UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549
FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2024

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from___________to___________

Commission file number 000-26251

NETSCOUT SYSTEMS, INC.
(Exact Name of Registrant as Specified in Its Charter)

Delaware	**04-2837575**
(State or Other Jurisdiction of Incorporation or Organization)	**(IRS Employer Identification No.)**

310 Littleton Road, Westford, MA 01886
(978) 614-4000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered:
Common Stock, $0.001 par value per share	NTCT	Nasdaq Global Select Market

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒ Accelerated filer ☐
Non-accelerated filer ☐ Smaller reporting company ☐
Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The number of shares outstanding of the registrant's common stock, par value $0.001 per share, as of July 25, 2024 was 71,317,824.

NETSCOUT SYSTEMS, INC.
FORM 10-Q
FOR THE QUARTER ENDED JUNE 30, 2024
TABLE OF CONTENTS

Unless the context suggests otherwise, references in this Quarterly Report on Form 10-Q, or Quarterly Report, to "NetScout," the "Company," "we," "us," and "our" refer to NetScout Systems, Inc. and, where appropriate, our consolidated subsidiaries.

NetScout, the NetScout logo, Adaptive Service Intelligence and other trademarks or service marks of NetScout appearing in this Quarterly Report are the property of NetScout Systems, Inc. and/or its subsidiaries and/or affiliates in the United States and/or other countries. Any third-party trade names, trademarks and service marks appearing in this Quarterly Report are the property of their respective holders.

Cautionary Statement Concerning Forward-Looking Statements

In addition to historical information, the following discussion and other parts of this Quarterly Report contain forward-looking statements under Section 21E of the Securities Exchange Act of 1934, as amended, and other federal securities laws. These forward-looking statements involve risks and uncertainties. These statements relate to future events or our future financial performance and are identified by terminology such as "may," "will," "could," "should," "expects," "plans," "intends," "seeks," "anticipates," "believes," "estimates," "potential," or "continue," or the negative of such terms or other comparable terminology. These statements are only predictions. You should not place undue reliance on these forward-looking statements. The outcome of the events described in these forward-looking statements is subject to risks, uncertainties, and other factors, including those described in Part I, Item 1A. Risk Factors in our Annual Report on Form 10-K for our fiscal year ended March 31, 2024, filed with the Securities and Exchange Commission, and elsewhere in this Quarterly Report. These factors may cause our actual results to differ materially from any forward-looking statement. Moreover, we operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time, and it is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements contained in this Quarterly Report on Form 10-Q. We cannot assure you that the results, events, and circumstances reflected in the forward-looking statements will be achieved or occur, and actual results, events, or circumstances could differ materially from those described in the forward-looking statements.

The forward-looking statements made in this Quarterly Report on Form 10-Q relate only to events as of the date on which the statements are made. We undertake no obligation to update any forward-looking statements made in this Quarterly Report on Form 10-Q to reflect events or circumstances after the date of this Quarterly Report on Form 10-Q or to reflect new information or the occurrence of unanticipated events, except as required by law. We may not actually achieve the plans, intentions, or expectations disclosed in our forward-looking statements and you should not place undue reliance on our forward-looking statements. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures, or investments we may make.

PART I: FINANCIAL INFORMATION

Item 1. Unaudited Financial Statements

NetScout Systems, Inc.
Consolidated Balance Sheets
(In thousands, except share data)

	June 30, 2024 (Unaudited)	March 31, 2024
Assets		
Current assets:		
Cash and cash equivalents	$ 362,213	$ 389,674
Marketable securities and investments	43,954	33,459
Accounts receivable and unbilled costs, net of allowance for credit allowances of $116 and $479 at June 30, 2024 and March 31, 2024, respectively	129,270	192,096
Inventories and deferred costs	14,994	14,095
Prepaid income taxes	13,352	11,076
Prepaid expenses and other current assets	26,267	32,094
Total current assets	590,050	672,494
Fixed assets, net	24,903	26,487
Operating lease right-of-use assets	39,911	42,486
Goodwill	1,076,715	1,502,820
Intangible assets, net	295,290	308,659
Deferred income taxes	47,855	30,767
Long-term marketable securities	1,003	994
Other assets	9,689	10,595
Total assets	$ 2,085,416	$ 2,595,302
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 15,938	$ 14,506
Accrued compensation	63,059	51,362
Accrued other	12,399	14,665
Income taxes payable	764	764
Deferred revenue and customer deposits	279,185	301,806
Current portion of operating lease liabilities	11,859	11,979
Total current liabilities	383,204	395,082
Other long-term liabilities	6,897	7,055
Deferred tax liability	4,326	4,374
Accrued long-term retirement benefits	28,124	28,413
Long-term deferred revenue and customer deposits	120,638	130,212
Operating lease liabilities, net of current portion	35,231	38,101
Long-term debt	75,000	100,000
Total liabilities	653,420	703,237
Commitments and contingencies (Note 14)		
Stockholders' equity:		
Preferred stock, $0.001 par value:		
5,000,000 shares authorized; no shares issued or outstanding at June 30, 2024 and March 31, 2024	—	—
Common stock, $0.001 par value:		
300,000,000 shares authorized; 133,189,228 and 131,316,309 shares issued and 71,311,409 and 71,404,216 shares outstanding at June 30, 2024 and March 31, 2024, respectively	133	131
Additional paid-in capital	3,201,998	3,181,366
Accumulated other comprehensive income	3,404	3,572
Treasury stock at cost, 61,877,819 and 59,912,093 shares at June 30, 2024 and March 31, 2024, respectively	(1,652,642)	(1,615,483)
(Accumulated deficit) retained earnings	(120,897)	322,479
Total stockholders' equity	1,431,996	1,892,065
Total liabilities and stockholders' equity	$ 2,085,416	$ 2,595,302

The accompanying notes are an integral part of these consolidated financial statements.

NetScout Systems, Inc.
Consolidated Statements of Operations
(In thousands, except per share data)
(Unaudited)

	Three Months Ended June 30,	
	2024	2023
Revenue:		
Product	$ 61,169	$ 94,661
Service	113,396	116,477
Total revenue	174,565	211,138
Cost of revenue:		
Product	12,004	16,662
Service	32,365	33,734
Total cost of revenue	44,369	50,396
Gross profit	130,196	160,742
Operating expenses:		
Research and development	42,465	45,520
Sales and marketing	70,330	78,996
General and administrative	25,581	28,214
Amortization of acquired intangible assets	11,614	12,707
Restructuring charges	16,563	—
Goodwill impairment	426,967	—
Total operating expenses	593,520	165,437
Loss from operations	(463,324)	(4,695)
Interest and other income (expense), net:		
Interest income	3,098	2,288
Interest expense	(1,945)	(2,093)
Other income (expense), net	8,475	(834)
Total interest and other income (expense), net	9,628	(639)
Loss before income tax benefit	(453,696)	(5,334)
Income tax benefit	(10,320)	(1,134)
Net loss	$ (443,376)	$ (4,200)
Basic net loss per share	$ (6.20)	$ (0.06)
Diluted net loss per share	$ (6.20)	$ (0.06)
Weighted average common shares outstanding used in computing:		
Net loss per share - basic	71,467	71,540
Net loss per share - diluted	71,467	71,540

The accompanying notes are an integral part of these consolidated financial statements.

NetScout Systems, Inc.
Consolidated Statements of Comprehensive Loss
(In thousands)
(Unaudited)

	Three Months Ended June 30,	
	2024	2023
Net loss	$ (443,376)	$ (4,200)
Other comprehensive income (loss):		
Cumulative translation adjustments	(131)	68
Changes in market value of investments:		
Changes in unrealized gains (losses), net of taxes (benefit) of $ 2, and ($ 35), respectively	7	(106)
Total net change in market value of investments	7	(106)
Changes in market value of derivatives:		
Changes in market value of derivatives, net of (benefit) taxes of ($ 27), and $51, respectively	(90)	159
Reclassification adjustment for net gains (losses) included in net loss, net of taxes (benefit) of $ 14, and ($18), respectively	46	(56)
Total net change in market value of derivatives	(44)	103
Other comprehensive (loss) income	(168)	65
Total comprehensive loss	$ (443,544)	$ (4,135)

The accompanying notes are an integral part of these consolidated financial statements.

NetScout Systems, Inc.
Consolidated Statements of Stockholders' Equity
(In thousands, except share data)
(Unaudited)

	Three Months Ended June 30, 2024							
	Common Stock Voting				Treasury Stock			
	Shares	Par Value	Additional Paid In Capital	Accumulated Other Comprehensive Income (Loss)	Shares	Stated Value	(Accumulated Deficit) Retained Earnings	Total Stockholders' Equity
Balance, March 31, 2024	131,316,309	$ 131	$ 3,181,366	$ 3,572	59,912,093	$ (1,615,483)	$ 322,479	$ 1,892,065
Net loss							(443,376)	(443,376)
Unrealized net investment gains				7				7
Unrealized net losses on derivative financial instruments				(44)				(44)
Cumulative translation adjustments				(131)				(131)
Issuance of common stock pursuant to vesting of restricted stock units	1,872,919	2						2
Stock-based compensation expense for restricted stock units granted to employees			20,632					20,632
Repurchase of treasury stock					1,965,726	(37,159)		(37,159)
Balance, June 30, 2024	133,189,228	$ 133	$ 3,201,998	$ 3,404	61,877,819	$ (1,652,642)	$ (120,897)	$ 1,431,996

	Three Months Ended June 30, 2023							
	Common Stock Voting				Treasury Stock			
	Shares	Par Value	Additional Paid In Capital	Accumulated Other Comprehensive Income (loss)	Shares	Stated Value	Retained Earnings	Total Stockholders' Equity
Balance, March 31, 2023	128,683,824	$ 128	$ 3,099,698	$ 5,738	57,434,779	$ (1,546,128)	$ 470,213	$ 2,029,649
Net loss							(4,200)	(4,200)
Unrealized net investment losses				(106)				(106)
Unrealized net gains on derivative financial instruments				103				103
Cumulative translation adjustments				68				68
Issuance of common stock pursuant to vesting of restricted stock units	1,332,217	2						2
Stock-based compensation expense for restricted stock units granted to employees			19,100					19,100
Repurchase of treasury stock					435,172	(13,406)		(13,406)
Balance, June 30, 2023	130,016,041	$ 130	$ 3,118,798	$ 5,803	57,869,951	$ (1,559,534)	$ 466,013	$ 2,031,210

The accompanying notes are an integral part of these consolidated financial statements.

NetScout Systems, Inc.
Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	Three Months Ended June 30,	
	2024	2023
Cash flows from operating activities:		
Net loss	$ (443,376)	$ (4,200)
Adjustments to reconcile net loss to cash provided by (used in) operating activities:		
Depreciation and amortization	16,405	19,436
Operating lease right-of-use asset amortization	2,606	2,592
Loss on disposal of fixed assets	—	38
Share-based compensation expense	21,198	19,844
Change in fair value of derivative investment	—	(206)
Goodwill impairment	426,967	—
Deferred income taxes	(17,077)	(11,456)
Other (gains) losses	(8,839)	363
Changes in assets and liabilities		
Accounts receivable and unbilled costs	62,715	35,565
Inventories and deferred costs	(1,567)	(1,604)
Prepaid expenses and other assets	4,152	(1,157)
Accounts payable	1,686	(2,031)
Accrued compensation and other expenses	8,740	(37,677)
Operating lease liabilities	(3,022)	(2,907)
Income taxes payable	(65)	(2,717)
Deferred revenue	(32,095)	(36,251)
Net cash provided by (used in) operating activities	38,428	(22,368)
Cash flows from investing activities:		
Purchase of marketable securities and investments	(12,151)	(25,905)
Proceeds from sales and maturity of marketable securities	10,325	8,733
Purchase of fixed assets	(1,268)	(1,957)
Net cash used in investing activities	(3,094)	(19,129)
Cash flows from financing activities:		
Issuance of common stock under stock plans	2	2
Treasury stock repurchases	(25,000)	—
Tax withholding on restricted stock units	(12,159)	(13,406)
Repayment of long-term debt	(25,000)	—
Net cash used in financing activities	(62,157)	(13,404)
Effect of exchange rate changes on cash and cash equivalents	(638)	823
Net decrease in cash and cash equivalents	(27,461)	(54,078)
Cash and cash equivalents, beginning of period	389,674	386,794
Cash and cash equivalents, end of period	$ 362,213	$ 332,716
Supplemental disclosures:		
Cash paid for interest	$ 1,437	$ 1,587
Cash paid for income taxes	$ 9,143	$ 21,831
Non-cash transactions:		
Transfers of inventory to fixed assets	$ 645	$ 1,114
Additions to property, plant and equipment included in accounts payable	$ 253	$ 46

The accompanying notes are an integral part of these consolidated financial statements.

NetScout Systems, Inc.
Notes to Consolidated Financial Statements
(Unaudited)

NOTE 1 – BASIS OF PRESENTATION

The accompanying unaudited interim consolidated financial statements have been prepared by NetScout Systems, Inc. (NetScout or the Company). Certain information and footnote disclosures normally included in financial statements prepared under United States generally accepted accounting principles (GAAP) have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). In the opinion of management, the unaudited interim consolidated financial statements include all adjustments, consisting of normal recurring adjustments, necessary for a fair statement of the Company's financial position and stockholders' equity, results of operations and cash flows. The year-end consolidated balance sheet data and statement of stockholders' equity were derived from the Company's audited financial statements, but do not include all disclosures required by GAAP. The results reported in these unaudited interim consolidated financial statements are not necessarily indicative of results that may be expected for the entire year. All significant intercompany accounts and transactions are eliminated in consolidation.

These unaudited interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements, including the notes thereto, included in the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2024 filed with the Securities and Exchange Commission on May 16, 2024.

Global and Macroeconomic Conditions

The Company continues to closely monitor the current global and macroeconomic conditions, including the impacts of the ongoing war in Ukraine and hostilities in the Middle East, global geopolitical tension, stock market volatility, industry-specific capital spending trends, exchange rate fluctuations, inflation, interest rates, and the risk of a recession, including the manner and extent to which they have impacted and could continue to impact its business, customers, employees, supply chain, and distribution network. The full extent of the impacts of these global and macroeconomic trends remain uncertain. It is possible that the measures taken by the governments of countries affected and the resulting economic impacts may materially and adversely affect the Company's future results of operations, cash flows and financial position as well as its customers.

The Company has the responsibility to evaluate whether conditions and/or events raise substantial doubt about its ability to meet its future financial obligations as they become due within one year after the date that the financial statements are issued. The macroeconomic environment remains challenging with constrained customer spending and the Company expects this to persist into the remainder of fiscal year 2025. The Company has taken and continues to take precautionary actions to manage costs and increase productivity across the organization. This includes managing discretionary spending and hiring activities. In addition, based on covenant levels, the Company had as of June 30, 2024 an incremental $725 million available under the revolving credit facility.

The Company expects net cash provided by operations combined with cash, cash equivalents, marketable securities and investments and borrowing availability under the revolving credit facility to provide sufficient liquidity to fund current obligations, capital spending, debt service requirements and working capital requirements over at least the next twelve months.

Recent Accounting Pronouncements

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures. ASU 2023-09 is intended to enhance the transparency and decision usefulness of income tax disclosures. The amendments address investor requests for enhanced income tax information primarily through changes to the rate reconciliation and income taxes paid information. The amendments are effective retrospectively for fiscal years beginning after December 15, 2024. The amendments should be applied prospectively; however, retrospective application is also permitted. ASU 2023-09 is effective for NetScout beginning April 1, 2025. Early adoption is permitted. The Company is in the process of evaluating the impact that the adoption ASU 2023-09 will have to the financial statements and related disclosures.

In November 2023, the FASB issued ASU 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures, which provides updates to qualitative and quantitative reportable segment disclosure requirements, including enhanced disclosures about significant segment expenses and increased interim disclosure requirements, among others. The amendments in ASU 2023-07 are effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted, and the amendments should be applied retrospectively. The Company plans to adopt ASU 2023-07 beginning with its fiscal year ending March 31, 2025. The Company is in the process of evaluating the impact that the adoption ASU 2023-07 will have to the financial statements and related disclosures.

NOTE 2 – REVENUE

Revenue Recognition Policy

The Company exercises judgment and uses estimates in connection with determining the amounts of product and service revenues to be recognized in each accounting period.

The Company derives revenues primarily from the sale of network management tools and cybersecurity solutions for service provider and enterprise customers, which include hardware, software, and service offerings. The Company's product sales consist of software only offerings and offerings which include hardware appliances with embedded software that are essential to providing customers the intended functionality of the solutions.

