

Financial Results for Q2 2021

July 28, 2021



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This presentation contains forward-looking statements regarding Teradyne's future business prospects, the impact of the COVID-19 pandemic, results of operations, market conditions, earnings per share, the payment of a quarterly dividend, the repurchase of Teradyne common stock pursuant to a share repurchase program, and the impact of U.S. and Chinese export and tariff laws. Such statements are based on the current assumptions and expectations of Teradyne's management and are neither promises nor guarantees of future performance, events, earnings per share, use of cash, payment of dividends, repurchases of common stock, payment of the senior convertible notes, the impact of the COVID-19 pandemic, or the impact of U.S. and Chinese export and tariff laws. There can be no assurance that management's estimates of Teradyne's future results or other forward-looking statements will be achieved. Additionally, the current dividend and share repurchase programs may be modified, suspended or discontinued at any time.

On May 16, 2019, Huawei and 68 of its affiliates, including HiSilicon, were added to the U.S. Department of Commerce Entity List under U.S. Export Administration Regulations (the "EAR"). This action by the U.S. Department of Commerce imposed new export licensing requirements on exports, re-exports, and in-country transfers of all U.S. - regulated products, software and technology to the designated Huawei entities. While most of Teradyne's products are not subject to the EAR and therefore were not affected by the Entity List restrictions, some of its products are currently manufactured in the U.S. and thus subject to the Entity List restrictions. On August 17, 2020, the U.S. Department of Commerce published final regulations expanding the scope of the U.S. EAR to include additional products that became subject to export restrictions relating to Huawei entities including HiSilicon. These new regulations restrict the sale to Huawei and the designated Huawei entities of certain non-U.S. made items, such as semiconductor devices, manufactured for or sold to Huawei entities including HiSilicon under specific, detailed conditions set forth in the new regulations. These new regulations have impacted our sales to Huawei, HiSilicon and their suppliers. Teradyne is taking appropriate actions, including filing for licenses with the U.S. Department of Commerce and working with the U.S. regulators to clarify the scope of the restrictions. However, Teradyne cannot be certain that the actions it takes will mitigate the risks associated with the new export controls that impact its business. It is uncertain the extent these new regulations and any other additional regulations that may be implemented by the U.S. Department of Commerce or other government agency may have on Teradyne's business and financial results. On April 28, 2020, the U.S. Department of Commerce published new export control regulations for certain U.S. products and technology sold to military end users or for military end-use in China, Russia and Venezuela. The definition of military end user is broad. The regulations went into effect on June 29, 2020. In December 2020, the U.S. Department of Commerce issued a list of companies in China and other countries that it considered to be military end users. Teradyne does not expect that compliance with the new export controls will significantly impact its ability to sell products to its customers in China or to manufacture products in China. The new export controls, however, could disrupt the Company's supply chain, increase compliance costs and impact the demand for the Company's products in China and, thus, have a material adverse impact on Teradyne's business, financial condition or results of operations. In addition, while the Company maintains an export compliance program, its compliance controls could be circumvented, exposing the Company to legal liabilities. Teradyne continues to assess the potential impact of the new export controls on its business and operations and take appropriate actions, including filing for licenses with the U.S. Department of Commerce, to minimize any disruption. However, Teradyne cannot be certain that the actions it takes will mitigate all the risks associated with the new export controls that may impact its business. In response to the regulations issued by the U.S. Department of Commerce, the Chinese government has passed new laws that may impact Teradyne's business activities in China. The Company is assessing the potential impact of these new Chinese laws and monitoring relevant laws and regulations issued by the Chinese government.

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The global pandemic of the novel strain of the coronavirus (COVID-19) has resulted in authorities implementing numerous measures to try to contain the virus, such as travel bans and restrictions, quarantines, shelter in place orders, and shutdowns. These measures have impacted and may further impact Teradyne's workforce and operations, the operations of its customers, and those of its contract manufacturers and suppliers. The COVID-19 pandemic has adversely impacted the Company's results of operations, including increased costs company-wide and decreased sales in its industrial automation businesses. The Company cannot accurately estimate the amount of the impact on Teradyne's 2021 financial results and to its future financial results. The COVID-19 outbreak has significantly increased economic and demand uncertainty in Teradyne's markets. This uncertainty resulted in a significant decrease in demand for certain Teradyne products and could continue to impact demand for an uncertain period of time. The spread of COVID-19 has caused Teradyne to modify its business practices (including employee travel, employees working remotely, and cancellation of physical participation in meetings, events and conferences) and the Company may take further actions as may be required by government authorities or that it determines are in the best interests of its employees, customers, contract manufacturers and suppliers. There is uncertainty that such measures will be sufficient to mitigate the risks posed by the virus, and Teradyne's ability to perform critical functions could be impacted. The degree to which COVID-19 impacts Teradyne's results will depend on future developments, which are highly uncertain and cannot be predicted, including, but not limited to, the duration and continued surge of the virus, its severity, the actions to contain the virus or the availability and impact of vaccines in countries where the Company does business, and how quickly and to what extent normal economic and operating conditions can resume.

