

F5 to Acquire Shape Security

December 19, 2019

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This presentation contains forward-looking statements including, among other things, statements regarding the continuing strength and momentum of F5's and Shape's business, future financial performance, sequential growth, projected revenues including target revenue and earnings ranges, income, earnings per share, share amount and share price assumptions, share repurchases, demand for application delivery networking, application delivery services, security, and software products, expectations regarding future services and products, expectations regarding future customers, markets and the benefits of products, and other statements that are not historical facts and which are forward-looking statements. These forward-looking statements are subject to the safe harbor provisions created by the Private Securities Litigation Reform Act of 1995. Actual results could differ materially from those projected in the forward-looking statements as a result of certain risk factors. Such forward-looking statements involve risks and uncertainties, as well as assumptions and other factors that, if they do not fully materialize or prove correct, could cause the actual results, performance or achievements of the company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, but are not limited to: customer acceptance of Shape and F5 offerings; potential disruptions to F5's business and distraction of management as F5 integrates Shape's business and technology; F5's ability to successfully integrate Shape's products with F5 technologies; the ability of F5's sales professionals and distribution partners to sell Shape's product and service offerings; the timely development, introduction and acceptance of additional new products and features by F5 or its competitors; competitive factors, including but not limited to pricing pressures, industry consolidation, entry of new competitors into F5's markets, and new product and marketing initiatives by our competitors; increased sales discounts; the business impact of the acquisition of Shape and potential adverse reactions or changes to business or employee relationships, including those resulting from the announcement or completion of the acquisition; uncertainties as to the timing of the transaction; uncertain global economic conditions which may result in reduced customer demand for our products and services and changes in customer payment patterns; global economic conditions and uncertainties in the geopolitical environment; overall information technology spending; litigation involving patents, intellectual property, shareholder and other matters, and governmental investigations; natural catastrophic events; a pandemic or epidemic; F5's ability to sustain, develop and effectively utilize distribution relationships; F5's ability to attract, train and retain qualified product development, marketing, sales, professional services and customer support personnel; F5's ability to expand in international markets; the unpredictability of F5's sales cycle; F5's share repurchase program; future prices of F5's common stock; and other risks and uncertainties described more fully in our documents filed with or furnished to the Securities and Exchange Commission, including our most recent reports on Form 10-K and Form 10-Q and current reports on Form 8-K and other documents that we may file or furnish from time to time, which could cause actual results to vary from expectations. The financial information contained in this release should be read in conjunction with the consolidated financial statements and notes thereto included in F5's most recent reports on Forms 10-Q and 10-K as each may be amended from time to time. All forward-looking statements in this presentation are based on information available as of the date hereof and qualified in their entirety by this cautionary statement. F5 assumes no obligation to revise or update these forward-looking statements.

GAAP to Non-GAAP Presentation (1 of 2)

F5's management evaluates and makes operating decisions using various operating measures. These measures are generally based on the revenues of its products, services operations and certain costs of those operations, such as cost of revenues, research and development, sales and marketing and general and administrative expenses. One such measure is net income excluding stock-based compensation, amortization of purchased intangible assets, acquisition-related charges, net of taxes, and certain non-recurring tax expenses and benefits, which is a non-GAAP financial measure under Section 101 of Regulation G under the Securities Exchange Act of 1934, as amended. This measure consists of GAAP net income excluding, as applicable, stock-based compensation, amortization of purchased intangible assets, litigation expense, restructuring charges, facility exit costs, gain on sale of patents, non-recurring tax expenses and benefits, and acquisition-related charges. This measure of non-GAAP net income is adjusted by the amount of additional taxes or tax benefit that the company would accrue if it used non-GAAP results instead of GAAP results to calculate the company's tax liability. Stock-based compensation is a non-cash expense that F5 has accounted for since July 1, 2005 in accordance with the fair value recognition provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 718 Compensation—Stock Compensation ("FASB ASC Topic 718"). Amortization of intangible assets is a non-cash expense. Investors should note that the use of intangible assets contribute to revenues earned during the periods presented and will contribute to revenues in future periods. Acquisition-related expenses consist of professional services fees incurred in connection with acquisitions.

