

# NETSCOUT™

Needham Security, Networking and Communications Conference

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*November 12, 2019*

# Safe Harbor

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**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 statements related to the Company's financial guidance; statements regarding future demand for and revenue from the Company's products by specific customers, certain pipelines or by customers in general; statements related to new or enhanced products and solutions, and the timing of introduction of such products and solutions into the market, and market acceptance of such products and solutions; statements regarding the extent of the Company's deployment of its software-only platform, statements regarding shifts in market trends including revenue opportunities related to 5G networks; statements regarding go-to-market and other sales and marketing initiatives; statements related to the benefits and timelines of recent cost-reduction initiatives and related restructuring activities, and future spending and cost-control plans; and statements regarding the use of capital including repayment of debt, future share repurchases and the timing of those purchases, constitute forward-looking statements which involve risks and uncertainties. Actual results could differ materially from the forward-looking statements due to known and unknown risks, 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; 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 recent 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 Report 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

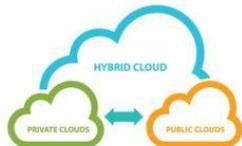
**Regulation G Disclosure:** This presentation makes reference to the following non-GAAP metrics: non-GAAP total revenue, non-GAAP product revenue, non-GAAP service revenue, non-GAAP gross profit, non-GAAP income from operations, non-GAAP operating margin, non-GAAP net income, and non-GAAP net income 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 and 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>.



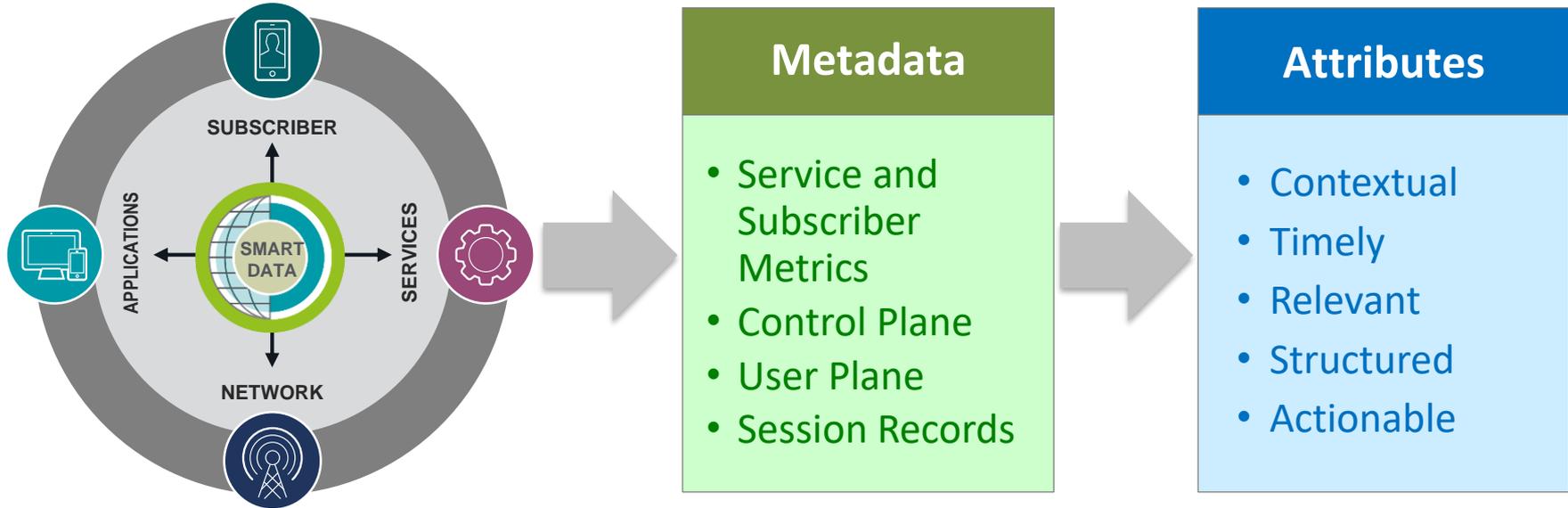
# NETSCOUT – Investment Profile

Ticker Symbol	Market Cap	FY '20 Revenue Guide*	FY '20 Non-GAAP EPS Guide*
NTCT	~\$2.0B	\$895M - \$915M	\$1.45-\$1.50

