Q2FY21 Results

PERIOD ENDING MARCH 31, 2021

Published April 27, 2021

Forward-looking statements

This presentation and associated commentary forward-looking statements including, among other things, statements regarding the continuing strength and momentum of F5's business, past and future financial performance including revenue, operating targets, earnings and earnings per share ranges, demand for application security and delivery services, SaaS, and software products, expectations regarding future services and products, expectations regarding future customers, markets and the benefits of products, and other statements that are not historical facts and which 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; potential disruptions to F5's business and distraction of management as F5 integrates acquired businesses', teams and technologies; F5's ability to successfully integrate acquired businesses' products with F5 technologies; the ability of F5's sales professionals and distribution partners to sell acquired businesses' product 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 acquisition of Volterra and potential adverse reactions or changes to business or employee relationships, including those resulting from the announcement of completion of the acquisition; uncertain global economic conditions which may result in reduced customer demand for our products and services and changes in customer payment patterns; potential 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; 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.

Introduction

François Locoh-Donou, CEO & President

GAAP results

	Q2FY20	Q2FY21
Revenue	$583.4M	$645.3M
Gross margin	82.7%	80.1%
Operating margin	14.3%	8.3%
Net income	$61.4M	$43.2M
Diluted EPS	$1.00	$0.70

Escalating demand for applications and application growth is driving demand for F5

Q2FY21 Growth Drivers

+20%
Software

+17%
Systems

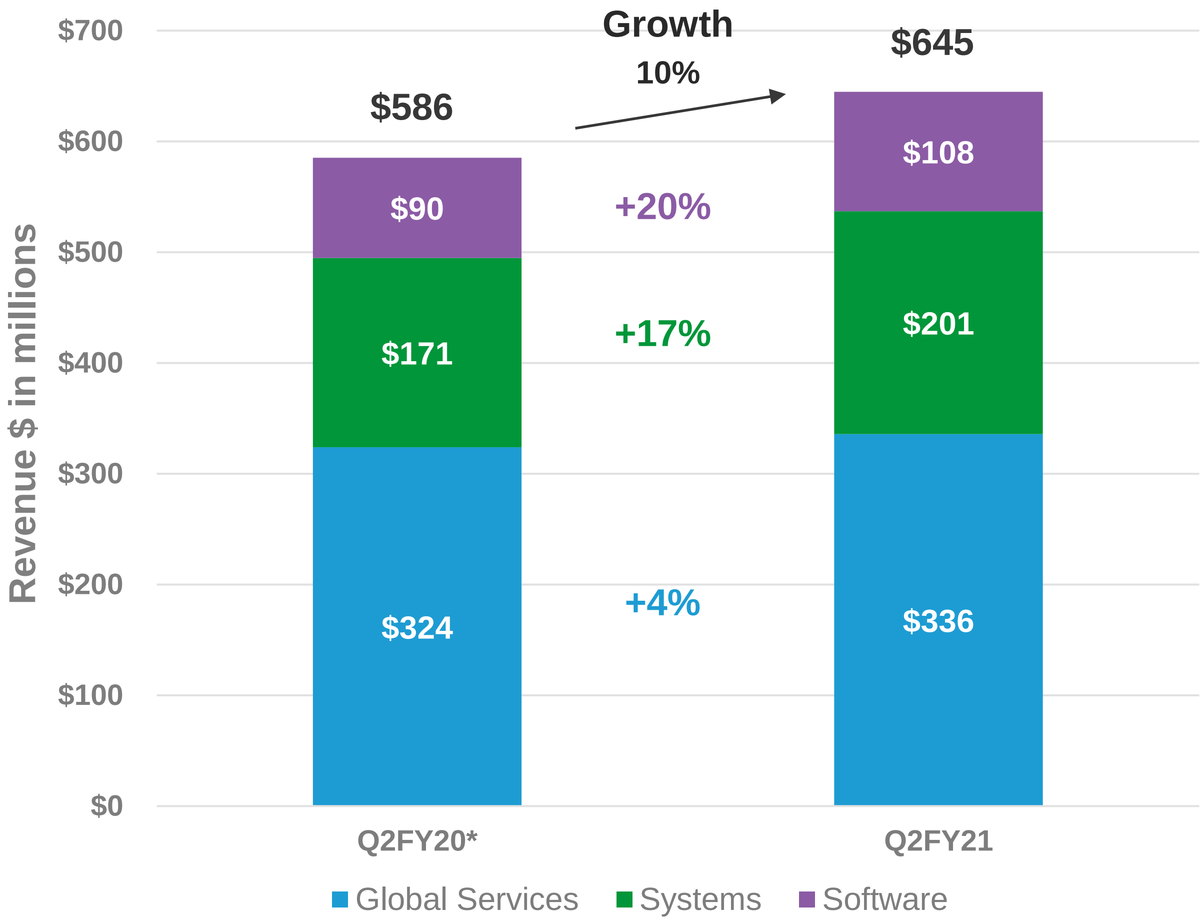
+4%
Global Services

*GROWTH MEASURES ARE NON-GAAP. SEE APPENDIX FOR GAAP-TO-NON-GAAP RECONCILIATIONS.

