

Teradyne, Inc.

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

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

- Q2'17 EPS \$0.90
- Q2'16 EPS \$0.55
- Q1'17 EPS \$0.44
- Q1'16 EPS \$0.31
- H1'16 EPS \$0.86
- H1'17 EPS \$1.34
- Q2'17 net income \$181.5M
- Q3'17 guidance EPS \$0.39 to \$0.46
- EPS \$2.00 annual target
- Quarterly business unit model profit 15%
- Q4'15 Universal Robots Operating Expenses \$7M
- Q2'17 Universal Robots Operating Expenses \$16M
- Q2'17 Operating Profit 31%
- Q2'17 Gross Margin 56%
- Q2'17 Operating Expenses \$173M
- Q1'17 Operating Expenses \$161M
- Q3'17 Operating Expense Guidance 34% to 37%
- Q3'17 Guidance Midpoint Operating Profit Rate 22%
- Q4'17 Estimated Universal Robots Operating Expenses \$20M
- Estimated FY 2017 tax rate of 16.5%
- H1'15 EPS \$0.70
- Free Cash Flow – 2012 (\$302M), 2013 (\$180M), 2014 (\$344M), 2015 (\$343M), 2016 (\$380M), H1'17 (\$138M)
- Q2'16 – Gross Margin (53.2% and \$283M), R&D (14.4% and \$76M), SG&A (15.4% and \$82M), Operating Expenses (29.8% and \$158M), Operating Profit (23.4% and \$125M), EPS (\$0.55), FCF (\$155M), Effective Tax Rate (11% or \$13M), shares (205M)
- 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), EPS (\$0.44), FCF (- \$83M), Effective Tax Rate (16% or \$17M), shares (202M)
- Q2'17 - Gross Margin (56% and \$391M), R&D (11.8% and \$82M), SG&A (12.9% and \$90M), Operating Expenses (24.8% and \$173M), Operating Profit (31.3% and \$218M), Effective Tax Rate (16.7% and \$36M), EPS (\$0.90), FCF (\$206M), net interest and other (\$0M), shares (201M)
- Q3'17 Guidance – Operating Expenses (34-37%), Operating Profit (20-23%), net interest and other (\$1M), EPS (\$0.39-0.46), Effective Tax Rate (16.5%)
- Universal Robots Operating Expenses – 2015 (\$14M) and 2016 (\$43M)
- Test Operating Expenses (with Variable Compensation) – 2014 (\$571M), 2015 (\$575M), 2016 (\$566M)
- Total Company Operating Expenses – 2014 (\$571M), 2015 (\$589M), 2016 (\$609M)

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.

	April 3, 2016	% of Net Revenues	Net Income per Common Share	
			Basic	Diluted
Net income - GAAP	\$ 50.0	11.6%	\$ 0.24	\$ 0.24
Acquired intangible assets amortization	20.0	4.6%	0.10	\$ 0.10
Restructuring and other (2)	1.6	0.4%	0.01	\$ 0.01
Pension mark-to-market adjustments (1)	(1.2)	-0.3%	(0.01)	\$ (0.01)
Interest and other (3)	-	-	-	\$ -
Exclude discrete tax adjustments (4)	(2.5)	-0.6%	(0.01)	\$ (0.01)
Non-GAAP tax adjustments (5)	(3.5)	-0.8%	(0.02)	\$ (0.02)
Net income - non-GAAP	\$ 64.4	14.9%	\$ 0.32	\$ 0.31

GAAP and non-GAAP weighted average common shares - basic	204.3
GAAP and non-GAAP weighted average common shares - diluted	205.7

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

	April 3, 2016
Facility related	\$ -
Contingent consideration fair value adju	1.2
Employee severance	0.4
	\$ 1.6

- (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.

	<u>Q4 2015</u>
Universal Robots GAAP Operating Expenses	\$13M
Intangible Asset Amortization	<u>(\$6M)</u>
Universal Robots Non-GAAP Operating Expenses	\$7M

	<u>Q2 2017</u>
Universal Robots GAAP Operating Expenses	\$22M
Intangible Asset Amortization	<u>(\$6M)</u>
Universal Robots Non-GAAP Operating Expenses	\$16M

	<u>Q1 2017</u>
GAAP Operating Expenses	\$172M
Intangible Asset Amortization	<u>(\$6M)</u>
Restructuring and other	<u>(\$3M)</u>
Universal Robots Non-GAAP Operating Expenses	\$161M

GAAP to Non-GAAP Reconciliation	<u>Mid Guidance</u> <u>Q3 2017</u>
GAAP income from operations as a % of revenue	20%
Exclude acquired intangible asset amortization	2%
Non-GAAP income from operations as a % of revenue	<u>22%</u>

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.

