

**Teradyne**  
**1Q25**  
**Earnings Call Prepared Remarks**  
**April 29, 2025****Traci Tsuchiguchi, VP Investor Relations**

Thank you, operator. Good morning everyone and welcome to our discussion of Teradyne's most recent financial results. I'm joined this morning by our CEO Greg Smith, and our CFO Sanjay Mehta. Following our opening remarks, we'll provide details of our performance for the first quarter of 2025 and our outlook for the second quarter of 2025. The press release containing our first quarter results was issued last evening. We are providing slides as well as a copy of this earnings script on the investor page of the Teradyne website that may be helpful in following the discussion. Replays of this call will be available via the same page after the call ends.

The matters that we discuss today will include forward-looking statements that involve risks that could cause Teradyne's results to differ materially from management's current expectations. We caution listeners not to place undue reliance on any forward-looking statements included in this presentation. We encourage you to review the Safe Harbor statement contained in the slides accompanying this presentation as well as the risk factors described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2024 on file with the SEC. Additionally, these forward-looking statements are made only as of today and we do not undertake any obligation to update forward-looking statements to reflect subsequent events or circumstances except to the extent required by law.

During today's call, we will refer to non-GAAP financial measures. We have posted additional information concerning these non-GAAP financial measures, including reconciliation to the most directly comparable GAAP financial measures, where available, on the investor page of our website. Looking ahead, between now and our next earnings call, Teradyne expects to participate in technology or industrial focused investor conferences hosted by JPMorgan, TD Cowen, and Stifel. Our quiet period will begin at the close of business on June 20<sup>th</sup>, 2025.

Following Greg and Sanjay's comments this morning, we'll open up the call for questions. This call is scheduled for one hour.

Greg?

**Greg Smith, CEO**

Thanks Traci. Good morning everyone and thanks for joining us. Today I'll discuss our first quarter results and provide an update on the trends we are seeing across our businesses. Sanjay will then provide more detail on our first quarter results and second quarter guidance.

It's been seven weeks since our Analyst Day and the long-term themes we discussed – AI, verticalization, and electrification – remain the primary industry drivers that we expect will accelerate our growth trajectory in the years ahead. In the near-term, the combination of trade policy and our customer's heightened uncertainty around end market demand has caused orders to push out, as we discussed last month. Although the direct impact of current and anticipated 90-

day tariffs on our model is minimal, we are more concerned about the impact of tariffs on end market demand. Many of our customers, primarily in the mobile, automotive, and industrial segments, are reviewing their capital acquisition plans, and we do not have firm forecasts from them at this time.

Beyond the second quarter, our visibility is very limited. As such, we are not commenting on or reaffirming our expectations beyond the second quarter.

We delivered first quarter revenue toward the high end of our guidance range with gross margin and earnings per share above the high-end of our expectations. Strength in Semi Test, specifically SoC for the mobile end market drove year-over-year growth. This mobile demand is transitory and related to some supply chain transitions at our customers, rather than a signal of end market recovery. Our compute revenue also grew year-over-year in Q1 with record loading on our Ultra Flex and Ultra Flex Plus testers for AI accelerators. Revenue in our Product Test and Robotics divisions were generally in line with our expectations for Q1.

In Semi Test, SoC delivered above our plan, and memory was in-line with our expectations as customers digest the HBM, or high bandwidth memory, capacity that was put in place last year. In the quarter, our Memory Business Unit secured a coveted HBM4 performance test win with a major DRAM manufacturer, which is expected to begin shipping in the second half of this year. This is our first DRAM wafer sort win at this customer and a major milestone for our memory business.

Our IST business, or Integrated Systems Test, delivered first quarter results in-line with our expectations and achieved initial customer acceptance for the new Titan-HP, targeted at the system level test of AI Accelerators. We are seeing new opportunities emerging in the IST space with both new and existing customers.

All of the businesses in our newly formed Product Test division delivered first quarter results in-line with our expectations. While the wireless test end market for our Lite Point business has been generally weak since 2023, the team has continued to secure the majority of opportunities in wireless networking sockets. In the first quarter, LitePoint won 13 of 13 of the Wi-Fi 7 wireless test opportunities.

