



**NETSCOUT SYSTEMS, INC.
First Quarter Fiscal Year 2025 Financial Results Conference Call
Management's Prepared Remarks**

July 25, 2025

Slide #2: Introduction

Tony Piazza:

Thank you, operator, and good morning, everyone. Welcome to NETSCOUT's first-quarter fiscal year 2025 conference call for the period ended June 30, 2024. Joining me today are:

- Anil Singhal, NETSCOUT's President and Chief Executive Officer,
- Michael Szabados, NETSCOUT's Chief Operating Officer, and
- Jean Bua, NETSCOUT's Executive Vice President and Chief Financial Officer.

There is a slide presentation that 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 under financial results, the webcast itself, and under financial information on the quarterly results page.

Slide #3: Safe Harbor Statement

Moving on to slide number 3, today's conference call will include forward-looking statements. 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. Actual results could differ materially from any forward-looking statements. These statements speak only as of today's date and involve risks and uncertainties, including but not limited to those described on this slide and in today's financial results press release, which are available on the Investor Relations section of our website, as well as in the Company's most recent Annual

Report on Form 10-K and subsequent SEC filings, on file with the Securities and Exchange Commission. NETSCOUT assumes no obligation to update any forward-looking information except as required by law.

Slide #4: Non-GAAP Reconciliation

Let's now turn to slide number 4, which involves non-GAAP metrics. While this slide presentation includes both GAAP and non-GAAP results, unless otherwise stated, financial information discussed on today's conference call will be on a non-GAAP basis only. The rationale for providing non-GAAP measures along with the limitations of relying solely on those measures is detailed on this slide and in today's press release. 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 with the applicable GAAP measures are provided in the appendix of the slide presentation, in today's earnings 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, Tony, and good morning, everyone. Welcome and thank you all for joining us today.

We delivered first quarter fiscal year 2025 revenue at the higher end of our expectations

while EPS exceeded our expectations. We remain focused on prudently operating the business while continuing to position NETSCOUT to win in the market. We remain confident that our differentiated solutions are aligned with key technology trends and well-positioned to address our customer's cybersecurity and service assurance needs.

Let's turn to slide number 6 for a brief recap of our non-GAAP financial results for the first quarter of our fiscal year 2025.

Slide #6: Q1 FY'25 Non-GAAP Financial Results

- Revenue was approximately 175 million dollars, at the higher end of our expectations. This represents a 17 percent year-over-year decline due to approximately 37 million dollars of backlog related revenue in the prior year's quarter. Excluding this factor, our revenue would have been relatively consistent year over year.
- In regard to the bottom line, our diluted earnings per share was 28 cents for the first quarter, exceeding our expectations as we benefited from continued cost management initiatives and an unrealized gain on a foreign investment. EPS was down approximately 10 percent year over year as lower revenue offset these benefits.

Now, let's move to slide 7 for some further perspective on business and market insights.

Slide #7: Business and Market Insights

Service Assurance

Starting with our Service Assurance offering, revenue was down approximately 20 percent year over year. The decline was expected due to the higher level of backlog-related revenue recorded in the prior year's period.

In the Service Assurance space, customers continue to operate with increased scrutiny on their spending agenda. Importantly though, carriers domestically and internationally are investing in their 5G initiative, just at a more measured pace as they manage investments against monetization opportunities. On the enterprise front, we also see tight spending, but remain confident that NETSCOUT is well positioned to win business and leverage our value proposition of extending visibility to the edges of the network as customers advance their digital transformations.

Cybersecurity

Moving to our Cybersecurity offering, revenue in the first quarter was down approximately 11 percent year over year as the previously mentioned prior year's backlog-related usage caused a challenging comparison. Cybersecurity continues to represent a strong growth opportunity for NETSCOUT as customers prioritize spending to protect themselves from the expanding cyber threat landscape.

Michael will provide more insight regarding customer wins in our offering areas during his remarks.

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

Slide #8: FY'25 Outlook & Summary

Looking ahead, our priorities remain to enhance our Cybersecurity offerings to meet customer needs given the expanding cyber threat landscape. At the same time, we are focused on

continuing to manage costs. During the first quarter, we advanced our voluntary separation program. As such, we expect to benefit from approximately 25 to 27 million dollars of annualized cost reduction, a portion of which will be recognized during fiscal year 2025. Based on our first quarter performance and solid pipeline, we are reiterating our fiscal year 2025 revenue and non-GAAP EPS outlooks. Jean will provide a recap of the outlook in her remarks. Longer term, we are committed to leveraging our 'Visibility Without Borders' platform to help customers address the performance, availability, and security challenges of the complex digital world.

We look forward to sharing our progress with everyone throughout the remainder of our fiscal year.

