

TERADYNE, INC
Form 10-Q
May 08, 2008
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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 March 30, 2008

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)

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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 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 May 2, 2008 was 171,579,325 shares.

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

	March 30, 2008	December 31, 2007
	(in thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 323,080	\$ 562,371
Marketable securities	31,510	75,593
Accounts receivable, net of allowance for doubtful accounts of \$4,256 and \$4,493 at March 30, 2008 and December 31, 2007, respectively	201,906	189,487
Inventories:		
Parts	39,800	27,627
Assemblies in process	41,623	31,272
Finished goods	22,269	21,414
	103,692	80,313
Prepayments and other current assets	73,906	37,169
Total current assets	734,094	944,933
Property, plant, and equipment, at cost	847,840	825,771
Less: accumulated depreciation	476,322	473,064
Net property, plant, and equipment	371,518	352,707
Marketable securities	86,068	104,978
Goodwill	242,698	69,147
Intangible and other assets	128,219	37,127
Retirement plans assets	47,931	46,396
Total assets	\$ 1,610,528	\$ 1,555,288
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 87,716	\$ 57,426
Accrued employees' compensation and withholdings	61,603	71,691
Deferred revenue and customer advances	47,891	41,928
Other accrued liabilities	51,853	47,002
Accrued income taxes		5,187
Total current liabilities	249,063	223,234
Retirement plans liabilities	82,058	80,388
Long-term other accrued liabilities	43,726	22,492
Total liabilities	374,847	326,114
Commitments and contingencies (Note N)		
SHAREHOLDERS' EQUITY		

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Common stock, \$0.125 par value, 1,000,000 shares authorized, 172,045 shares and 173,088 shares issued and outstanding at March 30, 2008 and December 31, 2007, respectively	21,506	21,636
Additional paid-in capital	1,127,234	1,105,441
Accumulated other comprehensive loss	(48,806)	(46,028)
Retained earnings	135,747	148,125
 Total shareholders' equity	 1,235,681	 1,229,174
 Total liabilities and shareholders' equity	 \$ 1,610,528	 \$ 1,555,288

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, 2007, 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	
	March 30, 2008	April 1, 2007
	(in thousands, except per share data)	
Net revenues:		
Products	\$ 232,991	\$ 194,632
Services	64,324	59,061
Net revenues	297,315	253,693
Cost of revenues:		
Cost of products	118,307	99,991
Cost of services	40,505	40,305
Total cost of revenues	158,812	140,296
Gross profit	138,503	113,397
Operating expenses:		
Engineering and development	55,149	49,262
Selling and administrative	65,221	62,947
Acquired intangible asset amortization	3,863	911
In-process research and development	1,100	16,700
Restructuring and other, net	11,785	2,247
Operating expenses	137,118	132,067
Income (loss) from operations	1,385	(18,670)
Interest income	4,612	10,099
Interest expense and other	470	2,242
Income (loss) from continuing operations before taxes	6,467	(6,329)
Provision for income taxes	4,100	1,385
Income (loss) from continuing operations	2,367	(7,714)
Income from discontinued operations before taxes		93
Provision for income taxes		15
Income from discontinued operations		78
Net income (loss)	\$ 2,367	\$ (7,636)
Income (loss) from continuing operations per common share:		
Basic	\$ 0.01	\$ (0.04)
Diluted	\$ 0.01	\$ (0.04)
Net income (loss) per common share:		
Basic	\$ 0.01	\$ (0.04)

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Diluted	\$ 0.01	\$ (0.04)
Weighted average common share basic	173,762	189,625
Weighted average common share diluted	175,722	189,625

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, 2007, are an integral part of the condensed consolidated financial statements.

