

Financial Results for Q4 and Full Year 2022

January 26, 2023





SAFE HARBOR (page 1 of 3)

This presentation 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, 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 cost increases from inflation on materials, employee wages, third party labor, and contract manufacturing, sanctions against Russia and Russian companies, 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 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, 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 also is assessing the filing of 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.



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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 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.

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.

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.



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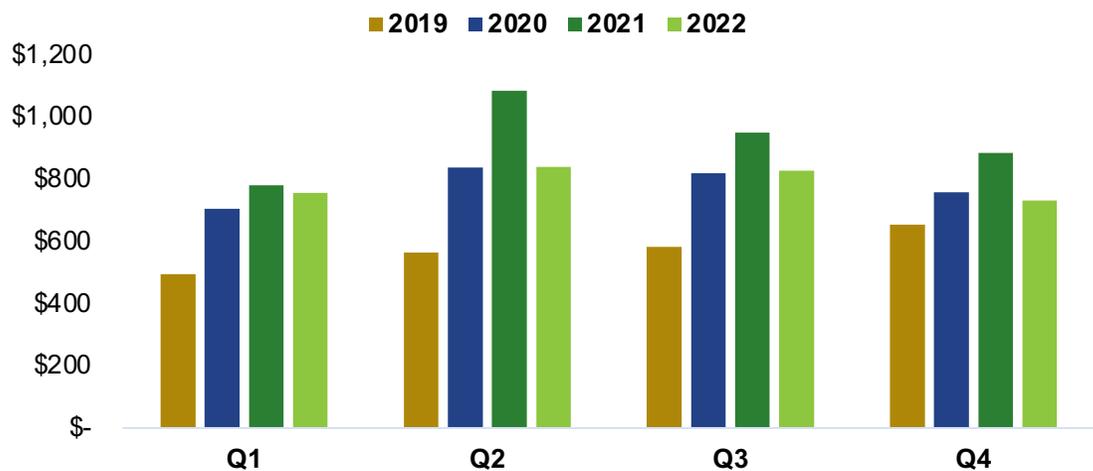
Important factors that could cause actual results, the 2026 earnings model, earnings per share, use of cash, dividend payments, repurchases of common stock, or payment of the senior convertible notes to differ materially from those presently expected include: conditions affecting the markets in which 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 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; the impact of cost increases from inflation on materials, employee wages, third party labor, and contract manufacturing; 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 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, Russia and Venezuela; sanctions imposed against the Russian government and certain Russian companies and individuals by the U.S., and other countries; 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, 2021 and Quarterly Report on Form 10-Q for the fiscal quarter ended October 2, 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

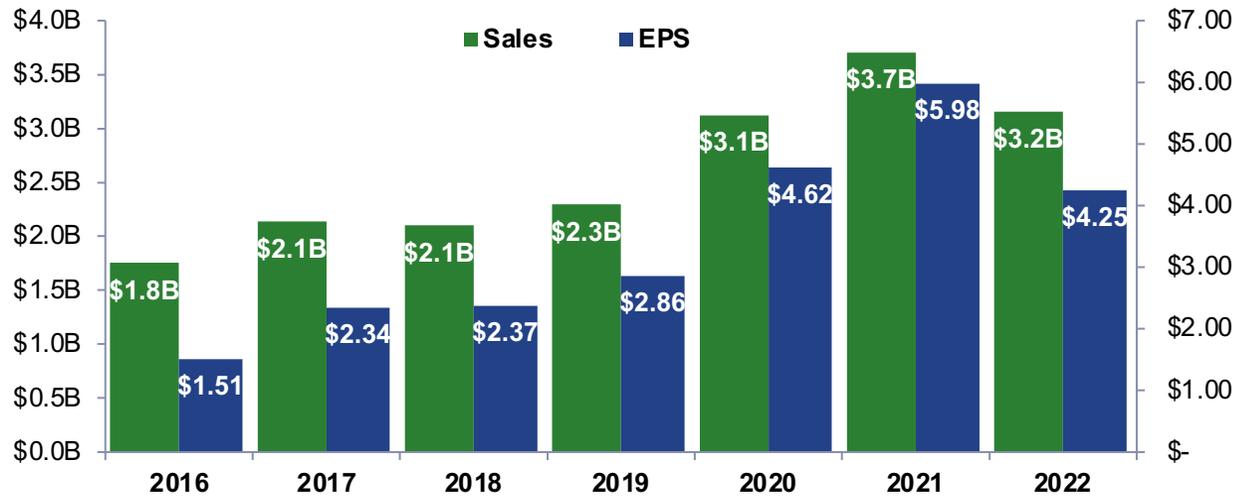
Mark Jagiela, Teradyne CEO
Greg Smith, Teradyne President