The Company accounts for revenue once a legally enforceable contract with a customer has been approved by the parties and the related promises to transfer products or services have been identified. A contract is defined by the Company as an arrangement with commercial substance identifying payment terms, each party's rights and obligations regarding the products or services to be transferred and the amount the Company deems probable of collection. Customer contracts may include promises to transfer multiple products and services to a customer. Determining whether the products and services are considered distinct performance obligations that should be accounted for separately or as one combined performance obligation may require significant judgment. Revenue is recognized when control of the products or services are transferred to the Company's customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for products and services.

Product revenue is typically recognized upon fulfillment, provided a legally enforceable contract exists, control has passed to the customer, and in the case of software products, when the customer has the rights and ability to access the software, and collection of the related receivable is probable. If any significant obligations to the customer remain post-delivery, typically involving obligations relating to installation and acceptance by the customer, revenue recognition is deferred until such obligations have been fulfilled. The Company's service offerings include installation, integration, extended warranty and maintenance services, post-contract customer support, stand-ready software-as-a-service (SAAS) and other professional services including consulting and training. The Company generally provides software and/or hardware support as part of product sales. Revenue related to the initial bundled software and hardware support is recognized ratably over the support period. In addition, customers can elect to purchase extended support agreements for periods after the initial software/hardware warranty expiration. Support services generally include rights to unspecified upgrades (when and if available), telephone and internet-based support, updates, bug fixes and hardware repair and replacement. Consulting services are recognized upon delivery or completion of performance depending on the terms of the underlying contract. Reimbursements of out-of-pocket expenditures incurred in connection with providing consulting services are included in services revenue, with the offsetting expense recorded in cost of service revenue. Training services include on-site and classroom training. Training revenues are recognized upon delivery of the training.

Generally, the Company's contracts are accounted for individually. However, when contracts are closely interrelated and dependent on each other, it may be necessary to account for two or more contracts as one to reflect the substance of the group of contracts.

Bundled arrangements are concurrent customer purchases of a combination of the Company's product and service offerings that may be delivered at various points in time. The Company allocates the transaction price among the performance obligations in an amount that depicts the relative standalone selling prices (SSP) of each obligation. Judgment is required to determine the SSP for each distinct performance obligation. The Company uses a range of amounts to estimate SSP for each of the products and services sold, based primarily on the performance obligation's historical pricing. The Company also considers its overall pricing objectives and practices across different sales channels and geographies, and market conditions. Generally, the Company has established SSP for a majority of its service performance obligations based on historical standalone sales. In certain instances, the Company has established SSP for services based upon an estimate of profitability and the underlying cost to fulfill those services. SSP has primarily been established for product performance obligations as the average or median selling price the performance obligation was recently sold for, whether sold alone or sold as part of a bundle transaction. The Company reviews sales of the product performance obligations on a quarterly basis and updates, when appropriate, its SSP for such performance obligations to ensure that it reflects recent pricing experience. The Company's products are distributed through its direct sales force and indirect distribution channels through alliances with resellers and distributors. Revenue arrangements with resellers and distributors are recognized on a sell-in basis; that is, when control of the product transfers to the reseller or distributor. The Company records consideration given to a customer as a reduction of revenue to the extent they have recorded revenue from the customer. With limited exceptions, the Company's return policy does not allow product returns for a refund. Returns have been insignificant to date. In addition, the Company has a history of successfully collecting receivables from its resellers and distributors.

During the three months ended June 30, 2024, the Company recognized revenue of $100.3 million related to the Company's deferred revenue balance reported at March 31, 2024.

Performance Obligations

Customer contracts may include promises to transfer multiple products and services to a customer. Determining whether the products and services are considered distinct performance obligations that should be accounted for separately or as one combined performance obligation may require significant judgment. The transaction price is allocated among performance obligations in bundled contracts in an amount that depicts the relative standalone selling prices of each obligation.

For contracts involving distinct hardware and software licenses, the performance obligations are satisfied at a point in time when control is transferred to the customer. For standalone maintenance and post-contract support (PCS) the performance obligation is satisfied ratably over the contract term as a stand-ready obligation. For consulting and training services, the performance obligation may be satisfied over the contract term as a stand-ready obligation, satisfied over a period of time as those services are delivered, satisfied at the completion of the service when control has transferred, or the services have expired unused.

Payments for hardware, software licenses, one-year maintenance, PCS and consulting services, are typically due up front with payment terms of 30 to 90 days. However, the Company does have contracts pursuant to which billings occur ratably over a period of years following the transfer of control for the contracted performance obligations. Payments on multi-year maintenance, PCS and consulting services are typically due in annual installments over the contract term. The Company did not have any material variable consideration such as obligations for returns, refunds or warranties at June 30, 2024.

At June 30, 2024, the Company had total defer red revenue of $399.8 million, which represents the aggregate total contract price allocated to undelivered performance obligations. The Company expects to recognize $279.2 million, or 70%, of this revenue during the next 12 months, and expects to recognize the remaining $120.6 million, or 30%, of this revenue thereafter.

Because of NetScout's revenue recognition policies, there are circumstances for which the Company does not recognize revenue relating to sales transactions that have been billed, but the related account receivable has not been collected. While the receivable represents an enforceable obligation, the Company does not believe its right to payment is unconditional, therefore for balance sheet presentation purposes, the Company has not recognized the deferred revenue or the related account receivable and no amounts appear in the consolidated balance sheets for such transactions because control of the underlying deliverable has not transferred. The aggregate amount of unrecognized accounts receivable and deferred revenue was $9.7 million and $5.9 million at June 30, 2024 and March 31, 2024, respectively.

NetScout expects that the amount of billed and unbilled deferred revenue will change from quarter to quarter for several reasons, including the specific timing, duration and size of large customer support and service agreements, varying billing cycles of such agreements, the specific timing of customer renewals, and foreign currency fluctuations. The Company did not have material significant financing components, or variable consideration or performance obligations satisfied in a prior period recognized during the three months ended June 30, 2024.

Contract Balances

The Company may receive payments from customers based on billing schedules as established by the Company's contracts. Contract assets relate to performance obligations where control has transferred to the customer in advance of scheduled billings. The Company records unbilled accounts receivable representing the right to consideration in exchange for goods or services that have been transferred to a customer conditional on the passage of time. Deferred revenue relates to scenarios where billings with an unconditional right to payment occur before all performance obligations are delivered or payments are received in advance of performance under the contract.

Costs to Obtain Contracts

The Company has determined that the only significant incremental costs incurred to obtain contracts with customers within the scope of Topic 606 are sales commissions paid to its employees. Sales commissions are recorded as an asset and amortized to expense ratably over the remaining performance periods of the related contracts with remaining performance obligations. The Company expenses costs as incurred for sales commissions when the amortization period would have been one year or less.

At June 30, 2024, the consolidated balance sheet included $9.3 million in assets related to sales commissions to be expensed in future periods. A balance of $5.0 million was included in prepaid expenses and other current assets, and a balance of $ 4.3 million was included in other assets in the Company's consolidated balance sheet at June 30, 2024. At March 31, 2024, the consolidated balance sheet included $9.3 million in assets related to sales commissions to be expensed in future periods. A balance of $4.8 million was included in prepaid expenses and other current assets, and a balance of $ 4.5 million was included in other assets in the Company's consolidated balance sheet at March 31, 2024.

During each of the three months ended June 30, 2024 and 2023 , the Company recognized $ 1.7 million of amortization related to this sales commission asset, which is included in the sales and marketing expense line in the Company's consolidated statements of operations.

Allowance for Credit Losses

The Company continually monitors collections from its customers. The Company evaluates the collectability of its accounts receivable and determines the appropriate allowance for credit losses based on a combination of factors, including but not limited to, analysis of the aging schedules, past due balances, historical collection experience and prevailing economic conditions.

The following table summarizes the activity in the allowance for credit losses (in thousands):

Balance at March 31, 2024	$	479
Additions resulting in charges to operations		27
Recoveries of previously reserved balances		(381)
Deductions due to write-offs		(9)
Balance at June 30, 2024	$	116

NOTE 3 – CONCENTRATION OF CREDIT RISK AND SIGNIFICANT CUSTOMERS

Financial instruments that potentially subject the Company to concentration of credit risk consist primarily of investments, trade accounts receivable and accounts payable. The Company's cash, cash equivalents, and marketable securities are placed with financial institutions with high credit standings.

At June 30, 2024, one direct customer accounted for more than 10% of the Company's accounts receivable balance, while no channel partners accounted for more than 10% of the Company's accounts receivable balance. At March 31, 2024, the Company had no direct customers or channel partners which accounted for more than 10% of the accounts receivable balance.

During the three months ended June 30, 2024, and 2023, no direct customers or channel partners accounted for more than 10% of total revenue.

Historically, the Company has not experienced any significant failure of its customers' ability to meet their payment obligations nor does the Company anticipate material non-performance by its customers in the future; accordingly, the Company does not require collateral from its customers. However, if the Company's assumptions are incorrect, there could be an adverse impact on its allowance for doubtful accounts.

NOTE 4 – SHARE-BASED COMPENSATION

On September 12, 2019, the Company's stockholders approved the 2019 Equity Incentive Plan (2019 Plan), which replaced the Company's 2007 Equity Incentive Plan, as amended (Amended 2007 Plan). The 2019 Plan permits the granting of incentive and nonstatutory stock options, stock appreciation rights, restricted stock awards, restricted stock unit awards, and other stock awards, collectively referred to as "share-based awards."

On September 10, 2020, the Company's stockholders approved an amendment and restatement of the 2019 Equity Incentive Plan (2019 First Amended Plan) to increase the number of shares reserved for issuance by 4,700,000 shares, establish a one-year minimum vesting requirement for awards granted on or after September 10, 2020, and change the "fungible share counting ratio" used to calculate the increase or reduction in the number of shares available for issuance under the 2019 First Amended Plan.

On August 24, 2022, the Company's stockholders approved an amendment and restatement of the 2019 Equity Incentive Plan (2019 Second Amended Plan) to increase the number of shares reserved for issuance by 7,000,000 shares, and change the "fungible share counting ratio" used to calculate the increase or reduction in the number of shares available for issuance under the 2019 Second Amended Plan.

On September 14, 2023, the Company's stockholders approved an amendment and restatement to the 2019 First Amended Plan (2019 Third Amended Plan) to further increase the number of shares reserved for issuance by 5,900,000 shares and changed the "fungible share counting ratio" used to calculate the increase or reduction in the number of shares available for issuance under the 2019 Third Amended Plan. At September 14, 2023, there was a total of 8,263,547 shares reserved for issuance under the 2019 Third Amended Plan, which consisted of 5,900,000 new shares plus 2,363,547 shares that remained available for grant under the 2019 Second Amended Plan as of September 14, 2023, the effective date of the 2019 Third Amended Plan. The Company refers to the 2019 Plan, 2019 First Amended Plan, 2019 Second Amended Plan and 2019 Third

Amended Plan collectively as the "Amended 2019 Plan". At June 30, 2024, an aggregate of 4,391,209 shares remained available for grant under the Amended 2019 Plan.

Periodically, the Company grants share-based awards to employees, officers, and directors of the Company and its subsidiaries. Additionally, the Company periodically grants performance-based restricted stock units to certain executive officers that vest based upon the Company's total shareholder return as compared to the Russell 2000 Index over a three-year period. The performance-based restricted stock units were valued using the Monte Carlo Simulation model. The measurement and recognition of compensation expense is based on estimated fair values for all share-based payment awards made to its employees and directors. Share-based award grants are generally measured at fair value on the date of grant based on the number of shares granted and the quoted price of the Company's common stock. Such value is recognized as a cost of revenue or an operating expense over the corresponding vesting period.

The following is a summary of share-based compensation expense including restricted stock units and performance-based restricted stock units granted pursuant to the Company's Amended 2007 Plan and the Amended 2019 Plan, and employee stock purchases made under the Company's 2011 Amended and Restated Employee Stock Purchase Plan (ESPP), based on estimated fair values within the applicable cost and expense lines identified below (in thousands):

	Three Months Ended June 30,	
	2024	2023
Cost of product revenue	$ 431	$ 372
Cost of service revenue	2,889	2,539
Research and development	5,886	5,386
Sales and marketing	7,504	7,284
General and administrative	4,488	4,263
	$ 21,198	$ 19,844

Employee Stock Purchase Plan – The Company maintains the ESPP for all eligible employees as described in the Company's Annual Report on Form 10-K for the year ended March 31, 2024. Under the ESPP, shares of the Company's common stock may be purchased on the last day of each bi-annual offering period at 85% of the fair value on the last day of such offering period. The offering periods run from March 1st through August 31st and from September 1st through the last day of February each year.

NOTE 5 – CASH, CASH EQUIVALENTS, MARKETABLE SECURITIES AND INVESTMENTS

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents and those investments with original maturities greater than three months to be marketable securities. Cash and cash equivalents mainly consisted of U.S. government and municipal obligations, commercial paper, money market instruments and cash maintained with various financial institutions at June 30, 2024 and March 31, 2024.

Marketable Securities

The following is a summary of marketable securities held by NetScout at June 30, 2024, classified as short-term and long-term (in thousands):

	Amortized Cost	Unrealized Losses	Fair Value
Type of security:			
U.S. government and municipal obligations	$ 8,879	$ (16)	$ 8,863
Commercial paper	12,086	—	12,086
Certificates of deposit	2,829	—	2,829
Total short-term marketable securities	23,794	(16)	23,778
U.S. government and municipal obligations	1,014	(11)	1,003
Total long-term marketable securities	1,014	(11)	1,003
Total marketable securities	$ 24,808	$ (27)	$ 24,781

The following is a summary of marketable securities held by NetScout at March 31, 2024, classified as short-term and long-term (in thousands):

	Amortized Cost	Unrealized Losses	Fair Value
Type of security:			
U.S. government and municipal obligations	$ 10,523	$ (26)	$ 10,497
Commercial paper	8,648	—	8,648
Certificates of deposit	2,807	—	2,807
Total short-term marketable securities	21,978	(26)	21,952
U.S. government and municipal obligations	1,004	(10)	994
Total long-term marketable securities	1,004	(10)	994
Total marketable securities	$ 22,982	$ (36)	$ 22,946

Contractual maturities of the Company's marketable securities held at June 30, 2024 and March 31, 2024 were as follows (in thousands):

	June 30, 2024	March 31, 2024
Available-for-sale securities:		
Due in 1 year or less	$ 23,778	$ 21,952
Due after 1 year through 5 years	1,003	994
	$ 24,781	$ 22,946

Investments

In February 2023, the Company entered into a forward share purchase agreement with Napatech A/S (Napatech), a publicly traded Danish company registered on the Oslo stock exchange, to purchase approximately 6.2 million shares of Napatech's common stock for $ 7.5 million. In April 2023, the Company settled the forward share purchase contract with Napatech in exchange for approximately 6.2 million shares of Napatech's common stock and recorded a $0.2 million change in the fair value of the derivative instrument in other income (expense), net within the Company's consolidated statement of operations during the three months ended June 30, 2023. As part of the agreement, the Company received the right to designate a representative to be nominated for election to the Napatech Board of Directors, which was approved by Napatech's Nomination Committee in April 2023. The Company accounts for this investment under the equity method and has elected to apply the fair value option to the investment. The Company records the investment at fair value at the end of each period based on the closing price of Napatech's stock and any change in fair value during the period is recorded in other income (expense), net within the Company's consolidated statement of operations. At June 30, 2024 and March 31, 2024, the fair value of the investment in Napatech was $20.2 million and $11.5 million, respectively, and was included in marketable securities and investments in the Company's consolidated balance sheet. During the three months ended June 30, 2024 and 2023, the Company recognized an $8.8 million increase and a $0.4 million decrease, respectively, in the fair value of the equity investment in Napatech in other income (expense), net within the Company's consolidated statement of operations. For the three months ended June 30, 2024 and 2023, the unrealized losses related to foreign currency translation on the equity investment in Napatech were immaterial.

