



Because Technology Never Stops

# TERADYNE FINANCIAL RESULTS FOR Q3 2016

October 27, 2016

# SAFE HARBOR

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# BUSINESS UPDATE AND OUTLOOK

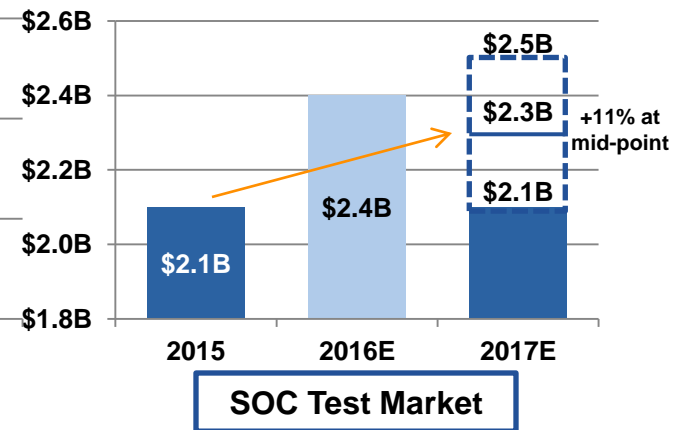
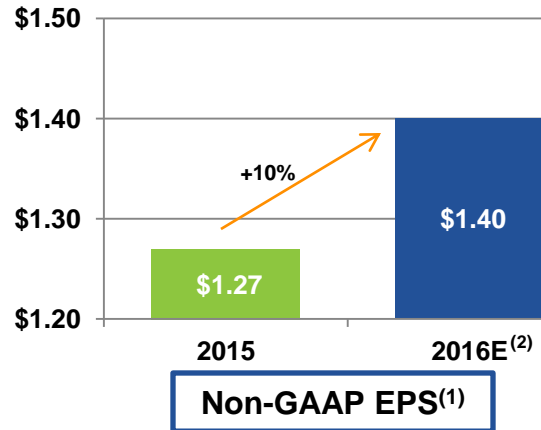
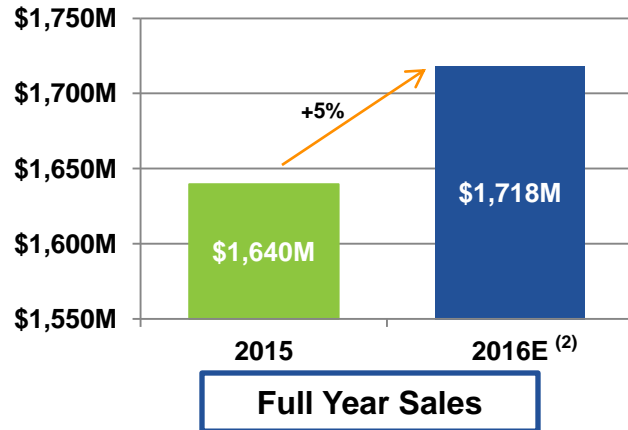


**Mark Jagiela, Teradyne President and CEO**



# THIRD QUARTER AND FULL YEAR SUMMARY

Expect 2016 sales, non-GAAP earnings growth from 2015



- Expect over \$1.7B in sales in 2016
- Strength in SOC Test driven by mobility, microcontroller and automotive analog demand
- Universal Robots YTD sales up 67% from comparable 2015 standalone results

- Expect \$1.40 in non-GAAP EPS in 2016
- Expect above model non-GAAP profitability

- Expect 2016 SOC Test market at high end of \$2.2B - \$2.4B range
- Expect 2017 SOC Test market to be \$2.1B-\$2.5B

# THIRD QUARTER SUMMARY & MARKET OUTLOOK

- Expect 2016 SOC Test market to grow ~\$300M (16%) from 2015
- Expect 2017 SOC Test market to grow ~\$200M (11%) from prior odd year, 2015, at the mid-point of \$2.1B - \$2.5B range
- Universal Robots Q3'16 revenue up 46% from Q3'15, 1<sup>st</sup> 9 months up 67% from 2015 on a standalone basis
- Expect Universal Robots to continue 50%+ growth in 2017
- Paid \$87M in dividends and repurchased \$385M in shares since beginning of 2015

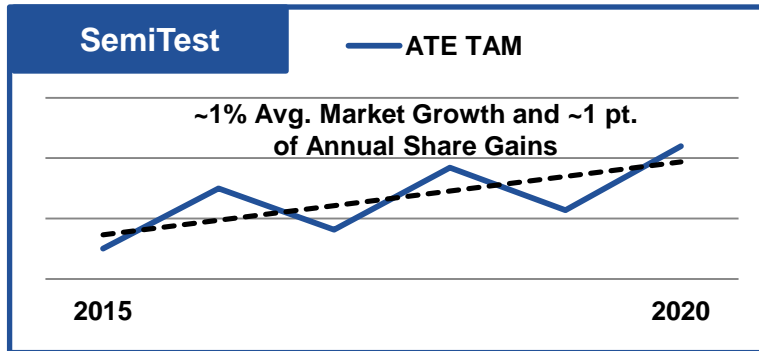
# THIRD QUARTER FINANCIAL RESULTS AND FOURTH QUARTER GUIDANCE



