



# NETGEAR 2018 Analyst Day

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SEPTEMBER 6, 2018

# Safe Harbor Disclosure

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This presentation contains forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Specifically, forward-looking statements within the meaning of the Safe Harbor include statements concerning: future financial performance; projections on market share and market growth; future market opportunities; NETGEAR's products and technology and their expected performance characteristics, specifications and specific uses; and anticipated new product offerings and features. These statements are based on management's current expectations and are subject to certain risks and uncertainties, including, without limitation, the following: future demand for NETGEAR's products may be lower than anticipated; consumers may choose not to adopt NETGEAR's new product offerings or adopt competing products; the actual price, performance and ease of use of NETGEAR products may not meet the price, performance and ease of use requirements of customers; product performance may be adversely affected by real world operating conditions; global economic conditions, including rapidly changing international trade policies could materially adversely affect NETGEAR's results of operations; limited sources of certain components and reliance on a limited numbers of manufacturing partners could impede NETGEAR's business; new cyber threats may challenge the effectiveness of features in NETGEAR's products; the ability of NETGEAR to market and sell its products and technology, the impact and pricing of competing products, and the introduction of alternative technological solutions; NETGEAR may be unsuccessful or experience delays in manufacturing and distributing its new and existing products; telecommunications service providers may choose to slow their deployment of NETGEAR's products or utilize competing products; NETGEAR may be unable to collect receivables as they become due; and NETGEAR may fail to manage costs. Further, certain forward-looking statements are based on assumptions as to future events that may not prove to be accurate. Therefore, actual outcomes and results may differ materially from what is expressed or forecast in such forward-looking statements. Further information on potential risk factors that could affect NETGEAR and its business are detailed in the Company's periodic filings with the Securities and Exchange Commission, including, but not limited to, those risks and uncertainties listed in the section entitled "Part II - Item 1A. Risk Factors," pages 61 through 87, in the Company's quarterly report on Form 10-Q for the fiscal quarter ended July 1, 2018, filed with the Securities and Exchange Commission on August 3, 2018. NETGEAR undertakes no obligation to release publicly any revisions to any forward-looking statements contained herein to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

All product and company names herein are or may be trademarks of their respective owners.



# Agenda

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- Introduction by Patrick
- Financials
- SMB Update
- Connected Home Update
- Branding & Engagement
- Q&A
- Demos



# Introduction

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PATRICK LO

# Strategy for Growth



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TECHNOLOGY INFLECTION



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CREATE NEW CATEGORIES



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RECURRING SERVICE REVENUE



Mesh



Content Streaming



5G



11ax



Gaming

# Key Technology Inflections

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# New Categories



PoE+



Pro AV



10 Gig



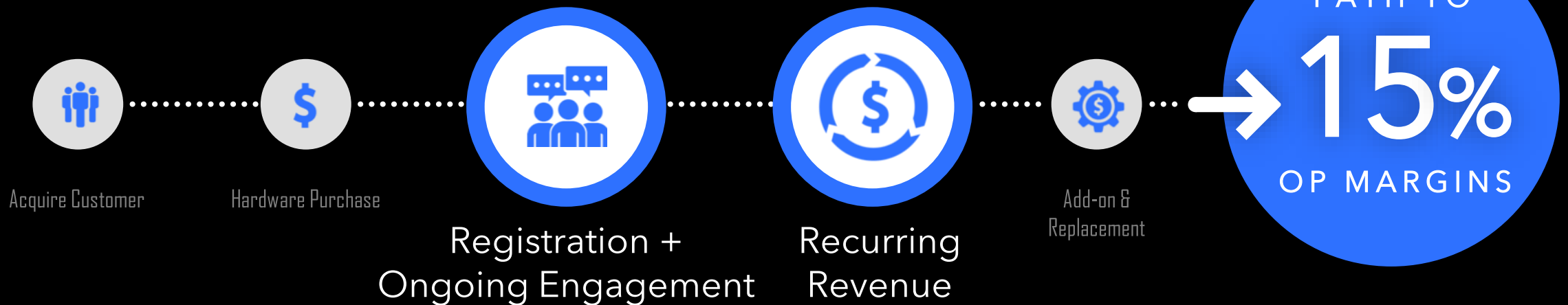
Mesh

# The NETGEAR Evolution

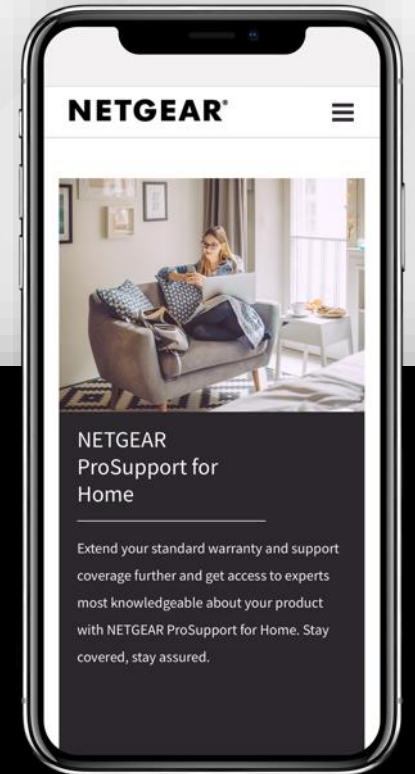
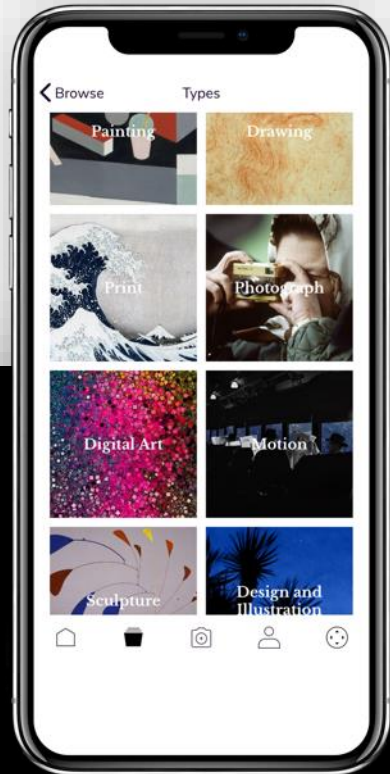
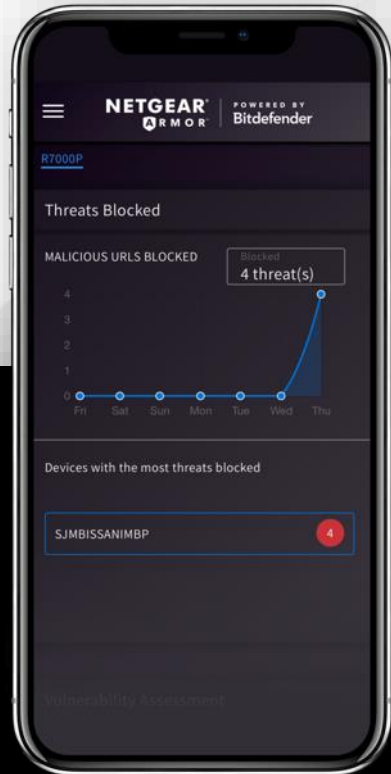
FROM A LARGE INSTALLED BASE WITH LIMITED ENGAGEMENT...