Important factors that could cause actual results, earnings per share, use of cash, dividend payments, repurchases of common stock, or payment of the senior convertible notes to differ materially from those presently expected include: conditions affecting the markets in which Teradyne operates; decreased or delayed product demand from one or more significant customers; development, delivery and acceptance of new products; the ability to grow the Industrial Automation business; increased research and development spending; deterioration of Teradyne's financial condition; the continued impact of the COVID-19 pandemic and related government responses on the market and demand for Teradyne's products, on its contract manufacturers and supply chain, and on its workforce; the impact of the global semiconductor supply shortage on our supply chain and contract manufacturers; the consummation and success of any mergers or acquisitions; unexpected cash needs; insufficient cash flow to make required payments and pay the principal amount on the senior convertible notes; the business judgment of the board of directors that a declaration of a dividend or the repurchase of common stock is not in the company's best interests; additional U.S. tax regulations or IRS guidance; the impact of any tariffs or export controls imposed in the U.S. or China; compliance with trade protection measures or export restrictions; the impact of U.S. Department of Commerce or other government agency regulations relating to Huawei and HiSilicon; and other events, factors and risks disclosed in filings with the SEC, including, but not limited to, the "Risk Factors" sections of Teradyne's Annual Report on Form 10-K for the fiscal year ended December 31, 2020 and Quarterly Report on Form 10-Q for the fiscal quarter ended April 4, 2021. The forward-looking statements provided by Teradyne in this presentation represent management's views as of the date of this presentation. Teradyne anticipates that subsequent events and developments may cause management's views to change. However, while Teradyne may elect to update these forward-looking statements at some point in the future, Teradyne specifically disclaims any obligation to do so. These forward-looking statements should not be relied upon as representing Teradyne's views as of any date subsequent to the date of this presentation.

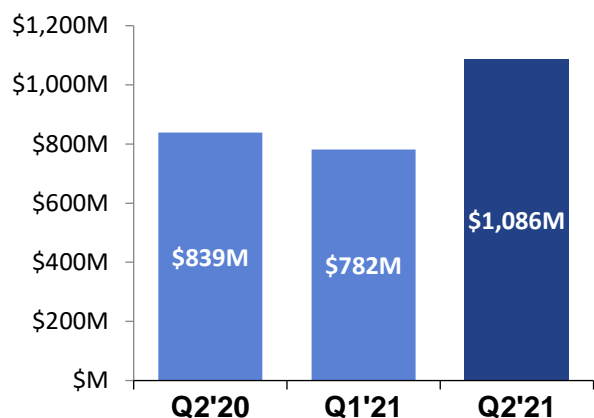
Business Update and Outlook

Mark Jagiela, Teradyne President and CEO

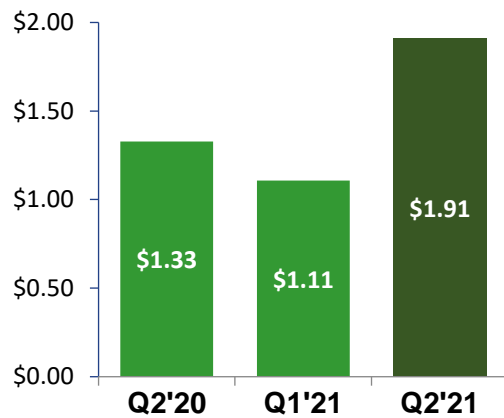


Q2'21 Summary

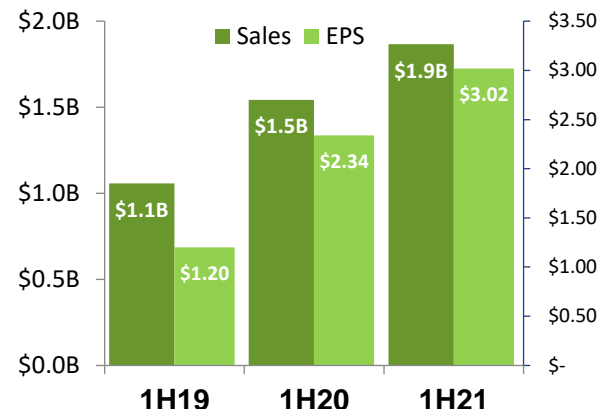
29% Sales Growth and 44% Non-GAAP Earnings Per Share Growth vs Q2'20



Quarterly Sales



Non-GAAP EPS⁽¹⁾



1st Half Sales and Non-GAAP EPS⁽¹⁾

- Q2'21 sales of \$1,086M, up 29% from Q2'20
- System-on-a-Chip (SOC) and Wireless Test demand remained strong
- Broad based recovery at Universal Robots and MiR

- Non-GAAP EPS of \$1.91 up 44% from Q2'20
- Gross margin of 59.6% on favorable product mix and higher revenue
- OPEX spending below guidance

- 1H'21 sales up 21% from record 1H'20 on growth in test and industrial automation
- 1H'21 non-GAAP EPS up 29% from record 1H'20 on higher sales and gross margin

