

# NETSCOUT™

## Q4 & Full FY 2021 Conference Call

*NETSCOUT SYSTEMS, INC.  
May 6, 2021*



# Agenda

---

- **Introduction & Safe Harbor**
  - Tony Piazza, Vice President of 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 presentation 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 presentation, which are not strictly historical statements, including, without limitation, statements regarding NetScout's financial outlook for revenue, earnings per share, and free cash flow for fiscal year 2022, NetScout's excitement and optimism about the future and long-term technology market trends, such as the advancement of 5G networks, the evolving cyber security threat landscape, and digital transformation through cloud migration, that NetScout believes it is well-positioned as "Guardians of the Connected World" to be a leader in these market categories due to its robust and relevant solutions, trusted brand, strong customer relationships, dedicated team, and solid financial profile, and that NetScout's focus for fiscal year 2022 is to grow revenue, enhancing diluted earnings per share performance, and continuing to deliver strong free cash. Actual results could differ materially from the forward-looking statements due to impacts from known and unknown risks, uncertainties, assumptions, and other factors. Such factors include, but are not limited to, impacts from the COVID-19 pandemic, 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 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, which are on file with the Securities and Exchange Commission. NetScout assumes no obligation to update any forward-looking information contained in this press release 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, non-GAAP net income per share (diluted), and free cash flow. 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, costs related to new accounting standard implementation, legal judgment expense, 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. Free cash flow is defined as Operating Cash Flow less the purchase of fixed and intangible assets. 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

# Q4 and Full FY'21 Non-GAAP Financial Results

Non-GAAP (\$ in millions, except per share data)	Q4 FY'21 3/31/2021	Q4 FY'20 3/31/2020	FY'21 3/31/2021	FY'20 3/31/2020
Revenue	\$ 213.4	\$ 229.4	\$ 831.3	\$ 892.0
Gross Margin	77.2%	76.0%	76.4%	76.4%
Operating Margin	22.4%	21.2%	20.8%	18.3%
EPS	\$ 0.49	\$ 0.50	\$ 1.70	\$ 1.57

- For the fourth-quarter, we delivered stronger-than-anticipated EPS results on overall revenue that was in-line with our expectations.
- For the full FY'21, we delivered EPS growth of 8% and strong FCF of nearly \$200 million on lower revenue due to the pandemic.
- From a strategic perspective, we invested in our product offerings and launched our new Omnis brand at our Engage 21 technology and user conference.

See Appendix for GAAP-Non-GAAP Reconciliations.



# Market Trends and Business Insights

---

- Market Trends
- Service Provider Vertical
- Enterprise Vertical



# FY'22 Outlook & Summary

---

- Excited about the future and the opportunities we see to capitalize on the technology market trends that favor NetScout.
- Focused on advancing our new and existing products, growing revenue, further enhancing EPS, and generating strong FCF.
- Strategy focused on existing customers, new customers, and high-value adjacencies like cybersecurity & big data analytics.
- Thank you to our team and all who have directly or indirectly contributed to NETSCOUT's success as we navigated the global pandemic in FY'21.





# COO Update

Michael Szabados  
Chief Operating Officer

# COO Highlights

---

- Customer Wins
- Go-to-Market Activities



# **Financial Review & FY'22 Guidance**

Jean Bua

Executive Vice President and Chief Financial Officer

# Q4 FY'21 and FY'21 Results

(in millions except EPS and % data)