NOTE 6 – FAIR VALUE MEASUREMENTS

The fair value hierarchy has three levels based on the reliability of the inputs used to determine fair value. Level 1 refers to fair values determined based on quoted prices in active markets for identical assets. Level 2 refers to fair values estimated using significant other observable inputs, and Level 3 includes fair values estimated using significant non-observable inputs. The following tables present the Company's financial assets and liabilities measured on a recurring basis using the fair value hierarchy at June 30, 2024 and March 31, 2024 (in thousands):

	Fair Value Measurements at June 30, 2024			
	Level 1	Level 2	Level 3	Total
ASSETS:				
Cash and cash equivalents	$ 346,200	$ 16,013	$ —	$ 362,213
U.S. government and municipal obligations	5,991	3,875	—	9,866
Commercial paper	—	12,086	—	12,086
Certificates of deposit	—	2,829	—	2,829
Equity investment in Napatech	20,176	—	—	20,176
Derivative financial instruments	—	9	—	9
	$ 372,367	$ 34,812	$ —	$ 407,179
LIABILITIES:				
Derivative financial instruments	$ —	$ (123)	$ —	$ (123)
	$ —	$ (123)	$ —	$ (123)

	Fair Value Measurements at March 31, 2024			
	Level 1	Level 2	Level 3	Total
ASSETS:				
Cash and cash equivalents	$ 381,829	$ 7,845	$ —	$ 389,674
U.S. government and municipal obligations	8,985	2,506	—	11,491
Commercial paper	—	8,648	—	8,648
Certificates of deposit	—	2,807	—	2,807
Equity investment in Napatech	11,507	—	—	11,507
Derivative financial instruments	—	11	—	11
	$ 402,321	$ 21,817	$ —	$ 424,138
LIABILITIES:				
Derivative financial instruments	$ —	$ (74)	$ —	$ (74)
	$ —	$ (74)	$ —	$ (74)

This hierarchy requires the Company to use observable market data, when available, and to minimize the use of unobservable inputs when determining fair value. On a recurring basis, the Company measures certain financial assets and liabilities at fair value, including marketable securities and derivative financial instruments.

The Company's Level 1 investments are classified as such because they are valued using quoted market prices or alternative pricing sources with reasonable levels of price transparency.

The Company's Level 2 investments are classified as such because they are valued using observable inputs other than Level 1 quoted prices that are observable for the asset or liability, either directly or indirectly, including quoted prices for similar assets or liabilities in active markets, or quoted prices for identical or similar assets in markets that are not active.

NOTE 7 – INVENTORIES AND DEFERRED COSTS

Inventories are stated at the lower of actual cost or net realizable value. Cost is determined by using the first in, first out (FIFO) method. Inventories consist of the following (in thousands):

	June 30, 2024	March 31, 2024
Raw materials	$ 7,950	$ 8,175
Work in process	426	545
Finished goods	3,764	4,160
Deferred costs	2,854	1,215
	$ 14,994	$ 14,095

NOTE 8 - DIVESTITURES

Business Divestiture

On September 8, 2023, the Company entered into an Asset Purchase Agreement to divest its Test Optimization business (TO business) for a purchase price of $7.8 million, inclusive of a working capital adjustment. The Company recorded a gain of $ 3.8 million on the divestiture for the fiscal year ended March 31, 2024.

The Company determined that the sale of the TO business did not represent a strategic shift and will not have a major effect on its consolidated results of operations, financial position or cash flow. Accordingly, the Company has not presented the sale as a discontinued operation in the consolidated financial statements.

NOTE 9 – GOODWILL AND INTANGIBLE ASSETS

Goodwill

The Company has one reporting unit. Goodwill is tested for impairment at a reporting unit level at least annually, as of January 31, or on an interim basis if an event occurs or circumstances change (a "triggering event") that would, more likely than not, reduce the fair value of the reporting unit below its carrying value.

During fiscal year 2024, the Company recorded $ 217.3 million in goodwill impairment charges as a result of the sustained decline in the Company's stock price and overall market capitalization. During the first quarter of fiscal year 2025, due to the continued decrease in the Company's stock price and overall market capitalization, along with other qualitative considerations including the continued impact from the conditions in the macroeconomic environment, it was determined a triggering event occurred, indicating goodwill may be impaired. Accordingly, the Company conducted a quantitative impairment test of its goodwill at June 30, 2024. The Company estimated the implied fair value of its goodwill using a market approach. As a result of the quantitative impairment test performed during the first quarter of fiscal year 2025, the Company determined goodwill was impaired and recorded a goodwill impairment charge of $427.0 million during the three months ended June 30, 2024. The additional impairment charge recorded in the first quarter of fiscal year 2025 was primarily due to the continued decrease in the Company's stock price from March 31, 2024 to June 30, 2024, an increase in the Company's weighted-average cost of capital, and the refinement to the expected cost synergies that could be realized by a hypothetical buyer as a result of the voluntary separation program (VSP) implemented by the Company in the first quarter of fiscal year 2025, which impacted the company-specific control premium used to determine the fair value of the reporting unit under the market approach.

Throughout the remainder of the fiscal year 2025, the Company will continue to monitor relevant facts and circumstances, including future changes in its stock price. The Company may be required to record additional goodwill impairment charges. While management cannot predict if or when additional goodwill impairments may occur, future goodwill impairments could have material adverse effects on the Company's results of operations and financial condition.

At June 30, 2024 and March 31, 2024, the carrying amounts of goodwill were $ 1.1 billion and $1.5 billion, respectively. The change in the carrying amount of goodwill for the three months ended June 30, 2024 was due to the impairment of goodwill, and the impact of foreign currency translation adjustments related to asset balances that are recorded in currencies other than the U.S. Dollar.

The following table summarizes the changes in the carrying amount of goodwill for the three months ended June 30, 2024 as follows (in thousands):

Balance at March 31, 2024	$ 1,502,820
Goodwill impairment	(426,967)
Foreign currency translation impact	862
Balance at June 30, 2024	$ 1,076,715

Intangible Assets

The net carrying amounts of intangible assets were $295.3 million and $308.7 million at June 30, 2024 and March 31, 2024, respectively. Intangible assets acquired in a business combination are recorded under the acquisition method of accounting at their estimated fair values at the date of acquisition. The Company amortizes acquired intangible assets over their estimated useful lives.

The Company reviews definite-lived intangible assets for impairment when an event occurs that may indicate potential impairment. In connection with the goodwill impairment analysis performed at June 30, 2024, the Company conducted an impairment test of its definite-lived intangible assets at June 30, 2024. Based on this assessment, the Company concluded that the carrying values of the Company's definite-lived intangible assets were recoverable. However, if future events occur or if business conditions deteriorate, the Company may be required to record an impairment loss, and or accelerate the amortization of definite-live intangible assets in the future, which could be material to its results of operations and financial condition.

Intangible assets include the following amortizable intangible assets at June 30, 2024 (in thousands):

	Cost	Accumulated Amortization	Net
Developed technology	$ 248,098	$ (239,182)	$ 8,916
Customer relationships	762,921	(485,971)	276,950
Distributor relationships and technology licenses	7,768	(7,717)	51
Definite-lived trademark and trade name	57,654	(48,462)	9,192
Core technology	7,192	(7,192)	—
Capitalized software	3,317	(3,317)	—
Other	1,208	(1,027)	181
	$ 1,088,158	$ (792,868)	$ 295,290

Intangible assets include the following amortizable intangible assets at March 31, 2024 (in thousands):

	Cost	Accumulated Amortization	Net
Developed technology	$ 248,385	$ (238,470)	$ 9,915
Customer relationships	763,943	(475,592)	288,351
Distributor relationships and technology licenses	7,785	(7,463)	322
Definite-lived trademark and trade name	57,699	(47,814)	9,885
Core technology	7,192	(7,192)	—
Capitalized software	3,317	(3,317)	—
Other	1,208	(1,022)	186
	$ 1,089,529	$ (780,870)	$ 308,659

Amortization included as cost of product revenue consists of amortization of developed technology, and distributor relationships and technology licenses. Amortization included as operating expense consists of all other intangible assets. The following table provides a summary of amortization expense for the three months ended June 30, 2024 and 2023, respectively (in thousands):

	Three Months Ended June 30,	
	2024	2023
Amortization of intangible assets included as:		
Cost of product revenue	$ 1,266	$ 1,917
Operating expense	11,619	12,712
	$ 12,885	$ 14,629

The following is the expected future amortization expense at June 30, 2024 for the fiscal years ending March 31 (in thousands):

2025 (remaining nine months)	$ 37,874
2026	46,394
2027	43,515
2028	40,559
2029	31,356
Thereafter	95,592
	$ 295,290

NOTE 10 – DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

NetScout operates internationally and, in the normal course of business, is exposed to fluctuations in foreign currency exchange rates. The exposures result from costs that are denominated in currencies other than the U.S. Dollar, primarily the Euro, British Pound, Canadian Dollar, and Indian Rupee. The Company manages its foreign cash flow risk by hedging forecasted cash flows for operating expenses denominated in foreign currencies for up to twelve months, within specified guidelines through the use of forward contracts. The Company enters into foreign currency exchange contracts to hedge cash flow exposures from costs that are denominated in currencies other than the U.S. Dollar. These hedges are designated as cash flow hedges at inception.

NetScout also periodically enters into forward contracts to manage exchange rate risks associated with certain third-party transactions and for which the Company does not elect hedge accounting treatment as there is no difference in the timing of gain or loss recognition on the hedging instrument and the hedged item.

All of the Company's derivative instruments are utilized for risk management purposes, and the Company does not use derivatives for speculative trading purposes. These contracts will mature over the next twelve months and are expected to impact earnings on or before maturity.

The notional amounts and fair values of derivative instruments in the consolidated balance sheets at June 30, 2024 and March 31, 2024 were as follows (in thousands):

	Notional Amounts (a)		Prepaid Expenses and Other Current Assets		Accrued Other	
	June 30, 2024	March 31, 2024	June 30, 2024	March 31, 2024	June 30, 2024	March 31, 2024
Derivatives Designated as Hedging Instruments:						
Forward contracts	$ 10,937	$ 11,676	$ 9	$ 11	$ 123	$ 74
Derivatives Not Designated as Hedging Instruments:						
Forward contracts		—	—	—		—
			$ 9	$ 11	$ 123	$ 74

(a) Notional amounts represent the gross contract/notional amount of the derivatives outstanding.

The following table provides the effect that foreign exchange forward contracts designated as hedging instruments had on other comprehensive income (OCI) and results of operations for the three months ended June 30, 2024 and 2023 (in thousands):

	Gain (Loss) Recognized in OCI on Derivative (a)		Gain (Loss) Reclassified from Accumulated OCI into Income (b)		
	June 30, 2024	June 30, 2023	Location	June 30, 2024	June 30, 2023
Forward contracts	$ (117)	$ 210	Research and development	$ 1	$ —
			Sales and marketing	59	(74)
	$ (117)	$ 210		$ 60	$ (74)

(a) The amount represents the change in fair value of derivative contracts due to changes in spot rates.
(b) The amount represents reclassification from other comprehensive income to earnings that occurs when the hedged item affects earnings.

The following table provides the effect that foreign exchange forward contracts not designated as hedging instruments had on the Company's results of operations for the three months ended June 30, 2024 and 2023 (in thousands):

	Gain Recognized in Income (a)		
	Location	June 30, 2024	June 30, 2023
Forward contracts	General and administrative	$ —	$ 60
		$ —	$ 60

(a) The amount represents the change in fair value of derivative contracts due to changes in spot rates.

NOTE 11 – LONG-TERM DEBT

On July 27, 2021, the Company amended and extended its existing credit facility (as amended, the Second Amended and Restated Credit Agreement) with a syndicate of lenders by and among: the Company; JPMorgan Chase Bank, N.A. (JPMorgan), as administrative agent and collateral agent; JPMorgan, Wells Fargo Securities, LLC, BofA Securities Inc., RBC Capital Markets, PNC Capital Markets LLC and Mizuho Bank, Ltd., as joint lead arrangers and joint bookrunners; Santander Bank, N.A., U.S. Bank National Association, Fifth Third Bank National Association, Silicon Valley Bank and TD Bank, N.A., as co-documentation agents; and the lenders party thereto.

The Second Amended and Restated Credit Agreement provides for a five-year, $800.0 million senior secured revolving credit facility, including a letter of credit sub-facility of up to $75.0 million. The Company may elect to use the credit facility for general corporate purposes (including to finance the repurchase of shares of the Company's common stock). The commitments under the Second Amended and Restated Credit Agreement will expire on July 27, 2026, and any outstanding loans will be due on that date. During the three months ended June 30, 2024, the Company repaid $ 25.0 million of borrowings under the Second Amended and Restated Credit Agreement. At June 30, 2024, $ 75.0 million was outstanding under the Second Amended and Restated Credit Agreement.

On February 22, 2023, the Company entered into a First Amendment Agreement (First Amendment) of its Second Amended and Restated Credit Agreement with its syndicate of lenders. The Company entered into the First Amendment in order to remove and replace the LIBOR-based interest rate benchmark provisions for U.S. dollar-denominated loans with interest rate benchmark provisions for U.S. dollar-denominated loans based on a term secured overnight financing rate (SOFR).

The First Amendment provides that U.S. dollar-denominated advances under the Second Amended and Restated Credit Agreement will bear interest at a term SOFR rate plus a credit spread adjustment of 0.10% or an Alternate Base Rate (defined in a customary manner), at the option of the Company, plus a margin that ranges from 1.00% per annum for Alternate Base Rate loans and 2.00% per annum for term SOFR loans if the Company's consolidated gross leverage ratio is greater than 3.50 to 1.00, down to 0% per annum for Alternate Base Rate loans and 1.00% per annum for term SOFR loans if the Company's consolidated gross leverage ratio is equal to or less than 1.50 to 1.00. For the period from the delivery of the Company's financial statements for the quarter ended March 31, 2024, until the Company has delivered financial statements for the quarter ended June 30, 2024, the applicable margin will be 1.00% per annum for Term Benchmark Revolving loans and 0% per annum for Alternate Base Rate loans, and thereafter the applicable margin will vary depending on the Company's consolidated gross leverage ratio, ranging from 1.00% per annum for Alternate Base Rate loans and 2.00% per annum for Term Benchmark Revolving loans if the Company's consolidated gross leverage ratio is greater than 3.50 to 1.00, down to 0% per annum for Alternate Base Rate loans and 1.00% per annum for Term Benchmark Revolving loans if the Company's consolidated gross leverage ratio is equal to or less than 1.50 to 1.00.

The Company's consolidated gross leverage ratio is the ratio of its consolidated total debt compared to its consolidated EBITDA as defined in the Second Amended and Restated Credit Agreement (adjusted consolidated EBITDA). Adjusted consolidated EBITDA includes certain adjustments, including, without limitation, adjustments relating to extraordinary, unusual or non-recurring charges, certain restructuring charges, non-cash charges, certain transaction costs and expenses and certain pro forma adjustments in connection with material acquisitions and dispositions, all as set forth in detail in the Second Amended and Restated Credit Agreement.

Commitment fees will accrue on the daily unused amount of the credit facility. For the period from the delivery of the Company's financial statements for the quarter ended March 31, 2024, until the Company has delivered financial statements for the quarter ended June 30, 2024, the commitment fee will be 0.15% per annum, and thereafter the commitment fee will vary depending on the Company's consolidated gross leverage ratio, ranging from 0.30% per annum if the Company's consolidated gross leverage ratio is greater than 2.75 to 1.00, down to 0.15% per annum if the Company's consolidated gross leverage ratio is equal to or less than 1.50 to 1.00.

Letter of credit participation fees are payable to each lender providing the letter of credit sub-facility on the amount of such lender's letter of credit exposure, during the period from the closing date of the Second Amended and Restated Credit Agreement to, but excluding, the date which is the later of (i) the date on which such lender's commitment terminates or (ii) the date on which such lender ceases to have any letter of credit exposure, at a rate per annum equal to the applicable margin for term SOFR loans assuming such loans were outstanding during the period. Additionally, the Company will pay a fronting fee to each issuing bank in amounts to be agreed to between the Company and the applicable issuing bank.

Interest on Alternate Base Rate loans is payable at the end of each calendar quarter. Interest on term SOFR loans is payable at the end of each interest rate period or at the end of each three-month interval within an interest rate period if the period is longer than three months. The Company may also prepay loans under the Second Amended and Restated Credit Agreement at any time, without penalty, subject to certain notice requirements.

The loans and other obligations under the credit facility are (a) guaranteed by each of the Company's wholly-owned material domestic restricted subsidiaries, subject to certain exceptions, and (b) are secured by substantially all of the assets of the Company and the subsidiary guarantors, including a pledge of all the capital stock of material subsidiaries held directly by the Company and the subsidiary guarantors (which pledge, in the case of any foreign subsidiary, is limited to 65% of the voting stock), subject to certain customary exceptions and limitations. The Second Amended and Restated Credit Agreement generally prohibits any other liens on the assets of the Company and its restricted subsidiaries, subject to certain exceptions as described in the Second Amended and Restated Credit Agreement.

