

NETSCOUT SYSTEMS INC
Form 4
May 11, 2017

FORM 4

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

OMB APPROVAL

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Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
DOWNING JOHN

2. Issuer Name and Ticker or Trading Symbol
NETSCOUT SYSTEMS INC
[NTCT]

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

(Last) (First) (Middle)

3. Date of Earliest Transaction
(Month/Day/Year)
05/10/2017

____ Director _____ 10% Owner
 Officer (give title below) _____ Other (specify below)
Please See Remarks

C/O NETSCOUT SYSTEMS,
INC., 310 LITTLETON ROAD

(Street)

4. If Amendment, Date Original Filed(Month/Day/Year)

6. Individual or Joint/Group Filing(Check Applicable Line)
 Form filed by One Reporting Person
____ Form filed by More than One Reporting Person

WESTFORD, MA 01886

(City) (State) (Zip)

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Ownership (Instr. 4)
			Code	V Amount (A) or (D) Price			
Common Stock	05/10/2017		S ⁽¹⁾	1,000 D (1) \$ 34.6	112,215	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)

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1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)	8. Price of Derivative Security (Instr. 5)	9. Number of Derivative Securities Owned Following Transaction (Instr. 6)
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Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
DOWNING JOHN C/O NETSCOUT SYSTEMS, INC. 310 LITTLETON ROAD WESTFORD, MA 01886				Please See Remarks

Signatures

/s/ John Downing 05/11/2017

**Signature of Reporting Person Date

Explanation of Responses:

- * If the form is filed by more than one reporting person, see Instruction 4(b)(v).
 - ** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
- (1) The shares of Common Stock were sold pursuant to a 10b5-1 plan.

Remarks:

EVP, Worldwide Sales Operations

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, see Instruction 6 for procedure. Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number.

\$ 95,633

4.4

%

Industrial

61,407

51,829

18.5

%

Construction

121,862

127,416

(4.4)

%

Total Gross Sales

283,116

274,878

3.0

%

Sales Allowances

(4,783)

(4,692)

1.9

%

Total Net Sales

\$

278,333

\$

270,186

3.0

%

Note: During 2019, certain customers were reclassified to a different market. Prior year information has been restated to reflect these changes.

Net sales attributable to the North reportable segment increased in the first quarter of 2019 compared to 2018 due to our retail and industrial markets. The increase in sales to the retail market was due to increased demand in our Northeast region. The increase in the industrial market was primarily due to acquired operations, \$4.3 million, and the same factors previously discussed. The decrease in construction was due to the same factors previously discussed.

Explanation of Responses:

Earnings from operations for the North reportable segment increased in the first quarter of 2019 by \$7.2 million, or 99.4%, due to a \$10.1 million increase in gross profits, offset by a \$2.9 million increase in SG&A expenses compared to last year. Gross profits were higher due to increases in sales and gross margins within the retail and industrial markets compared to last year. Opportunistic buying contributed to higher gross margins.

South

(in thousands)	Net Sales		
	South Segment by Market		
	Three Months Ended		
Market Classification	March 30, 2019	March 31, 2018	% Change
Retail	\$ 101,100	\$ 115,208	(12.2) %
Industrial	106,002	80,705	31.3 %
Construction	42,048	51,363	(18.1) %
Total Gross Sales	249,150	247,276	0.8 %
Sales Allowances	(4,908)	(5,256)	(6.6) %
Total Net Sales	\$ 244,242	\$ 242,020	0.9 %

Note: During 2019, certain customers were reclassified to a different market. Prior year information has been restated to reflect these changes.

Net sales attributable to the South reportable segment increased in the first quarter of 2019 compared to 2018 due to increased sales to our industrial market, offset by decreases in sales to our retail and construction markets. The decrease in sales to the retail market was due to a \$10.7 million decrease, or 13.6%, in sales to our big-box customers and the same factors previously discussed. Acquired operations contributed \$23.7 million to our growth in sales to the industrial market. The decrease in sales to the construction market was due to an \$8.8 million decrease, or 23.6%, in sales to our manufactured housing customers in the Southeast and East Central regions due to a reduction in customer demand with certain customers.

