Strategy & Product Session

February 8, 2024

Forward-looking statements

This presentation contains forward-looking statements including, among other things, statements regarding F5's future financial performance including revenue, revenue growth, profitability, earnings growth, earnings per share expectations, future customer demand and spending, 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 document 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.

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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.

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On our agenda today…

Tom Fountain

EVP Global Services,
Chief Strategy Officer

1:05 – 1:20 PT

Our Customers' Hybrid, Multicloud, and AI Challenges

Arul Elumalai

SVP & GM BIG-IP

Kara Sprague

Chief Product Officer

1:20 – 2:05 PT

Our Portfolio Transformation and Opportunity

Break

2:05 – 2:15 PT

Zeus Kerravala

Industry Analyst,
Founder ZK Research

2:15 – 2:30 PT

An Expert Perspective

Frank Pelzer

Chief Financial Officer

2:30 – 2:40 PT

Financial Recap

François Locoh-Donou

CEO, President

2:40 – 3:20 PT

Q&A with the Exec Team

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Our customers' hybrid, multicloud, and AI challenges

Tom Fountain
EVP Global Services & Chief Strategy Officer

Takeaways from today's discussion

1. Our digital world is in crisis: the current multicloud "ball of fire" is untenable.
2. AI is an accelerant that will make the crisis exponentially worse.
3. To capitalize on this new reality, F5 invested early and transformed its portfolio.
4. F5's market opportunity is much larger and growing faster than 5 years ago.
5. F5's competitive position is stronger and more differentiated than ever before.
6. F5 is successfully executing land-and-expand motions across our portfolio.
7. F5 is positioned for sustainable revenue growth and committed to double-digit earnings growth.

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Takeaways from today's discussion

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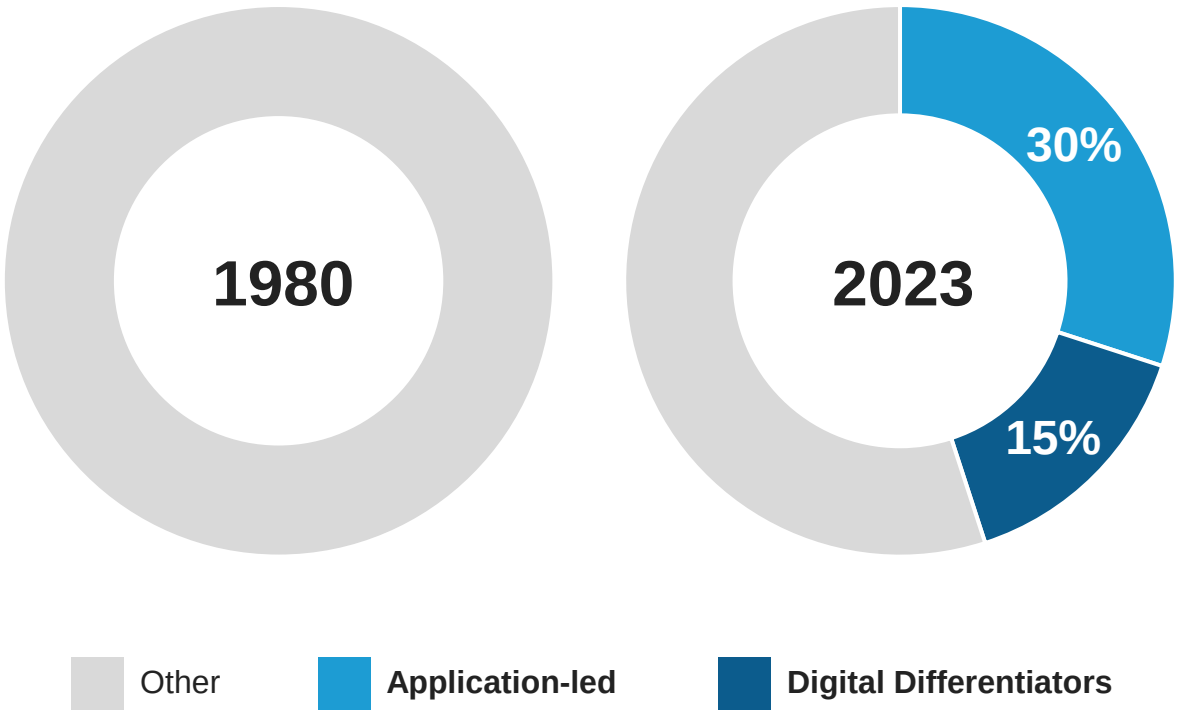
‘Application-led’ companies make up ~30% of the value of the U.S. S&P 500; another 15% is ‘digital differentiators’

Mix of company type in the U.S. S&P index
Percent



Application-led examples

Microsoft Alphabet amazon
Meta mastercard salesforce NETFLIX

Digital differentiators examples

TESLA NVIDIA. CISCO
BANK OF AMERICA Walmart

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The number of apps and APIs continues to multiply

2023

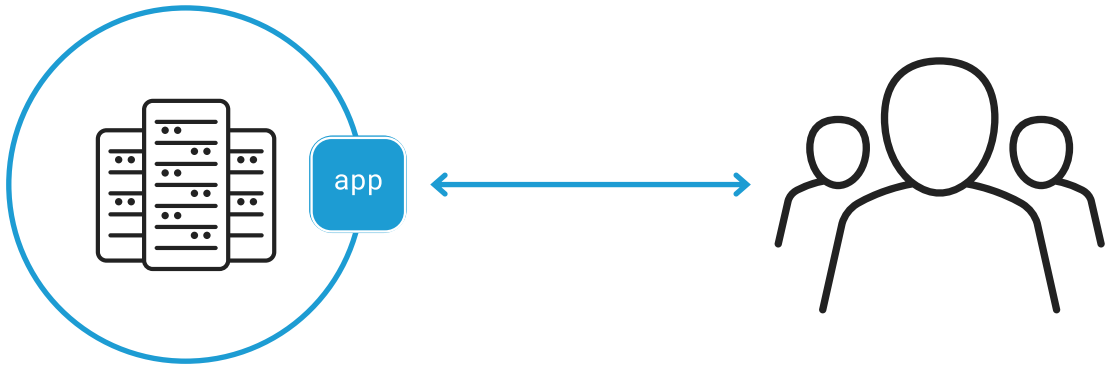
1 billion app instances + ~1-2 APIs per app instance

2027

2.3 billion app instances + ~3-5 APIs per app instance

 ©2024 F5 Source: IDC WW App Instances & 2024 F5 State of Application Strategy

The way enterprises delivered and secured apps used to be more simple



Traditional Data Centers

End users

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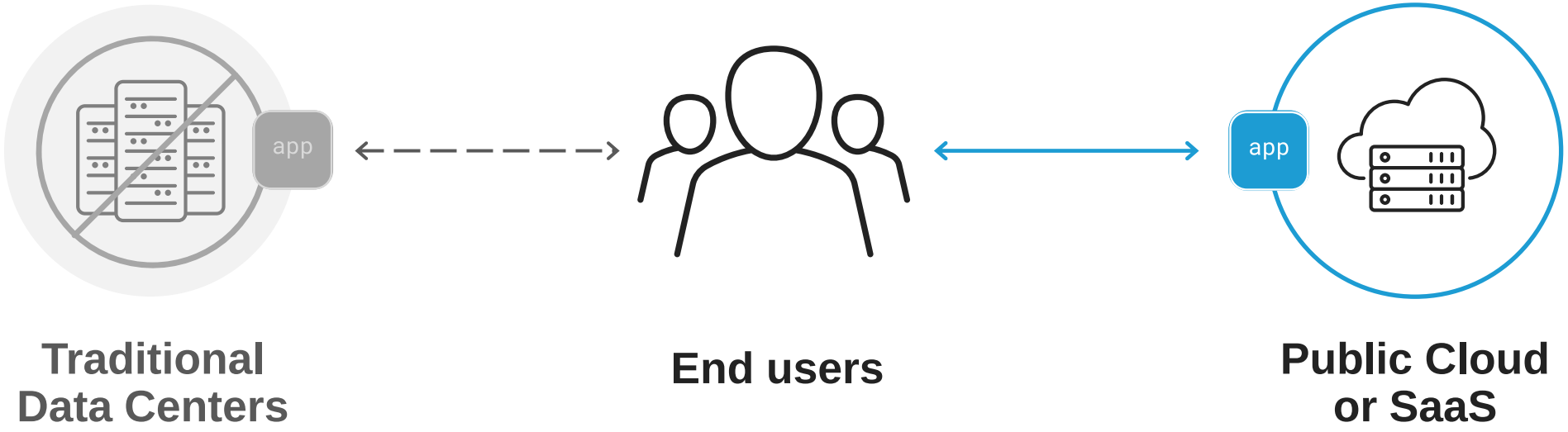
Just 5 years ago, it was commonly assumed that all apps would soon be in the public cloud or consumed as SaaS



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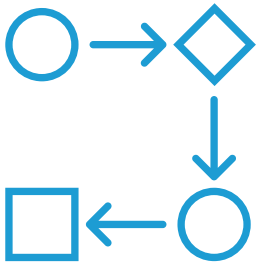
This cloud-based future promised several enticing outcomes



Greater business agility

Improved TCO

Increased uptime

More reliable security

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That prediction has proven wrong on multiple levels

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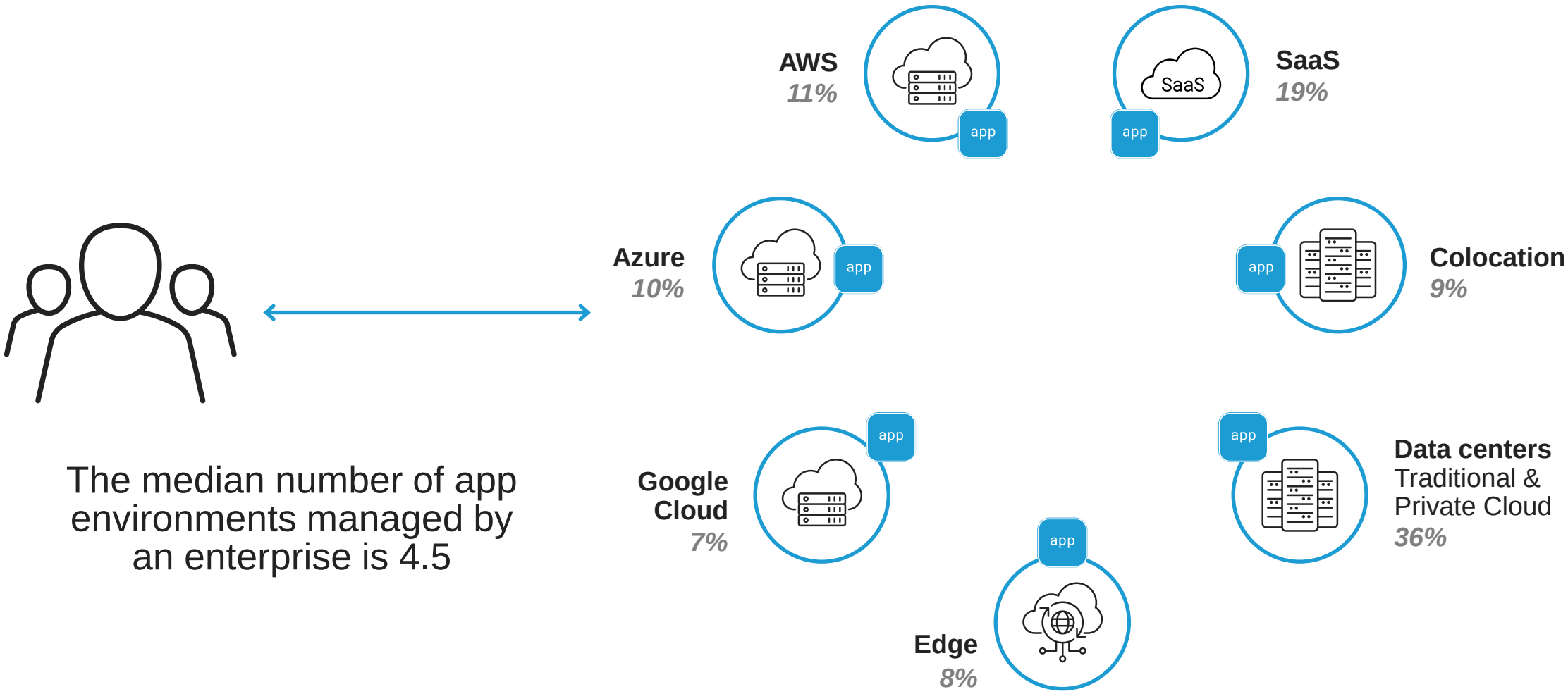
Apps now live in not one, but many environments



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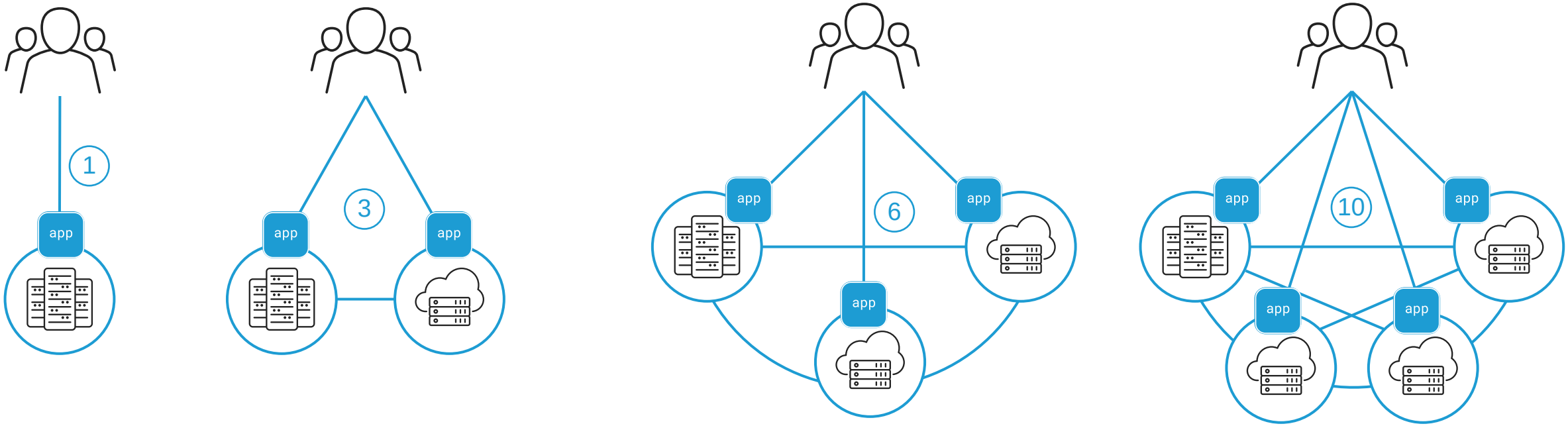
Source: IDC WW App Instances & 2024 F5 State of Application Strategy

With each new app environment, complexity rises exponentially



Enterprises deploying apps across 4 environments have ~10x more application traffic routes to manage and secure than those with just 1 environment

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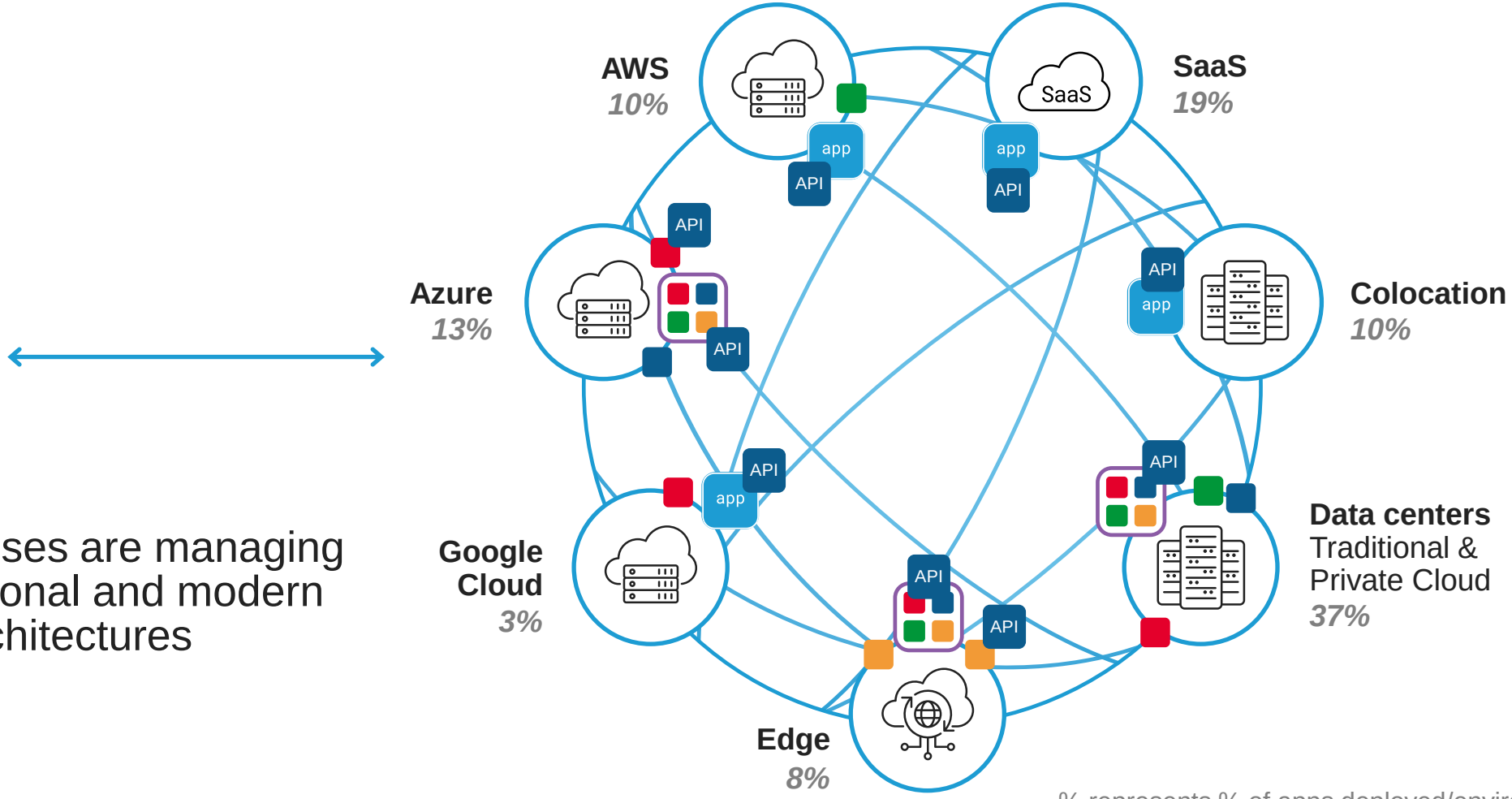
Apps and data are distributed across these environments and many apps are now container-native and fronted by APIs

84% of enterprises are managing a mix of traditional and modern app architectures



% represents % of apps deployed/environment

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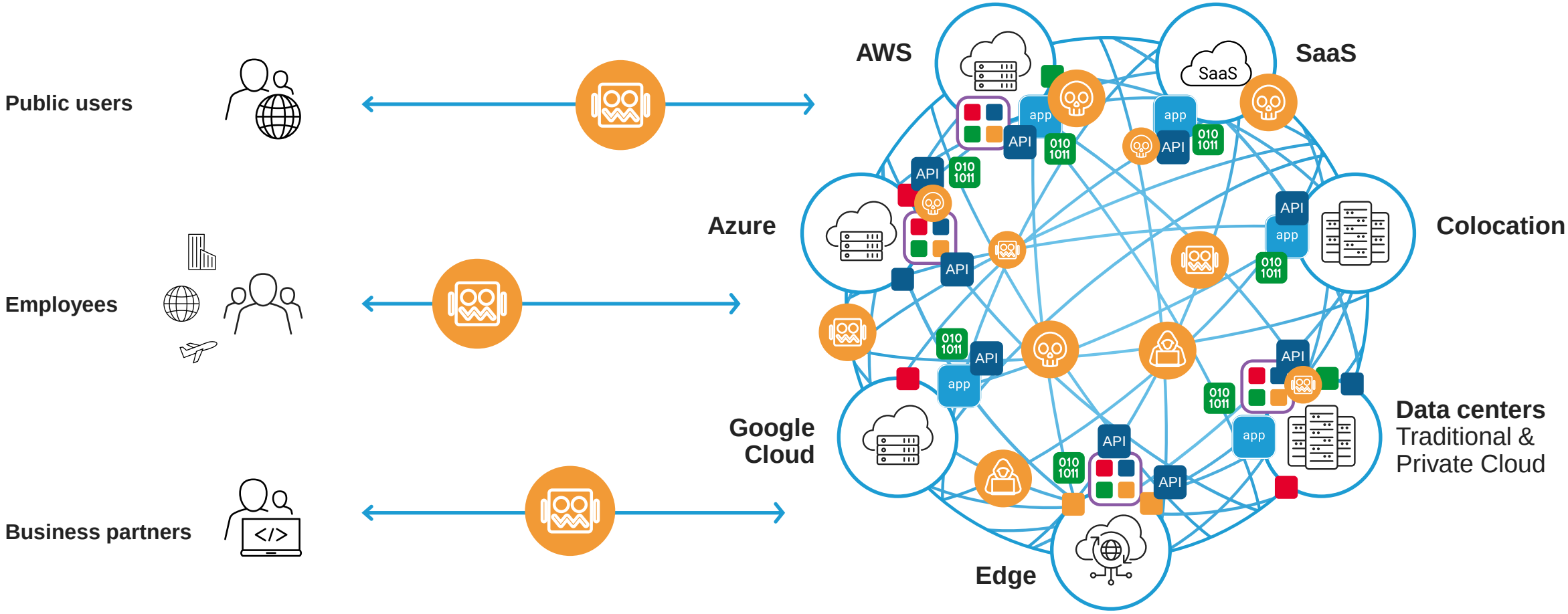
This app and data distribution results in an expanded attack surface area



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AI brings a whole new set of distributed apps and APIs, which amplifies multi-cloud complexity and security risk

Growing number of applications

Growing number of APIs in front of applications

Increasing distribution of apps across hybrid and multicloud environments

Increasing cyber risk with more business value accessible via apps and APIs

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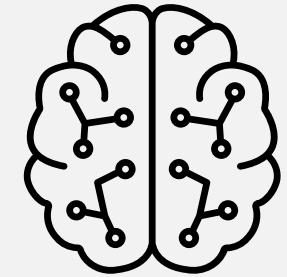
AI brings a whole new set of distributed apps and APIs, which amplifies multi-cloud complexity and security risk

AI is a powerful accelerant for each of these secular trends



- Growing number of applications
- Growing number of APIs in front of applications
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- Increasing cyber risk with more business value accessible via apps and APIs

