

Teradyne, Inc.

Certain Non-GAAP financial measures discussed during the First Quarter of 2018 Earnings Conference Call April 25, 2018

On the Company's earnings conference call on April 25, 2018, the following non-GAAP financial measures were discussed or presented:

- Q1'18 EPS \$0.45
- Q1'17 EPS \$0.44
- Q4'17 EPS \$0.46
- Q1'18 net income \$89.4M
- Q2'18 Guidance EPS \$0.45 to \$0.52
- FY 2010 to FY 2017 average operating profit rate (22%) (historical figures – see Teradyne.com/investors)
- \$3.50 to \$4.00 EPS mid-term target
- FY 2017 EPS \$2.34
- Q4'17 Universal Robots Operating Expenses \$16M
- Q4'18 Universal Robots Estimated Operating Expenses \$30M
- Q1 2018 Operating Profit Rate (22%)
- Q1'18 Operating Expenses \$165M
- Q4'17 Operating Expenses \$160M
- Q1'17 Operating Expenses \$161M
- Q2'18 Estimated Diluted Shares 196M
- Q2'18 Operating Expense Guidance 34% to 36%
- Q2'18 Guidance Midpoint Operating Profit Rate 22%
- Q4'17 Industrial Automation Operating Expenses \$16M
- Q4'18 Industrial Automation Estimated Operating Expenses \$35M
- FY 2018 Estimated Tax Rate 16%
- FY 2017 Gross Margin (57%), Opex 31%, Operating Profit (26%)
- Q1'18 – Opex (33.8% and \$165M), Operating Profit (21.5% and \$105M), EPS (\$0.45), Free Cash Flow (-\$117M), Effective Tax Rate (16% or \$17M), Diluted shares (197M), net interest and other (\$1M)
- Q1'17 – Opex (35.2% and \$161M), Operating Profit (22.8% and \$104M), EPS (\$0.44), Free Cash Flow (-\$83M), Effective Tax Rate (16% or \$17M), Diluted shares (202M)
- Q4'17 - Opex (33.4% and \$160M), Operating Profit (23.2% and \$111M), Effective Tax Rate (19.8% and \$23M), EPS (\$0.46), Free Cash Flow (\$115M), Diluted shares (199M)
- Q2'18 Guidance – Opex (34-36%), Operating Profit (21-23%), net interest/other (\$2M), EPS (\$0.45-0.52), Diluted shares (196M)
- Opex Total 2015 (\$589M), 2016 (\$609M), 2017 (\$658M)
- Opex Industrial Automation 2015 (\$14M), 2016 (\$43M), 2017 (\$62M), 2018 (~\$125M)
- Opex Test and Variable Compensation 2015 (\$514M and \$61M), 2016 (\$513M and \$53M), 2017 (\$510M and \$86M)

GAAP to Non-GAAP Earnings Reconciliation

	<u>Q4 2017</u>
Q4 2017 Universal Robots GAAP Operating Expenses	\$22M
Intangible Asset Amortization and Restructuring & Other	<u>(\$6M)</u>
Q4 2017 Universal Robots Non-GAAP Operating Expenses	\$16M

	<u>Q4 2018</u>
Q4 2018 Estimated Universal Robots GAAP Operating Expenses	\$35M
Intangible Asset Amortization and Restructuring & Other	<u>(\$5M)</u>
Q4 2018 Estimated Universal Robots Non-GAAP Operating Expenses	\$30M

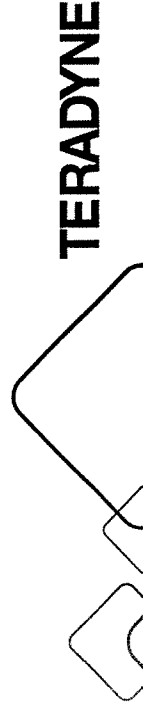
	<u>Mid Guidance Q2 2018</u>
GAAP to Non-GAAP Reconciliation	
GAAP income from operations as a % of revenue	20%
Exclude acquired intangible asset amortization & restructuring and other	2%
Non-GAAP income from operations as a % of revenue	<u>22%</u>

