

## **For Immediate Release**

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### **NETSUITE ANNOUNCES SECOND QUARTER 2009 RESULTS**

- **Posts Third Consecutive Quarter of Non-GAAP Operating Income and Non-GAAP Net Income**
- **Generated Operating Cash Flow of \$1.4 million, an Improvement of \$3.6 Million Versus the Prior Quarter**
- **Average Sales Price during the quarter increased 33% over the Prior Quarter**

**SAN MATEO, Calif. — July 30, 2009**— NetSuite Inc. (NYSE: N), a leading vendor of [cloud computing business management software](#) suites, today announced operating results for its second quarter ended June 30, 2009.

Total revenue for the second quarter of 2009 was \$40.3 million, a 10% increase over the second quarter of 2008. Revenue from the Americas for the second quarter of 2009 was \$32.5 million, while revenue from international regions was \$7.8 million.

On a GAAP basis, net loss for the second quarter of 2009 was \$5.0 million, or \$(0.08) per share, as compared to \$3.1 million, or \$(0.05) per share, in the second quarter of 2008.

Non-GAAP net income for the second quarter of 2009 was \$687,000, or \$0.01 per share, as compared to a non-GAAP net loss of \$900,000, or \$(0.01) per share, for the second quarter of 2008.

Items presented on a non-GAAP basis exclude expenses related to stock-based compensation, the amortization of intangible assets, and transaction costs for business combinations. A reconciliation of GAAP net income/(loss) to non-GAAP net income/(loss) is provided below in a table immediately following the Condensed Consolidated Statements of Operations, along with an explanation of why these non-GAAP financial measures are useful to investors and how they are used by management.

“We were very pleased with our financial performance and strategic execution during the quarter. Once again, we delivered top-line and bottom-line results that exceeded expectations. We also generated operating cash in the quarter, well ahead of our plan. We remain on target to achieve our objective of posting break-even operating cash flow for 2009,” commented Zach Nelson, CEO of NetSuite. “We’re particularly pleased that we not only acquired more new customers during the quarter, but we did so at a higher average sales price. A recent industry

report indicates that NetSuite was rated as the fastest growing vendor in the top ten vendors of financial managements systems in North America. As customers accelerate their movement to cloud computing we believe NetSuite will continue to take share from our competitors.”

### **NetSuite's Second Quarter 2009 Highlights Include:**

- Appointed Edward Zander, former Motorola CEO and Sun Microsystems President, to its Board of Directors.
- Announced that NetSuite and NetSuite OneWorld have become the first generally available Software as a Service (SaaS) business management suites to be certified in Germany.
- Announced that NetSuite OneWorld was accredited by the Institute of Chartered Accountants in England & Wales.
- Added Google Checkout functionality to its platform providing instant payment options for buyers in 140 countries.
- Announced a new Financial Planning module to enable business performance management for strategy, planning and execution.
- Received several awards including: a Top 15 CRM Small and Medium Business Software Award for 2009 by strategic advisory service ISM Inc.; a 2009 CRM Excellence Award from Customer Interaction Solutions magazine for NetSuite CRM; winner of Best of SaaS Showplace Award for OpenAir by THINKstrategies, Inc.; and Network World, a prestigious IT publication, listed NetSuite as one of the top 10 cloud computing companies to watch alongside technology leaders Amazon and Google.
- Unveiled a new Financial Edition to help companies speed deployment of business processes to the cloud.
- Announced the availability of OpenAir Mobile for Apple’s iPhone.

### **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 the company's second quarter financial results and outlook for the third quarter. 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 Web site at <http://www.netsuite.com/investors>. The live call can be accessed by dialing 877-548-7907 (U.S.) or 719-325-4905 (outside the U.S.) and referencing passcode: 354-9759. 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: 354-9759.

### **About NetSuite**

NetSuite Inc. is a leading vendor of cloud computing business management software suites for mid-sized businesses and divisions of large companies. NetSuite enables mid-market companies to manage core business operations in a single system, which includes accounting/[ERP](#), customer relationship management (CRM), and Ecommerce. NetSuite's patent-pending "real-time dashboard" technology provides an easy-to-use view into up-to-date, role-specific business information. For information about NetSuite, please visit [www.netsuite.com](http://www.netsuite.com).

## **Cautionary Note Regarding Forward-Looking Statements**

This press release and the scheduled conference call contain forward-looking statements relating to expectations, plans, prospects and financial results for NetSuite, including our stated expectation for 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 release, 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 in this press release are based on information available to the Company as of the date hereof, 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 the Company's data center may occur; a security breach may impact operations; risks associated with material defects or errors in the Company's software or the effect of undetected computer viruses could impact operations; the risk of technological developments and innovations by others; our ability to successfully integrate our acquisition of QuickArrow, Inc.; 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; failure to protect and enforce our 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; increased demands on employees and costs associated with operating as a public company; evolving government regulation of the Internet and Ecommerce; changes to current accounting rules; and general political or destabilizing events, including war, conflict or acts of terrorism; and other risks and uncertainties.

