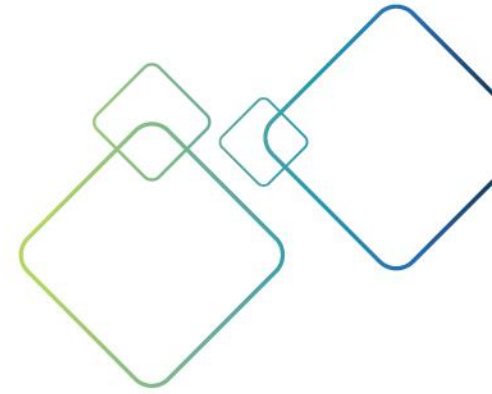


**TERADYNE**



## Financial Results for Q3 2019

October 23, 2019





# 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, and the impact of the U.S. tax reform, 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, earnings per share, use of cash, payment of dividends, repurchases of common stock, payment of the senior convertible notes, or the impact of the U.S. tax reform, export and tariff laws. 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. On May 16, 2019, Huawei and 68 of its affiliates, including HiSilicon, were added to the U.S. Department of Commerce Entity List under U.S. Export Administration Regulations (the "EAR"). This action by the U.S. Department of Commerce imposes new export licensing requirements on exports, re-exports, and in-country transfers of all U.S.- regulated products, software and technology to the designated Huawei entities. While most of our products are not subject to the EAR and therefore not affected by the Entity List restrictions, certain of our products are currently manufactured in the U.S. and thus subject to the Entity List restrictions. Compliance with the Entity List restrictions has not significantly impacted our sales, but could limit sales in the future. Important factors that could cause actual results, 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 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 or the repurchase of common stock is not in the Company's best interest; 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, including the addition of Huawei and HiSilicon to the U.S. Department of Commerce Entity List; 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, 2018 and the Quarterly Report on form 10-Q for the period ended June 30, 2019. 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



# Q3'19 Summary

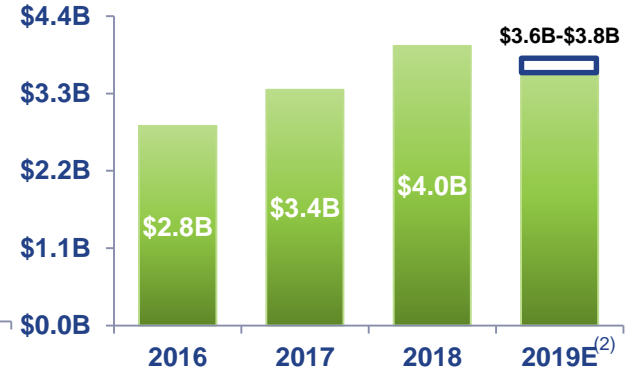
9 mos '19 Sales Growth of 4% and 13% Non-GAAP EPS Growth vs. 9 mos '18



Quarterly Revenue



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



SemiTest Market

- Semiconductor strength continued in 5G network infrastructure and Memory Test
- Industrial Automation grew 4% in Q3'19 vs. Q3'18

- Non-GAAP EPS \$0.03 above high guidance on higher revenue
- Repurchased 2.3 million shares / \$122 million, \$52.33/sh average

- SemiTest SOC market outlook improved, now expect ~\$3.0-\$3.2B 2019 market
- Memory Test market outlook ~\$600M

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

(2) 2019E SemiTest market size range of \$3.6B-\$3.8B with a mid-point of \$3.7B; market data from SEMI WWSEMS report and internal estimates



# AutoGuide – At-a-Glance

## Low-Cost, Easy to Use Autonomous Mobile Robots for Material Handling

**A Technology Leader in High Payload, Modular, Autonomous Mobile Robots (AMRs)**

- Modular high payload Tug and Forklift AMRs for material handling enabled by advanced sensor and control technologies
- Easy to deploy in existing facilities, no infrastructure modifications required, simple-to-train
- Fast customer ROI
- AutoGuide fleet management software controls local fleets

**Growing Applications**

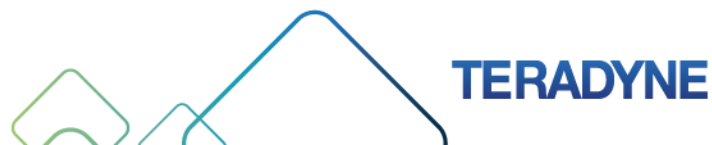
- Automates in-house industrial and warehouse material transport
- Verticals deployed: automotive, manufacturing, distribution

