

# NETSCOUT™

## Q3 FY 2018 Conference Call

*NETSCOUT SYSTEMS, INC.  
January 30, 2018*



# Agenda

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- **Introduction & Safe Harbor**
  - Andrew Kramer, Vice President of Investor Relations
- **Top Investor Questions**
  - Anil Singhal, President and CEO
- **COO Update**
  - Michael Szabados, Chief Operating Officer
- **Financial Review and Fiscal Year 2018 Guidance**
  - Jean Bua, EVP and CFO



# Safe Harbor

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**Forward Looking Statements:** Forward Looking Statements: Forward-looking statements in this communication are made pursuant to the safe harbor provisions of Section 21E of the Securities Exchange Act of 1934 and other federal securities laws. Investors are cautioned that statements in this communication, which are not strictly historical statements, including without limitation, the statements related to the Company's financial guidance, expected financial performance and free cash flow, statements regarding the potential effect of recently passed tax legislation, statements regarding future demand and revenue for the Company's products by specific customers, certain pipelines or by customers in general, statements related to new and modified products and solutions, and the timing of introduction of such products and solutions into the market and the capabilities and market acceptance of such products and solutions, statements related to the Company's future spending, expense management and cost reduction activities including potential restructuring or divestitures of non-core assets, and share repurchase activity, statements regarding the contemplated accelerated share repurchase, statements regarding the extent of our deployment of our software-only platform, statements regarding the Company's ability to improve gross and operating profit margins, expected future revenue and profitability associated with recent software-only deals, statements regarding go-to-market and other initiatives, statements regarding shifts in the market and in customer actions, expectations and demand for products, including the Company's ability to gain traction based on these changes, constitute forward-looking statements which involve risks and uncertainties. Actual results could differ materially from the forward-looking statements due to known and unknown risk, uncertainties, assumptions and other factors. Such factors include slowdowns or downturns in economic conditions generally and in the market for advanced network and service assurance solutions specifically; the volatile foreign exchange environment; the Company's relationships with strategic partners; dependence upon broad-based acceptance of the Company's network performance management solutions; the presence of competitors with greater financial resources than we have and their strategic response to our products; changes in the various factors impacting the Company's decisions regarding timing and volume of stock repurchases; our ability to retain key executives and employees; lower than expected demand for the Company's products and services; and the ability of NetScout to successfully complete the integration of the merged assets and the associated technology and achieve operational efficiencies. For a more detailed description of the risk factors associated with the Company, please refer to the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2017 and subsequent Quarterly Reports on Form 10-Q, which are on file with the Securities and Exchange Commission. NetScout assumes no obligation to update any forward-looking information contained in this communication or with respect to the announcements described herein.



# Non-GAAP Financial Metrics

**Regulation G Disclosure:** This presentation makes reference to certain non-GAAP measures such as non-GAAP total revenue, non-GAAP product revenue, non-GAAP service revenue, non-GAAP income from operations, non-GAAP net income, non-GAAP diluted net income per share, non-GAAP gross margin, non-GAAP operating margin, non-GAAP EPS and free cash flow. Non-GAAP revenue (total, product and service) eliminates the GAAP effects of acquisitions by adding back revenue related to deferred revenue revaluation, as well as revenue impacted by the amortization of intangible assets. Non-GAAP income from operations includes the aforementioned revenue adjustments and also removes expenses related to the amortization of acquired intangible assets, stock-based compensation, and certain expenses relating to acquisitions including depreciation costs, compensation for post-combination services and business development and integration costs. Non-GAAP operating margin is calculated based on the non-GAAP financial metrics discussed above. Non-GAAP net income includes the aforementioned items related to non-GAAP income from operations, net of related income tax effects. Non-GAAP diluted net income per share also excludes these expenses as well as the related impact of all these adjustments on the provision for income taxes. Investors are encouraged to review the related GAAP financial measures and the reconciliation of these non-GAAP financial measures to their most directly comparable GAAP financial measures included in the appendix. 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 and operating margin, net income, cash flow from operations and diluted earnings per share), and may have limitations in that they do not reflect all of NETSCOUT's results of operations as determined in accordance with GAAP. These non-GAAP measures should only be used to evaluate NETSCOUT's 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. NETSCOUT believes these non-GAAP financial measures will enhance the reader's overall understanding of NETSCOUT's current financial performance and NETSCOUT's 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 the Company plans and measures its own business. NETSCOUT believes that providing these non-GAAP measures affords investors a view of NETSCOUT's operating results that may be more easily compared to peer companies and also enables investors to consider NETSCOUT's operating results on both a GAAP and non-GAAP basis during and following the integration period of NETSCOUT's acquisitions. Presenting the GAAP measures on their own would not be indicative of NETSCOUT's core operating results. Furthermore, NETSCOUT believes that the presentation of non-GAAP measures when shown in conjunction with the corresponding GAAP measures provide useful information to management and investors regarding present and future business trends relating to its financial condition and results of operations. NETSCOUT management regularly uses supplemental non-GAAP financial measures internally to understand, manage and evaluate its business and to make operating decisions. These non-GAAP measures are among the primary factors that management uses in planning and forecasting. The reconciliation of these non-GAAP metrics to the comparable GAAP metrics are set forth in the accompanying tables in the index of this presentation and are available on our website at <http://ir.netscout.com>.



