

July 30, 2020

# Q2'20 Financial Results

# Cautionary Statement Regarding Forward Looking Statements

## Forward Looking Statements:

Certain statements contained in this presentation may be considered forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995, including statements regarding market positions in mobility, medical, computing & network semiconductor & PCB test segments and leadership in automotive and industrial applications, expected recovery in automotive and industrial and status or speed of recovery, product segment market sizes and growth, new design-wins, customers adopting our solution for 5G RF test, mobility growth, future strength and growth beyond the COVID-19 pandemic, any comments about fourth quarter 2020 or second half 2020 projections, long-term benefiting from manufacturing consolidation reducing cost structure, temporary cost savings and expense reductions, optimizing OpEx spending, business model for FY'20 and mid-term target, % of incremental revenue expected to fall to operating income, third quarter 2020 expected strong RF tester shipments and new customer traction for handlers and inspection equipment, anticipated production ramp, minimum cash needed, the Company's third quarter 2020 sales forecast, guidance, sales mix, non-GAAP operating expenses, gross margin, adjusted EBITDA and effective tax rate, and cash and shares outstanding, estimated minimum cash needed, estimated EBITDA breakeven point, and any other statements that are predictive in nature and depend upon or refer to future events or conditions, and include words such as "may," "will," "should," "would," "expect," "anticipate," "plan," "likely," "believe," "estimate," "project," "intend," and 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.

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, financial condition and results of operations including: i) our workforce and operations, the operations of our customers, and those of our respective vendors and suppliers, ii) our primary manufacturing facilities in Malaysia and the Philippines were partially operating in second quarter 2020 and could be abruptly impacted again due to COVID-19 and related restrictions, iii) we may face other government-mandated facility shutdowns, iv) import/export, shipping and logistics disruptions and cost increases, and other supply chain and distribution constraints or delays, v) continued rapid changes to business, political or regulatory conditions affecting the semiconductor equipment industry and the overall global economy, vi) availability of employees and lost employee productivity as large numbers of employees continue to "work from home", vii) remote working IT and increased cybersecurity risks, viii) increased internal control risks over financial reporting as key finance staff works remotely, ix) delayed product development programs, x) customers' canceling, pushing out orders or refusal to accept product deliveries, and delayed collection of receivables, xi) other actions of our customers, suppliers and competitors which may be sudden and inconsistent with our expectations, xii) additional credit rating agency downgrades which would increase the Company's cost of raising capital, and xiii) potential additional impairment of goodwill or other intangible assets, and increased risk of inventory write-downs due to lower product demand; Other significant risks associated with the Xcerra acquisition, integration and synergies including the failure to achieve the expected benefits of the acquisition, and mandatory ongoing impairment evaluation of goodwill and other intangibles whereby Cohu could be required to write off some or all of this goodwill and other intangibles; Continued availability of capital and financing and additional rating agency downgrade actions, and limited market access given our high debt levels; Our Credit Agreement contains various representations and negative covenants that limit our business flexibility; Changes to or replacement of LIBOR may adversely affect interest rates; Adverse investor reaction to the recently suspended cash dividend; Other risks associated with acquisitions; inventory, goodwill and other asset write-downs; Our ability to convert new products into production on a timely basis and to support product development and meet customer delivery and acceptance requirements for new products; Our reliance on third-party contract manufacturers and suppliers; Failure to obtain customer acceptance resulting in the inability to recognize revenue and accounts receivable collection problems; Market demand and adoption of our new products; Customer orders may be canceled or delayed; Design-wins may or may not result in future orders or sales; The concentration of our revenues from a limited number of customers; Intense competition in the semiconductor equipment industry; Our reliance on patents and intellectual property; Compliance with U.S. export regulations; Impacts from the Tax Cuts and Jobs Act of 2017 and ongoing tax examinations; Geopolitical issues, trade wars and Huawei/HiSilicon export restrictions (including new restrictions effective in second quarter 2020); Retention of key staff; Other health epidemics or natural disasters; ERP system implementation issues particularly as Cohu recently launched a new ERP system in first quarter 2020 and plans a broader rollout in 2020; The seasonal, volatile and unpredictable nature of capital expenditures by semiconductor manufacturers particularly in light of weakened demand in 2019 followed by the COVID-19 global pandemic in 2020; and Rapid technological change.

