



**NETSCOUT SYSTEMS, INC.
Third Quarter Fiscal Year 2026 Financial Results Conference Call
Management's Prepared Remarks**

February 5, 2026

Slide #2: Introduction & Agenda

Scott Dressel:

Thank you, operator, and good morning, everyone. Welcome to NETSCOUT's third-quarter fiscal year 2026 conference call for the period ended December 31, 2025. Joining me today are:

- Anil Singhal, NETSCOUT's President and Chief Executive Officer, and
- Tony Piazza, NETSCOUT's Executive Vice President and Chief Financial Officer.

Please note that a slide presentation accompanies our prepared remarks. You can advance the slides in the webcast viewer to follow our commentary. Both the slides and the prepared remarks can be accessed in multiple areas within the investor relations section of our website at www.netscout.com, including the IR landing page and the quarterly results page.

Slide #3: Forward-Looking Statements

As discussed in detail on slide number 3, today's conference call will include certain forward-looking statements about NetScout's views on expected results of future performance and business strategy. These statements speak only as of today's date and involve risks, uncertainties and assumptions that may cause actual results to differ materially, including but not limited to those described in the Company's most recent Annual Report on Form 10-K and subsequent filings with the Securities and Exchange Commission.

Slide #4: Non-GAAP Financial Metrics

As discussed in detail on slide number 4, today's conference call will also include discussion of certain non-GAAP financial measures that the company believes to be useful for investors. While this slide presentation includes both GAAP and non-GAAP results, other than revenue and balance sheet information, which are presented in accordance with GAAP, we will focus our discussion on non-GAAP financial information. These measures should not be

considered in isolation from or as a substitute for financial information prepared in accordance with GAAP. Reconciliations of all non-GAAP metrics to the nearest GAAP measures are provided in the appendix of the slide presentation, in today's financial results press release, and on our website.

I will now turn the call over to Anil for his prepared remarks. Anil...

Slide #5: CEO Perspective

Anil Singhal:

Thank you, Scott, and good morning, everyone. Thank you for joining us today.

Our third quarter fiscal year 2026 revenue and earnings results were ahead of expectations. These results were enhanced by certain product orders and service renewals that had been anticipated for the fourth quarter, as customers used their remaining calendar year-end budgets. The acceleration supported solid, year-over-year results for the first nine months of our fiscal year, driven by growth across both our Cybersecurity and Service Assurance offerings. Given our year-to-date performance, including the acceleration of certain orders and our current pipeline, we are raising the midpoint of our top- and bottom-line outlook for fiscal year 2026.

Let's turn to slide number 6 for a brief recap of our financial performance for the third quarter and first nine months of fiscal year 2026.

Slide #6: Q3 and First Nine Months of FY'26 Financial Highlights

For the third quarter:

- Total revenue was approximately 251 million dollars, ahead of expectations, and in line with the same period last fiscal year.
- Diluted earnings per share totaled 1 dollar, an increase of approximately 6 percent year over year.

For the first nine months ended December 31, 2025:

- Revenue was approximately 656 million dollars, an increase of approximately 6 percent year-over-year, driven by solid growth in both our Cybersecurity and Service Assurance offerings, which included the previously mentioned acceleration of certain orders.
- We expanded both our gross and operating margins during the first nine months of the fiscal year and delivered diluted earnings per share of 1 dollar and 96 cents, up approximately 15 percent from 1 dollar and 70 cents for the year-ago period.

Now let's turn to slide 7 for some perspective on our business and some market insights.

Slide #7: Business and Market Insights

Service Assurance

Starting with our Service Assurance offering, revenue in the first nine months of the fiscal year increased approximately 5 percent year over year, driven by growth in the Enterprise customer vertical with strong contributions from both federal and non-federal government-related spending.

