

Teradyne, Inc.

Recommendation **HOLD** ★ ★ ★ ★ ★

Price
\$41.88 [as of Dec 15, 2017 4:00 PM ET]

12-Mo. Target Price
\$42.00

Report Currency
USD

Investment Style
Mid-Cap Blend

Equity Analyst Angelo Zino

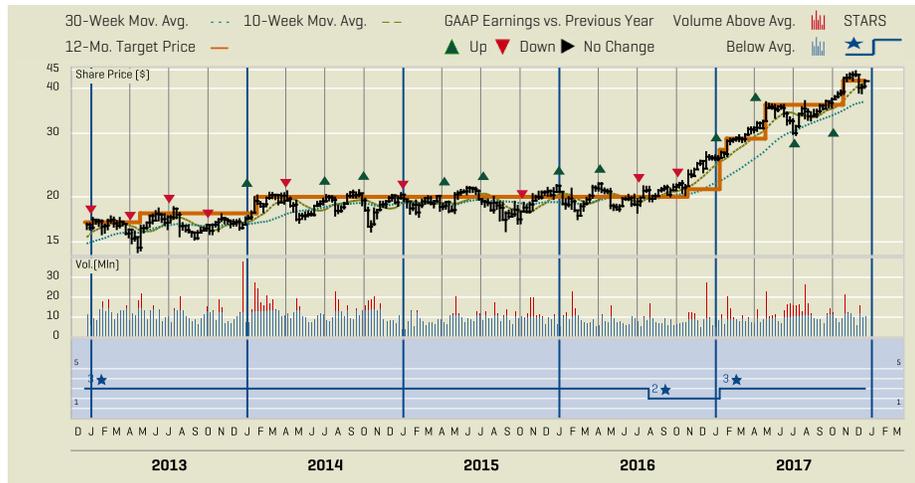
GICS Sector Information Technology
Sub-Industry Semiconductor Equipment

Summary This company makes automatic test equipment used primarily by the semiconductor and telecommunications industries.

Key Stock Statistics [Source: CFRA, S&P Global Market Intelligence (SPGMI), Company Reports]

52-Wk Range	\$44.62 - 25.24	Oper. EPS 2017E	2.23	Market Capitalization(B)	\$8.215	Beta	1.01
Trailing 12-Month EPS	2.15	Oper. EPS 2018E	2.35	Yield [%]	0.67	3-Yr Proj. EPS CAGR[%]	7
Trailing 12-Month P/E	19.12	P/E on Oper. EPS 2017E	18.39	Dividend Rate/Share	\$0.28	SPGMI's Quality Ranking	B-
\$10K Invested 5 Yrs Ago	\$26,457	Common Shares Outstg.[M]	196.16	Institutional Ownership [%]	100		

Price Performance



Source: CFRA, S&P Global Market Intelligence

Past performance is not an indication of future performance and should not be relied upon as such.

Analysis prepared by Equity Analyst Angelo Zino on Oct 26, 2017 12:28 PM, when the stock traded at \$39.06.

Highlights

- ▶ We see revenues rising 4% in 2018 following our outlook for a 17% increase in 2017. We see a relatively flat System-On-Chip (SOC) test market in 2018 but anticipate growth of at least 10% within the memory test space. We remain optimistic about opportunities in Universal Robots, which witnessed growth of more than 70% in the most recently completed quarter, and see sales within System Test trending upward over time while acknowledging quarterly volatility. While higher unit volume and growing complexities for semiconductors are driving orders, we expect visibility to remain low. We anticipate Semiconductor Test sales being led by growth in mobility, automotive, analog, memory, and image sensors.
- ▶ We forecast an annual gross margin between 56% and 57% for both 2017 and 2018, compared with a 55% margin that was posted in 2016. TER has a much improved business model, and should benefit from industrial automation growth over time. We note growth in this higher-margin business will aid operating margin expansion. We see TER investing heavily in product development.
- ▶ We project operating EPS of \$2.23 in 2017 and \$2.35 in 2018. We expect earnings to be volatile due to the cyclical nature of TER's business.

Investment Rationale/Risk

- ▶ Our Hold recommendation reflects our view of valuation and limited order visibility following recent growth across the industry. We anticipate tougher comparables ahead and see Semiconductor Test revenue flattening in 2018 following a recent surge in orders. While we see significant growth potential within Industrial Automation/robots, we see growth decelerating in the broader automated test equipment market and do not anticipate a recovery in Wireless Test. We see benefits from cash generation potential during cyclical upturns and TER's commanding market share position in the test equipment SOC market. TER's leadership position in the business and its strong cash position, offset in part by the competitive and low-growth environment for testers, are incorporated into our opinion.
- ▶ Risks to our recommendation and target price include narrower-than-anticipated margins, lower-than-projected customer capital spending plans, a weaker global economy, greater-than-anticipated pricing declines, and more competitive pressure.
- ▶ We derive our 12-month target price of \$42 by applying a P/E of 18X to our 2018 EPS forecast, above peers to reflect our view of its superior financial position and growth prospects.