Earnings from operations for the South reportable segment decreased in the first quarter of 2019, compared to the same period of 2018. Excluding the impact of the gain on the sale of our Medley, FL, plant in 2018, earnings from operations increased \$3.7 million due to an increase of \$7.2 million in gross profits offset by an increase in SG&A expenses of \$3.5

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UNIVERSAL FOREST PRODUCTS, INC.

million compared to the same period of 2018. Acquired operations contributed \$0.8 million to our earnings from operations during the first quarter of 2019. The remaining \$2.9 million increase in earnings from operations was primarily due to an increase in gross profit within our industrial market as a result of organic growth and opportunistic buying.

West

	Net Sales		
	West Segment by Market		
	Three Months Ended		
(in thousands)	March 30,	March 31,	
Market Classification	2019	2018	% Change
Retail	\$ 103,391	\$ 110,630	(6.5) %
Industrial	133,479	127,792	4.5 %
Construction	128,284	129,361	(0.8) %
Total Gross Sales	365,154	367,783	(0.7) %
Sales Allowances	(5,057)	(5,315)	(4.9) %
Total Net Sales	\$ 360,097	\$ 362,468	(0.7) %

Note: During 2019, certain customers were reclassified to a different market. Prior year information has been restated to reflect these changes.

Net sales attributable to the West reportable segment decreased in the first quarter of 2019 compared to 2018 due to decreases in sales to our retail and construction markets, offset by an increase in sales to our industrial market, primarily due to factors previously discussed.

Earnings from operations for the West reportable segment increased in the first quarter of 2019 by \$4.6 million, or 24.4%, compared to the same period in 2018 due to a \$6.9 million increase in gross profit, offset by a \$2.3 million increase in SG&A expenses due to the same factors previously discussed.

All Other

	Net Sales		
	All Other Segment by Market		
	Three Months Ended		
(in thousands)	March 30,	March 31,	
Market Classification	2019	2018	% Change
Retail	\$ 53,150	\$ 48,931	8.6 %
Industrial (1)	28,810	25,157	14.5 %
Construction (1)	52,301	47,642	9.8 %
Total Gross Sales	134,261	121,730	10.3 %
Sales Allowances & Other	(1,808)	(2,547)	(29.0) %
Total Net Sales	\$ 132,453	\$ 119,183	11.1 %

Note: During 2019, certain customers were reclassified to a different market. Prior year information has been restated to reflect these changes.

(1) We reclassified idX from industrial to the construction market to better align idX's core business, design, manufacture, distribution and installation of customized interior fixtures for a variety of retail and commercial structures, with the commercial construction market. The reclassification was recorded retrospectively.

Our All Other reportable segment consists of our Alternative Materials, International, idX, and certain other segments which are not significant.

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Net sales attributable to All Other reportable segments increased in the first quarter of 2019 compared to 2018 due to increases in sales to all our markets for the same factors previously discussed. The increase in sales to the retail market was primarily due to a \$14.6 million increase to one of our big-box customers within our Alternative Materials segment, offset by decreases in sales to certain independent retailers. Our sales to the construction market increased primarily due to our idX business unit.

Earnings from operations for All Other reportable segments decreased during the first quarter of 2019 by \$0.8 million primarily due to expenses associated with an advertising campaign launched in 2019 for our Deckorators brand within our Consumer Products segment.

OFF-BALANCE SHEET TRANSACTIONS

We have no significant off-balance sheet transactions.

LIQUIDITY AND CAPITAL RESOURCES

The table below presents, for the periods indicated, a summary of our cash flow statement (in thousands):

	Three Months Ended	
	March 30, 2019	March 31, 2018
Cash used in operating activities	\$ (55,829)	\$ (84,172)
Cash (used in) provided by investing activities	(15,551)	1,304
Cash provided by financing activities	61,069	111,570
Effect of exchange rate changes on cash	248	233
Net change in all cash and cash equivalents	(10,063)	28,935
Cash, cash equivalents, and restricted cash, beginning of period	28,198	28,816
Cash, cash equivalents, and restricted cash, end of period	\$ 18,135	\$ 57,751

In general, we funded our growth in the past through a combination of operating cash flows, our revolving credit facility, industrial development bonds (when circumstances permit), and issuance of long-term notes payable at times when interest rates are favorable. We have not issued equity to finance growth except in the case of a large acquisition. We manage our capital structure by attempting to maintain a targeted ratio of debt to equity and debt to earnings before interest, taxes, depreciation and amortization. We believe this is one of many important factors to maintaining a strong credit profile, which in turn helps ensure timely access to capital when needed.