Within our Service Assurance offerings, our Enterprise customers continue to advance their digital transformation initiatives focused on AI advancements and observability at the edge, and we continue to innovate in those areas. Our recently released [Omnis AI Sensor and AI Streamer](#) work together as an AIOps solution to analyze, convert, and stream high-fidelity network packet data into actionable intelligence. The Sensor captures traffic across complex environments, while the Streamer processes this data for real-time visibility. The result is reduced risk and faster troubleshooting for IT and security teams.

In January, we announced the upcoming launch of the nGenius Edge Sensor 795, which uses patented ASI technology and synthetic test analysis to generate the NetScout Smart Data that

enables continuous observability across modern enterprise environments. This launch reflects the expansion of our capabilities with respect to remote site observability, next-generation WiFi, and digital experience mapping, with expanded healthcare support and digital experience monitoring.

Among our service provider customers in the Service Assurance area, we continue to see measured investments in 5G-related initiatives as they balance that investment with monetization opportunities. As we've discussed in the past, some of the newer opportunities related to fixed wireless access and the potential for 5G network slicing could potentially be real revenue-drivers and cost-savers for communication service providers.

Network slicing services are scaling rapidly as 5G Standalone adoption starts to accelerate, and we believe NetScout is well-positioned to support this advancement. In January, we announced how NETSCOUT's 5G observability solutions give Communications Service Providers end-to-end visibility into 5G Standalone network slices that support high-performance services like immersive gaming, large-scale live sporting events, and mission-critical applications like remote surgery.

Cybersecurity

Moving to our Cybersecurity offering, revenue in the first nine months of the fiscal year increased 9 percent year over year, driven by growth in both our Enterprise and Service Provider customer verticals.

Organizations continue to invest in this area in response to a dynamic and complex cyber threat landscape, which, as we discussed last quarter, is explained in our latest research on the evolving Distributed Denial-of-Service attack landscape, and how these attacks can destabilize critical infrastructure. This threat landscape continues to evolve rapidly, and we believe our Adaptive DDoS and Omnis Cyber Intelligence solutions are well suited to the growing security needs of our customers.

In fact, in December, NetScout's Omnis Cyber Intelligence with Omnis CyberStream was

named a 2025 CyberSecured Award winner by *Security Today* in the network security category. This recognition reflects the platform's strong market relevance and advanced capabilities, such as scalable deep packet inspection, real-time and historical analytics, and seamless integration to help security teams detect, investigate, and respond to digital threats.

Additionally, in January, Frost & Sullivan named NETSCOUT as its 2025 Global Company of the Year in the global network monitoring industry, in recognition of our outstanding achievements in real-time visibility, performance assurance, and cyber-resilient network intelligence. The award cited NETSCOUT's leadership in delivering measurable results, as well as our record of innovations across complex hybrid, cloud, and enterprise environments.

We are honored by these recognitions and look forward to showcasing NETSCOUT's innovative solutions at upcoming industry events, including Mobile World Congress in early March and the RSA Conference later that month.

Customer Wins

Moving on to customer wins, our Service Assurance and Cybersecurity solutions continue to gain traction with customers seeking to enhance their visibility, observability, AI, and cybersecurity capabilities. A few highlights for the third quarter include:

A mid-seven-figure order in our Service Assurance area from a new customer within the insurance industry. This customer engaged with us after their previous provider fell short in delivering a comprehensive, scalable visibility solution, as the customer's needs expanded to include greater cloud and AI functionality. They also sought to consolidate multiple tools in favor of a single, simplified platform. Overall, this engagement reflects a broader market trend: organizations are prioritizing unified solutions built on high-quality data over fragmented tools that lack adaptability and scalability.

Another Service Assurance win in the third quarter was a low-seven-figure deal with an existing customer that is a large electric utility. They are focused on capacity expansion and using

AI to improve safety and to better monitor infrastructure health. This order included our AI streamer, which transforms high-fidelity, packet-derived metadata into actionable intelligence. Customers are increasingly turning to NETSCOUT to support their AI initiatives, recognizing that our high-quality Smart Data is an important component for successful AI and machine learning outcomes.