- Market leader in network operational intelligence and analytics across both Enterprise and Service Provider market segments
- Patented software technology that leverages the power of “smart data” with *real-time* operational intelligence and analytics
- EPS growth with strong free cash flow to reinvest in the business as well as return capital to shareholders
- Relevant to customers for addressing today’s IT operations/network/security trends



# NETSCOUT Smart Data



Cornerstone of NETSCOUT Analytics:  
Scalable, Efficient, Optimized Information...*in Real-Time!*



# The Smart Data Advantage

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Applications & networks are evolving to a distributed hybrid cloud model

- Delivers pervasive “visibility without borders” across any network, any cloud, and any type of workload



Smart Data is service layer metadata derived directly from packets

- Software-first solution that is vendor independent, universally available and lowers the cost/complexity barrier



Smart Data is used for network, application and security use cases

- Provides common situational awareness
- Ensures secure, high-quality service experience



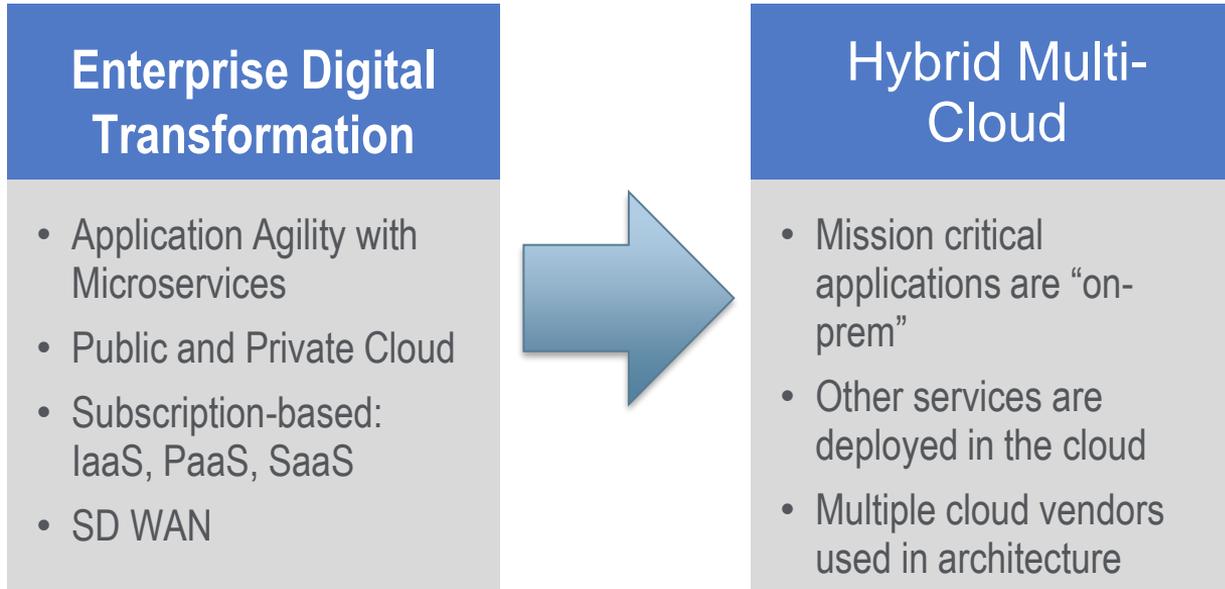
Smart Data solutions support automation and intelligent decisions

- Use of ML and AI for predictive and prescriptive outcomes
- Actionable information that speeds up decision making



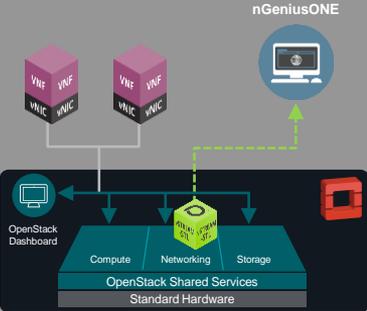
# Digital Transformation in the Enterprise

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*Large and complex Enterprises are leveraging a hybrid, multi-cloud architecture*

