

NETSCOUT™

Q3 FY 2020 Conference Call

*NETSCOUT SYSTEMS, INC.
January 30, 2020*



Agenda

- **Introduction & Safe Harbor**
 - Tony Piazza, Vice President, Corporate Finance
- **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, including the potential effects of the combination of service assurance and security technologies; statements regarding the extent of the Company's deployment of its software-only platform, statements regarding shifts in market trends including revenue opportunities related to 5G networks, digital transformation, security, and business analytics; statements regarding market conditions, 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, future share repurchases and the timing of those purchases, constitute forward-looking statements which involve risks and uncertainties. Actual results could differ materially from the forward-looking statements due to known and unknown risks, 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 its products; The Company's 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, 2019 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 gross profit, 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, non-GAAP gross profit, 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 profit and operating margin, net income, cash flow from operations and diluted net income 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, without the supplemental non-GAAP disclosures, might 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 provides 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
President and Chief Executive Officer

Q3 FY'20 Highlights

Non-GAAP (\$ in millions, except per share data)	Q3 FY'20 12/31/2019	Q3 FY'19 12/31/2018	YTD FY'20 12/31/2019	YTD FY'19 12/31/2018
Revenue	\$ 260.1	\$ 246.3	\$ 662.6	\$ 676.3
Gross Margin	77.8%	75.6%	76.6%	75.5%
Operating Margin	27.3%	21.4%	17.3%	13.7%
EPS	\$ 0.73	\$ 0.45	\$ 1.07	\$ 0.72

- Revenue and EPS exceeded the high-end of our expectations
- Solid revenue growth in both our Service Provider and Enterprise verticals
- Record “software only” sales contributed to higher profitability
- Continue to advance our product strategy and go to market activities

See Appendix for GAAP-Non-GAAP and GAAP-Non-GAAP Pro Forma Reconciliations



Business Highlights

- Service Provider
 - Key Q3 Transactions
 - Market Overview
- Enterprise
 - Digital Transformation
 - Integration of Service Assurance & Security Technology



FY'20 Outlook & Summary

- Remain excited about the opportunities we are seeing and our ability to capitalize on them
- Focused on generating low-single digit organic revenue growth, and are narrowing our revenue range to \$900 million to \$910 million
- Increasing our diluted non-GAAP EPS by 6 cents to a range of \$1.51 to \$1.56, reflecting tax reform legislation clarifications and continued capital structure efficiency initiatives

