



**NETGEAR®**

2019 Analyst Day

NOVEMBER 20, 2019



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# AGENDA

Introduction by Patrick

Financials

Connected Home

Subscriber Growth

Pro AV

Q&A

Demos





# Introduction

**PATRICK LO**

Chairman & Chief Executive Officer



# STRATEGY FOR GROWTH



Technology Inflections



Create New Categories



Recurring Service Revenue

# 2019 IN PERSPECTIVE

Trade war and tariff

Transition to WiFi 6

Kick-start service subscription

Launch into Pro AV opportunities



# TRADE WAR AND TARIFF

Tariffed inventory not offset by price increase

New production lines yet to reach efficiency levels

Introduction of new tariffs



**BIGGEST REVOLUTION IN WIFI, EVER**

# WiFi 6

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Increase ASP

Growing the TAM

Gain share

Sell subscription services



# SERVICE REVENUE FOUNDATION

12.3M



41%

REGISTERED USERS

1 MILLION

SUBSCRIBER TARGET

6.3M



50%

EMAIL OPT-IN

3.7M



469%

REGISTERED APP USERS

\*All numbers shown from Sep 2018 Analyst  
Day to Nov 8<sup>th</sup> 2019



# PRO AV DEPLOYMENTS

Some



## SPORTS



## COMMAND & CONTROL



Home Office



## EVENT VENUES



## HEALTHCARE & EDUCATION



## CORPORATE





# Financials

**BRYAN MURRAY**

Chief Financial Officer



# 2019 FINANCIAL TARGETS REVISITED

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



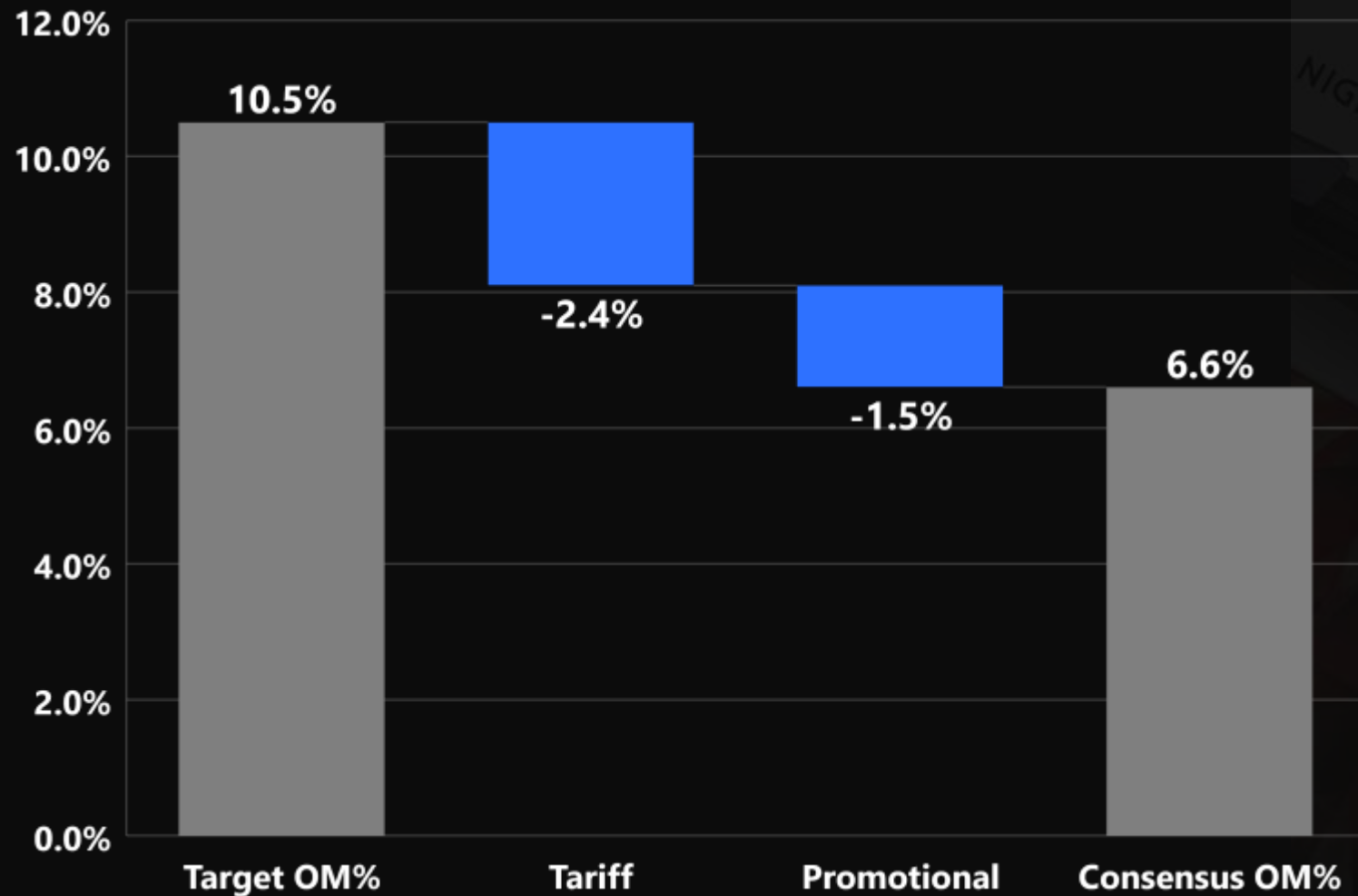
# TOPLINE CHALLENGES IN FY'19

-5.5%

US Consumer WiFi Market Decline YTD



# OPERATING MARGIN CHALLENGE FY'19



2019 target non-GAAP operating margin shown reflects the mid-point of the range provided at the Sept 2018 Analyst Day, and the consensus non-GAAP operating margin shown is per FactSet as of 11/18/19.

# TRADE WAR AND TARIFF

Tariffed inventory not offset by price increase

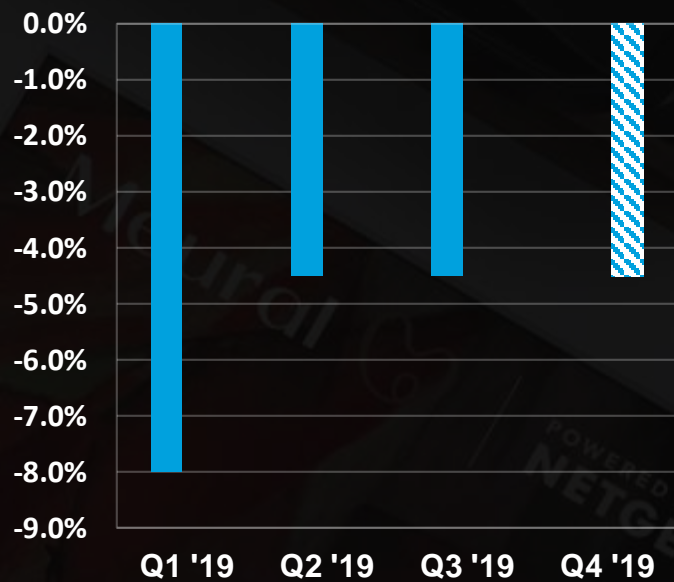
New production lines yet to reach efficiency levels

