Exhibit 1

05-Feb-2025

NETGEAR, Inc. (NTGR)

Q4 2024 Earnings Call

CORPORATE PARTICIPANTS

Erik Bylin
Investor Relations, NETGEAR, Inc.

Charles J. Prober
Chief Executive Officer & Director, NETGEAR, Inc.

Bryan Murray
Chief Financial Officer, NETGEAR, Inc.

OTHER PARTICIPANTS

Logan Katzman
Analyst, Raymond James & Associates, Inc.

MANAGEMENT DISCUSSION SECTION

Operator: Ladies and gentlemen, thank you for standing by. At this time, all participants are in a listen only mode. Later, we will conduct a question-and-answer session. [Operator Instructions]

I would now like to turn the conference over to Erik Bylin. Please go ahead, sir.

Erik Bylin

Investor Relations, NETGEAR, Inc.

Thank you, operator. Good afternoon and welcome to NETGEAR's fourth quarter and full year 2024 financial results conference call. Joining us from the company are Mr. CJ Prober, CEO, and Mr. Bryan Murray, CFO. The format of the call will start with commentary on the business provided by CJ, followed by a review of the financials for the fourth quarter and full year, and guidance for the first quarter of 2025 provided by Bryan. We'll then have time for any questions. If you've not received a copy of today's release, please visit NETGEAR's Investor Relations website at www.netgear.com.

Before we begin the formal remarks, we advise you that today's conference call contains forward-looking statements. Forward-looking statements include statements regarding expected revenue, operating margins, tax expenses, and future business outlook. Actual results or trends could differ materially from those contemplated by these forward-looking statements. For more information, please refer to the risk factors discussed in NETGEAR's periodic filings with the SEC, including the most recent Form 10-Q. Any forward-looking statements that we make on this call are based on assumptions as of today, and NETGEAR undertakes no obligation to update these statements as a result of new information or future events, except as required by law.

In addition, several non-GAAP financial measures will be mentioned on this call. A reconciliation of the non-GAAP to GAAP measures can be found in today's press release on our Investor Relations website.

At this time, I would now like to turn the call over to CJ.

Charles J. Prober
Chief Executive Officer & Director, NETGEAR, Inc.

Thanks, Eric, and thank you all for joining our call. Today, I'm going to cover the following topics, a recap of 2024, our Q4 highlights, context and impact of our Q1 restructuring and high level thoughts on our 2025 plans. Later, Bryan will recap financials for the year and quarter, as well as our Q1 outlook. I just passed my one year anniversary with NETGEAR and I'm thrilled with the progress we've made over the past year.

I'm particularly proud of our team's adaptability given we implemented significant changes in three main areas, our organization, our operating model and our strategy. These changes set us up to achieve our long term goals, and we've been able to deliver on the business while evolving for the future. On the organization front, we restructured NETGEAR to bring more focus and leadership to our biggest market and growth opportunities. Most notably, we brought in new leadership and capabilities dedicated to our B2B segment, which we call NETGEAR for Business, or NFB, a new President, commercial leader, channel leader, product leader and UX leader, to name a few. These established leaders continue to attract great talent at a time when we're seeing significant disruption at other companies in the industry.

We also revamped our values and shifted the company's orientation from short term results to long term value creation. Other newly hired executives in our legal, strategy, people, corporate development and finance teams are inspiring the rest of our organization to Dare to Transform, which is our most notable new value.

Operationally, after I completed the listening tour in the first quarter, we began taking immediate action to remedy near-term challenges facing NETGEAR. Our first order of business was to eliminate a year's long overhang of excess channel inventory that remained from COVID driven supply shortages. We were able to accomplish this within one quarter, and that has resulted in cleaner, more efficient operation where we're able to match sell-in with sell-through each quarter.

We quickly realized the benefits of this destocking, which can be seen in the lowest DSOs we've had in over seven years, with receivables down approximately $29 million or 16% year-over-year. Alongside this effort, we drove an accelerated effort to lower our finished goods inventory and made great inroads to reach our objective of three months of supply, reducing inventory by approximately $86 million or 35% from the prior year. Aside from specific supply challenges related to certain long lead time items, the team has done an outstanding job delivering to demand in this much streamlined operating model that has resulted in consistently strong cash flow generation.

In September, we announced an important settlement in a patent dispute with TP-Link. This settlement was a clear validation of our intellectual property and added more than $100 million in cash to our balance sheet. Since then, the government scrutiny of TP-Link as a national security risk has been exposed by Bloomberg and The Wall Street Journal, raising questions about TP-Link's ability to continue to participate in the US market. We are monitoring this situation very closely.

Our strong cash position enabled us to buy back over $33 million in stock at an average price of just under $16 per share, representing over a 40% discount to pricing entering this week. Our $409 million in cash and equivalents, which is up $125 million in 2024, serves as a tremendous foundation to pursue the key prongs of our capital allocation and long term growth strategies, both of which we expect to drive long term value for investors.

On the strategic front, we developed a new North Star for NETGEAR rooted in powering extraordinary experiences. Early in the year, we implemented a significant shift in our home networking strategy focused on product simplification and the impact has been quite favorable. For NFB, we identified some critical resource gaps on the go to market side and invested to close those gaps in the second half of the year.

More broadly, we completed a thorough three-year strategic review that clarifies our investment priorities and innovation agenda as we enter the next phase of our transformation. Our focus across all our businesses is on driving differentiation via software and growing our recurring revenue.

Now, turning to our Q4 highlights. Our strong execution led to another quarter where we surpassed the high end of our guidance range for revenue and operating margin. We also had another strong quarter of cash generation, bolstered by a decrease in DSOs, enabling $13 million of cash to be added to the balance sheet, and we repurchased almost $11 million of shares on top of that.

Our recurring revenue grew 25% year-over-year and we exited 2024 with almost $35 million in annual recurring revenue. This acceleration is attributed to the simplification of our Armor subscription service, value proposition and the launch of our Armor Plus tier last quarter. In ProAV, we built on the tremendous momentum we have by delivering another record quarter of end user sales, launching Engage 2.0 and adding almost 50 new manufacturing partners for a total of more than 370.

One of our new partners on the broadcast side is NVIDIA. Since their acquisition of Mellanox, their focus has been on AI networks, opening the door for us to be one of their managed switch solution providers for the broadcast market. We also made great progress evolving our Insight platform that powers our enterprise Wi-Fi deployments. In Q4, we launched a significant update that enables cloud management for our managed switches and cloud APIs for our integration partners. Both improvements have been long time requests for our partners and are critical for us to expand our share in this large and growing market. These innovations in Armor, Insight and Engage are great examples of how we're innovating with software, and this momentum will provide a solid foundation for our plans to accelerate these efforts in 2025.

In our Mobile business, the M7 Pro that was launched at the end of Q3 has been very well received by customers. In Q4, a similar product was launched in Australia in partnership with Telstra. These products set the bar for performance as the first mobile hotspots that combine 5G and WiFi 7.

While we drove considerable change in the organization in 2024, shedding old habits and building new muscles, we felt there was a novel opportunity to implement a significant restructuring to further propel our success. This was very much implemented from a position of strength. So I'd like to take a moment to provide the context for this.

After completing our three-year strategic plan, we shifted to creating a detailed annual operating plan for 2025. As part of this process, we wanted to ensure we were set up for success coming into the year. We embrace our Dare to Transform value [ph] and vendor (00:10:31) restructuring aimed at achieving the following goals. Funding our investment priorities primarily focused on our B2B business, reducing our loss position in 2025 and putting us on an accelerated path to return to profitability, targeting cost reductions in businesses that would be a drag on profitability in 2025, reorganizing into a flatter and more efficient organization by reducing layers of management and increasing span of control and unlocking our ability to transform key functions more quickly.

All of these goals were achieved with the restructuring we implemented in mid-January, which impacted approximately 50 team members, and when combined with other cost cuts, resulting in a reduction of over $20 million in baseline annual operating expenses. While changes that impact people are always difficult, this restructuring has been well-received by our global team, and we're moving forward on building the future with urgency.

We expect to redeploy those savings back into the business and invest in our highest opportunities for profitable growth, most of which are in our NFB business this year. As part of these changes, we elevated Graeme McLindin to lead a newly created business unit focused on our mobility products and we're recruiting for a new leader for our Home Networking business and a companywide Chief Technology Officer to further accelerate our technology transformation. Going forward, we plan to report the results of each of our three business units, NETGEAR for Business, Mobile and Home Networking, and we plan to share profitability metrics for each of these businesses given their financial profiles vary quite significantly.

For 2025, while we plan to limit our former guidance to quarterly numbers for the foreseeable future, we remain steadfast on our plans to grow net revenue, expand gross margins, and significantly reduce our loss position this year. We expect to deliver on these goals while investing in long term value creation.

Our NFB business will receive most of our incremental investments for the year and will be focused on in-sourcing our software capabilities, expanding our product portfolio, and, most importantly, building a true B2B go to market capability that will allow us to grow our share in the sizable AV and enterprise Wi-Fi markets we're disrupting.

One unexpected headwind that we expect to impact us in Q1 is short term supply constraints for certain ProAV managed switch products. Keeping up with our increasing demand for our ProAV products has been a challenge given the long lead times of certain components and a key ODM partner has had some operational challenges impacting their ability to deliver on their commitments. While these are being addressed, we expect to under ship in Q1, leading to a more muted top line guidance for NFB this quarter. Despite these short term supply constraints, we expect double digit top line growth for NFB segment this year.

In the first few quarters of 2025, the top line of our Mobile BU is being impacted by our legacy focus on the premium segment of the market, like our Home Networking business. We're transforming our product portfolio to good, better, best line up that will address a broader part of the market. We expect these products to launch in the second half of the year with a compelling new companion app that will simplify and streamline the user experience.

With the market stabilizing for our home networking products, we're cautiously optimistic about this coming year. If the regulatory scrutiny facing companies affiliated with the PRC were to materialize, we'd expect a significant positive impact to this business segment. Throughout 2025, we will continue to execute on the balanced capital allocation strategy we outlined last quarter. Our priorities remain on organic investments and returning capital to shareholders as opportunistic buyers of our stock, at a minimum, to cover dilution from our stock issuances. We are exploring acquisition opportunities and remain committed to being ultra-disciplined when evaluating ways to inorganically accelerate our transformation.

So in summary, our transformation is working. We had a great 2024, a strong Q4. We implemented a restructuring in January to position ourselves even better against our 2025 goals, and we plan to carry all this momentum forward through 2025. For this year, we expect to grow net revenue, expand gross margins and significantly reduce our loss position. Longer term, we remain focused on driving growth, profitability and, most importantly, shareholder value creation. I could not be more excited about what we've accomplished and where we're going.

And with that, I'll hand it off to Bryan.

Bryan Murray

Chief Financial Officer, NETGEAR, Inc.

Thank you, CJ, and thank you, everyone, for joining today's call. We once again delivered both revenue and operating margin above the high end of our guidance range. These results were driven by strong end user demand for products across both sides of the business, with our ProAV managed switch products driving a momentum on the NFB side, a further penetration of our broader WiFi 7 portfolio picking up momentum for our CHP business.

For the quarter ended December 31, 2024, revenue was above the high end of our guidance range at $182.4 million, down 0.2% on a sequential basis and down 3.3% year-over-year. In addition to the strong working capital management in Q4, we generated approximately $90 million in free cash flow and ended the quarter with nearly $409 million in cash and short term investments, net of $10.7 million in stock repurchases during the period.

As a reminder, in the first half of the year, we took decisive action to accelerate destocking of the channel to better position both sides of the business for more predictable performance aligned to the market trends. We started to reap the benefits of these efforts in the second half of the year with improved linearity in Q4. As such, we lowered DSOs to 80 days, our lowest level in over seven years, down from 88 days in the prior quarter, which is a strong contributor to our cash generation in the quarter and a sign of our strong operational execution.

After successfully putting the destocking behind us, we enter the second half of the year well positioned to match sell-in with sell-through at our channel partners. Consequentially, in Q4, the NFB segment grew healthily to $80.8 million in revenue for the fourth quarter, up 2.9% sequentially, and up 14.9% year-over-year.

Impressively, although we were chasing supply of certain products throughout the quarter and unable to capture the full market potential of this business, our ProAV managed switched products once again saw end user demand grew double digits year-over-year to record levels. Momentum is clearly building behind NFB's growth trajectory, bolstered by the investments we've made in the business. We not only grew our strategic manufacturing partnerships by almost 50, but I'm pleased to share that we've also joined two broadcast alliances further expanding our reach into this new vertical.

In CHP, our premium products outperformed the broader market and we continue to see great performance for our recently released WiFi 7 offerings to help fill out our good-better-best strategy and are tailored to capitalize on the accelerating WiFi 7 upgrade cycle.