**Diversified Client Base**



**High Growth**

- Market forecast to grow over 50% per year going forward
- Revenue growth from ~\$4M in 2018 to more than \$10M in 2019
- Direct and distributor based sales



# Q3'19 Summary Remarks

- All test businesses strong in Q3
- 5G infrastructure Semi Test investments continued at a high level in Q3
- Memory test revenue up 23% from Q2'19 on strong Flash final test and DRAM wafer test demand
- Extended SOC product line with UltraFLEXplus, targeted at AI and 'Big Data' devices
- Universal Robots expanded payload performance with new UR16e cobot
- Industrial Automation growth of 4% from Q3'18 below plan due to macro manufacturing weakness
- Announced agreement to acquire AutoGuide, a technology leader in the high payload Autonomous Mobile Robot market
- Expect 2019 sales to grow 7% and non-GAAP eps to grow 16% at mid-point of Q4 guidance

# Third Quarter 2019 Financial Results and Fourth Quarter 2019 Guidance

**Sanjay Mehta, Teradyne Vice President and Chief Financial Officer**



# Q3'19 Non-GAAP Results

\$s in millions, except EPS	Q3'18 Actual <sup>(1)</sup>		Q2'19 Actual <sup>(1)</sup>		Q3'19 Actual <sup>(1)</sup>	
Revenue		\$567M		\$564M		<b>\$582M</b>
Gross Margin	58.9%	\$334M	57.5%	\$324M	59.3%	<b>\$345M</b>
R&D	13.6%	\$77M	14.4%	\$81M	13.4%	<b>\$78M</b>
SG&A	17.7%	\$100M	19.3%	\$109M	18.4%	<b>\$107M</b>
OPEX	<u>31.3%</u>	<u>\$177M</u>	<u>33.7%</u>	<u>\$190M</u>	<u>31.8%</u>	<u><b>\$185M</b></u>
Operating Profit	27.6%	\$156M	23.8%	\$134M	27.5%	<b>\$160M</b>
Income Taxes (& effective tax rate)	15%	\$24M	16%	\$22M	17%	<b>\$27M</b>
EPS		\$0.71		\$0.66		<b>\$0.77</b>
Diluted Shares		187M		172M		<b>175M</b>

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



# Q3'19 Segment Summary

Q3'19 Sales

Q3'19 Key Highlights

Q3'19 Sales Detail

## Semiconductor Test

**\$398M**

5G Infrastructure demand grew from 2Q'19

RF demand for connectivity and 5G development remained strong

Memory Test revenue up 23% from Q2'19

Introduced UltraFLEX+ for AI and 'Big Data' devices

## Industrial Automation

**\$69M**

IA grew 4% from Q3'18 with UR flat and 47% MiR growth

Introduced UR16e to extend performance to 16kg payloads

First early access industrial bin-picking solution

## System Test

**\$73M**

Revenue up 48% from Q3'18, flat from Q2'19

Continued Strength in Storage Test and Defense and Aerospace

## Wireless Test

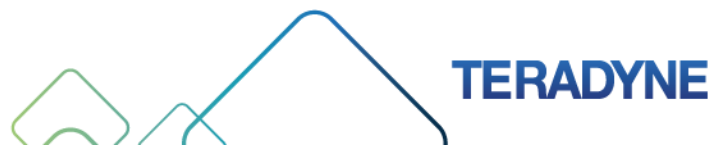
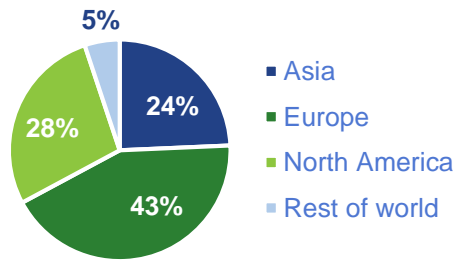
**\$42M**

Revenue up 23% from Q3'18, up 2% from Q2'19 on new Wireless standards and early 5G Test investments

SemiTest Revenue

Semi Product	\$325M
Semi Service	\$73M

Industrial Automation Revenue



# AutoGuide Acquisition Details

## Transaction

- Teradyne signed a definitive agreement on October 18, 2019 to acquire AutoGuide
- Transaction is subject to customary approvals and closing conditions; expected to close in Q4 2019

