

NETSCOUT™

Q4 & FY 2019 Conference Call

*NETSCOUT SYSTEMS, INC.
May 2, 2019*



Agenda

- **Introduction & Safe Harbor**
 - Andrew Kramer, Vice President of Investor Relations
- **CEO Perspective**
 - Anil Singhal, President and CEO
- **COO Update**
 - Michael Szabados, Chief Operating Officer
- **Financial Review and FY'20 Outlook**
 - Jean Bua, EVP and CFO



Safe Harbor

Forward Looking Statements: Forward-looking statements in this communication are made pursuant to the safe harbor provisions of Section 21E of the Securities Exchange Act of 1934 and other federal securities laws. Investors are cautioned that statements in this communication, which are not strictly historical statements, including without limitation, the statements related to the Company's financial guidance; statements regarding future demand and revenue for the Company's products by specific customers, certain pipelines or by customers in general; statements related to new or enhanced products and solutions, and the timing of introduction of such products and solutions into the market, and market acceptance of such products and solutions; statements regarding the extent of our deployment of our software-only platform, statements regarding shifts in market trends including revenue opportunity related to 5G networks, and the Company's ability to gain traction based on these market changes; statements regarding go-to-market and other sales and marketing initiatives; statements related to the benefits and timelines of recent cost-reduction initiatives and related restructuring activities, and future spending and cost-control plans; and statements regarding the use of capital including future share repurchases, constitute forward-looking statements which involve risks and uncertainties. Actual results could differ materially from the forward-looking statements due to known and unknown risk, uncertainties, assumptions and other factors. Such factors include slowdowns or downturns in economic conditions generally and in the market for advanced network, service assurance and cybersecurity solutions specifically; the volatile foreign exchange environment; the Company's relationships with strategic partners and resellers; dependence upon broad-based acceptance of the Company's network performance management solutions; the presence of competitors with greater financial resources than we have, and their strategic response to our products; our ability to retain key executives and employees; the Company's ability to realize the anticipated savings from recent restructuring actions and other expense management programs; lower than expected demand for the Company's products and services; and the timing and magnitude of stock buyback activity based on market conditions, corporate considerations, debt agreements, and regulatory requirements. For a more detailed description of the risk factors associated with the Company, please refer to the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2018 and the Company's subsequent Quarterly Reports on Form 10-Q, all of which are on file with the Securities and Exchange Commission. NETSCOUT assumes no obligation to update any forward-looking information contained in this communication or with respect to the announcements described herein.



Non-GAAP Financial Metrics

Regulation G Disclosure: This presentation makes reference to the following non-GAAP metrics: non-GAAP total revenue, non-GAAP product revenue, non-GAAP service revenue, non-GAAP income from operations, non-GAAP operating margin, non-GAAP net income, and non-GAAP net income per share (diluted). Non-GAAP revenue (total, product and service) eliminates the GAAP effects of acquisitions by adding back revenue related to deferred revenue revaluation, as well as revenue impacted by the amortization of intangible assets. Non-GAAP income from operations includes the aforementioned revenue adjustments and also removes expenses related to the amortization of acquired intangible assets, share-based compensation, restructuring charges, intangible asset impairment charges, loss on divestiture, costs related to new accounting standard implementation, and certain expenses relating to acquisitions including depreciation costs, compensation for post-combination services and business development and integration costs while adding back transitional service agreement income. Non-GAAP operating margin is calculated based on the non-GAAP financial metrics discussed above. Non-GAAP net income includes the aforementioned items related to non-GAAP income from operations, and also removes changes in contingent consideration, net of related income tax effects. Non-GAAP diluted net income per share also excludes these expenses as well as the related impact of all these adjustments on the provision for income taxes. Investors are encouraged to review the related GAAP financial measures and the reconciliation of these non-GAAP financial measures to their most directly comparable GAAP financial measures included in the attached tables within this press release. NETSCOUT also references organic non-GAAP revenue, which includes all of the aforementioned revenue adjustments for non-GAAP revenue and also removes revenue associated with the HNT tools business for comparability purposes with the Company's quarterly and year-to-date fiscal year 2019 results. Investors are encouraged to review the related GAAP financial measures and the reconciliation of these non-GAAP financial measures to their most directly comparable GAAP financial measures included in the appendix. These non-GAAP measures are not in accordance with GAAP, should not be considered an alternative for measures prepared in accordance with GAAP (revenue, gross and operating margin, net income, cash flow from operations and diluted earnings per share), and may have limitations in that they do not reflect all of NETSCOUT's results of operations as determined in accordance with GAAP. These non-GAAP measures should only be used to evaluate NETSCOUT's results of operations in conjunction with the corresponding GAAP measures. The presentation of non-GAAP information is not meant to be considered superior to, in isolation from or as a substitute for results prepared in accordance with GAAP. NETSCOUT believes these non-GAAP financial measures will enhance the reader's overall understanding of NETSCOUT's current financial performance and NETSCOUT's prospects for the future by providing a higher degree of transparency for certain financial measures and providing a level of disclosure that helps investors understand how the Company plans and measures its own business. NETSCOUT believes that providing these non-GAAP measures affords investors a view of NETSCOUT's operating results that may be more easily compared to peer companies and also enables investors to consider NETSCOUT's operating results on both a GAAP and non-GAAP basis during and following the integration period of NETSCOUT's acquisitions. Presenting the GAAP measures on their own would not be indicative of NETSCOUT's core operating results. Furthermore, NETSCOUT believes that the presentation of non-GAAP measures when shown in conjunction with the corresponding GAAP measures provide useful information to management and investors regarding present and future business trends relating to its financial condition and results of operations. NETSCOUT management regularly uses supplemental non-GAAP financial measures internally to understand, manage and evaluate its business and to make operating decisions. These non-GAAP measures are among the primary factors that management uses in planning and forecasting. The reconciliation of these non-GAAP metrics to the comparable GAAP metrics are set forth in the accompanying tables in the appendix of this presentation and are available on our website at <http://ir.netscout.com>.



