

## Wolfspeed Inc

# Reit. Underperform, slowing EV demand, profitability unlikely before CY26E

Reiterate Rating: UNDERPERFORM | PO: 34.00 USD | Price: 32.55 USD

## Indus. weakness/elevated investments, lower EPS/PO \$34

Wolfspeed (WOLF) reported a modestly better DecQ, but very weak MarQ trend on cyclical industrial weakness (75% of silicon carbide device output) that is likely to persist until the end of CY24E. Meanwhile, WOLF is making progress on its new Mohawk Valley (MHK) device fab, but it's overwhelmed by underutilization charges and ramping start-up costs of new Siler City (200mm materials) facility. All-in we lower CY24E/CY25E gross margins materially by (200bps)/(800bps) to 19.4%/24.8%, well below prior consensus at 25%/37%. We appreciate WOLF's SiC innovation and growing customer engagements, but we do not expect the company to become profitable before CY26E. Meanwhile capex continues to be >100% of sales and hence any cash generation is likely multiple years away. All-in, we lower FY24/25E pf-EPS by 3c/63c to (\$2.34)/(\$1.88), and lower our PO to \$34 from \$40 on an unchanged 4x CY25E EV/S.

## Likes: Customer supply agreements, MHV ramp

1) Management reported 4 SiC materials customers expanded their I-t agreements recently, with two in the last 90 days, supporting demand outlook for m-t, alongside \$2bn Renesas capacity agreement; 2) Design-ins continue to grow, at \$2.1bn in DecQ, and \$2.9bn EV-heavy design-wins (production orders placed), suggesting decent customer traction; 3) MHV fab confidence grows, with mgmt. confident in achieving 20% utilization by JunQ (revenue lagging by a few Qs), with robust qualifications especially in auto.

## Risks: EV demand slowdown, China competition, scale

1) Slowing EV demand casts doubt on solidity of supply agreements which could be revised down in the case of falling demand; 2) China suppliers of SiC could prove competitive threat over medium-term, especially in margin profiles; 3) Difficult for investors to see WOLF achieving scale and product breadth akin to the three large device incumbents (STMicro, ON, Infineon) over the long-term given long fab ramp runway and difficulty achieving strong, competitive margins.

Estimates (Jun) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	(0.50)	(0.71)	(2.34)	(1.88)	(0.34)
GAAP EPS	(1.82)	(3.49)	(2.24)	(1.29)	0.87
EPS Change (YoY)	44.4%	-42.0%	-229.6%	19.7%	81.9%
Consensus EPS (Bloomberg)			(2.41)	(1.57)	0.49
DPS	0	0	0	0	0
<b>Valuation (Jun)</b>					
GAAP P/E	NM	NM	NM	NM	37.4x
EV / EBITDA*	212.5x	384.6x	NM	142.1x	18.6x
Free Cash Flow Yield*	-16.2%	-23.1%	-51.6%	-38.0%	-8.9%

\* For full definitions of *IQmethod*<sup>SM</sup> measures, see page 15.

31 January 2024

### Equity

#### Key Changes

(US\$)	Previous	Current
Price Obj.	40.00	34.00
2024E Rev (m)	893.0	830.8
2025E Rev (m)	1,348.8	1,174.7
2026E Rev (m)	1,796.9	1,584.4
2024E EPS	-2.31	-2.34
2025E EPS	-1.25	-1.88
2026E EPS	0.76	-0.34

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### Stock Data

Price	32.55 USD
Price Objective	34.00 USD
Date Established	31-Jan-2024
Investment Opinion	C-3-9
52-Week Range	27.35 USD - 87.93 USD
Mkt Val (mn) / Shares Out	4,079 USD / 125.3 (mn)
Free Float	99.1%
Average Daily Value (mn)	121.29 USD
BoFA Ticker / Exchange	WOLF / NYS
Bloomberg / Reuters	WOLF US / WOLF.N
ROE (2024E)	-22.4%
Net Dbt to Eqty (Jun-2023A)	149.1%
ESGMeter <sup>TM</sup>	High

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BoFA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to "BoFA ESGMeter Methodology".

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Timestamp: 31 January 2024 10:35PM EST

Please see p6 for a list of abbreviations

# iQprofile<sup>SM</sup> Wolfspeed Inc

## iQmethod<sup>SM</sup> – Bus Performance\*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	-2.4%	-2.7%	-4.4%	-3.0%	0.7%
Return on Equity	-2.6%	-4.3%	-22.4%	-37.8%	-6.9%
Operating Margin	-13.9%	-17.6%	-38.9%	-18.7%	1.5%
Free Cash Flow	(660)	(943)	(2,106)	(1,550)	(363)

## iQmethod<sup>SM</sup> – Quality of Earnings\*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	NM	NM	NM	NM	NM
Asset Replacement Ratio	4.4x	5.2x	8.6x	5.4x	1.5x
Tax Rate	NM	NM	NM	NM	NM
Net Debt-to-Equity Ratio	23.5%	149.1%	450.4%	NM	491.6%
Interest Cover	NA	NA	NA	NA	NA

## Income Statement Data (Jun)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	746	922	831	1,175	1,584
% Change	19.1%	23.5%	-9.9%	41.4%	34.9%
Gross Profit	249	280	137	260	505
% Change	36.2%	12.1%	-50.9%	89.2%	94.3%
EBITDA	42	23	(113)	63	480
% Change	NM	-44.8%	NM	NM	664.4%
Net Interest & Other Income	5	23	(81)	(101)	(101)
<b>Net Income (Adjusted)</b>	<b>(60)</b>	<b>(88)</b>	<b>(295)</b>	<b>(242)</b>	<b>(45)</b>
<b>% Change</b>	<b>40.8%</b>	<b>-47.5%</b>	<b>-235.8%</b>	<b>18.1%</b>	<b>81.3%</b>

## Free Cash Flow Data (Jun)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	(242)	(464)	(370)	(227)	103
Depreciation & Amortization	130	164	188	264	436
Change in Working Capital	(102)	(66)	(178)	(33)	(80)
Deferred Taxation Charge	1	1	0	0	0
Other Adjustments, Net	59	223	(136)	(145)	(188)
Capital Expenditure	(506)	(800)	(1,610)	(1,410)	(634)
<b>Free Cash Flow</b>	<b>-660</b>	<b>-943</b>	<b>-2,106</b>	<b>-1,550</b>	<b>-363</b>
<b>% Change</b>	<b>5.2%</b>	<b>-42.8%</b>	<b>-123.3%</b>	<b>26.4%</b>	<b>76.6%</b>
Share / Issue Repurchase	540	22	24	11	0
Cost of Dividends Paid	0	0	0	0	0
Change in Debt	712	1,667	(46)	0	0

## Balance Sheet Data (Jun)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	450	1,757	625	74	111
Trade Receivables	152	156	144	198	237
Other Current Assets	1,161	1,713	1,928	1,070	965
Property, Plant & Equipment	1,481	2,204	3,488	4,267	5,008
Other Non-Current Assets	674	791	994	994	994
<b>Total Assets</b>	<b>3,918</b>	<b>6,621</b>	<b>7,178</b>	<b>6,603</b>	<b>7,315</b>
Short-Term Debt	0	0	0	0	0
Other Current Liabilities	389	662	701	864	818
Long-Term Debt	1,022	4,175	5,168	5,168	5,168
Other Non-Current Liabilities	68	162	301	301	301
<b>Total Liabilities</b>	<b>1,478</b>	<b>4,999</b>	<b>6,169</b>	<b>6,332</b>	<b>6,286</b>
<b>Total Equity</b>	<b>2,439</b>	<b>1,622</b>	<b>1,009</b>	<b>271</b>	<b>1,029</b>
<b>Total Equity &amp; Liabilities</b>	<b>3,918</b>	<b>6,621</b>	<b>7,178</b>	<b>6,603</b>	<b>7,315</b>

\* For full definitions of iQmethod<sup>SM</sup> measures, see page 15.

## Company Sector

Semiconductors

## Company Description

Founded in 1987, Wolfspeed (WOLF) develops and manufactures semiconductor materials and devices based on silicon carbide (SiC), gallium nitride (GaN), and related compounds. The company focuses primarily on light emitting diodes (LEDs), with high-quality products in chips, components, and lighting solutions. WOLF is based in Durham, NC.

