

# NETGEAR 2017 Analyst Day

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November 8, 2017

**NETGEAR®**



# 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; 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 51 through 72, in the Company's quarterly report on Form 10-Q for the fiscal quarter ended July 2, 2017, filed with the Securities and Exchange Commission on August 4, 2017. 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.

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# Agenda

Introduction by Patrick

SMB

Connected Home

Arlo

Branding and Engagement

Financials

Q&A

Demos



# Introduction

**PATRICK LO**

# Strategy for Growth



# A History of Innovation

2003



World's First  
Smart Switch

2005



RangeMax

2013



Nighthawk

2014



Arlo

2016



Orbi with  
FastLane3

2017



App Switches  
Nighthawk Mesh  
Extenders

# The Next Innovation

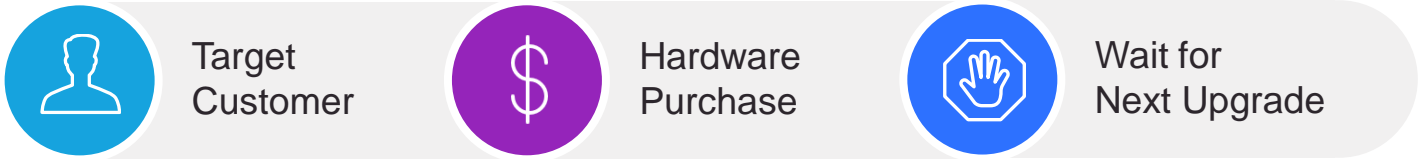
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## The Customer Engagement Process

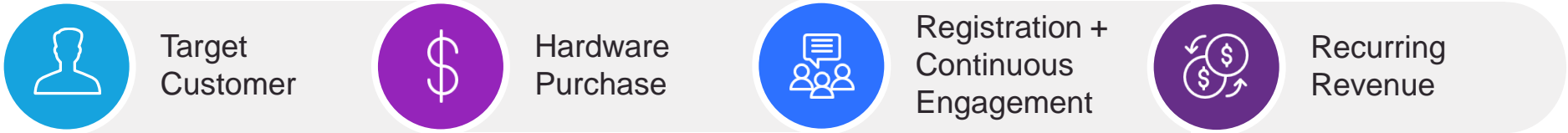


# User Lifecycle Management

## OLD MODEL

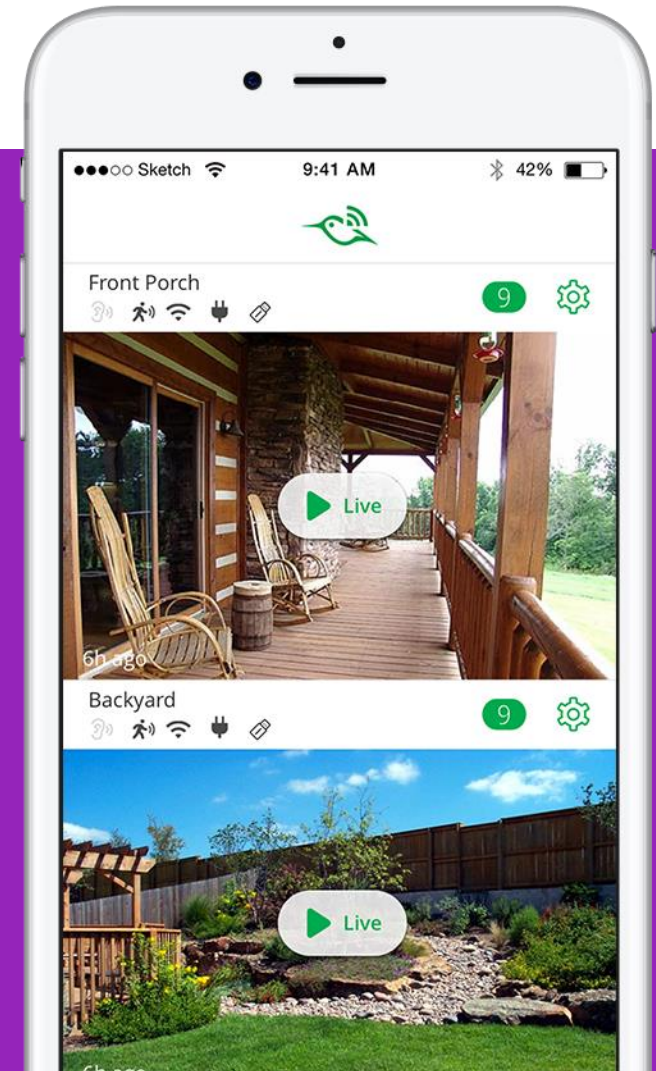
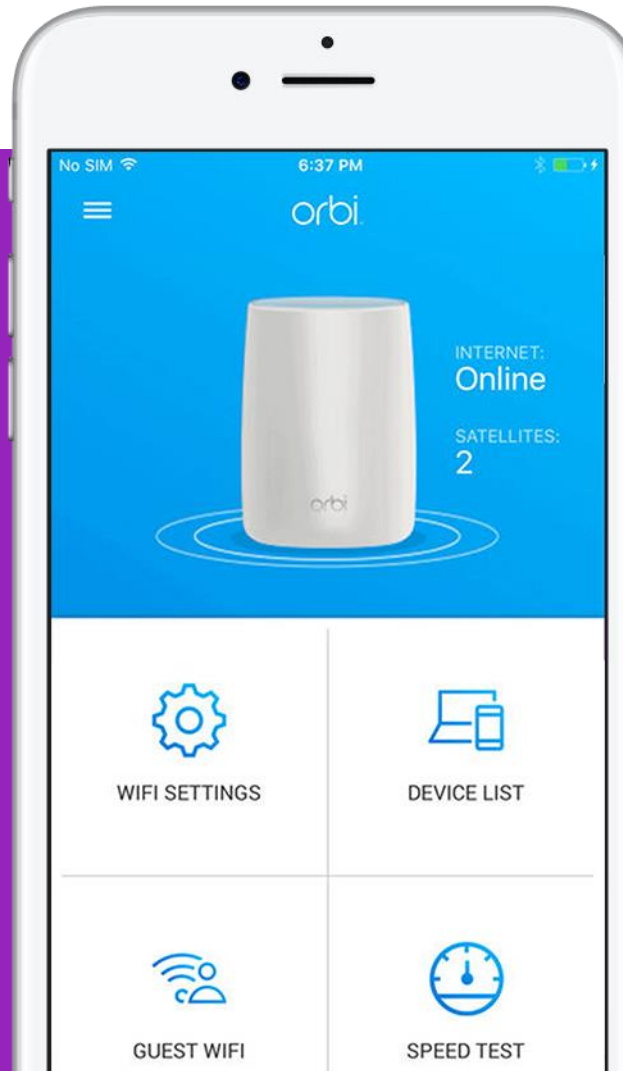
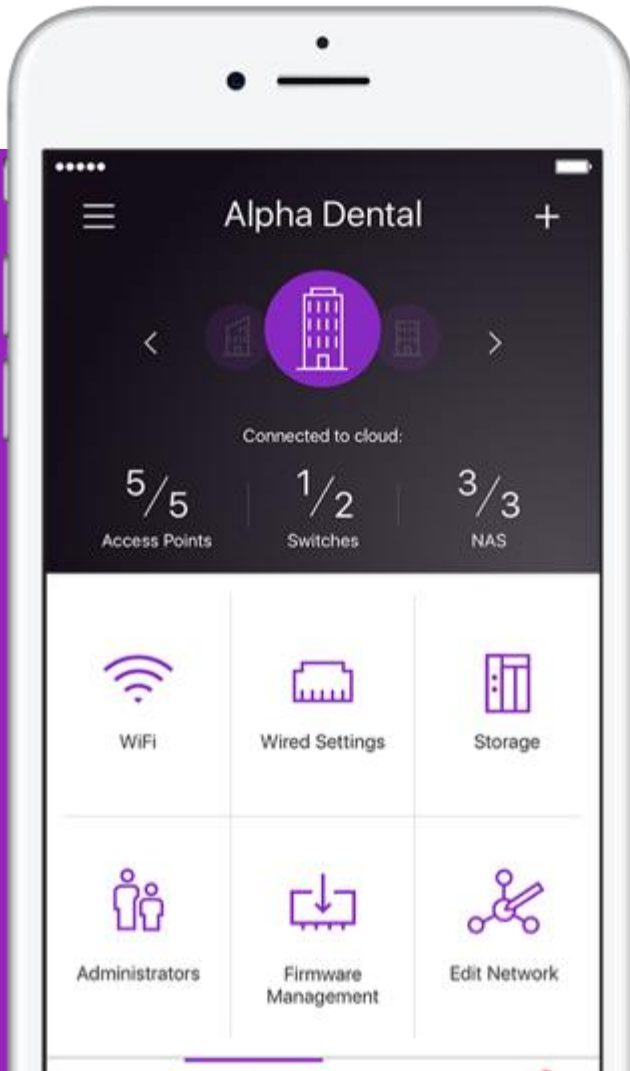


## NEW MODEL





# Applying Across the Company



# Enhancing the Model

For greater earnings potential

## OLD MODEL



## NEW MODEL



# SMB

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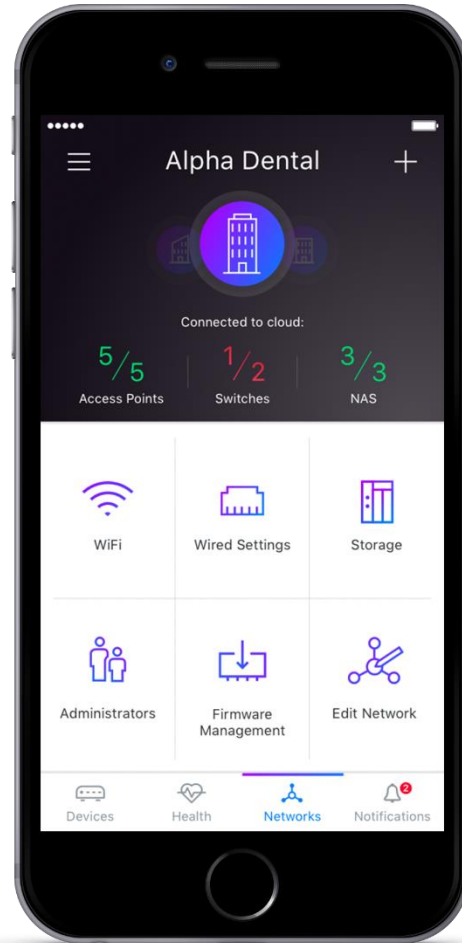
John McHugh

**NETGEAR**<sup>®</sup>  
BUSINESS



# One-touch Network Visibility. Anywhere.

**NETGEAR®**  
Insight  
MANAGEMENT  
APP



**NETGEAR®**  
INSIGHT  
MANAGED  
SMART CLOUD  
DEVICES

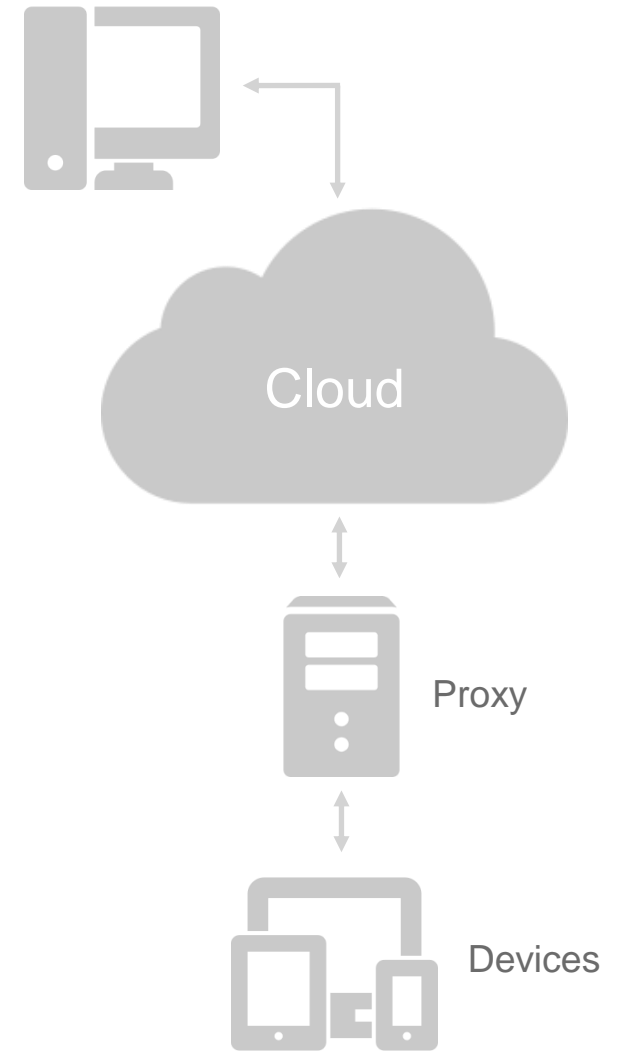


# Instant Cloud Access

## NETGEAR



## COMPETITORS



# Each Device Natively Supports:

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Event notification and alerts

