Wolfspeed, Inc.
Non-GAAP Measures of Financial Performance

To supplement the Company's consolidated financial statements presented in accordance with generally accepted accounting principles, or GAAP, Wolfspeed uses non-GAAP measures of certain components of financial performance. These non-GAAP measures include non-GAAP gross margin, non-GAAP operating (loss) income, non-GAAP non-operating income (expense), net, non-GAAP net (loss) income from continuing operations, non-GAAP diluted (loss) earnings per share from continuing operations and free cash flow.

Reconciliation to the nearest GAAP measure of all historical non-GAAP measures included in this press release can be found in the tables included with this press release.

Non-GAAP measures presented in this press release are not in accordance with or an alternative to measures prepared in accordance with GAAP and may be different from non-GAAP measures used by other companies. In addition, these non-GAAP measures are not based on any comprehensive set of accounting rules or principles. Non-GAAP measures have limitations in that they do not reflect all of the amounts associated with Wolfspeed's results of operations as determined in accordance with GAAP. These non-GAAP measures should only be used to evaluate Wolfspeed's results of operations in conjunction with the corresponding GAAP measures.

Wolfspeed believes that these non-GAAP measures, when shown in conjunction with the corresponding GAAP measures, enhance investors' and management's overall understanding of the Company's current financial performance and the Company's prospects for the future, including cash flows available to pursue opportunities to enhance shareholder value. In addition, because Wolfspeed has historically reported certain non-GAAP results to investors, the Company believes the inclusion of non-GAAP measures provides consistency in the Company's financial reporting.

For its internal budgeting process, and as discussed further below, Wolfspeed's management uses financial statements that do not include the items listed below and the income tax effects associated with the foregoing. Wolfspeed's management also uses non-GAAP measures, in addition to the corresponding GAAP measures, in reviewing the Company's financial results.

Wolfspeed excludes the following items from one or more of its non-GAAP measures when applicable:

Stock-based compensation expense. This expense consists of expenses for stock options, restricted stock, performance stock awards and employee stock purchases through its Employee Stock Purchase Program. Wolfspeed excludes stock-based compensation expenses from its non-GAAP measures because they are non-cash expenses that Wolfspeed does not believe are reflective of ongoing operating results.

Amortization or impairment of acquisition-related intangibles. Wolfspeed incurs amortization or impairment of acquisition-related intangibles in connection with acquisitions. Wolfspeed excludes these items because they arise from Wolfspeed's prior acquisitions and have no direct correlation to the ongoing operating results of Wolfspeed's business.

Factory optimization restructuring. In May 2019, the Company started a significant, multi-year factory optimization plan to be anchored by a state-of-the-art, automated 200mm Silicon Carbide device fabrication facility. In September 2019, the Company announced the intent to build the new fabrication facility in Marcy, New York to complement the factory expansion underway at its U.S. campus headquarters in Durham, North Carolina. As part of the plan, the Company will incur restructuring costs associated with the movement of equipment as well as disposals on certain long-lived assets. Because these charges relate to assets which had been retired prior to the end of their estimated useful lives, Wolfspeed does not believe these costs are reflective of ongoing operating results. Similarly, Wolfspeed does not consider the realized net losses on sale of assets relating to the restructuring to be reflective of ongoing operating results.

Severance and other restructuring. These costs relate to the Company's realignment of certain resources as part of the Company's transition to a more focused semiconductor company. Wolfspeed does not believe these costs are reflective of ongoing operating results.

Project, transformation and transaction costs. The Company has incurred professional services fees and other costs associated with completed and potential acquisitions and divestitures, as well as internal transformation programs focused on optimizing the Company's administrative processes. Wolfspeed excludes these items because Wolfspeed believes they are not reflective of the ongoing operating results of Wolfspeed's business.