In the Cybersecurity area, we continue to see positive momentum. For example, we secured two additional mid-to-high seven-figure deals in Europe with existing customers. One is using our Omnis Cyber Intelligence for forensic analysis, regulatory compliance, and threat analysis, along with our Adaptive DDoS products to upgrade and expand their DDoS protection. The second is upgrading to our Adaptive DDoS for its advanced capabilities, performance, and reporting features.

In all, these developments reflect our success in executing our long-term growth strategy, as well as our strong position in the industry. With that, let's move to slide number 8 to review our outlook.

Slide #8: FY'26 Outlook & Summary

Looking ahead to the final quarter of our fiscal year, we remain focused on execution as we pursue our key objectives of delivering product innovation, achieving a return to annual revenue growth, and enhancing our margins through disciplined cost management.

We continue to successfully navigate a complex and dynamic macro environment, including tariff-related and AI-driven supply-chain dynamics. Our software-driven model helps insulate us from some of that variability, though it could influence the timing and size of certain customer orders. That said, based on our performance over the first nine months and the strength of our pipeline, we are raising the midpoint of our top- and bottom-line outlook for the fiscal year 2026, while staying mindful of these external factors. Tony will provide more details on our outlook in his remarks.

As always, we remain committed to helping customers meet the performance, availability, and security demands of today's digital landscape by leveraging the power of NETSCOUT's AI-ready data platform.

We look forward to sharing our progress with you after we complete the final quarter of our fiscal year.

With that, I'll turn the call over to Tony.

Slide #9: CFO Financial Review

Tony Piazza:

Thank you, Anil, and good morning, everyone. Thank you for joining us. I'll start by walking you through the key financial metrics for both the third quarter and the first nine months of our fiscal year 2026. After that, I'll share some additional commentary on our outlook for the full fiscal year. As a reminder, other than revenue and balance sheet information, which are on a GAAP basis, this review focuses on our non-GAAP results. All reconciliations with our GAAP results appear in the presentation appendix. I will note the nature of any such comparisons accordingly. Also, all comparisons are on a year-over-year basis unless otherwise noted.

Slide #10: Q3 and First Nine Months FY'26 Results

Slide number 10 details the results for the third quarter and first nine months of our fiscal year 2026. Focusing on the quarterly performance, total revenue for the third quarter was 250.7 million dollars, which was relatively consistent with the same period last year at 252 million dollars, and ahead of our outlook provided last quarter. This outcome reflects the impact of timing-related shifts in customer purchasing behavior.

As we noted last quarter, we had originally expected certain orders to land in the third quarter. However, a number of these were received earlier than anticipated in the second quarter. Similarly, in Q3, we observed some orders that were expected for Q4 being pulled

forward as customers leveraged their remaining calendar year-end budgets. In some cases, this included service contract renewals which included backdated maintenance components.

While this dynamic provided short-term support to revenue this quarter, it's important to note that it can also create unevenness across reporting periods. We monitor and manage such changes closely, and we remain guardedly optimistic given the dynamic macro environment and the potential for variability in buying patterns as customers continue to manage their budgets conservatively.

Product revenue totaled 121.7 million dollars, compared with 128.2 million last year, primarily due to the timing of certain orders between quarters. Service revenue increased 4.1 percent to 129.0 million dollars, reflecting both underlying growth and favorable timing of service renewal orders, some of which included backdated maintenance components, as well as the treatment of certain enterprise license agreements.

Gross profit margin was 82.8 percent in the third quarter, consistent with the same period in the prior year. Quarterly operating expenses decreased 1.1 percent year over year to 117.6 million dollars. The decrease reflects the previously disclosed benefit associated with shifting our annual Engage user and technology summit out of the third quarter, where it occurred last year, to our second quarter in this fiscal year. This benefit was partially offset by an increase in employee-related costs. Our operating margin increased to 35.9 percent, compared with 35.6 percent in the same period last year.

We delivered diluted earnings per share of \$1.00, an increase of 6.4 percent year-over year. This improvement reflects, in part, the absence of a negative impact in the prior-year period related to a foreign investment that we sold earlier in this fiscal year. This created a favorable, year-over-year comparison for the third quarter, but the impact is not expected to have a material effect on our full-year results.