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

Slide #9: COO Update

Michael Szabados:

Thank you, Anil, and good morning, everyone. Slide 10 outlines the areas I will be covering today, starting with Q1 customer win highlights:

Slide #10: COO Highlights

Customer Wins:

In our Service Assurance offering, in the service provider customer vertical, we continue to see deals in support of 5G deployments, upgrades, and capacity expansions both domestically and internationally. One example of a key win during the quarter was the extension of a multi-year

enterprise license agreement with a Tier-1 North American carrier which includes 5G-related solutions. This deal has an annual value in the low eight figures and could amount to a mid-eight figure sum over the full deal term. We also recently announced an extension of a multi-year deal with a European carrier that had been completed in the prior quarter. These deals both had competitive interest, but we secured them due to our strong historical performance, differentiated technology, and established relationships.

Shifting to our Cybersecurity offering, companies are continuing to prioritize investments in cybersecurity capabilities that protect them against the expanding cybersecurity threat landscape. This continues to translate into wins for NETSCOUT. For example, during the first quarter we won a low-seven figure deal with the Fintech division of an existing European financial services customer who was upgrading their DDoS capacity and threat protection capabilities. This customer purchased an upgraded Arbor Edge Defense solution which provides them with our newer Adaptive DDoS capabilities that address the changing DDoS landscape and new attack vector dynamics. They also purchased Arbor Cloud to expand their capacity beyond their on-prem solution to accommodate an increasingly complex threat environment.

Go-to-Market Activities:

Turning to our go-to-market activities, we remain focused on promoting our industry leadership, trusted brand, next-generation solutions, and platform.

This included hosting a joint Immersion Day with Palo Alto Networks and AWS, for financial service customers and prospects. This session featured a hands-on lab, demonstrating the

NETSCOUT integration with Palo Alto Networks in the AWS cloud to enhance the security posture of financial services institutions. The event garnered significant interest as evidenced by the high registration and turnout. Additionally, we participated in the Cisco Live and Splunk.conf24 tradeshow events during the quarter and hosted a well-attended user event called “NETSCOUT Connects” in London in May. At this event we conducted keynote presentations, breakout sessions, product updates, and demonstrations for our European customers, prospects, and partners.

Looking ahead, NETSCOUT plans to host its customers and partners at our Annual Engage Technology and User Summit in early October in Arlington, Texas. At Engage 2024, we will be highlighting our new Omnis solutions and how our highly curated dataset can solve security, observability, and service assurance problems faster when integrated with AIOps platforms from industry leaders, such as Splunk, ServiceNow, and AWS. We will also preview new AI and Machine Learning enabled capabilities to automate and simplify our core performance management solutions in our IT operations market area.

Thank you, everyone. That concludes my remarks, and I will now turn the call over to Jean.

Slide #11: CFO Financial Review

Jean Bua:

Thank you, Michael, and good morning, everyone. I will review key metrics for our first quarter of fiscal year 2025 and provide some additional commentary on our fiscal year 2025 outlook. As a reminder, this review focuses on our non-GAAP results unless otherwise stated, and all reconciliations with our GAAP results appear in the presentation appendix. Regardless,

I will note the nature of any such comparisons. Additionally, all comparisons are on a year over year basis unless otherwise noted.

Slide #12: Q1 FY'25 Results

Slide number 12 details the results for the first quarter of fiscal year 2025. Total revenue was 174.6 million dollars, down 17.3 percent. This was primarily attributable to approximately 37 million dollars of backlog-related revenue that benefited product revenue in the prior year. Product revenue was 61.2 million dollars, a decrease of 35.4 percent, while service revenue was 113.4 million dollars, a decrease of 2.6 percent.

Gross profit margin was 77.1 percent in the first quarter, down 1.2 percentage points year over year. Quarterly operating expenses decreased 11.2 percent, primarily due to cost containment efforts. Accordingly, we reported an operating profit margin of 8.0 percent, compared with 14.0 percent in the same quarter last year. Diluted earnings per share was 28 cents, which included an unrealized gain on a foreign investment of approximately 10 cents. This was down 9.7 percent from 31 cents in the same quarter last year as the impact of lower revenue was partially offset by cost management initiatives and the unrealized foreign investment income.

Slide #13: Q1 FY'25 Revenue Trends: Product Lines and Customer Verticals

Turning to slide 13, I will review key revenue trends by product lines and customer verticals. Please note that all comparisons here are on a year-over-year basis, consistent with our other remarks.

For the first quarter of fiscal year 2025, our Service Assurance revenue decreased by 20.1 percent, while our Cybersecurity revenues decreased by 11.1 percent. During the same period, our Service Assurance product line accounted for approximately 67 percent of our total revenue, while our Cybersecurity product line accounted for the remaining 33 percent.

