



Because Technology Never Stops

TERADYNE FINANCIAL RESULTS FOR Q2 2016

July 28, 2016

SAFE HARBOR

This presentation contains forward-looking statements regarding future business prospects, Teradyne's 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 a senior secured credit facility. Such statements are based on the current assumptions and expectations of Teradyne's management and are neither promises nor guarantees of future performance, future events, future earnings per share, future payment of dividends, future repurchases of common stock or future availability of, or borrowing under, a credit facility. 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. Important factors that could cause actual results, earnings per share, dividend payments, repurchases of common stock or borrowings under the credit facility to differ materially from those presently expected include: conditions affecting the markets in which Teradyne operates; decreased or delayed product demand; market acceptance of new products; the ability to grow Universal Robots' business; increased research and development spending; deterioration of Teradyne's financial condition; the consummation or success of any mergers or acquisitions; the business judgment of the board of directors that a declaration of a dividend, the repurchase of common stock or debt under the credit facility is not in the Company's best interest; and other events, factors and risks disclosed in filings with the SEC, including, but not limited to, the "Risk Factors" section of Teradyne's Annual Report on Form 10-K for the fiscal year ended December 31, 2015 and the Quarterly Report on Form 10-Q for the fiscal quarter ended April 3, 2016. 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

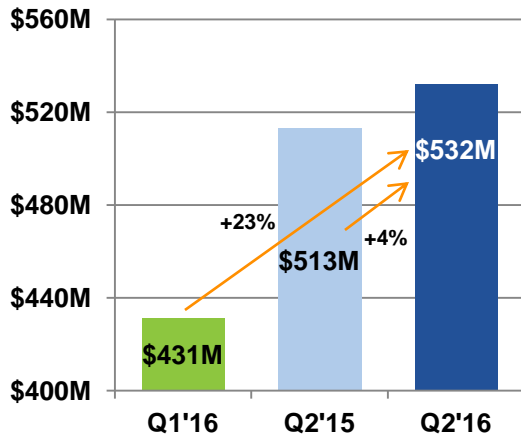


Mark Jagiela, Teradyne President and CEO



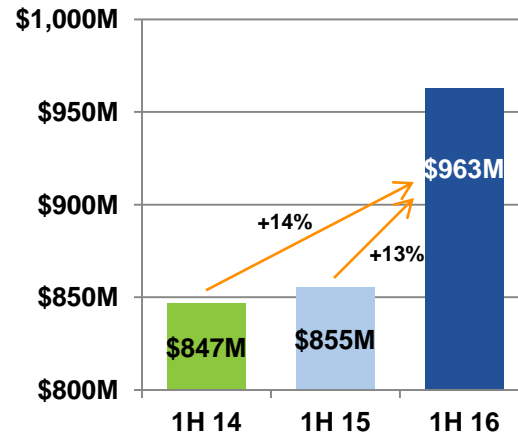
SEMICONDUCTOR TEST STRENGTH POWERED TERADYNE'S SECOND QUARTER AND 1ST HALF RESULTS

2nd quarter and 1st half 2016 sales and EPS substantially higher than prior periods



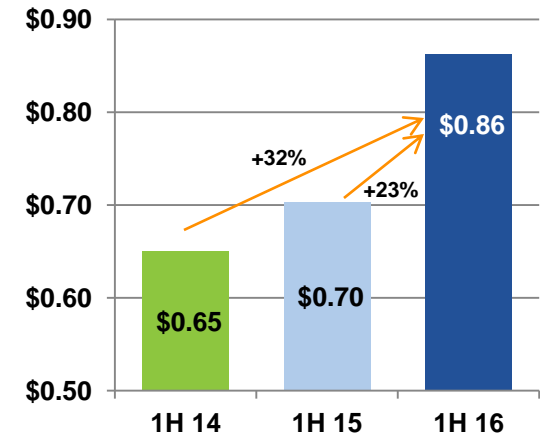
Sales

Q2'16 sales
highest since
Q2'12



1st Half Sales

First half sales in
2016 highest
since 2001



Non-GAAP EPS⁽¹⁾

Disciplined
financial model
delivering EPS
growth

1ST HALF SUMMARY & MARKET OUTLOOK

- 2016 SOC market expected to grow ~\$200M (10%) from 2015; Teradyne to capture ~\$100M of this growth
- Q2'16 memory sales doubled from Q1'16 on strong flash demand, but weak DRAM demand expected to compress full-year market size
- Universal Robots revenue up 102% from Q2'15 and 1H'16 up 82% from 1H'15 on a standalone basis
- Wireless test market expected to contract to ~\$200M in 2016, substantially reducing Teradyne's Wireless Test sales
- Expect Universal Robots, cobot market to continue 50%+ growth in 2016
- UR cobots ease of use and expanding ecosystem driving growth

