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NETSUITE ANNOUNCES FIRST QUARTER 2013 FINANCIAL RESULTS

- **Record Q1 Revenue of \$91.6 Million, a 32% Year-over-Year Increase**
- **Operating Cash Flows of \$14.7 Million, a 39% Increase Year-over-Year**

SAN MATEO, Calif. - April 25, 2013-NetSuite Inc. (NYSE: N), the industry's leading provider of [cloud-based financials](#) / [ERP software](#) suites, today announced operating results for its first quarter ended March 31, 2013.

Total revenue for the first quarter of 2013 was \$91.6 million, representing a 32% increase over the same period in the prior year.

Cash flows from operations were \$14.7 million in the first quarter of 2013, an increase of \$4.1 million, or 39%, over the same period in the prior year.

On a GAAP basis, net loss for the first quarter of 2013 was \$13.0 million, or \$(0.18) per share, as compared to a net loss of \$7.7 million, or \$(0.11) per share, in the first quarter of 2012.

Non-GAAP net income for the first quarter of 2013 was \$2.8 million, or \$0.04 per share, as compared to non-GAAP net income of \$4.1 million, or \$0.06 per share, in the first quarter of 2012.

“While traditional software companies continued to struggle, NetSuite delivered arguably the finest Q1 in our history,” said Zach Nelson, CEO of NetSuite. “NetSuite’s success is driven by the fact that businesses around the world realize that in order to achieve their business vision, they need to move their core operational systems from pre-cloud software like Microsoft Dynamics GP/Great Plains and SAP to NetSuite’s modern cloud-based suite of applications.”

Conference Call

In conjunction with this announcement, NetSuite will host a conference call at 2:00 p.m. PDT (5:00 p.m. EDT) today to discuss our first quarter 2013 financial results and our outlook for the second quarter of 2013 and full year 2013. A live audio webcast and replay of the call, together with detailed financial information, will be available in the Investor Relations section of NetSuite's website at www.netsuite.com/investors. The live call can be accessed by dialing 888-244-2460 (U.S.) or 913-312-1507 (outside the U.S.) and referencing passcode: 102-9627. A replay of the call can also be accessed by dialing 888-203-1112 (U.S.) or 719-457-0820 (outside the U.S.), and referencing passcode: 102-9627.

About NetSuite

NetSuite Inc. is the industry's leading provider of cloud-based financials / Enterprise Resource Planning (ERP) software suites. In addition to financials/ERP software suites, NetSuite offers a broad suite of applications, including accounting, Customer Relationship Management (CRM), Professional Services Automation (PSA) and Ecommerce that enables companies to manage most of their core business operations in its single integrated suite. NetSuite software allows businesses to automate operations, streamline processes and access real-time business information anytime, anywhere. For more information about NetSuite, please visit www.netsuite.com.

Cautionary Note Regarding Forward-Looking Statements

This press release and NetSuite's scheduled conference call contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 relating to, among other things, expectations, plans, prospects and financial results for NetSuite, including, but not limited to, our expectations regarding our products, market demand, future earnings, revenue and market share growth. These forward-looking statements are based upon the current expectations and beliefs of NetSuite's management as of the date of this press release and conference call, and are subject to certain risks and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. All forward-looking statements made in this press release and during the conference call are based on information available to us as of the date thereof, and NetSuite disclaims any obligation to update these forward-looking statements.

In particular, the following factors, among others, could cause results to differ materially from those expressed or implied by such forward-looking statements: the market for on-demand services may develop more slowly than expected or than it has in the past; continued adverse and unpredictable macro-economic conditions or reduced investments in on-demand applications and information technology spending; quarterly operating results may fluctuate more than expected; unexpected disruptions of service at one or more of our data centers may occur; a security breach may impact operations; risks associated with material defects or errors in our software or the effect of undetected computer viruses could impact operations; the risk of technological developments and innovations by others; our ability to successfully identify other businesses and technologies for acquisition that will complement our business and the ability to successfully acquire and integrate those businesses and technologies; the risk of loss of power or disruption in Internet service; failure to manage growth and effectively scale the organization; failure to protect and enforce our intellectual property rights; assertions by third parties that we infringe their intellectual property rights; the ability to manage operations when faced with competitive pricing and marketing strategies by competitors or changing macro-economic conditions; the risk of losing key employees; evolving government regulation of the Internet and Ecommerce; changes to current accounting rules; changes in foreign exchange rates; and general political or destabilizing events, including war, conflict or acts of terrorism; and other risks and uncertainties.

