

Teradyne
Q3 2026
Earnings Call Prepared Remarks
October 28, 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 third quarter of 2026 and our outlook for the fourth quarter. The press release containing our third 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 our investor website. Looking ahead, between now and our next earnings call, Teradyne expects to participate in a technology-focused investor conference hosted by UBS. Our quiet period will begin at the close of business on December 18, 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

Thanks Amy. Good morning. AI was the driver again this quarter. Total company revenue topped \$1.3 billion, up 70% year-over-year and consistent quarter-over-quarter, with non-GAAP EPS of \$2.29, up over 150% year-over-year.

All three of our business groups - Semi Test, Product Test, and Robotics - grew versus the prior year, highlighting AI demand across all parts of the business. AI-driven revenue represents

more than 60% of total revenue, a key proof point that our wafer to data center strategy is delivering results. From wafers to modules to trays to racks and into full data centers, Teradyne equipment is used to build and test the high-performance computing that underpins the growth of agentic AI.

We've previously discussed our long-term perspective on the AI transformation of the semiconductor industry and global economy. The first wave started back in 2024 with the build-out of general purpose data centers, which were used for both model training and inference. In 2026, we are in the early stages of the second wave where data centers are optimized to serve these models to support agentic AI and inference on a global scale. The third wave is physical and edge AI. While there are already compelling examples of physical and edge AI in automotive, robotics and wearables, the full impact of AI on these segments is still to come. The strength of these waves gives us great confidence in our mid-term growth plans. Let's start with semiconductor test. The demand for compute is far greater than supply, and the semiconductor industry is seeing dramatic expansion in capacity to meet this burgeoning demand.

The portion of semi capex associated with test is increasing as well, from 6.4% in 2025 to 8.1% for the first eight months of 2026. With forecasts for semiconductor capex being revised upward for '27, '28 and beyond, we believe that the conditions are right for prolonged expansion of the ATE TAM.

CPUs and AI accelerators are key drivers of the expansion. Through our accelerated investments, Teradyne is positioned for continued growth in both the overall ATE market and share gains, driven by customers adopting dual vendor strategies.

Dual vendor provides greater assurance of getting capacity when needed, minimizes the risk of supply chain disruptions, and ensures that the test capability arrives in time for new device technologies. Dual vendor programs progress through several phases over multiple quarters, including initial qualification, fast follower, and mature dual sourcing. We have multiple customers at different stages of this process. Our first hyperscaler customer is in the mature phase and we expect our next major ramp in the middle of 2027. Our Merchant GPU customer is in the fast follower phase with multiple devices in development and we expect to see additional revenue in 2027. Our second hyperscaler customer has passed qualification and is now in fast follower, with an expectation of capacity buys in the second half of 2027. We also have a third hyperscaler in initial qualification.

Networking devices, both copper and optical, are growing proportionally with compute. The majority of this TAM is in switches, however, retimers and DSPs are driving significant business. The majority of the networking market is currently copper and optical pluggables. Over the next few years, we believe the NPO and CPO markets will grow strongly from a small base.

We are working with leaders in this segment on solutions across all test insertions, and it is clear that there are many different approaches and technologies being tried by different

customers. As a result, the types of tests and the handling and alignment techniques are in flux. The key to our strategy here is to develop strong open-ecosystem partnerships for instrumentation, handling and alignment. We have spoken before about our partnerships with Technoprobe and FiconTEC, and we have just announced a partnership with FormFactor to address optical test, amongst other opportunities. Our open, non-exclusive ecosystem of probing, handling, and interface partners, allows us to validate complete test cell solutions before they reach our customers' floors, giving them more interoperability, full control over their supply chains and lead times. This provides a faster path to high-volume production.

The pace of innovation in compute and networking has accelerated, and we have been investing in R&D to ensure that our product roadmap is aligned with those needs. We've discussed before that there is no current ATE solution for the most complex next generation AI and data center devices that are coming to market in 2027. The trio of new UltraFLEXplus instruments that we just introduced address that need. The first is the UltraPin5000-EM. The EM stands for extended memory. This instrument has up to 80 times deeper memories than our current instrument for intensive device characterization work. The second instrument is the UltraVS64-HP. The HP stands for High Power. This instrument enables testing accelerators that consume up to 15,000 amps. And finally the UltraPort-PCIe6. This is the industry's first ATE solution for PCIe Gen6. We also introduced the Iris 100, a solution for optical test of MicroLED and VCSEL emitters. This instrument serves both mobile applications and optical networking.