We saw further improvement in the US consumer networking market performance in Q4, which experienced a low-single digit contraction year-over-year, outperforming our expectations coming into the quarter. In Q4, the CHP business delivered net revenue of $101.6 million, down 14.2% on a year-over-year basis and down 2.6% sequentially. Service provider revenue was $19.8 million, in line with our expectations. It's clear that the NETGEAR brand is resonating in the market, with our recently introduced Nighthawk 5G and WiFi 7 mobile hotspots, Nighthawk WiFi 7 routers and Orbi WiFi 7 mesh products, each performing well and receiving warm customer reviews. With our additional new product introductions planned for release throughout 2025, we expect the full benefits of this new strategy to build over time.

We exited the fourth quarter with 556,000 recurring subscribers, and we generated $8.7 million in recurring service revenue in the quarter, a year-over-year increase of 24.5%. We continue to see increased emphasis placed by consumers on cybersecurity protection, privacy and premium support, further substantiating our belief that focusing on increasing our recurring subscriber base is the optimal strategy to add high margin revenue to the CHP business.

For the full year 2024, NETGEAR net revenues were $673.8 million, down 9.1% compared to the prior year ending December 31, 2023. The ongoing uncertain macroeconomic environment, elevated interest rates, significant destocking of the channel and the competitive landscape of the retail consumer networking market impacted our top line and profitability. As a result, we had a full year non-GAAP operating loss of $49.6 million, resulting in non-GAAP operating margin of negative 7.4%. We believe many of these factors will improve in 2025, and combined with how we're positioning NETGEAR to take advantage of the highest growth market opportunities in front of us, we anticipate that they should result in revenue growth, expanded gross margin, and meaningful improvement in our profitability in the coming year.

From this point on, my discussion points will focus on non-GAAP numbers. The reconciliation from GAAP to non-GAAP is detailed in our earnings release distributed earlier today. Non-GAAP gross margin in the fourth quarter of 2024 was 32.8%, down 220 basis points compared to 35% in the prior year comparable period and up 170 basis points compared to 31.1% in the third quarter of 2024. This marks the second consecutive quarter that we have achieved gross margin above 30% as we continue to benefit from an improved mix of NFB products, which delivered segment gross margin of 43.9%, and improved product mix from our WiFi 7 lineup, along with decreasing impact of older, more expensive inventory, both enabling CHP gross margin to increase 300 basis sequentially to 23.9%.

Compared to the prior year period, our profitability in the current period was impacted by higher cost inventory and our use of airfreight, as we begin to operate at leaner inventory levels and chase supply in response to strong demand. Total Q4 non-GAAP operating expenses came in at $63.9 million, up 1% year-over-year and up 15.7% sequentially. As a reminder, non-GAAP operating expenses were lowered in the third quarter by the $10.9 million of legal fee adjustments pertaining to the TP-Link settlement.

Our head count was 655 as of the end of the quarter, up from 638 in Q3. Our non-GAAP R&D expense for the fourth quarter was 10.5% of net revenue as compared to 9.9% of net revenue in the prior year comparable period and 11% of net revenue in the third quarter of 2024. To continue our technology and product leadership, we are committed to continued investment in R&D. I'm pleased that we delivered profitability above the high end of our guidance range enabled by the strength of NFB, the success of our new product introductions within CHP in recent quarters and improved top line leverage.

Our Q4 non-GAAP operating loss was $4.2 million, resulting in a non-GAAP operating margin of negative 2.3%, a decline of 370 basis points compared to the year ago period, and a decline of 320 basis points compared to the prior quarter. Our non-GAAP tax expense was $1.2 million in the fourth quarter of 2024. Looking at the bottom line for Q4, we reported non-GAAP net loss of $1.6 million, resulting in a non-GAAP loss of $0.06 on an earnings per share basis.

Turning to the balance sheet, we ended the fourth quarter of 2024 with $408.7 million in cash and short term investments, up $13 million from the prior quarter and equating to $14.27 per share. During the quarter, $21.5 million of cash was provided by operations better than our expectations, which brings our total cash provided by operations over the trailing 12 months to $164.8 million.

We used $2.5 million in purchases of property and equipment during the quarter, which brings our total cash used for capital expenditures over the trailing 12 months to $9 million. The fourth quarter marks our sixth consecutive quarter of positive cash generation. In Q4, we resumed our share repurchase program and spent $10.7 million to repurchase approximately 423,000 shares of NETGEAR common stock at an average price of $25.20 per share. This brings our stock repurchases for the full year 2024 to $33.6 million or $15.96 per share. We have approximately 3.4 million shares reserved in our current authorization and our fully diluted share count is approximately 28.6 million shares as of the end of the fourth quarter.

Now, I'll cover our outlook for Q1 2025. We expect to continue to see more predictable performance that is aligned with the market for both of our businesses now that our destocking and inventory reduction actions were substantially completed. However, within NFB, although end user demand for ProAV line of managed switches remains strong, we are facing lengthy lead times for supply, which will limit our ability to capture the full topline potential of this growing business.

On the CHP side, we are seeing signs of market stability and expect to experience normal seasonality in the retail portion of this business. We expect revenue from the service provider channel to be approximately $15 million in Q1, down on a sequential basis. Accordingly, we expect first quarter net revenue to be in the range of $145 million to $160 million. In the first quarter, we expect to maintain the gross margin performance similar to what we reported in the fourth quarter. However, with our seasonally lower top line, we expect our first quarter GAAP operating margin to be in the range of negative 16.4% to negative 13.4% and non-GAAP operating margin to be in the range of negative 10% to negative 7%. Our GAAP tax expense is expected to be in the range of $1 million to $2 million and our non-GAAP tax benefit is expected to be in the range of $1.5 million to $0.5 million for the first quarter of 2025.

Moving forward as we orient this business to deliver long term growth and expand profitability, we will continue to pursue a lean operating model and maintain a focus on investing in the areas of the business with the biggest growth potential. As CJ mentioned, we enacted a significant restructuring in Q1 that drove cost reductions throughout the organization, yielding a reduction in annual operating expenses of approximately $20 million or over 8% of our annual expense in 2024. This savings will enable roughly the equivalent level of investment into the areas that will drive long term profitable growth and generate shareholder value, most of which are in our NFB business.

Also, in light of the news this week, we think it is important to address the newly contemplated tariffs potentially affecting imports from China, Canada and Mexico at some point head on. We had been anticipating these tariffs for some time and are pleased to report that based on information known to date, our business should not be materially affected. However, this new trade landscape is evolving in real time and we are staying vigilant to ensure we are aware of new developments to help minimize their impact, if any, on our business going forward.

And with that, we can now open up for questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] . And your first question comes from the line of Logan Katzman with Raymond James. Your line is open.

Logan Katzman
Analyst, Raymond James & Associates, Inc.

Q

Hey, guys, this is Logan on for Adam. Thanks for taking our question. And CJ, congrats on the one year mark. Maybe to start, can you touch a little bit more on supply constraints you guys are seeing in NFB side of the business? Maybe if you could give us a little bit more detail on how the situation emerged and that you guys are taking to work through it, that would be super helpful. Thank you.

Charles J. Prober
Chief Executive Officer & Director, NETGEAR, Inc.

A

Yeah. Hey, Logan. Good to hear from you. Thanks for the congrats on the one year. Yeah, this actually started before I joined. And to be clear, it's really in one product category, our managed switches that fuel our ProAV business. And there is some lower optimism for that category exiting in 2023. So that led to some lower forecasts. And as we implemented some of our new strategies, the team was able to really accelerate demand for that product category back to historical levels, if not above.

And so that led us to chase supply, which is always better to chase supply than it is to chase demand. And we actually didn't think we were going to have an issue. We had – even though we're well within our lead times, these are products that a lot of the components, you're looking at almost a year's lead time. But we're working with an ODM, our key ODM, working with our key partners. They're working to pull it forward. And commitments were made that just weren't – didn't materialize. And so that started really in Q3. We thought we'd make it up in Q4. We're on a path to recovery now. It's just going to take Q1 and some in Q2 to get back on track.

In fairness to our partner, these were incremental demand signals within lead times. And this is coming at a time we were – our partners have lived through a lot of variability working with NETGEAR. And so, we had some of our historical practices contributed to the situation. But we're on the right trajectory now, we're doing everything we need to, and we'll get back on track in the next quarter or so.

Logan Katzman
Analyst, Raymond James & Associates, Inc.

Q

Awesome. That's super helpful. Thank you. And kind of building off that, so how do you see revenue seasonality playing out throughout 2025?

Bryan Murray
Chief Financial Officer, NETGEAR, Inc.

A

Sure, Logan. Let me just start, I guess, and reiterate some of the movements with the cadence for Q1. Obviously, we just talked about supply constraints on managed switch within NFB, which is obviously going to create a situation where we're shipping in less than we think the real demand is there. So, that's a little bit of a headwind there.

The CHP retail market seasonally is down mid-teen percentage wise, and we're expecting normal seasonality to play out as we're seeing some promise with regards to stability in that market. And then lastly, the service provider revenue at $15 million, as I mentioned in the guidance, as we kind of work to expand to a good-better-best product lineup within our mobile business unit.

As we progress through the year, I think the – if you get to Q2, we expect some relief from the supply situation on the managed switch, so that should be favorable. Throughout the year on the CHP side, I would say normal retail seasonality is expected at this point, which is relatively flat when you get to Q2 to Q1. And so, service provider revenues for the year, we're probably looking at something closer to $75 million, and that's comparative to 2024 of roughly $90 million. And again, that's due to the timing of when our new products will be introduced. But I think all those things factored in there, we'll start to see sequential uptick throughout the year progressively.

Logan Katzman
Analyst, Raymond James & Associates, Inc.

Q

Awesome. Yeah. Super helpful. Thank you. Another question. I couldn't help but notice you sounded a little bit more bullish on the TP-Link front here. Obviously, we've seen some headlines and news articles come out around that. Can you just share a little bit about how you're prepping operationally for a potential ban if that does happen and any impact that could have for the year?

Charles J. Prober
Chief Executive Officer & Director, NETGEAR, Inc.

A

Yeah. Great question. So, maybe just a quick update since we – lots happened since our last earnings call. So, the CISO of Microsoft posted a blog post on LinkedIn and on the Microsoft blog that really exposed kind of TP-Link's role in some of these typhoons that the US is facing. And that led to Bloomberg and Wall Street Journal doing fairly thorough reporting on the multiple different angles here from a governmental investigation perspective, Department of Commerce, the DoJ. And so, we're reading the same news you all are reading.

But given the hawkishness of the new administration, we are starting to look at making a small investment in supply, given some of the lead times of our products to be in a better position should an exclusion actually happen. And as we've talked about before, like if an exclusion were to happen, that would require a significant working capital investment. We're not talking about doing that in the advance of any decision, but we are talking about being a little bit more prepared.

So, in future quarters, you might see a little increase in our finished goods inventory just in anticipation of a positive outcome there for us. And when a decision is made, I think the – if you look at what's happened with like EV software and drones and Kaspersky, there tends to be a decent waiting period between the decision and the final determination of that decision. So we have some time to operationally prepare more aggressively if that were to come to pass.

Logan Katzman
Analyst, Raymond James & Associates, Inc.

Q

That makes sense. That makes sense. Awesome. Well, thank you. Another question here. Looking at your guys' restructuring efforts, $20 million in savings here. But also you had talked about some of your investments into 2025. Can you just elaborate, just in an another way, just what exactly your investment priorities are in 2025?

Charles J. Prober
Chief Executive Officer & Director, NETGEAR, Inc.

A

Yeah. Great question. So one important way to frame this or simple way to frame this is if you think about the focus of our historical business, it's been consumer centric and it's been device centric. And so we're making investments largely focused on our B2B business. And we're – the three main areas there are, one, to build a world class B2B go to market capability. That's everything from the right tools to generate track, activate leads, marketing capabilities, building out a stronger brand on the B2B side.

If you go to our website, there's significant work underway to revamp that. It's needs a lot of work. Sales coverage, pre and post sales, there's just a lot of opportunity, which is really positive because we've had the success we've had without a lot of that. And so go to market investments on the B2B side are a big part of it. The other is software. We've had a legacy of being great at devices. Our new mission and reason for existing is to power extraordinary experiences. You can only do that with great software these days. And so we're doing a lot of work to in-source kind of that critical capability. And that's happening across the business, not just on NFB, but most of the effort is – and most of the investments happening on the NFB side. And there's puts and takes there, right? Because we have external vendors, we reduce the cost of those expenses while we build up our internal teams.

And then last is filling product gaps. So on the NFB side, we have a fairly robust portfolio of capabilities, but there are a few things missing in terms of delivering a full solution to our IT enterprise customers, and so we're actively building out those products. Those are the real three main investment areas. And again, it's mostly focused on the B2B side.

