



Q4FY26 Results

PERIOD ENDING September 30, 2026

Published October 27, 2026

We deliver and secure every app.

F5 specializes in application delivery and security. Our solutions are backed by three decades of expertise to ensure that every app is fast, available, secure, and ready for the AI-era.



Today's speakers



François Locoh-Donou

Chairman, President, & CEO

Business Overview



Cooper Werner

EVP & Chief Financial Officer

Results & Business Outlook

Forward-looking statements

This presentation and the remarks that accompany it contain forward-looking statements including, among other things, that frontier AI is rewriting the rules of enterprise security, accelerating vulnerability discovery to machine speed, expanding the attack surface through APIs and AI agents, and collapsing the time available to respond, F5 is focused on ensuring our customers can meet this moment, using AI to identify risk earlier, and enforcing consistent protection at runtime across every environment, the Company's future financial performance including revenue growth, 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.

Business overview

François Locoh-Donou

GAAP & non-GAAP results

GAAP results

	Q4FY26	Q4FY25	FY26	FY25
Revenue	\$917M	\$810M	\$3,417M	\$3,088M
Gross profit	\$754M	\$666M	\$2,797M	\$2,514M
Gross margin	82.2%	82.2%	81.9%	81.4%
Income from operations	\$212M	\$206M	\$818M	\$766M
Operating margin	23.1%	25.4%	23.9%	24.8%
Tax rate	18.9%	11.4%	16.8%	14.3%
Net income	\$186M	\$190M	\$722M	\$692M
EPS	\$3.23	\$3.26	\$12.52	\$11.80

See appendix for GAAP to non-GAAP reconciliation

Non-GAAP results

	Q4FY26	Q4FY25	FY26	FY25
Revenue	\$917M	\$810M	\$3,417M	\$3,088M
Gross profit	\$771M	\$683M	\$2,868M	\$2,582M
Gross margin	84.0%	84.3%	84.0%	83.6%
Income from operations	\$309M	\$299M	\$1,200M	\$1,086M
Operating margin	33.7%	37.0%	35.1%	35.2%
Tax rate	20.9%	16.9%	18.6%	17.8%
Net income	\$255M	\$257M	\$1,009	\$928M
EPS	\$4.42	\$4.39	\$17.49	\$15.81

