



# Financial Results for Q1 2023

April 27, 2023





# SAFE HARBOR (page 1 of 2)

This presentation contains forward-looking statements regarding Teradyne's future business prospects, 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, the continued impact of the global COVID-19 pandemic, and the impact of U.S. and Chinese export and tariff laws, including new regulations published by the U.S. Department of Commerce on October 7, 2022. 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, the impact of any tariffs or export controls imposed by 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 of Commerce export control regulations for certain U.S. products and technology sold to military end users or for military end-use in China, or the impact of regulations published by the U.S. Department of Commerce relating to the export of semiconductors and semiconductor manufacturing equipment destined to certain end users and for certain end uses in China. 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 2026 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 2026 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.

On October 7, 2022, the U.S. Department of Commerce published new regulations restricting the export to China of advanced semiconductors, supercomputer technology, equipment for the manufacturing of advanced semiconductors and components and technology for the manufacturing in China of certain semiconductor manufacturing equipment. The new restrictions are lengthy and complex. Teradyne continues to assess the impact of these regulations on its business. At this time, the Company has determined that restrictions on the sale of semiconductor testers in China to test certain advanced semiconductors will impact Teradyne's sales to certain companies in China. Several multinational companies manufacturing these advanced semiconductors in China have obtained one-year licenses allowing suppliers such as Teradyne to continue to provide testers to the facilities operated by these companies. We expect that other companies manufacturing advanced semiconductors in China will not receive licenses, thereby restricting Teradyne's ability to provide testers to the facilities operated by these companies that do not receive a license. The Company is filing license requests to sell to and support certain customers in China for certain end uses that, if granted, may reduce the impact of these restrictions on the Company's business. At this time, Teradyne does not know the impact these end user and end use restrictions will have on its business in China or on future revenues. In addition to the specific restrictions impacting Teradyne's business, the regulations may have an adverse impact on certain actual or potential customers and on the global semiconductor industry. To the extent the regulations impact actual and potential customers or disrupt the global semiconductor industry, Teradyne's business and revenues will be adversely impacted.



## SAFE HARBOR (page 2 of 2)

The Company also has determined that the restrictions on the export of certain US origin components and technology for use in the development and production in China of certain semiconductor manufacturing equipment impact its manufacturing and development operations in China. Teradyne has received a temporary authorization from the Department of Commerce allowing the Company to continue its manufacturing and development operations in China until the Department of Commerce issues a license to replace this temporary authorization. The Company has applied for a license but cannot assess the likelihood or timing of receiving this license. In addition to requesting a license, the Company is implementing procedures for minimizing the impact of these new regulations, but there is no assurance that these procedures will succeed.

Important factors that could cause actual results, the 2026 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 Robotics 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 a supply shortage on our supply chain and contract manufacturers; 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 or the repurchase of common stock is not in the Company's best interests; additional U.S. or global tax regulations or guidance; the impact of any tariffs or export controls imposed by 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 of Commerce export control regulations for certain U.S. products and technology sold to military end users or for military end-use in China; the impact of regulations published by the U.S. Department of Commerce relating to semiconductors and semiconductor manufacturing equipment destined for certain end uses in China; 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, 2022. 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.