Traffic history

Network discovery

Secure remote access & configuration

Works straight out of the box



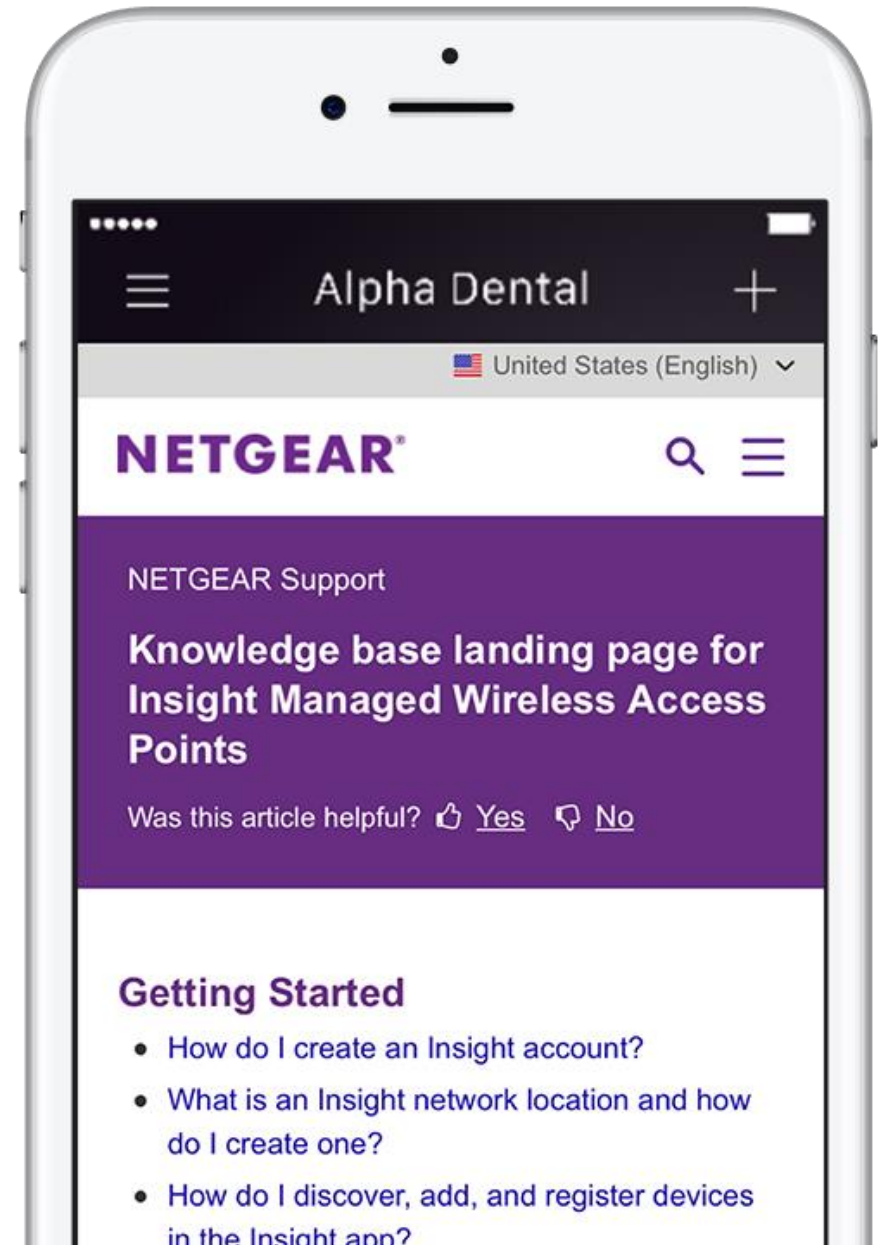
# Instant-connect Support Portal

User and device registration

Context-based on-line support

Self-help troubleshooting and returns

Click-to-connect



# End User Offering

## DIY Network Managers

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Guided installation & configuration

Secure remote access

Instant alerts of critical events

Access logs and traffic history

Self-help and click for support

### INSIGHT BASIC

**\$4.99**

*Per device  
Per year*

- First 2 devices are free
- Insight mobile app
- Unlimited number of locations
- Unlimited number of devices

### INSIGHT PREMIUM

**\$9.99**

*Per device  
Per year*

- Monthly subscription available (\$0.99)
- Insight mobile app + web portal
- Unlimited number of locations & devices
- Advanced Insight 4.0 Premium features



# Managed Service Provider Offering

## Enabling partners

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24x7 alerts for continuous monitoring

No training or certification required

Client provisioning (NETGEAR hands off)

No servers required

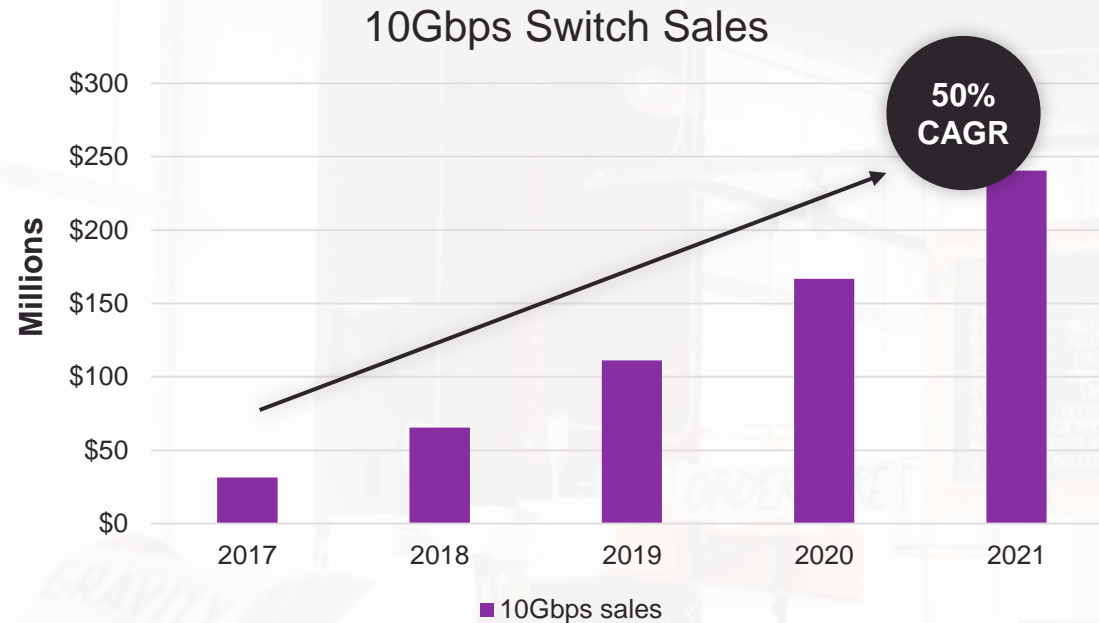
### INSIGHT PRO

**\$14.99**

*Per device  
Per year*

- Insight Mobile plus Browser
- Multi-tenancy
- Manager and Client views
- Periodic network health reports
- Rebadging
- Centralized policy deployment
- Scheduled services
- Tiered pricing & volume discounts

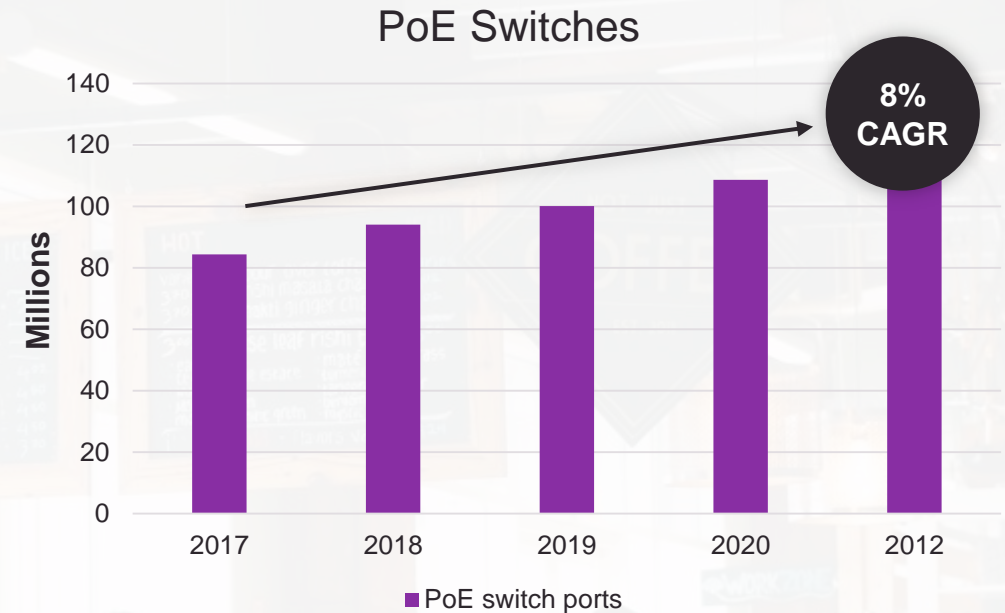
# 10 Gbps Still a Growth Engine



NETGEAR currently has **57% share**

(based on Infonetics Q2'17 for web-managed 10Gbps sales in NA and EMEA.)

# PoE Continues to Expand



NETGEAR currently has **40% share**

(based on NPD & Context for web-managed PoE sales in NA and EMEA.)

# Application Specific Solutions



**DIY SMALL BUSINESS  
NETWORK**



**HIGH DENSITY  
STORAGE**



**SWITCHES FOR  
HOME & OFFICE**

# Driving Higher Margins

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Exceptional user experience

10G, PoE, multi-gig, mesh, hybrid cloud storage

Application specific solutions



# Connected Home

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David Henry

**NETGEAR®**



# NETGEAR

## The Premium Edge

Premium WiFi is led by NETGEAR with:

### HIGHEST SPEED

11ac, 11ad, Tri-band, 11ax soon, 5G coming

### WIDEST COVERAGE

Multi-antenna, FastLane3 patented technology



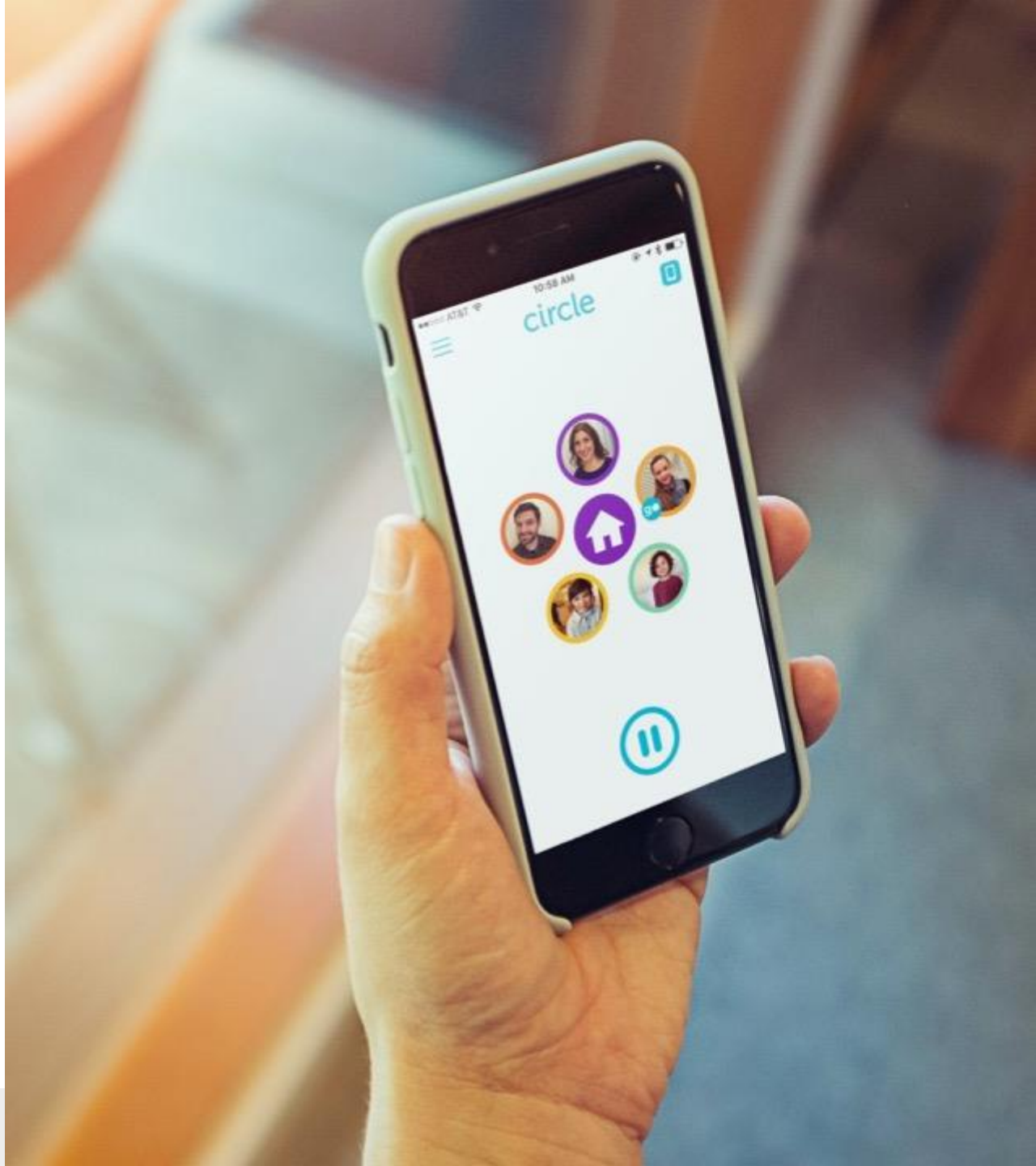
### BROADEST CHOICE

Router+Nighthawk, mesh extenders, Orbi mesh WiFi systems

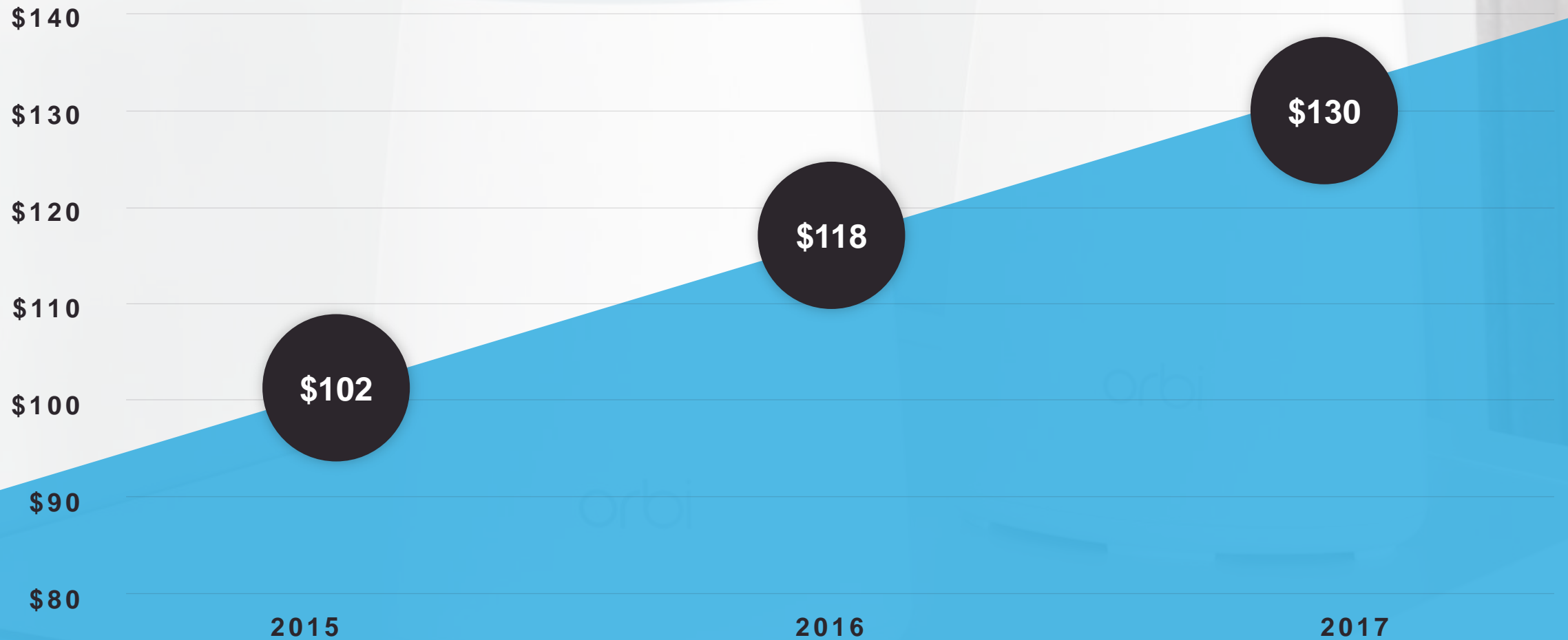
### VALUE ADDED SERVICES

Parental controls, gaming, and more...

