F5 to Acquire Volterra

January 7, 2021

Forward-looking statements

This presentation and accompanying remarks contain forward-looking statements including, among other things, statements regarding the completion and timing of the Volterra acquisition, continuing strength and momentum of F5's and Volterra's business, past and future financial performance including revenue and operating targets, sequential growth, preliminary and projected revenue information including revenue, earnings and earnings per share ranges share repurchases and programs, demand for application delivery networking, application delivery services, security, SaaS, edge services and software products, expectations regarding future services and products, expectations regarding future customers, markets and the benefits of products, and other statements that are not historical facts and which are forward-looking statements. These forward-looking statements are subject to the safe harbor provisions created by the Private Securities Litigation Reform Act of 1995. Actual results could differ materially from those projected in the forward-looking statements as a result of certain risk factors. Such forward-looking statements involve risks and uncertainties, as well as assumptions and other factors that, if they do not fully materialize or prove correct, could cause the actual results, performance or achievements of the company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, but are not limited to: customer acceptance of Volterra and F5 offerings; potential disruptions to F5's business and distraction of management as F5 integrates Volterra's business, team, and technology; F5's ability to successfully integrate Volterra's products with F5 technologies; the ability of F5's sales professionals and distribution partners to sell Volterra's product and service offerings; the completion of F5's review and audit of its first quarter financial results, condition and cash flows, including finalization of the related financial information and guidance; the timely development, introduction and acceptance of additional new products and features by F5 or its competitors; competitive factors, including but not limited to pricing pressures, industry consolidation, entry of new competitors into F5's markets, and new product and marketing initiatives by our competitors; increased sales discounts; the business impact of the acquisition of Volterra and potential adverse reactions or changes to business or employee relationships, including those resulting from the announcement or completion of the acquisition; uncertainties as to the timing, including receipt of applicable regulatory approvals, of the Volterra transaction; uncertain global economic conditions which may result in reduced customer demand for our products and services and changes in customer payment patterns; global economic conditions and uncertainties in the geopolitical environment; overall information technology spending; litigation involving patents, intellectual property, shareholder and other matters, and governmental investigations; natural catastrophic events; a pandemic or epidemic; F5's ability to sustain, develop and effectively utilize distribution relationships; F5's ability to attract, train and retain qualified product development, marketing, sales, professional services and customer support personnel; F5's ability to expand in international markets; the unpredictability of F5's sales cycle; the ability of F5 to execute on its share repurchase program including the timing of any repurchases; future prices of F5's common stock; and other risks and uncertainties described more fully in our documents filed with or furnished to the Securities and Exchange Commission, including our most recent reports on Form 10-K and Form 10-Q and current reports on Form 8-K and other documents that we may file or furnish from time to time, which could cause actual results to vary from expectations. The financial information contained in this release should be read in conjunction with the consolidated financial statements and notes thereto included in F5's most recent reports on Forms 10-Q and 10-K as each may be amended from time to time. All forward-looking statements in this press release 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 attached reconciliation table 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.

We expect to deliver a **strong Q1 FY2021**

We have reached an inflection point with our software transition

	Q1'21 Preliminary Results[1] (as of Jan. 7, 2021)	Q1'21 Guidance (provided Oct. 26, 2020)
Total GAAP revenue	**\$623 to \$626M**	
Total non-GAAP revenue	**\$623 to \$626M**	**\$595 to \$615M**
GAAP software growth	~68%	
Non-GAAP software growth	~70%	At least 50%
GAAP and non-GAAP systems growth	~5%	
GAAP and non-GAAP product revenue growth	~22% to 23%	
GAAP and non-GAAP global services growth	Slightly better than flat	
Non-GAAP EPS	**Above the top end of prior guidance**	**\$2.26 to \$2.38**

No prior guidance provided

F5 will report complete Q1 FY 2021 results on January 26, 2021

[1] F5 is currently working through the accounting close process for the quarter ended December 31, 2020 and therefore an estimate of GAAP earnings, as well as a reconciliation of revenue, net income and earnings per share on a GAAP to non-GAAP basis is not yet available. The company expects to provide this reconciliation for the quarter ended December 31, 2020 with its final results announcement, expected on January 26, 2021.

F5 + Volterra:
Transaction overview

Strategic rationale	• **F5 + Volterra will create the first Edge 2.0 platform for enterprises and service providers** • Enterprise-grade Edge 2.0 will be security-first and app-driven with unlimited scale
Transaction consideration	• Approximately $440M in cash • Approximately $60M in deferred consideration & assumed unvested incentive compensation to founders & employees • Financed with balance sheet cash
Financial impact	• Accelerates Horizon 2 (FY21 and FY22) revenue growth from 6%-7% CAGR to 7%-8% CAGR • Accelerates long-term revenue growth from 8%-9% to double-digits • No change to non-GAAP operating margins or EPS growth targets for Horizon 2 • No change to $1B in share repurchases in FY21-FY22, including $500M ASR in fiscal year 2021
Closing	• Expected to close in calendar Q1 2021 • Subject to regulatory approval and customary closing conditions • No further large M&A at least until Volterra is substantially integrated (at least 12-18 months)

18K enterprise customers globally

Serve 48 of Fortune 50

Enable **450 million** apps and websites including **70%** of the largest websites