Analyst's Risk Assessment

LOW	MEDIUM	HIGH
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Our risk assessment reflects the historical cyclicity of the semiconductor equipment industry, lack of visibility in the medium term and intense competition, partially offset by Teradyne's market position and financial strength.

Revenue/Earnings Data

Revenue (Million U.S. \$)

	1Q	2Q	3Q	4Q	Year
2018	--	--	--	--	--
2017	457	697	503	--	--
2016	431	532	410	380	1,753
2015	342	513	466	318	1,640
2014	321	526	478	323	1,648
2013	280	429	433	285	1,428

Earnings Per Share (U.S. \$)

	1Q	2Q	3Q	4Q	Year
2018	E 0.51	E 0.93	E 0.56	E 0.35	E 2.35
2017	0.42	0.87	0.52	E 0.35	E 2.23
2016	0.24	-1.10	0.31	0.33	-0.21
2015	0.15	0.48	0.34	-0.00	0.97
2014	0.00	0.47	0.38	-0.48	0.37
2013	0.03	0.28	0.29	0.09	0.70

Fiscal year ended Dec 31. Next earnings report expected: Late Jan. EPS Estimates based on CFRA's Operating Earnings; historical GAAP earnings are as reported in Company reports.

Dividend Data

Amount (\$)	Date Decl.	Ex-Div. Date	Stk. of Record	Payment Date
0.07	Jan 25	Feb 22	Feb 24	Mar 20 '17
0.07	May 09	May 30	Jun 01	Jun 23 '17
0.07	Aug 24	Sep 06	Sep 07	Sep 29 '17
0.07	Nov 14	Nov 28	Nov 29	Dec 21 '17

Dividends have been paid since 2014. Source: Company reports.

Past performance is not an indication of future performance and should not be relied upon as such.

Forecasts are not reliable indicator of future performance.

Teradyne, Inc.

Business Summary October 26, 2017

CORPORATE OVERVIEW. Founded in 1960, Teradyne is a leading global supplier of automatic test equipment (ATE) for the electronics industry. As electronic systems have become more complex, the need for products to test the systems has grown dramatically. TER's product segments include Semiconductor Test, Systems Test Group, Wireless Test and Industrial Automation.

Semiconductor Test products test system on a chip (SOC) semiconductor devices during the manufacturing process. These systems are used for wafer level and device packaging testing and span a broad range of end users and functionality. TER's systems help customers improve and control quality, reduce time to market, increase production yields, and improve product performance. TER's FLEX Test platform is designed for scalability and allows for simultaneous parallel testing, reducing costs. The J750 platform is designed to address the highest volume semiconductor devices such as microcontrollers, with a single circuit board providing up to 64 digital input/output channels. The J750 platform technology has been extended to create the IP 750 Image Sensor test system, which focuses on testing image sensor devices used in digital cameras and other imaging products. The J750 platform has been expanded to include critical new devices that include high-end microcontroller, LCD drivers, and the latest generation of cameras.

TER's acquisition of Nextest expanded its product base to include the Magnum test platform. The Magnum platform offers memory test products for the flash memory and dynamic random access memory (DRAM) markets. TER's Eagle Test acquisition expanded its product offerings to include the ETS platform. The ETS platform is used by chipmakers and assembly and test subcontractors, primarily in the low pin count analog/mixed signal discrete markets that cover more cost-sensitive applications. Its SmartPin technology enables multiple semiconductor devices to be tested simultaneously, or in parallel, on an individual test system, permitting greater test throughput.

The Systems Test Group segment is comprised of three units: Commercial Board Test, Storage Test, and Military/Aerospace Test. Commercial Board test systems are sold to electronic manufacturers of cell phones, servers, computers, Internet switches, automobiles and avionics systems. Products test and inspect printed circuit boards (PCBs), which are thin plates or cards on which semiconductor chips and other electronic components are placed. In-circuit test systems assess electrical interconnections, verify inter-operation on PCBs and are used both in prototype testing and high-volume board manufacturing. Imaging inspection systems use a 3-dimensional X-ray system for higher density double-sided boards where half of all solder connections are invisible to optical inspection systems. In Storage Test, TER offers its Neptune product line targeted at the high-growth 2.5-inch hard disk drive market. The storage growth for laptops, netbooks and consumer electronics combined with the growth in storage density is driving the need for high-density test solutions for the 2.5-inch hard disk drive segment. Military/Aerospace test systems are used by Department of Defense programs across U.S. military branches and allied military services worldwide. Demand for high-performance test systems is fueled by new programs from tactical aircraft to missile systems.

The Wireless Test segment (from the LitePoint acquisition) designs, develops and supports advanced wireless test solutions for the development and manufacturing of wireless devices, including smart phones, tablets, notebooks/laptops, personal computer peripherals and other Wi-Fi enabled devices. Products fall into two categories: cellular and connectivity. We see strong growth prospects for wireless test equipment due to the increasing penetration of mobile devices, with faster and steeper ramps. We think that LitePoint's product offerings and exposure to the higher-growth wireless arenas will allow this segment to substantially outgrow the overall test equipment market in the coming years.

