



August 13, 2013

Cree Reports Financial Results for the Fourth Quarter and Fiscal Year 2013

Annual Revenue Increased 19% to a Record \$1.4 Billion Annual Net Income Increased 96% to \$86.9 Million

DURHAM, N.C., August 13, 2013 - Cree, Inc. (Nasdaq: CREE), a market leader in LED lighting, today announced revenue of \$375.0 million for its fourth quarter of fiscal 2013, ended June 30, 2013. This represents a 22% increase compared to revenue of \$306.8 million reported for the fourth quarter of fiscal 2012, and a 7% increase compared to the third quarter of fiscal 2013. GAAP net income for the fourth quarter was \$28.2 million, or \$0.23 per diluted share, an increase of 182% year-over-year compared to GAAP net income of \$10.0 million, or \$0.09 per diluted share, for the fourth quarter of fiscal 2012. On a non-GAAP basis, net income for the fourth quarter of fiscal 2013 was \$45.6 million, or \$0.38 per diluted share, an increase of 56% year-over-year compared to non-GAAP net income for the fourth quarter of fiscal 2012 of \$29.2 million, or \$0.25 per diluted share.

For fiscal year 2013, Cree reported revenue of \$1.39 billion, which represents a 19% increase compared to revenue of \$1.16 billion for fiscal 2012. GAAP net income was \$86.9 million, or \$0.74 per diluted share, an increase of 96% compared to \$44.4 million, or \$0.39 per diluted share, for fiscal 2012. On a non-GAAP basis, net income for fiscal year 2013 was \$155.4 million, or \$1.32 per diluted share, an increase of 42% compared to \$109.2 million, or \$0.95 per diluted share, for fiscal 2012. Cree generated \$285.2 million of operating cash flow and \$186.9 million of free cash flow (cash flow from operations less capital expenditures) during fiscal 2013.

"Our fiscal fourth quarter was a strong finish to a great year, with record revenue and good earnings growth in line with our targets," stated Chuck Swoboda, Cree Chairman and CEO. "Total company backlog is ahead of this point last quarter and we are targeting solid growth in LED lighting in Q1. Our new products have opened new applications, improved payback, and fueled growth in LED lighting. We remain focused on driving mass adoption and our goal of 100% upgrade to LED lighting."

Q4 2013 Financial Metrics

(in thousands, except per share amounts and percentages)

	Fourth Quarter		Change	
	2013	2012		
	(unaudited)	(unaudited)		
Revenue, net	\$ 375,009	\$ 306,759	\$ 68,250	22%
GAAP				
Gross margin	37.5%	34.8%		
Operating margin	8.2%	2.8%		
Net income	\$ 28,242	\$ 10,026	\$ 18,216	182%
Earnings per diluted share	\$ 0.23	\$ 0.09	\$ 0.14	156%
Non-GAAP				
Gross margin	38.2%	36.3%		
Operating margin	13.7%	9.8%		
Net income	\$ 45,645	\$ 29,194	\$ 16,451	56%
Earnings per diluted share	\$ 0.38	\$ 0.25	\$ 0.13	52%

- Gross margin decreased 60 basis points from Q3 of fiscal 2013 to 37.5% on a GAAP basis, and decreased 60 basis points to 38.2% on a non-GAAP basis.
- Cash and investments increased by \$86.9 million from Q3 of fiscal 2013 to \$1.0 billion.
- Accounts receivable, net increased by \$10.6 million from Q3 of fiscal 2013 to \$192.5 million, with days sales outstanding of 46.
- Inventory increased by \$1.3 million from Q3 of fiscal 2013 to \$197.0 million and represents 76 days of inventory.

Recent Business Highlights:

- Introduced our new XSPR™ LED Residential Street Light, a breakthrough in LED outdoor lighting as the first \$99 LED street light that is targeted to compete head to head with low-cost traditional street lights in residential applications;
- Introduced our new UR Series LED Upgrade Kit that can deliver payback in less than two years and makes upgrading to LED lighting from linear fluorescent lamps simple and easy;
- Released the XLamp® XH Series LEDs, the first family of mid-power, ceramic LEDs that offer no-compromise performance and reliability;
- Launched the Cree® LED BR30 Flood Light, an extension of our series of LED bulbs designed to help accelerate the consumer lighting revolution by saving money and reducing energy consumption;
- Expanded the industry-leading CXA LED family with new 95-CRI options. Delivering up to twice the efficacy of equivalent-CRI LED light sources, the new CXA options deliver halogen-like color and push the boundaries of lighting-class performance;
- Announced that the University of North Carolina General Administration has selected high-performing lighting by Cree as part of its ongoing efforts to reduce energy usage by at least \$25 million over seven years.

Business Outlook:

For its first quarter of fiscal 2014 ending September 29, 2013, Cree targets revenue in a range of \$380 million to \$400 million, with GAAP gross margin targeted to be 38.5%+/- and non-GAAP gross margin targeted to be 39%+/- . Our GAAP gross margin targets include stock-based compensation expense of approximately \$2.2 million, while our non-GAAP targets do not. Operating expenses are targeted to increase by approximately \$3 million sequentially on both a GAAP and non-GAAP basis. The tax rate is targeted at 23.0% for the first quarter of fiscal 2014. GAAP net income is targeted at \$28 million to \$34 million, or \$0.23 to \$0.28 per diluted share. Non-GAAP net income is targeted in a range of \$44 million to \$50 million, or \$0.36 to \$0.41 per diluted share. The GAAP and non-GAAP net income targets are based on an estimated 122.4 million diluted weighted average shares. Targeted non-GAAP earnings exclude expenses related to the amortization of acquired intangibles and stock-based compensation expense of \$0.13 per diluted share.

Quarterly Conference Call:

Cree will host a conference call at 5:00 p.m. Eastern time today to review the highlights of the fourth quarter and fiscal year 2013 results and the fiscal first quarter 2014 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, LED lighting, and semiconductor products for power and radio frequency (RF) applications.

Cree's product families include LED fixtures 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; 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; 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 24, 2012, 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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[Statements of Income](#)

[Balance Sheets](#)

[Non-GAAP/GAAP Reconciliation and Disclaimer](#)

[Results by Segment](#)

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