# Q3 FY 2024 Conference Call

*NETSCOUT SYSTEMS, INC.*
*January 25, 2024*

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# Agenda

- Introduction & Safe Harbor
  - Tony Piazza, SVP, 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:** Certain information provided in this presentation includes forward-looking statements within the meaning of the Securities Act of 1933 and the Securities Exchange Act of 1934, which are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and other federal securities laws. Examples of forward-looking statements include statements regarding our future financial performance or position, results of operations, business strategy, plans and objectives of management for future operations, and other statements that are not historical fact. You can identify forward-looking statements by their use of forward-looking words such as “may”, “will”, “anticipate”, “expect”, “believe”, “estimate”, “intend”, “plan”, “should”, “seek”, or other comparable terms. Investors are cautioned that such forward-looking statements in this presentation including, without limitation, statements regarding NETSCOUT’s outlook for fiscal year 2024, that it expects economic headwinds to persist, that it remains confident that its value proposition of enhanced cybersecurity solutions and extending visibility to the edges of the network will continue to resonate with customers, that as 5G adoption accelerates, new use cases advance, and 5G traffic volumes increase, its core visibility and cybersecurity solutions will be required, that despite the continuation of near-term headwinds, NETSCOUT believes that fundamental longer-term demand trends remain intact for NETSCOUT as enterprises and service providers require industry-leading cybersecurity and service assurance solutions such as NETSCOUTS to deliver actionable visibility at scale, that NETSCOUT remains focused on leveraging its industry leading “Visibility Without Borders” platform to help customers tackle the performance, availability, and cybersecurity challenges of the increasingly complex connected digital world, and that NETSCOUT expects the continued execution of its strategy will enable it to deliver sustainable value for its shareholders, all constitute forward looking statements that 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, but are not limited to, the wars in Ukraine and Israel and other global geopolitical conflict; macroeconomic conditions, including high inflation and interest rates and 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 the Company has, and their strategic response to the Company’s products; the Company’s 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. The risks included above are not exhaustive. We caution readers not to place undue reliance on any forward-looking statements included in this press release which speak only as to the date of this press release. We undertake no responsibility to update or revise any forward-looking statements, except as required by law. 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, 2023, filed 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:** To supplement the financial measures presented in NETSCOUT's press release in accordance with accounting principles generally accepted in the United States (GAAP), NETSCOUT also reports the following non-GAAP measures: non-GAAP gross profit, non-GAAP income from operations, non-GAAP net income, non-GAAP diluted net income per share, free cash flow, and non-GAAP earnings before interest and other expense, income taxes, depreciation, and amortization (EBITDA) from operations. Non-GAAP gross profit removes expenses related to the amortization of acquired intangible assets, share based compensation, and acquisition-related depreciation. Non-GAAP income from operations includes the aforementioned adjustments and also removes gain on the divestiture of a business, restructuring charges, goodwill impairment, and legal expenses related to civil judgements. Non-GAAP net income includes the foregoing adjustments related to non-GAAP income from operations, and also removes change in fair value of derivative instrument, net of related income tax effects. Non-GAAP diluted net income per share includes the foregoing adjustments related to non-GAAP net income. Free cash flow is defined as Operating Cash Flow less the purchase of fixed and intangible assets, Non-GAAP EBITDA from operations includes the aforementioned items related to non-GAAP income from operations and also removes non-acquisition related depreciation expense. 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 of this presentation.

These non-GAAP measures are not in accordance with GAAP, should not be considered an alternative for measures prepared in accordance with GAAP (gross profit, operating margin, net income, and diluted net income per share), and may have limitations because they do not reflect all 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.

