

Teradyne, Inc.

Certain Non-GAAP financial measures discussed during the First Quarter of 2017 Earnings Conference Call April 27, 2017

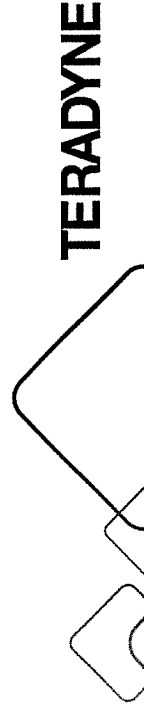
On the Company's earnings conference call on April 27, 2017, the following non-GAAP financial measures were discussed or presented:

- Q1'17 EPS \$0.44
- Q1'16 EPS \$0.31
- Q4'16 EPS \$0.32
- Q4'15 ESP \$0.13
- Q1'17 net income \$88.7M
- Q2'17 Guidance EPS \$0.81 to \$0.90
- First Half FY 2017 EPS of \$1.29 based on the midpoint of Q2'17 EPS guidance
- Midterm Estimated EPS \$2.00
- Average PBIT FY 2012 to FY 2016 of 20%
- Defense/Aero and Production Board model PBIT (15%) (2016 met; expect 2017)
- Q1'17 Operating Profit Rate (23%)
- Q1'17 Operating Expenses \$161M
- Q4'16 Operating Expenses \$148M
- Q1'16 Operating Expenses \$153M
- Q2'17 Operating Expense Guidance 25% to 26%
- Q2'17 Guidance Midpoint Operating Profit Rate 30%
- UR FY 2017 estimated Quarterly Operating Expense \$18M
- FY 2017 estimate tax rate 16%
- FY 2012 Free Cash Flow \$302M
- FY 2013 Free Cash Flow \$180M
- FY 2014 Free Cash Flow \$344M
- FY 2015 Free Cash Flow \$343M
- FY 2016 Free Cash Flow \$380M
- Q1'16 – Gross Margin (53.3% and \$230M), R&D (17.1% and \$74M), SG&A (18.5% and \$80M), Operating Expenses (35.6% and \$153M), Operating Profit (17.7% and \$77M), EPS (\$0.31), Free Cash Flow (\$15M), Effective Tax Rate (17% or \$13M)
- Q1'17 – Gross Margin (58% and \$265M), R&D (16.7% and \$76M), SG&A (18.6% and \$85M), Operating Expenses (35.2% and \$161M), Operating Profit (22.7% and \$104M), net interest/other (\$1.7M), EPS (\$0.44), Free Cash Flow (-\$83M), Effective Tax Rate (16% or \$17M)
- Q4'16 - Gross Margin (57.4% and \$218M), R&D (18.6% and \$71M), SG&A (20.2% and \$77M), Operating Expenses (38.8% and \$148M), Operating Profit (18.6% and \$71M), Income Tax (9% and \$6M), EPS (\$0.32), Free Cash Flow (\$17M),
- Q2'17 Guidance –Operating Expenses (25-26%), Operating Profit (29-30%), net interest/other (\$1M), Effective tax rate (16%), EPS (\$0.81-0.90)
- Total Operating Expenses FY 2014 (\$571M), FY 2015 (\$589M), FY 2016 (\$609M)
- Total Operating Expenses Universal Robots FY 2015 (\$14M), FY 2016 (\$43M)
- Test segments Operating Expense and Variable Compensation FY 2014 (\$525M and \$46M), FY 2015 (\$514M and \$61M), FY 2016 (\$513M and \$53M)

Teradyne's non-GAAP quarterly model revenue is \$390 million at which Teradyne expects to earn 15% non-GAAP operating profit. Teradyne's total company and business unit non-GAAP model operating profit is 15%. Teradyne determines its model operating profit level, model profit rate, or operating profit target as the average of its quarterly non-GAAP income from operations as a percentage of revenues over the industry's buying cycle. Non-GAAP income from operations excludes amortization from acquired intangible assets, pension actuarial gains and losses, and restructuring costs. Non-GAAP model revenue excludes projected but uncertain costs of sales and operating expenditures. These model revenue numbers are provided only on a non-GAAP basis because of the inherent difficulty in forecasting and quantifying the amount of the uncertain revenue and costs of sales, operating expenditures, which would be required to be included in the comparable GAAP measure of revenue.

