

Investor Presentation

November 2017



Safe Harbor Statement

Certain matters discussed in this presentation, including statements concerning market growth in IC content and WLCSP integration; “Cohu500” strategy goals and financial targets; Cohu products market share gain targets; incremental sales from PANTHER and Vision Inspection products; gross margin expansion; estimated 2017 financial results and cash flow; and strategic investment goals 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 convert new products under development into production on a timely basis and to meet customer delivery and acceptance requirements for new products; failure to obtain customer acceptance resulting in the inability to recognize revenue and accounts receivable collection problems; revenue recognition impacts due to ASC 606; market adoption of new products; intense competition in the test handler industry; our reliance on patents and intellectual property; failure of critical suppliers; customer concentration; compliance with U.S. export regulations; our ability to successfully integrate acquired businesses and operations; ERP system implementation issues; the seasonal, volatile and unpredictable nature of capital expenditures by semiconductor manufacturers; and rapid technological change. 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. These forward-looking statements are not assurances of future performance and speak only as of the date hereof, based on information currently available to us. Cohu assumes no obligation to update the information in this presentation.

This presentation includes certain non-GAAP financial measures, including non-GAAP EBITDA, gross margin and diluted EPS. These non-GAAP measures are in addition to, not a substitute for or superior to, measures of financial performance prepared in accordance with U.S. GAAP. The non-GAAP financial measures used by Cohu may differ from the non-GAAP financial measures used by other companies. A reconciliation of these measures to the most directly comparable U.S. GAAP measure is included in the Appendix to these slides.

Opportunities for Growth and Differentiation



Corporate Profile

Global technology and market leader in \$2 billion*
Semiconductor Final Test Handlers, Contactors and
Vision Inspection



Company
NASDAQ

COHU



Revenue
(LTM**)

\$339M



EBITDA
(LTM**)

16%



Net Cash
(3Q17)

\$129M



Employees
(Worldwide)

~1,750

*We create leading-edge solutions for
semiconductor test and inspection*

* VLSI Research and Company estimates
** LTM as of 3Q17; EBITDA reflects non-GAAP

Diversification of Semi Market Drivers

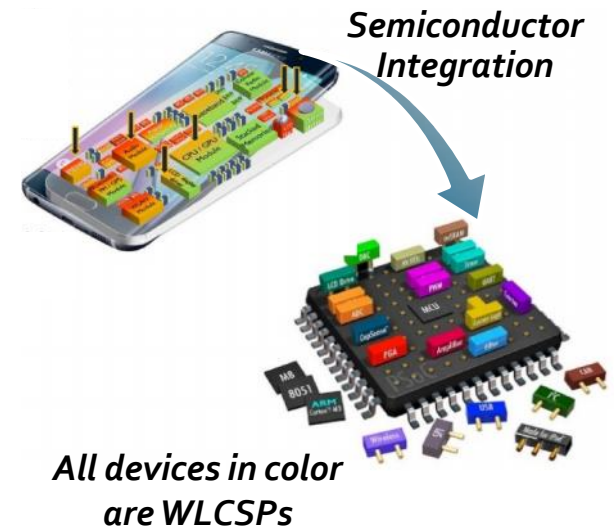
No single leading driver, but a diverse growing market

Increasing IC content in vehicles, factory automation, mobile devices (*phones, AR&VR*), servers and exponential increase in connectivity (*Internet-of-Things*)

Technology drivers with growing integration of wafer-level CSPs in complex packages (*2.5D – 3D*)

