F5 Analyst and Investor Meeting
Safe Harbor Statement

Except for historical information, our presentation today contains forward-looking statements. These forward-looking statements include statements relating to F5’s future plans, expectations, beliefs, intentions and prospects and involve risks and uncertainties that may cause the company’s actual results to differ materially from those expressed or implied by these statements. These forward-looking statements are subject to the safe harbor provisions created by the Private Securities Litigation Reform Act of 1995. Many factors could affect our current expectations and our actual results, and could cause actual results to differ materially from the statements herein. Such factors include, but are not limited to: customer acceptance of our new traffic management, security, application delivery, and optimization offerings; the timely development, introduction and acceptance of additional new products and services 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; uncertain global economic conditions which may result in reduced customer demand for our products and services and changes in customer payment patterns; global economic conditions and uncertainties in the geopolitical environment; overall information technology spending; litigation involving patents, intellectual property, shareholder, governmental investigations and other matters; 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; F5’s share repurchase program; future prices of F5’s common stock; and other risks and uncertainties. A detailed discussion of these factors and other risks that affect our business is contained in our SEC filings, including our most recent reports on Form 10-K and Form 10-Q, particularly under the heading "Risk Factors." Copies of these filings are available online from the SEC. All information set forth in this presentation is current as of March 8, 2018. F5 undertakes no duty to update any statement in light of new information or future events. 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.
Growth Opportunity in Multi-Cloud Application Services

François Locoh-Donou, President and CEO
F5: Leader in Application Services

- **1996**: F5 Founded, NASDAQ-listed in 1999
- **4,400**: Employees
- **$2.09B**: FY17 Revenue
- **>25k**: Customers in 175 Countries
- **49 / 50**: Fortune 50 as Customers
- **>300k**: DevCentral members, F5’s Online User Community
- **#1**: Market Segment Position in Application Delivery Controllers
- **Leader**: in Gartner Web App Firewall Magic Quadrant
- **312**: Patents
Digital Transformation Inspires New Architectures

1. Workload growth is at the forefront of the digital transformation

   - # of Workloads (in millions) +48% p.a.
   - Organizational workloads

2. Workloads are increasingly being distributed across a greater number of environments

   - Organizations using Multiple Clouds
   - 87%

3. Security for all applications, anywhere

   - Applications as Initial Attack Target of Security Breaches, followed by User/Identity (33%)
   - 53%

---

1Source: IDC, January 2018
2Source: F5 State of Application Delivery, 2018
3Source: F5 Labs Threat Intelligence Report, 2017
The Leader in Multi-Cloud Application Services

1996 – 2004
Load Balancer

2005 – 2015
Application Delivery Controller

$1.8B
2004 Market Cap\(^1\)

$6.7B
2015 Market Cap\(^2\)

\(^1\)As of December 31, 2004 \(^2\)As of December 31, 2015
The Leader in Multi-Cloud Application Services

1996 – 2004
Load Balancer

2005 – 2015
Application Delivery Controller

2016 – Future
Multi-Cloud Application Services

$1.8B
2004 Market Cap\(^1\)

$6.7B
2015 Market Cap\(^2\)

Opportunity

\(^1\) As of December 31, 2004  \(^2\) As of December 31, 2015
Our Mission: Every App, Anywhere

REACH

- SERVER-LESS
- CONTAINERS
- PUBLIC CLOUD
- PRIVATE CLOUD
- DATA CENTER

ROLE

- TODAY
- OUR OPPORTUNITY

- TRAFFIC MGMT.
- WAF, DDoS, IDENTITY
- SECURITY
- APPLICATION ANALYTICS
- ORCHESTRATION
New Products Unlock Growth

FY 18

NEW BIG-IP Cloud Edition

NEW Advanced WAF

NEW DDoS Hybrid Defender

FY 19

NEW Cloud-Native Application Services
Five Pillars of F5’s Growth

1. Driving share gain in durable systems market
2. Capturing growing demand for virtual ADCs and ADC-as-a-Service
3. Expanding security with new multi-cloud solutions
4. Creating long-term value through product services
5. Driving margin expansion and earnings power
Five Pillars of F5’s Growth

1. Driving share gain in durable systems market
2. Capturing growing demand for virtual ADCs and ADC-as-a-Service
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5. Driving margin expansion and earnings power
Driving Share Gain in Durable Systems Market
Driving Share Gain in Durable Systems Market

Addressable applications, *millions*

<table>
<thead>
<tr>
<th>Year</th>
<th>Applications</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>28</td>
</tr>
<tr>
<td>2022E</td>
<td>30</td>
</tr>
</tbody>
</table>

+6% p.a.

ADC Systems market segment, $ *millions*

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales (in $ millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>1,200</td>
</tr>
<tr>
<td>2022E</td>
<td>1,000</td>
</tr>
</tbody>
</table>

-6% p.a.

Source: IDC, 2018; F5
Driving Share Gain in Durable Systems Market

**Addressable applications, millions**

- 2017: 30 million
- 2022E: 40 million

+6% p.a.

**ADC Systems market segment, $ millions**

- 2017: $1,500 million
- 2022E: $1,000 million

-6% p.a.

**F5 share of ADC Systems segment, percent**

- 2017: 40%
- 2022E: 50%


**Drivers of F5 share gain**

- Service Provider and international expansion
- Greater ongoing innovation
- New commercial models to unlock spend

Source: IDC, 2018; F5
Five Pillars of F5’s Growth

1. Driving share gain in durable systems market
2. Capturing growing demand for virtual ADCs and ADC-as-a-Service
3. Expanding security with new multi-cloud solutions
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5. Driving margin expansion and earnings power
Capturing Growing Demand for Virtual ADCs & Introducing New Consumption Models

Addressable applications

millions

F5 vADC Revenue Already Growing at 30%+ p.a.

Unlocking new demand with:
- New per App & Cloud-Native offerings
- New, low friction consumption models
- Automation & Orchestration

Source: IDC, 2018, F5
Five Pillars of F5’s Growth

1. Driving share gain in durable systems market
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5. Driving margin expansion and earnings power
Expanding Security with New Solutions

53%
Security breaches that begin with a targeted application

Expanding Security Offering

<table>
<thead>
<tr>
<th>FY 15-17</th>
<th>FY 18-20E</th>
<th>FY 21E-22E+</th>
</tr>
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<tbody>
<tr>
<td>ADC-attached security</td>
<td>Standalone security offerings</td>
<td>Multi-cloud application security</td>
</tr>
</tbody>
</table>

INCREMENTAL REVENUE GROWTH

Source: F5 Labs Threat Intelligence Report, 2017
Creating Long-Term Value through Product Services

- **$1.05B** Recurring services revenue\(^1\)
- **240,000** Obligations\(^2\)
- **9.6** Customer satisfaction rating\(^3\)
- **$920M** Deferred services revenue\(^2\)
- **5.5 Years** Average length obligation\(^3\)

\(^1\) Recurring services revenue defined as support revenue plus enhanced services revenue, as of end of FY2017  
\(^2\) As of end of FY2017  
\(^3\) As of Q1 FY2018
Five Pillars of F5’s Growth

