



# Analyst and Investor Meeting<sup>20</sup>

November 18, 2020

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Chief Executive Officer

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EVP and CFO

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# Forward-looking statements

This presentation contains forward-looking statements including, among other things, statements regarding the continuing strength and momentum of F5's business, future financial performance, projected and target revenue, revenue mix, revenue growth rates and earnings ranges, income, earnings per share, share amounts 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: the impact of the COVID-19 global pandemic including but not limited to the advantages of incumbency in an uncertain environment, caution in spending patterns in the most severely impacted verticals, delays in orders in some impacted regions due to COVID-19 impacts; prolonged face-to-face sales engagement delaying some new strategic projects; customer acceptance of our new security, application delivery, optimization, and software and SaaS offerings; the timely development, introduction and acceptance of additional new products and features by F5 or its competitors; F5 may not realize the financial and strategic goals that are contemplated through its acquisitions, including Shape and NGINX, and F5 may not successfully operate and integrate newly-acquired businesses appropriately or as expected; 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; uncertain global economic conditions, including those related to COVID-19, 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; 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, performance or achievements to vary from expectations. The financial information contained in this presentation 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.

# Use of non-GAAP

Unless otherwise indicated in the presentation, all financial measures are presented on a non-GAAP basis. Available GAAP measures are being provided in the following reconciliation tables for comparison. All forward-looking non-GAAP measures included in the outlook exclude estimates for amortization of intangible assets, share-based compensation expenses, significant effects of tax legislation and judicial or administrative interpretation of tax regulations, including the impact of income tax reform, non-recurring income tax adjustments, valuation allowance on deferred tax assets, and the income tax effect of non-GAAP exclusions, and do not include the impact of any future acquisitions or divestitures, acquisition-related charges and write-downs, restructuring charges, facility exit costs, or other non-recurring charges that may occur in the period. F5 is unable to provide a reconciliation of non-GAAP earnings guidance measures to corresponding U.S. generally accepted accounting principles or GAAP measures on a forward-looking basis without unreasonable effort due to the overall high variability and low visibility of most of the foregoing items that have been excluded. Material changes to any one of these items could have a significant effect on our guidance and future GAAP results. Certain exclusions, such as amortization of intangible assets and share-based compensation expenses, are generally incurred each quarter, but the amounts have historically varied and may continue to vary significantly from quarter to quarter.

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 GAAP net income excluding, as applicable, stock-based compensation, amortization of purchased intangible assets, acquisition-related charges, net of taxes, restructuring charges, facility-exit costs, significant litigation and other contingencies 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 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.

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.

# GAAP to non-GAAP reconciliation

The non-GAAP adjustments, and F5's basis for excluding them from non-GAAP financial measures, are outlined below:

*Acquisition-related write-downs of assumed deferred revenue.* Included in its GAAP financial statements, F5 records acquisition-related write-downs of assumed deferred revenue to fair value, which results in lower recognized revenue over the term of the contract. F5 includes revenue associated with acquisition-related write-downs of assumed deferred revenue in its non-GAAP financial measures as management believes it provides a more accurate depiction of revenue arising from our strategic acquisitions.

*Stock-based compensation.* Stock-based compensation consists of expense for stock options, restricted stock, and employee stock purchases through the company's ESPP. Although stock-based compensation is an important aspect of the compensation of F5's employees and executives, management believes it is useful to exclude stock-based compensation expenses to better understand the long-term performance of the company's core business and to facilitate comparison of the company's results to those of peer companies.

*Acquisition-related charges, net.* F5 does not acquire businesses on a predictable cycle and the terms and scope of each transaction can vary significantly and are unique to each transaction. F5 excludes acquisition-related charges from its non-GAAP financial measures to provide a useful comparison of the company's operating results to prior periods and to its peer companies. Acquisition-related charges consist of planning, execution and integration costs incurred directly as a result of an acquisition.

*Restructuring charges.* F5 has incurred restructuring charges that are included in its GAAP financial statements, primarily related to workforce reductions and costs associated with exiting facility lease commitments. F5 excludes these items from its non-GAAP financial measures when evaluating its continuing business performance as such items vary significantly based on the magnitude of the restructuring action and do not reflect expected future operating expenses. In addition, these charges do not necessarily provide meaningful insight into the fundamentals of current or past operations of its business.

*Amortization of purchased intangible assets.* Purchased intangible assets are amortized over their estimated useful lives and generally cannot be changed or influenced by management after the acquisition. Management does not believe these charges accurately reflect the performance of the company's ongoing operations, therefore, they are not considered by management in making operating decisions. However, investors should note that the use of intangible assets contributed to F5's revenues earned during the periods presented and will contribute to F5's future period revenues as well.

*Facility-exit costs.* In fiscal year 2019, F5 relocated its headquarters in Seattle, Washington, and recorded charges in connection with this facility exit as well as other non-recurring lease activity. These charges are not representative of ongoing costs to the business and are not expected to recur. As a result, these charges are being excluded to provide investors with a more comparable measure of costs associated with ongoing operations.

For reconciliation of these non-GAAP financial measures to the most directly comparable GAAP financial measures, please see the Appendix of this presentation.

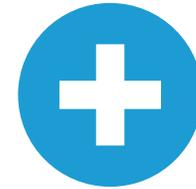


# Pioneering the Adaptive Applications Era

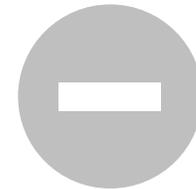
**François Locoh-Donou**

Chief Executive Officer

# How have we done since our 2018 Analyst and Investor Meeting



**Total Revenue**  
**Software Growth Rate**  
**Software Mix**  
**Subscription Mix**



Systems Growth Rate  
Operating Margin & EPS Growth

## STRATEGY PROOF-POINTS – BUSINESS IS AT AN INFLECTION POINT

- 1 Software transformation** ahead of schedule
- 2 Security business** is a **scale leader in Application Security**
- 3 Recurring revenue** to support growth and earnings power
- 4 On track** to deliver sustainable **double-digit** non-GAAP EPS growth in **original 2018 AIM timeframe**

All businesses will need to deliver apps that engage and amaze. We call these **adaptive applications**.

---

We will lead in this new era through our unique position in **application security, delivery and analytics**.

---

We are transforming our business at an **unprecedented pace, driving top-line growth acceleration**.

**We are positioned for, and committed to, sustainable double-digit EPS growth**

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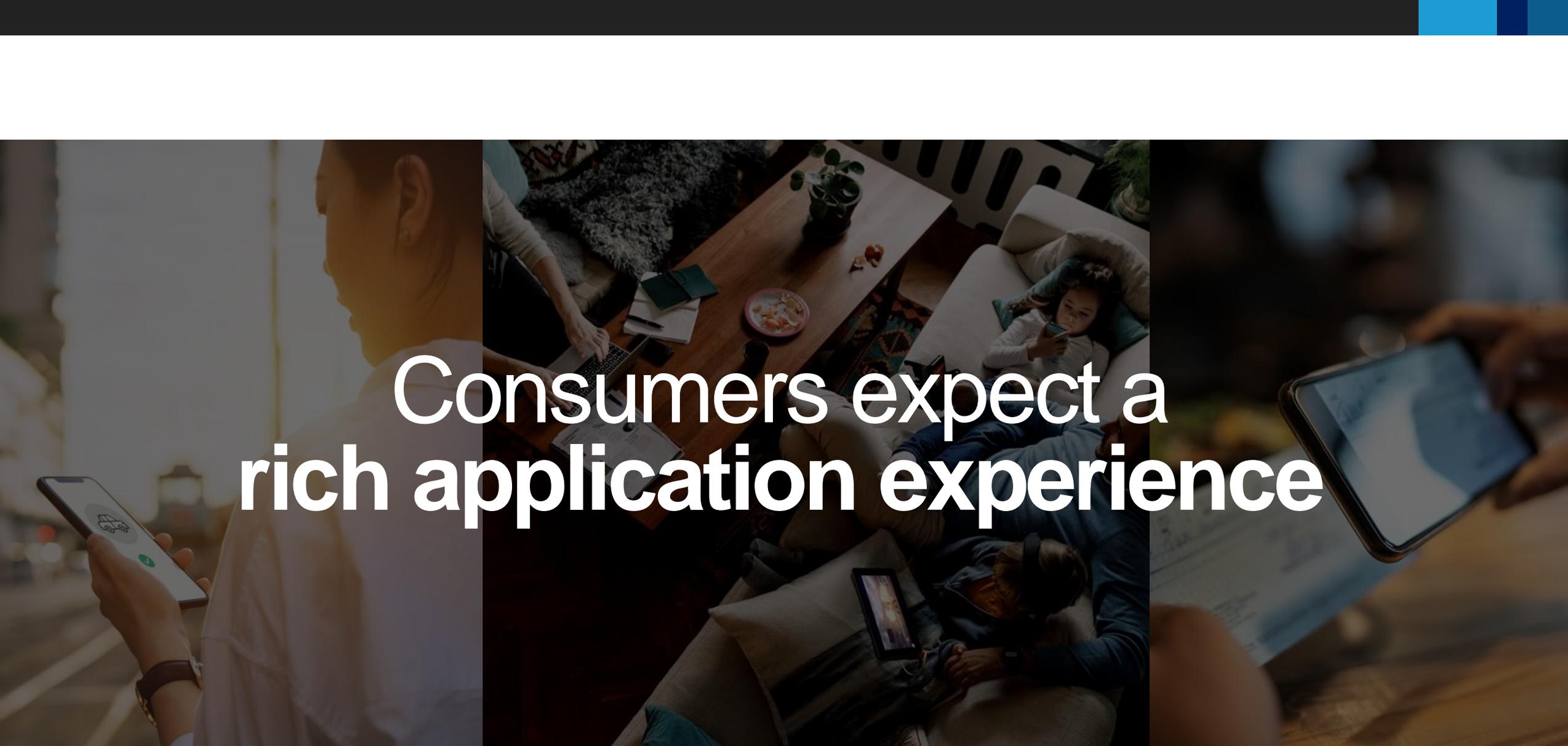
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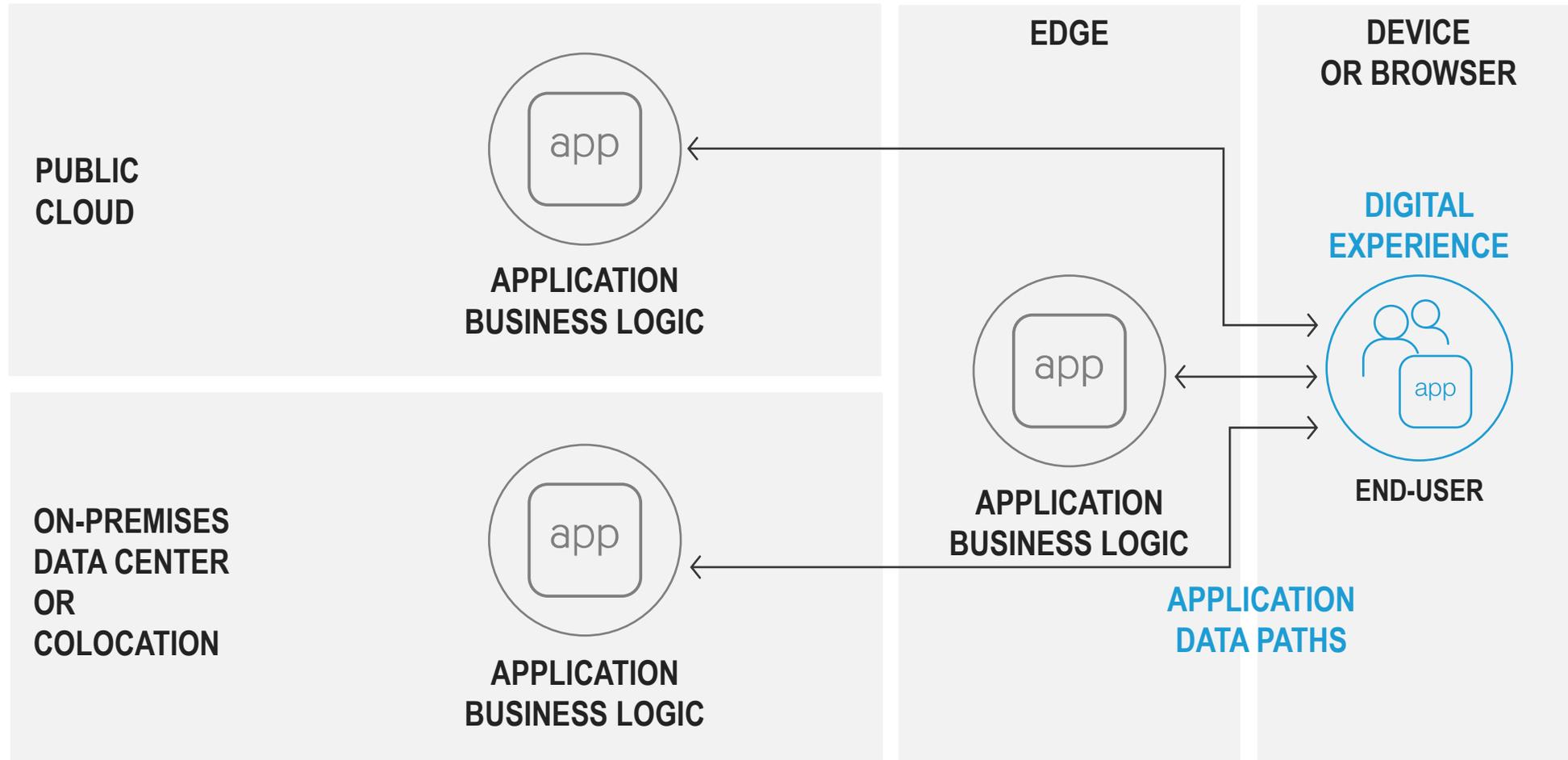
**We are positioned for, and committed to, sustainable double-digit EPS growth**



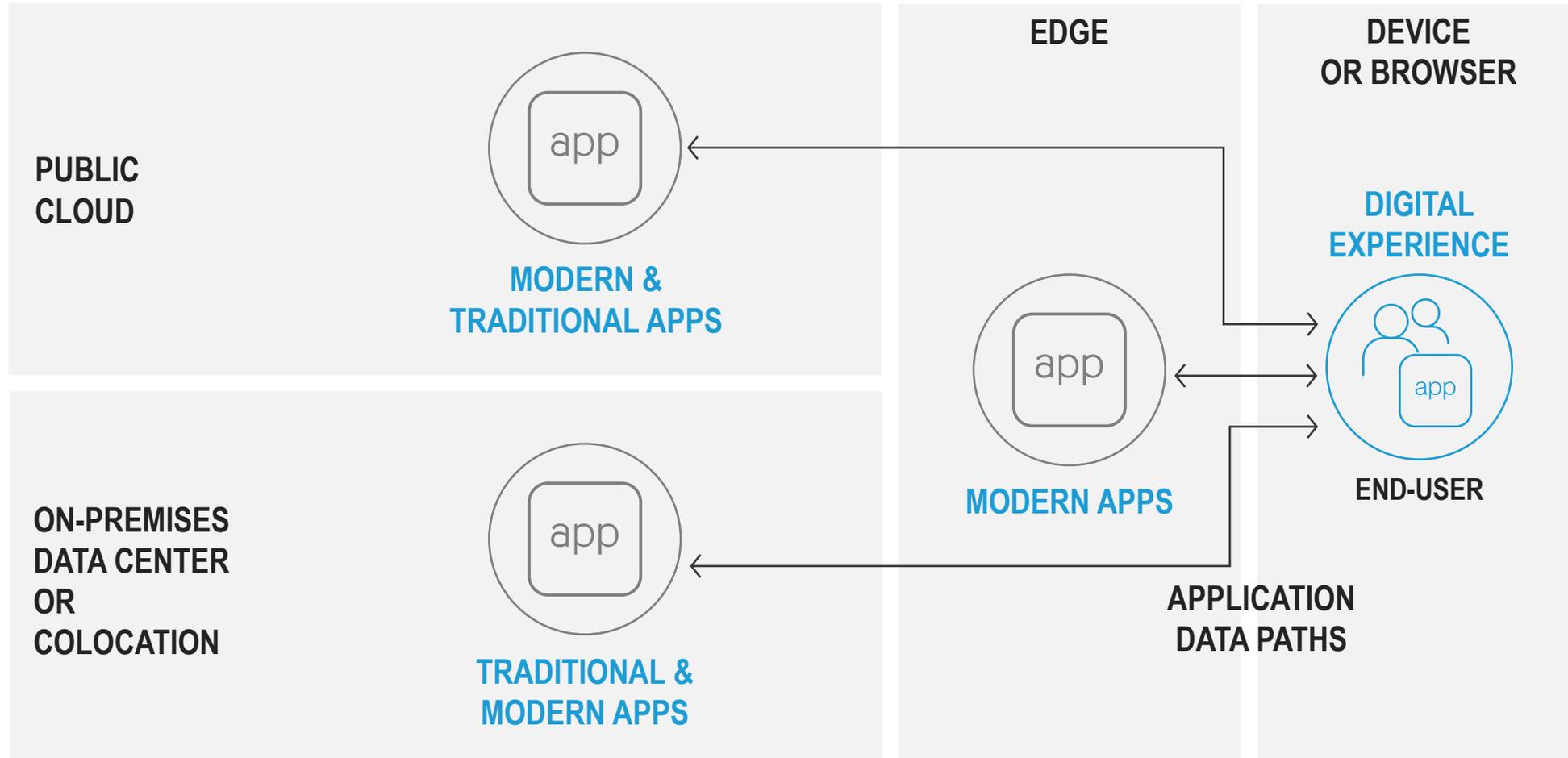
# Consumers expect a rich application experience

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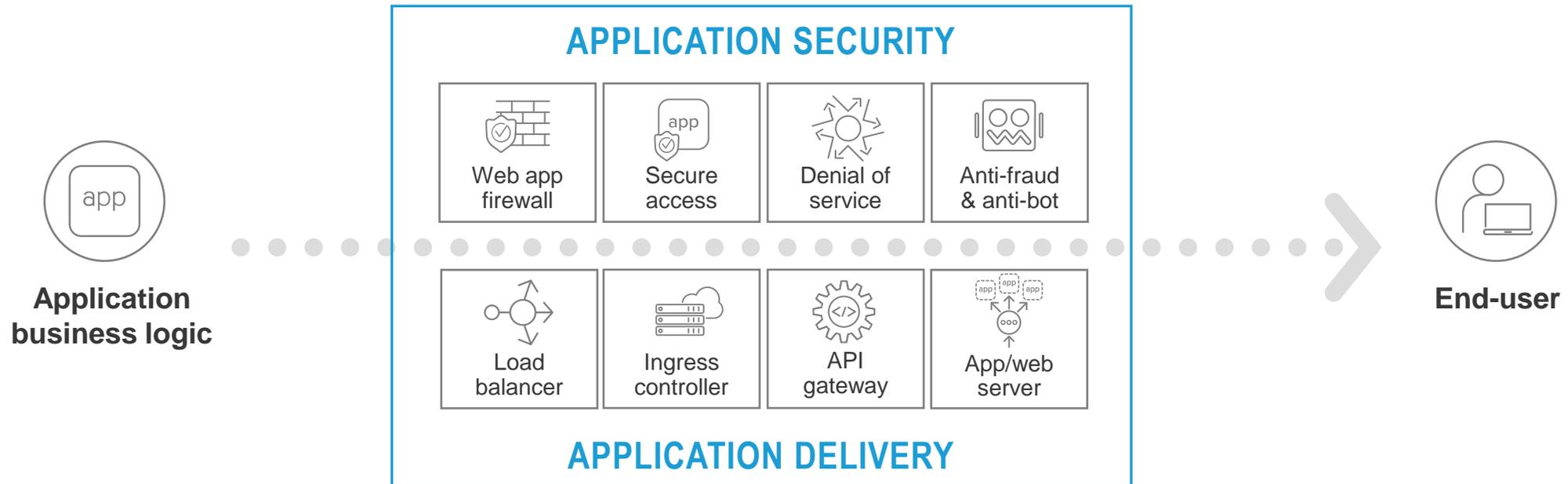
# Today's **digital experiences** are often stitched together from multiple application data paths spanning on-prem to edge



# Most digital experiences are comprised of a blend of **traditional** and **modern** applications

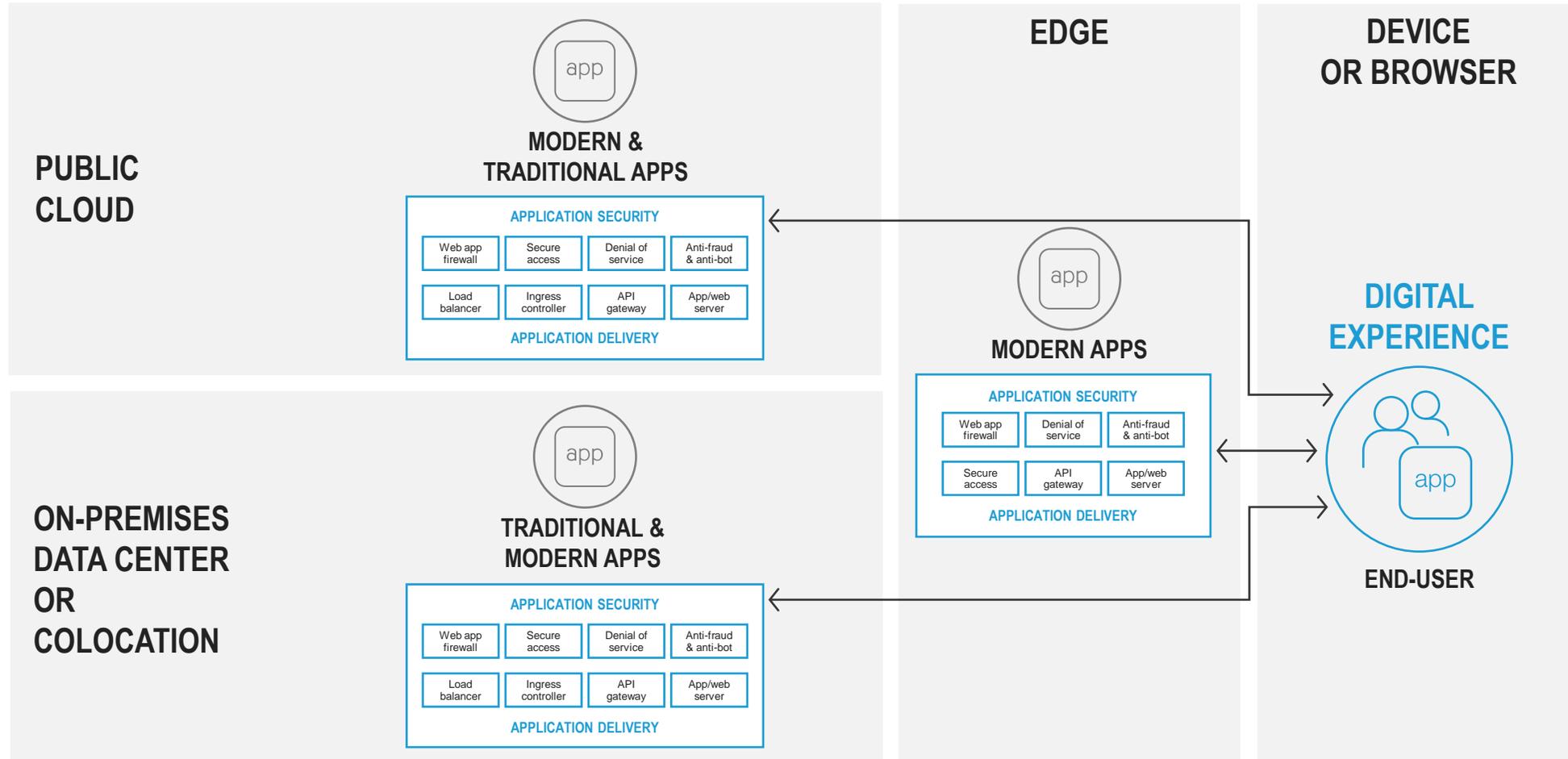


Along each data path, there are a set of application technologies required for **securing** and **delivering** the app

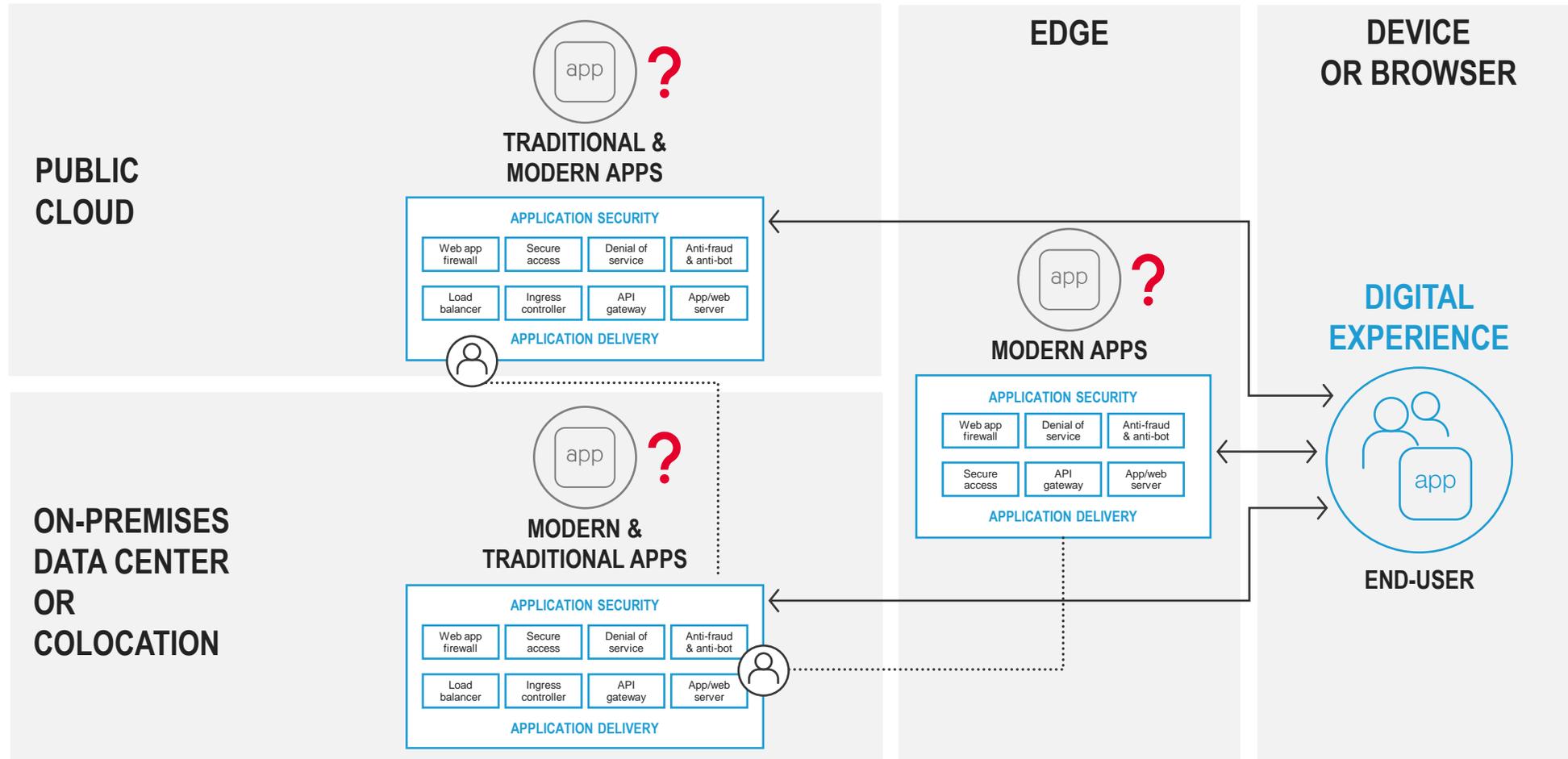


**Application security and delivery needs for modern and traditional apps are different**

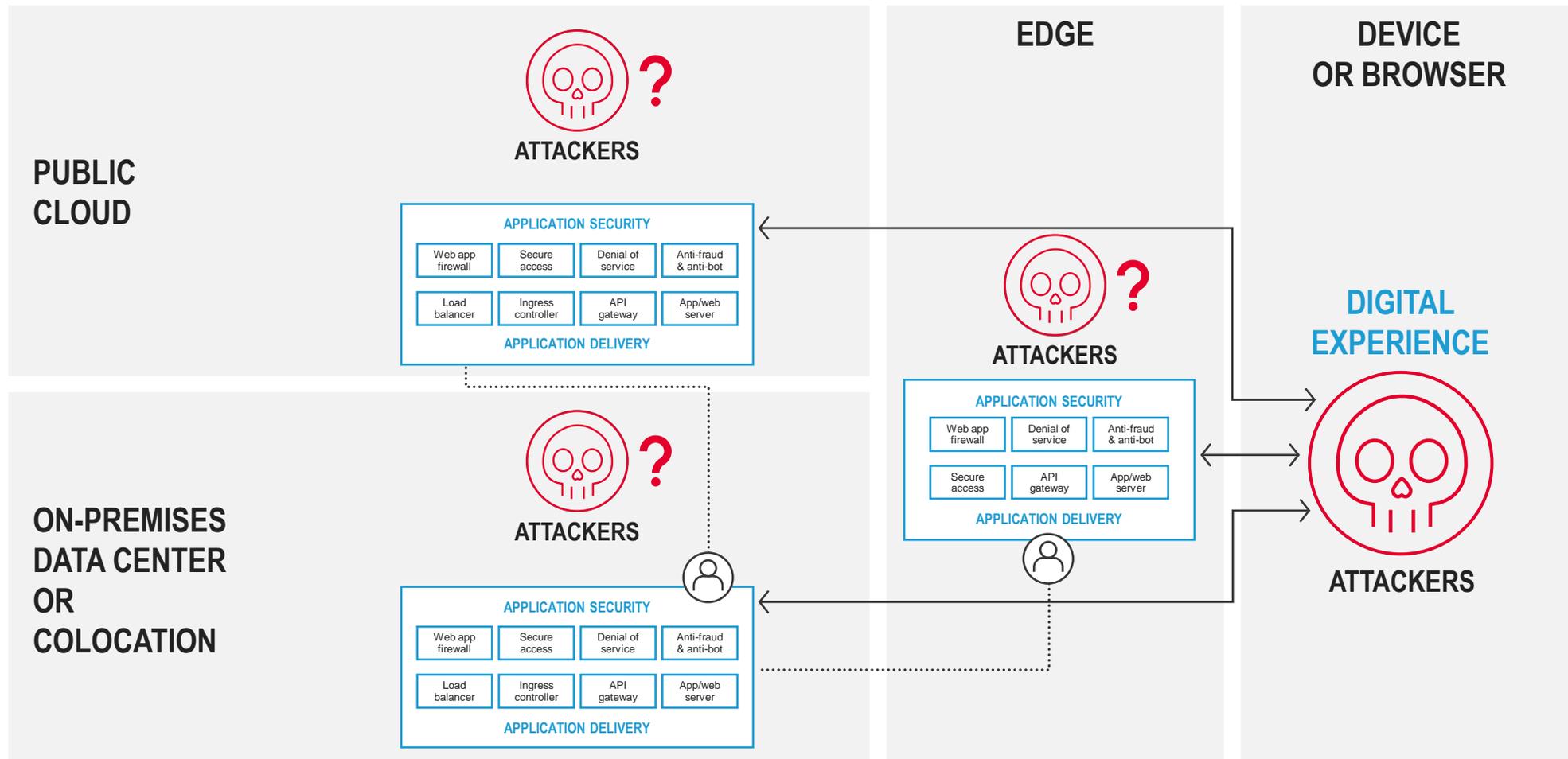
# Inconsistency of technologies across environments is creating unsustainable technical and operational debt



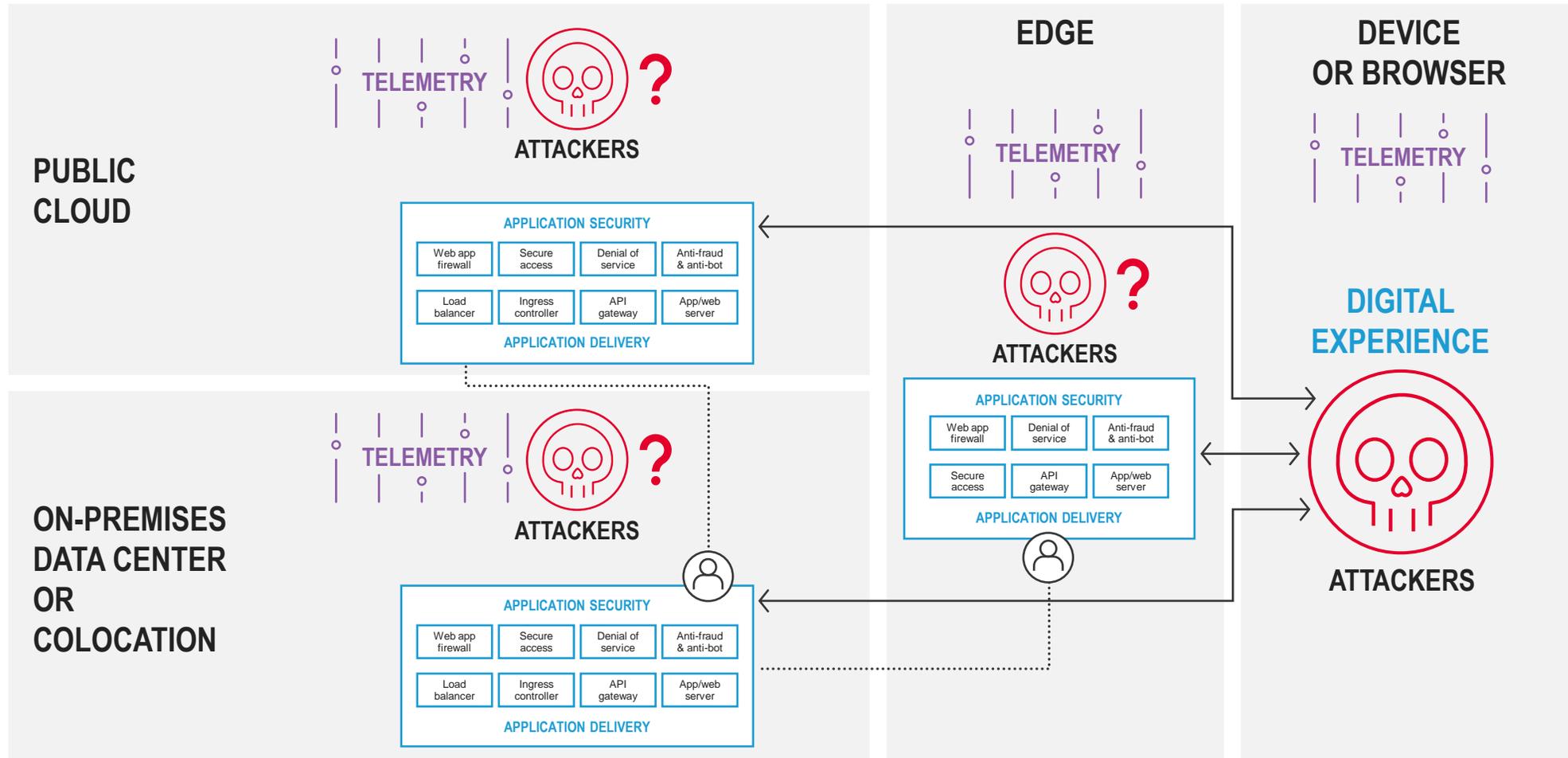
# Manual stitching together is not fast or scalable, and it leaves organizations vulnerable



# The **attack surface** and the sophistication of attacks has increased



# Rich telemetry is trapped in silos, limiting insights into app performance and the end-user's digital experience



The **digital experience** enabled through today's rich applications is now table stakes.