## Purchase Price

- Teradyne will deliver \$58 million net of AutoGuide's cash at closing
- In addition, Teradyne will deliver up to \$107 million of additional consideration if certain performance targets are achieved potentially through 2022

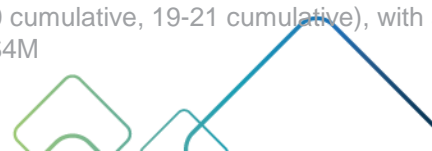
## Management

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

## Earn-Out<sup>(1)</sup>

	'19-20 Cum.	'19-21 Cum.	Total
Maximum Earn-Out Payments	\$53.4M	\$53.4M	\$106.8M
Minimum Annual Sales CAGR from 2018 Above Which Earn-Out Starts	117%	127%	
Annual Sales CAGR from 2018 Needed to Earn Full Earn-Out	207%	185%	

1) Two separate earn-outs based on sales targets with minimum profitability floors (19-20 cumulative, 19-21 cumulative), with a potential catch up earn-out in 2022. CAGR calculated from 2018 base year revenue of ~\$4M



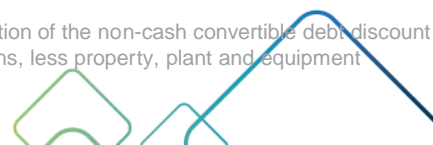
# Balance Sheet & Capital Return

	Q3'18 Actual	Q2'19 Actual	Q3'19 Actual	
Cash and Marketable Securities	\$1,324M	\$994M	<b>\$1,040M</b>	
Inventory	\$155M	\$164M	<b>\$178M</b>	
DSO	57 days	60 days	<b>56 days</b>	
Acquisition Earn-out Accruals	\$61M	\$27M	<b>\$18M</b>	
Capital Additions	\$18M	\$33M	<b>\$37M</b>	
Debt <sup>(1)</sup>	\$376M	\$387M	<b>\$391M</b>	
Depreciation and Amortization <sup>(2)</sup>	\$37M	\$38M	<b>\$40M</b>	
Free Cash Flow <sup>(3)</sup>	\$223M	\$112M	<b>\$162M</b>	
Capital Return {	Buybacks	\$201M	\$91M	<b>\$122M</b>
	Dividends	\$17M	\$15M	<b>\$15M</b>

(1) Face value of debt is \$460M

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

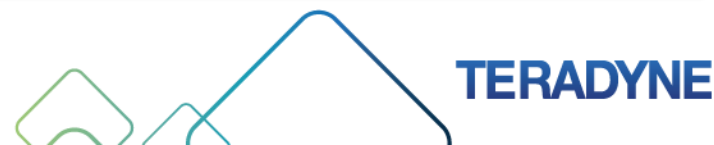
(3) Teradyne calculates free cash flow as: GAAP Cash flow from operations, excluding discontinued operations, less property, plant and equipment additions; see GAAP to non-GAAP reconciliations.



# Q4'19 Non-GAAP Guidance

\$s in millions, except EPS	Q3'19 Actual <sup>(1)</sup>	Q4'19 Guidance <sup>(1)</sup>
Revenue	\$582M	<b>\$590M - \$630M</b>
Gross Margin	59%	<b>58% - 58%</b>
OPEX	32%	<b>31% - 33%</b>
Operating Profit	28%	<b>25% - 27%</b>
Net Interest & Other Income	\$0M	<b>\$1M</b>
Effective Tax Rate	17%	<b>17%</b>
EPS	\$0.77	<b>\$0.73 - \$0.84</b>
Diluted Shares	175M	<b>174M</b>

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



# Q3'19 Summary Remarks

- All test businesses strong in Q3
- 5G infrastructure Semi Test investments continued at a high level in Q3
- Memory test revenue up 23% from Q2'19 on strong Flash final test and DRAM wafer test demand
- Extended SOC product line with UltraFLEXplus, targeted at AI and 'Big Data' devices
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- Announced agreement to acquire AutoGuide, a technology leader in the high payload Autonomous Mobile Robot market
- Expect 2019 sales to grow 7% and non-GAAP eps to grow 16% at mid-point of Q4 guidance

