



Shareholder Letter Supplement - April 2022

Reconciliation of GAAP Measures to Non-GAAP Measures

The non-GAAP performance measures discussed in this Shareholder Letter may not be comparable to similarly titled measures used by other companies. The presentation of non-GAAP measures is not meant to be considered in isolation, as a substitute for, or superior to, financial measures or information provided in accordance with GAAP. In addition to disclosing results that are determined in accordance with GAAP, Teradyne also discloses non-GAAP results of operations that exclude certain income items and charges. These results are provided as a complement to results provided in accordance with GAAP. Non-GAAP income from operations and non-GAAP net income exclude losses on convertible debt conversions, acquired intangible assets amortization, non-cash convertible debt interest, pension actuarial gains and losses, discrete income tax adjustments, fair value inventory step-up, and restructuring and other, and includes the related tax impact on non-GAAP adjustments. GAAP requires that these items be included in determining income from operations and net income. Non-GAAP income from operations, non-GAAP net income, non-GAAP income from operations as a percentage of revenue, non-GAAP net income as a percentage of revenue, and non-GAAP net income per share are non-GAAP performance measures presented to provide meaningful supplemental information regarding Teradyne's baseline performance before gains, losses or other charges that may not be indicative of Teradyne's current core business or future outlook. These non-GAAP performance measures are used to make operational decisions, to determine employee compensation, to forecast future operational results, and for comparison with Teradyne's business plan, historical operating results and the operating results of Teradyne's competitors. Non-GAAP gross margin excludes fair value inventory step-up. GAAP requires that this item be included in determining gross margin. Non-GAAP gross margin dollar amount and percentage are non-GAAP performance measures that management believes provide useful supplemental information for management and the investor. Management uses non-GAAP gross margin as a performance measure for Teradyne's current core business and future outlook and for comparison with Teradyne's business plan, historical gross margin results and the gross margin results of Teradyne's competitors. Non-GAAP diluted shares include the impact of Teradyne's call option on its shares. Management believes each of these non-GAAP performance measures provides useful supplemental information for investors, allowing greater transparency to the information used by management in its operational decision making and in the review of Teradyne's financial and operational performance, as well as facilitating meaningful comparisons of Teradyne's results in the current period compared with those in prior and future periods. A reconciliation of each available GAAP to non-GAAP financial measure discussed in this Shareholder Letter is contained in this Shareholder Letter Supplement and on the Teradyne website at www.teradyne.com by clicking on "Investor Relations" and then selecting "Financials" and the "GAAP to Non-GAAP Reconciliation" link.

GAAP to Non-GAAP Earnings Reconciliation

(In millions, except per share amounts)

	Twelve Months Ended							
	December 31, 2021	% of Net Revenues			December 31, 2020	% of Net Revenues		
Net Revenues	\$ 3,702.9				\$ 3,121.5			
Gross profit GAAP	\$ 2,206.7	59.6%			\$ 1,785.7	57.2%		
Inventory step-up	-	-			0.4	0.0%		
Gross profit non-GAAP	\$ 2,206.7	59.6%			\$ 1,786.1	57.2%		
Income from operations - GAAP	\$ 1,208.7	32.6%			\$ 928.4	29.7%		
Acquired intangible assets amortization	21.5	0.6%			30.8	1.0%		
Restructuring and other (1)	1.3	0.0%			(13.2)	-0.4%		
Inventory step-up	-	-			0.4	0.0%		
Equity modification charge	-	-			0.8	0.0%		
Income from operations - non-GAAP	\$ 1,231.5	33.3%			\$ 947.2	30.3%		
	December 31, 2021	% of Net Revenues	Net Income		December 31, 2020	% of Net Revenues	Net Income	
			Basic	Diluted			Basic	Diluted
Net income - GAAP	\$ 1,020.8	27.6%	\$ 6.19	\$ 5.56	\$ 784.1	25.1%	\$ 4.72	\$ 4.28
Acquired intangible assets amortization	21.5	0.6%	0.13	0.12	30.8	1.0%	0.19	0.17
Restructuring and other (1)	1.3	0.0%	0.01	0.01	(13.2)	-0.4%	(0.08)	(0.07)
Interest and other (2)	10.3	0.3%	0.06	0.06	14.4	0.5%	0.09	0.08
Loss on convertible debt conversions (2)	28.8	0.8%	0.17	0.16	-	-	-	-
Pension mark-to-market adjustment (2)	(2.2)	-0.1%	(0.01)	(0.01)	10.3	0.3%	0.06	0.06
Inventory step-up	-	-	-	-	0.4	0.0%	0.00	0.00
Equity modification charge	-	-	-	-	0.8	0.0%	0.00	0.00
Exclude discrete tax adjustments	(28.6)	-0.8%	(0.17)	(0.16)	(15.2)	-0.5%	(0.09)	(0.08)
Non-GAAP tax adjustments	(1.5)	0.0%	(0.01)	(0.01)	(11.9)	-0.4%	(0.07)	(0.07)
Convertible share adjustment (3)	-	-	-	0.24	-	-	-	0.25
Net income - non-GAAP	\$ 1,050.4	28.4%	\$ 6.37	\$ 5.98	\$ 800.5	25.6%	\$ 4.82	\$ 4.62
GAAP and non-GAAP weighted average common shares - basic	165.0				166.1			
GAAP weighted average common shares - diluted	183.6				183.0			
Exclude dilutive shares from convertible note	(7.4)				(8.5)			
Non-GAAP weighted average common shares - diluted	176.2				174.5			