But what lies beneath is **complex, vulnerable, and fragile.**

Current state is  
**untenable.**

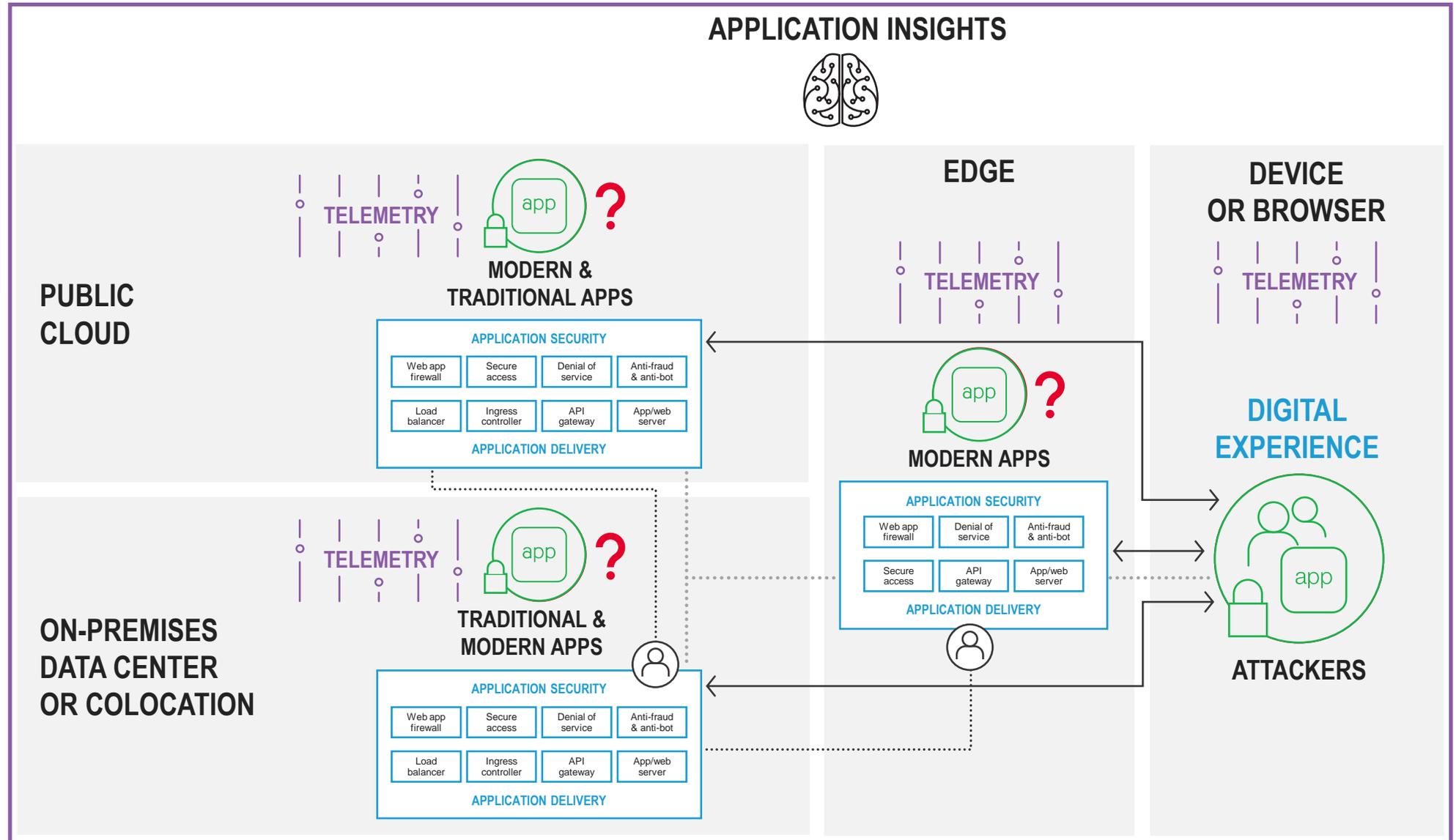
# We see a world where our customers' app portfolios adapt to environmental changes

An adaptive application **automates** redundant processes for greater efficiencies

It protects itself, **securing** all points of vulnerability

It expands and contracts based on **performance** needs

And, by mining all these data points, it gets smarter, **insightful**, becomes self-healing, and evolves even more quickly



# There are four key requirements to enable adaptive apps

1

Simplify traditional app delivery for multi-cloud

2

Enable modern app delivery at scale

3

Secure every app anywhere

4

Unlock the value of app insights

**Multi-cloud application security and delivery technologies**

All businesses will need to deliver apps that engage and amaze. We call these **adaptive applications**.

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We will lead in this new era through our unique position in **application security, delivery and analytics**.

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We are transforming our business at an **unprecedented pace, driving top-line growth acceleration**.

**We are positioned for, and committed to, sustainable double-digit EPS growth**

# As we evolve, we remain focused on our original purpose: solving our customers' most important application challenges

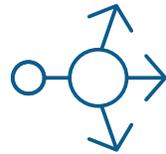


**1996 – 2004**



**Load Balancer**

Scale websites



**2005 – 2015**



**Application  
Delivery Controller**

Scale and secure  
mission-critical applications



**The Next Evolution**

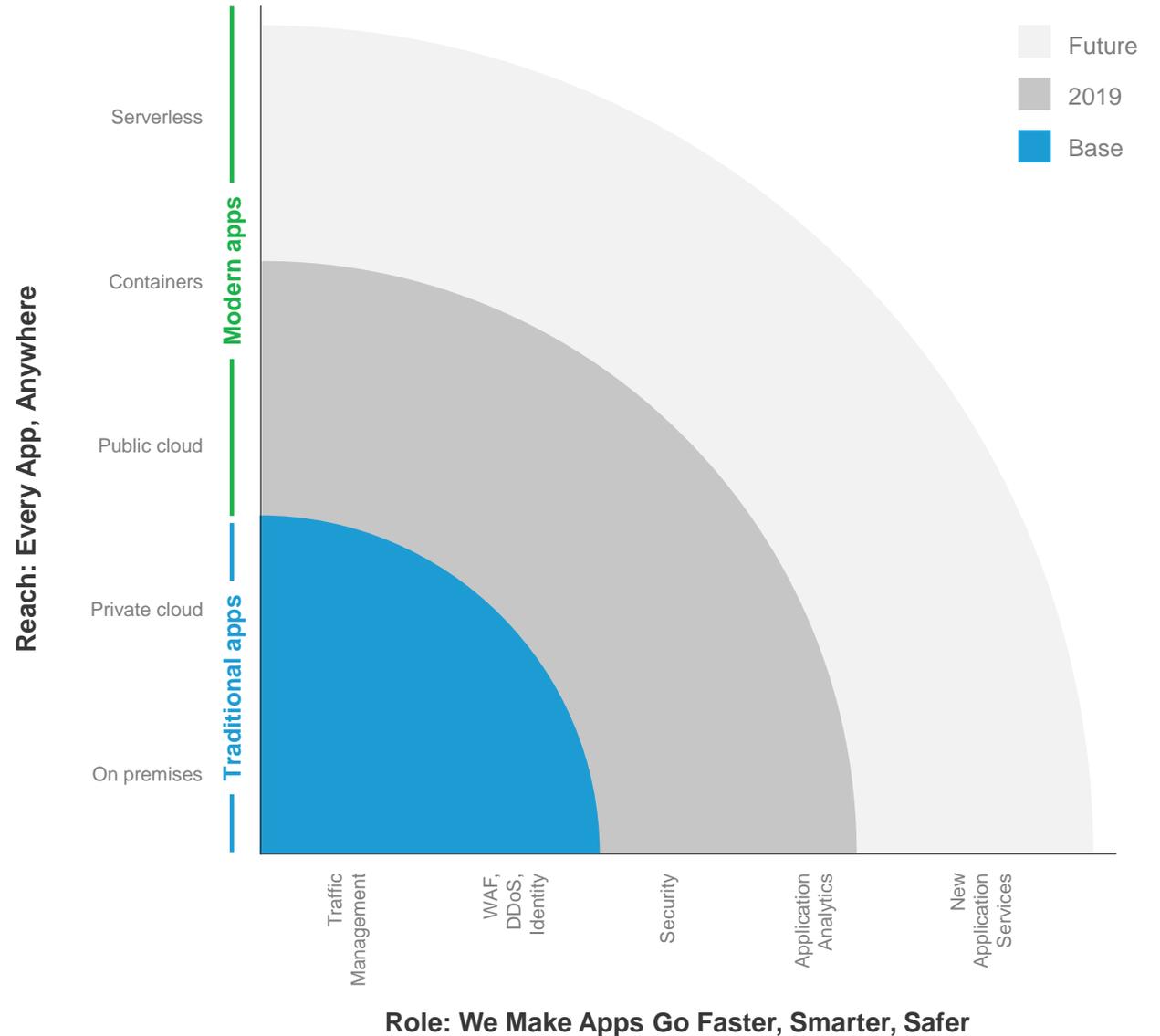


**Multi-cloud Application  
Security & Delivery**

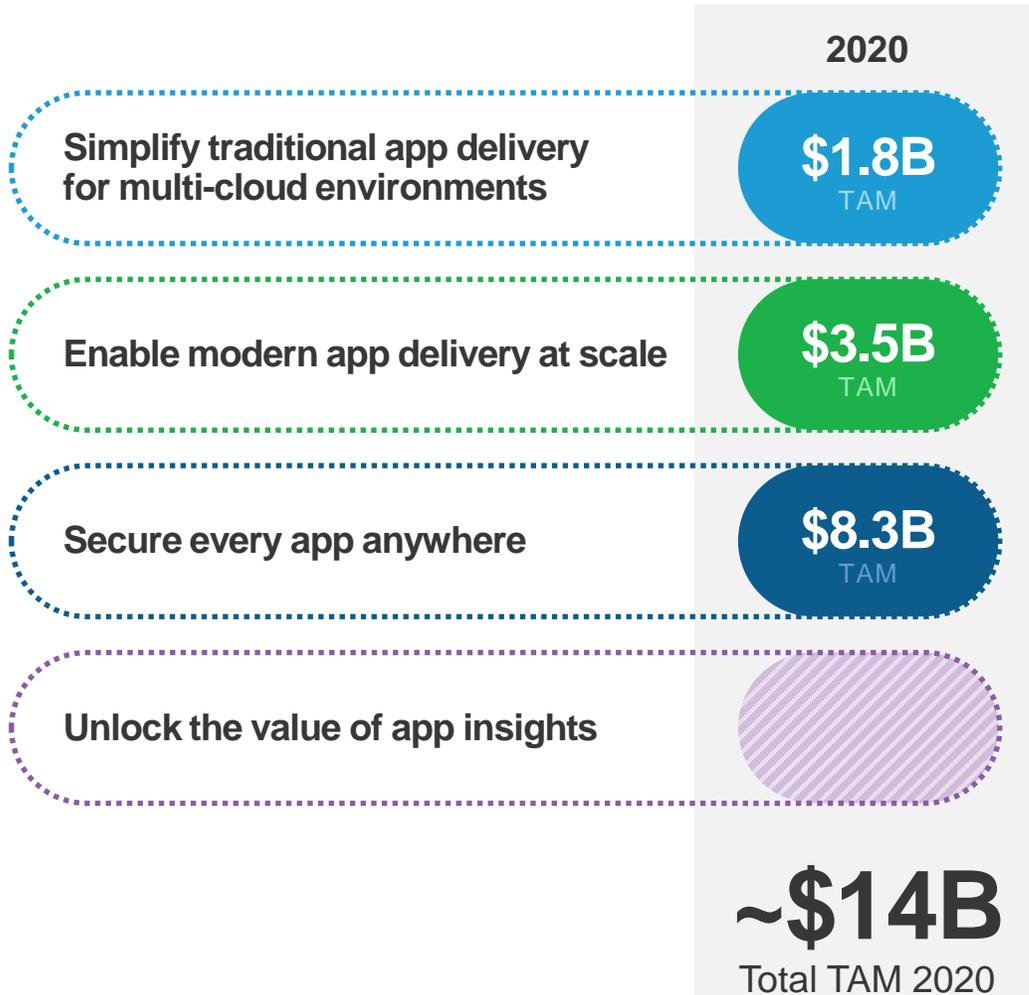
Scale, secure, and  
AI-optimize traditional and  
modern applications

IN MARCH 2018,

We said we would **extend** our reach and **expand** our role

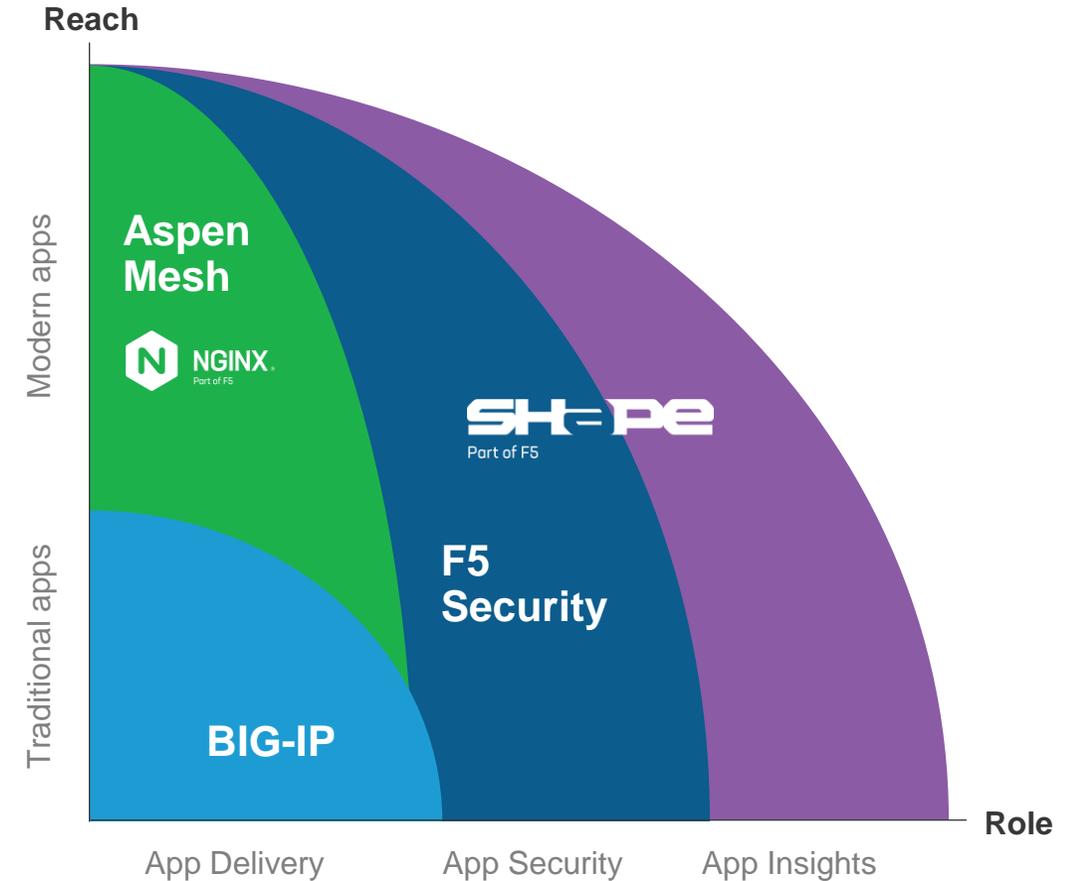


# We have built the broadest available app services portfolio to dramatically expand our addressable market

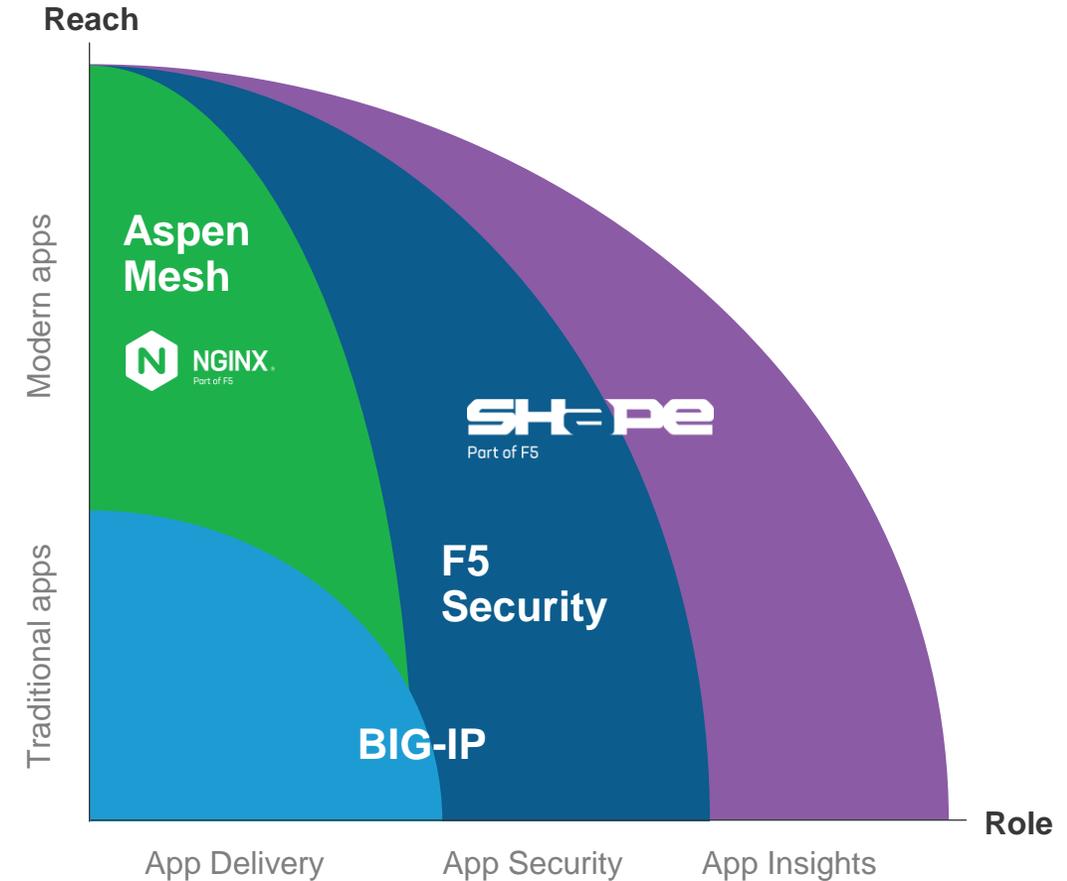
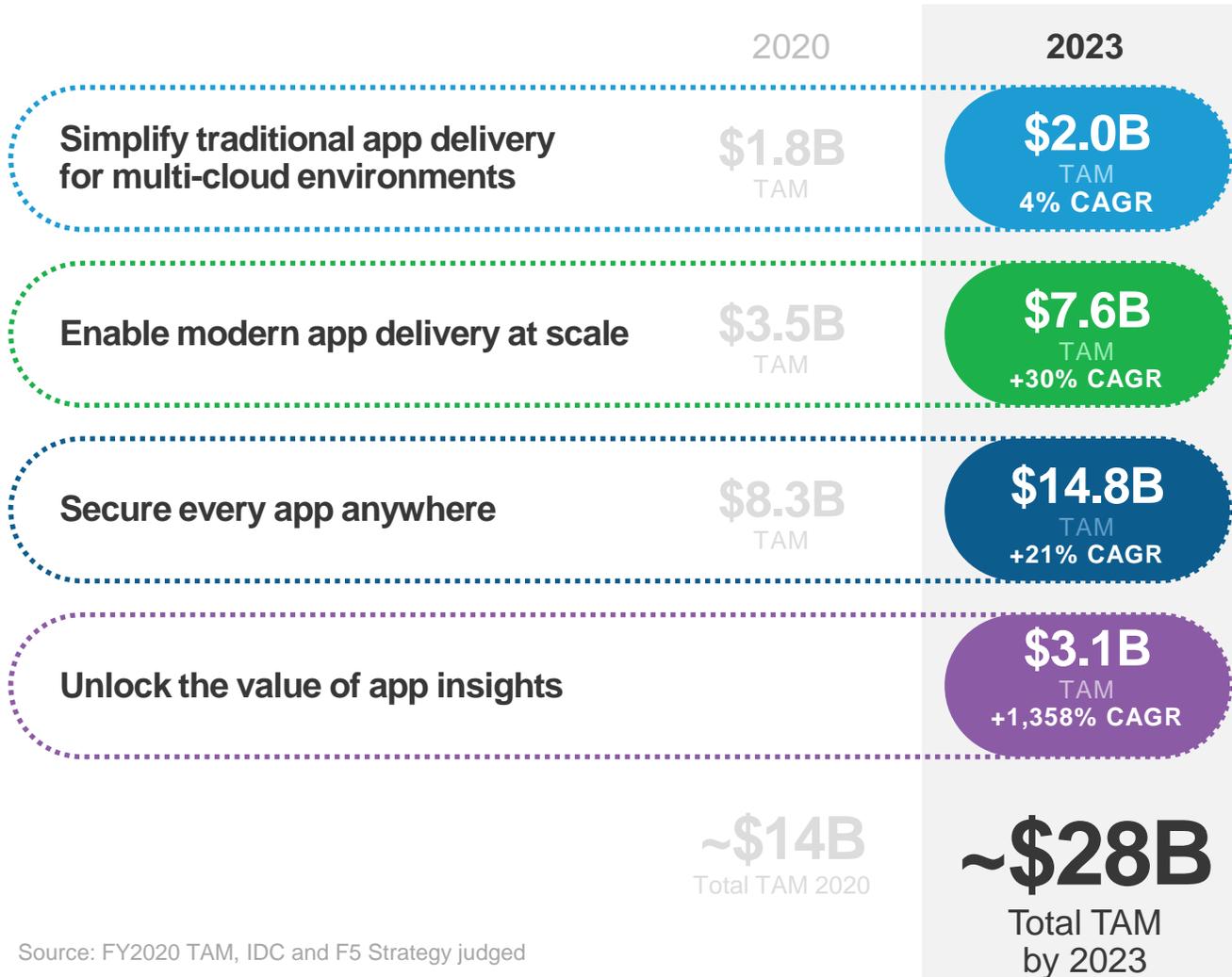


Source: FY2020 TAM, IDC and F5 Strategy judged

19 | ©2020 F5

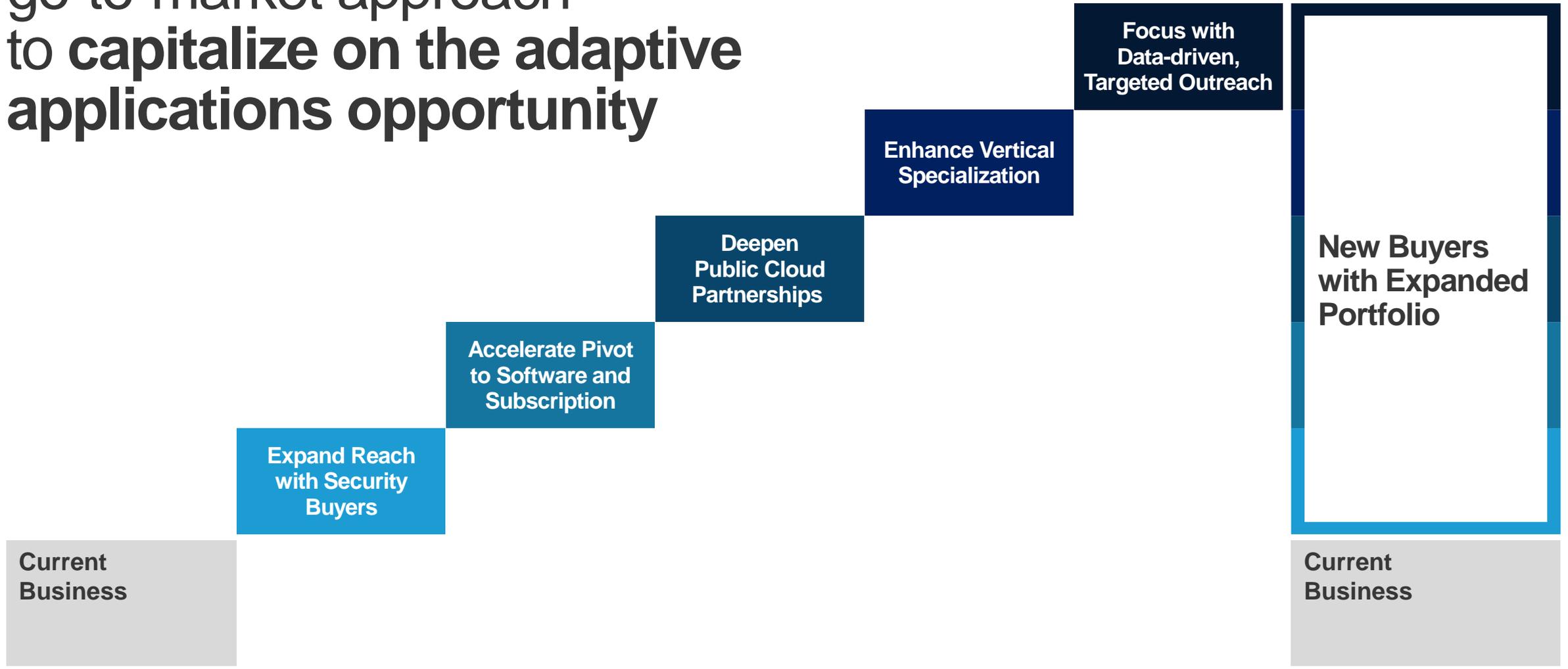


# We have assembled the only portfolio that can deliver on the opportunity of adaptive applications



Source: FY2020 TAM, IDC and F5 Strategy judged

# We have recast our go-to-market approach to **capitalize on the adaptive applications opportunity**



# We are driving momentum



**NGINX**<sup>®</sup>

Part of F5

16-mos post acquisition, FY20

Revenue Growth, FY19 to FY20

**~109%<sup>1</sup>**

Growth in Average Deal Size

**+57%**

Growth in Number of Paid Subscription Customers

**+23%**

Innovation Velocity

**3 major new solutions launched**

Portfolio Integration

**Security on NGINX, app visibility and management**

Go-to-market Velocity

**Fully mapped to F5 sales on a district level**

<sup>1</sup>Based on GAAP revenues for NGINX in F5's fiscal FY19 and FY20. Pre-acquisition revenue is unaudited. Includes revenues recognized pre- and post-acquisition.

# We are driving momentum



Part of F5

8-mos post acquisition, FY20

Non-GAAP Revenue & ARR Growth,  
FY19 to FY20 (ratable subscription business)

**35%<sup>1</sup> & 44%**

Growth in Average Deal Size

**+47%**

Addition of New Customers

**+15%**

Innovation Velocity

**2 new products launched**

Portfolio Integration

**Integrated with BIG-IP & Silverline**

Go-to-market Velocity

**Global F5 sales force is  
Shape-enabled**

<sup>1</sup>See appendix for GAAP to non-GAAP reconciliation.

All businesses will need to deliver apps that engage and amaze. We call these **adaptive applications**.

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**We are positioned for, and committed to, sustainable double-digit EPS growth**

# There are three key indicators for our long-term success



## Software Transformation

Software contributes the majority of product revenue



## Software Subscription

Software subscription is 80%+ of software revenue



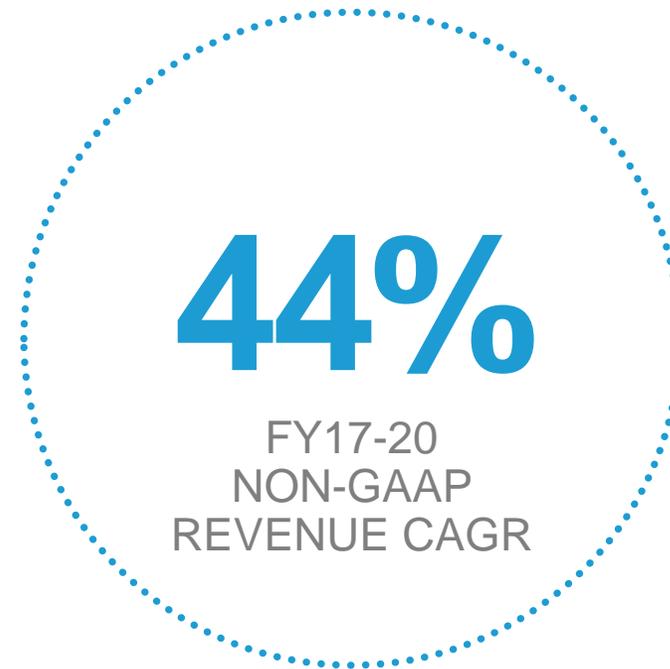
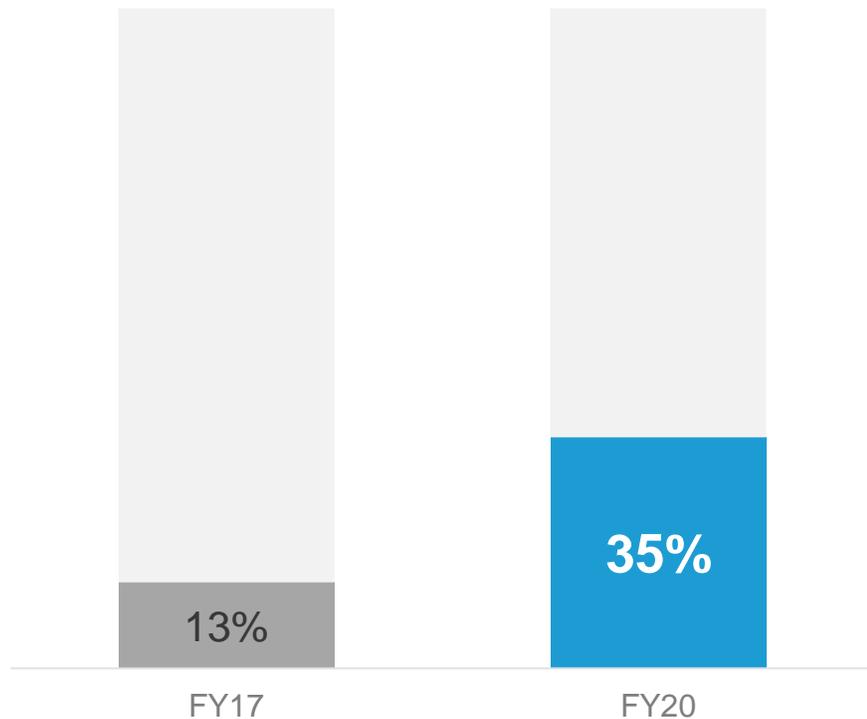
## Operating Discipline

Operating model is balanced by our guiding principle of the “Rule of 40”  
(revenue growth + non-GAAP operating margin = 40)

# Our software transformation is **outpacing** our expectations

## Software<sup>1</sup> Mix Trends

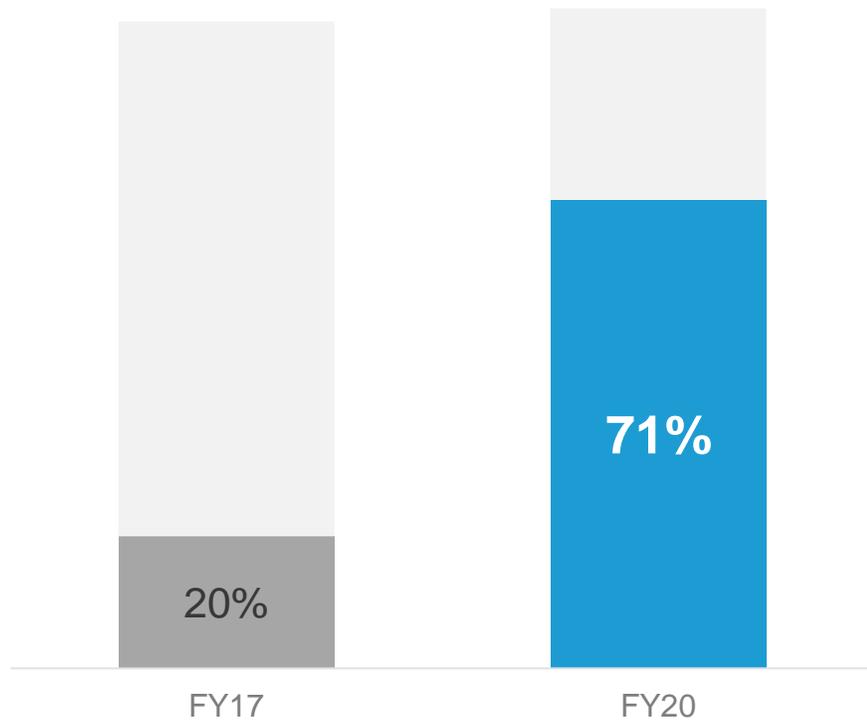
(% of Non-GAAP Product Revenue)



<sup>1</sup>Software includes all standalone software offerings, including perpetual licenses, subscriptions, utility, and as-a-Service offerings. See appendix for GAAP to non-GAAP reconciliation.

# Our revenue quality is improving with **software subscription growth**

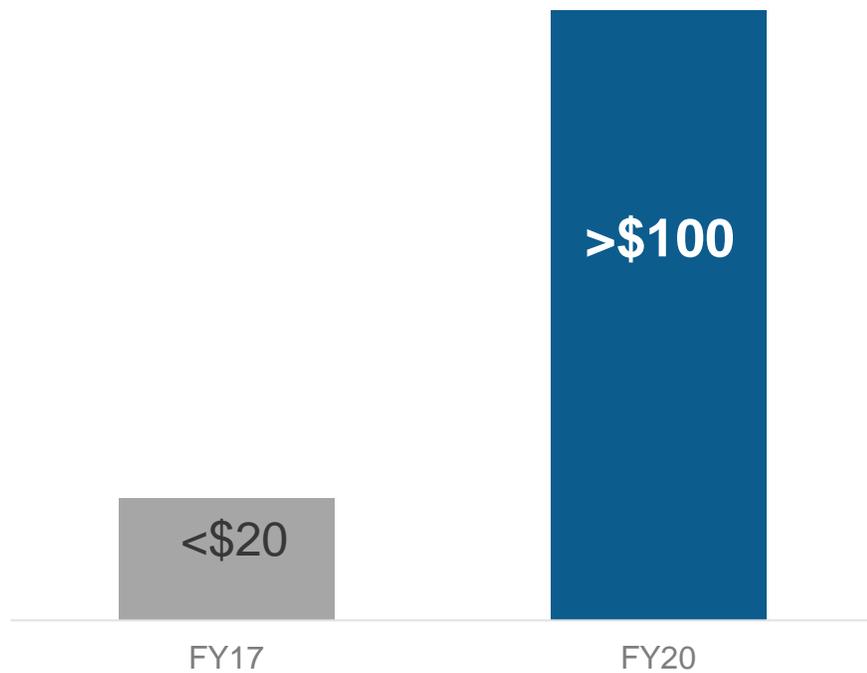
**Software Subscription<sup>1</sup> Mix**  
(% of Non-GAAP Software Revenue)



<sup>1</sup>Comprises standalone software, including term-license subscriptions, utility, and as-a-Service offerings. See appendix for GAAP to non-GAAP reconciliation.

# Public cloud is a growing part of our bookings

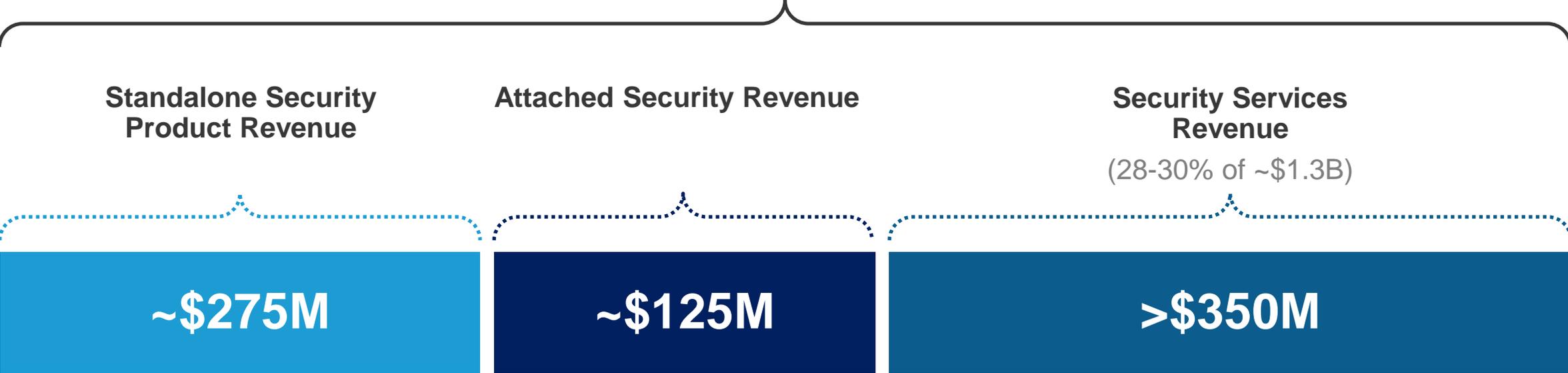
Public Cloud Bookings  
(\$ Millions)



In fact...we are one of the top two **application security** players today

**>\$750M<sup>1</sup>**

Total Non-GAAP Security Revenue FY2020



<sup>1</sup>Includes standalone products, Shape Security, Silverline, attached security, and security services. See appendix for GAAP to non-GAAP reconciliation.

