

9th Annual CEO Summit 2017

July 12, 2017

San Francisco, CA



Safe Harbor Statement

Certain matters discussed in this presentation, including statements concerning market growth rates for IoT, auto semiconductor, processor and advanced packaging; “Cohu400” and “Cohu500” strategy goals and financial targets; market share gain targets; contactor market growth and Cohu sales goals; estimated 2017 financial results and balance sheet; and strategic investment goals are forward-looking statements that are subject to risks and uncertainties that could cause actual results to differ materially from those projected or forecasted. Such risks and uncertainties include, but are not limited to, our ability to convert new products under development into production on a timely basis and to meet customer delivery and acceptance requirements for new products; failure to obtain customer acceptance resulting in the inability to recognize revenue and accounts receivable collection problems; market adoption of new products; intense competition in the test handler industry; our reliance on patents and intellectual property; failure of critical suppliers; customer concentration; compliance with U.S. export regulations; our ability to successfully integrate acquired businesses and operations; ERP system implementation issues; the seasonal, volatile and unpredictable nature of capital expenditures by semiconductor manufacturers; and rapid technological change. These and other risks and uncertainties are discussed more fully in Cohu’s filings with the Securities and Exchange Commission, including the most recently filed Form 10-K and Form 10-Q. These forward-looking statements are not guarantees of future performance and speak only as of the date hereof, based on information currently available to us. Cohu assumes no obligation to update the information in this presentation.

This presentation includes certain non-GAAP financial measures, including non-GAAP EBITDA, Adj. EBITDA, gross margin and diluted earnings per share. These non-GAAP measures are in addition to, not a substitute for or superior to, measures of financial performance prepared in accordance with U.S. GAAP. The non-GAAP financial measures used by Cohu may differ from the non-GAAP financial measures used by other companies. A reconciliation of these measures to the most directly comparable U.S. GAAP measure is included in the Appendix to these slides.

Opportunities for Growth and Differentiation

Luis Müller
President & CEO



Corporate Profile

**Global technology and market leader in \$1.5 billion*
Semiconductor Final Test Handlers and Contactors**



Company
NASDAQ

COHU



Revenue
(LTM**)

\$297M



EBITDA
(LTM**)

12%



Net Cash
(1Q17)

\$96M



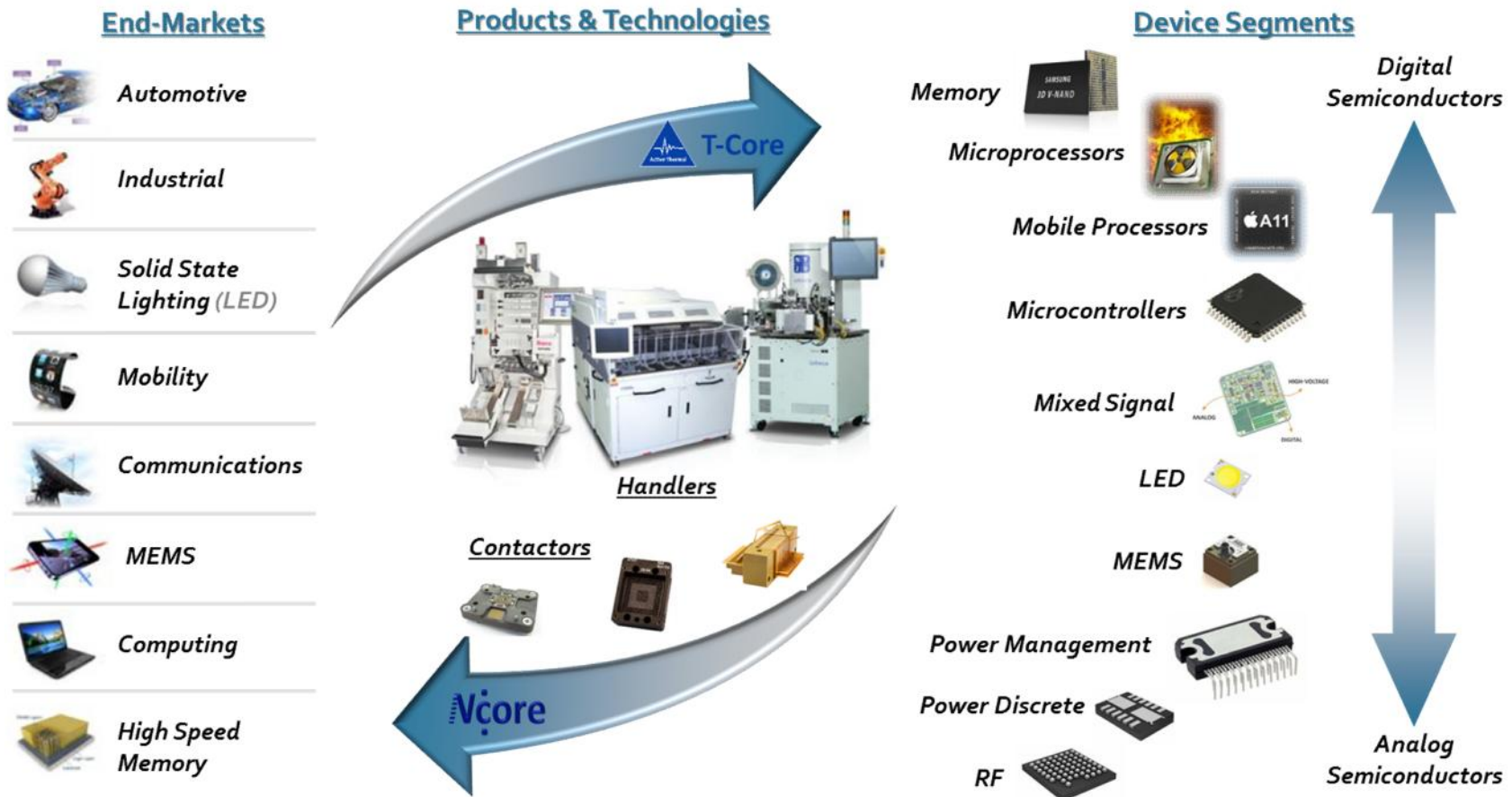
Employees
(Worldwide)

