

Teradyne, Inc.

Certain Non-GAAP financial measures discussed during the Third Quarter of 2017 Earnings Conference Call October 26, 2017

On the Company's earnings conference call on October 26, 2017, the following non-GAAP financial measures were discussed or presented:

- Q3'17 EPS \$0.54
- Q2'17 EPS \$0.90
- Q3'16 EPS \$0.33
- Q3'17 net income \$107.7M
- Q4'17 guidance EPS \$0.31 to \$0.37
- Nine months ended October 1, 2017 EPS \$1.88
- Forecasted FY 2017 EPS \$2.22 using the midpoint of Q4 EPS guidance
- EPS \$2.00 annual target
- Universal Robots quarterly operating expense increased by \$5M
- EPS increase of 47% (Forecasted FY 2017 compared to FY 2016)
- FY 2010 to FY 2017 average PBIT of 22%
- FY2000 to FY 2009 average PBIT of -1%
- Q3'17 PBIT 26%
- Q3'17 Operating Expenses \$163M
- Q2'17 Operating Expenses \$173M
- Q3'16 Operating Expenses \$150M
- Universal Robots forecasted FY 2017 operating expenses of \$64M
- Universal Robots FY 2016 operating expenses of \$43M
- Q4'17 Operating Expense Guidance 35% to 38%
- Q4'17 Guidance Midpoint Operating Profit Rate 18%
- Forecasted FY 2017 tax rate 17.25%
- YTD Q3'17 Free Cash Flow of \$406M
- FY 2015 EPS \$1.27
- FY 2016 EPS \$1.51
- Cash Generation – 2012 (\$302M), 2013 (\$180M), 2014 (\$344M), 2015 (\$343M), 2016 (\$380M), YTD Q3'2017 (\$430M)
- Q3'16 – Gross Margin (55.5% and \$228M), R&D (17.3% and \$71M), SG&A (19.2% and \$79M), Opex (36.5% and \$150M), Operating Profit (19% and \$78M), EPS (\$0.33), FCF (\$182M), Effective Tax Rate (17% or \$13M), shares (204M)
- Q2'17 - Gross Margin (56% and \$391M), R&D (11.8% and \$82M), SG&A (12.9% and \$90M), Opex (24.8% and \$173M), Operating Profit (31.3% and \$218M), Effective Tax Rate (16.7% and \$36M), EPS (\$0.90), FCF (\$206M), shares (201M)
- Q3'17 – Gross Margin (58.6% and \$295M), R&D (15.3% and \$77M), SG&A (17.1% and \$86M), Opex (32.4% and \$163M), Operating Profit (26.1% and \$131M), EPS (\$0.54), FCF (\$283M), Effective Tax Rate (19.1% or \$25M), shares (200M)
- Q4'17 Guidance – Gross Margin (55%), Opex (35-38%), Operating Profit (17-20%), net interest and other (\$1M), EPS (\$0.31 to \$0.37), Effective Tax Rate (17.25%), shares (199M)
- UR Opex – 2015 (\$14M), 2016 (\$43M), 2017E (\$64M), 2018E (up 40-50%)
- Test Opex (w/ Variable Compensation) –2015 (\$575M), 2016 (\$566M), 2017E (\$593M)
- Total Company Opex –2015 (\$589M), 2016 (\$609M), 2017E (\$657M)

Teradyne's non-GAAP quarterly model revenue is \$390 million at which Teradyne expects to earn 15% non-GAAP operating profit. Teradyne's total company and business unit non-GAAP model operating profit is 15%. Teradyne determines its model operating profit level, model profit rate, or operating profit target as the average of its quarterly non-GAAP income from operations as a percentage of revenues over the industry's buying cycle. Non-GAAP income from operations excludes amortization from acquired intangible assets, pension actuarial gains and losses, and restructuring costs. Non-GAAP model revenue excludes projected but uncertain costs of sales and operating expenditures. These model revenue numbers are provided only on a non-GAAP basis because of the inherent difficulty in forecasting and quantifying the amount of the uncertain revenue and costs of sales, operating expenditures, which would be required to be included in the comparable GAAP measure of revenue.