# We have made deliberate investments to drive our transformation while maintaining a focus on operating discipline

## Last Three Years: Deliberate Investments

Annualized \$ in USD millions



## Next Five Years: Realize Operating Margin Leverage

Annualized \$ in USD millions



**~\$250 million**

Cumulative FY18 – FY25 annualized cost reductions

## Accelerated Organic Software Transformation

- New offerings: per-app vADC, automation, orchestration, cloud integrations
- Domain expertise for consumption models: SaaS, subscriptions, utility
- Expanded Security and Service Provider product portfolio

## Integration and Acceleration of Inorganic Investments

- NGINX platform maturity acceleration (NGINX Controller and security)
- Shape and NGINX go-to-market

## Evolution of Non-GAAP Operating Margins



Analysis does not incorporate contribution to operating margin expansion from product margin improvement related to increased mix of software revenue

# We are poised to achieve significant annualized cost reductions over the next five years

Functional area	Cost reduction initiatives
<b>Corporate / Company Wide</b>	<ul style="list-style-type: none"><li>• Enacted two significant staff reductions (~10%) in past 3 years</li><li>• Leverage low-cost locations and automation</li><li>• Execute acquisition synergies</li></ul>
<b>COGS / Gross Margin</b>	<ul style="list-style-type: none"><li>• Shift manufacturing to Mexico to reduce freight/logistics costs</li><li>• Knowledge management to increase call deflection rates</li><li>• Renegotiate spend with largest suppliers</li></ul>
<b>Research &amp; Development</b>	<ul style="list-style-type: none"><li>• Rebalancing R&amp;D resources across high-cost/low-cost locations</li><li>• Streamlining organizational seniority pyramid</li></ul>
<b>Sales &amp; Marketing</b>	<ul style="list-style-type: none"><li>• Grow low-cost/Inside sales model</li><li>• Adjust sales incentives and partner programs</li></ul>
<b>Incremental Efficiency (FY21 &amp; beyond)</b>	<ul style="list-style-type: none"><li>• Leverage AI/automation to improve sales productivity</li><li>• Leverage customer success to reduce subscription renewal cost</li><li>• Embrace work-from-home to reduce facilities costs and travel</li></ul>

**~\$100 million**

Annualized savings to date

**+ ~\$150 million**

Additional annualized savings expected

# Our position, strategy and execution is poised to deliver double-digit EPS growth

	FY20A	Horizon 2 (FY21-22)
Software growth	52%	35% to 40% CAGR
Software % of product revenue	35%	>50%
Systems growth	-10%	High-to-mid single-digit decline
Services growth	5%	Low single-digit growth
<b>Total revenue growth</b>	<b>5%*</b>	<b>6% to 7% CAGR</b>
Non-GAAP gross margin	85%	~85%
Non-GAAP operating margin	30%	FY21: 31% to 32% FY22: 32% to 34%
<b>Non-GAAP EPS / growth</b>	<b>\$9.37</b>	<b>Double-digit growth</b>
“Rule of 40” (revenue growth + non-GAAP operating margin)		Achieve in Horizon 2

\* FY20 revenue growth on a non-GAAP basis to adjust for purchase accounting effect on Shape revenue.

# There are three key indicators for our long-term success



## Software Transformation

Software contributes the majority of product revenue



## Software Subscription

Software subscription is 80%+ of software revenue



## Operating Model

Operating model is balanced by our guiding principle of the “Rule of 40”  
(revenue growth + non-GAAP operating margin = 40)

## Driving double-digit non-GAAP EPS growth

All businesses will need to deliver apps that engage and amaze. We call these **adaptive applications**.

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We will lead in this new era through our unique position in **application security, delivery and analytics**.

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We are transforming our business at an **unprecedented pace, driving top-line growth acceleration**.

**We are positioned for, and committed to, sustainable double-digit EPS growth**

# Our culture is a core strength

**First and foremost, we do the right thing – for each other, our customers, our shareholders, our community, and the world.**



## **Demonstrating Business Continuity Through COVID**

- Moved to 100% virtual workforce in early March 2020 and enabling employees to work from home long term.
- Created agile, cross-functional workstreams to continually evolve our COVID-19 response.
- Demonstrated business resiliency and delivered a strong second-half FY2020 with minimal face-to-face customer interactions.

## **Living our Values with a Human-First Approach**

- Prioritized the health and safety of our employees and their families including instituting pandemic employee leave and health and wellness benefits.
- Supported local community response to COVID-19 through employee-led relief grants across more than 40 countries.
- Publicly committed to no layoffs in FY20.
- Offered free solutions and resources to front-line healthcare, education, and non-profit organizations.

## **Our Culture in Action**

- Culture of ownership, agility and inclusion enabled F5 Appreciates Blackness (FAB) employee inclusion group to lead company-wide accountability for a more diverse and inclusive F5 with 100% of our exec team signing the pledge for racial equality, diversity and inclusion.

Combined, our **portfolio** and **go-to-market strategies** will continue driving revenue and earnings growth



**Kara Sprague**

*GM – BIG-IP*

1:45 – 2:00

Simplify traditional app delivery for multi-cloud environments



**Gus Robertson**

*GM – NGINX*

2:00 – 2:15

Enable modern app delivery at scale



**Sumit Agarwal**

*Co-founder Shape*

2:15 – 2:25

Secure every app anywhere



**Shuman Ghosemajumder**

*Global Head of AI*

2:25 – 2:40

Unlock the value of app insights



**Chad Whalen**

*EVP Sales*

**Mika Yamamoto**

*CMCXO*

2:45 – 3:05

Reach new buyers & grow customer value



**Tom Fountain**

*EVP Services, CSO*

3:05 – 3:15

Deliver robust & profitable services



**Frank Pelzer**

*Chief Financial Officer*

3:15 – 3:30

**DELIVER STRONG, SUSTAINABLE SHAREHOLDER RETURNS**

# Why invest in F5?

- ① Massive Market Opportunity**
  - Uniquely positioned to win in high-growth ~\$28B addressable market
  - Only true multi-cloud player serving both traditional and modern apps & security with analytics
- ② Software Transformation at Inflection Point**
  - Software transformation fast-approaching 50%+ of product revenue
  - \$250M+ subscription software business driving significant growth with 120% three-year CAGR
- ③ Operating Leverage Expansion**
  - Positioned to grow revenue faster than non-GAAP operating expenses and achieve “Rule of 40”
  - Robust capital return program affirmed by business resiliency and success of transformation
- ④ Preeminent Team to Drive Transformation**
  - Passionate and determined team, uniquely qualified with app fluency and software expertise
  - Significant breadth of experiences and qualifications enabling pioneering technology innovations

**Sustainable Double-Digit Non-GAAP EPS Growth**

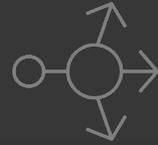


# Analyst and Investor Meeting 20

Combined, our **portfolio** and **go-to-market strategies** will continue driving revenue and earnings growth



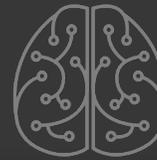
Simplify traditional app delivery for multi-cloud environments



Enable modern app delivery at scale



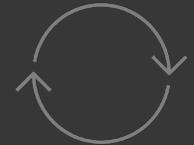
Secure every app anywhere



Unlock the value of app insights



Reach new buyers & grow customer value



Deliver robust & profitable services

DELIVER STRONG, SUSTAINABLE SHAREHOLDER RETURNS



# Simplify traditional app delivery for multi-cloud environments

**Kara Sprague**

EVP and GM, BIG-IP Product Group

**Traditional apps** remain the dominant application architecture for most organizations

Transition from **systems to software** for traditional apps is accretive to F5

BIG-IP's **world-class application security** makes it a leading solution across **on-premises and public cloud**

## Key Takeaways

We will continue to drive aggregate revenue growth in traditional apps

**Traditional apps** remain the dominant application architecture for most organizations

---

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We will continue to drive aggregate revenue growth in traditional apps

# Today's application landscape – a tale of two apps



## Traditional Apps

Monolithic, Client-Server, Three-Tier

- Bank mortgage loan processing
- Payments processing engine
- Hospital electronic health records
- Gen 1 SaaS Platforms
- Retail inventory management
- Service Provider 3G, 4G core

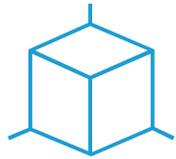


## Modern Apps

Container- or Cloud-Native

- IaaS and Gen 2 SaaS Platforms
- Content and media distribution platforms
- Customer engagement front-ends
- Service Provider 5G core

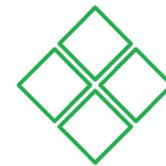
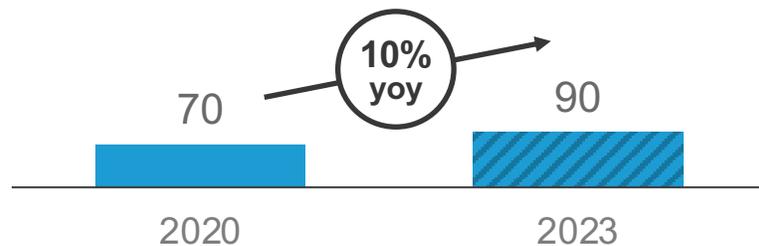
# Today's application landscape – a tale of two apps



## Traditional Apps

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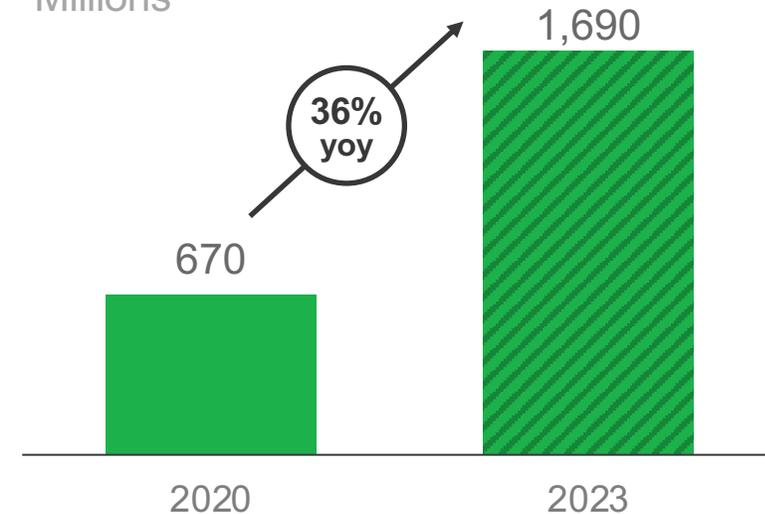
Number of app instances  
Millions



## Modern Apps

Container- or Cloud-Native

Number of app instances\*  
Millions

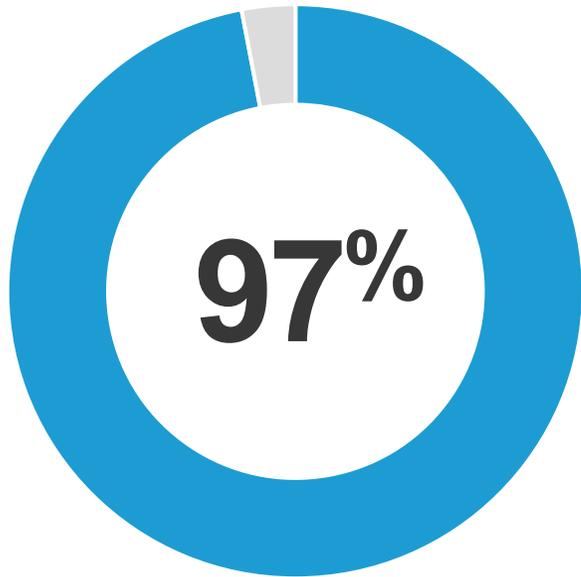


Source: IDC, 2019

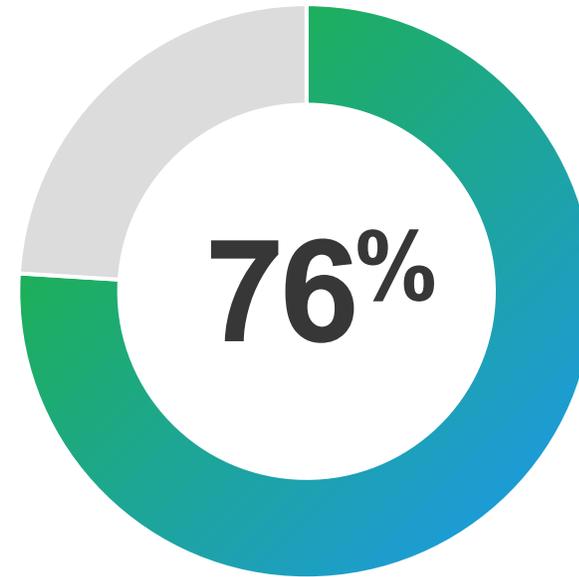
7 | ©2020 F5

\* Enterprise and Service Provider app instances only;  
excludes internal hyperscaler instances

# Nearly every organization manages traditional apps in addition to a growing mix of modern apps



of organizations manage **traditional apps**



of organizations manage a mix of **traditional** and **modern apps**

# Traditional apps remain a critical part of an organization's application portfolio

Generally running the most **mission-critical** capabilities

AND

**Difficult and expensive**  
to change or refactor



Priority is **operational efficiency**



Many are **migrating to cloud** via “lift and shift” or “modernization”

**Traditional apps** remain the dominant application architecture for most organizations

---

**Transition from systems to software** for traditional apps is accretive to F5

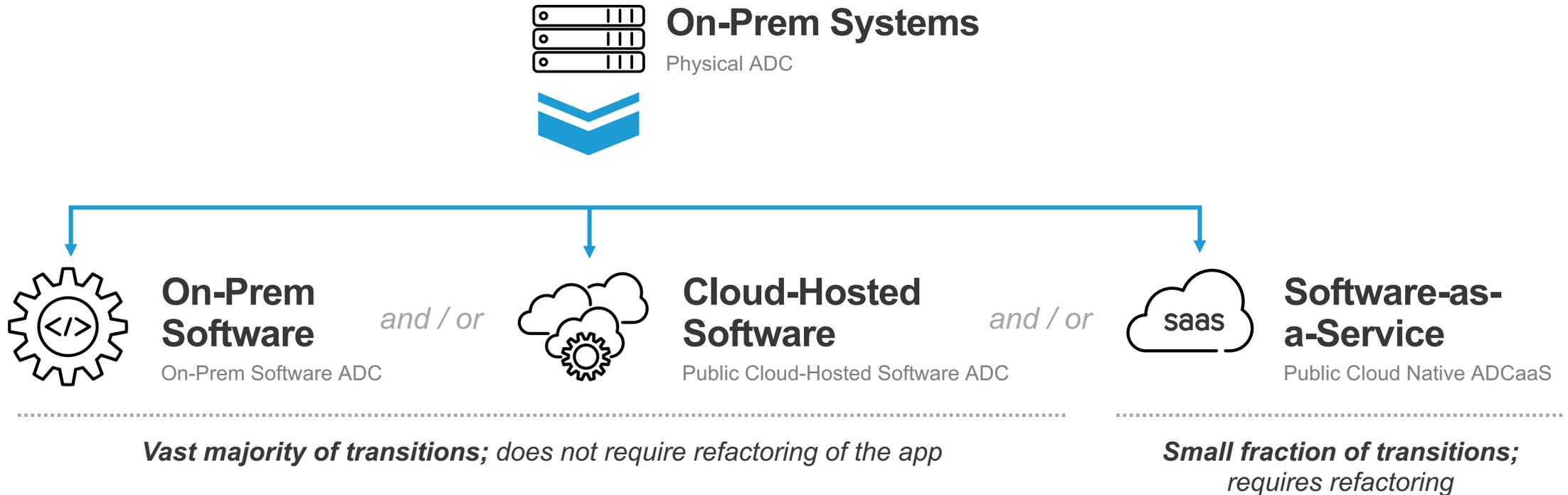
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**BIG-IP's world-class application security** makes it a leading solution across on-premises and public cloud

## Key Takeaways

We will continue to drive aggregate revenue growth in traditional apps

# App delivery for traditional apps is **transitioning** from systems to software and cloud



# Transition from systems to on-prem or cloud-hosted software for traditional apps is **accretive to F5**



## On-Prem Systems

Physical ADC

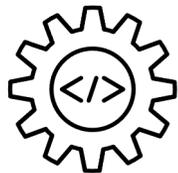


### Price

Base unit price

### Quantity

Single unit deployed to support multiple apps



## On-Prem Software

On-Prem Software ADC

*and / or*



## Cloud-Hosted Software

Public Cloud-Hosted Software ADC

▬ Same

### Price

Moderately lower unit price, similar gross profit

▲ Better

### Quantity

Virtual units deployed at the same time as physical to support apps transitioning at different times

▲ Better

### Price

Higher unit price as attach rate for security services is higher in cloud deployments

▲ Better

### Quantity

More units deployed across different clouds

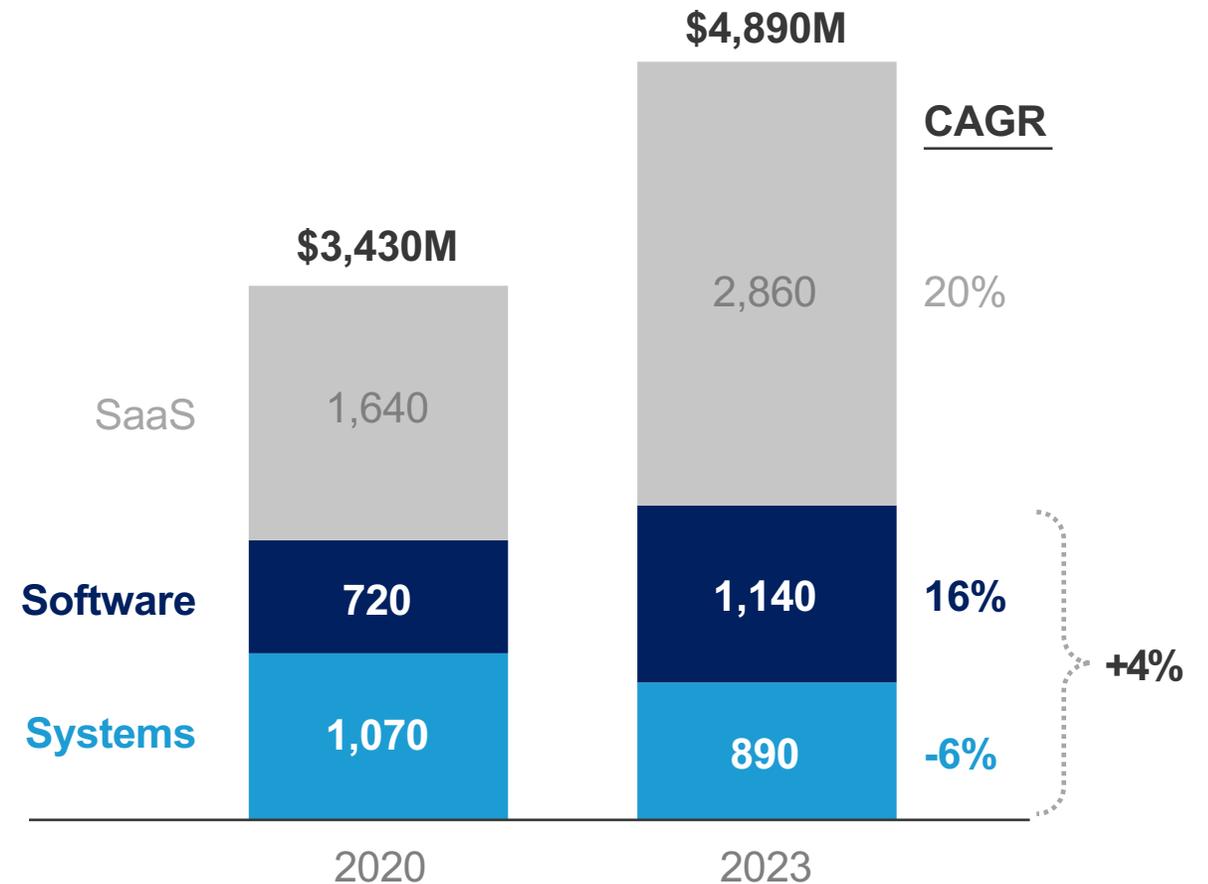
These dynamics are reflected in analysts' outlook for the application delivery market

## Low single-digit growth forecasted in ADC software and systems

Source: IDC & F5, 2020

13 | ©2020 F5

Worldwide ADC Market  
US\$, Millions



**Traditional apps** remain the dominant application architecture for most organizations

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# F5 BIG-IP wins in traditional apps across on-premises and public cloud

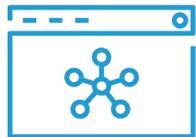


## Low total cost of ownership

(No app refactoring, skill reuse)



## World-class app security



## Highly programmable and configurable



## Multi-cloud deployment

(across physical, virtual, and cloud)

Customer migrating marketing applications to public cloud to support massive seasonal campaigns

# Media Company relies on F5 BIG-IP to scale applications across on-prem and cloud

## **BIG-IP chosen in public cloud for consistency with on-prem and programmability**

---

- Consistency of technologies across on-premises and cloud
- Programmability using iRules in public cloud environment giving greater power and flexibility beyond native solutions

## **Multi-cloud software deal consumed as a term subscription**

---

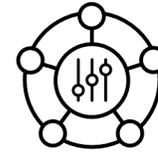
- Multi-cloud deal including software in public cloud and refresh of on-prem hardware
- Term subscription-based relationship that future-proofs customer investments in on-prem systems with ability to transition entitlements to public cloud

# Expanding role for F5 BIG-IP in service provider 5G networks



## F5 BIG-IP deployed today for service provider 4G core networks and internal applications

- Top 50 use F5 BIG-IP in their 4G core network
- Top 100 use F5 BIG-IP in their data center and internal IT



## Expanding role for F5 BIG-IP in 5G

- Seamless migration from physical to virtual to containers and cloud
- Only service proxy in the market that spans 4G and 5G Core with support for critical service provider protocols
- “Best of suite” for cloud-native 5G functions, including security

Customer building a new 4G and 5G core network that will “innovate at the speed of software and scale at the speed of cloud”\*

# Rakuten is building their new 4G and 5G core network using F5 BIG-IP

## **BIG-IP chosen for “best of suite” functions, lower TCO, and deployment flexibility**

---

- “Best of suite” for all Gi-LAN functions with ~60% TCO saving compared to alternatives
- Flexible software for virtual and container-native deployment models for both 4G and 5G along with compelling subscription-based commercial models

## **Reference win with significant expansion potential**

---

- Strategic win with a leading global innovator, opening the door for similar opportunities
- Expanding to additional use-cases – already multiple \$1M+ term subscription deals reflecting strategic footprint and long-term investment in F5 BIG-IP

\* Rakuten Vision as expressed by CTO Tareq Amin

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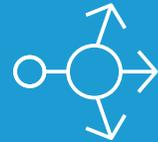


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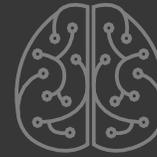
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Deliver robust and profitable services

DELIVERING STRONG, SUSTAINABLE SHAREHOLDER RETURNS



# Enable modern app delivery at scale

**Gus Robertson**

SVP and GM, NGINX Product Group

Modern app delivery **expands F5's addressable market** to large, fast growing areas

---

Modern app delivery is **complementary** to traditional app delivery and BIG IP

---

NGINX is strategically **positioned to win** given our open source footprint and promise of simplicity

## Key Takeaways

F5's is uniquely positioned to monetize the high growth modern applications market

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# Consumer App Experiences Set the Bar for Enterprises

## Digital Pioneers

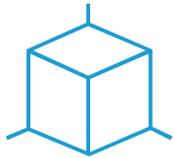
NETFLIX



## Digital Mainstream



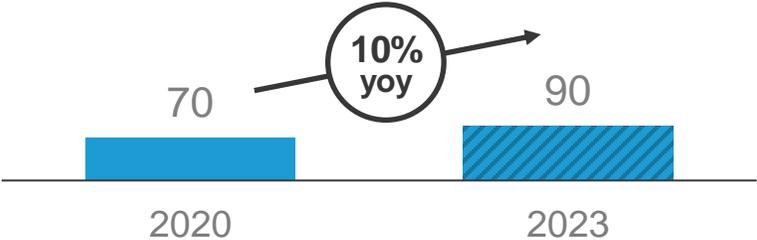
# Explosive Future Growth in Modern Apps



## Traditional Apps

Monolithic, Client-Server, Three-Tier

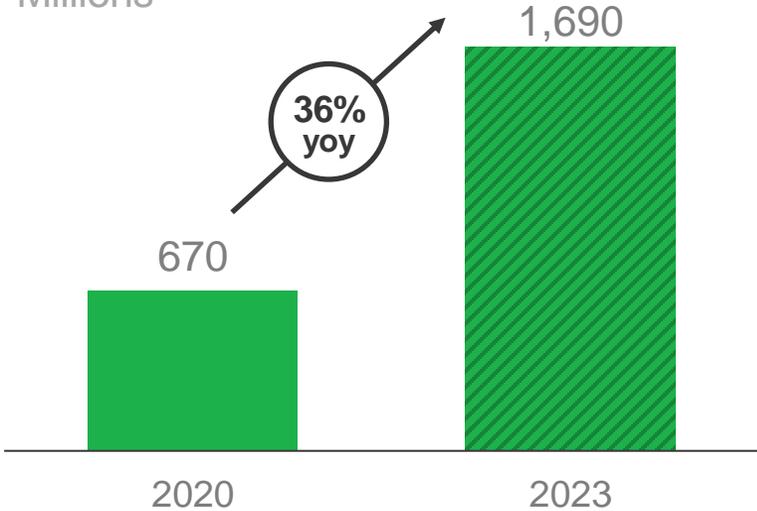
Number of app instances  
Millions



## Modern Apps

Container- or Cloud-Native

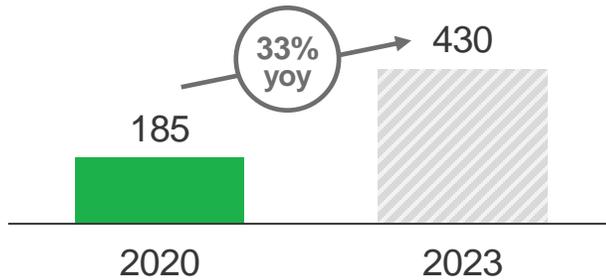
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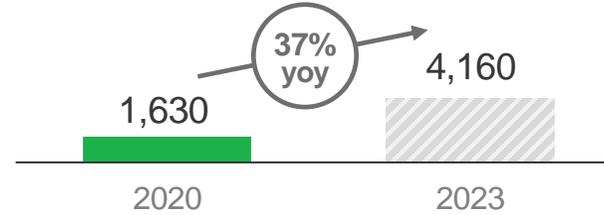
Source: IDC, 2019

# Modern App Delivery significantly expands F5's addressable market

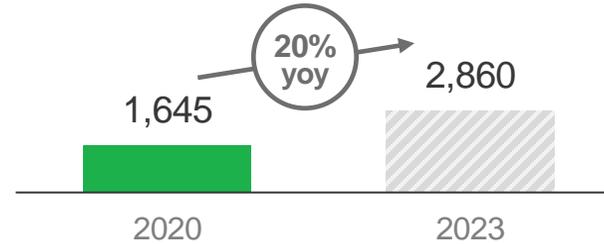
Worldwide Modern Apps Software ADC Market  
US\$, Millions



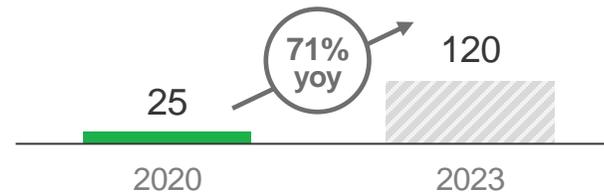
Worldwide API Management Market  
US\$, Millions



Worldwide ADC aaS Market  
US\$, Millions



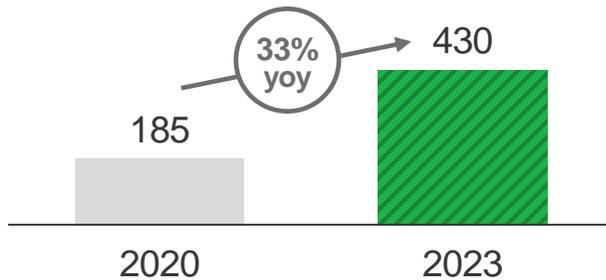
Worldwide Service Mesh Market  
US\$, Millions



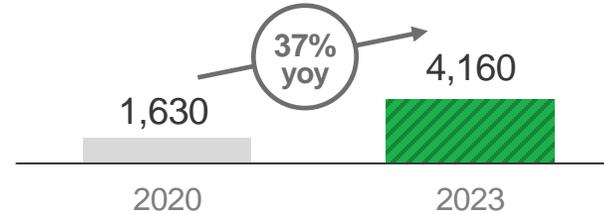
**~\$3.5B**  
Market opportunity today\*

# Modern App Delivery significantly expands F5's addressable market

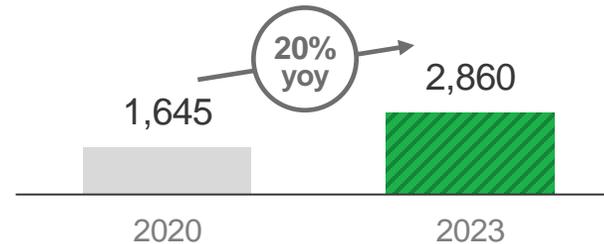
**Worldwide Modern Apps Software ADC Market**  
US\$, Millions



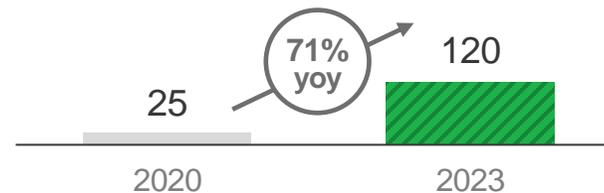
**Worldwide API Management Market**  
US\$, Millions



**Worldwide ADC aaS Market**  
US\$, Millions



**Worldwide Service Mesh Market**  
US\$, Millions



**~\$7.6B**  
Market opportunity  
in 2023\*

Modern app delivery **expands F5's addressable market** to large, fast growing areas

---

Modern app delivery is **complementary** to traditional app delivery and BIG IP

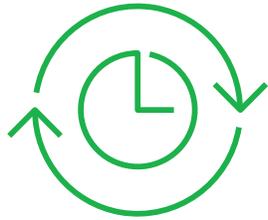
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F5's is uniquely positioned to monetize the high growth modern applications market

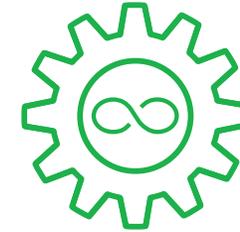
# So what changed?