## Investment Rationale

We rate WOLF Underperform. WOLF holds a unique portfolio of Silicon Carbide and Gallium Nitride assets supporting high growth opportunities in EVs and 5G base stations. However, we remain concerned about: (1) gross margin pressure as WOLF impacted by higher cost of old fabs as new fabs ramp, (2) higher capex burden as WOLF ramps new fabs is headwind to free cash flow, (3) rising competition from well established auto/industrial vendors which have larger R&D budgets

## Stock Data

Average Daily Volume 3,713,218

## Quarterly Earnings Estimates

	2023	2024
Q1	-0.04A	-0.53A
Q2	-0.11A	-0.55A
Q3	-0.13A	-0.63E
Q4	-0.42A	-0.63E

# Summary of model changes

## Exhibit 1: Summary of model changes

We lower sales 7%/13% FY24E/25E, lower EPS by 3c/63c

	Sales (\$mn)			Non-GAAP EPS		
	Old	NEW	delta	Old	NEW	delta
Sep-23	\$197	\$197	\$0	(\$0.53)	(\$0.53)	\$0.00
Dec-23	\$207	\$208	\$1	(\$0.63)	(\$0.55)	\$0.07
Mar-24E	\$231	\$200	(\$31)	(\$0.60)	(\$0.63)	(\$0.03)
Jun-24E	\$258	\$225	(\$33)	(\$0.55)	(\$0.63)	(\$0.08)
<b>FY24E</b>	<b>\$893</b>	<b>\$831</b>	<b>(\$62)</b>	<b>(\$2.31)</b>	<b>(\$2.34)</b>	<b>(\$0.03)</b>
YoY%	-3.1%	-9.9%	-7.0%	227.2%	231.6%	1.3%
Sep-24E	\$285	\$250	(\$35)	(\$0.53)	(\$0.62)	(\$0.09)
Dec-24E	\$318	\$275	(\$43)	(\$0.43)	(\$0.53)	(\$0.11)
Mar-25E	\$356	\$310	(\$46)	(\$0.22)	(\$0.39)	(\$0.17)
Jun-25E	\$389	\$340	(\$49)	(\$0.08)	(\$0.34)	(\$0.26)
<b>FY25E</b>	<b>\$1,349</b>	<b>\$1,175</b>	<b>(\$174)</b>	<b>(\$1.25)</b>	<b>(\$1.88)</b>	<b>(\$0.63)</b>
YoY%	51.0%	41.4%	-12.9%	-45.8%	-19.7%	50.4%
<b>CY24E</b>	<b>\$1,092</b>	<b>\$950</b>	<b>(\$142)</b>	<b>(\$2.11)</b>	<b>(\$2.41)</b>	<b>(\$0.30)</b>
YoY%	25.7%	9.2%	-13.0%	NA	NA	NA
<b>CY25E</b>	<b>\$1,603</b>	<b>\$1,397</b>	<b>(\$206)</b>	<b>(\$0.17)</b>	<b>(\$1.23)</b>	<b>(\$1.06)</b>
YoY%	46.7%	47.0%	-12.8%	NA	NA	NA
<b>CY26E</b>	<b>\$2,000</b>	<b>\$1,766</b>	<b>(\$234)</b>	<b>\$1.12</b>	<b>\$0.67</b>	<b>(\$0.45)</b>
YoY%	24.8%	26.4%	-11.7%	NA	NA	NA

Source: BofA Global Research estimates, company reports

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# FQ2 (Dec) reported vs expectations

## Exhibit 2: Summary of FQ2 results

DecQ sales at \$208mn, up 6% QoQ but 1% above Street estimates

	Dec-22	Sep-23	Dec-23							
			Guidance	Consensus	BofA	Reported	Delta (\$mn)	Delta (%)	QoQ	YoY
<b>Sales (\$mn)</b>	<b>\$216.1</b>	<b>\$197.4</b>	<b>\$207 (\$192 - \$222)</b>	<b>\$206.9</b>	<b>\$207.0</b>	<b>\$208.4</b>	<b>\$1.5</b>	<b>0.7%</b>	<b>5.6%</b>	<b>-3.6%</b>
QoQ%	-10.4%	-16.3%		4.8%	4.8%	5.6%				
<b>Gross Margin % (GAAP)</b>	<b>31.0%</b>	<b>12.5%</b>			<b>9.9%</b>	<b>13.3%</b>			<b>83</b>	<b>-1762</b>
<b>Gross Margin % (Non-GAAP)</b>	<b>33.6%</b>	<b>15.6%</b>		16.4%	<b>12.5%</b>	<b>16.4%</b>		<b>2</b>	<b>86</b>	<b>-1723</b>
Gross Profit (GAAP)	\$67	\$25			\$21	\$28				
Gross Profit (Non-GAAP)	\$73	\$31			\$26	\$34			11.4%	-53.0%
R&D	\$57	\$44			\$46	\$45				
SG&A	\$56	\$64			\$64	\$65				16.5%
Opex Total (GAAP)	\$158	\$120			\$124	\$126			5.3%	-20.4%
Opex Total (Non-GAAP)	\$97	\$103			\$109	\$105			1.9%	7.8%
Operating Income (GAAP)	(\$91)	(\$95)			(\$104)	(\$98)				
Operating Income (Non-GAAP)	(\$25)	(\$72)		-79	(\$83)	(\$71)	<b>\$8.4</b>	NA	-2.1%	186.6%
<b>Operating Margin % (GAAP)</b>	<b>-42.2%</b>	<b>-48.1%</b>			<b>-50.1%</b>	<b>-47.1%</b>				
<b>Operating Margin % (Non-GAAP)</b>	<b>-11.4%</b>	<b>-36.6%</b>		-38.3%	<b>-40.2%</b>	<b>-34.0%</b>		<b>428</b>	<b>265</b>	<b>-2254</b>
Pretax Income (GAAP)	(\$91)	(\$123)			(\$131)	(\$126)				
Pretax Income (Non-GAAP)	(\$21)	(\$87)			(\$102)	(\$90)				
Tax Rate (Non-GAAP)	31.1%	23.2%			23.2%	22.7%			-52	-840
Tax expense (Non-GAAP)	(\$6)	(\$20)			(\$24)	(\$20)				
Net Income (GAAP)	(\$91)	(\$403)			(\$120)	(\$145)				
Net Income (Non-GAAP)	(\$14)	(\$67)	<b>(\$79.5) ((\$71) - (\$88))</b>		(\$78)	(\$70)				
<b>Diluted EPS (GAAP)</b>	<b>(\$0.73)</b>	<b>(\$3.22)</b>		<b>(\$1.05)</b>	<b>(\$0.96)</b>	<b>(\$1.15)</b>	<b>-\$0.10</b>	<b>NA</b>	<b>n/a</b>	<b>n/a</b>
<b>Diluted EPS (Non-GAAP)</b>	<b>(\$0.11)</b>	<b>(\$0.53)</b>	<b>(\$0.63) ((\$0.56) - (\$0.70))</b>	<b>(\$0.63)</b>	<b>(\$0.63)</b>	<b>(\$0.55)</b>	<b>\$0.08</b>	<b>-12.0%</b>	<b>n/a</b>	<b>n/a</b>
Diluted Shares	124.3	125.1			125.3	125.6			0.4%	1.0%

Source: BofA Global Research estimates, company reports

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## FQ3 (Mar) guidance vs. expectations

### Exhibit 3: Summary of FQ3 guidance and outlook

MarQ sales guided below consensus, EPS 1c above

Dec-23	Mar-24E								
	Actual	BofA	Consensus	Guidance	New BofA	Delta	Delta	QoQ	YoY
Sales (\$mn)	\$208.4	\$230.5	\$222.3	\$200 (\$185 - \$215)	\$200.0	-\$22.3	-10.0%	-4.0%	-12.6%
QoQ%	5.6%	11.4%	7.4%		-4.0%				
Gross Margin % (GAAP)	13.3%	13.6%			14.2%			87	-1556
Gross Margin % (Non-GAAP)	16.4%	16.0%	18.0%		16.5%		-151	9	-1581
Gross Profit (GAAP)	\$28	\$31			\$28				
Gross Profit (Non-GAAP)	\$34	\$37			\$33			-3.5%	-55.3%
R&D	\$45	\$46			\$44				
SG&A	\$65	\$66			\$70			8.0%	15.9%
Opex Total (GAAP)	\$126	\$130			\$133			5.8%	-21.7%
Opex Total (Non-GAAP)	\$105	\$114			\$113			8.1%	8.6%
Operating Income (GAAP)	(\$98)	(\$98)			(\$105)				
Operating Income (Non-GAAP)	(\$71)	(\$77)	-77.2		(\$80)			13.6%	162.9%
Operating Margin % (GAAP)	-47.1%	-42.6%			-52.4%				
Operating Margin % (Non-GAAP)	-34.0%	-33.4%	-34.7%		-40.2%		-550	-626	-2685
Pretax Income (GAAP)	(\$126)	(\$128)			(\$136)				
Pretax Income (Non-GAAP)	(\$90)	(\$99)			(\$103)				
Tax Rate (Non-GAAP)	22.7%	23.2%			22.7%			0	34
Tax expense (Non-GAAP)	(\$20)	(\$23)			(\$23)				
Net Income (GAAP)	(\$145)	(\$129)			(\$136)				
Net Income (Non-GAAP)	(\$70)	(\$76)		(\$79) ((\$71) - (\$87))	(\$79)				
Diluted EPS (GAAP)	(\$1.15)	(\$1.02)	(\$0.97)		(\$1.08)	-\$0.11	11.3%	n/a	n/a
Diluted EPS (Non-GAAP)	(\$0.55)	(\$0.60)	(\$0.64)	(\$0.63) ((\$0.57) - (\$0.69))	(\$0.63)	\$0.01	-1.3%	n/a	n/a
Diluted Shares	125.6	125.9			126.2			0.5%	1.4%