Introduction of new tariffs



# PROMOTIONAL EFFORTS

Stabilizing the US WiFi Market



Expanded Prime Day

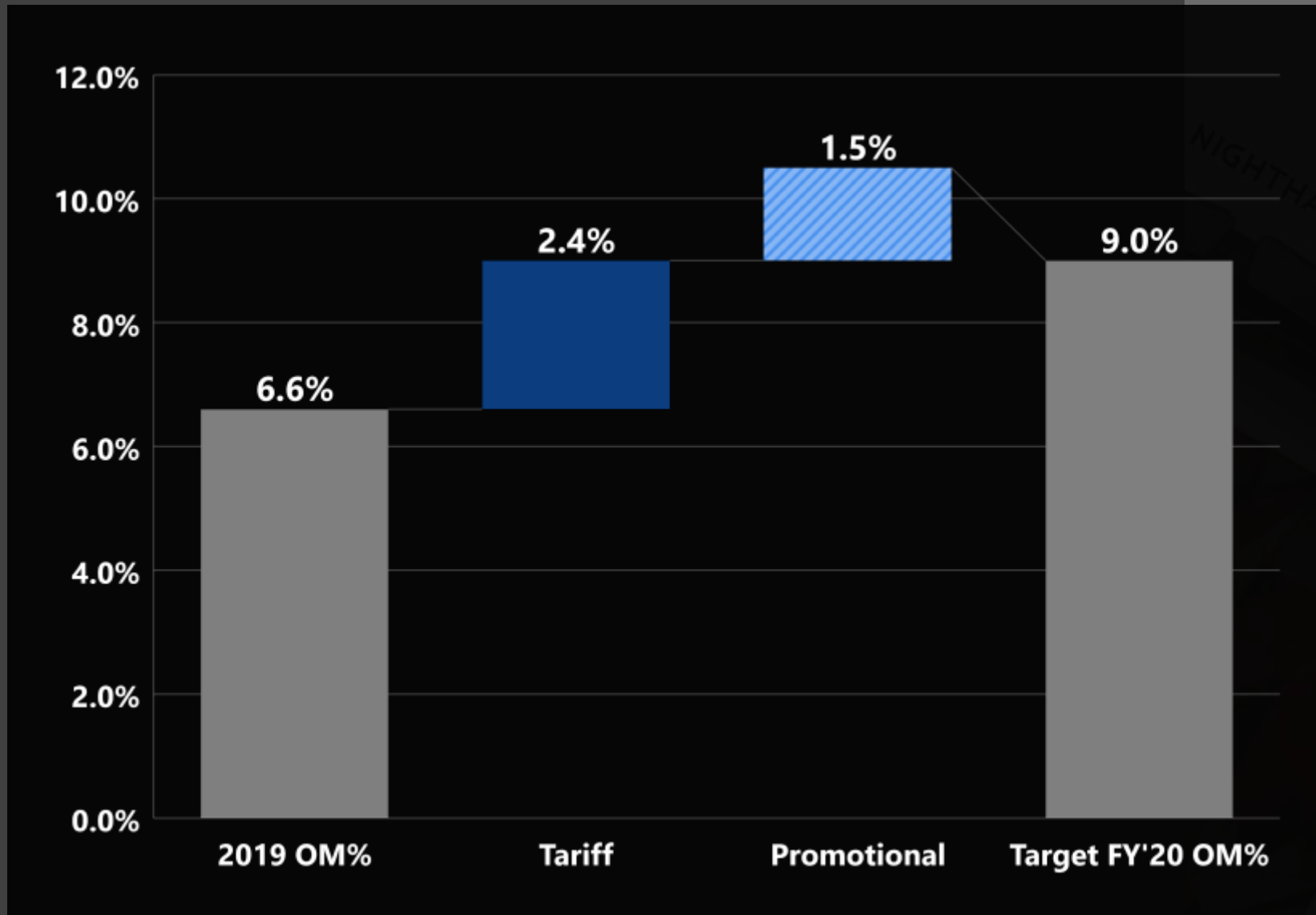


Market Transition

WiFi 6



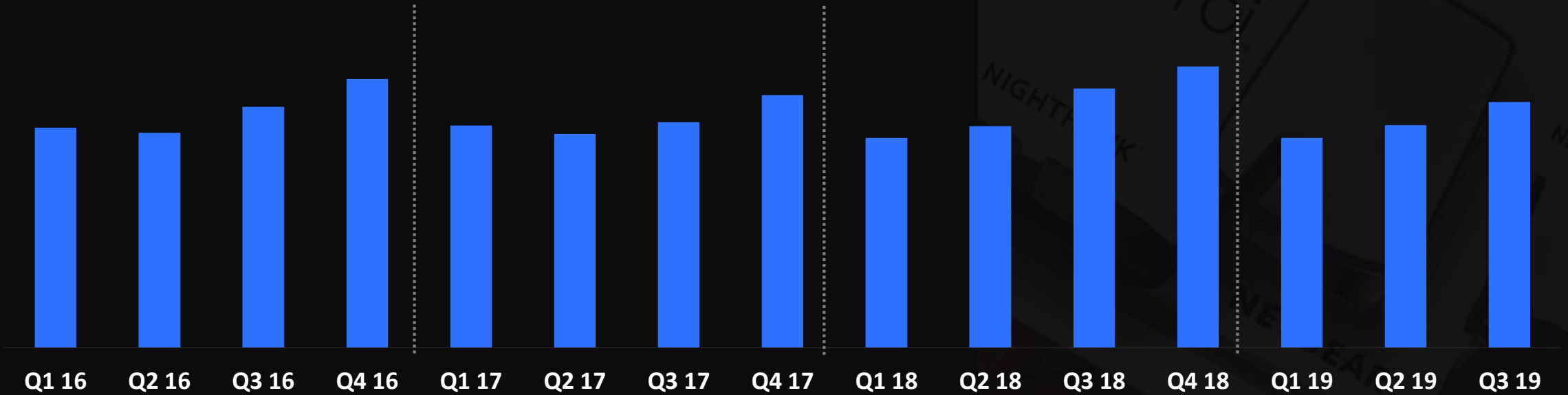
# OPPORTUNITIES IN 2020



All measures shown above are non-GAAP



# CHP SEASONALITY



QoQ Seasonality				
	Q1	Q2	Q3	Q4
Historical	-20%	2%	14%	12%
FY'20 Estimates	-12% to -15%	2%	14%	12%

Above reflects seasonality of the Connected Home business, excluding revenue from service providers.