(5)



Appendix | GAAP to Non-GAAP Reconciliation

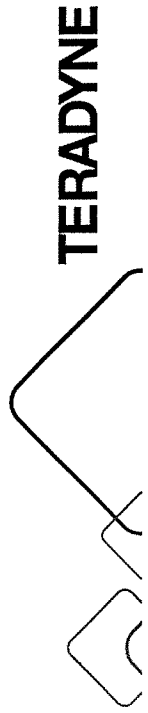
GAAP to Non-GAAP Earnings Reconciliation (In millions, except per share amounts)

	Quarter Ended			
	July 2, 2017	April 2, 2017	July 3, 2016	% of Net Revenues
Net revenues	\$ 696.9	\$ 456.9	\$ 531.8	53.2%
Gross profit - GAAP	\$ 391.2	\$ 264.9	\$ 282.9	53.2%
Pension mark-to-market adjustment (1)	(0.7)	-	(0.2)	0.0%
Gross profit - non-GAAP	\$ 390.5	\$ 264.9	\$ 282.7	53.2%
Income (loss) from operations - GAAP	\$ 209.9	\$ 93.4	\$ (231.8)	-43.6%
Acquired intangible assets amortization	8.2	8.0	16.2	3.0%
Restructuring and other (2)	2.3	2.5	2.6	0.5%
Pension mark-to-market adjustment (1)	(2.5)	-	(0.7)	-0.1%
Goodwill impairment (3)	-	-	254.9	47.9%
Acquired intangible assets impairment (3)	-	-	83.3	15.7%
Income from operations - non-GAAP	\$ 217.9	\$ 103.9	\$ 124.5	23.4%

	July 2, 2017		April 2, 2017		July 3, 2016	
	% of Net Revenues	Net Income per Common Share	% of Net Revenues	Net Income per Common Share	% of Net Revenues	Net (Loss) Income per Common Share
Net income (loss) - GAAP	25.1%	\$ 0.88	18.6%	\$ 0.43	-42.0%	\$ (1.10)
Acquired intangible assets amortization	1.2%	0.04	1.6%	0.04	3.0%	0.08
Interest and other (4)	0.4%	0.02	0.7%	0.02	-	-
Restructuring and other (2)	0.3%	0.01	0.5%	0.01	-	-
Pension mark-to-market adjustment (1)	-0.4%	(0.01)	-	-	0.5%	0.01
Goodwill impairment (3)	-	-	-	-	(0.7)	(0.00)
Acquired intangible assets impairment (3)	-	-	-	-	254.9	1.26
Exclude discrete tax adjustments (5)	0.1%	0.00	-1.5%	(0.04)	83.3	0.41
Non-GAAP tax adjustments (6)	-0.7%	(0.03)	-0.7%	(0.02)	25.1	0.12
Net income - non-GAAP	26.0%	\$ 0.91	19.4%	\$ 0.44	(45.5)	(0.22)

GAAP and non-GAAP weighted average common shares - basic
 GAAP weighted average common shares - diluted
 Exclude dilutive shares from convertible note
 Include dilutive shares
 Non-GAAP weighted average common shares - diluted

198.8	200.0	203.0
201.5	201.9	203.0
(0.7)	-	-
-	-	1.9
200.8	201.9	204.9



Appendix | GAAP to Non-GAAP Reconciliation

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

(2) Restructuring and other consists of:

	July 2, 2017	Quarter Ended April 2, 2017	July 3, 2016
Contingent consideration fair value adjustment	\$ 1.5	\$ 0.6	\$ 1.3
Employee severance	0.8	0.6	1.3
Facility related	-	1.3	-
Impairment of fixed assets and expenses related to Japan earthquake	-	-	5.1
Property insurance recovery	-	-	(5.1)
	<u>\$ 2.3</u>	<u>\$ 2.5</u>	<u>\$ 2.6</u>

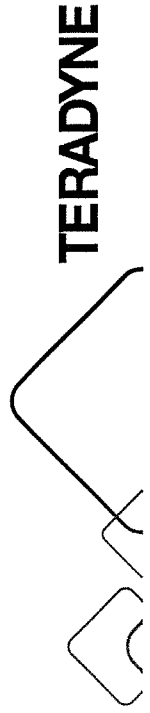
(3)

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

(4) For the quarters ended July 2, 2017 and April 2, 2017, interest and other included non-cash convertible debt interest expense.