...TO A LARGE AND ENGAGED CUSTOMER COMMUNITY



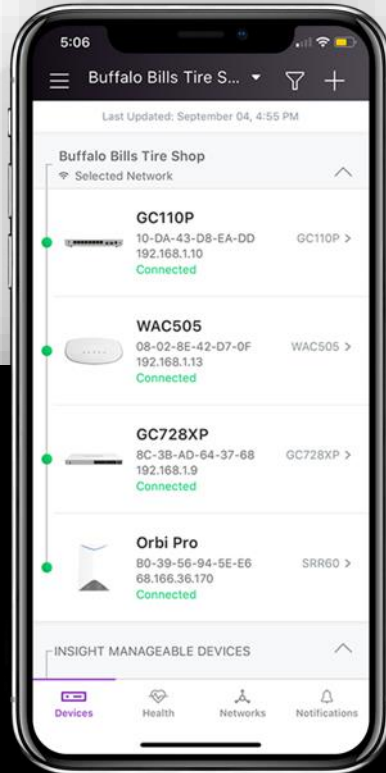
# Connected Home Services



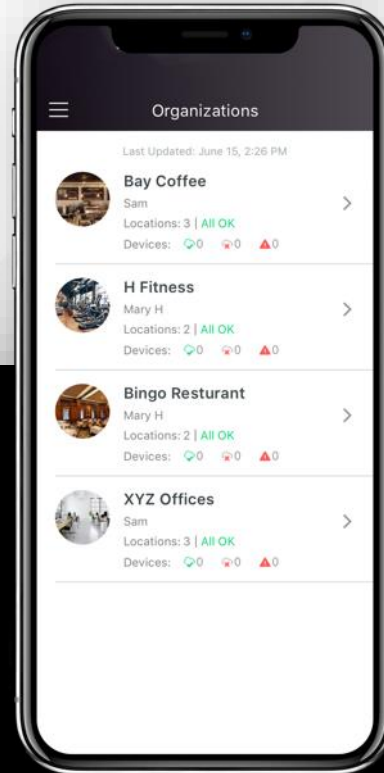


# SMB Services

**NETGEAR**  
INSIGHT



**NETGEAR**  
INSIGHT PRO



**NETGEAR**  
PROSUPPORT



10M

REGISTERED USERS  
BY END 2018

8.7M

REGISTERED USERS  
CURRENT

4.2M

EMAIL OPT-IN  
CURRENT

650K

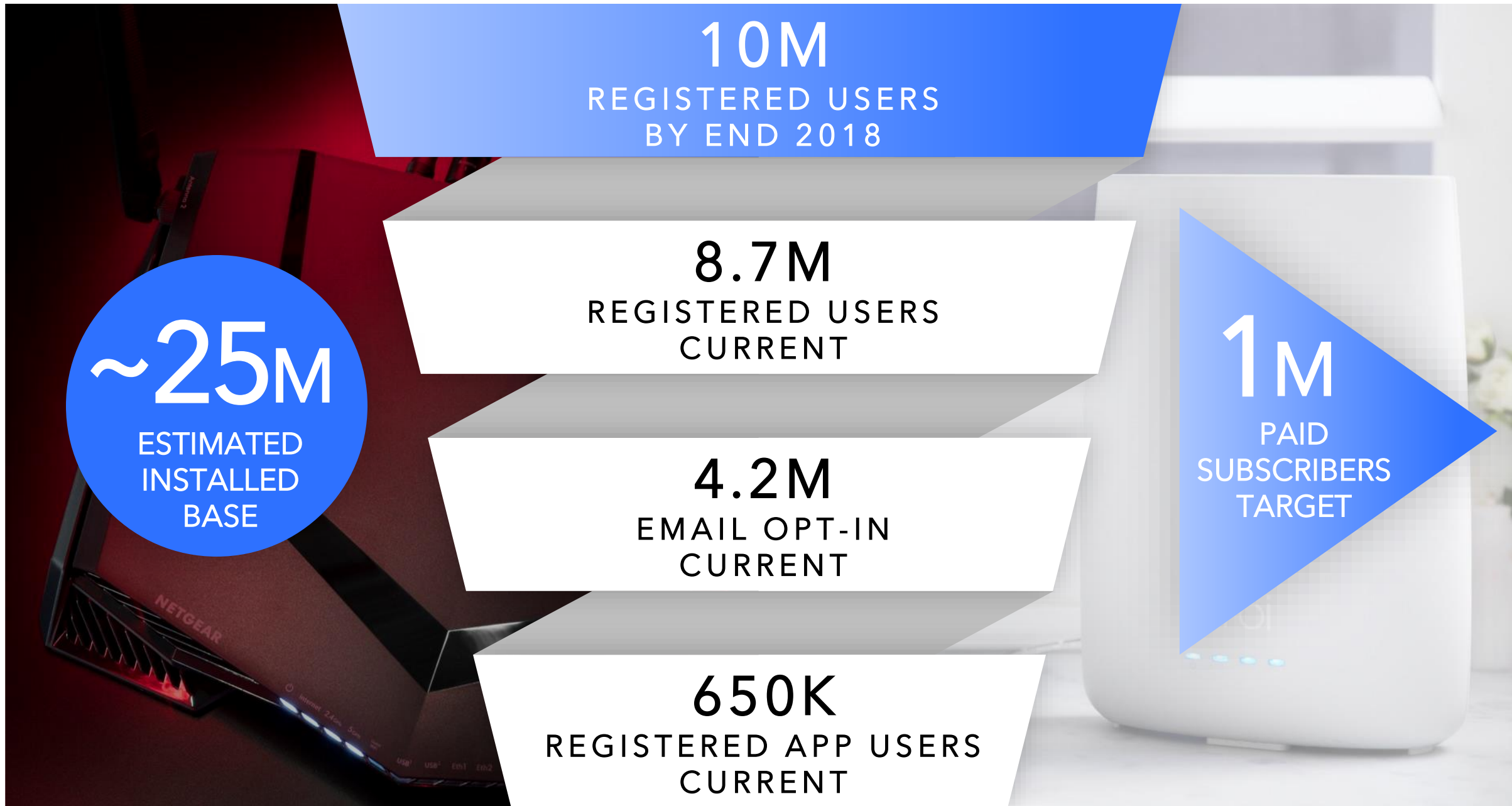
REGISTERED APP USERS  
CURRENT

1M

PAID  
SUBSCRIBERS  
TARGET

~25M

ESTIMATED  
INSTALLED  
BASE





# Financials

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BRYAN MURRAY

**NETGEAR<sup>®</sup>**

# Separation Update

Feb  
6

Aug  
2018

By  
1Q19

Prepare for separation

IPO 15.8% OF ARLO

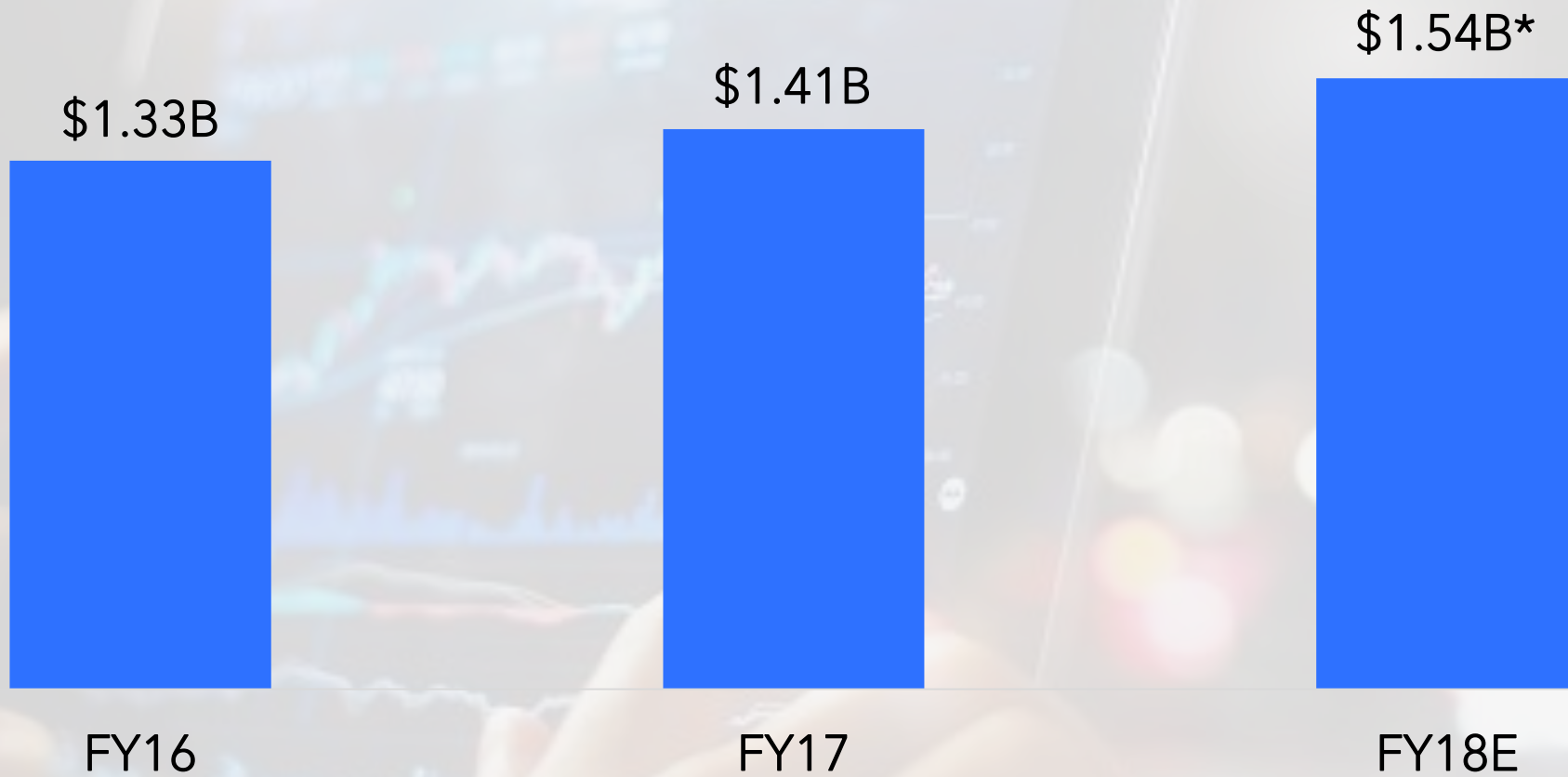
DISTRIBUTE THE REMAINING  
84.2% OF ARLO TO ALL NTGR  
SHAREHOLDERS (FINAL SPIN)

Completed

Completed

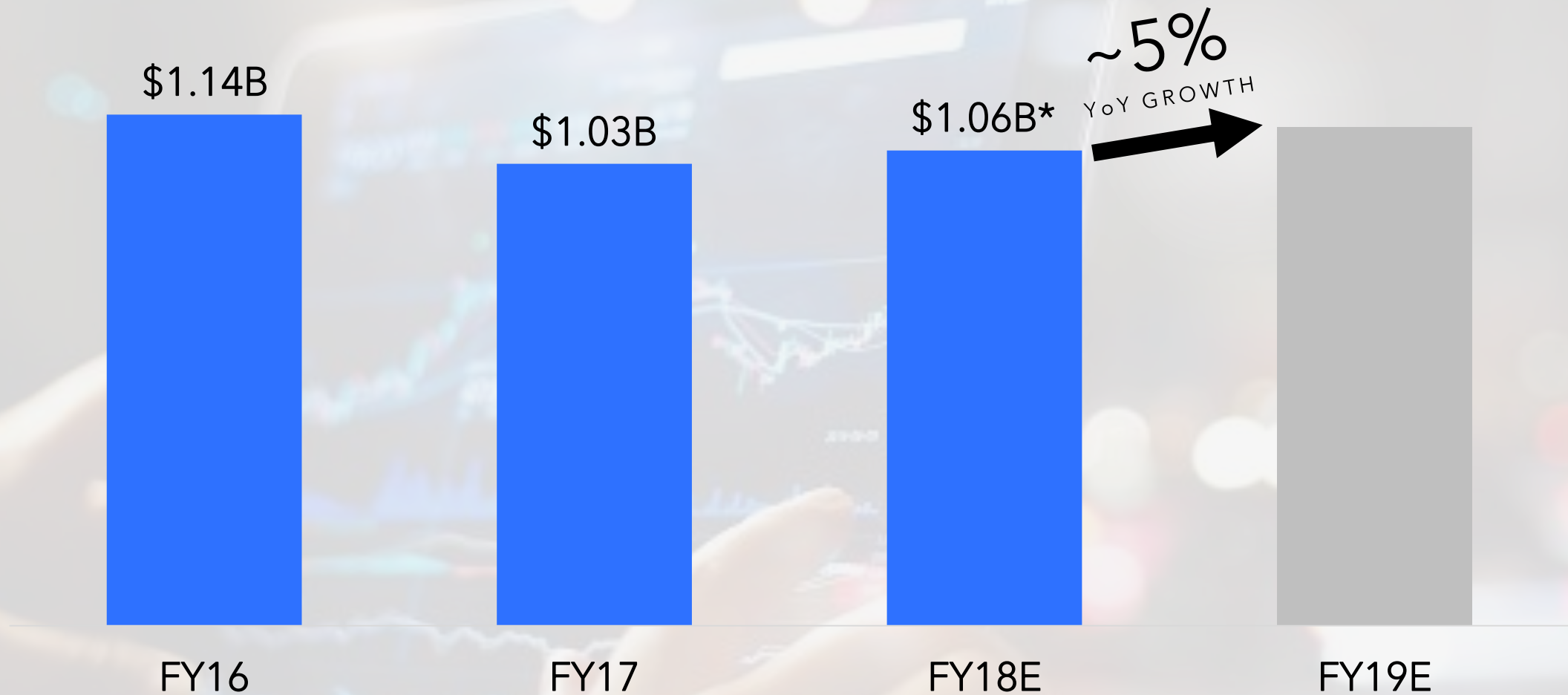
- Final spin subject to customary conditions, including:
- Final approval from NTGR Board
  - Favorable market conditions and tax and legal considerations, including receipt of tax opinion

# Total NETGEAR Revenue



\*Source: FactSet, as of 09/05/18. NTGR consensus FY'18 net revenue estimate.

