



NETSCOUT SYSTEMS, INC.

**Fourth Quarter and Full Fiscal Year 2026 Financial Results Conference Call
Management's Prepared Remarks**

May 7, 2026

Slide #2: Introduction & Agenda

Scott Dressel:

Thank you, operator, and good morning, everyone. Welcome to NETSCOUT's fourth-quarter and full fiscal year 2026 conference call for the period ended March 31, 2026. 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 filings with the Securities and Exchange Commission, including our Annual Report on Form 10-K and quarterly reports on Form 10-Q.

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. We appreciate you joining us today.

NETSCOUT delivered strong fiscal year 2026 top- and bottom-line results, driven by growth across both our Cybersecurity and Service Assurance offerings. Our performance in the fiscal year helped us achieve the key strategic objectives we laid out a year ago, including accelerating product innovation, driving annual revenue growth, and expanding margins. We also strengthened our innovation engine through the introduction of differentiated capabilities across the portfolio, including AI-ready smart data, expanded observability, enhanced Edge visibility, and adaptive threat protection. We accomplished this in what continues to be a dynamic operating environment, underscoring the strength of our strategy and the consistency of our execution. These results have further reinforced our financial foundation and position NETSCOUT to drive continued innovation, revenue growth, and margin improvement in fiscal year 2027. At the same time, we believe market trends across AI, observability, and network security are expanding our opportunity set and creating additional avenues for long-term value creation.

With that context, let me turn to slide 6 for a brief review of our fourth quarter and full fiscal year 2026 financial performance, for the period ended March 31, 2026.

Slide #6: Q4 and Full FY'26 Financial Highlights

For the fourth quarter:

- Total revenue was approximately 203 million dollars, compared with 205 million dollars for the same period last fiscal year, which was in line with our expectations given the shift in customer order timing to the prior quarter as discussed on our Q3 earnings call.
- Diluted earnings per share was 52 cents, consistent with the same period last fiscal year.

For the full fiscal year, which is more representative of the business and the underlying market trends:

- Revenue increased by 4.5 percent to approximately 860 million dollars, driven by growth in both our Cybersecurity and Service Assurance offerings.
- We expanded both our gross and operating margins year over year and delivered nearly 12 percent growth in diluted earnings per share at 2 dollars and 48 cents, exceeding the high end of our guidance range.

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 a review of our Service Assurance offerings. Revenue for the full fiscal year increased approximately 3 percent year over year, driven by growth in the Enterprise customer vertical, with strong contributions from both federal and non-federal government-related spending.

Our Enterprise customers continue to rely on our Service Assurance solutions to advance their digital transformation initiatives. In turn, we are investing in innovation, particularly with respect to observability and AI, to help our customers drive greater efficiency, reduce risk, accelerate troubleshooting, and lower costs. An example of this innovation during the year is our Omnis Sensor and Omnis Streamer, which work together as an integrated AIOps solution that transforms high-fidelity network packet data into actionable intelligence. Also, our sensor and streamer products include Agentic AI interfaces that enable efficient and cost-effective integration with multi-vendor AI solutions, which facilitate automation and reduces total cost of ownership for customers.

Among our Carrier Service Provider customers, we continue to see measured 5G investment as they balance buildouts with monetization, and we expect this to continue into our fiscal year 2027. At the same time, emerging opportunities, such as fixed wireless access, 5G network slicing, and AIOps initiative have the potential to drive revenue and cost efficiency for Communications Service Providers. We believe NETSCOUT is well-positioned to support this transition. Our 5G observability solutions provide end-to-end visibility for 5G Standalone slices to support high-performance services, such as immersive gaming and large-scale sporting events as well as mission-critical applications and services.

Cybersecurity

Moving to our Cybersecurity offerings, revenue for the full fiscal year increased approximately 8 percent, with growth across both our Enterprise and Service Provider customer verticals. Cybersecurity continues to grow faster than the company average and is an increasingly important driver of our long-term revenue growth and margin expansion.