1. Driving share gain in durable systems market
2. Capturing growing demand for virtual ADCs and ADC-as-a-Service
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4. Creating long-term value through product services
5. Driving margin expansion and earnings power
Driving Margin Expansion & Earnings Power

Mix Shift to Software + Increased Operational Efficiencies = Operating Margin Expansion
## Delivering Sustainable Financial Success

<table>
<thead>
<tr>
<th></th>
<th>FY18E</th>
<th>Horizon 1 (FY19E-20E)</th>
<th>Horizon 2 (FY21E-22E)</th>
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<tr>
<td>Revenue</td>
<td>2.5 – 3.5%</td>
<td>Low-to-mid single digit growth</td>
<td>Mid-to-high single digit growth</td>
</tr>
<tr>
<td>Steady and Defensible Revenue Growth</td>
<td></td>
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## Delivering Sustainable Financial Success

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<td><strong>EPS</strong></td>
<td>GAAP $6.74-6.94 Non-GAAP $9.40-9.60</td>
<td>Mid-to-high single digit growth</td>
<td>Double digit growth</td>
</tr>
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</table>
Established Track Record of Returning Capital

- Share repurchase value ($Ms)
- Average price

FY'08: $200
FY'09: $87
FY'10: $75
FY'11: $272
FY'12: $185
FY'13: $200
FY'14: $651
FY'15: $607
FY'16: $700
FY'17: $600

$25.95, $26.09, $63.12, $90.90, $111.11, $88.24, $98.66, $123.04, $105.93, $131.54

$140, $120, $100, $80, $60, $40, $20, $0

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Our Team & Today’s Agenda

Kara Sprague  
SVP and GM, ADC  
9:10-9:30am

Ram Krishnan  
SVP and GM, Security  
9:30-9:50am

Ryan Kearny  
CTO and SVP of Product Development  
9:50-10:10am

20 Minute Break  
10:10am-10:30am

John DiLullo  
EVP of Worldwide Sales  
10:30-10:50am

Chad Whalen  
VP of Worldwide Cloud Sales  
10:50-11:10am

Steve McMillan  
EVP of Global Services  
11:10-11:30am

Andy Reinland  
EVP and Chief Financial Officer  
11:30-12:00pm

Q&A  
Question and Answer  
12:00pm-12:30pm
Every App, Anywhere

Kara Sprague, SVP and GM, ADC
Five Pillars of F5’s Growth

1. Driving share gain in durable systems market
2. Capturing growing demand for virtual ADCs and ADC-as-a-Service
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5. Driving margin expansion and earnings power
Applications Power the Digital Enterprise

- SAP Business Intelligence
- Oracle General Ledger
- Adobe Cloud Suite
- www.f5.com
- Facebook
- Snapchat
- Netflix
- Webex
- AutoCAD
- Jira
- Online Banking
- Teradata Database
- IBM Lotus
- Microsoft Exchange
- Salesforce CRM

**Application:** a program designed to perform a specific function directly for the user or for another application.
Requirements for Application Services Vary

- More complex, higher TCO
- Application architecture
- Cloud-native

Applications

0% 100%
Requirements for Application Services Vary

- More complex, higher TCO
- Application architecture
- Cloud-native

Public Cloud-native or migrated first
Requirements for Application Services Vary

- More complex, higher TCO
- Application architecture
- Cloud-native

0%  Applications  100%

- Last apps to be refactored for Public Cloud
- Public Cloud-native or migrated first

© 2018 F5 Networks
Requirements for Application Services Vary

- High performance, high availability, advanced security
- More complex, higher TCO
- Application architecture
- Cloud-native

Applications

0% 100%
Requirements for Application Services Vary

More complex, higher TCO

Cloud-native

Application architecture

High performance, high availability, advanced security

High ease-of-use, consistent policy (for security, compliance), consistent application visibility & manageability
Customers Are Adopting an Array of Solutions...
Customers Are Adopting an Array of Solutions...

- BIG-IP for most critical, highest TCO applications
- More complex, higher TCO
- Application architecture
- Cloud-native
Customers Are Adopting an Array of Solutions...

- BIG-IP for most critical, highest TCO applications
- More complex, higher TCO
- Application architecture
- Cloud-native

- Open Source proxies, if anything, for remaining on-premises and (virtual) private cloud apps

Applications

0% 100%
Customers Are Adopting an Array of Solutions...

- **BIG-IP for most critical, highest TCO applications**
- **More complex, higher TCO**
- **Open Source proxies, if anything, for remaining on-premises and (virtual) private cloud apps**
- **Public cloud load balancers for native public cloud apps**

[Diagram showing a spectrum of applications, from cloud-native to more complex, higher TCO, with corresponding technologies like F5, Open Source proxies, and public cloud load balancers.]
...Which Only Compound Multi-Cloud Challenges

What is the most challenging, frustrating, or difficult part of managing applications in a multi-cloud environment?

- Applying consistent security policy across enterprise applications: 42%
- Protecting applications from threats: 40%
- Optimizing performance of applications: 34%
- Gaining visibility into application health: 31%

Source: F5 State of Application Delivery, 2018
...Which Only Compound Multi-Cloud Challenges

What is the most challenging, frustrating, or difficult part of managing applications in a multi-cloud environment?

- Applying consistent security policy across enterprise applications (42%)
- Protecting applications from threats (40%)
- Optimizing performance of applications (34%)
- Gaining visibility into application health (31%)

F5’s ADC portfolio addresses these challenges
Pursuing the ADC Opportunity in 2 Segments

**Systems**

- **Addressable applications**
  - Millions
- 2017: 50
- 2020E: 100
- 2022E: 150
- **+6% p.a.**

**Virtual**

- **Addressable applications**
  - Millions
- 2017: 50
- 2020E: 150
- 2022E: 200
- **+40% p.a.**

**Defend and grow share**

**Unlock latent demand** via lighter-weight offerings and new consumption models

Source: IDC, 2018; F5
Pursuing the ADC Opportunity in 2 Segments

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  +40% p.a.

