CREE INC
Form 10-Q
April 25, 2018
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q
(Mark One)
[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 25, 2018
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)

North Carolina	56-1572719
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
4600 Silicon Drive Durham, North Carolina	27703
(Address of principal executive offices)	(Zip Code)

(919) 407-5300
(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 [X] 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 [X] No [ ]
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer”, “accelerated filer,” “smaller reporting company,” and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer [X]	Accelerated filer [ ]
Non-accelerated filer [ ] (Do not check if	Smaller reporting company [ ]

a
smaller
reporting
company)
Emerging growth company [ ]

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Securities Act. [ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes [ ] No[X]
The number of shares outstanding of the registrant’s common stock, par value $0.00125 per share, as of April 20, 2018, was 100,509,216.

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PART I - FINANCIAL INFORMATION
Item 1. Financial Statements
CREE, INC.
UNAUDITED CONSOLIDATED BALANCE SHEETS

	March 25, 2018	June 25, 2017
	(In thousands, except par value)	
ASSETS		
Current assets:		
Cash and cash equivalents	$101,226	$132,597
Short-term investments	300,239	478,341
Total cash, cash equivalents and short-term investments	401,465	610,938
Accounts receivable, net	143,337	148,392
Income tax receivable	7,674	8,040
Inventories	309,858	284,385
Prepaid expenses	22,597	23,305
Other current assets	17,666	23,390
Current assets held for sale	6,913	2,180
Total current assets	909,510	1,100,630
Property and equipment, net	641,400	581,263
Goodwill	617,651	618,828
Intangible assets, net	400,836	274,315
Other long-term investments	60,419	50,366
Deferred income taxes	10,527	11,763
Other assets	12,295	12,702
Total assets	$2,652,638	$2,649,867
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable, trade	$156,558	$133,185
Accrued salaries and wages	50,821	41,860
Other current liabilities	35,921	36,978
Total current liabilities	243,300	212,023
Long-term liabilities:		
Long-term debt	316,000	145,000
Deferred income taxes	—	49,860
Other long-term liabilities	26,467	20,179
Total long-term liabilities	342,467	215,039
Commitments and contingencies (Note 13)		
Shareholders' equity:		
Preferred stock, par value $0.01; 3,000 shares authorized at March 25, 2018 and June 25, 2017; none issued and outstanding	—	—
Common stock, par value $0.00125; 200,000 shares authorized at March 25, 2018 and June 25, 2017; 100,487 issued and outstanding at March 25, 2018 and 97,674 shares issued and outstanding at June 25, 2017	124	121
Additional paid-in-capital	2,509,296	2,419,517
Accumulated other comprehensive income, net of taxes	1,946	5,909
Accumulated deficit	(449,454)	(202,742)
Total shareholders' equity	2,061,912	2,222,805

Noncontrolling interest	4,959	—
Total liabilities and equity	$2,652,638	$2,649,867

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

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CREE, INC.
UNAUDITED CONSOLIDATED STATEMENTS OF LOSS

	Three Months Ended		Nine Months Ended	
	March 25, 2018	March 26, 2017	March 25, 2018	March 26, 2017
	(In thousands, except per share amounts)			
Revenue, net	$355,958	$341,505	$1,084,226	$1,114,064
Cost of revenue, net	256,902	255,429	792,235	777,490
Gross profit	99,056	86,076	291,991	336,574
Operating expenses:				
Research and development	40,239	41,451	121,874	119,292
Sales, general and administrative	70,256	68,165	201,296	213,136
Amortization or impairment of acquisition-related intangibles	7,453	8,362	21,037	20,707
Loss on disposal or impairment of long-lived assets	1,716	500	8,803	1,541
Goodwill impairment charges	247,455	—	247,455	—
Wolfspeed transaction termination fee	—	(12,500)	—	(12,500)
Total operating expenses	367,119	105,978	600,465	342,176
Operating loss	(268,063)	(19,902)	(308,474)	(5,602)
Non-operating (expense) income, net	(9,651)	9,865	16,011	4,946
Loss before income taxes	(277,714)	(10,037)	(292,463)	(656)
Income tax (benefit) expense	(37,181)	88,976	(45,810)	91,574
Net loss	($240,533)	($99,013)	($246,653)	($92,230)
Net income attributable to noncontrolling interest	44	—	59	—
Net loss attributable to controlling interest	($240,577)	($99,013)	($246,712)	($92,230)
Loss per share:				
Basic	($2.40)	($1.02)	($2.49)	($0.93)
Diluted	($2.40)	($1.02)	($2.49)	($0.93)
Weighted average shares used in per share calculation:				
Basic	100,140	97,346	99,046	98,791
Diluted	100,140	97,346	99,046	98,791