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			
	2017		2016	
	April 2, 2017	% of Net Revenues	December 31, 2016	% of Net Revenues
Net revenues	\$ 456.9		\$ 380.0	
Gross profit - GAAP	\$ 264.9	58.0%	\$ 219.0	57.6%
Pension mark-to-market adjustments (1)	-	-	(0.8)	-0.2%
Gross profit - non-GAAP	\$ 264.9	58.0%	\$ 218.2	57.4%
Income from operations - GAAP	\$ 93.4	20.4%	\$ 59.2	15.0%
Acquired intangible assets amortization	8.0	1.8%	7.9	2.1%
Restructuring and other (2)	2.5	0.5%	5.6	1.5%
Pension mark-to-market adjustments (1)	-	-	(2.0)	-0.5%
Income from operations - non-GAAP	\$ 103.9	22.7%	\$ 70.7	18.5%
Net income - GAAP	\$ 85.2	18.6%	\$ 66.3	17.4%
Acquired intangible assets amortization	8.0	1.8%	7.9	2.1%
Restructuring and other (2)	2.5	0.5%	5.6	1.5%
Pension mark-to-market adjustments (1)	-	-	(2.0)	-0.5%
Interest and other (3)	3.1	0.7%	0.6	0.2%
Exclude discrete tax adjustments (4)	(7.0)	-1.5%	(16.2)	-4.3%
Non-GAAP tax adjustments (5)	(3.1)	-0.7%	2.4	0.6%
Net income - non-GAAP	\$ 88.7	19.4%	\$ 64.6	17.0%

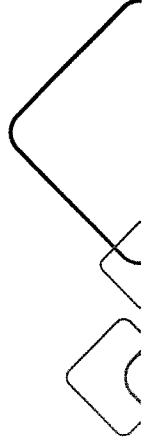
	April 2, 2017		December 31, 2016		April 3, 2016	
	% of Net Revenues		% of Net Revenues		% of Net Revenues	
	Basic	Diluted	Basic	Diluted	Basic	Diluted
Net Income	\$ 0.43	\$ 0.42	\$ 0.33	\$ 0.33	\$ 0.24	\$ 0.24
GAAP and non-GAAP weighted average common shares - basic	8.0	8.0	7.9	7.9	50.0	50.0
GAAP and non-GAAP weighted average common shares - diluted	2.5	2.5	5.6	5.6	20.0	20.0
Net Income per Common Share - Basic	\$ 0.01	\$ 0.01	\$ 0.03	\$ 0.03	\$ 0.10	\$ 0.10
Net Income per Common Share - Diluted	-	-	(0.01)	(0.01)	0.01	0.01
Exclude discrete tax adjustments (4)	(0.04)	(0.03)	(0.08)	(0.08)	(0.01)	(0.01)
Non-GAAP tax adjustments (5)	(0.02)	(0.02)	0.01	0.01	(0.02)	(0.02)
Net Income per Common Share - Diluted	\$ 0.44	\$ 0.44	\$ 0.32	\$ 0.32	\$ 0.32	\$ 0.31

GAAP and non-GAAP weighted average common shares - basic
GAAP and non-GAAP weighted average common shares - diluted

200.0
201.9

200.8
202.9

204.3
205.7



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Appendix | GAAP to Non-GAAP Reconciliation

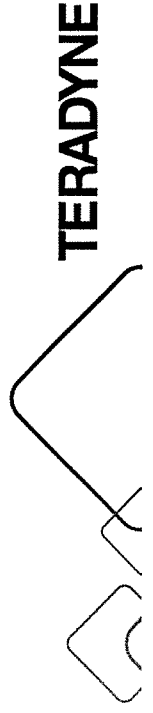
- (1) Actuarial (gains) losses recognized under GAAP in accordance with Teradyne's mark-to-market pension accounting.
- (2) Restructuring and other consists of

	Quarter Ended		
	April 2, 2017	December 31, 2016	April 3, 2016
Facility related	1.3	-	-
Contingent consideration fair value adjustment	0.6	5.4	1.2
Employee severance	0.6	0.1	0.4
	<u>\$ 2.5</u>	<u>\$ 5.6</u>	<u>\$ 1.6</u>

(3) For the quarters ended April 2, 2017 and December 31, 2016, interest and other included non-cash convertible debt interest expense.

(4) For the quarters ended April 2, 2017, December 31, 2016 and April 3, 2016, adjustment to exclude discrete income tax items. For the quarter ended December 31, 2016, adjustment to treat Wireless Test business segment goodwill and intangible assets impairments as discrete tax items.

(5) For periods after December 31, 2016, the non-GAAP annual effective tax rate is based on a with and without calculation with respect to non-GAAP reconciling items.



