UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 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):
April 19, 2023

F5, Inc.

(Exact name of registrant as specified in its charter)

Washington	000-26041	91-1714307
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

801 5th Avenue
Seattle , WA — 98104
(Address of principal executive offices) — (Zip Code)

Registrant’s telephone number, including area code (206) 272-5555

Not Applicable
Former name or former address, if changed since last report

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, no par value	FFIV	NASDAQ Global Select Market

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter). Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Item 2.02 Results of Operations and Financial Condition

On April 19, 2023, F5, Inc. (the "Company") issued a press release regarding its financial results for the second quarter ended March 31, 2023. The press release is attached hereto as Exhibit 99.1. The information in the press release shall not be treated as filed for purposes of the Securities Exchange Act of 1934, as amended.

Item 2.05 Costs Associated with Exit or Disposal Activities

On April 19, 2023, the management of the Company initiated cost adjustments to better align strategic and financial objectives, optimize operations, and drive efficiencies for long-term growth and profitability, including a reduction in force affecting approximately 620 employees, or approximately 9% of the Company’s global workforce as of April 19, 2023. As part of the restructuring, the Company also expects to reduce its leased facilities.

The Company estimates the expenses associated with the headcount reductions will result in annualized savings of approximately $130 million. The Company expects it will incur approximately $45 million in severance benefits costs related to restructuring and other charges related to these actions in fiscal year 2023. The Company will also reduce some of its leased facilities space, consisting of lease termination and other facility costs. The Company is not able to estimate the cost of the reductions to leased facilities at this time.

Potential position reductions are subject to legal requirements that vary by jurisdiction, which may extend the reduction process beyond fiscal year 2023 in certain cases. The charges that the Company expects to incur regarding the force reduction and other actions are subject to a number of assumptions, including legal requirements in various jurisdictions, and actual expenses may differ materially from the estimates disclosed above.

Item 7.01 Regulation FD Disclosures

A letter to the Company’s employees from François Locoh-Donou, the Company’s Chief Executive Officer and President, regarding the costs adjustment plan is attached hereto as Exhibit 99.2. The information in the letter shall not be treated as filed for purposes of the Securities Exchange Act of 1934, as amended.

This report, including the exhibits attached hereto, contains forward-looking statements (such as our expectations), including, among other things, statements regarding the amount and timing of the expected actions and charges related to the announced costs adjustment plan. These forward-looking statements are subject to the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and of Section 21E of the Securities Exchange Act of 1934, as amended. Actual results could differ materially from those projected in the forward-looking statements as a result of certain risk factors, including but not limited to, the Company’s ability to successfully implement the costs adjustment plan, including reduction in force and lease space reduction; possible changes, including unanticipated, in the size and components of the actions, expected charges and cash expenditures relating to the plan; effects on retaining, recruiting, and motivating personnel following implementation of the plan; and the impact of the plan on business operations, reputation, and client servicing. These forward-looking statements are based on current expectations and are subject to uncertainties and changes in condition, significance, value and effect as well as other risks detailed in documents filed with the Securities and Exchange Commission, including our most recent reports on Form 10-K and Form 10-Q and other documents that we may file from time to time, which could cause actual results to vary from such statements. The Company assumes no obligation to, and does not currently intend to, update any such forward-looking statements after the date of this report.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits:

99.1	Press Release of F5, Inc. announcing quarterly earnings dated April 19, 2023.
99.2	Letter from François Locoh-Donou to the Company’s employees, dated April 19, 2023.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).

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.

	F5, INC. (Registrant)	
Date: April 19, 2023	By:	*/s/ François Locoh-Donou*
		François Locoh-Donou
		President and Chief Executive Officer

EXHIBIT INDEX

Exhibit No.	Description
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F5 Reports 11% Second Quarter Fiscal Year 2023 Revenue Growth; Company Prioritizing High-Impact Initiatives While Reducing Operating Costs

SEATTLE, WA - April 19, 2023 - F5, Inc. (NASDAQ: FFIV) today announced financial results for its second quarter of fiscal year 2023.

"We delivered 11% revenue growth in our second quarter as a result of stronger than expected systems shipments and strong global services performance," said François Locoh-Donou, F5's President and CEO. "While customer spending remains pressured by macro-economic uncertainty near term, we are differentiated in our ability to help customers tackle the significant challenges ahead, including simplifying their hybrid and multi cloud application environments."

