

Cree stock soared in '09

Energy-efficient lighting helps shares more than triple

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This is the year that Cree's LED lights lit up a wing of the Pentagon, a new exhibit at the National Air and Space Museum — and Wall Street.

Shares of the Durham company, which makes LEDs and light fixtures that are becoming increasingly popular for energy-efficient interior and exterior lighting, more than tripled this year to \$56.37. The 255 percent rise in share price was greater than any other major publicly traded company based in the Triangle.

Only Morrisville-based Charles & Colvard, which uses Cree chips to make its moissanite gemstones, had a bigger percentage gain, but that company spent much of 2009 as a penny stock until a year-end surge got it back above \$1.

Cree shares, which have a history of volatility, haven't fetched this much since 2000.

Cree "had one heck of a run" in 2009, said Hal Eddins, vice president and investment adviser at Capital Investment Companies in Raleigh.

"It's a great company," Eddins continued. "They really have kind of remade their business to some extent. The lighting component looks so attractive."

For years Cree was best-known for producing light-emitting diodes, or tiny chips, that illuminate car dashboards, cell phones and signs. But it has moved aggressively into energy-efficient

lighting that uses LEDs, and that move paid off in recession-defying increases in revenue and profits this year.

Revenue for the fiscal year that ended in June totaled \$567.3 million, up 15 percent compared to a year earlier. Revenue rose another 20 percent in the most recent quarter, while profits totaled \$21 million, up from \$5.9 million a year earlier.

But Cree's robust performance wasn't the only attraction for investors.

"They have also been able to put themselves under the green banner," Eddins said. "Investors are willing to pay to be under that banner. They like to invest green."

Even the White House appeared to buy in. Cree CEO Chuck Swoboda was one of the CEOs of alternative energy companies who were invited to meet with President Barack Obama this summer.

Cree has been prepping for another banner year in 2010. In order to keep up with demand, the company announced in October that it would add 575 workers at its Durham manufacturing plant by 2012, including 200 over the next couple of months; a month later it said it was expanding its presence in China by acquiring a 592,000-square-foot manufacturing facility there.

Still, not everyone is bullish on SEE **CREE**, PAGE 4B the future prospects for Cree shares. Analysts who track the company are split, with a

dozen rating it a buy and 11 rating it a hold, according to Bloomberg News.

Two analysts recommend selling.

Morgan Keegan analyst Harsh Kumar downgraded his rating from the equivalent of a buy to a hold several weeks ago, even though he anticipates revenue growth to continue because of robust demand.

"With the stock at close to 52-week high, and at its current valuation," Kumar wrote in a research report, "we feel that the risk-to-reward ratio has now shifted."

Likewise, Eddins, although effusive in his praise for Cree, said he can't recommend buying the stock right now because it's too pricey.

"I just have a hard time recommending something that has gone up four-fold, or close to it," he said.

Eddins recommends that investors who own Cree sell about a quarter of their shares and hold on to the rest. That way they can lock in some of their profit and still stand to benefit if the stock continues to appreciate.

And if it does rise, say, another five bucks, Eddins advises investors to consider selling some more.

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TRIANGLE STOCKS

Investors in many of the publicly traded companies with headquarters in the Triangle had reason to celebrate 2009. Those shareholders, who often include employees, friends and family, saw big gains when stocks surged from March lows.

Here are some of the top performers among local companies (excluding dividends):

Company	Ticker	Based	2009 gain
Charles & Colvard	CTHR	Morrisville	480%
Cree	CREE	Durham	255%
Salix Pharmaceuticals	SLXP	Morrisville	188%
Red Hat	RHT	Raleigh	134%
PowerSecure International	POWR	Wake Forest	119%

But the year ended on a down note for other investors. Here are some of the worst local stocks for 2009 (excluding dividends):

Company	Ticker	Based	2009 loss
R.H. Donnelley	RHDCQ	Cary	-99%
Capital Bank	CBKN	Raleigh	-37%
The Pantry	PTRY	Cary	-37%
Investors Title	ITIC	Chapel Hill	-17%
Crescent Financial	CRFN	Cary	-16%



Gov. Bev Perdue praises Cree CEO Chuck Swoboda after an October announcement about more than 500 new jobs.

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