

Friday, January 26, 2024

## NetScout Systems (NTCT)

**Timing of Orders Drives Q3 '24 Results Ahead of Expectations**

NetScout Systems (NTCT) reported fiscal Q3 '24 results well above our estimates and consensus as calendar year-end budget flushes positively impacted the timing of orders. Per management, there was some uncertainty heading into the quarter with respect to whether customers would spend against their 2023 budgets or defer activity until the new year, hence the conservative expectations put forth. Ultimately, the usual seasonal strength in spending materialized to a degree. As anticipated, sales of service assurance solutions remained muted as large service providers continued to pare back capital expenditures. However, enterprise spending on cybersecurity solutions was robust, which in turn drove product and overall gross margins to what we believe are record levels for NetScout. Operating expenses also compared favorably with our estimates, resulting in further upside to both our adjusted EBITDA and non-GAAP EPS estimates.

With only one quarter remaining, management narrowed its FY '24 revenue guidance to the low end of its prior range and guided non-GAAP EPS towards the higher end. We note that both our estimates and consensus already reflected revenue at the low end of guidance and non-GAAP EPS at the midpoint, so the revised outlook compares favorably with Street expectations heading into the print. Moreover, the pull-forward of orders into Q3 suggests a more normal seasonal cadence than implied in the original outlook, thereby increasing our confidence in management's ability to achieve its stated targets.

Our revised estimates for FY '24 reflect the upside in Q3 largely offset by a corresponding reduction in our Q4 expectations given the timing of orders received. For FY '25, our projections also move nominally higher, and we introduce our FY '26 projections, which reflect a modest reacceleration in top line growth and renewed earnings growth. Our price target remains \$38.00 based on an unchanged FY '25 EV/EBITDA multiple of approximately 12x. Although near-term visibility remains a bit cloudy due to ongoing budget scrutiny by service providers, the acceleration in cybersecurity sales coupled with secular tailwinds from the expansion of 5G services leave us positive on NetScout's longer term prospects. We continue to believe shares are attractively valued at current levels.

**Price Target \$ 38.00**

Price	22.99
Shares outstanding	71.6
Market cap	1,647.0
Cash and investments	330.1
Debt	100.0
Enterprise value	1,416.8
Fiscal Year End	March

Estimates	2023A	2024E	2025E
Sales	914.5	842.0	848.5
Adj. EBITDA	227.8	214.3	210.5
NG EPS	2.18	2.17	2.09

Valuation	2023A	2024E	2025E
EV/Sales	1.5x	1.7x	1.7x
EV/EBITDA	6.2x	6.6x	6.7x
P/E	10.5x	10.6x	11.0x

*In \$MMs expect per share data***Analyst Certification and Additional Disclosures Appear on Page 5.**

K. Liu & Company LLC conducts or pursues business with companies covered in its research reports. Investors should therefore be aware potential conflicts of interest may exist. Our reports do not constitute investment advice as we have not considered any individual client's financial situation, risk tolerance and other factors relevant to recommending a particular security or other action. Before making any investment decision, you should consult an investment advisor and other appropriate professionals.

## Exhibit I: Quarterly Results and Guidance Versus Expectations

	Q3 '24 Estimates			Q4 '24 Estimates			FY '24 Estimates		
	Actual	K. Liu & Co.	Consensus	Guidance	K. Liu & Co.	Consensus	Guidance	K. Liu & Co.	Consensus
Revenues (\$MMs)	218.1	198.9	198.3	~214.0	234.1	234.0	~840.0	841.0	841.0
Non-GAAP EBIT	63.2	34.1	35.0	NA	70.7	72.1	NA	189.6	186.7
Non-GAAP EPS	0.73	0.38	0.37	0.50-0.55	0.78	0.79	2.15-2.20	2.08	2.07