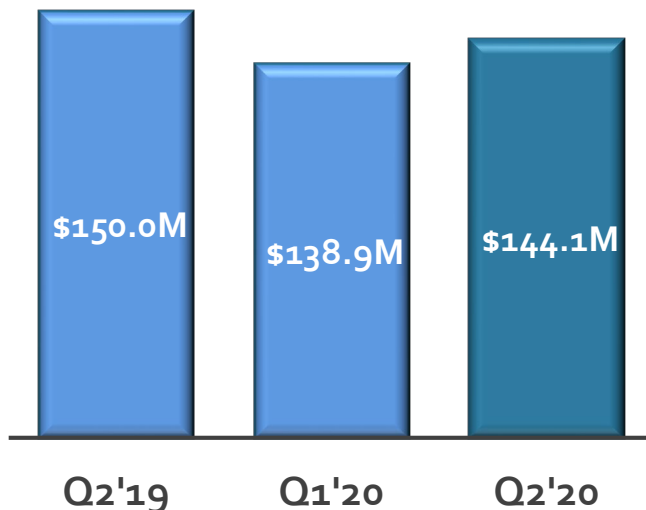
These and other risks and uncertainties are discussed more fully in Cohu's filings with the SEC, including the most recently filed Form 10-K and Form 10-Q, and the other filings made by Cohu with the SEC from time to time, which are available via the SEC's website at [www.sec.gov](http://www.sec.gov). 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.



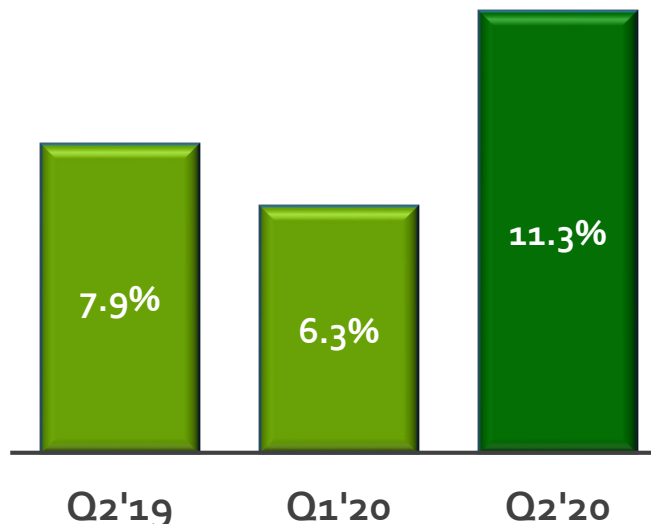
# Business Update

# Summary

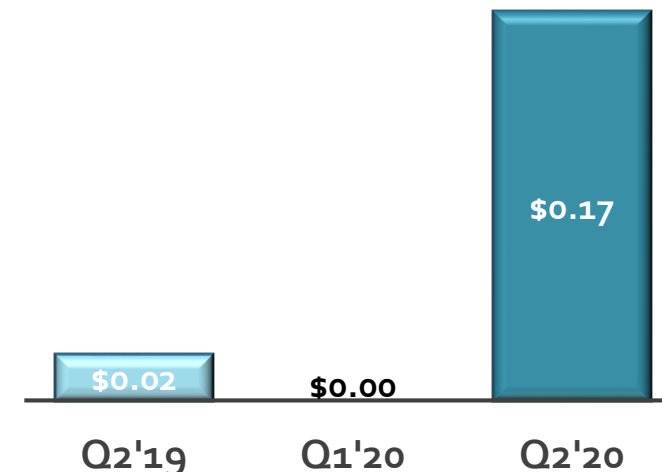
## Quarter Revenue



## Non-GAAP EBITDA<sup>(1)</sup>



## Non-GAAP EPS<sup>(1)</sup>



- Strong RF tester demand for 5G connectivity, consumer and industrial IoT
- PCB test record orders
- Design-wins for handler and inspection systems

- Consolidation reducing cost and optimizing cash flow
- Manufacturing fully operational post COVID-19 disruption
- Optimizing OPEX spending

- Mobility leading the growth
- Strength in consumer, telecom, computing & network infrastructure
- Automotive slowly improving; expected to recover in 2021



# Market Segmentation<sup>(1)</sup>

**52%**  
Recurring



**All Markets**

- Contactors & Pins
- Device Kits
- Spares
- Services
- Applications

**48%**  
Systems



**15%**  
Mobility

- RF 5G to mmWave
- Application processors
- General connectivity
- FPD Drivers
- Power Mgmt. ICs
- Near-field Comm.