A critical aspect of our strategy to gain share in high performance computing is to establish a leadership position in Silicon Photonics test. In support of that goal, we believe we are on-track to close the acquisition of Quantifi Photonics in the second quarter.

In the first quarter, our Robotics division executed a structural reorganization, consolidating the customer-facing sales, marketing and service organizations between UR and MiR. Our Robotics team has responded with resilience in what continues to be a very challenging macro backdrop. In the quarter, Teradyne Robotics received the largest order in its history from a global automotive manufacturer for both MiR AMRs and UR cobot arms. The new PalletJack, or MiR 1200, is now in the hands of distributors and select lead customers and pilot installations are running.

Moving on to Q2. As we discussed at our Analyst Day, we have seen customers push order delivery out from the second quarter into future quarters due to the uncertainty international trade policy could have on end market demand. Despite this, our view of Q2 remains in line with the expectations that we set back in March.

Given the lack of visibility and the impact that trade policy may have on the industry and our business, we are prudently managing expenses. While there are systematic opex savings that are delivered by our flexible business model and variable compensation strategy, we are also actively managing expenses with the objective of generating operating leverage.

With our strong balance sheet, consistent free cash flow generation, low capital intensity, and variable operating model, we are continuing critical investments and are positioning ourselves to drive strong growth as customers figure out their strategy in the current macro environment.

We see green shoots of evidence of this across Teradyne, as our business units address emerging opportunities and increasingly work across divisions to better solve customer problems.

TAS – or Teradyne Automated Solutions is a great example. Semiconductor customers are interested in automating, particularly their back-end processes, which are still quite labor intensive. In the first quarter we announced a strategic partnership with ADI, which will deploy our UR cobots and MiR AMRs to support ADI's collaborative automation initiative. The semiconductor market is one of the segments our robotics business is targeting to drive diversified growth.

Within Semi Test, IST is working hand-in-hand with our SoC team to help current and potential customers in the AI Compute space cost effectively optimize test insertion points. We are seeing this with our first Titan HP customer acceptance and revenue in Q1 for a hyperscaler customer. And in Product Test, our PBT, or Production Board Test business, which has historically been strongest in the automotive industry, is making gains in AI Compute, where technologies pioneered by Semi Test are being leveraged to help hyperscalers test server level products. The increasing complexity and high cost of failure of these end products is creating sizable opportunities for us.

In the mobile space, after years of over-capacity, utilization rates have improved considerably – as evidenced by new system orders for AI compute complementing upgrades of under-utilized mobile testers. We have started to see some improvement in LP-DDR for mobile applications, and we started shipping our next generation image sensor testers for the mobile market in Q1 of 2025. We are also winning new opportunities in SLT in the mobile market. With 2nm and GAA on the horizon, we are optimistic that as demand recovers, the set-up for our mobile business is good.

We cannot predict the impact that dynamic trade policies will have on global end demand. But we know that Teradyne has historically emerged stronger coming out of challenging macroeconomic periods. We expect this to be the case in 2025 as well.

With that, I'll turn the call over to Sanjay.

**Sanjay Mehta, CFO**

Thank you, Greg. Good morning, everyone. Today I'll cover the financial summary of Q1 and provide our Q2 outlook.

Now to Q1. First quarter sales were \$686M, which was towards the high end of our guidance with non-GAAP EPS of \$0.75, above our high-end guide of \$0.68. Non-GAAP gross margins were 60.6%. This was above our guidance due primarily to product mix. Non-GAAP Operating expenses were \$275M, up year-over-year as we have increased our investment in targeted opportunities to drive longer-term growth. That said it's down sequentially as part of our implemented spending controls. Non-GAAP operating profit was 20.5%.

Turning to our revenue breakdown in Q1. Semi Test revenue for the quarter was \$543M with SOC revenue contributing \$406M, Memory \$109M, and IST \$27M. Strength in SoC was driven primarily by Mobile. As expected, memory revenue was lower as customers digest the HBM test equipment delivered in 2024. We expect DRAM to dominate the memory mix in 2025, just as it did in 2024. IST revenue of \$27M was up both sequentially and year-over-year driven by new SLT shipments for mobile and our first AI compute revenue.

In Product Test, Q1 revenue was \$74M, down 4% year-over-year with Wireless Test revenue of \$29M, up 20% year-over-year. This growth in Wireless Test was offset with weakness in Production Board Test tied to the automotive industry and timing of programs in Defense and Aerospace.

Now to Robotics. Revenue was \$69M, declining both sequentially and year-over-year. In the quarter, UR contributed \$49M and MiR contributed \$20M. While the long-term drivers of AI and onshoring in advanced robotics remain intact, near-term macro factors continue to be a headwind.

In Robotics, the operating loss was \$22M, in-line with our expectation. Given our restructuring, I'll share the GAAP to non-GAAP reconciliation of the loss. On a GAAP basis, our loss in Q1 was \$37M, including approximately \$11M in restructuring primarily associated with our go-to-market consolidation and \$4M of amortization of intangible assets. This restructuring has reduced our operating break-even revenue from \$440M to \$365M as described in January.

I'd like to highlight our life-to-date Robotics GAAP results. Life to date, our GAAP losses are \$231M. Breaking that down, approximately \$233M of non-cash amortization of intangibles, \$45M of restructuring cost resulting in \$47M of cumulative non-GAAP operating profit.

Some other financial information in Q1. We had one customer that directly or indirectly drove more than 10% of our revenue in the first quarter. In Q1, 19% of our revenue was shipped to China. 12% in support of multinational customers and 7% in support of indigenous Chinese customers. For context, in the past 2 years, shipments to indigenous customers has been 5% of revenue. The tax rate excluding discrete items for the quarter was 13.5% on a GAAP and non-GAAP basis.

At a company level, our free cash flow was \$98M primarily driven by earnings and net working capital improvements in the quarter. We repurchased \$157M of shares in the quarter and paid \$19M in dividends. We ended the quarter with \$622M in cash and marketable securities.

Now turning to our outlook for Q2. Q2 sales are expected to be between \$610M and \$680M. Second quarter gross margins are estimated at 56.5% to 57.5%. A decrease quarter over quarter driven by product mix and lower volume.

Q2 OPEX is expected to run at 40.5% to 44.5% of second quarter sales. The Non-GAAP operating profit rate at the mid-point of our second quarter guidance is 14.5% with Non-GAAP EPS expected to be in a range of \$0.41 to \$0.64 on 161 million diluted shares. GAAP EPS is expected to be in the range of \$0.35 to \$0.58.

Moving to the topic of tariffs. As Greg noted, the primary concern of the tariffs is the impact on end market demand. Because our manufacturing footprint and the location of our customers, we expect only a minimal impact on the efficiency of our business model. The impact of the tariff will generally be passed along to customers in affected regions. In Q2, we expect to have a small increase in COGS and OPEX, which amounts to approximately \$0.02 of earnings for Q2 which is included in our guide. While we have assessed the financial impact due to tariffs in Q2, there is little ability to predict either the changes in tariff or trade policy or the magnitude of impact of the trade policy on end market demand. As such, please do not rely on prior financial guidance that extend beyond the second quarter.

That said, I'd like to provide additional color on the dynamics we're seeing in some of our markets. In mobile, after two consecutive quarters of strength driven by some supply chain shifts, we expect our Q2 revenue from mobile to be lower. In Q2, we also expect a significant sequential decline in memory revenue as the market continues to digest installed HBM test capacity. Looking out further, trade policy, including tariffs are most likely to impact mobile, automotive and industrial end markets. Significant changes to the AI Diffusion Rule or semiconductor trade restrictions may impact the Compute market.

Turning to share buybacks. As noted in our press release, we've increased our share buyback target from \$400M in 2025 to up to \$1B through the end of 2026 reflecting our confidence in our long-term plans and free cash flow generation.

Summing up, we delivered strong sales, earnings and free cash flow in the first quarter. Our expectations for the second quarter are largely in line with our expectations provided at our analyst day, inclusive of the expected impact of tariffs. While visibility remains limited and there is a heightened uncertainty on end market demand, we are confident in the long-term drivers of AI, electrification and verticalization that will drive the industry and our business in the coming years. Our resilient, variable business model and strong balance sheet enable us to continue to invest in our areas of strategic importance as we await a broader end market recovery.

With that I'll turn the call back to the operator to open the line up for questions. Operator?