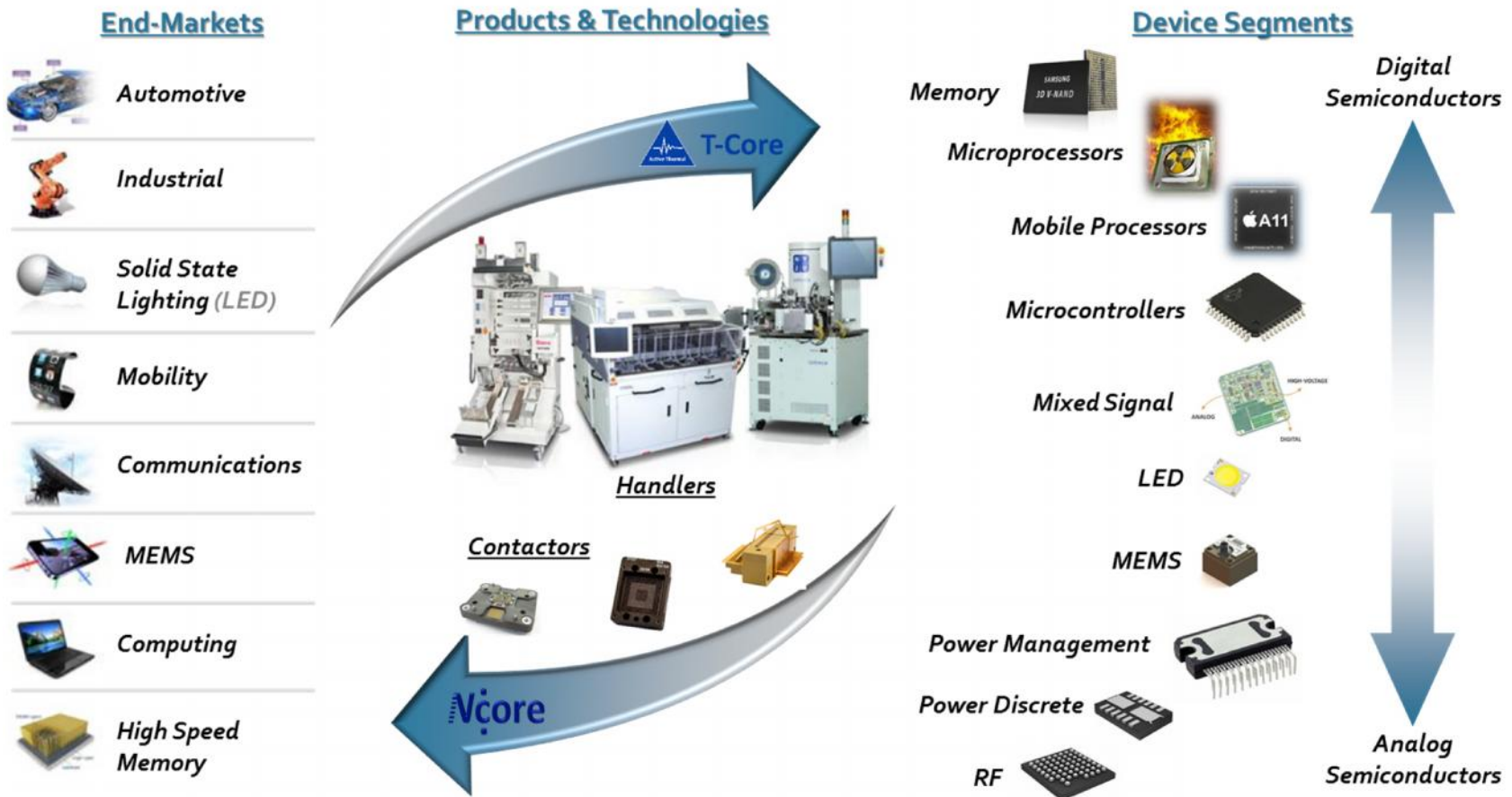


Source: Yole Development



Multiple Markets – Leading Solutions

Thermal and Vision Inspection technologies enabling higher yield ⇒ customer value