**10%**  
PCB  
Manufacturing

- Multilayer PCBs
- Hi-density Interconnect
- Flex & Rigid Flex PCB
- IC Substrates



**9%**  
Consumer

- Digital TVs, FPD
- Fitness wearables
- Gaming, GPU
- Set-top box
- VR & AR
- Voice user interface



**5%**  
Automotive

- Autonomous driving
- Electrification
- Active safety
- Connectivity
- Infotainment



**4%**  
Industrial &  
Medical

- Automation
- Machinery
- Energy management
- General medical ICs
- Remote security
- Smart grids



**3%**  
Computing &  
Network

- Data center & cloud
- Hyperscale
- Computing
- Network infrastructure
- ASIC & FPGA
- Graphic processor



**2%**  
IoT / IoV &  
Optoelectronics

- All sensor technologies
- Low energy connectivity
- LED
- LiDAR

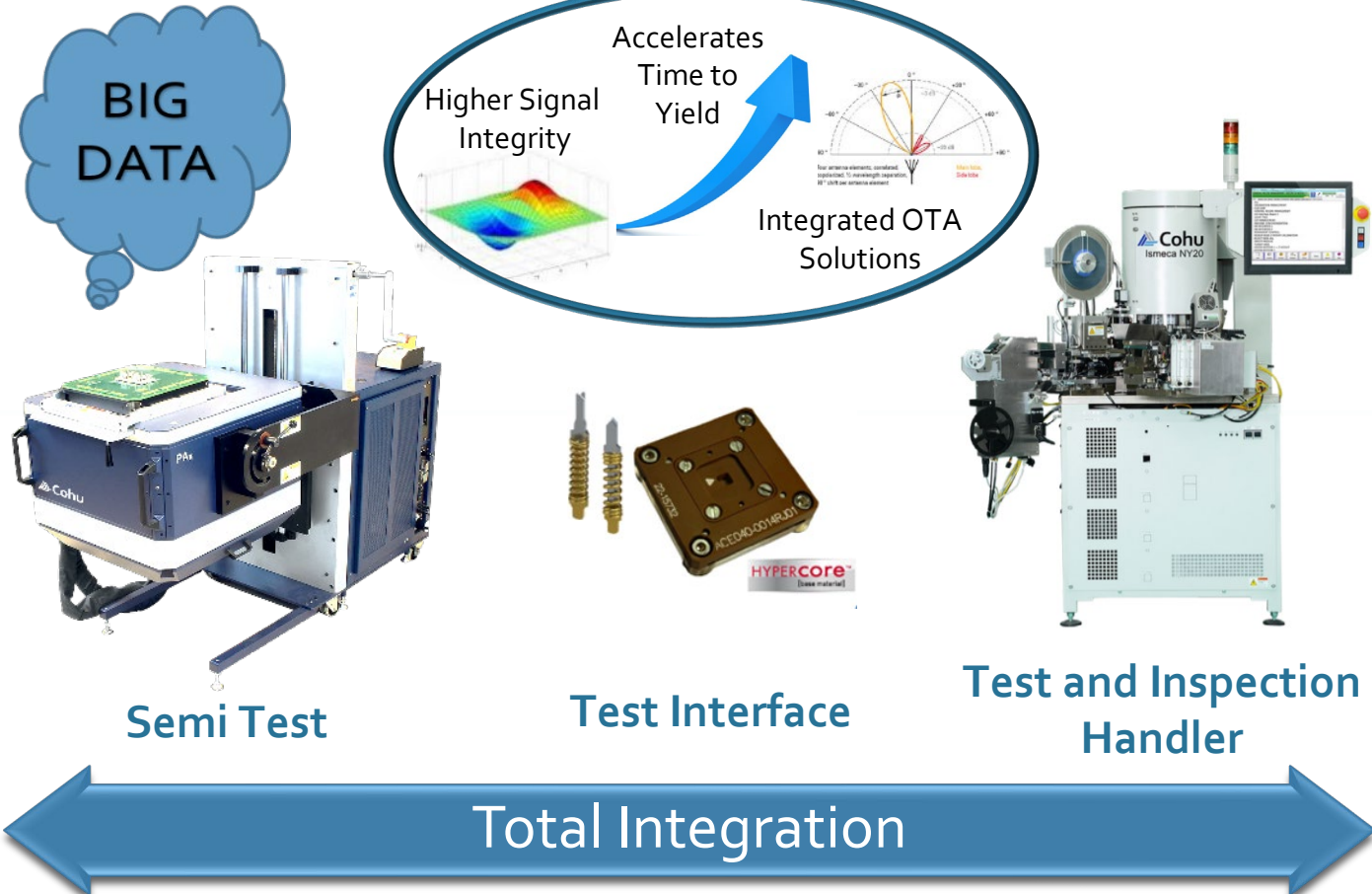
# Expertise in 5G RF High Volume Manufacturing

