

NETGEAR, INC
Form 10-Q
November 06, 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 September 30, 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 38,272,676 as of October 30, 2012.

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PART I: FINANCIAL INFORMATION

Item 1. Financial Statements

NETGEAR, INC.

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands)

	September 30, 2012	December 31, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 134,601	\$ 208,898
Short-term investments	227,819	144,797
Accounts receivable, net	248,862	261,307
Inventories	178,916	163,724
Deferred income taxes	22,705	23,088
Prepaid expenses and other current assets	38,173	32,415
Total current assets	851,076	834,229
Property and equipment, net	18,927	15,884
Intangibles, net	27,701	20,956
Goodwill	100,880	85,944
Other non-current assets	20,053	14,357
Total assets	\$ 1,018,637	\$ 971,370
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 91,070	\$ 117,285
Accrued employee compensation	21,116	26,896
Other accrued liabilities	120,829	120,480
Deferred revenue	28,205	40,093
Income taxes payable	1,829	4,207
Total current liabilities	263,049	308,961
Non-current income taxes payable	17,525	18,657
Other non-current liabilities	5,286	4,995
Total liabilities	285,860	332,613
Commitments and contingencies (Note 9)		
Stockholders' equity:		
Common stock	38	38
Additional paid-in capital	388,812	364,243
Cumulative other comprehensive (loss) income	(171) 23
Retained earnings	344,098	274,453
Total stockholders' equity	732,777	638,757
Total liabilities and stockholders' equity	\$ 1,018,637	\$ 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		Nine Months Ended	
	September 30, 2012	October 2, 2011	September 30, 2012	October 2, 2011
Net revenue	\$315,210	\$301,800	\$961,485	\$871,863
Cost of revenue	217,522	205,490	669,310	597,390
Gross profit	97,688	96,310	292,175	274,473
Operating expenses:				
Research and development	17,399	12,738	46,277	35,102
Sales and marketing	37,600	39,600	114,247	115,284
General and administrative	11,888	10,851	33,520	31,044
Restructuring and other charges	—	—	—	2,094
Litigation reserves, net	269	44	420	(234)
Total operating expenses	67,156	63,233	194,464	183,290
Income from operations	30,532	33,077	97,711	91,183
Interest income	109	115	344	350
Other income (expense), net	3,070	(267)	2,823	(938)
Income before income taxes	33,711	32,925	100,878	90,595
Provision for income taxes	9,920	6,178	30,418	22,062
Net income	\$23,791	\$26,747	\$70,460	\$68,533
Net income per share:				