

Teradyne, Inc.
Certain Non-GAAP financial measures discussed during the
Third Quarter of 2022 Earnings Conference Call
October 26, 2022

On the Company's earnings conference call on October 26, 2022, the following non-GAAP financial measures were discussed or presented:

- Q3'22 EPS (\$1.15)
- Q2'22 EPS (\$1.21)
- Q3'21 EPS (\$1.59)
- Q3'22 net income (\$189.2M and 22.9%)
- Q2'22 net income (\$204.0M and 24.3%)
- Q3'21 net income (\$278.6M and 29.3%)
- YTD Q3'22 EPS (\$3.33)
- YTD Q3'21 EPS (\$4.61)
- YTD Q3'22 net income (\$562.3M and 23.2%)
- YTD Q3'21 net income (\$812.0M and 28.8%)
- YTD Q3'22 diluted shares (169M)
- YTD Q3'21 diluted shares (177M)
- Q4'22 Guidance EPS (\$0.62 to \$0.86)
- Industrial Automation revenue growth of 7% in constant currency for Q3 2022 compared to Q3 2021
- Industrial Automation revenue growth of 19% in constant currency for YTD Q3 2022 compared to YTD Q3 2021
- Forecasted Industrial Automation revenue growth of 14% for FY 2022 in constant currency compared to FY 2021
- Q3'22 Industrial Automation PBIT (\$2M)
- FY 2022 Industrial Automation forecasted PBIT (\$3M)
- Forecasted Industrial Automation annual operating profit range of 5% - 15%
- Q4'22 Guidance diluted shares (164M)
- Q4'22 Guidance Operating Expenses (34-38%)
- Q4'22 Guidance Midpoint Operating Profit Rate (21%)
- FY'22 Guidance EPS at Midpoint Q4'22 guidance (\$4.08)
- FY'22 Guidance Operating Expenses at Midpoint Q4'22 guidance (\$1B)
- Q3'22 – Operating Expenses (29.9% and \$247M), Operating Profit (28.8% and \$238M), Free Cash Flow (\$233M), Effective Tax Rate (18.7% or \$44M), Diluted shares (165M)

- Q3'21 – Operating Expenses (25.5% and \$242M), Operating Profit (34.6% and \$329M), Free Cash Flow (\$493M), Effective Tax Rate (14.8% or \$48M), Diluted shares (176M)
- Q2'22 – Operating Expenses (29.9% and \$251M), Operating Profit (30.3% and \$255M), Free Cash Flow (\$70M), Effective Tax Rate (16.9% or \$42M), Diluted shares (169M)
- Free Cash Flow – 2015 (\$323M), 2016 (\$370M), 2017 (\$521M), 2018 (\$370M), 2019 (\$444M), 2020 (\$684M), 2021 (\$966M), 9 months 2022 (\$266M)
- Q4'22 Guidance –Operating Profit (18-23%)
- 2024E Old Model – Operating Expenses (29-28%), Operating Profit (30-31%), EPS (\$5.25 to \$6.75)
- 2024E New Model – Operating Expenses (28-26%), Operating Profit (31-34%), EPS (\$7.00 to \$9.00)

GAAP to Non-GAAP Reconciliation

	Mid Guidance Q4 2022	
	<hr/>	
GAAP income from operations as a % of revenue (\$710M)	20%	
Exclude acquired intangible asset amortization	1%	
Non-GAAP income from operations as a % of revenue (\$710M)	<hr/> 21%	
	<hr/>	
FY 2022 Estimated Operating Expenses	\$M	
FY 2022 GAAP Operating Expenses	1,039	
Exclude acquired intangible asset amortization	(20)	
Exclude restructuring and other expense	(20)	
FY 2022 Non-GAAP Operating Expenses	<hr/> 1,000	
	<hr/>	
	\$M	
Q3 2022 Industrial Automation GAAP loss from operations	(\$4M)	
Exclude acquired intangible asset amortization	\$4M	
Exclude restructuring and other expense	\$1M	
Q3 2022 Industrial Automation Non-GAAP income from operations	<hr/> \$2M	
	<hr/>	
	\$M	
FY 2022 Industrial Automation GAAP loss from operations	(\$16M)	
Exclude acquired intangible asset amortization	\$18M	
Exclude restructuring and other expense	\$1M	
Q3 2022 Industrial Automation Non-GAAP income from operations	<hr/> \$3M	
	<hr/>	
Estimated Industrial Automation Annual Operating Profit		
GAAP income from operations as a % of revenue	2%	13%
Exclude acquired intangible asset amortization	2%	2%
Non-GAAP income from operations as a % of revenue	<hr/> 5%	<hr/> 15%
	<hr/>	
	\$	
FY 2022 Guidance GAAP EPS at Midpoint Q4 guidance	3.88	
Exclude acquired intangible asset amortization	0.12	
Exclude restructuring and other expense	0.11	
Exclude discrete tax adjustments	(0.05)	
Exclude non-GAAP tax adjustments	(0.03)	
Convertible share adjustment	0.04	
FY 2022 Guidance Non-GAAP EPS at Midpoint Q4 guidance	<hr/> 4.08	
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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	
	October 2, 2022	% of Net Revenues	July 3, 2022	% of Net Revenues	October 3, 2021	% of Net Revenues
Net revenues	\$ 827.1		\$ 840.8		\$ 950.5	
Gross profit GAAP and non-GAAP	\$ 485.4	58.7%	\$ 506.4	60.2%	\$ 571.0	60.1%
Income from operations - GAAP	\$ 231.5	28.0%	\$ 248.0	29.5%	\$ 322.4	33.9%
Restructuring and other (1)	1.8	0.2%	2.0	0.2%	1.2	0.1%
Acquired intangible assets amortization	4.7	0.6%	4.9	0.6%	5.4	0.6%
Income from operations - non-GAAP	\$ 238.0	28.8%	\$ 254.9	30.3%	\$ 329.0	34.6%