<u>2020 EPS Reconciliation</u>	Net Income per Common Share Diluted	
Net (loss) income - GAAP	\$	1.91
Acquired intangible asset amortization		0.04
Non Cash Convertible Debt Interest		0.05
Net income - non-GAAP	\$	2.00

Q4 2015

Universal Robots GAAP Operating Expenses	\$13M
Intangible Asset Amortization	<u>(\$6M)</u>
Universal Robots Non-GAAP Operating Expenses	\$7M

Q4 2016

Universal Robots GAAP Operating Expenses	\$18M
Intangible Asset Amortization	<u>(\$6M)</u>
Universal Robots Non-GAAP Operating Expenses	\$12M

FY 2016

Universal Robots GAAP Operating Expenses	\$68M
Intangible Asset Amortization	<u>(\$25M)</u>
Universal Robots Non-GAAP Operating Expenses	\$43M

FY 2017

Universal Robots GAAP Operating Expenses	\$86M
Intangible Asset Amortization	<u>(\$22M)</u>
Universal Robots Non-GAAP Operating Expenses	\$64M

	<u>Q4 2017</u>
GAAP Diluted Shares	200M
Exclude Dilutive Shares from Convertible Note	<u>(1M)</u>
Non-GAAP Diluted Shares	199M

	Mid Guidance Q4 2017
GAAP to Non-GAAP Reconciliation	
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GAAP income from operations as a % of revenue	17%
Exclude acquired intangible asset amortization	2%
Non-GAAP income from operations as a % of revenue	<u>18%</u> <hr/> <hr/>

	<u>FY 2018 Estimate</u>
Univerisal Robots 40% increase in Operating Expenses	
Universal Robots GAAP Operating Expenses	\$110M
Intangible Asset Amortization	<u>(\$20M)</u>
Universal Robots Non-GAAP Operating Expenses	\$90M

	<u>FY 2018 Estimate</u>
Univerisal Robots 50% increase in Operating Expenses	
Universal Robots GAAP Operating Expenses	\$116M
Intangible Asset Amortization	<u>(\$20M)</u>
Universal Robots Non-GAAP Operating Expenses	\$96M

Appendix | GAAP to Non-GAAP Reconciliation

In addition to disclosing results that are determined in accordance with GAAP, Teradyne also discloses in this presentation and on the earnings call non-GAAP results of operations that exclude certain income items and charges. These results are provided as a complement to results provided in accordance with GAAP. These non-GAAP performance measures are used to make operational decisions, to determine employee compensation, to forecast future operational results, and for comparison with the Company's business plan, historical operating results and the operating results of the Company's competitors. Management believes each of these non-GAAP performance measures provides useful supplemental information for investors, allowing greater transparency to the information used by management in its operational decision making and in the review of the Company's financial and operational performance, as well as facilitating meaningful comparisons of the Company's results in the current period compared with those in prior and future periods. A reconciliation of each available GAAP to non-GAAP financial measure discussed in this presentation is contained in the following slides and on the Teradyne website at www.teradyne.com by clicking on "Investors" and then selecting the "GAAP to Non-GAAP Reconciliation" link. The non-GAAP performance measures discussed in this presentation may not be comparable to similarly titled measures used by other companies. The presentation of non-GAAP measures is not meant to be considered in isolation, as a substitute for, or superior to, financial measures or information provided in accordance with GAAP.