Slide #11: First Nine Months FY'26 Revenue Trends: Product Lines and Customer Verticals

Let's turn to slide 11, where I'll walk you through the key revenue trends by product lines and customer verticals. As a reminder, revenue presented is on a GAAP basis and all comparisons continue to be on a year-over-year basis.

For the first nine months of fiscal year 2026, Service Assurance revenue increased by 4.8 percent, and Cybersecurity revenue grew by 9.0 percent. During the same period, our Service Assurance product line accounted for approximately 64 percent of our total revenue, and our Cybersecurity product line accounted for the remaining 36 percent.

Turning to our customer verticals. For the first nine months of fiscal year 2026, our enterprise customer vertical revenue grew 9.4 percent while our service provider customer vertical revenue grew 2.2 percent. During the same period, our enterprise customer vertical accounted for approximately 58 percent of our total revenue, while our service provider customer vertical accounted for the remaining 42 percent.

Additionally, one customer and one channel partner each accounted for approximately 10% of our total revenue during the third quarter, with no customer accounting for more than 10% of our revenue for the first nine months of the fiscal year.

Slide #12: First Nine Months FY'26 Revenue Trends: Geographic Mix

Turning to slide 12, this shows our revenue mix between the U.S. and international markets. For the first nine months of fiscal year 2026, the U.S. represented 57 percent of revenue and international represented 43 percent.

Slide #13: GAAP Balance Sheet & Free Cash Flow Review

Slide 13 shows some key balance sheet items along with our free cash flow for the period. We ended the third quarter of fiscal year 2026 with 586.2 million dollars in cash, cash

equivalents, short- and long-term marketable securities, and investments, representing an increase of 93.7 million dollars since the end of fiscal year 2025.

Free cash flow for the quarter was 59.4 million dollars. From a debt perspective, we have no outstanding balance on our 600 million dollar revolving credit facility, which expires in October 2029. We currently have capacity under our share repurchase authorization and, subject to market conditions, intend to be active in the market during the remainder of fiscal year 2026 and into fiscal year 2027.

To briefly recap other balance sheet items, accounts receivable, net, was 234.6 million dollars, representing an increase of 70.9 million dollars since March 31, 2025. Days Sales Outstanding at the end of the third quarter of fiscal year 2026 was 82 days, compared with 75 days in the same period in the prior year. The change in DSO in the third quarter reflects the timing and composition of bookings.

Slide #14: FY'26 Outlook

Let's move to slide 14 for our outlook. I will focus my remarks on our revenue and non-GAAP earnings per share targets for fiscal year 2026.

FY'26 Outlook

We are raising the midpoint of our fiscal 2026 top- and bottom-line outlook ranges. This outlook reflects our solid execution, the continued demand for our solutions, and the resilience of our business model. Revenue is now expected to be in the range of 835 million dollars to 870 million dollars, representing 3.6% year-over-year growth at the midpoint.

Although we are not guiding to a specific number within the range, to provide a little "color," performance around the midpoint reflects our current directional view based on what we know today, while the broader range captures the timing-related factors Anil mentioned earlier. This compares to our prior outlook of 830 million dollars to 870 million dollars.

Non-GAAP earnings per diluted share is now expected to be within the range of 2 dollars and 37 cents to 2 dollars and 45 cents, compared to the previous range of 2 dollars and 35 cents to 2 dollars and 45 cents. A reconciliation between our GAAP and non-GAAP numbers is included in our earnings release.

The full-year effective tax rate is expected to remain at approximately 20 percent and we are assuming approximately 73 to 74 million weighted average diluted shares outstanding, reflecting our repurchase activities for the first nine months of the fiscal year.

That concludes my formal review of our financial results. Before we transition to Q&A, please note that we will be on the road over the coming months meeting with investors and look forward to continuing our dialogue.

With that, let's open it up for questions. Operator...