

# Spring Probe Acquisition

November 16, 2016



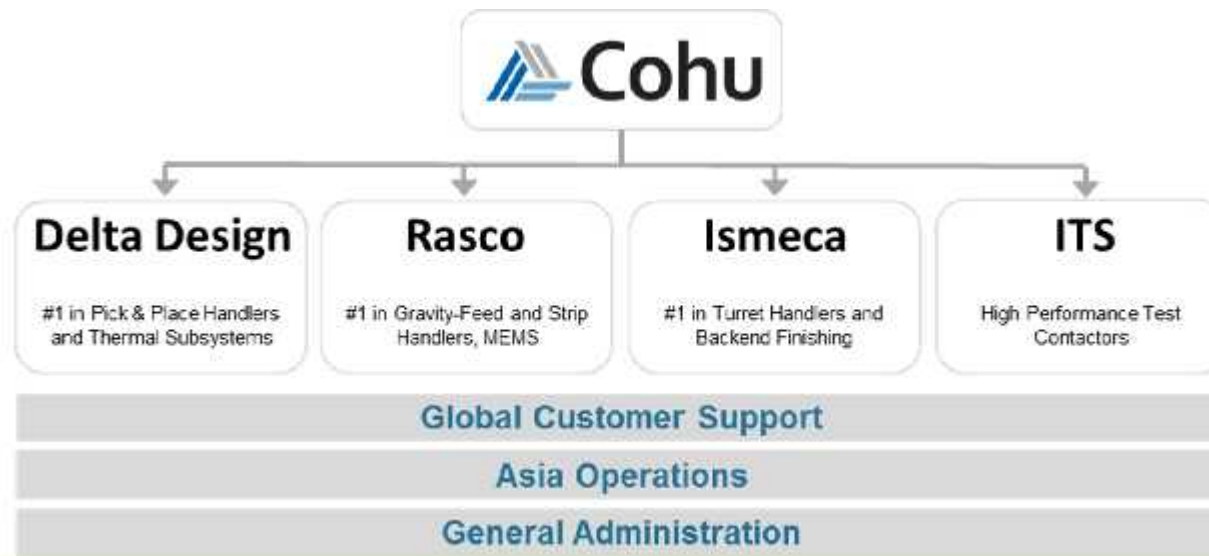
 **Cohu**

# Forward Looking Statements and Regulation FD

Certain matters discussed in this release, including statements concerning the expected transaction completion date, anticipated operational and sales synergies to be gained from the 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 release.

# The Acquisition

- ❑ Cohu has agreed to acquire Kita Mfg., a Japan-based manufacturer of spring probes for \$15 million in cash and the assumption of operating debt of \$2.6 million net of acquired cash
- ❑ Additionally, the agreement includes up to \$3 million of contingent earn-out and the assumption of manufacturing capacity expansion debt of \$4.8 million that is aligned with Cohu's growth strategy
- ❑ Kita will complement our contactor portfolio and combine with Cohu's ITS business to supply a total solution to customers
- ❑ Transaction expected to close in the first quarter of 2017



# Strategic Rationale

- ❑ **Kita adds key capability to grow in the \$685M contactor market – spring probe technology and manufacturing infrastructure**
- ❑ **Spring Probes are the critical consumable element in contactors for testing semiconductors in automotive, mobile and LED applications**
- ❑ **Leverage leading handler market share to expand contactor sales at key Cohu handler customers**
- ❑ **Complementary products (spring probes) to Cohu contactor strategy**
- ❑ **Kita invested in manufacturing expansion in Japan that is aligned with Cohu's growth plans**
- ❑ **Accretive transaction in 2017 with further benefits from cross-selling synergies**



