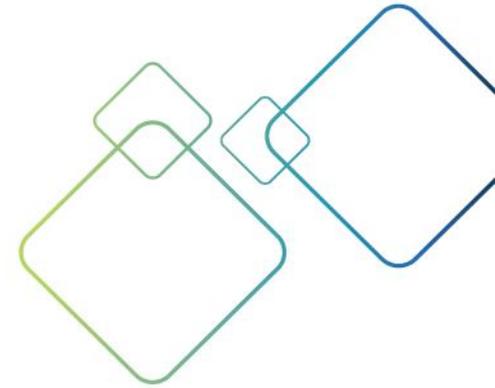


**TERADYNE**



## Financial Results for Q1 2018

April 25, 2018





# SAFE HARBOR

This presentation contains forward-looking statements regarding Teradyne's future business prospects, 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, use of proceeds and potential dilution from the senior convertible notes offering, potential borrowings under a senior secured credit facility, and the impact of the U.S. tax reform law. Such statements are based on the current assumptions and expectations of Teradyne's management and are neither promises nor guarantees of future performance, events, earnings per share, use of cash, payment of dividends, repurchases of common stock, payment of the senior convertible notes, availability of, or borrowing under, the credit facility, or the impact of the U.S. tax reform law. 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, use of cash, dividend payments, repurchases of common stock, payment of the senior convertible notes, 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 from one of more significant customers; development, delivery and acceptance of new products; the ability to grow the Industrial Automation business; increased research and development spending; deterioration of Teradyne's financial condition; the consummation and success of any mergers or acquisitions; unexpected cash needs; insufficient cash flow to make required payments and pay the principal amount on the senior convertible notes; the business judgment of the board of directors that a declaration of a dividend, the repurchase of common stock or borrowing under the credit facility is not in the Company's best interest; additional U.S. tax regulations or IRS guidance; the impact of any tariffs imposed in the U.S. or China; 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, 2017. 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



# Q1'18 Summary

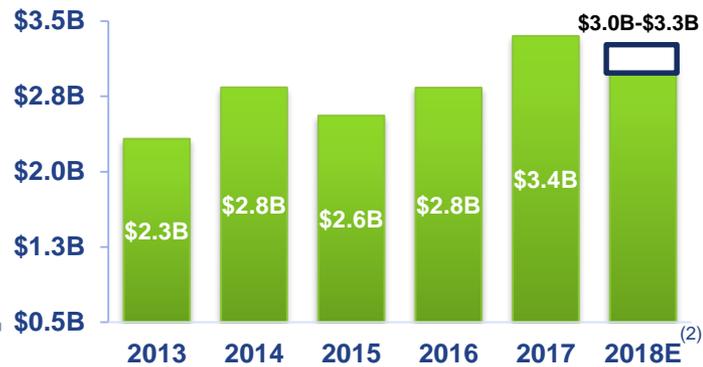
7% Sales Growth and 2% Non-GAAP Earnings Growth vs Q1'17



Sales



Non-GAAP EPS<sup>(1)</sup>



ATE Test Market

- Strong Memory and Analog demand
- Universal Robots Q1'18 sales up 34% from Q1'17

- 55% non-GAAP gross margin in Q1'18
- 22% non-GAAP operating margin in Q1'18

- Expect 2018 SOC Test market to be \$2.2B-\$2.4B vs \$2.7B in 2017
- Expect 2018 Memory Test market to be \$800M-\$900M vs \$650M in 2017

(1) See appendix for GAAP to Non-GAAP reconciliation

(2) 2018E ATE market size range of \$3.0B-\$3.3B with a mid-point of \$3.15B; market data from SEMI WWSEMS report and internal estimates



# MiR – At a Glance



**MiR200**  
(200 kg payload)



**MiR Charge**  
(charging station for autonomous charging)



**MiR100**  
(100 kg payload)

## Low-Cost, Easy to Use Collaborative Autonomous Mobile Robots (AMR)

### Leader in Collaborative AMRs

- Next generation of mobile robots enabled by intelligent collaborative technologies
- Easy to deploy in existing facilities, no infrastructure modifications required, simple-to-train
- Fast customer ROI
- MiR management software controls local fleets