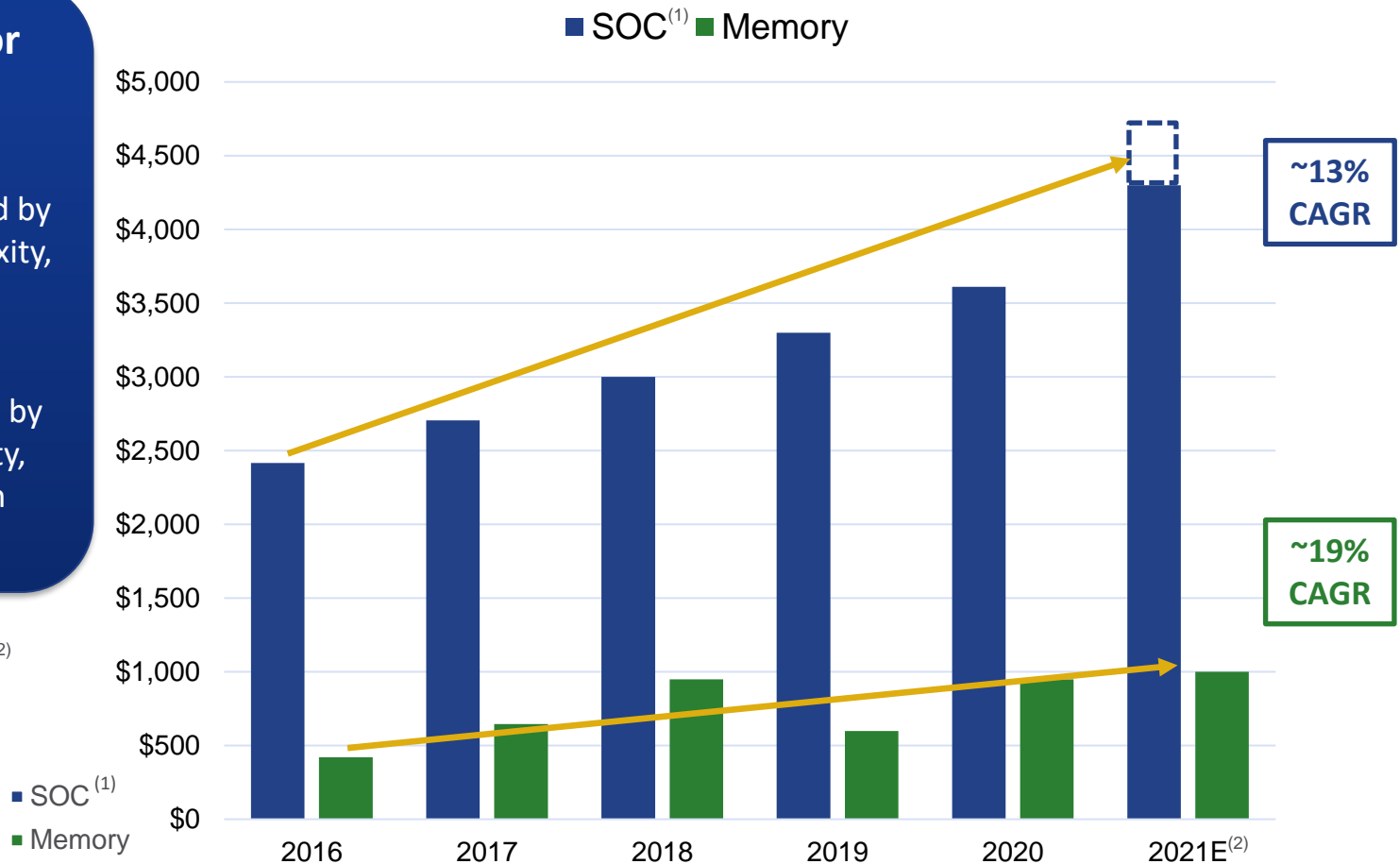
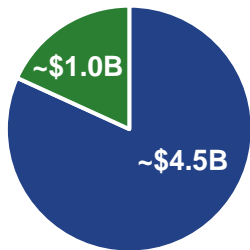
Semiconductor Test Markets are Growing

Semiconductor Test

SOC market powered by unit growth, complexity, new technology adoption

Memory test driven by bit growth, diversity, higher bandwidth

2021 Market Sizes⁽²⁾



1) SOC data includes product and service; market data from SEMI WWSEMS report and internal estimates

2) 2021 represents midpoint of guided range, CAGR's based on midpoint of 2021 range

Q2'21 Highlights

- Q2 sales and non-GAAP EPS up 29% and 44% respectively vs Q2'20
- 1H'21 sales grew 21% and non-GAAP EPS 29% vs record 1H'20 levels
- Test revenue grew 27% vs Q2'20 on broad based demand in SemiTest and System Test
- Estimated SOC TAM range for 2021 increased: now \$4.3B to \$4.7B; Memory TAM approximately \$1.0B. Total ATE Market up 21% from 2020 at midpoint
- Global semiconductor unit and complexity growth and increasing Wafer Fab Equipment (WFE) investments continues to benefit the SemiTest market
- Storage Test up 62% from Q2'20 on data center HDD demand and continued System Level Test (SLT) strength
- IA Shipments grew 57% from Q2'20 on UR and MiR strength
 - Expanding range of tasks supported, global recovery powering growth
 - Expect ~40% full year growth in IA in '21 and 20-35% annual growth long term

Second Quarter 2021 Financial Results and Third Quarter 2021 Guidance

Sanjay Mehta, Teradyne Vice President and Chief Financial Officer



Q2'21 Non-GAAP Results

\$s in millions, except EPS	Q2'20 Actual ⁽¹⁾		Q1'21 Actual ⁽¹⁾		Q2'21 Actual ⁽¹⁾	
Sales		\$839M		\$782M		\$1,086M
Gross Margin	56.2%	\$472M	59.1%	\$462M	59.6%	\$647M
R&D	11.2%	\$94M	12.8%	\$100M	10.1%	\$110M
SG&A	<u>13.5%</u>	<u>\$113M</u>	<u>16.6%</u>	<u>\$130M</u>	<u>12.9%</u>	<u>\$140M</u>
OPEX	24.7%	\$207M	29.5%	\$230M	23.0%	\$250M
Operating Profit	31.5%	\$264M	29.6%	\$231M	36.5%	\$397M
Income Taxes (& effective tax rate)	14.1%	\$38M	14.8%	\$34M	14.8%	\$58M
EPS		\$1.33		\$1.11		\$1.91
Diluted Shares		173M		177M		177M

Q2'21 Segment Summary

Semiconductor Test

\$834M

Sales up 27% from Q2'20,
122% from Q2'19

Mobile, Compute,
Industrial, and Automotive
related test demand strong

Memory test shipments
grew on strong Flash
demand

System Test

\$105M

Sales up 46% from Q2'20,
43% from Q2'19

Storage Test grew 62% year
on year

Defense & Aerospace and
Production Board Test grew
30% on expanded
shipments in both groups

