

August 3, 2023

Q2'23 Financial Results

Cautionary Statement Regarding Forward Looking Statements

Forward Looking Statements:

Certain statements contained in this release and accompanying materials may be considered forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995, including statements regarding continuing improvements in operational performance; aligning investments with major trends in industrial automation, autonomous vehicles, mobility, increased processing and sensing power; expanding our factory footprint in the Philippines; future growth in recurring; test interface design wins with expanded manufacturing in Asia; other design wins within the handler group; expansion of the Diamondx platform for analog testing; strategy to expand served addressable markets and deliver long-term growth; growth into adjacent areas, including service; resiliency of recurring business; expanding our software business including DI-Core; expanding Cohu's differentiated product portfolio; new customer application gains; estimated test cell utilization; thermal handler demand for hyperscaling; Cohu's FY2023 and FY2024 outlook; revenue growth with expected market condition improvements; % of incremental revenue expected to fall to operating income; expense controls; Cohu's third quarter 2023 sales forecast, guidance, sales mix, orders, non-GAAP operating expenses, gross margin, operating income, adjusted EBITDA, effective tax rate, free cash flow, cap ex, cash and/or shares outstanding; estimated minimum cash needed; estimated EBITDA breakeven point; Cohu's Mid-Term Financial Targets; any future Term Loan B principal reduction; the amount, timing or manner of any share repurchases; and any other statements that are predictive in nature and depend upon or refer to future events or conditions; and/or include words such as "may," "will," "should," "would," "expect," "anticipate," "plan," "likely," "believe," "estimate," "project," "intend;" and/or other similar expressions among others. Statements that are not historical facts are forward-looking statements. Forward-looking statements are based on current beliefs and assumptions that are subject to risks and uncertainties and are not guarantees of future performance. Any third-party industry analyst forecasts quoted are for reference only and Cohu does not adopt or affirm any such forecasts.

Actual results and future business conditions could differ materially from those contained in any forward-looking statement as a result of various factors, including, without limitation: cyclical COVID-19 pandemic impacts; new product investments and product enhancements which may not be commercially successful; inability to effectively manage multiple manufacturing sites in Asia and secure reliable and cost-effective raw materials; failure of sole source contract manufacturer; ongoing inflationary pressures on material and operational costs coupled with rising interest rates; economic recession; instability of financial institutions where we maintain cash deposits and potential loss of uninsured cash deposits; the semiconductor industry is seasonal, cyclical, volatile and unpredictable; the semiconductor equipment industry is intensely competitive; rapid technological changes and product introductions and transitions; a limited number of customers account for a substantial percentage of net sales; significant exports to foreign countries with economic and political instability and competition from a number of Asia-based manufacturers; loss of key personnel; reliance on foreign locations and geopolitical instability in such locations critical to Cohu and its customers; natural disasters, war and climate-related changes; increasingly restrictive trade and export regulations impacting our ability to sell products, specifically within China; significant goodwill and other intangibles as percentage of our total assets; risks associated with the MCT acquisition, such as integration and synergies, and other risks associated with additional potential acquisitions, investments and divestitures; levels of debt; financial or operating results that are below forecast or credit rating changes impacting our stock price or financing ability; law/regulatory and including tax law changes; significant volatility in our stock price; and the risk of cybersecurity breaches.

These and other risks and uncertainties are discussed more fully in Cohu's filings with the SEC, including our most recent Form 10-K and Form 10-Q, and the other filings made by Cohu with the SEC from time to time, which are available via the SEC's website at www.sec.gov. Except as required by applicable law, Cohu does not undertake any obligation to revise or update any forward-looking statement, or to make any other forward-looking statements, whether as a result of new information, future events or otherwise.