### Growing Applications

- Automates in-house industrial transportation
- Verticals deployed: automotive supply chain, electronics manufacturers, consumer products, light industrial

### Diversified Client Base



### High Growth

- Revenue has grown from ~\$4M in 2016 to ~\$12M in 2017<sup>(1)</sup>
- Profitable, despite substantial investments for growth
- 132 distributors worldwide

1) Danish GAAP translated at period exchange rate

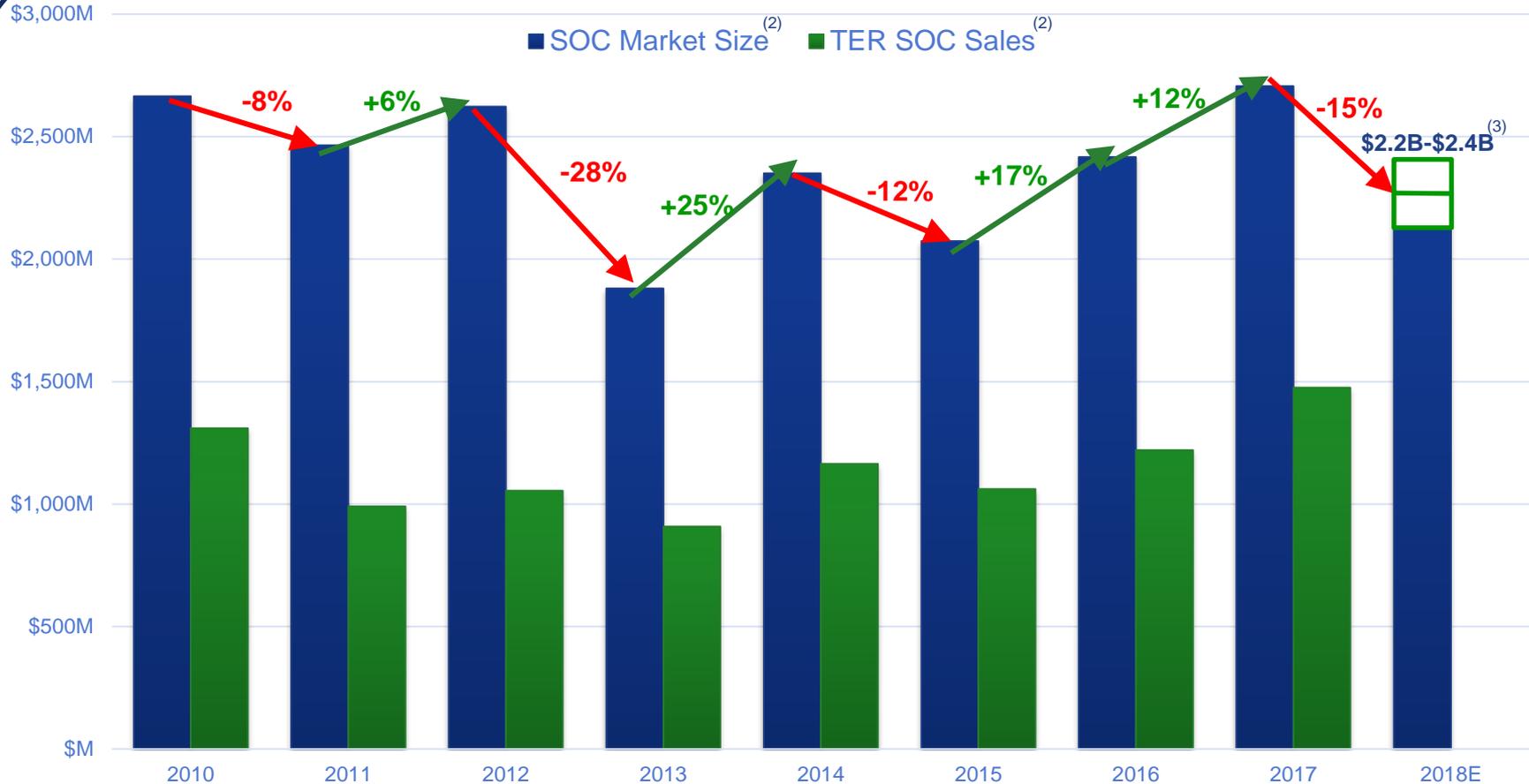


# First Quarter 2018 Financial Results, Acquisition Details and Second Quarter Guidance

**Greg Beecher, Teradyne Vice President and Chief Financial Officer**

# Teradyne Model Optimized for SOC Market Volatility

Average TER Non-GAAP PBIT from 2010-2017 is 22%<sup>(1)</sup>



1) See [teradyne.com/investors](http://teradyne.com/investors) for historical GAAP to non-GAAP reconciliations

2) SOC data includes product and service; market data from SEMI WWSEMS report and internal estimates

7 3) 2018E market size of \$2.3B is at the midpoint of \$2.2B - \$2.4B range

# 2021 Non-GAAP Updated Earnings Model<sup>(1)</sup>

	2017	2021E	
<b>ATE Market Size (\$M's)</b>	\$3,350	\$3,300	\$3,500
<b>TER ATE Share</b>	50%	54%	56%
<b>Industrial Automation (IA) Growth Rate<sup>(2)</sup></b>	72%	50%	55%

ATE Market Size		2021 ATE Market CAGR <sup>(3)</sup> Off:	
'14-'15 Avg ~\$2.7B	'16-'17 Avg ~\$3.1B	'14-'15 Avg 3% - 4%	'16-'17 Avg 2% - 3%
2013 ATE Share 44%	2017 ATE Share 50%		

UR Annual YoY Sales Growth			MiR Annual YoY Sales Growth <sup>(4)</sup>	
2015	2016	2017	2016	2017
58%	62%	72%	390%	200%

	2017	2021E	
<b>TER Revenue (\$M's)</b>	\$2,137	\$3,000	3,350
<b>Gross Margin %</b>	57%	56%	57%