Wireless Test

\$55M

Sales up 12% from Q2'20,
33% from Q2'19

WiFi 6e and early WiFi 7
demand strong

Expanding UltraWideBand
(UWB) adoption fueling
future growth potential

Industrial Automation

\$92M

Sales up 57% from Q2'20,
23% from Q2'19

UR sales up 75%,
MiR sales up 41% from Q2
'20

Sales improving in all
regions; North America
growing fastest

SemiTest Sales

Semi Product	\$726M
Semi Service	\$108M

Total Company Service: \$134M

Balance Sheet & Capital Return

	Q2'20 Actual	Q1'21 Actual	Q2'21 Actual
Cash and Marketable Securities	\$1,065M	\$1,425M	\$1,418M
Inventory	\$206M	\$262M	\$226M
DSO	75 Days	70 Days	73 Days
Capital Additions	\$47M	\$39M	\$35M
Depreciation and Amortization ⁽¹⁾	\$44M	\$46M	\$42M
Free Cash Flow ⁽³⁾	\$176M	(\$1M)	\$172M
Capital Return {	Buybacks	\$9M	\$45M
	Dividends	\$17M	\$17M

(1) Includes depreciation, stock-based compensation, amortization of acquired intangible assets and amortization of the non-cash convertible debt discount

(2) Teradyne calculates free cash flow as: GAAP Cash flow from operations, excluding discontinued operations, less property, plant and equipment additions; see GAAP to non-GAAP reconciliations.



Q3'21 Non-GAAP Guidance

\$s in millions, except EPS	Q2'21 Actual ⁽¹⁾	Q3'21 Guidance ⁽¹⁾
Sales	\$1,086M	\$880M - \$960M
Gross Margin	60%	59% - 60%
OPEX	23%	27% - 29%
Operating Profit	37%	30% - 33%
Net Interest & Other Income/(Expense)	(\$1M)	(\$1M)
Effective Tax Rate	14.75%	14.75%
EPS	\$1.91	\$1.29 - \$1.55
Diluted Shares	177M	176M

Q2'21 Summary

- Q2 sales and non-GAAP EPS up 29% and 44% respectively vs Q2'20
- Non-GAAP Gross margin of 59.6% vs 56.2% in Q2'20, 36.5% Non-GAAP operating margin vs 31.5% in Q2'20
- Test revenue grew 27% on broad based demand in SemiTest and System Test
- Estimated SOC TAM range for 2021 increased: now \$4.3B to \$4.7B; Memory TAM approximately \$1.0B. Total ATE Market up 21% from 2020 at midpoint
- Global semiconductor unit and complexity growth and increasing Wafer Fab Equipment (WFE) investments continues to benefit the SemiTest market
- Storage Test up 62% from Q2'20 on data center HDD demand and continued System Level Test (SLT) strength
- IA Shipments grew 57% from Q2'20 on UR and MiR strength
 - Expanding range of tasks supported, global recovery powering growth
 - Expect ~40% full year growth in IA in '21 and 20-35% annual growth long term
- Q3'21 sales up 12% and Non-GAAP EPS up 20% at mid-point of guidance from Q3'20

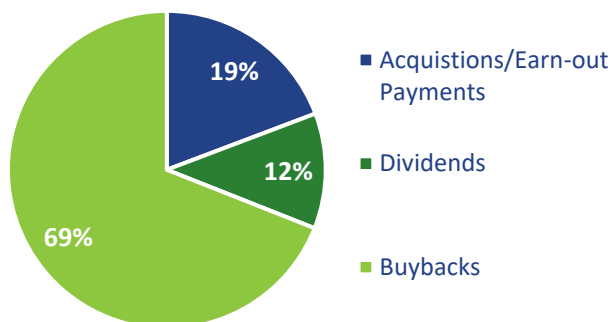
Supplemental Information



History of Balanced Capital Allocation

	2015	2016	2017	2018	2019	2020	1H'21	Cumulative
Buybacks	\$300M	\$146M	\$200M	\$823M	\$500M	\$88M	\$197M ⁽¹⁾	\$2,255M ⁽¹⁾
Dividends	\$51M	\$49M	\$55M	\$67M	\$61M	\$66M	\$33M	\$383M
Acquisitions	<u>\$283M</u>	<u>\$15M</u>	<u>\$1M</u>	<u>\$194M</u>	<u>\$115M</u>	<u>\$9M</u>	<u>\$12M</u>	<u>\$629M</u>
Total	\$633M	\$210M	\$257M	\$1,085M	\$676M	\$164M	\$242M	\$3,267M
Free Cash Flow ⁽²⁾	\$323M	\$370M	\$521M	\$370M	\$444M	\$684M	\$170M	\$2,833M

