



Q2FY24 Results

PERIOD ENDING March 31, 2024

Published April 29, 2024

Forward-looking statements

This presentation contains forward-looking statements including, among other things, statements regarding the environment, F5's future financial performance including revenue, revenue growth, earnings growth, future customer demand and budgets, markets, and the performance and benefits of the Company's products. These, and other statements that are not historical facts, 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 offerings; continued disruptions to the global supply chain resulting in inability to source required parts for F5's products or the ability to only do so at greatly increased prices thereby impacting our revenues and/or margins; global economic conditions and uncertainties in the geopolitical environment; overall information technology spending; F5's ability to successfully integrate acquired businesses' products with F5 technologies; the ability of F5's sales professionals and distribution partners to sell new solutions and service offerings; the timely development, introduction and acceptance of additional new products and features by F5 or its competitors; competitive factors, including but not limited to pricing pressures, industry consolidation, entry of new competitors into F5's markets, and new product and marketing initiatives by our competitors; increased sales discounts; the business impact of the acquisitions and potential adverse reactions or changes to business or employee relationships, including those resulting from the announcement of completion of acquisitions; uncertain global economic conditions which may result in reduced customer demand for our products and services and changes in customer payment patterns; litigation involving patents, intellectual property, shareholder and other matters, and governmental investigations; potential security flaws in the Company's networks, products or services; cybersecurity attacks on its networks, products or services; 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.

GAAP to non-GAAP presentation

In addition to financial information prepared in accordance with U.S. GAAP, this presentation also contains adjusted financial measures that we believe provide investors and management with supplemental information relating to operating performance and trends that facilitate comparisons between periods and with respect to projected information. These adjusted financial measures are non-GAAP and should be considered in addition to, but not as a substitute for, the information prepared in accordance with U.S. GAAP. We typically exclude certain GAAP items that management does not believe affect our basic operations and that do not meet the GAAP definition of unusual or non-recurring items. Other companies may define these measures in different ways. Further information relevant to the interpretation of adjusted financial measures, and reconciliations of these adjusted financial measures for historical data to the most comparable GAAP measures, may be found on F5's website at www.f5.com in the "Investor Relations" section. A reconciliation of non-GAAP guidance measures to corresponding GAAP measures is not available on a forward-looking basis due to the high variability and low visibility with respect to the charges which are excluded from these non-GAAP measures. For additional information, please see the appendix of this presentation.

Today's speakers



François Locoh-Donou

CEO, President

Intro & Business Overview



Frank Pelzer

Chief Financial Officer

Q2FY24 Results & Business Outlook

Business Overview

François Locoh-Donou, President & CEO

GAAP & Non-GAAP results

GAAP results

	Q2FY24	Q2FY23
Revenue	\$681M	\$703M
Gross profit	\$540M	\$548M
Gross margin	79.3%	77.9%
Operating profit	\$140M	\$106M
Operating margin	20.5%	15.1%
Net income	\$119M	\$81M
EPS	\$2.00	\$1.34

Non-GAAP results

	Q2FY24	Q2FY23
Gross profit	\$559M	\$565M
Gross margin	82.1%	80.4%
Operating profit	\$210M	\$191M
Operating margin	30.9%	27.2%
Net income	\$173M	\$154M
EPS	\$2.91	\$2.53

Q2FY24 performance highlights



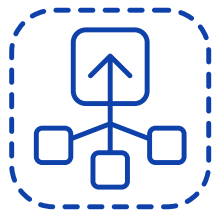
\$681M

Total Q2FY24 revenue
v. guide of \$675 to \$695 million



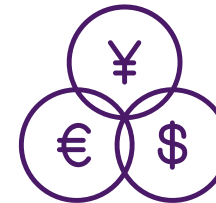
20%

Total software revenue
growth Y/Y



28%

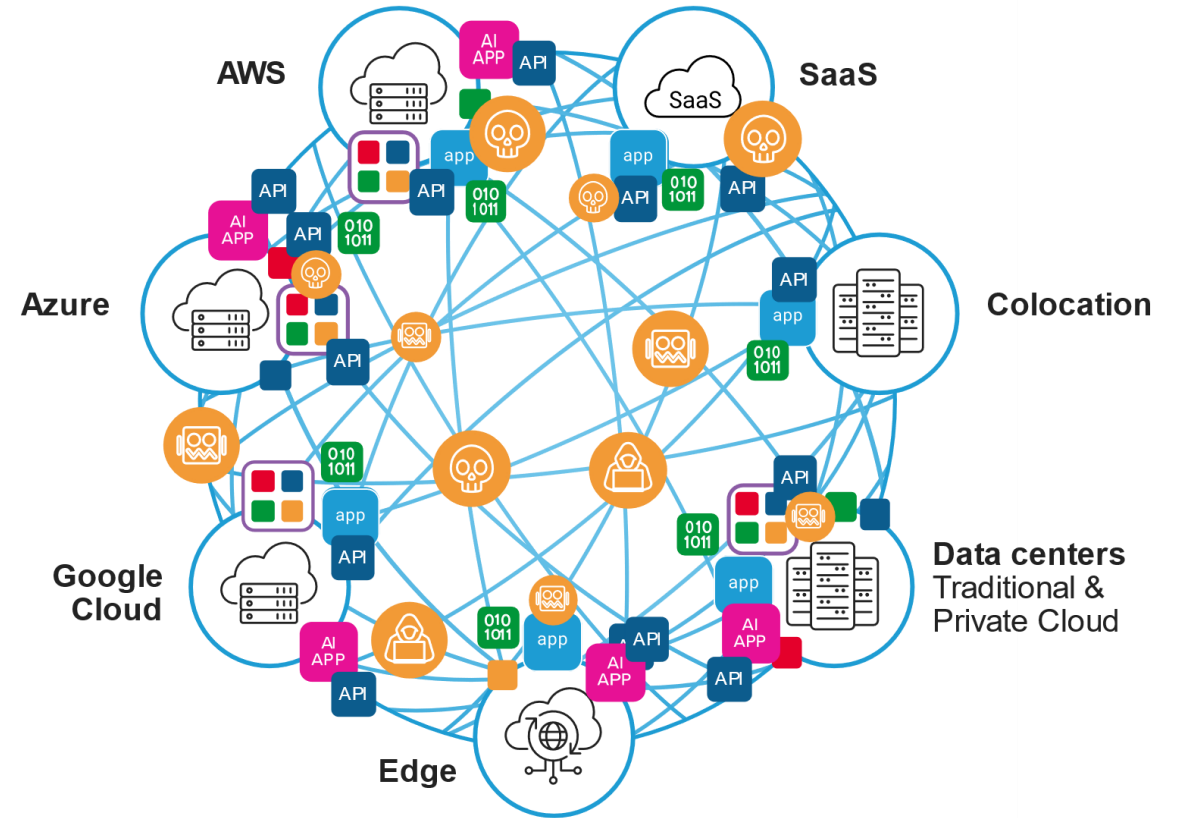
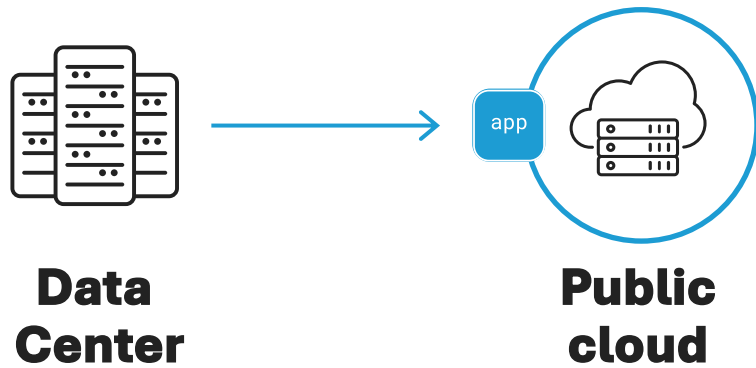
Subscription revenue
growth Y/Y



15%

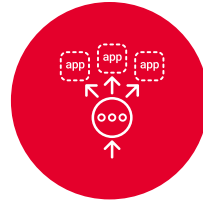
Non-GAAP EPS
growth Y/Y

This is where customers thought they would be...



and this is where 9 in 10 customers have ended up

Complexity is preventing organizations from operating at the speed their businesses demand



