



April 21, 2015

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

DURHAM, N.C., April 21, 2015 - Cree, Inc. (Nasdaq: CREE), a market leader in LED lighting, today announced revenue of \$409.5 million for its third quarter of fiscal 2015, ended March 29, 2015. This represents a 1% increase compared to revenue of \$405.3 million reported for the third quarter of fiscal 2014. GAAP net income for the third quarter was \$0.7 million, or \$0.01 per diluted share, a decrease of 98% year-over-year compared to GAAP net income of \$28.2 million, or \$0.23 per diluted share, for the third quarter of fiscal 2014. On a non-GAAP basis, net income for the third quarter of fiscal 2015 was \$25.0 million, or \$0.22 per diluted share, a decrease of 48% year-over-year compared to non-GAAP net income for the third quarter of fiscal 2014 of \$47.7 million, or \$0.39 per diluted share.

"Q3 revenue and non-GAAP operating profit were within our targeted range despite the impact of extreme winter weather this quarter," stated Chuck Swoboda, Cree Chairman and CEO. "We're confident that we're on the right track and optimistic about the future growth in Lighting and potential upside from our Power & RF product line."

Q3 2015 Financial Metrics

(in thousands, except per share amounts and percentages)

	Third Quarter		Change	
	2015	2014		
	(unaudited)	(unaudited)		
Revenue, net	\$ 409,519	\$ 405,259	\$ 4,260	1 %
GAAP				
Gross margin	30.6%	37.0%		
Operating margin	0.4%	7.5%		
Net income	\$ 651	\$ 28,164	\$ (27,513)	(98)%
Earnings per diluted share	\$ 0.01	\$ 0.23	\$ (0.22)	(96)%
Non-GAAP				
Gross margin	31.4%	37.8%		
Operating margin	6.4%	13.2%		
Net income	\$ 24,965	\$ 47,710	\$ (22,745)	(48)%
Earnings per diluted share	\$ 0.22	\$ 0.39	\$ (0.17)	(44)%

- Gross margin decreased 250 basis points from Q2 of fiscal 2015 to 30.6% on a GAAP basis, and decreased 250 basis points to 31.4% on a non-GAAP basis.
- Cash and investments decreased by \$47.9 million from Q2 of fiscal 2015 to \$782.0 million.
- Accounts receivable, net decreased by \$2.7 million from Q2 of fiscal 2015 to \$216.2 million, with days sales outstanding of 48.
- Inventory decreased by \$33.2 million from Q2 of fiscal 2015 to \$299.4 million and represents 95 days of inventory.

Recent Business Highlights:

- Redefined outdoor lighting performance for rural applications with the introduction of the LED Rural Utility Light (RUL) Series, designed to deliver an unprecedented combination of price, performance and quality to accelerate adoption of LED lighting across rural areas in North America;
- Introduced a new addition to the industry-leading CXA LED array family, CXA2 LED arrays, which deliver up to 33 percent higher efficacy in the same form factors by utilizing elements of the Cree® SC5 Technology™ Platform;
- Continued to expand the leading LED bulb portfolio with the TW Series™ LED T8 Tube Replacement for consumers. Designed for simple, wire-free installation, it provides industry-leading compatibility, besting the competition in light quality and performance, all at an affordable price;
- Built on the success of the groundbreaking XLamp® MH family of LEDs with the introduction of the XLamp MHD-E and MHD-G LEDs. These new LEDs leverage the Cree SC5 Technology platform to combine the high lumen density and reliability of a ceramic chip-on-board LED with the design and manufacturing advantages of a surface-mount package;
- Announced that the U.S. International Trade Commission (ITC) has agreed to open an investigation into unfair trade practices by Feit Electric Company, Inc. and its Asian supplier, Unity Opto Technology Co., Ltd., in response to a complaint filed by Cree on January 12, 2015.

Business Outlook:

For its fourth quarter of fiscal 2015 ending June 28, 2015, Cree targets revenue in a range of \$420 million to \$440 million with GAAP gross margin targeted to be 31.3%+/- and non-GAAP gross margin targeted to be 32.0%+/- . Our GAAP gross margin targets include stock-based compensation expense of approximately \$3.3 million, while our non-GAAP targets do not. Operating expenses are targeted to increase \$5 million compared to fiscal Q3. The tax rate is targeted at 9.0%+/- for the fourth quarter of fiscal 2015. GAAP net income is targeted at \$4 million to \$9 million, or \$0.04 to \$0.08 per diluted share. Non-GAAP net income is targeted in a range of \$26 million to \$31 million, or \$0.24 to \$0.28 per diluted share. The GAAP and non-GAAP net income per diluted share targets are based on an estimated 108.5 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 \$0.20 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 third quarter results and the fiscal 2015 fourth 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.

Cree® and XLamp® are registered trademarks, and SC5 Technology™ and TW Series™ are trademarks of Cree, Inc.

[Balance sheets \(pdf\)](#)
[Statement of income \(pdf\)](#)
[Non-GAAP/GAAP reconciliation and disclaimer \(pdf\)](#)
[Results by Segment \(pdf\)](#)

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