

Teradyne
Q1 2026
Earnings Call Prepared Remarks
April 29, 2026

Amy McAndrews, VP, Corporate 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, Michelle Turner.

Following our opening remarks, we'll provide details of our performance for the first quarter of 2026 and our outlook for the second quarter. The press release containing our first quarter results was issued last evening. We are providing slides as well as a copy of these prepared remarks on the Teradyne investor 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, 2025, on file with the SEC. Additionally, these forward-looking statements are made only as of today. 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-focused investor conferences hosted by Bernstein, TD Cowen, Stifel and Bank of America. Our quiet period will begin at the close of business on June 12, 2026.

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

Greg?

Greg Smith, CEO

Good morning. With revenue of approximately \$1.3 billion and non-GAAP EPS of \$2.56, Teradyne delivered record results in the first quarter of 2026. Our previous high-water mark was in the consumer driven mobile peak in Q2 of 2021. In Q1 of 2026, our revenue was \$200M or 18% higher than that previous record.

This new record comes from durable AI demand drivers and the continuing acceleration of our wafer-to-AI data center strategy. This strategy is delivering demand across Teradyne's portfolio. In Q1, AI-related demand accounted for nearly 70% of our revenue, up from about 60% in Q4 2025.

Our strategy continues to be anchored across three broad trends: verticalization, electrification, and AI.

Verticalization is the concentration of our business into extremely large, vertically integrated technology companies. The verticalization trend was clear by 2024 and continues to accelerate. This includes companies like hyperscalers, but also huge AI eco-system enablers like foundries, merchant compute, memory and networking companies. Many of these companies are customers of all three of our businesses: Semiconductor Test, Product Test and Robotics. And this product portfolio enables us to serve their needs from wafer to data center. While these massive customers are driving strong growth, it also means that the business is increasingly concentrated to these customers and to a smaller number of very large ASIC and commercial device programs. This concentration also increases the risks that bottlenecks in other areas could shift demand for our products which can lead to short term demand peaks and valleys superimposed over a long-term strong growth trend. In other words, it's lumpy growth.

The electrification trend continues. In the auto/industrial segment, 46% of our revenue came from data center devices in the first quarter which historically has been dominated by automotive and industrial devices.

It goes without saying, AI is the dominant force shaping our business. We think about the opportunity presented by AI as three superimposed waves, each building on the one before it. We are in the heart of the first wave, which focused on the buildout of general purpose AI data center capacity. This was behind the massive increase in data center spend in 2025.

In 2026, we are entering the second wave. While there is still huge investment in general purpose AI data centers, these data centers are being augmented with compute silicon optimized for inference at scale. This wave will grow to a high run rate over the next few years. Still yet to come is the edge AI/physical AI wave. As the technologies for silicon, packaging, memory and AI models improve, compelling use cases for AI at the edge will be emerging. Obvious examples of this are self-driving cars, robotics, PCs, wearables and smartphones. These waves are broad-based, and we expect them to stack on top of each other, driving significant ATE TAM growth over the full mid-term. Because of Teradyne's wafer to data center strategy and our historic strength in mobile, automotive and industrial, we are well positioned to ride each of these waves as they arrive.

Back in our January call, we shared that we expected robust double-digit year-over-year growth.

We still expect that the Compute TAM and revenue to grow significantly from the already strong 2025 base. We're seeing healthy engagement with both networking and VIP compute customers, and our pipeline of new design wins remains robust.

Aligned with this momentum, I am pleased to share that we received our first multi-system production test order for merchant GPU in Q1. We expect these systems to ship, be installed and be in production in Q2. Customer engagement remains strong, and we are well positioned to capture further share as we bring up more devices on our platform.

In automotive and industrial, we're seeing moderate but steady recovery in both TAM and revenue. There are signs of strength in automotive, primarily ADAS, and we are seeing increased demand for power going into AI data centers. As of now, mobile appears a bit weaker with memory pricing and availability affecting end-market demand, especially outside the iOS eco-system.

Memory test demand appears to be even stronger than our view in January, with AI compute demand for both HBM and DRAM continuing to act as an accelerator. We are also beginning to see increasing Flash test demand driven by SSD. The overall memory market is on track for solid TAM growth for the year, and we expect to gain low single digit share.