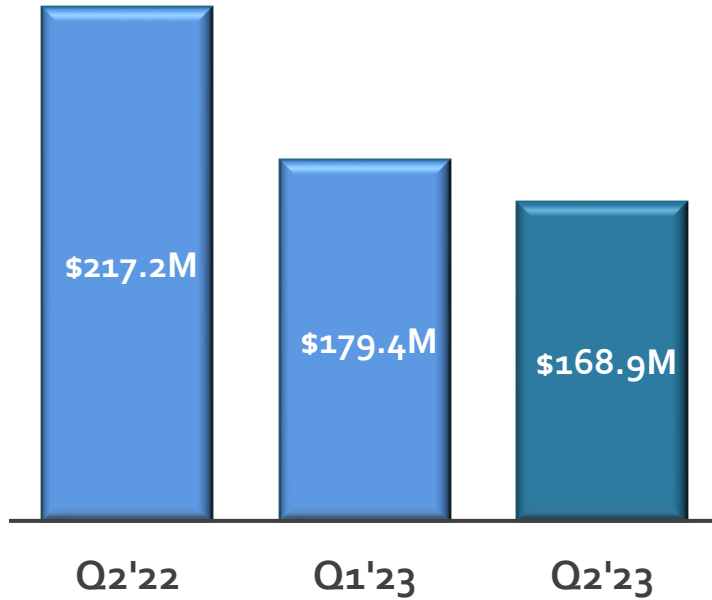


Business Update



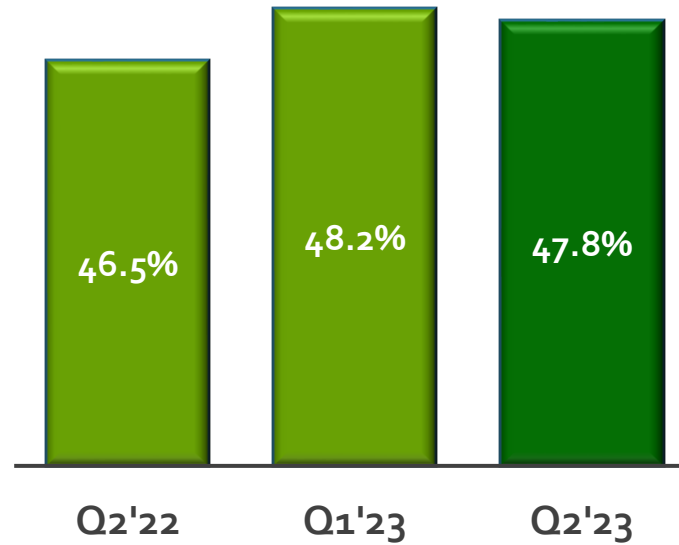
Summary

Revenue



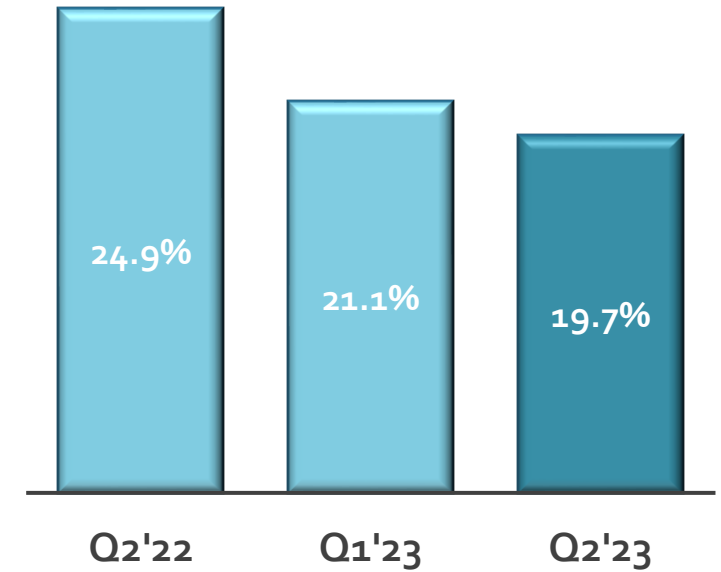
- Soft business conditions with automotive moderating and weak mobility demand
- Improving thermal handler demand for hyperscaling
- Strong recurring revenue

