

TERADYNE, INC
Form 8-K
January 25, 2018

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

Date of report (Date of earliest event reported): January 24, 2018

TERADYNE, INC.

(Exact Name of Registrant as Specified in Charter)

Massachusetts
(State or Other Jurisdiction

of Incorporation)

001-06462
(Commission

File Number)

04-2272148
(IRS Employer

Identification No.)

600 Riverpark Drive, North Reading, MA
(Address of Principal Executive Offices)

01864
(Zip Code)

Registrant's telephone number, including area code: (978) 370-2700

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
Indicate by check mark whether the registrant is an emerging growth company as defined in as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02 Results of Operations and Financial Condition.

On January 24, 2018, Teradyne, Inc. (Teradyne) issued a press release regarding its financial results for the fourth quarter ended December 31, 2017. Teradyne s press release is furnished as Exhibit 99.1 to this Current Report on Form 8-K.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

Exhibit	Description
99.1	<u>Press Release dated January 24, 2018.</u>

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

TERADYNE, INC.

Dated: January 25, 2018

By: /s/ GREGORY R. BEECHER

Name: Gregory R. Beecher

**Title: Vice President, Chief Financial Officer and
Treasurer**

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APRIL 18, 2012 / 3:00PM, URI - Q1 2012 United Rentals Earnings Conference Call

Matt Flannery *United Rentals, Inc. EVP, Operations & Sales*

Manish, was your question about whether we realized different pricing, different rental rates for Tier 4 versus Tier 3 units?

Manish Somaiya *Citigroup Analyst*

Yes, yes exactly that.

Bill Plummer *United Rentals, Inc. EVP & CFO*

No, the short answer.

Matt Flannery *United Rentals, Inc. EVP, Operations & Sales*

Although I will expand a little bit. We are looking at segregating the assets for two reasons, not just for pricing reasons, but if we have a the manufacturers are manufacturing a limited amount of Tier 4 and as you can imagine, they phase into the fleet. They ll initially be a small percentage. We want to segregate them out to make sure that the customers who have Tier 4 requirements on the project or in the state that they are in, that those assets are separated out. So they don t the worst thing we can do is send a Tier 4 engine to a project or a customer that doesn t need it. So that does give us the opportunity to separate them out from the rest of the category, which then you would obviously look at how the pricing will play out.

Manish Somaiya *Citigroup Analyst*

Got you.Thank you so much. I appreciate it.

Operator

Scott Schneeberger, Oppenheimer.

Scott Schneeberger *Oppenheimer & Co. Analyst*

Thanks, good morning. I guess my first question would be how do you guys feel with regard to visibility into the upcoming peak season and the full year from what you are seeing and feeling on hearing from the field just on projects and what the visibility time span is?

Michael Kneeland *United Rentals, Inc. President & CEO*

Yes, I will talk about the visibility around the customers and I will ask Matt to talk more about the projects and what he is seeing more from a geography standpoint. As you know, we have quarterly business reviews with all of our business segments and we go into depth about talking about what we are understanding and hearing from the customers.

Similar to what we experienced in the fourth quarter of last year, our first-quarter results, from all indications from our customers, it remains true. 80% came back and said that they see 2012 to be equal to or better than 2011. So we see that as being comforting.

I will also tell you anecdotally in all the comments I ve had with customers, they are seeing the level of bidding activity go up. Again, that is another healthy indication of the environment.

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As far as geography and projects, Matt, will you ?

Matt Flannery *United Rentals, Inc. EVP, Operations & Sales*

Yes, Scott, as far as geographically, our growth has been very broad-based in North America. We have had all but four states showing year-over-year growth and the large majority of those have been double digit as far as those states showing growth. The four states that haven't shown growth are in the single digits. And then in Canada, all but two provinces have shown growth.

So the growth is widespread, which is good news for us. They are coming from the sectors that you would imagine, the energy sector through power plants and oil and gas drilling. Through manufacturing, there are some large projects going on there like the [Vocker] project and the big three are starting to invest back into their plants. And even the commercial sector is up. Right here in lower Manhattan, we have got five major projects going on with the four Freedom Towers and the 9/11 memorial, as well as a transportation upgrade. So the opportunities are pretty broad-based.

Scott Schneeberger *Oppenheimer & Co. Analyst*

Great, thanks. And then if I could sneak a two-for into my last question. Could you comment on weather impact in first quarter, if it influenced the second quarter at all? And then Bill, separately, how should we model used equipment sales margins going forward? Thanks. That's it for me. Appreciate it.

Bill Plummer *United Rentals, Inc. EVP & CFO*

Are you talking about excuse me can you rephrase your first question? Are you talking about the weather?

Scott Schneeberger *Oppenheimer & Co. Analyst*

Yes, just weather, general question on how you think it influenced the quarter and will that have any influence on second-quarter results?

