

Teradyne, Inc.
Certain Non-GAAP financial measures discussed during the
Fourth Quarter of 2022 Earnings Conference Call
January 26, 2023

On the Company's earnings conference call on January 26, 2023, the following non-GAAP financial measures were discussed or presented:

- Industrial Automation FY 2022 revenue increase in constant currency (15%)
- Q4'22 net income (\$150.8M and 20.6% of revenue)
- Q3'22 net income (\$189.2M and 22.9% of revenue)
- Q4'21 net income (\$238.1M and 26.9% of revenue)
- Q4'22 Diluted EPS (\$0.92)
- Q4'22 Basic EPS (\$0.97)
- Q3'22 Diluted EPS (\$1.15)
- Q3'22 Basic EPS (\$1.21)
- Q4'21 Diluted EPS (\$1.37)
- Q4'21 Basic EPS (\$1.46)
- Q4'22 PBIT (\$168.9M and 23.1% of revenue)
- Q3'22 PBIT (\$238.0M and 28.8% of revenue)
- Q4'21 PBIT (\$274.3M and 31.0% revenue)
- Q4'22 Diluted shares (164.3M)
- Q3'22 Diluted shares (165.3M)
- Q4'21 Diluted shares (174.6M)
- FY 2022 PBIT (\$868.4M and 27.5% of revenue)
- FY 2021 PBIT (\$1,231.5M and 33.3% of revenue)
- FY 2022 net income (\$712.9M and 22.6% of revenue)
- FY 2021 net income (\$1,050.3M and 28.4% of revenue)
- FY 2022 Diluted EPS (\$4.25)
- FY 2022 Basic EPS (\$4.50)
- FY 2021 Diluted EPS (\$5.98)
- FY 2021 Basic EPS (\$6.37)
- FY 2022 Diluted shares (167.9M)
- FY 2021 Diluted shares (176.2M)
- Q1'23 Guidance Diluted EPS (\$0.28 to \$0.52)
- Over the last 8 years (since 2014) EPS has grown almost 4X
- Diluted EPS FY 2014 (\$1.25), FY 2015 (\$1.27), FY 2016 (\$1.51), FY 2017 (\$2.34), FY 2018 (\$2.37), FY 2019 (\$2.86), FY 2020 (\$4.62)

- Q4'22 Industrial Automation revenue increase from Q4'21 in constant currency (7%)
- FY 2022 Free Cash Flow (\$415M)
- MiR FY 2022 revenue increase in constant currency (26%)
- FY 2022 Industrial Automation PBIT slightly above break-even
- Q1'23 Guidance Diluted Shares (165M)
- Q1'23 Guidance Midpoint Operating Profit Rate (14%)
- 2023 Guidance IAG Profit Rate (5-15%)
- 2026E Model EPS Midpoint Target (\$8.75)
- Diluted EPS CAGR last 6 years since 2016 (19%)
- Diluted EPS GAGR 2016 to 2026 (19%)
- FY 2026 Estimated New Model Target EPS (\$7.50 to \$10.00)
- Q3'22 – Operating Expenses (29.9% and \$247M), Free Cash Flow (\$233M), Effective Tax Rate (18.7% or \$44M)
- Q4'22 –Operating Expenses (34.4% and \$252M), Free Cash Flow (\$149M), Effective Tax Rate (12.3% or \$21M)
- Q4'21 –Operating Expenses (28.6% and \$253M), Free Cash Flow (\$302M), Effective Tax Rate (13.6% or \$38M)
- Q1'23 Guidance Operating Expenses (44%-39%), Operating Profit (10-17%), diluted shares (165M)
- FY 2021 – Operating Expenses (26% and \$975M), Effective Tax Rate (14.5% and \$178M)
- FY 2022 – Operating Expenses (32% and \$999M), Effective Tax Rate (16.3% and \$138M)
- Free Cash Flow – 2015 (\$323M), 2016 (\$370M), 2017 (\$521M), 2018 (\$370M), 2019 (\$444M), 2020 (\$684M), 2021 (\$966M)

