

NETSCOUT™

Q3 FY 2021 Conference Call

*NETSCOUT SYSTEMS, INC.
January 28, 2021*



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 outlook for NetScout, statements regarding market and spending trends, NetScout's optimism about 5G and its belief that adoption will increase spending in the service provider vertical, that NetScout is focused on its team, customers, and driving overall margins while preserving liquidity, a strong balance sheet, and financial flexibility, that NetScout's relevant solutions, trusted brand, strong customer relationships, dedicated team, and a solid financial profile have positioned it well as it continue to weather the current environment, that NetScout is well-positioned, with long-term trends its favor, when it emerges from the pandemic and resulting macro-economic environment, that NetScout's plans to be active in the market with its share repurchase program depending on market conditions, that NetScout plans to repay \$100 million of debt during its fourth quarter, statements regarding product offerings and strategy, as well as the anticipated benefits to NetScout and customers from the same, all 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, 2020 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. 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'21 Non-GAAP Financial Results

Non-GAAP (\$ in millions, except per share data)	Q3 FY'21 12/31/2020	Q3 FY'20 12/31/2019	YTD FY'21 12/31/2020	YTD FY'20 12/31/2019
Revenue	\$ 228.7	\$ 260.1	\$ 617.9	\$ 662.6
Gross Margin	78.6%	77.8%	76.1%	76.6%
Operating Margin	28.2%	27.3%	20.2%	17.3%
EPS	\$ 0.66	\$ 0.73	\$ 1.21	\$ 1.07

- Generally pleased with Q3 results
- Delivered strong YTD EPS expansion compared with FY'20
- Solid Security revenue was more than offset by a difficult year-over-year comparison for Service Assurance solutions
- Strong gross and operating margins in the quarter due to product mix and cost controls

See Appendix for GAAP-Non-GAAP Reconciliations.



Market Trends and Business Insights

- Service Provider Vertical
- Enterprise Vertical
- Security



FY'21 Outlook & Summary

- Focused on our team, customers, and driving overall margins while preserving liquidity, a strong balance sheet, and financial flexibility
- Our relevant solutions, trusted brand, strong customer relationships, dedicated team, and a solid financial profile have positioned us well as we continue to weather the current environment
- Narrowing our revenue range and raising our EPS outlook for FY'21 based on our YTD performance
- We are well-positioned, with long-term trends in our favor, when we emerge from the pandemic & resulting macro-economic environment



COO Update

Michael Szabados
Chief Operating Officer

COO Highlights

- Customer Wins
- Go-to-Market Activities



Financial Review & FY'21 Guidance

Jean Bua

Executive Vice President and Chief Financial Officer

Q3 and YTD FY'21 Results

	Q3 FY'21 GAAP	Q3 FY'20 GAAP	% Change	YTD FY'21 GAAP	YTD FY'20 GAAP	% Change	Q3 FY'21 Non-GAAP	Q3 FY'20 Non-GAAP	% Change	YTD FY'21 Non-GAAP	YTD FY'20 Non-GAAP	% Change
(in millions except EPS and % data)	12/31/2020	12/31/2019		12/31/2020	12/31/2019		12/31/2020	12/31/2019		12/31/2020	12/31/2019	
Revenue:												
Product	\$ 115.0	\$ 143.3	-19.8%	\$ 278.6	\$ 321.8	-13.4%	\$ 115.0	\$ 143.3	-19.8%	\$ 278.6	\$ 321.8	-13.4%
Service	\$ 113.8	\$ 116.7	-2.5%	\$ 339.3	\$ 340.7	-0.4%	\$ 113.8	\$ 116.8	-2.6%	\$ 339.3	\$ 340.8	-0.5%
Total revenue	\$ 228.7	\$ 260.0	-12.0%	\$ 617.9	\$ 662.5	-6.7%	\$ 228.7	\$ 260.1	-12.0%	\$ 617.9	\$ 662.6	-6.7%
Cost of revenue	\$ 55.3	\$ 65.6	-15.7%	\$ 167.2	\$ 179.5	-6.9%	\$ 48.9	\$ 57.9	-15.6%	\$ 147.5	\$ 155.3	-5.0%
Gross profit	\$ 173.5	\$ 194.4	-10.8%	\$ 450.7	\$ 483.0	-6.7%	\$ 179.9	\$ 202.2	-11.0%	\$ 470.4	\$ 507.3	-7.3%
Gross profit margin	75.8%	74.8%		72.9%	72.9%		78.6%	77.8%		76.1%	76.6%	
Operating expenses	\$ 141.7	\$ 157.6	-10.1%	\$ 429.7	\$ 477.9	-10.1%	\$ 115.3	\$ 131.3	-12.1%	\$ 345.4	\$ 392.7	-12.0%
Income (loss) from operations	\$ 31.8	\$ 36.8	-13.7%	\$ 21.1	\$ 5.1	313.0%	\$ 64.5	\$ 70.9	-9.0%	\$ 125.0	\$ 114.6	9.1%
Income (loss) from operations margin	13.9%	14.2%		3.4%	0.8%		28.2%	27.3%		20.2%	17.3%	
Net income (loss)	\$ 29.0	\$ 36.7	-20.9%	\$ 7.9	\$ (10.1)	178.4%	\$ 48.9	\$ 54.7	-10.6%	\$ 89.3	\$ 81.6	9.5%
Diluted net income (loss) per share	\$ 0.39	\$ 0.49	-20.4%	\$ 0.11	\$ (0.13)	184.6%	\$ 0.66	\$ 0.73	-9.6%	\$ 1.21	\$ 1.07	13.1%
Diluted shares outstanding	73.9	74.7	-1.1%	73.6	75.8	-2.9%	73.9	74.7	-1.1%	73.6	76.5	-3.8%