Customers who purchase our service 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 the Company's Annual Report on Form 10-K filed on March 13, 2009, 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](http://www.sec.gov) or NetSuite's Web site at [www.netsuite.com](http://www.netsuite.com).

## **Non-GAAP Financial Measures**

The Company's stated results include certain non-GAAP financial measures, including non-

GAAP operating income/(loss), net income/(loss), weighted average shares outstanding, and net income/(loss) per share. Non-GAAP net income/(loss) excludes expenses related to stock-based compensation expense, amortization of intangible assets and transaction costs for business combinations. Non-GAAP net income/(loss) excludes 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. The Company considers these events to be non-routine, and believes these adjustments provide useful comparative information to investors.

The Company considers these non-GAAP financial measures to be important because they provide useful measures of the operating performance of the Company and are used by the Company's management for that purpose. In addition, investors often use measures such as these to evaluate the financial performance of a company. Non-GAAP results are presented for supplemental informational purposes only for understanding the Company's 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 the Company's Investor Relations Web site at [www.netsuite.com/investors](http://www.netsuite.com/investors). The contents of the Web site are not incorporated by reference into this press release.

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NetSuite Announces Second Quarter 2009 Results

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

	<i>December 31,</i> <u>2008</u>	<i>June 30,</i> <u>2009</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 123,638	\$ 116,387
Accounts receivable, net of allowances of \$589 and \$647 as of December 31, 2008 and June 30, 2009, respectively	26,675	25,080
Deferred commissions	11,363	9,998
Other current assets	2,385	3,768
Total current assets	<u>164,061</u>	<u>155,233</u>
Property and equipment, net	15,413	15,152
Deferred commissions, non-current	1,688	1,165
Goodwill	17,824	17,628
Other intangible assets, net	8,712	10,555
Other assets	2,636	2,375
Total assets	<u><u>\$ 210,334</u></u>	<u><u>\$ 202,108</u></u>
<b>Liabilities and equity</b>		
Current liabilities:		
Accounts payable	\$ 2,893	\$ 2,291
Deferred revenue	66,667	62,894
Accrued compensation	10,863	9,808
Accrued expenses	5,758	4,772
Other current liabilities	4,363	3,889
Total current liabilities	<u>90,544</u>	<u>83,654</u>
Long-term liabilities:		
Deferred revenue, non-current	7,204	5,635
Other long-term liabilities	3,199	2,958
Total long-term liabilities	<u>10,403</u>	<u>8,593</u>
Total liabilities	<u>100,947</u>	<u>92,247</u>
Equity:		
NetSuite Inc. stockholders' equity	108,992	109,855
Noncontrolling interest	395	6
Total equity	<u>109,387</u>	<u>109,861</u>
Total liabilities and equity	<u><u>\$ 210,334</u></u>	<u><u>\$ 202,108</u></u>

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

	<i>Three months ended</i>				
	<i>June 30,</i> <i>2008</i>	<i>September 30,</i> <i>2008</i>	<i>December 31,</i> <i>2008</i>	<i>March 31,</i> <i>2009</i>	<i>June 30,</i> <i>2009</i>
Revenue	\$ 36,553	\$ 40,404	\$ 41,401	\$ 41,567	\$ 40,304
Cost of revenue (1)	11,665	13,733	13,069	13,035	13,556
Gross profit	<u>24,888</u>	<u>26,671</u>	<u>28,332</u>	<u>28,532</u>	<u>26,748</u>
Operating expenses:					
Product development (1)	4,452	6,056	6,926	6,788	6,770
Sales and marketing (1)	19,401	20,221	19,516	18,797	18,264
General and administrative (1)	5,145	6,426	6,766	6,910	6,717
Total operating expenses	<u>28,998</u>	<u>32,703</u>	<u>33,208</u>	<u>32,495</u>	<u>31,751</u>
Operating loss	(4,110)	(6,032)	(4,876)	(3,963)	(5,003)
Other income / (expenses) and income taxes, net	580	(411)	166	17	(169)
Net loss	<u>(3,530)</u>	<u>(6,443)</u>	<u>(4,710)</u>	<u>(3,946)</u>	<u>(5,172)</u>
<i>Less:</i> Net loss attributable to the noncontrolling interest	402	201	245	201	182
Net loss attributable to NetSuite Inc.	<u>\$ (3,128)</u>	<u>\$ (6,242)</u>	<u>\$ (4,465)</u>	<u>\$ (3,745)</u>	<u>\$ (4,990)</u>
Net loss per share attributable to NetSuite Inc. common shareholders	<u>\$ (0.05)</u>	<u>\$ (0.10)</u>	<u>\$ (0.07)</u>	<u>\$ (0.06)</u>	<u>\$ (0.08)</u>
Weighted average number of shares used in computing net loss per common share	<u>60,160</u>	<u>60,436</u>	<u>60,838</u>	<u>61,248</u>	<u>61,853</u>

