UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

# FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of Earliest Event Reported): January 10, 2020

# Cohu, Inc.

(Exact name of registrant as specified in its charter)

| | | |
|---|---|---|
| Delaware<br>(State or other jurisdiction of incorporation) | 001-04298<br>(Commission File Number) | 95-1934119<br>(I.R.S. Employer Identification No.) |
| 12367 Crosthwaite Circle, Poway, California<br>(Address of principal executive offices) | | 92064<br>(Zip Code) |
| Registrant's telephone number, including area code: | | 858-848-8100 |

Not Applicable

Former name or former address, if changed since last report

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|---|---|
| Common Stock, $1.00 par value | COHU | The NASDAQ Stock Market LLC |

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 or Rule 12b-2 of the Securities Exchange Act of 1934.

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

**Item 7.01 Regulation FD Disclosure**

Beginning on January 10, 2020, Cohu, Inc. ("Cohu") is participating in various analyst meetings associated with the 22nd Annual Needham Growth Conference, being held in New York City, NY. Cohu is furnishing on this Form 8-K the presentation to be referenced in our remarks at the conference and associated meetings.

**Item 9.01 Financial Statements and Exhibits.**

The exhibit listed below is being furnished with this Current Report on Form 8-K.

(d) Exhibit

| **Exhibit No.** | **Description** |
|---|---|
| 99.1 | January 2020 Cohu Investor Presentation |

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

| | |
|---|---|
| | Cohu, Inc. |
| *January 10, 2020* | *By: /s/ Jeffrey D. Jones*<br>*Name: Jeffrey D. Jones*<br>*Title: VP Finance and Chief Financial Officer* |

**Exhibit 99.1**

# Cautionary Statement Regarding Forward Looking Statements

**Use of Non-GAAP Financial Information:**

Included in this presentation are non-GAAP financial measures, including non-GAAP Gross Margin, Income and Income (adjusted earnings) per share, Adjusted EBITDA, and Operating Expense that supplement our 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 acquired intangible assets including favorable/unfavorable lease adjustments, restructuring costs, manufacturing and sales transition and severance costs, acquisition-related costs and associated professional fees, fair value adjustment to contingent consideration, reduction of indemnification receivable, depreciation of purchase accounting adjustments to property, plant and equipment and purchase accounting inventory step-up included in cost of sales. 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.

These non-GAAP measures are not meant as a substitute for GAAP, but are included solely for informational and comparative purposes. Management believes that this information can assist investors in evaluating the Company's operational trends, financial performance, and cash generating capacity. Management also believes these non-GAAP measures allow investors to evaluate Cohu's financial performance using some of the same measures as management. However, the non-GAAP financial measures should not be regarded as a replacement for (or superior to) corresponding, similarly captioned, GAAP measures.

**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 integration and cost synergy savings, timing and targets; design-wins; 5G driving increase in RF test cell utilization; mobility expected to lead sales growth in 2020; new opportunities for China mobility business in 2020 despite trade tensions; strength in Data Center, Cloud & AI segments; Auto and Industrial slow recovery in 2020; growing with broader product portfolio; end-market growth rates; incremental growth opportunities; est. of incremental revenue falling to Op. Inc; semiconductor market conditions in 2020; Cohu's fourth quarter 2019 sales forecast, guidance, non-GAAP operating expenses, gross margin, adjusted EBITDA and effective tax rate, and cash and outstanding shares; business model for FY'20 and mid-term model; 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: 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; revenue recognition impacts due to ASC 606; market demand and adoption of our new products; customer orders may be canceled or delayed; 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 export restrictions; ERP system implementation issues; the seasonal, volatile and unpredictable nature of capital expenditures by semiconductor manufacturers and the late 2018 and 2019 significantly weakened demand in this market; ongoing weakness in Greater China market; rapid technological change; and significant risks associated with the Xcerra acquisition including but not limited to (i) the ability of Cohu and Xcerra to integrate their businesses successfully and to achieve anticipated synergies and cost savings, (ii) the possibility that other anticipated benefits of the acquisition will not be realized, (iii) litigation relating to the acquisition that still could be instituted against Cohu and/or Xcerra, (iv) the possibility that restructuring charges will significantly exceed estimates, (v) the ability of Cohu or Xcerra to retain, attract and hire key personnel, (vi) potential adverse reactions or changes to relationships with customers, employees, suppliers or other parties resulting from the acquisition, (vii) potential disruptions, expenses and lost revenue associated with the transition to direct sales in China and Taiwan; (viii) the discovery of liabilities, product return issues or deficiencies associated with Xcerra that were not identified in advance, (ix) potential failures to maintain adequate internal controls over financial reporting given the significant increase in size, number of employees, global operations and complexity of Cohu's business, (x) 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, (xi) the adverse impact to Cohu's operating results and potential inability to pay cash dividends due to interest expense on the financing debt, rising interest rates, and any restrictions on operations related to such debt, and (xii) continued availability of capital and financing and rating agency downgrade actions, and limited market access given our high debt levels. 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.