# CEO Perspective

Anil Singhal  
Co-Founder, President and Chief Executive Officer

# Q3 FY'18 Highlights

Non-GAAP (\$ in millions, except per share data)	Q3 FY'18 12/31/2017	Q3 FY'17 12/31/2016	YTD FY'18 12/31/2017	YTD FY'17 12/31/2016
Revenue	\$ 272.0	\$ 311.4	\$ 760.8	\$ 872.6
Gross Profit Margin	80.2%	77.7%	77.3%	75.2%
Operating Profit Margin	30.9%	27.1%	18.5%	21.3%
EPS	\$ 0.69	\$ 0.60	\$ 1.05	\$ 1.27

- Q318 revenue well below plans entering the quarter
- Higher operating profit margin primarily reflects one-time adjustments to recalibrate our cost structure
- EPS also benefited from a lower tax rate
- Reduced fiscal year 2018 revenue and EPS targets

See Appendix for GAAP-Non-GAAP and GAAP-Non-GAAP Pro Forma Reconciliations.



# Top Investor Questions

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- What were the biggest factors impacting NETSCOUT's Q3 FY'18 and full year FY'18 revenue?
- Has there been any change in the Company's competitive position?
- What steps are you taking to improve your cost structure?
- How much of the FY'18 revenue shortfall is the result of delayed orders that will be placed in FY'19?
- How has the shortfall for FY'18 impacted your growth plans in FY'19?



# COO Update

Michael Szabados  
Chief Operating Officer



# COO Highlights

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- Customer adoption trends
  
  
  
  
  
  
  
  
  
  
- Go-to-market activity



# **Financial Review & Fiscal Year 2018 Outlook**

Jean Bua

Executive Vice President and Chief Financial Officer

# Q3 FY'18 and First Nine Months FY'18 Results

(in millions except EPS and % data)	Q3 FY'18			Q3 FY'17			YTD FY'18			YTD FY'17		
	Non-GAAP 12/31/2017	Non-GAAP 12/31/2016	% Change	GAAP 12/31/2017	GAAP 12/31/2016	% Change	Non-GAAP 12/31/2017	Non-GAAP 12/31/2016	% Change	GAAP 12/31/2017	GAAP 12/31/2016	% Change
Revenue:												
Product	\$ 153.9	\$ 196.4	-21.6%	\$ 153.2	\$ 192.0	-20.2%	\$ 419.4	\$ 540.1	-22.3%	\$ 417.3	\$ 525.5	-20.6%
Service	\$ 118.1	\$ 115.0	2.7%	\$ 115.8	\$ 110.2	5.1%	\$ 341.4	\$ 332.5	2.7%	\$ 334.3	\$ 317.7	5.2%
Total revenue	\$ 272.0	\$ 311.4	-12.6%	\$ 268.9	\$ 302.2	-11.0%	\$ 760.8	\$ 872.6	-12.8%	\$ 751.6	\$ 843.2	-10.9%
Cost of revenue	\$ 54.0	\$ 69.3	-22.1%	\$ 64.5	\$ 81.7	-21.0%	\$ 172.7	\$ 216.8	-20.3%	\$ 205.3	\$ 253.2	-18.9%
Gross profit	\$ 218.0	\$ 242.1	-9.9%	\$ 204.4	\$ 220.5	-7.3%	\$ 588.1	\$ 655.8	-10.3%	\$ 546.2	\$ 590.0	-7.4%
Gross profit margin	80.2%	77.7%		76.0%	73.0%		77.3%	75.2%		72.7%	70.0%	
Operating expenses	\$ 134.1	\$ 157.7	-15.0%	\$ 166.2	\$ 187.2	-11.2%	\$ 447.2	\$ 470.3	-4.9%	\$ 542.8	\$ 566.6	-4.2%
Income from operations	\$ 83.9	\$ 84.3	-0.5%	\$ 38.3	\$ 33.4	14.7%	\$ 140.9	\$ 185.5	-24.0%	\$ 3.5	\$ 23.4	-85.2%
Operating profit margin	30.9%	27.1%		14.2%	11.0%		18.5%	21.3%		0.5%	2.8%	
Net income	\$ 60.7	\$ 55.2	10.0%	\$ 89.7	\$ 21.2	322.1%	\$ 94.5	\$ 118.0	-19.9%	\$ 63.0	\$ 11.0	473.7%
Diluted net income (loss) per share	\$ 0.69	\$ 0.60	15.0%	\$ 1.02	\$ 0.23	343.5%	\$ 1.05	\$ 1.27	-17.3%	\$ 0.70	\$ 0.12	483.3%
Diluted shares outstanding	87.9	92.4	-4.9%	87.9	92.4	-4.9%	89.9	93.0	-3.3%	89.9	93.0	-3.3%