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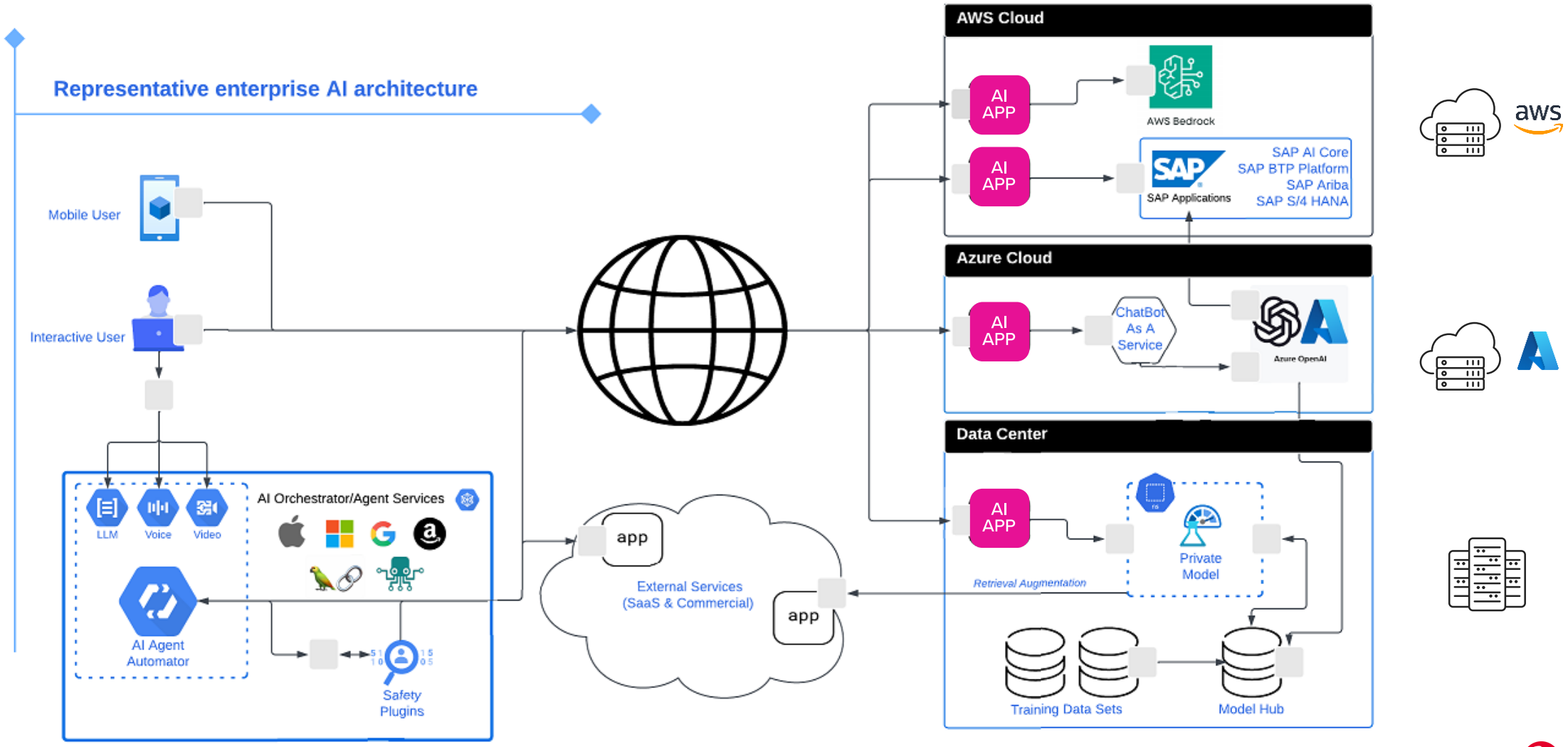
AI apps are highly distributed and every AI-powered experience might involve 10's of APIs



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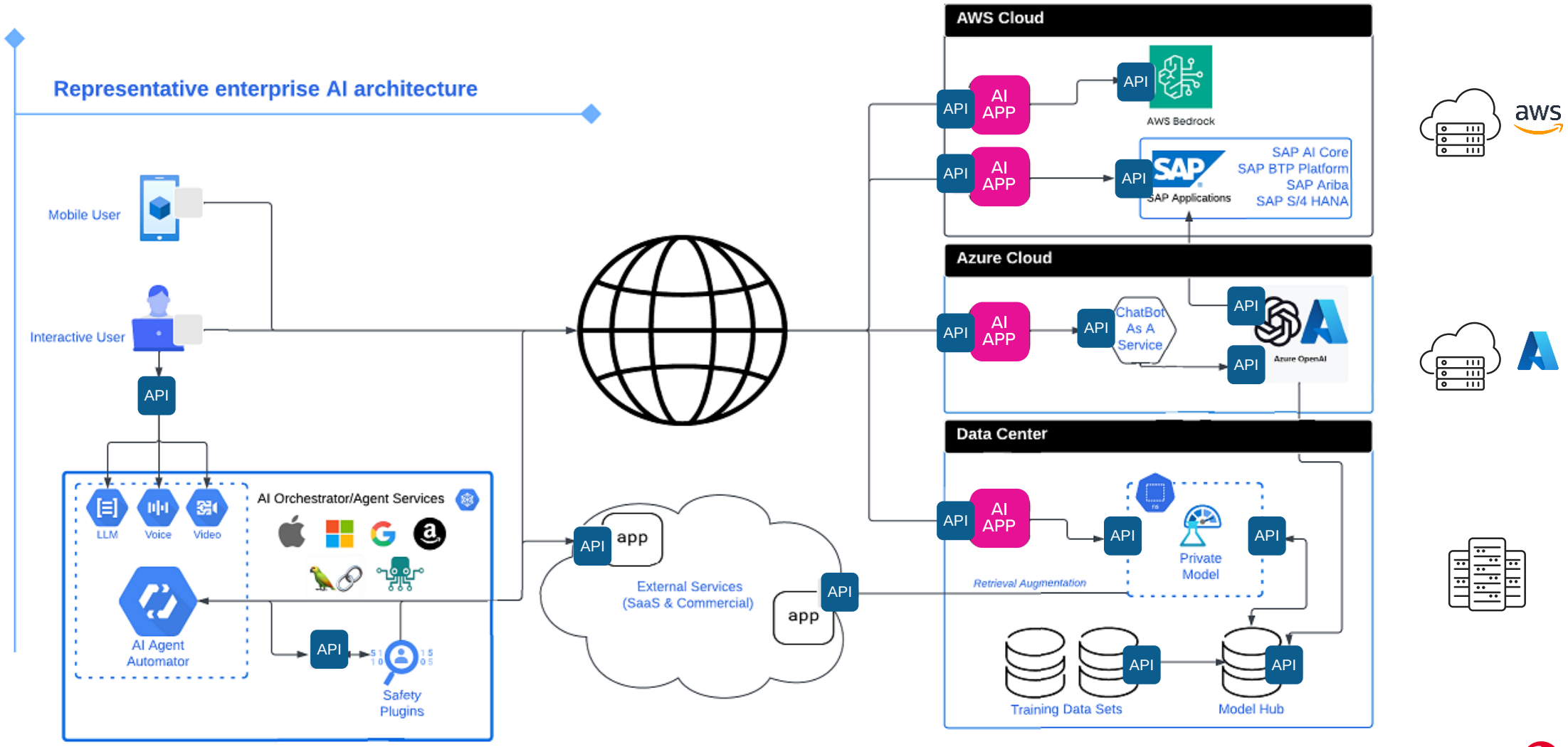

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Enterprise adoption of AI technologies will unleash a flood of new AI-driven apps and an even greater number of APIs

2023 →

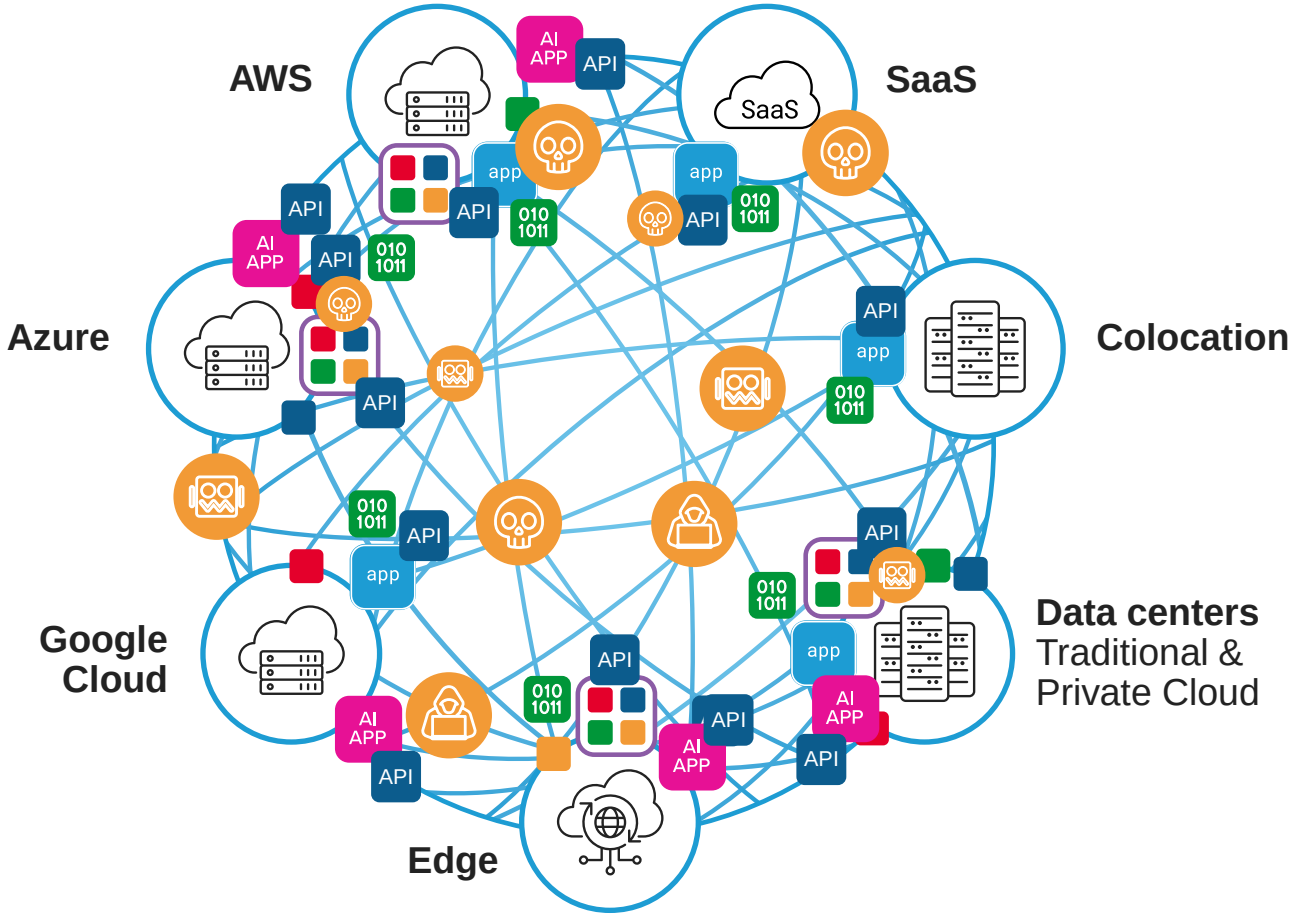
Development of AI models and services

2024 →

Infrastructure build-out in preparation for AI apps

2025+ →

Broad-based enterprise deployment of AI-driven apps



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This complexity stops IT from operating at the speed of business

Manual tasks

Inconsistent security controls & operational siloes

Lack of available talent

Cloud costs and inefficient traffic routing

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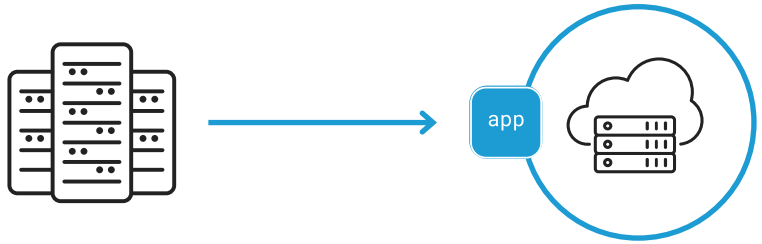
This is where enterprises thought they were going...



Data Center

Public cloud

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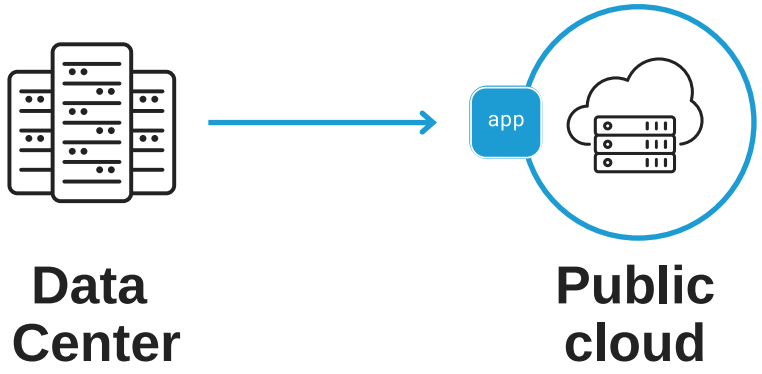

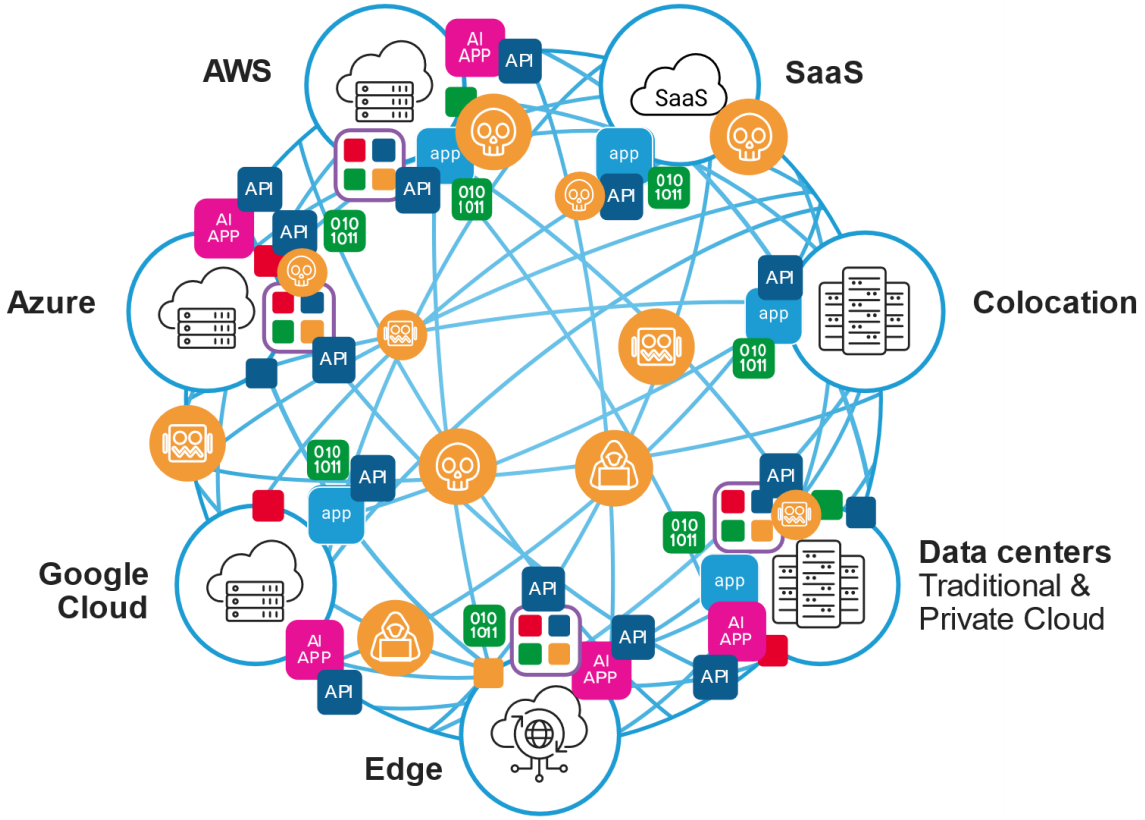

and this is where 9 in 10 have ended up

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Our portfolio transformation and opportunity

Arul Elumalai
Senior Vice President and General Manager, BIG-IP

Kara Sprague
Chief Product Officer

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Years ago, app traffic flowed from an on-premises location to end-users through a standard set of data path services

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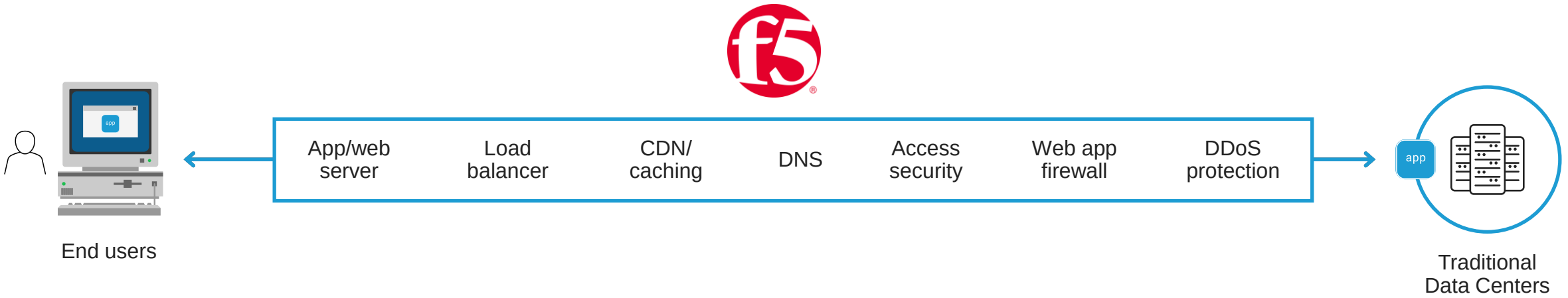

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Today's digital experiences are made up of many apps, spanning architectures and app environments

eCommerce example

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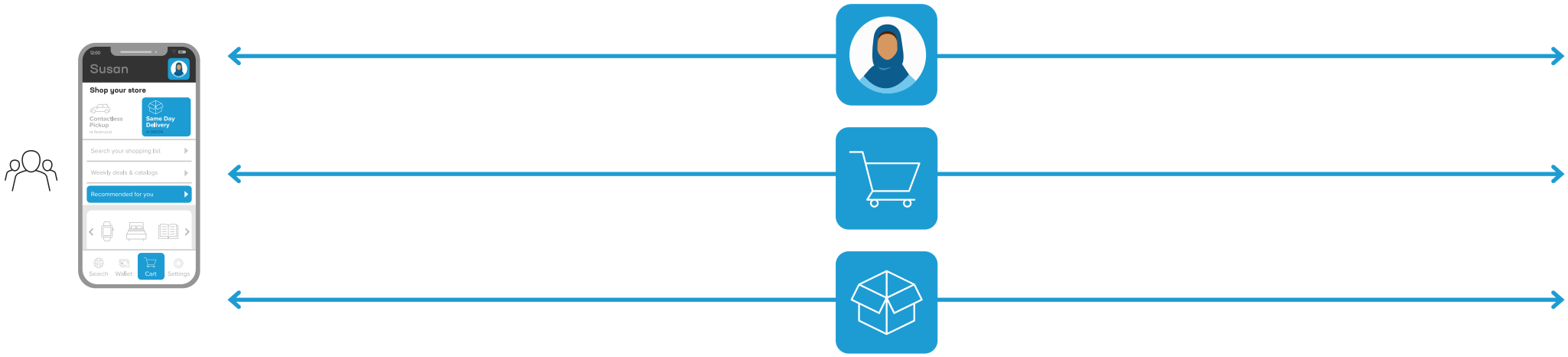
Each app’s traffic traverses its own data path to the end user



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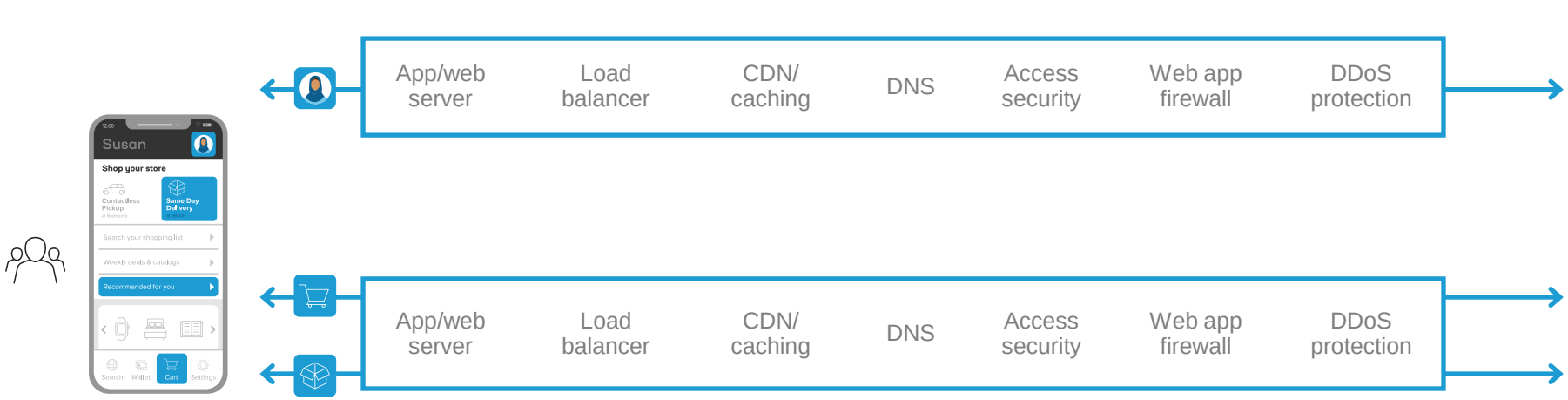
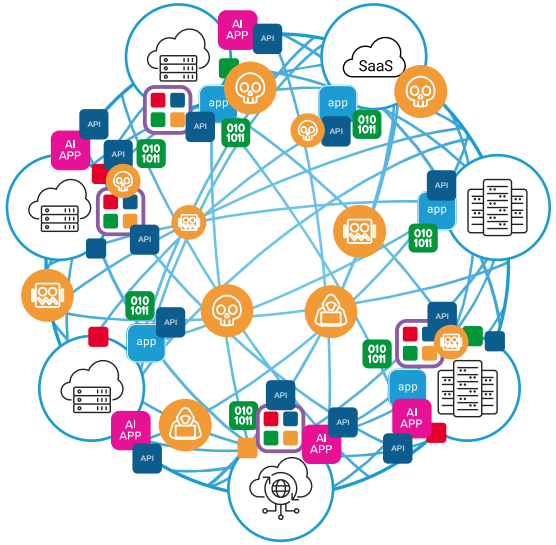
The new data paths require additional services





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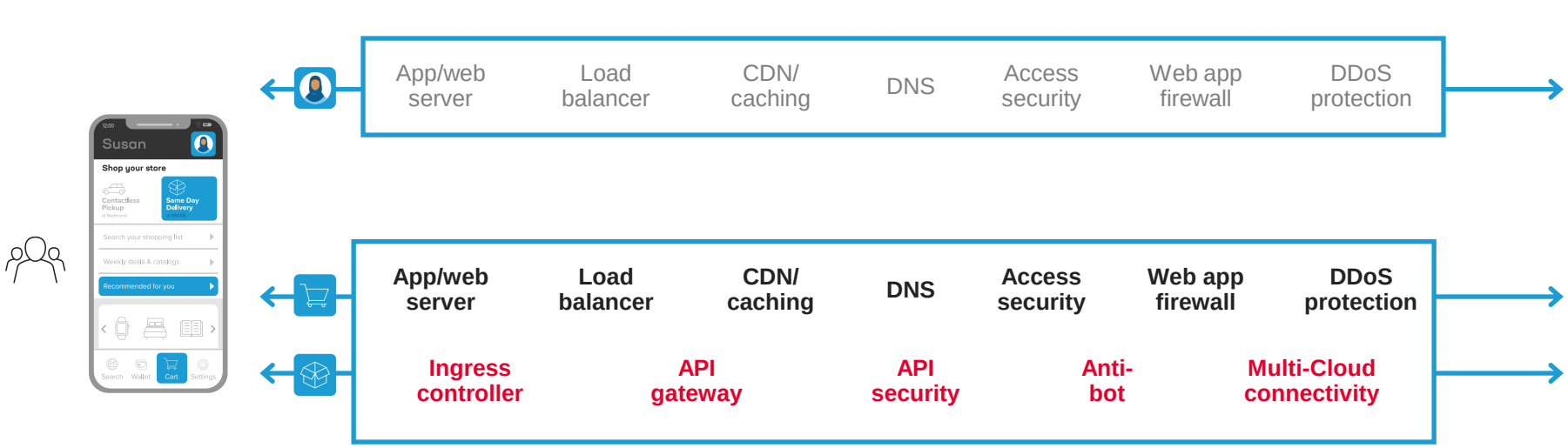