	<u>Q4 2017</u>
Q4 2017 Industrial Automation GAAP Operating Expenses	\$22M
Intangible Asset Amortization and Restructuring & Other	<u>(\$6M)</u>
Q4 2017 Industrial Automation Non-GAAP Operating Expenses	\$16M

	<u>Q4 2018</u>
Q4 2018 Estimated Industrial Automation GAAP Operating Expenses	\$40M
Intangible Asset Amortization and Restructuring & Other	<u>(\$5M)</u>
Q4 2018 Estimated Industrial Automation Non-GAAP Operating Expenses	\$35M

Appendix | GAAP to Non-GAAP Reconciliation

In addition to disclosing results that are determined in accordance with GAAP, Teradyne also discloses in this presentation and on the earnings call 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. These non-GAAP performance measures are used to make operational decisions, to determine employee compensation, to forecast future operational results, and for comparison with the Company's business plan, historical operating results and the operating results of the Company's competitors. 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 the Company's financial and operational performance, as well as facilitating meaningful comparisons of the Company'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 presentation is contained in the following slides and on the Teradyne website at www.teradyne.com by clicking on "Investors" and then selecting the "GAAP to Non-GAAP Reconciliation" link. The non-GAAP performance measures discussed in this presentation 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.



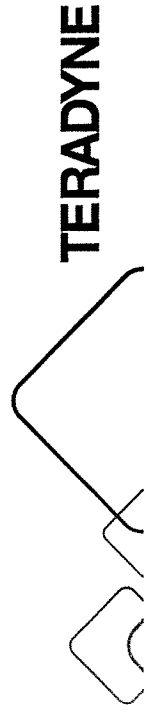
Appendix | GAAP to Non-GAAP Reconciliation

GAAP to Non-GAAP Earnings Reconciliation (In millions, except per share amounts)

	Quarter Ended			
	April 1, 2018	December 31, 2017 (1)	April 2, 2017 (1)	% of Net Revenues
Net revenues	\$ 487.5	\$ 479.4	\$ 456.9	58.0%
Gross profit	\$ 269.8	\$ 270.9	\$ 265.0	20.5%
Income from operations - GAAP	\$ 97.5	\$ 94.5	\$ 93.8	1.8%
Acquired intangible assets amortization	7.7	7.4	8.0	0.5%
Restructuring and other (2)	(0.3)	9.0	2.5	22.8%
Income from operations - non-GAAP	\$ 104.9	\$ 111.0	\$ 104.3	

	April 1, 2018		December 31, 2017		April 2, 2017	
	% of Net Revenues	Net Income per Common Share	% of Net Revenues	Net Income (Loss) per Common Share	% of Net Revenues	Net Income per Common Share
Net income (loss) - GAAP	17.8%	\$ 0.45	-22.1%	\$ (0.54)	18.6%	\$ 0.43
Acquired intangible assets amortization	1.6%	0.04	1.5%	0.04	1.8%	0.04
Interest and other (3)	0.7%	0.02	-0.1%	(0.00)	0.7%	0.02
Restructuring and other (2)	-0.1%	-	1.9%	0.05	0.5%	0.01
Exclude discrete tax adjustments (4)	-1.3%	(0.03)	38.5%	0.94	-1.5%	(0.04)
Non-GAAP tax adjustments	-0.4%	(0.01)	-0.6%	(0.01)	-0.7%	(0.02)
Convertible share adjustment	-	-	-	-	-	-
Net income - non-GAAP	18.3%	\$ 0.46	19.1%	\$ 0.47	19.4%	\$ 0.44