	October 2, 2022	% of Net Revenues	Net Income per Common Share		July 3, 2022	% of Net Revenues	Net Income per Common Share		October 3, 2021	% of Net Revenues	Net Income per Common Share	
			Basic	Diluted			Basic	Diluted			Basic	Diluted
Net income - GAAP	\$ 183.5	22.2%	\$ 1.17	\$ 1.10	\$ 197.8	23.5%	\$ 1.24	\$ 1.16	\$ 256.7	27.0%	\$ 1.56	\$ 1.41
Restructuring and other (1)	1.8	0.2%	0.01	0.01	2.0	0.2%	0.01	0.01	1.2	0.1%	0.01	0.01
Acquired intangible assets amortization	4.7	0.6%	0.03	0.03	4.9	0.6%	0.03	0.03	5.4	0.6%	0.03	0.03
Loss on convertible debt conversions (2)	-	-	-	-	-	-	-	-	20.2	2.1%	0.12	0.11
Interest and other (2)	-	-	-	-	-	-	-	-	2.3	0.2%	0.01	0.01
Exclude discrete tax adjustments	(0.5)	-0.1%	(0.00)	(0.00)	1.6	0.2%	0.01	0.01	(5.9)	-0.6%	(0.04)	(0.03)
Non-GAAP tax adjustments	(0.3)	0.0%	(0.00)	(0.00)	(2.3)	-0.3%	(0.01)	(0.01)	(1.3)	-0.1%	(0.01)	(0.01)
Convertible share adjustment (3)	-	-	-	0.01	-	-	-	0.01	-	-	-	0.06
Net income - non-GAAP	\$ 189.2	22.9%	\$ 1.21	\$ 1.15	\$ 204.0	24.3%	\$ 1.28	\$ 1.21	\$ 278.6	29.3%	\$ 1.69	\$ 1.59

GAAP and non-GAAP weighted average common shares - basic	156.4		159.6		164.6
GAAP weighted average common shares - diluted	166.7		171.2		182.0
Exclude dilutive shares related to convertible note transaction	(1.5)		(1.9)		(6.5)
Non-GAAP weighted average common shares - diluted	165.2		169.3		175.5

Appendix | GAAP to Non-GAAP Reconciliation

(1) Restructuring and other consists of:

	Quarter Ended		Quarter Ended
	October 2, 2022	July 3, 2022	October 3, 2021
Employee severance	\$ 1.2	\$ 0.4	\$ 0.6
Acquisition related expenses and compensation	-	-	0.3
Other	0.6	1.7	0.3
	<u>\$ 1.8</u>	<u>\$ 2.0</u>	<u>\$ 1.2</u>

(2) For the quarter ended October 3, 2021, adjustment to exclude loss on convertible debt conversions. For the quarter ended October 3, 2021, Interest and other included non-cash convertible debt interest expense.

(3) For the quarters ended October 2, 2022, July 3, 2022, and October 3, 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 October 2, 2022, July 3, 2022, and October 3, 2021, non-GAAP weighted average diluted common shares include 8.3 million, 9.0 million and 9.8 million shares, respectively, from the convertible note hedge transaction.

