



## Shareholder Letter Supplement – March 2020

### GAAP to Non-GAAP Reconciliations

#### Non-GAAP Results

In addition to disclosing results that are determined in accordance with GAAP, Teradyne also discloses 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. Non-GAAP income from operations and non-GAAP net income exclude goodwill impairment, acquired intangible asset impairment, acquired intangible assets amortization, non-cash convertible debt interest, RealWear investment impairment, pension actuarial gains and losses, discrete income tax adjustments, equity modification charge, fair value inventory step-up, and restructuring and other, and includes the related tax impact on non-GAAP adjustments. GAAP requires that these items be included in determining income from operations and net income. Non-GAAP income from operations, non-GAAP net income, non-GAAP income from operations as a percentage of revenue, non-GAAP net income as a percentage of revenue, and non-GAAP net income per share are non-GAAP performance measures presented to provide meaningful supplemental information regarding Teradyne's baseline performance before gains, losses or other charges that may not be indicative of Teradyne's current core business or future outlook. These non-GAAP performance measures are used to make operational decisions, to determine employee compensation, to forecast future operational results, and for comparison with Teradyne's business plan, historical operating results and the operating results of Teradyne's competitors. Non-GAAP diluted shares include the impact of Teradyne's call option on its shares. 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 Teradyne's financial and operational performance, as well as facilitating meaningful comparisons of Teradyne'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 Shareholder Letter is contained in the Shareholder Letter Supplement and on the Teradyne website at [www.teradyne.com](http://www.teradyne.com) by clicking on "Investor Relations" and then selecting "Financials" and the "GAAP to Non-GAAP Reconciliation" link. The non-GAAP performance measures discussed in this Shareholder Letter 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.

## GAAP to Non-GAAP Earnings Reconciliation

(In millions, except per share amounts)

	Twelve Months Ended								
	December 31, 2019	% of Net Revenues	December 31, 2018		% of Net Revenues	December 31, 2018		% of Net Revenues	
Net Revenues	\$ 2,295.0		\$ 2,100.8						
Income from operations - GAAP	\$ 553.7	24.1%	\$ 473.8		22.6%				
Acquired intangible assets amortization	40.1	1.7%	39.2		1.9%				
Equity modification charge (1)	2.1	0.1%	-		-				
Restructuring and other (2)	(13.9)	-0.6%	15.2		0.7%				
Inventory step-up	0.4	0.0%	0.4		0.0%				
Income from operations - non-GAAP	\$ 582.4	25.4%	\$ 528.6		25.2%				
			Net Income per common share					Net Income per common share	
	December 31, 2019	% of Net Revenues	Basic	Diluted	December 31, 2018	% of Net Revenues	Basic	Diluted	
Net income - GAAP	\$ 467.5	20.4%	\$ 2.74	\$ 2.60	\$ 451.8	21.5%	\$ 2.41	\$ 2.35	
Acquired intangible assets amortization	40.1	1.7%	0.24	0.22	39.2	1.9%	0.21	0.20	
Interest and other (3)	28.7	1.3%	0.17	0.16	13.1	0.6%	0.07	0.07	
Equity modification charge (1)	2.1	0.1%	0.01	0.01	-	-	-	-	
Restructuring and other (2)	(13.9)	-0.6%	(0.08)	(0.08)	15.2	0.7%	0.08	0.08	
Inventory step-up	0.4	0.0%	0.00	0.00	0.4	0.0%	0.00	0.00	
Pension mark-to-market adjustment (3)	8.2	0.4%	0.05	0.05	(3.3)	-0.2%	(0.02)	(0.02)	
Exclude discrete tax adjustments (4)	(22.6)	-1.0%	(0.13)	(0.13)	(59.4)	-2.8%	(0.32)	(0.31)	
Non-GAAP tax adjustments	(16.7)	-0.7%	(0.10)	(0.09)	(8.4)	-0.4%	(0.04)	(0.04)	
Convertible share adjustment (5)	-	-	-	0.11	-	-	-	0.04	
Net income - non-GAAP (5)	\$ 493.8	21.5%	\$ 2.90	\$ 2.86	\$ 448.6	21.4%	\$ 2.39	\$ 2.37	
GAAP and non-GAAP weighted average common shares - basic	170.4				187.7				
GAAP weighted average common shares - diluted	179.5				192.6				
Exclude dilutive shares from convertible note	(4.9)				(3.2)				
Non-GAAP weighted average common shares - diluted (5)	174.6				189.4				

(1) For the twelve months ended December 31, 2019, selling and administrative expenses include an equity charge for the modification of Teradyne's retired CFO's outstanding equity awards to allow continued vesting and maintain the original term in connection with his July 17, 2019 retirement.