See Appendix for GAAP-Non-GAAP Reconciliations



COO Update

Michael Szabados
Chief Operating Officer

COO Highlights

- Customer wins

- Go-to-market activities



Financial Review & FY'20 Outlook

Jean Bua

Executive Vice President and Chief Financial Officer

Q3 and First Nine Months YTD FY'20 Results

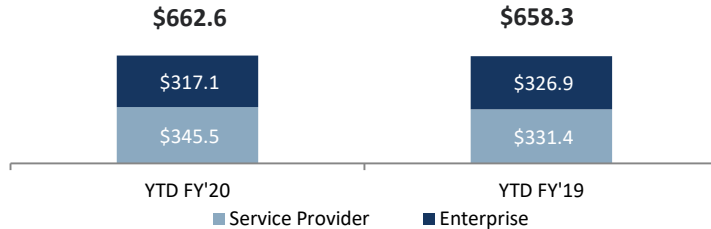
	Q3 FY'20 Non-GAAP	Q3 FY'19 Non-GAAP	% Change	Q3 FY'20 GAAP	Q3 FY'19 GAAP	% Change	YTD FY'20 Non-GAAP	YTD FY'19 Non-GAAP	% Change	YTD FY'20 GAAP	YTD FY'19 GAAP	% Change
<i>(in millions except EPS and % data)</i>	12/31/2019	12/31/2018		12/31/2019	12/31/2018		12/31/2019	12/31/2018		12/31/2019	12/31/2018	
Revenue:												
Product	\$ 143.3	\$ 134.1	6.9%	\$ 143.3	\$ 134.1	6.9%	\$ 321.8	\$ 342.2	-6.0%	\$ 321.8	\$ 341.8	-5.9%
Service	\$ 116.8	\$ 112.2	4.1%	\$ 116.7	\$ 111.9	4.3%	\$ 340.8	\$ 334.1	2.0%	\$ 340.7	\$ 333.1	2.3%
Total revenue	\$ 260.1	\$ 246.3	5.6%	\$ 260.0	\$ 246.0	5.7%	\$ 662.6	\$ 676.3	-2.0%	\$ 662.5	\$ 674.9	-1.8%
Cost of revenue	\$ 57.9	\$ 60.1	-3.7%	\$ 65.6	\$ 69.6	-5.7%	\$ 155.3	\$ 166.0	-6.4%	\$ 179.5	\$ 195.6	-8.2%
Gross profit	\$ 202.2	\$ 186.2	8.6%	\$ 194.4	\$ 176.4	10.2%	\$ 507.3	\$ 510.3	-0.6%	\$ 483.0	\$ 479.3	0.8%
<i>Gross profit margin</i>	77.8%	75.6%		74.8%	71.7%		76.6%	75.5%		72.9%	71.0%	
Operating expenses	\$ 131.3	\$ 133.5	-1.7%	\$ 157.6	\$ 177.1	-11.0%	\$ 392.7	\$ 417.5	-5.9%	\$ 477.9	\$ 580.1	-17.6%
Income (loss) from operations	\$ 70.9	\$ 52.7	34.6%	\$ 36.8	\$ (0.6)	-6233.3%	\$ 114.6	\$ 92.9	23.4%	\$ 5.1	\$ (100.8)	-105.1%
<i>Income (loss) from operations margin</i>	27.3%	21.4%		14.2%	-0.3%		17.3%	13.7%		0.8%	-14.9%	
Net income (loss)	\$ 54.7	\$ 35.2	55.4%	\$ 36.7	\$ (3.6)	-1119.4%	\$ 81.6	\$ 57.3	42.4%	\$ (10.1)	\$ (92.5)	-89.1%
Diluted net income (loss) per share	\$ 0.73	\$ 0.45	62.2%	\$ 0.49	\$ (0.05)	-1080.0%	\$ 1.07	\$ 0.72	48.6%	\$ (0.13)	\$ (1.17)	-88.9%
Diluted shares outstanding	74.7	78.2	-4.5%	74.7	77.8	-4.0%	76.5	79.6	-3.9%	75.8	78.9	-3.9%

See Appendix for GAAP-Non-GAAP Reconciliations



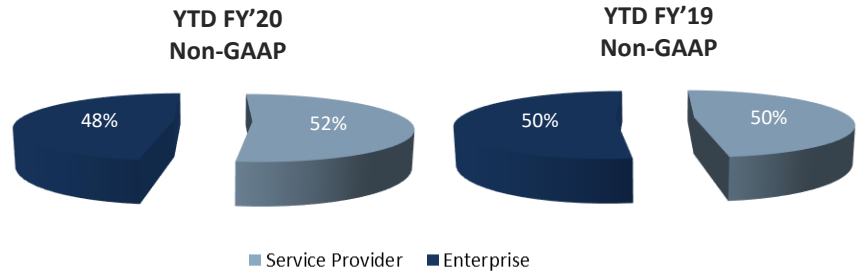
First Nine Months YTD FY'20 Revenue Trends: Customer Verticals Excluding HNT Tools Divestiture