Appendix | GAAP to Non-GAAP Reconciliation

	Q3'21		Q2'22		Q3'22		Q4'22 Low Guidance		Q4'22 High Guidance	
	\$'s	% of sales	\$'s	% of sales	\$'s	% of sales	\$'s	% of sales	\$'s	% of sales
GAAP Operating Expenses	\$249	26%	\$258	31%	\$254	31%	\$256	38%	\$259	35%
Intangible Asset Amortization	-\$5	-1%	-\$5	-1%	-\$5	-1%	-\$5	-1%	-\$5	-1%
Restructuring and Other	-\$1	0%	-\$2	0%	-\$2	0%				
Equity Modification Charge										
Non GAAP Operating Expenses	\$242	25%	\$251	30%	\$247	30%	\$252	38%	\$255	34%

	Q3'21		Q2'22		Q3'22	
	\$'s	%	\$'s	%	\$'s	%
GAAP Income Tax	\$41	14%	\$41	17%	\$43	19%
Exclude discrete tax adjustments	\$6	2%	-\$2	-1%	\$1	0%
Tax effect of non-GAAP adjustments	\$1	0%	\$2	1%	\$0	0%
Effect of Higher Non-GAAP PBT		-1%		0%		-1%
Non GAAP Income Tax	\$48	15%	\$42	17%	\$44	19%

Q4'22 GAAP Guidance Diluted Shares	165
Exclude dilutive shares from convertible note	-1
Q4'22 Non-GAAP Guidance Diluted Shares	164

Q4'22 Guidance:

	Low End	High End
GAAP Operating Profit as % of Sales	18%	22%
Acquired intangible asset amortization	1%	1%
Non-GAAP Operating Profit as % of Sales	18%	23%

FY 2022 GAAP estimated tax rate	17.25%
Adjustment for Non GAAP items	0.00%
FY 2022 Non GAAP estimated tax rate	17.25%

GAAP to Non-GAAP Reconciliation of Fourth Quarter 2022 guidance:

GAAP and non-GAAP fourth quarter revenue guidance:

GAAP net income per diluted share

Exclude acquired intangible assets amortization

Non-GAAP net income per diluted share

\$670 million	to	\$750 million
\$ 0.59		\$ 0.84
0.03		0.03
\$ 0.62		\$ 0.86

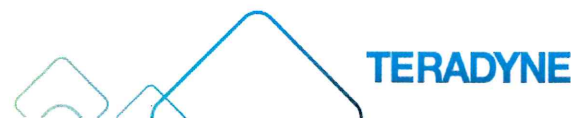


Appendix | GAAP to Non-GAAP Reconciliation

	Quarter Ended			Nine Months Ended			Twelve Months Ended		
	October 2, 2022	October 3, 2021	Percentage Change	October 2, 2022	October 3, 2021	Percentage Change	December 31, 2022	December 31, 2021	Percentage Change
Industrial Automation segment revenues									
As reported	89.1	91.0	-2%	293.3	263.2	11%	397.3	376.1	6%
Currency exchange rate fluctuations	6.7	(1.8)		10.5	(7.6)		21.8	(8.1)	
Constant currency total revenues (4)	<u>95.8</u>	<u>89.2</u>	7%	<u>303.8</u>	<u>255.6</u>	19%	<u>419.1</u>	<u>368.0</u>	14%

(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.

*Twelve Months ended December 31, 2022 assumes Q4'22 at mid-guidance



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	2021	Q3'21	Q2'22	Q3'22	9mo22
GAAP Cash Flow from Operations, Excl Disc Ops	\$ 413	\$ 455	\$ 626	\$ 477	\$ 579	\$ 869	\$ 1,098	\$ 523	\$ 115	\$ 272	\$ 395
Less Property, Plant, and Equipment Additions net of Gov't Subsidy	\$ (90)	\$ (85)	\$ (105)	\$ (107)	\$ (135)	\$ (185)	\$ (132)	\$ (29)	\$ (46)	\$ (39)	\$ (129)
Non-GAAP Operating Cash Flow ("Free Cash Flow")	\$ 323	\$ 370	\$ 521	\$ 370	\$ 444	\$ 684	\$ 966	\$ 493	\$ 70	\$ 233	\$ 266

Appendix | GAAP to Non-GAAP Reconciliation

Old 2024 Model Range

	<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

New 2024 Model Range

	<u>FY 2024 Low</u>	<u>FY 2024 Mid</u>	<u>FY 2024 High</u>
2024 Estimated GAAP Diluted EPS	\$ 6.90	\$ 7.90	\$ 8.90
Add Back Intangible Asset Amortization	\$ 0.10	\$ 0.10	\$ 0.10
2024 Estimated Non-GAAP Diluted EPS	\$ 7.00	\$ 8.00	\$ 9.00