Logan Katzman
Analyst, Raymond James & Associates, Inc.

Q

Awesome. Yeah, super helpful. Yeah. 2025 seems like an exciting year for NETGEAR for sure. Last question for me here. You guys have a strong cash balance coming out of 2024. Can you share any updates to your capital allocation priorities or any shifts in those priorities?

Charles J. Prober
Chief Executive Officer & Director, NETGEAR, Inc.

A

Yeah. Great question. Maybe before I answer that, Logan, just to make sure you and our investors are aware. So we're planning on a go forward basis to be providing more details on our different segments. You'll see that in our press release for this quarter. We had segment results. We got some good feedback from you all and from investors. Next quarter, as we enter into – start reporting on 2025, you'll see three segments.

So we'll have NFB as it exists today. And then what CHP is today, we're going to break that into two. One is Home Networking and the other is Mobile. And most of what you see in service provider today falls in the mobile category, though there is a retail business associated with that. But on to capital allocation, no change in our priorities. So just to recap it, we're making the organic investments. We were aggressive in our restructuring very much from a position of strength to basically self-fund those.

So we're excited about our ability to do that. The share repurchases remains a priority of our capital allocation strategy. We repurchased about $33 million this year. We're going to continue to pursue share repurchases and then we are looking at acquisition opportunities. As I've said before, we're going to be ultra-diligent in our evaluation of those. But if there's ways for us to accelerate our transformation and the few areas I've talked about previously is companies that have great software that can accelerate that part of our transformation and bring an acceleration to our recurring revenue growth, product adjacencies that fill some of those gaps that I talked about and then scale. We suffer from a lack of scale in a couple of our business segments. So those are the three things that we're considering. But that really aligns exactly with what we've talked about before.

Logan Katzman
Analyst, Raymond James & Associates, Inc.

Q

Great. Yeah. Thank you. That's all I got. And I know I appreciated the [indiscernible] (00:40:26) incremental breakout on the segments this quarter. So looking forward to what's to come next quarter.

Bryan Murray
Chief Financial Officer, NETGEAR, Inc.

A

Awesome. Thanks Logan.

Operator: And there are no further questions at this time. I would like to turn the call back over to Mr. CJ Prober for closing remarks.

Charles J. Prober
Chief Executive Officer & Director, NETGEAR, Inc.

Thank you. Yeah, I just want to give a big shout out to our global team. As I said at the outset of our call, we are making all of the hard decisions and doing the hard work to both transform the business while delivering on the business quarter-over-quarter. So big shout out to the team for their adaptability and the urgency with which we're approaching the transformation. Couldn't be happier about the progress we've made in 2024 and look forward to carrying that momentum forward this coming year.

Operator: And ladies and gentlemen, this concludes today's call. And we thank you for your participation. You may now disconnect.

Exhibit 2

PRESS RELEASE

U.S. government disrupts botnet People's Republic of China used to conceal hacking of critical infrastructure

Wednesday, January 31, 2024

For Immediate Release

U.S. Attorney's Office, Southern District of Texas

Court-authorized operation removed malware from U.S.-based victim routers and took steps to prevent reinfection

HOUSTON – A December 2023 court-authorized operation has disrupted a botnet of hundreds of U.S.-based small office/home office (SOHO) routers hijacked by People's Republic of China (PRC) state-sponsored hackers.

The hackers, known to the private sector as "Volt Typhoon," used privately-owned SOHO routers infected with the "KV Botnet" malware to conceal the PRC origin of further hacking activities directed against U.S. and other foreign victims. These further hacking activities included a campaign targeting critical infrastructure organizations in the United States and elsewhere that was the subject of a May 2023 FBI, National Security Agency, Cybersecurity and Infrastructure Security Agency (CISA), and foreign partner advisory. The same activity has been the subject of private sector partner advisories in May and December 2023, as well as an additional secure by design alert released today by CISA.

The vast majority of routers that comprised the KV Botnet were Cisco and NetGear routers that were vulnerable because they had reached "end of life" status; that is, they were no longer supported through their manufacturer's security patches or other software updates. The court-authorized operation deleted the KV Botnet malware from the routers and took additional steps to sever their connection to the botnet, such as blocking communications with other devices used to control the botnet.

"The Justice Department has disrupted a PRC-backed hacking group that attempted to target America's critical infrastructure utilizing a botnet," said Attorney General Merrick B. Garland. "The United States will continue to dismantle malicious cyber operations – including those sponsored by foreign governments – that undermine the security of the American people."

"China's hackers are targeting American civilian critical infrastructure, pre-positioning to cause real-world harm to American citizens and communities in the event of conflict" said FBI Director Christopher Wray. "Volt Typhoon malware enabled China to hide as they targeted our communications, energy, transportation, and water sectors. Their pre-positioning constitutes a potential real-world threat to our physical safety that the FBI is not going to tolerate. We are going to continue to work with our partners to hit the PRC hard and early whenever we see them threaten Americans."

"In wiping out the KV Botnet from hundreds of routers nationwide, the Department of Justice is using all its tools to disrupt national security threats – in real time," said Deputy Attorney General Lisa O. Monaco. "Today's announcement also highlights our critical partnership with the private sector – victim reporting is key to fighting cybercrime, from home offices to our most critical infrastructure."

"Today, the FBI and our partners continue to stand firmly against People's Republic of China cyber actors that threaten our nation's cyber security," said FBI Deputy Director Paul Abbate. "We remain committed to thwarting malicious activities of this type and will continue to disrupt and dismantle cyber threats, safeguarding the fabric of our cyber infrastructure." "This operation disrupted the efforts of PRC state-sponsored hackers to gain access to U.S. critical infrastructure that the PRC would be able to leverage during a future crisis," said Assistant Attorney General Matthew G. Olsen of the Justice Department's National Security Division. "The operation, together with the release of valuable network defense guidance by the U.S. government and private sector partners, demonstrates the Department of Justice's commitment to enhance cybersecurity and disrupt efforts to hold our critical infrastructure at risk."

> ***"Using traditional law enforcement tools to disrupt state-of-the-art technologies, the U.S. Attorney's Office for the Southern District of Texas protected Americans from PRC government-sponsored cyber-***

> ***criminals who used U.S. based routers to hack into American targets," said U.S. Attorney Alamdar S. Hamdani. "This case demonstrates my office's ongoing commitment to defending our critical infrastructure from PRC initiated cyber-attacks. We thank the FBI and the Justice Department's National Security Division for its work, and we will continue to work shoulder to shoulder with them to shield our country from state-sponsored hackers."***

"The FBI's dismantling of the KV Botnet sends a clear message that the FBI will take decisive action to protect our nation's critical infrastructure from cyber-attacks," said Special Agent in Charge Douglas Williams of the FBI Houston Field Office. "By ensuring home and small-business routers are replaced after their end-of-life expiration, everyday citizens can protect both their personal cyber security and the digital safety of the United States. We need the American public's vigilance and support to continue our fight against malicious PRC-sponsored cyber actors."

As described in court documents, the government extensively tested the operation on the relevant Cisco and NetGear routers. The operation did not impact the legitimate functions of, or collect content information from, hacked routers. Additionally, the court-authorized steps to disconnect the routers from the KV Botnet and prevent reinfection are temporary in nature. A router's owner can reverse these mitigation steps by restarting the router. However, a restart that is not accompanied by mitigation steps similar to those the court order authorized will make the router vulnerable to reinfection.

The FBI is providing notice of the court-authorized operation to all owners or operators of SOHO routers that were infected with the KV Botnet malware and remotely accessed pursuant to the operation. For those victims whose contact information was not publicly available, the FBI has contacted providers (such as a victim's internet service provider) and has asked those providers to provide notice to the victims.

FBI's Houston Field Office and Cyber Division, the U.S. Attorney's Office for the Southern District of Texas and the National Security Cyber Section of the Justice Department's National Security Division led the disruption effort. The Justice Department's Criminal Division Computer Crime and Intellectual Property Section and Office of International Affairs provided valuable assistance. These efforts would not have been successful without the partnership of numerous private-sector entities.

If you believe you have a compromised router. Please visit the FBI's Internet Crime Complaint Center or report online to CISA. The remediated routers remain vulnerable to future exploitation by Volt Typhoon and other hackers, and the FBI strongly encourages router owners to remove and replace any end-of-life SOHO router currently in their networks.

The FBI continues to investigate Volt Typhoon's computer intrusion activity.

Updated January 31, 2024

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Exhibit 3

United States Senate

COMMITTEE ON THE JUDICIARY

WASHINGTON, DC 20510–6275

January 15, 2025

VIA ELECTRONIC TRANSMISSION

Charles Prober
CEO and Director
Netgear Systems

Dear Mr. Prober:

I am concerned about recent reporting stating that the China-backed hacking group, Salt Typhoon, gained access to Call Detail Records, which contains information on who Americans talk to, when and how often, as well as location data.[1] According to these reports, Verizon, Lumen, AT&T, T-Mobile, Charter Communications, Consolidated Communications, and Windstream were among several companies that were breached, which resulted in the collection of data from an unknown number of American citizens, including current and former government officials.[2] Reporting also notes that Salt Typhoon hackers "unpatched network devices" from Fortinet and "compromised large network routers" from Cisco Systems, as well as routers built by Netgear.[3] Additionally, the Wall Street Journal reported that, "[i]n Salt Typhoon, the actors linked to China burrowed into America's broadband networks. In this type of intrusion, bad actors aim to establish a foothold within the infrastructure of cable and broadband providers that would allow them to access data stored by telecommunications companies or launch a damaging cyberattack."[4] Unfortunately, according to reporting, the public does not know the breadth and severity of this attack, despite it being called the "worst telecom hack in our nation's history."[5] Netgear must explain how this cyberattack happened and what is being done to ensure the security of the data, as well the critical infrastructure, it stewards.

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[1] Sarah Krouse, Robert McMillan, and Dustin Volz, *China-Linked Hackers Breach U.S. Internet Providers in New 'Salt Typhoon' Cyberattack*, WALL STREET JOURNAL (Sep. 26, 2024), https://www.wsj.com/politics/national-security/china-cyberattack-internet-providers-260bd835?mod=article; *see also* John Sakellariadis, *Chinese hackers gained access to huge trove of Americans' cell records*, POLITICO (Nov. 6, 2024), https://www.politico.com/news/2024/11/06/chinese-hackers-american-cell-phones-00187873.

[2] *Id; see* Robert Legare, et al, *Trump, Vance, Harris campaign potential targets in broad China-backed hacking operation*, CBS NEWS (Oct. 25, 2024), https://www.cbsnews.com/news/trump-vance-potential-targets-china-backed-hacking-operation/; *see also* Sarah Krouse, Dustin Volz, *T-Mobile Hacked in Massive Chinese Breach of Telecom Networks*, WALL STREET JOURNAL (Nov. 14, 2024), https://www.wsj.com/politics/national-security/t-mobile-hacked-in-massive-chinese-breach-of-telecom-networks-4b2d7f92?msockid=2c7a053cbcee6f980b4a111fbdfc6ea2.

[3] Dustin Volz, Aruna Viswanatha, Sarah Krouse, and Drew Fitzgerald, *How Chinese Hackers Graduated From Clumsy Corporate Thieves to Military Weapons*, WALL STREET JOURNAL (Jan. 4, 2025), https://www.wsj.com/tech/cybersecurity/typhoon-china-hackers-military-weapons-97d4ef95?msockid=2c7a053cbcee6f980b4a111fbdfc6ea2.

[4] Krouse, *supra* note 1.

[5] Sakellariadis, *supra* note 1. ("The Biden administration first acknowledged it was investigating 'unauthorized access to commercial telecommunications infrastructure' by Chinese hackers two weeks ago. But it has been tightlipped about the cyber intrusion since, even as press reports have emerged suggesting it is one of the most serious breaches in recent years.'"); *see also* Ellen Nakashima, *Top senator calls Salt Typhoon 'worst telecom hack in our nation's history'*, WALL STREET JOURNAL (Nov. 21, 2024), https://www.washingtonpost.com/national-security/2024/11/21/salt-typhoon-china-hack-telecom/. ("The hackers, part of a group dubbed Salt Typhoon, have been able to listen in on audio calls in real time and have in some cases moved from one telecom network to another, exploiting relationships of "trust," said Sen. Mark R. Warner (D-Virginia), chairman of the Senate Intelligence Committee and a former telecom venture capitalist. Warner added that intruders are still in the networks.").