Seasonality has a significant impact on our working capital due to our primary selling season which occurs during the period from March to September. Consequently, our working capital increases during our first and second quarters resulting in negative or modest cash flows from operations during those periods. Conversely, we experience a substantial decrease in working capital once we move beyond our peak selling season which typically results in significant cash flows from operations in our third and fourth quarters.

Due to the seasonality of our business and the effects of the Lumber Market, we believe our cash cycle (days of sales outstanding plus days supply of inventory less days payables outstanding) is a good indicator of our working capital

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management. As indicated in the table below, our cash cycle increased to 65 days from 57 days during the first quarter of 2019 compared to the prior periods.

	Three Months Ended	
	March 30, 2019	March 31, 2018
Days of sales outstanding	34	32
Days supply of inventory	52	46
Days payables outstanding	(21)	(21)
Days in cash cycle	65	57

The increase in days supply of inventory was primarily due to opportunistic buying when lumber prices were low during the fourth quarter of 2018 to improve 2019 gross profits.

In the first three months of 2019, our cash used in operating activities was \$55.8 million, which was comprised of net earnings of \$36.0 million and \$15.4 million of non-cash expenses, offset by a \$107.2 million seasonal increase in working capital since the end of December 2018. Comparatively in the first three months of 2018, our cash used in operating activities was \$84.2 million, which was comprised of net earnings of \$33.6 million, and \$8.0 million of non-cash expenses, offset by a \$125.8 million seasonal increase in working capital since the end of December 2017. Our seasonal increase in working capital was lower in 2019 due to opportunistic inventory buying in the fourth quarter of 2018.

Property, plant, and equipment comprised most of our cash used in investing activities during the first three months of 2019 and totaled \$15.9 million. Outstanding purchase commitments on existing capital projects totaled approximately \$18.5 million on March 30, 2019. We currently plan to spend up to \$95 million for the year on capital expenditures. We intend to fund capital expenditures and purchase commitments through our operating cash flows for the balance of the year. Comparatively, capital expenditures and acquisitions were \$24.4 million and \$8.8 million, respectively, during the first three months of 2018. Proceeds from the sale of our Medley, FL, plant provided approximately \$36 million in net cash proceeds.

Cash flows from financing activities primarily consisted of net borrowings under our revolving credit facility of approximately \$64.3 million, primarily due to seasonal working capital requirements.

On March 30, 2019, we had \$106.8 million outstanding on our \$375 million revolving credit facility. The amount outstanding on the revolving credit facility includes letters of credit totaling approximately \$9.8 million on March 30, 2019; as a result, we had approximately \$258.3 million in remaining availability on our revolver after considering letters of credit. Additionally, we have \$150 million in availability under an amended “shelf agreement” for long term debt with a current lender after considering the second quarter 2018 issuance of long-term Senior Notes. Financial covenants on the unsecured revolving credit facility and unsecured notes include minimum interest tests and a maximum leverage ratio. The agreements also restrict the amount of additional indebtedness we may incur and the amount of assets which may be sold. We were in compliance with all our covenant requirements on March 30, 2019.

ENVIRONMENTAL CONSIDERATIONS AND REGULATIONS

See Notes to Unaudited Consolidated Condensed Financial Statements, Note E, "Commitments, Contingencies, and Guarantees."

CRITICAL ACCOUNTING POLICIES

In preparing our consolidated financial statements, we follow accounting principles generally accepted in the United States. These principles require us to make certain estimates and apply judgments that affect our financial

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position and results of operations. We continually review our accounting policies and financial information disclosures. There have been no material changes in our policies or estimates since December 29, 2018.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

We are exposed to market risks related to fluctuations in interest rates on our variable rate debt, which consists of a revolving credit facility and industrial development revenue bonds. We do not currently use interest rate swaps, futures contracts or options on futures, or other types of derivative financial instruments to mitigate this risk.

