



TELEDYNE TECHNOLOGIES REPORTS THIRD QUARTER RESULTS

THOUSAND OAKS, Calif. – October 27, 2021 – Teledyne Technologies Incorporated (NYSE:TDY)

- **Record sales of \$1,311.9 million, an increase of 75.2% compared with last year**
- **Third quarter GAAP diluted earnings per share of \$2.81, an increase of 13.3% compared with last year**
- **Third quarter non-GAAP diluted earnings per share of \$4.34, excluding acquisition-related pretax transaction and purchase accounting expenses of \$92.3 million and related tax matters (\$1.53 per share)**
- **Third quarter GAAP operating margin of 14.5% and non-GAAP operating margin of 21.5%**
- **Record third quarter cash flow from operations**
- **Increasing full year 2021 GAAP earnings outlook to \$9.13 to \$9.29 per share, compared with the prior outlook of \$8.05 to \$8.45 per share and full year 2021 non-GAAP earnings outlook to \$16.35 to \$16.45 per share, compared with \$15.25 to \$15.50 per share, which excludes acquisition-related transaction and purchase accounting expenses and related tax matters**

Teledyne today reported third quarter 2021 net sales of \$1,311.9 million, compared with net sales of \$749.0 million for the third quarter of 2020, an increase of 75.2%. Net income was \$134.1 million (\$2.81 diluted earnings per share) for the third quarter of 2021, compared with \$93.9 million (\$2.48 diluted earnings per share) for the third quarter of 2020, an increase of 42.8%. The third quarter of 2021 net sales included \$473.6 million in incremental net sales from the acquisition of FLIR Systems, Inc. (“FLIR”). In connection with the FLIR acquisition, in the third quarter of 2021, Teledyne incurred pretax expenses of \$82.6 million, which included \$45.6 million in acquired intangible asset amortization expense, \$35.2 million in acquired inventory step-up expense and \$1.8 million of transaction and integration-related costs. The third quarter of 2021 also included \$9.7 million of acquired intangible asset amortization expense for transactions completed in prior periods. Excluding these charges and related tax matters, non-GAAP net income for the third quarter of 2021 was \$207.2 million (\$4.34 per share). The third quarter of 2020 included pretax charges of \$13.8 million which included \$9.9 million in acquired intangible asset amortization expense and \$3.9 million in severance, facility consolidation and other costs. Excluding acquired intangible asset amortization expense, non-GAAP net income for the third quarter of 2020 was \$101.5 million (\$2.68 per share). Operating margin was 14.5% for the third quarter of 2021, compared with 16.4% for the third quarter of 2020. Excluding acquisition-related transaction and purchase accounting expenses, non-GAAP operating margin for the third quarter of 2021 was 21.5%, compared with 17.7% for the third quarter of 2020. The third quarter of 2021 reflected net discrete income tax benefits of \$6.3 million compared with net discrete income tax benefits of \$1.2 million for the third quarter of 2020.

“Our record sales in the third quarter included organic growth just under 12 percent and operating margin increased 380 basis points excluding acquisition-related costs,” said Robert Mehrabian, Chairman, President and Chief Executive Officer. “Cash flow was a third quarter record, allowing repayment of \$300.0 million of debt, while our leverage ratio declined to 3.3x from 3.7x at the end of the second quarter. Sales increased in every major business category but were especially strong in our commercial imaging and electronic test and measurement instrumentation businesses. Our government businesses continued to grow, and we are beginning to see a recovery in some of our longer-cycle commercial markets such as aerospace and energy. We are also very pleased with the integration of Teledyne FLIR, as well as its performance in the first full quarter as part of Teledyne. Finally, while Teledyne is not immune to supply chain challenges and the current operating environment, we have been successfully navigating and managing these issues.”

Review of Operations

Comparisons are with the third quarter of 2020, unless noted otherwise.

Digital Imaging

The Digital Imaging segment’s third quarter 2021 net sales were \$760.6 million, compared with \$239.7 million, an increase of 217.3%. Operating income was \$94.9 million for the third quarter of 2021, compared with \$45.5 million, an increase of 108.6%.

The third quarter 2021 net sales increase included \$473.6 million of incremental net sales from the FLIR acquisition as well as organic sales growth from industrial and scientific sensors and cameras, x-ray products and micro-electro-mechanical systems (“MEMS”), partially offset by lower sales for geospatial imaging systems. The increase in operating income in the third quarter of 2021 reflected the contribution from the FLIR acquisition, partially offset by \$82.3 million of FLIR acquisition-related transaction and purchase accounting expenses, which included \$45.6 million in acquired intangible asset amortization expense, \$35.2 million in inventory step-up expense and \$1.5 million of integration-related costs. The increase in operating income also reflected the impact of organic sales growth.

Instrumentation

The Instrumentation segment’s third quarter 2021 net sales were \$287.1 million, compared with \$263.5 million, an increase of 9.0%. Operating income was \$63.0 million for the third quarter of 2021, compared with \$50.7 million, an increase of 24.3%.