The Second Amended and Restated Credit Agreement contains certain covenants applicable to the Company and its restricted subsidiaries, including, without limitation, limitations on additional indebtedness, liens, various fundamental changes, dividends and distributions, investments (including acquisitions), transactions with affiliates, asset sales, including sale-leaseback transactions, speculative hedge agreements, payment of junior financing, changes in business and other limitations customary in senior secured credit facilities. The Second Amended and Restated Credit Agreement requires the Company to maintain a certain consolidated net leverage ratio and removes the previous requirement under the Company's previous amended credit agreement that the Company maintain a minimum consolidated interest coverage ratio. The Company's consolidated net leverage ratio is the ratio of its Consolidated Total Debt minus the lesser of unrestricted cash and 125% of adjusted consolidated EBITDA compared to its adjusted consolidated EBITDA. The Company's maximum consolidated net leverage ratio is 4.00 to 1.00. These covenants and limitations are more fully described in the Second Amended and Restated Credit Agreement. At June 30, 2024, the Company was in compliance with all covenants, including the specified total consolidated net leverage ratio range of 4.00 to 1.00.

The Second Amended and Restated Credit Agreement provides that events of default will exist in certain circumstances, including failure to make payment of principal or interest on the loans when required, failure to perform certain obligations under the Second Amended and Restated Credit Agreement and related documents including a failure to meet the maximum total consolidated net leverage ratio covenant, defaults under certain other indebtedness, certain insolvency events, certain events arising under ERISA, a change of control and certain other events. Upon an event of default, the administrative agent with the consent of, or at the request of, the holders of more than 50% in principal amount of the loans and commitments, may terminate the commitments and accelerate the maturity of the loans and enforce certain other remedies under the Second Amended and Restated Credit Agreement and the other loan documents.

The Company had unamortized capitalized debt issuance costs, net of $ 2.3 million at June 30, 2024, which are being amortized over the life of the revolving credit facility. The unamortized capitalized debt issuance costs balance of $1.1 million was included as prepaid expenses and other current assets and a balance of $1.2 million was included as other assets in the Company's consolidated balance sheet at June 30, 2024.

NOTE 12 – RESTRUCTURING CHARGES

During the first quarter of fiscal year 2025, the Company implemented a voluntary separation program (VSP) for employees who met certain age and service requirements to reduce overall headcount. As a result of the related workforce reduction, during the three months ended June 30, 2024, the Company recorded restructuring charges totaling $16.6 million related to one-time termination benefits for one hundred sixteen employees who voluntarily terminated their employment with the Company during the three months ended June 30, 2024. The Company estimates that restructuring charges will be recorded in the second quarter of fiscal year 2025 in the range of $3.0 million to $5.0 million related to one-time termination benefits for thirty-four employees who are expected to voluntarily terminate their employment with the Company during the three months ending September 30, 2024. All one-time termination benefits are expected to be paid in full by the end of the third quarter of the fiscal year ending March 31, 2025.

The following table provides a summary of the activity related to the restructuring plan and the related restructuring liability (in thousands):

	VSP Employee-related
Balance at March 31, 2024	$ —
Restructuring charges to operations	16,561
Payments	(263)
Balance at June 30, 2024	$ 16,298

NOTE 13 – LEASES

The Company determines if an arrangement is a lease at inception. Right-of-use (ROU) assets represent the Company's right to use an underlying asset for the duration of the lease term. Lease liabilities represent the Company's contractual obligation to make lease payments over the lease term. The Company's policy is to combine lease and non-lease components and to not recognize ROU assets and lease liabilities for short-term leases. Leases with an initial term of twelve months or less are classified as short-term leases. ROU assets are recorded and recognized at commencement for the lease liability amount, plus initial direct costs incurred less lease incentives received. Lease liabilities are recorded at the present value of future lease payments over the lease term at commencement. The discount rate used is generally the Company's estimated incremental borrowing rate unless the lessor's implicit rate is readily determinable. Incremental borrowing rates are calculated periodically to estimate the rate the Company would pay to borrow the funds necessary to obtain an asset of similar value over a similar term. Lease expenses relating to operating leases are recognized on a straight-line basis over the lease term.

The Company has operating leases for administrative, research and development, sales and marketing and manufacturing facilities and equipment under various non-cancelable lease agreements. The Company's leases have remaining lease terms ranging from 1 year to 7 years. The Company's lease terms may include options to extend or terminate the lease where it is reasonably certain that the Company will exercise those options. The Company considers several economic factors when making this determination, including but not limited to, the significance of leasehold improvements incurred in the office space, the difficulty in replacing the asset, underlying contractual obligations, or specific characteristics unique to a particular lease. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The Company has asset retirement obligations (ARO) to return certain leased facilities to their original condition at the end of the respective lease term. The estimated fair value of these ARO liabilities is recognized in the period in which the liability is generated and a corresponding increase to the carrying value of the related asset is recorded and depreciated over the useful life of the asset. The Company's estimates of its ultimate AROs could change because of changes in regulations, the extent of environmental remediations required, the means of reclamation, cost estimates, exit or disposal activities or time period estimates. ARO liabilities totaled $2.2 million and $2.3 million at June 30, 2024 and March 31, 2024, respectively. There was a balance of $ 0.1 million included in accrued other and a balance of $2.1 million included in other long-term liabilities in the consolidated balance sheets at June 30, 2024, and a balance of $0.1 million included in accrued other and a balance of $ 2.2 million included in other long-term liabilities in the consolidated balance sheets for the fiscal year ended March 31, 2024. Accretion expense related to these liabilities was not material for any periods presented.

Most of the Company's lease agreements contain variable payments, primarily for common area maintenance (CAM), which are expensed as incurred and not included in the measurement of the ROU assets and lease liabilities.

The components of operating lease cost for the three months ended June 30, 2024 and 2023, respectively, were as follows (in thousands):

	Three Months Ended June 30,	
	2024	2023
Lease cost under long-term operating leases	$ 2,961	$ 3,039
Lease cost under short-term operating leases	326	404
Variable lease cost under short-term and long-term operating leases	1,316	1,015
Total operating lease cost	$ 4,603	$ 4,458

The table below presents supplemental cash flow information related to leases during the three months ended June 30, 2024 and 2023 (in thousands):

	Three Months Ended June 30,	
	2024	2023
Right-of-use assets obtained in exchange for new operating lease liabilities	$ 50	$ 554

At June 30, 2024 and March 31, 2024, the weighted average remaining lease term in years and weighted average discount rate were as follows:

	June 30, 2024	March 31, 2024
Weighted average remaining lease term in years - operating leases	5.16	5.32
Weighted average discount rate - operating leases	4.2 %	4.2 %

Future minimum payments under non-cancellable leases at June 30, 2024 are as follows (in thousands):

Year ending March 31:		
2025 (remaining nine months)	$	9,338
2026		11,455
2027		8,396
2028		7,277
2029		6,463
Thereafter		9,300
Total lease payments	$	52,229
Less imputed interest		(5,139)
Present value of lease liabilities	$	47,090

NOTE 14 – COMMITMENTS AND CONTINGENCIES

As previously disclosed, in March 2016, Packet Intelligence LLC (Packet Intelligence or Plaintiff) filed a Complaint against NetScout and two subsidiary entities in the United States District Court for the Eastern District of Texas asserting infringement of five United States patents. Plaintiff's Complaint alleged that legacy Tektronix GeoProbe products, including the G10 and GeoBlade products, infringed these patents. NetScout filed an Answer denying Plaintiff's allegations and asserting that Plaintiff's patents were, among other things, invalid, not infringed, and unenforceable due to inequitable conduct. In October 2017, a jury rendered a verdict finding in favor of the Plaintiff and that Plaintiff was entitled to $3.5 million for pre-suit damages and $2.3 million for post-suit damages. In September 2018, the Court entered judgment and "enhanced" the jury verdict in the amount of $2.8 million as a result of a jury finding. The judgment also awarded pre- and post-judgment interest, and a running royalty on the G10 and GeoBlade products until the expiration of the patents at issue, the last date being June 2022. Following the entry of final judgment, NetScout appealed, and in July 2020, the Court of Appeals for the Federal Circuit (Federal Circuit) issued a decision vacating the $3.5 million pre-suit damages award, affirming the $2.3 million post-suit damages award, vacating the $2.8 million enhancement award, and remanding to the district court to determine what, if any, enhancement should be awarded. In March 2021, NetScout filed a petition for a writ of certiorari to the United States Supreme Court, which was denied, challenging, among other issues, the basis for enhanced damages and the patentability of the claimed technology. On September 8 and 9, 2021, in proceedings initiated by third parties that did not involve NetScout, the Patent Trial and Appeal Board (PTAB) invalidated all the patent claims that were also asserted against NetScout in this case. After the PTAB decisions were issued, NetScout moved, among other things, to dismiss the case and enter judgment in its favor on the grounds that the PTAB decisions invalidating the asserted claims precluded Plaintiff from continuing to assert its patent infringement causes of action and from seeking damages from NetScout. The District Court denied NetScout's motion with respect to its request to dismiss the case and enter judgment in its favor. The District Court entered an amended final judgment awarding Plaintiff $2.3 million in post-suit damages, $1.1 million in enhanced damages, pre- and post-judgment interest, and a running royalty on the G10 and GeoBlade products until the expiration of the patents at issue, the last expiration date being June 2022. On July 20, 2022, NetScout filed a notice of appeal to the Federal Circuit from, among other things, the amended final judgment. On May 2, 2024, in a separate action the Federal Circuit affirmed the PTAB decisions, which as a result found that all of the patent claims asserted by Packet Intelligence against NetScout were invalid. Also on May 2, 2024, the Federal Circuit ruled in NetScout's favor in its appeal, vacating the District Court's final judgment and remanding the case to the District Court to dismiss the case against NetScout as moot. As a result, during the year ended March 31, 2024, NetScout concluded that the risk of loss associated with damages that may result from this case was remote and recorded a $4.6 million reduction in contingent liabilities and legal fees. On June 26, 2024, the District Court issued its Order dismissing the case against NetScout.

NOTE 15 – PENSION BENEFIT PLANS

Certain of the Company's non-U.S. employees participate in noncontributory defined benefit pension plans. None of the Company's employees in the U.S. participate in any noncontributory defined benefit pension plans. In general, these plans are funded based on considerations relating to legal requirements, underlying asset returns, the plan's funded status, the anticipated deductibility of the contribution, local practices, market conditions, interest rates and other factors.

The following sets forth the components of the Company's net periodic pension cost of the noncontributory defined benefit pension plans recorded in operating expenses in the consolidated statements of operations for the three months ended

June 30, 2024 and 2023, respectively, (in thousands):

	Three Months Ended June 30,	
	2024	2023
Service cost	$ 47	$ 52
Interest cost	245	252
Amortization of net gain	(116)	(234)
Net periodic pension cost	$ 176	$ 70

Expected Contributions

During the three months ended June 30, 2024, the Company made contributi ons of $0.2 million to its defined benefit pension plans. During the fiscal year ending March 31, 2025, the Company's cash contribution requirements for its defined benefit pension plans are expected to be less than $1.0 million. As a majority of the participants within the Company's plans are all active employees, the benefit payments are not expected to be material in the foreseeable future.

NOTE 16 – TREASURY STOCK

On October 24, 2017, the Company's Board of Directors approved a share repurchase program that enabled the Company to repurchase up to twenty-five million shares of its common stock (2017 Share Repurchase Program). Through March 31, 2024, the Company repurchased all of the authorized 25,000,000 shares for $694.1 million in the open market under the 2017 Share Repurchase Program. The Company did not repurchase any shares during the three months ended June 30, 2023.

On May 3, 2022, the Company's Board of Directors approved an additional share repurchase program that enables the Company to repurchase up to twenty-five million shares of its common stock (2022 Share Repurchase Program). The 2022 Share Repurchase Program became effective in the third quarter of fiscal year 2024 when the 2017 Share Repurchase Program was completed. The Company is not obligated to acquire any specific amount of common stock within any particular timeframe as a result of the 2022 Share Repurchase Program. Through March 31, 2024, the Company repurchased 614,516 shares for $16.4 million under the 2022 Share Repurchase Program. The Company repurchased 1,347,900 shares for $25.0 million under this share repurchase program during the three months ended June 30, 2024. At June 30, 2024, 23,037,584 shares of common stock remained available to be purchased under the current program.

In connection with the delivery of shares of the Company's common stock upon vesting of restricted stock units, the Company withheld 617,826 shares and 435,172 shares at a cost of $12.2 million and $13.4 million, respectively, related to minimum statutory tax withholding requirements on these restricted stock units during the three months ended June 30, 2024 and 2023, respectively. These withholding transactions do not fall under the share repurchase programs described above, and therefore do not reduce the number of shares that are available for repurchase under those programs.

NOTE 17 – NET LOSS PER SHARE

Calculations of the basic and diluted net loss per share and potential common shares are as follows (in thousands, except for per share data):

	Three Months Ended June 30,	
	2024	2023
Numerator:		
Net loss	$ (443,376)	$ (4,200)
Denominator:		
Denominator for basic net loss per share - weighted average common shares outstanding	71,467	71,540
Dilutive common equivalent shares:		
Weighted average restricted stock units and performance-based restricted stock units	—	—
Denominator for diluted net loss per share - weighted average shares outstanding	71,467	71,540
Net loss per share:		
Basic net loss per share	$ (6.20)	$ (0.06)
Diluted net loss per share	$ (6.20)	$ (0.06)

The following table sets forth restricted stock units excluded from the calculation of dilute d net loss per sh are, since their inclusion would be anti-dilutive (in thousands):

	Three Months Ended June 30,	
	2024	2023
Restricted stock units	1,326	1,455

Basic net loss per share is calculated by dividing net loss by the weighted average number of shares outstanding during the period. Unvested restricted shares, although legally issued and outstanding, are not considered outstanding for purposes of calculating basic earnings per share. Diluted net loss per share is calculated by dividing net loss by the weighted average number of shares outstanding plus the dilutive effect, if any, of outstanding stock options, restricted shares and restricted stock units using the treasury stock method. The calculation of the dilutive effect of outstanding equity awards under the treasury stock method includes consideration of proceeds from the assumed exercise of stock options and unrecognized compensation expense as additional proceeds. As the Company incurred a net loss during the three months ended June 30, 2024 and 2023, all outstanding restricted stock units and performance-based restricted stock units have an anti-dilutive effect and are therefore excluded from the computation of diluted weighted average shares outstanding.

NOTE 18 – INCOME TAXES

Generally, the Company's effective tax rate differs from the U.S. federal statutory income tax rate primarily due to foreign withholding taxes and U.S. taxation on foreign earnings, which are partially offset by research and development tax credits and the foreign derived intangible income deduction.

The Company's effective tax rates were 2.3% and 21.3% for the three months ended June 30, 2024 and 2023, respectively. The effective tax rate for the three months ended June 30, 2024 differed from the effective tax rate for the three months ended June 30, 2023 primarily related to the goodwill impairment incurred during the three months ended June 30, 2024, a majority of which was not deductible for tax purposes.

NOTE 19 – SEGMENT AND GEOGRAPHIC INFORMATION

The Company reports revenues and income under one reportable segment.

The Company manages its business in the following geographic areas: United States, Europe, Asia and the rest of the world. The Company's policies mandate compliance with economic sanctions and the export controls.

Total revenue by geography is as follows (in thousands):

	Three Months Ended June 30,	
	2024	2023
United States	$ 99,949	$ 127,902
Europe	31,394	33,971
Asia	11,890	16,014
Rest of the world	31,332	33,251
	$ 174,565	$ 211,138

The United States revenue includes sales to resellers in the United States. These resellers fulfill customer orders and may subsequently ship the Company's products to international locations. Further, the Company determines the geography of its sales after considering where the contract originated. A majority of revenue attributable to locations outside of the United States is a result of export sales. Substantially all of the Company's identifiable assets are located in the United States.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with the condensed consolidated financial statements and notes thereto included elsewhere in this Quarterly Report and in our Annual Report on Form 10-K for the fiscal year ended March 31, 2024, filed with the Securities and Exchange Commission. This discussion contains forward-looking statements that involve risks and uncertainties. When reviewing the discussion below, you should keep in mind the substantial risks and uncertainties that could impact our business. In particular, we encourage you to review the risks and uncertainties described in Part I, Item 1A "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended March 31, 2024. These risks and uncertainties could cause actual results to differ significantly from those projected in forward-looking statements contained in this report or implied by past results and trends. Forward-looking statements are statements that attempt to forecast or anticipate future developments in our business, financial condition or results of operations. See the section titled "Cautionary Statement Concerning Forward-Looking Statements" that appears at the beginning of this Quarterly Report. These statements, like all statements in this report, speak only as of the date of this Quarterly Report (unless another date is indicated), and, except as required by law, we undertake no obligation to update or revise these statements in light of future developments.