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



Figures in charts and tables may not total due to rounding

Total Non-GAAP Revenue Composition by Customer Vertical

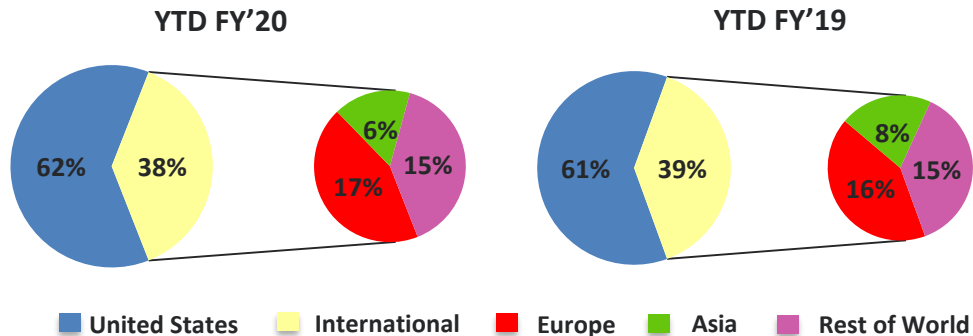


See Appendix for GAAP-Non-GAAP Reconciliations



First Nine Months YTD FY'20 Revenue Trends: Geographic Mix on a GAAP Basis

	YTD FY'20 GAAP 12/31/19	YTD FY'19 GAAP 12/31/18
Total Revenue	\$662.5	\$674.9
<i>United States</i>	\$410.3	\$412.4
<i>International</i>	\$252.2	\$262.5
<i>Europe</i>	\$110.3	\$109.5
<i>Asia</i>	\$41.6	\$54.3
<i>Rest of World</i>	\$100.3	\$98.7



Figures in charts and tables may not total due to rounding

See Appendix for GAAP-Non-GAAP Reconciliations



GAAP Balance Sheet Highlights & Free Cash Flow

(in millions)

<i>(Unaudited)</i>	Q3 FY'20 12/31/19	
<i>Cash and Securities*</i>	\$	346.5
<i>Accounts Receivable, Net</i>	\$	244.9
<i>Inventories</i>	\$	25.0
<i>Total Long-Term Debt</i>	\$	450.0
<i>Total Deferred Revenue</i>	\$	365.5
<i>Total Stockholders' Equity</i>	\$	1,962.8

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

Free Cash Flow				
	Q1 FY'20 6/30/2019	Q2 FY'20 9/30/2019	Q3 FY'20 12/31/2019	YTD FY'20 12/31/2019
Operating Cash Flow	\$ 49.5	\$ (1.0)	\$ 69.3	\$ 117.8
Purchase of Fixed Assets & Intangible Assets	\$ (3.3)	\$ (5.8)	\$ (6.1)	\$ (15.2)
Free Cash Flow	\$ 46.2	\$ (6.8)	\$ 63.2	\$ 102.6

Financial Profile	
	Q3 FY'20 12/31/2019
Cash and Securities position	\$346.5
Liquidity	3.3x
Gross leverage	2.1x
Net leverage	0.5x

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 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.

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 from Operations 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	~\$900 to ~\$910
HNT Tools	(\$18.0)	(\$18.0)	-
Organic Revenue	\$891.9	\$893.5	~\$900 to ~\$910

EPS (Diluted)

	FY'19	FY'20 Guidance
GAAP EPS (diluted)	(\$0.93)	\$0.01 to \$0.06
Adjustments	\$2.31	\$1.50
Non-GAAP EPS (diluted)	\$1.38	\$1.51 to \$1.56

Other FY'20 Guidance Assumptions

- * Tax rate anticipated to range from 20% to 22%
- * Weighted average of ~76 million diluted shares outstanding



Appendix

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 center 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	~\$900 million to ~\$910 million
Deferred service revenue fair value adjustment	\$ 1.2	Less than \$1 million
Deferred product revenue fair value adjustment	\$ 0.4	-
Non-GAAP revenue	\$ 911.5	~\$900 million to ~\$910 million
HNT Tools Revenue	\$ (18.0)	-
Organic non-GAAP revenue	\$ 893.5	~\$900 million to ~\$910 million
	FY'19	FY'20
GAAP Net Income (Loss)	\$ (73.3)	~\$1 million to ~\$5 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	~\$90 million
Share-based compensation expenses	\$ 56.3	~\$51 million
Business development & integration expenses*	\$ 2.5	Less than \$1 million
New accounting standard implementation	\$ 0.9	-
Restructuring costs	\$ 18.7	Less than \$1 million
Impairment of Intangibles	\$ 35.9	-
Loss on divestiture	\$ 9.5	-
Change in contingent consideration	\$ 1.5	Less than \$1 million
Total Adjustments	\$ 232.4	~\$142 million to ~\$143 million
Related impact of adjustments on income tax	\$ (49.9)	(~\$29 million)
Non-GAAP Net Income	\$ 109.2	~\$115 million to ~\$119 million
GAAP net income (loss) per share (diluted)	\$ (0.93)	~\$0.01 to ~\$0.06
Non-GAAP net income per share (diluted)	\$ 1.38	~\$1.51 to ~\$1.56
Average Weighted Shares Outstanding (diluted GAAP)	78.6	~76 million
Average Weighted Shares Outstanding (diluted Non-GAAP)	79.3	~76 million