# CEO Perspective

Anil Singhal
President and Chief Executive Officer

# Q3 & YTD FY'24 Non-GAAP Financial Results

| Non-GAAP ($ in millions, except per share data) | Q3 FY'24 12/31/2023 | Q3 FY'23 12/31/2022 | YTD FY'24 12/31/2023 | YTD FY'23 12/31/2022 |
|---|---|---|---|---|
| Revenue | $ 218.1 | $ 269.5 | $ 626.0 | $ 706.4 |
| Gross Margin | 81.8% | 80.5% | 80.2% | 77.5% |
| Operating Margin | 29.0% | 35.5% | 23.6% | 24.6% |
| EPS | $ 0.73 | $ 1.00 | $ 1.65 | $ 1.81 |

- Delivered Q3 FY'24 results ahead of expectations due to the timing of calendar year-end customer budget spending and continued cost containment efforts
- During Q3 and YTD, cybersecurity revenue grew but was more than offset by a decline in service assurance revenue primarily due to the challenging Tier-1 U.S. service provider environment

# Market and Business Insights

- Enterprise
- Service Provider

# FY'24 Outlook & Summary

- Revenue is expected to be at the low-end of the previously disclosed range due to the challenging current market conditions, primarily in the service assurance Tier-1 U.S. service provider market

- Non-GAAP EPS is anticipated to be at the higher end of our previously disclosed range due to continued cost containment efforts and other activities, putting our non-GAAP EPS relatively in-line with prior year on lower revenue year over year

- Despite the continuation of near-term headwinds, we believe fundamental longer-term demand trends remain intact for NETSCOUT

- We remain focused on leveraging our industry leading "Visibility Without Borders" platform to help customers tackle performance, availability, and cybersecurity challenges of the increasingly complex digital world while delivering shareholder value

# COO Update

Michael Szabados
Chief Operating Officer

# COO Highlights

- Customer Wins
- Go-to-Market Activities

# Financial Review & FY'24 Outlook

Jean Bua
Executive Vice President and Chief Financial Officer

# Q3 & YTD Non-GAAP FY'24 Results

| *(in millions except EPS and % data)* | Q3 FY'24 Non-GAAP 12/31/2023 | Q3 FY'23 Non-GAAP 12/31/2022 | % Change | | YTD FY'24 Non-GAAP 12/31/2023 | YTD FY'23 Non-GAAP 12/31/2022 | % Change |
|---|---|---|---|---|---|---|---|
| Revenue: | | | | | | | |
| Product | $ 95.8 | $ 149.5 | -35.9% | | $ 271.0 | $ 359.5 | -24.6% |
| Service | $ 122.2 | $ 120.1 | 1.8% | | $ 355.0 | $ 346.9 | 2.3% |
| **Total revenue** | **$ 218.1** | **$ 269.5** | **-19.1%** | | **$ 626.0** | **$ 706.4** | **-11.4%** |
| *Gross profit margin* | 81.8% | 80.5% | | | 80.2% | 77.5% | |
| *Operating Margin* | 29.0% | 35.5% | | | 23.6% | 24.6% | |
| Net income | $ 52.0 | $ 73.0 | -28.8% | | $ 119.3 | $ 132.4 | -9.9% |
| **Diluted net income per share** | **$ 0.73** | **$ 1.00** | **-27.0%** | | **$ 1.65** | **$ 1.81** | **-8.8%** |
| Diluted shares outstanding | 71.6 | 73.0 | -1.9% | | 72.4 | 73.3 | -1.2% |

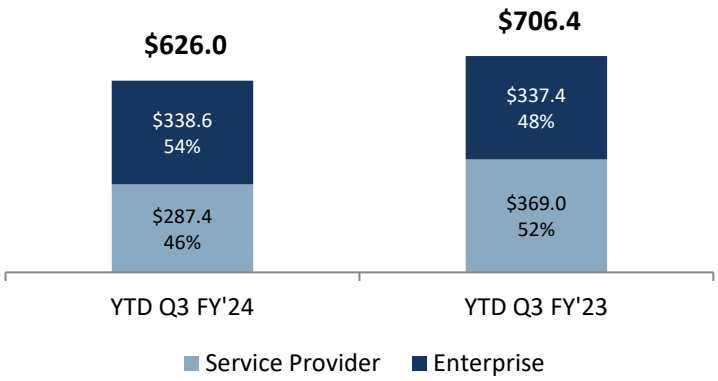
*Figures in charts and tables may not total due to rounding*

