

Stifel 2017 Technology Internet and Media Conference

June 5, 2017



 **Cohu**

Forward Looking Statements and Regulation FD

Certain matters discussed in this presentation, including statements concerning the anticipated operational and sales synergies to be gained from the Kita acquisition, long-term benefits to Cohu stakeholders, the expected future operating results and anticipated EPS accretion from the acquisition, expectations concerning growth in sales and expansion in manufacturing infrastructure 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 successfully integrate acquired businesses and operations, our ability to convert new products under development into production on a timely basis, support product development and meet customer delivery and acceptance requirements for next generation equipment, failure to obtain customer acceptance resulting in the inability to recognize revenue and accounts receivable collection problems, our reliance on patents and intellectual property, compliance with U.S. export regulations, and the cyclical and unpredictable nature of capital expenditures by semiconductor manufacturers. 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. Cohu assumes no obligation to update the information in this presentation.

Corporate Profile

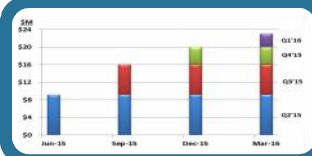
Global technology and market leader in \$800M*
Semiconductor Final Test and Inspection Handlers



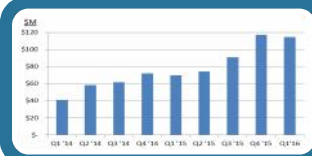
NASDAQ: COHU



Sales \$297M → ~34%* market share
(LTM, Q1 2017)



Adj. EBITDA ~\$36M
(LTM, Q1 2017)



Cash Balance ~\$106M
(Q1 2017)