On November 14, 2024, I wrote letters to Lumen, Verizon, and AT&T regarding Salt Typhoon.[6] Further, on November 26, 2024, I wrote a letter to T-Mobile regarding Salt Typhoon.[7] Additionally, I previously raised concerns about the need to protect our nation's cybersecurity and U.S. critical infrastructure from national security threats.[8] On November 1, 2024, I wrote to the Department of Homeland Security and its component agencies, as well the Department of Justice and the Federal Bureau of Investigation (FBI) requesting information about the Salt Typhoon cyberattack, as well as the steps the agencies are taking to protect American citizens and government officials from these types of attacks.[9]

In August, I wrote to 17 federal agencies and AT&T regarding a cyberattack on the telecommunications company, which resulted in exposure to over 90 million Americans' data, potentially including federal agencies' communications patterns.[10] I also wrote to CISA on July 3, 2024, regarding a recent cyberattack, which released "critical information about the operation of U.S. infrastructure."[11] Additionally, on April 8, 2024, I wrote letters to seven of the Sector Risk Management Agencies responsible for overseeing our nation's critical infrastructure to highlight the threat of cyberattacks on our critical infrastructure sectors.[12] It is imperative that our federal agencies and private companies work together to ensure all data and critical infrastructure is safe and secure against future attacks.

Accordingly, so Congress may conduct objective and independent oversight concerning the Salt Typhoon cyberattack, please provide answers to the following no later than January 29, 2025:

1. Is any of Netgear's equipment manufactured with Chinese parts? If so, which parts?

2. Does Netgear provide any network security devices, routers, or equipment to the Executive, Legislative, or Judicial Branch? If so, list each agency, department, or office using Netgear's equipment. Provide all contracts with these entities.

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[6] Letter from Sen. Charles E. Grassley, Ranking Member, Senate Budget Committee, to Kate Johnson, CEO, Lumen Technologies, Hanz Vestberg, Chairman and CEO, Verizon Communications Inc., and John Stankey, CEO, AT&T Inc. (Nov. 14, 2024), https://www.grassley.senate.gov/imo/media/doc/grassley_to_lumen_verizon_att_-_salt_typhoon.pdf.

[7] Letter from Sen. Charles E. Grassley, Ranking Member, Senate Budget Committee, to Mike Sievert, Preisdent and CEO, T-Mobile US, Inc. (Nov. 26, 2024), https://www.grassley.senate.gov/imo/media/doc/grassley_to_t-mobile_-_salt_typhoon_cyberattack.pdf.

[8] Letter from Sen. Charles E. Grassley, Ranking Member, Senate Budget Committee, to the Honorable Alejandro Mayorkas, Secretary, Department of Homeland Security, the Honorable Jen Easterly, Director, Cybersecurity and Infrastructure Security Agency, and Mr. Ronald R. Rowe, Acting Director, United States Secret Service (Nov. 1, 2024), https://www.grassley.senate.gov/imo/media/doc/grassley_to_cisa_-_cyberattack.pdf; Letter from Sen. Charles E. Grassley, Ranking Member, Senate Budget Committee, to the Honorable Merrick Garland, Attorney General, Department of Justice, and the Honorable Christopher Wray, Director, Federal Bureau of Investigation (Nov. 1, 2024), https://www.grassley.senate.gov/imo/media/doc/grassley_to_doj_and_fbi_-_salt_typhoon_cyberattack.pdf; Press Release, Sen. Charles E. Grassley, *Grassley Conducts Sweeping Oversight of Recent AT&T Hack, Potential National Security Implications* (Aug. 5, 2024), https://www.grassley.senate.gov/news/news-releases/grassley-conducts-sweeping-oversight-of-recent-atandt-hack-potential-national-security-implications; Letter from Sen. Charles E. Grassley, Ranking Member, Senate Budget Committee, to the Honorable Jen Easterly, Director, Cybersecurity and Infrastructure Security Agency (July 3, 2024), https://www.grassley.senate.gov/imo/media/doc/grassley_to_cisa_-_cyberattack.pdf; *see also* Press Release, Sen. Charles E. Grassley, *Grassley: Federal Agencies Must Stop 'Dragging Their Feet' On Bolstering Cybersecurity Defense* (Apr. 8, 2024), https://www.grassley.senate.gov/news/news-releases/grassley-federal-agencies-must-stop-dragging-their-feet-on-bolstering-cybersecurity-defense.

[9] Nov. 1, 2024, to Mayorkas et. al., *supra* note 8; Nov. 1, 2024, to Garland et. al., *supra* note 8.

[10] *Grassley Conducts Sweeping Oversight of Recent AT&T Hack, Potential National Security Implications*, *supra* note 8.

[11] July 3, 2024, to Easterly *supra* note 8.

[12] *Grassley: Federal Agencies Must Stop 'Dragging Their Feet' On Bolstering Cybersecurity Defense*, *supra* note 8.

3. Were any of the unpatched network devices or large network routers that were reportedly exploited being used by any federal government agency? If so, which ones?

4. What steps is Netgear taking to secure the devices and equipment from Salt Typhoon hackers, as well as against future attacks? Provide all records.

5. Does Netgear provide equipment or network security devices to Verizon, Lumen, AT&T, T-Mobile, Charter Communications, Consolidated Communications, Windstream, or any other telecommunications company that was affected by the Salt Typhoon attack? If so, which companies and how were the devices affected by the attack?

6. How many Netgear routers did Salt Typhoon access? How long did Salt Typhoon hackers have access to these systems?

7. How did Salt Typhoon hackers access Netgear routers? Provide a detailed explanation.

8. How many routers that Netgear employs would be considered legacy or end of life IT equipment? If so, were any of these routers accessed during the Salt Typhoon attack? If so, were any of these routers used by federal government agencies?

Thank you for your prompt review and responses. If you have any questions, please contact Tucker Akin on my Committee staff at (202) 224-7708.

Sincerely,

Chuck Grassley

Charles E. Grassley
Chairman
Committee on the Judiciary

Exhibit 4

30-Apr-2025

NETGEAR, Inc. (NTGR)

Q1 2025 Earnings Call

CORPORATE PARTICIPANTS

Erik Bylin
Investor Relations, NETGEAR, Inc.

Charles J. Prober
Chief Executive Officer & Director, NETGEAR, Inc.

Bryan Murray
Chief Financial Officer, NETGEAR, Inc.

OTHER PARTICIPANTS

Adam Tindle
Analyst, Raymond James & Associates, Inc.

MANAGEMENT DISCUSSION SECTION

Operator: Ladies and gentlemen, thank you for standing by. At this time, all participants are in a listen-only mode. Later, we will conduct a question-and-answer session. [Operator Instructions]

I would now like to turn the conference over to Erik Bylin. Please go ahead, sir.

Erik Bylin

Investor Relations, NETGEAR, Inc.

Thank you, operator. Good afternoon and welcome to NETGEAR's first quarter of 2025 Financial Results Conference Call. Joining us from the company are Mr. CJ Prober, CEO; and Mr. Bryan Murray, CFO. The format of the call will start with commentary on the business provided by CJ, followed by a review of the financials for the first quarter and guidance for the second quarter provided by Bryan. We'll then have time for any questions. If you have not received a copy of today's press release, please visit NETGEAR's Investor Relations website at www.netgear.com.

Before we begin the formal remarks, we advise you that today's conference call contains forward-looking statements. Forward-looking statements include statements regarding our expected revenue, operating margins, tax expense, expenses, and future business outlook. Actual results or trends could differ materially from those contemplated by these forward-looking statements.

For more information, please refer to the risk factors discussed in NETGEAR's periodic filings with the SEC, including on the most recent Form 10-K. Any forward-looking statements that we make on this call are based on assumptions as of today, and NETGEAR undertakes no obligation to update these statements as a result of new information or future events, except as required by law. In addition, several non-GAAP financial measures will be mentioned on this call. A reconciliation of the non-GAAP to GAAP measures can be found in today's press release on our Investor Relations website.

At this time, I would now like to turn the call over to CJ.

Charles J. Prober
Chief Executive Officer & Director, NETGEAR, Inc.

Thanks, Erik, and thank you, all for joining our call. We had another great quarter. Our transformation is gaining momentum and we are well-positioned to navigate the current geopolitical situation, given we don't manufacture in China, our products are currently exempt from tariffs and we are a trusted US-based public company. I'll use my time today to expand on each of these three topics.

The team at NETGEAR produced another strong quarter, solidly outperforming our guidance for revenue and operating margin led by better than expected contributions from our B2B division, NETGEAR For Business. As we shared last quarter, we focused 2024 on understanding and addressing NETGEAR's foundational challenges. With great execution and agility demonstrated by the team, we entered 2025 as a realigned and reinvigorated organization. It was much more focused on the best growth opportunities and capable of stronger execution on the operational front.

Our 2024 enhancements enabled us to not only deliver improving results from the top and bottom line, but also set a clean table for us to launch into the next phase of our transformation. Looking to maximize our impact in 2025, we proactively launched a further reorganization in January to ensure we had fully adjusted our team's focus to unlock the value inherent in each business. These changes allowed us to free up cash to make bigger bets on what we increasingly see as great growth and profitability opportunities.

Backed by a reorganized team and clear goals, our first quarter results are beginning to reflect the progress we've made thus far and the momentum building behind NETGEAR's transformation. We saw broad-based strength across multiple businesses, specifically with stronger than expected demand for our ProAV managed switches, with the team highly focused on delivering on our ProAV potential, we were able to improve our supply position for these highly differentiated products and deliver better performance for NFB.

As a company, we combined a stronger NFB mix with better supply chain execution to produce non-GAAP gross margins of 35%, further underscoring the fact that having a leader more tightly run channel is instrumental to expanding profitability. Coming off our January reorganization, our OpEx spend started the year on the light side, which combined with the strong revenue and gross margin, produced a strong beat on our operating margin. Underlying this performance and perhaps most importantly, we saw material year-over-year improvement in the contribution margin of all three businesses, which helped us deliver positive non-GAAP EPS. Bryan will provide more details on the results.

The first quarter was great validation of why we see so much potential in our NFB segment. Our revenue was up over 15% from last year and with the strong gross margin, our contribution profit rose 78% year-over-year. The impetus for our reorganization in January was to further accelerate our investments in NFB and we're more excited than ever about the trajectory of this business.

As I noted, the team did a great job navigating supply constraints to overdeliver on our expectations for this segment. We also were able to continue to add to our ecosystem of partners and exited the quarter with more than 400, including many new partners in the broadcast vertical, which we see as the next growth accelerant for ProAV.

Most importantly though, we were able to accelerate the insourcing of our software development capability by acquiring VAAG Systems, which is a creator of cutting-edge embedded and cloud software solutions based in Chennai, India. This new team brings a wealth of industry expertise with experience from companies such as

Qualcomm, HP, NXP, Cisco and MaxLinear, and will form the foundation of NETGEAR's new Chennai-based Software Development Center.

This new team will be focused on leveraging AI to greatly simplify networking for small and medium enterprises. In addition to enabling us to deliver more innovative products to our customers on an accelerated timeline, the insourcing effort will allow us to do more with less, given our move away from costly outsourced software development centers.

In our mobile business, better than expected end-user demand in the quarter enabled us to beat our expectations. We're still working to expand our product portfolio into a good-better-best lineup that we feel will better serve the market and improve growth and profitability. Encouragingly, our strategy for this segment is progressing well and we continue to expect these efforts to produce positive results to the rest of the year.

In Home Networking, continuing the positive trend, exiting Q4, we were able to gain market share sequentially in our two biggest markets, the US and Europe, even as the market remained highly competitive and contracted slightly year-over-year. This is a great accomplishment and is a strong validation of our new strategy for this segment.

Buoyed by a combination of better margins from more WiFi 7 offerings, lower cost inventory and right-sized investments, we significantly lowered our contribution loss for this business as compared to the prior year period. Clearly, our efforts to deliver continued product releases, along with steady improvement in [indiscernible] (00:08:13) of our security offerings are working as we continue to expand our advantage as the most trusted brand in Home Networking.

Which regards to the geopolitical situation, while there is a lot of volatility and the macro environment remains uncertain, we are very well-positioned to navigate through this successfully for a number of reasons. First, we do not manufacture products in China, which has been the biggest target of the new administration's tariffs policies.

Second, well this could obviously change our products are currently almost completely exempt from tariffs, unlike the 90-day hold on reciprocal tariffs, the tariff exemption that our products are part of is not time bound. Third, we have limited direct exposure to the DOGE cost-cutting efforts, and in fact, the focus on driving down cost positions our high-value, lower cost solutions quite well vis-à-vis our competition.

Finally, our status as an independent US-based public company, positions us well to continue to earn the trust of our consumers and benefit from any administrative action focused on our China-based competition. In that regard, Bloomberg published an article this week reporting on an apparent DOJ criminal investigation into TP-Link. So to summarize, we had another quarter of great results. Our transformation is working, and the geopolitical winds are blowing in our favor.

And with that, I'll hand it over to Bryan.

Bryan Murray

Chief Financial Officer, NETGEAR, Inc.