Changes frequently



Built on containers, clouds



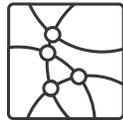
Designed for automation

## Modern Applications

# Before with Traditional Apps

**10's**  
of apps

**10's**  
of dev teams



**WAN / LAN**

**1000's**  
of users

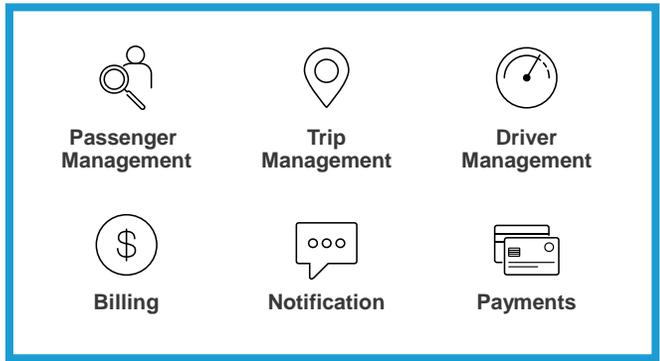
**Static**  
experiences

**1's** deployments  
**per year**

**Top-down**  
governance

**Employee-**  
focused

**Web**  
brochure sites



**Traditional Monolith**



**Employee**



# Today with Modern Apps

**1,000's**  
of apps

**100's**  
of dev teams



**1,000,000's**  
of users

**Digital**  
experiences

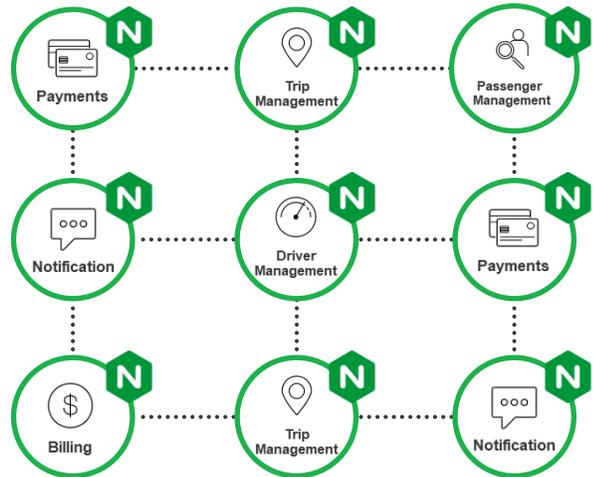
**1,000's** changes  
per year

**Bottom-up**  
innovation

**Public Internet**

**Customer-**  
focused

**Mobile**  
and APIs

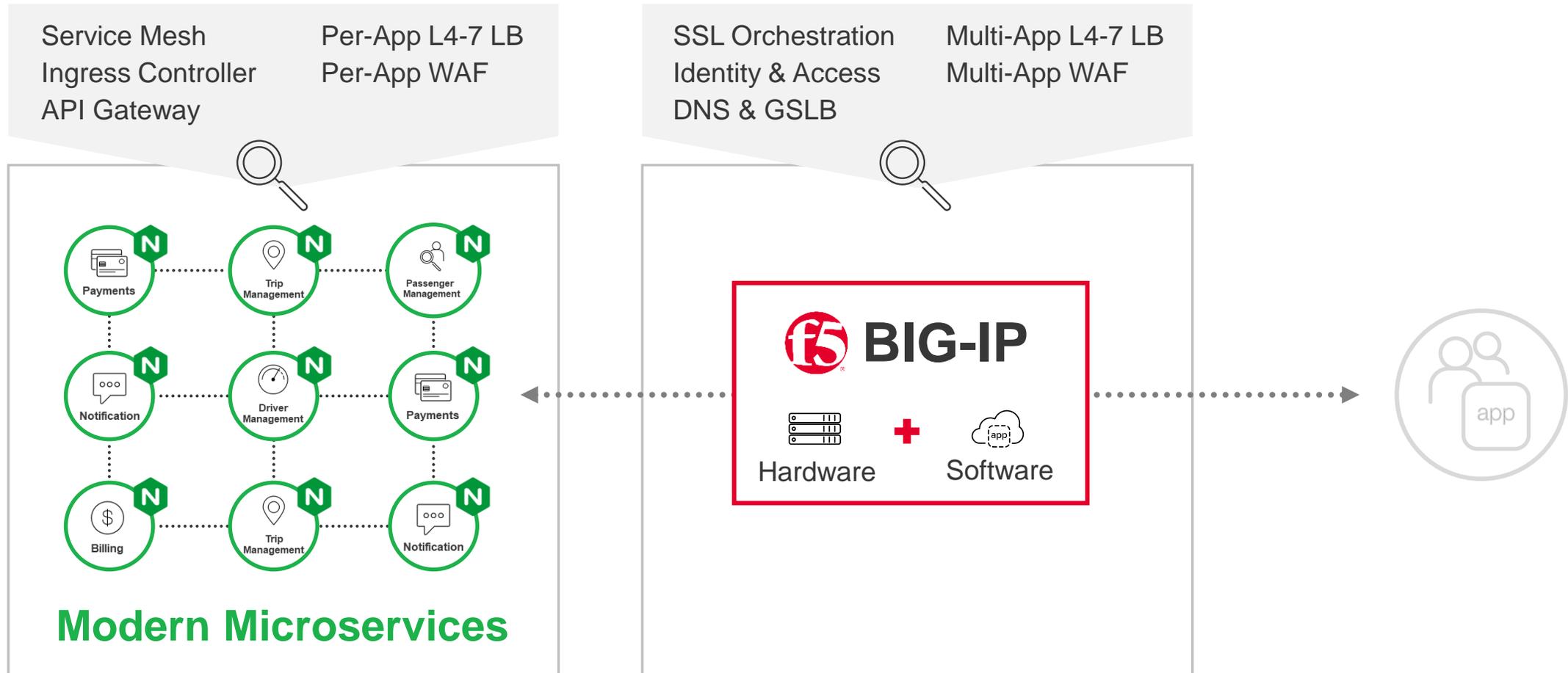


**Modern Microservices**

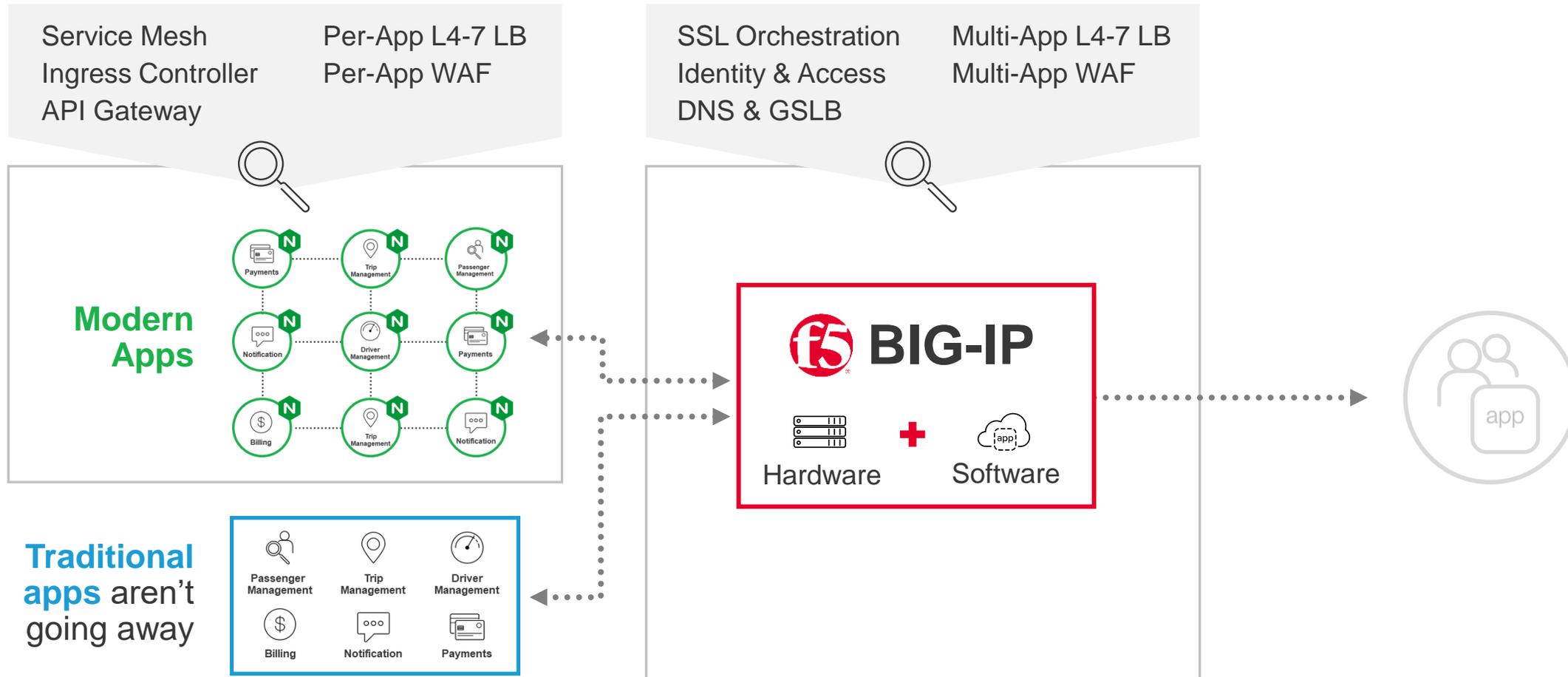


**Customer**

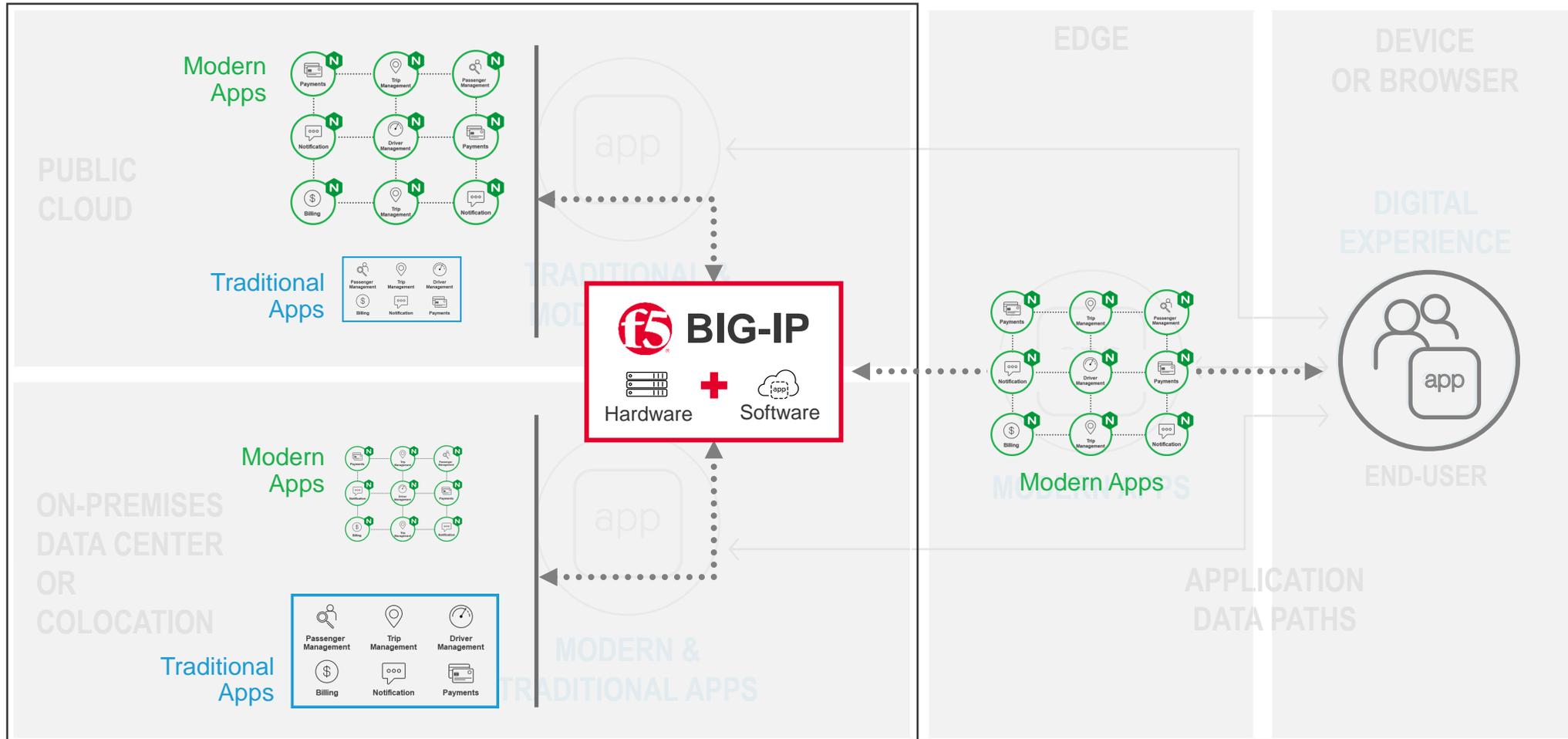
# App Delivery is shifting “left” into the application stack



# App Delivery is shifting “left” into the application stack



# App Delivery is shifting “left” into the application stack



Modern app delivery **expands F5's addressable market** to large, fast growing areas

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Modern app delivery is **complementary** to traditional app delivery, and therefore BIG IP

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F5's is uniquely positioned to monetize the high growth modern applications market

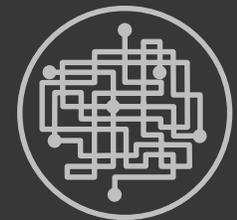


# The benefits of Modern Apps are clear...

Business Agility | Customer Experience

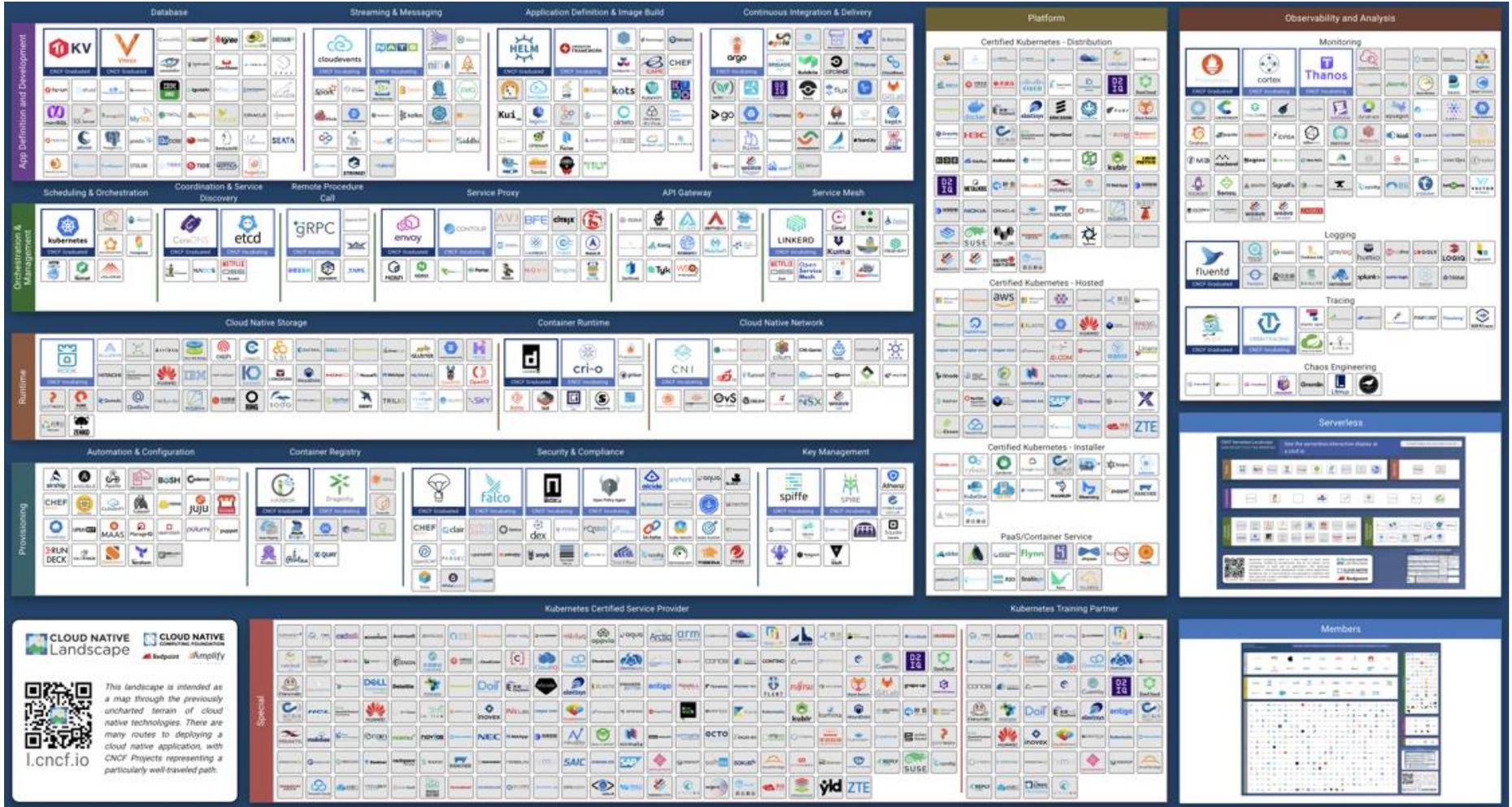
but so are the challenges

Complexity | Lack of Visibility



# Cloud Native Compute Landscape

Just look at the  
**1,400+**  
 Modern App  
 tools available





# NGINX Controller



Service Mesh



Ingress Controller



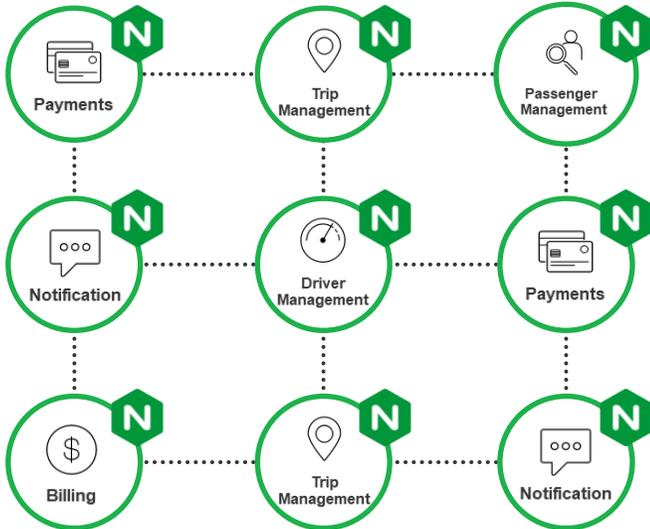
API Gateway



Per-App L7 LB



Per-App WAF



## NGINX Controller **simplifies** the complex, modern app toolchain

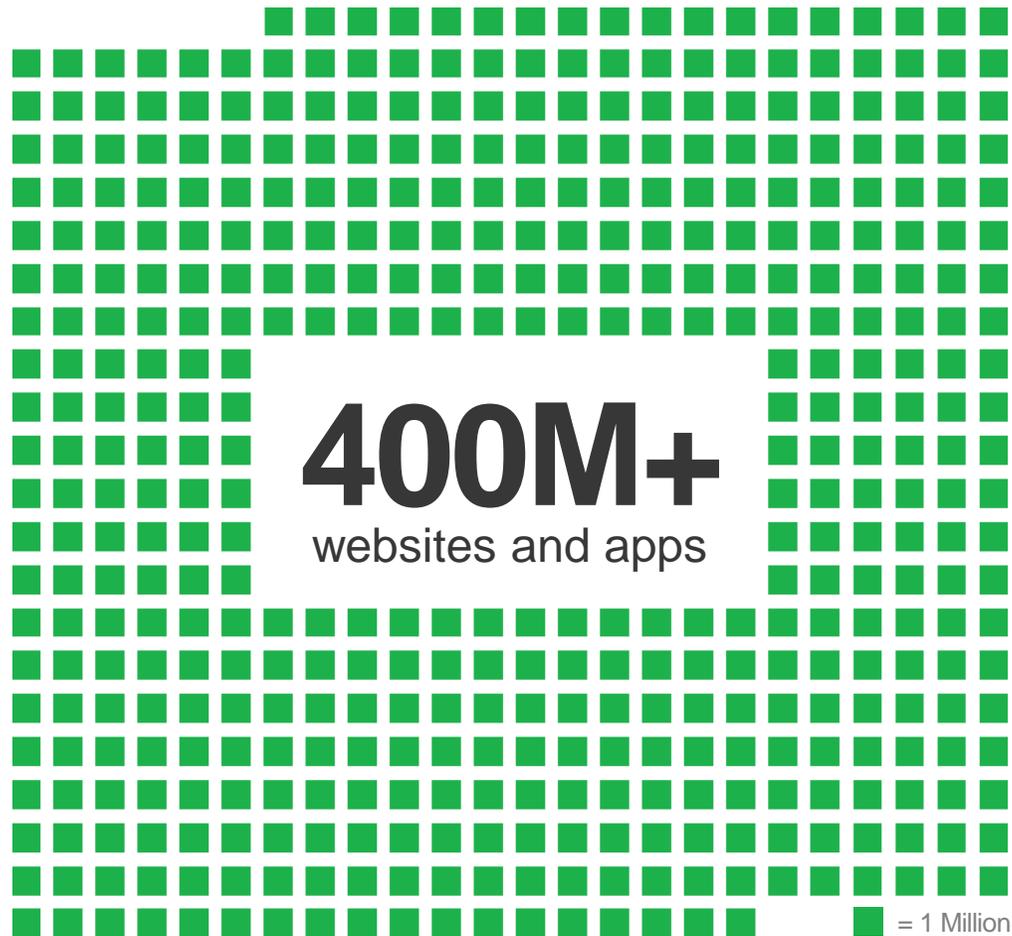
Discrete, best-of-breed app services that developers need for **agility and flexibility**...

...but **managed by Controller to simplify** DevOps and IT Ops management and governance at scale:

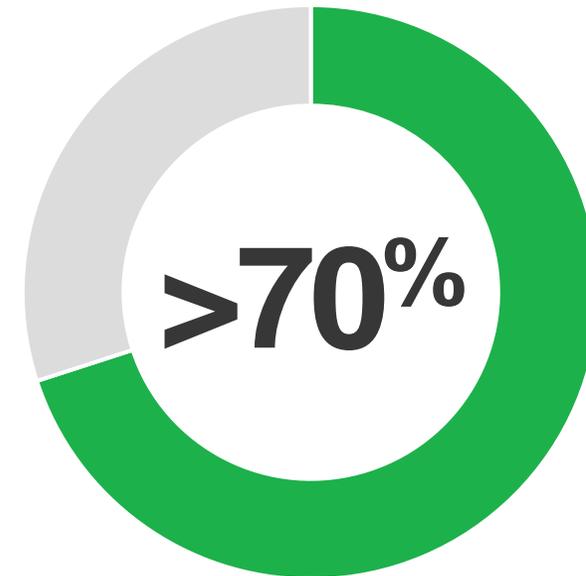
- Integrated into modern CI/CD pipelines
- Self service portal for developer agility

Delivers time-to-market **without introducing complexity**

# NGINX powers the Internet . . . and most enterprises!



OPEN SOURCE FOOTPRINT



10,000 busiest  
websites

PROVEN

# We are monetizing NGINX via enterprise-class features, manageability and security



NGINX **Plus**

Enterprise-Class Data Plane



NGINX **Controller**

Modern App Platform



NGINX **App Protect**

F5 Security in Modern Apps

# We are driving momentum



**NGINX**<sup>®</sup>  
Part of F5

Growth in Average Deal Size

16-mos post acquisition

**+57%**

Growth in Number of Paid Subscription Customers

**+23%**

Innovation Velocity

**3 major new solutions launched**

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# Modern Experiences Require a New Approach

## From Traditional Experiences...

Three-tier Monoliths

Service Oriented Architecture

Bare Metal and VMs

Big-Bang Releases (Waterfall)

Silo'ed Teams (Dev, Ops)

## ... to Modern Experiences

Distributed Microservices

API-Connected Service Mesh

Cloud and Containers

Continuous Delivery (Agile)

Collaborative Culture (DevOps)

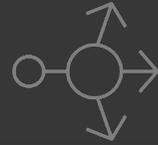


# Analyst and Investor Meeting<sup>20</sup>

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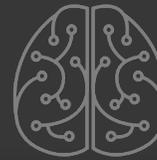
Simplify traditional app delivery for multi-cloud environments



Enable modern app delivery at scale



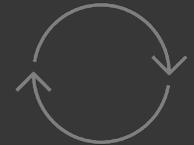
Secure every app anywhere



Unlock the value of app insights



Reach new buyers & grow customer value



Deliver robust & profitable services

**DELIVER STRONG, SUSTAINABLE SHAREHOLDER RETURNS**



# Secure every app anywhere

**Sumit Agarwal**

Vice-President Analytics Product Group, F5

Co-Founder, Shape Security

**F5's strength is Application Security, which is the hottest security segment for the next decade**

---

Our Shape acquisition delivers the industry's most powerful app sec capabilities to our immense install base

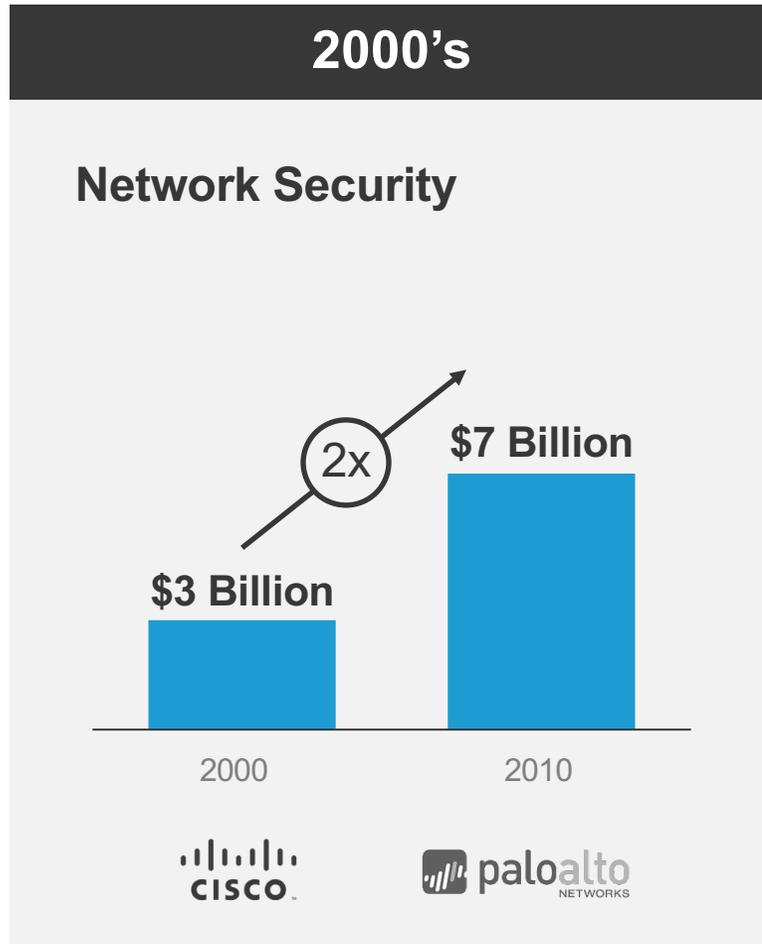
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**F5 is a top 10 global App Sec company based on FY2020 revenue**

# Key Takeaways

Every decade has a  
“hot” security segment that  
delivers outsized returns

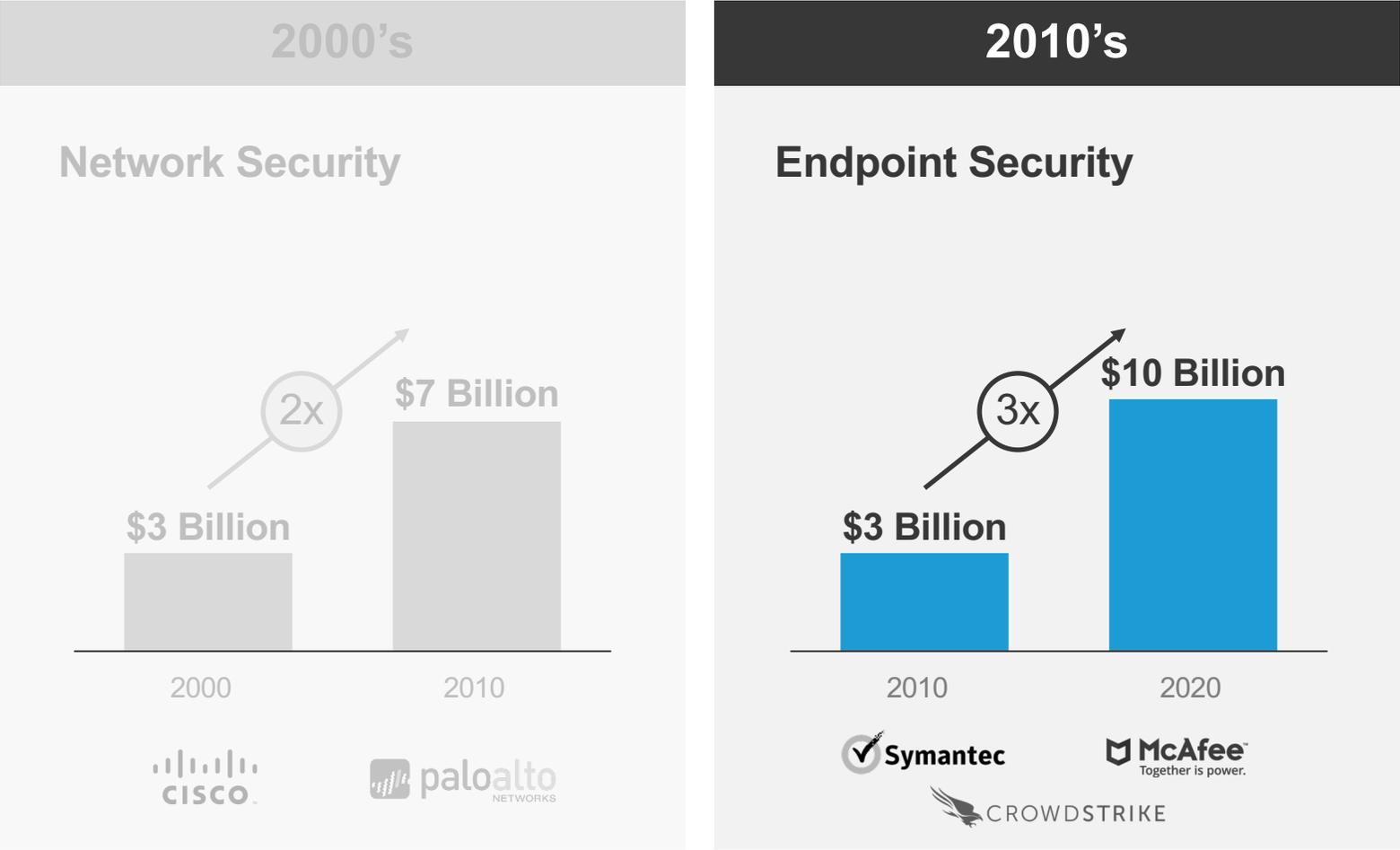
# In the 2000s, network security was “hot” and grew to \$7B test



Source: iDC, Gartner, Globaldata

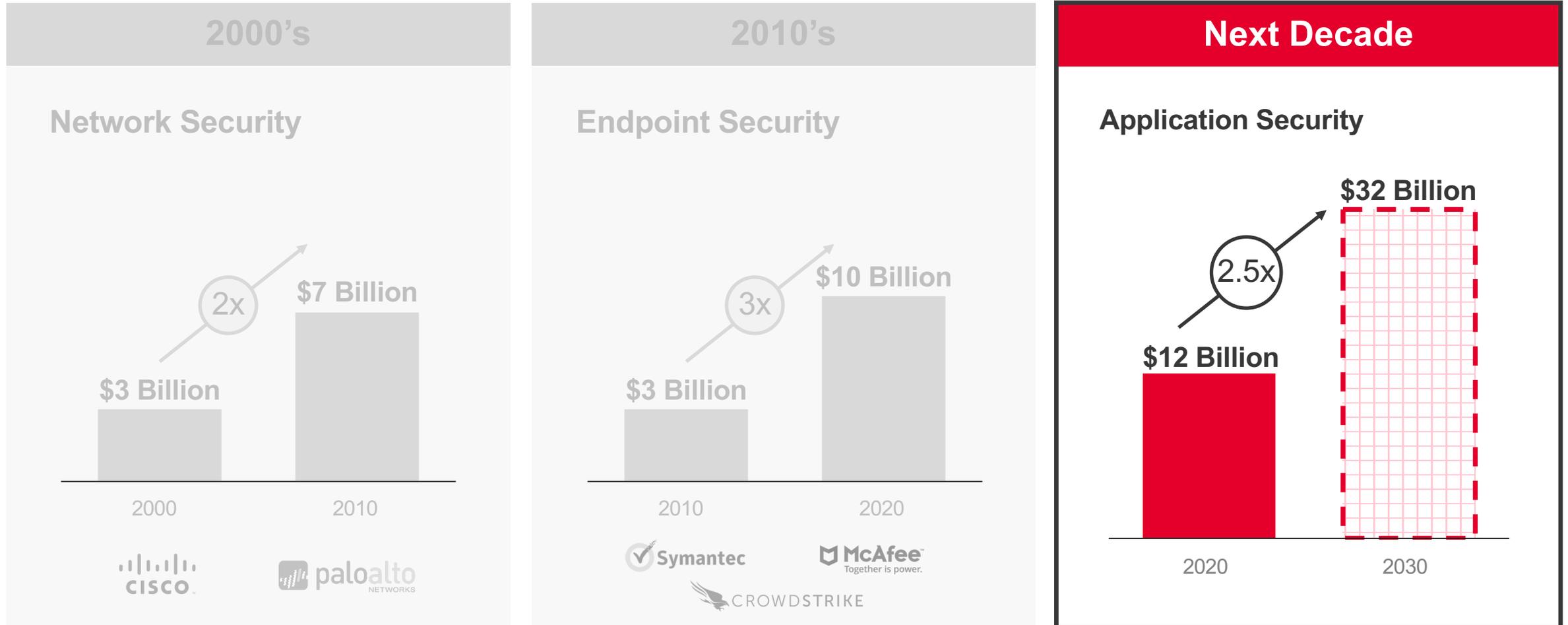
Products, services, or company names referenced herein may be trademarks of their respective owners with no endorsement or affiliation, express or implied

# In the 2010s, endpoint security was “hot” and grew to \$10B



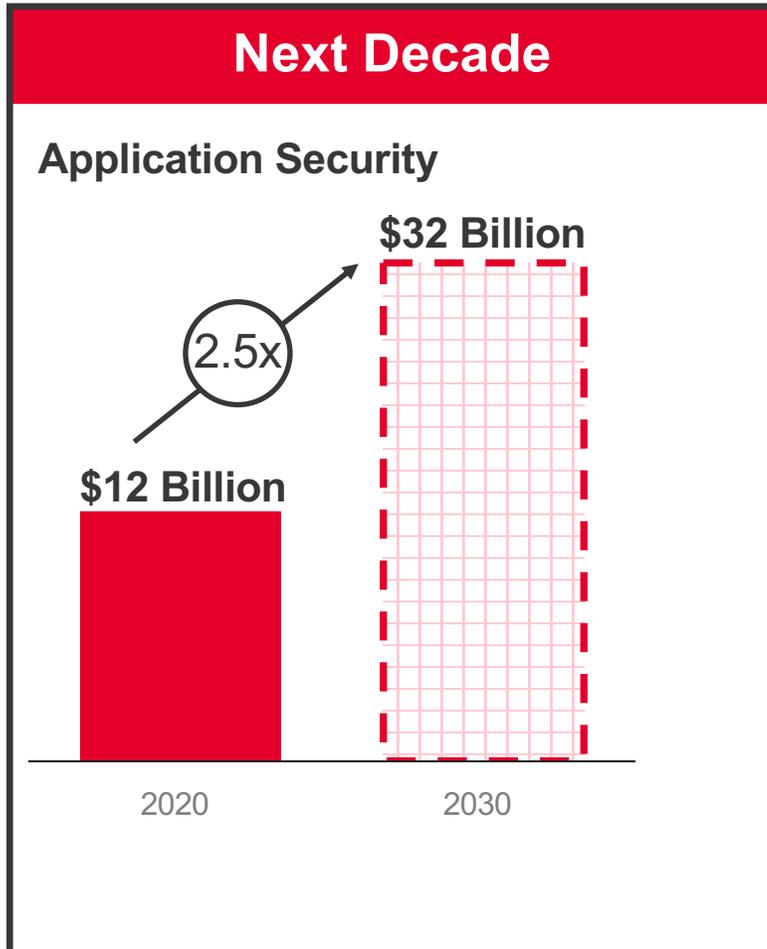
Source: IDC, Gartner, Globaldata  
Products, services, or company names referenced herein may be trademarks of their respective owners with no endorsement or affiliation, express or implied

# App Sec is the “hot” segment of the next 10 years



Source: IDC, Gartner, Globaldata

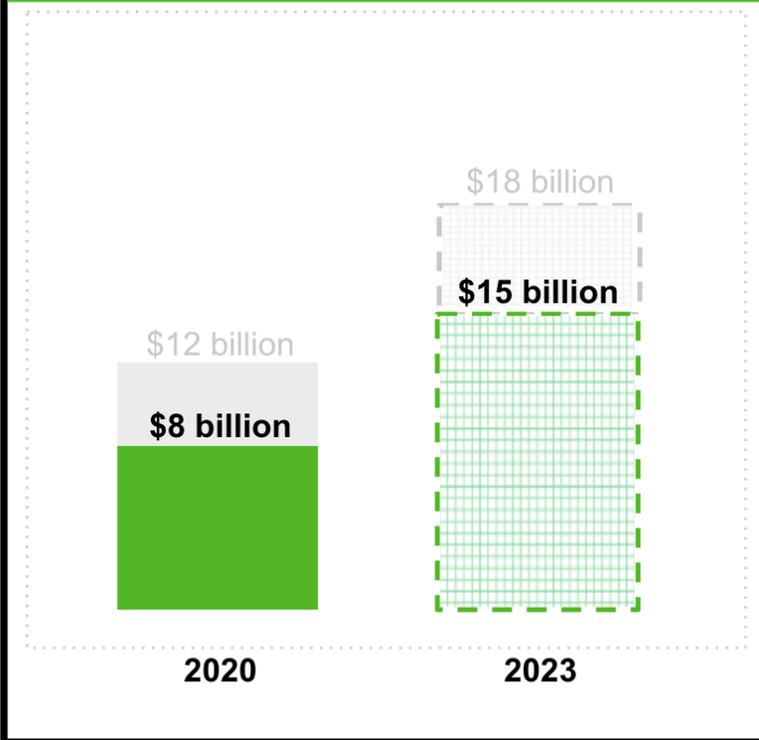
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Why the giant TAM?

The app is where  
the **value** is

## F5 portfolio addresses huge portion of overall TAM



Our portfolio addresses:

**\$8B today**

**\$15B by 2023**

# Why is App Sec exploding?

“Incidents” and “Breaches”

# Industry research on causes of: Incidents and Breaches



## Incidents:

Something dangerous happened, but you avoided disaster... *this time.*

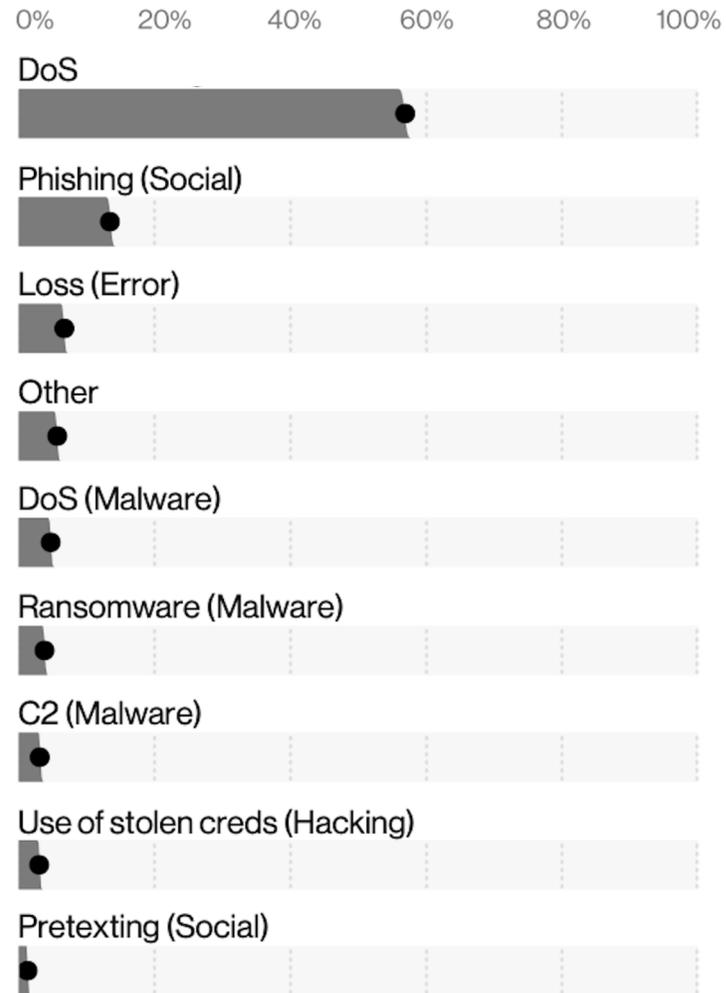


## Breaches:

This time, you did **NOT** avoid disaster.



## Top Causes of Incidents



**~23,000**  
Security incidents  
in 2019 - ranked by cause

Source: 2020 Verizon Data Breach  
Investigations Report



## Top Causes of Incidents



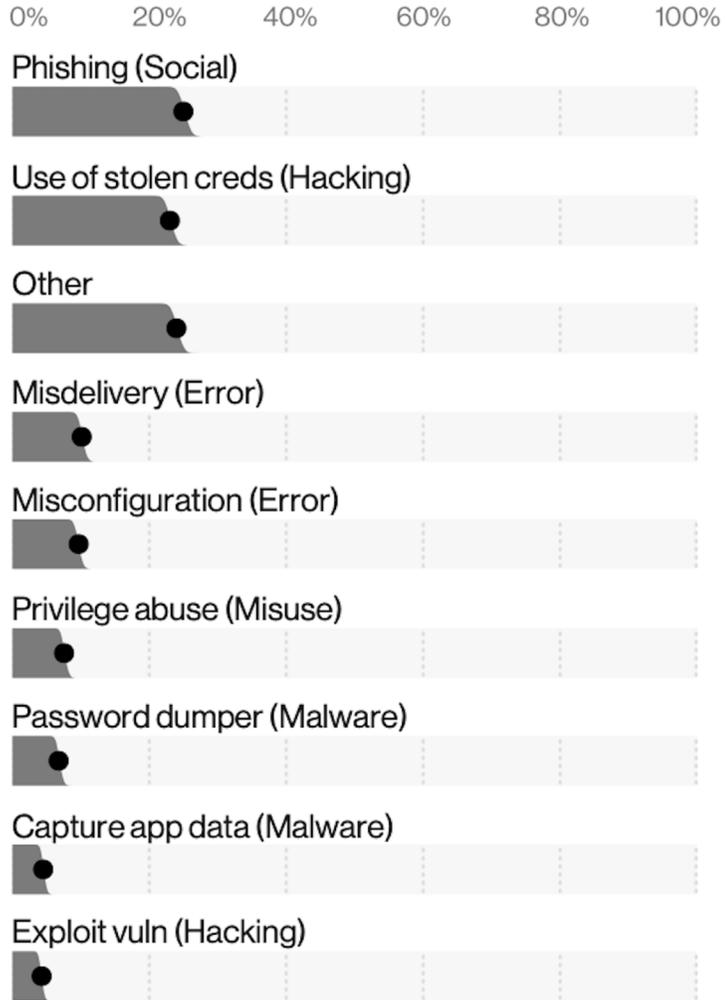
**Over 90%**  
of the time, cause was  
related to **App Sec** issues

The top three attack types  
(>90% of total) **all relate  
to application security.**

F5 has best-in-class  
solutions for these attacks.

