

Teradyne, Inc.
Certain Non-GAAP financial measures discussed during the
First Quarter of 2023 Earnings Conference Call
April 27, 2023

On the Company's earnings conference call on April 27, 2023, the following non-GAAP financial measures were discussed or presented:

- Q1'23 net income (\$91.3M and 14.8% of revenue)
- Q4'22 net income (\$150.8M and 20.6% of revenue)
- Q1'22 net income (\$169.0M and 22.4% of revenue)
- Q1'23 Diluted EPS (\$0.55)
- Q1'23 Basic EPS (\$0.59)
- Q4'22 Diluted EPS (\$0.92)
- Q4'22 Basic EPS (\$0.97)
- Q1'22 Diluted EPS (\$0.98)
- Q1'22 Basic EPS (\$1.04)
- Q1'23 PBIT (\$105.6M and 17.1% of revenue)
- Q4'22 PBIT (\$168.9M and 23.1% of revenue)
- Q1'22 PBIT (\$206.7M and 27.4% of revenue)
- Q1'23 Diluted shares (165.4M)
- Q4'22 Diluted shares (164.3M)
- Q1'22 Diluted shares (173.1M)
- Q1'23 Guidance EPS (\$0.28 to \$0.52)
- Q2'23 Guidance EPS (\$0.55 to \$0.74)
- Annual expected Robotics operating profit (5% to 15%)
- Universal Robots annual operating profit (10% to 15%)
- Universal Robots FY 2023 estimated operating profit (10% to 15%)
- FY 2023 operating expenses roughly flat with FY 2022 operating expenses
- Q2'23 Guidance Midpoint Operating Profit Rate (19%)
- Q1'23 – Operating Expenses (40.6% and \$251M), Free Cash Flow (-\$22M), Effective Tax Rate (16.75% or \$18M)
- Q1'22 – Operating Expenses (32.9% and \$248M), Free Cash Flow (-\$37M), Effective Tax Rate (16% or \$32M)
- Q4'22 – Operating Expenses (34.4% and \$252M), Free Cash Flow (\$149M), Effective Tax Rate (12.3% or \$21M)
- Free Cash Flow – 2016 (\$370M), 2017 (\$521M), 2018 (\$370M), 2019 (\$444M), 2020 (\$684M), 2021 (\$966M), 2022 (\$415M)
- Q2'23 Guidance – Operating Expenses (40-37%), Operating Profit (17-21%), Diluted shares (164M)
- 2022 – Operating Expenses (32%), Operating Profit (28%), EPS (\$4.25)
- 2026E New Model Target EPS (\$7.50 to \$10.00), OPEX (28-26%), PBIT (31-34%)

GAAP to Non-GAAP Reconciliation

	Mid Guidance Q2 2023
GAAP income from operations as a % of revenue (\$655M)	18%
Exclude acquired intangible asset amortization	1%
Non-GAAP income from operations as a % of revenue (\$655M)	19%

FY 2023 Estimated Universal Robots Annual Operating Profit

GAAP income from operations as a % of revenue	9%	14%
Exclude acquired intangible asset amortization	1%	1%
Non-GAAP income from operations as a % of revenue	10%	15%

Universal Robots Annual Operating Profit (FY 2017 to FY 2022 [excluding FY 2020])

GAAP income from operations as a % of revenue	4%	9%
Exclude acquired intangible asset amortization	6%	6%
Non-GAAP income from operations as a % of revenue	10%	15%

Estimated Robotics Annual Operating Profit

GAAP income from operations as a % of revenue	1%	11%
Exclude acquired intangible asset amortization	4%	4%
Non-GAAP income from operations as a % of revenue	5%	15%

FY 2022 Operating Expenses

	\$M
FY 2022 GAAP Operating Expenses	1,035
Exclude acquired intangible asset amortization	(19)
Exclude restructuring and other expense	(17)
FY 2022 Non-GAAP Operating Expenses	999

FY 2023 Estimated Operating Expenses

	\$M
FY 2023 GAAP Esimtated Operating Expenses	1,017
Exclude acquired intangible asset amortization	(19)
Exclude equity modification charge	(6)
Exclude restructuring and other expense	(2)
FY 2023 Non-GAAP Estimated Operating Expenses	990

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.