Sources: FactSet Estimates; K. Liu & Company LLC; NetScout Earnings Release

Q3 revenue of \$218.1 million (-19.1% Y/Y) was well above our estimate of \$198.9 million and consensus of \$198.3 million. Both product and service revenue of \$95.8 million (-35.9% Y/Y) and \$122.2 million (+1.8% Y/Y) exceeded our projections of \$85.0 million and \$113.9 million, respectively. The upside was largely attributable to the receipt of orders in NetScout's fiscal Q3 rather than Q4 as customers opted to spend against their remaining 2023 budgets. We note that the prior year period also benefited from budget flushes as well as Radio Frequency Propagation Modeling projects that have since been completed, resulting in a challenging comparison from a growth standpoint. Revenue from service assurance products comprised 68% of revenue and declined 30% Y/Y, reflecting the impact of capital spending constraints by Tier-1 service providers in the U.S. Cybersecurity sales comprised the remaining 32% of sales and increased 20% Y/Y as customers increasingly embraced NetScout's Adaptive DDoS and Mobile Security offerings. By vertical, service providers accounted for 45% of total revenue in Q3, while enterprise customers comprised the remaining 55% of revenue with the latter benefiting from strength in the financial and government sectors.

Non-GAAP gross margin of 81.3% was above our 77.4% assumption, largely due to product gross margin reaching what we believe is a record high of 86.1% and service gross margin also coming in strong at 78.5%. Total operating expenses were slightly lower than we modeled as R&D expenses were below our projection. As a result, both non-GAAP operating income of \$63.2 million (29.0% margin) and adjusted EBITDA of \$67.6 million (31.0% margin) far exceeded our estimates of \$34.1 million and \$38.8 million, respectively. Non-GAAP EPS of \$0.73 also beat our estimate of \$0.38 and consensus of \$0.37.

Cash and investments at quarter-end totaled \$330.1 million, while outstanding debt remained unchanged at \$100.0 million. In Q3, NetScout generated \$13.9 million in cash flow from operations and had \$1.2 million in capital expenditures. The company also repurchased approximately 706 thousand shares during the quarter for a total cost of \$18.8 million.

With only one quarter remaining, management narrowed its prior FY '24 guidance ranges. Management's guidance now calls for revenue of \$840.0 million, reflecting the low end of prior guidance for \$840.0-\$860.0 million, and non-GAAP EPS of \$2.15-\$2.20, representing the higher end of prior guidance for \$2.00-\$2.20. We were previously projecting \$841.0 million in revenue and \$2.08 in non-GAAP EPS for the year, which was generally in line with consensus.

## Exhibit II: Estimate Revisions

	Current Quarter		Current Year		Next Year	
	Old Estimate	New Estimate	Old Estimate	New Estimate	Old Estimate	New Estimate
Revenues (\$MMs)	234.1	215.9	841.0	842.0	844.2	848.5
Non-GAAP EBIT (\$MMs)	70.7	47.8	189.6	195.9	185.9	189.5
Non-GAAP EPS	0.78	0.53	2.08	2.17	2.05	2.09

Source: K. Liu & Company LLC

We lowered our Q4 estimates to account for the pull-forward of revenue into Q3, resulting in a slight uptick to our FY '24 projections. Our estimates for next year also move nominally higher as we fine-tuned our assumptions. We also introduce our FY '26 projections, which call for revenue of \$873.6 million and non-GAAP EPS of \$2.17.

