Teradyne, Inc.

Certain Non-GAAP financial measures discussed during the First Quarter of 2021 Earnings Conference Call April 28, 2021

On the Company's earnings conference call on April 28, 2021, the following non-GAAP financial measures were discussed or presented:

- Q1'21 EPS ($1.11)
- Q1'20 EPS ($1.00)
- Q4'20 EPS ($1.10)
- Q1'21 net income ($196.2M)
- Q2'21 Guidance EPS ($1.62 to $1.83)
- Q1'21 GM (59.1%)
- Q1'21 Operating Expenses ($230M)
- Q1'21 PBIT (29.6%)
- Annual Industrial Automation operating profit (5% to 15%)
- Q1'21 Free Cash Flow (-$1M)
- Q2'21 Guidance diluted shares (177M)
- Q2'21 Guidance Operating Expenses (23-25%)
- Q2'21 Guidance Midpoint Operating Profit Rate (34%)
- 2021 Guidance Operating Expense increase over 2020 (17% to 19%)
- 2024 Estimated Model Target EPS ($5.25 to $6.75)
- 1H'21 Guidance EPS, at Q2'21 Guidance Midpoint, up 21% over 1H'20 EPS
- Q1'21 – Operating Expenses (29.5% and $230M), Operating Profit (29.6% and $231M), EPS ($1.11), Free Cash Flow (-$1M), Effective Tax Rate (14.8% or $34M), Diluted shares (177M), net interest/other income(expense) (-$1M)
- Q1'20 – Gross Margin (57.6% and $406M), Operating Expenses (27.9% and $197M), Operating Profit (29.7% and $209M), EPS ($1.00), Free Cash Flow ($6M), Effective Tax Rate (15% or $30M), Diluted shares (173M)
- Q4'20 – SG&A (16.3% and $124M), Operating Expenses (29.5% and $224M), Operating Profit (29.7% and $226M), EPS ($1.10), Free Cash Flow ($222M), Effective Tax Rate (14.5% or $33M), shares (177M)
- Q2'20 Gross Margin (56%)
- Q3'20 Gross Margin (56%)
- Free Cash Flow – 2015 ($323M), 2016 ($370M), 2017 ($521M), 2018 ($370M), 2019 ($444M), 2020 ($684M)
- Q2'21 Guidance – Operating Expenses (23-25%), Operating Profit (33-35%), net interest/other (-$2M), EPS ($1.62 to $1.83), Effective Tax Rate (14.75%), Diluted shares (177M)
- Q2'21 Guidance EPS, at Q2'21 Guidance Midpoint, up 30% over Q1'20 EPS
- 2022 Estimated Old Model Target Operating Expenses (32-31%), PBIT (26-28%), EPS ($3.50 to $4.25), GM (58-59%)
- 2024 Estimated New Model Target operating Expenses (29-28%), PBIT (30-31%), EPS ($5.25 to $6.75), GM (58-59%)
- 2020 – GM (57%), Operating Expenses (27%), PBIT (30%), EPS ($4.62)
- 2019 - GM (58%), Operating Expenses (33%), PBIT (25%), EPS ($2.86)

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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GAAP to Non-GAAP Earnings Reconciliation

Annual Industrial Automation Operating Profit

GAAP income from operations as a % of revenue	0%	10%
Exclude acquired intangible asset amortization	5%	5%
Non-GAAP income from operations as a % of revenue	5%	15%

	Mid Guidance Q2 2021
GAAP income from operations as a % of revenue ($1,050M)	33%
Exclude acquired intangible asset amortization	1%
Non-GAAP income from operations as a % of revenue ($1,050M)	34%

FY 2021 Operating Expense Increase

FY 2021 GAAP Operating Expense Increase over FY 2020	18%	20%
Exclude acquired intangible asset amortization & restructuring and other	-1%	-1%
FY 2021 Non-GAAP Operating Expense Increase over FY 2020	17%	19%

FY 2020 Operating Expenses	$ M	% of Sales
FY 2020 GAAP Operating Expenses	$857	27%
Exclude acquired intangible asset amortization	($31)	-1%
Exclude restructuring and other	$13	0%
FY 2020 Non-GAAP Operating Expenses	$839	27%