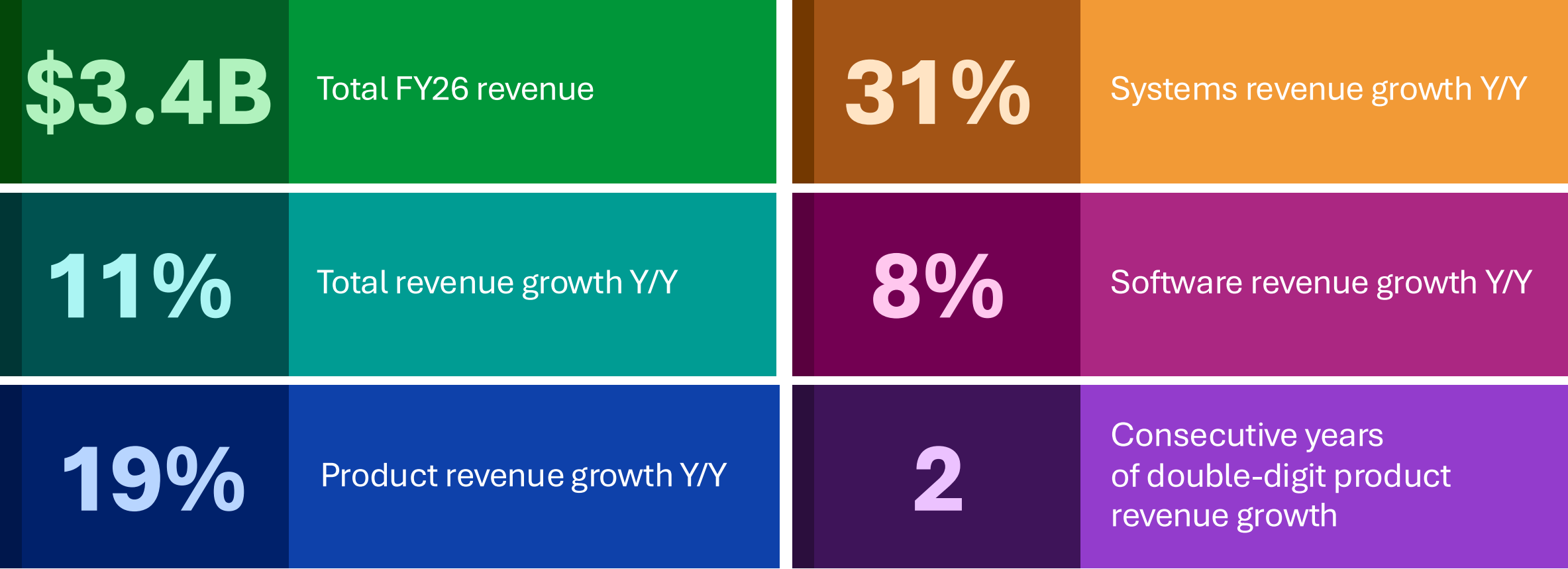
Q4FY26 performance highlights

\$917	Total revenue	29%	Systems revenue growth Y/Y
13%	Total revenue growth Y/Y	19%	Software revenue growth Y/Y
23%	Product revenue growth Y/Y	9	Consecutive quarters of double-digit product revenue growth

See appendix for GAAP to non-GAAP reconciliation.



FY26 performance highlights



See appendix for GAAP to non-GAAP reconciliation.



F5 is at the intersection of three secular megatrends



Hybrid multicloud

Accelerates
workload distribution



Expanding threat landscape

Accelerates demand for
AI-powered security



AI inference

Accelerates demand for app
security and delivery

Our FY26 outlook

8% to 9% FY27 revenue growth Y/Y



Hybrid multicloud

Accelerates
workload distribution



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AI-powered security



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security and delivery

Innovation at F5

F5's 30-year position in the data path is our foundation, what we are building on it is the advantage



+70,000

vulnerabilities discovered through September 2026, +50% over all of 2025

- NIST reported a **208% year-over-year** surge in vulnerabilities between July and September 2026 alone
- Mean time-to-exploit has collapsed to **negative 7 days**, so a typical 43-day patching cycle is a liability



We are innovating to find, fix, release and deploy at greater speed and scale



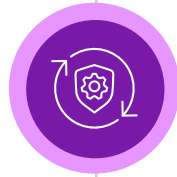
AI-powered capabilities in Distributed Cloud WAF

- 300+ customers (since March launch) with +75% deploying in blocking mode
- Uses a layered detection engine to assess the intent and risk of each request
- Enabling security that adapts at the speed of the attacker



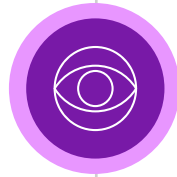
API security

- APIs have become the primary pathways agents use to reach models, data and critical business systems
- Protecting those interactions at runtime is becoming essential



Critical (hardened) software releases

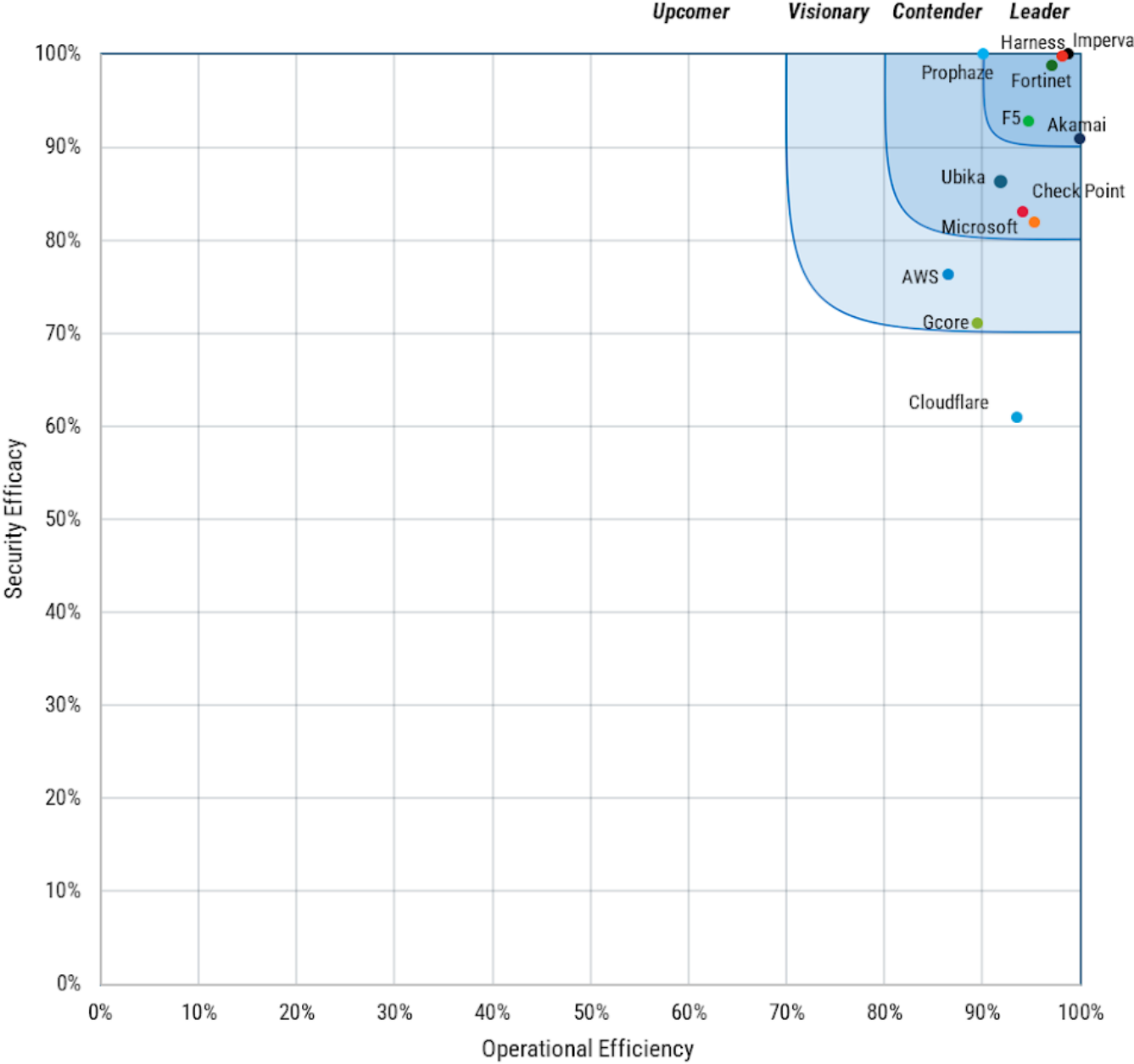
- Leveraging frontier, open-source, and open-weight AI models to ID and remediate vulnerabilities faster than previously possible
- In 3 months, we have implemented engineering fixes that previously would have taken 7 years