SECOND QUARTER FINANCIAL RESULTS AND THIRD QUARTER GUIDANCE



Greg Beecher, Teradyne Vice President and Chief Financial Officer



TERADYNE SEGMENT SUMMARY

1st Half 2016 Sales of \$963 million, up 13% from 1st Half 2015

Semiconductor Test

2nd Qtr Orders: \$391M
2nd Qtr Sales: \$435M

Device complexity expanding test requirements, driving SOC demand

UFS style, high-speed NAND interfaces lifting Magnum V orders

System Test

2nd Qtr Orders: \$30M
2nd Qtr Sales: \$49M

Storage Test expected to decline as record 3.5" shipments in 2015 are digested

Expect Defense & Aerospace growth in 2016

Industrial Automation

2nd Qtr Orders: \$26M
2nd Qtr Sales: \$25M

1st half sales up 82% from standalone 2015 1st half sales

Expanded distributor and integrator network and capabilities

Wireless Test

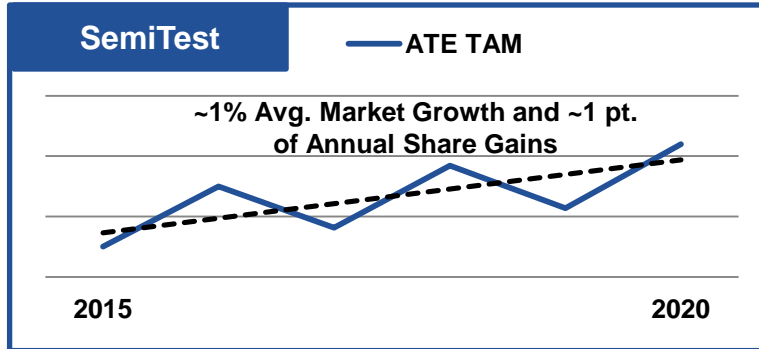
2nd Qtr Orders: \$23M
2nd Qtr Sales: \$22M

Depressed market due to:

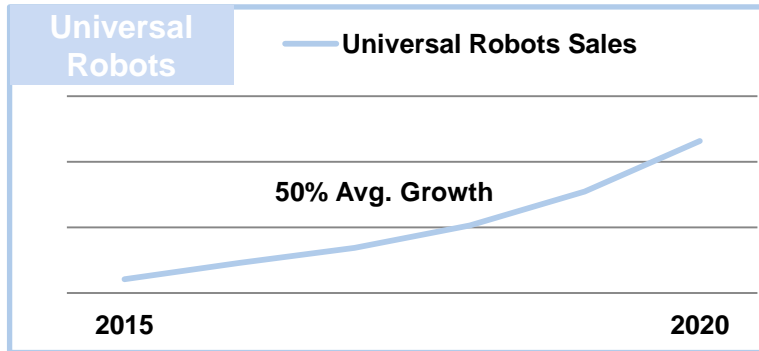
- Customer efficiencies
- Lull in new RF standards
- Slowing smartphone unit growth

Goodwill and intangible asset impairment charge reflects changes in market size

THE PATH TO \$2 EPS BY 2020



2005 ATE Share: 22%
 2015 ATE Share: 47% } >2pts of avg. annual gains over past 10 yrs



2013 Sales: \$23M
 2014 Sales: \$39M (68% YoY)
 2015 Sales: \$61M (58% YoY)

2015 Non-GAAP EPS: \$1.27⁽¹⁾

SemiTest: + ~\$0.35

Universal Robots: + ~\$0.30

Other/Repurchases: + ~\$0.08

2020 Non-GAAP EPS: \$2.00⁽¹⁾

2016 CAPITAL RETURN SUMMARY

Repurchased 3.4 million shares YTD for \$66M through July 27, 2016

	Cash Position		
	<u>U.S.</u>	<u>Offshore</u>	<u>Total</u>
Cash Balance at 7/3/2016	\$438M	\$668M	\$1,106M
Minimum Operating Balance	\$300M	\$100M	\$400M
Available Cash	\$138M	\$568M	\$706M
Minimum 2016 Cash Return: ⁽¹⁾	\$150M		
Cash Returned 1 st Half 2016	\$81M		