*See Appendix for GAAP-Non-GAAP Reconciliations.*

# YTD FY'24 Revenue Trends: Customer Verticals & Product Lines

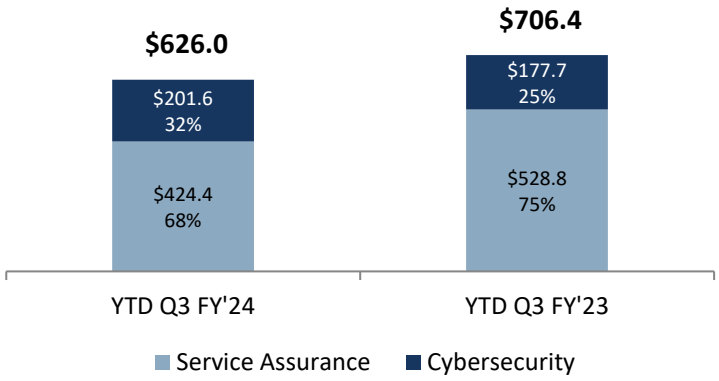
Total Non-GAAP Revenue by ***Customer Vertical***

*($ in millions)*




Total Non-GAAP Revenue by ***Product Line***

*($ in millions)*

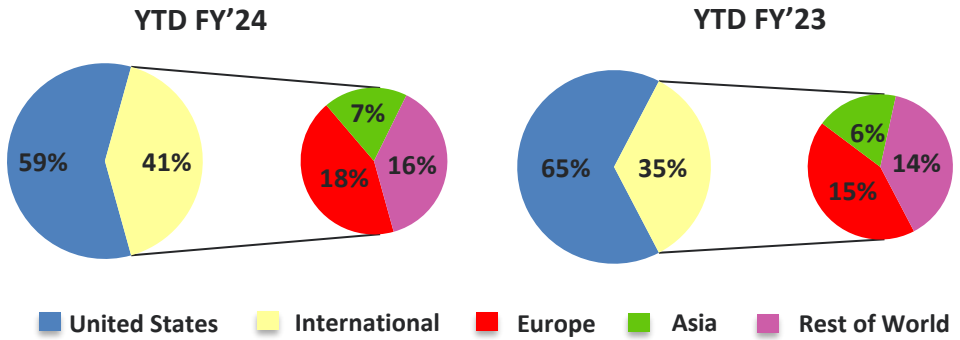



*Figures in charts and tables may not total due to rounding*

*See Appendix for GAAP-Non-GAAP Reconciliations*

# YTD FY'24 Revenue Trends: Geographic Mix

| | YTD FY'24 12/31/23 | YTD FY'23 12/31/22 |
|---|---|---|
| Total Revenue | $626.0 | $706.4 |
| *United States* | $367.1 | $461.7 |
| *International* | $258.9 | $244.8 |
| *Europe* | $111.5 | $105.0 |
| *Asia* | $48.0 | $44.6 |
| *Rest of World* | $99.4 | $95.1 |




*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)* | Q3 FY'24 12/31/23 |
|---|---|
| *Cash and Securities** | $ 330.1 |
| *Accounts Receivable, Net* | $ 221.6 |
| *Inventories* | $ 15.3 |
| *Total Long-Term Debt* | $ 100.0 |
| *Total Deferred Revenue* | $ 418.0 |
| *Total Stockholders' Equity* | $ 1,903.9 |

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

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

| | Q1 FY'24 6/30/2023 | Q2 FY'24 9/30/2023 | Q3 FY'24 12/31/2023 | YTD FY'24 12/31/2023 |
|---|---|---|---|---|
| Operating Cash Flow | $ (22.3) | $ (26.4) | $ 13.9 | $ (34.8) |
| Purchase of Fixed Assets & Intangible Assets | $ (2.0) | $ (1.5) | $ (1.2) | $ (4.7) |
| Free Cash Flow | $ (24.3) | $ (27.9) | $ 12.7 | $ (39.5) |