	Year Ended							
	December 31, 2015	% of Net Revenues			December 31, 2014	% of Net Revenues		
Net Revenues	\$ 1,639.6				\$ 1,647.8			
	December 31, 2015	% of Net Revenues	Net Income per Common Share		December 31, 2014	% of Net Revenues	Net Income per Common Share	
			Basic	Diluted			Basic	Diluted
Net income - GAAP	\$ 206.5	12.6%	\$ 0.98	\$ 0.97	\$ 81.3	4.9%	\$ 0.40	\$ 0.37
Acquired intangible assets amortization	69.0	4.2%	0.33	0.32	70.8	4.3%	0.35	0.32
Goodwill impairment (2)	-	-	-	-	98.9	6.0%	0.49	0.44
Pension mark-to-market adjustments (1)	17.8	1.1%	0.08	0.08	46.6	2.8%	0.23	0.21
Interest and other (5)	(5.4)	-0.3%	(0.03)	(0.03)	4.3	0.3%	0.02	0.02
Restructuring and other (3)	5.1	0.3%	0.02	0.02	1.4	0.1%	0.01	0.01
Inventory step-up	1.6	0.1%	0.01	0.01	-	-	-	-
Equity modification charge (4)	-	-	-	-	6.6	0.4%	0.03	0.03
Exclude discrete tax items (6)	(4.9)	-0.3%	(0.02)	(0.02)	1.7	0.1%	0.01	0.01
Tax effect of non-GAAP adjustments	(18.5)	-1.1%	(0.09)	(0.09)	(41.3)	-2.5%	(0.20)	(0.19)
Convertible share adjustment (7)	-	-	-	-	-	-	-	0.02
Net income - non-GAAP	\$ 271.2	16.5%	\$ 1.28	\$ 1.27	\$ 270.3	16.4%	\$ 1.33	\$ 1.25

	Twelve Months Ended	
	December 31, 2022	December 31, 2021
MiR revenues		
As reported	\$ 76.9	\$ 64.7
Currency exchange rate fluctuations	2.3	(1.9)
Constant currency total revenues (4)	<u>\$ 79.2</u>	<u>\$ 62.8</u>

(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.

	Mid Guidance Q1 2023
GAAP income from operations as a % of revenue (\$590M)	13%
Exclude acquired intangible asset amortization	1%
Non-GAAP income from operations as a % of revenue (\$590M)	<u>14%</u>

	\$M
FY 2022 Industrial Automation GAAP loss from operations	(\$16M)
Exclude acquired intangible asset amortization	\$18M
Exclude restructuring and other expense	\$2M
FY 2022 Industrial Automation Non-GAAP income from operations	<u>\$4M</u>

FY 2023 Estimated Industrial Automation 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	<u>5%</u>	<u>15%</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.

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			Quarter Ended									
	December 31, 2022	% 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		
Income from operations - GAAP	\$	166.6	22.8%		\$	231.5	28.0%		\$	256.4		
Restructuring and other (1)		(2.4)	-0.3%			1.8	0.2%			12.7		
Acquired intangible assets amortization		4.7	0.6%			4.7	0.6%			5.2		
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	Basic	Diluted
Net income - GAAP	\$	172.3	\$	1.11	\$	183.5	\$	1.17	\$	224.0	\$	1.38
Restructuring and other (1)		(2.4)		(0.02)		1.8		0.01		25.3%		1.26
Acquired intangible assets amortization		4.7		0.03		0.2%		0.01		1.4%		0.08
Pension mark-to-market adjustment (2)		0.6%		0.03		0.6%		0.03		0.6%		0.07
Loss on convertible debt conversions (2)		(25.6)		(0.16)		-		-		5.2		0.03
Interest and other (2)		-		-		-		-		(1.6)		(0.01)
Exclude discrete tax adjustments		-		-		-		-		-0.2%		(0.01)
Non-GAAP tax adjustments		(2.8)		(0.02)		(0.5)		(0.00)		0.4%		0.02
Convertible share adjustment (3)		4.5		0.03		0.0%		(0.00)		0.1%		0.01
Net income - non-GAAP	\$	150.8	\$	0.97	\$	189.2	\$	1.21	\$	(6.5)	\$	1.46
		20.6%		0.92		22.9%		1.15		-0.7%		1.37
						-		0.01		0.0%		0.03
						-		-		-		
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			

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



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

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%

	December 31, 2020	% of Net Revenues	Net Income per Common Share		December 31, 2019	% of Net Revenues	Net Income per Common Share	
			Basic	Diluted			Basic	Diluted
Net income - GAAP	\$ 784.1	25.1%	\$ 4.72	\$ 4.28	\$ 467.5	20.4%	\$ 2.74	\$ 2.60
Acquired intangible assets amortization	30.8	1.0%	0.19	0.17	40.1	1.7%	0.24	0.22
Interest and other (3)	14.4	0.5%	0.09	0.08	28.7	1.3%	0.17	0.16
Pension mark-to-market adjustments (3)	10.3	0.3%	0.06	0.06	8.2	0.4%	0.05	0.05
Restructuring and other (1)	(13.2)	-0.4%	(0.08)	(0.07)	(13.9)	-0.6%	(0.08)	(0.08)
Inventory step-up	0.4	0.0%	0.00	0.00	0.4	0.0%	0.00	0.00
Equity modification charge (2)	0.8	0.0%	0.00	0.00	2.1	0.1%	0.01	0.01
Exclude discrete tax adjustments (4)	(15.2)	-0.5%	(0.09)	(0.08)	(22.6)	-1.0%	(0.13)	(0.13)
Non-GAAP tax adjustments	(11.9)	-0.4%	(0.07)	(0.07)	(16.7)	-0.7%	(0.10)	(0.09)
Convertible share adjustment (5)	-	-	-	0.25	-	-	-	0.11
Net income - non-GAAP	\$ 800.5	25.6%	\$ 4.82	\$ 4.62	\$ 493.8	21.5%	\$ 2.90	\$ 2.86