Fleet-management capabilities via F5 Insight

- F5 Insight enables automated fleet management, dramatically reducing upgrade times and operational risk
- 200+ customers since March

F5 named a leader in SecureIQLab's Cloud WAAP v5.0 CyberRisk Validation comparative report



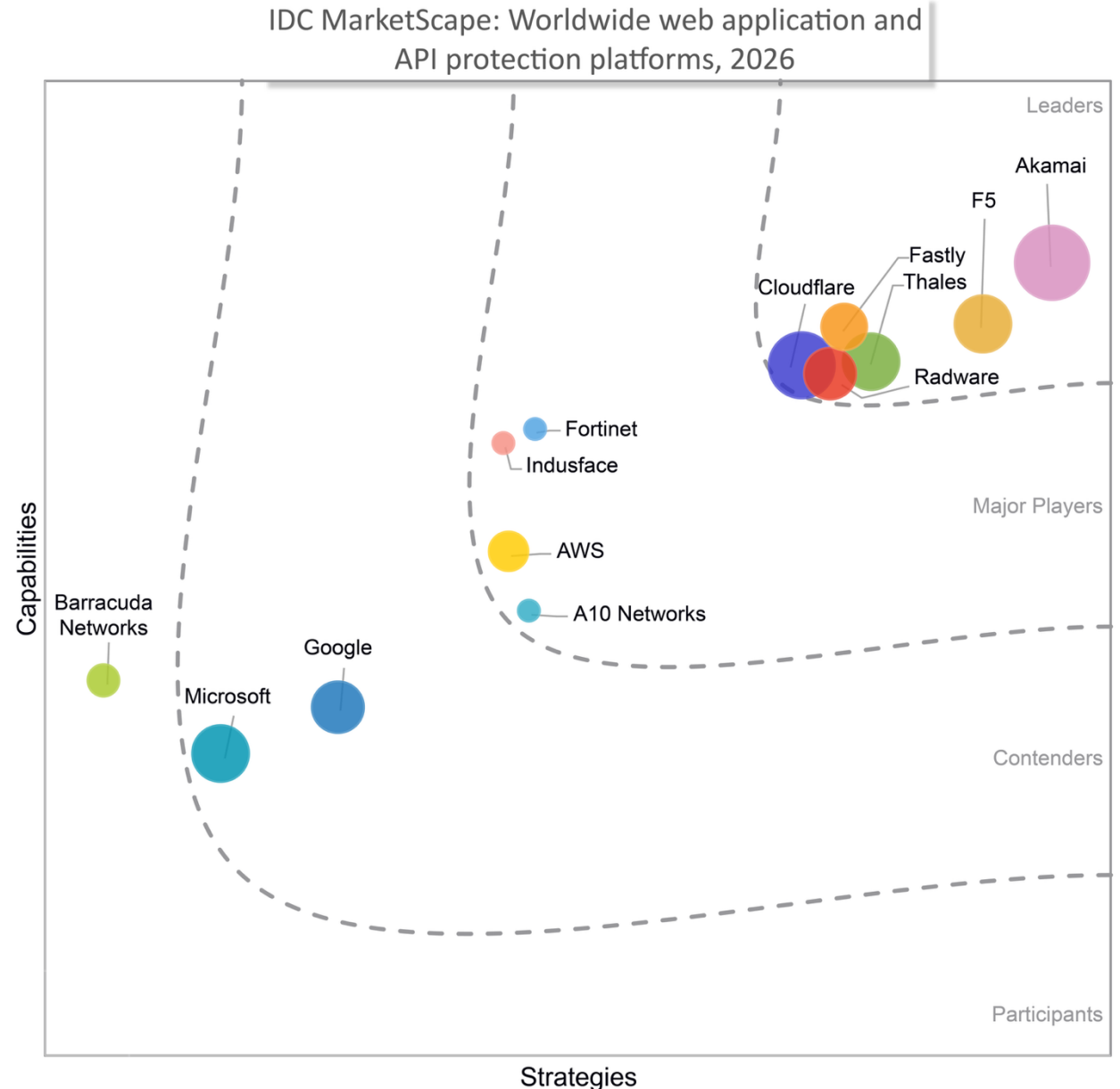
Source: SecureIQLab, Cloud WAAP v5.0 CyberRisk Validation Report, July 28, 2026



F5 is named a leader for the second time in the IDC MarketScape for Worldwide WAAP Platforms

Source: [“IDC MarketScape Worldwide Web Application and API Protection Platforms 2026 Vendor Assessment,” September 2026, IDC Doc # US54130626.](#)

IDC MarketScape vendor analysis model is designed to provide an overview of the competitive fitness of technology and service suppliers in a given market. The research methodology utilizes a rigorous scoring methodology based on both qualitative and quantitative criteria that results in a single graphical illustration of each vendor's position within a given market. The Capabilities score measures vendor product, go-to-market and business execution in the short-term. The Strategy score measures alignment of vendor strategies with customer requirements in a 3-5-year timeframe. Vendor market share is represented by the size of the circles. Vendor year-over-year growth rate relative to the given market is indicated by a plus, neutral or minus next to the vendor name.



Source: IDC, 2026

Gartner® recognizes F5 as a Market Shaper in AI Application Security in the September 2026 report

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Source: Gartner, Emerging Quadrant for AI Application Security, Meghan Hollis, Dionisio Zumerle, Dennis Xu, September 14, 2026.

Emerging Market Quadrant for AI Application Security — Established Vendors



Source: Gartner, as of August 2026
841440

Gartner.

F5 ADSP delivers and secures every app and every API across on-premises, cloud and edge environments

Complete **delivery** and **security** for every app

Deployable anywhere and in any form factor

AI-enhanced **operations** with unified console across NetOps, SecOps, DevOps and PlatOps

ADSP open partner ecosystem



F5 is at the intersection of three secular megatrends



Hybrid multicloud

Enterprises are building for flexibility across every environment



Expanding threat landscape

Attacks are increasingly AI- and agentic-powered translating to higher volumes with greater variation



AI inference

Organizations are connecting apps and APIs to AI models and inference calls are becoming a part of how applications run

Hybrid multicloud adoption is driving F5 demand



We are converting hybrid multicloud adoption into **expansion** opportunities, **digital sovereignty** wins, **competitive displacements**, and **platform consolidation** wins.

Data center buildout & sovereignty



Refresh + expansion



Capacity expansion & higher perf systems



New use case attach, expanding footprint and wallet share



Digital sovereignty

Competitive displacement



Investment in hybrid multicloud translating into market share gains



Unmatched breadth and depth across on-prem, software, and SaaS

Platform consolidation



F5 replacing point products with a unified approach

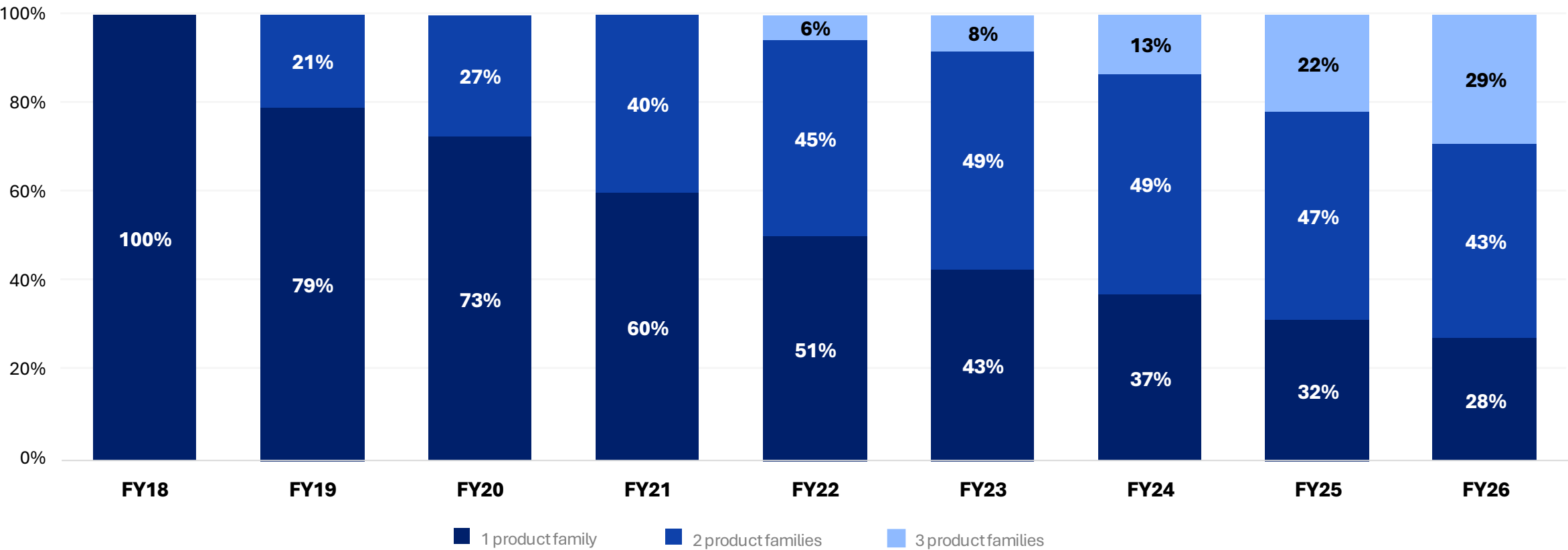


Improving performance and security



Easier to operate at scale

Customer demand for consistent policy across all of their environments is driving platform adoption



*Top 1000 accounts as of Q4FY26. Based on bookings from FY23-FY26; Product families defined as BIG-IP, NGINX, and Distributed Cloud



Hybrid multicloud adoption is driving F5 demand



Financial institution

- In an 8-figure win, a large regional North American financial institution **selected F5 as its unified application delivery and security platform across its on-premises, colocation, and cloud environments.**
- Customer had a fragmented architecture, including 2 incumbent ADC providers and 2 separate cloud security and CDN toolsets, creating policy inconsistency and operational complexity that sovereignty and compliance requirements increasingly prohibit.
- After a competitive evaluation, **F5 consolidated the entire estate, displacing all 4 incumbent vendors.**
- BIG-IP anchors high-performance application delivery across on-premises and colocation environments. Distributed Cloud WAAP, Data Intelligence and CDN extend consistent protection into the cloud. F5 Insight centralizes visibility and management across the full environment.



Central bank technology authority

- A central bank technology authority in Asia **selected F5 as the unified platform for a national financial services cloud**, built to keep critical banking infrastructure under domestic control.
- Following a rigorous public sector tender on technical merit and cost, **F5 displaced 2 incumbent application delivery competitors.**
- BIG-IP powers high-performance traffic management and high-availability delivery across the customer's own data centers. Distributed Cloud WAAP, Data Intelligence, and CDN extend consistent application security and API protection into the cloud, all managed through a single F5 management plane.

F5 is at the intersection of three secular megatrends



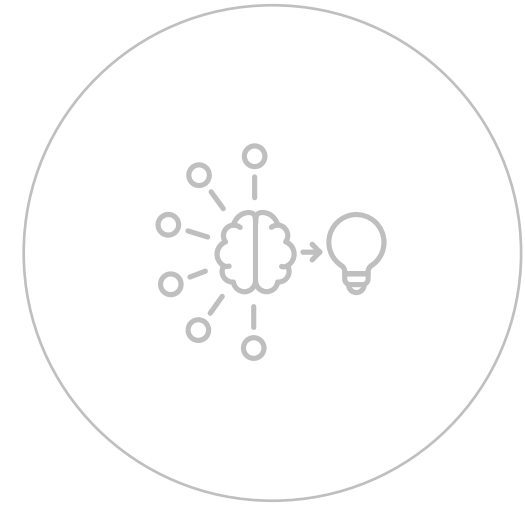
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Threat landscape expansion is creating tailwinds for F5



The **volume and velocity of attacks at the application layer is compounding** and organizations are taking action to defend themselves



Financial institution

- A leading European financial institution determined that signature-based tools weren't sufficient for the speed and scale of AI-driven threats.
- After a competitive evaluation, they **standardized on F5 as their single application delivery and security vendor across EMEA, APAC, and the Americas.**
- The customer deployed AI-powered WAF and Bot Defense on Distributed Cloud alongside Advanced WAF on BIG-IP **establishing proactive, signature-less virtual patching across their global digital banking infrastructure.**
- The ability to consolidate onto a single vendor while maintaining consistent protection across every region and every environment was the decisive factor.



Central bank & financial regulator

- A central bank and financial regulator in our APAC region **selected Distributed Cloud API Security to protect a rapidly expanding API ecosystem underpinning the nation's digital payment and banking infrastructure.**
- The customer had invested in an API management platform expecting it to provide sufficient security, but shadow APIs were going undetected and critical banking APIs were exposed to operational and reputational risk.
- Following a competitive proof of concept, **F5 displaced 3 security incumbents.**
- Distributed Cloud API Security delivers automated discovery across public, external, and internal APIs with F5 bringing real-time OWASP API Top 10 threat mitigation that integrates seamlessly with the customer's existing BIG-IP infrastructure,

F5 is at the intersection of three secular megatrends



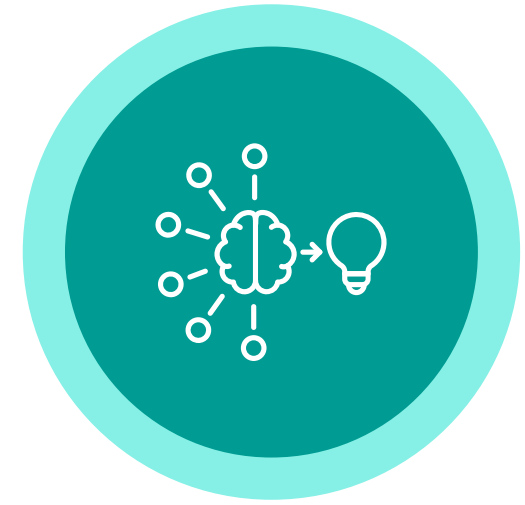
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Demand accelerated across our three direct AI use cases in Q4

DIRECT AI USE CASES

AI DATA DELIVERY

AI FACTORY LOAD BALANCING

AI RUNTIME SECURITY

>\$100M

FY26 direct AI use case bookings,
up >100% 1H to 2HFY26

~300%

Direct AI use case bookings
growth Y/Y

200+

Direct AI customers total,
up 4X Y/Y

AI inference inflection is accelerating demand for application delivery and security across AI use cases



The **AI inference inflection** is driving demand for F5, both directly, through our three AI use cases: **AI data delivery**, **AI runtime security** and **AI factory load balancing** and indirectly, as customers **expand hybrid multicloud deployments**.

AI DATA DELIVERY

F5 is accelerating secure AI data pipelines, ensuring storage, networking, and data delivery, and keeping AI clusters fully utilized across hybrid and multicloud deployments



Energy, retail, digital services

- A large conglomerate spanning energy, retail, and digital services in our APAC region put a planned BIG-IP capacity expansion out to competitive evaluation.
- **F5 successfully defended and grew the account against 3 challengers.**
- **BIG-IP is now the single high-throughput control point for data moving between storage and GPU compute at scale.**

AI inference inflection is accelerating demand for application delivery and security across AI use cases



The **AI inference inflection** is driving demand for F5, both directly, through our three AI use cases: **AI data delivery**, **AI runtime security** and **AI factory load balancing** and indirectly, as customers **expand hybrid multicloud deployments**.

AI RUNTIME SECURITY

F5 is safeguarding AI applications, APIs, and models from abuse, data leaks, and attacks like prompt injection and delivering real-time threat defense, red teaming models, and robust guardrails.



AI infrastructure leader

- In a milestone win, **a global AI infrastructure leader selected F5 AI Guardrails as the production safety layer for up to 500 AI models hosted on its flagship model platform.**
- The customer required out-of-the-box protection against prompt injection and sensitive data leakage, custom guardrails built to their own framework, and self-hosted deployment at scale.
- Customer also **selected F5 as a launch partner in its zero-trust AI agent security architecture**, embedding F5 at the center of how they think about AI safety at scale.



Financial institution

- One of the world's largest financial institutions used its F5 Bot Defense **to solve a problem that barely existed six months ago: personal AI agents logging into customer accounts.**
- The bank decided the risk to its clients and to itself was too high.
- **F5 Bot Defense now identifies and blocks those agents at the front door.**

AI inference inflection is accelerating demand for application delivery and security across AI use cases



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AI FACTORY LOAD BALANCING

F5 is optimizing traffic and GPU utilization both across and within AI factories, increasing token throughput, reducing time-to-first token, and lowering per-token costs.



Indosat Ooredoo Hutchinson

- Indosat Ooredoo Hutchison, one of Southeast Asia's largest telecommunications providers, **selected F5 to power the Indosat Intelligence Suite, a purpose-built enterprise AI platform that enables enterprises to move AI from pilot to production with sovereignty, governance, and cost predictability in place.**
- The Indosat Intelligence Suite addresses all three, giving businesses governed access to more than 300 open and closed AI models through a single interface.
- BIG-IP Next for Kubernetes provides the infrastructure layer, delivering tenant isolation, container security, and GPU-aware load balancing to optimize latency and token throughput at scale.



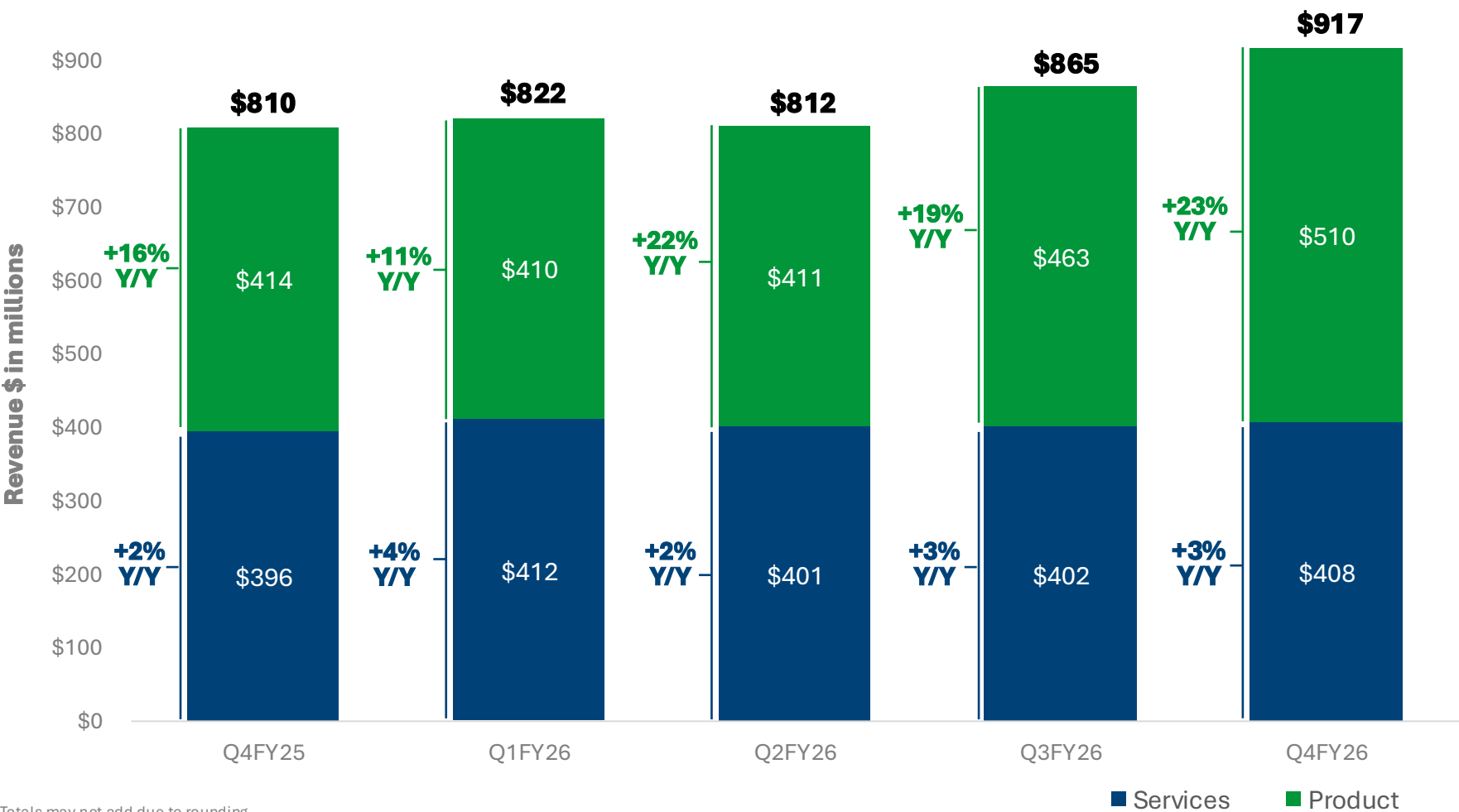
Telenor AI Factory

- Telenor AI Factory **selected F5 BIG-IP Next for Kubernetes as the intelligent service plane for its sovereign AI infrastructure.**
- The Telenor platform is purpose-built to give Norwegian and European enterprises access to trusted, high-performance AI services under full domestic control.
- **F5 enables sovereign secure GPU capacity across multiple tenants, meeting European data residency and compliance requirements.**
- BIG-IP Next for Kubernetes on NVIDIA BlueField-3 DPUs delivers secure multi-tenancy, policy-based traffic control, and real-time observability directly in the AI service path, preserving host CPU capacity for AI workloads.

