

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):

November 10, 2020

Cohu, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

001-04298
(Commission
File Number)

95-1934119
(I.R.S. Employer
Identification No.)

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

92064
(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
Common Stock, \$1.00 par value

Trading Symbol(s)
COHU

Name of each exchange on which registered
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

On November 11, 2020, Cohu, Inc. (“Cohu”) is participating in various virtual analyst meetings associated with the Stifel 2020 Midwest One-on-One Growth Conference. 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	November 2020 Cohu Investor Presentation
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

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.

November 10, 2020

By: /s/ Jeffrey D. Jones

Name: Jeffrey D. Jones

Title: VP Finance and Chief Financial Officer

November 2020

Cohu Investor Presentation



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/industrial, computing/network, IoT/IoV, consumer and automotive semiconductor & PCB manuf. segments, relative market share positions, secular tailwinds driving end-market growth, server semiconductor forecasts and est. CAGR, smartphone semiconductor forecasts and est. CAGR, 5G ramp and mobility growth, automotive semiconductor forecasts and est. CAGR, projected IC content per vehicle, cross-selling opportunities in 2021, mmWave contactor opportunities, improving auto and industrial demand, debt deleveraging priorities, any comments on Cohu's FY 2021 outlook, momentum or growth, business model for FY'20, % of incremental revenue expected to fall to operating income, Cohu's fourth quarter 2020 sales forecast, guidance, sales mix, orders, 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, any future Term Loan B principal reduction, 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. Any third party industry analyst forecasts quoted are for reference only and Cohu does not adopt or affirm any such forecasts.

Actual results could differ materially from those contained in any forward-looking statement as a result of various factors, including, without limitation: The ongoing global COVID-19 pandemic has adversely affected, and is continuing to adversely affect, our business, financial condition and results of operations, and COVID-19 could re-surge at any time and our business could be abruptly impacted again to an even greater extent, October 2020 COVID-19 related government movement control orders reinstituted in Malaysia and actual adverse impacts that have begun to reoccur among Malaysia-based and/or other suppliers, Recently increasing COVID-19 cases in countries where Cohu's principal facilities are located including the United States, the Philippines, Malaysia, Switzerland and Germany, 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, Lost productivity, project delays and internal control risks due to ongoing employee "work from home" programs, 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/Huawei export restrictions (including new restrictions effective in May and August 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. 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.

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We deliver leading-edge solutions to enable a smarter, safer, and more connected future.



(1) Twelve months ending September 26, 2020
(2) For the period ending December 18, 2019
(3) Based on Q3 2020 orders