The third quarter 2021 net sales increase resulted from higher sales of test and measurement instrumentation, environmental instrumentation and marine instrumentation. Sales of test and measurement instrumentation increased \$12.8 million, environmental instrumentation increased \$7.6 million and marine instrumentation increased \$3.2 million. The increase in operating income reflected the impact of higher sales and improved margins across most product categories resulting from ongoing margin improvement initiatives.

Aerospace and Defense Electronics

The Aerospace and Defense Electronics segment’s third quarter 2021 net sales were \$161.8 million, compared with \$144.8 million, an increase of 11.7%. Operating income was \$35.9 million for the third quarter of 2021, compared with \$26.7 million, an increase of 34.5%.

The third quarter 2021 net sales reflected \$9.9 million of higher sales for defense and space electronics as well as higher sales of \$7.1 million for aerospace electronics. Operating income in the third quarter of 2021 reflected the impact of higher sales and a lower cost structure due to actions taken in 2020 and lower research and development costs. Research and development expense was lower by \$2.8 million in the third quarter of 2021, and primarily reflected lower spending for aerospace electronics.

Engineered Systems

The Engineered Systems segment's third quarter 2021 net sales were \$102.4 million, compared with \$101.0 million, an increase of 1.4%. Operating income was \$11.5 million for the third quarter of 2021, compared with \$12.5 million, a decrease of 8.0%.

The third quarter 2021 net sales primarily reflected higher sales of \$7.8 million of engineered products, partially offset by lower sales of \$6.3 million for turbine engines. The higher sales for engineered products primarily reflected increased sales from medical modeling and analysis, missile defense and marine manufacturing programs. Teledyne exited the turbine engine business in the first quarter of 2021.

Additional Financial Information

Cash Flow

Cash provided by operating activities was \$192.8 million for the third quarter of 2021, compared with \$150.3 million. The higher cash flow from operating activities for the third quarter of 2021 reflected the impact of higher net income, the cash flow contribution from FLIR and lower income tax payments, partially offset by semi-annual interest payments. At October 3, 2021, net debt was \$3,889.9 million and comprised of cash and cash equivalents of \$551.8 million and total debt of \$4,441.7 million. At January 3, 2021, net debt was \$105.4 million and comprised of cash and cash equivalents of \$673.1 million and total debt of \$778.5 million. The higher debt balance at October 3, 2021, included the debt incurred to fund the cash portion of the FLIR acquisition. In the third quarter of 2021, Teledyne repaid \$300.0 million against the \$1.0 billion Term Loan Credit Agreement. At October 3, 2021, approximately \$751.1 million was available under the \$1,150 million credit facility, after reductions of \$125.0 million in borrowings and \$273.9 million in outstanding letters of credit. The outstanding letters of credit include a \$253.6 million letter of credit to the Swedish Tax Authority, related to a disputed pre-acquisition 2018 tax reassessment issued to a FLIR subsidiary in Sweden. The Company received \$5.5 million from the exercise of stock options in the third quarter of 2021 compared with \$1.3 million. Capital expenditures for the third quarter of 2021 were \$29.2 million compared with \$15.2 million. Depreciation and amortization expense for the third quarter of 2021 was \$90.2 million, which includes acquired intangible asset amortization expense of \$45.6 million related to FLIR, compared with \$29.2 million. Non-cash inventory step-up expense related to FLIR was \$35.2 million for the third quarter of 2021.

Free Cash Flow (a) (in millions, brackets indicate use of funds)	Third Quarter	
	2021	2020
Cash provided by operating activities	\$ 192.8	\$ 150.3
Capital expenditures for property, plant and equipment	(29.2)	(15.2)
Free cash flow	163.6	135.1
FLIR transaction related cash payments, net of tax	2.1	—
Adjusted free cash flow	\$ 165.7	\$ 135.1

Income Taxes

The effective tax rate for the third quarter of 2021 was 20.1%, compared with 21.5%. The third quarter of 2021 reflected net discrete income tax benefits of \$6.3 million, which included a \$3.0 million income tax benefit related to share-based accounting and an income tax benefit of \$4.9 million primarily related to research and development and foreign tax credits. The third quarter of 2020 reflected net discrete income tax benefits of \$1.2 million which included \$0.7 million in income tax benefit related to share-based accounting. Excluding the net discrete income tax items in both periods, the effective tax rates would have been 23.9% for the third quarter of 2021, compared with 22.5%.

Other

Stock option expense was \$5.8 million for the third quarter of 2021 compared with \$5.7 million. Stock option expense for fiscal year 2021 is currently expected to be \$20.5 million, compared with \$24.7 million for fiscal year

2020. Restricted stock unit expense for FLIR employees was \$1.8 million in the third quarter of 2021 and is expected to be \$7.9 million for fiscal year 2021 and is included in the Digital Imaging segment results. Non-service retirement benefit income was \$2.8 million for the third quarter of 2021, compared with \$3.2 million. Interest expense, net of interest income, increased to \$23.8 million for the third quarter of 2021 compared with \$4.1 million. The higher 2021 amount included interest and debt expense on the debt incurred to fund the FLIR acquisition. Corporate expense increased to \$15.7 million for the third quarter of 2021, compared with \$12.9 million. The higher 2021 amount included higher compensation and professional fees expense. Other income and expense, was expense of \$0.7 million for the third quarter of 2021, compared with expense of \$1.9 million.