CEO Perspective

Anil Singhal
Co-Founder, President and Chief Executive Officer

Q4 and FY'19 Financial Highlights

Non-GAAP (\$ in millions, except per share data)	Q4 FY'19 3/31/2019	Q4 FY'18 3/31/2018	YTD FY'19 3/31/2019	YTD FY'18 3/31/2018
Revenue	\$ 235.2	\$ 238.5	\$ 911.5	\$ 999.3
Gross Margin	79.0%	76.7%	76.4%	77.2%
Operating Margin	29.2%	17.8%	17.7%	18.4%
EPS	\$ 0.66	\$ 0.36	\$ 1.38	\$ 1.41

Certain numbers may not total due to rounding

- Q4'19 revenue was approximately \$15m lower than expected primarily due to delayed revenue recognition at an international mobile operator
 - 3% overall organic revenue growth due to an 8% increase in the enterprise customer segment driven by strong growth in DDoS security and relatively stable service assurance revenue
- Successfully absorbed the top-line shortfall due to higher gross margins, lower operating costs and a lower tax rate
- Made important progress in FY'19 that we believe will set the stage for generating better, more consistent results going forward

See Appendix for GAAP-Non-GAAP Reconciliations.



FY'19 Highlights & Developments

- Severe revenue headwinds have largely receded
- Solid execution on our product strategy
- Sales momentum is building in our enterprise customer segment
 - 3 consecutive quarters of solid organic revenue growth in our enterprise customer segment
- Completed the restructuring that began in Q2'19
- Recently realigned leadership roles and the overall structure for our technical, product delivery and sales organizations



Driving Top-Line Growth in FY'20 and Beyond

- Good scope for continuing to help our enterprise customers with their data center transformation initiatives
- Security represents a promising adjacency
- Combining Arbor's sales resources with our larger service assurance enterprise sales teams provides us with expanded coverage and better positions us to maximize cross-selling opportunities
- Continue fortifying our incumbency with service providers for our service assurance solutions while also investing to support their 5G networks plans
- Continue enhancing our DDoS detection capabilities for our carrier customers



FY'20 Outlook & Summary

- We remain bullish on the opportunities we see and confident in our ability to capitalize on them
- Our top FY'20 priority is to produce top-line growth, which is fundamental to driving operating leverage, EPS growth and stronger free cash flow
- Our FY'20 plan is to generate low single digit organic revenue growth, which would translate into a range of \$895 million to \$915 million
- Currently targeting diluted EPS in the range of \$1.40 to \$1.45
- Thanks to all NETSCOUT Guardians around the world for their tireless efforts and dedication



COO Update

Michael Szabados
Chief Operating Officer

COO Highlights

- Go-to-market Activity



- Customer Wins



Financial Review & FY'19 Outlook

Jean Bua

Executive Vice President and Chief Financial Officer

Q4 FY'19 and FY'19 Results

(in millions except EPS and % data)

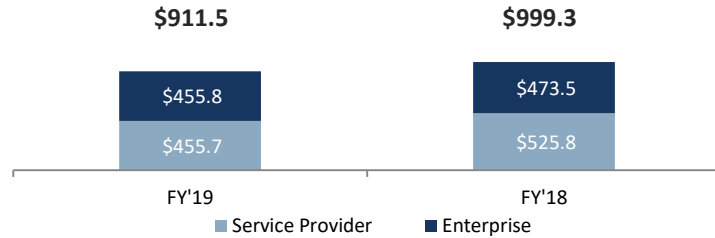
	Q4 FY'19 Non-GAAP 3/31/2019	Q4 FY'18 Non-GAAP 3/31/2018	% Change		Q4 FY'19 GAAP 3/31/2019	Q4 FY'18 GAAP 3/31/2018	% Change		FY'19 Non-GAAP 3/31/2019	FY'18 Non-GAAP 3/31/2018	% Change		FY'19 GAAP 3/31/2019	FY'18 GAAP 3/31/2018	% Change
Revenue:															
Product	\$ 125.5	\$ 123.1	1.9%		\$ 125.5	\$ 122.2	2.7%		\$ 467.7	\$ 523.5	-10.7%		\$ 467.3	\$ 520.4	-10.2%
Service	\$ 109.8	\$ 115.3	-4.8%		\$ 109.5	\$ 113.0	-3.1%		\$ 443.8	\$ 475.8	-6.7%		\$ 442.6	\$ 466.4	-5.1%
Total revenue	\$ 235.2	\$ 238.5	-1.4%		\$ 235.0	\$ 235.2	-0.1%		\$ 911.5	\$ 999.3	-8.8%		\$ 909.9	\$ 986.8	-7.8%
Cost of revenue	\$ 49.4	\$ 55.5	-11.0%		\$ 58.5	\$ 66.6	-12.1%		\$ 215.4	\$ 228.2	-5.6%		\$ 254.1	\$ 271.9	-6.5%
Gross profit	\$ 185.8	\$ 183.0	1.6%		\$ 176.5	\$ 168.6	4.6%		\$ 696.1	\$ 771.1	-9.7%		\$ 655.8	\$ 714.9	-8.3%
Gross profit margin	79.0%	76.7%			75.1%	71.7%			76.4%	77.2%			72.1%	72.4%	
Operating expenses	\$ 117.1	\$ 140.4	-16.6%		\$ 147.2	\$ 176.2	-16.4%		\$ 534.5	\$ 587.7	-9.0%		\$ 727.4	\$ 718.9	1.2%
Income (loss) from operations	\$ 68.7	\$ 42.5	61.6%		\$ 29.2	\$ (7.5)	488.5%		\$ 161.6	\$ 183.4	-11.9%		\$ (71.6)	\$ (4.1)	1663.9%
Income from operations margin	29.2%	17.8%			12.4%	-3.2%			17.7%	18.4%			-7.9%	-0.4%	
Net income (loss)	\$ 52.0	\$ 30.1	72.6%		\$ 19.2	\$ 16.8	14.2%		\$ 109.2	\$ 124.7	-12.4%		\$ (73.3)	\$ 79.8	-191.9%
Diluted net income (loss) per share	\$ 0.66	\$ 0.36	83.1%		\$ 0.24	\$ 0.20	21.1%		\$ 1.38	\$ 1.41	-2.5%		\$ (0.93)	\$ 0.90	-203.2%
Diluted shares outstanding	78.6	83.4	-5.8%		78.6	83.4	-5.8%		79.3	88.3	-10.1%		78.6	88.3	-10.9%