# SERVICES DRIVE MARGIN EXPANSION

## Paid Service User Count

ARPU

	100K	500K	1M	1.5M	2M
\$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

# MANAGEMENT OFFSETS LOST LEVERAGE

	FY'17	FY'18	FY'19 (YTD)
	Total	Total	Total
Segment CM%	14.2%	15.7%	14.1%
Corporate & Unallocated	-7.2%	-8.5%	-6.9%
Non-GAAP OM%	7.0%	7.2%	7.2%



# STRATEGIC CAPITAL ALLOCATION



R&D/BRAND INVESTMENT

orbi<sub>™</sub>

Meural

NIGHTHAWK<sup>™</sup>

NIGHTHAWK<sup>™</sup>  
PRO GAMING

Pro AV



M&A & INVESTMENTS

jiobit

Meural

swrve

circle



SHARE REPURCHASE

NTGR

# SHARE REPURCHASES

From January 1, 2016

Approach	OPPORTUNISTIC
Total free cash flow generated	\$140M
Total cash used for share repurchases	\$235M
Shares repurchased	5.4M
Reduction in diluted shares	3.9%

# 2020 FINANCIAL TARGETS

Low to mid-single-digit YoY top line growth

8-9% non-GAAP operating margin

Double-digit non-GAAP EPS growth

# LONG TERM TARGET MODEL

- Low to mid-single-digit % annual revenue growth
- Convert 1 Million of installed base to paid subscribers
- 15% non-GAAP operating margin
- Low double-digit non-GAAP EPS growth







# Connected Home Update

**DAVID HENRY**

Senior Vice President, Connected Home

# WIFI MARKET GROWTH

2017

0.7%

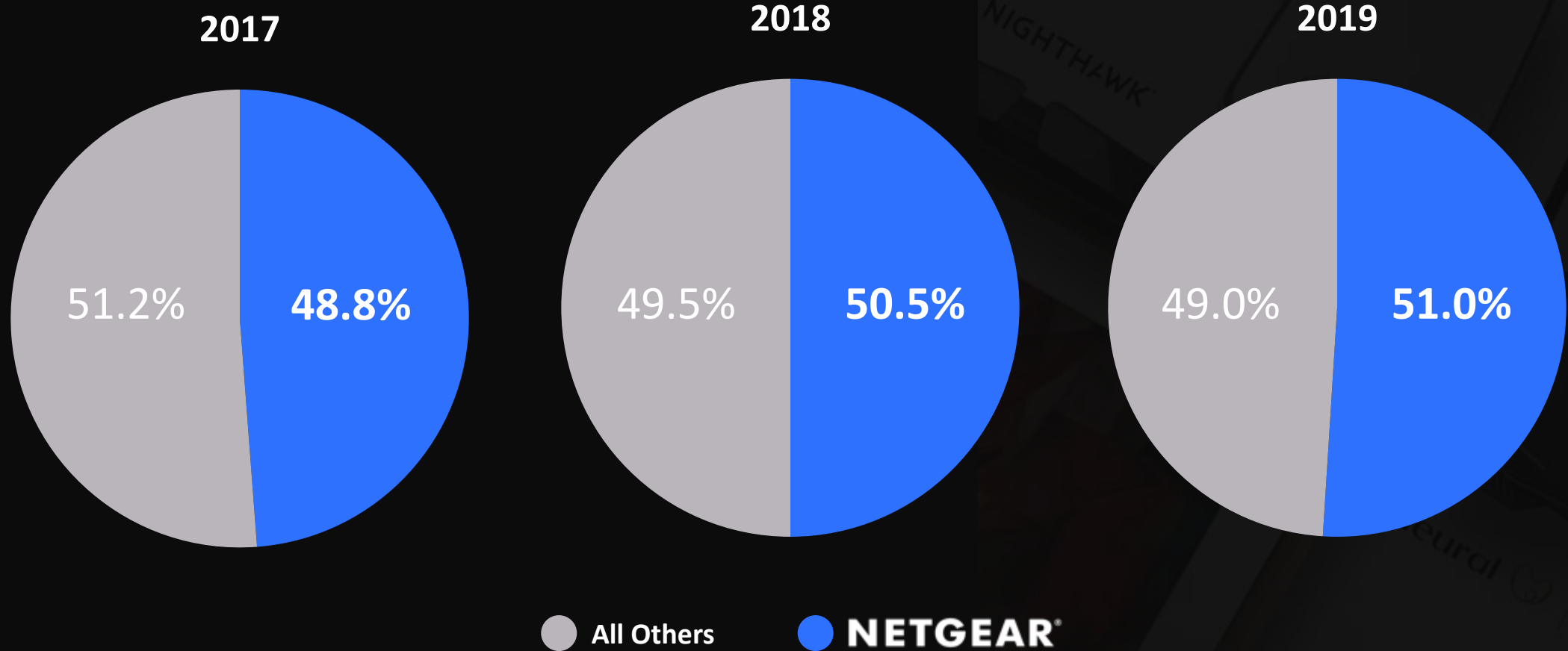
2018

1.9%

2019 YTD

-5.5%

# NETGEAR GROWS WIFI MARKET SHARE





**BIGGEST REVOLUTION IN WIFI, EVER**

# WiFi 6

**4X Better Performance than WiFi 5**

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Capacity: More WiFi for more devices