Outlook

Based on its current outlook, the company's management believes that fourth quarter 2021 GAAP diluted earnings per common share will be in the range of \$2.53 to \$2.69 and full year 2021 GAAP diluted earnings per common share will be in the range of \$9.13 to \$9.29. The company's management further believes that fourth quarter 2021 non-GAAP diluted earnings per common share will be in the range of \$4.07 to \$4.17 and full year 2021 non-GAAP diluted earnings per common share will be in the range of \$16.35 to \$16.45. The non-GAAP outlook excludes certain costs related to the FLIR acquisition, such as acquired intangible asset amortization, inventory step-up expense, bridge loan and debt extinguishment fees, transaction and integration costs and acquisition-related foreign tax matters. This outlook also excludes acquired intangible asset amortization from prior acquisitions. The company's annual expected tax rate for 2021 is 23.9%, before discrete tax items. In addition, we currently expect less discrete tax items in 2021 compared with 2020.

Use of Non-GAAP Financial Measures

We report our financial results in accordance with generally accepted accounting principles in the United States ("GAAP"). We supplement the reporting of our financial results determined under GAAP with certain non-GAAP financial measures. The non-GAAP financial measures presented provides management, financial analysts, and investors with additional useful information in evaluating the performance of the company. The non-GAAP financial measures should be considered in addition to, and not as a substitute for, financial measures prepared in accordance with GAAP. Further details on reasons that we use non-GAAP financial measures, a reconciliation of these measures to the most directly comparable GAAP measures, and other information relating to these measures are included following our GAAP financial statements.

Forward-Looking Statements Cautionary Notice

This earnings release contains forward-looking statements, as defined in the Private Securities Litigation Reform Act of 1995, with respect to management's beliefs about the financial condition, results of operations and businesses of Teledyne in the future. Forward-looking statements involve risks and uncertainties, are based on the current expectations of the management of Teledyne and are subject to uncertainty and changes in circumstances.

The forward-looking statements contained herein may include statements relating to stock option compensation expense, and about the expected effects on Teledyne of the acquisition of FLIR and related financing, the anticipated scope of the transaction, anticipated earnings enhancements, estimated cost savings and other synergies related to the transaction, costs to be incurred in achieving synergies, anticipated capital expenditures and product developments, and other strategic options. Forward-looking statements generally are accompanied by words such as "projects", "intends", "expects", "anticipates", "targets", "estimates", "will" and words of similar import that convey the uncertainty of future events or outcomes. All statements made in this communication that are not historical in nature should be considered forward-looking. By its nature, forward-looking information is not a guarantee of future performance or results and involves risks and uncertainties because it relates to events and depends on circumstances that will occur in the future.

Actual results could differ materially from these forward-looking statements. Many factors could change anticipated results, including ongoing challenges and uncertainties posed by the COVID pandemic for businesses and governments around the world, including production, supply, contractual and other disruptions, facility

closures, furloughs and travel restrictions; the inability to integrate FLIR successfully, to retain customers and key employees and to achieve operating synergies, including the possibility that the anticipated benefits of the transaction are not realized when expected or at all, including as a result of the impact of, or problems arising from, the integration of the two companies or as a result of the strength of the economy and competitive factors in the areas where Teledyne and FLIR do business; changes in relevant tax and other laws; risks associated with indebtedness, including that incurred as a result of financing transactions undertaken in connection with the acquisition of FLIR, as well as our ability to reduce indebtedness and the timing thereof; the inability to develop and market new competitive products; inherent uncertainties involved in the estimates and judgments used in the preparation of financial statements and the providing of estimates of financial measures, in accordance with U.S. GAAP and related standards; operating results of FLIR being lower than anticipated; disruptions in the global economy; customer and supplier bankruptcies; changes in demand for products sold to the defense electronics, instrumentation, digital imaging, energy exploration and production, commercial aviation, semiconductor and communications markets; funding, continuation and award of government programs; cuts to defense spending resulting from existing and future deficit reduction measures or changes to U.S. and foreign government spending and budget priorities triggered by the COVID pandemic; impacts from the United Kingdom's exit from the European Union; uncertainties related to the policies of the U.S. Presidential Administration; the imposition and expansion of, and responses to, trade sanctions and tariffs; the continuing review and resolution of FLIR's export matters; escalating economic and diplomatic tension between China and the United States; the impact of higher inflation; semiconductor and other supply chain shortages; and threats to the security of our confidential and proprietary information, including cyber security threats. Lower oil and natural gas prices, as well as instability in the Middle East or other oil producing regions, and new regulations or restrictions relating to energy production could further negatively affect our businesses that supply the oil and gas industry. Continued weakness in the commercial aerospace industry will negatively affect the markets of our commercial aviation businesses. In addition, financial market fluctuations affect the value of the company's pension assets. Changes in the policies of U.S. and foreign governments, including economic sanctions, could result, over time, in reductions or realignment in defense or other government spending and further changes in programs in which the company participates. An adverse tax ruling by the Swedish Appellate Court related to a pre-acquisition assessment by the Swedish Tax Authority against a FLIR subsidiary would materially impact our cash flow.