See Appendix for GAAP-Non-GAAP Reconciliations.
Certain numbers may not total due to rounding.

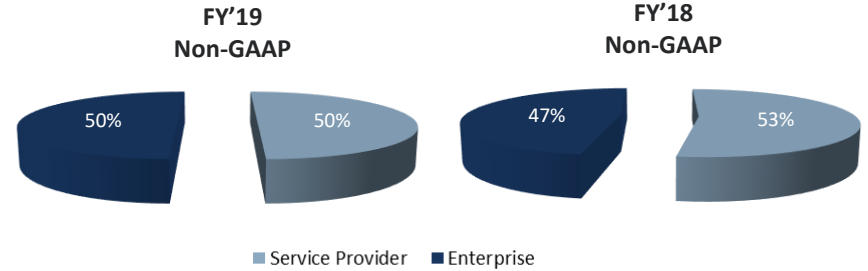


FY'19 Revenue Trends: Customer Verticals & Geographic Mix

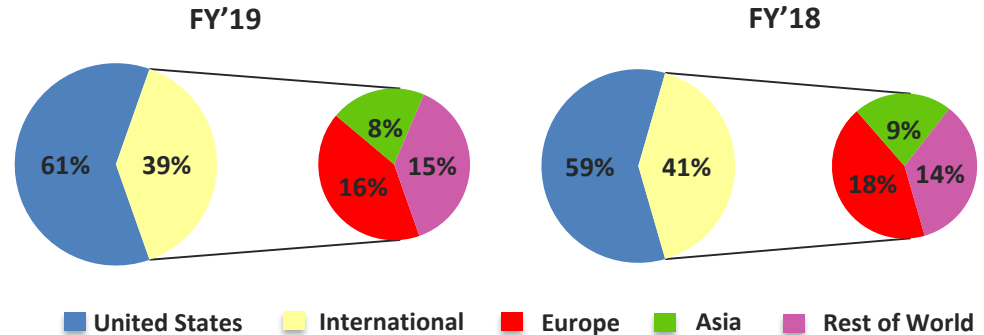
Total Non-GAAP Revenue by Customer Segment
(\$ in millions)



Total Non-GAAP Revenue Composition by Customer Segment



	FY'19 GAAP 3/31/19	FY'18 GAAP 3/31/18
Total Revenue	\$909.9	\$986.8
<i>United States</i>	\$553.3	\$581.9
<i>International</i>	\$356.7	\$404.9
<i>Europe</i>	\$148.0	\$174.4
<i>Asia</i>	\$72.4	\$88.9
<i>Rest of World</i>	\$136.3	\$141.6



Figures in charts and tables may not total due to rounding

See Appendix for GAAP-Non-GAAP Reconciliations.



Balance Sheet Highlights & Free Cash Flow

(in millions)

(Unaudited)	FY'19 3/31/19
<i>Cash and Securities*</i>	\$ 487.0
<i>Accounts Receivable, Net</i>	\$ 235.3
<i>Inventories</i>	\$ 26.3
<i>Total Long-Term Debt</i>	\$ 550.0
<i>Total Deferred Revenue</i>	\$ 367.1
<i>Total Stockholders' Equity</i>	\$ 2,065.4

* Cash and securities defined as cash, cash equivalents and short-term and long-term marketable securities

Free Cash Flow					
	Q1 FY'19 6/30/2018	Q2 FY'19 9/30/2018	Q3 FY'19 12/31/2018	Q4 FY'19 3/31/2019	FY'19 3/31/2019
Operating Cash Flow	\$ 25.5	\$ 7.2	\$ 36.8	\$ 80.3	\$ 149.8
Purchase of Fixed Assets & Intangible Assets	\$ (6.5)	\$ (5.7)	\$ (7.4)	\$ (3.9)	\$ (23.5)
Free Cash Flow	\$ 19.0	\$ 1.5	\$ 29.4	\$ 76.4	\$ 126.3

Financial Profile	
	FY'19 3/31/2019
Cash position	\$487.0
Liquidity	3.7x
Gross leverage	2.8x
Net Leverage	0.3x

Liquidity calculated as available credit under the Company's senior secured credit facility plus cash and securities* divided by the 12-month trailing adjusted non-GAAP EBITDA (as defined within the Company's senior secured credit facility). Available credit maximum is 4 times the 12-month trailing adjusted non-GAAP EBITDA.

As defined in the Company's senior secured credit facility, gross leverage is calculated as total debt plus contingent liabilities divided by the 12-month trailing adjusted non-GAAP EBITDA (as defined within the Company's senior secured credit facility).

Net leverage is calculated as total debt plus contingent liabilities minus cash and securities* divided by the 12-month trailing adjusted non-GAAP EBITDA (as defined within the Company's senior secured credit facility).