NetScout Systems (NTCT)							
Q3 '24 Variance Analysis							
(\$000s)	Q3 '24(E)	Q3 '24(A)	Variance	Q3 '23(A)	Y/Y Growth	Q2 '24(A)	Q/Q Growth
Product	85,000	95,832	12.7%	149,452	-35.9%	80,545	19.0%
Service	113,949	122,240	7.3%	120,092	1.8%	116,257	5.1%
<b>Total revenue</b>	<b>198,949</b>	<b>218,072</b>	<b>9.6%</b>	<b>269,544</b>	<b>-19.1%</b>	<b>196,802</b>	<b>10.8%</b>
Cost of product	16,815	15,251	-9.3%	25,281	-39.7%	16,093	-5.2%
Cost of service	31,752	28,373	-10.6%	31,521	-10.0%	26,959	5.2%
<b>Gross profit (loss)</b>	<b>150,382</b>	<b>174,448</b>	<b>16.0%</b>	<b>212,742</b>	<b>-18.0%</b>	<b>153,750</b>	<b>13.5%</b>
Research and development	42,025	37,023	-11.9%	42,558	-13.0%	35,112	5.4%
Sales and marketing	68,256	69,124	1.3%	66,994	3.2%	60,950	13.4%
General and administrative	24,752	23,109	-6.6%	25,533	-9.5%	22,652	2.0%
Amortization of acquired intangible assets	12,550	12,533	-0.1%	13,818	-9.3%	12,550	-0.1%
Restructuring and other charges	--	167,106		89	187659.6%	(3,806)	-4490.6%
<b>Operating income (loss)</b>	<b>2,799</b>	<b>(134,447)</b>	<b>-4904.3%</b>	<b>63,750</b>	<b>-310.9%</b>	<b>26,292</b>	<b>-611.4%</b>
Interest and other income (expense), net	223	729	227.2%	(3,172)	-123.0%	1,182	-38.3%
<b>Income (loss) before income taxes</b>	<b>3,021</b>	<b>(133,718)</b>	<b>-4525.8%</b>	<b>60,578</b>	<b>-320.7%</b>	<b>27,474</b>	<b>-586.7%</b>
Income tax expense (benefit)	634	(1,141)	-279.8%	7,960	-114.3%	6,012	-119.0%
<b>Net income (loss)</b>	<b>2,387</b>	<b>(132,577)</b>	<b>-5654.5%</b>	<b>52,618</b>	<b>-352.0%</b>	<b>21,462</b>	<b>-717.7%</b>
Tax rate	21.0%	0.9%		13.1%		21.9%	
<b>Non-GAAP Reconciliation:</b>							
<b>GAAP revenue</b>	<b>198,949</b>	<b>218,072</b>	<b>9.6%</b>	<b>269,544</b>	<b>-19.1%</b>	<b>196,802</b>	<b>10.8%</b>
Less: total cost of revenues	48,567	43,624	-10.2%	56,802	-23.2%	43,052	1.3%
Add: acquisition related depreciation expense	4	2	-50.0%	5	-60.0%	4	-50.0%
Add: amortization of acquired intangible assets	1,638	1,636	-0.1%	2,315	-29.3%	1,638	-0.1%
Add: stock-based compensation	2,050	2,375	15.9%	2,043	16.3%	2,638	-10.0%
<b>Non-GAAP gross profit</b>	<b>154,074</b>	<b>178,461</b>	<b>15.8%</b>	<b>217,105</b>	<b>-17.8%</b>	<b>158,030</b>	<b>12.9%</b>
