

NETSCOUT™

Q4 & FY 2020 Conference Call

*NETSCOUT SYSTEMS, INC.
May 7, 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
- **CFO Financial Review**
 - 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 fiscal year 2021 assumptions for NetScout, customer behaviors and demand trends, statements that NetScout believes that this global pandemic could accelerate certain trends such as digital transformation and cloud migration, security requirements, and 5G over the longer term; that NetScout is committed and well positioned to fulfill its purpose; that NetScout will maintain its disciplined cost and capital management approach while continuing to innovate and invest in its technology and solutions to maintain its leadership position; and that NetScout is confident that its solid balance sheet and financial position provides it with the liquidity and flexibility necessary to weather these uncertain and challenging times, constitute forward looking statements that 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, including the potential impact of the COVID-19 pandemic; 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 anticipated savings from any 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

Introductory Comments

- Our purpose as “Guardians of the Connected World” has never been more important than it is in these unprecedented and challenging times
- We continue to effectively operate our business to support our customers
- Our “Lean but not Mean” culture prioritizes the health & safety of our stakeholders
- We believe that our solid financial position provides us with the liquidity and flexibility necessary to weather these challenging times



FY'20 Non-GAAP Financial Results

Non-GAAP (\$ in millions, except per share data)	FY'20 3/31/2020	FY'19 3/31/2019
Revenue	\$ 892.0	\$ 911.5
Gross Margin	76.4%	76.4%
Operating Margin	18.3%	17.7%
EPS	\$ 1.57	\$ 1.38

Note: FY2019 includes \$18M of revenue related to the divested HNT tools business.

- Solid EPS growth despite flat revenue, on an organic basis (see Note above)
- Service Provider revenue grew 1% while Enterprise declined 1.4%
- Strong “software only” sales progress during the fiscal year



Q4 FY'20 Non-GAAP Financial Results

Non-GAAP (\$ in millions, except per share data)	Q4 FY'20 3/31/2020	Q4 FY'19 3/31/2019
Revenue	\$ 229.4	\$ 235.3
Gross Margin	76.0%	79.0%
Operating Margin	21.2%	29.2%
EPS	\$ 0.50	\$ 0.66

- Revenue lower than expected due to the COVID-19 global pandemic
- Second quarter of consecutive revenue growth in the Enterprise vertical
- Strong DDoS performance in the quarter



FY'21 Outlook & Trends

Outlook

- Our unique solutions can assist customers with addressing unexpected challenges resulting from the pandemic
- We remain encouraged about the opportunities we see and our ability to capitalize on them
- We will defer providing fiscal year 2021 guidance until there is greater visibility into the duration and magnitude of the effect of the COVID-19 global pandemic
- We remain committed to improving operations, maintaining disciplined cost controls, and enhancing our EPS performance

Trends

- Service Provider – 5G
- Enterprise – Digital Transformation and 5G
- DDoS – Security Threat Landscape