Source: BofA Global Research, Bloomberg, company reports

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## Balance sheet, cash flow snapshot

### Exhibit 4: Summary of cash and inventory position

WOLF net cash position fell QoQ

	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	QoQ	YoY
Total cash	\$2,484	\$2,248	\$2,955	\$3,348	\$2,636	-21.3%	6.1%
ST debt	-	-	-	-	-		
LT debt	\$3,021	\$3,023	\$4,175	\$5,159	\$5,168		
Total debt	\$3,021	\$3,023	\$4,175	\$5,159	\$5,168		
Net cash	-\$537	-\$775	-\$1,220	-\$1,812	-\$2,532		
Net cash / share	(\$4.32)	(\$6.23)	(\$9.79)	(\$14.48)	(\$20.16)		
Book value / share	\$14.32	\$13.72	\$13.01	\$9.90	\$9.16		
Days sales outstanding (DSO)	71.3	65.3	59.7	71.1	57.9		
Days payables outstanding (DPO)	237.3	295.9	303.5	289.2	264.0		
Inventory \$	\$267	\$289	\$328	\$341	\$370	8.6%	38.9%
Inventory turns	2.2	2.2	2.1	2.0	2.0		
Inventory days	162.6	163.7	174.1	179.6	186.5	6.9	23.9
Cash conversion days	(3.4)	(66.9)	(69.6)	(38.5)	(19.6)		
Cash flow from ops	(\$67)	(\$11)	(\$52)	(\$147)	(\$206)	-39.5%	-206.9%
Capex	(\$103)	(\$232)	(\$401)	(\$442)	(\$531)	20.1%	416.8%
Free cash flow	(\$171)	(\$245)	(\$455)	(\$591)	(\$738)	25.0%	331.5%

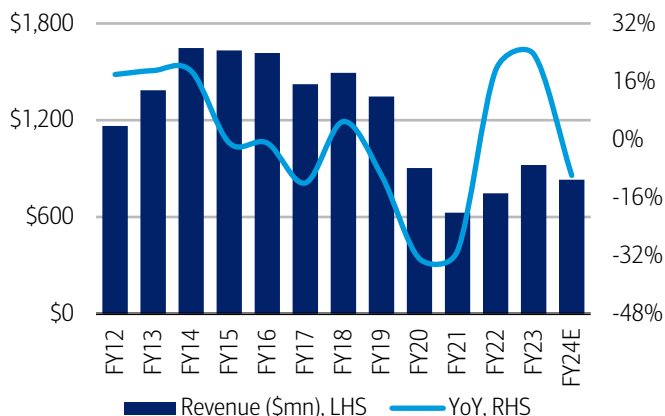
Source: BofA Global Research, Bloomberg, company reports

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## Key charts

### Exhibit 5: WOLF annual revenue and YoY growth

WOLF revenue should accelerate as Mohawk Valley ramps

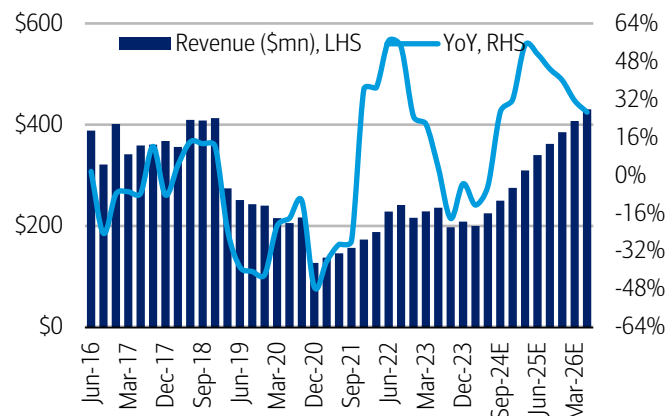


Source: BofA Global Research estimates, Company reports

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### Exhibit 6: WOLF quarterly revenue and YoY growth

Quarterly run-rate should accelerate as Mohawk ramp approaches

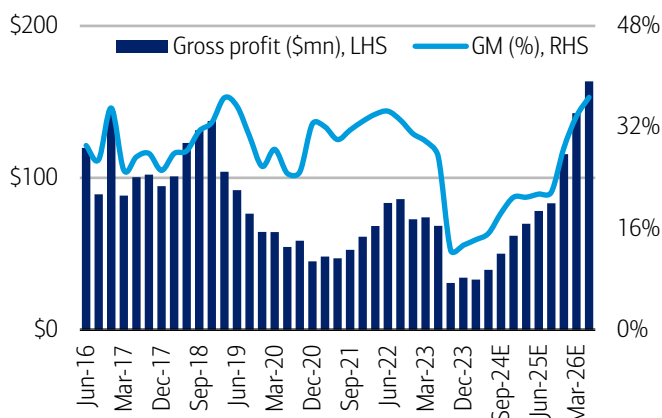


Source: BofA Global Research estimates, Company reports

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### Exhibit 7: WOLF quarterly gross profit and GM%

GMs reset in JunQ '23 factoring in underutilization headwinds

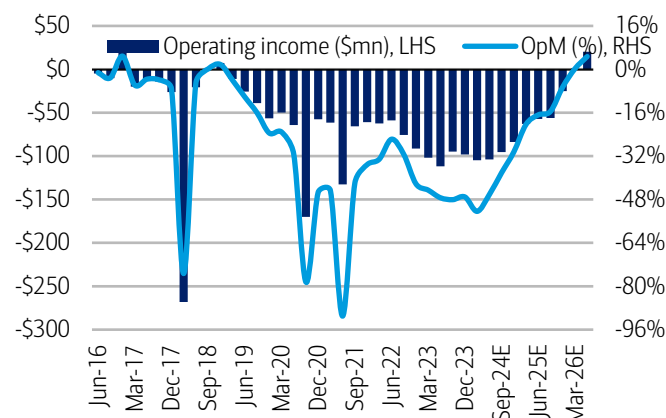


Source: BofA Global Research estimates, Company reports

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### Exhibit 8: WOLF quarterly operating income and OpM%

OpM also impacted by changes related to reporting of startup costs

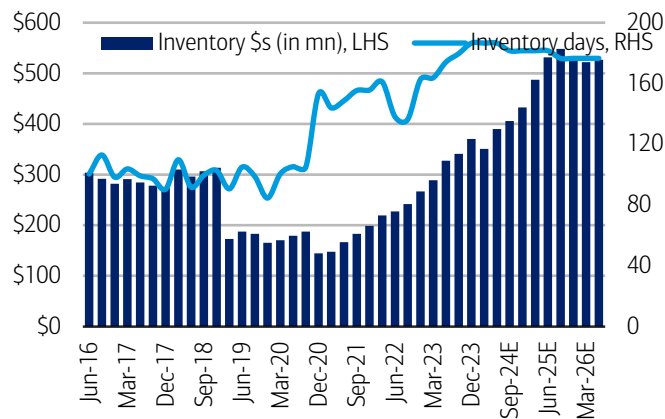


Source: BofA Global Research estimates, Company reports

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**Exhibit 9: WOLF quarterly inventory dollars and days**

Inventory days to stabilize over time

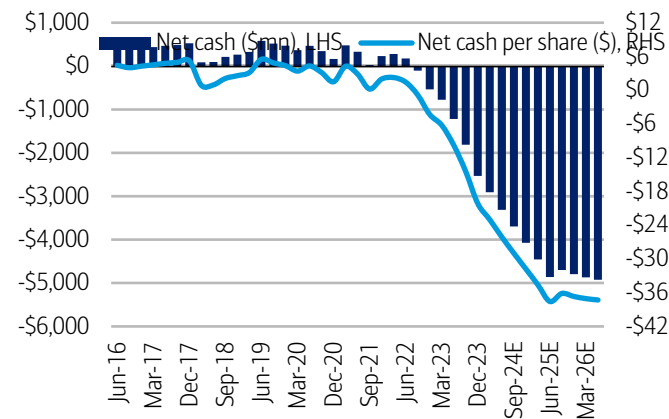


Source: BofA Global Research estimates, Company reports

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**Exhibit 10: WOLF quarterly net cash and net cash per share**