# NETSCOUT enables Multi-Cloud Visibility



nGeniusONE

OpenStack Dashboard

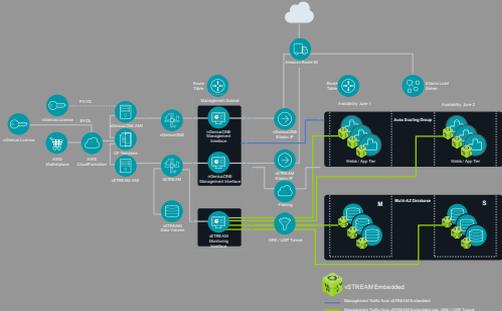
OpenStack Shared Services

Standard Hardware

Compute Networking Storage

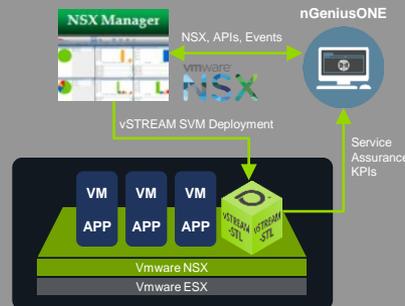
openstack™

- Neutron Edition
- Virtual Instrumentation
- Light weight plugin



aws

- Marketplace
- Virtual Instrumentation
- Light weight plugin



nGeniusONE

NSX Manager

NSX

VMware NSX

VMware ESX

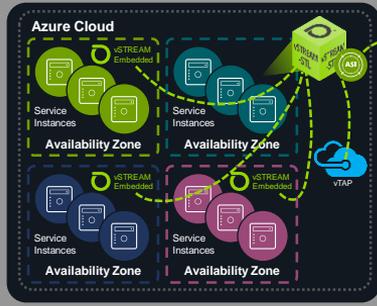
VM APP APP APP

vSTREAM SVM Deployment

Service Assurance KPIs

vmware®

- NSX Service VM (SVM)
- Virtual Instrumentation
- Light weight plugin



Azure Cloud

Service Instances

Availability Zone

vSTREAM Embedded

vTAP

nGeniusONE

- Marketplace
- Virtual Instrumentation
- Light weight plugin
- Azure vTAP



# 5G: Platform for Re-igniting Growth

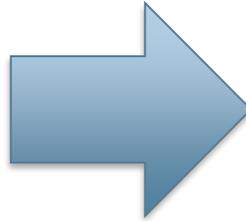
## Service Providers

### Challenges:

- Increased Competition
- Rising Customer Expectations

### Transformation:

- Cloud-Native Programmable Networks
- Service Agility
- Increased Automation
- Customer-centric Business Processes
- New Business Models



# 5G



# Carriers' Economic Proposition for 5G

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- Carriers are running out of available 4G spectrum
- 5G allows growth through new spectrum bands
- New growth areas with 5G
  - Fixed broadband to homes
  - Enterprise and Industrial IoT, Private 5G
  - New applications: AR/VR, cloud gaming, autonomous vehicles
- Projections are for global 5G base station shipments to hit 600K units in 2020 and 1.2 million units in 2021
- By 2023 carriers are expected to spend ~\$15B on 5G



