



## TO OUR STOCKHOLDERS

NETSCOUT achieved a number of key strategic, operational and financial targets during fiscal year 2017. We made notable progress integrating the Danaher Communications Business assets we acquired in mid-July 2015, began introducing new offerings and capabilities as part of an exciting new product cycle, supported our extensive base of customers around the globe and delivered on the revenue, profitability and free cash flow goals that we outlined entering the year. Importantly, our efforts have further strengthened our ability to fulfill our mission that began 3+ decades ago: to help our customers around the globe convert their network traffic into actionable intelligence to effectively and efficiently navigate the technology challenges impacting their businesses today and well into the future. It is gratifying to see our solutions play an increasingly critical role in helping customers worldwide optimize network performance, deliver high-quality applications and services, protect the network against attack, gain insight into the end user experience and make smarter, faster and more informed business and technology decisions.

### **Fiscal Year 2017 Financial Performance Highlights**

We continued to manage through a challenging service provider spending environment that impacted our ability to drive organic top-line growth in fiscal year 2017. Nevertheless, we further improved the underlying profitability of our business to deliver a solid earnings per share performance and significantly stronger free cash flow. We used our strong balance sheet throughout the fiscal year to return value to shareholders by repurchasing more than 3.1 million shares, totaling \$80.0 million.

### **An Exciting New Era of Innovation to Leverage Our “Smart Data” Approach**

Fiscal year 2017 was marked by significant progress on a major new product cycle. Our development roadmap leverages our patented Adaptive Service Intelligence™ (ASI) technology, which converts high-volume network traffic into highly structured, multi-dimensional metadata in real time at the collection point. ASI instantly transforms wire data into “smart data” that can power a broader array of analytics spanning network performance, application performance, cybersecurity and big data. With ASI, we are seamlessly integrating the key products and technologies acquired from the Danaher Communications Business, including best-in-class analytics for session trace forensics, radio access network optimization, customer experience management, WiFi monitoring, infrastructure performance management and advanced security threats. As a result, we are further elevating our value proposition to both enterprise and service provider customers worldwide as they look to our solutions to help them extend visibility from the core of their networks to the edge and advance major digital transformation initiatives.

The first proof point of our product integration efforts was the September 2016 introduction of our InfiniStreamNG real-time information platform, which is available in multiple form factors and deployment options. We are seeing good traction with this new platform, particularly in the software form factor with service provider customers seeking to maximize the utilization of their service assurance budgets. Throughout fiscal year 2017, we continued to invest in enhancing and expanding our capabilities in ways that are aimed at leveraging our “smart data” approach and our new real-time information platform. Moving into fiscal year 2018, we intend to complete this new product cycle with new offerings to help customers with private and public cloud migration initiatives and gain deeper visibility into their application infrastructure; new analytics for business intelligence; new tools to monitor the performance of servers, network devices and software-as-a-service applications; and new capabilities that help enterprise security teams to quickly and accurately detect and confirm hidden threats.

### **Outlook**

Looking ahead, we anticipate that the service provider marketplace will remain challenging as certain large tier-one carriers seek to monetize the build out of their 4G/LTE infrastructures. At the same time, we are excited by the near-term growth opportunities we see for our cybersecurity and enterprise solutions. While we expect total revenue to remain relatively unchanged in fiscal year 2018, our goal is to exit the year in an excellent position to resume top-line growth in fiscal year 2019 and beyond. Nevertheless, we believe that our ability to drive service provider adoption of our new platform in fiscal year 2018 will play an important role in boosting our gross margins, which are expected to lead to another year of improved operating profitability, EPS growth and strong free cash flow.

We move forward with confidence in our strategic direction as well as in our people, products, partners and programs. I'd like to thank my colleagues across NETSCOUT for their efforts in fiscal year 2017 and our shareholders for their continued support. We look forward to sharing news of our progress and achievements in fiscal year 2018 with you.

Sincerely,



Anil K. Singhal  
President, Chief Executive Officer and  
Chairman of the Board  
July 21, 2017