Speed: Fastest WiFi for the gigabit home

Efficiency: Longer battery life for mobile

Backward compatible with 11AC



# NETGEAR LEADS THE WIFI 6 TRANSITION

## WiFi 6



AX8

Q1 19



AX12

Q2 19



AX4



AX12 Tri-band



Orbi WiFi 6



AX1800



AX8 Extender

Q4 19

SAMSUNG  
Galaxy S10



Lenovo

acer





# WIFI 6 INCREASES ASP IN PREMIUM WIFI

Low End



WiFi 6 \$179

AC \$79



Mid Price



WiFi 6 \$399

AC \$229



High End



WiFi 6 \$599

AC \$379



Mesh WiFi

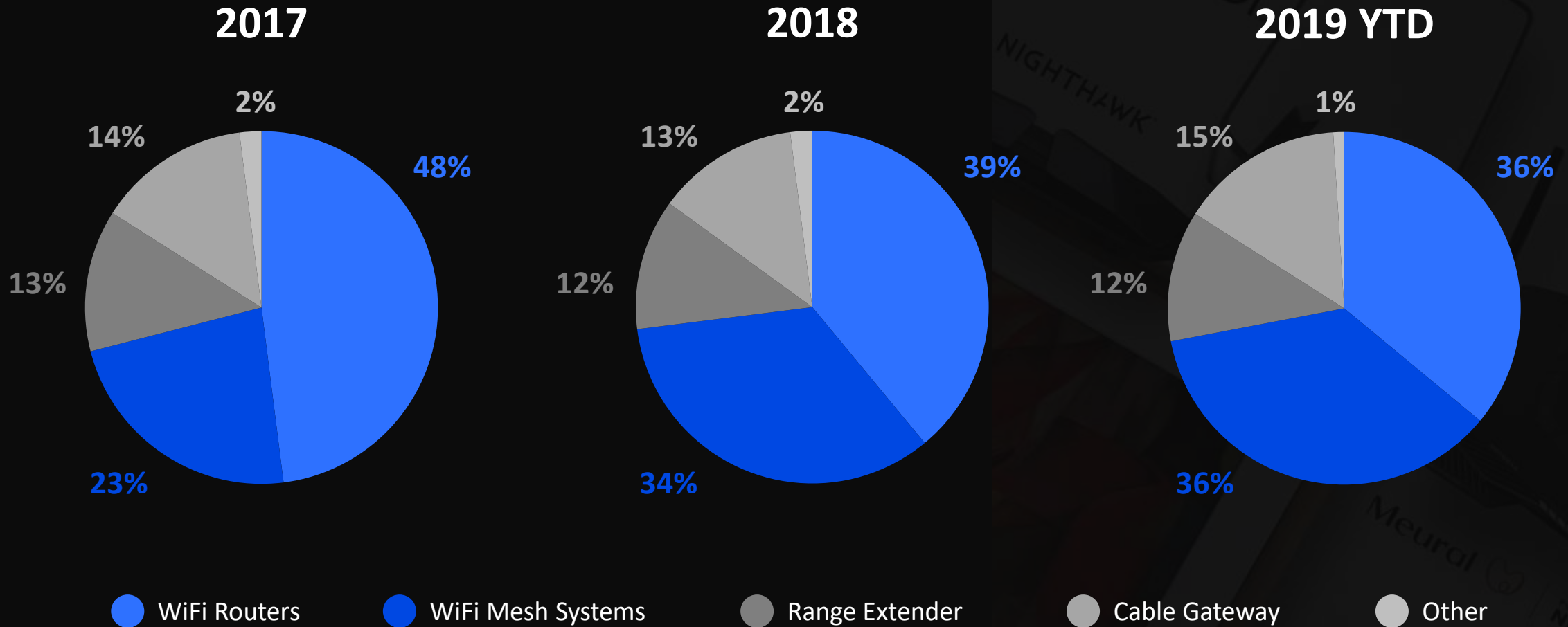


WiFi 6 \$699

AC \$279



# MARKET IS MORE THAN JUST WIFI MESH



# WIFI MESH SYSTEM

## Competition Not Focused on WiFi Performance



Competitors focused on own ecosystem

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### NETGEAR Differentiation

Performance, privacy, and security

Tri-band technology for max performance

Broad portfolio vs point products

Retail focus vs competing with retail



# WIFI ROUTER

## Competition Focused on Cost / Price

LINKSYS



ASUS

Competitors are legacy networking brands Minimal differentiation

Slow with new tech

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### NETGEAR Differentiation

Best in Class WiFi, Tri-band technology

First to market with new technology

Unparalleled retail channel worldwide



# RANGE EXTENDERS

## Competition Focused on Low End



For those consumers who won't change ISP gateway  
Competitors lack innovation and differentiation

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### NETGEAR Differentiation

Best in class performance and interoperability  
Seamless roaming with one network name  
Nighthawk Mesh – turn any ISP network to Mesh  
Unparalleled retail channel worldwide





# WIFI CABLE GATEWAY

## Save Rental Fees, Improve WiFi



Inflection points: D3.0 to D3.1, and 11ac to WiFi 6

Competitor is “Carrier-First,” retail an afterthought

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### NETGEAR Differentiation

“Retail First” focus on product roadmap

Best in class WiFi, including Orbi Mesh

Speed to market on voice, D3.1, and WiFi 6



# 5G MOBILE AND FIXED WIRELESS

## 5G transition drives 'unlocked' opportunity



**Mobile**



**Fixed Wireless**

LTE and 5G are competing for home broadband  
65% of M1 customers use it as primary internet  
Rapid growth of unlocked market in US and EMEA

### NETGEAR Differentiation

Best in Class WiFi and Mesh technology  
First to market with 5G  
Privacy concerns with Chinese competition



# MEURAL DIGITAL CANVAS

## Expansion of product line, content and market

New Meural Canvas II – New style, size, price points



### Broaden the appeal of digital canvas

Adding pop-culture artwork – GoT, Marvel

Enhance personal photography user experience



# NIGHTHAWK PRO GAMING

## Cloud gaming needs low latency WiFi

Greenfield opportunity to create a category



### NETGEAR Differentiation

DumaOS gaming software

Best in class WiFi, transition to WiFi 6

**\$4.5B**

Cloud Gaming  
Spending by 2024



# CHP SUMMARY

WiFi 6

5G

Meural

Gaming

NETGEAR Leads







# Subscriber Growth

**HEIDI CORMACK**

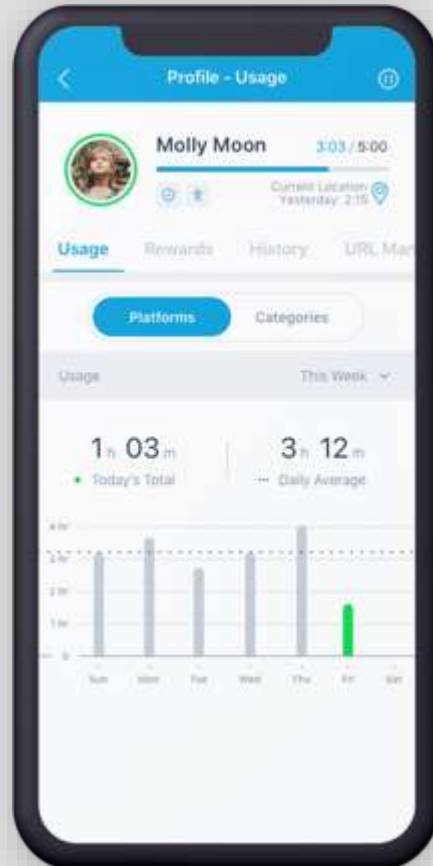
Senior Vice President, WW Marketing

# NETGEAR VALUE ADDED SERVICES

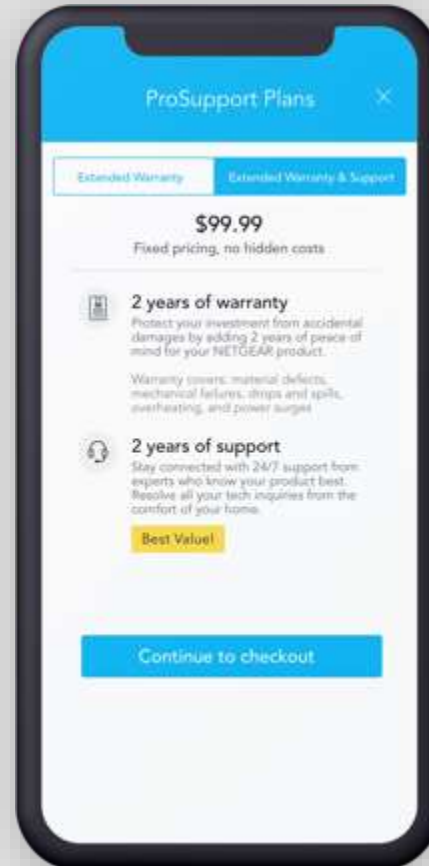
**NETGEAR<sup>®</sup>**  
**ARMOR<sup>™</sup>**