Q2FY2021 Results

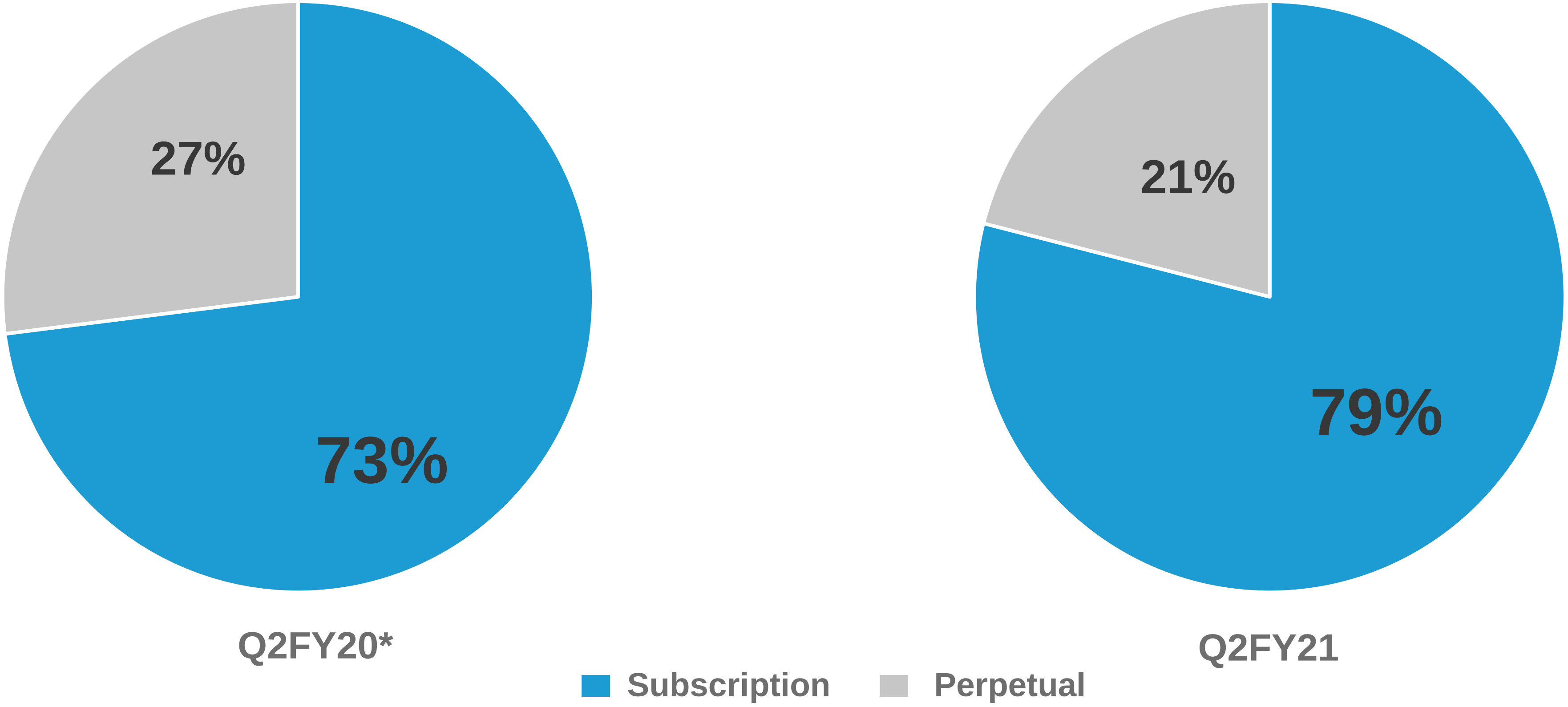
Frank Pelzer, CFO & EVP

Q2FY21 revenue mix



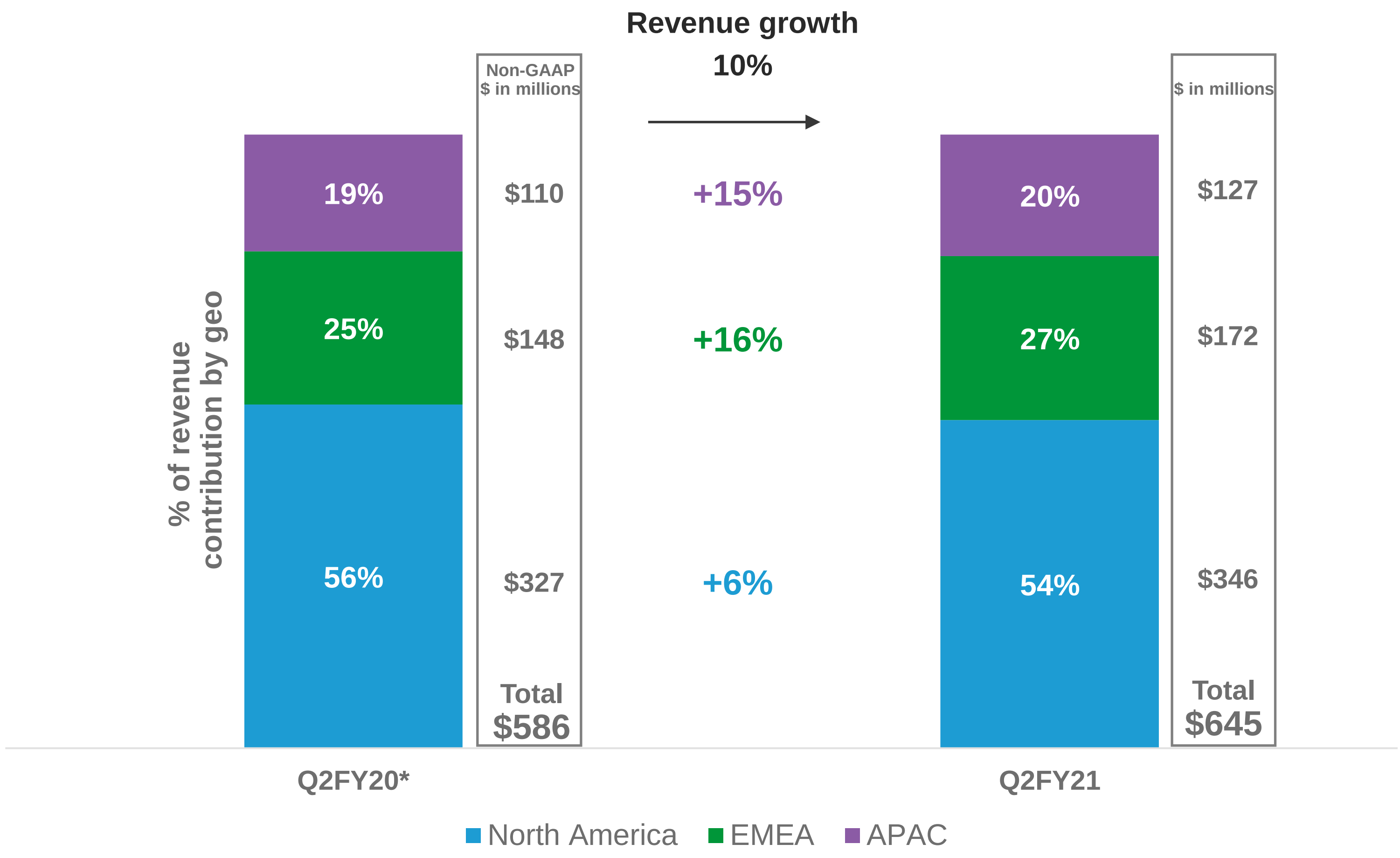
*Q2FY20 REVENUE IS NON-GAAP. SEE APPENDIX FOR GAAP-TO-NON-GAAP