WOLF quarterly net cash to fall

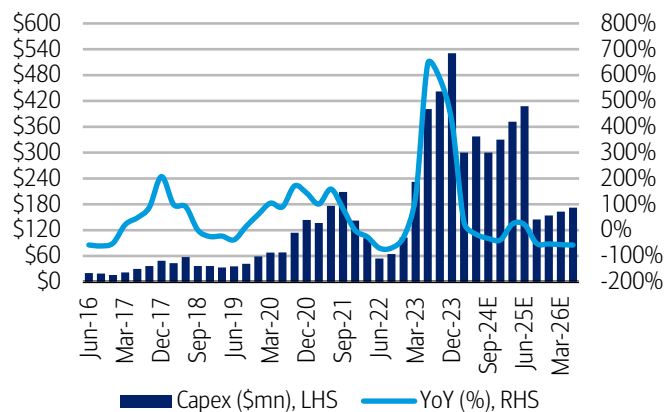


Source: BofA Global Research estimates, Company reports

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**Exhibit 11: WOLF quarterly capex and YoY growth**

FY25E capex to step down

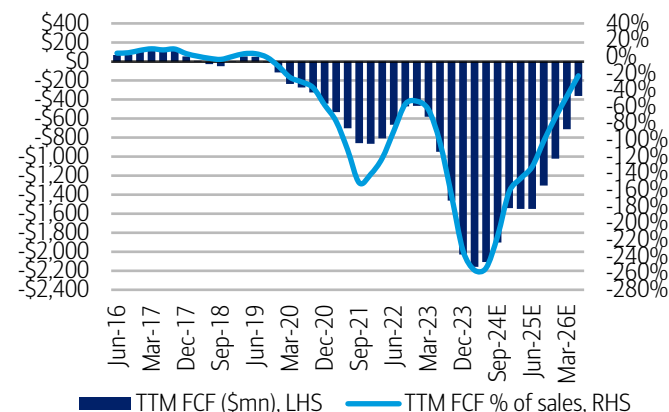


Source: BofA Global Research estimates, Company reports

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**Exhibit 12: WOLF quarterly TTM FCF and TTM FCF as a % of sales**

FCF to remain negative for the foreseeable future



Source: BofA Global Research estimates, Company reports

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**Abbreviations:**

RF: radio frequency

EV: electric vehicle

ON: ON Semiconductor

MHV: Mohawk Valley

SiC: silicon carbide

ITC: Investment tax credit

**Exhibit 13: WOLF Income Statement (\$mn)**

Revenue is set to be weak in MarQ

	Q1	Q2	Q3	Q4	Q1	Q2	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E	FY23	FY24E	FY25E	CY22	CY23	CY24E
P&L Model (\$mn)	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24E	Jun-24E	Sep-24E	Dec-24E	Mar-25E	Jun-25E	Jun-23	Jun-24E	Jun-25E	Dec-22	Dec-23	Dec-24E
Revenue	\$241.3	\$216.1	\$228.7	\$235.8	\$197.4	\$208.4	\$200.0	\$225.0	\$250.0	\$275.0	\$309.7	\$340.0	\$921.9	\$830.8	\$1,174.7	\$873.9	\$870.3	\$950.0
QoQ	5.6%	-10.4%	5.8%	3.1%	-16.3%	5.6%	-4.0%	12.5%	11.1%	10.0%	12.6%	9.8%						
YoY	54.1%	24.8%	21.6%	3.2%	-18.2%	-3.6%	-12.6%	-4.6%	26.6%	32.0%	54.9%	51.1%	23.5%	-9.9%	41.4%	42.6%	-0.4%	9.2%
Cost of Revenue (GAAP)	161.4	149.2	160.6	171.2	172.7	180.6	171.6	190.8	203.9	217.4	244.9	267.1	642.4	715.6	933.4	584.2	685.1	783.7
Gross Profit (GAAP)	79.9	66.9	68.1	64.6	24.7	27.8	28.4	34.2	46.1	57.6	64.8	72.8	279.5	115.2	241.3	289.7	185.2	166.3
Non-GAAP Gross Profit	\$86.0	\$72.7	\$73.9	\$68.4	\$30.7	\$34.2	\$33.0	\$39.4	\$50.0	\$61.9	\$69.7	\$78.2	\$301.0	\$137.3	\$259.8	\$310.3	\$207.2	\$184.2
R&D (GAAP)	55.2	57.0	56.1	57.1	44.1	45.3	44.4	45.3	47.1	48.5	49.5	51.0	225.4	179.1	196.0	208.5	202.6	185.3
SG&A (GAAP)	55.0	55.7	60.5	64.1	64.1	64.9	70.1	72.2	73.6	72.2	73.6	74.3	235.3	271.3	293.8	217.2	253.6	288.1
Total Opex	155.6	158.2	170.0	176.3	119.6	125.9	133.2	138.2	141.4	141.4	127.8	130.0	660.1	516.9	540.6	577.9	591.8	554.2
Non-GAAP Opex	94.4	97.4	104.5	145.5	103.0	105.0	113.5	117.0	123.3	122.3	107.3	108.4	441.8	438.5	461.2	372.4	458.0	476.1
GAAP Operating Income	(\$75.7)	(\$91.3)	(\$101.9)	(\$111.7)	(\$94.9)	(\$98.1)	(\$104.8)	(\$103.9)	(\$95.4)	(\$83.8)	(\$63.0)	(\$57.2)	(\$380.6)	(\$401.7)	(\$299.3)	(\$288.2)	(\$406.6)	(\$387.9)
Non-GAAP Operating Income	(\$8.4)	(\$24.7)	(\$30.6)	(\$77.1)	(\$72.3)	(\$70.8)	(\$80.5)	(\$77.6)	(\$73.3)	(\$60.4)	(\$37.6)	(\$30.2)	(\$140.8)	(\$301.2)	(\$201.5)	(\$62.1)	(\$250.8)	(\$291.8)
Non-operating expense (income), net	(49.7)	(0.8)	(2.9)	1.3	28.5	27.8	30.8	33.8	33.8	33.8	33.8	33.8	(52.1)	120.9	135.2	(44.1)	54.7	132.2
Net changes in fair value of investment	0.0	0.0	0.0	2.3	0.0	(5.4)	(5.4)	(5.4)	(5.4)	(5.4)	(5.4)	(5.4)	2.3	(16.2)	(21.6)	0.0	(3.1)	(21.6)
Other	(48.2)	3.3	7.1	6.3	14.1	14.0	14.0	14.0	14.0	14.0	14.0	14.0	(31.5)	56.1	56.0	(34.2)	41.5	56.0
Non-GAAP non-operating expense	1.5	4.1	10.0	7.3	(14.4)	(19.2)	(22.2)	(25.2)	(25.2)	(25.2)	(25.2)	(25.2)	22.9	(81.0)	(100.8)	9.9	(16.3)	(97.8)
GAAP pre-tax income	(26.0)	(90.5)	(99.0)	(113.0)	(123.4)	(125.9)	(135.6)	(137.7)	(129.2)	(117.6)	(96.8)	(91.0)	(432.7)	(280.8)	(164.1)	(332.3)	(351.9)	(255.7)
Non-GAAP pre-tax income	(6.9)	(20.6)	(20.6)	(69.8)	(86.7)	(90.0)	(102.7)	(102.8)	(98.5)	(85.6)	(62.8)	(55.4)	(117.9)	(382.2)	(302.3)	(52.2)	(267.1)	(389.6)
Income tax expense	0.2	0.4	0.5	0.3	0.2	0.3	0.7	0.7	0.6	0.6	0.5	0.5	1.4	1.9	2.2	1.3	1.3	2.6
Non-GAAP income tax expense	(2.0)	(6.4)	(4.6)	(17.0)	(20.1)	(20.4)	(23.3)	(23.3)	(19.7)	(17.1)	(12.6)	(11.1)	(30.0)	(87.1)	(60.5)	(15.9)	(62.1)	(83.4)
GAAP Net Income	(\$26.2)	(\$90.9)	(\$99.5)	(\$113.3)	(\$402.7)	(\$144.7)	(\$136.2)	(\$138.4)	(\$129.8)	(\$118.2)	(\$97.2)	(\$91.4)	(\$434.1)	(\$282.7)	(\$166.3)	(\$239.4)	(\$55.6)	(\$258.3)
Non-GAAP Net Income	(\$4.9)	(\$14.2)	(\$16.0)	(\$52.8)	(\$66.6)	(\$69.6)	(\$79.4)	(\$79.5)	(\$78.8)	(\$68.5)	(\$50.3)	(\$44.3)	(\$87.9)	(\$295.1)	(\$241.8)	(\$36.3)	(\$205.0)	(\$306.2)
GAAP Diluted EPS	(\$0.21)	(\$0.73)	(\$0.80)	(\$0.91)	(\$3.22)	(\$1.15)	(\$1.08)	(\$1.09)	(\$1.02)	(\$0.92)	(\$0.76)	(\$0.71)	(\$3.49)	(\$2.24)	(\$1.29)	(\$1.93)	(\$0.44)	(\$2.03)
Non-GAAP EPS	(\$0.04)	(\$0.11)	(\$0.13)	(\$0.42)	(\$0.53)	(\$0.55)	(\$0.63)	(\$0.63)	(\$0.62)	(\$0.53)	(\$0.39)	(\$0.34)	(\$0.71)	(\$2.34)	(\$1.88)	(\$0.29)	(\$1.64)	(\$2.41)
GAAP Diluted shares	124.0	124.3	124.4	124.7	125.1	125.6	126.2	126.9	127.5	128.1	128.8	129.4	124.4	125.9	128.5	123.9	125.0	127.2
Non-GAAP shares used	124.0	124.3	124.4	124.7	125.1	125.6	126.2	126.9	127.5	128.1	128.8	129.4	124.4	125.9	128.5	123.9	125.0	127.2
Gross margin (Non-GAAP)	35.6%	33.6%	32.3%	29.0%	15.6%	16.4%	16.5%	17.5%	20.0%	22.5%	22.5%	23.0%	32.6%	16.5%	22.1%	35.5%	23.8%	19.4%
Opex (Non-GAAP)	39.1%	45.1%	45.7%	61.7%	52.2%	50.4%	56.7%	52.0%	49.3%	44.5%	34.6%	31.9%	47.9%	52.8%	39.3%	42.6%	52.6%	50.1%
Operating margin (Non-GAAP)	-3.5%	-11.4%	-13.4%	-32.7%	-36.6%	-34.0%	-40.2%	-34.5%	-29.3%	-22.0%	-12.1%	-8.9%	-15.3%	-36.3%	-17.2%	-7.1%	-28.8%	-30.7%
Pretax income (Non-GAAP)	-2.9%	-9.5%	-9.0%	-29.6%	-43.9%	-43.2%	-51.3%	-45.7%	-39.4%	-31.1%	-20.3%	-16.3%	-12.8%	-46.0%	-25.7%	-6.0%	-30.7%	-41.0%
Tax rate (Non-GAAP)	29.0%	31.1%	22.3%	24.4%	23.2%	22.7%	22.7%	22.7%	20.0%	20.0%	20.0%	20.0%	25.4%	22.8%	20.0%	30.5%	23.2%	21.4%
Net income (Non-GAAP)	-2.0%	-6.6%	-7.0%	-22.4%	-33.7%	-33.4%	-39.7%	-35.4%	-31.5%	-24.9%	-16.2%	-13.0%	-9.5%	-35.5%	-20.6%	-4.2%	-23.6%	-32.2%