~1,750

***We create leading-edge solutions for
semiconductor test and inspection***

Multiple Markets – Leading Solutions

Thermal and Vision Inspection technologies enabling higher yield ⇒ customer value

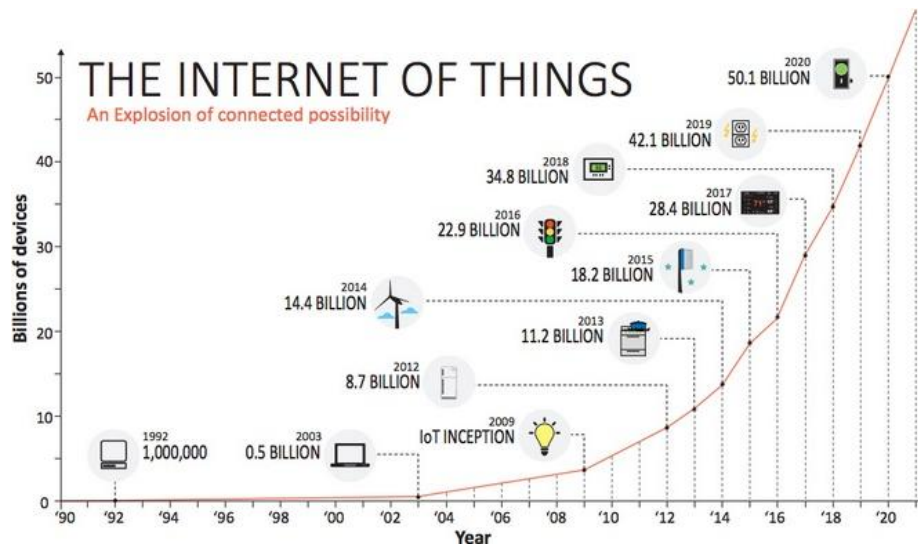


Key Industry Trends

Increasing integration ⇒ test and inspection challenges

Unit Growth

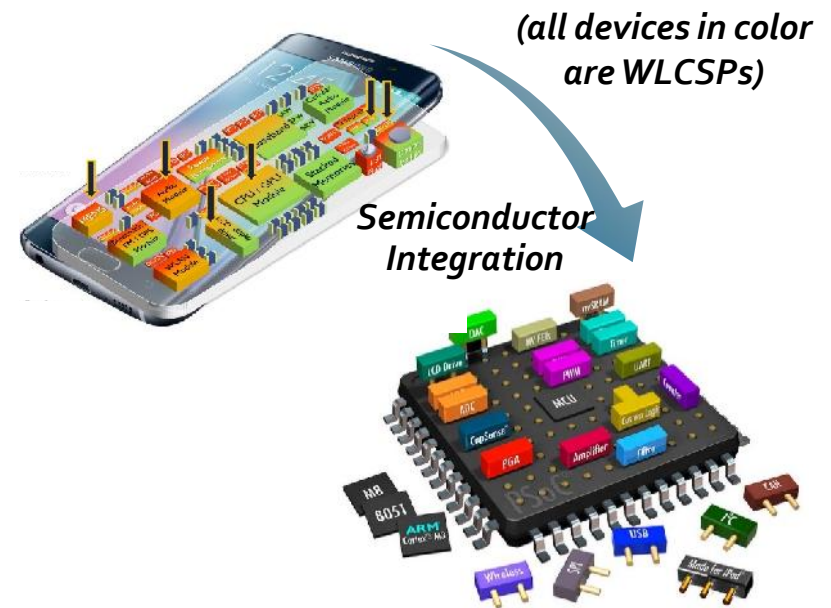
Increasing IC content in vehicles, factory automation (robotics) and exponential increase in connectivity (Internet-of-Things)



* Source: Zephyr: IoT and Its Impact on Testing

System in Package Integration

Growing integration of wafer-level CSP in complex packages (2.5D – 3D technologies)



Competitive Differentiation

Solutions that result in higher test and inspection yield
1% better yield on \$300 billion semiconductor industry = \$3 billion