**NETGEAR®**



# Mesh WiFi Growing ASP



ASP of WiFi Router & System market, NPD Monthly Data

Awards



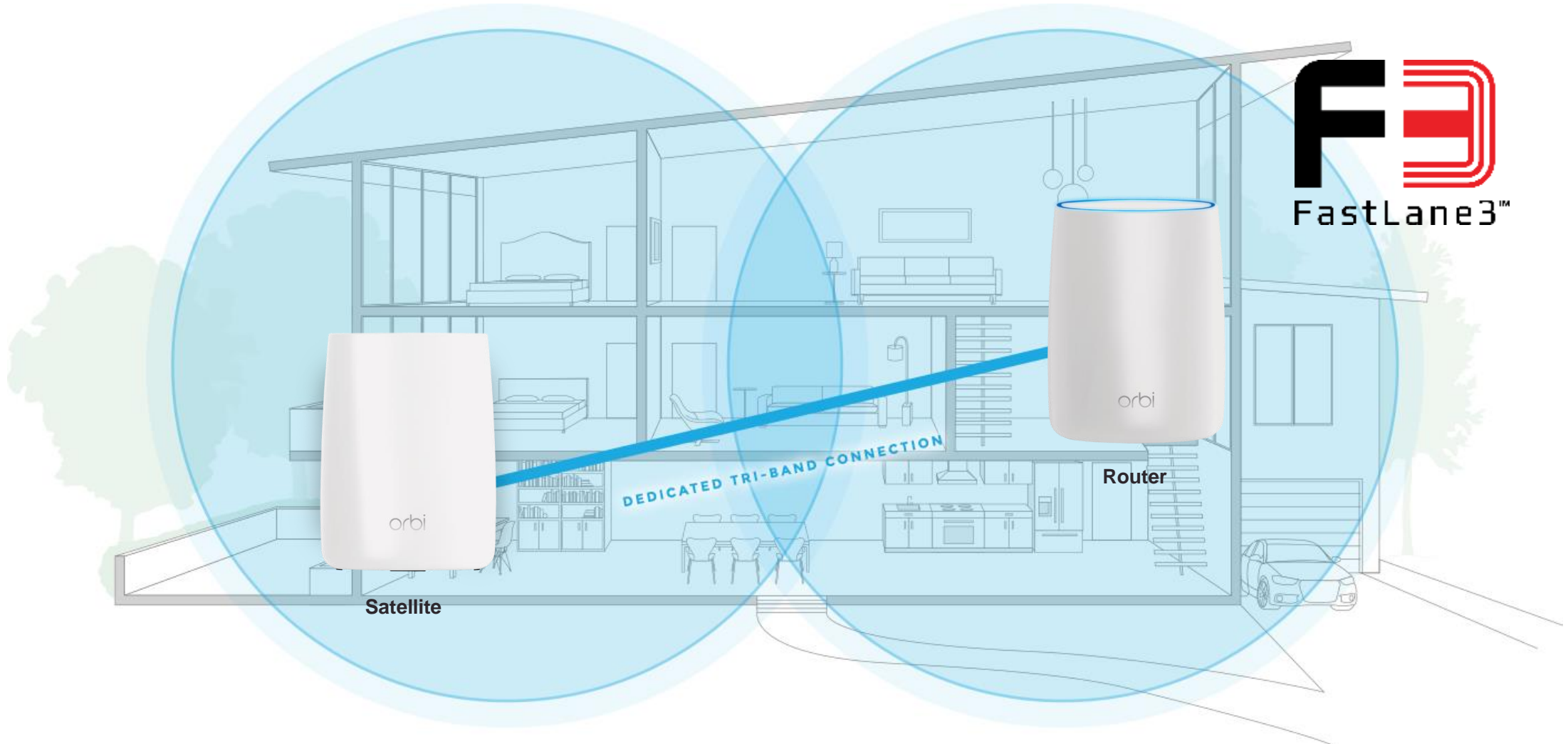
**BUYER'S  
GUIDE 2017**  
Best WiFi System