Customers who purchase our services should make sure the decisions are based on features that are currently available. Please be advised that any unreleased services or features from NetSuite referenced in today's discussion or other public statements are not currently available and may not be delivered on time or at all.

For a detailed discussion of these and other cautionary statements, please refer to the risk factors discussed in filings with the U.S. Securities and Exchange Commission ("SEC"), including but not limited to our Annual Report on Form 10-K filed on February 28, 2013, and any subsequently filed reports on Forms 10-Q and 8-K. All documents are available through the SEC's Electronic Data Gathering Analysis and Retrieval system ("EDGAR") at www.sec.gov or NetSuite's website at www.netsuite.com.

Non-GAAP Financial Measures

Our stated results include certain non-GAAP financial measures, including non-GAAP operating income, net income, weighted average shares outstanding, and net income per share. Non-GAAP operating income excludes expenses related to stock-based compensation expense, amortization of intangible assets, and transaction costs for business combinations. Non-GAAP net income excludes expenses related to stock-based compensation expense, amortization of intangible assets, transaction costs for business combinations and income tax benefit associated with business combination. Non-GAAP operating income and non-GAAP net income exclude these expenses as they are often excluded by other companies to help investors understand the operational performance of their business, and in the case of stock-based compensation, can be difficult to predict. We believe these adjustments provide useful comparative information to investors.

We consider these non-GAAP financial measures to be important because they provide useful measures of our operating performance and are used by our management for that purpose. In addition, investors often use measures such as these to evaluate the operating performance of a company. Non-GAAP results are presented for supplemental informational purposes only for understanding our operating results. The non-GAAP results should not be considered a substitute for financial information presented in accordance with generally accepted accounting principles, and may be different from non-GAAP measures used by other companies.

A copy of this press release can be found on our Investor Relations website at www.netsuite.com/investors. The contents of the website are not incorporated by reference into this press release.

NOTE: NetSuite and the NetSuite logo are service marks of NetSuite Inc.

NetSuite Inc.
Condensed Consolidated Balance Sheets
(dollars in thousands)
(unaudited)

| | <i>March 31, 2013</i> | <i>December 31, 2012</i> |
|--|-----------------------|--------------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 190,653 | \$ 185,859 |
| Accounts receivable, net of allowances of \$629 and \$701 as of March 31, 2013 and December 31, 2012, respectively | 62,803 | 64,861 |
| Deferred commissions | 27,757 | 26,959 |
| Other current assets | 13,867 | 9,049 |
| Total current assets | 295,080 | 286,728 |
| Property and equipment, net | 40,663 | 27,210 |
| Deferred commissions, non-current | 4,794 | 4,784 |
| Goodwill | 45,434 | 35,661 |
| Other intangible assets, net | 14,658 | 12,420 |
| Other assets | 4,044 | 2,972 |
| Total assets | \$ 404,673 | \$ 369,775 |
| Liabilities and total equity | | |
| Current liabilities: | | |
| Accounts payable | \$ 4,267 | \$ 3,476 |
| Deferred revenue | 164,511 | 154,051 |
| Accrued compensation | 17,991 | 18,806 |
| Accrued expenses | 13,722 | 11,974 |
| Other current liabilities | 12,265 | 9,948 |
| Total current liabilities | 212,756 | 198,255 |
| Long-term liabilities: | | |
| Deferred revenue, non-current | 7,768 | 7,365 |
| Other long-term liabilities | 18,097 | 5,386 |
| Total long-term liabilities | 25,865 | 12,751 |
| Total liabilities | 238,621 | 211,006 |
| Total equity: | | |
| Common stock | 737 | 727 |
| Additional paid-in capital | 556,232 | 535,853 |
| Accumulated other comprehensive income | 881 | 950 |
| Accumulated deficit | (391,798) | (378,761) |
| Total equity | 166,052 | 158,769 |
| Total liabilities and total equity | \$ 404,673 | \$ 369,775 |

