

TERADYNE, INC
Form 10-Q
November 12, 2009
Table of Contents

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 October 4, 2009

OR

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

Commission File No. 001-06462

TERADYNE, INC.

(Exact name of registrant as specified in its charter)

Edgar Filing: TERADYNE, INC - Form 10-Q

| | |
|--|--|
| Massachusetts (State or Other Jurisdiction of Incorporation or Organization) | 04-2272148 (I.R.S. Employer 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

* The registrant has not yet been phased in to the interactive data requirements

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

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

The number of shares outstanding of the registrant's only class of Common Stock as of November 2, 2009 was 174,875,651 shares.

Table of Contents

TERADYNE, INC.

INDEX

| | Page No. |
|---|-----------------|
| PART I. FINANCIAL INFORMATION | |
| Item 1. Financial Statements (unaudited): | |
| <u>Condensed Consolidated Balance Sheets as of October 4, 2009 and December 31, 2008</u> | 3 |
| <u>Condensed Consolidated Statements of Operations for the Three and Nine Months Ended October 4, 2009 and September 28, 2008</u> | 4 |
| <u>Condensed Consolidated Statements of Cash Flows for the Nine Months Ended October 4, 2009 and September 28, 2008</u> | 5 |
| <u>Notes to Condensed Consolidated Financial Statements</u> | 6 |
| Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> | 24 |
| Item 3. <u>Quantitative and Qualitative Disclosures about Market Risk</u> | 35 |
| Item 4. <u>Controls and Procedures</u> | 35 |
| PART II. OTHER INFORMATION | |
| Item 1. <u>Legal Proceedings</u> | 36 |
| Item 1A. <u>Risk Factors</u> | 36 |
| Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u> | 37 |
| Item 6. <u>Exhibits</u> | 38 |

Table of Contents**PART I****Item 1: Financial Statements****TERADYNE, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS****(Unaudited)**

| | October 4, 2009 | December 31, 2008 |
|---|----------------------------|------------------------------|
| | (in thousands) | |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 406,741 | \$ 322,705 |
| Marketable securities | 5,735 | |
| Accounts receivable, net of allowance for doubtful accounts of \$3,760 and \$4,712 at October 4, 2009 and December 31, 2008, respectively | 139,693 | 109,625 |
| Inventories: | | |
| Parts | 50,351 | 89,140 |
| Assemblies in process | 53,470 | 65,818 |
| Finished goods | 8,149 | 13,493 |
| | 111,970 | 168,451 |
| Deferred tax assets | 17,561 | 16,988 |
| Prepayments and other current assets | 60,348 | 60,884 |
| Total current assets | 742,048 | 678,653 |
| Property, plant, and equipment, at cost | 775,140 | 782,774 |
| Less: accumulated depreciation | 524,989 | 484,325 |
| Net property, plant, and equipment | 250,151 | 298,449 |
| Marketable securities | 55,033 | 51,613 |
| Intangible assets, net | 160,592 | 186,998 |
| Other assets | 18,669 | 19,534 |
| Total assets | \$ 1,226,493 | \$ 1,235,247 |
| LIABILITIES | | |
| Current liabilities: | | |
| Accounts payable | \$ 70,613 | \$ 61,164 |
| Current debt | 2,237 | 122,500 |
| Accrued employees compensation and withholdings | 52,053 | 73,521 |
| Deferred revenue and customer advances | 127,993 | 58,030 |
| Other accrued liabilities | 50,184 | 51,748 |
| Total current liabilities | 303,080 | 366,963 |
| Retirement plans liabilities | 134,465 | 125,877 |
| Deferred tax liabilities | 3,045 | 8,730 |
| Long-term other accrued liabilities | 23,623 | 27,565 |
| Long-term debt | 138,970 | |
| Total liabilities | 603,183 | 529,135 |

Commitments and contingencies (Note M)

Edgar Filing: TERADYNE, INC - Form 10-Q

SHAREHOLDERS' EQUITY

| | | |
|---|--------------|--------------|
| Common stock, \$0.125 par value, 1,000,000 shares authorized, 174,647 shares and 169,651 shares issued and outstanding at October 4, 2009 and December 31, 2008, respectively | 21,831 | 21,206 |
| Additional paid-in capital | 1,194,913 | 1,124,390 |
| Accumulated other comprehensive loss | (151,297) | (148,108) |
| Accumulated deficit | (442,137) | (291,376) |
| | | |
| Total shareholders' equity | 623,310 | 706,112 |
| | | |
| Total liabilities and shareholders' equity | \$ 1,226,493 | \$ 1,235,247 |

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, 2008, are an integral part of the condensed consolidated financial statements.