Second Quarter Performance Summary

Second quarter fiscal year 2023 revenue grew 11% from the year ago period, to $703 million, up from $634 million in fiscal year 2022. Global services revenue grew 8% from the year-ago period while product revenue grew 14%, reflecting 43% systems revenue growth and software revenue that was down 13% from the year-ago period.

GAAP net income for the second quarter of fiscal year 2023 was $81 million, or $1.34 per diluted share compared to $56 million, or $0.92 per diluted share, in the second quarter of fiscal year 2022.

Non-GAAP net income for the second quarter of fiscal year 2023 was $154 million, or $2.53 per diluted share, compared to $131 million, or $2.13 per diluted share, in fiscal year 2022.

A reconciliation of GAAP to non-GAAP measures is included in the attached Consolidated Income Statements. Additional information about non-GAAP financial information is included in this release.

Business Outlook

"Given the persistent macro uncertainty and its impact on customer spending, we now expect low-to-mid single-digit revenue growth in fiscal year 2023 with non-GAAP operating margins of approximately 30% and non-GAAP earnings growth of 7% to 11%," continued Locoh-Donou.

For the third quarter of fiscal year 2023, F5 expects to deliver revenue in the range of $690 million to $710 million, with non-GAAP earnings in the range of $2.78 to $2.90 per diluted share.

The Company has previously committed to returning cash to shareholders by using at least 50% of its annual free cash flow toward share repurchases. As of the date of this report, the Company had $1.23 billion remaining under its currently authorized common stock repurchase program and announced it plans to repurchase at least $250 million worth of shares during the third quarter of fiscal year 2023.

Company Prioritizing High-Impact Initiatives While Reducing Operating Costs

“Our portfolio and roadmap are squarely aligned with our customers’ hybrid and multi-cloud realities and their desire to simplify operations and lower total cost of ownership,” said Locoh-Donou. “Given the current demand environment however, we are taking action to reduce our operating costs while prioritizing initiatives and innovations that will deliver the most benefit to our customers.”

F5 announced today that it is reducing its global headcount by approximately 620 employees, or approximately 9% of its total workforce. These workforce-related actions are expected to be completed by April 21, 2023 with the exception of the Company's EMEA and parts of its APAC regions where employees will continue the consultation process over the coming weeks, as required by local laws.

The Company estimates that these headcount reductions will result in annualized savings of approximately $130 million. The Company expects it will incur approximately $45 million in severance benefits costs and other charges related to these actions in fiscal year 2023. Additionally, the Company will reduce, and in some cases, eliminate portions of its facilities footprint, as well as reduce costs by applying additional scrutiny on discretionary projects, further reducing travel, and substantially reducing the size of its corporate bonus pool in 2023.

All forward-looking non-GAAP measures included in the Company’s business 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.

Live Webcast and Conference Call

F5 will host a live webcast to review its financial results and outlook today, April 19, 2023, at 5:00 pm ET. The live webcast is accessible from the investor relations page of F5.com. To participate in the live call via telephone in the U.S. and Canada, dial +1 (877) 407-0312. Outside the U.S. and Canada, dial +1 (201) 389-0899. Please call at least 5 minutes prior to the call start time. The webcast replay will be archived on the investor relations portion of F5’s website.

Forward Looking Statements

This press release contains forward-looking statements including, among other things, statements regarding F5’s future financial performance including revenue, revenue growth, operating margins, earnings growth, planned stock repurchases, future customer demand and spending, 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 Reconciliation

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 and impairment of purchased intangible assets, facility-exit costs, acquisition-related charges, net of taxes, restructuring charges, 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.

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.

For reconciliation of these non-GAAP financial measures to the most directly comparable GAAP financial measures, please see the section in our attached Condensed Consolidated Income Statements entitled "Non-GAAP Financial Measures."

About F5

F5 is a multi-cloud application services and security company committed to bringing a better digital world to life. F5 partners with the world's largest, most advanced organizations to secure and optimize apps and APIs anywhere—on premises, in the cloud, or at the edge. F5 enables organizations to provide exceptional, secure digital experiences for their customers and continuously stay ahead of threats. For more information, go to f5.com. (NASDAQ: FFIV)

You can also follow @F5 on Twitter or visit us on LinkedIn and Facebook for more information about F5, its partners, and technologies. F5 is a trademark, service mark, or tradename of F5, Inc., in the U.S. and other countries. All other product and company names herein may be trademarks of their respective owners.

SOURCE: F5, Inc.