<b>OPEX %</b>	31%	31%	30%
<b>Operating Profit %</b>	26%	25%	27%
<b>Non-GAAP EPS</b>	\$2.34	\$3.50	\$4.00

**2021E Revenue Breakdown**

Category	Percentage
SemiTest	59%
IA	30%
Other Test	11%

Addition of MiR and Energid helps accelerate mid-term EPS target

(1) See attached appendix for GAAP to non-GAAP reconciliations  
 (2) 2017 growth of 72% off 2016; CAGR through 2021E of 50% to 55% off 2017 UR base of \$170M  
 (3) CAGR calculated off ending year, e.g. 2021 CAGR of 3% to 4% from '14-'15 avg uses 2016 as year 1  
 (4) Danish GAAP translated to USD at period exchange rates



# MiR Acquisition Details

## Transaction

- Teradyne purchased MiR on April 25, 2018

## Purchase Price<sup>(1)</sup>

- Teradyne paid €121M (~\$148M) net of MiR cash at closing
- In addition, Teradyne will deliver up to €101M (~\$124M) of additional consideration if certain performance targets are achieved through 2020

## Management

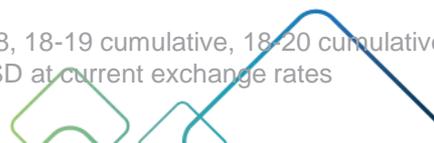
- MiR management team will continue to run the business as a unit of Teradyne's Industrial Automation operating segment

## Earn-Out<sup>(2)</sup>

	2018	'18-19 Cum.	'18-20 Cum.	Total
Maximum Earn-Out Payments	\$33M	\$43M	\$48M	\$124M
Minimum Annual Sales CAGR from 2017 Above Which Earn-Out Starts	106%	88%	80%	
Annual Sales CAGR from 2017 Needed to Earn Full Earn-Out	158%	133%	108%	

1) Payments in Euros converted to USD at current exchange rates

2) Three separate earn-outs based on sales targets with minimum profitability floors (2018, 18-19 cumulative, 18-20 cumulative). Measured in DKK revenue according to Danish GAAP, payable in Euros, converted to USD at current exchange rates