Additional factors that could cause results to differ materially from those described above can be found in Teledyne's Annual Report on Form 10-K for the year ended January 3, 2021, and subsequent Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, all of which are on file with the SEC and available in the "Investors" section of Teledyne's website, teledyne.com, under the heading "Investor Information" and in other documents Teledyne files with the SEC.

All forward-looking statements speak only as of the date they are made and are based on information available at that time. Teledyne assumes no obligation to update forward-looking statements to reflect circumstances or events that occur after the date the forward-looking statements were made or to reflect the occurrence of unanticipated events except as required by federal securities laws. As forward-looking statements involve significant risks and uncertainties, caution should be exercised against placing undue reliance on such statements.

A live webcast of Teledyne's third quarter earnings conference call will be held at 11:00 a.m. (Eastern) on Wednesday, October 27, 2021. To access the call, go to www.teledyne.com/investors/events-and-presentations approximately ten minutes before the scheduled start time. A replay will also be available for one month starting at 12:00 p.m. (Eastern) on Wednesday, October 27, 2021.

Contact: Jason VanWees
(805) 373-4542

TELEDYNE TECHNOLOGIES INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
FOR THE THIRD QUARTER AND NINE MONTHS ENDED
OCTOBER 3, 2021 AND SEPTEMBER 27, 2020

(Unaudited - in millions, except per share amounts)

	Third Quarter (a)	Third Quarter	Nine Months (a)	Nine Months
	2021	2020	2021	2020
Net sales	\$ 1,311.9	\$ 749.0	\$ 3,238.6	\$ 2,276.9
Costs and expenses:				
Costs of sales	787.7	458.5	1,943.3	1,411.7
Selling, general and administrative expenses (b)	279.3	158.1	768.2	499.7
Acquired intangible asset amortization (b)	55.3	9.9	97.9	29.2
Total costs and expenses	1,122.3	626.5	2,809.4	1,940.6
Operating income	189.6	122.5	429.2	336.3
Interest and debt expense, net	(23.8)	(4.1)	(80.7)	(11.9)
Non-service retirement benefit income	2.8	3.2	8.4	8.9
Other income (expense), net	(0.7)	(1.9)	4.4	(4.7)
Income before income taxes	167.9	119.7	361.3	328.6
Provision for income taxes (c)	33.8	25.8	77.8	58.8
Net income	\$ 134.1	\$ 93.9	\$ 283.5	\$ 269.8
Diluted earnings per common share	\$ 2.81	\$ 2.48	\$ 6.58	\$ 7.14
Weighted average diluted common shares outstanding	47.7	37.8	43.1	37.8

- a) The third quarter of 2021 includes pretax charges of \$92.3 million primarily related to the acquisition of FLIR. Of this amount, \$35.2 million was recorded to cost of sales, \$1.8 million was recorded to selling, general and administrative expenses and \$55.3 million was recorded to acquired intangible asset amortization (\$9.7 million related to prior acquisitions). The first nine months of 2021 includes pretax charges of \$289.3 million mostly related to the acquisition of FLIR, of which, \$58.9 million was recorded to cost of sales, \$102.1 million was recorded to selling, general and administrative expenses, \$97.9 million was recorded to acquired intangible asset amortization, (\$29.5 million related to prior acquisitions) and \$30.6 million was recorded to interest expense.
- b) Acquired intangible asset amortization was previously included in selling, general and administrative expenses. Prior period amounts have been reclassified to conform to the current presentation.
- c) The third quarter and first nine months of 2021 includes net discrete income tax benefits of \$6.3 million and \$8.5 million, respectively. The third quarter and first nine months of 2020 includes net discrete tax benefits of \$1.2 million and \$15.8 million, respectively.

This financial statement was prepared in accordance with U.S. generally accepted accounting principles.

TELEDYNE TECHNOLOGIES INCORPORATED
SUMMARY OF SEGMENT NET SALES AND OPERATING INCOME
FOR THE THIRD QUARTER AND NINE MONTHS ENDED
OCTOBER 3, 2021 AND SEPTEMBER 27, 2020

(Unaudited - in millions)