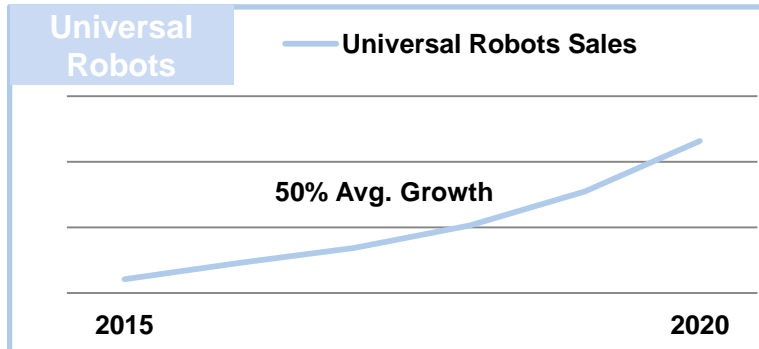
**Greg Beecher, Teradyne Vice President and Chief Financial Officer**



# EXPECT 2016 SALES GROWTH OF 5%, NON-GAAP EPS GROWTH OF 10% FROM 2015. ON COURSE TO \$2 NON-GAAP EPS BY 2020



2005 ATE Share: 22%  
 2015 ATE Share: 47% } >2pts of avg. annual gains over past 10 yrs



2013 Sales: \$23M  
 2014 Sales: \$39M (68% YoY)  
 2015 Sales: \$61M (58% YoY)

**2015 Non-GAAP EPS: \$1.27<sup>(1)</sup>**

**SemiTest: + ~\$0.35**

**Universal Robots: + ~\$0.30**

**Other/Repurchases: + ~\$0.08**

**2020 Non-GAAP EPS: \$2.00<sup>(1)</sup>**

# TERADYNE SEGMENT SUMMARY

Expect 2016 sales up 5% from 2015, Non-GAAP EPS up 10%

## Semiconductor Test

3<sup>rd</sup> Qtr Orders: \$250M  
3<sup>rd</sup> Qtr Sales: \$322M

Share leader in consolidated market

Aligned to highest growth device segments

High-speed NAND driving majority of Memory Test demand

## System Test

3<sup>rd</sup> Qtr Orders: \$76M  
3<sup>rd</sup> Qtr Sales: \$37M

All three groups operating at model profits or better

New growth initiatives underway

## Industrial Automation

3<sup>rd</sup> Qtr Orders: \$24M  
3<sup>rd</sup> Qtr Sales: \$24M

1<sup>st</sup> 9 months sales up 67% from standalone 2015 1<sup>st</sup> 9 months

Expanded distribution network and ease of deployment

## Wireless Test

3<sup>rd</sup> Qtr Orders: \$29M  
3<sup>rd</sup> Qtr Sales: \$28M

Expect market softness to extend into 2017

Two new WiFi standards should improve environment in 2018



# 2016 CAPITAL RETURN SUMMARY

Repurchased 1.4 million shares for \$28M in 3rd quarter

	Cash Position		
	U.S.	Offshore	Total
Cash Balance at 10/2/2016	\$428M	\$826M	\$1,254M
Minimum Operating Balance	\$300M	\$100M	\$400M
Available Cash	\$128M	\$726M	\$854M
Minimum 2016 Cash Return: <sup>(1)</sup>	\$150M		
Cash Returned 1 <sup>st</sup> 9 months 2016	\$122M		

U.S. vs. Foreign Cash Generation History <sup>(2)</sup>						
	2012	2013	2014	2015	2016 YTD	
U.S.	\$189M	\$199M	\$61M	\$88M	\$39M	
Foreign	\$113M	(\$19M)	\$283M	\$255M	\$323M	
<b>Total</b>	\$302M	\$180M	\$344M	\$343M	\$363M	
						<b>'12-'16 YTD Weighted Average</b>
U.S. %	63%	111%	18%	26%	11%	38%
Foreign %	37%	-11%	82%	74%	89%	62%

(1) Share repurchases + dividends

(2) Includes free cash flow plus approximately \$20M annually for cash received from Teradyne's Employee Stock Purchase Plan. Teradyne calculates free cash flow as: Cash flow from operations, excluding discontinued operations, less capital additions; see GAAP to non-GAAP reconciliations.

# UPDATED 15% OPERATING MODEL

## 15% Operating Model

	Prior Model	Updated Model	~50% Drop-Through
<b>Revenue</b>	\$390M	\$390M	
<b>Gross Margin</b>	~53%	~54%	
<b>OPEX</b>	<u>~38%</u>	<u>~39%</u>	
<b>Non-GAAP Operating Profit</b>	15%	15%	

## Company Performance<sup>(1)</sup>

	2013	2014	2015	2016E <sup>(2)</sup>
<b>Non-GAAP Operating Profit</b>	18%	19%	21%	19%
<b>Non-GAAP Tax Rate<sup>(3)</sup></b>	13%	16%	21%	14%