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 | |
|---|---|
| | Q3 FY'24 12/31/2023 |
| Cash and Securities position | $330.1 |
| Liquidity | 4.9x |
| Gross leverage | 0.5x |
| Net leverage | (1.1x) |
| Credit Facility Net Leverage | (0.8x) |

- 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 within the Company's senior secured credit facility).
- Gross Leverage is calculated as total debt plus contingent debt divided by the 12-month trailing adjusted non-GAAP EBITDA.
- Net leverage is calculated as total debt plus contingent debt minus cash and securities, divided by the 12-month trailing adjusted non-GAAP EBITDA
- As defined in the Company's senior secured credit facility, Credit Facility Net Leverage is calculated as total debt plus contingent debt minus the lesser of unrestricted cash and 125% of 12-month trailing adjusted non-GAAP EBITDA divided by the 12-month trailing adjusted non-GAAP EBITDA
- 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

# FY'24 Outlook

## Revenue

| $ millions | FY'23 GAAP & Non-GAAP | FY'24 Outlook GAAP & Non-GAAP |
|---|---|---|
| Revenue | $914.5 | ~$840 |

## EPS (Diluted)

| | FY'23 | FY'24 Outlook |
|---|---|---|
| GAAP EPS (diluted) | $0.82 | ($1.29) to ($1.24)* |
| Adjustments | $1.36 | $3.44 |
| Non-GAAP EPS (diluted) | $2.18 | $2.15 to $2.20 |

* Note: FY24 GAAP EPS outlook includes a $167.1 million non-cash goodwill impairment expense recorded in Q3

***Other FY'24 Outlook Assumptions***

- Anticipate tax rate near low end of 20% to 22% range
- Anticipate 72 to 73 million weighted average diluted shares outstanding

*See Appendix for GAAP-Non-GAAP Reconciliations*

# Appendix

# Q3 & YTD FY'24 Results

| *(in millions except EPS and % data)* | Q3 FY'24 GAAP 12/31/2023 | Q3 FY'23 GAAP 12/31/2022 | % Change | YTD FY'24 GAAP 12/31/2023 | YTD FY'23 GAAP 12/31/2022 | % Change | Q3 FY'24 Non-GAAP 12/31/2023 | Q3 FY'23 Non-GAAP 12/31/2022 | % Change | YTD FY'24 Non-GAAP 12/31/2023 | YTD FY'23 Non-GAAP 12/31/2022 | % Change |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Revenue: | | | | | | | | | | | | |
