

TERADYNE

Financial Results: Q2 2024

July 25, 2024





SAFE HARBOR

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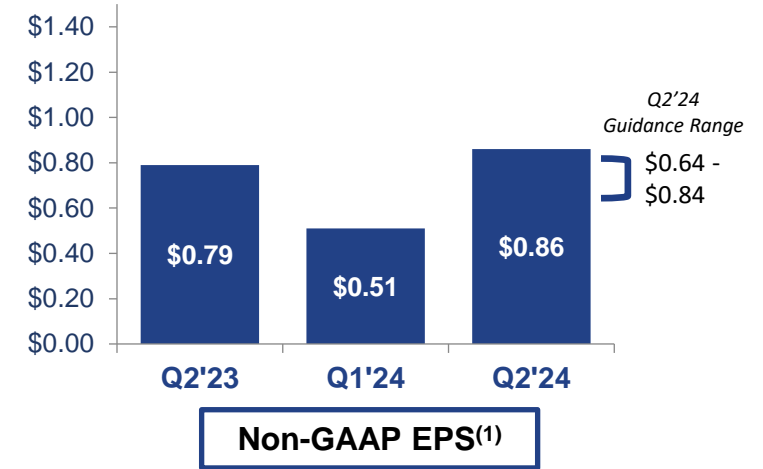
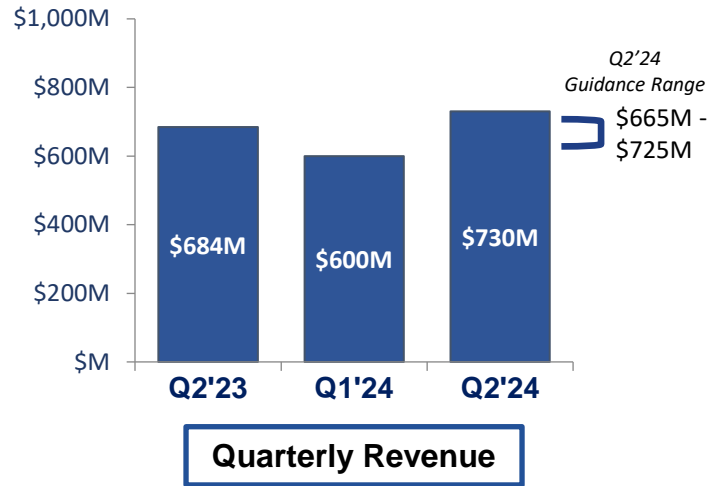
Business Update and Outlook

Greg Smith, President and CEO



Q2'24 Summary

Sales of \$730M | Gross Margin of 58.3% | Non-GAAP EPS of \$0.86 | Above High Guidance



- Semi Test strength in Compute, Mobile and Memory drove upside
- Robotics executed to plan and grew 26% YoY

- Gross Margin up from Q1'24 and improved from guidance
- Favorable volume and product mix were the main drivers

- Non-GAAP EPS of \$0.86
- Repurchased 0.1 million shares / \$8 million, \$104.45 /share average

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

Q2'24 Summary and Full Year Outlook

Q2 Summary

Q2'24 sales of \$730M and earnings (non-GAAP EPS of \$0.86) were above the high end of the guidance range

- Semi Test strength in Compute, Mobile and Memory drove upside
- In Universal Robots, OEM channel grew 67% YoY and was over 30% of UR revenue in Q2
- Gross margin strength in volume and product mix

2024 Outlook

SOC TAM unchanged at \$3.6-\$4.2B

- Compute TAM estimated at \$1.6B vs \$1.5B prior estimate (at midpoint), offset by \$100M estimated decline in mobile

Memory test TAM unchanged at \$1.2-\$1.3B, trending towards higher end

Expect revenue to grow in the low single-digit range YoY

- Test revenue up modestly and Robotics revenue up 10-20% YoY on new products and channel improvements
- Revenue distribution: 1H 48% / 2H 52%, further de-risking full year plan
- Vertically Integrated Producer (VIP) channel gaining momentum

Mid-Term Earnings Model Growth Drivers Remain in Place

Test

- Market recovery in Mobile, Auto and Industrial
- AI drives SOC and Memory test demand as edge applications are deployed and 2nm/GAA delivers higher complexity
- Shift toward Vertically Integrated Producers builds

Robotics

- AI expands the range of applications into a lightly penetrated market
- New products/services and channel improvements expected to drive growth through 2026+

