Q4FY23 & FY23 Results

PERIOD ENDING September 30, 2023

Published October 24, 2023

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 release should be read in conjunction with the consolidated financial statements and notes thereto included in F5's most recent reports on Forms 10-Q and 10-K as each may be amended from time to time. All forward-looking statements in this press release are based on information available as of the date hereof and qualified in their entirety by this cautionary statement. F5 assumes no obligation to revise or update these forward-looking statements.

GAAP to non-GAAP presentation

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

Business Overview

François Locoh-Donou, President & CEO

GAAP & Non-GAAP results

GAAP results

	Q4FY23	Q4FY22	FY23	FY22
Revenue	**$707M**	**$700M**	**$2,813M**	**$2,696M**
Gross profit	$566M	$553M	$2,220M	$2,156M
Gross margin	80.1%	78.9%	78.9%	80.0%
Operating profit	$172M	$108M	$473M	$404M
Operating margin	24.3%	15.4%	16.8%	15.0%
Net income	$152M	$89M	$395M	$322M
EPS	**$2.55**	**$1.49**	**$6.55**	**$5.27**

Non-GAAP results

	Q4FY23	Q4FY22	FY23	FY22
Gross profit	$585M	$570M	$2,293M	$2,227M
Gross margin	82.7%	81.4%	81.5%	82.6%
Operating profit	$240M	$191M	$850M	$778M
Operating margin	33.9%	27.3%	30.2%	28.9%
Net income	$209M	$158M	$705M	$623M
EPS	**$3.50**	**$2.62**	**$11.70**	**$10.19**

We delivered against our Q4FY23 guidance

	Q4FY23 Guidance	Q4FY23 Actuals
Total revenue	**$690 to $710M**	**$707M**
Non-GAAP gross margin	~83%	82.7%
Non-GAAP operating expenses	$338 to $350M	$345M
Non-GAAP EPS	**$3.15 to $3.27**	**$3.50**

Q4FY23 performance highlights

+9%
Global Services
revenue growth Y/Y

11%
Total software*
revenue growth Y/Y

+27%
Subscription software*
revenue growth Y/Y

+10%
Total software*
revenue growth Q/Q

*Total software revenue includes subscription and perpetual software. Subscription software revenue includes term subscriptions, both multi-year and annual, as well as SaaS- and utility-based revenue and managed services.

FY23 highlights

Subscription Renewals

Performed largely to plan in a tough environment, a strong signal that customers are getting the value and return they expect from our software.

F5 Distributed Cloud Services’ SaaS

29% of Distributed Cloud SaaS customers are new to F5.

More than 500 customers in total, +200% since Q4 of FY22.

Competitive Takeout Traction

Good success displacing a traditional ADC competitor in both software and hardware form factors.

Meaningful Operating Improvements

Non-GAAP operating margin +130 bps from FY22.

Considerations in our FY24 outlook

Macro

- Continued application and API growth fueled by automation and new use cases
- Customer spending caution persists into FY24, but is stable
- Customers ability to sweat assets will reach a tipping point, causing them to reinvest in their application infrastructures, likely beginning in FY24

F5

- ~$180 million revenue headwind from FY23 backlog fulfillment
- Flat-to-modest software revenue growth
  - Continued subscription renewal strength
  - Steady F5 Distributed Cloud SaaS revenue growth
  - Transitions in SaaS and Managed Services offerings
- Global services revenue returns to low-single-digit growth

Our outlook for FY24 & FY25

	FY23A	FY24 Outlook	Target Operating Model (FY25+)
Revenue	**4% growth**	**Flat to low-single-digit decline**	**Mid-single-digit growth**
Non-GAAP operating margin	30.2%	33% to 34%	
Non-GAAP EPS	**$11.70** **14.8% growth y/y**	**5% to 7% growth** **(≥10% growth on a tax neutral basis to FY23)**	

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

F5 is the only company that can deliver, secure & optimize any app & API anywhere

- F5's security and deliver solutions offer a custom fit for every app and API.
- The combination of our deployable software and hardware, as well as SaaS and managed services means F5 can serve every app and API across ALL infrastructure environments.
- Integration and convergence of our solutions will make it even easier for our customers to secure and deliver their apps across all infrastructure environments.

F5's converged portfolio is resonating with customers who are able to deploy the solutions they need today with the knowledge that we will be with them on every step of their multi-cloud journey.

Q423 use case examples

F5 BIG-IP

Serves traditional apps on-premises, co-located or in cloud environments

- BIG-IP's data plane performance, automation capabilities and seamless public cloud integration differentiate the platform.
- Share gain opportunity v. non-investing competitors.

Healthcare System

- Incumbent unable to handle a mission critical upgrade to the customer's physician portal.
- Customer selected BIG-IP based on advanced app delivery capabilities, secure access management, partnership with healthcare records platform, and confidence in F5's roadmap.

F5 NGINX

Serves modern, container-native and microservices-based apps and APIs

- Large enterprises adopting NGINX for cloud and Kubernetes workloads.
- NGINX enables app-layer security for containers.

Global technology company

- Customer's ecommerce division needed to comply with new data security standards.
- Customer using NGINX App Protect to implement app-layer security to the containers processing credit card data.

Q423 use case examples

F5 Distributed Cloud Services - WAAP

Protect apps and APIs deployed across clouds and edge sites

- Industry-leading SaaS-based WAF and bot protection, advanced API security and L3-L7 DDoS defense.
- “Click to enable, run anywhere” security policies for consistent and repeatable protection.

Bank

- Customer attacked by malicious foreign actor their WAF couldn’t handle.
- Selected F5 Distributed Cloud for WAF & API protection, bot defense and layer-7 DDoS protection.

F5 Distributed Cloud – Multi-Cloud Networking

Securely connect apps between on-premises, multi-cloud and edge

- F5’s ability to package networking, security, and distribution of apps and APIs is unique and changes the game.
- Customers have been forced to manage and secure these layers in isolation, leading to operational complexity, network latency and weak security.

Retailer

- Customer needed a solution to enable them to grow and manage expanding cloud-native apps while migrating virtual machine and on-premises appliances to the cloud.
- F5 MCN’s ability to use the customer edge made the move 100% transparent..

Q423 use case examples

F5's Converged Portfolio Advantage

Customers choosing F5 to secure apps & APIs across multiple environments

- Only F5 can serve every app and API across all environments.
- The power of our converged portfolio is resonating with customers.

Financial Services Provider

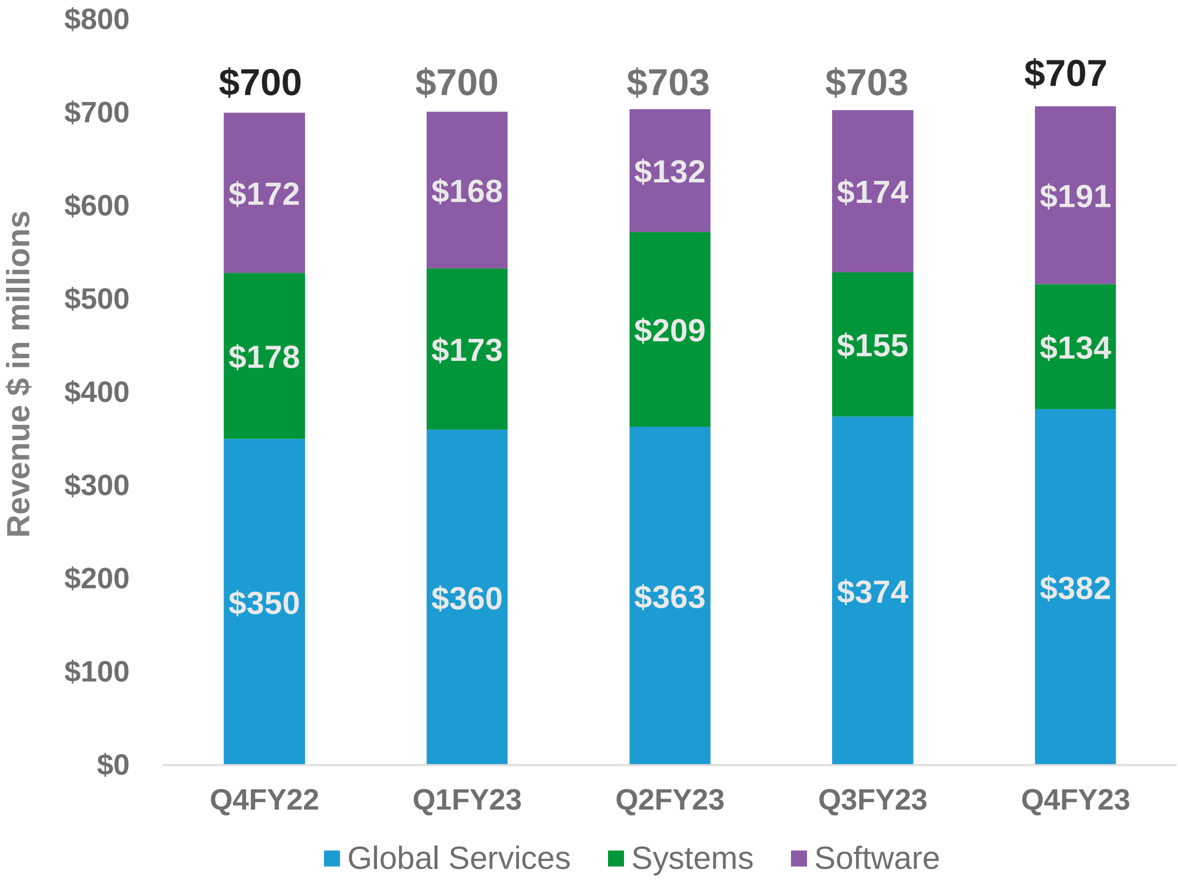
- Customer launched a multi-faceted modernization project.
- Combination of BIG-IP and F5 Distributed Cloud bot defense chosen to handle unpredictable traffic growth, custom services for each app, and enhance security posture via ML-based engine.

