

**Teradyne
Q2 2026
Earnings Call Prepared Remarks
July 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 second quarter of 2026 and our outlook for the third quarter. The press release containing our second 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 technology-focused investor conferences hosted by Goldman Sachs and Citi. Our quiet period will begin at the close of business on September 11, 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. For the second quarter in a row, we delivered record revenue and, once again, AI was the driver. Total company revenue topped \$1.3 billion, up over 100% year-over-year, with non-GAAP EPS of \$2.47, up over 300% year-over-year. All three of our business groups -

Semi Test, Product Test, and Robotics - grew year-over-year and quarter-over-quarter highlighting the AI demand across all parts of the business. At more than 60%, AI-driven revenue is the key proof point that our wafer-to-AI-data-center strategy is delivering results.

There are many superlatives that we could use to describe this quarter's results, and Michelle is going to walk you through the details. I'd like to use my time today to set context for what we believe is a multi-year growth phase for our entire business driven by the continued AI buildout.

Certainly, this is clearest in Compute, across CPUs, Accelerators and Networking, and in Memory for HBM and DDR. However, data centers are now also the primary growth drivers for Flash memory, hard disk drives, power, board test, high speed interconnect and robotics. The long timeline of data center investment plans has given our SOC and memory customers the confidence to aggressively invest in wafer fabrication equipment for new process technologies and additional wafer capacity.

For years, semiconductor capital investment grew slowly, and ATE grew even more slowly within it. That's changing: two factors are now tailwinds for the ATE TAM.

The first is overall semicap investment, particularly wafer fab equipment, WFE, which has begun accelerating. More WFE means more wafers and new equipment generations enable denser process nodes. More wafers and higher density together mean more transistors to test in SOC and more bits to test in memory. WFE capex is now forecasted to approach \$250 billion by the end of the decade, driving 5-10% annual growth in 300mm wafer production and 15–20% CAGR in total transistor production over the mid-term.

Total non-memory transistor production is a reasonable first-order predictor of the SOC TAM. Every transistor must be tested, and a given process node yields roughly the same transistor count per wafer regardless of device type. Memory bit production is the analogous predictor for the memory TAM, also forecast to grow at a 15–20% CAGR over the mid-term. Neither of these predicts the ATE TAM precisely in any given year, but both signal direction. Transistor and bit growth rates have inflected upward and are expected to hold a steeper slope through the end of the decade.

The second factor is advanced packaging. Wafer transistor counts don't vary with die size but the required test volume scales with the acceptable quality level for the devices being tested. As accelerators, CPUs, and networking devices pack in more chiplets, memories, and eventually CPO, a single latent defect has a greater impact on final device yield, raising test intensity per die in multi-chip packages. Both package volume and dies-per-package are forecast to keep rising through the end of the decade, providing a sustained tailwind to the compute TAM. The result: after more than a decade of semicap equipment outgrowing the test TAM, the trend reversed in 2024, and test is now outpacing fab equipment.

With WFE long-term forecasts becoming clearer, we're increasingly confident in long-term ATE TAM growth. As WFE capex approaches \$250 billion by the end of the decade, we see a path for overall ATE TAM to reach or exceed \$20 billion.

In addition to being in a growing market, we are confident that we will be able to gain share over the mid-term. With the ramp of merchant GPU, and the initial dual platform qualification in our second major hyperscaler, we are positioned to gain share in the core compute segment. Our leadership position in HBM and DRAM maximizes our exposure to DRAM driven growth. And segments where we have historically had high share, like flash memory, mobile, industrial, and automotive are positioned for growth driven by cloud, edge and physical AI, whether it's in cars, robots, phones or wearables.

Before I hand off to Michelle, I'd like to share a few demand highlights and their impact to share gains.

First in Memory. Demand has increased from strength in HBM and DRAM and a resurgence in the NAND final test. The 2026 memory TAM is likely to be more than 40% larger than 2025, with notable growth from the first half of 2026 to the second half. A highlight in memory is the growth in HBM base die test. Our Magnum testers have logic test capabilities that provide attractive swing tool advantages for memory makers.

Now on to Compute. In the first quarter, we received our first order from a Merchant GPU customer, which was delivered in the second quarter. Also, in early Q3, we completed correlation at a second hyperscaler, increasing our confidence in 2027 market share growth.

As we discussed last quarter, our expectation is that our compute business would be concentrated in the first half. We have multiple programs across networking and hyperscalers that built out capacity in the first half that is now being utilized. The next surge for these customers is expected to be in the first half of 2027.