- **Unlock latent demand via lighter-weight offerings and new consumption models**

Source: IDC, 2018; F5

© 2018 F5 Networks
ADC Systems Market Segment Remains Durable

Drivers of market durability
- New use cases, addressable apps (e.g., IoT, 5G)
- Continued demand for hardware acceleration
- Growth in traffic for existing applications
- Long timelines for cloud transitions

Addressable applications

- Addressable applications in millions
- +6% p.a. growth from 2017 to 2022E

ADC Systems market segment

- ADC Systems market segment in $ millions
- -6% p.a. decline from 2017 to 2022E

Source: IDC, 2018, F5
F5 Will Defend and Grow Share in ADC Systems

Drivers of F5 share gain
- Service Provider focus
- International expansion
- Greater ongoing innovation
- New commercial models to unlock spend

F5 share of ADC Systems market segment

<table>
<thead>
<tr>
<th>Year</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>42%</td>
</tr>
<tr>
<td>2022E</td>
<td>53%</td>
</tr>
</tbody>
</table>

## Cloud Transition Drives Demand for F5 Systems

<table>
<thead>
<tr>
<th>Customer context</th>
<th>Approach</th>
<th>Impact to F5</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Large bank</td>
<td>• ~18 months of planning</td>
<td>• Multi-million dollar systems deal to outfit colo sites</td>
</tr>
<tr>
<td>• <strong>Aspiring to:</strong></td>
<td>• Moved majority of compute to AWS, Azure, and other clouds</td>
<td>• Multi-million dollar opportunities for vADC in the cloud</td>
</tr>
<tr>
<td>— Exit data centers</td>
<td>• Established multiple colo sites for private apps and data storage</td>
<td></td>
</tr>
<tr>
<td>— Migrate to Public Cloud</td>
<td></td>
<td></td>
</tr>
<tr>
<td>— Automate</td>
<td></td>
<td></td>
</tr>
<tr>
<td>— Remove tech debt</td>
<td></td>
<td></td>
</tr>
</tbody>
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Pursuing the ADC Opportunity in 2 Segments

**Systems**

- Addressable applications
  - Millions

  - 2017: 50
  - 2020E: 100 (6% p.a.)
  - 2022E: 150

- Defend and grow share

**Virtual**

- Addressable applications
  - Millions

  - 2017: 0
  - 2020E: 50
  - 2022E: 150 (40% p.a.)

- Unlock latent demand via lighter-weight offerings and new consumption models

Source: IDC, 2018; F5
Our vADC Roadmap Includes New Technology, Ecosystem Expansion, & New Consumption Models
Our vADC Roadmap Includes New Technology, Ecosystem Expansion, & New Consumption Models

- **Technology**
  - BIG-IP Virtual Edition

- **Ecosystem**
  - Automation and orchestration: Ansible, OpenStack, Kubernetes, Cisco, VMware
  - Public Cloud: AWS, Azure, GCP
  - Private Cloud: vSphere, Hyper-V, KVM

- **Consumption models**
  - Subscriptions & ELAs
  - Perpetual
  - Utility
Our vADC Roadmap Includes New Technology, Ecosystem Expansion, & New Consumption Models

**Technology**
- BIG-IP Virtual Edition
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- Private Cloud: vSphere, Hyper-V, KVM

**Ecosystem**
- BIG-IP Cloud Edition
- Automation and orchestration: + VNF-Manager
- Public Cloud: + AliCloud

**Consumption models**
- Subscriptions & ELAs
- Perpetual
- Utility
- Per-App Subscriptions
Our vADC Roadmap Includes New Technology, Ecosystem Expansion, & New Consumption Models

AVAILABLE NOW

- BIG-IP Virtual Edition
- Automation and orchestration: Ansible, OpenStack, Kubernetes, Cisco, VMware
- Public Cloud: AWS, Azure, GCP
- Private Cloud: vSphere, Hyper-V, KVM
- Subscriptions & ELAs
- Perpetual
- Utility

COMING IN 2018

- BIG-IP Cloud Edition
- Automation and orchestration: + VNF-Manager
- Public Cloud: + AliCloud
- Per-App Subscriptions

COMING IN 2019

- Cloud-Native App Services
Our vADC Roadmap Includes New Technology, Ecosystem Expansion, & New Consumption Models

**Technology**
- BIG-IP Virtual Edition
- Automation and orchestration: Ansible, OpenStack, Kubernetes, Cisco, VMware
- Public Cloud: AWS, Azure, GCP
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**Ecosystem**
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- Perpetual
- Utility

**Consumption models**
- BIG-IP Cloud Edition
- Automation and orchestration: + VNF-Manager
- Public Cloud: + AliCloud
- Per-App Subscriptions

**Available Now**
- Cloud-Native App Services
F5’s New vADC Offerings Feature Dramatic Performance and TCO Improvements

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Image Size</td>
<td>Baseline</td>
<td>~40% smaller</td>
<td>&gt;80% smaller</td>
</tr>
<tr>
<td>Spin-Up Time</td>
<td>Baseline</td>
<td>~50% faster</td>
<td>&gt;80% faster &amp; sub-second for scaling</td>
</tr>
<tr>
<td>Performance</td>
<td>Baseline</td>
<td>Lower TCO per MB</td>
<td>Lowest TCO per MB</td>
</tr>
<tr>
<td>Functionality</td>
<td>Robust multi-app application services</td>
<td>Robust per-app application services</td>
<td>Agile per-app application services optimized for CI/CD workflows</td>
</tr>
</tbody>
</table>
F5’s vADC Portfolio Unlocks Significant Growth
F5’s vADC Portfolio Unlocks Significant Growth

More complex, higher TCO

Application architecture

Cloud-native

BIG-IP HW, VE

0%

Applications

100%

Source: IDC, 2018, F5

© 2018 F5 Networks
F5’s vADC Portfolio Unlocks Significant Growth

More complex, higher TCO

Application architecture

Cloud-native

# of applications, 2017, millions
33 M

# of applications, 2022, millions
44 M

Source: IDC, 2018, F5
F5’s vADC Portfolio Unlocks Significant Growth

Virtual Edition already growing 30+% yoy

More complex, higher TCO

Application architecture

Cloud-native

BIG-IP HW, VE

Applications

0%

100%

# of applications, 2017, millions

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Source: IDC, 2018, F5
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BIT-IP HW, VE

Application architecture

Cloud-native

More complex, higher TCO

Virtual Edition

Lighter-weight, per-app vADC with enhanced manageability

# of applications, 2017, millions

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Source: IDC, 2018, F5

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F5’s vADC Portfolio Unlocks Significant Growth

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Cloud-Native App Services
Cloud-native, light-weight, per-app application services with simple deployment and ease-of-use for private and public cloud

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More complex, higher TCO

Application architecture

Cloud-native

BIG-IP HW, VE

BIG-IP Cloud Edition
Lighter-weight, per-app vADC with enhanced manageability

Applications

# of applications, 2017, millions
33 M + 36 M = 69 M

# of applications, 2022, millions
44 M + 198 M = 242 M

Source: IDC, 2018, F5

© 2018 F5 Networks
F5’s vADC Portfolio Unlocks Significant Growth

Virtual Edition already growing 30+% yoy

Cloud-Native App Services
Cloud-native, light-weight, per-app application services with simple deployment and ease-of-use for private and public cloud

Applications
40+% p.a.

33 M + 36 M = 40 M

34 M + 198 M = 40 M

More complex, higher TCO

Application architecture

Cloud-native

# of applications, 2017, millions
33 M

# of applications, 2022, millions
44 M

BIG-IP HW, VE

BIG-IP Cloud Edition
Lighter-weight, per-app vADC with enhanced manageability

BIG-IP Cloud Edition

Source: IDC, 2018, F5

© 2018 F5 Networks
ADC-as-a-Service Is a Future Opportunity

**Systems**

- Addressable applications
  - Millions

- 2017: 0
- 2020E: 50
- 2022E: 100

+6% p.a.

Defend and grow share

**Virtual**

- Addressable applications
  - Millions

- 2017: 50
- 2020E: 150
- 2022E: 200

+40% p.a.

