



# Transaction Summary

February 4, 2016



# 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, including with respect to the anticipated timing, completion and effects of the proposed merger between FormFactor and Cascade Microtech. 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 FormFactor's and Cascade Microtech'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: future financial and operating results; benefits of the transaction to customers, shareholders and employees; potential synergies and cost savings; the ability of the combined company to drive growth and expand customer and partner relationships; and other statements regarding the proposed transaction. 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: the timing to consummate the proposed merger; failure of the Cascade Microtech shareholders to approve the proposed merger; the terms and availability of the proposed financing arrangements; the risk that a condition to closing of the merger may not be satisfied; failure to achieve regulatory approval or the risk that it is obtained subject to conditions that are not anticipated; the challenges and costs of closing, integrating, restructuring and achieving anticipated synergies; the ability to retain key employees, customers and suppliers; the diversion of management time on merger-related issues; and changes in FormFactor's or Cascade Microtech's future cash requirements, capital requirements, results of operations, financial conditions and/or cash flows, and other factors, including those set forth in the most current Annual Report on Form 10-K, Quarterly Report on Form 10-Q and Current Reports on Form 8-K filed by FormFactor and Cascade Microtech with the U.S. Securities and Exchange Commission (the "SEC"), 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 FormFactor or Cascade Microtech. Unless required by law, FormFactor and Cascade Microtech are under no obligation (and expressly disclaim any such obligation) to update or revise their forward-looking statements whether as a result of new information, future events, or otherwise.

# Additional Information and Where to Find It; Participants in the Solicitation

## **No Offer or Solicitation**

This communication does not constitute an offer to sell or the solicitation of an offer to buy any securities or a solicitation of any vote or approval with respect to the proposed merger or otherwise. No offer of securities shall be made except by means of a prospectus meeting the requirements of Section 10 of the Securities Act of 1933, as amended.

## **Additional Information and Where to Find It**

In connection with the proposed merger, FormFactor intends to file a registration statement on Form S-4, which will include a preliminary prospectus, related materials to register the shares of FormFactor common stock to be issued in the merger and other documents concerning the proposed merger, and Cascade Microtech intends to file a proxy statement/prospectus and other documents concerning the proposed merger with the SEC. INVESTORS AND SECURITY HOLDERS ARE URGED TO READ THE REGISTRATION STATEMENT, THE PROXY STATEMENT/PROSPECTUS AND ANY OTHER RELEVANT DOCUMENTS TO BE FILED WITH THE SEC CAREFULLY AND IN THEIR ENTIRETY WHEN THEY BECOME AVAILABLE BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT FORMFACTOR, CASCADE MICROTECH, AND THE PROPOSED MERGER. Investors and security holders will be able to obtain free copies of the registration statement and the proxy statement/prospectus (when they are available) and any other documents filed by FormFactor and Cascade Microtech with the SEC at the SEC's website at [www.sec.gov](http://www.sec.gov). Copies of documents filed with the SEC by FormFactor may also be obtained for free by contacting FormFactor Investor Relations by mail at FormFactor Inc., Investor Relations, 7005 Southfront St., Livermore, California 94551, Attention: Investor Relations or by going to FormFactor's Investor Relations page on its corporate web site at [www.formfactor.com](http://www.formfactor.com), or and copies of documents filed with the SEC by Cascade Microtech may also be obtained for free by contacting Cascade Microtech Investor Relations by mail at Cascade Microtech, Inc., 9100 SW Gemini Drive, Beaverton, Oregon 97008, Attention: Investor Relations or by going to Cascade Microtech's Investor Relations page on its corporate web site at [www.CascadeMicrotech.com](http://www.CascadeMicrotech.com). The contents of the websites referenced above are not deemed to be incorporated by reference into the registration statement or the proxy statement/prospectus.

## **Participants in the Solicitation**

Cascade Microtech and FormFactor and their respective executive officers and directors may be deemed to be participants in the solicitation of proxies from Cascade Microtech shareholders with respect to the transactions contemplated by the merger agreement. Information regarding the persons who may, under the rules of the SEC, be deemed participants in the solicitation of Cascade Microtech security holders in connection with the proposed merger will be set forth in the registration statement and the proxy statement/prospectus when filed with the SEC. Information regarding Cascade Microtech's executive officers and directors is included in Cascade Microtech's Annual Report on Form 10-K for the year ended December 31, 2014, filed with the SEC on March 12, 2015, and its proxy statement for its 2015 annual meeting of shareholders, filed with the SEC on April 6, 2015. Information regarding FormFactor's executive officers and directors is included in FormFactor's Annual Report on Form 10-K for the year ended December 27, 2014, filed with the SEC on March 6, 2015, its proxy statement for its 2015 annual meeting of shareholders, filed with the SEC on March 19, 2015 and its Current Report on Form 8-K, filed with the SEC on August 7, 2015. Copies of the foregoing documents may be obtained as provided above. Certain executive officers and directors of Cascade Microtech and FormFactor have interests in the transaction that may differ from the interests of Cascade Microtech and FormFactor shareholders generally, respectively. These interests will be described in the proxy statement/prospectus and other relevant materials to be filed with the SEC when they become available.



