

# Cree Inc

CREE  
NASDAQ

## Schwab Equity Ratings® Report

Report generated on 12/07/2020, 07:48 PM

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**F** Strongly Underperform  
Data as of 12/04/2020

### SCHWAB EQUITY RATING

**F** Strongly Underperform  
Percentile Ranking: 97 Data as of 12/04/2020

Last week's rating: **F** Strongly Underperform  
Percentile Ranking: 97  
Data as of 11/27/2020

A	1-10	Strongly Outperform	BUY
B	11-30	Outperform	BUY
C	31-70	Marketperform	HOLD
D	71-90	Underperform	SELL
<b>F</b>	91-100	Strongly Underperform	<b>SELL</b>

Schwab Equity Ratings is a quantitative measure of the equity's prospects for stock price appreciation over the next twelve months in relation to its market peers.

For more details about the quantitative model's design and intent, please review the Schwab Equity Foundations document.

For more information on important disclosures please visit page 4 within this report.

### PRICE VOLATILITY OUTLOOK

**Medium** Average price volatility  
Data as of 12/04/2020

Last week's rating: Medium Data as of 11/27/2020

High	Above average price volatility
<b>Medium</b>	<b>Average price volatility</b>
Low	Below average price volatility
N/A	Volatility score not available

Price Volatility Outlook measures the degree of variance typically demonstrated by the equity in relation to its peers within the same A-F ratings group. The outlook's measurement is based on a six month forecast.

Investment suitability is partially dependent on your portfolio risk tolerance. Positive or negative connotations associated with the price volatility outlook score should mirror your personal risk appetite. For more information, please consult Managing a Portfolio Using Schwab Equity Ratings.

### RATIONALE BEHIND OUR **F** RATING ON CREE

For details about inputs to Schwab Equity Rating, see "Schwab Equity Ratings Foundations" in the "Stocks" article library under Market Insight.

▲ IMPROVED VS. PREVIOUS WEEK  
▼ DECLINED VS. PREVIOUS WEEK

	THIS WEEK	LAST WEEK	AVERAGE IMPORTANCE
<b>C</b> Growth Grade	Neutral	Neutral	Medium
<b>F</b> Quality Grade	Negative	Negative	High
<b>F</b> Sentiment Grade	Negative	Negative	High
<b>D</b> Stability Grade	Negative	Negative	Low
<b>F</b> Valuation Grade	Negative	Negative	Medium

### PRICE & VOLUME HISTORY

Data source: Refinitiv

CREE Daily Close Prices

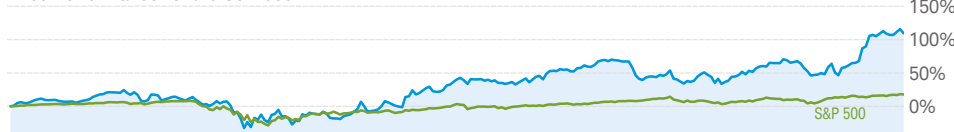

QUARTERLY POSITIVE/NEGATIVE  
EARNINGS SURPRISE ANNOUNCEMENT

--- 200-DAY  
MOVING AVERAGE


Next earnings announcement is expected in the week of 1/27



Price Performance vs. the S&amp;P 500



### BUSINESS SUMMARY

Source: Reuters

Cree, Inc. is a manufacturer of lighting-class light emitting diode (LED) products, and semiconductor products for power and radio-frequency (RF) applications. The Company's products are focused for applications, such as indoor and outdoor lighting, ...

For more details, see page 2.

### OVERVIEW

Source: Reuters

Price as of 12/4/20	\$93.50
Market Capitalization	\$10.0 Billion
Asset Class	Mid Cap
Beta	1.41

### SECTOR/INDUSTRY

Source: S&amp;P Global

Sector	Information Technology
Industry	Semiconductors & Semiconductor Equipment
Sub-Industry	Semiconductors
Schwab Sector Viewpoint	Marketperform

### METRICS

Source: Refinitiv

#### VALUE METRICS

	CREE	S&P 500
P/E last 4Q	--	35.6
P/E forecast EPS	--	41.0
P/Free Cash Flow last 4Q	--	24.2
P/Sales last 4Q	11.75	2.71
Price/Book	5.4	14.5
Dividend Yield(%)	--	1.8

#### GROWTH METRICS (%)

1 year sales growth	-16.3	-1.0
3 year sales growth	-15.0	12.3
1 year EPS growth	-245.5	-28.0
3 year EPS growth	--	22.4
1-year forecast EPS growth	-73.1	23.1
Long term growth rate 3-5 years	--	12.6
1 year dividend growth	--	9.1
3 year dividend growth	--	12.5