# 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



RF / Analog



Digital



Sensors/LED



Smart Power



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



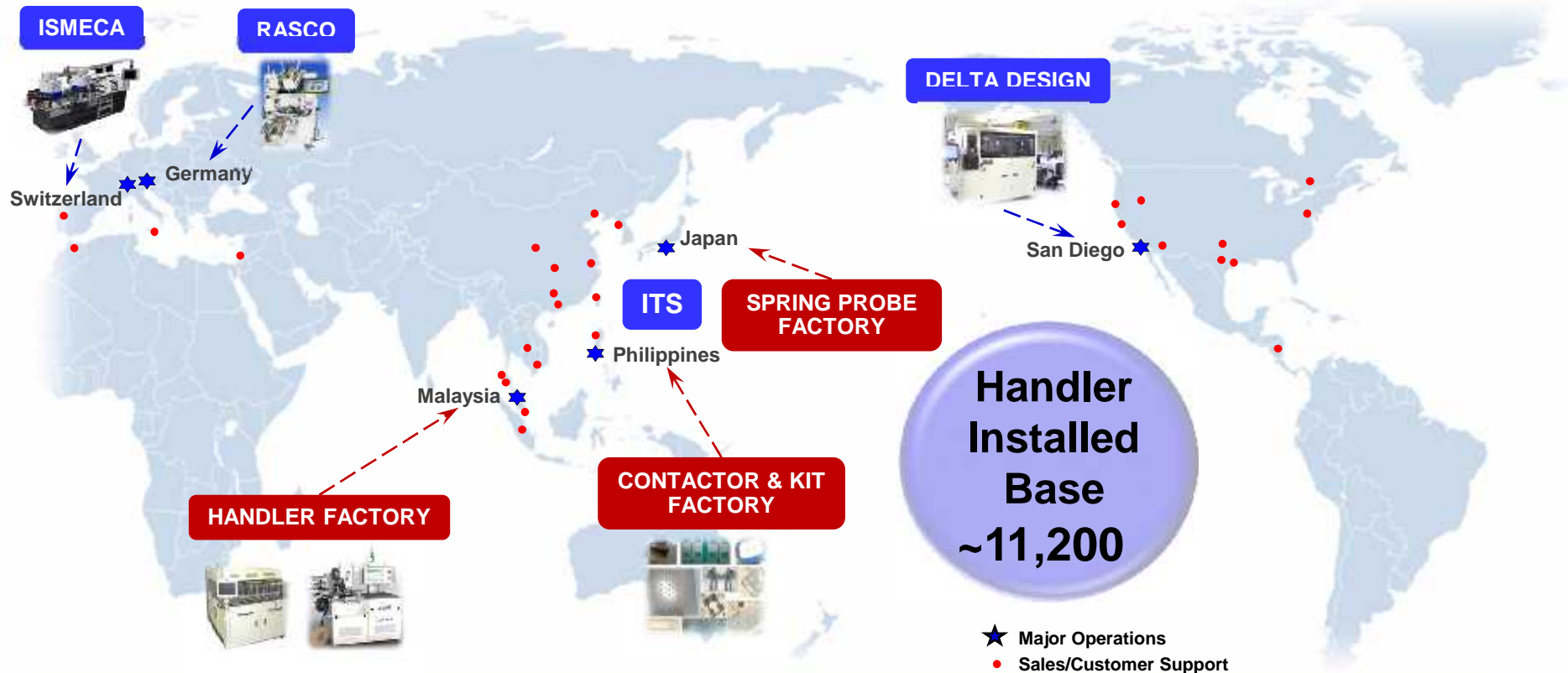
# Sales Synergies

- ❑ **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



# Global Operations & Customer Support

- ❑ **Largest handler installed base** – serving customers 24/7, everywhere
- ❑ **New Japan spring probe factory** – ready for capacity expansion
- ❑ **Global support** – a key competitive advantage



