



Because Technology Never Stops

# TERADYNE FINANCIAL RESULTS FOR Q4 2015

January 28, 2016

# SAFE HARBOR

This presentation contains forward-looking statements regarding future business prospects, Teradyne's results of operations, market conditions, the payment of a quarterly dividend, the repurchase of Teradyne common stock pursuant to a share repurchase program and a senior secured credit facility. Such statements are based on the current assumptions and expectations of Teradyne's management and are neither promises nor guarantees of future performance, future events, future payment of dividends, future repurchases of common stock or future availability of, or borrowing under, a credit facility. 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. Important factors that could cause actual results, dividend payments, repurchases of common stock or borrowings under the credit facility to differ materially from those presently expected include: conditions affecting the markets in which Teradyne operates; decreased or delayed product demand; market acceptance of new products; the ability to grow Universal Robots' business; increased research and development spending; deterioration of Teradyne's financial condition; the business judgment of the board of directors that a declaration of a dividend, the repurchase of common stock or debt under the credit facility is not in the Company's best interest; 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, 2014, and the Quarterly Report on Form 10-Q for the fiscal quarter ended October 4, 2015. 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

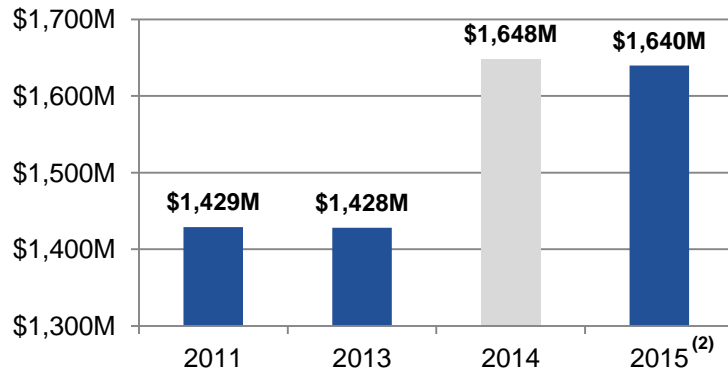


**Mark Jagiela, Teradyne President and CEO**

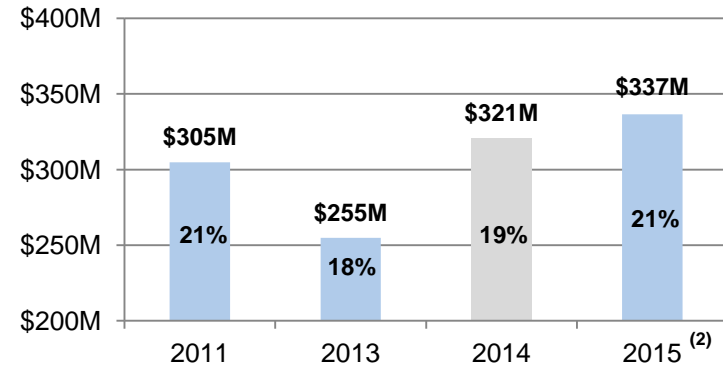


# DELIVERED STRONG FINANCIAL RESULTS AND IMPROVED TERADYNE'S LONG TERM GROWTH POTENTIAL IN 2015

2015 Sales and profit substantially higher than past down cycle odd years



Sales



Non-GAAP PBIT (1)

## Q4 and 2015 Highlights

Highest Q4 orders in over 15 years

Grew market share in Semiconductor and Wireless Test in 2015

Universal Robots adds high growth, market leader in collaborative robots

Repurchased \$300M of Teradyne shares (6% net reduction in share count) and paid \$51M in dividends

# EXPECT GROWTH AND CONTINUED CAPITAL RETURNS IN 2016

- SOC test market forecast to be \$2.1B - \$2.5B (+10% at mid pt)
- Expect continued share gains in Semiconductor and Wireless Test, and new Storage Test applications in SSD
- Universal Robots forecast to grow 50% plus and continue to lead the collaborative robot industry
- Plan for between \$100M and \$200M in share repurchases and ~\$50M of dividend payments

# 2015 AND FOURTH QUARTER FINANCIAL RESULTS AND FIRST QUARTER GUIDANCE



**Greg Beecher, Teradyne Vice President and Chief Financial Officer**



# ANNUAL FINANCIAL SUMMARY

	2014	2015	Comments
Revenue	\$1,648M	\$1,640M	<ul style="list-style-type: none"> <li>• Semitest declined ~\$100M in cyclically down ATE market (\$2.8B to \$2.5B), grew ATE share from 46% to 47%</li> <li>• System Test + UR added ~\$90M</li> </ul>
Gross Margin <sup>(1)</sup>	54%	56%	<ul style="list-style-type: none"> <li>• 2015 favorable product mix</li> </ul>
PBIT <sup>(1)</sup>	\$321M 19%	\$337M 21%	<ul style="list-style-type: none"> <li>• 6<sup>th</sup> consecutive year above 15% PBIT model</li> <li>• 3<sup>rd</sup> year of sequential improvement</li> </ul>
EPS <sup>(1)</sup>	\$1.25	\$1.27	<ul style="list-style-type: none"> <li>• Non-GAAP tax rate increased from 16% in 2014 to 21% in 2015, average diluted non-GAAP share count from 218M to 213M</li> </ul>
Cash and Marketable Securities	\$1,299M	\$1,008M	<ul style="list-style-type: none"> <li>• \$283 million UR purchase</li> <li>• \$51 million in dividend payments in 2015</li> <li>• \$300 million in share repurchases in 2015</li> </ul>
Capital Additions	\$169M	\$90M	<ul style="list-style-type: none"> <li>• Did not add systems for lease in 2015</li> </ul>
Depreciation	\$73M	\$68M	
Free Cash Flow <sup>(2)</sup>	\$323M	\$323M	<ul style="list-style-type: none"> <li>• 20% of sales in 2014 and 2015</li> </ul>

1) Non-GAAP results; see appendix for GAAP to Non-GAAP reconciliations

2) Teradyne calculates free cash flow as: Cash flow from operations, excluding discontinued operations, less capital additions; see GAAP to non-GAAP reconciliations