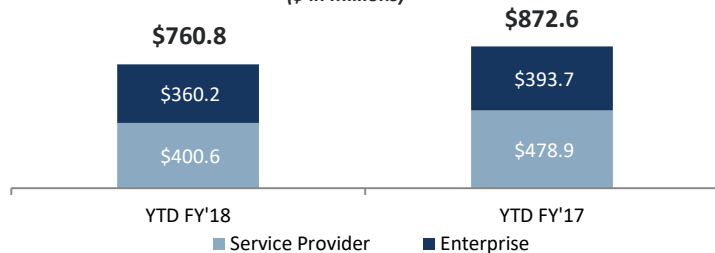
See Appendix for GAAP-Non-GAAP Reconciliations.



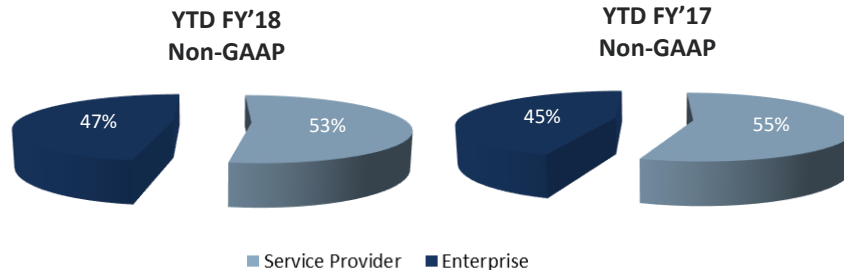
# First Nine Months FY'18 Revenue Trends: Customer Verticals & Geographic Mix

Total Non-GAAP Revenue by Customer Segment

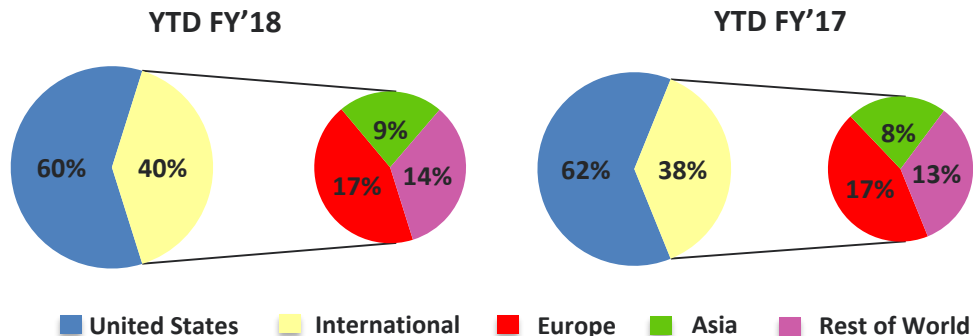
(\$ in millions)



Total Non-GAAP Revenue Composition by Customer Segment



	YTD FY'18 GAAP 12/31/17	YTD FY'17 GAAP 12/31/16
<b>Total Revenue</b>	<b>\$751.6</b>	<b>\$843.2</b>
<i>United States</i>	\$448.8	\$525.0
<i>International</i>	\$302.8	\$318.2
<i>Europe</i>	\$132.5	\$140.1
<i>Asia</i>	\$67.8	\$71.0
<i>Rest of World</i>	\$102.5	\$107.1



Figures in charts and tables may not total due to rounding.

