



Q3FY21 Results

PERIOD ENDING JUNE 30, 2021

Published July 26, 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

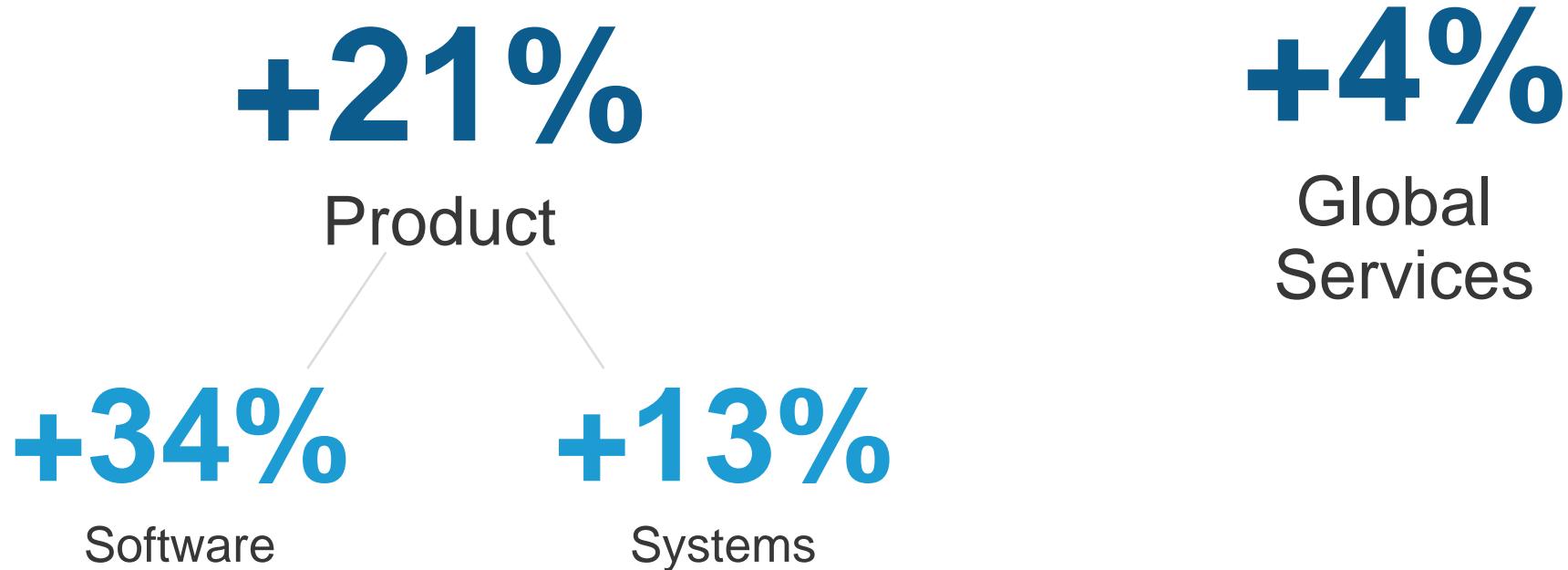
François Locoh-Donou, CEO & President

GAAP results

	Q3FY20	Q3FY21
Revenue	\$583.3M	\$651.5M
Gross margin	81.8%	81.4%
Operating margin	15.0%	14.8%
Net income	\$69.9M	\$89.6M
Diluted EPS	\$1.14	\$1.46

