October 28, 2021

# Q3’21 Financial Results

Cohu

# 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 estimated test cell utilization, expansion of testers and contactors in power management, display driver, RF mmWave and broader mixed signal applications, product deployments and design wins including for DI-Core software platform, test data analytics market, product mix changes and impact on gross margin, gross margin improvement goals and progress, Q4'21 gross margin improvement, improving contactor sales, gross margin and operational efficiencies, RF/Satcom test and inspection cell and market growth, Neon/inspection products 2021 sales, any other comments on Cohu's FY 2021 or 2022 outlook, momentum or growth, target mid-term financial model, % of incremental revenue expected to fall to operating income, estimated system versus recurring sales, Cohu's fourth quarter 2021 sales forecast, guidance, sales mix, non-GAAP operating expenses, gross margin, operating income, adjusted EBITDA, effective tax rate, free cash flow, cap ex, cash and shares outstanding, estimated minimum cash needed, estimated EBITDA breakeven point, ROIC targets ,deleveraging and 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.

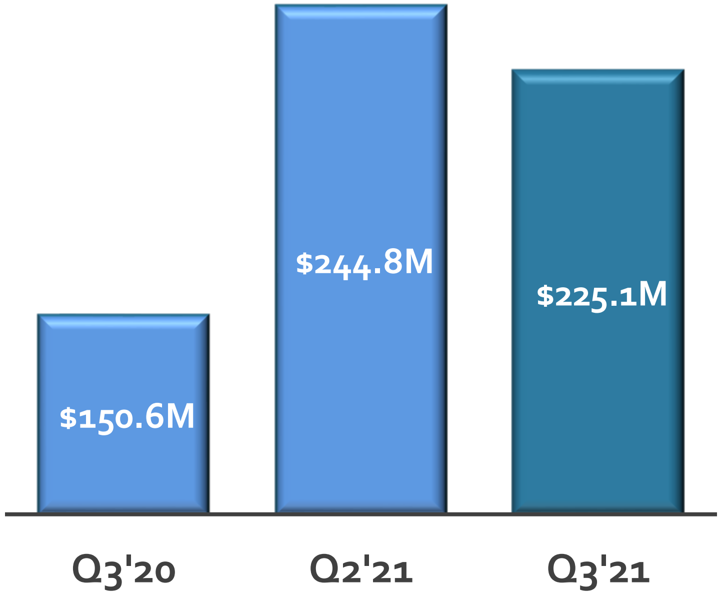
Actual results could differ materially from those contained in any forward-looking statement as a result of various factors, including, without limitation: the ongoing global COVID-19 pandemic has adversely affected, and is continuing to adversely affect, our business and results of operations; ongoing increases in material, labor, supplier, logistics and other operating costs, or supply chain delays and shortages, could cause lower gross margins or lost sales and adversely impact our business, financial position, results of operations and cash flows; increased market cyclicality can have an adverse impact on our sales and gross margins; we are making investments in new products and product enhancements, which may adversely affect our operating results and these investments may not be commercially successful; we are exposed to the risks of operating a global business; we have manufacturing operations in Asia, and any failure to effectively manage multiple manufacturing sites and to secure raw materials meeting our quality, cost and other requirements, or failures by our suppliers to perform, could harm our sales, service levels and reputation; failure of critical suppliers to deliver sufficient quantities of parts in a timely and cost-effective manner could adversely impact our operations; the semiconductor industry is seasonal, volatile and unpredictable; the semiconductor equipment industry is intensely competitive; semiconductor equipment is subject to rapid technological change, product introductions and transitions which may result in inventory write-offs, and our new product development involves numerous risks and uncertainties; the seasonal nature of the semiconductor equipment industry places enormous demands on our employees, operations and infrastructure; a limited number of customers account for a substantial percentage of our net sales; a majority of our revenues are generated from exports to foreign countries, primarily in Asia, that are subject to economic and political instability and we compete against a number of Asia-based test contactor, test handler and automated test equipment suppliers; the incurrence of substantial indebtedness in connection with our financing of the Xcerra acquisition may have an adverse impact on Cohu's liquidity, limit Cohu's flexibility in responding to other business opportunities and increase Cohu's vulnerability to adverse economic and industry conditions; our Credit Agreement contains various representations and negative covenants that limit, subject to certain exceptions and baskets, our ability and/or our subsidiaries' ability to enter into financing and other transactions relating to our assets; because of high debt levels we may not be able to service our debt obligations in accordance with their terms; dilution of earnings per share due to our March 2021 follow-on equity offering; we are exposed to other risks associated with other acquisitions, investments and divestitures; we expect to continue to evaluate and pursue divestitures of non-core assets; our financial and operating results may vary and fall below analysts' estimates, or credit rating agencies may change their ratings on Cohu, any of which may cause the price of our common stock to decline or make it difficult to obtain other financing; potential goodwill impairments if our business underperforms; global economic and political conditions, including trade tariffs and export restrictions, and other regulatory requirements, have impacted our business and may continue to have an adverse impact on our business and financial condition; our business and operations could suffer in the event of cybersecurity breaches; and our stock price and volatility in our stock price and earnings.

