



FORMFACTOR INC.

JANUARY 2017
INVESTOR PRESENTATION

TRANSITIONING FROM SEMICONDUCTOR TEST SUPPLIER
TO BROADER TEST AND MEASUREMENT
MARKET LEADER

CAUTIONS REGARDING FORWARD-LOOKING STATEMENTS

Forward-Looking Statements

This communication contains forward-looking statements within the meaning of the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995. These statements are based on management’s current expectations and beliefs, and are subject to a number of factors and uncertainties, many of which are beyond the company’s control, that could cause actual results to differ materially from those described in the forward-looking statements. These forward-looking statements include, but are not limited to, statements about: trends in the market for the company’s products; anticipated benefits from the company’s acquisition of Cascade Microtech, Inc.; the company’s ability to drive growth and expand customer relationships; the plans, strategies and objectives of the company for future operations; the expected development, performance, market share or competitive position relating to the company’s products and services; and the company’s future financial and operating results. Forward-looking statements may contain words such as “may,” “might,” “will,” “could,” “should,” “expect,” “plan,” “anticipate,” “believe,” “estimate,” “predict,” “intend” and “continue,” the negative or plural of these words and similar expressions, and include the assumptions that underlie such statements. The following factors, among others, could cause actual results to differ materially from those described in the forward-looking statements: changes in demand for the company’s products; industry seasonality; risks to the company’s ability to realize operational efficiencies; failure of the company to realize the anticipated benefits of its acquisition of Cascade Microtech, Inc.; the company’s ability to remain in compliance with the terms of its debt financing; changes in the market or macro-economic environments; and other factors, including those set forth in the company’s most current annual report on Form 10-K, quarterly reports on Form 10-Q and other filings by the company with the U.S. Securities and Exchange Commission under the caption “Risk Factors” and elsewhere. All forward-looking statements are based on management’s estimates, projections and assumptions as of the date hereof. No assurances can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what impact they will have on the results of operations or financial condition of the company. Unless required by law, the company is under no obligation, and disclaims any such obligation, to update or revise its forward-looking statements whether as a result of new information, future events, or otherwise.

INVESTMENT THEMES



Largest supplier of semiconductor probe cards and engineering systems, gaining share and outpacing market growth

Aligned with technology trends in mobility, connectivity and enterprise infrastructure

Technology leadership enables customers' most critical roadmap advancements

Structurally profitable financial model delivering earnings growth and positive cash flow

Cascade Microtech acquisition provides scale & diversification; accelerates earnings growth