$750M+ app security business with best-in-class suite of solutions

Primary application security and fraud defense for leading banks, airlines, federal agencies

6,000+ employees across **43 countries**

First universal edge-as-a-service platform

Unlimited scale architecture

Backed by **leading technology investors** Khosla, Samsung and Microsoft

50+ enterprise customers, **3 of top 15 Telcos globally**

125 employees, **>75%** engineers

Immediately additive to near-term performance

- Brings F5’s app security as a service to our 18K enterprise customers globally
- Accelerates revenue growth in Horizon 2 and long-term
- No impact to Horizon 2 operating margin or EPS growth targets
- No impact to share repurchase plans
- Maintain ‘Rule-of-40’ commitment

Transformative to competitive position in medium term

- Extends app security leadership to the edge, massively expanding reach in fastest growing segment of our $28B TAM
- Substantially enhances competitive position in edge with next-gen Edge 2.0
- Creates a unique PaaS (Platform-as-a-Service) for edge computing

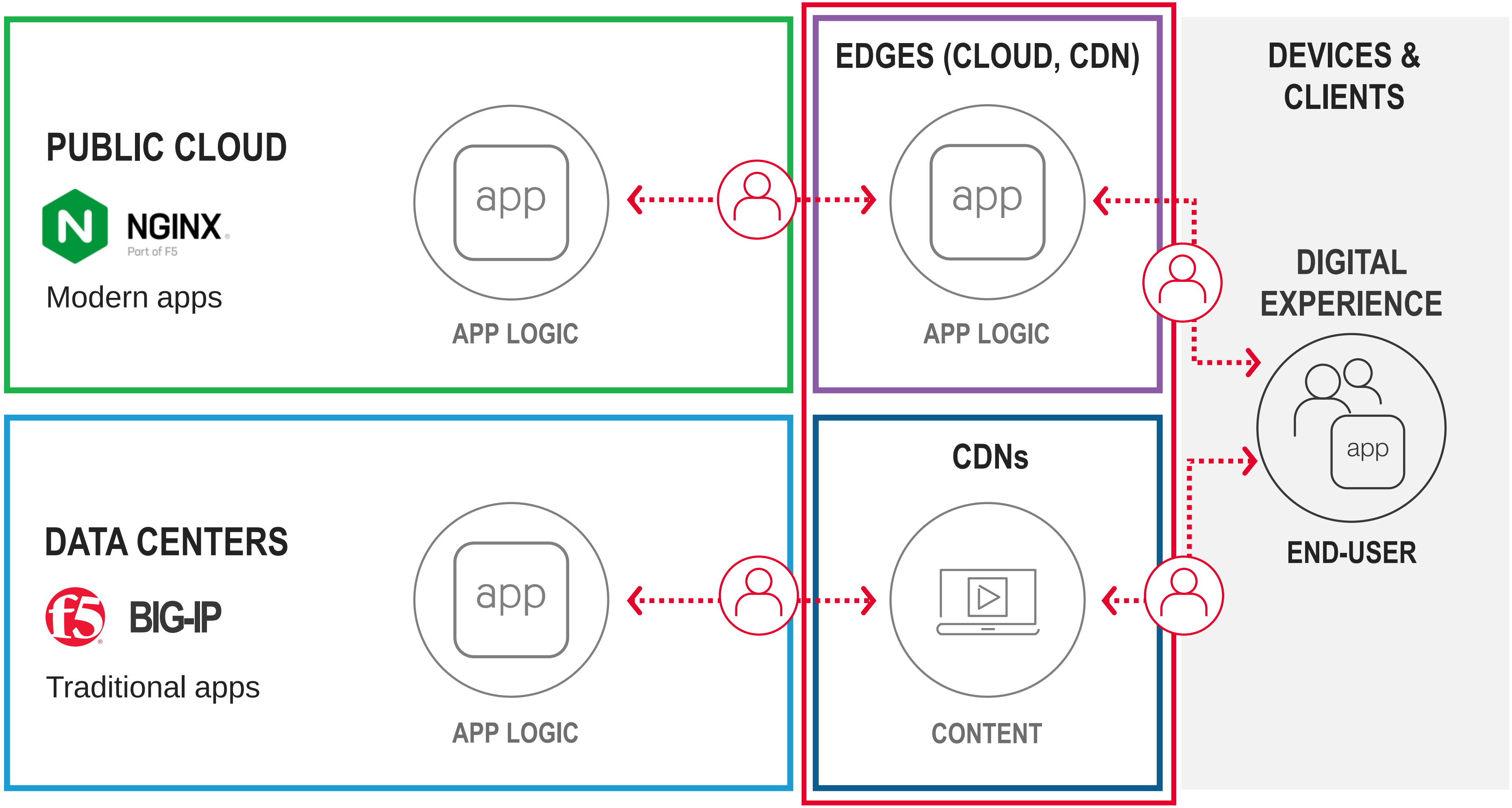
Apps run the world

98%

of organizations report that applications are **essential or critical** to their business.[1]

[1] Source: State of application Services, F5, 2020

Apps use multiple networks, public clouds, and edges,
but…they are manually stitched together with great pain



For enterprises, closed edge platforms **increase the pain of building, running, and securing apps**

Which edge do I develop for?

How do I switch CDNs?

What languages can we maintain?

How do I create consistent security policies across environments?