Q4FY23 Results

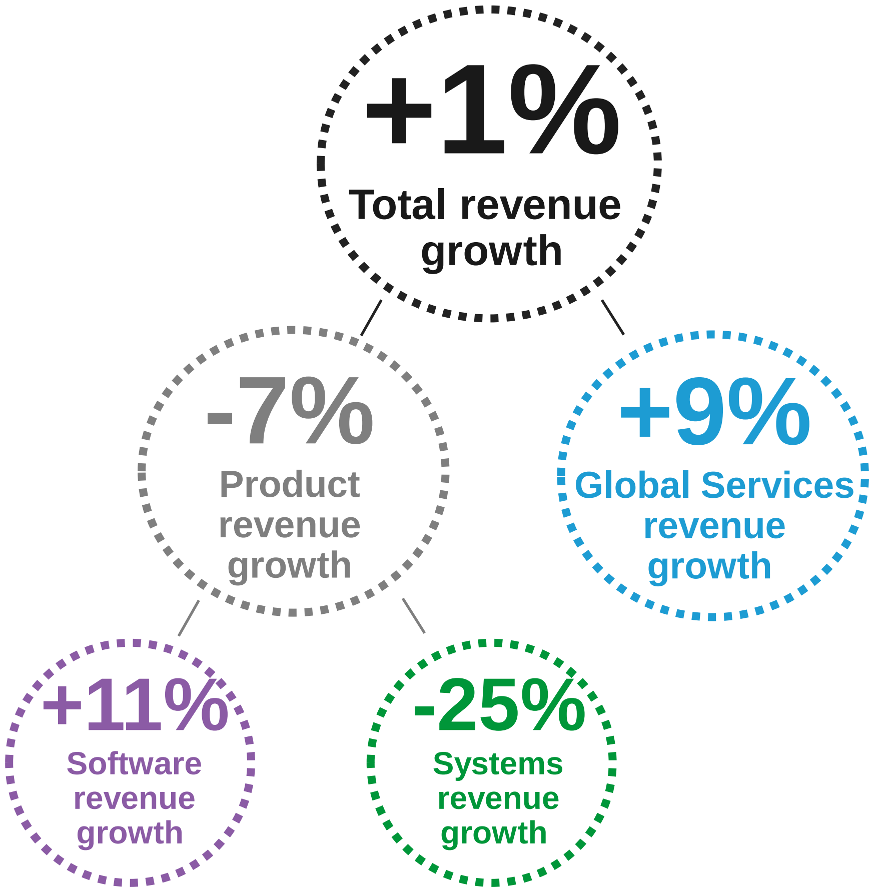
Frank Pelzer, CFO & EVP

Revenue mix and year-over-year change

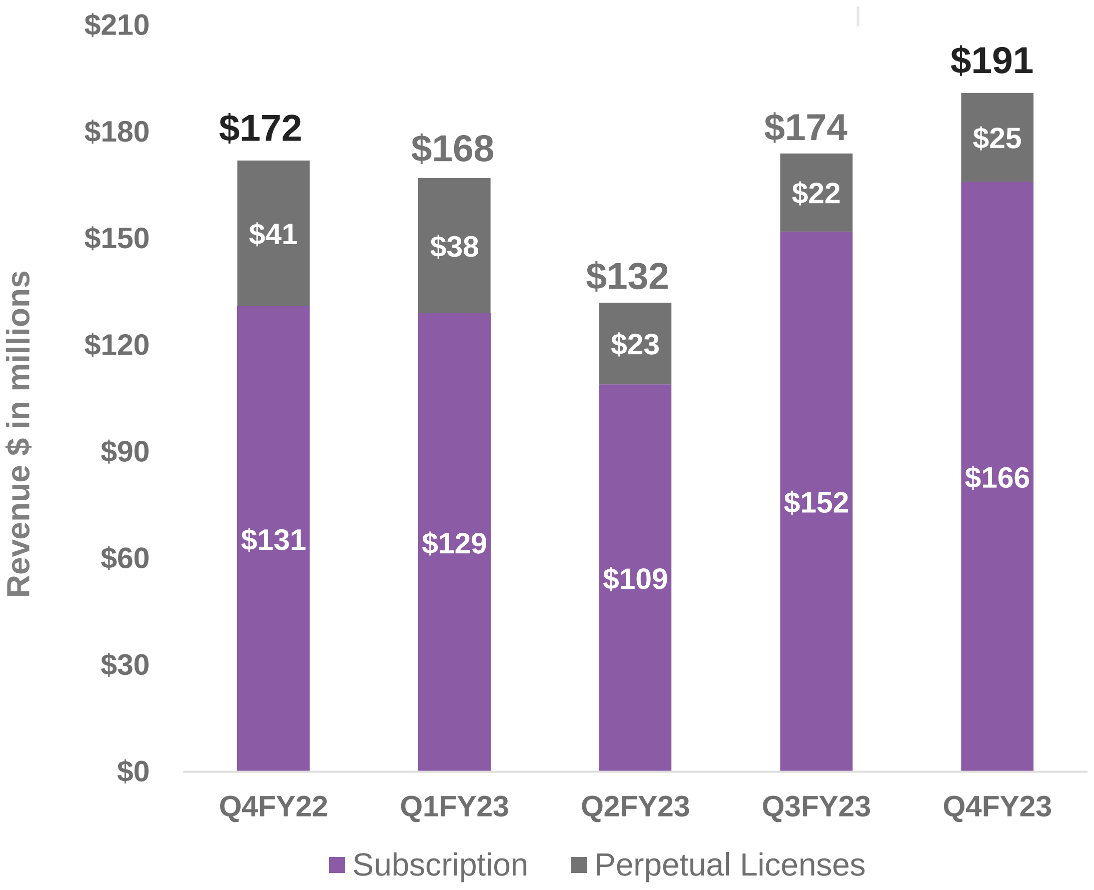
Revenue mix



Year/Year change



Software revenue mix



87%

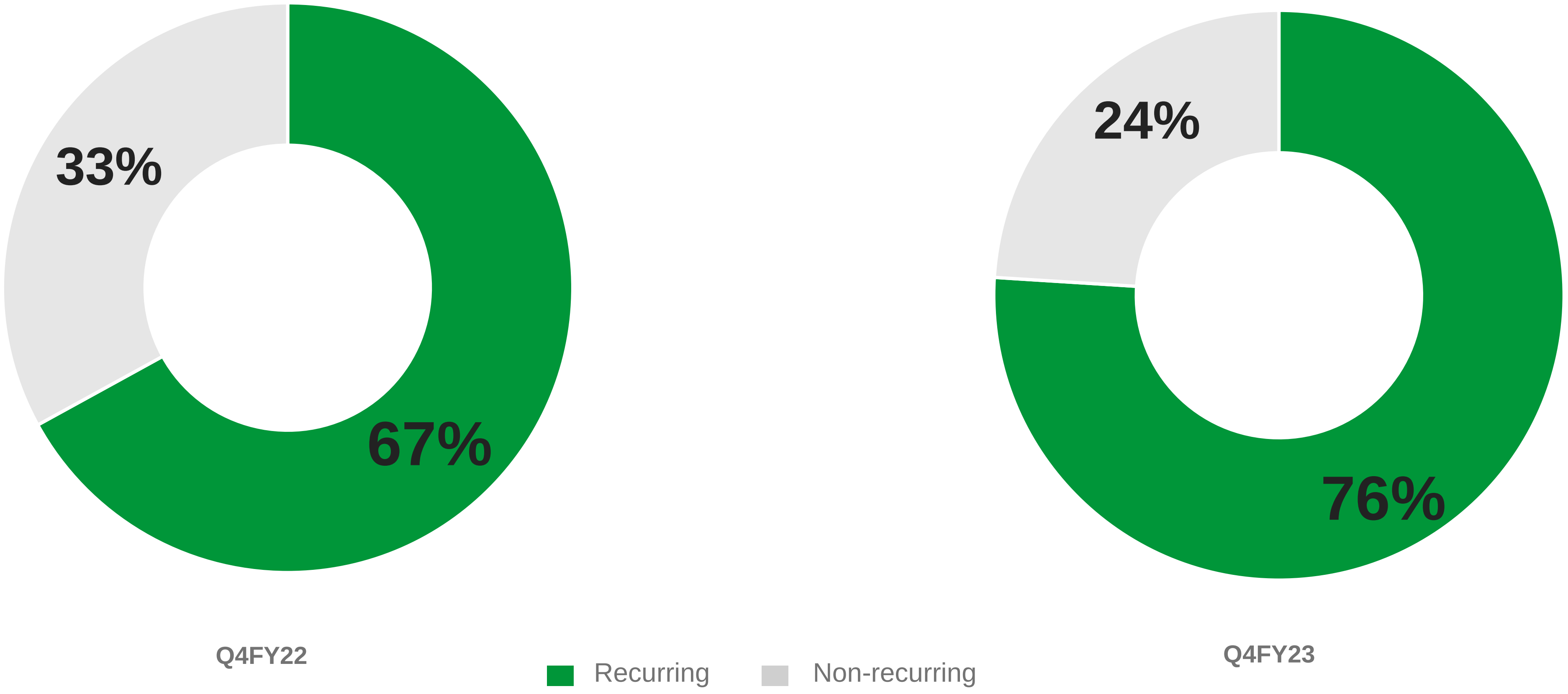
of Q4FY23 total software revenue from subscriptions

+27%

Subscription software revenue growth Y/Y

Totals may not add to due to rounding. Subscription software revenue includes term subscriptions, both multi-year and annual, as well as SaaS & managed services and utility-based revenue..

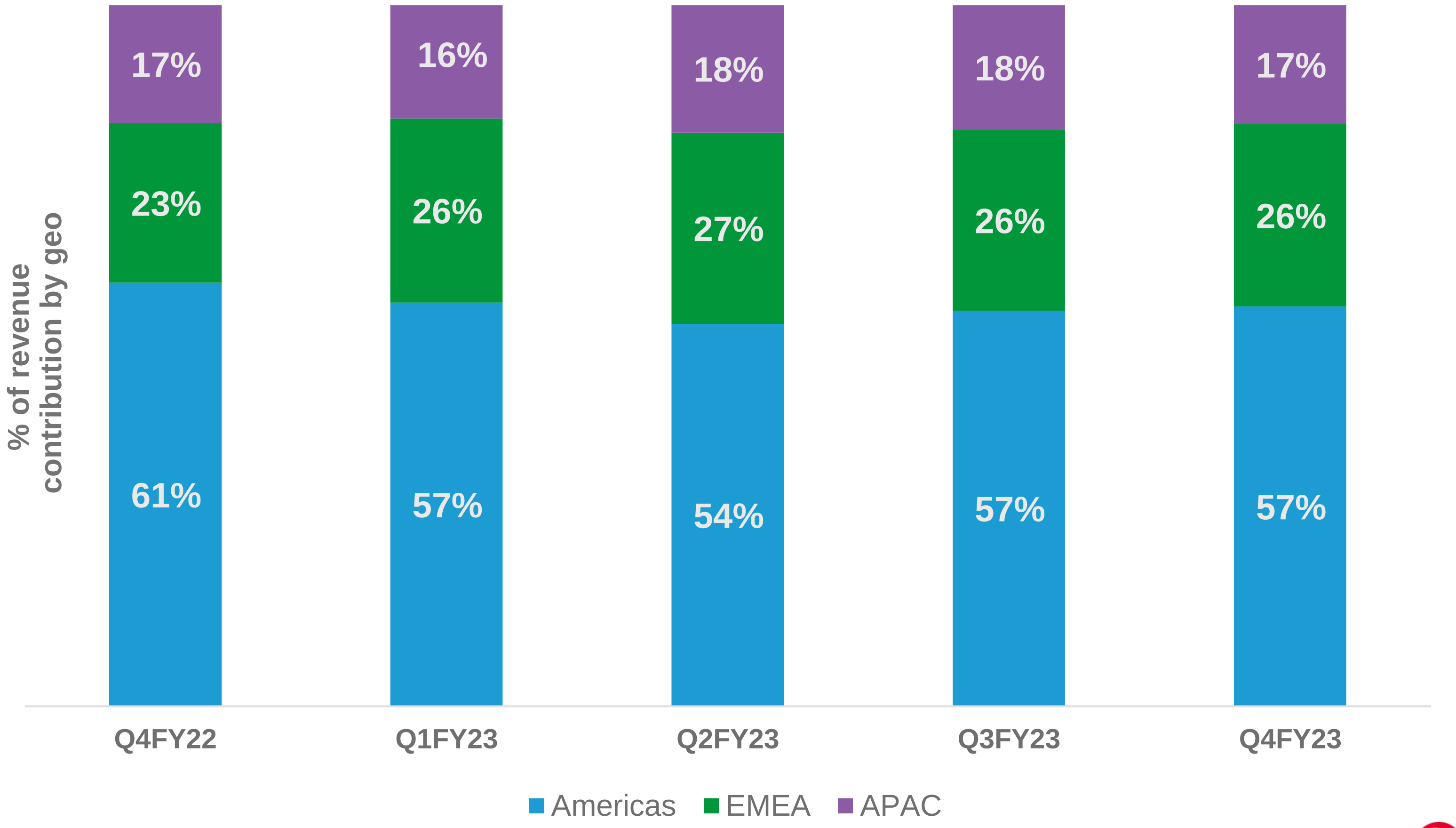
76% of our Q4FY23 revenue is recurring



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

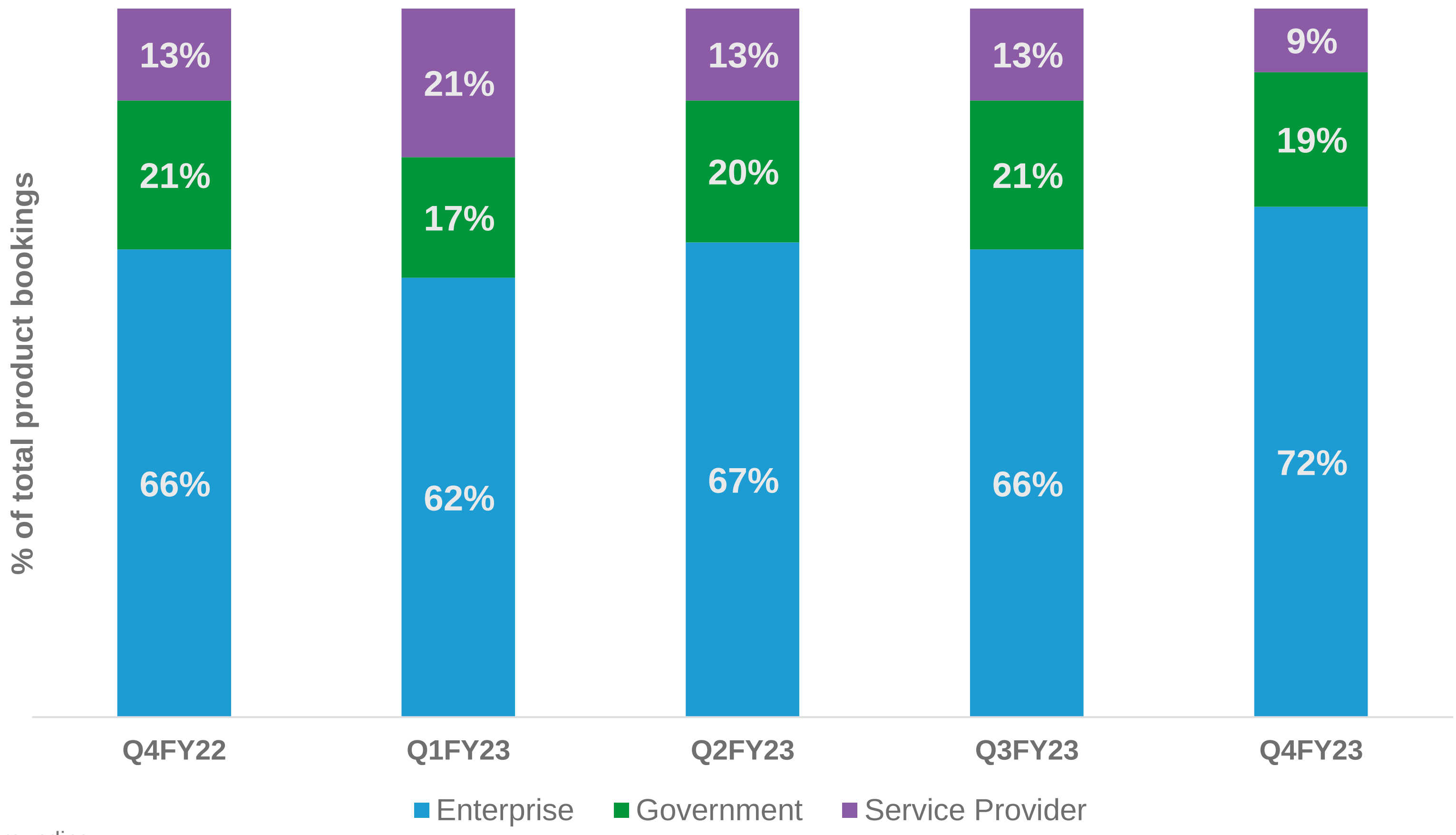
Revenue contribution by geography

Y/Y regional revenue growth Q4FY23



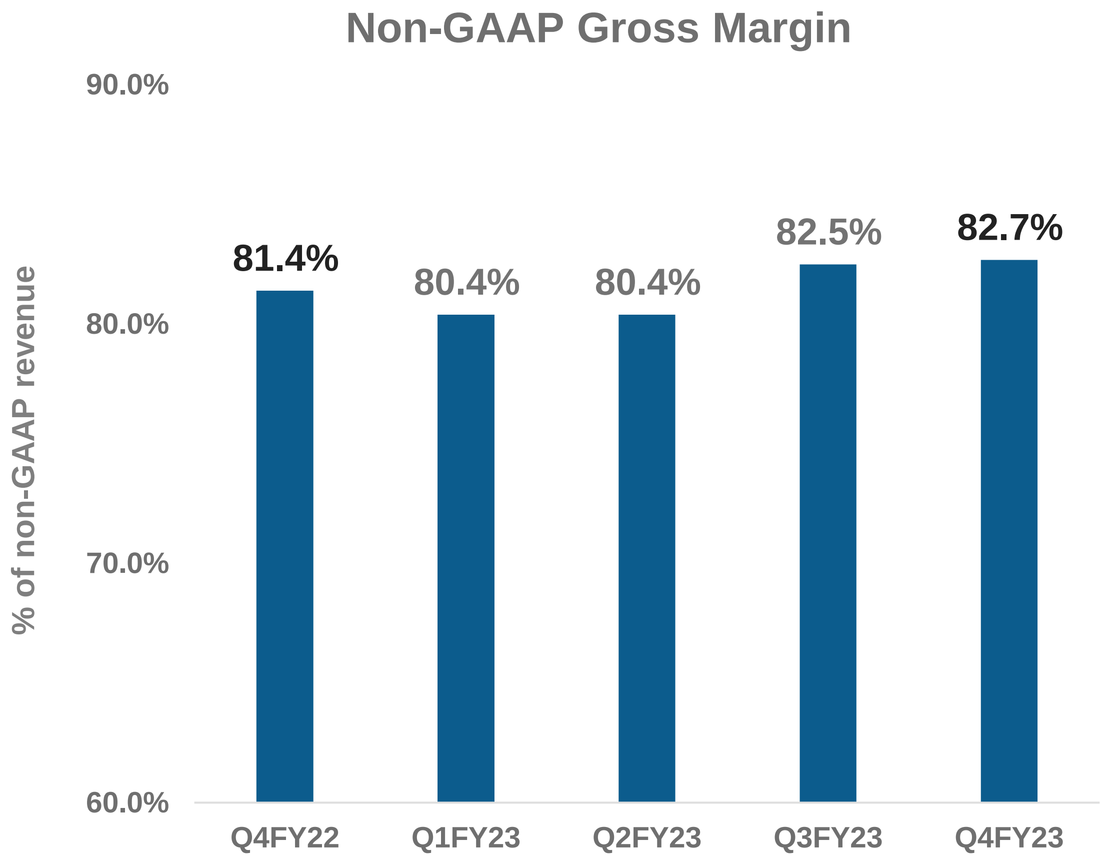
Totals may not add to 100% due to rounding.

