

Teradyne, Inc.
Certain Non-GAAP financial measures discussed during the
Fourth Quarter of 2023 Earnings Conference Call
January 31, 2024

On the Company's earnings conference call on January 31, 2024, the following non-GAAP financial measures were discussed or presented:

Q4 2023 – EPS (\$0.79), Operating Profit (20.1% and \$135M), Gross Margin (56.6% and \$380M), Operating Expenses (36.5% and \$245M), Tax Rate excluding discrete items (12.6%), Effective Tax Rate (12.6% and \$18M), Free Cash Flow (\$246M), Net Income (\$127M)

2023 – Gross Margin (57.4% and \$1,537M), Opex (37.0% and \$990M), Operating Profit (20.4% and \$547M), Effective Tax Rate (15.5% and \$88M), EPS (\$2.93), Diluted shares (164M), Free Cash Flow (\$425M)

2022 - Gross Margin (59.2% and \$1,867M), Opex (31.7% and \$999M), Operating Profit (27.5% and \$868M), Effective Tax Rate (16.3% and \$138M), EPS (\$4.25), Diluted shares (168M), Free Cash Flow (\$415M)

Q3'23 –GM (56.6% and \$398M), Operating Expenses (34.5% and \$243M), Operating Profit (22.1% and \$156M), EPS (\$0.80), FCF (\$140M), Effective Tax Rate (15.7% or \$24M), shares (162M)

Q4'22 – GM (57.4% and \$420M), Operating Expenses (34.4% and \$252M), Operating Profit (23.1% and \$169M), EPS (\$0.92), FCF (\$149M), Effective Tax Rate (12.3% or \$21M), shares (164M)

2026E New Model Target EPS (\$5.50 to \$7.50)

2024 – Forecasted Tax Rate (16%), Forecasted Operating Expense increase (5%-7%)

Q1'24 Guidance – GM (53.6-54.5%), Opex (46-42%), Operating Profit (8-12%), tax rate (16.0%), EPS (\$0.22 to \$0.38), shares (162M)

FCF – 2015 (\$323M), 2016 (\$370M), 2017 (\$521M), 2018 (\$370M), 2019 (\$444M), 2020 (\$684M), 2021 (\$966M)

EPS –2017 (\$2.34), 2018 (\$2.37), 2019 (\$2.86), 2020 (\$4.62), 2021 (\$5.98)

2023 Robotics PBIT (-8%)

GAAP to Non-GAAP Earnings Reconciliation
(In millions, except per share amounts)

	Quarter Ended					
	December 31, 2023		October 1, 2023		December 31, 2022	
	Net Revenues	% of Net Revenues	Net Revenues	% of Net Revenues	Net Revenues	% of Net Revenues
Net revenues	\$ 670.6		\$ 703.7		\$ 731.8	
Gross profit GAAP and non-GAAP	379.5	56.6%	398.3	56.6%	420.4	57.4%
Income from operations - GAAP	124.3	18.5%	144.0	20.5%	166.6	22.8%
Restructuring and other (1)	6.0	0.9%	6.9	1.0%	(2.4)	-0.3%
Acquired intangible assets amortization	4.7	0.7%	4.7	0.7%	4.7	0.6%
Income from operations - non-GAAP	\$ 135.0	20.1%	\$ 155.6	22.1%	\$ 168.9	23.1%

	Net Income per Common Share				Net Income per Common Share					
	December 31, 2023		October 1, 2023		December 31, 2022		December 31, 2022			
	% of Net Revenues	Basic	Diluted	% of Net Revenues	Basic	Diluted	% of Net Revenues	Basic	Diluted	
Net income - GAAP	117.1	17.3%	\$ 0.77	\$ 0.72	138.1	18.2%	\$ 0.83	\$ 0.78	172.3	23.3%
Restructuring and other (1)	6.0	0.9%	0.04	0.04	6.9	1.0%	0.04	0.04	(2.4)	-0.3%
Acquired intangible assets amortization	4.7	0.7%	0.03	0.03	4.7	0.7%	0.03	0.03	4.7	0.6%
Pension mark-to-market adjustment (2)	2.6	0.4%	0.02	0.02	0.1	0.0%	0.00	0.00	(25.6)	-3.3%
Gain on foreign exchange option	(7.5)	-1.1%	(0.05)	(0.05)	—	—	—	—	—	—
Exclude discrete tax adjustments	3.3	0.5%	0.02	0.02	(4.8)	-0.7%	(0.03)	(0.03)	(2.8)	-0.4%
Non-GAAP tax adjustments	1.0	0.1%	0.01	0.01	(3.5)	-0.5%	(0.02)	(0.02)	4.5	0.6%
Convertible share adjustment (3)	—	—	—	—	—	—	—	—	—	—
Net income - non-GAAP	\$ 127.2	19.0%	\$ 0.83	\$ 0.79	\$ 131.5	18.7%	\$ 0.86	\$ 0.80	\$ 150.8	20.6%