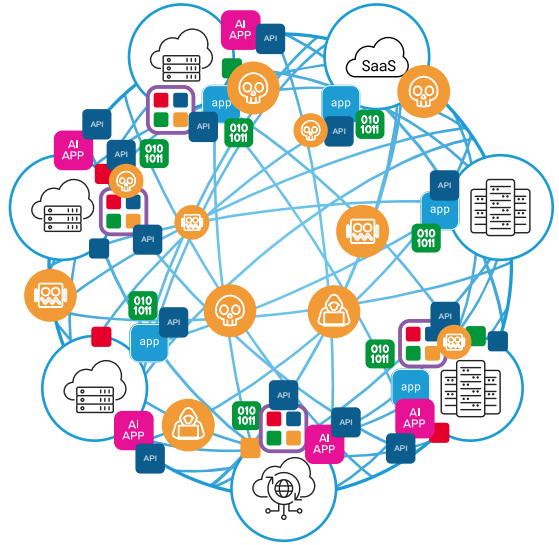

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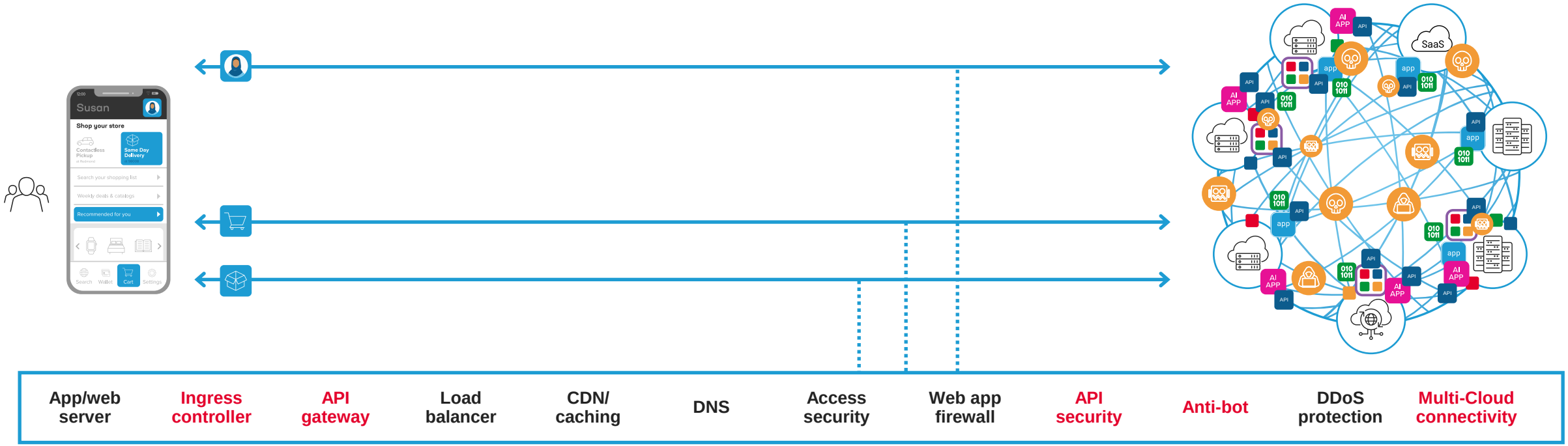
Each of these services are critical for delivering digital experiences



App/web server	Ingress controller	API gateway	Load balancer	CDN/ caching	DNS	Access security	Web app firewall	API security	Anti-bot	DDoS protection	Multi-Cloud connectivity

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To capitalize on this new reality, F5 has transformed its portfolio

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We have fundamentally re-architected BIG-IP for the next decade

App/web server	Ingress controller	API gateway	Load balancer	CDN/ caching	DNS	Access security	Web app firewall	API security	Anti-bot	DDoS protection	Multi-Cloud connectivity
			✓		✓	✓	✓			✓	

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We have fundamentally re-architected BIG-IP for the next decade

BIG-IP

Bringing the benefits of the cloud to deployable solutions

App/web server	Ingress controller	API gateway	Load balancer	CDN/ caching	DNS	Access security	Web app firewall	API security	Anti-bot	DDoS protection	Multi-Cloud connectivity
			BIG-IP		BIG-IP	BIG-IP	BIG-IP			BIG-IP	

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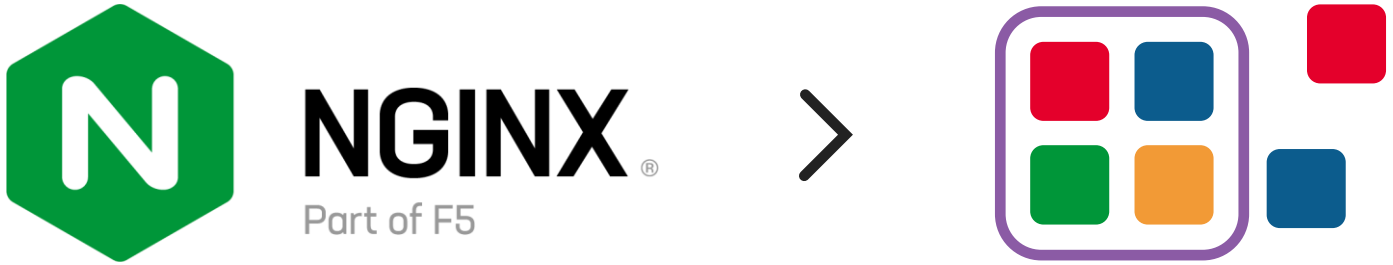
We acquired NGINX to address modern apps



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NGINX	NGINX	NGINX	NGINX	NGINX	NGINX						

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We extended NGINX with F5's app security capabilities

NGINX®
Part of F5

App/web server	Ingress controller	API gateway	Load balancer	CDN/ caching	DNS	Access security	Web app firewall	API security	Anti-bot	DDoS protection	Multi-Cloud connectivity
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NGINX	NGINX	NGINX	NGINX	NGINX	NGINX						

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NGINX	NGINX	NGINX	NGINX	NGINX	NGINX		NGINX			NGINX	

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The acquisitions of Shape, Volterra, and Threat Stack laid the foundation for F5 Distributed Cloud SaaS and Mgd Services

App/web server	Ingress controller	API gateway	Load balancer	CDN/ caching	DNS	Access security	Web app firewall	API security	Anti-bot	DDoS protection	Multi-Cloud connectivity
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NGINX	NGINX	NGINX	NGINX	NGINX	NGINX		NGINX			NGINX	

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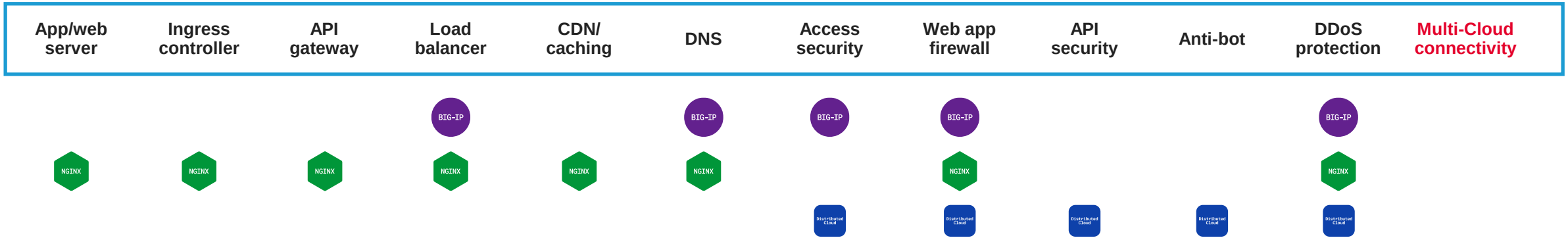
Distributed Cloud now offers the full complement of SaaS-based app delivery, security, and connectivity services



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			BIG-IP		BIG-IP	BIG-IP	BIG-IP			BIG-IP	
NGINX	NGINX	NGINX	NGINX	NGINX	NGINX		NGINX			NGINX	
						Distributed Cloud	Distributed Cloud	Distributed Cloud	Distributed Cloud	Distributed Cloud	

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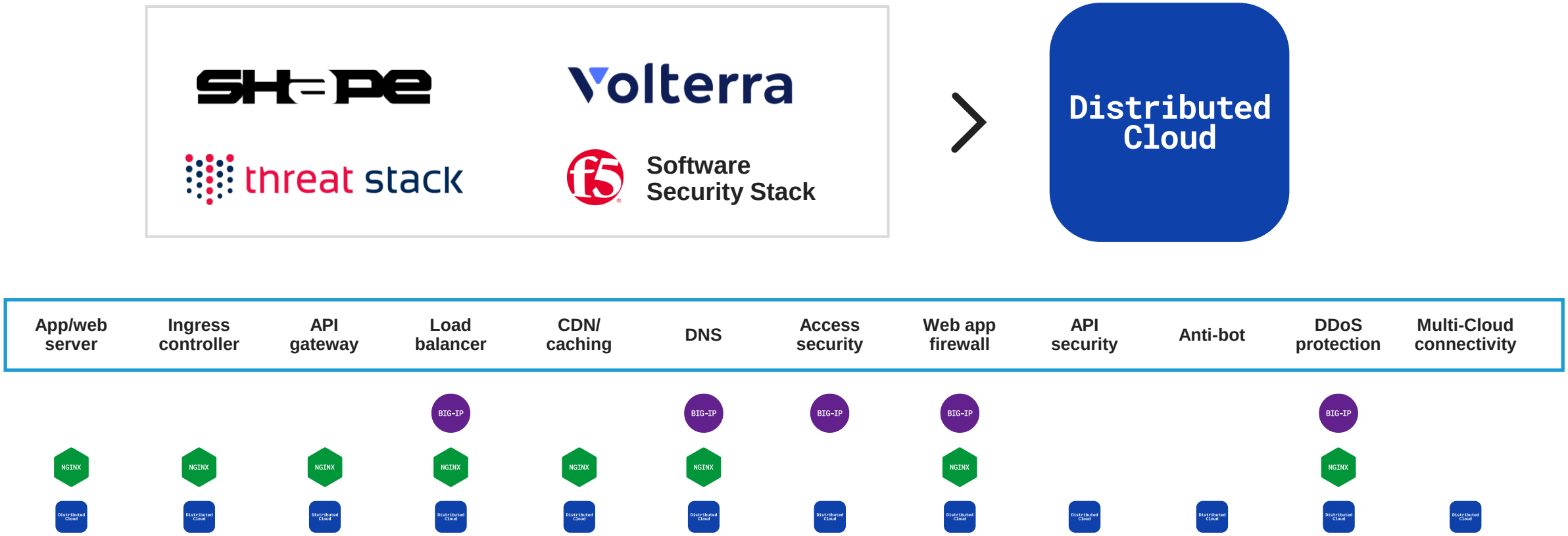

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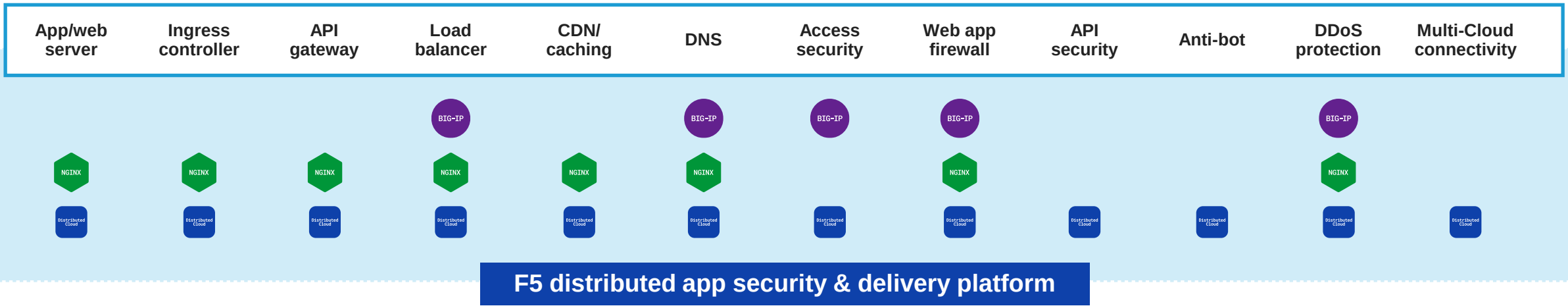
We’re building the industry’s first distributed app security and delivery platform combining BIG-IP, NGINX, & Distributed Cloud



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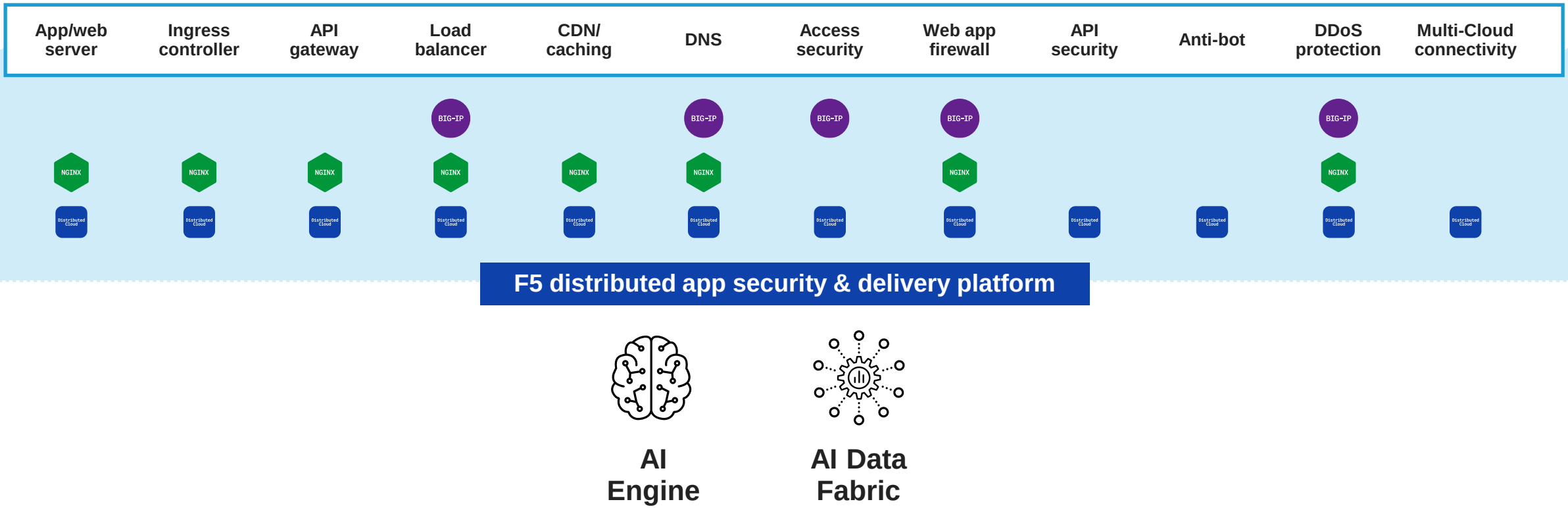
We are further enhancing the platform with machine learning and other AI capabilities



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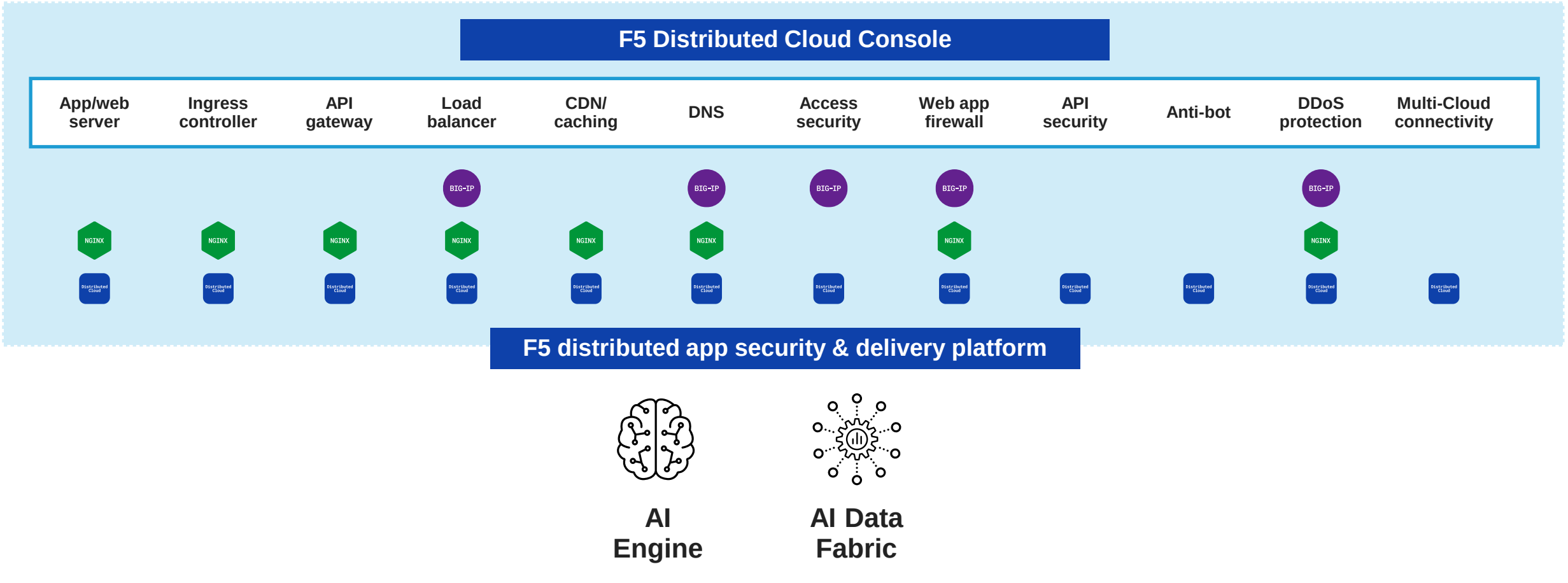
The F5 Distributed Cloud Console will be the single-pane-of-glass for this distributed app security and delivery platform



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7 F5 is positioned for sustainable revenue growth and committed to double-digit earnings growth.

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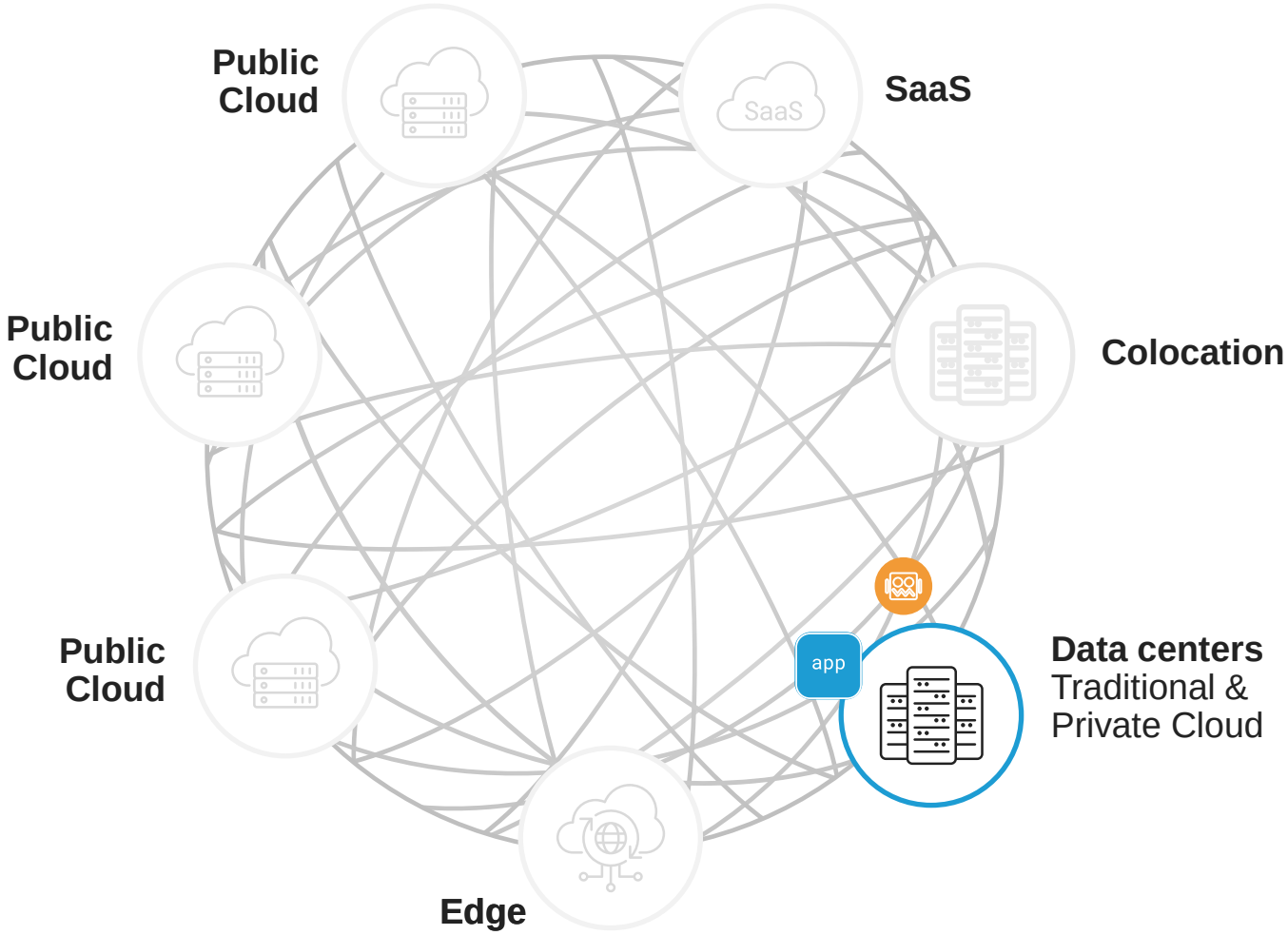
With BIG-IP hardware, F5 addressed customer needs in the data center

$2B
2018 TAM



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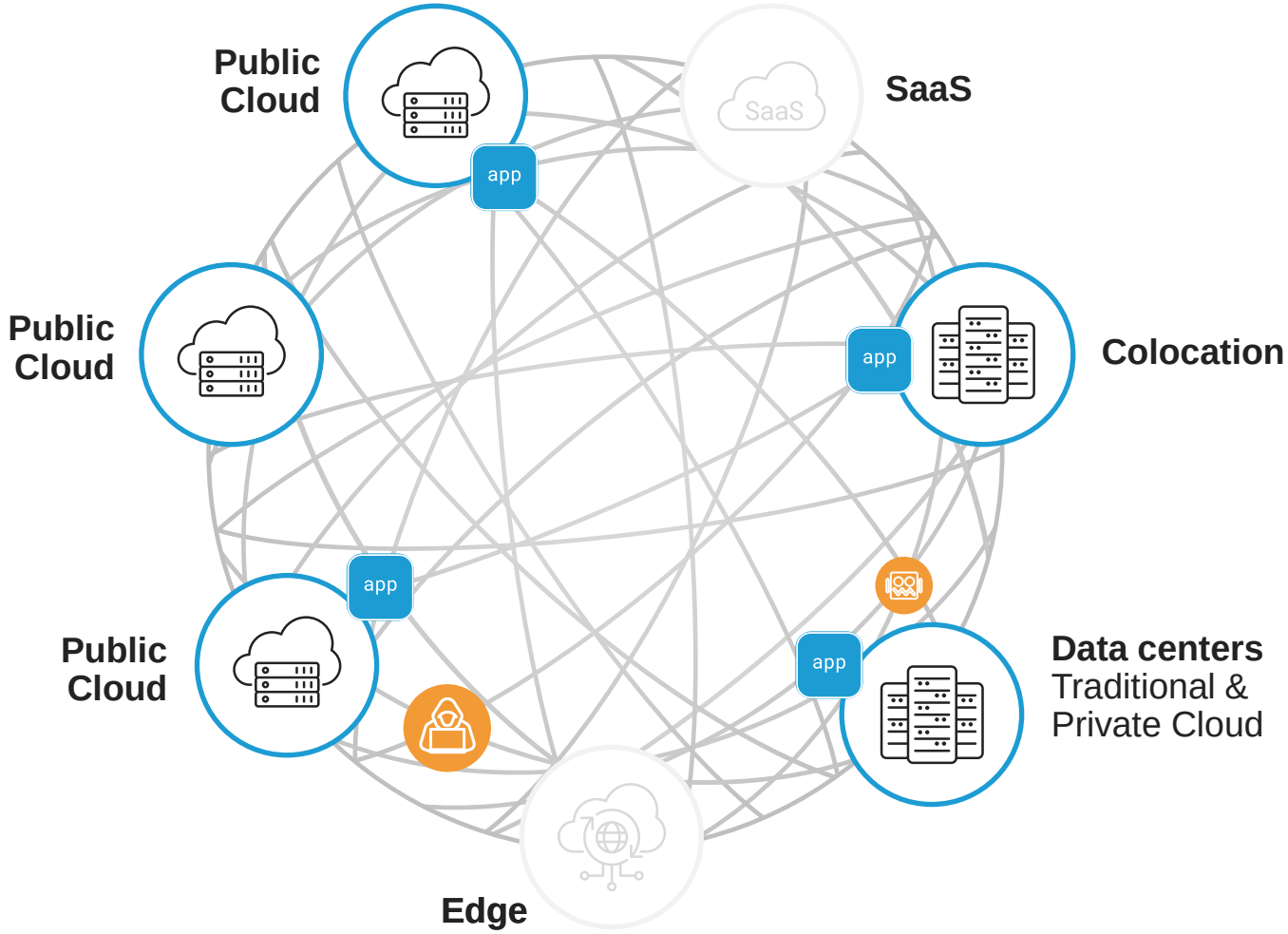
We then expanded to private and public cloud with BIG-IP hardware and software

