Q1FY25 Results

PERIOD ENDING December 31, 2024

Published January 28, 2025

Forward-looking statements

This presentation contains forward-looking statements including, among other things, F5's alignment with significant secular trends, that opportunities are emerging in hybrid multicloud and AI, F5's innovation in anticipation of widespread hybrid multicloud adoption means we can simplify the crushing complexity of these environments in ways competitors cannot and is leading to new revenue potential, F5's unique ability to rapidly and securely move the large amounts of enterprise data necessary for AI inferencing and retrieval augmented generation positions F5 as a crucial player as businesses start to implement AI on a large scale, the Company's future financial performance including revenue, earnings growth, future customer demand, 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; 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.

Today’s speakers

François Locoh-Donou

CEO, President

Intro & Business Overview

Cooper Werner

Chief Financial Officer, EVP

Q1FY25 Results & Business Outlook

Business Overview

François Locoh-Donou, President & CEO

GAAP & non-GAAP results

GAAP results

	Q1FY25	Q1FY24
Revenue	**$766M**	**$693M**
Gross profit	$626M	$556M
Gross margin	81.7%	80.3%
Operating profit	$205M	$165M
Operating margin	26.8%	23.8%
Net income	$166M	$138M
EPS	**$2.82**	**$2.32**

Non-GAAP results

	Q1FY25	Q1FY24
Revenue	$766M	$693M
Gross profit	$643M	$575M
Gross margin	83.9%	83.1%
Operating profit	$286M	$246M
Operating margin	37.4%	35.5%
Net income	$227M	$205M
EPS	$3.84	$3.43

See appendix for GAAP to non-GAAP reconciliation

Q1FY25 performance highlights

+11%
Total revenue growth

+22%
Software revenue growth Y/Y

+18%
Systems revenue growth Y/Y

+20%
Product revenue growth Y/Y

+189bps
Non-GAAP operating margin improvement Y/Y

12%
Non-GAAP EPS growth Y/Y

See appendix for GAAP to non-GAAP reconciliation

Q1FY25's strength is multi-faceted and reflects a continuation of trends from the second half of FY24

Consistently strong expansion of software subscriptions

Continued growth of new software demand

Increasing technology refresh activity

We are providing Q2FY25 guidance and raising our FY25 revenue growth outlook

Q2FY25 Outlook

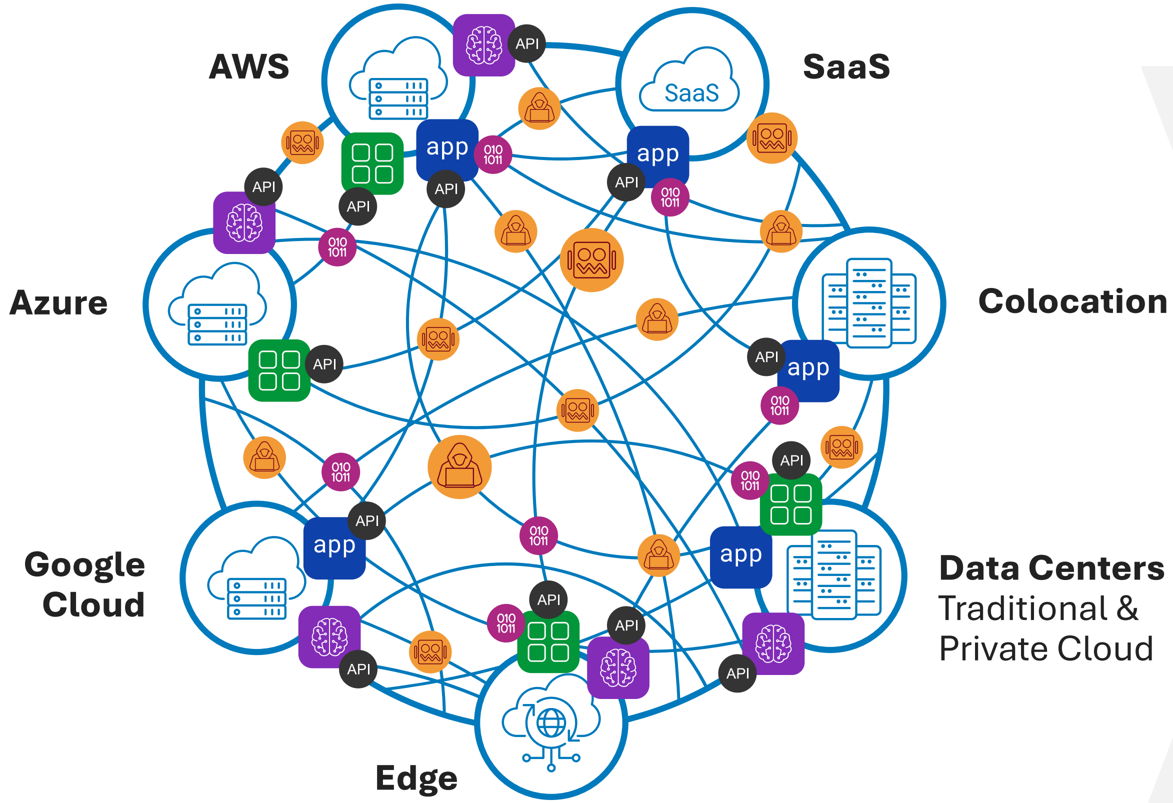
$705 to $725M
Q2FY25 total revenue

5%
Growth Y/Y at midpoint

FY25 Outlook

6% to 7%
Total revenue growth Y/Y
(up from 4% to 5% previously)