**NETGEAR®**



# Patented Tri-Band Technology



**F3**  
FastLane3™

# Now You Don't Have to Choose Between Nighthawk Routers or Orbi Mesh Introducing the Nighthawk Mesh Extenders



**NETGEAR®**

# Now Nighthawk is Part of a Mesh

85%

Of US homes get ISP provided gateways



Your Router,  
Your ISP Gateway



INTERNET

Mesh Extenders



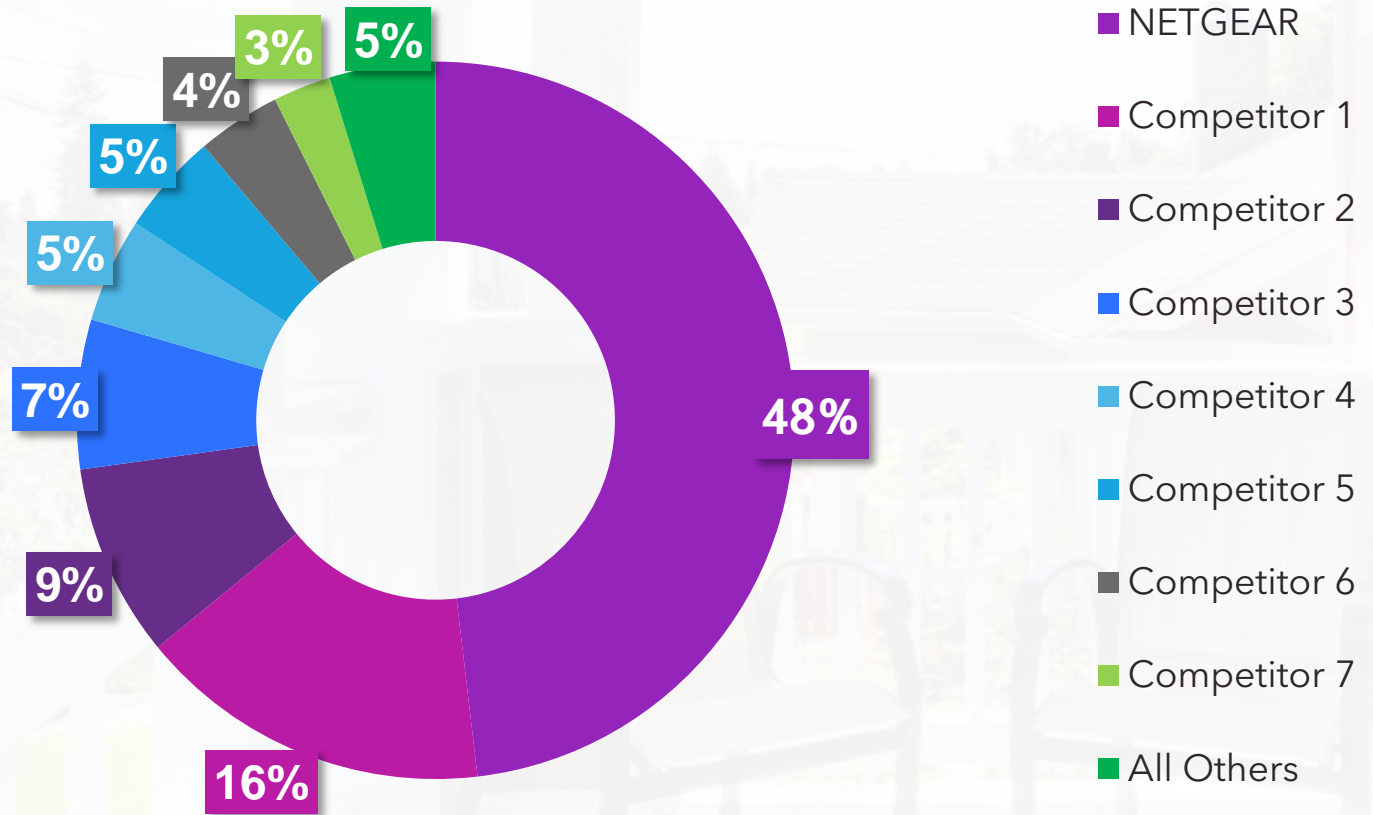
Mesh Extenders



# Consumer WiFi Market Share

Wireless routers  
Gateways  
Mesh systems  
Extenders

US 3Q17



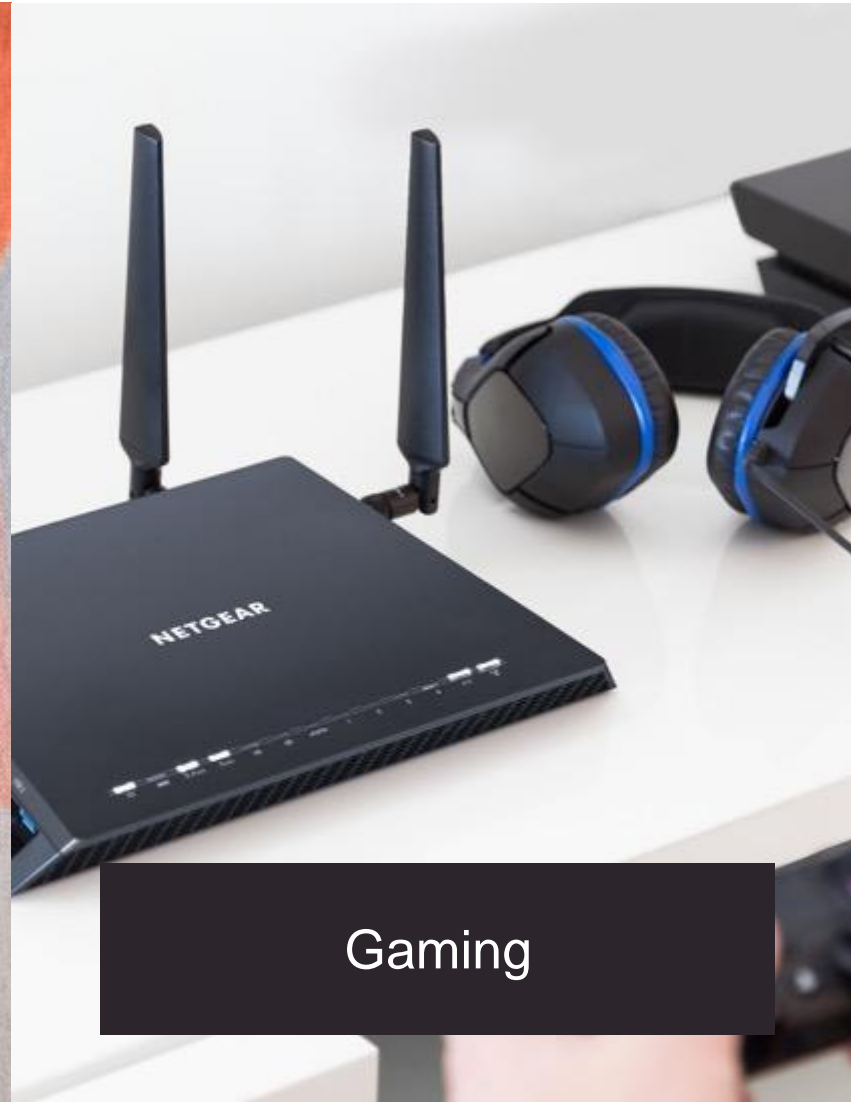
# The Future is Faster



# The Future is Smarter



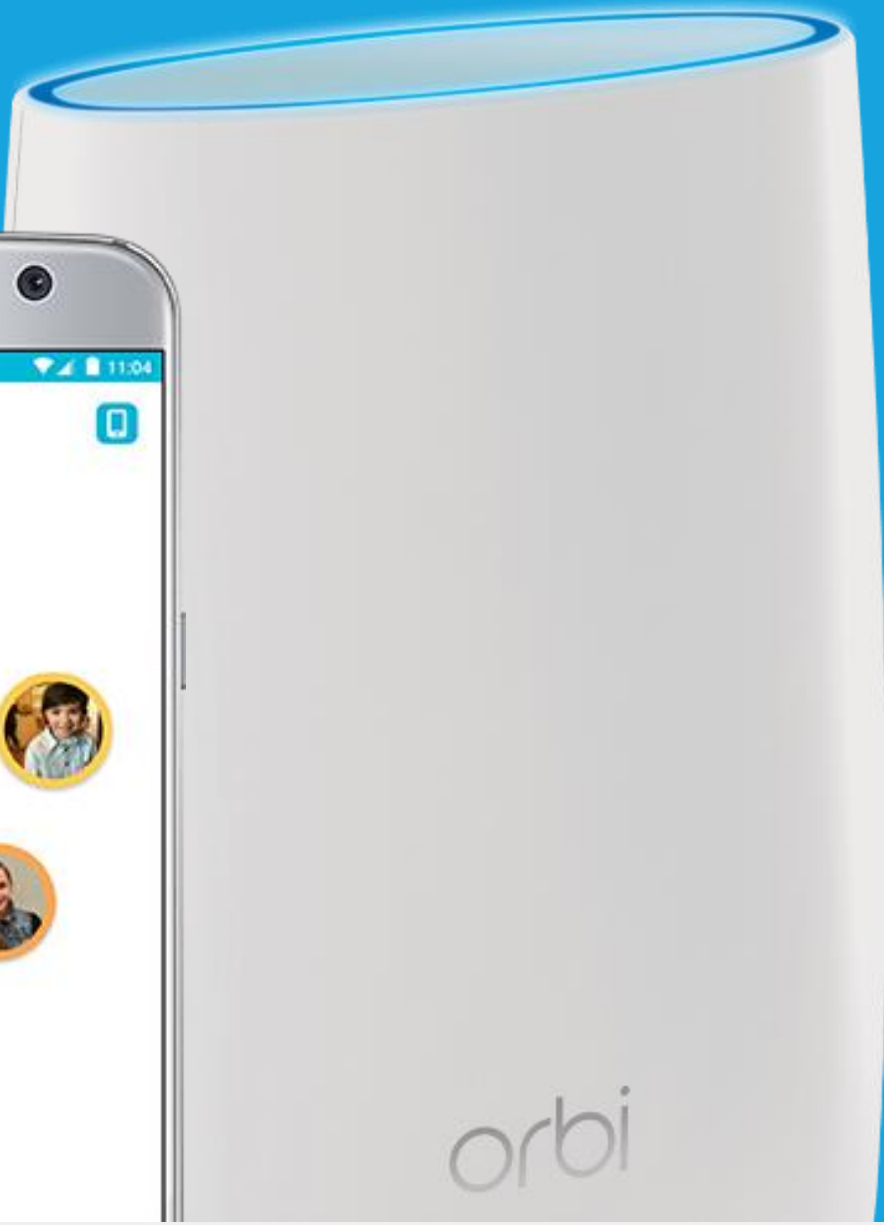
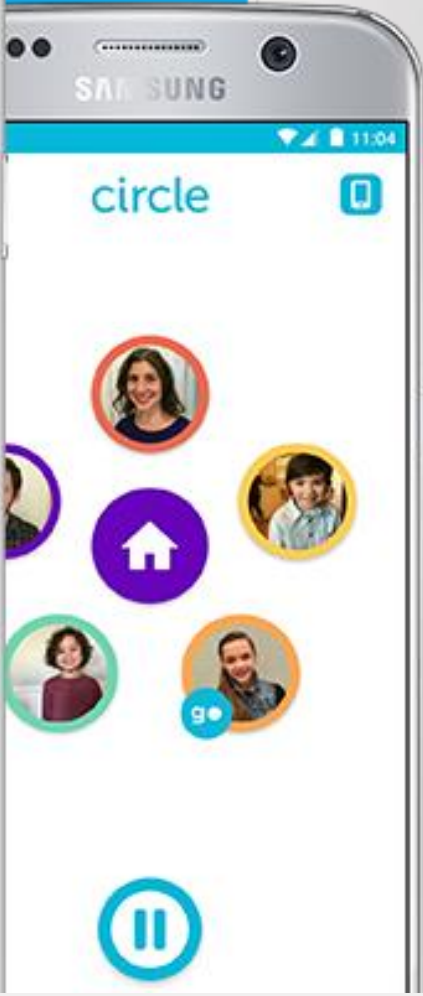
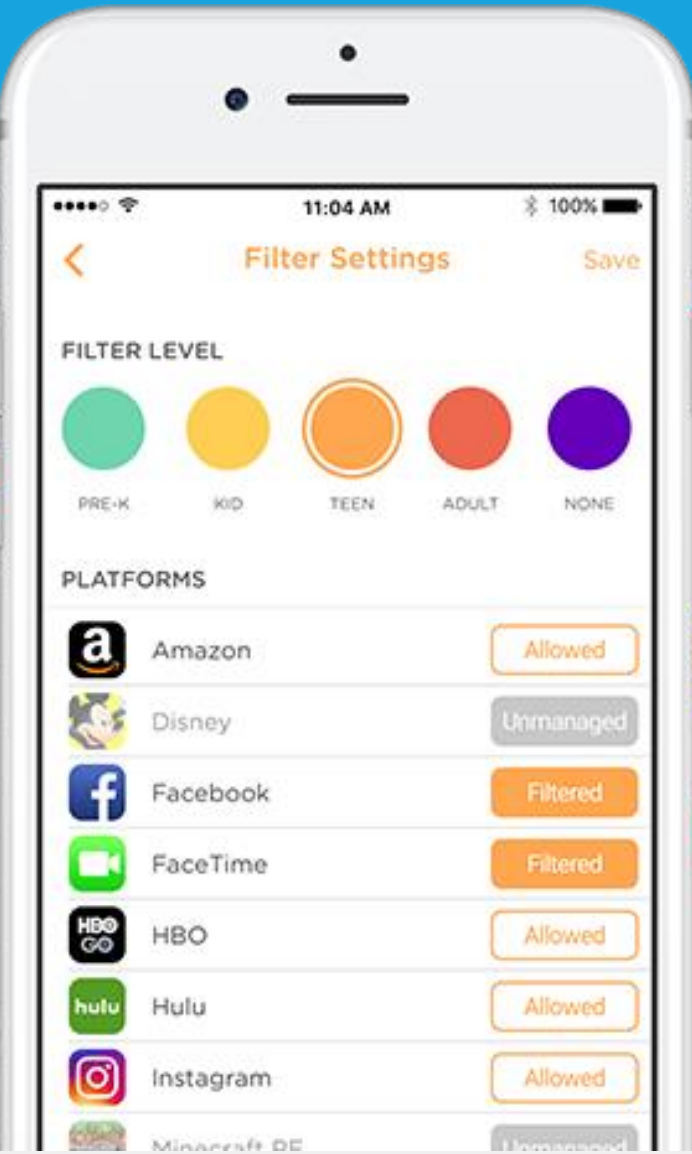
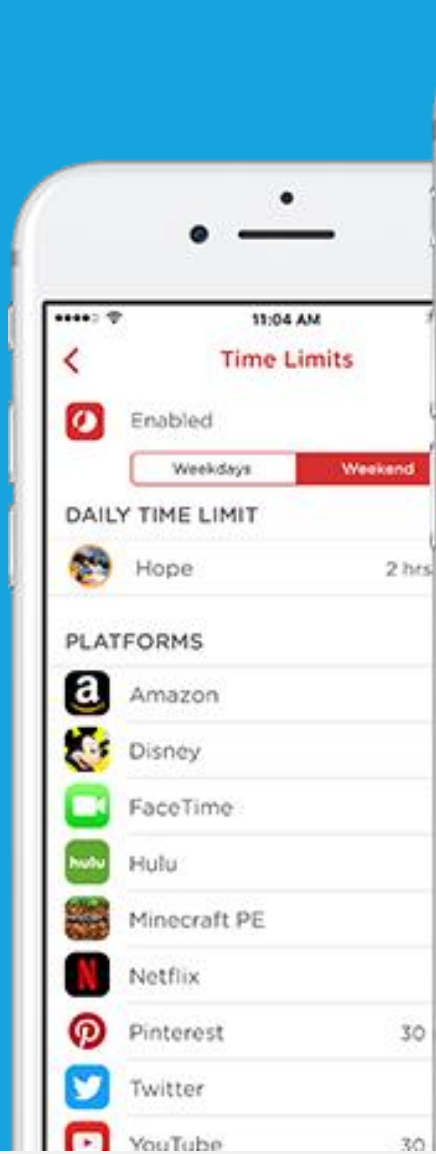
Parental Controls



Gaming



Security



# Smart Parental Controls



## WEB CONTENT FILTERS

Filter content categories for web browsers



## PAUSE

Pause device internet access



## APP FILTERS

Filter popular apps and platforms



## TIME LIMITS

Set time limits for specific apps and sites



## USAGE

See how much time kids spend online



## OUTSIDE OF HOME CONTROL

Manage how your kids spend time online even away from home

### NETGEAR Circle

### Eero



25+










3





# Gaming Service



-  Microsoft Xbox
-  Nintendo Switch
-  PC Game (Next Phase)
-  Origin (Next Phase)
-  Steam (Next Phase)
-  Sony PlayStation
-  Mobile (Next Phase)

 **GLOBAL GAMING**

 **REDUCED LATENCY & LAG**



**GAMING**



**PARENTAL CONTROLS**



**SECURITY**

**NETGEAR®**

# Arlo

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Pat Collins



**NETGEAR®**

# Arlo in 2017



**>5M**

Cameras shipped

**1.3M**

Registered users

**43M**

Video streams per day





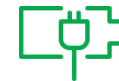
# Arlo Pro 2

Further distancing from competition

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1080P HD



POWERED  
OR WIRE-FREE



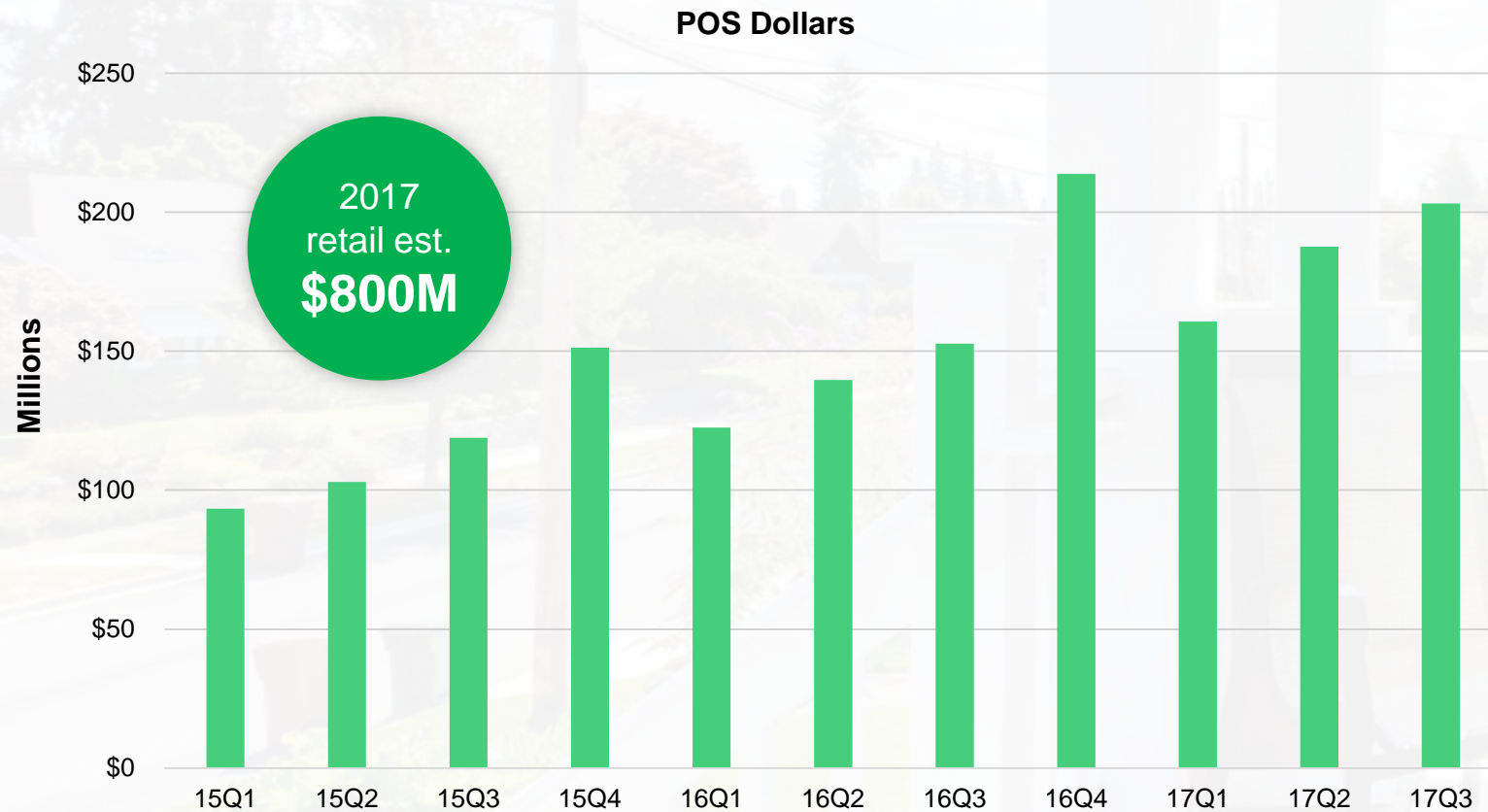
MOTION &  
ZONE ANALYTICS



3 SEC  
PRE-BUFFER



# Expecting Continued Fast Growth in US IP Cams



# 24%

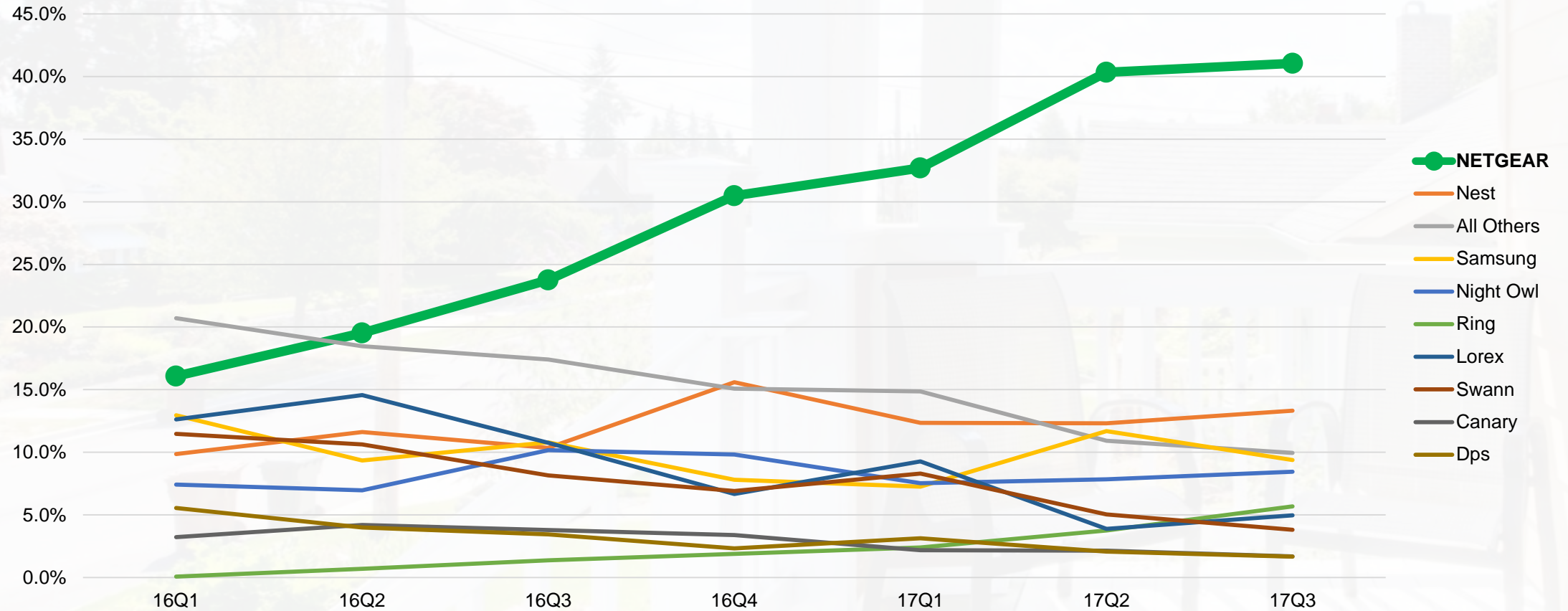
of U.S. broadband households plan to **purchase a smart home device** in the next **12 months**