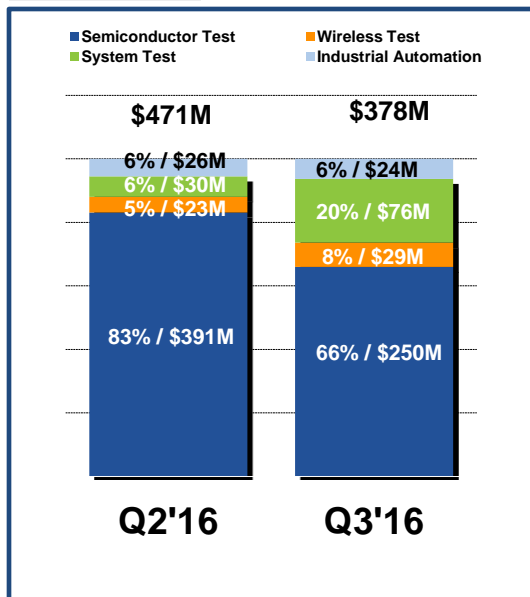
(1) See appendix for GAAP to Non-GAAP reconciliation

(2) Using Q4'16 mid guidance

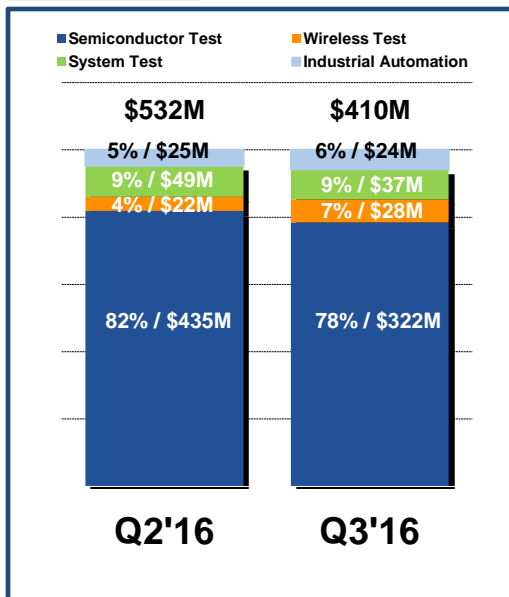
(3) 2013 on cash tax paid basis, 2014-2016E is GAAP less discrete items

# SALES & ORDERS DETAIL

## Orders



## Sales



### Orders/Region

	Q2'16	Q3'16
Asia	77%	62%
US	12%	16%
Japan	5%	12%
Europe	5%	8%
Rest of World	<u>1%</u>	<u>2%</u>
<b>Total</b>	<b>100%</b>	<b>100%</b>

### Sales/Region

	Q2'16	Q3'16
Asia	79%	75%
US	11%	10%
Japan	4%	5%
Europe	5%	7%
Rest of World	<u>1%</u>	<u>3%</u>
<b>Total</b>	<b>100%</b>	<b>100%</b>

Book to Bill	Q2'16	Q3'16
Semiconductor Test	0.9	0.8
System Test	0.6	2.1
Wireless Test	1.0	1.0
Industrial Automation	<u>1.0</u>	<u>1.0</u>
<b>Total</b>	<b>0.9</b>	<b>0.9</b>

	Q2'16		Q3'16	
<b>Sales</b>				
Product	86%	\$457M	82%	\$335M
Service	14%	<u>\$75M</u>	18%	<u>\$75M</u>
<b>Total</b>		<b>\$532M</b>		<b>\$410M</b>

	Q2'16		Q3'16	
<b>Orders</b>				
Product	82%	\$388M	85%	\$321M
Service	18%	<u>\$83M</u>	15%	<u>\$57M</u>
<b>Total</b>		<b>\$471M</b>		<b>\$378M</b>

Backlog	
Ending Q3'16	<b>\$481M</b>
Shippable within 6 months	<b>~81%</b>

# Q4'16 NON-GAAP GUIDANCE

<b>\$s in millions, except EPS</b>	<b>Q3'16 Actual<sup>(1)</sup></b>	<b>Q4'16 Guidance<sup>(1)</sup></b>
Sales	\$410M	<b>\$330M - \$360M</b>
Gross Margin	56%	<b>56%</b>
OPEX	37%	<b>40% - 44%</b>
Operating Profit	19%	<b>12% - 16%</b>
Net Interest & Other Income	\$3M	<b>\$2M</b>
Effective Tax Rate	17%	<b>14%</b>
EPS	\$0.33	<b>\$0.18 - \$0.25</b>
Diluted Shares	204M	<b>203M</b>