IMPACT OF MAJOR DEVELOPMENTS. On June 11, 2015, TER acquired Universal Robots for \$318 million. Universal Robots is a leading supplier of collaborative robots which are low-cost, easy-to-deploy and simple-to-program robots that work side by side with production workers to improve quality and increase manufacturing efficiency. Universal Robots is a separate operating and reportable segment, Industrial Automation.

In October 2011, TER acquired privately-held LitePoint, a test equipment maker for wireless products, for up to \$580 million net of cash.

FINANCIAL TRENDS. Semiconductor and semiconductor equipment manufacturers have historically been highly cyclical, with periods of strong growth and high margins leading to over-investment and excess supply followed by periods of weakness, with the cycle repeating when demand eventually catches up to and outstrips supply. We think that going forward, there will be less volatility in the cycles due to industry growth and maturation, increasing diversification among end users, geographic and diverse end products, greater information sharing throughout the supply chain, modulating growth and a continuing trend toward outsourcing.

Longer term, we expect moderate growth for the industry. While the company has historically experienced losses during cyclical downturns, we expect TER to focus on reducing the revenues needed to break even (primarily by outsourcing manufacturing) in the future. We view TER's balance sheet as healthy and anticipate free cash flow to sales to track between 20% and 30% over an extended period of time.

Corporate Information

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CEO & Pres

M.E. Jagiela

CFO & Treas

G.R. Beecher

Secy & General Counsel

C.J. Gray

Board Members

M.A. Bradley

D.W. Christman

E.J. Gillis

T.E. Guertin

M.E. Jagiela

M. Johnson

M. Matz

P.J. Tufano

R.A. Vallee

Domicile

Massachusetts

Founded

1960

Employees

4,300

Stockholders

1,737

Teradyne, Inc.

Quantitative Evaluations						
Fair Value Rank	3	1	2	3	4	5
		LOWEST				HIGHEST
		Based on CFRA's proprietary quantitative model, stocks are ranked from most overvalued [1] to most undervalued [5].				
Fair Value Calculation	\$39.88	Analysis of the stock's current worth, based on CFRA's proprietary quantitative model suggests that TER is slightly overvalued by \$2.00 or 4.8%.				
Volatility		LOW	AVERAGE	HIGH		
Technical Evaluation	NEUTRAL	Since December, 2017, the technical indicators for TER have been NEUTRAL.				
Insider Activity		UNFAVORABLE	NEUTRAL	FAVORABLE		

Expanded Ratio Analysis				
	2016	2015	2014	2013
Price/Sales	2.93	2.69	2.67	2.91
Price/EBITDA	12.25	11.29	12.38	12.11
Price/Pretax Income	-93.45	17.42	46.18	20.56
P/E Ratio	-118.50	21.31	53.49	25.17
Avg. Diluted Shares Outsg. (M)	203	213	223	236

Figures based on fiscal year-end price

Key Growth Rates and Averages				
Past Growth Rate [%]	1 Year	3 Years	5 Years	
Sales	6.93	7.08	4.17	
Net Income	NM	-35.91	-34.85	
Ratio Analysis [Annual Avg.]				
Net Margin [%]		NM	NM	
% LT Debt to Capitalization	16.17		NA	
Return on Equity [%]	-2.29	3.97	6.78	

Company Financials Fiscal year ending Dec. 31										
Per Share Data [U.S. \$]	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Tangible Book Value	7.56	6.08	7.46	7.15	5.91	4.14	5.49	2.93	3.08	6.67
Free Cash Flow	1.78	1.53	1.59	0.85	1.52	1.02	2.72	0.46	0.45	0.13
Earnings	-0.21	0.97	0.37	0.70	0.94	1.52	1.73	-0.78	-2.32	0.39
Earnings [Normalized]	0.94	0.75	0.57	0.45	0.72	0.64	1.10	-0.24	0.14	0.33
Dividends	0.24	0.24	0.18	NA						
Payout Ratio [%]	NM	25	46	NA						
Prices: High	26.59	21.58	20.88	18.73	18.01	19.19	14.44	10.96	14.50	18.53
Prices: Low	17.34	16.06	16.02	14.05	12.95	10.37	8.84	3.24	2.80	10.02
P/E Ratio: High	NM	22.2	56.4	26.8	19.2	12.6	8.3	NM	NM	47.5
P/E Ratio: Low	NM	16.6	43.3	20.1	13.8	6.8	5.1	NM	NM	25.7

Income Statement Analysis [Million U.S. \$]										
Revenue	1,753	1,640	1,648	1,428	1,657	1,429	1,566	777	1,107	1,102
Operating Income	300	250	203	192	286	249	417	-50	28	57
Depreciation + Amortization	120	141	153	151	146	107	94	104	95	67
Interest Expense	3.6	1.9	6.9	26.1	24.5	23.3	24.7	19.9	1.2	NA
Pretax Income	-55	253	95	202	266	214	396	-144	-382	79
Effective Tax Rate	21.1	18.4	14.8	18.3	18.4	-60.4	4.2	5.9	-3.3	9.3
Net Income	-43	206	81	165	217	370	385	-134	-394	78
Net Income [Normalized]	191	159	126	106	165	145	249	-41	24	62