GAAP and non-GAAP weighted average common shares - basic			
GAAP weighted average common shares - basic	152.8		153.8
Exclude dilutive shares related to convertible note transaction	(0.2)		(0.6)
Non-GAAP weighted average common shares - diluted	161.9		163.4

	Twelve Months Ended					
	December 31, 2023		December 31, 2022		December 31, 2022	
	Net Revenues	% of Net Revenues	Net Revenues	% of Net Revenues	Net Revenues	% of Net Revenues
Net Revenues	\$ 2,676.3		\$ 3,153.0		\$ 3,153.0	
Gross profit GAAP and non-GAAP	1,536.7	57.4%	1,867.2	59.2%	1,867.2	59.2%
Income from operations - GAAP	501.1	18.7%	831.9	26.4%	831.9	26.4%
Restructuring and other (1)	21.3	0.8%	17.2	0.5%	17.2	0.5%
Acquired intangible assets amortization	19.0	0.7%	19.3	0.6%	19.3	0.6%
Equity modification charge (2)	5.9	0.2%	—	—	—	—
Income from operations - non-GAAP	\$ 547.3	20.4%	\$ 868.4	27.3%	\$ 868.4	27.3%

	Net Income per Common Share				Net Income per Common Share				
	December 31, 2023		December 31, 2022		December 31, 2022		December 31, 2022		
	% of Net Revenues	Basic	Diluted	% of Net Revenues	Basic	Diluted	% of Net Revenues	Basic	Diluted
Net income - GAAP	448.8	16.8%	\$ 2.91	\$ 2.73	715.5	22.7%	\$ 4.52	\$ 4.22	4.22
Restructuring and other (1)	21.3	0.8%	0.14	0.13	17.2	0.5%	0.11	0.10	0.10
Acquired intangible assets amortization	19.0	0.7%	0.12	0.12	19.3	0.6%	0.12	0.11	0.11
Equity modification charge (2)	5.9	0.2%	0.04	0.04	—	—	—	—	—
Pension mark-to-market adjustment (3)	2.7	0.1%	0.02	0.02	(25.6)	-0.8%	(0.16)	(0.15)	(0.15)
Gain on foreign exchange option	(7.5)	-0.3%	(0.05)	(0.05)	—	—	—	—	—
Exclude discrete tax adjustments	(3.4)	-0.1%	(0.02)	(0.02)	(12.1)	-0.4%	(0.08)	(0.07)	(0.07)
Non-GAAP tax adjustments	(7.7)	-0.3%	(0.05)	(0.05)	(1.4)	0.0%	(0.01)	(0.01)	(0.01)
Convertible share adjustment (4)	—	—	—	0.01	—	—	—	—	0.05
Net income - non-GAAP	\$ 479.1	17.9%	\$ 3.10	\$ 2.93	\$ 712.9	22.6%	\$ 4.50	\$ 4.25	4.25

GAAP and non-GAAP weighted average common shares - basic			
GAAP weighted average common shares - basic	154.3		158.4
Exclude dilutive shares from convertible note	(0.6)		(1.8)
Non-GAAP weighted average common shares - diluted	163.7		167.9

GAAP to Non-GAAP Reconciliation of First Quarter 2024 guidance:

GAAP and non-GAAP first quarter revenue guidance:	\$540 million	to \$590 million
GAAP net income per diluted share	\$ 0.19	\$ 0.35
Exclude acquired intangible assets amortization	0.03	0.03
Exclude restructuring and other charges	0.01	0.01
Non-GAAP tax adjustments	(0.01)	(0.01)
Non-GAAP net income per diluted share	\$ 0.22	\$ 0.38

