

TO OUR STOCKHOLDERS



During FY'18, we made substantial operational and strategic progress that we believe helped fortify our technology and market leadership while setting the stage for revenue growth, profit margin expansion, EPS gains and robust free cash flow over the coming years. We completed the integration of the technology and product assets we've acquired in recent years, accelerated the transition from traditional appliance-based instrumentation to a range of software-centric deployment options and funded key development, support, and sales programs. We move forward as a company that is increasingly well-positioned to help our customers advance their digital transformation initiatives with a broader set of solutions that we expect to further expand in FY'19.

FY'18 Results

NETSCOUT's FY'18 financial performance was impacted by difficult market conditions that included persistent service provider capital spending pressures, longer-than-anticipated enterprise sales cycles and federal funding delays. Revenue fell short of our original FY'18 target due to the combination of a substantial moderation in spending by one of our tier-one service provider customers, limited spending by other carriers and weaker revenue in the enterprise customer segment. The magnitude of the revenue decline notably impacted our operating profitability and EPS performance even as we took actions to adjust expenses and drive gross margin improvement through increased adoption of our software-based platform. Considering our operating results, we generated strong free cash flow and returned meaningful capital to stockholders via our share repurchase activities. We also took important steps during the past year to improve our balance sheet efficiency and overall liquidity.

Expanding and Elevating Our Value Proposition

We have radically reshaped and expanded our product portfolio since acquiring the Danaher Communications Business nearly three years ago. At that time, our offerings were largely appliances with varying levels of proprietary hardware with the primary use cases for our solutions being network performance, and distributed denial of service (DDoS). Today, our solutions are software-centric, feature-rich and applicable to a much larger total addressable market that spans beyond network performance and DDoS to encompass application performance, advanced threat and business intelligence. As a result of broadening our capabilities and deployment options, we made tangible progress fortifying our incumbency with our service provider customers and are advancing opportunities to expand the scope of our engagements with our enterprise customers around the world.

A fundamental differentiator in our solutions lies in our patented Adaptive Service Intelligence (ASI) technology, which converts high-volume network traffic into highly structured, contextual and multi-dimensional metadata — or what we call “smart data” — in real time at the collection point. It is exciting to see our solutions play an increasingly important role in helping our customers extract maximum value from the traffic moving over their technology infrastructures to optimize network performance, validate and elevate application performance, quickly identify major security threats and help investigate and mitigate them, gain insight into the end user experience, and make timely decisions that can impact their business.

Board Changes

We move forward into the new year having added two accomplished executives, Al Grasso and Susan Spradley, to our Board as new directors in April 2018. We look forward to their advice and counsel over the coming years. Sadly, we also must acknowledge the passing of Victor DeMarines, who served on NETSCOUT's Board for 13 years until his death last year. We are grateful for his many contributions during his tenure on the Board.

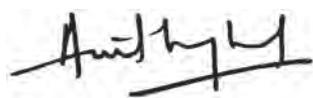
Looking Ahead

We expect that FY'19 will be an important year of strategic and financial progress for NETSCOUT. Digital transformation is an increasingly high priority for our service provider and enterprise customers who are deploying a mix of digital technologies to help reshape business and organizational activities, processes, competencies and models in order to capitalize on new revenue opportunities, increase productivity and improve operational efficiency. This powerful trend plays to NETSCOUT's strengths in delivering visibility into network and application performance and NETSCOUT Arbor's core competencies in DDoS and network security. Our solutions help customers maintain continuity, and securely and effectively adapt to a constantly evolving hybrid infrastructure resulting from a range of digital transformation initiatives.

Based on the opportunities we see, we expect improving product revenue growth over the coming quarters. At the same time, we plan to realign our cost structure with the near-term outlook in ways that do not impede our ability to grow and support our customers including reducing headcount-related personnel costs, aggressively managing discretionary spending and selling certain non-core assets. As we improve our top-line trajectory and recalibrate spending, we believe there is good potential to drive solid EPS expansion, along with very healthy free cash flow.

I would like to extend our gratitude to our stockholders for their support during the past year. The resolve of our workforce was also tested in FY'18 and I wanted to commend our employees for their resilience, tenacity and hard work. We look forward to sharing our progress and achievements with you throughout FY'19 and beyond.

Sincerely,



Anil Singhal
President, Chief Executive Officer and Chairman of the Board