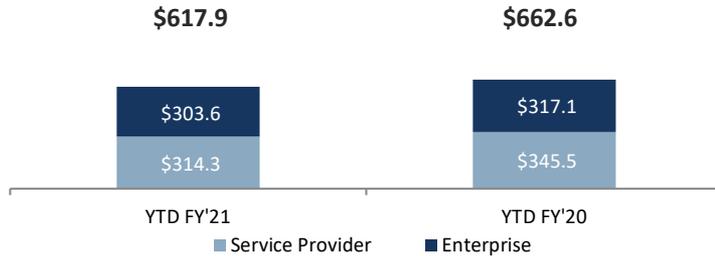
Figures in charts and tables may not total due to rounding

See Appendix for GAAP-Non-GAAP Reconciliations.

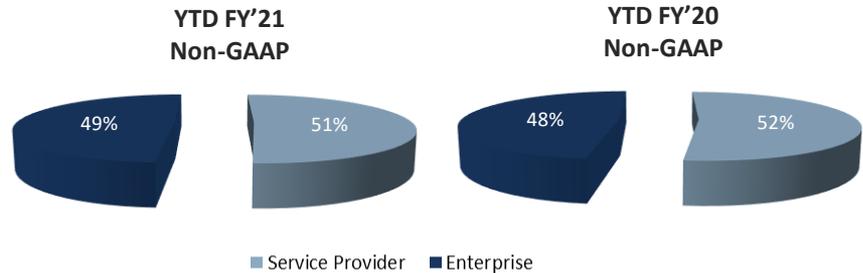


YTD FY'21 Revenue Trends: Customer Verticals

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



Total Non-GAAP Revenue Composition by Customer Vertical



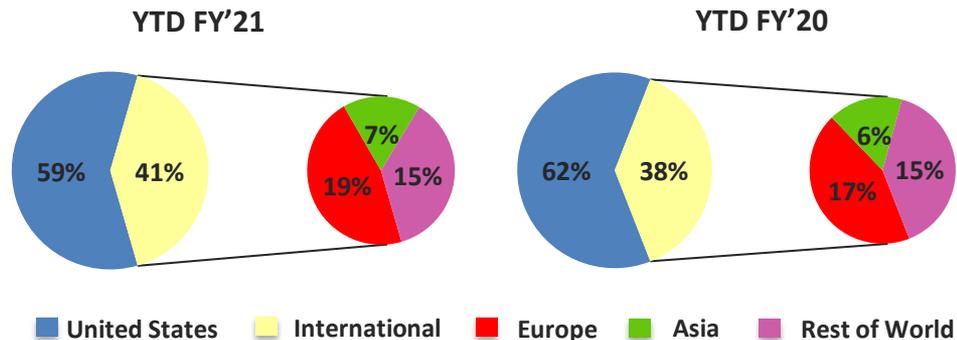
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See Appendix for GAAP-Non-GAAP Reconciliations