	Twelve Months Ended			
	December 31, 2021	% of Net Revenues	December 31, 2020	% of Net Revenues
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			
	December 31, 2021	% of Net Revenues	December 31, 2020	% of Net Revenues
Net income - GAAP	\$ 1,020.8	27.6%	\$ 784.1	25.1%
Acquired intangible assets amortization	21.5	0.6%	30.8	1.0%
Restructuring and other (1)	1.3	0.0%	(13.2)	-0.4%
Interest and other (2)	10.3	0.3%	14.4	0.5%
Loss on convertible debt conversions (2)	28.8	0.8%	-	-
Pension mark-to-market adjustment (2)	(2.2)	-0.1%	10.3	0.3%
Inventory step-up	-	-	0.4	0.0%
Equity modification charge	-	-	0.8	0.0%
Exclude discrete tax adjustments	(28.6)	-0.8%	(15.2)	-0.5%
Non-GAAP tax adjustments	(1.5)	0.0%	(11.9)	-0.4%
Convertible share adjustment (3)	-	-	-	-
Net income - non-GAAP	\$ 1,050.4	28.4%	\$ 800.5	25.6%

	Net Income			
	December 31, 2021	% of Net Revenues	December 31, 2020	% of Net Revenues
Net income - GAAP	\$ 1,020.8	27.6%	\$ 784.1	25.1%
Acquired intangible assets amortization	21.5	0.6%	30.8	1.0%
Restructuring and other (1)	1.3	0.0%	(13.2)	-0.4%
Interest and other (2)	10.3	0.3%	14.4	0.5%
Loss on convertible debt conversions (2)	28.8	0.8%	-	-
Pension mark-to-market adjustment (2)	(2.2)	-0.1%	10.3	0.3%
Inventory step-up	-	-	0.4	0.0%
Equity modification charge	-	-	0.8	0.0%
Exclude discrete tax adjustments	(28.6)	-0.8%	(15.2)	-0.5%
Non-GAAP tax adjustments	(1.5)	0.0%	(11.9)	-0.4%
Convertible share adjustment (3)	-	-	-	-
Net income - non-GAAP	\$ 1,050.4	28.4%	\$ 800.5	25.6%

	December 31, 2021	December 31, 2020
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

	Twelve Months Ended			
	December 31, 2019	% of Net Revenues	December 31, 2018	% of Net Revenues
Net Revenues	\$ 2,295.0		\$ 2,100.8	
Gross profit GAAP	\$ 1,339.8	58.4%	\$ 1,220.4	58.1%
Inventory step-up	0.4	0.0%	0.4	0.0%
Gross profit non-GAAP	\$ 1,340.2	58.4%	\$ 1,220.8	58.1%
Income from operations - GAAP	\$ 553.7	24.1%	\$ 473.8	22.6%
Acquired intangible assets amortization	40.1	1.7%	39.2	1.9%
Equity modification charge (1)	2.1	0.1%	-	-
Restructuring and other (2)	(13.9)	-0.6%	15.2	0.7%
Inventory step-up	0.4	0.0%	0.4	0.0%
Income from operations - non-GAAP	\$ 582.4	25.4%	\$ 528.6	25.2%

	Net Income per common share			
	December 31, 2019	% of Net Revenues	December 31, 2018	% of Net Revenues
Net income - GAAP	\$ 467.5	20.4%	\$ 451.8	21.5%
Acquired intangible assets amortization	40.1	1.7%	39.2	1.9%
Interest and other (3)	28.7	1.3%	13.1	0.6%
Equity modification charge (1)	2.1	0.1%	-	-
Restructuring and other (2)	(13.9)	-0.6%	15.2	0.7%
Inventory step-up	0.4	0.0%	0.4	0.0%
Pension mark-to-market adjustment (3)	8.2	0.4%	(3.3)	-0.2%
Exclude discrete tax adjustments (4)	(22.6)	-1.0%	(59.4)	-2.8%
Non-GAAP tax adjustments	(16.7)	-0.7%	(6.4)	-0.4%
Convertible share adjustment (5)	-	-	-	-
Net income - non-GAAP (5)	\$ 493.8	21.5%	\$ 448.6	21.4%