F5, Inc.
Consolidated Balance Sheets
(unaudited, in thousands)

	March 31, 2023	September 30, 2022
ASSETS		
Current assets		
Cash and cash equivalents	$ 734,544	$ 758,012
Short-term investments	20,710	126,554
Accounts receivable, net of allowances of $5,181 and $6,020	485,622	469,979
Inventories	50,745	68,365
Other current assets	533,554	489,314
Total current assets	1,825,175	1,912,224
Property and equipment, net	169,771	168,182
Operating lease right-of-use assets	216,293	227,475
Long-term investments	4,736	9,544
Deferred tax assets	235,109	183,365
Goodwill	2,288,635	2,259,282
Other assets, net	483,532	516,122
Total assets	$ 5,223,251	$ 5,276,194
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 69,952	$ 113,178
Accrued liabilities	295,533	309,819
Deferred revenue	1,160,118	1,067,182
Current portion of long-term debt	—	349,772
Total current liabilities	1,525,603	1,839,951
Deferred tax liabilities	3,401	2,781
Deferred revenue, long-term	636,194	624,398
Operating lease liabilities, long-term	259,916	272,376
Other long-term liabilities	72,578	67,710
Total long-term liabilities	972,089	967,265
Commitments and contingencies		
Shareholders' equity		
Preferred stock, no par value; 10,000 shares authorized, no shares outstanding	—	—
Common stock, no par value; 200,000 shares authorized, 60,465 and 59,860 shares issued and outstanding	190,592	91,048
Accumulated other comprehensive loss	(22,977)	(26,176)
Retained earnings	2,557,944	2,404,106
Total shareholders' equity	2,725,559	2,468,978
Total liabilities and shareholders' equity	$ 5,223,251	$ 5,276,194

F5, Inc.
Consolidated Income Statements
(unaudited, in thousands, except per share amounts)

	Three Months Ended March 31,		Six Months Ended March 31,	
	2023	**2022**	**2023**	**2022**
Net revenues				
Products	$ 340,581	$ 297,518	$ 681,139	$ 640,667
Services	362,594	336,706	722,414	680,657
Total	703,175	634,224	1,403,553	1,321,324
Cost of net revenues (1)(2)(3)(4)				
Products	99,795	71,234	198,650	152,896
Services	55,859	55,125	112,011	108,536
Total	155,654	126,359	310,661	261,432
Gross profit	547,521	507,865	1,092,892	1,059,892
Operating expenses (1)(2)(3)(4)				
Sales and marketing	233,076	228,826	466,181	462,861
Research and development	141,363	135,838	283,686	266,109
General and administrative	67,036	68,554	137,027	134,215
Restructuring charges	—	—	8,740	7,909
Total	441,475	433,218	895,634	871,094
Income from operations	106,046	74,647	197,258	188,798
Other income (expense), net	2,737	(1,934)	7,439	(4,365)
Income before income taxes	108,783	72,713	204,697	184,433
Provision for income taxes	27,347	16,477	50,859	34,638
Net income	$ 81,436	$ 56,236	$ 153,838	$ 149,795
Net income per share — basic	$ 1.35	$ 0.93	$ 2.55	$ 2.47
Weighted average shares — basic	60,330	60,573	60,211	60,693
Net income per share — diluted	$ 1.34	$ 0.92	$ 2.54	$ 2.43
Weighted average shares — diluted	60,691	61,405	60,537	61,661
Non-GAAP Financial Measures				
Net income as reported	$ 81,436	$ 56,236	$ 153,838	$ 149,795
Stock-based compensation expense	64,039	64,129	126,913	127,886
Amortization and impairment of purchased intangible assets	12,569	12,850	25,254	32,287
Facility-exit costs	1,533	3,518	3,539	6,260
Acquisition-related charges	7,045	12,966	14,782	29,857
Restructuring charges	—	—	8,740	7,909
Tax effects related to above items	(12,994)	(18,896)	(30,164)	(44,160)
Net income excluding stock-based compensation expense, amortization and impairment of purchased intangible assets, facility-exit costs, acquisition-related charges, restructuring charges and non-recurring tax expenses and benefits (non-GAAP) - diluted	$ 153,628	$ 130,803	$ 302,902	$ 309,834
Net income per share excluding stock-based compensation expense, amortization and impairment of purchased intangible assets, facility-exit costs, acquisition-related charges, restructuring charges and non-recurring tax expenses and benefits (non-GAAP) - diluted	$ 2.53	$ 2.13	$ 5.00	$ 5.02
Weighted average shares - diluted	60,691	61,405	60,537	61,661
(1) Includes stock-based compensation expense as follows:				
Cost of net revenues	$ 7,583	$ 7,341	$ 15,219	$ 14,886
Sales and marketing	26,889	27,613	52,610	54,366
Research and development	18,689	18,233	37,231	36,816
General and administrative	10,878	10,942	21,853	21,818
	$ 64,039	$ 64,129	$ 126,913	$ 127,886
(2) Includes amortization and impairment of purchased intangible assets as follows:				
Cost of net revenues	$ 9,959	$ 9,959	$ 19,918	$ 19,918
Sales and marketing	2,390	2,476	4,779	11,391
General and administrative	220	415	557	978