Source NPD



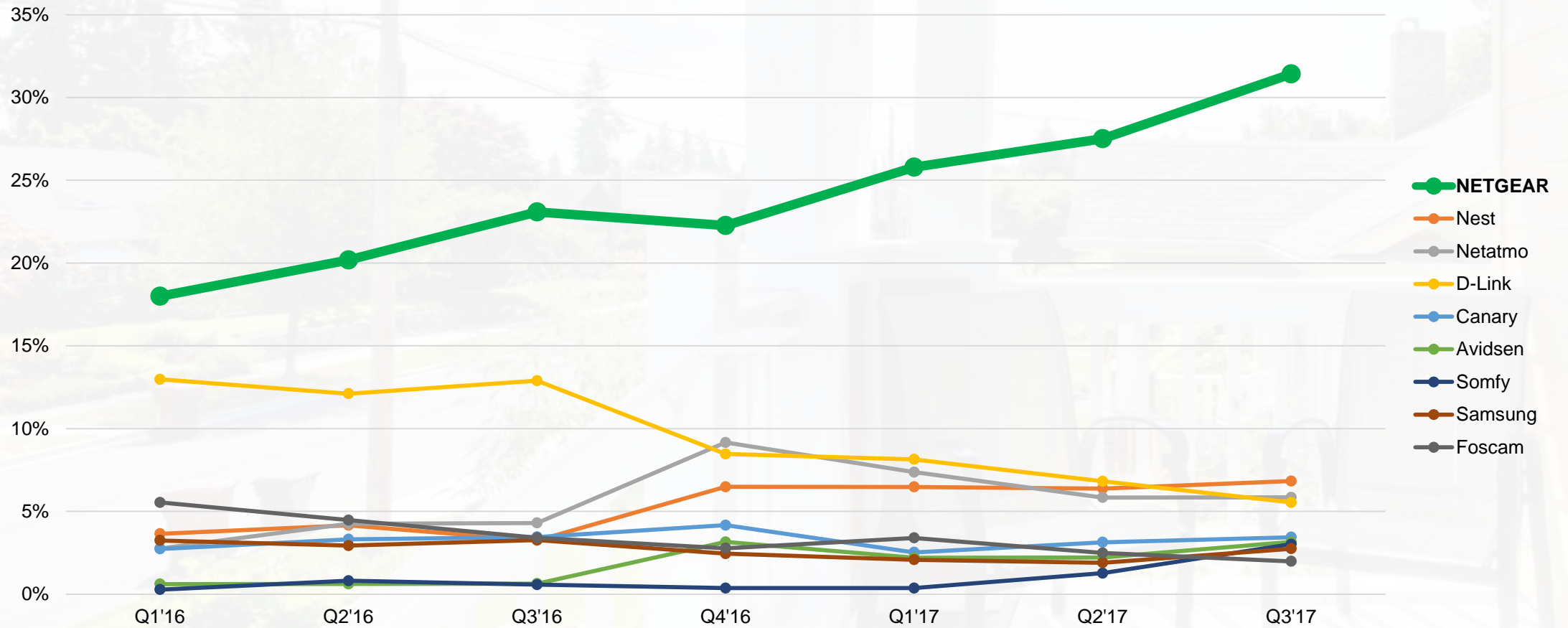
# Commanding Share in US IP Camera Market



Source NPD



# Expanding Our Share Gain in EMEA

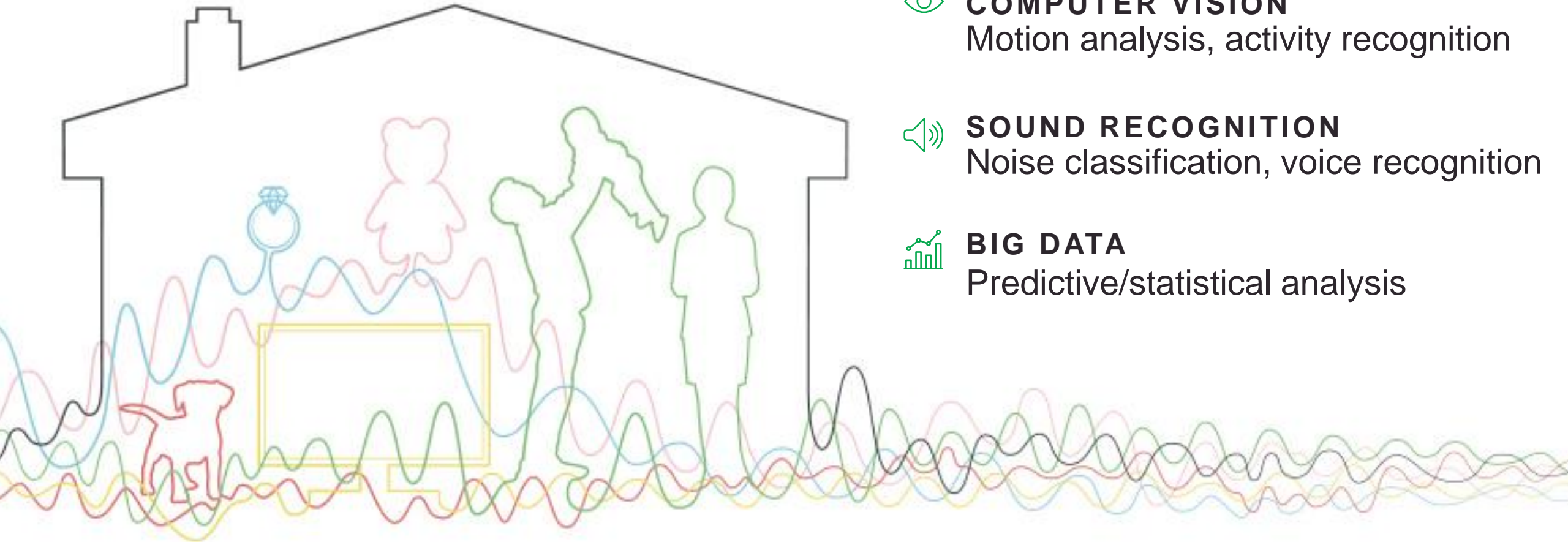


Source GFK





# Arlo Smart: Using AI to Enhance the Customer Experience



## **COMPUTER VISION**

Motion analysis, activity recognition



## **SOUND RECOGNITION**

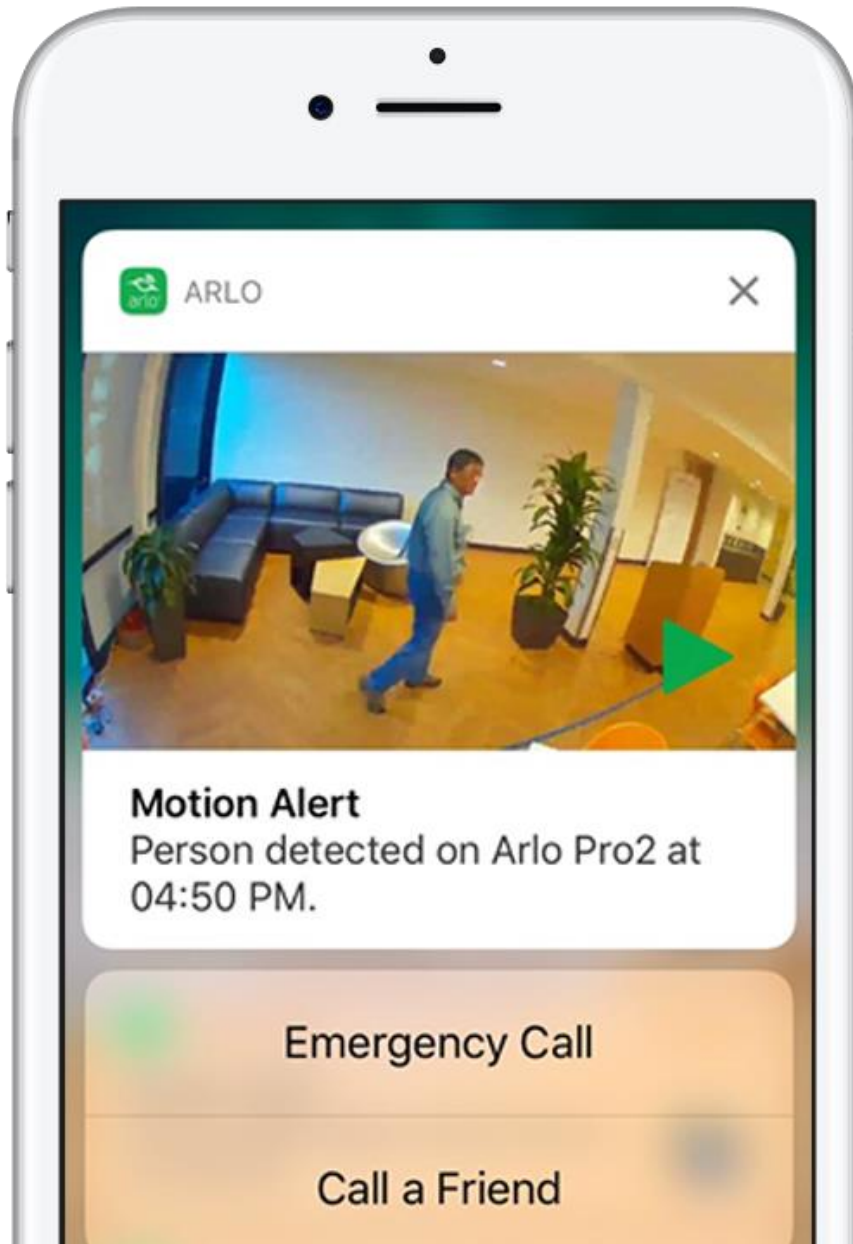
Noise classification, voice recognition



## **BIG DATA**





Predictive/statistical analysis





# Arlo Smart Services Rolling Out in Q1'18

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-  Person detection notification
-  Instant camera live view
-  Emergency dial
-  Activity zone settings