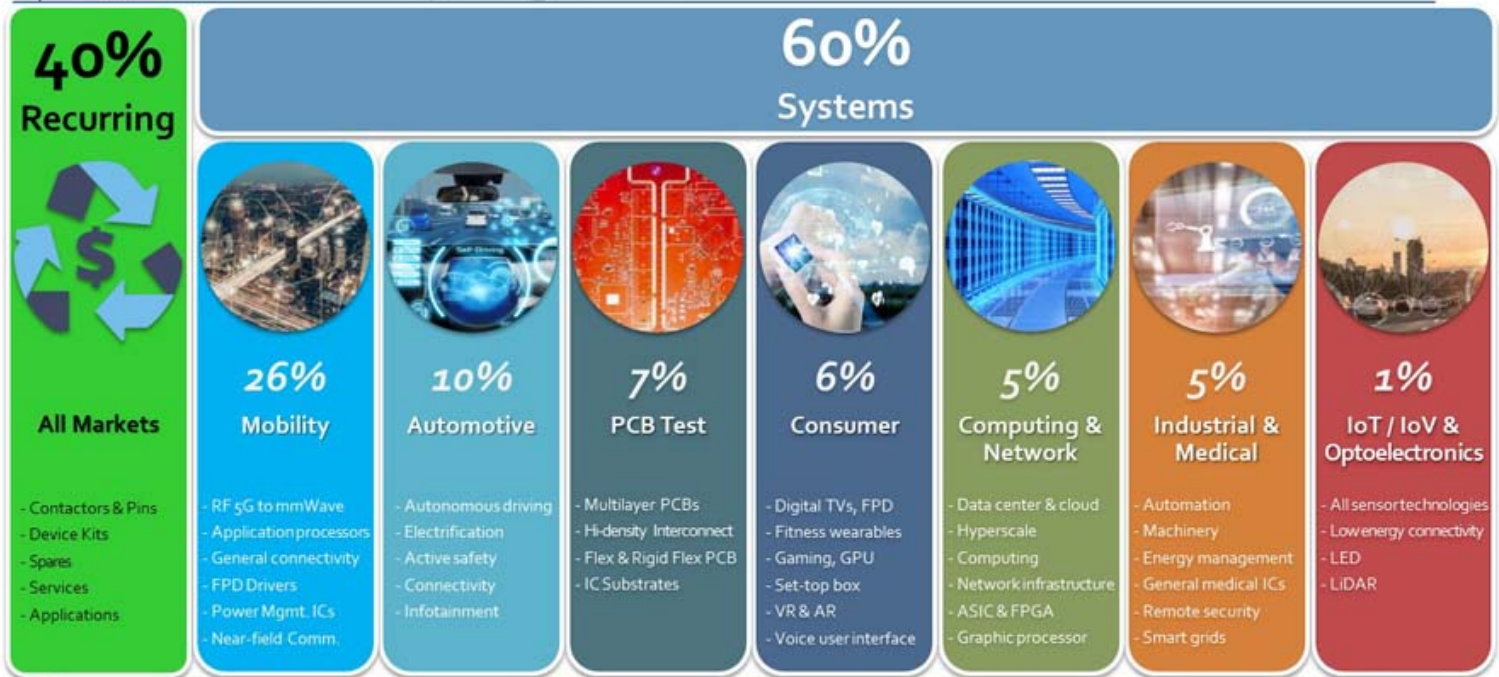
Business Update

- Q3 revenue and EPS exceeded guidance
- Strong mobility orders driven by new 5G smartphones
- RF test cell design-win
- Est. \$35M cross-selling opportunities in 2021
- Improving automotive and industrial demand ahead of expectation

- Q3 Non-GAAP Gross Margin 44%⁽¹⁾
- Incremental revenue with ~40% fall-through to operating income
- Reduction of Term Loan B debt by \$17.3 million in Q3
- Q3 book-to-bill > 1

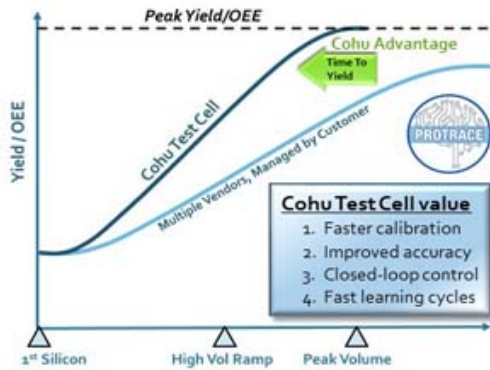
- Q4 revenue up ~22% sequentially at mid-point of guidance
- Forecast Q4 orders to be new company record
- Handler Q4 order rate back to normal in automotive
- Contactor opportunity in mmWave for 5G phones
- Strong momentum entering 2021

Q3'20 Orders by Segment

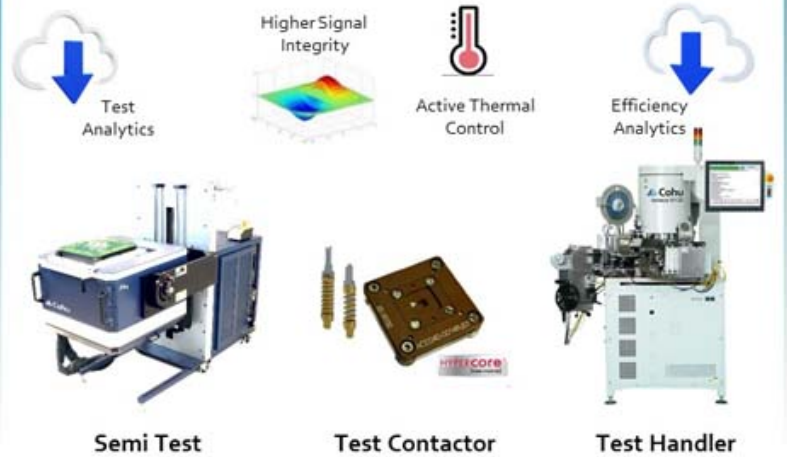


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Test Cell Solutions



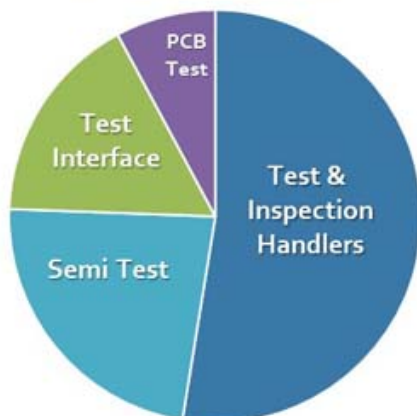


Financials

Recurring Provides a Strong Foundation

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

Revenue Distribution ⁽¹⁾



TTM Allocation ⁽¹⁾



⁽¹⁾ Last 12 months through September 26, 2020

Business Model Delivers Strong Leverage

Business Model for FY20					
Quarterly Revenue	\$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

