourcing with Sanmina.

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.

13. STOCK COMPENSATION PLAN

We have one compensation plan that provides for the granting of stock options and other share-based awards to key employees and non-employee members of the Board of Directors. The 2022 Equity Incentive Plan ("2022 Plan") provides for granting options, restricted stock, restricted stock units, dividend equivalent rights or stock appreciation rights to employees and non-employee directors.

We were authorized to grant awards for up to 750,000 shares of common stock under the 2022 Plan, as well as any shares underlying awards outstanding under our 2014 Stock Incentive Plan (the "2014 Plan") that thereafter terminate or expire unexercised or are canceled, forfeited or lapse for any reason as of the effective date of the 2022 Plan. The 2022 Plan is the successor to and continuation of the 2014 Plan, no additional awards may be granted under the 2014 Plan. All outstanding awards previously granted under the 2014 Plan will remain subject to its previous terms. At the 2023 annual shareholders' meeting, the holders of the Company's common stock approved an amendment to the Company's 2022 Equity Incentive Plan to increase the number of shares reserved for issuance by 1,250,000 .

There were 6,594 options outstanding at December 31, 2024 under the 2014 Plan at exercise prices between $ 34.55 and $ 61.30 . The options outstanding under the 2014 Plan have a 7-year term and generally vest over a 3-year period. There were no options outstanding at December 31, 2024 under the 2022 Plan.

Upon election to the Board, each non-employee director receives an initial equity grant of shares of restricted common stock with a value equal to $ 100,000 , calculated using the closing share price on the date of the non-employee director's election to the Board. The initial restricted stock grant vests on the third anniversary of the grant date, subject to the non-employee director's continued membership on the Board. Annually, the non-employee directors are granted restricted shares equal to $ 175,000 on the first business day following the annual meeting of shareholders, calculated using the closing price of our common stock on that day. The shares of restricted stock granted annually to our non-employee directors and our independent Chairman of the Board vest on the day prior to the following year's annual meeting date, subject to a non-employee director's continued membership on the Board. We record compensation cost associated with our restricted stock grants on a straight-line basis over the vesting term.

Annually, upon approval by our Compensation Committee, we grant stock-based awards, which historically have been in the form of restricted stock units, to certain employees. We also have historically granted restricted stock units to certain new employees throughout the year. The fair value of these stock-based awards is determined by using (a) the average trading price of our common stock for the 30 days proceeding the grant date, in the case of restricted stock units without a market condition, or (b) the Monte Carlo Simulation valuation model in the case of market-based restricted stock units with a market condition.

For the stock-based awards granted in 2024, 2023 and 2022, the time-based restricted stock units vest in three equal annual installments beginning one year after the grant date. The performance-based restricted stock unit awards with the market condition vest at the end of the 3-year performance period if the applicable market-based measure is achieved. Stock-based compensation expense of performance-based restricted stock unit awards with the market condition will be recognized over the requisite service period, taking into account the probability that we will satisfy the performance measure. The market-based restricted stock units granted in 2024, 2023 and 2022 will be earned and will vest based upon our total shareholder return ("TSR") relative to the TSR attained by companies within our defined benchmark group, the Russell 2000 Growth Index. Due to the TSR presence in these market-based restricted stock units, the fair value of these awards was determined using the Monte Carlo Simulation valuation model. We expense these market condition awards over the three-year vesting period regardless of the value the award recipients ultimately receive.

The Monte Carlo Simulation valuation model incorporates assumptions as to stock price volatility, the expected life of options or awards, a risk-free interest rate and dividend yield. The weighted-average grant-date fair value of the market-based restricted stock units that were granted during 2024, 2023 and 2022 valued using the Monte Carlo Simulation valuation model was $ 33.00 , $ 23.89 and $ 68.62 , respectively. For market-based restricted stock units granted during 2024, 2023 and 2022 valued using the Monte Carlo Simulation valuation model, we used the following assumptions:

	Year ended December 31		
	2024	2023	2022
Risk-free interest rate	4.3 %	4.5 %	2.0 %
Expected dividend yield	— %	— %	— %
Term	3 years	2.97 years	3 years
Expected volatility	58.8 %	56.3 %	42.5 %

Historical information was the primary basis for the selection of the expected dividend yield and expected volatility. The risk-free interest rate was based on the yields of U.S. zero coupon issues and U.S. Treasury issues, with a term equal to the term of the award being valued.

A summary of stock option activity and weighted average exercise prices follows:

	Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value as of December 31, 2024
Outstanding at January 1, 2024	10,501	$ 51.58		
Granted	—	—		
Forfeited	—	—		
Exercised	—	—		
Expired	(3,907)	35.44		
Outstanding at December 31, 2024	6,594	$ 61.14	0.21	$ —
Options exercisable at December 31, 2024	6,594	$ 61.14	0.21	$ 235,956

As no stock options were exercised during the year ended December 31, 2024 and 2023, the aggregate intrinsic value of stock options exercised was zero . The aggregate intrinsic value of stock options exercised during the year ended December 31, 2022 was $ 3.0 million. No stock options vested during the year ended December 31, 2024 and 2023.

The following table summarizes the restricted stock and restricted stock unit activity and weighted-average grant date fair values for the year ended December 31, 2024:

	Shares	Weighted-Average Grant Date Fair Value
Non-vested at January 1, 2024	1,457,418	$ 32.06
Granted	830,880	23.62
Forfeited	(416,183)	40.95
Vested	(592,761)	28.53
Non-vested at December 31, 2024	1,279,354	$ 25.40

We recorded total stock-based compensation expense associated with our stock incentive plans of $ 11.7 million, $ 17.8 million and $ 13.3 million in 2024, 2023 and 2022, respectively.

As of December 31, 2024, there was $ 19.5 million in total unrecognized stock-based compensation expense related to non-vested stock-based compensation arrangements. The expense is expected to be recognized over a weighted-average period of 1.87 years.

The following table summarizes total stock-based compensation expense for each of the line items on our consolidated statement of operations:

	Years ended December 31,		
	2024	2023	2022
Cost of Sales			
Product	$ 1,080	$ 1,150	$ 889
Service	388	185	161
Total cost of sales	1,468	1,335	1,050
Operating Expenses			
Selling, general and administrative	8,343	14,198	9,656
Research and development	1,878	2,300	2,611
Total operating expenses	10,221	16,498	12,267
Total stock-based compensation	$ 11,689	$ 17,833	$ 13,317

14. LOSS PER SHARE

Basic net loss per share is computed by dividing net loss by the weighted average number of shares outstanding. Diluted net loss per share is computed by also considering the impact of potential common stock on both net loss and the weighted average number of shares outstanding. Our potential common stock consists of employee stock options, time-based restricted stock units, market-based restricted stock unit awards, and common stock issued for settlement of the Notes (as defined in Note 20 to the consolidated financial statements). 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 Company had $ 72.0 million aggregate principal amount of the Notes outstanding on December 31, 2024, which, if converted, would result in the issuance of a maximum of 2,039,659 shares of common stock. These shares were excluded from the dilutive calculations, as their effect would have been anti-dilutive.

A reconciliation of the number of common shares used in the calculation of basic and diluted earnings per share is presented below:

	Years Ended December 31,		
	2024	2023	2022
Numerator:			
Net loss	$ (9,066)	$ (56,577)	$ (26,756)
Denominator:			
Weighted average shares - Basic	19,151,551	18,917,778	18,318,191
Weighted average shares - Diluted	19,151,551	18,917,778	18,318,191
Net loss per share - Basic	$ (0.47)	$ (2.99)	$ (1.46)
Net loss per share - Diluted	$ (0.47)	$ (2.99)	$ (1.46)
Securities excluded from the determination of weighted average shares for the calculation of diluted earnings per share, as they were potentially antidilutive	1,285,948	1,467,919	600,602

15. EMPLOYEE RETIREMENT BENEFIT PLAN

We maintain a 401(k) defined contribution retirement plan for our eligible U.S. employees. Costs charged to operations in connection with the 401(k) plan during 2024, 2023 and 2022 aggregated to $ 1.9 million, $ 1.9 million, and $ 1.9 million, respectively.

16. SEGMENT AND GEOGRAPHIC INFORMATION

Our executive leadership team is comprised of functional leaders in areas such as sales, marketing, operations, research and development and general and administrative, and resources. We report as one reporting segment that develops, manufactures, markets, supports and sells CAD-based quality assurance products integrated with CAD-based inspection and statistical process control software and 3D documentation systems. Our CEO, who is 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.

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	For the Years Ended December 31,					
	2024		2023		2022	
Sales	$	342,427	$	358,831	$	345,76
Cost of sales		155,274		193,832		170,00
Gross profit		187,153		164,999		175,76
Segment expenses						
Employee compensation		116,828		125,316		125,79
Stock compensation		10,221		16,498		12,26
Restructuring costs		3,184		15,393		4,61
Depreciation & amortization		8,012		8,881		7,76
Interest expense (income)		3,551		3,348		(3
Other (income) expense, net		712		1,178		(3,23
Income tax expense		8,132		2,515		5,10
Facilities		7,389		8,202		9,82
Technology services and infrastructure		14,291		14,316		12,97
Travel		8,646		8,856		9,47
Other segment expenses [1]		15,253		17,073		17,98
Segment net loss		(9,066)		(56,577)		(26,75
Reconciliation of profit or loss						
Adjustments and reconciling items		—		—		—
Consolidated net loss	$	(9,066)	$	(56,577)	$	(26,75

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

Geographical information

Total sales to external customers is based upon the geographic location of the customer.

	For the Years Ended December 31,					
	2024		2023		2022	
Total sales to external customers						
United States and Canada	$	141,191	$	148,642	$	137,190
Americas-Other		17,120		18,627		17,233
Germany		45,915		47,954		41,485
EMEA-Other		62,503		60,344		56,688
Japan		21,726		21,099		21,661
China		26,850		34,423		43,108
Asia-Other		27,122		27,742		28,400
	$	342,427	$	358,831	$	345,765

Long-lived assets consist primarily of property, plant, and equipment, goodwill, and intangible assets, and are attributed to the geographic area in which they are located or originated, as applicable.

	As of December 31,		
	2024	2023	2022
Long-Lived Assets			
United States	$ 88,690	$ 92,861	$ 89,424
Americas-Other	8,011	8,820	8,800
Germany	21,556	21,561	22,055
EMEA-Other	49,718	54,091	53,656
Japan	261	350	617
Asia-Other	1,219	923	1,301
	$ 169,455	$ 178,606	$ 175,853

17. LEASES

We have operating and finance leases for manufacturing facilities, corporate offices, research and development facilities, sales and training facilities, vehicles, and certain equipment under which we assume the role of lessee. We do not materially lease assets as a lessor. Our leases have remaining lease terms of less than one year to approximately eight years , some of which include options to extend the leases for up to fifteen years , and some of which include options to terminate the leases within three months . We do not participate in any material subleasing.

We determine if an arrangement is a lease at inception. Operating leases are included in Operating lease right-of-use (“ROU”) asset, Lease liability, and Lease liability - less current portion in our consolidated balance sheets. Finance leases are included in Property and equipment, net, Lease liability, and Lease liability - less current portion in our consolidated balance sheets.

ROU assets represent our right to use an underlying asset for the lease term, and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease ROU assets and lease liabilities are recognized on the commencement date of the lease based on the present value of lease payments over the lease term. Variable lease payments that depend on an index or rate include the variable portion when calculating ROU assets and lease liabilities. Variable lease payments that do not depend on an index or rate are expensed as incurred. As most of our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available on the commencement date of the lease to determine the present value of lease payments. We use the implicit rate when readily determinable. The operating lease ROU assets also include any lease payments made and lease incentives. Our lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option at the time the lease is commenced. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

While we have lease agreements with lease and non-lease components, we account for the lease and non-lease components as a single lease component.

The components of lease expense were as follows:

	Year Ended December 31, 2024	Year Ended December 31, 2023	Year Ended December 31, 2022
Operating lease cost	$ 5,941	$ 6,621	$ 7,212
Finance lease cost:			
Amortization of ROU assets	122	102	113
Interest on lease liabilities	10	16	18
Total finance lease cost	$ 132	$ 118	$ 131

We recognize lease payments made for short-term leases where terms are 12 months or less as the payments are incurred. Our short-term lease cost for each of the year ended December 31, 2024, 2023 and 2022 was $ 0.1 million. Supplemental balance sheet information related to leases was as follows:

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	As of December 31, 2024	As of December 31, 2023
Operating leases:		
Operating lease right-of-use asset	$ 15,880	$ 12,231
Current operating lease liability	4,474	5,434
Operating lease liability - less current portion	14,056	10,837
Total operating lease liability	18,530	16,271
Finance leases:		
Property and equipment, at cost	1,026	1,722
Accumulated depreciation	(997)	(1,547)
Property and equipment, net	29	175
Current finance lease liability	67	108
Finance lease liability - less current portion	91	112
Total finance lease liability	$ 158	$ 220
Weighted Average Remaining Lease Term (in years):		
Operating leases	5.12	4.57
Finance leases	2.83	2.40
Weighted Average Discount Rate:		
Operating leases	5.69 %	5.71 %
Finance leases	5.02 %	5.02 %

Supplemental cash flow information related to leases was as follows:

	Year Ended		
	2024	2023	2022
Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash flows from operating leases	$ 6,937	$ 7,288	$ 7,513
Operating cash flows from finance leases	10	16	18
Financing cash flows from finance leases	155	216	220
ROU assets obtained in exchange for lease obligations:			
Operating leases	$ 7,361	$ 1,298	$ 1,792

Maturities of lease liabilities are as follows:

Years Ending December 31,	Operating leases	Finance leases
2025	$ 5,308	$ 74
2026	4,179	50
2027	3,255	25
2028	2,958	16
2029	2,668	5
Thereafter	3,054	—
Total lease payments	21,422	170
Less imputed interest	(2,892)	(12)
Total	$ 18,530	$ 158

18. BUSINESS COMBINATIONS

On September 1, 2022, we completed the acquisition of UK-based GeoSLAM, a leading provider of mobile scanning solutions with proprietary high-productivity simultaneous localization and mapping (“SLAM”) software. We believe this acquisition enables the Company to provide mobile scanning solutions using SLAM software to create 3D models for use in Digital Twin applications. We believe these newly acquired capture technologies integrate into our 4D digital reality-based SaaS offering that will allow customers to access multiple 4D data sources for visualization and analysis through a single user experience. We acquired all voting equity interests of GeoSLAM held by the previous owners. The results of GeoSLAM’s operations as of and after the date of acquisition have been included in our consolidated financial statements. The total purchase price included $ 29.1 million of cash paid, net of cash acquired and a non-cash payment of 495,562 shares of FARO stock valued at $ 15.9 million that is subject to customary lock-up provisions for a total purchase price of $ 44.9 million.

The acquisition of GeoSLAM constitutes a business combination as defined by ASC Topic 805, *Business Combinations*. Accordingly, the assets acquired and liabilities assumed were recorded at their fair values on the date of acquisition. The purchase price allocations below represent our determination of the fair value of the assets acquired and liabilities assumed for the acquisitions.

Following is a summary of our allocations of the purchase price to the fair values of the assets acquired and liabilities assumed as of the date of the acquisition:

		Fair Value
Tangible assets acquired:		
Accounts receivable	$	2,452
Inventory		6,576
Property, plant and equipment, net		270
Other assets		505
Total assets acquired		9,803
Liabilities assumed:		
Accounts payable and accrued liabilities		(2,187)
Deferred revenue		(1,282)
Other current liabilities		(289)
Total liabilities assumed		(3,758)
Intangible assets		18,610
Net assets acquired		24,655
Deferred income tax liability		4,472
Goodwill		24,763
Purchase price paid, net of cash acquired	$	44,946

The goodwill arising from the acquisition consists largely of the expected synergies from combining operations as well as the value of the workforce. This goodwill is not tax deductible. Acquisition and integration costs are not included as components of consideration transferred, but are recorded as expense in the period in which such costs are incurred. As of December 31, 2022, we have incurred $ 2.1 million of acquisition or integration costs for the GeoSLAM acquisition. Accounts receivable acquired represent a gross contractual amount of $ 2.6 million of which we expect to collect $ 2.5 million. We believe that the fair value of these receivables approximates the net book value given their short term nature. Pro forma financial results for GeoSLAM have not been presented because the effects of these transactions, individually and in the aggregate, were not material to our consolidated financial results.

Following are the details of the purchase price allocated to the intangible assets acquired for the GeoSLAM acquisition:

		Amount	Weighted Average Life (Years)
Brand	$	466	3
Technology		3,828	5
Customer relationships		14,316	15
Fair value of intangible assets acquired	$	18,610	13

On December 1, 2022, we completed the acquisition of SiteScape, an innovator in LiDAR 3D scanning software solutions for the AEC and O&M markets. SiteScape enables LiDAR equipped mobile devices to easily capture indoor spaces digitally, providing a readily available entry-point to scanning physical spaces for a broad range of applications. We believe integrating SiteScape’s iOS-enabled low-resolution LiDAR capture capability into the FARO Sphere Platform will allow streamlining multiple capture methods into a single centralized environment on a single coordinate system. We believe this enables FARO’s construction and facilities customers to access a portfolio which now contains low-resolution Lidar, 360° photo, video, mobile mapping and terrestrial laser scanning. The total purchase price included $ 1.9 million of cash paid, net of cash acquired. The results of SiteScape’s operations as of and after the date of acquisition have been included in our consolidated financial statements.

The acquisition of SiteScape constitutes a business combination as defined by ASC Topic 805, *Business Combinations*. Accordingly, the assets acquired and liabilities assumed were recorded at their fair values on the date of acquisition. The purchase price allocations below represent our determination of the fair value of the assets acquired and liabilities assumed for the acquisitions.

Following is a summary of our allocations of the purchase price to the fair values of the assets acquired and liabilities assumed as of the date of the acquisition:

		Fair Value
Intangible assets	$	807
Goodwill		1,109
Purchase price paid, net of cash acquired	$	1,916

The goodwill arising from the acquisition consists largely of the expected synergies from combining operations as well as the value of the workforce. This goodwill is not tax deductible. Acquisition and integration costs are not included as components of consideration transferred, but are recorded as expense in the period in which such costs are incurred. As of December 31, 2022, we have incurred $ 0.2 million of acquisition or integration costs for the SiteScape acquisition. Pro forma financial results for SiteScape have not been presented because the effects of these transactions, individually and in the aggregate, were not material to our consolidated financial results.