$5B
2018 TAM



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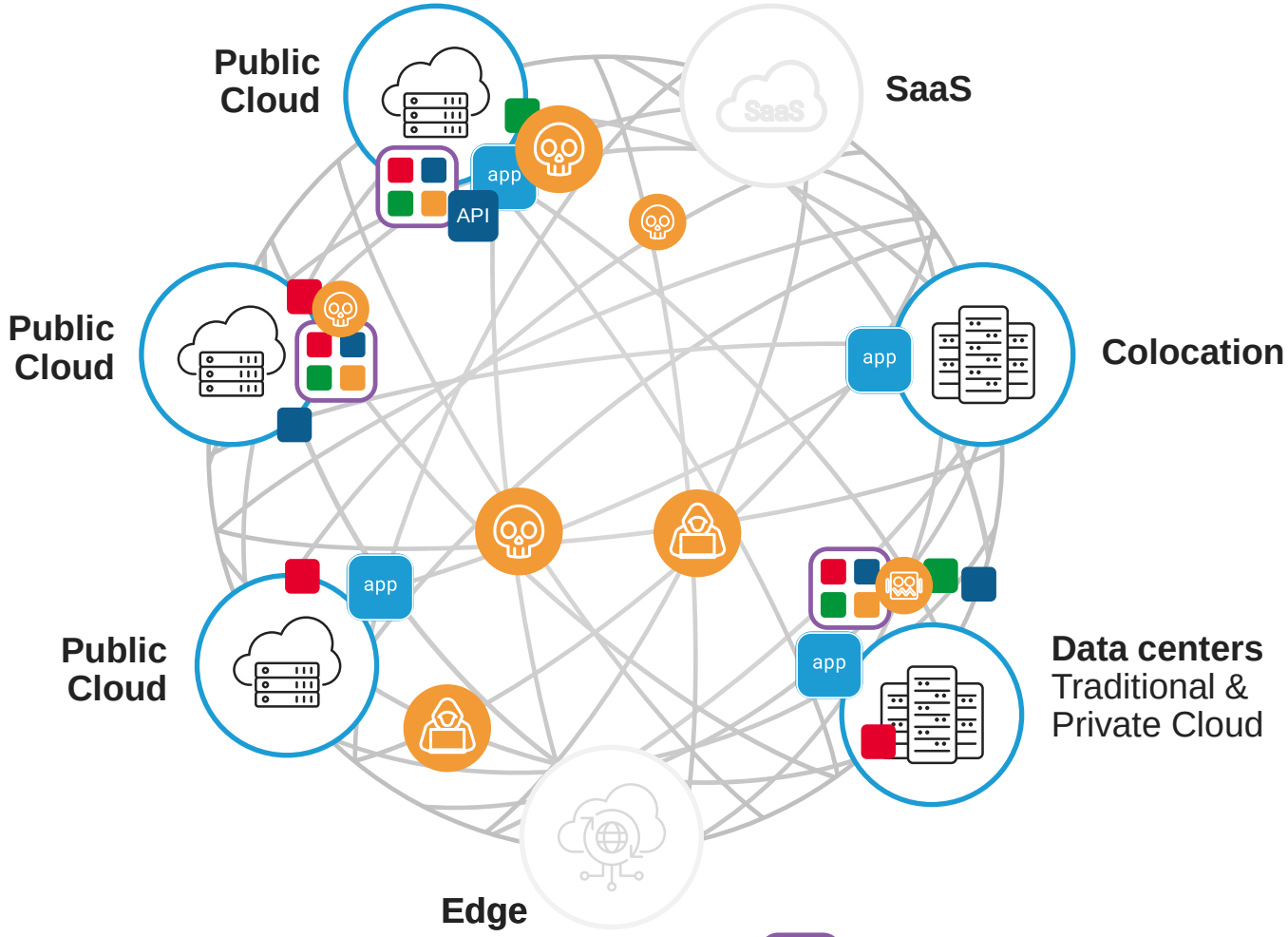
With NGINX, we expanded our opportunity to modern apps

$11B

2023 TAM



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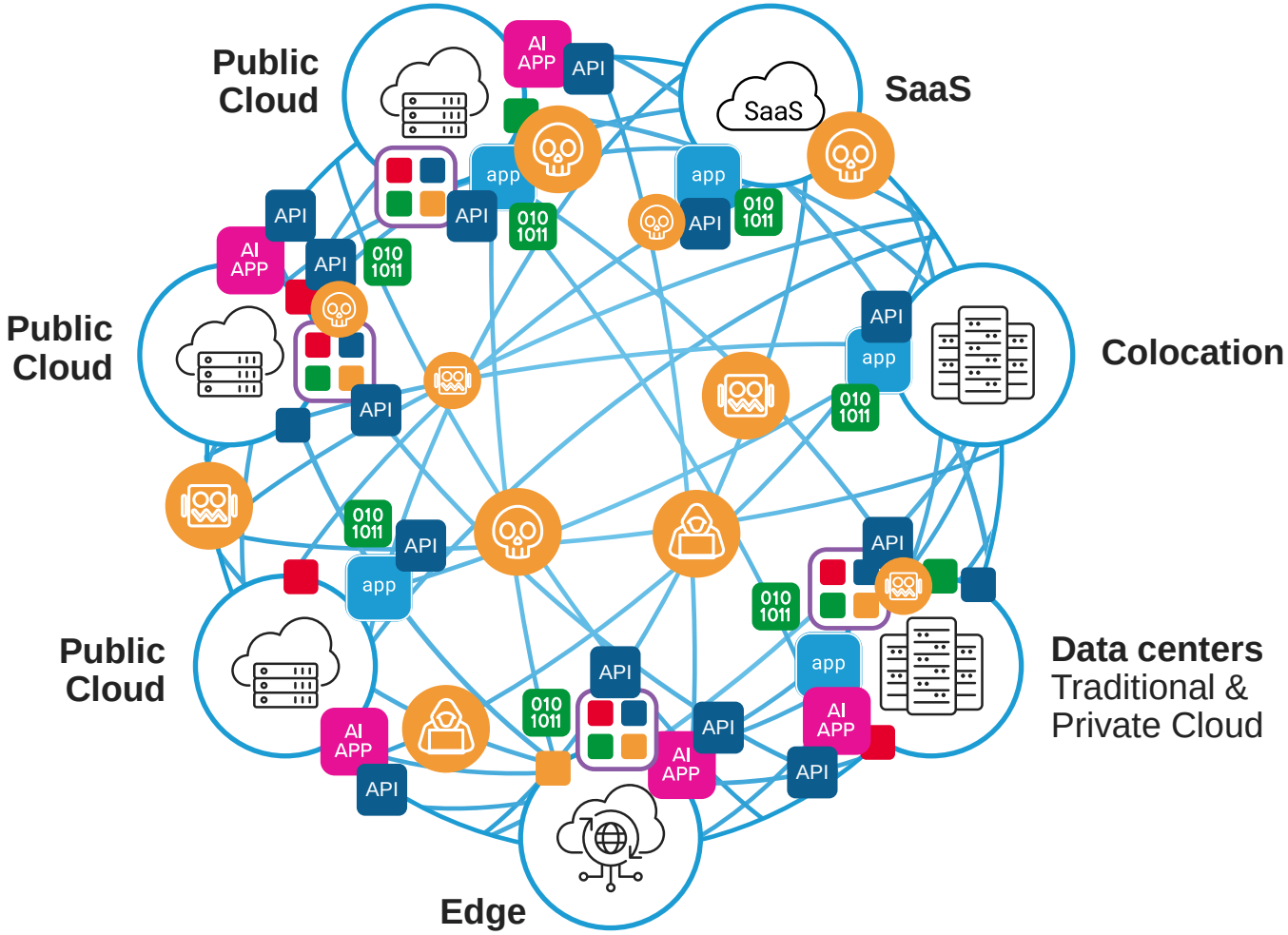
F5 Distributed Cloud Services unlocks new opportunity and differentiation

$16B

2023 TAM



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The new opportunity is large

$34B

2028 TAM

17% CAGR

2023 - 2028

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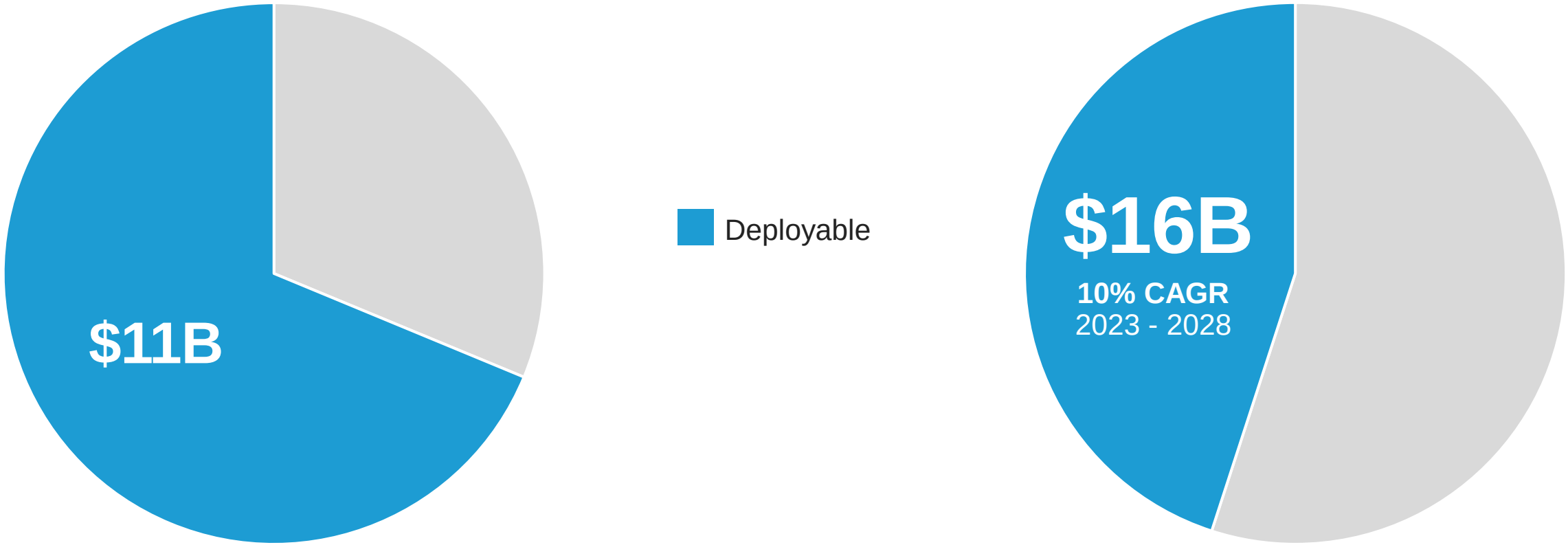
$16B of the total 2028 TAM is from deployable products growing at 10% CAGR



2023 TAM

2028 TAM

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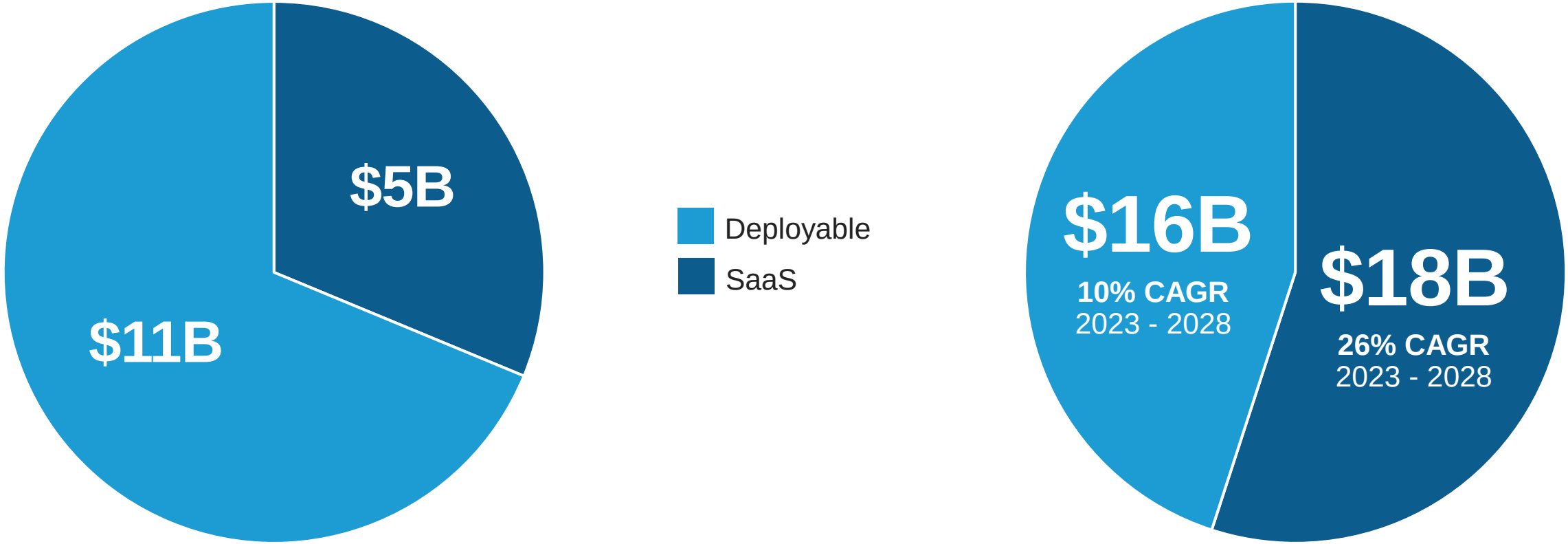
The SaaS-based portion of the 2028 opportunity is growing at 26% CAGR



2023 TAM

2028 TAM

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Takeaways from today's discussion

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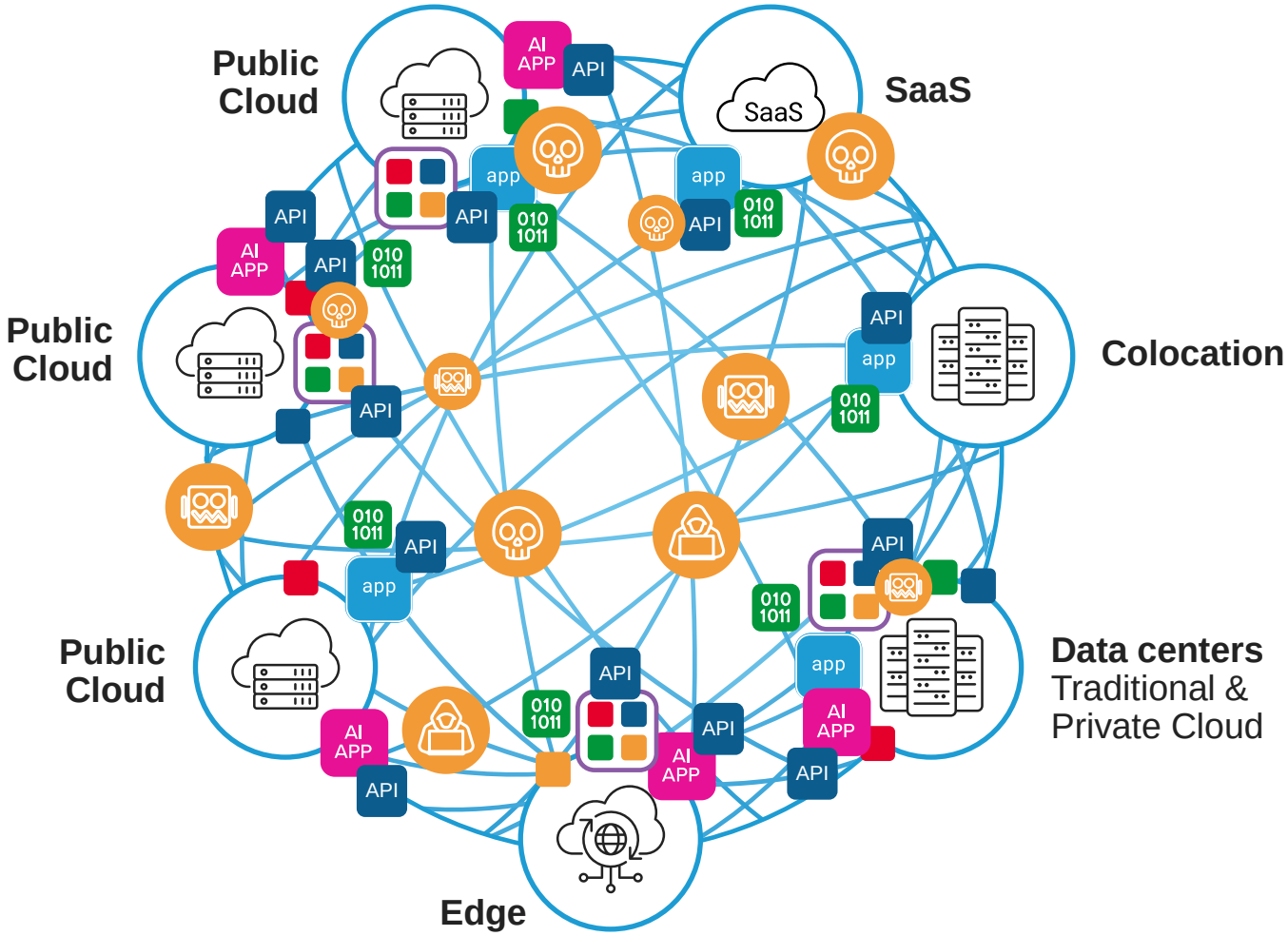
F5 is the *only* solution provider that secures, delivers, and optimizes any app, any API, anywhere.



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Traditional ADC & Security

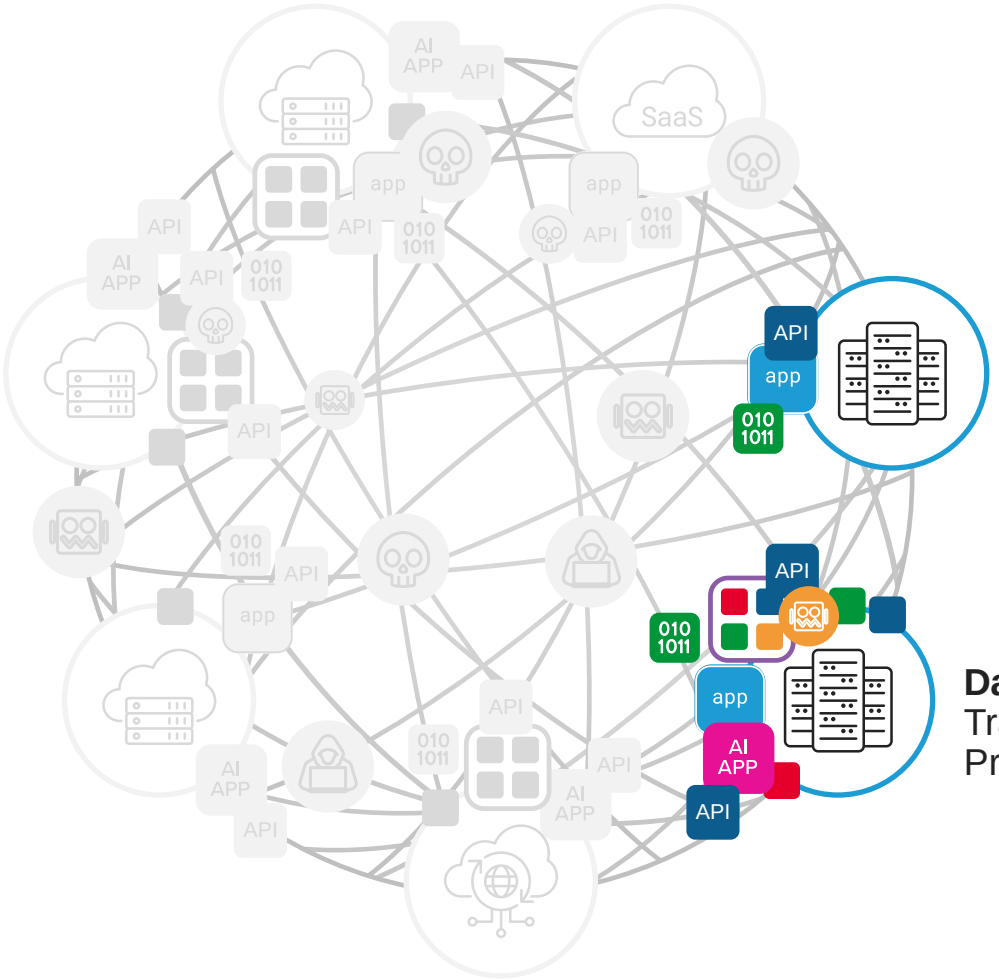
citrix | AVI Networks Now part of VMware | A10 | radware

F5 Advantages

Truly hybrid, multicloud v. limited reach

Investing and innovating v. limited innovation

Deployment and consumption model flexibility v. restricting customer choice



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Hyperscalers

aws

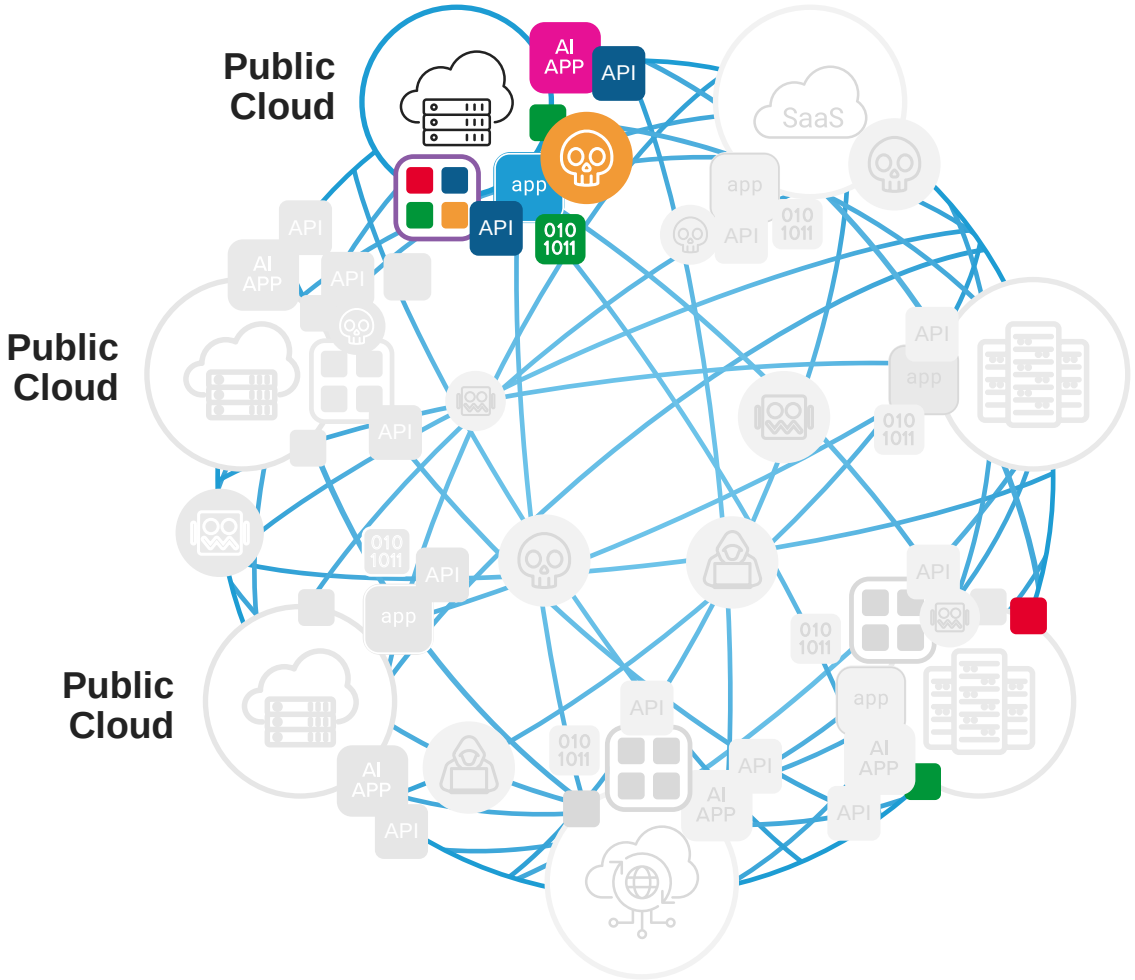
Google Cloud Platform

F5 Advantages

Truly hybrid, multicloud v. networking and security specific to their own cloud

Environment agnostic v no reach into third-party SaaS and Edge

On premises strength v. limited reach



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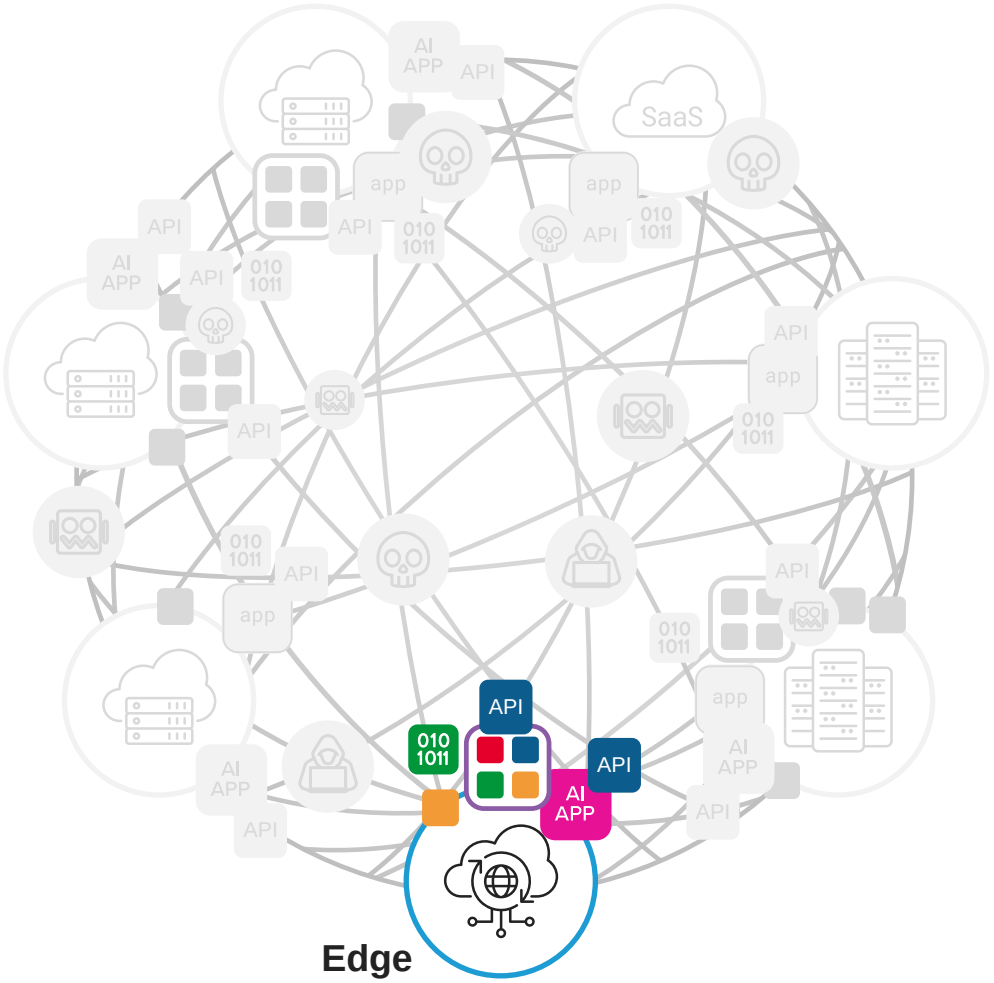
Edge & CDN