Michael Kneeland *United Rentals, Inc. President & CEO*

Yes, weather is always one that, particularly in the fourth quarter and first quarter, is really any man's guess as we go through it. As you noted, everyone's noted that it was a very warm and dry winter across North America and has it benefited us? Absolutely. How can I quantify it? Very difficult. Do I think it is going to impact the projects and our type of customers that we go after in the second quarter? No, most of those are well-thought-out projects. They have to bring their steel, their steel is ordered well in advance. They just can't fast-forward that that quickly.

With regard to some of the smaller projects, yes, there are probably some projects that got shorter term that probably came onboard sooner. I don't see them ramping or taking away from the second quarter given the demand that we are seeing and also we are bringing in more CapEx because of the demand that our customers are expressing to us. So that is how we see it.

Bill Plummer *United Rentals, Inc. EVP & CFO*

And Scott, on your second question about modeling used margins, I guess what we have said is that, if you go back over a long period, 10 years or so and exclude '09 and '10, which are obviously major upheaval years, our used margins have been in that high kind of 20% area over each of those years.

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Given the strong start that we had to this year, I think it is very fair to say that we will be a little bit higher than we normally have been. We were last year. I think we realized for the full year used margins of 31% and change, 31.7%. And I would have to guess that we would do that at least again this year as just a general statement for how to model it. So I would say higher than our normal historic average. I will let you use your own imagination for how much higher.

Scott Schneeberger *Oppenheimer & Co. Analyst*

Thanks, guys. Great job.

Operator

David Raso, ISI Group.

David Raso *ISI Group Analyst*

Thank you. Two quick questions. First, the progress you see quarterly on the rental rates and the fleet utilization to maintain those full-year targets. I appreciate seasonally the rental revenue in the first quarter doesn't completely carry its say 25% of the year weighting. But especially on the fleet utilization, if we were positive 120 bps year-over-year in the first quarter and we are looking for 50 for the full year, can you walk us in that quarterly progression? Are you expecting the back half of the year fleet utilization to be largely flat at that stage or how would you take us through that progression?

Bill Plummer *United Rentals, Inc. EVP & CFO*

David, it's very clear that as we get into the back half of the year, we are going to be comping really huge utilization quarters. So we brought the year-over-year improvement down aggressively in the back half to reflect that very fact. So we think 0.05% we can make without giving the specific year-over-year number by quarter. Yes, it comes down pretty close to nothing as you get further out.

And keep in mind obviously the fleet is getting much larger and we are comping very strong utilizations last year. So in our view, that is going to require us to put a huge amount on rent as we get that larger fleet in and our belief is that the market is there. The demand is there to be able to do that, but that is underlying the time utilization model.

On rental rates and the progression there, the one way to think about it is, given what we did in the first quarter, we would need something like 0.5% per month sequentially out through October and then basically nothing sequentially thereafter in order to deliver the 5% full year. So that is very clearly within the realm of reasonable and as always, we are going to look for more if it's there. Does that help?

David Raso *ISI Group Analyst*

Well, could you give us some color on how the rates were moving sequentially? I know there is some seasonality with the first quarter, but how much were rates up March versus February? How are we looking at April so far versus March just to see how that progression is playing out so far?

Bill Plummer *United Rentals, Inc. EVP & CFO*

Sure. So on a sequential basis, I will give you the sequentials and I will remind everybody, this is on an ARA basis. Sequentials for January, the sequential was down 6/10 and then it went positive 3/10 and then flat in March. And I guess I would offer that April is the first half of April has been strong.

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Just to give you a comparison, if you look at last year, the sequentials in January with down 0.5% and then February up 2/10 and March down 2/10. So the sequential progression this year is actually better than it was last year when you think about the monthly sequential. So that again gives us a lot of confidence that we are off on a nice run and that the 5% should be attainable.

David Raso *ISI Group Analyst*

And then when it comes to the CapEx, let's say your comment first half of the year, you will be over \$700 million of the \$1 billion gross, let's call it \$710 million for argument sake. It implies the back half of the year CapEx is down 20% year-over-year. How should I think about that in the sense of, by the time we get to June, how are you viewing the age of your fleet? Are you comfortable with that or simply, look, that is the math, it's the right math, but we will obviously evaluate that CapEx when we get there? How should I think about that back-half CapEx implication?

Bill Plummer *United Rentals, Inc. EVP & CFO*

You said it beautifully. I don't question the math, but what we have done, and you have seen us do it the last several years, right? What we do is we assess where the market is and where it is heading and how it feels and whether we can put more CapEx on rent at good rates and expect good returns over a longer haul. And if and when we make that call, we are not shy about raising our CapEx guidance. We have done it the last I think we have done it all three years that I have been here.