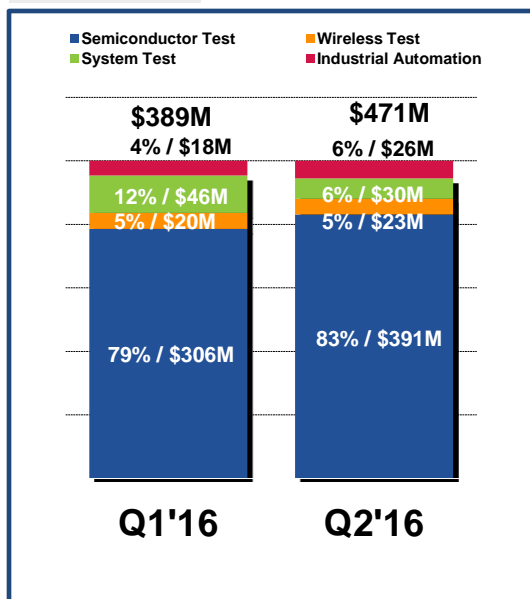
U.S. vs. Foreign Free Cash Flow History					
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	
U.S. FCF⁽²⁾	\$171M	\$181M	\$40M	\$68M	
Foreign FCF	\$113M	(\$19M)	\$283M	\$255M	
Total FCF	\$284M	\$162M	\$323M	\$323M	
					<u>'12-'15 Weighted Average</u>
U.S. % of FCF	60%	112%	12%	21%	42%
Foreign % of FCF	40%	-12%	88%	79%	58%

(1) Share repurchases + dividends

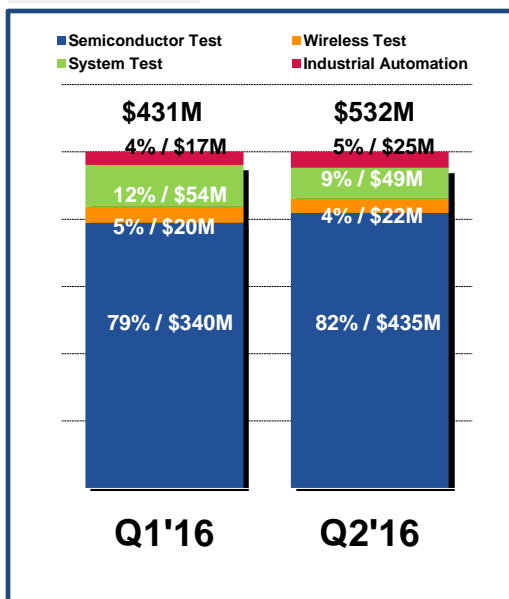
(2) Approximately \$20M annually for cash received from Teradyne's Employee Stock Purchase Plan is not included in above US FCF

SALES & ORDERS DETAIL

Orders



Sales



Orders/Region

	Q1'16	Q2'16
Asia	70%	77%
US	13%	12%
Japan	8%	5%
Europe	6%	5%
Rest of World	<u>3%</u>	<u>1%</u>
	100%	100%

Sales/Region

	Q1'16	Q2'16
Asia	69%	79%
US	12%	11%
Japan	11%	4%
Europe	7%	5%
Rest of World	<u>1%</u>	<u>1%</u>
	100%	100%

Book to Bill	Q1'16	Q2'16
Semiconductor Test	0.9	0.9
System Test	0.9	0.6
Wireless Test	1.0	1.0
Industrial Automation	<u>1.1</u>	<u>1.0</u>
Total	0.9	0.9

	Q1'16	Q2'16
Sales		
Product	83% \$358M	86% \$457M
Service	17% <u>\$73M</u>	14% <u>\$75M</u>
Total	\$431M	\$532M

	Q1'16	Q2'16
Orders		
Product	79% \$306M	82% \$388M
Service	21% <u>\$83M</u>	18% <u>\$83M</u>
Total	\$389M	\$471M

Backlog	
Ending Q2'16	\$513M
Shippable within 6 months	~82%

Q3'16 NON-GAAP GUIDANCE

\$s in millions, except EPS	Q2'16 Actual ⁽¹⁾	Q3'16 Guidance ⁽¹⁾
Sales	\$532M	\$375M - \$405M
Gross Margin	53%	55%
OPEX	30%	38% - 40%
Operating Profit	23%	14% - 17%
Net Interest & Other Income	\$1M	\$1M
Effective Tax Rate	11%	13%
EPS	\$0.55	\$0.23 - \$0.30
Diluted Shares	205M	204M

Q2'16 TERADYNE HIGHLIGHTS

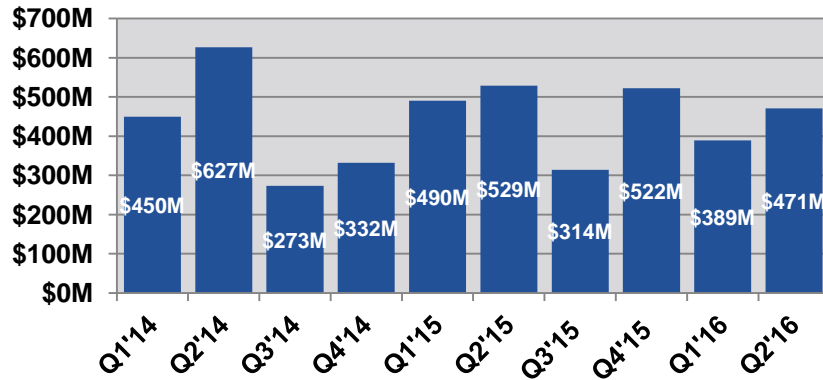
- Q2 sales of \$532M up 4% year-on-year, 23% sequentially. Non-GAAP EPS of \$0.55 highest since Q2'12
- 1st half sales of \$963M up 13% year-on-year; highest in 15 years
- Universal Robot Q2'16 sales up 102% from Q2'15 and 1H'16 up 82% from 1H'15 on a standalone basis on expanding distributor and integrator network
- Expect SOC test market to be \$2.2-\$2.4B in 2016, up 10% from 2015
- Reduced Wireless Test market size caused write-down of goodwill & intangible assets in Wireless Test segment
- Repurchased \$29M of Teradyne shares, paid \$12M in dividends in Q2
- On a path to \$2.00 non-GAAP EPS by 2020, driven principally by Semiconductor Test and Universal Robots growth