RECONCILIATIONS. TOTALS MAY NOT ADD DUE TO ROUNDING.

Growing software revenue from subscriptions



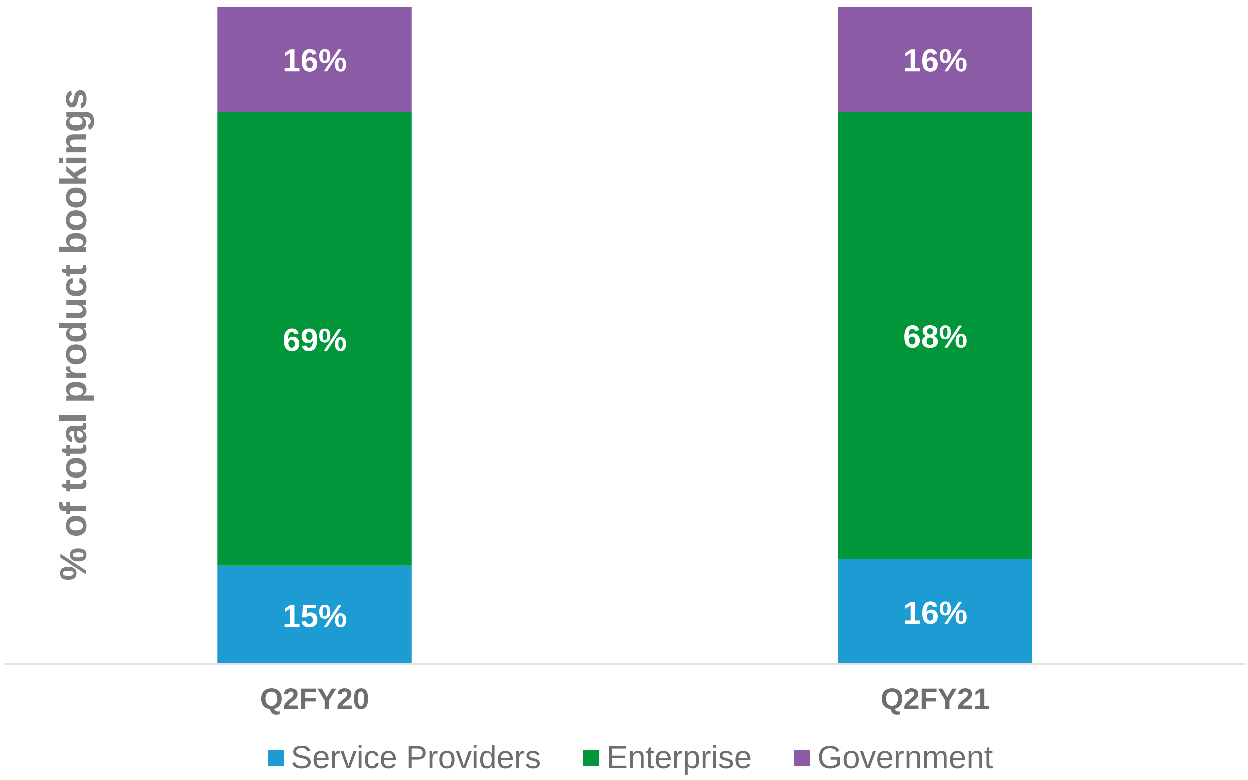
*Q2FY20 REVENUE IS NON-GAAP. SEE APPENDIX FOR GAAP-TO-NON-GAAP RECONCILIATIONS.

