

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 October 2, 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 October 28, 1994 was 36,048,127 shares.

TERADYNE, INC.

INDEX

Page No.

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Part I. Financial Information:

Condensed Consolidated Balance Sheets -  
October 2, 1994 and December 31, 1993 .....3

Condensed Consolidated Statements of Income -  
Quarters and Nine Months Ended October 2, 1994 and October 3, 1993 .4

Condensed Consolidated Statements of Cash Flows -  
Nine Months Ended October 2, 1994 and October 3, 1993 .....5

## Part II. Other Information:

## TERADYNE, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS  
(Dollars in thousands)

	October 2, 1994	December 31, 1993
	----- (Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents .....	\$ 144,542	\$ 143,578
Marketable securities .....	19,475	
Accounts receivable - trade .....	128,250	101,669
Inventories:		
Parts .....	48,552	43,452
Assemblies in process .....	41,385	34,258
	-----	-----
	89,937	77,710
Refundable income taxes .....		2,049
Deferred tax assets .....	10,973	10,973
Prepayments and other current assets .....	9,945	4,596
	-----	-----
Total current assets .....	403,122	340,575
Property, at cost .....	390,118	380,182
Less accumulated depreciation .....	(207,466)	(194,103)
	-----	-----
Net property .....	182,652	186,079
Other assets .....	23,248	17,789
	-----	-----
Total assets .....	\$ 609,022	\$ 544,443
	=====	=====
LIABILITIES		
Current liabilities:		
Notes payable - banks .....	\$ 8,515	\$ 7,574
Current portion of long-term debt .....		521
Accounts payable - trade .....	17,022	10,972
Accrued employees' compensation and withholdings .....	32,920	34,856
Unearned service revenue and customer advances .....	37,256	22,665
Other accrued liabilities .....	26,524	28,942
Income taxes payable .....	7,282	1,024
	-----	-----
Total current liabilities .....	129,519	106,554
Deferred tax liabilities .....	8,643	8,643
Long-term debt .....	9,099	9,138
	-----	-----
Total liabilities .....	147,261	124,335
	-----	-----
SHAREHOLDERS' EQUITY		
Common stock \$.125 par value, authorized 75,000,000 shares, issued and outstanding after deduction of reacquired shares 35,980,807 shares (35,687,256 in 1993) .....		
	4,498	4,461
Additional paid-in capital .....	240,984	247,843
Retained earnings .....	216,279	167,804
	-----	-----
Total shareholders' equity .....	461,761	420,108
	-----	-----
Total liabilities and shareholders' equity .....	\$ 609,022	\$ 544,443
	=====	=====

&lt;FN&gt;

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.

TERADYNE, INC.  
CONDENSED CONSOLIDATED STATEMENTS OF INCOME  
(UNAUDITED)

	For the Quarters Ended		For the Nine Months Ended	
	Oct. 2, 1994	Oct. 3, 1993	Oct. 2, 1994	Oct. 3, 1993
	(Dollars in thousands except per share amounts)			
Net sales .....	\$178,840	\$140,279	\$487,349	\$407,394
Expenses:				
Cost of sales .....	99,964	78,213	272,968	232,355
Engineering and development .....	17,934	15,684	51,096	45,873
Selling and administrative .....	32,148	32,073	95,783	95,771
	150,046	125,970	419,847	373,999
Income from operations .....	28,794	14,309	67,502	33,395
Other income (expense):				
Interest income .....	1,708	1,064	4,033	2,621
Interest expense .....	(413)	(937)	(1,282)	(2,947)
Income before income taxes .....	30,089	14,436	70,253	33,069
Provision for income taxes .....	9,729	4,331	21,778	9,921
Net income .....	\$ 20,360	\$ 10,105	\$ 48,475	\$ 23,148
Net income per common share .....	\$0.55	\$0.28	\$1.31	\$0.65
Shares used in calculations of net income per common share .....	37,009,000	35,480,000	36,988,000	35,480,000

<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.

TERADYNE, INC.  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(UNAUDITED)

	For the Nine Months Ended	
	October 2, 1994	October 3, 1993
	(Dollars in thousands)	
Cash flows from operating activities:		
Net income .....	\$ 48,475	\$ 23,148
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation .....	23,584	22,938
Amortization .....	2,628	2,926
Deferred income taxes .....		6,613
Other non-cash items, net .....	1,615	2,090
Changes in operating assets and liabilities:		
Accounts receivable .....	(26,581)	11,682
Inventories .....	(12,227)	(10,548)
Refundable income taxes .....	2,049	1,142
Other assets .....	(13,036)	(1,424)
Accounts payable and accruals .....	16,427	16,670
Income taxes payable .....	6,258	807
Net cash provided by operating activities .....	49,192	76,044
Cash flows from investing activities:		
Additions to property .....	(16,158)	(15,798)
Increase in equipment manufactured by the Company .....	(4,189)	(11,814)
Purchase of marketable securities .....	(19,475)	
Net cash used in investing activities .....	(39,822)	(27,612)