To ensure data center reliability and uptime, customers are increasingly turning to system level test and burn-in. In the third quarter, we introduced new burn-in capabilities for the Titan HP platform, which enables full system level test coverage across burn-in temperature ranges.

As AI moves out of the data center and into cars, robots and wearables as part of the "third wave of AI," mobile processors, and microcontrollers are adding neural processing units and other AI features. To address that coming market, in the third quarter, we launched the UltraFLEXplus S, a small footprint system that covers both engineering and production insertion for edge AI devices.

Moving on now to memory. Memory manufacturers are bringing on more capacity for HBM, DDR, LP-DDR and Flash memories. More capacity means more wafers, more wafers means more bits and more units, which means more to test in memory.

In the past two quarters, it has become clear that the constraints on memory supply are so severe that AI accelerators are turning to lower stack heights of HBM memory to get a larger number of stacks out of the same volume of DRAM wafers. This will tend to increase the TAM for HBM performance test, an area where we have higher share. The HBM, DDR, LP-DDR and GDDR markets are moving quickly from generation to generation, with higher data rates and new encoding approaches. To support these new technologies, in the third quarter we introduced the Magnum E2, our next generation DRAM tester with the signal integrity and throughput needed to keep pace with our memory customers.

Linear and power segments, which were previously driven mainly by automotive and industrial verticals, are adding capacity to deliver data center power distribution and regulation components. Our product revenue in the automotive and industrial space has grown from less than \$400M in 2025 to over \$600M in 2026. This trend will accelerate with new 800V standards, and new technologies like IVR.

The demand for AI accelerated compute goes beyond the semiconductor market. The need for nearline storage in data centers has accelerated the annual exabyte growth for HDD to over 20% in 2026. Since the test time for HDD is more closely related to the capacity than the unit volume, this, as well as adding a third major customer, is driving expansion of our HDD test revenue.

Scale-up networking to support large GPU clusters is predominantly served by copper connections via backplanes and cable spines, running at unprecedented data rates. This has turned backplanes and cables from commodities to highly engineered and tested elements of the HPC system which is driving significant growth in TDR and BERT test equipment, served by our MLTP Joint Venture. In addition, we have seen strong demand for our Omnyx board test products. Together, these contributed to almost 30% quarter-over-quarter growth for the entire Product Test Group.

Increasingly, exotic packaging and materials are being used in data center tray assemblies. These trays demand super-human accuracy and stamina to build. ODMs and CMs are increasingly turning to flexible, physical AI-based robots to assist in assembly and test processes. As a result, Electronics and Semiconductor is now our largest vertical for Robotics. In the third quarter, we introduced the Universal Robots Gen 7 cobot platform. The features of this platform, and PolyScope X, have been tailored precisely to bring physical AI to electronics assembly workcells, and provide a platform for UR+ partners to plug into to support the diverse requirements of server and rack build.

To sum up, our wafer to AI data center strategy is delivering. Within the third quarter, outside of compute, the rest of our portfolio delivered close to 80% of our overall sales. The R&D that we have been investing has yielded next-generation products. These products allow us to capture opportunity along the entire value chain from wafers to modules to trays to racks. Our continued investment reflects our optimism about the near- and medium-term opportunities in front of us.

This was another strong quarter where AI was the driver across our business groups. We are riding a rising tide. AI has driven the semiconductor and electronics industry into a new era, and our wafer to data center strategy has positioned us to benefit from these positive changes.

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



Michelle Turner, CFO

Thanks, Greg, and good morning, everyone. Let's get into the quarter, beginning with the total company.

Both revenue and non-GAAP EPS came in above the high end of our guidance range, as our wafer to data center strategy and the breadth of our portfolio sustained positive momentum. For the third consecutive quarter, total company sales remained at the high watermark of \$1.3B. For the first nine months of 2026, we delivered \$3.9B in revenue and \$7.31 of non-GAAP EPS, up over 85% and 235% year-over-year, respectively, driven by all things AI.

Building on that, let's take a deeper look at revenue, starting with Semi Test. Our Semi Test team once again cleared \$1B in revenue, up 77% from Q3 2025. The revenue breakdown within Semi Test was SoC at \$676 million, memory at \$301 million, and IST at \$95 million. As expected, compute order timing was predominantly offset by strength across the rest of the Semi Test portfolio.

Starting with SoC, compute revenue grew nearly 50% year over year on continued AI-related demand. As Greg mentioned, our customers' dual vendor strategies are opening up more opportunities for us in compute and we expect healthy growth in 2027. Auto and industrial continued to strengthen, up nearly 90% year-over-year driven primarily by power management demand increases for AI data center build outs. Mobile was up 60% year over year from a low base, though remains below historical levels and a muted part of the overall SoC portfolio.