# CASH AND CAPITAL RETURN SUMMARY

2015 Cash Roll Forward	Cash and Marketable Securities Position		
	<u>U.S.</u>	<u>Offshore</u>	<u>Total</u>
Beginning Balance (12/31/14)	<u>\$683M</u>	<u>\$616M</u>	<u>\$1,299M</u>
FCF & Other <sup>(1)</sup>	\$88M	\$255M	\$343M
Buyback	-\$300M	-	-\$300M
Dividends	-\$51M	-	-\$51M
Universal Robots Acquisition	-	<u>-\$283M</u>	<u>-\$283M</u>
Ending Balance (12/31/15)	\$420M	\$588M	\$1,008M
New Minimum Cash Level	<b>\$300M</b>	<b>\$100M</b>	<b>\$400M</b>

15.6M shares at avg price of \$19.21



# SEGMENT HIGHLIGHTS

## Semiconductor Test

Increasing device complexity and lessening impact of parallelism

Share gains in SOC and Memory

4<sup>th</sup> Qtr Orders: \$408M  
4<sup>th</sup> Qtr Sales: \$205M

## Wireless Test

Share gains in down market

Operating above industry model profit rate of 15%

4<sup>th</sup> Qtr Orders: \$30M  
4<sup>th</sup> Qtr Sales: \$32M

## System Test

Successfully ramped new 3.5" product to 3 customers

Versatile Storage Test platform for variety of test applications

4<sup>th</sup> Qtr Orders: \$66M  
4<sup>th</sup> Qtr Sales: \$59M

## Industrial Automation

3<sup>rd</sup> straight year of >50% annual sales growth

Successful launch of new UR 3 Robot targeting lighter tasks

4<sup>th</sup> Qtr Orders: \$18M  
4<sup>th</sup> Qtr Sales: \$22M

# Q1'16 NON-GAAP GUIDANCE

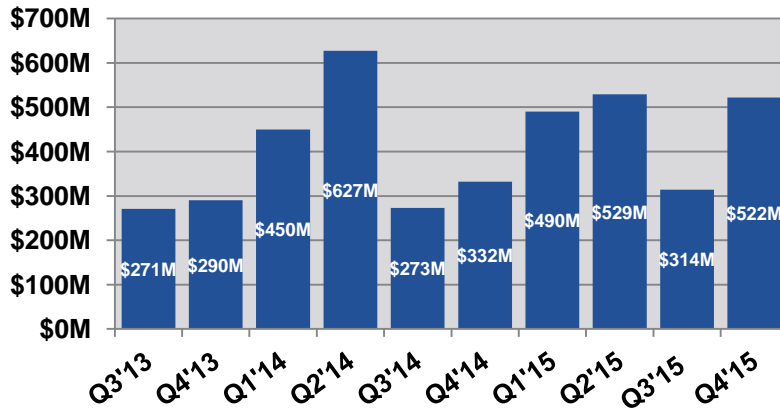
\$s in millions, except EPS	Q4'15 Actual <sup>(1)</sup>	Q1'16 Guidance <sup>(1)</sup>
Sales	\$318M	<b>\$410M - \$440M</b>
Gross Margin	55%	<b>53%</b>
OPEX	44%	<b>36% - 38%</b>
Operating Profit	10%	<b>14% - 17%</b>
Net Interest & Other Income	\$1M	<b>\$1M</b>
Effective Tax Rate	21%	<b>20%</b>
EPS	\$0.13	<b>\$0.23- \$0.29</b>
Diluted Shares	207M	<b>206M</b>

# SUPPLEMENTAL INFORMATION

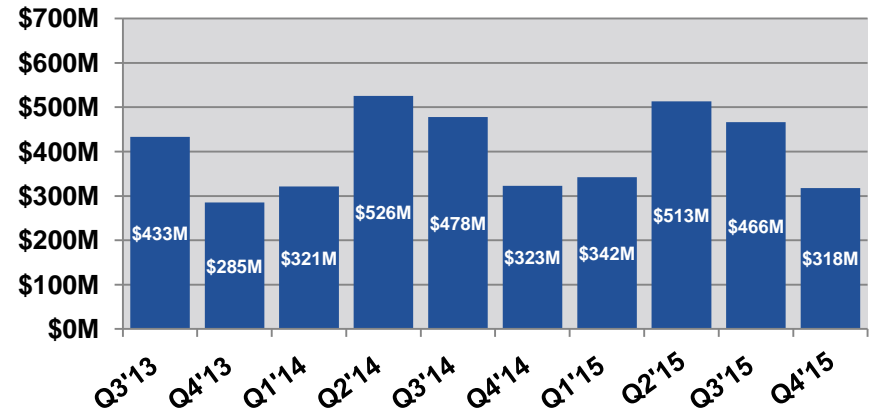


# Q4'15 COMPANY ORDERS AND SALES

## Total Company Orders



## Total Company Sales



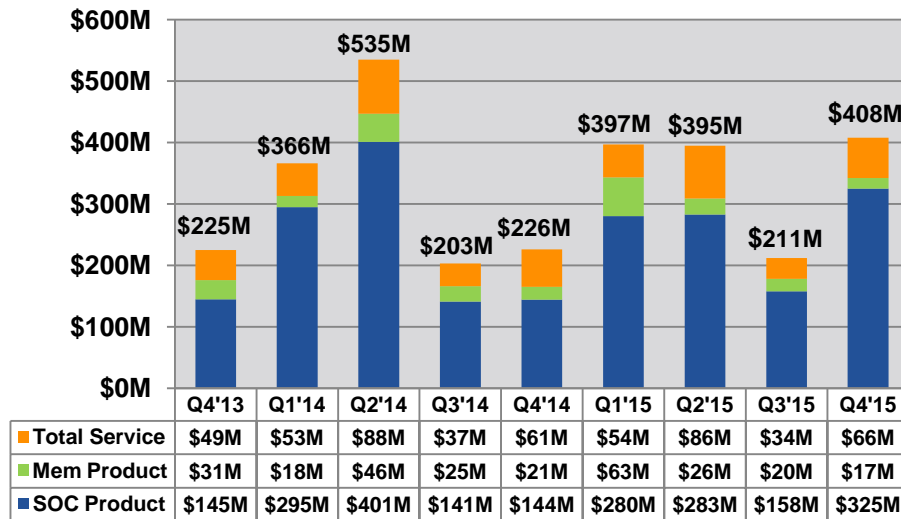
- Q4 Orders up 66% to highest Q4 in over 15 years
- Q4 Sales level in line with historical seasonal pattern