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

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CREE, INC.
UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

	Three Months Ended		Nine Months Ended	
	March 25, 2018	March 26, 2017	March 25, 2018	March 26, 2017
	(In thousands)			
Net loss	($240,577)	($99,013)	($246,712)	($92,230)
Other comprehensive gain (loss):				
Currency translation (loss) gain	(788)	550	(2,006)	(765)
Net unrealized gain (loss) on available-for-sale securities, net of tax benefit of $0 and $1,948, $0 and ($4,723) respectively	2,269	(608)	5,969	(4,723)
Other comprehensive gain (loss):	1,481	(58)	3,963	(5,488)
Comprehensive loss	($239,096)	($99,071)	($242,749)	($97,718)

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

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CREE, INC.
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Months Ended	
	March 25, 2018	March 26, 2017
	(In thousands)	
Cash flows from operating activities:		
Net loss	($246,653)	($92,230)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	113,244	113,459
Stock-based compensation	33,319	38,417
Excess tax benefit from stock-based payment arrangements	—	(1)
Goodwill impairment charges	247,455	—
Loss on disposal or impairment of long-lived assets	8,803	1,345
Amortization of premium/discount on investments	3,943	4,150
Gain on equity investment	(7,510)	(144)
Foreign exchange gain on equity investment	(2,543)	(2,436)
Deferred income taxes	(49,875)	71,342
Changes in operating assets and liabilities:		
Accounts receivable, net	5,728	16,080
Inventories	(4,640)	12,064
Prepaid expenses and other assets	2,041	11,478
Accounts payable, trade	15,328	(10,891)
Accrued salaries and wages and other liabilities	6,783	521
Net cash provided by operating activities	125,423	163,154
Cash flows from investing activities:		
Purchases of property and equipment	(128,433)	(56,895)
Purchases of patent and licensing rights	(7,913)	(8,876)
Proceeds from sale of property and equipment	538	1,111
Purchases of short-term investments	(174,623)	(169,414)
Proceeds from maturities of short-term investments	166,771	112,307
Proceeds from sale of short-term investments	176,981	13,613
Purchase of acquired business, net of cash acquired	(427,120)	—
Net cash used in investing activities	(393,799)	(108,154)
Cash flows from financing activities:		
Proceeds from issuing shares to noncontrolling interest	4,900	—
Payment of acquisition-related contingent consideration	(1,850)	(2,775)
Proceeds from long-term debt borrowings	555,000	373,000
Payments on long-term debt borrowings	(384,000)	(380,000)
Net proceeds from issuance of common stock	62,240	10,160
Excess tax benefit from stock-based payment arrangements	—	1
Repurchases of common stock	—	(104,014)
Net cash provided by (used in) financing activities	236,290	(103,628)
Effects of foreign exchange changes on cash and cash equivalents	715	(432)
Net decrease in cash and cash equivalents	(31,371)	(49,060)
Cash and cash equivalents:		
Beginning of period	132,597	166,154
End of period	$101,226	$117,094
Supplemental disclosure of cash flow information:		

Significant non-cash transactions:		
Accrued property and equipment	$19,275	$7,243

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

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CREE, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – Basis of Presentation and New Accounting Standards

Overview

Cree, Inc. (the Company) is an innovator of wide bandgap semiconductor products for power and radio-frequency (RF) applications, lighting-class light emitting diode (LED) products, and lighting products. The Company's products are targeted for applications such as transportation, electronic signs and signals, power supplies, inverters, wireless systems, indoor and outdoor lighting, and video displays.