# Transaction Summary

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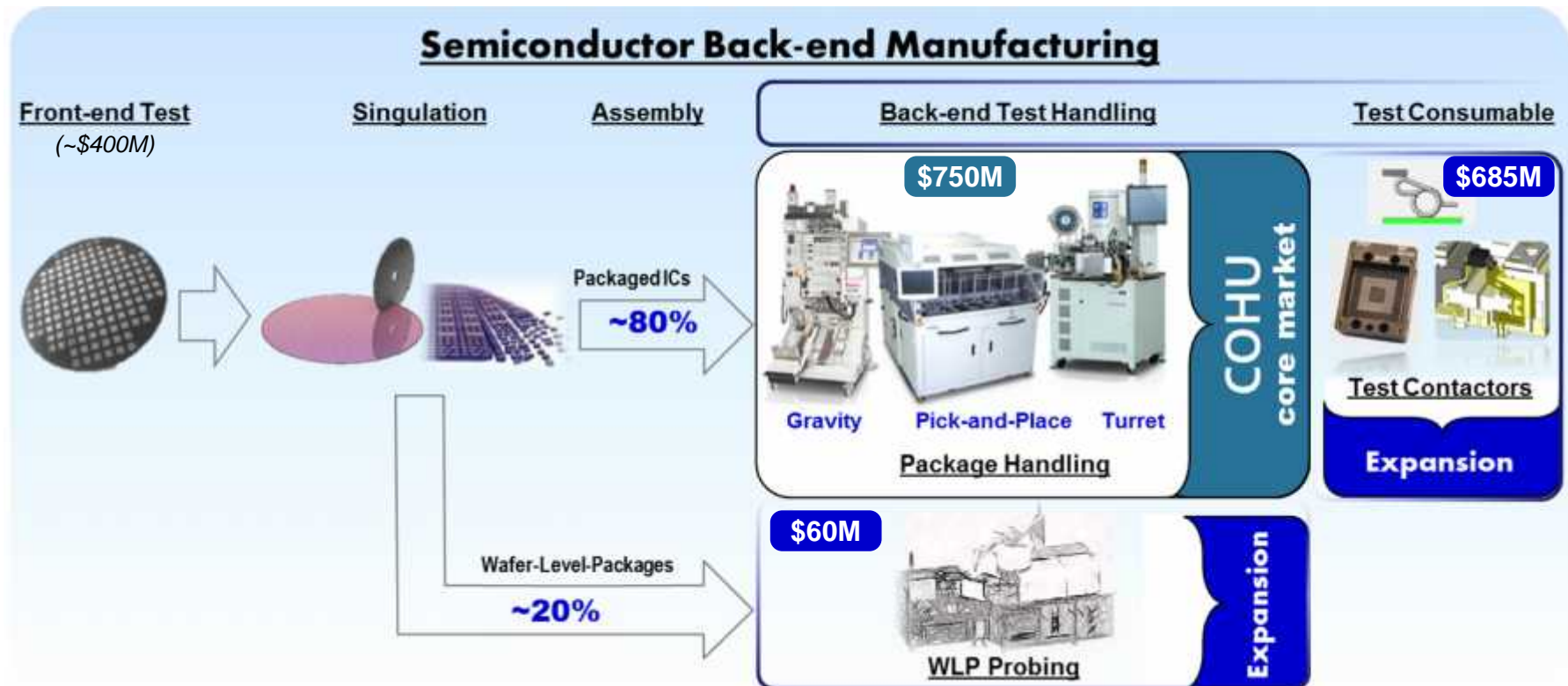
- ❑ **\$15 million cash transaction and \$2.8 million operating debt; \$3 million earn-out and \$4.8 million debt financing of manufacturing expansion**
- ❑ **Kita's estimated current year sales are \$17 million**
- ❑ **Acquisition enhances shareholder value**
  - Strategically growing contactor sales
  - Transaction is expected to be accretive in 2017
  - Opportunities for cross-selling synergies
  - Products meet mid-term model financial targets
- ❑ **Maintain strong balance sheet with cash of \$110M+ (Sep'16 cash \$129M less \$15M for Kita acquisition)**

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



# Our Growth Strategy

- ❑ Expand share in core handler markets – Mobility, Automotive, LED
- ❑ Grow sales in expanded market: **\$750M → ~\$1.5B**
  - **Test Contactor** (\$685M\* market): Organically growing; adding Kita probes
  - **WLP Probe** (\$60M\* market): Developing new product



\* Company estimate

# Updated Financial Model and Target

	Current Operating Range		Mid Term Target
Sales	\$220M (\$55M/qtr)	\$360M (\$90M/qtr)	\$400M (\$100M/qtr)
Gross Margin	33%	38%	40%
Adj. EBITDA	0%	16%	17%
EPS	BE	\$1.46	\$1.80

- ❑ **Extending high-end sales range to \$90M/qtr**
- ❑ **Maintaining break-even at \$55M/qtr after Kita acquisition**
- ❑ **Key mid-term targets**
  - Expansion in core handler markets to drive 4 to 6 points of share gain
  - Grow share in test contactors adds 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 27.4 million diluted shares

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