- Approximately 40% of revenue increase falls through to operating income
- Assumes 22% income tax rate and 42.7 million shares outstanding

Except for Revenue, "Business Model for FY20" assumptions are non-GAAP forward-looking figures and 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 unable predict without unreasonable efforts due to their inherent uncertainty, therefore, reconciliation of these figures to GAAP is not provided.

Q4'20 Outlook

	Q3'20 Actual	Q4'20 Guidance
Revenue	\$150.6M	\$176 - \$192M
Gross Margin ⁽¹⁾	44.0%	44% - 45%
Operating Expenses ⁽¹⁾	\$48.3M	~ \$51M
Adjusted EBITDA ⁽¹⁾	13.5%	~ 18% (mid-point of guidance)

- ❑ Low end of revenue guidance considers some supply chain uncertainty caused by COVID-19 and risks associated with book-and-bill and customer acceptances
- ❑ Gross margin is in-line with model
- ❑ Lifting temporary cost reductions and higher variable expense drives OPEX increase in Q4
- ❑ Fully diluted shares outstanding estimated at 42.7 million

(1) See Appendix for Q3'20 GAAP to non-GAAP reconciliations. The Q4'20 non-GAAP guidance excludes estimated pre-tax charges related to stock-based compensation of \$0.2M (CoS) and \$3.1M (Opex), and amortization of purchased intangibles of \$9.6M (Opex). These forward-looking figures do not reflect restructuring costs, acquisition-related costs, other manufacturing transition/severance costs, inventory step-up costs, amortization of cloud-based software implementation costs (Adjusted EBITDA only), or other non-operational or unusual items, which we are unable predict without unreasonable efforts due to their inherent uncertainty, therefore, reconciliation of these figures to GAAP is not provided.

Balance Sheet

[\$Million]	Q3'20	Q4'19
Cash and Investments	\$171	\$156
Accounts Receivable	\$117	\$128
Total Debt	\$346	\$360
Capital Additions	\$5.6	\$4.7
Cash Flow From Operations	\$14.7	\$13.8

- ❑ Q3 cash balance of \$171M supports operational needs (~\$80M), funding for production ramp and debt service
- ❑ Debt reduction \$17M in Q3; deleveraging continues to be a capital allocation priority
- ❑ Q3 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 ~ \$3M of interest at current LIBOR + 300 bps
 - Maturity date is 10/1/2025





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>3 Months Ending</u>		<u>3 Months Ending</u>	
	Sep 28, 2019	Diluted EPS	Jun 27, 2020	Diluted EPS	Sep 26, 2020	Diluted EPS
Loss From Continuing Operations - GAAP	\$ (10,480)	\$ (0.25)	\$ (4,740)	\$ (0.11)	\$ (6,646)	\$ (0.16)
Share based compensation	3,506	0.08	3,403	0.08	3,299	0.08
Amortization of purchased intangible assets	9,969	0.24	9,527	0.23	9,783	0.23
Manufacturing transition and severance costs	568	0.01	76	0.00	179	0.00
Restructuring costs related to inventory in COS	1,114	0.03	72	0.00	2,606	0.06
Restructuring costs	814	0.02	585	0.01	412	0.01
PP&E step-up included in COS and SG&A	1,257	0.03	243	0.01	243	0.01
Impairment charge	0	0.00	0	0.00	7,300	0.17
Gain on sale of facility	0	0.00	(27)	0.00	(4,468)	(0.10)
Tax effect of Non-GAAP adjustments	(1,836)	(0.04)	(2,011)	(0.05)	(1,080)	(0.03)
Income (Loss) From Continuing Operations - Non-GAAP	<u>\$4,912</u>	<u>\$0.12</u>	<u>\$7,128</u>	<u>\$0.17</u>	<u>\$11,628</u>	<u>\$0.27</u>
Weighted Average Shares - GAAP	Basic	41,229	Basic	41,844	Basic	41,947
Weighted Average Shares - Non-GAAP	Diluted	41,587	Diluted	42,283	Diluted	42,659