Scale ⇒ Largest R&D (~\$35 million) in the industry

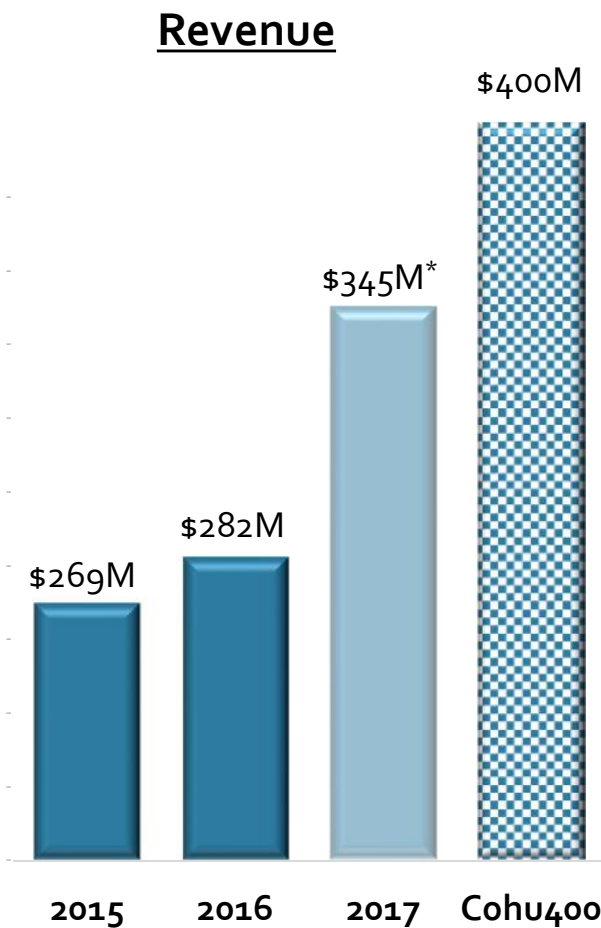
Global Operations meeting production ramp requirements

Sales & Service to support customers 24/7 globally



Delivering Positive Results

Achieving growth ⇒ *share gain in core handlers, new WLCSP prober, expansion in test contactors*



Cohu400 Strategy	Results to-date**
<i>4 to 6 points handler share gain</i>	<i>+2 points share in mobility and automotive markets***</i>
<i>4 to 8 points test contactor share gain</i>	<i>+3 points share inc. Kita acquisition, new RF product***</i>
<i>Enter WLCSP probe for 30-50% share</i>	<i>Unveiling PANTHER today, WLCSP prober</i>
<i>Ship 90% handlers from Asia Operations</i>	<i>90%+ handlers shipping from Malaysia since 1Q17</i>