Q2 2017
Guidance

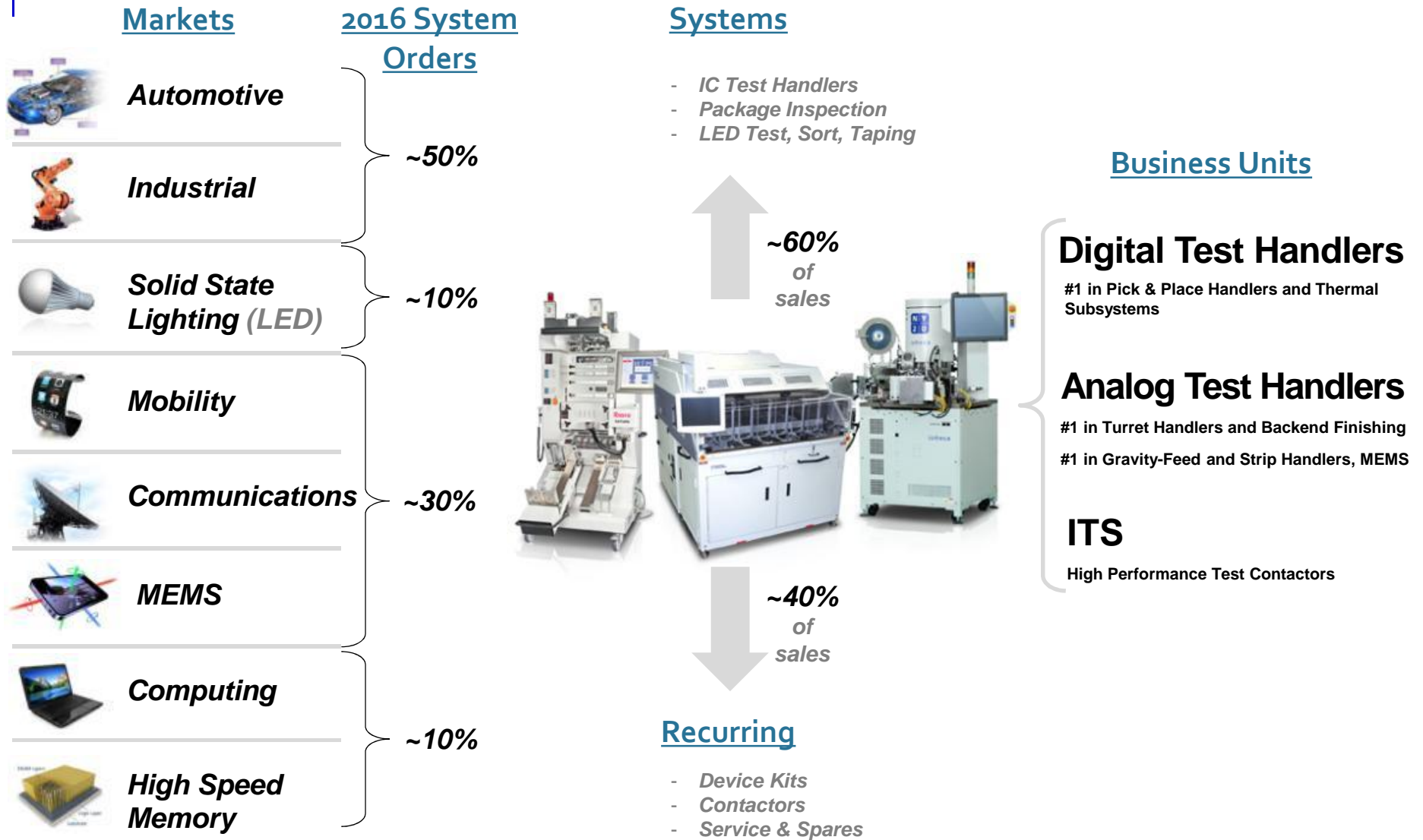
Sales ~ \$86M
Opex ~ \$22M

GM ~40%

Q2 2017 guidance from April 27, 2017 earnings release and conference call. Not considered an update to guidance

