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## NETGEAR, Inc. Q4 2008 Earnings Call Transcript

### Question-and-Answer Session

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#### Operator

Thank you. (Operator Instructions) Your first question comes from Maynard Um – UBS.

#### Maynard Um – UBS

Question on the reduction in inventory by distribution and retailers, in terms of impacting the revenue does that presume when we look at Q2 you should see a sequential increase in revenue as the inventories level out or do you think the market weakness will continue into the second quarter? And then just related to that can you just talk about what you think the new levels of appropriate weeks of inventory are by region and channel? Thanks.

#### Patrick C. S. Lo

We do believe that most of the channel inventory reduction will be accomplished in Q1 so in Q2 our net revenue will be a truer reflection of the real end market demand. So it's hard to predict what Q2 is going to be, seasonally Q2 from a market demand perspective is slightly less than Q1. So we will update everybody in the next earnings call that what our Q2 net revenue will be, but certainly we intend to get most of the channel inventory reduction in Q1.

#### Maynard Um – UBS

And then just on the appropriate weeks of inventory levels by region and channel?

#### Patrick C. S. Lo

We always would like to drive to around between four to five weeks of distribution channel inventory and between eight to ten weeks in the retail channel inventory. However, we do see that our channel partners would like to drive below that.

#### Operator

Your next question comes from Samuel Wilson - JMP Securities.

#### Samuel Wilson - JMP Securities

I didn't hear, what was cash from operations and CapEx for the quarter?

#### Christine M. Gorjanc

CapEx for the quarter was \$1.6 million and cash flow for Q4 was \$38.4 million.

**Samuel Wilson - JMP Securities**

Given your current sort of what's going on, do you think you'll be cash flow positive in the first quarter?

**Christine M. Gorjanc**

We're typically cash flow positive in the first quarter. We definitely will be generating cash during the year. There's a little dependency on that, but typically Q4 and Q1 are good cash flow quarters for us.

**Samuel Wilson - JMP Securities**

And did you say headcount?

**Christine M. Gorjanc**

Headcount was 579 at the end of the year and that did include our recent acquisition of CP Secure in late December.

**Samuel Wilson - JMP Securities**

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