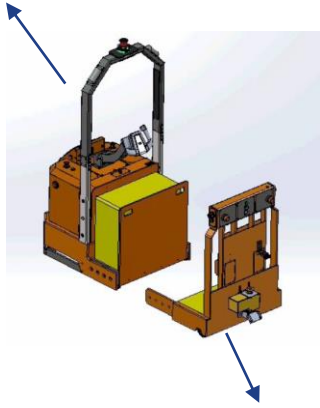
# Supplemental Information



# AutoGuide Product Overview

Unique base + adapter HW architecture with best ease of use SW

Base Vehicle



Adapter



With TUG Adapter



With Forklift Adapter

FLEXIBLE & SCALABLE



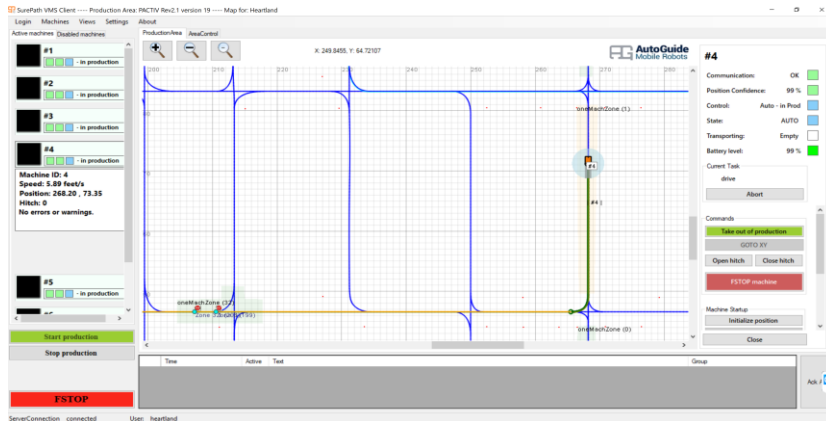
MANEUVERABLE



ACCURATE & REPEATABLE



EASILY DEPLOYED



Fleet Management software with ease of use, functionality and flexibility

- Easy Mapping
- Easy route creation / modification
- Multiple Routes
- Support 3<sup>rd</sup> party vehicles
- Job & Inventory Management



# AutoGuide and MiR are Complementary, Serving High-Growth Markets

## AutoGuide

### Autonomous Mobile Robots

- Transport payloads up to 4,536 kg (10,000 lb)



## MiR

### Autonomous Mobile Robots

- Transport payloads under 1,000 kg

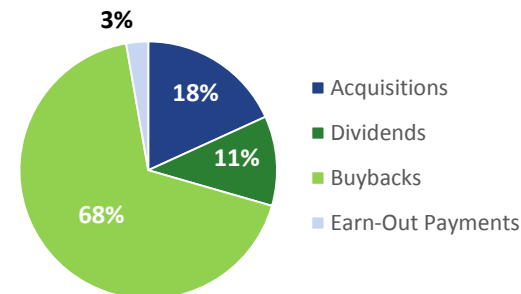


- AutoGuide's unique modular architecture allows it to efficiently address the entire AMV market
- Together, MiR and AutoGuide cover all product categories of autonomous mobile transport from 100 kg to 4,536 kg (10,000 lb) for industrial and warehouse logistics markets
- Potential synergies in distribution, marketing, R&D, and software



# History of Balanced Capital Allocation

Cumulative Capital Allocation Breakdown 2014-9mos'19



	2014	2015	2016	2017	2018	9mos'19	Cumulative
Buybacks	\$0M	\$300M	\$146M	\$200M	\$823M	\$369M	\$1,839M <sup>(1)</sup>
Dividends	\$37M	\$51M	\$49M	\$55M	\$67M	\$46M	\$306M
Acquisitions	\$19M	\$283M	\$0M	\$0M	\$169M	\$22M	\$494M
Earn-out Payments <sup>(2)</sup>	<u>\$0M</u>	<u>\$0M</u>	<u>\$15M</u>	<u>\$1M</u>	<u>\$25M</u>	<u>\$35M</u>	<u>\$75M</u>
Total	\$57M	\$633M	\$210M	\$257M	\$1,085M	\$472M	\$2,713M
Free Cash Flow <sup>(3)</sup>	\$323M	\$323M	\$370M	\$521M	\$370M	\$266M	\$2,173M

(1) 58.7 million shares repurchased at an average price of \$31.31

(2) Earn-Out payments flow through both financing and operating sections of the cash flow statement.

