

TERADYNE, INC
Form 10-Q
May 11, 2018
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended April 1, 2018

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 No. 001-06462

TERADYNE, INC.

(Exact name of registrant as specified in its charter)

Massachusetts
(State or Other Jurisdiction of

04-2272148
(I.R.S. Employer

Incorporation or Organization)

Identification No.)

600 Riverpark Drive, North Reading,

Massachusetts
(Address of Principal Executive Offices)

01864
(Zip Code)

978-370-2700

(Registrant's Telephone Number, Including Area Code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files) Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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 (check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

(Do not check if a smaller reporting company)

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

The number of shares outstanding of the registrant's only class of Common Stock as of May 7, 2018 was 191,316,067 shares.

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	April 1, 2018	December 31, 2017
	(in thousands,	
	except per share amount)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 637,873	\$ 429,843
Marketable securities	860,526	1,347,979
Accounts receivable, less allowance for doubtful accounts of \$2,206 and \$2,219 at April 1, 2018 and December 31, 2017, respectively	413,978	272,783
Inventories, net	131,857	107,525
Prepayments and other current assets	112,191	112,151
Total current assets	2,156,425	2,270,281
Property, plant and equipment, net	281,284	268,447
Marketable securities	89,259	125,926
Deferred tax assets	77,705	84,026
Retirement plans assets	17,928	17,491
Other assets	12,479	12,275
Acquired intangible assets, net	84,413	79,088
Goodwill	275,700	252,011
Total assets	\$ 2,995,193	\$ 3,109,545
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 103,950	\$ 86,393
Accrued employees' compensation and withholdings	86,292	141,694
Deferred revenue and customer advances	85,892	83,614
Other accrued liabilities	64,782	59,083
Contingent consideration	15,581	24,497
Income taxes payable	34,828	59,055
Total current liabilities	391,325	454,336

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Retirement plans liabilities	124,689	119,776
Long-term deferred revenue and customer advances	21,726	30,127
Deferred tax liabilities	6,185	6,720
Long-term other accrued liabilities	16,683	10,273
Long-term contingent consideration		20,605
Long-term income taxes payable	160,181	148,075
Long-term debt	369,421	365,987
Total liabilities	1,090,210	1,155,899
Commitments and contingencies (See Note Q)		
SHAREHOLDERS EQUITY		
Common stock, \$0.125 par value, 1,000,000 shares authorized; 193,808 and 195,548 shares issued and outstanding at April 1, 2018 and December 31, 2017, respectively	24,226	24,444
Additional paid-in capital	1,638,756	1,638,413
Accumulated other comprehensive income	25,881	18,776
Retained earnings	216,120	272,013
Total shareholders equity	1,904,983	1,953,646
Total liabilities and shareholders equity	\$ 2,995,193	\$ 3,109,545

The accompanying notes, together with the Notes to Consolidated Financial Statements included in Teradyne's Annual Report on Form 10-K for the year ended December 31, 2017, are an integral part of the condensed consolidated financial statements.

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TERADYNE, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	For the Three Months Ended	
	April 1, 2018	April 2, 2017
	(in thousands, except per share amount)	
Revenues:		
Products	\$ 403,925	\$ 373,204
Services	83,542	83,709
Total revenues	487,467	456,913
Cost of revenues:		
Cost of products	180,958	154,883
Cost of services	36,677	37,014
Total cost of revenues (exclusive of acquired intangible assets amortization shown separately below)	217,635	191,897
Gross profit	269,832	265,016
Operating expenses:		
Selling and administrative	90,505	84,792
Engineering and development	74,408	75,978
Acquired intangible assets amortization	7,698	7,952
Restructuring and other	(313)	2,511
Total operating expenses	172,298	171,233
Income from operations	97,534	93,783
Non-operating (income) expense:		
Interest income	(5,981)	(3,520)
Interest expense	6,890	5,402
Other (income) expense, net	805	(115)
Income before income taxes	95,820	92,016
Income tax provision	8,846	6,795
Net income	\$ 86,974	\$ 85,221
Net income per common share:		
Basic	\$ 0.45	\$ 0.43

Diluted	\$ 0.43	\$ 0.42
Weighted average common shares basic	195,255	200,005
Weighted average common shares diluted	203,484	201,936
Cash dividend declared per common share	\$ 0.09	\$ 0.07