The Company's non-GAAP EBITDA as calculated in its press release may differ from the non-GAAP EBITDA as defined within the Company's senior secured credit facility.



FY'20 Guidance

Revenue

\$ millions	FY'19 GAAP	FY'19 Non-GAAP	FY'20 Guidance GAAP & Non-GAAP
Revenue	\$909.9	\$911.5	~\$895 to ~\$915
HNT Tools	(\$18.0)	(\$18.0)	-
Organic Revenue	\$891.9	\$893.5	~\$895 to ~\$915

EPS (Diluted)

	FY'19	FY'20 Guidance
GAAP EPS (diluted)	(\$0.93)	\$0.03 to \$0.08
Adjustments	\$2.31	\$1.37
Non-GAAP EPS (diluted)	\$1.38	\$1.40 to \$1.45

Other FY'20 Guidance Assumptions

- * Anticipated gross profit margin between 77% to 78%
- * Operating expenses expected to range from \$530 million to \$540 million
- * Tax rate anticipated to range from 23% to 25%
- * Interest & other expense of ~\$22 million
- * Weighted average of ~78.2 million diluted shares outstanding



Upcoming Investor Events

Date	Event	Location
May 8, 2019	Bernstein Software Summit	NYC
May 29, 2019	Craig-Hallum Institutional Investor Conference	Minneapolis
June 6, 2019	Baird Consumer, Technology & Services Conference	NYC
June 13, 2019	Piper Jaffray Fish & Chips Symposium	Boston



Appendix

The background of the slide is a dark, monochromatic photograph of a long, curved tunnel. The ceiling is composed of a grid of rectangular panels, and the walls and floor also appear to have a similar grid-like structure. The perspective is from the end of the tunnel, looking down its length as it curves away into the distance. The lighting is very low, creating a sense of depth and mystery.

FY'20 Guidance: GAAP to Non-GAAP Reconciliation

NETSCOUT SYSTEMS, INC
Reconciliation of GAAP Financial Guidance to Non-GAAP Financial Guidance
(Unaudited)
(In millions, except net income per share - diluted)

	FY'19	FY'20
GAAP revenue	\$ 909.9	~\$895 million to ~\$915 million
Deferred service revenue fair value adjustment	\$ 1.2	Less than \$1 million
Deferred product revenue fair value adjustment	\$ 0.4	-
Non-GAAP revenue	<u>\$ 911.5</u>	<u>~\$895 million to ~\$915 million</u>
HNT Tools revenue	\$ (18.0)	-
Organic non-GAAP revenue	\$ 893.5	~\$895 million to ~\$915 million
	FY'19	FY'20
GAAP Net Income (Loss)	\$ (73.3)	~\$2 million to ~\$6 million
Deferred service revenue fair value adjustment	\$ 1.2	Less than \$1 million
Deferred product revenue fair value adjustment	\$ 0.4	-
Amortization of intangible assets	\$ 105.5	~\$91 million
Share-based compensation expenses	\$ 56.3	~\$50 million
Business development & integration expenses*	\$ 2.5	~\$1 million
New accounting standard implementation	\$ 0.9	-
Restructuring costs	\$ 18.7	-
Impairment of Intangibles	\$ 35.9	-
Loss on divestiture	\$ 9.5	-
Change in contingent consideration	\$ 1.5	-
Total Adjustments	\$ 232.4	~\$142 million
Related impact of adjustments on income tax**	\$ (49.9)	(~\$34 million)
Non-GAAP Net Income	<u>\$ 109.2</u>	<u>~\$110 million to ~\$113 million</u>
GAAP net income (loss) per share (diluted)	\$ (0.93)	~\$0.03 to ~\$0.08
Non-GAAP net income per share (diluted)	<u>\$ 1.38</u>	<u>~\$1.40 to ~\$1.45</u>
Average Weighted Shares Outstanding (diluted GAAP)	78.6	78.2 million
Average Weighted Shares Outstanding (diluted Non-GAAP)	79.3	78.2 million

* Business development & integration expenses include compensation for post-combination services and acquisition-related depreciation expense.

** Assumes an effective non-GAAP tax rate of 24%, which represents the mid-point of the Company's FY'20 effective tax rate estimates that ranges from 23% to 25%.



Q1 FY'20 Guidance: GAAP to Non-GAAP Reconciliation

NETSCOUT SYSTEMS, INC
Q4 FY'19 Reconciliation of GAAP Financial Guidance to Non-GAAP Financial Guidance
(Unaudited)

(In millions, except net income per share - diluted)

	<u>Q1 FY'19</u>	<u>Q1 FY'20</u>
GAAP revenue	\$ 205.1	~\$195 million to ~\$200 million
Deferred service revenue fair value adjustment	\$ 0.5	-
Deferred product revenue fair value adjustment	\$ 0.4	-
Non-GAAP revenue	<u>\$ 206.0</u>	<u>~\$195 million to ~\$200 million</u>
HNT Tools revenue	\$ (10.4)	-
Organic non-GAAP revenue	\$ 195.6	~\$195 million to ~\$200 million
	<u>Q1 FY'19</u>	<u>Q1 FY'20</u>
GAAP Net Income (Loss)	\$ (62.5)	(-\$22 million) to (-\$21 million)
Deferred service revenue fair value adjustment	\$ 0.5	Less than \$1 million
Deferred product revenue fair value adjustment	\$ 0.4	-
Amortization of intangible assets	\$ 31.9	~\$23 million
Share-based compensation expenses	\$ 13.0	~\$13 million
Business development & integration expenses*	\$ 0.9	Less than \$1 million
New accounting standard implementation	\$ 0.8	-
Restructuring costs	\$ 1.1	-
Impairment of Intangibles	\$ 35.9	-
Total Adjustments	<u>\$ 84.5</u>	<u>~\$36 million</u>
Related impact of adjustments on income tax	\$ (19.9)	(-\$9 million)
Non-GAAP Net Income	<u>\$ 2.1</u>	<u>~\$5 million to ~\$7 million</u>
GAAP net income (loss) per share (diluted)	\$ (0.78)	(-\$0.29) to (-\$0.27)
Non-GAAP net income per share (diluted)	<u>\$ 0.03</u>	<u>~\$0.06 to ~\$0.08</u>
Average Weighted Shares Outstanding (diluted GAAP)	80.4	77.6 million
Average Weighted Shares Outstanding (diluted Non-GAAP)	81.4	78.2 million

