



January 21, 2014

Cree Reports Financial Results for the Second Quarter of Fiscal Year 2014

Quarterly Revenue Increased 20% Year-over-Year to a Record \$415 million
Quarterly Net Income Increased 75% Year-over-Year to \$35.7 million

DURHAM, N.C., January 21, 2014 - Cree, Inc. (Nasdaq: CREE), a market leader in LED lighting, today announced revenue of \$415.1 million for its second quarter of fiscal 2014, ended December 29, 2013. This represents a 20% increase compared to revenue of \$346.3 million reported for the second quarter of fiscal 2013, and a 6% increase compared to the first quarter of fiscal 2014. GAAP net income for the second quarter was \$35.7 million, or \$0.29 per diluted share, an increase of 75% year-over-year compared to GAAP net income of \$20.4 million, or \$0.18 per diluted share, for the second quarter of fiscal 2013. On a non-GAAP basis, net income for the second quarter of fiscal 2014 was \$56.8 million, or \$0.46 per diluted share, an increase of 54% year-over-year compared to non-GAAP net income for the second quarter of fiscal 2013 of \$36.9 million, or \$0.32 per diluted share.

"Fiscal Q2 was another strong quarter as revenue increased to a record \$415 million driven by strong growth in LED fixtures and LED bulbs. For the first half of fiscal 2014, revenue is up 22% from the first half of fiscal 2013 and Non-GAAP operating profit is up 38%," stated Chuck Swoboda, Cree Chairman and CEO. "Our strategy is working, the business is growing and we've made great initial progress building the Cree brand."

Q2 2014 Financial Metrics

(in thousands, except per share amounts and percentages)

	Second Quarter		Change	
	2014	2013		
	(unaudited)	(unaudited)		
Revenue, net	\$ 415,086	\$ 346,286	\$ 68,800	20%
GAAP				
Gross margin	37.5%	38.5%		
Operating margin	8.5%	7.2%		
Net income	\$ 35,681	\$ 20,403	\$ 15,278	75%
Earnings per diluted share	\$ 0.29	\$ 0.18	\$ 0.11	61%
Non-GAAP				
Gross margin	38.2%	39.2%		
Operating margin	14.0%	13.7%		
Net income	\$ 56,774	\$ 36,878	\$ 19,896	54%
Earnings per diluted share	\$ 0.46	\$ 0.32	\$ 0.14	44%

- Gross margin decreased 110 basis points from Q1 of fiscal 2014 to 37.5% on a GAAP basis and decreased 100 basis points to 38.2% on a non-GAAP basis.
- Cash and investments increased by \$95.6 million from Q1 of fiscal 2014 to \$1.2 billion.
- Accounts receivable (net) increased by \$4.3 million from Q1 of fiscal 2014 to \$213.5 million, with days sales outstanding of 46.
- Inventory increased \$17.1 million from Q1 of fiscal 2014 to \$234.5 million, with days of inventory of 81 days.

Recent Business Highlights:

- Released the LEDway[®] High Output (HO) LED street light to address large multi-lane freeways and expressway applications, replacing inefficient High Pressure Sodium (HPS) lighting up to 400 watts;
- Introduced the CXB High-Bay LED luminaire, which cuts energy consumption in half and nearly eliminates maintenance costs, making it the ideal replacement for energy-wasting fluorescent and HID high-bay luminaires;
- Launched the new XLamp[®] CXA 3590 LED array, the ideal light source to replace 250-watt metal-halide fixtures. This new array delivers up to 16,225 lumens at 85oC, 68% more lumens compared to Cree's previous brightest array;
- Expanded our product line with the introduction of the new Cree[®] LED 75-watt Replacement Bulb.

Business Outlook:

For its third quarter of fiscal 2014 ending March 30, 2014, Cree targets revenue in a range of \$390 million to \$420 million with GAAP gross margin targeted to be 37.7%+/- and non-GAAP gross margin targeted to be 38.5%+/- . Our GAAP gross margin targets include stock-based compensation expense of approximately \$3.2 million, while our non-GAAP targets do not. Operating expenses are targeted to be similar to Q2. The tax rate is targeted at 21.0%+/- for the third quarter of fiscal 2014. GAAP net income is targeted at \$24 million to \$32 million, or \$0.19 to \$0.26 per diluted share. Non-GAAP net income is targeted in a range of \$42 million to \$51 million, or \$0.34 to \$0.41 per diluted share. The GAAP and non-GAAP net income per diluted share targets are based on an estimated 123.5 million diluted weighted average shares. Targeted non-GAAP earnings exclude expenses related to the amortization of acquired intangibles and stock-based compensation expense of \$0.15 per diluted share.

For our fiscal fourth quarter, the trends in the business suggest that the Company is in a good position to grow LED fixtures, LED bulbs and LED components.

Quarterly Conference Call:

Cree will host a conference call at 5:00 p.m. Eastern time today to review the highlights of the fiscal 2014 second quarter results and the fiscal 2014 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, 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 the 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; 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 30, 2013, 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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[Statement of income \(pdf\)](#)

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

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

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

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