# MiR and UR – Similarities

## Technology

- Intuitive software training model
- Intelligent advanced sensor system
- Safe working closely with people
- Flexible, easily re-trained for new tasks

MiR

UR

✓  
✓  
✓  
✓

✓  
✓  
✓  
✓

## Market Strategy

- Global industrial distributor network
- Low barriers to deployment
- User trained without “expert” support
- Network of value added peripheral suppliers
- Leader in next generation Industrial Automation

✓  
✓  
✓  
✓  
✓

✓  
✓  
✓  
✓  
✓

## Financial Profile

- Profitable
- Rapidly growing, >50% per year
- Attractive gross margins
- Fast ROI
- Low ASPs

✓  
✓  
✓  
✓  
✓

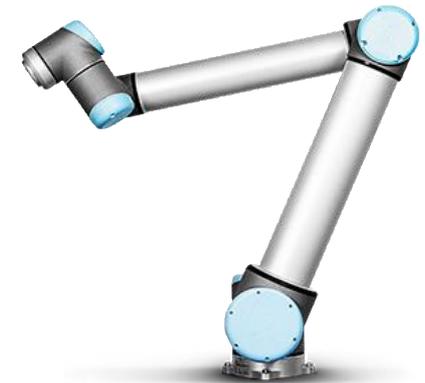
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# About Energid

Energid Technologies develops advanced real-time motion control software for robotics.

- Robot control and tasking framework, Actin®, originally developed for NASA; now used in industrial, commercial, medical, collaborative, consumer, and space-based robotic systems
- Actin licensed as a cross-platform software toolkit
- Enabling technology for advanced motion control and collision avoidance
- UR+ Partner
- Founded in 2001, based in Massachusetts



# Q1'18 Non-GAAP Results

\$s in millions, except EPS		Q1'17 Actual <sup>(1)</sup>		Q4'17 Actual <sup>(1)</sup>		Q1'18 Actual <sup>(1)</sup>
Sales		\$457M		\$479M		\$487M
Gross Margin	58.0%	\$265M	56.5%	\$271M	55.3%	\$270M
R&D	16.6%	\$76M	15.0%	\$72M	15.3%	\$74M
SG&A	18.6%	\$85M	18.3%	\$88M	18.5%	\$91M
OPEX	<u>35.2%</u>	<u>\$161M</u>	<u>33.3%</u>	<u>\$160M</u>	<u>33.8%</u>	<u>\$165M</u>
Operating Profit	22.8%	\$104M	23.2%	\$111M	21.5%	\$105M
Income Taxes (& effective tax rate) <sup>(2)</sup>	16%	\$17M	20%	\$23M	16%	\$17M
EPS		\$0.44		\$0.46		\$0.45
Diluted Shares		202M		199M		197M

(1) See attached appendix for GAAP to non-GAAP reconciliations

(2) Income tax rate in Q4'17 is higher than the full year 2017 rate of 18% due to a cumulative catch up for the year recorded in Q4'17 to bring the full year rate to 18%



# Segment Summary and Outlook

	Semiconductor Test	Industrial Automation	System Test	Wireless Test
1 <sup>st</sup> Quarter Sales	\$373M	\$49M	\$43M	\$23M
Key Highlights	<ul style="list-style-type: none"><li>Record Memory Test quarterly shipments</li><li>Mobility outlook declined significantly</li><li>Analog and Memory demand strong</li></ul>	<ul style="list-style-type: none"><li>Q1'18 sales up 34% from Q1'17</li><li>&gt; 50% full year growth expected</li></ul>	<ul style="list-style-type: none"><li>Operated at model profit rate</li><li>Defense and Aerospace demand outlook improving</li></ul>	<ul style="list-style-type: none"><li>New 802.11ax WiFi rollout expected in 2019</li><li>5G cellular volume expected in 2020</li></ul>

# Q2'18 Non-GAAP Guidance

\$s in millions, except EPS	Q1'18 Actual <sup>(1)</sup>	Q2'18 Guidance <sup>(1)</sup>
Sales	\$487M	<b>\$490M - \$520M</b>
Gross Margin	55%	<b>57%</b>
OPEX	34%	<b>34% - 36%</b>
Operating Profit	22%	<b>21% - 23%</b>
Net Interest & Other Income	\$1M	<b>\$2M</b>
Effective Tax Rate	16%	<b>16%</b>
EPS	\$0.45	<b>\$0.45 - \$0.52</b>
Diluted Shares	197M	<b>196M</b>

(1) See attached appendix for GAAP to non-GAAP reconciliations.