How do I provide effective security?

How do I fix network and region capacity issues?

My cloud announced a security vulnerability,
how can my edge mitigate?

Volterra is the first **universal** edge-as-a-service platform

Unlimited global edge capacity combining all public clouds and enterprise data centers

Public & Private Clouds

aws	Google Cloud	Microsoft Azure
4.5M+ servers	**2.5M+ servers**	**3.5M+ servers**
25 Regions	24 Regions	55 Regions

Data Centers

Customer Data Center — ∞ servers, Any Region

Volterra Network

21 Edge POPs, 13 Regions

Revolutionary multi-cloud technology created by industry's top experts

Ankur Singla
Founder & CEO

Ankur, previously CEO of Contrail Systems (#1 mobile networking platform used in Tier 1 telcos), leads a company of >75% senior-level engineers and scientists

Harshad Nakil
Co-founder & CTO

Benjamin Schilz
VP Infrastructure

Gartner COOL VENDOR 2020

IDC Innovator

SaaS
service delivery

VoltMesh
transparently delivering networking and security SaaS offerings

+

PaaS
edge computing platform

VoltStack
platform services for distributed apps, based on containers and Kubernetes

Volterra offers **unprecedented** edge capabilities for our customers

"We are excited to work with Volterra to architect an unprecedented edge computing environment across our 5G network. Volterra has demonstrated that it solves critical operational challenges within existing telco cloud service offerings, increasing operator efficiency and revenue streams while delivering a cloud-native experience that will drive developer adoption."

Keiichi Makizono
SVP & CIO, SoftBank Corp.

SoftBank

F5 + Volterra

The first Edge 2.0 platform for enterprises and service providers

Enterprises require a new edge paradigm for their apps

Edge 1.0

CDN

- Specific services run on specialized CDN servers
- Focused on static content
- Commodity security, fragmented from app
- Limited to CDN hardware

1998

Akamai

Edge "1.5"

CDN → Closed edge

- Every service runs on every CDN server
- Custom code per edge
- Commodity security, fragmented from app
- Limited to CDN hardware

2012

CLOUDFLARE fastly

Edge 2.0

Open edge

- Every service runs on *any* server, across all clouds
- Same code everywhere
- Advanced, consistent security from edge to app
- Hardware-independent

2021

f5 + Volterra + Microsoft aws Google

Public Clouds

Think of it like…

Cable TV

TiVo

Streaming

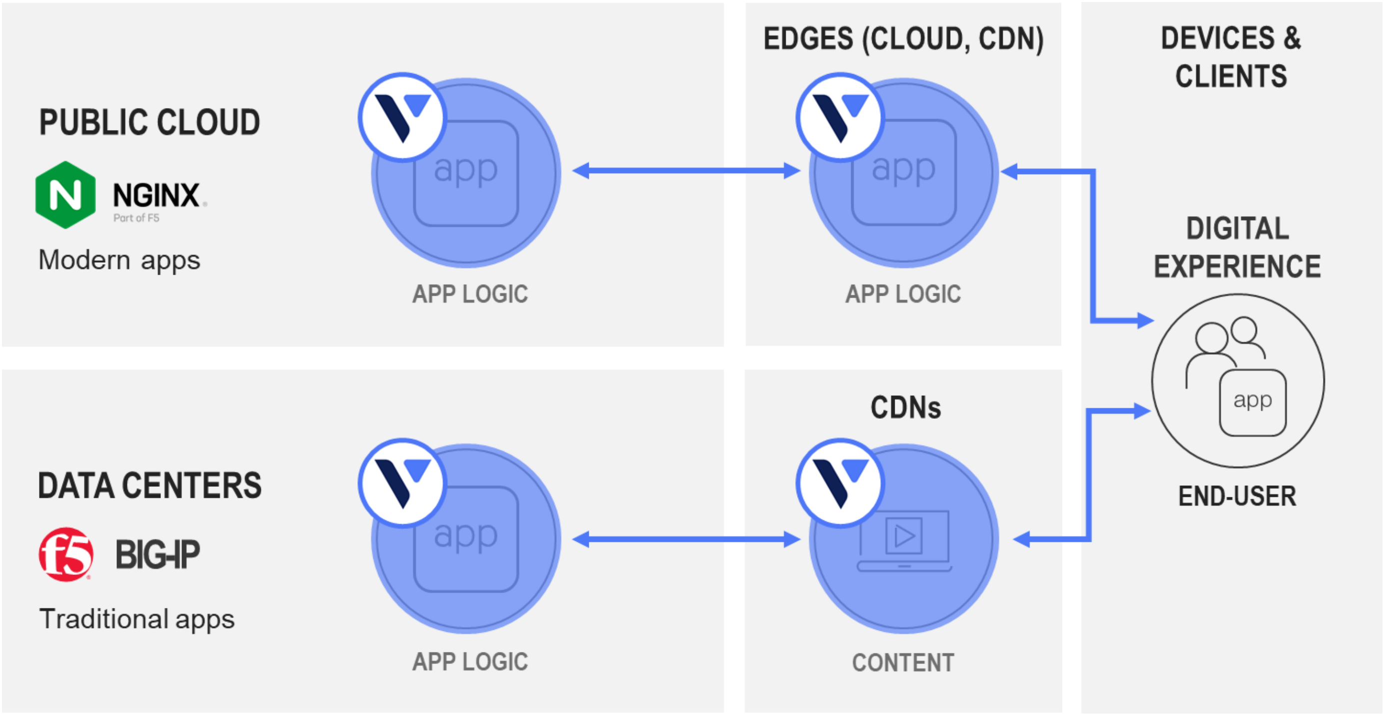
F5 + Volterra will create the first Edge 2.0 platform, built for enterprises and service providers