SUPPLEMENTAL INFORMATION

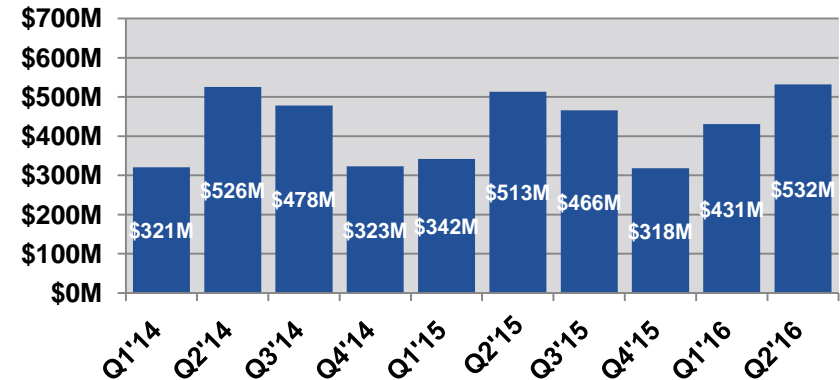


Q2'16 COMPANY ORDERS AND SALES

Total Company Orders



Total Company Sales



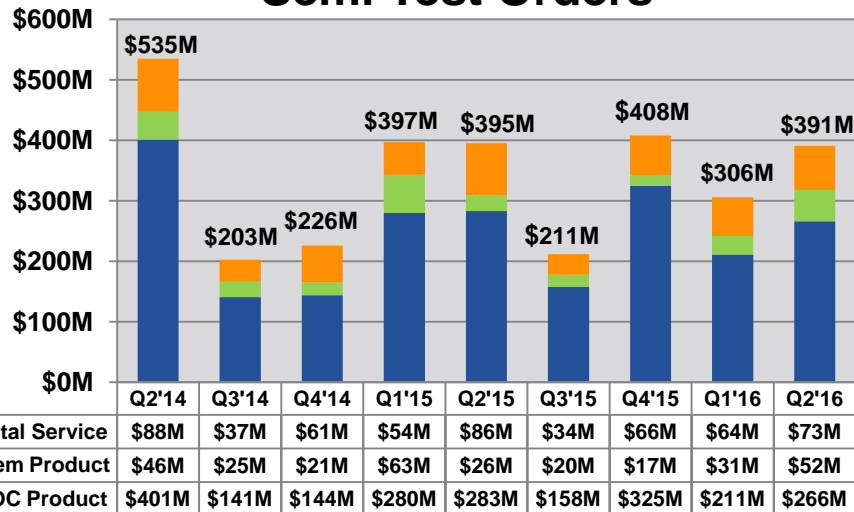
- Q2 sales up 4% from Q2'15
- Highest Q2 sales since Q2'12