	$ 12,569	$ 12,850	$ 25,254	$ 32,287
(3) Includes facility-exit costs as follows:				
Cost of net revenues	$ 150	$ 611	$ 351	$ 1,093
Sales and marketing	486	888	1,149	1,637
Research and development	537	1,216	1,178	2,128
General and administrative	360	803	861	1,402
	$ 1,533	$ 3,518	$ 3,539	$ 6,260
(4) Includes acquisition-related charges as follows:				
Cost of net revenues	$ 74	$ 108	$ 167	$ 195
Sales and marketing	849	3,609	2,164	9,773
Research and development	1,233	5,697	5,001	11,691
General and administrative	4,889	3,552	7,450	8,198
	$ 7,045	$ 12,966	$ 14,782	$ 29,857

F5, Inc.
Consolidated Statements of Cash Flows
(unaudited, in thousands)

	Six Months Ended March 31, 2023	Six Months Ended March 31, 2022
Operating activities		
Net income	$ 153,838	$ 149,795
Adjustments to reconcile net income to net cash provided by operating activities:		
Stock-based compensation	126,913	127,886
Depreciation and amortization	54,817	59,798
Non-cash operating lease costs	20,231	19,363
Deferred income taxes	(49,492)	(15,832)
Impairment of assets	—	6,175
Other	1,878	(439)
Changes in operating assets and liabilities (excluding effects of the acquisition of businesses):		
Accounts receivable	(14,317)	(72,777)
Inventories	17,620	(5,828)
Other current assets	(43,547)	(60,896)
Other assets	9,354	(27,893)
Accounts payable and accrued liabilities	(59,534)	(35,649)
Deferred revenue	102,933	99,303
Lease liabilities	(22,140)	(26,131)
Net cash provided by operating activities	298,554	216,875
Investing activities		
Purchases of investments	(689)	(53,715)
Maturities of investments	95,773	96,349
Sales of investments	16,085	78,988
Acquisition of businesses, net of cash acquired	(35,006)	(67,911)
Purchases of property and equipment	(23,793)	(15,792)
Net cash provided by investing activities	52,370	37,919
Financing activities		
Proceeds from the exercise of stock options and purchases of stock under employee stock purchase plan	22,461	28,628
Repurchase of common stock	(40,005)	(250,023)
Payments on term debt agreement	(350,000)	(10,000)
Taxes paid related to net share settlement of equity awards	(9,825)	(16,816)
Net cash used in financing activities	(377,369)	(248,211)
Net (decrease) increase in cash, cash equivalents and restricted cash	(26,445)	6,583
Effect of exchange rate changes on cash, cash equivalents and restricted cash	2,979	(997)
Cash, cash equivalents and restricted cash, beginning of period	762,207	584,333
Cash, cash equivalents and restricted cash, end of period	$ 738,741	$ 589,919
Supplemental disclosures of cash flow information		
Cash paid for amounts included in the measurement of lease liabilities	$ 27,200	$ 30,346
Cash paid for interest on long-term debt	2,970	2,383
Supplemental disclosures of non-cash activities		
Right-of-use assets obtained in exchange for lease obligations	$ 9,577	$ 818

F5ers:

Today, I am sharing the very difficult news that we are reducing the size of our team by 623 roles comprising 9% of our workforce. This unfortunately means we will be parting ways with talented friends and colleagues who have helped transform F5 for the better. To those of you who will be leaving us: I am deeply sorry for the impact this decision will have on you and your family.

Why we are taking action now
Earlier this year, we took a number of steps to adapt our business to evolving macro-economic conditions. These steps included reducing our operating budgets, slowing the pace of our hiring, consolidating office space, and minimizing travel. These measured actions to reduce our cost base provided us with time to gain greater insight on the economic outlook and customer behaviors.