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

Figures in charts and tables may not total due to rounding



Total Revenue Composition

(in millions)

	Q3 FY'20 12/31/2019 GAAP	Q3 FY'19 12/31/2018 GAAP	YTD FY'20 12/31/2019 GAAP	YTD FY'19 12/31/2018 GAAP	Q3 FY'20 12/31/2019 Non-GAAP	Q3 FY'19 12/31/2018 Non-GAAP	YTD FY'20 12/31/2019 Non-GAAP	YTD FY'19 12/31/2018 Non-GAAP
Total Revenue	\$260.0	\$246.0	\$662.5	\$674.9	\$260.1	\$246.3	\$662.6	\$676.3
<i>Product Revenue</i>	\$143.3	\$134.1	\$321.8	\$341.8	\$143.3	\$134.1	\$321.8	\$342.2
<i>Service Revenue</i>	\$116.7	\$111.9	\$340.7	\$333.1	\$116.8	\$112.2	\$340.8	\$334.1

Figures in charts and tables may not total due to rounding



GAAP to Non-GAAP Reconciliation: Q3'FY20, Q3'FY19, Q2 FY'20, YTD'FY20 & YTD FY'19 Revenue

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

	<u>Three Months Ended December 31,</u>		<u>Three Months Ended September 30,</u>		<u>Nine Months Ended December 31,</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>		<u>2019</u>	<u>2018</u>
Product Revenue (GAAP)	\$ 143,309	\$ 134,135	\$ 102,775	\$ 321,803	\$ 341,815	
Product deferred revenue fair value adjustment	-	-	-	-	391	
Non-GAAP Product Revenue	<u>\$ 143,309</u>	<u>\$ 134,135</u>	<u>\$ 102,775</u>	<u>\$ 321,803</u>	<u>\$ 342,206</u>	
Service Revenue (GAAP)	\$ 116,715	\$ 111,873	\$ 113,646	\$ 340,666	\$ 333,101	
Service deferred revenue fair value adjustment	48	243	48	144	957	
Non-GAAP Service Revenue	<u>\$ 116,763</u>	<u>\$ 112,116</u>	<u>\$ 113,694</u>	<u>\$ 340,810</u>	<u>\$ 334,058</u>	
Revenue (GAAP)	\$ 260,024	\$ 246,008	\$ 216,421	\$ 662,469	\$ 674,916	
Product deferred revenue fair value adjustment	-	-	-	-	391	
Service deferred revenue fair value adjustment	48	243	48	144	957	
Non-GAAP Revenue	<u>\$ 260,072</u>	<u>\$ 246,251</u>	<u>\$ 216,469</u>	<u>\$ 662,613</u>	<u>\$ 676,264</u>	



GAAP to Non-GAAP Reconciliation: Q3'FY20, Q3'FY19, YTD'FY20 & YTD FY'19 Organic Non-GAAP Revenue

NETSCOUT SYSTEMS, INC.

Reconciliation of GAAP Revenue to Non-GAAP Organic Revenue (In thousands) (Unaudited)

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2019	2018	2019	2018
GAAP Product Revenue	\$ 143,309	\$ 134,135	\$ 321,803	\$ 341,815
Adjustments	-	-	-	391
Non-GAAP Product Revenue	\$ 143,309	\$ 134,135	\$ 321,803	\$ 342,206
HNT Tools Product Revenue	-	-	-	(13,430)
Organic Non-GAAP Product Revenue	<u>\$ 143,309</u>	<u>\$ 134,135</u>	<u>\$ 321,803</u>	<u>\$ 328,776</u>
GAAP Service Revenue	\$ 116,715	\$ 111,873	\$ 340,666	\$ 333,101
Adjustments	48	243	144	957
Non-GAAP Service Revenue	\$ 116,763	\$ 112,116	\$ 340,810	\$ 334,058
HNT Tools Service Revenue	-	-	-	(4,555)
Organic Non-GAAP Service Revenue	<u>\$ 116,763</u>	<u>\$ 112,116</u>	<u>\$ 340,810</u>	<u>\$ 329,503</u>
GAAP Revenue	\$ 260,024	\$ 246,008	\$ 662,469	\$ 674,916
Adjustments	48	243	144	1,348
Non-GAAP Revenue	\$ 260,072	\$ 246,251	\$ 662,613	\$ 676,264
HNT Tools Revenue	-	-	-	(17,985)
Organic Non-GAAP Revenue	<u>\$ 260,072</u>	<u>\$ 246,251</u>	<u>\$ 662,613</u>	<u>\$ 658,279</u>