Overview

We are an industry leader with nearly four decades of experience in providing service assurance and cybersecurity solutions that are based on our pioneering deep packet inspection technology at scale, which is used by many Fortune 500 companies to protect their digital business services against disruption. Service providers and enterprises, including local, state and federal government agencies, rely on our solutions to achieve the visibility and protection necessary to optimize network performance, ensure the delivery of high-quality, mission-critical applications and services, gain timely insight into the end user experience and to protect their networks from attack. With our offerings, customers can quickly, efficiently and effectively identify and resolve issues that result in downtime, interruptions to services, poor service quality or compromised data, thereby reducing meantime-to-resolution of issues and driving compelling returns on their investments in their networks and broader technology initiatives. Some of the more significant technology trends and catalysts for our business include the evolution of customers' digital transformation initiatives such as the migration to cloud environments, the rapidly evolving cybersecurity threat landscape, artificial intelligence and business analytics advancements, and the 5G technology evolution in both the service provider and enterprise customer verticals.

Our operating results are influenced by a number of factors, including, but not limited to, the volume, mix, and quantity of products and services sold, pricing, costs and availability of materials used in our products, growth in employee-related costs, including commissions, and the expansion of our operations. Factors that affect our ability to maximize our operating results include, but are not limited to, our ability to introduce and enhance existing products, the marketplace acceptance of those new or enhanced products, continued expansion into international markets, expansion into new or adjacent markets, development of strategic partnerships, competition, successful acquisition and integration efforts, and our ability to control costs, and make improvements in a highly competitive industry.

Global and Macroeconomic Conditions

We continue to closely monitor current global and macroeconomic conditions, including the impacts of the ongoing war in Ukraine and hostilities in the Middle East, global geopolitical tension, stock market volatility, industry-specific capital spending trends, exchange rate fluctuations, inflation, interest rates, and the risk of a recession, including the manner and extent to which they have impacted and could continue to impact our business, customers, employees, supply chain, and distribution network. The full extent of the impacts of these global and macroeconomic conditions remain uncertain. In response to the war in Ukraine, we ceased business operations in Russia, including sales, support on existing contracts and professional services.
The macroeconomic environment remains challenging with constrained customer spending and we expect this to persist into the remainder of fiscal year 2025. As a result, we have continued our efforts to manage discretionary costs and align spending with the current environment while we continue to execute on our long-term strategic plans.

Though we continue to monitor the impacts of evolving global and macroeconomic conditions on our business, we believe our current cash reserves and access to capital through our revolving credit facility leave us well-positioned to manage our business in today's environment. We expect net cash provided by operations combined with cash, cash equivalents, marketable securities and investments and borrowing availability under our revolving credit facility to provide sufficient liquidity to fund current obligations, capital spending, debt service requirements and working capital requirements over at least the next twelve months. We continue to take actions to manage costs and increase productivity throughout our company, including managing discretionary spending and hiring activities, but are continuing to invest in areas that advance our business for the future. In addition to our cash equivalents, based on covenant levels at June 30, 2024, we had an incremental $725 million available to us under our revolving credit facility.

Results Overview

Total revenue decreased $36.6 million, or 17%, for the three months ended June 30, 2024 as compared to total revenue for the three months ended June 30, 2023, which benefited from approximately $37 million of backlog-related revenue. Excluding this factor, revenue would have been consistent on a year over year basis. The decrease in total revenue for the three months ended June 30, 2024 as compared to total revenue for the three months ended June 30, 2023 was a result of lower revenue from both service provider and enterprise customers from service assurance offerings, including radio frequency propagation modeling projects, as a result of industry-specific capital spending constraints, as well as a decrease in revenue from service provider customers from cybersecurity offerings.

Our gross profit percentage decreased by one percentage point to 75% during the three months ended June 30, 2024, as compared with the three months ended June 30, 2023 primarily due to lower sales volume of higher margin products and services.

Net loss for the three months ended June 30, 2024 was $443.4 million, as compared with net loss for the three months ended June 30, 2023 of $4.2 million, an increase in net loss of $439.2 million. The increase in net loss was primarily due to a $427.0 million goodwill impairment charge, a $36.6 million decrease in revenue, and a $16.6 million increase from restructuring charges due to the voluntary separation program. These increases to net loss were partially offset by a $9.2 million increase in income tax benefit, an $8.3 million increase in other income from the change in fair value of a foreign equity investment, a $6.7 million decrease in employee related expenses associated with a decrease in salaries as a result of a decrease in headcount, and a decrease in variable incentive compensation, a $3.0 million decrease in commissions expense, a $2.5 million decrease in direct material costs, a $1.8 million decrease in amortization expense, a $1.7 million decrease in contractor fees, a $1.1 million decrease from depreciation expense, a $1.1 million decrease in foreign exchange expense, and a $1.0 million decrease in expenses related to trade shows, user conferences and other events.

At June 30, 2024, we had cash, cash equivalents, marketable securities and investments (current and non-current) of $407.2 million. This represents a decrease of $16.9 million from $424.1 million at March 31, 2024. This decrease was primarily due to $25.0 million used to repurchase shares of our common stock, $25.0 million used to repay long-term debt, $12.2 million used for tax withholdings on restricted stock units, and $1.3 million used for capital expenditures, partially offset by $38.4 million of net cash provided by operations, and an $8.7 million increase from the change in fair value of an equity instrument during the three months ended June 30, 2024.

Use of Non-GAAP Financial Measures

We supplement the United States generally accepted accounting principles (GAAP) financial measures we report in quarterly and annual earnings announcements, investor presentations and other investor communications by reporting the following non-GAAP measures: non-GAAP gross profit, non-GAAP income from operations, non-GAAP net income, non-GAAP net income per share (diluted) 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 expense, and acquisition-related depreciation expense. Non-GAAP income from operations removes the aforementioned adjustments to non-GAAP gross profit and also removes legal expenses related to civil judgments, goodwill impairment charges, and restructuring charges. Non-GAAP net income removes the foregoing adjustments related to non-GAAP income from operations, and also removes change in the fair value of derivative instrument, net of related income tax effects. Non-GAAP EBITDA from operations removes the aforementioned items related to non-GAAP income from operations and also removes non-acquisition related depreciation expense.

These non-GAAP measures are not in accordance with GAAP, should not be considered an alternative for measures prepared in accordance with GAAP (revenue, gross profit, operating margin, net income and diluted net income per share), and may have limitations because they do not reflect all our results of operations as determined in accordance with GAAP. These non-GAAP measures should only be used to evaluate our 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.

Management believes these non-GAAP financial measures will enhance the reader's overall understanding of our current financial performance and our 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 we plan and measure our business. We believe that providing these non-GAAP measures affords investors a view of our operating results that may be more easily compared to peer companies and also enables investors to consider our operating results on both a GAAP and non-GAAP basis during and following the integration period of our acquisitions. Presenting the GAAP measures on their own may not be indicative of our core operating results. Furthermore, management 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 our financial condition and results of operations.

The following table reconciles gross profit, income (loss) from operations, net income (loss) and net income (loss) per share on a GAAP and non-GAAP basis for the three months ended June 30, 2024 and 2023, respectively (dollars in thousands, except for per share data):

	Three Months Ended June 30,	
	2024	2023
Revenue (GAAP and non-GAAP)	$ 174,565	$ 211,138
GAAP gross profit	$ 130,196	$ 160,742
Share-based compensation expense	3,320	2,911
Amortization of acquired intangible assets	995	1,638
Acquisition related depreciation expense	2	5
Non-GAAP gross profit	$ 134,513	$ 165,296
GAAP loss from operations	$ (463,324)	$ (4,695)
Share-based compensation expense	21,198	19,844
Amortization of acquired intangible assets	12,609	14,345
Restructuring charges	16,563	—
Goodwill impairment	426,967	—
Acquisition related depreciation expense	12	59
Legal expenses related to civil judgments	—	41
Non-GAAP income from operations	$ 14,025	$ 29,594
GAAP net loss	$ (443,376)	$ (4,200)
Share-based compensation expense	21,198	19,844
Amortization of acquired intangible assets	12,609	14,345
Restructuring charges	16,563	—
Goodwill impairment	426,967	—
Acquisition-related depreciation expense	12	59
Legal expenses related to civil judgments	—	41
Change in fair value of derivative instrument	—	(206)
Income tax adjustments	(13,395)	(7,171)
Non-GAAP net income	$ 20,578	$ 22,712
GAAP diluted net loss per share	$ (6.20)	$ (0.06)
Per share impact of non-GAAP adjustments identified above	6.48	0.37
Non-GAAP diluted net income per share	$ 0.28	$ 0.31
GAAP loss from operations	$ (463,324)	$ (4,695)
Previous adjustments to determine non-GAAP income from operations	477,349	34,289
Non-GAAP income from operations	14,025	29,594
Depreciation excluding acquisition-related depreciation expense	3,784	5,032
Non-GAAP EBITDA from operations	$ 17,809	$ 34,626

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with GAAP consistently applied. The preparation of these consolidated financial statements requires us to make significant estimates and judgments that affect the amounts reported in our consolidated financial statements and the accompanying notes. These items are regularly monitored and analyzed by management for changes in facts and circumstances, and material changes in these estimates could occur in the future. Changes in estimates are recorded in the period in which they become known. We base our estimates on historical experience and various other assumptions that we believe to be reasonable under the circumstances. Actual results may differ from our estimates.

While all of our accounting policies impact the consolidated financial statements, certain policies are viewed to be critical. Critical accounting policies are those that are both most important to the portrayal of our financial condition and results of operations and that require management's most subjective or complex judgments and estimates. We consider the following accounting policies to be critical in fully understanding and evaluating our financial results:

- revenue recognition; and
- valuation of goodwill, intangible assets and other acquisition accounting items.

Please refer to the critical accounting policies set forth in our Annual Report on Form 10-K for the fiscal year ended March 31, 2024, filed with the Securities and Exchange Commission (SEC) on May 16, 2024, for a description of all of our critical accounting policies and estimates.

Three Months Ended June 30, 2024 and 2023

Revenue

Product revenue consists of sales of our hardware products and licensing of our software products. Service revenue consists of customer support agreements, consulting, training and stand-ready software as a service offerings. During the three months ended June 30, 2024 and 2023, no direct customers or channel partners accounted for more than 10% of our total reven ue.

	Three Months Ended June 30, (Dollars in Thousands)				Change	
	2024		2023			
		% of Revenue		% of Revenue	$	%
Revenue:						
Product	$ 61,169	35 %	$ 94,661	45 %	$ (33,492)	(35)%
Service	113,396	65	116,477	55	(3,081)	(3)%
Total revenue	$ 174,565	100 %	$ 211,138	100 %	$ (36,573)	(17)%

Product. The 35%, or $33.5 million, decrease in product revenue compared with the same period last year was primarily due to a decrease in revenue from both service provider and enterprise customers from service assurance offerings, including radio frequency propagation modeling projects, as a result of industry-specific capital spending constraints, as well as a decrease in revenue from service provider customers from cybersecurity offerings. The results for the three months ended June 30, 2023 benefited from approximately $37 million of backlog-related revenue. Excluding backlog-related revenue, total revenue for the three months ended June 30, 2024 compared with the same period last year would have been relatively consistent year over year.

Service. The 3%, or $3.1 million, decrease in service revenue compared with the same period last year was primarily due to a decrease in revenue from maintenance contracts.

Total revenue by geography was as follows:

	Three Months Ended June 30, (Dollars in Thousands)				Change	
	2024		2023			
		% of Revenue		% of Revenue	$	%
United States	$ 99,949	57 %	$ 127,902	61 %	$ (27,953)	(22)%
International:						
Europe	31,394	18	33,971	16	(2,577)	(8)%
Asia	11,890	7	16,014	7	(4,124)	(26)%
Rest of the world	31,332	18	33,251	16	(1,919)	(6)%
Subtotal international	74,616	43	83,236	39	(8,620)	(10)%
Total revenue	$ 174,565	100 %	$ 211,138	100 %	$ (36,573)	(17)%

United States revenue decreased 22%, or $28.0 million, primarily due to a decrease in revenue from service provider and enterprise customers from service assurance offerings, including radio frequency propagation modeling projects, as well as a decrease in revenue from service provider and enterprise customers from cybersecurity offerings. The 10%, or $8.6 million, decrease in international revenue compared with the same period last year was primarily driven by a decrease in revenue from service provider and enterprise customers from service assurance offerings, as well as a decrease in revenue from service provider customers from cybersecurity offerings, partially offset by an increase in revenue from enterprise customers from cybersecurity offerings.

Total revenue by product line was as follows:

	Three Months Ended June 30, (Dollars in Thousands)				Change	
	2024		2023			
		% of Revenue		% of Revenue	$	%
Revenue:						
Service assurance	$ 116,733	67 %	$ 146,054	69 %	$ (29,321)	(20)
Cybersecurity	57,832	33	65,084	31	(7,252)	(11)
Total revenue	$ 174,565	100 %	$ 211,138	100 %	$ (36,573)	(17)

The 20%, or $29.3 million, decrease in revenue from the service assurance product line was due to a decrease in revenue from both enterprise and service provider customers, including a decrease in radio frequency propagation modeling projects. The 11%, or $7.3 million, decrease in revenue from the cybersecurity product line was due to lower revenue from service provider customers for both product and service revenue, partially offset by an increase in revenue from enterprise customers for both product and service revenue.

Total revenue by customer vertical was as follows:

	Three Months Ended June 30, (Dollars in Thousands)				Change	
	2024		2023			
		% of Revenue		% of Revenue	$	%
Revenue:						
Service provider	$ 80,475	46 %	$ 100,341	48 %	$ (19,866)	(20)
Enterprise	94,090	54	110,797	52	(16,707)	(15)
Total revenue	$ 174,565	100 %	$ 211,138	100 %	$ (36,573)	(17)

The 20%, or $19.9 million, decrease in revenue from the service provider customer vertical was due to a decrease in product and service revenue from both the service assurance and cybersecurity product lines. The 15%, or $16.7 million, decrease in revenue from the enterprise customer vertical was due to a decrease in product and service revenue from the service assurance product line, partially offset by an increase in product and service revenue from the cybersecurity product line.

Cost of Revenue and Gross Profit

Cost of product revenue consists primarily of material components, manufacturing personnel expenses, packaging materials, overhead and amortization of capitalized software, acquired developed technology and core technology. Cost of service revenue consists primarily of personnel, material, overhead and support costs.

	Three Months Ended June 30, (Dollars in Thousands)					
	2024		2023		Change	
		% of Revenue		% of Revenue	$	%
Cost of revenue						
Product	$ 12,004	7 %	$ 16,662	8 %	$ (4,658)	(28)%
Service	32,365	19	33,734	16	(1,369)	(4)%
Total cost of revenue	$ 44,369	26 %	$ 50,396	24 %	$ (6,027)	(12)%
Gross profit:						
Product $	$ 49,165	28 %	$ 77,999	37 %	$ (28,834)	(37)%
Product gross profit %	80 %		82 %			
Service $	$ 81,031	46 %	$ 82,743	39 %	$ (1,712)	(2)%
Service gross profit %	71 %		71 %			
Total gross profit $	$ 130,196		$ 160,742		$ (30,546)	(19)%
Total gross profit %	75 %		76 %			

Product. The 28%, or $4.7 million, decrease i n cost of pro duct revenue for the three months ended June 30, 2024 compared to the same period last year was primarily due to a $2.5 million decrease in direct material costs, a $0.7 million decrease in costs related to the delivery of radio frequency propagation modeling projects, a $0.7 million decrease in the amortization of intangible assets, and a $0.5 million decrease in inventory related costs. The product gross profit percentage decreased by tw o percentage points t o 80% during the three months ended June 30, 2024 as compared with the three months ended June 30, 2023. The 37%, or $28.8 million, decrease in product gross profit is attributable to the 35%, or $33.5 million, decrease in product revenue, partially offset by the 28%, or $4.7 million, decrease in cost of product revenue.

Service. The 4%, or $1.4 million, decrease in cost of service revenue for the three months ended June 30, 2024 compared to the same period last year was primarily due to a $0.7 million decrease in cost of materials used to support customers under service contracts, and a $0.7 million decrease in employee-related costs associated with a decrease in variable incentive compensation, as well as a decrease in headcount. The service gross profit percentage remained flat at 71% during the three months ended June 30, 2024 as compared with the three months ended June 30, 2023. The 2%, or $1.7 million, decrease in service gross profit is attributable to the 3%, or $3.1 decrease in service revenue, partially offset by the 4%, or $1.4 million, decrease in cost of service revenue.

Gross profit. Our gross profit decreased 19%, or $30.5 million, during the three months ended June 30, 2024 when compared with the three months ended June 30, 2023. This decrease is attributable to the decrease in revenue of 17%, or $36.6 million, partially offset by the 12%, or $6.0 million, decrease in cost of revenue. As a result, the gross profit percentage decreased by one percentage point to 75% for the three months en ded June 30, 2024 as compared with the three months ended June 30, 2023.