(1) Includes stock-based compensation expense, amortization of intangible assets and transaction costs for business combinations as follows:

	<i>Three months ended</i>				
	<i>June 30,</i> <i>2008</i>	<i>September 30,</i> <i>2008</i>	<i>December 31,</i> <i>2008</i>	<i>March 31,</i> <i>2009</i>	<i>June 30,</i> <i>2009</i>
Cost of revenue	\$ 525	\$ 1,113	\$ 1,056	\$ 1,044	\$ 1,238
Product development	548	1,147	1,451	1,350	1,443
Sales and marketing	568	1,234	1,239	1,204	1,462
General and administrative	<u>587</u>	<u>1,048</u>	<u>1,253</u>	<u>1,155</u>	<u>1,534</u>
Total stock-based compensation expense amortization of intangible assets and transaction costs for business combinations	<u>\$ 2,228</u>	<u>\$ 4,542</u>	<u>\$ 4,999</u>	<u>\$ 4,753</u>	<u>\$ 5,677</u>

**NetSuite Inc.**  
**Non-GAAP Condensed Consolidated Statements of Operations**  
*(Dollars and shares in thousands, except per share amounts)*  
*(unaudited)*

	<i>Three months ended</i>				
	<i>June 30,</i> <i>2008</i>	<i>September 30,</i> <i>2008</i>	<i>December 31,</i> <i>2008</i>	<i>March 31,</i> <i>2009</i>	<i>June 30,</i> <i>2009</i>
Revenue	\$ 36,553	\$ 40,404	\$ 41,401	\$ 41,567	\$ 40,304
Cost of revenue (1)	11,140	12,620	12,013	11,991	12,318
Gross profit	<u>25,413</u>	<u>27,784</u>	<u>29,388</u>	<u>29,576</u>	<u>27,986</u>
Operating expenses:					
Product development (1)	3,904	4,909	5,475	5,438	5,327
Sales and marketing (1)	18,833	18,987	18,277	17,593	16,802
General and administrative (1)	4,558	5,378	5,513	5,755	5,183
Total operating expenses	<u>27,295</u>	<u>29,274</u>	<u>29,265</u>	<u>28,786</u>	<u>27,312</u>
Operating income / (loss)	(1,882)	(1,490)	123	790	674
Other income / (expenses) and income taxes, net	580	(411)	166	17	(169)
Net income (loss)	<u>(1,302)</u>	<u>(1,901)</u>	<u>289</u>	<u>807</u>	<u>505</u>
<i>Less: Net loss attributable to the noncontrolling interest</i>	402	201	245	201	182
Net income / (loss) attributable to NetSuite Inc.	<u>\$ (900)</u>	<u>\$ (1,700)</u>	<u>\$ 534</u>	<u>\$ 1,008</u>	<u>\$ 687</u>
Net income / (loss) per share attributable to NetSuite Inc. common shareholders	<u>\$ (0.01)</u>	<u>\$ (0.03)</u>	<u>\$ 0.01</u>	<u>\$ 0.02</u>	<u>\$ 0.01</u>
Weighted average number of shares used in computing net income / (loss) per common share	<u>60,160</u>	<u>60,436</u>	<u>63,814</u>	<u>63,958</u>	<u>64,373</u>

(1) Excludes stock-based compensation expense, amortization of intangible assets and transaction costs for business combinations as follows:

	<i>Three months ended</i>				
	<i>June 30,</i> <i>2008</i>	<i>September 30,</i> <i>2008</i>	<i>December 31,</i> <i>2008</i>	<i>March 31,</i> <i>2009</i>	<i>June 30,</i> <i>2009</i>
Cost of revenue	\$ 525	\$ 1,113	\$ 1,056	\$ 1,044	\$ 1,238
Product development	548	1,147	1,451	1,350	1,443
Sales and marketing	568	1,234	1,239	1,204	1,462
General and administrative	<u>587</u>	<u>1,048</u>	<u>1,253</u>	<u>1,155</u>	<u>1,534</u>
Total stock-based compensation expense amortization of intangible assets and transaction costs for business combinations	<u>\$ 2,228</u>	<u>\$ 4,542</u>	<u>\$ 4,999</u>	<u>\$ 4,753</u>	<u>\$ 5,677</u>