Our latest DDoS Threat Intelligence Report, which was released in March 2026, assesses the current global threat environment, including newer AI-powered attacks. Foundational services, such as DNS and NTP, remain under persistent pressure, and recent botnet attacks on government, financial, and transportation infrastructure show how quickly threat actors can disrupt critical services with either legacy tools or by using AI to increase the scale and sophistication of their attacks. Large, coordinated attacks are outpacing traditional defenses and organizations are increasingly turning to automated, intelligent protection to keep up. NETSCOUT is well-positioned to help customers protect their digital services. Many of our newest innovations support distributed detection and mitigation solutions to provide a more robust and resilient Adaptive DDoS protection environment.

Additionally, as noted in our earnings release, we just completed a tuck-in acquisition of the assets of DigiCert Inc.'s DDoS protection business that brings the back-end infrastructure of our Arbor Cloud network fully in-house. We believe this transaction provides us with greater control of the platform and a clearer path to scaling cloud-based services over time, while providing immediate incremental recurring revenue in the cloud DDoS space.

Before touching on some of our recent customer wins, I'd like to briefly discuss AI and what we believe this new era could mean for NETSCOUT over time. We believe AI will create additional opportunities for both Service Assurance and Cybersecurity by amplifying the need for network visibility and protection. As networks grow more complex and cyber threats increasingly leverage AI tools, we believe the need for adaptive, real-time visibility and intelligent protection will continue to rise. These dynamics play directly to NETSCOUT's strengths.

We have long been recognized for our packet-based approach to network detection, investigation, and response. Now, our patented deep-packet inspection and metadata aggregation capabilities can generate

compact, high-fidelity, AI-ready smart data at scale that is purpose-built for advanced analytics like never before. More importantly, we are not competing with foundational AI models. Instead, we are leveraging our differentiated data and domain expertise to enable automation that integrates into our customers' broader observability and AI workflows, helping them enhance visibility and operationalize AI within those environments.

From a financial perspective, we believe AI advancements could reinforce the durability of both our Cybersecurity and Service Assurance businesses by supporting upgrade cycles and expanding use cases across our installed base. Taken together, we view AI as a promising opportunity that enhances the value of what we already do best and extends our relevance within customers' critical architectures over the long term, as they develop and implement their broader AI strategies and initiatives.

Customer Wins

Turning to customer wins, both Service Assurance and Cybersecurity continue to gain traction. In addition to new customers, we continue to secure a significant amount of repeat business from loyal customers buying new solutions and upgrades, along with maintenance services. Two wins from the fourth quarter were:

- A mid-seven-figure deal with a large European telecom that has been a longtime Cybersecurity and Service Assurance customer. They upgraded their DDoS protection with our Adaptive DDoS offering and our Distributed Threat Mitigation System to enhance their cyber protection. Our Adaptive DDoS mitigates all types of multi-vector attacks before they can impact critical services, while TMS provides enterprise-level protection across both cloud and Edge environments, with physical and virtual platforms and multiple usage configurations. This client also values our subscription model, which includes support and maintenance, and a flexible scale-up and scale-down approach to minimize license wastage.
- A second deal, in the low-seven-figures, was with a new customer that is a global leader in chip manufacturing for a variety of industries, including automotive, mobile communications, and data centers. This contract included our nGenius solutions to maintain traffic visibility and address system reliability issues across a network that spans multiple countries. They chose NETSCOUT because of our reputation and ability to provide the critical solutions required to manage the

complex interdependency of their networks and applications.

With that, let's move to slide number 8 to review our outlook.

Slide #8: FY'27 Outlook & Summary

In fiscal 2026, we returned the business to revenue growth, improved margins, expanded profitability, delivered strong free cash flow, and continued to advance our product capabilities across both Cybersecurity and Service Assurance.

Looking ahead, we are excited about the year in front of us and are leaning into this momentum. We see significant opportunities over the long term to leverage NETSCOUT's deep expertise in cybersecurity and network observability, together with our AI-ready data platform, to help customers advance their AI and digital transformation initiatives and to manage an increasingly complex digital environment where network performance, availability, and security are mission-critical. We believe we are well positioned to drive profitable growth, generate strong free cash flow, and enhance long-term shareholder value. These growth dynamics are reflected in our fiscal year 2027 outlook, which Tony will review during his remarks.