Following are the details of the purchase price allocated to the intangible assets acquired for the SiteScape acquisition:

		Amount	Weighted Average Life (Years)
Technology	$	807	3
Fair value of intangible assets acquired	$	807	3

19. 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 include 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 Corporation, 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. By December 31, 2024, we have recorded $ 2.6 million in employee severance costs associated with the 2024 Restructuring Plans. Additionally, we paid $ 1.8 million primarily consisting of severance and related benefits.

Activity related to the accrued restructuring and integration charge and cash payments during the year ended December 31, 2024, 2023 and 2022 was as follows:

	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	2,893	291	3,184
Cash payments	(2,860)	(291)	(3,151)
Balance at December 31, 2024	$ 1,522	$ 120	$ 1,642
Balance at December 31, 2022	$ 318	$ 210	$ 528
Additions charged to expense	9,448	303	9,751
Cash payments	(8,277)	(393)	(8,670)
Balance at December 31, 2023	$ 1,489	$ 120	$ 1,609
Balance at December 31, 2021	$ 3,442	$ 477	$ 3,919
Additions charged to expense	1,643	1,330	2,973
Cash payments	(4,767)	(1,597)	(6,364)
Balance at December 31, 2022	$ 318	$ 210	$ 528

20. 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 will 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 year ended December 31, 2024, the conditions allowing holders of the 2025 Notes to convert have not been met. The Notes are therefore not convertible as of December 31, 2024 and are classified in long term liabilities in the consolidated balance sheets.

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 50 th 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 consolidated balance sheets. 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 consolidated statements of operations. After the repurchase, $ 72.0 million aggregate principal amount of the Notes remained outstanding on December 31, 2024. The Company is in compliance with all covenants under the indenture governing the Notes as of December 31, 2024.

The net carrying amount of the Notes was as follows:

	Year Ended	
	December 31, 2024	December 31, 2023
Principal	$ 72,000	$ 75,000
Unamortized discount and issuance costs	(1,733)	(2,240)
Net carrying amount	$ 70,267	$ 72,760

The following table sets forth the interest expense recognized related to the Notes:

	Year Ended	
	December 31, 2024	December 31, 2023
Contractual interest expense	$ 4,544	$ 4,315
Amortization of discount and issuance costs	507	433
Total interest expense related to the Notes	$ 5,051	$ 4,748

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We conducted an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2024. 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”)) are designed to provide reasonable assurance that information required to be disclosed in our reports filed under the Exchange Act, such as this Annual Report, is recorded, processed, summarized and reported within the time periods specified in the SEC’s 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 Chief 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 and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

The evaluation of our disclosure controls and procedures included a review of the control objectives and design, our implementation of the controls and the effect of the controls on the information generated for use in this Annual Report. In connection with this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures, as defined by Rule 13a-15(e) under the Exchange Act, were effective as of December 31, 2024, to provide reasonable assurance that information required to be disclosed in this Annual Report 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 Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

Other than the remediation measures described below, there were no changes in our internal control over financial reporting that occurred during the year ended December 31, 2024, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Management’s Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act). Internal control over financial reporting is the process designed under the Chief Executive Officer’s and the Chief Financial Officer’s supervision, and effected by our Board of Directors, management and other personnel, 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 in the United States.

There are inherent limitations in the effectiveness of internal control over financial reporting, including the possibility that misstatements may not be prevented or detected. Accordingly, an effective control system, no matter how well designed and operated, can provide only reasonable assurance of achieving the designed control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2024, as required by Exchange Act Rule 13a-15(c). In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in the 2013 *Internal Control - Integrated Framework*. Based on our assessment under the framework in the 2013 Internal Control - Integrated Framework, management concluded that our internal control over financial reporting was effective as of December 31, 2024.

Grant Thornton LLP, the independent registered public accounting firm that audited our consolidated financial statements and internal control over financial reporting, has issued an attestation report on our internal control over financial reporting as of December 31, 2024.

Remediation of Previously Identified Material Weaknesses

As previously disclosed in Item 9A of Part II of our Annual Report on Form 10-K for the year ended December 31, 2023, our management identified a material weakness related to information technology general controls (“ITGCs”) in the area of user access over certain IT systems that support the Company's financial reporting process. The material weakness noted by management specifically related to our design and maintenance of effective user access controls that consistently and adequately detect and monitor the use of user accounts with elevated access to ensure that those accounts were being used by appropriate personnel and only authorized activities were performed. Additionally, deficiencies across multiple systems were identified related to the provisioning of access, deprovisioning of access, and the monitoring and restriction of access with identified segregation of duties conflicts. We believe that these control deficiencies were a result of: IT control processes lacking sufficient documentation such that the successful operation of ITGCs was overly dependent upon knowledge of certain individuals with IT expertise, which led to issues resulting from changes in IT personnel; insufficient knowledge and training of IT personnel on the importance of ITGCs; and risk-assessment processes inadequate to identify and assess the implementation of new IT systems and assess changes in IT environments that could impact internal control over financial reporting. Although this control deficiency did not result in any identified material misstatements to our previously filed financial statements, the aforementioned material weakness could result in a material misstatement to the Company's financial statements that would not be prevented or detected on a timely basis.

Management has implemented measures designed to ensure that control deficiencies contributing to the material weakness are remediated, such that these controls are designed, implemented, and operating effectively. The remediation actions included:

- hired new and reassigning existing information technology leadership with public company experience to enhance public company information technology services and solutions;
- formalized certain roles and review responsibilities within key financial applications, including ensuring appropriate segregation of duties;
- revised user access controls to ensure appropriate segregation of duties and adequately restrict user and privileged access to financial information technology applications to appropriate Company personnel;
- designed information technology operation controls to ensure critical jobs were monitored and privileges were appropriately granted;
- implemented a more robust logging and monitoring procedures to track user activities and system changes, designed to allow for better visibility into user access and detect any unauthorized or suspicious activities;
- established procedures for ongoing monitoring and improvement of access controls and system accountability to assess the effectiveness of controls more frequently, identify any gaps or weaknesses, and take corrective actions as needed to strengthen the overall security posture in a timely manner; and
- enhanced our regular training and awareness programs to employees on the importance of maintaining strong access controls aimed at mitigating the risk of insider threats and unauthorized access.

Based on the actions taken, management determined that our newly designed and enhanced controls were in place and operated effectively for a sufficient period of time to enable us to conclude that the material weakness was remediated as of December 31, 2024.

FARO Technologies, Inc.
Lake Mary, Florida

February 24, 2025

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders
FARO Technologies, Inc.

Opinion on internal control over financial reporting

We have audited the internal control over financial reporting of FARO Technologies, Inc. (a Florida corporation) and subsidiaries (the "Company") as of December 31, 2024, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2024, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated financial statements of the Company as of and for the year ended December 31, 2024, and our report dated February 24, 2025 expressed an unqualified opinion on those financial statements.

Basis for opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting ("Management's Report"). Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and limitations of internal control over financial reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ GRANT THORNTON LLP

Jacksonville, Florida
February 24, 2025

ITEM 9B. OTHER INFORMATION

(b) Securities Trading Plans of Directors and Executive Officers

During our last fiscal quarter, 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 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this item is incorporated herein by reference from our definitive proxy statement relating to our 2025 Annual Meeting of Shareholders.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item is incorporated herein by reference from our definitive proxy statement relating to our 2025 Annual Meeting of Shareholders.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this item is incorporated herein by reference from our definitive proxy statement relating to our 2025 Annual Meeting of Shareholders.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this item is incorporated herein by reference from our definitive proxy statement relating to our 2025 Annual Meeting of Shareholders.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this item is incorporated herein by reference from our definitive proxy statement relating to our 2025 Annual Meeting of Shareholders.

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PART IV

ITEM 15. EXHIBITS AND, FINANCIAL STATEMENT SCHEDULES

(a) (1) Financial Statements.

The following consolidated financial statements required by this item are included in Part II, Item 8 of this Annual Report under the caption “Financial Statements and Supplementary Data”:

Report of Independent Registered Public Accounting Firm (PCAOB ID Number 248)

Consolidated Balance Sheets

Consolidated Statements of Operations

Consolidated Statements of Comprehensive Loss

Consolidated Statements of Shareholders’ Equity

Consolidated Statements of Cash Flows

Notes to Consolidated Financial Statements

(2) Financial Statement Schedules.

All financial statement schedules have been omitted as they are either not required or not applicable, or the required information is otherwise included in our consolidated financial statements or the notes thereto.

(b) Exhibits. The exhibits listed in the accompanying Exhibit Index are filed or incorporated by reference as part of this Annual Report.

EXHIBIT INDEX

		Incorporated by Reference			
Exhibit Number	**Exhibit Description**	**Form**	**Exhibit**	**Filing Date**	**Provided Herewith**
2.1**	Quota Purchase Agreement, by and among FARO FNH Netherlands Holdings B.V., Opto-Tech SRL, and the Other Parties Listed on the Signature Pages Hereto, dated as of July 13, 2018	8-K	2.1	July 19, 2018	
3.1	Amended and Restated Articles of Incorporation of FARO Technologies, Inc.	S-1/A	3.1	September 10, 1997	
3.2	Amended and Restated Bylaws of FARO Technologies, Inc.	8-K	3.1	May 30, 2023	
4.1	Specimen of the Company's Stock Certificate	S-1/A	4.1	September 10, 1997	
4.2	Description of the Registrant's Securities Registered under Section 12 of the Securities Exchange Act of 1934	10-K	4.2	February 16, 2022	
4.3	Indenture, dated as of January 24, 2023, between FARO Technologies, Inc. and U.S. Bank Trust Company, National Association	8-K	4.1	January 24, 2023	
4.4	Form of 5.50% Convertible Senior Notes due 2028 (Included as Exhibit A to the Indenture Filed as Exhibit 4.3 to this Form 10-K)	8-K	4.1, Exhibit A	January 24, 2023	
10.1*	FARO Technologies, Inc., 2009 Equity Incentive Plan (Filed as Appendix A to Registrant's Definitive Proxy Statement)	Proxy Statement, Schedule 14A	Appendix A	April 15, 2009	
10.2*	First Amendment to the FARO Technologies, Inc. 2009 Equity Incentive Plan	8-K	10.1	April 15, 2011	
10.3*	FARO Technologies, Inc. 2014 Incentive Plan	8-K	10.1	June 3, 2014	
10.4*	FARO Technologies, Inc. 2014 Incentive Plan (as amended May 11, 2018)	8-K	10.1	May 15, 2018	
10.5*	FARO Technologies, Inc.2022 Equity Incentive Plan and forms of agreement thereunder	10-Q	4.2	August 3, 2022	
10.6*	2022 Equity Incentive Plan, as amended	8-K	10.1	May 30, 2023	
10.7*	Summary of Director Compensation Program (Effective July 1, 2021)	10-Q	10.2	October 27, 2021	
10.8	Form of Intellectual Property and Confidentiality Agreement between the Company and new employees	10-K	10.8	February 29, 2016	
10.9*	FARO Technologies 2009 Equity Incentive Plan, Incentive Stock Option Award Agreement	10-K	10.10	February 29, 2016	
10.10*	FARO Technologies, Inc. 2014 Incentive Plan, Form of Performance-Based Nonqualified Stock Option Award Grant	10-K	10.12	February 29, 2016	
10.11*	FARO Technologies, Inc. 2014 Incentive Plan, Form of Performance-Based Restricted Stock Unit Award Agreement	10-K	10.13	February 29, 2016	
10.12*	FARO Technologies, Inc. 2014 Incentive Plan, Restricted Stock Unit Award Agreement	10-Q	10.4	August 2, 2016	
10.13*	FARO Technologies 2014 Incentive Plan, Form of Time-Based Nonqualified Stock Option Award Agreement	10-K	10.15	February 24, 2017	
10.14*	FARO Technologies, Inc. 2014 Incentive Plan, Restricted Stock Award Agreement	10-K	10.14	February 21, 2018	

10.15*	FARO Technologies, Inc. 2014 Incentive Plan, form of 2019 Restricted Stock Unit Award Agreement	10-Q	10.5	May 1, 2019	
10.16*	FARO Technologies, Inc. 2014 Incentive Plan, form of 2019 Restricted Stock Unit Award Agreement (Performance-Based)	10-Q	10.6	May 1, 2019	
10.17*	Amendment to 2019 Performance-Based Restricted Stock Unit Award Agreement	10-K	10.15	February 19, 2020	
10.18*	Offer of Employment Letter between FARO Technologies, Inc. and Allen Muhich, dated as of July 15, 2019	8-K	10.1	July 16, 2019	
10.19*	FARO Technologies, Inc. Key Executive Change in Control and Severance Plan, dated as of October 25, 2022	10-Q	10.1	November 2, 2022	
10.20*	2018 Non-Employee Director Deferred Compensation Plan, as amended	10-K	10.2	February 15, 2023	
10.21*	Form of Deferred Stock Unit Award Agreement under the 2014 Incentive Plan and the 2018 Non-Employee Director Deferred Compensation Plan	10-K	10.25	February 21, 2019	
10.22*	Form of Restricted Stock Unit Award Agreement under the 2014 Incentive Plan and the 2018 Non-Employee Director Deferred Compensation Plan	10-K	10.26	February 21, 2019	
10.23*	Form of Director Indemnification Agreement	8-K	10.1	October 28, 2020	
10.24*	Form of Officer Indemnification Agreement	8-K	10.2	October 28, 2020	
10.25	Manufacturing Services Agreement by and Between FARO Technologies, Inc. and Sanmina corporation dated as of July 15, 2021	10-Q	10.3	October 27, 2021	
10.26*	Transition and Retirement Agreement, dated as of May 12, 2023, by and between Michael Burger and FARO Technologies, Inc.	8-K/A	10.1	May 18, 2023	
10.27*	Offer Letter between FARO Technologies, Inc. and Peter J. Lau	8-K	10.1	June 29, 2023	
10.28*	Promotion Letter between FARO Technologies, Inc. and Matthew Horwath	8-K	10.1	January 16, 2024	
10.29*	Transition and Separation Agreement between FARO Technologies, Inc. and Allen Muhich	8-K	10.2	January 16, 2024	
10.30*	Offer Letter between FARO Technologies, Inc. and Phillipe Delnick				X
10.31*	FARO Technologies, Inc. 2022 Equity Incentive Plan, Amended Forms of agreement thereunder				X
19.1	FARO Technologies, Inc. Insider Trading Policy				X
21.1	FARO Technologies, Inc. List of Subsidiaries				X
23.1	Consent of Grant Thornton LLP				X
24.1	Power of Attorney relating to subsequent amendments (included on the signature page(s) of this report).				X
31-A	Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				X
31-B	Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				X
32-A	Certification of the Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				X

32-B	Certification of the Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				X
97.1	FARO Technologies, Inc. Compensation Recovery Policy	10-K	97.1	February 28, 2024	
99.1	Properties				X
101	The following information from our Annual Report on Form 10-K for the year ended December 31, 2024, formatted in Inline XBRL: (i) Consolidated Balance Sheets; (ii) Consolidated Statements of Operations; (iii) Consolidated Statements of Comprehensive Loss; (iv) Consolidated Statements of Shareholders' Equity; (v) Consolidated Statements of Cash Flows; and (vi) Notes to Consolidated Financial Statements; and (vii) the information included in Part II, Item 9B(b).				X
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document.				X
101.SCH	Inline XBRL Taxonomy Extension Schema Document				X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document				X
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document				X
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document				X
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document				X
104	Cover Page Interactive Data File (Formatted in Inline XBRL and contained in Exhibit 101)				X

* Indicates management contracts or compensatory plans or arrangements

** Schedules and exhibits are omitted pursuant to Item 601(b)(2) of Regulation S-K. Registrant agrees to furnish supplementally a copy of any omitted schedules or exhibits to the Securities and Exchange Commission upon request.

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

Date:	February 24, 2025	By:	/s/ Matthew Horwath
			Matthew Horwath, SVP & Chief Financial Officer
			(Duly Authorized Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated. Each person whose signature appears below constitutes and appoints each of PETER LAU AND MATTHEW HORWATH as his or her true and lawful attorney-in-fact and agent, with full power of substitution and revocation, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments to this report and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, may lawfully do or cause to be done by virtue hereof.

Signature	Title	Date
/s/ Peter Lau Peter Lau	Director, President and Chief Executive Officer (Principal Executive Officer)	February 24, 2025
/s/ Matthew Horwath Matthew Horwath	SVP & Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	February 24, 2025
/s/ Yuval Wasserman Yuval Wasserman	Chairman	February 24, 2025
/s/ John Donofrio John Donofrio	Director	February 24, 2025
/s/ Jeroen van Rotterdam Jeroen van Rotterdam	Director	February 24, 2025
/s/ Alex Davern Alex Davern	Director	February 24, 2025
/s/ Moonhie Chin Moonhie Chin	Director	February 24, 2025
/s/ Rajani Ramanathan Rajani Ramanathan	Director	February 24, 2025

FARO Technologies, Inc.
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Fax: +1.407.333.4181 www.FARO.com

Exhibit 10.30

October 14, 2024

VIA ELECTRONIC MAIL
Phillip Delnick
pdelnick@gmail.com

Re: Confidential Offer Letter

Dear Phillip:

FARO Technologies, Inc. (the "**Company**" or "**FARO**") is pleased to offer you employment with the Company on the terms described in this offer letter agreement (the "**Agreement**").

1. **Title; Position; Location**. You will serve in a full-time capacity as the Company's **Senior Vice President, Global Sales** effective as of your start date on **October 21, 2024**. In this role, you will report to the Company's President & Chief Executive Officer and will perform the duties and responsibilities customary for this position and such other related duties as are reasonably assigned by me. You would work out of our FARO Atlanta, Georgia office and would travel as necessary for the business. Given your role, we expect that you will be an "executive officer" under applicable SEC rules and regulations requiring additional obligations and disclosures by you and FARO. By accepting this offer of employment, you agree to such additional obligations and disclosures.