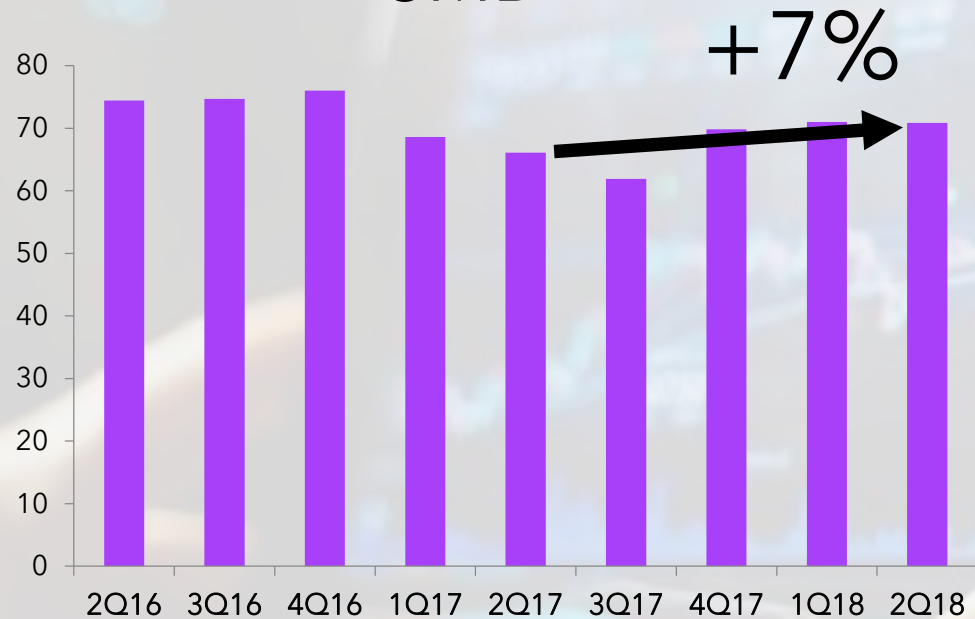
# Steady Topline Growth for CHP + SMB



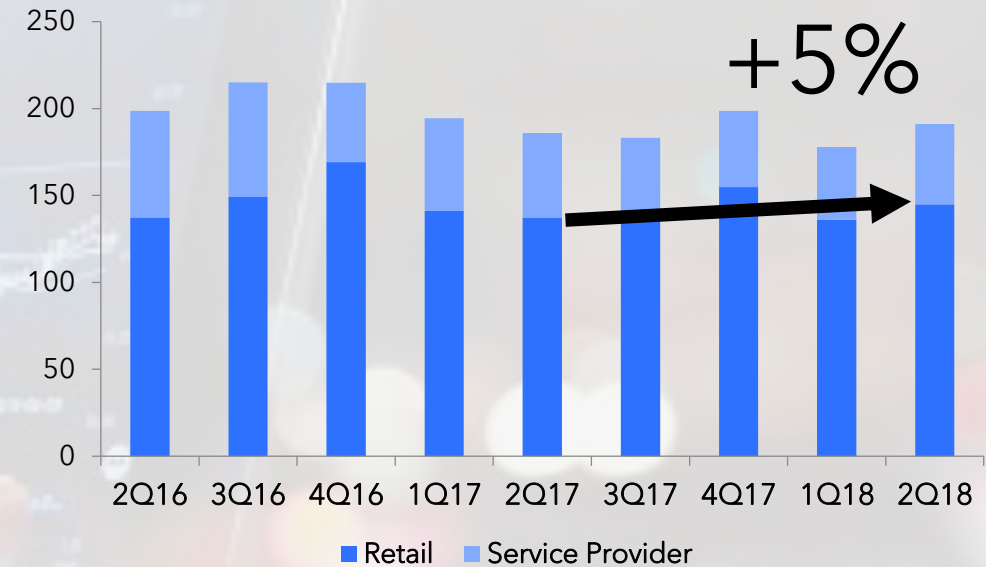
\*Source: FactSet, as of 09/05/18. NTGR consensus FY'18 net revenue estimate minus ARLO consensus FY'18 net revenue estimate.

# Quarterly Sales Trends

## SMB



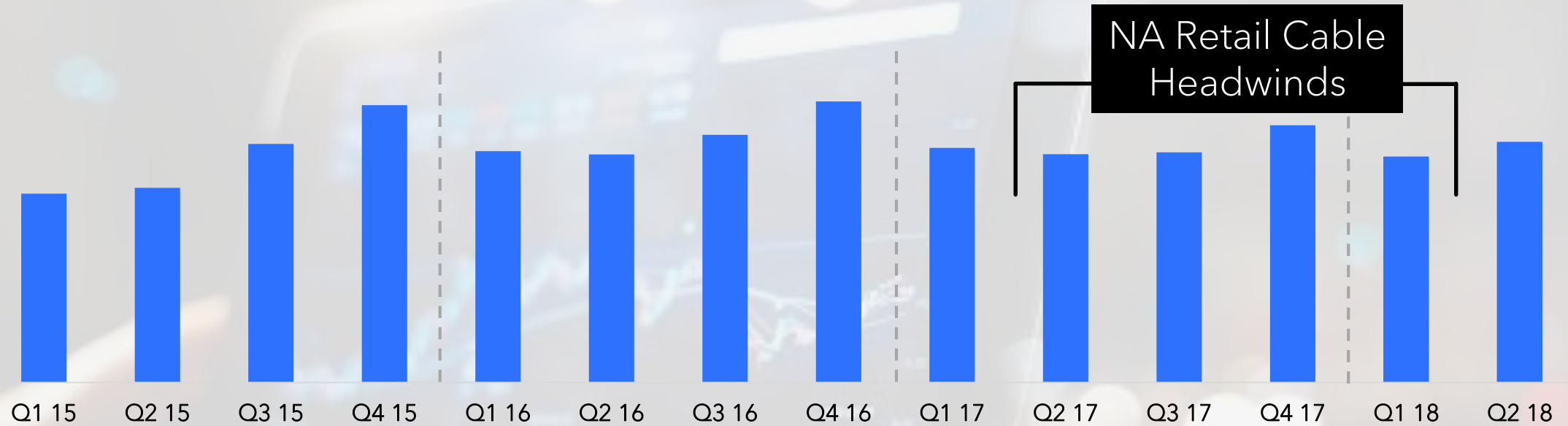
## Connected Home



Shift to 10gig/PoE+ drives growth  
Storage decline immaterial as of Q1'18

NA retail cable mkt recovered in Q2'18  
Expect SP revenue @ \$35-40M per quarter

# CHP Seasonality (Ex-Service Provider)



Historic QoQ Seasonality			
Q1	Q2	Q3	Q4
-17%	1%	11%	14%
10%-12% decline		16%-18% growth	



# Margin Fundamentals Intact

	FY'16	FY'17		1H18	
	Total	Total	Ex-Arlo	Total	Ex-Arlo
Segment CM%	16.8%	14.0%	16.3%	13.6%	18.2%
Corporate & Unallocated	-5.2%	-5.3%	-5.3%*	-7.0%	-7.0%*
Non-GAAP OM%	11.6%	8.7%	11.0%	6.7%	11.2%

\*Note: assumes leverage experienced including Arlo business.

# Recurring Services Drive Margin Expansion

## Paid Service Users Count

		100K	500K	1M	1.5M	2M
Annual ARPU	\$12	+0.1%	+0.3%	+0.6%	+0.8%	+1.1%
	\$24	+0.1%	+0.6%	+1.1%	+1.6%	+2.1%
	\$36	+0.2%	+0.8%	+1.6%	+2.4%	+3.2%

Assumptions: 50% gross margin on services

# Strategic Capital Allocation



orbi™



MEURAL



NIGHTHAWK®



NIGHTHAWK®  
PRO GAMING



arlo™



placemeter



MEURAL



**R&D / BRAND INVESTMENT**

**M&A**

**SHARE REPURCHASE**

# Share Repurchases Resume

Trailing 5- years (as of Q4'17)

Approach	OPPORTUNISTIC
Total free cash flow generated	\$437M
Total cash used for share repurchases	\$423M
Weighted average price	\$35.61

SHARE REPURCHASES RESUME 2H18



# 2019 Financial Targets

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- Mid-single-digit YoY top line growth
- Service provider revenue of \$35-\$40M per quarter
- 10-11% non-GAAP operating margin
- Double-digit non-GAAP EPS growth

# Long Term Target Model

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- Mid-single-digit % annual revenue growth
- Convert 1M+ of installed base to paid service customers
- 15% non-GAAP operating margin
- Low double-digit non-GAAP EPS growth