# April 2018 Update

- Significant decline in Mobility Test demand expected to reduce 2018 SOC Test market size 15% at \$2.3B midpoint of latest estimate vs 2017.
- Memory Test strength continues on increasing NAND device speed and complexity growth. Expect 2018 market size will grow 31% at \$850M midpoint of latest estimate vs 2017.
- Expect Universal Robots' 50%+ full year growth to continue in 2018.
- MiR adds the market leader in the fast growing Autonomous Mobile Robot market for industrial applications.
- Energid expands Teradyne's software capabilities for a broad range of advanced motion control applications across the automation landscape.
- Repurchased \$134 million worth of shares and paid \$18 million in quarterly dividends in Q1.

# Supplemental Information



# Teradyne OPEX History and Outlook

Annual Non-GAAP OPEX <sup>(1)</sup>				
	2015	2016	2017	2018LE
Industrial Automation <sup>(2)</sup>	\$14M	\$43M	\$62M	~\$125M
Test	\$514M	\$513M	\$510M	➡ ~Flat
Variable Comp	<u>\$61M</u>	<u>\$53M</u>	<u>\$86M</u>	➡
Total OPEX	\$589M	\$609M	\$658M	⬆

Test OPEX ~flat excluding changes in variable compensation tied to profitability levels

(1) See attached appendix for GAAP to non-GAAP reconciliations.

(2) Commencing from date of acquisitions. UR June 12th, 2015 onwards, Energid February 26<sup>th</sup>, 2018 onwards, MiR April 25<sup>th</sup>, 2018 onwards

# Cash & Balance Sheet

	Q1'17 Actual	Q4'17 Actual	Q1'18 Actual
Cash and Marketable Securities	\$1,482M	\$1,904M	<b>\$1,588M</b>
Inventory	\$203M	\$108M	<b>\$132M</b>
DSO	63 days	52 Days	<b>77 Days</b>
Capital Additions	\$22M	\$32M	<b>\$35M</b>
Depreciation and Amortization <sup>(1)</sup>	\$36M	\$35M	<b>\$35M</b>
Free Cash Flow <sup>(2)</sup>	(\$83M)	\$115M	<b>(\$117M)</b>

(1) Includes depreciation, stock based compensation, amortization of acquired intangible assets and amortization of the non-cash convertible debt discount

(2) Teradyne calculates free cash flow as: GAAP Cash flow from operations, excluding discontinued operations, less property, plant and equipment 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 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](http://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)

	April 1, 2018		Quarter Ended				April 2, 2017 (1)	
	\$	% of Net Revenues	December 31, 2017 (1)	% of Net Revenues	\$	% of Net Revenues	\$	% of Net Revenues
Net revenues	\$ 487.5		\$ 479.4		\$ 456.9			
Gross profit	\$ 269.8	55.3%	\$ 270.9	56.5%	\$ 265.0	58.0%		
Income from operations - GAAP	\$ 97.5	20.0%	\$ 94.6	19.7%	\$ 93.8	20.5%		
Acquired intangible assets amortization	7.7	1.6%	7.4	1.5%	8.0	1.8%		
Restructuring and other (2)	(0.3)	-0.1%	9.0	1.9%	2.5	0.5%		
Income from operations - non-GAAP	\$ 104.9	21.5%	\$ 111.0	23.2%	\$ 104.3	22.8%		