**circle on**  
**NETGEAR<sup>®</sup>**



**NETGEAR<sup>®</sup>**  
**PROSUPPORT**



**Meural**



**NETGEAR<sup>®</sup>**  
**INSIGHT**



# SERVICE REVENUE FOUNDATION

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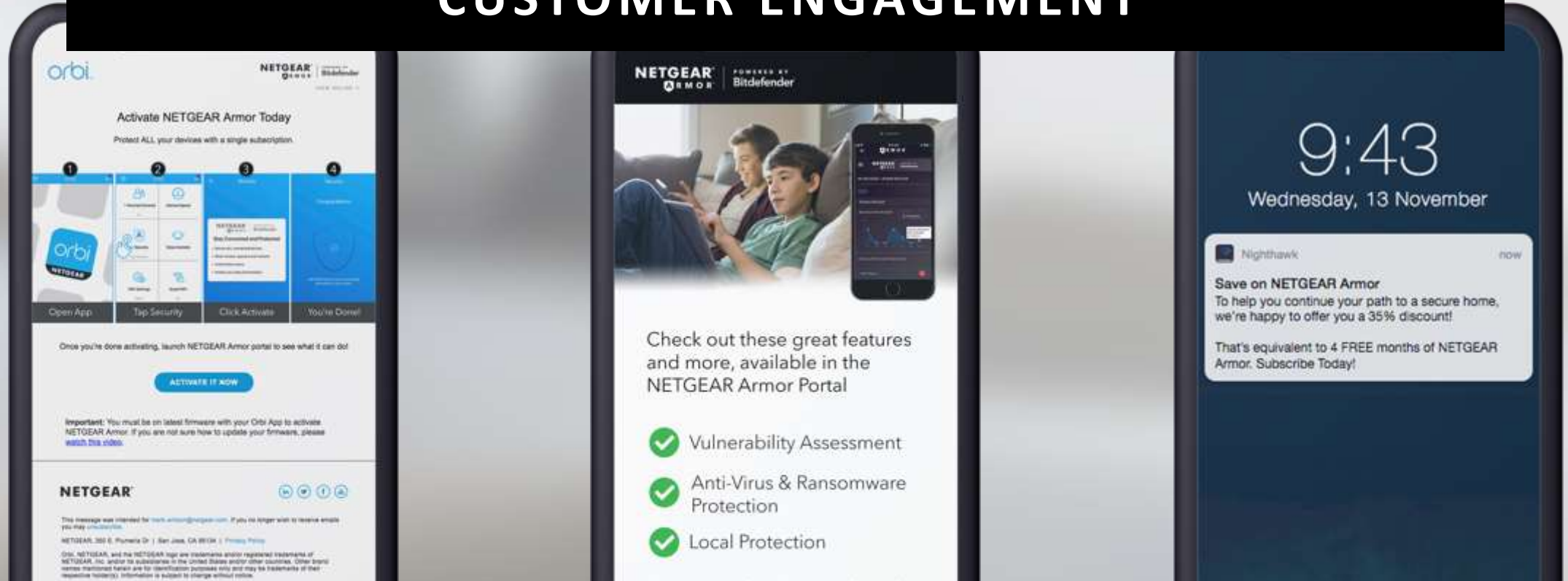


469%

REGISTERED APP USERS

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# CUSTOMER ENGAGEMENT



WW EMAIL

65M  7%

IN-APP

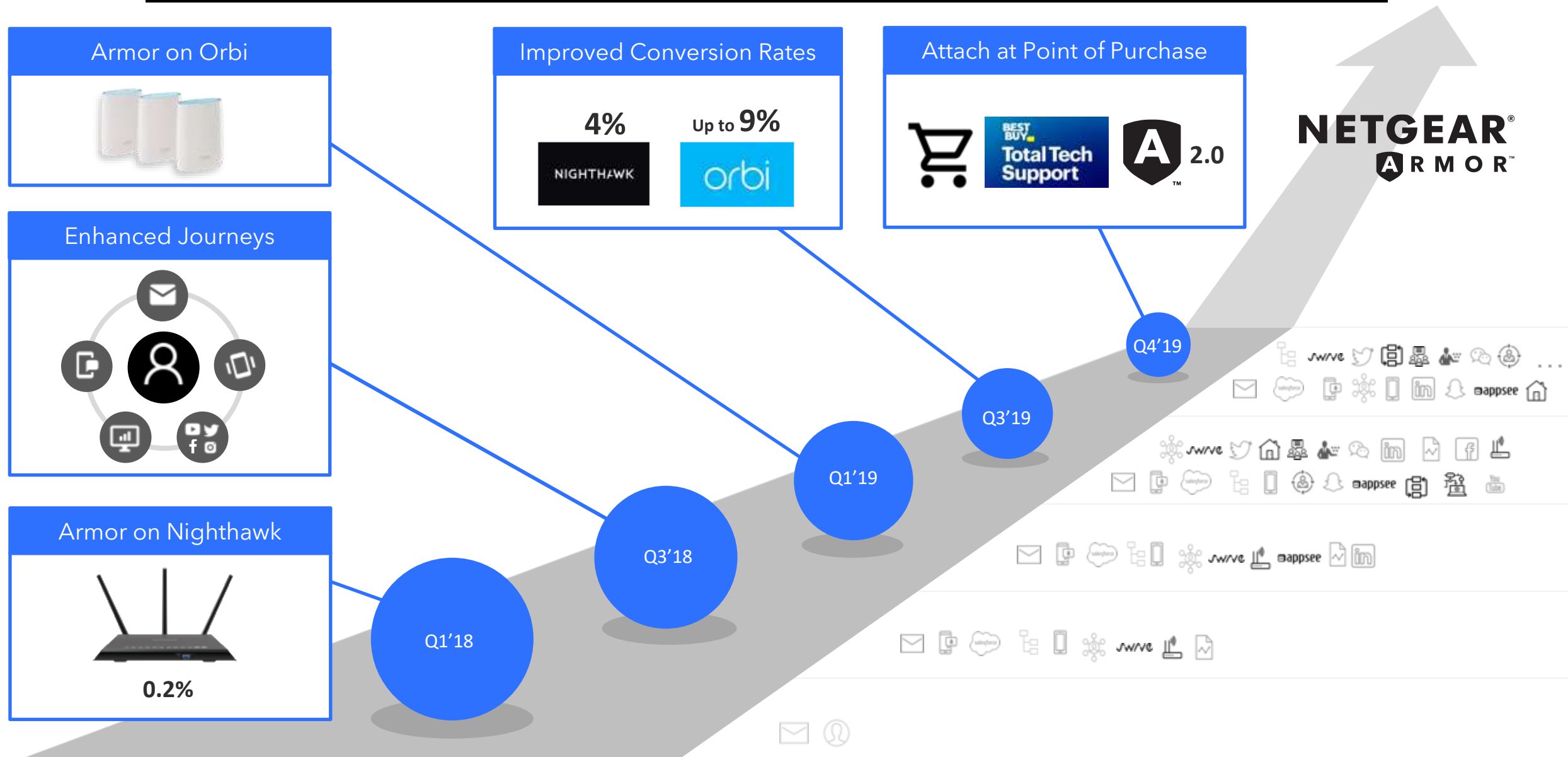
2M  215%

PUSH NOTIFICATION

985K  4K%



# TRANSFORMATION





# ACQUIRING SUBSCRIBERS



# LESSONS LEARNED

## NEW USERS

Higher ASP, higher attach rate  
Orbi, higher conversion rate  
Attach at point of purchase

## INSTALL BASE

High touch, 6+ interactions  
Multi-channel engagement  
In-app, high conversion

# WHAT OUR CUSTOMERS ARE SAYING

"I feel much more secure when on the internet knowing that I have the Armor protection."

