Teradyne, Inc.

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

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

- Q2'21 EPS growth vs. Q2'20 EPS (44%)
- Q2'21 EPS growth vs. Q2'19 EPS (189%)
- Q2'21 EPS ($1.91)
- Q2'20 EPS ($1.33)
- Q1'21 EPS ($1.11)
- H1'20 EPS ($2.34)
- H1'21 EPS ($3.02)
- Q2'21 net income ($337.5M)
- Q3'21 Guidance EPS ($1.29 to $1.55)
- Q3'21 Mid-Point Guidance EPS up 20% over Q3'20 EPS
- 29% EPS growth H1'21 vs. H1'20
- Q2'21 GM (59.6%)
- Q2'21 Operating ($250M)
- Q2'21 operating profit (36.5%)
- Q2'20 GM (56%)
- Annual Industrial Automation operating profit (5% to 15%)
- Q2'21 Free Cash Flow ($172M)
- Q3'21 Guidance diluted shares (176M)
- Q3'21 Guidance Operating Expenses (27-29%)
- Q3'21 Guidance Midpoint Operating Profit Rate (32%)
- 2021 Estimated Operating Expenses ($1B)
- 2021 Estimated Operating Expenses up 19% from FY 2020
- H1'19 EPS ($1.20)
- Q2'21 – Gross Margin (59.6% and $647M), Operating Expenses (23% and $250M), Operating Profit (36.5% and $397M), EPS ($1.91), Free Cash Flow ($172M), Diluted shares (177M), net interest and other (-$1M)
- Q2'20 – Gross Margin (56.2% and $472M), Operating Expenses (24.7% and $207M), Operating Profit (31.5% and $264M), EPS ($1.33), Free Cash Flow ($176M), Effective Tax Rate (14.1% or $38M), Diluted shares (173M)
- Q1'21 – Gross Margin (59.1% and $462M), 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)
- Q3'21 Guidance – Operating Expenses (27-29%), Operating Profit (30-33%), net interest/other (-$1M), Effective Tax Rate (14.75%), EPS ($1.29-$1.55), Diluted shares (176M)
- Free Cash Flow – 2015 ($323M), 2016 ($370M), 2017 ($521M), 2018 ($370M), 2019 ($444M), 2020 ($684M), 1H'21 ($170M)
- 2022E Old Model Target Operating Expenses (32-31%), PBIT (26-28%), EPS ($3.50 to $4.25)
- 2024E New Model Target Operating Expenses (29-28%), PBIT (30-31%), EPS ($5.25 to $6.75)
- 2020 – GM (57%), Operating Expenses (27%), PBIT (30%), EPS ($4.62)
- 2019 - GM (58%), Operating Expenses (33%), PBIT (25%), EPS ($2.86)

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 Q3 2021
GAAP income from operations as a % of revenue ($920M)	31%
Exclude acquired intangible asset amortization	1%
Non-GAAP income from operations as a % of revenue ($920M)	32%

FY 2021 Estimated Operating Expense Increase

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

FY 2021 Estimated Operating Expenses	$ M	% of Sales
FY 2021 GAAP Operating Expenses	$1,002	32%
Exclude acquired intangible asset amortization	($21)	-1%
Exclude restructuring and other	$5	0%
FY 2021 Non-GAAP Operating Expenses	$986	32%

	September 27, 2020	% 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
Restructuring and other (1)	(27.7)	-3.4%	(0.17)	(0.15)
Acquired intangible assets amortization	6.2	0.8%	0.04	0.03
Interest and other (3)	3.6	0.4%	0.02	0.02
Pension mark-to-market adjustment (3)	2.7	0.3%	0.02	0.01
Inventory step-up	0.1	0.0%	0.00	0.00
Equity modification charge (2)	—	—	—	—
Exclude discrete tax adjustments (4)	(4.4)	-0.5%	(0.03)	(0.02)
Non-GAAP tax adjustments	2.2	0.3%	0.01	0.01
Convertible share adjustment (5)	—	—	—	0.06
Net income — non-GAAP	$ 205.4	25.1%	$ 1.24	$ 1.18
GAAP and non-GAAP weighted average common shares — basic	166.0			
GAAP weighted average common shares — diluted	184.3			
Exclude dilutive shares related to convertible note transaction	(9.2)			
Non-GAAP weighted average common shares — diluted	175.2			