	April 1, 2018	% of Net Revenues	Net Income per Common Share		December 31, 2017	% of Net Revenues	Net Income (Loss) per Common Share		April 2, 2017	% of Net Revenues	Net Income per Common Share	
			Basic	Diluted			Basic	Diluted			Basic	Diluted
Net income (loss) - GAAP	\$ 87.0	17.8%	\$ 0.45	\$ 0.43	\$ (105.9)	-22.1%	\$ (0.54)	\$ (0.54)	\$ 85.2	18.6%	\$ 0.43	\$ 0.42
Acquired intangible assets amortization	7.7	1.6%	0.04	0.04	7.4	1.5%	0.04	0.04	8.0	1.8%	0.04	0.04
Interest and other (3)	3.2	0.7%	0.02	0.02	(0.6)	-0.1%	(0.00)	(0.00)	3.1	0.7%	0.02	0.02
Restructuring and other (2)	(0.3)	-0.1%	-	-	9.0	1.9%	0.05	0.05	2.5	0.5%	0.01	0.01
Exclude discrete tax adjustments (4)	(6.3)	-1.3%	(0.03)	(0.03)	184.4	38.5%	0.94	0.93	(7.0)	-1.5%	(0.04)	(0.03)
Non-GAAP tax adjustments	(1.9)	-0.4%	(0.01)	(0.01)	(2.9)	-0.6%	(0.01)	(0.01)	(3.1)	-0.7%	(0.02)	(0.02)
Convertible share adjustment	-	-	-	0.01	-	-	-	-	-	-	-	-
Net income - non-GAAP	\$ 89.4	18.3%	\$ 0.46	\$ 0.45	\$ 91.4	19.1%	\$ 0.47	\$ 0.46	\$ 88.7	19.4%	\$ 0.44	\$ 0.44

	April 1, 2018	December 31, 2017	April 2, 2017
GAAP and non-GAAP weighted average common shares - basic	195.3	196.0	200.0
GAAP weighted average common shares - diluted	203.5	196.0	201.9
Exclude dilutive shares related to convertible note transaction	(6.2)	-	-
Include dilutive shares	-	3.0	-
Non-GAAP weighted average common shares - diluted	197.3	199.0	201.9

# Appendix | GAAP to Non-GAAP Reconciliation

(1) Certain prior period amounts were reclassified to conform with the first quarter 2018 adoption of new accounting guidance for the presentation of pension and post retirement costs.

(2) Restructuring and other consists of:

	Quarter Ended		
	April 1, 2018	December 31, 2017	April 2, 2017
Employee severance	\$ 3.9	\$ 1.8	\$ 0.6
Acquisition costs	0.8	-	-
Contingent consideration fair value adjustment	(5.0)	6.0	0.6
Impairment of fixed assets	-	1.1	-
Facility related	-	0.1	1.3
	<u>\$ (0.3)</u>	<u>\$ 9.0</u>	<u>\$ 2.5</u>

(3) For the quarters ended April 1, 2018, December 31, 2017 and April 2, 2017, adjustment to exclude non-cash convertible debt interest expense. For the quarter ended December 31, 2017, adjustment to exclude actuarial (gains) losses recognized under GAAP in accordance with Teradyne's mark-to-market pension accounting.

(4) For the quarters ended April 1, 2018, December 31, 2017 and April 2, 2017, adjustment to exclude discrete income tax items. For the quarter ended December 31, 2017, adjustment to treat \$186 million expense related to the estimated impact of U.S. tax law changes as a discrete item.

# Appendix | GAAP to Non-GAAP Reconciliation

	Twelve Months Ended			
	December 31, 2017		December 31, 2016	
	\$	% of Net Revenues	\$	% of Net Revenues
Net Revenues	2,136.6		1,753.3	
Gross profit - GAAP	1,223.9	57.3%	959.6	54.7%
Pension mark-to-market adjustment (1)	(2.8)	-0.1%	(1.0)	-0.1%
Gross profit - non-GAAP	1,221.1	57.2%	958.6	54.7%
Income (loss) from operations - GAAP	530.0	24.8%	(60.0)	-3.4%
Acquired intangible assets amortization	30.5	1.4%	52.6	3.0%
Restructuring and other (2)	9.4	0.4%	21.9	1.2%
Pension mark-to-market adjustment (1)	(6.3)	-0.3%	(3.2)	-0.2%
Goodwill impairment (3)	-	-	254.9	14.5%
Acquired intangible assets impairment (3)	-	-	83.3	4.8%
Income from operations - non-GAAP	563.6	26.4%	349.5	19.9%