One-stop-shop for leading edge integrated RF solutions accelerates **"time to yield"**

Higher RF measurement performance with integrated test solutions to the DUT

Proven RF solutions with Cohu testers, handlers, vision inspection and contactors

## Time to Yield





# Q2'20 Financials and Q3'20 Guidance

# Q2'20 Non-GAAP Results

	Q1'20 Actual	Q2'20 Guidance <sup>(2)</sup>	Q2'20 Actual
<b>Sales</b>	\$138.9M	\$130 - \$155M	\$144.1M
<b>Gross Margin<sup>(1)</sup></b>	41.7%	39% - 42%	42.5%
<b>Operating Expenses<sup>(1)</sup></b>	\$52.1M	~\$49M	\$47.9M
<b>Non-GAAP EPS<sup>(1)</sup></b>	\$0.00		\$0.17
<b>Adjusted EBITDA<sup>(1)</sup></b>	6%	~8%	11%

- ❑ **Mobility (RF test) and PCB tester sales remain strong; Automotive slowly recovering**
- ❑ **Asia factories fully operational contributing to higher gross margin**
- ❑ **Optimizing operating expenses; temporary cost reductions remain in effect**
- ❑ **Q2'20 diluted shares outstanding at 42.3M**

(1) Non-GAAP: See Appendix for Q1'20, Q2'20 GAAP to non-GAAP reconciliations

(2) Guidance as provided on May 5, 2020 press release and May 5, 2020 earnings call

# Business Model Delivers Strong Leverage

Business Model for FY20					Mid-Term Target
Quarterly Sales	\$150M	\$170M	\$190M	\$210M	\$235M
Gross Margin <sup>(1)</sup>	43%	44%	45%	46%	48%
Operating Expenses <sup>(1)</sup>	\$52M	\$54M	\$57M	\$59M	~\$64M
Adjusted EBITDA <sup>(1)</sup>	12%	15%	17%	20%	22%
Non-GAAP EPS <sup>(1)</sup>	\$0.16	\$0.30	\$0.45	\$0.60	\$0.75

- ❑ Temporary cost savings further reduce OPEX by ~ \$3M and add ~ \$0.05 to EPS
- ❑ Approximately 40% of revenue increase falls through to operating income
- ❑ Assumes 22% income tax rate and 42.4 million shares outstanding
- ❑ Mid-Term Target is 3 - 5 years

(1) Non-GAAP:

The "Model for FY20" and "Mid-Term Target" assumptions exclude estimated charges related to stock based compensation, amortization of purchased intangibles, restructuring costs, acquisition-related costs, 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 not able to predict at this time without unreasonable efforts due to their inherent uncertainty. As a result, we are unable to provide, at this time, a GAAP to non-GAAP reconciliation of any forward-looking figures.

# Balance Sheet

<i>[\$Million]</i>	Q1'20	Q2'20
Cash and Investments	\$172	\$164
Accounts Receivable	\$113	\$123
Total Debt	\$360	\$363
Capital Additions	\$1.6	\$6.4
Cash Flow From Operations	\$17.8	(\$4.5)

- ❑ Cash balance \$163.6M at end of June; cash position supports operational needs (~\$80M), funding for anticipated production ramp and debt service
- ❑ Q2 capex driven by (1) equipment to increase contactor manufacturing capacity in the Philippines and Japan, (2) German facility consolidation
- ❑ Term Loan is “covenant lite” with no minimum coverage ratios requirement
  - Minimum quarterly payments of \$875K (principal) plus ~ \$3.5M of interest at current LIBOR + 300 bps
  - Maturity date is 10/1/2025