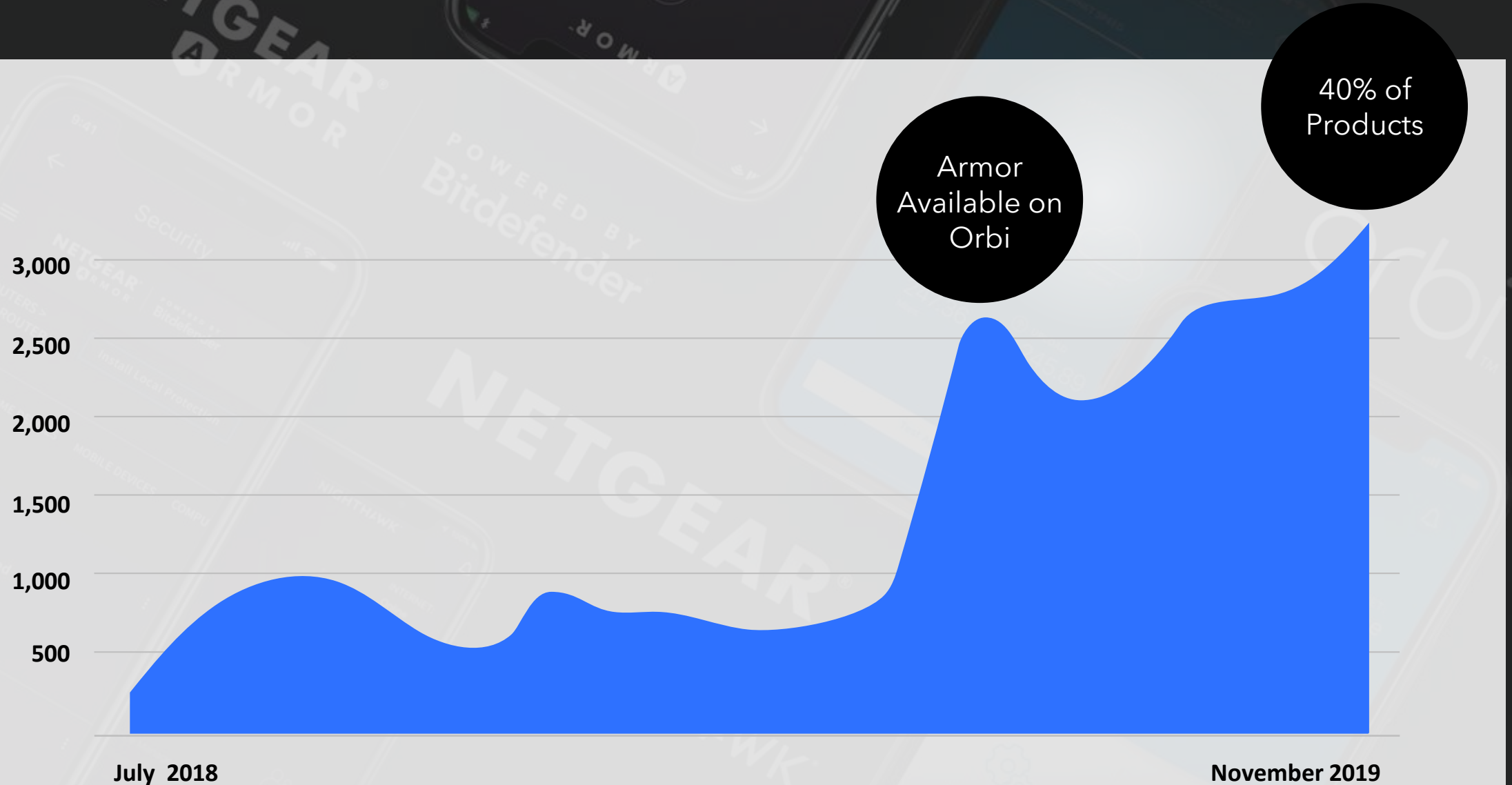
"I use it as a front door protection to my different devices."

"I love the reports and seeing what was blocked and what devices were targeted. Love this protection."

"So far it's stopped phishing attempts on my iPhone and iPads."



# WEEKLY SUBSCRIBER GROWTH



# CUMULATIVE SUBSCRIBERS

150K+  
Subscribers

SUBSCRIBERS

150,000

100,000

50,000

Jul 18

Nov 18

Feb 19

May 19

Aug 19

Oct 19

Nov 19





# SUBSCRIBER GROWTH



Continued test & learn

Optimization in-app & email marketing

Increased app engagement

Availability on more products

Expansion of services roadmap

Increased conversion

GOAL: 1 MILLION SUBSCRIBERS





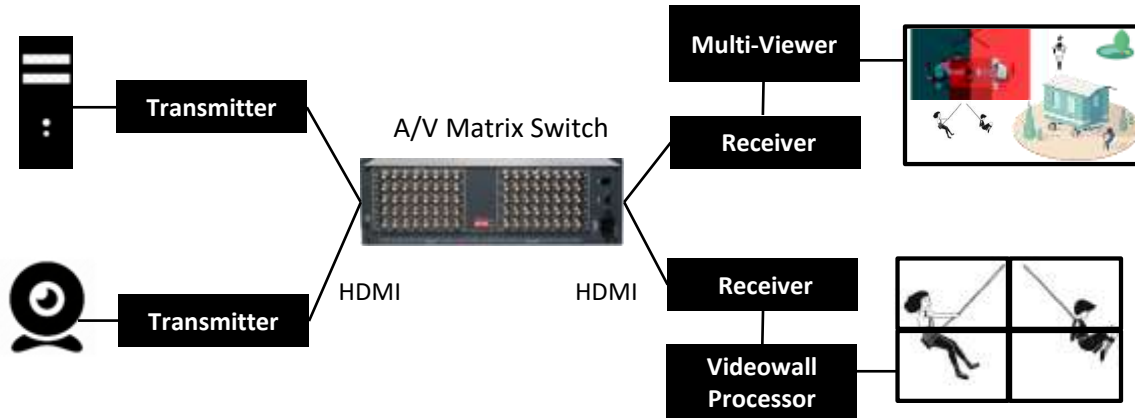
# Enabling the Next Generation of Professional Audio Visual Networks