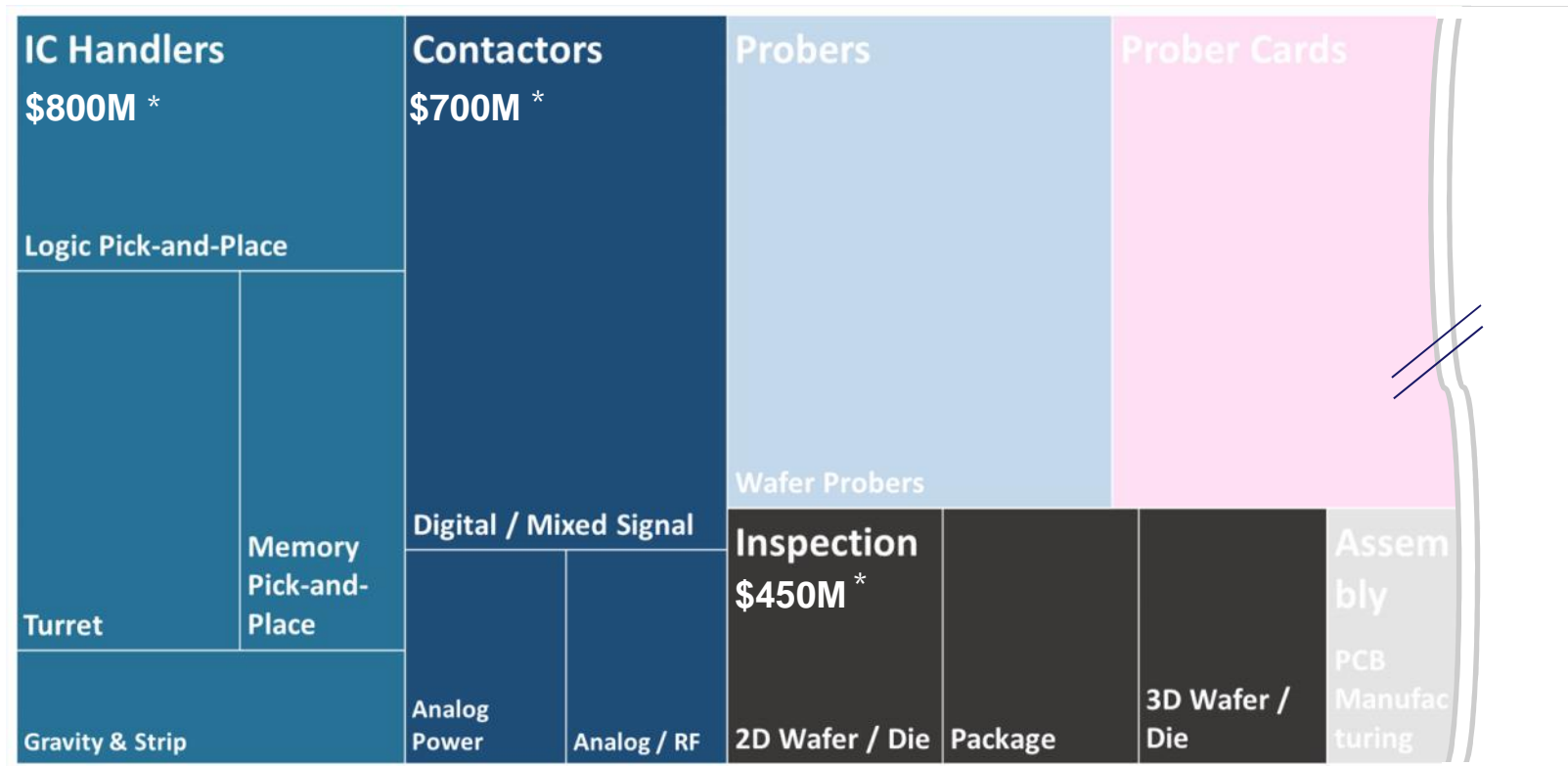
* Analyst consensus estimates

** Since introduction of Cohu400 in June 2015

*** Company estimates

Cohu500 Strategy

Extending mid-term (3-5 years) target to **Revenue of \$500 million** on expanded ~\$2 billion* Addressable Market that includes Inspection



* VLSI Research and Company estimates

Delivering Profitability and Shareholder Value

Jeff Jones

VP Finance & CFO



 **Cohu**

Preliminary Q2 and 1H17 Results

Unaudited Prelim. Results

2Q17*

1H17**

Sales

~ \$93M

~ \$174M

Gross Margin***

~ 40%

~ 41%

Operating Expense***

~ \$23M

~ \$45M

Record orders in 2Q17

Strong 2Q17 results reflects early customer acceptance of new products and increased recurring revenue due to higher utilization

