

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): August 5, 2019

Cohu, Inc.

(Exact name of registrant as specified in its charter)

Delaware	001-04298	95-1934119
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

12367 Crosthwaite Circle, Poway, California	92064
(Address of principal executive offices)	(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:

<u>Title of Each Class</u>	<u>Trading Symbol(s)</u>	<u>Name of exchange on which registered</u>
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 2.02 Results of Operations and Financial Condition.

On August 5, 2019, Cohu, Inc. (the “Company”) issued a press release regarding its financial results for the second quarter ended June 29, 2019. The Company’s press release is attached as Exhibit 99.1 to this Current Report on Form 8-K and incorporated by reference herein.

The information in this Item 2.02 of this Current Report on Form 8-K and the Exhibit attached hereto shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934 (the “Exchange Act”) or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933 or the Exchange Act, regardless of any general incorporation language in such filing.

Use of Non-GAAP Financial Information:

In addition to financial results determined in accordance with generally accepted accounting principles (“GAAP”), this press release refers to financial information determined by methods other than in accordance with GAAP, including non-GAAP Gross Margin/Profit, Income and Income (adjusted earnings) per share, and Operating Expense 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 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, 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. 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 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 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 integration and cost synergy savings, timing and targets; additional cost savings and expense reductions; design-wins; new products and solutions; solutions for global satellite networks; 5G and automotive opportunities; incremental sales opportunities; semiconductor market conditions in 2019; PCB test demand; business model for FY'20 and mid-term model; Cohu's third quarter 2019 sales forecast, guidance, non-GAAP operating expenses, gross margin, adjusted EBITDA and effective tax rate, and cash and shares outstanding; 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 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 Securities and Exchange Commission, 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.

For press releases and other information of interest to investors, please visit Cohu's website at www.cohu.com.

Item 9.01 Financial Statements and Exhibits.

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

(d) Exhibits

Exhibit No. - 99.1

Description – [Second Quarter 2019 Earnings Release, dated August 5, 2019, of Cohu, Inc.](#)

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.

August 5, 2019

By: */s/ Jeffrey D. Jones*

Name: Jeffrey D. Jones

Title: VP Finance and Chief Financial Officer

Exhibit Index

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COHU, INC.
12367 CROSTHWAITE
CIRCLE
POWAY, CA 92064
FAX
(858) 848-8185

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Cohu Reports Second Quarter 2019 Results

- First half 2019 sales of \$297.8 million driven by the Xcerra acquisition
- Second quarter GAAP gross margin of 41.6%; non-GAAP gross margin of 41.3%
- Delivering complete test cell solution for next generation RF devices

POWAY, Calif., August 5, 2019 -- Cohu, Inc. (NASDAQ: COHU), a global leader in back-end semiconductor equipment and services, today reported fiscal 2019 second quarter net sales of \$150.0 million and GAAP loss of \$19.4 million or \$0.47 per share. Net sales for the first six months of 2019 were \$297.8 million and GAAP loss was \$42.2 million or \$1.03 per share. ⁽¹⁾

Cohu also reported non-GAAP results, with second quarter 2019 income of \$0.8 million or \$0.02 per share and loss of \$0.6 million or \$0.01 per share for the first six months of 2019. ⁽¹⁾

GAAP Results ⁽¹⁾ (in millions, except per share amounts)	Q2 FY 2019	Q1 FY 2019	Q2 FY 2018	6 Months 2019	6 Months 2018
Net sales	\$ 150.0	\$ 147.8	\$ 99.8	\$ 297.8	\$ 195.0
Income (loss)	\$ (19.4)	\$ (22.9)	\$ 11.6	\$ (42.2)	\$ 19.8
Income (loss) per share	\$ (0.47)	\$ (0.56)	\$ 0.39	\$ (1.03)	\$ 0.67

Non-GAAP Results ⁽¹⁾ (in millions, except per share amounts)	Q2 FY 2019	Q1 FY 2019	Q2 FY 2018	6 Months 2019	6 Months 2018
Income (loss)	\$ 0.8	\$ (1.4)	\$ 18.8	\$ (0.6)	\$ 29.3
Income (loss) per share	\$ 0.02	\$ (0.03)	\$ 0.64	\$ (0.01)	\$ 0.99

(1) All amounts presented are from continuing operations. FY 2019 results include Xcerra Corporation acquired on October 1, 2018.

Total cash and investments at the end of second quarter 2019 were \$143.6 million.