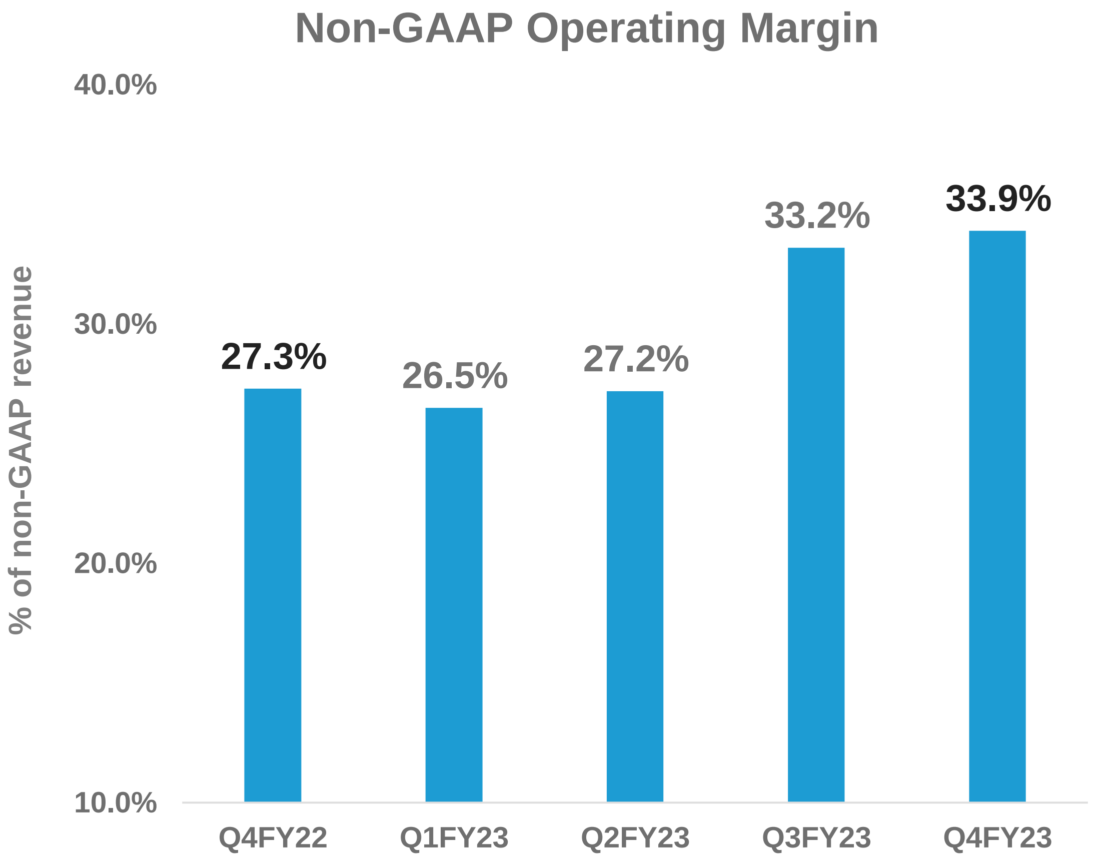
Customer verticals as a % of product bookings



Totals may not add to 100% due to rounding.