COO Update

Michael Szabados
Chief Operating Officer

COO Highlights

- Customer wins

- Go-to-market activities



Financial Review & FY'21 Outlook

Jean Bua

Executive Vice President and Chief Financial Officer

Q4 FY'20 & FY'20 Results

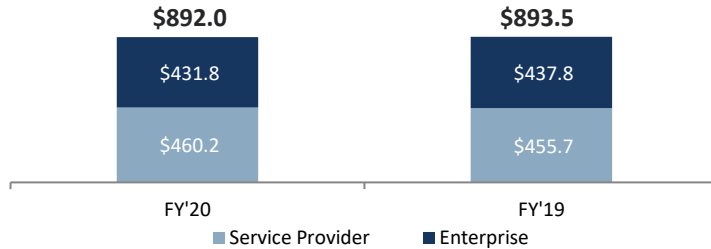
	Q4 FY'20 Non-GAAP	Q4 FY'19 Non-GAAP	% Change	Q4 FY'20 GAAP	Q4 FY'19 GAAP	% Change	FY'20 Non-GAAP	FY'19 Non-GAAP	% Change	FY'20 GAAP	FY'19 GAAP	% Change
<i>(in millions except EPS and % data)</i>	3/31/2020	3/31/2019		3/31/2020	3/31/2019		3/31/2020	3/31/2019		3/31/2020	3/31/2019	
Revenue:												
Product	\$ 116.5	\$ 125.5	-7.2%	\$ 116.5	\$ 125.5	-7.2%	\$ 438.3	\$ 467.7	-6.3%	\$ 438.3	\$ 467.3	-6.2%
Service	\$ 112.9	\$ 109.8	2.8%	\$ 112.8	\$ 109.5	3.0%	\$ 453.7	\$ 443.8	2.2%	\$ 453.5	\$ 442.6	2.5%
Total revenue	\$ 229.4	\$ 235.3	-2.5%	\$ 229.3	\$ 235.0	-2.4%	\$ 892.0	\$ 911.5	-2.1%	\$ 891.8	\$ 909.9	-2.0%
Cost of revenue	\$ 55.0	\$ 49.4	11.3%	\$ 62.7	\$ 58.5	7.2%	\$ 210.3	\$ 215.4	-2.4%	\$ 242.2	\$ 254.1	-4.7%
Gross profit	\$ 174.4	\$ 185.9	-6.2%	\$ 166.6	\$ 176.5	-5.6%	\$ 681.7	\$ 696.1	-2.1%	\$ 649.6	\$ 655.8	-0.9%
Gross profit margin	76.0%	79.0%		72.7%	75.1%		76.4%	76.4%		72.8%	72.1%	
Operating expenses	\$ 125.7	\$ 117.2	7.3%	\$ 154.0	\$ 147.3	4.5%	\$ 518.4	\$ 534.5	-3.0%	\$ 632.0	\$ 727.4	-13.1%
Income (loss) from operations	\$ 48.7	\$ 68.7	-29.1%	\$ 12.6	\$ 29.2	-56.8%	\$ 163.3	\$ 161.6	1.0%	\$ 17.6	\$ (71.6)	-124.6%
Income (loss) from operations margin	21.2%	29.2%		5.5%	12.4%		18.3%	17.7%		2.0%	-7.9%	
Net income (loss)	\$ 37.4	\$ 52.0	-28.1%	\$ 7.3	\$ 19.2	-62.0%	\$ 119.1	\$ 109.2	9.1%	\$ (2.8)	\$ (73.3)	-96.2%
Diluted net income (loss) per share	\$ 0.50	\$ 0.66	-24.2%	\$ 0.10	\$ 0.24	-58.3%	\$ 1.57	\$ 1.38	13.8%	\$ (0.04)	\$ (0.93)	-95.7%
Diluted shares outstanding	74.1	78.6	-5.7%	74.1	78.6	-5.7%	75.8	79.3	-4.4%	75.2	78.6	-4.3%

Note: FY2019 includes \$18M of revenue related to the divested HNT tools business (GAAP and Non-GAAP).



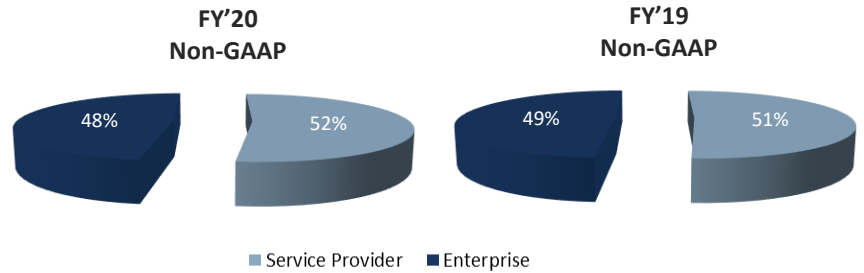
FY'20 Revenue Trends: Customer Verticals Excluding HNT Tools Divestiture