	<u>Third Quarter</u>	<u>Third Quarter</u>	<u>%</u>	<u>Nine Months</u>	<u>Nine Months</u>	<u>%</u>
	<u>2021</u>	<u>2020</u>	<u>Change</u>	<u>2021</u>	<u>2020</u>	<u>Change</u>
Net sales:						
Digital Imaging	\$ 760.6	\$ 239.7	217.3 %	\$ 1,603.4	\$ 724.0	121.5 %
Instrumentation	287.1	263.5	9.0 %	864.7	811.7	6.5 %
Aerospace and Defense Electronics	161.8	144.8	11.7 %	465.4	444.2	4.8 %
Engineered Systems	102.4	101.0	1.4 %	305.1	297.0	2.7 %
Total net sales	<u>\$ 1,311.9</u>	<u>\$ 749.0</u>	75.2 %	<u>\$ 3,238.6</u>	<u>\$ 2,276.9</u>	42.2 %
Operating income:						
Digital Imaging (a)	\$ 94.9	\$ 45.5	108.6 %	\$ 231.5	\$ 136.1	70.1 %
Instrumentation	63.0	50.7	24.3 %	187.0	150.0	24.7 %
Aerospace and Defense Electronics	35.9	26.7	34.5 %	92.6	57.6	60.8 %
Engineered Systems	11.5	12.5	(8.0)%	37.4	34.7	7.8 %
Corporate expense (a)	<u>(15.7)</u>	<u>(12.9)</u>	21.7%	<u>(119.3)</u>	<u>(42.1)</u>	183.4%
Operating income	189.6	122.5	54.8 %	429.2	336.3	27.6 %
Interest and debt expense, net (a)	<u>(23.8)</u>	<u>(4.1)</u>	480.5%	<u>(80.7)</u>	<u>(11.9)</u>	578.2%
Non-service retirement benefit income	2.8	3.2	(12.5)%	8.4	8.9	(5.6)%
Other income (expense), net	<u>(0.7)</u>	<u>(1.9)</u>	(63.2)%	<u>4.4</u>	<u>(4.7)</u>	*
Income before income taxes	167.9	119.7	40.3 %	361.3	328.6	10.0 %
Provision for income taxes (b)	<u>33.8</u>	<u>25.8</u>	31.0 %	<u>77.8</u>	<u>58.8</u>	32.3 %
Net income	<u>\$ 134.1</u>	<u>\$ 93.9</u>	42.8 %	<u>\$ 283.5</u>	<u>\$ 269.8</u>	5.1 %

* not meaningful

- a) The third quarter of 2021 includes pretax charges of \$82.6 million related to the acquisition of FLIR, of which, \$82.3 million was recorded in the Digital Imaging segment and \$0.3 million was recorded to corporate expense. The first nine months of 2021 includes pretax charges of \$259.8 million related to the acquisition of FLIR, of which, \$152.5 million was recorded in the Digital Imaging segment, \$76.7 million was recorded to corporate expense and \$30.6 million was recorded to interest and debt expense.
- b) The third quarter and first nine months of 2021 includes net discrete income tax benefits of \$6.3 million and \$8.5 million, respectively. The third quarter and first nine months of 2020 includes net discrete tax benefits of \$1.2 million and \$15.8 million, respectively.

This financial statement was prepared in accordance with U.S. generally accepted accounting principles.

TELEDYNE TECHNOLOGIES INCORPORATED
CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited – in millions)

	<u>October 3, 2021</u>	<u>January 3, 2021</u>
ASSETS		
Cash and cash equivalents	\$ 551.8	\$ 673.1
Accounts receivable, net	1,031.3	624.1
Inventories, net	833.2	347.3
Prepaid expenses and other current assets	118.6	78.1
Total current assets	2,534.9	1,722.6
Property, plant and equipment, net	858.1	489.3
Goodwill and acquired intangible assets, net (a)	10,604.7	2,559.7
Prepaid pension assets	87.0	67.9
Other assets, net	362.8	245.3
Total assets	\$ 14,447.5	\$ 5,084.8
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable	\$ 427.6	\$ 229.1
Accrued liabilities	994.2	434.2
Current portion of long-term debt and other debt	—	97.6
Total current liabilities	1,421.8	760.9
Long-term debt, net of current portion	4,441.7	680.9
Other long-term liabilities	1,167.4	414.4
Total liabilities	7,030.9	1,856.2
Total stockholders' equity (b)	7,416.6	3,228.6
Total liabilities and stockholders' equity	\$ 14,447.5	\$ 5,084.8

a) The increase in goodwill and acquired intangible assets primarily reflects the estimated amounts related to the acquisition of FLIR on May 14, 2021.

b) The increase in total stockholders' equity primarily reflects the value of Teledyne common stock issued in connection with the acquisition of FLIR on May 14, 2021.

This financial statement was prepared in accordance with U.S. generally accepted accounting principles.

TELEDYNE TECHNOLOGIES INCORPORATED
RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL MEASURES
FOR THE THIRD QUARTER AND NINE MONTHS ENDED OCTOBER 3, 2021 AND SEPTEMBER 27, 2020
(Unaudited - in millions, except per share amounts)

	Third Quarter 2021			Third Quarter 2020		
	Income before income taxes	Net income	Diluted earnings per common share	Income before income taxes	Net income	Diluted earnings per common share
GAAP	\$ 167.9	\$ 134.1	\$ 2.81	\$ 119.7	\$ 93.9	\$ 2.48
Adjusted for specified items:						
FLIR transaction and integration costs	1.8	1.7	0.04	—	—	—
FLIR inventory step-up expense	35.2	27.1	0.57	—	—	—
Acquired intangible asset amortization	55.3	42.6	0.88	9.9	7.6	0.20
Acquisition-related foreign tax matters	—	1.7	0.04	—	—	—
Non-GAAP	\$ 260.2	\$ 207.2	\$ 4.34	\$ 129.6	\$ 101.5	\$ 2.68