(2) Restructuring and other consists of:

	Twelve Months Ended	
	December 31, 2019	December 31, 2018
Contingent consideration fair value adjustment	\$ (19.3)	\$ 1.0
Employee severance	2.9	8.7
Acquisition related expenses and compensation	2.5	4.6
Other	-	0.9
	\$ (13.9)	\$ 15.2

(3) For the twelve months ended December 31, 2019 and December 31, 2018, Interest and other included non-cash convertible debt interest expense. For the twelve months ended December 31, 2019 and December 31, 2018, adjustments to exclude actuarial loss (gain) recognized under GAAP in accordance with Teradyne's mark-to-market pension accounting. For the twelve months ended December 31, 2019, adjustment to exclude RealWear \$15.0 million investment impairment.

(4) For the twelve months ended December 31, 2019 and December 31, 2018, adjustment to exclude discrete income tax items. For the twelve months ended December 31, 2019, GAAP income tax provision (benefit) includes a \$26 million tax benefit

(5) For the twelve months ended December 31, 2019, the non-GAAP diluted EPS calculation adds back \$5.2 million of convertible debt interest expense to non-GAAP net income and non-GAAP weighted average diluted common shares include 2.7 million shares related to the convertible debt hedge transaction.

MiR's revenue increase for the period Jan. 1, 2019 to Dec. 31, 2019 compared to the period April 23, 2018 to Dec. 31, 2018 is 84%. MiR's pro-forma revenue increase for the period Jan. 1, 2019 to Dec. 31, 2019 compared to the period Jan. 1, 2018 to Dec. 31, 2018 is 43%.

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

	<b>Twelve Months Ended</b>			
	<b>December 31, 2017</b>	<b>% of Net Revenues</b>	<b>Net Income per Common Share</b>	
			<b>Basic</b>	<b>Diluted</b>
Net Revenues	\$ 2,136.6			
Income (loss) from operations - GAAP	\$ 525.3	24.6%		
Acquired intangible assets amortization	30.5	1.4%		
Restructuring and other (2)	9.4	0.4%		
Income from operations - non-GAAP	<u>\$ 565.2</u>	<u>26.5%</u>		
Net income (loss) - GAAP	\$ 257.7	12.1%	\$ 1.30	\$ 1.28
Acquired intangible assets amortization	30.5	1.4%	0.15	0.15
Interest and other (4)	12.4	0.6%	0.06	0.06
Restructuring and other (2)	9.4	0.4%	0.05	0.05
Pension mark-to-market adjustment (1)	(6.3)	-0.3%	(0.03)	(0.03)
Exclude discrete tax adjustments (5)	178.3	8.3%	0.90	0.89
Non-GAAP tax adjustments (6)	<u>(12.8)</u>	<u>-0.6%</u>	<u>(0.06)</u>	<u>(0.06)</u>
Net income - non-GAAP	<u>\$ 469.2</u>	<u>22.0%</u>	<u>\$ 2.37</u>	<u>\$ 2.34</u>
GAAP and non-GAAP weighted average common shares - basic	198.1			
GAAP weighted average common shares - diluted	201.6			
Exclude dilutive shares from convertible note	(1.3)			
Include dilutive shares	-			
Non-GAAP weighted average common shares - diluted	<u>200.3</u>			

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

(2) Restructuring and other consists of:

<b>Twelve Months Ended</b>	
	<b>December 31, 2017</b>
Contingent consideration fair value adjustment	\$ 7.8
Employee severance	3.8
Impairment of fixed assets	1.1
Facility related	1.0
Expenses and impairment of fixed assets related to Japan earthquake	0.8
Property insurance recovery	(5.1)
	<u>\$ 9.4</u>

(4) For the twelve months ended December 31, 2017, interest and other included non-cash convertible debt interest expense.

(5) For the twelve months ended December 31, 2017, adjustment to exclude discrete income tax items. For the twelve months ended December 31, 2017, adjustment to treat the \$184 million expense related to the estimated impact of U.S. tax policy changes as a discrete item.

**GAAP to Non-GAAP Earnings Reconciliation**

(In millions, except per share amounts)

	Year Ended								
	December 31, 2016				December 31, 2015				
	December 31, 2016	% of Net Revenues	Net (Loss) Income per Common Share		December 31, 2015	% of Net Revenues	Net Income per Common Share		
			Basic	Diluted			Basic	Diluted	
Net Revenues	\$ 1,753.3				\$ 1,639.6				
Net (loss) income - GAAP	\$ (43.4)	-2.5%	\$ (0.21)	\$ (0.21)	\$ 206.5	12.6%	\$ 0.98	\$ 0.97	
Goodwill impairment (2)	254.9	14.5%	1.26	1.25	-	-	-	-	
Acquired intangible assets impairment (2)	83.3	4.8%	0.41	0.41	-	-	-	-	
Acquired intangible assets amortization	52.6	3.0%	0.26	0.26	69.0	4.2%	0.33	0.32	
Restructuring and other (3)	21.9	1.2%	0.11	0.11	5.1	0.3%	0.02	0.02	
Pension mark-to-market adjustments (1)	(3.2)	-0.2%	(0.02)	(0.02)	17.7	1.1%	0.08	0.08	
Interest and other (4)	0.6	0.0%	0.00	0.00	(5.4)	-0.3%	(0.03)	(0.03)	
Inventory step-up	-	-	-	-	1.6	0.1%	0.01	0.01	
Exclude discrete tax adjustments (5)	(4.5)	-0.3%	(0.02)	(0.02)	(4.9)	-0.3%	(0.02)	(0.02)	
Tax effect of non-GAAP adjustments	(53.3)	-3.0%	(0.26)	(0.26)	(18.5)	-1.1%	(0.09)	(0.09)	
Net income - non-GAAP	\$ 308.9	17.6%	\$ 1.52	\$ 1.51	\$ 271.1	16.5%	\$ 1.28	\$ 1.27	
GAAP and non-GAAP weighted average common shares - basic	202.6				211.5				
GAAP weighted average common shares - diluted	202.6				213.3				
Include dilutive shares	1.8				-				
Non-GAAP weighted average common shares - diluted	204.4				213.3				

