

TERADYNE

Financial Results for Q2 2022

July 27, 2022





SAFE HARBOR (page 1 of 2)

This release contains forward-looking statements regarding Teradyne's future business prospects, the impact of the global pandemic of the novel strain of the coronavirus (COVID-19), results of operations, market conditions, earnings per share, the impact of supply chain conditions on the business, customer sales expectations, the payment of a quarterly dividend, the repurchase of Teradyne common stock pursuant to a share repurchase program, sanctions against Russia and Russian companies, and the impact of U.S. and Chinese export and tariff laws. Such statements are based on the current assumptions and expectations of Teradyne's management and are neither promises nor guarantees of future performance, events, customer sales, supply chain conditions or improvements, earnings per share, use of cash, payment of dividends, repurchases of common stock, payment of the senior convertible notes, the impact of the COVID-19 pandemic, sanctions against Russia and Russian companies, the impact of any tariffs or export controls imposed in the U.S. or China; compliance with trade protection measures or export restrictions; the impact of U.S. Department of Commerce or other government agency regulations relating to Huawei, HiSilicon and other customers or potential customers; or the impact of U.S. Department Commerce export control regulations for certain U.S. products and technology sold to military end users or for military end-use in China, Russia and Venezuela. There can be no assurance that management's estimates of Teradyne's future results or other forward-looking statements will be achieved. Specifically, Teradyne's 2024 earnings model is aspirational and includes many assumptions. There can be no assurance that these assumptions will be accurate or that model results will be achieved. As set forth below, there are many factors that could cause our 2024 earnings model and actual results to differ materially from those presently expected. Additionally, the current dividend and share repurchase programs may be modified, suspended or discontinued at any time.

Following Russia's invasion of Ukraine in February 2022, the U.S. and other countries imposed significant sanctions against the Russian government and many Russian companies and individuals. Although Teradyne does not have significant operations in Russia, the sanctions could impact Teradyne's business in other countries and could have a negative impact on the Company's supply chain, either of which could adversely affect Teradyne's business and financial results.

COVID-19 has resulted in authorities implementing numerous measures to try to contain the virus, such as travel bans and restrictions, quarantines, government vaccination mandates and other government regulations. These measures have impacted and may further impact Teradyne's workforce and operations, the operations of its customers, and those of its contract manufacturers and suppliers. As Teradyne implements measures to comply with additional regulations, the Company may experience increased compliance costs, increased risk of non-compliance and increased risk of employee attrition.



SAFE HARBOR (page 2 of 2)

The COVID-19 pandemic has adversely impacted the Company's results of operations, including increased costs company-wide and constraints within the Company's supply chain. The Company cannot accurately estimate the amount of the impact on Teradyne's 2022 financial results and to its future financial results. The COVID-19 outbreak has significantly increased economic and demand uncertainty in Teradyne's markets. This uncertainty resulted in a significant decrease in demand for certain Teradyne products and could continue to impact demand for an uncertain period of time. The spread of COVID-19 has caused Teradyne to modify its business practices (including employee travel, employees working remotely, and cancellation of in person participation in meetings, events and conferences) and the Company may take further actions as may be required by government authorities or that it determines are in the best interests of its employees, customers, contract manufacturers and suppliers. There is uncertainty that such measures will be sufficient to mitigate the risks posed by the virus, and Teradyne's ability to perform critical functions could be impacted. The degree to which COVID-19 continues to impact Teradyne's results will depend on future developments, which are highly uncertain and cannot be predicted, including, but not limited to, the duration and continued spread of the virus, its severity, the actions to contain the virus or the availability and impact of vaccines in countries where the Company does business, and how quickly and to what extent normal economic and operating conditions can resume.