	June 30, 2019	% of Net Revenues	Net Income per Common Share Basic	Net Income per Common Share Diluted
Net income — GAAP	$ 97.4	17.3%	$ 0.57	$ 0.55
Acquired intangible assets amortization	10.1	1.8%	0.06	0.06
Interest and other (2)	3.4	0.6%	0.02	0.02
Restructuring and other (1)	(10.4)	-1.8%	(0.06)	(0.06)
Pension mark-to-market adjustment (2)	0.4	0.1%	0.00	0.00
Inventory step-up	0.4	0.1%	0.00	0.00
Exclude discrete tax adjustments (3)	13.9	2.5%	0.08	0.08
Non-GAAP tax adjustments	(2.0)	-0.4%	(0.01)	(0.01)
Convertible share adjustment	—	—	—	0.02
Net income — non-GAAP	$ 113.2	20.1%	$ 0.66	$ 0.66
GAAP and non-GAAP weighted average common shares — basic	171.2			
GAAP weighted average common shares — diluted	178.6			
Exclude dilutive shares related to convertible note transaction	(6.2)			
Non-GAAP weighted average common shares — diluted	172.4			

GAAP to Non-GAAP Reconciliation of Third Quarter 2021 mid guidance:

GAAP and non-GAAP third quarter mid revenue guidance:	$920 million
GAAP net income per diluted share	$ 1.29
Exclude acquired intangible assets amortization	0.03
Exclude non-cash convertible debt interest	0.02
Tax effect of non-GAAP adjustments	(0.01)
Convertible share adjustment	0.08
Non-GAAP net income per diluted share	$ 1.42

2

	December 31, 2018	% of Net Revenues	Net Income per Common Share Basic	Net Income per Common Share Diluted	December 31, 2017	% of Net Revenues	Net Income per Common Share Basic	Net Income per Common Share Diluted
Net income — GAAP	$ 451.8	*21.5%*	$ 2.41	$ 2.35	$ 257.7	*12.1%*	$ 1.30	$ 1.28
Acquired intangible assets amortization	39.2	*1.9%*	0.21	0.20	30.5	*1.4%*	0.15	0.15
Interest and other (3)	13.1	*0.6%*	0.07	0.07	12.4	*0.6%*	0.06	0.06
Restructuring and other (2)	15.2	*0.7%*	0.08	0.08	9.4	*0.4%*	0.05	0.05
Inventory step-up	0.4	*0.0%*	—	—	—	—	—	—
Pension mark-to-market adjustment (3)	(3.3)	*-0.2%*	(0.02)	(0.02)	(6.3)	*-0.3%*	(0.03)	(0.03)
Exclude discrete tax adjustments (4)	(59.4)	*-2.8%*	(0.32)	(0.31)	178.3	*8.3%*	0.90	0.88
Non-GAAP tax adjustments	(8.4)	*-0.4%*	(0.04)	(0.04)	(12.8)	*-0.6%*	(0.06)	(0.06)
Convertible share adjustment	—	—	—	0.04	—	—	—	0.01
Net income — non-GAAP	$ 448.6	*21.4%*	$ 2.39	$ 2.37	$ 469.2	*22.0%*	$ 2.37	$ 2.34
GAAP and non-GAAP weighted average common shares — basic	187.7				198.1			
GAAP weighted average common shares — diluted	192.6				201.6			
Exclude dilutive shares from convertible note	(3.2)				(1.3)			
Non-GAAP weighted average common shares — diluted	189.4				200.3			