	Q4 FY'21 GAAP 3/31/2021	Q4 FY'20 GAAP 3/31/2020	% Change		FY'21 GAAP 3/31/2021	FY'20 GAAP 3/31/2020	% Change		Q4 FY'21 Non-GAAP 3/31/2021	Q4 FY'20 Non-GAAP 3/31/2020	% Change		FY'21 Non-GAAP 3/31/2021	FY'20 Non-GAAP 3/31/2020	% Change
Revenue:															
Product	\$ 99.1	\$ 116.5	-15.0%		\$ 377.7	\$ 438.3	-13.8%		\$ 99.1	\$ 116.5	-15.0%		\$ 377.7	\$ 438.3	-13.8%
Service	\$ 114.3	\$ 112.8	1.3%		\$ 453.6	\$ 453.5	0.0%		\$ 114.3	\$ 112.9	1.3%		\$ 453.6	\$ 453.7	0.0%
<b>Total revenue</b>	<b>\$ 213.4</b>	<b>\$ 229.4</b>	<b>-7.0%</b>		<b>\$ 831.3</b>	<b>\$ 891.8</b>	<b>-6.8%</b>		<b>\$ 213.4</b>	<b>\$ 229.4</b>	<b>-7.0%</b>		<b>\$ 831.3</b>	<b>\$ 892.0</b>	<b>-6.8%</b>
Cost of revenue	\$ 54.9	\$ 62.7	-12.4%		\$ 222.1	\$ 242.2	-8.3%		\$ 48.7	\$ 55.0	-11.5%		\$ 196.2	\$ 210.3	-6.7%
<b>Gross profit</b>	<b>\$ 158.4</b>	<b>\$ 166.6</b>	<b>-4.9%</b>		<b>\$ 609.2</b>	<b>\$ 649.6</b>	<b>-6.2%</b>		<b>\$ 164.7</b>	<b>\$ 174.4</b>	<b>-5.5%</b>		<b>\$ 635.1</b>	<b>\$ 681.7</b>	<b>-6.8%</b>
<b>Gross profit margin</b>	<b>74.3%</b>	<b>72.6%</b>			<b>73.3%</b>	<b>72.8%</b>			<b>77.2%</b>	<b>76.0%</b>			<b>76.4%</b>	<b>76.4%</b>	
Operating expenses	\$ 142.4	\$ 154.1	-7.6%		\$ 572.1	\$ 632.0	-9.5%		\$ 116.9	\$ 125.7	-7.0%		\$ 462.3	\$ 518.3	-10.8%
<b>Income (loss) from operations</b>	<b>\$ 16.1</b>	<b>\$ 12.6</b>	<b>27.9%</b>		<b>\$ 37.1</b>	<b>\$ 17.6</b>	<b>110.8%</b>		<b>\$ 47.8</b>	<b>\$ 48.7</b>	<b>-1.9%</b>		<b>\$ 172.8</b>	<b>\$ 163.3</b>	<b>5.8%</b>
<b>Income (loss) from operations margin</b>	<b>7.5%</b>	<b>5.5%</b>			<b>4.5%</b>	<b>2.0%</b>			<b>22.4%</b>	<b>21.2%</b>			<b>20.8%</b>	<b>18.3%</b>	
<b>Net income (loss)</b>	<b>\$ 11.4</b>	<b>\$ 7.3</b>	<b>55.9%</b>		<b>\$ 19.4</b>	<b>\$ (2.8)</b>	<b>802.7%</b>		<b>\$ 36.5</b>	<b>\$ 37.4</b>	<b>-2.5%</b>		<b>\$ 125.8</b>	<b>\$ 119.1</b>	<b>5.7%</b>
<b>Diluted net income (loss) per share</b>	<b>\$ 0.15</b>	<b>\$ 0.10</b>	<b>50.0%</b>		<b>\$ 0.26</b>	<b>\$ (0.04)</b>	<b>750.0%</b>		<b>\$ 0.49</b>	<b>\$ 0.50</b>	<b>-2.0%</b>		<b>\$ 1.70</b>	<b>\$ 1.57</b>	<b>8.3%</b>
Diluted shares outstanding	74.8	74.1	0.9%		73.8	75.2	-1.8%		74.8	74.1	0.9%		73.8	75.8	-2.7%

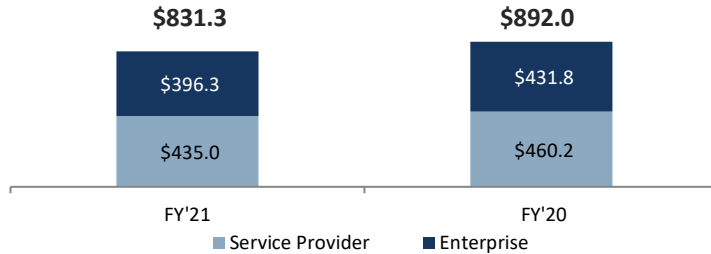
Figures in charts and tables may not total due to rounding

See Appendix for GAAP-Non-GAAP Reconciliations.