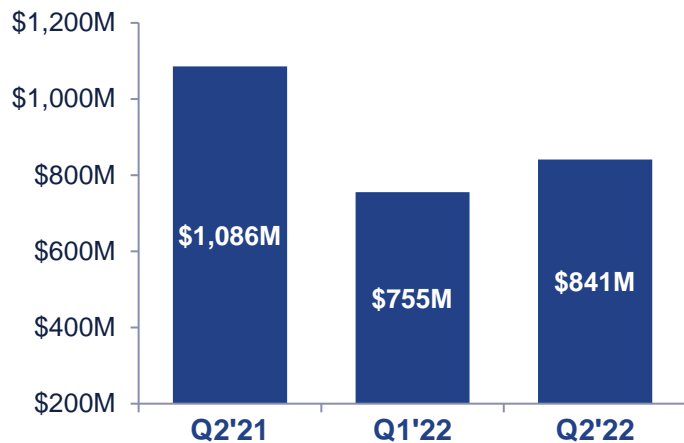
Important factors that could cause actual results, the 2024 earnings model, earnings per share, use of cash, dividend payments, repurchases of common stock, or payment of the senior convertible notes to differ materially from those presently expected include: conditions affecting the markets in which Teradyne operates; decreased or delayed product demand from one or 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 continued impact of the COVID-19 pandemic and related government responses on the market and demand for Teradyne's products, on its contract manufacturers and supply chain, and on its workforce; the impact of the global semiconductor supply shortage on our supply chain and contract manufacturers; the consummation and success of any mergers or acquisitions; demand for products by the Company's largest customers; 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 or the repurchase of common stock is not in the Company's best interests; additional U.S. tax regulations or IRS guidance; the impact of any tariffs or export controls imposed in the U.S. or China; compliance with trade protection measures or export restrictions; the impact of U.S. Department of Commerce or other government agency regulations relating to Huawei, HiSilicon and other customers or potential customers; the impact of U.S. Department Commerce export control regulations for certain U.S. products and technology sold to military end users or for military end-use in China, Russia and Venezuela; sanctions imposed against the Russian government and certain Russian companies and individuals by the U.S., and other countries; and other events, factors and risks disclosed in filings with the SEC, including, but not limited to, the "Risk Factors" sections of Teradyne's Annual Report on Form 10-K for the fiscal year ended December 31, 2021 and Quarterly Report on Form 10-Q for the fiscal quarter ended April, 3, 2022. The forward-looking statements provided by Teradyne in this press release represent management's views as of the date of this release. 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 release.

Business Update and Outlook

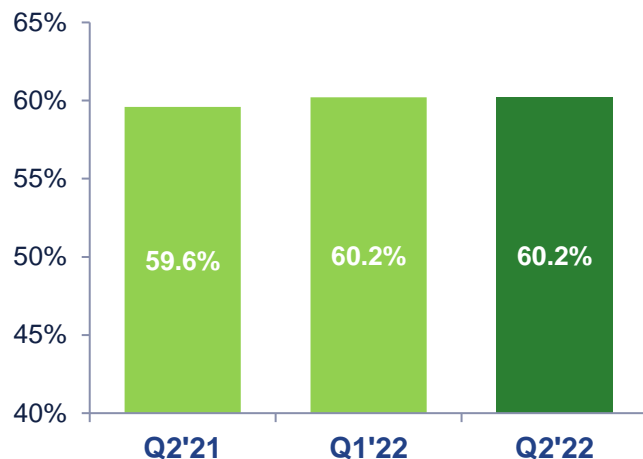
Mark Jagiela, Teradyne CEO
Greg Smith, Teradyne President

Q2'22 Summary

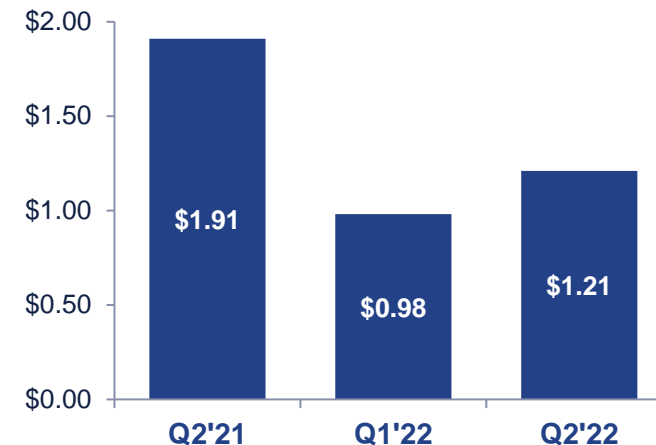
Sales of \$841M, Gross Margins of 60.2%, Non-GAAP EPS of \$1.21
Test Businesses up 13% Quarter over Quarter



Quarterly Revenue



Gross Margin %



Non-GAAP EPS⁽¹⁾

- Double digit System Test and Wireless Test Revenue growth offset by lower Semi-Test shipments vs Q2'21
- Industrial Automation sales grew 10% YoY