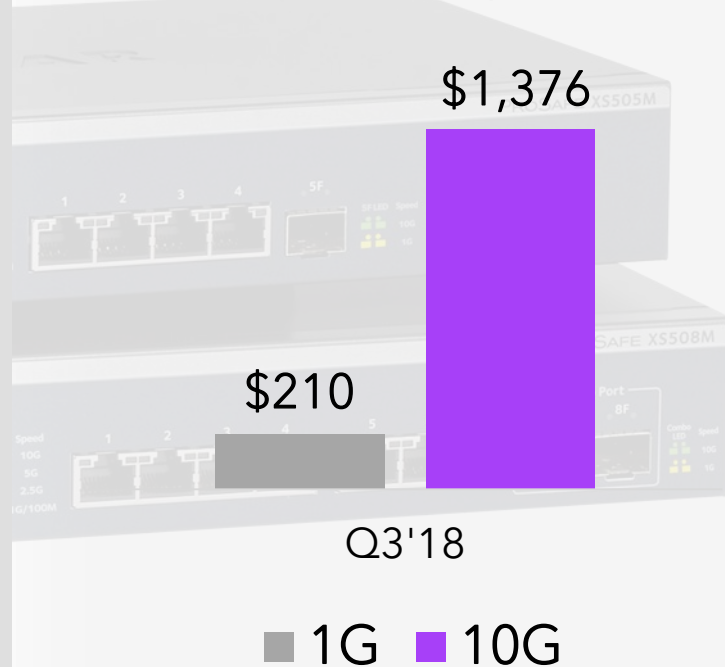
# SMB Update

JOHN MCHUGH

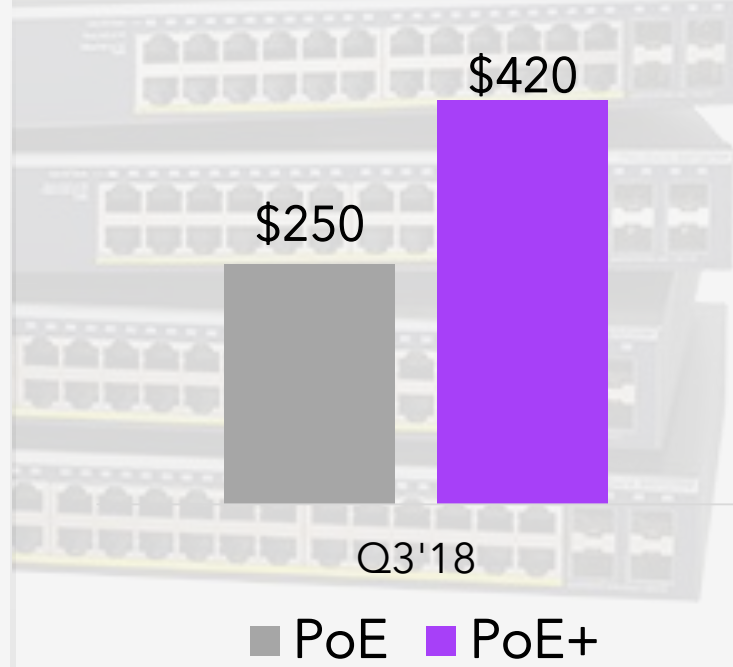
**NETGEAR®**

# Upgraded Technology > 2x ASP...

Smart Switch Port Speed ASPs



Smart Switch PoE ASPs



NETGEAR SMB Access Point ASPs



1Gbps → 10Gbps

PoE → PoE+

11ac → 11ax





We never stop inventing  
new categories.



First Smart Switch

2003



First 10G Smart Switch

2010



First Lightly Managed Plus Switch

2011



Flexible Mounting Click Switch

2014



First App Managed Access Point

2017



First Fully Autonomous Cloud Management Switch

2017



First DIY WiFi Mesh Solution for Business

2017

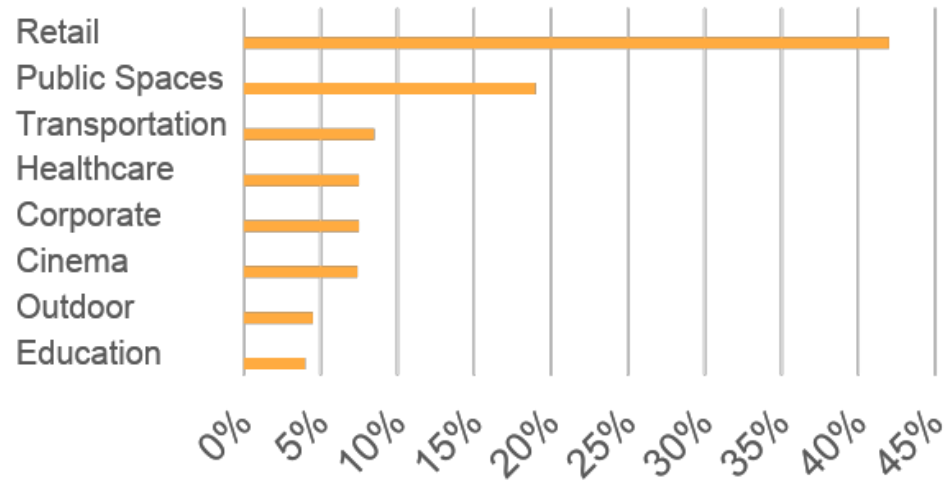
2018



Pro AV 48/96 10G Switch

# AV Transitioning HDMI to Ethernet

## 2017 Pro-AV applications



Interconnect market is **\$250M**

Converting to AV-over-IP



# Do-It-Yourself SMB Networks



orbi™  
PRO

High-performance WiFi

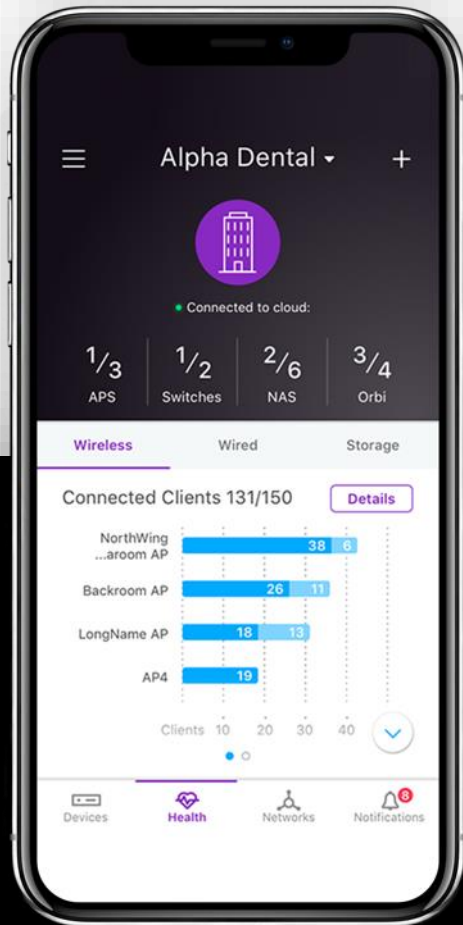
DIY wire-free installation

Secure guest network

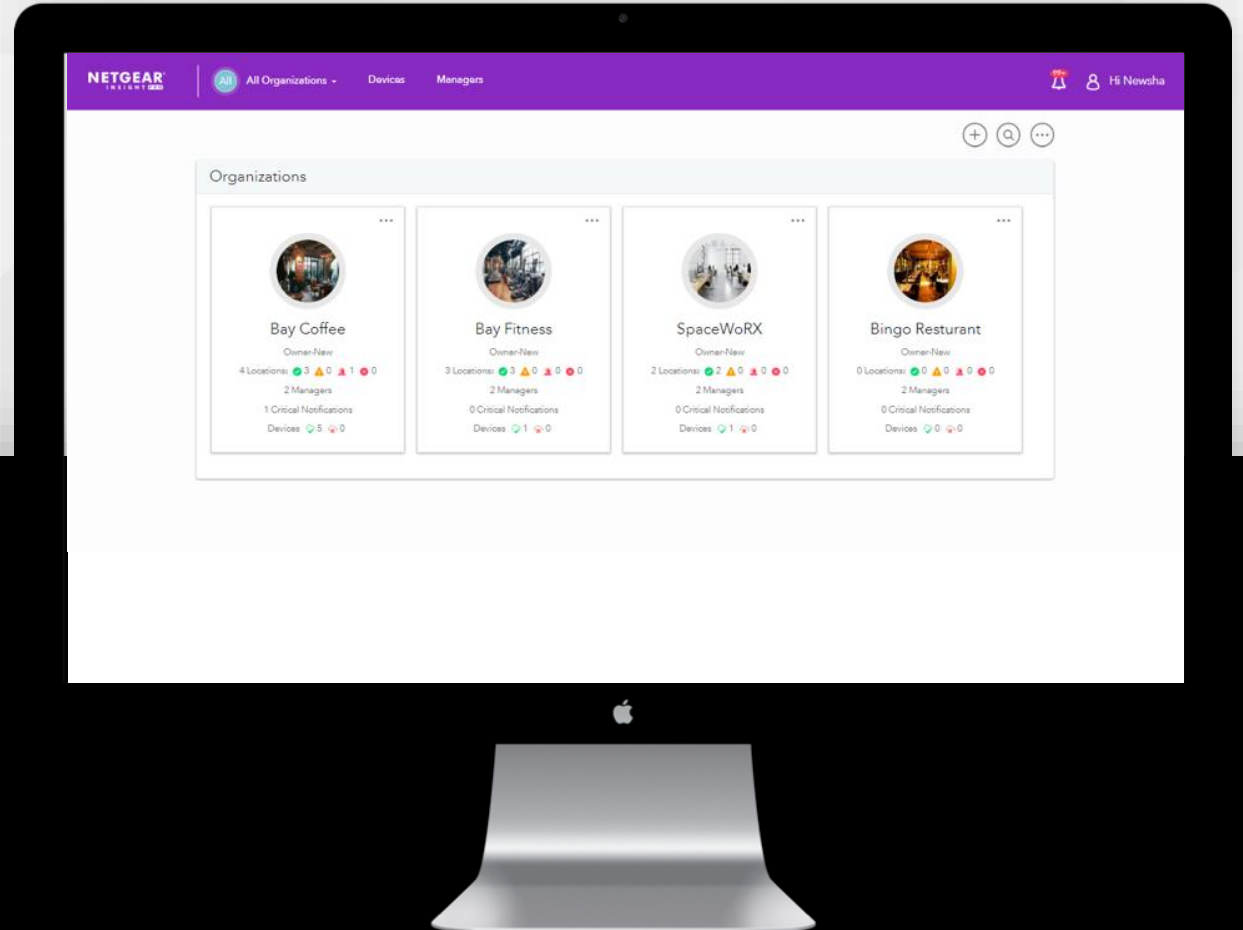
Expanding margins with  
recurring service revenue.