ALIGNED WITH TECHNOLOGY TRENDS IN MOBILITY, CONNECTIVITY AND ENTERPRISE INFRASTRUCTURE

Mobility



- Application Processors
- Mobile DRAM
- NAND Flash

~ 6% Growth

Connectivity



- Modems
- Near Field Communication
- Filters (BAW & SAW)
- Sensors

~ 25% Growth

Enterprise

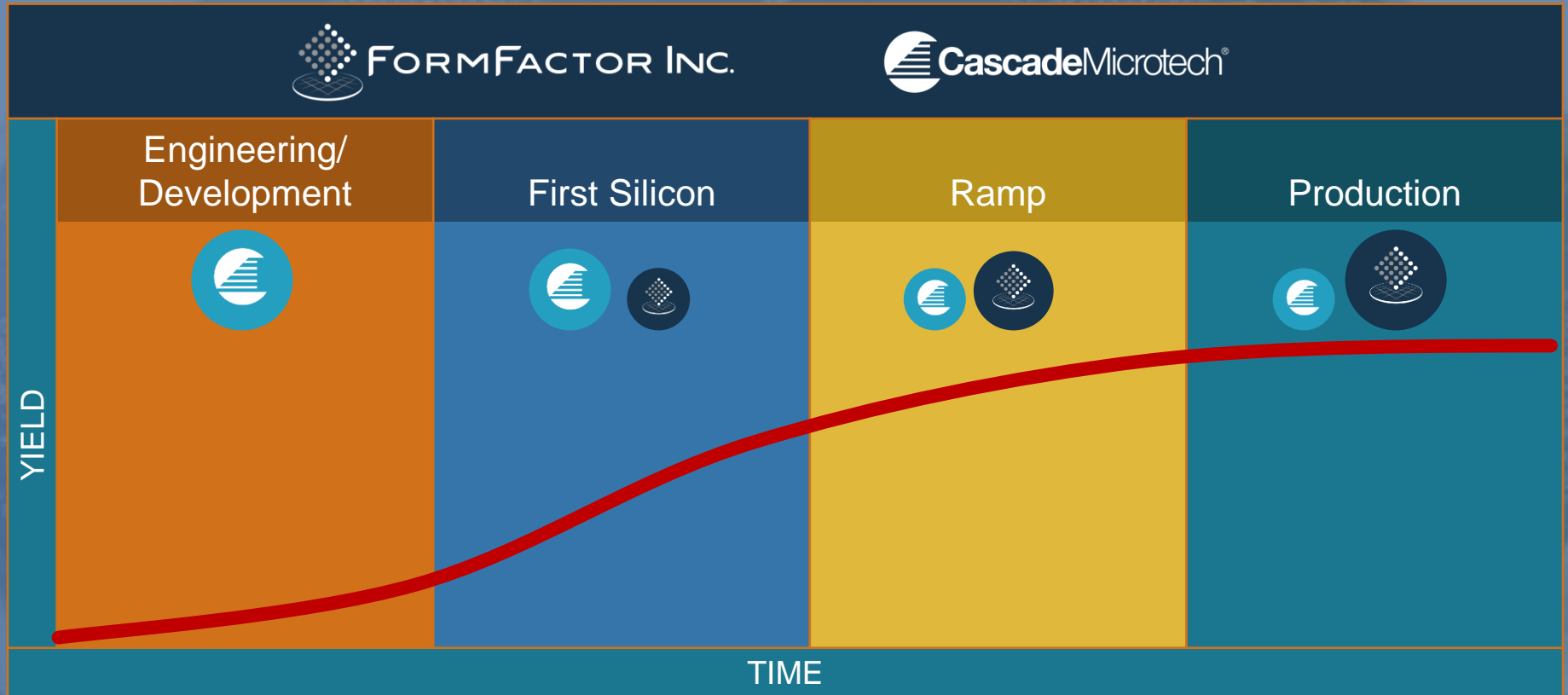


- High Performance MPU
- Server DRAM
- NAND Flash

~ 5% Growth

Source: Gartner, company estimates

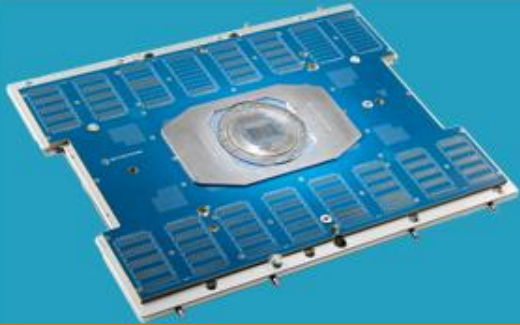
OUR FOOTPRINT IN THE DEVICE LIFE CYCLE



EXTENDING THROUGH THE **COMPLETE CUSTOMER PRODUCT LIFE CYCLE**

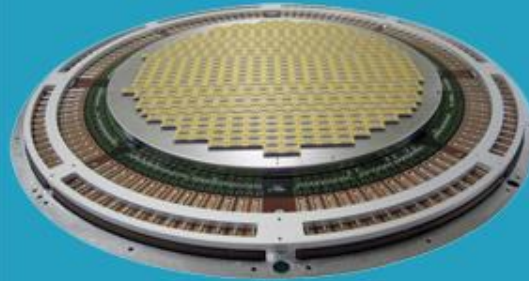
WE ENABLE CUSTOMERS' MOST CRITICAL ROADMAP ADVANCEMENTS

