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Teradyne Inc | North America

Earnings First Take - Solid

Numbers upside slightly lower than the last 3 quarters, but solid nonetheless. Lots of questions for the earnings call (compute, memory, capacity, auto industrial).

What happened? TER reported SepQ revenue of $1,306mn (-1.7% q/q, +69.8% y/y), ahead of MSe at $1,267mn. By Segment, product test saw a meaningful beat, with the company calling out HDDs, while robotics missed MSe. For DecQ, TER guided revenue to $1,300mn (-0.5% q/q, +20.0% y/y), in-line with MSe at $1,313mn and consensus at $1,269mn.

What are we focused on for the earnings call (8:30 EST)? 1) Compute: TER's intra-quarter commentary on compute customer acquisitions sounded quite positive, particularly around custom ASICs. We're curious how the company is progressing on these opportunities, especially given its expectation to capture production share in 2027. **2) Capacity & Visibility:** TER delivered meaningfully above the midpoint of its guidance over the last 4 quarters, supported by its ability to fulfill short-lead-time orders. Given current shipment levels, we're curious how much longer TER can continue accommodating these orders and whether the company is considering capacity expansion plans similar to Advantest's. **3) Memory:** We currently model memory test revenue growing 75% y/y, but based on tester import data into Korea, we suspect results could be tracking ahead of our estimates. We're curious how TER views the sustainability of demand and evolving share dynamics, particularly given that test demand appears to be significantly outpacing wafer additions and bit output growth. **4) Auto & Industrial:** We've been picking up indications of meaningful auto and industrial tester volumes. We're curious how significant a demand driver this has become and whether TER has been able to fully service demand this quarter or if supply constraints have limited shipments.

Exhibit 1: SepQ revenue by segment

Segment	Reported	Est	Diff (%)
Semiconductor Test	$ 1,072	$ 1,042	3%
Product Test	$ 138	$ 118	17%
Robotics	$ 96	$ 107	-10%

Source: Company Data, Morgan Stanley Research estimates

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Teradyne Inc (TER.O, TER US)

Semiconductor Capital Equipment | United States of America

Stock Rating	**Equal-weight**
Industry View	**In-Line**
Price target	**$397.00**
Shr price, close (Oct 26, 2026)	$309.00
Mkt cap, curr (mm)	$49,108
52-Week Range	$487.91-144.07

Fiscal Year Ending	12/25	12/26e	12/27e	12/28e
EPS ($)**	4.08	9.25	11.91	14.17
Prior EPS ($)**	-	-	-	-
P/E	47.4	33.4	25.9	21.8
EPS ($)§	-	9.17	11.80	15.06
Div yld (%)	0.2	0.2	0.2	0.2

Unless otherwise noted, all metrics are based on Morgan Stanley ModelWare framework
** = Based on consensus methodology
§ = Consensus data is provided by Refinitiv Estimates
e = Morgan Stanley Research estimates

QUARTERLY EPS ($)

Quarter	2025	2026e Prior	2026e Current	2027e Prior	2027e Current
Q1	0.75	-	2.56a	-	2.40
Q2	0.57	-	2.47a	-	2.94
Q3	0.85	-	2.04	-	3.19
Q4	1.80	-	2.15	-	3.39

e = Morgan Stanley Research estimates, a = Actual Company reported data

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Financial Summary

Exhibit 2: Earnings Snapshot

TER-US: Snapshot for the quarter ended September 2026

Income Statement									
Qtr Results:	**Actual**			**Lst Qtr**	**QoQ**	**Lst Yr**	**YoY**	**Consensus**	**MSe**
Revenue	$1,306.0			$1,329.0	*-1.7%*	$769.2	*69.8%*	$1,267.8	$1,266.7
Gross Margin	*59.1%*			*59.8%*	-69bps	*58.5%*	64bps	*58.6%*	*58.5%*
EPS*	$2.29			$2.47	($0.18)	$0.85	$1.44	$2.09	$2.04
Nxt Qtr Outlook:	**Low**	**High**	**Midpoint**					**Next Q Estimate**	
Revenue	$1,250	$1,350	$1,300		*-0.5%*	$1,083.3	*20.0%*	$1,269.3	$1,313.1
EPS*	$1.95	$2.25	$2.10		($0.19)	$1.80	$0.30	$2.07	$2.15

** EPS excludes stock-based compensation and extraordinary one-time items*

Source: Company Data, FactSet, Morgan Stanley Research estimates

Valuation Methodology and Risks

Teradyne Inc (TER.O)

28x FY28e EPS of $14.17, in-line with historical through-cycle average.

Risks to Upside

- ASIC, Networking, and ADAS test TAMs are larger than expected and TER increases market share
- TER breaks into merchant GPU test and captures meaningful share

Risks to Downside

- Apple & memory revenue recovery weaker than anticipated.
- Industrial automation business loses market share to larger competitors.
- TER loses share in Networking test.

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(as of September 30, 2026)

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Overweight/Buy	1599	43%	455	48%	28%	783	44%
Equal-weight/Hold	1563	42%	394	42%	25%	763	43%
Not-Rated/Hold	2	0%	1	0%	50%	1	0%
Underweight/Sell	570	15%	96	10%	17%	227	13%
Total	3,734		946			1774	

Data include common stock and ADRs currently assigned ratings. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months. Due to rounding off of decimals, the percentages provided in the "% of total" column may not add up to exactly 100 percent.

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Price Target History: 4/29/21 : 148; 10/28/21 : 150; 12/14/21 : 161; 1/28/22 : 132; 7/27/22 : 116; 10/26/22 : 92; 1/27/23 : 101; 4/27/23 : 91; 7/28/23 : 114; 10/26/23 : 88; 1/29/24 : 113; 1/31/24 : 100; 4/8/24 : 116; 7/21/24 : 145; 7/25/24 : 134; 10/24/24 : 121; 1/19/25 : 117; 1/30/25 : 112; 3/13/25 : 81; 4/15/25 : 69; 4/29/25 : 68; 7/8/25 : 74; 7/30/25 : 100; 10/13/25 : 136; 10/29/25 : 174; 1/27/26 : 229; 2/3/26 : 288; 2/11/26 : 306; 4/22/26 : 376; 4/29/26 : 387; 7/29/26 : 397

Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target No Price Target Assigned (NA)
Stock Price (Not Covered by Current Analyst) Stock Price (Covered by Current Analyst)
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Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) No Rating Available (NA)
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INDUSTRY COVERAGE: Semiconductor Capital Equipment

COMPANY (TICKER)	RATING (AS OF)	PRICE* (10/27/2026)
Shane Brett		
Advanced Energy Industries Inc. (AEIS.O)	O (07/22/2026)	$221.13
Applied Materials Inc. (AMAT.O)	E (05/18/2026)	$387.59
Camtek (CAMT.O)	E (12/01/2025)	$123.31
KLA Corp (KLAC.O)	O (01/15/2026)	$149.21
Lam Research Corp (LRCX.O)	O (05/18/2026)	$237.50
MKS Inc. (MKSI.O)	O (08/04/2024)	$202.28
Nova Ltd (NVMI.O)	E (12/01/2025)	$316.33
ONTO Innovation Inc (ONTO.N)	O (06/14/2026)	$214.17
Teradyne Inc (TER.O)	E (07/30/2025)	$309.00

Stock Ratings are subject to change. Please see latest research for each company.
* Historical prices are not split adjusted.

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