# Enterprise and Industry Verticals Uses

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## Utilities

Asset monitoring  
Remote diagnostics  
Smart metering



## Manufacturing

Robotic machinery  
Stock tracking  
Environment monitoring



## Transportation

Vehicle monitoring  
Autonomous driving  
Cargo tracking



## Smart City

Traffic Control  
Smart Lighting  
Smart Services



## Agriculture

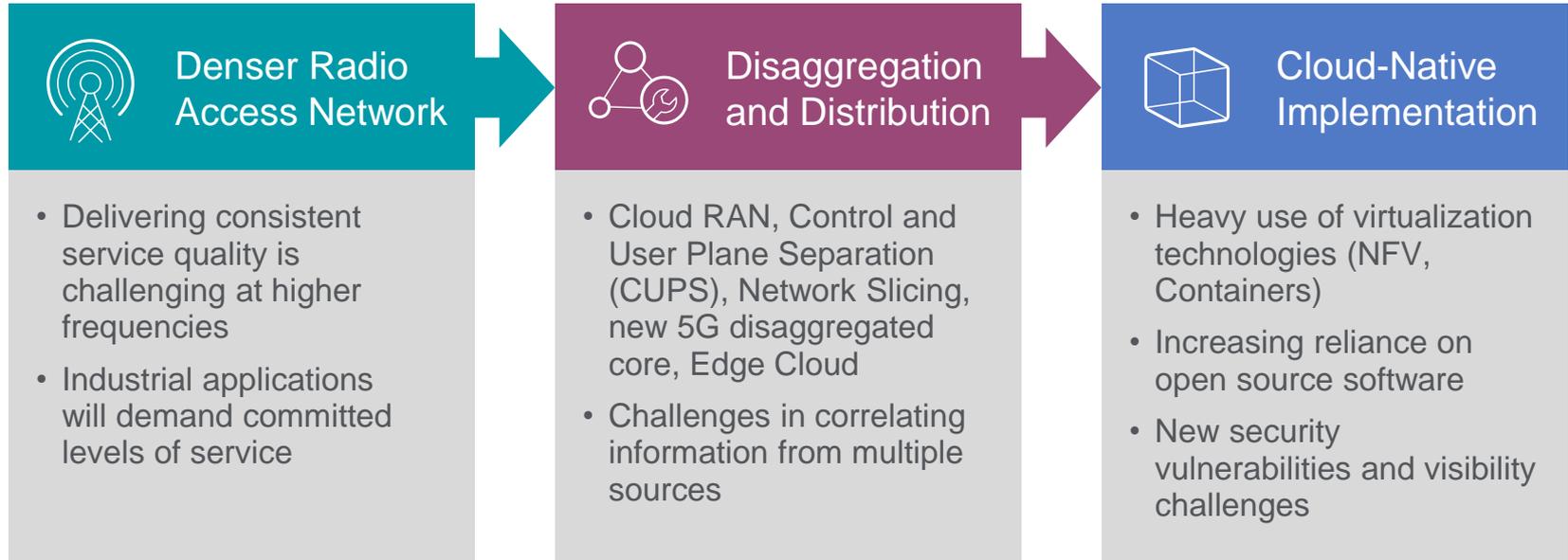
Stock monitoring  
Equipment tracking  
Environment monitoring