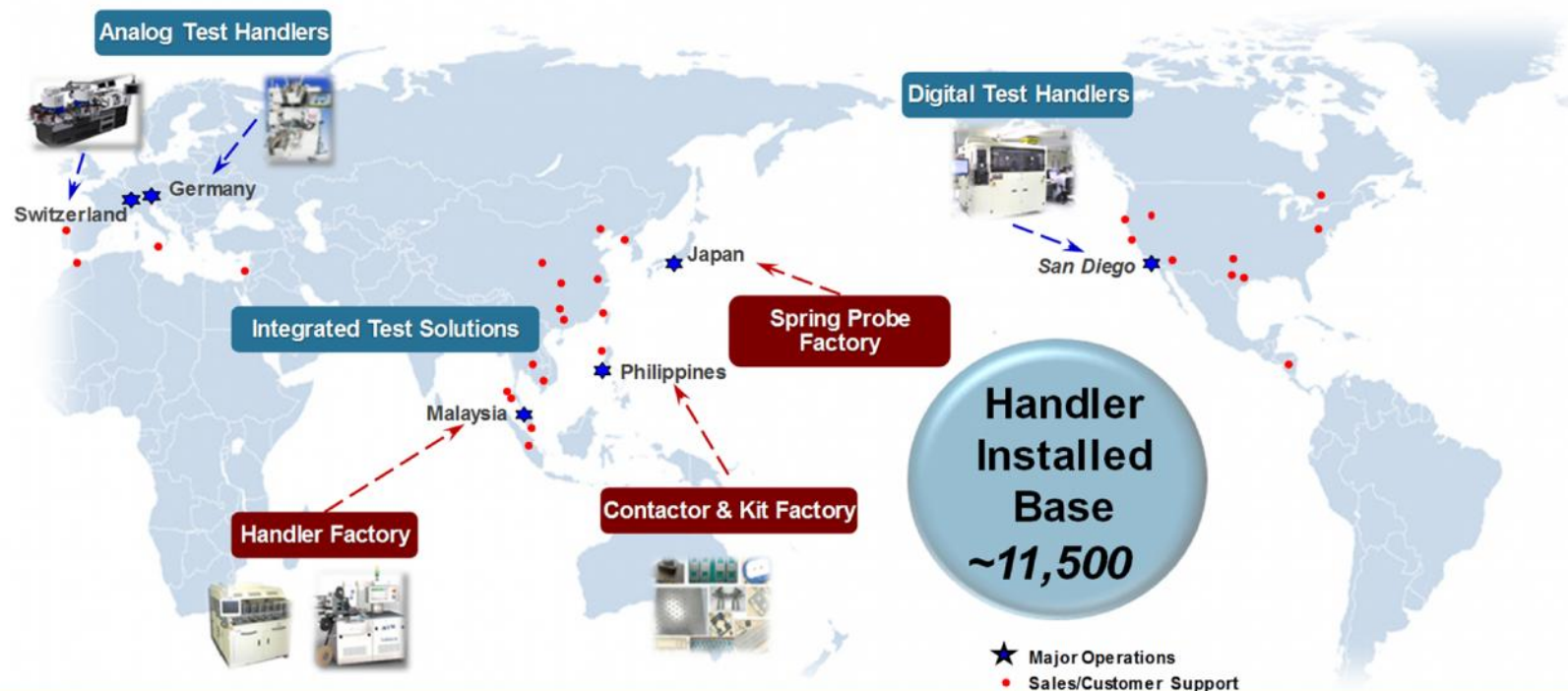
Competitive Differentiation

Solutions that result in higher test and inspection yield
1% better yield on \$400 billion semiconductor industry = \$4 billion

Scale ⇒ Largest R&D (~\$38 million) in the industry

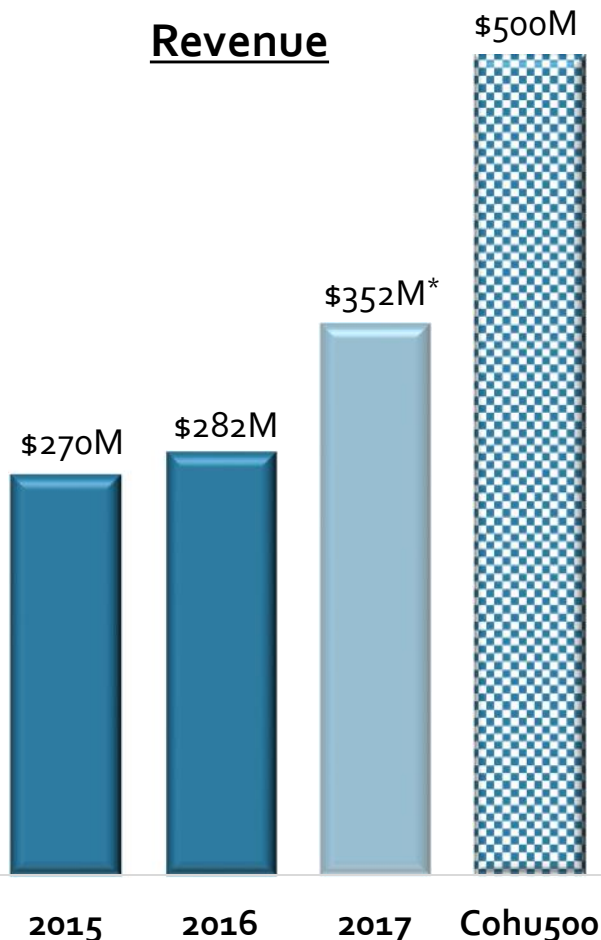
Global Operations meeting production ramp requirements

Sales & Service to support customers 24/7 globally



Delivering Positive Results

Achieving growth \Rightarrow *share gain in core handlers, new WLCSP prober, expansion in test contactors*



Cohu500 Strategy

6 points handler share gain – growing in mobility and automotive markets

4 to 6 points test contactor share gain – sales synergies with Kita acquisition, new RF product