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

Q3FY21 Growth Drivers

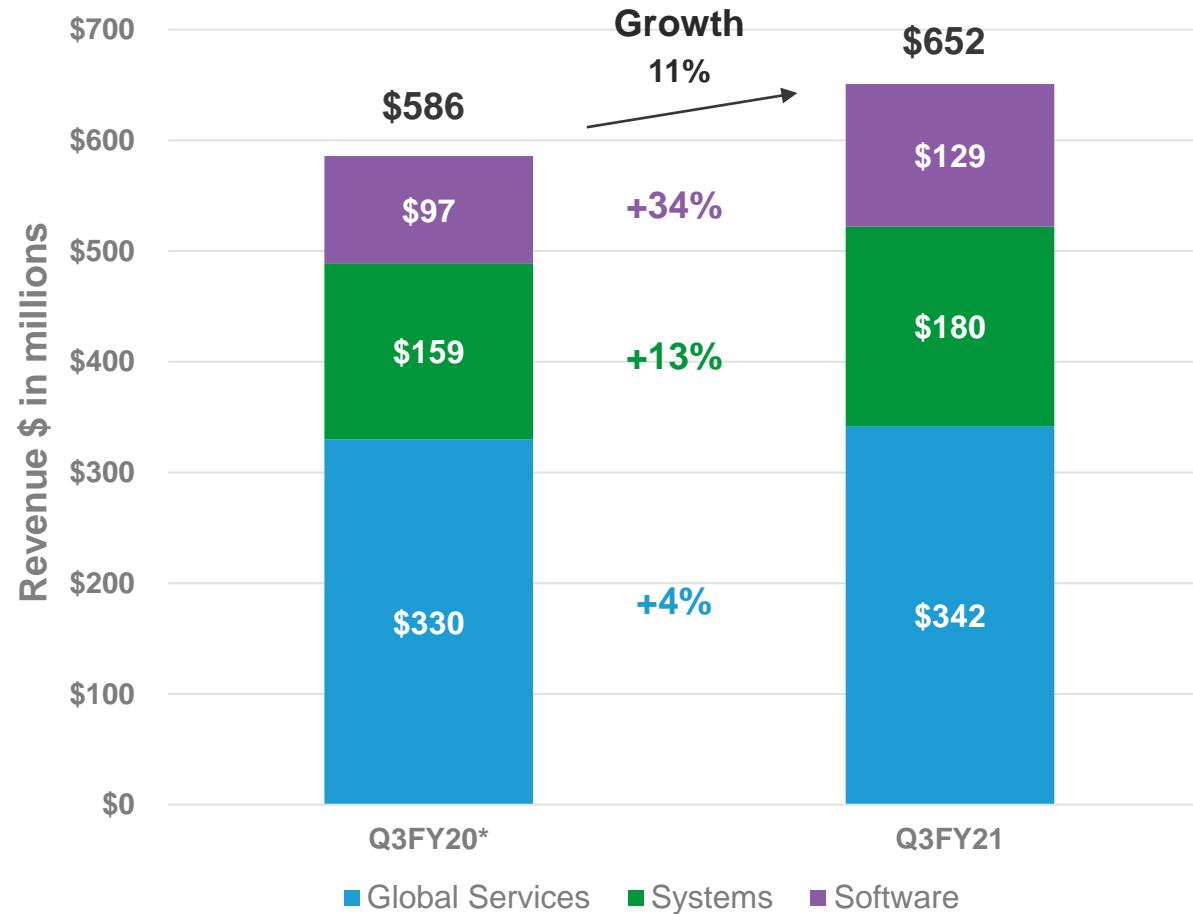


*GROWTH MEASURES ARE NON-GAAP. SEE APPENDIX FOR GAAP-TO-NON-GAAP RECONCILIATIONS.

Q3FY2021 Results

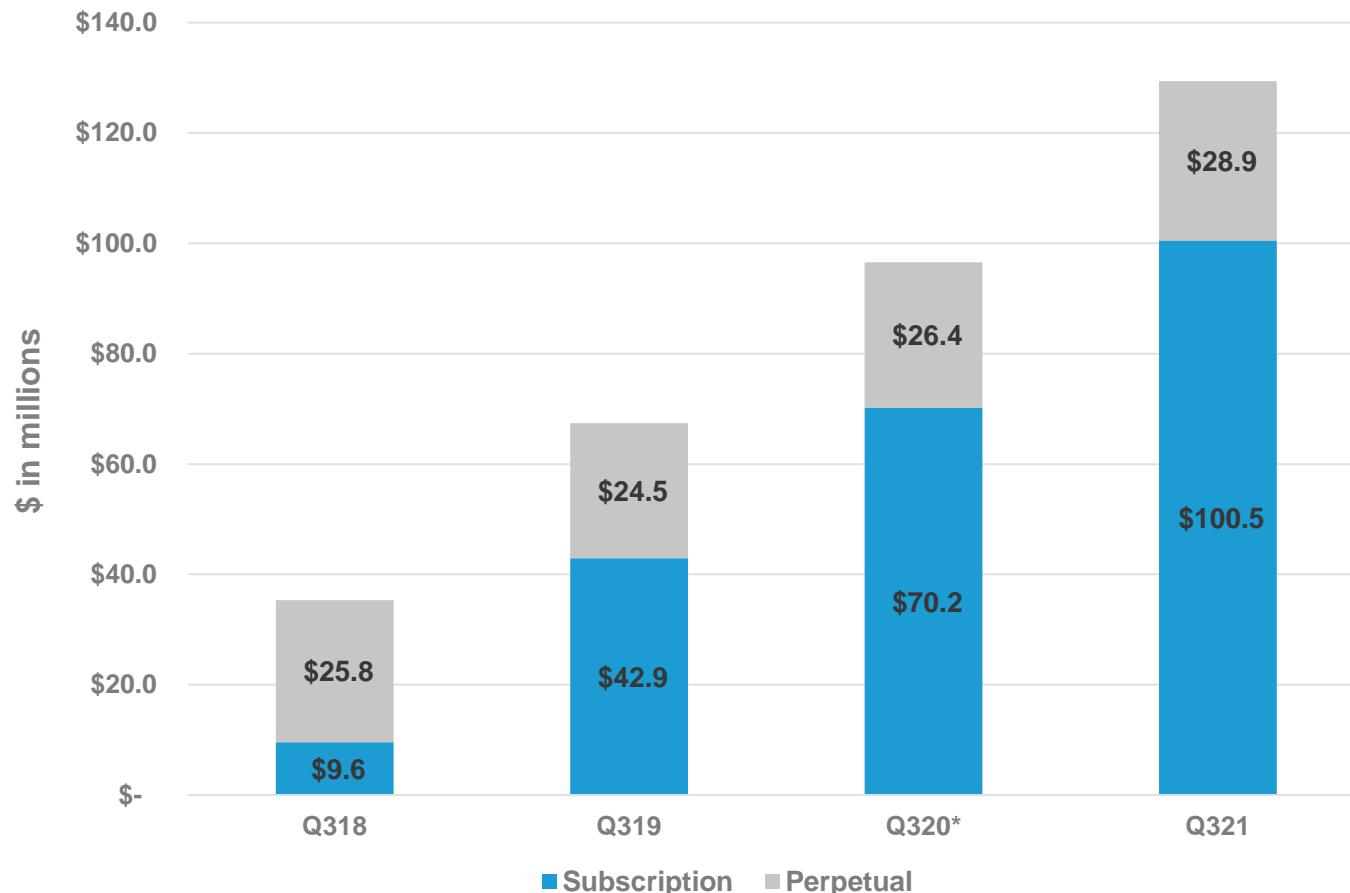
Frank Pelzer, CFO & EVP

Q3FY21 revenue mix



*Q3FY20 REVENUE IS NON-GAAP. SEE APPENDIX FOR GAAP-TO-NON-GAAP RECONCILIATIONS. TOTALS MAY NOT ADD DUE TO ROUNDING.