	Nine Months 2021			Nine Months 2020		
	Income before income taxes	Net income	Diluted earnings per common share	Income before income taxes	Net income	Diluted earnings per common share
GAAP	\$ 361.3	\$ 283.5	\$ 6.58	\$ 328.6	\$ 269.8	\$ 7.14
Adjusted for specified items:						
FLIR transaction and integration costs	102.2	88.2	2.05	—	—	—
FLIR inventory step-up expense	58.6	45.1	1.04	—	—	—
Acquired intangible asset amortization	97.9	75.3	1.75	29.2	22.3	0.59
Acquisition-related foreign tax matters	—	14.1	0.33	—	—	—
Bridge loan and debt extinguishment fees	30.6	23.3	0.54	—	—	—
Non-GAAP	\$ 650.6	\$ 529.5	\$ 12.29	\$ 357.8	\$ 292.1	\$ 7.73

	Third Quarter 2021		Third Quarter 2020	
	Operating income	Operating margin	Operating income	Operating margin
GAAP	\$ 189.6	14.5 %	\$ 122.5	16.4 %
Adjusted for specified items:				
FLIR transaction and integration costs	1.8		—	
FLIR inventory step-up expense	35.2		—	
Acquired intangible asset amortization	55.3		9.9	
Non-GAAP	\$ 281.9	21.5 %	\$ 132.4	17.7 %

TELEDYNE TECHNOLOGIES INCORPORATED
RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL MEASURES
FOR THE THIRD QUARTER AND NINE MONTHS ENDED OCTOBER 3, 2021 AND SEPTEMBER 27, 2020
(continued)
(Unaudited - in millions, except per share amounts)

	Nine Months 2021		Nine Months 2020	
	Operating income	Operating margin	Operating income	Operating margin
GAAP	\$ 429.2	13.3 %	\$ 336.3	14.8 %
Adjusted for specified items:				
FLIR transaction and integration costs	102.2		—	
FLIR inventory step-up expense	58.6		—	
Acquired intangible asset amortization	97.9		29.2	
Non-GAAP	\$ 687.9	21.2 %	\$ 365.5	16.1 %

	October 3, 2021	January 3, 2021
Current portion of long-term debt and other debt - GAAP	\$ —	\$ 97.6
Long-term debt - GAAP	4,441.7	680.9
Total debt - non-GAAP	4,441.7	778.5
Less cash and cash equivalents - GAAP	(551.8)	(673.1)
Net debt - non-GAAP	\$ 3,889.9	\$ 105.4

	Fourth Quarter 2021		Total Year 2021	
	Low	High	Low	High
GAAP Diluted Earnings Per Common Share Outlook	\$ 2.53	\$ 2.69	\$ 9.13	\$ 9.29
Adjusted for specified non-GAAP items:				
FLIR transaction and integration costs	0.05	0.03	2.08	2.06
FLIR inventory step-up expense	0.58	0.56	1.63	1.61
Acquired intangible asset amortization	0.89	0.87	2.65	2.63
Acquisition-related foreign tax matters	0.02	0.02	0.34	0.34
Bridge loan and debt extinguishment fees	—	—	0.52	0.52
Non-GAAP Diluted Earnings Per Common Share Outlook	\$ 4.07	\$ 4.17	\$ 16.35	\$ 16.45

Explanation of Non-GAAP Financial Measures

We report our financial results in accordance with GAAP. However, management believes that, in order to more fully understand our short-term and long-term financial and operational trends, and to aid in comparability with our competitors, investors and financial analysts may wish to consider the impact of certain items resulting from our acquisitions which have an infrequent or non-recurring impact on operations or assist in understanding our operations pre-acquisition. Accordingly, we present non-GAAP financial measures as a supplement to the financial measures we present in accordance with GAAP. These non-GAAP financial measures provide management, investors and financial analysts with additional means to understand and evaluate the operating results and trends in our ongoing business by adjusting for certain expenses and other items. Management believes these non-GAAP financial measures also provide additional means of evaluating period-over-period operating performance. In addition, management understands that some investors and financial analysts find this information helpful in analyzing our financial and operational performance and comparing this performance to our peers and competitors. The company's 2021 diluted earnings per common share guidance is also presented on a non-GAAP basis.

The non-GAAP financial measures are not meant to be considered superior to, or a substitute for, our financial statements prepared in accordance with GAAP. There are material limitations associated with non-GAAP financial measures because they exclude charges that have an effect on our reported results and, therefore, should not be relied upon as the sole financial measures by which to evaluate our financial results. Management compensates and believes that investors should compensate for these limitations by viewing the non-GAAP financial measures in conjunction with the GAAP financial measures. In addition, the non-GAAP financial measures included in this earnings announcement may be different from, and therefore may not be comparable to, similar measures used by other companies. The non-GAAP financial measures are also used by our management to evaluate our operating performance, and benchmark our results against our historical performance and the performance of our peers.

Our non-GAAP measures are as follows:

Non-GAAP income before income taxes, net income and diluted earnings per common share

These non-GAAP measures provided a supplemental view of income before taxes, net income, and diluted earnings per common share. These non-GAAP measures exclude certain costs related to the FLIR acquisition, such as acquired intangible asset amortization, amortization of inventory step-up, bridge loan and debt extinguishment fees, and transaction costs such as advisory, legal and other consulting fees, filing fees, employee separation costs and other costs. These non-GAAP measures also exclude acquired intangible asset amortization from prior acquisitions and the remeasurement of deferred taxes related to acquired intangible assets due to changes in tax laws. We adjust for any income tax impact related to these items to take into account the tax treatment and related tax rate and changes in tax rates that apply to each adjustment in the applicable tax jurisdiction. Generally, this results in tax impact at the U.S. marginal tax rate for certain adjustments, including the majority of amortization of intangible assets, whereas the tax impact of other adjustments, including transaction expenses, depend on whether the amounts are deductible in the respective tax jurisdictions and the applicable tax rates in those jurisdictions. We also adjust for any post-acquisition interest on certain income tax reserves related to FLIR. We believe these measures provide investors and management with additional means to understand and evaluate the operating results of our business by adjusting for certain expenses and other items and present an alternative view of our performance compared to prior periods.