Q2FY21 revenue contribution by geography



*Q2FY20 REVENUE IS NON-GAAP. SEE APPENDIX FOR GAAP-TO-NON-GAAP RECONCILIATIONS. TOTALS MAY NOT ADD TO 100% DUE TO ROUNDING.

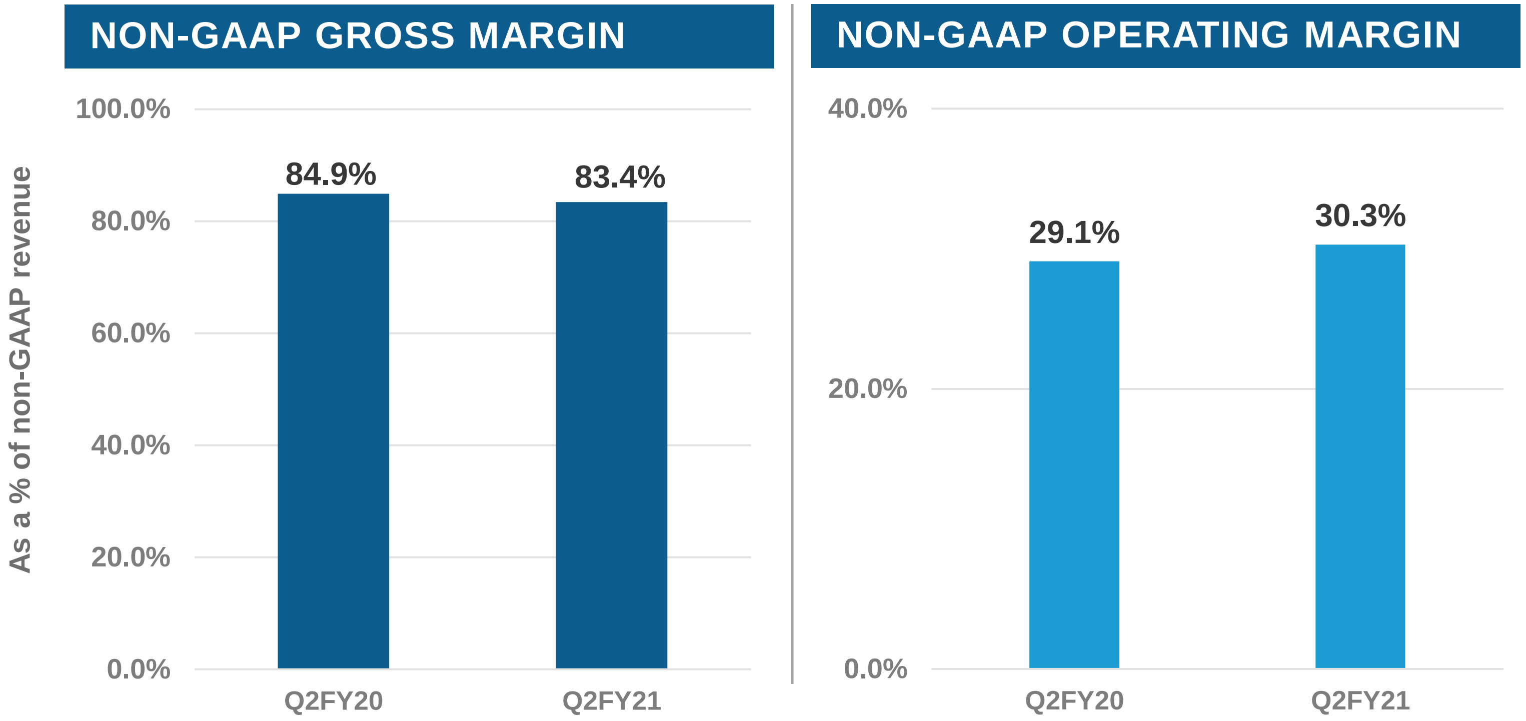
Q2FY21 customer verticals as a % of product bookings



TOTALS MAY NOT ADD TO 100% DUE TO ROUNDING.