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

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

(3) Restructuring and other consists of:

	Year Ended	
	December 31, 2016	December 31, 2015
Contingent consideration fair value adjustment	\$ 15.9	\$ 2.5
Employee severance	6.0	1.5
Impairment of fixed assets and expenses related to Japan earthquake	5.4	-
Property insurance recovery	(5.4)	-
Acquisition costs	-	1.1
	\$ 21.9	\$ 5.1

(4) For the year ended December 31, 2016, interest and other included non-cash convertible debt interest expense. For the year ended December 31, 2015, Interest and other included a gain from the sale of an equity investment.

(5) For the year ended December 31, 2016 and December 31, 2015, adjustment to exclude discrete income tax items. For the year ended December 31, 2016, adjustment to treat Wireless Test business segment goodwill and intangible assets impairments as discrete tax items.

## GAAP to Non-GAAP Earnings Reconciliation

(In millions, except per share amounts)

	Years Ended							
	December 31, 2014		December 31, 2013		December 31, 2013		December 31, 2013	
		% of Net Revenues	Net Income per Common Share			% of Net Revenues	Net Income per Common Share	
			Basic	Diluted			Basic	Diluted
Net Revenues	\$ 1,647.8				\$ 1,427.9			
Net income - GAAP	\$ 81.3	4.9%	\$ 0.40	\$ 0.37	\$ 164.9	11.5%	\$ 0.86	\$ 0.70
Acquired intangible asset amortization	70.8	4.3%	0.35	0.32	72.4	5.1%	0.38	0.31
Goodwill impairment (2)	98.9	6.0%	0.49	0.44	-	-	-	-
Pension mark-to-market adjustments (1)	46.6	2.8%	0.23	0.21	(10.3)	-0.7%	(0.05)	(0.04)
Equity modification charge (3)	6.6	0.4%	0.03	0.03	-	-	-	-
Restructuring and other (4)	1.4	0.1%	0.01	0.01	2.1	0.1%	0.01	0.01
Interest and other (5)	4.3	0.3%	0.02	0.02	(18.4)	-1.3%	(0.10)	(0.08)
Exclude discrete tax adjustments (6)	1.7	0.1%	0.01	0.01	-	-	-	-
Tax effect of non-GAAP adjustments	(41.3)	-2.5%	(0.20)	(0.19)	-	-	-	-
Income tax adjustment (7)	-	-	-	-	4.8	0.3%	0.03	0.02
Convertible share adjustment (8)	-	-	-	0.02	-	-	-	0.14
Net income - non-GAAP	\$ 270.3	16.4%	\$ 1.33	\$ 1.25	\$ 215.5	15.1%	\$ 1.13	\$ 1.06
GAAP and non-GAAP weighted average common shares - basic	202.9				190.8			
GAAP weighted average common shares - diluted	222.6				235.6			
Exclude dilutive shares from convertible note	(5.0)				(23.3)			
Non-GAAP weighted average common shares - diluted (8)	217.6				212.3			

(1) Actuarial losses (gains) 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) For the year ended December 31, 2014, selling and administrative expenses include an equity charge for the modification of Teradyne's retired CEO's outstanding equity awards to allow continued vesting and maintain the original term in connection with his January 31, 2014 retirement.

(4) Restructuring and other consists of:

	Years Ended	
	December 31, 2014	December 31, 2013
Employee severance	\$ 1.6	\$ 2.5
Acquisition costs	0.4	-
Contingent consideration fair value adjustment	(0.6)	-
Facility related	-	(0.4)
	\$ 1.4	\$ 2.1

(5) For the years ended December 31, 2014 and 2013, 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

(6) For the year ended December 31, 2014, adjustment to exclude discrete income tax items.

(7) For the year ended December 31, 2013, adjustment to record income taxes on a cash basis. Cash taxes reflects the usage of prior year favorable tax attributes (e.g. NOLs and credits) against current year tax liability

(8) For the years ended December 31, 2014 and 2013, 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 5.0 million and 23.3 million shares, respectively, have been excluded from non-GAAP diluted shares. For the years ended December 31, 2014 and 2013, net interest expense of approximately \$2.0 million and \$9.4 million, respectively, have been added back to non-GAAP net income for the non-GAAP diluted earnings per share calculation.