Q2'16 NON-GAAP RESULTS

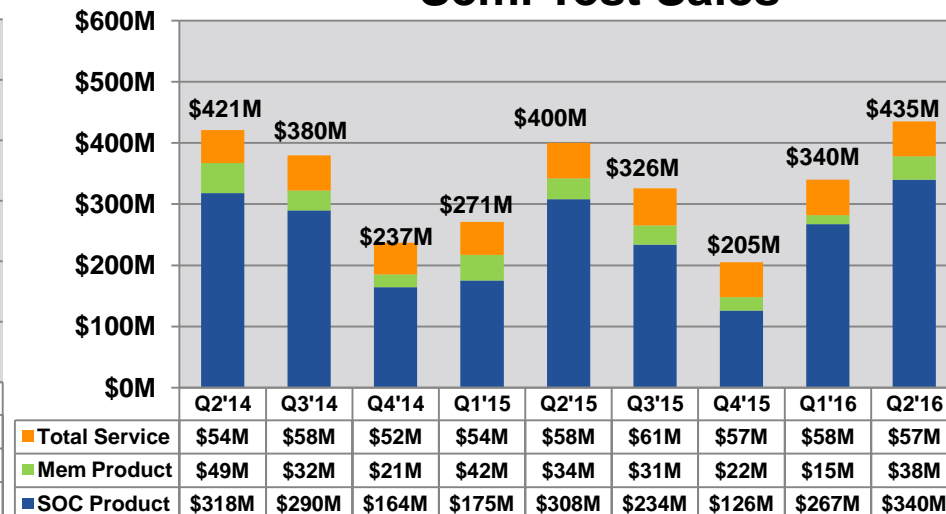
\$s in millions, except EPS	Q2'15 Actual ⁽¹⁾		Q1'16 Actual ⁽¹⁾		Q2'16 Actual ⁽¹⁾	
Sales		\$513M		\$431M		\$532M
Gross Margin	58.4%	\$299M	53.3%	\$230M	53.2%	\$283M
R&D	14.8%	\$76M	17.1%	\$74M	14.4%	\$76M
SG&A	15.0%	\$77M	18.5%	\$80M	15.4%	\$82M
OPEX	<u>29.9%</u>	<u>\$153M</u>	<u>35.6%</u>	<u>\$153M</u>	<u>29.8%</u>	<u>\$158M</u>
Operating Profit	28.5%	\$146M	17.7%	\$77M	23.4%	\$125M
Income Taxes (& effective tax rate)	22%	\$33M	17%	\$13M	11%	\$13M
EPS		\$0.53		\$0.31		\$0.55
Diluted Shares		216M		206M		205M
Net Orders		\$529M		\$389M		\$471M

SEMICONDUCTOR TEST HIGHLIGHTS

Semi Test Orders



Semi Test Sales



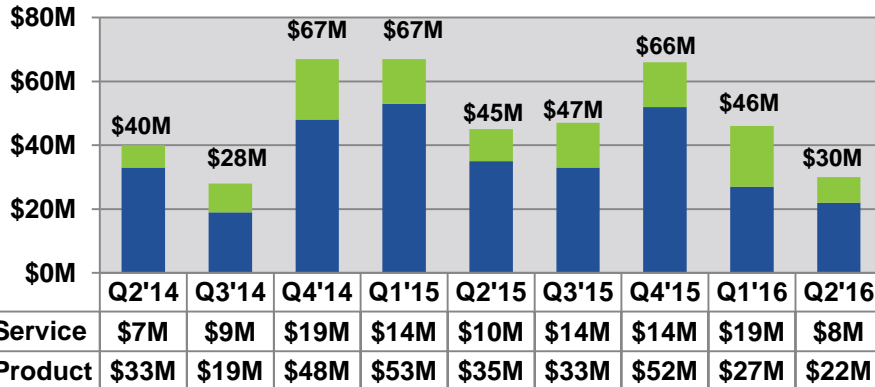
Record UltraFlex and Magnum V shipments for SOC & Memory Test

Mobility and NAND flash drove Q2 sales

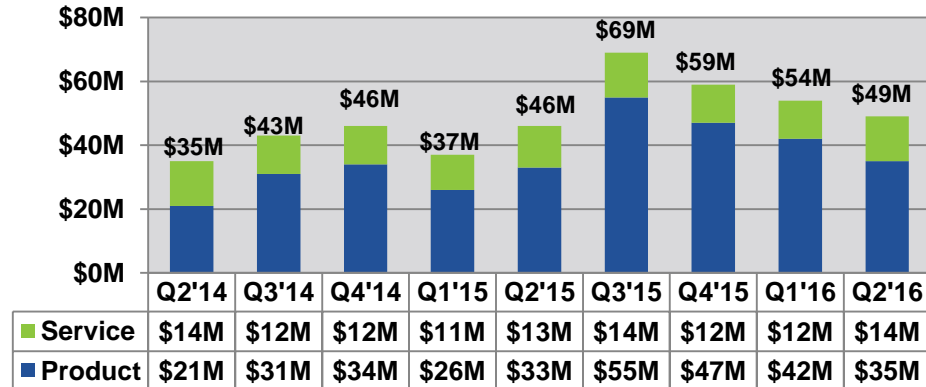
Shipped 5,000th J750 family system. Highest SOC product shipment level in Teradyne history