- Gross Margins improved 60 bps vs Q2'21
- Favorable product mix main driver of the improvement

- Non-GAAP EPS \$1.21
- Repurchased 3.2 million shares / \$331 million, \$103.34/sh average

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



July 2022 Update

- Q2 and 1H'22 results in line with prior guidance, 2H'22 outlook weakening
- Complex market environment
 - Auto/Industrial/Memory Semiconductor test demand remains high with supply constraints limiting shipments
 - Weakening 2H'22 demand in Mobility/Compute Semiconductor and Wireless test markets
 - Regional weakness in Industrial Automation demand, particularly China (Covid) and U.S. (Partner Staffing)
 - FX Headwinds reduced IA growth in 1H'22 with biggest impact in Europe
- IA revenue grew 19% in 1H'22
 - UR: North America strongest region with 26% growth in 1H'22 vs 1H'21;
 - UR OEM channel expanding, delivered 39% growth in 1H'22 vs 1H'21;
- SOC Test TAM in 2022 expected to be \$4.2B-4.6B on Mobility and Compute market weakness
- Memory TAM expected to remain at ~\$1B
- Long-term growth drivers remain in place
 - 3nm, GAA, advanced packaging, high speed interfaces, chip volume growth in Test
 - Labor availability & cost, production economics and quality in IA

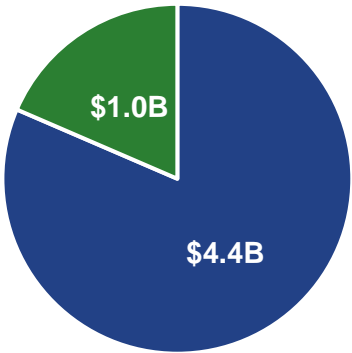
Semiconductor Test Market Growth Trends Are Favorable

Semiconductor Test

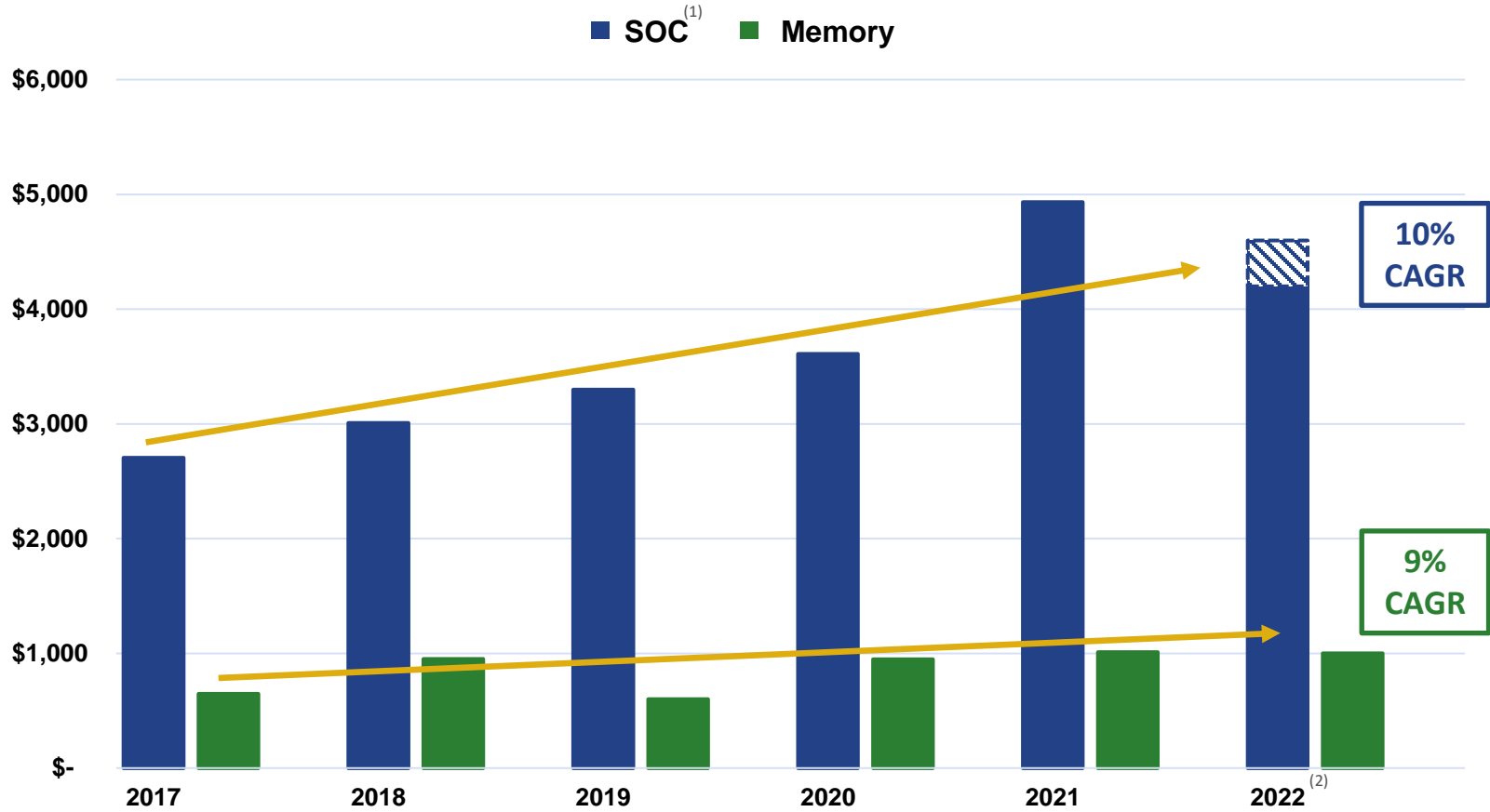
SOC market powered by unit growth, complexity, new technology adoption

