



**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549**

**FORM 8-K**

**CURRENT REPORT**  
**Pursuant to Section 13 OR 15(d) of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported):  
July 21, 2004

**F5 Networks, Inc.**

(Exact name of registrant as specified in its charter)

Washington  
(State or other jurisdiction  
of incorporation)

000-26041  
(Commission  
File Number)

91-1714307  
(IRS Employer  
Identification No.)

401 Elliott Avenue West  
Seattle, WA 98119  
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code 206-272-5555

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### **Item 7. Financial Statements, Pro Forma Financial Statements and Exhibits**

(a) Financial Statements of Business Acquired.

Not Applicable.

(b) Pro Forma Financial Information.

Not Applicable.

(c) Exhibits:

99.1 Press release of F5 Networks, Inc. announcing quarterly earnings dated July 21, 2004.

### **Item 12. Results of Operations and Financial Condition**

On July 21, 2004, F5 Networks, Inc. issued a press release containing quarterly earnings results for the third quarter ended June 30, 2004. The press release is attached hereto as Exhibit 99.1.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: July 21, 2004

F5 NETWORKS, INC.

By: /s/ John McAdam

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John McAdam  
Chief Executive Officer & President

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Exhibit Number	Description
99.1	Press release of F5 Networks, Inc. announcing quarterly earnings dated July 21, 2004.

**FOR IMMEDIATE RELEASE**

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**F5 Networks Announces Fiscal Third Quarter Results 16 percent operating margin on record quarterly revenue, up 52 percent year over year**

SEATTLE, WA -- JULY 21, 2004 -- F5 Networks today announced net income of \$7.4 million (\$0.20 per diluted share) on record revenue of \$44.2 million for the third quarter of fiscal 2004, up from \$6.0 million (\$0.16 per diluted share) on revenue of \$40.6 million in the second quarter. In the third quarter of fiscal 2003 the company reported net income of \$1.4 million (\$0.05 per diluted share) on revenue of \$29.2 million.

F5 president and chief executive officer John McAdam said sales in North America rebounded during the quarter and combined with strong sales in Europe and Asia Pacific to boost overall revenue 9 percent sequentially and 52 percent year over year. Strength in North America was led by product revenue, which grew 32 percent sequentially and contributed to 24 percent sequential growth of North American product and service revenue combined. As expected, Japan revenue was down sequentially following exceptionally strong sales in the prior quarter and reflecting the seasonality that typically characterizes the first quarter of Japan's fiscal year.

McAdam said sales of the company's FirePass SSL VPN products also grew during the third quarter. FirePass revenue of \$3.8 million was up from \$2.7 million in the prior quarter, pushing revenue for the first three quarters of fiscal 2004 to \$8.0 million. Steady growth of FirePass sales since the technology was acquired from uRoam in July 2003 is reflected in a recent Infonentics report which ranked FirePass second in global SSL VPN market share.

In line with management's guidance, the company did not report any revenue from its newest security offering, TrafficShield, acquired with the purchase of MagniFire on May 31 of this year. McAdam said the company will continue to focus on training and integration during the current quarter, ending September 30, and expects to generate its first material revenue from TrafficShield in the first quarter of fiscal 2005, with a target of \$8 to \$12 million for the year.

Even with the additional operating expenses resulting from the acquisition of MagniFire, the company's revenue growth enabled it to realize further improvements in its operating margin, which increased to 16 percent from 14 percent in the prior quarter. In addition, the company continued to strengthen its

balance sheet, with days sales outstanding (DSO) of 40 days, contributing to positive cash flow of \$10.6 million from operations. Following \$26.9 million in cash payments related to the purchase of MagniFire, the company had \$210 million in cash and investments at June 30.

With the launch of its new traffic management products -- code-named "Buffalo Jump" -- scheduled for early September, McAdam said he is confident the new products will have a positive impact on the company's core business and will help drive solid revenue growth in fiscal 2005. For the fourth quarter of fiscal 2004, ending September 30, he said management believes the company will continue to grow sequentially and has set a target range of \$45 million to \$47 million in revenue.

Following F5's strong performance during the past three quarters, management expects to begin recording additional U.S. income taxes and expects to reverse the valuation allowance on the company's U.S. deferred tax assets, resulting in an estimated net tax benefit of approximately \$5.7 to \$6.1 million in the fourth quarter. The estimated net tax benefit includes U.S. federal, state and international taxes. Earnings calculated in a manner consistent with prior quarters are expected to be \$0.20 to \$0.22 per share. Earnings per share including tax adjustments are expected to be \$0.37 to \$0.39 per share for the fourth quarter. A reconciliation of the difference between expected earnings before and after the tax adjustment is shown in the following table:

#### RECONCILIATION OF EXPECTED FOURTH QUARTER EARNINGS

	Low ---	High ----
Income before income taxes	\$ 7,800	\$ 8,800
Provision for international and state taxes	(400)	(400)
	-----	-----
Net income after international and state taxes	\$ 7,400	\$ 8,400
Net U.S. tax benefit	6,500	6,100
	-----	-----
Net income after tax	\$ 13,900	\$ 14,500
Net income after international and state taxes per share-diluted	\$ 0.20	\$ 0.22
Net income after tax-diluted	\$ 0.37	\$ 0.39
Weighted average shares-diluted	37,500	37,500