Less: total operating expenses	147,583	308,895	109.3%	148,992	107.3%	127,458	142.4%
Add: acquisition related depreciation expense	33	10	-69.7%	54	-81.5%	33	-69.7%
Add: amortization of acquired intangible assets	12,550	12,533	-0.1%	13,818	-9.3%	12,550	-0.1%
Add: non-recurring items	--	167,151		515	32356.5%	(3,762)	-4543.1%
Add: stock-based compensation	15,000	13,989	-6.7%	13,100	6.8%	15,807	-11.5%
<b>Non-GAAP income from operations</b>	<b>34,074</b>	<b>63,249</b>	<b>85.6%</b>	<b>95,600</b>	<b>-33.8%</b>	<b>55,200</b>	<b>14.6%</b>
Add: interest and other income (expense), net	223	729	227.2%	(3,172)	-123.0%	1,182	-38.3%
<b>Non-GAAP income before taxes</b>	<b>34,296</b>	<b>63,978</b>	<b>86.5%</b>	<b>92,428</b>	<b>-30.8%</b>	<b>56,382</b>	<b>13.5%</b>
Provision for income taxes	7,202	11,944	65.8%	19,409	-38.5%	11,841	0.9%
<b>Non-GAAP net income (loss)</b>	<b>27,094</b>	<b>52,034</b>	<b>92.0%</b>	<b>73,019</b>	<b>-28.7%</b>	<b>44,541</b>	<b>16.8%</b>
Non-GAAP tax rate	21.0%	18.7%		21.0%		21.0%	
<b>Non-GAAP income from operations</b>	<b>34,074</b>	<b>63,249</b>	<b>85.6%</b>	<b>95,600</b>	<b>-33.8%</b>	<b>55,200</b>	<b>14.6%</b>
Add: depreciation excluding acquisition related	4,749	4,337	-8.7%	5,263	-17.6%	4,749	-8.7%
<b>Adjusted EBITDA</b>	<b>38,823</b>	<b>67,586</b>	<b>74.1%</b>	<b>100,863</b>	<b>-33.0%</b>	<b>59,949</b>	<b>12.7%</b>
EPS	0.03	(1.87)	-5702.9%	0.72	-359.0%	0.29	-732.7%
<b>Non-GAAP EPS</b>	<b>0.38</b>	<b>0.73</b>	<b>92.2%</b>	<b>1.00</b>	<b>-27.3%</b>	<b>0.61</b>	<b>18.7%</b>
Basic shares outstanding	71,012	71,077	0.1%	71,744	-0.9%	72,112	-1.4%
Diluted shares outstanding	71,697	71,638	-0.1%	73,049	-1.9%	72,797	-1.6%
<b>Selected Balance Sheet Data</b>							
Cash and investments	383,460	330,122	-13.9%	416,212	-20.7%	332,555	-0.7%
Accounts receivable	176,307	221,574	25.7%	215,838	2.7%	152,603	45.2%
Inventories	14,659	15,342	4.7%	18,621	-17.6%	15,909	-3.6%
Fixed assets	28,888	27,955	-3.2%	37,590	-25.6%	30,637	-8.8%
Goodwill and intangibles	2,044,261	1,875,440	-8.3%	2,107,986	-11.0%	2,058,449	-8.9%
Deferred revenue	411,908	418,029	1.5%	444,919	-6.0%	394,313	6.0%
Debt	100,000	100,000	0.0%	200,000	-50.0%	100,000	0.0%
Stockholders' equity	2,053,032	1,903,903	-7.3%	2,005,153	-5.0%	2,039,670	-6.7%