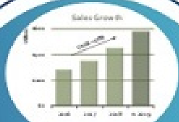
# Global Technology and Market Leader

## …in Semiconductor and PCB Test and Inspection Markets

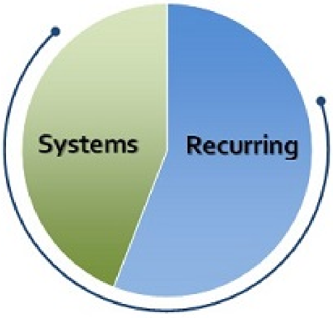
**We create leading-edge solutions for back-end semiconductor equipment and services, and printed circuit board test**

Company
NASDAQ
**COHU**

TTM Revenue(1)
**$612M**



2016-19 CAGR(2)
**~27%**




(1) Twelve months ending September 28, 2019
(2) 2019 sales reflects actual results Q1'19 – Q3'19 plus mid-point of Q4'19 sales guidance from the November 4, 2019 earnings call



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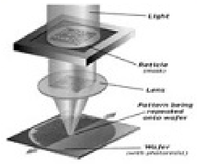
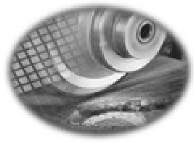
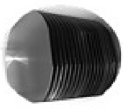
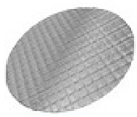
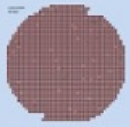
# Value-Add Test & Inspection to Semiconductor Manufacturing

| Wafer | Wafer Processing | Cohu — Wafer Test | Assembly Process | Cohu — Test & Inspection |
|---|---|---|---|---|
|   |   |  |  |  |
| *Starting as a pure silicon ingot, wafers are manufactured as ultra-high purity monocrystalline silicon wafers* | *Circuit patterns are then printed onto wafers and a fine electronic circuit is formed by injecting ions* | *Each chip formed on the wafer is then tested for it's electrical properties and basic functionality* | *Die are saw cut from the wafer, assembled onto substrates where final package configuration is completed* | *Completed packages are then rigorously tested and inspected for reliability and performance through final test equipment simulating end applications and conditions* |
|  |  |  |  |  |

**Semiconductor manufacturing process from wafer production to test and inspection**

# ~$5 Billion[1] Market Provides Opportunity for Expansion

**Semiconductor Test & Inspection** | **PCB Test**

### Test Handlers

**$0.9B**

**#1**

### Inspection

**$0.5B**

**#5**

Thermal and Vision Inspection technologies enabling higher yield

### Test Interface

**$0.7B**

**#1**

### Semi Test

**$2.7B[2]**

**#3**

High fidelity measurement instruments
Compact, low power systems → Scalability

### Bare Board Test

**$0.2B**

**#2**

High-speed, precision measurement

(1) Company est. 2018 market size, expect total market for 2019 declined 20-25%
(2) Excludes Memory



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# Update and Market Conditions

- 5G-driven orders accelerated in late Q4
- Automotive order uptick in late December
- ~55% of sales is recurring; ~45% capital equipment
- Broader product portfolio; delivering test cell solutions for next generation RF test
- Expanding opportunities for cross-selling test cell products and services


- 5G driving increase in RF test cell utilization; Mobility to lead sales growth in 2020
- 2019 growth in China mobility and new opportunities for 2020 despite trade tensions
- Strength in Data Center, Cloud & AI segments
- Automotive & Industrial stabilized; 2020 driven by ADAS and EV

ADAS – Advanced Driver-Assistance Systems
EV – Electric Vehicles

(1) Reflects actual results Q1'19 – Q3'19 plus mid-point of Q4'19 sales guidance from the November 4, 2019 earnings call

