

TERADYNE, INC
Form 10-Q
May 15, 2009
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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 5, 2009

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 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 into 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 May 11, 2009 was 173,107,305 shares.

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

	April 5, 2009	December 31, 2008
	(in thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 279,057	\$ 322,705
Accounts receivable, net of allowance for doubtful accounts of \$4,666 and \$4,712 at April 5, 2009 and December 31, 2008, respectively	67,259	109,625
Inventories:		
Parts	79,392	89,140
Assemblies in process	77,931	65,818
Finished goods	8,026	13,493
	165,349	168,451
Deferred tax assets	17,120	16,988
Warrant receivable	42,956	
Prepayments and other current assets	61,401	60,884
Total current assets	633,142	678,653
Property, plant, and equipment, at cost	785,346	782,774
Less: accumulated depreciation	502,498	484,325
Net property, plant, and equipment	282,848	298,449
Marketable securities	41,668	51,613
Intangible assets, net	178,759	186,998
Other assets	17,974	19,534
Total assets	\$ 1,154,391	\$ 1,235,247
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 35,510	\$ 61,164
Current debt	124,514	122,500
Accrued employees' compensation and withholdings	59,742	73,521
Deferred revenue and customer advances	54,689	58,030
Convertible note hedge payable	64,616	
Other accrued liabilities	44,183	51,748
Total current liabilities	383,254	366,963
Retirement plans liabilities	132,012	125,877
Deferred tax liabilities	5,203	8,730
Long-term other accrued liabilities	25,547	27,565

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Long-term debt	8,056	
Total liabilities	554,072	529,135
Commitments and contingencies (Note M)		
SHAREHOLDERS EQUITY		
Common stock, \$0.125 par value, 1,000,000 shares authorized, 172,545 shares and 169,651 shares issued and outstanding at April 5, 2009 and December 31, 2008, respectively	21,568	21,206
Additional paid-in capital	1,114,234	1,124,390
Accumulated other comprehensive loss	(153,439)	(148,108)
Accumulated deficit	(382,044)	(291,376)
Total shareholders equity	600,319	706,112
Total liabilities and shareholders equity	\$ 1,154,391	\$ 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****(Unaudited)**

	For the Three Months Ended	
	April 5, 2009	March 30, 2008
	(in thousands, except per share data)	
Net revenues:		
Products	\$ 64,735	\$ 232,991
Services	55,873	64,324
Total net revenues	120,608	297,315
Cost of revenues:		
Cost of products	56,160	118,307
Cost of services	31,088	40,505
Total cost of revenues	87,248	158,812
Gross profit	33,360	138,503
Operating expenses:		
Engineering and development	47,198	55,149
Selling and administrative	55,373	65,221
Acquired intangible asset amortization	8,239	3,863
In-process research and development		1,100
Restructuring and other, net	15,965	11,785
Total operating expenses	126,775	137,118
(Loss) income from operations	(93,415)	1,385
Interest income	777	4,612
Interest expense and other	(5,830)	470
(Loss) income before income taxes	(98,468)	6,467
Income tax (benefit) provision	(7,800)	4,100
Net (loss) income	\$ (90,668)	\$ 2,367
Net (loss) income per common share:		
Basic	\$ (0.53)	\$ 0.01
Diluted	\$ (0.53)	\$ 0.01
Weighted average common share basic	172,130	173,762
Weighted average common share diluted	172,130	175,722

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****(Unaudited)**

	For the Three Months Ended	
	April 5, 2009	March 30, 2008
	(in thousands)	
Cash flows from operating activities:		
Net (loss) income	\$ (90,668)	\$ 2,367
Adjustments to reconcile net (loss) income to net cash (used for) provided by operating activities:		
Depreciation	15,395	19,069
Amortization	10,098	4,361
Provision for excess and obsolete inventory	8,597	1,348
Stock-based compensation	6,077	5,155
Loss on sale and impairment of marketable securities	2,563	
Non-cash charge for the sale of inventories revalued at the date of acquisition	1,238	4,346
In-process research and development charge		1,100
Other	(3,241)	(599)
Changes in operating assets and liabilities, net of businesses acquired:		
Accounts receivable	42,412	15,040
Inventories	(4,140)	78
Other assets	(7,621)	(9,454)
Accounts payable, deferred revenue and accrued expenses	(44,311)	287
Retirement plan contributions	(1,604)	(1,104)
Accrued income taxes		(7,573)
Net cash (used for) provided by operating activities	(65,205)	34,421
Cash flows from investing activities:		
Investments in property, plant and equipment	(6,087)	(28,984)
Proceeds from life insurance	1,076	
Proceeds from sales and maturities of available-for-sale marketable securities	9,045	60,530
Acquisition of businesses, net of cash acquired		(280,463)
Net cash provided by (used for) investing activities	4,034	(248,917)
Cash flows from financing activities:		
Proceeds from long-term debt	10,070	
Issuance of common stock under employee stock option and stock purchase plans	7,453	8,182
Repurchase of common stock		(32,977)
Net cash provided by (used for) financing activities	17,523	(24,795)
Decrease in cash and cash equivalents	(43,648)	(239,291)
Cash and cash equivalents at beginning of period	322,705	562,371
Cash and cash equivalents at end of period	\$ 279,057	\$ 323,080

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.