# A Compelling Combination for Customers, Employees, and Shareholders

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Combines market leaders across multiple complementary semiconductor test and measurement applications from engineering to production

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Creates significant scale and customer diversification

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Strengthens market presence in probe cards and expands available market to broader test, measurement, and yield space

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Delivers significant cost and infrastructure synergies

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Immediately accretive to non-GAAP EPS and free cash flow

# Transaction Summary

## Consideration Per Share

- Cascade stockholders to receive per share<sup>1</sup>:
  - Cash of \$16.00
  - 0.6534 shares of FormFactor Stock
  - Total consideration value of ~\$21.13<sup>2</sup>
- Premium of 37% to Cascade's 30-day VWAP<sup>3</sup>

## Transaction Consideration

- ~\$352M of total consideration to Cascade stockholders
  - ~\$270M in cash, including ~\$15M to cash out vested equity awards, and 10.4M of FormFactor shares (current value \$82M<sup>2</sup>)
  - Plus additional ~1.2M shares for assumed equity awards
- Cascade common stockholders to own ~15% of combined company

## Leadership & Board of Directors

- Mike Slessor, CEO
- Tom St. Dennis, Chairman
- One member to be added to the FormFactor Board from Cascade's Board

## Approval Process & Expected Closing

- Cascade stockholder approval
- Customary closing conditions and regulatory approvals
- Closing expected by mid-2016

<sup>1</sup> Subject to terms of merger agreement

<sup>2</sup> Based on FormFactor closing price of \$7.85 as of February 3, 2016

<sup>3</sup> Based on Cascade Microtech closing price as of February 3, 2016

# Company Snapshots



- Founded in 1993
- Headquartered in Livermore, CA
- FY 2015 Revenue of ~\$282M
- ~ 950 Employees
- Leadership in production probe cards for:
  - *Microprocessors, Application Processors, SoCs*
  - *DRAM*
- Locations in 8 countries



- Founded in 1983
- Headquartered in Beaverton, OR
- FY 2015 Revenue of ~\$144M
- ~ 500 Employees
- Leadership in:
  - *RF Production Probe Cards*
  - *Engineering Probe and Probe Systems*
- Locations in 6 countries



**Combining  
complementary  
Industry Leaders**

# Global Infrastructure to Serve Global Customer Base



- FORMFACTOR
- CASCADE MICROTECH

**Significant** resources deployed close to customers as one **synchronized** worldwide team

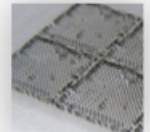
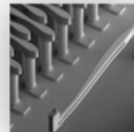


- 5 Manufacturing Locations: California (3) Japan, China
- 6 Design locations: California (2), Japan, Korea, Singapore, China
- 7 International Offices: ~290 customer-facing staff
- 16 Service and Repair Centers



- 3 Manufacturing Locations: Oregon, Dresden, Munich
- 4 Design locations: Oregon, Minnesota, Dresden, Munich
- 6 International Offices: ~across 6 countries
- 7 Service and Repair Centers

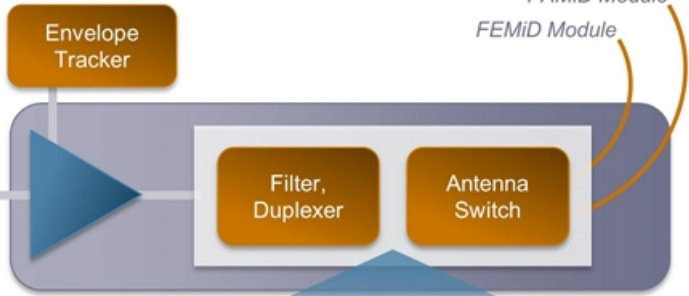
Engineering through Production | Solving Problems For Over 1,000 Active Customers