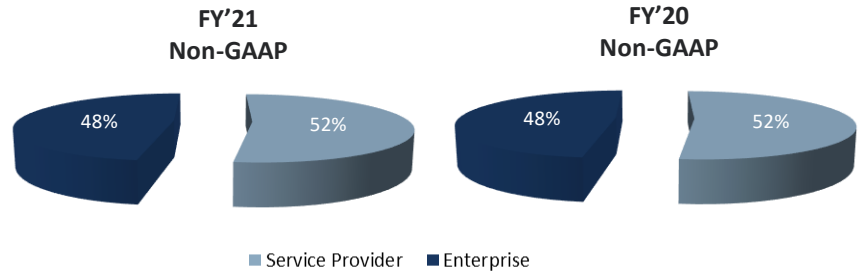


# FY'21 Revenue Trends: Customer Verticals

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



**Total Non-GAAP Revenue Composition by Customer Vertical**



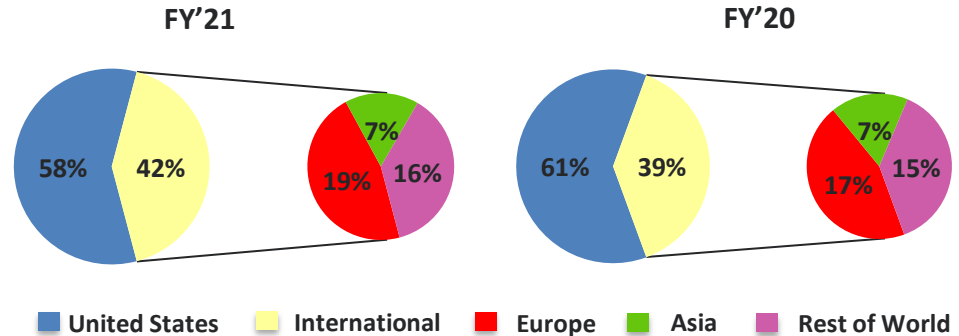
*Figures in charts and tables may not total due to rounding*

*See Appendix for GAAP-Non-GAAP Reconciliations*



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

	FY'21 GAAP 3/31/21	FY'20 GAAP 3/31/20
<b>Total Revenue</b>	<b>\$831.3</b>	<b>\$891.8</b>
<i>United States</i>	\$484.1	\$545.6
<i>International</i>	\$347.2	\$346.2
<i>Europe</i>	\$160.4	\$154.5
<i>Asia</i>	\$56.6	\$59.9
<i>Rest of World</i>	\$130.2	\$131.8



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)	Q4 FY'21 3/31/21
Cash and Securities*	\$ 476.5
Accounts Receivable, Net	\$ 197.7
Inventories	\$ 22.8
Total Long-Term Debt	\$ 350.0
Total Deferred Revenue	\$ 373.1
Total Stockholders' Equity	\$ 2,005.8

- 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	Q4 FY'21 3/31/2021	FY'21 3/31/2021
Operating Cash Flow	\$ 44.9	\$ 11.7	\$ 65.3	\$ 92.0	\$ 213.9
Purchase of Fixed Assets & Intangible Assets	\$ (6.8)	\$ (3.5)	\$ (3.3)	\$ (2.9)	\$ (16.5)
Free Cash Flow	\$ 38.1	\$ 8.3	\$ 61.9	\$ 89.1	\$ 197.4

Note: Free cash flow is defined as Operating Cash Flow less the purchase of fixed and intangible assets. The table above represents the reconciliation of GAAP to non-GAAP financial measures.

Financial Profile	
	Q4 FY'21 3/31/2021
Cash and Securities position	\$476.5
Liquidity	4.1x
Gross leverage	1.8x
Net leverage	(0.6x)

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'22 Outlook

## Revenue

\$ millions	FY'21 GAAP & Non-GAAP	FY'22 Outlook GAAP & Non-GAAP
Revenue	\$831.3	~\$835 to ~\$865

### Other FY'22 Outlook Assumptions

- \* Tax rate anticipated to be in the range of 20% and 22%
- \* Approximately 75 million weighted average diluted shares outstanding

## EPS (Diluted)

	FY'21	FY'22 Outlook
GAAP EPS (diluted)	\$0.26	\$0.44 to \$0.50
Adjustments	\$1.44	\$1.27
Non-GAAP EPS (diluted)	\$1.70	\$1.71 to \$1.77

See Appendix for GAAP-Non-GAAP Reconciliations





# Upcoming Investor Events

---

Date	Event	Location
May 18, 2021	Piper Sandler RSA “Coffee and Chat” Security Event	Virtual
May 20, 2021	Needham Virtual Technology & Media Conference	Virtual



# Appendix

The background of the slide is a dark, monochromatic 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, leading the eye towards a vanishing point in the distance. The lighting is subtle, highlighting the textures of the ribs and the overall architectural structure.

