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## Netgear Inc. Q3 2008 Earnings Call Transcript

### Question-and-Answer Session

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#### Operator

(Operator Instructions) Your first question comes from Samuel Wilson – JMP Securities.

#### Samuel Wilson – JMP Securities

I missed head count, cash from operations and CapEx please.

#### Christine Gorjanc

Head count at the end of the quarter was 568. CapEx \$2.2 million, and cash flow from operations \$16.8 million.

#### Samuel Wilson – JMP Securities

You made some comments about inventory. Is that inventory up a little bit because you're air freighting less but you're going to bring it back down? Are you bringing the inventory down because the end customers are ordering less or you're just preparing for them to potentially less in the future? Are there any changes to logistics involved with air freighting now that oil prices have come down or is the plan still more to boat more than you air?

#### Patrick Lo

We're just trying to bring the inventory turn back to a traditional five to six times, so it's our forecast revenue in that \$155 million to \$160 million range, then we certainly do not need \$127 million of inventory levels. We will bring down the inventory value in order to get our turns back to between five to six, which is a reasonable turn.

#### Samuel Wilson – JMP Securities

The last time you witnessed this type of poor seasonality was around 2001. On the guidance, is part of it on the \$155 million to \$160 million down sequential that you're letting the channel or the end customer's burn through channel inventory to bring those levels down? You ship less and therefore do you recognize revenue on selling, that's part of the problem, you need to get channeling inventories down.

#### Patrick Lo

That's exactly it. When the market is going up then you tend to ship a little bit more than you actually sell to, but when the market demand is going the other way, then you are going to sell a little bit less than what they sell to.

**Samuel Wilson – JMP Securities**

At some point if it turns, you actually have to rebuild channel inventories.

**Patrick Lo**

That's correct.

**Operator**

Your next question comes from Maynard Um – UBS.

**Maynard Um – UBS**

In this kind of subdued environment, what do you think the overall market which is typically growing at about 15% to 20%, how should we think about or how do you view the overall market growing as we enter next year?

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