NetSuite Inc.
Condensed Consolidated Statements of Operations
(dollars and shares in thousands, except per share amounts)
(unaudited)

| | <i>Three months ended</i> | | | | |
|---|---------------------------|------------------------------|-------------------------------|--------------------------|---------------------------|
| | <i>March 31, 2013</i> | <i>December 31, 2012</i> | <i>September 30, 2012</i> | <i>June 30, 2012</i> | <i>March 31, 2012</i> |
| Revenue: | | | | | |
| Subscription and support | \$ 73,960 | \$ 68,534 | \$ 65,329 | \$ 61,049 | \$ 57,990 |
| Professional services and other | 17,669 | 16,472 | 14,462 | 13,660 | 11,329 |
| Total revenue | <u>91,629</u> | <u>85,006</u> | <u>79,791</u> | <u>74,709</u> | <u>69,319</u> |
| Cost of revenue: | | | | | |
| Subscription and support (1) | 12,315 | 11,135 | 10,880 | 10,631 | 9,211 |
| Professional services and other (1) | 17,330 | 15,488 | 14,211 | 12,423 | 11,584 |
| Total cost of revenue | <u>29,645</u> | <u>26,623</u> | <u>25,091</u> | <u>23,054</u> | <u>20,795</u> |
| Gross profit | <u>61,984</u> | <u>58,383</u> | <u>54,700</u> | <u>51,655</u> | <u>48,524</u> |
| Operating expenses: | | | | | |
| Product development (1) | 16,650 | 14,429 | 13,943 | 13,277 | 11,090 |
| Sales and marketing (1) | 46,752 | 42,563 | 38,591 | 37,561 | 35,579 |
| General and administrative (1) | 11,745 | 10,134 | 9,458 | 9,897 | 8,979 |
| Total operating expenses | <u>75,147</u> | <u>67,126</u> | <u>61,992</u> | <u>60,735</u> | <u>55,648</u> |
| Operating loss | <u>(13,163)</u> | <u>(8,743)</u> | <u>(7,292)</u> | <u>(9,080)</u> | <u>(7,124)</u> |
| Other income / (expenses) and income taxes, net (1) | 126 | (878) | (692) | (833) | (586) |
| Net loss | <u>(13,037)</u> | <u>(9,621)</u> | <u>(7,984)</u> | <u>(9,913)</u> | <u>(7,710)</u> |
| Net loss per share | <u>\$ (0.18)</u> | <u>\$ (0.13)</u> | <u>\$ (0.11)</u> | <u>\$ (0.14)</u> | <u>\$ (0.11)</u> |
| Weighted average number of shares used in computing net loss per common share | <u>73,144</u> | <u>71,977</u> | <u>71,161</u> | <u>70,370</u> | <u>69,324</u> |

- (1) Includes stock-based compensation expense, amortization of intangible assets, transaction costs for business combinations and income tax benefit associated with business combination as follows:

| | <i>March 31, 2013</i> | <i>December 31, 2012</i> | <i>September 30, 2012</i> | <i>June 30, 2012</i> | <i>March 31, 2012</i> |
|---|---------------------------|------------------------------|-------------------------------|--------------------------|---------------------------|
| Cost of revenue: | | | | | |
| Subscription and support | \$ 1,127 | \$ 1,135 | \$ 1,169 | \$ 1,484 | \$ 904 |
| Professional services and other | 1,846 | 1,612 | 1,688 | 1,504 | 1,173 |
| Operating expenses: | | | | | |
| Product development | 4,848 | 3,999 | 4,035 | 4,060 | 3,207 |
| Sales and marketing | 5,175 | 4,283 | 4,142 | 4,204 | 3,958 |
| General and administrative | 3,946 | 3,148 | 2,686 | 3,415 | 2,554 |
| Other income / (expenses) and income taxes, net | (1,119) | — | — | — | — |
| Total | <u>\$ 15,823</u> | <u>\$ 14,177</u> | <u>\$ 13,720</u> | <u>\$ 14,667</u> | <u>\$ 11,796</u> |