**Exhibit 14: WOLF Segment Model (\$mn)**





Materials revenue grew over 4% QoQ in DecQ

Segment Model (\$mn)	Q1 Sep-22	Q2 Dec-22	Q3 Mar-23	Q4 Jun-23	Q1 Sep-23	Q2 Dec-23	Q3E Mar-24E	Q4E Jun-24E	Q1E Sep-24E	Q2E Dec-24E	Q3E Mar-25E	Q4E Jun-25E	FY23 Jun-23	FY24E Jun-24E	FY25E Jun-25E	CY22 Dec-22	CY23 Dec-23	CY24E Dec-24E
Wolfspeed	241.3	216.1	228.7	235.8	197.4	208.4	200.0	225.0	250.0	275.0	309.7	340.0	921.9	830.8	1174.7	873.9	870.3	950.0
Materials	93.3	80.1	92.7	102.8	96.2	100.7	92.0	92.0	92.0	92.0	94.7	100.0	368.9	380.9	378.7	340.9	392.4	368.0
Power Devices	98.0	100.0	101.0	101.5	101.2	107.7	108.0	133.0	158.0	183.0	215.0	240.0	400.5	449.9	796.0	356.0	411.4	582.0
RF Devices	50.0	36.0	35.0	31.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	152.5	0.0	0.0	177.0	66.5	0.0
<b>Total</b>	<b>241.3</b>	<b>216.1</b>	<b>228.7</b>	<b>235.8</b>	<b>197.4</b>	<b>208.4</b>	<b>200.0</b>	<b>225.0</b>	<b>250.0</b>	<b>275.0</b>	<b>309.7</b>	<b>340.0</b>	<b>921.9</b>	<b>830.8</b>	<b>1174.7</b>	<b>873.9</b>	<b>870.3</b>	<b>950.0</b>
<b>QoQ %</b>																		
Wolfspeed	5.6%	(10.4%)	5.8%	3.1%	(16.3%)	5.6%	(4.0%)	12.5%	11.1%	10.0%	12.6%	9.8%						
Materials	2.0%	(14.1%)	15.7%	10.9%	-6.4%	4.7%	(8.7%)	0.0%	0.0%	0.0%	3.0%	5.5%						
Power Devices	7.7%	2.0%	1.0%	0.5%	-0.3%	6.4%	(3.1%)	19.0%	17.0%	17.0%	17.0%	12.5%						
RF Devices	8.7%	(28.0%)	(2.8%)	(10.0%)	-100.0%	NA	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%						
<b>YoY %</b>																		
Wolfspeed	54.1%	24.8%	21.6%	3.2%	(18.2%)	(3.6%)	(12.6%)	(4.6%)	26.6%	32.0%	54.9%	51.1%	23.5%	(9.9%)	41.4%	42.6%	(0.4%)	9.2%
Materials	40.7%	24.0%	22.0%	12.3%	0.03	25.7%	(0.8%)	(10.5%)	(4.4%)	(8.7%)	3.0%	8.7%	23.6%	3.2%	(0.6%)	29.0%	15.1%	(6.2%)
Power Devices	98.8%	48.1%	50.7%	11.5%	0.03	7.7%	6.9%	31.0%	56.1%	69.9%	99.1%	80.5%	45.7%	12.3%	76.9%	85.8%	15.6%	41.5%
RF Devices	22.0%	(12.2%)	(22.2%)	(31.5%)	-1.00	(100.0%)	NA	NA	NA	NA	NA	NA	(11.8%)	(100.0%)	#DIV/0!	12.7%	(62.4%)	NA
<b>% of Sales</b>																		
Wolfspeed	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Materials	38.7%	37.1%	40.5%	43.6%	48.7%	48.3%	46.0%	40.9%	36.8%	33.5%	30.6%	29.4%	40.0%	45.8%	32.2%	39.0%	45.1%	38.7%
Power Devices	40.6%	46.3%	44.2%	43.0%	51.3%	51.7%	54.0%	59.1%	63.2%	66.5%	69.4%	70.6%	43.4%	54.2%	67.8%	40.7%	47.3%	61.3%
RF Devices	20.7%	16.7%	15.3%	13.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	16.5%	0.0%	0.0%	20.3%	7.6%	0.0%

Source: BofA Global Research estimates, company reports

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**Exhibit 15: WOLF – Balance Sheet (\$mn)**