Q4'22 and 2022 Summary

2022 Sales of \$3,155M, Non-GAAP EPS of \$4.25



Quarterly Sales by Year (\$M)



Full Year Sales/Non-GAAP EPS(1)

- Q4'22 sales down 17% YoY on softer test demand
- Q4'22 Semiconductor test had relative strength in Automotive and Industrial test
- Q4'22 Industrial Automation reported sales down 2% YoY, up 7% in constant currency

- Revenue CAGR of 11% since 2016
- Non-GAAP EPS CAGR of 19% since 2016
- Sales down 15% from record 2021
- Full year 2022 Non-GAAP EPS of \$4.25 down 29% from record 2021

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

(2) CAGR reflects 2018-2022



2022 Summary & Outlook

- 2022 Summary:
 - Total Company revenues second highest in history but down 15% from record 2021
 - SOC test market in '22 declined ~6% from '21 to ~\$4.6B, mobility segment estimated down ~20%+
 - Memory test market declined ~5% from '21 to ~\$960M
 - Test customers began working through supply/demand/inventory imbalance
 - Industrial Automation Growth impacted by foreign exchange, slowing demand in Europe, labor shortages in distribution
- 2023 & Earnings Model Update:
 - Expect muted demand in test and IA to persist through 1H'23, and limited visibility into 2H '23
 - Test downturn began in July'22, historical duration ~ 4-6 Qtrs
 - Estimate '23 SOC Test market to be down 10-30% from '22, Memory Test market flat to slightly down from '22 level
 - Earnings Model Test growth drivers: AI/Cloud compute, mobile processing, automotive ADAS & EV, Edge AI and other complexity drivers along with unit growth remain in place; expect trend line test growth through 2026+
 - Earnings Model IA growth drivers: OEM channel expansion and other distribution improvements, new products, industry labor shortages, labor costs, low penetration expected to drive growth through 2026+

Fourth Quarter and Full Year 2022 Financial Results, Mid-Term Earnings Model Update and First Quarter 2023 Guidance

Sanjay Mehta, Teradyne Vice President and Chief Financial Officer



Q4'22 Non-GAAP Results

\$s in millions, except EPS	Q4'21 Actual ⁽¹⁾		Q3'22 Actual ⁽¹⁾		Q4'22 Actual ⁽¹⁾	
Sales		\$885M		\$827M		\$732M
Gross Margin	59.5%	\$527M	58.7%	\$485M	57.4%	\$420M
R&D	12.4%	\$110M	13.5%	\$112M	14.9%	\$109M
SG&A	<u>16.1%</u>	<u>\$143M</u>	<u>16.4%</u>	<u>\$136M</u>	<u>19.5%</u>	<u>\$143M</u>
OPEX	28.6%	\$253M	29.9%	\$247M	34.4%	\$252M
Operating Profit	31.0%	\$274M	28.8%	\$238M	23.1%	\$169M
Income Taxes (& effective tax rate)	13.6%	\$38M	18.7%	\$44M	12.3%	\$21M
EPS		\$1.37		\$1.15		\$0.92
Diluted Shares		175M		165M		164M

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

Q4'22 Segment Summary

4th Quarter Sales

2022 Q4 Key Highlights

Semi Test Sales Detail

Semiconductor Test

\$481M

Sales down 19% vs Q4'21 due to soft complex SOC related demand

Automotive and Industrial demand remained strong in SOC test

Memory Test shipments lower in line with market softness

Semi Product	\$366M
Semi Service	\$115M

System Test

\$100M

Sales down 22% vs Q4'21

Storage Test shipments down 43% vs Q4'21

Defense/Aerospace and Production Board Test combined shipments up 15%

Wireless Test

\$40M

Sales down 23% vs Q4'21 due to lower cellular and Wi-Fi demand

Continued Wi-Fi 7 R&D success

UltraWide Band (UWB) sales up from Q4'21

Industrial Automation

\$110M

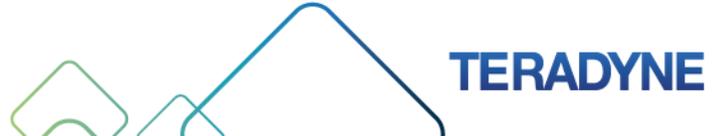
Sales as reported down 2% vs Q4'21, up 7% in constant currency