| Product | $ 95.8 | $ 149.5 | -35.9% | $ 271.0 | $ 359.5 | -24.6% | $ 95.8 | $ 149.5 | -35.9% | $ 271.0 | $ 359.5 | -24.6% |
| Service | $ 122.2 | $ 120.1 | 1.8% | $ 355.0 | $ 346.9 | 2.3% | $ 122.2 | $ 120.1 | 1.8% | $ 355.0 | $ 346.9 | 2.3% |
| **Total revenue** | **$ 218.1** | **$ 269.5** | **-19.1%** | **$ 626.0** | **$ 706.4** | **-11.4%** | **$ 218.1** | **$ 269.5** | **-19.1%** | **$ 626.0** | **$ 706.4** | **-11.4%** |
| Cost of revenue | $ 43.6 | $ 56.8 | -23.2% | $ 137.1 | $ 172.2 | -20.4% | $ 39.6 | $ 52.4 | -24.4% | $ 124.2 | $ 158.7 | -21.7% |
| **Gross profit** | **$ 174.4** | **$ 212.7** | **-18.0%** | **$ 488.9** | **$ 534.3** | **-8.5%** | **$ 178.5** | **$ 217.1** | **-17.8%** | **$ 501.8** | **$ 547.7** | **-8.4%** |
| ***Gross profit margin*** | **80.0%** | **78.9%** | | **78.1%** | **75.6%** | | **81.8%** | **80.5%** | | **80.2%** | **77.5%** | |
| Operating expenses* | $ 308.9 | $ 149.0 | 107.3% | $ 601.8 | $ 458.3 | 31.3% | $ 115.2 | $ 121.5 | -5.2% | $ 353.8 | $ 373.6 | -5.3% |
| **Income (loss) from operations** | **$ (134.4)** | **$ 63.8** | **-310.9%** | **$ (112.9)** | **$ 76.0** | **-248.5%** | **$ 63.2** | **$ 95.6** | **-33.8%** | **$ 148.0** | **$ 174.1** | **-15.0%** |
| *Income (loss) from operations margin* | -61.7% | 23.7% | | -18.0% | 10.8% | | 29.0% | 35.5% | | 23.6% | 24.6% | |
| Net income (loss) | $ (132.6) | $ 52.6 | -352.0% | $ (115.3) | $ 62.9 | -283.4% | $ 52.0 | $ 73.0 | -28.7% | $ 119.3 | $ 132.4 | -9.9% |
| **Diluted net income per share** | **$ (1.87)** | **$ 0.72** | -359.7% | **$ (1.61)** | **$ 0.86** | **-287.2%** | **$ 0.73** | **$ 1.00** | **-27.0%** | **$ 1.65** | **$ 1.81** | **-8.8%** |
| Diluted shares outstanding | 71.1 | 73.0 | -2.6% | 71.6 | 73.3 | -2.4% | 71.6 | 73.0 | -1.9% | 72.4 | 73.3 | -1.3% |