**VIKRAM MEHTA**

SMB Products and Services



# LEGACY AV SIGNAL DISTRIBUTION



Proprietary

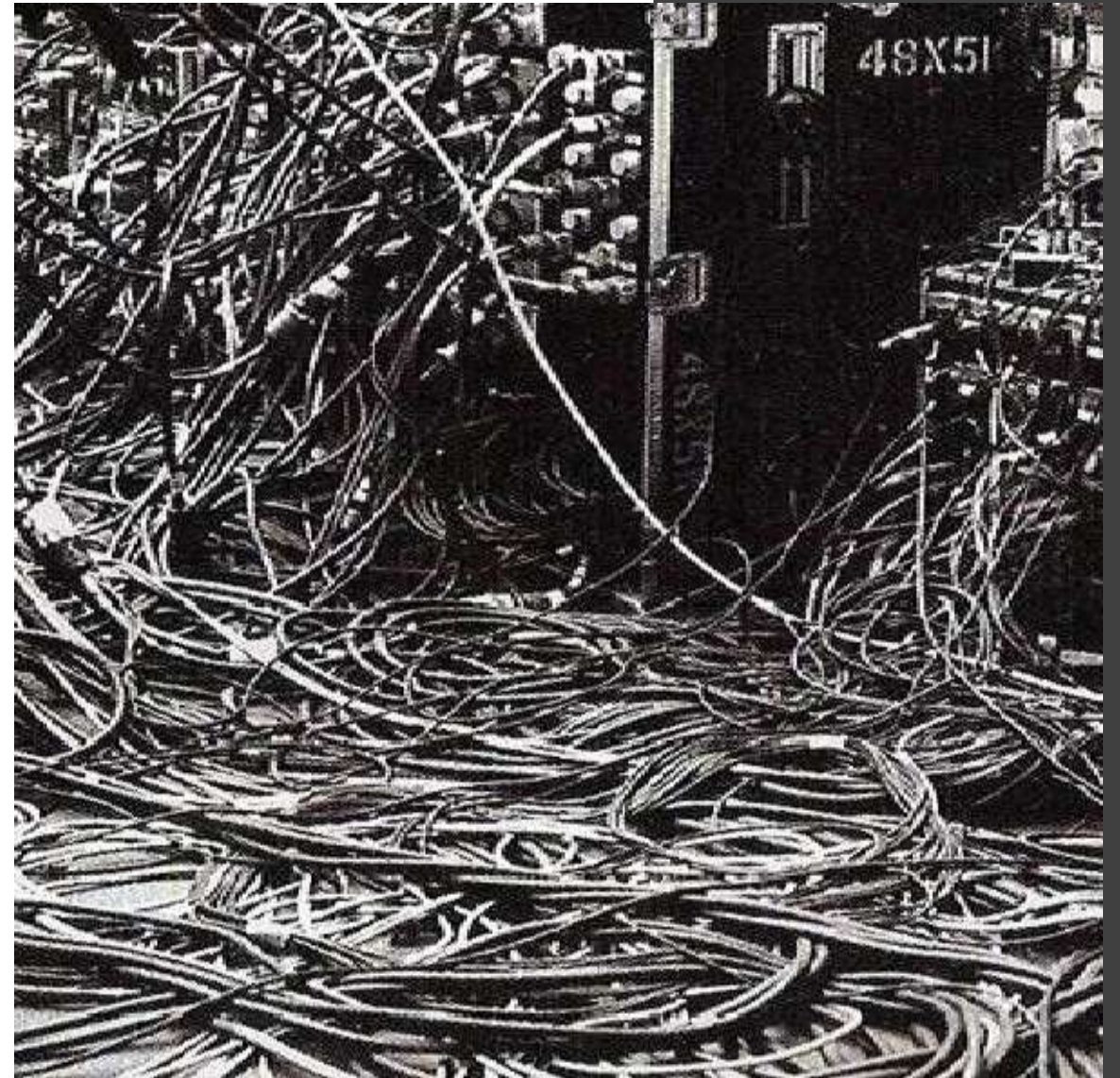
Poor Scaling

Expensive

Complex

Unwieldy

Fork-lift Upgrades



# AVOIP: THE MATRIX TRANSFORMED



**Ethernet**

**Near Zero Latency**

**10x Lower Cost**

**10x Better Scaling**

**Simplicity of Deployment & Management**

**Investment Protection**

**Uncompressed Content Delivery**

**4K/8K & Beyond**

**Longer Distances**

**Up to 40% Lower Power Consumption**

**Up to 80% Reduction In Rack Space**





# SDVOE FOUNDING MEMBERS



AQUANTIA®

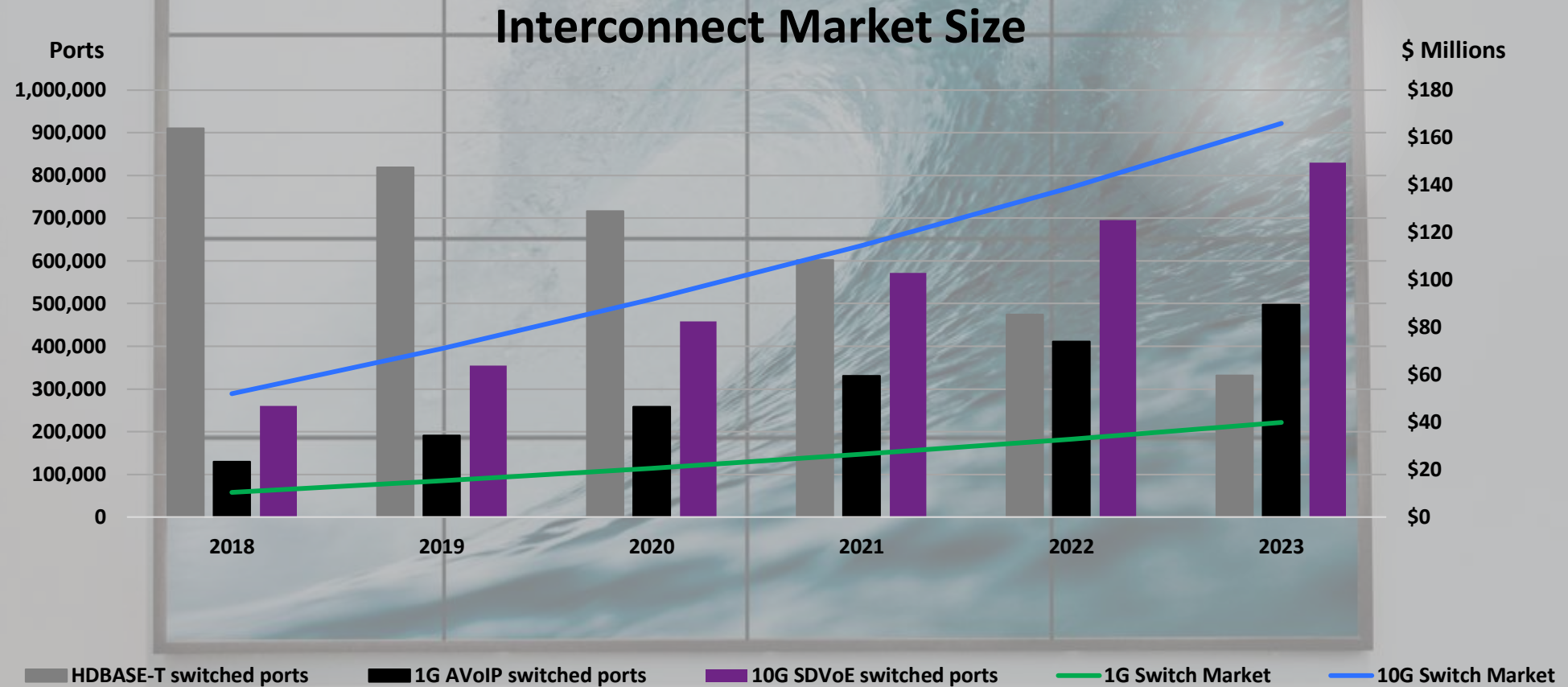
zeevee

SONY

CHKISTIE®

NETGEAR®

# VAST MARKET OPPORTUNITY



Source: SDVoE Alliance market sizing based on FutureSource Consulting's "HDBase-T in AV signal distribution" and AVIXA's IOTA reports.