2. **Base Salary**. Your initial annual base salary will be **$300,000**. Your base salary will be payable, less any applicable withholdings, in accordance with the Company's normal payroll practices. Your base salary will be subject to review and adjustment by FARO from time-to-time.

3. **Annual Bonus**. You will be eligible for a target annual cash bonus opportunity equal to **60%** of your annual base salary, subject to performance and other criteria established by the Company's Board of Directors (the "**Board**") or the Talent Development & Compensation Committee ("**Committee**"), as applicable, in its sole discretion, and subject to your continued employment through the date that the bonus is paid to you. Such performance criteria will be shared with you. Your annual bonus opportunity and the applicable terms and conditions may be adjusted from time to time, as applicable, and no amount of any annual bonus is guaranteed. Please note that, given your start date, the 2024 annual bonus opportunity will be pro-rated.

4. **Equity Awards**. Subject to the necessary Board or Committee approvals, you will receive a one-time new hire award of restricted stock units ("**RSUs**") with a total target value of **$300,000**, to be granted to you in accordance with the terms of the grant agreement, and consistent with the Company's 2022 Equity Incentive Plan ("**2022 Plan**") and the Company's Equity Award Grant Policy. This one-time new hire grant of RSUs will be comprised of a combination of performance-based and time-based RSUs, in a ratio of **60% and 40%,** respectively. The number of RSUs granted will be in an amount equal to the **$300,000** target value, divided by the average closing market price on NASDAQ of the Company's common stock over the 30 trading days prior to the grant date (including the closing price on the grant date). One-third of the time-vesting RSUs will vest on each of the first, second and third anniversaries of the grant date, subject to your continued service with the Company through each such date. 100% of the performance RSU grant will vest

on the third anniversary of the grant date, subject to your continued service with the company through such date and the performance to the predetermined performance criteria in the grant agreement, which will be determined by the Board or the Committee. The RSUs will otherwise be governed by the terms and conditions of the 2022 Plan. The actual grant date is expected to be the first trading day of the month following your start date and in accordance with the FARO Equity Award Grant Policy.

You will be eligible to receive additional awards of stock options, restricted stock, RSUs, performance-based equity awards or other equity awards pursuant to any plans or arrangements the Company may have in effect from time-to-time. The Board or the Committee will determine in its discretion whether you will be granted any such equity awards and the terms of any such award in accordance with the terms of any applicable plan or arrangement that may be in effect from time to time. Your eligibility for the annual equity grant will start effective in 2025 subject to such grants being made by the Board or Committee during the Company's normal cycle.

5. **Relocation Support**. At such time as you complete your relocation to Atlanta, Georgia, but no earlier than January 1, 2025, you will be paid $100,000, less any applicable withholdings, in relocation assistance. You will initiate such relocation within one (1) year of your start date. You will repay to the Company such $100,000 relocation assistance amount, including applicable withholdings, on a prorated basis if you voluntarily resign within twelve (12) months of the date you complete your relocation or you are terminatedby the Company for cause within that same time period.

6. **Employee Benefits**. You will be eligible to participate in the benefit plans and programs established by the Company for its employees from time to time, subject to their applicable terms and conditions, including without limitation any eligibility requirements. The Company will reimburse you for reasonable travel or other expenses incurred by you in the furtherance of or in connection with the performance of your duties under this Agreement, pursuant to the terms of the Company's expense reimbursement policy as may be in effect from time to time. The Company reserves the right to modify, amend, suspend or terminate the benefit plans, programs, and arrangements it offers to its employees at any time.

FARO Technologies is concerned about the well-being of all its employees, therefore medical benefits are provided for which you are eligible on your first day of employment. Additionally, you are entitled to 23 days of Paid Time Off ("PTO") annually granted on January 1st of each year. Since you are starting in October, you have the benefit of 3 days of PTO in 2024.

7. **Severance**. The Board has approved your eligibility to participate in the Company's Key Executive Change in Control and Severance Plan (the "**Severance Plan**"). Please note that for the first year, your participation in the Severance Plan will be pro-rated based on your start date for a termination described therein that is not during a Change in Control Period. The Severance Plan provides for severance payments and benefits upon certain qualifying terminations of your employment, subject to the terms and conditions of the Severance Plan. Attached as Exhibit B, please find the Participation Agreement for the Severance Plan.

8. **Confidentiality Agreement**. As an employee of the Company, you will continue to have access to certain confidential information of the Company and, during the course of your employment with the Company, you may develop certain information or inventions that will be the property of the Company. To protect the interests of the Company, you agree to sign and comply

with the terms of the Company's Intellectual Property and Confidentiality Agreement with the Non-competition and non-solicitation addendum attached as Exhibit A to this Agreement (the "**Confidentiality Agreement**").

9. **At-Will Employment**. This Agreement does not imply any right to your continued employment for any period with the Company or any parent, subsidiary, or other affiliate of the Company. Your employment with the Company is for no specified period and constitutes at-will employment. As a result, you are free to resign at any time, for any reason or for no reason. Similarly, the Company is free to conclude its employment relationship with you at any time, with or without cause, and with or without notice. We request that, in the event of resignation, you give the Company at least (2) two weeks' notice. You also agree to a background and other checks as a condition of employment.

10. **Taxes**. The Company (or its affiliate, as applicable) will have the right and authority to deduct from any payments or benefits under this Agreement all applicable federal, state, and local taxes or other required withholdings and payroll deductions ("**Withholdings**"). Prior to the payment of any amounts or provision of any benefits under this Agreement, the Company (and its affiliate, as applicable) is permitted to deduct or withhold, or require you to remit to the Company, an amount sufficient to satisfy any applicable Withholdings with respect to such payments and benefits. Neither the Company nor any of its affiliates will have any responsibility, liability or obligation to pay your taxes arising from or relating to any payments or benefits under this Agreement. The payments and benefits under this Agreement are intended to be exempt from, or otherwise to comply with, Section 409A of the Internal Revenue Code of 1986, as amended, and any regulations and other formal guidance promulgated thereunder ("**Section 409A**") so that none of the payments and benefits under this Agreement will be subject to the additional tax imposed under Section 409A, and any ambiguities and ambiguous terms herein will be interpreted to be exempt or to so comply. Any taxable reimbursements payable to you under this Agreement will be paid, less applicable withholdings, only with respect to expenses incurred while you are employed with the Company, no later than the last day of your taxable year immediately following your taxable year in which the expense was incurred by you. No such amounts reimbursable to you in one taxable year of yours will affect the amounts reimbursable to you in another taxable year of yours. Annual bonuses (if any) will be paid no later than the fifteenth (15^{th}) day of the third (3^{rd}) month following the later of (x) the end of the Company's fiscal year or (y) the end of the calendar year, in which the bonus is earned. Notwithstanding any contrary Agreement provision, the Company reserves the right to amend the Agreement as it deems necessary or advisable, in its sole discretion and without your consent or the consent of any other person or entity, to comply with Section 409A or to avoid income recognition under Section 409A or to otherwise avoid the imposition of additional tax under Section 409A prior to the actual payment or provision of any payments or benefits under this Agreement. In no event will you have any discretion to choose your taxable year in which any payments or benefits are provided under this Agreement. In no event will the Company, or any parent, subsidiary or other affiliate of the Company have any responsibility, liability or obligation to reimburse or indemnify you or hold you harmless for any taxes imposed, or other costs incurred, as a result of Section 409A.

11. **Additional Employment Provisions**. For purposes of federal immigration law, you will be required to provide to the Company documentary evidence of your identity and eligibility for employment in the United States. Such documentation must be provided to us within three (3) business days of your date of hire, or our employment relationship with you may be terminated. We

also ask that, if you have not already done so, you disclose to the Company any and all agreements relating to your prior employment that may affect your eligibility to be employed by the Company or limit the manner in which you may be employed. It is the Company's understanding that any such agreements will not prevent you from performing the duties of your position and you represent that such is the case. During the term of your employment with the Company, you agree to perform your duties faithfully and to the best of your abilities and will devote your full business efforts and time to rendering services to the Company hereunder. Moreover, you agree that, during the term of your employment with the Company, you will not engage in any other employment, occupation, consulting or other business activity directly related to the business in which the Company is now involved or becomes involved during the term of your employment, nor will you engage in any other activities that conflict with your obligations to the Company. Subject to the Company's code of business conduct and ethics and other similar policies, with which you agree to continue to comply, nothing in this Agreement will prohibit you from (a) making and managing passive investments, or (b) participating in professional and charitable organizations in an unpaid capacity, in a manner, and to an extent, that will not interfere with your duties or obligations to the Company, including under the Confidentiality Agreement. You agree not to bring any third-party confidential information to the Company, including that of any of your former employers, and that in performing your duties for the Company you will not in any way use any such information. As a Company employee, you will be expected to abide by the Company's policies, rules and standards. You agree that in the rendering of all services to the Company and in all aspects of employment with the Company, you will comply in all material respects with all lawful directives, policies, rules, standards and regulations from time to time established by the Company. You will be required to sign an acknowledgment that you have read and that you understand the Company's rules of conduct which are included in the Company's Employee Handbook.

12. **Clawback Policy**. Notwithstanding any provisions to the contrary under this Agreement, any compensation provided by the Company to you will be subject to reduction, cancellation, forfeiture, recoupment, reimbursement, or reacquisition under the Company's compensation recoupment policy in effect as of the effective date thereof and any other compensation recoupment or clawback policy of the Company as may be established and/or amended from time to time, including, without limitation, to comply with the listing standards of any national securities exchange or association on which the Company's securities are listed, the Dodd-Frank Wall Street Reform and Consumer Protection Act, or other applicable laws (the "**Clawback Policy**"). The Company may require you to forfeit, return or reimburse the Company all or a portion of such compensation pursuant to the terms of a Clawback Policy or as necessary or appropriate to comply with applicable laws. No other agreement or arrangement with the Company or any parent or subsidiary of the Company will supersede the Clawback Policy, and recovery of compensation under a Clawback Policy or otherwise will not constitute an event that triggers or contributes to any right of you to resign for "good reason" or "constructive termination" (or similar term) under this Agreement, the Severance Plan or any other agreement or arrangement with the Company or any parent or subsidiary of the Company.

13. **Protected Activity Not Prohibited**. Notwithstanding any contrary provision of the Agreement or the Confidentiality Agreement, nothing in this Agreement, or the Confidentiality Agreement will prohibit or impede you from engaging in any Protected Activity. For purposes of this Agreement, "**Protected Activity**" will mean communicating, cooperating or filing a complaint with any U.S. federal, state or local governmental or law enforcement branch, agency or entity, including, but not limited to, the Securities and Exchange Commission, the Equal Employment Opportunity

Commission, the Occupational Safety and Health Administration, and the National Labor Relations Board (collectively, a "**Governmental Entity**") with respect to possible violations of any U.S. federal, state or local law or regulation, or otherwise making disclosures to any Governmental Entity, in each case, that are protected under the whistleblower provisions of any such law or regulation; provided that, in each case, such communications and disclosures are consistent with applicable law. Notwithstanding the foregoing, you agree to take all reasonable precautions to prevent any unauthorized use or disclosure of any information that may constitute Company confidential information (as defined in the Confidentiality Agreement or any other agreement between you and the Company or any parent, subsidiary or other affiliate of the Company relating to the protection of confidential information) in a manner not protected by applicable law (each, a "**Confidential Information Agreement**") to any parties other than the Governmental Entities. You further understand that Protected Activity does not include disclosure of any Company attorney-client privileged communications or attorney work product. Any language in the Confidentiality Agreement or any Confidential Information Agreement that conflicts with, or is contrary to, this paragraph is superseded by this Agreement. You understand and acknowledge that pursuant to the Defend Trade Secrets Act of 2016 (a) an individual will not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret that is made (i) in confidence to a Federal, state, or local government official or to an attorney solely for the purpose of reporting or investigating a suspected violation of law, or (ii) in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal and (b) an individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the trade secret to the attorney of the individual and use the trade secret information in the court proceeding, if the individual files any document containing the trade secret under seal, and does not disclose the trade secret, except pursuant to court order.

14. **Miscellaneous**. This Agreement, together with the Confidentiality Agreement, constitute the entire agreement between you and the Company regarding the material terms and conditions of your employment, and they supersede and replace all prior negotiations, representations or agreements between you and the Company. This Agreement will be governed by the laws of the State of Florida, without regard to conflicts of law provisions. This Agreement may be modified only by a written agreement signed by a duly authorized officer of the Company (other than yourself) and you.

To accept the Company's offer, please sign and date in the spaces indicated below and return this Agreement to me. A duplicate original is enclosed for your records. If you accept the offer, your first day of employment with the Company will be **October 21, 2024** or such other date as mutually agreed (the "start date"). This offer of employment will automatically terminate if it is not accepted, signed and returned by **October 14, 2024**. This offer of employment is expressly conditioned on your acceptance and the terms and conditions referred to herein and compliance with all FARO policies.

We look forward to your favorable reply and to working with you at FARO Technologies, Inc.

Sincerely,

FARO TECHNOLOGIES, INC.

By: __/s/ Peter Lau___________________
Peter J. Lau
President & Chief Executive Officer

Agreed to and accepted:

Phillip Delnick

_/s/ Phillip Delnick___________________

Dated: October 14, 2024

EXHIBIT A

INTELLECTUAL PROPERTY AND CONFIDENTIALITY AGREEMENT

This INTELLECTUAL PROPERTY AND CONFIDENTIALITY AGREEMENT (the "Agreement"), effective as of **October 14, 2024**, is made by and between FARO Technologies, Inc., a Florida Corporation, including its subsidiaries and affiliates (hereinafter collectively "FARO" or "Employer"), and Phillip Delnick ("Employee").

In consideration of the Employee's employment by FARO, the compensation paid and to be paid to Employee by FARO, and Employer's agreement to provide Employee access to Employer's Confidential Information (as defined below) and Trade Secrets (as defined below and as defined under Florida law) and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Employee hereby warrants and agrees to be legally bound as follows:

1. Definitions

a. "Business" means (1) all aspects related to 3-D measurement, imaging or realization systems, including but not limited to the design, development, manufacture, marketing, sale, offer for sale and support of such 3-D measurement, imaging or realization systems, and (2) any other technology, product, process, apparatus, service, research or development on which Employee worked or had access to Confidential Information while employed by FARO.

b. "Confidential Information" shall mean information, other than Trade Secrets, which relates to Employer, Employer's activities, Employer's business or Employer's suppliers or customers that is not generally known by persons not employed by Employer, and which is or has been disclosed to Employee or of which Employee became aware as a consequence of or through his or her relationship to Employer. This includes but is not limited to FARO's know-how; accounts; pricing and cost information; marketing techniques and plans; computer programs and software; coding systems and processes; computer networking concepts and processes; source code; contract terms and prospective contract terms with existing and prospective customers, accounts and other persons or entities with whom FARO has or contemplates a business relationship; actual or potential customers and purchasers; confidential information of any customer; products; product designs; design documentation; formulas; concepts; inventions; research; methods; processes; operations; product uses; product quality analysis; and other information related to the Business that is not generally publicly known. "Confidential Information" shall not include information that has become generally available to the public by the act of one who has the right to disclose such information without violating any legal right or privilege of Employer.

c. "Customer" means any individual or entity to whom Employer has sold products or services related to the Business, and with whom Employee had contact, alone or in conjunction with others, on behalf of Employer during the twelve (12) months immediately prior to the termination of his or her employment.

d. "Prospective Customer" means any individual or entity who is not a Customer, to whom Employer has marketed or presented products or services related to the Business, and with whom Employee had contact, alone or in conjunction with others, on behalf of Employer during the twelve (12) months immediately prior to the termination of his or her employment.

e . “Trade Secrets” shall mean all information, without regard to form, including, but not limited to, technical or nontechnical data, formulas, patterns, compilations, programs, devices, methods, techniques, drawings, processes, financial data, financial plans, product plans, distribution lists or a list of actual or potential customers, advertisers or suppliers which is not commonly known by or available to the public and which information: (A) derives economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use; and (B) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy. Without limiting the foregoing, Trade Secrets include any documents or information that constitute a “trade secret(s)” under the common law or statutory law of the State of Florida and generally includes all source codes and object codes for Employer software, all buyer and seller information and all lists of clients or suppliers to the extent that such information fits within the Florida Trade Secrets Act. Nothing in this Agreement is intended, or shall be construed, to limit the definitions or protections of the Florida Trade Secrets Act or any other applicable law protecting trade secrets or other confidential information. Trade Secrets shall not include information that has become generally available to the public by the act of one who has the right to disclose such information without violating any legal right or privilege of Employer.

2. Acknowledgement of FARO’s Right To Protection of Business Interests. Employee acknowledges and agrees that this Agreement, including but not limited to the covenants not to compete contained herein, are necessary to allow FARO to protect its legitimate business interests, including but not limited to its Confidential Information and customer goodwill. Accordingly, Employee agrees that this Agreement, including but not limited to the covenants not to compete contained herein, are reasonable and necessary to allow FARO to protect its legitimate business interests.