(1) Restructuring and other consists of:

	Twelve Months Ended	
	December 31, 2021	December 31, 2020
Employee severance	\$ 1.5	\$ 2.3
Acquisition related expenses and compensation	0.5	2.5
Contingent consideration fair value adjustment	(7.2)	(23.3)
Other	6.5	5.2
	\$ 1.3	\$ (13.2)

- (2) For the twelve months ended December 31, 2021 and December 31, 2020, Interest and other included non-cash convertible debt interest expense. For the twelve months ended December 31, 2021, adjustment to exclude loss on convertible debt conversions. For the twelve months ended December 31, 2021 and December 31, 2020, adjustments to exclude actuarial (gain) loss recognized under GAAP in accordance with Teradyne's mark-to-market pension accounting.
- (3) For the twelve months ended December 31, 2021 and December 31, 2020, the non-GAAP diluted EPS calculation adds back \$3.7 million and \$6.8 million, respectively, of convertible debt interest expense to non-GAAP net income and non-GAAP weighted average diluted common shares include 10.0 million and 7.0 million shares, respectively, related to the convertible debt hedge transaction.

GAAP to Non-GAAP Earnings Reconciliation

(In millions, except per share amounts)

	Twelve Months Ended			
	December 31, 2019	% of Net Revenues	December 31, 2018	% of Net Revenues
Net Revenues	\$ 2,295.0		\$ 2,100.8	
Gross profit GAAP	\$ 1,339.8	58.4%	\$ 1,220.4	58.1%
Inventory step-up	0.4	0.0%	0.4	0.0%
Gross profit non-GAAP	\$ 1,340.2	58.4%	\$ 1,220.8	58.1%
Income from operations - GAAP	\$ 553.7	24.1%	\$ 473.8	22.6%
Acquired intangible assets amortization	40.1	1.7%	39.2	1.9%
Equity modification charge (1)	2.1	0.1%	-	-
Restructuring and other (2)	(13.9)	-0.6%	15.2	0.7%
Inventory step-up	0.4	0.0%	0.4	0.0%
Income from operations - non-GAAP	\$ 582.4	25.4%	\$ 528.6	25.2%
Net Income per common share				
	December 31, 2019	% of Net Revenues	December 31, 2018	% of Net Revenues
Net income - GAAP	\$ 467.5	20.4%	\$ 451.8	21.5%
Acquired intangible assets amortization	40.1	1.7%	39.2	1.9%
Interest and other (3)	28.7	1.3%	13.1	0.6%
Equity modification charge (1)	2.1	0.1%	-	-
Restructuring and other (2)	(13.9)	-0.6%	15.2	0.7%
Inventory step-up	0.4	0.0%	0.4	0.0%
Pension mark-to-market adjustment (3)	8.2	0.4%	(3.3)	-0.2%
Exclude discrete tax adjustments (4)	(22.6)	-1.0%	(59.4)	-2.8%
Non-GAAP tax adjustments	(16.7)	-0.7%	(8.4)	-0.4%
Convertible share adjustment (5)	-	-	-	-
Net income - non-GAAP (5)	\$ 493.8	21.5%	\$ 448.6	21.4%
Net Income per common share				
	December 31, 2019	% of Net Revenues	December 31, 2018	% of Net Revenues
Net income - GAAP	\$ 467.5	20.4%	\$ 451.8	21.5%
Acquired intangible assets amortization	40.1	1.7%	39.2	1.9%
Interest and other (3)	28.7	1.3%	13.1	0.6%
Equity modification charge (1)	2.1	0.1%	-	-
Restructuring and other (2)	(13.9)	-0.6%	15.2	0.7%
Inventory step-up	0.4	0.0%	0.4	0.0%
Pension mark-to-market adjustment (3)	8.2	0.4%	(3.3)	-0.2%
Exclude discrete tax adjustments (4)	(22.6)	-1.0%	(59.4)	-2.8%
Non-GAAP tax adjustments	(16.7)	-0.7%	(8.4)	-0.4%
Convertible share adjustment (5)	-	-	-	-
Net income - non-GAAP (5)	\$ 493.8	21.5%	\$ 448.6	21.4%
GAAP and non-GAAP weighted average common shares - basic	170.4		187.7	
GAAP weighted average common shares - diluted	179.5		192.6	
Exclude dilutive shares from convertible note	(4.9)		(3.2)	
Non-GAAP weighted average common shares - diluted (5)	174.6		189.4	