Hybrid multicloud brings advantages and new challenges

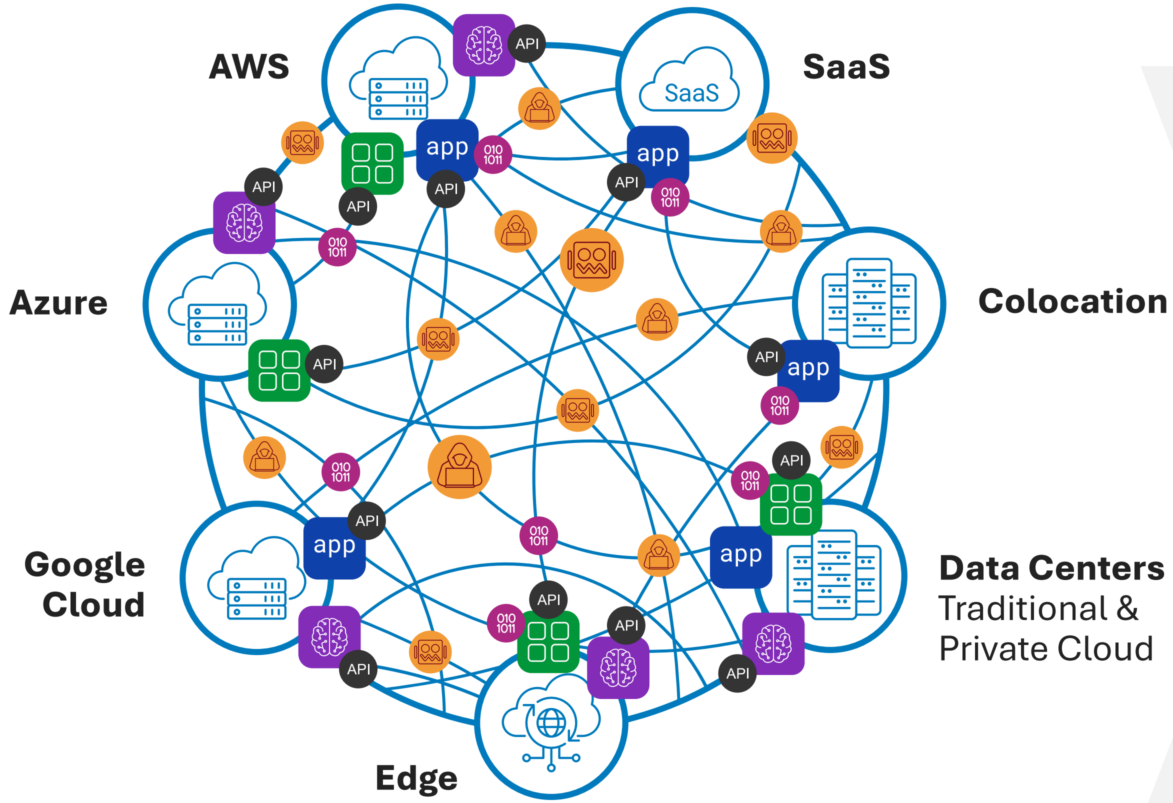


High costs

Operational complexity

Escalating cyber risk

Hybrid multicloud brings advantages and new challenges



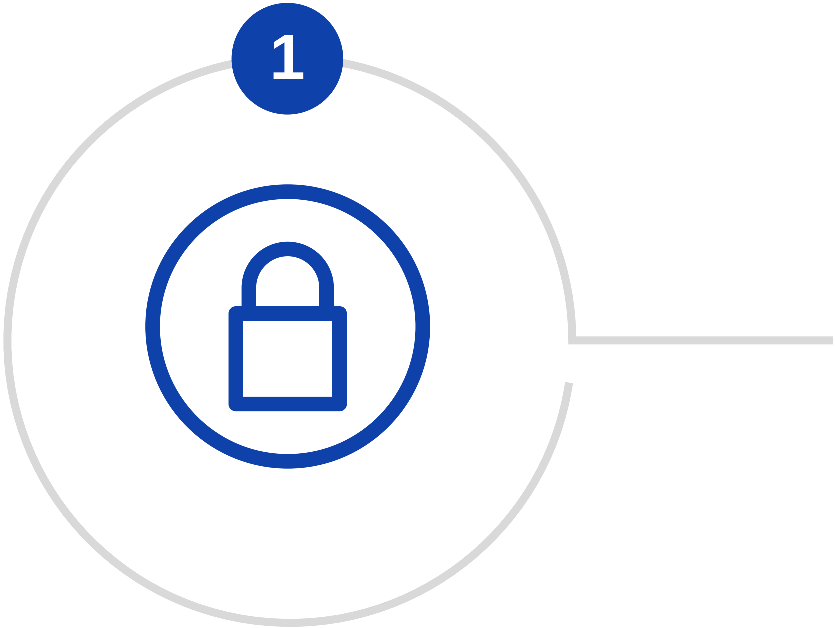
AI exacerbates these challenges

High costs

Operational complexity

Escalating cyber risk

F5 stands alone with the only complete hybrid multicloud portfolio for app security and delivery



App & API Security

F5 has the industry's most effective and comprehensive app and API security platform

Q1FY25 customer examples

App Security

F5 has the industry's most comprehensive app and API security platform

Integrated and comprehensive suite of best-in-class app & API security capabilities

F5 enables customers to consolidate multiple point products onto a single, integrated platform

Financial Services

- Renewed and expanded its sizable F5 BIG-IP and NGINX term subscription.
- Converged multiple security point solutions onto F5, adding SSLO and DDoS use cases.
- Resulted in larger-than-expected expansion on an already 8-figure renewal.

BIG-IP NGINX Distributed Cloud

F5 stands alone with the only complete hybrid multicloud portfolio for app security and delivery

1

2

App & API Security

F5 has the industry's most effective and comprehensive app and API security platform

Consolidation

F5's hybrid multicloud strategy enables consolidation on a single vendor for app security and delivery

Q1FY25 customer examples

App Security

F5 has the industry's most comprehensive app and API security platform

Integrated and comprehensive suite of best-in-class capabilities

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BIG-IP NGINX Distributed Cloud

Consolidation

F5 enables consolidation on a single vendor for application security and delivery

F5 delivers solutions that extend from on-premises, across public clouds, to the edge

F5 simplifies connecting disparate infrastructure environments and the apps deployed in and across them

Utility

- Modernized its F5 BIG-IP app hosting, security, and remote access infrastructure.
- Deployed F5 Distributed Cloud Services to support modern apps displacing two F5 competitors.
- Consolidated traditional and modern applications and investments on F5.

BIG-IP Distributed Cloud

F5 stands alone with the only complete hybrid multicloud portfolio for app security and delivery

1

App & API Security

F5 has the industry's most effective and comprehensive app and API security platform

2

Consolidation

F5's hybrid multicloud strategy enables consolidation on a single vendor for app security and delivery

3

Standardization & Automation

F5 streamlines operations with consistent policies, comprehensive automation, and rich analytics

Q1FY25 customer examples

Standardization & Automation

F5's solutions streamline customer operations with consistent policies, comprehensive automation, and rich analytics

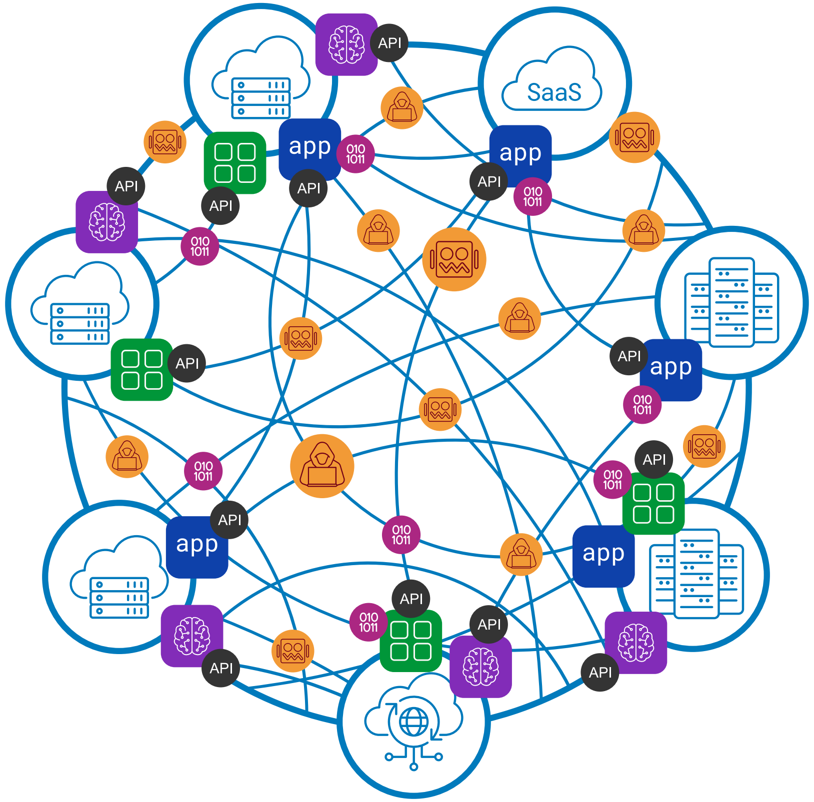
F5 enables customers to simplify operational management across all environments

Bank

- F5 displaced two point-security competitors.
- Deployed F5's unified security policy, consolidating on F5 for use cases across on-premises, public cloud and Kubernetes environments.
- Leveraging F5 in SaaS, software and hardware deployment models.

BIG-IP NGINX Distributed Cloud

F5 tames the "Ball of Fire," empowering our customers to run at the speed their businesses demand



App Security

Consolidation

Standardization & Automation

Our differentiated hybrid multicloud approach is driving competitive displacement momentum

F5 achieved a record volume of competitive displacements in Q1

Retailer

- Deployed F5 BIG-IP after a series of escalating challenges with its incumbent ADC provider.
- Leveraging BIG-IP's automation capabilities to support their application delivery infrastructure and to streamline operations.

BIG-IP

Insurance

- Long-time F5 BIG-IP customer deployed F5 Distributed Cloud Services to eliminate growing security tool sprawl and reduce associated administrative burdens and costs.
- Replaced prior API protection provider with F5 Distributed Cloud Services WAAP.
- Enhancing application and API security while consolidating tooling.

BIG-IP
Distributed Cloud

F5's AI Opportunities

F5’s early AI opportunities are concentrated on three areas of high performance data delivery and security

Delivering & Securing Data for AI model training & inference

AI Model Training: F5 BIG-IP moving incredible amounts of data at high speed to and from data stores, providing greater efficiency for training.

AI Inference: F5 BIG-IP deployed in front of data stores to scale to handle vast and increasing amounts of queries related to RAG.

Secure AI Inferencing

F5’s WAAP solutions protecting hybrid and multicloud apps with functionality that spans from API discovery to API security, which is essential for AI workloads.

AI Factory Load Balancing

F5 is optimizing AI factory performance and scalability with advanced traffic management.

Across AI factories, F5 BIG-IP improving efficiency and performance of data going to/from GPU clusters.

Within AI factories, F5 is partnering with Nvidia to provide improved performance, multi-tenancy, and observability.

Q1FY25 AI customer examples

Delivering & Securing Data for AI model training & inference

Mobility platform

- Net new customer using F5 BIG-IP for higher performance data delivery.
- Selected F5 BIG-IP to support their robust AI computing stack, addressing high velocity load balancing for AI data ingestion, and replacing costly public cloud infrastructure.
- F5's SSL performance and compatibility with AI protocols with orchestration was a major factor in selection.

BIG-IP

Bank

- F5 BIG-IP securing, optimizing, and scaling AI applications.
- Leveraging F5 BIG-IP for traffic management and WAF.
- Ensuring efficient distribution and security of critical AI and data infrastructure with seamless integration with existing infrastructure.