* Company estimate

Multiple Markets – Leading Solutions

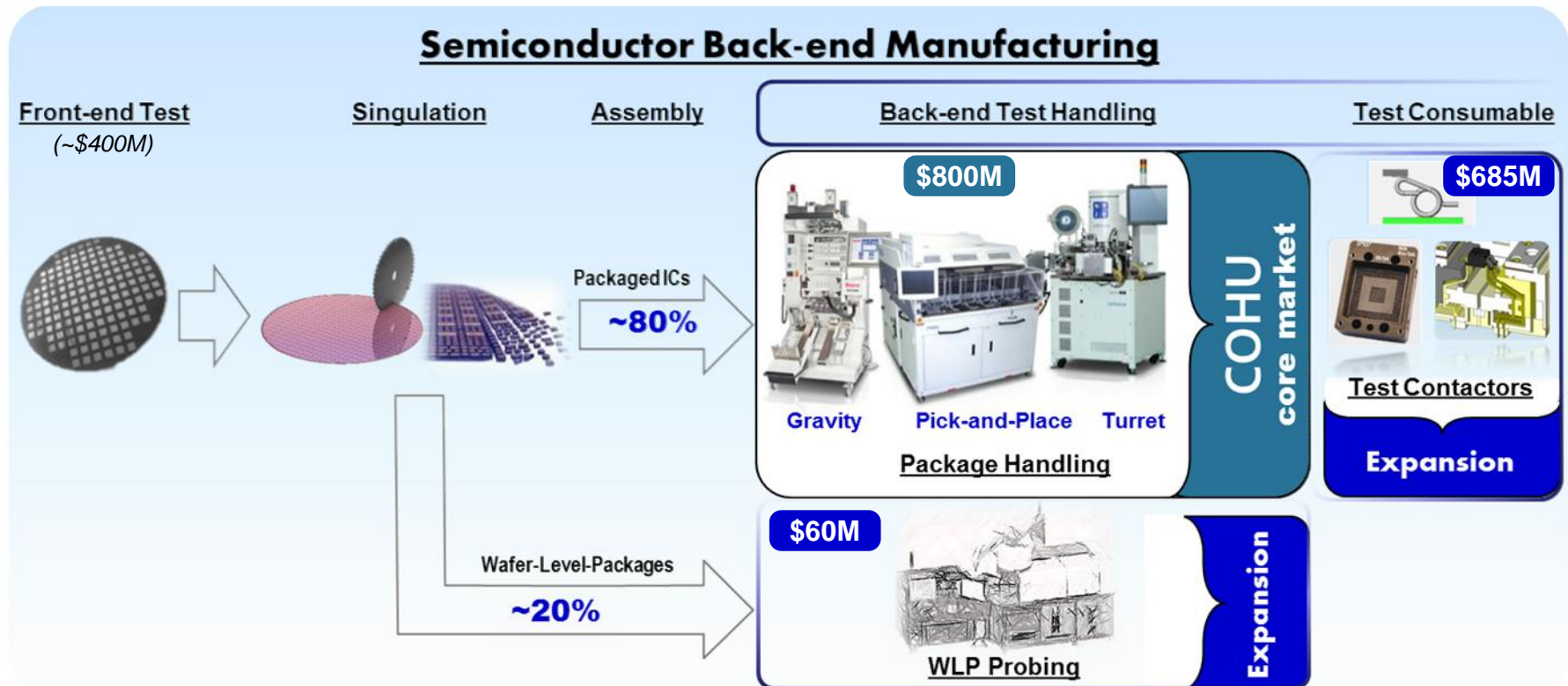


Our Growth Strategy

Expand share in core handler markets – Mobility, Automotive, LED

Grow sales in expanded markets: **\$800M → ~\$1.5B**

- **Test Contactor** (\$685M* market): LTM sales \$22M; accelerate growth with Kita
- **WLP Probe** (\$60M* market): Developing new product



* Company estimate

The Kita Acquisition







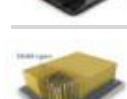
- ❑ **Cohu acquired Kita, a Japan-based manufacturer of spring probes for \$15 million cash and \$2.8 million operating debt; \$3 million earn-out and \$4.8 million debt financing of manufacturing expansion**
- ❑ **Kita's 2016 sales were approximately \$17 million**
- ❑ **Acquisition enhances shareholder value**
 - **Adds key capability to grow in the \$685M contactor market**
 - **Complementary products (spring probes) to Cohu contactor strategy**
 - **Leverage leading handler market share to expand contactor sales at key Cohu handler customers**
 - **Products meet mid-term model financial targets; accretive in 2017**
- ❑ **Maintain strong balance sheet post acquisition with cash of \$106M**
- ❑ **Transaction closed on January 4, 2017 – Q1'17 results include Kita**

Kita adds key technology and manufacturing capability to grow in the contactor market

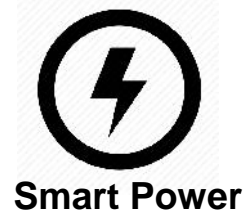
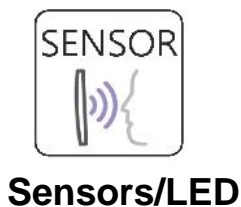
Extends Product Portfolio

- Kita extends ITS contactor portfolio for testing digital semiconductors

End Application Markets

	Automotive
	Industrial
	Solid State Lighting (LED)
	Mobility
	Communications
	MEMS
	Computing
	High Speed Memory

Semiconductor Markets



High Performance



Spring Probe



Cantilever

ITS Products & Solutions

- Test Contactors
- Manual Actuators
- Handler Contactor Frames
- Contact Springs

ITS Services

- System Integration
- Thermal Optimizations
- RF Simulation

Sales Synergies

- ❑ **Cross-selling** – leveraging our leading handler market share position to serve a broad customer base with test contactors
- ❑ **Handler opportunities** – solving critical thermal challenges with contactors to enable further handler share gains
- ❑ **Strengthens presence in Japan** – beachhead for synergistic opportunities