While we remain mindful of the macro environment, ongoing carrier spending discipline, and demand trends across both enterprise and service provider customers, our priorities remain clear. We aim to drive sustained revenue growth by executing against a healthy pipeline, with particular emphasis on Cybersecurity and enterprise-led Service Assurance. At the same time, we will continue to invest in innovation across AI, observability, and DDoS protection, as well as maintain a disciplined focus on cost management and a balanced capital allocation strategy. We are energized by what lies ahead and look forward to updating you on our progress throughout the year.

With that, I will turn the call over to Tony for a review of our financial performance and our outlook for fiscal year 2027.

Slide #9: CFO Financial Review

Tony Piazza:

Thank you, Anil, and good morning, everyone. We appreciate you joining us. I'll start by walking you through the key financial metrics for our fourth quarter and full fiscal year 2026. After that, I'll share some additional commentary on our fiscal year 2027 outlook. 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: Q4 and Full FY'26 Results

Slide number 10 details the results for the fourth quarter and fiscal year 2026. Focusing on our fourth quarter performance first:

Total revenue was 203.0 million dollars, down 1 percent from the same period last fiscal year. This reflects the impact of timing-related order shifts discussed on last quarter's earnings call, as certain orders originally expected in Q4 were pulled forward into Q3 as customers utilized remaining calendar year-end budgets.

Product revenue totaled 80.7 million dollars, compared with 89.5 million dollars last fiscal year, reflecting the timing and mix of certain orders across quarters. Service revenue increased 5.9 percent year over year to 122.3 million dollars, driven by underlying growth and favorable timing of service renewal orders and mix associated with an enterprise license agreement.

We ended the fourth quarter with total product backlog of approximately 50 million dollars, which included 45.8 million dollars of fulfillable backlog. This compares to total product backlog of approximately 33 million dollars, including 25.1 million dollars of fulfillable backlog at the end of the same period in 2025.

Our gross profit margin was 79.7 percent in the fourth quarter, an increase of 0.5 percentage points from the same period in the prior year, reflecting higher product gross margins due to favorable product mix. Quarterly operating expenses were 117.9 million dollars, up 2.4 percent year over year, primarily related to the timing of variable incentive compensation expense. Our operating margin was 21.6 percent, compared with 23.1 percent in the same period last fiscal year. We delivered diluted earnings per share of 52 cents for both periods.

Moving to the full fiscal year 2026, revenue increased 4.5 percent to 859.5 million dollars. Product revenue increased 2.8 percent to 370.1 million dollars, and service revenue increased 5.7 percent to 489.3 million dollars. As mentioned earlier and in prior quarters, product revenue was impacted by a year-over-year shift in the classification of revenue associated with an enterprise license agreement, reflecting the nature of the customer's consumption mix. Service revenue correspondingly benefited from this classification shift, as well as the timing of renewals, including back maintenance.

Our gross profit margin rose 0.8 percentage points to 80.8 percent driven by an increased product margin attributable to higher volume and a favorable product mix. Annual operating expenses increased 2.9 percent from the prior year. We reported an operating profit margin of 25.4 percent, up 1.7 percentage points compared to the prior year based on higher revenue, enhanced product gross margin, and disciplined cost management. Diluted earnings per share increased nearly 12 percent to 2 dollars and 48 cents. Our annual non-GAAP effective tax rate was 19.9 percent, compared to 19 percent in the prior year, which benefited from a valuation gain in a foreign investment with favorable tax treatment.

Slide #11: Full 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.

For the full fiscal year 2026, Service Assurance revenue increased by 2.6 percent, and Cybersecurity revenue grew by 7.8 percent. During the same period, Service Assurance accounted for approximately 64 percent of our total revenue, and Cybersecurity accounted for the remaining 36 percent. Cybersecurity continues to grow faster than the company average, and over time we expect it to become a larger portion of our mix, which should be a positive driver of growth.