# Q3'16 AND FULL YEAR 2016 TERADYNE HIGHLIGHTS

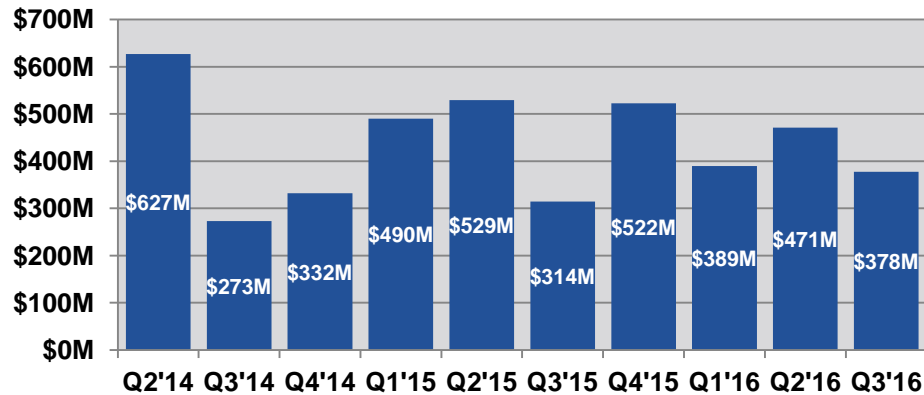
- Q3'16 sales of \$410M and non-GAAP EPS of \$0.33 driven by strong Semiconductor Test demand
- Expect SOC Test market to be approximately \$2.4B in 2016, up 16% from 2015
- In Q3, repurchased \$28M of Teradyne shares and paid \$12M in dividends
- Expect 2016 Non-GAAP EPS of \$1.40 up 10% from 2015
- On a path to \$2.00 non-GAAP EPS by 2020, driven principally by Semiconductor Test, Universal Robots growth and capital returns

# SUPPLEMENTAL INFORMATION

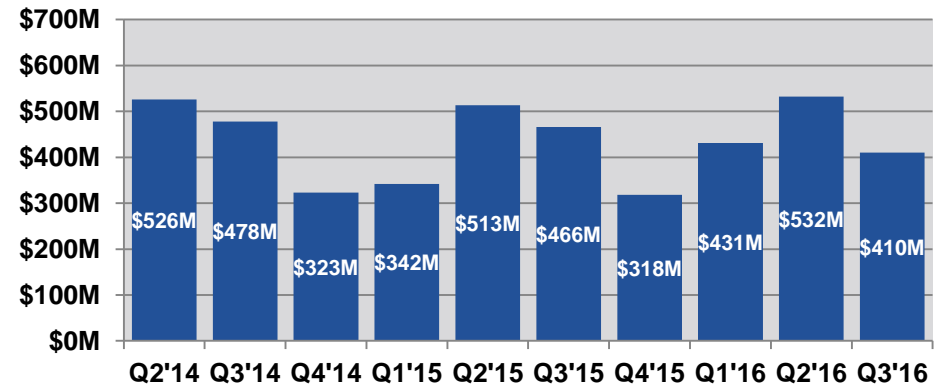


# Q3'16 COMPANY ORDERS AND SALES

## Total Company Orders



## Total Company Sales



- Q3 orders up 20% from Q3'15
- Highest 1<sup>st</sup> 9 month sales since 2012

# Q3'16 NON-GAAP RESULTS

\$s in millions, except EPS	Q3'15 Actual <sup>(1)</sup>		Q2'16 Actual <sup>(1)</sup>		Q3'16 Actual <sup>(1)</sup>	
Sales		\$466M		\$532M		<b>\$410M</b>
Gross Margin	55.7%	\$260M	53.2%	\$283M	55.5%	<b>\$228M</b>
R&D	15.9%	\$74M	14.4%	\$76M	17.3%	<b>\$71M</b>
SG&A	16.6%	\$77M	15.4%	\$82M	19.2%	<b>\$79M</b>
OPEX	<u>32.5%</u>	<u>\$152M</u>	<u>29.8%</u>	<u>\$158M</u>	<u>36.5%</u>	<u><b>\$150M</b></u>
Operating Profit	23.2%	\$108M	23.4%	\$125M	19.0%	<b>\$78M</b>
Income Taxes (& effective tax rate)	23%	\$24M	11%	\$13M	17%	<b>\$13M</b>
EPS		\$0.40		\$0.55		<b>\$0.33</b>
Diluted Shares		212M		205M		<b>204M</b>
Net Orders		\$314M		\$471M		<b>\$378M</b>



# CASH & BALANCE SHEET

	Q3'15 Actual	Q2'16 Actual	Q3'16 Actual
Cash and Marketable Securities	<u>\$1,077M</u>	<u>\$1,106M</u>	<u>\$1,254M</u>
• U.S.	\$527M	\$438M	\$428M
• Off-Shore	\$550M	\$668M	\$826M
Inventory	\$128M	\$129M	\$115M
DSO	48 days	60 days	36 days
Capital Additions	\$21M	\$26M	\$20M
Depreciation and Amortization	\$45M	\$40M	\$33M
Free Cash Flow <sup>(1)</sup>	\$159M	\$154M	\$184M

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

# APPENDIX | GAAP TO NON-GAAP RECONCILIATION

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

# APPENDIX | GAAP TO NON-GAAP RECONCILIATION

## GAAP to Non-GAAP Earnings Reconciliation

(In millions, except per share amounts)

