

NETGEAR, INC  
Form 10-Q  
November 04, 2014  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
Form 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the quarterly period ended September 28, 2014.

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: 000-50350

NETGEAR, Inc.

(Exact name of registrant as specified in its charter)

Delaware 77-0419172  
(State or other jurisdiction of (IRS Employer  
incorporation or organization) Identification No.)

350 East Plumeria Drive, 95134  
San Jose, California  
(Address of principal executive offices) (Zip Code)

(408) 907-8000  
(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  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  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer, or a smaller reporting company. See definition of "accelerated filer," "large accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated filer  Accelerated filer   
Non-Accelerated filer  Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Exchange Act Rule 12b-2). Yes  No

The number of outstanding shares of the registrant's Common Stock, \$0.001 par value, was 34,587,014 as of October 28, 2014.

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## PART I: FINANCIAL INFORMATION

## Item 1. Financial Statements

## NETGEAR, INC.

## UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands)

	September 28, 2014	December 31, 2013
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$141,820	\$143,009
Short-term investments	100,828	105,145
Accounts receivable, net	278,568	266,484
Inventories	206,494	224,456
Deferred income taxes	27,895	27,239
Prepaid expenses and other current assets	40,064	33,778
Total current assets	795,669	800,111
Property and equipment, net	27,629	27,194
Intangibles, net	70,705	84,118
Goodwill	155,916	155,916
Other non-current assets	31,399	26,591
Total assets	\$1,081,318	\$1,093,930
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$92,091	\$114,531
Accrued employee compensation	20,571	16,551
Other accrued liabilities	133,659	143,218
Deferred revenue	33,937	24,496
Income taxes payable	1,893	1,287
Total current liabilities	282,151	300,083
Non-current income taxes payable	15,173	13,804
Other non-current liabilities	7,441	6,260
Total liabilities	304,765	320,147
Commitments and contingencies (Note 9)		
Stockholders' equity:		
Common stock	35	37
Additional paid-in capital	445,649	421,901
Cumulative other comprehensive income	150	69
Retained earnings	330,719	351,776
Total stockholders' equity	776,553	773,783
Total liabilities and stockholders' equity	\$1,081,318	\$1,093,930

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

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NETGEAR, INC.

## UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

	Three Months Ended		Nine Months Ended	
	September 28, 2014	September 29, 2013	September 28, 2014	September 29, 2013
Net revenue	\$353,338	\$361,895	\$1,040,333	\$1,013,013
Cost of revenue	251,005	260,236	742,889	720,187
Gross profit	102,333	101,659	297,444	292,826
Operating expenses:				
Research and development	23,337	23,320	67,994	62,639
Sales and marketing	39,283	39,465	117,373	116,260
General and administrative	11,726	11,930	34,995	36,576
Restructuring and other charges	1,360	400	2,190	1,957
Litigation reserves, net	69	305	254	3,908
Impairment charges	—	2,000	—	2,000
Total operating expenses	75,775	77,420	222,806	223,340
Income from operations	26,558	24,239	74,638	69,486
Interest income	68	71	174	315
Other income, net	2,246	511	1,911	37
Income before income taxes	28,872	24,821	76,723	69,838
Provision for income taxes	8,847	10,364	27,582	26,053
Net income	\$20,025	\$14,457	\$	