WOLF net cash is falling

	Q1	Q2	Q3	Q4	Q1	Q2	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E	FY23	FY24E	FY25E	CY22	CY23	CY24E
Balance Sheet (\$mn)	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24E	Jun-24E	Sep-24E	Dec-24E	Mar-25E	Jun-25E	Jun-23	Jun-24E	Jun-25E	Dec-22	Dec-23	Dec-24E
Cash and cash equivalents	521.6	1085.1	795.1	1757.0	1762.0	904.4	529.4	624.5	740.2	363.8	380.4	74.1	1757.0	624.5	74.1	1085.1	904.4	363.8
Short term investments	675.6	1399.3	1453.1	1197.9	1585.6	1731.3	1731.3	1231.3	731.3	731.3	331.3	231.3	1197.9	1231.3	231.3	1399.3	1731.3	731.3
Accounts receivable	158.6	169.3	164.0	154.8	154.2	132.6	127.2	143.2	145.3	159.9	180.1	197.6	154.8	143.2	197.6	169.3	132.6	159.9
Income tax receivable	0.6	1.0	1.1	0.8	0.4	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.8	0.6	0.6	1.0	0.6	0.6
Inventories	241.8	266.6	288.9	327.5	340.9	370.2	350.7	390.0	405.7	432.6	487.3	531.4	327.5	390.0	531.4	266.6	370.2	432.6
Deferred income taxes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Prepaid expenses	30.6	28.0	34.6	36.8	69.2	78.1	78.1	78.1	78.1	78.1	78.1	78.1	36.8	78.1	78.1	28.0	78.1	78.1
Other current assets	123.8	133.4	112.0	150.9	153.7	228.9	228.9	228.9	228.9	228.9	228.9	228.9	150.9	228.9	228.9	133.4	228.9	228.9
Current assets held for sale	1.6	1.6	0.0	0.0	13.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.6	0.0	0.0
<b>Total current assets</b>	<b>1754.2</b>	<b>3084.3</b>	<b>2848.8</b>	<b>3625.7</b>	<b>4079.7</b>	<b>3446.1</b>	<b>3046.3</b>	<b>2696.5</b>	<b>2330.1</b>	<b>1995.2</b>	<b>1686.7</b>	<b>1342.0</b>	<b>3625.7</b>	<b>2696.5</b>	<b>1342.0</b>	<b>3084.3</b>	<b>3446.1</b>	<b>1995.2</b>
Property and equipment, net	1529.5	1649.6	1904.0	2204.0	2453.3	2850.1	3150.1	3487.6	3487.6	3487.6	3859.3	4267.2	2204.0	3487.6	4267.2	1649.6	2850.1	3487.6
Goodwill	359.2	359.2	359.2	359.2	359.2	359.2	359.2	359.2	359.2	359.2	359.2	359.2	359.2	359.2	359.2	359.2	359.2	359.2
Intangible asets, net	122.7	120.0	118.0	115.9	24.7	23.9	23.9	23.9	23.9	23.9	23.9	23.9	115.9	23.9	23.9	120.0	23.9	23.9
Other long-term investments	2.9	2.9	2.7	2.6	2.6	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.6	2.5	2.5	2.9	2.5	2.5
Deferred income taxes	1.0	1.0	1.0	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.0	1.2	1.2
Other assets	89.0	125.9	221.0	312.1	392.1	607.2	607.2	607.2	607.2	607.2	607.2	607.2	312.1	607.2	607.2	125.9	607.2	607.2
<b>Total Assets</b>	<b>3858.5</b>	<b>5342.9</b>	<b>5454.7</b>	<b>6620.7</b>	<b>7312.8</b>	<b>7290.2</b>	<b>7190.4</b>	<b>7178.1</b>	<b>6811.7</b>	<b>6476.7</b>	<b>6539.9</b>	<b>6603.2</b>	<b>6620.7</b>	<b>7178.1</b>	<b>6603.2</b>	<b>5342.9</b>	<b>7290.2</b>	<b>6476.7</b>
Current Liabilities:																		
Accounts payable	307.1	389.1	522.2	570.9	548.9	524.0	497.8	553.5	546.8	583.1	656.8	716.3	570.9	553.5	716.3	389.1	524.0	583.1
Income taxes payable	9.1	9.4	9.5	9.6	9.8	10.0	10.0	10.0	10.0	10.0	10.0	10.0	9.6	10.0	10.0	9.4	10.0	10.0
Accrued contract liabilities	37.4	34.8	41.5	43.0	44.8	51.1	51.1	51.1	51.1	51.1	51.1	51.1	43.0	51.1	51.1	34.8	51.1	51.1
Other current liabilities	27.2	26.7	34.0	38.4	56.7	86.1	86.1	86.1	86.1	86.1	86.1	86.1	38.4	86.1	86.1	26.7	86.1	86.1
Current liabilities held for sale	0.0	0.0	0.0	0.0	96.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total current liabilities</b>	<b>380.8</b>	<b>460.0</b>	<b>607.2</b>	<b>661.9</b>	<b>756.3</b>	<b>671.2</b>	<b>645.0</b>	<b>700.7</b>	<b>694.0</b>	<b>730.3</b>	<b>804.0</b>	<b>863.5</b>	<b>661.9</b>	<b>700.7</b>	<b>863.5</b>	<b>460.0</b>	<b>671.2</b>	<b>730.3</b>
Long-term debt	0.0	0.0	1149.5	1149.5	2131.5	2137.3	2137.3	2137.3	2137.3	2137.3	2137.3	2137.3	1149.5	2137.3	2137.3	0.0	2137.3	2137.3
Convertible notes, net	1300.8	3021.0	3023.3	3025.6	3027.9	3030.3	3030.3	3030.3	3030.3	3030.3	3030.3	3030.3	3025.6	3030.3	3030.3	3021.0	3030.3	3030.3
Deferred income taxes	3.4	3.5	3.7	3.9	4.2	10.8	10.8	10.8	10.8	10.8	10.8	10.8	3.9	10.8	10.8	3.5	10.8	10.8
Other long-term liabilities	63.9	78.2	113.7	157.9	154.2	290.4	290.4	290.4	290.4	290.4	290.4	290.4	157.9	290.4	290.4	78.2	290.4	290.4
<b>Total Liabilities</b>	<b>1748.9</b>	<b>3562.7</b>	<b>3747.9</b>	<b>4998.8</b>	<b>6074.1</b>	<b>6140.0</b>	<b>6113.8</b>	<b>6169.5</b>	<b>6162.8</b>	<b>6199.1</b>	<b>6272.8</b>	<b>6332.3</b>	<b>4998.8</b>	<b>6169.5</b>	<b>6332.3</b>	<b>3562.7</b>	<b>6140.0</b>	<b>6199.1</b>
<b>Total Shareholder's Equity</b>	<b>2109.6</b>	<b>1780.2</b>	<b>1706.8</b>	<b>1621.9</b>	<b>1238.7</b>	<b>1150.2</b>	<b>1076.6</b>	<b>1008.6</b>	<b>648.8</b>	<b>277.6</b>	<b>267.1</b>	<b>270.9</b>	<b>1621.9</b>	<b>1008.6</b>	<b>270.9</b>	<b>1780.2</b>	<b>1150.2</b>	<b>277.6</b>
Non-controlling interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total Liabilities and Shareholder's Equity</b>	<b>3858.5</b>	<b>5342.9</b>	<b>5454.7</b>	<b>6620.7</b>	<b>7312.8</b>	<b>7290.2</b>	<b>7190.4</b>	<b>7178.1</b>	<b>6811.7</b>	<b>6476.7</b>	<b>6539.9</b>	<b>6603.2</b>	<b>6620.7</b>	<b>7178.1</b>	<b>6603.2</b>	<b>5342.9</b>	<b>7290.2</b>	<b>6476.7</b>
<b>Cash and Liquidity Ratios</b>																		
<b>Total cash (included restricted cash)</b>	<b>1197.2</b>	<b>2484.4</b>	<b>2248.2</b>	<b>2954.9</b>	<b>3347.6</b>	<b>2635.7</b>	<b>2260.7</b>	<b>1856</b>	<b>1471.5</b>	<b>1095.1</b>	<b>711.7</b>	<b>305</b>						
Short-term debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0						
Long-term debt	1300.8	3021.0	3023.3	4175.1	5159.4	5167.6	5167.6	5167.6	5167.6	5167.6	5167.6	5167.6						
Total debt	1300.8	3021.0	3023.3	4175.1	5159.4	5167.6	5167.6	5167.6	5167.6	5167.6	5167.6	5167.6						
Net Cash	-103.6	-536.6	-775.1	-1220.2	-1811.8	-2531.9	-2906.9	-3311.8	-3696.1	-4072.5	-4455.9	-4862.2						
<b>Net Cash/dil. share</b>	<b>(\$0.84)</b>	<b>(\$4.32)</b>	<b>(\$6.23)</b>	<b>(\$9.79)</b>	<b>(\$14.48)</b>	<b>(\$20.16)</b>	<b>(\$23.03)</b>	<b>(\$26.11)</b>	<b>(\$28.99)</b>	<b>(\$31.78)</b>	<b>(\$34.60)</b>	<b>(\$37.57)</b>						
Book Value per share	17.0	14.3	13.7	13.0	9.9	9.2	8.5	8.0	5.1	2.2	2.1	2.1						