	December 31, 2016	% of Net Revenues	Net (Loss) Income per Common Share Basic	Net (Loss) Income per Common Share Diluted
Net (loss) income - GAAP	$ (43.4)	*-2.5%*	$(0.21)	$(0.21)
Goodwill impairment (2)	254.9	*14.5%*	1.26	1.25
Acquired intangible assets impairment (2)	83.3	*4.8%*	0.41	0.41
Acquired intangible assets amortization	52.6	*3.0%*	0.26	0.26
Restructuring and other (3)	21.9	*1.2%*	0.11	0.11
Pension mark-to-market adjustments (1)	(3.2)	*-0.2%*	(0.02)	(0.02)
Interest and other (4)	0.6	*0.0%*	0.00	0.00
Inventory step-up	—	—	—	—
Exclude discrete tax adjustments (5)	(4.5)	*-0.3%*	(0.02)	(0.02)
Tax effect of non-GAAP adjustments	(53.3)	*-3.0%*	(0.26)	(0.26)
Net income - non-GAAP	$ 308.9	*17.6%*	$ 1.52	$ 1.51
GAAP and non-GAAP weighted average common shares - basic	202.6			
GAAP weighted average common shares - diluted	202.6			
Include dilutive shares	1.8			
Non-GAAP weighted average common shares - diluted	204.4			

3

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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Appendix | GAAP to Non-GAAP Reconciliation

GAAP to Non-GAAP Earnings Reconciliation

(In millions, except per share amounts)

	Quarter Ended					
	July 4, 2021	% of Net Revenues	April 4, 2021	% of Net Revenues	June 28, 2020	% of Net Revenues
Net revenues	$ 1,085.7		$ 781.6		$ 838.7	
Gross profit GAAP	$ 647.0	59.6%	$ 461.6	59.1%	$ 471.5	56.2%
Inventory step-up	-	-	-	-	0.1	0.0%
Gross profit non-GAAP	$ 647.0	59.6%	$ 461.6	59.1%	$ 471.6	56.2%
Income from operations - GAAP	$ 388.9	35.8%	$ 233.0	29.8%	$ 217.9	26.0%
Restructuring and other (1)	2.5	0.2%	(7.1)	-0.9%	37.2	4.4%
Acquired intangible assets amortization	5.4	0.5%	5.5	0.7%	8.9	1.1%
Inventory step-up	-	-	-	-	0.1	0.0%
Income from operations - non-GAAP	$ 396.8	36.5%	$ 231.4	29.6%	$ 264.1	31.5%

	July 4, 2021	% of Net Revenues	Net Income per Common Share Basic	Net Income per Common Share Diluted	April 4, 2021	% 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
Net income - GAAP	$ 328.3	30.2%	$ 1.98	$ 1.76	$ 205.5	26.3%	$ 1.23	$ 1.09	$ 188.9	22.5%	$ 1.14	$ 1.05
Restructuring and other (1)	2.5	0.2%	0.02	0.01	(7.1)	-0.9%	(0.04)	(0.04)	37.2	4.4%	0.22	0.21
Acquired intangible assets amortization	5.4	0.5%	0.03	0.03	5.5	0.7%	0.03	0.03	8.9	1.1%	0.05	0.05
Loss on convertible debt conversions (2)	1.2	0.1%	0.01	0.01	4.1	0.5%	0.02	0.02	-	-	-	-
Interest and other (2)	3.3	0.3%	0.02	0.02	3.6	0.5%	0.02	0.02	3.6	0.4%	0.02	0.02
Pension mark-to-market adjustment (2)	(0.6)	-0.1%	(0.00)	(0.00)	-	-	-	-	(0.1)	0.0%	(0.00)	(0.00)
Inventory step-up	-	-	-	-	-	-	-	-	0.1	0.0%	0.00	0.00
Exclude discrete tax adjustments	(1.1)	-0.1%	(0.01)	(0.01)	(15.1)	-1.9%	(0.09)	(0.08)	(1.1)	-0.1%	(0.01)	(0.01)
Non-GAAP tax adjustments	(1.5)	-0.1%	(0.01)	(0.01)	(0.3)	0.0%	(0.00)	(0.00)	(8.3)	-1.0%	(0.05)	(0.05)
Convertible share adjustment (3)	-	-	-	0.10	-	-	-	0.06	-	-	-	0.06
Net income - non-GAAP	$ 337.5	31.1%	$ 2.03	$ 1.91	$ 196.2	25.1%	$ 1.18	$ 1.11	$ 229.2	27.3%	$ 1.38	$ 1.33