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TERADYNE, INC.

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) systems and

military/aerospace test (Mil/Aero) instrumentation and systems, circuit-board test and inspection (Commercial Board Test) systems, automotive diagnostic and test (Diagnostic Solutions) systems and hard disk drive test (HDD) systems, collectively these products represent 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, 2008.

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 presentation of such interim financial statements. Certain prior years' amounts were reclassified to conform to the current year presentation. The December 31, 2008 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 March 2, 2009 for the year ended December 31, 2008.

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.

C. Recently Issued Accounting Pronouncements

In December 2008, the Financial Accounting Standards Board issued FSP No. FAS 132(R)-1, Employers' Disclosures about Postretirement Benefit Plan Assets, (FSP FAS 132(R)-1), which amends SFAS No. 132 (revised 2003), Employers' Disclosures about Pensions and Other Postretirement Benefits. This guidance is intended to ensure that an employer meets the objectives of the disclosures about plan assets in an employer's defined benefit pension or other postretirement plan to provide users of financial statements with an understanding of the following: how investment allocation decisions are made; the major categories of plan assets; the inputs and valuation techniques used to measure the fair value of plan assets; the effect of fair value

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TERADYNE, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

measurements using significant unobservable inputs on changes in plan assets; and significant concentrations of risk within plan assets. FSP FAS 132(R)-1 becomes effective for Teradyne on December 31, 2009. As FSP FAS 132(R)-1 only requires enhanced disclosures, Teradyne has determined that the adoption of FSP FAS 132(R)-1 will not have an impact on its financial position or results of operations.

In April 2009, the FASB issued three FASB Staff Positions (FSPs) in order to provide additional application guidance and enhance disclosures regarding fair value measurements and impairments of securities. These FSPs shall be effective for interim and annual periods ending after June 15, 2009, with early adoption permitted for periods ended after March 15, 2009.

FSP FAS 157-4, Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly (FSP FAS 157-4). FSP FAS 157-4 relates to determining fair values when there is no active market or where the price inputs being used represent distressed sales. It reaffirms the need to use judgment to ascertain if a formerly active market has become inactive and in determining fair values when markets have become inactive. Teradyne is currently evaluating this new FSP but does not believe that it will have a significant impact on its financial position or results of operations.

FSP FAS 115-2 and FAS 124-2 Recognition and Presentation of Other-Than-Temporary Impairments. This FSP is intended to bring consistency to the timing of impairment recognition, and provide improved disclosures about the credit and noncredit components of impaired debt securities that are not expected to be sold. The measure of impairment in comprehensive income remains fair value. The FSP also requires increased and more timely disclosures regarding expected cash flows, credit losses, and an aging of securities with unrealized losses. Teradyne is currently evaluating this new FSP but does not believe that it will have a significant impact on its financial position or results of operations.

FSP FAS 107-1 and APB 28-1, Interim Disclosures about Fair Value of Financial Instruments. This FSP relates to fair value disclosures for financial instruments that are not currently reflected on the balance sheet at fair value. Prior to issuing this FSP, fair values for these assets and liabilities were only disclosed once a year. The FSP now requires these disclosures on a quarterly basis, providing qualitative and quantitative information about fair value estimates for all those financial instruments not measured on the balance sheet at fair value. Teradyne is currently evaluating the disclosure requirements.

D. Financial Instruments and Derivatives

Financial Instruments

Teradyne uses the market and income approaches to value its financial instruments and there were no changes in valuation techniques during the quarter ended April 5, 2009. SFAS No. 157, Fair Value Measurements requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

Level 1: Quoted prices in active markets for identical assets as of the reporting date.

Level 2: Pricing inputs other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable as of the reported date. For example, a common approach for valuing fixed income securities is the use of matrix pricing. Matrix pricing is a mathematical technique used to value securities by relying on the securities' relationship to other benchmark quoted prices, and therefore is considered a Level 2 input.

Table of Contents**TERADYNE, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Level 3: Unobservable inputs that are not corroborated by market data. Unobservable inputs are developed based on the best information available, which might include Teradyne's own data.

Teradyne has elected fair value treatment for the right (UBS Put) to sell its auction rate securities back to UBS, under SFAS No. 159 - The Fair Value Option for Financial Assets and Financial Liabilities.

The following table sets forth by fair value hierarchy Teradyne's financial assets and liabilities that were measured at fair value on a recurring basis as of April 5, 2009 and December 31, 2008. The UBS Put is included in other assets.

	Level 1	April 5, 2009 Level 2 Level 3 (in thousands)		Total
Assets:				
Long-term marketable securities	\$ 5,853	\$ 10,294	\$ 25,521	\$