\* Beginning in the first quarter of fiscal year 2018, the Company changed the structure of its sales force. As a result, consideration was given to this change when determining revenue by geography for the three and nine months ended December 31, 2017. Prior periods in fiscal year 2017 were recast to conform to the current presentation.

See Appendix for GAAP-Non-GAAP Reconciliations.



# Balance Sheet Highlights & Free Cash Flow

(in millions)

(Unaudited)	YTD FY'18 12/31/17
<i>Cash and Securities*</i>	\$ 383.0
<i>Accounts Receivable, Net</i>	\$ 249.9
<i>Inventories</i>	\$ 36.6
<i>Total Long-Term Debt</i>	\$ 300.0
<i>Total Deferred Revenue</i>	\$ 387.0
<i>Total Stockholders' Equity</i>	\$ 2,331.3

\* Cash and securities defined as cash, cash equivalents and short-term and long-term marketable securities

Free Cash Flow				
	Q1 FY'18 6/30/2017	Q2 FY'18 9/30/2017	Q3 FY'18 12/31/2017	YTD FY'18 12/31/2017
Operating Cash Flow	\$ 52.6	\$ 19.4	\$ 76.9	\$ 148.9
Purchase of Fixed Assets & Intangible Assets	\$ (3.3)	\$ (4.8)	\$ (4.8)	\$ (13.0)
<b>Free Cash Flow</b>	<b>\$ 49.3</b>	<b>\$ 14.6</b>	<b>\$ 72.0</b>	<b>\$ 135.9</b>

Financial Profile		
	YTD FY'18 12/31/2017	TARGET
Cash position	\$ 383.0	Not to exceed \$500
Liquidity	3.3x	2x - 3x EBITDA
Gross leverage	1.1x	1x - 2x EBITDA

Liquidity calculated as available credit under the Company's senior secured credit facility plus cash and securities divided by the 12-month trailing adjusted non-GAAP EBITDA.

As defined in the Company's senior secured credit facility, gross leverage is calculated as total debt plus contingent liabilities divided by the 12-month trailing adjusted non-GAAP EBITDA.



# FY 2018 Guidance

(in billions except EPS)

GAAP	FY'17	FY'18 Guidance
Revenue	\$1.162	\$0.985 to \$1.015
EPS (diluted)	\$0.36	\$0.53 to \$0.84

Non-GAAP	FY'17	FY'18 Guidance
Revenue	\$1.2	\$1.000 to \$1.025
EPS (diluted)	\$1.92	\$1.30 to \$1.45

## Other FY'18 Guidance Assumptions

- \* Expect Service Provider revenue to decline 22-25% from 2017 levels
- \* Expect Enterprise revenue to decline 5-7% from 2017 levels
- \* Tax rate expected to be approximately 28%
- \* Interest & other expense of \$13 million to \$15 million for FY'18
- \* ~89.3 million diluted shares outstanding

See Appendix for GAAP-Non-GAAP Reconciliations.



# Appendix

The background of the slide is a dark, grayscale photograph of a tunnel. The tunnel's ceiling and floor are composed of a series of curved, parallel ribs that create a strong sense of perspective, drawing the viewer's eye towards a vanishing point in the distance. The lighting is low, with subtle highlights on the ribs, giving the scene a mysterious and industrial atmosphere.

# FY 2018 Guidance: GAAP to Non-GAAP Reconciliation

**NETSCOUT SYSTEMS, INC.**  
**Reconciliation of GAAP Financial Guidance to Non-GAAP Financial Guidance**  
(Unaudited)  
(FY17 In millions, except net income per share - diluted)