“While gross margin was higher than expected in the second quarter, revenue was at the low end of guidance due to the impact of export restrictions to Huawei on our customers and continued softness in mobility,” said Cohu President and CEO Luis Müller. “Cohu is focused on delivering the targeted Xcerra acquisition synergies by the end of this year, implementing additional actions to reduce expenses and improve profitability, and securing customer design-wins. We recently qualified a new vision inspection platform at two large mobility customers and started shipping a complete solution for testing next generation RF devices used in a new global satellite network.”

Cohu expects third quarter 2019 sales to be approximately \$143 million. Cohu's Board of Directors approved a quarterly cash dividend of \$0.06 per share payable on October 18, 2019 to shareholders of record on August 23, 2019.

Conference Call Information:

The company will host a live conference call and webcast with slides to discuss second quarter 2019 results at 1:30 p.m. Pacific Time/4:30 p.m. Eastern Time on August 5, 2019. Interested investors and analysts are invited to dial into the conference call by using 1-866-434-5330

(domestic) or

+1-213-660-0873

(international) and entering the pass code 1069198. Webcast access will be available on the Investor Information section of the company's website at www.cohu.com. Replays of the call can be accessed at www.cohu.com.

About Cohu:

Cohu (NASDAQ: COHU) is a global leader in back-end semiconductor equipment and services, delivering leading-edge solutions for the manufacturing of semiconductors and printed circuit boards. Additional information can be found at www.cohu.com.

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Contact:
Cohu, Inc.
Jeffrey D. Jones - Investor Relations
858-848-8106

COHU, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(in thousands, except per share amounts)

	Three Months Ended ⁽¹⁾		Six Months Ended ⁽¹⁾	
	June 29, 2019	June 30, 2018	June 29, 2019	June 30, 2018
Net sales	\$ 150,011	\$ 99,817	\$ 297,820	\$ 194,967
Cost and expenses:				
Cost of sales (excludes amortization shown below) ⁽²⁾	87,605	57,677	180,999	112,600
Research and development	22,108	11,051	44,841	22,826
Selling, general and administrative ⁽³⁾	36,428	19,303	74,714	35,089
Amortization of purchased intangible assets	9,987	1,019	20,006	2,093
Restructuring charges	8,545	-	9,906	-
	<u>164,673</u>	<u>89,050</u>	<u>330,466</u>	<u>172,608</u>
Income (loss) from operations	(14,662)	10,767	(32,646)	22,359
Other (expense) income:				
Interest expense	(5,282)	(11)	(10,789)	(22)
Interest income	191	329	413	576
Foreign transaction gain (loss) and other	(546)	3,031	(328)	1,452
Income (loss) from continuing operations before taxes	(20,299)	14,116	(43,350)	24,365
Income tax provision (benefit)	(916)	2,468	(1,116)	4,595
Income (loss) from continuing operations	(19,383)	11,648	(42,234)	19,770
Discontinued operations: ⁽⁴⁾				
Income from discontinued operations before taxes	38	-	227	-
Income tax provision	14	-	39	-
Income from discontinued operations	24	-	188	-
Net income (loss)	(19,359)	\$ 11,648	\$ (42,046)	\$ 19,770
Net loss attributable to noncontrolling interest	(36)	-	(80)	-
Net income (loss) attributable to Cohu	<u>\$ (19,323)</u>	<u>\$ 11,648</u>	<u>\$ (41,966)</u>	<u>\$ 19,770</u>
Income (loss) per share:				
Basic:				
Income (loss) from continuing operations before noncontrolling interest	\$ (0.47)	\$ 0.40	\$ (1.03)	\$ 0.69
Income from discontinued operations	0.00	-	0.01	-
Net loss attributable to noncontrolling interest	0.00	-	0.00	-
Net income (loss) attributable to Cohu	<u>\$ (0.47)</u>	<u>\$ 0.40</u>	<u>\$ (1.02)</u>	<u>\$ 0.69</u>
Diluted:				
Income (loss) from continuing operations before noncontrolling interest	\$ (0.47)	\$ 0.39	\$ (1.03)	\$ 0.67
Income from discontinued operations	0.00	-	0.01	-
Net loss attributable to noncontrolling interest	0.00	-	0.00	-
Net income (loss) attributable to Cohu	<u>\$ (0.47)</u>	<u>\$ 0.39</u>	<u>\$ (1.02)</u>	<u>\$ 0.67</u>
Weighted average shares used in computing income (loss) per share: ⁽⁵⁾				
Basic	41,125	28,893	40,999	28,747
Diluted	41,125	29,651	40,999	29,591