3. Confidentiality Restriction.

a. Nature and Restriction. Employee covenants and agrees that: (i) during his or her employment with Employer he or she will not use or disclose any Trade Secrets or Confidential Information of Employer other than as necessary in connection with the performance of his or her duties for Employer, and (ii) for a period of five (5) years immediately following the termination of his or her employment with Employer, Employee shall not, directly or indirectly, intentionally, or negligently, in any fashion, form, or manner, transmit, divulge, communicate, or disclose any Trade Secrets or Confidential Information of Employer to any person and shall not make use of any such Trade Secrets or Confidential Information, directly or indirectly, for himself or herself or others, without the prior written consent of Employer, except for a disclosure that is required by any law or order, in which case Employee shall provide Employer prior written notice of such requirement and an opportunity to contest such disclosure. However, to the extent that such information is a “trade secret” as that term is defined under a state or federal law, this subparagraph is not intended to, and does not, limit Employer’s rights or remedies thereunder, and the time period for prohibition on disclosure or use of such information is until such information becomes generally known to the public through the act of one who has the right to disclose such information without violating any legal right or privilege of Employer. Notwithstanding anything herein to the contrary, nothing in this agreement shall (i) prohibit Employee from making reports of possible violations of federal law or regulation to any governmental agency or entity in accordance with the provisions of and rules promulgated under Section 21F of the Securities Exchange Act of 1934 or Section 806 of the Sarbanes-Oxley Act of 2002, or of any other whistleblower protection provisions of state or federal law or regulation, or (ii) require notification or prior approval by Employer of any reporting described in clause (i).

b. Prior Confidentiality Restrictions. Employee covenants and agrees that Employee will not disclose to FARO or otherwise use in the course of employment with FARO any confidential or trade secret information that is subject to any agreements to which Employee is bound that arose prior to employment with FARO.

c. Return of Information. Employee agrees that he or she shall return to Employer's offices in Lake Mary, Florida, all Trade Secrets, Confidential Information, documents, and other property of Employer immediately upon the termination of his or her employment with Employer or upon any earlier request by Employer.

d. Effect of Disclosure. Employee acknowledges that any disclosure to any third party of Trade Secrets or Confidential Information not expressly allowed by this Agreement is detrimental to the Employer. In the event that any Trade Secret or Confidential Information is disclosed by Employee in violation of this Agreement, Employee shall be immediately, directly, and principally liable, with no limitation, for any and all costs, claims and damages (including, but not limited to, special, indirect, incidental and consequential damages, and reasonable attorneys' fees and costs of litigation) sustained by Employer as a result of such disclosure. e. Consideration For Disclosure of Trade Secrets and Confidential Information. Employee understands and agrees that he or she has entered into this Agreement and, if applicable, the Non-Competition and Non-Solicitation Addendum referenced in this Agreement, in consideration for and as a condition of Employer's agreement to provide Employee access to Employer's Confidential Information and Trade Secrets.

4. Assignment of Work Product; Disclosure; Confidentiality.

a. If at any time or times during Employee's employment with FARO, Employee shall (either alone or with others) make, conceive, create, discover or reduce to practice any invention, idea, product, process, formula, method, plans, modification, discovery, design, development, improvement, process, software program, work of authorship, documentation, formula, data, technique, know-how, trade secret or intellectual property right whatsoever or any interest therein (whether or not patentable or registrable under copyright, trademark or similar statutes or subject to analogous protection) that (i) relates to the Business of FARO, (ii) results from tasks assigned to the Employee by FARO or (iii) results from the use of premises or personal property (whether tangible or intangible) owned, leased or contracted for by FARO (herein called "Work Product"), such Work Product and the benefits thereof shall immediately become the sole and absolute property of FARO and its successors and assigns.

b. Without further consideration, upon the earlier of the making, conception, creation, discovery or reduction to practice of such Work Product, whether solely or jointly with others, Employee gives, transfers and hereby assigns to Employer (or to any agent, nominee or assignee, as requested by Employer) Employee's right, title and interest to all such Work Product and all intellectual property rights related thereto.

c. Employee agrees to fully disclose exclusively to Employer all Work Product. All disclosures of Work Product are to be made in writing and promptly after the earlier of the making, conception, creation, discovery or reduction to practice of such Work

Product. For the avoidance of doubt, Employer shall own all Work Product regardless of whether Employee actually discloses such Work Product to Employer.

d. During the period of Employee's employment with Employer and at all times after the termination thereof, Employee agrees to provide all reasonably necessary assistance to Employer (including but not limited to testifying in any proceedings or suit, and executing any and all applications, assignments, or other documents or instruments): (1) in connection with Employer seeking to protect any Work Product, including but not limited to the preparation, filing and/or prosecution of any patent applications, trademarks or trade names or copyrights in the United States and any foreign country (as well as any state or other subdivision thereof); and the assertion of any such patents, trademarks, trade names or copyrights against a third party; and/or (2) to vest Employer (and its successors and assigns) with all right, title and interest in the Work Product. Should Employee fail or refuse to provide such assistance and/or execute any such document, Employee hereby irrevocably appoints Employer as its attorney-in-fact to prepare and/or execute such documents in the name of Employee and on his/her behalf, and to institute and prosecute any proceedings as FARO may deem necessary or appropriate to secure, protect, or enforce the Work Product.

e. Employee represents and warrants that there are no ideas, products, formulas, methods, plans, developments, improvements or patentable inventions in any way related to the Business which Employee desires to exclude from the operation of this Agreement, except those, if any, designated by a patent number, application serial number or brief description where no application has been filed, on the list attached hereto as Exhibit A and signed by Employee and Employer.

f. Employer allows certain of its employees to have access to the following on-line services: Microsoft Exchange, all FARO servers, and the Internet. Employee shall use such services in connection with the Business and in accordance with FARO policies and procedures, as they may change from time to time, which limit use of such services for personal reasons or other purposes not related to the Business. Furthermore, Employee is advised that under certain circumstances transmission of data or messages on the Internet or through Internet e-mail is not secure and that the transmission of Confidential Information on the Internet or through Internet e-mail must comply with Employer-established appropriate safeguards against the interception or misdelivery of such information including, but not limited to the establishment of firewalls, encryption methods, or other technology that will prevent the unintended interception of data transmission by third parties on the Internet or any other on-line service.

g. The foregoing obligations of confidentiality shall cease to apply to such parts of the Confidential Information if the information becomes general public knowledge through no fault of Employee or if Employee has the prior written permission of FARO.

h. Upon termination of employment for whatever reason, Employee represents, warrants, covenants and agrees to deliver to Employer at Employer’s offices in Lake Mary, Florida, all Confidential Information (including but not limited to all books, records, products, formulas, manuals, letters, notes, memoranda, notebooks, sketches, drawings, plans, equipment, computer files and spreadsheets, and all other documents or materials that comprise Confidential Information, and also all copies of any of the foregoing), which are in Employee's or his agents' or affiliates' possession or control, and Employee specifically agrees that Employee shall not retain any copies or reproductions of such Confidential Information.

5 . Non-Competition and Non-Solicitation. If a “Non-Competition and Non-Solicitation Agreement” is attached hereto, the Employee agrees to the terms thereof, and such Non-Competition and Non-Solicitation Agreement is hereby incorporated into and made part of this Agreement. Such Addendum is attached.

6. Remedies: The failure of the Employee to comply with the terms of this Agreement shall be cause for immediate dismissal from employment, and in addition Employer shall have the following remedies:

   a. Indemnification. Employee hereby agrees to indemnify the Employer in respect of any and all claims, losses, costs, liabilities and expenses (including reasonable attorneys' and legal assistants' fees) directly or indirectly resulting from or arising out of any breach of this Agreement, including for appeals; provided however, that Employee will only indemnify the Employer if the Employer is the prevailing party.

   b . Injunctive Relief. Employee admits and agrees that Employee’s breach of the Agreement, including the confidentiality restrictions and, if applicable, the non-compete and non-solicitation restrictions would result in irreparable harm to Employer, and that Employer’s remedy at law for such a breach will be inadequate. Accordingly, it is agreed that Employer shall be entitled, upon application to a court of competent jurisdiction, to obtain injunctive relief to enforce the provisions of this Agreement, which injunctive relief shall be in addition to any other rights or remedies available to Employer. In any action or proceeding by Employer to obtain a temporary restraining order and/or preliminary injunction, Employee hereby agrees to waive the necessity of the Employer's posting an injunction bond in order to obtain the temporary restraining order and/or preliminary injunction. Employee also agrees that he or she shall be responsible for all damages incurred by Employer due to any breach of the restrictive covenants contained in this Agreement.

   c . Other Remedies. In addition to injunctive relief, FARO shall be entitled to any other remedy available in law or equity by reason of Employee’s breach or threatened breach of the restrictions contained herein.

7. Governing Law. This Agreement shall be governed by and construed according to the laws of the State of Florida, without regard to its conflicts of law principles.

8. Venue and Forum Selection Clause; Consent to Jurisdiction. Any action at law, suit in equity, or other judicial proceeding arising out of or related to this Agreement shall be instituted and maintained in the Courts in and for Orange County, Florida. Each party waives the right to change venue. Employee agrees to exclusively submit to personal jurisdiction in the federal and state courts in or for Orange County, Florida and no other place. Employee agrees that any action at law, suit in equity, or other judicial proceeding to enforce this Agreement, as well as any action at law, suit in equity, or other judicial proceeding relating to or arising out of this Agreement, shall be filed only in: (a) the United States District Court for the Middle District of Florida, Orlando Division; or (b) the Business Court of the Ninth Judicial Circuit Court of Orange County, Florida. With respect to any such court action, Employee hereby (a) irrevocably submits to the personal jurisdiction of such courts; (b) consents to service of process; (c) consents to venue; and (d) waives any other requirement (whether imposed by statute, rule of court, or otherwise) with respect to personal jurisdiction, service of process, or venue. Both parties hereto further agree that the Business Court of the Ninth Judicial Circuit Court of Orange County, Florida and the United States District Court for the Middle District of Florida, Orlando Division, are convenient forums for any dispute that may arise herefrom and that neither party shall raise as a defense that such courts are not convenient forums.

9. Assignment of Rights. FARO has the right to assign or transfer this Agreement, including any of its rights hereunder to any assignee or successor of FARO, which assignee or successor is then expressly authorized to enforce the terms of this Agreement. This Agreement is personal to the Employee and not assignable or transferable by Employee and any attempt to do so shall be void.

10. Modification. This Agreement contains the entire Agreement of the parties concerning the subject matter hereof. This Agreement shall not be amended except by a writing signed by both FARO and Employee.

11. Waiver. No delay or failure by Employer in exercising any of its rights, remedies, powers, or privileges hereunder, at law or in equity, and no course of dealing between Employer and Employee or any other person shall be deemed to be a waiver by Employer of any such rights, remedies, powers, or privileges, even if such delay or failure is continuous or repeated, nor shall any single or partial exercise of any right, remedy, power, or privilege preclude any other or further exercise thereof by Employer or the exercise of any other right, remedy, power, or privilege by Employer.

12. Effect of Prior Agreements. Except as otherwise provided in this Section, this Agreement, including the exhibits hereto, embodies the entire agreement and understanding of Employer and Employee in respect of the matters set forth herein and supersedes all prior agreements, representations, warranties, promises, covenants, arrangements, communications and understandings, oral or written, express or implied, between the parties with respect to such transactions. If this Agreement is held to be void or unenforceable for any reason, then the terms and provisions of any prior version of this "Intellectual Property and Confidentiality Agreement" (including any Non-Competition and Non-Solicitation Addendum) signed by Employee shall remain in full force and effect.

13. Construction. The parties intend that this Agreement provides FARO with the maximum protection allowed by law. Accordingly, if a court determines that any restrictions of this Agreement are unenforceable because they are overly broad or not reasonably necessary to protect FARO's legitimate business interests, the parties agree that the Court should interpret and enforce such restrictions in the manner necessary to provide FARO with the maximum protection allowed by law. The covenants set forth in this Agreement shall be considered and construed as separate and independent covenants. The existence of any claim or cause of action against of the Employee against Employer shall not constitute a defense to enforcement by Employer of any of the terms and conditions of this Agreement. Should any part or provision of any covenant be held invalid, void or unenforceable in any court of competent jurisdiction, such invalidity, voidness or unenforceability shall not render invalid, void or unenforceable any other part or provision of this Agreement.

14. Miscellaneous. When used herein, one gender means any gender. The term "I", "me" or "mine" means the Employee. Any use of the singular shall include plural and vice versa. Use of the word "shall" means such action is mandatory. The title of this Agreement and the paragraph headings are used for the purpose of convenience only and shall not be used to interpret or explain any portion of the text hereof.

15. At-Will Employment. Notwithstanding anything to the contrary, Employee shall at all times be an employee-at-will. This Agreement is not intended to create a contract of employment between FARO and Employee. FARO maintains its policy of employment-at-will.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement the day and year indicated below.

Employee Signature: _/s/ Phillip Delnick______________
Print Name: Phillip Delnick
Date: October 14, 2024

FARO Technologies, Inc.

By:__/s/ Peter Lau____________________
Print Name: Peter J. Lau
Title: President & CEO
Date: October 14, 2024

FARO

NON-COMPETITION AND NON-SOLICITATION ADDENDUM TO INTELLECTUAL PROPERTY AND CONFIDENTIALITY AGREEMENT

Employee hereby further covenants and agrees to the following:

A. Acknowledgment. Employee acknowledges and agrees that, solely as a result of Employee's employment with FARO and over the course of Employee's employment with FARO, Employee will: (1) be provided with special, unique, and extraordinary training, education and experience related to the Business; (2) be exposed to and/or in a position to generate Confidential Information of FARO; and (3) as a Sales Employee (as defined below), generate customer goodwill on behalf of FARO. Employee further acknowledges and agrees that FARO makes use of its Confidential Information throughout the world and invests significant time and money, including Employee's salary, to provide Employee with such special, unique, and extraordinary training, education and experience related to the Business and to generate customer goodwill on behalf of FARO, all of which are legitimate business interests of FARO. Employee further acknowledges and agrees that the restrictions in this Addendum are reasonable and necessary to allow FARO to protect its legitimate business interests. In consideration of the foregoing and of the benefits generally provided to the Employee by Employer, and in connection with FARO's protection of its legitimate business interests, Employee agrees to abide and be bound by the restrictions of this Addendum, which restrictions are intended by the parties to extend to any and all activities of the Employee, whether as an independent contractor, partner or joint venturer, or as an officer, director, stockholder, agent, employee or salesman for any person, firm, partnership, corporation or other entity, or otherwise.

B. Additional Definitions. “FARO Competitor” means (i) any business or enterprise that provides goods and/or services similar to or competitive with FARO (each such business or enterprise, a “Competitor”), including, without limitation, those persons or entities identified on Schedule 1 as current competitors of FARO as of the date hereof or (ii) any of such Competitor’s subsidiaries, affiliates, agents or distributors, irrespective or whether the subsidiary, affiliate, agent or distributor itself provides goods and/or services similar to or competitive with FARO. As used in this definition, “affiliate” includes any entity, business or enterprise that, directly or indirectly, controls a Competitor or is under common control through another person or entity with a Competitor. The terms “controls,” “controlled by,” and “under common control” mean, when used with respect to any specified legal entity, the power to direct the management and policies of such entity, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise. “Restricted Period” means the term of Employee’s employment with FARO and for a period of twenty-four months after the date Employee’s employment with FARO is terminated for any reason. “Sales Employee” means any Employee that deals with Customers and Prospective Customers with the intention of producing sales and represents FARO with respect to such Customers and Prospective Customers within a designated geographic territory.

C. Non-Competition. In order to protect FARO’s Trade Secret and Confidential Information, third-party goodwill and other legitimate business interests, Employee acknowledges and agrees that during the Restricted Period, Employee will not, without FARO’s express written permission, directly or indirectly, assist, be employed by, consult with, or provide services to any FARO Competitor. Employee understands and agrees that, during the Restricted Period, he is and will be subject to the restrictions set forth in this Paragraph C anywhere within the geographic boundaries of the continental United States; provided, however, that Sales Employees shall be subject to the restrictions set forth in this Paragraph C during the Restricted Period within the geographic territory that the Employee represented for the Employer within the twenty-four (24) months prior to the termination of employment. To the extent this non-compete provision is held unenforceable under applicable law, it shall be deemed stricken from the Agreement without any action needing to be taken by either party.

D. Non-Solicitation. During the Restricted Period, Employee shall not, without the prior written permission of Employer, directly or indirectly, for himself or on behalf of any other person or entity, (i) solicit, call upon, encourage or contact, or attempt to solicit, call upon, encourage or contact any Customer or Prospective Customer of the Employer for purposes of providing products or services competitive with the Business or causing such person or entity to terminate their business relationship with Employer or (ii) accept business from or provide goods or services to any Customer or Prospective Customer of the Employer.

E. Non-Recruitment. During the Restricted Period, Employee shall not, directly or indirectly, without the prior written permission of Employer, solicit or induce, or attempt to solicit or induce, any then current employee of Employer to terminate his or her relationship with Employer and/or to enter into an employment or agency relationship with Employee or with any other person or entity with whom Employee is affiliated, provided that the restriction in this section shall apply only to employees of Employer with whom Employee worked by virtue of and during his or her employment with Employer.

F. Miscellaneous.

a. The period of time during which Employee is prohibited from engaging in certain business practices under this Addendum shall be extended by the length of time during which Employee is in breach of such covenants.

b. It is understood by and between the parties hereto that the restrictive covenants set forth in this Addendum hereof are essential elements of the employment arrangement between Employee and Employer, and that but for such covenants, Employer would not have agreed to hire Employee. The existence of any claim or cause of action of the Employee against Employer shall not constitute a defense to the enforcement by Employer of such covenants. The restrictive covenants, and rights and protections provided by the restrictive covenants, are assignable by Employer, but not by Employee.

c. The covenants set forth in this Agreement shall be considered and construed as separate and independent covenants. Should any part or provision of any covenant be held invalid, void or unenforceable in any court of competent jurisdiction, such invalidity, voidness or unenforceability shall not render invalid, void or unenforceable any other part or provision of this Agreement. If any portion of the foregoing provisions is found to be invalid or unenforceable by a court of competent jurisdiction because its duration, the territory, the definition of activities or the definition of information covered is considered to be invalid or unreasonable in scope, the invalid or unreasonable term shall be redefined, or a new enforceable term provided, such that the intent of Employer and Employee in agreeing to the provisions of this Agreement will not be impaired and the provision in question shall be enforceable to the fullest extent of the applicable laws.

d. Employee shall, no later than the last day of his or her employment, deliver to Employer at its offices in Lake Mary, Florida a written, signed and notarized confirmation that Employee is aware of his or her obligations under this Non-Competition and Non-Solicitation Addendum and that Employee will comply with its terms.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement the day and year indicated below and is effective as of your start date.