# FY'22 Financial Outlook: 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'21	FY'22
GAAP revenue	\$ 831.3	~\$835 million to ~\$865 million
Deferred service revenue fair value adjustment	\$ 0.0	Less than \$1 million
Non-GAAP revenue	\$ 831.3	~\$835 million to ~\$865 million
	<b>FY'21</b>	<b>FY'22</b>
GAAP net income	\$ 19.4	~\$33 million to ~\$38 million
Deferred service revenue fair value adjustment	\$ 0.0	Less than \$1 million
Amortization of intangible assets	\$ 80.2	~\$72 million
Share-based compensation expenses	\$ 51.9	~\$49 million
Business development & integration expenses*	\$ 0.5	Less than \$1 million
Legal judgments expense	\$ 2.8	-
New accounting standard implementation	\$ 0.0	-
Restructuring costs	\$ 0.1	-
Total adjustments	\$ 135.5	~\$121 million
Related impact of adjustments on income tax	\$ (29.0)	(~\$26 million)
Non-GAAP net income	\$ 125.8	~\$128 million to ~\$133 million
	\$ 0.26	~\$0.44 to ~\$0.50
GAAP net income per share (diluted)	\$ 1.70	~\$1.71 to ~\$1.77
Non-GAAP net income per share (diluted)		
Average weighted shares outstanding (diluted GAAP)	73.8	~75 million
Average weighted shares outstanding (diluted Non-GAAP)	73.8	~75 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



# Q1 FY'22 Outlook: GAAP to Non-GAAP Reconciliation

## NETSCOUT SYSTEMS, INC

Q1 FY'22 Reconciliation of GAAP Financial "Color" to Non-GAAP Financial "Color"  
(Unaudited)

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

	<u>Q1 FY'21</u>	<u>Q1 FY'22</u>
GAAP revenue	\$ 183.8	~\$184 million to ~\$188 million
Deferred service revenue fair value adjustment	\$ 0.0	Less than \$1 million
Non-GAAP revenue	<u>\$ 183.8</u>	<u>~\$184 million to ~\$188 million</u>
	<u>Q1 FY'21</u>	<u>Q1 FY'22</u>
GAAP net income (loss)	\$ (17.4)	(~\$10 million to ~\$11 million)
Deferred service revenue fair value adjustment	\$ 0.0	Less than \$1 million
Amortization of intangible assets	\$ 20.0	~\$18 million
Share-based compensation expenses	\$ 12.1	~\$12 million
Business development & integration expenses*	\$ 0.1	Less than \$1 million
Legal judgments expense	\$ 2.8	-
Restructuring costs	\$ 0.1	-
Total adjustments	\$ 35.1	~\$30 million
Related impact of adjustments on income tax	\$ (5.5)	(~\$6 million)
Non-GAAP net income (loss)	<u>\$ 12.2</u>	<u>~\$13 million to ~\$14 million</u>
	<u>Q1 FY'21</u>	<u>Q1 FY'22</u>
GAAP net income (loss) per share (diluted)	\$ (0.24)	(~\$0.13 to ~\$0.15)
Non-GAAP net income (loss) per share (diluted)	<u>\$ 0.17</u>	<u>~\$0.17 to ~\$0.19</u>
Average weighted shares outstanding (diluted GAAP)	72.3	~75 million
Average weighted shares outstanding (diluted Non-GAAP)	73.5	~75 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: Q4'FY21, Q4'FY20, Q3'FY21, FY21 & 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 March 31,		Three Months Ended December 31,		Twelve Months Ended March 31,	
	2021	2020	2020		2021	2020
Product Revenue (GAAP)	\$ 99,084	\$ 116,538	\$ 116,538	\$ 116,538	\$ 377,721	\$ 438,341
Non-GAAP Product Revenue	<u>\$ 99,084</u>	<u>\$ 116,538</u>	<u>\$ 116,538</u>	<u>\$ 116,538</u>	<u>\$ 377,721</u>	<u>\$ 438,341</u>
Service Revenue (GAAP)	\$ 114,305	\$ 112,813	\$ 112,813	\$ 112,813	\$ 453,561	\$ 453,479
Service deferred revenue fair value adjustment	1	48	48	48	6	192
Non-GAAP Service Revenue	<u>\$ 114,306</u>	<u>\$ 112,861</u>	<u>\$ 112,861</u>	<u>\$ 112,861</u>	<u>\$ 453,567</u>	<u>\$ 453,671</u>
Revenue (GAAP)	\$ 213,389	\$ 229,351	\$ 228,739	\$ 228,739	\$ 831,282	\$ 891,820
Service deferred revenue fair value adjustment	1	48	2	2	6	192
Non-GAAP Revenue	<u>\$ 213,390</u>	<u>\$ 229,399</u>	<u>\$ 228,741</u>	<u>\$ 228,741</u>	<u>\$ 831,288</u>	<u>\$ 892,012</u>