DIY  
\$5 per year per device



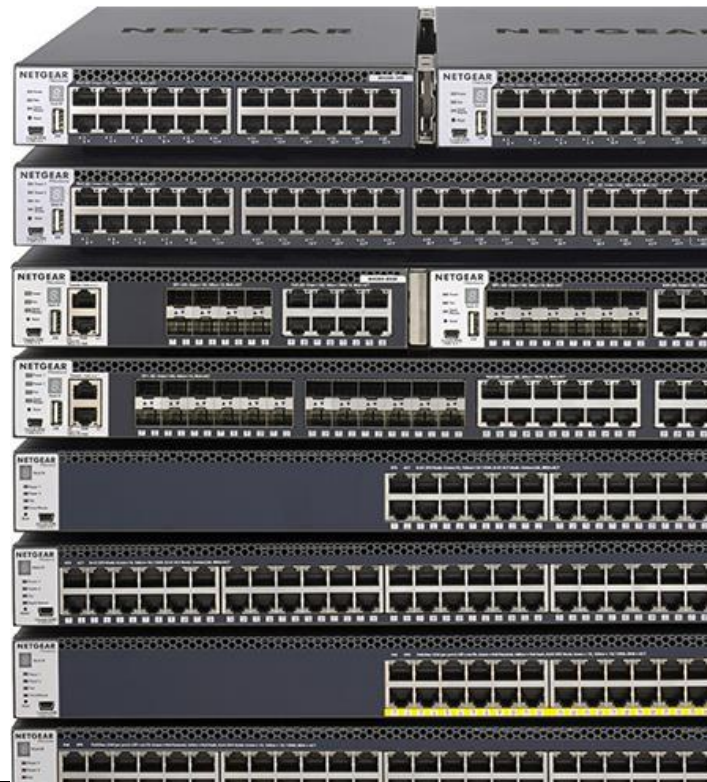
Managed Service Providers  
\$15 per year per device