# Q4'15 NON-GAAP RESULTS

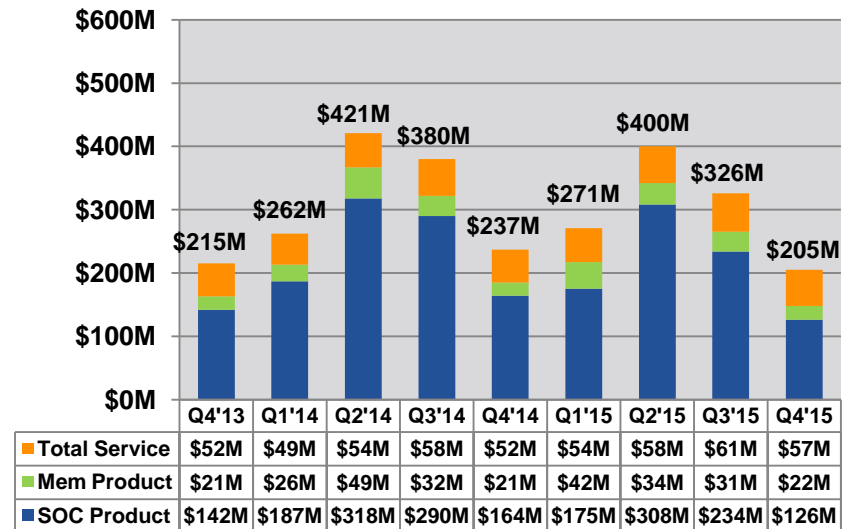
\$s in millions, except EPS	Q4'14 Actual <sup>(1)</sup>		Q3'15 Actual <sup>(1)</sup>		Q4'15 Actual <sup>(1)</sup>	
Sales		\$323M		\$466M		<b>\$318M</b>
Gross Margin	53.5%	\$173M	55.7%	\$260M	54.7%	<b>\$174M</b>
R&D	20.7%	\$67M	15.9%	\$74M	20.8%	<b>\$66M</b>
SG&A	21.5%	\$70M	16.6%	\$77M	23.5%	<b>\$75M</b>
OPEX <sup>(1)</sup>	<u>42.2%</u>	<u>\$136M</u>	<u>32.5%</u>	<u>\$152M</u>	<u>44.3%</u>	<u><b>\$141M</b></u>
Operating Profit	11.3%	\$36M	23.2%	\$108M	10.4%	<b>\$33M</b>
Income Taxes (& effective tax rate)	18%	\$7M	23%	\$24M	21%	<b>\$8M</b>
EPS <sup>(1)</sup>		\$0.14		\$0.40		<b>\$0.13</b>
Diluted Shares		219M		212M		<b>207M</b>
Net Orders		\$332M		\$314M		<b>\$522M</b>

# SEMICONDUCTOR TEST HIGHLIGHTS

## Semi Orders



## Semi Sales



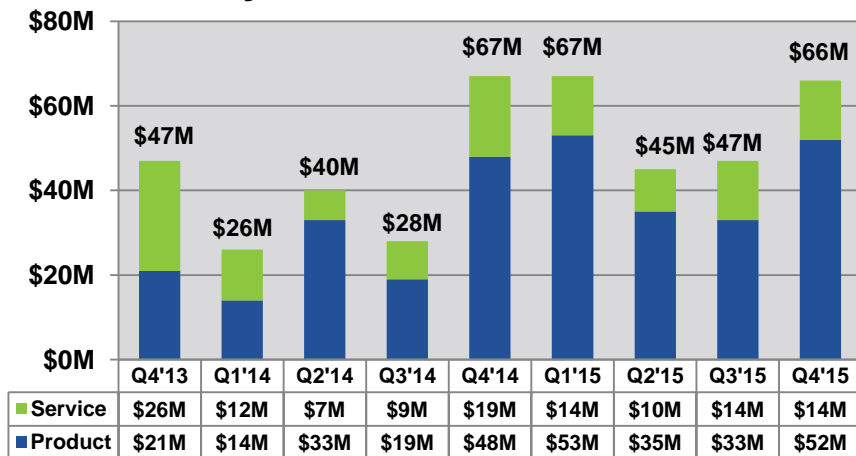
47% Semiconductor Test share in 2015, +1% from 2014

Mobility demand drove pull in of Q1'16 orders into Q4'15

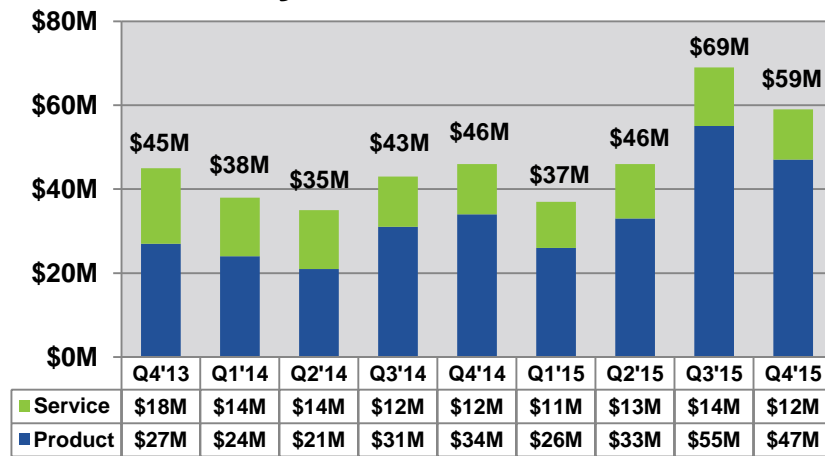
Q4 Sales in line with normal seasonal pattern