UR sales down 7% on FX, slowing demand

MiR sales up 20% ⁽¹⁾

Total Company Service: \$140M

1) Beginning in Q3'22, AutoGuide results are combined with MiR



Q1'23 Non-GAAP Guidance

\$s in millions, except EPS	Q4'22 Actual ⁽¹⁾	Q1'23 Guidance ⁽¹⁾
Sales	\$732M	\$550M - \$630M
Gross Margin	57.4%	55% - 56%
OPEX	34.4%	44% - 39%
Operating Profit	23.1%	10% - 17%
Effective Tax Rate	12.3%	16.8%
EPS	\$0.92	\$0.28 - \$0.52
Diluted Shares	164M	165M

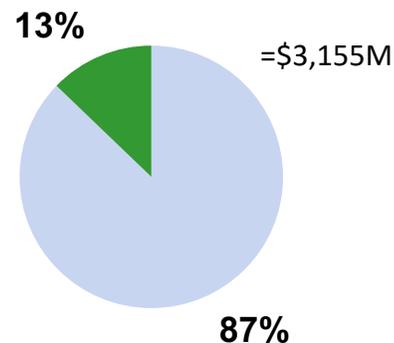


Teradyne Non-GAAP Earnings Model

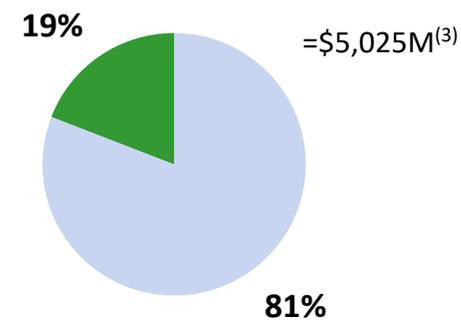
Financial Model ⁽¹⁾⁽²⁾

	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⁽³⁾



Automated Test Industrial Automation

2023E Model Assumptions

Metric	Old Model	New Model	Comment
Industrial Automation 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

2022 Summary & 2023 Outlook

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- Financial Update:
 - \$2B share repurchase authorization, expect to repurchase up to \$500 million in 2023
 - Updated Earnings model projects \$7.50-\$10 in non-GAAP eps, \$4.5B -\$5.55B in sales in 2026

Supplemental Information



Annual Non-GAAP Results

\$s in millions, except EPS	2021 ⁽¹⁾		2022 ⁽¹⁾	
Sales		\$3,703M		\$3,155M
Gross Margin	59.6%	\$2,207M	59.2%	\$1,867M
R&D	11.5%	\$428M	14.0%	\$441M
SG&A	<u>14.8%</u>	<u>\$548M</u>	<u>17.7%</u>	<u>\$558M</u>
OPEX	26.3%	\$975M	31.7%	\$999M
Operating Profit	33.3%	\$1,231M	27.5%	\$868M
Income Taxes (& effective tax rate)	14.5%	\$178M	16.3%	\$138M
EPS		\$5.98		\$4.25
Diluted Shares ⁽²⁾		176M		168M

15 (1) See attached appendix for GAAP to non-GAAP reconciliations.
 (2) Share count is full year average.

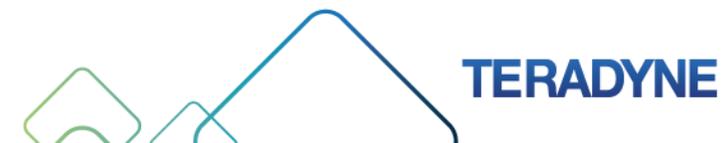


Balance Sheet & Capital Return

	Q4'21 Actual	Q3'22 Actual	Q4'22 Actual	
Cash and Marketable Securities	\$1,500M	\$887M	\$1,005M	
Inventory	\$243M	\$311M	\$325M	
DSO	55 Days	58 Days	60 Days	
Capital Additions	\$29M	\$39M	\$35M	
Depreciation and Amortization ⁽¹⁾	\$41M	\$41M	\$39M	
Free Cash Flow ⁽²⁾	\$302M	\$233M	\$149M	
Capital Return {	Buybacks	\$194M	\$217M	\$2M
	Dividends	\$16M	\$17M	\$17M

(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.