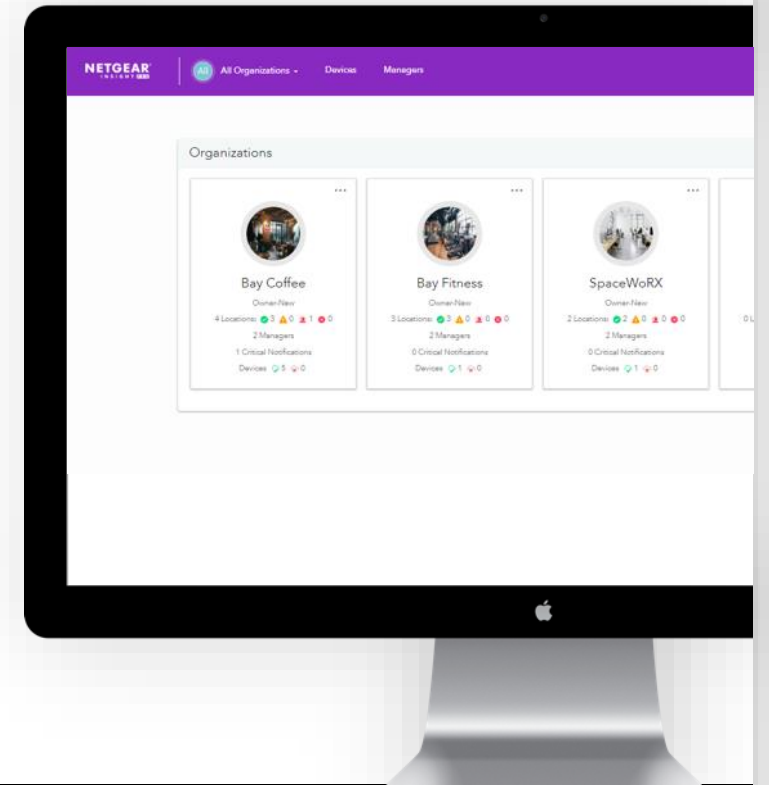
# SMB Summary



Up ASP with new technology



Pro AV, Orbi, App Switches

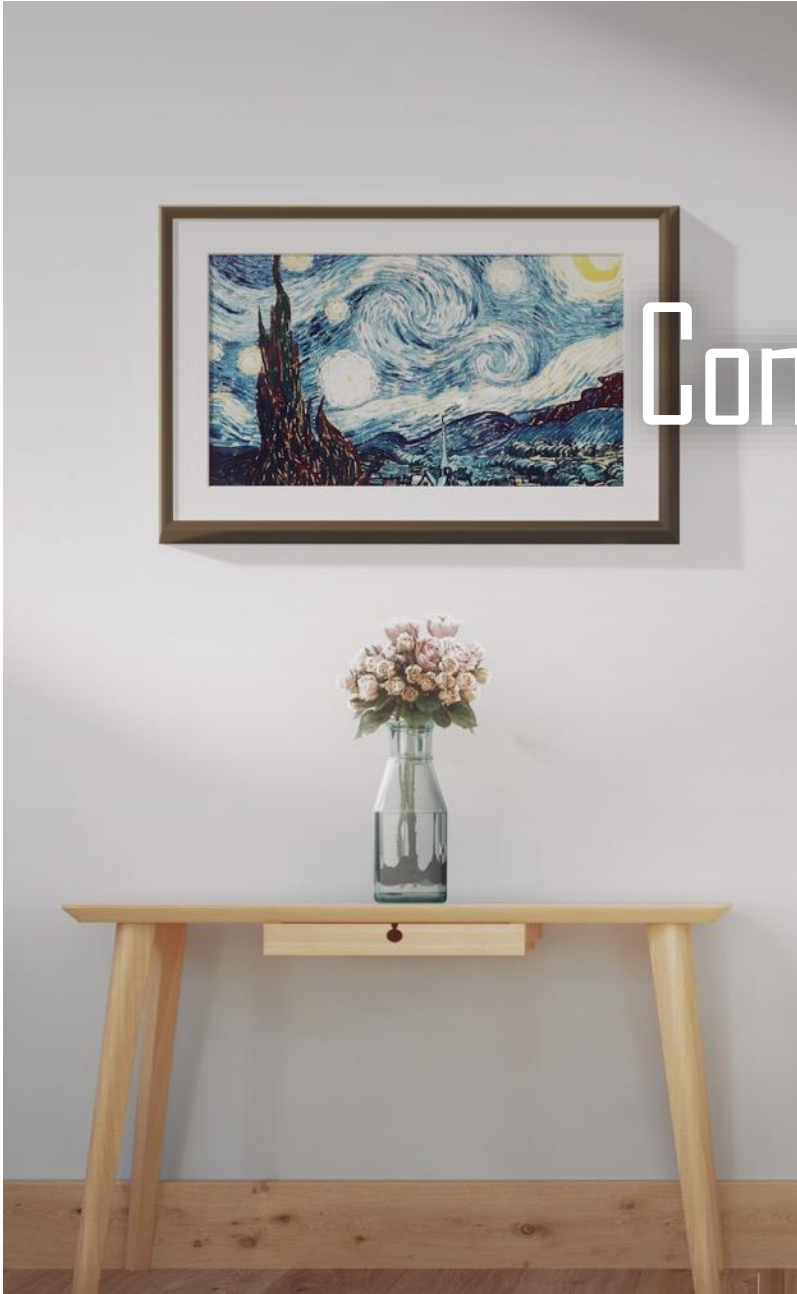


Insight services

# Connected Home Update

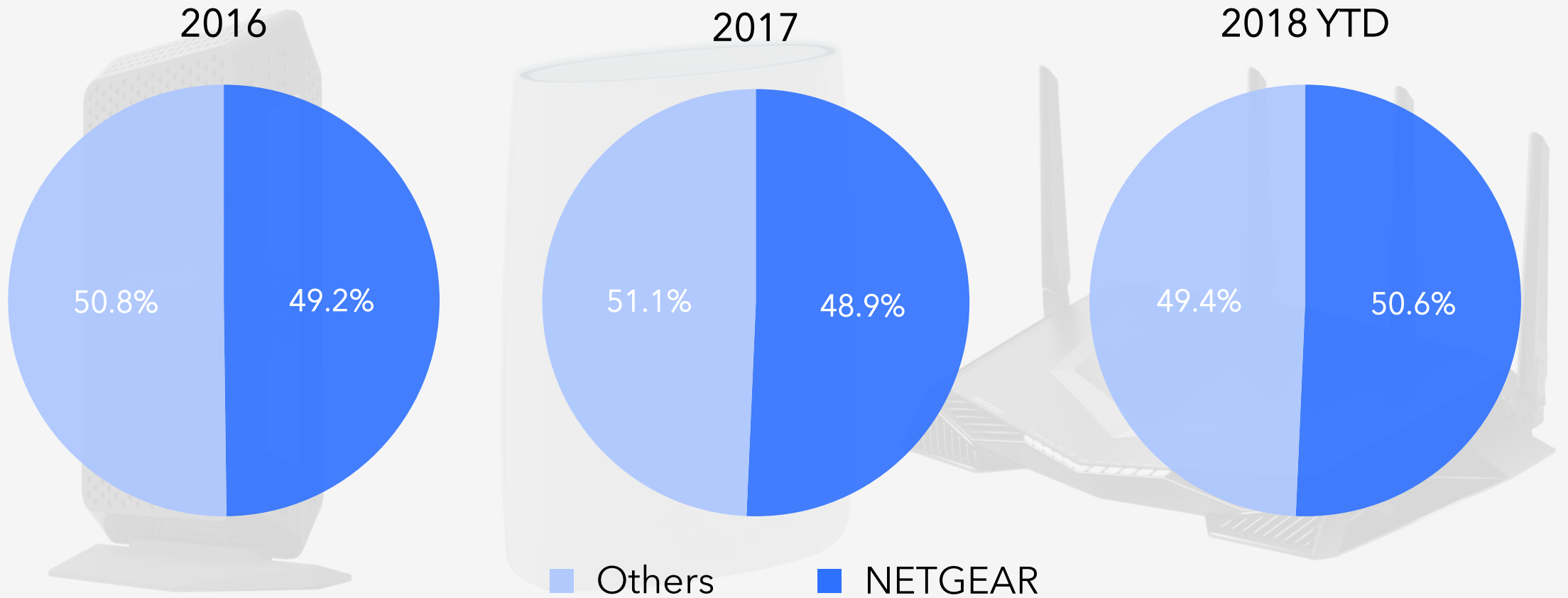
DAVID HENRY

**NETGEAR®**



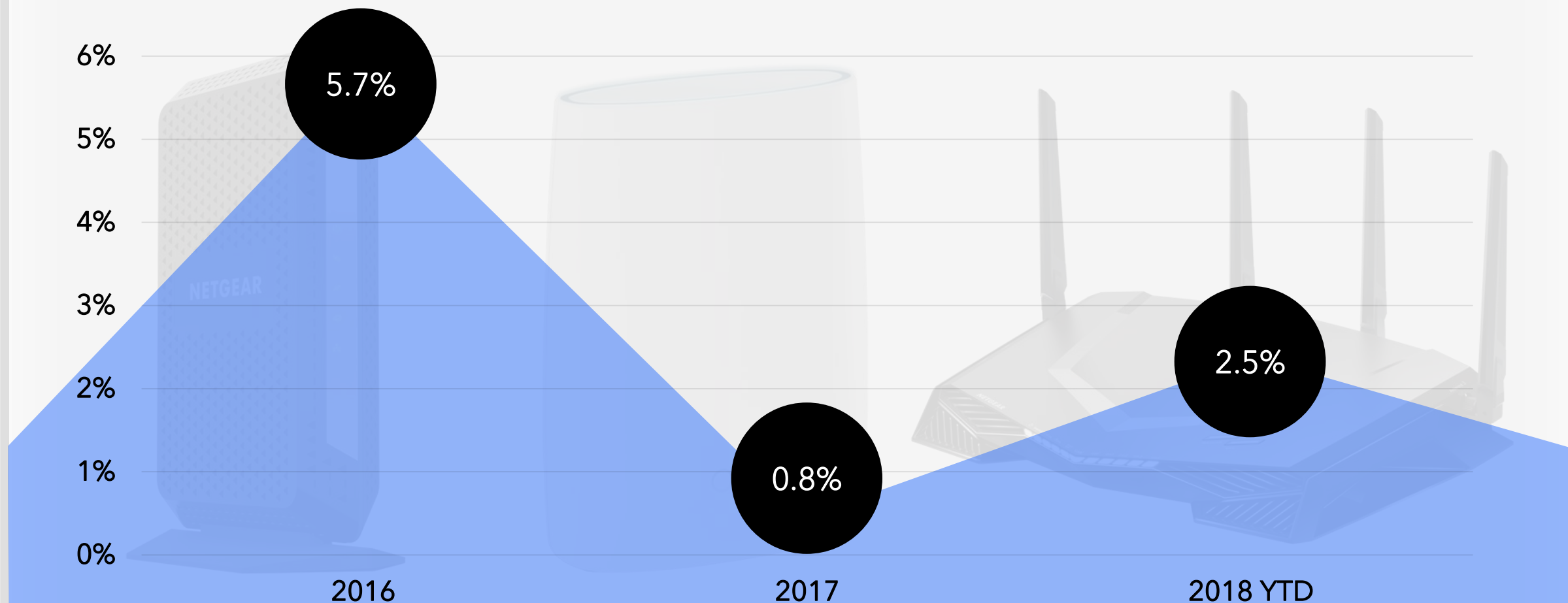


# NETGEAR WiFi Market Share



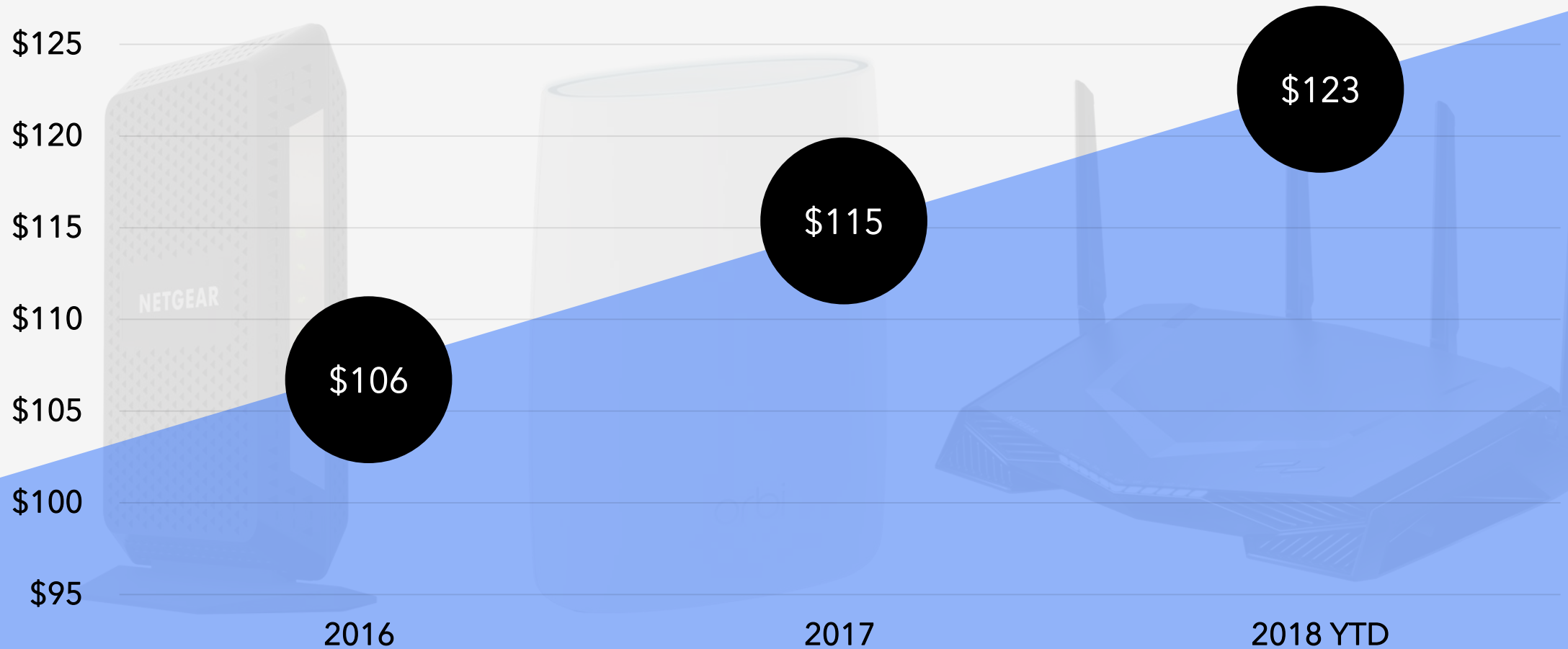
Source: The NPD Group, Inc., U.S. Retail Tracking Service; Gateways, Range Extenders, Routers; Wireless; Cellular Ready Technology excludes 3G, 4G, Dual Band 3G/4G, LTE; Network Connectivity excludes powerline; based on dollar share; Jan.-Dec. 2016, Jan.-Dec. 2017, Jan.-July 2018.

# US WiFi YoY Market Growth



Source: The NPD Group, Inc., U.S. Retail Tracking Service; Gateways, Range Extenders, Routers; Wireless; Cellular Ready Technology excludes 3G, 4G, Dual Band 3G/4G, LTE; Network Connectivity excludes powerline; based on dollar share; Jan.-Dec. 2015 vs. Jan.-Dec. 2016, Jan.-Dec. 2016 vs. Jan.-Dec. 2017, Jan.-July 2017 vs. Jan.-July 2018. Sales are adjusted for 5wk Jan. 2018 vs. 4wk Jan. 2017.

# Consumer WiFi ASP



Source: The NPD Group, Inc., U.S. Retail Tracking Service; Gateways, Range Extenders, Routers; Wireless; Cellular Ready Technology excludes 3G, 4G, Dual Band 3G/4G, LTE; Network Connectivity excludes powerline; average price; Jan.-Dec. 2016, Jan.-Dec. 2017, Jan.-July 2018.



ASP expansion will continue.  
And here's how...

The Next Generation of  
WiFi is Max,  
& NETGEAR Brings It  
First



**NIGHTHAWK®**



CAPACITY

Handles 4X the  
devices



SPEED

40% Higher  
throughput



**11AX**



RANGE

Up to 50% longer  
range



PERFORMANCE

Improves battery  
life for clients

# 5G Will Bring New Use Cases



Virtual & Augmented Reality



Health Care



Mobile Cloud Computing



Infrastructure & Utilities



Media & Entertainment



Automotive & Transportation



We continue to innovate  
and create new categories.

Introducing Lifestyle...

# Nighthawk Pro Gaming Driven by the Growth of eSports & Online Gaming

**2.35B**

Gamers worldwide  
growing to 2.75B by 2021

**68%**

Of gamers purchase  
hardware to improve or feel  
it's essential for gaming





# Designed for the Needs of the Avid Gamer



**NIGHTHAWK**<sup>®</sup>  
PRO GAMING



# Orbi Voice

BETTER WIFI AND SOUND.  
EVERYWHERE.

<https://www.youtube.com/watch?v=3n51QtdNZlo>



androidcentral

Android Central

"Orbi mesh networking system, this is a perfect add-on."

techradar

TechRadar

"The union we've all been waiting for is here."

engadget

Engadget

"It's got serious sound...spreading internet while it's pumping tunes."

orbi  
VOICE

amazon alexa  
ENABLED

TechHive

TechHive

"Why has no one thought of it before?  
...packs a pretty good audio punch"

DONG  
KNOWS TECH

Dong Knows Tech

"In all, the thing is really cool!"

c|net

CNET

"something no other smart speaker does..."