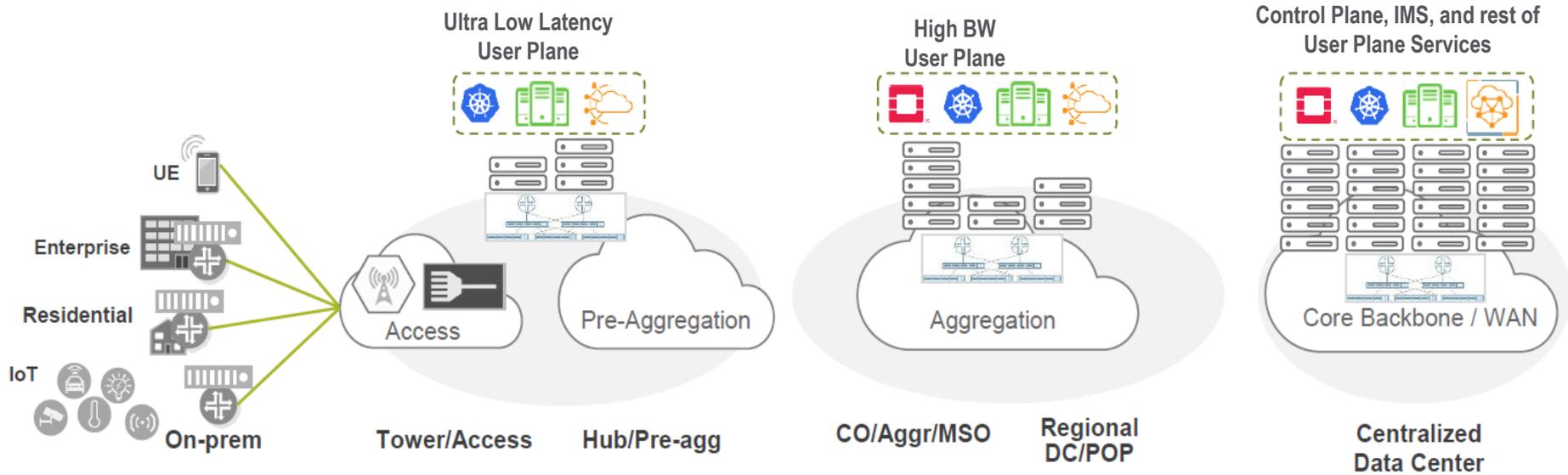
## Health

Remote diagnosis  
Health monitoring  
Dose management

# 5G: New Architecture, New Challenges



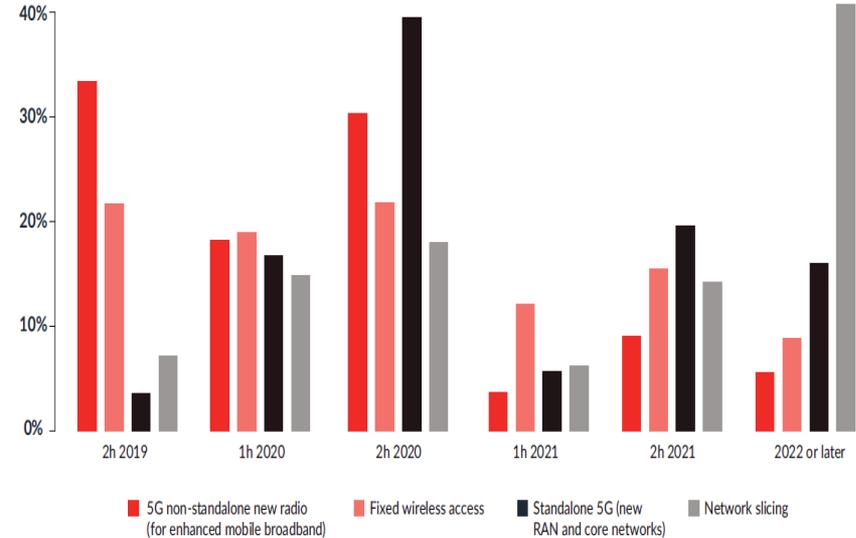
# 5G Distributed Architecture



*5G's Phases: "Non-standalone", "Standalone" and "Edge"*

# State of 5G Deployments: Global Snapshot

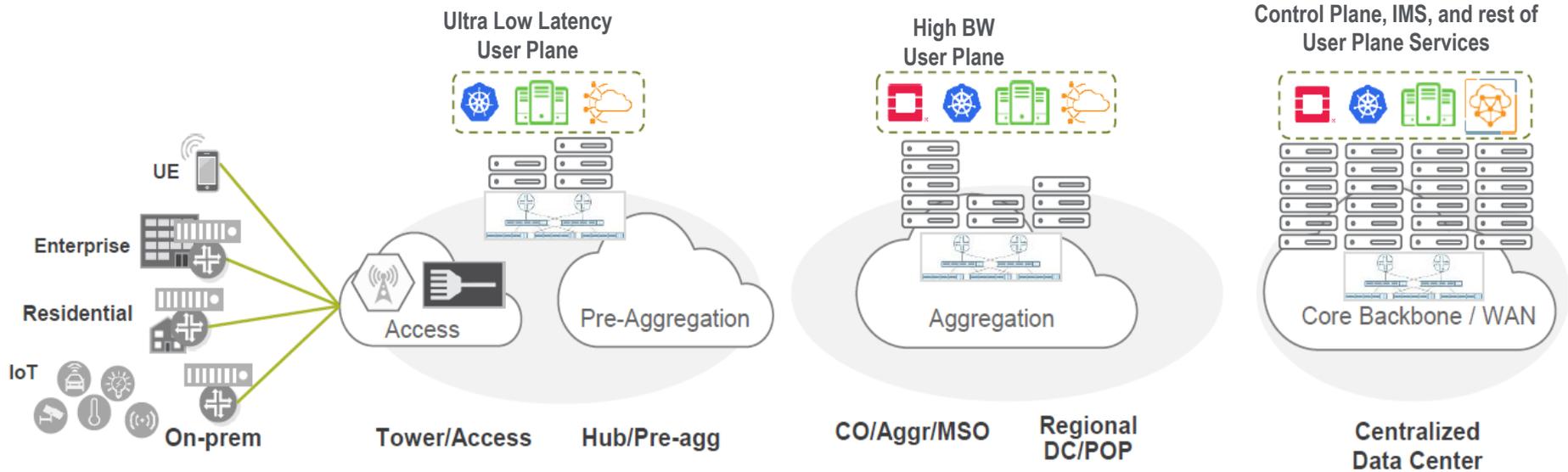
- Korea was the first to deploy 5G in early 2019
- US is the most aggressive region in terms of 5G buildout today
- China recently announced major launch with significant deployments continuing through 2020
- Japan is driving pre-commercial deployments in advance of next year's Olympics
- Europe is lagging behind