# SYSTEM TEST HIGHLIGHTS

## System Test Orders



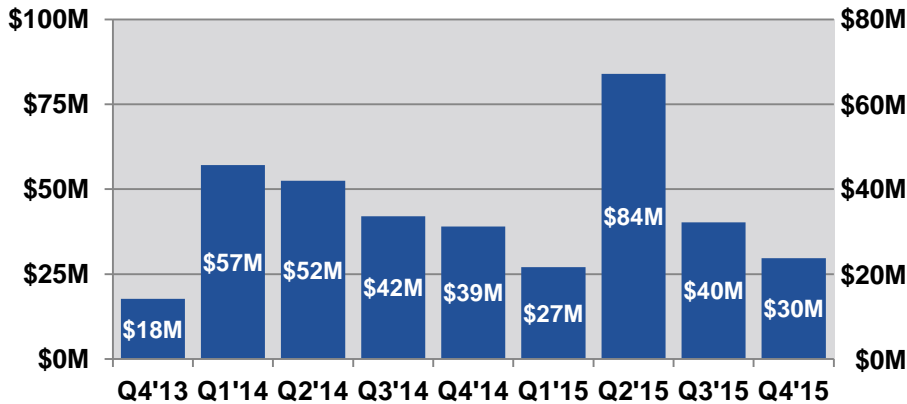
## System Test Sales



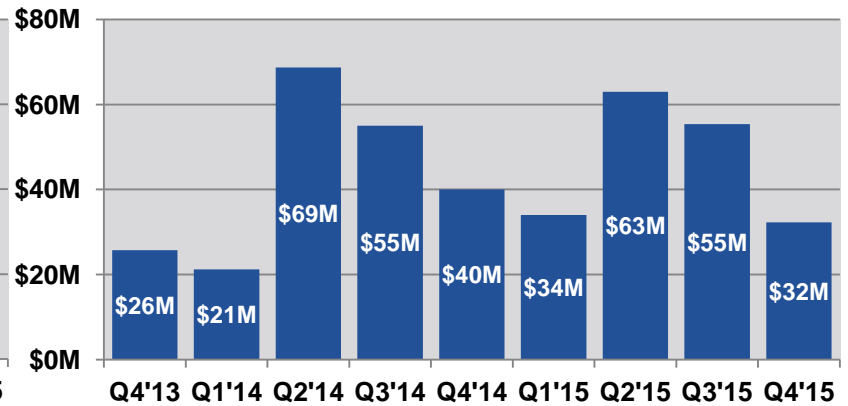
- Q4 order strength in Storage Test for 3.5" HDD test demand
- Highest quarterly orders in Production Board Test since Q4'13

# WIRELESS TEST HIGHLIGHTS

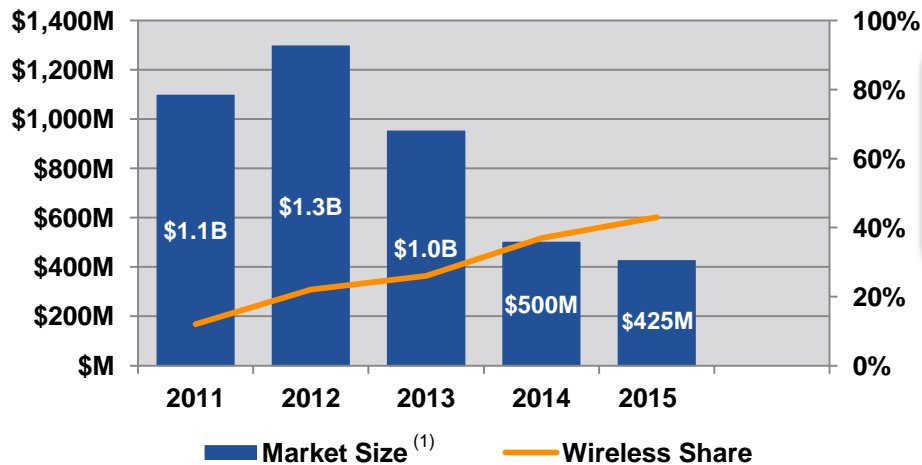
## Wireless Test Orders



## Wireless Test Sales



## Wireless Market

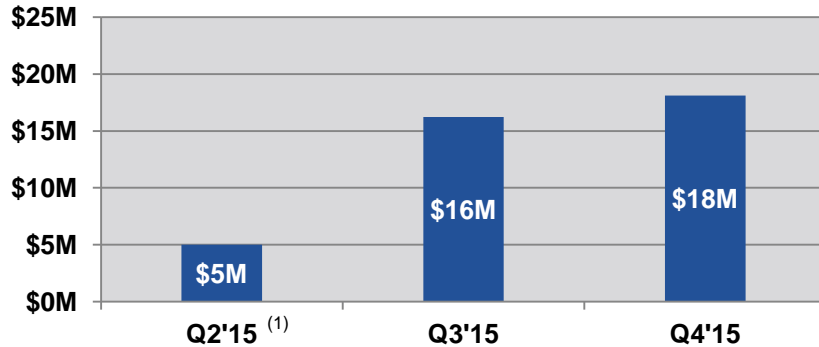


- Gained ~6 points of share in 2015
- 2015 Wireless Production Test market ~\$425M

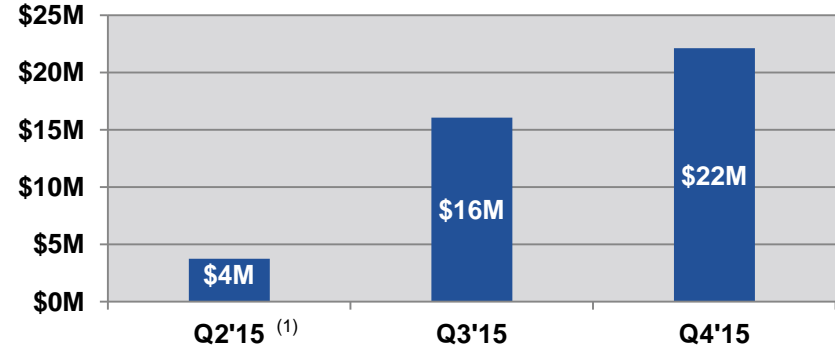


# INDUSTRIAL AUTOMATION HIGHLIGHTS

## Industrial Automation Orders



## Industrial Automation Sales



- Record Q4 and full year 2015 orders and sales
- Expect to grow at 50% plus for next several years
- Successfully launched new UR 3, a smaller, lighter weight version of UR 5 and UR 10, targeting lighter tasks or table top applications