Second Quarter 2024 Financial Results & Third Quarter 2024 Guidance

Sanjay Mehta, Vice President and Chief Financial Officer



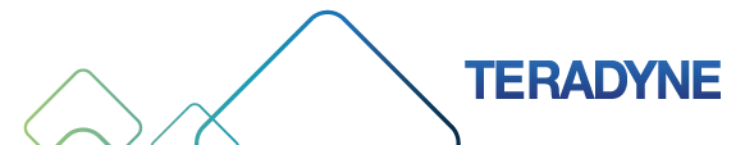
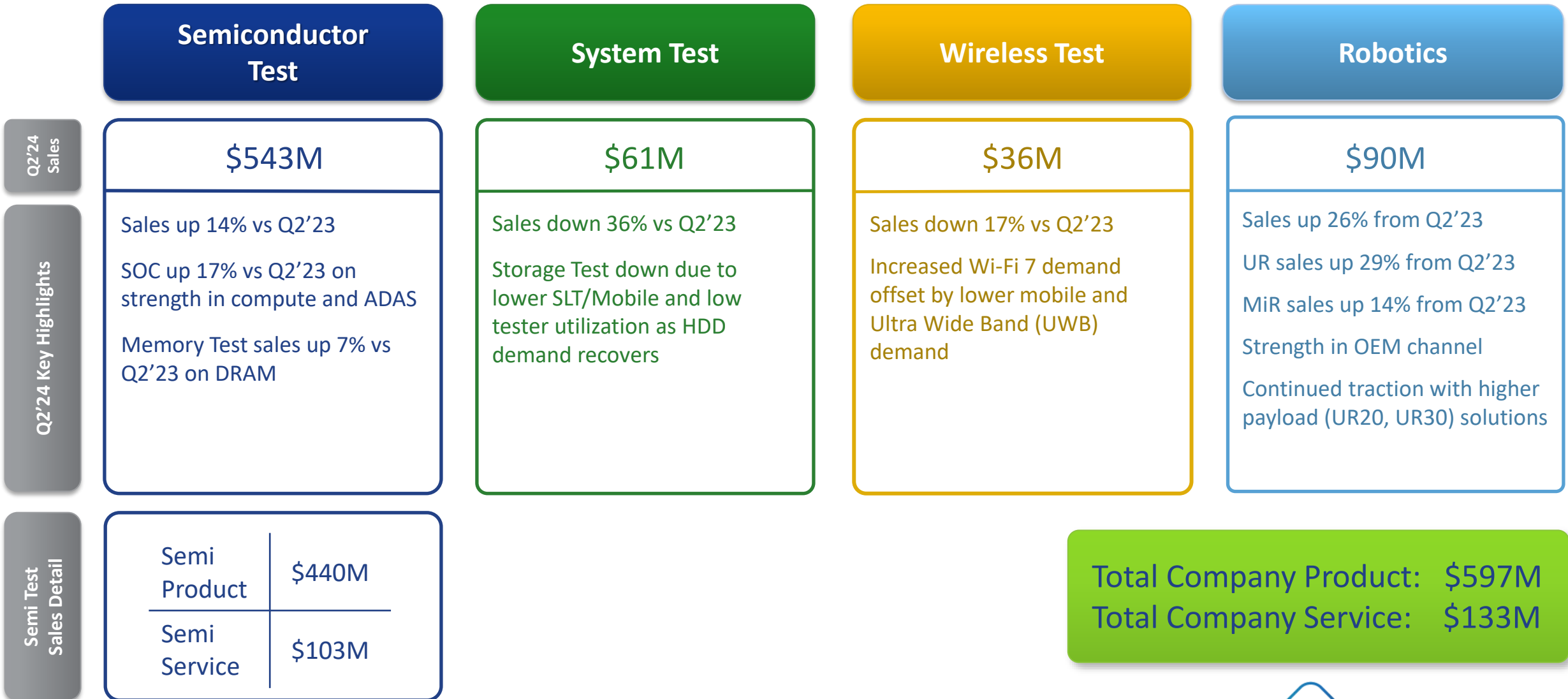
Q2'24 Non-GAAP Results