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



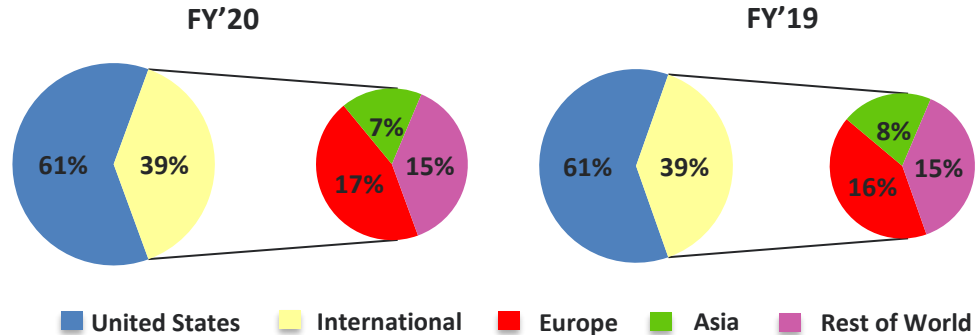
See Appendix for GAAP-Non-GAAP Reconciliations



FY'20 Revenue Trends: Geographic Mix on a GAAP Basis

Note: FY2019 includes \$18M of revenue related to the divested HNT tools business.

	FY'20 GAAP 3/31/20	FY'19 GAAP 3/31/19
Total Revenue	\$891.8	\$909.9
<i>United States</i>	\$545.6	\$553.3
<i>International</i>	\$346.2	\$356.7
<i>Europe</i>	\$154.5	\$148.0
<i>Asia</i>	\$59.9	\$72.4
<i>Rest of World</i>	\$131.8	\$136.3



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>	Q4 FY'20 3/31/20
Cash and Securities*	\$ 389.1
Accounts Receivable, Net	\$ 213.5
Inventories	\$ 22.2
Total Long-Term Debt	\$ 450.0
Total Deferred Revenue	\$ 374.5
Total Stockholders' Equity	\$ 1,937.9

* 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	Q4 FY'20 3/31/2020	FY'20 3/31/2020
Operating Cash Flow	\$ 49.5	\$ (1.0)	\$ 69.3	\$ 107.2	\$ 225.0
Purchase of Fixed Assets & Intangible Assets	\$ (3.3)	\$ (5.8)	\$ (6.1)	\$ (4.7)	\$ (19.9)
Free Cash Flow	\$ 46.2	\$ (6.8)	\$ 63.2	\$ 102.5	\$ 205.1

Financial Profile	
	Q4 FY'20 3/31/2020
Cash and Securities position	\$389.1
Liquidity	3.4x
Gross leverage	2.3x
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 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'21 Commentary

Given the rapidly evolving COVID-19 situation, it is not possible, with reasonable accuracy, to estimate the impact of the pandemic on future financial performance. Therefore, the Company will defer providing fiscal year 2021 guidance until there is a clearer outlook on the duration and magnitude of the effects of the global pandemic.

Q1 FY'21 Capital Structure Items

- * Anticipate a tax rate of 23%, consistent with Q1 of the prior year
- * Estimate ~73 million weighted average diluted shares outstanding



Upcoming Investor Events

Date	Event	Location
May 20, 2020	15 th Annual Needham Virtual Technology & Media Conference	Virtual
June 3, 2020	Baird 2020 Global Consumer, Technology & Services Conference	Virtual



Appendix

The background of the slide is a dark, monochromatic photograph of a tunnel. The ceiling is composed of a series of curved, ribbed panels that create a strong sense of perspective, drawing the viewer's eye towards the vanishing point in the distance. The lighting is low, with subtle highlights on the ribs of the ceiling, creating a rhythmic pattern of light and shadow. The overall mood is mysterious and industrial.