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

	For the Three Months Ended	
	March 30, 2008	April 1, 2007
	(in thousands)	
Cash flows from operating activities:		
Net income (loss)	\$ 2,367	\$ (7,636)
Income from discontinued operations		78
Income (loss) from continuing operations	2,367	(7,714)
Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities:		
Depreciation	19,069	16,034
Amortization	4,361	2,247
Stock-based compensation	5,155	7,285
In-process research and development charge	1,100	16,700
Provision for doubtful accounts		54
Provision for inventory	1,348	461
Non-cash charge for the sale of inventories revalued at the date of acquisition	4,346	
Other non-cash items, net	(599)	655
Changes in operating assets and liabilities, net of businesses and product lines acquired and sold:		
Accounts receivable	15,040	(9,957)
Inventories	78	20,892
Other assets	(9,454)	(1,464)
Accounts payable, deferred revenue and accrued expenses	287	(38,588)
Retirement plan contributions	(1,104)	(1,158)
Accrued income taxes	(7,573)	(33,417)
Net cash provided by (used for) continuing operations	34,421	(27,970)
Net cash used for discontinued operations		(2,187)
Net cash provided by (used for) operating activities	34,421	(30,157)
Cash flows from investing activities:		
Investments in property, plant and equipment	(28,984)	(22,019)
Acquisition of technology		(17,600)
Acquisition of business, net of cash acquired	(280,463)	
Purchases of available-for-sale marketable securities		(125,499)
Proceeds from sale and maturities of available-for-sale marketable securities	60,530	26,711
Net cash used for continuing operations	(248,917)	(138,407)
Net cash used for discontinued operations		(116)
Net cash used for investing activities	(248,917)	(138,523)
Cash flows from financing activities:		
Repurchase of common stock	(32,977)	(3,569)
Issuance of common stock under employee stock option and stock purchase plans	8,182	9,813
Net cash (used for) provided by financing activities	(24,795)	6,244

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Decrease in cash and cash equivalents	(239,291)	(162,436)
Cash and cash equivalents at beginning of period	562,371	568,025
Cash and cash equivalents at end of period	\$ 323,080	\$ 405,589

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, 2007, are an integral part of the condensed consolidated financial statements.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

A. The Company

Teradyne, Inc. is a leading global supplier of automatic test equipment.

Teradyne's automatic test equipment products and services include:

semiconductor test (Semiconductor Test), and

military/aerospace (Mil/Aero) test instrumentation and systems, circuit-board test and inspection systems (Commercial Board Test) and automotive diagnostic and test systems (Diagnostic Solutions), collectively Systems Test Group

Statements in this Quarterly Report on Form 10-Q which are not historical facts, so called forward looking statements, are made pursuant to the safe harbor provisions of Section 21E of the Securities Exchange Act of 1934, as amended. Investors are cautioned that all forward looking statements involve risks and uncertainties, including those detailed in Teradyne's filings with the Securities and Exchange Commission (the SEC). See also Item 2: Management's Discussion and Analysis of Financial Condition and Results of Operations Certain Factors That May Affect Future Results and Teradyne's Annual Report on Form 10-K for the year ended December 31, 2007.

B. Accounting Policies

Basis of Presentation

The condensed consolidated interim financial statements include the accounts of Teradyne and its 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 years' amounts were reclassified to conform to the current year presentation. The December 31, 2007 condensed consolidated balance sheet data were derived from audited financial statements, but do not include all disclosures required by generally accepted accounting principles.

The accompanying financial information should be read in conjunction with the consolidated financial statements and notes thereto contained in Teradyne's Annual Report on Form 10-K, filed with the SEC on February 28, 2008 for the year ended December 31, 2007.

On August 1, 2007, Teradyne completed the sale of Broadband Test Systems, its voice and broadband access network test division. The results of operations of Broadband Test Systems as well as cash flow amounts pertaining to this business have been classified as discontinued operations in the condensed consolidated financial statements.

Preparation of Financial Statements

The preparation of consolidated financial statements requires management to make estimates and judgments that affect the amounts reported in the financial statements. Actual results may differ significantly from these estimates.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

C. Recently Issued Accounting Pronouncements

In December 2007, the FASB issued SFAS No. 141(R), Business Combinations. This Statement replaces FASB Statement No. 141, Business Combinations. SFAS No. 141(R) establishes new principles and requirements for how an acquiring company 1) recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any non-controlling interest in the acquiree, 2) recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase, and 3) determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS No. 141(R) is effective for business combinations occurring on or after the beginning of the fiscal year beginning on or after December 15, 2008. Teradyne is currently evaluating the impact of adopting this standard.

In March 2008, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 161, Disclosures

/s/ Robert M. Swysgood

Name:

Robert M. Swysgood

Title:

Attorney-in-Fact

Date: March 20, 2009

PHILIP F. ANSCHUTZ

By:

/s/ Robert M. Swysgood

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Robert M. Swysgood

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