Balance Sheet and Other Financial Data [Million U.S. \$]										
Cash	1,179	742	828	929	770	670	807	464	323	638
Current Assets	1,624	1,260	1,244	1,440	1,236	1,100	1,177	762	685	945
Total Assets	2,762	2,549	2,539	2,630	2,429	2,189	1,810	1,235	1,242	1,555
Current Liabilities	373	373	292	476	298	374	364	283	367	223
Long Term Debt	353	NA	NA	NA	171	160	150	141	NA	NA
Total Capital	2,181	1,966	2,079	2,172	1,952	1,668	1,275	808	832	1,229
Capital Expenditures	85.3	89.9	169.0	106.7	119.1	86.1	76.0	41.3	87.2	86.1
Cash from Operations	446	413	492	269	403	275	566	122	164	128
Current Ratio	4.36	3.38	4.27	3.03	4.15	2.94	3.24	2.69	1.87	4.23
% Long Term Debt of Capitalization	16.17	NA	NA	NA	8.76	9.59	11.78	17.47	NA	NA
% Net Income of Revenue	-2.5	12.6	4.9	11.6	13.1	25.9	24.6	-17.2	-35.6	7.0
% Return on Assets	7.06	6.13	4.92	4.75	7.73	7.78	17.13	-2.52	1.23	2.19
% Return on Equity	-2.3	10.2	4.0	8.8	13.2	26.2	42.5	-19.7	-40.7	5.5

Source: S&P Global Market Intelligence. Data may be preliminary or restated; before results of discontinued operations/special items. Per share data adjusted for stock dividends; EPS diluted. E-Estimated. NA-Not Available. NM-Not Meaningful. NR-Not Ranked. UR-Under Review.

Teradyne, Inc.

Sub-Industry Outlook

Our fundamental outlook for the semiconductor equipment sub-industry for the next 12 months is neutral. We see an increase in orders as leading-edge manufacturers invest in next generation tools, and remain optimistic about growth in the foreseeable future. Memory spending will likely account for about 40%-50% of overall revenues in 2018, growing in importance over the last several years. CFRA sees continued growing demand for NAND flash memory equipment, given a healthy global demand for smartphones and the ongoing adoption for solid-state devices. In addition, technology investments related to 3D NAND should provide a boost to spending demand conditions. We expect DRAM related investments will remain steady and note that following consolidation over the past decade, Samsung and Micron virtually control the DRAM market.

Foundry spending in 2018 will likely be driven by 10m and below investments, as customers add capacity on these advanced technology nodes. We estimate that spending by foundry manufacturers will rise slightly in 2018. Foundries' share in total capital expenditures should be between 40% and 45% in 2018, based on our estimates. Logic equipment spending, driven by Intel, will likely represent about 10% of industry sales in 2018. Semiconductor equipment sales are highly concentrated, with Intel, Taiwan Semiconductor, and Samsung expected to comprise more than 60% of total sales in the coming year. We also note that equipment providers exposed to the flat panel display industry should also benefit from a surge in mobile device demand for Organic LED [OLED] displays.

Despite limited visibility, we anticipate that customers will look to invest in next generation technology, assuming modest global economic growth. In addition, we think customer utilization will remain at healthy levels to

support capital investments by leading edge manufacturers. We expect normalized semiconductor inventories, as customers closely monitor production levels to better align supply with slowing demand. Longer term, we see rising orders supported by the emergence of new products as well as improving demand for devices such as computers and handsets. We think customers are placing orders on advanced machinery at lower technology nodes, and we think the release of lower priced/more efficient mobile devices should provide additional growth drivers for end-demand.

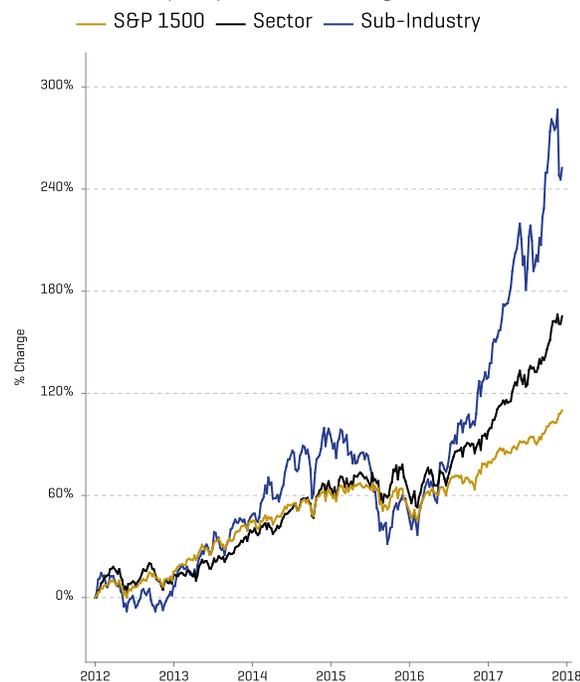
Year-to-date through September 29, 2017, the S&P 1500 Semiconductor Equipment Index is up 52.9% compared with an increase of 12.5% for the S&P 1500. The S&P Semiconductor Equipment Index rose 42.4% for the full year in 2016, versus an increase of 10.6% for the S&P 1500.