GAAP to Non-GAAP Reconciliation: Q3'FY20, Q3'FY19, Q2'FY20, YTD'FY20 & YTD FY'19 Gross Profit, Income from Operations and Net Income (loss)

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 December 31,		Three Months Ended September 30,		Nine Months Ended December 31,	
	2019	2018	2019	2018	2019	2018
Gross Profit (GAAP)	\$ 194,439	\$ 176,424	\$ 157,289	\$ 483,009	\$ 479,325	
Product deferred revenue fair value adjustment	-	-	-	-	391	
Service deferred revenue fair value adjustment	48	243	48	144	957	
Share-based compensation expense (1)	1,506	1,894	2,187	5,427	5,882	
Amortization of acquired intangible assets (2)	6,222	7,554	6,225	18,677	23,687	
Acquisition related depreciation expense (6)	7	13	6	26	63	
Transitional service agreement income (7)	-	-	-	-	2	
Non-GAAP Gross Profit	<u>\$ 202,222</u>	<u>\$ 186,128</u>	<u>\$ 165,755</u>	<u>\$ 507,283</u>	<u>\$ 510,307</u>	
Income (loss) from Operations (GAAP)	\$ 36,819	\$ (641)	\$ (7,295)	\$ 5,076	\$ (100,811)	
Product deferred revenue fair value adjustment	-	-	-	-	391	
Service deferred revenue fair value adjustment	48	243	48	144	957	
Share-based compensation expense (1)	11,361	13,759	15,857	39,961	44,142	
Amortization of acquired intangible assets (2)	22,342	23,987	22,357	67,072	81,566	
Business development and integration expense (3)	20	1	39	38	386	
New standard implementation expense (4)	1	72	-	10	888	
Compensation for post-combination services (5)	125	99	135	453	717	
Restructuring charges	193	13,895	150	466	17,514	
Impairment of intangible assets	-	-	-	-	35,871	
Acquisition related depreciation expense (6)	61	122	69	251	784	
Loss on divestiture	-	-	-	-	9,177	
Transitional service agreement income (expense) (7)	(25)	1,055	275	1,159	1,274	
Non-GAAP Income from Operations	<u>\$ 70,945</u>	<u>\$ 52,592</u>	<u>\$ 31,635</u>	<u>\$ 114,630</u>	<u>\$ 92,856</u>	
Net Income (loss) (GAAP)	\$ 36,725	\$ (3,603)	\$ (17,472)	\$ (10,090)	\$ (92,535)	
Product deferred revenue fair value adjustment	-	-	-	-	391	
Service deferred revenue fair value adjustment	48	243	48	144	957	
Share-based compensation expense (1)	11,361	13,759	15,857	39,961	44,142	
Amortization of acquired intangible assets (2)	22,342	23,987	22,357	67,072	81,566	
Business development and integration expense (3)	20	1	39	38	386	
New standard implementation expense (4)	1	72	-	10	888	
Compensation for post-combination services (5)	125	99	135	453	717	
Restructuring charges	193	13,895	150	466	17,514	
Impairment of intangible assets	-	-	-	-	35,871	
Acquisition related depreciation expense (6)	61	122	69	251	784	
Loss on divestiture	-	-	-	-	9,177	
Transitional service agreement expense (7)	-	(45)	-	-	(45)	
Change in contingent consideration	-	-	(6)	517	-	
Income tax adjustments (8)	(16,182)	(13,334)	161	(17,179)	(42,563)	
Non-GAAP Net Income	<u>\$ 54,694</u>	<u>\$ 35,196</u>	<u>\$ 21,358</u>	<u>\$ 81,646</u>	<u>\$ 57,250</u>	
Diluted Net Loss Per Share (GAAP)	\$ 0.49	\$ (0.05)	\$ (0.23)	\$ (0.13)	\$ (1.17)	
Share impact of non-GAAP adjustments identified above	0.24	0.50	0.51	1.20	1.89	
Non-GAAP Diluted Net Income Per Share	<u>\$ 0.73</u>	<u>\$ 0.45</u>	<u>\$ 0.28</u>	<u>\$ 1.07</u>	<u>\$ 0.72</u>	
Shares used in computing non-GAAP diluted net income per share	74,700	78,208	76,310	76,474	79,648	



