



January 20, 2015

Cree Reports Financial Results for the Second Quarter of Fiscal Year 2015

Quarterly Revenue of \$413 million
Quarterly Net Income of \$12 million

DURHAM, N.C., January 20, 2015 - Cree, Inc. (Nasdaq: CREE), a market leader in LED lighting, today announced revenue of \$413.2 million for its second quarter of fiscal 2015, ended December 28, 2014, which is similar to revenue of \$415.1 million reported for the second quarter of fiscal 2014. GAAP net income for the second quarter was \$12.2 million, or \$0.10 per diluted share, a decrease of 66% year-over-year compared to GAAP net income of \$35.7 million, or \$0.29 per diluted share, for the second quarter of fiscal 2014. On a non-GAAP basis, net income for the second quarter of fiscal 2015 was \$37.9 million, or \$0.33 per diluted share, a decrease of 33% year-over-year compared to non-GAAP net income for the second quarter of fiscal 2014 of \$56.8 million, or \$0.46 per diluted share. The second quarter of fiscal 2015 GAAP and non-GAAP earnings benefited from the retroactive reinstatement of the U.S. R&D tax credit at the end of December. Excluding the R&D tax credit benefit, our GAAP and non-GAAP earnings per diluted share for the second quarter of fiscal 2015 would have been \$0.08 and \$0.25, respectively.

"We made solid progress in Q2 with operating margin higher than targeted due to an improvement in gross margins in our lighting business," stated Chuck Swoboda, Cree Chairman and CEO. "The market for LED lighting is still in the early stages, our new product pipeline is strong, sales momentum is building and our brand is growing in the market. As evidenced by our significant share repurchases in Q2, we believe we are on the right track to continue to grow the company and increase profits over the next several years."

Q2 2015 Financial Metrics

(in thousands, except per share amounts and percentages)

	Second Quarter		Change	
	2015	2014		
	(unaudited)	(unaudited)		
Revenue, net	\$ 413,157	\$ 415,086	\$ (1,929)	— %
GAAP				
Gross margin	33.1%	37.5%		
Operating margin	2.5%	8.5%		
Net income	\$ 12,151	\$ 35,681	\$ (23,530)	(66)%
Earnings per diluted share	\$ 0.10	\$ 0.29	\$ (0.19)	(66)%
Non-GAAP				
Gross margin	33.9%	38.2%		
Operating margin	8.2%	14.0%		
Net income	\$ 37,949	\$ 56,774	\$ (18,825)	(33)%
Earnings per diluted share	\$ 0.33	\$ 0.46	\$ (0.13)	(28)%

- Gross margin increased 130 basis points from Q1 of fiscal 2015 to 33.1% on a GAAP basis, and increased 150 basis points to 33.9% on a non-GAAP basis.
- Cash and investments decreased by \$274.9 million from Q1 of fiscal 2015 to \$829.9 million.
- Accounts receivable, net decreased by \$18.0 million from Q1 of fiscal 2015 to \$219.0 million, with days sales outstanding of 48.
- Inventory increased by \$21.8 million from Q1 of fiscal 2015 to \$332.5 million and represents 108 days of inventory.

Recent Business Highlights:

- Redefined high-power LEDs for lighting with the new SC5 Technology™ Platform, which doubles light output to radically lower system cost. We released the Cree® XLamp® XHP50 and XHP70 LEDs, which are the first Extreme High Power LEDs based on this platform;
- Introduced the New Cree® LED Bulb, delivering superior light performance while looking just like an incandescent light bulb at an even more affordable price;

- Acted to protect Cree's intellectual property by filing lawsuits at the U.S. International Trade Commission and the U.S. District Court for the Western District of Wisconsin against Feit Electric Company, Inc. and its Asian supplier, Unity Opto Technology Co., Ltd.;
- The board of directors authorized an increase in the amount of the Company's stock repurchase program. Pursuant to the program, the Company is now authorized to repurchase shares of its common stock having an aggregate purchase price not exceeding \$550 million for all purchases in fiscal 2015. The Company spent \$266 million to repurchase 8.1 million shares of its common stock during the second quarter of fiscal 2015;
- The Company closed on its previously announced investment in Lextar and acquired approximately a 13% common stock ownership interest for \$80.5 million during December 2014.

Business Outlook:

For its third quarter of fiscal 2015 ending March 29, 2015, Cree targets revenue in a range of \$395 million to \$415 million with GAAP gross margin targeted to be 32.6%+/- and non-GAAP gross margin targeted to be 33.5%+/- . Our GAAP gross margin targets include stock-based compensation expense of approximately \$3.4 million, while our non-GAAP targets do not. Operating expenses are targeted to be similar to fiscal Q2. The tax rate is targeted at 17.0%+/- for the third quarter of fiscal 2015. GAAP net income is targeted at \$3 million to \$8 million, or \$0.03 to \$0.07 per diluted share. Non-GAAP net income is targeted in a range of \$23 million to \$28 million, or \$0.21 to \$0.25 per diluted share. The GAAP and non-GAAP net income per diluted share targets are based on an estimated 112.4 million diluted weighted average shares. Targeted non-GAAP earnings exclude expenses related to the amortization of acquired intangibles, changes in the fair value of our Lextar investment, stock-based compensation expense and asset retirement charges of \$0.18 per diluted share.