Sources: K. Liu & Company LLC; NetScout Earnings Release

NetScout Systems (NTCT)																									
K. Liu & Company LLC																									
(S000s)																									
	FY '22(A)	Q1 - Jun	Q2 - Sep	Q3 - Dec	Q4 - Mar	FY '23(A)	Q1 - Jun	Q2 - Sep	Q3 - Dec(A)	Q4 - Mar	FY '24(E)	Q1 - Jun	Q2 - Sep	Q3 - Dec	Q4 - Mar	FY '25(E)	Q1 - Jun	Q2 - Sep	Q3 - Dec	Q4 - Mar	FY '26(E)				
Product	410,121	98,251	111,816	149,452	91,274	450,793	94,661	80,545	95,832	97,500	368,538	80,000	90,000	100,000	105,000	375,000	85,000	95,000	105,000	110,000	395,000				
Service	445,454	110,561	116,265	120,092	116,819	463,737	116,477	116,257	122,240	118,442	473,416	118,655	118,391	118,100	118,336	473,482	118,822	119,345	119,913	120,555	478,635				
<b>Total revenue</b>	<b>855,575</b>	<b>208,812</b>	<b>228,081</b>	<b>269,544</b>	<b>208,093</b>	<b>914,530</b>	<b>211,138</b>	<b>196,802</b>	<b>218,072</b>	<b>215,942</b>	<b>841,954</b>	<b>198,655</b>	<b>208,391</b>	<b>218,100</b>	<b>223,336</b>	<b>848,482</b>	<b>203,822</b>	<b>214,345</b>	<b>224,913</b>	<b>230,555</b>	<b>873,635</b>				
Cost of product	90,730	26,805	25,881	25,281	16,901	94,868	16,662	16,093	15,251	17,538	65,544	15,302	16,902	17,502	18,252	67,958	15,277	16,777	17,227	17,927	67,208				
Cost of service	123,456	30,909	31,760	31,521	34,040	128,230	33,734	26,959	28,373	31,750	120,816	32,000	32,000	32,000	32,000	128,000	32,600	32,600	32,600	32,600	130,400				
<b>Gross profit (loss)</b>	<b>641,389</b>	<b>151,098</b>	<b>170,440</b>	<b>212,742</b>	<b>157,152</b>	<b>691,432</b>	<b>160,742</b>	<b>153,750</b>	<b>174,448</b>	<b>166,654</b>	<b>655,594</b>	<b>151,353</b>	<b>159,489</b>	<b>168,598</b>	<b>173,084</b>	<b>652,524</b>	<b>155,945</b>	<b>164,968</b>	<b>175,086</b>	<b>180,028</b>	<b>676,027</b>				
Research and development	171,131	43,457	43,917	42,558	46,241	176,173	45,520	35,112	37,023	42,008	159,663	42,008	42,008	42,008	42,008	168,032	43,258	43,258	43,258	43,258	173,032				
Sales and marketing	264,191	76,323	66,118	66,994	67,478	276,913	78,996	60,950	69,124	70,502	279,572	70,752	58,252	68,252	70,752	268,008	73,502	61,002	71,002	73,502	279,008				
General and administrative	97,692	24,790	25,261	25,533	27,926	103,510	28,214	22,652	23,109	23,750	97,725	25,500	25,500	25,500	25,500	102,000	26,250	26,250	26,250	26,250	105,000				
Amortization of acquired intangible assets	59,741	13,881	13,801	13,818	13,890	55,390	12,707	12,550	12,533	12,533	50,323	12,533	12,533	12,533	12,533	50,132	12,533	12,533	12,533	12,533	50,132				
Restructuring and other charges	--	1,774	(60)	89	(21)	1,782	--	(3,806)	167,106	--	163,300	--	--	--	--	--	--	--	--	--	--				
<b>Operating income (loss)</b>	<b>48,634</b>	<b>(9,127)</b>	<b>21,403</b>	<b>63,750</b>	<b>1,638</b>	<b>77,664</b>	<b>(4,695)</b>	<b>26,292</b>	<b>(134,447)</b>	<b>17,861</b>	<b>(94,989)</b>	<b>560</b>	<b>21,196</b>	<b>20,305</b>	<b>22,291</b>	<b>64,352</b>	<b>402</b>	<b>21,925</b>	<b>22,043</b>	<b>24,485</b>	<b>68,855</b>				
Interest and other income (expense), net	(5,742)	(1,358)	(2,024)	(3,172)	(2,695)	(9,249)	(639)	1,182	729	101	1,373	973	955	1,063	1,580	4,572	2,192	2,041	2,173	2,695	9,101				
<b>Income (loss) before income taxes</b>	<b>42,892</b>	<b>(10,485)</b>	<b>19,379</b>	<b>60,578</b>	<b>(1,057)</b>	<b>68,415</b>	<b>(5,334)</b>	<b>27,474</b>	<b>(133,718)</b>	<b>17,962</b>	<b>(93,616)</b>	<b>1,533</b>	<b>22,151</b>	<b>21,367</b>	<b>23,871</b>	<b>68,923</b>	<b>2,594</b>	<b>23,965</b>	<b>24,216</b>	<b>27,180</b>	<b>77,956</b>				
Income tax expense (benefit)	7,018	(3,353)	1,996	7,960	2,164	8,767	(1,134)	6,012	(1,141)	(6,250)	(2,513)	322	4,652	4,487	5,013	14,474	545	5,033	5,085	5,708	16,371				