Employee Signature: _/s/ Phillip Delnick__________________
Print Name: Phillip Delnick
Date: October 14, 2024

SCHEDULE 1 TO NON-COMPETITION AND NON-SOLICITATION ADDENDUM TO INTELLECTUAL PROPERTY AND CONFIDENTIALITY AGREEMENT

List of Current Competitors:

Aligned Vision, Artec Europe, S.a.r.l, Automated Precision, Inc. (API), Basis Software, Inc. (Surphaser), Breuckmann GmbH, Cambridge Technology, Cimcore Cognitens Creaform, Inc., Etalon AG, Geodetic Systems, Inc. (GSI), Gerber Technology LLC, Gesellschaft für Optische Messtechnik (GOM), Hexagon, Kreon Technologies, Kosaka Laboratory, Ltd., Lap Laser, Leica Geosystems, Mantis Vision, Metronor, Mitutoyo, Nikon, Northern Digital, Inc. (NDI), Novanta, Perceptron, Raylase, RIEGL Laser Measurement Systems GmbH, Romer, Scan Lab, Scanner Max, SL-Laser, Soatec, Inc., Sunny Technology, Steinbichler, Theometrics, Topcon Positioning Systems, Trimble, Zoller + Fröhlich GmbH (Z+F), Z-Laser

FARO Representative’s Initials:_____ Employee’s Initials:______

EXHIBIT B

PARTICIPATION AGREEMENT TO KEY EXECUTIVE CHANGE IN CONTROL AND SEVERANCE PLAN

FARO Technologies, Inc. (the "**Company**") is pleased to inform you, **Phillip Delnick**, that you have been selected to participate in the Company's Key Executive Change in Control and Severance Plan (the "**Plan**"). A copy of the Plan has been delivered to you with this Participation Agreement. Your participation in the Plan is subject to all of the terms and conditions of the Plan, including this Participation Agreement.

In order to actually become a Participant in the Plan, as described in the Plan, you must complete and sign this Participation Agreement and return it to **Peter J. Lau** by no later than October 14, 2024. The Plan will only be effective after you start employment.

The Plan describes in detail certain circumstances under which you, if you are a Participant in the Plan, may become eligible for Severance Benefits and certain other benefits specified in this Participation Agreement. Any capitalized term used in this Participation Agreement that is not otherwise defined herein will have the meaning ascribed to such term in the Plan.

As described more fully in Section 4.1 and other sections of the Plan, if you are a Participant in the Plan, and if, other than during the Change in Control Period, your employment with the Company Group is terminated by the Company Group other than for Cause and not due to your death or Disability, then subject to the terms and conditions of the Plan (including the Release requirement), you will receive:

1. **Cash Severance Benefits**. The cash Severance Benefit described in Section 4.1.1 of the Plan in an amount equal to a maximum of 100% of your Annual Base Salary in effect as of the date of your Qualifying Termination, **subject to pro ration during your first year of employment**; and

2. **COBRA Benefit**. If you and any of your Family Members have Qualifying Health Coverage, the COBRA Severance described in Section 4.1.2 of the Plan, with the period over which such COBRA Severance will be provided equal to a maximum of twelve (12) months or until you have secured other employment that provides group health insurance coverage, whichever occurs first**, subject to pro ration during your first year of employment**

As described more fully in Section 4.2 and other sections of the Plan, if you are a Participant in the Plan and if, during the Change in Control Period, your employment with the Company Group is terminated either (x) by the Company Group other than for Cause and not due to your death or Disability, or (y) by you for Good Reason, then subject to the terms and conditions of the Plan (including the Release requirement), you will receive:

1. **Cash Severance Benefits**. The cash Severance Benefit described in Section 4.2.1 of the Plan in an amount equal to the sum of:

   a. 100% of your Annual Base Salary in effect as of the date of your Qualifying Termination, or if greater, your Base Salary in effect as of immediately prior to the completion of the Change in Control (in each case, disregarding any reduction thereto that triggers a Qualifying Termination under clause (b) of the Good Reason definition, as applicable); and

b. 100% of your Target Bonus Amount (as defined in Section 2.26 of the Plan) (disregarding any reduction thereto that triggers a Qualifying Termination under clause (c) of the Good Reason definition, as applicable).

2. **COBRA Benefit**. If you and any of your Family Members have Qualifying Health Coverage, the COBRA Severance described in Section 4.2.2 of the Plan, with the period over which such COBRA Severance will be provided equal to twelve (12) months or until you have secured other employment that provides group health insurance coverage, whichever occurs first.

Release Requirement. In order to receive any Severance Benefits for which you otherwise become eligible under the Plan, you must satisfy the other terms and conditions under the Plan, including that you must sign and deliver to the Administrator the Release, which must become effective and irrevocable within the requisite period set forth in the Release and is subject to the Release timing requirements specified in the Plan.

Golden Parachute Limitations. As explained in more detail in the Plan, your Severance Benefits, if any, may be subject to reduction to the extent that, as determined by the applicable accounting or valuation firm retained for purposes of determining any parachute payments, after taking into account certain taxes you may owe, the reduction would result, on an after-tax basis, in the payment of a greater amount to you than if no reduction occurs.

Withholdings. The Company Group has the right to withhold, from any Severance Benefits you may receive under the Plan, any applicable U.S. federal, state, local and non-U.S. taxes required to be withheld and any other payroll deductions.

Other Severance Payments and Benefits. Participation in the Plan does not affect any rights you may have to vesting, payment, or acceleration of vesting or payments under any Equity Awards granted to you by the Company. Such Equity Awards remain subject to the terms and conditions of the applicable plan and award agreement, and any other written agreement between you and the Company governing their terms, and any vesting, payments or acceleration thereof will not constitute Severance Benefits under the Plan.

By your signature below, you and the Company agree that your participation in the Plan is governed by this Participation Agreement and the provisions of the Plan. Your signature below confirms that (1) you have received a copy of the FARO Technologies, Inc. Key Executive Change in Control and Severance Plan; (2) you have carefully read this Participation Agreement and the Plan, including, but not limited to, the terms and conditions for participation in, and receipt of any Severance Benefits under the Plan; and (3) the decisions and determinations by the Administrator under the

Plan will be final and binding on you and your successors, and will be given the maximum possible deference permitted by law.

FARO TECHNOLOGIES, INC. **PARTICIPANT**

_/s/ Peter Lau______________________ _/s/ Phillip Delnick________________

Peter J. Lau, President & CEO Phillip Delnick

October 14, 2024 October 14, 2024

Attachment: FARO Technologies, Inc. Key Executive Change in Control and Severance Plan

Exhibit 10.31

FARO Technologies, Inc. 2022 Equity Incentive Plan
Restricted Stock Unit Award Agreement

You have been selected to participate in the FARO Technologies, Inc. 2022 Equity Incentive Plan (the "Plan"), as specified below:

Grantee: ____________________
Grant Date: _________________
Number of Restricted Stock Units Granted:___________

THIS RESTRICTED STOCK UNIT AWARD AGREEMENT (this "Agreement") evidences the grant of restricted stock units (the "Restricted Stock Units") by FARO Technologies, Inc., a Florida corporation (the "Company"), to the Grantee named above, on the date indicated above, pursuant to the provisions of the Plan.

This Agreement and the Plan contain the terms and conditions governing the Restricted Stock Units. If there is any inconsistency between the terms of this Agreement and the terms of the Plan, the Plan's terms shall completely supersede and replace the conflicting terms of this Agreement. All capitalized terms shall have the meanings ascribed to them in the Plan, unless specifically set forth otherwise herein. The parties hereto agree as follows:

1. Award of Restricted Stock Units. The Company hereby confirms the grant to you as of the Grant Date and , subject to the terms and conditions of the Plan and this Agreement. Each Restricted Stock Unit represents the right to receive, once vested, one share of Stock *[FOR CASH-SETTLED AWARDS ONLY:* (or, in the Committee's or its authorized delegates' discretion, the Fair Market Value as of the Restricted Stock Unit vesting date of one share of Stock)*]*. Prior to their settlement or forfeiture in accordance with the terms of this Agreement, the Restricted Stock Units granted to the Grantee will be credited to an account in the Grantee's name maintained by the Company. This account shall be unfunded and maintained for book-keeping purposes only, with the Restricted Stock Units simply representing an unfunded and unsecured contingent obligation of the Company.

2. Vesting of Restricted Stock Units; Forfeiture. [______] of the Restricted Stock Units will vest on [______], subject to Grantee's continued Service Relationship through the applicable vesting date. *[FOR AWARDS WITH MULTIPLE VESTING TRANCHES ONLY:* To the extent that [____] of the Restricted Stock Units is not a whole number, any fractional Restricted Stock Units that would otherwise be scheduled to vest on the [___] vesting dates will be disregarded, and the number of Restricted Stock Units scheduled to vest on the [___] vesting date will be adjusted accordingly.] If the Grantee's Service Relationship is terminated prior to the date the Restricted Stock Units vest , the Restricted Stock Units that have not yet vested as of the date of such termination will be immediately forfeited without further consideration or any act or action by the Grantee; provided, however, if, prior to the date the Restricted Stock Units have vested, the Grantee's Service Relationship terminates as a result of Disability, the Committee, in its sole discretion, shall have the right to immediately vest all or any portion of such Restricted Stock Units, subject to such terms as the Committee, in its sole discretion, deems appropriate. Notwithstanding the vesting schedule set forth above, in the event your Service Relationship terminates as the result of your death, all of the then-unvested portion of this Award will immediately vest (for the avoidance of doubt, no more than 100% of this Award may vest under this provision).

3. Settlement of Restricted Stock Units. Subject to all terms and conditions of the Plan and to compliance with section 5 of this Agreement, each vested Restricted Stock Unit will be settled in one share of Stock *[FOR CASH-SETTLED AWARDS ONLY:* (or, as provided in Section 1, the Fair Market Value thereof as of the Restricted Stock Unit's vesting date)*]*, as soon as reasonably practicable following the vesting date (but no later than the 15th day of the third calendar month following the vesting date). *[FOR CASH-SETTLED AWARDS ONLY:* If settled in cash, the Grantee will receive a cash amount in payment and settlement of the vested

Restricted Stock Units equal to the product of the Fair Market Value of a Share on the applicable vesting date, multiplied by the number of vested Restricted Stock Units. If settled in shares of Stock, the] Grantee will receive one share of Stock in payment and settlement of each vested Restricted Stock Unit, and such shares will be registered in the Grantee's name on the books of the Company as of the vesting date. This Award and any shares of Stock issued pursuant to this Award is subject to the Company's insider trading policies and procedures, as in effect from time to time. Further, this Award and any shares of Stock issued pursuant to this Award is subject to the Company's clawback policy, as in effect from time to time.

4. Nontransferability of the Award. This Award shall not be transferable by the Grantee otherwise than by will or the laws of descent and distribution or as otherwise expressly permitted pursuant to the Plan.

5. Tax Withholding. Grantee acknowledges that, regardless of any action taken by the Company or, if different, Grantee's employer or any Affiliate to which Grantee is providing services (together, the "Service Recipients"), the ultimate liability for any tax and/or social insurance liability obligations and requirements in connection with the Restricted Stock Units, including, without limitation, (i) all federal, state, and local taxes (including Grantee's Federal Insurance Contributions Act (FICA) obligations) that are required to be withheld by any Service Recipient or other payment of tax-related items related to Grantee's participation in the Plan and legally applicable to Grantee, (ii) Grantee's and, to the extent required by any Service Recipient, the Service Recipient's fringe benefit tax liability, if any, associated with the grant, vesting, or settlement of the Restricted Stock Units or sale of Stock, and (iii) any other Service Recipient taxes the responsibility for which Grantee has, or has agreed to bear, with respect to the Restricted Stock Units (or settlement thereof or issuance of Stock thereunder) (collectively, the "Tax Obligations"), is and remains Grantee's sole responsibility and may exceed the amount actually withheld by the applicable Service Recipient(s). Grantee further acknowledges that no Service Recipient (A) makes any representations or undertakings regarding the treatment of any Tax Obligations in connection with any aspect of the Restricted Stock Units, including, but not limited to, the grant, vesting or settlement of the Restricted Stock Units, the subsequent sale of Stock acquired pursuant to such settlement and the receipt of any dividends or other distributions, and (B) makes any commitment to and is under any obligation to structure the terms of the grant or any aspect of the Restricted Stock Units to reduce or eliminate Grantee's liability for Tax Obligations or achieve any particular tax result. Further, if Grantee is subject to Tax Obligations in more than one jurisdiction between the Grant Date and the date of any relevant taxable or tax withholding event, as applicable, Grantee acknowledges that the applicable Service Recipient(s) (or former employer, as applicable) may be required to withhold or account for Withholding Obligations (as defined below) in more than one jurisdiction.

Pursuant to such procedures as the Administrator may specify from time to time, the Company (or other applicable Service Recipient(s)) will withhold the amount required to be withheld for the payment of Tax Obligations (the "Withholding Obligations"). The Administrator, in its sole discretion and pursuant to such procedures as it may specify from time to time, may permit or require Grantee to satisfy such Withholding Obligations, in whole or in part (without limitation), if permissible by applicable local law, by: (i) paying cash, (ii) having the Company withhold otherwise deliverable shares of Stock having a fair market value equal to the minimum amount that is necessary to meet the withholding requirement for such Withholding Obligations (or such greater amount as Grantee may elect if permitted by the Administrator, if such greater amount would not result in adverse financial accounting consequences) ("Net Share Withholding"), (iii) withholding the amount of such Withholding Obligations from Grantee's wages or other cash compensation paid to Grantee by the applicable Service Recipient(s), (iv) delivering to the Company shares of Stock that Grantee owns and that already have vested with a fair market value equal to the Withholding Obligations (or such greater amount as Grantee may elect if permitted by the Administrator, if such greater amount would not result in adverse financial accounting consequences), (v) selling a sufficient number of such shares of Stock otherwise deliverable to Grantee, through such means as the Company may determine in its sole discretion (whether through a broker or otherwise) equal to the minimum amount that is necessary to meet the withholding requirement for such Withholding Obligations (or such greater amount as Grantee may elect if permitted by the Administrator, if such greater amount would not result in adverse financial accounting consequences) ("Sell to Cover"), or (vi) such other means as the Administrator deems appropriate. If the Withholding Obligations are satisfied by withholding in shares of Stock, for tax purposes, Grantee is deemed to have been issued the full number of shares of Stock subject to the vested Restricted Stock Units, notwithstanding that a number of the shares of Stock are held back solely for the purpose of paying the Withholding Obligations. To the extent determined appropriate by the Administrator in its discretion, the Administrator will have the right (but not the obligation) to satisfy any Withholding Obligations by Net Share Withholding. If Net Share Withholding is the method by which such Withholding Obligations are satisfied, the Company may not withhold on a fractional share basis to satisfy any portion of the Withholding Obligations and, unless the Company determines otherwise, no refund will be made to Grantee for the value of the portion of a share of Stock, if any, withheld in excess of the Withholding Obligations. If a Sell to Cover is the method by which Withholding Obligations are satisfied, Grantee agrees that as part of the Sell to Cover, additional shares of Stock may be sold to satisfy any associated broker or other fees. Only whole shares of Stock will be sold pursuant to a Sell to Cover. Any proceeds from the sale of shares of Stock pursuant to a Sell to Cover that are in excess of the Withholding Obligations and any associated broker or other fees will be paid to Grantee in accordance with procedures the Company may specify from time to time.

Unless determined otherwise by the Administrator, the Company and/or applicable Affiliate will satisfy the Withholding Obligations by Sell to Cover. The Company does not have withholding obligations for Restricted Stock Unit vesting related to compensation for non-employee director service.

Grantee has reviewed with Grantee's own tax advisers the U.S. federal, state, local and non-U.S. tax consequences of this investment and the transactions contemplated by this Agreement. With respect to such matters, Grantee relies solely on such advisers and not on any statements or representations of the Company or any of its agents, written or oral. Grantee understands that Grantee (and not the Company) shall be responsible for Grantee's own tax liability that may arise as a result of this investment or the transactions contemplated by this Agreement. In no event will the Company issue Grantee any shares of Stock unless and until arrangements satisfactory to the Administrator have been made for the payment of Grantee's Withholding Obligations. If Grantee fails to make satisfactory arrangements for the payment of such Withholding Obligations hereunder at the time any applicable Restricted Stock Units otherwise are scheduled to vest pursuant to the vesting terms under this Agreement or otherwise applicable to such Restricted Stock Units, or Grantee's Withholding Obligations otherwise become due, Grantee permanently will forfeit such Restricted Stock Units to which Grantee's Withholding Obligation relates and any right to receive shares of Stock thereunder and such Restricted Stock Units will be returned to the Company at no cost to the Company. Grantee acknowledges and agrees that the Company may permanently refuse to issue or deliver the shares of Stock if such Withholding Obligations are not delivered at the time they are due.

6. Status of Grantee. The Grantee shall not be deemed for any purposes to be a shareholder of the Company with respect to any of the Restricted Stock Units unless and until they are settled in shares of Stock and registered in the Grantee's name on the books of the Company, in accordance with section 3 above, upon vesting of the Restricted Stock Units. Neither the Plan nor this Agreement shall confer upon the Grantee any right to continue in the employ of the Company or any of its Affiliates (or to continue if any Service Relationship), nor does it interfere in any way with the right of the Company (or its Affiliates, if applicable) to terminate the employment or Service Relationship of the Grantee at any time. In no event shall the value, at any time, of this Award, the shares of Stock underlying this Award or any other benefit provided by this Agreement be included as compensation or earnings for purposes of any other compensation, retirement or benefit plan offered to employees of the Company or its subsidiaries unless otherwise specifically provided for in such plan or arrangement.

7. Powers of the Company Not Affected. The existence of this Award shall not affect in any way the right or power of the Company or its shareholders to make or authorize any or all adjustments, recapitalizations, reorganizations or other changes in the Company's capital structure or its business, or any merger or consolidation of the Company, or any issuance of bonds, debentures, preferred or prior preference stock senior to or affecting the shares of Stock or the rights thereof, or dissolution or liquidation of the Company, or any sale or transfer of all or any part of the Company's assets or business or any other corporate act or proceeding, whether of a similar character or otherwise.