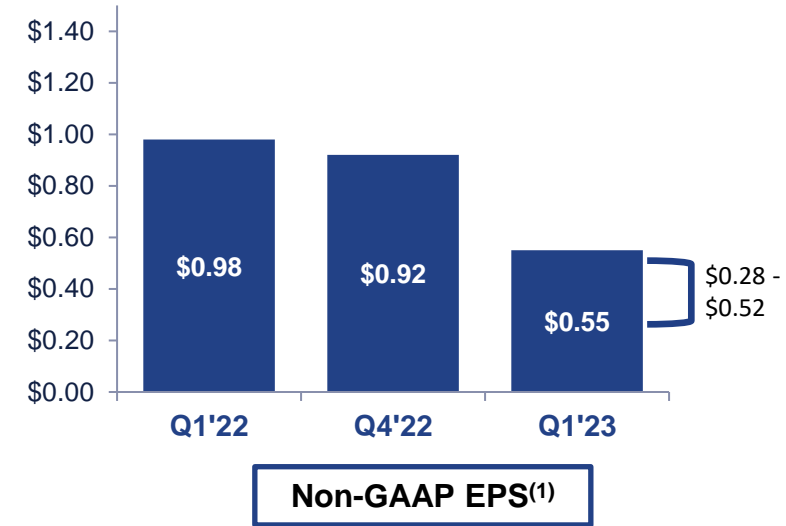
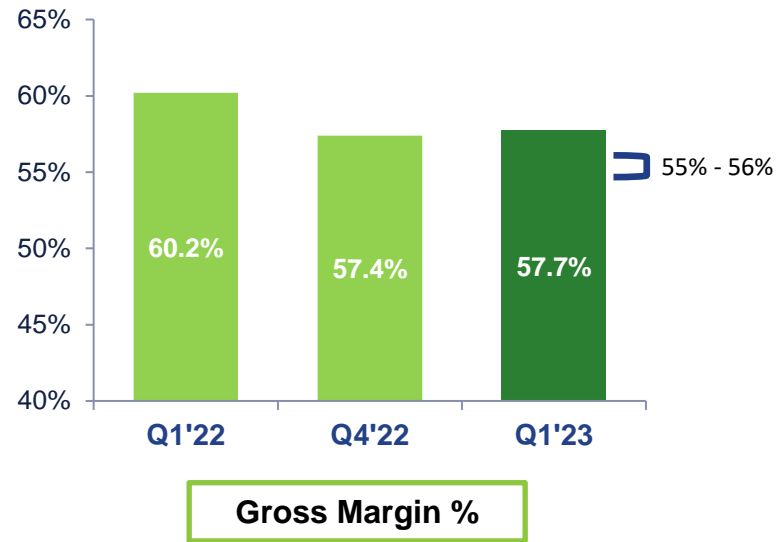
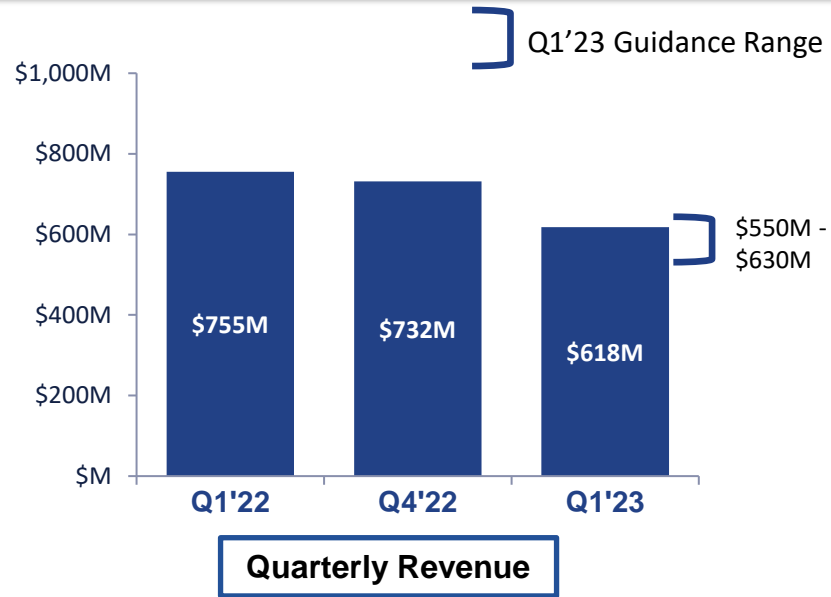
# Business Update and Outlook

Greg Smith, Teradyne President and CEO



# Q1'23 Summary

Sales of \$618M, Gross Margins of 57.7%, Non-GAAP EPS of \$0.55



- Automotive and Industrial Semiconductor Test demand stronger than expected, Compute and Mobility remained weak
- Robotics sales in line with expectations

- Gross Margins improved from Q4'22 and above guidance
- Favorable product mix, operational efficiencies and deferred resiliency spending are the main drivers of the improvement

- Non-GAAP EPS \$0.55
- Repurchased 0.9 million shares / \$94 million<sup>(2)</sup>, \$104.88/sh average