Thank you, CJ. And thank you, everyone for joining today's call. Thanks to the excellent execution of our team. We began the year with a strong start, delivering our fourth consecutive quarter, where we exceeded the high-end of our guidance range for revenue and non-GAAP operating margin. The first quarter's outperformance was driven mainly by strong performance in our higher margin NFB Business segment, which grew 15.4% year-over-year along with demand for our Mobile products coming in above our initial expectations.

Following the accelerated destocking actions we took last year and our initiative to broaden our product portfolio in pursuit of a good-better-best strategy, we're continuing to see more predictable performance aligned to the market trends and improved linearity of channel execution.

Our DSO decreased again to 78 days, our best result in over seven years. End-user demand for our ProAV managed switch products again grew in the double-digits year-over-year and we saw penetration of our broader WiFi 7 portfolio picked up momentum for our Home Networking and Mobile businesses. The leanest and health of our channels and our ability to match sell-in with sell-through we're a significant contributor to our success starting off the year.

For the quarter ended March 30, 2025, revenue was above the high-end of our guidance range at $162.1 million, down 11.2% on a sequential basis, largely due to seasonality in our Home Networking business and down 1.5% year-over-year. In Q1, we repurchased $7.5 million of our shares and experienced changes in working capital due to lower accruals leading to negative free cash flow of $10.1 million.

We ended the quarter with nearly $392 million in cash and short-term investments. We delivered $79.2 million of revenue in the NFB segment for the first quarter, down 2% sequentially and up 15.4% year-over-year. Although we continue to see supply constraints around certain managed switch products in our NFB business, the team executed well and was able to outperform our forecast for the quarter by working closely with key vendors to overcome these headwinds.

We do believe that the supply challenge for this category will begin to ease as we exit Q2 and we should be in a healthier position as we enter the second half of the year . Revenue for the Mobile business in Q1 was $21.5 million, higher than our expectations, but down 25.3% year-over-year and down 10.9% sequentially. With additional new product introductions planned for release later this year, we expect the full benefits of our good-better-best strategy to build over time.

In Q1, the Home Networking business delivered net revenue of $61.4 million, down 8.7% on a year-over-year basis and down 20.8% sequentially due to seasonality coming off the Q4 holiday period, aided by the recently released WiFi 7 offerings that helped fill out our good-better-best strategy. We were able to continue the momentum we saw exiting the fourth quarter and gained share in this highly competitive market for the first time in nearly four years.

We exited the first quarter with 559,000 recurring subscribers and generated $8.7 million in recurring service revenue in the quarter, a year-over-year increase of 19.3%. We continue to see increased emphasis placed by consumers on cybersecurity protection, privacy and premium support. Further substantiating our belief that focusing on increasing our recurring subscriber base is the optimal strategy to add high-margin revenue to the Home Networking business.

From this point on, my discussion points will focus on non-GAAP numbers. The reconciliation from GAAP to non-GAAP is detailed in our earnings release distributed earlier today. For the third consecutive quarter, non-GAAP gross margin was above 30% in the first quarter of 2025. Coming in at 35%, this mark a 550 basis point increase compared to 29.5% in the prior year comparable period and 220 basis point increase compared to 32.8% in the fourth quarter of 2024.

Compared to the prior year period, our profitability in the current period was aided by improved mix of our higher-margin NFB business as well as success in moving past older, higher cost inventory along with other benefits of operating with the channel inventory at leaner levels and improved forecasting and supply chain management.

In addition to the margin expansion unlocked by our NFB products, we also continue to see improved product mix from our WiFi 7 lineup. Drilling down to profitability of our three business segments. NFB gross margin was 46.3%, up 440 basis points year-over-year. Mobile had the largest improvement in segment gross margin expansion of 730 basis points year-over-year to 24.6%.

For the Home Networking segments, our improved mix of WiFi 7 products and moving into lower cost inventory improved our gross margin for this business by 190 basis points to 24.1%. The improved gross margin performance, coupled with expense management, propelled all three businesses to meaningful improvement contribution profitability as well.

Total Q1 non-GAAP operating expenses came in at $59.3 million , down 8.2% year-over-year and down 7.2% sequentially, below our expectations due to delays in our hiring plans, in part from proceeding more cautiously during Q1 due to the uncertain tariff situation. Our head count was 636 as it ended the quarter, down from 655 in Q4.

As a reminder, in January , we enacted the significant restructuring that drove cost reductions throughout the organization, impacting approximately 50 individuals and yielding a reduction in annual operating expenses of approximately $20 million or over 8% of our annual expense in 2024. We plan to redeploy these savings into opportunities that drive the greatest growth and profitability. And while we got off to a slow start in Q1, we believe we can still achieve our hiring and investment goals for the year.

Our non-GAAP R&D expense for the first quarter was 10.9% of net revenue as compared to 11.9% of net revenue in the prior year comparable period and 10.5% of net revenue in the fourth quarter of 2024. To continue our technology and product leadership, we are committed to continued investment in R&D , such as the opening of our Chennai-based Software Development Center that CJ referenced earlier.

I'm pleased that we delivered profitability above the high-end of our guidance range, enabled by improved topline leverage led by our NFB and Mobile segments and compounded by greater efficiency in our channel execution and our expenses coming in lighter than we had projected.

Our Q1 non-GAAP operating loss was $2.6 million, resulting in a non-GAAP operating margin of negative 1.6%, an improvement of 810 basis points compared to the prior year period, and an improvement of 70 basis points compared to the prior quarter.

Our non-GAAP tax expense was $470,000 in the first quarter of 2025. Looking at the bottom line for Q1, we reported non-GAAP net income of approximately $460,000, resulting in non-GAAP earnings of $0.02 per share.

Turning to the balance sheet, we ended the first quarter of 2025 with $391.9 million in cash and short-term investments, down $16.8 million from the prior quarter and equating to $12.95 per share. During the quarter, $8.7 million of cash was used by operations, which brings our total cash provided by operations over the trailing 12 months to $138.9 million. We used $1.4 million in purchases of property and equipment during the quarter, which brings our total cash used for capital expenditures over the trailing 12 months to $7.9 million.

In Q1, we spent $7.5 million to repurchase approximately 254,000 shares of NETGEAR common stock at an average price of $29.55 per share. We have approximately 3.1 million shares reserved in our current authorization, and our fully diluted share count is approximately 30.2 million shares as of the end of the first quarter. We're committed to returning value to our shareholders and plan to continue to opportunistically repurchase shares in future periods.

Now I'll cover our outlook for Q2 2025. We expect to continue to see more predictable performance that is in line with the market for all of our businesses. Within NFB, end-user demand for our ProAV line of managed switches is expected to remain strong. And although we expect to continue to make improvements in our supply position, we expect to continue to chase supply throughout the quarter, which may limit our ability to capture the full top line potential of this growing business.

On the Home Networking side, we are seeing signs of the benefit of our broader product portfolio to address the market and expect to experience normal seasonality in this business. On the Mobile side, we expect revenue to be in line with Q1 as we await our new product introductions to round out the portfolio later this year.

Accordingly, we expect second quarter net revenue to be in the range of $155 million to $170 million. In the second quarter, we expect our gross margin to be in line or decrease slightly from the first quarter level. And we expect to ramp our planned investments with focus on in-sourcing software development capabilities and enhancing our go-to-market capabilities, supporting our NFB business.

Accordingly, we expect our second quarter GAAP operating margin to be in the range of negative 10.4% to negative 7.4% and non-GAAP operating margin to be in the range of negative 6.5% to negative 3.5%. Our GAAP tax expense is expected to be in the range of $0.5 million to $1.5 million. And our non-GAAP tax expense is expected to be in the range of $1 million to $2 million for the second quarter of 2025.

And with that, we can now open it up for questions.

QUESTION AND ANSWER SECTION

Operator: Ladies and gentlemen, we will now begin the Q&A session. [Operator Instructions] Your first question comes from the line of Adam Tindle with Raymond James. Please go ahead.

Adam Tindle
Analyst, Raymond James & Associates, Inc.

Q

Okay, thanks. Good afternoon and congrats on the much better than expected results. CJ, I just maybe wanted to start on competitive dynamics. You mentioned no manufacturing in China, you're a trusted US company. How are those things impacting competitive dynamics in your core market? And if you could maybe rope in some of the TP-Link stuff certainly you mentioned a couple of things in the prepared remarks, but if you can maybe double click on what you're waiting for there and some of the timelines? Thanks.

Charles J. Prober
Chief Executive Officer & Director, NETGEAR, Inc.

A

Yeah, hey Adam. Good questions. So, competitively, the tariff landscape has worked out in our favor. Currently there's been a lot of volatility there, but because we don't manufacture in China and some of our competitors do, we benefit from the fact that we have the tariff exemption that doesn't apply to some of the China tariffs.

I would say, that benefit is somewhat limited, because if you look at our competitive mix and the numbers that competitors that manufacture in China, it's very much a mix. And people have figured out a way to avoid paying those tariffs, rightly or wrongly. But on the broader point around kind of our posture as a trusted US-based public company, there's obviously been a bunch of developments on the TP-Link side of things since our last call.

So there's a big congressional hearing that I don't think was intended to focus on TP-Link, but that ended up being that the focus of the conversation there with some fairly impassioned perspectives on the right action to be taken. And then a couple of Bloomberg articles dropped over the last month or so. One was kind of debunking the position that's been taken there that they've separated the companies and are now a US-based company. And the other was, revealing the fact that there's a DOJ investigation that's a criminal investigation focused on their pricing practices.

So, I would say to summarize it on the tariffs, some competitive benefits there , but the real benefit is that, we're not subject to the tariffs. And so we're moving full speed ahead with our strategy and transformation. And then, preparing if tariffs were to reemerge for us in terms of cost sharing with our partners and potential price increases.

Adam Tindle
Analyst, Raymond James & Associates, Inc.

Q

Got it. And maybe a good way to dovetail to Bryan. How should we think about revenue for the rest of the year, if you can maybe just provide a little bit more color? I look at the all the things going on that CJ talked about. It sounds like lot of tailwinds. Your Q2 guidance is showing double-digit growth year-over-year granted a little bit of an easier comparison. So not getting ahead of ourselves too much on that, but it does look like some acceleration in growth. And just wanted to see if you could double click on how you're thinking about revenue for the rest of year?

Bryan Murray
Chief Financial Officer, NETGEAR, Inc. A

Sure. Yeah. I guess you already kind of hit it on that the comp obviously with Q2 last year as you'll recall this an aggressive action to clean up the channel. And so the comp is a bit easier in Q2. If I look to the three businesses, If I start with NFB, there's not really a seasonal pattern in that business. We've got great momentum. We keep referring to the double-digit end-user momentum on the ProAV side of things. Delivered 15% growth in Q1 on the top line, we are still going to face some supply challenges in Q2, but we think those will largely alleviate as we start to exit Q2.

So we are kind of constrained a bit in Q2 as we go into the back half of the year and get an easing in the supply. We certainly think that growth momentum we're seeing on ProAV will just continue. And you're probably thinking about something like a mid-single-digit sequential growth profile once we start to bring that supply and it will be progressive as we go through Q3, but we think we'll be in a good shape for the second half of the year.

Home Networking, at this point, we see it operating at kind of newer -- normal seasonal patterns. Q2 typically is relatively flat to Q1. And then as you go into the back half of the year, Q3 is usually an uptick in the low-to-mid teens percentage increase. And then Q4 would be kind of flat to up mid-single-digits in Q4, seasonally speaking.

Mobile, I think we've talked about this a couple of cycles now that, the level you saw in Q1 is likely the level we expect to see for most of this year, certainly through Q3. And as we get into Q4, we've got some products that we're working on we'll broad that portfolio.

Mobile is a little bit behind Home Networking businesses in terms of broadening that portfolio and the good-better-best strategy. But we do feel good about where those efforts are going into Q4. So those are kind of the trends, I think by view that you would expect to see. And of course, what we've said in terms of we expect double-digit growth for NFB, that all those still holds true.

Adam Tindle
Analyst, Raymond James & Associates, Inc. Q

Very helpful. Maybe just on the point of margins, obviously gross margin was very, very strong in Q1 in particular. If you could first touch on the sustainability of gross margin at sort of this mid-30s level and then also walk through the trajectory of operating margin from here, you got the, you know, further re-org in January. It sounds like a good portion or maybe all of it is going to be reinvested. I'm just trying to figure out, should we think about sustaining gross margin at these levels? And what does that mean for the walk of operating margins for rest of year?

Bryan Murray
Chief Financial Officer, NETGEAR, Inc. A

Yeah, I'll start with the gross margin piece. I definitely believe that gross margin is sustainable, given the current mix trends like the growth trajectory of NFB is really with lifting the Q1 performance, we expect that to be sustainable. We've kind of moved past some of the aged inventory challenges that we had last year and the aggressive actions we took to clean that up in 2024. So we're seeing that benefit that should continue as we go forward.