These and other risks and uncertainties are discussed more fully in Cohu's filings with the SEC, including the most recently filed 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.

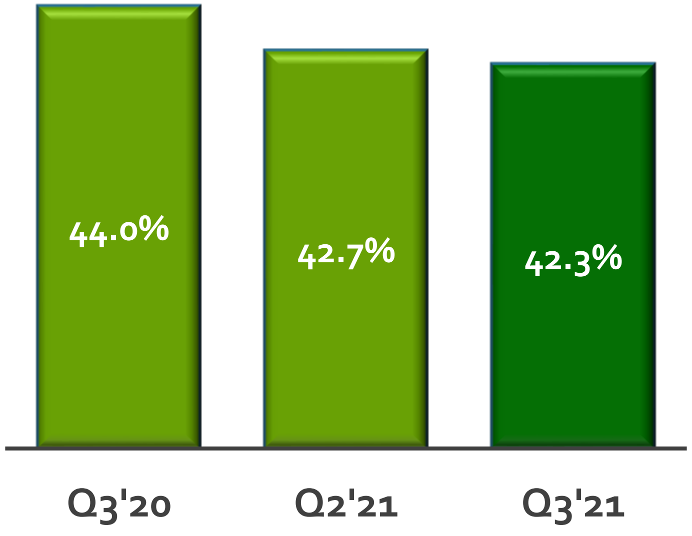
# Business Update

# Summary

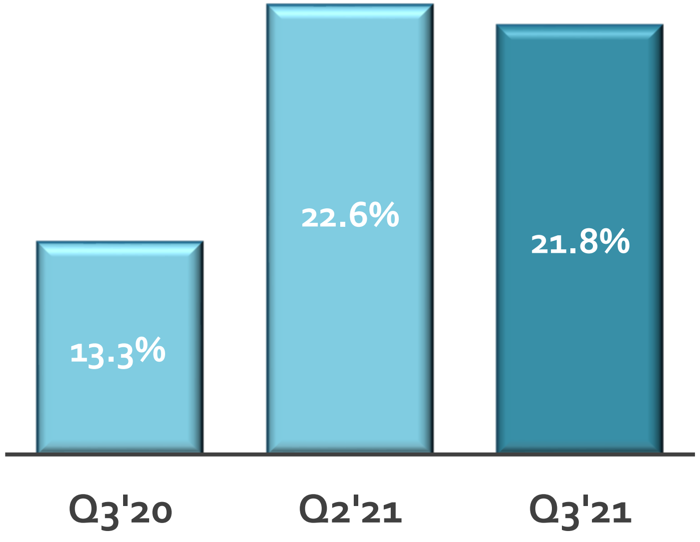
## Revenue




## Non-GAAP Gross Margin[1]




## Adj. EBITDA[1]




- Q3’21 revenue up 49% year-over-year; strong automotive and industrial, higher consumer
- Design-wins for DI-Core data analytics and Diamond$_x$ for mixed signal & RF applications

- Forecasting near-term gross margin improvement in Q4:
  - ✓ Implemented handler price increases
  - ✓ Improving contactor operational efficiencies

- Est. test cell utilization 87%
- Adjusted EBITDA up 850 bps year-over-year
- Implementing a $70M share repurchase program

(1) See appendix for GAAP to non-GAAP reconciliation

# Diverse Revenue Profile

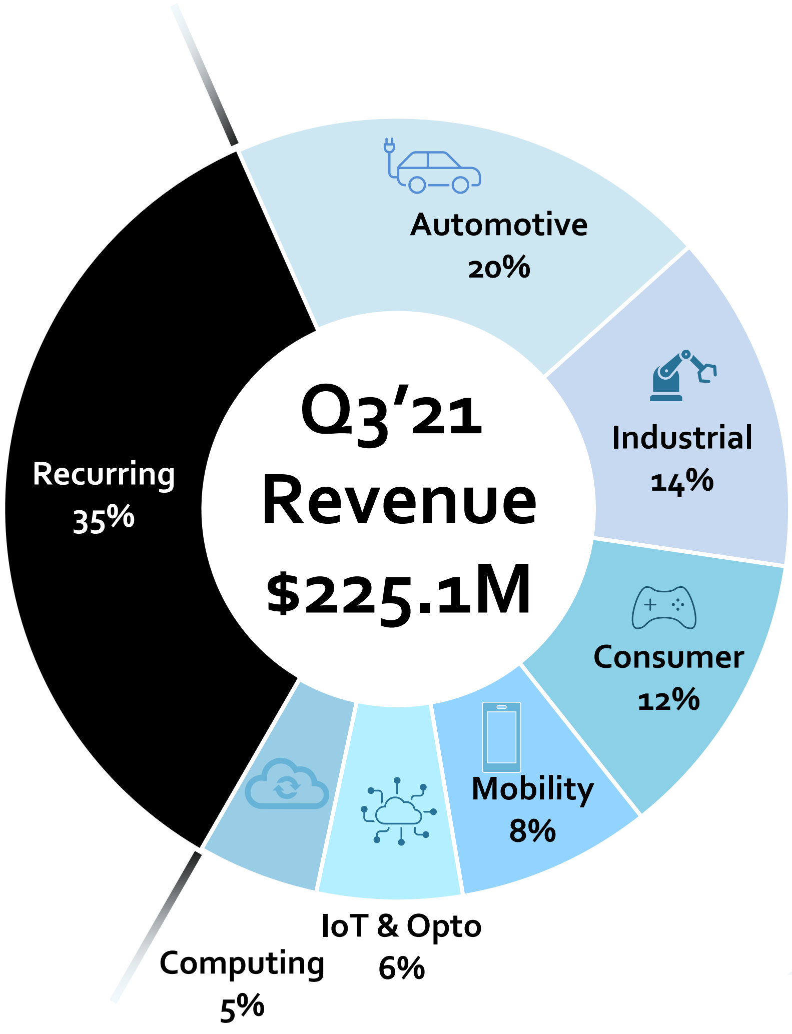
## Recurring

*Key Business Drivers*

- **Semiconductor product designs**
- **Growing systems installed base**

*Non-GAAP Gross Margin[1]*

**~ 52%**




## Systems

*Key Business Drivers*

- **Automotive xEV and ADAS**
- **Industrial and Consumer apps.**

*Non-GAAP Gross Margin[1]*

**~ 37%**

(1) See appendix for GAAP to non-GAAP reconciliation

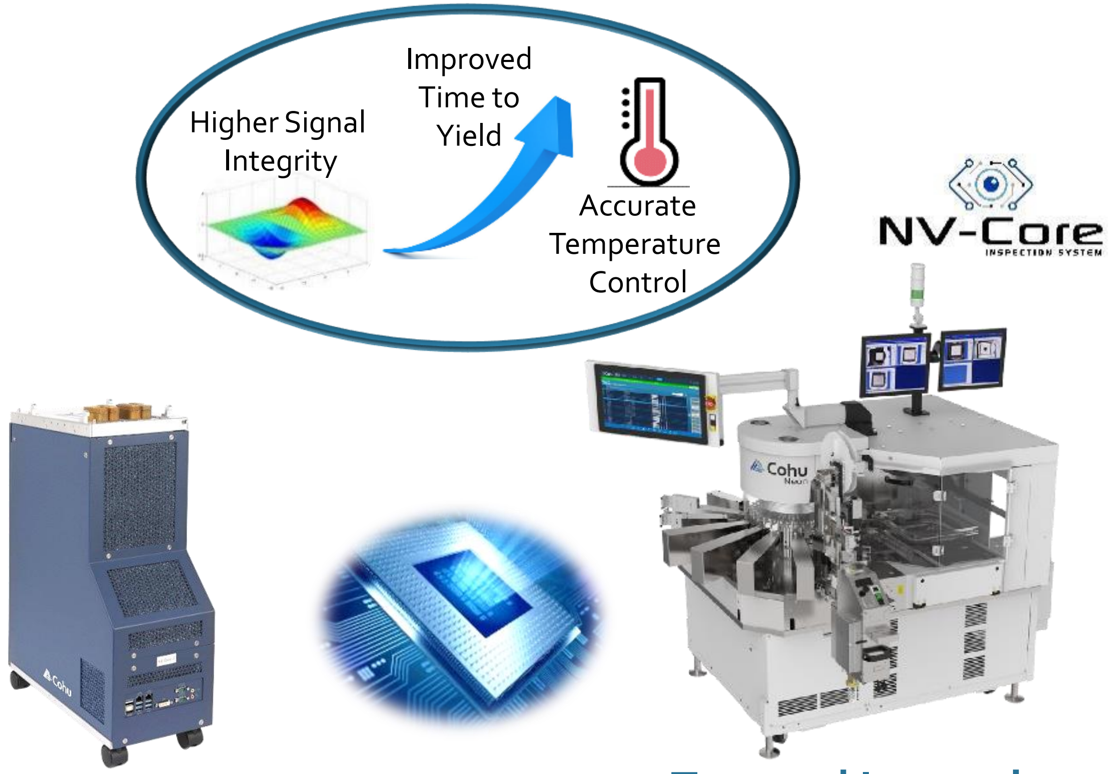
# Enabling Internet Coverage to the World

Integrated test & inspection cell for production of high-performance RF devices deployed in satellites and ground based transceivers

Advanced microwave RF measurement performance with integrated test solutions to the DUT pin

Accurate signal integrity and temperature control with Cohu testers, handlers, inspection & metrology and contactors

## RF/Satcom Test & Inspection Cell




Semi Tester

Test Interface

Test and Inspection Handler

Total Integration



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# Q3'21 Financials and Q4'21 Guidance

# Q3'21 Non-GAAP Results

| | Q2'21 Actual | Q3'21 Guidance[2] | Q3'21 Actual | Mid-Term[3] Annual Target |
|---|---|---|---|---|
| Revenue | $244.8M | $220 - $235M | $225.1M | $940M |
| Gross Margin[1] | 42.7% | ~ 42% | 42.3% | 48% |
| Operating Expenses[1] | $52.8M | $51 - $52M | $49.5M | $235M |
| Non-GAAP EPS[1] | $0.89 | | $0.70 | $3.60 |
| Adjusted EBITDA[1] | 22.6% | ~21% | 21.8% | 25% |

- Q3 revenue in-line with guidance; profitability better than forecast
- Automotive EV / ADAS and Industrial revenues reflect continued strong market demand
- Systems ramp drove Recurring to 35% of total revenue in Q3
- Optimizing operating expenses lower than target model
- Q3'21 diluted shares outstanding 49.5 million

(1) Non-GAAP: See Appendix for Q2'21, Q3'21 GAAP to non-GAAP reconciliations
(2) Guidance as provided on July 29, 2021 press release and earnings conference call
(3) Mid-Term means 3 – 5 year goals



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# Balance Sheet

| *[$Million]* | Q2'21 | Q3'21 |
|---|---|---|
| Cash and Investments | $434 | $365 |
| Accounts Receivable | $216 | $201 |
| Total Debt | $221 | $120 |
| Capital Additions | $2.8 | $3.4 |
| Cash Flow From Operations | $29.5 | $34.3 |

- Q3 cash balance net of $100M debt repayment
- Strong balance sheet to support accelerated debt reduction, M&A investments and newly authorized $70M share repurchase program effective November 2, 2021
- Modest capex requirements – maintaining target of ~ $20M annually
- Record 2021 profitability and solid asset management is driving consecutive quarters of strong cash flow from operations



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# Q4'21 Outlook

| | Q3'21 Actual | Q4'21 Guidance |
|---|---|---|
| **Revenue** | $225.1M | $182 - $195M |
| **Gross Margin(1)** | 42.3% | ~ 44% |
| **Operating Expenses(1)** | $49.5M | ~ $51M |
| **Adjusted EBITDA(1)** | 21.8% | ~ 19% (mid-point of guidance) |

- Q4 revenue reflects seasonality and customer supply-chain delays
- Gross margin expanding with improved contactor margin and product mix
- OPEX lower than target model and sufficient to support current product investments
- Solid profitability in-line with mid-term target model
- Fully diluted shares outstanding estimated at 49.5 million

(1) See Appendix for Q3'21 GAAP to non-GAAP reconciliations. The Q4'21 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.



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# 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 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

| Earnings Reconciliation | 3 Months Ending Sep 26, 2020 | Diluted EPS | 3 Months Ending Jun 26, 2021 | Diluted EPS | 3 Months Ending Sep 25, 2021 | Diluted EPS |
|---|---|---|---|---|---|---|
| Income (Loss) From Continuing Operations - GAAP | $ (6,646) | $ (0.16) | $ 95,096 | $ 1.92 | $ 23,733 | $ 0.48 |
| Share based compensation | 3,299 | $ 0.08 | 3,506 | $ 0.07 | 3,714 | $ 0.08 |
| Amortization of purchased intangible assets | 9,783 | $ 0.23 | 9,045 | $ 0.18 | 8,879 | $ 0.18 |
| Restructuring costs related to inventory in COS | 2,606 | $ 0.06 | (263) | $ (0.01) | (836) | $ (0.02) |
| Restructuring costs | 412 | $ 0.01 | 617 | $ 0.01 | 31 | $ - |
| Manufacturing transition and severance costs | 179 | $ - | 0 | $ - | 0 | $ - |
| Gain on sale of facility | (4,468) | $ (0.10) | 0 | $ - | 0 | $ - |
| PP&E step-up included in COS and SG&A | 243 | $ 0.01 | 145 | $ - | 145 | $ - |
| Gain on sale of PCB Test business | 0 | $ - | (75,779) | $ (1.53) | (90) | $ - |
| Tax effect of Non-GAAP adjustments | (1,080) | $ (0.03) | 11,853 | $ 0.25 | (964) | $ (0.02) |
| Income (Loss) From Continuing Operations - Non-GAAP | $11,628 | $ 0.27 | $44,220 | $ 0.89 | $34,612 | $ 0.70 |
| Weighted Average Shares - GAAP | Basic | 41,947 | Basic | 48,555 | Basic | 48,666 |
| Weighted Average Shares - Non-GAAP | Diluted | 42,659 | Diluted | 49,474 | Diluted | 49,457 |

| Adjusted EBITDA Reconciliation | 3 Months Ending Sep 26, 2020 | % of Net Sales | 3 Months Ending Jun 26, 2021 | % of Net Sales | 3 Months Ending Sep 25, 2021 | % of Net Sales |
|---|---|---|---|---|---|---|
| Net income (loss) attributable to Cohu - GAAP Basis | $ (6,646) | -4.4% | $ 95,096 | 38.8% | $ 23,733 | 10.5% |
| Income tax provision (benefit) | 1,116 | 0.7% | 17,659 | 7.2% | 7,392 | 3.3% |
| Interest expense | 3,021 | 2.0% | 1,831 | 0.7% | 966 | 0.4% |
| Interest income | (42) | 0.0% | (94) | 0.0% | (53) | 0.0% |
| Amortization of purchased intangible assets | 9,783 | 6.5% | 9,045 | 3.7% | 8,879 | 3.9% |
| Depreciation | 3,462 | 2.3% | 3,385 | 1.4% | 3,226 | 1.4% |
| Amortization of cloud-based software implementation costs | 318 | 0.2% | 378 | 0.2% | 409 | 0.2% |
| (Gain) loss on extinguishment of debt | (293) | -0.2% | 0 | 0.0% | 1,650 | 0.7% |
| Other Non-GAAP Adjustments | 9,328 | 6.2% | (71,919) | -29.4% | 2,819 | 1.3% |
| Adjusted EBITDA | $20,047 | 13.3% | $55,381 | 22.6% | $49,021 | 21.8% |



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# GAAP to Non-GAAP Reconciliation

| Gross Profit Reconciliation | 3 Months Ending Sep 26, 2020 | % of Net Sales | 3 Months Ending Jun 26, 2021 | % of Net Sales | 3 Months Ending Sep 25, 2021 | % of Net Sales |
|---|---|---|---|---|---|---|
| Net Sales | $ 150,647 | | $ 244,803 | | $ 225,063 | |
| Gross Profit - GAAP | 63,500 | 42.2% | 104,657 | 42.8% | 95,705 | 42.5% |
| Share Based Compensation | 218 | 0.1% | 191 | 0.1% | 239 | 0.1% |
| Restructuring costs related to inventory in COS | 2,606 | 1.7% | (263) | -0.1% | (836) | -0.4% |
| Gross Profit - Non-GAAP | $66,324 | 44.0% | $104,585 | 42.7% | $95,108 | 42.3% |

| Gross Profit Reconciliation - Systems vs. Recurring | Systems 3 Months Ending Sep 25, 2021 | % of Net Sales | Recurring 3 Months Ending Sep 25, 2021 | % of Net Sales | Total 3 Months Ending Sep 25, 2021 | % of Net Sales |
|---|---|---|---|---|---|---|
| Net Sales | $ 146,010 | | $ 79,053 | | $ 225,063 | |
| Gross Profit - GAAP | 54,506 | 37.3% | 41,199 | 52.1% | 95,705 | 42.5% |
| Share Based Compensation | 155 | 0.1% | 84 | 0.1% | 239 | 0.1% |
| Restructuring costs related to inventory in COS | (542) | -0.4% | (294) | -0.4% | (836) | -0.4% |
| Gross Profit - Non-GAAP | $54,118 | 37.1% | $40,990 | 51.9% | $95,108 | 42.3% |

| Operating Expense Reconciliation | 3 Months Ending Sep 26, 2020 | % of Net Sales | 3 Months Ending Jun 26, 2021 | % of Net Sales | 3 Months Ending Sep 25, 2021 | % of Net Sales |
|---|---|---|---|---|---|---|
| Operating Expense - GAAP | $ 64,860 | 43.1% | $ 65,919 | 26.9% | $ 62,079 | 27.6% |
| Share based compensation | (3,081) | -2.0% | (3,315) | -1.4% | (3,475) | -1.5% |
| Amortization of purchased intangible assets | (9,783) | -6.5% | (9,045) | -3.7% | (8,879) | -3.9% |
| Restructuring costs | (412) | -0.3% | (617) | -0.3% | (31) | 0.0% |
| Manufacturing transition and severance costs | (179) | -0.1% | 0 | 0.0% | 0 | 0.0% |
| PP&E step-up included in SG&A | (243) | -0.2% | (145) | -0.1% | (145) | -0.1% |
| Gain on sale of facility | 4,468 | 3.0% | 0 | 0.0% | 0 | 0.0% |
| Operating Expense - Non-GAAP | $ 48,330 | 32.1% | $ 52,797 | 21.6% | $ 49,549 | 22.0% |



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