# Continuing to Expand Our Partnerships

**IFTTT**

**Apple tv**

**ONVIF**

**amazon alexa**

**wink**

**amazon fireTV**

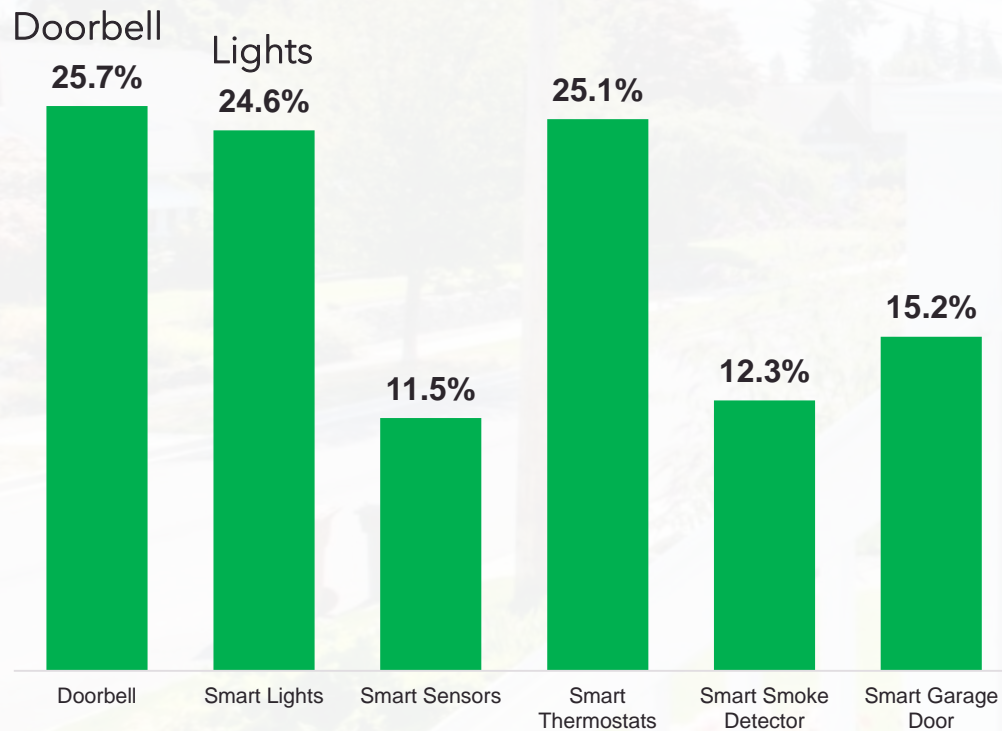
**stringify**

**SAMSUNG SmartThings™**

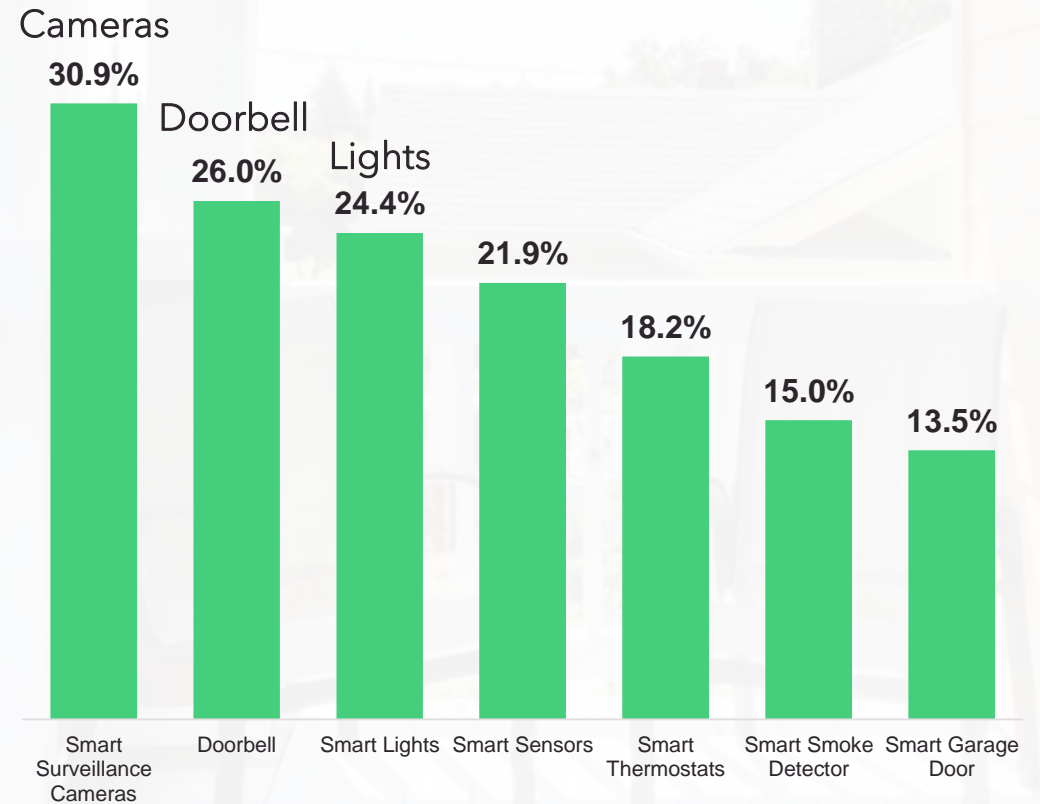


# Smart Home Device Ownership & Intention to Buy






## OWNERSHIP



## INTENDED PURCHASE

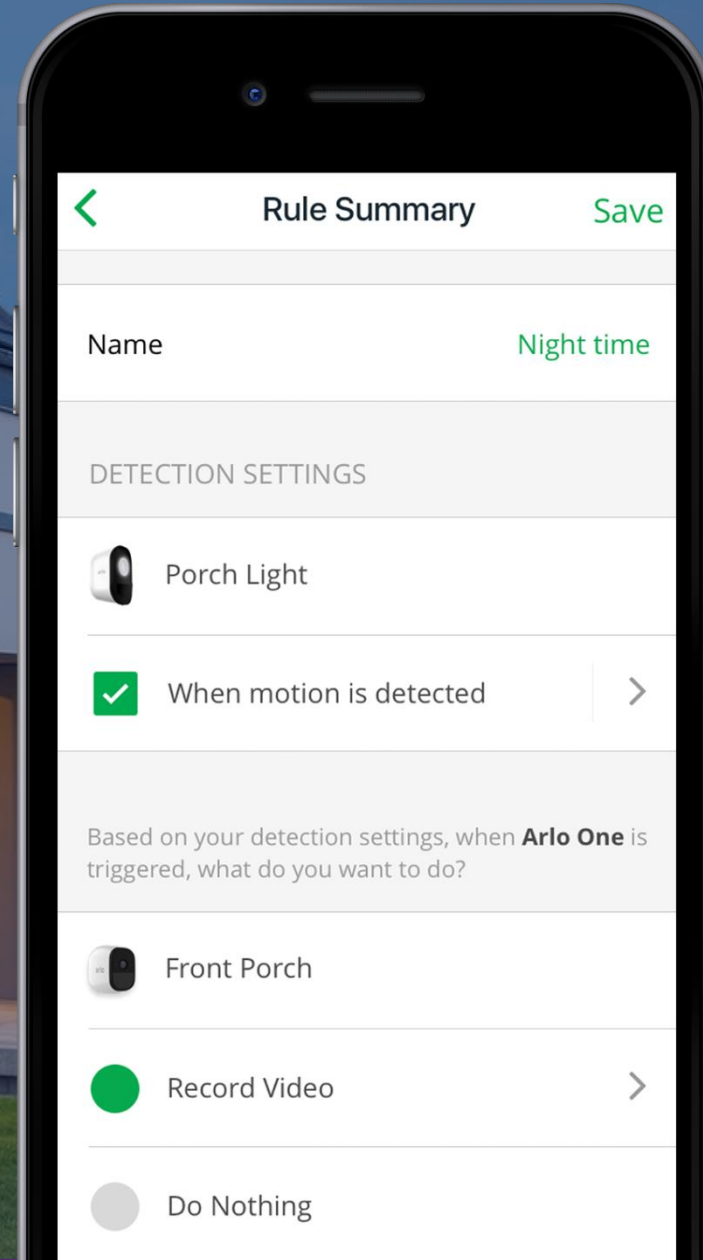


# Introducing Arlo Security Lights

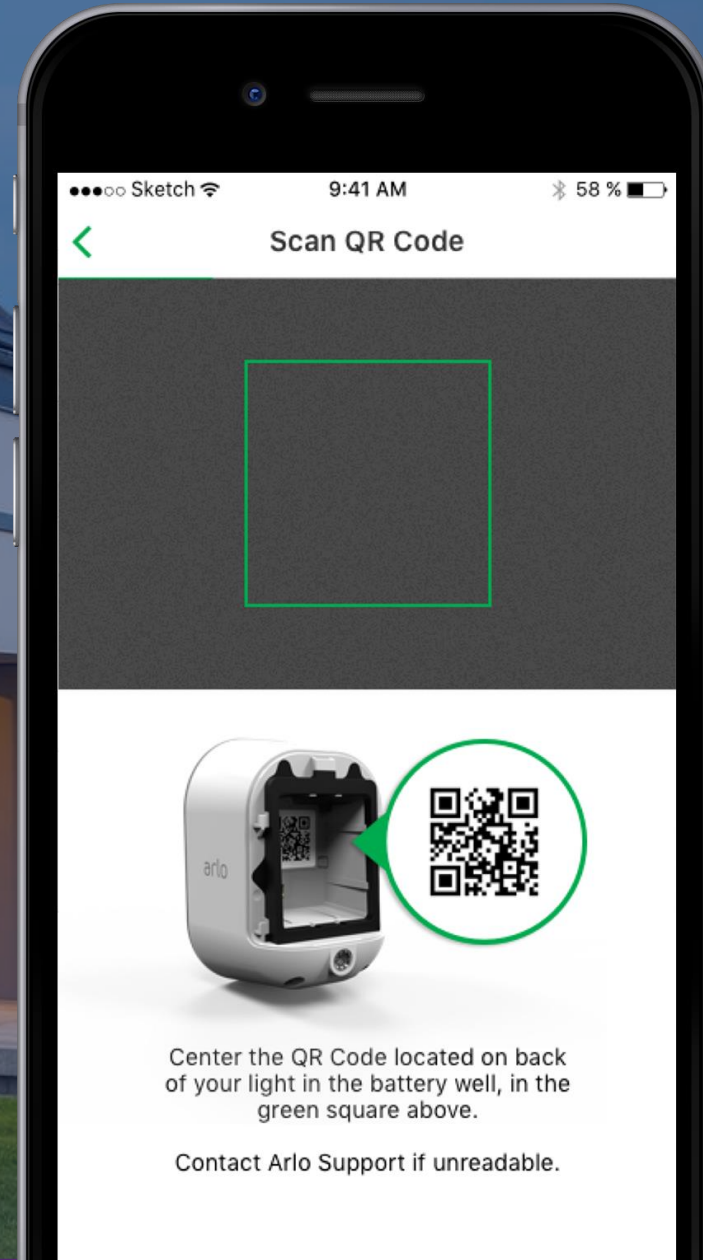
-  100% wire-free and weather-resistant
-  Motion detection
-  Easy mounting
-  Rechargeable battery
-  Smart integration with Arlo cameras



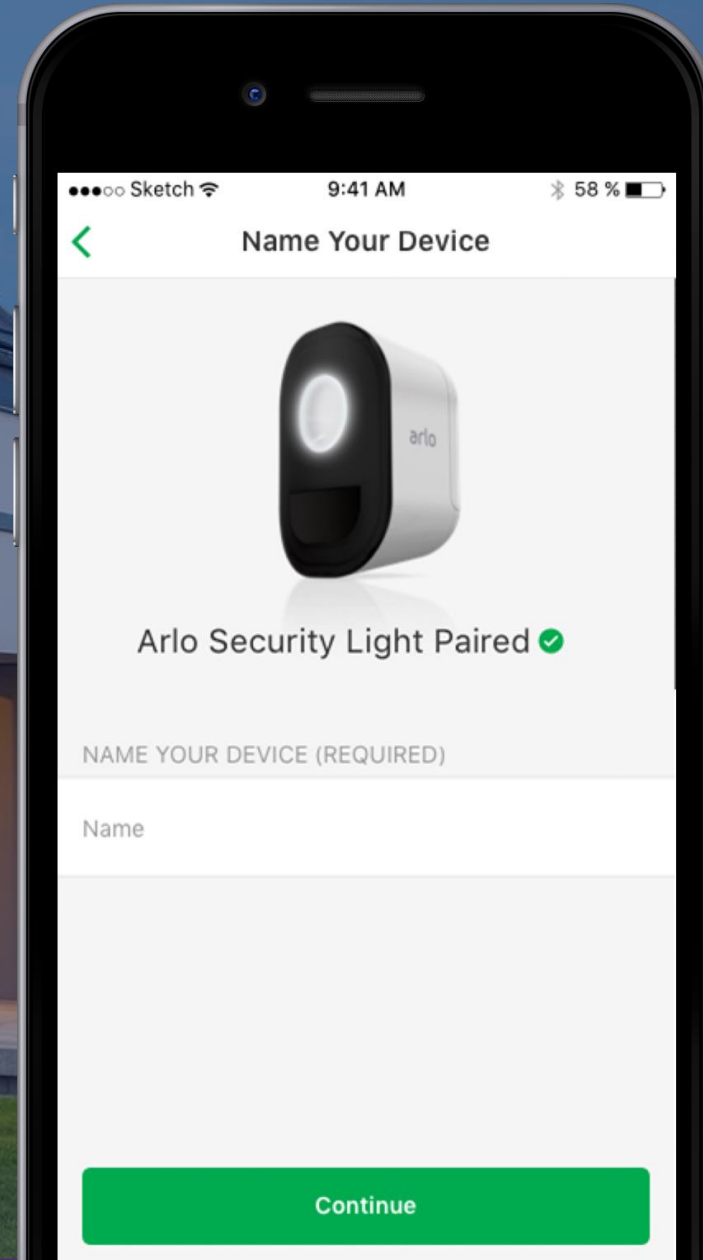
# Cameras and Lights Work Together



# Set Up in Minutes

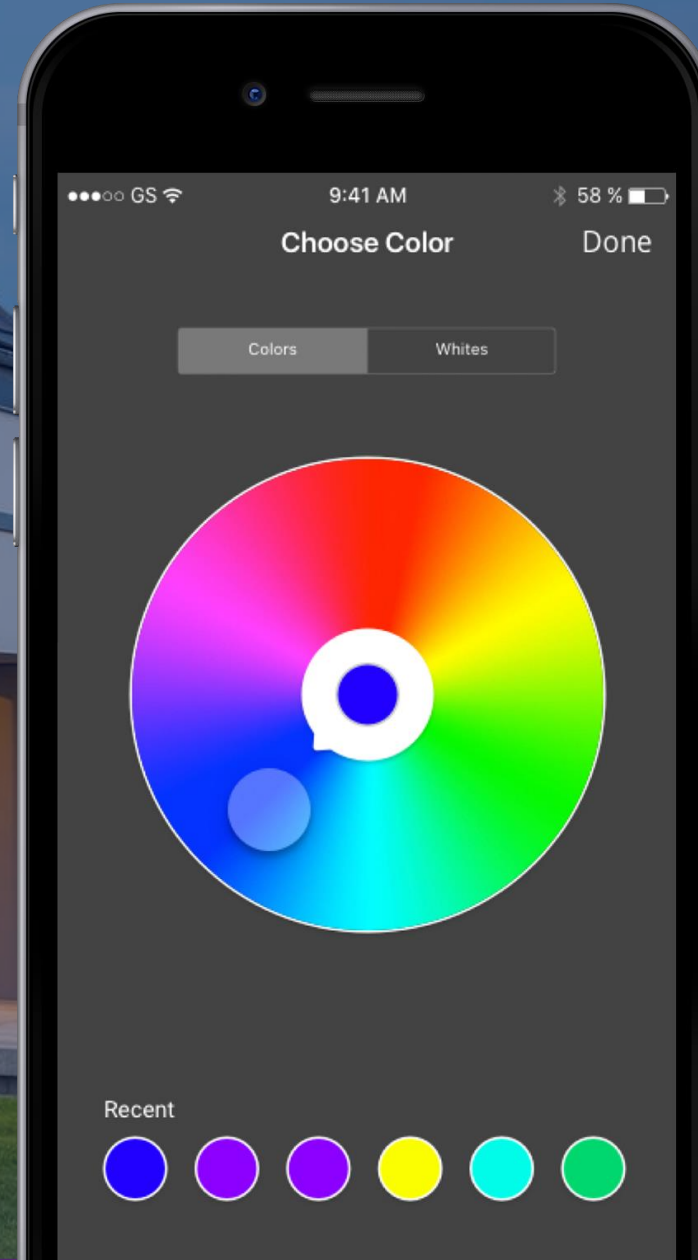


# Set Up in Minutes





# Multi Color Options



And there's more to come...