Since dual vendor strategies are emerging at the largest compute customers, I'd like to give you a bit more color about how we think this will play out. These customers recognize the importance of de-risking their supply chain. We see this as an important share driver over the next few years. The dual vendor qualification process generally runs through four phases: the first, an opportunity to compete; second, developing a working solution; third, correlation; and, then finally, a production ramp. If successful, it takes 9 to 12 months from the start to ramp. After the initial dual-sourced part ramps, we enter a "fast follower" phase where additional parts are converted and ramped. Ultimately, the account reaches a mature dual vendor stage, where either platform is used for initial part release. It can take a few years to get from fast follower to mature dual vendor. During the fast-follower phase, we expect market share to grow incrementally from 0 up to about 30%. Right now, we have one compute customer in the mature dual-vendor phase, one in fast-follower, and one in qualification prior to ramp.

I'd also like to add a little color around networking. Frontier models require ever larger accelerator clusters. This is driving extreme growth in networking for scale-out, scale across and scale-up applications. While the total number of network connections is growing fast, the timing of transitions from cable to backplane, and from pluggable to XPO and CPO is in constant flux. Our belief is that there is robust growth in all of these technologies. This drove our acquisition of Quantifi Photonics, the development of the Photon 100 solution for optical connections and our MultiLane Test Products JV for copper connections. We are working with

multiple eco-system partners to develop leading edge solutions – from Silicon Photonics wafers to full data center racks. We expect CPO alone will be a \$300 to \$700M market by 2028.

Our IST business grew revenue 2.5x quarter-over-quarter on strength in HDD fueled by AI. We expect continued growth of our IST business in the second half. Given the strong forecast for greater than 20% annual exabyte growth and our design wins, we are confident this business will grow over the mid-term as well.

The data center buildout will drive growth for our Product Test and Robotics Groups through the end of the decade as well. The logic chain is straightforward: more data center construction drives more rack shipments per year which is driving growth at Contract Manufacturers and Original Design Manufacturers. This, combined with the rapid advancement of data center architectures, creates a significant opportunity for Teradyne to provide solutions well matched to the volume, quality and flexibility data center applications required. This is best reflected in the total available market for automation and test among contract manufacturers and ODMs. We believe that there is currently a multi-billion-dollar market for assembly, automation, test, and burn-in equipment, and we expect mid-double-digit growth rates through the end of the decade. By addressing these applications with enhanced production board test, optical test, backplane test, and robotic-assisted test and assembly, Teradyne is uniquely positioned to follow the value chain from wafer to data center.

Our wafer to data center strategy is working. Our optimism around 2026 and 2027 and through the mid-term has grown. We are leaning further into investments to capture opportunities across the value chain both organically and inorganically. And, we are investing in next generation products across our entire portfolio. As we win business, we build out customer teams for major hyperscalers, and semiconductor suppliers. The fact that we are leaning into these investments now is a sign of our confidence in the sustainability of this market growth.

We expect 2027 to be another year of healthy growth for Teradyne consistent with the transistor and bit growth dynamics I described earlier. It's clear to us that increases in WFE spend will be a primary driver to ATE TAM growth and this sets the approach for how we will be updating our target earnings model which we will share in our Q4 earnings call.

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

Michelle Turner, CFO

Thanks, Greg. Let me build on that with the detailed results for the quarter, starting with total company performance.

Both revenue and non-GAAP EPS came in above the high end of our guidance range, as strong AI-driven demand continued across all parts of our portfolio. Sequentially, total company sales were up 4% from last quarter's previous record. For the first half of 2026, we delivered \$2.6B in

revenue and \$5.02 of non-GAAP EPS up close to 100% and 275% 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 the \$1B high watermark established last quarter, with revenue up \$11M from first quarter and 128% from Q2 2025. The revenue breakdown within Semi Test was SoC at \$843 million, memory at \$212 million, and IST at \$67 million. As expected, compute order timing was more than offset by another record memory quarter and IST growing over 150% quarter over quarter.

Within SOC, compute remains the largest portion of our SOC product revenue at 70%. Compute revenue grew nearly 600% year over year on strong AI related demand. In the quarter, as Greg mentioned, we have completed correlation with a second AI hyperscaler customer and we shipped the previously announced merchant GPU order. This further diversifies our compute portfolio creating a foundation for future market share gains over the mid-term. Auto and Industrial continued to strengthen over last year driven by power management demand increases for AI data center build outs. Mobile grew seasonally quarter over quarter double digits though it remains below historical levels and a muted part of the overall SOC portfolio.