Source: 2020 Verizon Data Breach  
Investigations Report

## Top Causes of Breaches

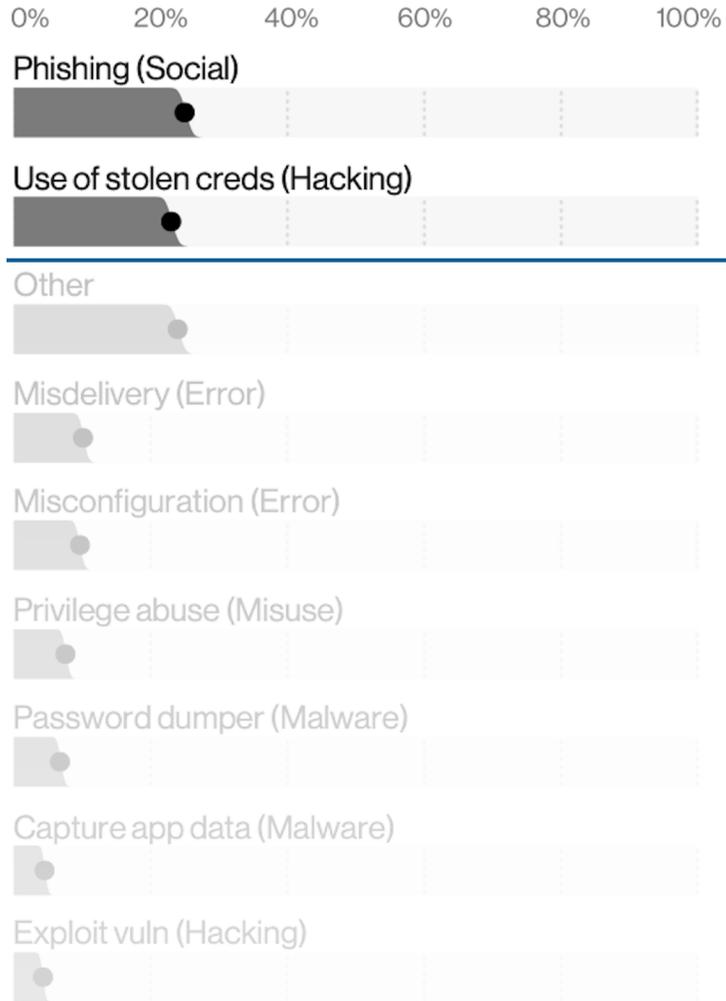


**~3,000**  
actual breaches in 2019 -  
categorized by “cause”

Source: 2020 Verizon Data Breach  
Investigations Report



## Top Causes of Breaches



# Over 50%

of the time, breaches caused by **App Sec** issues

Top two attack types (covering >50% total) **both relate to application security.**

F5 has best-in-class solutions for these attacks too.

Source: 2020 Verizon Data Breach Investigations Report



## Top Causes of Incidents



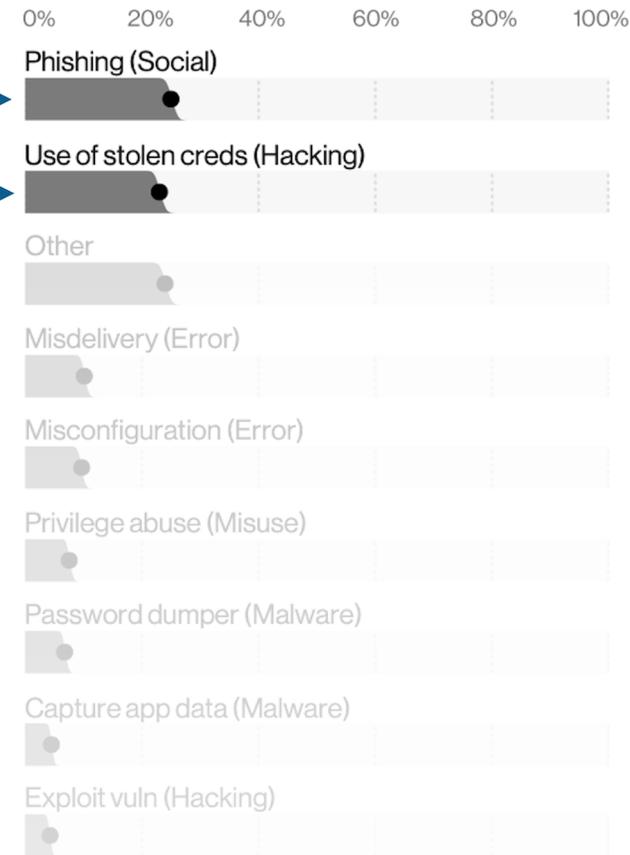
App Sec is exploding because it is the biggest source (*by far*) of the

most frequent incidents

and the

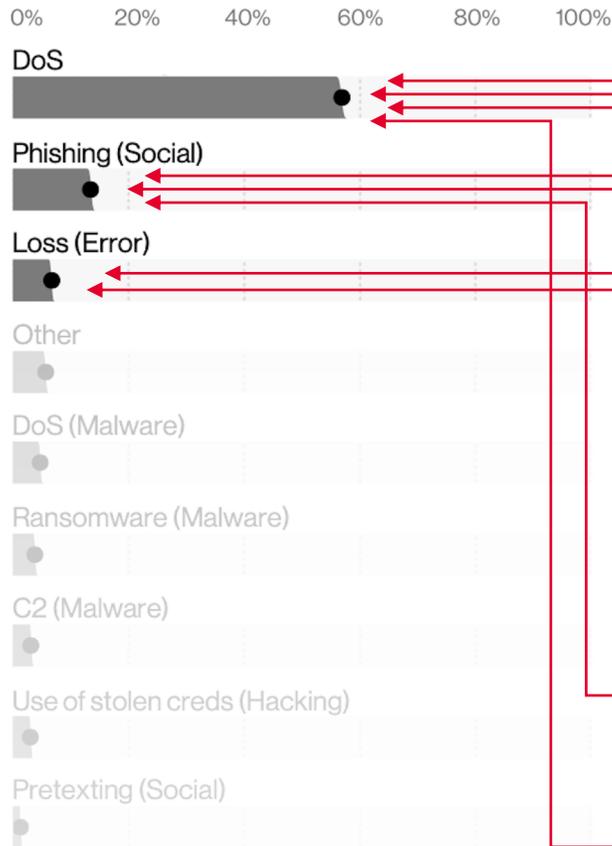
most damaging breaches

## Top Causes of Breaches

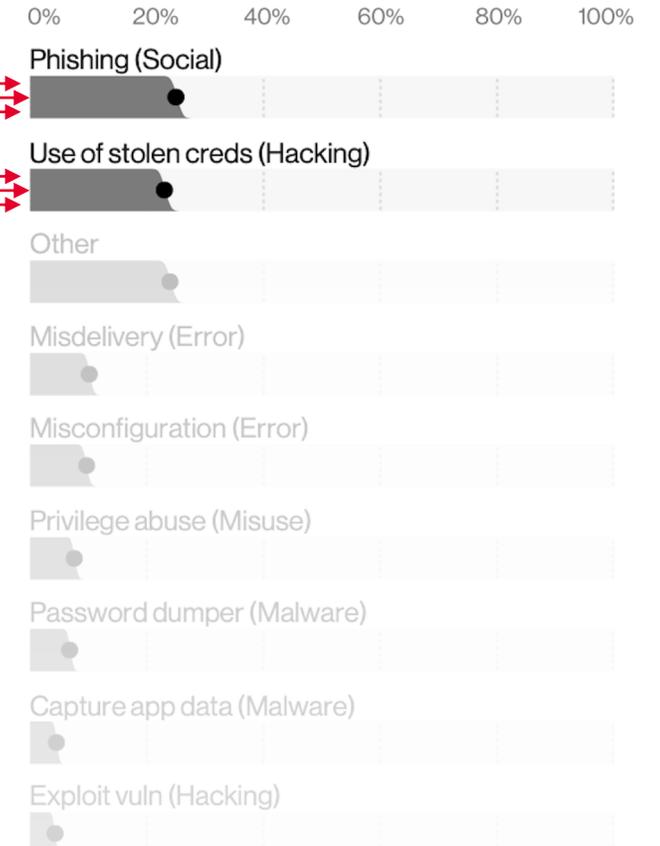


# F5 has the best portfolio for the most frequent and most damaging attacks

## Top Causes of Incidents



## Top Causes of Breaches



Source: 2020 Verizon Data Breach Investigations Report



Requirement	Category	F5 Product
Stay Online	Distributed Denial of Service	F5 Silverline & F5 Advanced Firewall Manager
Stay Secure	Web Application Firewall (WAF)	F5 Advanced WAF, F5 Access Policy Manager
Protect Data & Logic	Fraud and Abuse	Shape Enterprise Defense & Shape AI Fraud Engine

F5 has **leading products** across major areas of **app sec**

# F5 has the strongest overall App Sec portfolio of any vendor

Most-desired App Sec capabilities	f5	Peers		
		CDN/ Edge Players	Public Cloud	Security ISV
Absorb very large attacks	●	●	●	◐
Category-leading WAF	●	●	○	●
AI/ML in production	●	○	◐	○
Big data & analytics back-end	●	○	◐	○
Multi-cloud	●	◐	○	●
Multi-CDN	●	○	◐	●
Hybrid infrastructure	●	○	○	◐
Defeat sophisticated fraud & abuse	●	○	◐	○

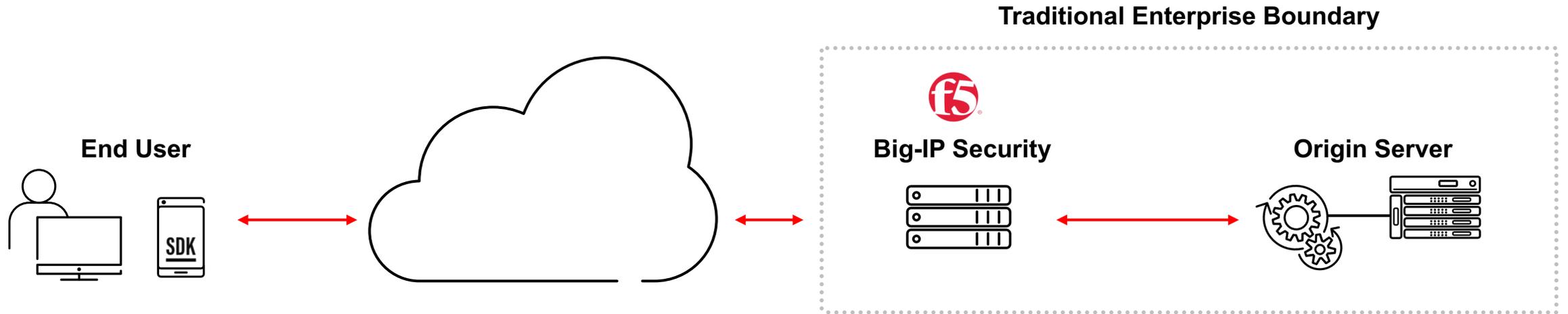
Source: Internal company assessment

Our Shape acquisition brings the industry's most powerful app sec capabilities to our immense install base

	Requirement	Category	F5 Product
1	Stay Online	Distributed Denial of Service	F5 Silverline & F5 Advanced Firewall Manager
2	Stay Secure	Web Application Firewall (WAF)	F5 Advanced WAF, F5 Access Policy Manager
3	Protect Data & Logic	Fraud and Abuse	Shape Enterprise Defense & Shape AI Fraud Engine

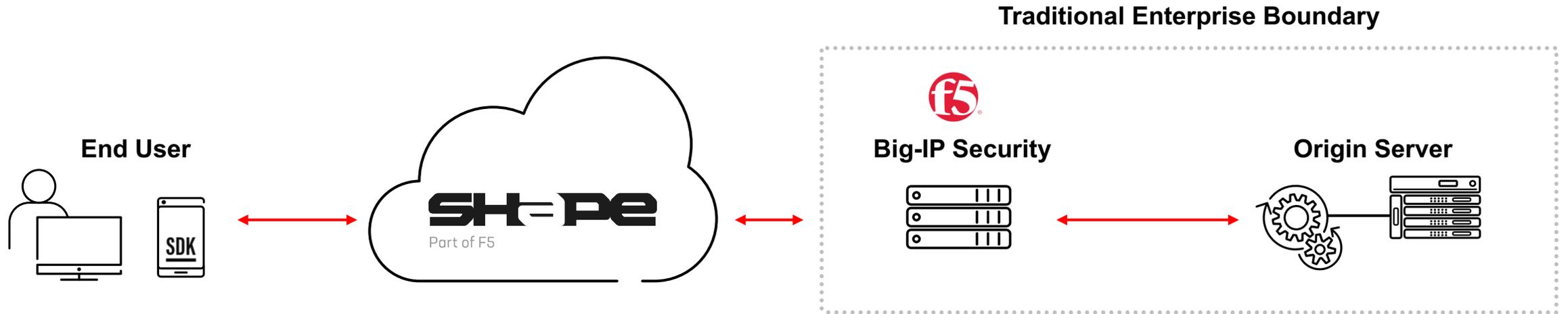
**F5 already strong in 1 & 2 —  
Shape acquisition covers 3**

# “Stay online” and “stay secure” were largely on-premises



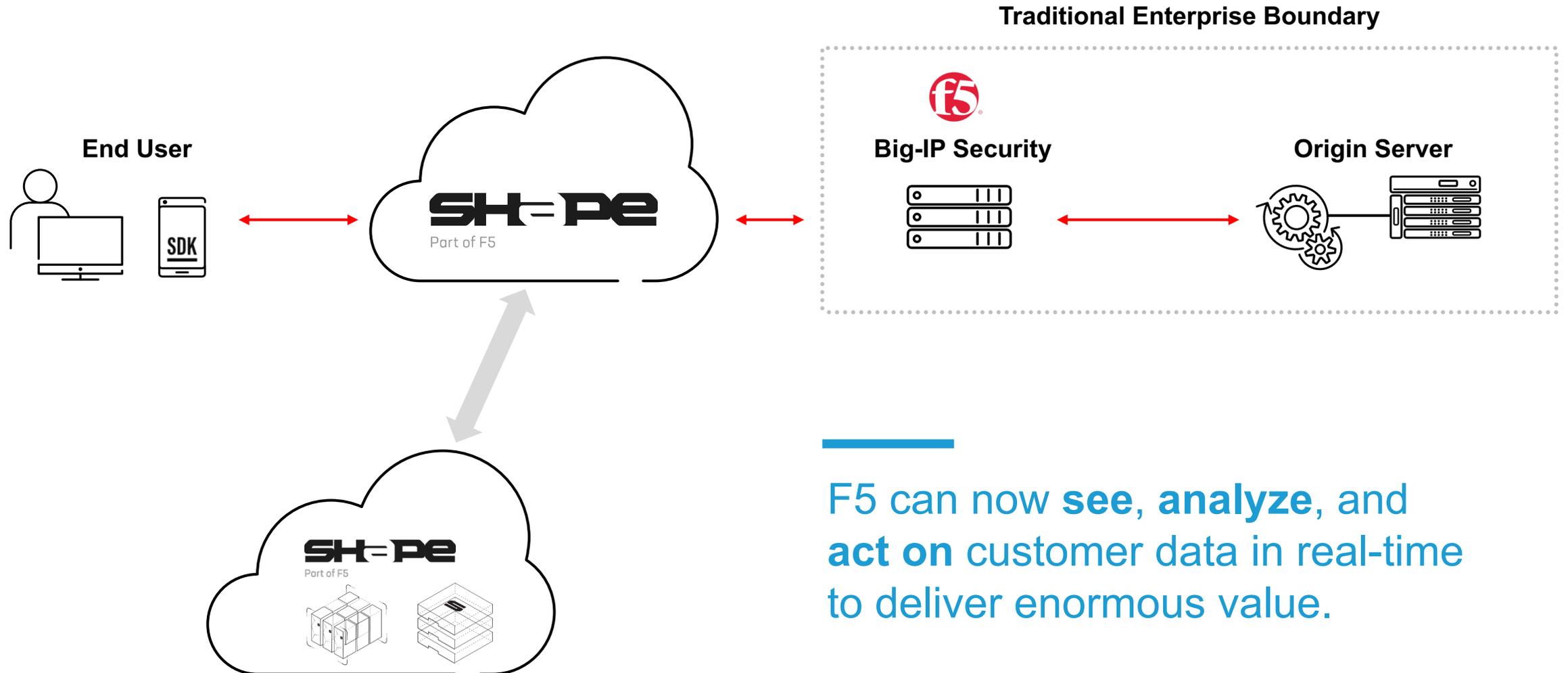
F5 equipment deployed in enterprise datacenter. In this model, **no access to application data.**

# With Shape, we've added cloud security



Now application data routes through F5 in **real-time**, providing **full visibility** to application data

# Shape also brings a full data analytics platform



F5 can now **see, analyze, and act on** customer data in real-time to deliver enormous value.

## Cloud-enablement & Real-time Data Analytics

Requirement	Category	F5 Product
Stay Online	Distributed Denial of Service	F5 Silverline & F5 Advanced Firewall Manager
Stay Secure	Web Application Firewall (WAF)	F5 Advanced WAF, F5 Access Policy Manager
Protect Data & Logic	Fraud and Abuse	Shape Enterprise Defense & Shape AI Fraud Engine

**Shape capabilities will turbocharge** all other offerings (cloud-connected, data-driven) - leading to an *enhanced portfolio*

EXISTING BASE OF SECURITY CUSTOMERS:

>10,000 active customers  
have **purchased at  
least one security  
offering** from F5

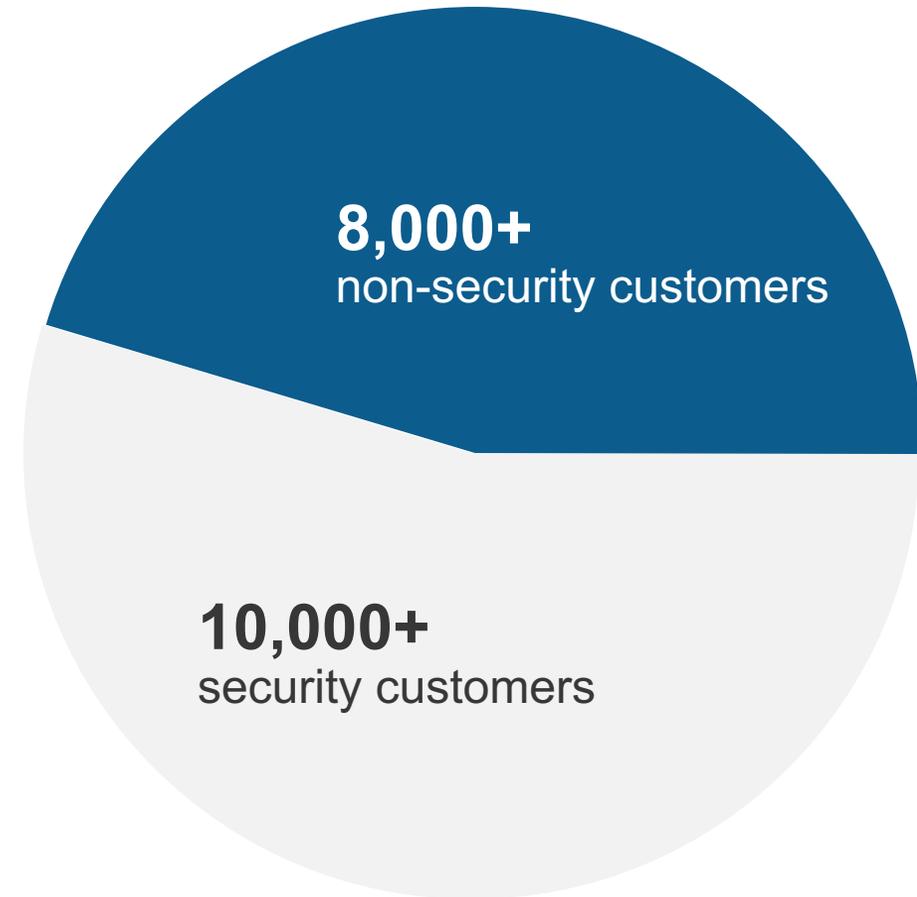


**10,000+**  
security customers

PRE-SHAPE F5 HAD MORE THAN

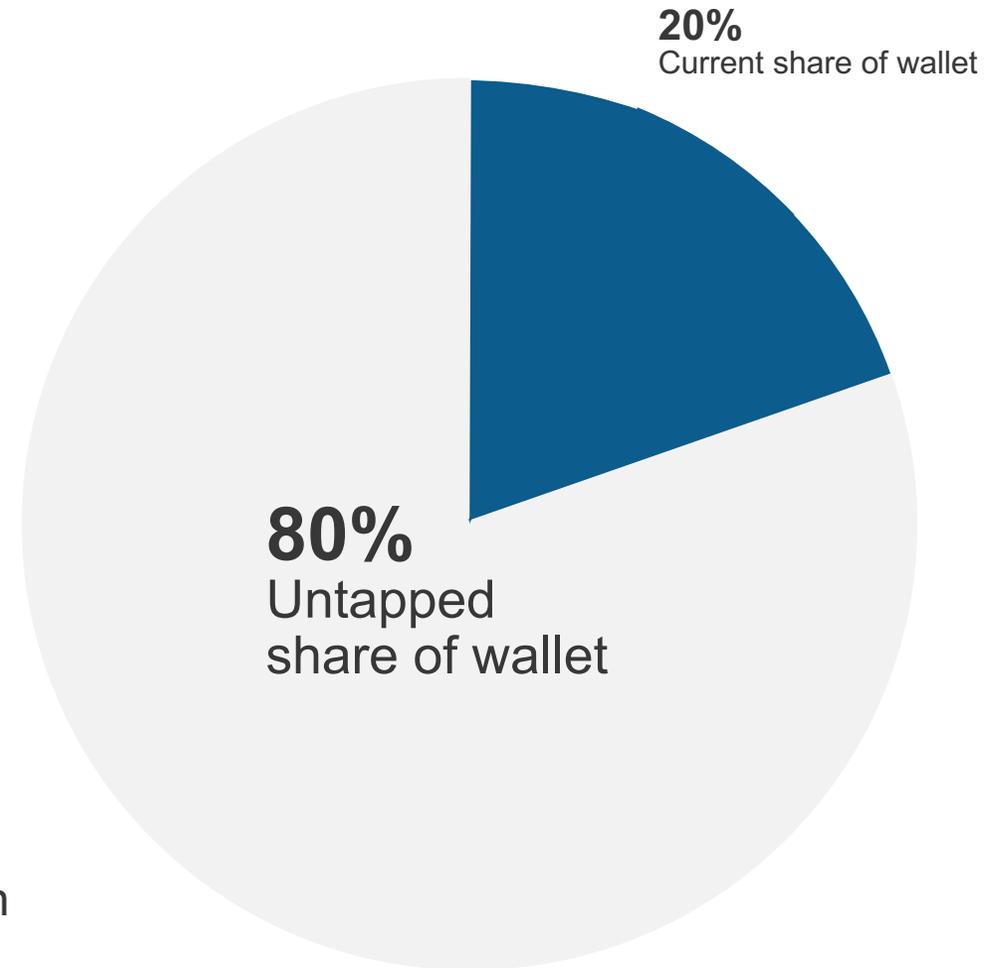
**>8k additional customers under contract** who had not yet bought any of our security offerings

**Enhanced portfolio** allows us to expand security sales within our install base



Among *security* customers, we have  
**~20% share of  
application security wallet**

**Enhanced portfolio** allows us to  
capture significantly more application  
security budget within our install base



Note: Internal estimate of available budget in areas for which  
F5 has leading products



**Multiple State Employment Websites** defrauded as COVID drove massive unemployment claims



**Top 3 global social media site** selected F5 to deal with election interference



**Largest banking platform** provider in US selected F5 to safeguard **thousands of banks**

Power of this system evident in  
**recent customer wins**

With >\$750M<sup>1</sup> in FY20 application security revenue, **F5 is already a category leader**

<sup>1</sup>Includes standalone products, Shape Security, Silverline, attached security, and security services. See appendix for GAAP to non-GAAP reconciliation.

## Stand-alone Security Product Revenue



~\$275M

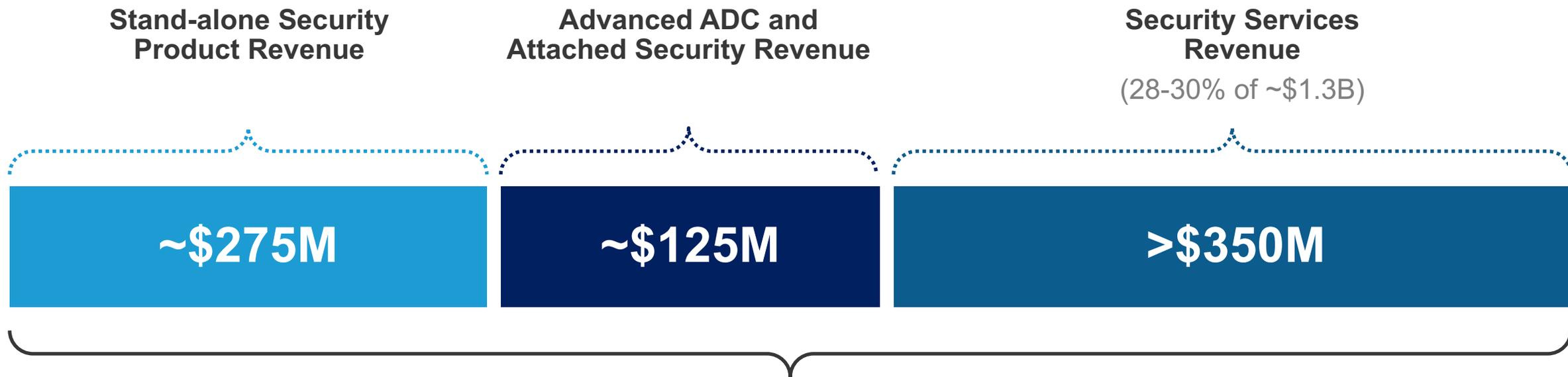
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**Stand-alone Security  
Product Revenue**

**Advanced ADC and  
Attached Security Revenue**



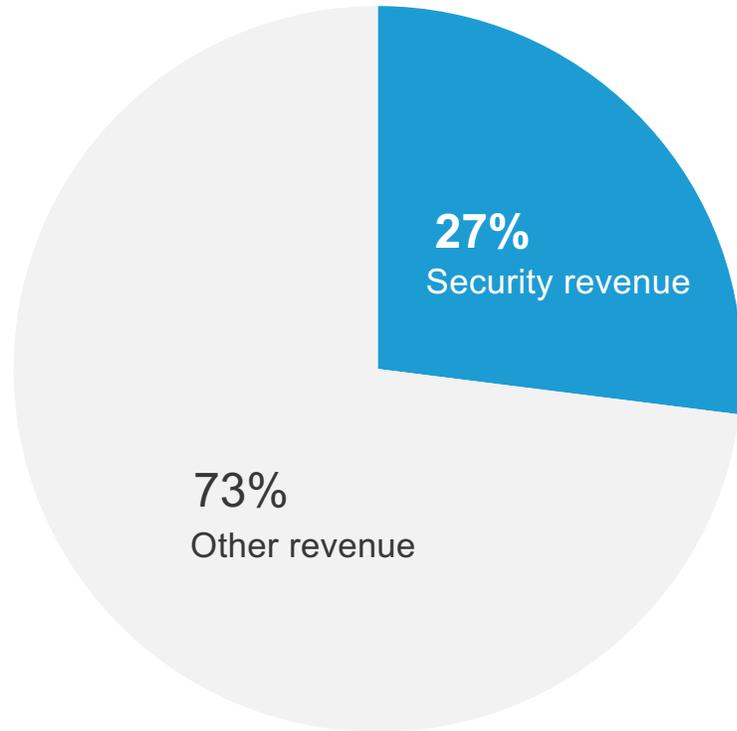
<sup>1</sup>Includes standalone products, Shape Security, Silverline, attached security, and security services. See appendix for GAAP to non-GAAP reconciliation.



**>\$750M<sup>1</sup>**  
 Total Non-GAAP Security Revenue FY2020

<sup>1</sup>Includes standalone products, Shape Security, Silverline, attached security, and security services. See appendix for GAAP to non-GAAP reconciliation.

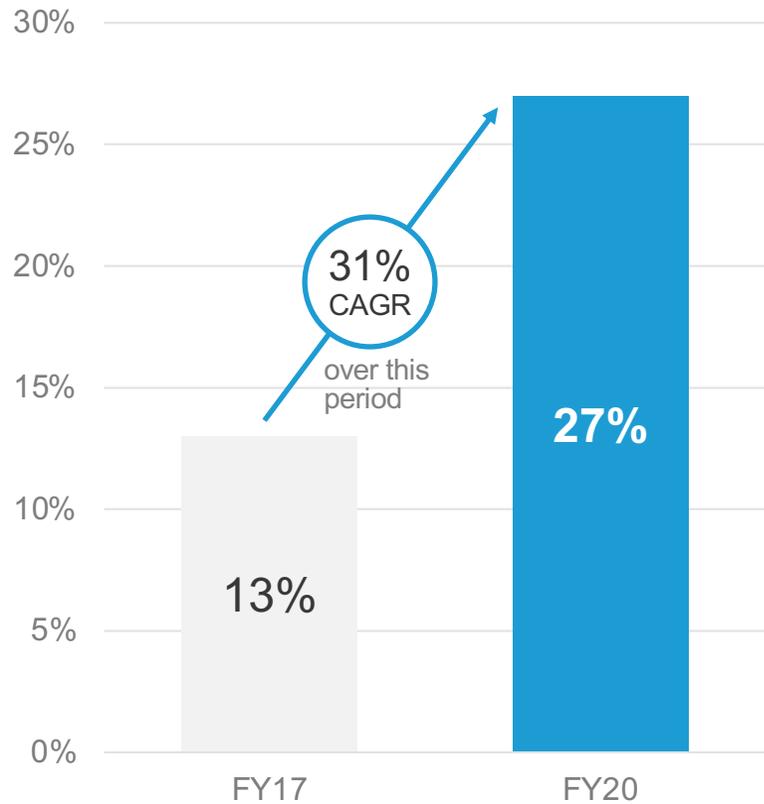
## Standalone Security<sup>1</sup> Revenue (% of Non-GAAP Product Revenue)



Security is already **more than a quarter** of our overall product revenue

<sup>1</sup>Includes standalone products, Shape Security, Silverline, attached security, and security services. See appendix for GAAP to non-GAAP reconciliation.

## Standalone Security<sup>1</sup> Revenue (% of Non-GAAP Product Revenue)

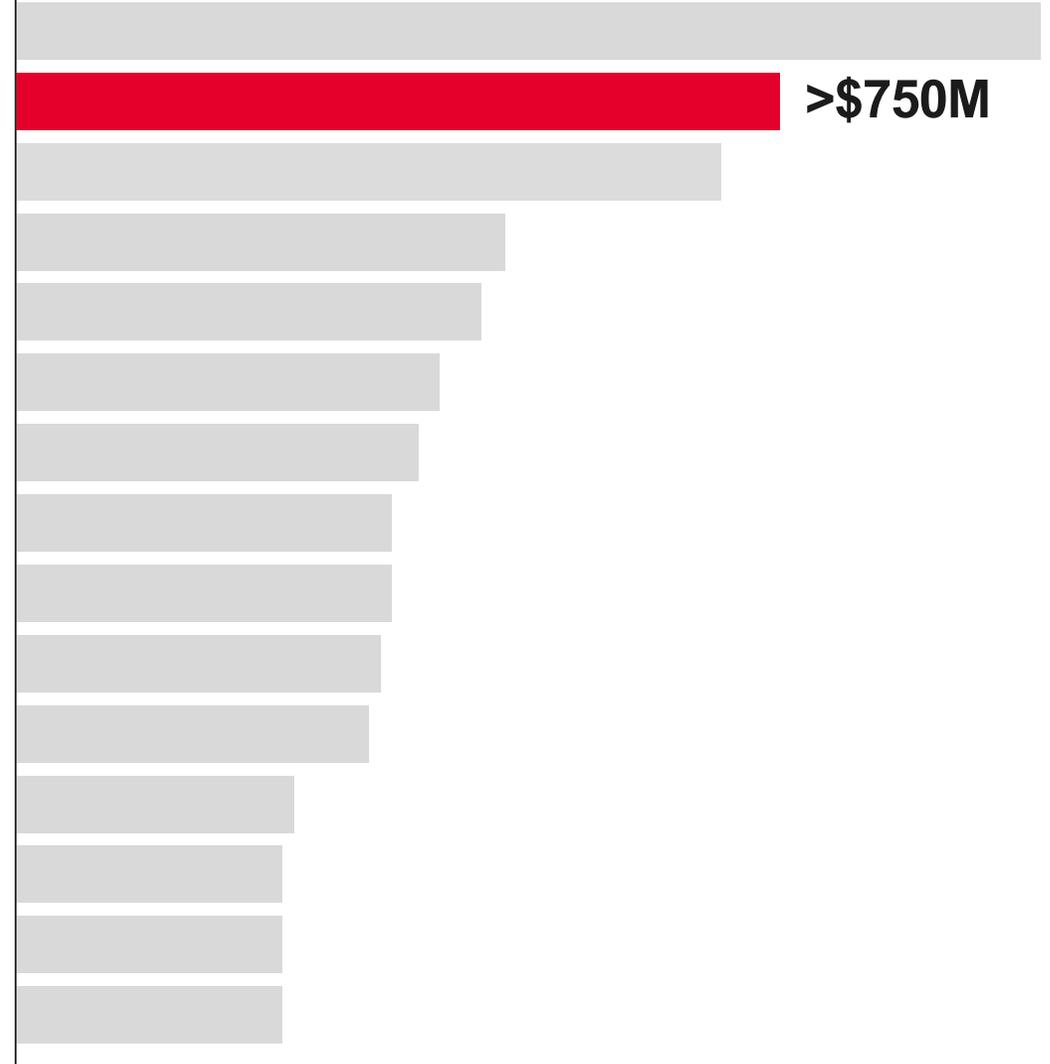


Security as a % of total product revenue has **more than doubled** since FY2017

<sup>1</sup>Includes standalone products, Shape Security, Silverline, attached security, and security services. See appendix for GAAP to non-GAAP reconciliation.

# F5 is a leader in application security

## Application Security Companies



Source: Company filings represents LTM revenue (non-GAAP for F5). See appendix for GAAP to non-GAAP reconciliation.