Non-GAAP operating income and operating margin

We define non-GAAP operating margin as non-GAAP operating income divided by net sales. These non-GAAP measures exclude certain costs related to the FLIR acquisition, such as acquired intangible asset amortization, amortization of inventory step-up, and transaction costs such as advisory, legal and other consulting fees, filing fees, employee separation costs and other costs. These non-GAAP measures also exclude acquired intangible asset amortization from prior acquisitions. We believe these measures provide investors and management with additional means to understand and evaluate the operating results of our business by adjusting for certain expenses and other items and present an alternative view of our performance compared to prior periods.

Non-GAAP total debt and net debt

We define non-GAAP total debt as the sum of current portion of long-term debt and other debt and long-term debt. We define net debt as the difference between non-GAAP total debt less cash and cash equivalents. The company believes that this supplemental non-GAAP information is useful to assist investors and management in analyzing the company's liquidity.

Non-GAAP diluted earnings per common share outlook

These non-GAAP measures represent our earnings per common share outlook for the third quarter 2021 and total year 2021 on a fully diluted basis, excluding certain costs related to the FLIR acquisition, such as acquired intangible asset amortization, amortization of inventory step-up, bridge loan and debt extinguishment fees, and transaction costs such as advisory, legal and other consulting fees, filing fees, employee separation costs and other costs. These non-GAAP measures also exclude acquired intangible asset amortization from prior acquisitions and the remeasurement of deferred taxes related to acquired intangible assets due to changes in tax laws.

Non-GAAP free cash flow and adjusted free cash flow

We define free cash flow as cash provided by operating activities (a measure prescribed by generally accepted accounting principles) less capital expenditures for property, plant and equipment. Adjusted free cash flow eliminates the impact of cash paid for transaction related expenses for the FLIR acquisition on a net of tax basis. We believe that this supplemental non-GAAP information is useful to assist management and the investment community in analyzing the company's ability to generate cash flow.

Management excludes the effect of each of the items identified below to arrive at the applicable non-GAAP financial measure referenced in the previous tables for the reasons set forth below with respect to that item:

- FLIR transaction and integration costs - Included in our GAAP presentation of cost of sales and selling, general and administrative expenses are expenses incurred in connection with our acquisitions of FLIR and primarily include legal, accounting, other professional fees as well as integration-related costs such as employee separation costs and facility lease impairments. Employee separation costs include required change-in-control payments, cash settlement of FLIR employee and director stock awards, as well as other employee severance amounts. We exclude these costs from our non-GAAP measures because we believe it does not reflect our ongoing financial performance.
- FLIR inventory step-up expense – The purchase accounting entries associated with our acquisition of FLIR require us to record inventory at its fair value, which is sometimes greater than the previous book value of inventory. Included in our GAAP presentation, the increase in inventory value is amortized to cost of sales over the period that the related inventory is sold. We exclude inventory step-up amortization from our non-GAAP measures because it is a non-cash expense that we do not believe is indicative of our ongoing operating results.
- Acquired intangible asset amortization – We believe that by excluding the amortization of acquired intangible assets, which primarily represents purchased technology and customer relationships, as well as purchase order and contract backlog, this provides an alternative way for investors to compare our operations pre-acquisition to those post acquisition and to those of our competitors that have pursued internal growth strategies. However, we note that companies that grow internally will incur costs to develop intangible assets that will be expensed in the period incurred, which may make a direct comparison more difficult.
- Bridge loan and debt extinguishment fees - Included in our GAAP presentation of interest and debt expense are expenses incurred in connection with the financing activities to fund the FLIR acquisition. We exclude these expenses, many of which are one-time costs, from our non-GAAP measures because we believe it does not reflect our ongoing financial performance.
- Acquisition-related foreign tax matters – Included in our tax provision is post-acquisition interest on certain income tax reserves related to FLIR. Also, in June 2021, the United Kingdom Parliament enacted legislation to increase the corporate tax rate to 25% effective April 2023. Accordingly, the tax rate changes required us to remeasure our deferred taxes related to acquired intangible assets. We exclude these impacts from our non-GAAP measures because we believe it does not reflect our ongoing financial performance.

APPENDIX A

The following tables are presented to show the reconciliation of GAAP operating income to non-GAAP operating income by segment for 2021 and each quarter of 2020.