NetSuite Inc.
Reconciliation of Net Loss Per Share to Non-GAAP Net Income Per Share
(dollars and shares in thousands, except per share amounts)
(unaudited)

| | <i>Three months ended</i> | | | | |
|--|---------------------------|------------------------------|-------------------------------|--------------------------|---------------------------|
| | <u>March 31, 2013</u> | <u>December 31, 2012</u> | <u>September 30, 2012</u> | <u>June 30, 2012</u> | <u>March 31, 2012</u> |
| Reconciliation between GAAP operating loss and non-GAAP operating income: | | | | | |
| Operating loss | \$ (13,163) | \$ (8,743) | \$ (7,292) | \$ (9,080) | \$ (7,124) |
| Reversal of non-GAAP expenses: | | | | | |
| Stock-based compensation and amortization of capitalized stock-based compensation (a) | 15,196 | 12,503 | 12,584 | 12,566 | 10,883 |
| Amortization of intangible assets and business combination costs (b) | 1,746 | 1,674 | 1,136 | 2,101 | 913 |
| Non-GAAP operating income | <u>\$ 3,779</u> | <u>\$ 5,434</u> | <u>\$ 6,428</u> | <u>\$ 5,587</u> | <u>\$ 4,672</u> |
| Numerator: | | | | | |
| Reconciliation between GAAP net loss and non-GAAP net income: | | | | | |
| Net loss | \$ (13,037) | \$ (9,621) | \$ (7,984) | \$ (9,913) | \$ (7,710) |
| Stock-based compensation and amortization of capitalized stock-based compensation (a) | 15,196 | 12,503 | 12,584 | 12,566 | 10,883 |
| Amortization of intangible assets and business combination costs (b) | 1,746 | 1,674 | 1,136 | 2,101 | 913 |
| Income tax benefit associated with business combination (c) | (1,119) | — | — | — | — |
| Non-GAAP net income | <u>\$ 2,786</u> | <u>\$ 4,556</u> | <u>\$ 5,736</u> | <u>\$ 4,754</u> | <u>\$ 4,086</u> |
| Denominator: | | | | | |
| Reconciliation between GAAP and non-GAAP weighted average shares used in computing basic and diluted net income / (loss) per common share: | | | | | |
| Weighted average number of shares used in computing net loss per common share | 73,144 | 71,977 | 71,161 | 70,370 | 69,324 |
| Effect of dilutive securities (stock options and restricted stock awards) (d) | 2,371 | 2,999 | 3,051 | 3,152 | 3,604 |
| Non-GAAP weighted average shares used in computing non-GAAP net income per common share | <u>75,515</u> | <u>74,976</u> | <u>74,212</u> | <u>73,522</u> | <u>72,928</u> |
| GAAP net loss per share | <u>\$ (0.18)</u> | <u>\$ (0.13)</u> | <u>\$ (0.11)</u> | <u>\$ (0.14)</u> | <u>\$ (0.11)</u> |
| Non-GAAP net income per share | <u>\$ 0.04</u> | <u>\$ 0.06</u> | <u>\$ 0.08</u> | <u>\$ 0.06</u> | <u>\$ 0.06</u> |

Use of Non-GAAP Financial Measures

To supplement our condensed consolidated financial statements presented on a GAAP basis, NetSuite uses non-GAAP measures of operating income, net income, weighted average shares outstanding and net income per share, which are adjusted to exclude stock-based compensation expense, amortization of acquisition-related intangible assets, transaction costs for business combinations and income tax benefit associated with business combination and includes dilutive shares where applicable. We believe these adjustments are appropriate to enhance an overall understanding of our past financial performance and also our prospects for the future.

These adjustments to our current period GAAP results are made with the intent of providing both management and investors a more complete understanding of NetSuite's underlying operating results and trends and our marketplace performance.

The non-GAAP results are an indication of our baseline performance that are considered by management for the purpose of making operational decisions. In addition, these non-GAAP results are the primary indicators management uses as a basis for our planning and forecasting of future periods. The presentation of this additional information is not meant to be considered in isolation or as a substitute for operating loss, net loss or basic and diluted net loss per share prepared in accordance with generally accepted accounting principles in the United States. Non-GAAP financial measures are not based on a comprehensive set of accounting rules or principles and are subject to limitations.