# NETGEAR PRO AV STRATEGY

Focused list of Pro AV use cases

Strong co-marketing and product relationships with key Pro AV players

Global team of Pro AV engineering experts

Proactive involvement with Pro AV industry forums and influencers

Products optimized for the Pro AV market



# PRO AV APPLICATIONS



**SPORTS**



**LARGE EVENT VENUES**



**EDUCATION**



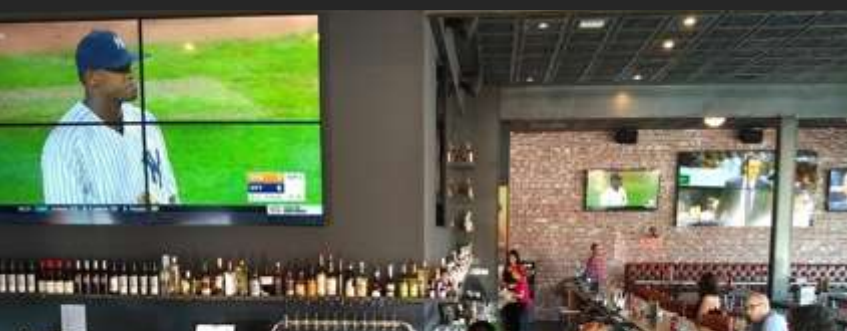
**MEDICAL SURGERIES**



**HIGH-END HOMES**



**RETAIL SIGNAGE**



**SMALL & MOBILE EVENT VENUES**



**CORPORATE OFFICES**



**COMMAND & CONTROL CENTERS**



# KEY VENDOR PARTNERSHIPS

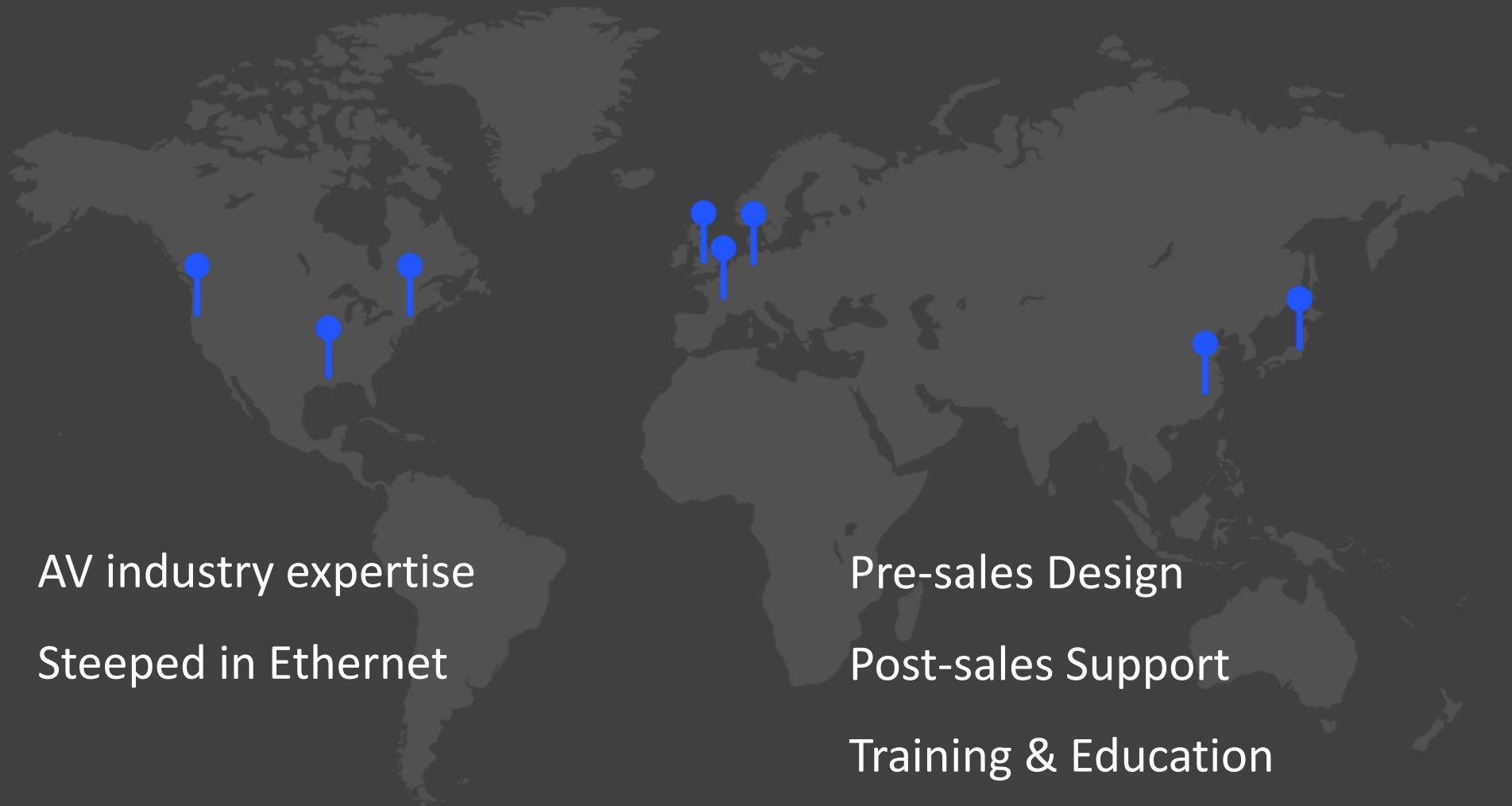


Pro AV Distributors & Integrators





# GLOBAL TEAM OF ENGINEERING EXPERTS



AV industry expertise  
Steeped in Ethernet

Pre-sales Design  
Post-sales Support  
Training & Education

# INDUSTRY FORUMS & INFLUENCERS



# PRODUCTS ENGINEERED FOR PRO AV

## Embedded AV Modules



## 2.5G, 10G, 25G, 50G & 100G Low Latency Pro AV Switches



## Gaming Routers



## Unique AV Software & Configurations

NETGEAR IGMP Plus™

Support for Dante, AES67, QSYS, and AVB

Support for PTPv2

Ability to run AV Management App on the switch

AV pre-set configurations for ease of deployment

## Over 40 Switch SKUs Including



**World's first ruggedized 10GE  
switch for outdoor Pro AV  
installs**

## 60W/Port and Greater





# WHAT THE INDUSTRY IS SAYING



**BOB MADONNA**

FOUNDER & CEO, *SAVANT SYSTEMS*

"Savant is the ultimate choice in residential and commercial building automation. Our strategic partnership with NETGEAR enables us to automate all aspects of a home or office building – from lighting, to blinds, to audio-visual systems, to physical security and energy management."



**BRAD SOUSA**

CHIEF TECHNOLOGY OFFICER, *AVI SYSTEMS*

"AVI Systems is the fastest growing AV integrator in the US, with Business Practices that include Pro-AV, Unified Collaboration, Digital Media, Broadcast and Enterprise applications. All of these are IP centric. We see our strategic partnership with NETGEAR as adding velocity to our business and reshaping how AV integrators think about technical solutions."



**BILL MCGOWAN**

U.S. DISTRIBUTION ACCOUNT MANAGER, *ATEN*

"Plug the M4300 in and it just works, without the need to go into complex settings."



**MOHAN MAHESWARAN**

PRESIDENT & CEO, *SEMTECH CORP*

"10G Ethernet switches play a central role in an SDVoE (Software Defined Video over Ethernet) network and we view NETGEAR, given its brand recognition, global footprint, and focus on addressing the technical requirements of the pro-AV industry, as a key partner in our efforts to help Pro-AV (Professional Audio Visual) industry make the migration to an all-IP infrastructure."



**JEFF BETHKE**

VP ENGINEERING, *LEVEL 3 AUDIO VISUAL*

"We looked around the industry and liked the out-of-the-box design of the M4300. Also NETGEAR looked like a good partner, unlike other switch vendors focused on larger enterprise use cases."



**PAUL HARRIS**

CEO, *AURORA MULTIMEDIA* & CHAIRMAN

"What's unique about NETGEAR is the ability of its pro-AV switches to work out of the box with our AV-over-IP products. NETGEAR also excels in customer support, which is critical in our industry to ensure rapid deployment."

# SOME OF OUR PRO AV DEPLOYMENTS



## SPORTS



## COMMAND & CONTROL



Home Office



## EVENT VENUES



## HEALTHCARE & EDUCATION



## CORPORATE







Q&A

**NETGEARIR@NETGEAR.COM**