(3) 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.



## 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												
	September 29, 2019		June 30, 2019				September 30, 2018		September 30, 2018				
		% 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	\$ 582.0				\$ 564.2					\$ 566.8			
Gross profit GAAP	\$ 345.0	59.3%			\$ 323.9	57.4%				\$ 333.7	58.9%		
Inventory step-up	-	-			0.4	0.1%				-	-		
Gross profit non-GAAP	\$ 345.0	59.3%			\$ 324.3	57.5%				\$ 333.7	58.9%		
Income from operations - GAAP	\$ 154.9	26.6%			\$ 134.0	23.8%				\$ 143.6	25.3%		
Acquired intangible assets amortization	9.6	1.6%			10.1	1.8%				11.1	2.0%		
Equity modification charge (1)	2.1	0.4%			-	-				-	-		
Restructuring and other (2)	(6.5)	-1.1%			(10.4)	-1.8%				1.7	0.3%		
Inventory step-up	-	-			0.4	0.1%				-	-		
Income from operations - non-GAAP	\$ 160.1	27.5%			\$ 134.1	23.8%				\$ 156.4	27.6%		
			Net Income per Common Share				Net Income per Common Share				Net Income per Common Share		
	September 29, 2019	% of Net Revenues	Basic	Diluted	June 30, 2019	% of Net Revenues	Basic	Diluted	September 30, 2018	% of Net Revenues	Basic	Diluted	
Net income - GAAP	\$ 135.9	23.4%	\$ 0.80	\$ 0.75	\$ 97.4	17.3%	\$ 0.57	\$ 0.55	\$ 120.0	21.2%	\$ 0.65	\$ 0.63	
Acquired intangible assets amortization	9.6	1.6%	0.06	0.05	10.1	1.8%	0.06	0.06	11.1	2.0%	0.06	0.06	
Interest and other (3)	3.5	0.6%	0.02	0.02	3.4	0.6%	0.02	0.02	3.3	0.6%	0.02	0.02	
Equity modification charge (1)	2.1	0.4%	0.01	0.01	-	-	-	-	-	-	-	-	
Restructuring and other (2)	(6.5)	-1.1%	(0.04)	(0.04)	(10.4)	-1.8%	(0.06)	(0.06)	1.7	0.3%	0.01	0.01	
Pension mark-to-market adjustment (3)	-	-	-	-	0.4	0.1%	0.00	0.00	0.3	0.1%	0.00	0.00	
Inventory step-up	-	-	-	-	0.4	0.1%	0.00	0.00	-	-	-	-	
Exclude discrete tax adjustments (4)	(7.7)	-1.3%	(0.05)	(0.04)	13.9	2.5%	0.08	0.08	0.3	0.1%	0.00	0.00	
Non-GAAP tax adjustments	(3.5)	-0.6%	(0.02)	(0.02)	(2.0)	-0.4%	(0.01)	(0.01)	(3.4)	-0.6%	(0.02)	(0.02)	
Convertible share adjustment	-	-	-	0.02	-	-	-	0.02	-	-	-	0.01	
Net income - non-GAAP	\$ 133.4	22.9%	\$ 0.79	\$ 0.77	\$ 113.2	20.1%	\$ 0.66	\$ 0.66	\$ 133.3	23.5%	\$ 0.72	\$ 0.71	
GAAP and non-GAAP weighted average common shares - basic	169.6				171.2				185.7				
GAAP weighted average common shares - diluted	180.5				178.6				190.5				
Exclude dilutive shares related to convertible note transaction	(5.8)				(6.2)				(3.1)				
Non-GAAP weighted average common shares - diluted	174.7				172.4				187.4				

# Appendix | GAAP to Non-GAAP Reconciliation

(1) For the quarter ended September 29, 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.

(2) Restructuring and other consists of:

	Quarter Ended		
	September 29, 2019	June 30, 2019	September 30, 2018
Contingent consideration fair value adjustment	\$ (7.8)	\$ (11.7)	\$ (0.8)
Acquisition related expenses and compensation	0.5	0.5	0.8
Employee severance	0.8	0.8	1.7
	<u>\$ (6.5)</u>	<u>\$ (10.4)</u>	<u>\$ 1.7</u>

(3) For the quarters ended September 29, 2019, June 30, 2019 and September 30, 2018, adjustment to exclude non-cash convertible debt interest expense. For the quarters ended June 30, 2019 and September 30, 2018, adjustment to exclude actuarial loss recognized under GAAP in accordance with Teradyne's mark-to-market pension accounting.

