NETSCOUT™

Q1 FY 2018 Conference Call

NETSCOUT SYSTEMS, INC.
July 27, 2017

Agenda

- Introduction & Safe Harbor
  - Andrew Kramer, Vice President of Investor Relations
- CEO Perspective
  - Anil Singhal, President and CEO
- COO Update: Customer Use Cases & Business Initiatives
  - Michael Szabados, Chief Operating Officer
- Financial Review and Fiscal Year 2018 Outlook
  - Jean Bua, EVP and CFO

Safe Harbor

Forward Looking Statements: 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, estimated expenses, expected financial performance and realization of synergies, statements regarding future demand and revenue for the Company's products by specific customers or by customers in general, statements related to operational and product-related integration initiatives, statements related to new and modified products and solutions, and the timing of introduction and the capabilities and market acceptance of such products and solutions, statements related to the Company's future spending, expense management and share repurchase activity, statements regarding the Company's ability to improve profitability with respect to development plans, expected future revenue and profitability associated with recent software-only deals, statements regarding go-to-market and other initiatives, statements regarding shifts in the market and in customer actions, expectations and demand for products, including the Company's ability to gain traction based on these changes and statements regarding future and ongoing strategic partnerships and development plans, constitute forward-looking statements which 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 and service assurance solutions specifically; the volatile foreign exchange environment; the Company's relationships with strategic partners; 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; changes in the various factors impacting the Company's decisions regarding timing and volume of stock repurchases; our ability to retain key executives and employees; lower than expected demand for the Company's products and services; and the ability of NetScout to successfully complete the integration of the merged assets and the associated technology and achieve operational efficiencies. 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, 2017, which is 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 certain non-GAAP measures such as non-GAAP total revenue, non-GAAP product revenue, non-GAAP service revenue, non-GAAP income from operations, non-GAAP net income, non-GAAP diluted net income per share, non-GAAP gross margin, non-GAAP operating margin, non-GAAP EPS 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, as well as revenue impacted by the amortization of intangible assets. Non-GAAP income from operations includes the aforementioned revenue adjustments and also removes expenses related to the amortization of acquired intangible assets, stock-based compensation, and certain expenses relating to acquisitions including depreciation costs, compensation for post-combination services and business development and integration costs. 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, 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 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 and operating margin, net income, cash flow from operations and diluted earnings 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 would 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 provide 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 index of this presentation and are available on our website at http://ir.netscout.com.

CEO Perspective

Anil Singhal

Co-Founder, President and Chief Executive Officer

Q1 FY’18 Highlights

Non-GAAP ($ in millions, except per share data)	Q1 FY’18 6/30/2017	Q1 FY’17 6/30/2016
Revenue	$228.8	$278.0
Gross Profit Margin	75.9%	72.9%
Income from Operations Profit Margin	6.3%	15.5%
EPS	$0.08	$0.28

- Q1 results generally in line with our plans entering the quarter
  - Q1 revenue decline primarily related to the ongoing moderation in spending by one of our tier-one carrier customers
  - Gross margin improvement driven primarily by favorable shifts in product mix as we begin to see the benefits of our product strategy
  - Balanced ongoing expense management with ongoing investment in major development and go-to-market activities
- Very pleased with our progress to drive innovation and elevate our value proposition

See Appendix for GAAP-Non-GAAP and GAAP-Non-GAAP Pro Forma Reconciliations.

“Smart Data” Strategy and Product Development Highlights

01

Smart Data via Next-Generation Instrumentation

Lower Cost, Agile, Scalable, Software-based
Easy to deploy, use and manage
Real Time Actionable Intelligence

02

Superior Analytics

Most Insightful
High Integrity & Value
Clearly Differentiated

Outlook

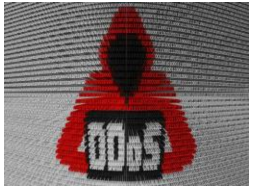
- Substantial progress on our development roadmaps during this past quarter to largely complete our newest product cycle
- To capitalize on the potential we see for these new products, we will continue to advance key sales and marketing initiatives
- Our outlook for fiscal year 2018 is fundamentally unchanged
  - EPS guidance was updated to reflect the quarter's share repurchase activity and certain assumptions for acquisition-related expenses
  - Continue to expect that the majority of our revenue and profits will be delivered during the second half of the fiscal year, which is consistent with the historical trends in our business