# Branding and Engagement

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Heidi Cormack

**NETGEAR®**



# Channel Marketing Success





**↑80%**

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**CUSTOMER INTERACTIONS**

**↑87%**

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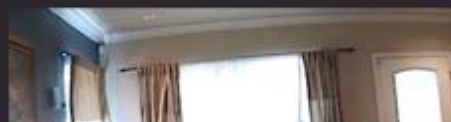
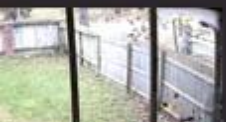
**NETGEAR DIGITAL FOLLOWERS**



**↑100%**

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**ARLO SOCIAL FOLLOWERS**



NETGEAR<sup>®</sup>

# Brand Building

↑ 75%

MORE ENGAGEMENT



↑ 70%

COMPLETED VIDEO VIEWS

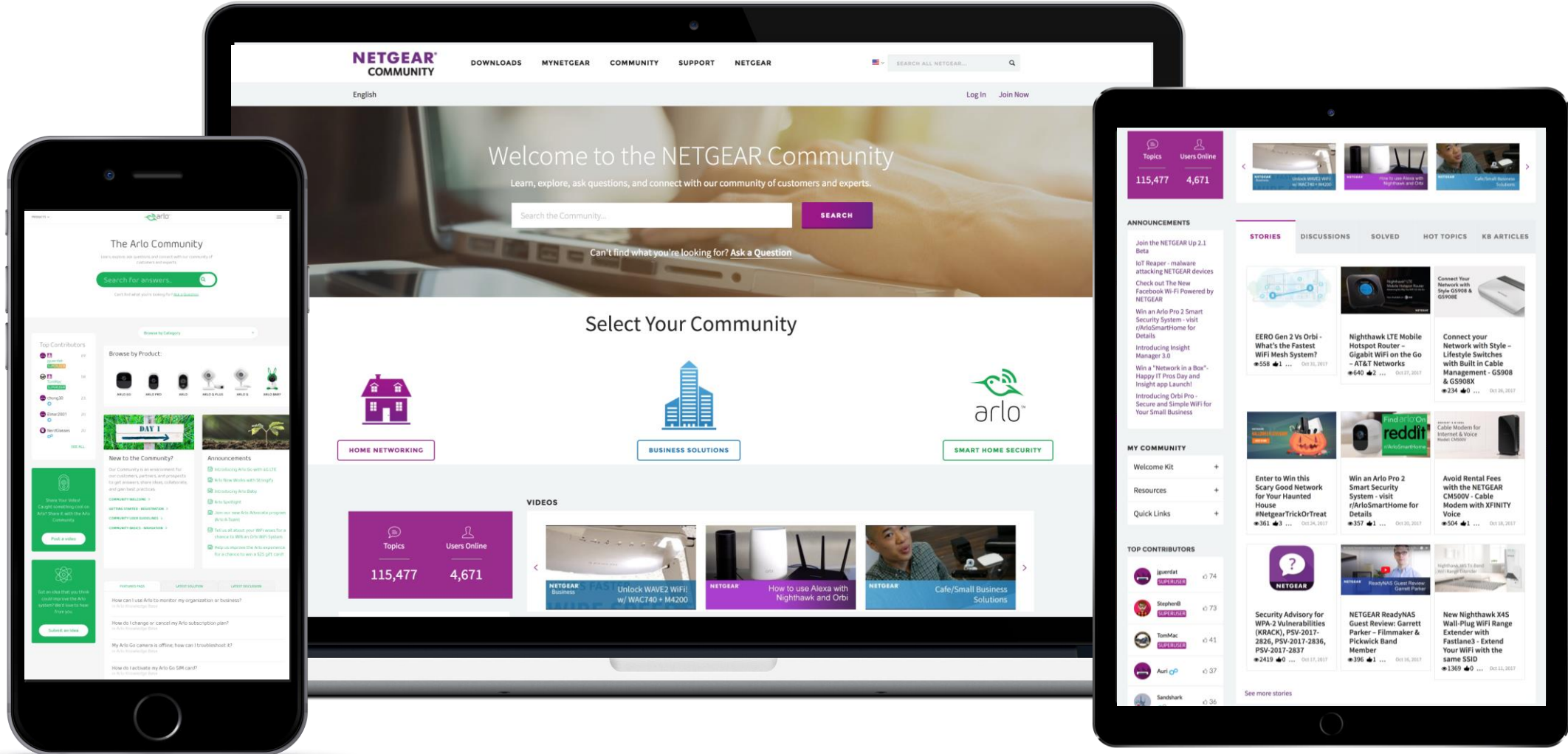


+237%

MORE BRAND SEARCH



# NETGEAR Community





# NETGEAR Community



New Members Registered

TOTAL FOR 2017

↑ 67%

125,000



Visits

TOTAL FOR 2017

↑ 82%

20,000,000



Engagement

POSTS

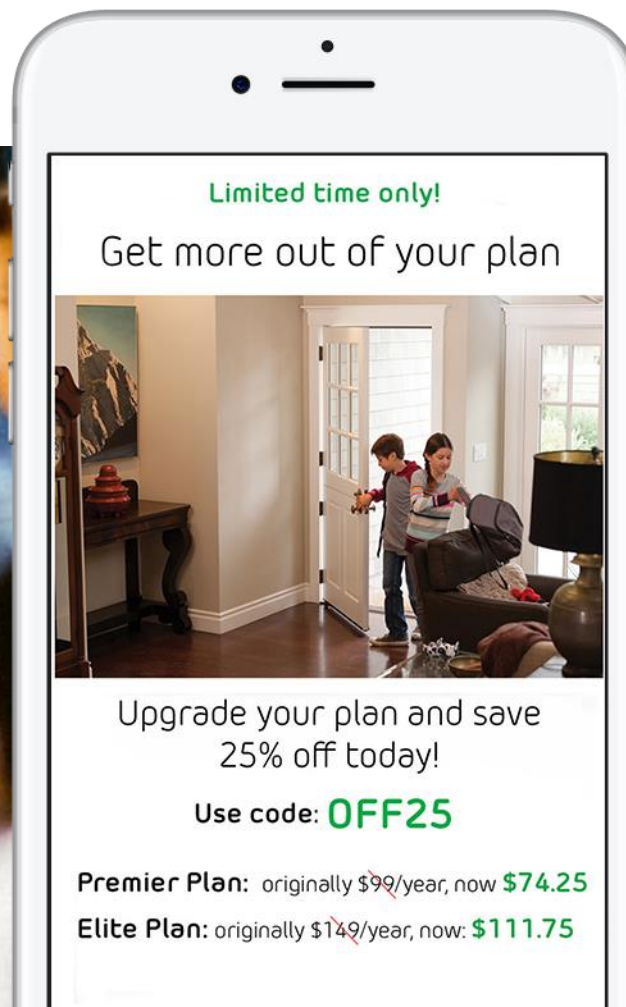
KUDOS

↑ 70% ↑ 147%

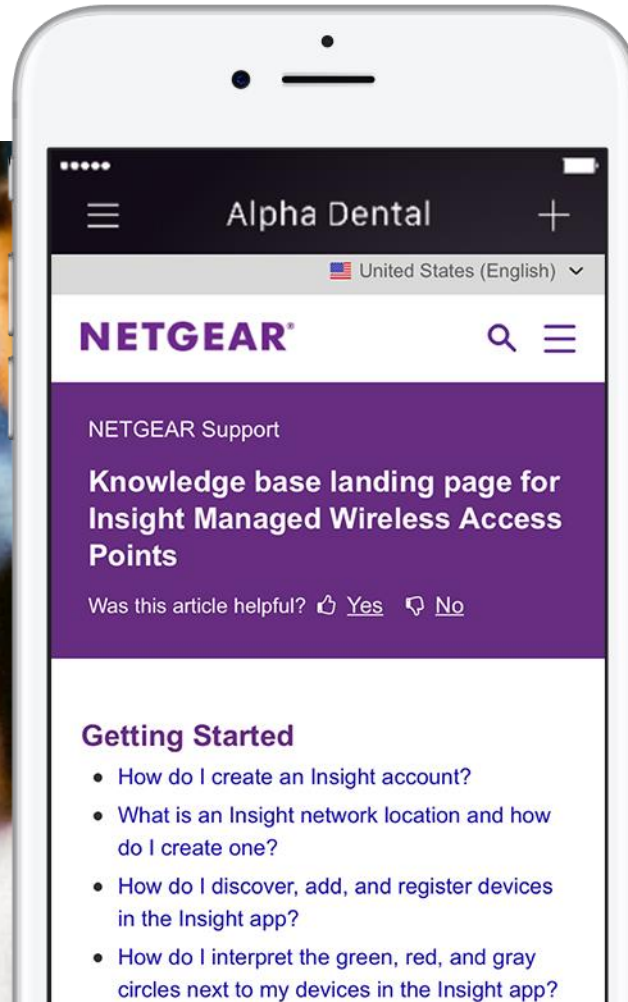
224,000 330,000

# Customer Engagement

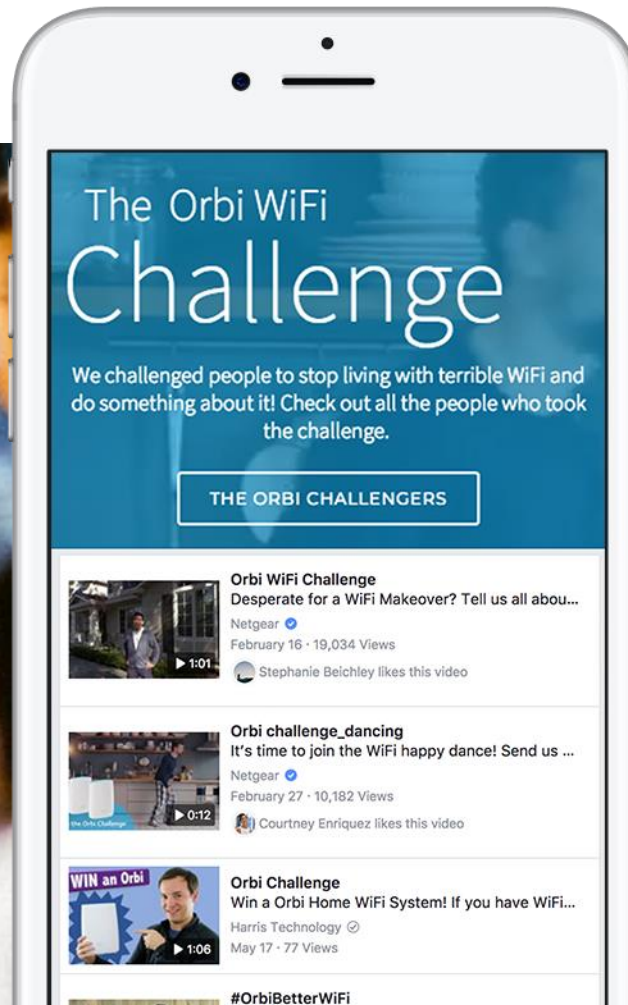
Community, Social Media, Apps  
Making it Easier for Our Customers



# Community Engagement



# Social Engagement

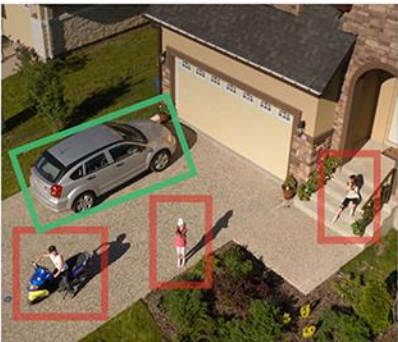


# App Engagement



Exclusive offer!

**FREE Arlo Smart 30-day Trial**



Arlo Smart can now detect:  
People, Animals & Vehicles

Start your free, 30-day trial  
and easily keep your home  
safe!

[Learn more](#)



# 5.3 Billion IMPRESSIONS



The Best WiFi Systems of 2017

#1 Orbi Tri-Band WiFi  
System RBK50

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CNET



The Best Home Security  
Cameras of 2017

#1 Arlo Pro

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PCMAG EDITOR'S CHOICE



"The NETGEAR Orbi kits  
is the **best choice** for  
most people"

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WIRECUTTER

Macworld

"NETGEAR Orbi...bottom  
line is that this is an  
outstanding WiFi router"