	FY'17	FY'18 Updated (1/30/18)
GAAP revenue	\$ 1,162.1	~\$985 million to ~\$1,015 million
Deferred service revenue fair value adjustment	\$ 19.5	~\$8 million to ~\$10 million
Deferred product revenue fair value adjustment	\$ 6.8	~\$2 million to ~\$4 million
Amortization of intangible assets	\$ 11.4	
Non-GAAP revenue	\$ 1,199.8	\$1,000 million to \$1,025 million
	FY'17	FY'18
GAAP Net Income	\$ 33.3	\$47 million to \$75 million
Deferred service revenue fair value adjustment	\$ 19.5	~\$7 million to ~\$9million
Deferred product revenue fair value adjustment	\$ 6.8	~\$2 million to ~\$4 million
Amortization of intangible assets	\$ 123.6	~\$110 million to ~\$112 million
Share-based compensation expenses	\$ 39.2	~\$45 million to ~\$47 million
Business development & integration expenses*	\$ 20.3	~\$4 million to ~\$5 million
New accounting standard implementation	\$ -	~\$2 million to ~\$3 million
Restructuring costs	\$ 4.0	~\$4 million to ~\$5 million
Other income	\$ (0.4)	-
Total Adjustments	\$ 212.9	~\$174 million to ~\$185 million
Related impact of adjustments on income tax**	\$ (67.7)	(~\$119 million to ~\$116 million)
Non-GAAP Net Income	\$ 178.5	\$116 million to \$130 million
GAAP net income per share (diluted)	\$ 0.36	\$0.53 to \$0.84
Non-GAAP net income per share (diluted)	\$ 1.92	\$1.30 to \$1.45
Average Weighted Shares Outstanding (diluted)***	92.9	89.3 million

\* Business development & integration expenses include compensation for post-combination services and acquisition-related depreciation expense

\*\* Assumes a non-GAAP annual effective tax rate of 28%

\*\*\* Assumes execution of an Accelerated Stock Repurchase of \$300 million





# Total Revenue Composition

(in millions)

	Q3 FY'18 GAAP	Q3 FY'17 GAAP	Q3 FY'18 Non-GAAP	Q3 FY'17 Non-GAAP	YTD FY'18 GAAP	YTD FY'17 GAAP	YTD FY'18 Non-GAAP	YTD FY'17 Non-GAAP
<b>Total Revenue</b>	\$268.9	\$302.2	\$272.0	\$311.4	\$751.6	\$843.2	\$760.8	\$872.6
<i>Product Revenue</i>	\$153.2	\$192.0	\$153.9	\$196.4	\$417.3	\$525.5	\$419.4	\$540.1
<i>Service Revenue</i>	\$115.8	\$110.2	\$118.1	\$115.0	\$334.3	\$317.7	\$341.4	\$332.5

*Certain numbers may not total due to rounding*



# GAAP to Non-GAAP Reconciliation: Q3 FY'18, Q3 FY'17, Q2 FY'18, First 9 Months FY'18 and First 9 Months FY'17 Revenue

## NETSCOUT SYSTEMS, INC.

### Reconciliation of Current GAAP to Current and Historical Non-GAAP Financial Measures

(In thousands, except per share data)

(Unaudited)

	Three Months Ended December 31,		Three Months Ended September 30,		Nine Months Ended December 31,	
	2017	2016	2017	2017	2016	2016
Product Revenue (GAAP)	\$ 153,179	\$ 192,010	\$ 149,281	\$ 417,282	\$ 525,472	
Product deferred revenue fair value adjustment	719	1,514	719	2,154	5,989	
Amortization of acquired intangible assets (2)	3	2,851	2	7	8,597	
Non-GAAP Product Revenue	<u>\$ 153,901</u>	<u>\$ 196,375</u>	<u>\$ 150,002</u>	<u>\$ 419,443</u>	<u>\$ 540,058</u>	
Service Revenue (GAAP)	\$ 115,765	\$ 110,182	\$ 107,582	\$ 334,281	\$ 317,720	
Service deferred revenue fair value adjustment	2,345	4,797	2,361	7,081	14,798	
Non-GAAP Service Revenue	<u>\$ 118,110</u>	<u>\$ 114,979</u>	<u>\$ 109,943</u>	<u>\$ 341,362</u>	<u>\$ 332,518</u>	
Revenue (GAAP)	\$ 268,944	\$ 302,192	\$ 256,863	\$ 751,563	\$ 843,192	
Product deferred revenue fair value adjustment	719	1,514	719	2,154	5,989	
Service deferred revenue fair value adjustment	2,345	4,797	2,361	7,081	14,798	
Amortization of acquired intangible assets (2)	3	2,851	2	7	8,597	
Non-GAAP Revenue	<u>\$ 272,011</u>	<u>\$ 311,354</u>	<u>\$ 259,945</u>	<u>\$ 760,805</u>	<u>\$ 872,576</u>	