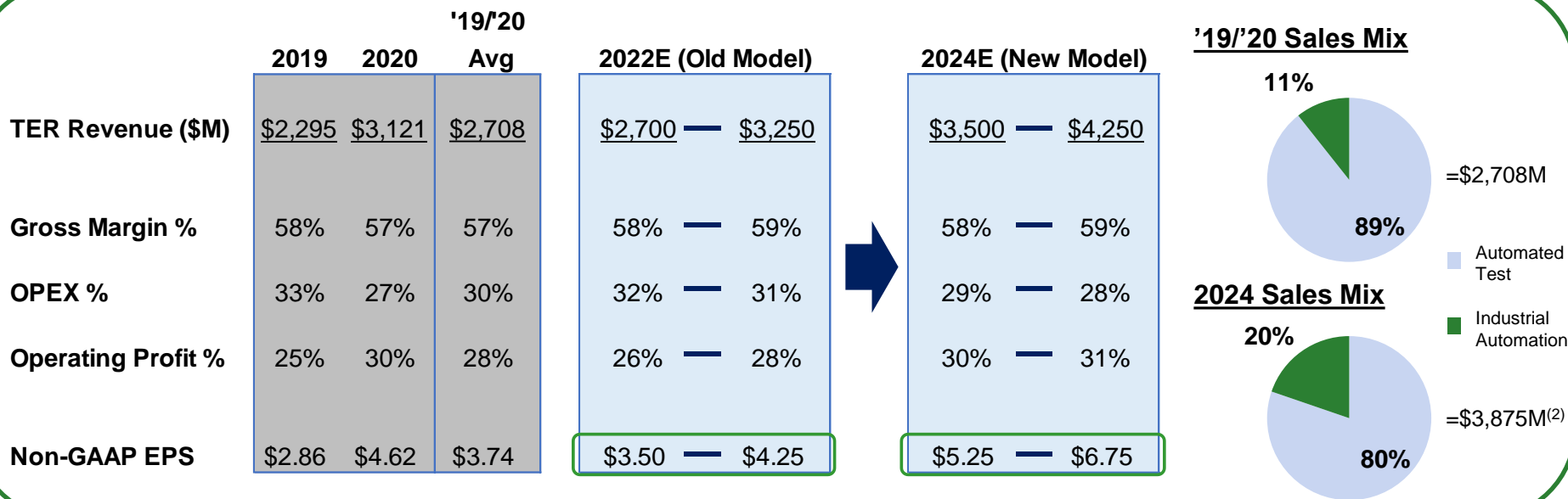
**Cumulative Capital Allocation
Breakdown 2015 - Q2'21**



- (1) Cumulative 63.9 million shares repurchased at an average price of \$35/share. Q1'21 buyback price at \$121/share and Q2'21 buyback price at \$127/share
- (2) Teradyne calculates free cash flow as: GAAP Cash flow from operations, excluding discontinued operations, less property, plant and equipment additions net of gov't subsidies; see GAAP to non-GAAP reconciliations.

Teradyne Non-GAAP Earnings Model

Financial Model



2024E Model Assumptions

- Test revenues grow from 2019/2020 average result of \$2,420M at 4-8% CAGR
- Industrial Automation revenues grow from 2019/2020 average result of \$289M at 20-35% CAGR
- Tax rate assumes current laws

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		Quarter Ended	
	July 4, 2021	% of Net Revenues	April 4, 2021	% of Net Revenues	July 4, 2021	% of Net Revenues	June 28, 2020	% of Net Revenues	July 4, 2021	% of Net Revenues	June 28, 2020	% of Net Revenues
Net revenues	\$ 1,085.7		\$ 781.6		\$ 838.7							
Gross profit GAAP	\$ 647.0	59.6%	\$ 461.6	59.1%	\$ 471.5	56.2%						
Inventory step-up	-	-	-	-	0.1	0.0%						
Gross profit non-GAAP	\$ 647.0	59.6%	\$ 461.6	59.1%	\$ 471.6	56.2%						
Income from operations - GAAP	\$ 388.9	35.8%	\$ 233.0	29.8%	\$ 217.9	26.0%						
Restructuring and other (1)	2.5	0.2%	(7.1)	-0.9%	37.2	4.4%						
Acquired intangible assets amortization	5.4	0.5%	5.5	0.7%	8.9	1.1%						
Inventory step-up	-	-	-	-	0.1	0.0%						
Income from operations - non-GAAP	\$ 396.8	36.5%	\$ 231.4	29.6%	\$ 264.1	31.5%						

	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		Net Income per Common Share	
	July 4, 2021	% of Net Revenues	Basic	Diluted	April 4, 2021	% of Net Revenues	Basic	Diluted	June 28, 2020	% of Net Revenues	Basic	Diluted
Net income - GAAP	\$ 328.3	30.2%	\$ 1.98	\$ 1.76	\$ 205.5	26.3%	\$ 1.23	\$ 1.09	\$ 188.9	22.5%	\$ 1.14	\$ 1.05
Restructuring and other (1)	2.5	0.2%	0.02	0.01	(7.1)	-0.9%	(0.04)	(0.04)	37.2	4.4%	0.22	0.21
Acquired intangible assets amortization	5.4	0.5%	0.03	0.03	5.5	0.7%	0.03	0.03	8.9	1.1%	0.05	0.05
Loss on convertible debt conversions (2)	1.2	0.1%	0.01	0.01	4.1	0.5%	0.02	0.02	-	-	-	-
Interest and other (2)	3.3	0.3%	0.02	0.02	3.6	0.5%	0.02	0.02	3.6	0.4%	0.02	0.02
Pension mark-to-market adjustment (2)	(0.6)	-0.1%	(0.00)	(0.00)	-	-	-	-	(0.1)	0.0%	(0.00)	(0.00)
Inventory step-up	-	-	-	-	-	-	-	-	0.1	0.0%	0.00	0.00
Exclude discrete tax adjustments	(1.1)	-0.1%	(0.01)	(0.01)	(15.1)	-1.9%	(0.09)	(0.08)	(1.1)	-0.1%	(0.01)	(0.01)
Non-GAAP tax adjustments	(1.5)	-0.1%	(0.01)	(0.01)	(0.3)	0.0%	(0.00)	(0.00)	(8.3)	-1.0%	(0.05)	(0.05)
Convertible share adjustment (3)	-	-	-	0.10	-	-	-	0.06	-	-	-	0.06
Net income - non-GAAP	\$ 337.5	31.1%	\$ 2.03	\$ 1.91	\$ 196.2	25.1%	\$ 1.18	\$ 1.11	\$ 229.2	27.3%	\$ 1.38	\$ 1.33