Memory test driven by bit growth, diversity, higher bandwidth

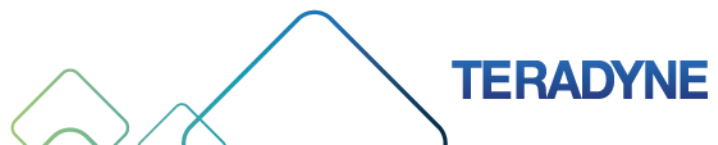
2022 Market Sizes ⁽²⁾



■ SOC ⁽¹⁾
■ Memory



1) SOC data includes product and service; market data from SEMI WWSEMS report and internal estimates
2) 2022 represents midpoint of guided range, CAGR's based on midpoint of 2022 range



Second Quarter 2022 Financial Results and Third Quarter 2022 Guidance

Sanjay Mehta, Teradyne Vice President and Chief Financial Officer



Q2'22 Non-GAAP Results

\$s in millions, except EPS	Q2'21 Actual ⁽¹⁾		Q1'22 Actual ⁽¹⁾		Q2'22 Actual ⁽¹⁾	
Sales		\$1,086M		\$755M		\$841M
Gross Margin	59.6%	\$647M	60.2%	\$455M	60.2%	\$506M
R&D	10.1%	\$110M	14.3%	\$108M	13.3%	\$112M
SG&A	<u>12.9%</u>	<u>\$140M</u>	<u>18.6%</u>	<u>\$140M</u>	<u>16.6%</u>	<u>\$140M</u>
OPEX	23.0%	\$250M	32.9%	\$248M	29.9%	\$251M
Operating Profit	36.5%	\$397M	27.4%	\$207M	30.3%	\$255M
Income Taxes (& effective tax rate)	14.8%	\$58M	16.0%	\$32M	16.9%	\$42M
EPS		\$1.91		\$0.98		\$1.21
Diluted Shares		177M		173M		169M

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

Q2'22 Segment Summary

Semiconductor Test

\$541M

Sales down 35% vs Q2'21

Automotive and Industrial demand remained strong in SOC test

FLASH & DRAM final test markets largest in memory test

Semi Product	\$426M
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Semi Service	\$115M
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System Test