Our Edge 2.0 platform will be:

Security-first
Industry-leading security instead of commodity security added to a CDN or cloud

App-driven
Universal, “build once, deploy globally” app delivery; software-defined edge based on industry-standard containers and APIs, removing multi-cloud complexity

Unlimited scale
Breaks apps out of “CDN jail” of closed edge platforms, running all services on any server, across all clouds and data centers



Our Edge 2.0 platform will be **security-first,** not "good enough" commodity security

Why security-first?

- **Sophistication of cyberattacks has increased** — not using the best possible security is now a deal-breaker for leading enterprises and service providers
- **Dangerous to decide security posture based on CDN usage**

F5 + Volterra capabilities

- **World-leading security across all apps**: same advanced security (F5+Shape) that is the primary defense for largest banks, airlines, federal agencies
- **Makes enterprise-grade security easy-to-use**: transparently-deployed SaaS
- **Consistent policy and compliance**: across all clouds, data centers, devices, and edges

App security features	Edge 2.0 *F5 + Volterra + Clouds*	Edge "1.5" *New CDNs*	Edge 1.0 *Traditional CDNs*
SaaS security, close to user	●	●	●
Multi-cloud security	●	◒	◒
Multi-CDN security	●	○	○
Hybrid infrastructure security	●	○	○
DDoS protection	●	●	●
Advanced vulnerability defenses (WAF)	●	◒	●
Bot, fraud & abuse protection	●	◒	◒
AI defenses with advanced signals	●	◒	○

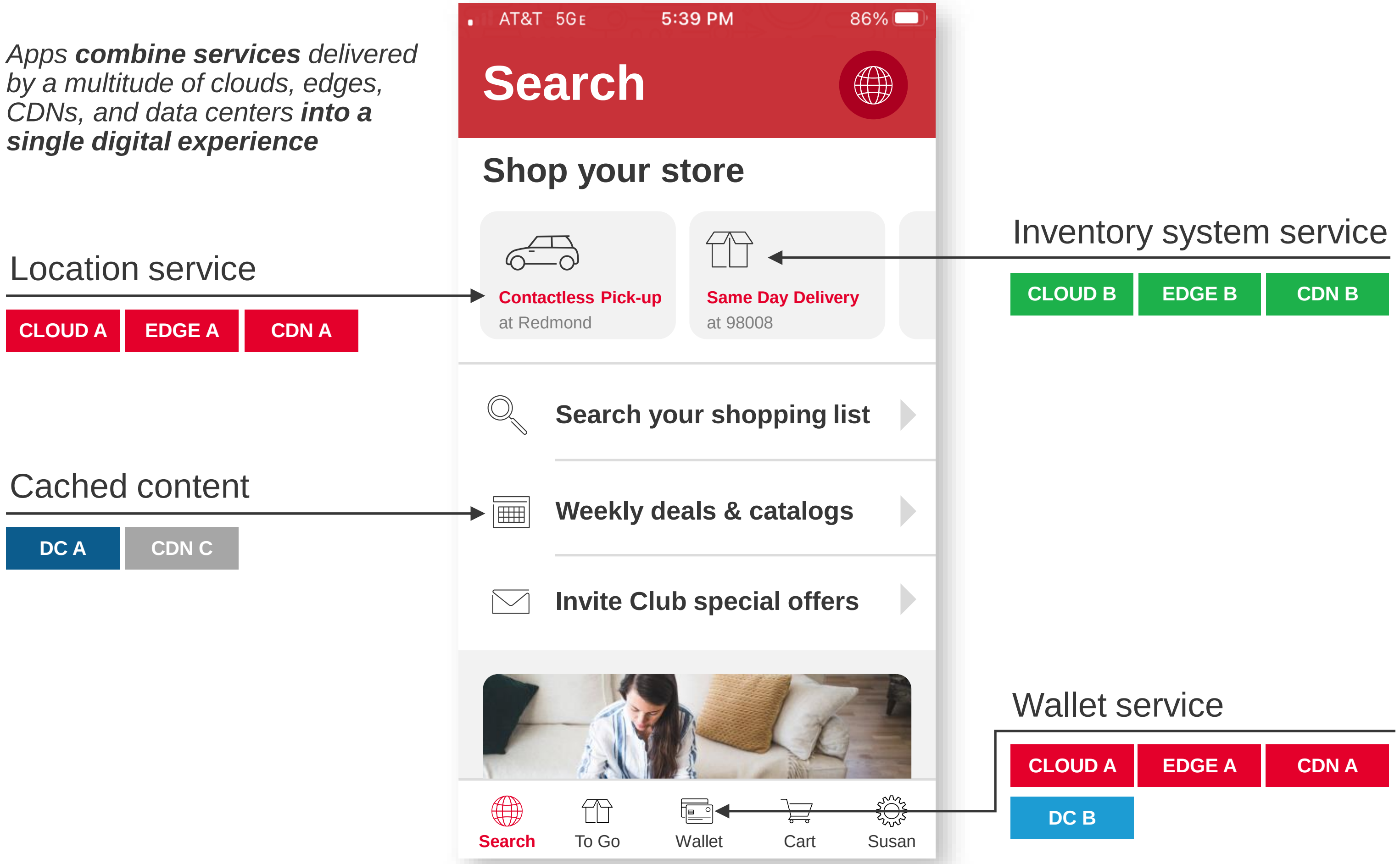
Our Edge 2.0 platform will be **app-driven,** enabling developers to focus on great digital experiences, instead of fighting their tech stack

Why app-driven?