Foundry & Logic



Continued adoption of Cu Pillar at foundry customers
Transition to 10nm node

DRAM



Continued growth in mobile and server
Transition to $\leq 20\text{nm}$ node

Flash

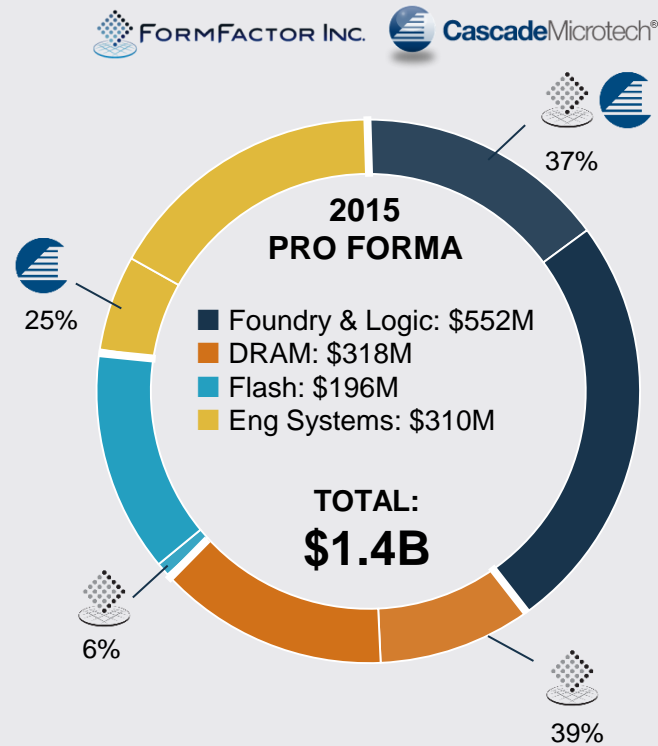
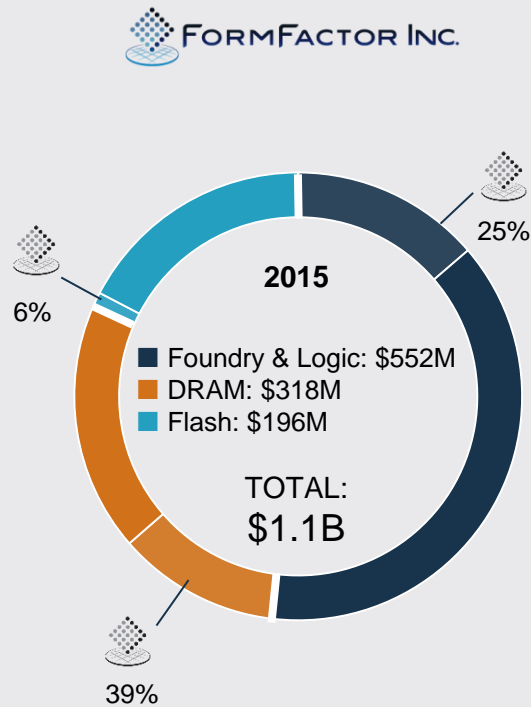


Growth in industry NAND capacity and wafer starts
Bit growth at 35-40% per year



**GROWTH DRIVEN BY INCREASINGLY DEMANDING REQUIREMENTS FOR NEXT-GENERATION SILICON NODES AND DEVICES
ENGINEERING SYSTEMS ENABLING YIELD IMPROVEMENT FOR ALL DEVICES**

