

NETSCOUT SYSTEMS INC

Form 10-Q

November 08, 2018

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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 September 30, 2018

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 (IRS Employer

Incorporation or Organization) Identification No.)

310 Littleton Road, Westford, MA 01886

(978) 614-4000

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 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

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 October 31, 2018 was 77,704,724.

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FOR THE QUARTER ENDED SEPTEMBER 30, 2018
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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.

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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. Actual events or results may differ materially due to competitive factors and other factors, including those referred to in Part I, Item 1A. Risk Factors in our Annual Report on Form 10-K for our fiscal year ended March 31, 2018, 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. We are under no duty to update any of these forward-looking statements after the date of this Quarterly Report or to conform these statements to actual results or revised expectations.

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PART I: FINANCIAL INFORMATION

Item 1. Unaudited Financial Statements

NetScout Systems, Inc.

Consolidated Balance Sheets

(In thousands, except share and per share data)

	September 30, 2018 (Unaudited)	March 31, 2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 332,183	\$369,821
Marketable securities	119,935	77,941
Accounts receivable and unbilled costs, net of allowance for doubtful accounts of \$1,209 and \$1,991 at September 30, 2018 and March 31, 2018, respectively	184,156	213,438
Inventories and deferred costs	30,985	34,774
Prepaid income taxes	25,143	22,932
Prepaid expenses and other current assets (related party balances of \$1,468 and \$3,187 at September 30, 2018 and March 31, 2018, respectively)	27,429	33,502
Total current assets	719,831	752,408
Fixed assets, net	63,617	52,511
Goodwill	1,712,962	1,712,764
Intangible assets, net	720,949	831,374
Deferred income taxes	5,640	6,685
Other assets	20,006	12,866
Total assets	\$ 3,243,005	\$3,368,608
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable (related party balances of \$366 and \$369 at September 30, 2018 and March 31, 2018, respectively)	\$ 22,102	\$30,133
Accrued compensation	54,258	46,552
Accrued other	32,364	33,164
Income taxes payable	210	1,526
Deferred revenue and customer deposits	230,098	301,925
Total current liabilities	339,032	413,300
Other long-term liabilities	20,449	8,308
Deferred tax liability	135,738	151,563
Accrued long-term retirement benefits	34,053	35,246
Long-term deferred revenue and customer deposits	77,135	91,409
Long-term debt	600,000	600,000
Total liabilities	1,206,407	1,299,826
Commitments and contingencies (Note 13)		
Stockholders' equity:		
Preferred stock, \$0.001 par value: 5,000,000 shares authorized; no shares issued or outstanding at September 30, 2018 and March 31, 2018	—	—
Common stock, \$0.001 par value:	119	117

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300,000,000 shares authorized; 119,231,287 and 117,744,913 shares issued and 77,704,724 and 80,270,023 shares outstanding at September 30, 2018 and March 31, 2018, respectively

Additional paid-in capital	2,796,695	2,665,120
Accumulated other comprehensive income	555	2,895
Treasury stock at cost, 41,526,563 and 37,474,890 shares at September 30, 2018 and March 31, 2018, respectively	(1,102,481)	(995,843)
Retained earnings	341,710	396,493
Total stockholders' equity	2,036,598	2,068,782
Total liabilities and stockholders' equity	\$ 3,243,005	\$ 3,368,608

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

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

	Three Months Ended September 30, 2018	2017	Six Months Ended September 30, 2018	2017
Revenue:				
Product	\$ 110,753	\$		