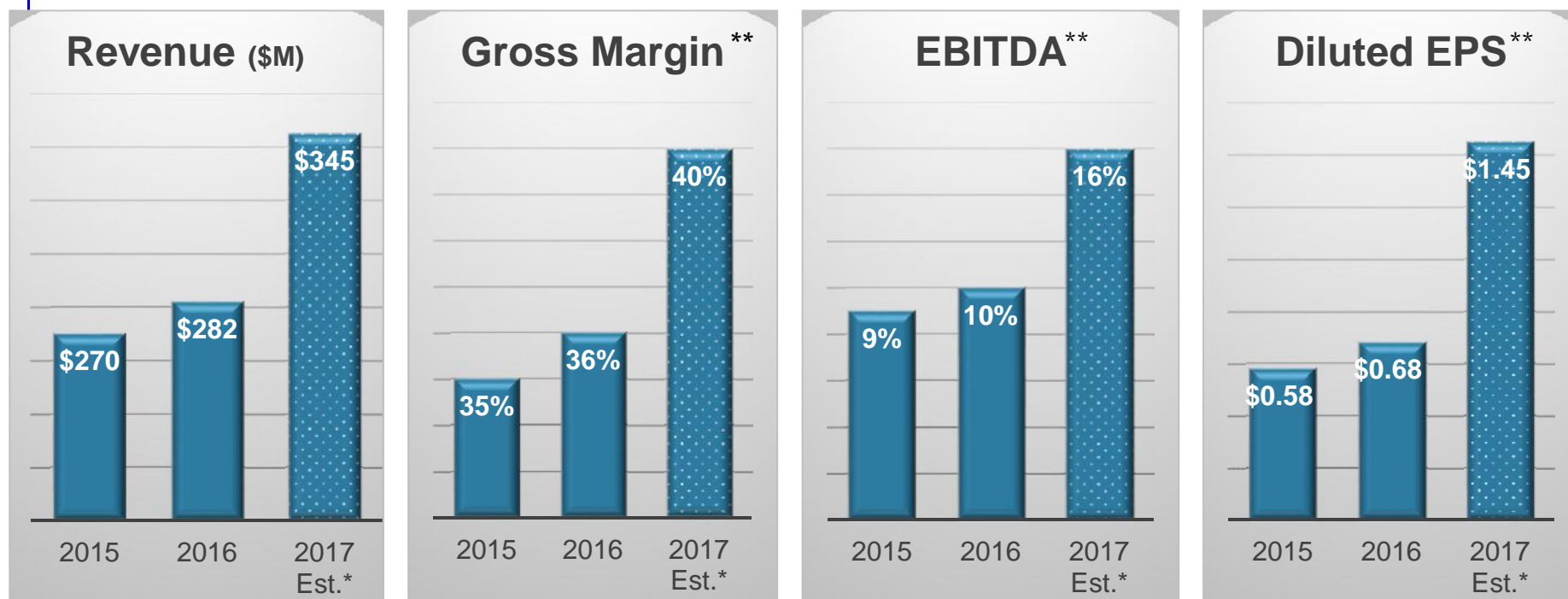
Projecting second half 2017 sales to be approximately the same as first half sales, with typical seasonality in Q3 and Q4

* Preliminary 2Q17 results announced on July 11, 2017

** 1H17 amounts consist of 1Q17 actual results combined with 2Q17 preliminary results

*** Amounts are Non-GAAP and exclude amortization of purchased intangibles, stock based compensation expense, acquisition and inventory mark-up costs, manufacturing transition and severance costs.

Strategy & Execution Yielding Results



Share gain in handler automotive and mobility markets
Growth in contactors with Kita acquisition
Gross margin expansion from Asia manufacturing
Tight Opex control while investing for growth

* Analyst consensus estimates

** Amounts are Non-GAAP and exclude amortization of purchased intangibles, stock based compensation expense, acquisition costs, manufacturing transition and severance costs.

Expanding Mid-Term Target – Cohu500

	2015	2016	2017 Est.*	Cohu400	Cohu500
Sales	\$269M	\$282M	\$345M (\$86M/qtr)	\$400M (\$100M/qtr)	\$500M (\$125M/qtr)
Gross Margin**	35%	36%	40%	42%	45%
Adj. EBITDA**	9%	10%	16%	18%	20%

On track to Cohu400

- ~ 2 pts handler share gain: automotive and mobility
- ~ 3 pts contactor share gain: new products and sales synergies
- ~ \$15M from new WLCSP Probe with deliveries starting 2H17