- **The edge must serve the needs of the apps,** not the other way around
- **Enterprise edge platforms should minimize effort and errors,** currently caused by manual integration of clouds, edges, security, etc.

F5 + Volterra capabilities

- **Software-defined edge meeting the needs of the app:** seamlessly connecting across data center, edge, and cloud with API intelligence
- **Enterprise-grade flexibility, features, and automation:** deliver anywhere with common CI/CD tools enabling DevOps acceleration
- **Industry-standard containers at the edge:** build once, deploy globally - Kubernetes platform delivery and services across traditional and modern apps



Today's enterprise apps are limited at the edge by their CDN's server cages

Edge 2.0 will let apps break out of the cage.

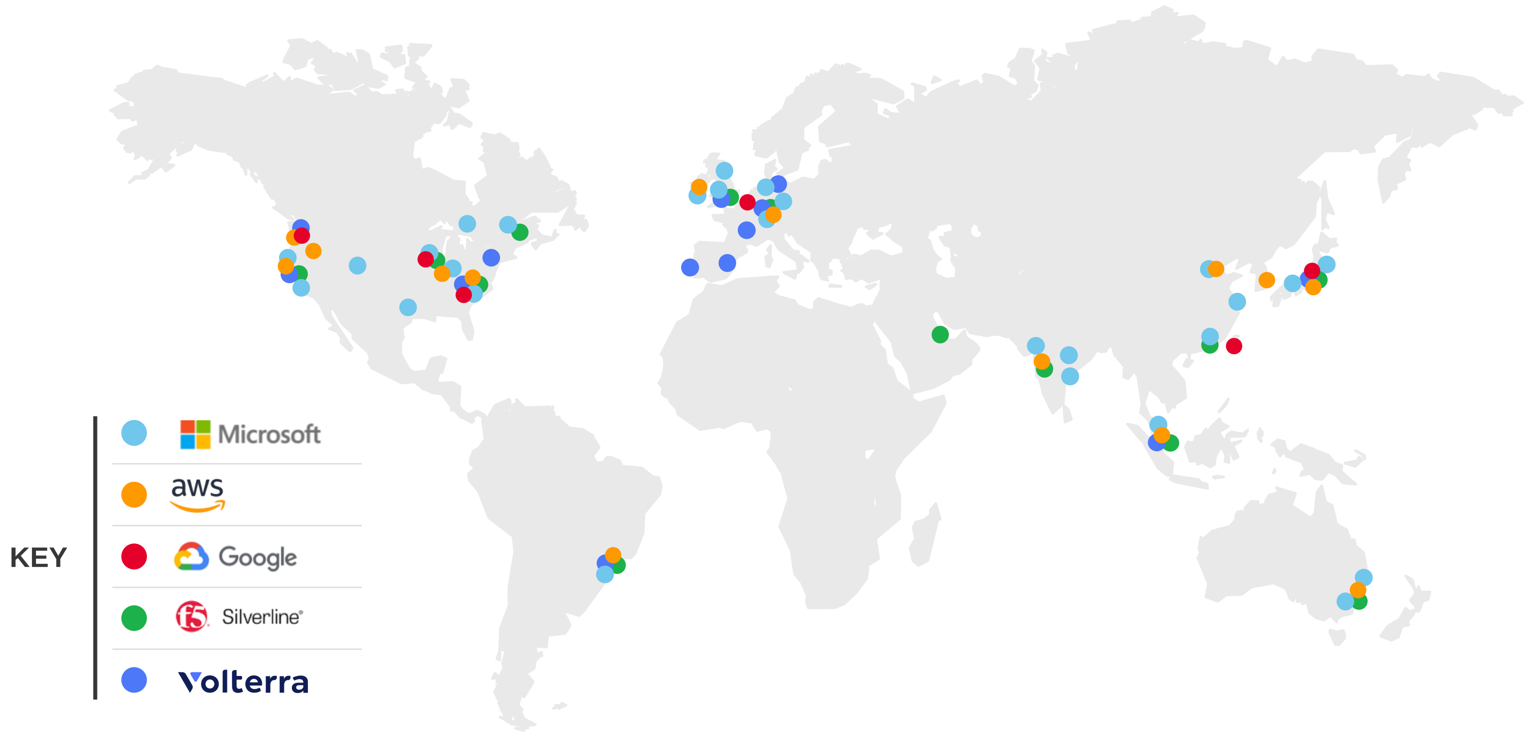
Our Edge 2.0 platform will deliver **unlimited scale,** operating across full capacity of AWS + Azure + GCP + data centers vs. a single CDN

Why unlimited scale?

