

NETSCOUT SYSTEMS INC  
Form 10-Q  
August 02, 2013  
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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 June 30, 2013

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 0000-26251

**NETSCOUT SYSTEMS, INC.**

(Exact Name of Registrant as Specified in Its Charter)

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**Delaware**  
(State or Other Jurisdiction of  
Incorporation or Organization)

**310 Littleton Road, Westford, MA 01886**

**04-2837575**  
(IRS Employer  
Identification No.)

**(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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files.) YES  NO

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

Large accelerated filer  Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting 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 July 26, 2013 was 41,372,757.

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**NETSCOUT SYSTEMS, INC.**

**FORM 10-Q**

**FOR THE QUARTER ENDED JUNE 30, 2013**

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	<b>June 30, 2013</b>	<b>March 31, 2013</b>
	(unaudited)	
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 102,727	\$ 99,930
Marketable securities	46,333	37,338
Accounts receivable, net of allowance for doubtful accounts of \$897 and \$971 at June 30, 2013 and March 31, 2013, respectively	50,922	73,900
Inventories	10,940	7,563
Prepaid income taxes	1,523	
Deferred income taxes	9,581	9,538
Prepaid expenses and other current assets	7,215	9,043
Total current assets	229,241	237,312
Fixed assets, net	20,565	19,678
Goodwill	202,582	202,453
Intangible assets, net	62,317	63,827
Deferred income taxes	8,751	9,211
Long-term marketable securities	13,762	16,823
Other assets	2,439	2,872
Total assets	\$ 539,657	\$ 552,176
<b>Liabilities and Stockholders Equity</b>		
Current liabilities:		
Accounts payable	\$ 12,130	\$ 10,161
Accrued compensation	20,132	31,585
Accrued other	6,671	8,256
Income taxes payable	0	114
Deferred revenue	93,749	95,055
Total current liabilities	132,682	145,171
Other long-term liabilities	2,670	2,249
Deferred tax liability	950	941
Accrued long-term retirement benefits	1,747	1,757
Long-term deferred revenue	24,087	25,907
Contingent liabilities, net of current portion	4,068	4,248
Total liabilities	166,204	180,273
Commitments and contingencies (Note 12)		
Stockholders equity:	0	0

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Preferred stock, \$0.001 par value:

5,000,000 shares authorized; no shares issued or outstanding at June 30, 2013 and March 31, 2013

Common stock, \$0.001 par value:

150,000,000 shares authorized; 49,237,454 and 49,007,491 shares issued and 41,381,368 and 41,466,921 shares outstanding at June 30, 2013 and March 31, 2013, respectively

	49	49
Additional paid-in capital	256,762	253,202
Accumulated other comprehensive income	878	671
Treasury stock at cost, 7,856,086 and 7,540,570 shares at June 30, 2013 and March 31, 2013, respectively	(90,950)	(83,480)
Retained earnings	206,714	201,461
Total stockholders' equity	373,453	371,903
Total liabilities and stockholders' equity	\$ 539,657	\$ 552,176

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)

	<b>Three Months Ended June 30,</b>	
	<b>2013</b>	<b>2012</b>
Revenue:		
Product	\$ 42,977	\$ 40,262
Service	38,828	36,099
Total revenue	81,805	76,361
Cost of revenue:		
Product	9,773	10,070
Service	7,149	6,793
Total cost of revenue	16,922	16,863
Gross profit	64,883	59,498
Operating expenses:		
Research and development	15,965	14,077
Sales and marketing	32,200	30,149
General and administrative	6,981	6,557
Amortization of acquired intangible assets	854	586
Restructuring charges	0	(87)
Total operating expenses	56,000	51,282
Income from operations	8,883	8,216
Interest and other (expense) income, net:		
Interest income	87	116
Interest expense	(190)	(296)
Other income (expense), net	30	(176)
Total interest and other (expense) income, net	(73)	(356)
Income before income tax expense	8,810	7,860
Income tax expense	3,557	2,852
Net income	\$ 5,253	\$ 5,008
Basic net income per share	\$ 0.13	\$ 0.12
Diluted net income per share	\$ 0.12	\$ 0.12
Weighted average common shares outstanding used in computing:		
Net income per share basic	41,405	41,742
Net income per share diluted	42,068	42,453

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



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## NetScout Systems, Inc.

## Consolidated Statements of Comprehensive Income

(In thousands)

(Unaudited)

	<b>Three Months Ended</b>	
	<b>June 30,</b>	
	<b>2013</b>	<b>2012</b>
Net income	\$ 5,253	\$ 5,008
Other comprehensive income (loss):		
Cumulative translation adjustments	291	(1,074)
Changes in market value of investments:		
Changes in unrealized gains/(losses), net of taxes (benefits) of \$0 and \$73	(35)	84
Total net change in market value of investments	(35)	84
Changes in market value of derivatives:		
Changes in market value of derivatives, net of taxes (benefits) of (\$82) and \$(167)	(116)	(271)
Reclassification adjustment for net losses (gains) included in net income, net of benefits (taxes) of \$39 and \$70	67	113
Total net change in market value of derivatives	(49)	(158)
Other comprehensive income (loss)	207	(1,148)
Comprehensive income	\$ 5,460	\$ 3,860

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



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## NetScout Systems, Inc.

## Consolidated Statements of Cash Flows

(In thousands)

(Unaudited)

	<b>Three Months Ended June 30,</b>	
	<b>2013</b>	<b>2012</b>
<b>Cash flows from operating activities:</b>		
Net income	\$ 5,253	\$ 5,008
Adjustments to reconcile net income to cash provided by operating activities, net of the effects of acquisitions:		
Depreciation and amortization	4,859	4,375
Loss on disposal of fixed assets	24	24
Deal related compensation expense and accretion charges	36	76
Share-based compensation expense associated with equity awards	2,812	2,247
Net change in fair value of contingent and contractual liabilities	(264)	135
Deferred income taxes	618	2,434
Other (losses) gains	(7)	7
Changes in assets and liabilities		
Accounts receivable	22,988	30,911
Inventories	(5,158)	(56)
Prepaid expenses and other assets	744	142
Accounts payable	1,970	914
Accrued compensation and other expenses	(11,999)	(4,718)
Income taxes payable	(114)	
Deferred reven		