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TERADYNE, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

	For the Three Months Ended	
	April 1, 2018	April 2, 2017
	(in thousands)	
Net income	\$ 86,974	\$ 85,221
Other comprehensive income, net of tax:		
Foreign currency translation adjustment, net of tax of \$0, \$0, respectively	10,541	8,963
Available-for-sale marketable securities:		
Unrealized (losses) gains on marketable securities arising during period, net of tax of \$(718), \$420, respectively	(2,687)	513
Less: Reclassification adjustment for losses (gains) included in net income, net of tax of \$78, \$(64), respectively	1,668	(95)
	(1,019)	418
Defined benefit pension and post-retirement plans:		
Amortization of prior service (credit) cost included in net periodic pension and post-retirement expense/income, net of tax of \$(18), \$(38), respectively	(61)	(68)
Other comprehensive income	9,461	9,313
Comprehensive income	\$ 96,435	\$ 94,534

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TERADYNE, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	For the Three Months Ended	
	April 1, 2018	April 2, 2017
	(in thousands)	
Cash flows from operating activities:		
Net income	\$ 86,974	\$ 85,221
Adjustments to reconcile net income to net cash used for operating activities:		
Depreciation	16,336	16,143
Amortization	9,204	11,070
Stock-based compensation	9,544	8,945
Provision for excess and obsolete inventory	3,522	2,726
Deferred taxes	8,696	(3,477)
Contingent consideration adjustment	(4,968)	634
Other	1,393	2
Changes in operating assets and liabilities, net of business acquired:		
Accounts receivable	(140,747)	(123,792)
Inventories	(21,017)	(62,152)
Prepayments and other assets	(679)	1,104
Accounts payable and other accrued expenses	(46,706)	(7,553)
Deferred revenue and customer advances	9,644	(3,333)
Retirement plans contributions	(1,020)	(947)
Income taxes	(12,106)	14,288
Net cash used for operating activities	(81,930)	(61,121)
Cash flows from investing activities:		
Purchases of property, plant and equipment	(34,797)	(22,066)
Purchases of marketable securities	(490,324)	(153,317)
Proceeds from sales of marketable securities	800,671	213,593
Proceeds from maturities of marketable securities	212,698	88,184
Acquisition of business, net of cash acquired	(25,356)	
Net cash provided by investing activities	462,892	126,394
Cash flows from financing activities:		
Issuance of common stock under stock purchase and stock option plans	10,654	15,084
Repurchase of common stock	(134,276)	(37,730)
Payments related to net settlement of employee stock compensation awards	(19,629)	(12,289)
Dividend payments	(17,588)	(14,021)

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Payments of contingent consideration	(13,571)	(1,050)
Net cash used for financing activities	(174,410)	(50,006)
Effects of exchange rate changes on cash and cash equivalents	1,478	1,595
Increase in cash and cash equivalents	208,030	16,862
Cash and cash equivalents at beginning of period	429,843	307,884
Cash and cash equivalents at end of period	\$ 637,873	\$ 324,746

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

A. THE COMPANY

Teradyne, Inc. (Teradyne) is a leading global supplier of automation equipment for test and industrial applications. Teradyne designs, develops, manufactures and sells automatic test systems used to test semiconductors, wireless products, data storage and complex electronics systems in the consumer electronics, wireless, automotive, industrial, computing, communications, and aerospace and defense industries. Teradyne s industrial automation products include collaborative robotic arms, and advanced robotic control software used by global manufacturing and light industrial customers to improve quality, increase manufacturing and material handling efficiency and decrease manufacturing costs. Teradyne s automatic test equipment and industrial automation products and services include:

semiconductor test (Semiconductor Test) systems;

defense/aerospace (Defense/Aerospace) test instrumentation and systems, storage test (Storage Test) systems, and circuit-board test and inspection (Production Board Test) systems (collectively these products represent System Test);

industrial automation (Industrial Automation) products; and

wireless test (Wireless Test) systems.

B. ACCOUNTING POLICIES

Basis of Presentation

The consolidated interim financial statements include the accounts of Teradyne and its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated. These interim financial statements are unaudited and reflect all normal recurring adjustments that are, in the opinion of management, necessary for the fair statement of such interim financial statements. Certain prior year amounts were reclassified to conform to the current year presentation. The December 31, 2017 condensed consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America.