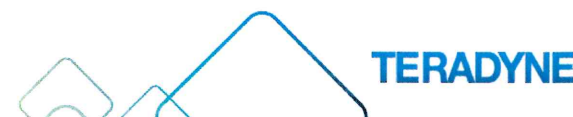
Appendix | GAAP to Non-GAAP Reconciliation

GAAP to Non-GAAP Earnings Reconciliation

(In millions, except per share amounts)

	Quarter Ended		Quarter Ended		Quarter Ended		Quarter Ended		Quarter Ended	
	April 2, 2023	% of Net Revenues	December 31, 2022	% of Net Revenues	April 3, 2022	% of Net Revenues	April 3, 2022	% of Net Revenues	April 3, 2022	% of Net Revenues
Net revenues	\$ 617.5		\$ 731.8		\$ 755.4					
Gross profit GAAP and non-GAAP	\$ 356.4	57.7%	\$ 420.4	57.4%	\$ 454.9	60.2%				
Income from operations - GAAP	\$ 92.9	15.0%	\$ 166.6	22.8%	\$ 185.9	24.6%				
Equity modification charge (1)	5.9	1.0%	-	-	-	-				
Acquired intangible assets amortization	4.8	0.8%	4.7	0.6%	5.1	0.7%				
Restructuring and other (2)	2.0	0.3%	(2.4)	-0.3%	15.7	2.1%				
Income from operations - non-GAAP	\$ 105.6	17.1%	\$ 168.9	23.1%	\$ 206.7	27.4%				
	Net Income per Common Share		Net Income per Common Share		Net Income per Common Share		Net Income per Common Share		Net Income per Common Share	
	April 2, 2023	% of Net Revenues	Basic	Diluted	December 31, 2022	% of Net Revenues	Basic	Diluted	April 3, 2022	% of Net Revenues
Net income - GAAP	\$ 83.5	13.5%	\$ 0.54	\$ 0.50	\$ 172.3	23.5%	\$ 1.11	\$ 1.04	\$ 161.9	21.4%
Equity modification charge (1)	5.9	1.0%	0.04	0.04	-	-	-	-	-	-
Acquired intangible assets amortization	4.8	0.8%	0.03	0.03	4.7	0.6%	0.03	0.03	5.1	0.7%
Restructuring and other (2)	2.0	0.3%	0.01	0.01	(2.4)	-0.3%	(0.02)	(0.01)	15.7	2.1%
Pension mark-to-market adjustment (3)	-	-	-	-	(25.6)	-3.5%	(0.16)	(0.15)	-	-
Exclude discrete tax adjustments	(2.5)	-0.4%	(0.02)	(0.02)	(2.8)	-0.4%	(0.02)	(0.02)	(10.4)	-1.4%
Non-GAAP tax adjustments	(2.4)	-0.4%	(0.02)	(0.01)	4.5	0.6%	0.03	0.03	(3.3)	-0.4%
Convertible share adjustment (4)	-	-	-	-	-	-	-	0.01	-	-
Net income - non-GAAP	\$ 91.3	14.8%	\$ 0.59	\$ 0.55	\$ 150.8	20.6%	\$ 0.97	\$ 0.92	\$ 169.0	22.4%
GAAP and non-GAAP weighted average common shares - basic	155.9				155.8				162.0	
GAAP weighted average common shares - diluted	166.3				165.5				175.6	
Exclude dilutive shares related to convertible note transaction	(0.9)				(1.2)				(2.5)	
Non-GAAP weighted average common shares - diluted	165.4				164.3				173.1	

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Appendix | GAAP to Non-GAAP Reconciliation