Expanding number of apps across distributed environments



Amplified security risks

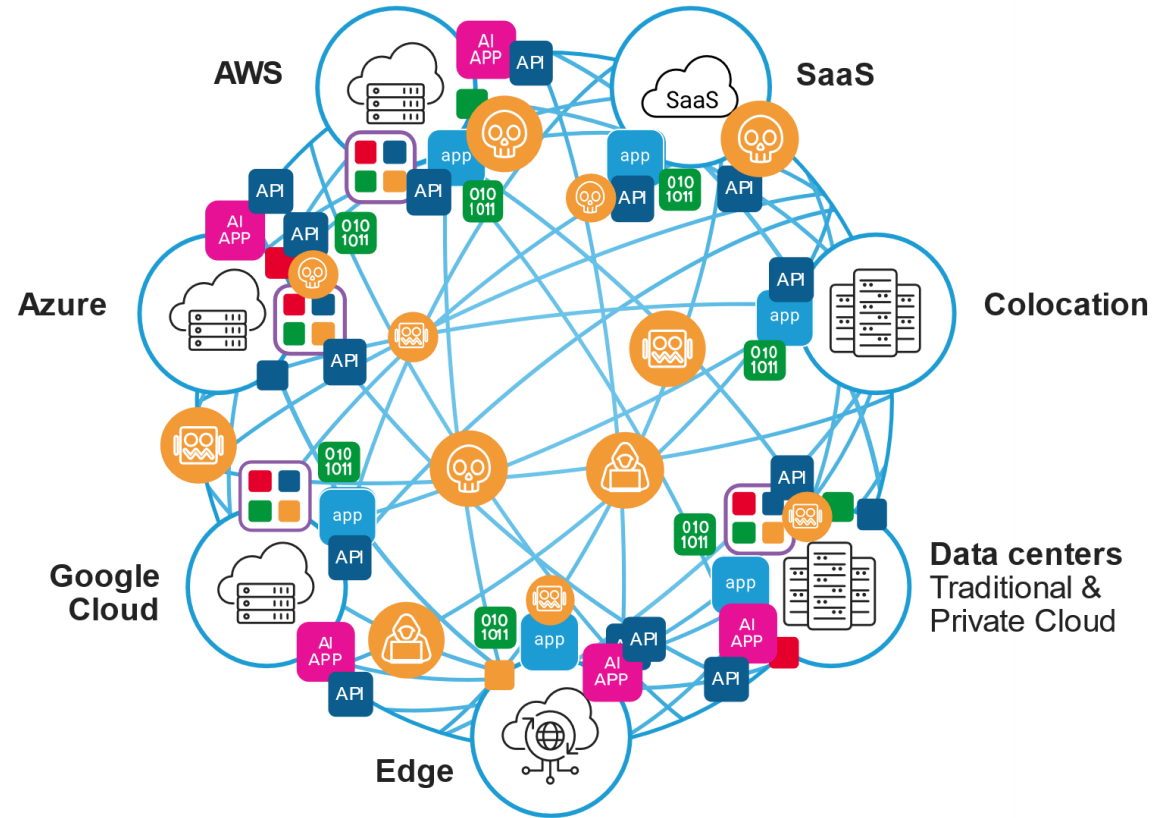


Escalating API growth

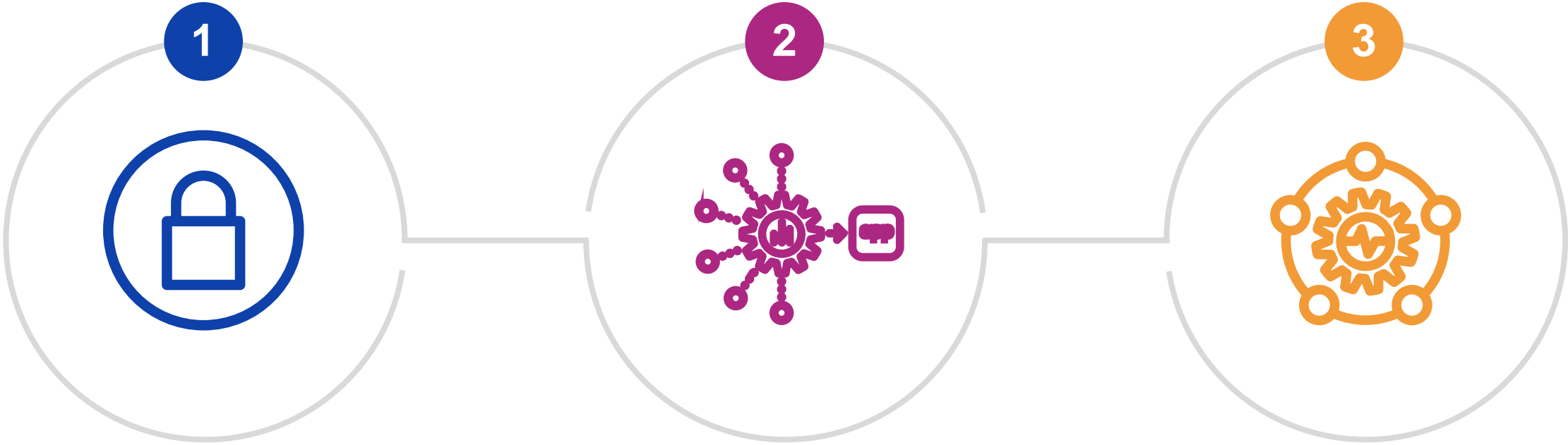


AI acceleration

F5 is the only solution provider that secures, delivers, and optimizes any app, any API, anywhere.



F5 is differentiated in our ability to address customers' Ball of Fire pain points



App Security

F5 offers the industry's most comprehensive app and API security platform

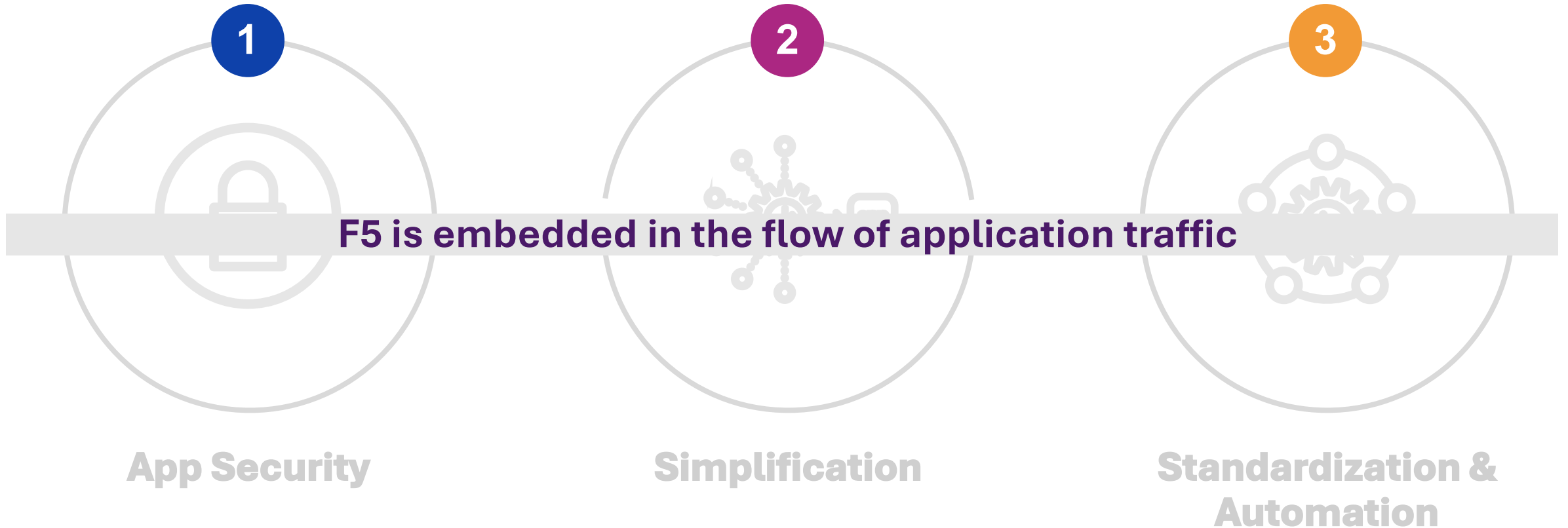
Simplification

F5 simplifies connecting disparate infrastructures making hybrid multicloud ridiculously easy

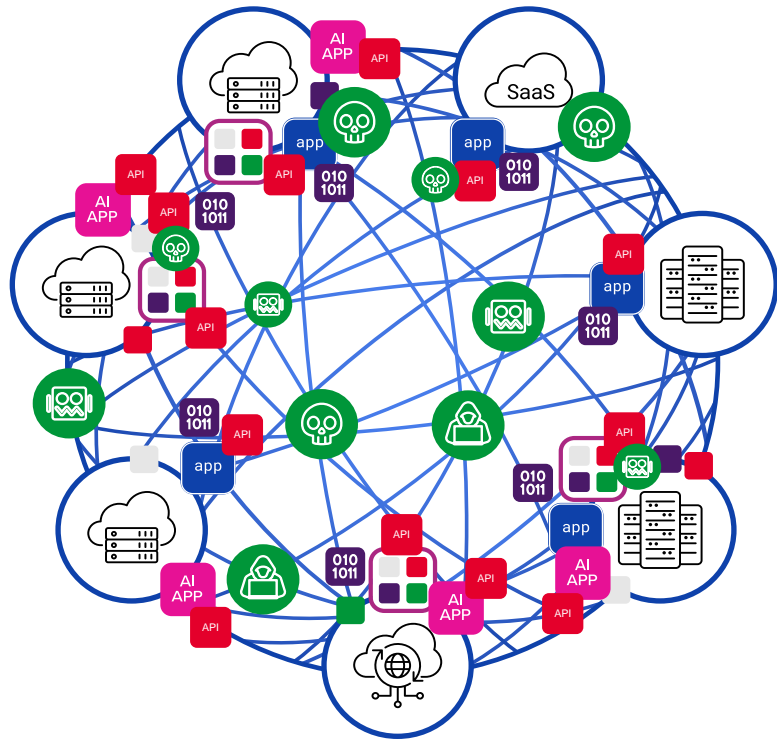
Standardization & Automation

F5 streamlines operations with consistent policies, comprehensive automation, and rich analytics

F5 is differentiated in our ability to address customers' Ball of Fire pain points



F5 extinguishes the Ball of Fire, empowering our customers to run at the speed their businesses demand



App Security
Simplification
Standardization &
Automation



Q2FY24 customer examples

App Security

F5 offers the industry's most comprehensive app and API security platform

Integrated and comprehensive suite of best-in-class capabilities

F5 empowers customers to consolidate solutions, addressing all of their app security needs with a single platform



Networking & Telecoms

- Customer deploying F5 Distributed Cloud Services to mitigate attacks on its digital wallet solution.
- Their solution supports +400M wallets across 24 countries and processes +2.8B transactions every month.
- Customer standardized on F5 app and API security for its new industry networking and API security globally.



Beverages

- Customer deploying F5 Distributed Cloud for advanced bot mitigation.
- In a proof-of-concept, F5 showed 99% of traffic to a branded marketing site was coming from bots and blocked millions of fraudulent access attempts.
- Customer selected F5 to deploy across its sites and thus far has saved nearly \$3M in fraud.



Q2FY24 customer examples

Simplification

F5 simplifies connecting disparate infrastructures making hybrid multicloud ridiculously easy

Solutions extend across public cloud, edge, and on-premises environments F5 empowers customers with the hybrid multicloud flexibility their business demands and simplifies IT operations



Energy

- Customer deploying BIG-IP Velos and F5 Distributed Cloud to improve app security and scalability, drive operational efficiency, and reduce costs.
- Created a new shared infrastructure following multiple acquisitions uniting disparate on-premises environments and making them cloud-ready.
- Customer consolidated multiple vendors onto F5.



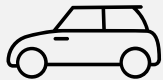
Q2FY24 customer examples

Standardization & Automation

F5 streamlines operations with consistent policies, comprehensive automation, and rich analytics

Consolidate vendors/toolsets,
rationalize operational silos,
automate lifecycle management

F5 enables more cost effective and
scalable IT operations



Auto Insurance

- Customer deploying F5 Distributed Cloud Services for WAAP.
- Evolution of multi-cloud infrastructure led to tool fragmentation, inefficient app deployment, inconsistent security, and a lack of manageability and visibility.
- Customer consolidated onto F5, replacing their existing WAAP vendor.
- F5 increases their business velocity through automation while providing more effective app security and faster response times.



Bank & Financial Services

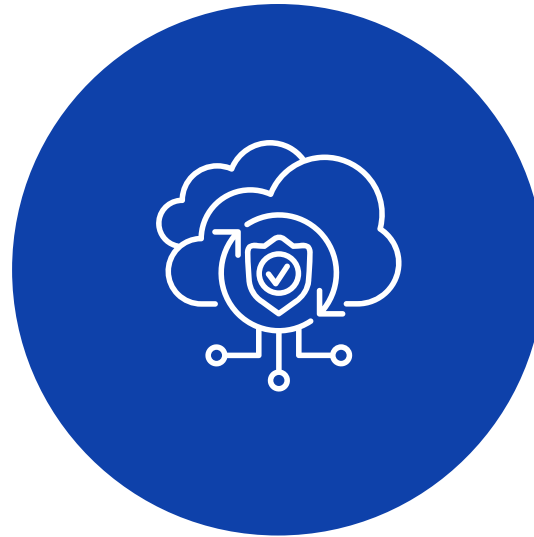
- Customer expanded its BIG-IP footprint.
- Leveraging both software instances in public clouds and hardware in datacenters, F5 is enabling a fully automated self-service ADC and security solution for all of their load balancing and firewall needs.
- The customer's speed of provisioning new app services improved from weeks to minutes with F5 capturing a 2x increase in spend over the last 5 years.