TM Forum, 2019



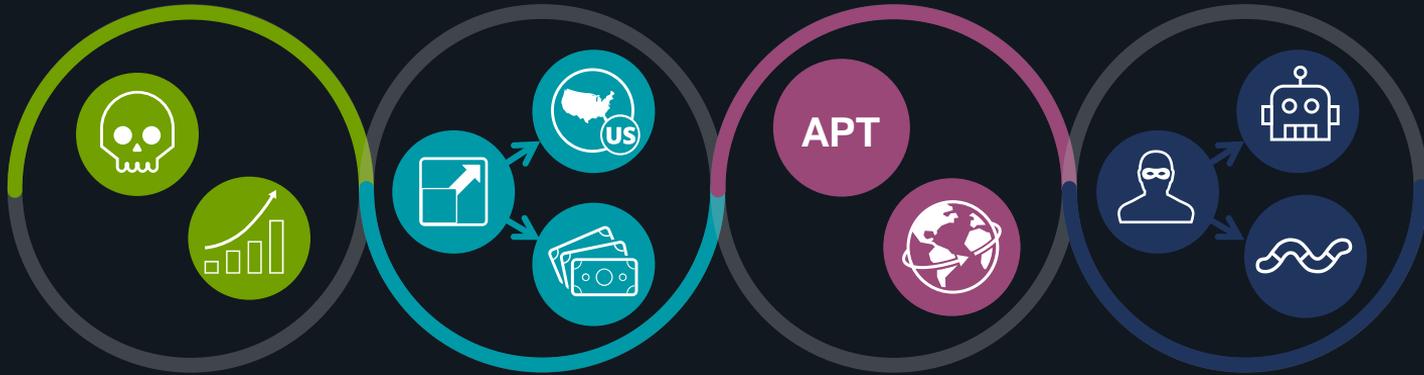
# 5G Brings Security to the Edge



*NETSCOUT's Security Opportunities are from the Edge to the Core*



# Threats and Networks are Evolving



Big jump in frequency of large DDoS attacks

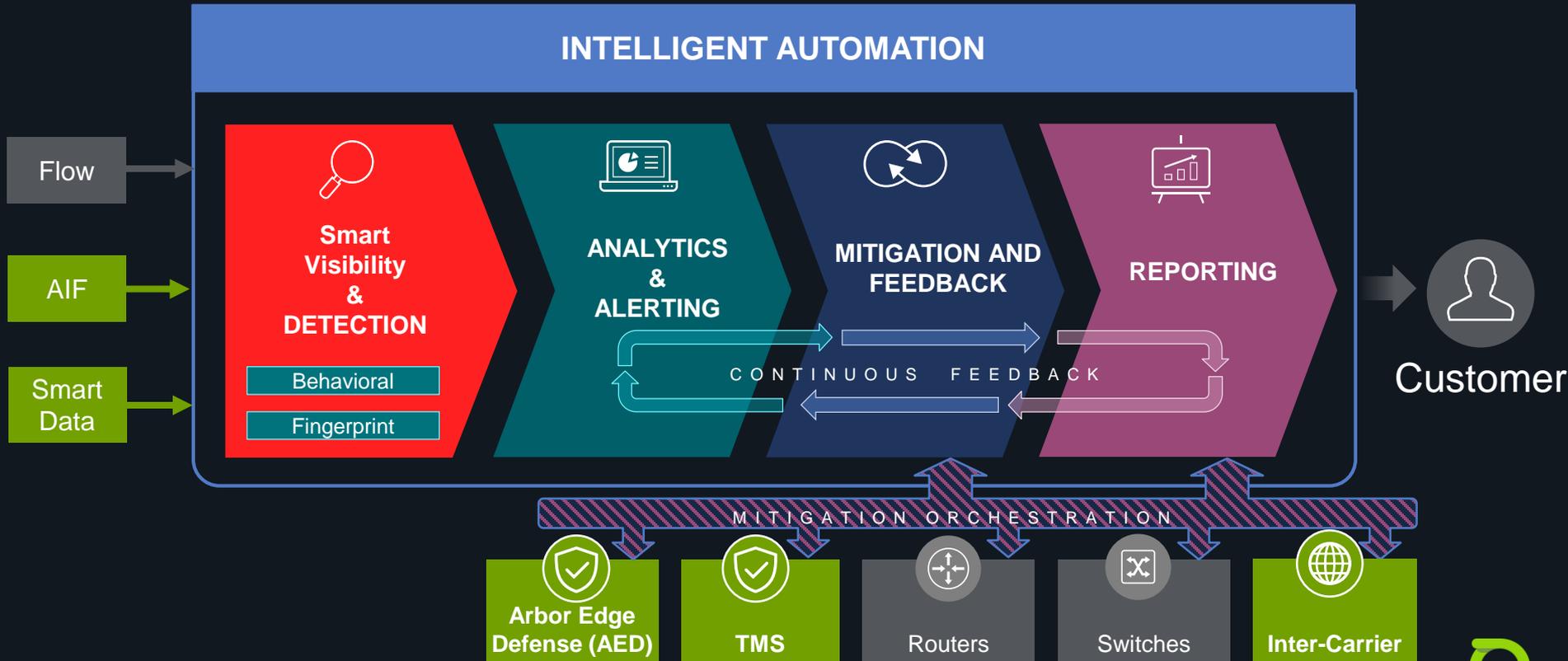
Any country or vertical can be the focus of complex attacks