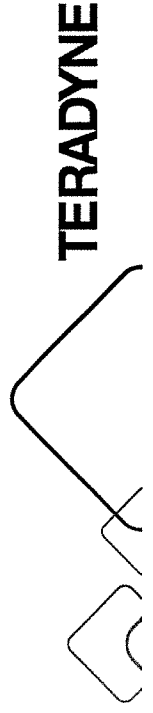
Appendix | GAAP to Non-GAAP Reconciliation

	Q1'16		Q4'16		Q1'17		Q2'17 Low Guidance		Q2'17 High Guidance	
	\$'s	% of sales	\$'s	% of sales	\$'s	% of sales	\$'s	% of sales	\$'s	% of sales
GAAP Operating Expenses	\$174	40%	\$160	42%	\$172	38%	\$172	27%		26%
Intangible Asset Amortization	-\$20	-5%	-\$8	-2%	-\$8	-2%	-\$8	-1%		-1%
Restructuring and Other	-\$2	0%	-\$6	-1%	-\$3	-1%	-\$3	0%		
Pension MTM	\$1	0%	\$1	0%	\$0	0%	\$0			
Non GAAP Operating Expenses	\$153	36%	\$148	39%	\$161	35%	\$161	26%		25%

	Q1'16		Q4'16		Q1'17	
	\$'s	% of sales	\$'s	% of sales	\$'s	% of sales
GAAP SG&A Expense	\$79	18%	\$76	20%	\$85	19%
Pension MTM	\$0	0%	\$1	0%	\$0	0%
Non GAAP SG&A Expense	\$80	18%	\$77	20%	\$85	19%

	Q1'16		Q4'16		Q1'17	
	\$'s	% of sales	\$'s	% of sales	\$'s	% of sales
GAAP R&D Expense	\$73	17%	\$70	18%	\$76	17%
Pension MTM	\$0	0%	\$1	0%	\$1	0%
Non GAAP R&D Expense	\$74	17%	\$71	19%	\$77	17%

	Q1'16		Q4'16		Q1'17		Q2'17 Guidance	
	\$'s	%	\$'s	%	\$'s	%	\$'s	%
GAAP Income Tax	\$7	13%	-\$7	-13%	\$7	7%	\$7	15%
Exclude discrete tax adjustments	\$3	4%	\$16	27%	\$7	7%	\$7	0%
Tax effect of non-GAAP adjustments	\$4	6%	-\$2	-4%	\$3	3%	\$3	4%
Effect of Higher Non-GAAP PBT		-6%		-2%		-2%		-3%
Non GAAP Income Tax	\$13	17%	\$6	9%	\$17	16%	\$17	16%



Appendix | GAAP to Non-GAAP Reconciliation

	<u>2016</u>	<u>2015</u>	<u>2014</u>
GAAP Operating Expenses	1,020	673	782
Less Goodwill Impairment Charge	(255)	-	(99)
Less Intangible Asset Impairment	(83)	-	-
Less Intangible Asset Amortization	(53)	(69)	(71)
Less Restructuring and Other	(22)	(5)	(1)
Pension Mark to Market Adjustment	2	(10)	(34)
Less Equity Modification Charge	-	-	(7)
Non GAAP Operating Expenses	609	589	571

	<u>2016</u>	<u>2015</u>	<u>2014</u>
UR GAAP Operating Expenses	84	28	-
Less Intangible Asset Amortization	(25)	(14)	-
Less Restructuring and Other	(16)	-	-
UR non GAAP Operating Expenses	43	14	-

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Test GAAP Operating Expenses (1)	936	645	782
Less Goodwill Impairment Charge	(255)	-	(99)
Less Intangible Asset Impairment	(83)	-	-
Less Intangible Asset Amortization	(28)	(55)	(71)
Less Restructuring and Other	(6)	(5)	(1)
Pension Mark to Market Adjustment	2	(10)	(34)
Less Equity Modification Charge	-	-	(7)
Non GAAP Operating Expenses (1)	566	575	571

(1) = Includes Variable Compensation of \$53M, \$61M and \$46M for 2016, 2015 and 2014, respectively.