VentureBeat

VentureBeat

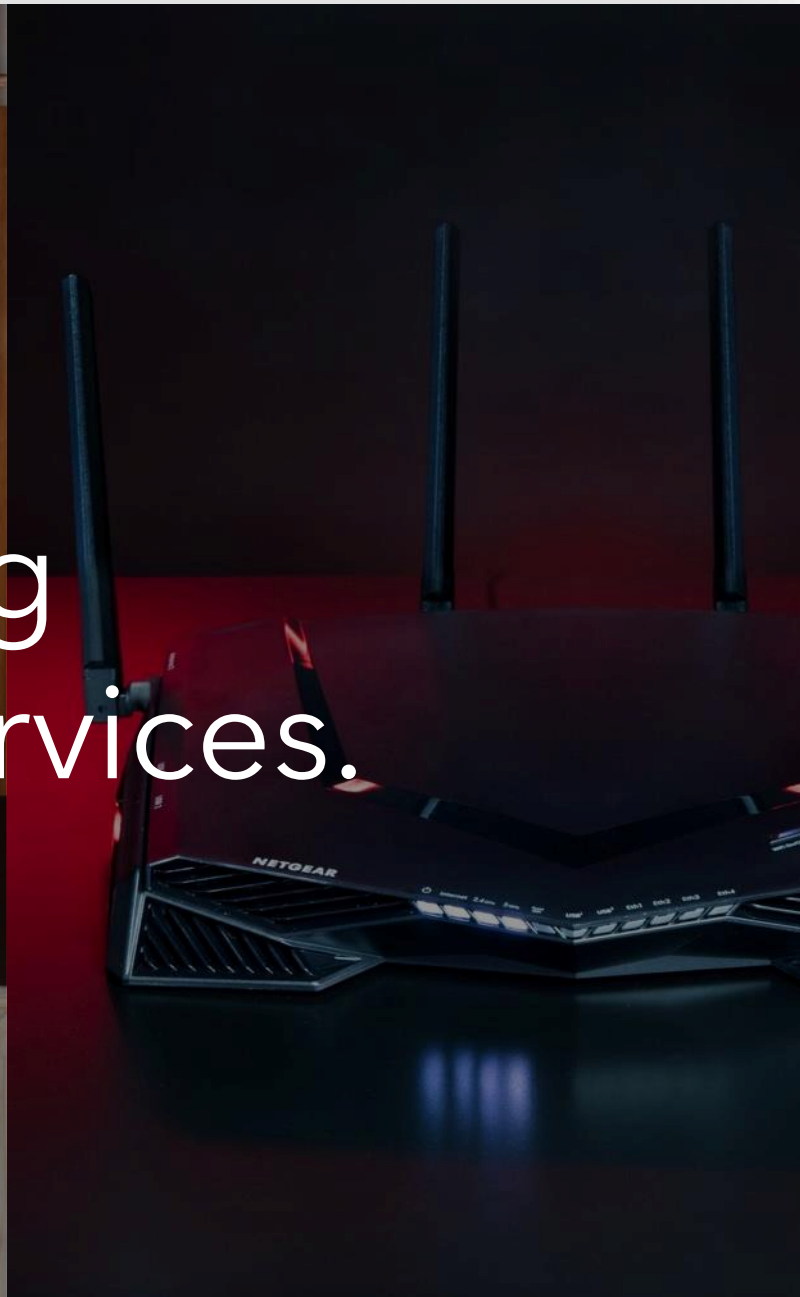
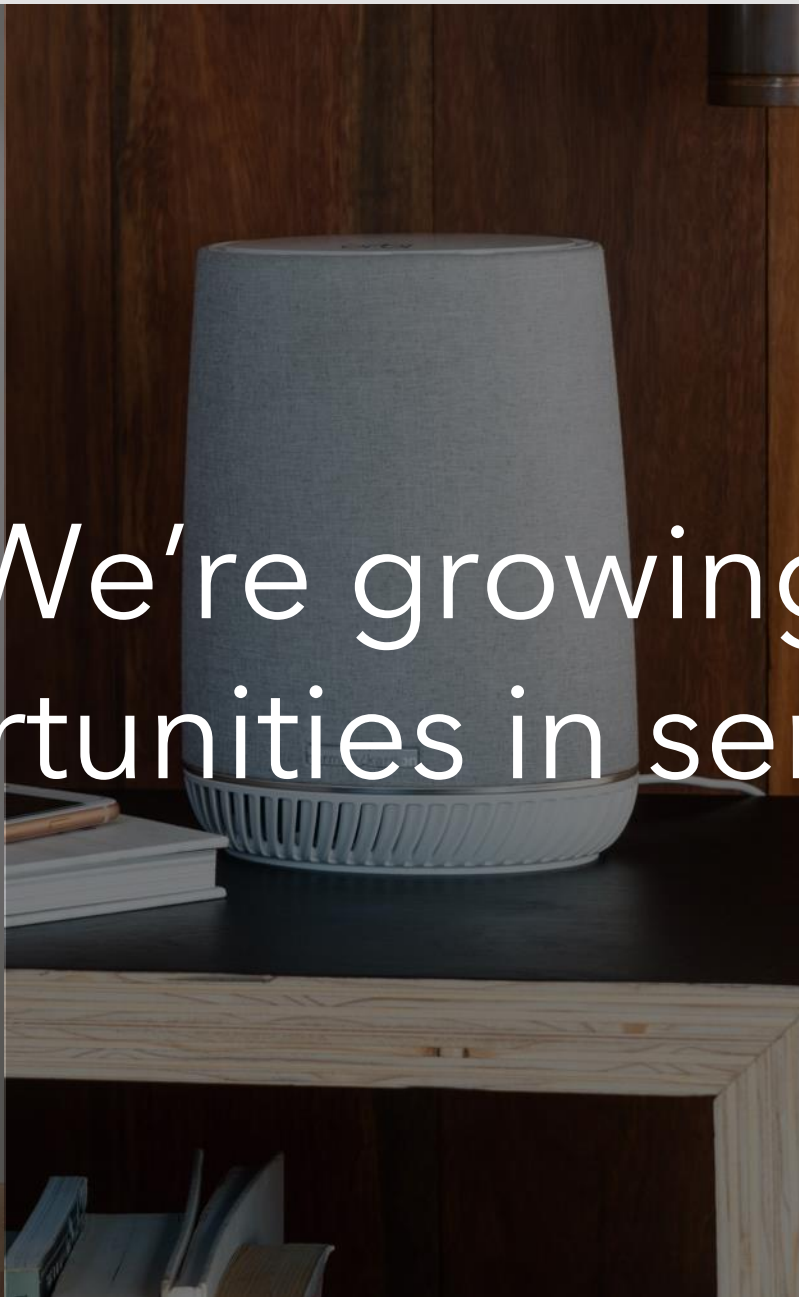
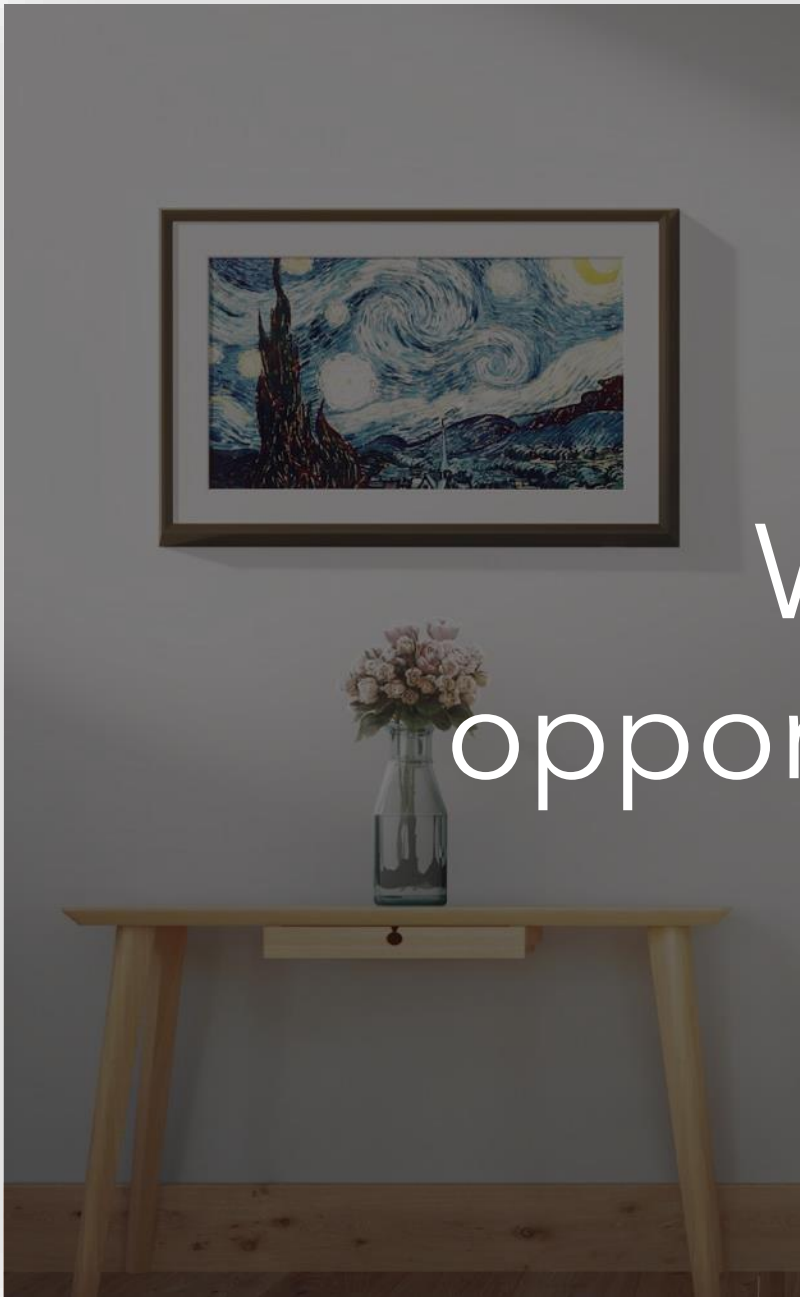
"Netgear is getting more hip."



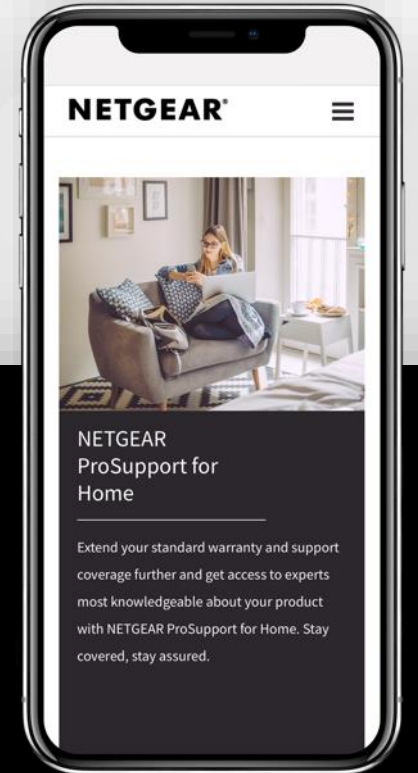
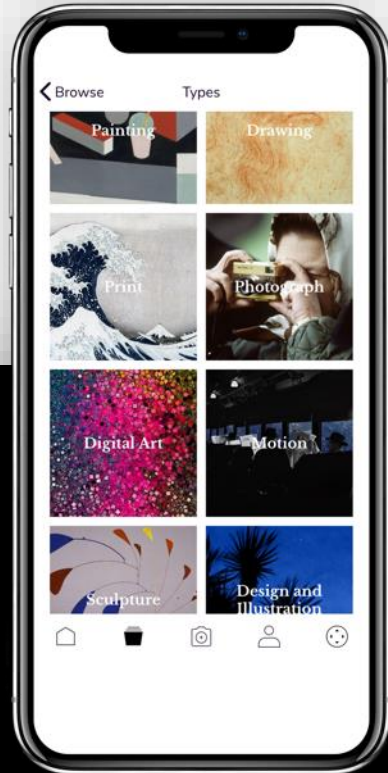
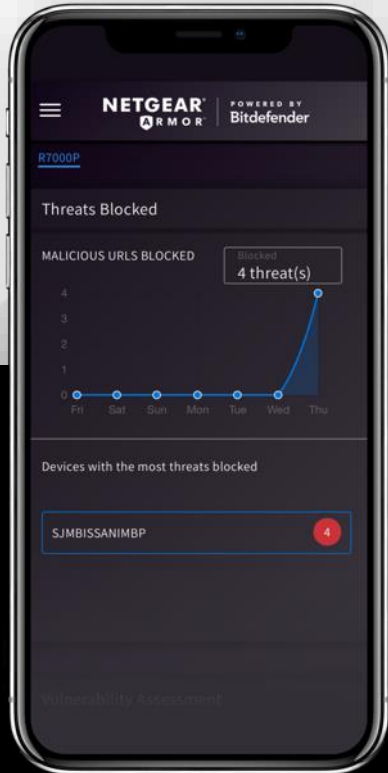
 MEURAL




We're growing  
opportunities in services.