COO Update

Michael Szabados
Chief Operating Officer

COO Highlights

- Customer wins and use cases
  - Service Provider
  - Enterprise
  - DDoS



- Go-to-market activity

Financial Review & Fiscal Year 2018 Outlook

Jean Bua
Executive Vice President and Chief Financial Officer

Q1 FY'18 Results

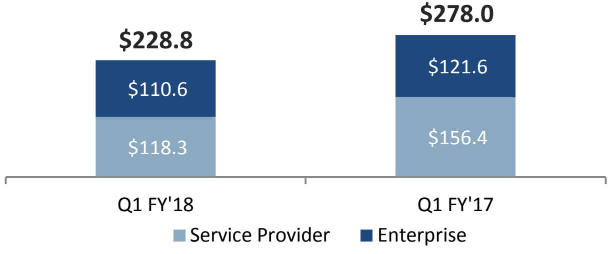
(in millions except EPS and % data)	Q1 FY'18 GAAP Reported 6/30/17	Q1 FY'17 GAAP Reported 6/30/16	% Change	Q1 FY'18 Non-GAAP Reported 6/30/17	Q1 FY'17 Non-GAAP Reported 6/30/16	% Change
Revenue:						
Product	$ 114.8	$ 164.6	-30.2%	$ 115.5	$ 168.8	-31.6%
Service	$ 110.9	$ 104.4	6.3%	$ 113.3	$ 109.1	3.8%
Total revenue	**$ 225.8**	**$ 269.0**	**-16.1%**	**$ 228.8**	**$ 278.0**	**-17.7%**
Cost of revenue	$ 66.6	$ 87.0	-23.5%	$ 55.1	$ 75.2	-26.8%
Gross profit	**$ 159.2**	**$ 181.9**	**-12.5%**	**$ 173.8**	**$ 202.8**	**-14.3%**
Gross profit margin	**70.5%**	**67.6%**		**75.9%**	**72.9%**	
Operating expenses	$ 192.7	$ 192.7	0.0%	$ 159.3	$ 159.7	-0.2%
Income (loss) from operations	**$ (33.6)**	**$ (10.8)**	-212.0%	**$ 14.5**	**$ 43.1**	**-66.3%**
Income from operations margin	**-14.9%**	**-4.0%**		**6.3%**	**15.5%**	
Net income (loss)	**$ (24.2)**	**$ (9.0)**	**-169.2%**	**$ 7.6**	**$ 26.3**	**-71.1%**
Diluted net income (loss) per share	**$ (0.27)**	**$ (0.10)**	**-170.0%**	**$ 0.08**	**$ 0.28**	**-71.4%**

See Appendix for GAAP-Non-GAAP Reconciliations.

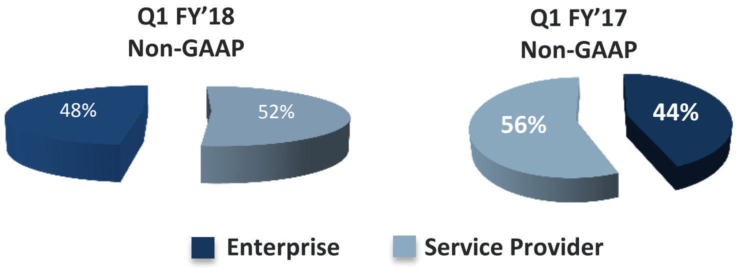
Q1 FY’18 Revenue Trends: Customer Verticals & Geographic Mix

Total Non-GAAP Revenue by Customer Segment

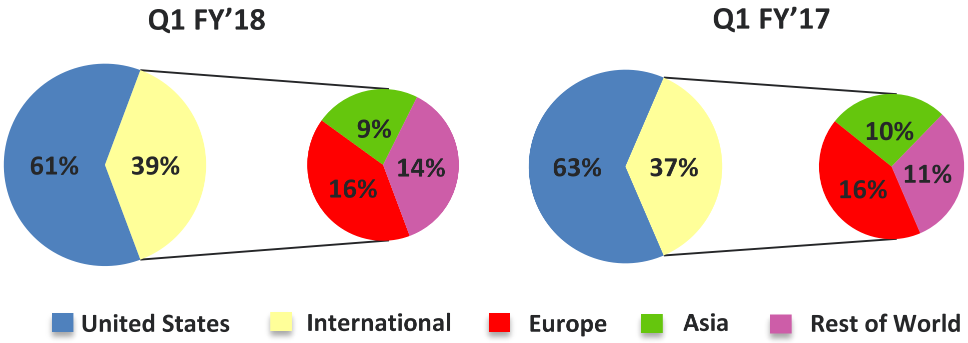
($ in millions)