	Quarter Ended					
	October 2, 2016	% of Net Revenues	July 3, 2016	% of Net Revenues	October 4, 2015	% of Net Revenues
Net revenues	\$ 410.5		\$ 531.8		\$ 466.0	
Gross profit - GAAP	\$ 227.4	55.4%	\$ 282.9	53.2%	\$ 258.6	55.5%
Inventory step-up	-	-	-	-	1.0	0.2%
Pension mark-to-market adjustment (1)	0.4	0.1%	(0.2)	0.0%	-	-
Gross profit - non-GAAP	\$ 227.8	55.5%	\$ 282.7	53.2%	\$ 259.6	55.7%
Income (loss) from operations - GAAP	\$ 56.5	13.8%	\$ (231.8)	-43.6%	\$ 86.8	18.6%
Restructuring and other (2)	12.2	3.0%	2.6	0.5%	0.3	0.1%
Acquired intangible assets amortization	8.5	2.1%	16.2	3.0%	20.1	4.3%
Pension mark-to-market adjustment (1)	0.7	0.2%	(0.7)	-0.1%	-	-
Goodwill impairment (3)	-	-	254.9	47.9%	-	-
Acquired intangible assets impairment (3)	-	-	83.3	15.7%	-	-
Inventory step-up	-	-	-	-	1.0	0.2%
Income from operations - non-GAAP	\$ 77.9	19.0%	\$ 124.5	23.4%	\$ 108.2	23.2%

	October 2, 2016	% of Net Revenues	Net Income per Common Share		July 3, 2016	% of Net Revenues	Net (Loss) Income per Common Share		October 4, 2015	% of Net Revenues	Net Income per Common Share	
			Basic	Diluted			Basic	Diluted			Basic	Diluted
Net income (loss) - GAAP	\$ 63.8	15.5%	\$ 0.32	\$ 0.31	\$ (223.5)	-42.0%	\$ (1.10)	\$ (1.10)	\$ 71.5	15.3%	\$ 0.34	\$ 0.34
Restructuring and other (2)	12.2	3.0%	0.06	0.06	2.6	0.5%	0.01	0.01	0.3	0.1%	0.00	0.00
Acquired intangible assets amortization	8.5	2.1%	0.04	0.04	16.2	3.0%	0.08	0.08	20.1	4.3%	0.10	0.09
Pension mark-to-market adjustment (1)	0.7	0.2%	0.00	0.00	(0.7)	-0.1%	(0.00)	(0.00)	-	-	-	-
Goodwill impairment (3)	-	-	-	-	254.9	47.9%	1.26	1.24	-	-	-	-
Acquired intangible assets impairment (3)	-	-	-	-	83.3	15.7%	0.41	0.41	-	-	-	-
Inventory step-up	-	-	-	-	-	-	-	-	1.0	0.2%	0.00	0.00
Exclude discrete tax adjustments (4)	(10.7)	-2.6%	(0.05)	(0.05)	25.1	4.7%	0.12	0.12	(3.3)	-0.7%	(0.02)	(0.02)
Tax effect of non-GAAP adjustments	(6.8)	-1.7%	(0.03)	(0.03)	(45.5)	-8.6%	(0.22)	(0.22)	(4.7)	-1.0%	(0.02)	(0.02)
Net income - non-GAAP	\$ 67.7	16.5%	\$ 0.33	\$ 0.33	\$ 112.4	21.1%	\$ 0.55	\$ 0.55	\$ 84.9	18.2%	\$ 0.40	\$ 0.40

GAAP and non-GAAP weighted average common shares - basic	202.2	203.0	210.0
GAAP weighted average common shares - diluted	203.9	203.0	211.7
Include dilutive shares	-	1.9	-
Non-GAAP weighted average common shares - diluted	203.9	204.9	211.7

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

# APPENDIX | GAAP TO NON-GAAP RECONCILIATION

(2) Restructuring and other consists of:

	Quarter Ended		
	October 2, 2016	July 3, 2016	October 4, 2015
Contingent consideration fair value adjustment	\$ 8.0	\$ 1.3	\$ (1.0)
Employee severance	4.2	1.3	1.2
Impairment of fixed assets and expenses related to Japan earthquake	0.3	5.1	-
Property insurance recovery	(0.3)	(5.1)	-
Acquisition costs	-	-	0.1
	<u>\$ 12.2</u>	<u>\$ 2.6</u>	<u>\$ 0.3</u>

(3) Goodwill and acquired intangible assets impairment related to Teradyne's Wireless Test business segment.

(4) For the quarters ended October 2, 2016, July 3, 2016 and October 4, 2015, adjustment to exclude discrete income tax items. For the quarters ended October 2, 2016 and July 3, 2016, adjustment to treat Wireless Test business segment goodwill and intangible assets impairments as discrete tax items.