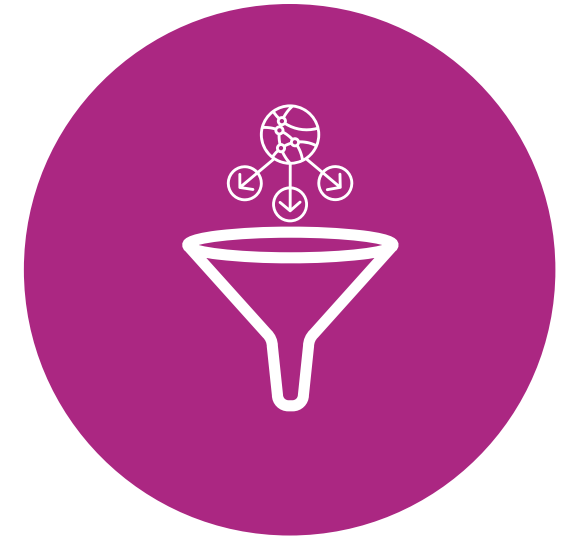
F5 is an AI enabler



API Security



**Secure Multicloud
Networking**



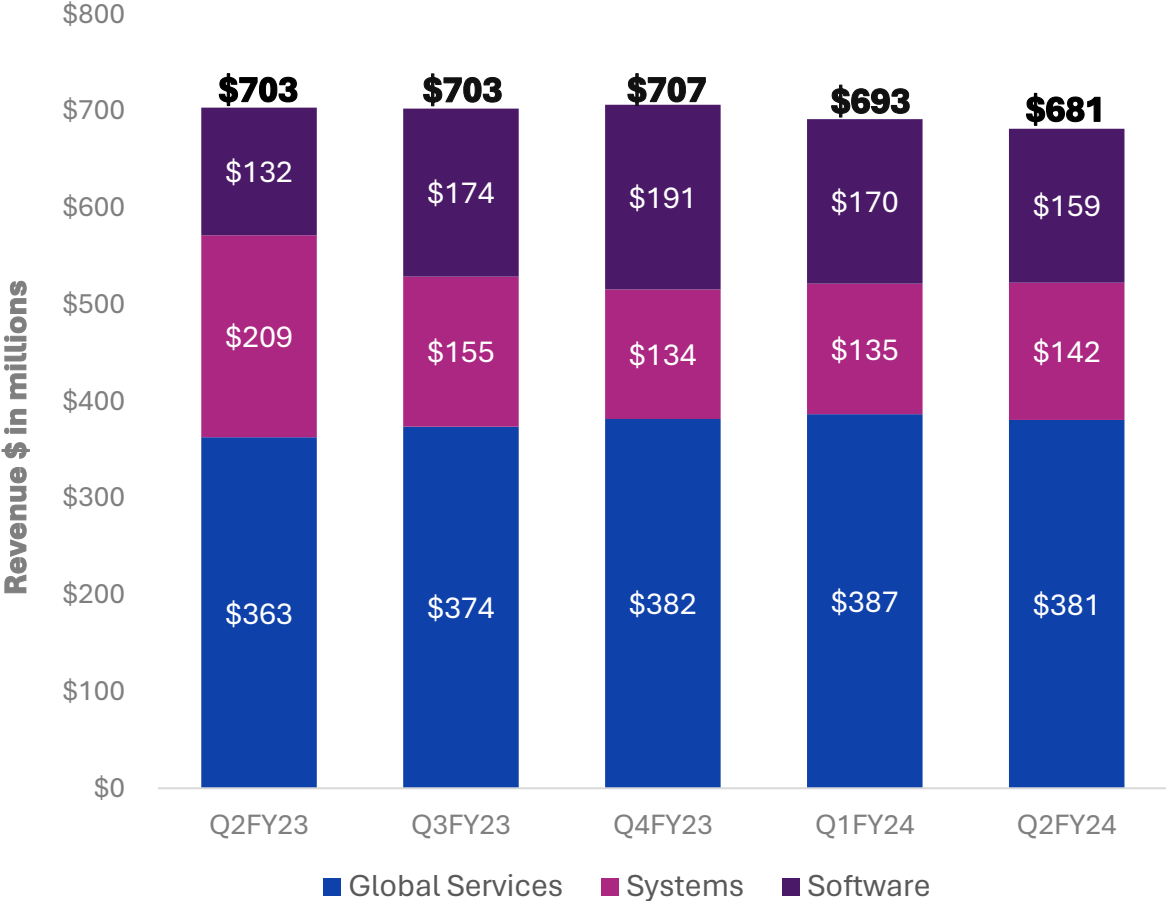
**High-Speed Data
Ingestion**

Q2FY24 Results

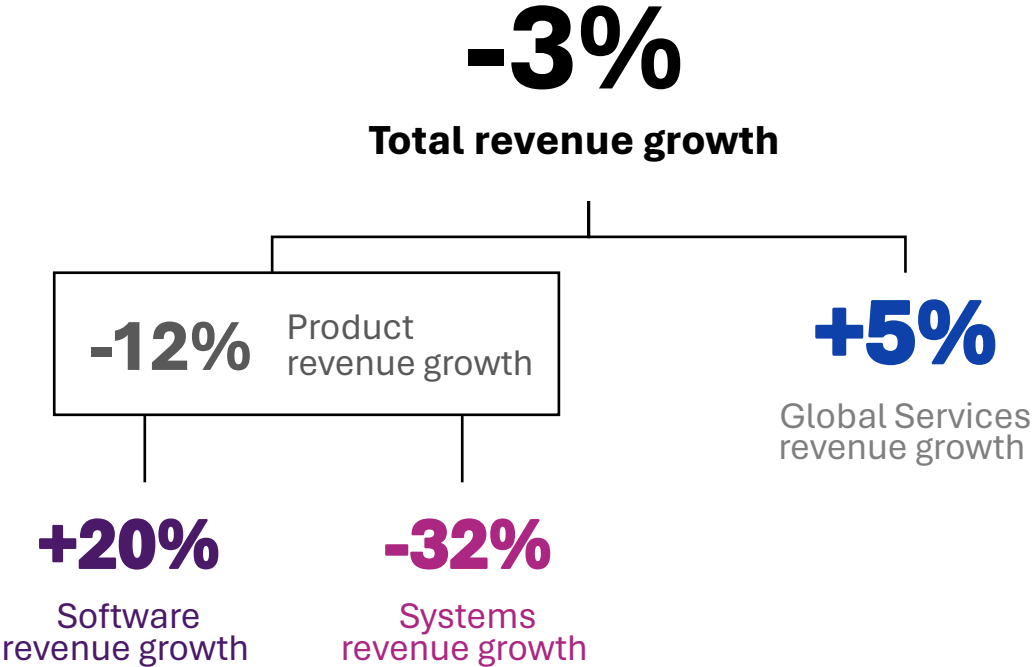
Frank Pelzer, CFO & EVP

Revenue mix and year-over-year change

Revenue mix



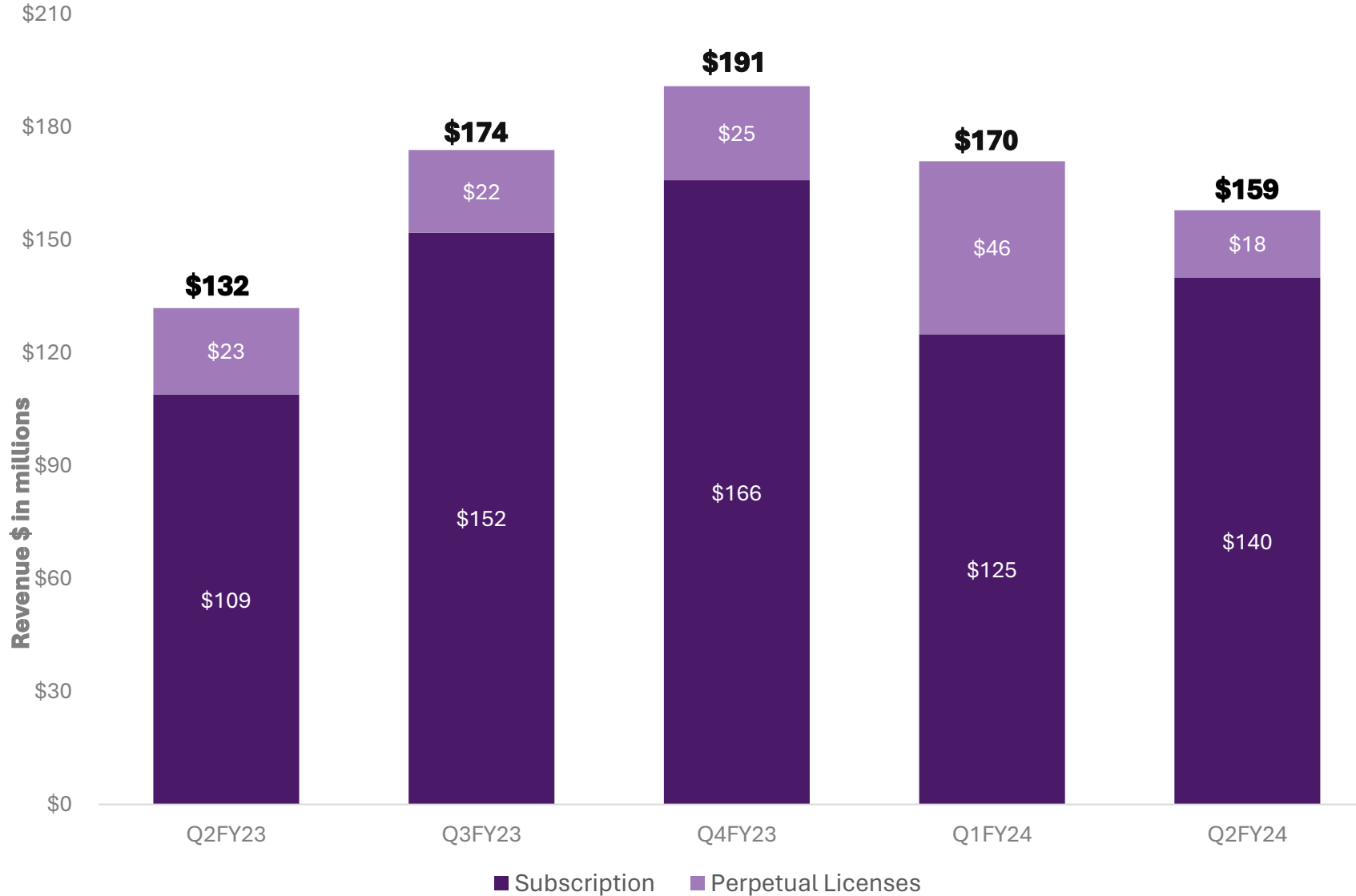
Year/Year change



Totals may not add to due to rounding.