*Q3 FY'24 and YTD FY'24 GAAP operating expenses include a goodwill impairment expense of $167.1 million

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

*See Appendix for GAAP-Non-GAAP Reconciliations.*

# Total Revenue Composition: Service Assurance & Cybersecurity (in millions, GAAP & Non-GAAP)

| | Q1 FY'23 | Q2 FY'23 | Q3 FY'23 | Q4 FY'23 | Full Year FY'23 | Q1 FY'24 | Q2 FY'24 | Q3 FY'24 |
|---|---|---|---|---|---|---|---|---|
| Total Revenue | 208.8 | 228.1 | 269.5 | 208.1 | 914.5 | 211.1 | 196.8 | 218.1 |
| *Service Assurance Revenue* | *149.6* | *167.3* | *211.8* | *149.9* | *678.7* | *146.1* | *129.4* | *148.9* |
| *Cybersecurity Revenue* | *59.2* | *60.8* | *57.7* | *58.2* | *235.8* | *65.1* | *67.4* | *69.2* |

*Certain numbers may not total due to rounding*

# GAAP to Non-GAAP Reconciliation: Q3'FY24, Q3'FY23, Q2'FY24, YTD'FY24 & YTD'FY23 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 December 31, | | Three Months Ended September 30, | Nine Months Ended December 31, | |
|---|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2023 | 2022 |
| GAAP and Non-GAAP Revenue | $ 218,072 | $269,544 | $ 196,802 | $ 626,012 | $ 706,437 |
| Gross Profit (GAAP) | $ 174,448 | $212,742 | $ 153,750 | $ 488,940 | $ 534,280 |
| Share-based compensation expense (1) | 2,375 | 2,043 | 2,638 | 7,924 | 6,475 |
| Amortization of acquired intangible assets (2) | 1,636 | 2,315 | 1,638 | 4,912 | 6,955 |
| Acquisition related depreciation expense (3) | 2 | 5 | 4 | 11 | 16 |
| Non-GAAP Gross Profit | $ 178,461 | $217,105 | $ 158,030 | $ 501,787 | $ 547,726 |
| Income (Loss) from Operations (GAAP) | $(134,447) | $ 63,750 | $ 26,292 | $(112,850) | $ 76,026 |
| GAAP Operating Margin | -61.7% | 23.7% | 13.4% | -18.0% | 10.8% |
| Share-based compensation expense (1) | 16,364 | 15,143 | 18,445 | 54,653 | 47,225 |
| Amortization of acquired intangible assets (2) | 14,169 | 16,133 | 14,188 | 42,702 | 48,455 |
| Restructuring charges | - | 89 | - | - | 1,803 |
| Goodwill impairment | 167,106 | - | - | 167,106 | - |
| Acquisition related depreciation expense (3) | 12 | 59 | 37 | 108 | 183 |
| Gain on divestiture of a business | - | - | (3,806) | (3,806) | - |
| Legal expenses related to civil judgments (4) | 45 | 426 | 44 | 130 | 426 |
| Non-GAAP Income from Operations | $ 63,249 | $ 95,600 | $ 55,200 | $ 148,043 | $ 174,118 |
| Non-GAAP Operating Margin | 29.0% | 35.5% | 28.0% | 23.6% | 24.6% |
| Net Income (Loss) (GAAP) | $(132,577) | $ 52,618 | $ 21,462 | $(115,315) | $ 62,869 |
| Share-based compensation expense (1) | 16,364 | 15,143 | 18,445 | 54,653 | 47,225 |
| Amortization of acquired intangible assets (2) | 14,169 | 16,133 | 14,188 | 42,702 | 48,455 |
| Restructuring charges | - | 89 | - | - | 1,803 |
| Gain on divestiture of a business | - | - | (3,806) | (3,806) | - |
| Goodwill impairment | 167,106 | - | - | 167,106 | - |
| Acquisition related depreciation expense (3) | 12 | 59 | 37 | 108 | 183 |
| Legal expenses related to civil judgments (4) | 45 | 426 | 44 | 130 | 426 |
| Change in fair value of derivative instrument (5) | - | - | - | (206) | - |
| Income tax adjustments (6) | (13,085) | (11,449) | (5,829) | (26,085) | (28,585) |
| Non-GAAP Net Income | $ 52,034 | $ 73,019 | $ 44,541 | $ 119,287 | $ 132,376 |
| Diluted Net Income (Loss) Per Share (GAAP) | $ (1.87) | $ 0.72 | $ 0.29 | $ (1.61) | $ 0.86 |
| Share impact of non-GAAP adjustments identified above | 2.60 | 0.28 | 0.32 | 3.26 | 0.95 |
| Non-GAAP Diluted Net Income Per Share | $ 0.73 | $ 1.00 | $ 0.61 | $ 1.65 | $ 1.81 |
| Shares used in computing non-GAAP diluted net income per share | 71,638 | 73,049 | 72,797 | 72,355 | 73,271 |

# GAAP to Non-GAAP Reconciliation: Q3'FY24, Q3'FY23, Q2'FY24, YTD'FY24 & YTD'FY23 Itemization

**NETSCOUT SYSTEMS, INC.**
**Reconciliation of Current GAAP to Current and Historical Non-GAAP Financial Measures - Continued**
**(In thousands)**
**(Unaudited)**