For fixed rate debt, changes in interest rates generally affect the fair market value, but not earnings or cash flows. Conversely, for variable rate debt, changes in interest rates generally do not influence fair market value, but do affect future earnings and cash flows. We do not have an obligation to prepay fixed rate debt prior to maturity, and as a result, interest rate risk and changes in fair market value should not have a significant impact on such debt until we would be required to refinance it.

We are subject to fluctuations in the price of lumber. We experience significant fluctuations in the cost of commodity lumber products from primary producers (the “Lumber Market”). A variety of factors over which we have no control, including government regulations, transportation, environmental regulations, weather conditions, economic conditions, and natural disasters, impact the cost of lumber products and our selling prices. While we attempt to minimize our risk from severe price fluctuations, substantial, prolonged trends in lumber prices can affect our sales volume, our gross margins, and our profitability. We anticipate that these fluctuations will continue in the future. (See “Impact of the Lumber Market on Our Operating Results.”)

Our international operations have exposure to foreign currency rate risks, primarily due to fluctuations in their local currency, which is their functional currency, compared to the U.S. dollar. Additionally, certain of our operations enter into transactions that will be settled in a currency other than the U.S. Dollar. We entered into forward foreign exchange rate contracts in 2018, which have since expired, and may enter into further forward contracts in the future associated with mitigating the foreign currency exchange risk. Historically, our hedge contracts are deemed immaterial to the financial statements, however any material hedge contract in the future will be disclosed.

Item 4. Controls and Procedures.

- (a) Evaluation of Disclosure Controls and Procedures. With the participation of management, our chief executive officer and chief financial officer, after evaluating the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rules 13a – 15e and 15d – 15e) as of the quarter ended March 30, 2019 (the “Evaluation Date”), have concluded that, as of such date, our disclosure controls and procedures were effective.
- (b) Changes in Internal Controls. During the quarter ended March 30, 2019, there were no changes in our internal control over financial reporting that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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PART II. OTHER INFORMATION

Item 1A. Risk Factors.

None.

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

- (a) None.
- (b) None.
- (c) Issuer purchases of equity securities.

Fiscal Month	(a)	(b)	(c)	(d)
December 30, 2018 - February 2, 2019	—	—	—	1,860,354
February 3 - March 2, 2019	—	—	—	1,860,354
March 3 - 30, 2019	—	—	—	1,860,354

- (a) Total number of shares purchased.
- (b) Average price paid per share.
- (c) Total number of shares purchased as part of publicly announced plans or programs.
- (d) Maximum number of shares that may yet be purchased under the plans or programs.

On November 14, 2001, the Board of Directors approved a share repurchase program (which succeeded a previous program) allowing us to repurchase up to 2.5 million shares of our common stock. On October 14, 2011, our Board authorized an additional 2 million shares to be repurchased under our share repurchase program. The total number of remaining shares that may be repurchased under the program is approximately 1.9 million.

Item 5. Other Information.

None.

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PART II. OTHER INFORMATION

Item 6. Exhibits.

The following exhibits (listed by number corresponding to the Exhibit Table as Item 601 in Regulation S-K) are filed with this report:

31 Certifications.

- (a) Certificate of the Chief Executive Officer of Universal Forest Products, Inc., pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350).
- (b) Certificate of the Chief Financial Officer of Universal Forest Products, Inc., pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350).

32 Certifications.

- (a) Certificate of the Chief Executive Officer of Universal Forest Products, Inc., pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350).
- (b) Certificate of the Chief Financial Officer of Universal Forest Products, Inc., pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350).

101 Interactive Data File.

(INS) XBRL Instance Document.

(SCH) XBRL Schema Document.

(CAL) XBRL Taxonomy Extension Calculation Linkbase Document.

(LAB) XBRL Taxonomy Extension Label Linkbase Document.

(PRE) XBRL Taxonomy Extension Presentation Linkbase Document.

(DEF) XBRL Taxonomy Extension Definition Linkbase Document.

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SIGNATURES

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

UNIVERSAL FOREST
PRODUCTS, INC.

Date: May 1, 2019

By: /s/ Matthew J.
Missad
Matthew J. Missad,
Chief Executive Officer
and Principal Executive
Officer

Date: May 1, 2019

By: /s/ Michael R.
Cole
Michael R. Cole,
Chief Financial Officer,
Principal Financial
Officer and
Principal Accounting
Officer