Source: BofA Global Research estimates, company reports

BofA GLOBAL RESEARCH





We do not expect positive cash generation for some time

	Q1	Q2	Q3	Q4	Q1	Q2	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E	FY23	FY24E	FY25E	CY22	CY23E	CY24E
Cash Flow (\$mn)	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24E	Jun-24E	Sep-24E	Dec-24E	Mar-25E	Jun-25E	Jun-23	Jun-24E	Jun-25E	Dec-22	Dec-23E	Dec-24E
<b>Net Income</b>	<b>(26.2)</b>	<b>(90.9)</b>	<b>(99.5)</b>	<b>(113.3)</b>	<b>(402.7)</b>	<b>(144.7)</b>	<b>(136.2)</b>	<b>(138.4)</b>	<b>(129.8)</b>	<b>(118.2)</b>	<b>(97.2)</b>	<b>(91.4)</b>	<b>(329.9)</b>	<b>(822.1)</b>	<b>(436.7)</b>	<b>(245.4)</b>	<b>(760.2)</b>	<b>(522.7)</b>
Depreciation and amortization	38.0	39.1	41.1	45.8	40.1	48.6	46.6	52.5	56.2	61.9	69.7	76.5	164.0	187.8	264.3	139.4	175.0	217.2
Amortization of debt issuance costs and discount	1.3	1.6	2.3	2.3	7.2	7.5	0.0	0.0	0.0	0.0	0.0	0.0	7.5	14.7	0.0	14.0	19.0	0.0
Stock-based compensation	22.0	21.2	19.6	19.1	19.7	22.4	16.0	18.0	13.7	15.1	17.0	18.7	81.9	76.1	64.6	74.1	80.0	62.9
Goodwill impairment charges	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loss on disposal or Impairment of long-lived assets	1.9	0.1	1.7	0.1	0.0	0.4	0.0	0.0	0.0	0.0	0.0	0.0	3.8	0.4	0.0	1.4	2.2	0.0
Gain on sale of investment in securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortization of premium/discount on investments	1.4	0.8	(3.5)	(3.4)	(5.3)	(8.5)	0.0	0.0	0.0	0.0	0.0	0.0	(4.7)	(13.8)	0.0	5.1	(20.7)	0.0
Loss (Gain) on equity investments	0.0	0.0	0.0	0.0	0.0	(5.4)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(5.4)	0.0	0.0	(5.4)	0.0
Foreign exchange loss on equity investment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Deferred income taxes	0.2	0.1	0.2	0.0	0.3	(0.2)	0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.1	0.0	0.6	0.3	0.0
Other	0.0	0.0	0.0	0.0	244.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	244.4	0.0	0.0	244.4	0.0
Accounts receivable, net	(8.2)	(10.9)	5.3	9.2	0.6	21.6	5.4	(15.9)	(2.2)	(14.5)	(20.2)	(17.6)	(4.6)	11.6	(54.5)	(59.3)	36.7	(27.3)
Inventories	(13.6)	(24.6)	(21.1)	(38.2)	(50.0)	(32.6)	19.5	(39.2)	(15.7)	(26.9)	(54.7)	(44.1)	(97.5)	(102.4)	(141.4)	(66.0)	(141.9)	(62.4)
Prepaid expenses and other assets	1.5	(3.3)	(9.3)	(7.4)	(34.7)	(39.7)	0.0	0.0	0.0	0.0	0.0	0.0	(18.5)	(74.4)	0.0	3.5	(91.1)	0.0
Accounts payable	(5.8)	10.0	(0.1)	25.9	(18.1)	(39.9)	(26.2)	55.7	(6.6)	36.3	73.7	59.5	30.0	(28.5)	162.8	30.6	(32.2)	59.1
Accrued salaries and wages	(25.6)	(7.6)	25.6	6.5	45.3	(40.1)	0.0	0.0	0.0	0.0	0.0	0.0	(1.1)	5.2	0.0	(30.4)	37.3	0.0
Other liabilities	0.4	(2.6)	26.7	1.5	5.8	5.0	0.0	0.0	0.0	0.0	0.0	0.0	26.0	10.8	0.0	(6.5)	39.0	0.0
<b>Net cash provided by operating activities</b>	<b>(12.7)</b>	<b>(67.0)</b>	<b>(11.0)</b>	<b>(51.9)</b>	<b>(147.4)</b>	<b>(205.6)</b>	<b>(75.0)</b>	<b>(67.4)</b>	<b>(84.3)</b>	<b>(46.4)</b>	<b>(11.7)</b>	<b>1.6</b>	<b>(142.6)</b>	<b>(495.4)</b>	<b>(140.9)</b>	<b>(138.9)</b>	<b>(415.9)</b>	<b>(273.1)</b>
Purchase of PP&E (net)	(64.4)	(102.7)	(232.1)	(401.1)	(442.0)	(530.8)	(300.0)	(337.5)	(300.0)	(330.0)	(371.7)	(408.0)	(800.3)	(1610.3)	(1409.6)	(322.2)	(1606.0)	(1267.4)
Purchases of patent and licensing rights	(1.5)	(1.4)	(1.8)	(1.8)	(1.3)	(1.9)	0.0	0.0	0.0	0.0	0.0	0.0	(6.5)	(3.2)	0.0	(6.0)	(6.8)	0.0
Proceeds from sale of PP&E	1.6	0.1	0.0	0.0	0.0	0.4	0.0	0.0	0.0	0.0	0.0	0.0	1.7	0.4	0.0	2.1	0.4	0.0
Purchases of short-term investments	(28.9)	(785.2)	(206.4)	(170.5)	(775.3)	(531.9)	0.0	0.0	0.0	0.0	0.0	(200.0)	(1191.0)	(1307.2)	(200.0)	(1259.3)	(1684.1)	0.0
Proceeds from maturities of short-term investments	68.8	46.7	122.9	398.8	409.6	325.1	0.0	0.0	0.0	0.0	0.0	0.0	637.2	734.7	0.0	250.0	1256.4	0.0
Proceeds from sale of short-term investments	25.4	17.7	38.7	28.3	24.8	1.0	0.0	500.0	500.0	0.0	400.0	300.0	110.1	525.8	1200.0	79.1	92.8	1000.0
<b>Net cash used in investing activities</b>	<b>102.8</b>	<b>(824.8)</b>	<b>(278.7)</b>	<b>(146.3)</b>	<b>(785.9)</b>	<b>(660.8)</b>	<b>(300.0)</b>	<b>162.5</b>	<b>200.0</b>	<b>(330.0)</b>	<b>28.3</b>	<b>(308.0)</b>	<b>(1147.0)</b>	<b>(1584.2)</b>	<b>(409.6)</b>	<b>(1029.5)</b>	<b>(1871.7)</b>	<b>(267.4)</b>
Payment on long-term debt borrowing	(0.2)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	0.0	0.0	0.0	0.0	0.0	0.0	(0.5)	(0.2)	0.0	(0.6)	(0.4)	0.0
Proceeds from convertible notes	0.0	1750.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1750.0	0.0	0.0	2500.0	0.0	0.0
Payments of debt issuance costs	0.0	(31.4)	0.0	(50.7)	(46.0)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(82.1)	(46.0)	0.0	(49.1)	(96.7)	0.0
Net proceeds from issuance of common stock	0.5	10.7	0.2	12.4	0.5	10.4	0.0	0.0	0.0	0.0	0.0	0.0	23.8	10.9	0.0	22.1	23.5	0.0
Excess tax benefit from stock-based payment arrangements	(16.9)	(0.4)	(0.4)	(1.5)	(15.0)	(1.7)	0.0	0.0	0.0	0.0	0.0	0.0	(19.2)	(16.7)	0.0	(21.1)	(18.5)	0.0
Repurchases of common stock	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	(1.0)	(273.9)	0.0	0.0	(1.0)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(274.9)	(1.0)	0.0	(383.1)	(1.0)	0.0
<b>Net cash provided by financing activities</b>	<b>(17.6)</b>	<b>1454.9</b>	<b>(0.3)</b>	<b>1160.1</b>	<b>938.4</b>	<b>8.6</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>2597.1</b>	<b>947.0</b>	<b>0.0</b>	<b>2068.2</b>	<b>2106.8</b>	<b>0.0</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>72.1</b>	<b>563.5</b>	<b>(290.0)</b>	<b>961.9</b>	<b>5.0</b>	<b>(857.6)</b>	<b>(375.0)</b>	<b>95.1</b>	<b>115.7</b>	<b>(376.4)</b>	<b>16.6</b>	<b>(306.4)</b>	<b>1307.5</b>	<b>(1132.5)</b>	<b>(550.5)</b>	<b>899.7</b>	<b>(180.7)</b>	<b>(540.6)</b>
Cash and cash equivalents at beginning	449.5	521.6	1085.1	795.1	1757.0	1762.0	904.4	529.4	624.5	740.2	363.8	380.4	449.5	1757.0	624.5	185.4	1085.1	904.4
<b>Cash and cash equivalents at end</b>	<b>521.6</b>	<b>1085.1</b>	<b>795.1</b>	<b>1757.0</b>	<b>1762.0</b>	<b>904.4</b>	<b>529.4</b>	<b>624.5</b>	<b>740.2</b>	<b>363.8</b>	<b>380.4</b>	<b>74.1</b>	<b>1757.0</b>	<b>624.5</b>	<b>74.1</b>	<b>1085.1</b>	<b>904.4</b>	<b>363.8</b>
<b>Free Cash Flow</b>																		
<b>Free Cash Flow (FCF)</b>	<b>(78.6)</b>	<b>(171.1)</b>	<b>(244.9)</b>	<b>(454.8)</b>	<b>(590.7)</b>	<b>(738.3)</b>	<b>(375.0)</b>	<b>(404.9)</b>	<b>(384.3)</b>	<b>(376.4)</b>	<b>(383.4)</b>	<b>(406.4)</b>	<b>(949.4)</b>	<b>(2108.9)</b>	<b>(1550.5)</b>	<b>(467.1)</b>	<b>(2028.7)</b>	<b>(1540.6)</b>
FCF/share	(\$0.63)	(\$1.38)	(\$1.97)	(\$3.65)	(\$4.72)	(\$5.88)	(\$2.97)	(\$3.19)	(\$3.01)	(\$2.94)	(\$2.98)	(\$3.14)	(\$7.63)	(\$16.74)	(\$12.07)	(\$3.77)	(\$16.24)	(\$12.11)
TTM FCF	(472.4)	(467.1)	(580.8)	(949.4)	(1461.5)	(2028.7)	(2158.8)	(2108.9)	(1902.5)	(1540.6)	(1549.0)	(1550.5)						