FY 2019 Operating Expenses	$ M	% of Sales
FY 2019 GAAP Operating Expenses	$786	34%
Exclude acquired intangible asset amortization	($40)	-2%
Exclude restructuring and other	$14	1%
FY 2019 Non-GAAP Operating Expenses	$760	33%

1H'21 Guidance Non-GAAP EPS, at Q2'21 Midpoint, up 21% over 1H'20 Non-GAAP EPS

	Six Months Ended			
	July 4, 2021	Net Income per Common Share Diluted	June 28, 2020	Net Income per Common Share Diluted
Net income - GAAP	$ 502.9	$ 2.67	$ 365.1	$ 2.02
Acquired intangible assets amortization	11.0	0.06	18.8	0.10
Interest and other	11.1	0.06	7.1	0.04
Restructuring and other	(7.1)	(0.04)	29.6	0.16
Inventory step-up	-	-	0.2	0.00
Pension mark-to-market adjustment	-	-	(0.1)	(0.00)
Exclude discrete tax adjustments	(15.1)	(0.08)	(8.7)	(0.05)
Non-GAAP tax adjustments	(1.6)	(0.01)	(10.1)	(0.06)
Convertible share adjustment	-	0.18	-	0.10
Net income - non-GAAP	$ 501.2	$ 2.84	$ 401.9	$ 2.34
GAAP and non-GAAP weighted average common shares - basic	166.4		166.2	
GAAP weighted average common shares - diluted	188.0		180.5	
Exclude dilutive shares from convertible note	(10.6)		(7.5)	
Non-GAAP weighted average common shares - diluted	177.4		173.0	

Q2'21 Guidance Non-GAAP EPS, at Q2'21 Midpoint, up 30% over Q2'20 Non-GAAP EPS

	Three Months Ended			
	July 4, 2021	Net Income per Common Share Diluted	June 28, 2020	Net Income per Common Share Diluted
Net income - GAAP	$ 297.4	$ 1.58	$ 188.9	$ 1.05
Acquired intangible assets amortization	5.5	0.03	37.2	0.21
Interest and other	3.5	0.02	8.9	0.05
Restructuring and other	-	-	3.6	0.02
Inventory step-up	-	-	(0.1)	(0.00)
Pension mark-to-market adjustment	-	-	0.1	0.00
Exclude discrete tax adjustments	-	-	(1.1)	(0.01)
Non-GAAP tax adjustments	(1.3)	(0.01)	(8.3)	(0.05)
Convertible share adjustment	-	0.11	-	0.06
Net income - non-GAAP	$ 305.1	$ 1.73	$ 229.2	$ 1.33
GAAP and non-GAAP weighted average common shares - basic	166.4		165.8	
GAAP weighted average common shares - diluted	188.0		180.3	
Exclude dilutive shares from convertible note	(10.6)		(7.6)	
Non-GAAP weighted average common shares - diluted	177.4		172.7	

GAAP to Non-GAAP Earnings Reconciliation

(In millions, except per share amounts)

	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 Basic	Net Income per Common Share Diluted	December 31, 2019	% of Net Revenues	Net Income per Common Share Basic	Net Income per Common Share 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

	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

(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	-
	$ (13.2)	$ (13.9)

(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 of our toll tax charge.

(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.

Appendix | GAAP to Non-GAAP Reconciliation

GAAP to Non-GAAP Earnings Reconciliation

(In millions, except per share amounts)

	Quarter Ended					
	April 4, 2021	% of Net Revenues	December 31, 2020	% of Net Revenues	March 29, 2020	% of Net Revenues
Net revenues	$ 781.6		$ 759.0		$ 704.4	
Gross profit GAAP	$ 461.6	59.1%	$ 449.8	59.3%	$ 405.6	57.6%
Inventory step-up	-	-	-	-	0.1	0.0%
Gross profit non-GAAP	$ 461.6	59.1%	$ 449.8	59.3%	$ 405.7	57.6%
Income from operations - GAAP	$ 233.0	29.8%	$ 234.1	30.8%	$ 206.7	29.3%
Restructuring and other (1)	(7.1)	-0.9%	(15.1)	-2.0%	(7.6)	-1.1%
Acquired intangible assets amortization	5.5	0.7%	5.8	0.8%	9.9	1.4%
Equity modification charge	-	-	0.8	0.1%	-	-
Inventory step-up	-	-	-	-	0.1	0.0%
Income from operations - non-GAAP	$ 231.4	29.6%	$ 225.6	29.7%	$ 209.1	29.7%