\$135M

Sales up 29% vs Q2'21

Storage Test shipments up 49% vs Q2'21

Defense/Aerospace and Production Board Test shipments up 4%

Wireless Test

\$64M

Sales up 16% vs Q2'21

Continued strong Wi-Fi 6E/7 demand

UltraWide Band (UWB) shipments grew ~8%

Industrial Automation

\$101M

Sales up 10% vs Q2'21

UR sales up 8%, OEM channel continues to expand growing 39% in 1H'22

MiR sales up 9%

Total Company Service: \$143M

2nd Quarter Sales

2022 Q2 Key Highlights

Semi Test Sales Detail



Balance Sheet & Capital Return

	Q2'21 Actual	Q1'22 Actual	Q2'22 Actual
Cash and Marketable Securities	\$1,418M	\$1,203M	\$894M
Inventory	\$226M	\$259M	\$296M
DSO	73 Days	67 Days	74 Days
Capital Additions	\$35M	\$44M	\$46M
Depreciation and Amortization ⁽¹⁾	\$42M	\$41M	\$39M
Free Cash Flow ⁽²⁾	\$172M	(\$37M)	\$70M
Capital Return { Buybacks Dividends	\$151M	\$201M	\$331M
	\$17M	\$18M	\$18M

(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.

Q3'22 Non-GAAP Guidance

\$s in millions, except EPS	Q2'22 Actual ⁽¹⁾	Q3'22 Guidance ⁽¹⁾
Sales	\$841M	\$760M - \$840M
Gross Margin	60.2%	58% - 59%
OPEX	30%	34% - 31%
Operating Profit	30%	24% - 28%
Effective Tax Rate	16.9%	16.5%
EPS	\$1.21	\$0.90 - \$1.16
Diluted Shares	169M	166M

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



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- Complex market environment
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- IA revenue grew 19% in 1H'22
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- SOC Test TAM in 2022 expected to be \$4.2B-4.6B on Mobility and Compute market weakness
- Memory TAM expected to remain at ~\$1B
- Long-term growth drivers remain in place
 - 3nm, GAA, advanced packaging, high speed interfaces, chip volume growth in Test
 - Labor availability & cost, production economics and quality in IA
- Q3'22 Sales expected to be in the range of \$760-840M, GAAP EPS of \$0.86-1.12, Non-GAAP EPS of \$0.90-\$1.16
- Expect 2H'22 Sales to be ~48% of full year sales.

Supplemental Information

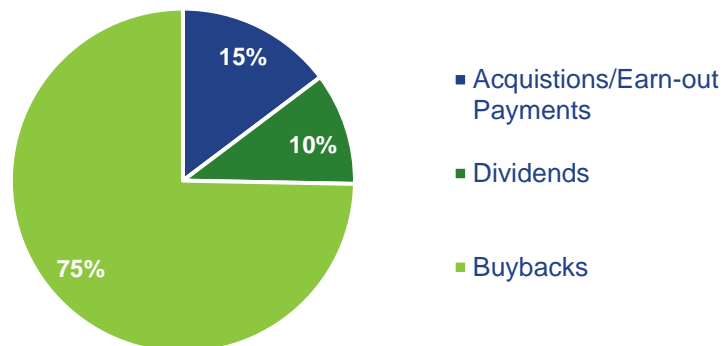


History of Balanced Capital Allocation

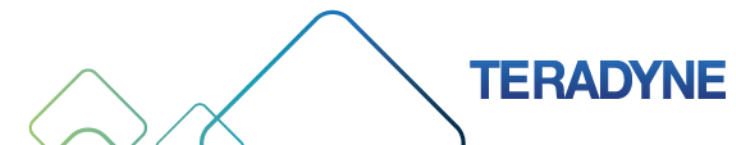
- Since 2015, 72.1M shares repurchased at an average price of ~\$44 per share

(\$M)	2015	2016	2017	2018	2019	2020	2021	1H'22	Cumulative
Buybacks	\$300M	\$146M	\$200M	\$823M	\$500M	\$88M	\$600M	\$533M	\$3,191M
Dividends	\$51M	\$49M	\$55M	\$67M	\$61M	\$66M	\$66M	\$35M	\$451M
Acquisitions	<u>\$283M</u>	<u>\$15M</u>	<u>\$1M</u>	<u>\$194M</u>	<u>\$115M</u>	<u>\$9M</u>	<u>\$12M</u>	<u>\$0M</u>	<u>\$629M</u>
Total	\$633M	\$210M	\$257M	\$1,085M	\$676M	\$163M	\$678M	\$568M	\$4,271M
Free Cash Flow ⁽¹⁾	\$323M	\$370M	\$521M	\$370M	\$444M	\$684M	\$966M	\$33M	\$3,712M

**Cumulative Capital Allocation
Breakdown 2015 - Q2'22**



(1) Teradyne calculates free cash flow as: GAAP Cash flow from operations, excluding discontinued operations, less property, plant and equipment additions net of gov't subsidies; see GAAP to non-GAAP reconciliations.