# Driving Growth in Select End-Markets

## Applications

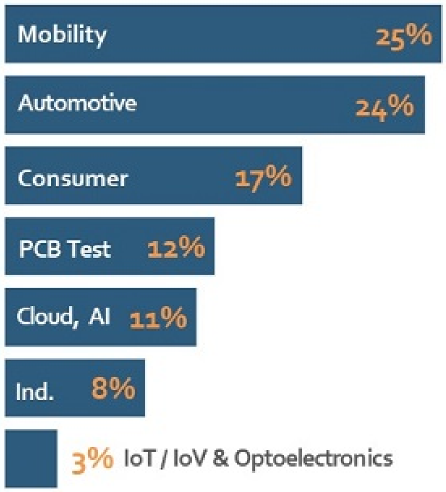
- Auto ADAS & Electrification
- Industrial Automation
- Sensing & Power
- Data Processing & Storage
- Data Generation & Display
- Communications & Networking

**49%**
Semiconductor Content Growth[1] in Autos by 2022

**92%**
RF Content Growth[2] in 5G-enabled Smartphones

**142%**
Growth in Global Data[3] (Created, Transmitted, Stored) by 2022

## Cohu End-Markets




(Year-to-Date through Q3 2019)

(1) Gartner report, 2019
(2) Skyworks - JP Morgan Tech Forum at 2018 International CES, L. Griffen
(3) The Digitization of the World; IDC, November 2018



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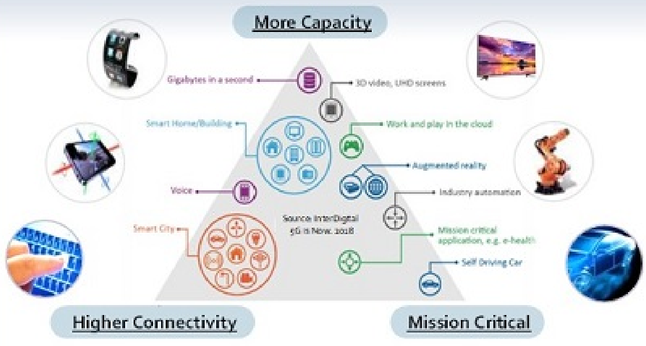
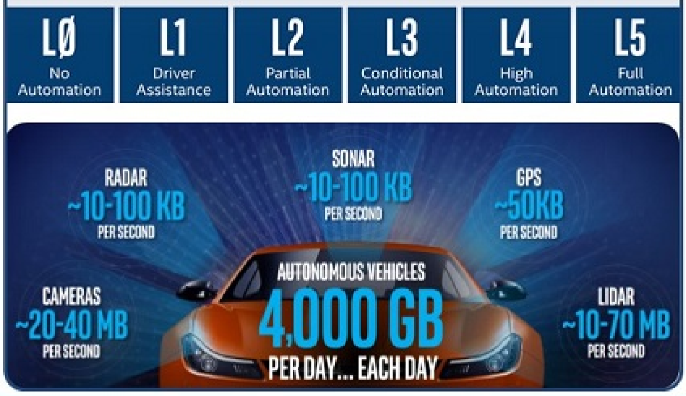
# 5G & Autonomous Applications Fueling Semi Demand

Growing demand for **wireless communication** and **instantaneous data transfer** linking the real to the digital world




Emerging need for **energy efficient autonomous vehicles, industrial robotics** and more, creating a flood of data



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# Cohu Delivers Higher Yield Faster