Software revenue mix

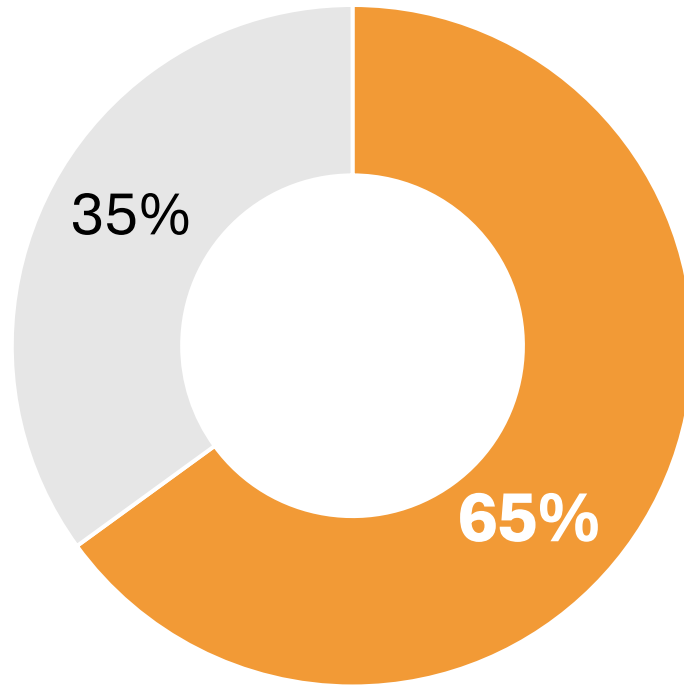


88%
of Q2FY24 total software revenue from subscriptions

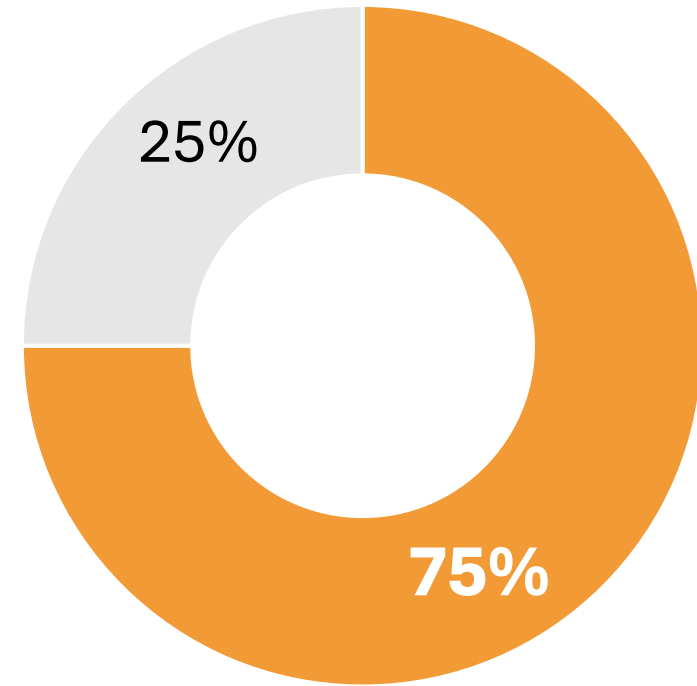
28%
Subscription software revenue growth Y/Y

75% of our Q2FY24 revenue is recurring

■ Recurring
■ Non-recurring



Q2FY23



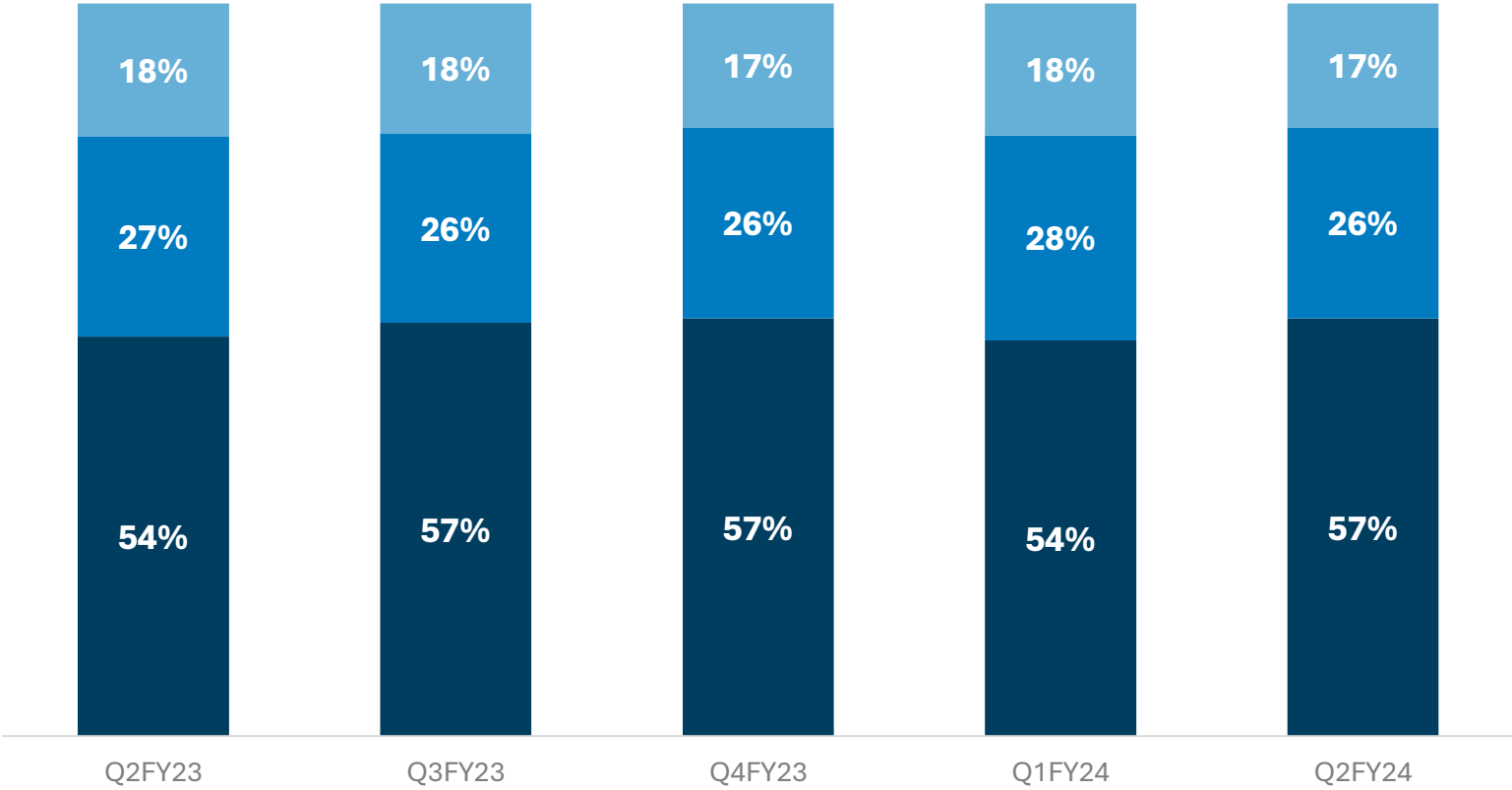
Q2FY24

Recurring revenue includes term subscriptions, SaaS & managed services, utility-based revenue and the maintenance portion of our global services revenue.



Revenue contribution by geography

% of revenue contribution by geo



Y/Y regional revenue growth Q2FY24

-9%
Growth APAC

-6%
Growth EMEA

1%
Growth AMER

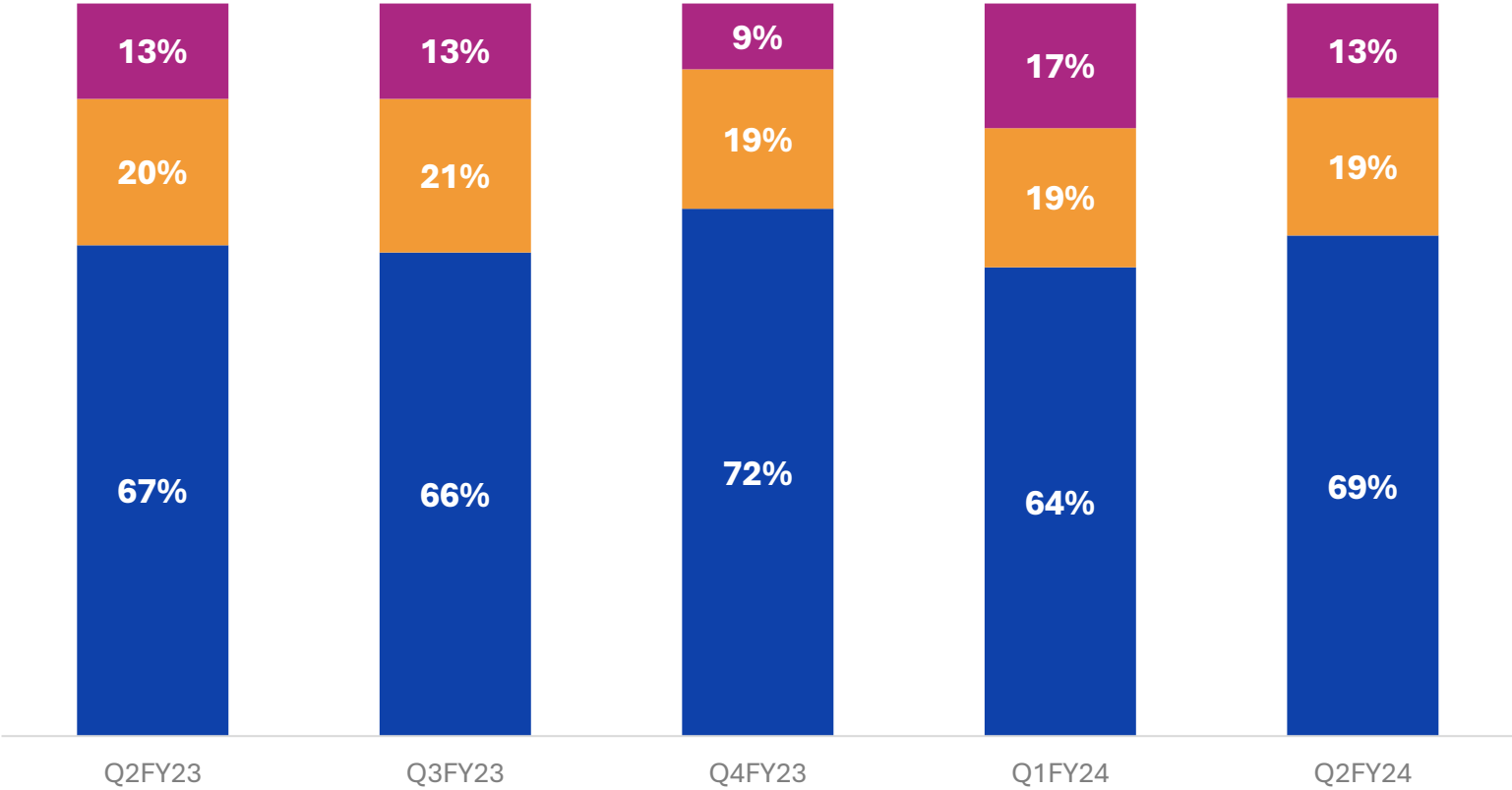
Totals may not add to 100% due to rounding.