- (1) For the quarter ended April 2, 2023, selling and administrative expenses include an equity charge of \$5.9 million for the modification of Teradyne's retired CEO's outstanding equity awards in connection with his February 1, 2023 retirement.
- (2) Restructuring and other consists of:

	April 2, 2023	Quarter Ended December 31, 2022	April 3, 2022
Employee severance	\$ 2.0	\$ 0.8	\$ 0.6
Gain on sale of asset	-	(3.4)	-
Litigation Settlement	-	-	14.7
Other	-	0.3	0.5
	<u>\$ 2.0</u>	<u>\$ (2.4)</u>	<u>\$ 15.7</u>

- (3) For the quarter ended December 31, 2022 adjustments to exclude actuarial (gain)loss recognized under GAAP in accordance with Teradyne's mark-to-market pension accounting.
- (4) For the quarters ended April 2, 2023, December 31, 2022, and April 3, 2022, the non-GAAP diluted EPS calculation adds back \$0.1 million, \$0.2 million, and \$0.3 million, respectively, of convertible debt interest expense to non-GAAP net income. For the quarters ended April 2, 2023, December 31, 2022, and April 3, 2022, non-GAAP weighted average diluted common shares include 9.0 million, 7.9 million and 10.0 million shares, respectively, from the convertible note hedge transaction.

GAAP to Non-GAAP Reconciliation of Second Quarter 2023 guidance:

GAAP and non-GAAP second quarter revenue guidance:	\$625 million	to	\$685 million
GAAP net income per diluted share	\$ 0.53		\$ 0.72
Exclude acquired intangible assets amortization	0.03		0.03
Non-GAAP net income per diluted share	\$ 0.55		\$ 0.74

For press releases and other information of interest to investors, please visit Teradyne's homepage at <http://www.teradyne.com>.

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Appendix | GAAP to Non-GAAP Reconciliation

GAAP to Non-GAAP Earnings Reconciliation

(In millions, except per share amounts)

			Quarter Ended							
	December 31, 2022	% of Net Revenues	October 2, 2022	% of Net Revenues	December 31, 2021	% of Net Revenues	October 2, 2022	% of Net Revenues	December 31, 2021	% of Net Revenues
Net revenues	\$ 731.8		\$ 827.1		\$ 885.0					
Gross profit GAAP and non-GAAP	\$ 420.4	57.4%	\$ 485.4	58.7%	\$ 527.0	59.5%				
Income from operations - GAAP	\$ 166.6	22.8%	\$ 231.5	28.0%	\$ 256.4	29.0%				
Restructuring and other (1)	(2.4)	-0.3%	1.8	0.2%	12.7	1.4%				
Acquired intangible assets amortization	4.7	0.6%	4.7	0.6%	5.2	0.6%				
Income from operations - non-GAAP	\$ 168.9	23.1%	\$ 238.0	28.8%	\$ 274.3	31.0%				
			Net Income per Common Share				Net Income per Common Share			
	December 31, 2022	% of Net Revenues	Basic	Diluted	October 2, 2022	% of Net Revenues	Basic	Diluted	December 31, 2021	% of Net Revenues
Net income - GAAP	\$ 172.3	23.5%	\$ 1.11	\$ 1.04	\$ 183.5	22.2%	\$ 1.17	\$ 1.10	\$ 224.0	25.3%
Restructuring and other (1)	(2.4)	-0.3%	(0.02)	(0.01)	1.8	0.2%	0.01	0.01	12.7	1.4%
Acquired intangible assets amortization	4.7	0.6%	0.03	0.03	4.7	0.6%	0.03	0.03	5.2	0.6%
Pension mark-to-market adjustment (2)	(25.6)	-3.5%	(0.16)	(0.15)	-	-	-	-	(1.6)	-0.2%
Loss on convertible debt conversions (2)	-	-	-	-	-	-	-	-	3.4	0.4%
Interest and other (2)	-	-	-	-	-	-	-	-	1.2	0.1%
Exclude discrete tax adjustments	(2.8)	-0.4%	(0.02)	(0.02)	(0.5)	-0.1%	(0.00)	(0.00)	(6.5)	-0.7%
Non-GAAP tax adjustments	4.5	0.6%	0.03	0.03	(0.3)	0.0%	(0.00)	(0.00)	(0.3)	0.0%
Convertible share adjustment (3)	-	-	-	0.01	-	-	-	0.01	-	-
Net income - non-GAAP	\$ 150.8	20.6%	\$ 0.97	\$ 0.92	\$ 189.2	22.9%	\$ 1.21	\$ 1.15	\$ 238.1	26.9%
GAAP and non-GAAP weighted average common shares - basic	155.8				156.4				162.8	
GAAP weighted average common shares - diluted	165.5				166.7				178.0	
Exclude dilutive shares related to convertible note transaction	(1.2)				(1.5)				(3.4)	
Non-GAAP weighted average common shares - diluted	164.3				165.2				174.6	