**One-stop-shop with leading edge solutions reduces integration risk and accelerates "time to yield"**

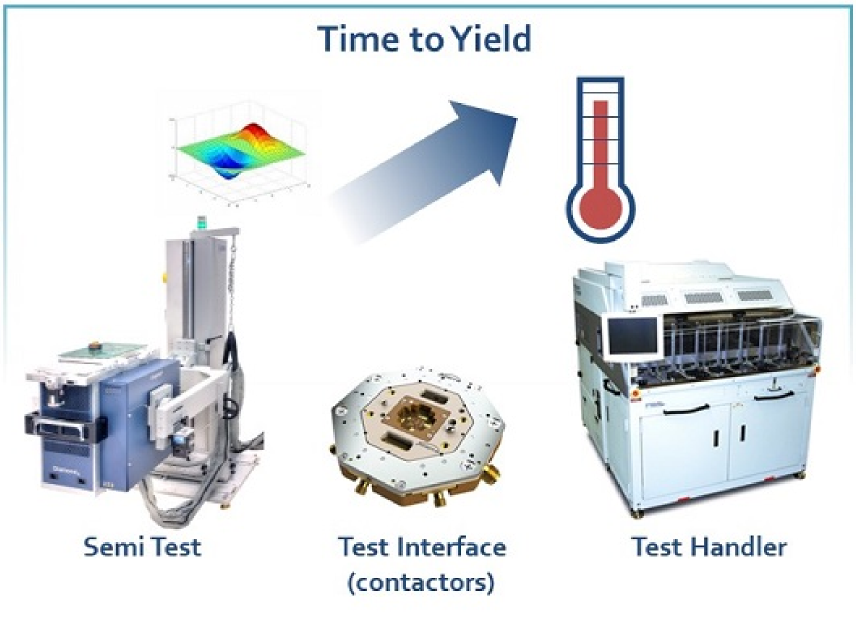
Incremental Growth Opportunities

**~$160M/year**

higher contactor attachment rates

**~$200M/year**

target system growth in select end-markets



# Financial Profile

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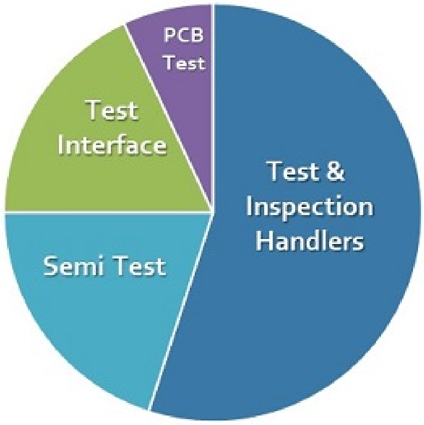
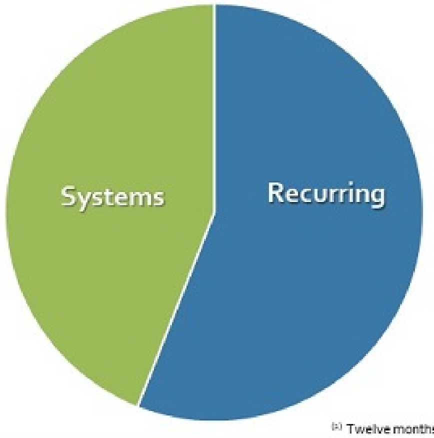
# Recurring Provides a Strong Foundation

Recurring revenue is **higher margin** and **less susceptible** to seasonal and cyclical trends

**Revenue Distribution**




**TTM Allocation(1)**




(1) Twelve months ending September 28, 2019



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# Business Model Delivers Strong Leverage

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

**Delivering ~$40M of annual run-rate cost synergies ahead of plan, starting in Q1'20**

**Approximately 40% of revenue increase falls through to operating income**

**Assumes 22% income tax rate and 41.7 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 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.

# Q4'19 Outlook

| | Q3'19 Actual | Q4'19 Guidance |
|---|---|---|
| **Sales** | $143.5M | $134 - $144M |
| **Gross Margin**(1) | 42.3% | 41% -43% |
| **Operating Expenses**(1) | $49.5M | ~ $50M |
| **Adjusted EBITDA**(1) | 11.2% | 8% (mid-point of guidance) |

**Operating Expenses with fcst. Q4'19 realized synergies of ~$9M ($36M / year)**

**Fully diluted shares outstanding estimated at 41.7M**

(1) See Appendix for Q3'19 GAAP to non-GAAP reconciliations. The Q4'19 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 $2.9M (Opex), and amortization of purchased intangibles of $10.3M (Opex). Also, these figures do not reflect restructuring costs, acquisition-related costs, other manufacturing transition/severance costs, inventory step-up costs 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.



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# Balance Sheet

| *[$Million]* | Q2'19 | Q3'19 |
|---|---|---|
| Cash and Investments | $144 | $146 |
| Accounts Receivable | $134 | $126 |
| Total Debt | $356 | $359 |
| Capital Additions | $4.0 | $5.0 |
| Cash Flow From Operations | $(9.5) | $8.2 |

# Appendix

# GAAP to Non-GAAP Reconciliation

| Earnings Reconciliation | 3 Months Ending Jun 29, 2019 | Diluted EPS | 3 Months Ending Sep 28, 2019 | Diluted EPS |
|---|---|---|---|---|
| Income From Continuing Operations - GAAP | $ (19,383) | $ (0.47) | $ (10,480) | $ (0.25) |
| Share Based Compensation | 3,662 | 0.09 | 3,506 | 0.08 |
| Amortization of Purchased Intangible Assets | 9,987 | 0.24 | 9,969 | 0.24 |
| Manufacturing Transition and Severance Costs | 1,148 | 0.03 | 568 | 0.01 |
| Restructuring Costs related to inventory in COS | (1,259) | (0.03) | 1,114 | 0.03 |
| Restructuring Costs | 8,545 | 0.21 | 814 | 0.02 |
| PP&E step-up included in COS and SG&A | 1,257 | 0.03 | 1,257 | 0.03 |
| Other Acquisition Costs | 180 | 0.00 | 0 | 0.00 |
| Tax Effect of Non-GAAP Adjustments | (3,348) | (0.08) | (1,836) | (0.04) |
| Income From Continuing Operations - Non-GAAP | $789 | $0.02 | $4,912 | $0.12 |
| Weighted Average Shares - GAAP | Diluted | 41,125 | Diluted | 41,229 |
| Weighted Average Shares - Non-GAAP | Diluted | 41,534 | Diluted | 41,587 |