GAAP to Non-GAAP Presentation (2 of 2)

Management believes that non-GAAP net income per share provides useful supplemental information to management and investors regarding the performance of the company's core business operations and facilitates comparisons to the company's historical operating results. Although F5's management finds this non-GAAP measure to be useful in evaluating the performance of the core business, management's reliance on this measure is limited because items excluded from such measures could have a material effect on F5's earnings and earnings per share calculated in accordance with GAAP. Therefore, F5's management will use its non-GAAP earnings and earnings per share measures, in conjunction with GAAP earnings and earnings per share measures, to address these limitations when evaluating the performance of the company's core business. Investors should consider these non-GAAP measures in addition to, and not as a substitute for, financial performance measures in accordance with GAAP.

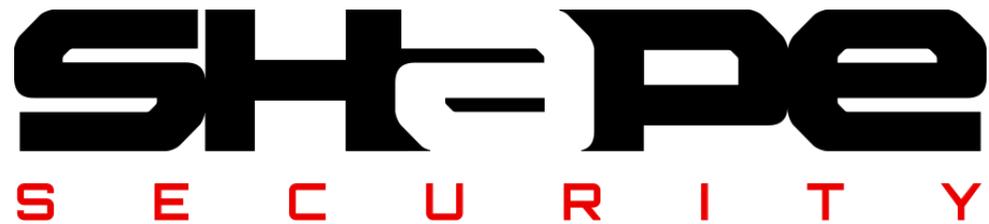
F5 believes that presenting its non-GAAP measures of earnings and earnings per share provides investors with an additional tool for evaluating the performance of the company's core business and is used by management in its own evaluation of the company's performance. Investors are encouraged to look at GAAP results as the best measure of financial performance. However, while the GAAP results are more complete, the company provides investors these supplemental measures since, with reconciliation to GAAP, it may provide additional insight into the company's operational performance and financial results.

Transforming Application Security



Global Leader in
Multi-Cloud Application
Services

Leader in Application Security
for Anti-Fraud and
Abuse Protection



Leader in Application Security for Anti-Fraud and Abuse Protection

\$70mm ARR,
~100% subscription¹

\$60mm LTM revenue²
~50% yoy growth

9 Fortune 50 Customers

375+ Employees

Detects and mitigates
>1 billion automated
attacks per day

Protects 150 million
legitimate human log-ins
per day

82 patents issued,
77 patents pending

Deployed on 200 million
mobile devices worldwide

¹ ARR AS OF OCTOBER 31, 2019

² LTM REVENUE AS OF OCTOBER 31, 2019

Transaction Summary

Shape overview

- Leader in application security for anti-fraud and abuse protection serving the Global 2000
- Marquee investors Kleiner Perkins, Venrock, Norwest, Google Ventures and others with >\$182m of capital
- Derek Smith, Shape Co-Founder and CEO, and management team will join F5 in key roles

Transaction overview

- Approximately \$1 billion purchase price
- Includes deferred consideration for select employees and unvested employee incentive compensation
- Financed with balance sheet cash and \$400 million Senior Unsecured Term Loan A

Financial impact

- Immediately accelerates product and total revenue growth; meaningfully enhances software subscriptions
- Dilutive to FY20 non-GAAP EPS with break-even expected within 24 months of closing
- Accretive to free cash flow per share within 12 months of closing

Closing

- Expected to close in calendar Q1 2020
- Subject to regulatory approval and customary closing conditions

F5 and Shape: A Powerful Combination

1

LEADER IN ANTI-FRAUD &
ABUSE PROTECTION



Shape solves an acute need
and is a leader with scale in
a high growth market
segment

2

TRANSFORMING
APPLICATION SECURITY



Combination redefines app
security by reducing customer
friction and accelerating sales
velocity

3

ANALYTICS-DRIVEN MULTI-
CLOUD APP SERVICES



AI / ML-based cloud
analytics platform unlocks
significant long-term
opportunity

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Anti-Fraud Extends F5's Application Security Portfolio