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	



Appendix | GAAP to Non-GAAP Reconciliation

- (1) Restructuring and other consists of:

	Twelve Months Ended	
	December 31, 2020	December 31, 2019
Contingent consideration fair value adjustment	\$ (23.3)	\$ (19.3)
Contract termination settlement fee	4.0	-
Acquisition related expenses and compensation	2.5	2.5
Employee severance	2.3	2.9
Other	1.2	-
	<u>\$ (13.2)</u>	<u>\$ (13.9)</u>

- (2) 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.
- (3) For the twelve months ended December 31, 2020 and December 31, 2019, Interest and other included non-cash convertible debt interest expense. For the twelve months ended December 31, 2020 and December 31, 2019, adjustments to exclude actuarial (gain) loss recognized under GAAP in accordance with Teradyne's mark-to-market pension accounting. For the twelve months ended December 31, 2019, adjustment to exclude impairment charge related to Realwear.
- (4) For the twelve months ended December 31, 2020 and December 31, 2019, adjustment to exclude discrete income tax items. For the twelve months ended December 31, 2019, income tax (benefit) provision includes a \$26 million tax benefit from the release of uncertain tax position reserves due to the IRS completion of its audit of Teradyne's 2015 Federal tax return and includes a \$15 million tax provision related to the finalization
- (5) For the twelve months ended December 31, 2020 and December 31, 2019, the non-GAAP diluted EPS calculation adds back \$5.3 million and \$5.2 million, respectively, of convertible debt interest expense to non-GAAP net income and non-GAAP weighted average diluted common shares include 7.0 million and 2.7 million shares, respectively, from the convertible note hedge transaction.

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Appendix | GAAP to Non-GAAP Reconciliation

	Twelve Months Ended			
	December 31, 2019	% of Net Revenues	December 31, 2018	% of Net Revenues
Net Revenues	\$ 2,295.0		\$ 2,100.8	
Gross profit GAAP	\$ 1,339.8	58.4%	\$ 1,220.4	58.1%
Inventory step-up	0.4	0.0%	0.4	0.0%
Gross profit non-GAAP	\$ 1,340.2	58.4%	\$ 1,220.8	58.1%
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%

	December 31, 2019	% of Net Revenues	Net Income per common share		December 31, 2018	% of Net Revenues	Net Income per common share	
			Basic	Diluted			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

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Appendix | GAAP to Non-GAAP Reconciliation

	Twelve Months Ended			
	December 31, 2017	% of Net Revenues	December 31, 2016	% of Net Revenues
Net Revenues	\$ 2,136.6		\$ 1,753.3	
Gross profit - GAAP	\$ 1,223.9	57.3%	\$ 959.6	54.7%
Pension mark-to-market adjustment (1)	(2.8)	-0.1%	(1.0)	-0.1%
Gross profit - non-GAAP	\$ 1,221.1	57.2%	\$ 958.6	54.7%
Income (loss) from operations - GAAP	\$ 530.0	24.8%	\$ (60.0)	-3.4%
Acquired intangible assets amortization	30.5	1.4%	52.6	3.0%
Restructuring and other (2)	9.4	0.4%	21.9	1.2%
Pension mark-to-market adjustment (1)	(6.3)	-0.3%	(3.2)	-0.2%
Goodwill impairment (3)	-	-	254.9	14.5%
Acquired intangible assets impairment (3)	-	-	83.3	4.8%
Income from operations - non-GAAP	\$ 563.6	26.4%	\$ 349.5	19.9%

	Net Income per Common Share		Net (Loss) Income per Common Share	
	December 31, 2017	% of Net Revenues	December 31, 2016	% of Net Revenues
Net income (loss) - GAAP	\$ 257.7	12.1%	\$ (43.4)	-2.5%
Acquired intangible assets amortization	30.5	1.4%	52.6	3.0%
Interest and other (4)	12.4	0.6%	0.6	0.0%
Restructuring and other (2)	9.4	0.4%	21.9	1.2%
Pension mark-to-market adjustment (1)	(6.3)	-0.3%	(3.2)	-0.2%
Goodwill impairment (3)	-	-	254.9	14.5%
Acquired intangible assets impairment (3)	-	-	83.3	4.8%
Exclude discrete tax adjustments (5)	178.3	8.3%	(4.5)	-0.3%
Non-GAAP tax adjustments (6)	(12.8)	-0.6%	(53.3)	-3.0%
Net income - non-GAAP	\$ 469.2	22.0%	\$ 308.9	17.6%