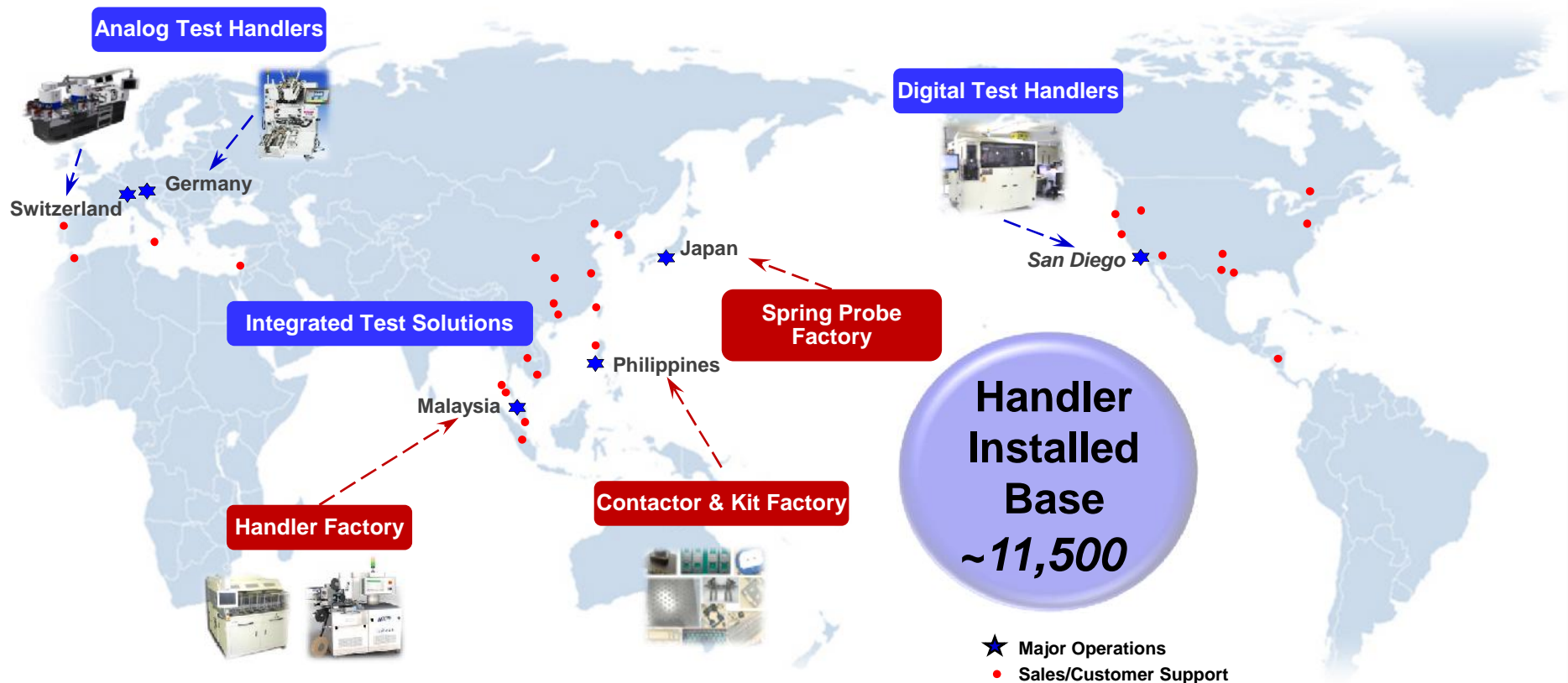
Operations and Financials

June 5, 2017



Global Operations & Customer Support

- ❑ **Largest installed base** – drives recurring business • 40% of sales
- ❑ **New Japan spring probe factory** – ready for capacity expansion
- ❑ **Global support** – a key competitive advantage