(1) For the twelve months ended December 31, 2019, selling and administrative expenses include an equity charge for the modification of Teradyne's retired CFO's outstanding equity awards to allow continued vesting and maintain the original term in connection with his July 17, 2019 retirement.

(2) Restructuring and other consists of:

	Twelve Months Ended	
	December 31, 2019	December 31, 2018
Contingent consideration fair value adjustment	\$ (19.3)	\$ 1.0
Employee severance	2.9	8.7
Acquisition related expenses and compensation	2.5	4.6
Other	-	0.9
	\$ (13.9)	\$ 15.2

(3) For the twelve months ended December 31, 2019 and December 31, 2018, Interest and other included non-cash convertible debt interest expense. For the twelve months ended December 31, 2019 and December 31, 2018, adjustments to exclude actuarial loss (gain) recognized under GAAP in accordance with Teradyne's mark-to-market pension accounting. For the twelve months ended December 31, 2019, adjustment to exclude RealWear \$15.0 million investment impairment.

(4) For the twelve months ended December 31, 2019 and December 31, 2018, adjustment to exclude discrete income tax items. For the twelve months ended December 31, 2019, GAAP income tax provision (benefit) includes a \$26 million tax benefit

(5) For the twelve months ended December 31, 2019, the non-GAAP diluted EPS calculation adds back \$5.2 million of convertible debt interest expense to non-GAAP net income and non-GAAP weighted average diluted common shares include 2.7 million shares related to the convertible debt hedge transaction.

GAAP to Non-GAAP Earnings Reconciliation

(In millions, except per share amounts)

Twelve Months Ended				
	December 31, 2017 (1)	% of Net Revenues	Net Income per Common Share	
			Basic	Diluted
Net Revenues	\$ 2,136.6			
Net income - GAAP	\$ 257.7	12.1%	\$ 1.30	\$ 1.28
Acquired intangible assets amortization	30.5	1.4%	0.15	0.15
Interest and other (3)	12.4	0.6%	0.06	0.06
Restructuring and other (2)	9.4	0.4%	0.05	0.05
Inventory step-up	-	-	-	-
Pension mark-to-market adjustment (3)	(6.3)	-0.3%	(0.03)	(0.03)
Exclude discrete tax adjustments (4)	178.3	8.3%	0.90	0.88
Non-GAAP tax adjustments	(12.8)	-0.6%	(0.06)	(0.06)
Convertible share adjustment	-	-	-	0.01
Net income - non-GAAP	\$ 469.2	22.0%	\$ 2.37	\$ 2.34
GAAP and non-GAAP weighted average common shares - basic	198.1			
GAAP weighted average common shares - diluted	201.6			
Exclude dilutive shares from convertible note	(1.3)			
Non-GAAP weighted average common shares - diluted	200.3			

(1) Certain prior period amounts were reclassified to conform with the first quarter 2018 adoption of new accounting guidance for the presentation of pension and post retirement benefits.

(2) Restructuring and other consists of:

	December 31, 2017
Employee severance	\$ 3.8
Acquisition related expenses and compensation	-
Contingent consideration fair value adjustment	7.8
Other	1.0
Impairment of fixed assets	1.1
Property insurance recovery, net	(4.3)
	\$ 9.4

(3) For the twelve months ended December 31, 2017, Interest and other included non-cash convertible debt interest expense. For the twelve months ended December 31, 2017, adjustments to exclude actuarial gains recognized under GAAP in accordance with Teradyne's mark-to-market pension accounting.