**F5's strength is Application Security, which is the hottest security segment for the next decade**

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Our Shape acquisition delivers the industry's most powerful app sec capabilities to our immense install base

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**F5 is a top 10 global App Sec company based on FY2020 revenue**

# Key Takeaways

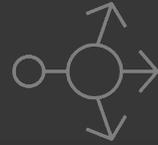


# Analyst and Investor Meeting<sup>20</sup>

Combined, our **portfolio** and **go-to-market strategies** will continue driving revenue and earnings growth



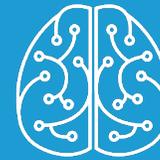
Simplify traditional app delivery for multi-cloud environments



Enable modern app delivery at scale



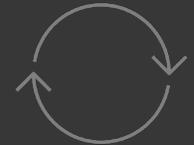
Secure every app anywhere



Unlock the value of app insights



Reach new buyers & grow customer value



Deliver robust & profitable services

**DELIVER STRONG, SUSTAINABLE SHAREHOLDER RETURNS**

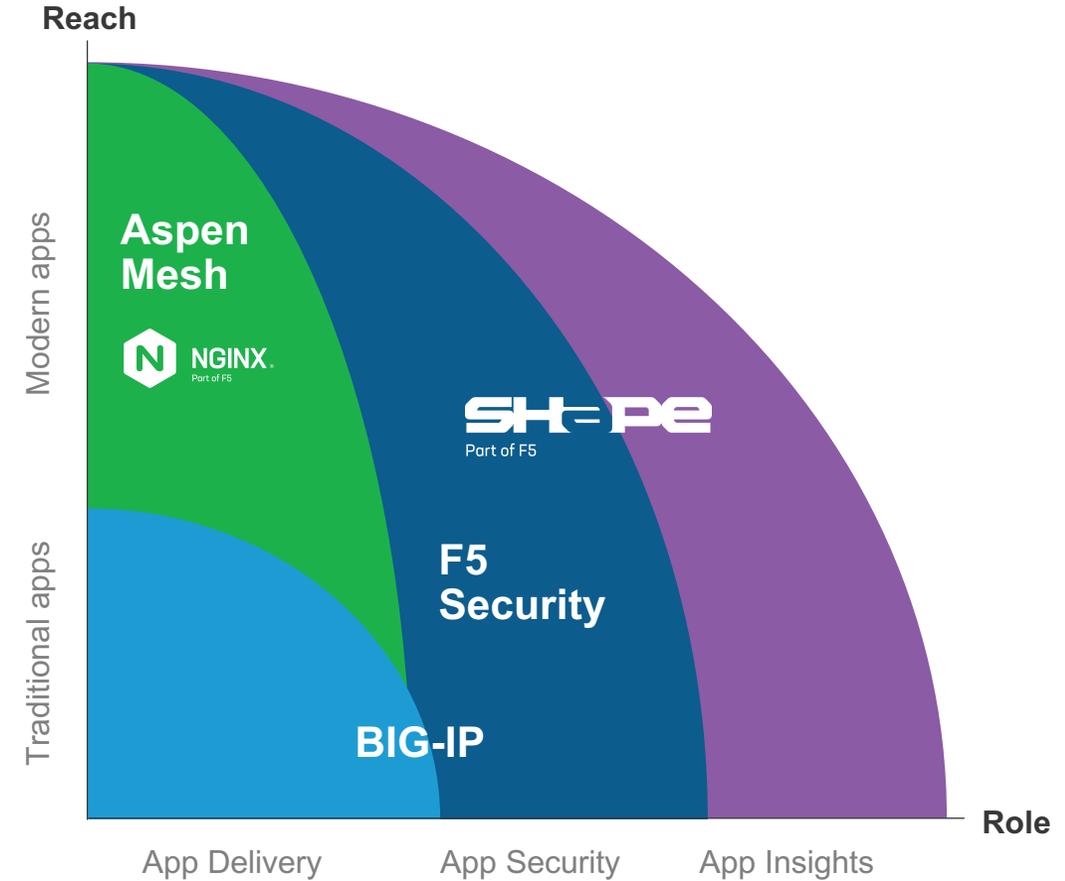
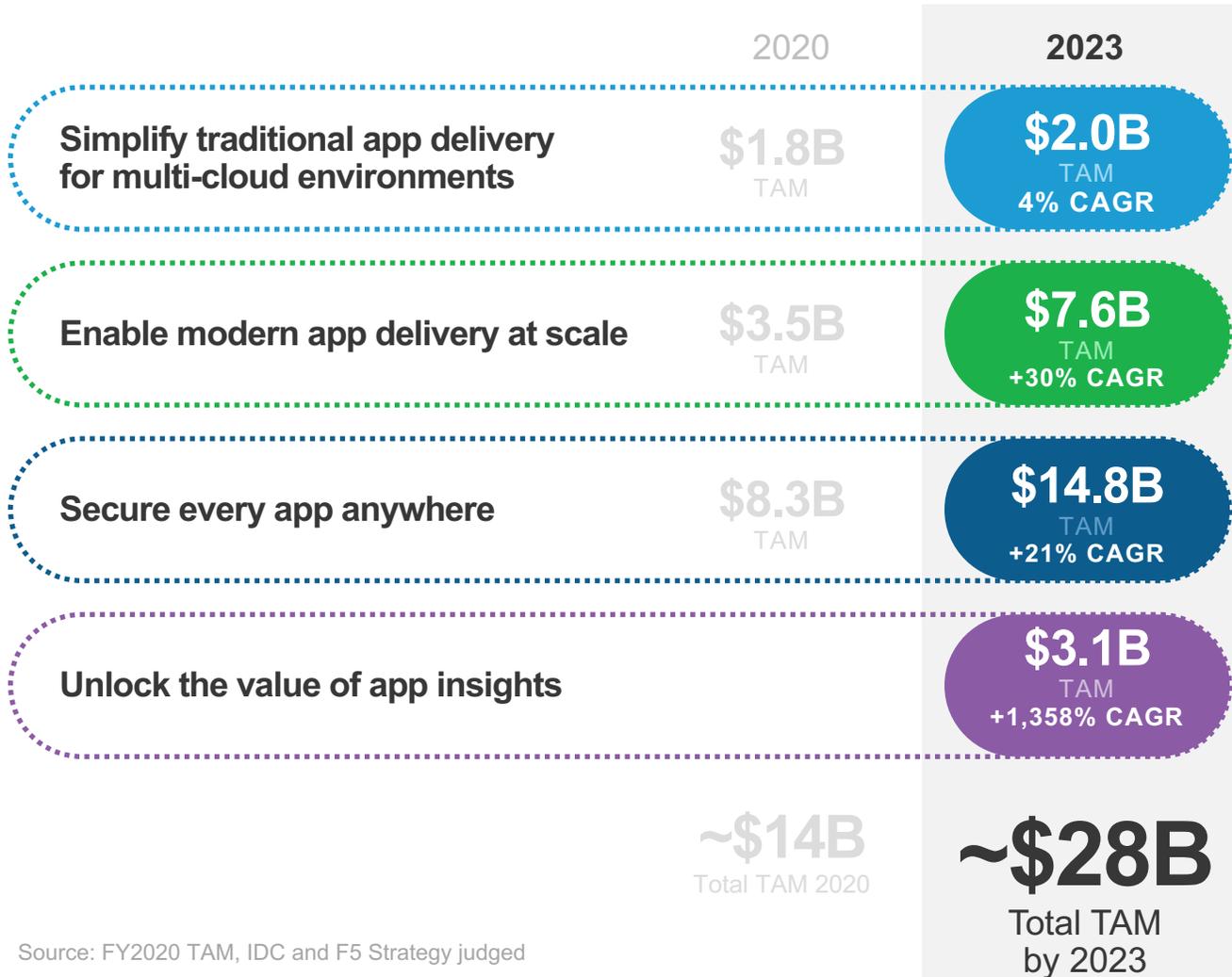


# Unlock the value of app insights, through data and AI

**Shuman Ghosemajumder**

Global Head of Artificial Intelligence

# We expect significant TAM growth



Source: FY2020 TAM, IDC and F5 Strategy judged

F5 application services have an **unparalleled** vantage point to **leverage data**

---

We are building a **next generation data platform** on top of Shape's data and AI systems

---

We already have AI and automation-based services in market and will be **launching more**

## Key Takeaways

We are well on our way to opening new AI-driven markets and expect to see initial revenue in Horizon 2

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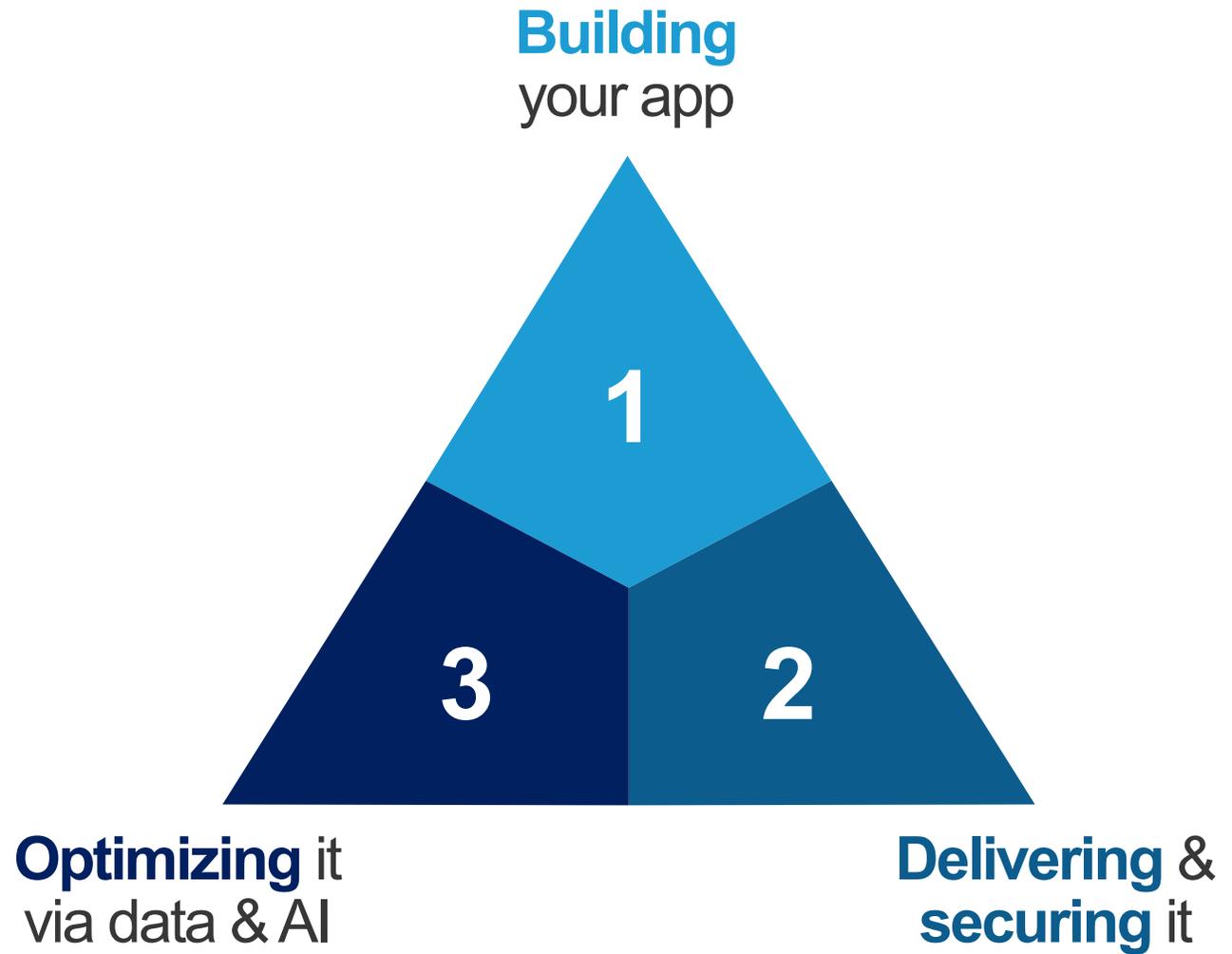
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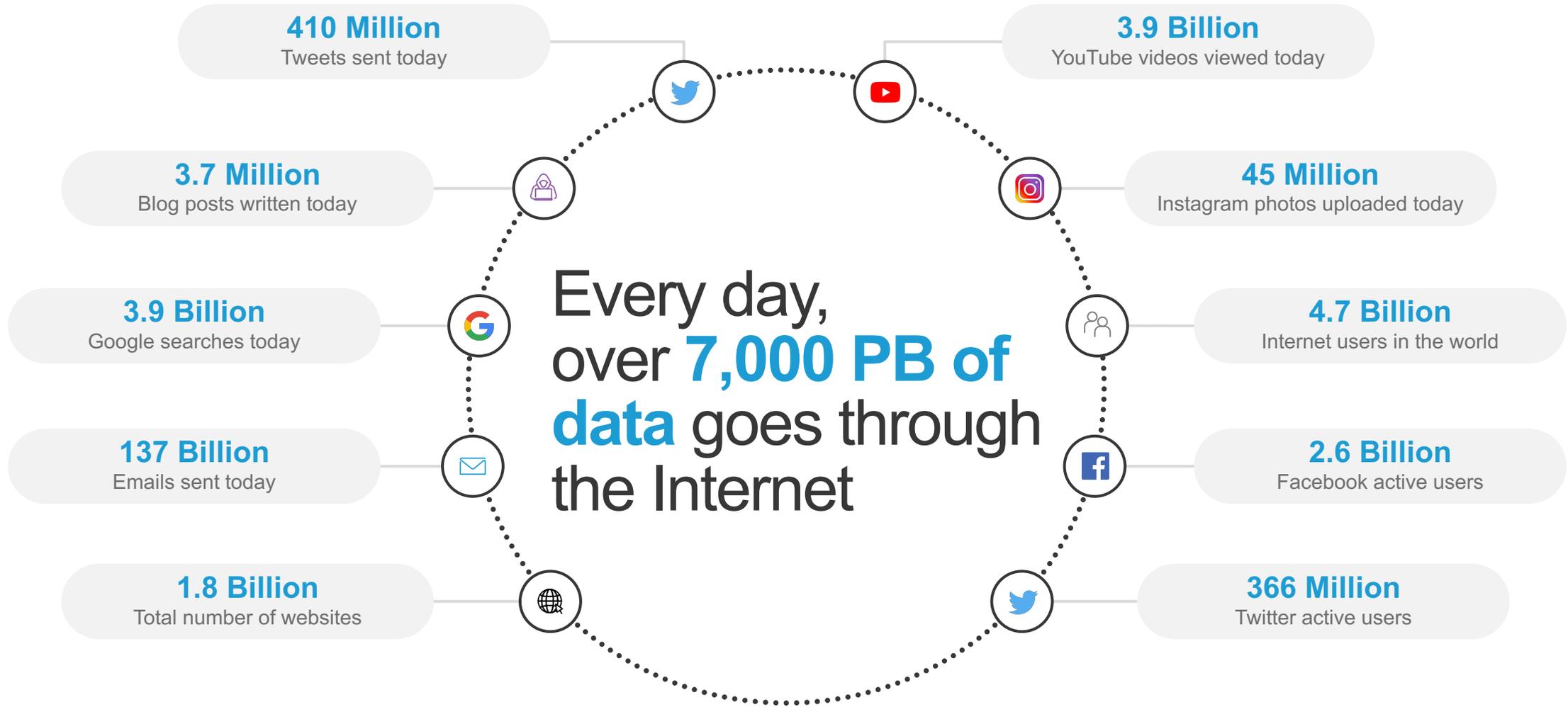
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We are well on our way to opening new AI-driven markets and expect to see initial revenue in Horizon 2

# 3 Elements

OF CREATING A GREAT  
DIGITAL EXPERIENCE





1 PB (Petabyte) =  
1,000,000,000,000,000 bytes

# Every day ~563 PB of data flows through F5 products



## F5 potential data reach:

**48**  
of Fortune 50

**>450**  
**million**  
websites

nearly  
**every**  
Internet user

## Compare with:

**YouTube** ~1235 PB daily

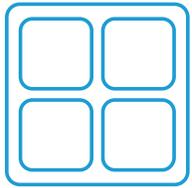
**NETFLIX** ~885 PB daily

**f** ~285 PB daily

**Instagram** ~211 PB daily

Sources: Cisco VNI Complete Forecast Highlights (2016-2021), Sandvine Global Internet Phenomena Report (May 2020), Netcraft Web Server Survey (Aug 2020), F5 BIG-IP iHealth Data

# Our view of data is unique due to our unique position



Infrastructure topology,  
configuration,  
performance, health



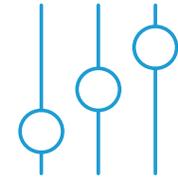
Application attacks, fraud  
& abuse, cybercriminal  
TTPs, threat data



Application usage,  
session, client, device,  
core application data



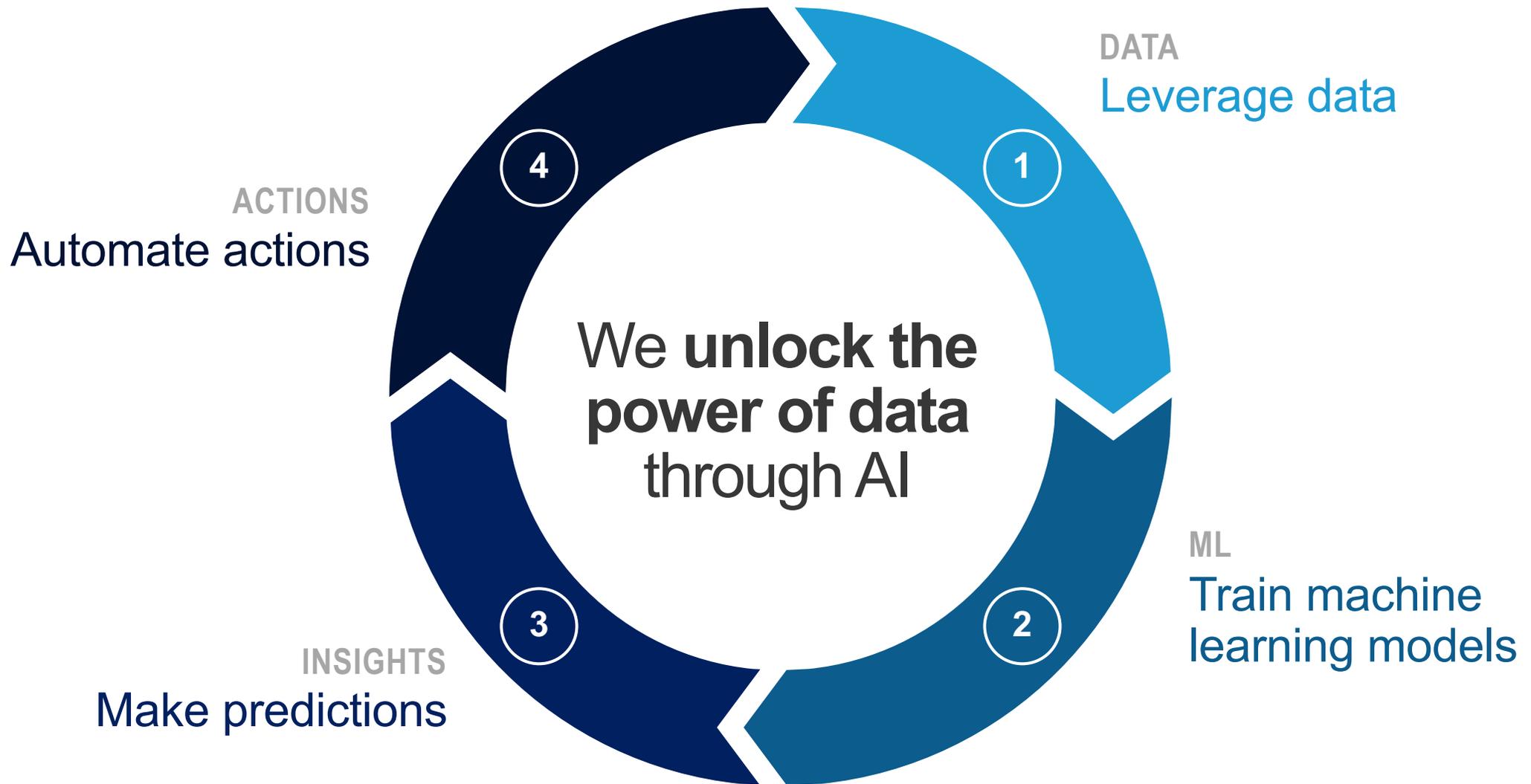
Account and user  
behavior, user journeys,  
business metrics



Data and telemetry  
spanning all environments:  
multi-cloud, hybrid,  
and datacenters

**Deep and broad view of application + user behavior across the Internet**

Data reach includes 48 of the Fortune 50, 67% of the Top 10,000 websites



# How we unlock the power of data through AI

**~\$16B** Total addressable market by 2025

AI-Enabled Security & Fraud Protection  
Digital Experience Management

**SH-PE**  
Part of F5

App Performance Management & AIOps  
Analytics-Enabled Business Services



Application Business Logic



MULTI-CLOUD APPLICATION SERVICES



End User

# In 2020, privacy is paramount

F5 allows organizations to unlock the power of data while protecting data privacy from the ground up.



## Multi-layered privacy controls,

including data minimization, aggregation, anonymization, and encryption, built-in.



Application  
Business Logic

**NGINX**

MULTI-CLOUD APPLICATION SERVICES



End User

F5 application services have an **unparalleled** vantage point to **leverage data**

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## Key Takeaways

We are well on our way to opening new AI-driven markets and expect to see initial revenue in Horizon 2

WHAT WE ACTUALLY GOT WITH SHAPE:

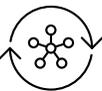
# An AI and data platform for **advanced user analytics**



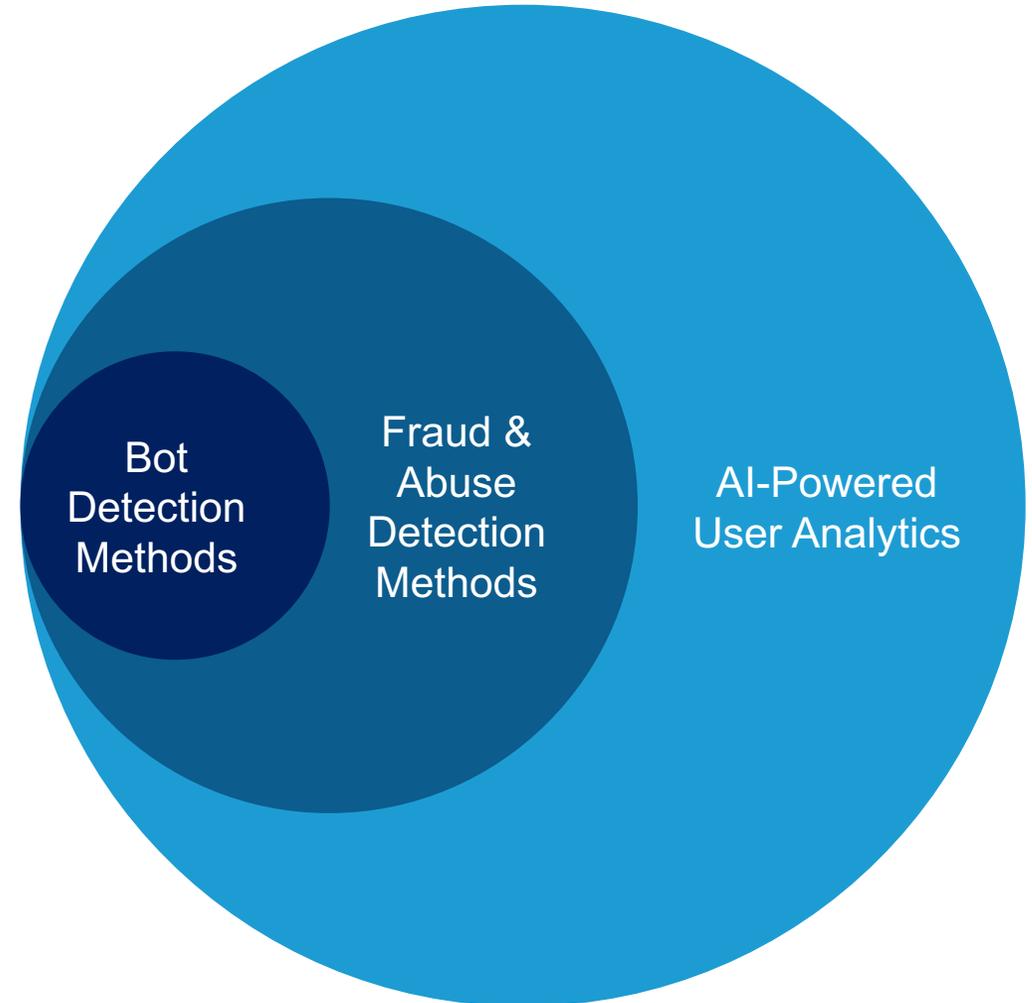
“Bots” are not a traditional infosec issue: **they’re a form of fraud and abuse**



In order to detect “bots”, need to **create general analytics** to detect anomalies and patterns in user behavior



Highest form of such systems uses **AI to produce deep insights** and act on them **automatically**

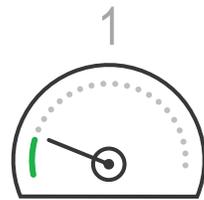


# Higher levels of adaptive applications optimize digital experiences

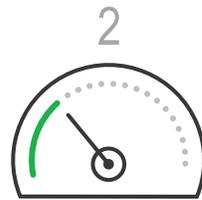
## Levels of Driving Automation



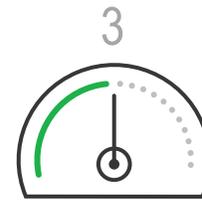
**No  
Automation**



**Driver  
Assistance**



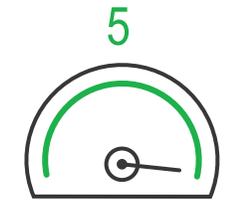
**Partial  
Automation**



**Conditional  
Automation**



**High  
Automation**



**Full  
Automation**

## Levels of Adaptive Apps

Fully manual  
management:  
traditional  
datacenters + CDNs

Public cloud  
infrastructure  
abstracts hardware  
management

Elastic scaling of  
infrastructure in  
public clouds

Predictive  
provisioning and  
scaling across public  
cloud and hybrid  
environments

**App infrastructure  
fully self-configures  
and heals**

**Digital experience  
fully optimizes  
across apps**

Shape already  
**enhances**  
**cybersecurity**  
to a **high level of**  
**automation**

## Levels of Cybersecurity Automation

---

- 1 Manual Detection & Manual Response
- 2 Manual Detection & Semi-Automated Response
- 3** Semi-Automated Detection & Semi-Automated Response
- 4 Automated Detection & Semi-Automated Response
- 5 Fully Automated Detection & Fully Automated Response

F5 application services have an **unparalleled** vantage point to **leverage data**

---

We are building a **next generation data platform** on top of Shape's data and AI systems

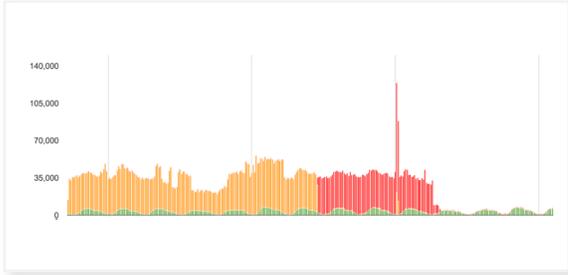
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We already have AI and automation-based services in market and will be **launching more**

## Key Takeaways

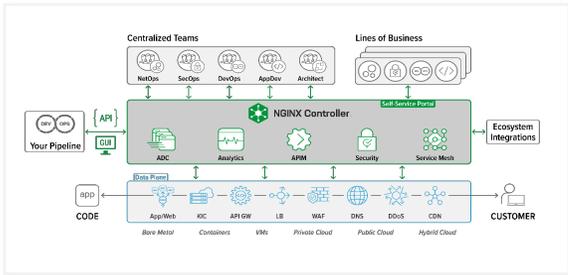
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# AI and automation product initiatives already underway

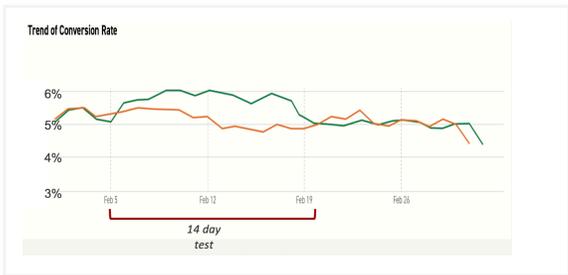


**Shape Enterprise Defense** is the model for future services: leader in AI-based fraud & abuse defense, taking apps from >90% login fraud to ~0%

**SAFE** (Shape AI Fraud Engine) builds on this to stop fraud anywhere in app



**NGINX Controller** and **Beacon** will enable infrastructure changes and issue resolution to go from hours to minutes



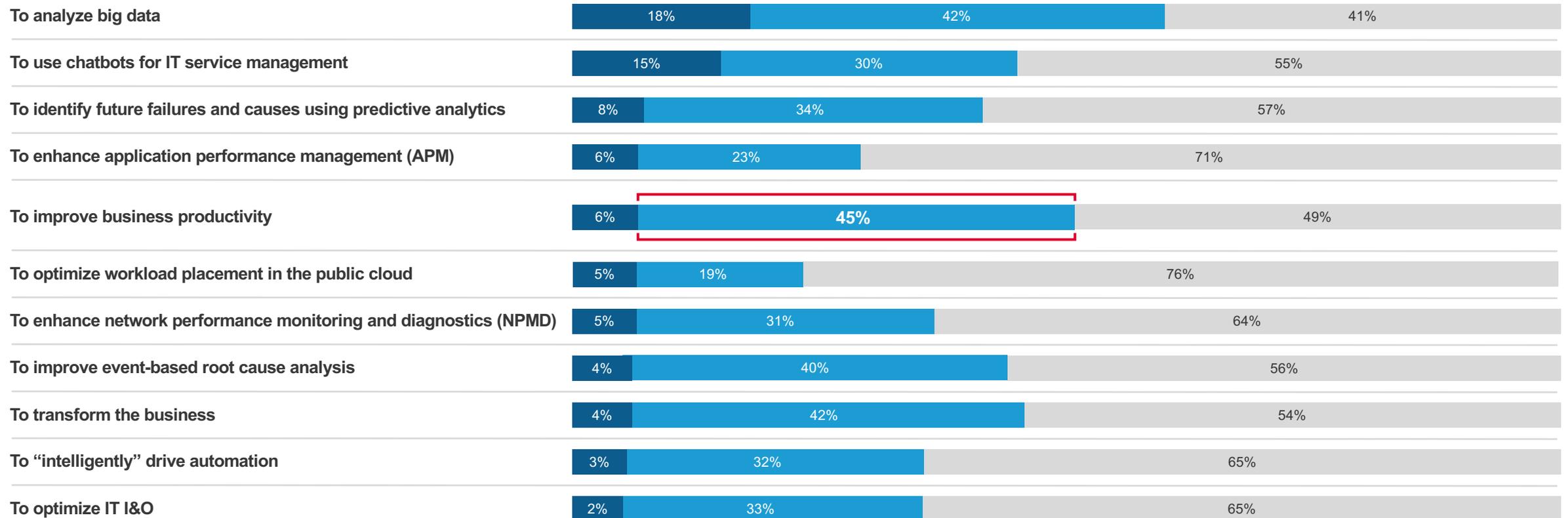
Customer app revenue maximizing services in pipeline: product pilots based on optimizing behavior from app interaction data have **demonstrated 2% lift in top-line revenue**

# IT infrastructure & operations are using, and plan on using, AI extensively throughout their organizations

## IT I&O Usage of AI or ML

Percentage of respondents

■ Already using AI/ML
 ■ Plan to use AI/ML by Y19
 ■ No plans to use within the next 2 years



Source: Gartner, Inc 2019, ID:380851

20 | ©2020 F5

THE 2024 VISION:

Alleviating “**undifferentiated heavy lifting**”<sup>\*</sup> for digital experiences

<sup>\*</sup> Coined by Werner Vogels, CTO of Amazon

Internet app downtime, performance degradation, and suboptimal digital experiences currently result in

# Billions in lost revenue

“Downtime Statistics of Current Cloud Solutions”, IWGCR Paper  
IDC Survey: <https://www.devopsdigest.com/idc-survey-appdynamics-devops-application-performance>



Internet apps typically have ~99.9% availability, or **7+ hours downtime per year\***



Electrical grids in efficient, modern cities have **15 minutes downtime per year**



App downtime costs **\$1.25 to \$2.5 billion annually** across the Fortune 1000 alone\*

---

**Adaptive Applications** are worth **millions of dollars** per year to every typical large enterprise

F5 application services have an **unparalleled** vantage point to **leverage data**

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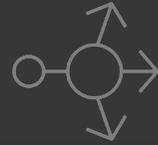


# Analyst and Investor Meeting 20

Combined, our **portfolio** and **go-to-market strategies** will continue driving revenue and earnings growth



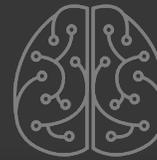
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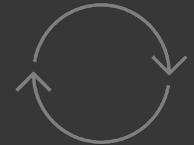
Secure every app anywhere



Unlock the value of app insights



Reach new buyers & grow customer value



Deliver robust & profitable services

**DELIVER STRONG, SUSTAINABLE SHAREHOLDER RETURNS**



# Reach new buyers & grow customer value

**Chad Whalen**

EVP, Worldwide Sales

**Mika Yamamoto**

EVP and Chief Marketing  
& Customer Experience Officer

Our go-to-market execution and offers have, and will, deliver **accelerated software growth**

---

Our **public cloud partnerships** are a strong route-to-market driving differentiated offers and application expansion

---

Our digital revenue engine generates incremental revenue by **efficiently reaching new buyers**

## Key Takeaways

We will accelerate growth among new buyers with greater speed and resource efficiency

Our go-to-market execution and offers have, and will, deliver **accelerated software growth**

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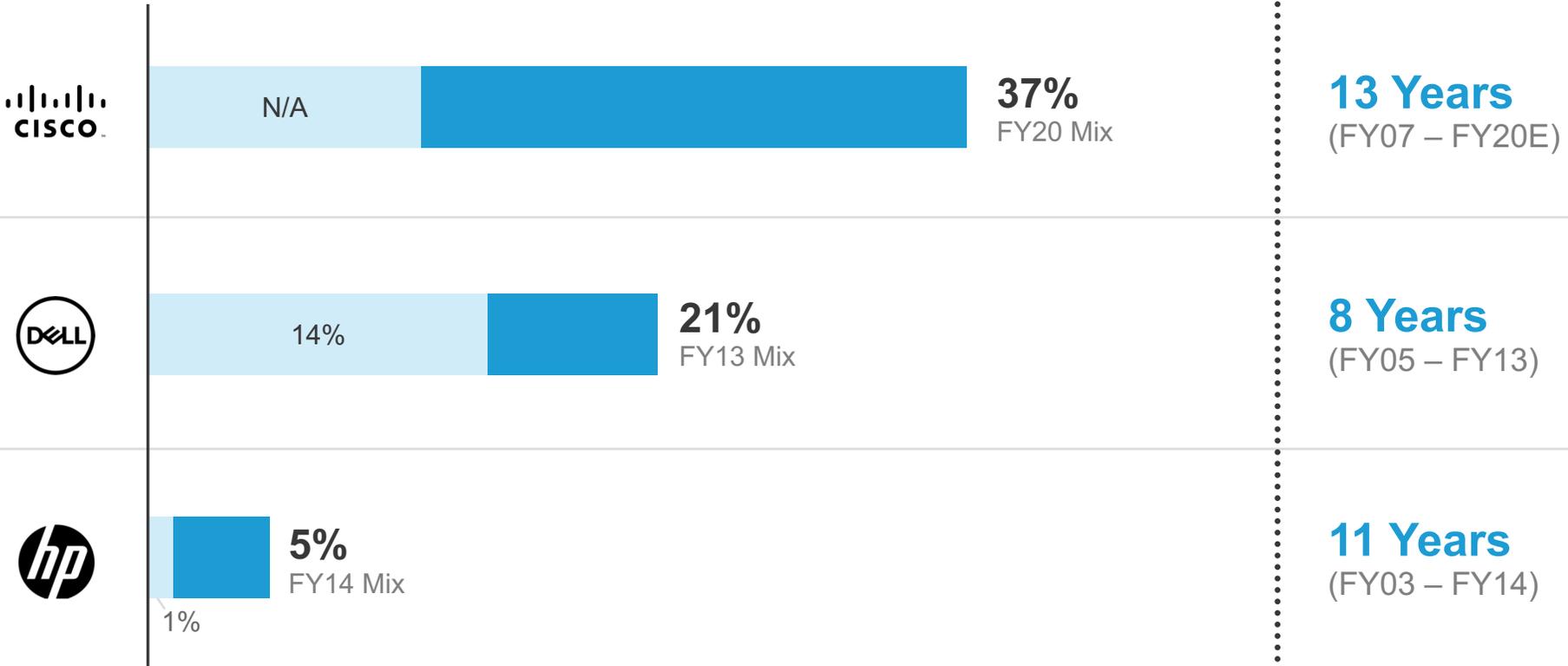
## Key Takeaways

We will accelerate growth among new buyers with greater speed and resource efficiency