Software growth continues across multiple consumption models



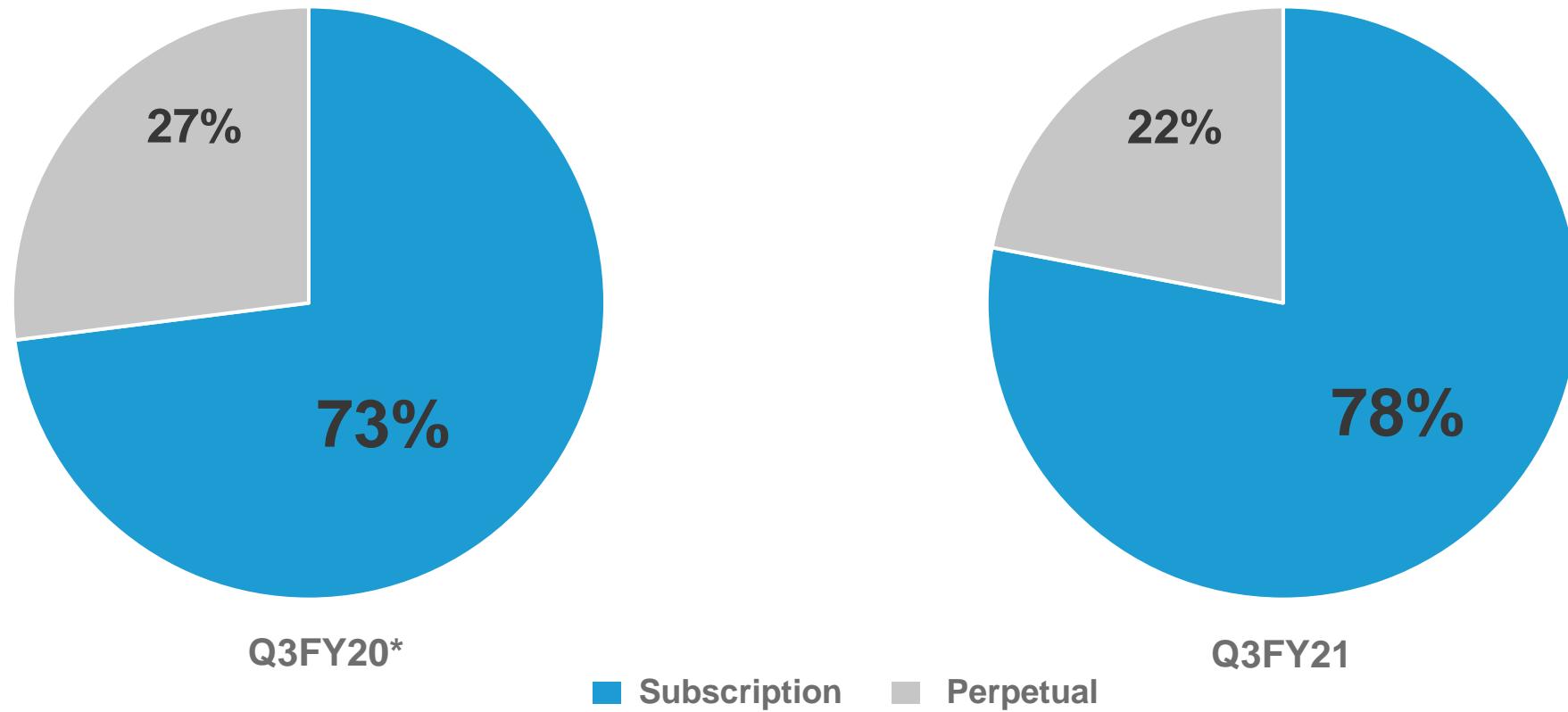
54%
Total software
revenue growth (3-yr CAGR)

119%
Subscription software
revenue growth (3-yr CAGR)

4%
Perpetual software
revenue growth (3-yr CAGR)