¹ F5 APPLICATION SECURITY TAM, A SUBSET OF OVERALL F5 ADDRESSABLE MARKET SEGMENTS

² 2020 TAM SIZE ESTIMATE BASED ON IDC

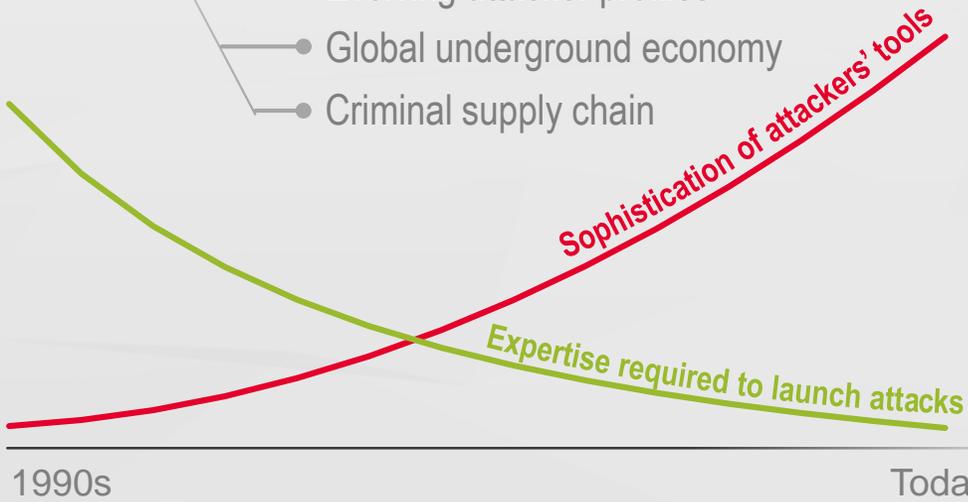
³ 2020 TAM SIZE ESTIMATE BASED ON GLOBALDATA AND GARTNER

Stolen Credentials Put Every Application at Risk...

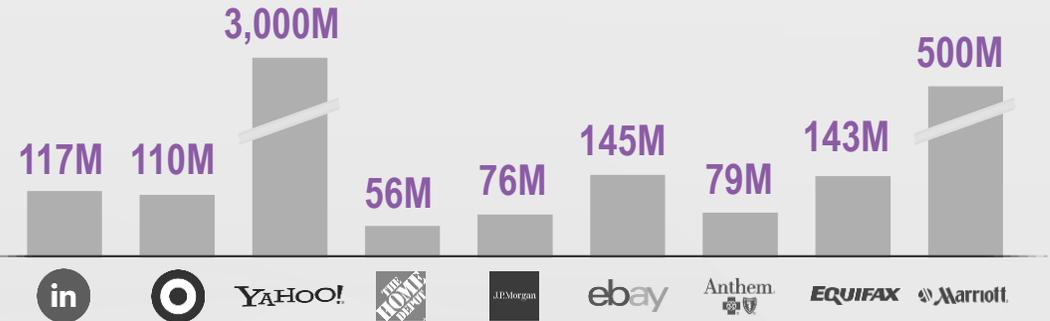


Industrialization of **CYBERCRIME**

- Rising attacker sophistication
- Evolving attacker profiles
- Global underground economy
- Criminal supply chain



Resulting in Billions of **STOLEN CREDENTIALS**



Enabling massive fraud and account abuse

- ✓ Credit application fraud
- ✓ Account takeover
- ✓ Content scraping
- ✓ Fake account creation
- ✓ Gift card cracking
- ✓ Aggregator attacks