Q2FY21 non-GAAP gross and operating margins

Q2FY21 gross margin reflects stronger systems contribution, a larger impact from managed services offerings compared to the year-ago quarter, and usual Q2 seasonal decline in global services margins

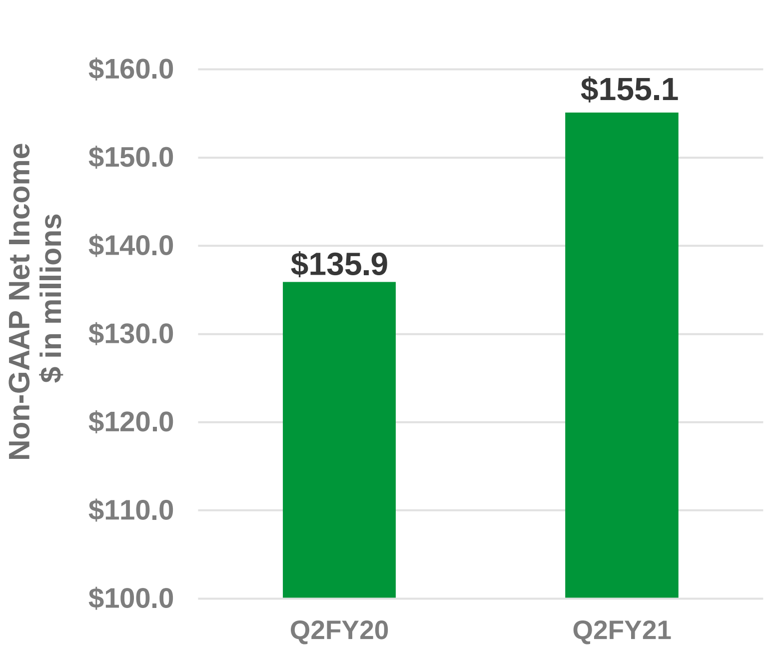


SEE APPENDIX FOR GAAP-TO-NON-GAAP RECONCILIATIONS.