Akamai imperva CLOUDFLARE fastly



F5 Advantages

Truly hybrid, multicloud v. limited reach

Efficient traffic routing v. inefficient traffic routing

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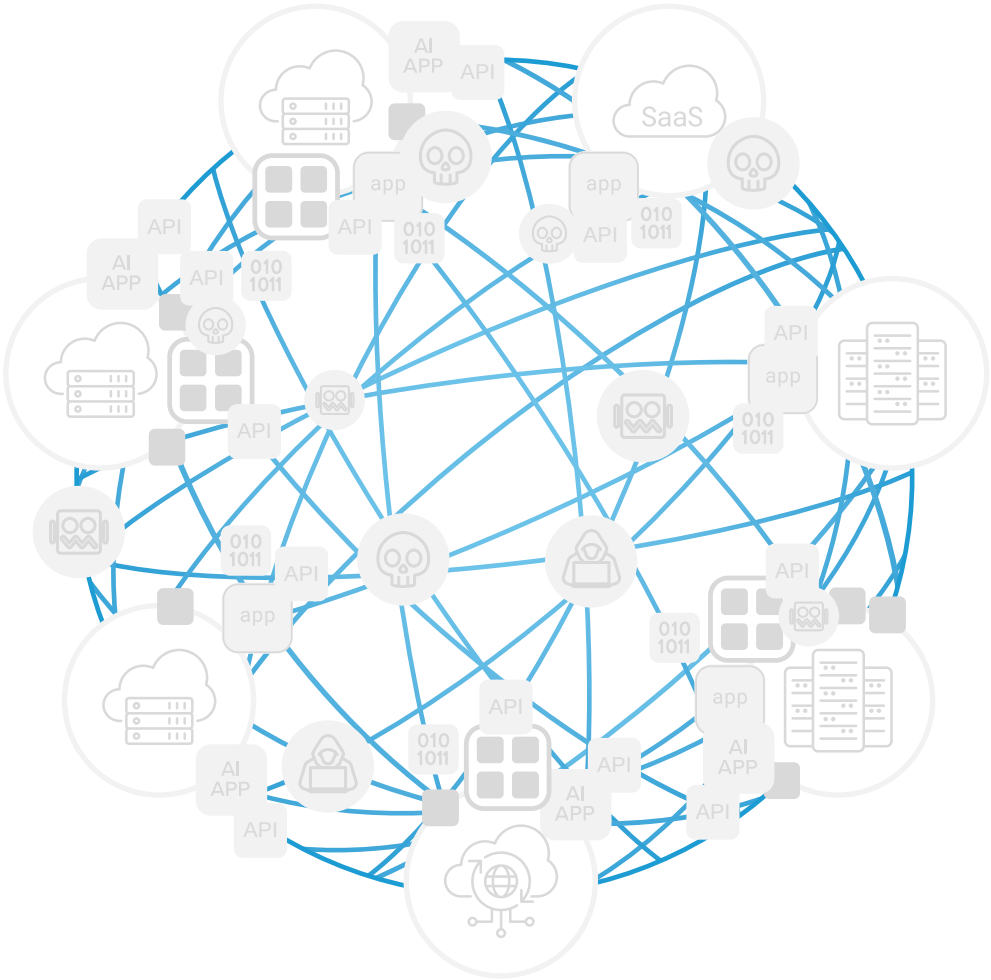
Multicloud Networking

Handful of private companies



F5 Advantages

Focus on networking infrastructure and applications v. focus on networking infrastructure

Best-in-class application security v. limited security capabilities

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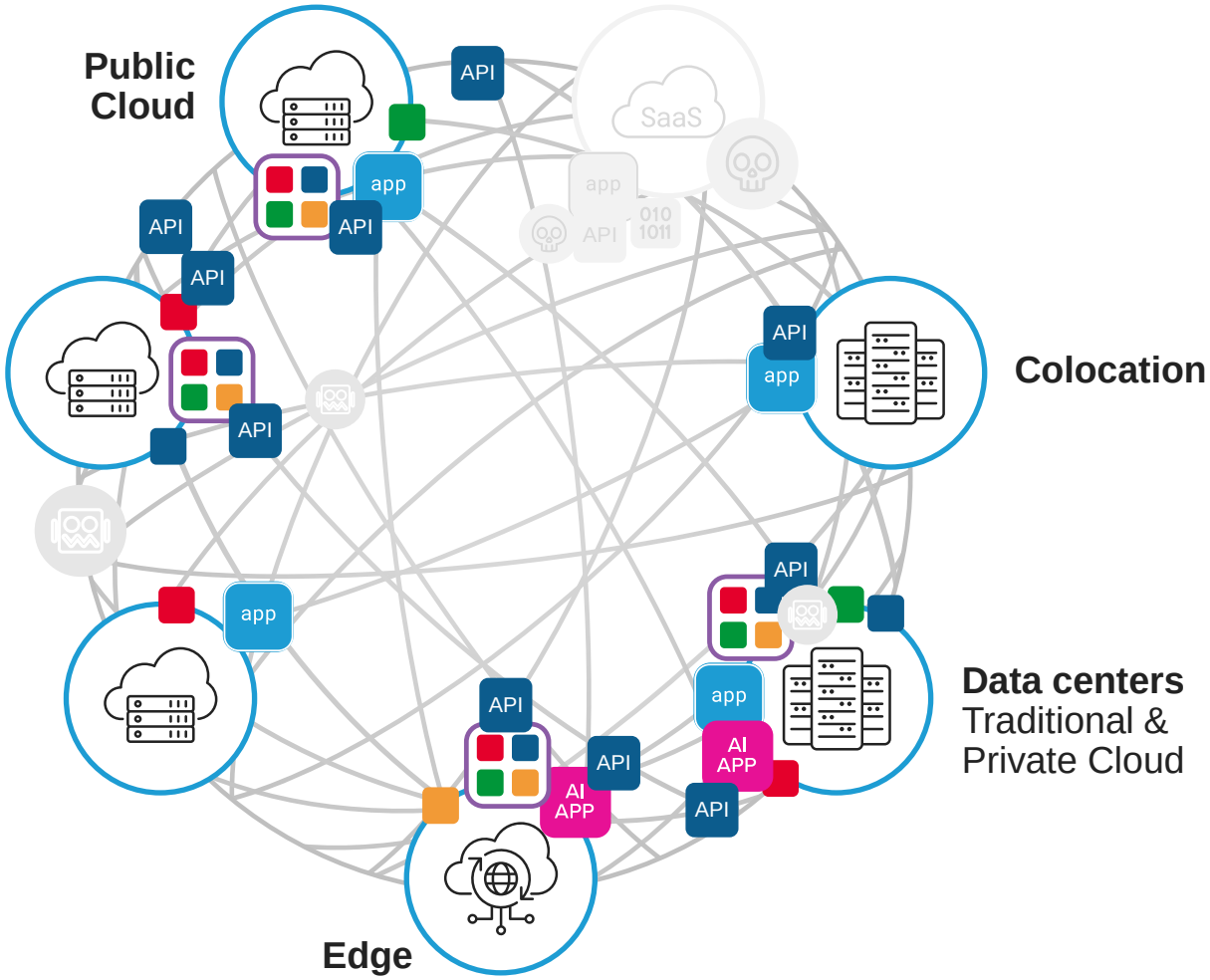
Multicloud App Platform Providers

vmware / BROADCOM

F5 Advantages

Truly hybrid, multicloud v. limited multi-cloud networking capabilities

Best-in-class application security v. no/limited application security capabilities



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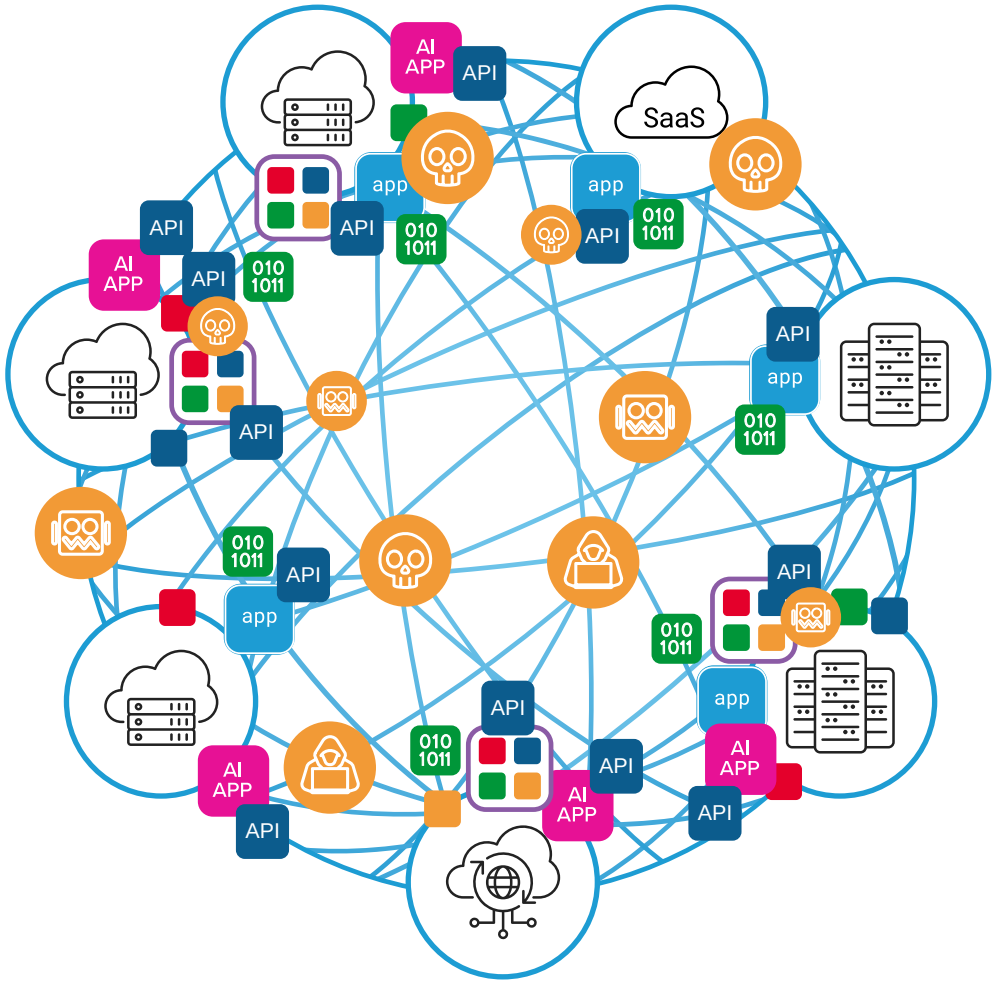

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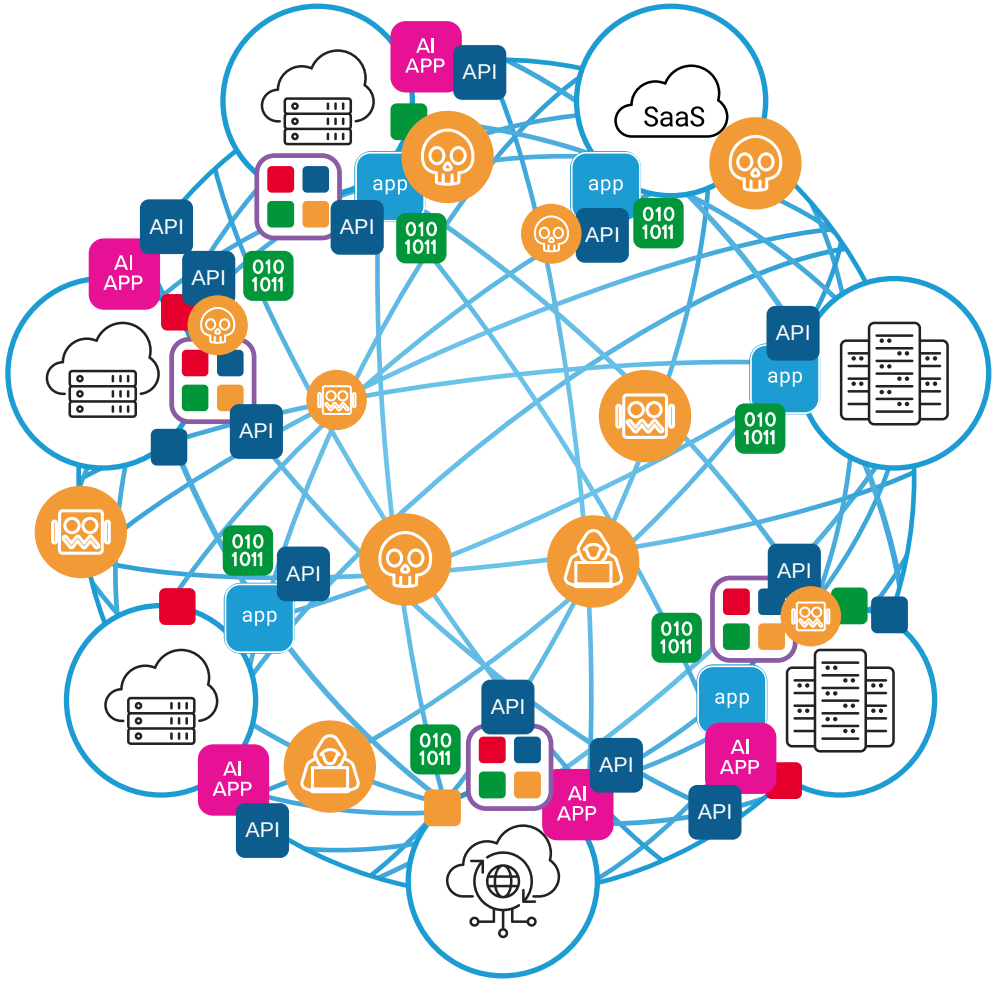
F5 is building the industry's first distributed app security and delivery platform

Secure all apps and APIs everywhere



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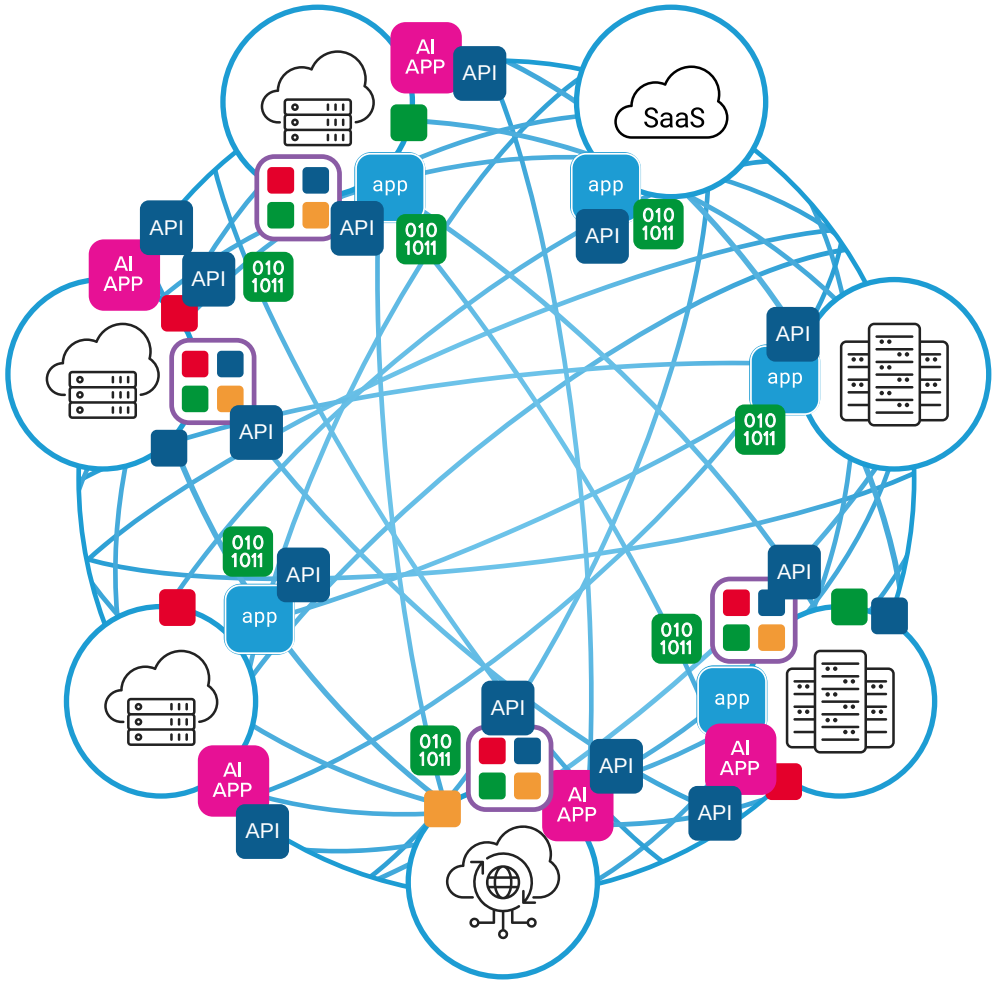

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F5 is building the industry's first distributed app security and delivery platform

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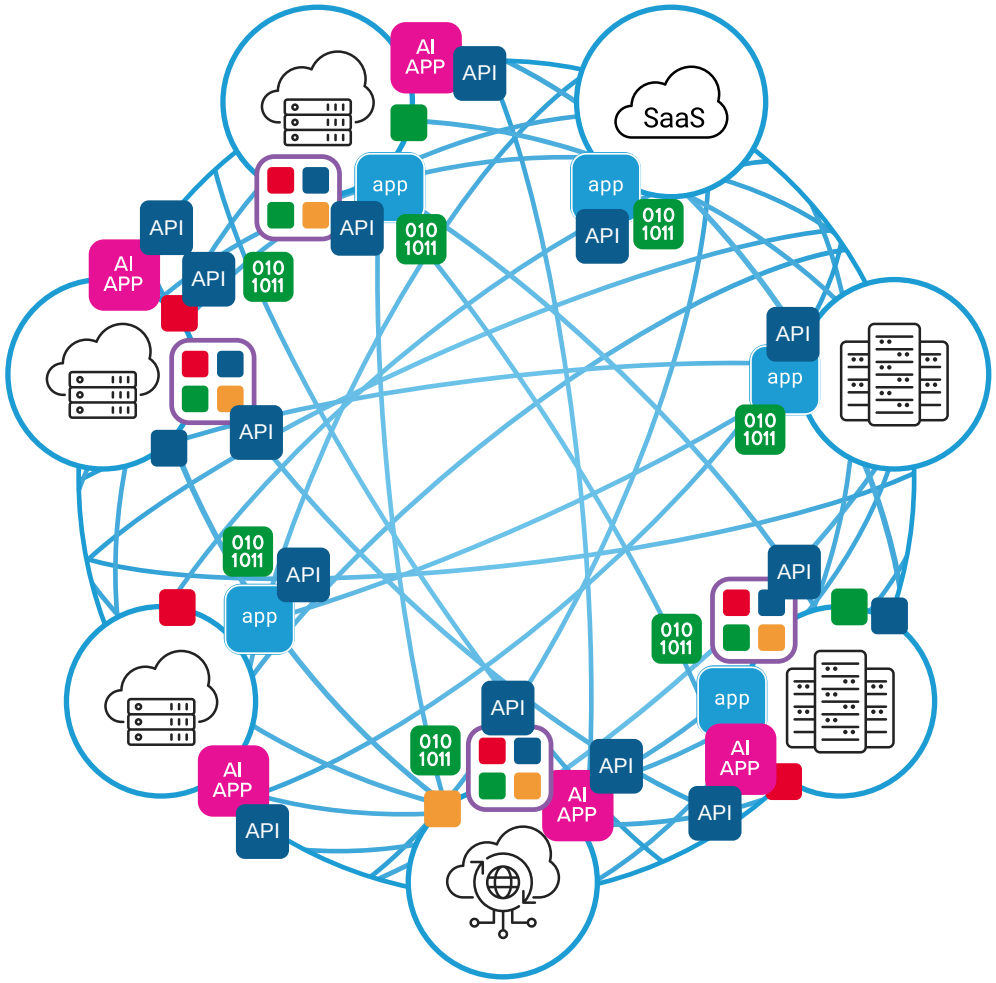
Connectivity for every user and app