Non-GAAP gross and operating margins

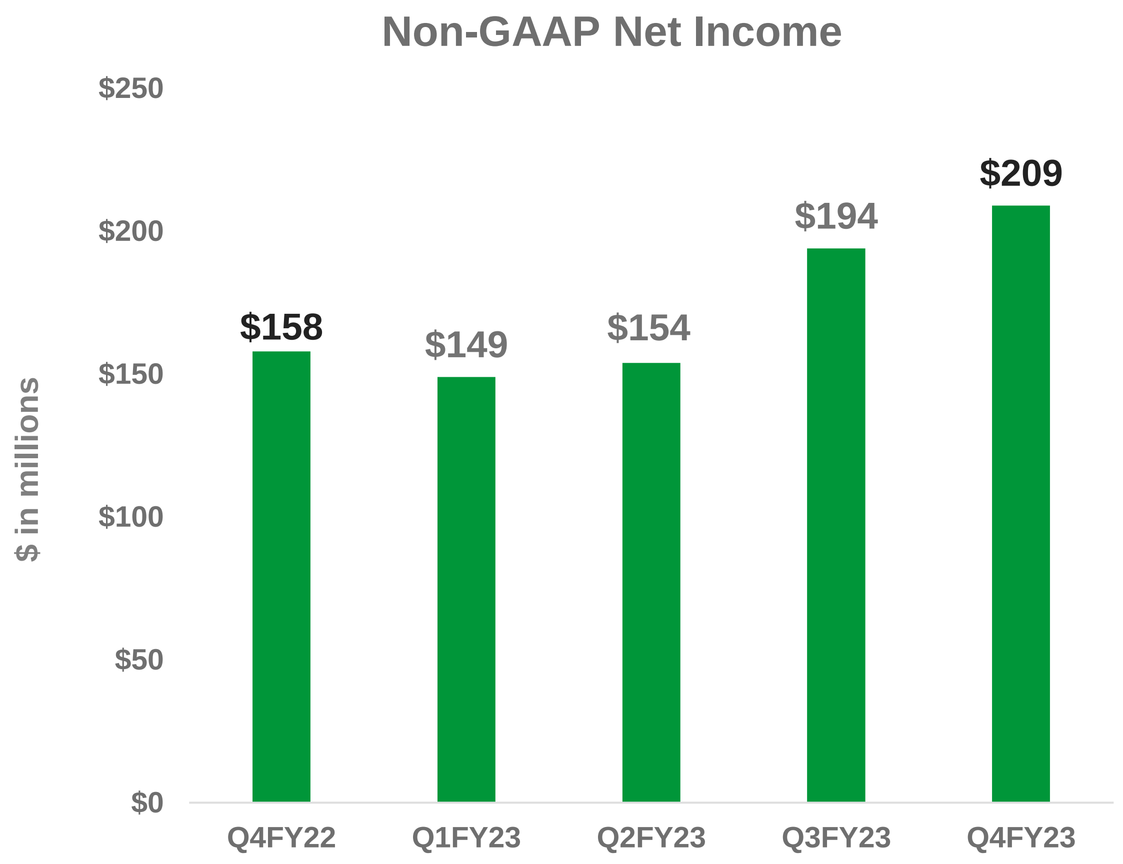


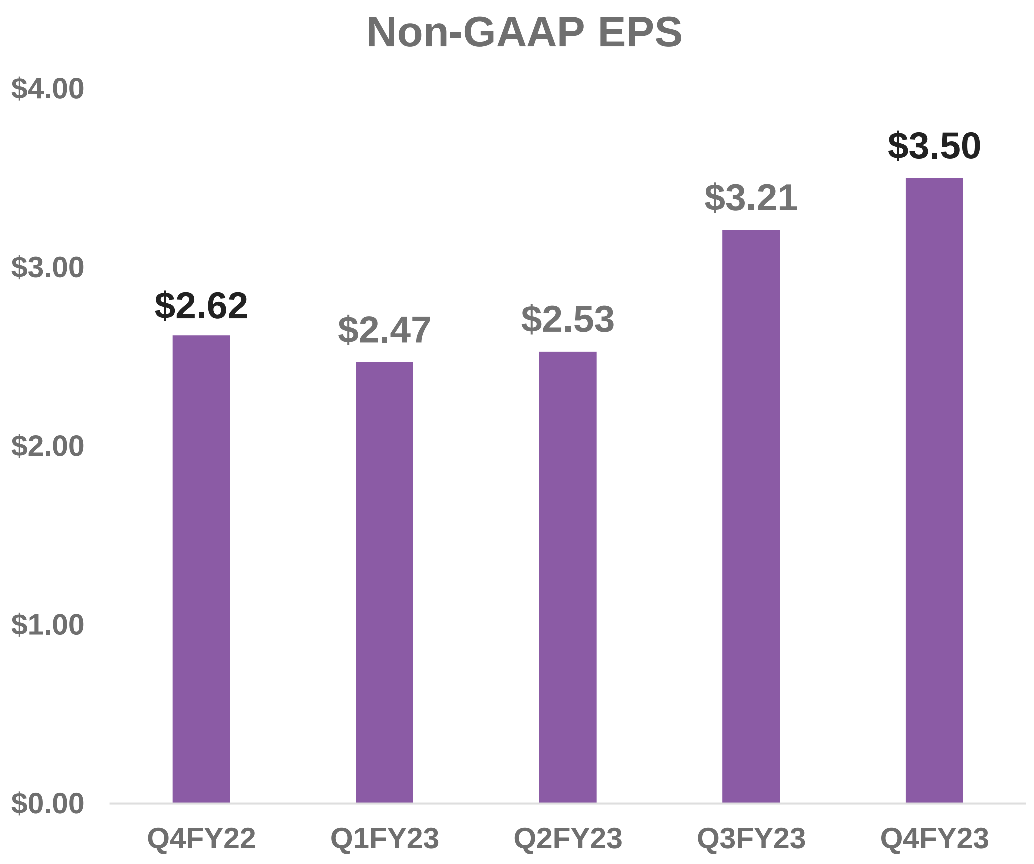


See appendix for GAAP to non-GAAP reconciliation

Non-GAAP net income and EPS

Reflects 14.0% Q4FY23 and 14.1% Q4FY22 non-GAAP effective tax rate





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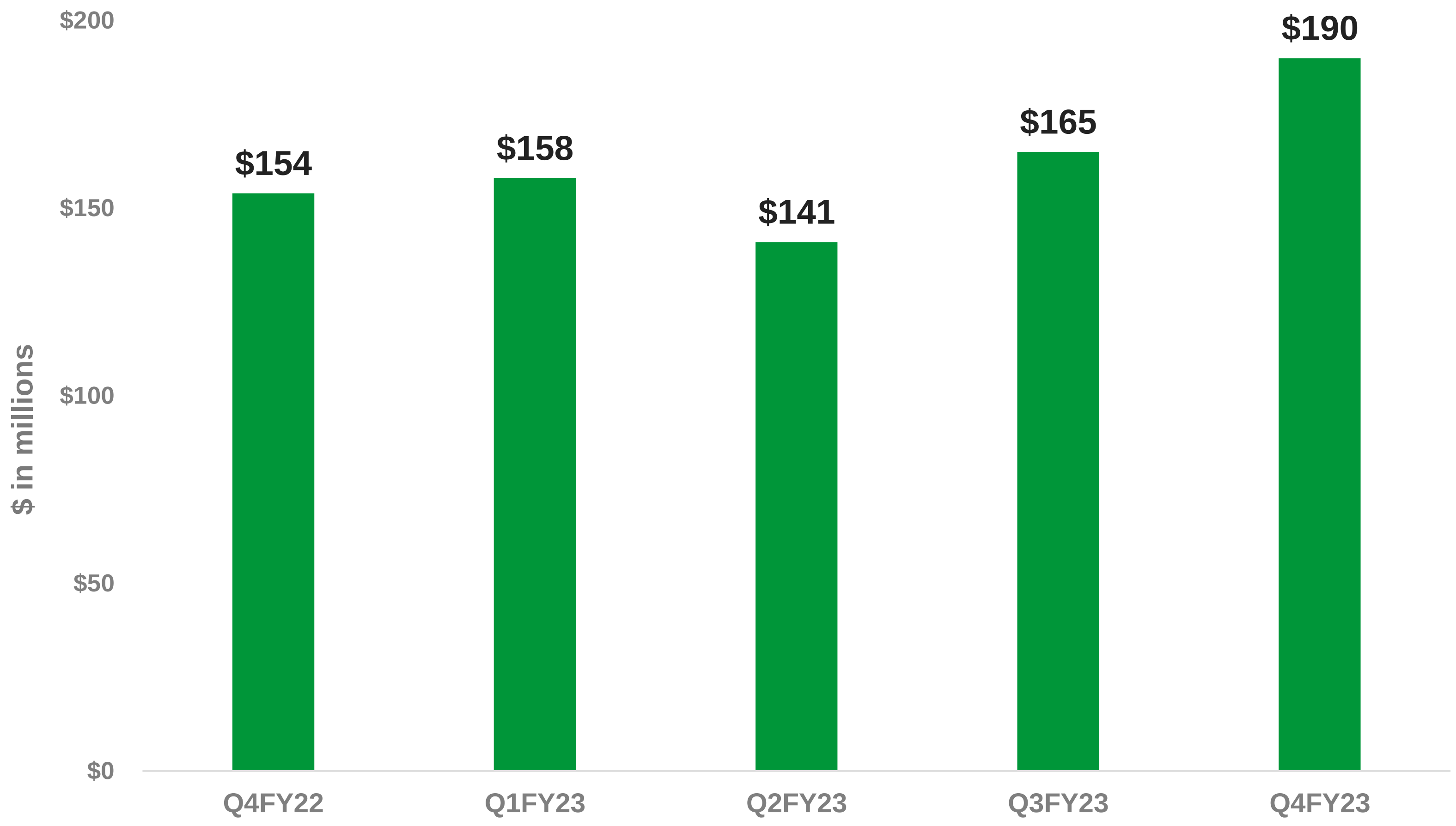
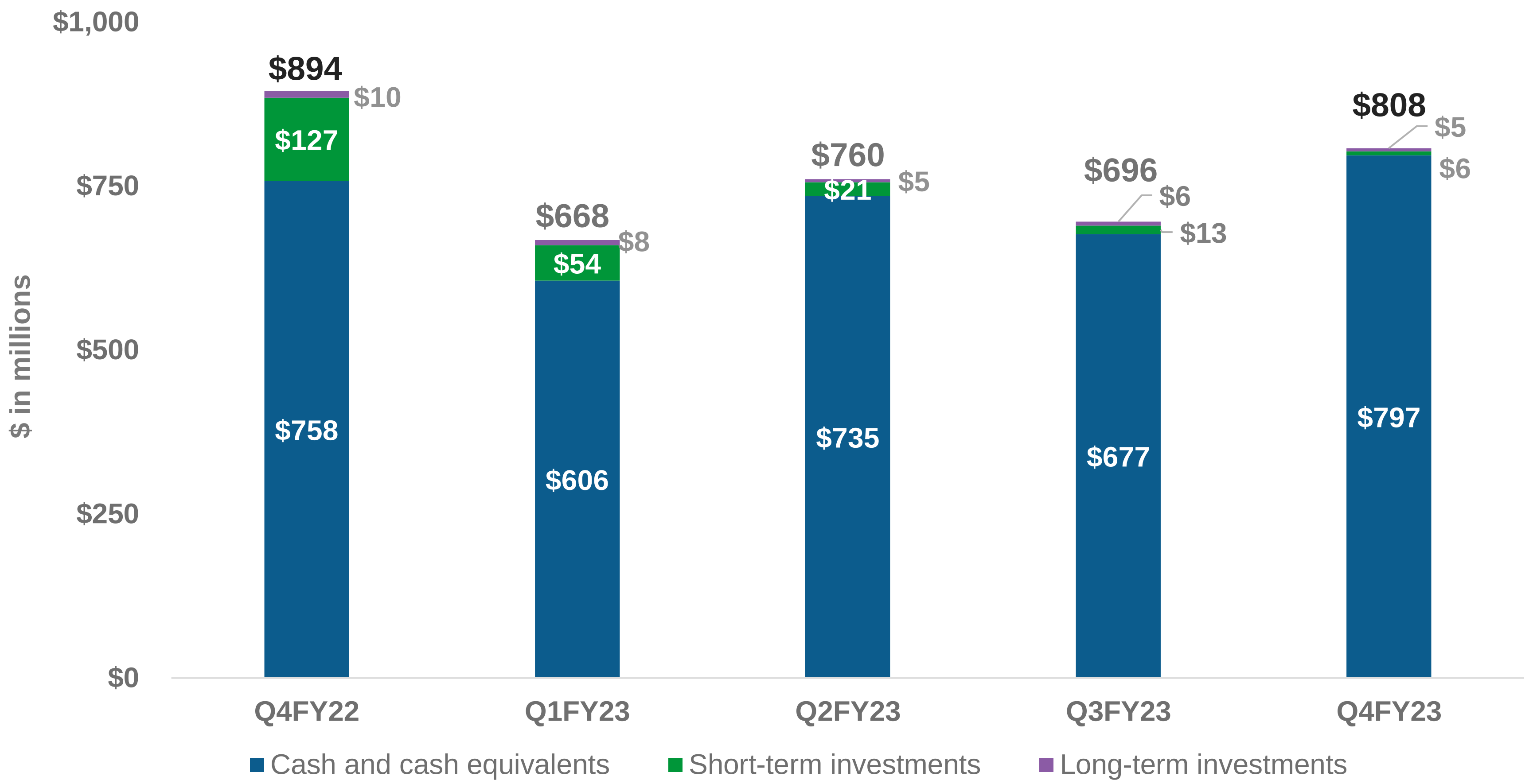
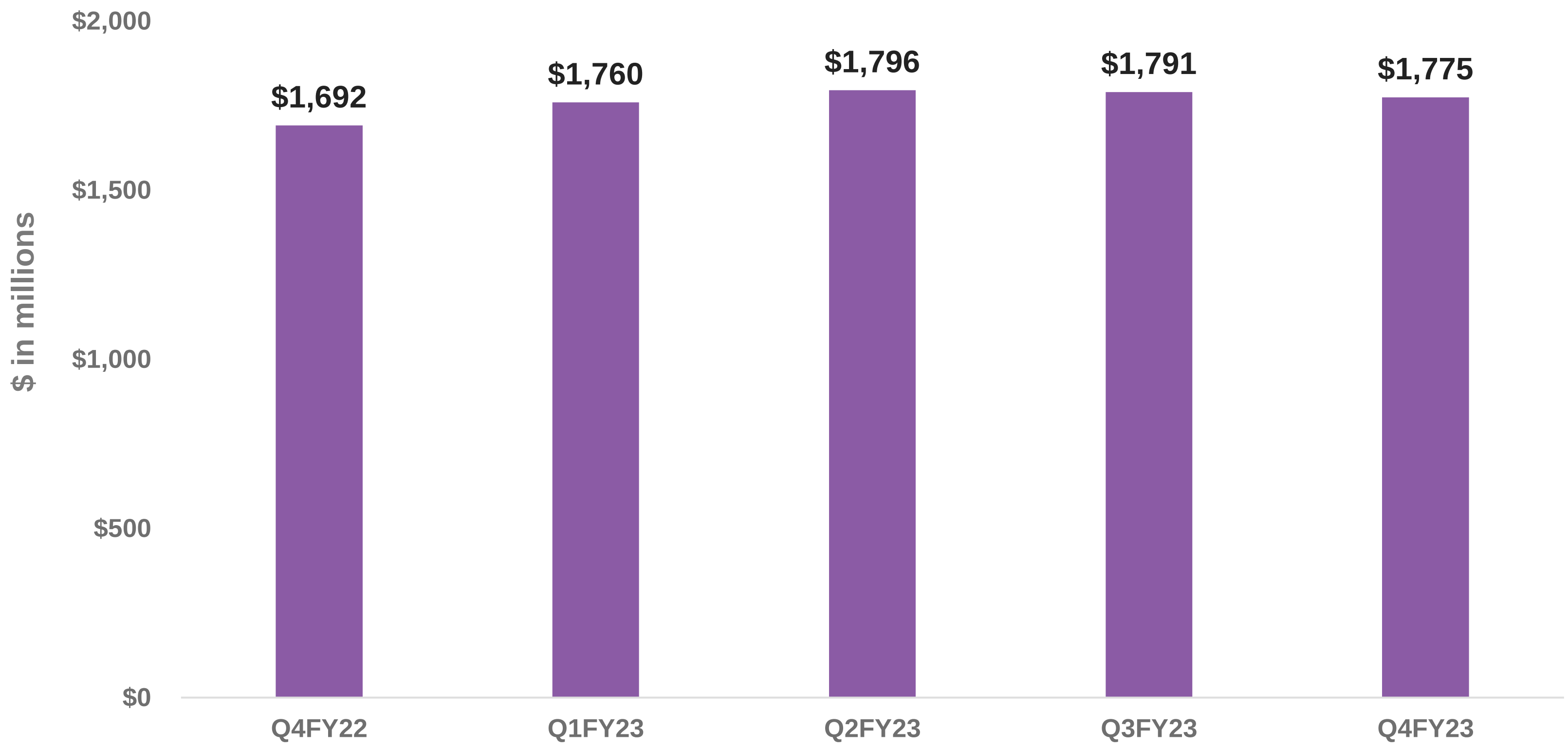
Cash flow from operations



Cash and investments



Deferred revenue



+5%

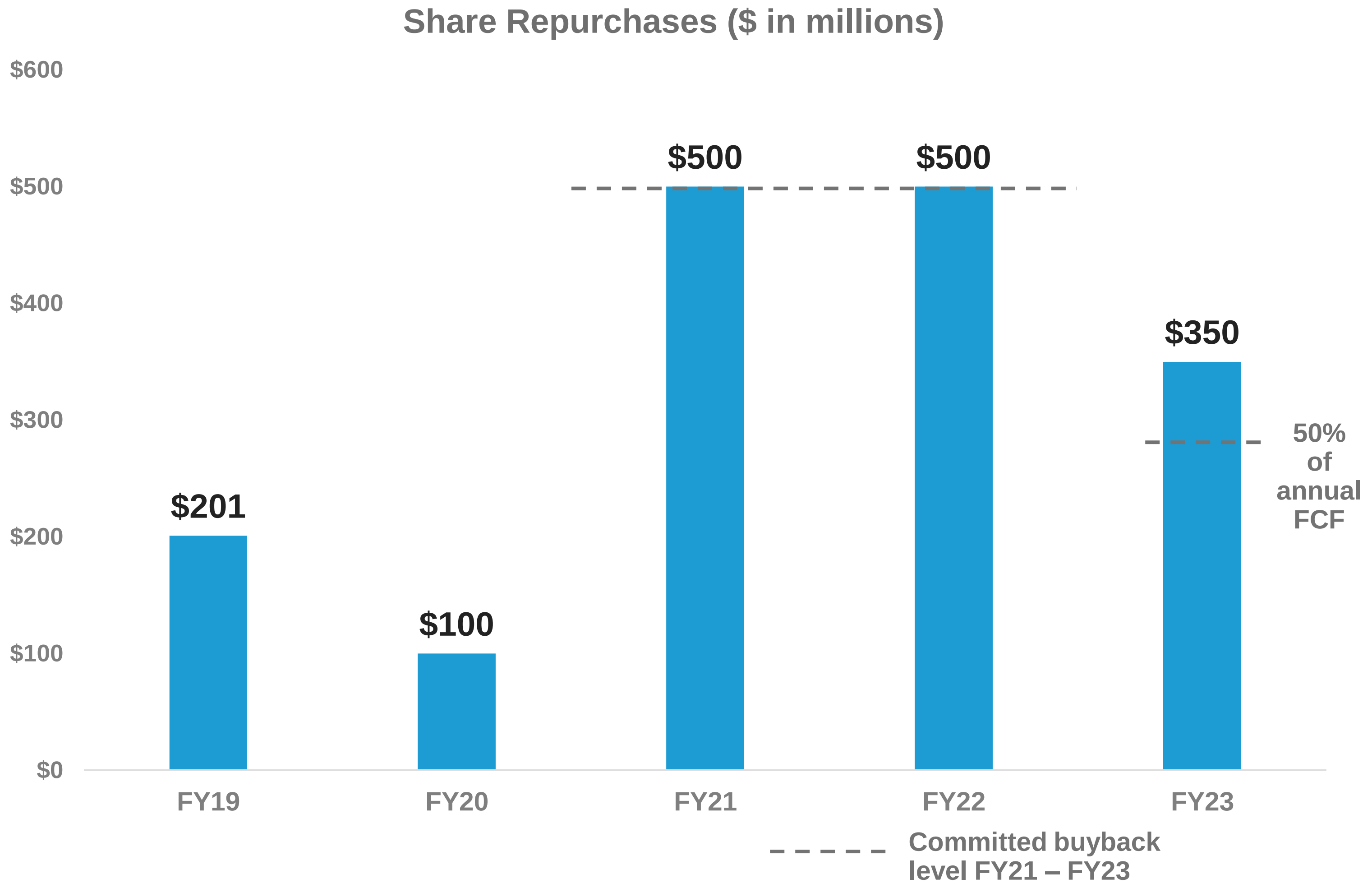
Q4FY23
Y/Y Growth

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

58%

of FY23 free cash flow* used for buyback

- We used 58% of our ~$600M free cash flow in FY23 for share repurchases.
- We are committed to using **at least 50% of annual free cash flow for share repurchases.**
- As of October 24, 2023, there was $922 million remaining under our currently authorized stock repurchase program.

