

CREE INC
Form 10-Q
October 17, 2018
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q
(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 23, 2018

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 0-21154

CREE, INC.

(Exact name of registrant as specified in its charter)

North Carolina 56-1572719

(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

4600 Silicon Drive 27703
Durham, North Carolina

(Address of principal executive offices) (Zip Code)

(919) 407-5300

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer
Accelerated filer

Non-accelerated
fileSmaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the

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Securities Act.]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes] No [X]

The number of shares outstanding of the registrant's common stock, par value \$0.00125 per share, as of October 12, 2018, was 102,559,333.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

CREE, INC.

UNAUDITED CONSOLIDATED BALANCE SHEETS

	September 23, 2018	June 24, 2018
	(In thousands, except par value)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$336,317	\$118,924
Short-term investments	329,223	268,161
Total cash, cash equivalents and short-term investments	665,540	387,085
Accounts receivable, net	207,565	153,875
Income tax receivable	2,837	2,434
Inventories	306,389	296,015
Prepaid expenses	26,674	28,310
Other current assets	20,793	20,191
Current assets held for sale	—	2,180
Total current assets	1,229,798	890,090
Property and equipment, net	668,299	661,319
Goodwill	620,330	620,330
Intangible assets, net	381,396	390,054
Other long-term investments	50,240	57,501
Deferred income taxes	5,713	6,451
Other assets	11,838	11,800
Total assets	\$2,967,614	\$2,637,545
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable, trade	\$147,214	\$151,307
Accrued salaries and wages	56,552	53,458
Income taxes payable	137	—
Accrued contract liabilities (Note 2)	51,250	—
Other current liabilities	38,443	43,528
Total current liabilities	293,596	248,293
Long-term liabilities:		
Long-term debt	—	292,000
Convertible notes, net	452,590	—
Deferred income taxes	2,331	3,056
Other long-term liabilities	20,399	22,115
Total long-term liabilities	475,320	317,171
Commitments and contingencies (Note 12)		
Shareholders' equity:		
Preferred stock, par value \$0.01; 3,000 shares authorized at September 23, 2018 and June 24, 2018; none issued and outstanding	—	—
Common stock, par value \$0.00125; 200,000 shares authorized at September 23, 2018 and June 24, 2018; 102,520 issued and outstanding at September 23, 2018 and 101,488 shares issued and outstanding at June 24, 2018	128	127
Additional paid-in-capital	2,676,506	2,549,123

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Accumulated other comprehensive income, net of taxes	664	596
Accumulated deficit	(483,478)	(482,710)
Total shareholders' equity	2,193,820	2,067,136
Non-controlling interest	4,878	4,945
Total liabilities and equity	\$2,967,614	\$2,637,545

The accompanying notes are an integral part of the consolidated financial statements.

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CREE, INC.

UNAUDITED CONSOLIDATED STATEMENTS OF LOSS

	Three Months Ended	
	September 30, 2018	September 24, 2017
	(In thousands, except per share amounts)	
Revenue, net	\$408,267	\$360,398
Cost of revenue, net	280,099	260,066
Gross profit	128,168	100,332
Operating expenses:		
Research and development	45,965	41,859
Sales, general and administrative	72,690	62,964
Amortization or impairment of acquisition-related intangibles	8,495	6,792
Loss on disposal or impairment of long-lived assets	493	2,825
Total operating expenses	127,643	114,440
Operating income (loss)	525	(14,108)
Non-operating expense, net	(9,505)	(1,068)
Loss before income taxes	(8,980)	(15,176)
Income tax expense	2,154	4,697
Net loss		