	April 4, 2021	% of Net Revenues	Net Income per Common Share Basic	Net Income per Common Share Diluted	December 31, 2020	% of Net Revenues	Net Income per Common Share Basic	Net Income per Common Share Diluted	March 29, 2020	% of Net Revenues	Net Income per Common Share Basic	Net Income per Common Share Diluted
Net income - GAAP	$ 205.5	26.3%	$ 1.23	$ 1.09	$ 196.3	25.9%	$ 1.18	$ 1.05	$ 176.2	25.0%	$ 1.06	0.97
Restructuring and other (1)	(7.1)	-0.9%	(0.04)	(0.04)	(15.1)	-2.0%	(0.09)	(0.08)	(7.6)	-1.1%	(0.05)	(0.04)
Acquired intangible assets amortization	5.5	0.7%	0.03	0.03	5.8	0.8%	0.03	0.03	9.9	1.4%	0.06	0.05
Loss on convertible debt conversions (2)	4.1	0.5%	0.02	0.02	-	-	-	-	-	-	-	-
Interest and other (2)	3.6	0.5%	0.02	0.02	3.7	0.5%	0.02	0.02	3.5	0.5%	0.02	0.02
Pension mark-to-market adjustment (2)	-	-	-	-	7.7	1.0%	0.05	0.04	-	-	-	-
Equity modification charge	-	-	-	-	0.8	0.1%	0.00	0.00	-	-	-	-
Inventory step-up	-	-	-	-	-	-	-	-	0.1	0.0%	0.00	0.00
Exclude discrete tax adjustments	(15.1)	-1.9%	(0.09)	(0.08)	(2.1)	-0.3%	(0.01)	(0.01)	(7.7)	-1.1%	(0.05)	(0.04)
Non-GAAP tax adjustments	(0.3)	0.0%	(0.00)	(0.00)	(3.9)	-0.5%	(0.02)	(0.02)	(1.9)	-0.3%	(0.01)	(0.01)
Convertible share adjustment (3)	-	-	-	0.06	-	-	-	0.06	-	-	-	0.04
Net income - non-GAAP	$ 196.2	25.1%	$ 1.18	$ 1.11	$ 193.2	25.5%	$ 1.16	$ 1.10	$ 172.5	24.5%	$ 1.04	$ 1.00
GAAP and non-GAAP weighted average common shares - basic	166.5				166.1				166.6			
GAAP weighted average common shares - diluted	187.7				186.8				180.7			
Exclude dilutive shares related to convertible note transaction	(10.3)				(10.0)				(7.3)			
Non-GAAP weighted average common shares - diluted	177.4				176.8				173.4			

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Appendix | GAAP to Non-GAAP Reconciliation

(1) Restructuring and other consists of:

	Quarter Ended		
	April 4, 2021	December 31, 2020	March 29, 2020
Contingent consideration fair value adjustment	$ (7.2)	$ (15.3)	$ (10.0)
Acquisition related expenses and compensation	(0.2)	(0.9)	1.4
Employee severance	0.2	1.1	0.7
Other	0.1	-	0.3
	$ (7.1)	$ (15.1)	$ (7.6)

(2) For the quarters ended April 4, 2021, December 31 2020, and March 29, 2020, Interest and other included non-cash convertible debt interest expense. For the quarter ended April 4, 2021, adjustment to exclude loss on convertible debt conversions. For the quarter ended December 31 2020, adjustments to exclude actuarial (gain) loss recognized under GAAP in accordance with Teradyne's mark-to-market pension accounting.

(3) For the quarters ended April 4, 2021, December 31, 2020, and March 29, 2020, the non-GAAP diluted EPS calculation adds back $1.2 million, $1.3 million, and $1.3 million of convertible debt interest expense to non-GAAP net income, and non-GAAP weighted average diluted common shares include 9.4 million, 8.9 million and 5.5 million shares, respectively, from the convertible note hedge transaction.