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MACWORLD

NETGEAR®

# Branding & Engagement

Global Brand Building

Social Media and Digital Marketing

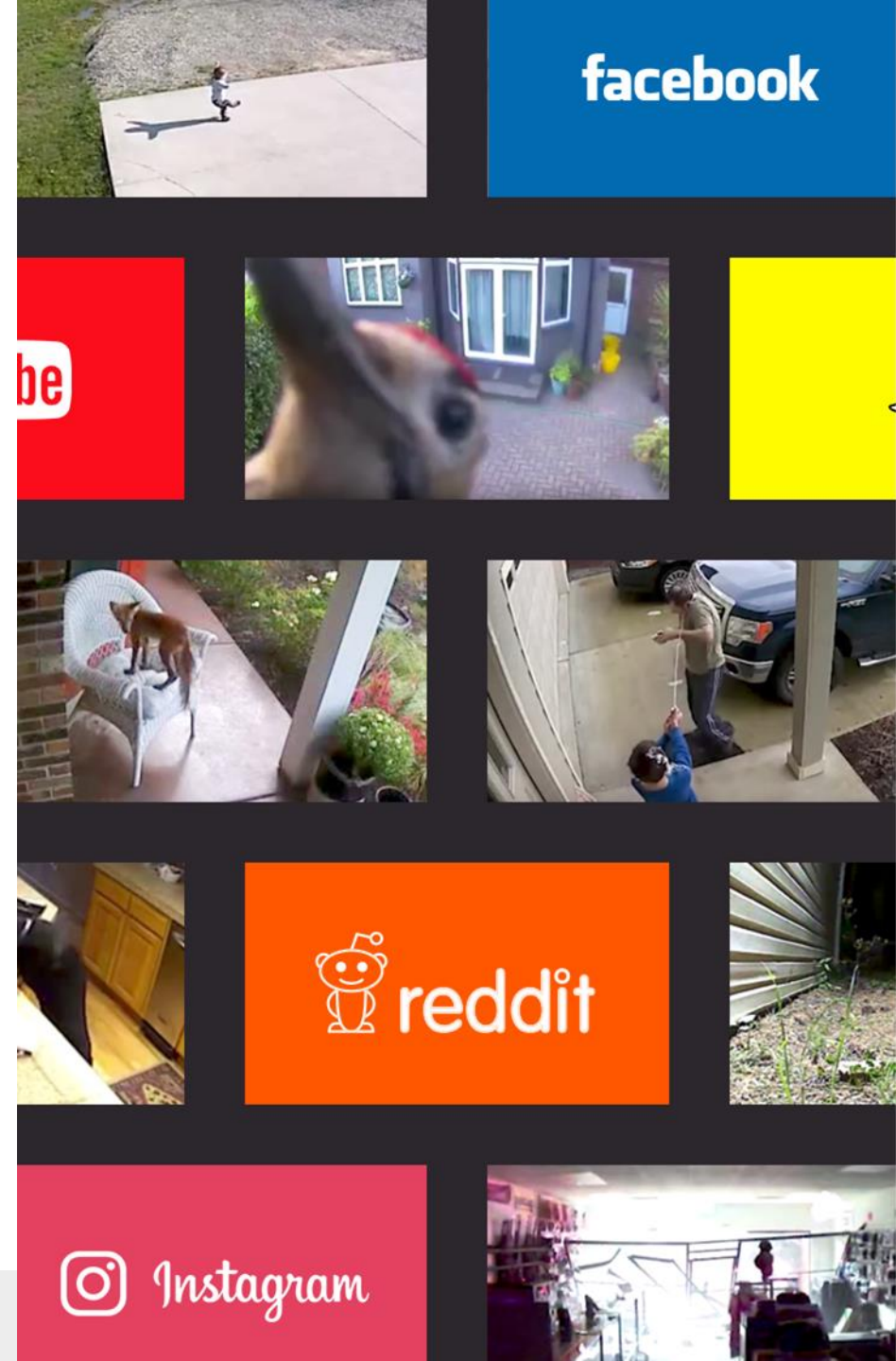
Big Data – Efficiencies and Effectiveness

Meaningful User Engagement - Apps and Services

Community Growth - Increased Customer Satisfaction

Analytics and ROI

**NETGEAR®**



# Financials

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Christine Gorjanc

**NETGEAR®**





# 2017 Targets Review

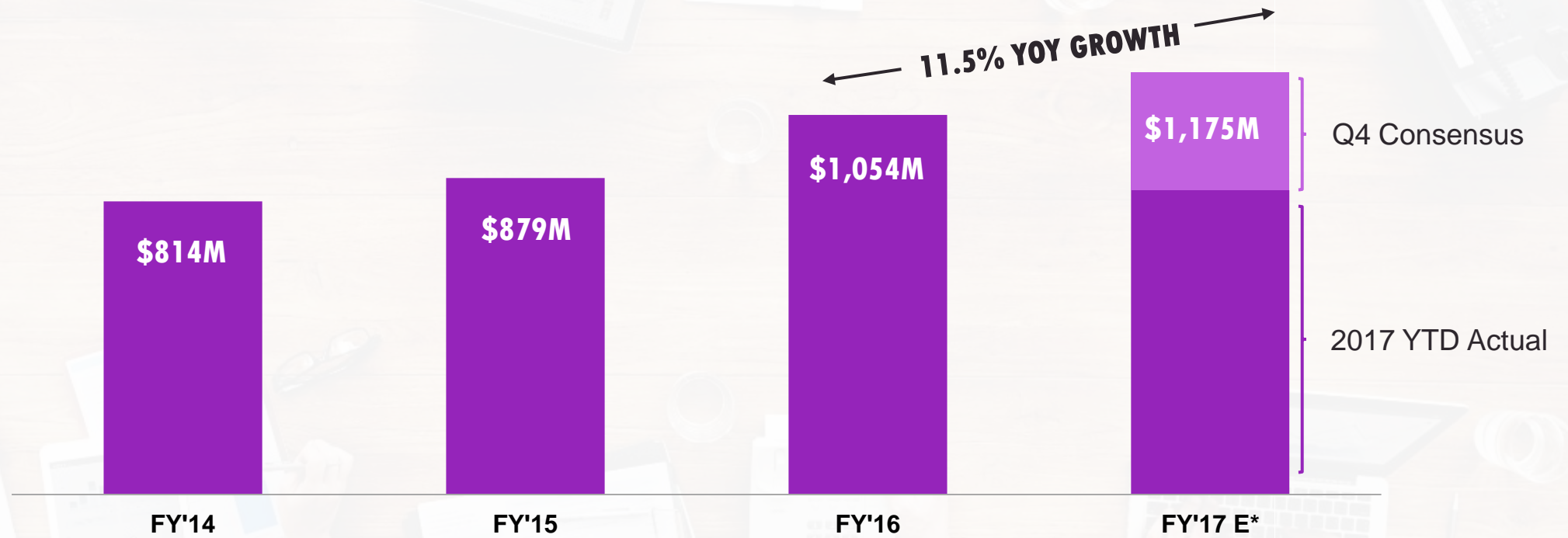
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As Presented at Last Year's Analyst Day

- ✔ Drive Overall NETGEAR Topline
- ✔ 10% CAGR for Non-Carrier Revenue
- ✔ Carrier Revenue \$55 Million Per Quarter
- Full Year 2017 11%-12% Non-GAAP OM%
- Deliver YoY EPS Growth

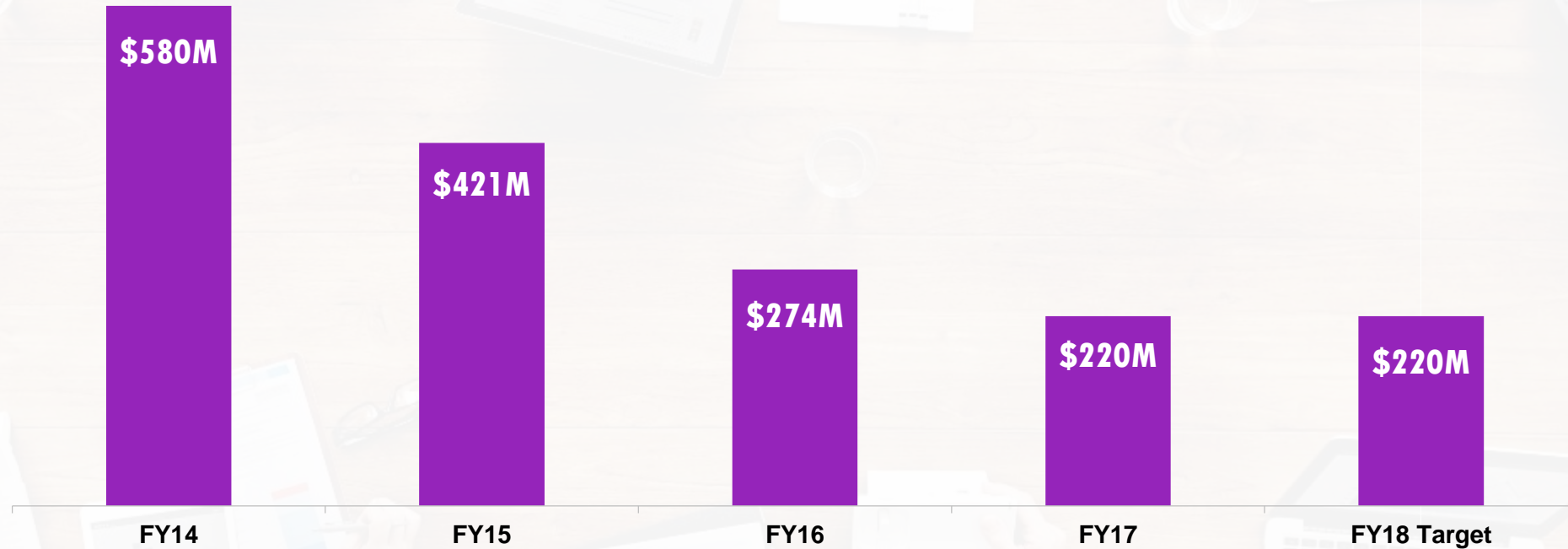


# Beat FY17 Non-Carrier Revenue Target



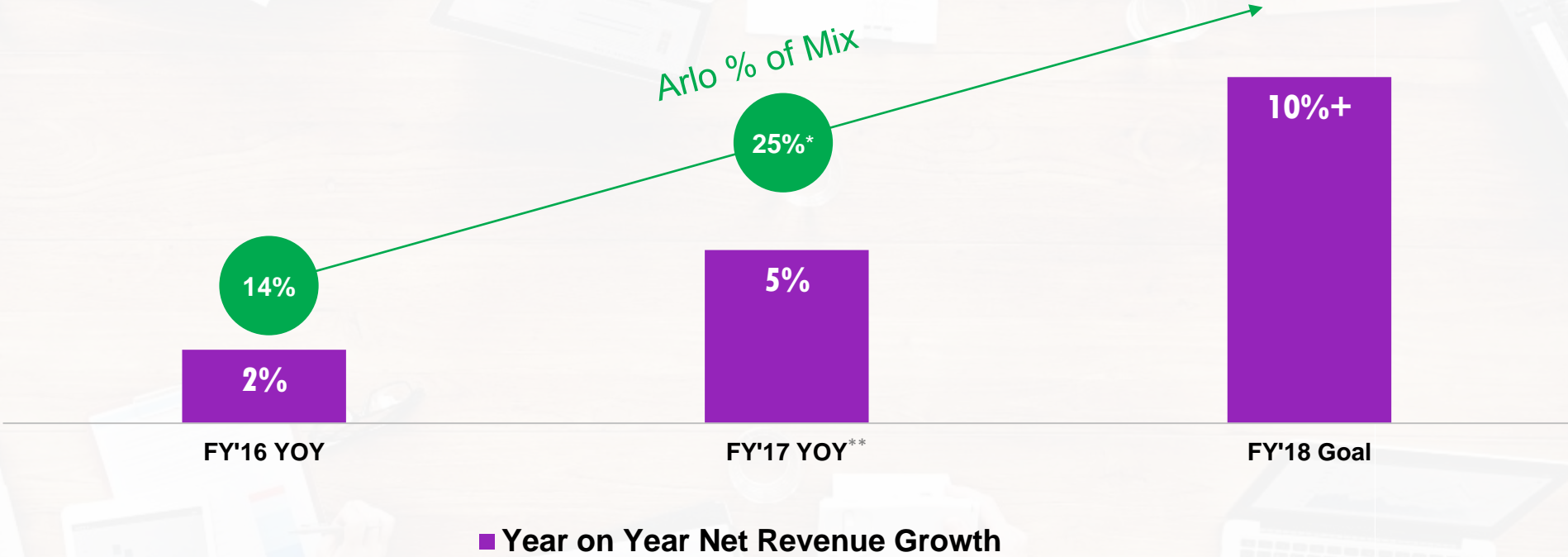
\*FY'17 Non-Carrier net revenue estimate calculated using implied analyst consensus 4Q17 Non-Carrier revenue, which is arrived at by excluding \$55 million of Carrier revenue (as guided by management) from analyst consensus estimates of total net revenue for 4Q17.

# Carrier Revenue Stabilizes



\*FY'17 Carrier Revenue derived using actual reported 3Q FY17 year to date net revenue, plus the guided \$55 million for 4Q FY17.

# NETGEAR Returns to Double Digit Growth in FY18



\* Arlo % of Mix for FY17 is from actual reported 3Q FY17 year to date net revenue

\*\* FY'17 Year on Year Revenue Growth derived using analyst consensus for 4Q FY17 added to actual reported 3Q FY17 year to date net revenue

# Strategic Capital Allocation



**INTERNAL R&D  
INVESTMENT**



**BRAND  
INVESTMENT**



**M&A FOR  
TECHNOLOGY**



**SHARE  
REPURCHASE**

# Since 2013...

**\$454M**

FREE CASH FLOW

**\$396M**

RETURNED TO  
SHAREHOLDERS

**11.3M**

SHARES  
REPURCHASED

**17%**

REDUCTION IN  
DILUTED SHARES

Free cash flow is calculated as cash flows from operating activities as presented in the statement of cash flows under GAAP, less capital expenditures. Note that upon adoption of ASU 2016-09 on January 1, 2017, the Company elected to apply the presentation requirements for cash flows related to excess tax benefits retrospectively to all periods presented. A more detail description of the impact of the adoption of ASC 2016-09 can be found under the note, Summary of Significant Accounting Policies, in our recent Form 10-Q filed with the SEC.

**NETGEAR®**

# Looking to 2018 and Beyond



Expand registered user base across all three product lines

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Focus on customer stickiness and engagement

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Deliver compelling service offerings

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Drive meaningful recurring revenue stream

# 2018 Financial Targets

- Grow overall revenue 10%+
- Maintain Current Carrier Revenue Level
- Full Year 2018 Non-GAAP Op Income Growth
- Deliver YoY Non-GAAP EPS Growth

The company is unable to reconcile projected non-GAAP operating income and EPS to comparable GAAP operating income and EPS without unreasonable efforts because of the inherent difficulty in predicting the occurrence, the financial impact and the periods in which potential non-GAAP adjustments may be recognized (e.g., restructuring and other charges; litigation reserves, net; acquisition-related charges; impairment charges; discrete tax benefits or detriments relating to tax windfalls or shortfalls from equity awards; and the tax effect of all such items). For the same reason, the company is unable to address the probable significance of the unavailable information, which could be material to future results.





# Long Term Model

- 10%+ CAGR for Overall Business
- 10%+ of Net Revenue from Services
- 25% of Total NTGR Gross Profit \$'s from Services
- 12%+ Non-GAAP operating Margin
- Annual Non-GAAP EPS Growth

The company is unable to reconcile projected non-GAAP operating income and EPS to comparable GAAP operating income and EPS without unreasonable efforts because of the inherent difficulty in predicting the occurrence, the financial impact and the periods in which potential non-GAAP adjustments may be recognized (e.g., restructuring and other charges; litigation reserves, net; acquisition-related charges; impairment charges; discrete tax benefits or detriments relating to tax windfalls or shortfalls from equity awards; and the tax effect of all such items). For the same reason, the company is unable to address the probable significance of the unavailable information, which could be material to future results.