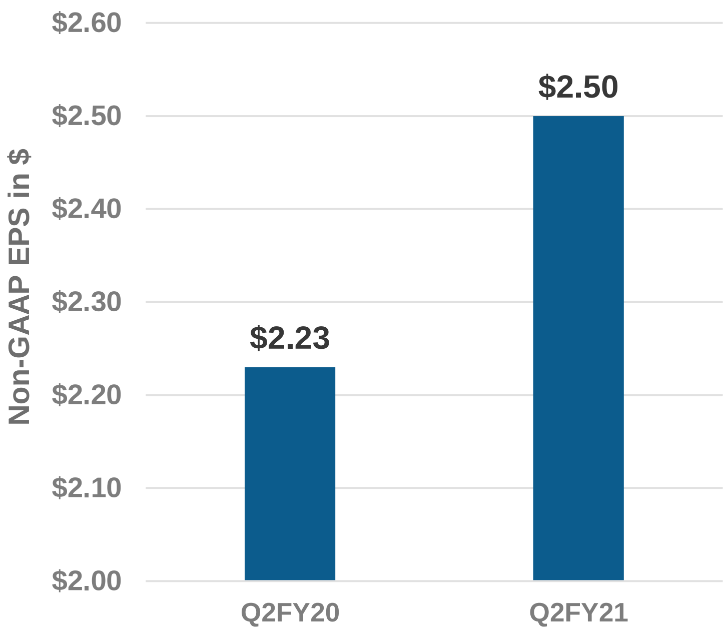
Q2FY21 non-GAAP net income and EPS

Q2FY21 non-GAAP effective tax rate of 20.2%

NON-GAAP NET INCOME

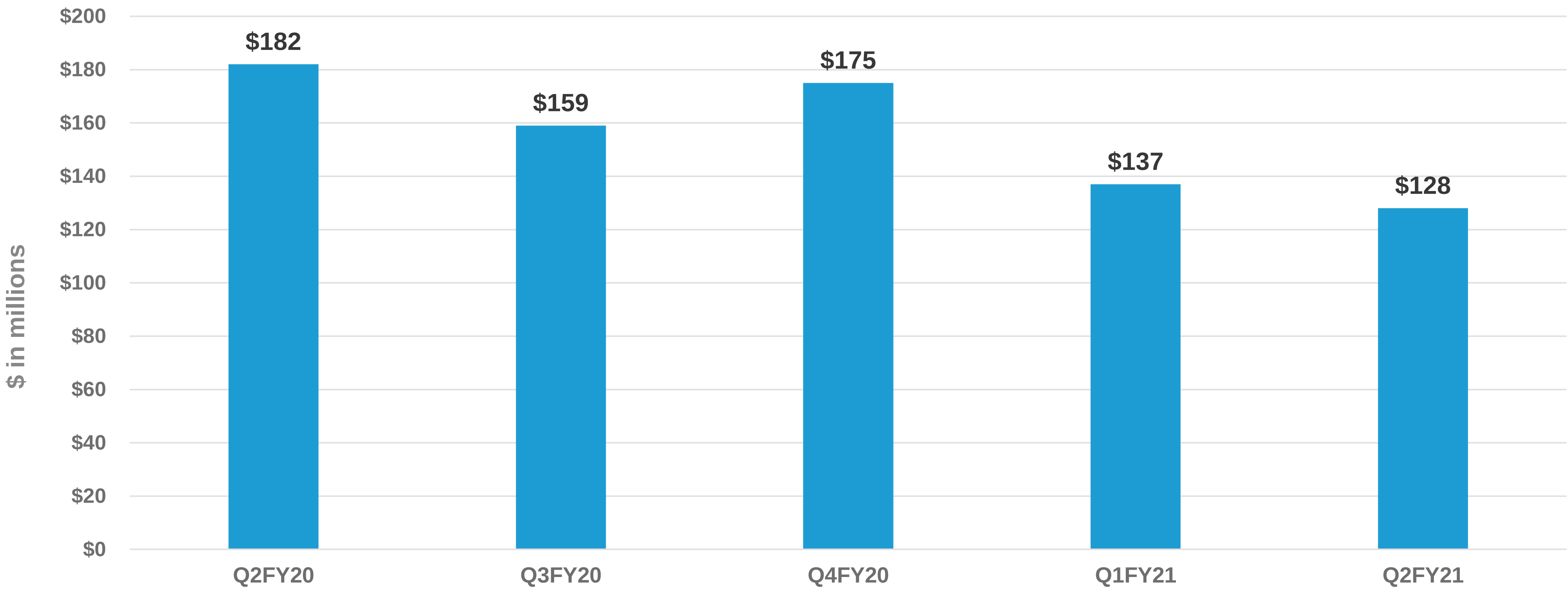


NON-GAAP EPS



SEE APPENDIX FOR GAAP-TO-NON-GAAP RECONCILIATIONS.