GAAP and non-GAAP weighted average common shares - basic	166.0		166.5		165.8	
GAAP weighted average common shares - diluted	186.8		187.7		180.3	
Exclude dilutive shares related to convertible note transaction	(9.6)		(10.3)		(7.6)	
Non-GAAP weighted average common shares - diluted	177.2		177.4		172.7	

Appendix | GAAP to Non-GAAP Reconciliation

(1) Restructuring and other consists of:

	Quarter Ended	
	July 4, 2021	April 4, 2021
		June 28, 2020
Employee severance	\$ 0.4	\$ -
Acquisition related expenses and compensation	0.3	3.1
Contingent consideration fair value adjustment	-	29.3
Contract termination settlement fee	-	4.0
Other	1.8	0.8
	<u>\$ 2.5</u>	<u>\$ 37.2</u>

(2) For the quarters ended July 4, 2021, April 4, 2021, and June 28, 2020, Interest and other included non-cash convertible debt interest expense. For the quarters ended July 4, 2021 and April 4, 2021, adjustment to exclude loss on convertible debt conversions. For the quarters ended July 4, 2021 and June 28, 2020, adjustments to exclude actuarial (gain) recognized under GAAP in accordance with Teradyne's mark-to-market pension accounting.

(3) For the quarters ended July 4, 2021, April 4, 2021, and June 28, 2020, the non-GAAP diluted EPS calculation adds back \$0.9 million, \$1.2 million, and \$1.3 million of convertible debt interest expense to non-GAAP net income, and non-GAAP weighted average diluted common shares include 10.1 million, 9.4 million and 5.8 million shares, respectively, from the convertible note hedge transaction.

Appendix | GAAP to Non-GAAP Reconciliation

	Six Months Ended			
	July 4, 2021	% of Net Revenues	June 28, 2020	% of Net Revenues
Net Revenues	\$ 1,867.3		\$ 1,543.0	
Gross profit GAAP	\$ 1,108.6	59.4%	\$ 877.0	56.8%
Inventory step-up	-	-	0.2	0.0%
Gross profit non-GAAP	\$ 1,108.6	59.4%	\$ 877.2	56.9%
Income from operations - GAAP	\$ 621.9	33.3%	\$ 424.7	27.5%
Restructuring and other (1)	(4.6)	-0.2%	29.6	1.9%
Acquired intangible assets amortization	10.9	0.6%	18.8	1.2%
Inventory step-up	-	-	0.2	0.0%
Income from operations - non-GAAP	\$ 628.2	33.6%	\$ 473.3	30.7%

	July 4, 2021	% of Net Revenues	Net Income		June 28, 2020	% of Net Revenues	Net Income	
			Basic	Diluted			Basic	Diluted
Net income - GAAP	\$ 533.8	28.6%	\$ 3.21	\$ 2.85	\$ 365.1	23.7%	\$ 2.20	\$ 2.02
Restructuring and other (1)	(4.6)	-0.2%	(0.03)	(0.02)	29.6	1.9%	0.18	0.16
Acquired intangible assets amortization	10.9	0.6%	0.07	0.06	18.8	1.2%	0.11	0.10
Loss on convertible debt conversions (2)	5.2	0.3%	0.03	0.03	-	-	-	-
Interest and other (2)	6.9	0.4%	0.04	0.04	7.1	0.5%	0.04	0.04
Inventory step-up	-	-	-	-	0.2	0.0%	0.00	0.00
Pension mark-to-market adjustment (2)	(0.6)	0.0%	(0.00)	(0.00)	(0.1)	0.0%	(0.00)	(0.00)
Exclude discrete tax adjustments	(16.3)	-0.9%	(0.10)	(0.09)	(8.7)	-0.6%	(0.05)	(0.05)
Non-GAAP tax adjustments	(1.9)	-0.1%	(0.01)	(0.01)	(10.1)	-0.7%	(0.06)	(0.06)
Convertible share adjustment (3)	-	-	-	0.16	-	-	-	0.10
Net income - non-GAAP	\$ 533.4	28.6%	\$ 3.21	\$ 3.02	\$ 401.9	26.0%	\$ 2.42	\$ 2.34

GAAP and non-GAAP weighted average common shares - basic	166.2	166.2
GAAP weighted average common shares - diluted	187.2	180.5
Exclude dilutive shares from convertible note	(9.9)	(7.5)
Non-GAAP weighted average common shares - diluted	177.3	173.0

Appendix | GAAP to Non-GAAP Reconciliation

(1) Restructuring and other consists of:

	Six Months Ended	
	July 4, 2021	June 28, 2020
Contingent consideration fair value adjustment	\$ (7.2)	\$ 19.2
Employee severance	0.6	0.8
Acquisition related expenses and compensation	-	4.5
Contract termination settlement fee	-	4.0
Other	1.9	1.1
	<u>\$ (4.6)</u>	<u>\$ 29.6</u>

(2) For the six months ended July 4, 2021 and June 28, 2020, Interest and other included non-cash convertible debt interest expense. For the six months ended July 4, 2021, adjustment to exclude loss on convertible debt conversions. For the six months ended July 4, 2021 and June 28, 2020, adjustments to exclude actuarial (gain) loss recognized under GAAP in accordance with Teradyne's mark-to-market pension accounting.

(3) For the six months ended July 4, 2021 and June 28, 2020, the non-GAAP diluted EPS calculation adds back \$2.1 million and \$2.6 million, respectively of convertible debt interest expense to non-GAAP net income and non-GAAP weighted average diluted common shares include 9.8 million and 5.7 million shares, respectively related to the convertible debt hedge transaction.