... And Automation Fuels Application Attacks at Scale



Fraudsters Apply Stolen
CREDENTIALS



Attackers are Using
AUTOMATION



Creating a
MASSIVE PROBLEM

\$105 billion



U.S. Cost of Fraud³


+3 billion more
user credentials / year

Credentials Stolen in 2018¹



Global 2000 Application Traffic
from Non-Human Actors²

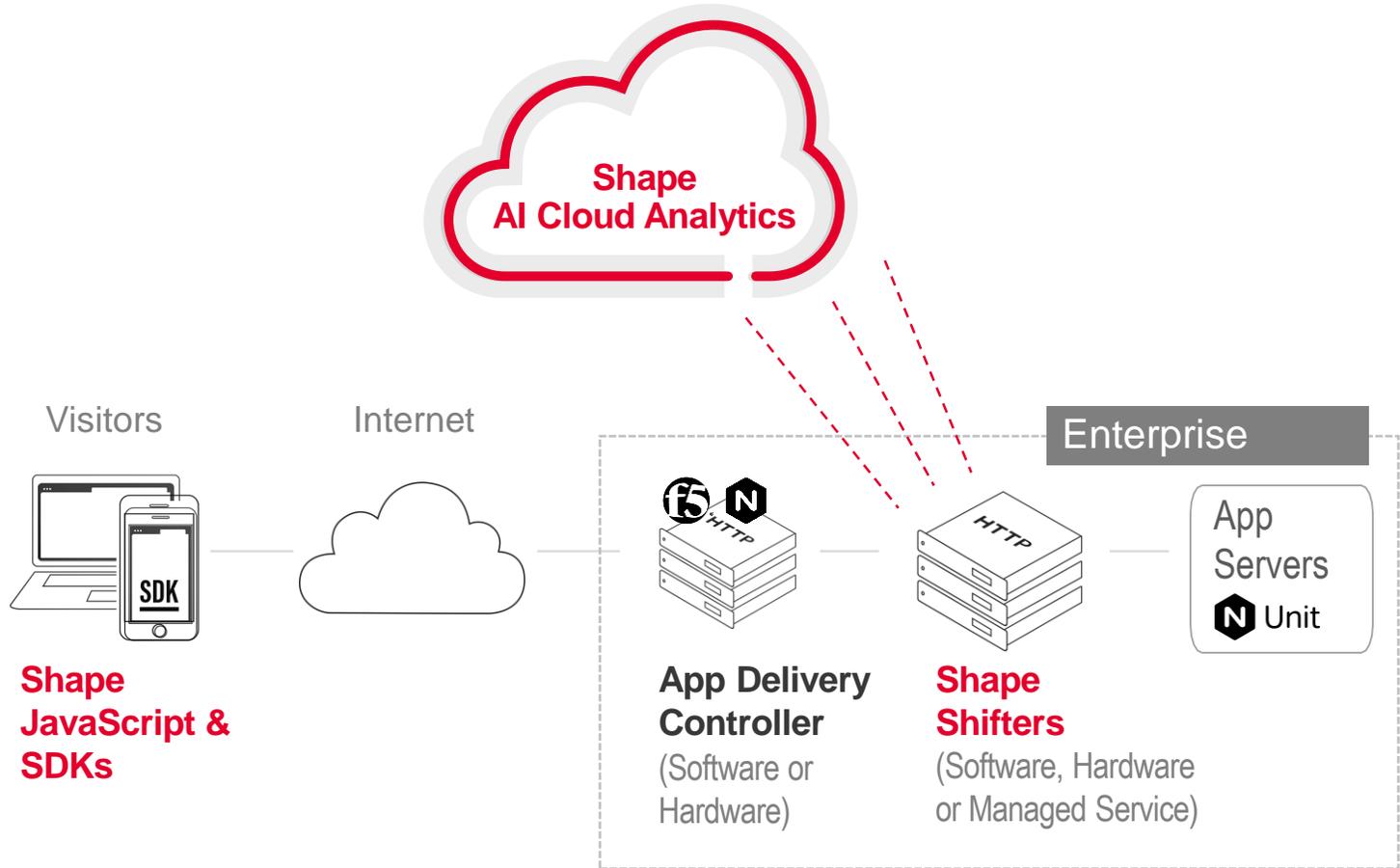
¹ SHAPE CREDENTIAL SPILL REPORT

² SHAPE

³ LEXISNEXIS 2018 TRUE COST OF FRAUD STUDY; DIGITALCOMMERCE360.COM



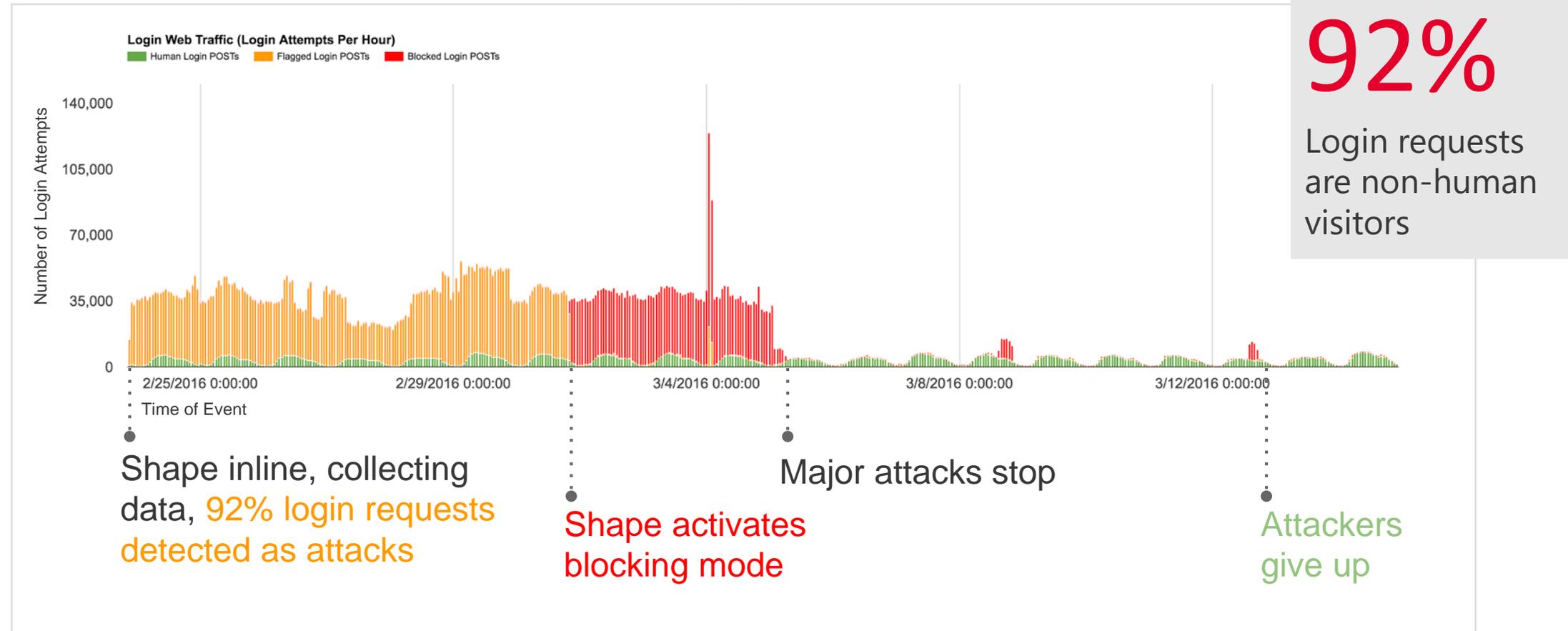
Leader in Application Security for Anti-Fraud and Abuse Protection



Protecting 150M+ real logins and blocking 1B+ attacks each day

Shape Stops Highly Sophisticated Attackers

Actual attack on a major retailer blocked by Shape



Shape is the Category Leader to the Global 2000



8 of the top 12

U.S. Banks



2 of the top 5

Global Hotel Chains



2 of the top 10

Global Retailers



5 of the top 10

Credit Card Issuers



5 of the top 10

Global Airlines



2 of the top 5

Insurers

Defeating Fraud Requires a Best-in-Class Vendor

		CDN-focused Vendors	Pure-play Anti-bot Vendors
Blocking efficacy	✓	~	✓
Ease of insertion		✓	✗
Go-to-market capabilities		✓	~
Operational scale	✓	✓	✗
Net promoter score	✓	✗	~

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High-Growth Enterprise Security Leadership

Application Security \$8b TAM	 + 
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Network
\$14b TAM

	
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Identity
\$11b TAM



Endpoint
\$7b TAM



Management
\$4b TAM



Web
\$3b TAM



Email
\$3b TAM



SOURCE: GARTNER AND RISK MANAGEMENT WORLDWIDE, 2017-2023 Q2 UPDATE, 2019 (ALL 2020 ESTIMATES)

Combination is a Game Changer in Application Security

Product

Go-to-Market



Address WAF + Anti-Fraud + Anti-Bot + API Security

Deliver a comprehensive portfolio of complementary security capabilities to redefine what customers expect