Increasing Gross Margin target to 45%

Growing share and expanding in inspection market

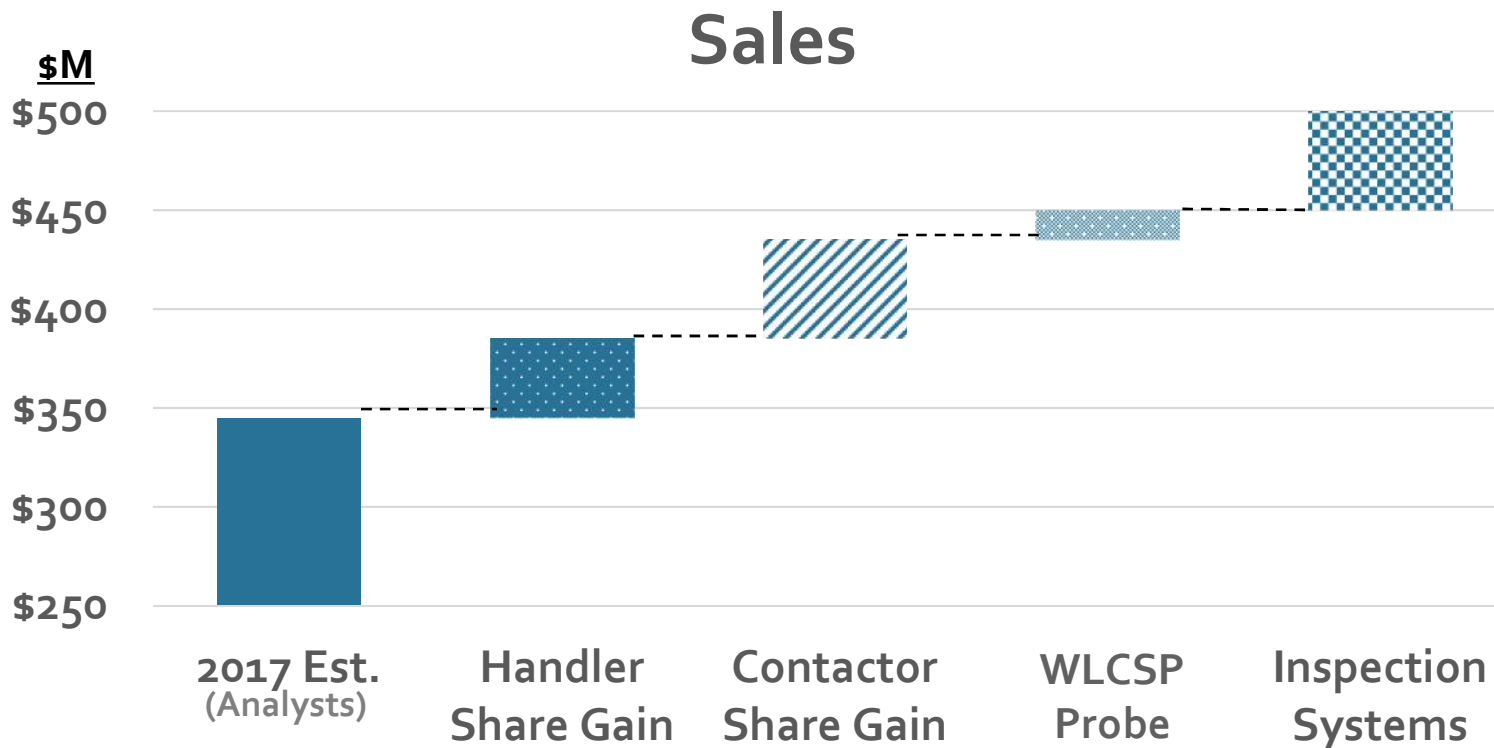
New products provide greater differentiation, higher margins

* Analyst consensus estimates

** Amounts are Non-GAAP and exclude amortization of purchased intangibles, stock based compensation expense, acquisition costs, manufacturing transition and severance costs.

*** Cohu400 mid-term targets were announced June 2015; mid-term is 3 to 5 years

Path to Cohu500



Approx. 6 pts handler share gain in growing automotive and mobility
Grow to #1/#2 in contactors: product performance, global support
Expand in inspection market with automotive and advanced packages

Accelerating Growth with Acquisitions

Strong track record of successful acquisitions

Criteria	Rasco Dec 2008	Ismeca Jan 2013	Kita Jan 2017
Market Expansion	Gravity, Test-in-Strip, MEMS	Turret, Inspection, LED	Spring Probe Contactor
Market Share	#2 in 2008, grew to #1 in 2014	#1, acquired the leader	Top 5 leader and growing
Infrastructure Leverage	100% complementary products; Common sales and customer support	100% complementary products; Common sales and customer support; Malaysia Mfg. and Supply Chain	100% complementary products; Japan Mfg. and Customer Relationships
Realized Synergies	Sales ~ \$16M; Costs ~ \$2M	Sales ~ \$25M; Costs ~\$14M	Mid-Term Target Sales ~ \$16M