Appendix | GAAP to Non-GAAP Reconciliation

	Six Months Ended			
	June 28, 2020	% of Net Revenues	June 30, 2019	% of Net Revenues
Net Revenues	\$ 1,543.0		\$ 1,058.3	
Gross profit GAAP	\$ 877.0	56.8%	\$ 611.6	57.8%
Inventory step-up	0.2	0.0%	0.4	0.0%
Gross profit non-GAAP	\$ 877.2	56.9%	\$ 612.0	57.8%
Income from operations - GAAP	\$ 424.7	27.5%	\$ 227.1	21.5%
Acquired intangible assets amortization	18.8	1.2%	20.7	2.0%
Restructuring and other (1)	29.6	1.9%	(5.3)	-0.5%
Inventory step-up	0.2	0.0%	0.4	0.0%
Income from operations - non-GAAP	\$ 473.3	30.7%	\$ 242.9	23.0%

	June 28, 2020	% of Net Revenues	Net Income per Common Share		June 30, 2019	% of Net Revenues	Net Income per Common Share	
			Basic	Diluted			Basic	Diluted
Net income - GAAP	\$ 365.1	23.7%	\$ 2.20	\$ 2.02	\$ 206.5	19.5%	\$ 1.20	\$ 1.16
Acquired intangible assets amortization	18.8	1.2%	0.11	0.10	20.7	2.0%	0.12	0.12
Interest and other (2)	7.1	0.5%	0.04	0.04	6.8	0.6%	0.04	0.04
Restructuring and other (1)	29.6	1.9%	0.18	0.16	(5.3)	-0.5%	(0.03)	(0.03)
Inventory step-up	0.2	0.0%	0.00	0.00	0.4	0.0%	0.00	0.00
Pension mark-to-market adjustment (2)	(0.1)	0.0%	(0.00)	(0.00)	0.4	0.0%	0.00	0.00
Exclude discrete tax adjustments (3)	(8.7)	-0.6%	(0.05)	(0.05)	(16.2)	-1.5%	(0.09)	(0.09)
Non-GAAP tax adjustments	(10.1)	-0.7%	(0.06)	(0.06)	(5.5)	-0.5%	(0.03)	(0.03)
Convertible share adjustment	-	-	-	0.10	-	-	-	0.02
Net income - non-GAAP	\$ 401.9	26.0%	\$ 2.42	\$ 2.34	\$ 207.8	19.6%	\$ 1.21	\$ 1.20

GAAP and non-GAAP weighted average common shares - basic	166.2	172.4
GAAP weighted average common shares - diluted	180.5	177.8
Exclude dilutive shares from convertible note	(7.5)	(4.2)
Non-GAAP weighted average common shares - diluted	173.0	173.6

Appendix | GAAP to Non-GAAP Reconciliation

	Q2'20		Q1'21		Q2'21		Q3'21 Low Guidance		Q3'21 High Guidance	
	<u>\$'s</u>	<u>% of sales</u>	<u>\$'s</u>	<u>% of sales</u>	<u>\$'s</u>	<u>% of sales</u>	<u>\$'s</u>	<u>% of sales</u>	<u>\$'s</u>	<u>% of sales</u>
GAAP Operating Expenses	\$254	30%	\$229	29%	\$258	24%	\$261	30%	\$265	28%
Intangible Asset Amortization	-\$9	-1%	-\$6	-1%	-\$5	0%	-\$8	-1%	-\$8	-1%
Restructuring and Other	-\$37	-4%	\$7	1%	-\$3	0%				
Equity Modification Charge				0%						
Non GAAP Operating Expenses	\$207	25%	\$230	29%	\$250	23%	\$253	29%	\$257	27%

	Q2'20		Q1'21		Q2'21	
	<u>\$'s</u>	<u>%</u>	<u>\$'s</u>	<u>%</u>	<u>\$'s</u>	<u>%</u>
GAAP Income Tax	\$28	13%	\$18	8%	\$56	14%
Exclude discrete tax adjustments	\$1	1%	\$15	6%	\$1	0%
Tax effect of non-GAAP adjustments	\$8	4%	\$0	0%	\$2	0%
Effect of Higher Non-GAAP PBT		-3%		0%		0%
Non GAAP Income Tax	\$38	14%	\$34	15%	\$58	15%

Q2'21:

GAAP net interest and other income	-\$4.8
Exclude non cash convertible debt interest	\$3.3
Loss on convertible debt conversions	\$1.2
Pension to mark-to-market adjustment	-\$0.6
Non-GAAP net interest and other income	-\$0.9

Q3'21 Guidance

GAAP net interest and other income	-\$4.0
Exclude non cash convertible debt interest	\$3.1
Non-GAAP net interest and other income	-\$0.9

Q3'21 Guidance:

	<u>Low End</u>	<u>High End</u>
GAAP Operating Profit as % of Sales	29%	32%
Acquired intangible asset amortization	<u>1%</u>	<u>1%</u>
Non-GAAP Operating Profit as % of Sales	30%	33%

Q3'21 GAAP Guidance Diluted Shares	187
Exclude dilutive shares from convertible note	-11
Q3'21 Non-GAAP Guidance Diluted Shares	176

FY 2021 GAAP estimated tax rate	14.75%
Adjustment for Non GAAP items	<u>0.00%</u>
FY 2021 Non GAAP estimated tax rate	14.75%

GAAP to Non-GAAP Reconciliation of Third Quarter 2021 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	
Tax effect of non-GAAP adjustments	
Convertible share adjustment	
Non-GAAP net income per diluted share	

\$880 million	to	\$960 million
\$ 1.17		\$ 1.41
0.03		0.03
0.02		0.02
(0.01)		(0.01)
0.08		0.09
\$ 1.29		\$ 1.55

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.