Total Non-GAAP Revenue Composition by Customer Segment



	Q1 FY’18 GAAP 6/30/17	Q1 FY’17 GAAP 6/30/16
Total Revenue	$225.8	$269.0
United States	$138.6	$169.3
International	$87.2	$99.7
Europe	$35.5	$42.1
Asia	$19.5	$26.5
Rest of World	$32.2	$31.1



Figures in charts and tables may not total due to rounding

See Appendix for GAAP-Non-GAAP Reconciliations.

Balance Sheet Highlights & Free Cash Flow
(in millions)

(Unaudited)	Q1 FY'18 6/30/17
*Cash and Securities**	$ 409.7
Accounts Receivable, Net	$ 185.9
Inventories	$ 41.0
Total Long-Term Debt	$ 300.0
Total Deferred Revenue	$ 358.7
Total Stockholders' Equity	$ 2,317.5

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

Free Cash Flow

	Q1 FY'18 6/30/17
Operating Cash Flow	$ 52.6
Purchase of Fixed Assets & Intangible Assets	$ (3.3)
Free Cash Flow	$ 49.3

Financial Profile

	Q1 FY'18 6/30/17	TARGET
Cash position	$ 410	Not to exceed $500
Liquidity	3.2x	2x - 3x EBITDA
Gross leverage	1.1x	1x - 2x EBITDA

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.

FY 2018 Guidance
(in billions except EPS)

GAAP	FY'17	FY'18 Guidance (on a % basis compared with FY'17)
Revenue	$1.162	Low single-digit growth
EPS (diluted)	$0.36	~110% to ~155% growth

Non-GAAP	FY'17	FY'18 Guidance (on a % basis compared with FY'17)
Revenue	$1.2	Relatively unchanged
EPS (diluted)	$1.92	High-single to low double-digit % growth

Other FY'18 Guidance Assumptions

* Expect that solid revenue growth in enterprise vertical will be offset by a decline in service provider vertical
* ~40% of total FY'18 revenue anticipated in 1H FY'18
* Improved gross margins as the primary factor for operating profit margin growth to 25%
* Plan to maintain relatively flat operating costs
* Tax rate expected in the 33% to 34% range
* Interest & other expense of $10 million to $12 million for FY'18
* ~90.6 million diluted shares outstanding (versus original guidance of ~93 million diluted shares outstanding)
  - Incremental 5-cent benefit to FY'18 EPS related to share buyback through Q1 FY'18

See Appendix for GAAP-Non-GAAP Reconciliations.

Upcoming Investor Events

Date	Event	Location
August 7, 2017	KeyBanc (PacificCrest) Global Technology Leadership Forum	Vail, CO
August 15, 2017	D.A. Davidson 9th Annual Technology Forum	NYC
September 6, 2017	Drexel Hamilton TMT Conference	NYC
September 12, 2017	Deutsche Bank Technology Conference	Las Vegas, NV
September 13, 2017	Lake Street Best Ideas Growth (BIG) Conference	NYC

Appendix

FY 2018 Guidance: GAAP to Non-GAAP Reconciliation
(in millions except EPS)

NETSCOUT SYSTEMS, INC.

Reconciliation of GAAP Financial Guidance to Non-GAAP Financial Guidance

(Unaudited)

	FY'17	FY'18 Updated (7/27/17)
GAAP revenue	$1,162.1	Low single-digit growth over FY'17
Deferred service revenue fair value adjustment	$ 19.5	~$7 million to ~$9 million
Deferred product revenue fair value adjustment	$ 6.8	~$2 million to ~$4 million
Amortization of intangible assets	$ 11.4	-
Non-GAAP revenue	$1,199.8	Relatively flat versus FY'17