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

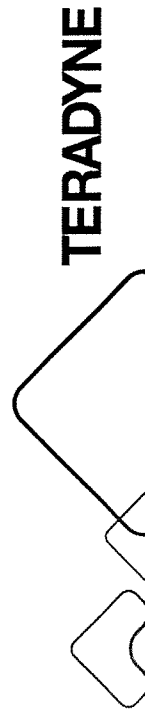
(6) For periods after December 31, 2016, the non-GAAP annual effective tax rate is based on a with and without calculation with respect to non-GAAP reconciling items.



Appendix | GAAP to Non-GAAP Reconciliation

	Six Months Ended		
	July 2, 2017	July 3, 2016	% of Net Revenues
Net Revenues	\$ 1,153.8	\$ 962.8	
Gross profit - GAAP	\$ 656.1	\$ 513.2	53.3%
Pension mark-to-market adjustment (1)	(0.7)	(0.6)	-0.1%
Gross profit - non-GAAP	\$ 655.4	\$ 512.6	53.2%
Income (loss) from operations - GAAP	\$ 303.3	\$ (175.7)	-18.2%
Acquired intangible assets amortization	16.1	36.2	3.8%
Restructuring and other (2)	4.8	4.2	0.4%
Pension mark-to-market adjustment (1)	(2.5)	(1.9)	-0.2%
Goodwill impairment (3)	-	254.9	26.5%
Acquired intangible assets impairment (3)	-	83.3	8.7%
Income from operations - non-GAAP	\$ 321.7	\$ 201.0	20.9%
Net income (loss) - GAAP	\$ 260.2	\$ (173.6)	-18.0%
Acquired intangible assets amortization	16.1	36.2	3.8%
Interest and other (4)	6.1	-	-
Restructuring and other (2)	4.8	4.2	0.4%
Pension mark-to-market adjustment (1)	(2.5)	(1.9)	-0.2%
Goodwill impairment (3)	-	254.9	26.5%
Acquired intangible assets impairment (3)	-	83.3	8.7%
Exclude discrete tax adjustments (5)	(6.5)	22.7	2.4%
Non-GAAP tax adjustments (6)	(8.2)	(49.0)	-5.1%
Net income - non-GAAP	\$ 270.0	\$ 176.8	18.4%
GAAP and non-GAAP weighted average common shares - basic	199.4	203.6	
GAAP weighted average common shares - diluted	201.7	203.6	
Exclude dilutive shares from convertible note	(0.3)	-	
Include dilutive shares	-	1.7	
Non-GAAP weighted average common shares - diluted	201.4	205.3	

	Net Income per Common Share		% of Net Revenues	Net (Loss) Income per Common Share	
	Basic	Diluted		Basic	Diluted
July 2, 2017	\$ 1.30	\$ 1.29	22.6%	\$ (0.85)	\$ (0.85)
July 3, 2016	\$ 0.08	\$ 0.08	1.4%	\$ 0.18	\$ 0.18
	0.03	0.03	0.5%	-	-
	0.02	0.02	0.4%	0.02	0.02
	(0.01)	(0.01)	-0.2%	(0.01)	(0.01)
	-	-	-	1.25	1.24
	-	-	-	0.41	0.41
	(0.03)	(0.03)	-0.6%	0.11	0.11
	(0.04)	(0.04)	-0.7%	(0.24)	(0.24)
	\$ 1.35	\$ 1.34	23.4%	\$ 0.87	\$ 0.86



Appendix | GAAP to Non-GAAP Reconciliation

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

(2) Restructuring and other consists of:

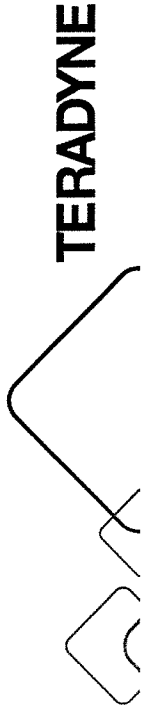
	Six Months Ended	
	July 2, 2017	July 3, 2016
Contingent consideration fair value adjustment	\$ 2.1	\$ 2.5
Employee severance	1.4	1.7
Facility related	1.3	-
Impairment of fixed assets and expenses related to Japan earthquake	-	5.1
Property insurance recovery	-	(5.1)
	<u>\$ 4.8</u>	<u>\$ 4.2</u>

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

(4) For the six months ended July 2, 2017, interest and other included non-cash convertible debt interest expense.