| | | Three Months Ended December 31, | | Three Months Ended September 30, | Nine Months Ended December 31, | |
|---|---|---|---|---|---|---|
| | | 2023 | 2022 | 2023 | 2023 | 2022 |
| (1) | Share-based compensation expense included in these amounts is as follows: | | | | | |
| | Cost of product revenue | $ 306 | $ 262 | $ 349 | $ 1,027 | $ 869 |
| | Cost of service revenue | 2,069 | 1,781 | 2,289 | 6,897 | 5,606 |
| | Research and development | 4,498 | 4,174 | 4,988 | 14,872 | 13,185 |
| | Sales and marketing | 5,680 | 5,445 | 6,675 | 19,639 | 17,238 |
| | General and administrative | 3,811 | 3,481 | 4,144 | 12,218 | 10,327 |
| | Total share-based compensation expense | $ 16,364 | $ 15,143 | $ 18,445 | $ 54,653 | $ 47,225 |
| (2) | Amortization expense related to acquired software and product technology, tradenames, customer relationships included in these amounts is as follows: | | | | | |
| | Cost of product revenue | $ 1,636 | $ 2,315 | $ 1,638 | $ 4,912 | $ 6,955 |
| | Operating expenses | 12,533 | 13,818 | 12,550 | 37,790 | 41,500 |
| | Total amortization expense | $ 14,169 | $ 16,133 | $ 14,188 | $ 42,702 | $ 48,455 |
| (3) | Acquisition related depreciation expense included in these amounts is as follows: | | | | | |
| | Cost of product revenue | $ 2 | $ 3 | $ 2 | $ 7 | $ 9 |
| | Cost of service revenue | - | 2 | 2 | 4 | 7 |
| | Research and development | 8 | 42 | 25 | 74 | 129 |
| | Sales and marketing | 2 | 8 | 6 | 16 | 25 |
| | General and administrative | - | 4 | 2 | 7 | 13 |
| | Total acquisition related depreciation expense | $ 12 | $ 59 | $ 37 | $ 108 | $ 183 |
| (4) | Legal expenses related to civil judgments included in this amount is as follows: | | | | | |
| | General and administrative | $ 45 | $ 426 | $ 44 | $ 130 | $ 426 |
| | Total legal judgments expense | $ 45 | $ 426 | $ 44 | $ 130 | $ 426 |
| (5) | Change in fair value of derivative instrument included in this amount is as follows: | | | | | |
| | Interest and other (income) expense, net | $ - | $ - | $ - | $ (206) | $ - |
| | Total change in fair value of derivative instrument | $ - | $ - | $ - | $ (206) | $ - |
| (6) | Total income tax adjustment included in this amount is as follows: | | | | | |
| | Tax effect of non-GAAP adjustments above | $ (13,085) | $ (11,449) | $ (5,829) | $ (26,085) | $ (28,585) |
| | Total income tax adjustments | $ (13,085) | $ (11,449) | $ (5,829) | $ (26,085) | $ (28,585) |

# FY'24 Financial Outlook: GAAP to Non-GAAP Reconciliation

**NETSCOUT SYSTEMS, INC**

Reconciliation of GAAP Financial Outlook to Non-GAAP Financial Outlook

(Unaudited)

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

| | FY'23 | FY'24 |
|---|---|---|
| GAAP & Non-GAAP revenue | $ 914.5 | ~$840 million |

| | FY'23 | FY'24 |
|---|---|---|
| GAAP net income | $ 59.6 | ~($92) million to ~($89) million |
| Amortization of intangible assets | $ 64.7 | ~$57 million |
| Share-based compensation expenses | $ 62.0 | ~$70 million |
| Business development & integration expenses* | $ 0.2 | ~Less than $1 million |
| Gain on divestiture of a business | $ - | ~($3.8 million) |
| Change in fair value of derivative instrument | $ 1.4 | ~Less than $1 million |
| Legal expenses related to civil judgments | $ 0.5 | - |
| New accounting standard implementation | $ 0.0 | - |
| Restructuring charges | $ 1.8 | - |
| Goodwill impairment | $ - | ~$167 million |
| Total adjustments | $ 130.6 | ~$290 million |
| Related impact of adjustments on income tax | $ (30.7) | (~$42 million) |
| Non-GAAP net income | $ 159.6 | ~$156 million to ~$159 million |
| | | |
| GAAP net income per share (diluted) | $ 0.82 | ~($1.29) to ~($1.24) |
| Non-GAAP net income per share (diluted) | $ 2.18 | ~$2.15 to ~$2.20 |
| | | |
| Average weighted shares outstanding (diluted GAAP) | 73.0 | ~71 million to ~72 million |
| Average weighted shares outstanding (diluted Non-GAAP) | 73.0 | ~ 72 million to ~73 million |

*Business development & integration expenses include acquisition-related depreciation expense

**Figures in table may not total due to rounding


Thank You