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Netgear Inc. Q1 2009 Earnings Call Transcript

Question-and-Answer Session

Operator

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

Samuel Wilson – JMP Securities

It sounds like in the retail side of the business you think inventory destocking ends in April/May and in June actually starts to build for back to school. And that's only the U.S. right, because back to school is really only a U.S. phenomenon.

Patrick Lo

True

Samuel Wilson – JMP Securities

What do you think is going on with channel inventories are destocking in the international markets?

Patrick Lo

The retail side is doing very well. I think we're done with that. But on the distribution side I think we still have some work to do in international distributors as well as the U.S. distributors.

Samuel Wilson – JMP Securities

Can you talk a little bit about the service provider business? I know that Charter was a customer in the past. They because of bankruptcy stopped ordering. How does that work, and just the service provider business in general.

Patrick Lo

The service provider as you see is a pretty good portion of our business of course is also affected by the economy as well. So we said service provider revenue in Q1 basically mimics the same percentage of Q1 2008. Charter is still a customer as you probably know. They actually do what they call a bankruptcy that the judge has agreed that they will continue to pay their trade creditors so we continue to ship to them and continue to be a good customer of ours.

Samuel Wilson – JMP Securities

Cash from operations, CapEx and head count.

Christine Gorjanc

Head count is 568. CapEx was very low this quarter, about \$229,000 and we anticipate a much lower CapEx in 2009 than in 2008 because we did have an ERP implementation and a building move last year. And then cash flow from operations for the current quarter is about \$2.8 million negative and if you look on our balance sheet you'll see how accounts payable is down significantly.

Samuel Wilson – JMP Securities

Any guess what you expect the tax rate to be or the tax provision to be?

Christine Gorjanc

I think we'll stick with the guidance that we've given really, is about \$6 million to \$8 million a quarter and I would tell you that that is somewhat back end loaded as you go through the quarters. The tax provision is on an annualized basis so its a percentage of an annual number so we still believe around \$6 million to \$8 million is the right number for each quarter but more back end loaded.

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