SYSTEM TEST HIGHLIGHTS

System Test Orders



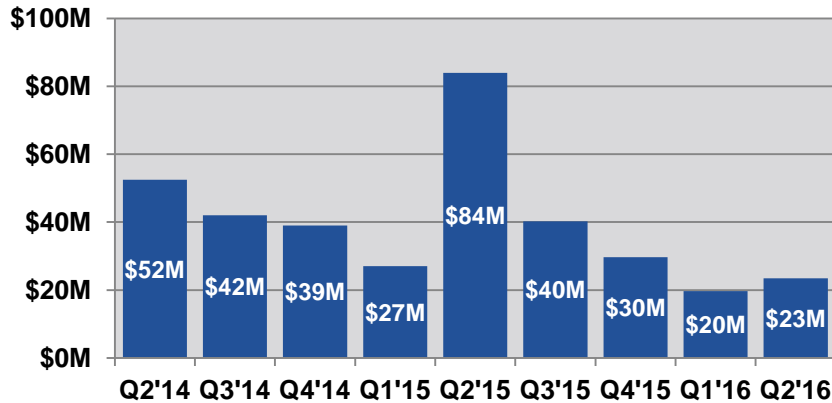
System Test Sales



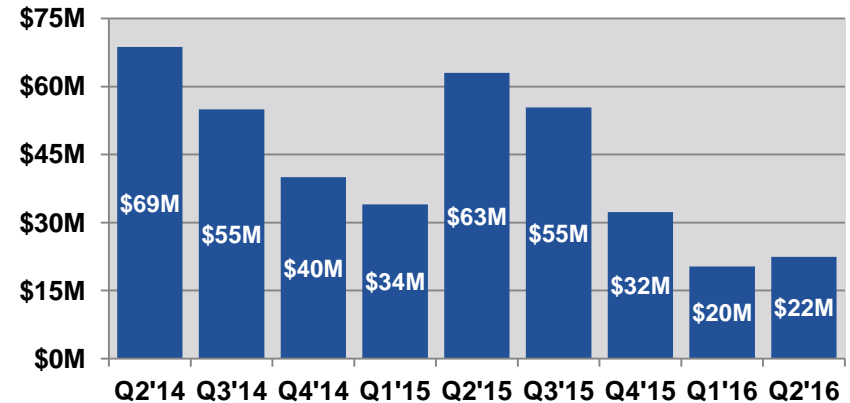
- All groups operating above model 15% non-GAAP profit rate
- Storage Test sales down after record 2015 3.5" system shipments

WIRELESS TEST HIGHLIGHTS

Wireless Test Orders



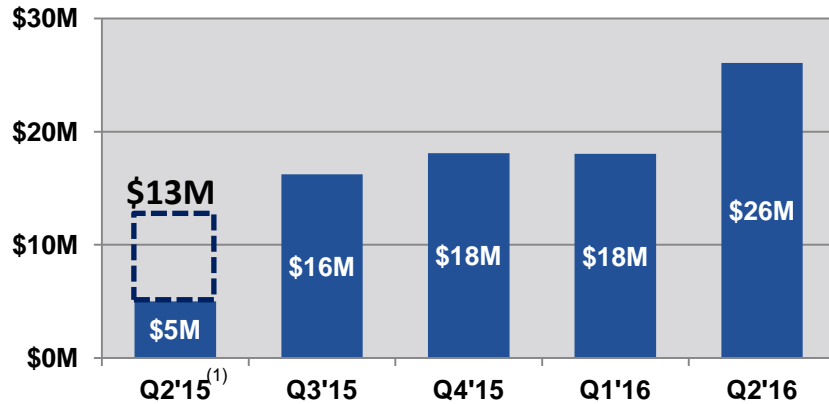
Wireless Test Sales



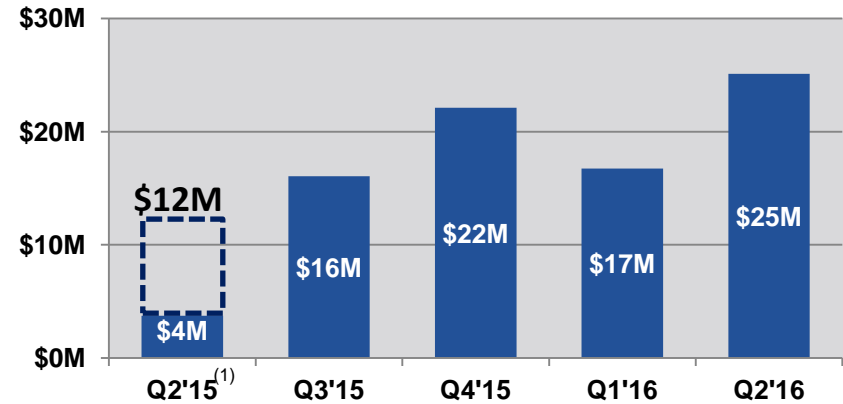
- Expect market size to decline >50% from 2015 to ~\$200M in 2016
 - Headwinds from slowing smartphone unit growth, lull in new wireless standards, and improved customer test efficiency expected to continue through 2017

INDUSTRIAL AUTOMATION HIGHLIGHTS

Industrial Automation Orders



Industrial Automation Sales



- Q2 sales up 102% from Q2'15, 1H'16 up 82% from 1H'15 on a standalone basis
- Adding distributors & integrators and improved capabilities extending market lead