Enter WLCSP probe - new PANTHER probe targeting 30-50% share

Expand in Vision Inspection market – automotive and advanced packages

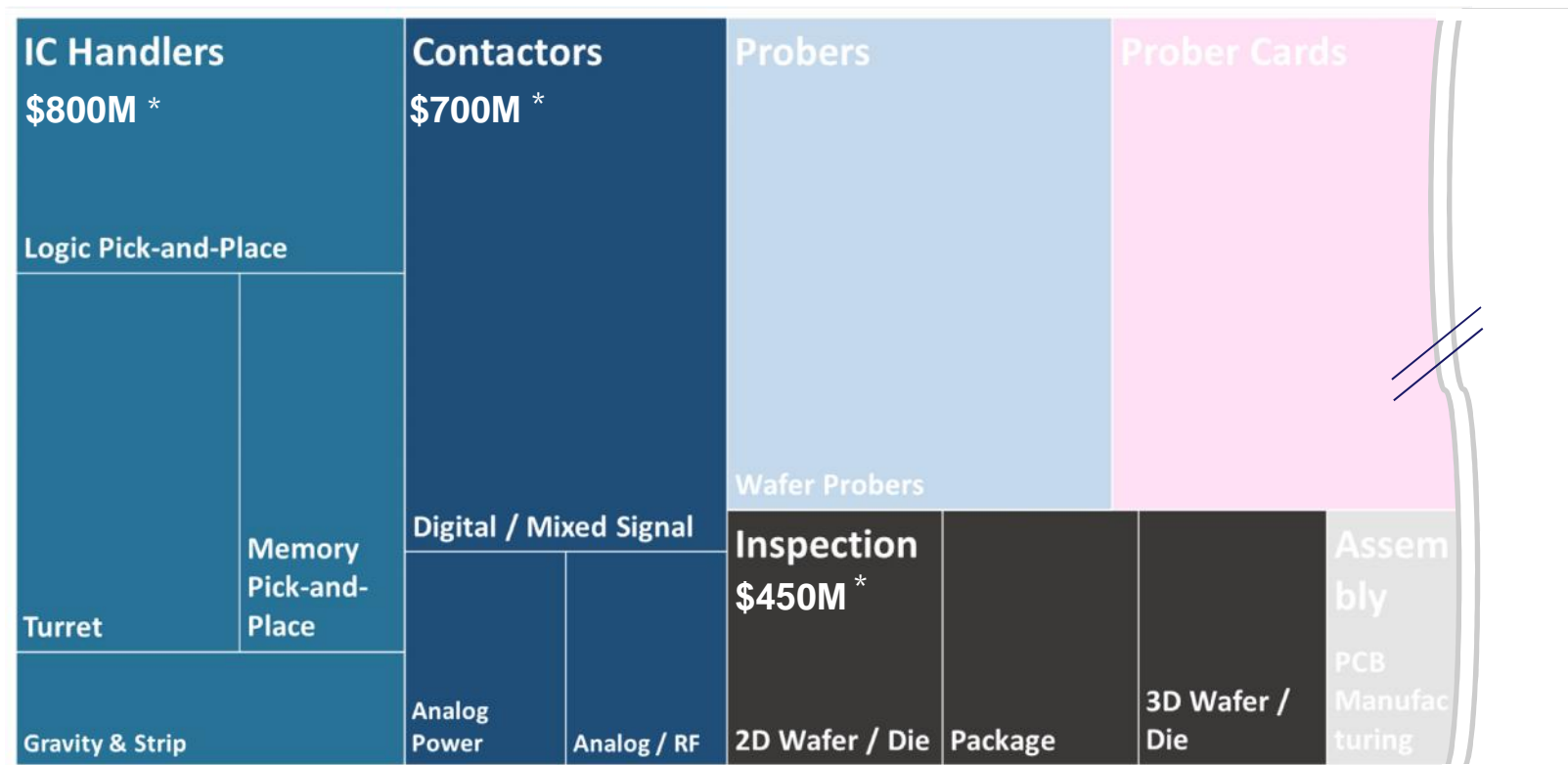
* Q3 '17 YTD Actual plus Q4 '17 sales guidance from November 2, 2017 earnings call