	2015	2016	2017	2018	2019	2020	1H'21	Q2'20	Q1'21	Q2'21
GAAP Cash Flow from Operations, Excl Disc Ops	\$ 413	\$ 455	\$ 626	\$ 477	\$ 579	\$ 869	\$ 244	\$ 223	\$ 38	\$ 206
Less Property, Plant, and Equipment Additions net of Govt Subsidy	\$ (90)	\$ (85)	\$ (105)	\$ (107)	\$ (135)	\$ (185)	\$ (74)	\$ (47)	\$ (39)	\$ (35)
Non-GAAP Operating Cash Flow ("Free Cash Flow")	\$ 323	\$ 370	\$ 521	\$ 370	\$ 444	\$ 684	\$ 170	\$ 176	\$ (1)	\$ 172

Appendix | GAAP to Non-GAAP Reconciliation

	<u>FY 2024 Low</u>	<u>FY 2024 High</u>
2024 Estimated GAAP Operating Expenses as a % of Sales	29%	29%
Less Intangible Asset Amortization as a % of Sales	1%	0%
2024 Estimated Non-GAAP Operating Expenses as a % of Sales	<u>29%</u>	<u>28%</u>

	<u>FY 2024 Low</u>	<u>FY 2024 High</u>
2024 Estimated GAAP Operating Profit as a % of Sales	29%	31%
Add back Intangible Asset Amortization as a % of Sales	1%	0%
2024 Estimated Non-GAAP Operating Profit as a % of Sales	<u>30%</u>	<u>31%</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 Estimates Non-GAAP Diluted EPS	<u>\$ 5.25</u>	<u>\$ 6.75</u>

Appendix | GAAP to Non-GAAP Reconciliation

	<u>FY 2022 Low</u>	<u>FY 2022 High</u>
2022 Estimated GAAP Operating Expenses as a % of Sales	33%	32%
Less Intangible Asset Amortization as a % of Sales	<u>1%</u>	<u>1%</u>
2022 Estimated Non-GAAP Operating Expenses as a % of Sales	<u>32%</u>	<u>31%</u>

	<u>FY 2022 Low</u>	<u>FY 2022 High</u>
2022 Estimated GAAP Operating Profit as a % of Sales	25%	27%
Add back Intangible Asset Amortization as a % of Sales	<u>1%</u>	<u>1%</u>
2022 Estimated Non-GAAP Operating Profit as a % of Sales	<u>26%</u>	<u>28%</u>

	<u>FY 2022 Low</u>	<u>FY 2022 High</u>
2022 Estimated GAAP Diluted EPS	\$ 3.18	\$ 3.87
Add back Intangible Asset Amortization	\$ 0.09	\$ 0.10
Add back Non Cash Convertible Debt Interest	\$ 0.07	\$ 0.07
Convertible share adjustment	<u>\$ 0.15</u>	<u>\$ 0.21</u>
2022 Estimated Non-GAAP Diluted EPS	<u>\$ 3.50</u>	<u>\$ 4.25</u>

	<u>FY 2022 High Old</u>
2022 Estimated GAAP Diluted EPS (Old)	\$ 3.73
Add back Intangible Asset Amortization	\$ 0.07
Add back Non Cash Convertible Debt Interest	\$ 0.08
Convertible share adjustment	<u>\$ 0.13</u>
2022 Estimated Non-GAAP Diluted EPS	<u>\$ 4.00</u>

Appendix | GAAP to Non-GAAP Reconciliation

	Twelve Months Ended			
	December 31, 2020	% of Net Revenues	December 31, 2019	% of Net Revenues
Net Revenues	\$ 3,121.5		\$ 2,295.0	
Gross profit GAAP	\$ 1,785.7	57.2%	\$ 1,339.8	58.4%
Inventory step-up	0.4	0.0%	0.4	0.0%
Gross profit non-GAAP	\$ 1,786.1	57.2%	\$ 1,340.2	58.4%
Income from operations - GAAP	\$ 928.4	29.7%	\$ 553.7	24.1%
Acquired intangible assets amortization	30.8	1.0%	40.1	1.7%
Restructuring and other (1)	(13.2)	-0.4%	(13.9)	-0.6%
Inventory step-up	0.4	0.0%	0.4	0.0%
Equity modification charge (2)	0.8	0.0%	2.1	0.1%
Income from operations - non-GAAP	\$ 947.2	30.3%	\$ 582.4	25.4%

	Net Income per Common Share		Net Income per Common Share	
	December 31, 2020	% of Net Revenues	December 31, 2019	% of Net Revenues
Net income - GAAP	\$ 784.1	25.1%	\$ 467.5	20.4%
Acquired intangible assets amortization	30.8	1.0%	40.1	1.7%
Interest and other (3)	14.4	0.5%	28.7	1.3%
Pension mark-to-market adjustments (3)	10.3	0.3%	8.2	0.4%
Restructuring and other (1)	(13.2)	-0.4%	(13.9)	-0.6%
Inventory step-up	0.4	0.0%	0.4	0.0%
Equity modification charge (2)	0.8	0.0%	2.1	0.1%
Exclude discrete tax adjustments (4)	(15.2)	-0.5%	(22.6)	-1.0%
Non-GAAP tax adjustments	(11.9)	-0.4%	(16.7)	-0.7%
Convertible share adjustment (5)	-	-	-	-
Net income - non-GAAP	\$ 800.5	25.6%	\$ 493.8	21.5%

	December 31, 2020	December 31, 2019
GAAP and non-GAAP weighted average common shares - basic	166.1	170.4
GAAP weighted average common shares - diluted	183.0	179.5
Exclude dilutive shares from convertible note	(8.5)	(4.9)
Non-GAAP weighted average common shares - diluted	174.5	174.6