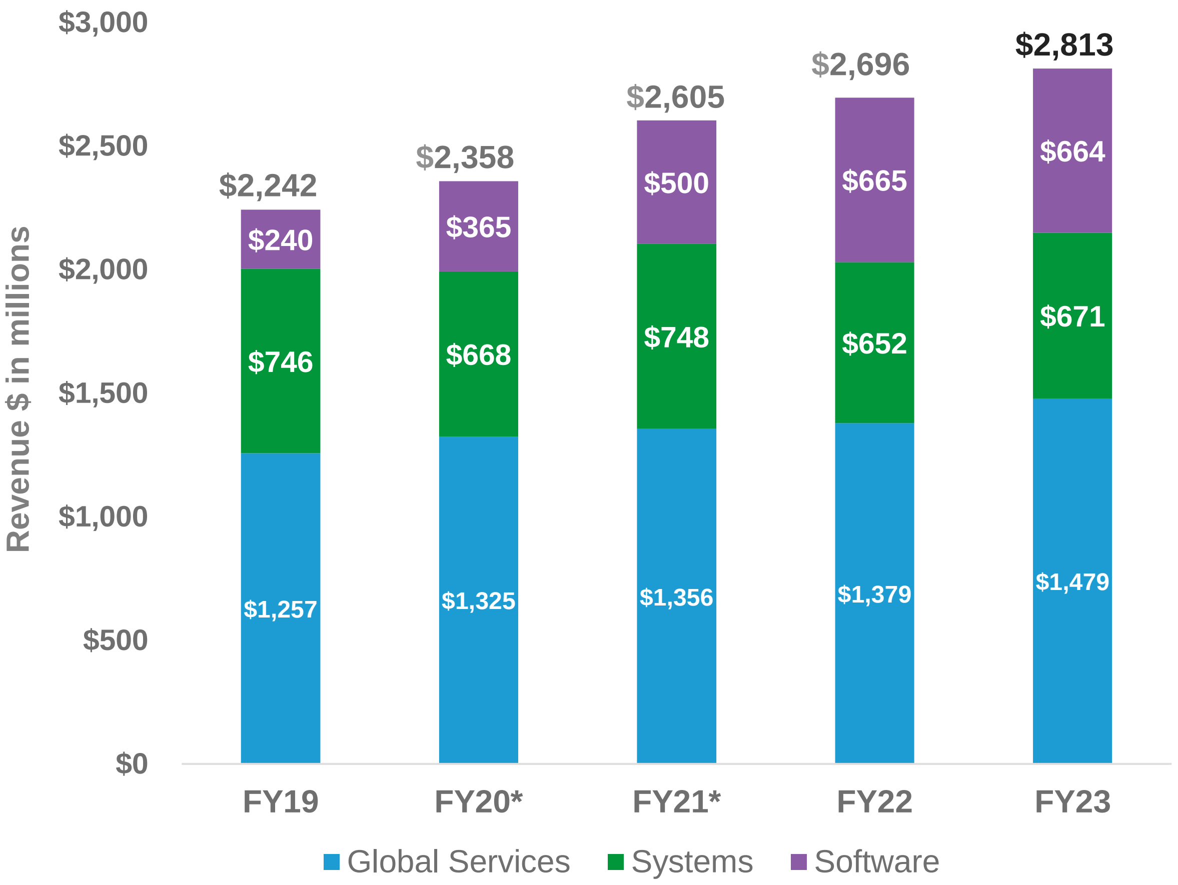


*Free cash flow defined as cash flow from operations less capital expenditures

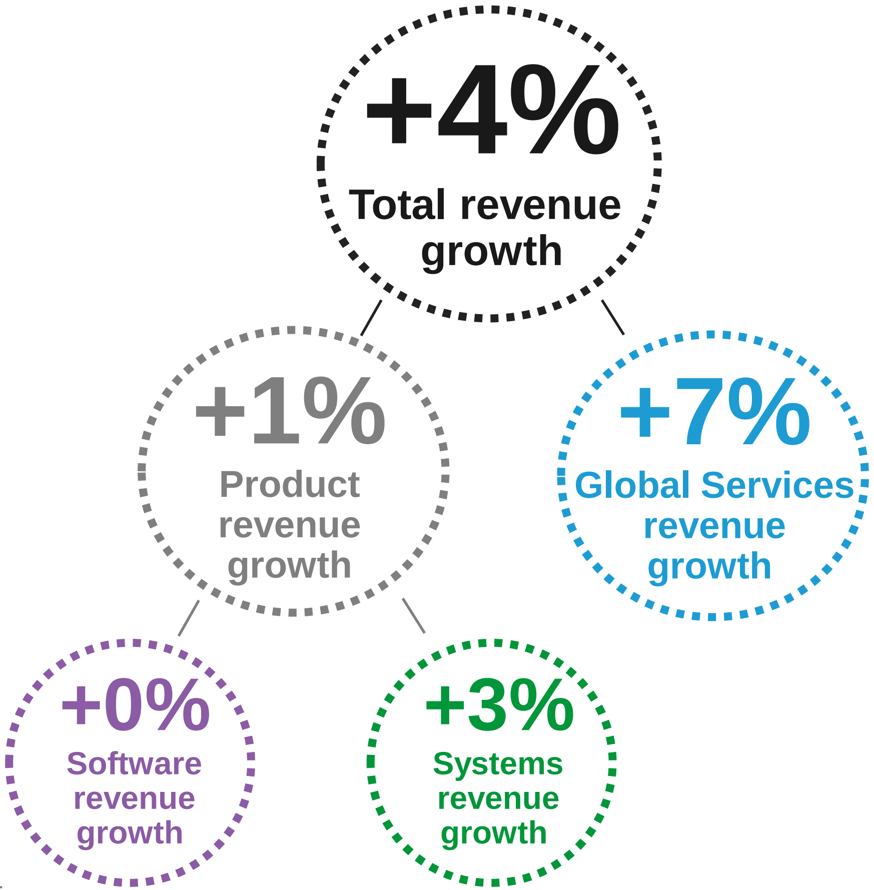
FY23 Results

Revenue mix and year-over-year change

Revenue mix

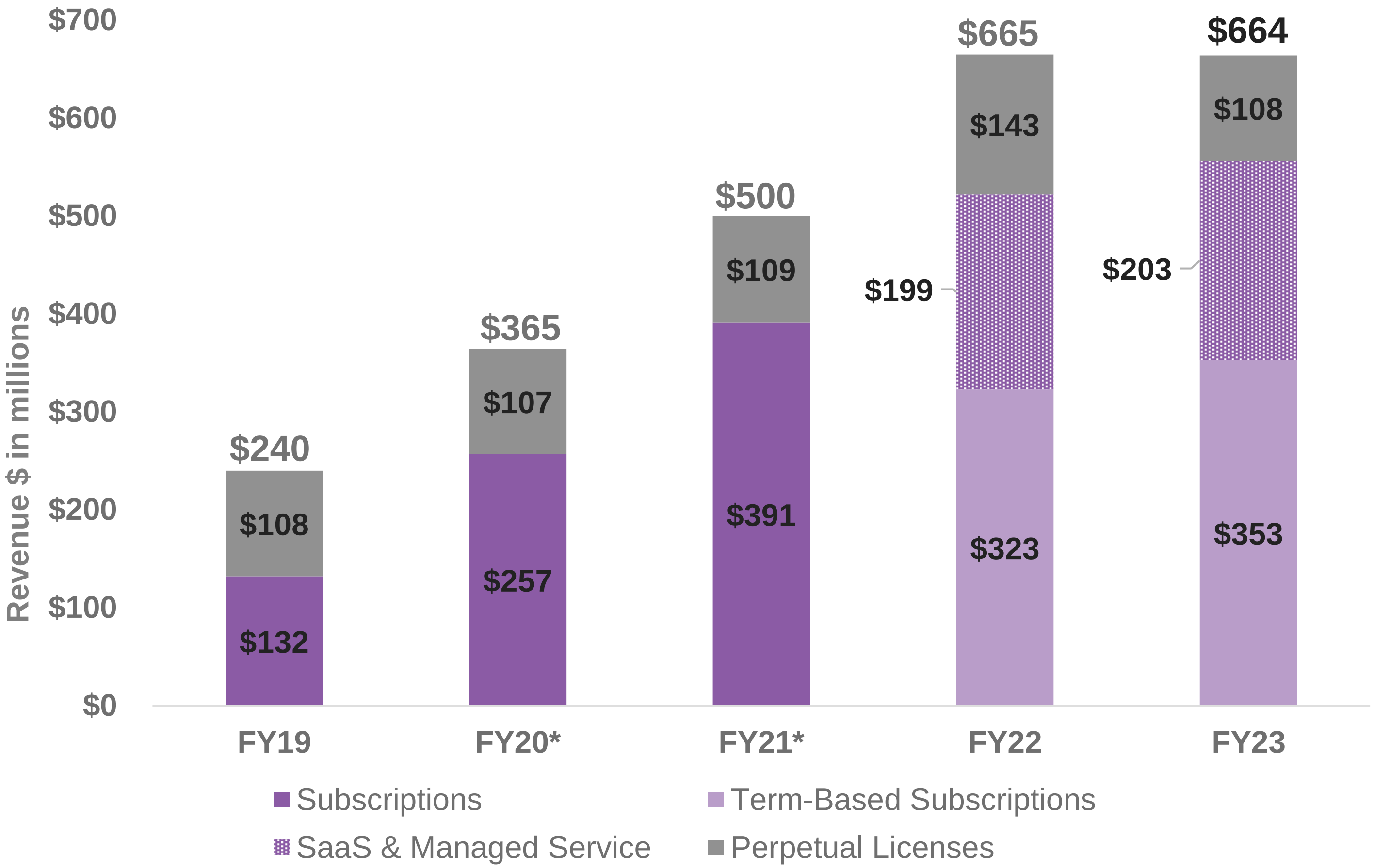


Year/Year change



Totals may not add due to rounding. *FY20 and FY21 revenue is non-GAAP. See appendix for GAAP to non-GAAP reconciliation.

Software revenue mix by consumption model

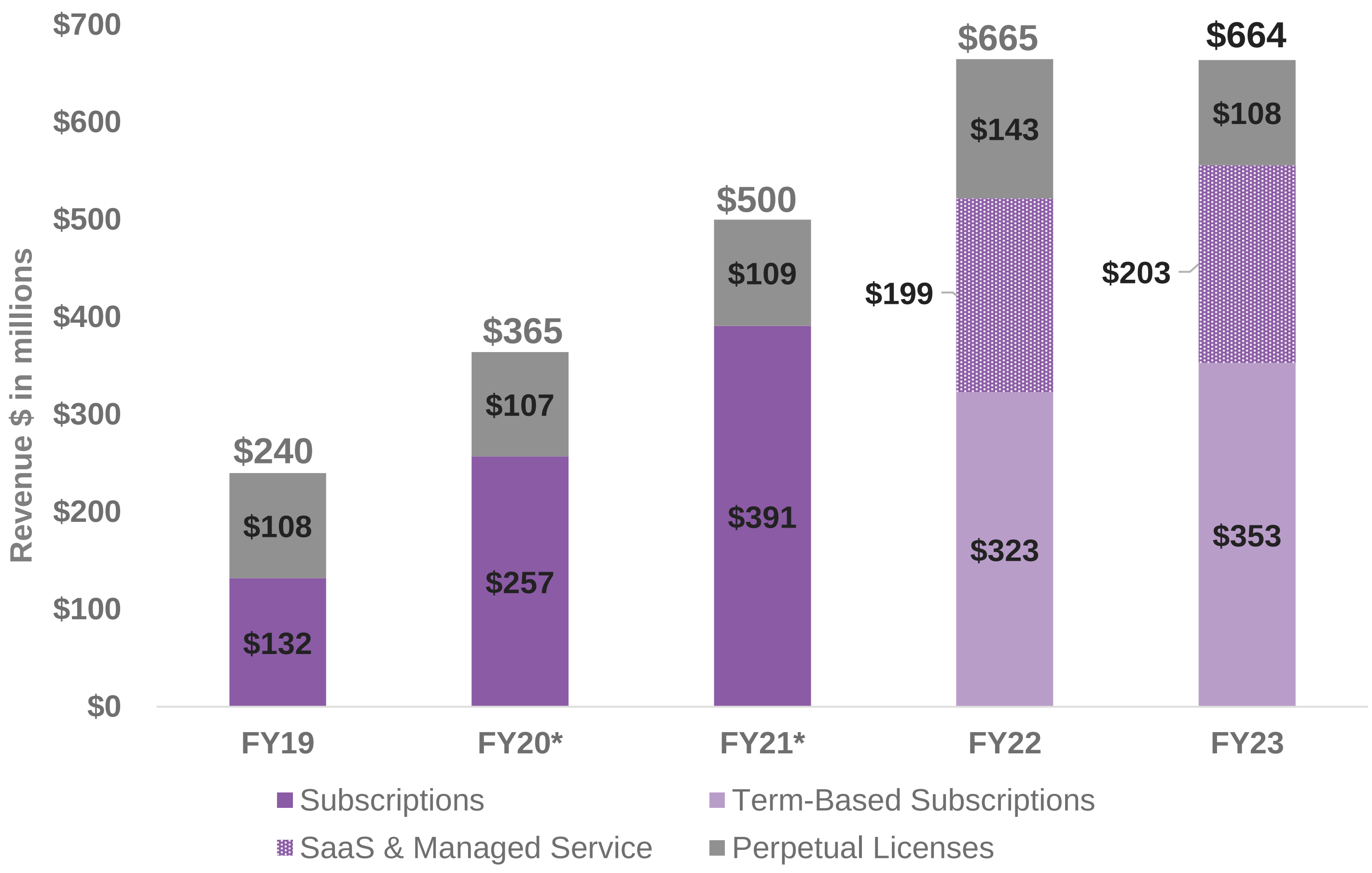


Software Revenue Components **(FY22 & FY23)**

1. Term-Based Subscriptions
2. SaaS & Managed Services
3. Perpetual Licenses

Totals may not add due to rounding. FY19 – FY21 Subscriptions includes term-based subscriptions and SaaS & Managed Services.
*FY20 and FY21 revenue is non-GAAP. See appendix for GAAP to non-GAAP reconciliation.

Software revenue mix by consumption model

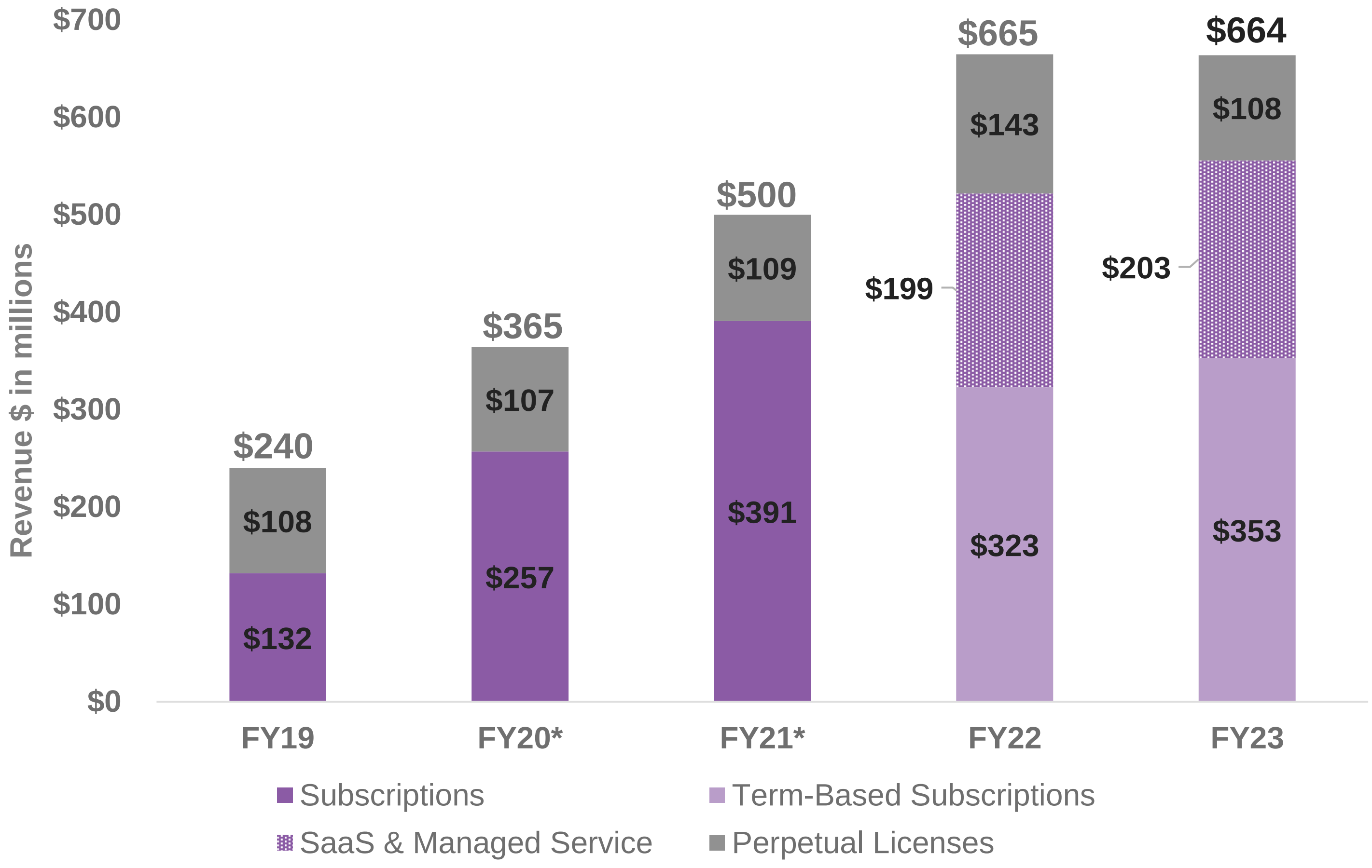


Totals may not add due to rounding. FY19 – FY21 Subscriptions includes term-based subscriptions and SaaS & Managed Services.
*FY20 and FY21 revenue is non-GAAP. See appendix for GAAP to non-GAAP reconciliation.