Now turning to memory. Our memory business delivered another strong quarter at \$212 million in revenue. This is another record quarter up from the previous one set in Q4 2025. This represents our third consecutive quarter of revenue over \$200 million driven by robust HBM and DRAM test solutions demand and a resurgence in NAND. Demand signals remain strong as memory manufacturers are planning capacity additions further out in time, driving our book to bill ratio in the quarter to over 2.

Finally turning to IST. Revenue in the quarter was \$67M up 94% from the prior year driven by AI-related HDD storage demand from all three major suppliers in this space.

Now on to Product Test Group. Revenue was \$107 million, up 26% year-over-year and 33% quarter-over-quarter. The group experienced broad based growth across all end markets from production board test to optical test, to defense and aerospace to scale up networking at our newest portfolio addition, the MultiLane Test Products JV, also known as MLTP. Last quarter we announced our new production board test platform, Omnyx, which is focused on enabling earlier detection of defects that are impacting the build out of AI data centers. The initial customer traction is strong with units already shipping in the second quarter and continued growth expected in the second half. Similarly, momentum is building in MLTP as the need for high speed I/O and data center interconnect test solutions is increasing. Both Omnyx and MLTP are examples of our wafer to AI data center strategy in action – both solutions focus on solving our customers' most critical pain points along the value chain. As a result, we anticipate their continued growth in the second half of the year.

Robotics revenue was \$100 million, up 33% year-over-year and 9% quarter-over-quarter. Electronics manufacturing and semiconductor revenue increased by 50% from Q1 and is now

the largest end market segment in this group which includes AI data centers. Our US sales increased to 32% of the Robotics overall sales. Aligned with this, our US based manufacturing center is on track for opening later this year.

Now moving down the P&L. Strong earnings results continued in the second quarter driven by robust AI-driven volume and favorable product mix. Gross margins for the quarter were 59.8%, up 250 basis points year-over-year driven by strong Semi Test volume and product mix while sequentially gross margins were down 110 basis points driven in part by one-time benefits in the first quarter. OPEX increased as expected driven by more R&D and go-to-market investment for 2027 growth, plus higher variable compensation on stronger results. Finally, non-GAAP operating income was \$448 million, with an operating margin of 33.7%.

Now moving to capital allocation. Our first priority for capital continues to be reinvesting back into the business, aligned with the growth opportunities we see along the wafer to AI data center value chain. That means continued R&D investment in innovation and next-gen technologies as well as continued investments in cost of goods sold and capex, aligned with scaling our operations and supporting our current and future customers with demo assets. Beyond that, our capital allocation strategy remains consistent: maintain cash reserves to run the business and keep dry powder available for accretive M&A.

We ended the quarter with cash and investments of \$517 million, up over 30% from last quarter. We had free cash flow of \$378 million in the quarter. For the first half of 2026, free cash flow was \$579 million up 150% from the prior year period. Working capital – predominantly inventory investment – increased in support of future sales. As discussed last earnings call, capital expenditures increased \$26 million from last quarter, driven by continued investments in innovation and operations scaling. We paid \$20 million in dividends in the quarter, and our share buybacks were \$69 million.

Now looking ahead to our third quarter guidance. For the quarter we expect revenue in the range of \$1.2 billion to \$1.3 billion and non-GAAP EPS of \$1.85 to \$2.15. Gross margins are expected to be in the range of 58% to 59% reflective of product mix and new product launches. Operating expenses are expected to run at approximately 29% to 30% of third 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%.

Based on current customer order visibility, we are updating our first half weighted revenue to 50% to 52% of annual revenue. The outlook for the second half has strengthened and we've narrowed the range from three months ago with increased visibility and continued robust demand signals from our customers. The range also takes into account the timing of orders that could impact revenue timing across quarters or years. To aid in your modeling, we expect growth in second half in comparison to first half in memory, auto & industrial, IST, Product Test and Robotics Groups. We expect this growth will be offset by softness in mobile and order timing in compute. We anticipate a resurgence in growth in 2027 driven by overall ATE TAM expansion and market share gains. Aligned with this strengthened demand signal, we expect OPEX in Q4 to be comparable to Q3 guidance, positioning us for further growth in 2027.

So, in closing, once again our team delivered exceptional financial results, meeting our customers' increasing AI demand needs through strong execution and a maniacal focus on customer satisfaction. We remain confident in achieving our target earnings model at an accelerated pace and look forward to providing an update in our Q4 earnings call.

I'll close by thanking our Teradyne team for their execution and discipline this quarter, delivering for both our customers and shareholders.

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