#### MOMENTUM METRICS (%)

4 week stock price change	31.9	5.4
26 week stock price change	57.8	15.8

#### FINANCIAL METRICS (%)

Gross margin	26.0	43.8
Net margin	-38.4	7.6
Return on assets	-11.4	2.8
Return on equity	-17.2	11.3
Return on invested capital	-12.7	11.2
Long-term debt/capital	.30	.44

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### Strongly Underperform

Data as of 12/04/2020

### EARNINGS PER SHARE

Earnings data source: Refinitiv

Fiscal Year ending  
in June

Quarterly \$					Annual \$				
2020 Q2	2020 Q3	2020 Q4	2021 Q1	2021 Q2E	2017	2018	2019	2020	2021E
\$0.00				-0.25	\$0.00				
\$-0.50					\$-0.50	-0.17			
\$-1.00	-0.49	-0.57	-0.36		\$-1.00		-0.56		-0.78
\$-1.50				-1.68	\$-1.50			-1.78	
\$-2.00					\$-2.00				
vs. prior year (%)	-143.5	-170.0	-263.6	-533.3	--	-370.8	83.4	-237.2	-217.7
Earnings Surprise(%)	--	▲7.3	▲5.3	▲11.6	--	--	▲26.7	--	▲14.4
# of analysts	10	10	13	13	11	12	8	7	15

Next earnings announcement is expected in the week of 1/27

### REVENUE

Revenue data source: Refinitiv

Fiscal Year ending  
in June

Quarterly \$					Annual \$				
2020 Q2	2020 Q3	2020 Q4	2021 Q1	2021 Q2E	2017	2018	2019	2020	2021E
\$0.3B	0.24B	0.22B	0.21B	0.22B	\$2B	1.47B			
\$0.2B				0.12B	\$1B	0.92B	1.08B	0.90B	
\$0.1B					\$1B				0.63B
\$0.0B					\$B				
vs. 1 year ago (%)	-14.5	-21.4	-18.1	-10.8	--	-8.9	-37.2	16.8	-16.3

### ANNUAL EARNINGS FORECAST

Source: Refinitiv

	MEAN FORECAST	CONSENSUS CHANGE IN LAST 30 DAYS	FORECAST RANGE	NUMBER OF FORECASTS
06/30/2021	\$-0.78	\$0.03	\$-0.91-\$-0.45	12
06/30/2022	\$-0.30	\$0.03	\$-0.77-\$0.12	13

### DIVIDENDS

Dividends data source: Refinitiv

This company does not pay a dividend.

