

Teradyne, Inc.

**Certain Non-GAAP financial measures discussed during the
Second Quarter of 2022 Earnings Conference Call
July 27, 2022**

On the Company's earnings conference call on July 27, 2022, the following non-GAAP financial measures were discussed or presented:

- Q2'22 EPS (\$1.21)
- Q1'22 EPS (\$0.98)
- Q2'21 EPS (\$1.91)
- Q2'22 net income (\$204M)
- Q3'22 Guidance EPS (\$0.90 to \$1.16)
- Q2'22 Operating Expenses (\$251M)
- Q2'22 PBIT (30.3%)
- FY'22 expected tax rate (16.5%)
- Annual expected IA operating profit (5% to 15%)
- Q2'22 Free Cash Flow (\$70M)
- Q3'22 Guidance diluted shares (166M)
- Q3'22 Guidance Operating Expenses (31-34%)
- Q3'22 Guidance Midpoint Operating Profit Rate (26%)
- 2022 Operating Expense Guidance over 2021 (4% to 6%)
- Q2'21 – Operating Expenses (23.0% and \$250M), Operating Profit (36.5% and \$397M), EPS (\$1.91), Free Cash Flow (\$172M), Effective Tax Rate (14.8% or \$58M), shares (177M)
- Q1'22 – Operating Expenses (32.9% and \$248M), Operating Profit (27.4% and \$207M), EPS (\$0.98), Free Cash Flow (-\$37M), Effective Tax Rate (16% or \$32M), Diluted shares (173M)
- Q2'22 – Operating Expenses (29.9% and \$251M), Operating Profit (30.3% and \$255M), EPS (\$1.21), 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), H1'22 (\$33M)
- Q3'22 Guidance – Operating Expenses (34-31%), Operating Profit (24-28%), EPS (\$0.90 to \$1.16), Effective Tax Rate (16.5%), Diluted shares (166M)

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

5%

15%

Mid Guidance Q3**2022**

GAAP income from operations as a % of revenue (\$800M)

25%

Exclude acquired intangible asset amortization

1%

Non-GAAP income from operations as a % of revenue (\$800M)

26%

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

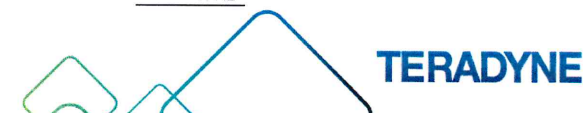
(In millions, except per share amounts)

	Quarter Ended		Quarter Ended		Quarter Ended		Quarter Ended		Quarter Ended	
	July 3, 2022	% of Net Revenues	April 3, 2022	% of Net Revenues	July 4, 2021	% of Net Revenues	April 3, 2021	% of Net Revenues	July 4, 2021	% of Net Revenues
Net revenues	\$ 840.8		\$ 755.4		\$ 1,085.7		\$ 755.4		\$ 1,085.7	
Gross profit GAAP and non-GAAP	\$ 506.4	60.2%	\$ 454.9	60.2%	\$ 647.0	59.6%	\$ 454.9	60.2%	\$ 647.0	59.6%
Income from operations - GAAP	\$ 248.0	29.5%	\$ 185.9	24.6%	\$ 388.9	35.8%	\$ 185.9	24.6%	\$ 388.9	35.8%
Restructuring and other (1)	2.0	0.2%	15.7	2.1%	2.5	0.2%	15.7	2.1%	2.5	0.2%
Acquired intangible assets amortization	4.9	0.6%	5.1	0.7%	5.4	0.5%	5.1	0.7%	5.4	0.5%
Income from operations - non-GAAP	\$ 254.9	30.3%	\$ 206.7	27.4%	\$ 396.8	36.5%	\$ 206.7	27.4%	\$ 396.8	36.5%

	Net Income per Common Share		Net Income per Common Share		Net Income per Common Share		Net Income per Common Share		Net Income per Common Share	
	July 3, 2022	% of Net Revenues	Basic	Diluted	April 3, 2022	% of Net Revenues	Basic	Diluted	July 4, 2021	% of Net Revenues
Net income - GAAP	\$ 197.8	23.5%	\$ 1.24	\$ 1.16	\$ 161.9	21.4%	\$ 1.00	\$ 0.92	\$ 328.3	30.2%
Restructuring and other (1)	2.0	0.2%	0.01	0.01	15.7	2.1%	0.10	0.09	2.5	0.2%
Acquired intangible assets amortization	4.9	0.6%	0.03	0.03	5.1	0.7%	0.03	0.03	5.4	0.5%
Loss on convertible debt conversions (2)	-	-	-	-	-	-	-	-	1.2	0.1%
Interest and other (2)	-	-	-	-	-	-	-	-	3.3	0.3%
Pension mark-to-market adjustment (2)	-	-	-	-	-	-	-	-	(0.6)	-0.1%
Exclude discrete tax adjustments	1.6	0.2%	0.01	0.01	(10.4)	-1.4%	(0.06)	(0.06)	(1.1)	-0.1%
Non-GAAP tax adjustments	(2.3)	-0.3%	(0.01)	(0.01)	(3.3)	-0.4%	(0.02)	(0.02)	(1.5)	-0.1%
Convertible share adjustment (3)	-	-	-	0.01	-	-	-	0.01	-	-
Net income - non-GAAP	\$ 204.0	24.3%	\$ 1.28	\$ 1.21	\$ 169.0	22.4%	\$ 1.04	\$ 0.98	\$ 337.5	31.1%