# GAAP to Non-GAAP Reconciliation: Q3 FY'18, Q3 FY'17, Q2 FY'18, First 9 Months FY'18 and First 9 Months FY'17 Gross Profit, Income from Operations and Net Income

## NETSCOUT SYSTEMS, INC.

Reconciliation of Current GAAP to Current and Historical Non-GAAP Financial Measures  
(In thousands, except per share data)  
(Unaudited)

	Three Months Ended		Three Months Ended		Nine Months Ended	
	December 31,		September 30,		December 31,	
	2017	2016	2017	2017	2016	
Gross Profit (GAAP)	\$ 204,435	\$ 220,514	\$ 182,620	\$ 546,249	\$ 589,970	
Product deferred revenue fair value adjustment	719	1,514	719	2,154	5,989	
Service deferred revenue fair value adjustment	2,345	4,797	2,361	7,081	14,798	
Share-based compensation expense (1)	1,588	1,270	1,587	4,404	3,774	
Amortization of acquired intangible assets (2)	9,314	13,816	9,309	27,864	40,315	
Business development and integration expense (3)	(405)	91	(340)	244	181	
Compensation for post-combination services (5)	-	27	-	-	552	
Acquisition related depreciation expense (6)	33	43	36	111	196	
Non-GAAP Gross Profit	<u>\$ 218,029</u>	<u>\$ 242,072</u>	<u>\$ 196,292</u>	<u>\$ 588,107</u>	<u>\$ 655,775</u>	
Income (Loss) from Operations (GAAP)	\$ 38,261	\$ 33,362	\$ (1,239)	\$ 3,467	\$ 23,413	
Product deferred revenue fair value adjustment	719	1,514	719	2,154	5,989	
Service deferred revenue fair value adjustment	2,345	4,797	2,361	7,081	14,798	
Share-based compensation expense (1)	12,425	10,461	12,598	35,254	30,271	
Amortization of acquired intangible assets (2)	27,535	31,331	27,607	82,766	92,961	
Business development and integration expense (3)	(2,335)	2,252	(1,244)	2,577	8,898	
New standard implementation expense (4)	903	-	431	1,334	-	
Compensation for post-combination services (5)	225	256	404	866	4,838	
Restructuring charges	3,363	(199)	291	3,821	1,730	
Acquisition related depreciation expense (6)	498	556	506	1,559	2,581	
Non-GAAP Income from Operations	<u>\$ 83,939</u>	<u>\$ 84,330</u>	<u>\$ 42,434</u>	<u>\$ 140,879</u>	<u>\$ 185,479</u>	
Net Income (Loss) (GAAP)	\$ 89,685	\$ 21,245	\$ (2,468)	\$ 62,995	\$ 10,981	
Product deferred revenue fair value adjustment	719	1,514	719	2,154	5,989	
Service deferred revenue fair value adjustment	2,345	4,797	2,361	7,081	14,798	
Share-based compensation expense (1)	12,425	10,461	12,598	35,254	30,271	
Amortization of acquired intangible assets (2)	27,535	31,331	27,607	82,766	92,961	
Business development and integration expense (3)	(2,335)	2,252	(1,244)	2,577	8,898	
New standard implementation expense (4)	903	-	431	1,334	-	
Compensation for post-combination services (5)	225	256	404	866	4,838	
Restructuring charges	3,363	(199)	291	3,821	1,730	
Acquisition related depreciation expense (6)	498	556	506	1,559	2,581	
Income tax adjustments (7)	(74,640)	(17,006)	(15,001)	(105,861)	(55,078)	
Non-GAAP Net Income	<u>\$ 60,723</u>	<u>\$ 55,207</u>	<u>\$ 26,204</u>	<u>\$ 94,546</u>	<u>\$ 117,969</u>	
Diluted Net Income (Loss) Per Share (GAAP)	\$ 1.02	\$ 0.23	\$ (0.03)	\$ 0.70	\$ 0.12	
Share impact of non-GAAP adjustments identified above	(0.33)	0.37	0.32	0.35	1.15	
Non-GAAP Diluted Net Income Per Share	<u>\$ 0.69</u>	<u>\$ 0.60</u>	<u>\$ 0.29</u>	<u>\$ 1.05</u>	<u>\$ 1.27</u>	
Shares used in computing non-GAAP diluted net income per share	87,860	92,402	89,525	89,882	92,997	