- The three- and six-month periods ended June 29, 2019 and June 30, 2018 were both comprised of 13 weeks and 26 weeks, respectively. The Company's results for the three- and six-month periods ended June 29, 2019, include the results of Xcerra which was acquired on October 1, 2018.
- In conjunction with the acquisition of Xcerra the Company assessed the need to realign its historical financial statement presentation and certain statement of operations classifications were reclassified to conform to current period presentation. The changes made were as follows:
 - Amortization of intangibles previously were presented in cost of sales and SG&A. These amounts are now presented as a separate line item "Amortization of purchased intangible assets" within operating expenses. Amounts associated with purchased intangible assets that previously would have been included in cost of sales are \$7.6 million and \$15.3 million for the three- and six-month periods ended June 29, 2019, respectively. Amounts previously presented in cost of sales that have been reclassified to conform with the Company's revised presentation for the three- and six-month periods ended June 30, 2018 are \$0.6 million and \$1.3 million, respectively.
 - Historically, gains and losses associated with foreign currency translation and remeasurement were included within SG&A which resulted in fluctuations in expenses as foreign exchange rates change. These amounts will now be presented within foreign transaction gain (loss) and other as it will provide investors more insight into the Company's operating expenses.
- SG&A expense for the three- and six-month periods ended June 29, 2019 include Xcerra transaction costs totaling \$0.2 million and \$0.4 million, respectively. For the three- and six-month periods ended June 30, 2018 Xcerra transaction costs were \$3.8 million and \$4.1 million, respectively.
- On October 1, 2018, the Company made the decision to sell the fixtures business acquired from Xcerra, and, as a result, the operating results of the fixtures business have been presented as discontinued operations.
- For the three- and six-month periods ended June 29, 2019, potentially dilutive securities were excluded from the per share computations due to their antidilutive effect. The Company has utilized the "control number" concept in the computation of diluted earnings per share to determine whether a potential common stock instrument is dilutive. The control number used is income from continuing operations. The control number concept requires that the same number of potentially dilutive securities applied in computing diluted earnings per share from continuing operations be applied to all other categories of income or loss, regardless of their anti-dilutive effect on such categories.

COHU, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(in thousands)

	June 29, 2019	December 29, 2018
Assets:		
Current assets:		
Cash and investments	\$ 143,595	\$ 165,020
Accounts receivable	134,435	149,276
Inventories	137,229	139,314
Other current assets	23,448	27,888
Current assets of discontinued operations	4,100	3,741
Total current assets	442,807	485,239
Property, plant & equipment, net	71,776	74,332
Goodwill	241,466	242,127
Intangible assets, net	297,211	318,961
Operating lease right of use assets ⁽¹⁾	35,224	-
Other assets	14,955	13,264
Noncurrent assets of discontinued operations	65	79
Total assets	<u>\$ 1,103,504</u>	<u>\$ 1,134,002</u>
Liabilities & Stockholders' Equity:		
Current liabilities:		
Short-term borrowings	\$ 3,244	\$ 3,115
Current installments of long-term debt	3,243	3,672
Deferred profit	8,163	6,896
Other current liabilities	131,657	146,388
Current liabilities of discontinued operations	624	518
Total current liabilities	146,931	160,589
Long-term debt	341,978	346,041
Non-current operating lease liabilities ⁽¹⁾	32,773	-
Other noncurrent liabilities	67,373	81,428
Cohu stockholders' equity	514,805	546,243
Noncontrolling Interest	(356)	(299)
Total liabilities & stockholders' equity	<u>\$ 1,103,504</u>	<u>\$ 1,134,002</u>

(1) Cohu adopted ASU 2016-02, Leases (Topic 842), as of December 30, 2018. Upon adoption, we recorded operating lease assets and operating lease liabilities based on the present value of future lease obligations. We applied the practical expedient available in this guidance, which does not require the restatement of prior year balances.