Table of Contents**TERADYNE, INC.****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

| | For the Three Months Ended | | For the Nine Months Ended | |
|--|--|--------------------|---------------------------|--------------------|
| | October 4, 2009 | September 28, 2008 | October 4, 2009 | September 28, 2008 |
| | (in thousands, except per share amounts) | | | |
| Net revenues: | | | | |
| Products | \$ 205,304 | \$ 228,854 | \$ 385,187 | \$ 710,624 |
| Services | 56,858 | 68,401 | 167,163 | 201,651 |
| Net revenues | 262,162 | 297,255 | 552,350 | 912,275 |
| Cost of revenues: | | | | |
| Cost of products | 125,116 | 130,105 | 273,911 | 373,337 |
| Cost of services | 30,291 | 39,220 | 91,195 | 118,657 |
| Total cost of revenues | 155,407 | 169,325 | 365,106 | 491,994 |
| Gross profit | 106,755 | 127,930 | 187,244 | 420,281 |
| Operating expenses: | | | | |
| Engineering and development | 38,266 | 52,969 | 123,915 | 164,272 |
| Selling and administrative | 46,314 | 58,614 | 148,944 | 189,298 |
| Acquired intangible asset amortization | 8,214 | 5,034 | 24,667 | 13,671 |
| In-process research and development | | | | 1,100 |
| Restructuring and other, net | 5,189 | 28,589 | 36,424 | 53,100 |
| Operating expenses | 97,983 | 145,206 | 333,950 | 421,441 |
| Income (loss) from operations | 8,772 | (17,276) | (146,706) | (1,160) |
| Interest income | 1,003 | 2,740 | 2,920 | 10,284 |
| Interest expense and other | (4,600) | (5,851) | (18,475) | (5,865) |
| Income (loss) from continuing operations before income taxes | 5,175 | (20,387) | (162,261) | 3,259 |
| Income tax (benefit) provision | (1,500) | 3,070 | (11,500) | 13,270 |
| Income (loss) from continuing operations | 6,675 | (23,457) | (150,761) | (10,011) |
| Income from discontinued operations | | 768 | | 768 |
| Net income (loss) | \$ 6,675 | \$ (22,689) | \$ (150,761) | \$ (9,243) |
| Income (loss) from continuing operations per common share: | | | | |
| Basic | \$ 0.04 | \$ (0.14) | \$ (0.87) | \$ (0.06) |
| Diluted | \$ 0.04 | \$ (0.14) | \$ (0.87) | \$ (0.06) |
| Net income (loss) per common share: | | | | |
| Basic | \$ 0.04 | \$ (0.13) | \$ (0.87) | \$ (0.05) |
| Diluted | \$ 0.04 | \$ (0.13) | \$ (0.87) | \$ (0.05) |
| Weighted average common share basic | 174,495 | 168,769 | 173,216 | 171,058 |

Edgar Filing: TERADYNE, INC - Form 10-Q

| | | | | |
|---------------------------------------|---------|---------|---------|---------|
| Weighted average common share diluted | 180,792 | 168,769 | 173,216 | 171,058 |
|---------------------------------------|---------|---------|---------|---------|

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, 2008 are an integral part of the condensed consolidated financial statements.

Table of Contents

TERADYNE, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

| | For the Nine Months Ended | |
|--|----------------------------------|-------------------------------|
| | October 4, 2009 | September 28, 2008 |
| | (in thousands) | |
| Cash flows from operating activities: | | |
| Net loss | \$ (150,761) | \$ (9,243) |
| Income from discontinued operations | | 768 |
| Loss from continuing operations | (150,761) | (10,011) |
| Adjustments to reconcile loss from continuing operations to net cash provided by operating activities: | | |
| Depreciation | 45,717 | 56,580 |
| Amortization | | |