TELEDYNE TECHNOLOGIES INCORPORATED
RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL MEASURES
SUMMARY OF QUARTERLY OPERATING INCOME
(Unaudited - in millions)

First Quarter 2021

	GAAP Operating Income	Acquired intangible asset amortization	Inventory step-up expense	Transaction and integration costs	Non-GAAP Operating Income
Digital Imaging	\$ 52.0	\$ 4.6	\$ —	\$ —	\$ 56.6
Instrumentation	59.4	5.0	—	—	64.4
Aerospace and Defense Electronics	28.3	0.2	—	—	28.5
Engineered Systems	14.9	—	—	—	14.9
Corporate expense	(19.4)	—	—	5.9	(13.5)
Total	\$ 135.2	\$ 9.8	\$ —	\$ 5.9	\$ 150.9

Second Quarter 2021

	GAAP Operating Income	Acquired intangible asset amortization	Inventory step-up expense	Transaction and integration costs	Non-GAAP Operating Income
Digital Imaging	\$ 84.6	\$ 27.4	\$ 23.4	\$ 24.0	\$ 159.4
Instrumentation	64.6	5.2	—	—	69.8
Aerospace and Defense Electronics	28.4	0.2	—	—	28.6
Engineered Systems	11.0	—	—	—	11.0
Corporate expense	(84.2)	—	—	70.5	(13.7)
Total	\$ 104.4	\$ 32.8	\$ 23.4	\$ 94.5	\$ 255.1

Third Quarter 2021

	GAAP Operating Income	Acquired intangible asset amortization	Inventory step-up expense	Transaction and integration costs	Non-GAAP Operating Income
Digital Imaging	\$ 94.9	\$ 50.1	\$ 35.2	\$ 1.5	\$ 181.7
Instrumentation	63.0	5.0	—	—	68.0
Aerospace and Defense Electronics	35.9	0.2	—	—	36.1
Engineered Systems	11.5	—	—	—	11.5
Corporate expense	(15.7)	—	—	0.3	(15.4)
Total	\$ 189.6	\$ 55.3	\$ 35.2	\$ 1.8	\$ 281.9

TELEDYNE TECHNOLOGIES INCORPORATED
RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL MEASURES
SUMMARY OF QUARTERLY OPERATING INCOME (continued)

(Unaudited - in millions)

First Nine Months 2021

	GAAP Operating Income	Acquired intangible asset amortization	Inventory step-up expense	Transaction and integration costs	Non-GAAP Operating Income
Digital Imaging	\$ 231.5	\$ 82.1	\$ 58.6	\$ 25.5	\$ 397.7
Instrumentation	187.0	15.2	—	—	202.2
Aerospace and Defense Electronics	92.6	0.6	—	—	93.2
Engineered Systems	37.4	—	—	—	37.4
Corporate expense	(119.3)	—	—	76.7	(42.6)
Total	\$ 429.2	\$ 97.9	\$ 58.6	\$ 102.2	\$ 687.9

First Nine Months 2020

	GAAP Operating Income	Acquired intangible asset amortization	Non-GAAP Operating Income
Digital Imaging	\$ 136.1	\$ 13.5	\$ 149.6
Instrumentation	150.0	15.0	165.0
Aerospace and Defense Electronics	57.6	0.7	58.3
Engineered Systems	34.7	—	34.7
Corporate expense	(42.1)	—	(42.1)
Total	\$ 336.3	\$ 29.2	\$ 365.5

TELEDYNE TECHNOLOGIES INCORPORATED
RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL MEASURES
SUMMARY OF QUARTERLY OPERATING INCOME (continued)
(Unaudited - in millions)

First Quarter 2020

	GAAP Operating Income	Acquired intangible asset amortization	Non-GAAP Operating Income
Digital Imaging	\$ 43.8	\$ 4.6	\$ 48.4
Instrumentation	50.8	4.8	55.6
Aerospace and Defense Electronics	13.4	0.2	13.6
Engineered Systems	11.4	—	11.4
Corporate expense	(15.4)	—	(15.4)
Total	\$ 104.0	\$ 9.6	\$ 113.6

Second Quarter 2020

	GAAP Operating Income	Acquired intangible asset amortization	Non-GAAP Operating Income
Digital Imaging	\$ 46.8	\$ 4.4	\$ 51.2
Instrumentation	48.5	5.1	53.6
Aerospace and Defense Electronics	17.5	0.2	17.7
Engineered Systems	10.8	—	10.8
Corporate expense	(13.8)	—	(13.8)
Total	\$ 109.8	\$ 9.7	\$ 119.5

Third Quarter 2020

	GAAP Operating Income	Acquired intangible asset amortization	Non-GAAP Operating Income
Digital Imaging	\$ 45.5	\$ 4.5	\$ 50.0
Instrumentation	50.7	5.1	55.8
Aerospace and Defense Electronics	26.7	0.3	27.0
Engineered Systems	12.5	—	12.5
Corporate expense	(12.9)	—	(12.9)
Total	\$ 122.5	\$ 9.9	\$ 132.4

Fourth Quarter 2020

	GAAP Operating Income	Acquired intangible asset amortization	Non-GAAP Operating Income
Digital Imaging	\$ 56.7	\$ 4.6	\$ 61.3
Instrumentation	63.2	4.8	68.0
Aerospace and Defense Electronics	23.2	0.2	23.4
Engineered Systems	15.4	—	15.4
Corporate expense	(14.7)	—	(14.7)
Total	\$ 143.8	\$ 9.6	\$ 153.4