COHU, INC.
Supplemental Reconciliation of GAAP Results to Non-GAAP Financial Measures (Unaudited)
(in thousands, except per share amounts)

	June 29, 2019 ⁽¹⁾	Three Months Ended March 30, 2019 ⁽¹⁾	June 30, 2018
Income (loss) from operations - GAAP basis (a)	\$ (14,662)	\$ (17,984)	\$ 10,767
Non-GAAP adjustments:			
Share-based compensation included in (b):			
Cost of sales (COS)	208	125	162
Research and development (R&D)	776	638	395
Selling, general and administrative (SG&A)	2,678	2,930	1,391
	3,662	3,693	1,948
Amortization of purchased intangible assets (c)	9,987	10,019	1,019
Restructuring charges related to inventory adjustments in COS (d)	(1,259)	466	-
Restructuring charges included in operating expenses (d)	8,545	1,361	-
Manufacturing and sales transition costs included in (e):			
Cost of sales (COS)	560	235	-
Selling, general and administrative	588	526	100
	1,148	761	100
Adjustment to contingent consideration included in SG&A (f)	-	-	577
Acquisition costs included in SG&A (g)	180	224	3,848
Inventory step-up included in COS (h)	-	6,038	-
PP&E step-up included in SG&A (i)	1,257	1,257	-
Income from operations - non-GAAP basis (j)	\$ 8,858	\$ 5,835	\$ 18,259
Income (loss) from continuing operations - GAAP basis	\$ (19,383)	\$ (22,851)	\$ 11,648
Non-GAAP adjustments (as scheduled above)	23,520	23,819	7,492
Tax effect of non-GAAP adjustments (k)	(3,348)	(2,358)	(305)
Income (loss) from continuing operations - non-GAAP basis	\$ 789	\$ (1,390)	\$ 18,835
GAAP income (loss) from continuing operations per share - diluted	\$ (0.47)	\$ (0.56)	\$ 0.39
Non-GAAP income (loss) from continuing operations per share - diluted (l)	\$ 0.02	\$ (0.03)	\$ 0.64

(1) Includes operating results from Xcerra acquired on October 1, 2018

Management believes the presentation of these non-GAAP financial measures, when taken together with the corresponding GAAP financial measures, provides meaningful supplemental information regarding the Company's operating performance. Our management uses these non-GAAP financial measures in assessing the Company's operating results, as well as when planning, forecasting and analyzing future periods and these non-GAAP measures allow investors to evaluate the Company's financial performance using some of the same measures as management. Management views share-based compensation as an expense that is unrelated to the Company's operational performance as it does not require cash payments and can vary in amount from period to period and the elimination of amortization charges provides better comparability of pre and post-acquisition operating results and to results of businesses utilizing internally developed intangible assets. Management initiated certain restructuring activities including employee headcount reductions and other organizational changes to align our business strategies in light of the merger with Xcerra. Restructuring costs have been excluded because such expense is not used by Management to assess the core profitability of Cohu's business operations. Manufacturing and sales transition costs relate principally to expenses incurred as a result of moving certain manufacturing activities to Asia and incremental costs incurred related to the buildup of a direct sales force for certain equipment sales in Asia. Employee severance are costs incurred in conjunction with the termination of certain employees to streamline our operations and reduce costs. Management has excluded these costs primarily because they are not reflective of the ongoing operating results and they are not used to assess ongoing operational performance. Acquisition costs, fair value adjustment to contingent consideration, adjustments for inventory step-up costs have been excluded by management as they are unrelated to the core operating activities of the Company and the frequency and variability in the nature of the charges can vary significantly from period to period. Excluding this data provides investors with a basis to compare Cohu's performance against the performance of other companies without this variability. However, the non-GAAP financial measures should not be regarded as a replacement for (or superior to) corresponding, similarly captioned, GAAP measures. The presentation of non-GAAP financial measures above may not be comparable to similarly titled measures reported by other companies and investors should be careful when comparing our non-GAAP financial measures to those of other companies.

(a) (9.8)%, (12.2)% and 10.8% of net sales, respectively.

(b) To eliminate compensation expense for employee stock options, stock units and our employee stock purchase plan.

(c) To eliminate the amortization of acquired intangible assets.

(d) To eliminate restructuring costs incurred related to the integration of Xcerra.

(e) To eliminate manufacturing and sales transition and severance costs.

(f) To eliminate fair value adjustment to contingent consideration related to the acquisition of Kita.

(g) To eliminate professional fees and other direct incremental expenses incurred related to acquisitions.

(h) To eliminate the inventory step-up costs incurred related to the acquisition of Xcerra.

(i) To eliminate the accelerated depreciation from the property, plant & equipment step-up related to the acquisition of Xcerra.

(j) 5.9%, 3.9% and 18.3% of net sales, respectively.