	July 4, 2021	April 4, 2021	June 28, 2020
GAAP and non-GAAP weighted average common shares - basic	166.0	166.5	165.8
GAAP weighted average common shares - diluted	186.8	187.7	180.3
Exclude dilutive shares related to convertible note transaction	(9.6)	(10.3)	(7.6)
Non-GAAP weighted average common shares - diluted	177.2	177.4	172.7

5

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Appendix | GAAP to Non-GAAP Reconciliation

(1) Restructuring and other consists of:

	Quarter Ended		
	July 4, 2021	April 4, 2021	June 28, 2020
Employee severance	$ 0.4	$ 0.2	$ -
Acquisition related expenses and compensation	0.3	(0.2)	3.1
Contingent consideration fair value adjustment	-	(7.2)	29.3
Contract termination settlement fee	-	-	4.0
Other	1.8	0.1	0.8
	$ 2.5	$ (7.1)	$ 37.2

(2) For the quarters ended July 4, 2021, April 4, 2021, and June 28, 2020, Interest and other included non-cash convertible debt interest expense. For the quarters ended July 4, 2021 and April 4, 2021, adjustment to exclude loss on convertible debt conversions. For the quarters ended July 4, 2021 and June 28, 2020, adjustments to exclude actuarial (gain) recognized under GAAP in accordance with Teradyne's mark-to-market pension accounting.

(3) For the quarters ended July 4, 2021, April 4, 2021, and June 28, 2020, the non-GAAP diluted EPS calculation adds back $0.9 million, $1.2 million, and $1.3 million of convertible debt interest expense to non-GAAP net income, and non-GAAP weighted average diluted common shares include 10.1 million, 9.4 million and 5.8 million shares, respectively, from the convertible note hedge transaction.

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Appendix | GAAP to Non-GAAP Reconciliation

Six Months Ended

	July 4, 2021	% of Net Revenues	June 28, 2020	% of Net Revenues
Net Revenues	$ 1,867.3		$ 1,543.0	
Gross profit GAAP	$ 1,108.6	59.4%	$ 877.0	56.8%
Inventory step-up	-	-	0.2	0.0%
Gross profit non-GAAP	$ 1,108.6	59.4%	$ 877.2	56.9%
Income from operations - GAAP	$ 621.9	33.3%	$ 424.7	27.5%
Restructuring and other (1)	(4.6)	-0.2%	29.6	1.9%
Acquired intangible assets amortization	10.9	0.6%	18.8	1.2%
Inventory step-up	-	-	0.2	0.0%
Income from operations - non-GAAP	$ 628.2	33.6%	$ 473.3	30.7%

	July 4, 2021	% of Net Revenues	Net Income Basic	Net Income Diluted	June 28, 2020	% of Net Revenues	Net Income Basic	Net Income Diluted
Net income - GAAP	$ 533.8	28.6%	$ 3.21	$ 2.85	$ 365.1	23.7%	$ 2.20	$ 2.02
Restructuring and other (1)	(4.6)	-0.2%	(0.03)	(0.02)	29.6	1.9%	0.18	0.16
Acquired intangible assets amortization	10.9	0.6%	0.07	0.06	18.8	1.2%	0.11	0.10
Loss on convertible debt conversions (2)	5.2	0.3%	0.03	0.03	-	-	-	-
Interest and other (2)	6.9	0.4%	0.04	0.04	7.1	0.5%	0.04	0.04
Inventory step-up	-	-	-	-	0.2	0.0%	0.00	0.00
Pension mark-to-market adjustment (2)	(0.6)	0.0%	(0.00)	(0.00)	(0.1)	0.0%	(0.00)	(0.00)
Exclude discrete tax adjustments	(16.3)	-0.9%	(0.10)	(0.09)	(8.7)	-0.6%	(0.05)	(0.05)
Non-GAAP tax adjustments	(1.9)	-0.1%	(0.01)	(0.01)	(10.1)	-0.7%	(0.06)	(0.06)
Convertible share adjustment (3)	-	-	-	0.16	-	-	-	0.10
Net income - non-GAAP	$ 533.4	28.6%	$ 3.21	$ 3.02	$ 401.9	26.0%	$ 2.42	$ 2.34