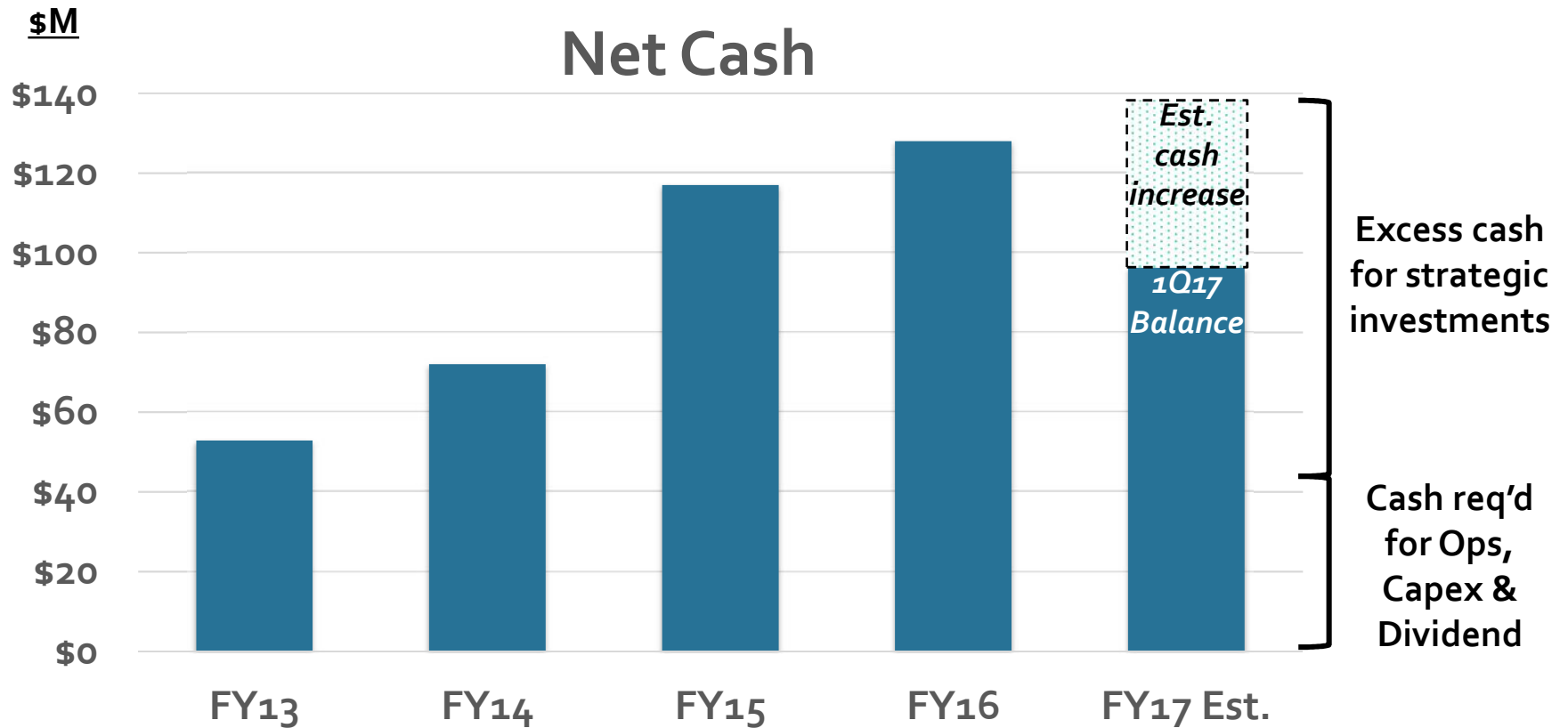
Acquisition investment criteria

Expand into profitable, complementary markets

Deliver margin in-line with mid-term financial model

Leverage infrastructure: technology, operations, sales and support

Strong Cash Balance to Support Growth



\$15M deployed to acquire Kita in January 2017
Operating cash flow of >\$20M annually in last 3 years
Healthy cash conversion cycle at 114 days (1Q17)

Expanding Mid-Term Target to \$500M

Increasing TAM to \$2 Billion

with new WLCSP prober, investments in vision inspection and test contactors

Focused on Differentiation

thermal control, vision inspection and integrated test solutions that enable higher customer yield

Gaining Share in Core Markets

with growing automation, artificial intelligence and communications reqmts. in automotive, mobility & IoT

Strategic Acquisitions

in profitable, complementary markets leveraging infrastructure and delivering synergies

Profitability & Cash Flow

with low cost manufacturing structure and Opex leverage

Cohu500 Target

delivers 45% gross margin and 20% EBITDA* at \$500M*

* Amounts are Non-GAAP and exclude amortization of purchased intangibles, stock based compensation expense, acquisition costs, manufacturing transition and severance costs.