	Net Income per common share			
	December 31, 2019	% of Net Revenues	December 31, 2018	% of Net Revenues
Net income - GAAP	\$ 467.5	20.4%	\$ 451.8	21.5%
Acquired intangible assets amortization	40.1	1.7%	39.2	1.9%
Interest and other (3)	28.7	1.3%	13.1	0.6%
Equity modification charge (1)	2.1	0.1%	-	-
Restructuring and other (2)	(13.9)	-0.6%	15.2	0.7%
Inventory step-up	0.4	0.0%	0.4	0.0%
Pension mark-to-market adjustment (3)	8.2	0.4%	(3.3)	-0.2%
Exclude discrete tax adjustments (4)	(22.6)	-1.0%	(59.4)	-2.8%
Non-GAAP tax adjustments	(16.7)	-0.7%	(6.4)	-0.4%
Convertible share adjustment (5)	-	-	-	-
Net income - non-GAAP (5)	\$ 493.8	21.5%	\$ 448.6	21.4%

	December 31, 2019	December 31, 2018
GAAP and non-GAAP weighted average common shares - basic	170.4	167.7
GAAP weighted average common shares - diluted	179.5	192.6
Exclude dilutive shares from convertible note	(4.9)	(3.2)
Non-GAAP weighted average common shares - diluted (5)	174.6	189.4

	2022		2023	
	\$'s	%	\$'s	%
GAAP Income Tax	\$125	15%	\$77	15%
Exclude discrete tax adjustments	\$12	1%	\$4	1%
Tax effect of non-GAAP adjustments	\$1	0%	\$8	1%
Effect of Higher Non-GAAP PBT		0%		-1%
Non GAAP Income Tax	\$138	16%	\$88	16%

Q1'24 GAAP Guidance Diluted Shares	163
Exclude dilutive shares from convertible note	-1
Q1'24 Non-GAAP Guidance Diluted Shares	162

Q1'24 Guidance:	Low End	High End
GAAP Operating Profit as % of Sales	6%	11%
Acquired intangible asset amortization	1%	1%
Restructuring and Other	0%	0%
Non-GAAP Operating Profit as % of Sales	8%	12%

GAAP to Non-GAAP Reconciliation of First Quarter 2024 guidance:

GAAP and non-GAAP first quarter revenue guidance:	\$540 million to \$590 million	
GAAP net income per diluted share	\$ 0.19	\$ 0.35
Exclude acquired intangible assets amortization	0.03	0.03
Exclude restructuring and other charges	0.01	0.01
Non-GAAP tax adjustments	(0.01)	(0.01)
Non-GAAP net income per diluted share	\$ 0.22	\$ 0.38

FY 2024 GAAP estimated tax rate	16.00%
Adjustment for Non GAAP items	0.00%
FY 2024 Non GAAP estimated tax rate	16.00%

	2015	2016	2017	2018	2019	2020	2021	2022	2023	Q4'22	Q3'23	Q4'23
GAAP Cash Flow from Operations, Excl Disc Ops	\$ 413	\$ 455	\$ 626	\$ 477	\$ 579	\$ 869	\$ 1,098	\$ 578	\$ 585	\$ 183	\$ 174	\$ 249
Less Property, Plant, and Equipment Additions net of Gov't Subsidy	\$ (90)	\$ (85)	\$ (105)	\$ (107)	\$ (135)	\$ (185)	\$ (132)	\$ (163)	\$ (160)	\$ (35)	\$ (35)	\$ (44)
Non-GAAP Operating Cash Flow ("Free Cash Flow")	\$ 323	\$ 370	\$ 521	\$ 370	\$ 444	\$ 684	\$ 966	\$ 415	\$ 426	\$ 149	\$ 140	\$ 204

FY 2023 Robotics Operating Loss

GAAP income from operations as a % of revenue	-13%
Exclude acquired intangible asset amortization	5%
Non-GAAP income from operations as a % of revenue	-8%

2024 Operating Expenses

2024 GAAP Operating Expenses
Exclude acquired intangible asset amortization
Q4 2023 Non-GAAP Operating Expenses

Low	<u>\$M</u>	High	<u>\$M</u>
	1,059		1,078
	(19)		(19)
	<u>1,040</u>		<u>1,059</u>

2026 Updated Mid Term Earnings Model

2026 GAAP Diluted EPS
Add back acquired intangible asset amortization
2026 Non-GAAP Diluted EPS

Low	<u>\$M</u>	High	<u>\$M</u>
	5.49		7.49
	0.01		0.01
	<u>5.50</u>		<u>7.50</u>