# APPENDIX | GAAP TO NON-GAAP RECONCILIATION

	Nine Months Ended			
	October 2, 2016	% of Net Revenues	October 4, 2015	% of Net Revenues
Net Revenues	\$ 1,373.3		\$ 1,321.1	
Gross profit - GAAP	\$ 740.6	53.9%	\$ 749.6	56.7%
Inventory step-up	-	-	1.6	0.1%
Pension mark-to-market adjustment (1)	(0.3)	0.0%	-	-
Gross profit - non-GAAP	\$ 740.3	53.9%	\$ 751.2	56.9%
(Loss) income from operations - GAAP	\$ (119.2)	-8.7%	\$ 252.7	19.1%
Goodwill impairment (2)	254.9	18.6%	-	-
Acquired intangible assets impairment (2)	83.3	6.1%	-	-
Acquired intangible assets amortization	44.7	3.3%	49.1	3.7%
Restructuring and other (3)	16.4	1.2%	(0.1)	0.0%
Pension mark-to-market adjustment (1)	(1.2)	-0.1%	-	-
Inventory step-up	-	-	1.6	0.1%
Income from operations - non-GAAP	\$ 278.9	20.3%	\$ 303.3	23.0%

	Net (Loss) Income per Common Share				Net Income per Common Share			
	October 2, 2016	% of Net Revenues	Basic	Diluted	October 4, 2015	% of Net Revenues	Basic	Diluted
Net (loss) income - GAAP	\$ (109.8)	-8.0%	\$ (0.54)	\$ (0.54)	\$ 207.1	15.7%	\$ 0.97	\$ 0.96
Goodwill impairment (2)	254.9	18.6%	1.25	1.24	-	-	-	-
Acquired intangible assets impairment (2)	83.3	6.1%	0.41	0.41	-	-	-	-
Acquired intangible assets amortization	44.7	3.3%	0.22	0.22	49.1	3.7%	0.23	0.23
Restructuring and other (3)	16.4	1.2%	0.08	0.08	(0.1)	0.0%	(0.00)	(0.00)
Pension mark-to-market adjustment (1)	(1.2)	-0.1%	(0.01)	(0.01)	-	-	-	-
Interest and other (4)	-	-	-	-	(5.4)	-0.4%	(0.03)	(0.03)
Inventory step-up	-	-	-	-	1.6	0.1%	0.01	0.01
Exclude discrete tax adjustments (5)	11.8	0.9%	0.06	0.06	(4.9)	-0.4%	(0.02)	(0.02)
Tax effect of non-GAAP adjustments	(55.7)	-4.1%	(0.27)	(0.27)	(10.5)	-0.8%	(0.05)	(0.05)
Net income - non-GAAP	\$ 244.4	17.8%	\$ 1.20	\$ 1.19	\$ 236.9	17.9%	\$ 1.11	\$ 1.10

GAAP and non-GAAP weighted average common shares - basic	203.2	213.7
GAAP weighted average common shares - diluted	203.2	215.3
Include dilutive shares	1.7	-
Non-GAAP weighted average common shares - diluted	204.9	215.3

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

(2) Goodwill and acquired intangible assets impairment related to Teradyne's Wireless Test business segment.

# APPENDIX | GAAP TO NON-GAAP RECONCILIATION

(3) Restructuring and other consists of:

	Nine Months Ended	
	2, 2016	4, 2015
Contingent consideration fair value adjustment	\$ 10.5	\$ (2.6)
Employee severance	5.9	1.4
Impairment of fixed assets and expenses related to Japan earthquake	5.4	-
Property insurance recovery	(5.4)	-
Acquisition costs	-	1.1
	<u>\$ 16.4</u>	<u>\$ (0.1)</u>

(4) For the nine months ended October 4, 2015, Interest and other included a gain from the sale of an equity investment.

(5) For the nine months ended October 2, 2016 and October 4, 2015, 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.

# APPENDIX | GAAP TO NON-GAAP RECONCILIATION

	Year Ended			
	December 31, 2015	% of Net Revenues	December 31, 2014	% of Net Revenues
Net Revenues	\$ 1,639.6		\$ 1,647.8	
Gross profit - GAAP	\$ 915.6	55.8%	\$ 878.8	53.3%
Pension mark-to-market adjustments (1)	8.3	0.5%	12.7	0.8%
Inventory step-up	1.6	0.1%	-	-
Gross profit - non-GAAP	\$ 925.5	56.4%	\$ 891.5	54.1%
Income from operations - GAAP	\$ 243.0	14.8%	\$ 96.4	5.9%
Acquired intangible assets amortization	69.0	4.2%	70.8	4.3%
Goodwill impairment (2)	-	-	98.9	6.0%
Pension mark-to-market adjustments (1)	17.8	1.1%	46.6	2.8%
Restructuring and other (3)	5.1	0.3%	1.4	0.1%
Inventory step-up	1.6	0.1%	-	-
Equity modification charge (4)	-	-	6.6	0.4%
Income from operations - non-GAAP	\$ 336.5	20.5%	\$ 320.7	19.5%

	Net Income per Common Share		December 31, 2014		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

	Years Ended			
	December 31, 2013	Revenues	December 31, 2012	% of Net Revenues
Net Revenues	\$ 1,427.9		\$ 1,656.8	
Gross profit - GAAP	\$ 808.8	56.6%	\$ 886.0	53.5%
Pension mark-to-market adjustments <sup>(1)</sup>	(3.1)	-0.2%	9.0	0.5%
Inventory step-up	-	-	6.1	0.4%
Gross profit - non-GAAP	\$ 805.7	56.4%	\$ 901.1	54.4%
Income from operations - GAAP	\$ 190.7	13.4%	\$ 287.4	17.3%
Acquired intangible asset amortization	72.4	5.1%	73.5	4.4%
Restructuring and other <sup>(2)</sup>	2.1	0.1%	(7.7)	-0.5%
Pension mark-to-market adjustments <sup>(1)</sup>	(10.4)	-0.7%	23.3	1.4%
Inventory step-up	-	-	6.1	0.4%
Income from operations - non-GAAP	\$ 254.8	17.8%	\$ 382.6	23.1%