* Business development & integration expenses include compensation for post-combination services and acquisition-related depreciation expense

** Assumes an effective tax rate of 24%, which represents the mid-point of the Company's FY'20 effective tax rate estimate that ranges from 23% to 25%.



Total Revenue Composition

(in millions)

	Q4 FY'19 GAAP	Q4 FY'18 GAAP	Q4 FY'19 Non-GAAP	Q4 FY'18 Non-GAAP	YTD FY'19 GAAP	YTD FY'18 GAAP	YTD FY'19 Non-GAAP	YTD FY'18 Non-GAAP
Total Revenue	\$235.0	\$235.2	\$235.2	\$238.5	\$909.9	\$986.8	\$911.5	\$999.3
<i>Product Revenue</i>	\$125.5	\$122.2	\$125.5	\$123.1	\$467.3	\$520.4	\$467.7	\$523.5
<i>Service Revenue</i>	\$109.5	\$113.0	\$109.8	\$115.3	\$442.6	\$466.4	\$443.8	\$475.8

Certain numbers may not total due to rounding.



GAAP to Non-GAAP Reconciliation: Q4 FY'19, Q3 FY'19, Q4 FY'18, FY'19 and FY'18 Revenue

NETSCOUT SYSTEMS, INC.
Reconciliation of Current GAAP to Current and Historical Non-GAAP Financial Measures
(In thousands, except per share data)
(Unaudited)

	Three Months Ended March 31,		Three Months Ended December 31,	Twelve Months Ended March 31,	
	2019	2018	2018	2019	2018
Product Revenue (GAAP)	\$ 125,474	\$ 122,217	\$ 134,135	\$ 467,289	\$ 520,418
Product deferred revenue fair value adjustment	-	910	-	391	3,064
Amortization of acquired intangible assets (2)	-	2	-	-	9
Non-GAAP Product Revenue	<u>\$ 125,474</u>	<u>\$ 123,129</u>	<u>\$ 134,135</u>	<u>\$ 467,680</u>	<u>\$ 523,491</u>
Service Revenue (GAAP)	\$ 109,528	\$ 113,007	\$ 111,873	\$ 442,629	\$ 466,369
Service deferred revenue fair value adjustment	242	2,328	243	1,199	9,409
Non-GAAP Service Revenue	<u>\$ 109,770</u>	<u>\$ 115,335</u>	<u>\$ 112,116</u>	<u>\$ 443,828</u>	<u>\$ 475,778</u>
Revenue (GAAP)	\$ 235,002	\$ 235,224	\$ 246,008	\$ 909,918	\$ 986,787
Product deferred revenue fair value adjustment	-	910	-	391	3,064
Service deferred revenue fair value adjustment	242	2,328	243	1,199	9,409
Amortization of acquired intangible assets (2)	-	2	-	-	9
Non-GAAP Revenue	<u>\$ 235,244</u>	<u>\$ 238,464</u>	<u>\$ 246,251</u>	<u>\$ 911,508</u>	<u>\$ 999,269</u>



GAAP to Non-GAAP Reconciliation: Q4 FY'19, Q4 FY'18, FY'19 and FY'18 Organic Non-GAAP Revenue

NETSCOUT SYSTEMS, INC.
Reconciliation of GAAP Revenue to Non-GAAP Organic Revenue
(In thousands, except per share data)
(Unaudited)

	Three Months Ended March 31,		Twelve Months Ended March 31,	
	2019	2018	2019	2018
GAAP Product Revenue	\$ 125,474	\$ 122,217	\$ 467,289	\$ 520,418
Adjustments	-	912	391	3,073
Non-GAAP Product Revenue	\$ 125,474	\$ 123,129	\$ 467,680	\$ 523,491
HNT Tools Product Revenue	-	(7,802)	(13,430)	(32,106)
Organic Non-GAAP Product Revenue	<u>\$ 125,474</u>	<u>\$ 115,327</u>	<u>\$ 454,250</u>	<u>\$ 491,385</u>
GAAP Service Revenue	\$ 109,528	\$ 113,007	\$ 442,629	\$ 466,369
Adjustments	242	2,328	1,199	9,409
Non-GAAP Service Revenue	\$ 109,770	\$ 115,335	\$ 443,828	\$ 475,778
HNT Tools Service Revenue	-	(2,852)	(4,555)	(11,976)
Organic Non-GAAP Service Revenue	<u>\$ 109,770</u>	<u>\$ 112,483</u>	<u>\$ 439,273</u>	<u>\$ 463,802</u>
GAAP Revenue	\$ 235,002	\$ 235,224	\$ 909,918	\$ 986,787
Adjustments	242	3,240	1,590	12,482
Non-GAAP Revenue	\$ 235,244	\$ 238,464	\$ 911,508	\$ 999,269
HNT Tools	-	(10,654)	(17,985)	(44,082)
Organic Non-GAAP Revenue	<u>\$ 235,244</u>	<u>\$ 227,810</u>	<u>\$ 893,523</u>	<u>\$ 955,187</u>