	Q2'23 Actual ⁽¹⁾		Q1'24 Actual ⁽¹⁾		Q2'24 Actual ⁽¹⁾	
Sales		\$684M		\$600M		\$730M
Gross Margin	58.8%	\$402M	56.6%	\$339M	58.3%	\$426M
R&D	15.4%	\$106M	17.2%	\$103M	15.3%	\$112M
SG&A	<u>21.3%</u>	<u>\$146M</u>	<u>24.6%</u>	<u>\$147M</u>	<u>21.2%</u>	<u>\$154M</u>
OPEX	36.7%	\$251M	41.8%	\$251M	36.5%	\$266M
Operating Profit	22.1%	\$151M	14.8%	\$89M	21.9%	\$160M
Income Taxes (& effective tax rate)	17.2%	\$27M	15.5%	\$15M	14.6%	\$24M
EPS		\$0.79		\$0.51		\$0.86
Diluted Shares		164M		162M		163M

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



Q2'24 Segment Summary



Balance Sheet & Capital Allocation

	Q2'23 Actual	Q1'24 Actual	Q2'24 Actual
Cash and Marketable Securities	\$813M	\$871M	\$584M
Inventory	\$347M	\$314M	\$289M
DSO	66 Days	65 Days	59 Days
Capital Additions	\$39M	\$44M	\$45M
Depreciation and Amortization ⁽¹⁾	\$41M	\$45M	\$45M
Free Cash Flow ⁽²⁾	\$104M	(\$37M)	\$171M
Capital Return	Buybacks ⁽³⁾	\$136M	\$22M
	Dividends	\$17M	\$18M
			\$8M
			\$19M

(1) Includes depreciation, stock-based compensation, amortization of acquired intangible assets

(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.

(3) Inclusive of excise taxes, as applicable

Q3'24 Non-GAAP Guidance

\$s in millions, except EPS	Q2'24 Actual ⁽¹⁾	Q3'24 Guidance ⁽¹⁾
Sales	\$730M	\$680M - \$740M
Gross Margin	58.3%	58.5% - 59.5%
OPEX	36.5%	40% - 38%
Operating Profit	21.9%	18.5% - 21.5%
Effective Tax Rate	14.6%	15.0%
EPS	\$0.86	\$0.66 - \$0.86
Diluted Shares	163M	164M

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

Q2'24 Summary and Full Year Outlook

Q2 Summary

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- Market recovery in Mobile, Auto and Industrial
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Robotics

- AI expands the range of applications into a lightly penetrated market
- New products/services and channel improvements expected to drive growth through 2026+

Q3'24: Sales expected to be in the range of \$680 - \$740M | GAAP EPS of \$0.62 - \$0.82 | Non-GAAP EPS of \$0.66 - \$0.86

Supplemental Information



Semiconductor Test TAM Estimates

Semi ATE TAM Est. Ranges

(\$ in billions)	2023 Historical Estimate	TAM Est as of 1/24	TAM Est as of 4/24	TAM Est as of 7/24
SOC	\$4.0	\$3.6 – \$4.2	\$3.6 – \$4.2	\$3.6 – \$4.2
Memory	\$0.9	\$1.0 – \$1.1	\$1.2 – \$1.3	\$1.2 – \$1.3
Total Semi ATE	\$4.9	\$4.6 - \$5.3	\$4.6 - \$5.3	\$4.6 - \$5.3

Semi ATE TAM Est. Mid-Point

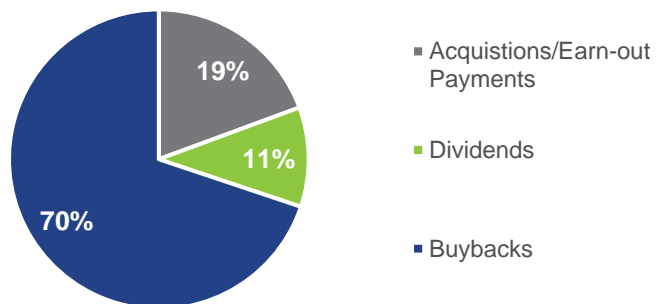
(\$ in billions)	2023 Historical Estimate	TAM Est as of 1/24 (at mid point)	TAM Est as of 4/24 (at mid point)	TAM Est as of 7/24 (at mid point)
Total SOC	\$4.0	\$3.9	\$3.9	\$3.9
Compute	\$1.4	\$1.4	\$1.5	\$1.6
Mobile	\$0.9	\$0.9	\$0.9	\$0.8
Auto + MCU	\$0.6	\$0.5	\$0.5	\$0.5
Industrial	\$0.4	\$0.4	\$0.3	\$0.3
SOC Service	\$0.7	\$0.7	\$0.7	\$0.7
Memory Test	\$0.9	\$1.05	\$1.25	\$1.25
Total Semi ATE	\$4.9	\$4.95	\$5.15	\$5.15