# Other companies' software transformations have returned mixed results

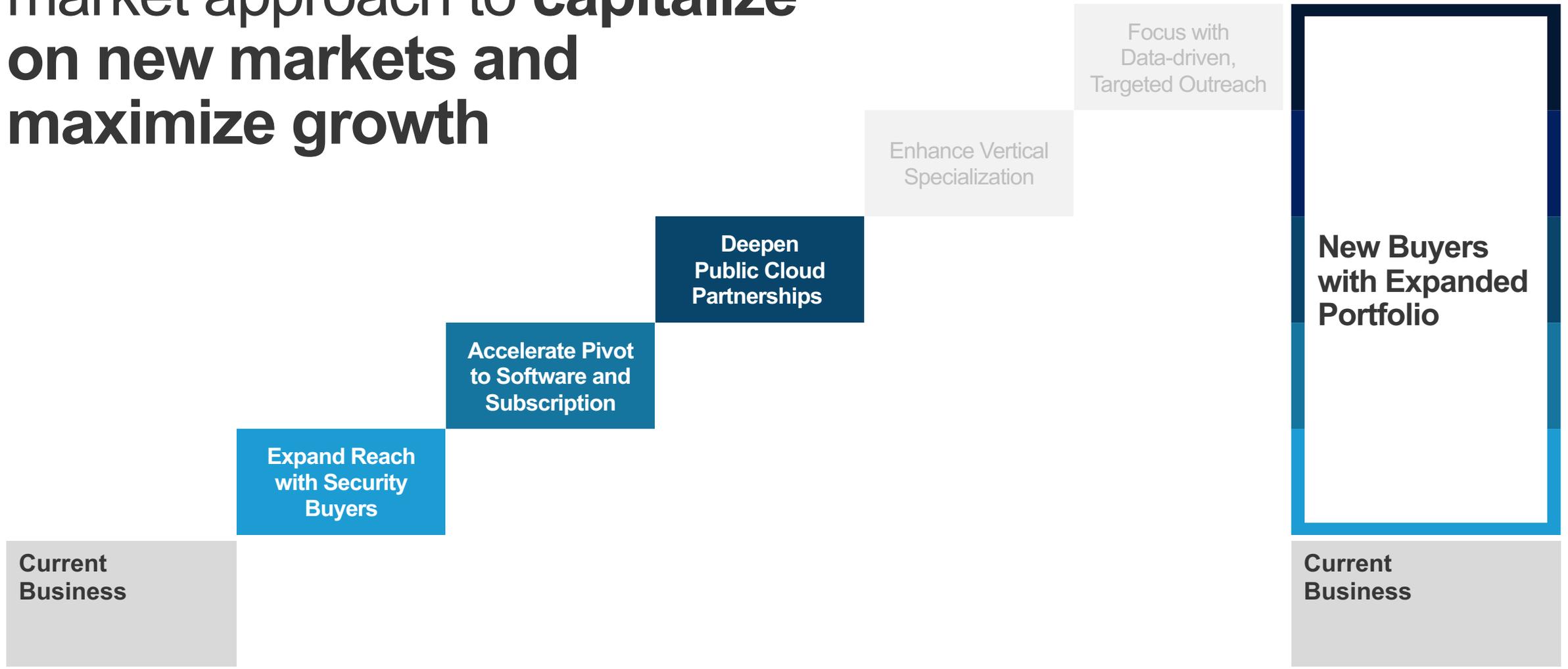
**Software**  
as % Product Revenue

**Transformation  
Time Horizon**



Source: Company filings

# We have recast our go-to-market approach to **capitalize on new markets and maximize growth**



# Customer commitment to F5's security offerings is firmly established and growing



**Customers trust F5 security solutions for application protection**

**1,000+**

New security logo acquisitions per year

**>50%**

More than half of FY20 customers purchased security

**29%**

Annual growth in top-3 verticals (financial services, government, technology)

# Customers are committing to F5 software and subscriptions for their digital transformation initiatives



**Customer software licensing adoption driven by flexibility and value**

**44%**

Software revenue growth driven by new use cases<sup>1</sup>

**120%**

Subscription revenue growth via flexible licensing options<sup>1</sup>

**>50%**

More than half of FY20 customers purchased software offerings

<sup>1</sup>2017-2020 CAGR

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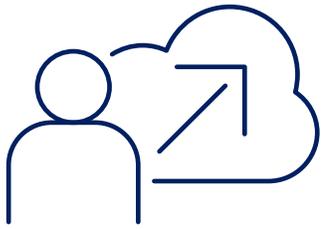
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Our digital revenue engine generates incremental revenue by **efficiently reaching new buyers**

## Key Takeaways

We will accelerate growth among new buyers with greater speed and resource efficiency

# Public cloud providers are actively collaborating with F5 to improve customer experience and enable new use cases



## Improving Customer Experience



Solutions engineered for Public Cloud



Programmatic customer workload migration

## Unique Strategic Programs

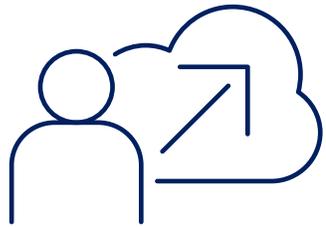


Cloud Native custom-built solutions



Joint go-to-market programs

# Strong growth in public cloud proves F5's offerings are core to customers' application requirements



**Public cloud offerings leading to new use cases and expanding F5 footprint**

**>\$100M**

Bookings milestone reached in under 4 years

**59%**

Growth in customer acquisition across all geographies<sup>1</sup>

**78%**

Bookings growth due to use case expansion<sup>1</sup>

<sup>1</sup>2017-2020 CAGR

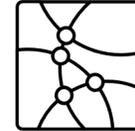
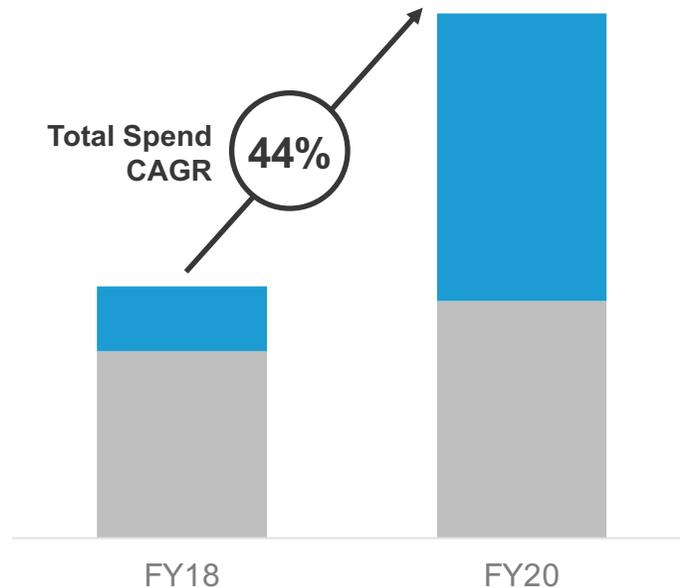
# Customers are expanding footprint leveraging F5 for security and workload migration to public cloud



## Large Government

Large government agency increasing spend with adoption of F5 security solutions over past two years.

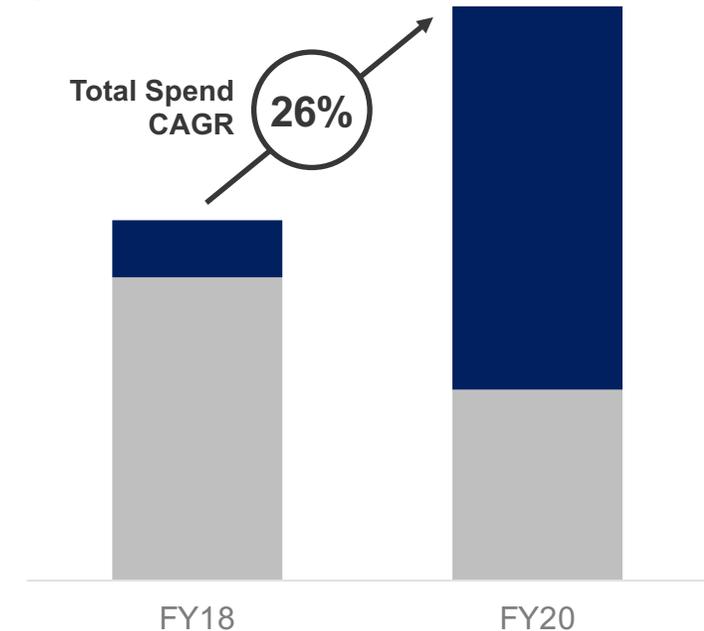
- Security product mix
- ADC systems product mix



## Leading SaaS Technology Company

Large SaaS leader increasing spend over past two years with meaningful shift to public cloud.

- Software product mix
- Systems product mix

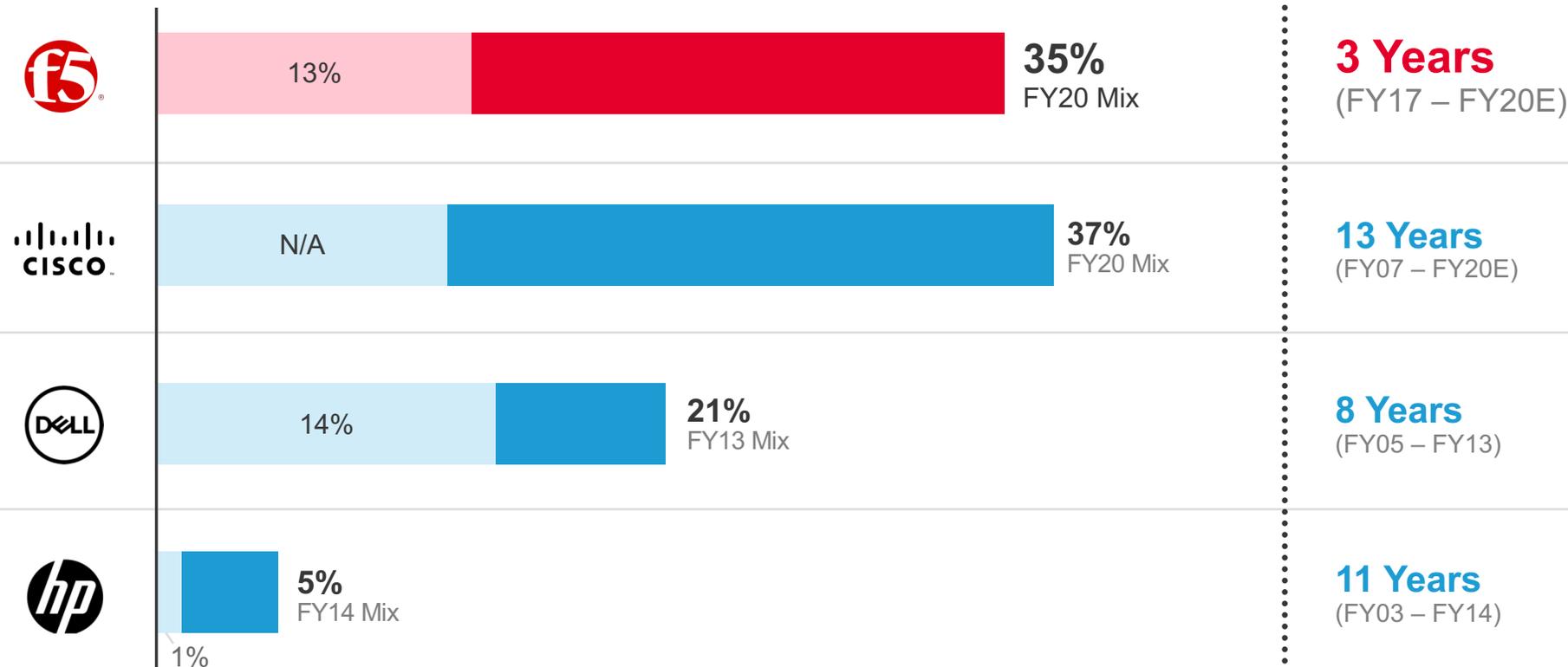


# In only **three years**, F5's software transformation is substantially outpacing other companies

## Software

as % Product Revenue

## Transformation Time Horizon



Source: Company filings

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Pre-Transformation Software Mix

Post-Transformation / Current Software Mix

Our go-to-market execution and offers have, and will, deliver **accelerated software growth**

---

Our **public cloud partnerships** are a strong route-to-market driving differentiated offers and application expansion

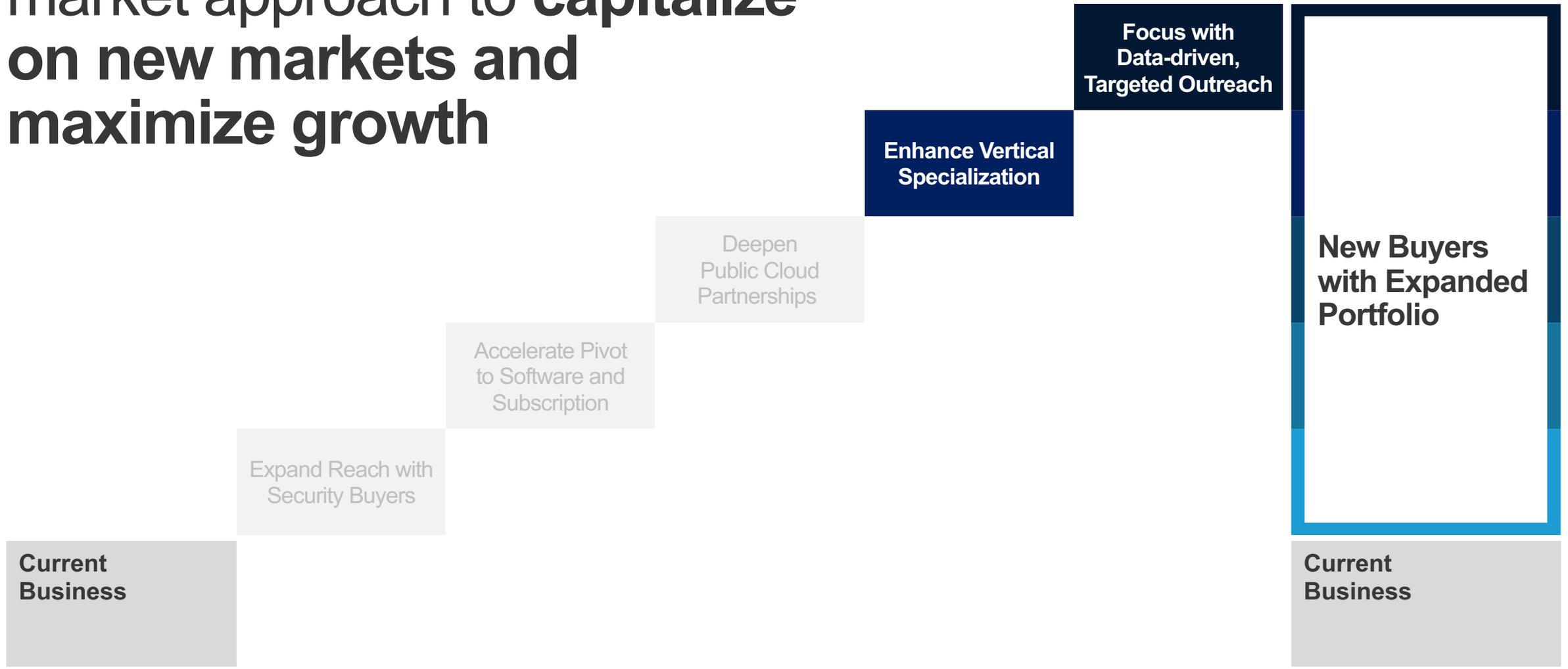
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Our digital revenue engine generates incremental revenue by **efficiently reaching new buyers**

## Key Takeaways

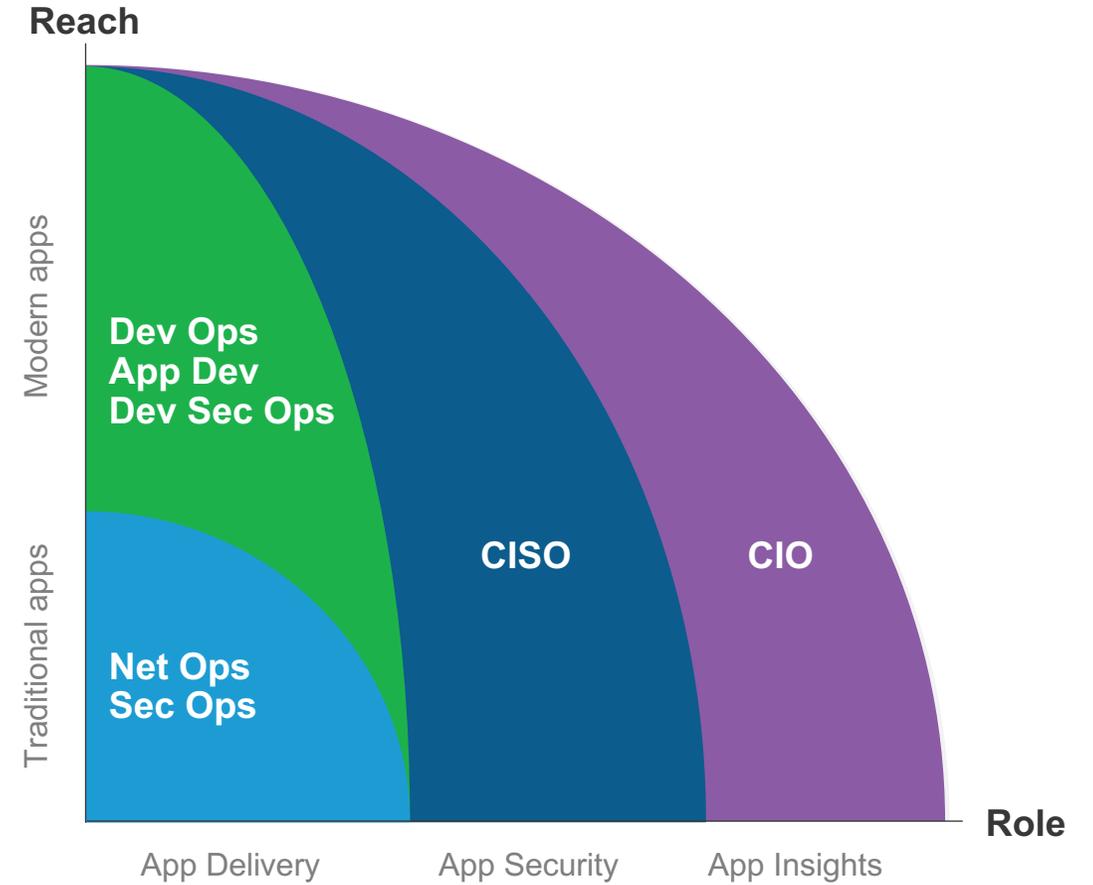
We will accelerate growth among new buyers with greater speed and resource efficiency

# We have recast our go-to-market approach to **capitalize on new markets and maximize growth**



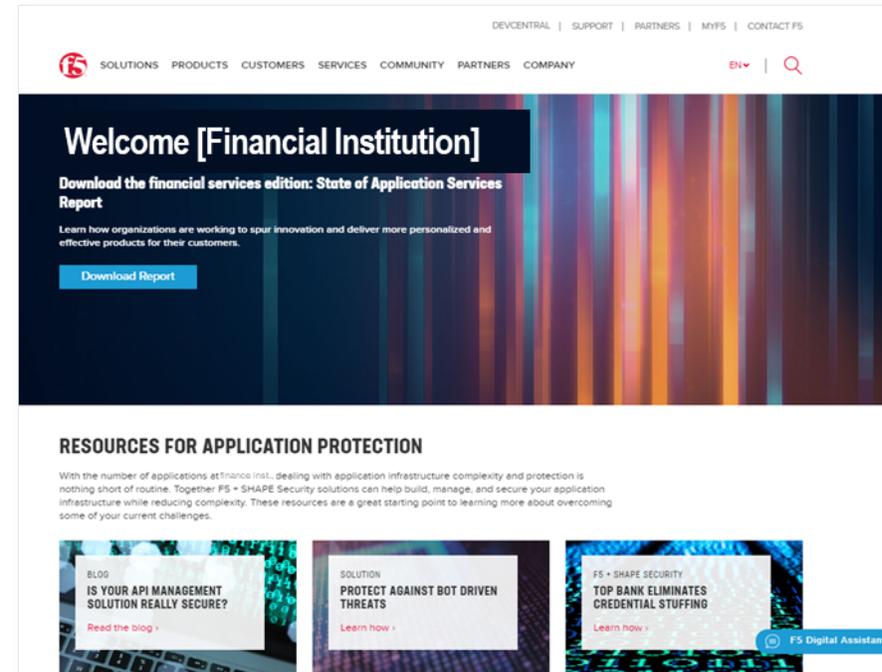
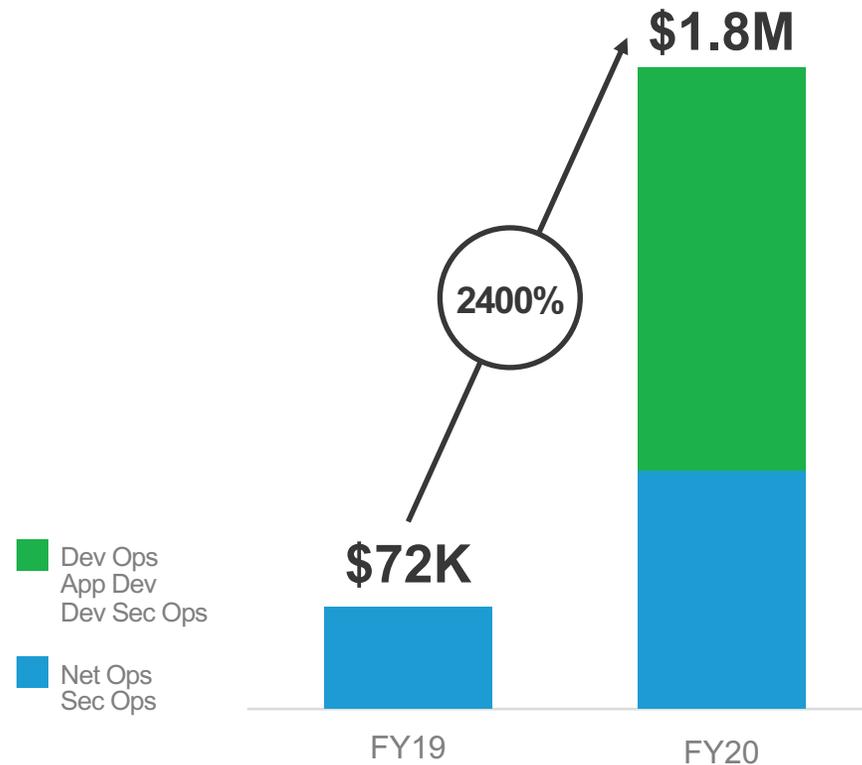
# Our expanded portfolio enables us to **engage new buyer types** and deliver meaningful value to them

-  Simplify traditional app delivery for multi-cloud environments
-  Enable modern app delivery at scale
-  Secure every app anywhere
-  Unlock the value of app insights



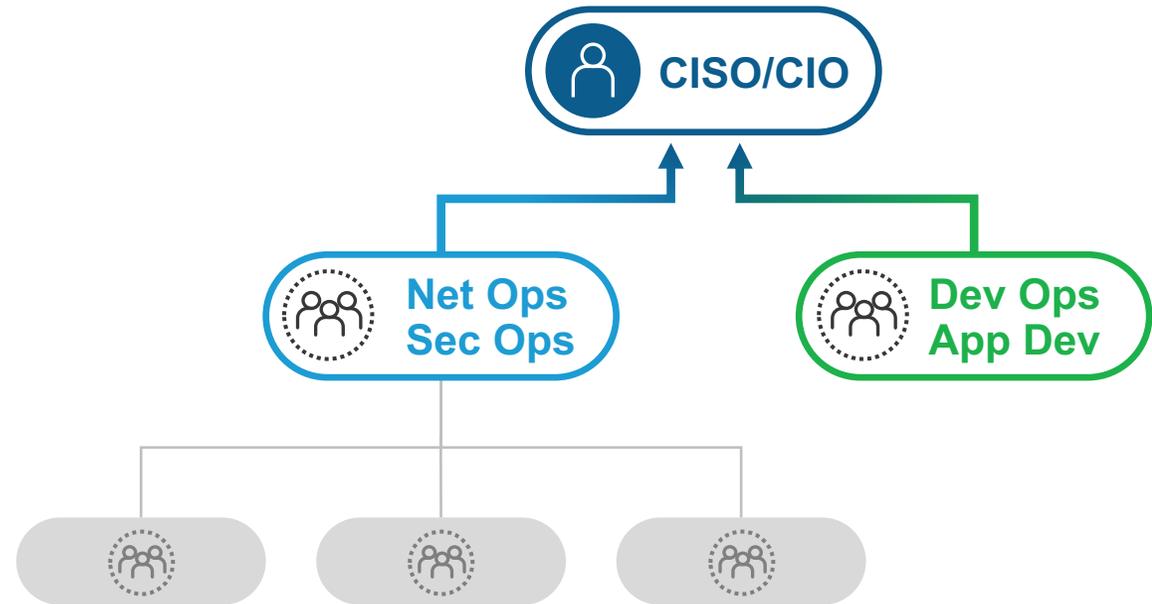
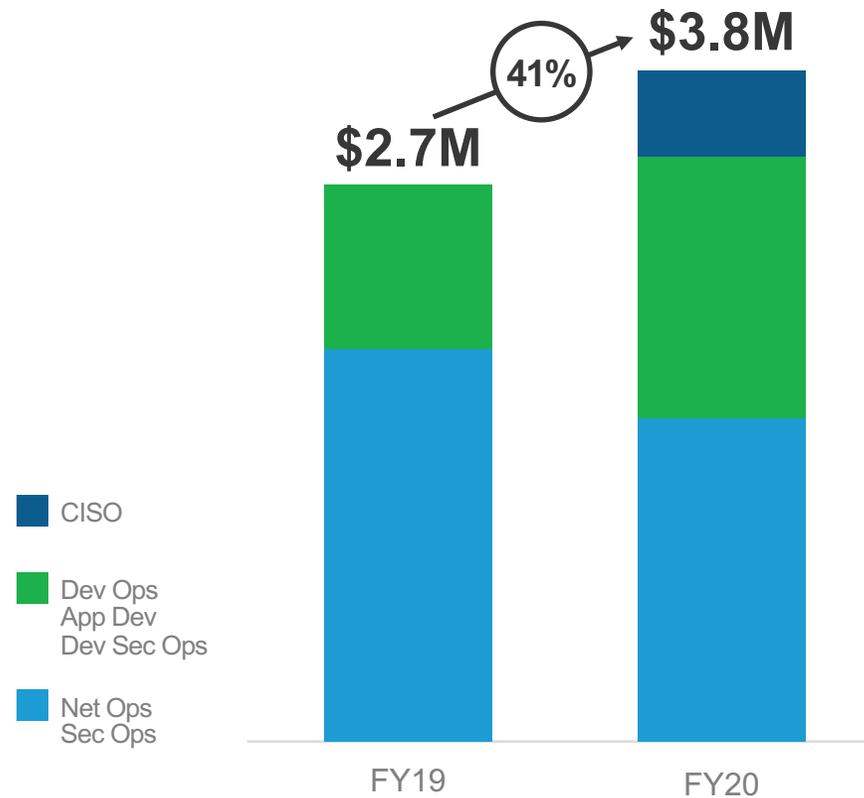


# We focused on cloud expansion at a leading investment firm and materially expanded our footprint



Targeted digital ads from FY20 and FY21 will expand relationships for growth

# We engaged the C-level with our full portfolio at a top US Bank and displaced competition



# Our software transition will continue to **gain momentum** to realize an unprecedented transformation

## Software

as % Product Revenue

## Transformation Time Horizon



**5 Years**

(FY17 – FY22E)



**13 Years**

(FY07 – FY20E)



**8 Years**

(FY05 – FY13)



**11 Years**

(FY03 – FY14)

Source: Company filings

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■ ■ Pre-Transformation Software Mix

■ ■ Post-Transformation / Current Software Mix

Analyst and Investor Meeting 20

Our go-to-market execution and offers have, and will, deliver **accelerated software growth**

---

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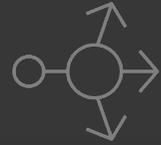


# Analyst and Investor Meeting<sup>20</sup>

Combined, our **portfolio** and **go-to-market strategies** will continue driving revenue and earnings growth



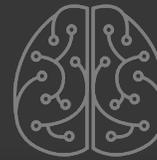
Simplify traditional app delivery for multi-cloud environments



Enable modern app delivery at scale



Secure every app anywhere



Unlock the value of app insights



Reach new buyers & grow customer value



Deliver robust & profitable services

DELIVER STRONG, SUSTAINABLE SHAREHOLDER RETURNS



# Deliver robust & profitable services

**Tom Fountain**

EVP, Global Services & Chief Strategy Officer

We are **extending our services capabilities** to address the requirements for Adaptive Applications

---

Our services differentiate F5 and allow customers to **realize value** from our hardware and software

---

Our services offerings provide a **durable source** of revenue and margin

## Key Takeaways

Services is a robust and profitable source of revenue and margin, and will remain so for the foreseeable future

We are **extending our services capabilities** to address the requirements for Adaptive Applications

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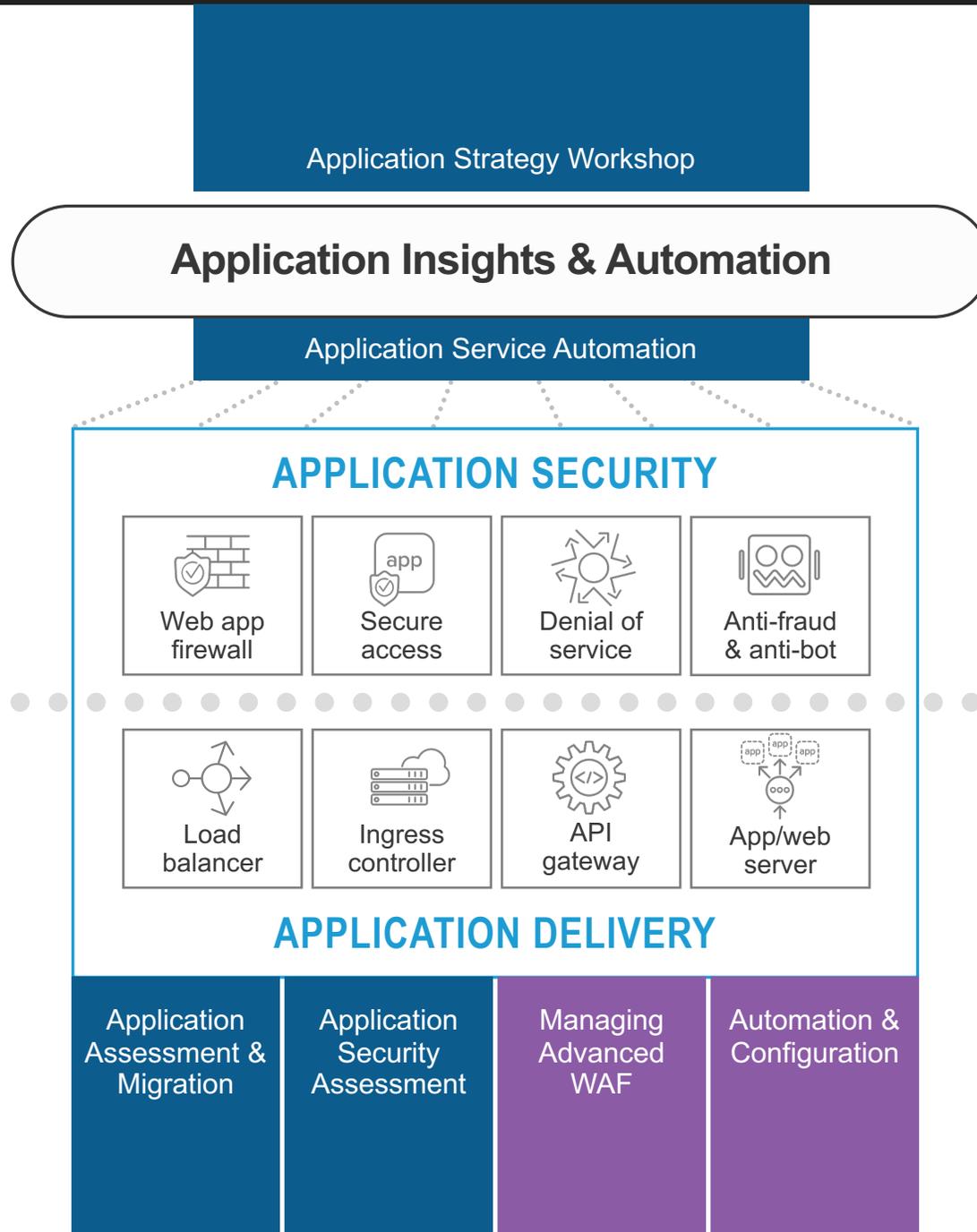
Services is a robust and profitable source of revenue and margin, and will remain so for the foreseeable future

# We offer a compelling range of value-add services



We are evolving the purpose of **professional services** to further accelerate product sales

- Advisory services
- Training services



Application Assessment & Migration

Application Security Assessment

Managing Advanced WAF

Automation & Configuration

We are **extending our services capabilities** to address the requirements for Adaptive Applications

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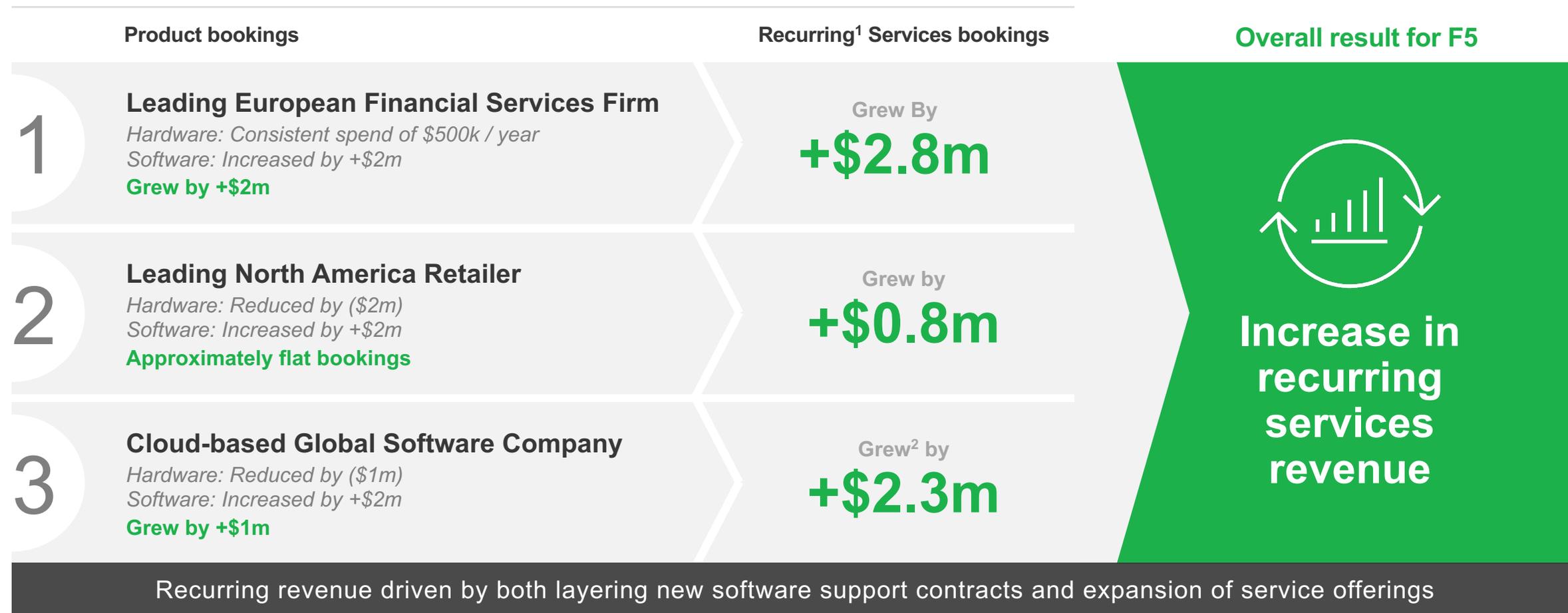
Our services offerings provide a **durable source** of revenue and margin

## Key Takeaways

Services is a robust and profitable source of revenue and margin, and will remain so for the foreseeable future

# We grow support services as customers deploy software

Examples of long-term subscription customer buying patterns, FY18 to FY20



<sup>1</sup> Includes service revenue streams that are recurring in nature such as maintenance services, enhanced services, and others, but excludes one-time services such as professional services, training, and similar; <sup>2</sup> Growth from FY19 to FY20; large periodic 3-year service renewal in FY18

# We created **customer success** for subscription software

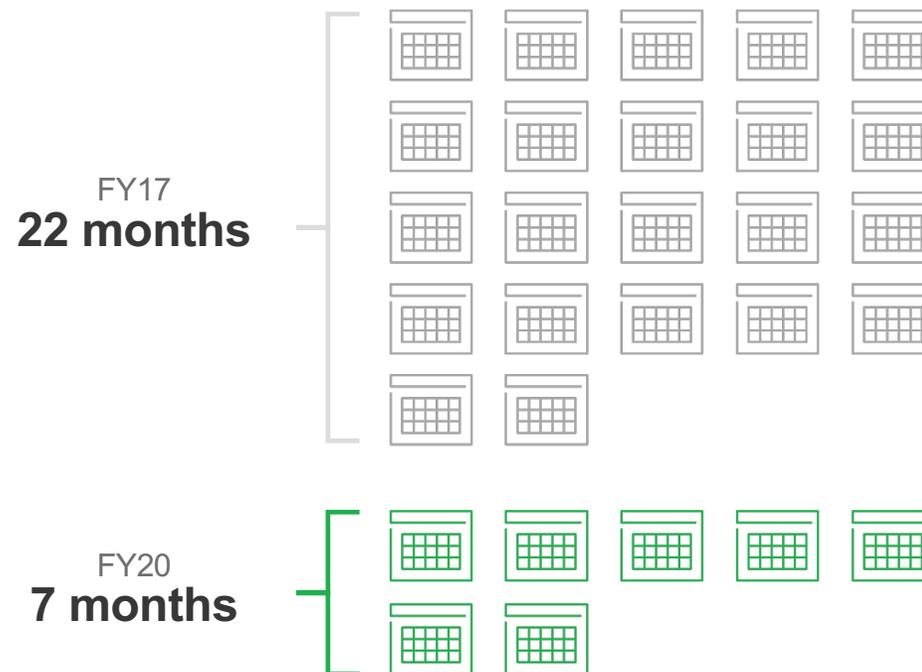
## New Customer Success Capability

- ✓ Accelerate new customer onboarding
- ✓ Encourage adoption and expansion
- ✓ Promote cross-sell to other solutions
- ✓ Manage at-risk renewals
- ✓ Provide a central point of coordination
- ✓ Ensure customers realize value