8. Interpretation by Committee. As a condition of the granting of the Restricted Stock Units, the Grantee agrees, for himself or herself and his or her legal representatives or guardians, that this Agreement shall be interpreted by the Committee and that any interpretation by the Committee of the terms of this Agreement and any determination made by the Committee pursuant to this Agreement shall be final, binding and conclusive.

9. Nature of the Award. The Grantee acknowledges and agrees that he or she understands that the value that may be realized, if any, from this Award is contingent, and depends on the future market price of the Company's Stock, among other factors. The Grantee further confirms his or her understanding that this Award is intended to promote employee retention and stock ownership and to align employees' interests with those of shareholders, is subject to vesting conditions and will be forfeited if vesting conditions are not satisfied.

The Grantee also acknowledges and agrees that he or she understands that (a) the Plan is discretionary in nature and may be suspended or terminated by the Company at any time; (b) the grant of an Award is voluntary and occasional and does not create any contractual or other right to receive future awards, or benefits in lieu of Awards even if Awards have been granted repeatedly in the past; (c) all decisions with respect to any future award will be at the sole discretion of the Company; (d) the Grantee's participation in the Plan is voluntary; (e) the value of this Award is an extraordinary item of compensation which is outside the scope of the Grantee's employment contract with his or her actual employer, if any; (f) this Award and past or future awards are not part of normal or expected compensation or salary for any purposes, including, but not limited to, calculating any severance, resignation, redundancy, end of service payments, bonuses, long-service awards, pension or retirement benefits or similar payments; and (g) no claim or entitlement to compensation or damages arises from termination of this Award or diminution in value of this Award, and the Grantee irrevocably releases the Company and its Affiliates from any such claim that may arise.

10. Administration. The Grantee acknowledges and agrees that he or she understands that the Company and its Affiliates hold certain personal information about him or her, including, but not limited to, information such as his or her name, home address, telephone number, date of birth, salary, nationality, job title, social security number, social insurance number or other such tax identity number and details of all Awards or other entitlement to shares of Stock awarded, cancelled, exercised, vested, unvested or outstanding in the Grantee's favor ("Personal Data").

The Grantee acknowledges and agrees that he or she understands that in order for the Company to process this Award and maintain a record of shares of Stock under the Plan, the Company shall collect, use, transfer and disclose Personal Data within the Company and among its Affiliates electronically or otherwise, as necessary for the implementation and administration of the Plan including, in the case of a social insurance number, for income reporting purposes as required by law. The Grantee further understands that the Company may transfer Personal Data, electronically or otherwise, to third parties, including but not limited to such third parties as outside tax, accounting, technical and legal consultants when such third parties are assisting the Company or its Affiliates in the implementation and administration of the Plan. The Grantee understands that such recipients may be located within the jurisdiction of his or her residence, or within the United States or elsewhere and are subject to the legal requirements in those jurisdictions. The Grantee understands that the employees of the Company, its Affiliates and third parties performing work related to the implementation and administration of the Plan shall have access to the Personal Data as is necessary to fulfill their duties related to the implementation and administration of the Plan. By accepting this Award, the Grantee consents, to the fullest extent permitted by law, to the collection, use, transfer and disclosure, electronically or otherwise, of the Grantee's Personal Data by or to such entities for such purposes and accepts that this may involve the transfer of Personal Data to a country which may not have the same level of data protection law as the country in which this Agreement is executed. The Grantee confirms that if he or she has provided or, in the future, will provide Personal Data concerning third parties including beneficiaries, he or she has the consent of such third party to provide their Personal Data to the Company for the same purposes.

The Grantee understands that he or she may, at any time, request to review the Personal Data and require any necessary amendments to it by contacting the Company in writing. As well, the Grantee may always elect to forgo participation in the Plan or any other award program.

11. Miscellaneous.

(a) This Agreement and the rights of the Grantee hereunder are subject to all the terms and conditions of the Plan, as the same may be amended from time to time, as well as to such rules and regulations as the Committee may adopt for administration of the Plan. The Committee shall have the right to impose such restrictions on any shares of Stock acquired pursuant to the Award, as it may deem advisable, including, without limitation, restrictions under applicable federal securities laws, under applicable federal and state tax law, under the requirements of any stock exchange or market upon which such shares are then listed and/or traded, and under any blue sky or state securities laws applicable to such shares.

(b) It is expressly understood that the Committee is authorized to administer, construe, and make all determinations necessary or appropriate to the administration of the Plan and this Agreement, all of which shall be binding upon the Grantee.

(c) The Grantee agrees to take all steps necessary to comply with all applicable provisions of federal and state securities and tax laws in exercising his or her rights under this Agreement.

(d) This Agreement shall be subject to all applicable laws, rules, and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required.

(e) All obligations of the Company under the Plan and this Agreement shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase of all or substantially all of the business and/or assets of the Company, or the result of a merger, consolidation or otherwise.

(f) The award of Restricted Stock Units as provided in this Agreement and any issuance of shares or payment pursuant to this Agreement are intended to be exempt from Section 409A of the Code under the short-term deferral exception specified in Treas. Reg. § 1.409A-l(b)(4).

(g) The Company may, in its sole discretion, decide to deliver any documents related to current or future participants in the Plan by electronic means. The Grantee hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

(h) To the extent not preempted by federal law, this Agreement shall be governed by, and construed in accordance with, the laws of the State of Florida.

Deemed Acceptance of Grant. You will be deemed to have accepted this grant and its terms and conditions as provided under the Plan and this Agreement unless you notify the Company otherwise in writing before vesting. This deemed acceptance is applicable even if you do not acknowledge acceptance through the electronic process the Company may make available at the time of grant.

*****

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the Grant Date.

FARO TECHNOLOGIES, INC.

By: ____________________________

Name: Peter J. Lau

Title: President & CEO

GRANTEE

Signed Electronically

Name: _____________________

FARO Technologies, Inc. 2022 Equity Incentive Plan Restricted Stock Unit Award Agreement (Performance-Based)

You have been selected to participate in the FARO Technologies, Inc. 2022 Equity Incentive Plan (the “Plan”), as specified below:

Grantee: ________________
Grant Date: ______________
Target Number of Restricted Stock Units: ________

THIS RESTRICTED STOCK UNIT AWARD AGREEMENT (this “Agreement”) evidences the grant of restricted stock units (the “Restricted Stock Units”) by FARO Technologies, Inc., a Florida corporation (the “Company”), to the Grantee named above, on the date indicated above, pursuant to the provisions of the Plan.

This Agreement and the Plan contain the terms and conditions governing the Restricted Stock Units. If there is any inconsistency between the terms of this Agreement and the terms of the Plan, the Plan’s terms shall completely supersede and replace the conflicting terms of this Agreement. All capitalized terms shall have the meanings ascribed to them in the Plan, unless specifically set forth otherwise herein. The parties hereto agree as follows:

1. **Award of Restricted Stock Units.** The Company hereby confirms the grant to you, as of the Grant Date and subject to the terms and conditions of this Agreement and the Plan, of an award of Restricted Stock Units in an amount initially equal to the Target Number of Restricted Stock Units specified above. The number of Restricted Stock Units that may actually be earned and become eligible to vest pursuant to this Award can be between [__]% and [__]% of the Target Number of Restricted Stock Units. Each Restricted Stock Unit that is earned as a result of the performance goals specified in **Exhibit A** to this Agreement having been satisfied and which thereafter vests represents the right to receive one share of Stock (or, in the Committee’s or its authorized delegates’ discretion, the Fair Market Value as of the Restricted Stock Unit vesting date of one share of Stock). Prior to their settlement or forfeiture in accordance with the terms of this Agreement, the Restricted Stock Units granted to the Grantee will be credited to an account in the Grantee’s name maintained by the Company. This account will be unfunded and maintained for book-keeping purposes only, with the Restricted Stock Units simply representing an unfunded and unsecured contingent obligation of the Company.

2. **Vesting of Restricted Stock Units; Forfeiture.** Except as otherwise provided herein and in the Plan, the number of Restricted Stock Units determined to have been earned in accordance with **Exhibit A** attached hereto as of the end of the Performance Period specified in **Exhibit A** will vest on the date the Committee certifies such performance results (assuming Grantee’s Service Relationship through such date), which will be no later than the Scheduled Vesting Date specified in **Exhibit A**. Except as otherwise provided in **Exhibit A**, if Grantee’s Service Relationship is terminated prior to the date the Restricted Stock Units vest, the Restricted Stock Units that have not yet vested as of the date of such termination will be immediately forfeited without further consideration or any act or action by the Grantee; provided, however, if, prior to the date the Restricted Stock Units have vested, the Grantee’s Service Relationship terminates as a result of Disability, the Committee, in its sole discretion, shall have the right to immediately vest all or any portion of such Restricted Stock Units, subject to such terms as the Committee, in its sole discretion, deems appropriate. Please refer to section [__] of **Exhibit A** for vesting related to death.

3. **Settlement of Restricted Stock Units**. Subject to all terms and conditions of the Plan and to compliance with section 5 of this Agreement, each vested Restricted Stock Unit will be settled in one share of stock *[FOR CASH-SETTLED AWARDS ONLY:* (or, as provided in Section 1, the Fair Market Value thereof as of the Restricted Stock Unit’s vesting date)*]*, as soon as reasonably practicable following the vesting date (but in no event later than the 15th day of the third calendar month following the vesting date). *[FOR*

CASH-SETTLED AWARDS ONLY: If settled in cash, the Grantee will receive a cash amount in payment and settlement of the vested Restricted Stock Units equal to the product of the Fair Market Value of a share of Stock on the applicable vesting date, multiplied by the number of vested Restricted Stock Units. If settled in shares of Stock, the*]* Grantee will receive one share of Stock in payment and settlement of each vested Restricted Stock Unit, and such shares will be registered in the Grantee's name on the books of the Company as of the vesting date. This Agreement and any shares of Stock issued pursuant to this Agreement is subject to the Company's insider trading policies and procedures, as in effect from time to time. Further, this Agreement and any shares of Stock issued pursuant to this Agreement is subject to the Company's clawback policy, as in effect from time to time.

4. Nontransferability of the Award. This Award shall not be transferable by the Grantee otherwise than by will or the laws of descent and distribution or as otherwise expressly permitted pursuant to the Plan.

5. Tax Withholding. Grantee acknowledges that, regardless of any action taken by the Company or, if different, Grantee's employer or any Affiliate to which Grantee is providing services (together, the "Service Recipients"), the ultimate liability for any tax and/or social insurance liability obligations and requirements in connection with the Restricted Stock Units, including, without limitation, (i) all federal, state, and local taxes (including Grantee's Federal Insurance Contributions Act (FICA) obligations) that are required to be withheld by any Service Recipient or other payment of tax-related items related to Grantee's participation in the Plan and legally applicable to Grantee, (ii) Grantee's and, to the extent required by any Service Recipient, the Service Recipient's fringe benefit tax liability, if any, associated with the grant, vesting, or settlement of the Restricted Stock Units or sale of Stock, and (iii) any other Service Recipient taxes the responsibility for which Grantee has, or has agreed to bear, with respect to the Restricted Stock Units (or settlement thereof or issuance of Stock thereunder) (collectively, the "Tax Obligations"), is and remains Grantee's sole responsibility and may exceed the amount actually withheld by the applicable Service Recipient(s). Grantee further acknowledges that no Service Recipient (A) makes any representations or undertakings regarding the treatment of any Tax Obligations in connection with any aspect of the Restricted Stock Units, including, but not limited to, the grant, vesting or settlement of the Restricted Stock Units, the subsequent sale of Stock acquired pursuant to such settlement and the receipt of any dividends or other distributions, and (B) makes any commitment to and is under any obligation to structure the terms of the grant or any aspect of the Restricted Stock Units to reduce or eliminate Grantee's liability for Tax Obligations or achieve any particular tax result. Further, if Grantee is subject to Tax Obligations in more than one jurisdiction between the Grant Date and the date of any relevant taxable or tax withholding event, as applicable, Grantee acknowledges that the applicable Service Recipient(s) (or former employer, as applicable) may be required to withhold or account for Withholding Obligations (as defined below) in more than one jurisdiction.

Pursuant to such procedures as the Administrator may specify from time to time, the Company (or other applicable Service Recipient(s)) will withhold the amount required to be withheld for the payment of Tax Obligations (the "Withholding Obligations"). The Administrator, in its sole discretion and pursuant to such procedures as it may specify from time to time, may permit or require Grantee to satisfy such Withholding Obligations, in whole or in part (without limitation), if permissible by applicable local law, by: (i) paying cash, (ii) having the Company withhold otherwise deliverable shares of Stock having a fair market value equal to the minimum amount that is necessary to meet the withholding requirement for such Withholding Obligations (or such greater amount as Grantee may elect if permitted by the Administrator, if such greater amount would not result in adverse financial accounting consequences) ("Net Share Withholding"), (iii) withholding the amount of such Withholding Obligations from Grantee's wages or other cash compensation paid to Grantee by the applicable Service Recipient(s), (iv) delivering to the Company shares of Stock that Grantee owns and that already have vested with a fair market value equal to the Withholding Obligations (or such greater amount as Grantee may elect if permitted by the Administrator, if such greater amount would not result in adverse financial accounting consequences), (v) selling a sufficient number of such shares of Stock otherwise deliverable to Grantee, through such means as the Company may determine in its sole discretion (whether through a broker or otherwise) equal to the minimum amount that is necessary to meet the withholding requirement for such Withholding Obligations (or such greater amount as Grantee may elect if permitted by the Administrator, if such greater amount would not result in adverse financial accounting consequences) ("Sell to Cover"), or (vi) such other means as the Administrator deems appropriate. If the Withholding Obligations are satisfied by withholding in shares of Stock, for tax purposes, Grantee is deemed to have been issued the full number of shares of Stock subject to the vested Restricted Stock Units, notwithstanding that a number of the shares of Stock are held back solely for the purpose of paying the Withholding Obligations. To the extent determined appropriate by the Administrator in its discretion, the Administrator will have the right (but not the obligation) to satisfy any Withholding Obligations by Net Share Withholding. If Net Share Withholding is the method by which such Withholding Obligations are satisfied, the Company may not withhold on a fractional share basis to satisfy any portion of the Withholding Obligations and, unless the Company determines otherwise, no refund will be made to Grantee for the value of the portion of a share of Stock, if any, withheld in excess of the Withholding Obligations. If a Sell to Cover is the method by which Withholding Obligations are satisfied, Grantee agrees that as part of the Sell to Cover, additional shares of Stock may be sold to satisfy any associated broker or other fees. Only whole shares of Stock will be sold pursuant to a Sell to Cover. Any proceeds from the sale of shares of Stock pursuant to a Sell to Cover that are in excess of the Withholding Obligations and any associated broker or other fees will be paid to Grantee in accordance with procedures the Company may specify from time to time.

Unless determined otherwise by the Administrator, the Company and/or applicable Affiliate will satisfy the Withholding Obligations by Sell to Cover. The Company does not have withholding obligations for Restricted Stock Unit vesting related to compensation for non-employee director service.

Grantee has reviewed with Grantee's own tax advisers the U.S. federal, state, local and non-U.S. tax consequences of this investment and the transactions contemplated by this Agreement. With respect to such matters, Grantee relies solely on such advisers and not on any statements or representations of the Company or any of its agents, written or oral. Grantee understands that Grantee (and not the Company) shall be responsible for Grantee's own tax liability that may arise as a result of this investment or the transactions contemplated by this Agreement. In no event will the Company issue Grantee any shares of Stock unless and until arrangements satisfactory to the Administrator have been made for the payment of Grantee's Withholding Obligations. If Grantee fails to make satisfactory arrangements for the payment of such Withholding Obligations hereunder at the time any applicable Restricted Stock Units otherwise are scheduled to vest pursuant to the vesting terms under this Agreement or otherwise applicable to such Restricted Stock Units, or Grantee's Withholding Obligations otherwise become due, Grantee permanently will forfeit such Restricted Stock Units to which Grantee's Withholding Obligation relates and any right to receive shares of Stock thereunder and such Restricted Stock Units will be returned to the Company at no cost to the Company. Grantee acknowledges and agrees that the Company may permanently refuse to issue or deliver the shares of Stock if such Withholding Obligations are not delivered at the time they are due.

6. <u>Status of Grantee</u>. The Grantee shall not be deemed for any purposes to be a shareholder of the Company with respect to any of the Restricted Stock Units unless and until they are settled in shares of Stock and registered in the Grantee's name on the books of the Company, in accordance with section 3 above, upon vesting of the Restricted Stock Units. Neither the Plan nor this Agreement shall confer upon the Grantee any right to continue in the employ of the Company or any of its Affiliates (or continue in any Service Relationship), nor does it interfere in any way with the right of the Company (or any Affiliate, if applicable) to terminate the employment or Service Relationship of the Grantee at any time. In no event shall the value, at any time, of this Award, the shares of Stock underlying this Award or any other benefit provided by this Agreement be included as compensation or earnings for purposes of any other compensation, retirement or benefit plan offered to employees of the Company or its subsidiaries unless otherwise specifically provided for in such plan or arrangement.

7. <u>Powers of the Company Not Affected</u>. The existence of this Award shall not affect in any way the right or power of the Company or its shareholders to make or authorize any or all adjustments, recapitalizations, reorganizations or other changes in the Company's capital structure or its business, or any merger or consolidation of the Company, or any issuance of bonds, debentures, preferred or prior preference stock senior to or affecting the shares of Stock or the rights thereof, or dissolution or liquidation of the Company, or any sale or transfer of all or any part of the Company's assets or business or any other corporate act or proceeding, whether of a similar character or otherwise.

8. Interpretation by Committee. As a condition of the granting of the Restricted Stock Units, the Grantee agrees, for himself or herself and his or her legal representatives or guardians, that this Agreement shall be interpreted by the Committee and that any interpretation by the Committee of the terms of this Agreement and any determination made by the Committee pursuant to this Agreement shall be final, binding and conclusive.

9. Nature of the Award. The Grantee acknowledges and agrees that he or she understands that the value that may be realized, if any, from this Award is contingent, and depends on the future market price of the Company's Stock, among other factors. The Grantee further confirms his or her understanding that this Award is intended to promote employee retention and stock ownership and to align employees' interests with those of shareholders, is subject to vesting conditions and will be forfeited if vesting conditions are not satisfied.