And so our plan is bring the \$700 million in. The market certainly feels like it will soak that up right here and now and then let's take a look around as we get toward the end of the second quarter and make a separate call about whether we should be raising the back-half expectation or leave it where it is.

David Raso *ISI Group Analyst*

And related to that question, for my very last question, the CapEx decision to bring the equipment in a little earlier than maybe the original plan in the first quarter, what drove that? I mean obviously you can answer because the business was strong enough to support it, but say from the supplier side, what were some of the dynamics that drove that decision to take the equipment a little earlier? And if you could enlighten us like when was that decision made? I'm not sure how quick your suppliers can respond to a change in that decision.

Matt Flannery *United Rentals, Inc. EVP, Operations & Sales*

So a great question. We started placing preorders for the first two quarters in late last year. I think the first preorders that we placed we probably did in like September. And that was the signal to our vendors that we were going to have demand, robust demand in the first half of the year. So they've started to position themselves to be able to deliver against those preorders as sort of a baseline of capacity.

They did a nice job of ramping up their production capacity and they were able to supply fleet into us quite honestly even faster than we had in our plan with the preorders. So we asked ourselves can the market absorb more fleet faster than what we had thought. And we concluded, yes, it can and so we said, yes, if you can ship it, we will take it. And that played out very nicely and resulted in the numbers that you saw for Q1 and what you will see for the first half. And it was a combination of the market being able to absorb additional fleet and the vendors being able to supply it and us obviously being able to buy it. So it all worked together to accelerate the CapEx spend.

David Raso *ISI Group Analyst*

All right, great. I really appreciate it. Thank you.

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Operator

Henry Kirn, UBS.

Henry Kirn *UBS Analyst*

Good morning, guys. You have sold a lot of equipment over the last few quarters into the used market. Just wondering if you could talk about who is buying it. Is it generally staying in the equipment's original home market or have you seen international buyers come in and clear it out of your served market?

Bill Plummer *United Rentals, Inc. EVP & CFO*

I'm sorry, Matt. Michael, do you want to say something?

Michael Kneeland *United Rentals, Inc. President & CEO*

I was just going to say, Henry, I actually attended one of the auctions, actually both of the auctions that the two large auction houses had in February. And the general feel I had and the comments I received back was that the offshoring of equipment actually went up significantly over the entire year. But that to me is a telltale sign that demand is robust in other parts of the globe and the demand for our equipment, which realistically if you're looking for used equipment, there is no better market than the US and North America because it is still the largest producer of used inventory.

Bill Plummer *United Rentals, Inc. EVP & CFO*

And the who is buying it question, as we have said many times before, it really is the who's who of people who use equipment, so a wide range of folks, but I do think Michael's point is a very important one. Strong offshore demand is I think really supplementing demand that we are seeing from a wide range of customers here in North America.

Henry Kirn *UBS Analyst*

That's helpful. And one follow-up. Could you talk a little bit about how far along you think we are in the secular shift and maybe how does the new prospect look today compared with a year ago? As the cycle is picking up, have you seen an increase in inquiries from potential customers who weren't renting before?

Michael Kneeland *United Rentals, Inc. President & CEO*

Well, Henry, we have had this discussion and we've been talking with Global Insight with Scott Hazelton. And as you know, they have been commissioned by the American Rental Association to do some research. And all indications that they have put forward based on a lot of data that realistically is very in depth, they are suggesting that the CAGR growth for our industry over five years is going to be somewhere in the vicinity of 12.5%. That is a pretty healthy number by any stretch of the imagination.

When you asked about secular shift and what happens, I think that going into this year they continue to see that secular shift movement going in a positive direction. When the capital markets are wide open, when you ask them what has occurred historically, the secular penetration doesn't decline. It levels itself off until the next downturn and then it actually goes back up again. Continues its march upward. And I don't think that that pattern is going to change what we are seeing right here and now.

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Henry Kirn *UBS Analyst*

Thanks a lot. Congratulations.

Operator

Thank you. Due to time constraints, this does conclude the question-and-answer session of today's program. I would like to hand the program back to Michael Kneeland for any further remarks.

Michael Kneeland *United Rentals, Inc. President & CEO*

Okay. Well, thank you very much, operator. I want to remind everyone to download our new IR presentation from our website. We have made some substantial updates since our last quarter and obviously if there are any additional questions, please reach out to Fred Bratman so that we can answer questions specifically. And I want to thank you for joining us today.

This is a big year and the next time that we issue earnings, we plan on being the new United Rentals, but we will be in touch before then and as always, we welcome your calls here in Greenwich. Thank you very much and have a great day.

Operator

Thank you, ladies and gentlemen, for your participation in today's conference. This does conclude the program. You may now disconnect. Good day.

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