

More resilient operating base; timing and valuation risks remain

1 KEY RESULTS VS. CONSENSUS			
Metric	Reported	Consensus	vs. Cons.
Revenue	\$1.306 billion	\$1.27 billion	+2.8%
Net Income (adjusted)	\$359.9 million	\$321.3 million	+12.0%
Diluted EPS (adjusted)	\$2.29	\$2.09	+9.6%
SEGMENT REVENUE			
Semiconductor Test	\$1.072 billion	\$1.05 billion	+2.1%
Product Test	\$138 million		
Robotics	\$96 million		

2 | GUIDANCE AND OUTLOOK

Q4 revenue guidance is \$1.25 billion to \$1.35 billion and adjusted EPS \$1.95 to \$2.25. Gross margin falls from 59.1% to 57.5% to 58.5%, and operating margin from 31.6% to 28% to 30%. Management expects Q1 growth from Q4 and reaffirmed healthy growth in 2027. Hyperscaler ramps are more back-half loaded than July’s 1H27 discussion, without a formally announced customer delay. Broader physical-AI commercialization is more a 2028 opportunity than 2027 beyond the major Robotics customer.

3 | EARNINGS ANALYSIS

PROFITABILITY BEAT OUTPACED REVENUE. Revenue beat consensus by 2.8%, while adjusted EPS beat by 9.6%. Record memory revenue of \$301 million, Integrated Systems Test of \$95 million and Product Test growth offset the sharp compute decline. SoC revenue fell \$167 million sequentially; memory, Integrated Systems Test and Product Test increased a combined \$148 million. Better expense absorption made the earnings beat substantially operational: operating expenses were approximately 27.4% of sales against previous guidance of 29% to 30%.

EARNINGS QUALITY HAS QUALIFICATIONS. The adjusted tax rate fell to 14.7% from 15.5% in Q2, helping modestly but insufficiently to explain the EPS beat. GAAP EPS of \$2.17 corroborated the improvement, and stock-based compensation remained an economic expense rather than being broadly excluded. Revenue remains predominantly equipment-driven: product revenue increased approximately 84% year over year, while services grew only approximately 3.6%. Services represented approximately 10.9% of sales, leaving less recurring-revenue protection than the headline growth might suggest.

MARGINS WEAKEN DESPITE SCALE. Revenue declined 1.7% sequentially, adjusted EPS fell 7.3%, and operating margin contracted by 210 basis points. Mix and product introductions pressure Q4 margins as management invests ahead of demand. Excess-and-obsolete inventory provisions increased to \$10.9 million from \$3.6 million, so the Q3 decline should not be attributed exclusively to mix. However, nine-month provisions were approximately unchanged year over year. For 2027, management described approximately balanced positive and negative gross-margin forces, not an assured margin recovery.

CASH CONVERSION FUNDS PREPARATION. Operating cash flow of \$313.6 million and capital expenditures of \$86.3 million produced \$227.3 million of free cash flow, approximately 63% of adjusted net income. Net inventory rose 42.6% sequentially to \$575.0 million. Cash and marketable securities were approximately \$625 million, with no outstanding short-term debt, but the pending \$300 million FormFactor equity investment is a material commitment, not an acquisition. The larger, more resilient operating base does not yet remove timing and valuation risks.

QUALIFICATIONS ARE NOT ALLOCATIONS. Qualification does not guarantee production allocations. Teradyne can gain compute share while losing aggregate share as market mix shifts. Management needs a larger ATE market to achieve its existing revenue target.

PRODUCT BREADTH MASKS CONCENTRATION. More than 60% of revenue remains tied to AI. Different products still depend on the same data-center capital budgets. Future returns depend on converting technical qualifications and ecosystem investments into timely, profitable, cash-generative revenue.

4 | KEY READ-THROUGHS

MEMORY SCARCITY IS CHANGING PRODUCT DESIGNS
Micron (MU); SK hynix (000660) | Positive | High fundamental relevance; moderate incremental information contribution
DRAM wafer availability is the bottleneck, pushing accelerator designs toward lower HBM stack heights rather than signaling collapsing demand. Memory-test revenue reached \$301 million, up approximately 42% sequentially. Architectural adaptation supports the strategic value of qualified output, supply commitments and manufacturing execution. Micron and SK hynix had already disclosed constrained supply and strong commitments; Teradyne adds downstream corroboration, not a new contractual upgrade.

MORE HBM STACKS DO NOT AUTOMATICALLY MEAN MORE SHIPPABLE ACCELERATORS
NVIDIA (NVDA); AMD (AMD) | Negative for unconstrained shipment assumptions | High operational relevance
More completed HBM stacks do not create more DRAM bits. AMD’s MI350X carries 288 GB of HBM3E, underscoring the memory requirement. Additional logic or test capacity cannot produce complete accelerators without qualified memory. Preserving capacity with lower stacks can require more packaging area, base dies and assembly work. The call establishes execution risk, not a specific shipment miss or revenue haircut for either company.

DUAL SOURCING CREATES A REAL LONGER-TERM SHARE RISK
Advantest (6857) | Positive near term; negative longer term | High
Teradyne’s second hyperscaler passed qualification, creating a credible route for customers to diversify procurement. Capacity purchases are expected in 2H27, while the mature hyperscaler’s next major ramp is around mid-2027. Qualification is not a production allocation. Compute-market expansion still supports Advantest’s near-term capture, and both vendors can grow. Actual allocation conversion, rather than technical progress alone, determines the longer-term competitive threat.

COPPER CONNECTIVITY IS BECOMING MORE VALUABLE PER CONNECTION
Amphenol (APH); Credo (CRDO) | Positive | High for Credo’s connectivity exposure; meaningful for Amphenol’s data-center business
Higher data rates are turning copper cables and backplanes into highly engineered, tested components. Product Test revenue reached \$138 million, with a 1.4 book-to-bill ratio. More connections and greater signal-integrity, retiming and reliability requirements support Amphenol’s hardware and Credo’s connectivity silicon. Optical adoption and copper growth can coexist. These are shared end-market exposures, not disclosed supplier contracts; Teradyne’s bookings ratio cannot be transferred to either peer.