Non-GAAP Gross Margin⁽¹⁾



- GM expanded +130 bps YoY
 - ✓ Differentiated products
 - ✓ Resilient recurring business
 - ✓ Test interface mfg. in Asia
 - ✓ New software analytics model

Adj. EBITDA⁽¹⁾



- Est. test cell utilization down 4 pts. QoQ to 73%; lowest since Q1'20
- Tightly controlling spending with Opex projected to be down \$0.8M in Q3'23

Diverse Revenue Profile

Recurring

Key Business Drivers

- More stable recurring revenue
- DI-Core software
- Service business

*Non-GAAP
Gross Margin⁽¹⁾*

~ 55%

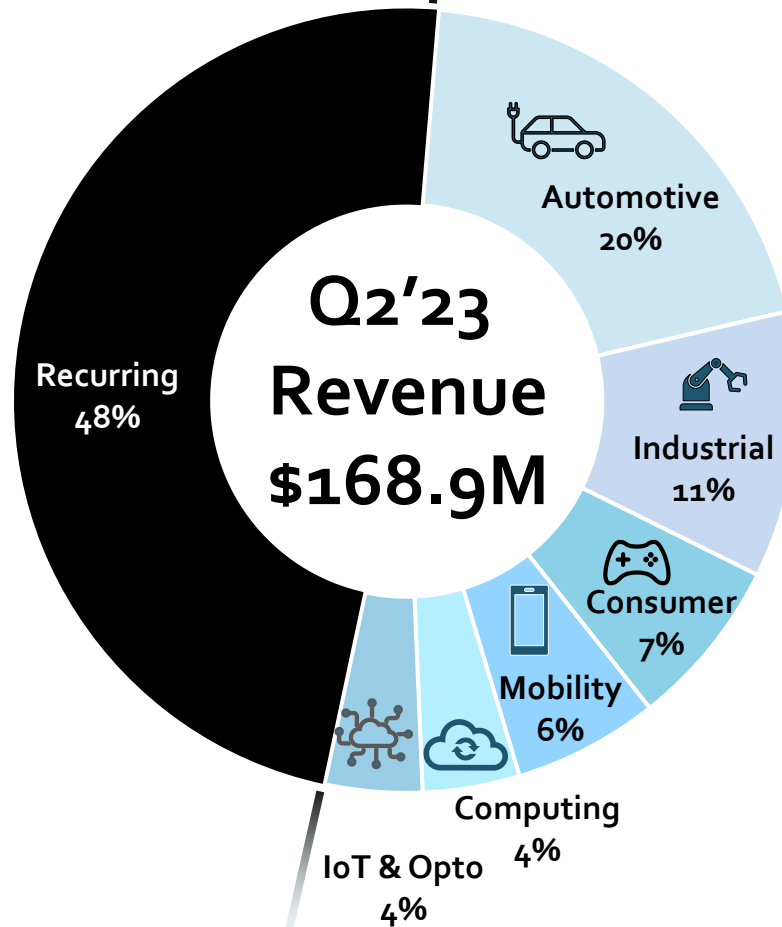
Systems

Key Business Drivers

- Better visibility for thermal handlers
- Auto moderating
- Weak mobility

*Non-GAAP
Gross Margin⁽¹⁾*

~ 41%



Resilient Recurring Business Model



\$330M

LTM⁽¹⁾ Recurring
Revenue



\$149M

LTM⁽¹⁾ Service
Revenue



> 24,500

Systems Installed
Base



310+

Highly Skilled Field
Service Engineers

7.0%

3-year CAGR⁽²⁾

> 87%

*Annual Renewal Rate
on service contracts*

> 100

Customers

~ 12 year

Average Tenure

*Stable revenue at
50%+ gross margin⁽³⁾*

*Cloud-based, automated
order management for
~ 14,000 different spares*

*Over 280 high-volume
manufacturing facilities
in 31 countries*

*Virtual-assist and
on-site support*

(1) Last Twelve Months (LTM) revenue

(2) Compound Annual Growth Rate (CAGR) from Q2'20 to Q2'23

(3) Non-GAAP: See Appendix for GAAP to non-GAAP reconciliations and for notes regarding use of forward-looking non-GAAP figures



