

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

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

- Annual expected Robotics operating profit (5% to 15%)
- Q3'23 – Operating Expenses (34.5% of revenue and \$243M), Operating Profit (22.1% of revenue and \$156M), EPS (\$0.80), Free Cash Flow(\$140M), Effective Tax Rate (15.7% or \$24M), Diluted shares (163M)
- Q2'23 – Operating Expense (36.7% of revenue and \$251M), Operating Profit (22.1% of revenue and \$151M), EPS (\$0.79), Free Cash Flow (\$104M), Effective Tax Rate (17.2% or \$27M), Diluted shares (164M)
- Q3'22 – Operating Expenses (29.9% of revenue and \$247M), Operating Profit (28.8% of revenue and \$238M), EPS (\$1.15), Free Cash Flow (\$233M), Effective Tax Rate (18.7% or \$44M), shares (165M)
- Free Cash Flow – 2015 (\$323), 2016 (\$370M), 2017 (\$521M), 2018 (\$370M), 2019 (\$444M), 2020 (\$684M), 2021 (\$966M), 2022 (\$415M), YTD Q3'23 (\$221M)
- Q4'23 Guidance – Operating Expenses (38-35% of revenue), Operating Profit (18-22% of revenue), EPS (\$0.61 to \$0.81), Effective Tax Rate (16.5%), Diluted shares (162M)
- Q423 Guidance midpoint operating profit rate (20% of revenue)
- FY 2023 Estimated EPS (\$2.85)
- FY 2023 Estimated operating profit (20% of revenue)
- 2022 – Operating Expenses (32% of revenue), Operating Profit (28% of revenue), EPS (\$4.25)
- 2026 Estimated New Model Target EPS (\$7.50 to \$10.00), Operating Expenses (28-26% of revenue), PBIT (31-34%)

GAAP to Non-GAAP Reconciliation

	Mid Guidance Q4 2023	
GAAP income from operations as a % of revenue (\$670M)	19%	
Exclude acquired intangible asset amortization	1%	
Exclude restructuring and other	0%	
Non-GAAP income from operations as a % of revenue (\$670M)	20%	
Estimated Robotics 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	5%	15%
FY 2022 Operating Expenses		
	\$M	
FY 2022 GAAP Operating Expenses	1,035	
Exclude acquired intangible asset amortization	(19)	
Exclude restructuring and other expense	(17)	
FY 2022 Non-GAAP Operating Expenses	999	
FY 2023 Estimated Operating Expenses		
	\$M	
FY 2023 GAAP Esimated Operating Expenses	1,030	
Exclude acquired intangible asset amortization	(19)	
Exclude equity modification charge	(6)	
Exclude restructuring and other expense	(17)	
FY 2023 Non-GAAP Estimated Operating Expenses	988	
Net Income Diluted per Share		
FY 2023 Net income - GAAP at Q4'23 Mid guidance	\$ 2.69	
Restructuring and other	\$ 0.09	
Acquired intangible assets amortization	\$ 0.12	
Equity modification charge	\$ 0.03	
Exclude discrete tax adjustments	\$ (0.04)	
Non-GAAP tax adjustments	\$ (0.05)	
Convertible share adjustment	\$ 0.01	
FY 2023 Estimate Net income - non-GAAP at Q4'23 mid guidance	\$ 2.85	
FY 2023		
FY 2023 Estimate GAAP income from operations as a % of revenue Q4'23 mid guidance	18%	
Exclude acquired intangible asset amortization	1%	
Exclude restructuring and other	1%	
FY 2023 Estimate Non-GAAP income from operations as a % of revenue Q4'23 mdi guidance	20%	

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

	October 1, 2023		Quarter Ended July 2, 2023		October 2, 2022	
		% of Net Revenues		% of Net Revenues		% of Net Revenues
Net revenues	\$ 703.7		\$ 684.4		\$ 827.1	
Gross profit GAAP and non-GAAP	\$ 398.3	56.6%	\$ 402.5	58.8%	\$ 485.4	58.7%
Income from operations - GAAP	\$ 144.0	20.5%	\$ 139.9	20.4%	\$ 231.5	28.0%
Restructuring and other (1)	6.9	1.0%	6.4	0.9%	1.8	0.2%
Acquired intangible assets amortization	4.7	0.7%	4.8	0.7%	4.7	0.6%
Income from operations - non-GAAP	\$ 155.6	22.1%	\$ 151.1	22.1%	\$ 238.0	28.8%

	October 1, 2023		Net Income per Common Share		July 2, 2023		Net Income per Common Share		October 2, 2022		Net Income per Common Share	
		% of Net Revenues	Basic	Diluted		% of Net Revenues	Basic	Diluted		% of Net Revenues	Basic	Diluted
Net income - GAAP	\$ 128.1	18.2%	\$ 0.83	\$ 0.78	\$ 120.1	17.5%	\$ 0.78	\$ 0.73	\$ 183.5	22.2%	\$ 1.17	\$ 1.10
Restructuring and other (1)	6.9	1.0%	0.04	0.04	6.4	0.9%	0.04	0.04	1.8	0.2%	0.01	0.01
Acquired intangible assets amortization	4.7	0.7%	0.03	0.03	4.8	0.7%	0.03	0.03	4.7	0.6%	0.03	0.03
Pension mark-to-market adjustment (2)	0.1	0.0%	0.00	0.00	0.1	0.0%	0.00	0.00	-	-	-	-
Exclude discrete tax adjustments	(4.8)	-0.7%	(0.03)	(0.03)	0.5	0.1%	0.00	0.00	(0.5)	-0.1%	(0.00)	(0.00)
Non-GAAP tax adjustments	(3.5)	-0.5%	(0.02)	(0.02)	(2.9)	-0.4%	(0.02)	(0.02)	(0.3)	0.0%	(0.00)	(0.00)
Convertible share adjustment (3)	-	-	-	-	-	-	-	-	-	-	-	0.01
Net income - non-GAAP	\$ 131.5	18.7%	\$ 0.86	\$ 0.80	\$ 129.0	18.8%	\$ 0.83	\$ 0.79	\$ 189.2	22.9%	\$ 1.21	\$ 1.15