| Adjusted EBITDA Reconciliation | 3 Months Ending Jun 29, 2019 | % of Net Sales | 3 Months Ending Sep 28, 2019 | % of Net Sales |
|---|---|---|---|---|
| Income From Continuing Operations - Non-GAAP | $789 | 0.5% | $4,912 | 3.4% |
| Net loss attributable to noncontrolling interest | 36 | 0.0% | (142) | -0.1% |
| Income Tax Provision | (916) | -0.6% | 1,277 | 0.9% |
| Interest and Other, Net | 5,091 | 3.4% | 4,810 | 3.4% |
| Depreciation | 5,102 | 3.4% | 5,231 | 3.6% |
| PP&E step-up included in COS & SG&A | (1,667) | -1.1% | (1,803) | -1.3% |
| Tax Effect of Non-GAAP Adjustments | 3,348 | 2.2% | 1,836 | 1.3% |
| Adjusted EBITDA - Non-GAAP Attributable to Cohu | $11,783 | 7.9% | $16,121 | 11.2% |



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# GAAP to Non-GAAP Reconciliation

| Gross Profit Reconciliation | 3 Months Ending Jun 29, 2019 | % of Net Sales | 3 Months Ending Sep 28, 2019 | % of Net Sales |
|---|---|---|---|---|
| Net Sales | $ 150,011 | | $ 143,498 | |
| Gross Profit - GAAP | 62,406 | 41.6% | 58,933 | 41.1% |
| Share Based Compensation | 208 | 0.1% | 212 | 0.1% |
| Manufacturing Transition and Severance Costs | 560 | 0.4% | 416 | 0.3% |
| Restructuring Costs related to inventory in COS | (1,259) | -0.8% | 1,114 | 0.8% |
| Gross Profit - Non-GAAP | $61,915 | 41.3% | $60,675 | 42.3% |

| Operating Expense Reconciliation | 3 Months Ending Jun 29, 2019 | % of Net Sales | 3 Months Ending Sep 28, 2019 | % of Net Sales |
|---|---|---|---|---|
| Operating Expense - GAAP | $ 77,068 | 51.4% | $ 64,956 | 45.3% |
| Share Based Compensation | (3,454) | -2.3% | (3,294) | -2.3% |
| Amortization of Purchased Intangible Assets | (9,987) | -6.7% | (9,969) | -6.9% |
| Manufacturing Transition and Severance Costs | (588) | -0.4% | (152) | -0.1% |
| Restructuring Costs | (8,545) | -5.7% | (814) | -0.6% |
| PP&E step-up included in SG&A | (1,257) | -0.8% | (1,257) | -0.9% |
| Other Acquisition Costs | (180) | -0.1% | 0 | 0.0% |
| Operating Expense - Non-GAAP | $53,057 | 35.4% | $49,470 | 34.5% |

| Operating Income Reconciliation | 3 Months Ending Jun 29, 2019 | % of Net Sales | 3 Months Ending Sep 28, 2019 | % of Net Sales |
|---|---|---|---|---|
| Loss From Operations - GAAP basis | $ (14,662) | -9.8% | $ (6,023) | -4.2% |
| Share Based Compensation | 3,662 | 2.4% | 3,506 | 2.4% |
| Amortization of Purchased Intangible Assets | 9,987 | 6.7% | 9,969 | 6.9% |
| Manufacturing Transition and Severance Costs | 1,148 | 0.8% | 568 | 0.4% |
| Restructuring Costs related to inventory in COS | (1,259) | -0.8% | 1,114 | 0.8% |
| Restructuring Costs | 8,545 | 5.7% | 814 | 0.6% |
| PP&E step-up included in COS and SG&A | 1,257 | 0.8% | 1,257 | 0.9% |
| Other Acquisition Costs | 180 | 0.1% | 0 | 0.0% |
| Income From Operations - Non-GAAP | $ 8,858 | 5.9% | $ 11,205 | 7.8% |