Turning to our customer verticals. For the first quarter of fiscal year 2025, our enterprise customer vertical revenue decreased by 15.1 percent while our service provider customer vertical revenue decreased 19.8 percent. During the same period, our enterprise customer vertical accounted for approximately 54 percent of our total revenue, while our service provider customer vertical accounted for the remaining 46 percent.

Slide #14: FY'25 Revenue Trends: Geographic Mix

Turning to slide 14, this shows our geographic revenue mix. For the first quarter of fiscal year 2025, 57 percent of our revenue was derived from the United States, with the remaining 43 percent provided by international markets. Also, no customer represented 10% or more of our total revenue in the first quarter of fiscal year 2025.

Slide #15: GAAP Balance Sheet & Free Cash Flow Review

Slide 15 details certain balance sheet and free cash flow items. We ended the first quarter with 407.2 million dollars in cash, cash equivalents, short- and long-term marketable securities, and investments, representing a decrease of 16.9 million dollars since the end of the fourth quarter of fiscal year 2024. Free cash flow for the quarter was 37.2 million dollars. During the first quarter of fiscal year 2025, we repurchased approximately 1.3 million shares of our

common stock for approximately 25 million dollars or an average price per share of 18 dollars and 55 cents. We currently have capacity in our share repurchase authorization and, subject to market conditions, intend to be active in the market during fiscal year 2025. From a debt perspective, during the quarter we also repaid 25 million dollars of credit facility debt and ended the first quarter of fiscal year 2025 with 75 million dollars outstanding on our 800-million-dollar revolving credit facility, which expires in July 2026.

To briefly recap other balance sheet items, accounts receivable, net, was 129.3 million dollars, representing a decrease of 62.8 million dollars since March 31, 2024. The DSO metric at the end of the first quarter of fiscal year 2025 was 63 days, versus 44 days for the same period in the prior year, and 81 days at the end of fiscal year 2024. The higher DSO metric in the first quarter of this fiscal year in comparison to the first quarter of the prior fiscal year was due to the timing and composition of bookings. Goodwill and intangible assets, net, is 1 billion 372 million dollars, which reflects a non-cash goodwill impairment charge of 427 million dollars taken in the first quarter.

Slide #16: FY'25 Outlook

Let's move to slide 16 for commentary on our outlook. I will focus my review on our non-GAAP targets for fiscal year 2025.

FY'25 Outlook

As Anil noted earlier, we are reiterating our non-GAAP outlook for fiscal year 2025 that was presented during our fourth quarter and full fiscal year 2024 earnings call. As a reminder, for our fiscal year 2025, we anticipate revenue in the range of 800 million to 830 million dollars.

Additionally, we continue to anticipate non-GAAP diluted earnings per share within the range of 2 dollars and 10 cents to 2 dollars and 30 cents, with the mid-point being consistent year over year. The full fiscal year effective tax rate is expected to be approximately 20 percent. Our weighted average diluted shares outstanding is assumed to be approximately 73 million shares, which incorporates our recent share repurchase activity but does not assume any further repurchase activity. Finally, given that we are early in the fiscal year, any impact from the unrealized gain on the previously mentioned foreign investment will be evaluated as the fiscal year progresses as its market value and impact to our earnings per share outlook could fluctuate.

Our fiscal year 2025 non-GAAP guidance also reflects the anticipated benefits associated with the previously mentioned restructuring from the voluntary separation program and ongoing cost management initiatives. In conjunction with these actions, we recorded a GAAP restructuring charge in the first quarter of fiscal year 2025 attributable to one-time separation payments of 16.6 million dollars and we anticipate another charge in the range of approximately 3 million to 5 million dollars in the second quarter. We expect that these actions will generate annual run-rate savings of approximately 25 to 27 million dollars. Given the timing of these actions, we expect to realize approximately 18 to 19 million dollars of the savings over the remaining three quarters of fiscal year 2025.

Finally, I would like to provide some “color” for the second quarter of fiscal year 2025. We continue to anticipate a revenue skew of approximately 45 percent in the first half of the fiscal year and 55 percent in the second half, assuming the midpoint of our revenue outlook range. Therefore, taking into consideration our first quarter results, we expect revenue for our

second fiscal quarter to be in the range of 185 million to 195 million dollars. We also expect corresponding non-GAAP earnings per share in the range of 42 to 51 cents. As a reminder, the second quarter of fiscal year 2024 benefited from the reversal of incentive related expenses, which will create an approximately 15 cents year over year headwind for Q2 2025.

That concludes my formal review of our financial results. Thank you, and I'll now turn the call over to the operator for questions.