GAAP and non-GAAP weighted average common shares - basic	153.8		154.8		156.4
GAAP weighted average common shares - diluted	164.1		164.8		166.7
Exclude dilutive shares related to convertible note transaction	(0.6)		(0.7)		(1.5)
Non-GAAP weighted average common shares - diluted	163.5		164.1		165.2



Appendix | GAAP to Non-GAAP Reconciliation

(1) Restructuring and other consists of:

	October 1, 2023	Quarter Ended July 2, 2023	October 2, 2022
Employee severance	\$ 4.7	\$ 5.1	\$ 1.2
Contract termination	1.5	-	-
Other	0.6	1.2	0.6
	<u>\$ 6.9</u>	<u>\$ 6.4</u>	<u>\$ 1.8</u>

(2) For the quarters ended October 1, 2023 and July 2, 2023 adjustment to exclude actuarial loss recognized under GAAP in accordance with Teradyne's mark-to-market pension accounting.

(3) For the quarter ended October 2, 2022, the non-GAAP diluted EPS calculation adds back \$0.2 million of convertible debt interest expense to non-GAAP net income. For the quarters ended October 1, 2023, July 2, 2023, and October 2, 2022, non-GAAP weighted average diluted common shares include 9.2 million, 8.9 million and 8.3 million shares, respectively, from the convertible note hedge transaction.



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%

	Net Income per Common Share				Net Income per Common Share			
	December 31, 2022	% of Net Revenues	Basic	Diluted	December 31, 2021	% of Net Revenues	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, 2021, 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

	Q3'22		Q2'23		Q3'23		Q4'23 Low Guidance		Q4'23 High Guidance	
	<u>\$'s</u>	<u>% of sales</u>	<u>\$'s</u>	<u>% of sales</u>	<u>\$'s</u>	<u>% of sales</u>	<u>\$'s</u>	<u>% of sales</u>	<u>\$'s</u>	<u>% of sales</u>
GAAP Operating Expenses	\$254	31%	\$263	38%	\$254	36%	\$249	39%	\$251	36%
Intangible Asset Amortization	-\$5	-1%	-\$5	-1%	-\$5	-1%	-\$5	-1%	-\$5	-1%
Restructuring and Other	-\$2	0%	-\$6	-1%	-\$7	-1%	-\$2	0%	-\$2	0%
Equity Modification Charge				0%						
Non GAAP Operating Expenses	\$247	30%	\$251	37%	\$243	34%	\$242	38%	\$244	35%

	Q3'22		Q2'23		Q3'23			2022	
	<u>\$'s</u>	<u>%</u>	<u>\$'s</u>	<u>%</u>	<u>\$'s</u>	<u>%</u>		<u>\$'s</u>	<u>% of sales</u>
GAAP Income Tax	\$43	19%	\$24	17%	\$16	11%	GAAP Operating Expenses	\$1,035	33%
Exclude discrete tax adjustments	\$1	0%	-\$1	0%	\$5	3%	Intangible Asset Amortization	-\$19	-1%
Tax effect of non-GAAP adjustments	\$0	0%	\$3	2%	\$4	2%	Restructuring and Other	-\$17	-1%
Effect of Higher Non-GAAP PBT		-1%		-1%		-1%	Equity Modification Charge		
Non GAAP Income Tax	\$44	19%	\$27	17%	\$24	16%	Non GAAP Operating Expenses	\$999	32%

Q4'23 GAAP Guidance Diluted Shares	163
Exclude dilutive shares from convertible note	-1
Q4'23 Non-GAAP Guidance Diluted Shares	162

Q4'23 Guidance:	Low End	High End
GAAP Operating Profit as % of Sales	17%	21%
Acquired intangible asset amortization	1%	1%
Restructuring and Other	0%	0%
Non-GAAP Operating Profit as % of Sales	18%	22%

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

GAAP and non-GAAP fourth quarter revenue guidance:
GAAP net income per diluted share
Exclude acquired intangible assets amortization
Exclude restructuring and other charges
Non-GAAP tax adjustments
Non-GAAP net income per diluted share

\$640 million	to	\$700 million
\$ 0.58		\$ 0.78
0.03		0.03
0.01		0.01
(0.01)		(0.01)
\$ 0.61		\$ 0.81

FY 2023 GAAP estimated tax rate	15.75%
Adjustment for Non GAAP items	0.75%
FY 2023 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	2022	Q3'22	Q2'23	Q3'23	9mo23
GAAP Cash Flow from Operations, Excl Disc Ops	\$ 413	\$ 455	\$ 626	\$ 477	\$ 579	\$ 869	\$ 1,098	\$ 578	\$ 272	\$ 143	\$ 174	\$ 336
Less Property, Plant, and Equipment Additions net of Gov't Subsidy	\$ (90)	\$ (85)	\$ (105)	\$ (107)	\$ (135)	\$ (185)	\$ (132)	\$ (163)	\$ (39)	\$ (39)	\$ (35)	\$ (115)
Non-GAAP Operating Cash Flow ("Free Cash Flow")	\$ 323	\$ 370	\$ 521	\$ 370	\$ 444	\$ 684	\$ 966	\$ 415	\$ 233	\$ 104	\$ 140	\$ 221



Appendix | GAAP to Non-GAAP Reconciliation

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