GAAP to Non-GAAP Reconciliation: Q3'FY20, Q3'FY19, Q2'FY20, YTD'FY20 & YTD FY'19 Itemization

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

	Three Months Ended December 31,		Three Months Ended September 30,		Nine Months Ended December 31,	
	2019	2018	2019	2019	2019	2018
(1) Share-based compensation expense included in these amounts is as follows:						
Cost of product revenue	\$ 231	\$ 375	\$ 345	\$ 843	\$ 1,188	
Cost of service revenue	1,275	1,519	1,842	4,584	4,694	
Research and development	3,437	3,979	4,820	12,076	13,544	
Sales and marketing	3,910	4,649	5,288	13,333	15,051	
General and administrative	2,508	3,237	3,562	9,125	9,665	
Total share-based compensation expense	<u>\$ 11,361</u>	<u>\$ 13,759</u>	<u>\$ 15,857</u>	<u>\$ 39,961</u>	<u>\$ 44,142</u>	
(2) Amortization expense related to acquired software and product technology, tradenames, customer relationships included in these amounts is as follows:						
Cost of product revenue	\$ 6,222	\$ 7,554	\$ 6,225	\$ 18,677	\$ 23,687	
Operating expenses	16,120	16,433	16,132	48,395	57,879	
Total amortization expense	<u>\$ 22,342</u>	<u>\$ 23,987</u>	<u>\$ 22,357</u>	<u>\$ 67,072</u>	<u>\$ 81,566</u>	
(3) Business development and integration expense included in these amounts is as follows:						
Research and development	\$ -	\$ -	\$ -	\$ 43	\$ 356	
General and administrative	20	1	39	(5)	30	
Total business development and integration expense	<u>\$ 20</u>	<u>\$ 1</u>	<u>\$ 39</u>	<u>\$ 38</u>	<u>\$ 386</u>	
(4) New standard implementation expense included in these amounts is as follows:						
General and administrative	\$ 1	\$ 72	\$ -	\$ 10	\$ 898	
Total new standard implementation expense	<u>\$ 1</u>	<u>\$ 72</u>	<u>\$ -</u>	<u>\$ 10</u>	<u>\$ 898</u>	
(5) Compensation for post-combination services included in these amounts is as follows:						
Research and development	\$ 125	\$ 87	\$ 135	\$ 453	\$ 620	
Sales and marketing	-	-	-	-	19	
General and administrative	-	12	-	-	78	
Total compensation for post-combination services	<u>\$ 125</u>	<u>\$ 99</u>	<u>\$ 135</u>	<u>\$ 453</u>	<u>\$ 717</u>	
(6) Acquisition related depreciation expense included in these amounts is as follows:						
Cost of product revenue	\$ 4	\$ 10	\$ 4	\$ 18	\$ 34	
Cost of service revenue	3	3	2	8	29	
Research and development	43	83	48	174	504	
Sales and marketing	8	11	9	27	67	
General and administrative	3	15	6	24	150	
Total acquisition related depreciation expense	<u>\$ 61</u>	<u>\$ 122</u>	<u>\$ 69</u>	<u>\$ 251</u>	<u>\$ 784</u>	
(7) Transitional service agreement income included in these amounts is as follows:						
Cost of service revenue	\$ -	\$ -	\$ -	\$ -	\$ 2	
Research and development	(25)	104	10	87	127	
Sales and marketing	-	128	42	168	178	
General and administrative	-	823	223	904	967	
Other income (expense), net	25	(1,000)	(275)	(1,159)	(1,319)	
Total transitional service agreement income	<u>\$ -</u>	<u>\$ (45)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (46)</u>	
(8) Total income tax adjustment included in these amounts is as follows:						
Tax effect of non-GAAP adjustments above	\$ (16,182)	\$ (13,334)	\$ 181	\$ (17,176)	\$ (42,563)	
Total income tax adjustments	<u>\$ (16,182)</u>	<u>\$ (13,334)</u>	<u>\$ 181</u>	<u>\$ (17,176)</u>	<u>\$ (42,563)</u>	





Thank You