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Appendix | GAAP to Non-GAAP Reconciliation

(1) Restructuring and other consists of:

	December 31, 2022	Quarter Ended October 2, 2022	December 31, 2021
Employee severance	\$ 0.8	\$ 1.2	\$ 0.3
Gain on sale of asset	(3.4)	-	-
Litigation settlement	-	-	12.0
Acquisition related expenses and compensation	-	-	0.2
Other	0.3	0.6	0.3
	<u>\$ (2.4)</u>	<u>\$ 1.8</u>	<u>\$ 12.7</u>

- (2) For the quarter ended December 31, 2021, adjustment to exclude loss on convertible debt conversions. For the quarter ended December 31, 2021, Interest and other included non-cash convertible debt interest expense. For the quarters ended December 31, 2022 and December 31, 2021, adjustments to exclude actuarial (gain)loss recognized under GAAP in accordance with Teradyne's mark-to-market pension accounting.
- (3) For the quarters ended December 31, 2022, October 2, 2022, and December 31, 2021, the non-GAAP diluted EPS calculation adds back \$0.2 million, \$0.2 million, and \$0.4 million, respectively, of convertible debt interest expense to non-GAAP net income. For the quarters ended December 31, 2022, October 2, 2022, and December 31, 2021, non-GAAP weighted average diluted common shares include 7.9 million, 8.3 million and 10.5 million shares, respectively, from the convertible note hedge transaction.
- (4) Currency exchange rates are used to convert the operating results for countries where the functional currency is not the U.S. dollar into U.S. dollars. We calculate the effect of changes in currency exchange rates as the difference between period activity translated using the period's currency exchange rates and the rates as of December 31, 2021.

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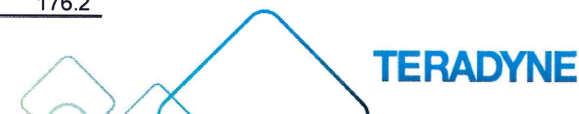


Appendix | GAAP to Non-GAAP Reconciliation

	Twelve Months Ended			
	December 31, 2022	% of Net Revenues	December 31, 2021	% of Net Revenues
Net Revenues	\$ 3,155.0		\$ 3,702.9	
Gross profit GAAP and non-GAAP	\$ 1,867.2	59.2%	\$ 2,206.7	59.6%
Income from operations - GAAP	\$ 831.9	26.4%	\$ 1,200.7	32.4%
Restructuring and other (1)	17.2	0.5%	9.3	0.3%
Acquired intangible assets amortization	19.3	0.6%	21.5	0.6%
Income from operations - non-GAAP	\$ 868.4	27.5%	\$ 1,231.5	33.3%