**Resulting in strong software subscription growth**

## Average Time to Utilize 100% of Initial Licenses

Number of months



**15**  
months  
faster

*Cohort analysis of customers who purchased long-term subscriptions in FY17 and FY20, examining the average number of months to reach 100% utilization of initial licenses purchased*

We are **extending our services capabilities** to address the requirements for Adaptive Applications

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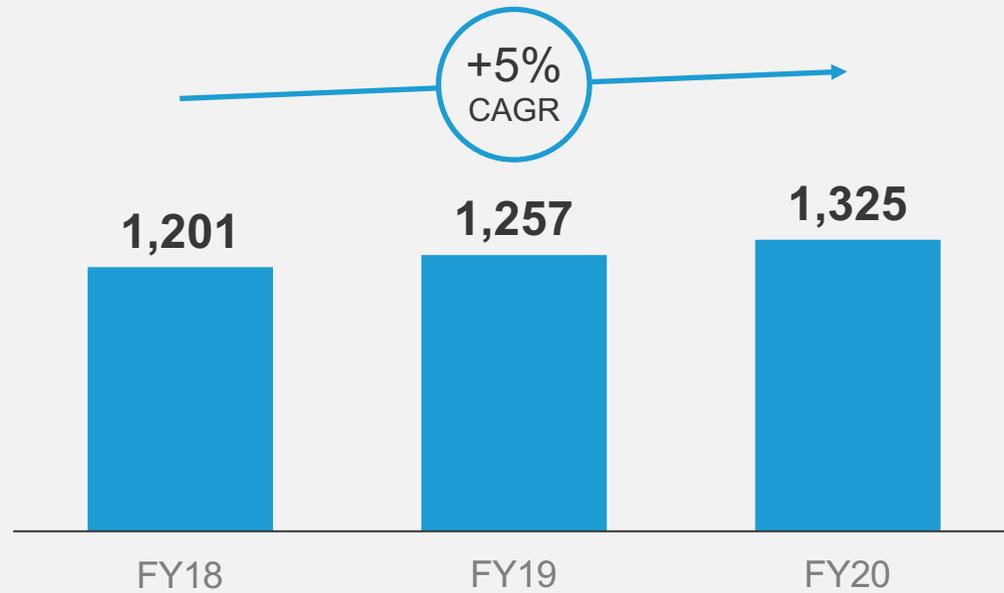
## Key Takeaways

Services is a robust and profitable source of revenue and margin, and will remain so for the foreseeable future

# Services delivers strong revenue & margin performance

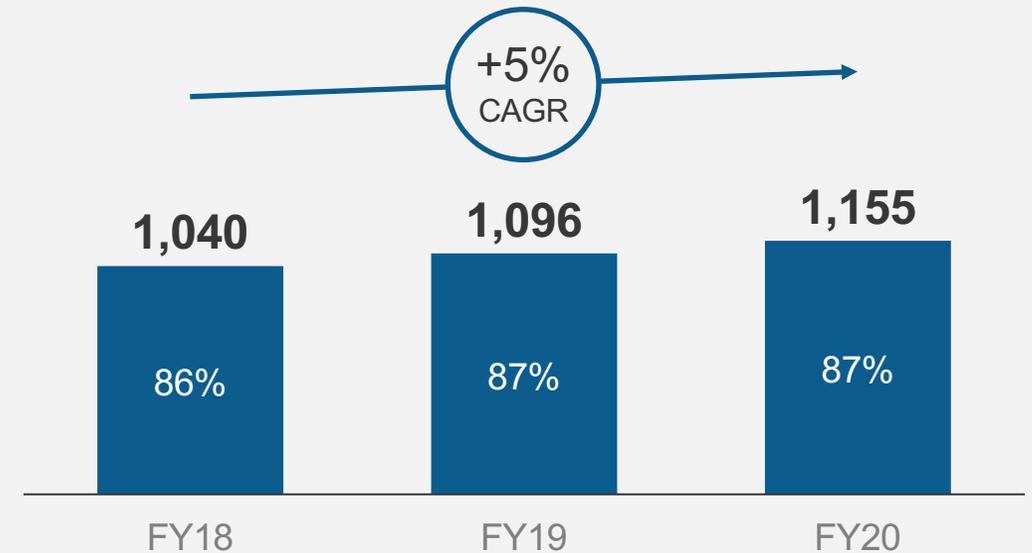
## Services Revenue

\$ in USD millions



## Services Gross Profit

\$ in USD millions / % of revenue



Recurring revenue represents >90% of services revenue  
Consistent attach rate >96% on initial product sales

# Our operational results have remained durable with software



<sup>1</sup> Number of active obligations divided by aggregate potential obligations over the prior 5 years; software includes perpetual only, excludes term-based subscriptions, marketplace consumption and managed services

# We are **digitally transforming** our services delivery



**Customer  
Support**



**Professional  
Services**



**Customer  
Success**

**Digital Transformation**

We are **extending our services capabilities** to address the requirements for Adaptive Applications

---

Our services differentiate F5 and allow customers to **realize value** from our hardware and software

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# Analyst and Investor Meeting<sup>20</sup>

Combined, our **portfolio** and **go-to-market strategies** will continue driving revenue and earnings growth



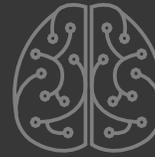
Simplify traditional app delivery for multi-cloud environments



Enable modern app delivery at scale



Secure every app anywhere



Unlock the value of app insights



Reach new buyers & grow customer value



Deliver robust & profitable services

**DELIVER STRONG, SUSTAINABLE SHAREHOLDER RETURNS**



# Deliver strong and sustainable financial success

Frank Pelzer  
EVP & CFO

We are transforming our business at an **unprecedented pace, driving** top-line growth acceleration

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We are at a pivot point where our past investments are yielding operating leverage

---

We are taking a balanced approach to capital deployment

## Key Takeaways

We are positioned for, and committed to, sustainable double-digit EPS growth

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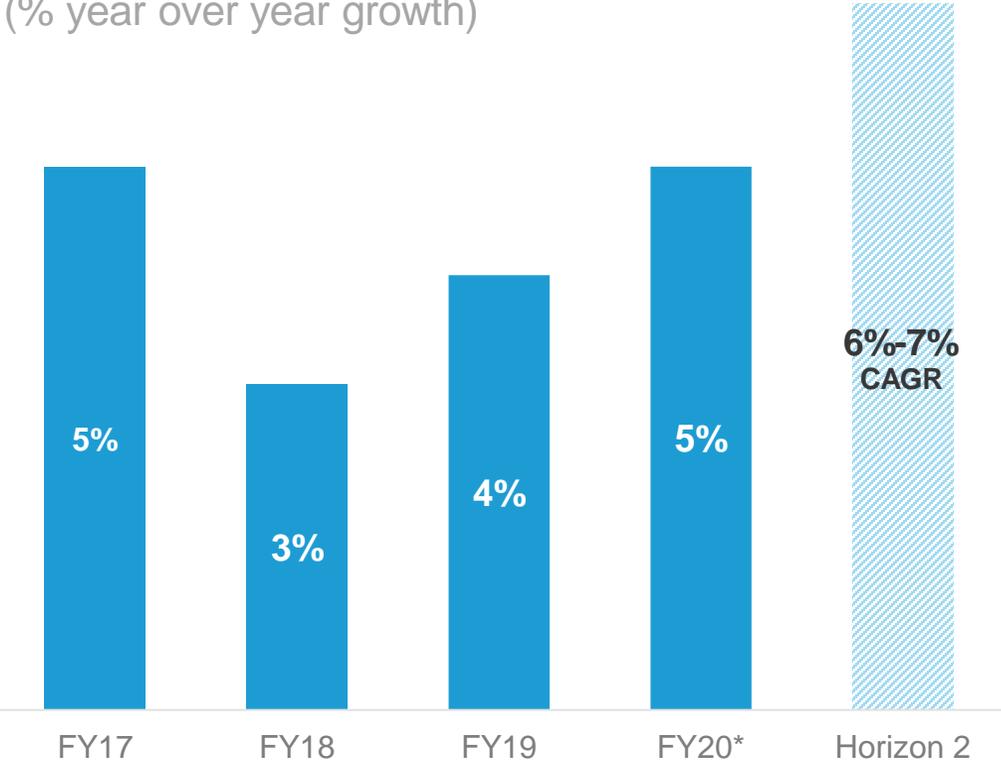
## Key Takeaways

We are driving double-digit earnings growth

# Revenue growth is accelerating

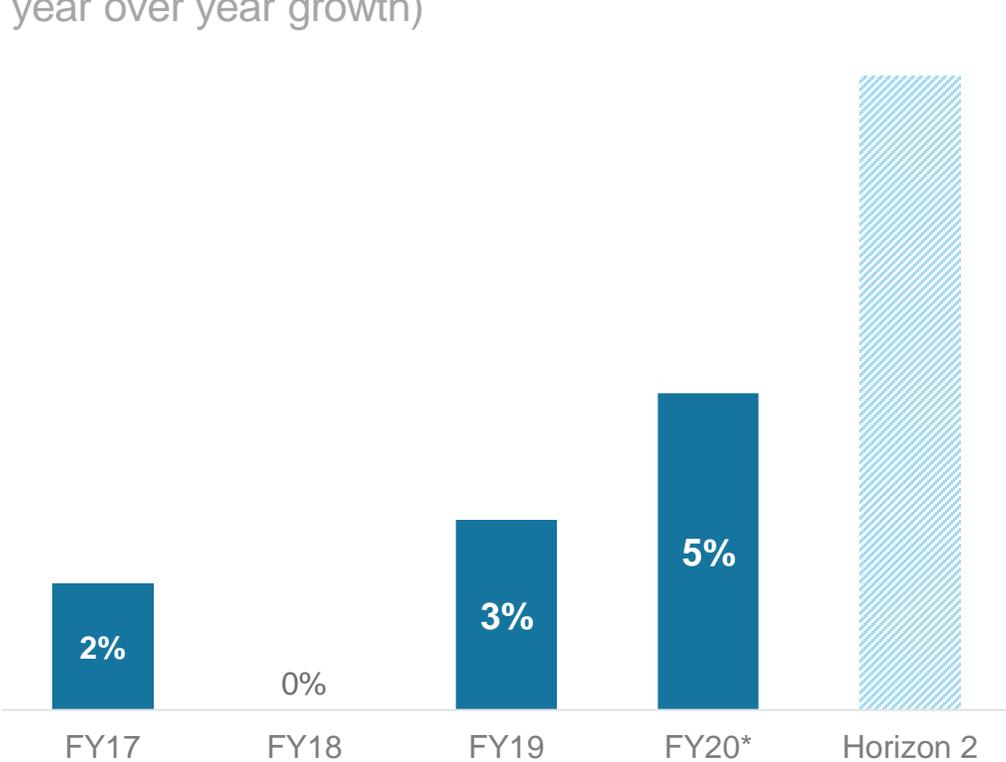
### Total Revenue Growth

(% year over year growth)



### Product Revenue Growth

(% year over year growth)



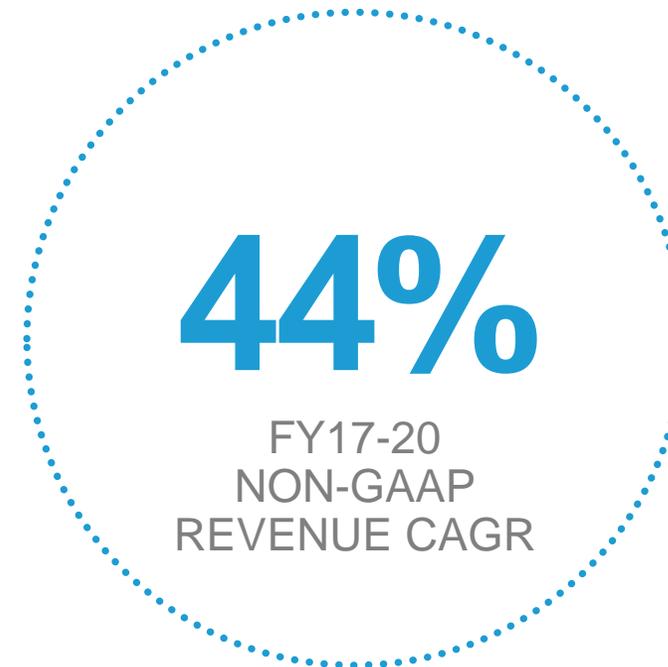
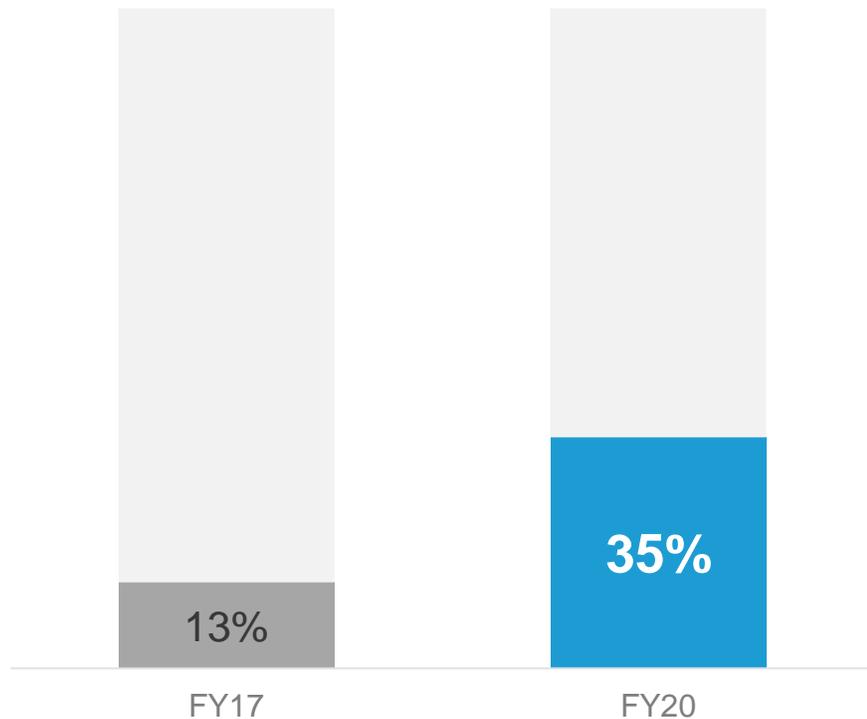
Illustrative based on Horizon 2 guidance of 6%-7% CAGR

\* FY20 non-GAAP revenue due to Shape acquisition. See appendix for GAAP to non-GAAP reconciliation

# Our software transformation is **outpacing** our expectations

## Software<sup>1</sup> Mix Trends

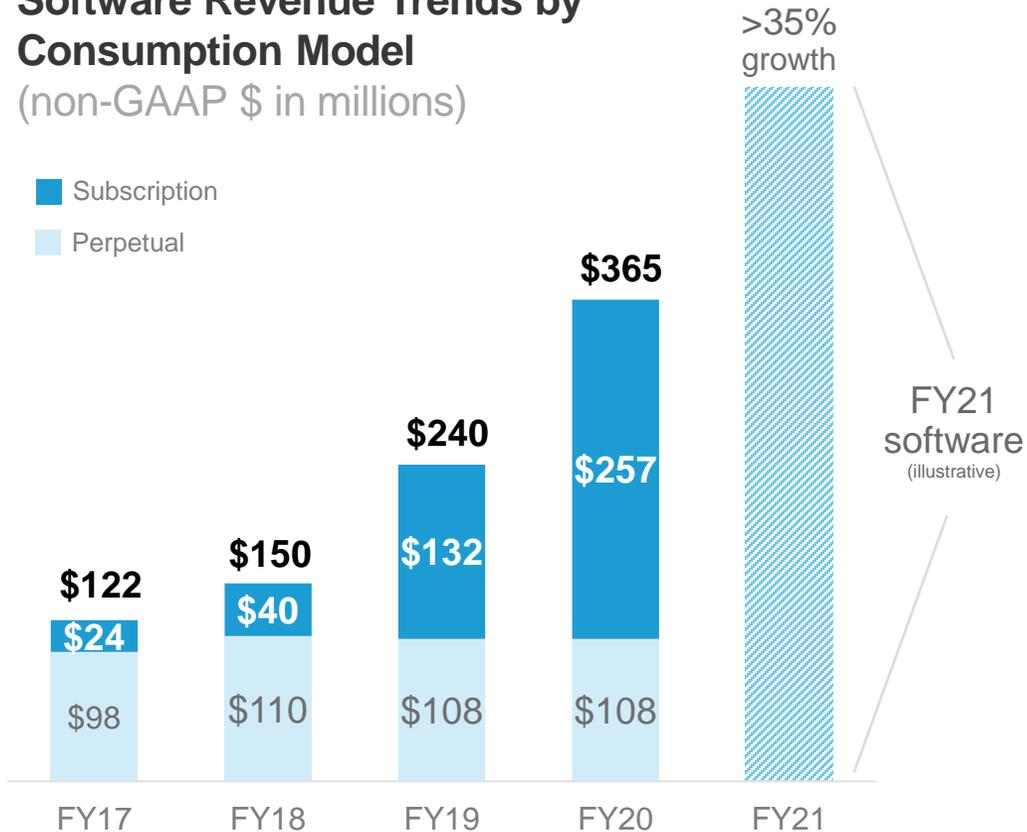
(% of Non-GAAP Product Revenue)



<sup>1</sup>Software includes all standalone software offerings, including perpetual licenses, subscriptions, utility, and as-a-Service offerings. See appendix for GAAP to non-GAAP reconciliation.

# Subscription adoption is driving sustained growth in our software business

**Software Revenue Trends by Consumption Model**  
(non-GAAP \$ in millions)

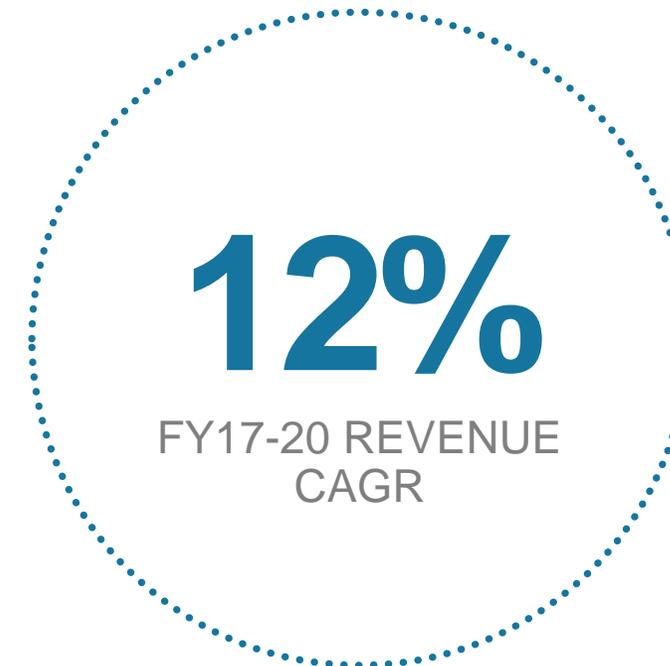
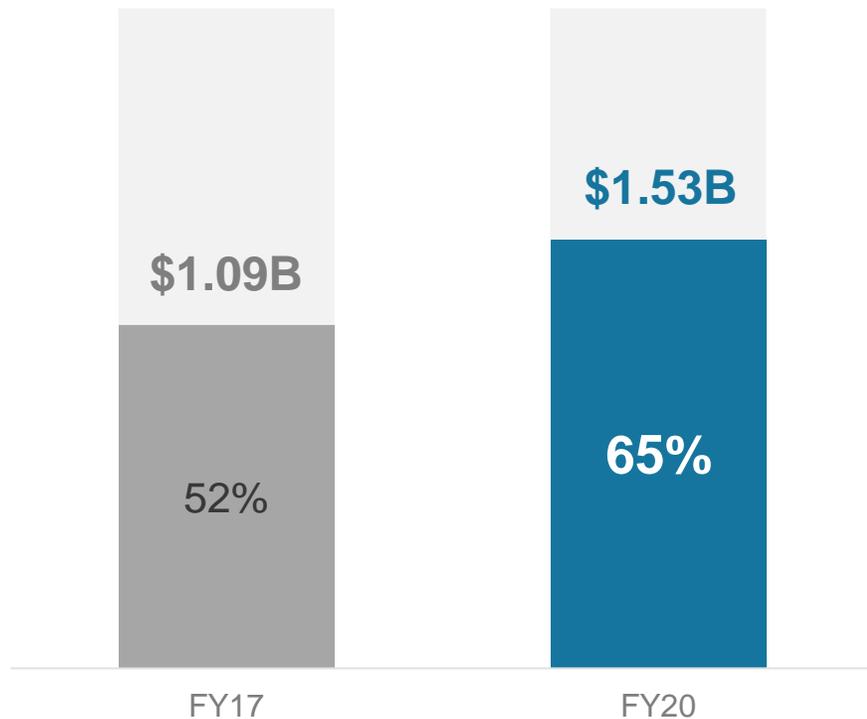


**120%**  
FY17-20  
SOFTWARE  
SUBSCRIPTION  
REVENUE CAGR

<sup>1</sup>Comprises standalone software, including term-license subscriptions, utility, and as-a-Service offerings. See appendix for GAAP to non-GAAP reconciliation

# Two-thirds of our revenue is **recurring** with a **double-digit CAGR**

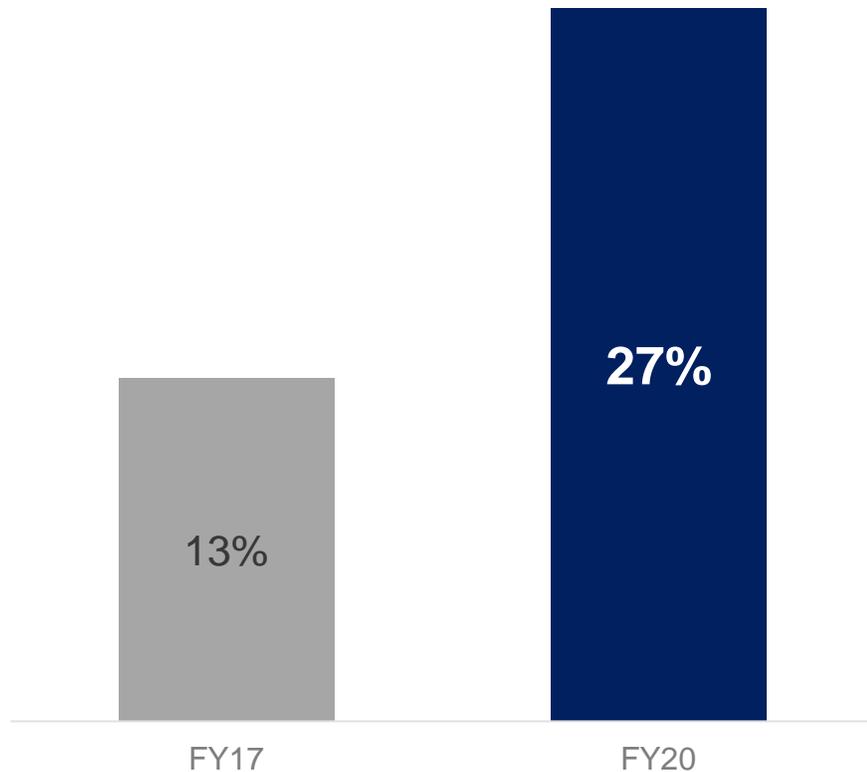
**Recurring Revenue<sup>1</sup> Mix**  
(% of Non-GAAP Total Revenue)



<sup>1</sup>Reflects reported revenue from recurring sources including software subscriptions, term agreements, utility and service maintenance revenue. See appendix for GAAP to non-GAAP reconciliation

# We are a sizable and growing **application security** player

**Standalone Security<sup>1</sup> Mix**  
(% of Non-GAAP Product Revenue)



<sup>1</sup> Comprises standalone security offerings including systems, standalone software licenses and security subscription services. See appendix for GAAP to non-GAAP reconciliation.

We are transforming our business at an **unprecedented pace, driving** top-line growth acceleration

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We are at a pivot point where our past investments are yielding operating leverage

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We are taking a balanced approach to capital deployment

## Key Takeaways

We are driving double-digit earnings growth

# Our position, strategy and execution is poised to deliver double-digit EPS growth

	FY20A	Horizon 2 (FY21-22)	Long-Term Targets (circa 2025)
Software growth	52%	35% to 40% CAGR	>20%
Software % of product revenue	35%	>50%	>75%
Systems growth	-10%	High-to-mid single-digit decline	High-to-mid single-digit decline
Services growth	5%	Low single-digit growth	Low single-digit growth to flat
<b>Total revenue growth</b>	<b>5%*</b>	<b>6% to 7% CAGR</b>	<b>8% to 9%</b>
Non-GAAP gross margin	85%	~85%	Mid-to-upper 80s%
Non-GAAP operating margin	30%	FY21: 31% to 32% FY22: 32% to 34%	Mid 30s%
<b>Non-GAAP EPS / growth</b>	<b>\$9.37</b>	<b>Double-digit growth</b>	<b>Double-digit growth</b>
“Rule of 40” (revenue growth + non-GAAP operating margin)		Achieve in Horizon 2	At a minimum, maintain “Rule of 40”

\* FY20 revenue growth on a non-GAAP basis to adjust for purchase accounting effect on Shape revenue.

We are transforming our business at an **unprecedented pace, driving** top-line growth acceleration

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We are at a pivot point where our past investments are yielding operating leverage

---

We are taking a balanced approach to capital deployment

## Key Takeaways

We are driving double-digit earnings growth

# We will take a balanced approach to capital deployment

## We are committed to returning capital to shareholders

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- ✓ During FY21, we are committed to accelerated share repurchases of \$500 million
- ✓ During FY22, we are committed to \$500 million in share repurchases
- ✓ Beginning in FY23, we intend to return 50% of free cash flow to shareholders via share repurchases

## We expect M&A to support our Adaptive Applications strategy

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- ✓ We expect to pursue targeted M&A which accelerates our Adaptive Applications vision and topline momentum
- ✓ We expect to create operating leverage through F5 scale and infrastructure
- ✓ Our Horizon 2 non-GAAP operating margin and EPS guidance will not be negatively impacted by any potential M&A

We are transforming our business at an **unprecedented pace, driving** top-line growth acceleration

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We are at a pivot point where our past investments are yielding operating leverage

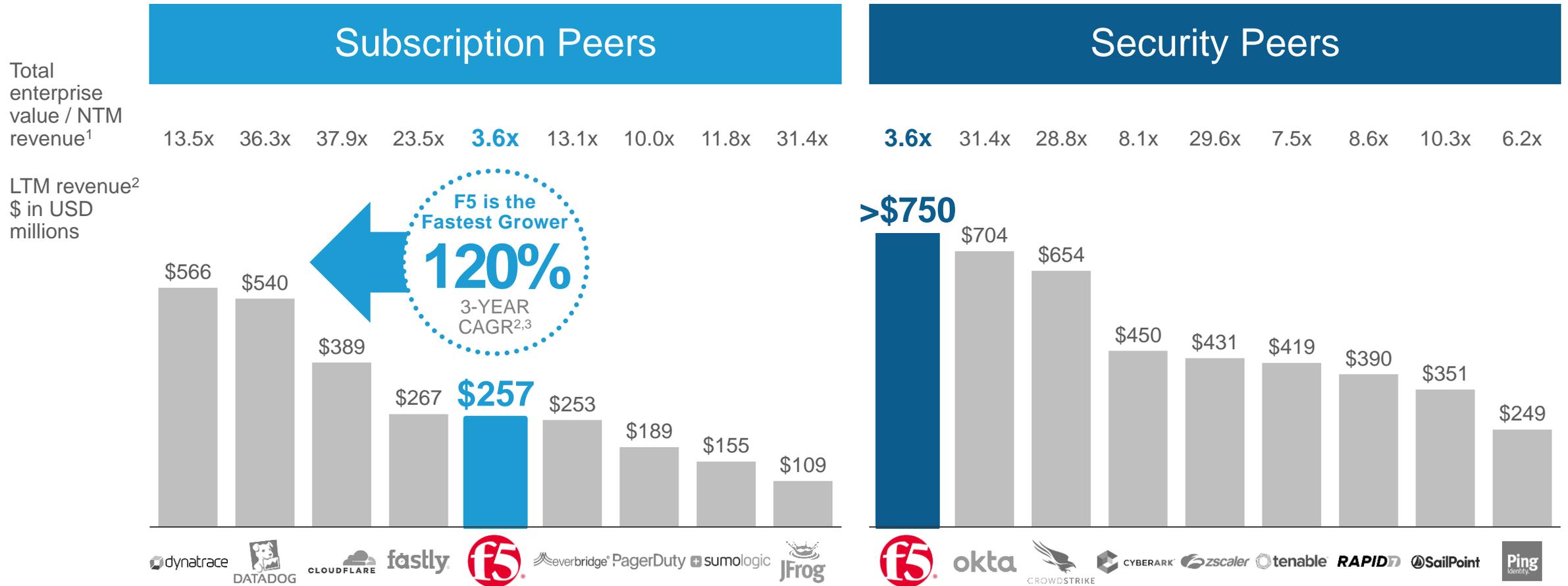
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We are taking a balanced approach to capital deployment

## Key Takeaways

We are positioned for, and committed to, sustainable double-digit EPS growth

# We are increasingly benchmarking two high-growth portions of our business against our **subscription and security peers**



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15 | ©2020 F5    <sup>1</sup> Multiples as of November 13, 2020    <sup>2</sup> Non-GAAP subscription revenue and CAGR for F5    <sup>3</sup> Comparison to peers include shorter periods where financials are unavailable

# Why invest in F5?

- ① Massive Market Opportunity**
  - Uniquely positioned to win in high-growth ~\$28B addressable market
  - Only true multi-cloud player serving both traditional and modern apps & security with analytics
- ② Software Transformation at Inflection Point**
  - Software transformation fast-approaching 50%+ of product revenue
  - \$250M+ subscription software business driving significant growth with 120% three-year CAGR
- ③ Operating Leverage Expansion**
  - Positioned to grow revenue faster than non-GAAP operating expenses and achieve “Rule of 40”
  - Robust capital return program affirmed by business resiliency and success of transformation
- ④ Preeminent Team to Drive Transformation**
  - Passionate and determined team, uniquely qualified with app fluency and software expertise
  - Significant breadth of experiences and qualifications enabling pioneering technology innovations

**Sustainable Double-Digit Non-GAAP EPS Growth**

# Appendix

Analyst and Investor Meeting  
November 18, 2020

# GAAP to non-GAAP Reconciliation

(AMOUNTS IN THOUSANDS)

	FY17	FY18	FY19	FY20
<b>GAAP revenue</b>	<b>\$2,090,041</b>	<b>\$2,161,407</b>	<b>\$2,242,447</b>	<b>\$2,350,822</b>
Acquisition-related write-downs of assumed deferred revenue	\$0	\$0	\$0	\$6,824
<b>Non-GAAP revenue</b>	<b>\$2,090,041</b>	<b>\$2,161,407</b>	<b>\$2,242,447</b>	<b>\$2,357,646</b>
GAAP gross profit	\$1,736,556	\$1,799,926	\$1,885,870	\$1,942,935
Stock-based compensation	\$21,435	\$21,122	\$20,385	\$25,470
Amortization of purchased intangible assets	\$9,372	\$7,973	\$7,653	\$23,814
Facility-exit costs	\$0	\$352	\$3,520	\$2,300
Acquisition-related charges	\$0	\$0	\$0	\$127
Total adjustments to gross profit	\$30,807	\$29,447	\$31,558	\$51,711
<b>Non-GAAP gross profit</b>	<b>\$1,767,363</b>	<b>\$1,829,373</b>	<b>\$1,917,428</b>	<b>\$2,001,470</b>
<b>Non-GAAP gross margin</b>	<b>84.6%</b>	<b>84.6%</b>	<b>85.5%</b>	<b>84.9%</b>

# GAAP to non-GAAP Reconciliation

(AMOUNTS IN THOUSANDS)

	FY17	FY18	FY19	FY20
<b>GAAP operating expense</b>	\$1,172,600	\$1,209,027	\$1,367,407	\$1,550,668
Stock-based compensation — sales and marketing	\$69,655	\$61,533	\$69,477	\$88,446
Stock-based compensation — research and development	\$53,399	\$47,327	\$40,886	\$50,271
Stock-based compensation — general and administrative	\$30,837	\$27,873	\$32,166	\$37,762
Amortization of purchased intangible assets — sales and marketing	\$1,006	\$1,007	\$2,083	\$8,612
Amortization of purchased intangible assets — general and administrative	\$1,893	\$2,100	\$2,110	\$2,178
Facility-exit costs — sales and marketing	\$0	\$630	\$7,470	\$5,100
Facility-exit costs — research and development	\$0	\$1,247	\$9,994	\$5,257
Facility-exit costs — general and administrative	\$0	\$285	\$7,816	\$3,944
Acquisition-related charges — sales and marketing	\$0	\$0	\$6,551	\$13,703
Acquisition-related charges — research and development	\$0	\$0	\$16,321	\$2,838
Acquisition-related charges — general and administrative	\$0	\$0	\$18,870	\$39,815
Impairment charges — general and administrative	\$0	\$0	\$6,273	\$0
Restructuring charges	\$12,718	\$18,426	\$0	\$7,800
Litigation expense	\$391	\$0	\$0	\$0
Total adjustments to operating expenses	\$169,899	\$160,428	\$220,017	\$265,726
<b>Non-GAAP Operating Expense</b>	<b>\$1,002,701</b>	<b>\$1,048,599</b>	<b>\$1,147,390</b>	<b>\$1,284,942</b>

# GAAP to non-GAAP Reconciliation

(AMOUNTS IN THOUSANDS EXCEPT PER SHARE DATA)

	FY17	FY18	FY19	FY20
<b>GAAP operating income</b>	\$563,956	\$590,899	\$518,463	\$392,267
Total adjustments related to revenue	\$0	\$0	\$0	\$6,824
Total adjustments related to gross profit	\$30,807	\$29,447	\$31,558	\$51,711
Total adjustments related to operating expense	\$169,899	\$160,428	\$220,017	\$265,726
Total adjustments related to income from operations	\$200,706	\$189,875	\$251,575	\$324,261
<b>Non-GAAP income from operations</b>	<b>\$764,662</b>	<b>\$780,774</b>	<b>\$770,038</b>	<b>\$716,528</b>
<b>GAAP net income</b>	\$420,761	\$453,689	\$427,734	\$307,441
Total adjustments to revenue	\$0	\$0	\$0	\$6,824
Total adjustments to gross profit	\$30,807	\$29,447	\$31,558	\$51,711
Total adjustments operating expenses	\$169,899	\$160,428	\$220,017	\$265,726
Gain on sale of patent	\$0	(\$534)	\$0	\$0
Exclude tax effect on above items	(\$57,532)	(\$49,557)	(\$53,048)	(\$56,726)
Tax on deemed repatriation of undistributed foreign earnings	\$0	\$7,000	\$0	\$0
Remeasurement of net deferred tax assets due to change in US tax rate	\$0	\$11,584	\$0	\$0
Non-recurring foreign tax credit benefit	(\$21,000)	\$0	\$0	\$0
<b>Total Non-GAAP adjustments</b>	<b>\$122,174</b>	<b>\$158,368</b>	<b>\$198,527</b>	<b>\$267,535</b>
<b>Non-GAAP net income</b>	<b>\$542,935</b>	<b>\$612,057</b>	<b>\$626,261</b>	<b>\$574,976</b>
Weighted average basic common shares outstanding	64,173	61,262	60,044	60,911
Weighted average dilutive potential common shares outstanding	64,775	62,013	60,456	61,378
GAAP diluted net income per common share	\$6.50	\$7.32	\$7.08	\$5.01
<b>Non-GAAP diluted net income per common share</b>	<b>\$8.38</b>	<b>\$9.87</b>	<b>\$10.36</b>	<b>\$9.37</b>