<b>Net income (loss)</b>	<b>35,874</b>	<b>(7,132)</b>	<b>17,383</b>	<b>52,618</b>	<b>(3,221)</b>	<b>59,648</b>	<b>(4,200)</b>	<b>21,462</b>	<b>(132,577)</b>	<b>24,212</b>	<b>(91,103)</b>	<b>1,211</b>	<b>17,499</b>	<b>16,880</b>	<b>18,858</b>	<b>54,449</b>	<b>2,050</b>	<b>18,933</b>	<b>19,131</b>	<b>21,472</b>	<b>61,585</b>				
Tax rate	16.4%	32.0%	10.3%	13.1%	-204.7%	12.8%	21.3%	21.9%	0.9%	-34.8%	2.7%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%				
<b>Non-GAAP Reconciliation:</b>																									
<b>GAAP revenue</b>	<b>855,575</b>	<b>208,812</b>	<b>228,081</b>	<b>269,544</b>	<b>208,093</b>	<b>914,530</b>	<b>211,138</b>	<b>196,802</b>	<b>218,072</b>	<b>215,942</b>	<b>841,954</b>	<b>198,655</b>	<b>208,391</b>	<b>218,100</b>	<b>223,336</b>	<b>848,482</b>	<b>203,822</b>	<b>214,345</b>	<b>224,913</b>	<b>230,555</b>	<b>873,635</b>				
Add: service deferred revenue fair value adjustment	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--				
<b>Non-GAAP revenue</b>	<b>855,575</b>	<b>208,812</b>	<b>228,081</b>	<b>269,544</b>	<b>208,093</b>	<b>914,530</b>	<b>211,138</b>	<b>196,802</b>	<b>218,072</b>	<b>215,942</b>	<b>841,954</b>	<b>198,655</b>	<b>208,391</b>	<b>218,100</b>	<b>223,336</b>	<b>848,482</b>	<b>203,822</b>	<b>214,345</b>	<b>224,913</b>	<b>230,555</b>	<b>873,635</b>				
Less: total cost of revenues	214,186	57,714	57,641	56,802	50,941	223,098	50,396	43,052	43,624	49,288	186,360	47,302	48,902	49,502	50,252	195,958	47,877	49,377	49,827	50,527	197,608				
Add: acquisition related depreciation expense	24	7	4	5	6	22	5	4	2	2	13	2	2	2	2	8	2	2	2	2	8				
Add: amortization of acquired intangible assets	13,385	2,328	2,312	2,315	2,329	9,284	1,638	1,638	1,636	1,636	6,548	2,175	2,175	2,175	2,175	8,700	2,175	2,175	2,175	2,175	8,700				
Add: business development and other non-recurring exp	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--				
Add: stock-based compensation	7,042	2,037	2,395	2,043	1,940	8,415	2,911	2,638	2,375	2,050	9,974	2,325	2,325	2,325	2,325	9,300	2,450	2,450	2,450	2,450	9,800				
<b>Non-GAAP gross profit</b>	<b>661,840</b>	<b>155,470</b>	<b>175,151</b>	<b>217,105</b>	<b>161,427</b>	<b>709,153</b>	<b>165,296</b>	<b>158,030</b>	<b>178,461</b>	<b>170,342</b>	<b>672,129</b>	<b>155,855</b>	<b>163,991</b>	<b>173,100</b>	<b>177,586</b>	<b>670,532</b>	<b>160,572</b>	<b>169,595</b>	<b>179,713</b>	<b>184,655</b>	<b>694,535</b>				
Less: total operating expenses	592,755	160,225	149,037	148,992	155,514	613,768	165,437	127,458	308,895	148,793	750,583	150,793	138,293	148,293	150,793	588,172	155,543	143,043	153,043	155,543	607,172				
Add: acquisition related depreciation expense	230	58	55	54	52	219	54	33	10	10	107	10	10	10	10	40	10	10	10	10	40				
Add: amortization of acquired intangible assets	59,741	13,881	13,801	13,818	13,890	55,390	12,707	12,550	12,533	12,533	50,323	12,533	12,533	12,533	50,132	12,533	12,533	12,533	12,533	50,132					
Add: non-recurring items	1,911	1,774	(60)	515	29	2,258	41	(3,762)	167,151	--	163,430	--	--	--	--	--	--	--	--	--	--				
Add: stock-based compensation	49,032	13,544	14,106	13,100	12,821	53,571	16,933	15,807	13,989	13,750	60,479	14,250	14,250	14,250	14,250	57,000	15,000	15,000	15,000	15,000	60,000				
<b>Non-GAAP income from operations</b>	<b>179,999</b>	<b>24,502</b>	<b>54,016</b>	<b>95,600</b>	<b>32,705</b>	<b>206,823</b>	<b>29,594</b>	<b>55,200</b>	<b>63,249</b>	<b>47,842</b>	<b>195,885</b>	<b>31,855</b>	<b>52,491</b>	<b>51,600</b>	<b>53,586</b>	<b>189,532</b>	<b>32,572</b>	<b>54,095</b>	<b>54,213</b>	<b>56,655</b>	<b>197,535</b>				