1 Term-Based Subscriptions

- Comprised of BIG-IP and NGINX deployable software including new, renewal, and true-forward revenue for both annual and multi-year subscriptions.
- Sales of term-based subscriptions are recognized largely up front as software. The remainder is deferred and recognized as service revenue over the term of the subscription.
- The majority of our term-based subscriptions are contracted for three years.
- FY23 renewal and true forward revenue experienced healthy y/y growth, offsetting weakness in new term-subscription software.

Software revenue mix by consumption model



② SaaS & Managed Services

- Comprised of F5 Distributed Cloud SaaS offerings, managed services, legacy SaaS offerings.
- Sales recognized ratably as product revenue over the term of the subscription.

Totals may not add due to rounding. FY19 – FY21 Subscriptions includes term-based subscriptions and SaaS & Managed Services.
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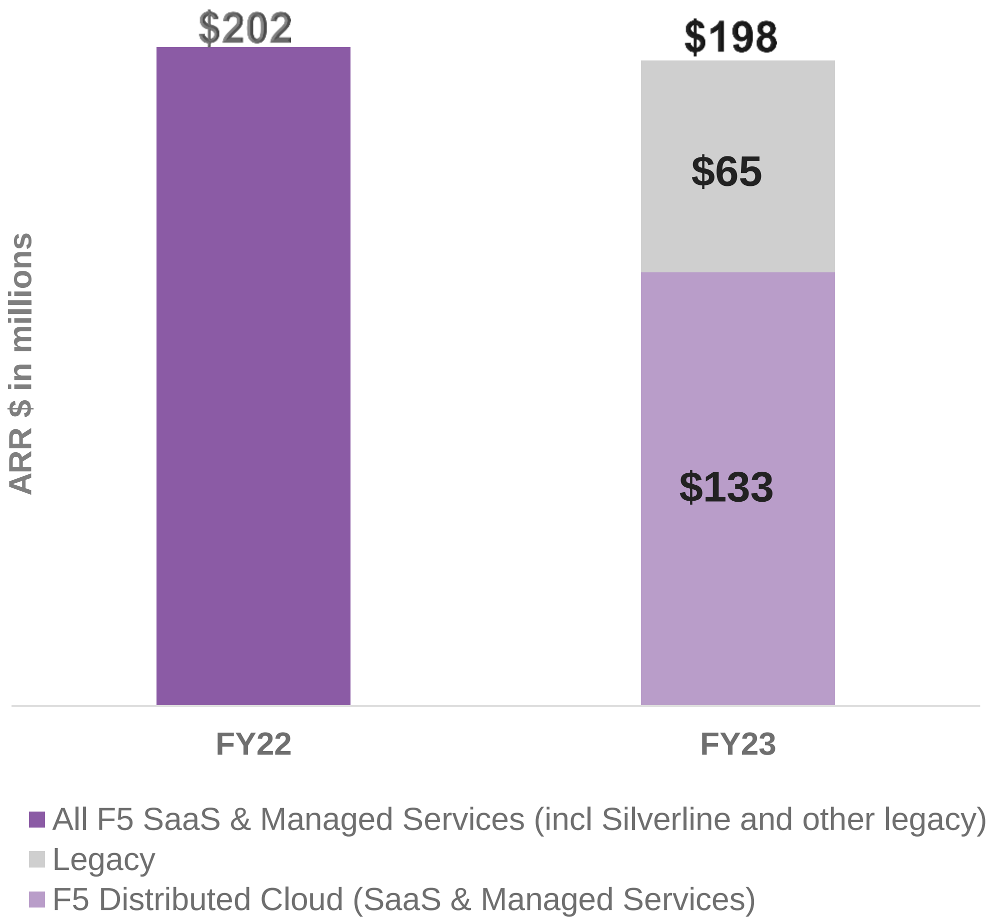
SaaS & Managed Services ARR

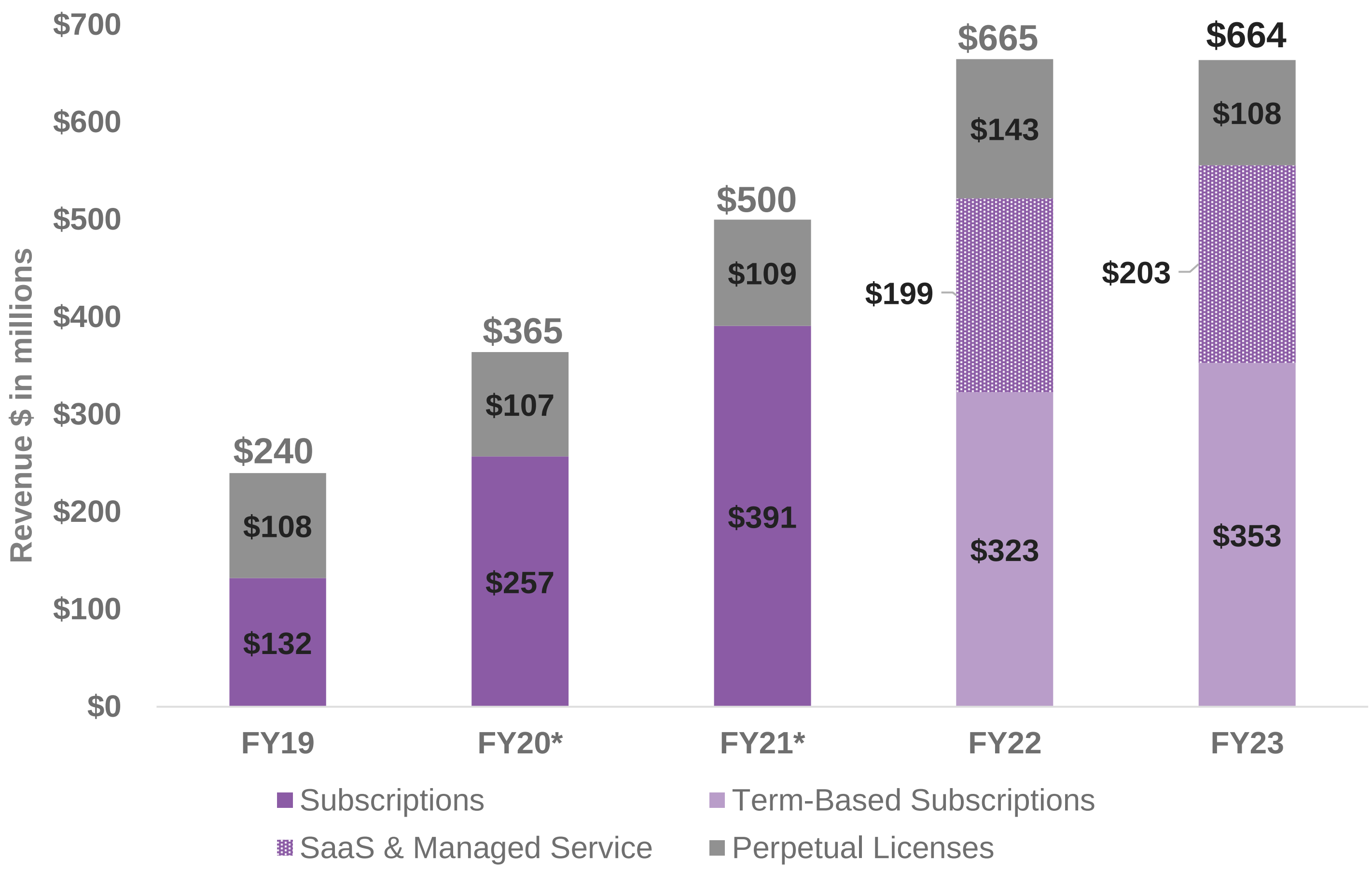


2 SaaS & Managed Services

- ARR was $198M at the end of FY23, down ~2% year over year as a result of:
  - Solid early momentum from the SaaS offerings of F5 Distributed Cloud Services
  - Underperformance of advanced anti-bot and anti-fraud managed services
  - Migrating customers from Silverline managed services to F5 Distributed Cloud SaaS
  - Executing planned retirement of legacy SaaS offerings
- We intend to transition customers from our legacy offerings to F5 Distributed Cloud Services over the next two years.

SaaS & Managed Services ARR ("Annualized Recurring Revenue") is the annualized revenue value of our SaaS & Managed Service offerings under contract as of the final day of the reporting period.

Software revenue mix by consumption model



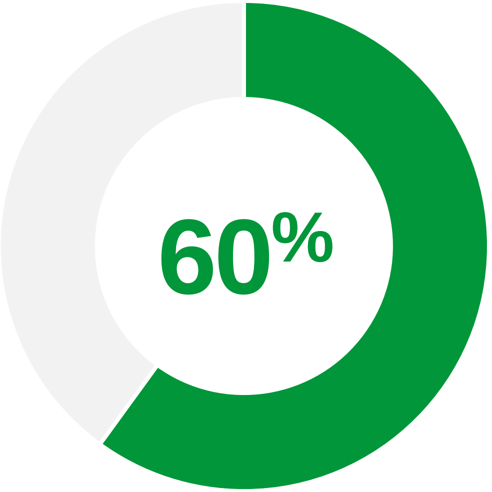
③ Perpetual Licenses

- Down year over year after an unusually strong FY22.

Totals may not add due to rounding. FY19 – FY21 Subscriptions includes term-based subscriptions and SaaS & Managed Services.
*FY20 and FY21 revenue is non-GAAP. See appendix for GAAP to non-GAAP reconciliation.

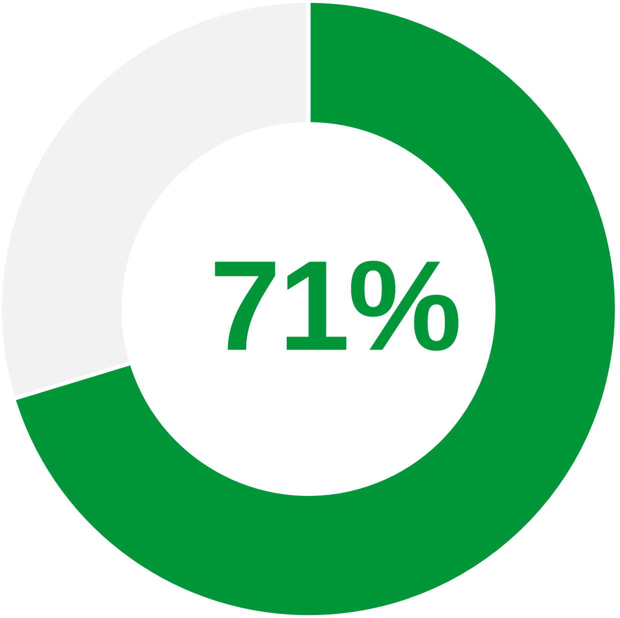
71% of our FY23 revenue is recurring with a double-digit CAGR

Recurring Revenue[1] Mix
(% of Non-GAAP Total Revenue)