Cohu500 Strategy

Mid-term (3-5 years) target

Revenue of \$500 million in

Addressable Market ~\$2 billion* including Inspection

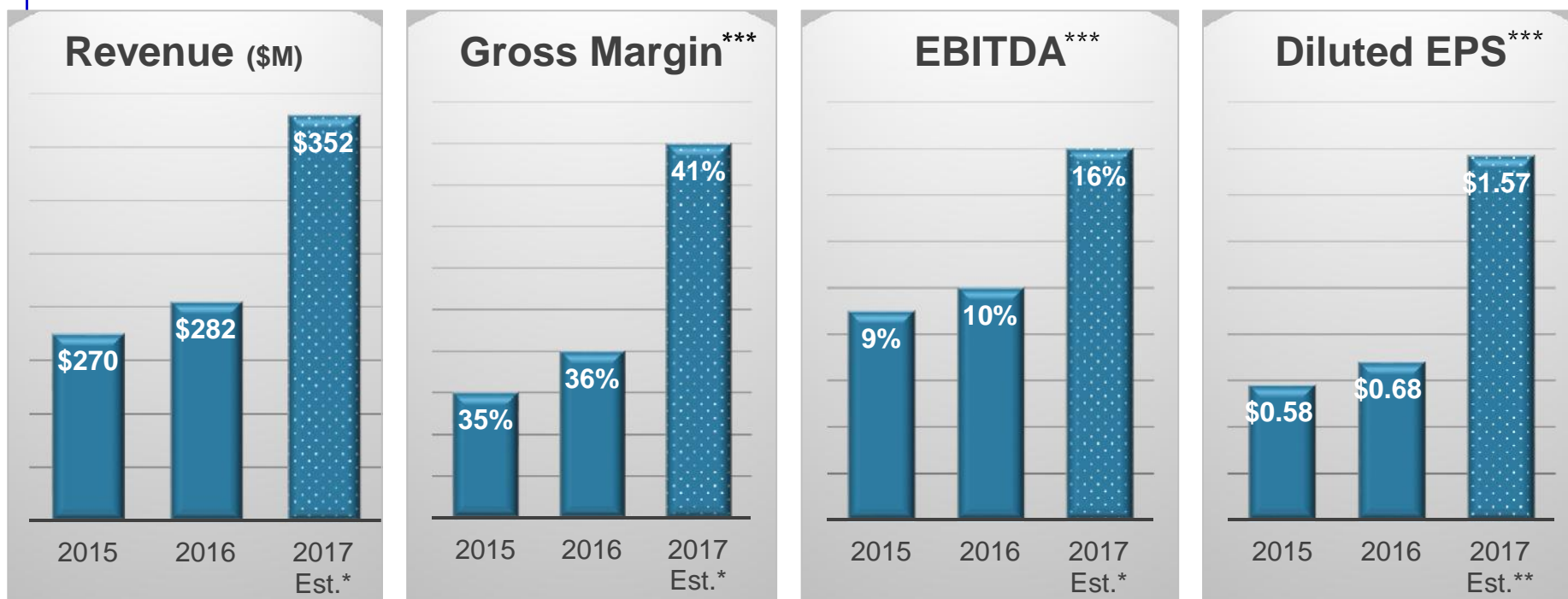


* VLSI Research and Company estimates

Delivering Profitability and Shareholder Value



Strategy & Execution Yielding Results



Share gain in handler automotive and mobility markets
Growth in contactors with Kita acquisition
Gross margin expansion from Asia manufacturing
Tight Opex control while investing for growth

* Q3 2017 YTD Actual plus Q4 2017 guidance from November 2, 2017 earnings call

** Analyst consensus estimates

*** Amounts are Non-GAAP and exclude amortization of purchased intangibles, stock based compensation expense, acquisition related costs, manufacturing transition and severance costs.

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Cohu500 Mid-Term Target

| | 2015 | 2016 | 2017 Est.* | Cohu500 |
|----------------|--------|--------|-----------------------|------------------------|
| Sales | \$269M | \$282M | \$352M (\$88M/qtr) | \$500M (\$125M/qtr) |
| Gross Margin** | 35% | 36% | 41% | 45% |
| EBITDA** | 9% | 10% | 16% | 20% |

Strong Revenue Growth

- ~ 2 pts handler share gain: automotive and mobility
- ~ 3 pts contactor share gain: new products and sales synergies

Increasing Gross Margin target to 45%

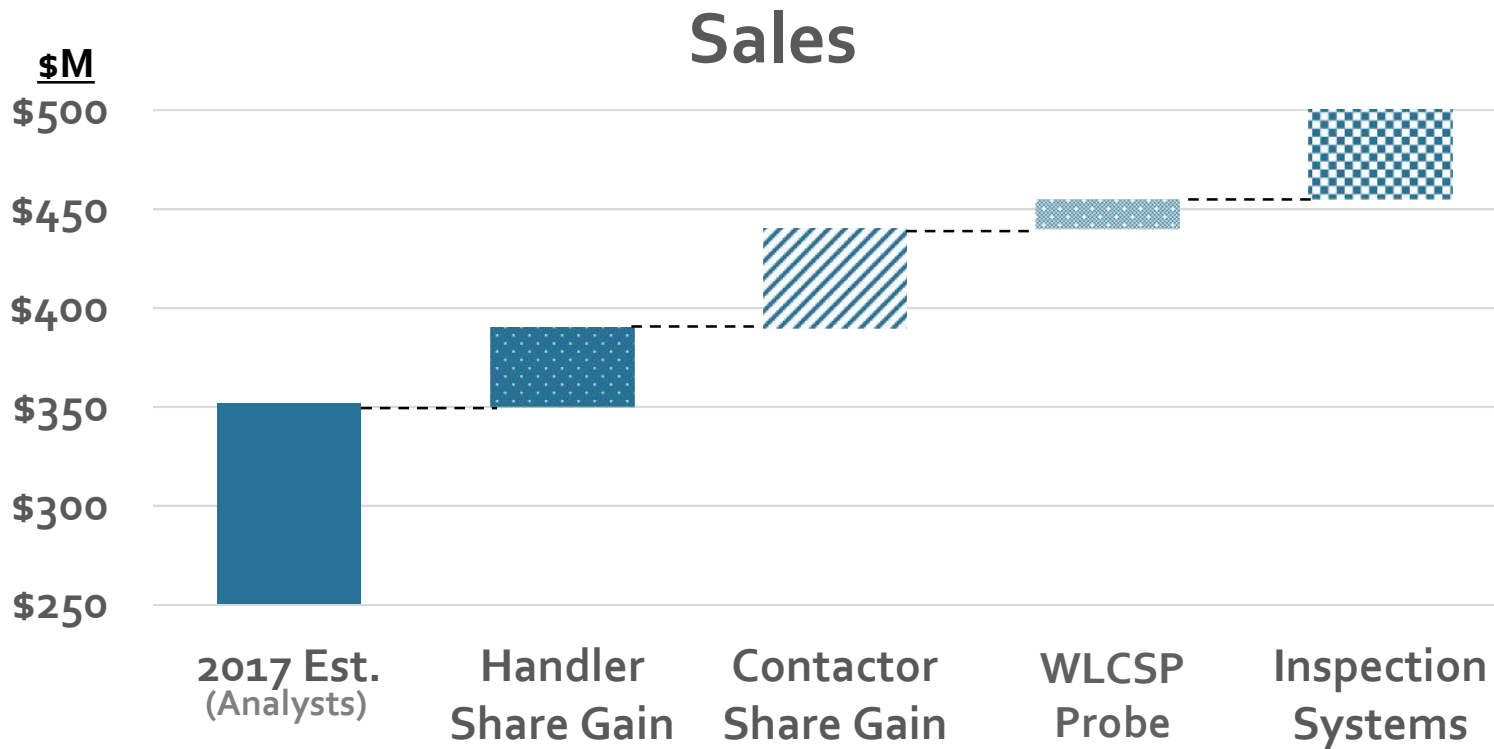
Growing share and expanding in inspection market