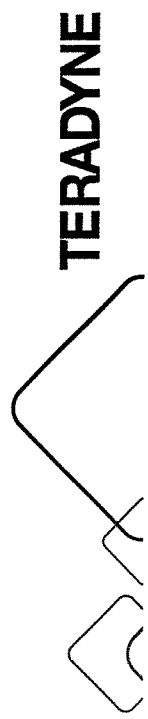
Appendix | GAAP to Non-GAAP Reconciliation

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

	Quarter Ended			
	October 1, 2017	July 2, 2017	October 2, 2016	% of Net Revenues
Net revenues	\$ 503.4	\$ 686.9	\$ 410.5	
Gross profit - GAAP	\$ 294.8	\$ 391.2	\$ 227.4	55.4%
Pension mark-to-market adjustment (1)	-	(0.7)	0.4	0.1%
Gross profit - non-GAAP	\$ 294.8	\$ 390.5	\$ 227.8	55.5%
Income from operations - GAAP	\$ 128.7	\$ 209.9	\$ 56.5	13.6%
Acquired intangible assets amortization	7.0	8.2	8.5	2.1%
Restructuring and other (2)	(4.4)	2.3	12.2	3.0%
Pension mark-to-market adjustment (1)	-	(2.5)	0.7	0.2%
Income from operations - non-GAAP	\$ 131.3	\$ 217.9	\$ 77.9	18.8%

	October 1, 2017		July 2, 2017		October 2, 2016	
	% of Net Revenues	Net Income per Common Share	% of Net Revenues	Net Income per Common Share	% of Net Revenues	Net Income per Common Share
Net income - GAAP	27.5%	\$ 0.52	31.7%	\$ 0.87	18.5%	\$ 0.32
Acquired intangible assets amortization	1.4%	0.04	1.2%	0.04	2.7%	0.04
Interest and other (3)	0.6%	0.02	0.4%	0.02	-	-
Restructuring and other (2)	(0.9)%	(0.02)	0.3%	0.01	0.7%	0.06
Pension mark-to-market adjustment (1)	-	-	(0.4)%	(0.01)	0.2%	0.00
Exclude discrete tax adjustments (4)	0.3%	0.00	0.5%	0.00	(2.6)%	(0.05)
Non-GAAP tax adjustments (5)	(1.7)%	(0.01)	(5.1)%	(0.03)	(1.7)%	(0.03)
Net income - non-GAAP	27.4%	\$ 0.55	28.2%	\$ 0.90	18.5%	\$ 0.33

	2017	2016
GAAP and non-GAAP weighted average common shares - basic	197.5	202.2
GAAP weighted average common shares - diluted	200.8	203.9
Exclude dilutive shares from convertible note	(1.1)	-
Non-GAAP weighted average common shares - diluted	198.7	203.9

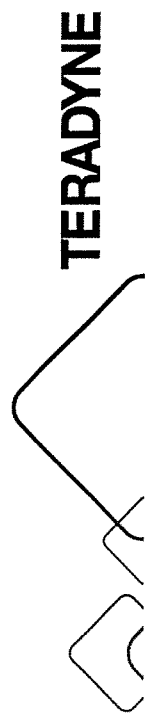


Appendix | GAAP to Non-GAAP Reconciliation

- (1) Actuarial (gains) losses recognized under GAAP in accordance with Teradyne's mark-to-market pension accounting.
- (2) Restructuring and other consists of:

	October 1, 2017	Quarter Ended July 2, 2017	October 2, 2016
Employee severance	\$ 0.6	\$ 0.8	\$ 4.2
Contingent consideration fair value adjustment	(0.3)	1.5	8.0
Facility related	(0.4)	-	-
Property insurance recovery	(5.1)	-	-
Expenses and impairment of fixed assets related to Japan earthquake	0.8	-	-
	<u>\$ (4.4)</u>	<u>\$ 2.3</u>	<u>\$ 12.2</u>

- (3) For the quarters ended October 1, 2017 and July 2, 2017, interest and other included non-cash convertible debt interest expense.
- (4) For the quarters ended October 1, 2017, July 2, 2017 and October 2, 2016 adjustment to exclude discrete income tax items.
- (5) For periods after December 31, 2016, the non-GAAP annual effective tax rate is based on a with and without calculation with respect to non-GAAP reconciling items.