	FY'17	FY'18
GAAP Net Income	$ 33.3	~105% to ~150% growth over FY'17
Deferred service revenue fair value adjustment	$ 19.5	~$7 million to ~$9million
Deferred product revenue fair value adjustment	$ 6.8	~$2 million to ~$4 million
Amortization of intangible assets	$ 123.6	~$110 million to ~$112 million
Share-based compensation expenses	$ 39.2	~$45 million to ~$47 million
Business development & integration expenses*	$ 20.3	~$3 million to ~$5 million
New accounting standard implementation	$ -	~$1 million to ~$2 million
Restructuring costs	$ 4.0	-
Other income	$ (0.4)	-
Total Adjustments	$ 212.9	~$168 million to ~$179 million
Related impact of adjustments on income tax	$ (67.7)	(~$56 million to ~$60 million)
Non-GAAP Net Income	$ 178.5	Mid-single to high single-digit growth over FY'17
GAAP net income per share (diluted)	$ 0.36	~110% to ~155% growth over FY'17
Non-GAAP net income per share (diluted)	$ 1.92	High-single to low double-digit growth over FY'17
Average Weighted Shares Outstanding (diluted)	92.9	90.6

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

Q2 FY 2018 Guidance: GAAP to Non-GAAP Reconciliation
(in millions except EPS)

NETSCOUT SYSTEMS, INC.

Reconciliation of GAAP Financial Guidance to Non-GAAP Financial Guidance

(Unaudited)

in millions except per share	**Q2 FY'18**
GAAP revenue	~$247 million
Deferred service revenue fair value adjustment	~$2 million
Deferred product revenue fair value adjustment	~$1 million
Non-GAAP revenue	~$250 million
GAAP Net Income	(~$8 million to ~$4 million)
Deferred service revenue fair value adjustment	~$2 million
Deferred product revenue fair value adjustment	~$1 million
Amortization of intangible assets	~$27 million to ~$28 million
Share-based compensation expenses	~$12 million to ~$13 million
Business development & integration expenses*	~$1 million
New accounting standard implementation	~$0.5 million
Restructuring costs	-
Other income	-
Total Adjustments	~$43.5 million to ~$45.5 million
Related impact of adjustments on income tax	(~$14 million to ~$15 million)
Non-GAAP Net Income	~$22.5M to ~$25.5M
GAAP net income per share (diluted)	($0.04) to ($0.09)
Non-GAAP net income per share (diluted)	$0.25 to $0.28
Average Weighted Shares Outstanding (diluted GAAP)	89.6
Average Weighted Shares Outstanding (diluted non-GAAP)	90.6

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

Total Revenue Composition
(in millions)

	Q1 FY'18 GAAP	Q1 FY'17 GAAP	Q1 FY'18 Non-GAAP	Q1 FY'17 Non-GAAP
Total Revenue	$225.8	*$269.0*	$228.8	$278.0
Product Revenue	*$114.8*	*$164.6*	*$115.5*	*$168.8*
Service Revenue	*$110.9*	*$104.4*	*$113.3*	*$109.1*

Certain numbers may not total due to rounding

GAAP to Non-GAAP Reconciliation:
Q1 FY'18, Q1 FY'17 and Q4 FY'17 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 June 30, 2017	Three Months Ended June 30, 2016	Three Months Ended March 31, 2017
Product Revenue (GAAP)	$ 114,822	$ 164,589	$ 210,059
Product deferred revenue fair value adjustment	716	1,345	797
Amortization of acquired intangible assets (2)	2	2,877	2,842
Non-GAAP Product Revenue	$ 115,540	$ 168,811	$ 213,698
Service Revenue (GAAP)	$ 110,934	$ 104,363	$ 108,861
Service deferred revenue fair value adjustment	2,375	4,783	4,678
Non-GAAP Service Revenue	$ 113,309	$ 109,146	$ 113,539
Revenue (GAAP)	$ 225,756	$ 268,952	$ 318,920
Product deferred revenue fair value adjustment	716	1,345	797
Service deferred revenue fair value adjustment	2,375	4,783	4,678
Amortization of acquired intangible assets (2)	2	2,877	2,842
Non-GAAP Revenue	$ 228,849	$ 277,957	$ 327,237

GAAP to Non-GAAP Reconciliation: Q1 FY'18, Q1 FY'17 and Q4 FY'17 Gross Profit, Income from Operations and Net Income