GAAP to Non-GAAP Reconciliation: FY'19 Quarterly Organic Non-GAAP Revenue

NETSCOUT SYSTEMS, INC.
Reconciliation of GAAP Revenue to Non-GAAP Organic Revenue
(In thousands, except per share data)
(Unaudited)

	Three Months Ended		Twelve Months Ended	
	March 31,		March 31,	
	2019	2018	2019	2018
GAAP Product Revenue	\$ 125,474	\$ 122,217	\$ 467,289	\$ 520,418
Adjustments	-	912	391	3,073
Non-GAAP Product Revenue	\$ 125,474	\$ 123,129	\$ 467,680	\$ 523,491
HNT Tools Product Revenue	-	(7,802)	(13,430)	(32,106)
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GAAP Revenue	\$ 235,002	\$ 235,224	\$ 909,918	\$ 986,787
Adjustments	242	3,240	1,590	12,482
Non-GAAP Revenue	\$ 235,244	\$ 238,464	\$ 911,508	\$ 999,269
HNT Tools Revenue	-	(10,654)	(17,985)	(44,082)
Organic Non-GAAP Revenue	<u>\$ 235,244</u>	<u>\$ 227,810</u>	<u>\$ 893,523</u>	<u>\$ 955,187</u>



GAAP to Non-GAAP Reconciliation: Q4 FY'19, Q4 FY'18, Q3 FY'19, FY'19 and FY'18 Gross Profit, Income from Operations and Net Income

NETSCOUT SYSTEMS, INC.
Reconciliation of Current GAAP to Current and Historical Non-GAAP Financial Measures
(In thousands, except per share data)
(Unaudited)

	Three Months Ended		Three Months Ended	Twelve Months Ended	
	March 31,		December 31,	March 31,	
	2019	2018	2018	2019	2018
Gross Profit (GAAP)	\$ 176,466	\$ 168,633	\$ 176,424	\$ 655,791	\$ 714,882
Product deferred revenue fair value adjustment	-	910	-	391	3,064
Service deferred revenue fair value adjustment	242	2,328	243	1,199	9,409
Share-based compensation expense (1)	1,540	1,579	1,894	7,422	5,983
Amortization of acquired intangible assets (2)	7,551	9,468	7,554	31,238	37,332
Business development and integration expense (3)	-	-	-	-	244
Acquisition related depreciation expense (6)	12	34	13	75	145
Transitional service agreement income (7)	-	-	-	2	-
Non-GAAP Gross Profit	<u>\$ 185,811</u>	<u>\$ 182,952</u>	<u>\$ 186,128</u>	<u>\$ 696,118</u>	<u>\$ 771,059</u>
Income (Loss) from Operations (GAAP)	\$ 29,231	\$ (7,525)	\$ (641)	\$ (71,580)	\$ (4,058)
Product deferred revenue fair value adjustment	-	910	-	391	3,064
Service deferred revenue fair value adjustment	242	2,328	243	1,199	9,409
Share-based compensation expense (1)	12,186	12,063	13,759	56,328	47,317
Amortization of acquired intangible assets (2)	23,977	31,206	23,987	105,543	113,972
Business development and integration expense (3)	488	112	1	874	2,689
New standard implementation expense (4)	26	1,296	72	914	2,630
Compensation for post-combination services (5)	72	242	99	789	1,108
Restructuring charges	1,179	1,388	13,895	18,693	5,209
Impairment of intangible assets	-	-	-	35,871	-
Acquisition related depreciation expense (6)	121	498	122	905	2,057
Loss on divestiture	295	-	-	9,472	-
Transitional service agreement income (7)	912	-	1,055	2,186	-
Non-GAAP Income from Operations	<u>\$ 68,729</u>	<u>\$ 42,518</u>	<u>\$ 52,592</u>	<u>\$ 161,585</u>	<u>\$ 183,397</u>
Net Income (Loss) (GAAP)	\$ 19,211	\$ 16,817	\$ (3,603)	\$ (73,324)	\$ 79,812
Product deferred revenue fair value adjustment	-	910	-	391	3,064
Service deferred revenue fair value adjustment	242	2,328	243	1,199	9,409
Share-based compensation expense (1)	12,186	12,063	13,759	56,328	47,317
Amortization of acquired intangible assets (2)	23,977	31,206	23,987	105,543	113,972
Business development and integration expense (3)	488	112	1	874	2,689
New standard implementation expense (4)	26	1,296	72	914	2,630
Compensation for post-combination services (5)	72	242	99	789	1,108
Restructuring charges	1,179	1,388	13,895	18,693	5,209
Impairment of intangible assets	-	-	-	35,871	-
Acquisition related depreciation expense (6)	121	498	122	905	2,057
Loss on divestiture	295	-	-	9,472	-
Transitional service agreement income (7)	-	-	(45)	-	-
Change in contingent consideration	1,495	-	-	1,495	-
Other income	-	(57)	-	-	(57)
Income tax adjustments (8)	(7,314)	(36,685)	(13,334)	(49,877)	(142,546)
Non-GAAP Net Income	<u>\$ 51,978</u>	<u>\$ 30,118</u>	<u>\$ 35,196</u>	<u>\$ 109,228</u>	<u>\$ 124,664</u>
Diluted Net Income (Loss) Per Share (GAAP)	\$ 0.24	\$ 0.20	\$ (0.05)	\$ (0.93)	\$ 0.90
Share impact of non-GAAP adjustments identified above	0.42	0.16	0.50	2.31	0.51
Non-GAAP Diluted Net Income Per Share	<u>\$ 0.66</u>	<u>\$ 0.36</u>	<u>\$ 0.45</u>	<u>\$ 1.38</u>	<u>\$ 1.41</u>
Shares used in computing non-GAAP diluted net income per share	78,562	83,359	78,208	79,323	88,261