Turning to our customer verticals. For the full fiscal year 2026, Enterprise revenue grew by 5.4 percent and Service Provider revenue grew by 3.3 percent. During the same period, Enterprise accounted for approximately 58 percent of our total revenue, and Service Provider accounted for the remaining 42 percent.

Additionally, no customer accounted for more than 10% of our revenue for the fourth quarter or the full fiscal year 2026.

Slide #12: Full FY'26 Revenue Trends: Geographic Mix

Turning to slide 12, this shows our revenue mix between the U.S. and international markets. For the full fiscal year 2026, the U.S. represented 55 percent of revenue and international represented 45 percent of revenue.

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 fiscal year 2026 with 705.1 million dollars in cash, cash equivalents, and short- and long-term marketable securities, representing an increase of 212.7 million dollars since the end of fiscal year 2025. Free cash flow was 150.1 million dollars for the fourth quarter and a near-record high of 285.4 million dollars for the full fiscal year. During fiscal year 2026, we repurchased approximately 2.5 million shares of our common stock at an average price of 24 dollars 29 cents per share, for a total of approximately 61 million dollars under our share repurchase program. From a debt perspective, at year end, we had no outstanding balance on our 600-million-dollar revolving credit facility, which expires in October 2029.

To briefly recap some other balance sheet items, accounts receivable, net, was 151.5 million dollars, representing a decrease of 12.2 million dollars since March 31, 2025. Days Sales Outstanding (DSO) at the end of the fourth quarter was 62 days, compared with 68 days in the same period in the prior year. The change in DSO in the fourth quarter reflects the timing and composition of bookings as well as working capital enhancement initiatives.

Slide #14: FY'27 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 2027.

As Anil noted, we expect to build on our current momentum by driving sustained revenue growth and expanding profitability. For fiscal year 2027, we anticipate revenue in the range of 885 million dollars to 915 million dollars, and non-GAAP diluted earnings per share in the range of 2 dollars 65 cents and 2 dollars 80 cents, representing year-over-year growth on both the top- and bottom-line. This outlook incorporates the DigiCert DDoS asset acquisition that Anil mentioned during his remarks, which is expected to be immediately accretive, and assumes an initial annualized revenue run-rate contribution of approximately 20 million dollars, with a partial benefit for fiscal year 2027 given the May 1st transaction close.

For the fiscal year, we expect our non-GAAP effective tax rate to be approximately 20 percent, and weighted average diluted shares outstanding of approximately 74 to 75 million shares.

Our guidance reflects a growing contribution from our Cybersecurity offerings, an awareness of the trends in our Service Assurance offerings, including continued spending discipline in the carrier market, as well as the current dynamic macro environment.

Additionally, I would like to provide some “color” on the first quarter of fiscal year 2027. We expect revenue to grow in the mid-single digits and earnings per share to increase at approximately twice the rate of revenue growth compared with the same quarter last fiscal year.

In summary, we delivered on our fiscal year 2026 strategic objectives through new innovations, a return to revenue growth, and enhanced margins, resulting in strong performance for the fiscal year.

Looking ahead to fiscal year 2027, we plan to build on this momentum by advancing innovation, sustaining revenue growth, further improving profitability, and continuing to generate strong free cash flow. Our capital allocation priorities remain consistent: investing in the business for profitable growth, maintaining a strong financial position, and returning excess capital to shareholders, primarily through share repurchases. We currently have capacity under our share repurchase authorization and, subject to market conditions, intend to be active in the market during fiscal year 2027. With a strong cash position, no drawn revolver, and ongoing free cash flow generation, we have meaningful flexibility to support our growth initiatives and shareholder returns, with a clear focus on long-term value creation.

That concludes my formal review of our financial results and outlook. I would also like to note that we will be participating in the Annual Needham Technology, Media and Consumer Conference as well as the Annual B. Riley Securities Institutional Investor Conference in May. I look forward to engaging with many of you there.

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