In 2025, our IST group expanded its HDD customer base and entered the SLT compute market. Now in 2026, IST is on track to deliver against this expanded opportunity. We are seeing strength in HDD driven by greater than 20% annual exabyte growth fueled by AI. This translates into longer test times per drive and a larger HDD TAM and revenue for Teradyne.

In Robotics, we delivered our fourth consecutive quarter of sequential growth. This is particularly notable because Q4 is typically our strongest quarter and Q1 is typically down. We're seeing strong customer engagement across e-commerce, electronics manufacturing, and semiconductor end markets. Robotics is a key part of our wafer-to-AI data center strategy with robotic-assisted assembly, test and data center operations. Our robots are being used in environmental sensing in data centers and we recently demonstrated a complex physical AI workcell in partnership with Generalist as part of the recent Nvidia GTC.

In prior calls, we have often talked about the investments that we are making to capture growth opportunities coming from our wafer to data center strategy. In Q1, these investments have resulted in two significant new product introductions.

The first is Photon 100, which is our platform for silicon photonics and co-packaged optics testing. The Photon 100 is based on our proven UltraFLEXplus tester and is bringing SiPho testing from lab to fab. I'll remind you that Silicon Photonics and co-packaged optics are in the very early stages of a ramp that will likely be substantial. There is uncertainty about the timing and the slope of this ramp, but as optical connections are increasingly used for scale out, and then scale up networking, it is going to be a big chunk of the total networking TAM. As this market grows, we also expect to bring significantly more efficient test solutions online, so it

would be a mistake to linearly extrapolate from today's test strategies and economics. That being said, we expect that this is a meaningful TAM expansion opportunity, which could reach \$300 to \$700 million per year over the mid-term.

The second product introduction is Omnyx which is a new production board test platform designed to address the unique set of test challenges for server boards and tray assemblies. This platform uses power, thermal, optical and TDR test capabilities from across all of Teradyne to enable earlier detection of defects that are plaguing the build out of AI data centers. In addition, we continue to pursue inorganic opportunities to grow our business. Our MultiLane Test Products joint venture closed on April 8th, and we believe this partnership will accelerate the development of high-speed I/O and data center interconnect test solutions, a critical test need as AI data centers transition from cable-based connections to backplane and mid-plane architectures.

Additionally, we closed the acquisition of TestInsight two weeks ago. TestInsight is the leading provider of semiconductor test development tools that are used with our and competing platforms. This acquisition strengthens Teradyne's design-to-test software capabilities, enabling us to build a virtual test environment which will reduce time to market for complex AI and Networking devices.

In summary, Q1 2026 was a record quarter for Teradyne. We're executing our strategy, capitalizing on secular growth drivers, and delivering value for our customers and shareholders. Our team, especially our operations team and manufacturing partners, went above and beyond to hit this ramp, and I am grateful for their hard work and skill.

We came into the second quarter with a lot of momentum, and confidence that 2026 will be a strong growth year, and we are well on our way to achieving our target earnings model.

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

Michelle Turner, CFO

Thank you, Greg, and good morning, everyone. Today I will cover our first quarter financial results and our second quarter 2026 outlook.

Starting first with Q1. First quarter sales were 1 billion 282 million dollars with non-GAAP EPS of \$2.56, both above the high end of our guidance range. Total company sales were up 87% from first quarter last year and up 18% sequentially from last quarter. Non-GAAP earnings per share was up 241% from first quarter last year and up 42% sequentially from last quarter. This represents a record financial performance for the company, driven by all things AI across all three of our business groups. In the quarter, we continue to have two specifying customers and one purchasing customer greater than 10% of our revenue.

Building on that, let's look a little deeper at revenue starting with Semi Test. Revenue was \$1.1 billion, breaking the billion-dollar threshold for the first time, up 26% sequentially from last quarter and over 100% year-over-year versus Q1 2025.