GAAP to Non-GAAP Reconciliation: Q4 FY'19, Q4 FY'18, Q3 FY'19, FY'19 and FY'18 Itemization

NETSCOUT SYSTEMS, INC.
Reconciliation of Current GAAP to Current and Historical Non-GAAP Financial Measures - Continued
(In thousands, except per share data)
(Unaudited)

	Three Months Ended March 31,		Three Months Ended December 31,		Twelve Months Ended March 31,	
	2019	2018	2018		2019	2018
(1) Share-based compensation expense included in these amounts is as follows:						
Cost of product revenue	\$ 275	\$ 352	\$ 375	\$ 1,463	\$ 1,159	
Cost of service revenue	1,265	1,227	1,519	5,959	4,824	
Research and development	3,777	3,891	3,979	17,321	14,711	
Sales and marketing	3,072	3,600	4,649	18,323	15,213	
General and administrative	2,997	2,993	3,237	12,662	11,410	
Total share-based compensation expense	<u>\$ 12,186</u>	<u>\$ 12,063</u>	<u>\$ 13,759</u>	<u>\$ 56,328</u>	<u>\$ 47,317</u>	
(2) Amortization expense related to acquired software and product technology, tradenames, customer relationships included in these amounts is as follows:						
Total revenue adjustment	\$ -	\$ 2	\$ -	\$ -	\$ 9	
Cost of product revenue	7,551	9,466	7,554	31,238	37,323	
Operating expenses	16,426	21,738	16,433	74,305	76,646	
Total amortization expense	<u>\$ 23,977</u>	<u>\$ 31,206</u>	<u>\$ 23,987</u>	<u>\$ 105,543</u>	<u>\$ 113,972</u>	
(3) Business development and integration expense included in these amounts is as follows:						
Cost of product revenue	\$ -	\$ -	\$ -	\$ -	\$ 226	
Cost of service revenue	-	-	-	-	18	
Research and development	-	-	-	-	356	
Sales and marketing	-	-	-	-	357	
General and administrative	488	112	1	518	2,027	
Total business development and integration expense	<u>\$ 488</u>	<u>\$ 112</u>	<u>\$ 1</u>	<u>\$ 874</u>	<u>\$ 2,686</u>	
(4) New standard implementation expense included in these amounts is as follows:						
General and administrative	\$ 26	\$ 1,296	\$ 72	\$ 914	\$ 2,630	
Total new standard implementation expense	<u>\$ 26</u>	<u>\$ 1,296</u>	<u>\$ 72</u>	<u>\$ 914</u>	<u>\$ 2,630</u>	
(5) Compensation for post-combination services included in these amounts is as follows:						
Cost of product revenue	\$ -	\$ -	\$ -	\$ -	\$ -	
Cost of service revenue	-	-	-	-	-	
Research and development	85	209	87	705	911	
Sales and marketing	-	12	-	19	140	
General and administrative	(13)	21	12	65	57	
Total compensation for post-combination services	<u>\$ 72</u>	<u>\$ 242</u>	<u>\$ 99</u>	<u>\$ 789</u>	<u>\$ 1,108</u>	
(6) Acquisition related depreciation expense included in these amounts is as follows:						
Cost of product revenue	\$ 9	\$ 14	\$ 10	\$ 43	\$ 69	
Cost of service revenue	3	20	3	32	76	
Research and development	84	308	83	588	1,268	
Sales and marketing	10	42	11	77	182	
General and administrative	35	116	15	165	462	
Total acquisition related depreciation expense	<u>\$ 121</u>	<u>\$ 498</u>	<u>\$ 122</u>	<u>\$ 895</u>	<u>\$ 2,057</u>	
(7) Transitional service agreement income included in these amounts is as follows:						
Cost of service revenue	\$ -	\$ -	\$ -	\$ 2	\$ -	
Research and development	101	-	104	228	-	
Sales and marketing	124	-	128	302	-	
General and administrative	687	-	823	1,654	-	
Other income (expense), net	(912)	-	(1,100)	(2,231)	-	
Total transitional service agreement income	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (495)</u>	<u>\$ (455)</u>	<u>\$ -</u>	
(8) Total income tax adjustment included in these amounts is as follows:						
Tax effect of non-GAAP adjustments above	\$ (7,314)	\$ (36,685)	\$ (13,334)	\$ (49,877)	\$ (142,546)	
Total income tax adjustments	<u>\$ (7,314)</u>	<u>\$ (36,685)</u>	<u>\$ (13,334)</u>	<u>\$ (49,877)</u>	<u>\$ (142,546)</u>	



Supplementary Data: Reconciliation of Reclassification of GAAP Product and Service Revenue and Cost of Product and Service Revenue*

Supplementary Data

NETSCOUT SYSTEMS, INC.