/Angelo Zino, CFA

Industry Performance

GICS Sector: Information Technology Sub-Industry: Semiconductor Equipment

Based on S&P 1500 Indexes
Five-Year market price performance through Dec 16, 2017



NOTE: All Sector & Sub-Industry information is based on the Global Industry Classification Standard (GICS).

Past performance is not an indication of future performance and should not be relied upon as such.

Source: S&P Global Market Intelligence

Sub-Industry: Semiconductor Equipment Peer Group*: Semiconductor Equipment

Peer Group	Stock Symbol	Exchange	Currency	Recent Stock Price [\$]	Stk. Mkt. Cap. [M \$]	30-Day Price Chg. [%]	1-Year Price Chg. [%]	P/E Ratio	Yield [%]	Return on Equity [%]	LTD to Cap [%]
Teradyne, Inc.	TER	NYSE	USD	41.88	8,215	-2.0	61.7	20	0.7	-2.3	16.2
ASM International NV	ASMLY	OTCPK	USD	38.00	4,085	0.0	0.0	8	2.1	6.8	NA
Advanced Energy Industries, Inc.	AEIS	NasdaqGS	USD	71.40	2,832	-12.0	32.0	14	Nil	35.7	NA
Advantest Corporation	ATEY.Y	OTCPK	USD	18.88	3,768	-10.0	38.4	34	1.0	14.0	NA
Amkor Technology, Inc.	AMKR	NasdaqGS	USD	10.54	2,522	-1.5	-4.3	10	Nil	12.8	50.0
BE Semiconductor Industries N.V.	BESI.Y	OTCPK	USD	78.24	3,132	-3.6	137.1	26	2.4	19.3	25.5
Cabot Microelectronics Corporation	CCMP	NasdaqGS	USD	93.76	2,377	-2.1	50.7	28	0.9	15.9	NA
Entegris, Inc.	ENTG	NasdaqGS	USD	31.25	4,419	1.6	68.5	32	0.9	11.4	32.7
MKS Instruments, Inc.	MKSI	NasdaqGS	USD	97.20	5,277	-4.5	61.5	17	0.7	8.7	32.4
Sumco Corporation	SUOP.Y	OTCPK	USD	50.58	7,417	-2.6	97.3	42	0.5	3.6	27.8
Versum Materials, Inc.	VSM	NYSE	USD	37.89	4,123	-1.2	33.3	22	0.5	NM	NA

*For Peer Groups with more than 10 companies or stocks, selection of issues is based on market capitalization.

NA- Not Available NM- Not Meaningful.

Note: Peers are selected based on Global Industry Classification Standards and market capitalization. The peer group list includes companies with similar characteristics, but may not include all the companies within the same industry and/or that engage in the same line of business.

Analyst Research Notes and other Company News
October 26, 2017

11:41 am ET... CFRA KEEPS HOLD OPINION ON SHARES OF TERADYNE INC. [TER 39.06***]: We up our 12-month target to \$42 from \$36, on a near-peer P/E of 18X our '18 EPS estimate, above peers to reflect our view of TER's superior financial position. We raise our '17 EPS view to \$2.23 from \$1.83 and '18's to \$2.35 from \$2.00. TER posts Q3 EPS of \$0.54 vs. \$0.33, beating the \$0.43 consensus. Sales rose 23%, better than expected, led by growth in Semiconductor Test. Despite a seasonal second-half slowdown in test equipment, we are growing more optimistic about the long-term prospects within Universal Robots and positively view momentum within the memory test arena. /Angelo Zino, CFA

July 27, 2017

12:24 pm ET... CFRA KEEPS HOLD OPINION ON SHARES OF TERADYNE INC. [TER 34.52***]: We keep our 12-month target price at \$36, on a near-peer P/E of 18X our '18 EPS estimate. We raise our '17 EPS view to \$1.83 from \$1.79 and '18's to \$2.00 from \$1.92. TER posts Q2 EPS of \$0.90 vs. \$0.55, beating the \$0.86 consensus. Sales rose 31%, better than expected, driven by growth in Semiconductor Test and Universal Robots. While we expect a seasonal second half slowdown in mobile device test shipments, we are optimistic about secular growth in TER's Universal Robots business. We note low visibility and see book-to-bill below 1 near term along with tougher comparables. /A. Zino-CFA