The revenue breakdown within Semi Test was SoC at \$882 million, memory at \$203 million and IST at \$27 million. The key drivers were continued AI strength in compute segments and memory. At roughly 75%, compute is the largest portion of our SoC product revenue. This continues the evolution of our test portfolio from being mobile centric shifting to AI-dominant. Within auto and industrial, revenue nearly doubled sequentially from a low base last quarter driven by power management demand increases for AI Data Center buildouts. Mobile revenue was roughly flat with fourth quarter 2025 and remains a muted impact to our overall results with the increasing importance of compute in our SoC portfolio.

Aligned with our strong topline performance, operationally we have more than doubled our UltraFLEXplus shipments over the last nine months while sustaining our 12-16 week lead times. Our multi-source strategy, primarily leveraging contract manufacturers, provides optimal flexibility for our customers while ensuring capacity continuity in today's dynamic environment. Moving on to memory, our Memory business delivered another strong quarter of \$203 million in revenue, relatively flat to our record last quarter driven by robust HBM and DRAM test solution demand. We also successfully ramped the newest generation of our memory tester, Magnum 7.

IST revenue of \$27 million was relatively flat year over year though we are seeing early indicators for potential growth driven primarily by HDD in the second half and continuing into 2027.

Product Test Group revenue was \$80 million, up 8% year over year. Growth was led by sustained defense and aerospace demand and production board test.

Robotics revenue was \$91 million, up 32% year-over-year representing our fourth sequential quarter of growth. Our one sales team approach is delivering results with revenue strength across end market verticals in e-commerce, electronics manufacturing, and semiconductors including in AI data centers. Shipments associated with our large e-commerce customer increased sequentially and AI revenue increased to ~15% of the quarter's sales.

Now moving down the P&L. A confluence of positive factors delivered record earnings results including peak AI driven volume, favorable product mix and non-recurring one-time benefits. Gross margin for the quarter was 60.9% up 370 basis points sequentially driven by strong Semi Test volume and product mix, and non-recurring operational impacts. OPEX declined sequentially from last quarter and was favorable to guidance due primarily to the timing of Non-Recurring Engineering. Non-GAAP operating income was \$480 million, with an operating margin of 37.5%, both all-time financial records.

Now moving on to capital allocation. Our capital allocation strategy remains consistent and that is to maintain cash reserves to enable us to run the business and have dry powder for M&A. We ended the quarter with cash and investments of roughly \$400 million. Working capital - predominantly in accounts receivable - increased in support of the revenue growth delivered in the quarter. Capital expenditures were flat year-over-year with the expectation that Q2 will increase, driven by continued investments in innovation and operations scaling. We paid \$20 million in dividends in the quarter and our share buybacks were de minimus. As Greg mentioned, we closed on two important inorganic asset opportunities this month. On April 8th, we closed our previously announced MultiLane Test Products joint venture. The results of this business will be consolidated into the Product Test Group and our EPS will reflect our share of the results of this business. On April 16th, we closed on the acquisition of the TestInsight business furthering our wafer to AI data center product penetration. Combined these two deals used ~165M of cash in the second quarter which we funded via our credit revolver.

Looking ahead to our second quarter guidance. For the quarter we expect revenue in the range of \$1.15 billion to \$1.25 billion and non-GAAP EPS of \$1.86 – \$2.15. Gross margins are expected to be in the range of 58% to 59%, normalized for peak volume and one-time benefits. Operating expenses are expected to run at approximately 27 - 28% of second quarter sales. The non-GAAP operating profit rate is expected to be between 30% and 32%. Based on current customer order visibility, we continue to expect first half weighted revenue with approximately 55-60% of annual revenue expected in the first half. This expanded range from three months ago recognizes the continued strong demand signals we are hearing from our customers while also balancing potential order lumpiness that could impact revenue timing across quarters or years. For the year, we have line of sight to about \$50M in revenue for merchant GPU, but our visibility into the second half is quite limited with increasing contributions over the mid-term period.

So in closing, our teams delivered exceptional financial results, reflecting strong execution and robust demand across our portfolio aligned with our wafer to data center strategy. We remain confident in the full-year trajectory and our target model of \$6 billion in revenue and \$9.50 to \$11 in non-GAAP EPS. I want to thank all of our Teradyne team members for their performance and operational discipline in delivering for our customers and shareholders.

With that, we'll open the call for questions. Operator?