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 June 30, 2017	Three Months Ended June 30, 2016	Three Months Ended March 31, 2017
Gross Profit (GAAP)	$ 159,194	$ 181,918	$ 226,003
Product deferred revenue fair value adjustment	716	1,345	797
Service deferred revenue fair value adjustment	2,375	4,783	4,678
Share-based compensation expense (1)	1,229	993	1,116
Amortization of acquired intangible assets (2)	9,241	13,246	13,140
Business development and integration expense (3)	989	158	217
Compensation for post-combination services (4)	-	144	-
Acquisition related depreciation expense (5)	42	165	44
Non-GAAP Gross Profit	$ 173,786	$ 202,752	$ 245,995
Income (Loss) from Operations (GAAP)	$ (33,555)	$ (10,754)	$ 38,651
Product deferred revenue fair value adjustment	716	1,345	797
Service deferred revenue fair value adjustment	2,375	4,783	4,678
Share-based compensation expense (1)	10,231	8,132	8,918
Amortization of acquired intangible assets (2)	27,624	30,818	30,635
Business development and integration expense (3)	6,156	3,669	3,185
Compensation for post-combination services (4)	237	1,715	238
Restructuring charges	167	2,034	2,271
Acquisition related depreciation expense (5)	555	1,359	555
Non-GAAP Income from Operations	$ 14,506	$ 43,101	$ 89,928
Net Income (Loss) (GAAP)	$ (24,222)	$ (8,998)	$ 22,310
Product deferred revenue fair value adjustment	716	1,345	797
Service deferred revenue fair value adjustment	2,375	4,783	4,678
Share-based compensation expense (1)	10,231	8,132	8,918
Amortization of acquired intangible assets (2)	27,624	30,818	30,635
Business development and integration expense (3)	6,156	3,669	3,185
Compensation for post-combination services (4)	237	1,715	238
Restructuring charges	167	2,034	2,271
Acquisition related depreciation expense (5)	555	1,359	555
Other income	-	-	(426)
Income tax adjustments (6)	(16,220)	(18,528)	(12,584)
Non-GAAP Net Income	$ 7,619	$ 26,329	$ 60,577
Diluted Net Income (Loss) Per Share (GAAP)	$ (0.27)	$ (0.10)	$ 0.24
Share impact of non-GAAP adjustments identified above	0.35	0.38	0.41
Non-GAAP Diluted Net Income Per Share	$ 0.08	$ 0.28	$ 0.65
Shares used in computing non-GAAP diluted net income per share	92,209	94,008	92,801

GAAP to Non-GAAP Reconciliation: Q1 FY'18, Q1 FY'17 and Q4 FY'17 Itemization

NetScout Systems, Inc.
Reconciliation of Current GAAP to Current and Historical Non-GAAP Financial Measures - Continued
(In thousands, except per share data)
(Unaudited)

	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	Three Months Ended March 31, 2017
(1) Share-based compensation expense included in these amounts is as follows:			
Cost of product revenue	$ 213	$ 195	$ 218
Cost of service revenue	1,016	798	898
Research and development	3,175	2,633	2,401
Sales and marketing	3,444	2,611	3,119
General and administrative	2,383	1,895	2,282
Total share-based compensation expense	$ 10,231	$ 8,132	$ 8,918
(2) Amortization expense related to acquired software and product technology, tradenames, customer relationships included in these amounts is as follows:			
Total revenue adjustment	$ 2	$ 2,877	$ 2,842
Cost of product revenue	9,239	10,369	10,298
Operating expenses	18,383	17,572	17,495
Total amortization expense	$ 27,624	$ 30,818	$ 30,635
(3) Business development and integration expense included in these amounts is as follows:			
Cost of product revenue	$ 439	$ 158	$ 108
Cost of service revenue	550	-	109
Research and development	1,123	-	21
Sales and marketing	1,176	10	271
General and administrative	2,868	3,501	2,676
Total business development and integration expense	$ 6,156	$ 3,669	$ 3,185
(4) Compensation for post-combination services included in these amounts is as follows:			
Cost of product revenue	$ -	$ 42	$ -
Cost of service revenue	-	102	-
Research and development	184	793	184
Sales and marketing	53	1,006	54
General and administrative		(228)	-
Total compensation for post-combination services	$ 237	$ 1,715	$ 238
(5) Acquisition related depreciation expense included in these amounts is as follows:			
Cost of product revenue	$ 26	$ 117	$ 27
Cost of service revenue	16	48	17
Research and development	344	872	343
Sales and marketing	54	146	54
General and administrative	115	176	114
Total acquisition related depreciation expense	$ 555	$ 1,359	$ 555
(6) Total income tax adjustment included in these amounts is as follows:			
Tax effect of non-GAAP adjustments above	$ (16,220)	$ (18,528)	$ (12,584)
Total income tax adjustments	$ (16,220)	$ (18,528)	$ (12,584)

Thank You