The Grantee also acknowledges and agrees that he or she understands that (a) the Plan is discretionary in nature and may be suspended or terminated by the Company at any time; (b) the grant of an Award is voluntary and occasional and does not create any contractual or other right to receive future awards, or benefits in lieu of Awards even if Awards have been granted repeatedly in the past; (c) all decisions with respect to any future award will be at the sole discretion of the Company; (d) the Grantee's participation in the Plan is voluntary; (e) the value of this Award is an extraordinary item of compensation which is outside the scope of the Grantee's employment contract with his or her actual employer, if any; (f) this Award and past or future awards are not part of normal or expected compensation or salary for any purposes, including, but not limited to, calculating any severance, resignation, redundancy, end of service payments, bonuses, long-service awards, pension or retirement benefits or similar payments; and (g) no claim or entitlement to compensation or damages arises from termination of this Award or diminution in value of this Award, and the Grantee irrevocably releases the Company and its Affiliates from any such claim that may arise.

10. Administration. The Grantee acknowledges and agrees that he or she understands that the Company and its Affiliates hold certain personal information about him or her, including, but not limited to, information such as his or her name, home address, telephone number, date of birth, salary, nationality, job title, social security number, social insurance number or other such tax identity number and details of all Awards or other entitlement to shares of Stock awarded, cancelled, exercised, vested, unvested or outstanding in the Grantee's favor ("Personal Data").

The Grantee acknowledges and agrees that he or she understands that in order for the Company to process this Award and maintain a record of Shares under the Plan, the Company shall collect, use, transfer and disclose Personal Data within the Company and among its Affiliates electronically or otherwise, as necessary for the implementation and administration of the Plan including, in the case of a social insurance number, for income reporting purposes as required by law. The Grantee further understands that the Company may transfer Personal Data, electronically or otherwise, to third parties, including but not limited to such third parties as outside tax, accounting, technical and legal consultants when such third parties are assisting the Company or its Affiliates in the implementation and administration of the Plan. The Grantee understands that such recipients may be located within the jurisdiction of his or her residence, or within the United States or elsewhere and are subject to the legal requirements in those jurisdictions. The Grantee understands that the employees of the Company, its Affiliates and third parties performing work related to the implementation and administration of the Plan shall have access to the Personal Data as is necessary to fulfill their duties related to the implementation and administration of the Plan. By accepting this Award, the Grantee consents, to the fullest extent permitted by law, to the collection, use, transfer and disclosure, electronically or otherwise, of the Grantee's Personal Data by or to such entities for such purposes and accepts that this may involve the transfer of Personal Data to a country which may not have the same level of data protection law as the country in which this Agreement is executed. The Grantee confirms that if he or she has provided or, in the future, will provide Personal Data concerning third parties including beneficiaries, he or she has the consent of such third party to provide their Personal Data to the Company for the same purposes.

The Grantee understands that he or she may, at any time, request to review the Personal Data and require any necessary amendments to it by contacting the Company in writing. As well, the Grantee may always elect to forgo participation in the Plan or any other award program.

11. Miscellaneous.

(a) This Agreement and the rights of the Grantee hereunder are subject to all the terms and conditions of the Plan, as the same may be amended from time to time, as well as to such rules and regulations as the Committee may adopt for administration of the Plan. The Committee shall have the right to impose such restrictions on any shares of Stock acquired pursuant to the Award, as it may deem advisable, including, without limitation, restrictions under applicable federal securities laws, under applicable federal and state tax law, under the requirements of any stock exchange or market upon which such shares of Stock are then listed and/or traded, and under any blue sky or state securities laws applicable to such shares of Stock.

(b) It is expressly understood that the Committee is authorized to administer, construe, and make all determinations necessary or appropriate to the administration of the Plan and this Agreement, all of which shall be binding upon the Grantee.

(c) The Grantee agrees to take all steps necessary to comply with all applicable provisions of federal and state securities and tax laws in exercising his or her rights under this Agreement.

(d) This Agreement shall be subject to all applicable laws, rules, and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required.

(e) All obligations of the Company under the Plan and this Agreement shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase of all or substantially all of the business and/or assets of the Company, or the result of a merger, consolidation or otherwise.

(f) The award of Restricted Stock Units as provided in this Agreement and any issuance of shares of Stock or payment pursuant to this Agreement are intended to be exempt from Section 409A of the Code under the short-term deferral exception specified in Treas. Reg. § 1.409A-l(b)(4).

(g) The Company may, in its sole discretion, decide to deliver any documents related to current or future participants in the Plan by electronic means. The Grantee hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company for purposes of administering the Award.

(h) To the extent not preempted by federal law, this Agreement shall be governed by, and construed in accordance with, the laws of the State of Florida.

Deemed Acceptance of Grant. You will be deemed to have accepted this grant and its terms and conditions as provided under the Plan and this Agreement unless you notify the Company otherwise in writing before vesting. This deemed acceptance is applicable even if you do not acknowledge acceptance through the electronic process the Company may make available at the time of grant.

*****

Date.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the Grant

FARO TECHNOLOGIES, INC.

By:___ Name: Peter J. Lau
Title: President & CEO

GRANTEE

<u>Signed Electronically</u>___

Name:

<u>EXHIBIT A</u>

To Restricted Stock Unit Award Terms and Conditions

PERFORMANCE METRICS

Performance Period: __________ through __________

Scheduled Vesting Date: The date, not to exceed 30 calendar days following the conclusion of the above performance period, on which the Committee certifies (i) the degree to which the applicable performance objectives for the Performance Period have been satisfied, and (ii) the number of Restricted Stock Units that have been earned during the Performance Period and will vest, as determined in accordance with this Exhibit A.

1. *Units Earned; Vesting*. Subject to the terms of the Restricted Stock Unit Award Agreement ("Agreement") of which this Exhibit A is a part, the number of Restricted Stock Units that will be earned during the Performance Period and will vest as of the Scheduled Vesting Date as set forth above will be determined as provided below. Any capitalized term used in this Exhibit A that is not defined herein will have the meaning given to it in the Agreement or the Plan.

2. *Performance Objectives*. The Restricted Stock Units subject to this Award may be earned based on the [____] as described in section 3 below, subject to the limitation described in section 4 below, if applicable.

3. *[APPLICABLE PERFORMANCE GOALS TO BE INSERTED HERE]*

4. *[APPLICABLE LIMITATIONS TO BE INSERTED HERE]*

5. *Change in Control*. *[APPLICABLE CHANGE IN CONTROL TREAMENT TO BE INSERTED HERE IF DIFFERENT FROM THE PLAN]*

6. *Treatment Upon Death of Grantee* . *[APPLICABLE TREAMENT UPON DEATH TO BE INSERTED HERE]*

Exhibit 19.1

Amended and Restated Insider Trading Policy

Last Updated February 2024

This Amended and Restated Insider Trading Policy (this "**Policy**") describes the standards of FARO Technologies, Inc. and its subsidiaries (the "**Company**") on trading, and causing the trading of, the Company's securities or securities of certain other publicly traded companies while in possession of confidential information. This Policy is divided into two parts: the first part prohibits trading in certain circumstances and applies to all directors, officers, employees consultants, contractors and advisors of the Company and their respective immediate family members and the second part imposes special additional trading restrictions and applies to all (i) directors of the Company, (ii) executive officers of the Company/officers of the Company at the Senior Executive Team (SET) level and (iii) all other employees as well as consultants, contractors and advisors of the Company (collectively, "**Covered Persons**").

One of the principal purposes of the federal securities laws is to prohibit so-called "insider trading." Simply stated, insider trading occurs when a person uses material nonpublic information obtained through involvement with the Company to make decisions to purchase, sell, give away or otherwise trade the Company's securities or to provide that information to others outside the Company. The prohibitions against insider trading apply to trades, tips and recommendations by virtually any person, including all persons associated with the Company, if the information involved is "material" and "nonpublic." These terms are defined in this Policy under Part I, Section 3 below. The prohibitions would apply to any director, officer, employee, consultant, contractor or advisor who buys, sells or otherwise transfers Company stock or stock of other publicly traded companies on the basis of material nonpublic information that he or she obtained about the Company, its customers, suppliers, or other companies with which the Company has contractual relationships or may be negotiating transactions.

PART I

1. Applicability

This Policy applies to all trading or other transactions in the Company's securities, including common stock, options and any other securities that the Company may issue, such as preferred stock, notes, bonds and convertible securities, as well as to derivative securities relating to any of the Company's securities, whether or not issued by the Company.

This Policy applies to all employees of the Company, all officers of the Company, all members of the Company's Board of Directors and all consultants, contractors and advisors of the Company. This Policy also applies to all immediate family members of, and entities controlled by, employees, officers, directors, consultants, contractors and advisors of the Company.

2. General Policy: No Trading or Causing Trading While in Possession of Material Nonpublic Information

(a) No director, officer, employee consultant, contractor or advisor or any of their immediate family members may, directly or through other persons or entities, purchase or sell, or offer to purchase, sell or otherwise make any disposition in the form of a gift of any Company security, whether or not issued by the Company, while in possession of material nonpublic information about the Company. (The terms “material” and “nonpublic” are defined in Part I, Section 3(a) and (b) below.)

(b) No director, officer, employee, consultant, contractor or advisor or any of their immediate family members who knows of any material nonpublic information about the Company may communicate that information to (“**tip**”), or recommend the purchase or sale of securities based upon that information by, any other person, including family members and friends, or otherwise disclose such information without the Company’s authorization.

(c) No director, officer employee, consultant, contractor or advisor or any of their immediate family members may, directly or through other persons or entities, purchase or sell any security of any other company, whether or not issued by the Company, while in possession of material nonpublic information about that company that was obtained in the course of his or her involvement with the Company. No director, officer, employee consultant, contractor or advisor or any of their immediate family members who knows of any such material nonpublic information may communicate that information to, or tip, or recommend the purchase or sale of securities based upon that information by, any other person, including family members and friends, or otherwise disclose such information without the Company’s authorization.

(d) For compliance purposes, you should never trade, tip or recommend securities (or otherwise cause the purchase or sale of securities) while in possession of information that you have reason to believe is material and nonpublic unless you first consult with, and obtain the advance approval of, the Compliance Officer (which is defined in Part I, Section 3(c) below).

(e) Designated Covered Persons must “pre-clear” all trading in securities of the Company in accordance with the procedures set forth in Part II, Section 3 below.

3. Definitions

(a) **“Material” -** Insider trading restrictions come into play only if the information you possess is “material.” Courts have found a wide range of information to be material, and the materiality of particular information is subject to reassessment on a regular basis. Information is generally regarded as “material” if it has market significance, that is, if its public dissemination is likely to affect the market price of securities, or if it otherwise is information that a reasonable investor would want to know before making an investment decision.

Information dealing with the following subjects is reasonably likely to be found to be material: • revenues, earnings or other operating results not yet released:

• significant changes in the Company’s prospects;

• significant write-downs in assets or increases in reserves;

• developments regarding significant litigation or government agency investigations;

- liquidity problems;
- projections of future earnings or losses, other earnings guidance, or unusual gains or losses in major operations;
- changes in management;
- events regarding the Company’s securities, such as dividends or repurchase plans;
- extraordinary borrowings;
- significant developments regarding products, customers, suppliers, orders, contracts or financing sources (e.g., the acquisition or loss of a contract);
- changes in debt ratings;
- proposals, plans or agreements, even if preliminary in nature, involving mergers, acquisitions, divestitures, recapitalizations, strategic alliances, licensing arrangements, or purchases or sales of substantial assets;
- offerings of Company securities;
- a cybersecurity incident;
- major discoveries or significant changes and developments in products or product lines, research or technologies; and
- significant changes or developments in supplies or inventories, including significant product defects, recalls or returns.

Material information is not limited to historical facts but may also include projections and forecasts. With respect to a future event, such as a merger, acquisition or introduction of a new product, the point at which negotiations or product development are determined to be material is determined by balancing the probability that the event will occur against the magnitude of the effect the event would have on a company’s operations or stock price should it occur. Thus, information concerning an event that would have a large effect on stock price, such as a merger, may be material even if the possibility that the event will occur is relatively small. When in doubt about whether particular nonpublic information is material, you should presume it is material. **If you are unsure whether information is material, you should consult with the ComplianceOfficer before making any decision to disclose such information or to trade in or recommend Company securities or securities of any other company to which that information relates.**

(b) **“Nonpublic” -** Insider trading prohibitions come into play only when you possess information that is material and “nonpublic.” The fact that information has been disclosed to a few members of the public does not make it public for insider trading purposes. To be “public” the information must have been disseminated in a manner designed to reach investors generally, and the investors must be given the opportunity to absorb the information. Even after public disclosure of information about the Company, you must wait until the close of business on the second trading day after the information was publicly disclosed before you can treat the information as public.

Nonpublic information may include:

(i) undisclosed facts that are the subject of rumors, even if the rumors are widely circulated; and

(ii) information that has been entrusted to the Company on a confidential basis until a public announcement of the information has been made and enough time has elapsed for the market to respond to a public announcement of the information (normally two trading days).

As with questions of materiality, if you are not sure whether information is considered public, you should either consult with the Compliance Officer or assume that the information is nonpublic and treat it as confidential.

(c) **"Compliance Officer" -** The Company has appointed the Company's Chief Financial Officer (or a designee of the Chief Financial Officer) as the Compliance Officer for this Policy. However, in situations where the Compliance Officer is participating in a prospective trading activity as a Covered Person, the Chief Executive Officer (or a designee of the Chief Executive Officer) shall serve as the Compliance Officer for this Policy with respect to such activity. The duties of the Compliance Officer include, but are not limited to, the following:

(i) assisting with implementation and enforcement of this Policy;

(ii) circulating this Policy to all employees and ensuring that this Policy is amended as necessary to remain up-to-date with insider trading laws;

(iii) pre-clearing all trading in securities of the Company by Designated Covered Persons in accordance with the procedures set forth in Part II, Section 3 below;

(iv) providing approval of any Rule 10b5-l plans under Part II, Section 1(c) below (including any modifications to any Approved Rule 10b5-1 Plan (as defined below)) and any transactions described under Part II, Section 5(b) below; and

(v) providing a reporting system with an effective whistleblower protection mechanism.

4. Exceptions

The trading restrictions of this Policy do not apply to (a) the exercise of stock options granted under the Company's equity incentive plans (including, but not limited to, the Company's 2009 Equity Incentive Plan, the 2014 Incentive Plan and the 2022 Equity Incentive Plan each as may be amended from time to time) when payment of the exercise price is made in cash, (b) net share withholding by the Company of shares of stock upon vesting of restricted stock or upon settlement of restricted stock units to satisfy applicable tax withholding requirements if (i) such withholding is required by the applicable plan or award agreement or (ii) the election to exercise such tax withholding right was made by the Covered Person in compliance with the trading procedures set forth in Part II of this Policy; or (c) sell to cover transactions where shares are sold on your behalf upon vesting of equity awards and sold in order to satisfy tax withholding requirements if (i) such withholding is required by the applicable plan or award agreement or (ii) the election to exercise such tax withholding right was made by the Covered Person in compliance with the trading procedures set forth in Part II of this Policy; or (d) transfers by will or the laws of descent or distribution and, provided that prior written notice is provided to the Compliance Officer, distributions or transfers (such as certain tax planning or estate planning transfers) that effect only a change in the form of beneficial interest without changing the pecuniary interest in the Company's securities. However, the sale of any shares issued on the exercise of Company- granted stock options, any cashless exercise of Company-granted stock options and any other market sales made for the purpose of generating cash to pay the exercise price of or satisfy the withholding obligations associated with a stock option are subject to the trading restrictions under this Policy.

5. Violations of Insider Trading Laws

Penalties for trading on or communicating material nonpublic information can be severe, both for individuals involved in such unlawful conduct and their employers and supervisors, and may include jail terms, criminal fines, civil penalties and civil enforcement injunctions. Given the severity of the potential penalties, compliance with this Policy is absolutely mandatory.

(a) **Legal Penalties -** A person who violates insider trading laws by engaging in transactions in a company's securities when he or she has material nonpublic information can be sentenced to a substantial jail term and required to pay a criminal penalty of several times the amount of profits gained or losses avoided.

In addition, a person who tips others may also be liable for transactions by the tippees to whom he or she has disclosed material nonpublic information. Tippers can be subject to the same penalties and sanctions as the tippees, and the SEC has imposed large penalties even when the tipper did not profit from the transaction.

The SEC can also seek substantial civil penalties from any person who, at the time of an insider trading violation, "directly or indirectly controlled the person who committed such violation," which would apply to the Company and/or management and supervisory personnel. These control persons may be held liable for up to the greater of $1 million or three (3) times the amount of the profits gained or losses avoided. Even for violations that result in a small or noprofit, the SEC can seek penalties from a company and/or its management and supervisory personnel as control persons.

(b) **Company-imposed Penalties** – Employees, consultants, contractors and advisors who violate this Policy may be subject to disciplinary action by the Company, including dismissal for cause. Any exceptions to the Policy, if permitted, may only be granted by the Compliance Officer and must be provided before any activity contrary to the above requirements takes place.

6. Inquiries and Reporting Violations

If you have any questions regarding any of the provisions of this Policy, including whether certain information you are aware of is material or has been made public, please contact the Compliance Officer at FinanceGlobalEquity@faro.com or contact the Legal Department. In addition, if you violate this Policy or any federal or state laws governing insider trading, or know of any such violation by any director, officer, employee, consultant, contractor or advisor of the Company, you should report the violation immediately to the Compliance Officer.

PART II

In addition to the restrictions on trading in Company securities set forth above, Covered Persons, including any such Covered Person's spouse, other persons (including any spouse, child, parent, significant other or other family member) living in the same household as such Covered person, persons who execute trades on behalf of the Covered Person, and entities over which such person exercises control (collectively, such persons and entities, "**Affiliated Persons**"), are subject to the special trading restrictions and procedures set forth in this Part II (the "**Trading Procedures**"). Covered Persons are responsible for ensuring compliance with these Trading Procedures and this Policy by all of their Affiliated Persons. Unless the context otherwise requires, all references to "Covered Persons" in this Part II refer collectively to Covered Persons and their Affiliated Persons.