The Company's Wolfspeed segment's products consists of silicon carbide (SiC) and gallium nitride (GaN) materials, power devices and RF devices based on silicon (Si) and wide bandgap semiconductor materials. The Company's materials products and power devices are used in solar, electric vehicles, motor drives, power supplies and transportation applications. The Company's materials products and RF devices are used in military communications, radar, satellite and telecommunication applications.

The Company's LED Products segment’s products consist of LED chips and LED components. The Company's LED products enable its customers to develop and market LED-based products for lighting, video screens, automotive and other industrial applications.

The Company's Lighting Products segment’s products primarily consist of LED lighting systems and lamps. The Company designs, manufactures and sells lighting fixtures and lamps for the commercial, industrial and consumer markets.

The majority of the Company's products are manufactured at its production facilities located in North Carolina, Wisconsin, California and China. The Company also uses contract manufacturers for certain products and aspects of product fabrication, assembly and packaging. The Company operates research and development facilities in North Carolina, Arizona, Arkansas, California, Wisconsin, India, Italy and China (including Hong Kong).

Cree, Inc. is a North Carolina corporation established in 1987 and is headquartered in Durham, North Carolina.

The Company's three reportable segments are:

- Wolfspeed
- LED Products
- Lighting Products

For financial results by reportable segment, please refer to Note 14, "Reportable Segments."

Basis of Presentation

The consolidated balance sheet at March 25, 2018, the consolidated statements of loss for the three and nine months ended March 25, 2018 and March 26, 2017, the consolidated statements of comprehensive loss for the three and nine months ended March 25, 2018 and March 26, 2017, and the consolidated statements of cash flows for the nine months ended March 25, 2018 and March 26, 2017 (collectively, the consolidated financial statements) have been prepared by the Company and have not been audited. In the opinion of management, all normal and recurring adjustments necessary to fairly state the consolidated financial position, results of operations, comprehensive loss and cash flows at March 25, 2018, and for all periods presented, have been made. All intercompany accounts and transactions have been eliminated. The consolidated balance sheet at June 25, 2017 has been derived from the audited financial statements as of that date.

These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) for interim information and with the instructions to Form 10-Q and Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for annual financial statements. These financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the fiscal year ended June 25, 2017 (fiscal 2017). The results of operations for the three and nine months ended March 25, 2018 are not necessarily indicative of the operating results that may be attained for the entire fiscal year ending June 24, 2018 (fiscal 2018).

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The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and the disclosure of contingent assets and liabilities. Actual amounts could differ materially from those estimates.

Certain fiscal 2017 amounts related to the Wolfspeed business in the accompanying consolidated financial statements have been reclassified to continuing operations to conform to the fiscal 2018 presentation. These reclassifications had no effect on previously reported consolidated net income or shareholders’ equity.

Recently Issued Accounting Pronouncements

Revenue from Contracts with Customers

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09: Revenue from Contracts with Customers (Topic 606). The FASB has subsequently issued multiple ASUs which amend and clarify the guidance in Topic 606. The ASU establishes a principles-based approach for accounting for revenue arising from contracts with customers and supersedes existing revenue recognition guidance. The ASU provides that an entity should apply a five-step approach for recognizing revenue, including (1) identify the contract with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when, or as, the entity satisfies a performance obligation. Also, the entity must provide various disclosures concerning the nature, amount and timing of revenue and cash flows arising from contracts with customers. The Company’s evaluation of ASU 2014-09 is ongoing and not complete; however, the Company anticipates the primary changes to revenue recognition to be related to certain patent license arrangements. The FASB has issued and may issue in the future, interpretive guidance, which may cause our evaluation to change. The effective date will be the first quarter of the Company's fiscal year ending June 30, 2019 and the Company currently expects to use the modified retrospective method.