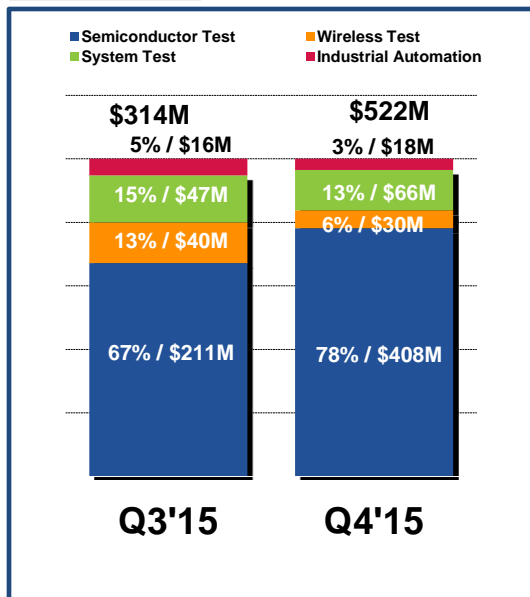
# CASH & BALANCE SHEET

	Q4'14 Actual	Q3'15 Actual	Q4'15 Actual
Cash and Marketable Securities	<u>\$1,299M</u>	<u>\$1,077M</u>	<u>\$1,008M</u>
• U.S.	\$683M	\$527M	\$420M
• Off-Shore	\$616M	\$550M	\$588M
Inventory	\$105M	\$128M	\$154M
DSO	44 days	48 days	58 days
Capital Additions	\$23M	\$21M	\$23M
Depreciation, Amortization, SBC	\$46M	\$45M	\$43M
Free Cash Flow <sup>(1)</sup>	\$152M	\$159M	\$18M

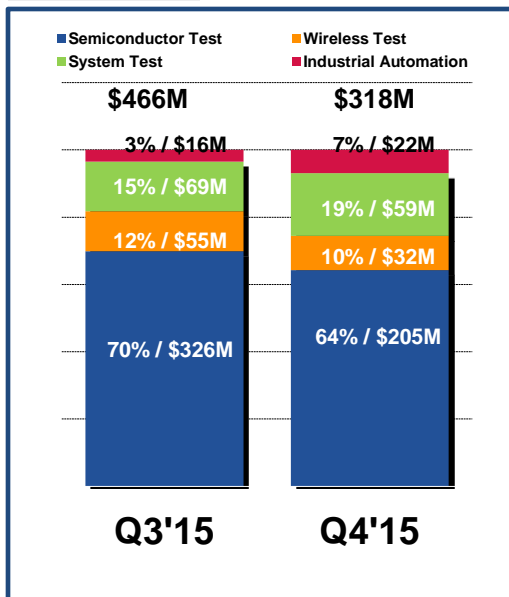
(1) Teradyne calculates free cash flow as: Cash flow from operations, excluding discontinued operations, less capital additions; see GAAP to non-GAAP reconciliations.

# SALES & ORDERS DETAIL

## Orders



## Sales



### Orders/Region

	Q3'15	Q4'15
Asia	48%	81%
US	18%	9%
Europe	9%	7%
Japan	23%	2%
Rest of World	<u>2%</u>	<u>1%</u>
	100%	100%

### Sales/Region

	Q3'15	Q4'15
Asia	74%	60%
US	11%	18%
Japan	6%	12%
Europe	7%	8%
Rest of World	<u>2%</u>	<u>2%</u>
	100%	100%

Book to Bill	Q3'15	Q4'15
Semiconductor Test	0.6	2.0
Wireless Test	0.7	0.9
System Test	0.7	1.1
Industrial Automation	<u>1.0</u>	<u>0.8</u>
<b>Total</b>	0.7	1.6

	Q3'15		Q4'15	
<b>Sales</b>				
Product	83%	\$386M	77%	\$244M
Service	17%	<u>\$80M</u>	23%	<u>\$74M</u>
<b>Total</b>		\$466M		\$318M

	Q3'15		Q4'15	
<b>Orders</b>				
Product	84%	\$265M	84%	\$441M
Service	16%	<u>\$49M</u>	16%	<u>\$81M</u>
<b>Total</b>		\$314M		\$522M

Backlog	
Ending Q4'15	<b>\$615M</b>
Shippable within 6 months	<b>~85%</b>

# 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 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 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 financial 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)

	December 31, 2015		Quarter Ended October 4, 2015		December 31, 2014	
	\$	% of Net Revenues	\$	% of Net Revenues	\$	% of Net Revenues
Net revenues	\$ 318.4		\$ 466.0		\$ 323.2	
Gross profit - GAAP	\$ 166.0	52.1%	\$ 258.6	55.5%	\$ 160.2	49.6%
Pension mark-to-market adjustments (1)	8.3	2.6%	-	-	12.7	3.9%
Inventory step-up	-	-	1.0	0.2%	-	-
Gross profit - non-GAAP	\$ 174.3	54.7%	\$ 259.6	55.7%	\$ 172.9	53.5%
(Loss) income from operations - GAAP	\$ (9.7)	-3.0%	\$ 86.8	18.6%	\$ (126.2)	-39.0%
Acquired intangible assets amortization	19.9	6.3%	20.1	4.3%	16.0	5.0%
Goodwill impairment (2)	-	-	-	-	98.9	30.6%
Restructuring and other (3)	5.2	1.6%	0.3	0.1%	1.2	0.4%
Pension mark-to-market adjustments (1)	17.8	5.6%	-	-	46.6	14.4%
Inventory step-up	-	-	1.0	0.2%	-	-
Income from operations - non-GAAP	\$ 33.2	10.4%	\$ 108.2	23.2%	\$ 36.5	11.3%

	December 31, 2015		Quarter Ended October 4, 2015		December 31, 2014	
	\$	% of Net Revenues	\$	% of Net Revenues	\$	% of Net Revenues
Net (loss) income- GAAP	\$ (0.6)	-0.2%	\$ 71.5	15.3%	\$ (103.8)	-32.1%
Acquired intangible assets amortization	19.9	6.3%	20.1	4.3%	16.0	5.0%
Goodwill impairment (2)	-	-	-	-	98.9	30.6%
Inventory step-up	-	-	1.0	0.2%	-	-
Pension mark-to-market adjustments (1)	17.8	5.6%	-	-	46.6	14.4%
Restructuring and other (3)	5.2	1.6%	0.3	0.1%	1.2	0.4%
Exclude discrete tax items (4)	(6.3)	-2.0%	(3.3)	-0.7%	1.5	0.5%
Tax effect of non-GAAP adjustments	(9.9)	-3.1%	(4.7)	-1.0%	(29.3)	-9.1%
Net income - non-GAAP	\$ 26.1	8.2%	\$ 84.9	18.2%	\$ 31.1	9.6%