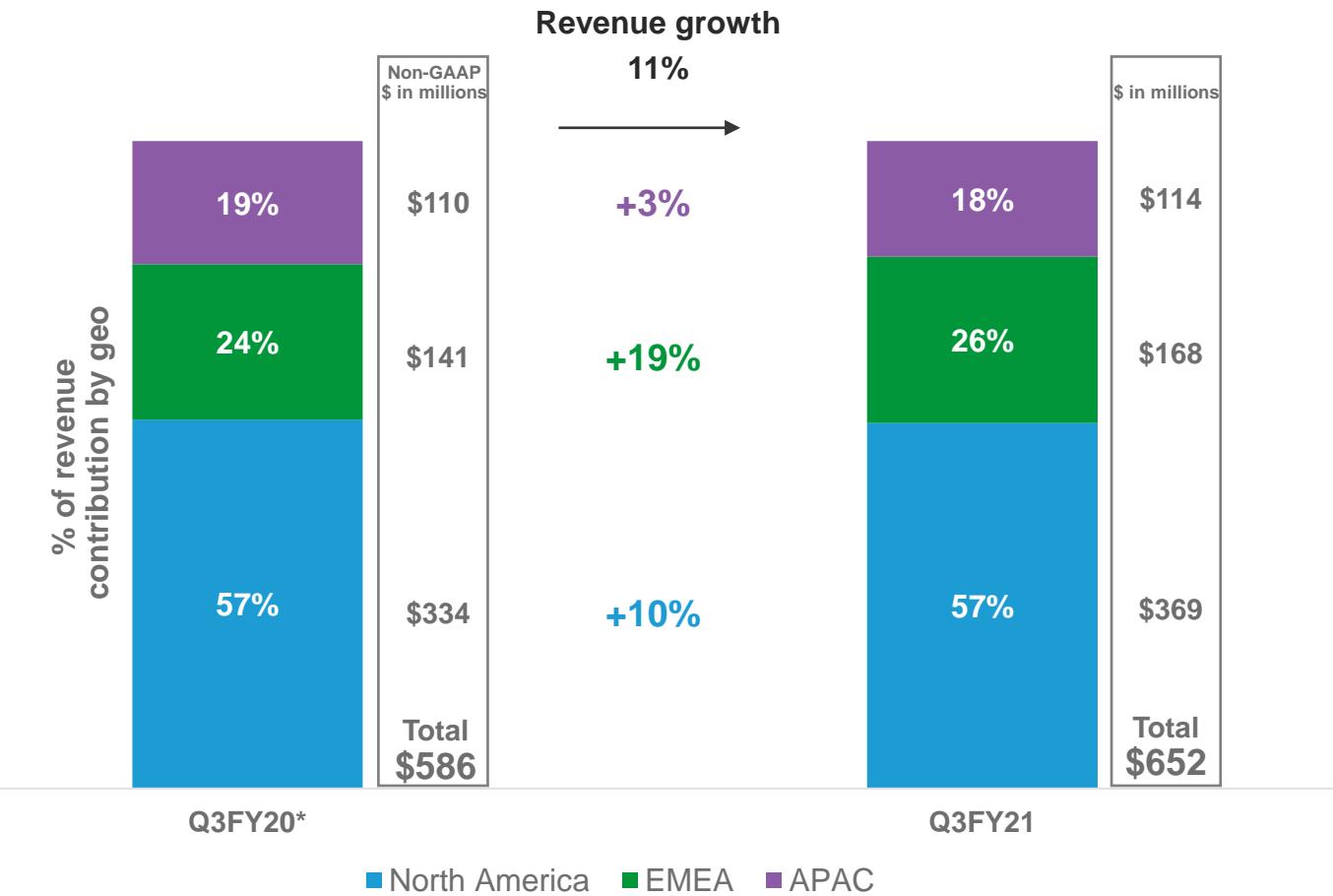
*Q3FY20 REVENUE IS NON-GAAP. SEE APPENDIX FOR GAAP-TO-NON-GAAP RECONCILIATIONS.

Growing software revenue from subscriptions



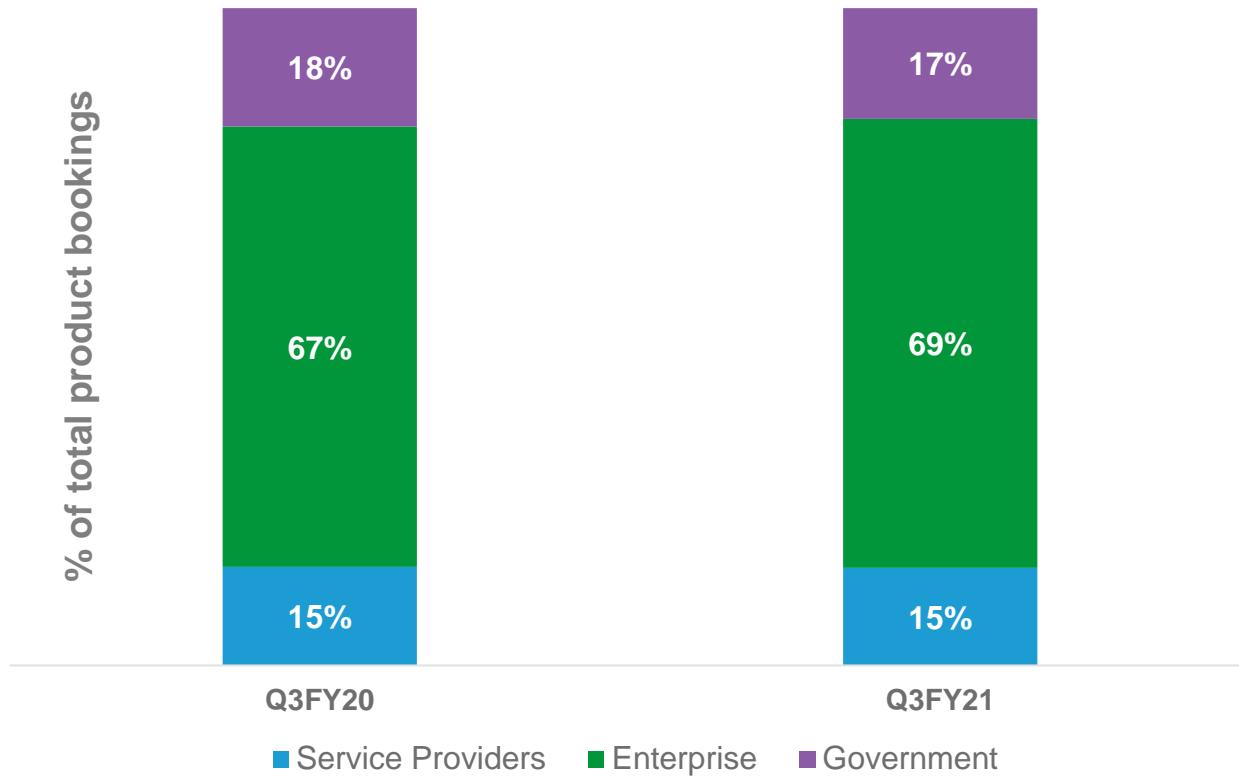
*Q3FY20 REVENUE IS NON-GAAP. SEE APPENDIX FOR GAAP-TO-NON-GAAP RECONCILIATIONS.