	December 31, 2022	% of Net Revenues	Net Income per Common Share		December 31, 2021	% of Net Revenues	Net Income per Common Share	
			Basic	Diluted			Basic	Diluted
Net income - GAAP	\$ 715.5	22.7%	\$ 4.52	\$ 4.22	\$ 1,014.6	27.4%	\$ 6.15	\$ 5.53
Restructuring and other (1)	17.2	0.5%	0.11	0.10	9.3	0.3%	0.06	0.05
Acquired intangible assets amortization	19.3	0.6%	0.12	0.11	21.5	0.6%	0.13	0.12
Loss on convertible debt conversions (2)	-	-	-	-	28.8	0.8%	0.17	0.16
Interest and other (2)	-	-	-	-	10.3	0.3%	0.06	0.06
Pension mark-to-market adjustment (2)	(25.6)	-0.8%	(0.16)	(0.15)	(2.2)	-0.1%	(0.01)	(0.01)
Exclude discrete tax adjustments	(12.1)	-0.4%	(0.08)	(0.07)	(28.6)	-0.8%	(0.17)	(0.16)
Non-GAAP tax adjustments	(1.4)	0.0%	(0.01)	(0.01)	(3.4)	-0.1%	(0.02)	(0.02)
Convertible share adjustment (3)	-	-	-	0.05	-	-	-	0.24
Net income - non-GAAP	\$ 712.9	22.6%	\$ 4.50	\$ 4.25	\$ 1,050.3	28.4%	\$ 6.37	\$ 5.98

GAAP and non-GAAP weighted average common shares - basic	158.4	165.0
GAAP weighted average common shares - diluted	169.7	183.6
Exclude dilutive shares from convertible note	(1.8)	(7.4)
Non-GAAP weighted average common shares - diluted	167.9	176.2



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Appendix | GAAP to Non-GAAP Reconciliation

- (1) Restructuring and other consists of:

	Twelve Months Ended	
	December 31, 2022	December 31, 2021
Litigation settlement	\$ 14.7	\$ 12.0
Employee severance	2.9	1.5
Gain on sale of asset	(3.4)	-
Contingent consideration fair value adjustment	-	(7.2)
Other	3.0	3.0
	<u>\$ 17.2</u>	<u>\$ 9.3</u>

- (2) For the twelve months ended December 31, 2021, adjustment to exclude loss on convertible debt conversions. For the twelve months ended December 31, 2021, Interest and other included non-cash convertible debt interest expense. For the twelve months ended December 31, 2022 and December 31, 2021, adjustment to exclude actuarial gain recognized under GAAP in accordance with Teradyne's mark-to-market pension accounting.
- (3) For the twelve months ended December 31, 2022 and December 31, 2021, the non-GAAP diluted EPS calculation adds back \$1.0 million and \$3.7 million, respectively, of convertible debt interest expense to non-GAAP net income. For the twelve months ended December 31, 2022 and December 31, 2022, non-GAAP weighted average diluted common shares include 8.8 million and 10.0 million shares, respectively, related to the convertible debt hedge transaction.
- (4) Currency exchange rates are used to convert the operating results for countries where the functional currency is not the U.S. dollar into U.S. dollars. We calculate the effect of changes in currency exchange rates as the difference between period activity translated using the period's currency exchange rates and the rates as of December 31, 2021.



Appendix | GAAP to Non-GAAP Reconciliation

	Q1'22		Q4'22		Q1'23		Q2'23 Low Guidance		Q2'23 High Guidance	
	\$'s	% of sales	\$'s	% of sales	\$'s	% of sales	\$'s	% of sales	\$'s	% of sales
GAAP Operating Expenses	\$269	36%	\$254	35%	\$264	43%	\$253	41%	\$256	37%
Intangible Asset Amortization	-\$5	-1%	-\$5	-1%	-\$5	-1%	-\$5	-1%	-\$5	-1%
Restructuring and Other	-\$16	-2%	\$2	0%	-\$2	0%				
Equity Modification Charge					-\$6	-1%				
Non GAAP Operating Expenses	\$248	33%	\$252	34%	\$251	41%	\$249	40%	\$251	37%