Now turning to memory. Our memory business delivered another record quarter at \$301 million in revenue, up from the previous record set just last quarter. This represents our fourth consecutive quarter of revenue over \$200 million driven by continued robust HBM and DRAM test solutions demand and a resurgence in NAND.

Finally turning to IST. Revenue in the quarter reached a new record at \$95M, up approximately 150% from the prior year with continued strength in AI-related HDD storage demand from all three major suppliers in this space.

Now on to the Product Test Group. Revenue was \$138 million, up 56% year-over-year. The group experienced broad based growth tied to AI infrastructure build outs from production board test to optical to high-speed interconnect. Book to bill for the quarter was 1.4x with particular strength in the newest addition to the group, Multi Lane Test Products JV, as the need for data center interconnect test solutions increases.

Robotics revenue was \$96 million, up 28% year-over-year. Our Robotics group delivered its highest third-quarter revenue ever and also achieved profitability within the quarter. AI-related revenue remains elevated with robot assisted test and assembly across the data center value chain in high demand. In the first nine months of the year, AI-related revenue was ~20%. Aligned with the third wave of AI Greg mentioned, the physical and edge AI ecosystem is in

early innings and building momentum. Our Robotics group has announced partnerships with industry leaders such as NVIDIA and Analog Devices, as well as innovative start-ups including Scale AI, Generalist, Bright Machines and Sereact. These partnerships reflect growing interest in physical AI.

Now moving down the P&L. Gross margins for the quarter were 59.1%, up 60 basis points year-over-year driven by strong volume and product mix, while sequentially gross margins were down 70 basis points driven primarily by product mix. As expected, OPEX increased driven by more R&D and go-to-market investment in support of future growth. Finally, non-GAAP operating income was \$413 million, with an operating margin of 31.6%.

Now moving to capital allocation. Reinvesting in the business remains our top priority. In 2026, we will invest close to \$1B across R&D and capex, with R&D investments representing a double-digit percentage of our sales. Beyond that, our strategy is to maintain the cash reserves to grow the business, return capital to shareholders through both dividends and share repurchases, and keep dry powder available for accretive M&A. Each pillar of our capital allocation strategy is focused on innovating from wafer to data center, positioning us well over the near- and mid-term.

We ended the quarter with cash and investments of \$625 million, up 21% from last quarter. We had free cash flow of \$227 million in the quarter. For the first nine months of 2026, free cash flow was \$806 million, up nearly 250% from the prior year period. Additionally, from a working capital perspective, we increased our inventory in support of future revenue growth. We paid \$20 million in dividends in the quarter, and our share buybacks were \$99 million.

Now looking ahead to our fourth quarter guidance. For the quarter we expect revenue in the range of \$1.25 billion to \$1.35 billion and non-GAAP EPS of \$1.95 to \$2.25. Gross margins are expected to be in the range of 57.5% to 58.5% reflective of product mix and new product launches. Operating expenses are expected to run at 28.5% to 29.5% of fourth quarter sales, driven by continued investments in R&D and go-to-market. The non-GAAP operating profit rate is expected to be between 28% and 30%.

Our Q4 guidance midpoint of \$1.3 billion represents growth of approximately 20 percent over last year's fourth quarter, which would bring full-year revenue to approximately \$5.2 billion, up over 60 percent. We expect Q4 will be our fourth consecutive quarter of revenue above \$1.25 billion representing a sustained step-change in the business from a year ago. As we said last quarter, we expect 2027 to be another year of healthy growth. Our strengthening backlog and the growth in compute give us momentum that we expect to carry and build through the year.

For your modeling purposes, we expect the FormFactor investment to close in the fourth quarter subject to regulatory approval and customary closing conditions.

The breadth of our portfolio is in full effect in the second half as memory, auto & industrial, IST, Product Test and Robotics grow, offsetting second-half program timing in compute.

In closing, Q3 was another quarter of strong execution. AI demand continued to pull through every part of our portfolio, from the chips that power it to the systems, interconnects and robots that build it - this is what our wafer to data center strategy is designed to capture. As we look to the fourth quarter and into 2027, the demand signals across our end markets remain strong, and we look forward to sharing an updated target earnings model on our Q4 call.

I'll close by thanking all of our Teradyne team members around the world for the hard work and dedication that drives our results and positions us well for the opportunities ahead.

With that, operator, we're ready for questions.