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

(2) Includes \$0.4M of excise tax to be paid in 2024

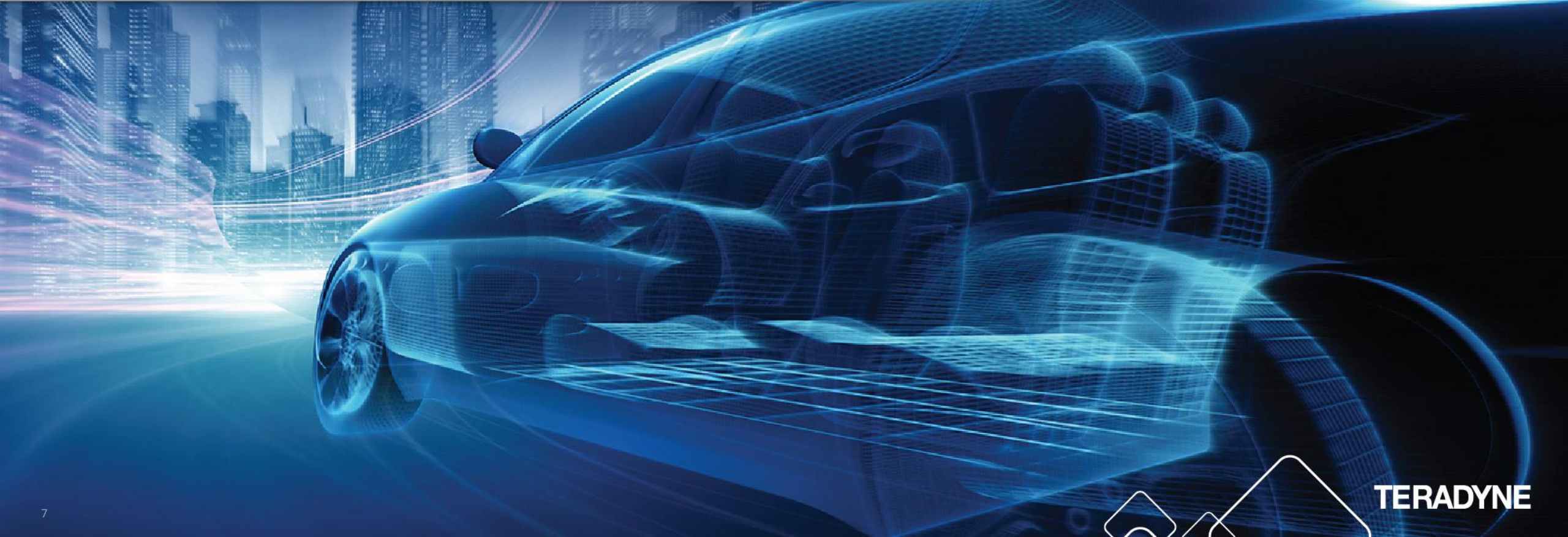


# Q1'23 Summary

- Q1'23 Summary:
  - Sales above the mid-point of our guidance range with earnings above the high guide on improved gross margins
  - Auto and Industrial related demand in SOC test stronger than expected
  - Mobility & Compute related demand in SOC test remains weak with lower than normal utilization as customers work through excess inventory in the channel
  - Expect \$3.3 - \$3.8B SOC test market in 2023
  - FLASH and DRAM final test demand remains strong on technology transitions
  - Expect \$0.9 - 1.0B memory test market in 2023
  - Robotics demand generally weak on slowing industrial activity, distribution channel changes
  - Bright spot for Universal Robots was improving demand in Europe, other regions weak
  - UR 20 begin shipments mid-year, substantial backlog in place
  - Expect 0 - 10% Robotics revenue growth in 2023
  - Expect Company sales, earnings to improve slightly in second half compared with first half

# First Quarter 2023 Financial Results and Second Quarter 2023 Guidance

Sanjay Mehta, Teradyne Vice President and Chief Financial Officer



# Q1'23 Non-GAAP Results

\$s in millions, except EPS	Q1'22 Actual <sup>(1)</sup>		Q4'22 Actual <sup>(1)</sup>		Q1'23 Actual <sup>(1)</sup>	
Sales		\$755M		\$732M		<b>\$618M</b>
Gross Margin	60.2%	\$455M	57.4%	\$420M	57.7%	<b>\$356M</b>
R&D	14.3%	\$108M	14.9%	\$109M	17.1%	<b>\$106M</b>
SG&A	<u>18.6%</u>	<u>\$140M</u>	<u>19.5%</u>	<u>\$143M</u>	<u>23.5%</u>	<u><b>\$145M</b></u>
OPEX	32.9%	\$248M	34.4%	\$252M	40.6%	<b>\$251M</b>
Operating Profit	27.4%	\$207M	23.1%	\$169M	17.1%	<b>\$106M</b>
Income Taxes (& effective tax rate)	16.0%	\$32M	12.3%	\$21M	16.75%	<b>\$18M</b>
EPS		\$0.98		\$0.92		<b>\$0.55</b>
Diluted Shares		173M		164M		<b>165M</b>

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



# Q1'23 Segment Summary

## Semiconductor Test

\$415M

Sales down 14% vs Q1'22  
 Mobility and Compute related SOC demand soft  
 Automotive and Industrial demand remained strong in SOC test  
 Memory Test demand declined vs Q1'22 due to lower capacity buys

Semi Product	\$299M
Semi Service	\$116M

## System Test

\$75M

Sales down 37% vs Q1'22  
 Storage Test shipments down 51% vs Q1'22  
 Defense/Aerospace and Production Board Test combined down 19% due to timing of shipments

## Wireless Test

\$39M

Sales down 25% vs Q1'22 due to lower consumer PC Wi-Fi demand  
 Expect Wi-Fi 7 production ramp to begin in 2024

## Robotics

\$89M

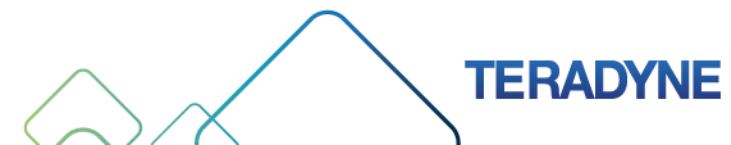
Sales down 14% vs Q1'22 on weakening industrial demand  
 UR sales down 16%  
 MiR sales down 4%

Total Company Service: \$144M

1st Quarter Sales

2023 Q1 Key Highlights

Semi Test Sales Detail



# Balance Sheet & Capital Return

	Q1'22 Actual	Q4'22 Actual	Q1'23 Actual	
Cash and Marketable Securities	\$1,203M	\$1,005M	<b>\$859M</b>	
Inventory	\$259M	\$325M	<b>\$352M</b>	
DSO	67 Days	60 Days	<b>68 Days</b>	
Capital Additions	\$44M	\$35M	<b>\$41M</b>	
Depreciation and Amortization <sup>(1)</sup>	\$41M	\$39M	<b>\$46M</b>	
Free Cash Flow <sup>(2)</sup>	(\$37M)	\$149M	<b>(\$22M)</b>	
Capital Return {	Buybacks <sup>(3)</sup>	\$201M	\$2M	<b>\$94M</b>
	Dividends	\$18M	\$17M	<b>\$17M</b>

(1) Includes depreciation, stock based compensation, amortization of acquired intangible assets

(2) (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.