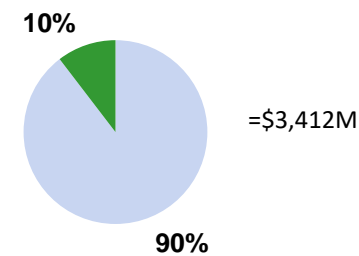


Teradyne Non-GAAP Earnings Model

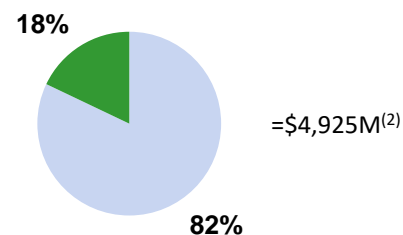
Financial Model

	'19/'20 Avg	'20/'21 Avg	2024E (Old Model)	2024E (New Model)	
TER Revenue (\$M)	\$2,708	\$3,412	\$3,500 — \$4,250	\$4,600 — \$5,250	+ 27% ⁽²⁾
Growth off '19/'20			7% — 12%	14% — 18%	
Gross Margin %	57%	58%	58% — 59%	59% — 60%	
OPEX %	30%	27%	29% — 28%	28% — 26%	
Operating Profit %	28%	32%	30% — 31%	31% — 34%	
Non-GAAP EPS	\$3.74	\$5.29	\$5.25 — \$6.75	\$7.00 — \$9.00	+ 33% ⁽²⁾

'20/'21 Sales Mix



2024 Sales Mix⁽¹⁾



Automated Test

Industrial Automation

2024E Model Assumptions

- Test revenues grow from 2020/2021 average revenues of \$3.1B at 7-11% CAGR
- Industrial Automation revenues grow from 2020/2021 average revenues of \$328M at 32-45% CAGR
- Tax rate assumes current laws

(1) 2024E sales mix is at mid-point of model range

(2) Growth at midpoint from old model to new model



Appendix | GAAP to Non-GAAP Reconciliation

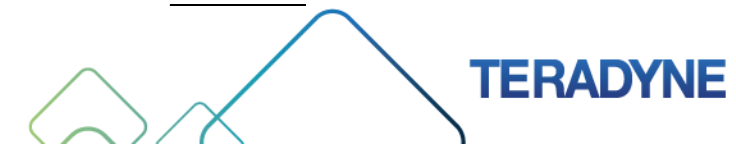
In addition to disclosing results that are determined in accordance with GAAP, Teradyne also discloses in this presentation and on the earnings call non-GAAP results of operations that exclude certain income items and charges. These results are provided as a complement to results provided in accordance 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											
	July 3, 2022		April 3, 2022				July 4, 2021		July 4, 2021			
		% of Net Revenues	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	
Net revenues	\$ 840.8				\$ 755.4				\$ 1,085.7			
Gross profit GAAP and non-GAAP	\$ 506.4	60.2%			\$ 454.9	60.2%			\$ 647.0	59.6%		
Income from operations - GAAP	\$ 248.0	29.5%			\$ 185.9	24.6%			\$ 388.9	35.8%		
Restructuring and other (1)	2.0	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%		
Income from operations - non-GAAP	\$ 254.9	30.3%			\$ 206.7	27.4%			\$ 396.8	36.5%		
Net income - GAAP	\$ 197.8	23.5%	\$ 1.24	\$ 1.16	\$ 161.9	21.4%	\$ 1.00	\$ 0.92	\$ 328.3	30.2%	\$ 1.98	\$ 1.76
Restructuring and other (1)	2.0	0.2%	0.01	0.01	15.7	2.1%	0.10	0.09	2.5	0.2%	0.02	0.01
Acquired intangible assets amortization	4.9	0.6%	0.03	0.03	5.1	0.7%	0.03	0.03	5.4	0.5%	0.03	0.03
Loss on convertible debt conversions (2)	-	-	-	-	-	-	-	-	1.2	0.1%	0.01	0.01
Interest and other (2)	-	-	-	-	-	-	-	-	3.3	0.3%	0.02	0.02
Pension mark-to-market adjustment (2)	-	-	-	-	-	-	-	-	(0.6)	-0.1%	(0.00)	(0.00)
Exclude discrete tax adjustments	1.6	0.2%	0.01	0.01	(10.4)	-1.4%	(0.06)	(0.06)	(1.1)	-0.1%	(0.01)	(0.01)
Non-GAAP tax adjustments	(2.3)	-0.3%	(0.01)	(0.01)	(3.3)	-0.4%	(0.02)	(0.02)	(1.5)	-0.1%	(0.01)	(0.01)
Convertible share adjustment (3)	-	-	-	0.01	-	-	-	0.01	-	-	-	0.10
Net income - non-GAAP	\$ 204.0	24.3%	\$ 1.28	\$ 1.21	\$ 169.0	22.4%	\$ 1.04	\$ 0.98	\$ 337.5	31.1%	\$ 2.03	\$ 1.91
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			