Leverage Global Salesforce & Customer Base

Accelerate sales through F5's large, global salesforce with security expertise selling to established enterprise customers



Remove Friction with Common Insertion Point

Shorten sales cycles by reducing friction given F5 / NGINX's existing insertion point in front of enterprise applications



Establish Deep Managed Service Expertise

Shape's customer intimacy and managed security service expertise brings F5 closer to top customers

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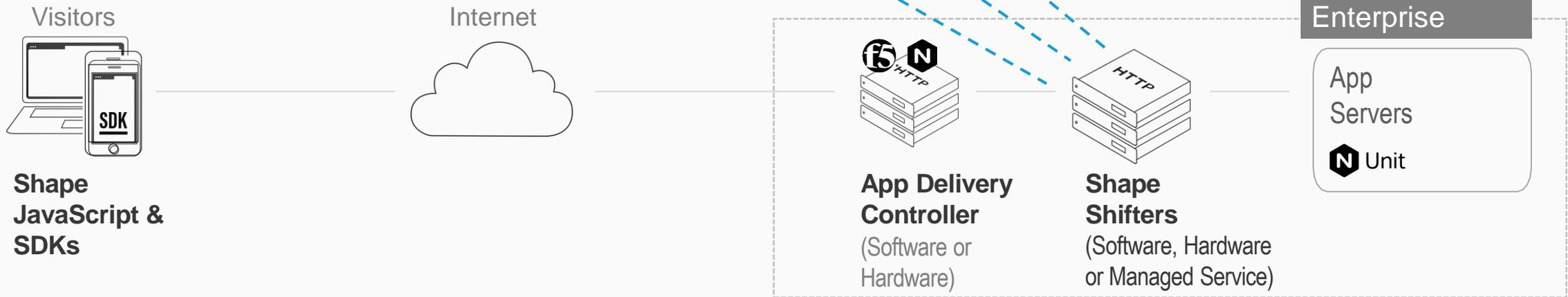
Shape Excels at Cloud Analytics

SH-PE

AI Cloud Analytics

Shape's unique advantages

- ✓ Collects proprietary signals
- ✓ Real-time data classified by ML
- ✓ Extensive datasets and ML training
- ✓ Comprehensive advanced mitigation



Cloud Analytics Unlocks Future Opportunities for F5

Superior Analytics

SH-PE



High Volume Telemetry Processing

Established and battle-tested analytics platform capable of high rate ingestion



Highly Advanced Analytics Platform

Robust second-generation analytics platform built on top of Google Cloud Platform



Sophisticated AI / ML Modeling

Real-time, near-real time, and offline decision making for complex behavioral modeling



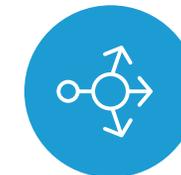
Unlocks significant new future opportunities