CASH & BALANCE SHEET

	Q2'15 Actual	Q1'16 Actual	Q2'16 Actual
Cash and Marketable Securities	<u>\$1,029M</u>	<u>\$975M</u>	<u>\$1,106M</u>
• U.S.	\$575M	\$461M	\$438M
• Off-Shore	\$454M	\$514M	\$668M
Inventory	\$122M	\$161M	\$129M
DSO	53 days	55 days	60 days
Capital Additions	\$25M	\$20M	\$26M
Depreciation and Amortization	\$41M	\$45M	\$40M
Free Cash Flow ⁽¹⁾	\$131M	\$6M	\$154M

(1) Teradyne calculates free cash flow as: Cash flow from operations, excluding discontinued operations, less capital additions; see GAAP to non-GAAP reconciliations.

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 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 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 financial 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

	Quarter Ended		
	July 3, 2016	April 3, 2016	July 5, 2015
Wireless Test business segment intangible asset impairment	\$ 83.3	\$ -	\$ -
Impairment of fixed assets and expenses related to Japan earthquake	5.1	-	-
Property insurance recovery and proceeds	(5.1)	-	-
Contingent consideration fair value adjustment	1.3	1.2	(1.6)
Employee severance	1.3	0.4	0.2
Acquisition costs	-	-	1.0
	<u>\$ 85.9</u>	<u>\$ 1.6</u>	<u>\$ (0.4)</u>

(4) For the quarter ended July 5, 2015, Interest and other included a gain from the sale of an equity investment.

(5) For the quarters ended July 3, 2016, April 3, 2016 and July 5, 2015, adjustment to exclude discrete income tax items. For the quarter ended July 3, 2016, adjustment to treat Wireless Test business segment goodwill and intangible asset impairments as discrete tax items.

APPENDIX | GAAP TO NON-GAAP RECONCILIATION

	Six Months Ended	
	July 3, 2016	July 5, 2015
Wireless Test business segment intangible asset impairment	\$ 83.3	\$ -
Impairment of fixed assets and expenses related to Japan earthquake	5.1	-
Property insurance recovery and proceeds	(5.1)	-
Contingent consideration fair value adjustment	2.5	(1.6)
Employee severance	1.7	0.2
Acquisition costs	-	1.0
	<u>\$ 87.5</u>	<u>\$ (0.4)</u>

- (4) For the six months ended July 5, 2015, Interest and other included a gain from the sale of an equity investment.
- (5) For the six months ended July 3, 2016 and July 5, 2015, adjustment to exclude discrete income tax items. For the six months ended July 3, 2016, adjustment to treat Wireless Test business segment goodwill and intangible asset impairments as discrete tax items.

APPENDIX | GAAP TO NON-GAAP RECONCILIATION

	Six Months Ended											
	July 5, 2015		June 29, 2014		July 5, 2015		June 29, 2014					
	July 5, 2015	% of Net Revenues	June 29, 2014	% of Net Revenues	July 5, 2015	% of Net Revenues	June 29, 2014	% of Net Revenues				
Net Revenues	\$ 855.1		\$ 846.6									
Gross profit - GAAP	\$ 491.0	57.4%	\$ 457.5	54.0%								
Inventory step-up	0.6	0.1%	-	-								
Gross profit - non-GAAP	\$ 491.6	57.5%	\$ 457.5	54.0%								
Income from operations - GAAP	\$ 165.9	19.4%	\$ 124.4	14.7%								
Acquired intangible asset amortization	29.1	3.4%	36.5	4.3%								
Restructuring and other ⁽¹⁾	(0.4)	0.0%	0.6	0.1%								
Inventory step-up	0.6	0.1%	-	-								
Equity modification charge ⁽²⁾	-	-	6.6	0.8%								
Income from operations - non-GAAP	\$ 195.2	22.8%	\$ 168.1	19.9%								
					Net Income							
	July 5, 2015	% of Net Revenues	Basic		Diluted		June 29, 2014	% of Net Revenues	Basic		Diluted	
Net income (loss) - GAAP	\$ 135.7	15.9%	\$ 0.63	\$ 0.62	\$ 102.1	12.1%	\$ 0.53	\$ 0.45				
Acquired intangible asset amortization	29.1	3.4%	0.14	0.13	36.5	4.3%	0.19	0.16				
Interest and other ⁽³⁾	(5.4)	-0.6%	(0.03)	(0.02)	4.3	0.5%	0.02	0.02				
Restructuring and other ⁽¹⁾	(0.4)	0.0%	(0.00)	(0.00)	0.6	0.1%	0.00	0.00				
Inventory step-up	0.6	0.1%	0.00	0.00	-	-	-	-				
Equity modification charge ⁽²⁾	-	-	-	-	6.6	0.8%	0.03	0.03				
Exclude discrete tax adjustments ⁽⁴⁾	(1.6)	-0.2%	(0.01)	(0.01)	(2.9)	-0.3%	(0.01)	(0.01)				
Tax effect of non-GAAP adjustments	(5.8)	-0.7%	(0.03)	(0.03)	(8.5)	-1.0%	(0.04)	(0.04)				
Convertible share adjustment ⁽⁵⁾	-	-	-	-	-	-	-	0.04				
Net income - non-GAAP	\$ 152.2	17.8%	\$ 0.71	\$ 0.70	\$ 138.7	16.4%	\$ 0.72	\$ 0.65				
GAAP and non-GAAP weighted average common shares - basic	215.5				193.9							
GAAP weighted average common shares - diluted	217.2				226.5							
Exclude dilutive shares from convertible note	-				(10.0)							
Non-GAAP weighted average common shares - diluted ⁽⁶⁾	217.2				216.5							