More nation states adding cyber to their statecraft

Network capabilities are fragmenting and distributing



# Advanced Visibility and DDoS Defense



# Arbor Threat Analytics

Reduce Enterprise Risk, Cost and Complexity



Visibility Without  
Borders

01

Enterprise wide security  
monitoring, Edge-Core



Early  
Warning

02

High Fidelity, Real-time  
and Conclusive



Workflow  
Integration

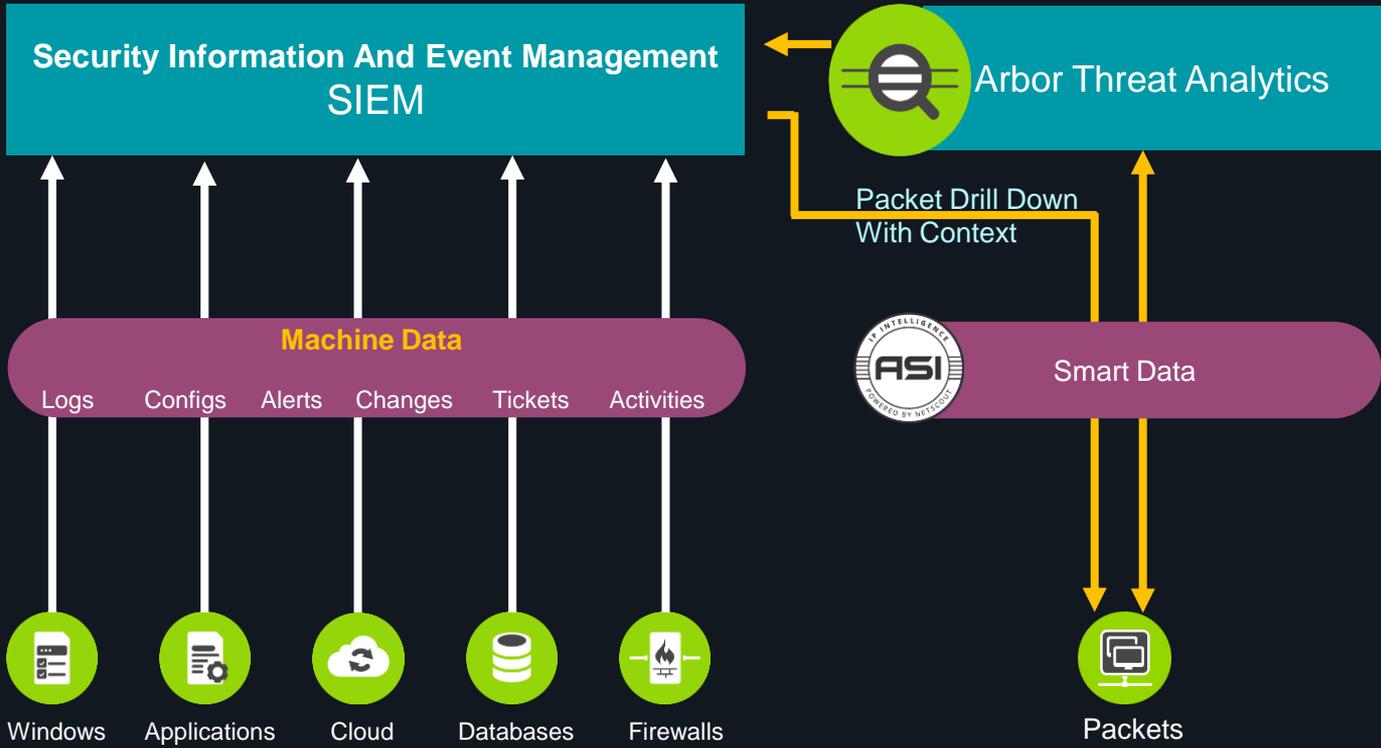
03

Reduce MTTR with  
closed loop investigation



# Arbor Threat Analytics

A New Approach Based on Patented Technology



## 01 Detect Early

- IoCs
- Risks
- Anomalies

## 02 Analyze

- Source of truth
- Fast Triage

## 03 Investigate

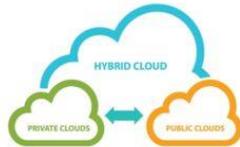
- Extent of infection
- Audit Trail



# Summary

Ticker Symbol	Market Cap	FY '20 Revenue Guide*	FY '20 Non-GAAP EPS Guide*
NTCT	~\$2.0B	\$895M - \$915M	\$1.45-\$1.50

- A market and technology leader focused on helping customers tackle next-generation technology challenges
- Patented software for network operational intelligence and analytics
- Strong free cash flow and effective capital deployment
- Today's trends need visibility to ensure success





# NETSCOUT™

*GAAP to Non-GAAP Reconciliations*

# FY'20 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)

	FY'19	FY'20
GAAP revenue	\$ 909.9	~\$895 million to ~\$915 million
Deferred service revenue fair value adjustment	\$ 1.2	Less than \$1 million
Deferred product revenue fair value adjustment	\$ 0.4	-
Non-GAAP revenue	\$ 911.5	~\$895 million to ~\$915 million
HNT Tools Revenue	\$ (18.0)	-
Organic non-GAAP revenue	\$ 893.5	~\$895 million to ~\$915 million
	FY'19	FY'20
GAAP Net Income (Loss)	\$ (73.3)	~\$4 million to ~\$8 million
Deferred service revenue fair value adjustment	\$ 1.2	Less than \$1 million
Deferred product revenue fair value adjustment	\$ 0.4	-
Amortization of intangible assets	\$ 105.5	~\$90 million
Share-based compensation expenses	\$ 56.3	~\$50 million
Business development & integration expenses*	\$ 2.5	~\$1 million to \$2 million
New accounting standard implementation	\$ 0.9	-
Restructuring costs	\$ 18.7	Less than \$1 million
Impairment of Intangibles	\$ 35.9	-
Loss on divestiture	\$ 9.5	-
Change in contingent consideration	\$ 1.5	-
Total Adjustments	\$ 232.4	~\$141 million to ~\$142 million
Related impact of adjustments on income tax	\$ (49.9)	(~\$34 million)
Non-GAAP Net Income	\$ 109.2	~\$111 million to ~\$115 million
GAAP net income (loss) per share (diluted)	\$ (0.93)	~\$0.05 to ~\$0.10
Non-GAAP net income per share (diluted)	\$ 1.38	~\$1.45 to ~\$1.50
Average Weighted Shares Outstanding (diluted GAAP)	78.6	76.7 million
Average Weighted Shares Outstanding (diluted Non-GAAP)	79.3	76.7 million

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

