

CREE INC
Form 10-Q
January 20, 2010
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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 December 27, 2009

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)

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North Carolina
(State or other jurisdiction of
incorporation or organization)

4600 Silicon Drive
Durham, North Carolina
(Address of principal executive offices)

56-1572719
(I.R.S. Employer
Identification No.)

27703
(Zip Code)

(919) 313-5300
(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 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, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

The number of shares outstanding of the registrant's common stock, par value \$0.00125 per share, as of January 13, 2010, was 106,170,621.

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FORM 10-Q

For the Quarterly Period Ended December 27, 2009

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Table of Contents**PART I - FINANCIAL INFORMATION****Item 1. Financial Statements****CREE, INC.****CONSOLIDATED BALANCE SHEETS**

	December 27, 2009 (Unaudited)	June 28, 2009 (Thousands, except per share data)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 482,557	\$ 290,154
Short-term investments	456,687	127,499
Total cash, cash equivalents, and short-term investments	939,244	417,653
Accounts receivable, net	113,389	103,035
Income tax receivable	1,526	1,526
Inventories, net	93,319	78,841
Deferred income taxes	11,017	10,022
Prepaid expenses and other current assets	21,933	18,359
Total current assets	1,180,428	629,436
Property and equipment, net	365,915	320,110
Long-term investments	14,845	29,557
Intangible assets, net	109,813	113,328
Goodwill	313,564	304,791
Other assets	5,772	7,345
Total assets	\$ 1,990,337	\$ 1,404,567
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Accounts payable, trade	\$ 55,969	\$ 38,770
Accrued salaries and wages	21,458	16,732
Income taxes payable	2,025	8,139
Deferred income taxes	458	122
Other current liabilities	18,543	7,868
Contingent payment due related to LLF acquisition	8,773	
Contingent payment due related to COTCO acquisition		57,050
Total current liabilities	107,226	128,681
Long-term liabilities:		
Deferred income taxes	43,869	42,752
Other long-term liabilities	8,386	8,386
Total long-term liabilities	52,255	51,138
Commitments and contingencies (Note 12)		
Shareholders' equity:		
Preferred stock, par value \$0.01; 3,000 shares authorized at December 27, 2009 and June 28, 2009; none issued and outstanding		

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Common stock, par value \$0.00125; 200,000 shares authorized at December 27, 2009 and June 28, 2009; 106,024 and 89,659 shares issued and outstanding at December 27, 2009 and June 28, 2009, respectively	132	112
Additional paid-in-capital	1,407,941	857,383
Accumulated other comprehensive income, net of taxes	11,954	11,236
Retained earnings	410,829	356,017
Total shareholders' equity	1,830,856	1,224,748
Total liabilities and shareholders' equity	\$ 1,990,337	\$ 1,404,567

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

Table of Contents**CREE, INC.****CONSOLIDATED STATEMENTS OF INCOME****(UNAUDITED)**

	Three Months Ended		Six Months Ended	
	December 27, 2009	December 28, 2008	December 27, 2009	December 28, 2008
	(Thousands, except per share data)			
Revenue, net	\$ 199,475	\$ 147,623	\$ 368,605	\$ 288,001
Cost of revenue, net	105,405	91,127	200,757	182,142
Gross profit	94,070	56,496	167,848	105,859
Operating expenses:				
Research and development	19,325	18,441	39,499	35,716
Sales, general and administrative	25,560	21,843	49,173	44,761
Amortization of acquisition related intangibles	3,045	4,062	6,090	8,124
Loss on disposal or impairment of long-lived assets	110	645	403	1,050
Total operating expenses	48,040	44,991	95,165	89,651
Operating income	46,030	11,505	72,683	16,208
Non-operating income:				
Gain on sale of investments, net	1	53	1	65
Other non-operating (expense) income	(41)	(183)	90	(17)
Interest income, net	2,001	2,539	3,631	5,331
Income from operations before income taxes	47,991	13,914	76,405	21,587
Income tax expense	14,205	3,218	21,593	4,972
Net income	\$ 33,786	\$ 10,696	\$ 54,812	\$ 16,615
Earnings per share:				
Basic net income per share	\$ 0.32	\$ 0.12	\$ 0.56	\$ 0.19
Diluted net income per share	\$ 0.32	\$ 0.12	\$ 0.55	\$ 0.19
Shares used in per share calculation:				
Basic	104,591	88,057	97,876	87,954
Diluted	106,607	88,511	99,836	88,619

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

Table of Contents**CREE, INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS****(UNAUDITED)**

	Six Months Ended	
	December 27, 2009	December 28, 2008
	(Thousands)	
Cash flows from operating activities:		
Net income	\$ 54,812	\$ 16,615
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	44,578	48,696
Stock-based compensation	11,681	10,542
Excess tax benefit from share-based payment arrangements	(15,526)	(251)
Impairment of inventory or loss on disposal or impairment of long-lived assets	403	1,050
Provision for doubtful accounts	(49)	611
Gain on sale of investment in securities	(1)	(65)
Amortization of premium/discount on investments	2,541	605
Changes in operating assets and liabilities:		
Accounts receivable	(10,368)	1,533
Inventories	(14,352)	1,187
Prepaid expenses and other assets	(2,005)	(3,228)
Accounts payable, trade	(3,818)	6,972
Accrued expenses and other liabilities	14,803	473
Net cash provided by operating activities	82,699	84,740
Cash flows from investing activities:		
Purchases of property and equipment	(61,826)	(31,266)
Payment of contingent consideration related to COTCO acquisition	(57,050)	(60,000)
Purchases of investments	(356,157)	(212,127)
Proceeds from maturities of investments	40,317	152,735
Proceeds from sale of property and equipment	302	36
Purchases of patent and licensing rights	(4,811)	(3,937)
Net cash used in investing activities	(439,225)	(154,559)
Cash flows from financing activities:		
Net proceeds from issuance of common stock	533,213	6,395
Excess tax benefit from share-based payment arrangements	15,526	251
Repurchases of common stock		(2,744)
Net cash provided by financing activities	548,739	3,902
Effects of foreign exchange changes on cash and cash equivalents	190	(479)
Net increase (decrease) in cash and cash equivalents	192,403	(66,396)
Cash and cash equivalents:		
Beginning of period	\$ 290,154	