	December 31, 2013	% of Net Revenues	Net Income per Common Share		December 31, 2012	% of Net Revenues	Net Income per Common Share	
			Basic	Diluted			Basic	Diluted
Net income - GAAP	\$ 164.9	11.5%	\$ 0.86	\$ 0.70	\$ 217.0	13.1%	\$ 1.16	\$ 0.94
Acquired intangible asset amortization	72.4	5.1%	0.38	0.31	73.5	4.4%	0.39	0.35
Income tax adjustment <sup>(3)</sup>	4.8	0.3%	0.03	0.02	11.5	0.7%	0.06	0.06
Interest and other <sup>(4)</sup>	(18.4)	-1.3%	(0.10)	(0.08)	13.8	0.8%	0.07	0.07
Restructuring and other <sup>(2)</sup>	2.1	0.1%	0.01	0.01	(7.7)	-0.5%	(0.04)	(0.04)
Pension mark-to-market adjustments <sup>(1)</sup>	(10.4)	-0.7%	(0.05)	(0.04)	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>	-	-	-	0.14	-	-	-	0.15
Net income - non-GAAP	\$ 215.4	15.1%	\$ 1.13	\$ 1.06	\$ 337.5	20.4%	\$ 1.81	\$ 1.67
GAAP and non-GAAP weighted average common shares - basic	190.8				186.9			
GAAP weighted average common shares - diluted	235.6				230.2			
Exclude dilutive shares from convertible note	(23.3)				(22.4)			
Non-GAAP weighted average common shares - diluted <sup>(5)</sup>	212.3				207.8			

<sup>(1)</sup> Actuarial (gains) losses recognized under GAAP in accordance with the Company's mark-to-market pension accounting.

<sup>(2)</sup> Restructuring and other consists of:

	Years Ended	
	December 31, 2013	December 31, 2012
Employee severance	\$ 2.5	\$ 1.1
Facility related	(0.4)	-
Contingent consideration fair value adjustment	-	(8.8)
	\$ 2.1	\$ (7.7)



# APPENDIX | GAAP TO NON-GAAP RECONCILIATION

	Q3'15		Q2'16		Q3'16		Q4'16 Low Guidance	Q4'16 High Guidance
	\$'s	% of sales	\$'s	% of sales	\$'s	% of sales	% of sales	% of sales
GAAP Operating Expenses	\$172	37%	\$515	97%	\$171	42%	47%	43%
Intangible Asset Amortization	-\$20	-4%	-\$16	-3%	-\$9	-2%	-3%	-3%
Restructuring and Other	\$0	0%	-\$86	-16%	-\$12	-3%		
Pension MTM			\$0	0%	\$0	0%		
Goodwill Impairment			-\$255	-48%				
Non GAAP Operating Expenses	\$152	33%	\$158	30%	\$150	37%	44%	40%

	Q3'15		Q2'16		Q3'16	
	\$'s	% of sales	\$'s	% of sales	\$'s	% of sales
GAAP SG&A Expense	\$77	17%	\$81	15%	\$80	19%
Pension MTM			\$0	0%	\$0	0%
Non GAAP SG&A Expense	\$77	17%	\$82	15%	\$79	19%

	Q3'15		Q2'16		Q3'16	
	\$'s	% of sales	\$'s	% of sales	\$'s	% of sales
GAAP R&D Expense	\$74	16%	\$76	14%	\$71	17%
Pension MTM			\$0	0%	\$0	0%
Non GAAP R&D Expense	\$74	16%	\$76	14%	\$71	17%

# APPENDIX | GAAP TO NON-GAAP RECONCILIATION

	Q3'15		Q2'16		Q3'16		Q4'16 Guidance	
	<u>\$'s</u>	<u>%</u>	<u>\$'s</u>	<u>%</u>	<u>\$'s</u>	<u>%</u>		<u>%</u>
GAAP Income Tax	\$16	18%	-\$7	3%	-\$4	-7%		-8%
Exclude discrete tax adjustments	\$3	4%	-\$25	11%	\$11	19%		18%
Tax effect of non-GAAP adjustments	\$5	5%	\$46	-20%	\$7	12%		4%
Effect of Higher Non-GAAP PBT		-4%		16%		-7%		0%
Non GAAP Income Tax	\$24	23%	\$13	11%	\$13	17%		14%

	2013		2014		2015		2016E	
	<u>\$'s</u>	<u>%</u>	<u>\$'s</u>	<u>%</u>	<u>\$'s</u>	<u>%</u>	<u>\$'s</u>	<u>%</u>
GAAP Income Tax	\$37	18%	\$14	15%	\$47	18%	-\$8	11%
Exclude discrete tax adjustments	-\$3	-2%	-\$2	-2%	\$5	2%	\$43	-57%
Tax effect of non-GAAP adjustments		0%	\$41	43%	\$19	7%	\$12	-16%
Effect of Higher Non-GAAP PBT		-3%		-40%		-7%		77%
Non GAAP Income Tax	\$34	13%	\$54	16%	\$70	21%	\$47	14%