History of Capital Allocation

Since 2015, 78.6M shares repurchased at an average price of ~\$49 per share

(\$M)	2015	2016	2017	2018	2019	2020	2021	2022	2023	1H'24	Cumulative
Buybacks ⁽¹⁾	300	146	200	823	500	88	600	752	401	30	3,841
Dividends	51	49	55	67	61	66	66	70	68	37	591
Net Acquisitions ⁽²⁾	283	15	1	194	115	9	12	-	-	437	1,066
Total	633	210	257	1,085	676	163	678	822	468	505	5,498
Free Cash Flow ⁽³⁾	323	370	521	370	444	684	966	415	426	134	4,654
% of FCF returned ⁽⁴⁾	109%	53%	49%	240%	126%	23%	69%	198%	110%	50%	95%

Cumulative Capital Allocation Breakdown 2015 - Q2'24



- (1) Inclusive of excise taxes, as applicable
- (2) Net acquisitions includes acquisitions, minority investments and divestitures
- (3) 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.
- (4) Teradyne calculates % of FCF returned as Buybacks plus Dividends divided by Free Cash Flow

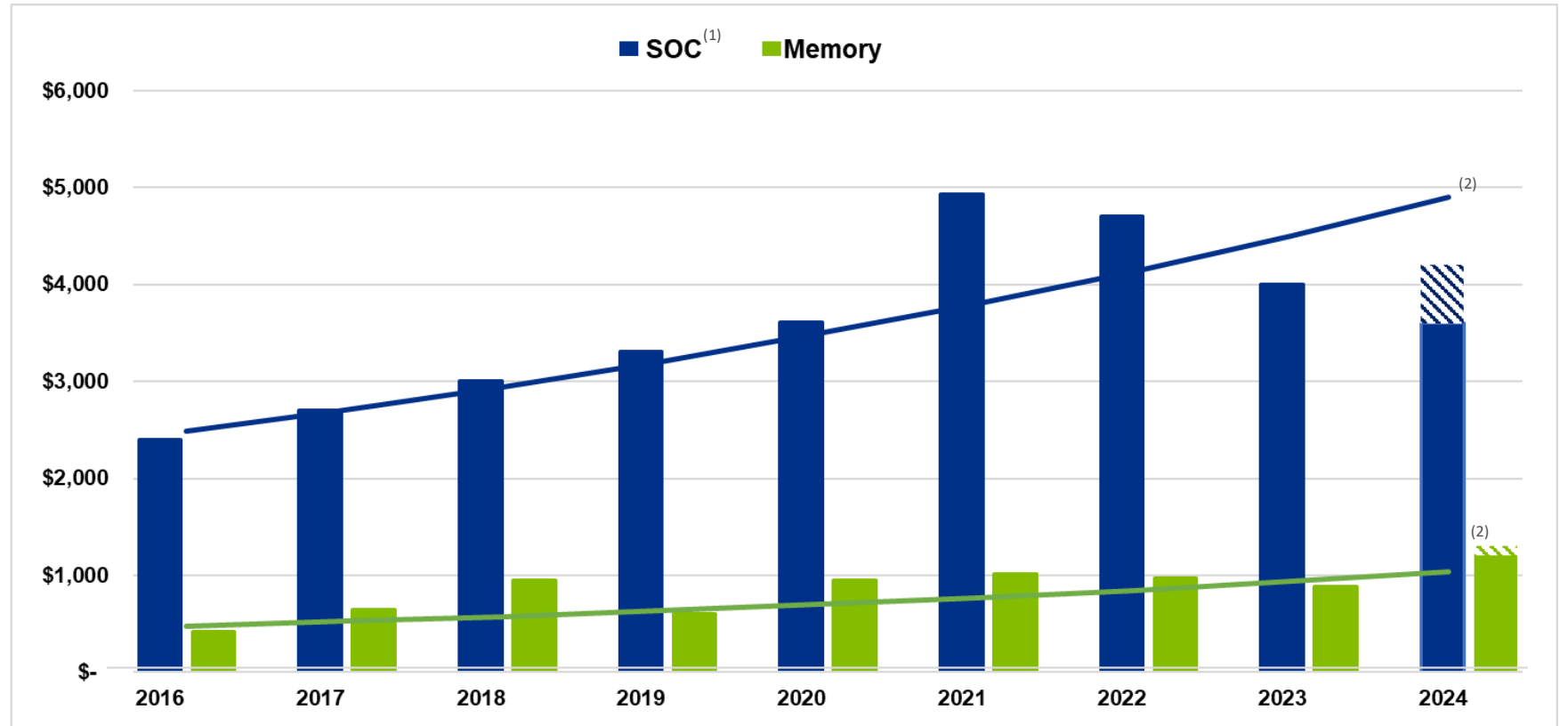
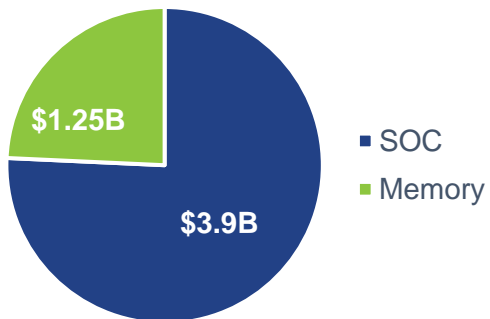
Semiconductor Test Market Growth Trends Are Favorable