Q2, in particular, we're going to spend some on airfreights as I touched on the supply challenges that we still have during the quarter , we're going to supplement that with airfreights, but that should start to diminish as we get into the back half of the year . So, again, I think keeping those -- that mix of business and the trajectory of NFB is on those the current gross margin level is sustainable.

From an operating margin standpoint. you could see in the Q2 guidance, we are going to start to ramp our investments. We were a little bit slow out of the gates in Q1, obviously getting the full benefit of the restructuring actions given we took those actions pretty early, but we are moving forward in terms of the investments that we plan for the year and those will build as the year progresses.

I still think you're probably getting to an operating margin above breakeven, you're probably looking to get to topline to nearly $200 million is probably that tipping point for us, but the investments in OpEx will build, as you can see in the Q2 guidance.

Adam Tindle
Analyst, Raymond James & Associates, Inc.

Q

Got it. Does that mean operating margin then would be further challenged in Q3 and Q4 from this minus 5% midpoint in Q2 or because of the leverage in the model, does Q2 maybe represent the low point on operating margin?

Bryan Murray
Chief Financial Officer, NETGEAR, Inc.

A

Yeah, I mean the latter. As we talked about the kind of seasonality in the business with the lift that you would expect in the second half of the year, that would certainly help from a top line leverage standpoint.

Adam Tindle
Analyst, Raymond James & Associates, Inc.

Q

Got it. Okay. And then last one from me, the VAAG acquisition. CJ maybe if you could just touch on strategic rationale on that and also any color on the size of that deal? And Bryan, if you could maybe just wrap that point by talking about the expectations on free cash flow for the year? Thanks.

Charles J. Prober
Chief Executive Officer & Director, NETGEAR, Inc.

A

Yeah. So as you'll recall, and we recast our purpose as a company to power ordinary -- power extraordinary experiences a couple of quarters ago. And in order to do that, we need to deliver great software. In order to deliver great software, we need great software teams.

And so, we've been pursuing our transformation of in-sourcing our software development capability, promote who leads the NFB business, identified Chennai as a perfect location given the networking talent there, we're going down the path of kind of build, hire, open an office, build an office, and the VAAG team presented itself.

These are people that had worked with Promote in the past, very well known, very well respected in the networking industry. They were early in their journey at VAAG and they're just excited about what we're doing here and they wanted to join NETGEAR and be part of the transformation and be part of leading the software development team building and capability building for Promote.

And so, we got lucky on top of bringing this team on board, there was another Chennai-based kind of wireless office that was shut down. We were able to cherry pick the top engineers from that group. And so we're really positioned and the best part about this is, it comes with an overall lower cost profile. So there is some transition costs as we in-source from the expensive outsourced developers.

But overall, we'll be able to do more with less as I said in our opening remarks and it's just a great foundation of a team to build off of is very much an acquihire. So, and even then much more in the hire side of acquihire. But it was just a win-win all around. So we're excited to welcome that team.

Bryan Murray
Chief Financial Officer, NETGEAR, Inc.

A

And on the free cash flow, we still expect that we'll, over the long-term, over the full-year it would be in the range of 85% to 100% of non-GAAP net income is that the rate that we would correlate from a free cash flow standpoint. In Q1, we saw a little bit of swings from working capital with regards to liabilities coming down off the back of the seasonal trend with regards to revenue. But over the full-year, we would expect in that range.

Adam Tindle
Analyst, Raymond James & Associates, Inc.

Q

Got it. Thank you.

Operator: There are no further questions at this time. I would now like to turn the conference back over to Mr. CJ Prober for closing remarks.

Charles J. Prober
Chief Executive Officer & Director, NETGEAR, Inc.

Yeah. I just want to thank the global NETGEAR team for driving the progress that we're seeing on the transformation and delivering another great quarter.

Operator: This concludes today's conference. You may now disconnect your lines. Thank you for your participation.

Exhibit 5

S&P Global
Market Intelligence

NETGEAR, Inc. NasdaqGS:NTGR

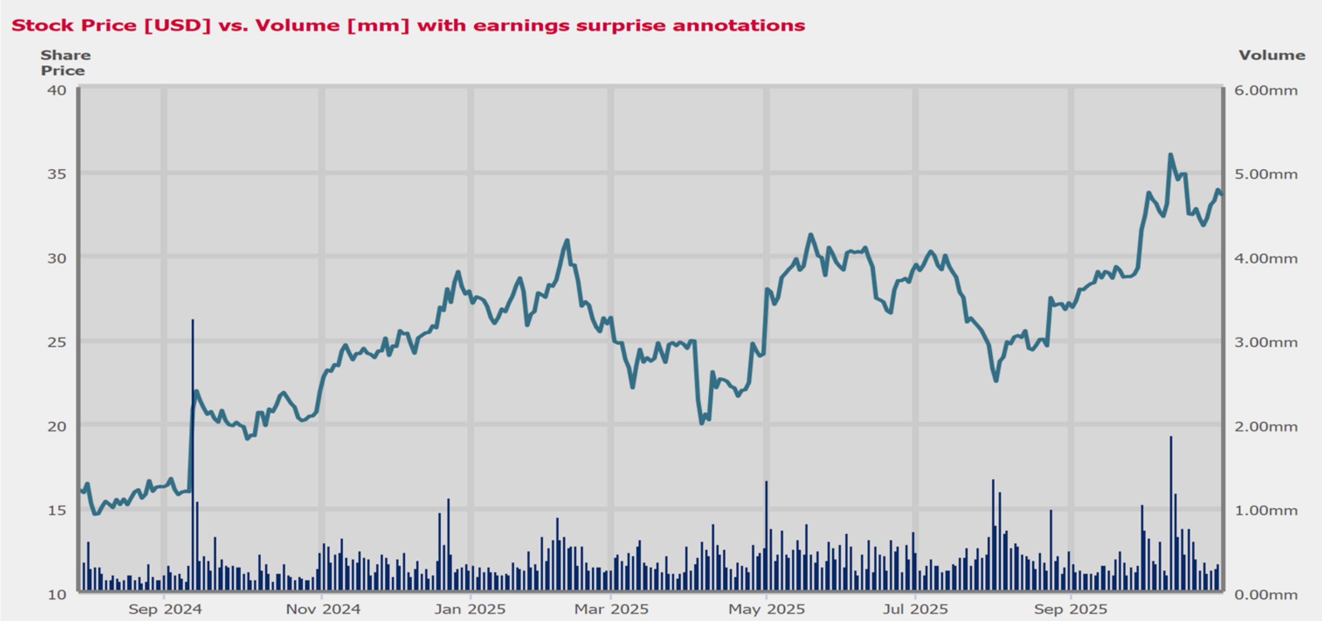
FQ3 2025 Earnings Call Transcripts

Wednesday, October 29, 2025 9:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ2 2025-			-FQ3 2025-	-FY 2025-	-FY 2026-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	(0.15)	NA	NA	(0.09)	0.00	NA
Revenue (mm)	162.06	NA	NA	172.66	689.54	NA

Currency: USD
Consensus as of Oct-17-2025 12:39 AM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ3 2024	(0.04)	0.17	NM
FQ4 2024	(0.24)	(0.06)	NM
FQ1 2025	(0.37)	0.02	NM
FQ2 2025	(0.15)	0.06	NM

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Call Participants

EXECUTIVES

Bryan D. Murray
Chief Financial Officer

Charles J. Prober
President, CEO & Director

Erik Bylin

ANALYSTS

Adam Tyler Tindle
Raymond James & Associates, Inc., Research Division

Jay Goldberg

Tore Egil Svanberg
Stifel, Nicolaus & Company, Incorporated, Research Division

Presentation

Operator

Ladies and gentlemen, thank you for standing by. [Operator Instructions]

I would now like to turn the conference over to Erik Bylin. Please go ahead, sir.

Erik Bylin

Thank you, operator. Good afternoon, and welcome to NETGEAR's Third Quarter of 2025 Financial Results Conference Call.

Joining us for the company are Mr. CJ Prober, CEO; and Mr. Bryan Murray, CFO.

The format of the call will start with commentary on the business provided by CJ, followed by a review of the financials for the third quarter and guidance for the fourth quarter provided by Bryan. We'll then have time for any questions. If you've not received a copy of today's release, please visit NETGEAR's Investor Relations website at www.netgear.com.

Before we begin the formal remarks, we advise you that today's conference call contains forward-looking statements. Forward-looking statements include statements regarding expected revenue, gross and operating margins, expenses, tax expenses and future business outlook. Actual results or trends could differ materially from those contemplated by these forward-looking statements. For more information, please refer to the risk factors discussed in NETGEAR's periodic filings with the SEC, including the most recent Form 10-Q. Any forward-looking statements that we make on this call are based on assumptions as of today, and NETGEAR undertakes no obligation to update these statements as a result of new information or future events, except as required by law. In addition, several non-GAAP financial measures will be mentioned on this call. A reconciliation of the non-GAAP to GAAP measures can be found in today's press release on our Investor Relations website.

At this time, I would now like to turn the call over to CJ.

Charles J. Prober
President, CEO & Director

Thanks, Erik. We are pleased to share that our team delivered another really strong quarter. Over the past 1.5 years, NETGEAR has embarked on the first phase of a dramatic and comprehensive transformation and the results of everyone's efforts and diligence are coming to fruition.

While the seeds of our investment are only beginning to bear fruit in terms of top line expansion, our team's operational acumen is unlocking new ways for us to efficiently capitalize on the opportunities in front of us. We are sincerely excited about the foundation we've built and are confident that our transformation positions us exceedingly well to deliver long-term growth, profitability and shareholder value creation.

This quarter's results marked the sixth quarter in a row where NETGEAR has exceeded our revenue and non-GAAP operating margin guidance. The supply chain team kept the pedal to the floor to drive material improvement in our supply position for our managed switches, allowing us to grow revenue for our Enterprise segment almost 16% year-over-year.

As a great sign of our strength in this category, ProAV units and ASPs were each up materially year-over-year, contributing to a strong improvement in gross margin, operating margin and net profitability. We came into this year hoping to improve our gross margin from 2024 while sharing that we felt that achieving profitability for the year was unlikely. We're now thrilled to share that not only are we expecting to be non-GAAP profitable for the year, but we expect to deliver non-GAAP positive EPS in each quarter this year.

While our focus remains on making the investments needed to drive our transformation and enable long-term profitable growth, this near-term profitability milestone is a sign that our efforts are paying off.

In Q3, our profitability resulted from a big improvement in each segment. We once again delivered positive contribution margin and significantly improved gross margin for each business. An increased mix from enterprise, which delivered an all-time high segment gross margin of over 50% led to another record high non-GAAP gross margin for the company of 39.6%, surpassing the record from last quarter by 180 basis points. This enabled us to deliver positive non-GAAP operating income, well above guidance and non-GAAP EPS of $0.12.

We were also extremely successful on the capital allocation front, repurchasing $20 million of our common stock at an average price of $24.55 per share in the quarter. We plan to continue to opportunistically return capital to shareholders via share repurchases at a minimum to offset dilution.

Before moving on to updates for our business segments, we're excited to share a couple of important updates on our transformation that will allow us to continue to evolve how we position our products and services in the market.

First, we launched our new website yesterday, and we encourage you all to check that out. This has been in the works for over a year and reflects our new branding that will serve to more clearly distinguish our consumer and commercial businesses. A key part of this change involves renaming our commercial business from NETGEAR for Business to NETGEAR Enterprise. This is a reflection of the fact that, we are delivering reliable enterprise-grade solutions to large customers that include Fortune 500 companies and mission-critical events like the G7 Summit, not to mention many different global Tier 1 music and sporting events.

Second, starting in Q4, we will be reporting on 2 segments, NETGEAR Enterprise and NETGEAR Consumer. As we've shared over the past several quarters, our mobile products serve both of these end customers' and the go-forward product strategy is to drive stronger integration of our mobile products into our app and subscription service for consumers on the one hand and into our cloud management and security platform for our enterprise customers on the other. Mobile, of course, remains an important strategic capability that we will leverage to expand both our consumer and enterprise businesses. Brian will share more details on this in his section.

With that context, I'll move on to the business segment updates. Our Enterprise segment again led the way in driving our great results, and we continue to see double-digit demand growth for our best-in-class ProAV managed switches. The NETGEAR team successfully navigated supply chain headwinds to accelerate supply and start to lower our backlog, leading to outperformance in the quarter. While we still believe we'll return to an optimal inventory position in the first quarter, the 16% sequential growth of our managed switch revenue in Q3 reflects better supply and strong end-user demand for these products.