Unlock latent demand via lighter-weight offerings and new consumption models

**As-a-Service**

- Addressable applications
  - Millions

- 2017: 50
- 2020E: 100
- 2022E: 150

+50% p.a.

Introduce as-a-service offerings
ADC-as-a-Service Is a Future Opportunity

**Systems**

Addressable applications (Millions)

- 2017: 50
- 2020E: 100
- 2022E: 150

Defend and grow share

**Virtual**

Addressable applications (Millions)

- 2017: 50
- 2020E: 200
- 2022E: 300

Unlock latent demand via lighter-weight offerings and new consumption models

**As-a-Service**

Addressable applications (Millions)

- 2017: 100
- 2020E: 500
- 2022E: 1500

Introduce as-a-service offerings

Source: IDC, 2018; F5
F5aaS Extends F5 Application Services to Every App, Anywhere

source: IDC, 2018, F5
F5aaS Extends F5 Application Services to Every App, Anywhere

- BIG-IP HW, VE
- BIG-IP Cloud Edition
- Cloud-Native App Services
- F5aaS Cloud-native per-app application services delivered as-a-service

More complex, higher TCO
Application architecture
Cloud-native

Applications

- # of applications, 2017, millions: 33 M
- # of applications, 2022, millions: 44 M

Source: IDC, 2018, F5

© 2018 F5 Networks
F5aaS Extends F5 Application Services to Every App, Anywhere

- More complex, higher TCO
- BIG-IP HW, VE
- Application architecture
- Cloud-native
- BIG-IP Cloud Edition
- Cloud-Native App Services
- F5aaS Cloud-native per-app application services delivered as-a-service

# of applications, 2017, millions
- 33 M

# of applications, 2022, millions
- 44 M
- 36 M
- 191 M
- 198 M

Source: IDC, 2018, F5
F5aaS Extends F5 Application Services to Every App, Anywhere

More complex, higher TCO

Application architecture

Cloud-native

BIG-IP HW, VE

BIG-IP Cloud Edition

Cloud-Native App Services

F5aaS Cloud-native per-app application services delivered as-a-service

Applications

33 M

36 M

2.5x

191 M

# of applications, 2017, millions

44 M

198 M

# of applications, 2022, millions

Source: IDC, 2018, F5
F5aaS Extends F5 Application Services to Every App, Anywhere

More complex, higher TCO

Application architecture

Cloud-native

BIG-IP HW, VE

BIG-IP Cloud Edition

Cloud-Native App Services

F5aaS
Cloud-native per-app application services delivered as a service

Applications

# of applications, 2017, millions

# of applications, 2022, millions

33 M

36 M

44 M

198 M

191 M

1,452 M

2.5x

Source: IDC, 2018, F5
F5aaS Extends F5 Application Services to Every App, Anywhere

- More complex, higher TCO
- Application architecture
- Cloud-native

Applications
- # of applications, 2017, millions: 33 M, 36 M
- # of applications, 2022, millions: 44 M, 198 M

2.5x increase

F5aaS Cloud-native per-app application services delivered as-a-service

50+% p.a.

Source: IDC, 2018, F5
F5’s Every App, Anywhere Value Proposition
F5’s Every App, Anywhere Value Proposition

Consistent security policy applied across enterprise applications
F5’s Every App, Anywhere Value Proposition

- Consistent security policy applied across enterprise applications
- Applications protected from threats
F5’s Every App, Anywhere Value Proposition

Consistent security policy applied across enterprise applications

Applications protected from threats

Application performance optimized
F5’s Every App, Anywhere Value Proposition

Consistent security policy applied across enterprise applications

Applications protected from threats

Application performance optimized

Visibility and monitoring of application health across the portfolio
Application Growth Drives F5 Product Growth

Addressable applications

<table>
<thead>
<tr>
<th>Millions</th>
<th>2017</th>
<th>2022E</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>450</td>
<td>1500</td>
</tr>
</tbody>
</table>

+48% p.a.

Applications services deployed

<table>
<thead>
<tr>
<th>Number</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>10</td>
<td>15</td>
<td></td>
</tr>
</tbody>
</table>

+21% p.a.

Source: IDC, 2018, F5 State of Application Delivery, 2018
Application Growth Drives F5 Product Growth

Addressable applications

Millions

2000
1500
1000
500
0

2017
2022E

+48% p.a.

Applications services deployed

Number

20
15
10
5
0

2016
2017
2018

+21% p.a.

Growth × Growth

Source: IDC, 2018; F5 State of Application Delivery, 2018
Expanding F5’s Security Opportunity

Ram Krishnan, SVP and GM, Security
Five Pillars of F5’s Growth

1. Driving share gain in durable systems market
2. Capturing growing demand for virtual ADCs and ADC-as-a-Service
3. Expanding security with new multi-cloud solutions
4. Creating long-term value through product services
5. Driving margin expansion and earnings power
Application Security is Increasingly Critical

Battleground shifting from Infrastructure to Applications + Attackers evolving methods to evade detection → Securing Applications is essential to the business

86% of security threats are missed\(^1\)

40% of incidents disrupted business activities\(^2\)

41% of incidents disrupted business activities\(^2\)

200 Days to detect breach\(^2\)

---

\(^1\)Source: Lessons Learned from a Decade of Data Breaches, January 31, 2018

\(^2\)Source: Cybersecurity Trends Spotlight Report from (ISC)\(^2\), 2017
As Apps Evolve, the Attack Surface Expands

REACH
- Server-Less
- Containers
- Public Cloud
- Private Cloud
- Datacenter

OUR OPPORTUNITY

TODAY

ROLE
- Traffic Mgmt.
- WAF, DDoS, Identity
- Security
- Application Analytics
- Orchestration

SECURITY
- Drives our Role expansion
- Services our extended Reach
As Apps Evolve, the Attack Surface Expands

Security

Drives our Role expansion

Services our extended Reach
Expanding Security with New Solutions

Expanding Security Offering

<table>
<thead>
<tr>
<th>Period</th>
<th>Offering</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 15-17</td>
<td>ADC-attached security</td>
</tr>
<tr>
<td>FY 18-20E</td>
<td>Standalone security offerings</td>
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<tr>
<td>FY 21E-22E+</td>
<td>Multi-cloud application security</td>
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Expanding Security with New Solutions

Expanding Security Offering

**FY 15-17**
- ADC-attached security

**FY 18-20E**
- Standalone security offerings

**FY 21E-22E+**
- Multi-cloud application security

incremental revenue growth
Expanding Security with New Solutions

Expanding Security Offering

FY 15-17
ADC-attached security

FY 18-20E
Standalone security offerings

FY 21E-22E+
Multi-cloud application security
ADC: Strong Leverage Point for Security

**F5 – STRATEGIC CONTROL POINT FOR SECURITY**

- Proxy — Unique Inline Insertion Point
- App Decomposition / Rich Context
- Integrated Service Chaining & Management

**VIRTUAL ADC EXTENDS STRATEGIC POSITION**

50% of WAF deployments are ADC-attached

For On-Prem | Off-Prem | Co-location | Public Cloud

PUBLIC/PRIVATE CLOUD DATA CENTER

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Expanding Security with New Solutions