(4) For the quarters ended September 29, 2019, June 30, 2019 and September 30, 2018, adjustment to exclude discrete income tax items. For the quarter ended June 30, 2019, GAAP income tax provision includes a \$15 million tax provision related to the finalization of our toll tax charge.

# Appendix | GAAP to Non-GAAP Reconciliation

## Nine Months Ended

	September 29, 2019		September 30, 2018					
		% of Net Revenues	Net Income per Common Share			% of Net Revenues	Net Income per Common Share	
			Basic	Diluted			Basic	Diluted
Net Revenues	\$ 1,640.3				\$ 1,581.2			
Gross profit GAAP	\$ 956.6	58.3%			\$ 910.9	57.6%		
Inventory step-up	0.4	0.0%			0.4	0.0%		
Gross profit non-GAAP	\$ 957.0	58.3%			\$ 911.3	57.6%		
Income from operations - GAAP	\$ 382.0	23.3%			\$ 361.5	22.9%		
Acquired intangible assets amortization	30.4	1.9%			28.6	1.8%		
Equity modification charge (1)	2.1	0.1%			-	-		
Restructuring and other (2)	(11.8)	-0.7%			3.8	0.2%		
Inventory step-up	0.4	0.0%			0.4	0.0%		
Income from operations - non-GAAP	\$ 403.1	24.6%			\$ 394.3	24.9%		
Net income - GAAP	\$ 342.4	20.9%	\$ 2.00	\$ 1.92	\$ 308.0	19.5%	\$ 1.62	\$ 1.57
Acquired intangible assets amortization	30.4	1.9%	0.18	0.17	28.6	1.8%	0.15	0.15
Interest and other (3)	10.2	0.6%	0.06	0.06	9.7	0.6%	0.05	0.05
Equity modification charge (1)	2.1	0.1%	0.01	0.01	-	-	-	-
Restructuring and other (2)	(11.8)	-0.7%	(0.07)	(0.07)	3.8	0.2%	0.02	0.02
Inventory step-up	0.4	0.0%	0.00	0.00	0.4	0.0%	0.00	0.00
Pension mark-to-market adjustment (3)	0.4	0.0%	0.00	0.00	0.2	0.0%	0.00	0.00
Exclude discrete tax adjustments (4)	(23.9)	-1.5%	(0.14)	(0.13)	(6.5)	-0.4%	(0.03)	(0.03)
Non-GAAP tax adjustments	(9.0)	-0.5%	(0.05)	(0.05)	(8.7)	-0.6%	(0.05)	(0.04)
Convertible share adjustment	-	-	-	0.06	-	-	-	0.03
Net income - non-GAAP	\$ 341.2	20.8%	\$ 1.99	\$ 1.97	\$ 335.5	21.2%	\$ 1.76	\$ 1.74
GAAP and non-GAAP weighted average common shares - basic	171.5				190.6			
GAAP weighted average common shares - diluted	178.7				196.3			
Exclude dilutive shares from convertible note	(5.9)				(4.0)			
Non-GAAP weighted average common shares - diluted	172.8				192.3			

# Appendix | GAAP to Non-GAAP Reconciliation

(1) For the nine months ended September 29, 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.

(2) Restructuring and other consists of:

	Nine Months Ended	
	September 29, 2019	September 30, 2018
Contingent consideration fair value adjustment	\$ (16.5)	\$ (9.2)
Acquisition related expenses and compensation	2.3	4.1
Employee severance	2.4	7.9
Other	-	0.9
	<u>\$ (11.8)</u>	<u>\$ 3.8</u>

(3) For the nine months ended September 29, 2019 and September 30, 2018, Interest and other included non-cash convertible debt interest expense. For the nine months ended September 29, 2019 and September 30, 2018, adjustments to exclude actuarial loss recognized under GAAP in accordance with Teradyne's mark-to-market pension accounting.

(4) For the nine months ended September 29, 2019 and September 30, 2018, adjustment to exclude discrete income tax items. For the nine months ended September 29, 2019, GAAP income tax 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 of our toll tax charge.