We're already a clear leader in the ProAV space and continue to expand our advantages and round out our value proposition by relentlessly growing our ecosystem, notably reaching 500 AV partners this quarter. Further, the AV professional services that launched in the second quarter have garnered positive early traction with blue-chip customers and will be an integral part of expanding our enterprise value proposition and nondevice revenue going forward.

Essential to achieving this goal is our constant drive to innovate in ways that will improve our differentiation across products, pricing and partners. Much of our headcount growth remains in enterprise as we're building out our software development capabilities. Our new team in Chennai, which is roughly cost neutral due to a simultaneous reduction in outsourced software development capacity, allows us to improve our efficiency, quality and competitive differentiation.

With this new and growing team, we're making great strides in improving our device firmware, cloud management and security software offerings. We're also in the process of greatly improving the user experience. And in the coming months, we will be integrating networking and security in a manner that will lead to a unique offering in the industry. We plan to offer networking and security with enterprise-grade reliability delivered by a simple user experience at an affordable price that will make this platform purpose-built for managed service providers and small to medium enterprises.

And as a first step to addressing cybersecurity in our target market, earlier this month, we announced a tailored security solution for SMEs based on technology obtained via the acquisition of Exium earlier this year. This exciting new unified solution is the industry's only all-in-one SASE and hybrid firewall platform designed specifically for SMEs and the MSPs that support them.

We can now secure remote workers as well as the on-premise networks and combine advanced threat protection, AI-powered Zero Trust network access, web gateway security, SD-WAN and firewall capabilities in a single user-friendly platform.

The investments we've made in the enterprise business are clearly beginning to deliver both financial and operational benefits. While we continue to have success in hiring key leaders for the enterprise sales team, we're starting to expand the list of marquee customers we serve. In the most recent quarter, we closed material deals with a Fortune 10 global retailer, Boeing, the South African Parliament, University of Wales and Fox Sports to name a few.

Moving on to home networking. While the retail market remains highly competitive, we're continuing to make inroads with our good, better, best strategy. Sequential top line growth came in at roughly 8%, and we once again delivered positive contribution margin in the quarter. Key enablers to this success are the broadening product portfolio, strength in our higher-margin D2C channel, leaner operational execution and growing annual recurring revenue, which reached $37.9 million in the quarter and grew 17.2% year-over-year.

Our Orbi 370 mesh product that launched in the quarter is gaining momentum in the market and outperformed our expectations. This is our most affordable WiFi 7 mesh system to date and offers high-end performance and security at an accessible price point, benefits that are clearly resonating with customers.

We remain confident in the long-term growth potential of the home networking business and notably saw share growth in WiFi 7 routers and mesh systems in Q3, pointing to NETGEAR's expanding sphere of influence in this part of the market.

The mobile segment delivered on our modest top line expectations and with strong demand for our high-end offering, we achieved record non-GAAP gross margins of 31% for this business. Although, the service provider channel remains highly competitive, we continue to add new channel partners.

For example, we'll be launching the M7 Pro with O2 in the U.K. this quarter. We also have exciting new products coming to market for this segment over the coming months that will expand our addressable market.

Over the long term, we expect our strategic capability in delivering mobile products to benefit our consumer and enterprise segments by offering differentiated experiences that are integrated closely with our broader solution for these end markets.

So in summary, this quarter was marked by solid execution, and these results underscore the impact of our strategic transformation in building a healthier, more resilient business for the long term. We remain well positioned to be the trusted domestic supplier across our range of products, a true differentiator in this market and remain almost completely exempt from tariffs.

We are focusing on the right areas, growing our higher-margin segments, driving operational efficiency and delivering value to our customers. And it's showing in our financial performance thus far, while setting the stage for renewed growth in 2026.

With that, I'll turn it over to Bryan.

Bryan D. Murray
Chief Financial Officer

Thank you, CJ, and thank you, everyone, for joining today's call. We entered the second half of the year, building on the solid momentum we established in the first half. And I'm pleased to share that this marks a sixth consecutive quarter where we exceeded the high end of our guidance ranges for revenue and non-GAAP operating margin.

Propelled by the strong demand for our managed switch products within our Enterprise business segment, and enabled by the ongoing operational excellence of our team, we drove sequential top line growth of more than 8%, while attaining non-GAAP gross margin of 39.6%, yet another new all-time high for NETGEAR. These impressive results are undeniable signs of progress as we continue to execute our long-term growth and profitability strategy.

For the quarter ended September 28, 2025, revenue was above the high end of our guidance range, coming in at $184.6 million, up 8.2% on a sequential basis and up 0.9% year-over-year. The third quarter's outperformance was once again a result of a strong showing by our higher-margin enterprise segment, benefiting from ASP and unit growth in ProAV managed switch products.

The team worked tirelessly to improve supply in the quarter, which enabled a 16% sequential revenue growth for these products and meaningful double-digit growth year-over-year in end-user demand. We also saw all 3 of our businesses delivered positive contribution income for the second consecutive quarter.

In Q3, we repurchased $20 million of our shares and ended the quarter with $326.4 million in cash and short-term investments. We delivered $90.8 million of revenue in the Enterprise segment for the third quarter, up 9.9% sequentially and up 15.7% year-over-year, above our expectations. Although, we continue to be challenged by supply constraints around certain managed switch products in the enterprise business, the team executed well and was once again able to outperform our forecast for the quarter by working closely with key vendors to navigate these headwinds.

Notably, in spite of these supply constraints, the revenue mix of our products from higher-margin enterprise segment continued to climb and grew both sequentially and year-over-year, adding to the corporate margin improvement. We continue to expect modest impact from the supply constraints in Q4 and expect to be back into a healthy supply position in Q1, so we can fully capitalize on the substantial and growing demand.

In Q3, the home networking business delivered net revenue of $72.6 million, down 6.6% on a year-over-year basis and up 7.6% sequentially. The U.S. retail market remained extremely competitive, but with the introduction of our entry point WiFi 7 mesh offering in the Orbi 370, we were able to gain share in the WiFi 7 mesh category, and we saw similar share gains in WiFi 7 routers.

We have moved past higher cost inventory and continue to benefit from an improved product mix of WiFi 7 offerings, coupled with streamlined channel execution. Revenue for the mobile business in Q3 was $21.1 million, down 20.7% year-over-year, but up 3.3% sequentially. Mobile benefited from an increased adoption of our high-end Nighthawk M7 Pro mobile hotspots in retail.

With additional products expected to launch in the coming months, we believe the full benefit of our good, better, best strategy will build over time. Our focus in mobile technology really straddles both consumer and enterprise customers.

As such, we will be reporting 2 business segments going forward with products and solutions built on mobile technology being in both businesses. Even though more than 50% of our mobile hotspot products sold through our service provider channel are to commercial end customers, the initial reporting of this revenue will remain in our Consumer business segment.

We will continue to supplement reporting of revenue from mobile products sold to service providers and plan to add our cable modem and gateway businesses to this reporting as well since these products also enable services offered by these operators. This revenue call out will allow investors to isolate these declining businesses in their assessment of NETGEAR and our transformation.

Now, moving on to an update on our recurring subscriber base. We continue to believe that focusing on increasing our recurring subscriber base is the optimal strategy to add high-margin revenue throughout our business while differentiating our offerings. We have made progress with our initiatives to transform these offerings, successfully moving more customers to our higher ASP Armor Plus offering, which was the driving force in growing our ARR by 17.2% year-over-year, reaching $37.9 million in the quarter.

We remain confident we can grow our highly profitable ARR over time, and I'm pleased to share that we exited Q3 with 560,000 recurring subscribers. From this point on, my discussion points will focus on non-GAAP numbers. The reconciliation from GAAP to non-GAAP is detailed in our earnings release distributed earlier today.

Non-GAAP gross margin came in at 39.6% in the third quarter of 2025, once again a new record and the fifth consecutive quarter of sequential gross margin expansion. This marked an 850 basis point increase compared to 31.1% in the prior year comparable period and a 180 basis point increase compared to 37.8% in the second quarter of 2025.

Our gross margin in the current period benefited from an improved mix of our higher-margin enterprise business, success in moving past older, higher cost inventory, along with other benefits of operating with channel inventory at leaner levels relative to the year ago period.

Drilling down to the profitability of our 3 business segments, all 3 segments were profitable on a contribution margin basis for the second quarter in a row and each grew their contribution margin by at least 440 basis points year-over-year. This is the truest indicator of the operational changes we've made over the last 6 quarters and the stellar execution of the team.

Enterprise gross margin was 51%, up 630 basis points year-over-year, matching its highest level ever, led again by strong demand for our ProAV managed switches, driven by strong demand for our Nighthawk M7 Pro mobile hotspots, the mobile segment experienced the largest improvement in segment gross margin expansion year-over-year, growing 1,270 basis points to 31%.

The Home Networking segment was aided by our improved mix of WiFi 7 products, the move into lower-cost inventory, strength in our higher-margin direct-to-consumer channel, which grew to approximately 15% of sales, improving our gross margin for this business by 590 basis points year-over-year to 27.7%.

Total Q3 non-GAAP operating expenses came in at $69.2 million, up 25.1% year-over-year and up 5.4% sequentially as we had some onetime expenses related to moving our headquarters, and we continued our strategic hiring plans. We saw an increase in facility-related costs due to moving our new San Jose headquarters in Q3, but we expect this cost to normalize.

Our headcount was 753 at the end of the quarter, up from 707 in Q2. As a reminder, we conducted a reorganization in January to enact approximately $20 million in annual savings and are reinvesting those savings in the areas of the business that we expect will deliver the best growth and profitability. This is reflected in the sequential operating expense and headcount increase, most notably within our enterprise business.

Our non-GAAP R&D expense for the third quarter was 11.7% of net revenue as compared to 11% of net revenue in the prior year comparable period and 11.6% of net revenue in the second quarter of 2025.

To continue our technology and product leadership, we are committed to continued investment in R&D. I'm pleased that we delivered non-GAAP profitability above the high end of our guidance range, enabled by improved top line led by enterprise growth and compounded by gross margin improvement.

Our Q3 non-GAAP operating income was $3.8 million, resulting in non-GAAP operating margin of 2.1%, an improvement of 120 basis points compared to the year ago period and an improvement of 280 basis points compared to the prior quarter.

As a reminder, the prior year period included a $10.9 million benefit from a legal fee adjustment relating to the favorable settlement of a legal matter. Our non-GAAP tax expense was approximately $3.4 million in the third quarter of 2025.

Looking at the bottom line for Q3, we reported non-GAAP net income of approximately $3.5 million, resulting in a non-GAAP income of $0.12 per share. Turning to the balance sheet. We ended the third quarter of 2025 with $326.4 million in cash and short-term investments, down $37.1 million from the prior quarter due largely to $20 million in stock repurchases and changes in working capital.

During the quarter, $7.4 million of cash was used by operations, which brings our total cash provided by operations over the trailing 12 months to $3.6 million. We used $9.7 million in purchase of property and equipment during the quarter, elevated from normal levels relating to improvements to our new corporate headquarters, which brings our total cash used for capital expenditures over the trailing 12 months to $17.1 million.

In Q3, we spent $20 million to repurchase approximately 815,000 shares of NETGEAR common stock at an average price of $24.55 per share. We have approximately 2 million shares reserved in our current authorization, and our fully diluted share count is approximately 29.8 million shares as of the end of the third quarter. We're committed to returning value to our shareholders and plan to continue to opportunistically repurchase shares in future periods.

I'll now cover our outlook for the fourth quarter of 2025. Within enterprise, end-user demand for our ProAV line of managed switches is expected to remain strong. And although we expect to continue to make improvements in our supply position, we continue to face supply headwinds, which may limit our ability to capture the full top line potential of this growing business.

On the home networking side, we are seeing signs of the benefit of our broader product portfolio to address the market. On the mobile side, we expect revenue to be in line with Q3 as we await our new product introductions to round out the portfolio, which we don't expect to yield benefits until next year.

Accordingly, we expect fourth quarter net revenue to be in the range of $170 million to $185 million. In the fourth quarter, we expect our operating expenses to be slightly reduced with our facilities costs normalizing now that we have transitioned into our new corporate headquarters with some offset as we further ramp our planned investments.

We're focused on in-sourcing software development capabilities and enhancing our go-to-market capabilities supporting our enterprise business. Additionally, we expect a headwind to our gross margin of about 150 basis points, mainly related to the rising cost of memory as several of the large suppliers in this space have exited the DDR4 market.

Accordingly, we expect our fourth quarter GAAP operating margin to be in the range of negative 7.3% to negative 4.3% and non-GAAP operating margin to be in the range of negative 2% to 1%. Our GAAP tax expense is expected to be in the range of a benefit of $500,000 to an expense of $500,000. And our non-GAAP tax expense is expected to be in the range of $500,000 to $1.5 million for the fourth quarter of '25.
And with that, we can now open it up for questions.