Q2'23 Financials and Q3'23 Guidance



Q2'23 Non-GAAP Results

	Q1'23 Actual	Q2'23 Guidance ⁽²⁾	Q2'23 Actual
Revenue	\$179.4M	\$161 - \$173M	\$168.9M
Gross Margin ⁽¹⁾	48.2%	~ 47%	47.8%
Operating Expenses ⁽¹⁾	\$52.3M	~ \$52M	\$50.8M
Non-GAAP EPS ⁽¹⁾	\$0.56		\$0.48
Adjusted EBITDA ⁽¹⁾	21.1%	~18%	19.7%

- ❑ Q2 revenue higher than mid-point of guidance; profitability better than forecast
- ❑ Resilient gross margin with sale of differentiated products and strong recurring revenue
- ❑ Operating Expenses lower than guidance; tight control of headcount and discretionary spending
- ❑ Q2 tax rate 27%; Q2 diluted shares outstanding declined QoQ to 48.0 million

(1) Non-GAAP: See Appendix for Q1'23, Q2'23 GAAP to non-GAAP reconciliations

(2) Guidance as provided on May 4, 2023 press release and earnings conference call

Target Revenue of \$1B and \$4.00 Non-GAAP EPS

	Q2'23 Actuals	FY2022 Actuals	Mid-Term Target ⁽¹⁾
Revenue	\$168.9M	\$812.8M	\$1B
Gross Margin⁽¹⁾	47.8%	47.2%	49%
Operating Expenses⁽¹⁾	30.1%	25.6%	24%
Non-GAAP EPS⁽¹⁾	\$0.48	\$2.91	\$4.00
Adjusted EBITDA⁽¹⁾	19.7%	23.7%	26%
Free Cash Flow⁽²⁾	\$50.1M	\$98.1M	\$180M

❑ Gross Margin, profitability and cash flow tracking to mid-term target

(1) Non-GAAP: See Appendix for GAAP to non-GAAP reconciliations and for notes regarding use of forward-looking non-GAAP figures

(2) Reflects net cash provided by operating activities less purchases of property, plant and equipment – See Appendix for GAAP to non-GAAP reconciliations and for notes regarding use of forward-looking non-GAAP figures

(3) Mid-Term is 3 – 5 years

Balance Sheet

<i>[\$Million]</i>	Q1'23	Q2'23
Cash and Investments ⁽¹⁾	\$324	\$372
Accounts Receivable	\$176	\$144
Total Debt	\$45	\$43
Capital Additions	\$5.1	\$3.1
Cash Flow From Operations	\$16.5	\$53.1

- ❑ Strong Q2 cash flow from operations further strengthens balance sheet to support debt reduction, M&A investments and share repurchase program
- ❑ Utilized \$2.7M of cash in Q2 to repurchase 80K shares of Common Stock; program inception to date, repurchased 2.2M shares totaling \$64.2M
- ❑ Modest capex requirements – maintaining target of ~ \$20M annually

(1) Net cash per share Q1'23 = \$5.82; Q2'23 = \$6.86; See Appendix for GAAP to non-GAAP reconciliations

Q3'23 Outlook

	Q2'23 Actual	Q3'23 Guidance
Revenue	\$168.9M	~\$150M
Gross Margin ⁽¹⁾	47.8%	~ 46%
Operating Expenses ⁽¹⁾	\$50.8M	~\$50M
Adjusted EBITDA ⁽¹⁾	19.7%	~ 15%

- ❑ Q3 revenue lower on moderating automotive and industrial test demand, soft mobility market
- ❑ Resilient gross margin from differentiated products and strong recurring revenue
- ❑ OPEX lower QoQ – tight control of expenses
- ❑ Fully diluted shares outstanding estimated at 48.4 million

(1) See Appendix for Q2'23 GAAP to non-GAAP reconciliations. The Q3'23 non-GAAP guidance excludes estimated pre-tax charges related to stock-based compensation of \$0.2M (CoS) and \$3.1M (Opex), and amortization of purchased intangibles of \$9.6M (Opex). These forward-looking figures do not reflect restructuring costs, acquisition-related costs, other manufacturing transition/severance costs, inventory step-up costs, amortization of cloud-based software implementation costs (Adjusted EBITDA only), or other non-operational or unusual items, which we are unable predict without unreasonable efforts due to their inherent uncertainty, therefore, reconciliation of these figures to GAAP is not provided.