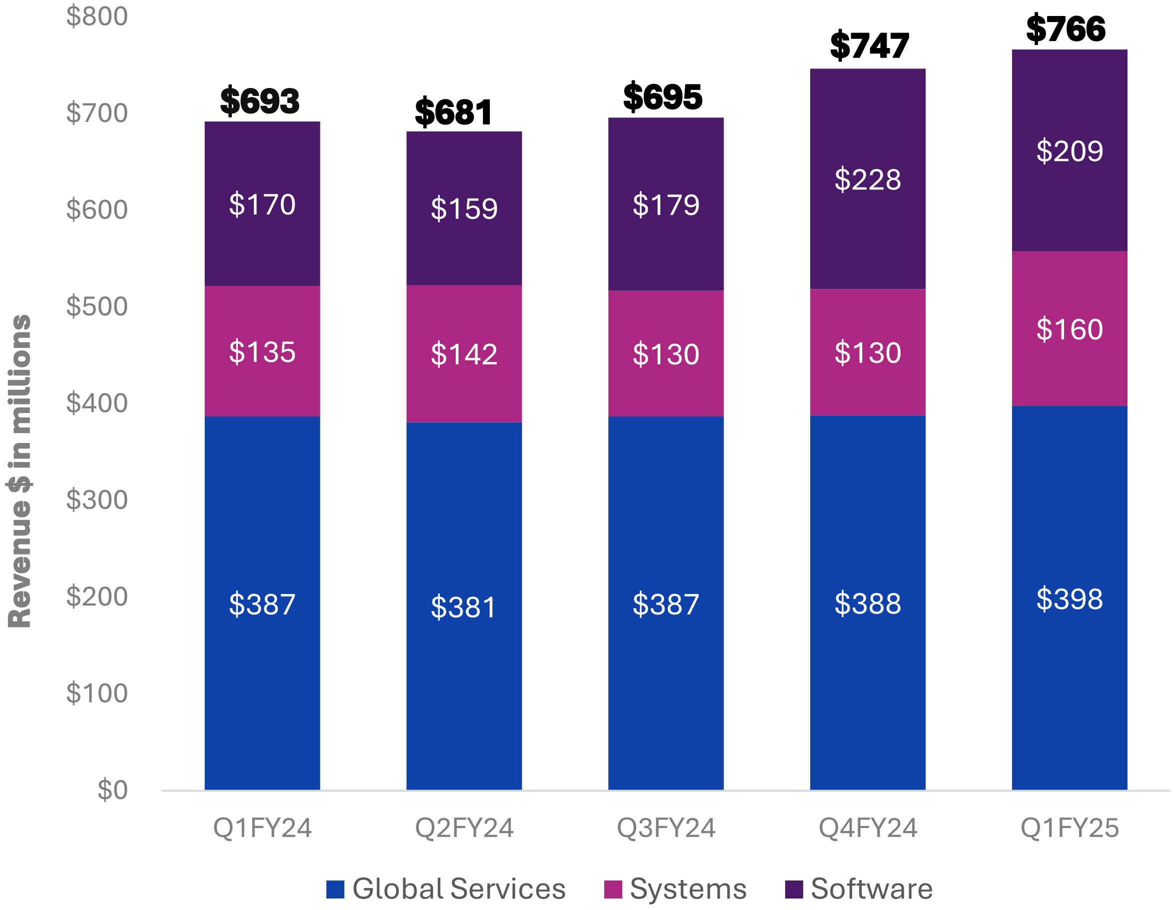
BIG-IP

Q1FY25 Results

Cooper Werner, CFO & EVP

Revenue mix and year-over-year change

Revenue mix



Totals may not add to due to rounding.

Year/Year change

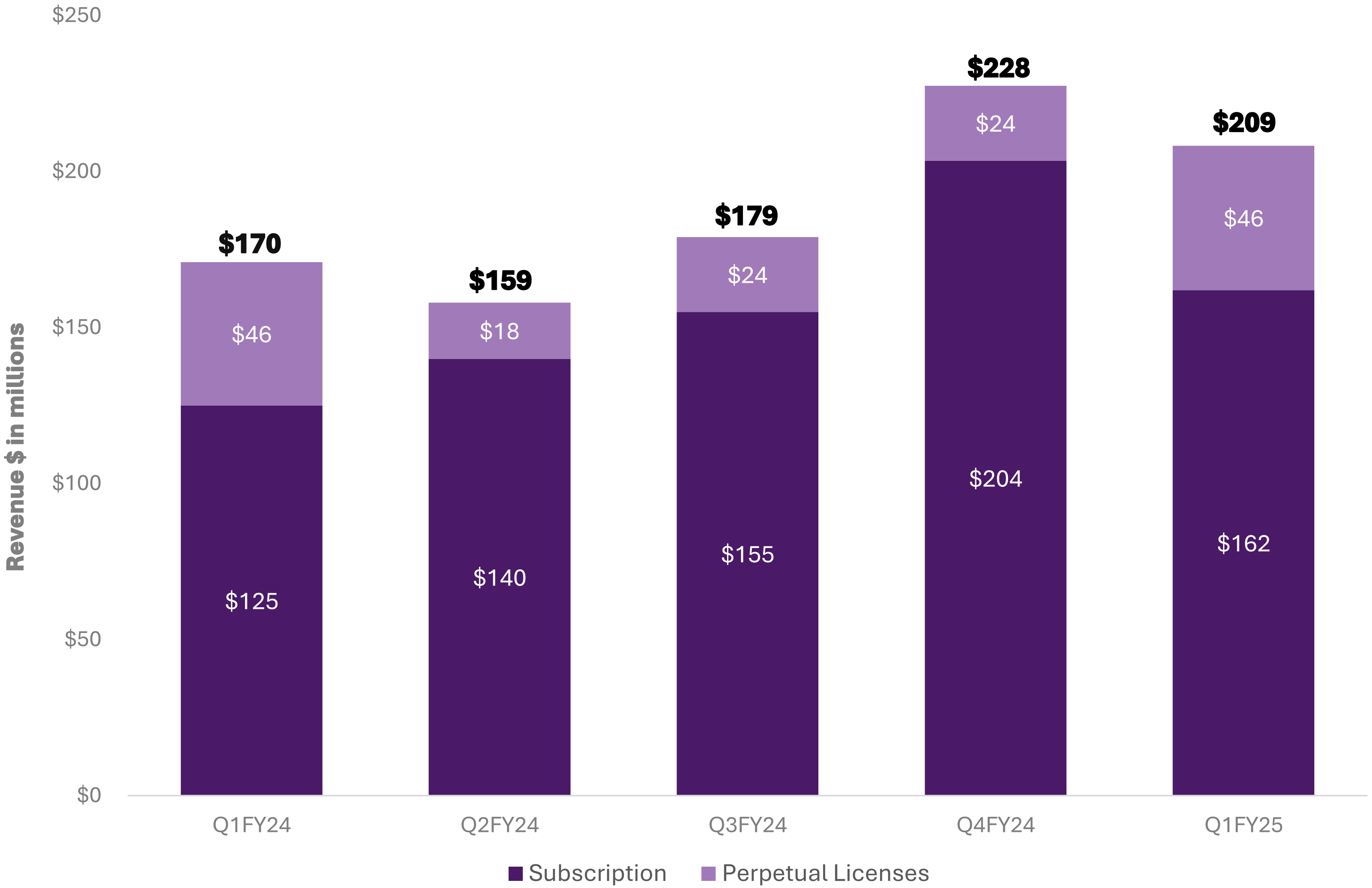
+22%
Software

+18%
Systems

+3%
Global services

+11%
Total revenue

Software revenue mix



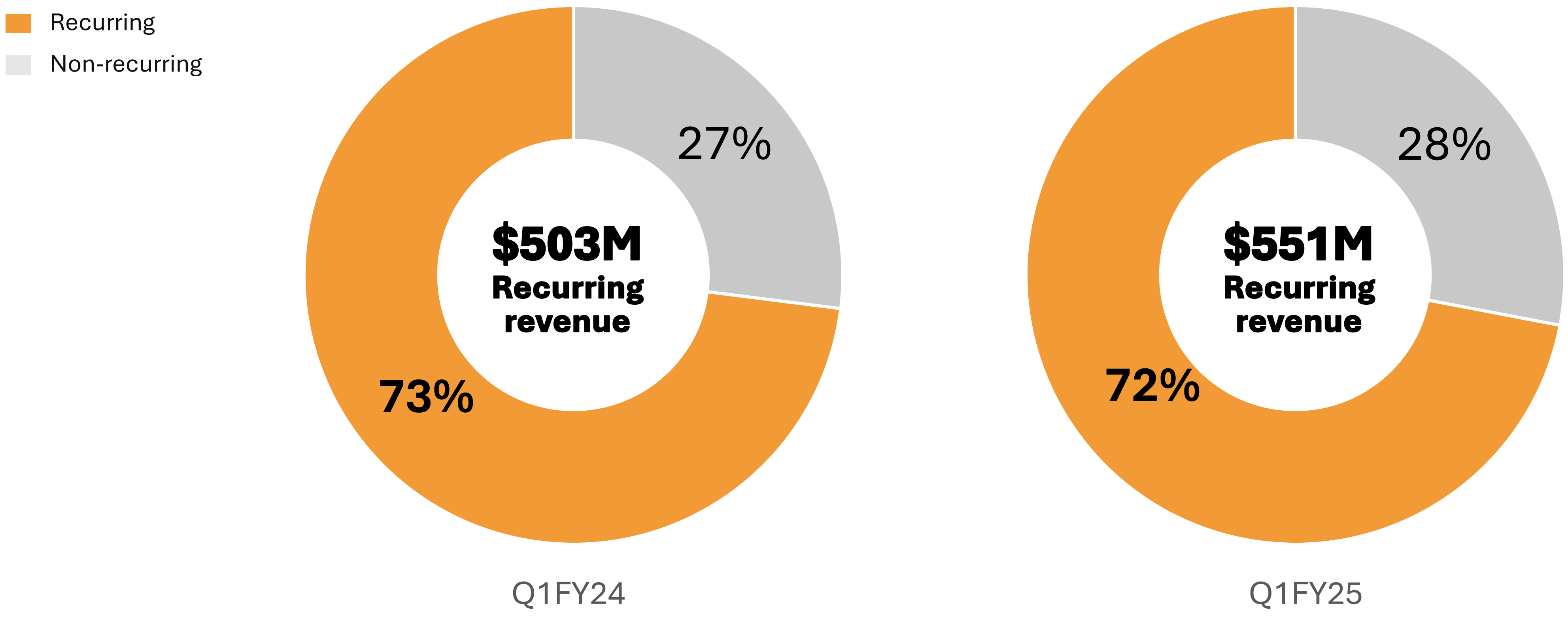
+22%
Total software revenue growth Y/Y

78%
of Q1FY25 total software revenue from subscriptions

+30%
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..