New products provide greater differentiation, higher margins

* Actual results YTD 2017 through Q3 plus Q4 2017 guidance from November 2, 2017 earnings call

** Amounts are Non-GAAP and exclude amortization of purchased intangibles, stock based compensation expense, acquisition related costs, manufacturing transition and severance costs.

Path to Cohu500



Approx. 6 pts handler share gain in growing automotive and mobility
Grow to #1 or #2 in contactors: product performance, global support
Expand in inspection market with automotive and advanced packages

Accelerating Growth with Acquisitions

Strong track record of successful acquisitions

| Criteria | Rasco Dec 2008 | Ismeca Jan 2013 | Kita Jan 2017 |
|--------------------------------|--|--|--|
| Market Expansion | Gravity, Test-in-Strip, MEMS | Turret, Inspection, LED | Spring Probe Contactor |
| Market Share | #2 in 2008, grew to #1 in 2014 | #1, acquired the leader | Top 5 leader and growing |
| Infrastructure Leverage | 100% complementary products; Common sales and customer support | 100% complementary products; Common sales and customer support; Malaysia Mfg. and Supply Chain | 100% complementary products; Japan Mfg. and Customer Relationships |
| Realized Synergies | Sales ~ \$16M; Costs ~ \$2M | Sales ~ \$25M; Costs ~\$14M | Mid-Term Target Sales ~ \$16M |