April 27, 2017

10:55 am ET... CFRA KEEPS HOLD OPINION ON SHARES OF TERADYNE INC. [TER 35.15***]: We increase our 12-month target price to \$36 from \$29, on a near peer P/E of 18.7X our '18 EPS estimate. We raise our '17 EPS view to \$1.79 from \$1.62 and '18's to \$1.92 from \$1.79. TER posts Q1 EPS of \$0.44 vs. \$0.31, beating the \$0.38 consensus. Sales rose 6% and orders increased 53%, better than expected, driven by higher demand in Semiconductor Test. We remain optimistic about opportunities in Universal Robots, which more than doubled from low levels. While Q2 guidance is strong and note a book-to-bill of 1.3, we expect a pronounced seasonal slowdown in the second half. /A. Zino-CFA

January 26, 2017

10:05 am ET... S&P CAPITAL IQ KEEPS HOLD OPINION ON SHARES OF TERADYNE INC. [TER 28.6***]: We increase our 12-month target price to \$29 from \$27, on a near peer P/E of 16.2X our '18 operating EPS estimate. We raise our '17 EPS view to \$1.62 from \$1.55 and keep '18's at \$1.79. TER posts Q4 EPS of \$0.32 vs. \$0.13, beating the \$0.22 Capital IQ consensus. Sales fell 7% from Q3 but orders were much better than expected, as customers pulled in Semiconductor Test orders. We positively view automotive device test demand and see robust growth in Universal Robots, albeit from low levels. We expect TER to aggressively repurchase shares and potentially look to be acquisitive. /A. Zino-CFA

January 10, 2017

12:29 pm ET... S&P CAPITAL IQ UPGRADES OPINION ON SHARES OF TERADYNE INC. TO HOLD FROM SELL [TER 26.08***]: We raise our 12-month target price by \$6 to \$27, shifting to a near peers P/E of 15X our '18 operating EPS estimate, which we initiate at \$1.79. We keep our '16 EPS view at \$1.40 but increase '17's to \$1.55 from \$1.42. While we expect a lower system-on-chip test market for '17, we see sequential improvement in Q4/Q1 orders and are optimistic about growth prospects within Industrial Automation/robots, albeit from low revenue levels. We see potential for more aggressive share repurchases and think TER could look to be acquisitive following a convertible debt offering in late '16. /A. Zino-CFA

October 27, 2016

11:06 am ET... S&P CAPITAL IQ KEEPS SELL RECOMMENDATION ON SHARES OF TERADYNE INC. [TER 22.95**]: We increase our 12-month target price by \$1 to \$21, on peer-average P/E of 14.8X our '17 operating EPS estimate. We raise our '16 EPS estimate to \$1.40 from \$1.28 and '17's to \$1.42 from \$1.40. TER posts Q3 EPS of \$0.33 vs. \$0.40, beating the \$0.27 Capital IQ consensus. Sales fell 23% from Q2, but slightly ahead of expectations. We expect a lower system-on-chip test market for '17 as customers digest previous orders. While we expect significant growth within Industrial Automation/robots [over 50% in '17 but less than 6% of sales], we project Wireless Test softness to persist. /A. Zino-CFA

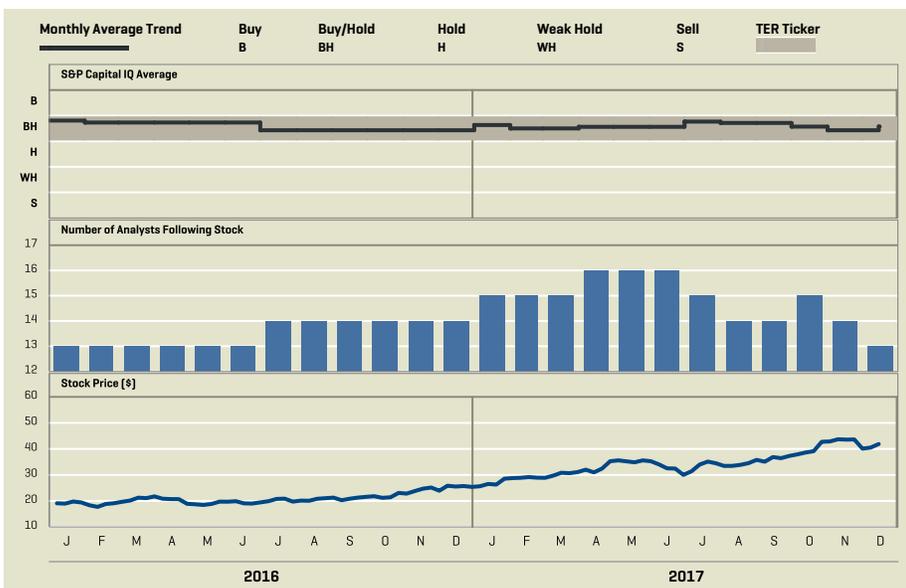
July 28, 2016

09:18 am ET... S&P GLOBAL CUTS RECOMMENDATION ON SHARES OF TERADYNE INC. TO SELL FROM HOLD [TER 21.15**]: We keep our 12-month target price at \$20, on peer-average P/E of 14.3X our '17 operating EPS estimate. We cut our '16 EPS estimate to \$1.28 from \$1.34 and '17's to \$1.40 from \$1.47. TER posts Q2 EPS of \$0.55 vs. \$0.53, beating the \$0.50 Capital IQ consensus. Sales rose 23% from Q1, near expectations, on higher semiconductor test sales. Orders rose 21%, reflecting higher mobile demand and greater traction in memory. While we see growth potential within Industrial Automation/robots, we are more wary of Semiconductor Test growth in '17 and expect Wireless Test to remain depressed. /A. Zino-CFA