(3) Includes \$0.4M of excise tax to be paid in 2024

# Q2'23 Non-GAAP Guidance

\$s in millions, except EPS	Q1'23 Actual <sup>(1)</sup>	Q2'23 Guidance <sup>(1)</sup>
Sales	\$618M	<b>\$625M - \$685M</b>
Gross Margin	57.7%	<b>57% - 58%</b>
OPEX	40.6%	<b>40% - 37%</b>
Operating Profit	17.1%	<b>17% - 21%</b>
Effective Tax Rate	16.75%	<b>17.0%</b>
EPS	\$0.55	<b>\$0.55 - \$0.74</b>
Diluted Shares	165M	<b>164M</b>



# Q1'23 Summary

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  - Expect \$3.3 - \$3.8B SOC test market in 2023
  - FLASH and DRAM final test demand remains strong on technology transitions
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  - Robotics demand generally weak on slowing industrial activity, distribution channel changes
  - Bright spot for Universal Robots was improving demand in Europe, other regions weak
  - UR 20 begin shipments mid-year, substantial backlog in place
  - Expect 0 - 10% Robotics revenue growth in 2023
  - Expect Company sales, earnings to improve slightly in second half compared with first half
- Q2'23 Outlook
  - Expect Sales of \$625 - \$685M and GAAP EPS of \$0.53 - \$0.72, non-GAAP EPS of \$0.55 - \$0.74

# Supplemental Information

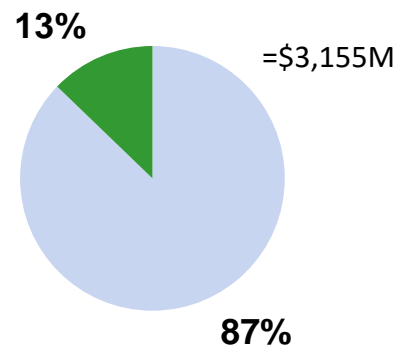


# Teradyne Non-GAAP Earnings Model

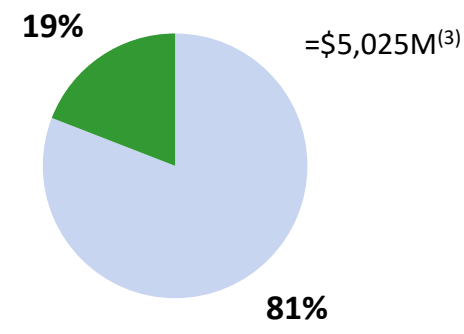
## Financial Model <sup>(1)(2)</sup>

	2022	2026E (New Model)
TER Revenue (\$M)	\$3,155	\$4,500 — \$5,550
Growth off 2022		9% — 15%
Gross Margin %	59%	59% — 60%
OPEX %	32%	28% — 26%
Operating Profit %	28%	31% — 34%
Non-GAAP EPS	\$4.25	\$7.50 — \$10.00

### 2022 Sales Mix



### 2026E Sales Mix<sup>(3)</sup>



Automated Test Robotics

## 2023E Model Assumptions

Metric	Old Model	New Model	Comment
Robotics Revenue CAGR	32-45% off '20/'21 Average	20-30% off 2022	Drivers are labor shortages, cost and low penetration rate
Test Revenue CAGR	7-11% off '20/'21 Average	8-13% off 2022	On 9% trendline from 2016 Drivers are complexity, Compute and Auto markets

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

(2) Financial Model updated as of 1/26/23

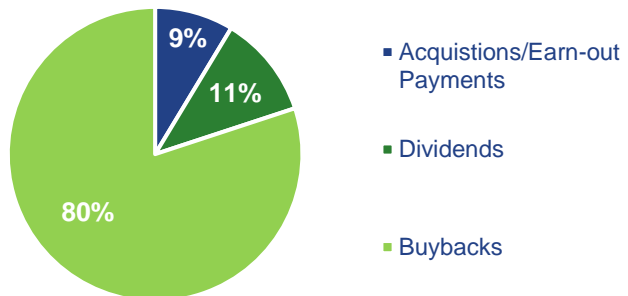
(3) 2026E sales mix is at mid-point of model range

# History of Capital Allocation

- Since 2016, 59.7M shares repurchased at an average price of ~\$54 per share

(\$M)	2016	2017	2018	2019	2020	2021	2022	Q1'23	Cumulative
Buybacks	\$146M	\$200M	\$823M	\$500M	\$88M	\$600M	\$752M	\$93M	\$3,203M
Dividends	\$49M	\$55M	\$67M	\$61M	\$66M	\$66M	\$70M	\$17M	\$452M
Acquisitions	<u>\$15M</u>	<u>\$1M</u>	<u>\$194M</u>	<u>\$115M</u>	<u>\$9M</u>	<u>\$12M</u>	<u>\$0M</u>	<u>\$0M</u>	<u>\$346M</u>
Total	\$210M	\$257M	\$1,085M	\$676M	\$163M	\$678M	\$822M	\$110M	\$4,002M
Free Cash Flow <sup>(1)</sup>	\$370M	\$521M	\$370M	\$444M	\$684M	\$966M	\$415M	(\$22M)	\$3,748M