Appendix | GAAP to Non-GAAP Reconciliation

GAAP to Non-GAAP Reconciliation of Second Quarter 2017 guidance:

GAAP and non-GAAP second quarter revenue guidance:		\$660 million	to \$700 million
GAAP net income per diluted share		\$ 0.77	\$ 0.86
Exclude acquired intangible assets amortization		0.04	0.04
Exclude non-cash convertible debt interest		0.02	0.02
Tax effect of non-GAAP adjustments		(0.02)	(0.02)
Non-GAAP net income per diluted share		\$ 0.81	\$ 0.90

Q1'17:

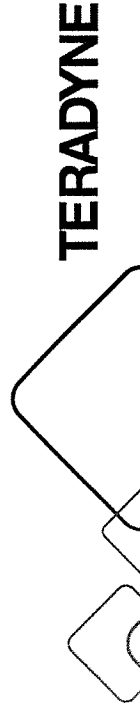
GAAP net interest and other income	-1.4
Exclude non cash convertible debt interest	<u>3.1</u>
Non-GAAP net interest and other income	\$1.7

Second Quarter Guidance:

GAAP net interest and other income	-2.1
Exclude non cash convertible debt interest	<u>3.1</u>
Non-GAAP net interest and other income	\$1.0

1H'17 GAAP EPS at Q2'17 Mid

Exclude Acquired Intangible Asset Amortization	\$0.08
Exclude Restructuring and Other	\$0.01
Exclude non cash convertible debt interest	\$0.03
Exclude Discrete Tax Adjustments	-\$0.03
Tax Effect of Non-GAAP Adjustments	<u>-\$0.03</u>
1H'17 Non-GAAP EPS at Q2'17 Mid	\$1.29



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>Q1'16</u>	<u>Q4'16</u>	<u>Q1'17</u>
GAAP Cash Flow From Operations, Excl Disc Ops	\$36	\$36	-\$61
Less Property, Plant and Equipment Additions	-\$20	-\$19	-\$22
Non-GAAP Operating Cash Flow ("Free Cash Flow")	\$15	\$17	-\$83

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
GAAP Cash Flow From Operations, Excl Disc Ops	\$403	\$269	\$492	\$413	\$445
Less Property, Plant and Equipment Additions	-\$119	-\$107	-\$169	-\$90	-\$85
Non-GAAP Operating Cash Flow ("Free Cash Flow")	\$284	\$162	\$323	\$323	\$360

Include Cash From ESPP	\$18	\$18	\$21	\$20	\$20
Total Cash Generation	\$302	\$180	\$344	\$343	\$380

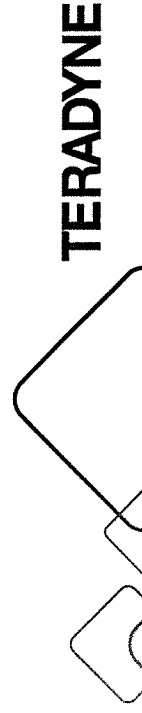


Appendix | GAAP to Non-GAAP Reconciliation

2020 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
\$	1.91
	0.04
	0.05
\$	2.00



GAAP to Non-GAAP Earnings Reconciliation

(In millions, except per share amounts)

	Quarter Ended December 31, 2015	% of Net Revenues
Net revenues	\$ 318.4	
Gross profit - GAAP	\$ 166.0	52.1%
Pension mark-to-market adjustments (1)	8.3	2.6%
Inventory step-up	-	-
Gross profit - non-GAAP	\$ 174.3	54.7%
(Loss) income from operations - GAAP	\$ (9.7)	-3.0%
Acquired intangible assets amortization	19.9	6.3%
Goodwill impairment (2)	-	-
Restructuring and other (3)	5.2	1.6%
Pension mark-to-market adjustments (1)	17.8	5.6%
Inventory step-up	-	-
Income from operations - non-GAAP	\$ 33.2	10.4%

	December 31, 2015	% of Net Revenues	Net Income per Common Share	
			Basic	Diluted
Net (loss) income- GAAP	\$ (0.6)	-0.2%	\$ (0.00)	\$ (0.00)
Acquired intangible assets amortization	19.9	6.3%	0.10	0.10
Goodwill impairment (2)	-	-	-	-
Inventory step-up	-	-	-	-
Pension mark-to-market adjustments (1)	17.8	5.6%	0.09	0.09
Restructuring and other (3)	5.2	1.6%	0.03	0.03
Exclude discrete tax items (4)	(6.3)	-2.0%	(0.03)	(0.03)
Tax effect of non-GAAP adjustments	(9.9)	-3.1%	(0.05)	(0.05)
Net income - non-GAAP	\$ 26.1	8.2%	\$ 0.13	\$ 0.13

GAAP and non-GAAP weighted average common shares - basic 205.1
 GAAP weighted average common shares - diluted 205.1
 Include dilutive shares 2.1
 Non-GAAP weighted average common shares - diluted 207.2

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

(2) Goodwill impairment related to Teradyne's Wireless Test business segment.