# Expanding Our Market to Adjacent RF Space

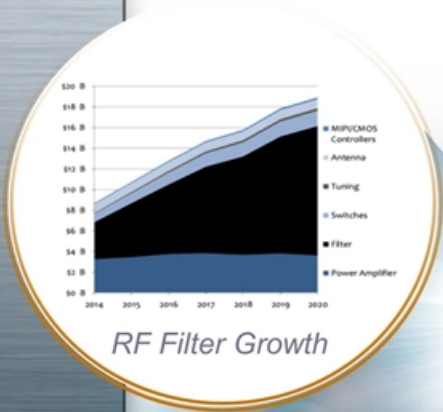
**FORMFACTOR INC.**  
Core Capabilities

Modem +  
Transceiver



**CascadeMicrotech®**  
Core Capabilities

*From Qualcomm-TDK  
JV Announcement*






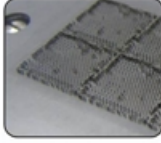

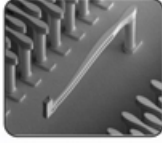


RF Filter Growth



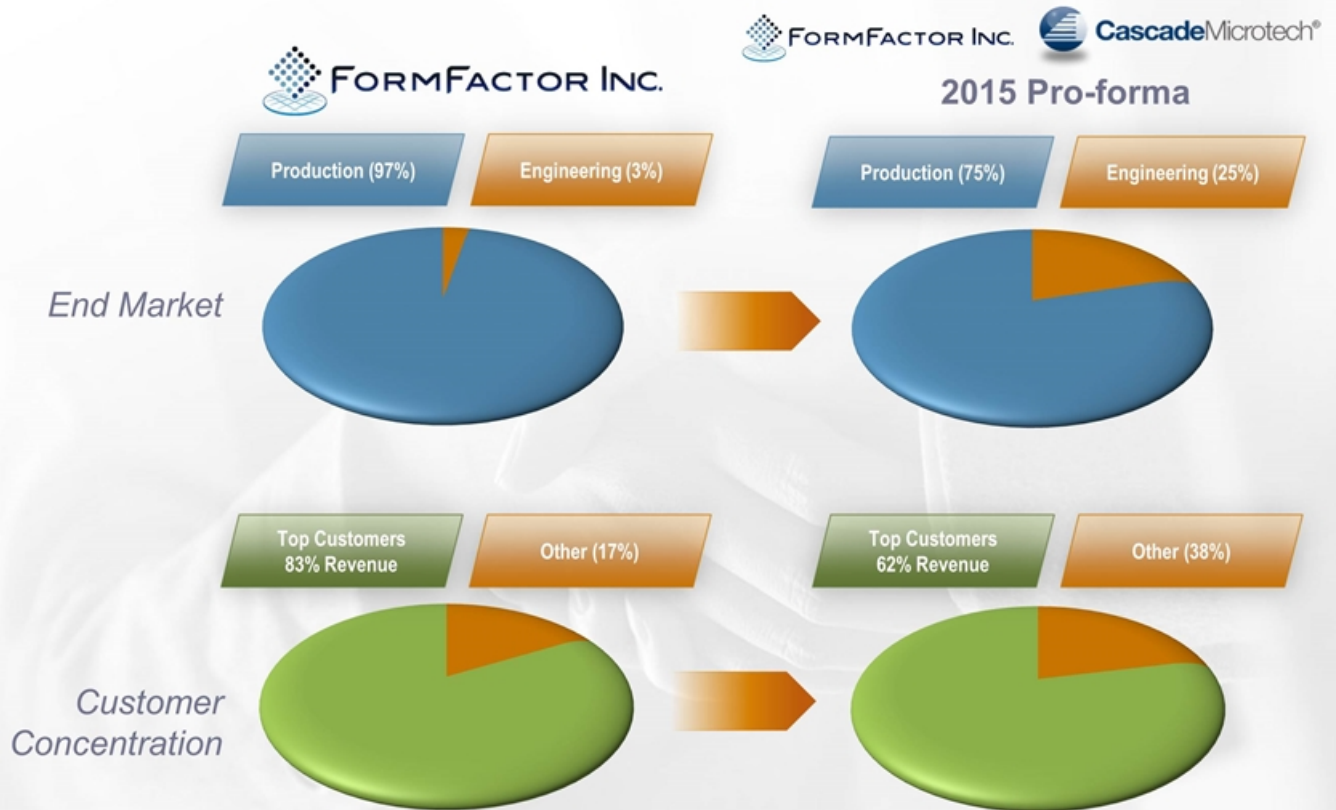
Capitalizing on  
**long term** trends,  
as well as **short term**  
component growth



# Combining Complementary Leadership Positions from Engineering through Production

	Engineering Test & Measurement		Production Probe Cards			
	ENGINEERING SYSTEMS	ENGINEERING PROBES	ADVANCED NON-MEMORY	MEMORY		
						