Appendix

Use of Non-GAAP Financial Information:

This presentation includes non-GAAP financial measures, including non-GAAP Gross Margin/Profit, Income and Income (adjusted earnings) per share, Operating Income, Operating Expense, effective tax rate, free cash flow and Adjusted EBITDA that supplement the Company's Condensed Consolidated Statements of Operations prepared under generally accepted accounting principles (GAAP). These non-GAAP financial measures adjust the Company's actual results prepared under GAAP to exclude charges and the related income tax effect for: share-based compensation, the amortization of purchased intangible assets including favorable/unfavorable lease adjustments, restructuring costs, manufacturing transition and severance costs, asset impairment charges, acquisition-related costs and associated professional fees, reduction of indemnification receivable, depreciation of purchase accounting adjustments to property, plant and equipment, purchase accounting inventory step-up included in cost of sales, and amortization of cloud-based software implementation costs (Adjusted EBITDA only). Reconciliations of GAAP to non-GAAP amounts for the periods presented herein are provided in schedules accompanying this release and should be considered together with the Condensed Consolidated Statements of Operations. With respect to any forward-looking non-GAAP figures, we are unable to provide without unreasonable efforts, at this time, a GAAP to non-GAAP reconciliation of any forward-looking figures due to their inherent uncertainty.

These non-GAAP measures are not meant as a substitute for GAAP, but are included solely for informational and comparative purposes. The Company's management believes that this information can assist investors in evaluating the Company's operational trends, financial performance, and cash generating capacity. Management uses non-GAAP measures for a variety of reasons, including to make operational decisions, to determine executive compensation in part, to forecast future operational results, and for comparison to our annual operating plan. However, the non-GAAP financial measures should not be regarded as a replacement for (or superior to) corresponding, similarly captioned, GAAP measures.



GAAP to Non-GAAP Reconciliation

<u>Earnings Reconciliation</u>	<u>3 Months Ending</u>		<u>3 Months Ending</u>		<u>3 Months Ending</u>		<u>12 Months Ending</u>	
	<u>Jun 25,</u>	<u>Diluted</u>	<u>Apr 1,</u>	<u>Diluted</u>	<u>Jul 1,</u>	<u>Diluted</u>	<u>Dec 31,</u>	<u>Diluted</u>
	<u>2022</u>	<u>EPS</u>	<u>2023</u>	<u>EPS</u>	<u>2023</u>	<u>EPS</u>	<u>2022</u>	<u>EPS</u>
Net Income - GAAP	\$ 28,768	\$ 0.59	\$ 15,685	\$ 0.33	\$ 10,584	\$ 0.22	\$ 96,847	\$ 1.98
Share based compensation	3,933	0.08	3,914	0.08	4,432	0.09	14,918	0.31
Amortization of purchased intangible assets	8,341	0.17	8,754	0.18	9,006	0.19	33,185	0.68
Restructuring costs related to inventory in COS	(186)	(0.01)	(28)	0.00	(13)	0.00	(454)	(0.01)
Restructuring costs	7	0.00	888	0.02	416	0.01	605	0.01
Manufacturing transition and severance costs	0	0.00	271	0.01	188	0.01	1,703	0.03
Other acquisition costs	0	0.00	385	0.01	60	0.00	72	0.00
PP&E step-up included in COS and SG&A	0	0.00	9	0.00	14	0.00	0	0.00
Inventory Step-Up	0	0.00	124	0.00	149	0.00	0	0.00
Payroll taxes due to accelerated vesting of share-based awards	0	0.00	0	0.00	0	0.00	132	0.01
Tax effect of Non-GAAP adjustments	(1,134)	(0.02)	(3,057)	(0.07)	(1,996)	(0.04)	(5,063)	(0.10)
Net Income - Non-GAAP	<u>\$39,729</u>	<u>\$ 0.81</u>	<u>\$26,945</u>	<u>\$ 0.56</u>	<u>\$22,840</u>	<u>\$ 0.48</u>	<u>\$141,945</u>	<u>\$ 2.91</u>
Weighted Average Shares - GAAP	Basic	48,475	Basic	47,343	Basic	47,618	Basic	48,178
Weighted Average Shares - Non-GAAP	Diluted	48,928	Diluted	48,171	Diluted	48,028	Diluted	48,799
Income tax provision - GAAP	\$ 8,898		\$ 4,973		\$ 6,435		\$ 29,868	
Tax effect of Non-GAAP adjustments ⁽¹⁾	<u>1,134</u>		<u>3,057</u>		<u>1,996</u>		<u>5,063</u>	
Income tax provision - Non-GAAP	<u>\$ 10,032</u>		<u>\$ 8,030</u>		<u>\$ 8,431</u>		<u>\$ 34,931</u>	
Effective tax rate - GAAP	23.6%		24.1%		37.8%		23.6%	
Effective tax rate - Non-GAAP	20.2%		23.0%		27.0%		19.7%	