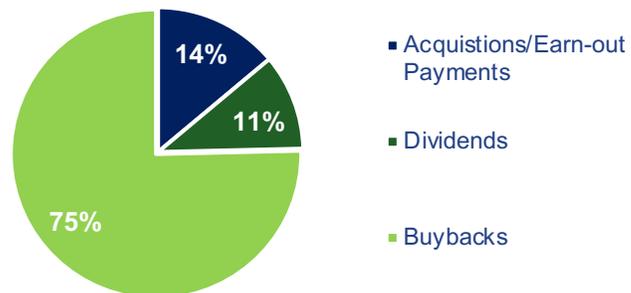


History of Capital Allocation

- Since 2015, 74.4M shares repurchased at an average price of ~\$46 per share

(\$M)	2015	2016	2017	2018	2019	2020	2021	2022	Cumulative
Buybacks	\$300M	\$146M	\$200M	\$823M	\$500M	\$88M	\$600M	\$752M	\$3,410M
Dividends	\$51M	\$49M	\$55M	\$67M	\$61M	\$66M	\$66M	\$70M	\$486M
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	\$822M	\$4,525M
Free Cash Flow ⁽¹⁾	\$323M	\$370M	\$521M	\$370M	\$444M	\$684M	\$966M	\$415M	\$4,094M

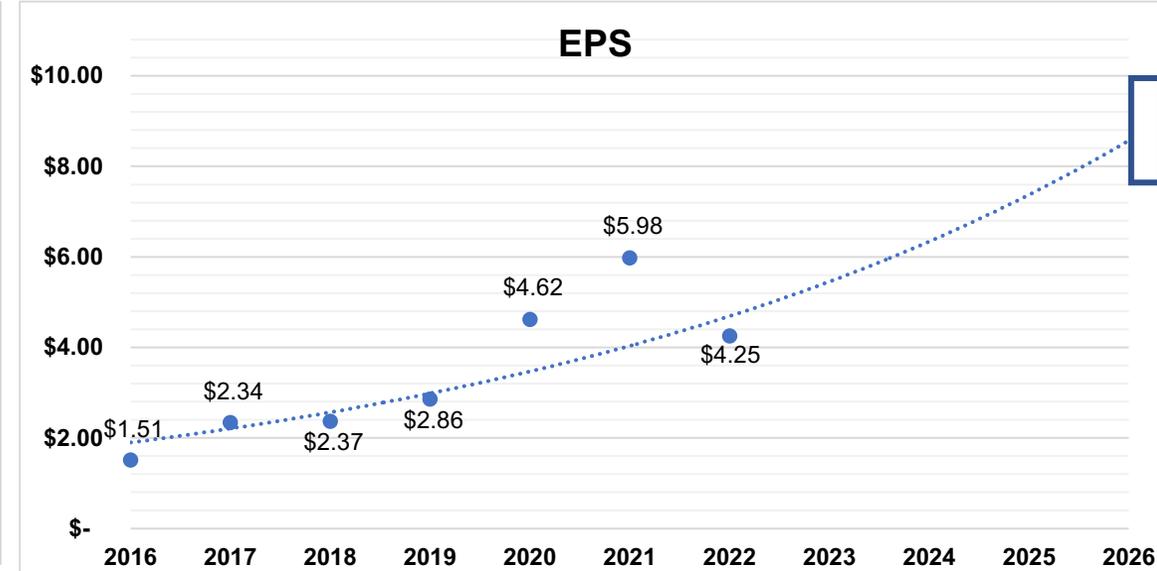
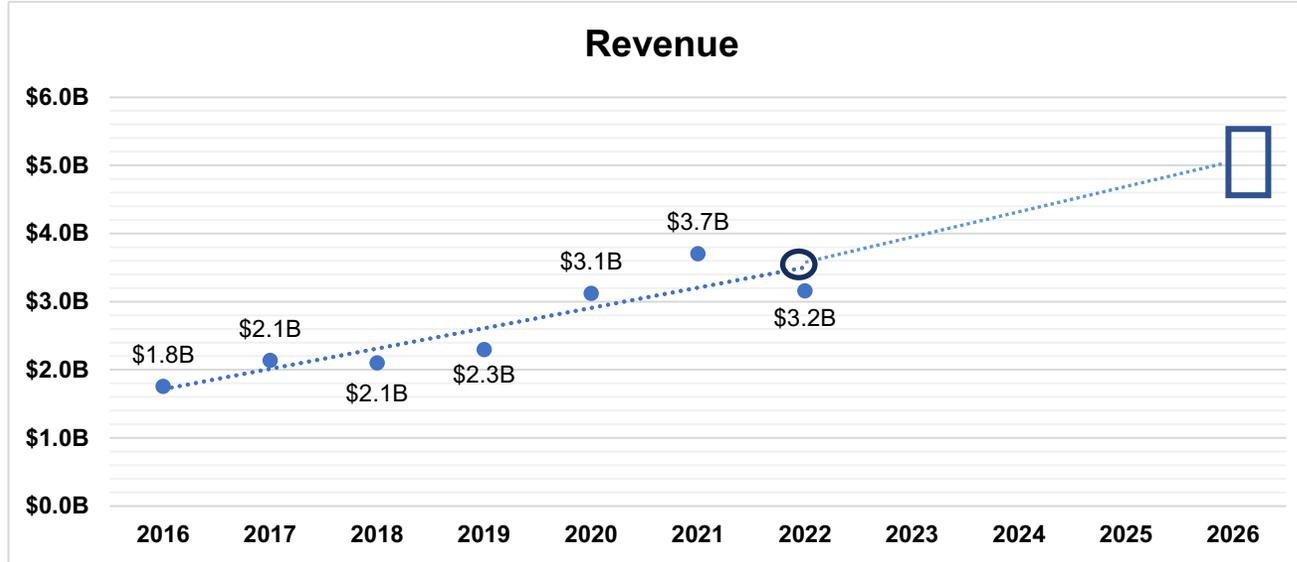
Cumulative Capital Allocation
Breakdown 2015 - 2022