### OTHER OPINIONS

CFRA RANKING SINCE 07/22/2013

Recommendation

★ ★ ★ ★ ★

Morningstar Rating

RATING NOT AVAILABLE

Credit Suisse Rating RATING SINCE 06/19/2014

RATING NOT AVAILABLE

Argus 12 Month Rating

RATING NOT AVAILABLE

Ned Davis Rating RATING SINCE 08/29/2016

SELL NEUTRAL BUY

Market Edge Second Opinion® RATING SINCE 10/26/2020

AVOID NEUTRAL LONG

Reuters Average Rating RATING SINCE 12/07/2020

NO OPINION SELL UNDER-PERFORM HOLD OUT-PERFORM BUY

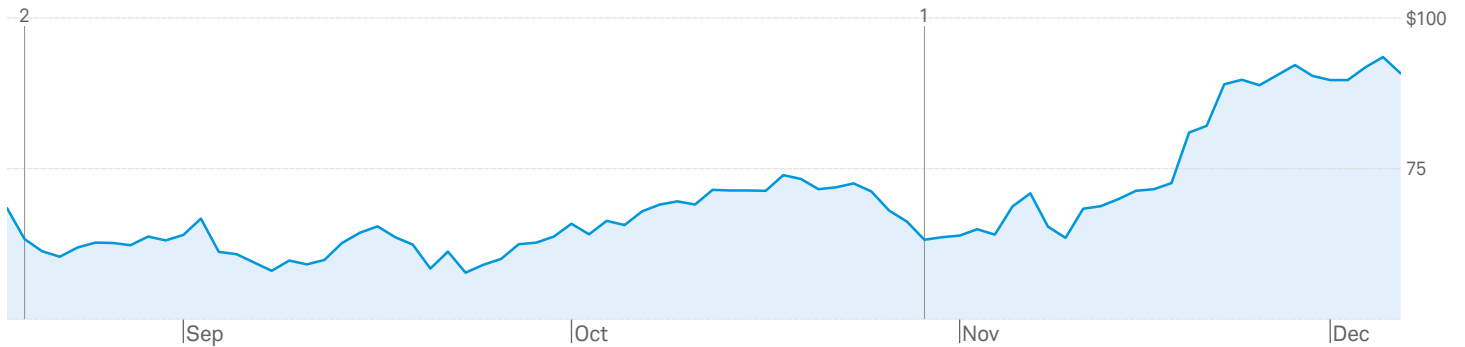
### BUSINESS DESCRIPTION

Source: Reuters

Cree, Inc. is a manufacturer of lighting-class light emitting diode (LED) products, and semiconductor products for power and radio-frequency (RF) applications. The Company's products are focused for applications, such as indoor and outdoor lighting, video displays, transportation, electronic signs and signals, power supplies, inverters and wireless systems. The Company has two segments: LED Products, and Power and RF Products. The Company's LED Products segment offers LED components, LED chips and silicon carbide (SiC) materials. The Company's Power and RF Products segment offers power devices and RF devices. The Company designs, manufactures and markets lighting systems for indoor and outdoor applications, with a focus on LED lighting systems for the commercial, industrial and consumer markets.

# Cree Inc

## NEWS HEADLINES



**1 10/29/20 8:04 am ET...** CFRA Maintains Hold Opinion on Shares of Cree, Inc. (CREE 66.22 \*\*\*) : We reiterate our 12-month target at \$63, on a P/S of 8.1x our FY 22 (June) estimate, higher than peers to reflect superior growth prospects. We widen our FY 21 per share loss estimate to \$0.81 from a \$0.64 loss but keep FY 22 at \$0.08 EPS. CREE posts a Sep-Q loss per share of \$0.19 vs. \$0.03 loss, narrower than the \$0.21 loss consensus. Sales fell 11%, slightly better than expected, on a 12% decline in LED segment sales and a 10% drop in Wolfspeed. We positively view CREE's decision to sell its LED Products segment to SMART Global Holdings for up to \$300M, seen closing by the end of March, as we think the sole focus on Wolfspeed improves CREE's growth trajectory and margin profile (gross margin of 50%+ seen by FY 24). A greater concentration on CREE's silicon carbide business coupled with a pipeline of over \$10B (majority EV driven) positions it well in the automotive and communications industries. CREE's RF offerings will benefit from a multi-year 5G upgrade cycle, in our view, with a high emphasis in China.. /Angelo Zino, CFA

**2 08/19/20 11:51 am ET...** CFRA Maintains Hold Opinion on Shares of Cree, Inc. (CREE 68.44 \*\*\*) : We raise our 12-month target to \$63 from \$50, shifting to a P/S of 6.1x our FY 22 (Jun.) estimate, above peers to reflect long-term growth prospects. We reduce our FY 21 per share estimate to a \$0.64 loss from breakeven and start FY 22 at \$0.08 EPS. CREE posts a Jun-Q loss per share of \$0.18 vs. \$0.11 EPS, narrower than the \$0.19 loss consensus. Sales fell 18%, slightly better than expected, on a 17% decline in LED segment sales and a 19% drop in Wolfspeed. Gross margin compressed, on lower utilization, factory transitions, and safety measures taken at its factories to combat the Covid-19 pandemic. While CREE is clearly being hampered by softness for China EVs and supply/demand challenges amid the pandemic, we are incrementally more positive about the company's growing pipeline and the longer-term trajectory for its silicon carbide business. Also, we think CREE is seeing good momentum for its RF offerings, driven by opportunities in 5G, but also acknowledge some near-term push-outs have acted as a headwind.. /Angelo Zino, CFA

# Cree Inc

## IMPORTANT DISCLOSURES FOR CREE

**Regulation Analyst Certification:** The views expressed in this research report accurately reflect Schwab's quantitative research model, and no part of Schwab's compensation was, is or will be, directly or indirectly, related to the specific recommendations or views disclosed in the research report.

Note the Price Chart in the disclosures of this report which shows the rating and price history over applicable periods for this stock, including if and when coverage was terminated or suspended.

Within the previous 12 months, the percentage of companies that have a Schwab Equity Rating and for which Schwab has provided investment banking services are as follows:

- 5.15% in Buy Category (Schwab Equity Ratings and Schwab Equity Ratings International of A or B)
- 3.96% in Hold Category (Schwab Equity Ratings and Schwab Equity Ratings International of C)
- 1.63% in Sell Category (Schwab Equity Ratings and Schwab Equity Ratings International of D or F)

Price History for CREE

Schwab Equity Rating History for CREE



## SCHWAB EQUITY RATINGS MEANING AND DISTRIBUTION

Schwab Equity Ratings are assigned to approximately 3000 U.S.-traded stocks. The Schwab Equity Ratings model universe is generally composed of the combined set of stocks in the Russell Investments' ("Russell") 3000 Index and the Standard & Poor's ("S&P") 500. Additional universe coverage may be incorporated from time to time. The explanation and table below are included to assist you in using Schwab Equity Ratings as one component of your own research to evaluate stocks and investment opportunities.