	April 1, 2018	December 31, 2017	April 2, 2017
GAAP and non-GAAP weighted average common shares - basic	195.3	196.0	200.0
GAAP weighted average common shares - diluted	203.5	196.0	201.9
Exclude dilutive shares related to convertible note transaction	(6.2)	-	-
Include dilutive shares	-	3.0	-
Non-GAAP weighted average common shares - diluted	197.3	199.0	201.9

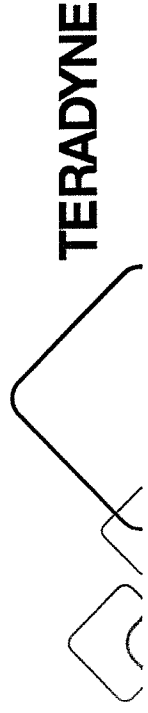


Appendix | GAAP to Non-GAAP Reconciliation

- (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 costs.
- (2) Restructuring and other consists of:

	Quarter Ended		April 2, 2017
	April 1, 2018	December 31, 2017	
Employee severance	\$ 3.9	\$ 1.8	\$ 0.6
Acquisition costs	0.8	-	-
Contingent consideration fair value adjustment	(5.0)	6.0	0.6
Impairment of fixed assets	-	1.1	-
Facility related	-	0.1	1.3
	<u>\$ (0.3)</u>	<u>\$ 9.0</u>	<u>\$ 2.5</u>

- (3) For the quarters ended April 1, 2018, December 31, 2017 and April 2, 2017, adjustment to exclude non-cash convertible debt interest expense. For the quarter ended December 31, 2017, adjustment to exclude actuarial (gains) losses recognized under GAAP in accordance with Teradyne's mark-to-market pension accounting.
- (4) For the quarters ended April 1, 2018, December 31, 2017 and April 2, 2017, adjustment to exclude discrete income tax items. For the quarter ended December 31, 2017, adjustment to treat \$186 million expense related to the estimated impact of U.S. tax law changes as a discrete item.



Appendix | GAAP to Non-GAAP Reconciliation

	Twelve Months Ended			Twelve Months Ended	
	December 31, 2017	% of Net Revenues		December 31, 2016	% of Net Revenues
Net Revenues	\$ 2,136.6		\$ 1,753.3		
Gross profit - GAAP	\$ 1,223.9	57.3%	\$ 959.6	54.7%	
Pension mark-to-market adjustment (1)	(2.8)	-0.1%	(1.0)	-0.1%	
Gross profit - non-GAAP	\$ 1,221.1	57.2%	\$ 958.6	54.7%	
Income (loss) from operations - GAAP	\$ 530.0	24.8%	\$ (60.0)	-3.4%	
Acquired intangible assets amortization	30.5	1.4%	52.6	3.0%	
Restructuring and other (2)	9.4	0.4%	21.9	1.2%	
Pension mark-to-market adjustment (1)	(6.3)	-0.3%	(3.2)	-0.2%	
Goodwill impairment (3)	-	-	254.9	14.5%	
Acquired intangible assets impairment (3)	-	-	83.3	4.8%	
Income from operations - non-GAAP	\$ 563.6	26.4%	\$ 349.5	19.9%	
Net income (loss) - GAAP	\$ 257.7	12.1%	\$ (43.4)	-2.5%	
Acquired intangible assets amortization	30.5	1.4%	52.6	3.0%	
Interest and other (4)	12.4	0.6%	0.6	0.0%	
Restructuring and other (2)	9.4	0.4%	21.9	1.2%	
Pension mark-to-market adjustment (1)	(6.3)	-0.3%	(3.2)	-0.2%	
Goodwill impairment (3)	-	-	254.9	14.5%	
Acquired intangible assets impairment (3)	-	-	83.3	4.8%	
Exclude discrete tax adjustments (5)	178.3	8.3%	(4.5)	-0.3%	
Non-GAAP tax adjustments (6)	(12.8)	-0.6%	(53.3)	-3.0%	
Net income - non-GAAP	\$ 469.2	22.0%	\$ 308.9	17.6%	
GAAP and non-GAAP weighted average common shares - basic	198.1		202.6		
GAAP weighted average common shares - diluted	201.6		202.6		
Exclude dilutive shares from convertible note	(1.3)		-		
Include dilutive shares	-		1.8		
Non-GAAP weighted average common shares - diluted	200.3		204.4		