Application Focus	Reliability, Characterization	RF, Characterization	RF, Parametric	SoC, AP, MPU, MCU	Flash	DRAM
2015 Revenue	\$80M	\$20M	\$45M	\$135M	\$10M	\$125M
2015 Estimated Market Size	\$310M	\$35M	\$135M	\$423M	\$198M	\$335M
2019 Estimated Market Size	\$391M	\$44M	\$185M	\$517M	\$246M	\$385M
CAGR	6%	6%	8%	5%	6%	4%
						

# Diversification and Expansion of Market Presence and Customer Base



# FormFactor Financial Shareholder Value Drivers

## Market Expansion

- Expanding served market from \$1.0B to \$1.4B
- Entry into engineering systems business provides platform for future expansion in test, measurement & yield improvement

## Scale & Diversification

- 2015 pro-forma revenue of \$426M (up from \$282M)
- Top 10 customers account for 62% of revenue (down from 83%)

## Cost Synergies

- Expect to achieve \$10M - \$12M in annualized cost synergies within 18-24 months of closing
- 22%-27% of combined companies 2015 Operating Income

## Tax Benefits

- Able to accelerate monetization of FormFactor's \$295M in NOLs

## Capitalization Optimization

- Deploying ~\$120M in cash and borrowing \$150M leverages combined company's cash flows to drive additional EPS accretion

# Transaction Financing, Pro Forma Capitalization, and Pro Forma Financial Priority

## Sources of Funds

- 10.4M new FormFactor shares issued, current value of \$82M<sup>1</sup>
- \$150M of new debt
- \$120M of combined companies' balance sheet cash

## Uses of Funds

- ~\$352M of consideration to stockholders

## Pro Forma Capitalization

- Combined cash of ~\$120M, gross debt of \$150M, net debt of \$30M
- Projected LTM gross debt/EBITDA of 2.6x at closing
- Projected LTM net debt/EBITDA of 0.5x at closing




## Financial and Capital Return Priority

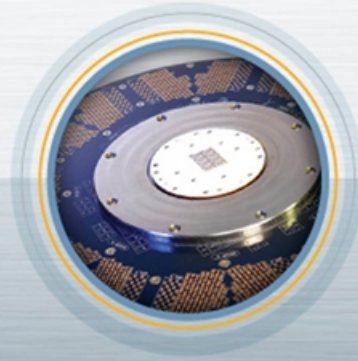
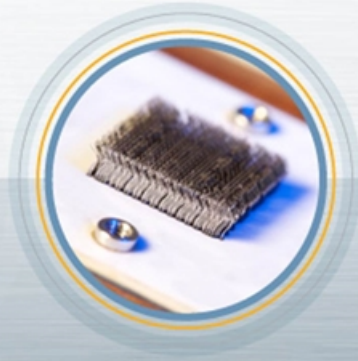
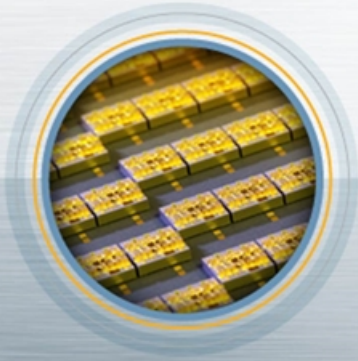
- Focus on de-leveraging
- Near term gross debt/EBITDA target below 2x within 12 months of closing

<sup>1</sup> Reference valuation for economic value. Based on FormFactor's closing price as of February 3, 2016



# Combined Results Demonstrate Benefit of Scale Efficiencies and Financial Synergies

	2015	2015 Pro-forma <sup>1</sup>
Revenue	\$282M	\$426M
Non-GAAP Gross Margin	35%	42%
Non-GAAP Operating Margin	8%	12%
Non-GAAP diluted EPS	\$0.37	\$0.65
EBITDA Margin	11%	15%
	 <b>FORMFACTOR INC.</b>	 <b>FORMFACTOR INC.</b> +  <b>CascadeMicrotech®</b>



## Appendix



# Pro forma 2015 Reconciliation

(All amounts in 000's except per share amounts)	2015											
	GAAP				Non-GAAP	GAAP				Non-GAAP	Deal (2)	Non-GAAP
	FormFactor	Stock-based Compensation	Amort. Of Intangibles	Other (1)	FormFactor	Cascade Microtech	Stock-based Compensation	Amort. Of Intangibles	Restructuring	Cascade Microtech	Adjustments Consolidated	Pro forma Consolidated
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
GM%	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

(Amounts in \$000's)	Fiscal Year 2015			
	FormFactor	Cascade Microtech	Deal (1) Adjustments	Consolidated
<b>EBITDA</b>				
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
<b>EBITDA</b>	<b>\$ 32,032</b>	<b>\$ 26,545</b>	<b>\$ 7,000</b>	<b>\$ 65,577</b>
% 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.