Q2FY21 cash flow from operations

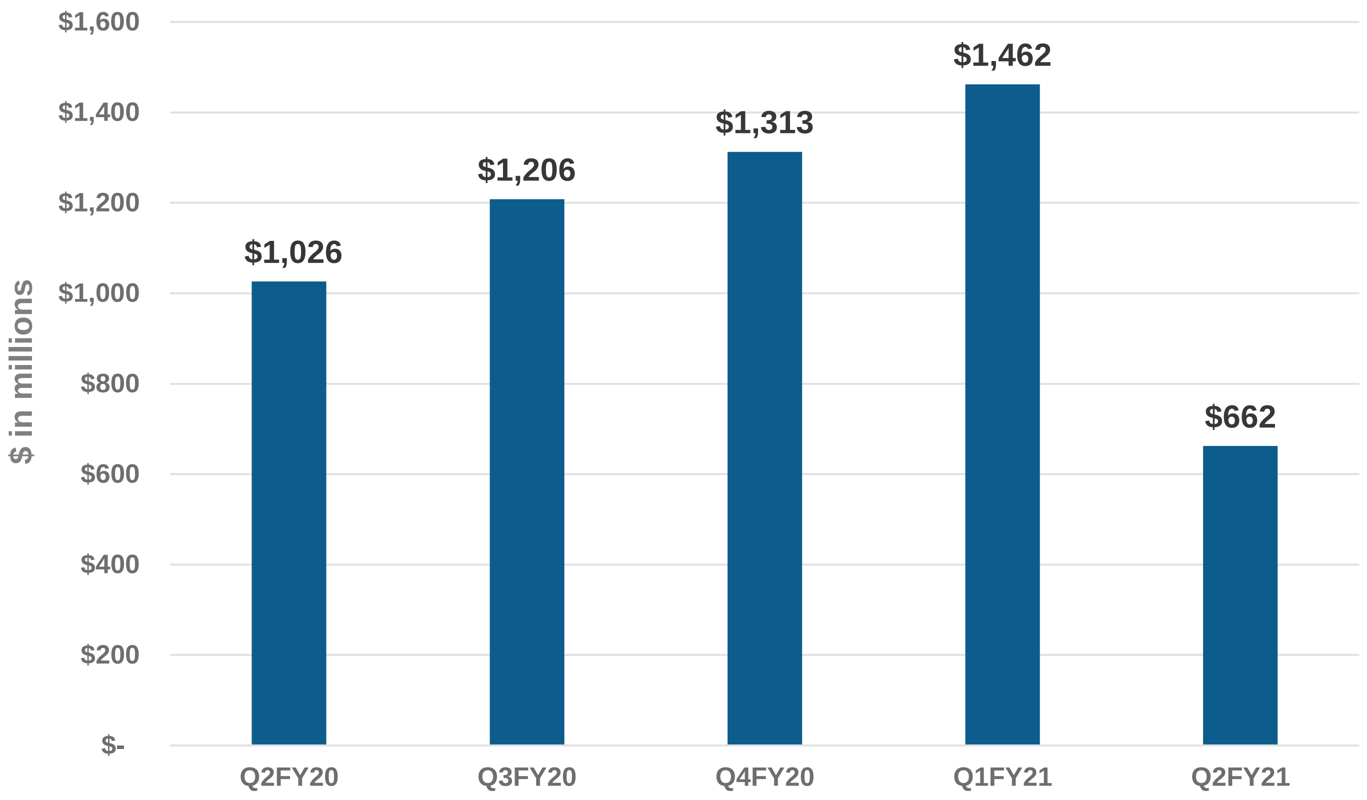


Q2FY21 cash and investments

Q2FY21 cash balance reflects:

- ~$440M cash paid for Volterra acquisition
- Initiation of $500M accelerated stock repurchase

F5 also holds ~$380M in debt associated with Shape acquisition



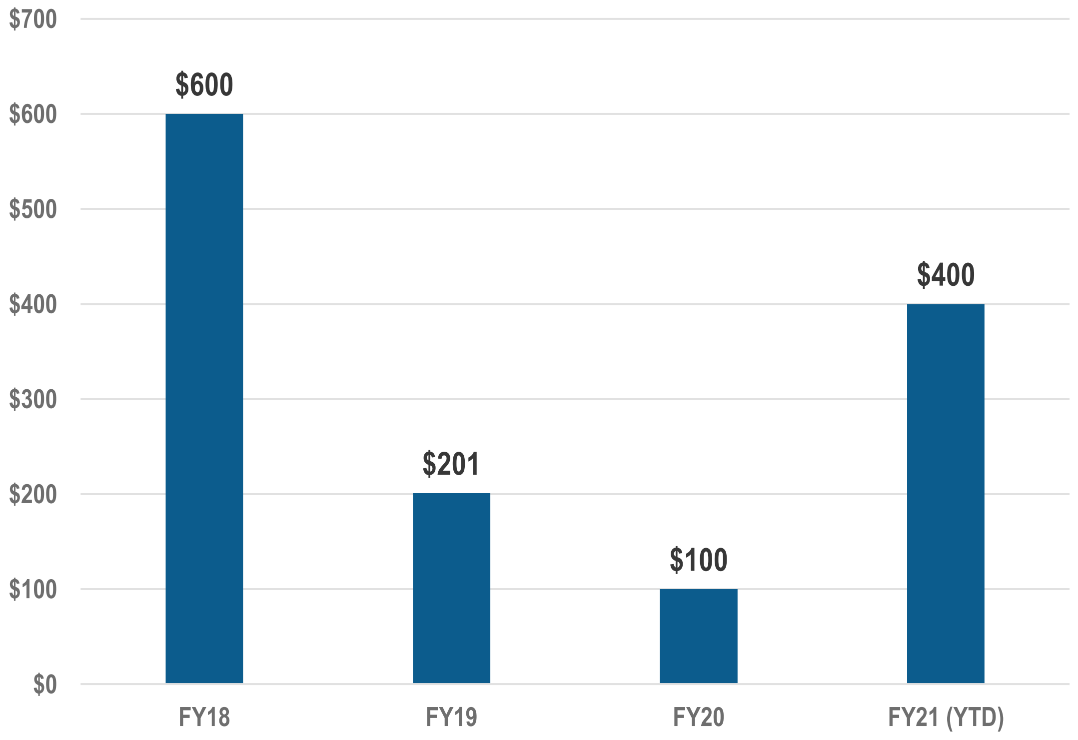
SHAPE ACQUIRED Q2FY20 FOR $600M CASH PLUS $400M TERM LOAN A.