GAAP and non-GAAP weighted average common shares - basic	159.6	162.0	166.0
GAAP weighted average common shares - diluted	171.2	175.6	186.8
Exclude dilutive shares related to convertible note transaction	(1.9)	(2.5)	(9.6)
Non-GAAP weighted average common shares - diluted	169.3	173.1	177.2

4



Appendix | GAAP to Non-GAAP Reconciliation

(1) Restructuring and other consists of:

	July 3, 2022	Quarter Ended April 3, 2022	July 4, 2021
Employee severance	\$ 0.4	\$ 0.6	\$ 0.4
Litigation settlement	-	14.7	-
Acquisition related expenses and compensation	-	(0.2)	0.3
Other	1.7	0.7	1.8
	<u>\$ 2.0</u>	<u>\$ 15.7</u>	<u>\$ 2.5</u>

(2) For the quarter ended July 4, 2021, adjustment to exclude loss on convertible debt conversions. For the quarter ended July 4, 2021, Interest and other included non-cash convertible debt interest expense. For the quarter ended July 4, 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 July 3, 2022, April 3, 2022, and July 4, 2021, the non-GAAP diluted EPS calculation adds back \$0.1 million, \$0.3 million, and \$0.9 million, respectively, of convertible debt interest expense to non-GAAP net income. For the quarters ended July 3, 2022, April 3, 2022, and July 4, 2021, non-GAAP weighted average diluted common shares include 9.0 million, 10.0 million and 10.1 million shares, respectively, from the convertible note hedge transaction.

Appendix | GAAP to Non-GAAP Reconciliation

	Q2'21		Q1'22		Q2'22		Q3'22 Low Guidance		Q3'22 High Guidance	
	\$'s	% of sales	\$'s	% of sales	\$'s	% of sales	\$'s	% of sales	\$'s	% of sales
GAAP Operating Expenses	\$258	24%	\$269	36%	\$258	31%	\$265	35%	\$269	32%
Intangible Asset Amortization	-\$5	0%	-\$5	-1%	-\$5	-1%	-\$5	-1%	-\$5	-1%
Restructuring and Other	-\$3	0%	-\$16	-2%	-\$2	0%				
Equity Modification Charge										
Non GAAP Operating Expenses	\$250	23%	\$248	33%	\$251	30%	\$260	34%	\$264	31%

	Q2'21		Q1'22		Q2'22		Q3'22 Guidance:		Low End	High End
	\$'s	%	\$'s	%	\$'s	%	GAAP Operating Profit as % of Sales		23%	27%
GAAP Income Tax	\$56	15%	\$18	10%	\$41	17%	Acquired intangible asset amortization		1%	1%
Exclude discrete tax adjustments	\$1	0%	\$10	6%	-\$2	-1%	Non-GAAP Operating Profit as % of Sales		24%	28%
Tax effect of non-GAAP adjustments	\$2	0%	\$3	2%	\$2	1%				
Effect of Higher Non-GAAP PBT		0%		-2%		0%				
Non GAAP Income Tax	\$58	15%	\$32	16%	\$42	17%				

Q3'22 GAAP Guidance Diluted Shares	168
Exclude dilutive shares from convertible note	-2
Q3'22 Non-GAAP Guidance Diluted Shares	166

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

GAAP and non-GAAP third quarter revenue guidance:

GAAP net income per diluted share

Exclude acquired intangible assets amortization

Convertible share adjustment

Non-GAAP net income per diluted share

\$760 million	to	\$840 million
\$ 0.86		\$ 1.12
0.03		0.03
0.01		0.01
\$ 0.90		\$ 1.16

FY 2022 GAAP estimated tax rate	16.25%
Adjustment for Non GAAP items	0.25%
FY 2022 Non GAAP estimated tax rate	16.50%

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	Q2'21	Q1'22	Q2'22
GAAP Cash Flow from Operations, Excl Disc Ops	\$ 413	\$ 455	\$ 626	\$ 477	\$ 579	\$ 869	\$ 1,098	\$ 206	\$ 7	\$ 115
Less Property, Plant, and Equipment Additions net of Gov't Subsidy	\$ (90)	\$ (85)	\$ (105)	\$ (107)	\$ (135)	\$ (185)	\$ (132)	\$ (35)	\$ (44)	\$ (46)
Non-GAAP Operating Cash Flow ("Free Cash Flow")	\$ 323	\$ 370	\$ 521	\$ 370	\$ 444	\$ 684	\$ 966	\$ 172	\$ (37)	\$ 70