(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.



2026 Bottom-Up Earnings Model In-Line with Recent Growth Trends



= 2026 Earnings Model Range of \$4.5B-\$5.55B of Sales, \$7.50-\$10.00 of non-GAAP EPS
 = 2016 to 2022 reflects historical trendline; 2022 to 2026 reflects earnings model trendline

- EPS follows revenue growth, however, grows faster than revenue due to:
 - Share repurchases
 - Fixed costs amortized over higher revenue yielding operational efficiency

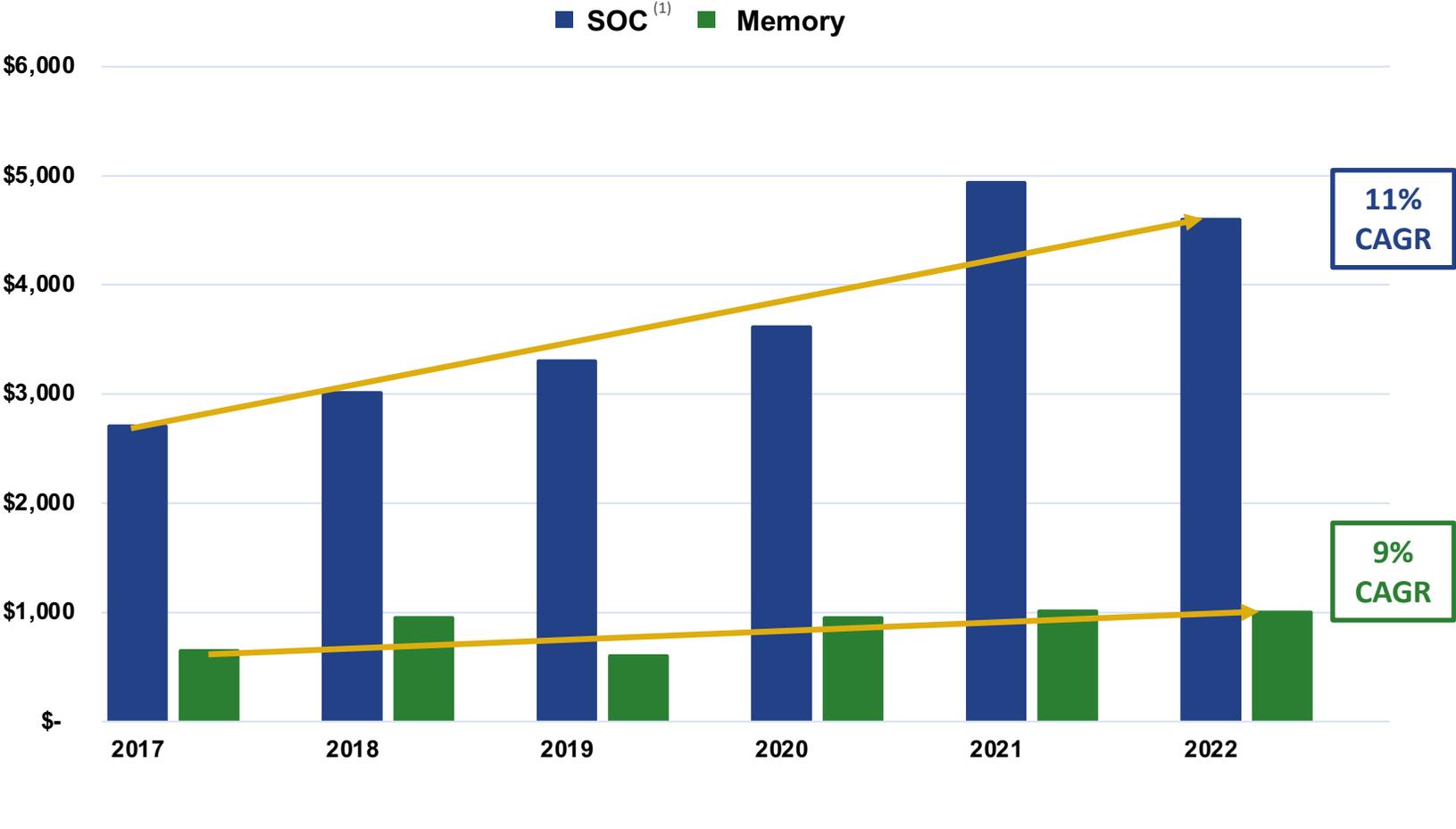
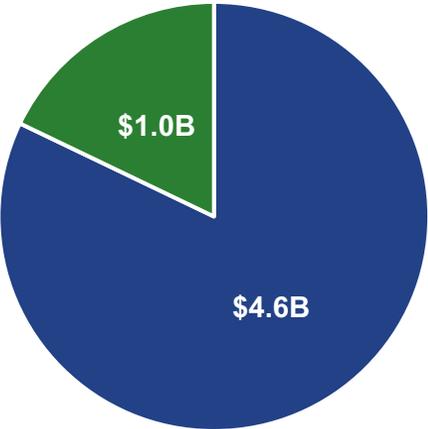
Semiconductor Test Market Growth Trends Are Favorable