(k) To adjust the provision for income taxes related to the adjustments described above based on applicable tax rates.

(l) The three months ended June 29, 2019 was computed using 41,534 shares outstanding as the effect of dilutive securities was excluded from GAAP diluted common shares due to the reported net loss under GAAP, but are included for non-GAAP diluted common shares since the Company has non-GAAP net income. All other periods presented were computed using number of GAAP diluted shares outstanding for each period.

COHU, INC.**Supplemental Reconciliation of GAAP Results to Non-GAAP Financial Measures (Unaudited)***(in thousands, except per share amounts)*

	Six Months Ended	
	June 29, 2019 ⁽¹⁾	June 30, 2018
Income (loss) from operations - GAAP basis (a)	\$ (32,646)	\$ 22,359
Non-GAAP adjustments:		
Share-based compensation included in (b):		
Cost of sales (COS)	333	283
Research and development (R&D)	1,414	744
Selling, general and administrative (SG&A)	5,608	2,590
	7,355	3,617
Amortization of purchased intangible assets (c)	20,006	2,093
Restructuring charges related to inventory adjustments in COS (d)	(793)	-
Restructuring charges included in operating expenses (d)	9,906	-
Manufacturing and sales transition costs included in (e):		
Cost of sales (COS)	795	-
SG&A	1,114	87
	1,909	87
Adjustment to contingent consideration included in SG&A (f)	-	430
Acquisition costs included in SG&A (g)	404	4,144
Inventory step-up included in COS (h)	6,038	-
PP&E step-up included in SG&A (i)	2,514	-
Income from operations - non-GAAP basis (j)	\$ 14,693	\$ 32,730
Income (loss) from continuing operations - GAAP basis	\$ (42,234)	\$ 19,770
Non-GAAP adjustments (as scheduled above)	47,339	10,371
Tax effect of non-GAAP adjustments (k)	(5,706)	(806)
Income (loss) from continuing operations - non-GAAP basis	\$ (601)	\$ 29,335
GAAP income (loss) per share from continuing operations - diluted	\$ (1.03)	\$ 0.67
Non-GAAP income (loss) per share - diluted (l)	\$ (0.01)	\$ 0.99

(1) Includes operating results from Xcerra acquired on October 1, 2018

Management believes the presentation of these non-GAAP financial measures, when taken together with the corresponding GAAP financial measures, provides meaningful supplemental information regarding the Company's operating performance. Our management uses these non-GAAP financial measures in assessing the Company's operating results, as well as when planning, forecasting and analyzing future periods and these non-GAAP measures allow investors to evaluate the Company's financial performance using some of the same measures as management. Management views share-based compensation as an expense that is unrelated to the Company's operational performance as it does not require cash payments and can vary in amount from period to period and the elimination of amortization charges provides better comparability of pre and post-acquisition operating results and to results of businesses utilizing internally developed intangible assets. Management initiated certain restructuring activities including employee headcount reductions and other organizational changes to align our business strategies in light of the merger with Xcerra. Restructuring costs have been excluded because such expense is not used by Management to assess the core profitability of Cohu's business operations. Manufacturing and sales transition costs relate principally to expenses incurred as a result of moving certain manufacturing activities to Asia and incremental costs incurred related to the buildup of a direct sales force for certain equipment sales in Asia. Employee severance are costs incurred in conjunction with the termination of certain employees to streamline our operations and reduce costs. Management has excluded these costs primarily because they are not reflective of the ongoing operating results and they are not used to assess ongoing operational performance. Acquisition costs, fair value adjustment to contingent consideration, adjustments for inventory step-up costs have been excluded by management as they are unrelated to the core operating activities of the Company and the frequency and variability in the nature of the charges can vary significantly from period to period. Excluding this data provides investors with a basis to compare Cohu's performance against the performance of other companies without this variability. However, the non-GAAP financial measures should not be regarded as a replacement for (or superior to) corresponding, similarly captioned, GAAP measures. The presentation of non-GAAP financial measures above may not be comparable to similarly titled measures reported by other companies and investors should be careful when comparing our non-GAAP financial measures to those of other companies.

(a) (11.0)% and 11.5% of net sales, respectively.

(b) To eliminate compensation expense for employee stock options, stock units and our employee stock purchase plan.

(c) To eliminate the amortization of acquired intangible assets.

(d) To eliminate restructuring costs incurred related to the integration of Xcerra.