Updated Financial Model and Target

	Current Operating Range		Mid Term Target
Sales	\$212M (\$53M/qtr)	\$360M (\$90M/qtr)	\$400M (\$100M/qtr)
Gross Margin	36%	40%	42%
Adj. EBITDA	0%	17%	18%
EPS	BE	\$1.51	\$1.80

- ❑ **Increasing GM by 200 bps for Current Operating Range and Mid Term Target**
- ❑ **Lowering break-even to \$53M/qtr due to GM improvement**
- ❑ **Key mid-term targets**
 - Expansion in core handler markets to drive 4 to 6 points of share gain
 - Grow share in test contactors additional 2 to 4 points after Kita acquisition
 - Entering WLP probe opportunity, targeting 30 to 50% share
- ❑ **Target Effective Tax Rate in the low 20% range**

Amounts are Non-GAAP and exclude amortization of purchased intangibles, stock based compensation expense, manufacturing transition and severance costs.
EPS assumes 28.2 million diluted shares

Strong Balance Sheet (\$M)

- ❑ **Cash from Ops ~ \$25M in 2016**
- ❑ **Q1'17 cash balance ~ \$106M**
 - \$40M to support operations including Capex of \$7M - \$9M per year
 - \$6M / year returned to shareholders through quarterly dividend
 - Excess allocated to strategic growth opportunities

❑ **Healthy cash conversion cycle:**

	Q1'17	Q1'16
Days Sales Outstanding	85	88
Days Sales of Inventory	99	114
Accounts Payable Days	68	69
Cash Conversion	116	133

❑ **Bank debt ~ \$10M as of March 2017**

Assets	3/25/2017	12/31/2016
Cash & Equivalents	\$106.2	\$128.0
Accounts Receivable	82.1	63.0
Inventory	54.5	45.5
Other Current Assets	10.9	8.6
Property & Equipment	32.4	18.2
Goodwill & Intangibles	85.2	76.7
Other Assets	7.5	5.5
Total Assets	\$378.8	\$345.5
Liabilities		
Accounts Payable	\$37.7	\$31.4
Deferred Profit	4.8	6.9
Other Current Liabilities	39.0	30.4
Noncurrent Liabilities	51.9	41.3
Total Liabilities	133.4	110.0
Stockholders' Equity	245.4	235.5
Total Liabilities & Equity	\$378.8	\$345.5

Key Takeaways

Driving Growth

With Kita acquisition, new products and synergies

Expanding Share in Core Markets

with innovative thermal & vision technologies

Strong Balance Sheet

~\$106M cash at Q1'17

Increasing Total Available Market

to \$1.5 billion with test contactors and WLP prober

Strategic Acquisitions Such as Kita

in profitable, complementary market segments

Mid-Term Target Update

delivers 18% EBITDA at \$400M a year sales

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Appendix



 Cohu

Reconciliation of GAAP to Non-GAAP Results

(In thousands except per share amounts)