Appendix | GAAP to Non-GAAP Reconciliation

- (1) Actuarial gains recognized under GAAP in accordance with Teradyne's mark-to-market pension accounting.
- (2) Restructuring and other consists of:

	Nine Months Ended	
	October 1, 2017	October 2, 2016
Employee severance	\$ 2.0	\$ 5.9
Contingent consideration fair value adjustment	1.8	10.5
Facility related	0.9	-
Expenses and impairment of fixed assets related to Japan earthquake	0.8	5.1
Property insurance recovery	(5.1)	(5.1)
	<u>\$ 0.4</u>	<u>\$ 16.4</u>

- (3) Goodwill and acquired intangible assets impairment related to Teradyne's Wireless Test business segment.
- (4) For the nine months ended October 1, 2017, interest and other included non-cash convertible debt interest expense.
- (5) For the nine months ended October 1, 2017 and October 2, 2016, adjustment to exclude discrete income tax items. For the nine months ended October 2, 2016, adjustment to treat Wireless Test business segment goodwill and intangible assets impairments as discrete tax items.
- (6) For periods after December 31, 2016, the non-GAAP annual effective tax rate is based on a with and without calculation with respect to non-GAAP reconciling items.



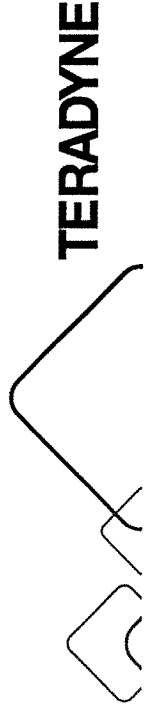
Appendix | GAAP to Non-GAAP Reconciliation

Year Ended

	December 31, 2016	% of Net Revenues	December 31, 2015	% of Net Revenues
Net Revenues	\$ 1,753.3		\$ 1,639.6	
Gross profit - GAAP	\$ 959.6	54.7%	\$ 915.6	55.8%
Inventory step-up	-	-	1.6	0.1%
Pension mark-to-market adjustments (1)	(1.0)	-0.1%	8.3	0.5%
Gross profit - non-GAAP	\$ 958.6	54.7%	\$ 925.5	56.4%
(Loss) income from operations - GAAP	\$ (60.0)	-3.4%	\$ 243.0	14.8%
Goodwill impairment (2)	254.9	14.5%	-	-
Acquired intangible assets impairment (2)	83.3	4.8%	-	-
Acquired intangible assets amortization	52.6	3.0%	69.0	4.2%
Restructuring and other (3)	21.9	1.2%	5.1	0.3%
Pension mark-to-market adjustments (1)	(3.2)	-0.2%	17.7	1.1%
Inventory step-up	-	-	1.6	0.1%
Income from operations - non-GAAP	\$ 349.5	19.9%	\$ 336.4	20.5%

	December 31, 2016	% of Net Revenues	December 31, 2015	% of Net Revenues	Net Income per Common Share	
					Basic	Diluted
Net (loss) income - GAAP	\$ (43.4)	-2.5%	\$ 206.5	12.6%	\$ 0.98	\$ 0.97
Goodwill impairment (2)	254.9	14.5%	-	-	-	-
Acquired intangible assets impairment (2)	83.3	4.8%	69.0	4.2%	0.33	0.32
Acquired intangible assets amortization	52.6	3.0%	5.1	0.3%	0.02	0.02
Restructuring and other (3)	21.9	1.2%	17.7	1.1%	0.08	0.08
Pension mark-to-market adjustments (1)	(3.2)	-0.2%	(5.4)	-0.3%	(0.03)	(0.03)
Interest and other (4)	0.6	0.0%	1.6	0.1%	0.01	0.01
Inventory step-up	-	-	(4.9)	-0.3%	(0.02)	(0.02)
Exclude discrete tax adjustments (5)	(4.5)	-0.3%	(18.9)	-1.1%	(0.09)	(0.09)
Tax effect of non-GAAP adjustments	(53.3)	-3.0%	-	-	-	-
Net income - non-GAAP	\$ 308.9	17.6%	\$ 271.1	16.5%	\$ 1.28	\$ 1.27