■ Americas ■ EMEA ■ APAC



Customer verticals as a % of product bookings

% of total product bookings



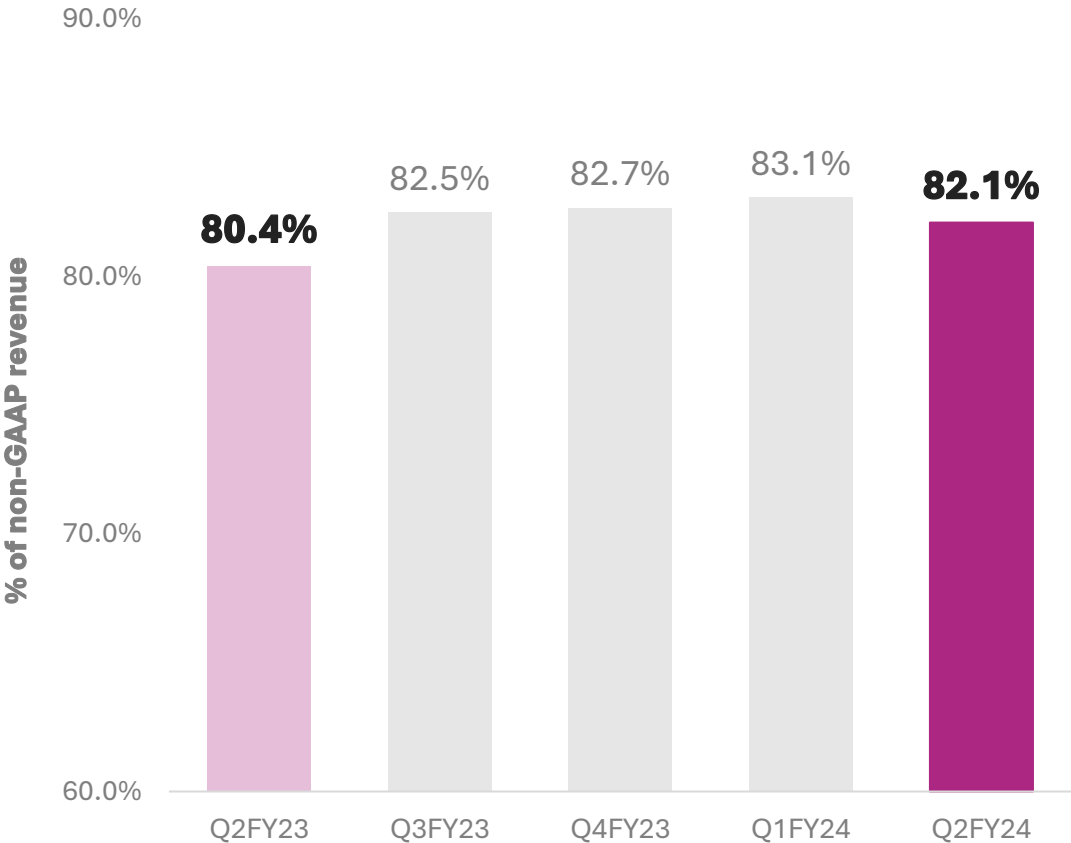
Totals may not add to 100% due to rounding.

■ Enterprise ■ Government ■ Service Provider

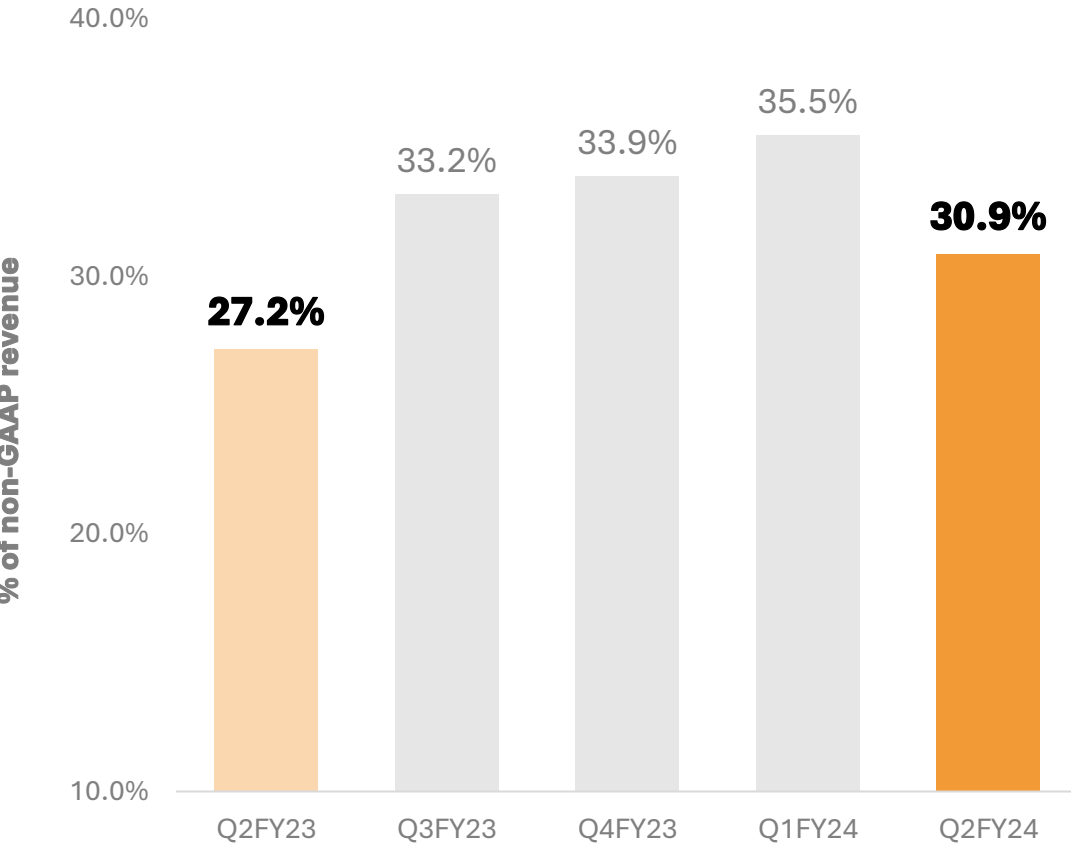


Non-GAAP gross and operating margins

Non-GAAP Gross Margin



Non-GAAP Operating Margin



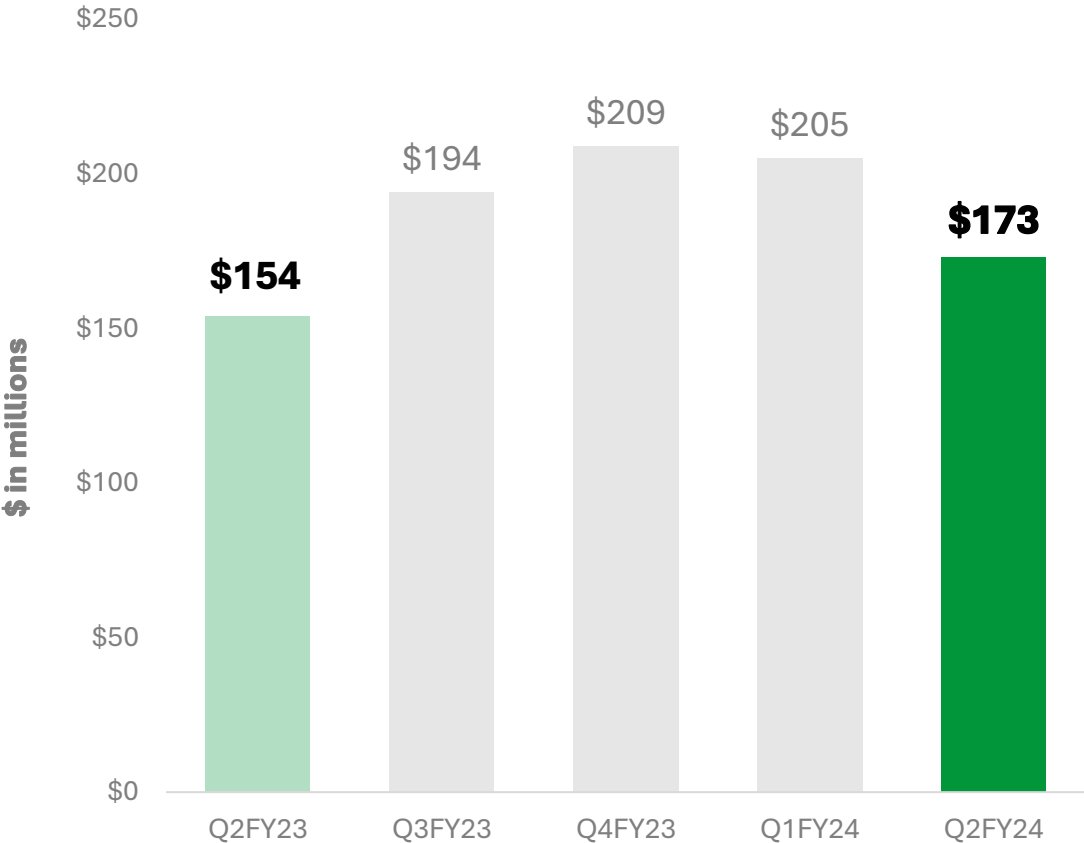
See appendix for GAAP to non-GAAP reconciliation