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 Income Tax	\$56	15%	\$18	10%	\$41	17%			
Exclude discrete tax adjustments	\$1	0%	\$10	6%	-\$2	-1%	GAAP Operating Profit as % of Sales	23%	27%
Tax effect of non-GAAP adjustments	\$2	0%	\$3	2%	\$2	1%	Acquired intangible asset amortization	1%	1%
Effect of Higher Non-GAAP PBT		0%		-2%		0%	Non-GAAP Operating Profit as % of Sales	24%	28%
Non GAAP Income Tax	\$58	15%	\$32	16%	\$42	17%			

	2019		2020		2021	
	\$'s	% of sales	\$'s	% of sales	\$'s	% of sales
GAAP Operating Expenses	\$786	34%	\$857	27%	\$998	27%
Intangible Asset Amortization	-\$40	-2%	-\$31	-1%	-\$21	-1%
Restructuring and Other	\$14	1%	\$13	0%	-\$1	0%
Equity Modification Charge	-\$2	0%	-\$1	0%		0%
Non GAAP Operating Expenses	\$758	33%	\$839	27%	\$975	26%

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:

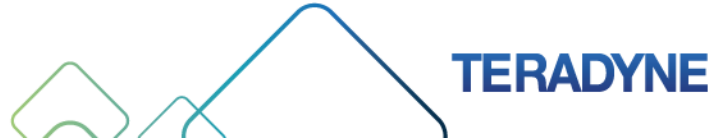
GAAP and non-GAAP third quarter revenue guidance:	\$760 million	to	\$840 million
GAAP net income per diluted share	\$ 0.86		\$ 1.12
Exclude acquired intangible assets amortization	0.03		0.03
Convertible share adjustment	0.01		0.01
Non-GAAP net income per diluted share	\$ 0.90		\$ 1.16

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



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

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

Appendix | GAAP to Non-GAAP Reconciliation

(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	-
	<u>\$ (13.2)</u>	<u>\$ (13.9)</u>

(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.

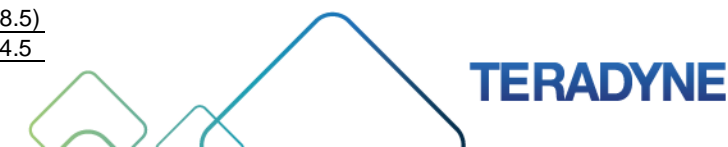
(3) For the twelve months ended December 31, 2020 and December 31, 2019, Interest and other included non-cash convertible debt interest expense. For the twelve months ended December 31, 2020 and December 31, 2019, adjustments to exclude actuarial (gain) loss recognized under GAAP in accordance with Teradyne's 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