(4) For the twelve months ended December 31, 2017, adjustment to exclude discrete income tax items. For the twelve months ended December 31, 2017, adjustment to treat the \$184 million expense related to the estimated impact of U.S. tax policy changes as a discrete item.

GAAP to Non-GAAP Earnings Reconciliation

(In millions, except per share amounts)

	Year Ended							
	December 31, 2016	% of Net Revenues	Net (Loss) Income per Common Share		December 31, 2015	% of Net Revenues	Net Income per Common Share	
			Basic	Diluted			Basic	Diluted
Net Revenues	\$ 1,753.3				\$ 1,639.6			
Net (loss) income - GAAP	\$ (43.4)	-2.5%	\$ (0.21)	\$ (0.21)	\$ 206.5	12.6%	\$ 0.98	\$ 0.97
Goodwill impairment (2)	254.9	14.5%	1.26	1.25	-	-	-	-
Acquired intangible assets impairment (2)	83.3	4.8%	0.41	0.41	-	-	-	-
Acquired intangible assets amortization	52.6	3.0%	0.26	0.26	69.0	4.2%	0.33	0.32
Restructuring and other (3)	21.9	1.2%	0.11	0.11	5.1	0.3%	0.02	0.02
Pension mark-to-market adjustments (1)	(3.2)	-0.2%	(0.02)	(0.02)	17.7	1.1%	0.08	0.08
Interest and other (4)	0.6	0.0%	0.00	0.00	(5.4)	-0.3%	(0.03)	(0.03)
Inventory step-up	-	-	-	-	1.6	0.1%	0.01	0.01
Exclude discrete tax adjustments (5)	(4.5)	-0.3%	(0.02)	(0.02)	(4.9)	-0.3%	(0.02)	(0.02)
Tax effect of non-GAAP adjustments	(53.3)	-3.0%	(0.26)	(0.26)	(18.5)	-1.1%	(0.09)	(0.09)
Net income - non-GAAP	\$ 308.9	17.6%	\$ 1.52	\$ 1.51	\$ 271.1	16.5%	\$ 1.28	\$ 1.27
GAAP and non-GAAP weighted average common shares - basic	202.6				211.5			
GAAP weighted average common shares - diluted	202.6				213.3			
Include dilutive shares	1.8				-			
Non-GAAP weighted average common shares - diluted	204.4				213.3			

(1) Actuarial (gains) losses recognized under GAAP in accordance with Teradyne's mark-to-market pension accounting.

(2) Goodwill and acquired intangible assets impairment related to Teradyne's Wireless Test business segment.

(3) Restructuring and other consists of:

	Year Ended	
	December 31, 2016	December 31, 2015
Contingent consideration fair value adjustment	\$ 15.9	\$ 2.5
Employee severance	6.0	1.5
Impairment of fixed assets and expenses related to Japan earthquake	5.4	-
Property insurance recovery	(5.4)	-
Acquisition costs	-	1.1
	\$ 21.9	\$ 5.1

(4) For the year ended December 31, 2016, interest and other included non-cash convertible debt interest expense. For the year ended December 31, 2015, Interest and other included a gain from the sale of an equity investment.

(5) For the year ended December 31, 2016 and December 31, 2015, adjustment to exclude discrete income tax items. For the year ended December 31, 2016, adjustment to treat Wireless Test business segment goodwill and intangible assets impairments as discrete tax items.

GAAP to Non-GAAP Earnings Reconciliation

<u>Old (Jan. 2021) 2024 Model EPS Range</u>	<u>FY 2024 Low</u>	<u>FY 2024 High</u>
2024 Estimated GAAP Diluted EPS	\$ 5.15	\$ 6.65
Add back Intangible Asset Amortization	\$ 0.10	\$ 0.10
2024 Estimated Non-GAAP EPS	\$ 5.25	\$ 6.75

<u>New (Jan. 2022) 2024 Model EPS Range</u>	<u>FY 2024 Low</u>	<u>FY 2024 Mid</u>	<u>FY 2024 High</u>
2024 Estimated GAAP Diluted EPS	\$ 6.90	\$ 7.90	\$ 8.90
Add back Intangible Asset Amortization	\$ 0.10	\$ 0.10	\$ 0.10
2024 Estimated Non-GAAP EPS	\$ 7.00	\$ 8.00	\$ 9.00