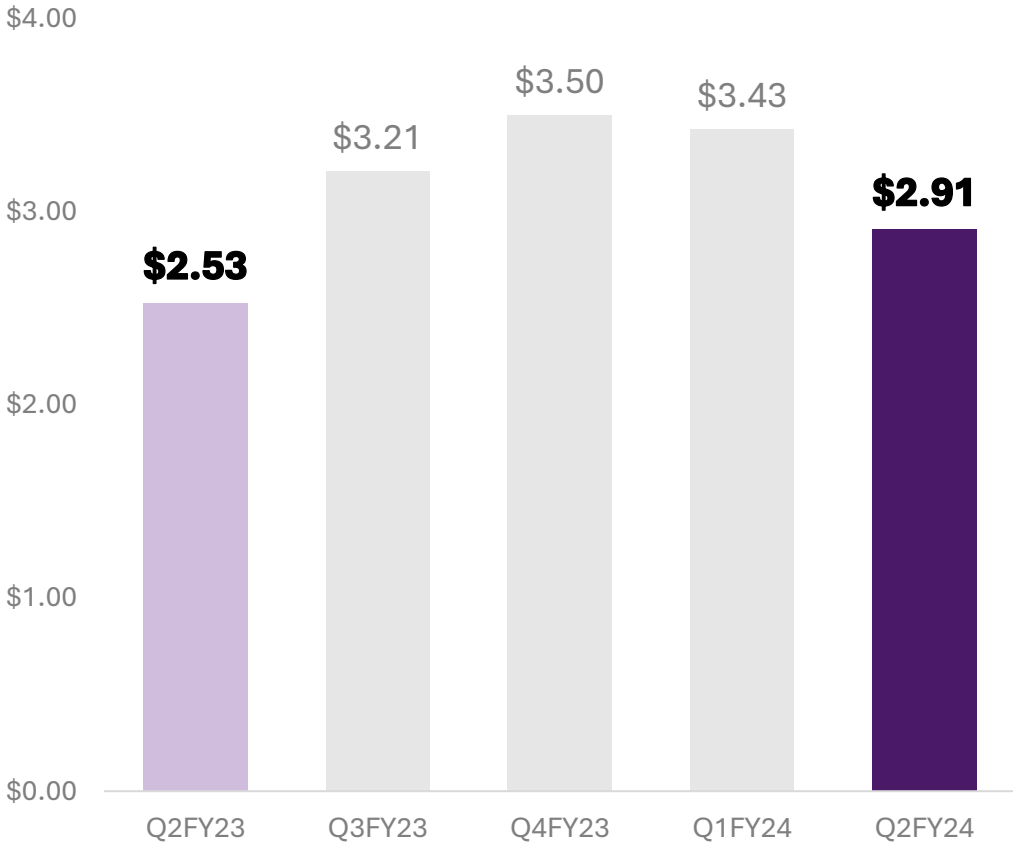
Non-GAAP net income and EPS

Reflects 20.0% Q2FY24 and 20.8% Q2FY23 non-GAAP effective tax rate

Non-GAAP Net Income



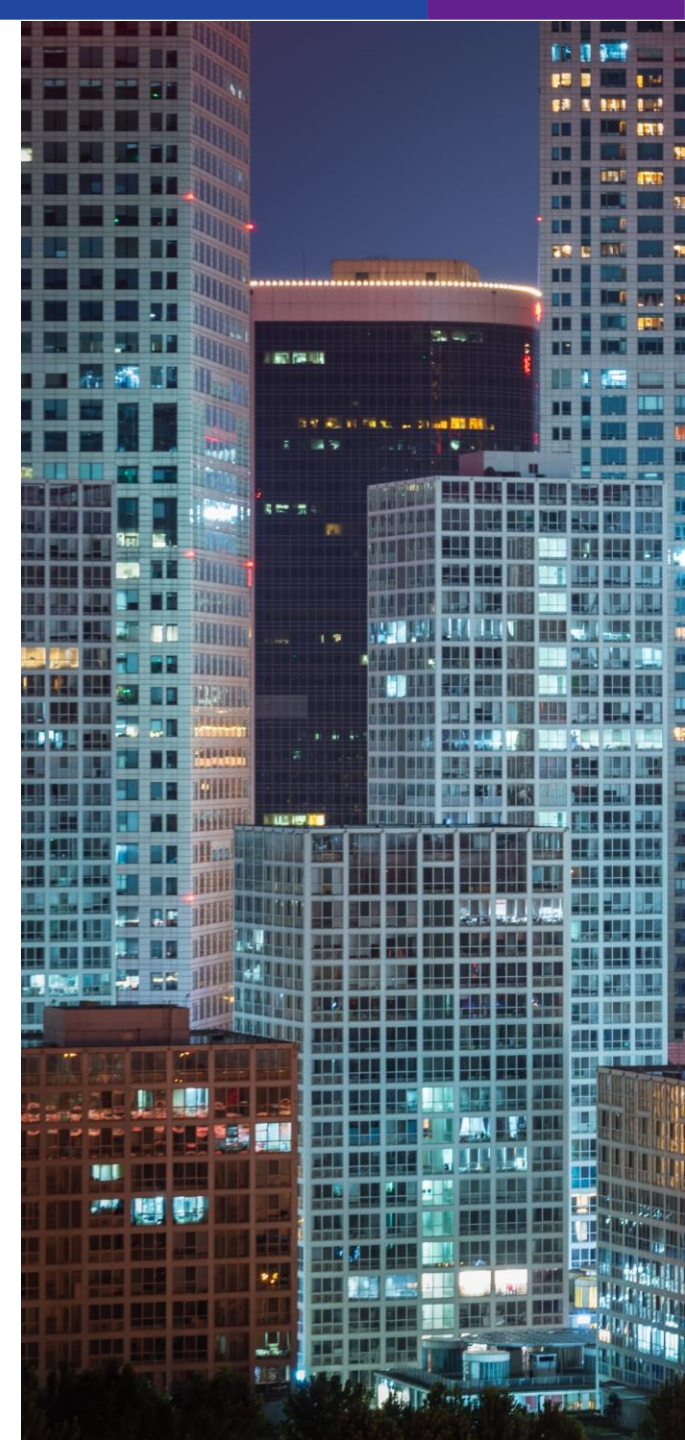
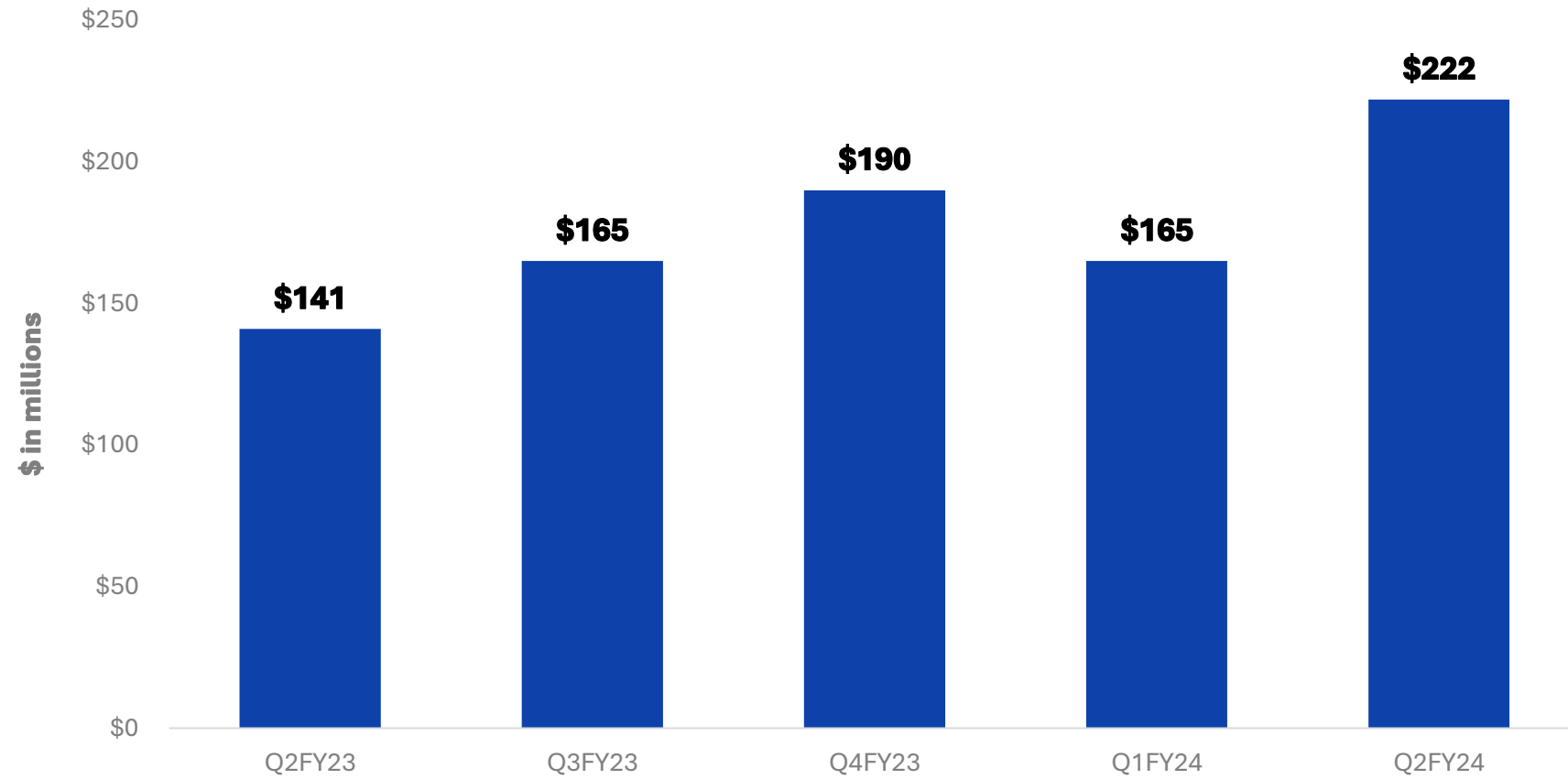
Non-GAAP EPS