Semiconductor Test

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

Memory test driven by bit growth, diversity, higher bandwidth

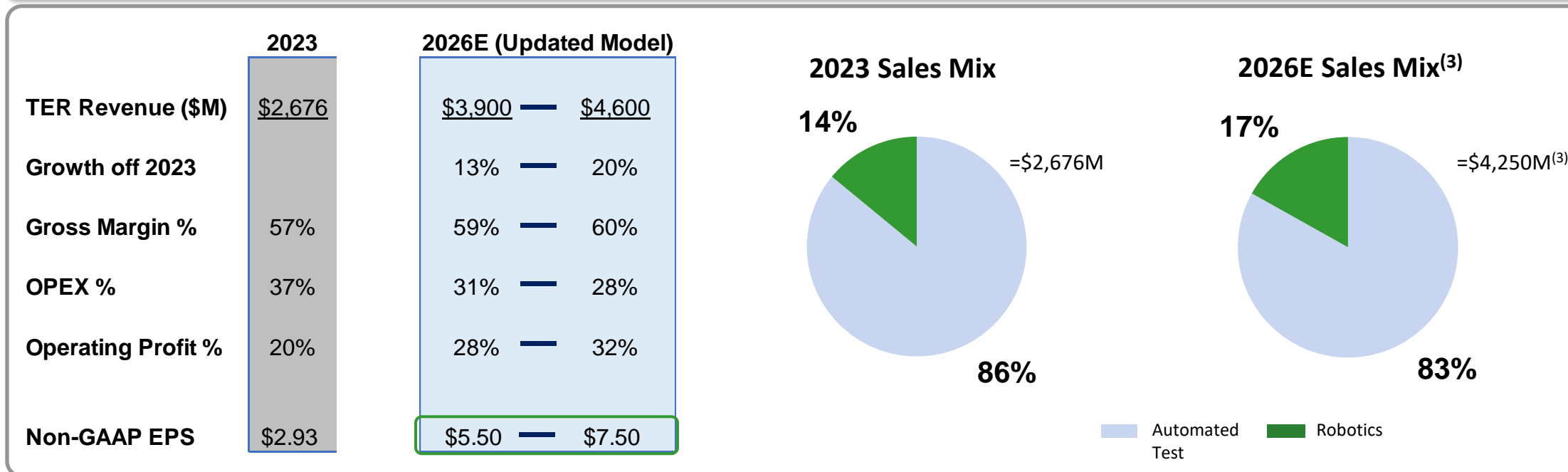
2024 Market Sizes at Mid-Point of Range



(1) SOC data includes product and service; market data from SEMI WWSEMS report and internal estimates
 (2) Trendline reflects 9% and 11% CAGRs from 2016 for SOC and Memory, respectively

Teradyne Non-GAAP Mid-Term Earnings Model

Financial Model ⁽¹⁾⁽²⁾



Model Assumptions

Metric	Old Model	New Model	Comment
Robotics Revenue CAGR	20-30% off 2022	20-30% off 2023	Drivers are labor shortages, cost and low penetration rate
Test Revenue CAGR	8-13% off 2022	12-18% off 2023	Drivers are complexity, Compute, Mobile and Auto markets

(1) See attached appendix for GAAP to non-GAAP reconciliations
 (2) Financial Model updated as of 1/30/24
 (3) 2026E sales mix is at mid-point of model range