Quarterly Conference Call:

Cree will host a conference call at 5:00 p.m. EST today to review the highlights of the fiscal 2015 second quarter results and the fiscal 2015 third quarter business outlook, including significant factors and assumptions underlying the targets noted above.

The conference call will be available to the public through a live audio web broadcast via the Internet. For webcast details, visit Cree's website at investor.cree.com/events.cfm.

Supplemental financial information, including the non-GAAP reconciliation attached to this press release, is available on Cree's website at investor.cree.com/results.cfm.

About Cree, Inc.

Cree is leading the LED lighting revolution and making energy-wasting traditional lighting technologies obsolete through the use of energy-efficient, mercury-free LED lighting. Cree is a market-leading innovator of lighting-class LEDs, lighting products and semiconductor products for power and radio frequency (RF) applications.

Cree's product families include LED lighting systems and bulbs, blue and green LED chips, high-brightness LEDs, lighting-class power LEDs, power-switching devices and RF devices. Cree's products are driving improvements in applications such as general illumination, electronic signs and signals, power supplies and inverters.

For additional product and company information, please refer to www.cree.com.

Non-GAAP Financial Measures:

This press release highlights the company's financial results on both a GAAP and a non-GAAP basis. The GAAP results include certain costs, charges and expenses which are excluded from non-GAAP results. By publishing the non-GAAP measures, management intends to provide investors with additional information to further analyze the company's performance, core results and underlying trends. Cree's management evaluates results and makes operating decisions using both GAAP and non-GAAP measures included in this press release. Non-GAAP results are not prepared in accordance with GAAP and non-GAAP information should be considered a supplement to, and not a substitute for, financial statements prepared in accordance with GAAP. Investors and potential investors are encouraged to review the reconciliation of non-GAAP financial measures to their most directly comparable GAAP measures attached to this press release.

Forward Looking Statements:

The schedules attached to this release are an integral part of the release. This press release contains forward-looking statements involving risks and uncertainties, both known and unknown, that may cause actual results to differ materially from those indicated in the forward-looking statements. Actual results, including with respect to our targets and prospects, could differ materially due to a number of factors, including the risk that we may not obtain sufficient orders to achieve our targeted

revenues; price competition in key markets; the risk that we or our channel partners are not able to develop and expand customer bases and accurately anticipate demand from end customers, which can result in increased inventory and reduced orders as we experience wide fluctuations in supply and demand; the risk that our results will suffer if we are unable to balance fluctuations in customer demand and capacity; product mix; risks associated with the ramp-up of production of our new products, and our entry into new business channels different from those in which we have historically operated; the risk that we may experience production difficulties that preclude us from shipping sufficient quantities to meet customer orders or that result in higher production costs and lower margins; our ability to lower costs; the risk that customers do not maintain their favorable perception of our brand and products, resulting in lower demand for our products; the risk that retail customers may alter promotional pricing, increase promotion of a competitor's products over our products or reduce their inventory levels, all of which could negatively affect product demand; the risk that we have an increasingly complex supply chain and its ability to scale to enable maintaining a sufficient supply of raw materials; ongoing uncertainty in global economic conditions, infrastructure development or customer demand that could negatively affect product demand, collectability of receivables and other related matters as consumers and businesses may defer purchases or payments, or default on payments; the risk we may be required to record a significant charge to earnings if our goodwill or amortizable assets become impaired; our ability to complete development and commercialization of products under development, such as our pipeline of improved LED chips, LED components and LED lighting products; risks resulting from the concentration of our business among few customers, including the risk that customers may reduce or cancel orders or fail to honor purchase commitments; risks related to our multi-year warranty periods for LED lighting products; risks associated with acquisitions, divestitures or investments; the rapid development of new technology and competing products that may impair demand or render our products obsolete; the potential lack of customer acceptance for our products; risks associated with ongoing litigation; and other factors discussed in our filings with the Securities and Exchange Commission (SEC), including our report on Form 10-K for the fiscal year ended June 29, 2014, and subsequent reports filed with the SEC. These forward-looking statements represent Cree's judgment as of the date of this release. Except as required under the U.S. federal securities laws and the rules and regulations of the SEC, Cree disclaims any intent or obligation to update any forward-looking statements after the date of this release, whether as a result of new information, future events, developments, changes in assumptions or otherwise.

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[Balance sheets \(pdf\)](#)

[Statement of income \(pdf\)](#)

[Non-GAAP/GAAP reconciliation and disclaimer \(pdf\)](#)

[Results by Segment \(pdf\)](#)

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