Note: Research notes reflect S&P Global Market Intelligence's published opinions and analysis on the stock at the time the note was published. The note reflects the views of the equity analyst as of the date and time indicated in the note, and may not reflect S&P Global Market Intelligence's current view on the company.

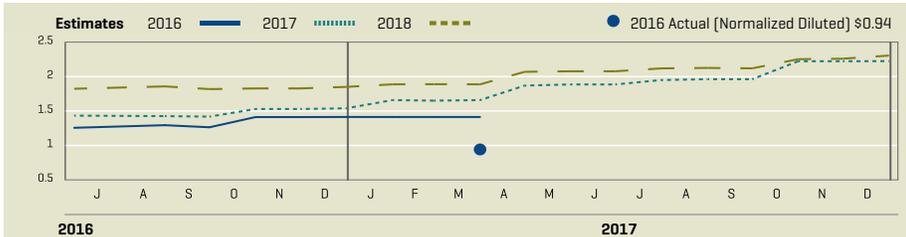
Teradyne, Inc.

Analysts' Recommendations



	No. of Recommendations	% of Total	1 Mo. Prior	3 Mos. Prior
Buy	6	46	6	8
Buy/Hold	2	15	1	1
Hold	5	38	7	5
Weak Hold	0	0	0	0
Sell	0	0	0	0
No Opinion	0	0	0	0
Total	13	100	14	14

Wall Street Consensus Estimates



Fiscal Years	Avg Est.	High Est.	Low Est.	# of Est.	Est. P/E
2018	2.31	2.70	1.93	13	18.2
2017	2.22	2.27	2.19	13	18.8
2018 vs. 2017	▲4%	▲19%	▼-12%	0%	▼-3%
Q4'18	0.40	0.48	0.33	10	NM
Q4'17	0.35	0.40	0.32	13	NM
Q4'18 vs. Q4'17	▲14%	▲20%	▲3%	▼-23%	NA

Forecasts are not reliable indicator of future performance.

Note: A company's earnings outlook plays a major part in any investment decision. S&P Global Market Intelligence organizes the earnings estimates of over 2,300 Wall Street analysts, and provides their consensus of earnings over the next two years, as well as how those earnings estimates have changed over time. Note that the information provided in relation to consensus estimates is not intended to predict actual results and should not be taken as a reliable indicator of future performance.

Note: For all tables, graphs and charts in this report that do not cite any reference or source, the source is S&P Global Market Intelligence.

Wall Street Consensus Opinion

BUY/HOLD

Wall Street Consensus vs. Performance

For fiscal year 2017, analysts estimate that TER will earn USD \$2.22. For the 3rd quarter of fiscal year 2017, TER announced earnings per share of USD \$0.52, representing 23.4% of the total revenue estimate. For fiscal year 2018, analysts estimate that TER's earnings per share will grow by 4% to USD \$2.31.

Teradyne, Inc.

Glossary

STARS

Since January 1, 1987, CFRA Equity and Fund Research Services, and its predecessor S&P Capital IQ Equity Research has ranked a universe of U.S. common stocks, ADRs (American Depositary Receipts), and ADSs (American Depositary Shares) based on a given equity's potential for future performance. Similarly, we have ranked Asian and European equities since June 30, 2002. Under proprietary STARS (Stock Appreciation Ranking System), equity analysts rank equities according to their individual forecast of an equity's future total return potential versus the expected total return of a relevant benchmark (e.g., a regional index [S&P Asia 50 Index, S&P Europe 350® Index or S&P 500® Index]), based on a 12-month time horizon. STARS was designed to meet the needs of investors looking to put their investment decisions in perspective. Data used to assist in determining the STARS ranking may be the result of the analyst's own models as well as internal proprietary models resulting from dynamic data inputs.