Question and Answer

Operator

[Operator Instructions] Your first question comes from the line of Tore Svanberg from Stifel.

Tore Egil Svanberg
Stifel, Nicolaus & Company, Incorporated, Research Division

Congrats on the continuous progress here. My first question is on the gross margin headwind for the fourth quarter. Is that across the board for each 3 of the segments? Or is this mainly more tied to the enterprise segment?

Bryan D. Murray
Chief Financial Officer

Yes. Good question. So, the main headwind is coming from the DDR4 memory situation where the largest suppliers in that space have taken their products end of life. And at this point, there are smaller players who are trying to pick up capacity. Memory is in products in each of our businesses. I'd say it's more acutely felt on the home networking side at this point, but it does impact all 3 businesses.

Tore Egil Svanberg
Stifel, Nicolaus & Company, Incorporated, Research Division

Very good. And when I look at your revenue guidance, it's like a $15 million spread. Could you just talk about some of the puts and takes? What would have to happen for you to get to the higher end of the range versus lower end of the range? And I assume supply is part of it because you obviously have very good backlog visibility. But anything else that you could share with us as far as variability within that guidance range?

Bryan D. Murray
Chief Financial Officer

Yes, I'll start there, and CJ can certainly chime in as well. supply is the big factor there. As we've said throughout the year, we're seeing tremendous progress on the managed switch side with the ProAV switches. We are still supply constrained. We are making progress there but really don't believe we'll be in a position to have safety stock in place until Q1 of next year. So that would be one lever.

As you saw in Q3, the upside to the quarter that obviously impacted gross margins as well as the top line was that we were able to pull things in ahead of expectations. So that would be one potential lever there. The other thing would certainly be the success of the Q4 holiday promotional period and what happens in the home networking market, I would say, would be another factor to unlocking more towards the upside potential in that revenue guide.

Operator

Your next question comes from the line of Adam Tindle from Raymond James.

Adam Tyler Tindle
Raymond James & Associates, Inc., Research Division

Okay. CJ, I want to start by just acknowledging great progress on the gross margin front and very clear that your leadership and strategy towards pushing more of the enterprise business and quality of the business higher is manifesting itself in results. More recently, we've seen more headlines around TP-Link of late, and we obviously get a lot of investor questions on that. So, I just wanted to start on that subject. It seems like there's a lot of government activity around TP-Link. Just give us your sense of the latest of your understanding there and the potential timeline and opportunity on that.

Charles J. Prober
President, CEO & Director

Yes. Sounds good. And Tore -- Adam. So, Bloomberg reported a few weeks ago that there's been a flurry of activity, and I think that's a kind of well put statement around what's happening. In the article, they mentioned that there's a final initial determination on TP-Link. It's been completed and a bunch of administrative activity around that. I haven't heard much about it since then. But more broadly, the Senate just passed the NDAA, which states that it's going to evaluate TP-Link as a DoD covered company.

Yesterday, the FCC voted in favor of restricting networking equipment that has connected components from the Chinese covered list. There's a state of Texas investigation into the TP-Link, something apparently just dropped from Wisconsin of all places. There is a 60-minute piece. So, with all of this activity, I think our confidence is increasing that something is going to eventually drop here. Timing is obviously uncertain. In fact, I think our President's meeting with the right now or shortly.

And there's obviously a lot going on there. But one thing kind of related to that, not specific to a government action is that we have been seeing customers starting to recognize NETGEAR differently in the market as a U.S.-based public company trusted partner, and we've been winning some pretty big deals that may have previously not gone our way because of that. And so, I think all the messaging out there is actually helping us win with customers. And so, we're excited about that in the near term, but then also I think there's just a lot going on from the administration perspective. So, it'll be following it closely like everybody else.

Adam Tyler Tindle
Raymond James & Associates, Inc., Research Division

Got it. Makes sense. And maybe just a follow-up for Bryan. I know you have an Investor Day coming, and I imagine we're going to get a lot more information. I appreciate the detailed guidance for Q4. So, I think we've got a good handle on that. But a number of moving parts that are happening, and I'm trying to unpack when some of these things unwind or how long headwinds persist. Maybe a simple way to ask would just be, as we have to shape our models for 2026 and in particular, for Q1, is there anything that you might just have us be mindful of, whether it's on the margin front or growth front or channel inventory front, just so we can make sure that we're in good shape heading into that Analyst Day and not caught with something that we mismodeled or a surprise.

Bryan D. Murray
Chief Financial Officer

Certainly. I'll start by saying that we're certainly thrilled and you kind of started your questions with this, that we're thrilled with the progress we've made on the transformation thus far and the unlocking of incremental gross margin performance on the business that certainly is putting us ahead of our plans. You may recall at the start of the year, we came in, we didn't think we would be profitable in 2025. And certainly, year-to-date, we're there.

And you can see by the guide where we expect the full year to shape up there. There are certainly a lot of additional opportunities ahead of us. And as we've said, we are very much focused on driving towards long-term sustainable profitable growth. These things will require investments. We've made some investments this year. We obviously took some aggressive actions to strip out $20 million of annual cost to help fund some of those, but we still have additional investments to go here to really get this business to where we think it can get to.

If I look at -- like if I look at the public estimates that are out there for next year, I think they're fairly reasonable when it comes to both the top line and the operating income side of things. And again, that's largely -- we do have investments that we need to continue to put into the business.

Shorter term or more near term, I should say, Q1, I would reiterate there is seasonality in the consumer side of the business. And while enterprise has gotten to about 50% of the mix, the other 50% is subject to some of those seasonal fluctuations. So Q1 seasonality typically off of the Q4 period, the markets would be down in the mid-teen percentage-wise. Certainly, that will impact top line leverage in the first part of the year. But as I said before, I think the public estimates that are out there for the full year 2026 are reasonable at this point.

Adam Tyler Tindle
Raymond James & Associates, Inc., Research Division

Okay. And the mid-teens is just for the consumer side of the business, not for...

Bryan D. Murray
Chief Financial Officer

Correct. Yes, it's for the consumer side. Enterprise is not a seasonal business for us today.

Adam Tyler Tindle
Raymond James & Associates, Inc., Research Division

Yes. I just want to make sure. Okay.

Operator

Your next question comes from the line of Jay Goldberg from Seaport.

Jay Goldberg

First off, I wanted to ask about -- you mentioned considerable progress in growing your distributor channel for NETGEAR Enterprise. I get that right? I was wondering -- I was just hoping you could talk more about what's going on in the channel, what is drawing the channel's interest in NETGEAR and just sort of what you're hearing from them?

Charles J. Prober
President, CEO & Director

Yes. Great question, Jay, and good to see you on the call. One thing just to clarify, when we talk about our ProAV ecosystem partners and the growth of that, that relates more to the product integrations that we're doing with the broader AV ecosystem to kind of extend our product leadership and make it -- continue to make it simple to deploy complex IP-based AV networks.

That having been said, because I just make that point because I'm not sure if that's what you're referring to. But we are very focused on the channel on the enterprise side of things. And there's a number of transformational initiatives that are coming to market. And our overall philosophy is we just want NETGEAR to be the easiest company to do business with. And so, we've got a partner program that's launching on -- I guess, it's a week today on November 4, I believe it is, via webcast.

And there's a number of other things happening under the hood in terms of -- we've launched our new website as part of the partner program launch. We're going to have a new partner portal. So, we're very closely monitoring the health of our channel and expanding the business that we do with our channel partners and helping enable them to work more seamlessly with NETGEAR.

So, it's a huge part of our transformation on the enterprise side, and we're really excited with the progress that we've made to date. And just to cap this all off, I spent a week on the East Coast a couple of weeks ago with customers, existing customers and potential customers. And the feedback that we're getting is like we're spot on in terms of our product strategy and how we're evolving our go-to-market capabilities. So, it's really validating to get that directly from those folks.

Jay Goldberg

Got it. That sounds great. Let me just follow up real quick. As you went through your prepared remarks, you mentioned a number of new product launches, and they seem to be across all the business units. Could you just give us -- could you just sort of walk through the cadence of when we should be expecting new products over the next year as much as you can say now, it doesn't have to be dates or anything specific, just how we should think about new product launches?

Charles J. Prober
President, CEO & Director

Yes, it's a good question. Philosophically, I don't like to talk about new products coming to market until we've actually launched them. We will be teasing out some stuff at Investor Day. And I think we're going to see you there at least on the webcast. So, I definitely tune into that. But across the board, we are innovating for our end customers and have both kind of new devices coming to market. But most importantly, our focus is on innovating on the software side, driving differentiation via software. And part of this change that we highlighted in the call of making mobile more of a horizontal capability is we have a strong belief that that's combining our mobile products with what we've previously been calling our home networking products allows us to drive a lot of differentiation in terms of having a single app, a single subscription with all of those products connected in one experience.

And similarly, on the enterprise side, bringing our mobile products into our Insight Cloud management platform into our security experiences is quite differentiated. So, what you're going to see from us going forward is we've really got a consumer platform, an enterprise platform. And anything we launch is going to be connected into one of those for consumers on the one hand or our commercial customers on the other.

Jay Goldberg

I look forward to seeing you in person at the Analyst Day.

Charles J. Prober
President, CEO & Director

Excellent. I wasn't sure if you'd be there. I saw your name on list. I wasn't sure if you're coming in person. That's great.

Jay Goldberg

Yes, I'll be there.

Operator

Your next question comes from the line of Tore Svanberg from Stifel.

Tore Egil Svanberg
Stifel, Nicolaus & Company, Incorporated, Research Division

Just had a couple of clarifications or follow-ups. So, first of all, and not to really pick on this, right, because you had such a strong gross margin improvement in your home networking business in Q2. But when I do look at the gross margin this quarter, it was down slightly sequentially. So, I was just wondering, is that sort of the DDR4 pricing already starting to weigh on that gross margin? Or was there something else that contributed to the gross margin being down sequentially?

Bryan D. Murray
Chief Financial Officer

Yes. Good question. last quarter, we talked a little bit about there being a kind of out-of-period onetime benefit that would have been in the Q3 period there that was pertaining to improved experience with regards to sales returns. And we said at that time, it was about a 250 basis point windfall to the home networking gross margins on the quarter. So we said normalized, it would be about 27% going into Q4. We obviously beat that.

And I would say that, as I noted on the comments earlier that we did see some improvements and acceleration on our direct-to-consumer business, which grew to about 15% of our total sales for home networking that has higher gross margins. So that would be the improvement. We have not yet felt any of the impact of the memory pricing increase that won't hit us until Q4.

Tore Egil Svanberg
Stifel, Nicolaus & Company, Incorporated, Research Division

Very good. And my last question for you, CJ. You highlighted on the ProV side, company very uniquely positioned offering both networking and security. I was just hoping you could elaborate a little bit more on that, especially when it comes to how you potentially monetize that. I mean, obviously, by including security, you can charge more. But I'm just wondering if there's a software services part of that as well.

Charles J. Prober
President, CEO & Director

Yes. Great question, Tore. So, the way that we -- and you'll see this come out in Investor Day even more clearly is we are -- when we talk about our enterprise business, we can think about it in the context of ProAV and enterprise networking, which includes security. And when you hear from Pramod, he'll share kind of our long-term plans around those 2 different segments.

On the enterprise networking side of things, we're building a platform that combines networking and security that's targeted at small to medium enterprises, many of whom are served by MSPs. And the differentiation that we're looking to drive there is enterprise-level reliability with a very simple user interface that combines both of those things that tend to be presented in a complex, very feature-rich manner that those size customers don't value at an affordable price.

So, we're looking to be quite disruptive. And on the topic of gross margin, the competitors that we're looking to disrupt in that enterprise networking space have a very different margin profile that we do. So that's our opportunity. And a lot of the business growth that we expect to drive there will be on the services side of things.

So, we're very focused on software differentiation, driving recurring revenue and nondevice revenue and cloud management is a big piece of that. Security is going to be a big piece of that. And then support and services is another big piece of that. So hopefully, that answers your question, but that software recurring revenue side of things is a big priority for us on the enterprise networking and security side of things.

Tore Egil Svanberg
Stifel, Nicolaus & Company, Incorporated, Research Division

Sounds good. Look forward to hearing more about at New York, on November 17th.

Operator

[Operator Instructions] There are no further questions at this time. Mr. CJ, I turn the call back over to you.

Charles J. Prober
President, CEO & Director

Just a final shout out to the NETGEAR team. Really proud of the work that we've done to date on the transformation. And a little plug for our Investor Day. We've got exciting things to share. We're going to have some demos. I know many of the people on this call are committed to joining, but space is limited. So if you're interested in coming to New York on November 17, let us know, and we look forward to seeing you there.

Operator
This concludes today's conference call. You may now disconnect.