	Q1'22		Q4'22		Q1'23		2021		2022	
	\$'s	%	\$'s	%	\$'s	%	\$'s	%	\$'s	%
GAAP Income Tax	\$18	10%	\$23	12%	\$14	14%	\$146	13%	\$125	15%
Exclude discrete tax adjustments	\$10	6%	\$3	1%	\$3	3%	\$29	2%	\$12	1%
Tax effect of non-GAAP adjustments	\$3	2%	-\$5	-2%	\$2	2%	\$3	0%	\$1	0%
Effect of Higher Non-GAAP PBT		-2%		1%		-2%		0%		0%
Non GAAP Income Tax	\$32	16%	\$21	12%	\$18	17%	\$178	15%	\$138	16%

Q2'23 GAAP Guidance Diluted Shares	165
Exclude dilutive shares from convertible note	-1
Q1'23 Non-GAAP Guidance Diluted Shares	164

FY 2023 GAAP estimated tax rate	17.00%
Adjustment for Non GAAP items	0.00%
FY 2023 Non GAAP estimated tax rate	17.00%

	2021		2022	
	\$'s	% of sales	\$'s	% of sales
GAAP Operating Expenses	\$1,006	27%	\$1,035	33%
Intangible Asset Amortization	-\$21	-1%	-\$19	-1%
Restructuring and Other	-\$9	0%	-\$17	-1%
Equity Modification Charge				
Non GAAP Operating Expenses	\$975	26%	\$999	32%

GAAP to Non-GAAP Reconciliation of First Quarter 2023 guidance:

GAAP and non-GAAP first quarter revenue guidance:	\$550 million	to	\$630 million
GAAP net income per diluted share	\$ 0.26		\$ 0.49
Exclude acquired intangible assets amortization	0.03		0.03
Non-GAAP net income per diluted share	\$ 0.28		\$ 0.52

Q2'23 Guidance:

	Low End	High End
GAAP Operating Profit as % of Sales	16%	21%
Acquired intangible asset amortization	1%	1%
Non-GAAP Operating Profit as % of Sales	17%	21%

GAAP to Non-GAAP Reconciliation of Second Quarter 2023 guidance:

GAAP and non-GAAP second quarter revenue guidance:	\$625 million	to	\$685 million
GAAP net income per diluted share	\$ 0.53		\$ 0.72
Exclude acquired intangible assets amortization	0.03		0.03
Non-GAAP net income per diluted share	\$ 0.55		\$ 0.74

	\$625 million	to	\$685 million
	\$ 0.53		\$ 0.72
	0.03		0.03
	\$ 0.55		\$ 0.74



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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.

	2016	2017	2018	2019	2020	2021	2022	Q1'22	Q4'22	Q1'23
GAAP Cash Flow from Operations, Excl Disc Ops	\$ 455	\$ 626	\$ 477	\$ 579	\$ 869	\$ 1,098	\$ 578	\$ 7	\$ 183	\$ 19
Less Property, Plant, and Equipment Additions net of Gov't Subsidy	\$ (85)	\$ (105)	\$ (107)	\$ (135)	\$ (185)	\$ (132)	\$ (163)	\$ (44)	\$ (35)	\$ (41)
Non-GAAP Operating Cash Flow ("Free Cash Flow")	\$ 370	\$ 521	\$ 370	\$ 444	\$ 684	\$ 966	\$ 415	\$ (37)	\$ 149	\$ (22)



Appendix | GAAP to Non-GAAP Reconciliation

New 2026 Model Range

	<u>FY 2026 Low</u>	<u>FY 2026 Mid</u>	<u>FY 2026 High</u>
2026 Estimated GAAP Diluted EPS	\$ 7.49	\$ 8.74	\$ 9.99
Add Back Intangible Asset Amortization	\$ 0.01	\$ 0.01	\$ 0.01
2026 Estimated Non-GAAP Diluted EPS	\$ 7.50	\$ 8.75	\$ 10.00

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