Semiconductor Test

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

Memory test driven by bit growth, diversity, higher bandwidth

2022 Market Sizes



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





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

(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

	Twelve Months Ended			
	December 31, 2022	% of Net Revenues	December 31, 2021	% of Net Revenues
Net Revenues	\$ 3,155.0		\$ 3,702.9	
Gross profit GAAP and non-GAAP	\$ 1,867.2	59.2%	\$ 2,206.7	59.6%
Income from operations - GAAP	\$ 831.9	26.4%	\$ 1,200.7	32.4%
Restructuring and other (1)	17.2	0.5%	9.3	0.3%
Acquired intangible assets amortization	19.3	0.6%	21.5	0.6%
Income from operations - non-GAAP	\$ 868.4	27.5%	\$ 1,231.5	33.3%

	December 31, 2022		Net Income per Common Share		December 31, 2021		Net Income per Common Share	
	% of Net Revenues		Basic	Diluted	% of Net Revenues		Basic	Diluted
Net income - GAAP	22.7%	\$ 715.5	\$ 4.52	\$ 4.22	27.4%	\$ 1,014.6	\$ 6.15	\$ 5.53
Restructuring and other (1)	0.5%	17.2	0.11	0.10	0.3%	9.3	0.06	0.05
Acquired intangible assets amortization	0.6%	19.3	0.12	0.11	0.6%	21.5	0.13	0.12
Loss on convertible debt conversions (2)	-	-	-	-	0.8%	28.8	0.17	0.16
Interest and other (2)	-	-	-	-	0.3%	10.3	0.06	0.06
Pension mark-to-market adjustment (2)	-0.8%	(25.6)	(0.16)	(0.15)	-0.1%	(2.2)	(0.01)	(0.01)
Exclude discrete tax adjustments	-0.4%	(12.1)	(0.08)	(0.07)	-0.8%	(28.6)	(0.17)	(0.16)
Non-GAAP tax adjustments	0.0%	(1.4)	(0.01)	(0.01)	-0.1%	(3.4)	(0.02)	(0.02)
Convertible share adjustment (3)	-	-	-	0.05	-	-	-	0.24
Net income - non-GAAP	22.6%	\$ 712.9	\$ 4.50	\$ 4.25	28.4%	\$ 1,050.3	\$ 6.37	\$ 5.98

GAAP and non-GAAP weighted average common shares - basic	158.4	165.0
GAAP weighted average common shares - diluted	169.7	183.6
Exclude dilutive shares from convertible note	(1.8)	(7.4)
Non-GAAP weighted average common shares - diluted	167.9	176.2

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

	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%

	Net Income per Common Share				Net Income per Common Share			
	December 31, 2020	% of Net Revenues	Basic	Diluted	December 31, 2019	% of Net Revenues	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	% 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				Net Income			
	December 31, 2021	% of Net Revenues	Basic	Diluted	December 31, 2020	% of Net Revenues	Basic	Diluted
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