(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

	Twelve Months Ended							
	December 31, 2021		December 31, 2020		December 31, 2020		December 31, 2020	
		% of Net Revenues	Net Income		% of Net Revenues	Net Income		
			Basic	Diluted		Basic	Diluted	
Net Revenues	\$ 3,702.9				\$ 3,121.5			
Gross profit GAAP	\$ 2,206.7	59.6%			\$ 1,785.7	57.2%		
Inventory step-up	-	-			0.4	0.0%		
Gross profit non-GAAP	\$ 2,206.7	59.6%			\$ 1,786.1	57.2%		
Income from operations - GAAP	\$ 1,208.7	32.6%			\$ 928.4	29.7%		
Acquired intangible assets amortization	21.5	0.6%			30.8	1.0%		
Restructuring and other (1)	1.3	0.0%			(13.2)	-0.4%		
Inventory step-up	-	-			0.4	0.0%		
Equity modification charge	-	-			0.8	0.0%		
Income from operations - non-GAAP	\$ 1,231.5	33.3%			\$ 947.2	30.3%		
Net income - GAAP	\$ 1,020.8	27.6%	\$ 6.19	\$ 5.56	\$ 784.1	25.1%	\$ 4.72	\$ 4.28
Acquired intangible assets amortization	21.5	0.6%	0.13	0.12	30.8	1.0%	0.19	0.17
Restructuring and other (1)	1.3	0.0%	0.01	0.01	(13.2)	-0.4%	(0.08)	(0.07)
Interest and other (2)	10.3	0.3%	0.06	0.06	14.4	0.5%	0.09	0.08
Loss on convertible debt conversions (2)	28.8	0.8%	0.17	0.16	-	-	-	-
Pension mark-to-market adjustment (2)	(2.2)	-0.1%	(0.01)	(0.01)	10.3	0.3%	0.06	0.06
Inventory step-up	-	-	-	-	0.4	0.0%	0.00	0.00
Equity modification charge	-	-	-	-	0.8	0.0%	0.00	0.00
Exclude discrete tax adjustments	(28.6)	-0.8%	(0.17)	(0.16)	(15.2)	-0.5%	(0.09)	(0.08)
Non-GAAP tax adjustments	(1.5)	0.0%	(0.01)	(0.01)	(11.9)	-0.4%	(0.07)	(0.07)
Convertible share adjustment (3)	-	-	-	0.24	-	-	-	0.25
Net income - non-GAAP	\$ 1,050.4	28.4%	\$ 6.37	\$ 5.98	\$ 800.5	25.6%	\$ 4.82	\$ 4.62
GAAP and non-GAAP weighted average common shares - basic	165.0				166.1			
GAAP weighted average common shares - diluted	183.6				183.0			
Exclude dilutive shares from convertible note	(7.4)				(8.5)			
Non-GAAP weighted average common shares - diluted	176.2				174.5			



Appendix | GAAP to Non-GAAP Reconciliation

(1) Restructuring and other consists of:

	Twelve Months Ended	
	December 31, 2021	December 31, 2020
Employee severance	\$ 1.5	\$ 2.3
Acquisition related expenses and compensation	0.5	2.5
Contingent consideration fair value adjustment	(7.2)	(23.3)
Other	6.5	5.2
	<u>\$ 1.3</u>	<u>\$ (13.2)</u>

(2) For the twelve months ended December 31, 2021 and December 31, 2020, Interest and other included non-cash convertible debt interest expense. For the twelve months ended December 31, 2021, adjustment to exclude loss on convertible debt conversions. For the twelve months ended December 31, 2021 and 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 twelve months ended December 31, 2021 and December 31, 2020, the non-GAAP diluted EPS calculation adds back \$3.7 million and \$6.8 million, respectively, of convertible debt interest expense to non-GAAP net income and non-GAAP weighted average diluted common shares include 10.0 million and 7.0 million shares, respectively, related to the convertible debt hedge transaction.

Appendix | GAAP to Non-GAAP Reconciliation

Old 2024 Model Range

	<u>FY 2024 Low</u>	<u>FY 2024 High</u>
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	<u>29%</u>	<u>28%</u>
	<u>FY 2024 Low</u>	<u>FY 2024 High</u>
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	<u>30%</u>	<u>31%</u>
	<u>FY 2024 Low</u>	<u>FY 2024 High</u>
2024 Estimated GAAP Diluted EPS	\$ 5.15	\$ 6.65
Add back Intangible Asset Amortization	\$ 0.10	\$ 0.10
2024 Estimates Non-GAAP Diluted EPS	<u>\$ 5.25</u>	<u>\$ 6.75</u>

Appendix | GAAP to Non-GAAP Reconciliation

New 2024 Model Range

	<u>FY 2024 Low</u>	<u>FY 2024 Mid</u>	<u>FY 2024 High</u>
2024 Estimated GAAP Diluted EPS	\$ 6.90	\$ 7.90	\$ 8.90
Add Back Intangible Asset Amortization	<u>\$ 0.10</u>	<u>\$ 0.10</u>	<u>\$ 0.10</u>
2024 Estimated Non-GAAP Diluted EPS	\$ 7.00	\$ 8.00	\$ 9.00