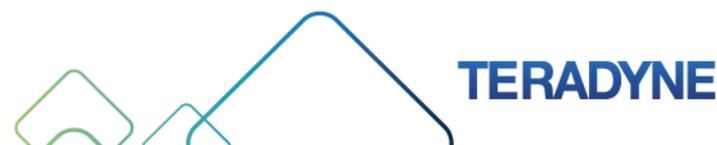
  

	Net Income per Common Share				Net (Loss) Income per Common Share			
	December 31, 2017		December 31, 2016		December 31, 2017		December 31, 2016	
	\$	% of Net Revenues	Basic	Diluted	\$	% of Net Revenues	Basic	Diluted
Net income (loss) - GAAP	257.7	12.1%	\$ 1.30	\$ 1.28	(43.4)	-2.5%	\$ (0.21)	\$ (0.21)
Acquired intangible assets amortization	30.5	1.4%	0.15	0.15	52.6	3.0%	0.26	0.26
Interest and other (4)	12.4	0.6%	0.06	0.06	0.6	0.0%	0.00	0.00
Restructuring and other (2)	9.4	0.4%	0.05	0.05	21.9	1.2%	0.11	0.11
Pension mark-to-market adjustment (1)	(6.3)	-0.3%	(0.03)	(0.03)	(3.2)	-0.2%	(0.02)	(0.02)
Goodwill impairment (3)	-	-	-	-	254.9	14.5%	1.26	1.25
Acquired intangible assets impairment (3)	-	-	-	-	83.3	4.8%	0.41	0.41
Exclude discrete tax adjustments (5)	178.3	8.3%	0.90	0.89	(4.5)	-0.3%	(0.02)	(0.02)
Non-GAAP tax adjustments (6)	(12.8)	-0.6%	(0.06)	(0.06)	(53.3)	-3.0%	(0.26)	(0.26)
Net income - non-GAAP	469.2	22.0%	\$ 2.37	\$ 2.34	308.9	17.6%	\$ 1.52	\$ 1.51

	December 31, 2017	December 31, 2016
GAAP and non-GAAP weighted average common shares - basic	198.1	202.6
GAAP weighted average common shares - diluted	201.6	202.6
Exclude dilutive shares from convertible note	(1.3)	-
Include dilutive shares	-	1.8
Non-GAAP weighted average common shares - diluted	200.3	204.4

	2017	
	\$'s	% of sales
GAAP Operating Expenses	\$694	32%
Intangible Asset Amortization	-\$31	-1%
Restructuring and Other	-\$9	0%
Non GAAP Operating Expenses	\$658	31%



# Appendix | GAAP to Non-GAAP Reconciliation

## GAAP to Non-GAAP Reconciliation of Second Quarter 2018 guidance:

GAAP and non-GAAP second quarter revenue guidance:	\$490 million	to	\$520 million
GAAP net income per diluted share	\$ 0.39		\$ 0.46
Exclude acquired intangible assets amortization	0.04		0.04
Exclude non-cash convertible debt interest	0.02		0.02
Exclude restructuring and other	0.01		0.01
Tax effect of non-GAAP adjustments	(0.01)		(0.01)
Convertible share adjustment	0.01		0.01
Non-GAAP net income per diluted share	\$ 0.45		\$ 0.52

	in M's
Q2'18 GAAP Guidance Shares	201
Exclude dilutive shares related to convertible note transaction	<u>-5</u>
Q2'18 Non-GAAP Guidance Shares	196

# Appendix | GAAP to Non-GAAP Reconciliation

	Q1'17		Q4'17		Q1'18		Q2'18 Low Guidance	Q2'18 High Guidance
	\$'s	% of sales	\$'s	% of sales	\$'s	% of sales	% of sales	% of sales
GAAP Operating Expenses	\$171	37%	\$176	37%	\$172	35%	38%	36%
Intangible Asset Amortization	-\$8	-2%	-\$7	-2%	-\$8	-2%	-2%	-1%
Restructuring and Other	-\$3	-1%	-\$9	-2%	\$0	0%	0%	0%
Non GAAP Operating Expenses	\$161	35%	\$160	33%	\$165	34%	36%	34%