	December 31, 2015		Quarter Ended October 4, 2015		December 31, 2014	
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Acquired intangible assets amortization	19.9	6.3%	20.1	4.3%	16.0	5.0%
Goodwill impairment (2)	-	-	-	-	98.9	30.6%
Inventory step-up	-	-	1.0	0.2%	-	-
Pension mark-to-market adjustments (1)	17.8	5.6%	-	-	46.6	14.4%
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Tax effect of non-GAAP adjustments	(9.9)	-3.1%	(4.7)	-1.0%	(29.3)	-9.1%
Net income - non-GAAP	\$ 26.1	8.2%	\$ 84.9	18.2%	\$ 31.1	9.6%

	December 31, 2015		Quarter Ended October 4, 2015		December 31, 2014	
	\$	% of Net Revenues	\$	% of Net Revenues	\$	% of Net Revenues
GAAP and non-GAAP weighted average common shares - basic	205.1		210.0		216.5	
GAAP weighted average common shares - diluted	205.1		211.7		216.5	
Include dilutive shares	2.1		-		2.3	
Non-GAAP weighted average common shares - diluted	207.2		211.7		218.8	

(1) Actuarial losses recognized under GAAP in accordance with Teradyne's mark-to-market pension accounting.

(2) Goodwill impairment related to Teradyne's Wireless Test business segment.

(3) Restructuring and other consists of:

# APPENDIX | GAAP TO NON-GAAP RECONCILIATION

	Quarter Ended		
	December 31, 2015	October 4, 2015	December 31, 2014
Employee severance	\$ 0.1	\$ 1.2	\$ 0.8
Acquisition costs	-	0.1	0.4
Contingent consideration fair value adjustment	5.1	(1.0)	-
	<u>\$ 5.2</u>	<u>\$ 0.3</u>	<u>\$ 1.2</u>

(4) For the quarters ended December 31, 2015, October 4, 2015, and December 31, 2014, adjustment to exclude discrete income tax items.

# APPENDIX | GAAP TO NON-GAAP RECONCILIATION

	Year Ended							
	December 31, 2015		December 31, 2014		December 31, 2014		December 31, 2014	
		% of Net Revenues		% of Net Revenues		% of Net Revenues		% of Net Revenues
Net Revenues	\$ 1,639.6		\$ 1,647.8		\$ 1,647.8		\$ 1,647.8	
Gross profit - GAAP	\$ 915.6	55.8%	\$ 878.8	53.3%	\$ 878.8	53.3%	\$ 878.8	53.3%
Pension mark-to-market adjustments (1)	8.3	0.5%	12.7	0.8%	12.7	0.8%	12.7	0.8%
Inventory step-up	1.6	0.1%	-	-	-	-	-	-
Gross profit - non-GAAP	\$ 925.5	56.4%	\$ 891.5	54.1%	\$ 891.5	54.1%	\$ 891.5	54.1%
Income from operations - GAAP	\$ 243.0	14.8%	\$ 96.4	5.9%	\$ 96.4	5.9%	\$ 96.4	5.9%
Acquired intangible assets amortization	69.0	4.2%	70.8	4.3%	70.8	4.3%	70.8	4.3%
Goodwill impairment (2)	-	-	98.9	6.0%	98.9	6.0%	98.9	6.0%
Pension mark-to-market adjustments (1)	17.8	1.1%	46.6	2.8%	46.6	2.8%	46.6	2.8%
Restructuring and other (3)	5.1	0.3%	1.4	0.1%	1.4	0.1%	1.4	0.1%
Inventory step-up	1.6	0.1%	-	-	-	-	-	-
Equity modification charge (4)	-	-	6.6	0.4%	6.6	0.4%	6.6	0.4%
Income from operations - non-GAAP	\$ 336.5	20.5%	\$ 320.7	19.5%	\$ 320.7	19.5%	\$ 320.7	19.5%
			Net Income per Common Share				Net Income per Common Share	
	December 31, 2015	% of Net Revenues	Basic	Diluted	December 31, 2014	% of Net Revenues	Basic	Diluted
Net income - GAAP	\$ 206.5	12.6%	\$ 0.98	\$ 0.97	\$ 81.3	4.9%	\$ 0.40	\$ 0.37
Acquired intangible assets amortization	69.0	4.2%	0.33	0.32	70.8	4.3%	0.35	0.32
Goodwill impairment (2)	-	-	-	-	98.9	6.0%	0.49	0.44
Pension mark-to-market adjustments (1)	17.8	1.1%	0.08	0.08	46.6	2.8%	0.23	0.21
Interest and other (5)	(5.4)	-0.3%	(0.03)	(0.03)	4.3	0.3%	0.02	0.02
Restructuring and other (3)	5.1	0.3%	0.02	0.02	1.4	0.1%	0.01	0.01
Inventory step-up	1.6	0.1%	0.01	0.01	-	-	-	-
Equity modification charge (4)	-	-	-	-	6.6	0.4%	0.03	0.03
Exclude discrete tax items (6)	(4.9)	-0.3%	(0.02)	(0.02)	1.7	0.1%	0.01	0.01
Tax effect of non-GAAP adjustments	(18.5)	-1.1%	(0.09)	(0.09)	(41.3)	-2.5%	(0.20)	(0.19)
Convertible share adjustment (7)	-	-	-	-	-	-	-	0.02
Net income - non-GAAP	\$ 271.2	16.5%	\$ 1.28	\$ 1.27	\$ 270.3	16.4%	\$ 1.33	\$ 1.25
GAAP and non-GAAP weighted average common shares - basic	211.5				202.9			
GAAP weighted average common shares - diluted	213.3				222.6			
Exclude dilutive shares from convertible note	-				(5.0)			
Non-GAAP weighted average common shares - diluted	213.3				217.6			