Visibility

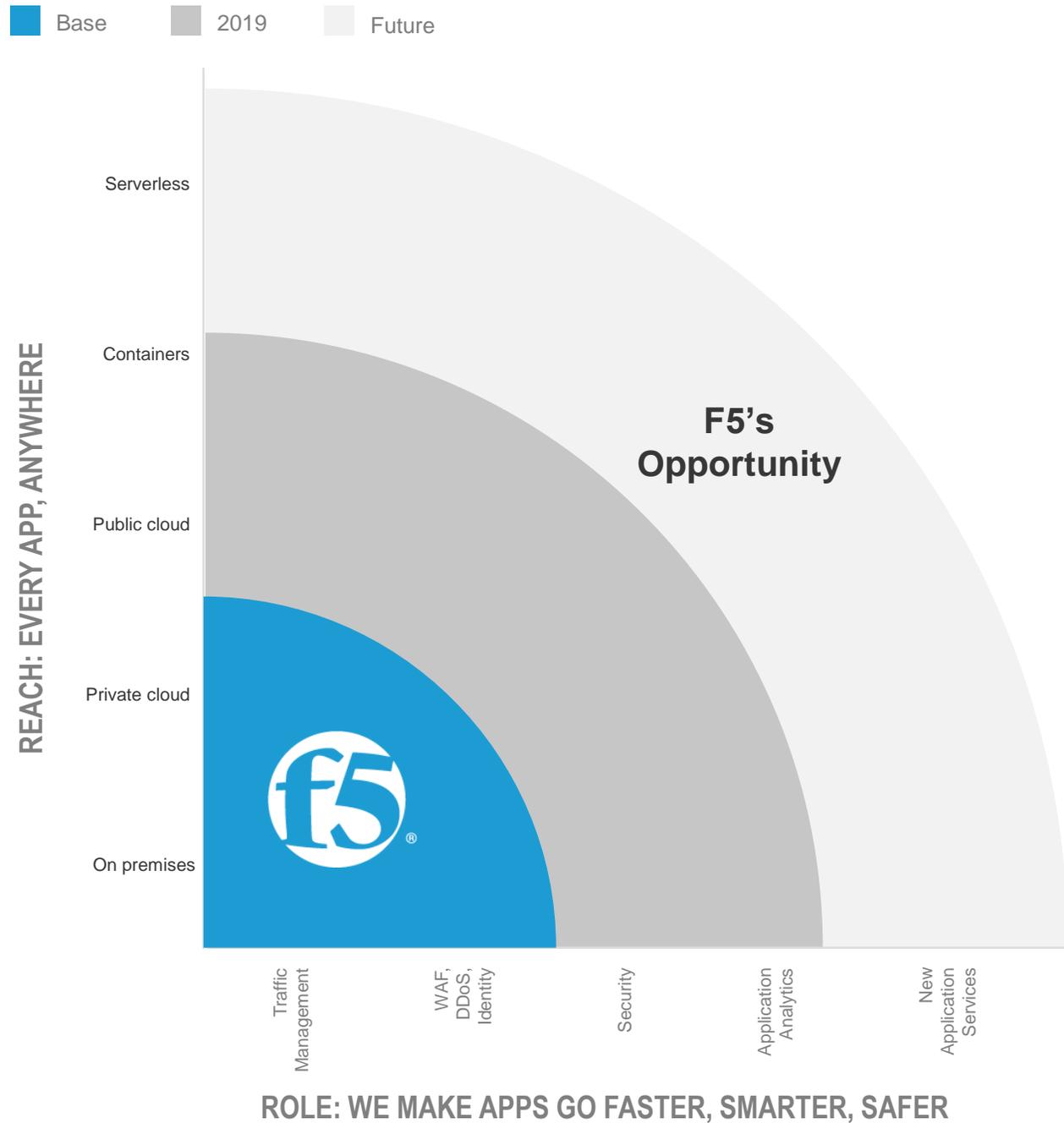


Insights



Orchestration

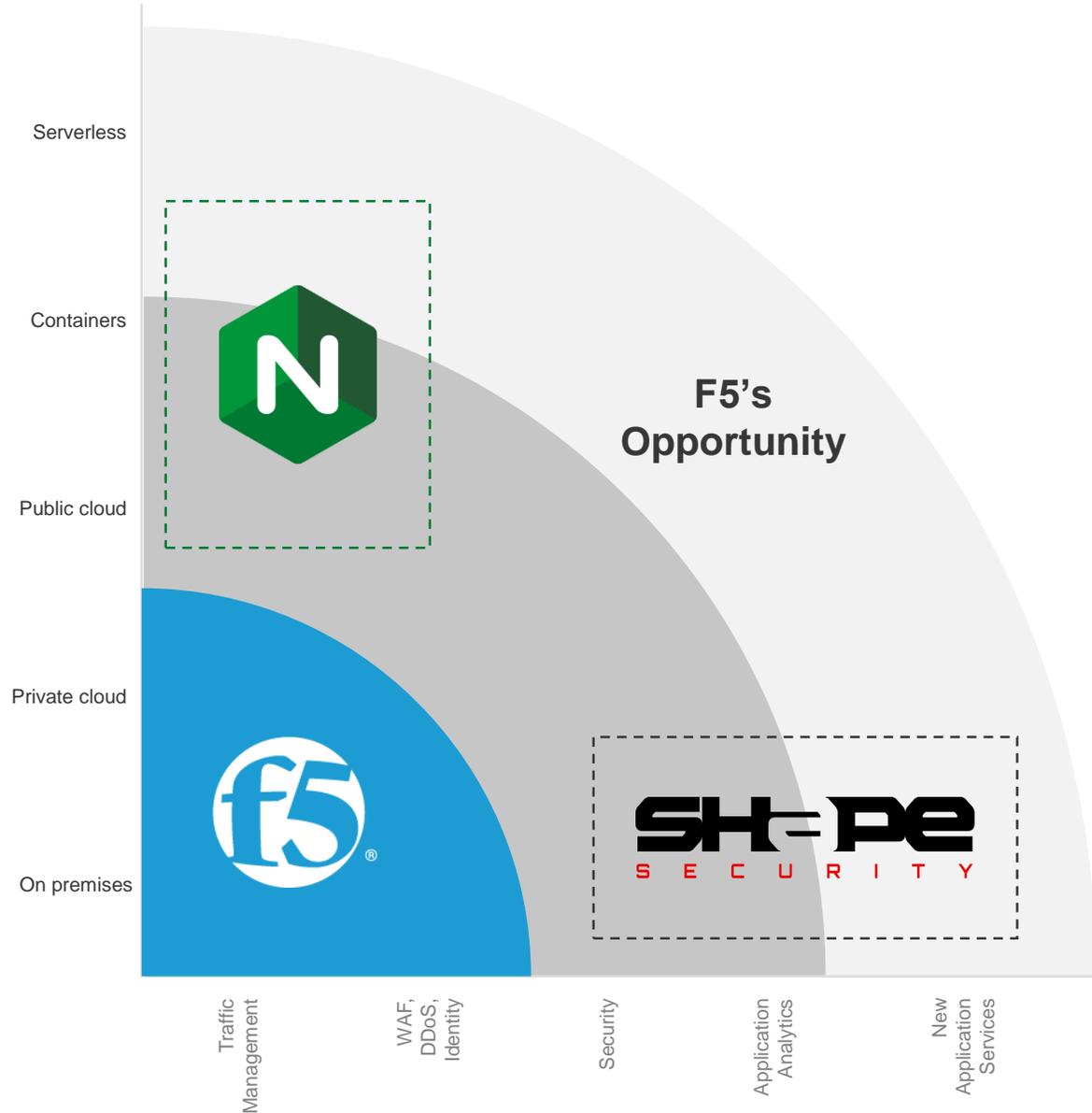
Leader in Multi-Cloud Application Services



Leader in Multi-Cloud Application Services

■ Base ■ 2019 ■ Future

REACH: EVERY APP, ANYWHERE



Shape Accelerates F5's Growth Trajectory

Top-line

- Immediately accelerates topline growth enhancing F5's long-term outlook in software
- Meaningfully enhances software subscription mix, advancing F5's multi-year transition to software
- Significantly improves FY20 outlook
 - Software revenue growth improves from 35-40%+ to 60-70%¹
 - Software % of product revenue improves from 25-30% to 35%+
 - Total non-GAAP revenue growth improves from mid single-digit to mid-to-high single-digits²

Bottom-line

- FY20 non-GAAP gross margin expected to be ~85%, roughly in-line with prior guidance
- FY20 non-GAAP operating margin expected to be 30-32%, down from 33-35%, reflecting organic and inorganic investments to drive future growth
- Transaction expected to be dilutive to FY20 non-GAAP EPS in the mid-to-high single-digit range
- Breakeven non-GAAP EPS expected within 24 months of closing
- Accretive to free cash flow per share within 12 months of closing

¹ SOFTWARE INCLUDES STANDALONE VIRTUAL EDITIONS, INCLUDING SUBSCRIPTIONS & UTILITY, AND AS A SERVICE OFFERINGS.

² FOR ADDITIONAL INFORMATION ABOUT NON-GAAP MEASURES, PLEASE SEE SLIDES 3-4 OF THIS PRESENTATION.

NOTE: ALL FIGURES EXCLUDE EXPECTED DEFERRED REVENUE WRITE-OFF OF APPROXIMATELY \$24 MILLION, PRIMARILY OVER THE NEXT FOUR QUARTERS

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