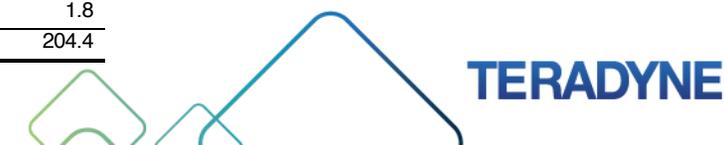
	Twelve Months Ended			
	December 31, 2019	% of Net Revenues	December 31, 2018	% of Net Revenues
Net Revenues	\$ 2,295.0		\$ 2,100.8	
Gross profit GAAP	\$ 1,339.8	58.4%	\$ 1,220.4	58.1%
Inventory step-up	0.4	0.0%	0.4	0.0%
Gross profit non-GAAP	\$ 1,340.2	58.4%	\$ 1,220.8	58.1%
Income from operations - 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				Net Income per common share			
	December 31, 2019	% of Net Revenues	Basic	Diluted	December 31, 2018	% of Net Revenues	Basic	Diluted
Net income - GAAP	\$ 467.5	20.4%	\$ 2.74	\$ 2.60	\$ 451.8	21.5%	\$ 2.41	\$ 2.35
Acquired intangible assets amortization	40.1	1.7%	0.24	0.22	39.2	1.9%	0.21	0.20
Interest and other (3)	28.7	1.3%	0.17	0.16	13.1	0.6%	0.07	0.07
Equity modification charge (1)	2.1	0.1%	0.01	0.01	-	-	-	-
Restructuring and other (2)	(13.9)	-0.6%	(0.08)	(0.08)	15.2	0.7%	0.08	0.08
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)	8.2	0.4%	0.05	0.05	(3.3)	-0.2%	(0.02)	(0.02)
Exclude discrete tax adjustments (4)	(22.6)	-1.0%	(0.13)	(0.13)	(59.4)	-2.8%	(0.32)	(0.31)
Non-GAAP tax adjustments	(16.7)	-0.7%	(0.10)	(0.09)	(8.4)	-0.4%	(0.04)	(0.04)
Convertible share adjustment (5)	-	-	-	0.11	-	-	-	0.04
Net income - non-GAAP (5)	\$ 493.8	21.5%	\$ 2.90	\$ 2.86	\$ 448.6	21.4%	\$ 2.39	\$ 2.37

GAAP and non-GAAP weighted average common shares - basic	170.4	187.7
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

Appendix | GAAP to Non-GAAP Reconciliation

	Twelve Months Ended							
	December 31, 2017		December 31, 2016		December 31, 2016		December 31, 2016	
		% of Net Revenues			% of Net Revenues		% of Net Revenues	
Net Revenues	\$ 2,136.6				\$ 1,753.3			
Gross profit - GAAP	\$ 1,223.9	57.3%			\$ 959.6	54.7%		
Pension mark-to-market adjustment (1)	(2.8)	-0.1%			(1.0)	-0.1%		
Gross profit - non-GAAP	\$ 1,221.1	57.2%			\$ 958.6	54.7%		
Income (loss) from operations - GAAP	\$ 530.0	24.8%			\$ (60.0)	-3.4%		
Acquired intangible assets amortization	30.5	1.4%			52.6	3.0%		
Restructuring and other (2)	9.4	0.4%			21.9	1.2%		
Pension mark-to-market adjustment (1)	(6.3)	-0.3%			(3.2)	-0.2%		
Goodwill impairment (3)	-	-			254.9	14.5%		
Acquired intangible assets impairment (3)	-	-			83.3	4.8%		
Income from operations - non-GAAP	\$ 563.6	26.4%			\$ 349.5	19.9%		
			Net Income per Common Share				Net (Loss) Income per Common Share	
	December 31, 2017	% of Net Revenues	Basic	Diluted	December 31, 2016	% of Net Revenues	Basic	Diluted
Net income (loss) - GAAP	\$ 257.7	12.1%	\$ 1.30	\$ 1.28	\$ (43.4)	-2.5%	\$ (0.21)	\$ (0.21)
Acquired intangible assets amortization	30.5	1.4%	0.15	0.15	52.6	3.0%	0.26	0.26
Interest and other (4)	12.4	0.6%	0.06	0.06	0.6	0.0%	0.00	0.00
Restructuring and other (2)	9.4	0.4%	0.05	0.05	21.9	1.2%	0.11	0.11
Pension mark-to-market adjustment (1)	(6.3)	-0.3%	(0.03)	(0.03)	(3.2)	-0.2%	(0.02)	(0.02)
Goodwill impairment (3)	-	-	-	-	254.9	14.5%	1.26	1.25
Acquired intangible assets impairment (3)	-	-	-	-	83.3	4.8%	0.41	0.41
Exclude discrete tax adjustments (5)	178.3	8.3%	0.90	0.89	(4.5)	-0.3%	(0.02)	(0.02)
Non-GAAP tax adjustments (6)	(12.8)	-0.6%	(0.06)	(0.06)	(53.3)	-3.0%	(0.26)	(0.26)
Net income - non-GAAP	\$ 469.2	22.0%	\$ 2.37	\$ 2.34	\$ 308.9	17.6%	\$ 1.52	\$ 1.51
GAAP and non-GAAP weighted average common shares - basic	198.1				202.6			
GAAP weighted average common shares - diluted	201.6				202.6			
Exclude dilutive shares from convertible note	(1.3)				-			
Include dilutive shares	-				1.8			
Non-GAAP weighted average common shares - diluted	200.3				204.4			