Total Revenue Composition

(in millions)

	Q4 FY'20 3/31/2020 GAAP	Q4 FY'19 3/31/2019 GAAP	FY'20 3/31/2020 GAAP	FY'19 3/31/2019 GAAP	Q4 FY'20 3/31/2020 Non-GAAP	Q4 FY'19 3/31/2019 Non-GAAP	FY'20 3/31/2020 Non-GAAP	FY'19 3/31/2019 Non-GAAP
Total Revenue	\$229.3	\$235.0	\$891.8	\$909.9	\$229.4	\$235.3	\$892.0	\$911.5
<i>Product Revenue</i>	\$116.5	\$125.5	\$438.3	\$467.3	\$116.5	\$125.5	\$438.3	\$467.7
<i>Service Revenue</i>	\$112.8	\$109.5	\$453.5	\$442.6	\$112.9	\$109.8	\$453.7	\$443.8

Figures in charts and tables may not total due to rounding



GAAP to Non-GAAP Reconciliation: Q4 FY'20, Q4 FY'19, Q3 FY'20, FY'20 & FY'19 Revenue

	Three Months Ended March 31,		Three Months Ended December 31,	Twelve Months Ended March 31,	
	2020	2019	2019	2020	2019
Product Revenue (GAAP)	\$ 116,538	\$ 125,474	\$ 143,309	\$ 438,341	\$ 467,289
Product deferred revenue fair value adjustment	-	-	-	-	391
Non-GAAP Product Revenue	<u>\$ 116,538</u>	<u>\$ 125,474</u>	<u>\$ 143,309</u>	<u>\$ 438,341</u>	<u>\$ 467,680</u>
Service Revenue (GAAP)	\$ 112,813	\$ 109,528	\$ 116,715	\$ 453,479	\$ 442,629
Service deferred revenue fair value adjustment	48	242	48	192	1,199
Non-GAAP Service Revenue	<u>\$ 112,861</u>	<u>\$ 109,770</u>	<u>\$ 116,763</u>	<u>\$ 453,671</u>	<u>\$ 443,828</u>
Revenue (GAAP)	\$ 229,351	\$ 235,002	\$ 260,024	\$ 891,820	\$ 909,918
Product deferred revenue fair value adjustment	-	-	-	-	391
Service deferred revenue fair value adjustment	48	242	48	192	1,199
Non-GAAP Revenue	<u>\$ 229,399</u>	<u>\$ 235,244</u>	<u>\$ 260,072</u>	<u>\$ 892,012</u>	<u>\$ 911,508</u>



GAAP to Non-GAAP Reconciliation: Q4 FY'20, Q4 FY'19, FY'20 & FY'19 Organic Non-GAAP Revenue

	Three Months Ended March 31,		Twelve Months Ended March 31,	
	2020	2019	2020	2019
GAAP Product Revenue	\$ 116,538	\$ 125,474	\$ 438,341	\$ 467,289
Adjustments	-	-	-	391
Non-GAAP Product Revenue	\$ 116,538	\$ 125,474	\$ 438,341	\$ 467,680
HNT Tools Product Revenue	-	-	-	(13,430)
Organic Non-GAAP Product Revenue	<u>\$ 116,538</u>	<u>\$ 125,474</u>	<u>\$ 438,341</u>	<u>\$ 454,250</u>
GAAP Service Revenue	\$ 112,813	\$ 109,528	\$ 453,479	\$ 442,629
Adjustments	48	242	192	1,199
Non-GAAP Service Revenue	\$ 112,861	\$ 109,770	\$ 453,671	\$ 443,828
HNT Tools Service Revenue	-	-	-	(4,555)
Organic Non-GAAP Service Revenue	<u>\$ 112,861</u>	<u>\$ 109,770</u>	<u>\$ 453,671</u>	<u>\$ 439,273</u>
GAAP Revenue	\$ 229,351	\$ 235,002	\$ 891,820	\$ 909,918
Adjustments	48	242	192	1,590
Non-GAAP Revenue	\$ 229,399	\$ 235,244	\$ 892,012	\$ 911,508
HNT Tools Revenue	-	-	-	(17,985)
Organic Non-GAAP Revenue	<u>\$ 229,399</u>	<u>\$ 235,244</u>	<u>\$ 892,012</u>	<u>\$ 893,523</u>