Cumulative Capital Allocation  
Breakdown 2016 - Q1'23



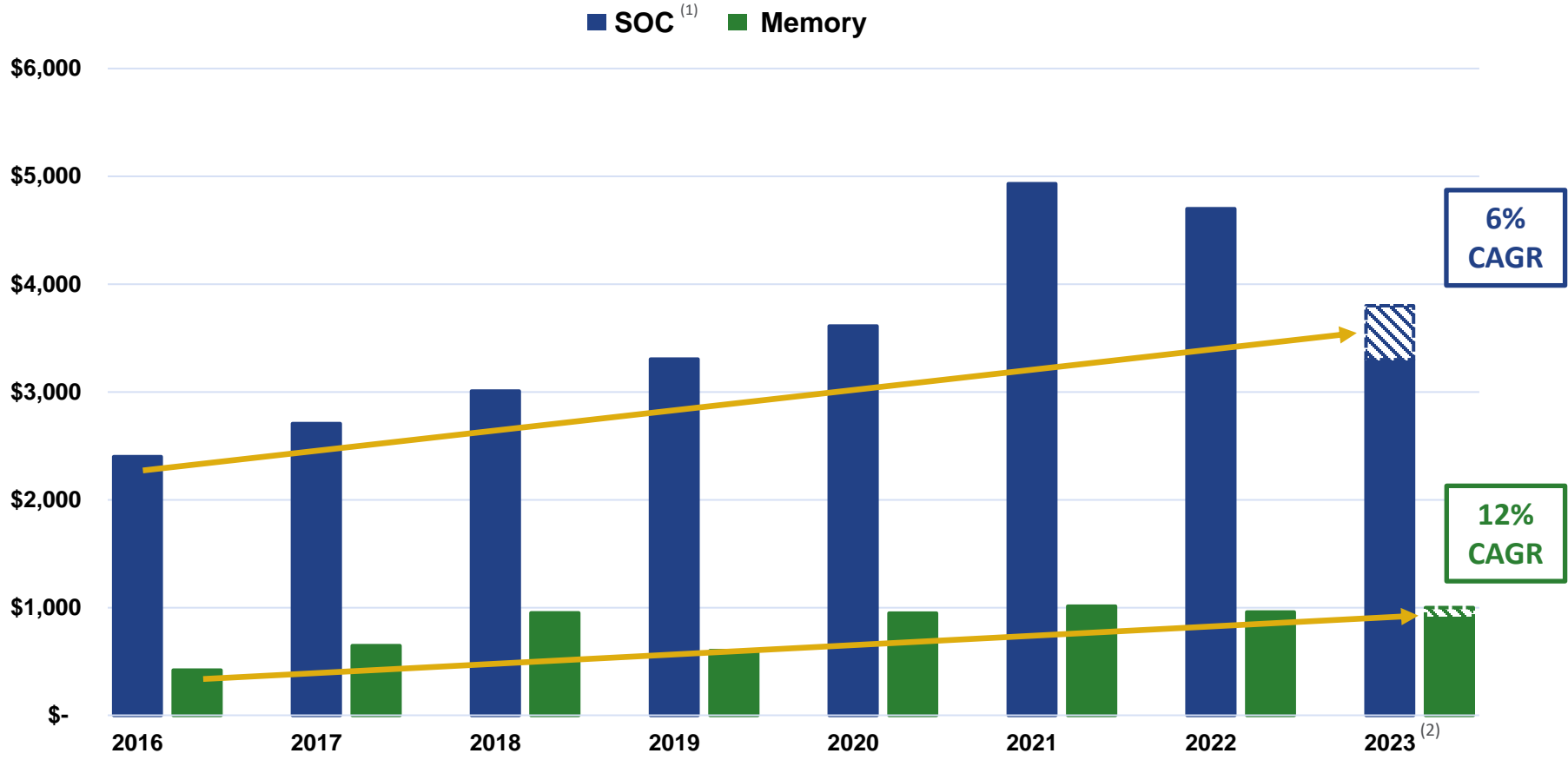
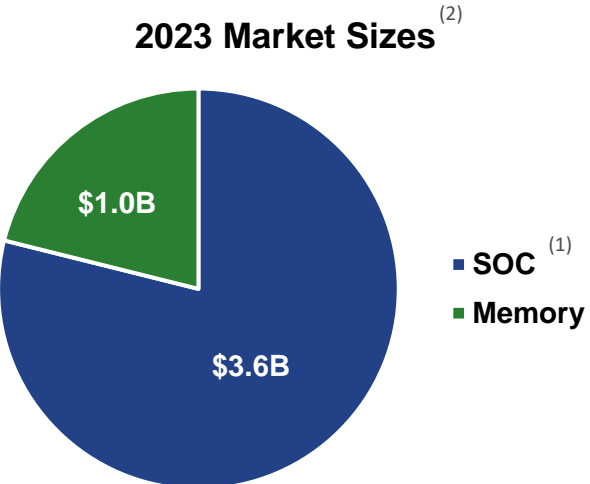
(1) Teradyne calculates free cash flow as: GAAP Cash flow from operations, excluding discontinued operations, less property, plant and equipment additions net of gov't subsidies; see GAAP to non-GAAP reconciliations.