EXPANDING OUR ADDRESSABLE MARKET IN SECTORS EXPERIENCING ABOVE-MARKET GROWTH



ADDRESSABLE MARKETS FORECASTED TO GROW TO \$1.75B BY 2020

Source: VLSIResearch 2015 Probe Card Report, Internal company estimates

DIVERSIFYING AND EXPANDING MARKET PRESENCE AND CUSTOMER BASE



END MARKET

Production 97% Revenue
Engineering 3% Revenue

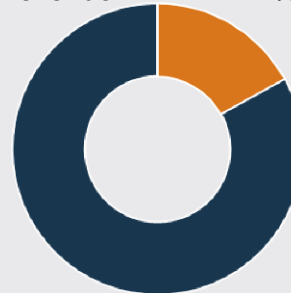


Production 75% Revenue
Engineering 25% Revenue



CUSTOMER CONCENTRATION

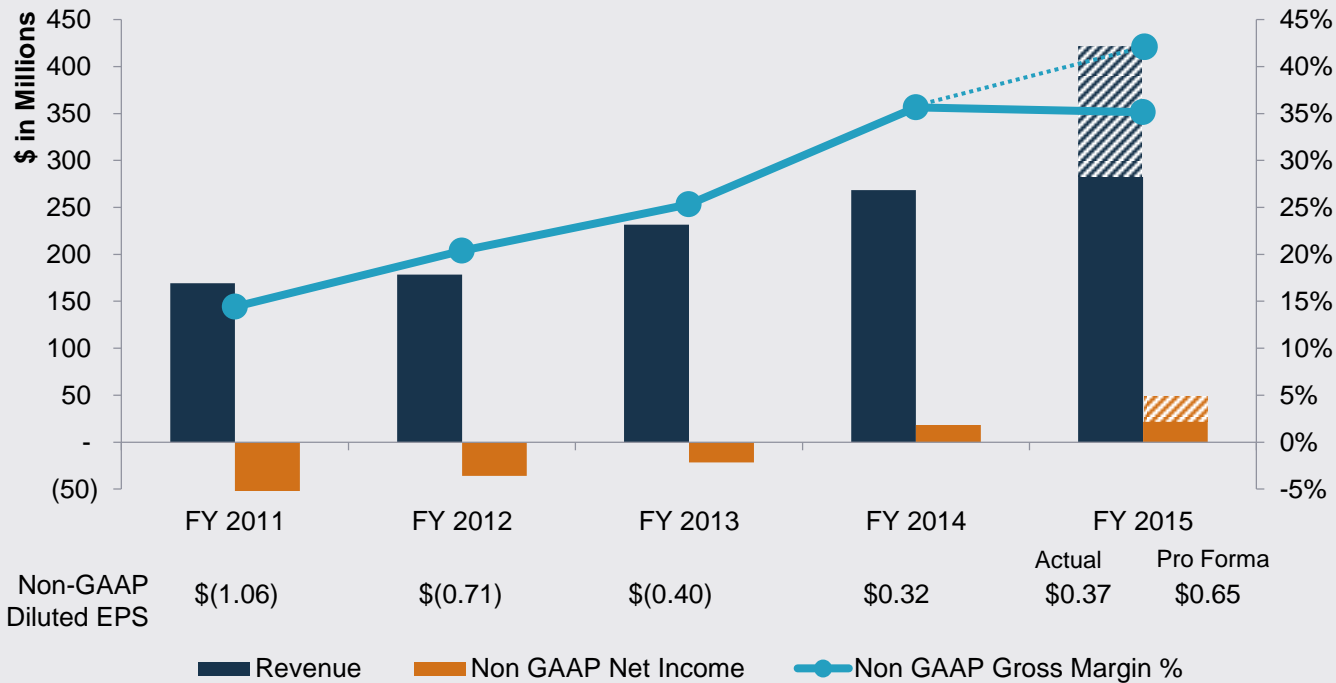
Top 10 Customers 83% Revenue
Other Customers 17% Revenue



Top 10 Customers 62% Revenue
Other Customers 38% Revenue



EXPANDING SCALE AND PROVIDING SIGNIFICANT ACCRETION



FINANCIALLY TRANSFORMATIONAL TRANSACTION

DRIVING IMPROVED GROSS MARGINS AND PROFITABILITY



\$10-12M IN SYNERGIES WITHIN 18-24 MONTHS
UTILIZATION OF \$300M OF NOLs

INTEGRATION UPDATE

- Committed to delivering annual synergies of **\$10-\$12M in 18 to 24 months**
- \$1.3M savings delivered in 3rd Quarter 2016 with \$1.3M to \$1.5M expected to capture in 4th Quarter 2016
- **Unified sales and service team** for single voice to customers
- Conservative approach to operations for **continuity and execution**
- **Positive customer response** to increased breadth and R&D capability



EXECUTION ON PLAN TO ACHIEVE FINANCIAL AND ORGANIZATIONAL GOALS

RECENT RESULTS AND OUTLOOK

	Revenue (\$M)	Gross Margin (%)**	Diluted EPS**	Cash Flow (\$M)***
Q3 2016 ACTUAL	\$123.6M	42.9%	\$0.22	\$16.0M
Q4 2016 GUIDANCE*	\$116M-\$124M	41%-45%	\$0.15-\$0.21	\$11M-\$13M

4TH QUARTER 2016 GUIDANCE THEMES*:

EXPECT THE PROBE CARD SEGMENT DEMAND NORMALIZATION
SYSTEMS SEGMENT DEMAND CONTINUE TO BENEFIT FROM STRONG ORDER FLOW

* From 10/27/16 earnings call, Cascade Microtech acquisition closed in Q2 2016

** Non-GAAP results

*** Free Cash Flow Excluding cash flow attributable to Cascade Microtech acquisition

STRATEGIC FOCUS AREAS



Leadership in core markers

Continue share gains along “line of sight” components in Foundry & Logic, DRAM, Flash, and Systems