Schwab rates stocks using a scale of A/B/C/D/F. Schwab's outlook is that "A" rated stocks, on average, will strongly outperform and "F" rated stocks, on average, will strongly underperform the equities market over the next 12 months. Schwab Equity Ratings are based upon a disciplined, systematic approach that evaluates each stock on the basis of a wide variety of investment criteria from five broad categories: Growth, Quality, Sentiment, Stability and Valuation. This approach attempts to gauge investor expectations since stock prices tend to move in the same direction as changes in investor expectations. Stocks with low and potentially improving investor expectations tend to receive the best Schwab Equity Ratings ("A" or "B" ratings), while stocks with high and potentially falling investor expectations tend to receive the worst Schwab Equity Ratings ("D" or "F" ratings). Schwab may update the Schwab Equity Ratings methodology.

### Schwab Equity Ratings Distribution

Schwab Equity Rating	Percentile Ranking Distribution	Distribution	12 Month Return Outlook	General Buy/Hold/Sell Guidance*
A	1 - 10	Top 10%	Strongly Outperform	Buy
B	11 - 30	Next 20%	Outperform	Buy
C	31 - 70	Next 40%	Marketperform	Hold
D	71 - 90	Next 20%	Underperform	Sell
F	91 - 100	Bottom 10%	Strongly Underperform	Sell

\*The general buy/hold/sell guidance is relative to other rated equities only. Before considering whether to take any action, an investor should consider whether equities generally are performing well in comparison to other asset classes and whether other equities in the same sector or category with the same or better rating may be more appropriate.

### Investment Rating Explanation

**A (Strongly Outperform):** If an investor is looking to add a stock to his or her portfolio, "A" rated stocks may be the best candidates for consideration.

**B (Outperform):** An investor looking to add a stock to his or her portfolio might also consider a "B" rated stock, though preference should be given to "A" rated stocks.

**C (Marketperform):** An investor would not usually consider a "C" rated stock for purchase. An investor holding a "C" rated stock in his or her portfolio should consider continuing to hold the stock, and might monitor the stock's ongoing performance and compare the potential benefits of owning a stock with higher ratings.

**D (Underperform):** An investor holding a "D" rated stock should consider whether it is appropriate to continue to hold that stock in his or her portfolio. An investor would not usually consider a "D" rated stock for purchase.

**F (Strongly Underperform):** An investor holding an "F" rated stock should consider whether it is appropriate to eliminate that stock from his or her portfolio. An investor would not usually consider an "F" rated stock for purchase.

**Percentile Rankings Explanation:** Each of the approximately 3,000 stocks rated in the Schwab Equity Ratings U.S. universe is given a composite score that is derived from the research factors used in the Schwab Equity Ratings model. Once the stock's composite score, which includes all research factor scores, is calculated, the universe of rated stocks is divided into percentiles ranging from 1 to 100. The lowest percentile rankings represent the best Schwab Equity Rating Model scores and correspond to the best letter grades. For example, in a universe of 1000 stocks, the top 10 stocks would receive a percentile ranking of 1 and the bottom 10 stocks would receive a percentile ranking of 100. Stocks ranked in percentile groups 1-10 are rated "A" and those in percentile groups 11-30 are rated "B", and so forth.

### Model Risks

Schwab Equity Ratings uses quantitative analyses in its modeling method. Any limitations or inaccuracies in its analyses or models could affect model performance and the results investors may achieve. Models that appear to explain prior market data can fail to predict future market events. While the data used in the models has been taken from sources Schwab believes to be reliable; its accuracy, completeness or interpretation cannot be guaranteed. Schwab Equity Ratings may not capture subjective, qualitative influences on return and risk such as changes in management, business and political trends, or legal and regulatory developments. Thus, it is important to conduct additional research prior to making a trading decision.

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## IMPORTANT DISCLOSURES FOR CREE

### Descriptions for Non-Rated Stocks

Category	Definition	Description
NR	Not Rated	Schwab has decided not to publish a rating on this stock due to unusual or extraordinary business circumstances related to this company. Although Schwab generally does not monitor C, D, and F rated stocks for unusual or extraordinary business circumstances, from time to time, a rating of NR may appear on a particular stock.
NC	Not Covered	This stock is not currently in the Schwab Equity Ratings universe or is prohibited from coverage for regulatory or other reasons.

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Â¹Markit on Demand used S&P Global's data in making its calculations.