2017	
\$'s	% of sales
\$694	32%
-\$31	-1%
-\$9	0%
\$658	31%

GAAP Operating Expenses
 Intangible Asset Amortization
 Restructuring and Other
 Non GAAP Operating Expenses



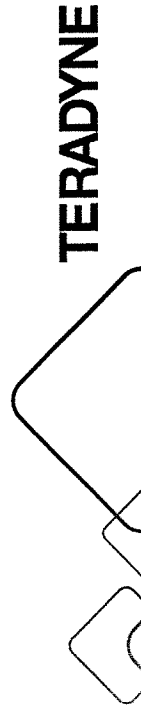
Appendix | GAAP to Non-GAAP Reconciliation

GAAP to Non-GAAP Reconciliation of Second Quarter 2018 guidance:

GAAP and non-GAAP second quarter revenue guidance:		
GAAP net income per diluted share	\$ 0.39	\$ 0.46
Exclude acquired intangible assets amortization	0.04	0.04
Exclude non-cash convertible debt interest	0.02	0.02
Exclude restructuring and other	0.01	0.01
Tax effect of non-GAAP adjustments	(0.01)	(0.01)
Convertible share adjustment	0.01	0.01
Non-GAAP net income per diluted share	\$ 0.45	\$ 0.52

in M's

Q2'18 GAAP Guidance Shares	201
Exclude dilutive shares related to convertible note transaction	<u>-5</u>
Q2'18 Non-GAAP Guidance Shares	196



Appendix | GAAP to Non-GAAP Reconciliation

	Q1'17		Q4'17		Q1'18		Q2'18 Low Guidance		Q2'18 High Guidance	
	\$'s	% of sales	\$'s	% of sales	\$'s	% of sales	\$'s	% of sales	\$'s	% of sales
GAAP Operating Expenses	\$171	37%	\$176	37%	\$172	35%	\$172	38%	\$172	36%
Intangible Asset Amortization	-\$8	-2%	-\$7	-2%	-\$8	-2%	-\$8	-2%	-\$8	-1%
Restructuring and Other	-\$3	-1%	-\$9	-2%	\$0	0%	\$0	0%	\$0	0%
Non GAAP Operating Expenses	\$161	35%	\$160	33%	\$165	34%	\$165	36%	\$165	34%

	Q1'17		Q4'17		Q1'18	
	\$'s	%	\$'s	%	\$'s	%
GAAP Income Tax	\$7	7%	\$204	208%	\$9	9%
Exclude discrete tax adjustments	\$7	7%	-\$185	-188%	\$6	7%
Tax effect of non-GAAP adjustments	\$3	3%	\$3	3%	\$2	2%
Effect of Higher Non-GAAP PBT		-2%		-3%		-2%
Non GAAP Income Tax	\$17	16%	\$23	20%	\$17	16%

Q1'18:

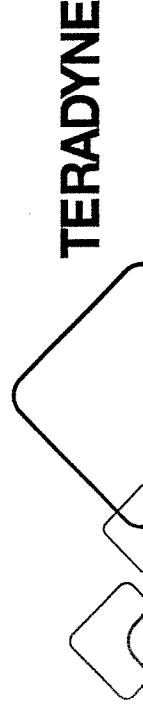
GAAP net interest and other income	-\$1.7
Exclude non cash convertible debt interest	\$3.2
Non-GAAP net interest and other income	\$1.5

Second Quarter Guidance:

GAAP Operating Profit as % of Sales	19%	Low End	21%	High End
Acquired intangible asset amortization	2%		2%	
Restructuring and Other	0%		0%	
Non-GAAP Operating Profit as % of Sales	21%		23%	