# GAAP to Non-GAAP Reconciliation: Q4'FY21, Q4'FY20, Q3'FY21, FY21 & 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 March 31,		Three Months Ended December 31,		Twelve Months Ended March 31,	
	2021	2020	2021	2020	2021	2020
Gross Profit (GAAP)	\$ 158,447	\$ 166,619	\$ 173,464	\$ 173,464	\$ 609,185	\$ 649,628
Service deferred revenue fair value adjustment	1	48	2	2	6	192
Share-based compensation expense (1)	1,493	1,416	1,619	1,619	6,861	6,843
Amortization of acquired intangible assets (2)	4,782	6,297	4,776	4,776	19,058	24,974
Acquisition related depreciation expense (6)	6	5	6	6	23	31
Non-GAAP Gross Profit	<u>\$ 164,729</u>	<u>\$ 174,385</u>	<u>\$ 179,867</u>	<u>\$ 179,867</u>	<u>\$ 635,133</u>	<u>\$ 681,668</u>
Income from Operations (GAAP)	\$ 16,068	\$ 12,562	\$ 31,770	\$ 31,770	\$ 37,130	\$ 17,638
Service deferred revenue fair value adjustment	1	48	2	2	6	192
Share-based compensation expense (1)	11,543	10,900	12,517	12,517	51,892	50,861
Amortization of acquired intangible assets (2)	20,016	22,407	20,049	20,049	80,189	89,479
Business development and integration expense (3)	(14)	335	-	-	2	373
New standard implementation expense (4)	-	(5)	-	-	-	5
Compensation for post-combination services (5)	61	125	63	63	251	578
Restructuring charges	-	2,208	-	-	62	2,674
Acquisition related depreciation expense (6)	60	61	61	61	242	312
Transitional service agreement income (7)	57	53	57	57	215	1,212
Legal judgments expense (8)	-	-	-	-	2,804	-
Non-GAAP Income from Operations	<u>\$ 47,792</u>	<u>\$ 48,694</u>	<u>\$ 64,519</u>	<u>\$ 64,519</u>	<u>\$ 172,793</u>	<u>\$ 163,324</u>
Net Income (Loss) (GAAP)	\$ 11,437	\$ 7,336	\$ 29,021	\$ 29,021	\$ 19,352	\$ (2,754)
Service deferred revenue fair value adjustment	1	48	2	2	6	192
Share-based compensation expense (1)	11,543	10,900	12,517	12,517	51,892	50,861
Amortization of acquired intangible assets (2)	20,016	22,407	20,049	20,049	80,189	89,479
Business development and integration expense (3)	(14)	335	-	-	2	373
New standard implementation expense (4)	-	(5)	-	-	-	5
Compensation for post-combination services (5)	61	125	63	63	251	578
Restructuring charges	-	2,208	-	-	62	2,674
Acquisition related depreciation expense (6)	60	61	61	61	242	312
Change in contingent consideration	-	245	-	-	-	762
Legal judgments expense (8)	-	-	-	-	2,804	-
Income tax adjustments (9)	(6,619)	(6,239)	(12,835)	(12,835)	(28,977)	(23,415)
Non-GAAP Net Income	<u>\$ 36,485</u>	<u>\$ 37,421</u>	<u>\$ 48,878</u>	<u>\$ 48,878</u>	<u>\$ 125,823</u>	<u>\$ 119,067</u>
Diluted Net Income (Loss) Per Share (GAAP)	\$ 0.15	\$ 0.10	\$ 0.39	\$ 0.39	\$ 0.26	\$ (0.04)
Share impact of non-GAAP adjustments identified above	0.34	0.40	0.27	0.27	1.44	1.61
Non-GAAP Diluted Net Income Per Share	<u>\$ 0.49</u>	<u>\$ 0.50</u>	<u>\$ 0.66</u>	<u>\$ 0.66</u>	<u>\$ 1.70</u>	<u>\$ 1.57</u>
Shares used in computing non-GAAP diluted net income per share	74,766	74,134	73,878	73,878	73,822	75,837