1. Blackout Periods

All Covered Persons are prohibited from trading in the Company's securities during blackout periods, as defined below.

(a) **Quarterly Blackout Periods -** Trading in the Company's securities is prohibited during the period**beginning at the close of the market fifteen (15) calendar days before the end of each fiscal quarter and ending at the close of business on the second trading day following the date the Company's financial results are publicly disclosed**. During these periods, Covered Persons generally possess or are presumed to possess material nonpublic information about the Company's financial results.

(b) **Other Blackout Periods -** From time to time, other types of material nonpublic information regarding the Company (such as negotiation of mergers, acquisitions or dispositions or new product developments) may be pending and not be publicly disclosed. While such material nonpublic information is pending, the Company may impose special blackout periods during which Covered Persons are prohibited from trading in the Company's securities. If the Company imposes a special blackout period, it will notify the Covered Persons affected.(c) **10b5-l Plan Exception -** These trading restrictions do not apply to transactions under a pre-existing written plan, contract, instruction, or arrangement under Rule 10b5-l under the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), that has been reviewed and pre-approved by the Compliance Officer (an "**Approved 10b5-l Plan**"). It is expected that any Approved 10b5-1 Plan comply with the requirements set forth in the Requirements for Trading Plans attached as Exhibit A ("**Requirements for Trading Plans**").

(d) **Modification of 10b5-1 Plans.** Any modification of an Approved 10b5-1 Plan requires pre-approval by the Compliance Officer. Any such modification must occur during an open trading window and while the Covered Person is not aware of material, nonpublic information. In the event of a modification or change to the amount, price or timing of transactions under an Approved 10b5-1 Plan, the plan is deemed to be terminated and the adoption of a new trading plan and is therefore subject to the same conditions as a new trading plan as set forth in the

Requirements for Trading Plans. It is expected that following any such modification, a period of at least 120 days shall elapse before trading may resume under the modified plan.

(e) **10b5-l Plan Approval.** The Compliance Officer may refuse to approve a proposed Rule 10b5-1 plan or a modification to an Approved 10b5-1 Plan as he or she deems appropriate, including, without limitation, if he or she determines that such plan or modification does not satisfy the requirements of Rule 10b5-1 or otherwise is contrary to the Company's best interests.

2. Trading Window

Covered Persons are permitted to trade in the Company's securities when no blackout period is in effect. Generally, this means that Covered Persons can trade after the close of business on the second trading day following the date the Company's financial results are publicly disclosed and ending on the close of the market fifteen (15) calendar days before the end of each fiscal quarter. However, even during this trading window, a Covered Person who is in possession of any material nonpublic information should not trade in the Company's securities until the information has been made publicly available or is no longer material. In addition, the Company may close this trading window if a special blackout period under Part II, Section 1(b) above is imposed and will re-open the trading window once the special blackout period has ended.

3. Pre-clearance of Securities Transactions for Designated Covered Persons

(a) Because certain Covered Persons that are listed on the covered persons list maintained by the Compliance Officer (the "**Designated Covered Persons**") are likely to obtain material nonpublic information on a regular basis, the Company requires all such Designated Covered Persons to refrain from trading, even during a trading window under Part II, Section 2 above, without first pre-clearing all transactions in the Company's securities.

(b) Subject to the exemption in subsection (d) below, no Designated Covered Person may, directly or indirectly, purchase or sell (or otherwise make any transfer or gift of or transact in) any Company security until:

(i) The Designated Covered Person has notified the Compliance Officer of the amount and nature of the proposed trade(s) using the Stock Transaction Request form provided by the Compliance Officer. In order to provide adequate time for the preparation of any required reportsunder Section 16 of Exchange Act, a Stock Transaction Request form should, if practicable, be received by the Compliance Officer at least two (2) business days prior to the intended trade date;

(ii) The Designated Covered Person has certified to the Compliance Officer in writing prior to the proposed trade(s) that: (a) the Designated Covered Person is not in possession of material, nonpublic information concerning the Company; and (b) if applicable, to the Designated Covered Person's best knowledge, the proposed trade(s) does not violate the trading restrictions of Section 16 of the Exchange Act or Rule 144 of the Securities Act of 1933, as amended; and

(iii) The Compliance Officer or his or her designee has approved the trade(s) and has certified such approval in writing. Such certification may be made via digitally-signed electronic mail.

(c) The Compliance Officer shall record the date each request is received and the date and time each request is approved or disapproved. Unless revoked, a grant of permission will normally remain valid until the close of trading two business days following the day on which it was granted. If the transaction does not occur during the two-day period, pre-clearance of the transaction must be re-requested. The Compliance Officer does not assume the responsibility for, and approval from the Compliance Officer does not protect the Designated Covered Person from, the consequences of prohibited insider trading.

(d) Pre-clearance is not required for purchases and sales of securities under an Approved 10b5-l Plan. With respect to any purchase or sale under an Approved 10b5-l Plan, the third party effecting transactions on behalf of the Designated Covered Person should be instructed to send duplicate confirmations of all such transactions to the Compliance Officer.

(e) Designated Insiders shall provide to the Compliance Officer any documentation reasonably requested by him or her in furtherance of the foregoing procedures. Any failure to provide such requested information will be grounds for denial of approval by the Compliance Officer.

(f) The existence of the foregoing approval procedures does not in any way obligate the Compliance Officer to approve any trade requested by a Designated Covered Person. The Compliance Officer may reject any trading request at his or her sole and reasonable discretion.

4. Post-Trade Reporting

Any transactions in the Company's securities by a Designated Covered Person (including transactions effected pursuant to a Rule 10b5-1 Plan) must be reported to the Compliance Officer by completing the "Confirmation of Transaction" section of the Stock Transaction Request form attached to this Policy on the same day in which such a transaction occurs. Each report a Designated Covered Person makes to the Compliance Officer should include the date of the transaction, quantity of shares, price and broker-dealer through which the transaction was effected. This reporting requirement may be satisfied by sending (or having such Designated Covered Person's broker send) duplicate confirmations of trades to the Compliance Officer if such information is received by the Compliance Officer on or before the required date. Compliance by directors and executive officers with this provision is imperative given the requirement of Section 16 of the Securities Exchange Act of 1934, as amended, that these persons generally must reportchanges in ownership of Company securities within two (2) business days. The sanctions for noncompliance with this reporting deadline include mandatory disclosure in the Company's proxy statement for the next annual meeting of stockholders, as well as possible civil or criminal sanctions for chronic or egregious violators.

5. Prohibited Transactions

(a) Directors and executive officers of the Company are prohibited from trading in the Company's equity securities during a blackout period imposed under an "individual account" retirement or pension plan of the Company, during which at least 50% of the plan participants are unable to purchase, sell or otherwise acquire or transfer an interest in equity securities of the Company, due to a temporary suspension of trading by the Company or the plan fiduciary.

(b) Covered Persons are prohibited from engaging in the following transactions in the Company's securities:

(i) *Short-term trading* – Covered Persons who purchase Company securities may not sell any Company securities of the same class for at least six months after the purchase;

(ii) *Short sales* – Covered Persons may not sell the Company's securities short;

(iii) *Options trading* – Covered Persons may not buy or sell puts or calls or other derivative securities on the Company's securities;

(iv) *Trading on margin or pledging* – Covered Persons may not hold Company securities in a margin account or pledge Company securities as collateral for a loan; and

(v) *Hedging* – Covered Persons may not enter into hedging or monetization transactions or similar arrangements with respect to Company securities.

6. Waivers

A waiver of any provision of these Trading Procedures in a specific instance may be authorized in writing by the Audit Committee of the Board of Directors, and any such waiver shall be reported to the Company's Board of Directors.

PART III

1. Acknowledgment and Certification

All Covered Persons are required to sign the attached acknowledgment and certification. This Policy is dated February

2024 and supersedes any previous policy of the Company

concerning insider trading restrictions applicable to directors, executive officers and Covered Persons.

*****ACKNOWLEDGMENT AND CERTIFICATION**

______________________________ The undersigned does hereby acknowledge receipt of the Company's Amended and Restated Insider Trading Policy. The undersigned has read and understands such Policy (including the quarterly blackout period) and agrees to be governed by, and to comply with, such Policy at all times in connection with the purchase and sale of securities and the confidentiality of nonpublic information.

____

(Signature)

(Please print name)

Date: __

Exhibit A

REQUIREMENTS FOR TRADING PLANS

For transactions under an Approved 10b5-1 Plan to be exempt from (A) the prohibitions in the Company's Policy with respect to transactions made while aware of material nonpublic information and (B) the pre-clearance procedures and blackout periods established under the Policy, the Approved 10b5-1 Plan must comply with the affirmative defense set forth in Rule 10b5-1 and must meet the following requirements:

1. The trading plan must be in writing and signed by the person adopting the trading plan.

2. The trading plan must be entered into in good faith and not as a part of a plan or scheme to evade the prohibitions of Rule 10b5-1 by the Covered Person during an open trading window at a time when the Covered Person was not in possession of material nonpublic information about the Company, and the person adopting the trading plan must act in good faith with respect to the trading plan.

3. The trading plan must include representations that, on the date of adoption of the trading plan, the person adopting the trading plan:

   a. is not aware of material nonpublic information about the securities or the Company; and

   b. is adopting the trading plan in good faith and not as part of a plan or scheme to evade the prohibitions of Rule 10b5-1.

4. The trading plan must impose limitations on the cancellation of such plan while the Covered Person is in possession of material non-public information.

5. The trading plan must (i) give an independent third party the discretionary authority to execute such purchases and sales, outside the control of, or without conferring with, the Covered Person, so long as (a) such third party does not possess any material nonpublic information about the Company and (b) trades made under the trading plan must be executed by a third party other than the person that executes trades in other securities for the adopter of the trading plan; or (ii) explicitly specify the security or securities to be purchased or sold, the number of shares, the prices and/or dates of transactions, or other formula(s) describing such transactions. In each case, the person administering the trading plan must provide prompt notice to the Company of the execution of a transaction pursuant to the plan, as provided for in the Policy.

6. The person adopting the trading plan may not have entered into or altered a corresponding or hedging transaction or position with respect to the securities subject to the trading plan and must agree not to enter into any such transaction while the trading plan is in effect.

7. The first trade under the trading plan for directors and officers (as defined in Rule 16a-1(f) of the Exchange Act) may not occur until the expiration of a cooling-off period consisting of the later of (a) 90 calendar days after the adoption of the trading plan and (b) two business days after the filing by the Company of its financial results in a Form 10-Q or Form 10-K for

thecompleted fiscal quarter in which the trading plan was adopted (but, in any event, this required cooling-off period is subject to a maximum of 120 days after adoption of the trading plan). The first trade under the trading plan for all other persons (other than the Company) may not occur until the expiration of a cooling-off period that is 60 calendar days after adoption of the trading plan.

8. The person adopting the trading plan may not have an outstanding (and may not subsequently enter into any additional) trading plan except as permitted by Rule 10b5-1. For example, as contemplated by Rule 10b5-1, a person may adopt a new trading plan before the scheduled termination date of an existing trading plan, so long as the first scheduled trade under the new trading plan does not occur prior to the last scheduled trade(s) of the existing trading plan and otherwise complies with these guidelines. Termination of the existing trading plan prior to its scheduled termination date may impact the timing of the first trade or the availability of the affirmative defense for the new trading plan; therefore, persons adopting a new trading plan are advised to exercise caution and consult with the Compliance Officer prior to the early termination of an existing trading plan.

9. A person may adopt a trading plan designed to cover a single trade only once in any consecutive 12-month period except as permitted by Rule 10b5-1.

10. The Company must be promptly notified of any modification or termination of the trading plan, including any suspension of trading under the trading plan.

11. The Company must have authority to require the suspension or cancellation of the trading plan at any time.

12. All transactions under the trading plan must be in accordance with applicable law.

Revision History

Date	*Changes*
September 2023	*Implemented Designed Cover Persons approach*
February 2024 (includes January updates)	*Revised to reflect Rule 10b5-1 changes, added flexibility for “Sell to Cover” for taxes and added gifting provisions. Removed certain Exhibits that will be provided separately.*

EXHIBIT 21.1

FARO TECHNOLOGIES, INC. LIST OF SUBSIDIARIES

Name	Jurisdiction of Organization
Antares-Desenvolvimento de Software, Lda.	Portugal
FARO Benelux BV	Netherlands
FARO Business Technologies India Pvt. Ltd.	India
FARO Cayman LP	Cayman Islands
FARO Delaware, LLC	Delaware
FARO Europe GmbH	Germany
FARO Europe GmbH	France
FARO FNH Netherlands Holdings B.V.	Netherlands
FARO Technologies Italy S.r.l.	Italy
FARO Japan Inc.	Japan
FARO Technologies (Shanghai) Co., Ltd.	China
FARO Singapore Pte Ltd.	Singapore
FARO Singapore Pte. Ltd.	Australia
FARO Singapore Pte. Ltd.	Korea (Republic of)
FARO Singapore Pte. Ltd.	Malaysia
FARO Spain SLU	Spain
FARO Swiss Holding GmbH	Switzerland
FARO Technologies Polska sp.zo.o	Poland
FARO Turkey Olcu Sistemleri Ltd. Sti	Turkey
FARO Technologies (Thailand) Company Ltd.	Thailand
3D Laser Mapping Ltd.	United Kingdom
3D Measurement Technologies, S de RL de CV	Mexico
FARO Technologies UK Ltd.	United Kingdom
FARO Technologies do Brasil Ltda	Brazil
FARO Technologies Canada, Inc.	Canada
Open Technologies SRL	Italy
FARO Technologies Sweden AB	Sweden
Bitstars GmbH	Germany
GeoSLAM B.V.	Netherlands
GeoSLAM Inc.	Delaware
GeoSLAM International Ltd.	United Kingdom of Great Britain and Northern Ireland
GeoSLAM Ltd.	United Kingdom of Great Britain and Northern Ireland
GeoSLAM OZ (Pty) Ltd.	Australia
GeoSLAM Pty Ltd.	Australia
GN Investments Ltd.	United Kingdom of Great Britain and Northern Ireland
GNI Technology Ltd.	United Kingdom of Great Britain and Northern Ireland
NGH Holdings Ltd.	United Kingdom of Great Britain and Northern Ireland

EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have issued our reports dated February 24, 2025, with respect to the consolidated financial statements and internal control over financial reporting included in the Annual Report of FARO Technologies, Inc. and subsidiaries on Form 10-K for the year ended December 31, 2024. We consent to the incorporation by reference of said reports in the Registration Statements of FARO Technologies, Inc. and subsidiaries on Form S-8 (File No. 333-160660, File No. 333-197762, File No. 333-226491, File No. 333-266491 and File No. 333-273614) and on Form S-3 (File No. 267261).

/s/ GRANT THORNTON LLP

Jacksonville, Florida
February 24, 2025

EXHIBIT 31-A

FARO Technologies, Inc.
Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Peter J. Lau, certify that:

1. I have reviewed this Annual Report on Form 10-K 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 officers 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 officers 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: February 24, 2025

/s/ Peter J. Lau
Name: Peter J. Lau
Title: President and Chief Executive Officer (Principal Executive Officer)

EXHIBIT 31-B

FARO Technologies, Inc.
Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Matthew Horwath, certify that:

1. I have reviewed this Annual Report on Form 10-K 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 officers 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 officers 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: February 24, 2025

/s/ Matthew Horwath
Name: Matthew Horwath
Title: SVP & Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)

EXHIBIT 32-A

FARO Technologies, Inc.
Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, I, Peter J. Lau, the President and Chief Executive Officer of FARO Technologies, Inc. (the “Company”), hereby certify that, to my knowledge, the Annual Report on Form 10-K for the year ended December 31, 2024 (the “Report”) of the Company fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 24, 2025

/s/ Peter J. Lau
Name: Peter J. Lau
Title: President and Chief Executive Officer (Principal Executive Officer)

EXHIBIT 32-B

FARO Technologies, Inc.
Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, I, Matthew Horwath, the Chief Financial Officer of FARO Technologies, Inc. (the “Company”), hereby certify that, to my knowledge, the Annual Report on Form 10-K for the year ended December 31, 2024 (the “Report”) of the Company fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 24, 2025

/s/ Matthew Horwath
Name: Matthew Horwath
Title: SVP & Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)

EXHIBIT 99.1

FARO TECHNOLOGIES INC. PROPERTIES

No.	Location	Sq. Ft.(1)	Owned/ Leased	Purposes
1	125 Technology Park, Lake Mary, Florida	35,000	Leased	Headquarters, sales, marketing, administration
2	290 National Road Exton, Pennsylvania	90,400	Leased	Manufacturing, research and development, service
3	Lingwiesenstrasse 11/2 70825 Korntal-Muenchingen BW, Germany	105,300	Leased	European headquarters, manufacturing, sales, research and development, service
4	Unit 1° Great Central Way Butlers Leap Rugby Warwickshire CV21 3Xh, England	12,700	Leased	Sales, service
5	716 Kumada Nagakute-shi, Aichi 480-1144, Japan	17,200	Leased	Sales, service
6	188 Pingfu Road Shanghai, China	24,700	Leased	Sales, service
7	215 Avenida Centuria, Parque Indutrial, Apodaca, Nuevo Leon 66600 - Mexico	36,000	Leased	Sales, service
8	Innovation House and Ergo House Ruddington Fields Business park, Mere Way Nottingham NG11 6JS, England	8,300	Leased	Research and development, administration, sales, marketing and service management
9	Rua San Jose 360 Parque Industrial San Jose Cotia Sao Paulo 06715-862, Brazil	12,400	Leased	Sales, service
10	A-32 GF Part Mohan Cooperative Industrial Estate, New Delhi 110044 India	10,500	Leased	Sales, service
11	No. 11 1st-4th Floor, Soi Bangna-Trad 34, Bangna-Trad Rd., Bangna, Bangkok 10260, Thailand	7,800	Leased	Sales, service

(1) Represents total square footage under current leases, which includes office spaces that were abandoned in 2023.