YTD FY'21 Revenue Trends: Geographic Mix on a GAAP Basis

	YTD FY'21 GAAP 12/31/20	YTD FY'20 GAAP 12/31/19
Total Revenue	\$617.9	\$662.5
<i>United States</i>	\$364.5	\$410.3
<i>International</i>	\$253.3	\$252.2
<i>Europe</i>	\$116.9	\$110.3
<i>Asia</i>	\$43.2	\$41.6
<i>Rest of World</i>	\$93.3	\$100.3



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)

(Unaudited)	Q3 FY'21 12/31/20
Cash and Securities*	\$ 490.4
Accounts Receivable, Net	\$ 208.0
Inventories	\$ 26.0
Total Long-Term Debt	\$ 450.0
Total Deferred Revenue	\$ 354.0
Total Stockholders' Equity	\$ 1,978.2

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

	Q1 FY'21 6/30/2020	Q2 FY'21 9/30/2020	Q3 FY'21 12/31/2020	YTD FY'21 12/31/2020
Operating Cash Flow	\$ 44.9	\$ 11.7	\$ 65.3	\$ 121.9
Purchase of Fixed Assets & Intangible Assets	\$ (6.8)	\$ (3.5)	\$ (3.3)	\$ (13.6)
Free Cash Flow	\$ 38.1	\$ 8.3	\$ 62.0	\$ 108.3

Financial Profile	
	Q3 FY'21 12/31/2020
Cash and Securities position	\$490.4
Liquidity	3.7x
Gross leverage	2.3x
Net leverage	(0.2x)

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

Figures in charts and tables may not total due to rounding



FY'21 Guidance

Revenue

\$ millions	FY'20 GAAP	FY'20 Non-GAAP	FY'21 Guidance GAAP & Non-GAAP
Revenue	\$891.8	\$892.0	~\$825 to ~\$840

EPS (Diluted)

	FY'20	FY'21 Guidance
GAAP EPS (diluted)	(\$0.04)	\$0.21 to \$0.28
Adjustments	\$1.61	\$1.39
Non-GAAP EPS (diluted)	\$1.57	\$1.60 to \$1.67

Other FY'21 Guidance Assumptions

- * Anticipated gross profit margin of approximately 76%
- * Tax rate anticipated to be approximately 21%
- * Weighted average of approximately 74 million diluted shares outstanding



Appendix

A dark, grayscale photograph of a long, curved tunnel. The ceiling and floor are composed of a series of parallel, curved ribs that create a strong sense of perspective and depth. The lighting is dim, with the tunnel receding into the distance, creating a vanishing point effect. The overall mood is mysterious and industrial.

FY'21 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)

	<u>FY'20</u>	<u>FY'21</u>
GAAP revenue	\$ 891.8	~\$825 million to ~\$840 million
Deferred service revenue fair value adjustment	\$ 0.2	Less than \$1 million
Deferred product revenue fair value adjustment	\$ -	-
Non-GAAP revenue	<u>\$ 892.0</u>	<u>~\$825 million to ~\$840 million</u>
	<u>FY'20</u>	<u>FY'21</u>
GAAP Net Income (Loss)	\$ (2.8)	~\$15 million to ~\$21 million
Deferred service revenue fair value adjustment	\$ 0.2	Less than \$1 million
Deferred product revenue fair value adjustment	\$ -	-
Amortization of intangible assets	\$ 89.5	~\$80 million
Share-based compensation expenses	\$ 50.9	~\$51 million
Business development & integration expenses*	\$ 1.3	Less than \$1 million
Legal judgments expense	\$ -	~\$3 million
New accounting standard implementation	\$ 0.0	-
Restructuring costs	\$ 2.7	Less than \$1 million
Change in contingent consideration	\$ 0.8	-
Total Adjustments	\$ 145.2	~\$134 million
Related impact of adjustments on income tax	\$ (23.4)	(~\$32 million)
Non-GAAP Net Income	<u>\$ 119.1</u>	<u>~\$118 million to ~\$123 million</u>
	<u>FY'20</u>	<u>FY'21</u>
GAAP net income (loss) per share (diluted)	\$ (0.04)	~\$0.21 to ~\$0.28
Non-GAAP net income per share (diluted)	<u>\$ 1.57</u>	<u>~\$1.60 to ~\$1.67</u>
Average Weighted Shares Outstanding (diluted GAAP)	75.2	73.7 million
Average Weighted Shares Outstanding (diluted Non-GAAP)	75.8	73.7 million