# Appendix | GAAP to Non-GAAP Reconciliation

	Q3'18		Q2'19		Q3'19		GAAP Operating Expenses	Q4'19 Low Guidance % of sales	Q4'19 High Guidance % of sales
	\$'s	% of sales	\$'s	% of sales	\$'s	% of sales			
GAAP Operating Expenses	\$190	34%	\$190	34%	\$190	33%			
Intangible Asset Amortization	-\$11	-2%	-\$10	-2%	-\$10	-2%			
Restructuring and Other	-\$2	0%	\$10	2%	\$7	1%			
CFO Equity Modification					-\$2	0%			
Non GAAP Operating Expenses	\$177	31%	\$190	34%	\$185	32%	Non GAAP Operating Expenses	33%	31%

	Q3'18		Q2'19		Q3'19	
	\$'s	%	\$'s	%	\$'s	%
GAAP Income Tax	\$21	15%	\$34	25%	\$16	10%
Exclude discrete tax adjustments	\$0	0%	-\$14	-10%	\$8	5%
Tax effect of non-GAAP adjustments	\$3	2%	\$2	1%	\$4	2%
Effect of Higher Non-GAAP PBT		-2%		0%		-1%
Non GAAP Income Tax	\$24	15%	\$22	16%	\$27	17%

## Q3'19:

GAAP net interest and other income	-\$3.2
Exclude non cash convertible debt interest	\$3.5
Non-GAAP net interest and other income	\$0.3

## Q4'19 Guidance

GAAP net interest and other income	-\$2.5
Exclude non cash convertible debt interest	\$3.5
Non-GAAP net interest and other income	\$1.0

## Q4'19 Guidance:

	Low End	High End
GAAP Operating Profit as % of Sales	23%	25%
Acquired intangible asset amortization	2%	2%
Non-GAAP Operating Profit as % of Sales	25%	27%

## Q4'19 GAAP Guidance Diluted Shares

Exclude dilutive shares from convertible note	-6
Q4'19 Non-GAAP Guidance Diluted Shares	174

## GAAP to Non-GAAP Reconciliation of Fourth Quarter 2019 guidance:

GAAP and non-GAAP fourth quarter revenue guidance:	\$590 million	to	\$630 million
GAAP net income per diluted share	\$ 0.63	\$	0.74
Exclude acquired intangible assets amortization	0.06		0.06
Exclude non-cash convertible debt interest	0.02		0.02
Tax effect of non-GAAP adjustments	(0.01)		(0.01)
Convertible share adjustment	0.03		0.03
Non-GAAP net income per diluted share	\$ 0.73	\$	0.84

## Q4'19 Guidance

GAAP Income Tax Rate	16%
Non GAAP Tax Adjustments	1%
Non-GAAP Income Tax Rate	17%

# 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>Q3'18</u>	<u>Q2'19</u>	<u>Q3'19</u>	<u>9mos'19</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
GAAP Cash Flow From Operations, Excl Disc Ops	\$241	\$148	\$199	\$362	\$492	\$413	\$455	\$626	\$477
Less Property, Plant and Equipment Additions net of Gov't Subsidy	-\$18	-\$36	-\$37	-\$96	-\$169	-\$90	-\$85	-\$105	-\$107
Non-GAAP Operating Cash Flow ("Free Cash Flow")	\$223	\$112	\$162	\$266	\$323	\$323	\$370	\$521	\$370



# Appendix | GAAP to Non-GAAP Reconciliation

## Quarterly Non GAAP EPS Calculation

Non GAAP EPS is the lower of Calculation # 1 or Calculation # 2

Q3 2019

Calculation # 1	
	Non GAAP Net Income
Basic Shares (average shares outstanding during the quarter) + Dilutive employee RSUs & Stock Options	
	\$133.4 million
	169.6 million shares + 1.5 million shares
	\$133.4 million
	171.1 million shares
	\$0.7797 or <b>\$0.78</b>

Calculation # 2	
	Non GAAP Net Income + Non GAAP Convertible Debt Interest Expense (1.25%) after tax
Basic Shares (average shares outstanding during the quarter) + Dilutive employee RSUs & Stock Options + Put Warrant shares (Exercise price ~\$40 per share)	
	\$133.4 million + \$1.3 million
	169.6 million shares + 1.5 million shares + 3.6 million shares
	\$134.7 million
	174.7 million shares
	\$0.7710 or <b>\$0.77</b>