<u>Adjusted EBITDA Reconciliation</u>	<u>3 Months Ending</u>		<u>3 Months Ending</u>		<u>3 Months Ending</u>	
	Sep 28, 2019	% of Net Sales	Jun 27, 2020	% of Net Sales	Sep 26, 2020	% of Net Sales
Net loss attributable to Cohu - GAAP Basis	\$ (10,468)	-7.3%	\$ (4,740)	-3.3%	\$ (6,646)	-4.4%
Income from discontinued operations	(154)	-0.1%	0	0.0%	0	0.0%
Income tax provision	1,277	0.9%	137	0.1%	1,116	0.7%
Interest expense	5,000	3.5%	3,456	2.4%	3,021	2.0%
Interest income	(190)	-0.1%	(21)	0.0%	(42)	0.0%
Amortization of purchased intangible assets	9,969	6.9%	9,527	6.6%	9,783	6.5%
Depreciation	5,231	3.6%	3,557	2.5%	3,462	2.3%
Amortization of cloud-based software implementation costs	0	0.0%	308	0.2%	318	0.2%
Other Non-GAAP Adjustments	5,456	3.8%	4,109	2.9%	9,328	6.2%
Adjusted EBITDA	<u>\$16,121</u>	<u>11.2%</u>	<u>\$16,333</u>	<u>11.3%</u>	<u>\$20,340</u>	<u>13.5%</u>

GAAP to Non-GAAP Reconciliation

<u>Gross Profit Reconciliation</u>		3 Months Ending Sep 28, % of Net 2019 Sales	3 Months Ending Jun 27, % of Net 2020 Sales	3 Months Ending Sep 26, % of Net 2020 Sales
Net Sales		\$143,486	\$144,084	\$150,647
Gross Profit - GAAP		\$8,933 41.1%	\$9,957 42.3%	\$3,500 42.2%
Share Based Compensation		212 0.1%	211 0.1%	218 0.1%
Manufacturing transition and severance costs		416 0.3%	0 0.0%	0 0.0%
Restructuring costs related to inventory in COS		1,114 0.8%	72 0.0%	2,606 1.7%
Gross Profit - Non-GAAP		\$60,675 42.3%	\$61,240 42.5%	\$66,324 44.0%
<u>Operating Expense Reconciliation</u>		3 Months Ending Sep 28, % of Net 2019 Sales	3 Months Ending Jun 27, % of Net 2020 Sales	3 Months Ending Sep 26, % of Net 2020 Sales
Operating Expense - GAAP		\$ 64,956 45.3%	\$ 61,485 42.7%	\$ 64,860 43.1%
Share based compensation		(3,294) -2.3%	(3,192) -2.2%	(3,081) -2.0%
Amortization of purchased intangible assets		(9,969) -6.9%	(9,527) -6.6%	(9,783) -6.5%
Manufacturing transition and severance costs		(152) -0.1%	(76) -0.1%	(179) -0.1%
Restructuring costs		(814) -0.6%	(585) -0.4%	(412) -0.3%
PP&E step-up included in SGB&A		(1,257) -0.9%	(243) -0.2%	(243) -0.2%
Impairment charge		0 0.0%	0 0.0%	(7,300) -4.8%
Gain on sale of facility		0 0.0%	27 0.0%	4,468 3.0%
Operating Expense - Non-GAAP		\$49,470 34.5%	\$ 47,889 33.2%	\$ 48,330 32.1%
<u>Operating Income Reconciliation</u>		3 Months Ending Sep 28, % of Net 2019 Sales	3 Months Ending Jun 27, % of Net 2020 Sales	3 Months Ending Sep 26, % of Net 2020 Sales
Loss From Operations - GAAP basis		\$ (6,023) -4.2%	\$ (528) -0.4%	\$ (1,360) -0.9%
Share based compensation		3,506 2.4%	3,403 2.4%	3,299 2.2%
Amortization of purchased intangible assets		9,969 6.9%	9,527 6.6%	9,783 6.5%
Manufacturing transition and severance costs		568 0.4%	76 0.1%	179 0.1%
Restructuring costs related to inventory in COS		1,114 0.8%	72 0.0%	2,606 1.7%
Restructuring costs		814 0.6%	585 0.4%	412 0.3%
PP&E step-up included in COS and SGB&A		1,257 0.9%	243 0.2%	243 0.2%
Gain on sale of facility		0 0.0%	(27) 0.0%	(4,468) -3.0%
Impairment charge		0 0.0%	0 0.0%	7,300 4.8%
Income From Operations - Non-GAAP		\$ 11,205 7.8%	\$ 13,351 9.3%	\$ 17,994 11.9%