	July 4, 2021	June 28, 2020
GAAP and non-GAAP weighted average common shares - basic	166.2	166.2
GAAP weighted average common shares - diluted	187.2	180.5
Exclude dilutive shares from convertible note	(9.9)	(7.5)
Non-GAAP weighted average common shares - diluted	177.3	173.0

7

Appendix | GAAP to Non-GAAP Reconciliation

(1) Restructuring and other consists of:

	Six Months Ended	
	July 4, 2021	June 28, 2020
Contingent consideration fair value adjustment	$ (7.2)	$ 19.2
Employee severance	0.6	0.8
Acquisition related expenses and compensation	-	4.5
Contract termination settlement fee	-	4.0
Other	1.9	1.1
	$ (4.6)	$ 29.6

(2) For the six months ended July 4, 2021 and June 28, 2020, Interest and other included non-cash convertible debt interest expense. For the six months ended July 4, 2021, adjustment to exclude loss on convertible debt conversions. For the six months ended July 4, 2021 and June 28, 2020, adjustments to exclude actuarial (gain) loss recognized under GAAP in accordance with Teradyne's mark-to-market pension accounting.

(3) For the six months ended July 4, 2021 and June 28, 2020, the non-GAAP diluted EPS calculation adds back $2.1 million and $2.6 million, respectively of convertible debt interest expense to non-GAAP net income and non-GAAP weighted average diluted common shares include 9.8 million and 5.7 million shares, respectively related to the convertible debt hedge transaction.

8

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Appendix | GAAP to Non-GAAP Reconciliation

Six Months Ended

	June 28, 2020	% of Net Revenues	June 30, 2019	% of Net Revenues
Net Revenues	$ 1,543.0		$ 1,058.3	
Gross profit GAAP	$ 877.0	56.8%	$ 611.6	57.8%
Inventory step-up	0.2	0.0%	0.4	0.0%
Gross profit non-GAAP	$ 877.2	56.9%	$ 612.0	57.8%
Income from operations - GAAP	$ 424.7	27.5%	$ 227.1	21.5%
Acquired intangible assets amortization	18.8	1.2%	20.7	2.0%
Restructuring and other (1)	29.6	1.9%	(5.3)	-0.5%
Inventory step-up	0.2	0.0%	0.4	0.0%
Income from operations - non-GAAP	$ 473.3	30.7%	$ 242.9	23.0%

	June 28, 2020	% of Net Revenues	Net Income per Common Share Basic	Net Income per Common Share Diluted	June 30, 2019	% of Net Revenues	Net Income per Common Share Basic	Net Income per Common Share Diluted
Net income - GAAP	$ 365.1	23.7%	$ 2.20	$ 2.02	$ 206.5	19.5%	$ 1.20	$ 1.16
Acquired intangible assets amortization	18.8	1.2%	0.11	0.10	20.7	2.0%	0.12	0.12
Interest and other (2)	7.1	0.5%	0.04	0.04	6.8	0.6%	0.04	0.04
Restructuring and other (1)	29.6	1.9%	0.18	0.16	(5.3)	-0.5%	(0.03)	(0.03)
Inventory step-up	0.2	0.0%	0.00	0.00	0.4	0.0%	0.00	0.00
Pension mark-to-market adjustment (2)	(0.1)	0.0%	(0.00)	(0.00)	0.4	0.0%	0.00	0.00
Exclude discrete tax adjustments (3)	(8.7)	-0.6%	(0.05)	(0.05)	(16.2)	-1.5%	(0.09)	(0.09)
Non-GAAP tax adjustments	(10.1)	-0.7%	(0.06)	(0.06)	(5.5)	-0.5%	(0.03)	(0.03)
Convertible share adjustment	-	-	-	0.10	-	-	-	0.02
Net income - non-GAAP	$ 401.9	26.0%	$ 2.42	$ 2.34	$ 207.8	19.6%	$ 1.21	$ 1.20

