



August 12, 2014

Cree Reports Financial Results for the Fourth Quarter and Fiscal Year 2014

Annual Revenue Increased 19% to a Record \$1.65 Billion
Annual Net Income Increased 43% to \$124 Million

DURHAM, N.C., August 12, 2014 - Cree, Inc. (Nasdaq: CREE), a market leader in LED lighting, today announced revenue of \$436 million for its fourth quarter of fiscal 2014, ended June 29, 2014. This represents a 16% increase compared to revenue of \$375 million reported for the fourth quarter of fiscal 2013, and an 8% increase compared to the third quarter of fiscal 2014. GAAP net income for the fourth quarter was \$30 million, or \$0.24 per diluted share, an increase of 6% year-over-year compared to GAAP net income of \$28 million, or \$0.23 per diluted share, for the fourth quarter of fiscal 2013. On a non-GAAP basis, net income for the fourth quarter of fiscal 2014 was \$51 million, or \$0.42 per diluted share, an increase of 12% year-over-year compared to non-GAAP net income for the fourth quarter of fiscal 2013 of \$46 million, or \$0.38 per diluted share.

For fiscal year 2014, Cree reported revenue of \$1.65 billion, which represents a 19% increase compared to revenue of \$1.39 billion for fiscal 2013. GAAP net income was \$124 million, or \$1.01 per diluted share, an increase of 43% compared to \$87 million, or \$0.74 per diluted share, for fiscal 2013. On a non-GAAP basis, net income for fiscal year 2014 was \$203 million, or \$1.65 per diluted share, an increase of 31% compared to \$155 million, or \$1.32 per diluted share, for fiscal 2013. Cree generated \$319 million of operating cash flow and \$121 million of free cash flow during fiscal 2014.

"Fiscal 2014 was another great year, as we achieved record revenue and grew our non-GAAP net income by over 30%," stated Chuck Swoboda, Cree Chairman and CEO. "The strength of our operating model gives us the flexibility to make investments to support our goal to grow the business and increase operating margin. Our new product pipeline, brand momentum and strong balance sheet put us in a great position to enable our long-term customer goal of 100% upgrade to LED lighting."

Q4 2014 Financial Metrics

(in thousands, except per share amounts and percentages)

| | Fourth Quarter | | Change | |
|----------------------------|----------------|-------------|-----------|------|
| | 2014 | 2013 | | |
| | (unaudited) | (unaudited) | | |
| Revenue, net | \$ 436,290 | \$ 375,009 | \$ 61,281 | 16 % |
| GAAP | | | | |
| Gross margin | 37.2 % | 37.5 % | | |
| Operating margin | 7.3 % | 8.2 % | | |
| Net income | \$ 29,849 | \$ 28,242 | \$ 1,607 | 6 % |
| Earnings per diluted share | \$ 0.24 | \$ 0.23 | \$ 0.01 | 4 % |
| Non-GAAP | | | | |
| Gross margin | 37.9 % | 38.2 % | | |
| Operating margin | 13.1 % | 13.7 % | | |
| Net income | \$ 51,286 | \$ 45,645 | \$ 5,641 | 12 % |
| Earnings per diluted share | \$ 0.42 | \$ 0.38 | \$ 0.04 | 11 % |

- Gross margin increased 20 basis points from Q3 of fiscal 2014 to 37.2% on a GAAP basis, and increased 10 basis points to 37.9% on a non-GAAP basis.
- Cash and investments decreased by \$61 million from Q3 of fiscal 2014 to \$1.2 billion.
- Accounts receivable, net increased by \$3 million from Q3 of fiscal 2014 to \$225 million, with days sales outstanding of 46.
- Inventory increased by \$34 million from Q3 of fiscal 2014 to \$285 million and represents 94 days of inventory.

Recent Business Highlights:

- Introduced the Cree® LED T8 Series, the first linear fluorescent replacement to deliver on the promise of LED technology with the industry's best light quality, 30% energy savings and near-universal driver compatibility;
- Launched the Cree OSQ™ Area LED luminaire, which delivers industry-leading performance, a low-profile design and a quick payback of two years*;
- Introduced the Cree XLamp® XP-L LED, the first commercially available single-die LED to achieve breakthrough efficacy of up to 200 lumens per watt (LPW) at 350mA;
- Announced that San Luis Obispo, Calif. replaced more than 2,000 outdated high-pressure sodium (HPS) street lights with Cree XSP Series LED street lights, delivering superior light quality while saving on maintenance costs and reducing the city's annual energy consumption by more than 65%;
- Announced that Walgreen Co. selected energy-efficient LED lighting by Cree for its Goodyear, Ariz. location. The store now features Cree LED troffers, linear luminaires and downlights, delivering superior illumination while saving the retailer thousands in annual energy and maintenance costs;
- Teamed with Musco Lighting to transform the San Francisco - Oakland Bay Bridge. The 1,600 Musco fixtures leverage more than 51,500 Cree® XLamp XM-L LEDs to light the entire East Span at an estimated energy savings of 50% and a lifetime of 15 years, more than seven times longer than previously deployed lighting technologies.

*Payback compared to 400W Metal Halide area luminaire and based on usage of 12 hours per-day and the national average of \$0.11 per kWh electric costs.

Business Outlook:

For its first quarter of fiscal 2015 ending September 28, 2014, Cree targets revenue in a range of \$440 million to \$465 million, with GAAP gross margin targeted to be 36.9%+/- and non-GAAP gross margin targeted to be 37.5%+/- . Our GAAP gross margin targets include stock-based compensation expense of approximately \$3 million, while our non-GAAP targets do not. Operating expenses are targeted to be similar sequentially on a non-GAAP basis and \$2 million lower on a GAAP basis. The tax rate is targeted at 21.5% for the first quarter of fiscal 2015. GAAP net income is targeted at \$30 million to \$37 million, or \$0.25 to \$0.30 per diluted share. Non-GAAP net income is targeted in a range of \$48 million to \$55 million, or \$0.40 to \$0.45 per diluted share. The GAAP and non-GAAP net income per diluted share targets are based on an estimated 122 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.

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 2014 results and the fiscal first quarter 2015 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 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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[Balance sheets \(pdf\)](#)

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

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

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

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