(5) For the six months ended July 2, 2017 and July 3, 2016, adjustment to exclude discrete income tax items. For the six months ended July 3, 2016, adjustment to treat Wireless Test business segment goodwill and intangible assets impairments as discrete tax items.

(6) 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

Six Months Ended

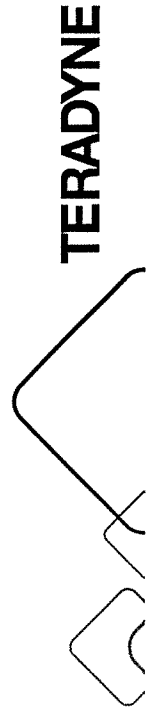
	July 3, 2016	% of Net Revenues	July 5, 2015	% of Net Revenues
Net Revenues	\$ 962.8		\$ 855.1	
Gross profit - GAAP	\$ 512.8	53.3%	\$ 491.0	57.4%
Inventory step-up	-	-	0.6	0.1%
Pension mark-to-market adjustment (1)	(0.6)	-0.1%	-	-
Gross profit - non-GAAP	\$ 512.2	53.2%	\$ 491.6	57.5%
(Loss) income from operations - GAAP	\$ (175.7)	-18.2%	\$ 165.9	19.4%
Goodwill impairment (2)	254.9	26.5%	-	-
Restructuring and other (3)	87.5	9.1%	(0.4)	0.0%
Acquired intangible asset amortization	36.2	3.8%	29.1	3.4%
Pension mark-to-market adjustment (1)	(1.9)	-0.2%	-	-
Inventory step-up	-	-	0.6	0.1%
Income from operations - non-GAAP	\$ 201.0	20.9%	\$ 195.2	22.8%

	July 3, 2016	% of Net Revenues	July 5, 2015	% of Net Revenues	Net Income per Common Share	
					Basic	Diluted
Net (loss) income - GAAP	\$ (173.6)	-18.0%	\$ 135.7	15.9%	\$ 0.63	\$ 0.62
Goodwill impairment (2)	254.9	26.5%	-	-	-	-
Restructuring and other (3)	87.5	9.1%	(0.4)	0.0%	(0.00)	(0.00)
Acquired intangible asset amortization	36.2	3.8%	29.1	3.4%	0.14	0.13
Interest and other (4)	-	-	(5.4)	-0.6%	(0.03)	(0.02)
Pension mark-to-market adjustment (1)	(1.9)	-0.2%	-	-	-	-
Inventory step-up	-	-	0.6	0.1%	0.00	0.00
Exclude discrete tax adjustments (5)	22.7	2.4%	(1.6)	-0.2%	(0.01)	(0.01)
Tax effect of non-GAAP adjustments	(49.0)	-5.1%	(5.8)	-0.7%	(0.03)	(0.03)
Net income - non-GAAP	\$ 176.8	18.4%	\$ 152.2	17.8%	\$ 0.71	\$ 0.70

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

203.6
 203.6
 1.7
 205.3

215.5
 217.2
 -
 217.2



Appendix | GAAP to Non-GAAP Reconciliation

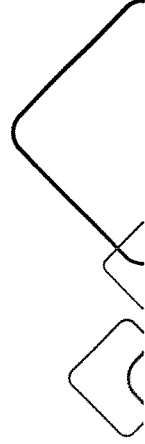
	Q2'16		Q1'17		Q2'17		Q3'17 Low Guidance		Q3'17 High Guidance	
	\$'s	% of sales	\$'s	% of sales	\$'s	% of sales	\$'s	% of sales	\$'s	% of sales
GAAP Operating Expenses	\$515	97%	\$172	38%	\$181	26%				
Intangible Asset Amortization	-\$16	-3%	-\$8	-2%	-\$8	-1%				
Restructuring and Other	-\$3	0%	-\$3	-1%	-\$2	0%				
Pension MTM	\$0	0%	\$0	0%	\$2	0%				
Acquired Intangible Assets Impairment	-\$83	-16%								
Goodwill Impairment	-\$255	-48%								
Non GAAP Operating Expenses	\$158	30%	\$161	35%	\$173	25%	\$37%		\$34%	