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

**Figures in table may not total due to rounding



GAAP to Non-GAAP Reconciliation: Q3'FY21, Q3'FY20, Q2'FY21, YTD'FY21 & YTD'FY20 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 December 31,		Three Months Ended September 30,		Nine Months Ended December 31,	
	2020	2019	2020	2019	2020	2019
Product Revenue (GAAP)	\$ 114,965	\$ 143,309	\$ 116,538	\$ 116,538	\$ 278,637	\$ 321,803
Non-GAAP Product Revenue	<u>\$ 114,965</u>	<u>\$ 143,309</u>	<u>\$ 116,538</u>	<u>\$ 116,538</u>	<u>\$ 278,637</u>	<u>\$ 321,803</u>
Service Revenue (GAAP)	\$ 113,774	\$ 116,715	\$ 112,813	\$ 112,813	\$ 339,256	\$ 340,666
Service deferred revenue fair value adjustment	-	48	48	48	-	144
Non-GAAP Service Revenue	<u>\$ 113,774</u>	<u>\$ 116,763</u>	<u>\$ 112,861</u>	<u>\$ 112,861</u>	<u>\$ 339,256</u>	<u>\$ 340,810</u>
Revenue (GAAP)	\$ 228,739	\$ 260,024	\$ 205,339	\$ 205,339	\$ 617,893	\$ 662,469
Service deferred revenue fair value adjustment	2	48	1	1	5	144
Non-GAAP Revenue	<u>\$ 228,741</u>	<u>\$ 260,072</u>	<u>\$ 205,340</u>	<u>\$ 205,340</u>	<u>\$ 617,898</u>	<u>\$ 662,613</u>



GAAP to Non-GAAP Reconciliation: Q3'FY21, Q3'FY20, Q2'FY21, YTD'FY21 & YTD'FY20 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,	
	2020	2019	2020		2020	2019
Gross Profit (GAAP)	\$ 173,464	\$ 194,439	\$ 146,439	\$ 450,738	\$ 483,009	
Service deferred revenue fair value adjustment	2	48	1	5	144	
Share-based compensation expense (1)	1,619	1,506	2,154	5,368	5,427	
Amortization of acquired intangible assets (2)	4,776	6,222	4,765	14,276	18,677	
Acquisition related depreciation expense (6)	6	7	5	17	26	
Non-GAAP Gross Profit	<u>\$ 179,867</u>	<u>\$ 202,222</u>	<u>\$ 153,364</u>	<u>\$ 470,404</u>	<u>\$ 507,283</u>	
Income from Operations (GAAP)	\$ 31,770	\$ 36,819	\$ 3,779	\$ 21,062	\$ 5,076	
Service deferred revenue fair value adjustment	2	48	1	5	144	
Share-based compensation expense (1)	12,517	11,361	15,736	40,349	39,961	
Amortization of acquired intangible assets (2)	20,049	22,342	20,128	60,173	67,072	
Business development and integration expense (3)	-	20	-	16	38	
New standard implementation expense (4)	-	1	-	-	10	
Compensation for post-combination services (5)	63	125	63	190	453	
Restructuring charges	-	193	(31)	62	466	
Acquisition related depreciation expense (6)	61	61	60	182	251	
Transitional service agreement income (7)	57	(25)	101	158	1,159	
Legal judgments expense (8)	-	-	-	2,804	-	
Non-GAAP Income from Operations	<u>\$ 64,519</u>	<u>\$ 70,945</u>	<u>\$ 39,837</u>	<u>\$ 125,001</u>	<u>\$ 114,630</u>	
Net Income (Loss) (GAAP)	\$ 29,021	\$ 36,725	\$ (3,686)	\$ 7,915	\$ (10,090)	
Service deferred revenue fair value adjustment	2	48	1	5	144	
Share-based compensation expense (1)	12,517	11,361	15,736	40,349	39,961	
Amortization of acquired intangible assets (2)	20,049	22,342	20,128	60,173	67,072	
Business development and integration expense (3)	-	20	-	16	38	
New standard implementation expense (4)	-	1	-	-	10	
Compensation for post-combination services (5)	63	125	63	190	453	
Restructuring charges	-	193	(31)	62	466	
Acquisition related depreciation expense (6)	61	61	60	182	251	
Change in contingent consideration	-	-	-	-	517	
Legal judgments expense (8)	-	-	-	2,804	-	
Income tax adjustments (9)	(12,835)	(16,182)	(4,027)	(22,358)	(17,176)	
Non-GAAP Net Income	<u>\$ 48,878</u>	<u>\$ 54,694</u>	<u>\$ 28,244</u>	<u>\$ 89,338</u>	<u>\$ 81,646</u>	
Diluted Net Income (Loss) Per Share (GAAP)	\$ 0.39	\$ 0.49	\$ (0.05)	\$ 0.11	\$ (0.13)	
Share impact of non-GAAP adjustments identified above	0.27	0.24	0.43	1.10	1.20	
Non-GAAP Diluted Net Income Per Share	<u>\$ 0.66</u>	<u>\$ 0.73</u>	<u>\$ 0.38</u>	<u>\$ 1.21</u>	<u>\$ 1.07</u>	