While a large component of our expense in certain periods, we believe investors may want to exclude the effects of these items in order to compare our financial performance with that of other companies and between time periods:

- (a) Stock-based compensation is a non-cash expense accounted for in accordance with FASB ASC Topic 718. We believe that the exclusion of stock-based compensation expense allows for financial results that are more indicative of our operational performance and provide for a useful comparison of our operating results to prior periods and to our peer companies because stock-based compensation expense varies from period to period and company to company due to such things as differing valuation methodologies and changes in stock price. Additionally, we capitalize equity based compensation costs in connection with our capitalization of internally developed software costs. These equity based compensation costs are included in cost of revenue when the internally developed software costs are amortized. As such, we included these costs in the stock-based compensation line item to determine both non-GAAP operating income and non-GAAP net income.
- (b) Amortization of intangible assets and transaction costs related to business combinations resulted principally from mergers and acquisitions. Expense for the amortization of intangible assets is a non-cash item, and we believe that the exclusion of this amortization expense provides for a useful comparison of our operating results to prior periods and to our peer companies. In Q2 2012, certain customers acquired in a previous business combination transitioned from their legacy service offering to a NetSuite service offering or terminated their service completely. As a result, we recorded a \$401,000 impairment charge related to the legacy product's developed technology intangible asset. This impairment charge is included in amortization of intangible assets. Business combinations result in non-continuing operating expenses which would not otherwise have been incurred in the normal course of our business operations. We believe that the exclusion of acquisition related expense items allows for financial results that are more indicative of our continuing operations and provide for a useful comparison of our operating results to prior periods and to our peer companies.
- (c) In connection with a small acquisition during the first quarter of 2013, we recorded an income tax benefit that reduced our income tax provision for the first quarter of 2013. This income tax benefit is a non-cash item that would not otherwise have been incurred in the normal course of our business operations. We believe that the exclusion of acquisition related items allows for financial results that are more indicative of our continuing operations and provide for a useful comparison of our operating results to prior periods and to our peer companies.
- (d) These securities are anti-dilutive on a GAAP basis as a result of our net loss, but are considered dilutive on a non-GAAP basis in periods where we reported positive non-GAAP earnings.

NetSuite Inc.
Condensed Consolidated Statements of Cash Flows
(dollars in thousands)
(unaudited)

| | <i>Three Months Ended March 31,</i> | |
|--|-------------------------------------|-------------------|
| | <i>2013</i> | <i>2012</i> |
| Cash flows from operating activities: | | |
| Net loss | \$ (13,037) | \$ (7,710) |
| Adjustments to reconcile net loss to net cash provided by operating activities: | | |
| Depreciation and amortization | 3,380 | 2,519 |
| Amortization of other intangible assets | 1,186 | 901 |
| Provision for accounts receivable allowances | 171 | 177 |
| Stock-based compensation | 15,120 | 10,883 |
| Amortization of deferred commissions | 12,599 | 11,042 |
| Excess tax benefit on stock-based compensation | (70) | (100) |
| Changes in operating assets and liabilities, net of acquired assets and liabilities: | | |
| Accounts receivable | 1,878 | (1,513) |
| Deferred commissions | (13,407) | (9,987) |
| Other current assets | (4,862) | (810) |
| Other assets | (589) | (226) |
| Accounts payable | 658 | 616 |
| Accrued compensation | (737) | (4,183) |
| Deferred revenue | 10,990 | 8,626 |
| Other current liabilities | 2,287 | 528 |
| Other long-term liabilities | (867) | (207) |
| Net cash provided by operating activities | <u>14,700</u> | <u>10,556</u> |
| Cash flows from investing activities: | | |
| Purchases of property and equipment | (3,162) | (2,392) |
| Capitalized internal use software | (472) | (228) |
| Cash paid in business combinations, net of amounts received, and equity investment | (10,429) | — |
| Net cash used in investing activities | <u>(14,063)</u> | <u>(2,620)</u> |
| Cash flows from financing activities: | | |
| Payments under capital leases | (184) | (180) |
| Payments under capital leases and long-term debt - related party | (393) | (385) |
| Excess tax benefit on stock-based compensation | 70 | 100 |
| RSU acquired to settle employee withholding liability | (96) | (47) |
| Proceeds from issuance of common stock, net of issuance costs | 4,984 | 5,109 |
| Net cash provided by financing activities | <u>4,381</u> | <u>4,597</u> |
| Effect of exchange rate changes on cash and cash equivalents | <u>(224)</u> | <u>179</u> |
| Net change in cash and cash equivalents | 4,794 | 12,712 |
| Cash and cash equivalents at beginning of period | 185,859 | 141,448 |
| Cash and cash equivalents at end of period | <u>\$ 190,653</u> | <u>\$ 154,160</u> |