# Existing Paid Services from NETGEAR





Hacker attacks occur every  
39 seconds, affecting 1 in 3  
Americans every year.

Source: <https://eng.umd.edu/news/story/study-hackers-attack-every-39-seconds>

# Advanced Cyber Threat Protection for All Devices



MULTI-LAYERED PROTECTION



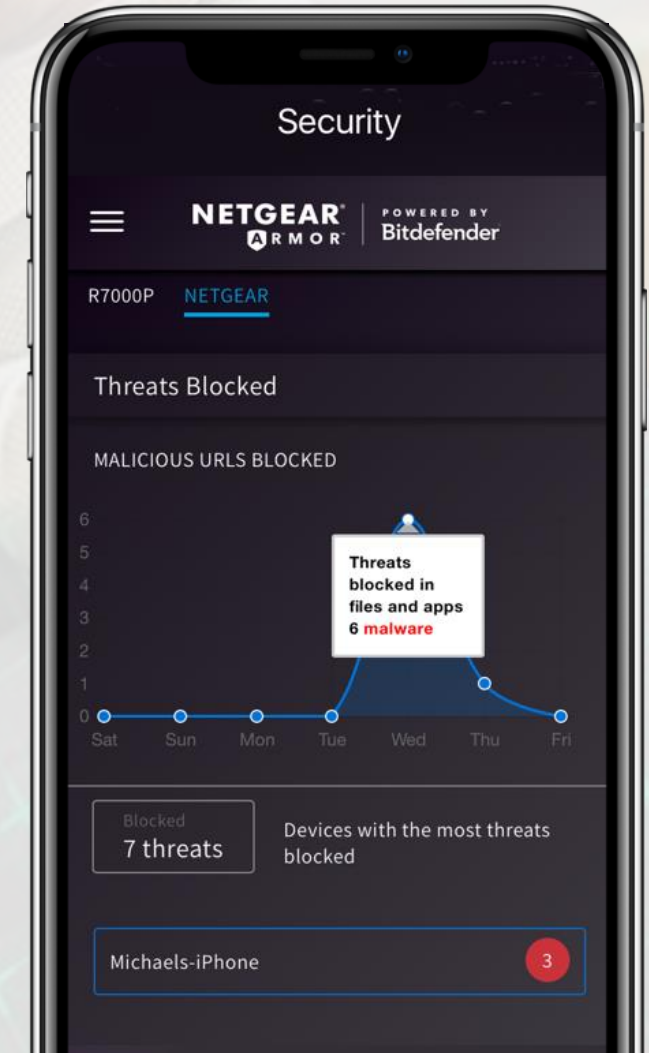
NETWORK CONTROL FROM ANYWHERE



NIGHTHAWK + AWARD WINNING SECURITY



UNLIMITED PERSONAL DEVICES COVERED





# Meural Membership

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- Subscription \$49.95/year
- Unlimited access to 40,000+ digital content
- Exclusive artwork & photography
- Strong membership attach



# CHP Summary



Up ASP with new technology



Create new lifestyle category



Sell services

# Branding & Engagement

HEIDI CORMACK



**NETGEAR®**

# Branding & Engagement

## NETGEAR WEBSITE



↑20%  
Sessions

↑27%  
Page Views

↑63%  
ITP Clicks

↑26%  
Direct Views

↑89%  
Organic Views

↑831%  
Social Views

↑1,811%  
Email Views

## INSTALL BASE ENGAGEMENT

Emails

↑103%  
YoY Unique Open Rate



↑243%  
YoY Unique Click Through Rate

In-app Messaging

300K  
Sent



↑80%  
Engagement Rate vs Industry Standard

## COMMUNITY GROWTH

↑50%  
Total Followers

↑110%  
Social Followers



## PR IMPRESSIONS

2.2B



↑1,100%

Media Impressions

## GLOBAL IMPRESSIONS

444M



Across All Campaigns

31M



Across All Campaigns

## NIGHTHAWK PRO GAMING

↑28%  
Page Views

↑30%  
ITP Clicks



Q1'18 vs Q1'17

↑104%  
Orbi

↑463%  
Nighthawk

## FORUMS

↑36%  
New Registrations

↑32%  
Visits

↑45%  
Engagement



## BRAND IMPRESSIONS



# Orbi Voice Wins at IFA





18-34



AGE GROUP

+42%



BRAND IMPRESSIONS

230M



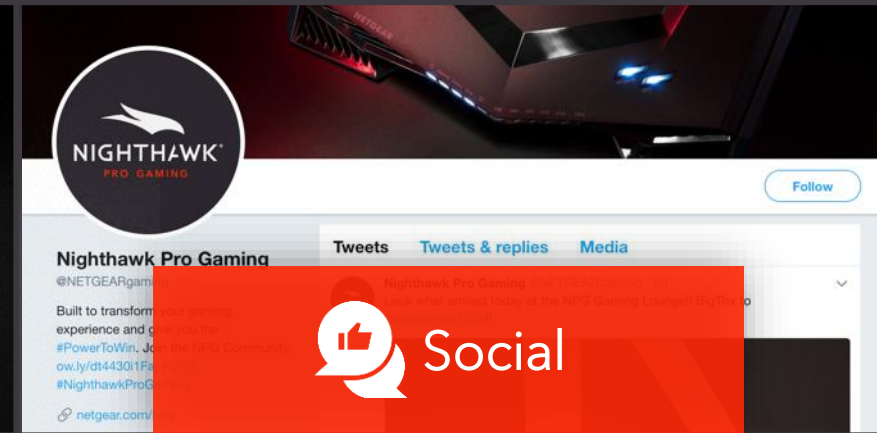
VIDEO VIEWS



Pro Endorsements



Channel



Social



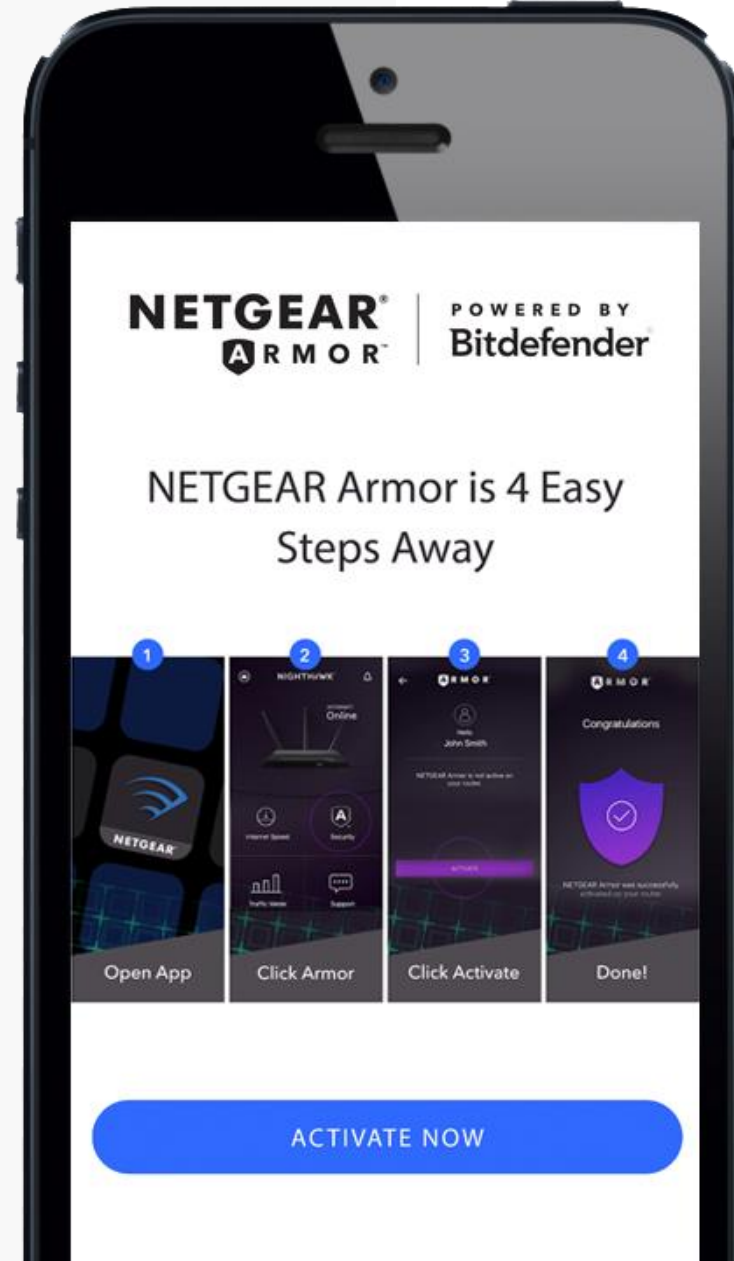
Gaming Events



Influencers

# Install Base Marketing

- Effective targeting and personalization
- Multi-step campaigns with email & in-app
- Increased engagement & conversion rates



10x  
Conversion Rate



# Global Brand Building

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- Social Media Engagement
- Digital Marketing
- Active Community Growth
- Increased App Engagement
- Optimization In-app & Email Marketing