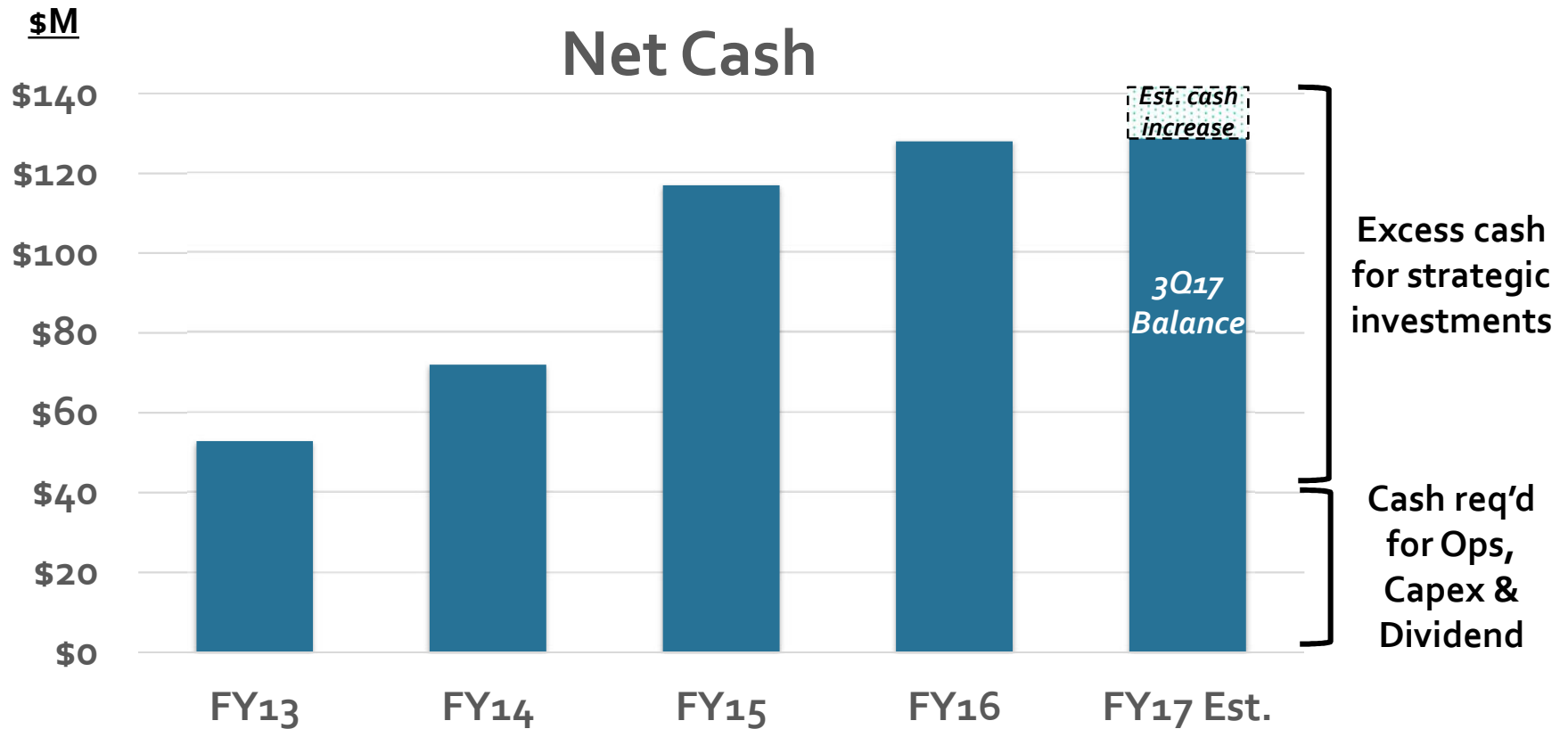
Acquisition investment criteria

Expand into profitable, complementary markets

Deliver margin in-line with mid-term financial model

Leverage infrastructure: technology, operations, sales and support

Strong Cash Balance to Support Growth



\$15M deployed to acquire Kita in January 2017

Operating cash flow of >\$20M annually in last 3 years

Healthy cash conversion cycle at 123 days (3Q17)

Expanding Mid-Term Target to \$500M

Increasing TAM to \$2 Billion

with new WLCSP prober, investments in vision inspection and test contactors

Focused on Differentiation

thermal control, vision inspection and integrated test solutions that enable higher customer yield

Gaining Share in Core Markets

with growing automation, artificial intelligence and communications reqmts. in automotive, mobility & IoT

Strategic Acquisitions

in profitable, complementary markets leveraging infrastructure and delivering synergies

Profitability & Cash Flow

with low cost manufacturing structure and Opex leverage

Cohu500 Target

delivers 45% gross margin and 20% EBITDA* at \$500M*

* Amounts are Non-GAAP and exclude amortization of purchased intangibles, stock based compensation expense, acquisition costs, manufacturing transition and severance costs.