# GAAP to Non-GAAP Reconciliation: Q3 FY'18, Q3 FY'17, Q2 FY'18, First 9 Months FY'18 and First 9 Months FY'17 Itemization

NETSCOUT SYSTEMS, INC.  
Reconciliation of Current GAAP to Current and Historical Non-GAAP Financial Measures - Continued  
(In thousands, except per share data)  
(Unaudited)

	Three Months Ended December 31,		Three Months Ended September 30,		Nine Months Ended December 31,	
	2017	2016	2017	2017	2016	2016
(1) Share-based compensation expense included in these amounts is as follows:						
Cost of product revenue	\$ 301	\$ 255	\$ 293	\$ 807	\$ 716	
Cost of service revenue	1,287	1,015	1,294	3,597	3,058	
Research and development	3,730	3,456	3,915	10,820	9,961	
Sales and marketing	4,022	3,367	4,147	11,613	9,704	
General and administrative	3,065	2,868	2,949	8,417	6,532	
Total share-based compensation expense	<u>\$ 12,425</u>	<u>\$ 10,461</u>	<u>\$ 12,598</u>	<u>\$ 35,254</u>	<u>\$ 30,271</u>	
(2) Amortization expense related to acquired software and product technology, tradenames, customer relationships included in these amounts is as follows:						
Total revenue adjustment	\$ 3	\$ 2,851	\$ 2	\$ 7	\$ 8,597	
Cost of product revenue	9,311	10,965	9,307	27,857	31,718	
Operating expenses	18,221	17,515	18,298	54,902	52,646	
Total amortization expense	<u>\$ 27,535</u>	<u>\$ 31,331</u>	<u>\$ 27,607</u>	<u>\$ 82,766</u>	<u>\$ 92,961</u>	
(3) Business development and integration expense included in these amounts is as follows:						
Cost of product revenue	\$ (107)	\$ 91	\$ (106)	\$ 226	\$ 181	
Cost of service revenue	(298)	-	(234)	18	-	
Research and development	(651)	11	(401)	61	11	
Sales and marketing	(620)	7	(199)	357	41	
General and administrative	(649)	2,143	(304)	1,915	8,665	
Total business development and integration expense	<u>\$ (2,335)</u>	<u>\$ 2,252</u>	<u>\$ (1,244)</u>	<u>\$ 2,577</u>	<u>\$ 8,898</u>	
(4) New standard implementation expense included in these amounts is as follows:						
General and administrative	\$ 903	\$ -	\$ 431	\$ 1,334	\$ -	
Total new standard implementation expense	<u>\$ 903</u>	<u>\$ -</u>	<u>\$ 431</u>	<u>\$ 1,334</u>	<u>\$ -</u>	
(5) Compensation for post-combination services included in these amounts is as follows:						
Cost of product revenue	\$ -	\$ 1	\$ -	\$ -	\$ 156	
Cost of service revenue	-	26	-	-	396	
Research and development	193	219	325	702	1,780	
Sales and marketing	13	6	62	128	1,732	
General and administrative	19	4	17	36	774	
Total compensation for post-combination services	<u>\$ 225</u>	<u>\$ 256</u>	<u>\$ 404</u>	<u>\$ 866</u>	<u>\$ 4,838</u>	
(6) Acquisition related depreciation expense included in these amounts is as follows:						
Cost of product revenue	\$ 13	\$ 27	\$ 16	\$ 55	\$ 112	
Cost of service revenue	20	16	20	56	84	
Research and development	307	344	311	962	1,704	
Sales and marketing	42	54	44	140	267	
General and administrative	116	115	115	346	414	
Total acquisition related depreciation expense	<u>\$ 498</u>	<u>\$ 556</u>	<u>\$ 506</u>	<u>\$ 1,559</u>	<u>\$ 2,581</u>	
(7) Total income tax adjustment included in these amounts is as follows:						
Tax effect of non-GAAP adjustments above	\$ (74,640)	\$ (17,006)	\$ (15,001)	\$ (105,861)	\$ (65,078)	
Total income tax adjustments	<u>\$ (74,640)</u>	<u>\$ (17,006)</u>	<u>\$ (15,001)</u>	<u>\$ (105,861)</u>	<u>\$ (65,078)</u>	





**Thank You**