

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended July 3, 1994

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. 1-6462

TERADYNE, INC.

(Exact name of registrant as specified in its charter)

Massachusetts
(State or Other Jurisdiction of
Incorporation or Organization)

04-2272148
(I.R.S. Employer
Identification No.)

321 Harrison Avenue, Boston, Massachusetts 02118
(Address of principal executive offices) (Zip Code)

617-482-2700
(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 X No _

The number of shares outstanding of the registrant's only class of Common Stock as of July 29, 1994 was 35,754,426 shares.

TERADYNE, INC.

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TERADYNE, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS
(Dollars in thousands)

July 3, 1994 December 31, 1993

(Unaudited)

ASSETS

Current assets:

Cash and cash equivalents	\$ 150,351	\$ 143,578
Accounts receivable - trade	104,448	101,669
Inventories:		
Parts	47,007	43,452
Assemblies in process	38,260	34,258
	-----	-----
	85,267	77,710
Refundable income taxes	249	2,049
Deferred tax assets	10,973	10,973
Prepayments and other current assets	9,452	4,596
	-----	-----
Total current assets	360,740	340,575

Property, at cost	385,497	380,182
Less accumulated depreciation	(204,115)	(194,103)
	-----	-----
Net property	181,382	186,079
Other assets	21,015	17,789
	-----	-----
Total assets	\$ 563,137	\$ 544,443
	=====	=====

LIABILITIES

Current liabilities:

Notes payable - banks	\$ 8,520	\$ 7,574
Current portion of long-term debt	521	
Accounts payable - trade	14,366	10,972
Accrued employees' compensation and withholdings	29,446	34,856
Unearned service revenue and customer advances	24,244	22,665
Other accrued liabilities	25,821	28,942
Income taxes payable	6,178	1,024
	-----	-----
Total current liabilities	108,575	106,554
Deferred tax liabilities	8,643	8,643
Long-term debt	9,100	9,138
	-----	-----
Total liabilities	126,318	124,335
	-----	-----

SHAREHOLDERS' EQUITY

Common stock \$.125 par value, authorized 75,000,000 shares, issued and outstanding after deduction of reacquired shares 35,723,984 shares (35,687,256 in 1993)	4,465	4,461
Additional paid-in capital	236,435	247,843
Retained earnings	195,919	167,804
	-----	-----
Total shareholders' equity	436,819	420,108
	-----	-----
Total liabilities and shareholders' equity	\$ 563,137	\$ 544,443
	=====	=====

<FN>

The accompanying notes, together with the Notes to Consolidated Financial Statements included in the Company's Form 10-K for the year ended December 31, 1993 are an integral part of the condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(UNAUDITED)

	For the Quarters Ended		For the Six Months Ended	
	July 3, 1994	July 4, 1993	July 3, 1994	July 4, 1993
	(Dollars in thousands except per share amounts)			
Net sales	\$156,497	\$139,336	\$308,509	\$267,115
Expenses:				
Cost of sales	87,342	80,666	173,004	154,142
Engineering and development	17,305	15,035	33,162	30,189
Selling and administrative	31,764	32,557	63,635	63,698
	<u>136,411</u>	<u>128,258</u>	<u>269,801</u>	<u>248,029</u>
Income from operations	20,086	11,078	38,708	19,086
Other income (expense):				
Interest income	1,237	843	2,325	1,557
Interest expense	(399)	(982)	(869)	(2,010)
	<u>20,924</u>	<u>10,939</u>	<u>40,164</u>	<u>18,633</u>
Income before income taxes	20,924	10,939	40,164	18,633
Provision for income taxes	6,277	3,282	12,049	5,590
Net income	<u>\$ 14,647</u>	<u>\$ 7,657</u>	<u>\$ 28,115</u>	<u>\$ 13,043</u>
Net income per common share	<u>\$0.40</u>	<u>\$0.21</u>	<u>\$0.76</u>	<u>\$0.37</u>
Shares used in calculations of net income per common share	<u>36,729,000</u>	<u>34,985,000</u>	<u>36,978,000</u>	<u>34,985,000</u>

<FN>

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TERADYNE, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

	For the Six Months Ended	
	July 3, 1994	July 4, 1993
	(Dollars in thousands)	
Cash flows from operating activities:		
Net income	\$ 28,115	\$ 13,043
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	15,776	15,013
Amortization	1,655	1,937
Deferred income taxes		1,274
Other non-cash items, net	1,450	1,881
Changes in operating assets and liabilities:		
Accounts receivable	(2,779)	16,265
Inventories	(7,557)	(1,607)
Refundable income taxes	1,800	491
Other assets	(9,337)	(2,851)
Accounts payable and accruals	(3,418)	7,623
Income taxes payable	5,154	(12)
Net cash provided by operating activities	<u>30,859</u>	<u>53,057</u>
Cash flows from investing activities:		
Additions to property	(8,692)	(11,071)
Increase in equipment manufactured by the Company	(2,406)	(8,588)
Net cash used in investing activities	<u>(11,098)</u>	<u>(19,659)</u>
Cash flows from financing activities:		
Payments of long-term debt	(1,584)	(420)

Issuance of common stock under employee stock option and stock purchase plans	10,048	14,807
Tax benefit from stock options	3,145	3,108
Acquisition of treasury stock	(24,597)	(2,277)
	-----	-----
Net cash flows provided by (used in) financing activities	(12,988)	15,218
	-----	-----
Increase in cash and cash equivalents	6,773	48,616
Cash and cash equivalents at beginning of period	143,578	67,383
	-----	-----
Cash and cash equivalents at end of period	\$ 150,351	\$ 115,999
	=====	=====
Supplementary disclosure of cash flow information:		
Cash paid during the period for:		
Interest	\$ 880	\$ 2,613
Income taxes	1,950	729

<FN>

The accompanying notes, together with the Notes to Consolidated Financial Statements included in the Company's Form 10-K for the year ended December 31, 1993 are an integral part of the condensed consolidated financial statements.

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TERADYNE, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

A. Financial Information

The accompanying condensed consolidated financial statements are unaudited. However, in the opinion of management, all adjustments (consisting only of normal recurring accrual entries) necessary for a fair presentation of such information have been made. Certain amounts contained in the accompanying condensed consolidated financial statements for 1993 have been reclassified to conform with the 1994 presentation.

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Management's Discussion and Analysis of Financial Condition
and Results of Operations

Results of Operations:

SELECTED RELATIONSHIPS WITHIN THE CONDENSED CONSOLIDATED STATEMENTS OF INCOME

	For the Quarters Ended		For the Six Months Ended	
	July 3, 1994	July 4, 1993	July 3, 1994	July 4, 1993

	(Dollars in thousands)			
	-----	-----	-----	-----
Net sales	\$ 156,497	\$ 139,336	\$ 308,509	\$ 267,115
	=====	=====	=====	=====
Net income	\$ 14,647	\$ 7,657	\$ 28,115	\$ 13,043
	=====	=====	=====	=====
Percentage of net sales:				
Net sales	100%	100%	100%	100%
Expenses:				
Cost of sales	56	58	56	58
Engineering and development	11	11	11	11
Selling and administrative	20	23	21	24
Interest, net	0	0	(1)	0
	---	---	---	---

	87	92	87	93
Income before income taxes	13	8	13	7
Provision for income taxes	4	2	4	2
	---	---	---	---
Net income	9%	6%	9%	5%
	===	===	===	===
Provision for income taxes as a percentage of income before income taxes	30%	30%	30%	30%
	===	===	===	===

Sales increased 12% to \$156.5 million in the second quarter of 1994 compared with the second quarter of 1993. For the first six months of 1994, sales increased 15% to \$308.5 compared to the first six months of 1993. The increase in sales in both the quarter and the six months periods occurred primarily in semiconductor test systems and backplane connection systems. Sales of semiconductor test systems increased as semiconductor manufacturers added capacity in response to rising demand for their products. Sales of backplane connection systems increased in response to the increasing demand for the high technology products of the Company's customer base. As a result of the increase in sales, income before taxes increased \$10.0 million in the second quarter of 1994 and \$21.5 million in the first six months of 1994 compared to the same periods in 1993.

Incoming orders increased from \$167 million in the second quarter of 1993 to \$186 million in the second quarter of 1994. Backlog at the end of the second quarter of 1994 was \$323 million.

Cost of sales decreased from 58% of sales in the second quarter and first six months of 1993 to 56% of sales in the second quarter and first six months of 1994 as the fixed and semi-variable components of cost of sales did not increase at the same rate as the increase in sales.

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Engineering and development expenses were 11% of sales in the first quarter and the first six months of both 1994 and 1993. The dollar amount of these expenses has increased at the same rate as sales have increased. The increase was due primarily to support new product development efforts in semiconductor test systems.

Selling and administrative expenses decreased from 23% of sales to 20% of sales in the second quarter of 1994 compared to the second quarter of 1993 and from 24% of sales to 21% in the first six months of 1994 compared to the first six months of 1993. The dollar amount of these expenses decreased slightly as a result of the Company's efforts to control these expenses.

In the first six months of 1994, the Company had net interest income of \$1.5 million compared to net interest expense of \$.5 million in the first six months of 1993. This change was due to interest earned on the increase in cash of \$34.4 million between July 4, 1993 and July 3, 1994, and lower interest expense as a result of the retirement of the Company's convertible debentures in the fourth quarter of 1993 and industrial revenue bonds in the second quarter of 1994.

The Company's effective tax rate was 30% in both the first six months of 1994 and 1993.

Changes in Financial Condition During the First Six Months of 1994

During the first six months of 1994, cash increased \$6.8 million to a balance of \$150.4 million. Cash flow provided by operations was \$30.9 million. The Company used cash of \$24.6 million to purchase stock from its stockholders on the open market and generated cash of \$13.2 million from employees under the Company's employee stock option and stock purchase plans, resulting in a net cash outflow of \$11.4 million for stock related activities. An additional \$11.1 million was used to fund property and equipment additions during the six month period.

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There have been no Form 8-K filings during the quarter ended July 3,
1994 as none were required.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

TERADYNE, INC.

Registrant

OWEN W. ROBBINS

Owen W. Robbins
Executive Vice President

August 5, 1994