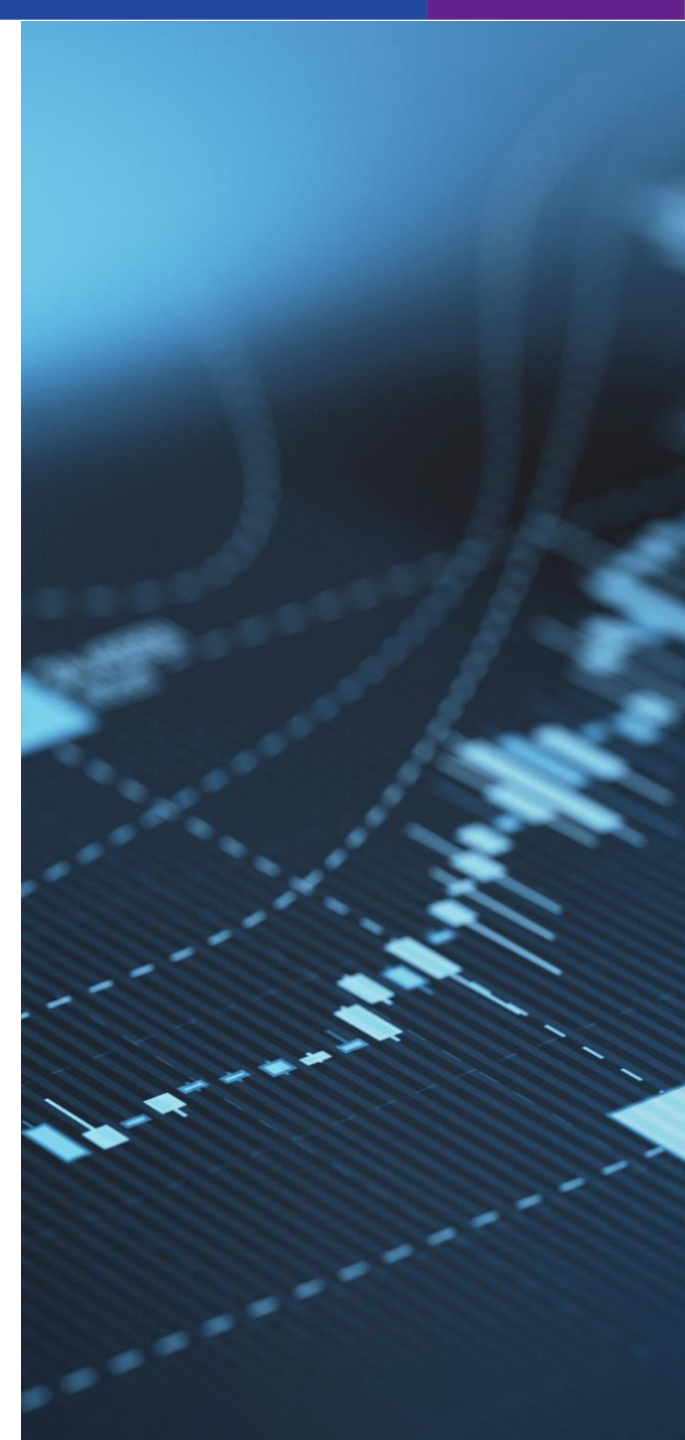
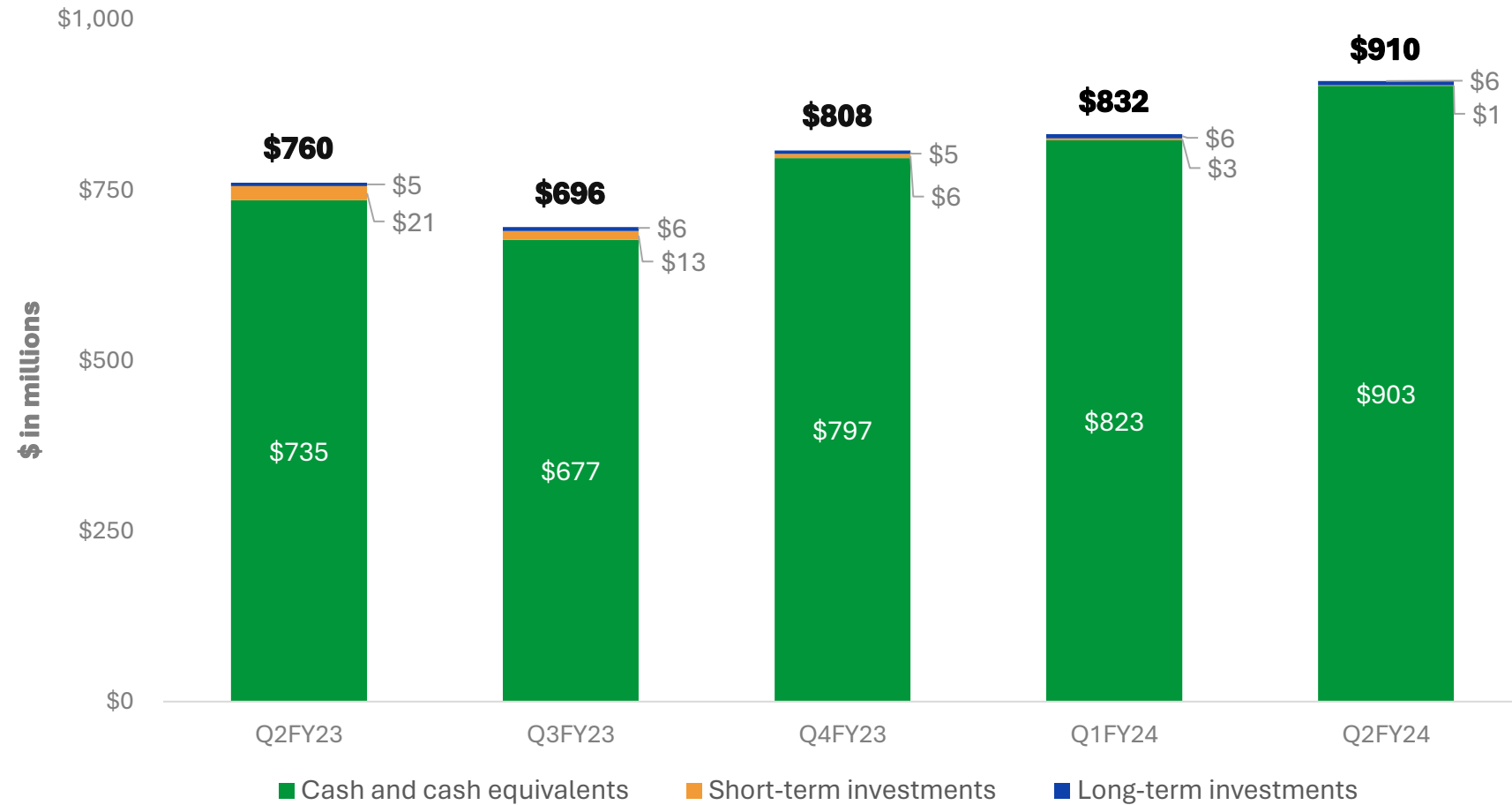
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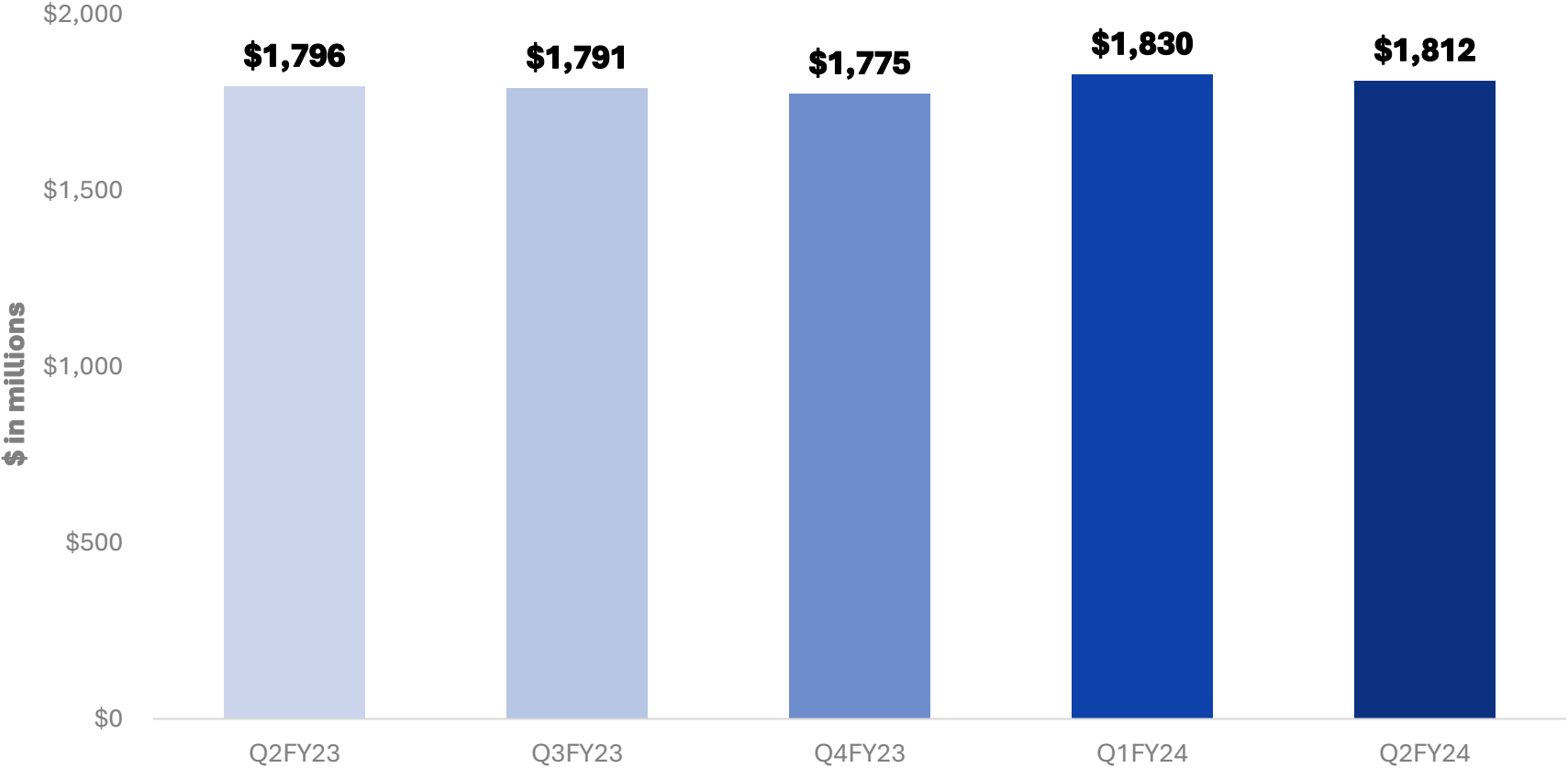
Cash flow from operations



Cash and investments



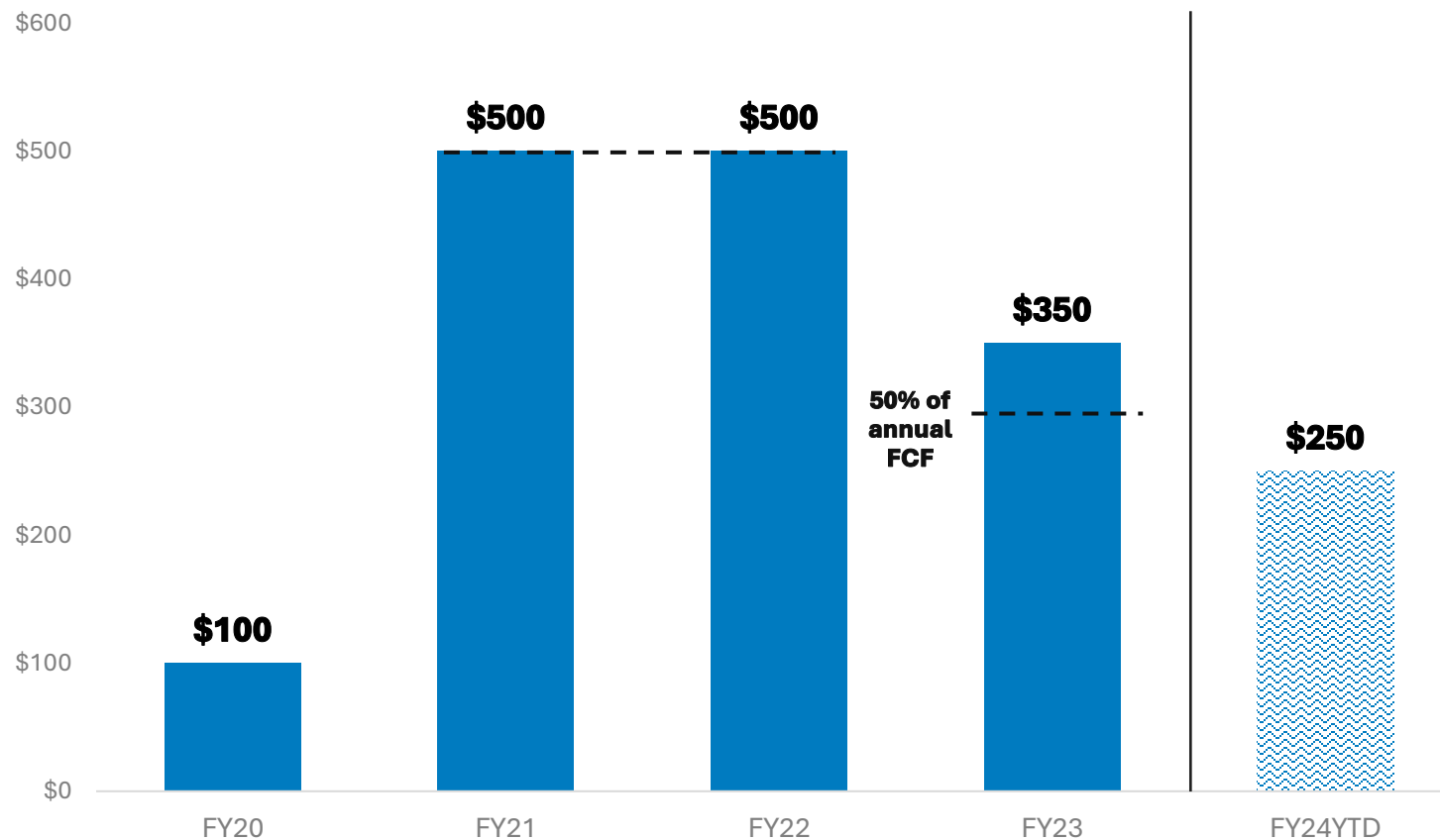
Deferred revenue



Since committing to return cash to shareholders in FY21, we have consistently delivered on our repurchase commitments