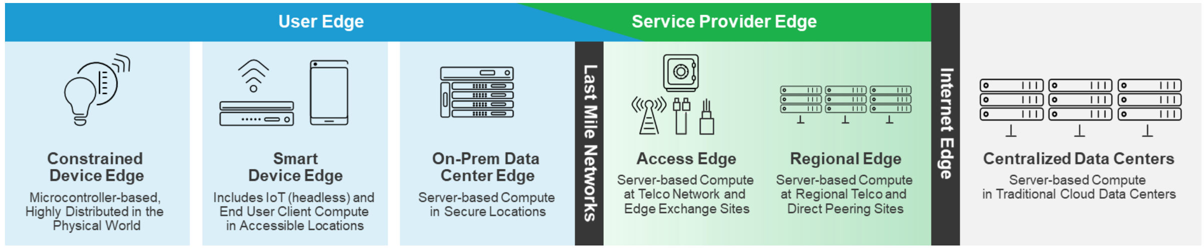
- **Confinement to a single hardware network creates app limitations and dangers:** performance is limited by hardware capacity per location and doesn't extend to user edge; no ability for enterprise to remediate urgent security or availability issues with edge

F5 + Volterra capabilities

- **Every F5 + Volterra service runs on any server:** in any public cloud, data center, or within Volterra-operated network
- **Balance workloads between clouds and data centers automagically:** eliminates switching costs, gives control back to enterprises
- **Compatible with public cloud, 5G, and IoT edges:** superior performance, localization, and security over third-party CDN edge solutions



Able to move workloads between clouds, POPs, and data centers, **Edge 2.0 connects enterprise apps to the *User Edge* for the first time**



Source: Linux Foundation Edge, Sharpening the Edge: Overview of the LF Edge Taxonomy and Framework, 2020

Volterra advances F5's Adaptive Applications vision

Edge 2.0 advances our Adaptive Applications vision

PUBLIC CLOUD

NGINX
Part of F5

Modern apps

app

APP LOGIC

DATA CENTERS

BIG-IP

Traditional apps

app

APP LOGIC

EDGES (CLOUD, CDN)