Leases

In February 2016, the FASB issued ASU No. 2016-02: Leases (Topic 842). The ASU requires that a lessee recognize in its statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. The asset will be based on the liability, subject to adjustment, such as for initial direct costs. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. For income statement purposes, leases are still required to be classified as either operating or finance. Operating leases will result in straight-line expense while finance leases will result in a front-loaded expense pattern. The effective date will be the first quarter of the Company's fiscal year ending June 28, 2020, using a modified retrospective approach. The Company is currently analyzing the impact of this new pronouncement.

Stock Compensation

In March 2016, the FASB issued ASU No. 2016-09: Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting. The ASU simplifies the current stock compensation guidance for tax consequences. The ASU requires an entity to recognize all excess tax benefits and tax deficiencies as income tax expense or benefit in its income statement. The ASU also eliminates the requirement to defer recognition of an excess tax benefit until the benefit is realized through a reduction to taxes payable. For cash flows statement purposes, excess tax benefits should be classified as an operating activity and cash payments made to taxing authorities on the employee’s behalf for withheld shares should be classified as financing activity. The ASU grants an entity the right to withhold up to the employee’s maximum statutory tax rate in the applicable jurisdiction without triggering liability accounting. The effective date was the first quarter of the Company's fiscal year ending June 24, 2018.

The Company's adoption of this ASU did not have a material impact on its consolidated financial statements. All excess tax benefits and deficiencies in the current and future periods will be recognized as income tax expense in the Company’s income statement in the reporting period in which they occur. This could result in increased volatility in the Company’s effective tax rate. For the nine months ended March 25, 2018, the Company did not recognize a discrete event related to the excess tax benefits from stock-based compensation due to a full U.S. valuation allowance on the impact. The Company plans to continue its existing practice of estimating expected forfeitures in determining compensation cost.

Goodwill Impairment Testing
In January 2017, the FASB issued ASU No. 2017-04: Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment. The ASU simplifies the manner in which an entity is required to test for goodwill impairment by eliminating Step 2 from the goodwill impairment test. Additionally, the ASU removes the requirement for any reporting unit with a zero or

negative carrying amount to perform a qualitative assessment and, if it fails such qualitative test, to continue to perform Step 1 of the goodwill impairment test. The Company early adopted this standard in the third quarter of fiscal year ending June 24, 2018.

Based on the updating of the Company's long range business strategy that was announced February 26, 2018, the Company determined there was a triggering event and performed an impairment test in connection with the preparation of its financial statements for the period ended March 25, 2018. The Company derived the Lighting Products reporting unit's fair value through a combination of the market approach (a guideline transaction method) and the income approach (a discounted cash flow analysis). The Company utilized a discount rate from the capital asset pricing model for the discounted cash flow analysis.

From this testing, the Company concluded that the carrying value of the Lighting Products reporting unit exceeded its fair value, resulting in a goodwill impairment of $247.5 million. As of March 25, 2018, there was $347.0 million, $180.3 million and $90.3 million of goodwill remaining related to the Wolfspeed, LED Products, and Lighting Products reporting units, respectively.

Note 2 – Joint Venture

Effective July 17, 2017, the Company entered into a Shareholders Agreement with San’an Optoelectronics Co., Ltd. (San’an) and Cree Venture LED Company Limited (Cree Venture LED) pursuant to which the Company and San’an funded their contributions to Cree Venture LED and agreed upon the management and operation of Cree Venture LED. The Company contributed $5.1 million of cash for a 51% ownership interest and San’an contributed $4.9 million of cash for a 49% ownership interest. Cree Venture LED has a five-member board of directors, three of which were designated by the Company and two of which were designated by San’an. As a result of the Company's majority voting interest, the Company consolidates the operations of Cree Venture LED and reports its revenue and gross profit within the Company's LED Products segment. The Company classifies the 49% ownership interest held by San'an as "Noncontrolling interest" on the consolidated balance sheet. During the nine months ended March 25, 2018, the noncontrolling interest increased by $59 thousand for its share of net income from Cree Venture LED. There were no other changes in the noncontrolling interest.