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					
	June 30, 2024	% of Net Revenues	March 31, 2024	% of Net Revenues	July 2, 2023	% of Net Revenues
Net revenues	\$ 729.9		\$ 599.8		\$ 684.4	
Gross profit GAAP and non-GAAP	425.8	58.3%	339.3	56.6%	402.5	58.8%
Income from operations - GAAP	210.4	28.8%	77.8	13.0%	139.9	20.4%
Acquired intangible assets amortization	4.7	0.6%	4.7	0.8%	4.8	0.7%
Restructuring and other (1)	2.0	0.3%	4.4	0.7%	6.4	0.9%
Equity modification charge (2)	—	0.0%	1.7	0.3%	—	0.0%
Gain on sale of business (3)	(57.5)	-7.9%	—	0.0%	—	0.0%
Income from operations - non-GAAP	\$ 159.6	21.9%	\$ 88.6	14.8%	\$ 151.1	22.1%

	June 30, 2024	% of Net Revenues	Net Income per Common Share		March 31, 2024	% of Net Revenues	Net Income per Common Share		July 2, 2023	% of Net Revenues	Net Income per Common Share	
			Basic	Diluted			Basic	Diluted			Basic	Diluted
Net income - GAAP	\$ 186.3	25.5%	\$ 1.18	\$ 1.14	\$ 64.2	10.7%	\$ 0.42	\$ 0.40	\$ 120.1	17.5%	\$ 0.78	\$ 0.73
Acquired intangible assets amortization	4.7	0.6%	0.03	0.03	4.7	0.8%	0.03	0.03	4.8	0.7%	—	0.03
Restructuring and other (1)	2.0	0.3%	0.01	0.01	4.4	0.7%	0.03	0.03	6.4	0.9%	0.04	0.04
Equity Modification Charge (2)	—	0.0%	—	—	1.7	0.3%	0.01	0.01	—	—	—	—
Pension mark-to-market adjustment (4)	(0.3)	0.0%	(0.00)	(0.00)	—	—	—	—	0.1	0.0%	0.00	0.00
Loss (gain) on foreign exchange option	(4.2)	-0.6%	(0.03)	(0.03)	13.9	2.3%	0.09	0.09	—	—	—	—
Gain on sale of business (3)	(57.5)	-7.9%	(0.36)	(0.35)	—	—	—	—	—	—	—	—
Exclude discrete tax adjustments	10.5	1.4%	0.07	0.06	(2.2)	-0.4%	(0.01)	(0.01)	0.5	0.1%	0.00	0.00
Non-GAAP tax adjustments	(1.5)	-0.2%	(0.01)	(0.01)	(4.2)	-0.7%	(0.03)	(0.03)	(2.9)	-0.4%	(0.02)	(0.02)
Net income - non-GAAP	\$ 140.0	19.2%	\$ 0.89	\$ 0.86	\$ 82.5	13.8%	\$ 0.54	\$ 0.51	\$ 129.0	18.8%	\$ 0.83	\$ 0.79

GAAP and non-GAAP weighted average common shares - basic	157.8		153.0		154.8
GAAP weighted average common shares - diluted (5)	163.5		162.3		164.8
Exclude dilutive shares related to convertible note transaction	—		—		(0.7)
Non-GAAP weighted average common shares - diluted	163.5		162.3		164.1

Appendix | GAAP to Non-GAAP Reconciliation

(1) Restructuring and other consists of:

	Quarter Ended		
	June 30, 2024	March 31, 2024	July 2, 2023
Employee severance	2.0	2.0	5.1
Divestiture related expenses	—	\$ 2.2	—
Other	—	0.2	1.2
	<u>\$ 2.0</u>	<u>\$ 4.4</u>	<u>\$ 6.4</u>

- (2) For the quarter ended March 31, 2024, selling and administrative expenses included an equity charge of \$1.7 million for the modification of Teradyne executives' retirement agreements.
- (3) On May 27, 2024, Teradyne sold DIS, a component of the Semiconductor Test segment, to Technoprobe, for \$85.0 million, net of cash and cash equivalents sold and a working capital adjustment.
- (4) For the quarters ended June 30, 2024, and July 2, 2023, adjustments to exclude actuarial gains and losses, respectively, recognized under GAAP in accordance with Teradyne's mark-to-market pension accounting.
- (5) For the quarters ended June 30, 2024, March 31, 2024, and July 2, 2023, non-GAAP weighted average diluted common shares included 4.9 million, 8.9 million and 8.9 million shares, respectively, from the convertible note hedge transaction.