We will take a balanced approach to capital deployment

We are committed to returning capital to shareholders

- In Q2FY21 we initiated an accelerated share repurchase of $500M.
  - During Q2FY21, we retired ~$400M of shares, reflecting 2.1 million shares purchased at an average price of $194.91
  - We expect the remaining $100M of ASR-related shares to be retired early in Q3FY21
- During FY22, we are committed to $500M in share repurchases
- Beginning in FY23, we intend to return 50% of free cash flow to shareholders via share repurchases

SHARE REPURCHASES ($ IN MILLIONS)



Business Outlook

Q3FY21 outlook

PROVIDED APRIL 27, 2021

	Q3 FY21
Revenue	$620 - $650M
Non-GAAP gross margin	84% - 84.5%
Non-GAAP operating expense	$338 - $352M
Non-GAAP diluted EPS	$2.36 - $2.54
Non-GAAP effective tax rate	~21% for FY21
Share-based compensation	$63 - $65M

Business Overview

François Locoh-Donou, CEO & President

F5 growth drivers in FY2021

Software Transformation

Ongoing software and subscription momentum

Application Security

Growing demand for application security

Systems

Escalating application growth fueling systems demand f5®

Appendix

GAAP to non-GAAP reconciliation

Gross Profit Reconciliation		
($ in thousands)		
	Q2FY20	Q2FY21
GAAP revenue	$583,449	$645,287
Acquisition-related write-downs of assumed deferred revenue	$2,191	$0
Non-GAAP revenue	**$585,640**	**$645,287**
GAAP gross profit	$482,211	$516,702
Stock-based compensation	$6,434	$7,352
Amortization of purchased intangible assets	$5,953	$8,799
Facility-exit costs	$180	$984
Acquisition-related charges	$13	$32
Impairment charges	$0	$4,388
Total adjustments to gross profit	$12,580	$21,555
Non-GAAP gross profit	**$496,982**	**$538,257**
Non-GAAP gross margin	**84.9%**	**83.4%**
Operating Expense Reconciliation		
($ in thousands)		
	Q2FY20	**Q2FY21**
GAAP operating expense	$398,513	$463,201
Stock-based compensation-sales and marketing	$22,638	$27,040
Stock-based compensation-research and development	$12,557	$17,717
Stock-based compensation-general and administrative	$9,593	$11,111
Amortization of purchased intangible assets-sales and marketing	$2,153	$2,832
Amortization of purchased intangible assets-general and administrative	$514	$575
Facility-exit costs-sales and marketing	$391	$1,457
Facility-exit costs-research and development	$408	$1,544
Facility-exit costs-general and administrative	$275	$1,080
Acquisition-related charges-sales and marketing	$3,364	$9,917
Acquisition-related charges-research and development	$746	$9,046
Acquisition-related charges-general and administrative	$19,330	$8,983
Impairment charges-sales and marketing		$10,256
Impairment charges-research and development		$9,845
Impairment charges-general and administrative	$0	$9,336
Restructuring charges	$0	$0
Litigation expense	$0	$0
Total adjustments to operating expenses	$71,969	$120,739
Non-GAAP operating expense	**$326,544**	**$342,462**

GAAP to non-GAAP reconciliation

Income from Operations Reconciliation		
($ in thousands)		
	Q2FY20	**Q2FY21**
GAAP operating income	$83,698	$53,501
Total adjustments related to revenue	$2,191	$0
Total adjustments related to gross profit	$12,580	$21,555
Total adjustments related to operating expense	$71,969	$120,739
Total adjustments related to income from operations	$86,740	$142,294
Non-GAAP income from operations	**$170,438**	**$195,795**
Non-GAAP operating margin	**29.1%**	**30.3%**
Net Income Reconciliation		
($ in thousands except per share data)		
	Q2FY20	**Q2FY21**
GAAP net income	$61,379	$43,241
Total adjustments related to revenue	$2,191	$0
Total adjustments to gross profit	$12,580	$21,555
Total adjustments to operating expenses	$71,969	$120,739
Gain on sale of patent	$0	$0
Exclude tax effect on above items	($12,172)	($30,388)
Tax on deemed repatriation of undistributed foreign earnings	$0	$0
Remeasurement of net deferred tax assets due to change in U.S. tax rate	$0	$0
Non-recurring foreign tax credit benefit	$0	$0
Total adjustments to net income	$74,568	$111,906
Non-GAAP net income	**$135,947**	**$155,147**
Weighted average basic common shares outstanding	60,869	61,058
Weighted average dilutive potential common shares outstanding	61,084	62,292
Net Income per Common Share		
GAAP diluted net income per common share	$ 1.00	$ 0.71
Non-GAAP diluted net income per common share	**$ 2.23**	**$ 2.50**

GAAP to non-GAAP reconciliation

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

Acquisition-related write-downs of assumed deferred revenue. Included in its GAAP financial statements, F5 records acquisition-related write-downs of assumed deferred revenue to fair value, which results in lower recognized revenue over the term of the contract. F5 includes revenue associated with acquisition-related write-downs of assumed deferred revenue in its non-GAAP financial measures as management believes it provides a more accurate depiction of revenue arising from our strategic acquisitions.

Stock-based compensation. Stock-based compensation consists of expense for stock options, restricted stock, and employee stock purchases through the company's ESPP. 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.

Impairment charges. In fiscal year 2021, F5 recorded impairment charges related to the permanent exit of certain floors at its Seattle headquarters. 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.

Amortization 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. 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. In fiscal year 2019, F5 relocated its headquarters in Seattle, Washington, and recorded charges in connection with this facility exit 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.

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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