(e) To eliminate manufacturing and sales transition and severance costs.

(f) To eliminate fair value adjustment to contingent consideration related to the acquisition of Kita.

(g) To eliminate professional fees and other direct incremental expenses incurred related to the acquisitions.

(h) To eliminate the inventory step-up costs incurred related to acquisitions.

(i) To eliminate the property, plant & equipment step-up depreciation accelerated related to the acquisition of Xcerra.

(j) 4.9% and 16.8% of net sales, respectively.

(k) To adjust the provision for income taxes related to the adjustments described above based on applicable tax rates.

(l) All periods presented were computed using number of GAAP diluted shares outstanding.

COHU, INC.
Supplemental Reconciliation of GAAP Results to Non-GAAP Financial Measures (Unaudited)
(in thousands)

	June 29, 2019 ⁽¹⁾	Three Months Ended March 30, 2019 ⁽¹⁾	June 30, 2018
Gross Profit Reconciliation			
Gross profit - GAAP basis (excluding amortization) ⁽²⁾	\$ 62,406	\$ 54,415	\$ 42,140
Non-GAAP adjustments to cost of sales (as scheduled above)	(491)	6,864	162
Gross profit - Non-GAAP basis	<u>\$ 61,915</u>	<u>\$ 61,279</u>	<u>\$ 42,302</u>
Non-GAAP gross profit as a percentage of net sales	41.3%	41.5%	42.4%
Adjusted EBITDA Reconciliation			
Net income (loss) attributable to Cohu - GAAP Basis	\$ (19,323)	\$ (22,643)	\$ 11,648
Income from discontinued operations	(24)	(164)	-
Income tax provision	(916)	(200)	2,468
Interest expense	5,282	5,507	11
Interest income	(191)	(222)	(329)
Amortization	9,987	10,019	1,019
Depreciation	5,102	5,020	1,398
Other non-GAAP adjustments (as scheduled above)	11,866	12,406	6,473
Adjusted EBITDA	<u>\$ 11,783</u>	<u>\$ 9,723</u>	<u>\$ 22,688</u>
Adjusted EBITDA as a percentage of net sales	7.9%	6.6%	22.7%
Operating Expense Reconciliation			
Operating Expense - GAAP basis	\$ 77,068	\$ 72,399	\$ 31,373
Non-GAAP adjustments to operating expenses (as scheduled above)	(24,011)	(16,955)	(7,330)
Operating Expenses - Non-GAAP basis	<u>\$ 53,057</u>	<u>\$ 55,444</u>	<u>\$ 24,043</u>

(1) Includes operating results from Xcerra acquired on October 1, 2018

(2) Excludes amortization of \$7,625 for the three months ending June 29, 2019, \$7,641 for the three months ending March 30, 2019 and \$639 for the three months ended June 30, 2018.

	June 29, a2019 ⁽¹⁾	Six Months Ended June 30, 2018
Gross Profit Reconciliation		
Gross profit - GAAP basis (excluding amortization) ⁽²⁾	\$ 116,821	\$ 82,367
Non-GAAP adjustments to cost of sales (as scheduled above)	6,373	283
Gross profit - Non-GAAP basis	<u>\$ 123,194</u>	<u>\$ 82,650</u>
Non-GAAP profit as a percentage of net sales	41.4%	42.4%
Adjusted EBITDA Reconciliation		
Net income (loss) attributable to Cohu - GAAP Basis	\$ (41,966)	\$ 19,770
Income from discontinued operations	(188)	-
Income tax provision	(1,116)	4,595
Interest expense	10,789	22
Interest income	(413)	(576)
Amortization	20,006	2,093
Depreciation	10,122	2,781
Other non-GAAP adjustments (as scheduled above)	24,272	8,278
Adjusted EBITDA	<u>\$ 21,506</u>	<u>\$ 36,963</u>
Adjusted EBITDA as a percentage of net sales	7.2%	19.0%
Operating Expense Reconciliation		
Operating Expense - GAAP basis	\$ 149,467	\$ 60,008
Non-GAAP adjustments to operating expenses (as scheduled above)	(40,966)	(10,088)
Operating Expenses - Non-GAAP basis	<u>\$ 108,501</u>	<u>\$ 49,920</u>

(1) Includes operating results from Xcerra acquired on October 1, 2018

(2) Excludes amortization of \$15,266 for the six months ending June 29, 2019 and \$1,315 for the six months ended June 30, 2018.