Appendix | GAAP to Non-GAAP Reconciliation

(1) Restructuring and other consists of:

	Quarter Ended		
	December 31, 2023	October 1, 2023	December 31, 2022
Acquisition and divestiture related expenses	\$ 3.1	\$ —	\$ —
Employee severance	3.0	4.7	0.8
Contract termination	—	1.5	—
Gain on sale of asset	—	—	(3.4)
Other	(0.1)	0.7	0.3
	<u>\$ 6.0</u>	<u>\$ 6.9</u>	<u>\$ (2.4)</u>

(2) For the quarters ended December 31, 2023, October 1, 2023 and December 31, 2022 adjustment to exclude actuarial loss recognized under GAAP in accordance with Teradyne's mark-to-market pension accounting.

(3) For the quarters ended December 31, 2023, October 1, 2023, and December 31, 2022, non-GAAP weighted average diluted common shares include 8.6 million, 9.2 million and 7.9 million shares, respectively, from the convertible note hedge transaction.

Appendix | GAAP to Non-GAAP Reconciliation

	Twelve Months Ended									
	December 31, 2023				December 31, 2022					
		% of Net Revenues				% of Net Revenues				
Net Revenues	\$ 2,676.3				\$ 3,155.0					
Gross profit GAAP and non-GAAP	1,536.7	57.4%			1,867.2	59.2%				
Income from operations - GAAP	501.1	18.7%			831.9	26.4%				
Restructuring and other (1)	21.3	0.8%			17.2	0.5%				
Acquired intangible assets amortization	19.0	0.7%			19.3	0.6%				
Equity modification charge (2)	5.9	0.2%			—	—				
Income from operations - non-GAAP	\$ 547.3	20.4%			\$ 868.4	27.5%				
			Net Income per Common Share						Net Income per Common Share	
	December 31, 2023	% of Net Revenues	Basic	Diluted	December 31, 2022	% of Net Revenues	Basic	Diluted		
Net income - GAAP	\$ 448.8	16.8%	\$ 2.91	\$ 2.73	\$ 715.5	22.7%	\$ 4.52	\$ 4.22		
Restructuring and other (1)	21.3	0.8%	0.14	0.13	17.2	0.5%	0.11	0.10		
Acquired intangible assets amortization	19.0	0.7%	0.12	0.12	19.3	0.6%	0.12	0.11		
Equity modification charge (2)	5.9	0.2%	0.04	0.04	—	—	—	—		
Pension mark-to-market adjustment (3)	2.7	0.1%	0.02	0.02	(25.6)	-0.8%	(0.16)	(0.15)		
Gain on foreign exchange option	(7.5)	-0.3%	(0.05)	(0.05)	—	—	—	—		
Exclude discrete tax adjustments	(3.4)	-0.1%	(0.02)	(0.02)	(12.1)	-0.4%	(0.08)	(0.07)		
Non-GAAP tax adjustments	(7.7)	-0.3%	(0.05)	(0.05)	(1.4)	0.0%	(0.01)	(0.01)		
Convertible share adjustment (4)	—	—	—	0.01	—	—	—	0.05		
Net income - non-GAAP	\$ 479.1	17.9%	\$ 3.10	\$ 2.93	\$ 712.9	22.6%	\$ 4.50	\$ 4.25		
GAAP and non-GAAP weighted average common shares - basic	154.3				158.4					
GAAP weighted average common shares - diluted	164.3				169.7					
Exclude dilutive shares from convertible note	(0.6)				(1.8)					
Non-GAAP weighted average common shares - diluted	163.7				167.9					

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(1) Restructuring and other consists of:

	Twelve Months Ended	
	December 31, 2023	December 31, 2022
Employee severance	\$ 14.9	\$ 2.9
Acquisition and divestiture related expenses	3.1	—
Contract termination	1.5	—
Litigation settlement	—	14.7
Gain on sale of asset	—	(3.4)
Other	1.8	3.0
	<u>\$ 21.3</u>	<u>\$ 17.2</u>

(2) For the twelve months ended December 31, 2023, selling and administrative expenses include an equity charge of \$5.9 million for the modification of Teradyne's retired CEO's outstanding equity awards in connection with his February 1, 2023 retirement.

(3) For the twelve months ended December 31, 2023 adjustment to exclude actuarial loss recognized under GAAP in accordance with Teradyne's mark-to-market pension accounting.