Reconciliation of Reclassification of Product and Service Revenue and Cost of Product and Service Revenue
(In thousands)
(Unaudited)

FY18 Quarterly GAAP Reclassification

	Q1 FY18			Q2 FY18			Q3 FY18			Q4 FY18		
	Q1 as Reported	Adjustment	Q1 as Reclassified	Q2 as Reported	Adjustment	Q2 as Reclassified	Q3 as Reported	Adjustment	Q3 as Reclassified	Q4 as Reported	Adjustment	Q4 as Reclassified
Revenue:												
Product	\$ 114,822	\$ (6,163)	\$ 108,659	\$ 149,281	\$ (6,308)	\$ 142,973	\$ 153,179	\$ (6,610)	\$ 146,569	\$ 128,845	\$ (6,628)	\$ 122,217
Service	\$ 110,934	\$ 6,163	\$ 117,097	\$ 107,582	\$ 6,308	\$ 113,890	\$ 115,765	\$ 6,610	\$ 122,375	\$ 106,379	\$ 6,628	\$ 113,007
Total GAAP revenue	\$ 225,756	\$ -	\$ 225,756	\$ 256,863	\$ -	\$ 256,863	\$ 268,944	\$ -	\$ 268,944	\$ 235,224	\$ -	\$ 235,224
Cost of revenue:												
Product	\$ 37,845	\$ (1,383)	\$ 36,462	\$ 45,841	\$ (1,470)	\$ 44,371	\$ 41,327	\$ (1,517)	\$ 39,810	\$ 39,513	\$ (1,528)	\$ 37,985
Service	\$ 28,717	\$ 1,383	\$ 30,100	\$ 28,402	\$ 1,470	\$ 29,872	\$ 23,182	\$ 1,517	\$ 24,699	\$ 27,078	\$ 1,528	\$ 28,606
Total GAAP cost of revenue	\$ 66,562	\$ -	\$ 66,562	\$ 74,243	\$ -	\$ 74,243	\$ 64,509	\$ -	\$ 64,509	\$ 66,591	\$ -	\$ 66,591

FY18 & FY17 Annual GAAP Reclassification

	FY18			FY17		
	YTD as Reported	Adjustment	YTD as Reclassified	YTD as Reported	Adjustment	YTD as Reclassified
Revenue:						
Product	\$ 546,127	\$ (25,709)	\$ 520,418	\$ 735,531	\$ (20,127)	\$ 715,404
Service	\$ 440,660	\$ 25,709	\$ 466,369	\$ 426,581	\$ 20,127	\$ 446,708
Total GAAP revenue	\$ 986,787	\$ -	\$ 986,787	\$ 1,162,112	\$ -	\$ 1,162,112
Cost of revenue:						
Product	\$ 164,526	\$ (5,898)	\$ 158,628	\$ 238,003	\$ (4,728)	\$ 233,275
Service	\$ 107,379	\$ 5,898	\$ 113,277	\$ 108,136	\$ 4,728	\$ 112,864
Total GAAP cost of revenue	\$ 271,905	\$ -	\$ 271,905	\$ 346,139	\$ -	\$ 346,139

Reclassification provided for comparative purposes only



Supplementary Data: Reconciliation of Reclassification of Non-GAAP Product and Service Revenue and Cost of Product and Service Revenue*

Supplementary Data

NETSCOUT SYSTEMS, INC.

Reconciliation of Reclassification of Product and Service Revenue and Cost of Product and Service Revenue (In thousands) (Unaudited)

FY18 Quarterly Non-GAAP Reclassification

	Q1 FY18			Q2 FY18			Q3 FY18			Q4 FY18		
	Q1 as Reported	Adjustment	Q1 as Reclassified	Q2 as Reported	Adjustment	Q2 as Reclassified	Q3 as Reported	Adjustment	Q3 as Reclassified	Q4 as Reported	Adjustment	Q4 as Reclassified
Revenue:												
Product	\$ 115,540	\$ (6,163)	\$ 109,377	\$ 150,002	\$ (6,308)	\$ 143,694	\$ 153,901	\$ (6,610)	\$ 147,291	\$ 129,757	\$ (6,628)	\$ 123,129
Service	\$ 113,309	\$ 6,163	\$ 119,472	\$ 109,943	\$ 6,308	\$ 116,251	\$ 118,110	\$ 6,610	\$ 124,720	\$ 108,707	\$ 6,628	\$ 115,335
Total non-GAAP revenue	\$ 228,849	\$ -	\$ 228,849	\$ 259,945	\$ -	\$ 259,945	\$ 272,011	\$ -	\$ 272,011	\$ 238,464	\$ -	\$ 238,464
Cost of revenue:												
Product	\$ 27,928	\$ (1,383)	\$ 26,545	\$ 36,331	\$ (1,470)	\$ 34,861	\$ 31,809	\$ (1,517)	\$ 30,292	\$ 29,681	\$ (1,528)	\$ 28,153
Service	\$ 27,135	\$ 1,383	\$ 28,518	\$ 27,322	\$ 1,470	\$ 28,792	\$ 22,173	\$ 1,517	\$ 23,690	\$ 25,831	\$ 1,528	\$ 27,359
Total non-GAAP cost of revenue	\$ 55,063	\$ -	\$ 55,063	\$ 63,653	\$ -	\$ 63,653	\$ 53,982	\$ -	\$ 53,982	\$ 55,512	\$ -	\$ 55,512

FY18 & FY17 Annual Non-GAAP Reclassification

	FY18			FY17		
	YTD as Reported	Adjustment	YTD as Reclassified	YTD as Reported	Adjustment	YTD as Reclassified
Revenue:						
Product	\$ 549,200	\$ (25,709)	\$ 523,491	\$ 753,756	\$ (20,127)	\$ 733,629
Service	\$ 450,069	\$ 25,709	\$ 475,778	\$ 446,057	\$ 20,127	\$ 466,184
Total non-GAAP revenue	\$ 999,269	\$ -	\$ 999,269	\$ 1,199,813	\$ -	\$ 1,199,813
Cost of revenue:						
Product	\$ 125,749	\$ (5,898)	\$ 119,851	\$ 194,468	\$ (4,728)	\$ 189,740
Service	\$ 102,461	\$ 5,898	\$ 108,359	\$ 103,575	\$ 4,728	\$ 108,303
Total non-GAAP cost of revenue	\$ 228,210	\$ -	\$ 228,210	\$ 298,043	\$ -	\$ 298,043

* Reclassification provided for comparative purposes only





Thank You