	Q1'17		Q4'17		Q1'18	
	\$'s	%	\$'s	%	\$'s	%
GAAP Income Tax	\$7	7%	\$204	208%	\$9	9%
Exclude discrete tax adjustments	\$7	7%	-\$185	-188%	\$6	7%
Tax effect of non-GAAP adjustments	\$3	3%	\$3	3%	\$2	2%
Effect of Higher Non-GAAP PBT		-2%		-3%		-2%
Non GAAP Income Tax	\$17	16%	\$23	20%	\$17	16%

## Q1'18:

GAAP net interest and other income	-\$1.7
Exclude non cash convertible debt interest	\$3.2
Non-GAAP net interest and other income	\$1.5

## Q2'18 Guidance

GAAP net interest and other income	-\$1.7
Exclude non cash convertible debt interest	\$3.2
Non-GAAP net interest and other income	\$1.5

## Second Quarter Guidance:

	Low End	High End
GAAP Operating Profit as % of Sales	19%	21%
Acquired intangible asset amortization	2%	2%
Restructuring and Other	0%	0%
Non-GAAP Operating Profit as % of Sales	21%	23%

# 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>Q1'17</u>	<u>Q4'17</u>	<u>Q1'18</u>
GAAP Cash Flow From Operations, Excl Disc Ops	-\$61	\$147	-\$82
Less Property, Plant and Equipment Additions	-\$22	-\$32	-\$35
Non-GAAP Operating Cash Flow ("Free Cash Flow")	-\$83	\$115	-\$117

# Appendix | GAAP to Non-GAAP Reconciliation

	<u>2017</u>	<u>2016</u>	<u>2015</u>
GAAP Operating Expenses	694	1,020	673
Less Goodwill Impairment Charge	-	(255)	-
Less Intangible Asset Impairment	-	(83)	-
Less Intangible Asset Amortization	(31)	(53)	(69)
Less Restructuring and Other	(9)	(22)	(5)
Pension Mark to Market Adjustment	4	2	(10)
Less Equity Modification Charge	-	-	-
Non GAAP Operating Expenses	<u>658</u>	<u>609</u>	<u>589</u>

	<u>2017</u>	<u>2016</u>	<u>2015</u>
IA GAAP Operating Expenses	93	84	28
Less Intangible Asset Amortization	(24)	(25)	(14)
Less Restructuring and Other	<u>(7)</u>	<u>(16)</u>	<u>-</u>
IA non GAAP Operating Expenses	62	43	14

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Test GAAP Operating Expenses (1)	601	936	645
Less Goodwill Impairment Charge	-	(255)	-
Less Intangible Asset Impairment	-	(83)	-
Less Intangible Asset Amortization	(7)	(28)	(55)
Less Restructuring and Other	(2)	(6)	(5)
Pension Mark to Market Adjustment	4	2	(10)
Less Equity Modification Charge	<u>-</u>	<u>-</u>	<u>-</u>
Test Non GAAP Operating Expenses (1)	596	566	575

	<u>2018</u>
IA GAAP Operating Expense	154
Less Intangible Asset Amortization	(24)
Less Restructuring and Other	<u>(5)</u>
IA non GAAP Operating Expenses	125

(1) = Includes Variable Compensation of \$86M, \$53M and \$61M for 2017E, 2016 and 2015 respectively.

# Appendix | GAAP to Non-GAAP Reconciliation

## 2021 EPS Reconciliation

Net (loss) income - GAAP

Acquired intangible asset amortization

Non Cash Convertible Debt Interest

Net income - non-GAAP

	<b>Net Income per Common Share Diluted</b>		<b>Net Income per Common Share Diluted</b>
	\$	3.35	\$ 3.85
		0.06	0.06
		0.09	0.09
	\$	3.50	\$ 4.00