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Teradyne, Inc. Q2 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question is from Satya Kumar – Credit Suisse First Boston.

Satya Kumar – Credit Suisse First Boston

I was just wondering if you could give us your assumptions; once again remind us of the product mix for that type of revenues?

Gregory R. Beecher

The product mix would generally be 80% semi-test and 20% STG.

Satya Kumar – Credit Suisse First Boston

What growth levels are you able to get this 15% operating margins? What is the cycle?

Gregory R. Beecher

It's \$340 million, \$345 million.

Satya Kumar – Credit Suisse First Boston

As you ramp these new products in SOC how would that impact the gross margins in the back half of the year?

Gregory R. Beecher

Part of our path to get to model includes improving gross margins and the improving the gross margins comes from both the new products, they will improve our gross margins as well as the continuation of the outsourcing which has been completed and the benefits of the outsourcing now will start to be realized in full force in the second half of the year.

Satya Kumar – Credit Suisse First Boston

So the new products are basically not in line with the gross margins or better, right? [Inaudible] gross margins?

Gregory R. Beecher

They're generally better.

Satya Kumar – Credit Suisse First Boston

Final question for me, I'm curious about this hardware opportunity that you talked about. Can you talk about the market in general and opportunity for this versus the LCD test initiative and who are your competitors in the hardware test market right now? Where do you seem to have value versus the competition?

Michael A. Bradley

You said in comparison to?

Satya Kumar – Credit Suisse First Boston

LCD markets, LCD test markets.

Michael A. Bradley

The LCD driver market. Let's see, I think there's some significant similarities in the cost drive in both markets and the need for high parallelism. That's an obvious similarity between the two. At the moment the LCD driver test market has over capacity so it is not driving any capacity buying, it is only driving qualification work. The hard disk drive market which I'll just touch on very briefly because we don't want to get into what we're doing there with regard to product but the growth in that market for this next generation of smaller hard disk drives is significant over the next few years, on the order of 40% compound annual growth and we think that drives a market of a few hundred million dollars a year in total available market and the capability that we're going to develop will call upon some of the capabilities and enabling technology that we have in other businesses.

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