Appendix | GAAP to Non-GAAP Reconciliation

	Q4'21		Q3'22		Q4'22		Q1'23 Low Guidance		Q1'23 High Guidance	
	\$'s	% of sales	\$'s	% of sales	\$'s	% of sales	\$'s	% of sales	\$'s	% of sales
GAAP Operating Expenses	\$271	31%	\$254	31%	\$254	35%	\$249	45%	\$253	40%
Intangible Asset Amortization	-\$5	-1%	-\$5	-1%	-\$5	-1%	-\$5	-1%	-\$5	-1%
Restructuring and Other	-\$13	-1%	-\$2	0%	\$2	0%				
Equity Modification Charge										
Non GAAP Operating Expenses	\$253	29%	\$247	30%	\$252	34%	\$245	44%	\$248	39%

	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%

Q1'23 Guidance:	Low End	High End
GAAP Operating Profit as % of Sales	10%	16%
Acquired intangible asset amortization	1%	1%
Non-GAAP Operating Profit as % of Sales	10%	17%

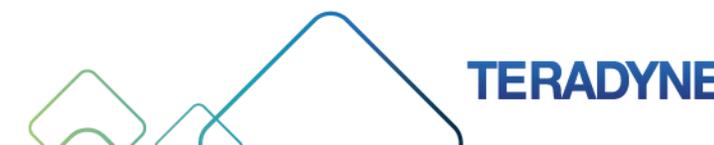
	Q4'21		Q3'22		Q4'22		2021		2022	
	\$'s	%								
GAAP Income Tax	\$31	12%	\$43	19%	\$23	12%	\$146	13%	\$125	15%
Exclude discrete tax adjustments	\$7	3%	\$1	0%	\$3	1%	\$29	2%	\$12	1%
Tax effect of non-GAAP adjustments	\$0	0%	\$0	0%	-\$5	-2%	\$3	0%	\$1	0%
Effect of Higher Non-GAAP PBT		-1%		-1%		1%		0%		0%
Non GAAP Income Tax	\$38	14%	\$44	19%	\$21	12%	\$178	15%	\$138	16%

Q1'23 GAAP Guidance Diluted Shares	166
Exclude dilutive shares from convertible note	-1
Q4'22 Non-GAAP Guidance Diluted Shares	165

FY 2023 GAAP estimated tax rate	16.75%
Adjustment for Non GAAP items	0.00%
FY 2023 Non GAAP estimated tax rate	16.75%

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



Appendix | GAAP to Non-GAAP Reconciliation

	Quarter Ended			Twelve Months Ended		
	December 31, 2022	December 31, 2021	Percentage Change	December 31, 2022	December 31, 2021	Percentage Change
Industrial Automation segment revenues						
As reported	110.4	112.9	-2%	403.1	375.9	7%
Currency exchange rate fluctuations	9.3	(0.9)		18.5	(8.4)	
Constant currency total revenues (4)	119.7	112.0	7%	421.6	367.5	15%

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 (4) 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

- 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	2022	Q4'21	Q3'22	Q4'22
GAAP Cash Flow from Operations, Excl Disc Ops	\$ 413	\$ 455	\$ 626	\$ 477	\$ 579	\$ 869	\$ 1,098	\$ 578	\$ 331	\$ 272	\$ 183
Less Property, Plant, and Equipment Additions net of Govt Subsidy	\$ (90)	\$ (85)	\$ (105)	\$ (107)	\$ (135)	\$ (185)	\$ (132)	\$ (163)	\$ (29)	\$ (39)	\$ (35)
Non-GAAP Operating Cash Flow ("Free Cash Flow")	\$ 323	\$ 370	\$ 521	\$ 370	\$ 444	\$ 684	\$ 966	\$ 415	\$ 302	\$ 233	\$ 149



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	\$ 0.01	\$ 0.01	\$ 0.01
2026 Estimated Non-GAAP Diluted EPS	\$ 7.50	\$ 8.75	\$ 10.00