S&P Global Market Intelligence's Quality Ranking

(also known as **S&P Capital IQ Earnings & Dividend Rankings**) - Growth and stability of earnings and dividends are deemed key elements in establishing S&P Global Market Intelligence's earnings and dividend rankings for common stocks, which are designed to encapsulate the nature of this record in a single symbol. It should be noted, however, that the process also takes into consideration certain adjustments and modifications deemed desirable in establishing such rankings. The final score for each stock is measured against a scoring matrix determined by analysis of the scores of a large and representative sample of stocks. The range of scores in the array of this sample has been aligned with the following ladder of rankings:

A+	Highest	B	Below Average
A	High	B-	Lower
A-	Above Average	C	Lowest
B+	Average	D	In Reorganization
NR	Not Ranked		

EPS Estimates

CFRA's earnings per share (EPS) estimates reflect analyst projections of future EPS from continuing operations, and generally exclude various items that are viewed as special, non-recurring, or extraordinary. Also, EPS estimates reflect either forecasts of equity analysts; or, the consensus (average) EPS estimate, which are independently compiled by S&P Global Market Intelligence, a data provider to CFRA. Among the items typically excluded from EPS estimates are asset sale gains; impairment, restructuring or merger-related charges; legal and insurance settlements; in process research and development expenses; gains or losses on the extinguishment of debt; the cumulative effect of accounting changes; and earnings related to operations that have been classified by the company as discontinued. The inclusion of some items, such as stock option expense and recurring types of other charges, may vary, and depend on such factors as industry practice, analyst judgment, and the extent to which some types of data is disclosed by companies.

12-Month Target Price

The equity analyst's projection of the market price a given security will command 12 months hence, based on a combination of intrinsic, relative, and private market valuation metrics, including Fair Value.

CFRA Equity Research

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Abbreviations Used in Equity Research Reports

CAGR	- Compound Annual Growth Rate
CAPEX	- Capital Expenditures
CY	- Calendar Year
DCF	- Discounted Cash Flow
DDM	- Dividend Discount Model
EBIT	- Earnings Before Interest and Taxes
EBITDA	- Earnings Before Interest, Taxes, Depreciation & Amortization
EPS	- Earnings Per Share
EV	- Enterprise Value
FCF	- Free Cash Flow
FFO	- Funds From Operations

FY	- Fiscal Year
P/E	- Price/Earnings
P/NAV	- Price to Net Asset Value PEG Ratio - P/E-to-Growth Ratio PV - Present Value
R&D	- Research & Development ROCE - Return on Capital Employed ROE - Return on Equity
ROI	- Return on Investment
ROIC	- Return on Invested Capital
ROA	- Return on Assets
SG&A	- Selling, General & Administrative Expenses
SOTP	- Sum-of-The-Parts
WACC	- Weighted Average Cost of Capital

Dividends on American Depositary Receipts (ADRs) and American Depositary Shares (ADSs) are net of taxes (paid in the country of origin).

Qualitative Risk Assessment

Reflects an equity analyst's view of a given company's operational risk, or the risk of a firm's ability to continue as an ongoing concern. The Qualitative Risk Assessment is a relative ranking to the U.S. STARS universe, and should be reflective of risk factors related to a company's operations, as opposed to risk and volatility measures associated with share prices. For an ETF this reflects on a capitalization-weighted basis, the average qualitative risk assessment assigned to holdings of the fund.

STARS Ranking system and definition:

★★★★★ 5-STARs (Strong Buy):

Total return is expected to outperform the total return of a relevant benchmark, by a notable margin over the coming 12 months, with shares rising in price on an absolute basis.

★★★★★ 4-STARs (Buy):

Total return is expected to outperform the total return of a relevant benchmark over the coming 12 months, with shares rising in price on an absolute basis.

★★★★★ 3-STARs (Hold):

Total return is expected to closely approximate the total return of a relevant benchmark over the coming 12 months, with shares generally rising in price on an absolute basis.

★★★★★ 2-STARs (Sell):

Total return is expected to underperform the total return of a relevant benchmark over the coming 12 months, and the share price is not anticipated to show a gain.

★★★★★ 1-STAR (Strong Sell):

Total return is expected to underperform the total return of a relevant benchmark by a notable margin over the coming 12 months, with shares falling in price on an absolute basis.

Relevant benchmarks:

In North America, the relevant benchmark is the S&P 500 Index, in Europe and in Asia, the relevant benchmarks are the S&P Europe 350 Index and the S&P Asia 50 Index, respectively.

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Stocks are ranked in accordance with the following ranking methodologies:

STARS Stock Reports:

Qualitative STARS recommendations are determined and assigned by equity analysts. For reports containing STARS recommendations refer to the Glossary section of the report for detailed methodology and the definition of STARS rankings.

Quantitative Stock Reports:

Quantitative recommendations are determined by ranking a universe of common stocks based on 5 measures or model categories: Valuation, Quality, Growth, Street Sentiment, and Price Momentum. In the U.S., a sixth sub-category for Financial Health will also be displayed. Percentile scores are used to compare each company to all other companies in the same universe for each model category. The five (six) model category scores are then weighted and rolled up into a single percentile ranking for that company. For reports containing quantitative recommendations refer to the Glossary section of the report for detailed methodology and the definition of Quantitative rankings.

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STARS Stock Reports:

Global STARS Distribution as of September 30, 2017

Ranking	North America	Europe	Asia	Global
Buy	35.1%	26.2%	37.9%	33.9%
Hold	59.1%	57.5%	36.2%	56.3%
Sell	5.8%	16.3%	25.9%	9.8%
Total	100.0%	100.0%	100.0%	100.0%

Analyst Certification:

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