GAAP to Non-GAAP Reconciliation: Q4 FY'20, Q4 FY'19, Q3 FY'20, FY'20 & 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		Three Months Ended		Twelve Months Ended	
	March 31,		December 31,		March 31,	
	2020	2019	2019	2020	2019	2019
Gross Profit (GAAP)	\$ 166,619	\$ 176,466	\$ 194,439	\$ 649,628	\$ 655,791	
Product deferred revenue fair value adjustment	-	-	-	-	391	
Service deferred revenue fair value adjustment	48	242	48	192	1,199	
Share-based compensation expense (1)	1,416	1,540	1,506	6,843	7,422	
Amortization of acquired intangible assets (2)	6,297	7,551	6,222	24,974	31,238	
Acquisition related depreciation expense (6)	5	12	7	31	75	
Transitional service agreement income (7)	-	-	-	-	2	
Non-GAAP Gross Profit	<u>\$ 174,385</u>	<u>\$ 185,811</u>	<u>\$ 202,222</u>	<u>\$ 681,668</u>	<u>\$ 696,118</u>	
Income (loss) from Operations (GAAP)	\$ 12,562	\$ 29,231	\$ 36,819	\$ 17,638	\$ (71,580)	
Product deferred revenue fair value adjustment	-	-	-	-	391	
Service deferred revenue fair value adjustment	48	242	48	192	1,199	
Share-based compensation expense (1)	10,900	12,186	11,361	50,861	56,328	
Amortization of acquired intangible assets (2)	22,407	23,977	22,342	89,479	105,543	
Business development and integration expense (3)	335	488	20	373	874	
New standard implementation expense (4)	(5)	26	1	5	914	
Compensation for post-combination services (5)	125	72	125	578	789	
Restructuring charges	2,208	1,179	193	2,674	18,693	
Impairment of intangible assets	-	-	-	-	35,871	
Acquisition related depreciation expense (6)	61	121	61	312	905	
Loss on divestiture	-	295	-	-	9,472	
Transitional service agreement income (7)	53	912	(25)	1,212	2,186	
Non-GAAP Income from Operations	<u>\$ 48,694</u>	<u>\$ 68,729</u>	<u>\$ 70,945</u>	<u>\$ 163,324</u>	<u>\$ 161,585</u>	
Net Income (loss) (GAAP)	\$ 7,336	\$ 19,211	\$ 36,725	\$ (2,754)	\$ (73,324)	
Product deferred revenue fair value adjustment	-	-	-	-	391	
Service deferred revenue fair value adjustment	48	242	48	192	1,199	
Share-based compensation expense (1)	10,900	12,186	11,361	50,861	56,328	
Amortization of acquired intangible assets (2)	22,407	23,977	22,342	89,479	105,543	
Business development and integration expense (3)	335	488	20	373	874	
New standard implementation expense (4)	(5)	26	1	5	914	
Compensation for post-combination services (5)	125	72	125	578	789	
Restructuring charges	2,208	1,179	193	2,674	18,693	
Impairment of intangible assets	-	-	-	-	35,871	
Acquisition related depreciation expense (6)	61	121	61	312	905	
Loss on divestiture	-	295	-	-	9,472	
Transitional service agreement income (7)	-	-	-	-	(45)	
Change in contingent consideration	245	1,495	-	762	1,495	
Income tax adjustments (8)	(6,239)	(7,314)	(16,182)	(23,415)	(49,877)	
Non-GAAP Net Income	<u>\$ 37,421</u>	<u>\$ 51,978</u>	<u>\$ 54,694</u>	<u>\$ 119,067</u>	<u>\$ 109,228</u>	
Diluted Net Income (loss) Per Share (GAAP)	\$ 0.10	\$ 0.24	\$ 0.49	\$ (0.04)	\$ (0.93)	
Share impact of non-GAAP adjustments identified above	0.40	0.42	0.24	1.61	2.31	
Non-GAAP Diluted Net Income Per Share	<u>\$ 0.50</u>	<u>\$ 0.66</u>	<u>\$ 0.73</u>	<u>\$ 1.57</u>	<u>\$ 1.38</u>	
Shares used in computing non-GAAP diluted net income per share	74,134	78,562	74,700	75,837	79,323	