Source: BofA Global Research estimates, company reports

BofA GLOBAL RESEARCH

## Price objective basis & risk

### Wolfspeed Inc (WOLF)

We assign a \$34 PO on 4x CY25E EV/S, in line auto tech peers, justified given the leverage to high growth prospects in automotive and communication markets, partially offset by near term profitability headwinds.

Upside risks to our PO are: (1) Faster than anticipated EV adoption with higher SiC penetration, (2) Accelerated ramp of Mohawk Valley driving stronger than expected cost improvements, (3) Slowdown in competitor investment in SiC technology, (4) Market share gains in autos or telecom.

Downside risks to our PO are: (1) lumpy 5G telecom capex and rollout of next generation base stations, (2) long-term impacts of COVID-19 reducing automotive demand, (3) higher than expected investment to sustain SiC factory production.

## Analyst Certification

I, Vivek Arya, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

### US - Semiconductors and Semiconductor Capital Equipment Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
<b>BUY</b>				
	Advanced Micro Devices, Inc	AMD	AMD US	Vivek Arya
	Analog Devices Inc.	ADI	ADI US	Vivek Arya
	Applied Materials, Inc.	AMAT	AMAT US	Vivek Arya
	Arm Holdings	ARM	ARM US	Vivek Arya
	Broadcom Inc	AVGO	AVGO US	Vivek Arya
	Cadence	CDNS	CDNS US	Vivek Arya
	Camtek	CAMT	CAMT US	Vivek Arya
	KLA Corporation	KLAC	KLAC US	Vivek Arya
	Lam Research Corp.	LRCX	LRCX US	Vivek Arya
	M/A-Com	MTSI	MTSI US	Vivek Arya
	Marvell Technology Group Ltd.	MRVL	MRVL US	Vivek Arya
	Microchip	MCHP	MCHP US	Vivek Arya
	Micron Technology, Inc	MU	MU US	Vivek Arya
	Nova	NVMI	NVMI US	Vivek Arya
	NVIDIA Corporation	NVDA	NVDA US	Vivek Arya
	NXP Semiconductors NV	NXPI	NXPI US	Vivek Arya
	onsemi	ON	ON US	Vivek Arya
	Synopsys	SNPS	SNPS US	Vivek Arya
<b>NEUTRAL</b>				
	Advanced Energy Industries	AEIS	AEIS US	Duksan Jang
	Allegro MicroSystems	ALGM	ALGM US	Blake Friedman
	Axcelis Technologies	ACLS	ACLS US	Duksan Jang
	Coherent Corp	COHR	COHR US	Vivek Arya
	GlobalFoundries	GFS	GFS US	Vivek Arya
	Intel	INTC	INTC US	Vivek Arya
	Lattice Semiconductor	LSCC	LSCC US	Blake Friedman
	Texas Instruments Inc.	TXN	TXN US	Vivek Arya
<b>UNDERPERFORM</b>				
	Ambarella	AMBA	AMBA US	Vivek Arya
	Credo Technology	CRDO	CRDO US	Vivek Arya
	Lumentum Holdings	LITE	LITE US	Vivek Arya
	Qorvo Inc.	QRVO	QRVO US	Vivek Arya
	Skyworks Solutions, Inc.	SWKS	SWKS US	Vivek Arya

## US - Semiconductors and Semiconductor Capital Equipment Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Teradyne	TER	TER US	Vivek Arya
	Wolfspeed Inc	WOLF	WOLF US	Vivek Arya

**iQmethod<sup>SM</sup> Measures Definitions****Business Performance**

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

**Quality of Earnings**

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

**Valuation Toolkit**

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

EV / EBITDA

**Numerator**

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

**Numerator**

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash &amp; Equivalents

EBIT

**Numerator**

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

**Denominator**

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill

Amortization

Shareholders' Equity

Sales

N/A

N/A

**Denominator**

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

**Denominator**

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

Basic EBIT + Depreciation + Amortization

**iQmethod<sup>SM</sup>** is the set of BofA Global Research standard measures that serve to maintain global consistency under three broad headings: Business Performance, Quality of Earnings, and validations. The key features of iQmethod are: A consistently structured, detailed, and transparent methodology. Guidelines to maximize the effectiveness of the comparative valuation process, and to identify some common pitfalls.

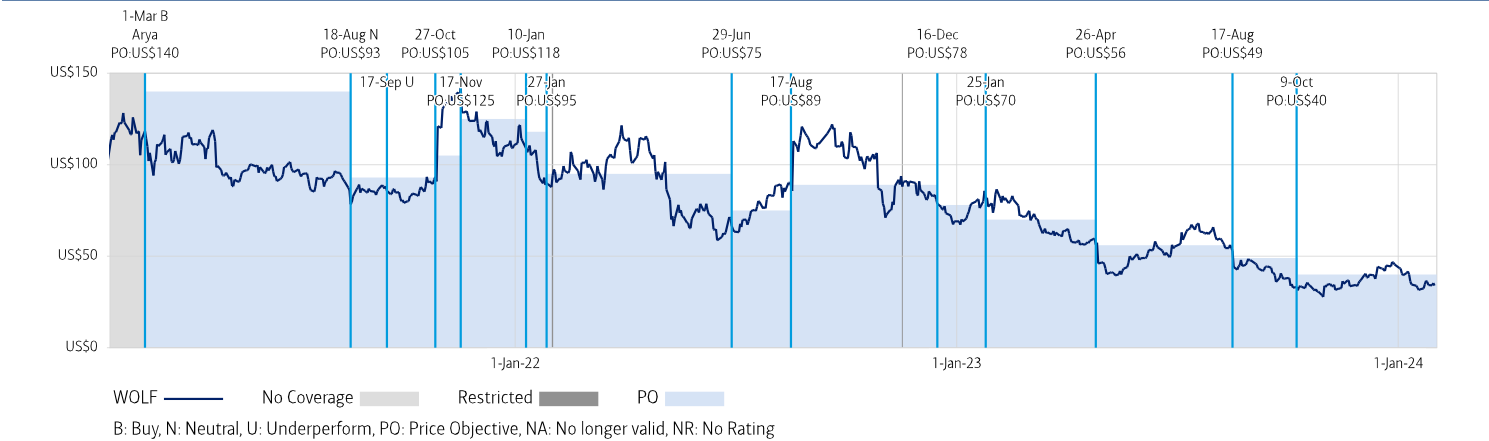
**iQdatabase<sup>®</sup>** is our real-time global research database that is sourced directly from our equity analysts' earnings models and includes forecasted as well as historical data for income statements, balance sheets, and cash flow statements for companies covered by BofA Global Research.

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# Disclosures

## Important Disclosures

Wolfspeed (WOLF) Price Chart



The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Equity Investment Rating Distribution: Technology Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	215	53.09%	Buy	111	51.63%
Hold	97	23.95%	Hold	45	46.39%
Sell	93	22.96%	Sell	24	25.81%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

<sup>R1</sup> Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster <sup>R2</sup>
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

<sup>R2</sup> Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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