Operating Expenses

	Three Months Ended June 30, (Dollars in Thousands)				Change	
	2024		2023			
		% of Revenue		% of Revenue	$	%
Research and development	$ 42,465	24 %	$ 45,520	22 %	$ (3,055)	(7)%
Sales and marketing	70,330	40	78,996	37	(8,666)	(11)%
General and administrative	25,581	15	28,214	13	(2,633)	(9)%
Amortization of acquired intangible assets	11,614	7	12,707	6	(1,093)	(9)%
Restructuring charges	16,563	9	—	—	16,563	100 %
Goodwill impairment	426,967	245	—	—	426,967	100 %
Total operating expenses	$ 593,520	340 %	$ 165,437	78 %	$ 428,083	259 %

Research and development. Research and development expenses consist primarily of personnel expenses, fees for outside consultants, overhead and related expenses associated with the development of new products and the enhancement of existing products.

The 7%, or $3.1 million, decrease in research and development expenses for the three months ended June 30, 2024 compared to the same period last year was primarily due to a $2.4 million decrease in employee-related costs associated with a decrease in variable incentive compensation, and a $0.7 million decrease from depreciation expense.

Sales and marketing. Sales and marketing expenses consist primarily of personnel expenses and commissions, overhead and other expenses associated with selling activities and marketing programs such as trade shows, seminars, advertising and new product launch activities.

The 11%, or $8.7 million, decrease in total sales and marketing expenses for the three months ended June 30, 2024 compared to the same period last year was primarily due to a $3.0 million decrease in commissions expense, a $2.9 million decrease in employee related costs associated with a decrease in variable incentive compensation, as well as a decrease in headcount, and a $1.0 million decrease in expenses related to trade shows and other events.

General and administrative. General and administrative expenses consist primarily of personnel expenses for executive, financial, legal and human resource employees, overhead and other corporate expenditures.

The 9%, or $2.6 million, decrease in general and administrative expenses for the three months ended June 30, 2024 compared to the same period last year was primarily due to a $1.2 million decrease in contractor fees.

Amortization of acquired intangible assets**.** Amortization of acquired intangible assets consists primarily of amortization of customer relationships, definite-lived trademarks and trade names, and developed technology related to our acquisitions of Danaher Corporation's communications business (Comms Transaction), Network General Corporation, Avvasi Inc. and Efflux Systems, Inc.

The 9%, or $1.1 million, decrease in amortization of acquired intangible assets was largely due to a decrease in the amortization of intangible assets acquired as part of the Comms Transaction and the Network General Corporation transaction.

Restructuring charges. During the first quarter of fiscal year 2025, we implemented a voluntary separation program (VSP) for employees who met certain age and service requirements to reduce overall headcount. As a result of the related workforce reduction, during the three months ended June 30, 2024, we recorded restructuring charges totaling $16.6 million related to one-time termination benefits for one hundred sixteen employees who voluntarily terminated their employment with us during the three months ended June 30, 2024.

Goodwill impairment. During fiscal year 2024, we recorded $217.3 million in goodwill impairment charges as a result of the sustained decline in our stock price and overall market capitalization. During the first quarter of fiscal year 2025, due to the continued decrease in our stock price and overall market capitalization, along with other qualitative considerations including the continued impact from the conditions in the macroeconomic environment, it was determined a triggering event occurred, indicating goodwill may be impaired. Accordingly, we conducted a quantitative impairment test of our goodwill at June 30, 2024. We estimated the implied fair value of our goodwill using a market approach. As a result of the quantitative impairment test performed during the first quarter of fiscal year 2025, we determined goodwill was impaired and recorded a goodwill impairment charge of $427.0 million during the three months ended June 30, 2024. The additional impairment charge recorded in the first quarter of fiscal year 2025 was primarily due to the continued decrease in our stock price from March 31, 2024 to June 30, 2024, an increase in our weighted-average cost of capital, and the refinement to the expected cost synergies that could be realized by a hypothetical buyer as a result of the VSP we implemented in the first quarter of fiscal year 2025, which impacted the company-specific control premium used to determine the fair value of the reporting unit under the market approach. We expect that these restructuring efforts will generate net annual run-rate savings of approximately $25 million to $27 million, of which we expect that approximately $18 million to $19 million will be realized in the remainder of fiscal year 2025.

The key assumption in the market approach was the company-specific control premium, which was estimated using expected synergies that would be realized by a hypothetical buyer. We also compared its implied control premium to recent control premiums paid in the industry, as evidenced by guideline public company comparable transactions. This information corroborated that the company-specific control premium was within the range of premiums for other companies operating in the industry. Changes in the estimates or assumptions used in its quantitative impairment test could materially affect the determination of fair value and the associated goodwill impairment assessment. Potential events and circumstances that could have an adverse impact on our estimates and assumptions include, but are not limited to, continued increases in costs, and high interest rates and other macroeconomic factors. An increase or decrease of 1% in the company-specific control premium used in the determination of the fair value of the reporting unit under the market approach would have resulted in an increase or decrease in the goodwill impairment recorded during the three months ended June 30, 2024 of approximately $13.0 million.

Interest and Other Income (Expense), Net*.* Interest and other income (expense), net includes interest earned on our cash, cash equivalents and marketable securities, interest expense and other non-operating gains or losses.

	Three Months Ended June 30, (Dollars in Thousands)				Change	
	2024		2023			
		% of Revenue		% of Revenue	$	%
Interest and other income (expense), net	$ 9,628	6 %	$ (639)	— %	$ 10,267	1,607 %

The 1,607%, or $10.3 million, change in inte rest and other income (expense), net for the three months ended June 30, 2024 compared to the same period last year was primarily due to an $8.3 million increase from the change in fair value of the equity investment in Napatech, a $1.1 million decrease in foreign exchange expense, and a $0.8 million increase in interest income.

Income Tax Benefit. The effective tax rates were 2.3% and 21.3% for the three months ended June 30, 2024 and 2023, respectively. The effective tax rate for the three months ended June 30, 2024 differed from the effective tax rate for the three months ended June 30, 2023, primarily related to the goodwill impairment incurred during the three months ended June 30, 2024, a majority of which was not deductible for tax purposes.

	Three Months Ended June 30, (Dollars in Thousands)				Change	
	2024		2023			
		% of Revenue		% of Revenue	$	%
Income tax benefit	$ (10,320)	(6) %	$ (1,134)	(1) %	$ (9,186)	(810)%

Liquidity and Capital Resources

Cash, cash equivalents, marketable securities and investments consisted of the following (in thousands):

	June 30, 2024	March 31, 2024
Cash and cash equivalents	$ 362,213	$ 389,674
Short-term marketable securities and investments	43,954	33,459
Long-term marketable securities	1,003	994
Cash, cash equivalents, marketable securities and investments	$ 407,170	$ 424,127

Cash, cash equivalents, marketable securities and investments

At June 30, 2024, cash, cash equivalents, marketable securities and investments (current and non-current) totaled $407.2 million, a $16.9 million decrease from $424.1 million at March 31, 2024. This decrease was primarily due to $25.0 million used to repurchase shares of our common stock, $25.0 million used to repay long-term debt, $12.2 million used for tax withholdings on restricted stock units, and $1.3 million used for capital expenditures, partially offset by $38.4 million of net cash provided by operations, and an $8.7 million increase from the change in fair value of an equity instrument during the three months ended June 30, 2024. Cash and short-term investments held outside of the United States was approximately $203.1 million.

Cash and cash equivalents were impacted by the following:

	Three Months Ended June 30, (in thousands)	
	2024	2023
Net cash provided by (used in) operating activities	$ 38,428	$ (22,368)
Net cash used in investing activities	$ (3,094)	$ (19,129)
Net cash used in financing activities	$ (62,157)	$ (13,404)

Net cash from operating activities

Cash provided by operating activities was $38.4 million during the three months ended June 30, 2024, compared with $22.4 million of cash used in operating activities during the three months ended June 30, 2023. The $60.7 million change was due in part to a $427.0 million goodwill impairment charge recorded during the three months ended June 30, 2024, a $46.4 million increase from accrued compensation and other expenses, a $27.2 million increase from accounts receivable, a $5.3 million increase from prepaid expenses and other assets, a $4.2 million increase from deferred revenue, a $3.7 million increase from accounts payable, a $2.7 million increase from income taxes payable, and a $1.4 million increase from share-based compensation. These increases were partially offset by a $439.2 million decrease from the change in net loss, a $9.2 million decrease from the change in the fair value of an equity investment, a $5.6 million decrease from deferred income taxes, and a $3.0 million decrease from depreciation and amortization expense during the three months ended June 30, 2024 as compared with the three months ended June 30, 2023.

Net cash from investing activities

	Three Months Ended June 30, (in thousands)	
	2024	2023
Cash used in investing activities included the following:		
Purchase of marketable securities and investments	$ (12,151)	$ (25,905)
Proceeds from sales and maturity of marketable securities	10,325	8,733
Purchase of fixed assets	(1,268)	(1,957)
	$ (3,094)	$ (19,129)

Cash used in investing activities was $3.0 million during the three months ended June 30, 2024, compared with $19.1 million of cash used in investing activities during the three months ended June 30, 2023. The $16.1 million change was due in part to a $15.3 million increase in cash inflow from marketable securities related to a $13.8 million decrease related to the purchase of marketable securities and investments, and an increase of $1.5 million in proceeds from the sales and maturity of marketable securities during the three months ended June 30, 2024 when compared with the three months ended June 30, 2023.

Our investments in property and equipment consist primarily of computer equipment, demonstration units, office equipment and facility improvements. We plan to continue to invest in capital expenditures to support our infrastructure through the remainder of fiscal year 2025.

Net cash from financing activities

	Three Months Ended June 30, (in thousands)	
	2024	2023
Cash used in financing activities included the following:		
Issuance of common stock under stock plans	$ 2	$ 2
Treasury stock repurchases	(25,000)	—
Tax withholding on restricted stock units	(12,159)	(13,406)
Repayment of long-term debt	(25,000)	—
	$ (62,157)	$ (13,404)

Cash used in financing activities changed by $48.8 million to $62.2 million during the three months ended June 30, 2024, compared with $13.4 million of cash used in financing activities during the three months ended June 30, 2023.

During the three months ended June 30, 2024, we repurchased a total of 1,347,900 shares for $25.0 million in the open market under the 2022 Share Repurchase Program.

In connection with the delivery of our common stock upon vesting of restricted stock units, we withheld 617,826 and 435,172 shares at a cost of $12.2 million and $13.4 million related to minimum statutory tax withholding requirements on these restricted stock units during the three months ended June 30, 2024 and 2023, respectively. These withholding transactions do not fall under the repurchase program described above, and therefore do not reduce the number of shares that are available for repurchase under that program.

During the three months ended June 30, 2024, we repaid $25.0 million of borrowings under the Second Amended and Restated Credit Agreement.

Sources of Cash and Cash Requirements

Credit Facility

On July 27, 2021, we amended and extended our existing credit facility (as amended, the Second Amended and Restated Credit Agreement) with a syndicate of lenders by and among: the Company; JPMorgan Chase Bank, N.A. (JPMorgan), as administrative agent and collateral agent; JPMorgan, Wells Fargo Securities, LLC, BofA Securities Inc., RBC Capital Markets, PNC Capital Markets LLC and Mizuho Bank, Ltd., as joint lead arrangers and joint bookrunners; Santander Bank, N.A., U.S. Bank National Association, Fifth Third Bank National Association, Silicon Valley Bank and TD Bank, N.A., as co-documentation agents; and the lenders party thereto.

The Second Amended and Restated Credit Agreement provides for a five-year, $800.0 million senior secured revolving credit facility, including a letter of credit sub-facility of up to $75.0 million. We may elect to use the credit facility for general corporate purposes (including to finance the repurchase of shares of our common stock). The commitments under the Second Amended and Restated Credit Agreement will expire on July 27, 2026, and any outstanding loans will be due on that date. During the three months ended June 30, 2024, we repaid $25.0 million of borrowings under the Second Amended and Restated Credit Agreement. At June 30, 2024, $75.0 million was outstanding under the Second Amended and Restated Credit Agreement.

On February 22, 2023, we entered into a First Amendment Agreement (First Amendment) of our Second Amended and Restated Credit Agreement with a syndicate of lenders. We entered into the First Amendment in order to remove and replace the LIBOR-based interest rate benchmark provisions for U.S. dollar-denominated loans with interest rate benchmark provisions for U.S. dollar-denominated loans based on a term secured overnight financing rate (SOFR).

The First Amendment provides that U.S. dollar-denominated advances under the Second Amended and Restated Credit Agreement will bear interest at a term SOFR rate plus a credit spread adjustment of 0.10% or an Alternate Base Rate (defined in a customary manner), at the option of NetScout, plus a margin that ranges from 1.00% per annum for Alternate Base Rate loans and 2.00% per annum for term SOFR loans if our consolidated gross leverage ratio is greater than 3.50 to 1.00, down to 0% per annum for Alternate Base Rate loans and 1.00% per annum for term SOFR loans if our consolidated gross leverage ratio is equal to or less than 1.50 to 1.00. For the period from the delivery of our financial statements for the quarter ended March 31, 2024, until we have delivered financial statements for the quarter ended June 30, 2024, the applicable margin will be 1.00% per annum for Term Benchmark Revolving loans and 0% per annum for Alternate Base Rate loans, and thereafter the applicable margin will vary depending on our consolidated gross leverage ratio, ranging from 1.00% per annum for Alternate Base Rate loans and 2.00% per annum for Term Benchmark Revolving loans if our consolidated gross leverage ratio is greater than 3.50 to 1.00, down to 0% per annum for Alternate Base Rate loans and 1.00% per annum for Term Benchmark Revolving loans if our consolidated gross leverage ratio is equal to or less than 1.50 to 1.00.

Our consolidated gross leverage ratio is the ratio of our consolidated total debt compared to our consolidated EBITDA as defined in the Second Amended and Restated Credit Agreement (adjusted consolidated EBITDA). Adjusted consolidated EBITDA includes certain adjustments, including, without limitation, adjustments relating to extraordinary, unusual or non-recurring charges, certain restructuring charges, non-cash charges, certain transaction costs and expenses and certain pro forma adjustments in connection with material acquisitions and dispositions, all as set forth in detail in the Second Amended and Restated Credit Agreement.

Commitment fees will accrue on the daily unused amount of the credit facility. For the period from the delivery of our financial statements for the quarter ended March 31, 2024, until we have delivered financial statements for the quarter ended June 30, 2024, the commitment fee will be 0.15% per annum, and thereafter the commitment fee will vary depending on our consolidated gross leverage ratio, ranging from 0.30% per annum if our consolidated gross leverage ratio is greater than 2.75 to 1.00, down to 0.15% per annum if our consolidated gross leverage ratio is equal to or less than 1.50 to 1.00.

Letter of credit participation fees are payable to each lender providing the letter of credit sub-facility on the amount of such lender's letter of credit exposure, during the period from the closing date of the Second Amended and Restated Credit Agreement to, but excluding, the date which is the later of (i) the date on which such lender's commitment terminates or (ii) the date on which such lender ceases to have any letter of credit exposure, at a rate per annum equal to the applicable margin for term SOFR loans assuming such loans were outstanding during the period. Additionally, we will pay a fronting fee to each issuing bank in amounts to be agreed to between us and the applicable issuing bank.

Interest on Alternate Base Rate loans is payable at the end of each calendar quarter. Interest on term SOFR loans is payable at the end of each interest rate period or at the end of each three-month interval within an interest rate period if the period is longer than three months. We may also prepay loans under the Second Amended and Restated Credit Agreement at any time, without penalty, subject to certain notice requirements.

The loans and other obligations under the credit facility are (a) guaranteed by each of our wholly-owned material domestic restricted subsidiaries, subject to certain exceptions, and (b) are secured by substantially all of the assets of us and the subsidiary guarantors, including a pledge of all the capital stock of material subsidiaries held directly by us and the subsidiary guarantors (which pledge, in the case of any foreign subsidiary, is limited to 65% of the voting stock), subject to certain customary exceptions and limitations. The Second Amended and Restated Credit Agreement generally prohibits any other liens on the assets of NetScout and our restricted subsidiaries, subject to certain exceptions as described in the Second Amended and Restated Credit Agreement.