(3) Restructuring and other consists of:

	Quarter Ended December 31, 2015
Employee severance	\$ 0.1
Acquisition costs	-
Contingent consideration fair value adjustment	5.1
	\$ 5.2

(4) For the quarters ended December 31, 2015, October 4, 2015, and December 31, 2014, adjustment to exclude discrete income tax item

	Years Ended	
	December 31, 2013	December 31, 2012
Net Revenues	\$ 1,427.9	\$ 1,656.8
Gross profit - GAAP	\$ 808.8	\$ 886.0
Pension mark-to-market adjustments ⁽¹⁾	(3.1)	9.0
Inventory step-up	-	6.1
Gross profit - non-GAAP	\$ 805.7	\$ 901.1
Income from operations - GAAP	\$ 190.7	\$ 287.4
Acquired intangible asset amortization	72.4	73.5
Restructuring and other ⁽²⁾	2.1	(7.7)
Pension mark-to-market adjustments ⁽¹⁾	(10.4)	23.3
Inventory step-up	-	6.1
Income from operations - non-GAAP	\$ 254.8	\$ 382.6
	<u>% of Net Revenues</u>	<u>% of Net Revenues</u>
	56.6%	53.5%
	-0.2%	0.5%
	-	0.4%
	56.4%	54.4%
	13.4%	17.3%
	5.1%	4.4%
	0.1%	-0.5%
	-0.7%	1.4%
	-	0.4%
	17.8%	23.1%

	Net Income per Common Share	
	December 31, 2013	December 31, 2012
Net income - GAAP	\$ 215.4	\$ 337.5
Acquired intangible asset amortization	72.4	73.5
Income tax adjustment ⁽³⁾	4.8	11.5
Interest and other ⁽⁴⁾	(18.4)	13.8
Restructuring and other ⁽²⁾	2.1	(7.7)
Pension mark-to-market adjustments ⁽¹⁾	(10.4)	23.3
Inventory step-up	-	6.1
Convertible share adjustment ⁽⁵⁾	-	-
Net income - non-GAAP	\$ 215.4	\$ 337.5
	<u>% of Net Revenues</u>	<u>% of Net Revenues</u>
	15.1%	20.4%
	5.1%	4.4%
	0.3%	0.7%
	-1.3%	0.8%
	0.1%	-0.5%
	-0.7%	1.4%
	-	0.4%
	0.14	-
	1.13	1.81
	10.6	1.67

	Net Income per Common Share	
	December 31, 2013	December 31, 2012
GAAP and non-GAAP weighted average common shares - basic	190.8	186.9
GAAP weighted average common shares - diluted	235.6	230.2
Exclude dilutive shares from convertible note	(23.3)	(22.4)
Non-GAAP weighted average common shares - diluted ⁽⁵⁾	212.3	207.8

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

(2) Restructuring and other consists of:

	Years Ended
	December 31, 2013
Employee severance	\$ 2.5
Facility related	(0.4)
Contingent consideration fair value adjustment	-
	\$ 2.1

(3) For the years ended December 31, 2013 and 2012, adjustment to record income tax provision on a cash basis.

(4) For the years ended December 31, 2013 and 2012, interest and other included non-cash convertible debt interest expense. For the year ended December 31, 2013, interest and other included a gain from the sale of an equity investment.

(5) For the years ended December 31, 2013 and 2012, the calculation of non-GAAP diluted earnings per share gives benefit to the Company's call option on its stock for 34.7 million shares at \$5.48. As a result, 18.8 million and 17.4 million shares have been included in non-GAAP diluted shares and net interest expense of approximately \$9.4 million and \$9.3 million, respectively, has been added back to non-GAAP net income for the non-GAAP diluted earnings per share calculation.

GAAP to Non-GAAP Earnings Reconciliation

GAAP to Non-GAAP Reconciliation

GAAP and Non-GAAP second quarter revenue guidance

GAAP operating expenses as a % of revenue

Exclude acquired intangible asset amortization

Non-GAAP operating expenss as a % of revenue

Guidance Q2 2017

\$660 million	to	\$700 million
27%		26%
-1%		-1%
26%		25%

GAAP to Non-GAAP Reconciliation

GAAP income from operations as a % of revenue

Exclude acquired intangible asset amortization

Non-GAAP income from operations as a % of revenue

Mid Guidance Q2 2017

29%
1%
30%

FY 2017

FY 2017 Estimated Universal Robots Quarterly GAAP Operating Expenses
Intangible Asset Amortization

\$24M
(\$6M)

FY 2017 Estimated Universal Robots Quarterly Non-GAAP Operating Expe

\$18M