Cash flows from financing activities:		
Payments of long-term debt .....	(1,584)	(570)
Issuance of common stock under employee stock option and stock purchase plans .....	13,230	21,992
Tax benefit from stock options .....	4,545	
Acquisition of treasury stock .....	(24,597)	(2,277)
	-----	-----
Net cash flows provided by (used in) financing activities .....	(8,406)	19,145
	-----	-----
Increase in cash and cash equivalents .....	964	67,577
Cash and cash equivalents at beginning of period .....	143,578	67,383
	-----	-----
Cash and cash equivalents at end of period .....	\$ 144,542	\$ 134,960
	=====	=====
Supplementary disclosure of cash flow information:		
Cash paid during the period for:		
Interest .....	\$ 1,266	\$ 3,981
Income taxes .....	8,926	1,359

<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.

5

TERADYNE, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

A. Financial Information

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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.

6

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 Nine Months Ended	
	Oct. 2, 1994	Oct. 3, 1993	Oct. 2, 1994	Oct. 3, 1993
	-----			
	(Dollars in thousands)			
	-----			
Net sales .....	\$ 178,840	\$ 140,279	\$ 487,349	\$ 407,394
	=====	=====	=====	=====
Net income .....	\$ 20,360	\$ 10,105	\$ 48,475	\$ 23,148
	=====	=====	=====	=====

Percentage of net sales:

Net sales .....	100%	100%	100%	100%
Expenses:				
Cost of sales .....	56	56	56	57
Engineering and development .....	10	11	10	11
Selling and administrative .....	18	23	20	24
Interest, net .....	(1)	0	0	0
	---	---	---	---
	83	90	86	92
Income before income taxes .....	17	10	14	8
Provision for income taxes .....	5	3	4	2
	---	---	---	---
Net income .....	12%	7%	10%	6%
	===	===	===	===
Provision for income taxes as a percentage of income before income taxes .....	32%	30%	31%	30%
	===	===	===	===

Sales increased 27% to \$178.8 million in the third quarter of 1994 compared to the third quarter of 1993. In the first nine months of 1994, sales increased 20% to \$487.3 million compared to the first nine months of 1993. The growth in sales in the third quarter occurred primarily in semiconductor test systems and backplane connection systems and to a lesser extent in assembly test systems and telecommunications systems. In the nine month periods, the sales growth occurred in each of the groups except telecommunications systems, where sales declined slightly. 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 \$15.7 million in the third quarter and \$37.2 million in the first nine months ending October 2, 1994 compared to the same periods in 1993.

Incoming orders were \$180 million in the third quarter of 1994 compared to \$198 million in the third quarter of 1993. In the third quarter of 1993, incoming orders included a contract in the amount of \$63 million to supply telephone-line test equipment to Deutsche Bundespost Telekom in Germany. Backlog at the end of the third quarter of 1994 was \$324 million.

7

Cost of sales was 56% of sales in both of the third quarters of 1994 and 1993. In the first nine months of 1994, cost of sales decreased to 56% of sales from 57% in the same period in 1993. While the fixed and semi-variable components of cost of sales have not increased at the same rate as the increase in sales, changes in product mix have had an offsetting impact on the cost of sales percentage.

Engineering and development expenses were 10% of sales in the third quarter and the first nine months of 1994, compared to 11% in the third quarter and first nine months of 1993. The dollar amount of these expenses has increased at a lesser rate as sales have increased. The dollar amount increase was due primarily to support new product development efforts in semiconductor test systems.

Selling and administrative expenses decreased from 23% of sales to 18% of sales in the third quarter of 1994 compared to the third quarter of 1993 and from 24% of sales to 20% in the first nine months of 1994 compared to the first nine months of 1993. The dollar amount of these expenses has remained constant while the Company's sales have increased.

In the first nine months of 1994, the Company had net interest income of \$2.8 million compared to net interest expense of \$.3 million in the first nine months of 1993. This change was due to higher levels of invested cash and higher interest rates in the first nine months of 1994 compared to the first nine months of 1993, 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.

During the third quarter of 1994, the Company's effective tax rate increased to 31% of pre-tax income on a year to date basis, creating a 32% effective tax rate in the third quarter. The 1993 effective tax rate was 30%.

Changes in Financial Condition During the First Nine Months of 1994

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During the first nine months of 1994, cash and marketable securities increased \$20.4 million to a balance of \$164.0 million. Cash flow provided by operations was \$49.2 million. The Company used cash of \$24.6 million to purchase stock from its shareholders on the open market and generated cash of \$17.8 million under the Company's employee stock option and stock purchase plans, resulting in a net cash outflow of \$6.8 million for stock related activities. An additional \$20.3 million was used to fund property and equipment additions during the nine month period.

8

Item 6(b). Reports on Form 8-K  
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There have been no Form 8-K filings during the quarter ended October 2, 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.

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Registrant

OWEN W. ROBBINS

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Owen W. Robbins  
Executive Vice President

November 11, 1994

9

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