**NetSuite Inc.**

**Reconciliation of Net Loss Per Share to Non-GAAP Net Income / (Loss) Per Share**

*(Dollars and shares in thousands, except per share amounts)*

*(unaudited)*

	<i>Three months ended</i>				
	<i>June 30,</i>	<i>September 30,</i>	<i>December 31,</i>	<i>March 31,</i>	<i>June 30,</i>
	<i>2008</i>	<i>2008</i>	<i>2008</i>	<i>2009</i>	<i>2009</i>
<b>Numerator:</b>					
Reconciliation between GAAP and non-GAAP net loss:					
Net loss attributable to NetSuite Inc.	\$ (3,128)	\$ (6,242)	\$ (4,465)	\$ (3,745)	\$ (4,990)
Reversal of stock-based compensation expense, amortization of intangible assets and transaction costs for business combinations (a)	2,228	4,542	4,999	4,753	5,677
Non-GAAP net income / (loss) attributable to : NetSuite Inc.	<u>\$ (900)</u>	<u>\$ (1,700)</u>	<u>\$ 534</u>	<u>\$ 1,008</u>	<u>\$ 687</u>
<b>Denominator:</b>					
Reconciliation between GAAP and non-GAAP weighted average shares used in computing basic and diluted net loss per common share:					
Weighted average number of shares used in computing net loss per common share	60,160	60,436	60,838	61,248	61,853
Effect of dilutive securities (stock options, restricted stock awards and warrants) (b)	-	-	2,976	2,710	2,520
Non-GAAP weighted average shares used in computing non-GAAP net income / (loss) per common share	<u>60,160</u>	<u>60,436</u>	<u>63,814</u>	<u>63,958</u>	<u>64,373</u>
GAAP net loss per share attributable to NetSuite Inc. common shareholders	<u>\$ (0.05)</u>	<u>\$ (0.10)</u>	<u>\$ (0.07)</u>	<u>\$ (0.06)</u>	<u>\$ (0.08)</u>
Non-GAAP net loss per share attributable to NetSuite Inc. common shareholders	<u>\$ (0.01)</u>	<u>\$ (0.03)</u>	<u>\$ 0.01</u>	<u>\$ 0.02</u>	<u>\$ 0.01</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 net income / (loss), weighted average shares outstanding and net income / (loss) per share, which are adjusted to exclude stock-based compensation expense, amortization of acquisition-related intangible assets and transaction costs for business combinations to include 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 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.

- (a) Stock-based compensation is a non-cash expense accounted for in accordance with Statement of Financial Accounting Standards No. 123(R) for options granted after January 1, 2006, and Accounting Principles Board Opinion No. 25 for options granted before January 1, 2006. Amortization of intangible assets and transaction costs related to business combinations resulted principally from mergers and acquisitions. 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.
- (b) These securities are anti-dilutive on a GAAP basis as a result of the Company's net loss, but are considered dilutive on a non-GAAP basis in periods where the Company has reported positive non-GAAP earnings.

NetSuite Announces Second Quarter 2009 Results

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

	<i>Six months ended</i>	
	<i>June 30,</i>	
	<u>2008</u>	<u>2009</u>
Cash flows from operating activities:		
Net loss	\$ (5,157)	\$ (8,735)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	2,484	3,334
Amortization of other intangible assets	180	1,274
Provision for accounts receivable allowances	228	868
Stock-based compensation	3,657	8,825
Amortization of deferred commissions	11,269	10,111
Loss on disposal of property and equipment	43	33
Noncontrolling interests	(650)	(383)
Changes in operating assets and liabilities, net of acquired assets and liabilities:		
Accounts receivable	(3,031)	1,176
Deferred commissions	(10,663)	(8,228)
Other current assets	(217)	(1,117)
Other assets	(112)	213
Accounts payable	947	(1,031)
Accrued compensation	687	(1,046)
Deferred revenue	1,221	(5,610)
Other current liabilities	(1,464)	(454)
Other long-term liabilities	288	(50)
Net cash used in operating activities	<u>(290)</u>	<u>(820)</u>
Cash flows from investing activities:		
Proceeds from disposal of property and equipment	18	-
Purchases of property and equipment	(2,713)	(2,159)
Capitalized internal use software	(159)	(128)
Business combinations, net of cash received	(28,210)	(3,412)
Acquisition of other intangible assets	-	(275)
Net cash used in investing activities	<u>(31,064)</u>	<u>(5,974)</u>
Cash flows from financing activities:		
Payment of offering costs	(560)	-
Payments under capital leases and long-term debt	(783)	(791)
Proceeds from issuance of common stock	248	494
Net cash used in financing activities	<u>(1,095)</u>	<u>(297)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>411</u>	<u>(160)</u>
Net change in cash and cash equivalents	(32,038)	(7,251)
Cash and cash equivalents at beginning of period	169,408	123,638
Cash and cash equivalents at end of period	<u>\$ 137,370</u>	<u>\$ 116,387</u>