The Second Amended and Restated Credit Agreement contains certain covenants applicable to us and our restricted subsidiaries, including, without limitation, limitations on additional indebtedness, liens, various fundamental changes, dividends and distributions, investments (including acquisitions), transactions with affiliates, asset sales, including sale-leaseback transactions, speculative hedge agreements, payment of junior financing, changes in business and other limitations customary in senior secured credit facilities. The Second Amended and Restated Credit Agreement requires us to maintain a certain consolidated net leverage ratio and removes the previous requirement under our previous amended credit agreement that we maintain a minimum consolidated interest coverage ratio. Our consolidated net leverage ratio is the ratio of our Consolidated Total Debt minus the lesser of unrestricted cash and 125% of adjusted consolidated EBITDA compared to our adjusted consolidated EBITDA. Our maximum consolidated net leverage ratio is 4.00 to 1.00. These covenants and limitations are more fully described in the Second Amended and Restated Credit Agreement. At June 30, 2024, we were in compliance with all covenants, including the specified total consolidated net leverage ratio range of 4.00 to 1.00.

The Second Amended and Restated Credit Agreement provides that events of default will exist in certain circumstances, including failure to make payment of principal or interest on the loans when required, failure to perform certain obligations under the Second Amended and Restated Credit Agreement and related documents including a failure to meet the maximum total consolidated net leverage ratio covenant, defaults under certain other indebtedness, certain insolvency events, certain events arising under ERISA, a change of control and certain other events. Upon an event of default, the administrative agent with the consent of, or at the request of, the holders of more than 50% in principal amount of the loans and commitments, may terminate the commitments and accelerate the maturity of the loans and enforce certain other remedies under the Second Amended and Restated Credit Agreement and the other loan documents.

We had unamortized capitalized debt issuance costs, net of $2.3 million at June 30, 2024, which are being amortized over the life of the revolving credit facility. The unamortized capitalized debt issuance costs balance of $1.1 million was included as prepaid expenses and other current assets and a balance of $1.2 million was included as other assets in our consolidated balance sheet at June 30, 2024.

Cash Requirements

We are actively managing the business to generate cash flow and believe that we currently have adequate liquidity. We believe that these factors will allow us to meet our anticipated funding requirements for at least the next twelve months.

We have contractual obligations for long-term debt, operating leases, unconditional purchase obligations, pension benefits plans and certain other long-term liabilities. Our obligations related to these items are described further within Management’s Discussion and Analysis of Financial Condition and Results of Operations within our Annual Report filed on Form 10-K. We expect net cash provided by operating activities combined with cash, cash equivalents, marketable securities and investments and borrowing availability under our revolving credit facility will provide sufficient liquidity to fund current obligations, capital spending, debt service requirements and working capital requirements over at least the next twelve months. We believe we will meet longer-term expected future cash requirements and obligations through a combination of cash flows from operating activities, available cash balances, and our revolving credit facility. However, macroeconomic conditions, including high inflation and interest rates, and a potential recession, could increase our anticipated funding requirements or make it more difficult for us to access capital.

A portion of our cash may be used to acquire or invest in complementary businesses or products, to obtain the right to use complementary technologies, to repay borrowings under our Second Amended and Restated Credit Agreement, or to repurchase shares of our common stock through our stock repurchase programs. From time to time, in the ordinary course of business, we evaluate potential acquisitions of such businesses, products or technologies. If our existing sources of liquidity are insufficient to satisfy our liquidity requirements, we may seek to sell additional equity or debt securities. Macroeconomic conditions, including high interest rates and volatility in the capital markets, may make it difficult for us to secure additional financing on favorable terms or at all. Any sale of additional equity or debt securities could result in additional dilution to our stockholders.

Recent Accounting Pronouncements

For information with respect to recent accounting pronouncements on our consolidated financial statements, see Note 1 contained in the "Notes to Consolidated Financial Statements" included in Part I of this Quarterly Report on Form 10-Q.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk. We hold our cash, cash equivalents and investments for working capital purposes. Some of the securities we invest in are subject to market risk. This means that a change in prevailing interest rates may cause the principal amount of the investment to fluctuate. To minimize this risk, we maintain our portfolio of cash, cash equivalents and investments in a variety of securities, including money market funds and government debt securities. The risk associated with fluctuating interest rates is limited to our investment portfolio. Due to the short-term nature of these instruments, we believe that we do not have any material exposure to changes in the fair value of our investment portfolio as a result of changes in interest rates. Declines in interest rates, however, would reduce future interest income. The effect of a hypothetical 10% increase or decrease in overall interest rates would not have had a material impact on our operating results or the total fair value of the portfolio.

We are exposed to market risks related to fluctuations in interest rates related to our credit facility. At June 30, 2024, we owed $75.0 million on this loan with an interest rate of 6.44%. A sensitivity analysis was performed on the outstanding portion of our debt obligation as of June 30, 2024. Should the current weighted-average interest rate increase or decrease by 10%, the resulting annual increase or decrease to interest expense would be approximately $483 thousand as of June 30, 2024.

Foreign Currency Exchange Risk. As a result of our foreign operations, we face exposure to movements in foreign currency exchange rates, primarily the Euro, British Pound, Canadian Dollar and Indian Rupee. The current exposures arise primarily from expenses denominated in foreign currencies. We currently engage in foreign currency hedging activities in order to limit these exposures. Periodically, we also enter into forward contracts to manage exchange risk associated with third-party transactions and for which we do not elect hedge accounting treatment. We do not use derivative financial instruments for speculative trading purposes.

At June 30, 2024, we had foreign currency forward contracts designated as hedging instruments with notional amounts totaling $10.9 million. The valuation of outstanding foreign currency forward contracts at June 30, 2024 resulted in a liability balance of $123 thousand, reflecting unfavorable contract rates in comparison to current market rates at this date and an asset balance of $9 thousand, reflecting favorable rates in comparison to current market rates at this date. At March 31, 2024, we had foreign currency forward contracts designated as hedging instruments with notional amounts totaling $11.7 million. The valuation of outstanding foreign currency forward contracts at March 31, 2024 resulted in a liability balance of $74 thousand, reflecting unfavorable contract rates in comparison to current market rates and an asset balance of $11 thousand, reflecting favorable rates in comparison to current market rates at this date. The effect of a hypothetical 10% change in foreign currency exchange rates applicable to our business would not have a material impact on our historical consolidated financial statements. As our international operations grow, we will continue to reassess our approach to manage our risk relating to fluctuations in currency rates.

Item 4. Controls and Procedures

At June 30, 2024, NetScout, under the supervision and with the participation of our management, including the Company's principal executive officer and principal financial officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (Exchange Act)). Based upon that evaluation, our principal executive officer and principal financial officer concluded that, at June 30, 2024, our disclosure controls and procedures were effective at the reasonable assurance level in ensuring that material information relating to NetScout, including its consolidated subsidiaries, required to be disclosed by NetScout in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, including ensuring that such material information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

There were no changes in our internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) occurred during the period covered by this quarterly report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II: OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we may be subject to legal proceedings and claims in the ordinary course of business. In the opinion of management, the amount of ultimate expense with respect to any current legal proceedings and claims, if determined adversely, will not have a material adverse effect on the Company's financial condition, results of operations or cash flows. For additional information regarding our legal proceedings, if any, see Note 14 contained in the "Notes to Consolidated Financial Statements" included in Part I of this Quarterly Report on Form 10-Q, which is incorporated herein by reference.

Item 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, Item 1A. “Risk Factors” in our Annual Report on Form 10-K for our fiscal year ended March 31, 2024. The risks discussed in our Annual Report on Form 10-K could materially affect our business, financial condition and future results. There have been no material changes to those risk factors since we filed our Annual Report on Form 10-K. The risks described in our Annual Report on Form 10-K are not the only risks facing us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially and adversely affect our business, financial condition or operating results.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Sales of Unregistered Securities

None.

Purchases of Equity Securities by the Issuer

The following table provides information about purchases we made during the quarter ended June 30, 2024 of equity securities that are registered by us pursuant to Section 12 of the Exchange Act:

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares That May Yet be Purchased Under the Program
4/1/2024-4/30/2024	515	$ 19.82	—	24,385,484
5/1/2024-5/31/2024	145,617	20.66	—	24,385,484
6/1/2024-6/30/2024	1,819,594	18.76	1,347,900	23,037,584
Total	1,965,726	$ 18.90	1,347,900	23,037,584

(1) We purchased an aggregate of 617,826 shares during the three months ended June 30, 2024 transferred to us from employees in satisfaction of minimum tax withholding obligations associated with the vesting of restricted stock units during the period. Such purchases reflected in the table do not reduce the maximum number of shares that may be purchased under our 25 million share repurchase program authorized on May 3, 2022 (2022 Share Repurchase Program).

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information

Insider Adoption or Termination of Trading Arrangements:

During the fiscal quarter ended June 30, 2024, none of our directors or officers adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as those terms are defined in Regulation S-K, Item 408, except as described in the table below:

Name & Title	Date Adopted	Character of Trading Arrangement[1]	Aggregate Number of Shares of Common Stock to be Purchased or Sold Pursuant to Trading Arrangement	Duration[2]	Other Material Terms	Date Terminated
Jean Bua, Executive Vice President and Chief Financial Officer	May 14, 2024	Rule 10b5-1 Trading Arrangement	Up to 19205 shares to be sold	August 21, 2024	N/A	N/A
Michael Szabados, Chief Operating Officer	June 11, 2024	Rule 10b5-1 Trading Arrangement	Up to 27000 shares to be sold	May 20, 2025	N/A	N/A

(1) Except as indicated by footnote, each trading arrangement marked as a "Rule 10b5-1 Trading Arrangement" is intended to satisfy the affirmative defense of Rule 10b5-1(c), as amended (the "Rule").

(2) Represents the expiration date of the Rule 10b5-1 Trading Arrangement. Pursuant to the terms of the Rule 10b5-1 Trading Arrangement, the Rule 10b5-1 Trading Arrangement may terminate earlier upon the occurrence of certain events.

Item 6. Exhibits

(a) Exhibits

3.1		Composite conformed copy of Third Amended and Restated Certificate of Incorporation of NetScout (as amended) (filed as Exhibit 3.2 to NetScout's current report on Form 8-K, SEC File No. 000-26251, filed on September 21, 2016, and incorporated herein by reference).
3.2		Amended and Restated By-laws of NetScout (filed as Exhibit 3.1 to NetScout's current report on Form 8-K, SEC File No. 000-26251, filed on May 11, 2020 and incorporated herein by reference).
10.1	+	Form of Performance-Based Restricted Stock Unit Award Agreement under 2019 Equity Incentive Plan.
31.1	+	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	+	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	++	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	++	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	+	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	+	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	+	Inline XBRL Taxonomy Extension Calculation Linkbase document.
101.DEF	+	Inline XBRL Taxonomy Extension Definition Linkbase document.
101.LAB	+	Inline XBRL Taxonomy Extension Label Linkbase document.
101.PRE	+	Inline XBRL Taxonomy Extension Presentation Linkbase document.
104		The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2024 formatted in Inline XBRL

\+ Filed herewith.

++ Exhibit has been furnished, is not deemed filed and is not to be incorporated by reference into any of the Company's filings under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, irrespective of any general incorporation language contained in any such filing.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

NETSCOUT SYSTEMS, INC.

Date: August 5, 2024	/s/ Anil K. Singhal Anil K. Singhal President, Chief Executive Officer and Chairman (Principal Executive Officer)
Date: August 5, 2024	/s/ Jean Bua Jean Bua Executive Vice President and Chief Financial Officer (Principal Financial Officer) (Principal Accounting Officer)

Exhibit 10.1

NETSCOUT SYSTEMS, INC.

2019 Equity Incentive Plan
Performance-Based Restricted Stock Unit Award Agreement

NetScout Systems, Inc. (the " Company ") hereby enters into this Performance-Based Restricted Stock Unit Award Agreement, including the Terms and Conditions, and any appendix, exhibit or addendum attached hereto (the " Agreement "), as of the date of grant specified below, with the recipient specified below (the " Recipient "), and grants to the Recipient the number of performance-based restricted stock units (the " PSUs ") specified below pursuant to the Company's 2019 Equity Incentive Plan, as amended and in effect from time to time. Unless otherwise defined herein or required by the context, capitalized terms used herein shall have the same meanings as in the Plan or the Agreement.

Name of Recipient:	[___]
Date of grant of PSUs:	[___]
Target Number of PSUs granted pursuant to this Agreement:	[___]
Vesting Schedule: Subject to Section 2 of the Agreement and Exhibit A thereto, the PSUs will vest as follows:	The number of vested PSUs will be equal to the Target Number of PSUs set forth above multiplied by the Achievement Percentage, as set forth in Appendix A to the Agreement, with the resulting number rounded up to the nearest whole share; *provided, however* , that the number of vested PSUs may not be greater than the Target Number of PSUs. On the Determination Date (as defined in Appendix A to the Agreement), the applicable PSUs shall become vested PSUs, subject to the Recipient's Continued Service through the Determination Date.

The Recipient's acceptance of the PSUs, and the Recipient's acknowledgement and agreement with the terms set forth in the Agreement, will be evidenced by the Recipient's signature below or by electronic acceptance or authentication in a form authorized by the Company.

	NETSCOUT SYSTEMS, INC.
Signature of Recipient	
[Name]	By:
[Address]	Name of Officer: [Name]
	Title: [Title]

NETSCOUT SYSTEMS, INC.

2019 Equity Incentive Plan
Performance-Based Restricted Stock Unit Award Agreement – Terms and Conditions

NetScout Systems, Inc. (the " Company ") has granted to the recipient (as specified in the written notice provided by the Company to such recipient regarding such grant (the " Notice ")) (the " Recipient "), and the Recipient has accepted from the Company (by electronic acceptance or authentication in a form authorized by the Company), an award for the number of performance-based restricted stock units (the " PSUs ") specified in the Notice (the " Award "), which represents an equivalent number of shares of Common Stock subject to this Award (the " Underlying Shares "), on the following terms:

1. Grant under Plan . This Award and this Performance-Based Restricted Stock Unit Award Agreement (which includes the Notice and any appendix, exhibit or addendum hereto) (the " Agreement "), is made pursuant to and is governed by the Company's 2019 Equity Incentive Plan, as amended and in effect from time to time (the " Plan "). Unless otherwise defined herein or required by the context, capitalized terms used herein shall have the same meanings as in the Plan.

2. Vesting .

(a) Vesting Schedule . Subject to the limitations contained herein, vesting of the Award is based on the Achievement Percentage, as set forth in Appendix A, which may result in the Recipient earning up to 100% of the Target Number of PSUs set forth in the Notice. Subject to the terms of this Agreement and the Plan, each vested PSU represents a right to receive one Underlying Share on the Determination Date (as defined in the Notice). Unless and until a PSU has become one or more vested PSUs as set forth in the Notice and this Agreement, the Recipient will have no right to settlement of such PSU.

(b) Termination of Continuous Service .

(i) If the Recipient's Continuous Service is terminated by the Company or an Affiliate or by the Recipient for any reason (other than as a result of the Recipient's death or Disability), whether voluntarily or involuntarily, in each case, prior to the Determination Date, no additional PSUs shall become vested PSUs following such termination of Continuous Service and any unvested PSUs shall be forfeited upon termination of the Recipient's Continuous Service; *provided, however* , that if the Recipient's Continuous Service terminates as a result of the Recipient's death or Disability, any unvested PSUs shall instead be forfeited on the seventh business day following the Recipient's termination of Continuous Service. Any determination under this Agreement as to Continuous Service status or other matters referred to above shall be made in good faith by the Board, whose decision shall be final and binding on all parties.

(ii) For purposes hereof, Continuous Service shall not be considered as having terminated during any military leave, sick leave, or other leave of absence, in each case if approved in writing by the Company or an Affiliate and if such written approval, or applicable law, obligates the Company or an Affiliate (by contract or applicable law) to continue the Continuous Service of the Recipient after the approved period of absence (an

“ Approved Leave of Absence ”). In the event of an Approved Leave of Absence, vesting of the PSUs shall be suspended (and all subsequent vesting dates shall be postponed by the length of the period of the Approved Leave of Absence) unless otherwise provided in the Company’s or Affiliate’s written approval of the leave of absence that specifically refers to this Agreement.

(iii) For purposes hereof, Continuous Service will be deemed terminated as of the date the Recipient is no longer actively providing services to the Company or any of its Affiliates (regardless of the reason for such termination and whether or not later found to be invalid or in breach of labor laws in the jurisdiction where the Recipient is employed or otherwise providing services or the terms of the Recipient’s employment or service agreement, if any), and unless otherwise determined by the Company, the Recipient’s right to vest in the Award, if any, will terminate as of such date and will not be extended by any notice period or any period of “garden leave” or similar period mandated under labor laws in the jurisdiction where the Recipient is employed or otherwise providing services or the terms of the Recipient’s employment or service agreement, if any).