# Q3'20 Outlook

	Q2'20 Actual	Q3'20 Guidance
<b>Sales</b>	\$144.1M	\$134 - \$146M
<b>Gross Margin<sup>(1)</sup></b>	42.5%	41% - 44%
<b>Operating Expenses<sup>(1)</sup></b>	\$47.9M	~ \$48M
<b>Adjusted EBITDA<sup>(1)</sup></b>	11%	~ 11% (mid-point of guidance)

- ❑ **Low end of sales guidance considers potential supply chain uncertainty caused by COVID-19 plus risks associated with book and bill sales and customer acceptance required for revenue**
- ❑ **Gross margin reflects no constraints on Asia factories and favorable product mix vs. Q2**
- ❑ **Q3'20 Operating Expenses flat QoQ; temporary cost reductions of ~ \$3M remain in effect**
- ❑ **Fully diluted shares outstanding estimated at 42.4M**

(1) See Appendix for Q2'20 GAAP to non-GAAP reconciliations. The Q3'20 guidance for non-GAAP Gross Margin, Operating Expenses and Adjusted EBITDA exclude 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). Also, these 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 not able to predict at this time without unreasonable efforts due to their inherent uncertainty. As a result, we are unable to provide, at this time, a GAAP to non-GAAP reconciliation of any forward-looking figures.

# 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

<u>Earnings Reconciliation</u>	<u>3 Months Ending</u> <u>Jun 29, 2019</u>		<u>3 Months Ending</u> <u>Mar 28, 2020</u>		<u>3 Months Ending</u> <u>Jun 27, 2020</u>	
	Diluted EPS		Diluted EPS		Diluted EPS	
Loss From Continuing Operations - GAAP	\$ (19,383)	\$ (0.47)	\$ (17,318)	\$ (0.42)	\$ (4,740)	\$ (0.11)
Share Based Compensation	3,662	0.09	3,611	0.09	3,403	0.08
Amortization of Purchased Intangible Assets	9,987	0.24	9,538	0.23	9,527	0.23
Manufacturing Transition and Severance Costs	1,148	0.03	63	0.00	76	0.00
Restructuring Costs related to inventory in COS	(1,259)	(0.03)	1,603	0.04	72	0.00
Restructuring Costs	8,545	0.21	403	0.01	585	0.01
PP&E step-up included in COS and SG&A	1,257	0.03	243	0.01	243	0.01
Other Acquisition Costs	180	0.00	0	0.00	0	0.00
Impairment Charge	0	0.00	3,949	0.09	0	0.00
Gain on Sale of Facility	0	0.00	0	0.00	(27)	0.00
Tax Effect of Non-GAAP Adjustments	(3,348)	(0.08)	(1,960)	(0.05)	(2,011)	(0.05)
Income (Loss) From Continuing Operations - Non-GAAP	<u>\$ 789</u>	<u>\$0.02</u>	<u>\$132</u>	<u>\$0.00</u>	<u>\$7,128</u>	<u>\$0.17</u>
Weighted Average Shares - GAAP	Diluted	41,125	Basic	41,502	Basic	41,844
Weighted Average Shares - Non-GAAP	Diluted	41,534	Diluted	42,428	Diluted	42,283
<u>Adjusted EBITDA Reconciliation</u>	<u>3 Months Ending</u> <u>Jun 29, 2019</u>		<u>3 Months Ending</u> <u>Mar 28, 2020</u>		<u>3 Months Ending</u> <u>Jun 27, 2020</u>	
	% of Net Sales		% of Net Sales		% of Net Sales	
Net loss attributable to Cohu - GAAP Basis	\$ (19,323)	-12.9%	\$ (17,276)	-12.4%	\$ (4,740)	-3.3%
Income from Discontinued Operations	(24)	0.0%	(42)	0.0%	0	0.0%
Income Tax Provision	(916)	-0.6%	(992)	-0.7%	137	0.1%
Interest Expense	5,282	3.5%	4,427	3.2%	3,456	2.4%
Interest Income	(191)	-0.1%	(147)	-0.1%	(21)	0.0%
Amortization of Purchased Intangible Assets	9,987	6.7%	9,538	6.9%	9,527	6.6%
Depreciation	5,102	3.4%	3,416	2.5%	3,557	2.5%
Amortization of Cloud-Based Software Implementation Costs	0	0.0%	205	0.1%	308	0.2%
Other Non-GAAP Adjustments	11,866	7.9%	9,629	6.9%	4,109	2.9%
Adjusted EBITDA	<u>\$ 11,783</u>	<u>7.9%</u>	<u>\$8,758</u>	<u>6.3%</u>	<u>\$16,333</u>	<u>11.3%</u>