Q3FY21 revenue contribution by geography



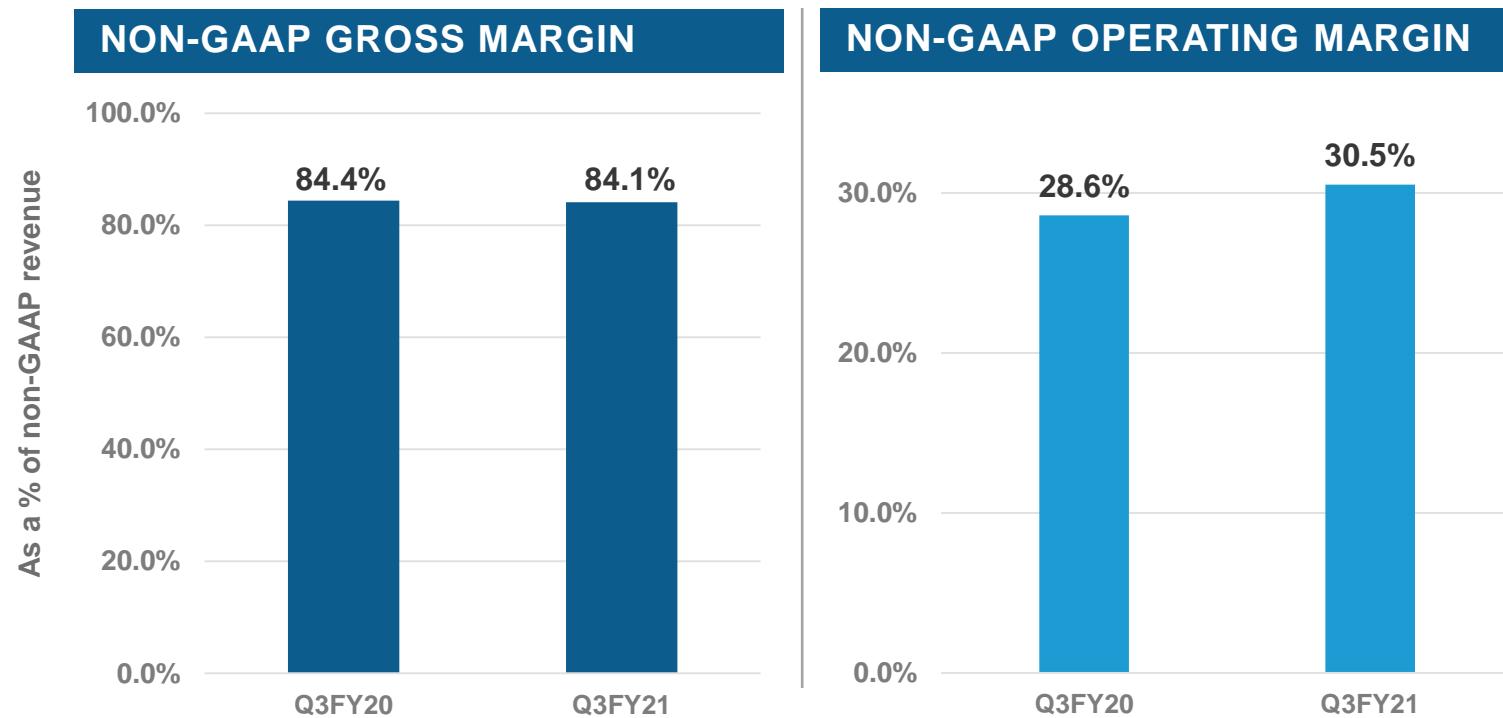
*Q3FY20 REVENUE IS NON-GAAP. SEE APPENDIX FOR GAAP-TO-NON-GAAP RECONCILIATIONS. TOTALS MAY NOT ADD TO 100% DUE TO ROUNDING.

Q3FY21 customer verticals as a % of product bookings



TOTALS MAY NOT ADD TO 100% DUE TO ROUNDING.

Q3FY21 non-GAAP gross and operating margins

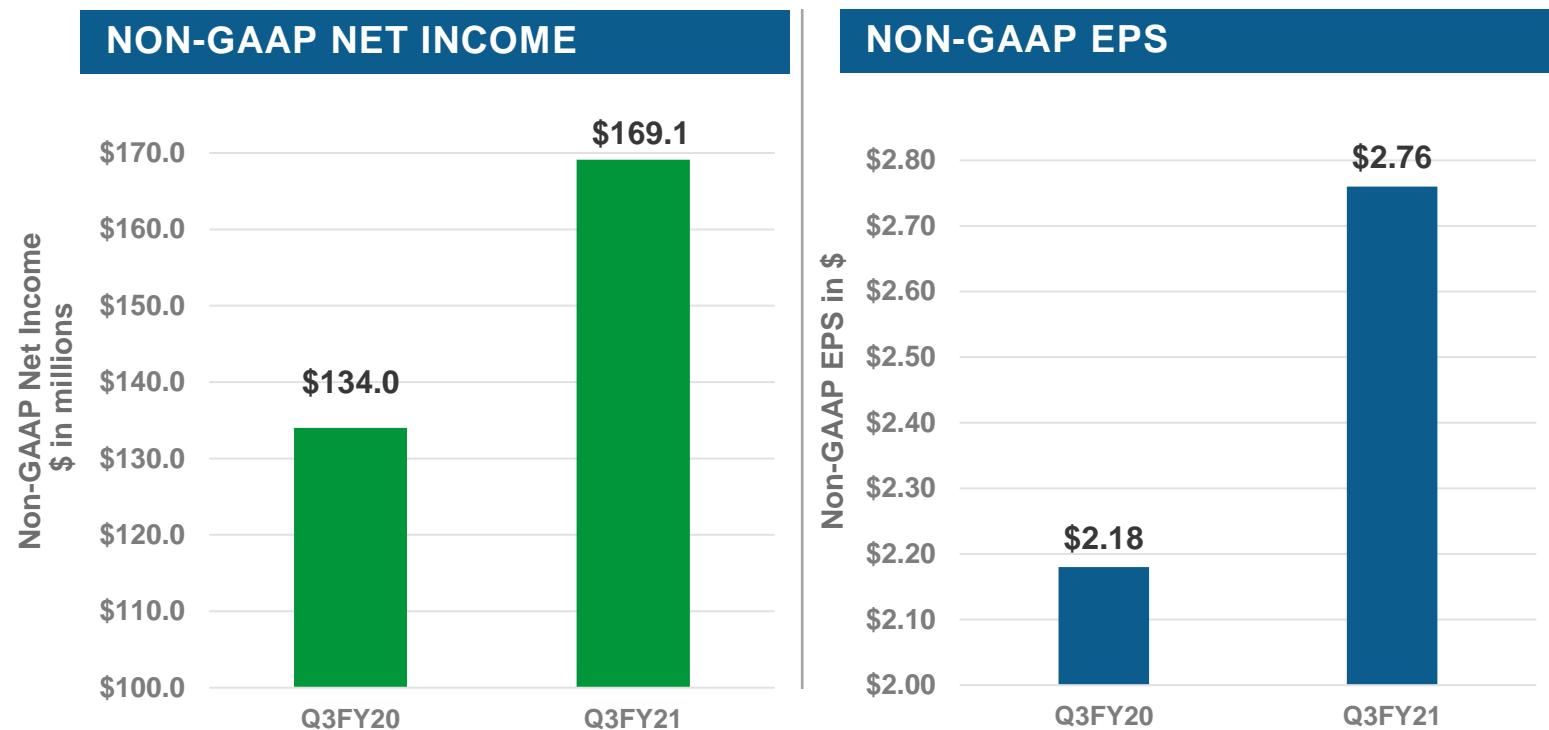


SEE APPENDIX FOR GAAP-TO-NON-GAAP RECONCILIATIONS.

Q3FY21 non-GAAP net income and EPS

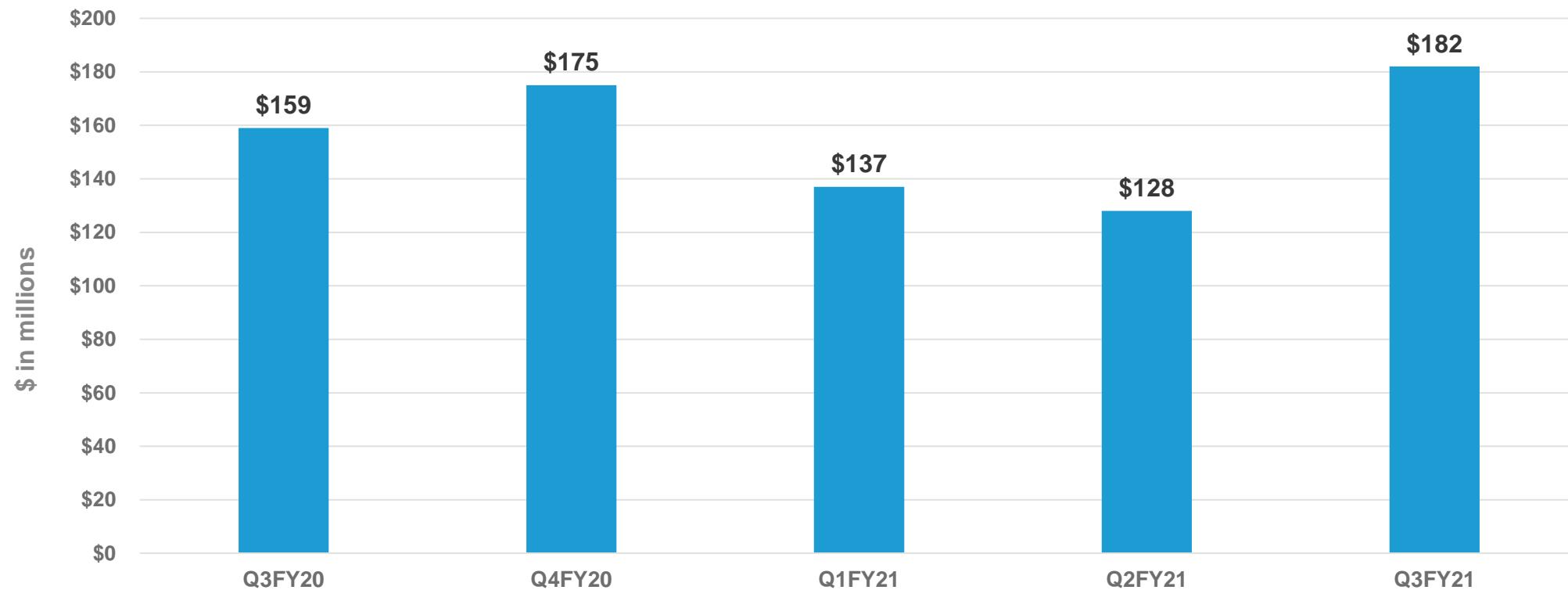
Q3FY21 non-GAAP effective tax rate of 14.0% resulting from an election made with our FY20 U.S. income tax return filed during Q3.

The election related to certain research and experimentation costs for tax purposes only and had the effect of reducing our non-GAAP effective tax rate in Q3.



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

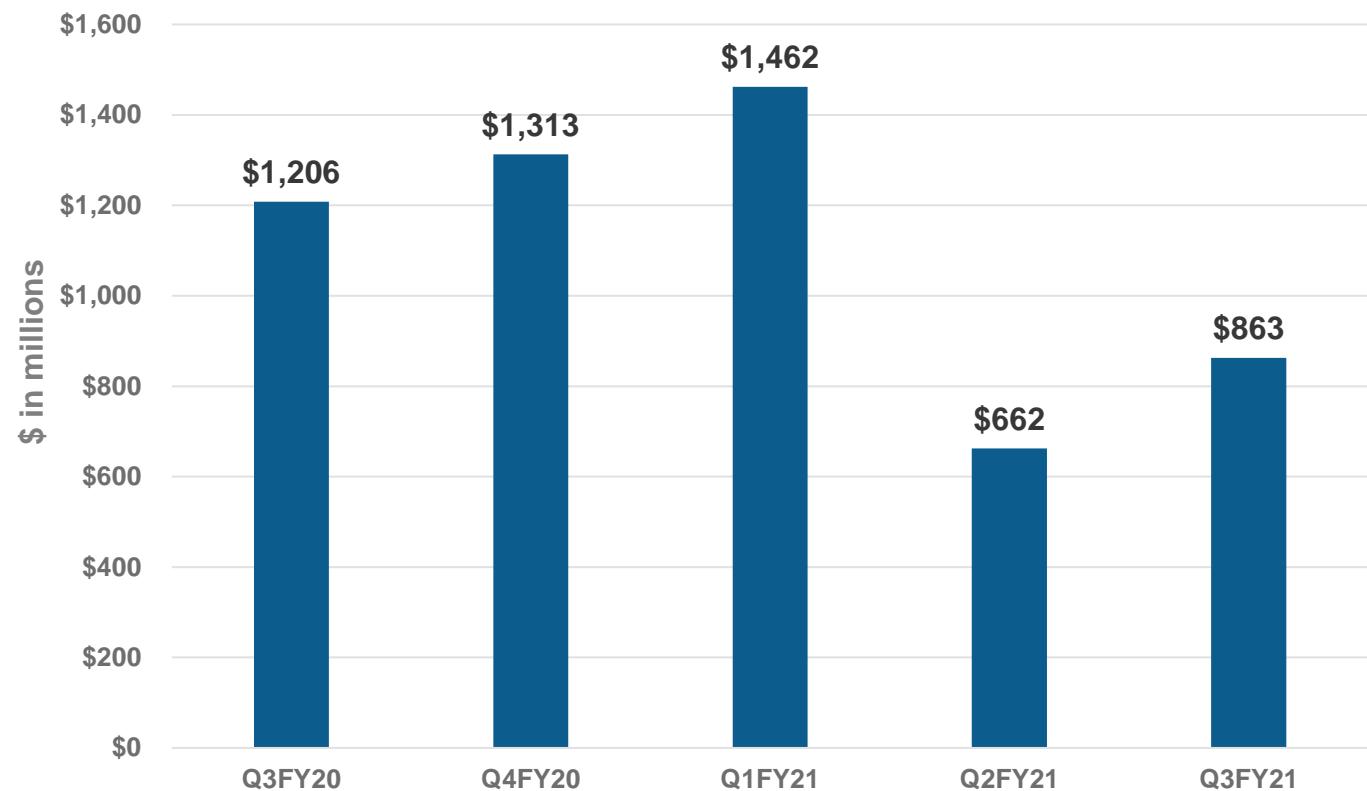
Q3FY21 cash flow from operations



Q3FY21 cash and investments

Q3FY21 cash balance
reflects completed \$500M
accelerated stock
repurchase initiated in Q221