	3 Months Ending June 25, Diluted 2016		3 Months Ending Sept 24, Diluted 2016		3 Months Ending Dec 31, Diluted 2016		3 Months Ending Mar 25, Diluted 2017	
	EPS		EPS		EPS		EPS	
Earnings Reconciliation								
Income (Loss) From Continuing Operations - GAAP	\$3,364	\$0.10	\$218	\$0.01	\$2,306	\$0.08	\$6,763	\$0.24
Share Based Compensation	1,651	0.06	1,668	0.06	1,852	0.07	1,717	0.06
Amortization of Purchased Intangible Assets	1,791	0.07	1,805	0.07	1,538	0.06	1,110	0.04
Manufacturing Transition and Severance Costs	276	0.01	586	0.02	496	0.02	104	0.00
Other Acquisition Costs		0.00		0.00	896	0.03	187	0.01
Inventory Step-Up		0.00		0.00	0	0.00	347	0.01
Reduction of Indemnification Receivable					588	0.02	0	0.00
Tax Effect of Non-GAAP Adjustments	(477)	(0.02)	(463)	(0.02)	(1,031)	(0.04)	(376)	(0.01)
Income From Continuing Operations - Non-GAAP	\$6,605	\$0.22	\$3,814	\$0.14	\$6,645	\$0.24	\$9,852	\$0.35
Weighted Average Shares - GAAP and Non-GAAP	Diluted	27,358	Diluted	27,367	Diluted	27,774	Diluted	28,252
Gross Profit Reconciliation								
	3 Months Ending June 25, 2016	% of Net Sales	3 Months Ending Sept 24, 2016	% of Net Sales	3 Months Ending Dec 31, 2016	% of Net Sales	3 Months Ending Mar 25, 2017	% of Net Sales
Net Sales	\$76,353		\$69,259		\$70,694		\$81,097	
Gross Profit - GAAP	26,684	34.9%	23,221	33.5%	25,527	36.1%	32,256	39.8%
Share Based Compensation	170	0.2%	160	0.2%	89	0.1%	83	0.1%
Amortization of Purchased Intangible Assets	1,348	1.8%	1,355	2.0%	1,138	1.6%	768	0.9%
Inventory Step-Up	0	0.0%	0	0.0%	0	0.0%	347	0.4%
Gross Profit - Non-GAAP	\$28,202	36.9%	\$24,736	35.7%	\$26,754	37.8%	\$33,454	41.3%
Operating Expense Reconciliation								
	3 Months Ending June 25, 2016	% of Net Sales	3 Months Ending Sept 24, 2016	% of Net Sales	3 Months Ending Dec 31, 2016	% of Net Sales	3 Months Ending Mar 25, 2017	% of Net Sales
Operating Expense - GAAP	\$23,320	30.5%	\$22,225	32.1%	\$24,236	34.3%	\$24,236	29.9%
Share Based Compensation	(1,481)	-1.9%	(1,508)	-2.2%	(1,763)	-2.5%	(1,634)	-2.0%
Amortization of Purchased Intangible Assets	(443)	-0.6%	(450)	-0.6%	(400)	-0.6%	(342)	-0.4%
Manufacturing Transition and Severance Costs	(276)	-0.4%	(586)	-0.8%	(496)	-0.7%	(104)	-0.1%
Other Acquisition Costs	0	0.0%	0	0.0%	(896)	-1.3%	(187)	-0.2%
Reduction of Indemnification Receivable					588	0.8%	0	0.0%
Operating Expense - Non-GAAP	\$21,120	27.7%	\$19,681	28.4%	\$20,681	29.3%	\$21,969	27.1%
Adjusted EBITDA Reconciliation								
	3 Months Ending June 25, 2016	% of Net Sales	3 Months Ending Sept 24, 2016	% of Net Sales	3 Months Ending Dec 31, 2016	% of Net Sales	3 Months Ending Mar 25, 2017	% of Net Sales
Income (Loss) From Operations - GAAP	\$3,364	4.4%	\$996	1.4%	\$3,052	4.3%	\$8,121	10.0%
Depreciation Expense	901	1.2%	924	1.3%	784	1.1%	1,092	1.3%
Amortization of Purchased Intangible Assets	1,791	2.3%	1,805	2.6%	1,538	2.2%	1,110	1.4%
Share Based Compensation	1,651	2.2%	1,668	2.4%	1,852	2.6%	1,717	2.1%
Manufacturing Transition and Severance Costs	276	0.4%	586	0.8%	496	0.7%	104	0.1%
Other Acquisition Costs					896	1.3%	187	0.2%
Reduction of Indemnification Receivable					588	0.8%	0	0.0%
Adjusted EBITDA - Non-GAAP	\$7,983	10.5%	\$5,979	8.6%	\$9,206	13.0%	\$12,331	15.2%