

CREE INC
Form 10-Q
January 19, 2011
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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 26, 2010

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)	56-1572719 (I.R.S. Employer Identification No.)
4600 Silicon Drive Durham, North Carolina (Address of principal executive offices)	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 (§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, 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 <input checked="" type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-accelerated filer <input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company <input type="checkbox"/>

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of shares outstanding of the registrant's common stock, par value \$0.00125 per share, as of January 12, 2011, was 109,369,943.

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CREE, INC.

FORM 10-Q

For the Quarterly Period Ended December 26, 2010

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

	December 26, 2010	June 27, 2010
	(Unaudited)	
	(Thousands, except per share data)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 465,557	\$ 397,431
Short-term investments	645,271	668,974
Total cash, cash equivalents, and short-term investments	1,110,828	1,066,405
Accounts receivable, net	135,132	117,535
Income tax receivable	3,645	
Inventories	145,517	112,241
Deferred income taxes	19,435	18,823
Prepaid expenses and other current assets	38,671	40,159
Total current assets	1,453,228	1,355,163
Property and equipment, net	495,928	419,726
Intangible assets, net	103,621	106,109
Goodwill	326,178	313,019
Other assets	4,656	5,159
Total assets	\$ 2,383,611	\$ 2,199,176
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Accounts payable, trade	\$ 80,595	\$ 63,826
Accrued salaries and wages	19,760	26,247
Income taxes payable		14,375
Other current liabilities	21,414	15,643
Contingent payment due related to LLF acquisition	13,159	
Total current liabilities	134,928	120,091
Long-term liabilities:		
Deferred income taxes	39,398	39,398
Other long-term liabilities	20,469	11,639
Total long-term liabilities	59,867	51,037
Commitments and contingencies (Note 11)		
Shareholders' equity:		
Preferred stock, par value \$0.01; 3,000 shares authorized at December 26, 2010 and June 27, 2010; none issued and outstanding		
Common stock, par value \$0.00125; 200,000 shares authorized at December 26, 2010 and June 27, 2010; 109,308 and 108,002 shares issued and outstanding at December 26, 2010 and June 27, 2010,	136	135

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respectively

Additional paid-in-capital	1,561,402	1,507,435
Accumulated other comprehensive income, net of taxes	11,160	12,171
Retained earnings	616,118	508,307
Total shareholders' equity	2,188,816	2,028,048
Total liabilities and shareholders' equity	\$ 2,383,611	\$ 2,199,176

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

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

	Three Months Ended		Six Months Ended	
	December 26, 2010	December 27, 2009	December 26, 2010	December 27, 2009
	(Thousands, except per share data)			
Revenue, net	\$ 256,983	\$ 199,475	\$ 525,420	\$ 368,605
Cost of revenue, net	135,837	105,405	273,745	200,757
Gross profit	121,146	94,070	251,675	167,848
Operating expenses:				
Research and development	29,233	19,325	53,965	39,499
Sales, general and administrative	33,366	25,560	62,568	49,173
Amortization of acquisition related intangibles	2,706	3,045	5,412	6,090
Loss on disposal or impairment of long-lived assets	429	110	901	403
Total operating expenses	65,734	48,040	122,846	95,165
Operating income	55,412	46,030	128,829	72,683
Non-operating income:				
Gain on sale of investments, net		1	1	1
Other non-operating income (expense)	63	(41)		90
Interest income, net	2,170	2,001	4,186	3,631
Income from operations before income taxes	57,645	47,991	133,016	76,405
Income tax expense	7,870	14,205	25,205	21,593
Net income	\$ 49,775	\$ 33,786	\$ 107,811	\$ 54,812
Earnings per share:				
Basic net income per share	\$ 0.46	\$ 0.32	\$ 1.00	\$ 0.56
Diluted net income per share	\$ 0.45	\$ 0.32	\$ 0.98	\$ 0.55
Shares used in per share calculation:				
Basic	108,364	104,591	108,032	97,876
Diluted	109,976	106,607	109,817	99,836

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

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

	Six Months Ended	
	December 26, 2010	December 27, 2009
	(Thousands)	
Cash flows from operating activities:		
Net income	\$ 107,811	\$ 54,812
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	50,318	44,578
Stock-based compensation	17,981	11,681
Excess tax benefit from share-based payment arrangements	(9,277)	(15,526)
Loss on disposal or impairment of long-lived assets	901	403
Provision for doubtful accounts	(890)	(49)
Gain on sale of investment in securities	(1)	(1)
Amortization of premium/discount on investments	7,618	2,541
Changes in operating assets and liabilities:		
Accounts receivable	(16,038)	(10,368)
Inventories	(32,871)	(14,352)
Prepaid expenses and other assets	1,991	(2,005)
Accounts payable, trade	22,516	(3,818)
Accrued expenses and other liabilities	(4,303)	14,803
Net cash provided by operating activities	145,756	82,699
Cash flows from investing activities:		
Purchases of property and equipment	(126,387)	(61,826)
Payment of COTCO contingent consideration		