Factory optimization start-up costs. As part of the factory optimization plan, the Company has incurred and will incur start-up costs. Wolfspeed does not believe these costs are reflective of ongoing operating results. In fiscal 2022, these costs will include an estimated $80.0 million of start-up and pre-production related costs associated with the Company ramping production at its new device fabrication facility in Marcy, New York.

Transition service agreement costs. As a result of the sale of the Lighting Products business unit, the Company is providing certain information technology services under a transition services agreement which will not be reimbursed. Wolfspeed excludes the costs of these services because Wolfspeed believes they are not reflective of the ongoing operating results of Wolfspeed's business.

Net changes in fair value of investment in ENNOSTAR. Prior to the Company liquidating its interests in fiscal 2021, the Company's common stock ownership investment in ENNOSTAR, Inc. was accounted for utilizing the fair value option. As such, changes in fair value were recognized in income, including fluctuations due to the exchange rate between the New Taiwan Dollar and the United States Dollar. Wolfspeed excluded the impact of these gains or losses from its non-GAAP measures because they were non-cash impacts. Additionally, Wolfspeed excluded the impact of dividends received, if any, on its ENNOSTAR investment as Wolfspeed does not believe it was reflective of its ongoing operating results.

Interest income on transaction-related note receivable. In connection with the completed sale of the LED Products business unit to SGH and its wholly owned acquisition subsidiary CreeLED, Inc. (CreeLED and collectively with SGH, SMART), the Company received an unsecured promissory note issued to the Company by SGH in the amount of $125 million (the Purchase Price Note). Interest income on the Purchase Price Note is excluded because Wolfspeed believes it is not reflective of the ongoing operating results of Wolfspeed's business.

Accretion on convertible notes, net of capitalized interest. The issuance of the Company's convertible senior notes in August 2018 and April 2020 results in interest accretion on the convertible notes' issue costs and discount. Wolfspeed considers these items as either limited in term or having no impact on the Company's cash flows, and therefore has excluded such items to facilitate a review of current operating performance and comparisons to the Company's past operating performance.

Loss on Wafer Supply Agreement. In connection with the completed sale of the LED Products business unit to SMART, the Company entered into a Wafer Supply and Fabrication Services Agreement (the Wafer Supply Agreement), pursuant to which the Company supplies CreeLED with certain Silicon Carbide materials and fabrication services for up to four years. Wolfspeed excludes the financial impact of this agreement because Wolfspeed believes it is not reflective of the ongoing operating results of Wolfspeed's business.

Income tax adjustment. This amount reconciles GAAP tax (benefit) expense to a calculated non-GAAP tax (benefit) expense utilizing a non-GAAP tax rate. The non-GAAP tax rate estimates an appropriate tax rate if the listed non-GAAP items were excluded. This reconciling item adjusts non-GAAP net (loss) income from continuing operations to the amount it would be if the calculated non-GAAP tax rate was applied to non-GAAP (loss) income before income taxes.

Wolfspeed may incur some of these same expenses, including income taxes associated with these expenses, in future periods. In addition to the non-GAAP measures discussed above, Wolfspeed also uses free cash flow as a measure of operating performance and liquidity. Free cash flow represents operating cash flows from continuing operations less net purchases of property and equipment and patent and licensing rights. Wolfspeed considers free cash flow to be an operating performance and a liquidity measure that provides useful information to management and investors about the amount of cash generated by the business after the purchases of property and equipment, a portion of which can then be used to, among other things, invest in Wolfspeed's business, make strategic acquisitions and strengthen the balance sheet. A limitation of the utility of free cash flow as a measure of operating performance and liquidity is that it does not represent the residual cash flow available to the company for discretionary expenditures, as it excludes certain mandatory expenditures such as debt service.