APPENDIX | GAAP TO NON-GAAP RECONCILIATION

	Q2'15		Q1'16		Q2'16		Q3'16 Low Guidance	Q3'16 High Guidance
	\$'s	% of sales	\$'s	% of sales	\$'s	% of sales	% of sales	% of sales
GAAP Operating Expenses	\$168	33%	\$174	40%	\$515	97%	43%	40%
Intangible Asset Amortization	-\$15	-3%	-\$20	-5%	-\$16	-3%	-3%	-3%
Restructuring and Other	\$0	0%	-\$2	0%	-\$86	-16%		
Pension MTM			\$0	0%	\$0	0%		
Goodwill Impairment					-\$255	-48%		
Non GAAP Operating Expenses	\$153	30%	\$153	35%	\$158	30%	40%	38%

	Q2'15		Q1'16		Q2'16	
	\$'s	% of sales	\$'s	% of sales	\$'s	% of sales
GAAP SG&A Expense	\$77	15%	\$79	18%	\$81	15%
Pension MTM			\$0	0%	\$0	0%
Non GAAP SG&A Expense	\$77	15%	\$80	18%	\$82	15%

	Q2'15		Q1'16		Q2'16	
	\$'s	% of sales	\$'s	% of sales	\$'s	% of sales
GAAP R&D Expense	\$76	15%	\$73	17%	\$76	14%
Pension MTM			\$0	0%	\$0	0%
Non GAAP R&D Expense	\$76	15%	\$74	17%	\$76	14%

APPENDIX | GAAP TO NON-GAAP RECONCILIATION

	<u>Q2'15</u>		<u>Q1'16</u>		<u>Q2'16</u>		<u>Q3'16 Guidance</u>
	<u>\$'s</u>	<u>%</u>	<u>\$'s</u>	<u>%</u>	<u>\$'s</u>	<u>%</u>	<u>%</u>
GAAP Income Tax	\$29	22%	\$7	13%	-\$7	3%	-3%
Exclude discrete tax adjustments	\$0	0%	\$3	4%	-\$25	10%	14%
Tax effect of non-GAAP adjustments	\$3	3%	\$4	6%	\$46	-19%	3%
Effect of Higher Non-GAAP PBT		-3%		-6%		16%	-1%
Non GAAP Income Tax	<u>\$33</u>	<u>22%</u>	<u>\$13</u>	<u>17%</u>	<u>\$13</u>	<u>11%</u>	<u>13%</u>

APPENDIX | GAAP TO NON-GAAP RECONCILIATION

GAAP to Non-GAAP Reconciliation of Third Quarter 2016 guidance:

GAAP and non-GAAP third quarter revenue guidance:

\$375 million to \$405 million

GAAP net income per diluted share

\$ 0.22 \$ 0.30

Exclude acquired intangible asset amortization

0.04 0.04

Non-GAAP tax adjustment

(0.03) (0.04)

Non-GAAP net income per diluted share

\$ 0.23 \$ 0.30

Third Quarter Guidance:

Low End

High End

GAAP Operating Profit as % of Sales

11%

14%

Acquired intangible asset amortization

3%

3%

Non-GAAP Operating Profit as % of Sales

14%

17%

APPENDIX | GAAP TO NON-GAAP RECONCILIATION

2020 EPS Reconciliation

	Net Income per Common Share Diluted	
Net (loss) income - GAAP	\$	1.90
Acquired intangible asset amortization		0.10
Net income - non-GAAP	\$	2.00

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.

	<u>Q2'15</u>	<u>Q1'16</u>	<u>Q2'16</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
GAAP Cash Flow From Operations, Excl Disc Ops	\$156	\$27	\$181	\$403	\$269	\$492	\$413
Less Property, Plant and Equipment Additions	-\$25	-\$20	-\$26	-\$119	-\$107	-\$169	-\$90
Non-GAAP Operating Cash Flow ("Free Cash Flow")	\$131	\$6	\$154	\$284	\$162	\$323	\$323