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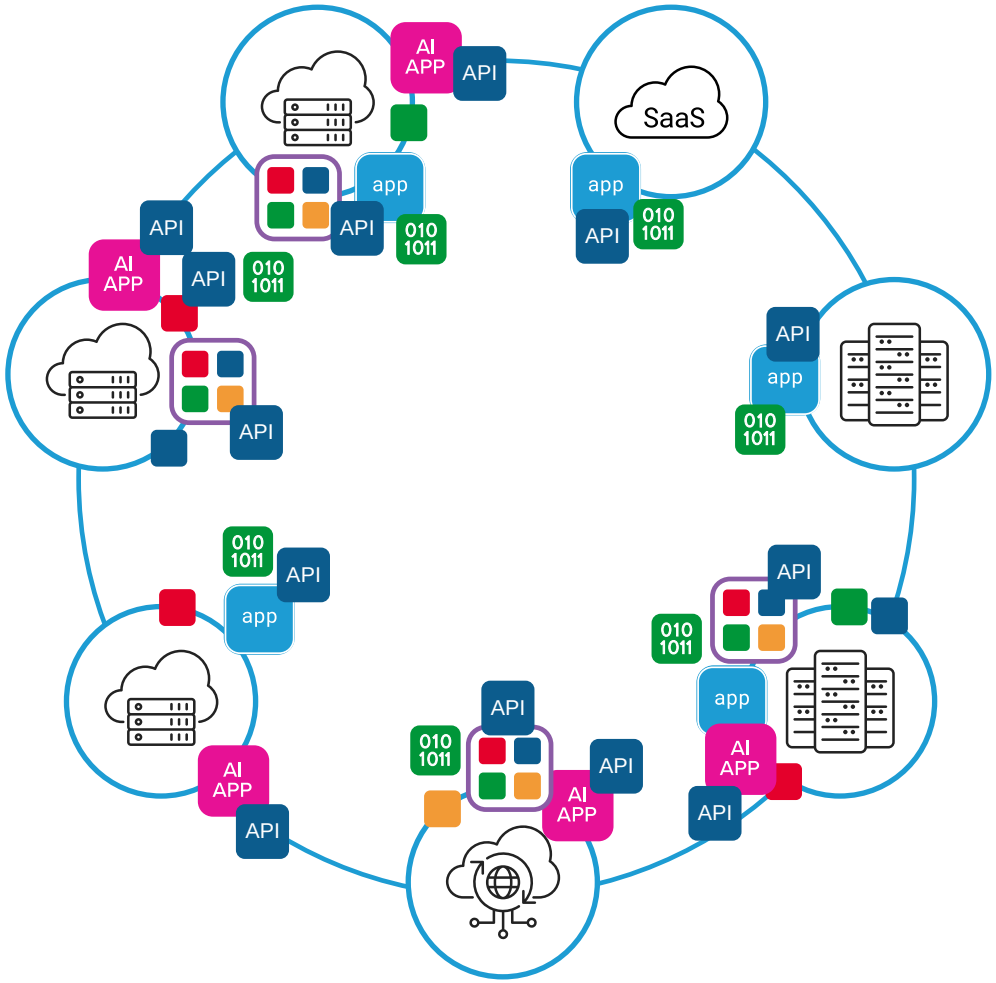

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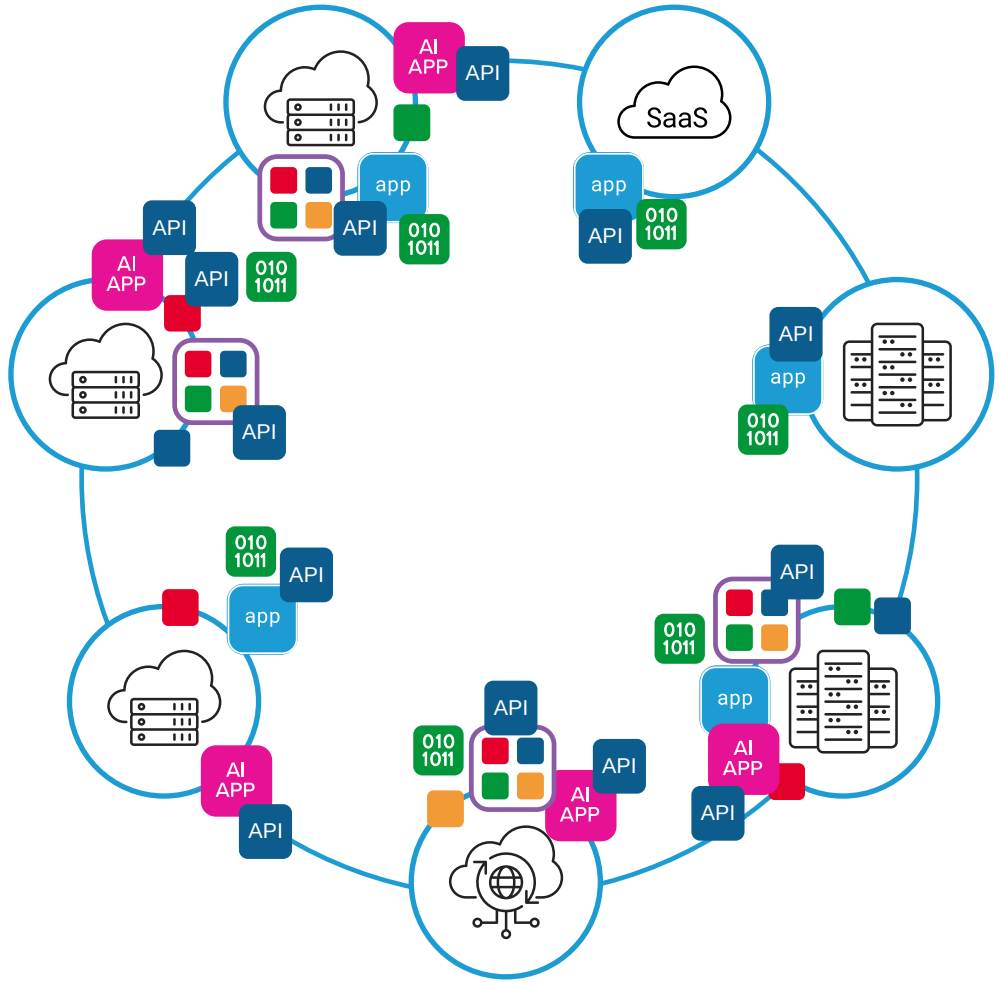
Connectivity for every user and app

Run apps anywhere



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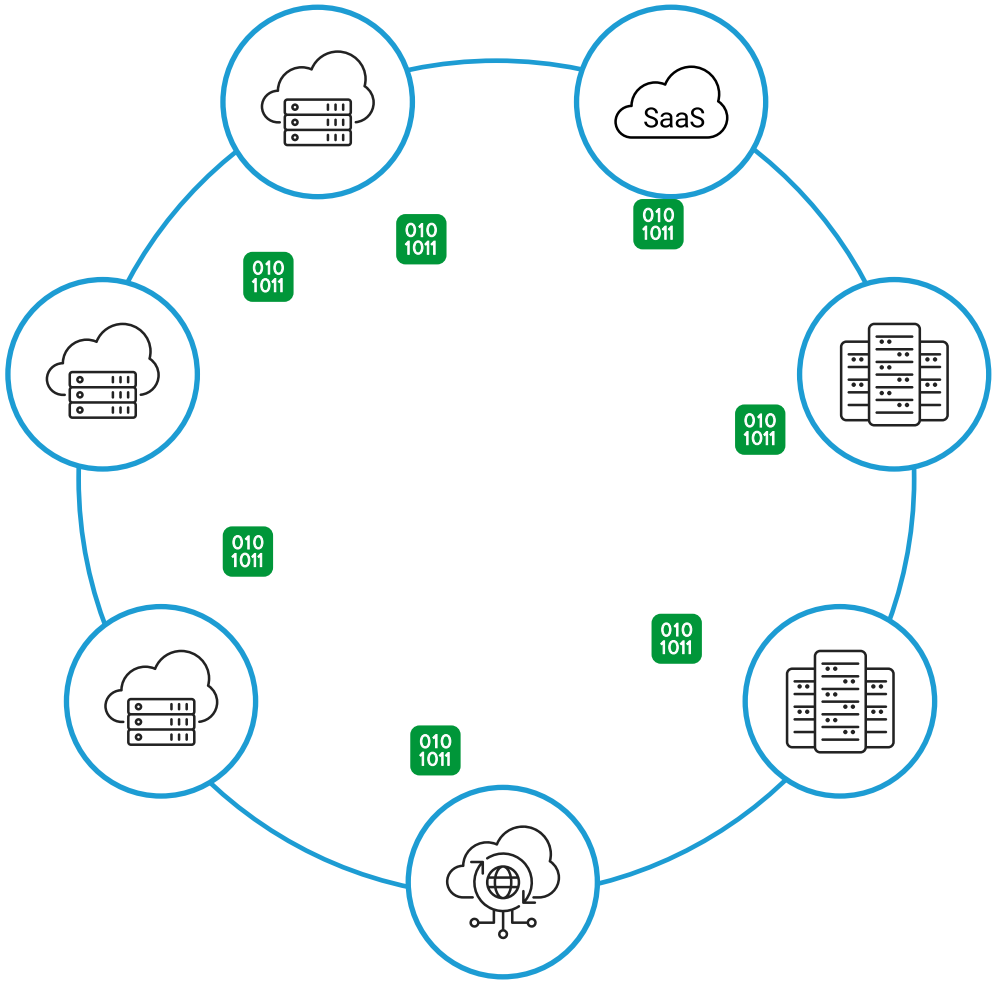
Connectivity for every user and app

AI APP
app
API

Run apps anywhere



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F5 is building the industry's first distributed app security and delivery platform

Secure all apps and APIs everywhere

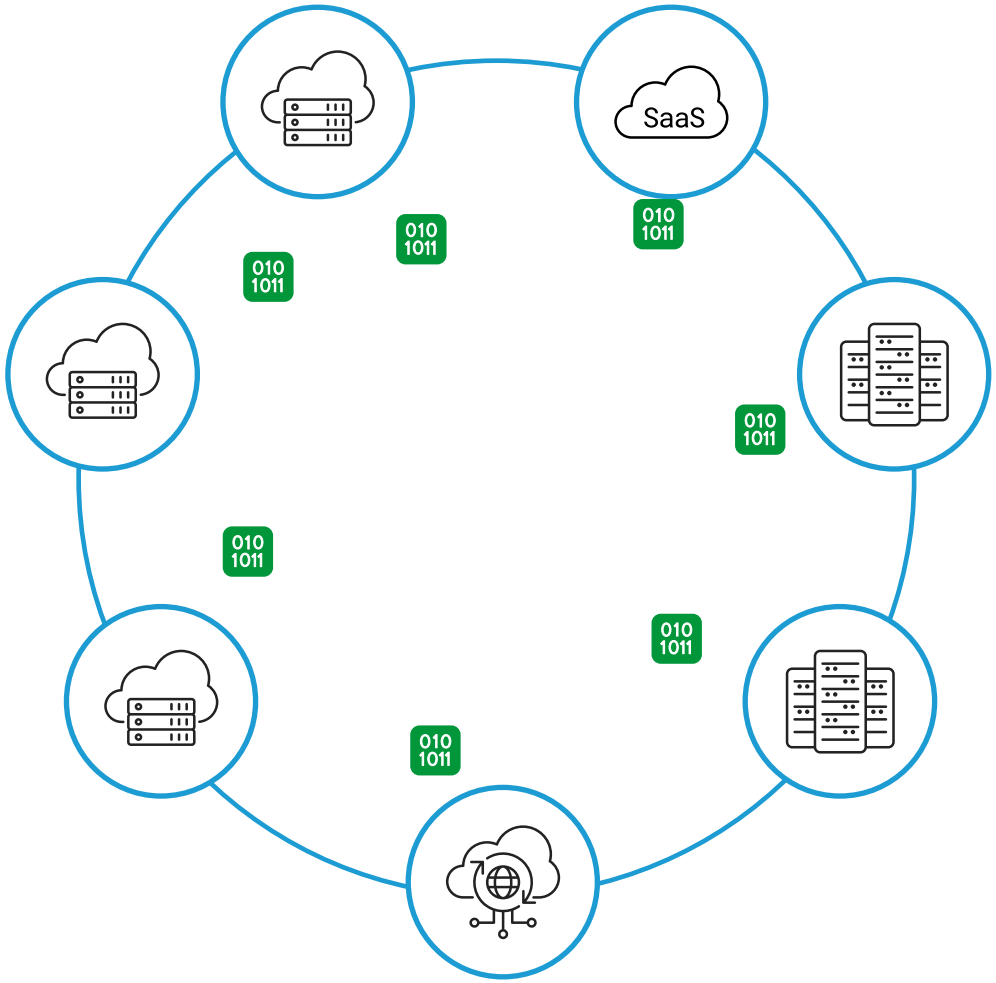
Connectivity for every user and app

AI APP app API

Run apps anywhere

010 1011

Visibility, analytics, and control



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Connectivity for every user and app

Run apps anywhere

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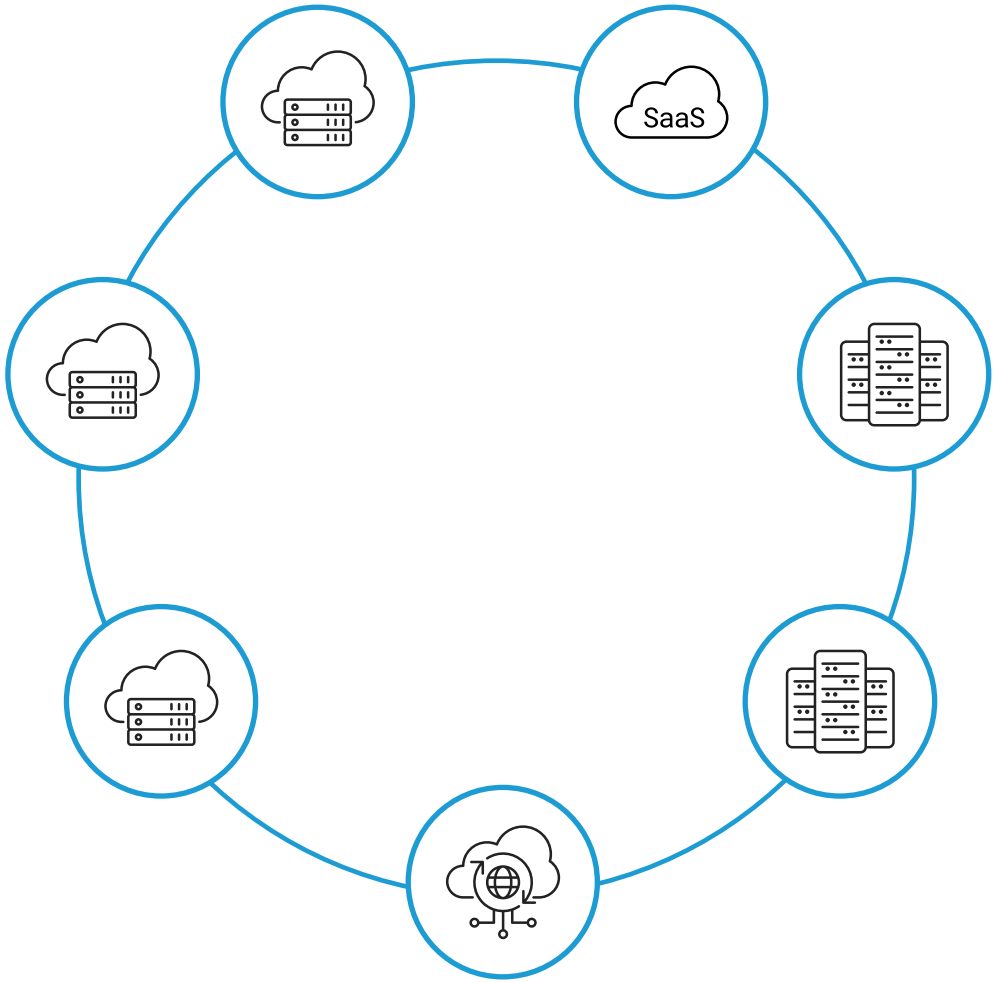

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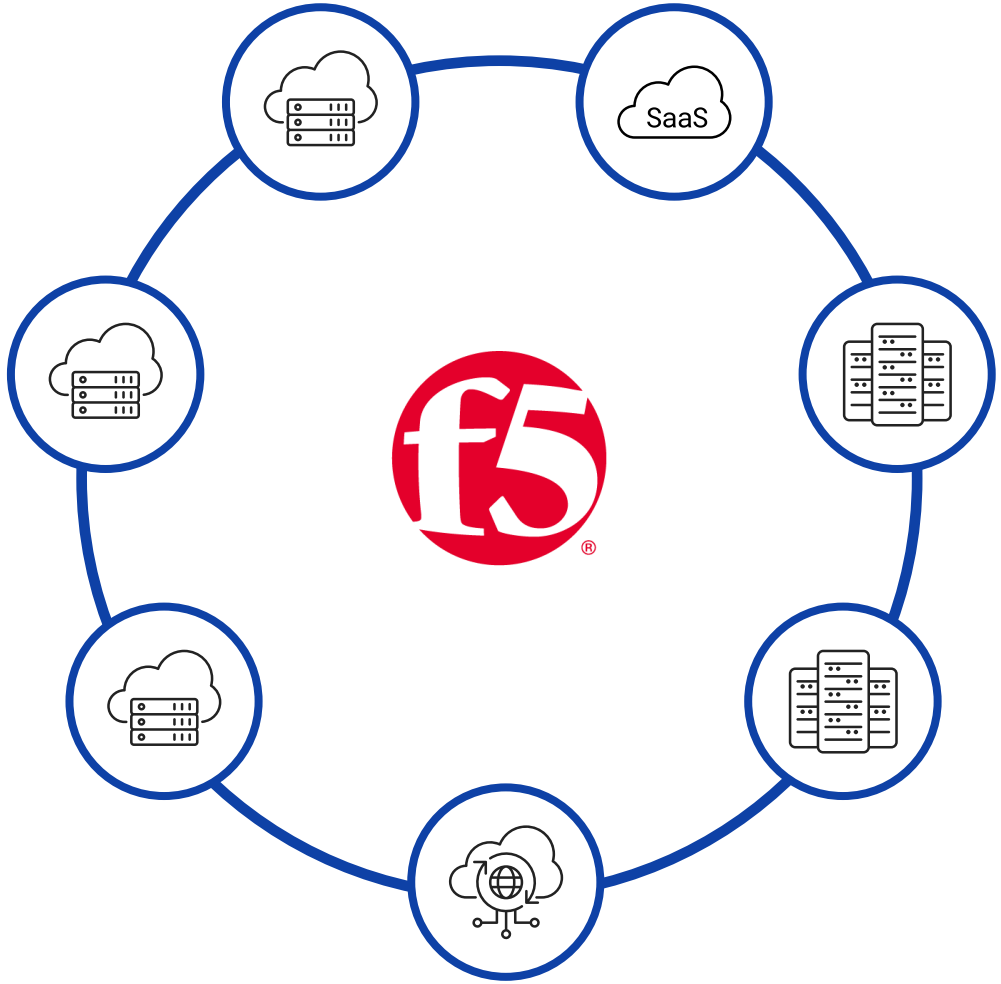
Connectivity for every user and app

Run apps anywhere

Visibility, analytics, and control

F5 Distributed Cloud Console



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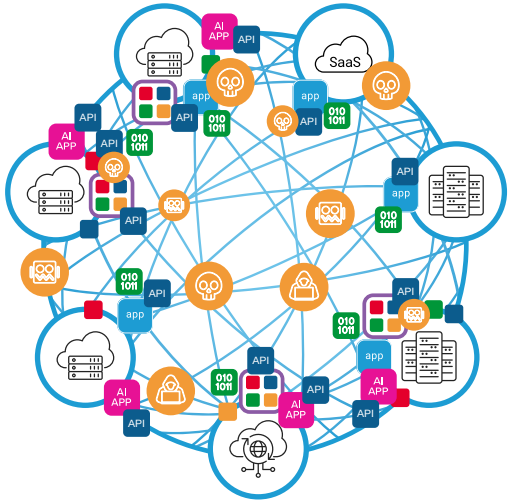
F5 abstracts the multi-cloud complexity and sets up IT to run at the speed of the business



Manual tasks	→	Automation
Inconsistent security controls & operational siloes	→	Security policy & operational consistency
Lack of available talent	→	Optimized talent alignment
Cloud costs and inefficient traffic routing	→	Cloud savings & more efficient traffic routing

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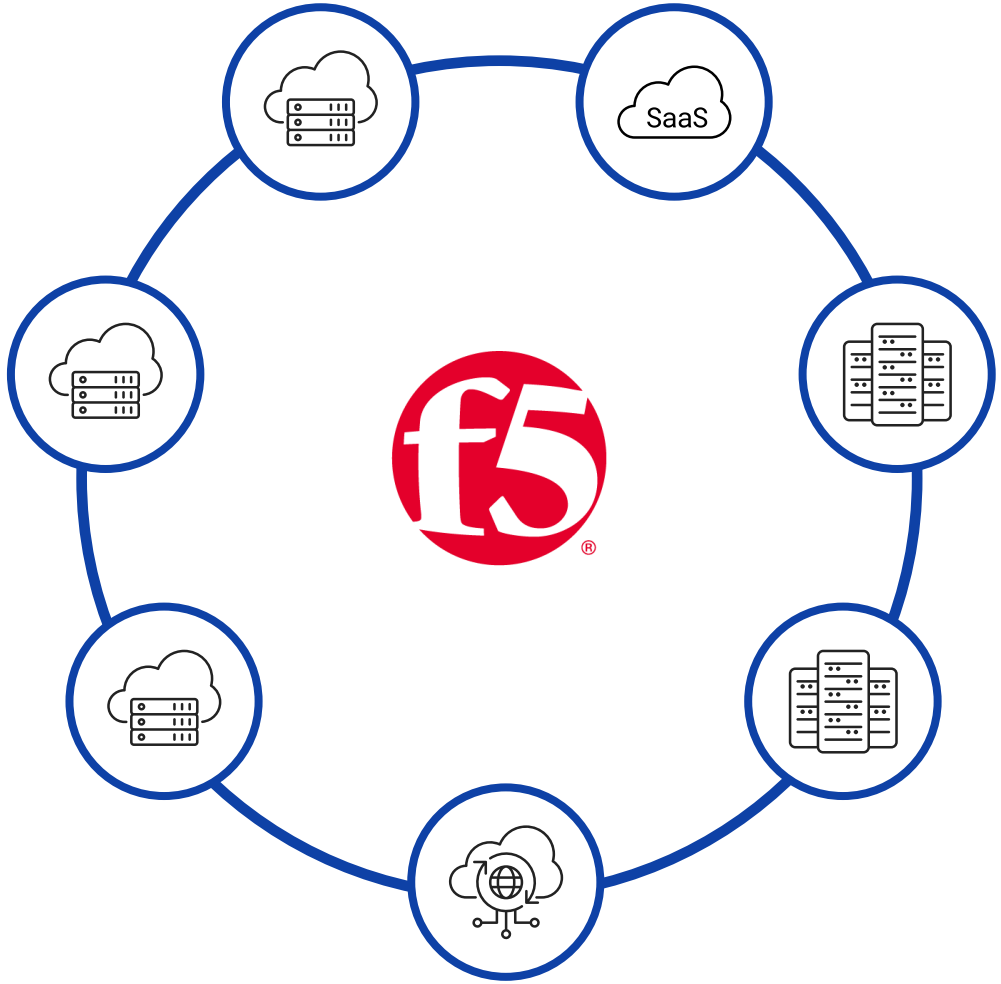
This is what we mean by ‘ridiculously easy’ app security and delivery



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And we are creating further differentiation with AI

API security

The industry's most comprehensive, AI-ready API security solution.

AI Data Fabric

F5 AI Data Fabric will make AI pervasive across all F5 offerings.

AI assistant

F5's AI assistant within F5 Distributed Cloud Console will serve as an intelligent partner to stretched IT and security teams.