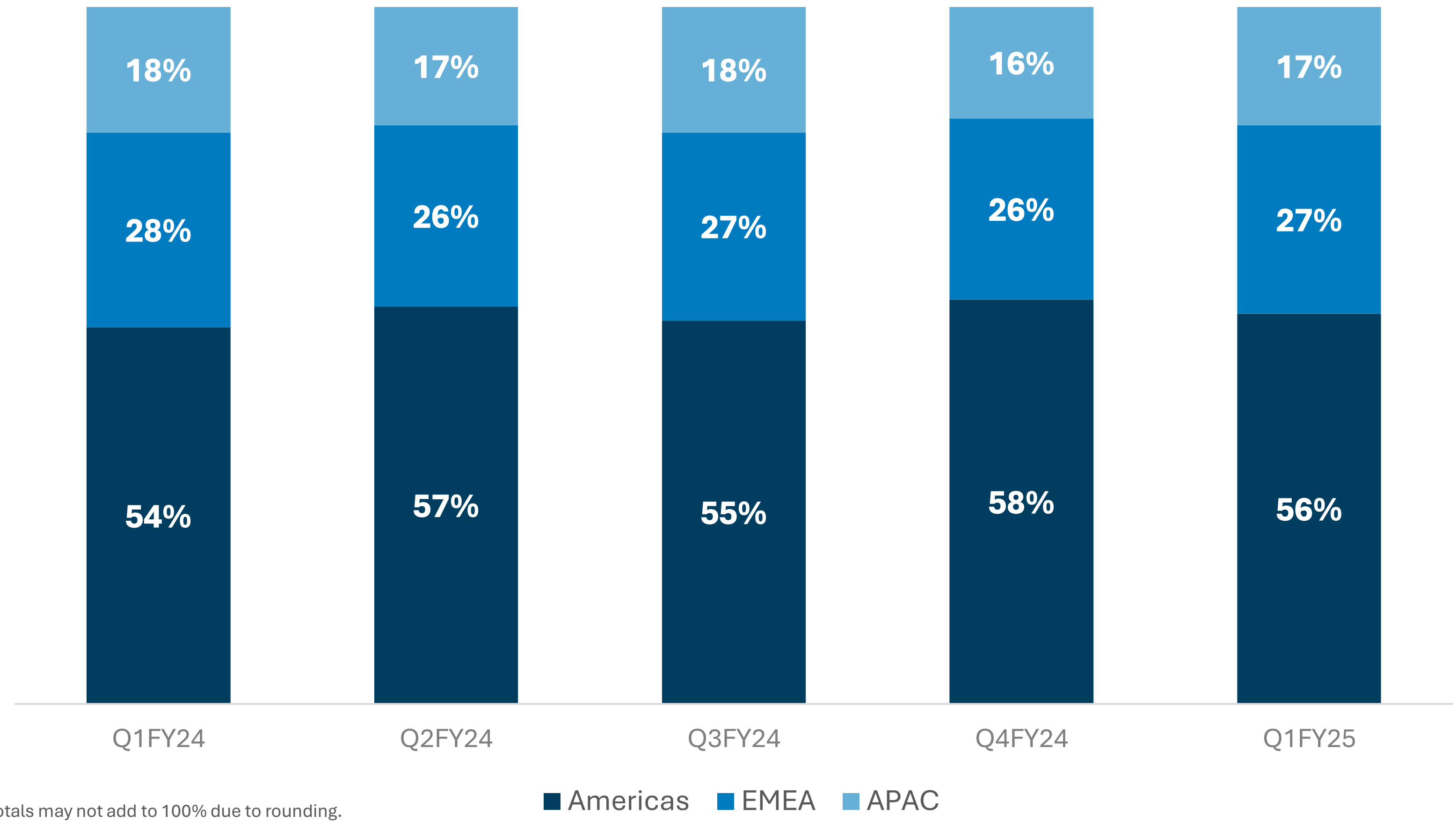
Recurring revenue grew 10%, with 72% of our Q1FY25 revenue coming from subscription, SaaS & managed services, and maintenance



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

Revenue contribution by geography

% of revenue by geo



Y/Y growth by region Q1FY25

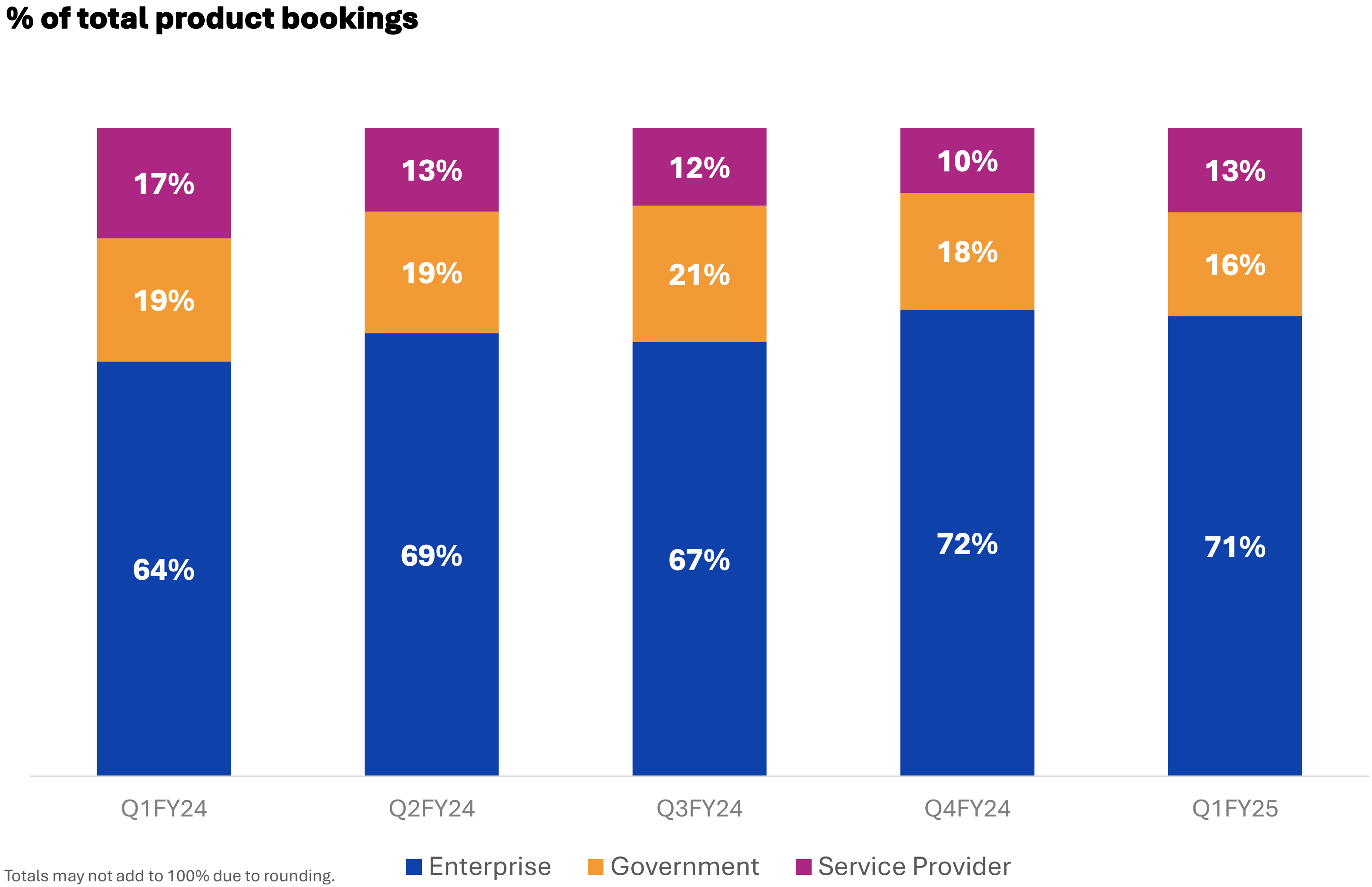
+6%
Growth APAC

+6%
Growth EMEA

+15%
Growth AMER

Totals may not add to 100% due to rounding.