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Appendix | GAAP to Non-GAAP Reconciliation

GAAP to Non-GAAP Earnings Reconciliation

(In millions, except per share amounts)

	Quarter Ended					
	September 27, 2020	% of Net Revenues	June 28, 2020	% of Net Revenues	September 29, 2019	% of Net Revenues
Net revenues	$ 819.5		$ 838.7		$ 582.0	
Gross profit GAAP	$ 458.9	56.0%	$ 471.5	56.2%	$ 345.0	59.3%
Inventory step-up	0.1	0.0%	0.1	0.0%	-	-
Gross profit non-GAAP	$ 459.0	56.0%	$ 471.6	56.2%	$ 345.0	59.3%
Income from operations - GAAP	$ 269.7	32.9%	$ 217.9	26.0%	$ 154.9	26.6%
Restructuring and other (1)	(27.7)	-3.4%	37.2	4.4%	(6.5)	-1.1%
Acquired intangible assets amortization	6.2	0.8%	8.9	1.1%	9.6	1.6%
Inventory step-up	0.1	0.0%	0.1	0.0%	-	-
Equity modification charge (2)	-	-	-	-	2.1	0.4%
Income from operations - non-GAAP	$ 248.3	30.3%	$ 264.1	31.5%	$ 160.1	27.5%

	September 27, 2020	% of Net Revenues	Net Income per Common Share Basic	Net Income per Common Share Diluted	June 28, 2020	% of Net Revenues	Net Income per Common Share Basic	Net Income per Common Share Diluted	September 29, 2019	% of Net Revenues	Net Income per Common Share Basic	Net Income per Common Share Diluted
Net income - GAAP	$ 222.7	27.2%	$ 1.34	$ 1.21	$ 188.9	22.5%	$ 1.14	$ 1.05	$ 135.9	23.4%	$ 0.80	$ 0.75
Restructuring and other (1)	(27.7)	-3.4%	(0.17)	(0.15)	37.2	4.4%	0.22	0.21	(6.5)	-1.1%	(0.04)	(0.04)
Acquired intangible assets amortization	6.2	0.8%	0.04	0.03	8.9	1.1%	0.05	0.05	9.6	1.6%	0.06	0.05
Interest and other (3)	3.6	0.4%	0.02	0.02	3.6	0.4%	0.02	0.02	3.5	0.6%	0.02	0.02
Pension mark-to-market adjustment (3)	2.7	0.3%	0.02	0.01	(0.1)	0.0%	(0.00)	(0.00)	-	-	-	-
Inventory step-up	0.1	0.0%	0.00	0.00	0.1	0.0%	0.00	0.00	-	-	-	-
Equity modification charge (2)	-	0.0%	-	-	-	-	-	-	2.1	0.4%	0.01	0.01
Exclude discrete tax adjustments (4)	(4.4)	-0.5%	(0.03)	(0.02)	(1.1)	-0.1%	(0.01)	(0.01)	(7.7)	-1.3%	(0.05)	(0.04)
Non-GAAP tax adjustments	2.2	0.3%	0.01	0.01	(8.3)	-1.0%	(0.05)	(0.05)	(3.5)	-0.6%	(0.02)	(0.02)
Convertible share adjustment (5)	-	-	-	0.06	-	-	-	0.06	-	-	-	0.02
Net income - non-GAAP	$ 205.4	25.1%	$ 1.24	$ 1.18	$ 229.2	27.3%	$ 1.38	$ 1.33	$ 133.4	22.9%	$ 0.79	$ 0.77

	September 27, 2020	June 28, 2020	September 29, 2019
GAAP and non-GAAP weighted average common shares - basic	166.0	165.8	169.6
GAAP weighted average common shares - diluted	184.3	180.3	180.5
Exclude dilutive shares related to convertible note transaction	(9.2)	(7.6)	(5.8)
Non-GAAP weighted average common shares - diluted	175.2	172.7	174.7

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Appendix | GAAP to Non-GAAP Reconciliation

	Q1'20		Q4'20		Q1'21		Q2'21 Low Guidance		Q2'21 High Guidance	
	$'s	% of sales	$'s	% of sales	$'s	% of sales	$'s	% of sales	$'s	% of sales
GAAP Operating Expenses	$199	28%	$216	28%	$229	29%	$261	26%	$264	24%
Intangible Asset Amortization	-$10	-1%	-$6	-1%	-$6	-1%	-$10	-1%	-$10	-1%
Restructuring and Other	$8	1%	$15	2%	$7	1%				
Equity Modification Charge			-$1	0%						
Non GAAP Operating Expenses	$197	28%	$225	30%	$230	29%	$251	25%	$255	23%