#### ABOUT F5 NETWORKS

F5 enables organizations to successfully deliver business-critical applications and gives them the greatest level of agility to stay ahead of growing business demands. As the pioneer and global leader in Application Traffic Management, F5 continues to lead the industry by driving more intelligence into the network to deliver advanced application agility. F5 products ensure the secure and optimized delivery of applications to any user - anywhere. Through its flexible and cohesive architecture, F5 delivers unmatched value by dramatically improving the way organizations serve their employees, customers and constituents, while lowering operational costs. The company is headquartered in Seattle, Washington with offices worldwide. For more information, visit the F5 Web site: [www.f5.com](http://www.f5.com).



## **FORWARD LOOKING STATEMENTS**

Statements in this press release concerning training and integration related to the TrafficShield product, revenue from TrafficShield, launch of the Buffalo Jump product, the impact of new products on the company's business, revenue growth in fiscal 1995, the company's sequential growth, target revenue and income before taxes, reversal of the deferred tax assets, after tax earnings and other statements that are not historical facts are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of F5, 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, among others: the timely development, introduction and acceptance of additional new products and features by F5 or its competitors; competitive pricing pressures; increased sales discounts; F5's ability to sustain or develop 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 the international markets and the unpredictability of F5's sales cycle. F5 has no duty to update any guidance provided. More information about potential risk factors that could affect F5's business and financial results is included in F5's annual report on Form 10-K for the fiscal year ended September 30, 2003, and other public filings with the Securities and Exchange Commission.

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**F5 NETWORKS, INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(in thousands)

	JUNE 30, 2004	SEPTEMBER 30, 2003
	-----	-----
	(unaudited)	
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents .....	\$ 22,165	\$ 10,351
Short-term investments .....	90,265	34,527
Accounts receivable, net of allowances of \$3,286 and \$3,049 .....	19,789	19,325
Inventories .....	1,868	762
Other current assets .....	4,500	4,779
	-----	-----
Total current assets .....	138,587	69,744
	-----	-----
Restricted cash .....	6,258	6,000
Property and equipment, net .....	12,007	10,079
Long-term investments .....	98,058	34,132
Goodwill .....	48,998	24,188
Other assets, net .....	9,003	4,030
	-----	-----
Total assets .....	\$ 312,911	\$ 148,173
	=====	=====
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities		
Accounts payable .....	\$ 6,348	\$ 3,714
Accrued liabilities .....	16,107	13,148
Deferred revenue .....	26,321	19,147
	-----	-----
Total current liabilities .....	48,776	36,009
	-----	-----
Other long-term liabilities .....	1,812	1,584
Deferred tax liability .....	605	151
	-----	-----
Total long-term liabilities .....	2,417	1,735
	-----	-----
Commitments and contingencies		
Shareholders' equity		
Preferred stock, no par value; 10,000 shares authorized, no shares outstanding .....	--	--
Common stock, no par value; 100,000 shares authorized 34,509 and 27,403 shares issued and outstanding .....	277,009	141,709
Unearned compensation .....	--	(10)
Accumulated other comprehensive income .....	(998)	195
Accumulated deficit .....	(14,293)	(31,465)
	-----	-----
Total shareholders' equity .....	261,718	110,429
	-----	-----
Total liabilities and shareholders' equity ....	\$ 312,911	\$ 148,173
	=====	=====

**F5 NETWORKS, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(unaudited, in thousands, except per share amounts)

	THREE MONTHS ENDED JUNE 30,		NINE MONTHS ENDED JUNE 30,	
	2004	2003	2004	2003
Net revenues:				
Product .....	\$32,537	\$21,310	\$ 88,633	\$61,149
Service .....	11,706	7,879	32,338	23,113
Total net revenues .....	44,243	29,189	120,971	84,262
Cost of net revenues:				
Product .....	7,267	4,491	19,915	12,751
Service .....	2,832	2,290	7,920	6,726
Total cost of net revenues .....	10,099	6,781	27,835	19,477
Gross profit .....	34,144	22,408	93,136	64,785
Operating expenses:				
Sales and marketing .....	16,907	13,593	47,781	39,413
Research and development .....	6,253	4,810	17,597	14,091
General and administrative .....	4,069	2,800	11,271	9,050
Amortization of unearned compensation .	--	6	10	77
Total operating expenses .....	27,229	21,209	76,659	62,631
Income from operations .....	6,915	1,199	16,477	2,154
Other income, net .....	848	352	1,840	1,126
Income before income taxes .....	7,763	1,551	18,317	3,280
Provision for income taxes .....	347	152	1,145	546
Net income .....	\$ 7,416	\$ 1,399	\$ 17,172	\$ 2,734
Net income per share - basic .....	\$ 0.22	\$ 0.05	\$ 0.52	\$ 0.10
Weighted average shares - basic .....	34,382	26,638	32,760	26,227
Net income per share - diluted .....	\$ 0.20	\$ 0.05	\$ 0.48	\$ 0.10
Weighted average shares - diluted .....	36,969	28,467	35,703	27,525