# APPENDIX | GAAP TO NON-GAAP RECONCILIATION

	<u>Q4'14</u>		<u>Q3'15</u>		<u>Q4'15</u>		<u>Q1'16 Low Guidance</u>		<u>Q1'16 High Guidance</u>	
	<u>\$'s</u>	<u>% of sales</u>	<u>\$'s</u>	<u>% of sales</u>	<u>\$'s</u>	<u>% of sales</u>	<u>\$'s</u>	<u>% of sales</u>	<u>\$'s</u>	<u>% of sales</u>
GAAP Operating Expenses	\$286	89%	\$172	37%	\$176	55%	\$177	43%	\$179	41%
Intangible Asset Amortization	-\$16	-5%	-\$20	-4%	-\$20	-6%	-\$20	-5%	-\$20	-5%
Restructuring and Other	-\$1	0%	\$0	0%	-\$5	-2%				
Pension MTM	-\$34	-10%			-\$9	-3%				
Goodwill Impairment	-\$99	-31%								
Non GAAP Operating Expenses	\$136	42%	\$152	33%	\$141	44%	\$158	38%	\$159	36%

	<u>Q4'14</u>		<u>Q3'15</u>		<u>Q4'15</u>	
	<u>\$'s</u>	<u>% of sales</u>	<u>\$'s</u>	<u>% of sales</u>	<u>\$'s</u>	<u>% of sales</u>
GAAP SG&A Expense	\$91	28%	\$77	17%	\$80	25%
Pension MTM	-\$22	-7%			-\$5	-2%
Non GAAP SG&A Expense	\$70	22%	\$77	17%	\$75	24%

	<u>Q4'14</u>		<u>Q3'15</u>		<u>Q4'15</u>	
	<u>\$'s</u>	<u>% of sales</u>	<u>\$'s</u>	<u>% of sales</u>	<u>\$'s</u>	<u>% of sales</u>
GAAP R&D Expense	\$79	24%	\$74	16%	\$71	22%
Pension MTM	-\$12	-4%			-\$5	-1%
Non GAAP R&D Expense	\$67	21%	\$74	16%	\$66	21%



# APPENDIX | GAAP TO NON-GAAP RECONCILIATION

## GAAP to Non-GAAP Earnings Reconciliation

(In millions, except per share amounts)

	Year Ended	
	December 31, 2010	% of Net Revenues
Net Revenues	\$ 1,566.2	
Income from Operations - GAAP	\$ 414.9	26.5%
Acquired intangible asset amortization	29.3	1.9%
Pension mark-to-market adjustments <sup>(1)</sup>	(1.3)	-0.1%
Restructuring and other, net <sup>(2)</sup>	(3.8)	-0.2%
Income from Operations - non-GAAP	<u>\$ 439.1</u>	<u>28.0%</u>

	Income per Common Share from Continuing Operations	
	Diluted	
Income from Continuing Operations - GAAP	\$ 1.73	
Acquired intangible asset amortization	0.15	
Interest and other <sup>(3)</sup>	0.05	
Restructuring and other, net <sup>(1)</sup>	(0.02)	
Pension mark-to-market adjustments <sup>(1)</sup>	(0.01)	
Convertible share adjustment <sup>(4)</sup>	0.27	
Income from Continuing Operations - non-GAAP	<u>\$ 2.17</u>	
GAAP and Non-GAAP Weighted Average Common Shares -	179.9	
GAAP Weighted Average Common Shares - Diluted	226.8	
Exclude dilutive shares from convertible note	(30.8)	
Non-GAAP Weighted Average Common Shares - Diluted <sup>(4)</sup>	<u>196.0</u>	

# APPENDIX | GAAP TO NON-GAAP RECONCILIATION

	December 31, 2011	% of Net Revenues		
Net Revenues	\$ 1,429.1			
Gross profit - GAAP	\$ 711.9	49.8%		
Inventory step-up	12.2	0.9%		
Pension mark-to-market adjustments <sup>(1)</sup>	4.0	0.3%		
Gross profit - non-GAAP	\$ 728.1	50.9%		
Income from operations - GAAP	\$ 229.8	16.1%		
Acquired intangible asset amortization	40.5	2.8%		
Inventory step-up	12.2	0.9%		
Pension mark-to-market adjustments <sup>(1)</sup>	13.7	1.0%		
Restructuring and other, net <sup>(2)</sup>	8.5	0.6%		
Income from operations - non-GAAP	\$ 304.7	21.3%		
			Income per Common Share from Continuing Operations	
	December 31, 2011	% of Net Revenues	Basic	Diluted
Income from continuing operations - GAAP	\$ 342.0	23.9%	\$ 1.85	\$ 1.51
Acquired intangible asset amortization	40.5	2.8%	0.22	0.20
Income tax adjustment <sup>(3)</sup>	-	-	-	-
Interest and other <sup>(4)</sup>	12.0	0.8%	0.06	0.06
Inventory step-up	12.2	0.9%	0.07	0.06
Pension mark-to-market adjustments <sup>(1)</sup>	13.7	1.0%	0.07	0.07
Restructuring and other, net <sup>(2)</sup>	8.5	0.6%	0.05	0.04
Deferred tax valuation allowance	(144.3)	-10.1%	(0.78)	(0.70)
Convertible share adjustment <sup>(5)</sup>	-	-	-	0.19
Income from continuing operations - non-GAAP	\$ 284.6	19.9%	\$ 1.54	\$ 1.43
GAAP and non-GAAP weighted average common shares - basic	184.7			
GAAP weighted average common shares - diluted	226.8			
Exclude dilutive shares from convertible note	(21.5)			
Non-GAAP weighted average common shares - diluted <sup>(5)</sup>	205.3			

# APPENDIX | GAAP TO NON-GAAP RECONCILIATION

	Year Ended	
	December 31, 2012	% of Net Revenues
Net Revenues	\$ 1,656.8	
Gross profit - GAAP	\$ 886.0	53.5%
Pension mark-to-market adjustments <sup>(1)</sup>	9.0	0.5%
Inventory step-up	6.1	0.4%
Gross profit - non-GAAP	\$ 901.1	54.4%
Income from operations - GAAP	\$ 287.4	17.3%
Acquired intangible asset amortization	73.5	4.4%
Restructuring and other <sup>(2)</sup>	(7.7)	-0.5%
Pension mark-to-market adjustments <sup>(1)</sup>	23.3	1.4%
Inventory step-up	6.1	0.4%
Income from operations - non-GAAP	\$ 382.6	23.1%