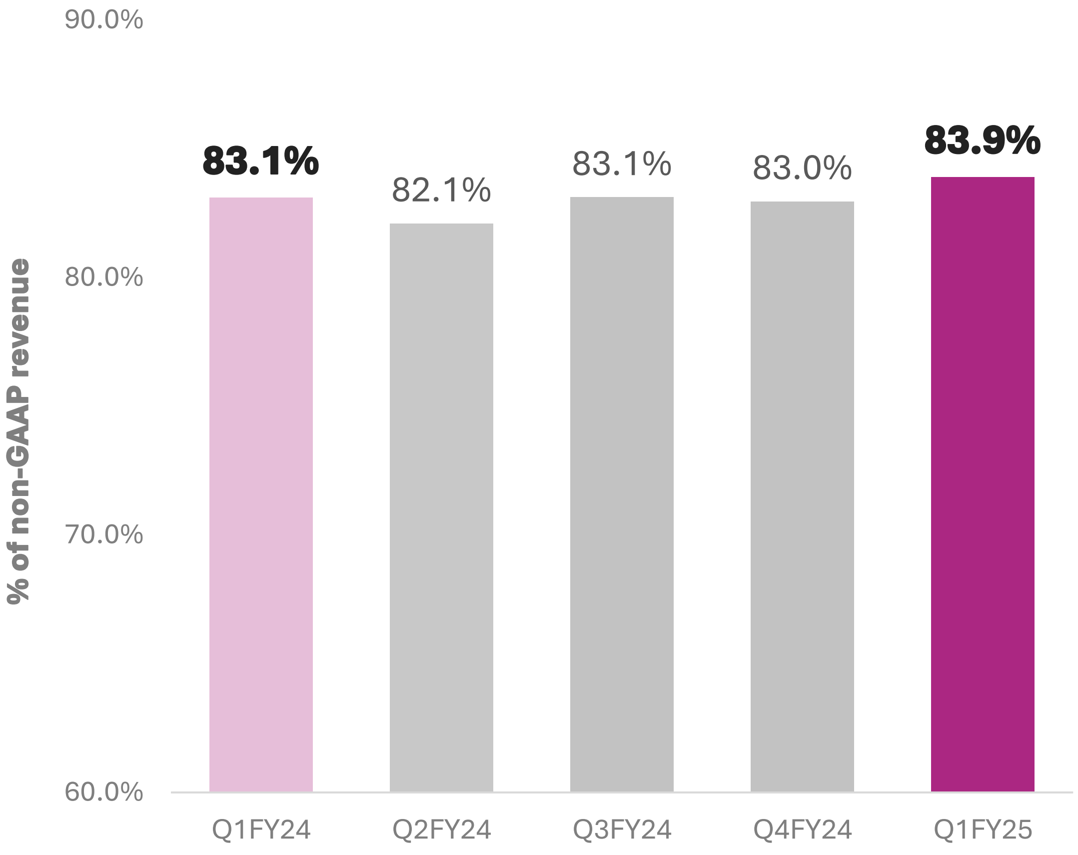
Customer verticals as a % of product bookings



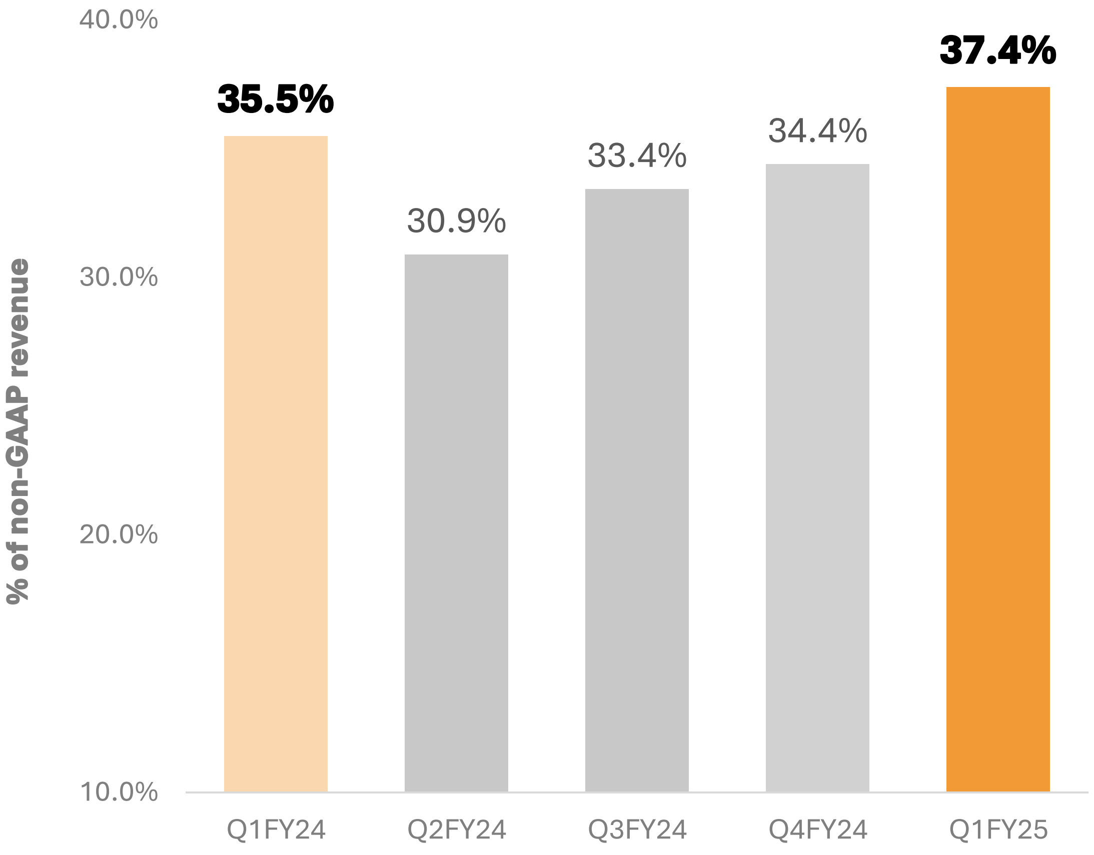
Totals may not add to 100% due to rounding.