GAAP to Non-GAAP Reconciliation: Q4 FY'20, Q4 FY'19, Q3 FY'20, FY'20 & 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 March 31,		Three Months Ended December 31,		Twelve Months Ended March 31,	
	2020	2019	2019	2020	2020	2019
(1) Share-based compensation expense included in these amounts is as follows:						
Cost of product revenue	\$ 226	\$ 275	\$ 231	\$ 1,069	\$ 1,463	
Cost of service revenue	1,190	1,265	1,275	5,774	5,959	
Research and development	3,435	3,777	3,437	15,511	17,321	
Sales and marketing	3,752	3,872	3,910	17,085	18,923	
General and administrative	2,297	2,997	2,508	11,422	12,662	
Total share-based compensation expense	<u>\$ 10,900</u>	<u>\$ 12,186</u>	<u>\$ 11,361</u>	<u>\$ 50,861</u>	<u>\$ 56,328</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	\$ 6,297	\$ 7,551	\$ 6,222	\$ 24,974	\$ 31,238	
Operating expenses	16,110	16,426	16,120	64,505	74,305	
Total amortization expense	<u>\$ 22,407</u>	<u>\$ 23,977</u>	<u>\$ 22,342</u>	<u>\$ 89,479</u>	<u>\$ 105,543</u>	
(3) Business development and integration expense included in these amounts is as follows:						
Research and development	\$ -	\$ -	\$ -	\$ 43	\$ 356	
General and administrative	335	488	20	330	518	
Total business development and integration expense	<u>\$ 335</u>	<u>\$ 488</u>	<u>\$ 20</u>	<u>\$ 373</u>	<u>\$ 874</u>	
(4) New standard implementation expense included in these amounts is as follows:						
General and administrative	\$ (5)	\$ 26	\$ 1	\$ 5	\$ 914	
Total new standard implementation expense	<u>\$ (5)</u>	<u>\$ 26</u>	<u>\$ 1</u>	<u>\$ 5</u>	<u>\$ 914</u>	
(5) Compensation for post-combination services included in these amounts is as follows:						
Research and development	\$ 125	\$ 85	\$ 125	\$ 578	\$ 705	
Sales and marketing	-	-	-	-	19	
General and administrative	-	(13)	-	-	65	
Total compensation for post-combination services	<u>\$ 125</u>	<u>\$ 72</u>	<u>\$ 125</u>	<u>\$ 578</u>	<u>\$ 789</u>	
(6) Acquisition related depreciation expense included in these amounts is as follows:						
Cost of product revenue	\$ 3	\$ 9	\$ 4	\$ 21	\$ 43	
Cost of service revenue	2	3	3	10	32	
Research and development	42	84	43	216	588	
Sales and marketing	9	10	8	36	77	
General and administrative	5	15	3	29	165	
Total acquisition related depreciation expense	<u>\$ 61</u>	<u>\$ 121</u>	<u>\$ 61</u>	<u>\$ 312</u>	<u>\$ 905</u>	
(7) Transitional service agreement income included in these amounts is as follows:						
Cost of service revenue	\$ -	\$ -	\$ -	\$ -	\$ 2	
Research and development	6	101	(25)	93	228	
Sales and marketing	8	124	-	176	302	
General and administrative	39	687	-	943	1,654	
Other income (expenses), net	(53)	(912)	25	(1,212)	(2,231)	
Total transitional service agreement income	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (45)</u>	
(8) Total income tax adjustment included in these amounts is as follows:						
Tax effect of non-GAAP adjustments above	\$ (6,239)	\$ (7,314)	\$ (16,182)	\$ (23,415)	\$ (49,877)	
Total income tax adjustments	<u>\$ (6,239)</u>	<u>\$ (7,314)</u>	<u>\$ (16,182)</u>	<u>\$ (23,415)</u>	<u>\$ (49,877)</u>	





Thank You