app

APP LOGIC

CDNs

CONTENT

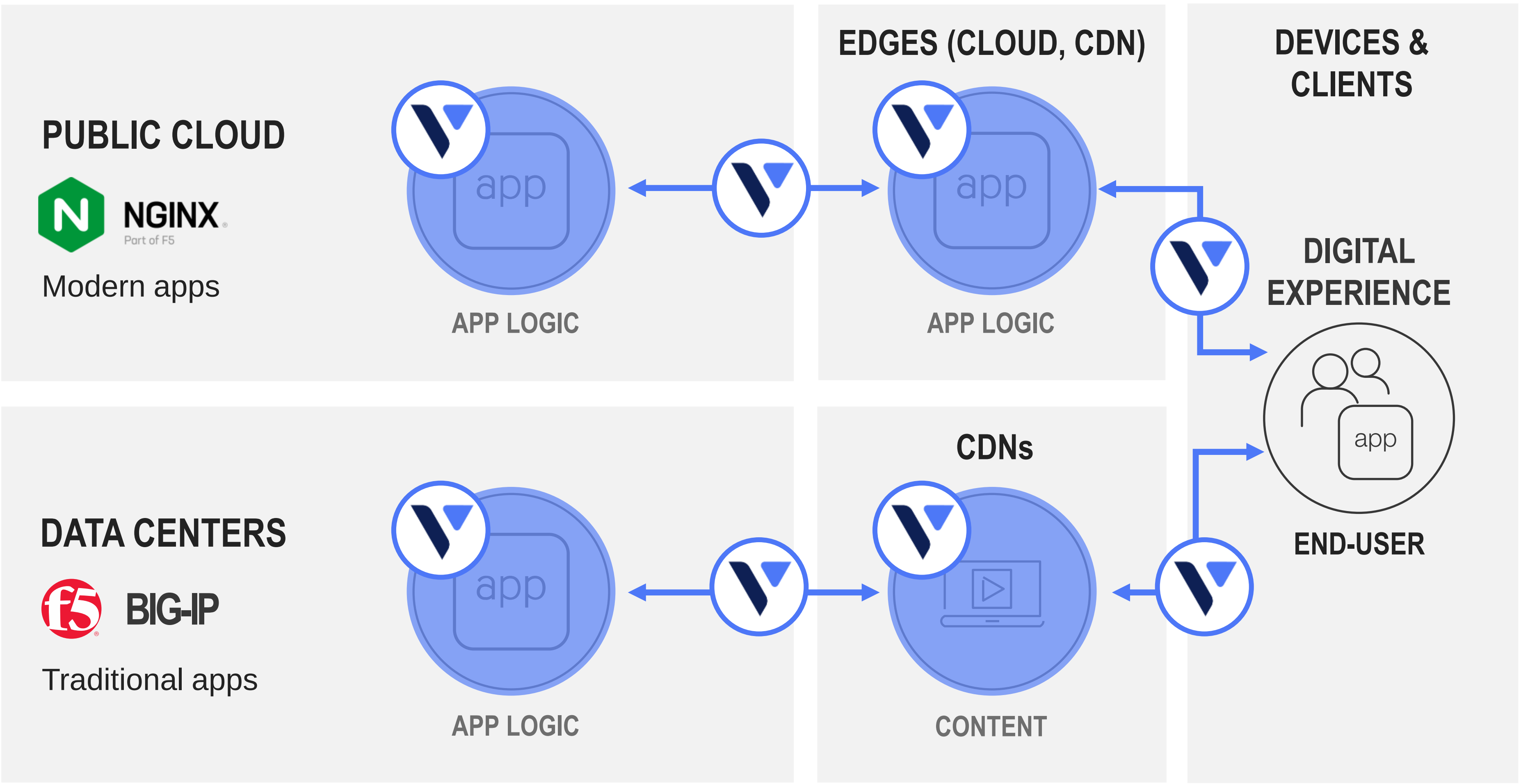
DEVICES & CLIENTS

DIGITAL EXPERIENCE

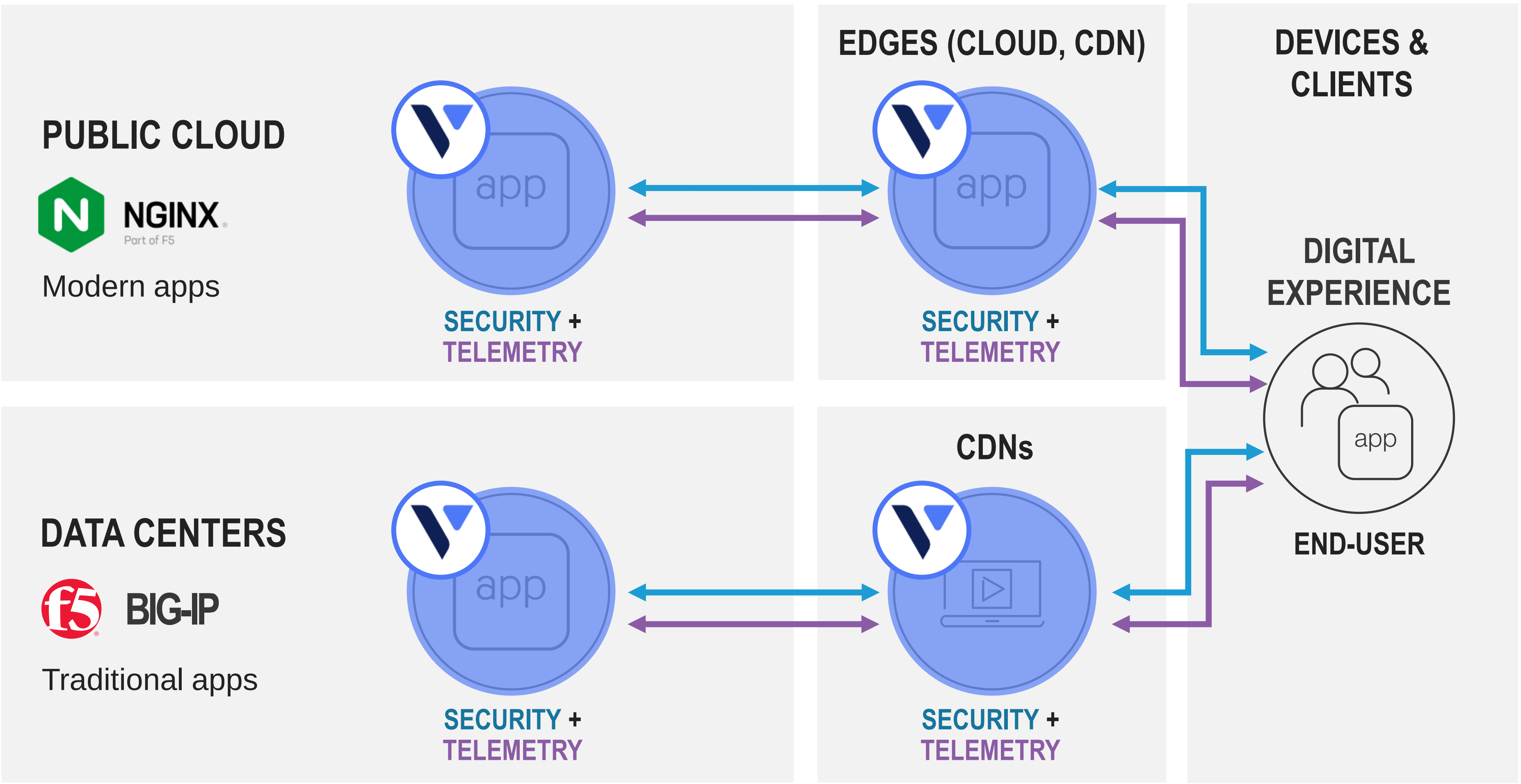
app

END-USER

Our Edge 2.0 platform will tie together app delivery of modern and traditional apps through the edge



Our Edge 2.0 platform will transparently deliver **security** and collect **telemetry** in every environment through the edge