Expanding Security Offering

FY 15-17
ADC-attached security

FY 18-20E
Standalone security offerings

FY 21E-22E+
Multi-cloud application security
Standalone Security Offerings Expand our TAM
Standalone Security Offerings Expand our TAM

Service Provider Firewall

$1.5B TAM
CAGR 12%

CC Network Firewall

AVAILABLE NOW

Sources: IHS Network Security Appliances and Software Tracker, June 2017; Gartner Information Security WW 2015-2021, 2Q17 Update, August 2017; IDC May 2017 DDoS Forecast
Standalone Security Offerings Expand our TAM

<table>
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<th>Service Provider Firewall</th>
<th>DDoS Protection</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>$1.5B</strong> TAM (CAGR 12%)</td>
<td><strong>$1B</strong> TAM (CAGR 20%)</td>
</tr>
<tr>
<td>CC Network Firewall</td>
<td>DDoS Hybrid Defender</td>
</tr>
<tr>
<td>AVAILABLE NOW</td>
<td>NEW FEBRUARY 2018</td>
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Sources: IHS Network Security Appliances and Software Tracker, June 2017; Gartner Information Security WW 2015-2021, 2Q17 Update, August 2017; IDC May 2017 DDoS Forecast
## Standalone Security Offerings Expand our TAM

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<th>Service Provider Firewall</th>
<th>DDoS Protection</th>
<th>WAF Protection</th>
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<tbody>
<tr>
<td><strong>$1.5B TAM</strong></td>
<td><strong>$1B TAM</strong></td>
<td><strong>$750M TAM</strong></td>
</tr>
<tr>
<td><strong>CAGR 12%</strong></td>
<td><strong>CAGR 20%</strong></td>
<td><strong>CAGR 12%</strong></td>
</tr>
<tr>
<td>CC Network Firewall</td>
<td>DDoS Hybrid Defender</td>
<td>Advanced WAF</td>
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<tr>
<td>AVAILABLE NOW</td>
<td>NEW FEBRUARY 2018</td>
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Sources: IHS Network Security Appliances and Software Tracker, June 2017; Gartner Information Security WW 2015-2021, 2Q17 Update, August 2017; IDC May 2017 DDoS Forecast
Standalone Security Offerings Expand our TAM

Service Provider Firewall
- **$1.5B TAM**
- CAGR 12%

DDoS Protection
- **$1B TAM**
- CAGR 20%

WAF Protection
- **$750M TAM**
- CAGR 12%

Other Security
- **$800M TAM**

CC Network Firewall
- AVAILABLE NOW

DDoS Hybrid Defender
- NEW FEBRUARY 2018

Advanced WAF
- NEW FEBRUARY 2018

SSL Orchestrator
Access management
- NEW MAY–JUNE 2018

Sources: IHS Network Security Appliances and Software Tracker, June 2017; Gartner Information Security WW 2015-2023, 2Q17 Update, August 2017; IDC May 2017 DDoS Forecast
Standalone Security Offerings Expand our TAM

**F5 – REASONS TO WIN... WHAT’S NEW**
- Deployment and UX tuned for security users
- New market segment-leading capabilities
- Superior performance, management, & flexibility
- Organized to win

### Service Provider Firewall
- **$1.5B TAM**
- **CAGR 12%**

### DDoS Protection
- **$1B TAM**
- **CAGR 20%**

### WAF Protection
- **$750M TAM**
- **CAGR 12%**

### Other Security
- **$800M TAM**

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<th><strong>CAGR</strong></th>
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</tr>
<tr>
<td>Advanced WAF</td>
<td>$750M</td>
<td>12%</td>
</tr>
<tr>
<td>SSL Orchestrator Access management</td>
<td>$800M</td>
<td></td>
</tr>
</tbody>
</table>

**PREVIOUS**
- <$2B Serviceable via prior offerings

**NEW**
- ~$4B TAM

**Sources:** IHS Network Security Appliances and Software Tracker, June 2017; Gartner Information Security WW 2015-2021, 2Q17 Update, August 2017; IDC May 2017 DDoS Forecast
Expanding Security with New Solutions

Expanding Security Offering

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Two Disruptions with Multi-Cloud Applications
Two Disruptions with Multi-Cloud Applications

App threat surface is expanding
Two Disruptions with Multi-Cloud Applications

App threat surface is expanding
Two Disruptions with Multi-Cloud Applications

App threat surface is expanding

DevOps breaks the runtime security model

Private Cloud Data Center

Public Cloud Co-Location

Traditional waterfall

Agile DevOps
Multi-Cloud Application Security

Advanced Threat Detection & Mitigation

Private Cloud
Data Center
Multi-Cloud Application Security

Advanced Threat Detection & Mitigation

Private Cloud Data Center

Public Cloud Co-Location
Multi-Cloud Application Security

Advanced Threat Detection & Mitigation
Multi-Cloud Application Security
Advanced Threat Detection & Mitigation

f5 Visibility

Private Cloud Data Center

Public Cloud Co-Location

DevOps
Security Expands F5’s Opportunity

**FY 15-17**
ADC-attached security

**FY 18-20E**
Standalone security offerings

**FY 21E-22E+**
Multi-cloud application security
Security Expands F5’s Opportunity

FY 15-17
ADC-attached security

$2B
SAM

FY 18-20E
Standalone security offerings

$4B
TAM

FY 21E-22E+
Multi-cloud application security

$6B
TAM

INCREMENTAL
REVENUE GROWTH

Source: IDC, 2018; Industry analysis, 2018
Innovations to Accelerate Multi-Cloud Application Deployments

Ryan Kearny, CTO and SVP of Product Development
Five Pillars of F5’s Growth

1. Driving share gain in durable systems market
2. Capturing growing demand for virtual ADCs and ADC-as-a-Service
3. Expanding security with new multi-cloud solutions
4. Creating long-term value through product services
5. Driving margin expansion and earnings power
Five Pillars of F5’s Growth

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Varying Customer Challenges

Complex Applications
- Application interdependencies
- Requires programmability, solution flexibility, and skilled staff
- With highly functional performance

Simple Applications
- Cost of ownership / operational complexity
- Speed of deployment
- Application sprawl
- Consistency of application services
Innovating in ADC In Four Steps

1. More complex, High Performance higher TCO
2. Application Architecture
3. Cloud-native Lowest TCO

33M apps  ➔ 36M Growing to 198M applications\(^1\) by 2022E ➔ 191M Growing to 1,452M apps\(^1\) by 2022E

FY 2018
1. Extend Current Technology
FY 2018E
2. BIG-IP Cloud Edition
FY 2019E
3. Cloud-Native App Services
4. ADC-as-a-Service

Unlocking demand with lighter-weight per-app offerings
Unlocking demand with per-app Cloud-Native offerings
Unlocking demand with new deployment models

\(^1\)Source: IDC, 2018; F5
### F5’s New vADC Offerings Feature Dramatic Performance and TCO Improvements

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Image Size</td>
<td>Baseline</td>
<td>~40% smaller</td>
<td>&gt;80% smaller</td>
</tr>
<tr>
<td>Spin-Up Time</td>
<td>Baseline</td>
<td>~50% faster</td>
<td>&gt;80% faster &amp; sub-second for scaling</td>
</tr>
<tr>
<td>Performance</td>
<td>Baseline</td>
<td>Lower TCO per MB</td>
<td>Lowest TCO per MB</td>
</tr>
<tr>
<td>Functionality</td>
<td>Robust multi-app application services</td>
<td>Robust per-app application services</td>
<td>Agile per-app application services optimized for CI/CD workflows</td>
</tr>
</tbody>
</table>
## Introducing F5’s Cloud-Native App Services

<table>
<thead>
<tr>
<th>Customer Challenge</th>
<th>F5 Solution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Application services that “work”</td>
<td>Leverage of F5’s leadership in application fluency</td>
</tr>
<tr>
<td>Total cost of ownership</td>
<td>Designed for low total cost of ownership</td>
</tr>
<tr>
<td>Speed</td>
<td>Auto-scales</td>
</tr>
</tbody>
</table>

- Automation is #1
- Small footprint and high vCPU efficiency
- Easy to use and deploy
- Integrated analytics

<table>
<thead>
<tr>
<th>Cloud-native architecture</th>
</tr>
</thead>
</table>
- Automated provisioning
- Ecosystems tested and certified
- Continuous deployment lifecycles
Virtual ADC Per App Use Case
From Large Enterprise / Hosting Customer

Business objectives

1. New software-based architecture
2. Dedicated per app ADC software
3. Automation of per app architecture
4. Deployment:
   - 20,000 customers
   - 39 OpenStack clouds
   - 13 Data centers worldwide

F5 solution + benefits

Per Application ADCs

Scale Out Infrastructure ADCs
Virtual ADC Service Provider Use Case
From Large Service Provider Customer

**Business objectives**

1. CTO-mandated vision for SDN/NFV architectures
   - Aggressive timeline – No new hardware platform refreshes
   - Risk mitigation by using existing vendors
2. Cost reduction
   - Fixed custom hardware is most capital-intensive portion now
   - Lower procurement time and costs
3. Rapid service innovation, agility, and expandability

**F5 solution + benefits**

BIG-IP vADC used for NFV / GiLAN capacity elasticity

Services: LTM, PEM, CGNAT, AFM, TCP Optimizations
Five Pillars of F5’s Growth

1. Driving share gain in durable systems market
2. Capturing growing demand for virtual ADCs and ADC-as-a-Service
3. Expanding security with new multi-cloud solutions
4. Creating long-term value through product services
5. Driving margin expansion and earnings power
Customer Security Challenges

**Industry Trends**

- Applications are sprawling
- New application architectures
- Increasing sophistication of security threats
- Network perimeter is dissolving

**Customer Challenges**

- Inconsistent security policies
- Centralized security management
- Global security analytics or visibility
- Limited budgets and security expertise

Traditional Data Center → Private Cloud Co-Location → Public Cloud

Cloud Interconnect
F5 Security Innovation in Three Steps

1. **FY 15-17+**
   - Continue Innovations in ADC-attached Security
   - Strategic proxy position
   - Application protection and access
   - Core technology
   - Bot / Bad actor detection
   - Threat intelligence

2. **FY 18-20E+**
   - Innovation in Standalone Security Offerings
   - New standalone offerings
   - Focus on the Sec Ops buyer
   - Extreme leverage from ADC-attached security

3. **FY 21E-22E+**
   - Innovation in Multi-Cloud Application Security
   - Consistent Multi-Cloud Application Security policies
   - Advanced threat detection
   - Global security management, analytics and visibility

Source: IDC, 2018; Industry analysis, 2018
Accelerating the F5 Go-To-Market

John DiLullo, EVP of Worldwide Sales
Five Pillars of F5’s Growth

1. Driving share gain in durable systems market

2. Capturing growing demand for virtual ADCs and ADC-as-a-Service

3. Expanding security with new multi-cloud solutions

4. Creating long-term value through product services

5. Driving margin expansion and earnings power
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5. Driving margin expansion and earnings power
Driving Share Gain in Durable Systems Market

**FERTILE SALES ENVIRONMENT**
1. 60,000 field units no longer have software support
2. iSeries TCO improvements are meaningful
3. New security and protocol support needs emerging

**NEW TECHNIQUES TO ACCESS CUSTOMERS**
1. AI tools and inside sales driving productivity
2. Security specializations gaining traction
3. New partnerships gaining momentum

**COMMERCIAL DYNAMICS**
1. Traditional competitors are retreating
2. New consumption models (ELA and subscriptions) plus “cloud proofing” surfacing opportunities
3. Customers more confident

50,000+ hours

http://2

![Icons of technology providers] (e.g., AWS, Microsoft Azure, Equinix, Splunk)
Customer Improves TCO with iSeries

The customer
- DDoS and automated bot attacks
- Consolidating multiple centers
- Extensive iRule user

Why did F5 win?
- iSeries higher performance
- Layer 3-4-7 DDoS capabilities

What clinched the deal?
- Proactive bot defense (WAF); good bots vs. bad bots
- Hybrid DDoS signaling to Silverline

Hospitality

Large global chain and vacation rental ownership dealer
Customer Demand for High-Performance SSL

**Government**

Large government command and control agency

**The customer**

- Viewed personal email as threat
- Sensitive to potential data loss and infiltration (phishing)

**Why did F5 win?**

- SSL/TLS break and inspect speed
- Service chaining of different traffic

**What clinched the deal?**

- OCSP “stapling” of sessions
- Perfect forward secrecy
- Standalone security offer
Five Pillars of F5’s Growth

1. Driving share gain in durable systems market

2. Capturing growing demand for virtual ADCs and ADC-as-a-Service

3. Expanding security with new multi-cloud solutions

4. Creating long-term value through product services

5. Driving margin expansion and earnings power
Migration of Workloads

Workloads are not migrating quickly

Almost all compute environments will be hybrid

Sources: Barclays Cloud Survey; Citi: Birth, Death & Migration; Cisco: Cloud Index; Gartner: Various
F5’s Technology Advantage

Application Services
- L3/L4 Firewall
- WAF
- BOT admission
- Access
- API gateway
- Federation
- DDoS
- Analytics
- iRules
- Protocol support
- DNS

Compute/Storage
- F5 Proxy
- Load balancing
- Auto-scaling
- Server pooling
- Heartbeat monitoring
- Caching
- Encryption
Core Value Proposition Persists for vADC

Application Services

- L3/L4 Firewall
- WAF
- BOT admission
- API gateway
- Access
- Federation
- DDoS
- Analytics
- iRules
- Protocol support
- DNS

F5 Proxy

Compute/Storage

- Public Cloud
  - AWS
  - Microsoft Azure
- Private Cloud
  - Auto-scaling
  - Orchestration
  - Load balancing
When Workloads Move, F5 vADC Sales Surge

F5 Product Growth YoY

- All Shared Customers: 4% in 2016, 17% in 2017
- Enterprise Customers: 17% in 2016, 17% in 2017
- AWS Customers: 35% in 2017

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Customer Wanted Single WAF Across Multi-Cloud

**Banking/Finance**

Large UK bank moves to multi-cloud

---

**The customer**

- Moving workloads to Azure and AWS
- Wanted a hybrid solution “Application Isolation Zone” for core banking assets

**Why did F5 win?**

- SSL/TLS orchestration partnership with Fortinet and Cisco
- Ability to standardize WAF in multi-cloud layer

**What clinched the deal?**

- Ability to not only detect, but prevent access in the application core
- Per app VE support w/WAF and iRules
SaaS Provider Sought New Subscription Model

The customer
- Required lower latency for countries with no local data center support
- Extreme data privacy and residency concerns

Why did F5 win?
- Ability to enforce GDPR requirements with iRules and Access Management
- F5 ability to keep private keys “private”

What clinched the deal?
- Offering a 2-year subscription option
- Roadmap including “lighter” vADC offers
Five Pillars of F5’s Growth

1. Driving share gain in durable systems market
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4. Creating long-term value through product services
5. Driving margin expansion and earnings power
F5 Differentiators for Multi-Cloud Security

- **Hardened F5 WAF and DDoS solutions port easily**
  - Easy migration to private and public cloud environments

- **F5 Proxy topology enables instant breach intervention**
  - BIG-IP sits in the flow of traffic

- **F5 enables encrypted public computing solutions**
  - Standalone solutions enable isolation zones

- **Proactive F5 Bot defense repel automated attacks**
  - Non-human web hits detected and discarded

50%+ of F5 installed base is a potential prospect
Standalone WAF Security to Thwart Bot Attacks

**The customer**
- Customer suffering repeated injection attacks against unpatched servers
- Existing WAF in “monitor mode” only

**Why did F5 win?**
- Able to detect AND block attacks
- On-site DDoS mitigation capabilities
- WAF transportable to public cloud

**What clinched the deal?**
- Deployed a high-capacity standalone WAF solution – limited ADC functions
Service Provider Giant Moved to Public Cloud

Telecommunications

Multi-national media and telecom company

The customer

- Heavy user of iRules and L3/L4 Carrier Grade Firewalls
- Abandoned private cloud "open source" migration after two years of false starts

Why did F5 win?

- Ability to accelerate workload migration to the AWS public cloud
- Easy migration of WAF and DDoS rules

What clinched the deal?

- Ability to automate standalone WAF in the AWS EC2 environment
F5 has Established New GTM Motions for Cloud

![Graph showing the transition from more complex, higher TCO to cloud-native applications over time.](#)
F5’s Growth in Public Cloud

Chad Whalen, VP of Global Cloud Sales
World-Class Customers With Intense Loyalty
Customers Face Challenges in Multi-Cloud

- **Complex and fragmented architecture**
  - Disparate platforms and toolsets exacerbate IT skillset gaps

- **Operational complexities**
  - Feature gaps in cloud native services tied to each cloud provider result in longer time to value and compromise

- **Compliance gaps and risks**
  - Inconsistent security services increase compliance gaps and audit risks
F5 Simplifies Multi-Cloud Migrations

Deploy any application, anywhere, with consistent application services and security

Complex and fragmented architecture
- Turnkey solutions validated and tested in multiple clouds

Operational complexities
- Deep Integration with application ecosystem

Compliance gaps and risks
- Unified security posture with simplified policy deployment and compliance

Tested & Validated
Simple & Automated
Consistency Across Clouds

© 2018 F5 Networks
F5 Demonstrated Robust Growth in 2017

- >80% increase in new customer adds in public cloud
- 66% of public cloud customers are using security portfolio
- Revenue growth >200% YoY
- Consumption hours up on AWS and up 2.5x on Microsoft Azure
We Built a Dedicated Global Public Cloud Team

- Dedicated cloud specialists in geography
- Dedicated global program leads AWS / Azure / GCP
- Aligned channel management
- Compensation amplification
Strategic Alignment with Public Cloud Providers

19 offerings listed
Top 10 ISV Partner in Marketplace
1 of 12 ISV’s in the Enterprise Contracts program
7 CFT Templates: Deep native integration

13 offerings listed
Top 10 Azure Consumption Partner
Globally managed co-sell partner
9 ARM Templates: Deep native integration

Strategic alignment – F5 accelerates workloads into their environments
# F5 Established a New Cloud Partner Motion

<table>
<thead>
<tr>
<th>Traditional Partner GTM</th>
<th>Cloud Enablement Partner GTM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic customer relationships</td>
<td>Strategic customer relationships</td>
</tr>
<tr>
<td>Net/SecOps opportunity identification</td>
<td>C-level / Line of Business strategic initiatives</td>
</tr>
<tr>
<td>Sales process: Sales Engineering &amp; POC</td>
<td>Sales process: Focused DevOps approach</td>
</tr>
<tr>
<td>Traditional procurement models</td>
<td>Distributed buying entities: LOB purchasing</td>
</tr>
<tr>
<td>Partner return: Resale margin and incentives</td>
<td>Partner return: Managed workload migration / consulting services</td>
</tr>
</tbody>
</table>
## Public Cloud Business Naturally Expands for F5

<table>
<thead>
<tr>
<th>High workload growth</th>
<th>Workloads in the public cloud accumulate Month-over-Month</th>
</tr>
</thead>
<tbody>
<tr>
<td>More workload instances</td>
<td>Cloud workloads seamlessly extend across availability zones, replicating the application</td>
</tr>
<tr>
<td>Higher service-attach</td>
<td>Multi-cloud increases attack surface area, driving security</td>
</tr>
<tr>
<td>New customers</td>
<td>Public cloud marketplaces generate ‘net’ new customer logos</td>
</tr>
</tbody>
</table>
F5’s Opportunity in Public Cloud Will Grow

- Multi-cloud is a strong customer driver for our solutions
- New product offerings ‘purpose built’ for the public cloud extending our customer value proposition:
  - BIG-IP Cloud Edition
  - Cloud-Native App Services
- Customer synergy with our cloud partners to accelerate workload migration to the public cloud
Creating Long-Term Value Through Product Services

Steve McMillan, EVP of Global Services
Five Pillars of F5’s Growth

1. Driving share gain in durable systems market
2. Capturing growing demand for virtual ADCs and ADC-as-a-Service
3. Expanding security with new multi-cloud solutions
4. Creating long-term value through product services
5. Driving margin expansion and earnings power
Services Value and Growth

Strategy

Operations

Financial Performance
Broad Range of Value Added Services

- Support and Customer Care
- Global Services
- Consulting
- Education
Product Evolution Drives Services Growth

- Increased application coverage drives Professional and Enhanced Services
- As-a-Service based products drive Enhanced Services and Customer Success services

<table>
<thead>
<tr>
<th>Product</th>
<th>FY16</th>
<th>FY18</th>
<th>Future</th>
</tr>
</thead>
<tbody>
<tr>
<td>Systems</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Software</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>As-a-Service</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Services</th>
<th>FY16</th>
<th>FY18</th>
<th>Future</th>
</tr>
</thead>
<tbody>
<tr>
<td>Core Support</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Enhanced Services</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Professional Services</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Customer Success</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
</tbody>
</table>
Digital Transformation Enables Customer and Business Success