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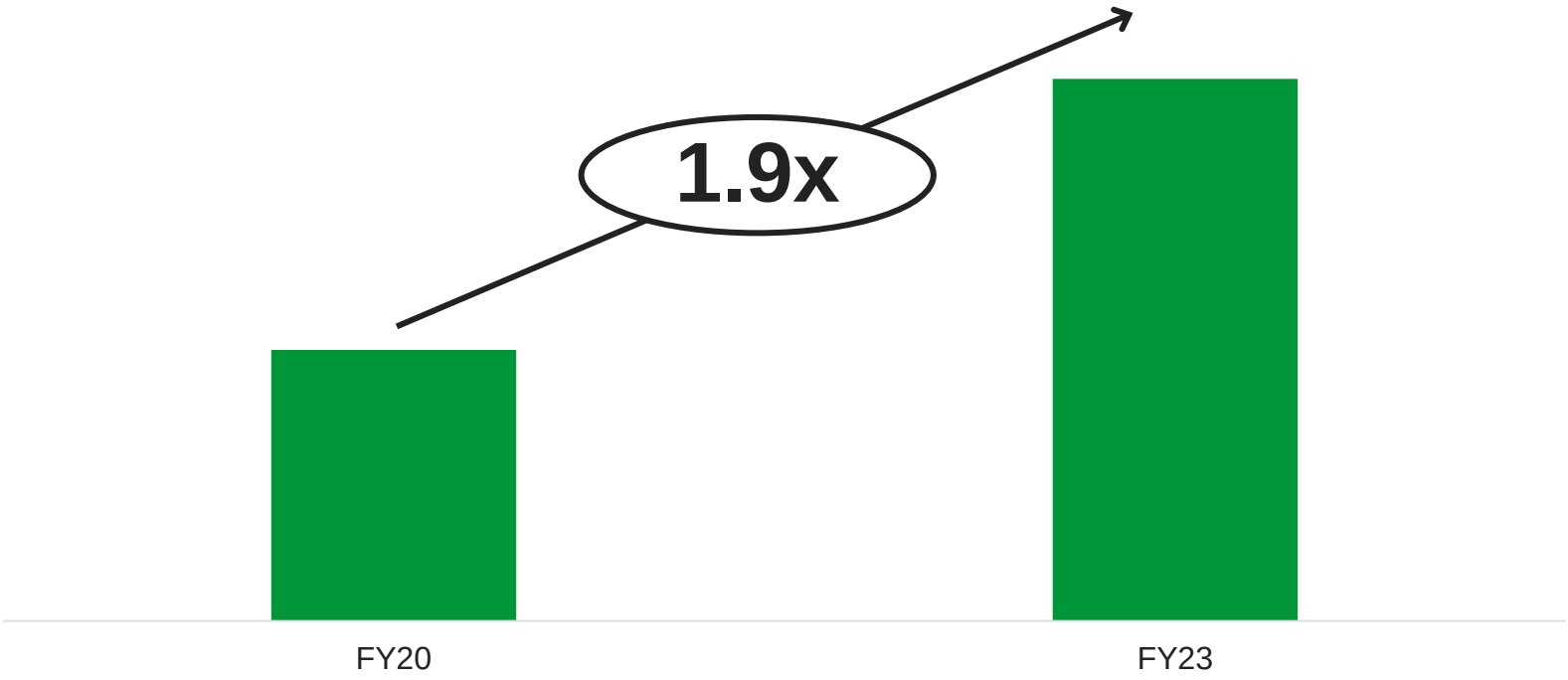
The number of BIG-IP customers also purchasing NGINX has doubled from 2020 to 2023

Customers of both F5 BIG-IP and F5 NGINX



50%

of NGINX customers are also BIG-IP customers

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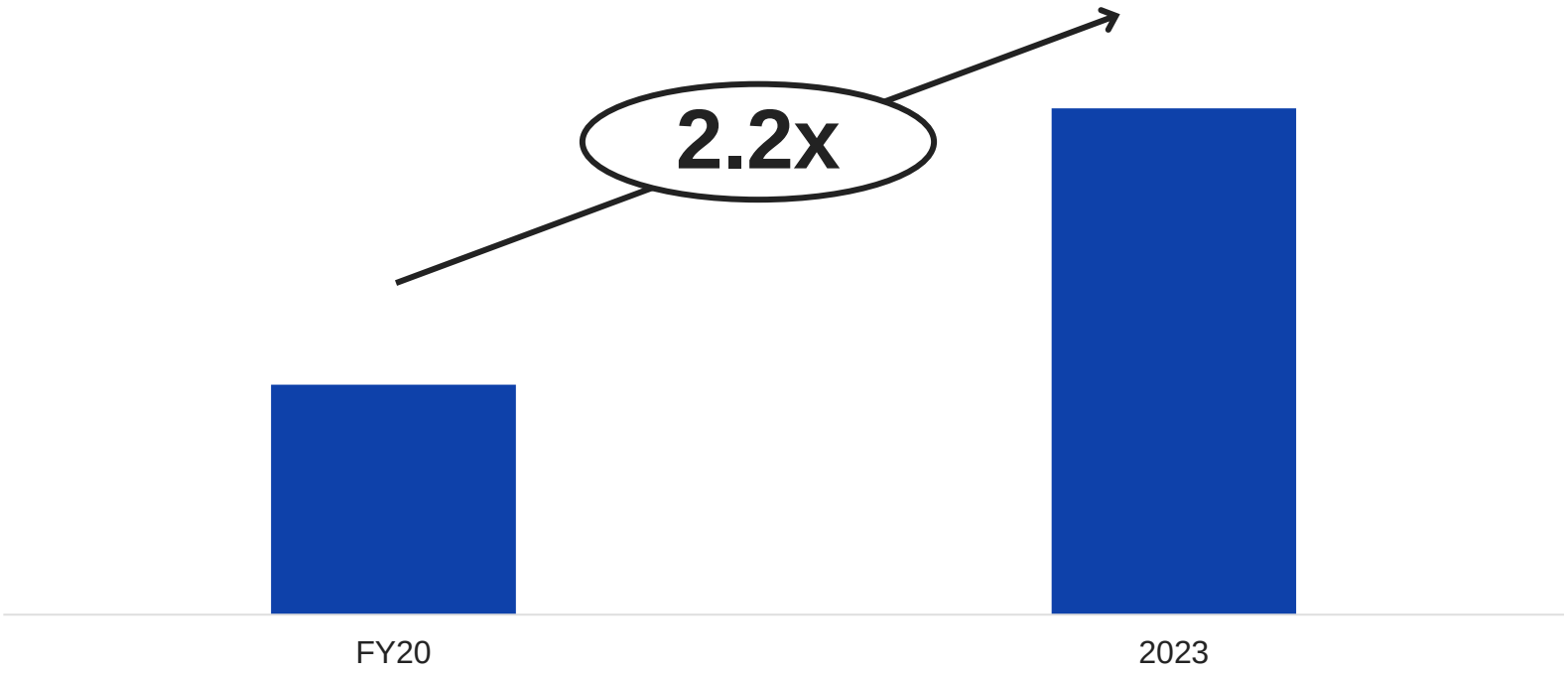
The number of customers purchasing BIG-IP and SaaS & Managed Services also doubled over the same time period

Customers of both F5 BIG-IP and F5 SaaS and Managed Services



63%

of SaaS and Managed Services customers are also BIG-IP customers

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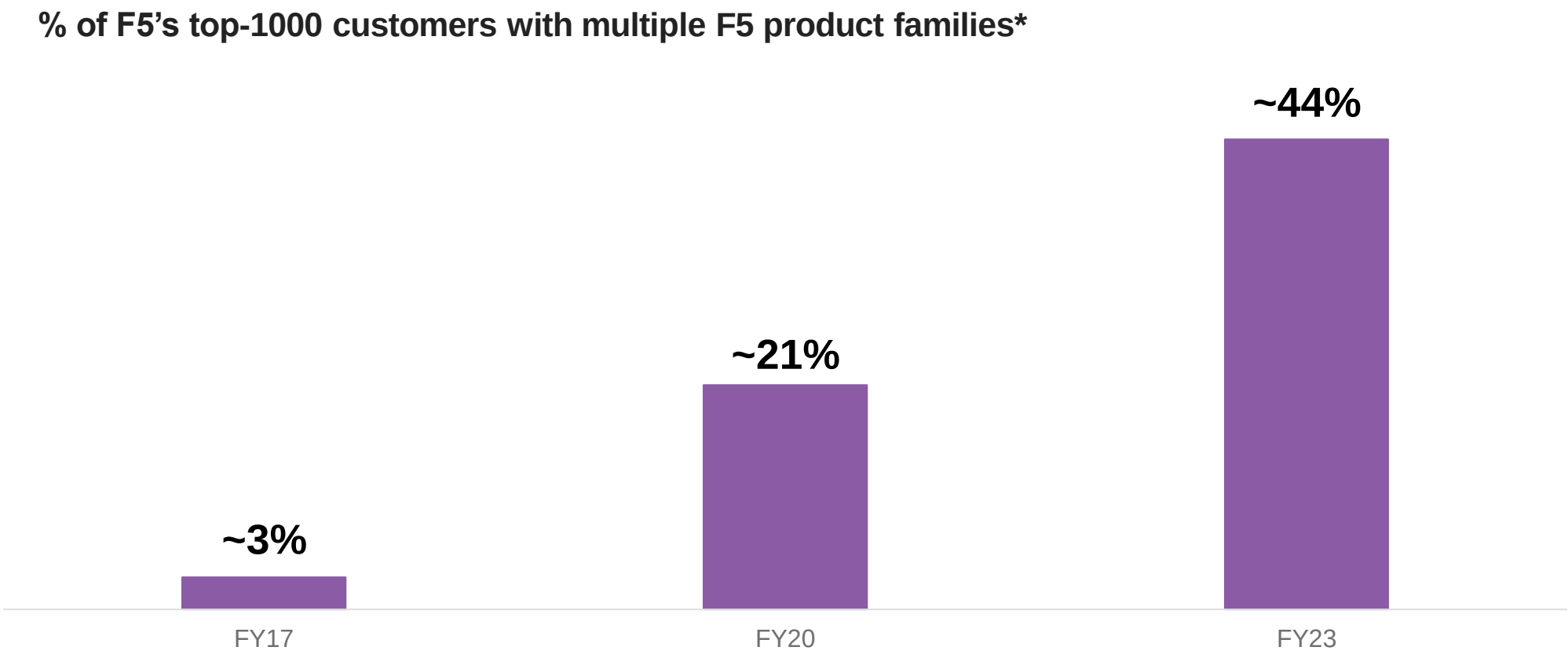
The number of customers consuming multiple F5 product families is steadily increasing



* top 1000 as of FY23

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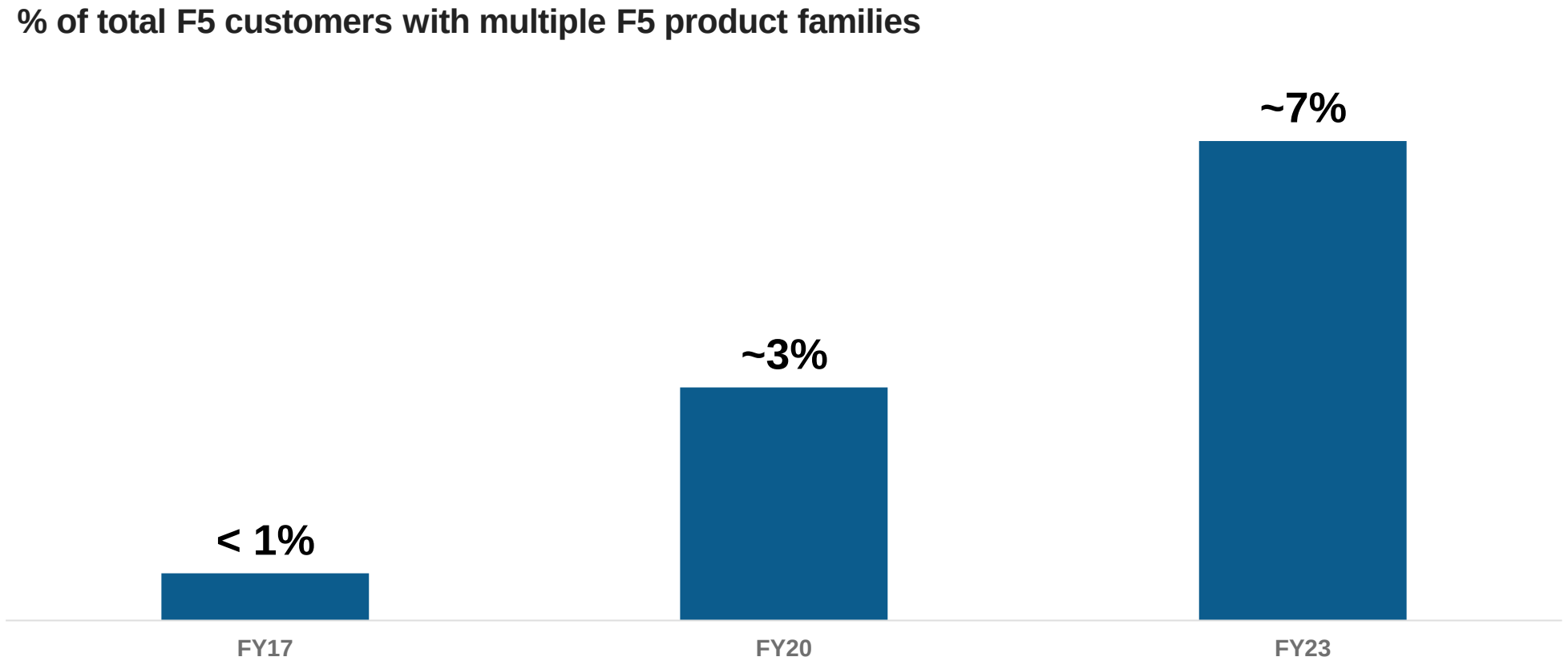

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An expert perspective

Zeus Kerravala
Industry Analyst, Founder ZK Research

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Understanding The Evolution Of Application Delivery

Presented by Zeus Kerravala
Principal Analyst

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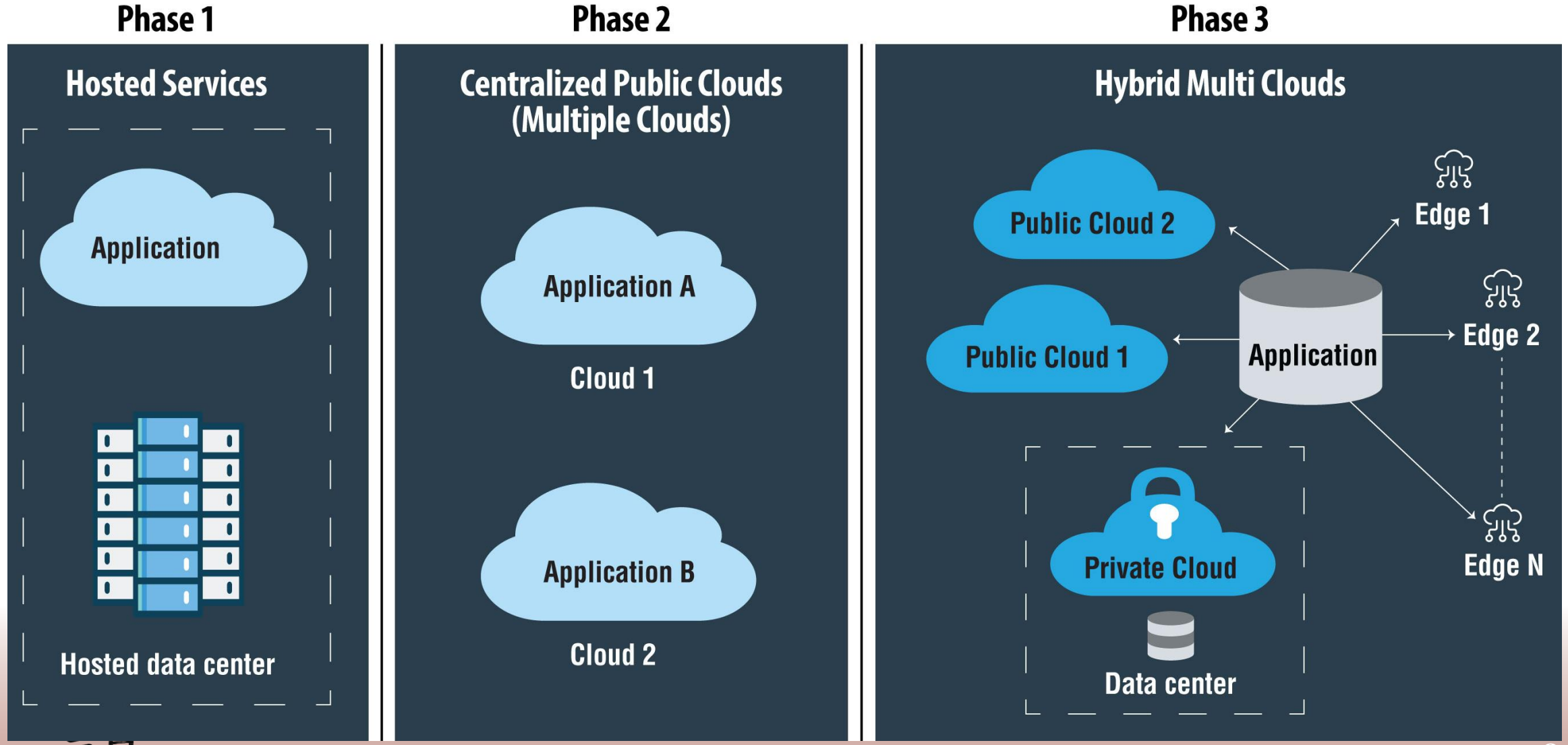
The Definition of Cloud is Changing



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Defining Hybrid Multi-Cloud

- Comprised of public clouds, private clouds, edge locations
- Moves data and compute closer to the user
- Enables better, smarter analytics
- Microservices, containers based edges enables ephemeral services
- Dramatically increases app complexity

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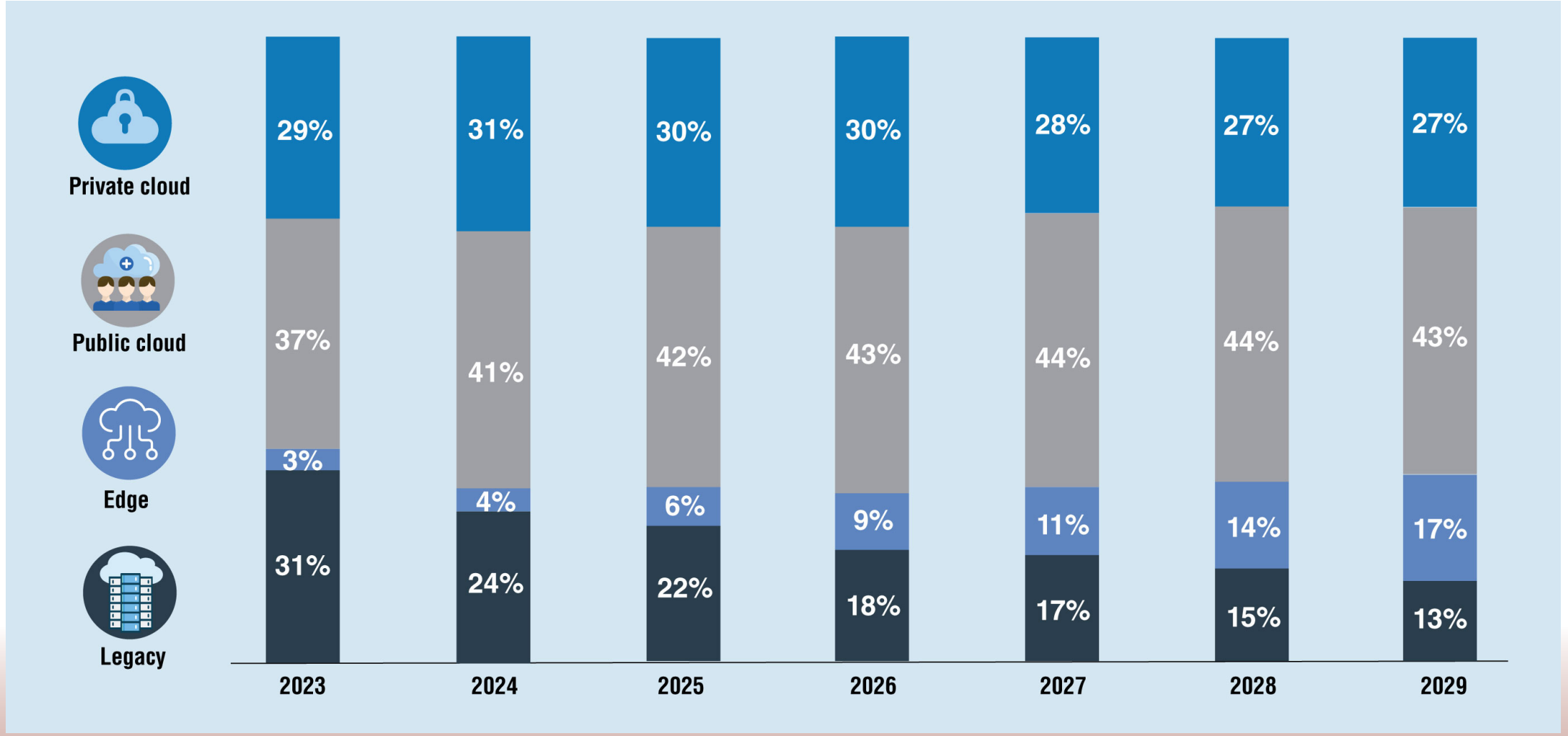
Cloud Spend is Shifting



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Distributed Cloud Drives App Delivery Evolution

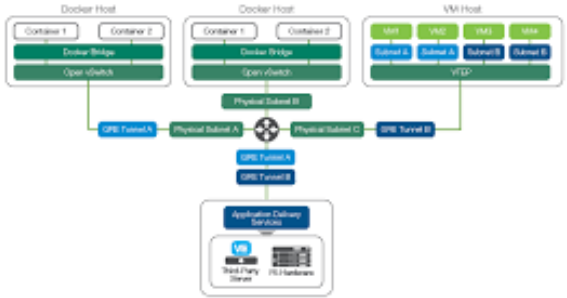
Hardware ADC

- Optimized for performance
- Deployed in traditional data centers and private clouds

Virtual ADC

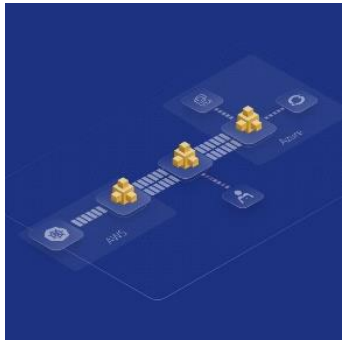
- Optimized for agility
- Deployed in traditional data centers and public clouds

Container ADC



- Cloud native deployments
- Ephemeral in nature

API level ADC



- Distributed environments
- Programmable

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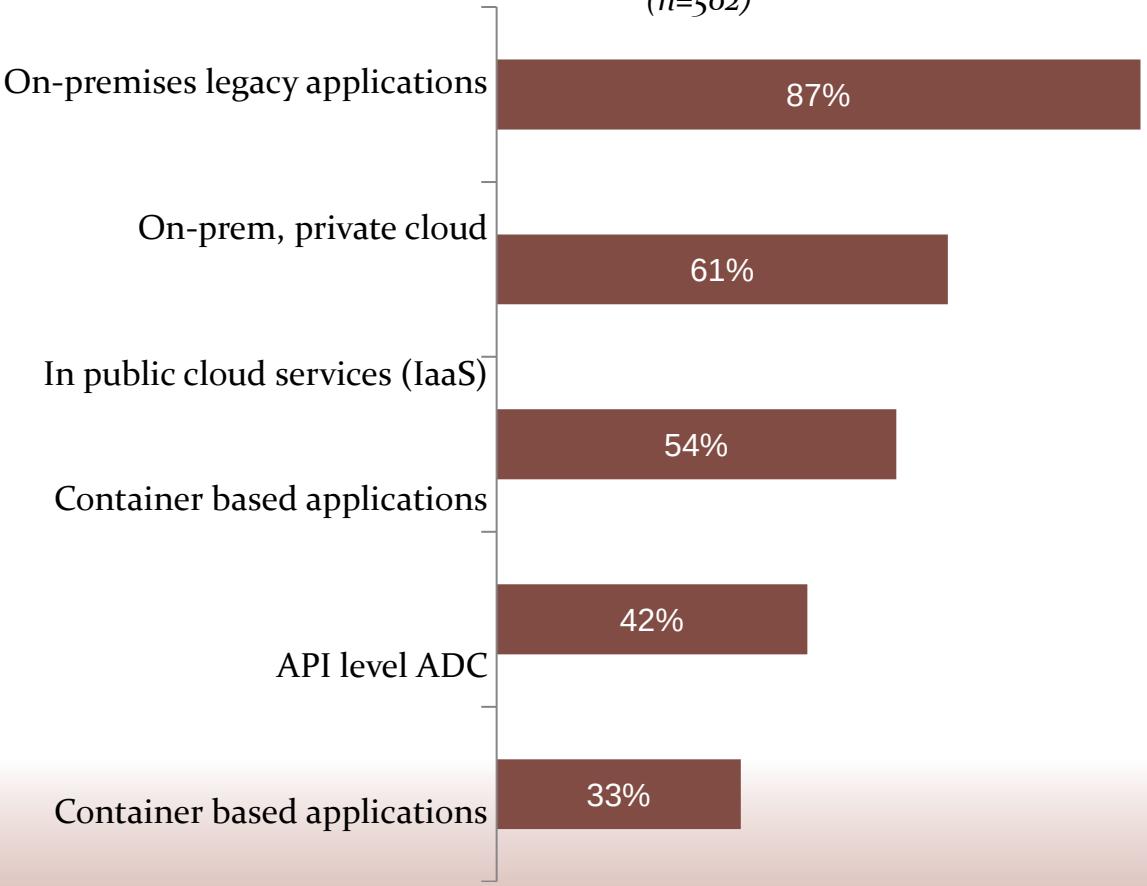
ADC Form Factors and Feature Set Continues to Expand

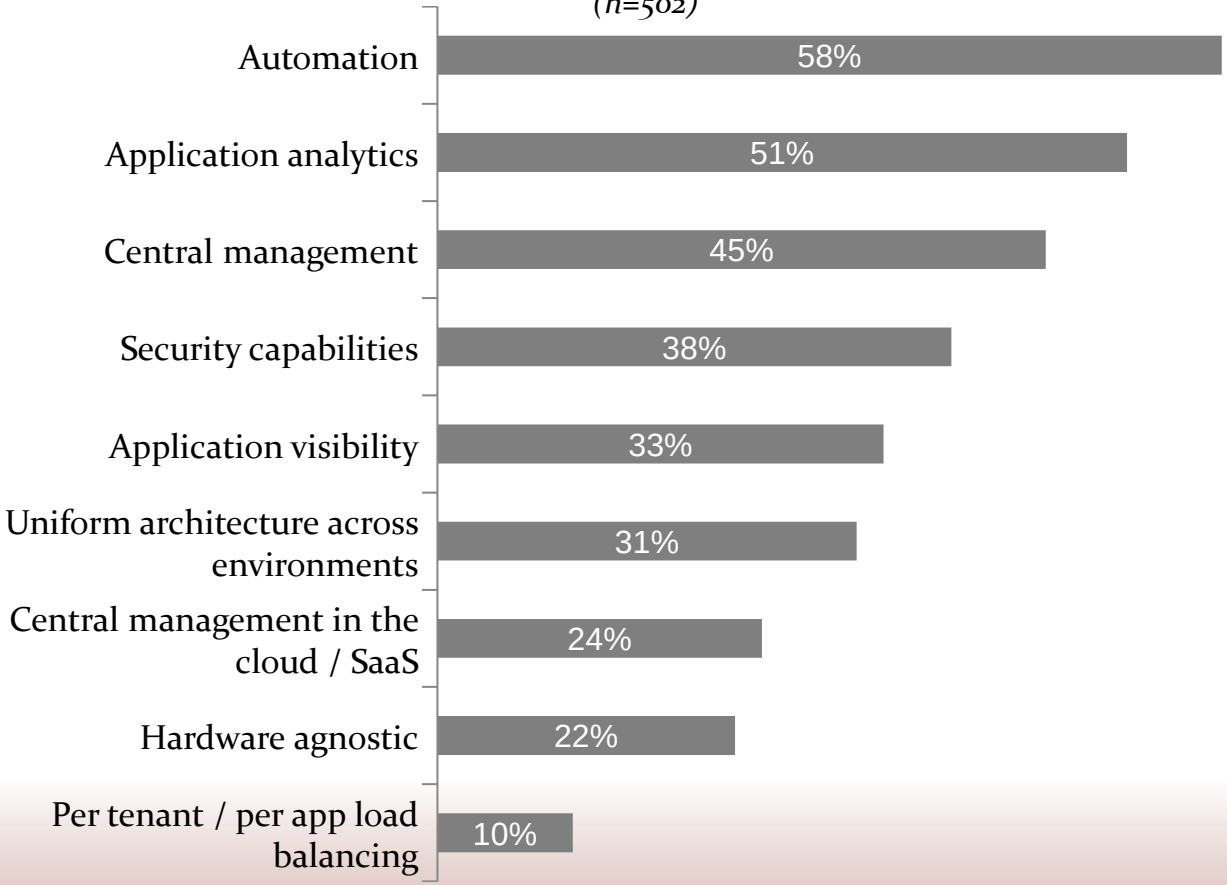
Currently Deploying ADCs

Total
(n=502)



ADC Features Most Appealing to Support Digital Initiatives

Total
(n=502)



Where are you currently deploying application delivery controllers (ADCs)?