(1)

	Q2'16		Q1'17		Q2'17	
	\$'s	% of sales	\$'s	% of sales	\$'s	% of sales
GAAP SG&A Expense	\$81	15%	\$85	19%	\$89	13%
Pension MTM	\$0	0%	\$0	0%	\$1	0%
Non GAAP SG&A Expense	\$82	15%	\$85	19%	\$90	13%

	Q2'16		Q1'17		Q2'17	
	\$'s	% of sales	\$'s	% of sales	\$'s	% of sales
GAAP R&D Expense	\$76	14%	\$76	17%	\$82	12%
Pension MTM	\$0	0%	\$0	0%	\$1	0%
Non GAAP R&D Expense	\$76	14%	\$76	17%	\$82	12%

	Q2'16		Q1'17		Q2'17		Q3'17 Guidance	
	\$'s	%	\$'s	%	\$'s	%	\$'s	%
GAAP Income Tax	-\$7	3%	\$7	7%	\$32	15%		15%
Exclude discrete tax adjustments	-\$25	11%	\$7	8%	-\$1	0%		0%
Tax effect of non-GAAP adjustments	\$46	-20%	\$3	3%	\$5	2%		3%
Effect of Higher Non-GAAP PBT		16%		-2%		-1%		-2%
Non GAAP Income Tax	\$13	10.5%	\$17	16.0%	\$36	16.7%		16.5%



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Appendix | GAAP to Non-GAAP Reconciliation

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

GAAP and non-GAAP third quarter revenue guidance:

GAAP net income per diluted share

Exclude acquired intangible assets amortization

Exclude non-cash convertible debt interest

Non-GAAP tax adjustment

Non-GAAP net income per diluted share

	\$455 million	to \$485 million
	\$ 0.35	\$ 0.42
	0.04	0.04
	0.02	0.02
	<u>(0.02)</u>	<u>(0.02)</u>
	\$ 0.39	\$ 0.46

Q2'17

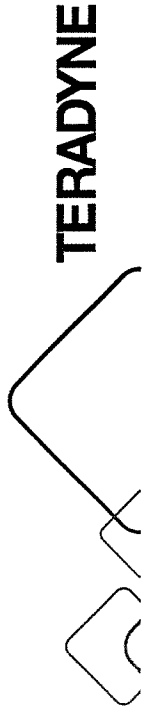
GAAP net interest and other income	- \$3.0
Exclude non cash convertible debt interest	<u>\$3.1</u>
Non-GAAP net interest and other income	\$0.1

Q3'17 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

Third Quarter Guidance:

GAAP Operating Profit as % of Sales	<u>19%</u>	<u>High End</u>	<u>21%</u>
Acquired intangible asset amortization	<u>2%</u>		<u>2%</u>
Non-GAAP Operating Profit as % of Sales	20%		23%



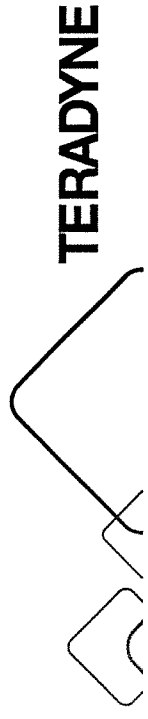
Appendix | GAAP to Non-GAAP Reconciliation

- 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.

	Q2'16	Q1'17	Q2'17
GAAP Cash Flow From Operations, Excl Disc Ops	\$181	-\$61	\$230
Less Property, Plant and Equipment Additions	-\$26	-\$22	-\$24
Non-GAAP Operating Cash Flow ("Free Cash Flow")	\$155	-\$83	\$206

	2012	2013	2014	2015	2016	1H'17
GAAP Cash Flow From Operations, Excl Disc Ops	\$403	\$269	\$492	\$413	\$446	\$169
Less Property, Plant and Equipment Additions	-\$119	-\$107	-\$169	-\$90	-\$85	-\$46
Non-GAAP Operating Cash Flow ("Free Cash Flow")	\$284	\$162	\$323	\$323	\$361	\$123

Include Cash From ESPP	\$18	\$18	\$21	\$20	\$20	\$15
Total Cash Generation	\$302	\$180	\$344	\$343	\$380	\$138



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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

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