(4) For the twelve months ended December 31, 2023 and December 31, 2022, the non-GAAP diluted EPS calculation adds back \$0.2 million and \$1.0 million, respectively, of convertible debt interest expense to non-GAAP net income. For the twelve months ended December 31, 2023 and December 31, 2022, non-GAAP weighted average diluted common shares include 8.9 million and 8.8 million shares, respectively, related to the convertible debt hedge transaction.

Appendix | GAAP to Non-GAAP Reconciliation

	Q2'23		Q1'24		Q2'24		Q3'24 Low Guidance		Q3'24 High Guidance	
	\$'s	% of sales	\$'s	% of sales	\$'s	% of sales	\$'s	% of sales	\$'s	% of sales
GAAP Operating Expenses	\$263	38%	\$262	44%	\$215	30%	\$278	41%	\$282	38%
Intangible Asset Amortization	-\$5	-1%	-\$5	-1%	-\$5	-1%	-\$5	-1%	-\$5	-1%
Restructuring and Other	-\$6	-1%	-\$4	-1%	-\$2	0%				
Equity Modification Charge			-\$2	0%						
Loss (gain) on the sale of business					\$57	8%				
Non GAAP Operating Expenses	\$251	37%	\$251	42%	\$266	36%	\$273	40%	\$277	38%

Q3'24 Guidance:	2022		2023		GAAP Operating Expenses	2022		2023	
	Low End	High End	\$'s	% of sales		\$'s	% of sales	\$'s	% of sales
GAAP Operating Profit as % of Sales	18%	21%	\$1,035	33%	\$1,036	39%	\$1,036	39%	
Acquired intangible asset amortization	1%	1%	-\$19	-1%	-\$19	-1%	-\$19	-1%	
Restructuring and Other	0%	0%	-\$17	-1%	-\$21	-1%	-\$21	-1%	
Non-GAAP Operating Profit as % of Sales	18%	22%			-\$6	0%			
			\$999	32%	\$990	37%			

Q3'24 GAAP Guidance Diluted Shares	164	GAAP Income Tax	Q2'23		Q1'24		Q2'24	
			\$'s	%	\$'s	%	\$'s	%
Exclude dilutive shares from convertible note	0	Exclude discrete tax adjustments	\$24	17%	\$9	12%	\$33	15%
Q3'24 Non-GAAP Guidance Diluted Shares	164	Tax effect of non-GAAP adjustments	-\$1	0%	\$2	3%	-\$11	-5%
		Effect of Higher Non-GAAP PBT	\$3	2%	\$4	6%	\$2	1%
		Non GAAP Income Tax		-1%		-5%		4%
			\$27	17%	\$15	16%	\$24	15%

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

GAAP and non-GAAP third quarter revenue guidance:	\$680 million	to	\$740 million
GAAP net income per diluted share	\$ 0.62	\$	0.82
Exclude acquired intangible assets amortization	0.03		0.03
Exclude equity method investment amortization	0.02		0.02
Non-GAAP tax adjustments	(0.01)		(0.01)
Non-GAAP net income per diluted share	\$ 0.66	\$	0.86

FY 2024 GAAP estimated tax rate	14.25%
Adjustment for Non GAAP items	0.75%
FY 2024 Non GAAP estimated tax rate	15.00%

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	2023	Q2'23	Q1'24	Q2'24
GAAP Cash Flow from Operations, Excl Disc Ops	\$ 413	\$ 455	\$ 626	\$ 477	\$ 579	\$ 869	\$ 1,098	\$ 578	\$ 585	\$ 143	\$ 7	\$ 216
Less Property, Plant, and Equipment Additions net of Gov't Subsidy	\$ (90)	\$ (85)	\$ (105)	\$ (107)	\$ (135)	\$ (185)	\$ (132)	\$ (163)	\$ (160)	\$ (39)	\$ (44)	\$ (45)
Non-GAAP Operating Cash Flow ("Free Cash Flow")	\$ 323	\$ 370	\$ 521	\$ 370	\$ 444	\$ 684	\$ 966	\$ 415	\$ 426	\$ 104	\$ (37)	\$ 171

Appendix | GAAP to Non-GAAP Reconciliation

2026 Model Range

	<u>FY 2026 Low</u>	<u>FY 2026 Mid</u>	<u>FY 2026 High</u>
2026 Estimated GAAP Diluted EPS	\$ 5.49	\$ 6.49	\$ 7.49
Add Back Intangible Asset Amortization	<u>\$ 0.01</u>	<u>\$ 0.01</u>	<u>\$ 0.01</u>
2026 Estimated Non-GAAP Diluted EPS	\$ 5.50	\$ 6.50	\$ 7.50