	Basic		Diluted	
	December 31, 2017	% of Net Revenues	December 31, 2016	% of Net Revenues
GAAP and non-GAAP weighted average common shares - basic	198.1		202.6	
GAAP weighted average common shares - diluted	201.6		202.6	
Exclude dilutive shares from convertible note	(1.3)		-	
Include dilutive shares	-		1.8	
Non-GAAP weighted average common shares - diluted	200.3		204.4	



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Appendix | GAAP to Non-GAAP Reconciliation

	Q4'21		Q3'22		Q4'22		Q1'23 Low Guidance		Q1'23 High Guidance	
	\$'s	% of sales	\$'s	% of sales	\$'s	% of sales	\$'s	% of sales	\$'s	% of sales
GAAP Operating Expenses	\$271	31%	\$254	31%	\$254	35%	\$249	45%	\$253	40%
Intangible Asset Amortization	-\$5	-1%	-\$5	-1%	-\$5	-1%	-\$5	-1%	-\$5	-1%
Restructuring and Other	-\$13	-1%	-\$2	0%	\$2	0%				
Equity Modification Charge										
Non GAAP Operating Expenses	\$253	29%	\$247	30%	\$252	34%	\$245	44%	\$248	39%

	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%

Q1'23 Guidance:	Low End	High End
GAAP Operating Profit as % of Sales	10%	16%
Acquired intangible asset amortization	1%	1%
Non-GAAP Operating Profit as % of Sales	10%	17%

	Q4'21		Q3'22		Q4'22		2021		2022	
	\$'s	%	\$'s	%	\$'s	%	\$'s	%	\$'s	%
GAAP Income Tax	\$31	12%	\$43	19%	\$23	12%	\$146	13%	\$125	15%
Exclude discrete tax adjustments	\$7	3%	\$1	0%	\$3	1%	\$29	2%	\$12	1%
Tax effect of non-GAAP adjustments	\$0	0%	\$0	0%	-\$5	-2%	\$3	0%	\$1	0%
Effect of Higher Non-GAAP PBT		-1%		-1%		1%		0%		0%
Non GAAP Income Tax	\$38	14%	\$44	19%	\$21	12%	\$178	15%	\$138	16%

Q1'23 GAAP Guidance Diluted Shares	166
Exclude dilutive shares from convertible note	-1
Q4'22 Non-GAAP Guidance Diluted Shares	165

FY 2023 GAAP estimated tax rate	16.75%
Adjustment for Non GAAP items	0.00%
FY 2023 Non GAAP estimated tax rate	16.75%

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

GAAP and non-GAAP first quarter revenue guidance:
GAAP net income per diluted share
Exclude acquired intangible assets amortization
Non-GAAP net income per diluted share

\$550 million	to	\$630 million
\$ 0.26		\$ 0.49
0.03		0.03
\$ 0.28		\$ 0.52



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Appendix | GAAP to Non-GAAP Reconciliation

	Quarter Ended		Percentage Change	Twelve Months Ended		Percentage Change
	December 31, 2022	December 31, 2021		December 31, 2022	December 31, 2021	
Industrial Automation segment revenues						
As reported	110.4	112.9	-2%	403.1	375.9	7%
Currency exchange rate fluctuations	9.3	(0.9)		18.5	(8.4)	
Constant currency total revenues (4)	<u>119.7</u>	<u>112.0</u>	7%	<u>421.6</u>	<u>367.5</u>	15%

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 (4) 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

- 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	2022	Q4'21	Q3'22	Q4'22
GAAP Cash Flow from Operations, Excl Disc Ops	\$ 413	\$ 455	\$ 626	\$ 477	\$ 579	\$ 869	\$ 1,098	\$ 578	\$ 331	\$ 272	\$ 183
Less Property, Plant, and Equipment Additions net of Gov't Subsidy	\$ (90)	\$ (85)	\$ (105)	\$ (107)	\$ (135)	\$ (185)	\$ (132)	\$ (163)	\$ (29)	\$ (39)	\$ (35)
Non-GAAP Operating Cash Flow ("Free Cash Flow")	\$ 323	\$ 370	\$ 521	\$ 370	\$ 444	\$ 684	\$ 966	\$ 415	\$ 302	\$ 233	\$ 149

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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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