In connection with forming Cree Venture LED and entering into the Shareholders Agreement, Cree Venture LED and San’an also entered into a manufacturing agreement pursuant to which San'an will supply Cree Venture LED with mid-power LED products, and the Company and Cree Venture LED entered into a sales agency agreement pursuant to which the Company will be the independent sales representative of Cree Venture LED in the exclusive markets, among certain other ancillary agreements related to the transaction. Cree Venture LED will produce and deliver to market high performing, mid-power lighting class LEDs in an exclusive arrangement to serve the expanding markets of North and South America, Europe and Japan, and serve China and the rest of the world on a non-exclusive basis. Cree Venture LED recorded its first sales to customers during the first quarter of fiscal 2018.

Note 3 – Acquisition

Infineon Technologies AG Radio Frequency Power Business

On March 6, 2018, the Company acquired certain assets of the Infineon Technologies AG (Infineon) Radio Frequency Power Business (RF Power), pursuant to an asset purchase agreement with Infineon in exchange for a base purchase price of $429 million, subject to certain adjustments. As part of the agreement, the Company paid $427 million of cash on the purchase date and has agreed to purchase certain additional non-U.S. property and equipment related to the RF Power business from Infineon for approximately $2.2 million, with this additional purchase expected to close during the fourth quarter of fiscal 2018. The acquisition allows the Company to expand its product portfolio into the wireless market.

The acquisition of the RF Power business from Infineon was accounted for as a business combination. The purchase price for this acquisition is preliminary and subject to change. The areas of the purchase price that are not yet finalized are primarily related to intangible assets, property and equipment, other long-term liabilities, amortization and depreciation lives. The purchase price has been preliminarily allocated to the assets acquired and liabilities assumed based on their estimated fair values as follows (in thousands):

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Assets:	
Inventories	$24,931
Property and equipment	10,504
Intangible assets	149,000
Goodwill	246,278
Total Assets	430,713
Liabilities assumed:	
Accounts payable	(39)
Accrued expenses and liabilities	(3,264)
Other long-term liabilities	(290)
Total liabilities assumed	(3,593)
Net assets acquired	$427,120

As noted above, the valuation of acquired intangible assets is preliminary as of March 25, 2018. Similarly, the amortization periods are preliminary until the valuation is finalized. The preliminary amortization periods for intangible assets acquired are as follows (in thousands, except for years):

	Asset Amount	Estimated Life in Years
Lease agreement	1,000	10
Customer relationships	92,000	15
Developed technology	44,000	14
Non-compete agreements	12,000	4
Total identifiable intangible assets	$149,000	

Goodwill largely consists of the manufacturing and other synergies of the combined companies, and the value of the assembled workforce. For tax purposes, in accordance with IRC Section 197, $246 million of goodwill will be amortized over 15 years.

The assets, liabilities, and operating results of the RF Power business have been included in the Company's consolidated financial statements from the date of acquisition. Additionally, the RF Power business's results from operations are reported as part of the Company's Wolfspeed segment. The results of the RF Power business reflected in the Company's Consolidated Statements of Loss for the three months ended March 25, 2018 from the date of acquisition (March 6, 2018) are as follows (in thousands):

	Amount
Revenue	$4,191
Net loss	(2,325)

The Company incurred total transaction costs related to the acquisition of approximately $3.1 million which were expensed in the third quarter of fiscal 2018 in accordance with U.S. GAAP.