GAAP and non-GAAP weighted average common shares - basic 2026
 GAAP weighted average common shares - diluted 2026
 Include dilutive shares 1.8
 Non-GAAP weighted average common shares - diluted 204.4



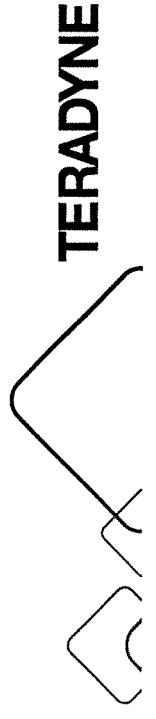
Appendix | GAAP to Non-GAAP Reconciliation

	Q3'16		Q2'17		Q3'17		Q4'17 Low Guidance		Q4'17 High Guidance	
	\$'s	% of sales	\$'s	% of sales	\$'s	% of sales	\$'s	% of sales	\$'s	% of sales
GAAP Operating Expenses	\$171	42%	\$181	26%	\$166	33%	\$166	39%	\$166	37%
Intangible Asset Amortization	-\$9	-2%	-\$8	-1%	-\$7	-1%	-\$7	-2%	-\$7	-2%
Restructuring and Other	-\$12	-3%	-\$2	0%	\$4	1%	\$4		\$4	
Pension MTM	\$0	0%	\$2	0%	\$0	0%	\$0		\$0	
Non GAAP Operating Expenses	\$150	37%	\$173	25%	\$163	32%	\$163	38%	\$163	35%

	Q3'16		Q2'17		Q3'17	
	\$'s	% of sales	\$'s	% of sales	\$'s	% of sales
GAAP SG&A Expense	\$80	19%	\$89	13%	\$86	17%
Pension MTM	\$0	0%	\$1	0%	\$0	0%
Non GAAP SG&A Expense	\$79	19%	\$90	13%	\$86	17%

	Q3'16		Q2'17		Q3'17	
	\$'s	% of sales	\$'s	% of sales	\$'s	% of sales
GAAP R&D Expense	\$71	17%	\$82	12%	\$77	15%
Pension MTM	\$0	0%	\$1	0%	\$0	0%
Non GAAP R&D Expense	\$71	17%	\$82	12%	\$77	15%

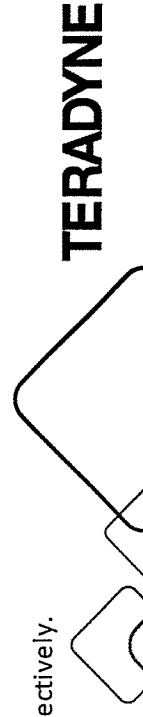
	Q3'16		Q2'17		Q3'17		Q4'17 Guidance	
	\$'s	%	\$'s	%	\$'s	%	\$'s	%
GAAP Income Tax	-\$4	-7%	\$32	15%	\$24	19%	\$13	16%
Exclude discrete tax adjustments	\$11	19%	-\$1	0%	\$0	0%	\$0	0%
Tax effect of non-GAAP adjustments	\$7	12%	\$5	2%	\$2	1%	\$1	3%
Effect of Higher Non-GAAP PBT		-7%		-1%		-1%		-2%
Non GAAP Income Tax	\$13	17.2%	\$36	16.7%	\$25	19.1%	\$14	17.25%