Shares used in computing non-GAAP diluted net income per share

73,878	74,700	73,594	73,618	76,474
20				



GAAP to Non-GAAP Reconciliation: Q3'FY21, Q3'FY20, Q2'FY21, YTD'FY21 & YTD'FY20 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,	
	2020	2019	2020	2020	2019	
(1) Share-based compensation expense included in these amounts is as follows:						
Cost of product revenue	\$ 248	\$ 231	\$ 344	\$ 837	\$ 843	
Cost of service revenue	1,371	1,275	1,810	4,531	4,584	
Research and development	3,862	3,437	4,935	12,578	12,076	
Sales and marketing	4,253	3,910	5,367	13,802	13,333	
General and administrative	2,783	2,508	3,290	8,801	9,125	
Total share-based compensation expense	<u>\$ 12,517</u>	<u>\$ 11,361</u>	<u>\$ 15,736</u>	<u>\$ 40,349</u>	<u>\$ 39,961</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	\$ 4,776	\$ 6,222	\$ 4,765	\$ 14,276	\$ 18,677	
Operating expenses	15,273	16,120	15,363	45,997	46,395	
Total amortization expense	<u>\$ 20,049</u>	<u>\$ 22,342</u>	<u>\$ 20,128</u>	<u>\$ 60,173</u>	<u>\$ 67,072</u>	
(3) Business development and integration expense included in these amounts is as follows:						
Research and development	\$ -	\$ -	\$ -	\$ -	\$ 43	
General and administrative	-	20	-	16	(5)	
Total business development and integration expense	<u>\$ -</u>	<u>\$ 20</u>	<u>\$ -</u>	<u>\$ 16</u>	<u>\$ 38</u>	
(4) New standard implementation expense included in these amounts is as follows:						
General and administrative	\$ -	\$ 1	\$ -	\$ -	\$ 10	
Total new standard implementation expense	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10</u>	
(5) Compensation for post-combination services included in these amounts is as follows:						
Research and development	\$ 62	\$ 125	\$ 62	\$ 187	\$ 453	
Sales and marketing	1	-	1	3	-	
Total compensation for post-combination services	<u>\$ 63</u>	<u>\$ 125</u>	<u>\$ 63</u>	<u>\$ 190</u>	<u>\$ 453</u>	
(6) Acquisition related depreciation expense included in these amounts is as follows:						
Cost of product revenue	\$ 3	\$ 4	\$ 3	\$ 10	\$ 18	
Cost of service revenue	3	3	2	7	8	
Research and development	43	43	42	127	174	
Sales and marketing	8	8	9	26	27	
General and administrative	4	3	4	12	24	
Total acquisition related depreciation expense	<u>\$ 61</u>	<u>\$ 61</u>	<u>\$ 60</u>	<u>\$ 182</u>	<u>\$ 251</u>	
(7) Transitional service agreement income included in these amounts is as follows:						
Research and development	\$ 6	\$ (25)	\$ 11	\$ 17	\$ 87	
Sales and marketing	10	-	16	26	168	
General and administrative	41	-	74	115	904	
Other income (expense), net	(57)	25	(101)	(158)	(1,159)	
Total transitional service agreement income	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
(8) Legal judgments expense included in these amounts is as follows:						
General and administrative	\$ -	\$ -	\$ -	\$ 2,804	\$ -	
Total legal judgments expense	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,804</u>	<u>\$ -</u>	
(9) Total income tax adjustment included in these amounts is as follows:						
Tax effect of non-GAAP adjustments above	\$ (12,835)	\$ (16,182)	\$ (4,027)	\$ (22,358)	\$ (17,176)	
Total income tax adjustments	<u>\$ (12,835)</u>	<u>\$ (16,182)</u>	<u>\$ (4,027)</u>	<u>\$ (22,358)</u>	<u>\$ (17,176)</u>	





Thank You