(iv) Notwithstanding anything in the Plan to the contrary, for purposes hereof, Continuous Service shall include service provided by the Recipient to the Company or an Affiliate as a Consultant pursuant to a consulting arrangement between the Recipient and the Company or Affiliate, provided that (x) any such period of service as a Consultant immediately follows the Recipient’s termination of employment with the Company or Affiliate or termination as a Director, in each case without any interruption, and (y) the terms of this Section 2(b)(iv) are provided for in a written consulting agreement executed by the Company or Affiliate that specifically refers to this Agreement.

3. Issuance of Underlying Shares .

(a) With respect to any PSUs that become vested PSUs pursuant to Section 2 and Appendix A, subject to Sections 5, 6 and 9, the Company shall issue to the Recipient, on or as soon as practicable following the Determination Date (as defined in Appendix A), the number of Underlying Shares equal to the number of PSUs vesting on such Determination Date.

(b) Notwithstanding the foregoing, if :

(i) this Award is otherwise subject to Tax Obligations (as described in Section 6) on such vesting date,

(ii) such vesting date occurs during either a regularly scheduled or special “blackout period” of the Company applicable to the Recipient or on any other date wherein Recipient is precluded from selling shares of Common Stock on an established stock exchange or stock market (any such blackout period or date, the “ Blackout Period ”), and

(iii) the Company elects, prior to such vesting date, not to satisfy such Tax Obligations by (x) withholding shares of Common Stock from the Underlying Shares otherwise issuable with respect to such vesting date, (y) permitting the Recipient to enter into a “same day sale” commitment with a broker-dealer pursuant to Section 6 (including, but not limited to, under a previously established 10b5-1 trading plan entered into in compliance with the Company’s policies), and (z) permitting the Recipient to pay such Tax Obligations in cash (including by withholding from the Recipient’s wages or any other cash compensation otherwise payable to the Recipient by the Company or an Affiliate),

then the delivery of the Underlying Shares otherwise issuable with respect to such vesting date will be deferred and such Underlying Shares will be issued to the Recipient as soon as practicable after the expiration of the Blackout Period. Notwithstanding the above, in no event may such Underlying Shares be issued to the Recipient later than the later of: (i) December 31st of the calendar year in which such vesting date occurs, or (ii) if such later issuance would not subject the Recipient to adverse tax consequences under Section 409A of the Code, by the fifteenth (15th) day of the third calendar month following such vesting date; provided that the Recipient acknowledges and agrees that if such Underlying Shares are issued to the Recipient pursuant to this Section 3 while a Blackout Period is still in effect, neither the Company nor the Recipient may sell any shares of Common Stock to satisfy any Tax Obligations, except in compliance with the Company's insider trading policies and requirements and applicable laws.

(c) The form of issuance of any Underlying Shares (*e.g.* , a stock certificate or electronic entry evidencing such Underlying Shares) shall be determined by the Company.

4. Restrictions on Transfer . The Recipient shall not sell, assign, transfer, pledge, encumber or dispose of any of the PSUs or corresponding Underlying Shares prior to the time that such Underlying Shares have been issued to the Recipient. Notwithstanding the foregoing, by delivering written notice to the Company, in a form satisfactory to the Company, the Recipient may designate a third party who, in the event of the Recipient's death, shall thereafter be entitled to receive any distributions of Underlying Shares to which the Recipient is entitled at the time of his or her death pursuant to this Agreement.

5. Compliance with Law . This Award, and the issuance of the Underlying Shares pursuant to this Award, must comply with all applicable laws and regulations governing this Award, and with the applicable regulations of any stock exchange on which the Common Stock is listed for trading at the time of issuance. The Company shall not issue the Underlying Shares to the Recipient if the Company determines that such issuance would not be in material compliance with all such applicable laws and regulations.

6. Withholding Taxes .

(a) This Award shall be subject to withholding of all applicable federal, state, local and foreign income, employment, payroll, fringe benefit, social insurance, payment on account and any other taxes resulting from the issuance or vesting of the PSUs or the delivery of the Underlying Shares (the " Tax Obligations "). The Recipient agrees to pay to the Company or an Affiliate, or otherwise make adequate provisions satisfactory to the Company or Affiliate for the payment of, any sums required to satisfy the Tax Obligations at the time such Tax Obligations arise. Specifically, the Company or an Affiliate may, in its sole discretion, satisfy all or any portion of such Tax Obligations by any of the following means or by a combination of such means:

(i) withholding from the Recipient's wages or any other compensation otherwise payable to the Recipient by the Company or an Affiliate, provided that the Recipient elects such withholding by providing written notice to the Company or Affiliate at least ten business days before the applicable vesting date specified in the Notice;

(ii) permitting the Recipient to pay such Tax Obligations in cash, provided that the Recipient elects to make such a payment by providing written notice to the Company or Affiliate at least ten business days before the applicable vesting date specified in the Notice;

(iii) permitting the Recipient to enter into a "same day sale" commitment with a broker-dealer that is a member of the Financial Industry Regulatory Authority (a " FINRA Dealer ") whereby the Recipient irrevocably elects to sell a portion of the Underlying Shares to satisfy such Tax Obligations and whereby the FINRA Dealer irrevocably commits to forward the proceeds necessary to satisfy such Tax Obligations directly to the Company or an Affiliate; or

(iv) withholding shares of Common Stock from the Underlying Shares with a Fair Market Value (measured as of the date the Underlying Shares are issued to the Recipient) not in excess of the maximum amount of taxes that may be required to be withheld by law (or such other amount as may be permitted while still avoiding classification of this Award as a liability for financial accounting purposes);

provided, however , that, if the Recipient is an "officer" (within the meaning of Rule 16a-1(f) under the Exchange Act) of the Company or an Affiliate, such Tax Obligations will be satisfied pursuant to the method set forth in clause (iv) above, unless (x) the Compensation Committee of the Board (the " Committee ") provides otherwise before the applicable vesting date specified in the Notice or (y) the Recipient elects any of the methods set forth in clauses (i)-(iii) above in accordance with the terms set forth in such clauses, as applicable (including in the case of clauses (i) and

(ii) above, the requirement to provide written notice to the Company or Affiliate at least ten business days before the applicable vesting date specified in the Notice).

(b) The Company shall have no obligation to issue the Underlying Shares if the Recipient fails to comply with his or her obligations in connection with the Tax Obligations as described in this Section 6.

(c) The Recipient further agrees to take any further actions and execute any additional documents as may be necessary to effectuate the provisions of this Section 6 and the Recipient hereby grants the Company an irrevocable power of attorney to sign such additional documents on the Recipient's behalf if the Company is unable after reasonable efforts to obtain the Recipient's signature on such additional documents. Such power of attorney is coupled with an interest and is irrevocable by the Recipient.

(d) Depending on the withholding method, the Company and/or an Affiliate may withhold or account for the Tax Obligations by considering applicable minimum withholding amounts or other applicable withholding rates, including applicable maximum withholding rates in the Recipient's jurisdiction(s), in which case the Recipient may receive a refund of any over-withheld amount in cash and will have no entitlement to the equivalent in shares of Common Stock. If the Tax Obligations are satisfied by withholding in shares of Common Stock, for tax purposes, the Recipient is deemed to have been issued the full number of shares of Common Stock subject to the vested PSUs, notwithstanding that a number of the shares of Common Stock are withheld solely for the purpose of satisfying the Tax Obligations. In the event that any Tax Obligations arise prior to the issuance of any Underlying Shares or it is determined after such issuance that the amount of any Tax Obligations was greater than the amount withheld by the Company or an Affiliate, the Recipient agrees to indemnify and hold the Company and Affiliate harmless from any failure to withhold the proper amount.

7. Arbitration . Any dispute, controversy, or claim arising out of, in connection with, or relating to the performance of this Agreement or its termination shall be settled by arbitration in Boston, Massachusetts, pursuant to the rules for commercial arbitration then obtaining of the American Arbitration Association, before a single arbitrator. The Company agrees to pay the costs of arbitration and each party shall be responsible for their own attorneys' fees. Any award shall be final, binding and conclusive upon the parties and a judgment rendered thereon may be entered in any court having jurisdiction thereof.

8. Provision of Documentation to Recipient . By accepting this Award, the Recipient acknowledges receipt of a copy of this entire Agreement, a copy of the Plan, and a copy of the Plan's related prospectus.

9. Section 409A of the Internal Revenue Code . This Award is intended to avoid the potential adverse tax consequences to the Recipient of Section 409A of the Code, and the Board may make such modifications to this Agreement as it deems necessary or advisable to avoid such adverse tax consequences. However, if (i) this Award is not exempt from, and therefore deemed to be deferred compensation subject to, Section 409A of the Code, (ii) the Recipient is deemed by the Company at the time of his or her "separation from service" (as such term is defined in Treasury Regulations Section 1.409A-1(h) without regard to any alternative definition thereunder) to be a "specified employee" for purposes of Section 409A(a)(2)(B)(i) of the Code, and (iii) any of the payments set forth herein are issuable upon such separation from service, then to the extent delayed commencement of any portion of such payments is required to avoid a prohibited distribution under Section 409A(a)(2)(B)(i) of the Code and the related adverse taxation under Section 409A of the Code, such payments will not be provided to the Recipient prior to the earliest of (a) the date that is six months and one day after the date of such separation from service, (b) the date of the Recipient's death, or (c) such earlier date as permitted under Section 409A of the Code without the imposition of adverse taxation. Upon the first business day following the expiration of such applicable Code Section 409A(a)(2)(B)(i) period, all payments deferred pursuant to this Section 9 will be paid in a lump sum to the Recipient, and any remaining payments due will be paid as otherwise provided herein. Each installment of PSUs that vests under this Award is a "separate payment" for purposes of Treasury Regulations Section 1.409A-2(b)(2).

10. Rights as Stockholder . The Recipient shall have no voting or any other rights as a stockholder of the Company with respect to any PSUs covered by this Agreement until the issuance of the Underlying Shares.

11. Non-U.S. and Country-Specific Provisions . If the Recipient relocates to a country outside the United States, additional terms and conditions will be provided and will apply to the Recipient, to the extent the Company determines that the application of such terms and conditions is necessary or advisable for legal or administrative reasons. Such additional terms will constitute part of this Agreement.

12. Imposition of Other Requirements . The Company reserves the right to impose other requirements on the Recipient's participation in the Plan, on the PSUs and on any Underlying Shares acquired under the Plan, to the extent the Company determines it is necessary or advisable for legal or administrative reasons, and to require the Recipient to sign or otherwise accept any additional agreements or undertakings that may be necessary to accomplish the foregoing.

13. Miscellaneous .

(a) Notices; Electronic Delivery and Participation . All notices hereunder shall be given in writing (including electronically) and shall be deemed given upon receipt or, in the case of notices delivered by mail, when sent by certified or registered mail, postage prepaid, return receipt requested, if to the Recipient, to the address shown on the records of the Company, and if to the Company, to the Company's principal executive offices, attention of the Corporate Secretary. The Company, in its sole discretion, may decide to deliver any documents related to this Award or participation in the Plan by electronic means or to request the Recipient's consent to participate in the Plan by electronic means. By accepting this Award, the Recipient consents to receive such documents by electronic delivery and to participate in the Plan through an on-line or electronic system established and maintained by the Company or another third party designated by the Company.

(b) Entire Agreement; Modification . This Agreement, together with the Plan, constitutes the entire agreement between the parties relative to the subject matter hereof, and supersedes all proposals, written or oral, and all other communications between the parties relating to the subject matter of this Agreement. This Agreement may be modified, amended or rescinded only by a written agreement executed by both parties to this Agreement; *provided, however* , that notwithstanding the foregoing, this Agreement may be modified, amended or rescinded by the Company without the Recipient's written consent if such modification, amendment or rescission (i) is in writing and executed by a duly authorized representative of the Company and (ii) complies with Section 2(b)(viii) of the Plan. This Award is subject to all the provisions of the Plan, the provisions of which are hereby made a part of this Award, and is further subject to all interpretations, amendments, rules and regulations which may from time to time be promulgated and adopted pursuant to the Plan. Except as otherwise expressly provided in this Agreement, in the event of a conflict between the terms of this Agreement and the Plan, the terms of the Plan shall control.

(c) Capitalization Adjustments . Any additional PSUs and Underlying Shares, cash or other property that become subject to this Award pursuant to any Capitalization Adjustment will be subject, in a manner determined by the Board, to the same forfeiture restrictions, restrictions on transferability, and time and manner of issuance as applicable to the other PSUs subject to this Award to which they relate. All fractional PSUs or Underlying Shares resulting from any Capitalization Adjustment shall be rounded down to the nearest whole unit or share.

(d) Severability . The invalidity, illegality or unenforceability of any provision of this Agreement shall in no way affect the validity, legality or enforceability of any other provision.

(e) Successors and Assigns . This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, subject to the limitations set forth herein.

(f) Governing Law . This Agreement shall be governed by and interpreted in accordance with the laws of Delaware without giving effect to the principles of conflicts of laws thereof.

(g) No Obligation to Continue Service . Neither the Plan nor this Agreement (nor any provision in the Plan or this Agreement) (i) is an employment or service contract, or (ii) will be deemed to create any obligation on the Recipient's part to continue in the service of the Company or an Affiliate, or on the part of the Company or an Affiliate to continue such service. In addition, nothing in the terms of this Award will obligate the Company or an

Affiliate, their respective stockholders, boards of directors, Officers or Employees to continue any relationship that the Recipient might have as an Employee, Director or Consultant.

(h) Clawback/Recovery . Notwithstanding anything to the contrary in this Agreement, but subject to applicable law, this Award will be subject to recoupment, repayment and/or forfeiture in accordance with any clawback policy that the Company is required to adopt pursuant to the listing standards of any national securities exchange or association on which the Company's securities are listed or as is otherwise required by the Dodd-Frank Wall Street Reform and Consumer Protection Act or other applicable law, and any other clawback policy that the Company otherwise adopts. Notwithstanding anything to the contrary herein, (i) compliance with applicable law, the Company's Code of Conduct, and the Company's corporate policies, as applicable, will be a pre-condition to earning, or vesting in, any Award under this Agreement and (ii) any Award under this Agreement which is subject to the Company's Executive Compensation Recovery Policy or any other clawback, recovery or recoupment provision will not be earned or vested, even if already granted, paid or settled, until the Company's Executive Compensation Recovery Policy and any other applicable clawback, recovery or recoupment provisions cease to apply to such Award and any other vesting conditions applicable to such Award are satisfied. No recovery of compensation under such a clawback policy will be an event giving rise to a right to resign for "good reason" or "constructive termination" (or similar term) under any agreement with the Company or an Affiliate.

(i) No Advice Regarding Grant; Tax Consequences . The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding the Recipient's participation in the Plan, or his or her acquisition or sale of the Underlying Shares. The Recipient should consult with his or her own tax, legal and financial advisors regarding participation in the Plan before taking any action related to the Plan. The Company has no duty or obligation to minimize the tax consequences to the Recipient of this Award and will not be liable to the Recipient for any adverse tax consequences to the Recipient arising in connection with this Award.

(j) Dividends . The Recipient will receive no benefit or adjustment to this Award with respect to any cash dividend, stock dividend or other distribution, except as provided in the Plan with respect to a Capitalization Adjustment.

(k) Unsecured Obligation . This Award is unfunded, and as a holder of vested PSUs, the Recipient will be considered an unsecured creditor of the Company with respect to the Company's obligation, if any, to issue shares of Common Stock or other property pursuant to this Agreement.

(l) Effect on Other Employee Benefit Plans . The value of this Award will not be included as compensation, earnings, salaries, or other similar terms used when calculating the Recipient's benefits under any employee benefit plan sponsored by the Company or an Affiliate, except as such plan otherwise expressly provides. The Company expressly reserves its rights to amend, modify, or terminate any such plan in accordance with the terms of such plan.

Exhibit 31.1

CERTIFICATIONS

I, Anil K. Singhal, certify that:

1. I have reviewed this quarterly report on Form 10-Q of NetScout Systems, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 5, 2024

/s/ Anil K. Singhal

Anil K. Singhal
President, Chief Executive Officer and Chairman
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATIONS

I, Jean Bua, certify that:

1. I have reviewed this quarterly report on Form 10-Q of NetScout Systems, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: August 5, 2024

/s/ Jean Bua
Jean Bua
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)
(Principal Accounting Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of NetScout Systems, Inc. (the “Company”) on Form 10-Q for the period ending June 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Anil K. Singhal, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Anil K. Singhal

Anil K. Singhal
President, Chief Executive Officer and Chairman
(Principal Executive Officer)

August 5, 2024

This certification accompanies the Form 10-Q to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of NetScout Systems, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing.

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of NetScout Systems, Inc. (the “Company”) on Form 10-Q for the period ending June 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Jean Bua, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Jean Bua
Jean Bua
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)
(Principal Accounting Officer)

August 5, 2024

This certification accompanies the Form 10-Q to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of NetScout Systems, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing.