

TERADYNE, INC
Form 10-Q
August 14, 2015
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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 July 5, 2015

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, 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 August 7, 2015 was 210,834,989 shares.

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	July 5, 2015	December 31, 2014
	(in thousands,	
	except per share information)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 300,685	\$ 294,256
Marketable securities	452,040	533,787
Accounts receivable, less allowance for doubtful accounts of \$2,424 and \$2,491 at July 5, 2015 and December 31, 2014, respectively	296,654	151,034
Inventories, net:		
Parts	67,285	70,821
Assemblies in process	17,376	10,347
Finished goods	37,156	23,961
	121,817	105,129
Deferred tax assets	58,345	57,239
Prepayments	80,249	95,819
Other current assets	6,596	6,582
Total current assets	1,316,386	1,243,846
Property, plant and equipment, net	291,929	329,038
Marketable securities	275,882	470,789
Deferred tax assets	6,836	7,494
Other assets	13,364	10,419
Retirement plans assets	13,850	12,896
Intangible assets, net	279,126	190,600
Goodwill	495,434	273,438
Total assets	\$ 2,692,807	\$ 2,538,520

LIABILITIES

Current liabilities:

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Accounts payable	\$ 86,463	\$ 47,763
Accrued employees' compensation and withholdings	94,544	100,994
Deferred revenue and customer advances	77,347	71,603
Other accrued liabilities	85,470	50,247
Contingent consideration	15,092	895
Accrued income taxes	43,163	20,049
Total current liabilities	402,079	291,551
Long-term deferred revenue and customer advances	25,354	19,929
Retirement plans liabilities	107,557	108,460
Deferred tax liabilities	38,624	23,315
Long-term other accrued liabilities	24,468	13,830
Long-term contingent consideration	20,503	2,455
Total liabilities	618,585	459,540

Commitments and contingencies (See Note P)

SHAREHOLDERS' EQUITY

Common stock, \$0.125 par value, 1,000,000 shares authorized, 212,507 shares and 216,613 shares issued and outstanding at July 5, 2015 and December 31, 2014, respectively	26,563	27,077
Additional paid-in capital	1,462,349	1,437,135
Accumulated other comprehensive (loss) income	(3,162)	4,689
Retained earnings	588,472	610,079
Total shareholders' equity	2,074,222	2,078,980
Total liabilities and shareholders' equity	\$ 2,692,807	\$ 2,538,520

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, 2014, 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		For the Six Months Ended	
	July 5, 2015	June 29, 2014	July 5, 2015	June 29, 2014
	(in thousands, except per share amount)			
Revenues:				
Products	\$ 437,243	\$ 452,488	\$ 709,568	\$ 707,874
Services	75,496	73,079	145,572	138,703
Total revenues	512,739	525,567	855,140	846,577
Cost of revenues:				
Cost of products	181,491	202,411	300,487	326,859
Cost of services	32,680	32,743	63,662	62,258
Total cost of revenues (exclusive of acquired intangible assets amortization shown separately below)	214,171	235,154	364,149	389,117
Gross profit	298,568	290,413	490,991	457,460
Operating expenses:				
Engineering and development	75,832	73,414	147,282	140,499
Selling and administrative	77,073	77,489	149,114	155,492
Acquired intangible assets amortization	15,258	18,271	29,066	36,542
Restructuring and other	(385)	572	(385)	572
Total operating expenses	167,778	169,746	325,077	333,105
Income from operations	130,790	120,667	165,914	124,355
Non-operating (income) expense:				
Interest income	(1,674)	(1,266)	(3,490)	(2,302)
Interest expense	444	159	606	6,576
Other (income) expense, net	(116)	382	(5,776)	562
Income before income taxes	132,136	121,392	174,574	119,519
Income tax provision	29,257	20,187	38,908	17,385
Net income	\$ 102,879	\$ 101,205	\$ 135,666	\$ 102,134
Net income per common share:				
Basic	\$ 0.48	\$ 0.52	\$ 0.63	\$ 0.53

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Diluted	\$ 0.48	\$ 0.47	\$ 0.62	\$ 0.45
Weighted average common shares basic	213,845	194,408	215,516	193,860
Weighted average common shares diluted	215,496	216,568	217,154	226,526
Cash dividend declared per common share	\$ 0.06	\$	\$ 0.12	\$ 0.06

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, 2014, are an integral part of the condensed consolidated financial statements.

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TERADYNE, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

	For the Three Months Ended		For the Six Months Ended	
	July 5, 2015	June 29, 2014	July 5, 2015	June 29, 2014
	(in thousands)			
Net income	\$ 102,879	\$ 101,205	\$ 135,666	\$ 102,134
Other comprehensive (loss) income, net of tax:				
Foreign currency translation adjustments, net of tax of \$0	(6,267)		(6,267)	
Available-for-sale marketable securities:				
Unrealized (losses) gains on marketable securities arising during period, net of tax of \$(1,648), \$558, \$(944), \$1,242	(2,675)	1,165	(876)	2,304
Less: Reclassification adjustment for gains included in net income, net of tax of \$(40), \$(141), \$(209), \$(243)	(231)	(272)	(561)	(448)
	(2,906)	893	(1,437)	1,856
Defined benefit pension and post-retirement plans:				
Amortization of net prior service benefit included in net periodic pension expense and post-retirement benefit income, net of tax of \$(42), \$(42), \$(85), \$(85)	(74)	(74)	(147)	(147)
Other comprehensive (loss) income	(9,247)	819	(7,851)	1,709
Comprehensive income	\$ 93,632	\$ 102,024	\$ 127,815	\$ 103,843

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TERADYNE, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	For the Six Months Ended	
	July 5, 2015	June 29, 2014
	(in thousands)	
Cash flows from operating activities:		
Net income	\$ 135,666	\$ 102,134
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	36,230	33,785
Amortization	31,395	42,990
Stock-based compensation	15,405	23,530
Provision for excess and obsolete inventory	15,881	15,071
Non cash charge for the sale of inventories revalued at the date of acquisition	595	
Tax benefit related to employee stock compensation awards	(892)	(1,671)
Contingent consideration adjustment	(1,600)	
Gain from the sale of an equity investment	(5,406)	
Deferred taxes	(10,371)	(5,697)
Other	1,154	1,165
Changes in operating assets and liabilities, net of business acquired:		
Accounts receivable	(142,493)	(143,125)
Inventories	23,500	18,469
Prepayments and other assets	14,054	27,000
Accounts payable and other accrued expenses	53,392	52,796
Deferred revenue and customer advances	5,685	13,800
Retirement plans contributions	(1,999)	(2,388)
Accrued income taxes	23,261	5,495
Net cash provided by operating activities	193,457	183,354
Cash flows from investing activities:		
Purchases of property, plant and equipment	(46,110)	(91,389)
Acquisition of business, net of cash acquired	(282,332)	
Purchases of available-for-sale marketable securities	(590,250)	(523,306)
Proceeds from sales of available-for-sale marketable securities	631,400	152,818
Proceeds from maturities of available-for-sale marketable securities	231,416	377,436
Proceeds from the sale of an equity investment	5,406	
Proceeds from life insurance	1,098	4,391
Net cash used for investing activities	(49,372)	(80,050)
Cash flows from financing activities:		
Issuance of common stock under employee stock purchase and stock option plans	17,878	10,643

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Tax benefit related to employee stock compensation awards	892	1,671
Repurchase of common stock	(128,316)	