# GAAP to Non-GAAP Reconciliation

	<u>3 Months Ending</u>		<u>3 Months Ending</u>		<u>3 Months Ending</u>	
	<u>Jun 29,</u>	<u>% of Net</u>	<u>Mar 28,</u>	<u>% of Net</u>	<u>Jun 27,</u>	<u>% of Net</u>
	<u>2019</u>	<u>Sales</u>	<u>2020</u>	<u>Sales</u>	<u>2020</u>	<u>Sales</u>
<b><u>Gross Profit Reconciliation</u></b>						
Net Sales	\$ 150,011		\$ 138,921		\$ 144,084	
Gross Profit - GAAP	62,406	41.6%	56,084	40.4%	60,957	42.3%
Share Based Compensation	208	0.1%	212	0.2%	211	0.1%
Manufacturing Transition and Severance Costs	560	0.4%	0	0.0%	0	0.0%
Restructuring Costs related to inventory in COS	(1,259)	-0.8%	1,603	1.2%	72	0.0%
Gross Profit - Non-GAAP	<u>\$61,915</u>	<u>41.3%</u>	<u>\$57,899</u>	<u>41.7%</u>	<u>\$61,240</u>	<u>42.5%</u>
<b><u>Operating Expense Reconciliation</u></b>						
Operating Expense - GAAP	\$ 77,068	51.4%	\$ 69,710	50.2%	\$ 61,485	42.7%
Share Based Compensation	(3,454)	-2.3%	(3,399)	-2.4%	(3,192)	-2.2%
Amortization of Purchased Intangible Assets	(9,987)	-6.7%	(9,538)	-6.9%	(9,527)	-6.6%
Manufacturing Transition and Severance Costs	(588)	-0.4%	(63)	0.0%	(76)	-0.1%
Restructuring Costs	(8,545)	-5.7%	(403)	-0.3%	(585)	-0.4%
PP&E step-up included in SG&A	(1,257)	-0.8%	(243)	-0.2%	(243)	-0.2%
Other Acquisition Costs	(180)	-0.1%	0	0.0%	0	0.0%
Impairment Charge	0	0.0%	(3,949)	-2.8%	0	0.0%
Gain on Sale of Facility	0	0.0%	0	0.0%	27	0.0%
Operating Expense - Non-GAAP	<u>\$53,057</u>	<u>35.4%</u>	<u>\$ 52,115</u>	<u>37.5%</u>	<u>\$ 47,889</u>	<u>33.2%</u>
<b><u>Operating Income Reconciliation</u></b>						
Loss From Operations - GAAP basis	\$ (14,662)	-9.8%	\$ (13,626)	-9.8%	\$ (528)	-0.4%
Share Based Compensation	3,662	2.4%	3,611	2.6%	3,403	2.4%
Amortization of Purchased Intangible Assets	9,987	6.7%	9,538	6.9%	9,527	6.6%
Manufacturing Transition and Severance Costs	1,148	0.8%	63	0.0%	76	0.1%
Restructuring Costs related to inventory in COS	(1,259)	-0.8%	1,603	1.2%	72	0.0%
Restructuring Costs	8,545	5.7%	403	0.3%	585	0.4%
PP&E step-up included in COS and SG&A	1,257	0.8%	243	0.2%	243	0.2%
Other Acquisition Costs	180	0.1%	0	0.0%	0	0.0%
Gain on Sale of Facility	0	0.0%	0	0.0%	(27)	0.0%
Impairment Charge	0	0.0%	3,949	2.8%	0	0.0%
Income From Operations - Non-GAAP	<u>\$ 8,858</u>	<u>5.9%</u>	<u>\$ 5,784</u>	<u>4.2%</u>	<u>\$ 13,351</u>	<u>9.3%</u>