

CREE INC
Form 10-Q
October 18, 2017
Table of Contents

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 24, 2017

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post 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
Smaller reporting company
filer
 (Do
not
check

if
a
smaller
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 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 []

Table of Contents

The number of shares outstanding of the registrant's common stock, par value \$0.00125 per share, as of October 13, 2017, was 98,135,192.

Table of Contents

CREE, INC.
 FORM 10-Q
 For the Quarterly Period Ended September 24, 2017
 INDEX

Description	Page No.
<u>PART I - FINANCIAL INFORMATION</u>	
Item 1. <u>Financial Statements</u>	<u>3</u>
<u>Unaudited Consolidated Balance Sheets as of September 24, 2017 and June 25, 2017</u>	<u>3</u>
<u>Unaudited Consolidated Statements of (Loss) Income for the three months ended September 24, 2017 and September 25, 2016</u>	<u>4</u>
<u>Unaudited Consolidated Statements of Comprehensive (Loss) Income for the three months ended September 24, 2017 and September 25, 2016</u>	<u>5</u>
<u>Unaudited Consolidated Statements of Cash Flows for the three months ended September 24, 2017 and September 25, 2016</u>	<u>6</u>
<u>Notes to Unaudited Consolidated Financial Statements</u>	<u>7</u>
Item 2. <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>20</u>
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>31</u>
Item 4. <u>Controls and Procedures</u>	<u>31</u>
<u>PART II – OTHER INFORMATION</u>	
Item 1. <u>Legal Proceedings</u>	<u>31</u>
Item 1A. <u>Risk Factors</u>	<u>32</u>
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>45</u>
Item 3. <u>Defaults Upon Senior Securities</u>	<u>45</u>
Item 4. <u>Mine Safety Disclosures</u>	<u>45</u>
Item 5. <u>Other Information</u>	<u>45</u>
Item 6. <u>Exhibits</u>	<u>46</u>
<u>SIGNATURE</u>	<u>47</u>

Table of Contents

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

CREE, INC.

UNAUDITED CONSOLIDATED BALANCE SHEETS

	September 24, 2017	June 25, 2017
	(In thousands, except par value)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$152,058	\$132,597
Short-term investments	472,796	478,341
Total cash, cash equivalents and short-term investments	624,854	610,938
Accounts receivable, net	154,854	148,392
Income tax receivable	7,639	8,040
Inventories, net	277,944	284,385
Prepaid expenses	23,572	23,305
Other current assets	15,352	23,390
Current assets held for sale	2,254	2,180
Total current assets	1,106,469	1,100,630
Property and equipment, net	594,698	581,263
Goodwill	618,828	618,828
Intangible assets, net	267,066	274,315
Other long-term investments	47,298	50,366
Deferred income taxes	11,137	11,763
Other assets	12,491	12,702
Total assets	\$2,657,987	\$2,649,867
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable, trade	\$146,578	\$133,185
Accrued salaries and wages	39,766	41,860
Other current liabilities	43,024	36,978
Total current liabilities	229,368	212,023
Long-term liabilities:		
Long-term debt	141,000	145,000
Deferred income taxes	52,895	49,860
Other long-term liabilities	18,743	20,179
Total long-term liabilities	212,638	215,039
Commitments and contingencies (Note 13)		
Shareholders' equity:		
Preferred stock, par value \$0.01; 3,000 shares authorized at September 24, 2017 and June 25, 2017; none issued and outstanding	—	—
Common stock, par value \$0.00125; 200,000 shares authorized at September 24, 2017 and June 25, 2017; 98,045 issued and 98,039 outstanding at September 24, 2017 and 97,674 shares issued and outstanding at June 25, 2017	121	121
Additional paid-in-capital	2,426,063	2,419,517
Accumulated other comprehensive income, net of taxes	7,512	5,909
Accumulated deficit	(222,599)	(202,742)
Total shareholders' equity	2,211,097	2,222,805

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Noncontrolling interest	4,884	—
Total liabilities and equity	\$2,657,987	\$2,649,867

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

Table of Contents

CREE, INC.

UNAUDITED CONSOLIDATED STATEMENTS OF (LOSS) INCOME

	Three Months Ended	
	September 30,	September 25,
	2017	2016
	(In thousands, except per share amounts)	
Revenue, net	\$360,398	\$371,231
Cost of revenue, net	260,066	261,302
Gross profit	100,332	109,929
Operating expenses:		
Research and development	41,859	39,948
Sales, general and administrative	62,964	68,458
Amortization or impairment of acquisition-related intangibles	6,792	6,408
Loss on disposal or impairment of long-lived assets	2,825	324
Total operating expenses	114,440	115,138
Operating loss	(14,108)	(5,209)
Non-operating expense, net	(1,068)	(158)
Loss before income taxes	(15,176)	(5,367)
Income tax expense (benefit)	4,697	(5,933)
Net (loss) income	(\$19,873)	