- We repurchased \$100 million in FFIV shares during Q2FY24
- We are committed to using **at least 50% of annual free cash flow for share repurchases**
- YTD FY24 we have used 68% of our \$368M free cash flow for share repurchases
- As of April 29, 2024, there was \$672 million remaining under our authorized stock repurchase program

Share Repurchases (\$ in millions)



----- Committed buyback level FY21 – FY23

*Free cash flow defined as cash flow from operations less capital expenditures



Business Outlook

Our Q3FY24 outlook

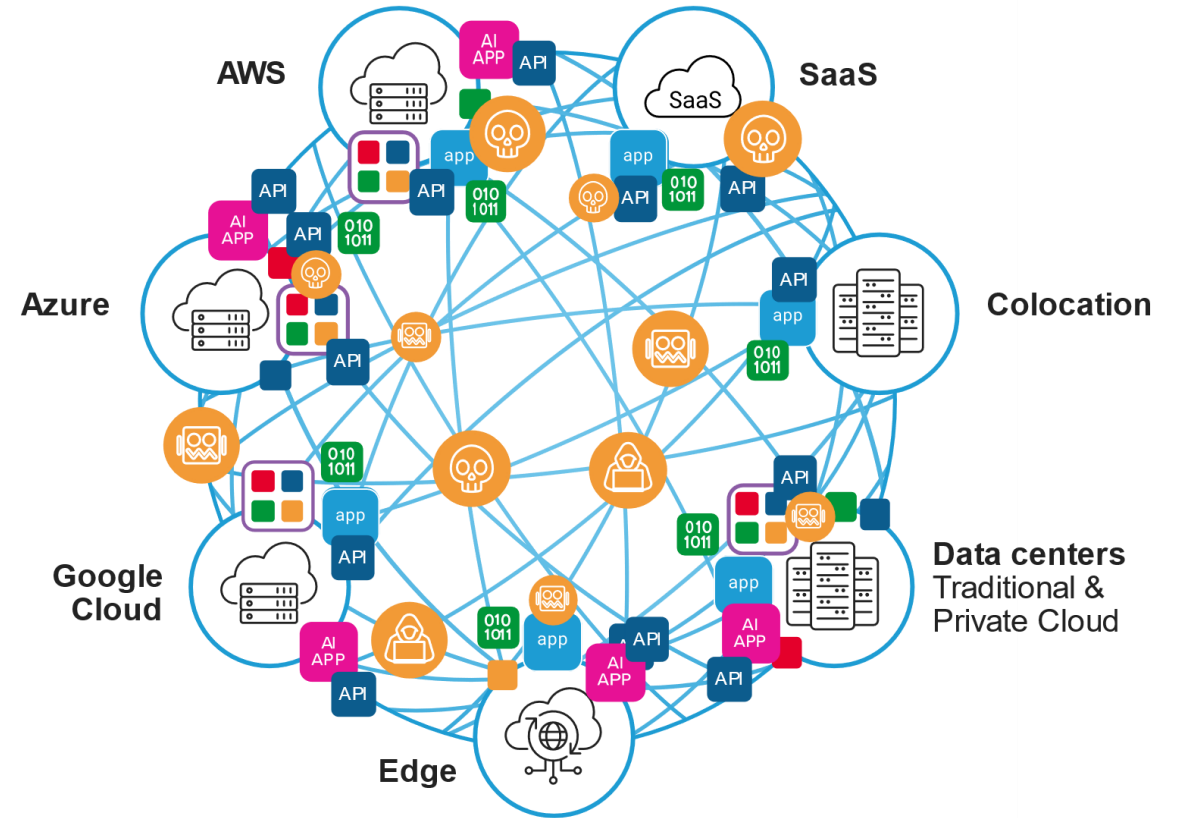
	Q3FY24 Outlook
Total revenue	\$675 to \$695M
Non-GAAP gross margin	82% to 83%
Non-GAAP operating expenses	\$340 to \$352M
Share-based compensation	\$55 to \$57M
Non-GAAP EPS	\$2.89 to \$3.01

We are raising our FY24 non-GAAP EPS growth expectations

	FY23A	FY24 Outlook
Total revenue	4% growth	Flat to -2% growth
Non-GAAP gross margin	81.5%	82% to 83%
Non-GAAP operating margin	30.2%	33% to 34%
Effective non-GAAP tax rate	18.3%	20% to 22%
Non-GAAP EPS	\$11.70 14.8% growth y/y	7% to 9% growth (≥10% growth on a tax neutral basis to FY23)
Capital return as % of annual FCF	58%	At least 50% of annual FCF

*FCF or free cash flow defined as cash flow from operations less capital expenditures

**The only company that
secures, delivers, and
optimizes any app, any
API, anywhere.**



Appendix

GAAP to non-GAAP reconciliation

Gross Profit Reconciliation					
(\$ in thousands)					
	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24
GAAP gross profit	\$547,521	\$560,959	\$566,010	\$556,208	\$540,241
Stock-based compensation	\$7,583	\$7,297	\$7,142	\$7,684	\$7,447
Amortization and impairment of purchased intangible assets	\$9,959	\$10,984	\$11,234	\$11,233	\$11,633
Facility-exit costs	\$150	\$150	\$152	\$156	(\$50)
Acquisition-related charges	\$74	\$45	\$32	\$20	\$0
Total adjustments to gross profit	\$17,766	\$18,476	\$18,560	\$19,093	\$19,030
Non-GAAP gross profit	\$565,287	\$579,435	\$584,570	\$575,301	\$559,271
Non-GAAP gross margin	80.4%	82.5%	82.7%	83.1%	82.1%
Operating Expense Reconciliation					
(\$ in thousands)					
	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24
GAAP operating expense	\$441,475	\$457,390	\$394,269	\$391,692	\$400,281
Stock-based compensation-sales and marketing	\$26,889	\$22,561	\$21,307	\$21,596	\$21,421
Stock-based compensation-research and development	\$18,689	\$16,297	\$15,888	\$16,018	\$15,513
Stock-based compensation-general and administrative	\$10,878	\$10,317	\$8,928	\$10,704	\$10,760
Amortization and impairment of purchased intangible assets-sales and marketing	\$2,390	\$2,672	\$2,788	\$2,788	\$1,839
Amortization and impairment of purchased intangible assets-R&D	\$0	\$0	\$63	\$94	\$94
Amortization and impairment of purchased intangible assets-general and administrative	\$220	\$220	\$219	\$200	\$56
Facility-exit costs-sales and marketing	\$486	\$481	\$505	\$483	\$111
Facility-exit costs-research and development	\$537	\$542	\$545	\$542	(\$1,026)
Facility-exit costs-general and administrative	\$360	\$354	\$358	\$357	\$233
Acquisition-related charges-sales and marketing	\$849	\$349	\$155	\$65	(\$22)
Acquisition-related charges-research and development	\$1,233	\$330	(\$1,296)	\$153	\$174
Acquisition-related charges-general and administrative	\$4,889	\$603	\$36	\$563	\$2,238
Restructuring charges	\$0	\$56,648	\$0	\$8,472	\$90
Total adjustments to operating expenses	\$67,420	\$111,374	\$49,496	\$62,035	\$51,481
Non-GAAP operating expense	\$374,055	\$346,016	\$344,773	\$329,657	\$348,800

GAAP to non-GAAP reconciliation

Income from Operations Reconciliation					
(\$ in thousands)					
	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24
GAAP operating income	\$106,046	\$103,569	\$171,741	\$164,516	\$139,960
Total adjustments related to gross profit	\$17,766	\$18,476	\$18,560	\$19,093	\$19,030
Total adjustments related to operating expense	\$67,420	\$111,374	\$49,496	\$62,035	\$51,481
Total adjustments related to income from operations	\$85,186	\$129,850	\$68,056	\$81,128	\$70,511
Non-GAAP income from operations	\$191,232	\$233,419	\$239,797	\$245,644	\$210,471
Non-GAAP operating margin	27.2%	33.2%	33.9%	35.5%	30.9%
Net Income Reconciliation					
(\$ in thousands except per share data)					
	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24
GAAP net income	\$81,436	\$88,976	\$152,134	\$138,382	\$119,021
Total adjustments to gross profit	\$17,766	\$18,476	\$18,560	\$19,093	\$19,030
Total adjustments to operating expenses	\$67,420	\$111,374	\$49,496	\$62,035	\$51,481
Exclude tax effect on above items	(\$12,994)	(\$25,173)	(\$11,421)	(\$14,783)	(\$16,369)
Total adjustments to net income	\$72,192	\$104,677	\$56,635	\$66,345	\$54,142
Non-GAAP net income	\$153,628	\$193,653	\$208,769	\$204,727	\$173,163
Weighted average basic common shares outstanding	60,330	59,977	59,245	59,122	58,788
Weighted average dilutive potential common shares outstanding	60,691	60,314	59,699	59,653	59,580
	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24
GAAP operating income	\$106,046	\$103,569	\$171,741	\$164,516	\$139,960
GAAP other income	\$2,737	\$2,896	\$3,085	\$9,882	\$5,974
GAAP pre-tax income	\$108,783	\$106,465	\$174,826	\$174,398	\$145,934
GAAP provision for income taxes	\$27,347	\$17,489	\$22,692	\$36,016	\$26,913
GAAP effective tax rate	25.1%	16.4%	13.0%	20.7%	18.4%
Non-GAAP income from operations	\$191,232	\$233,419	\$239,797	\$245,644	\$210,471
Non-GAAP other income	\$2,737	\$2,896	\$3,085	\$9,882	\$5,974
Non-GAAP pre-tax income	\$193,969	\$236,315	\$242,882	\$255,526	\$216,445
Non-GAAP provision for income taxes	\$40,341	\$42,662	\$34,113	\$50,799	\$43,282
Non-GAAP effective tax rate	20.8%	18.1%	14.0%	19.9%	20.0%
Net Income per Common Share					
GAAP diluted net income per common share	\$ 1.34	\$ 1.48	\$ 2.55	\$ 2.32	\$ 2.00
Non-GAAP diluted net income per common share	\$ 2.53	\$ 3.21	\$ 3.50	\$ 3.43	\$ 2.91

GAAP to non-GAAP reconciliation (continued)

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

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 and impairment 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. On a non-recurring basis, when certain events or circumstances are present, management may also be required to write down the carrying value of its purchased intangible assets and recognize impairment charges. 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. F5 has incurred charges in connection with the exit of facilities 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.

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.

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.