Appendix



Reconciliation of GAAP to Non-GAAP Results

| <u>Earnings Reconciliation</u> | <u>12 Months Ending</u> | | <u>12 Months Ending</u> | | <u>9 Months Ending</u> | | <u>12 Months Ending</u> | |
|---|-------------------------|-----------------|-------------------------|-----------------|------------------------|-----------------|-------------------------|-----------------|
| | <u>Dec 26,</u> | <u>Diluted</u> | <u>Dec 31,</u> | <u>Diluted</u> | <u>Sept 30,</u> | <u>Diluted</u> | <u>Sept 30,</u> | <u>Diluted</u> |
| | <u>2015</u> | <u>EPS</u> | <u>2016</u> | <u>EPS</u> | <u>2017</u> | <u>EPS</u> | <u>2017</u> | <u>EPS</u> |
| Income (Loss) From Continuing Operations - GAAP | \$5,792 | \$0.22 | \$3,260 | \$0.12 | \$26,226 | \$0.92 | \$28,532 | \$1.00 |
| Share Based Compensation | 6,755 | 0.25 | 7,143 | 0.26 | 5,336 | 0.19 | 7,188 | 0.25 |
| Amortization of Purchased Intangible Assets | 7,032 | 0.26 | 6,902 | 0.25 | 3,164 | 0.11 | 4,702 | 0.17 |
| Manufacturing Transition and Severance Costs | 970 | 0.04 | 1,498 | 0.05 | 452 | 0.02 | 948 | 0.03 |
| Other Acquisition Costs | 0 | 0.00 | 1,777 | 0.06 | 328 | 0.01 | 1,224 | 0.04 |
| Inventory Step-Up | 0 | 0.00 | 0 | 0.00 | 1,404 | 0.05 | 1,404 | 0.05 |
| Impairment of Goodwill and Other Assets | 273 | 0.01 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 |
| Gain on Sale of Facility | (3,198) | (0.12) | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 |
| Reduction of Indemnification Receivable | 0 | 0.00 | 588 | 0.03 | 0 | 0.00 | 588 | 0.02 |
| Adjustment to Contingent Consideration | 0 | 0.00 | 0 | 0.00 | 668 | 0.02 | 668 | 0.02 |
| Tax Effect of Non-GAAP Adjustments | (1,961) | (0.07) | (2,408) | (0.09) | (1,316) | (0.05) | (2,347) | (0.08) |
| Income From Continuing Operations - Non-GAAP | <u>\$15,663</u> | <u>\$0.58</u> | <u>\$18,760</u> | <u>\$0.68</u> | <u>\$36,262</u> | <u>\$1.27</u> | <u>\$42,907</u> | <u>\$1.51</u> |
| Weighted Average Shares - GAAP and Non-GAAP | Diluted | 26,788 | Diluted | 27,480 | Diluted | 28,640 | Diluted | 28,464 |
| | | | | | | | | |
| <u>Gross Profit Reconciliation</u> | <u>Dec 26,</u> | <u>% of Net</u> | <u>Dec 31,</u> | <u>% of Net</u> | <u>Sept 30,</u> | <u>% of Net</u> | <u>Sept 30,</u> | <u>% of Net</u> |
| | <u>2015</u> | <u>Sales</u> | <u>2016</u> | <u>Sales</u> | <u>2017</u> | <u>Sales</u> | <u>2017</u> | <u>Sales</u> |
| Net Sales | \$269,654 | | \$282,084 | | \$268,614 | | \$339,308 | |
| Gross Profit - GAAP | 89,038 | 33.0% | 94,828 | 33.6% | 106,295 | 39.6% | 131,822 | 38.9% |
| Share Based Compensation | 566 | 0.2% | 398 | 0.1% | 327 | 0.1% | 416 | 0.1% |
| Amortization of Purchased Intangible Assets | 5,420 | 2.0% | 5,170 | 1.8% | 2,015 | 0.8% | 3,153 | 0.9% |
| Manufacturing Transition and Severance Costs | 0 | 0.0% | 75 | 0.0% | 0 | 0.0% | 0 | 0.0% |
| Inventory Step-Up | 0 | 0.0% | 0 | 0.0% | 1,404 | 0.5% | 1,404 | 0.4% |
| Gross Profit - Non-GAAP | <u>\$95,024</u> | <u>35.3%</u> | <u>\$100,471</u> | <u>35.6%</u> | <u>\$110,041</u> | <u>41.0%</u> | <u>\$136,795</u> | <u>40.3%</u> |
| | | | | | | | | |
| <u>Adjusted EBITDA Reconciliation</u> | <u>Dec 26,</u> | <u>% of Net</u> | <u>Dec 31,</u> | <u>% of Net</u> | <u>Sept 30,</u> | <u>% of Net</u> | <u>Sept 30,</u> | <u>% of Net</u> |
| | <u>2015</u> | <u>Sales</u> | <u>2016</u> | <u>Sales</u> | <u>2017</u> | <u>Sales</u> | <u>2017</u> | <u>Sales</u> |
| Income (Loss) From Operations - GAAP | \$7,959 | 3.0% | \$5,665 | 2.0% | \$30,082 | 11.2% | \$33,134 | 9.8% |
| Depreciation Expense | 4,240 | 1.6% | 3,510 | 1.2% | 3,567 | 1.3% | 4,351 | 1.3% |
| Amortization of Purchased Intangible Assets | 7,032 | 2.6% | 6,902 | 2.4% | 3,164 | 1.2% | 4,702 | 1.4% |
| Share Based Compensation | 6,755 | 2.5% | 7,157 | 2.5% | 5,336 | 2.0% | 7,188 | 2.1% |
| Manufacturing Transition and Severance Costs | 970 | 0.4% | 1,498 | 0.5% | 452 | 0.2% | 948 | 0.3% |
| Other Acquisition Costs | 0 | 0.0% | 1,778 | 0.6% | 328 | 0.1% | 1,224 | 0.4% |
| Inventory Step-Up | 0 | 0.0% | 0 | 0.0% | 1,404 | 0.5% | 1,404 | 0.4% |
| Impairment of Goodwill and Other Assets | 273 | 0.1% | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% |
| Gain on Sale of Facility | (3,198) | -1.2% | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% |
| Reduction of Indemnification Receivable | 0 | 0.0% | 588 | 0.2% | 0 | 0.0% | 588 | 0.2% |
| Adjustment to Contingent Consideration | 0 | 0.0% | 0 | 0.0% | 668 | 0.2% | 668 | 0.2% |
| Adjusted EBITDA - Non-GAAP | <u>\$24,031</u> | <u>8.9%</u> | <u>\$27,098</u> | <u>9.6%</u> | <u>\$45,001</u> | <u>16.8%</u> | <u>\$54,207</u> | <u>16.0%</u> |