	December 31, 2012	% of Net Revenues	Net Income per Common Share	
			Basic	Diluted
Net income - GAAP	\$ 217.0	13.1%	\$ 1.16	\$ 0.94
Acquired intangible asset amortization	73.5	4.4%	0.39	0.35
Income tax adjustment <sup>(3)</sup>	11.5	0.7%	0.06	0.06
Interest and other <sup>(4)</sup>	13.8	0.8%	0.07	0.07
Restructuring and other <sup>(2)</sup>	(7.7)	-0.5%	(0.04)	(0.04)
Pension mark-to-market adjustments <sup>(1)</sup>	23.3	1.4%	0.12	0.11
Inventory step-up	6.1	0.4%	0.03	0.03
Convertible share adjustment <sup>(5)</sup>	-	-	-	0.15
Net income - non-GAAP	\$ 337.5	20.4%	\$ 1.81	\$ 1.67
GAAP and non-GAAP weighted average	186.9			
GAAP weighted average common shares -	230.2			
Exclude dilutive shares from convertible note	(22.4)			
Non-GAAP weighted average common shares - diluted <sup>(5)</sup>	207.8			

# APPENDIX | GAAP TO NON-GAAP RECONCILIATION

	Year Ended	
	December 31, 2013	% of Net Revenues
Net Revenues	\$ 1,427.9	
Gross profit - GAAP	\$ 808.8	56.6%
Pension mark-to-market adjustments (1)	(3.1)	-0.2%
Gross profit - non-GAAP	\$ 805.7	56.4%
Income from operations - GAAP	\$ 190.7	13.4%
Acquired intangible asset amortization	72.4	5.1%
Goodwill impairment (2)	-	-
Equity modification charge (3)	-	-
Restructuring and other (4)	2.1	0.1%
Pension mark-to-market adjustments (1)	(10.3)	-0.7%
Income from operations - non-GAAP	\$ 254.9	17.9%

	December 31, 2013	% of Net Revenues	Net Income per Common Share	
			Basic	Diluted
Net income - GAAP	\$ 164.9	11.5%	\$ 0.86	\$ 0.70
Acquired intangible asset amortization	72.4	5.1%	0.38	0.31
Goodwill impairment (2)	-	-	-	-
Pension mark-to-market adjustments (1)	(10.3)	-0.7%	(0.05)	(0.04)
Equity modification charge (3)	-	-	-	-
Restructuring and other (4)	2.1	0.1%	0.01	0.01
Interest and other (5)	(18.4)	-1.3%	(0.10)	(0.08)
Exclude discrete tax adjustments (6)	-	-	-	-
Tax effect of non-GAAP adjustments	-	-	-	-
Income tax adjustment (7)	4.8	0.3%	0.03	0.02
Convertible share adjustment (8)	-	-	-	0.14
Net income - non-GAAP	\$ 215.5	15.1%	\$ 1.13	\$ 1.06

GAAP and non-GAAP weighted average common shares - basic	190.8
GAAP weighted average common shares - diluted	235.6
Exclude dilutive shares from convertible note	(23.3)
Non-GAAP weighted average common shares - diluted (8)	212.3

# APPENDIX | GAAP TO NON-GAAP RECONCILIATION

	<u>Q4'14</u>		<u>Q3'15</u>		<u>Q4'15</u>	
	<u>\$'s</u>	<u>%</u>	<u>\$'s</u>	<u>%</u>	<u>\$'s</u>	<u>%</u>
GAAP Income Tax	-\$21	17%	\$16	18%	-\$8	93%
Exclude discrete tax adjustments	-\$2	1%	\$3	4%	\$6	-71%
Tax effect of non-GAAP adjustments	\$29	-23%	\$5	5%	\$10	-112%
Effect of Higher Non-GAAP PBT		23%		-4%		112%
Non GAAP Income Tax	<u>\$7</u>	<u>18%</u>	<u>\$24</u>	<u>23%</u>	<u>\$8</u>	<u>21%</u>

	<u>2014</u>		<u>2015</u>	
	<u>\$'s</u>	<u>%</u>	<u>\$'s</u>	<u>%</u>
GAAP Income Tax	\$14	15%	\$47	18%
Exclude discrete tax adjustments	-\$2	-2%	\$5	2%
Tax effect of non-GAAP adjustments	\$41	43%	\$19	7%
Effect of Higher Non-GAAP PBT		-40%		-7%
Non GAAP Income Tax	<u>\$54</u>	<u>16%</u>	<u>\$70</u>	<u>21%</u>

# APPENDIX | GAAP TO NON-GAAP RECONCILIATION

## GAAP to Non-GAAP Reconciliation of First Quarter 2016 guidance:

GAAP and non-GAAP first quarter revenue guidance:

\$410 million to \$440 million

GAAP net income per diluted share

\$ 0.15      \$ 0.21

Exclude acquired intangible assets amortization

0.10      0.10

Tax effect of non-GAAP adjustment

(0.02)      (0.02)

Non-GAAP net income per diluted share

\$ 0.23      \$ 0.29

### First Quarter Guidance:

#### Low End

#### High End

GAAP Operating Profit as % of Sales

9%

12%

Acquired intangible asset amortization

5%

5%

Non-GAAP Operating Profit as % of Sales

14%

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 to include 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.

	<b>Q4'14</b>	<b>Q3'15</b>	<b>Q4'15</b>	<b>2014</b>	<b>2015</b>
GAAP Cash Flow From Operations, Excl Disc Ops	\$175	\$179	\$41	\$492	\$413
Include Property, Plant and Equipment Additions	-\$23	-\$21	-\$23	-\$169	-\$90
Non-GAAP Operating Cash Flow ("Free Cash Flow")	\$152	\$159	\$18	\$323	\$323

	<b>2015</b>
<b>GAAP Cash Flow From Operations, Excl Disc Ops</b>	<b>\$413</b>
Include Property, Plant and Equipment Additions	-\$90
Include Proceeds From ESPP and Other	\$20
<b>Non-GAAP Operating Cash Flow ("Free Cash Flow") and Other</b>	<b>\$343</b>