Appendix | GAAP to Non-GAAP Reconciliation

	<u>2017E</u>	<u>2016</u>	<u>2015</u>
GAAP Operating Expenses	685	1,020	673
Less Goodwill Impairment Charge	-	(255)	-
Less Intangible Asset Impairment	-	(83)	-
Less Intangible Asset Amortization	(30)	(53)	(69)
Less Restructuring and Other	(0)	(22)	(5)
Pension Mark to Market Adjustment	2	2	(10)
Less Equity Modification Charge	-	-	-
Non GAAP Operating Expenses	657	609	589
UR GAAP Operating Expenses	90	84	28
Less Intangible Asset Amortization	(23)	(25)	(14)
Less Restructuring and Other	(3)	(16)	-
UR non GAAP Operating Expenses	64	43	14
Test GAAP Operating Expenses (1)	596	936	645
Less Goodwill Impairment Charge	-	(255)	-
Less Intangible Asset Impairment	-	(83)	-
Less Intangible Asset Amortization	(7)	(28)	(55)
Less Restructuring and Other	2	(6)	(5)
Pension Mark to Market Adjustment	2	2	(10)
Less Equity Modification Charge	-	-	-
Non GAAP Operating Expenses (1)	593	566	575

(1) = Includes Variable Compensation of \$80M, \$53M and \$61M for 2017E, 2016 and 2015 respectively.



Appendix | GAAP to Non-GAAP Reconciliation

GAAP to Non-GAAP Reconciliation of Fourth Quarter 2017 guidance:

GAAP and non-GAAP fourth quarter revenue guidance:

GAAP net income per diluted share	\$ 0.27	\$ 0.33
Exclude acquired intangible assets amortization	0.04	0.04
Exclude non-cash convertible debt interest	0.02	0.02
Non-GAAP tax adjustment	(0.01)	(0.01)
Non-GAAP net income per diluted share	\$ 0.31	\$ 0.37

Fourth Quarter Guidance:

GAAP Operating Profit as % of Sales	16%	18%
Acquired intangible asset amortization	2%	2%
Non-GAAP Operating Profit as % of Sales	17%	20%

Q3'17

GAAP net interest and other income	-\$1.3
Exclude non cash convertible debt interest	\$3.1
Non-GAAP net interest and other income	\$1.8

Q4'17 Guidance

GAAP net interest and other income	-\$2.1
Exclude non cash convertible debt interest	\$3.1
Non-GAAP net interest and other income	\$1.0

2017 GAAP EPS at Q4'17 Mid

Exclude Acquired Intangible Asset Amortization	\$0.16
Exclude Restructuring and Other	\$0.00
Exclude non cash convertible debt interest	\$0.06
Exclude pension mark-to-market adjustments	-\$0.01
Exclude Discrete Tax Adjustments	-\$0.03
Tax Effect of Non-GAAP Adjustments	-\$0.07
2017 Non-GAAP EPS at Q4'17 Mid	\$2.22

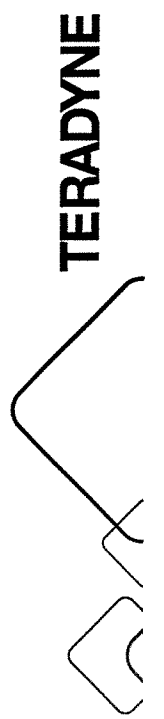


Appendix | GAAP to Non-GAAP Reconciliation

- 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.

	2012	2013	2014	2015	2016	YTD '17
GAAP Cash Flow From Operations, Excl Disc Ops	\$403	\$269	\$492	\$413	\$446	\$479
Less Property, Plant and Equipment Additions	-\$119	-\$107	-\$169	-\$90	-\$85	-\$73
Non-GAAP Operating Cash Flow (“Free Cash Flow”)	\$284	\$162	\$323	\$323	\$361	\$406
Include Cash From ESPP	\$18	\$18	\$21	\$20	\$20	\$25
Total Cash Generation	\$302	\$180	\$344	\$343	\$380	\$430

	Q3'16	Q2'17	Q3'17
GAAP Cash Flow From Operations, Excl Disc Ops	\$201	\$230	\$310
Less Property, Plant and Equipment Additions	-\$20	-\$24	-\$27
Non-GAAP Operating Cash Flow (“Free Cash Flow”)	\$182	\$206	\$283



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