Now, as we look at the past six months, it’s clear that rising interest rates, geopolitical events, and macroeconomic uncertainty have dramatically affected our customers’ spending patterns. We do not believe this environment will persist, but we also do not know what the ‘new normal’ will look like when it comes. Because of this uncertainty, we must take measures to decrease our costs without jeopardizing our future growth trajectory.

In addition to the reduction in our workforce, we will be taking the following actions:

- Reducing Management by Objective (MBO) plans.
  - Eliminating CEO bonus. I will not take an annual cash bonus for FY23.
  - Reducing EVP bonuses. The executive leadership team will have their annual cash bonuses reduced by 70% for FY23.
  - Reducing employee MBOs. For Q2, Q3 and Q4 of FY23, the budget pool funding the MBO bonus will be 50%. This FAQ provides more information on how this applies to your role and theater.
- Consolidating offices. We will begin office consolidation later this year with more specific information on locations provided in Q3.
- Reformatting internal company events. Large events such as ISMC and Tech Summit will be virtual.
- Implementing further reductions to travel and expense budgets.

These are incredibly tough decisions that weigh heavily on me as they impact all F5ers. Together, we have created a truly special culture at F5 built around our BeF5 behaviors. These principles are guiding us in our approach to today’s actions and the support we are providing to our departing employees.

It is understandable to wonder if these actions could have been avoided. These are extraordinary measures being taken under extraordinary circumstances. I take responsibility for the decisions we have made, and I will give you my unvarnished perspective as we come together in the days ahead.

What happens next
We will communicate with transparency and act with sensitivity and care; both in the coming days with employees who will be leaving, and over the coming weeks, for those who will remain at F5. I believe it’s important for all employees to have an opportunity to hear directly from me about these changes. I will host three employee calls – at 3:00 PM PT and 6:00 PM PT today, and 7:15 AM PT tomorrow. These will be brief out of respect for impacted employees and the process that is ongoing.

I know this news is stressful as you wait to see what may be next for you personally and for your colleagues. Here is what you can expect:

- Over the next 48 hours, we will contact all impacted employees and, in accordance with local laws, begin the consultation process in EMEA, Australia, Japan and New Zealand.
- Impacted employees in the U.S., Canada, Latin America, APCJ, and India will receive an invitation for a meeting where they will learn next steps.
- Once all notifications are complete, no later than the end of the day Pacific Time on Thursday, employees will receive an email to let them know the notification process has concluded.
- EMEA, Australia, Japan, and New Zealand employees will continue the consultation process over the coming weeks, as required by local laws.

Our immediate priority is to provide care and support for our departing colleagues so I ask for your patience as managers and leaders may not have immediate answers to all your questions. We will hold two town halls on Monday, April 24, where I and the Executive Leadership Team (ELT) will answer as many questions as possible. Each member of the leadership team will provide additional guidance to their organizations in the coming weeks as well.

How we will care for departing employees
We will live our values by supporting impacted employees in a respectful, dignified, and transparent manner. We will provide employees leaving F5 with assistance that goes beyond typical country market practices and in accordance with local employment laws. The package for impacted employees will include the following:

- Generous severance compensation
- Eligible employees will receive their Q2 FY23 MBO payout and May 1 stock vest
- Outplacement assistance
- Retention of F5 laptops where possible
- Immigration support

More detail on these benefits and additional support will be provided to employees from HR immediately following notification meetings.

Where we go from here
The future is application-driven – applications that are built on complex architectures and distributed across datacenters, clouds and edge locations. Through the extraordinary work of this team, we have transformed F5 into a multi-cloud application security and delivery leader poised to own this opportunity.

Our strategy is unchanged. It is clear as I talk to customers, they want to work with F5 to address the complexity they face in deploying, managing, and securing their applications in this new world. I am confident our growth will accelerate as our customers resume their digital transformation efforts. We have deep relationships with nearly 18,000 organizations and are the only industry player with best-in-class solutions for hardware, software, and SaaS. Our opportunity now is to evolve as an organization and sharpen our focus on the areas most critical to our future.

For F5ers who will be leaving us, I want to express my heartfelt appreciation for all you have done for our customers, partners, and F5. Your efforts have made an indelible mark on our business, and for that I am truly grateful.

To F5ers who are remaining with us, the following days and weeks will be difficult as we say goodbye to our friends and colleagues. During this time, I encourage you to lean on me, the leadership team, and each other.

Each of you has my deepest gratitude and respect.

Thank you.
François