	Q1'20		Q4'20		Q1'21	
	$'s	%	$'s	%	$'s	%
GAAP Income Tax	$21	10%	$27	11%	$18	8%
Exclude discrete tax adjustments	$8	4%	$2	1%	$15	6%
Tax effect of non-GAAP adjustments	$2	1%	$4	2%	$0	0%
Effect of Higher Non-GAAP PBT		0%		1%		0%
Non GAAP Income Tax	$30	15%	$33	14%	$34	15%

Q1'21:	
GAAP net interest and other income	-$9.0
Exclude non cash convertible debt interest	$3.6
Loss on convertible debt conversions	$4.1
Non-GAAP net interest and other income	-$1.3

Q2'21 Guidance	
GAAP net interest and other income	-$5.5
Exclude non cash convertible debt interest	$3.5
Non-GAAP net interest and other income	-$2.0

Q2'21 Guidance:	Low End	High End
GAAP Operating Profit as % of Sales	33%	34%
Acquired intangible asset amortization	1%	1%
Non-GAAP Operating Profit as % of Sales	33%	35%

Q2'21 GAAP Guidance Diluted Shares	188
Exclude dilutive shares from convertible not	-10
Q'21 Non-GAAP Guidance Diluted Shares	177

FY 2021 GAAP estimated tax rate	14.75%
Adjustment for Non GAAP items	0.00%
FY 2021 Non GAAP estimated tax rate	14.75%

GAAP to Non-GAAP Reconciliation of Second Quarter 2021 guidance:

GAAP and non-GAAP second quarter revenue guidance:	$1,010 million	to	$1,090 million
GAAP net income per diluted share	$ 1.48		$ 1.68
Exclude acquired intangible assets amortization	0.03		0.03
Exclude non-cash convertible debt interest	0.02		0.02
Tax effect of non-GAAP adjustments	(0.01)		(0.01)
Convertible share adjustment	0.10		0.11
Non-GAAP net income per diluted share	$ 1.62		$ 1.83

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Appendix | GAAP to Non-GAAP Reconciliation

	Q4'20	Q3'20	Q4'19	FY2020	FY2019
GAAP SG&A expense	124	116	117	465	437
Exclude stock compensation expense related to equity modification	(1)	-	-	(1)	(2)
Non-GAAP SG&A expense	124	116	117	464	435

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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.

	2014	2015	2016	2017	2018	2019	2020	Q1'20	Q4'20	Q1'21
GAAP Cash Flow from Operations, Excl Disc Ops	$ 492	$ 413	$ 455	$ 626	$ 477	$ 579	$ 869	$ 43	$ 260	$ 38
Less Property, Plant, and Equipment Additions net of Gov't Subsidy	$ (169)	$ (90)	$ (85)	$ (105)	$ (107)	$ (135)	$ (185)	$ (37)	$ (38)	$ (39)
Non-GAAP Operating Cash Flow ("Free Cash Flow")	$ 323	$ 323	$ 370	$ 521	$ 370	$ 444	$ 684	$ 6	$ 222	$ (1)

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Appendix | GAAP to Non-GAAP Reconciliation

	FY 2024 Low	FY 2024 High
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	29%	28%

	FY 2024 Low	FY 2024 High
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	30%	31%

	FY 2024 Low	FY 2024 High
2024 Estimated GAAP Diluted EPS	$ 5.15	$ 6.65
Add back Intangible Asset Amortization	$ 0.10	$ 0.10
2024 Estimates Non-GAAP Diluted EPS	$ 5.25	$ 6.75

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Appendix | GAAP to Non-GAAP Reconciliation

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

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

	FY 2022 Low	FY 2022 High
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	$ 0.15	$ 0.21
2022 Estimated Non-GAAP Diluted EPS	$ 3.50	$ 4.25

	FY 2022 High Old
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	$ 0.13
2022 Estimated Non-GAAP Diluted EPS	$ 4.00

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

Industrial Automation GAAP revenue increase for the period January 1, 2019 to December 31, 2019 compared to the period January 1, 2018 to December 31, 2018 is 14%. Industrial Automation's pro-forma revenue increase for the period January 1, 2019 to December 31, 2019 compared to the period January 1, 2018 to December 31, 2018 is 12%.

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