# 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



1) SOC data includes product and service; market data from SEMI WWSEMS report and internal estimates  
 2) 2023 represents midpoint of estimated range, CAGR's based on midpoint of 2023 range



# 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)

	Quarter Ended		December 31, 2022		April 3, 2022	
	April 2, 2023	% of Net Revenues	December 31, 2022	% of Net Revenues	April 3, 2022	% of Net Revenues
Net revenues	\$ 617.5		\$ 731.8		\$ 755.4	
Gross profit GAAP and non-GAAP	\$ 356.4	57.7%	\$ 420.4	57.4%	\$ 454.9	60.2%
Income from operations - GAAP	\$ 92.9	15.0%	\$ 166.6	22.8%	\$ 185.9	24.6%
Equity modification charge (1)	5.9	1.0%	-	-	-	-
Acquired intangible assets amortization	4.8	0.8%	4.7	0.6%	5.1	0.7%
Restructuring and other (2)	2.0	0.3%	(2.4)	-0.3%	15.7	2.1%
Income from operations - non-GAAP	\$ 105.6	17.1%	\$ 168.9	23.1%	\$ 206.7	27.4%

	Quarter Ended		December 31, 2022		April 3, 2022		Quarter Ended		April 3, 2022	
	April 2, 2023	% of Net Revenues	December 31, 2022	% of Net Revenues	April 3, 2022	% of Net Revenues	April 3, 2022	% of Net Revenues	Basic	Diluted
Net income - GAAP	\$ 83.5	13.5%	\$ 172.3	23.5%	\$ 161.9	21.4%	\$ 1.11	\$ 1.04	\$ 1.00	\$ 0.92
Equity modification charge (1)	5.9	1.0%	-	-	-	-	-	-	-	-
Acquired intangible assets amortization	4.8	0.8%	4.7	0.6%	5.1	0.7%	0.03	0.03	0.03	0.03
Restructuring and other (2)	2.0	0.3%	(2.4)	-0.3%	15.7	2.1%	(0.02)	(0.01)	0.10	0.09
Pension mark-to-market adjustment (3)	-	-	(25.6)	-3.5%	-	-	(0.16)	(0.15)	-	-
Exclude discrete tax adjustments	(2.5)	-0.4%	(2.8)	-0.4%	(10.4)	-1.4%	(0.02)	(0.02)	(0.06)	(0.06)
Non-GAAP tax adjustments	(2.4)	-0.4%	4.5	0.6%	(3.3)	-0.4%	0.03	0.03	(0.02)	(0.02)
Convertible share adjustment (4)	-	-	-	-	-	-	-	0.01	-	0.01
Net income - non-GAAP	\$ 91.3	14.8%	\$ 150.8	20.6%	\$ 169.0	22.4%	\$ 0.97	\$ 0.92	\$ 1.04	\$ 0.98

	April 2, 2023	December 31, 2022	April 3, 2022
GAAP and non-GAAP weighted average common shares - basic	155.9	155.8	162.0
GAAP weighted average common shares - diluted	166.3	165.5	175.6
Exclude dilutive shares related to convertible note transaction	(0.9)	(1.2)	(2.5)
Non-GAAP weighted average common shares - diluted	165.4	164.3	173.1

# Appendix | GAAP to Non-GAAP Reconciliation

- (1) For the quarter ended April 2, 2023, selling and administrative expenses include an equity charge of \$5.9 million for the modification of Teradyne's retired CEO's outstanding equity awards in connection with his February 1, 2023 retirement.
- (2) Restructuring and other consists of:

	April 2, 2023	Quarter Ended December 31, 2022	April 3, 2022
Employee severance	\$ 2.0	\$ 0.8	\$ 0.6
Gain on sale of asset	-	(3.4)	-
Litigation Settlement	-	-	14.7
Other	-	0.3	\$ 0.5
	<u>\$ 2.0</u>	<u>\$ (2.4)</u>	<u>\$ 15.7</u>

- (3) For the quarter ended December 31, 2022 adjustments to exclude actuarial (gain)loss recognized under GAAP in accordance with Teradyne's mark-to-market pension accounting.
- (4) For the quarters ended April 2, 2023, December 31, 2022, and April 3, 2022, the non-GAAP diluted EPS calculation adds back \$0.1 million, \$0.2 million, and \$0.3 million, respectively, of convertible debt interest expense to non-GAAP net income. For the quarters ended April 2, 2023, December 31, 2022, and April 3, 2022, non-GAAP weighted average diluted common shares include 9.0 million, 7.9 million and 10.0 million shares, respectively, from the convertible note hedge transaction.