Pro Forma Financial Information

The following supplemental pro forma information (in thousands, except per share data) presents the consolidated financial results as if the RF Power transaction had occurred at the beginning of the 2017 fiscal year:

	Three Months Ended		Nine Months Ended	
	March 25, 2018	March 26, 2017	March 25, 2018	March 26, 2017
Revenue	$370,939	$365,771	$1,149,645	$1,202,199
Net loss	(237,189)	(101,142)	(247,614)	(97,542)
Earnings per share, basic	$(2.37)	$ (1.04)	$(2.50)	$ (0.99)
Earnings per share, diluted	$(2.37)	$ (1.04)	$(2.50)	$ (0.99)

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These amounts have been calculated after applying the Company's accounting policies and adjusting the results of the RF Power business to give effect to events and transactions that are directly attributable to the RF Power business transactions, including the elimination of sales by the Company to the RF Power business prior to acquisition, additional depreciation and amortization that would have been charged assuming the fair value adjustments primarily to property and equipment and intangible assets had been applied at the beginning of the 2017 fiscal year, together with the consequential tax effects. Excluded from the pro forma net income and the earnings per share amounts for the three and nine months ended March 25, 2018 are one-time acquisition costs and foreign currency gains attributable to the RF Power business of $3.1 million and $1.9 million, respectively. This supplemental pro forma information has been prepared for comparative purposes and does not purport to be indicative of what would have occurred had the acquisition been made at the beginning of the 2017 fiscal year, nor is it indicative of any future results.

Arkansas Power Electronics International, Inc.

On July 8, 2015, the Company closed on the acquisition of Arkansas Power Electronics International, Inc. (APEI), a global leader in power modules and power electronics applications, pursuant to a merger agreement with APEI and certain shareholders of APEI, whereby the Company acquired all of the outstanding share capital of APEI in exchange for a base purchase price of $13.8 million, subject to certain adjustments. In addition, if certain goals were achieved over the subsequent two years, additional cash payments totaling up to $4.6 million were to be made to the former APEI shareholders. Payments totaling $2.8 million were made to the former APEI shareholders in July 2016 based on achievement of the first year goals. The final payment of $1.9 million was made in July 2017 based on achievement of the second year goals. In connection with this acquisition, APEI became a wholly owned subsidiary of the Company, renamed Cree Fayetteville, Inc. (Cree Fayetteville). Cree Fayetteville is not considered a significant subsidiary of the Company and its results from operations are reported as part of the Company's Wolfspeed segment.

Note 4 – Financial Statement Details

Accounts Receivable, net

The following table summarizes the components of accounts receivable, net (in thousands):

	March 25, 2018	June 25, 2017
Billed trade receivables	$204,675	$205,516
Unbilled contract receivables	1,078	912
	205,753	206,428
Allowance for sales returns, discounts and other incentives	(53,635)	(49,425)
Allowance for bad debts	(8,781)	(8,611)
Accounts receivable, net	$143,337	$148,392

Inventories

The following table summarizes the components of inventories (in thousands):

	March 25, 2018	June 25, 2017
Raw material	$90,455	$73,410
Work-in-progress	109,457	100,402
Finished goods	109,946	110,573
Inventories	$309,858	$284,385

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Other Current Liabilities

The following table summarizes the components of other current liabilities (in thousands):

	March 25, 2018	June 25, 2017
Accrued taxes	$8,368	$11,148
Accrued professional fees	5,991	5,545
Accrued warranty	12,391	13,631
Accrued other	9,171	6,654
Other current liabilities	$35,921	$36,978

Accumulated Other Comprehensive Income, net of taxes

The following table summarizes the components of accumulated other comprehensive income, net of taxes (in thousands):

	March 25, 2018	June 25, 2017
Currency translation gain	$6,478	$4,471
Net unrealized (loss) gain on available-for-sale securities	(4,532)	1,438
Accumulated other comprehensive income, net of taxes	$1,946	$5,909

Non-Operating (Expense) Income, net

The following table summarizes the components of non-operating (expense) income, net (in thousands):

	Three Months Ended		Nine Months Ended	
	March 25, 2018	March 26, 2017	March 25, 2018	March 26, 2017
Foreign currency gain, net	$3,641	$2,434	$4,869	$1,939
(Loss) gain on sale of investments, net	(133)	1	(85)	13
(Loss) gain on equity investment, net	(13,968)	6,443	7,510	160
Interest income, net	743	927	3,360	2,714
Other, net	66	60	357	