(1) Calculated by applying statutory tax rates in effect to the respective non-GAAP adjustments.

GAAP to Non-GAAP Reconciliation

<u>Gross Profit Reconciliation</u>	<u>3 Months Ending</u> Jun 25, 2022		<u>3 Months Ending</u> Apr 1, 2023		<u>3 Months Ending</u> Jul 1, 2023		<u>12 Months Ending</u> Dec 31, 2022	
	% of Net Sales		% of Net Sales		% of Net Sales		% of Net Sales	
Net Sales	\$ 217,226		\$ 179,371		\$ 168,921		\$ 812,775	
Gross Profit - GAAP	100,953	46.5%	86,218	48.1%	80,345	47.6%	383,326	47.2%
Share Based Compensation	172	0.1%	180	0.1%	216	0.1%	646	0.1%
Restructuring costs related to inventory in COS	(186)	-0.1%	(28)	0.0%	(13)	0.0%	(454)	-0.1%
Manufacturing transition and severance costs	0	0.0%	18	0.0%	0	0.0%	(13)	0.0%
Inventory Step-Up	0	0.0%	124	0.1%	149	0.1%	0	0.0%
Gross Profit - Non-GAAP	<u>\$ 100,939</u>	<u>46.5%</u>	<u>\$ 86,512</u>	<u>48.2%</u>	<u>\$ 80,697</u>	<u>47.8%</u>	<u>\$ 383,505</u>	<u>47.2%</u>

<u>Gross Profit Reconciliation</u>	<u>Systems</u> <u>3 Months Ending</u> Jul 1, 2023		<u>Recurring</u> <u>3 Months Ending</u> Jul 1, 2023		<u>Total</u> <u>3 Months Ending</u> Jul 1, 2023	
	% of Net Sales		% of Net Sales		% of Net Sales	
Net Sales	\$ 87,312		\$ 81,609		\$ 168,921	
Gross Profit - GAAP	35,543	40.7%	44,802	54.9%	80,345	47.6%
Share Based Compensation	112	0.1%	104	0.1%	216	0.1%
Restructuring costs related to inventory in COS	(7)	0.0%	(6)	0.0%	(13)	0.0%
Inventory Step-Up	77	0.1%	72	0.1%	149	0.1%
Gross Profit - Non-GAAP	<u>\$ 35,725</u>	<u>40.9%</u>	<u>\$ 44,972</u>	<u>55.1%</u>	<u>\$ 80,697</u>	<u>47.8%</u>

GAAP to Non-GAAP Reconciliation

<u>Operating Expense Reconciliation</u>	<u>3 Months Ending</u>		<u>3 Months Ending</u>		<u>12 Months Ending</u>	
	Apr 1, 2023	% of Net Sales	Jul 1, 2023	% of Net Sales	Dec 31, 2022	% of Net Sales
Operating Expense - GAAP	\$ 66,341	37.0%	\$ 64,686	38.3%	\$ 257,769	31.7%
Share based compensation	(3,734)	-2.1%	(4,216)	-2.5%	(14,272)	-1.8%
Amortization of purchased intangible assets	(8,754)	-4.9%	(9,006)	-5.3%	(33,185)	-4.1%
Restructuring costs	(888)	-0.5%	(416)	-0.2%	(605)	-0.1%
Manufacturing transition and severance costs	(253)	-0.1%	(188)	-0.1%	(1,716)	-0.2%
PP&E step-up included in SG&A	(9)	0.0%	(14)	0.0%	0	0.0%
Other acquisition costs	(385)	-0.2%	(60)	0.0%	(72)	0.0%
Operating Expense - Non-GAAP	<u>\$ 52,318</u>	<u>25.6%</u>	<u>\$ 50,786</u>	<u>30.1%</u>	<u>\$ 207,787</u>	<u>25.6%</u>

<u>Adjusted EBITDA Reconciliation</u>	<u>3 Months Ending</u>		<u>3 Months Ending</u>		<u>3 Months Ending</u>		<u>12 Months Ending</u>	
	Jun 25, 2022	% of Net Sales	Apr 1, 2023	% of Net Sales	Jul 1, 2023	% of Net Sales	Dec 31, 2022	% of Net Sales
Net income - GAAP Basis	\$ 28,768	13.2%	\$ 15,685	8.7%	\$ 11,979	7.1%	\$ 96,847	11.9%
Income tax provision	8,898	4.1%	4,973	2.8%	5,041	3.0%	29,868	3.7%
Interest expense	919	0.4%	1,128	0.6%	727	0.4%	4,177	0.5%
Interest income	(308)	-0.1%	(2,718)	-1.5%	(2,732)	-1.6%	(4,012)	-0.5%
Amortization of purchased intangible assets	8,341	3.8%	8,754	4.9%	9,006	5.3%	33,185	4.1%
Depreciation	3,191	1.5%	3,337	1.9%	3,361	2.0%	12,831	1.6%
Amortization of cloud-based software implementation costs	478	0.2%	700	0.4%	700	0.4%	2,060	0.3%
Loss on extinguishment of debt	128	0.1%	369	0.2%	0	0.0%	312	0.0%
Other Non-GAAP Adjustments	3,754	1.7%	5,554	3.1%	5,232	3.1%	16,976	2.1%
Adjusted EBITDA	<u>\$54,169</u>	<u>24.9%</u>	<u>\$37,782</u>	<u>21.1%</u>	<u>\$33,314</u>	<u>19.7%</u>	<u>\$192,244</u>	<u>23.7%</u>

GAAP to Non-GAAP Reconciliation

<u>Free Cash Flow</u>	<u>3 Months Ending Jul 1, 2023</u>	<u>12 Months Ending Dec 31, 2022</u>
Cash flow from operations - GAAP	\$ 53,145	\$ 112,861
Capital expenditures	(3,065)	(14,770)
Free cash flow - Non-GAAP	<u>\$ 50,080</u>	<u>\$ 98,091</u>
Cash flow from operations as a percentage of net sales - GAAP	31.5%	13.9%
Free cash flow as a percentage of net sales - Non-GAAP	29.6%	12.1%

<u>Net Cash per Share</u>	<u>3 Months Ending Apr 1, 2023</u>	<u>3 Months Ending Jul 1, 2023</u>
Cash and Investments	\$ 324,295	\$ 372,317
Less: Total Debt	(44,140)	(42,718)
Net Cash	<u>\$ 280,155</u>	<u>329,599</u>
Weighted Average Shares - Diluted	48,171	48,028
Net Cash per Share	<u>\$ 5.82</u>	<u>\$ 6.86</u>