Appendix



 Cohu

Reconciliation of GAAP to Non-GAAP Results

Earnings Reconciliation	12 Months Ending		12 Months Ending		12 Months Ending	
	Dec 26,	Diluted	Dec 31,	Diluted	Mar 25,	Diluted
	2015	EPS	2016	EPS	2017	EPS
Income (Loss) From Continuing Operations - GAAP	\$5,792	\$0.22	\$3,260	\$0.12	\$12,651	\$0.43
Share Based Compensation	6,755	0.25	7,143	0.26	6,888	0.25
Amortization of Purchased Intangible Assets	7,032	0.26	6,902	0.25	6,244	0.23
Manufacturing Transition and Severance Costs	970	0.04	1,498	0.05	1,462	0.05
Other Acquisition Costs	0	0.00	1,777	0.06	1,083	0.04
Inventory Step-Up	0	0.00	0	0.00	347	0.01
Impairment of Goodwill and Other Assets	273	0.01	0	0.00	0	0.00
Gain on Sale of Facility	(3,198)	(0.12)	0	0.00	0	0.00
Reduction of Indemnification Receivable	0	0.00	588	0.03	588	0.02
Tax Effect of Non-GAAP Adjustments	(1,961)	(0.07)	(2,408)	(0.09)	(2,347)	(0.08)
Income From Continuing Operations - Non-GAAP	<u>\$15,663</u>	<u>\$0.58</u>	<u>\$18,760</u>	<u>\$0.68</u>	<u>\$26,916</u>	<u>\$0.95</u>
Weighted Average Shares - GAAP and Non-GAAP	Diluted	26,788	Diluted	27,480	Diluted	27,695

Gross Profit Reconciliation	12 Months Ending		12 Months Ending		12 Months Ending	
	Dec 26,	% of Net	Dec 31,	% of Net	Mar 25,	% of Net
	2015	Sales	2016	Sales	2017	Sales
Net Sales	\$269,654		\$282,084		\$297,403	
Gross Profit - GAAP	89,038	33.0%	94,828	33.6%	107,688	36.2%
Share Based Compensation	566	0.2%	398	0.1%	502	0.2%
Amortization of Purchased Intangible Assets	5,420	2.0%	5,170	1.8%	4,609	1.5%
Manufacturing Transition and Severance Costs	0	0.0%	75	0.0%	0	0.0%
Inventory Step-Up	0	0.0%	0	0.0%	347	0.1%
Gross Profit - Non-GAAP	<u>\$95,024</u>	<u>35.3%</u>	<u>\$100,471</u>	<u>35.6%</u>	<u>\$113,146</u>	<u>38.0%</u>

Adjusted EBITDA Reconciliation	12 Months Ending		12 Months Ending		12 Months Ending	
	Dec 26,	% of Net	Dec 31,	% of Net	Mar 25,	% of Net
	2015	Sales	2016	Sales	2017	Sales
Income (Loss) From Operations - GAAP	\$7,959	3.0%	\$5,665	2.0%	\$15,533	5.2%
Depreciation Expense	4,240	1.6%	3,510	1.2%	3,701	1.2%
Amortization of Purchased Intangible Assets	7,032	2.6%	6,902	2.4%	6,244	2.1%
Share Based Compensation	6,755	2.5%	7,143	2.5%	6,888	2.3%
Manufacturing Transition and Severance Costs	970	0.4%	1,498	0.5%	1,462	0.5%
Other Acquisition Costs	0	0.0%	1,777	0.6%	1,083	0.4%
Impairment of Goodwill and Other Assets	273	0.1%	0	0.0%	0	0.0%
Gain on Sale of Facility	(3,198)	-1.2%	0	0.0%	0	0.0%
Reduction of Indemnification Receivable	0	0.0%	588	0.2%	588	0.2%
Adjusted EBITDA - Non-GAAP	<u>\$24,031</u>	<u>8.9%</u>	<u>\$27,083</u>	<u>9.6%</u>	<u>\$35,499</u>	<u>11.9%</u>