

NETGEAR, INC  
Form 10-Q  
August 08, 2012  
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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 July 1, 2012.

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 38,050,876 as of July 30, 2012.

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## PART I: FINANCIAL INFORMATION

## Item 1. Financial Statements

## NETGEAR, INC.

## UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands)

	July 1, 2012	December 31, 2011
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$157,155	\$208,898
Short-term investments	203,273	144,797
Accounts receivable, net	271,769	261,307
Inventories	152,820	163,724
Deferred income taxes	22,482	23,088
Prepaid expenses and other current assets	36,226	32,415
Total current assets	843,725	834,229
Property and equipment, net	17,282	15,884
Intangibles, net	23,088	20,956
Goodwill	88,985	85,944
Other non-current assets	15,058	14,357
Total assets	\$988,138	\$971,370
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$101,176	\$117,285
Accrued employee compensation	19,157	26,896
Other accrued liabilities	120,519	120,480
Deferred revenue	25,478	40,093
Income taxes payable	—	4,207
Total current liabilities	266,330	308,961
Non-current income taxes payable	16,818	18,657
Other non-current liabilities	5,443	4,995
Total liabilities	288,591	332,613
Commitments and contingencies (Note 9)		
Stockholders' equity:		
Common stock	38	38
Additional paid-in capital	379,086	364,243
Cumulative other comprehensive income	116	23
Retained earnings	320,307	274,453
Total stockholders' equity	699,547	638,757
Total liabilities and stockholders' equity	\$988,138	\$971,370

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		Six Months Ended		
	July 1, 2012	July 3, 2011	July 1, 2012	July 3, 2011	
Net revenue	\$320,655	\$291,240	\$646,275	\$570,063	
Cost of revenue	226,017	200,863	451,788	391,900	
Gross profit	94,638	90,377	194,487	178,163	
Operating expenses:					
Research and development	14,757	11,350	28,878	22,364	
Sales and marketing	37,677	39,036	76,647	75,684	
General and administrative	11,219	10,548	21,632	20,193	
Restructuring and other charges	—	2,094	—	2,094	
Litigation reserves, net	—	(225	) 151	(278	)
Total operating expenses	63,653	62,803	127,308	120,057	
Income from operations	30,985	27,574	67,179	58,106	
Interest income	116	106	235	235	
Other income (expense), net	354	(341	) (247	) (671	)
Income before income taxes	31,455	27,339	67,167	57,670	
Provision for income taxes	9,933	6,742	20,498	15,884	
Net income	\$21,522	\$20,597	\$46,669	\$41,786	