## GAAP to Non-GAAP Reconciliation of Second Quarter 2023 guidance:

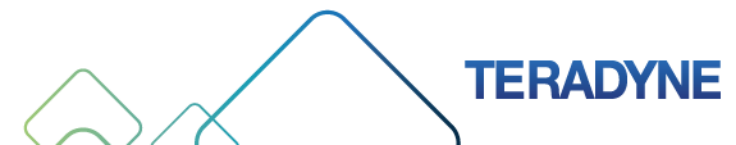
GAAP and non-GAAP second quarter revenue guidance:	\$625 million	to	\$685 million
GAAP net income per diluted share	\$ 0.53		\$ 0.72
Exclude acquired intangible assets amortization	0.03		0.03
Non-GAAP net income per diluted share	<u>\$ 0.55</u>		<u>\$ 0.74</u>

For press releases and other information of interest to investors, please visit Teradyne's homepage at <http://www.teradyne.com>.

Contact: Teradyne, Inc.

Andy Blanchard 978-370-2425

Vice President of Corporate Relations



# Appendix | GAAP to Non-GAAP Reconciliation

## GAAP to Non-GAAP Earnings Reconciliation

(In millions, except per share amounts)

	December 31, 2022		Quarter Ended				December 31, 2021	
	\$	% of Net Revenues	October 2, 2022	% of Net Revenues	October 2, 2022	% of Net Revenues	\$	% of Net Revenues
Net revenues	\$ 731.8		\$ 827.1		\$ 885.0			
Gross profit GAAP and non-GAAP	\$ 420.4	57.4%	\$ 485.4	58.7%	\$ 527.0	59.5%		
Income from operations - GAAP	\$ 166.6	22.8%	\$ 231.5	28.0%	\$ 256.4	29.0%		
Restructuring and other (1)	(2.4)	-0.3%	1.8	0.2%	12.7	1.4%		
Acquired intangible assets amortization	4.7	0.6%	4.7	0.6%	5.2	0.6%		
Income from operations - non-GAAP	\$ 168.9	23.1%	\$ 238.0	28.8%	\$ 274.3	31.0%		

	December 31, 2022		Net Income per Common Share		October 2, 2022		Net Income per Common Share		December 31, 2021		Net Income per Common Share	
	\$	% of Net Revenues	Basic	Diluted	\$	% of Net Revenues	Basic	Diluted	\$	% of Net Revenues	Basic	Diluted
Net income - GAAP	\$ 172.3	23.5%	\$ 1.11	\$ 1.04	\$ 183.5	22.2%	\$ 1.17	\$ 1.10	\$ 224.0	25.3%	\$ 1.38	\$ 1.26
Restructuring and other (1)	(2.4)	-0.3%	(0.02)	(0.01)	1.8	0.2%	0.01	0.01	12.7	1.4%	0.08	0.07
Acquired intangible assets amortization	4.7	0.6%	0.03	0.03	4.7	0.6%	0.03	0.03	5.2	0.6%	0.03	0.03
Pension mark-to-market adjustment (2)	(25.6)	-3.5%	(0.16)	(0.15)	-	-	-	-	(1.6)	-0.2%	(0.01)	(0.01)
Loss on convertible debt conversions (2)	-	-	-	-	-	-	-	-	3.4	0.4%	0.02	0.02
Interest and other (2)	-	-	-	-	-	-	-	-	1.2	0.1%	0.01	0.01
Exclude discrete tax adjustments	(2.8)	-0.4%	(0.02)	(0.02)	(0.5)	-0.1%	(0.00)	(0.00)	(6.5)	-0.7%	(0.04)	(0.04)
Non-GAAP tax adjustments	4.5	0.6%	0.03	0.03	(0.3)	0.0%	(0.00)	(0.00)	(0.3)	0.0%	(0.00)	(0.00)
Convertible share adjustment (3)	-	-	-	0.01	-	-	-	0.01	-	-	-	0.03
Net income - non-GAAP	\$ 150.8	20.6%	\$ 0.97	\$ 0.92	\$ 189.2	22.9%	\$ 1.21	\$ 1.15	\$ 238.1	26.9%	\$ 1.46	\$ 1.37

GAAP and non-GAAP weighted average common shares - basic	155.8		156.4		162.8
GAAP weighted average common shares - diluted	165.5		166.7		178.0
Exclude dilutive shares related to convertible note transaction	(1.2)		(1.5)		(3.4)
Non-GAAP weighted average common shares - diluted	164.3		165.2		174.6

# Appendix | GAAP to Non-GAAP Reconciliation

(1) Restructuring and other consists of:

	December 31, 2022	Quarter Ended October 2, 2022	December 31, 2021
Employee severance	\$ 0.8	\$ 1.2	\$ 0.3
Gain on sale of asset	(3.4)	-	-
Litigation settlement	-	-	12.0
Acquisition related expenses and compensation	-	-	0.2
Other	0.3	0.6	0.3
	<u>\$ (2.4)</u>	<u>\$ 1.8</u>	<u>\$ 12.7</u>