F5 also holds ~\$370M in
debt associated with Shape
acquisition

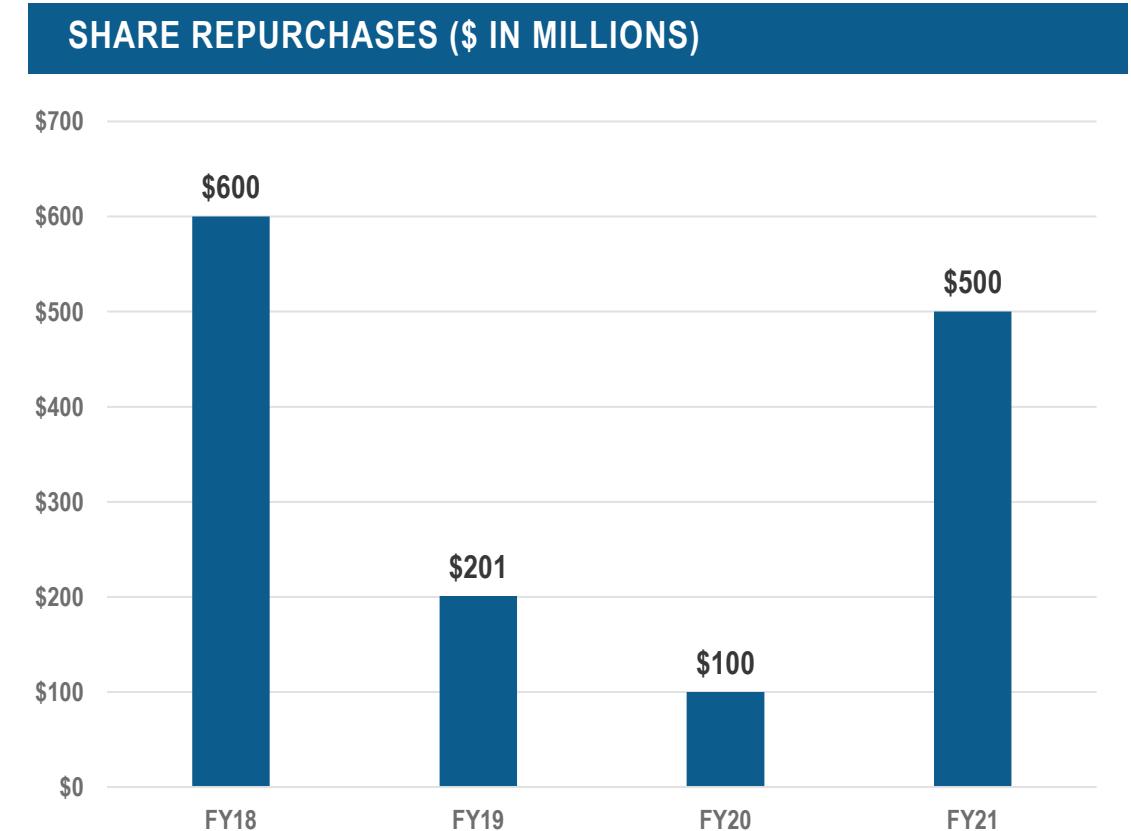


SHAPE ACQUIRED Q2FY20 FOR \$600M CASH PLUS \$400M TERM LOAN A.

We will take a balanced approach to capital deployment

We are committed to returning capital to shareholders

- In Q3FY21 we completed a \$500M accelerated share repurchase initiated in Q2FY21.
- 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



Business Outlook

Q4FY21 outlook

PROVIDED JULY 26, 2021

	Q4FY21
Revenue	\$660 - \$680M
Non-GAAP gross margin	84% - 84.5%
Non-GAAP operating expense	\$346 - \$358M
Non-GAAP diluted EPS	\$2.68 - \$2.80
Non-GAAP effective tax rate	~19% for FY21
Share-based compensation	\$62 - \$64M

Business Overview

François Locoh-Donou, CEO & President

F5 is benefiting from strong and sustainable customer trends

- 1 Enterprise customers' developers and dev ops teams are using NGINX to insert security earlier in the application life cycle
- 2 Heightened security concerns and high-profile ransomware attacks are escalating demand for top-notch security and fraud and abuse mitigation
- 3 Customers are leveraging F5 for Kubernetes, containers, and cloud-native architectures
- 4 Customers are scaling their existing hardware-based infrastructures to handle accelerating application growth, driving continued strength for BIG-IP systems
- 5 Customers are leveraging BIG-IP for transformation, including cloud migration and automation initiatives



Appendix

GAAP to non-GAAP reconciliation

(\$ in thousands)	Q3FY20	Q3FY21
GAAP revenue	\$583,252	\$651,515
Acquisition-related write-downs of assumed deferred revenue	\$2,670	\$0
Non-GAAP revenue	\$585,922	\$651,515
GAAP gross profit	\$477,212	\$530,611
Stock-based compensation	\$6,771	\$7,209
Amortization of purchased intangible assets	\$7,382	\$9,507
Facility-exit costs	\$342	\$770
Total adjustments to gross profit	\$14,495	\$17,486
Non-GAAP gross profit	\$494,377	\$548,097
Non-GAAP gross margin	84.4%	84.1%
Operating Expense Reconciliation		
(\$ in thousands)	Q3FY20	Q3FY21
GAAP operating expense	\$389,591	\$434,199
Stock-based compensation-sales and marketing	\$21,784	\$26,399
Stock-based compensation-research and development	\$13,145	\$17,342
Stock-based compensation-general and administrative	\$9,168	\$10,518
Amortization of purchased intangible assets-sales and marketing	\$2,749	\$2,849
Amortization of purchased intangible assets-general and administrative	\$545	\$575
Facility-exit costs-sales and marketing	\$751	\$1,188
Facility-exit costs-research and development	\$776	\$1,474
Facility-exit costs-general and administrative	\$676	\$1,040
Acquisition-related charges-sales and marketing	\$5,675	\$8,525
Acquisition-related charges-research and development	\$547	\$11,681
Acquisition-related charges-general and administrative	\$7,221	\$3,378
Total adjustments to operating expenses	\$63,037	\$84,969
Non-GAAP operating expense	\$326,554	\$349,230

GAAP to non-GAAP reconciliation

(\$ in thousands)	Q3FY20	Q3FY21
GAAP operating income	\$87,621	\$96,412
Total adjustments related to revenue	\$2,670	\$0
Total adjustments related to gross profit	\$14,495	\$17,486
Total adjustments related to operating expense	\$63,037	\$84,969
Total adjustments related to income from operations	\$80,202	\$102,455
Non-GAAP income from operations	\$167,823	\$198,867
Non-GAAP operating margin	28.6%	30.5%
 Net Income Reconciliation (\$ in thousands except per share data)		
GAAP net income	Q3FY20	Q3FY21
Total adjustments related to revenue	\$2,670	\$0
Total adjustments to gross profit	\$14,495	\$17,486
Total adjustments to operating expenses	\$63,037	\$84,969
Exclude tax effect on above items	(\$16,044)	(\$22,943)
Total adjustments to net income	\$64,158	\$79,512
Non-GAAP net income	\$134,030	\$169,116
Weighted average basic common shares outstanding	60,978	60,186
Weighted average dilutive potential common shares outstanding	61,415	61,351
 Net Income per Common Share		
GAAP diluted net income per common share	\$ 1.14	\$ 1.46
Non-GAAP diluted net income per common share	\$ 2.18	\$ 2.76

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.

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.

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.