$1.35B
FY19

10%
FY19-23
Non-GAAP Recurring
Revenue CAGR



$2.0B
FY23

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

Security is driving a growing percentage of our total revenue

FY23 Total Security

$1.1B

FY23 security revenue

FY23 Standalone Security

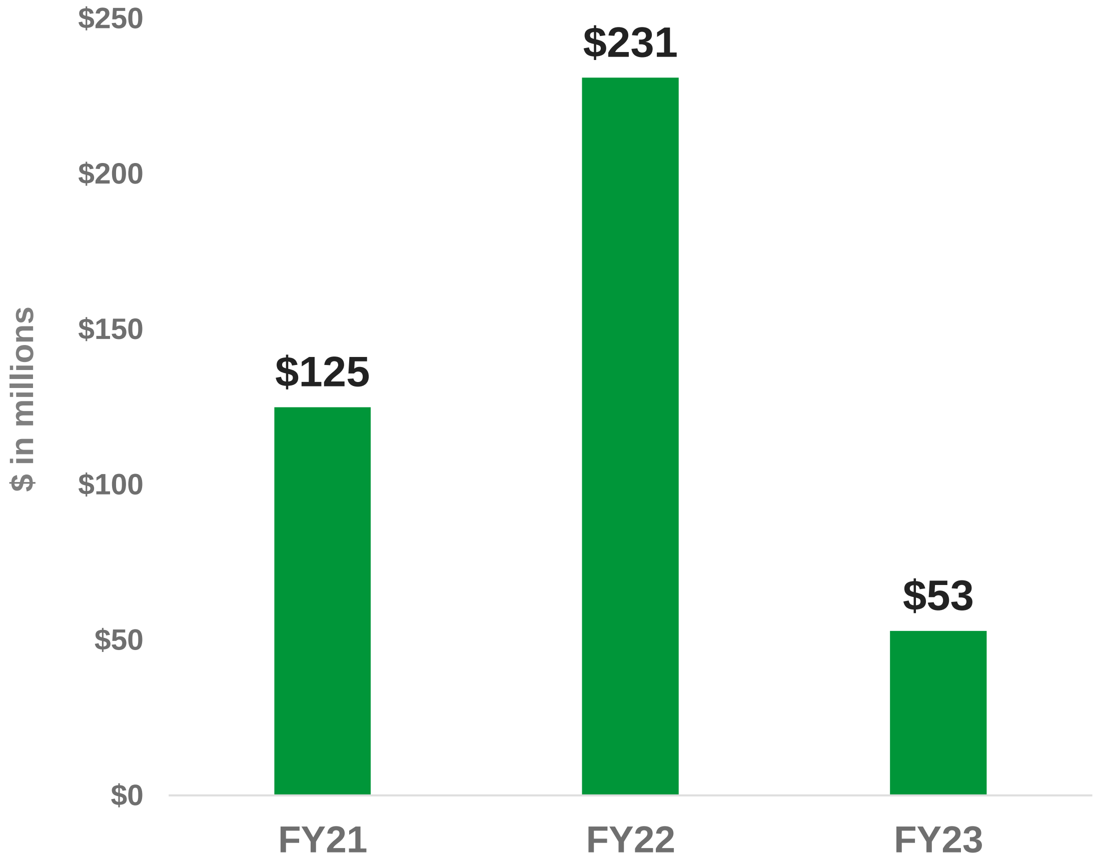
~$475M

FY23 standalone security revenue

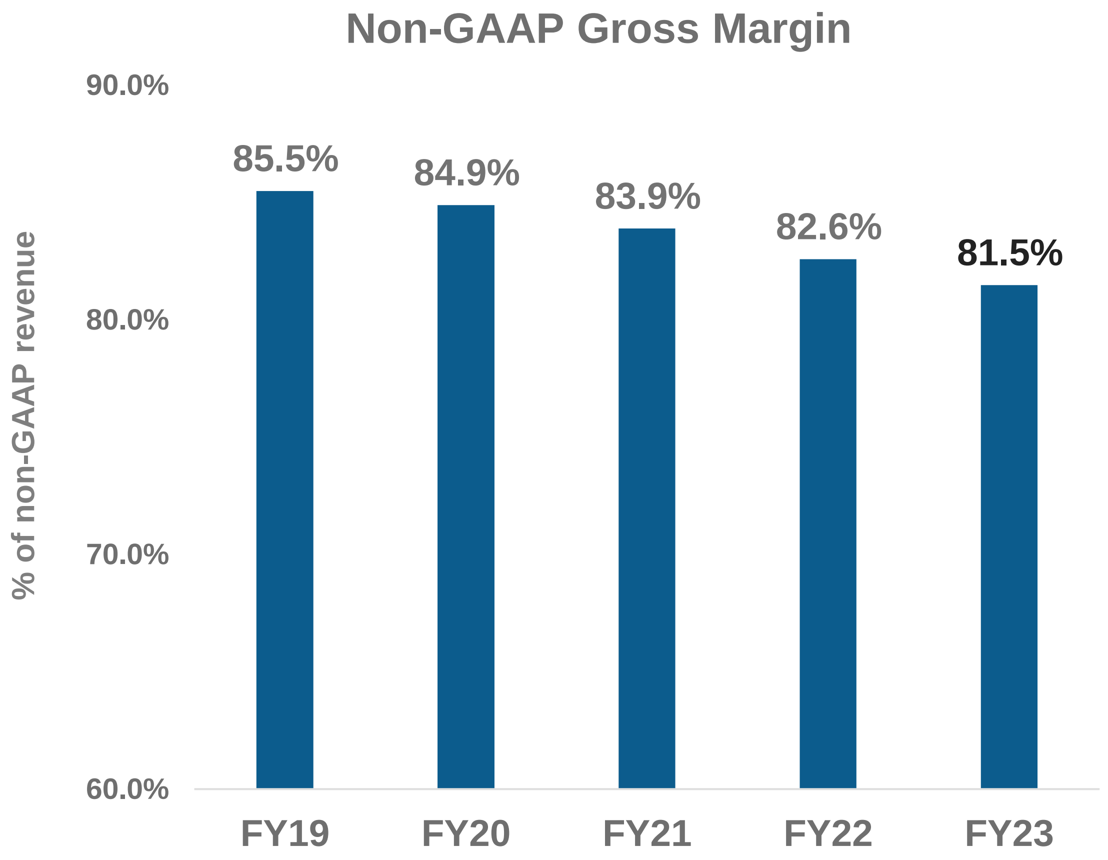
[1]Comprised of standalone security offerings, bundled security offerings and related maintenance.

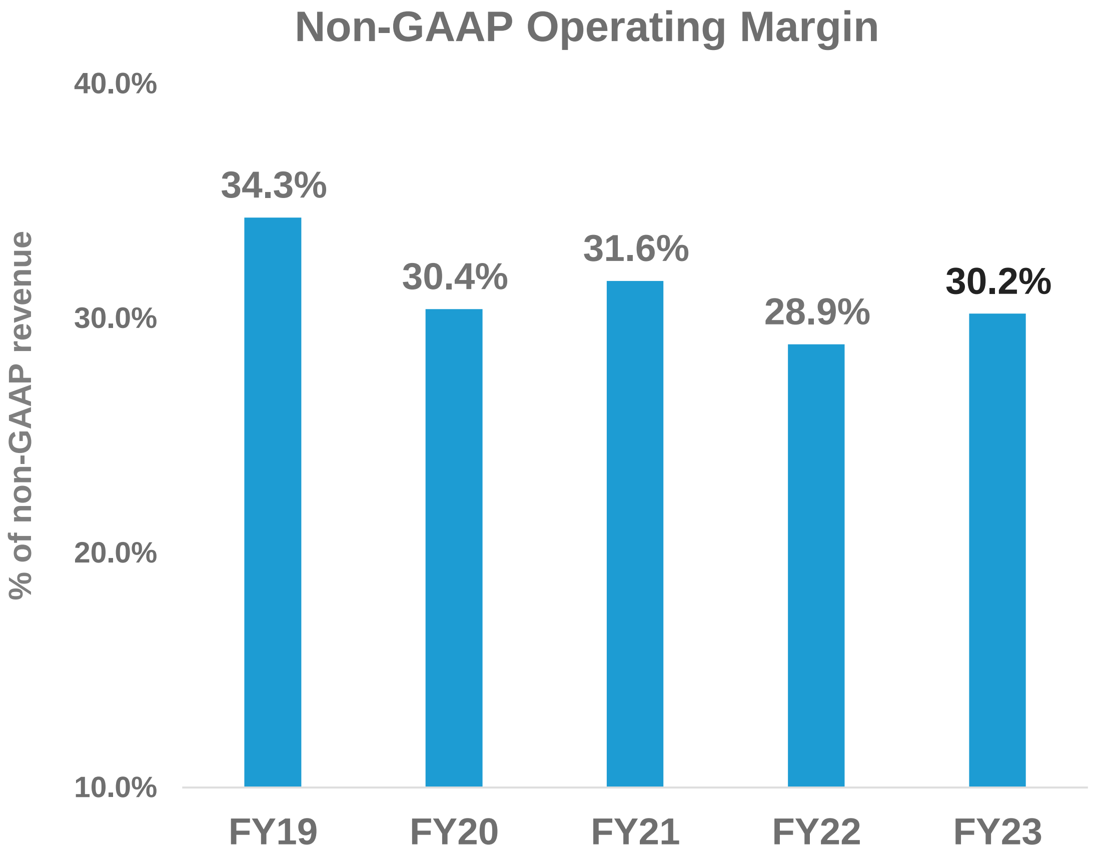
FY23 product backlog

- Product backlog returned to pre-supply chain challenge levels in FY23.
- Product backlog was elevated in FY21 and expanded in FY22 due to ongoing semiconductor shortages.
- The vast majority of product backlog is related to systems.



Non-GAAP gross and operating margins

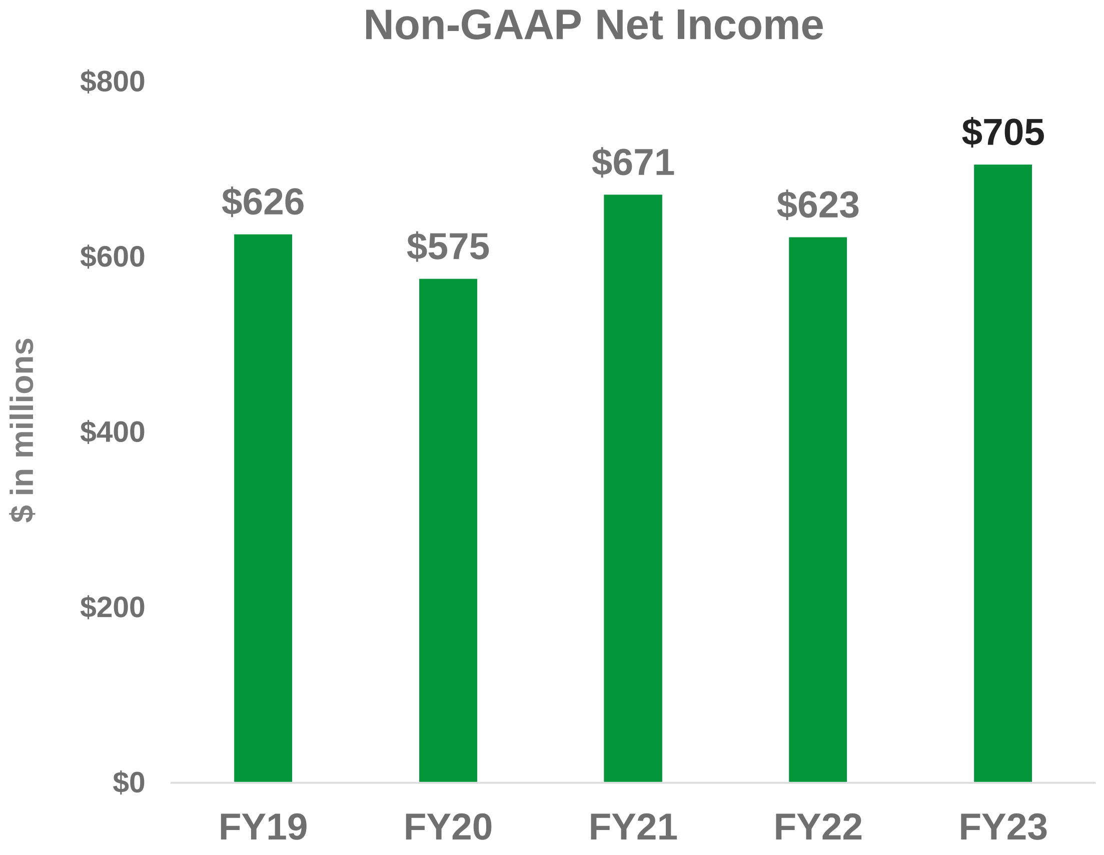


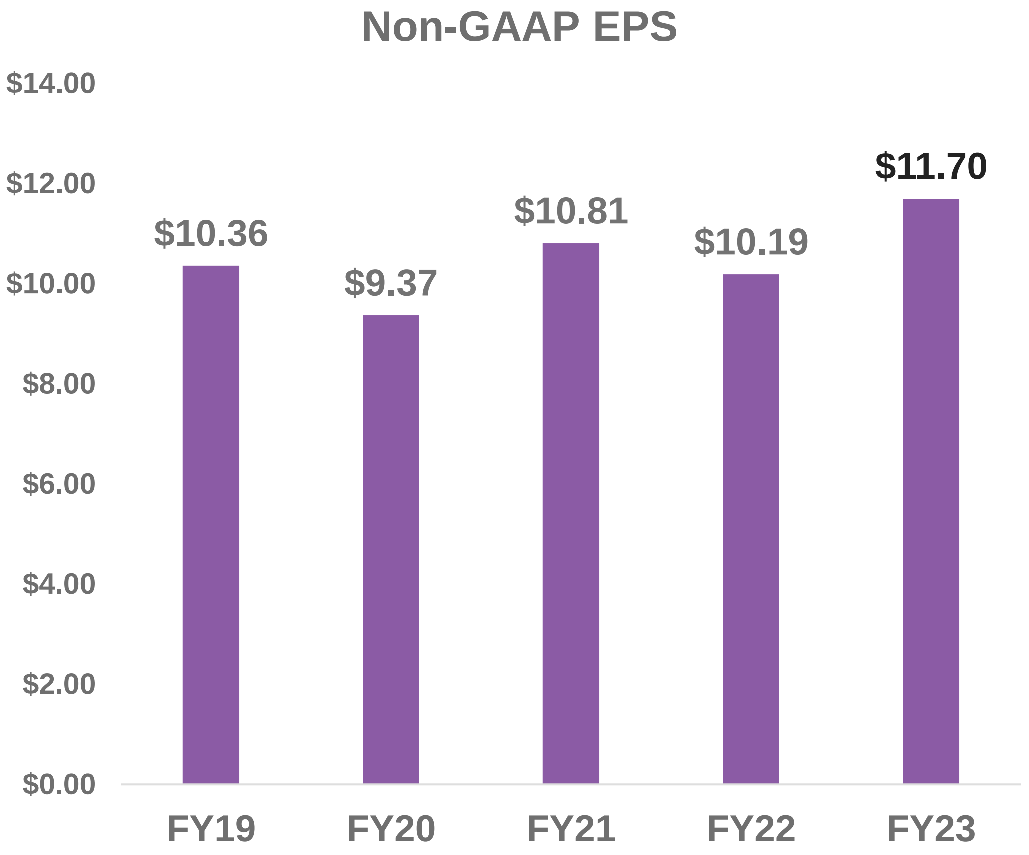


See appendix for GAAP to non-GAAP reconciliation

Non-GAAP net income and EPS

Reflects 18.3% FY23 and 18.1% FY22 non-GAAP effective tax rate





See appendix for GAAP to non-GAAP reconciliation

Business Outlook

Assumptions in our FY24 outlook

Assumption	Near-Term Growth Impact
Customer spending caution continues into FY24	+/-
Global services growth returns to low-single-digit	-
~$180M revenue headwind from FY23 backlog	-
Share gains in traditional ADC	+
Strength from term-subscription renewals	+
Growth from F5 Distributed Cloud SaaS	+
Planned churn with SaaS & Managed Services transitions	-