- (2) For the quarter ended December 31, 2021, adjustment to exclude loss on convertible debt conversions. For the quarter ended December 31, 2021, Interest and other included non-cash convertible debt interest expense. For the quarters ended December 31, 2022 and December 31, 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 December 31, 2022, October 2, 2022, and December 31, 2021, the non-GAAP diluted EPS calculation adds back \$0.2 million, \$0.2 million, and \$0.4 million, respectively, of convertible debt interest expense to non-GAAP net income. For the quarters ended December 31, 2022, October 2, 2022, and December 31, 2021, non-GAAP weighted average diluted common shares include 7.9 million, 8.3 million and 10.5 million shares, respectively, from the convertible note 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

- (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

	Q1'22		Q4'22		Q1'23		Q2'23 Low Guidance		Q2'23 High Guidance	
	\$'s	% of sales	\$'s	% of sales	\$'s	% of sales	\$'s	% of sales	\$'s	% of sales
GAAP Operating Expenses	\$269	36%	\$254	35%	\$264	43%	\$253	41%	\$256	37%
Intangible Asset Amortization	-\$5	-1%	-\$5	-1%	-\$5	-1%	-\$5	-1%	-\$5	-1%
Restructuring and Other	-\$16	-2%	\$2	0%	-\$2	0%				
Equity Modification Charge					-\$6	-1%				
Non GAAP Operating Expenses	\$248	33%	\$252	34%	\$251	41%	\$249	40%	\$251	37%

	Q1'22		Q4'22		Q1'23		2021		2022	
	\$'s	%	\$'s	%	\$'s	%	\$'s	%	\$'s	%
GAAP Income Tax	\$18	10%	\$23	12%	\$14	14%	\$146	13%	\$125	15%
Exclude discrete tax adjustments	\$10	6%	\$3	1%	\$3	3%	\$29	2%	\$12	1%
Tax effect of non-GAAP adjustments	\$3	2%	-\$5	-2%	\$2	2%	\$3	0%	\$1	0%
Effect of Higher Non-GAAP PBT		-2%		1%		-2%		0%		0%
Non GAAP Income Tax	\$32	16%	\$21	12%	\$18	17%	\$178	15%	\$138	16%

Q2'23 GAAP Guidance Diluted Shares	165
Exclude dilutive shares from convertible note	-1
Q1'23 Non-GAAP Guidance Diluted Shares	164

FY 2023 GAAP estimated tax rate	17.00%
Adjustment for Non GAAP items	0.00%
FY 2023 Non GAAP estimated tax rate	17.00%

	2021		2022	
	\$'s	% of sales	\$'s	% of sales
GAAP Operating Expenses	\$1,006	27%	\$1,035	33%
Intangible Asset Amortization	-\$21	-1%	-\$19	-1%
Restructuring and Other	-\$9	0%	-\$17	-1%
Equity Modification Charge				
Non GAAP Operating Expenses	\$975	26%	\$999	32%

## GAAP to Non-GAAP Reconciliation of First Quarter 2023 guidance:

GAAP and non-GAAP first quarter revenue guidance:	\$550 million	to	\$630 million
GAAP net income per diluted share	\$ 0.26		\$ 0.49
Exclude acquired intangible assets amortization	0.03		0.03
Non-GAAP net income per diluted share	\$ 0.28		\$ 0.52

## Q2'23 Guidance:

	Low End	High End
GAAP Operating Profit as % of Sales	16%	21%
Acquired intangible asset amortization	1%	1%
Non-GAAP Operating Profit as % of Sales	17%	21%

## GAAP to Non-GAAP Reconciliation of Second Quarter 2023 guidance:

GAAP and non-GAAP second quarter revenue guidance:	\$625 million	to	\$685 million
GAAP net income per diluted share	\$ 0.53		\$ 0.72
Exclude acquired intangible assets amortization	0.03		0.03
Non-GAAP net income per diluted share	\$ 0.55		\$ 0.74



# 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.

	2016	2017	2018	2019	2020	2021	2022	Q1'22	Q4'22	Q1'23
GAAP Cash Flow from Operations, Excl Disc Ops	\$ 455	\$ 626	\$ 477	\$ 579	\$ 869	\$ 1,098	\$ 578	\$ 7	\$ 183	\$ 19
Less Property, Plant, and Equipment Additions net of Gov't Subsidy	\$ (85)	\$ (105)	\$ (107)	\$ (135)	\$ (185)	\$ (132)	\$ (163)	\$ (44)	\$ (35)	\$ (41)
Non-GAAP Operating Cash Flow ("Free Cash Flow")	\$ 370	\$ 521	\$ 370	\$ 444	\$ 684	\$ 966	\$ 415	\$ (37)	\$ 149	\$ (22)

# Appendix | GAAP to Non-GAAP Reconciliation

## New 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	<u>\$ 0.01</u>	<u>\$ 0.01</u>	<u>\$ 0.01</u>
2026 Estimated Non-GAAP Diluted EPS	\$ 7.50	\$ 8.75	\$ 10.00