# GAAP to Non-GAAP Reconciliation: Q4'FY21, Q4'FY20, Q3'FY21, FY21 & FY20 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,	
	2021	2020	2020		2021	2020
(1) Share-based compensation expense included in these amounts is as follows:						
Cost of product revenue	\$ 201	\$ 226	\$ 248	\$ 1,038	\$ 1,069	
Cost of service revenue	1,292	1,190	1,371	5,823	5,774	
Research and development	3,560	3,435	3,862	16,138	15,511	
Sales and marketing	3,726	3,752	4,253	17,338	17,085	
General and administrative	2,764	2,297	2,783	11,565	11,422	
Total share-based compensation expense	<u>\$ 11,543</u>	<u>\$ 10,900</u>	<u>\$ 12,517</u>	<u>\$ 51,892</u>	<u>\$ 50,861</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	\$ 4,782	\$ 6,297	\$ 4,776	\$ 19,058	\$ 24,974	
Operating expenses	15,234	16,110	15,273	61,131	64,505	
Total amortization expense	<u>\$ 20,016</u>	<u>\$ 22,407</u>	<u>\$ 20,049</u>	<u>\$ 80,189</u>	<u>\$ 89,479</u>	
(3) Business development and integration expense included in these amounts is as follows:						
Research and development	\$ -	\$ -	\$ -	\$ -	\$ 43	
General and administrative	(14)	335	-	2	330	
Total business development and integration expense	<u>\$ (14)</u>	<u>\$ 335</u>	<u>\$ -</u>	<u>\$ 2</u>	<u>\$ 373</u>	
(4) New standard implementation expense included in these amounts is as follows:						
General and administrative	\$ -	\$ (5)	\$ -	\$ -	\$ 5	
Total new standard implementation expense	<u>\$ -</u>	<u>\$ (5)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5</u>	
(5) Compensation for post-combination services included in these amounts is as follows:						
Research and development	\$ 59	\$ 125	\$ 62	\$ 246	\$ 578	
Sales and marketing	2	-	1	5	-	
Total compensation for post-combination services	<u>\$ 61</u>	<u>\$ 125</u>	<u>\$ 63</u>	<u>\$ 251</u>	<u>\$ 578</u>	
(6) Acquisition related depreciation expense included in these amounts is as follows:						
Cost of product revenue	\$ 4	\$ 3	\$ 3	\$ 14	\$ 21	
Cost of service revenue	2	2	3	9	10	
Research and development	42	42	43	169	216	
Sales and marketing	8	9	8	34	36	
General and administrative	4	5	4	16	29	
Total acquisition related depreciation expense	<u>\$ 60</u>	<u>\$ 61</u>	<u>\$ 61</u>	<u>\$ 242</u>	<u>\$ 312</u>	
(7) Transitional service agreement income included in these amounts is as follows:						
Research and development	\$ 7	\$ 6	\$ 6	\$ 24	\$ 93	
Sales and marketing	8	8	10	34	176	
General and administrative	42	39	41	157	943	
Other income (expense), net	(57)	(53)	(57)	(215)	(1,212)	
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	\$ (6,619)	\$ (6,239)	\$ (12,835)	\$ (28,977)	\$ (23,415)	
Total income tax adjustments	<u>\$ (6,619)</u>	<u>\$ (6,239)</u>	<u>\$ (12,835)</u>	<u>\$ (28,977)</u>	<u>\$ (23,415)</u>	





**Thank You**