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The F5 Advantage

- The only “complete” ADC vendor – hardware, virtual, cloud, container, edge
- Can address all app services across distributed cloud environments
- Cloud providers cannot address hybrid-multicloud
- Consistent operational model
- Strong security portfolio
- Lack of viable competitors

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Thank you!

Zeus Kerravala
Principal Analyst, ZK Research
zeus@zkresearch.com

Follow me on Twitter @zkerravala

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Financial recap

Frank Pelzer
EVP & Chief Financial Officer

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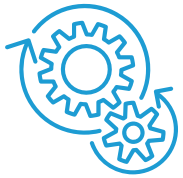
Three core financial pillars will drive our long-term success

Sustained mid-single-digit revenue growth

supported by our differentiated positioning in attractive end markets along with a durable, high margin global services business

Non-GAAP operating margin expansion

achieved through gross margin improvements and operating discipline



Strong capital return via share buybacks

of at least 50% of annual free cash flow

Driving double-digit non-GAAP EPS (CAGR)

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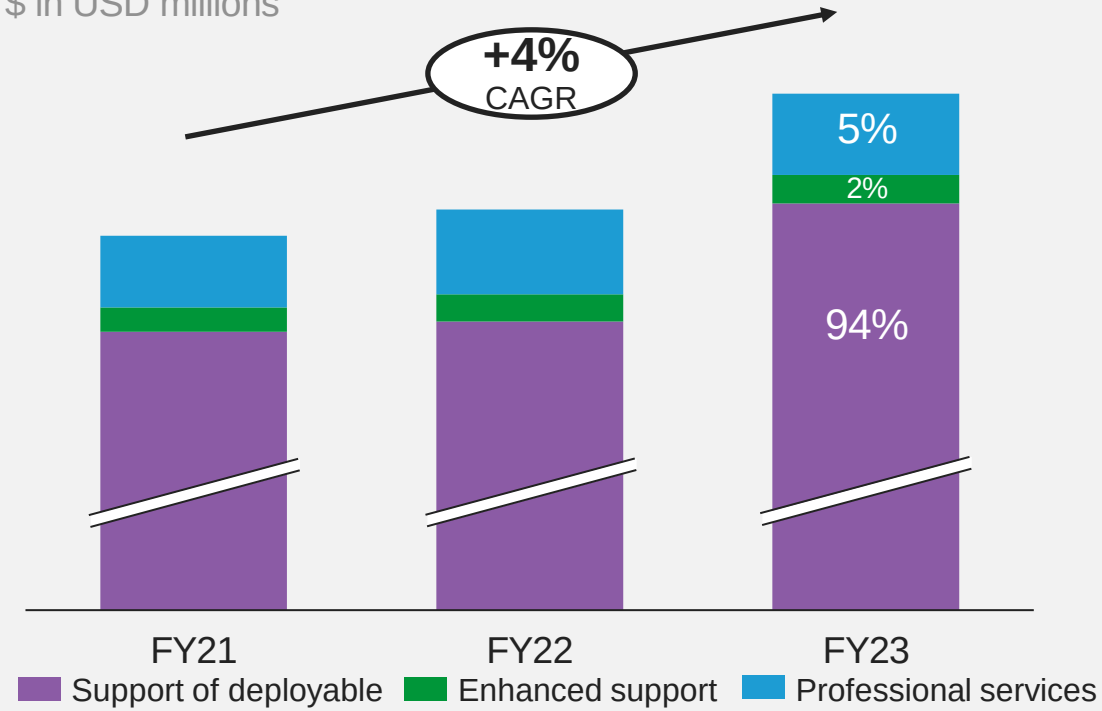
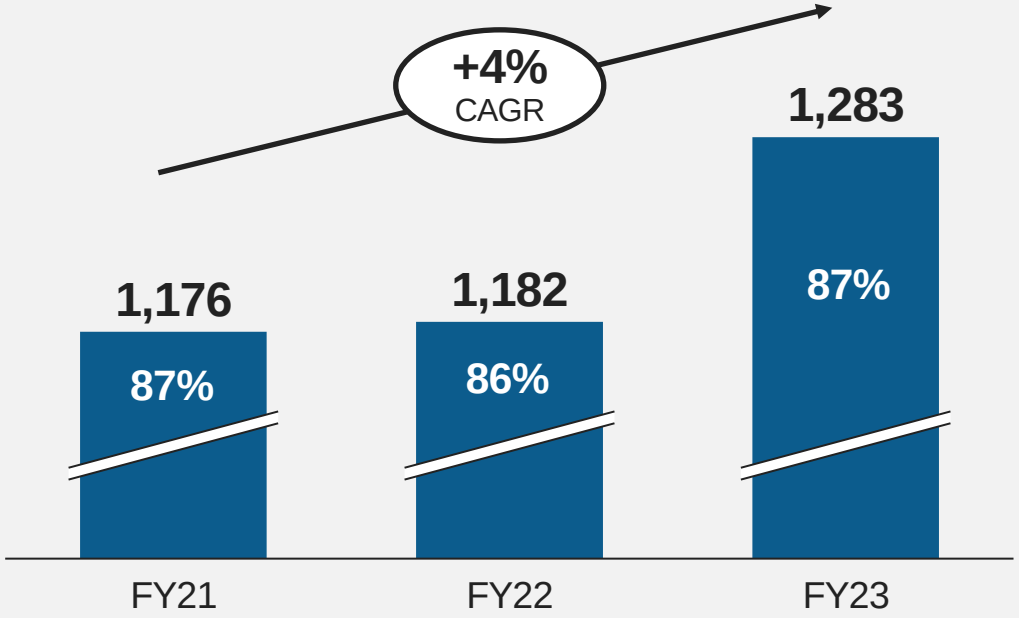
Global Services delivers strong revenue and gross profit

Global Services Revenue
$ in USD millions



Global Services Non-GAAP* Gross Profit
$ in USD millions / % of revenue



Recurring revenue represents > 95% of services revenue

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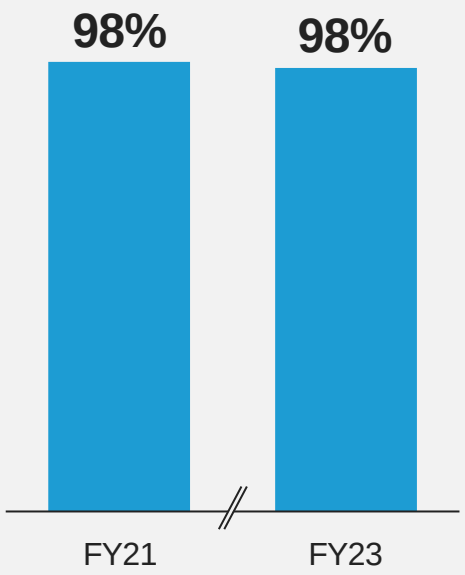
SEE THE GAAP TO NON-GAAP RECONCILIATION IN THE APPENDIX FOR ADDITIONAL INFORMATION

A few key operational metrics demonstrate the strength of Global Services

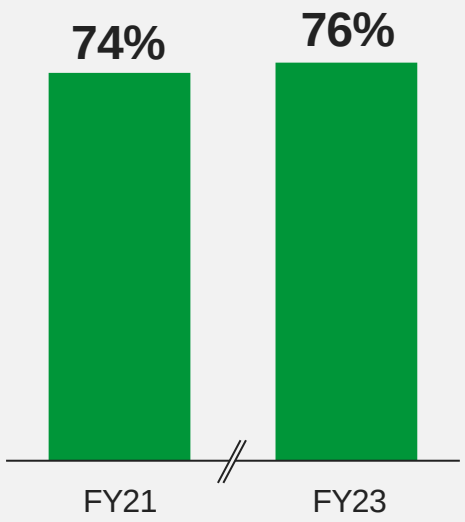
Initial Attach

Services Initial Attach Rates
% attach



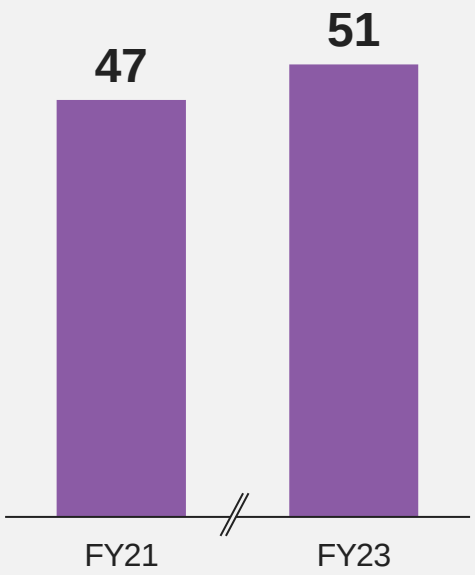
Renewal Rates

Services Renewal Rates
Trailing 7-Year % attach[1]



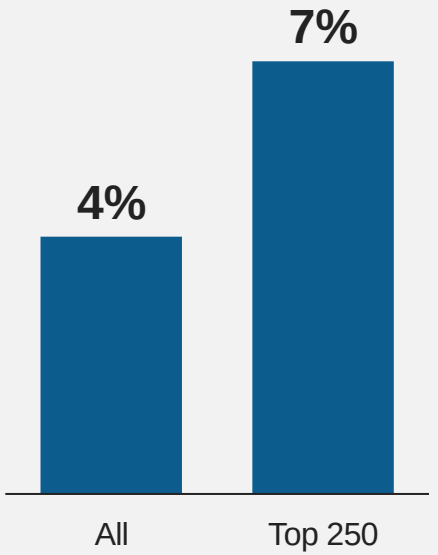
Duration

Services Obligation Aging
Avg # of months



Expansion

Services Growth FY21-23
CAGR comparison



[1] *Number of active obligations divided by aggregate potential obligations over the prior 7 years; software includes perpetual only, excludes term-based subscriptions, marketplace consumption, SaaS and managed services*

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We expect to deliver sustainable double-digit EPS growth

	FY23A	FY24 Outlook	Target Operating Model (FY25+)
Revenue	**4% growth**	**Flat to low-single-digit decline**	**Mid-single-digit growth**
Non-GAAP gross margin	81.5%	82% to 83%	83% to 84%
Non-GAAP operating margin	30.2%	33% to 34%	35%+
Effective tax rate	18.3%	21% to 22%	
Non-GAAP EPS	**$11.70 14.8% growth y/y**	**6% to 8% growth (≥10% growth on a tax neutral basis to FY23)**	**≥10% CAGR**
Capital return as % of annual FCF	58%	At least 50% of annual FCF	At least 50% of annual FCF

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

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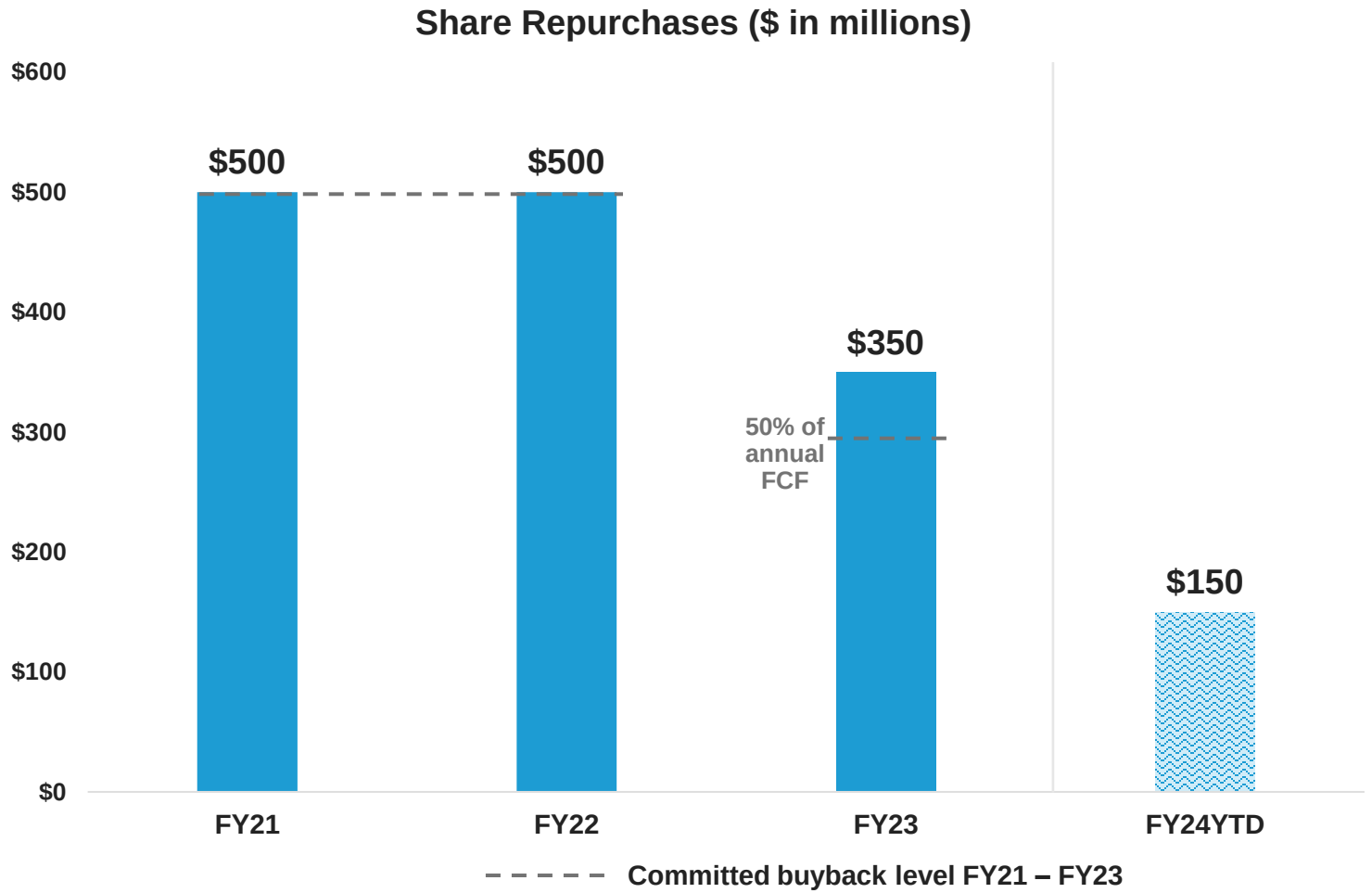
In the last three years, we have returned 83% of our free cash flow to shareholders via share repurchases

83%

of the last 3-years cash flow* used for buyback

- We are committed to using **at least 50% of annual free cash flow for share repurchases.**
- During FY23 we used 58% of our ~$600M free cash flow for share repurchases.
- As of January 29, 2024, there was $772 million remaining under our currently authorized stock repurchase program.



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

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Takeaways from today's discussion

1. Our digital world is in crisis: the current multicloud "ball of fire" is untenable.
2. AI is an accelerant that will make the crisis exponentially worse.
3. To capitalize on this new reality, F5 invested early and transformed its portfolio.
4. F5's market opportunity is much larger and growing faster than 5 years ago.
5. F5's competitive position is stronger and more differentiated than ever before.
6. F5 is successfully executing land-and-expand motions across our portfolio.
7. F5 is positioned for sustainable revenue growth and committed to double-digit earnings growth.

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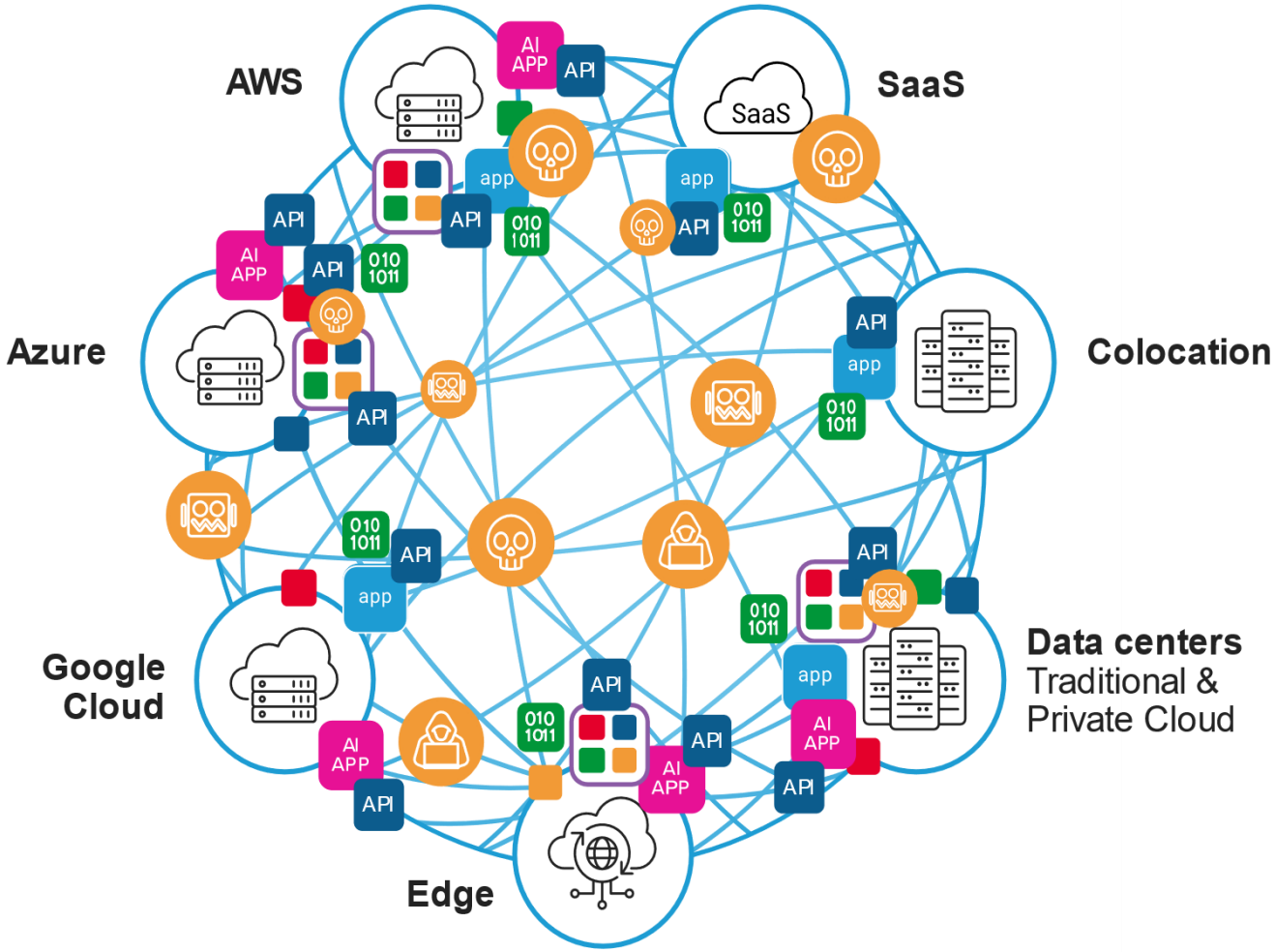
The only company that secures, delivers, and optimizes any app, any API, anywhere.



For more information, please contact Suzanne DuLong, VP IR, at s.dulong@f5.com

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Appendix

GAAP-to-non-GAAP reconciliation for Global Services gross profit

Global Services Gross Profit Reconciliation			
($ in thousands)			
	FY21	FY22	FY23
Global Services GAAP Gross Profit	$1,149,479	$1,158,814	$1,260,415
Stock-based compensation	$22,114	$21,876	$22,155
Facility-exit costs	$1,358	$1,067	$291
Impairment charges	$3,491	$0	$0
Total adjustments to global services gross profit	$26,963	$22,943	$22,446
Global Services Non-GAAP Gross Profit	**$1,176,442**	**$1,181,757**	**$1,282,861**

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GAAP-to-non-GAAP reconciliation for FY23 actual results

Gross Profit Reconciliation	**FY23**
($ in thousands)	
GAAP gross profit	$2,219,861
Stock-based compensation	$29,658
Amortization and impairment of purchased intangible assets	$42,136
Facility-exit costs	$653
Acquisition-related charges	$244
Impairment charges	$0
Total adjustments to gross profit	$72,691
Non-GAAP gross profit	**$2,292,552**
Non-GAAP gross margin	**81.5%**

Income from Operations Reconciliation	
($ in thousands)	
	FY23
GAAP operating income	$472,568
Total adjustments related to revenue	$0
Total adjustments related to gross profit	$72,691
Total adjustments related to operating expense	$304,443
Total adjustments related to income from operations	$377,134
Non-GAAP income from operations	**$849,702**
Non-GAAP operating margin	**30.2%**

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GAAP-to-non-GAAP reconciliation for FY23 actual results

Net Income Reconciliation	
($ in thousands except per share data)	
	FY23
GAAP net income	$394,948
Total adjustments related to revenue	$0
Total adjustments to gross profit	$72,691
Total adjustments to operating expenses	$304,443
Gain on sale of patent	$0
Exclude tax effect on above items	($66,758)
Tax on deemed repatriation of undistributed foreign earnings	$0
Remeasurement of net deferred tax assets due to change in U.S. tax rate	$0
Non-recurring foreign tax credit benefit	$0
Total adjustments to net income	$310,376
Non-GAAP net income	**$705,324**
Weighted average basic common shares outstanding	59,909
Weighted average dilutive potential common shares outstanding	60,270
Net Income per Common Share	
GAAP diluted net income per common share	$ 6.55
Non-GAAP diluted net income per common share	**$ 11.70**

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