Future Customer Experience

- Self service
- Chat
- Communities
- Analytics
- Artificial intelligence

Outcomes

- Attach
- Renewal
- Churn
- Expansion
Services Value and Growth
The Recipe for Renewals, Expansion and Margin

Customer Satisfaction

Q1FY18

Customer Satisfaction

Technical support transaction survey score

High renewal rates

Enhanced Services

41%

Top 100 = 41 Customers

Expansion of services revenue

Operating at Scale

11 Global Network Support Centers

Consistently high margins
Maintaining Consistently High Margin Amid Changing Product Dynamics

Product Dynamics

- Volume of units
- Unit size
- Fixed price service

Delivery Imperatives

- Automation
- Labor
- Standardization

Consistently high margin
Services Value And Growth

Strategy

Operations

Financial Performance
Strong Recurring Revenue Base with High Margins

- Recurring services revenue\(^1\) is >90% of total
- 96% attach rates to product sales
- Growth focus on high margin recurring revenue

![Services Revenue](image)

\(^1\)Recurring services revenue defined as support revenue plus enhanced services revenue, as of end of FY2017
Expanding Contract Base and Average Length

- Growing supported contract base
- Solid base driven by:
  - Product lifespan
  - Renewal rates
- Average contract length initially 1.8 years
- Contract total lifespan is 5.5 years on average

Consistent Mix of New and Aging Obligations

- THOUSANDS OF OBLIGATIONS
- 0 50 100 150 200 250 300
- 2014 2015 2016 2017
- 1-2 Years 3-5 Years 5+ Years
- Measured as of Sep 30, 2017
Growing Base of Deferred Services Revenue Adds High Degree of Visibility

**Deferred Services Revenue**

<table>
<thead>
<tr>
<th>Year</th>
<th>$ Millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>600</td>
</tr>
<tr>
<td>2015</td>
<td>700</td>
</tr>
<tr>
<td>2016</td>
<td>800</td>
</tr>
<tr>
<td>2017</td>
<td>900</td>
</tr>
</tbody>
</table>
Creating Long-Term Value Through Services

$1.05B
Recurring services revenue\(^1\)

240,000
Obligations\(^2\)

9.6
Customer satisfaction rating\(^3\)

$920M
Deferred services revenue\(^2\)

5.5 Years
Average length obligation\(^3\)

\(^1\)Recurring services revenue defined as support revenue plus enhanced services revenue, as of end of FY2017
\(^2\)As of end of FY2017
\(^3\)As of Q1 FY2018
Growth Opportunity in Multi-Cloud Application Services: Financial Overview

Andy Reinland, EVP and Chief Financial Officer
Company Snapshot

- FY17 Revenue: $2.1B
- FY17 Cash from Operations $740M
- 1Q18 Revenue: $523M
- 1Q18 Recurring Revenue\(^1\): 56% of total
- 1Q18 Deferred Revenue: $991M, up 8% Y/Y
- 1Q18 Cash from Operations: $190M
- Approximately 4,400 employees

\(^1\)Recurring revenue reflects all term-based and utility billing-based revenue, including subscription licenses, software as a service offerings, and maintenance
Key Pillars of Long-Term Financial Model

1. Driving share gain in durable systems market
2. Capturing growing demand for virtual ADCs and ADC-as-a-Service
3. Expanding security with new multi-cloud solutions
4. Creating long-term value through product services
5. Driving margin expansion and earnings power

Steady and defensible revenue growth
Long-term earnings power
## Critical Value Drivers

<table>
<thead>
<tr>
<th>FY18</th>
<th>Horizon 1 (FY 19E-20E)</th>
<th>Horizon 2 (FY 21E-22E)</th>
</tr>
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<tbody>
<tr>
<td>BIG-IP Cloud Edition</td>
<td>Cloud-Native App Services offering</td>
<td>Expanded use cases</td>
</tr>
<tr>
<td>More flexible consumption models</td>
<td>Expanded integrations for public cloud and automation and orchestration</td>
<td>Multi-Cloud Application Security</td>
</tr>
<tr>
<td>Focus on automation and orchestration</td>
<td>More standalone security offerings</td>
<td></td>
</tr>
<tr>
<td>Standalone security offerings for Advanced WAF, DDoS, and SSL-O</td>
<td></td>
<td></td>
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**Acceleration of topline growth**

**Operating leverage driving earnings power**

**Team to execute**
## Evolution of Revenue Mix by Source

<table>
<thead>
<tr>
<th></th>
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<th>Horizon 2 (FY 21E-22E)</th>
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<tbody>
<tr>
<td><strong>Software(^1)</strong></td>
<td>Mid-20’s% growth</td>
<td>30 – 35%+ growth</td>
<td>35%+ growth</td>
</tr>
<tr>
<td><strong>Software(^1) as a % of Product Revenue</strong></td>
<td>~15%</td>
<td>Mid-20’s%</td>
<td>~40%+</td>
</tr>
<tr>
<td><strong>Systems(^2)</strong></td>
<td>Low-single digit decline-to-flat</td>
<td>Low-single digit decline-to-flat</td>
<td>Low-single digit decline</td>
</tr>
<tr>
<td><strong>Services</strong></td>
<td>Mid-single digit growth</td>
<td>Mid-to-low single digit growth</td>
<td>Low-single digit growth</td>
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<tr>
<td><strong>Total Revenue</strong></td>
<td>2.5 – 3.5%</td>
<td>Low-to-mid single digit growth</td>
<td>Mid-to-high single digit growth</td>
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\(^1\)Software includes standalone Virtual Editions, including subscriptions & utility, and as a Service offerings

\(^2\)Systems includes all products residing on physical devices, including add-on software modules and bundled hardware offerings
## Delivering Sustainable Financial Success

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<td>Steady and Defensible Revenue Growth</td>
<td>Revenue</td>
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# Delivering Sustainable Financial Success

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<td><strong>EPS</strong></td>
<td>GAAP $6.74-6.94, Non-GAAP $9.40-9.60</td>
<td>Mid-to-high single digit growth</td>
<td>Double digit growth</td>
</tr>
</tbody>
</table>

- **Steady and Defensible Revenue Growth**
- **Operating Margin Expansion**
- **Strong, Sustainable Earnings Growth**

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Capital Allocation Strategy

**Investing for sustained long-term growth**
- Market leadership in the cloud
- Security innovation and awareness
- New consumption models for our customers

**Acquisition will be part of our growth strategy**
- Strategic, growth accelerating acquisitions
- Financially disciplined approach to M&A

**Ongoing return of capital**
- Near-term – consistent with recent trends
Key Measures of Our Progress

1. Systems revenue growth rates
2. Software revenue growth rates
   - Software as a percent of product revenue
3. New security product introductions
4. Growing mix of recurring revenue
   - Deferred revenue growth
5. Margins
   - EPS growth
Five Pillars of F5’s Growth

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