Leveraging existing key roadmap technologies and investments across all markets



Enter adjacent markets

Diversify revenue stream and customer mix by leading M&A in test, measurement, and yield enhancement market segments



Profitability

Drive greater operating efficiency by gaining economies of scale

Continued cost control as we execute long term growth plans



APPENDIX

PRO FORMA 2015 RECONCILIATION

(All amounts in 000's except per share amounts)	2015												
	GAAP				Non-GAAP	Adjustments					Non-GAAP	Deal (2)	Non-GAAP
	Form Factor	Stock-based				Form Factor	Cascade Microtech	Stock-based Compensation	Amort. Of Intangibles	Restructuring			
		Compensation	Intangibles	Other (1)									
Revenue	\$ 282,358	\$ -	\$ -	\$ -	\$ 282,358	\$ 143,978	\$ -	\$ -	\$ -	\$ 143,978	\$ -	\$ 426,336	
Gross margin	85,738	2,651	10,825		99,214	80,086	156		248	80,490	-	179,704	
GMP%	30.4%				35.1%	55.6%				55.9%		42.2%	
Total operating expenses	89,841	(8,924)	(2,684.0)	(798.0)	77,435	62,195	(2,669)	(2,458)	(14)	57,054	(7,000)	127,489	
% of revenue	31.8%				27.4%	43.2%				39.6%		29.9%	
Operating income (loss)	(4,103)	11,575	13,509	798	21,779	17,891	2,825	2,458	262	23,436	7,000	52,215	
% of revenue	-1.5%				7.7%	12.4%				16.3%		12.2%	
Other income (expense)	2,832			(2,561)	271	(1)				(1)	-	270	
Interest expense (3.25%)	-					-					4,785	4,785	
Income taxes	252				252	5,540	929.0	808	444.0	7,721	(5,791)	2,182	
Net income	\$ (1,523)	\$ 11,575	\$ 13,509	\$ (1,763)	\$ 21,798	\$ 12,350	\$ 1,896	\$ 1,650	\$ (182)	\$ 15,714	\$ 8,006	\$ 45,518	
	-0.5%				7.7%	8.6%				10.9%		10.7%	
Weighted avg primary shares	57,850				57,850						10,431	68,281	
Weighted avg fully diluted shares	59,069				59,069						10,431	69,500	
Primary EPS	\$ (0.03)				\$ 0.38							\$ 0.67	
Fully diluted EPS	\$ (0.03)				\$ 0.37							\$ 0.65	

(1) GAAP total operating expenses includes restructuring charges of \$559 and acquisition and integration related expenses of \$231.
GAAP other income includes business interruption claim recovery of \$1,521 and gain on the sale of intellectual property of \$1,040.

(2) "Deal adjustments" are based on expenses and savings that are forecasted to occur during fiscal 2015 as if the business combination had closed effective the first day of fiscal 2015. The adjustments include total operating expense synergies of \$7,000, interest expense of \$4,785 on \$150,000 of term loan debt at an annual interest rate of 3.25% and expected tax savings of \$5,791 from utilization of FormFactor's NOLs. Assumes FormFactor will issue 10,431 shares as part of the transaction.

2015 EBITDA RECONCILIATION

<u>(Amounts in \$000's)</u>	Fiscal Year 2015			
	FormFactor	Cascade Microtech	Deal (1) Adjustments	Consolidated
EBITDA				
GAAP Income from operations	\$ (4,103)	\$ 17,891	\$ 7,000	\$ 20,788
Adjustments:				
Depreciation	10,261	3,109	-	13,370
Amortization of intangibles	13,509	2,458	-	15,967
Stock-based compensation	11,575	2,825	-	14,400
Restructuring	559	262	-	821
Acquisition and acquisition related	231	-	-	231
EBITDA	\$ 32,032	\$ 26,545	\$ 7,000	\$ 65,577
 % of revenues	 11.3%			 15.4%

(1) "Deal adjustments" are based on expenses and savings that are forecasted to occur during fiscal 2015 as if the business combination had closed effective the first day of fiscal 2015. The adjustments include forecasted total operating expense synergies of \$7,000.