Add: interest and other income (expense), net	(5,742)	(1,358)	(2,024)	(3,172)	(2,695)	(9,249)	(639)	1,182	729	101	1,373	973	955	1,063	1,580	4,572	2,192	2,041	2,173	2,695	9,101				
Less: other income	(1,055)	--	--	--	1,380	1,380	(206)	--	--	--	(206)	--	--	--	--	--	--	--	--	--	--				
<b>Non-GAAP income before taxes</b>	<b>173,202</b>	<b>23,144</b>	<b>51,992</b>	<b>92,428</b>	<b>31,390</b>	<b>198,954</b>	<b>28,749</b>	<b>56,382</b>	<b>63,978</b>	<b>47,943</b>	<b>197,052</b>	<b>32,828</b>	<b>53,446</b>	<b>52,662</b>	<b>55,166</b>	<b>194,103</b>	<b>34,764</b>	<b>56,135</b>	<b>56,386</b>	<b>59,350</b>	<b>206,636</b>				
Provision for income taxes	34,814	5,092	10,687	19,409	4,205	39,393	6,037	11,841	11,944	10,068	39,890	6,894	11,224	11,059	11,585	40,762	7,301	11,788	11,841	12,464	43,394				
<b>Non-GAAP net income (loss)</b>	<b>138,388</b>	<b>18,052</b>	<b>41,305</b>	<b>73,019</b>	<b>27,185</b>	<b>159,561</b>	<b>22,712</b>	<b>44,541</b>	<b>52,034</b>	<b>37,875</b>	<b>157,162</b>	<b>25,934</b>	<b>42,222</b>	<b>41,603</b>	<b>43,581</b>	<b>153,342</b>	<b>27,464</b>	<b>44,347</b>	<b>44,545</b>	<b>46,887</b>	<b>163,243</b>				
Non-GAAP tax rate	20.1%	22.0%	20.6%	21.0%	13.4%	19.8%	21.0%	21.0%	18.7%	21.0%	20.2%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%				
<b>Non-GAAP income from operations</b>	<b>179,999</b>	<b>24,502</b>	<b>54,016</b>	<b>95,600</b>	<b>32,705</b>	<b>206,823</b>	<b>29,594</b>	<b>55,200</b>	<b>63,249</b>	<b>47,842</b>	<b>195,885</b>	<b>31,855</b>	<b>52,491</b>	<b>51,600</b>	<b>53,586</b>	<b>189,532</b>	<b>32,572</b>	<b>54,095</b>	<b>54,213</b>	<b>56,655</b>	<b>197,535</b>				
Add: depreciation excluding acquisition related	22,404	5,311	5,090	5,263	5,339	21,003	5,032	4,749	4,337	4,337	18,455	5,250	5,250	5,250	5,250	21,000	5,250	5,250	5,250	5,250	21,000				
<b>Adjusted EBITDA</b>	<b>202,403</b>	<b>29,813</b>	<b>59,106</b>	<b>100,863</b>	<b>38,044</b>	<b>227,826</b>	<b>34,626</b>	<b>59,949</b>	<b>67,586</b>	<b>52,179</b>	<b>214,340</b>	<b>37,105</b>	<b>57,741</b>	<b>56,850</b>	<b>58,836</b>	<b>210,532</b>	<b>37,822</b>	<b>59,345</b>	<b>59,463</b>	<b>61,905</b>	<b>218,535</b>				
EPS	0.48	(0.10)	0.24	0.72	(0.05)	0.82	(0.06)	0.29	(1.87)	0.34	(1.27)	0.02	0.24	0.23	0.25	0.74	0.03	0.25	0.25	0.28	0.82				
<b>Non-GAAP EPS</b>	<b>1.84</b>	<b>0.24</b>	<b>0.57</b>	<b>1.00</b>	<b>0.38</b>	<b>2.18</b>	<b>0.31</b>	<b>0.61</b>	<b>0.73</b>	<b>0.53</b>															

**Analyst Certification**

Kevin Liu, CFA (“the analyst”) certifies that all of the views expressed in this report accurately reflect the analyst’s personal views regarding the companies and securities covered by this report, and no part of the analyst’s or the firm’s compensation was, is, or will be, directly or indirectly, tied to the specific recommendations or views expressed by the analyst in this report. The analyst has received and is eligible to receive compensation based on K. Liu & Company LLC’s overall revenues, the performance of the analyst’s recommendations, and other competitive factors.

**Important Disclosures**

K. Liu & Company LLC (“the firm”) receives or intends to seek compensation from the companies covered in its research reports. The firm has not received any compensation from NetScout Systems (NTCT) in the past 12 months.

The analyst, a member of the analyst’s household, and/or an account in which the analyst exercises discretion hold(s) a long position in the common stock of NetScout Systems (NTCT).

The information in this report is for educational and informational purposes only. This report is available in electronic form at <https://www.kliuco.com>.

Copyright 2024, K. Liu & Company LLC. All rights reserved.