WOLFSPEED, INC.
Reconciliation of GAAP to Non-GAAP Measures
(in millions of U.S. Dollars, except per share amounts and percentages)
(unaudited)

Non-GAAP Gross Margin

	Three months ended	
	September 26, 2021	**September 27, 2020**
GAAP gross profit	$49.4	$35.5
GAAP gross margin percentage	32 %	31 %
Adjustments:		
Stock-based compensation expense	3.1	3.4
Factory optimization restructuring	—	1.0
Non-GAAP gross profit	$52.5	$39.9
Non-GAAP gross margin percentage	34 %	35 %

Non-GAAP Operating Loss

	Three months ended	
	September 26, 2021	**September 27, 2020**
GAAP operating loss	($65.7)	($62.2)
GAAP operating loss percentage	(42)%	(54)%
Adjustments:		
Stock-based compensation expense:		
Cost of revenue, net	3.1	3.4
Research and development	2.4	2.4
Sales, general and administrative	9.1	7.9
Total stock-based compensation expense	14.6	13.7
Amortization or impairment of acquisition-related intangibles	3.6	3.6
Factory optimization restructuring	2.6	2.6
Severance and other restructuring	—	2.8
Project, transformation and transaction costs	2.9	1.2
Factory optimization start-up costs	8.6	3.0
Transition service agreement costs	—	2.3
Total adjustments to GAAP operating loss	32.3	29.2
Non-GAAP operating loss	($33.4)	($33.0)
Non-GAAP operating loss percentage	(21)%	(29)%

Non-GAAP Non-Operating Income (Expense), net

	Three months ended	
	September 26, 2021	September 27, 2020
GAAP non-operating expense, net	($4.1)	($13.9)
Adjustments:		
Net changes in the fair value of ENNOSTAR investment	—	2.9
Interest income on transaction-related note receivable	(1.1)	—
Accretion on convertible notes, net of capitalized interest	5.1	9.4
Loss on Wafer Supply Agreement	0.8	—
Non-GAAP non-operating income (expense), net	$0.7	($1.6)

Non-GAAP Net Loss

	Three months ended	
	September 26, 2021	September 27, 2020
GAAP net loss from continuing operations	($70.1)	($75.3)
Adjustments:		
Stock-based compensation expense	14.6	13.7
Amortization or impairment of acquisition-related intangibles	3.6	3.6
Factory optimization restructuring	2.6	2.6
Severance and other restructuring	—	2.8
Project, transformation and transaction costs	2.9	1.2
Factory optimization start-up costs	8.6	3.0
Transition service agreement costs	—	2.3
Net changes in the fair value of ENNOSTAR investment	—	2.9
Interest income on transaction-related note receivable	(1.1)	—
Accretion on convertible notes, net of capitalized interest	5.1	9.4
Loss on Wafer Supply Agreement	0.8	—
Total adjustments to GAAP net loss from continuing operations before provision for income taxes	37.1	41.5
Income tax adjustment - benefit (expense)	9.2	7.3
Non-GAAP net loss from continuing operations	($23.8)	($26.5)
Non-GAAP diluted loss per share from continuing operations	($0.21)	($0.24)
Non-GAAP weighted average shares (in thousands)	115,919	109,705

Free Cash Flow

	Three months ended	
	September 26, 2021	September 27, 2020
Net cash (used in) provided by operating activities from continuing operations	($62.5)	$0.7
Less: PP&E spending, net of reimbursements from long-term incentive agreement	(208.5)	(113.5)
Less: Patents spending	(1.0)	(1.2)
Total free cash flow	($272.0)	($114.0)

WOLFSPEED, INC.
Business Outlook Unaudited GAAP to Non-GAAP Reconciliation

(in millions of U.S. Dollars)	Three Months Ended December 26, 2021
GAAP net loss outlook range	($73) to ($69)
Adjustments:	
Stock-based compensation expense	14
Amortization or impairment of acquisition-related intangibles	4
Factory optimization restructuring and start-up costs	17
Accretion on convertible notes, net of capitalized interest	5
Interest income on transaction-related note receivable	(1)
Project, transformation, transaction and transition costs	3
Total adjustments to GAAP net loss before provision for income taxes	42
Income tax adjustment	8
Non-GAAP net loss outlook range	($23) to ($19)

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