Our FY24 outlook

	FY23A	FY24 Outlook
Revenue	**4% growth**	**Flat to low-single-digit decline**
Non-GAAP gross margin	81.5%	82% to 83%
Non-GAAP operating margin	30.2%	33% to 34%
Effective tax rate	18.3%	21% to 23%
Non-GAAP EPS	**$11.70 14.8% growth y/y**	**5% to 7% growth (≥10% growth on a tax neutral basis to FY23)**
Capital return as % of annual FCF	58%	At least 50% of annual FCF

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

Our target operating model for FY25+

	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 23%	
Non-GAAP EPS	**$11.70 14.8% growth y/y**	**5% to 7% 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

Our Q1FY24 outlook

	Q1FY24 Outlook
Total revenue	**$675 to $695M**
Non-GAAP gross margin	82% to 83%
Non-GAAP operating expenses	$332 to $344M
Share-based compensation	$58 to $60M
FY24 effective tax rate	21% to 23%
Non-GAAP EPS	**$2.97 to $3.09**

Three pillars of our long-term operating model

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

Q&A

f5®

Appendix

GAAP to non-GAAP reconciliation

Revenue Reconciliation										
($ in thousands)										
	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	FY19	FY20	FY21	FY22	FY23
GAAP revenue	$700,033	$700,378	$703,175	$702,642	$706,974	$2,242,447	$2,350,822	$2,603,416	$2,695,845	$2,813,169
Acquisition-related write-downs of assumed deferred revenue	$0	$0	$0	$0	$0	$0	$6,824	$1,283	$0	$0
Non-GAAP revenue	**$700,033**	**$700,378**	**$703,175**	**$702,642**	**$706,974**	**$2,242,447**	**$2,357,646**	**$2,604,699**	**$2,695,845**	**$2,813,169**

Gross Profit Reconciliation										
($ in thousands)										
GAAP gross profit	$552,571	$545,371	$547,521	$560,959	$566,010	$1,885,870	$1,942,935	$2,110,270	$2,156,218	$2,219,861
Stock-based compensation	$7,168	$7,636	$7,583	$7,297	$7,142	$20,385	$25,470	$29,107	$29,257	$29,658
Amortization and impairment of purchased intangible assets	$9,959	$9,959	$9,959	$10,984	$11,234	$7,653	$23,814	$35,156	$39,837	$42,136
Facility-exit costs	$274	$201	$150	$150	$152	$3,520	$2,300	$2,604	$1,429	$653
Acquisition-related charges	$108	$93	$74	$45	$32	$0	$127	$2,532	$399	$244
Impairment charges	$0	$0	$0	$0	$0	$0	$0	$4,388	$0	$0
Total adjustments to gross profit	$17,509	$17,889	$17,766	$18,476	$18,560	$31,558	$51,711	$73,787	$70,922	$72,691
Non-GAAP gross profit	**$570,080**	**$563,260**	**$565,287**	**$579,435**	**$584,570**	**$1,917,428**	**$2,001,470**	**$2,185,340**	**$2,227,140**	**$2,292,552**
Non-GAAP gross margin	**81.4%**	**80.4%**	**80.4%**	**82.5%**	**82.7%**	**85.5%**	**84.9%**	**83.9%**	**82.6%**	**81.5%**

Operating Expense Reconciliation										
($ in thousands)										
	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	FY19	FY20	FY21	FY22	FY23
GAAP operating expense	$445,041	$454,159	$441,475	$457,390	$394,269	$1,367,407	$1,550,668	$1,716,245	$1,752,426	$1,747,293
Stock-based compensation-sales and marketing	$24,347	$25,721	$26,889	$22,561	$21,307	$69,477	$88,446	$104,578	$104,285	$96,478
Stock-based compensation-research and development	$17,463	$18,542	$18,689	$16,297	$15,888	$40,886	$50,271	$67,155	$71,781	$69,416
Stock-based compensation-general and administrative	$10,477	$10,975	$10,878	$10,317	$8,928	$32,166	$37,762	$42,439	$43,893	$41,098
Amortization and impairment of purchased intangible assets-sales and marketing	$2,389	$2,389	$2,390	$2,672	$2,788	$2,083	$8,612	$11,266	$16,169	$10,239
Amortization and impairment of purchased intangible assets-R&D	$0	$0	$0	$0	$63	$0	$0	$0	$0	$63
Amortization and impairment of purchased intangible assets-general and administrative	$353	$337	$220	$220	$219	$2,110	$2,178	$2,300	$1,683	$996
Facility-exit costs-sales and marketing	$628	$663	$486	$481	$505	$7,470	$5,100	$4,166	$2,811	$2,135
Facility-exit costs-research and development	$901	$641	$537	$542	$545	$9,994	$5,257	$4,661	$3,656	$2,265
Facility-exit costs-general and administrative	$508	$501	$360	$354	$358	$7,816	$3,944	$3,498	$2,425	$1,573
Acquisition-related charges-sales and marketing	$2,683	$1,315	$849	$349	$155	$6,551	$13,703	$29,726	$14,949	$2,668
Acquisition-related charges-research and development	$5,430	$3,768	$1,233	$330	($1,296)	$16,321	$2,838	$31,055	$22,600	$4,035
Acquisition-related charges-general and administrative	$1,108	$2,561	$4,889	$603	$36	$18,870	$39,815	$22,781	$11,462	$8,089
Impairment charges-sales and marketing	$0	$0	$0	$0	$0	$0	$0	$10,256	$0	$0
Impairment charges-research and development	$0	$0	$0	$0	$0	$0	$0	$9,845	$0	$0
Impairment charges-general and administrative	$0	$0	$0	$0	$0	$6,273	$0	$9,336	$0	$0
Restructuring charges	$0	$8,740	$0	$56,648	$0	$0	$7,800	$0	$7,909	$65,388
Litigation expense	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total adjustments to operating expenses	$66,287	$76,153	$67,420	$111,374	$49,496	$220,017	$265,726	$353,062	$303,623	$304,443
Non-GAAP operating expense	**$378,754**	**$378,006**	**$374,055**	**$346,016**	**$344,773**	**$1,147,390**	**$1,284,942**	**$1,363,183**	**$1,448,803**	**$1,442,850**

GAAP to non-GAAP reconciliation

Income from Operations Reconciliation ($ in thousands)	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	FY19	FY20	FY21	FY22	FY23
GAAP operating income	$107,530	$91,212	$106,046	$103,569	$171,741	$518,463	$392,267	$394,025	$403,792	$472,568
Total adjustments related to revenue	$0	$0	$0	$0	$0	$0	$6,824	$1,283	$0	$0
Total adjustments related to gross profit	$17,509	$17,889	$17,766	$18,476	$18,560	$31,558	$51,711	$73,787	$70,922	$72,691
Total adjustments related to operating expense	$66,287	$76,153	$67,420	$111,374	$49,496	$220,017	$265,726	$353,062	$303,623	$304,443
Total adjustments related to income from operations	$83,796	$94,042	$85,186	$129,850	$68,056	$251,575	$324,261	$428,132	$374,545	$377,134
Non-GAAP income from operations	**$191,326**	**$185,254**	**$191,232**	**$233,419**	**$239,797**	**$770,038**	**$716,528**	**$822,157**	**$778,337**	**$849,702**
Non-GAAP operating margin	**27.3%**	**26.5%**	**27.2%**	**33.2%**	**33.9%**	**34.3%**	**30.4%**	**31.6%**	**28.9%**	**30.2%**

Net Income Reconciliation ($ in thousands except per share data)	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	FY19	FY20	FY21	FY22	FY23
GAAP net income	$89,346	$72,402	$81,436	$88,976	$152,134	$427,734	$307,441	$331,241	$322,160	$394,948
Total adjustments related to revenue	$0	$0	$0	$0	$0	$0	$6,824	$1,283	$0	$0
Total adjustments to gross profit	$17,509	$17,889	$17,766	$18,476	$18,560	$31,558	$51,711	$73,787	$70,922	$72,691
Total adjustments to operating expenses	$66,287	$76,153	$67,420	$111,374	$49,496	$220,017	$265,726	$353,062	$303,623	$304,443
Gain on sale of patent	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Exclude tax effect on above items	($15,488)	($17,170)	($12,994)	($25,173)	($11,421)	($53,048)	($56,726)	($88,408)	($74,075)	($66,758)
Tax on deemed repatriation of undistributed foreign earnings	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Remeasurement of net deferred tax assets due to change in U.S. tax rate	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Non-recurring foreign tax credit benefit	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total adjustments to net income	$68,308	$76,872	$72,192	$104,677	$56,635	$198,527	$267,535	$339,724	$300,470	$310,376
Non-GAAP net income	**$157,654**	**$149,274**	**$153,628**	**$193,653**	**$208,769**	**$626,261**	**$574,976**	**$670,965**	**$622,630**	**$705,324**
Weighted average basic common shares outstanding	59,751	60,096	60,330	59,977	59,245	60,044	60,911	60,707	60,274	59,909
Weighted average dilutive potential common shares outstanding	60,126	60,387	60,691	60,314	59,699	60,456	61,378	62,057	61,097	60,270

	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	FY19	FY20	FY21	FY22	FY23
GAAP operating income	$107,530	$91,212	$106,046	$103,569	$171,741	$518,463	$392,267	$394,025	$403,792	$472,568
GAAP other income	($7,813)	$4,702	$2,737	$2,896	$3,085	$22,648	$4,130	($7,088)	($18,399)	$13,420
GAAP pre-tax income	$99,717	$95,914	$108,783	$106,465	$174,826	$541,111	$396,397	$386,937	$385,393	$485,988
GAAP provision for income taxes	$10,371	$23,512	$27,347	$17,489	$22,692	$113,377	$88,956	$55,696	$63,233	$91,040
GAAP effective tax rate	10.4%	24.5%	25.1%	16.4%	13.0%	21.0%	22.4%	14.4%	16.4%	18.7%
Non-GAAP income from operations	$191,326	$185,254	$191,232	$233,419	$239,797	$770,038	$716,528	$822,157	$778,337	$849,702
Non-GAAP other income	($7,813)	$4,702	$2,737	$2,896	$3,085	$22,648	$4,130	($7,088)	($18,399)	$13,420
Non-GAAP pre-tax income	$183,513	$189,956	$193,969	$236,315	$242,882	$792,686	$720,658	$815,069	$759,938	$863,122
Non-GAAP provision for income taxes	$25,859	$40,682	$40,341	$42,662	$34,113	$166,425	$145,682	$144,104	$137,308	$157,798
Non-GAAP effective tax rate	14.1%	21.4%	20.8%	18.1%	14.0%	21.0%	20.2%	17.7%	18.1%	18.3%
Net Income per Common Share										
GAAP diluted net income per common share	$ 1.49	$ 1.20	$ 1.34	$ 1.48	$ 2.55	$ 7.08	$ 5.01	$ 5.34	$ 5.27	$ 6.55
Non-GAAP diluted net income per common share	**$ 2.62**	**$ 2.47**	**$ 2.53**	**$ 3.21**	**$ 3.50**	**$ 10.36**	**$ 9.37**	**$ 10.81**	**$ 10.19**	**$ 11.70**

GAAP to non-GAAP reconciliation (continued)

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

Stock-based compensation. Stock-based compensation consists of expense for stock options, restricted stock, and employee stock purchases through the Company's Employee Stock Purchase Plan. Although stock-based compensation is an important aspect of the compensation of F5's employees and executives, management believes it is useful to exclude stock-based compensation expenses to better understand the long-term performance of the Company's core business and to facilitate comparison of the Company's results to those of peer companies.

Amortization and impairment of purchased intangible assets. Purchased intangible assets are amortized over their estimated useful lives, and generally cannot be changed or influenced by management after the acquisition. On a non-recurring basis, when certain events or circumstances are present, management may also be required to write down the carrying value of its purchased intangible assets and recognize impairment charges. Management does not believe these charges accurately reflect the performance of the Company's ongoing operations, therefore, they are not considered by management in making operating decisions. However, investors should note that the use of intangible assets contributed to F5's revenues earned during the periods presented and will contribute to F5's future period revenues as well.

Facility-exit costs. F5 has incurred charges in connection with the exit of facilities as well as other non-recurring lease activity. These charges are not representative of ongoing costs to the business and are not expected to recur. As a result, these charges are being excluded to provide investors with a more comparable measure of costs associated with ongoing operations.

Acquisition-related charges, net. F5 does not acquire businesses on a predictable cycle and the terms and scope of each transaction can vary significantly and are unique to each transaction. F5 excludes acquisition-related charges from its non-GAAP financial measures to provide a useful comparison of the Company's operating results to prior periods and to its peer companies. Acquisition-related charges consist of planning, execution and integration costs incurred directly as a result of an acquisition.

Restructuring charges. F5 has incurred restructuring charges that are included in its GAAP financial statements, primarily related to workforce reductions and costs associated with exiting facility-lease commitments. F5 excludes these items from its non-GAAP financial measures when evaluating its continuing business performance as such items vary significantly based on the magnitude of the restructuring action and do not reflect expected future operating expenses. In addition, these charges do not necessarily provide meaningful insight into the fundamentals of current or past operations of its business.

Management believes that non-GAAP net income per share provides useful supplemental information to management and investors regarding the performance of the Company's core business operations and facilitates comparisons to the Company's historical operating results. Although F5's management finds this non-GAAP measure to be useful in evaluating the performance of the core business, management's reliance on this measure is limited because items excluded from such measures could have a material effect on F5's earnings and earnings per share calculated in accordance with GAAP. Therefore, F5's management will use its non-GAAP earnings and earnings per share measures, in conjunction with GAAP earnings and earnings per share measures, to address these limitations when evaluating the performance of the Company's core business. Investors should consider these non-GAAP measures in addition to, and not as a substitute for, financial performance measures in accordance with GAAP.

F5 believes that presenting its non-GAAP measures of earnings and earnings per share provides investors with an additional tool for evaluating the performance of the Company's core business and is used by management in its own evaluation of the Company's performance. Investors are encouraged to look at GAAP results as the best measure of financial performance. However, while the GAAP results are more complete, the Company provides investors these supplemental measures since, with reconciliation to GAAP, it may provide additional insight into the Company's operational performance and financial results.

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