Q2'18 Guidance

GAAP net interest and other income	-\$1.7
Exclude non cash convertible debt interest	\$3.2
Non-GAAP net interest and other income	\$1.5



Appendix | GAAP to Non-GAAP Reconciliation

- Teradyne determines non-GAAP operating cash flow ("Free Cash Flow") by adjusting GAAP cash flow from operations excluding discontinued operations, less property, plant and equipment additions. Free cash flow is considered a non-GAAP financial measure. Teradyne believes that free cash flow, which measures our ability to generate cash from our business operations, is an important financial measure for use in evaluating Teradyne's financial performance. Free cash flow should be considered in addition to, rather than as a substitute for, income (loss) from continuing operations or net income (loss) as a measure of our performance and net cash provided by operating activities as a measure of our liquidity.
- Teradyne believes it is important to view free cash flow as a measure that provides supplemental information to Teradyne's entire statement of cash flows.
- Although other companies report their free cash flow, numerous methods may exist for calculating a company's free cash flow. As a result, the method used by Teradyne to calculate free cash flow may differ from the methods other companies use to calculate their free cash flow.
- The following table sets forth a reconciliation of free cash flow, a non-GAAP financial measure, to net cash provided by operating activities, a GAAP measure, which we believe to be the GAAP financial measure most directly comparable to free cash flow.

	<u>Q1'17</u>	<u>Q4'17</u>	<u>Q1'18</u>
GAAP Cash Flow From Operations, Excl Disc Ops	-\$61	\$147	-\$82
Less Property, Plant and Equipment Additions	-\$22	-\$32	-\$35
Non-GAAP Operating Cash Flow ("Free Cash Flow")	-\$83	\$115	-\$117



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Appendix | GAAP to Non-GAAP Reconciliation

	<u>2017</u>	<u>2016</u>	<u>2015</u>
GAAP Operating Expenses	694	1,020	673
Less Goodwill Impairment Charge	-	(255)	-
Less Intangible Asset Impairment	-	(83)	-
Less Intangible Asset Amortization	(31)	(53)	(69)
Less Restructuring and Other	(9)	(22)	(5)
Pension Mark to Market Adjustment	4	2	(10)
Less Equity Modification Charge	-	-	-
Non GAAP Operating Expenses	<u>658</u>	<u>609</u>	<u>589</u>
IA GAAP Operating Expenses	<u>93</u>	<u>84</u>	<u>28</u>
Less Intangible Asset Amortization	(24)	(25)	(14)
Less Restructuring and Other	(7)	(16)	-
IA non GAAP Operating Expenses	<u>62</u>	<u>43</u>	<u>14</u>
Test GAAP Operating Expenses (1)	<u>601</u>	<u>936</u>	<u>645</u>
Less Goodwill Impairment Charge	-	(255)	-
Less Intangible Asset Impairment	-	(83)	-
Less Intangible Asset Amortization	(7)	(28)	(55)
Less Restructuring and Other	(2)	(6)	(5)
Pension Mark to Market Adjustment	4	2	(10)
Less Equity Modification Charge	-	-	-
Test Non GAAP Operating Expenses (1)	<u>596</u>	<u>566</u>	<u>575</u>
			<u>2018</u>
			154
			(24)
			<u>(5)</u>
			125

IA GAAP Operating Expense
Less Intangible Asset Amortization
Less Restructuring and Other
IA non GAAP Operating Expenses

(1) = Includes Variable Compensation of \$86M, \$53M and \$61M for 2017E, 2016 and 2015 respectively.



Appendix | GAAP to Non-GAAP Reconciliation

2021 EPS Reconciliation

Net (loss) income - GAAP
 Acquired intangible asset amortization
 Non Cash Convertible Debt Interest
 Net income - non-GAAP

	Net Income per Common Share Diluted	Net Income per Common Share Diluted
\$	3.35	\$ 3.85
	0.06	0.06
	0.09	0.09
\$	3.50	\$ 4.00