Non-GAAP gross and operating margins

Non-GAAP gross margin



Non-GAAP operating margin

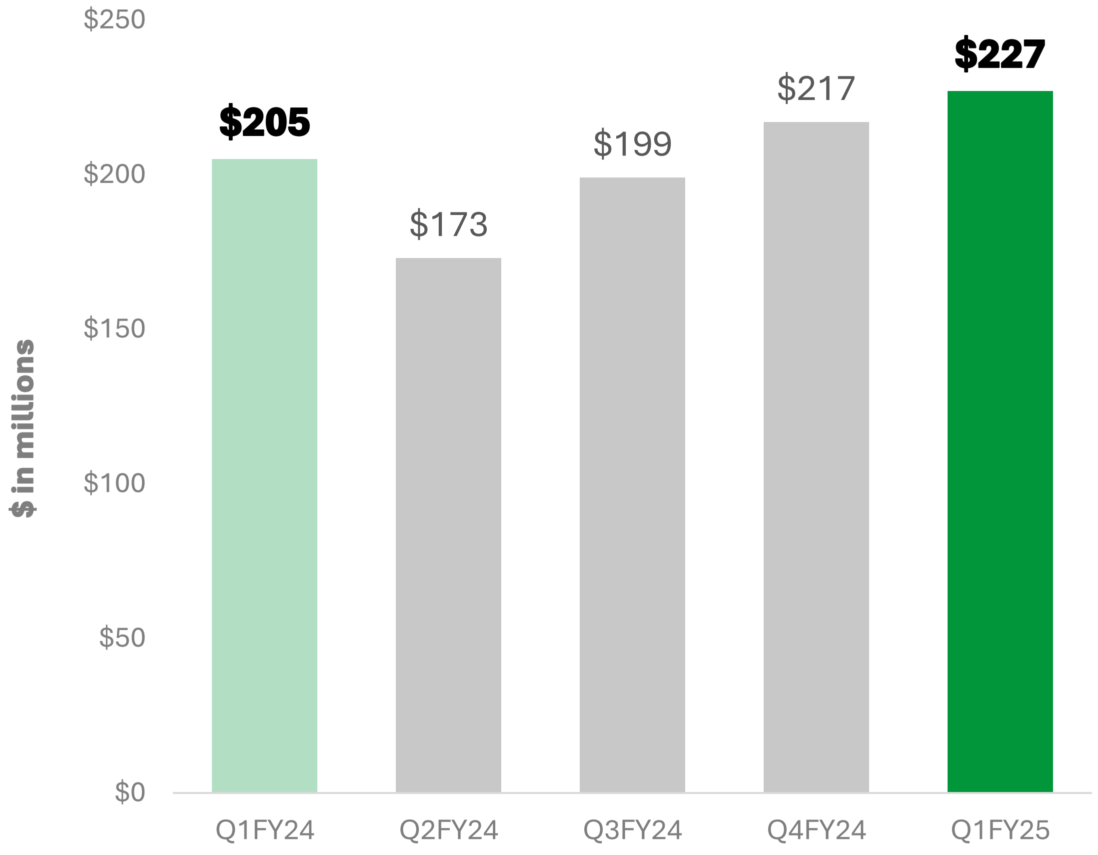


See appendix for GAAP to non-GAAP reconciliation

Non-GAAP net income and EPS

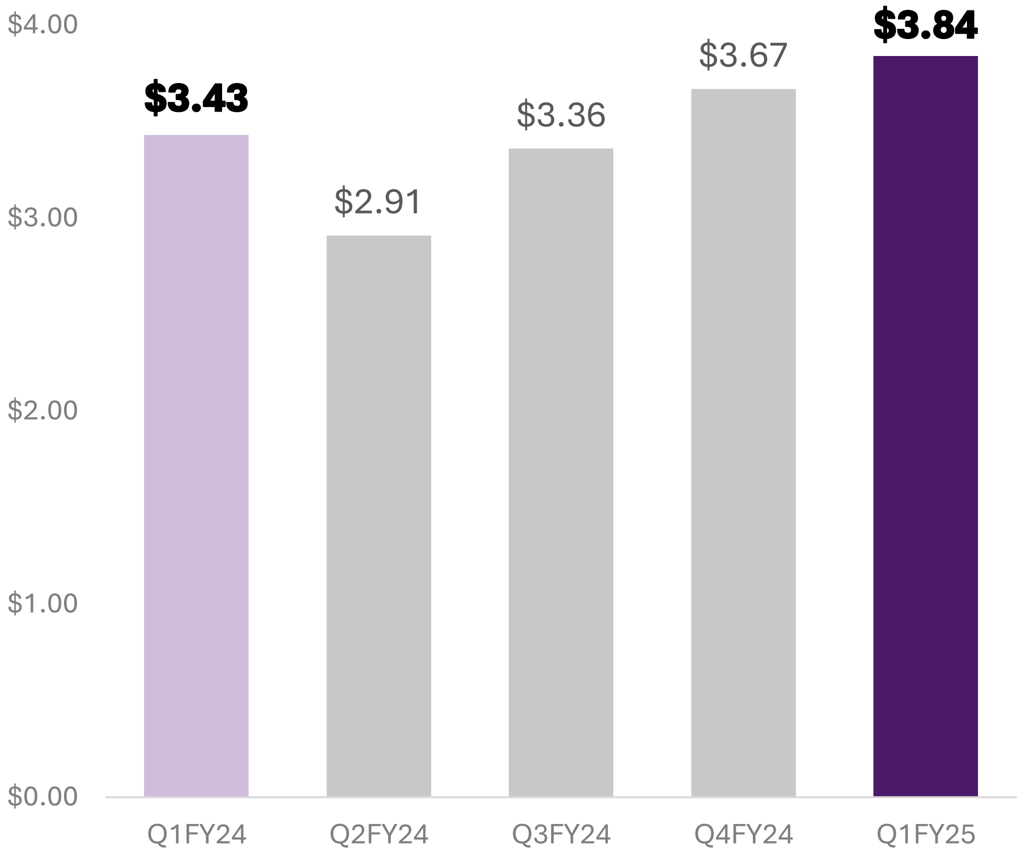
Reflects 21.8% Q1FY25 and 19.9% Q1FY24 non-GAAP effective tax rate

Non-GAAP net income



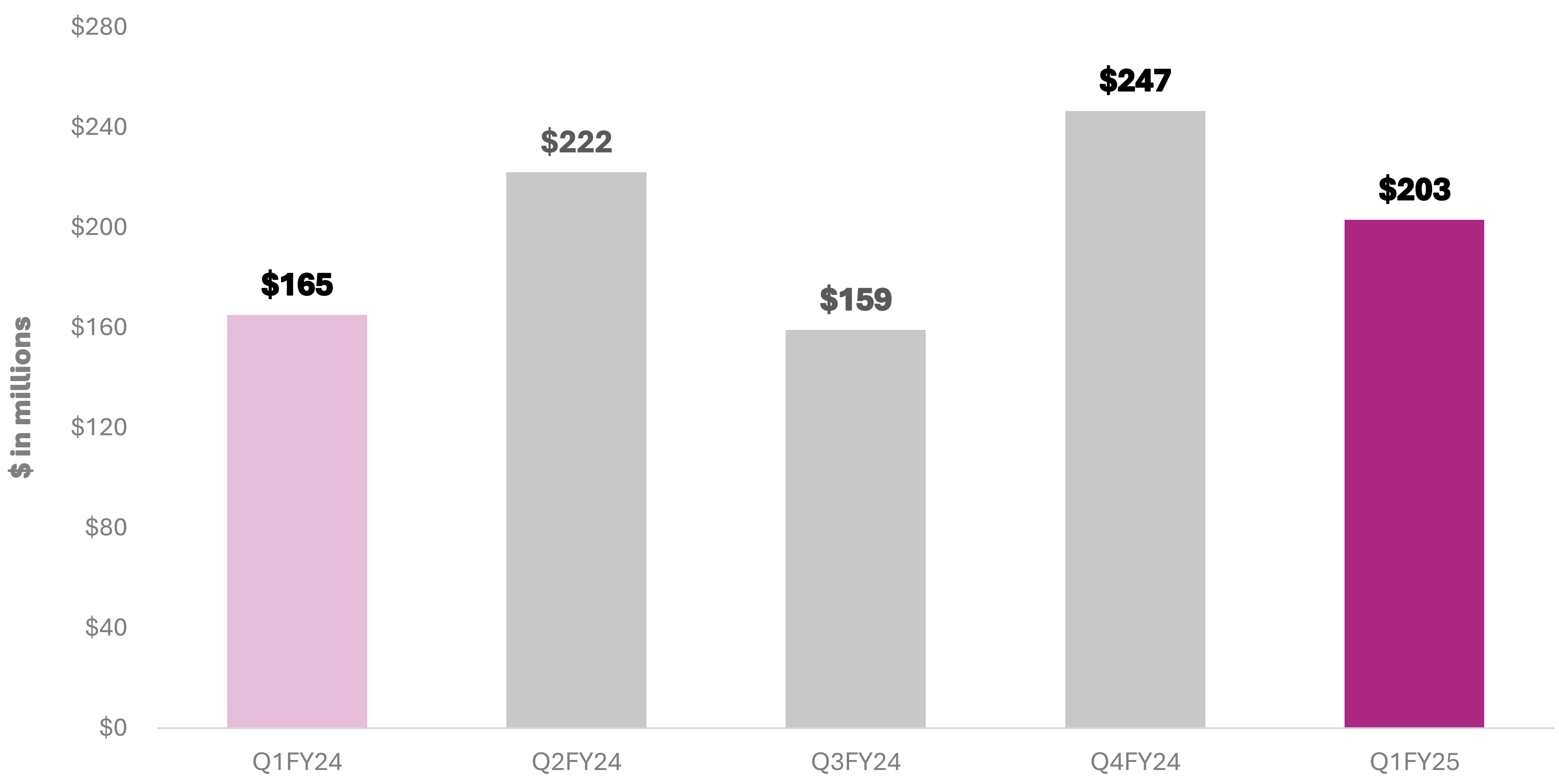
Non-GAAP EPS

+12%
Y/Y

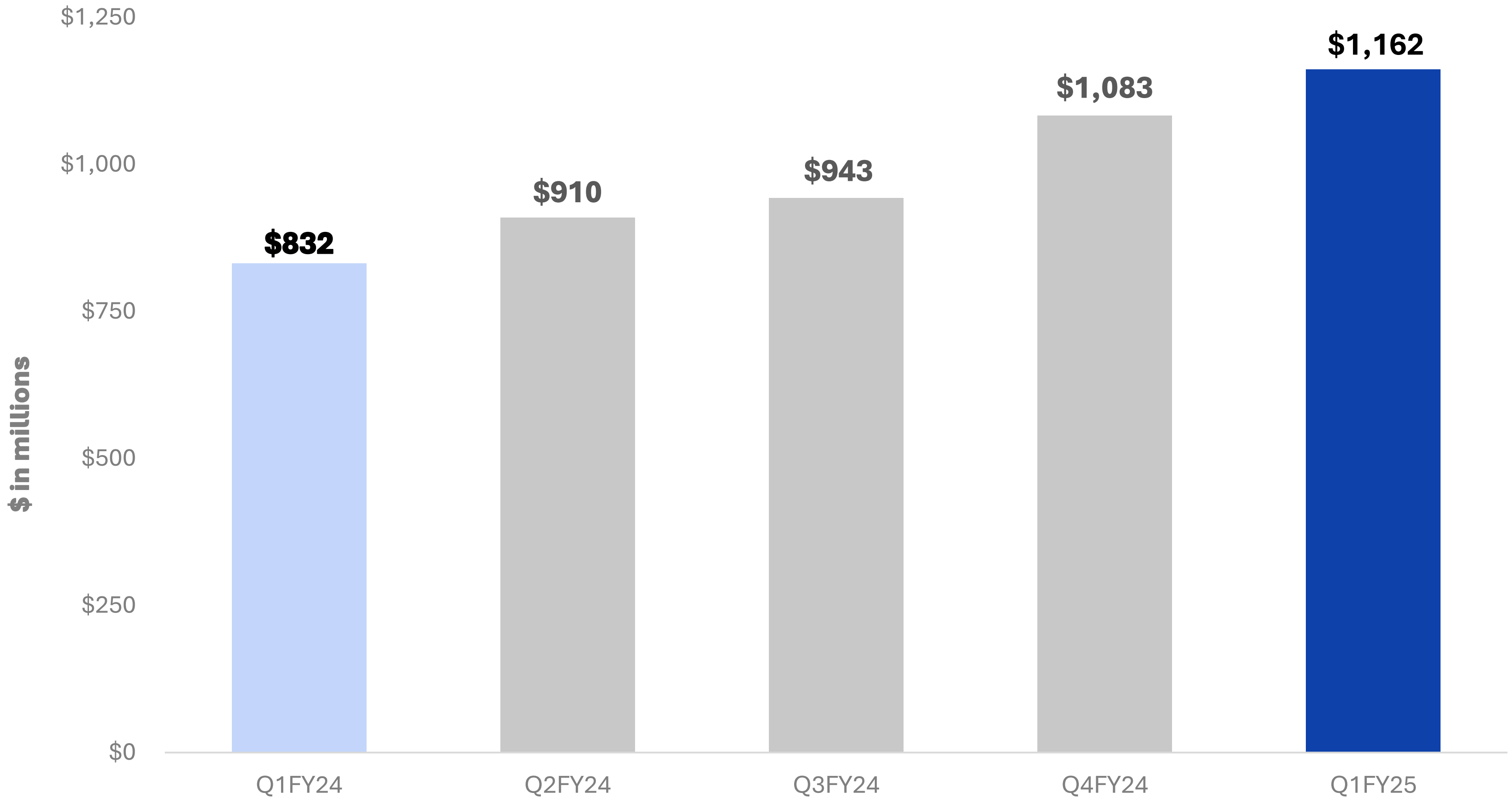


See appendix for GAAP to non-GAAP reconciliation

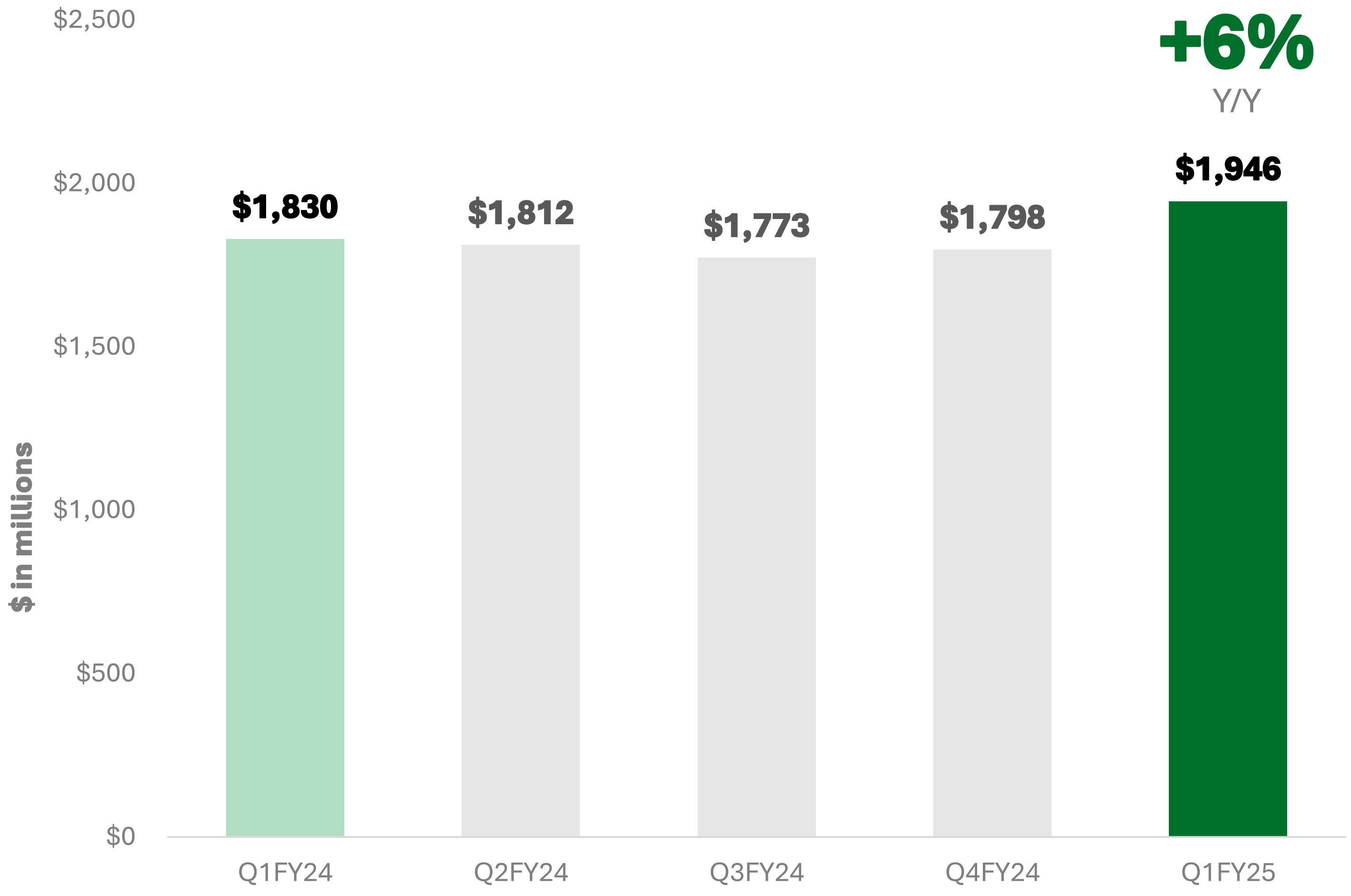
Cash flow from operations



Cash and investments



Deferred revenue



KEY INSIGHTS

Deferred revenue consists predominantly of global services maintenance renewals and also includes term-based software subscriptions.

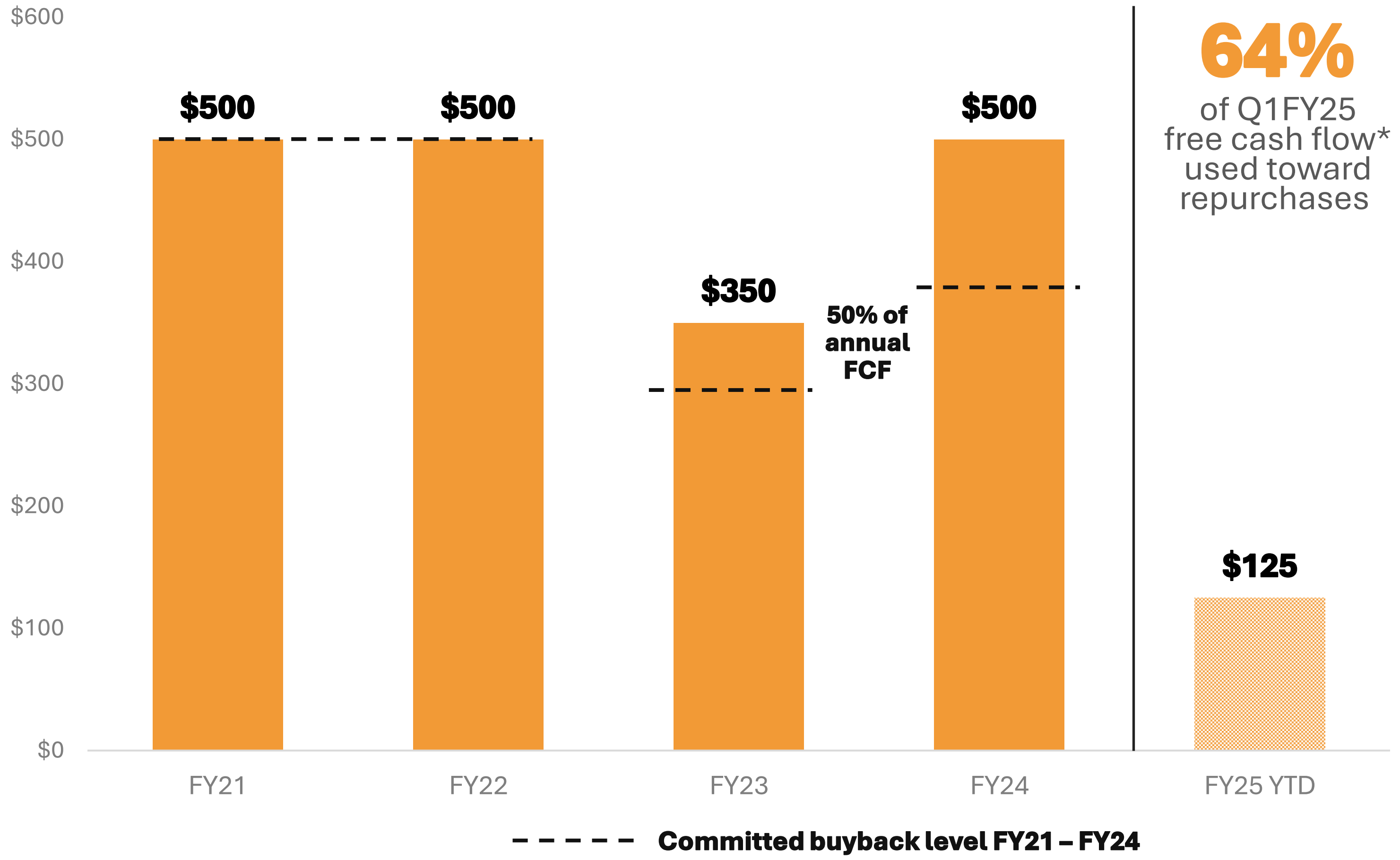
We have consistently delivered on our repurchase commitments

KEY INSIGHTS

- We repurchased $125 million in FFIV shares during Q1FY25.
- We used 64% of our Q1FY25's $195M free cash flow* for share repurchases.
- We are committed to using at least 50% of our annual free cash flow for share repurchases.
- As of December 31, 2024, there was $1.3 billion remaining under our authorized stock repurchase program.

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

Share repurchases ($ in millions)



Business Outlook

Our Q2FY25 outlook

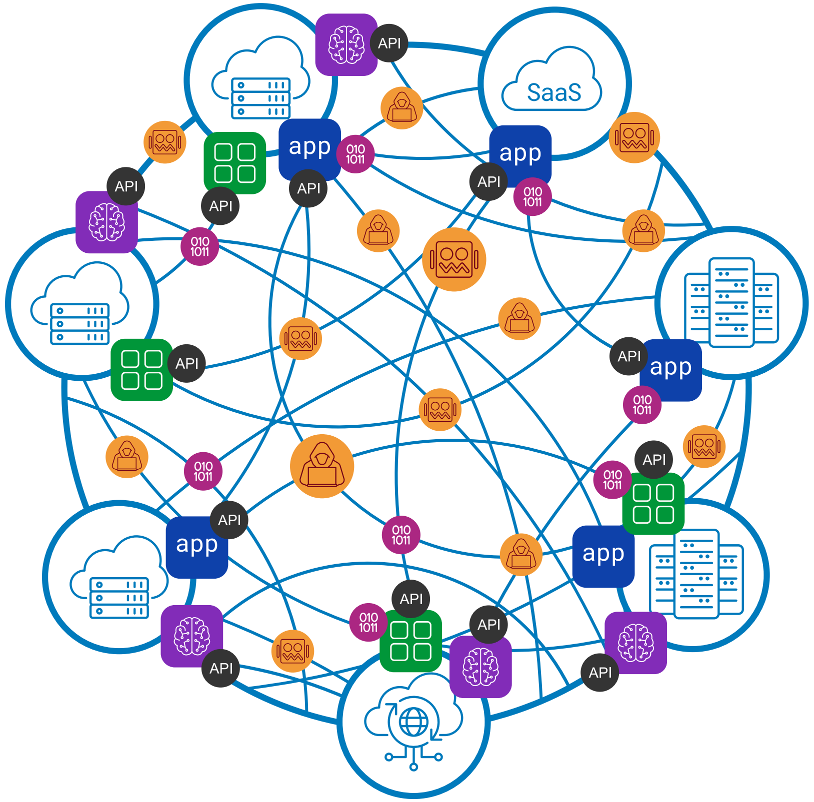
	Q2FY25 outlook
Total revenue	**$705 to $725M**
Non-GAAP gross margin	82.5% to 83%
Non-GAAP operating expenses	$362 to $374M
Share-based compensation	$58 to $60M
Non-GAAP EPS	**$3.02 to $3.14**

Our FY25 outlook

	FY24A	FY25 outlook
Total revenue	**$2.82B**	**6% to 7% growth** (up from 4% to 5% growth previously)
Software revenue growth	11%	≥10% (up from upper-single-digit growth previously)
Non-GAAP gross margin	82.8%	83% to 84%
Non-GAAP operating margin	33.6%	~35%
Effective non-GAAP tax rate	19.2%	21% to 23%
Non-GAAP EPS	14% growth	**6.5% to 8.5% growth Y/Y** (On a tax-neutral basis, midpoint is >10% from FY24)
Capital return as % of annual free cash flow*	66%	At least 50% of annual FCF*

*Free cash flow (FCF) defined as cash flow from operations less capital expenditures

The only company that secures, delivers, and optimizes any app, any API, anywhere.



Appendix

GAAP to non-GAAP reconciliation

Gross Profit Reconciliation		
($ in thousands)		
	Q1FY24	**Q1FY25**
GAAP revenue	$692,597	$766,489
Acquisition-related write-downs of assumed deferred revenue	$0	$0
Non-GAAP revenue	**$692,597**	**$766,489**
GAAP gross profit	$556,208	$625,979
Stock-based compensation	$7,684	$7,400
Amortization and impairment of purchased intangible assets	$11,233	$9,284
Facility-exit costs	$156	$124
Acquisition-related charges	$20	$0
Impairment charges	$0	$0
Total adjustments to gross profit	$19,093	$16,808
Non-GAAP gross profit	**$575,301**	**$642,787**
Non-GAAP gross margin	**83.1%**	**83.9%**
Operating Expense Reconciliation		
($ in thousands)		
	Q1FY24	**Q1FY25**
GAAP operating expense	$391,692	$420,897
Stock-based compensation-sales and marketing	$21,596	$21,167
Stock-based compensation-research and development	$16,018	$16,481
Stock-based compensation-general and administrative	$10,704	$12,860
Amortization and impairment of purchased intangible assets-sales and marketing	$2,788	$718
Amortization and impairment of purchased intangible assets-R&D	$94	$94
Amortization and impairment of purchased intangible assets-general and administrative	$200	$47
Facility-exit costs-sales and marketing	$483	$414
Facility-exit costs-research and development	$542	$364
Facility-exit costs-general and administrative	$357	$318
Acquisition-related charges-sales and marketing	$65	$0
Acquisition-related charges-research and development	$153	$500
Acquisition-related charges-general and administrative	$563	$191
Impairment charges-sales and marketing	$0	$0
Impairment charges-research and development	$0	$0
Impairment charges-general and administrative	$0	$0
Restructuring charges	$8,472	$11,321
Total adjustments to operating expenses	$62,035	$64,475
Non-GAAP operating expense	**$329,657**	**$356,422**

GAAP to non-GAAP reconciliation (continued)

Income from Operations Reconciliation		
($ in thousands)		
	Q1FY24	**Q1FY25**
GAAP operating income	$164,516	$205,082
Total adjustments related to revenue	$0	$0
Total adjustments related to gross profit	$19,093	$16,808
Total adjustments related to operating expense	$62,035	$64,475
Total adjustments related to income from operations	$81,128	$81,283
Non-GAAP income from operations	**$245,644**	**$286,365**
Non-GAAP operating margin	**35.5%**	**37.4%**
Net Income Reconciliation		
($ in thousands except per share data)		
	Q1FY24	**Q1FY25**
GAAP net income	138,382	166,445
Total adjustments related to revenue	0	0
Total adjustments to gross profit	19,093	16,808
Total adjustments to operating expenses	62,035	64,475
Exclude tax effect on above items	(14,783)	(20,756)
Total adjustments to net income	66,345	60,527
Non-GAAP net income	**204,727**	**226,972**
Weighted average basic common shares outstanding	59,122	58,305
Weighted average dilutive potential common shares outstanding	59,653	59,058
	Q1FY24	**Q1FY25**
GAAP operating income	164,516	205,082
GAAP other income	9,882	3,962
GAAP pre-tax income	174,398	209,044
GAAP provision for income taxes	36,016	42,599
GAAP effective tax rate	20.7%	20.4%
Non-GAAP income from operations	245,644	286,365
Non-GAAP other income	9,882	3,962
Non-GAAP pre-tax income	255,526	290,327
Non-GAAP provision for income taxes	50,799	63,355
Non-GAAP effective tax rate	19.9%	21.8%
Net Income per Common Share		
GAAP diluted net income per common share	$ 2.32	$ 2.82
Non-GAAP diluted net income per common share	**$ 3.43**	**$ 3.84**

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.