	June 28, 2020	June 30, 2019
GAAP and non-GAAP weighted average common shares - basic	166.2	172.4
GAAP weighted average common shares - diluted	180.5	177.8
Exclude dilutive shares from convertible note	(7.5)	(4.2)
Non-GAAP weighted average common shares - diluted	173.0	173.6

9

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Appendix | GAAP to Non-GAAP Reconciliation

	Q2'20		Q1'21		Q2'21		Q3'21 Low Guidance		Q3'21 High Guidance	
	$'s	% of sales	$'s	% of sales	$'s	% of sales	$'s	% of sales	$'s	% of sales
GAAP Operating Expenses	$254	30%	$229	29%	$258	24%	$261	30%	$265	28%
Intangible Asset Amortization	-$9	-1%	-$6	-1%	-$5	0%	-$8	-1%	-$8	-1%
Restructuring and Other	-$37	-4%	$7	1%	-$3	0%				
Equity Modification Charge				0%						
Non GAAP Operating Expenses	$207	25%	$230	29%	$250	23%	$253	29%	$257	27%

	Q2'20		Q1'21		Q2'21	
	$'s	%	$'s	%	$'s	%
GAAP Income Tax	$28	13%	$18	8%	$56	14%
Exclude discrete tax adjustments	$1	1%	$15	6%	$1	0%
Tax effect of non-GAAP adjustments	$8	4%	$0	0%	$2	0%
Effect of Higher Non-GAAP PBT		-3%		0%		0%
Non GAAP Income Tax	$38	14%	$34	15%	$58	15%

Q2'21:

GAAP net interest and other income	-$4.8
Exclude non cash convertible debt interest	$3.3
Loss on convertible debt conversions	$1.2
Pension to mark-to-market adjustment	-$0.6
Non-GAAP net interest and other income	-$0.9

Q3'21 Guidance

GAAP net interest and other income	-$4.0
Exclude non cash convertible debt interest	$3.1
Non-GAAP net interest and other income	-$0.9

Q3'21 Guidance:	Low End	High End
GAAP Operating Profit as % of Sales	29%	32%
Acquired intangible asset amortization	1%	1%
Non-GAAP Operating Profit as % of Sales	30%	33%

Q3'21 GAAP Guidance Diluted Shares	187
Exclude dilutive shares from convertible note	-11
Q3'21 Non-GAAP Guidance Diluted Shares	176

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 Third Quarter 2021 guidance:

GAAP and non-GAAP third quarter revenue guidance:	$880 million	to	$960 million
GAAP net income per diluted share	$ 1.17		$ 1.41
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	0.08		0.09
Non-GAAP net income per diluted share	$ 1.29		$ 1.55

10

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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	1H'21	Q2'20	Q1'21	Q2'21
GAAP Cash Flow from Operations, Excl Disc Ops	$ 413	$ 455	$ 626	$ 477	$ 579	$ 869	$ 244	$ 223	$ 38	$ 206
Less Property, Plant, and Equipment Additions net of Gov't Subsidy	$ (90)	$ (85)	$ (105)	$ (107)	$ (135)	$ (185)	$ (74)	$ (47)	$ (39)	$ (35)
Non-GAAP Operating Cash Flow ("Free Cash Flow")	$ 323	$ 370	$ 521	$ 370	$ 444	$ 684	$ 170	$ 176	$ (1)	$ 172

11

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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

13

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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 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

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