# APPENDIX | GAAP TO NON-GAAP RECONCILIATION

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

GAAP and non-GAAP fourth quarter revenue guidance:	\$330 million	to	\$360 million
GAAP net income per diluted share	\$ 0.17		\$ 0.26
Exclude acquired intangible assets amortization	0.04		0.04
Non-GAAP tax adjustment	(0.03)		(0.05)
Non-GAAP net income per diluted share	\$ 0.18		\$ 0.25

For press releases and other information of interest to investors, please visit Teradyne's homepage at <http://www.teradyne.com>.

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Vice President of Corporate Relations

<b>Fourth Quarter Guidance:</b>	<b><u>Low End</u></b>	<b><u>High End</u></b>
GAAP Operating Profit as % of Sales	9%	13%
Acquired intangible asset amortization	<u>3%</u>	<u>3%</u>
Non-GAAP Operating Profit as % of Sales	12%	16%

# APPENDIX | GAAP TO NON-GAAP RECONCILIATION

<b><u>2016 Estimated EPS Reconciliation</u></b>	<b><u>Diluted</u></b>
Estimated Net (loss) income - GAAP	\$ (0.32)
Goodwill impairment	1.24
Acquired intangible assets impairment	0.41
Acquired intangible assets amortization	0.26
Restructuring and other	0.08
Pension mark-to-market adjustment	(0.01)
Interest and other	-
Inventory step-up	-
Exclude discrete tax adjustments	0.06
Tax effect of non-GAAP adjustments	(0.32)
Estimated Net income - non-GAAP	<u>\$ 1.40</u>

<u>2016 Estimated GAAP PBIT %</u>	<u>-5%</u>
Goodwill impairment	15%
Acquired intangible assets impairment	5%
Acquired intangible assets amortization	3%
Restructuring and other	1%
Pension mark-to-market adjustment	0%
<u>2016 Estimated Non-GAAP PBIT %</u>	<u>19%</u>

# APPENDIX | GAAP TO NON-GAAP RECONCILIATION

- Teradyne determines non-GAAP operating cash flow (“Free Cash Flow”) by adjusting GAAP cash flow from operations excluding discontinued operations, less property, plant and equipment additions. Free cash flow is considered a non-GAAP financial measure. Teradyne believes that free cash flow, which measures our ability to generate cash from our business operations, is an important financial measure for use in evaluating Teradyne’s financial performance. Free cash flow should be considered in addition to, rather than as a substitute for, income (loss) from continuing operations or net income (loss) as a measure of our performance and net cash provided by operating activities as a measure of our liquidity.
- Teradyne believes it is important to view free cash flow as a measure that provides supplemental information to Teradyne’s entire statement of cash flows.
- Although other companies report their free cash flow, numerous methods may exist for calculating a company's free cash flow. As a result, the method used by Teradyne to calculate free cash flow may differ from the methods other companies use to calculate their free cash flow.
- The following table sets forth a reconciliation of free cash flow, a non-GAAP financial measure, to net cash provided by operating activities, a GAAP measure, which we believe to be the GAAP financial measure most directly comparable to free cash flow.

	<u>Q3'15</u>	<u>Q2'16</u>	<u>Q3'16</u>		
GAAP Cash Flow From Operations, Excl Disc Ops	\$179	\$181	\$204		
Less Property, Plant and Equipment Additions	-\$21	-\$26	-\$20		
Non-GAAP Operating Cash Flow ("Free Cash Flow")	\$159	\$154	\$184		
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016 YTD</u>
GAAP Cash Flow From Operations, Excl Disc Ops	\$403	\$269	\$492	\$413	\$409
Less Property, Plant and Equipment Additions	-\$119	-\$107	-\$169	-\$90	-\$66
Non-GAAP Operating Cash Flow ("Free Cash Flow")	\$284	\$162	\$323	\$323	\$342
Include Cash From ESPP	\$18	\$18	\$21	\$20	\$20
Total Cash Generation	\$302	\$180	\$344	\$343	\$363

# APPENDIX | GAAP TO NON-GAAP RECONCILIATION

Teradyne's updated non- GAAP model revenue is \$390 million with 54% gross margin and 39% OPEX and the prior non- GAAP model revenue was \$390 million with 53% gross margin and 38% OPEX. 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 a semiconductor buying cycle. Non - GAAP income from operations excludes amortization from acquired intangible assets and any special items, such as 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.

As a result, the GAAP financial measures most directly comparable to these forward looking Non- GAAP financial measures (the model revenue number, if any, under GAAP) are not currently available and a GAAP to Non- GAAP reconciliation has therefore not been presented.

# APPENDIX | GAAP TO NON-GAAP RECONCILIATION

<u>2020 EPS Reconciliation</u>	<b>Net Income per Common Share Diluted</b>	
Net (loss) income - GAAP	\$	1.96
Acquired intangible asset amortization		0.04
Net income - non-GAAP	\$	2.00