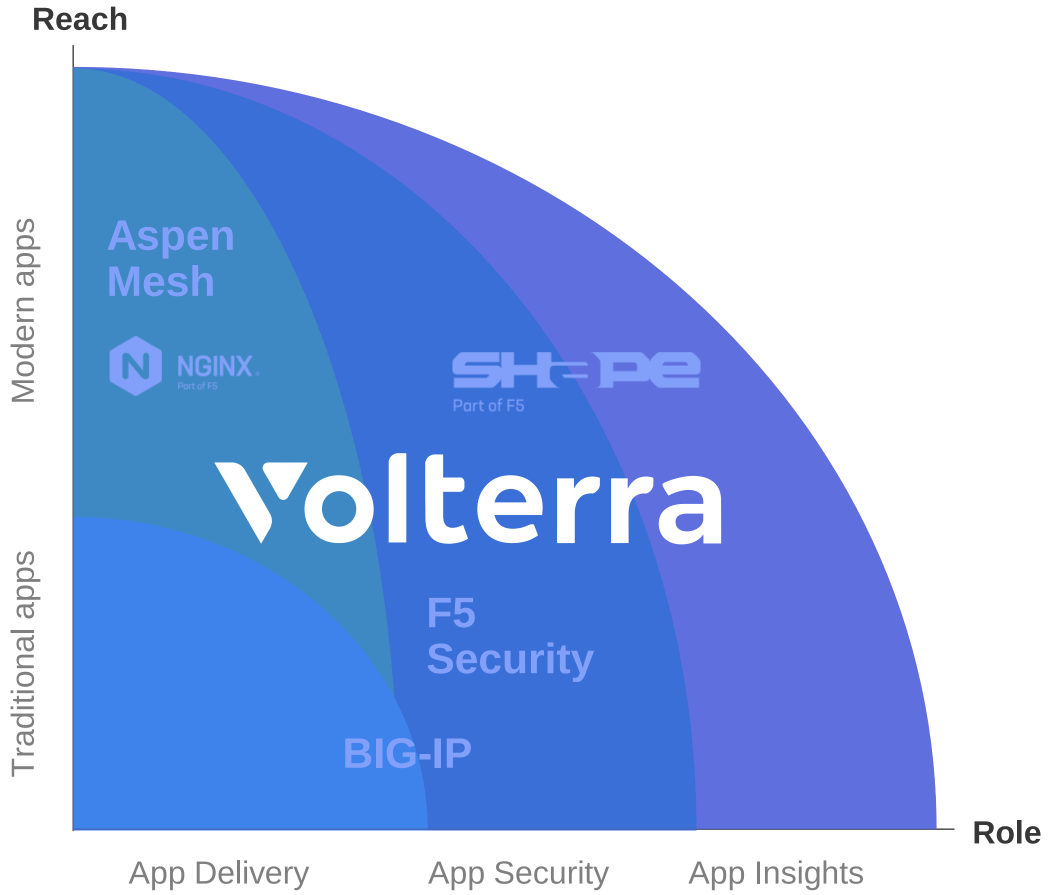
Our Edge 2.0 platform will connect each component of our Adaptive Applications vision

Simplify traditional app delivery for multi-cloud environments
→ **Automates app distribution across data center, cloud & edge**

Enable modern app delivery at scale
→ **Accelerates new API-driven app experiences**

Secure every app anywhere
→ **Extends world-class security to the edge**

Unlock the value of app insights
→ **Provides edge insights, and makes the F5 platform smarter**



We will execute against a deliberate value creation roadmap

	Value creation driver	Value creation actions / impact to F5
1	**Bring F5 security to the edge**	Integrate F5's best-in-class app security into Volterra platform ***Impact:*** *Accelerate F5's growth in $5B edge security TAM*[1]
2	**Reach more applications**	Simplify BIG-IP and NGINX deployment via Volterra platform ***Impact:*** *Fuel growth of BIG-IP and NGINX cloud-hosted software*
3	**Gain platform benefits**	Accelerate velocity of new SaaS offerings using Volterra platform ***Impact:*** *Turbo-charge growth of F5's SaaS revenue*
4	**Reach new edge computing customers**	Enter emerging edge computing opportunities in 5G and IoT ***Impact:*** *Grow F5's service provider and IoT businesses*

7% to 8%
Horizon 2 revenue growth

Double-digit
long-term revenue growth

[1] FY2023

Volterra **accelerates** our total revenue growth

	Horizon 2 (FY21-22)	**Long-Term Targets** (circa 2025)
Total revenue growth	**7% to 8% CAGR** ~~6% to 7% CAGR~~	**Double-digit growth** ~~8% to 9%~~
Non-GAAP gross margin	~85%	Mid-to-upper 80s%
Non-GAAP operating margin	FY21: 31% to 32% FY22: 32% to 34%	Mid 30s%
Non-GAAP EPS / growth	**Double-digit growth**	**Double-digit growth**
"Rule of 40" (revenue growth + non-GAAP operating margin)	Achieve in Horizon 2	At a minimum, maintain "Rule of 40"

We are reiterating our commitment to **double-digit non-GAAP EPS growth** in Horizon 2

Q&A

Appendix

GAAP to non-GAAP reconciliation

F5 is currently working through the accounting close process for the quarter ended December 31, 2020 and therefore an estimate of GAAP earnings, as well as a reconciliation of revenue, net income and earnings per share on a GAAP to non-GAAP basis is not yet available. The company expects to provide this reconciliation for the quarter ended December 31, 2020 with its final results announcement, expected on January 26, 2021.

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 Employee Stock Purchase Plan. 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.

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.

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.

Impairment charges. In fiscal year 2019, F5 recorded impairment of capitalized software development costs reflecting strategy changes in certain product development initiatives. 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

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.