

Higher normalized earnings power, with the headline margin and EPS flattered by nonrecurring benefits

1 KEY RESULTS VS. CONSENSUS			
Metric	Reported	Consensus	vs. Cons.
Revenue	\$280.5 million	\$271.3 million	+3.4%
Operating Income (adjusted)	\$94.1 million	\$28.6 million	+229.0%
Net Income (adjusted)	\$82.3 million	\$25.7 million	+220.2%
Diluted EPS (adjusted)	\$1.04	\$0.85	+22.4%
COMPANY METRICS			
Adjusted Operating Expenses (vs. Prior Quarter)	\$64.4 million	\$65.7 million	-2.0%
Operating Cash Flow (vs. Prior Quarter)	\$104.3 million	\$61.8 million	+68.8%
Free Cash Flow (vs. Prior Quarter)	\$64.8 million	\$52.6 million	+23.2%
Capital Expenditures (vs. Prior Quarter)	\$39.6 million	\$9.6 million	+312.5%

2 | GUIDANCE AND OUTLOOK

Q4 revenue is guided at \$275 million to \$295 million, against consensus of \$281.5 million; adjusted EPS at \$0.86 to \$1.04, against consensus of \$0.80; and adjusted gross margin at 54%, plus or minus 150 basis points, against consensus of 51.7%. The guide includes an expected tariff refund of about \$2 million; excluding it, midpoint adjusted EPS is approximately \$0.93. The 2026 Farmers Branch cash capital-spending estimate was cut to \$100 million to \$110 million, from \$140 million to \$170 million, on timing only. The \$1.6 billion revenue, 55% gross margin and \$5 adjusted EPS framework was reaffirmed.

3 | EARNINGS ANALYSIS

THE BEAT WAS PROFITABILITY, NOT REVENUE. Revenue of \$280.5 million beat the prior guidance midpoint of \$270 million by \$10.5 million, but topped the \$280 million upper bound by only about \$0.5 million. Adjusted operating income of \$94.1 million ran about \$18.3 million above the roughly \$75.8 million the prior plan implied: about \$5.7 million from added revenue at the planned margin, about \$7.0 million from gross-margin outperformance, and about \$5.6 million from operating expenses below plan.

EARNINGS QUALITY: THE NORMALIZED BASELINE. Approximately \$10.5 million of gross profit is not expected to recur: \$8.6 million of tariff refunds and about \$1.9 million of other benefits, principally Quantum subcomponent costs. Excluding them, adjusted gross margin was approximately 52.7% and adjusted EPS approximately \$0.93. The refund was partly expected: July guidance already anticipated roughly 300 basis points of refund benefit, so the beat was neither purely operational nor purely refund-driven. The adjusted tax rate rose to 17.6%; the diluted share count fell only about 0.2%.

THE MARGIN BASELINE MOVED UP. Management now views around 53% as the gross-margin baseline at Q3 volumes, up from 51% to 51.5% previously, crediting cycle times, yields, labor performance and manufacturing spending. The improvement held through a mix shift from HBM toward DDR5. Management expects 2027 margins near that baseline as volume leverage offsets ramp inefficiency, with the new factory accretive after its initial ramp, though it declined to quantify the accretion.

CAPACITY NOW SETS THE GROWTH RATE. Farmers Branch shipped its first production probe card in October, starting with assembly and test; the MEMS front end follows in 2027. Management expects about \$400 million of annual revenue capacity exiting 2027, rising roughly linearly, and cautions that this is capability, not revenue. Q4 sequential revenue growth slows to 1.6% at the midpoint because the existing footprint is at its limits.

CASH, CAPITAL AND THE TERADYNE INVESTMENT. Operating cash flow was \$104.3 million and company-defined free cash flow \$64.8 million; the company's definition runs slightly above operating cash flow less capital expenditures of about \$64.6 million. Capital spending rose to \$39.6 million, and the 2026 Farmers Branch cash spending estimate fell to \$100 million to \$110 million on timing only. Teradyne will buy 2,234,887 new shares for about \$300 million, roughly 2.8% more shares, with closing expected in Q4 and not in the Q3 cash balance of about \$399 million.

4 | KEY READ-THROUGHS

SERVER CPU DEMAND PROVIDES AN IMMEDIATE POSITIVE CROSS-CHECK
Intel (INTC), Advanced Micro Devices (AMD) | Positive | Meaningful for server-processor demand; insufficient to establish a consolidated earnings beat
Foundry and logic revenue rose about 10% sequentially with data center CPUs a key contributor, and a longstanding customer approached 10% of company revenue, about \$28 million of sales. Broader CPU demand around accelerator clusters supports the Xeon and EPYC opportunity rather than spending accruing only to GPUs. Intel reports October 29 and AMD on November 3.

GPU QUALIFICATION AND NEW CAPACITY INCREASE COMPETITIVE PRESSURE ON TECHNOPROBE
Technoprobe (TPRO), Taiwan Semiconductor Manufacturing Company (2330) | Negative for Technoprobe | Limited immediate earnings impact; a meaningful competitive development for 2027 and beyond
FormFactor shipped probe cards for a single GPU design to the leading foundry in multimillion-dollar volumes and adds about \$400 million of annual capacity exiting 2027, giving customers a second qualified supplier for advanced logic programs. That can constrain pricing power tied to scarce qualified supply. It does not show Technoprobe lost the disclosed program.

DDR5 ALLOCATION DECISIONS CONFIRM CONVENTIONAL DRAM IS A MAJOR PROFIT DRIVER
Micron Technology (MU), SK hynix (000660), Samsung Electronics (005930) | Positive | Potentially substantial for DRAM profitability
DRAM probe card revenue held at record levels while HBM revenue fell and DDR5 rose, because customers reallocated wafer starts toward DDR products to capture DDR price increases. Production decisions following relative returns are a stronger signal than pricing commentary: conventional DRAM now competes for scarce capacity, and the benefit is not confined to the leading HBM supplier.

PAID PHOTONICS TEST DEMAND VALIDATES MANUFACTURING PREPARATION
NVIDIA (NVDA), Broadcom (AVGO) | Positive | Strategically meaningful for networking platforms; limited evidence of incremental near-term consolidated earnings
Systems revenue rose about 23% sequentially to \$59.5 million on Triton demand, and the 2026 Triton expectation rose from an initial \$10 million to \$20 million to more than \$30 million. Paid test systems that screen photonic die before expensive assembly are firmer evidence of commercialization than announcements, supporting NVIDIA and Broadcom optical build-outs.