Q4FY26 results

Cooper Werner

Revenue mix



Year/Year change

13%

Total revenue growth

23%

Product revenue growth

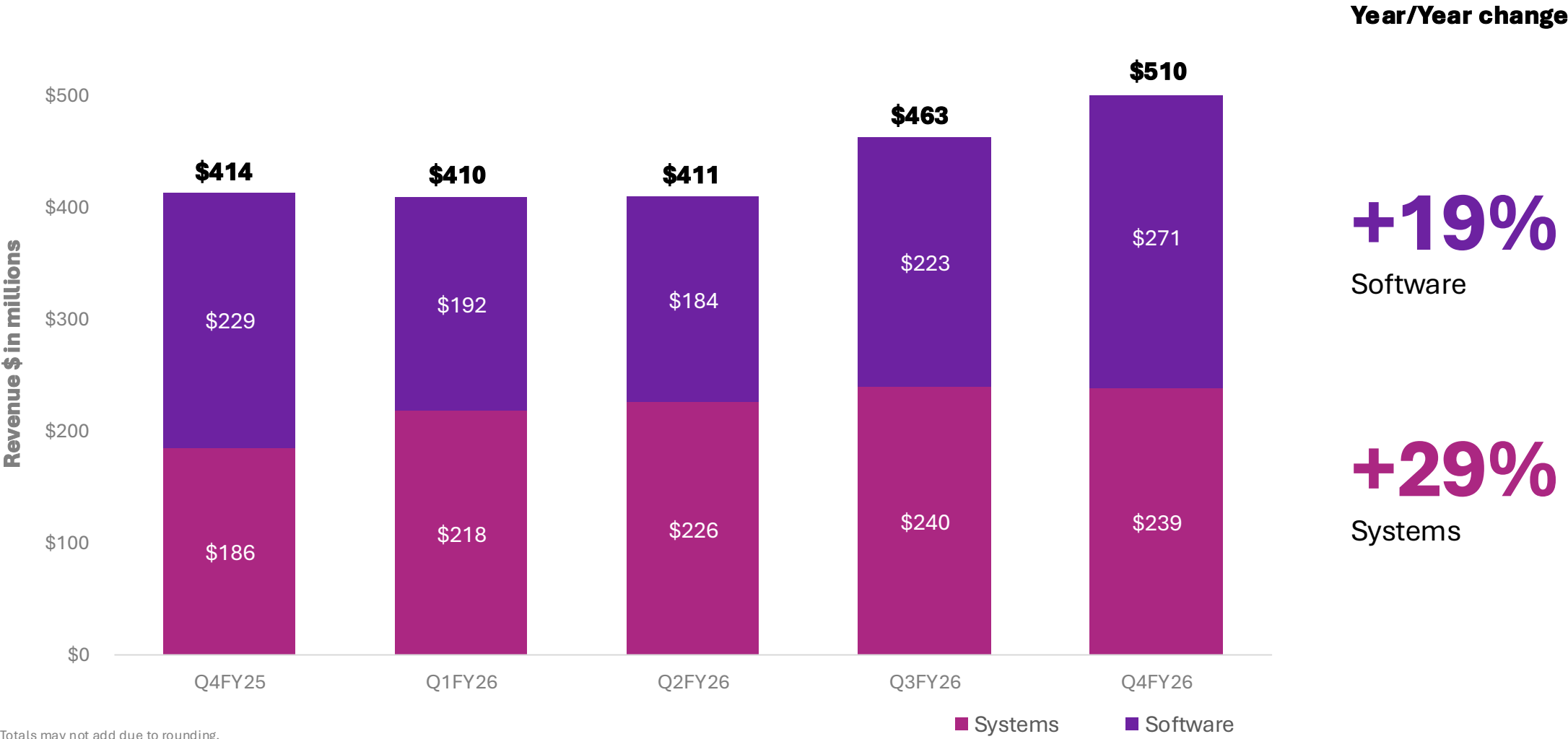
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Consecutive quarters
of double-digit
product growth

Totals may not add due to rounding.



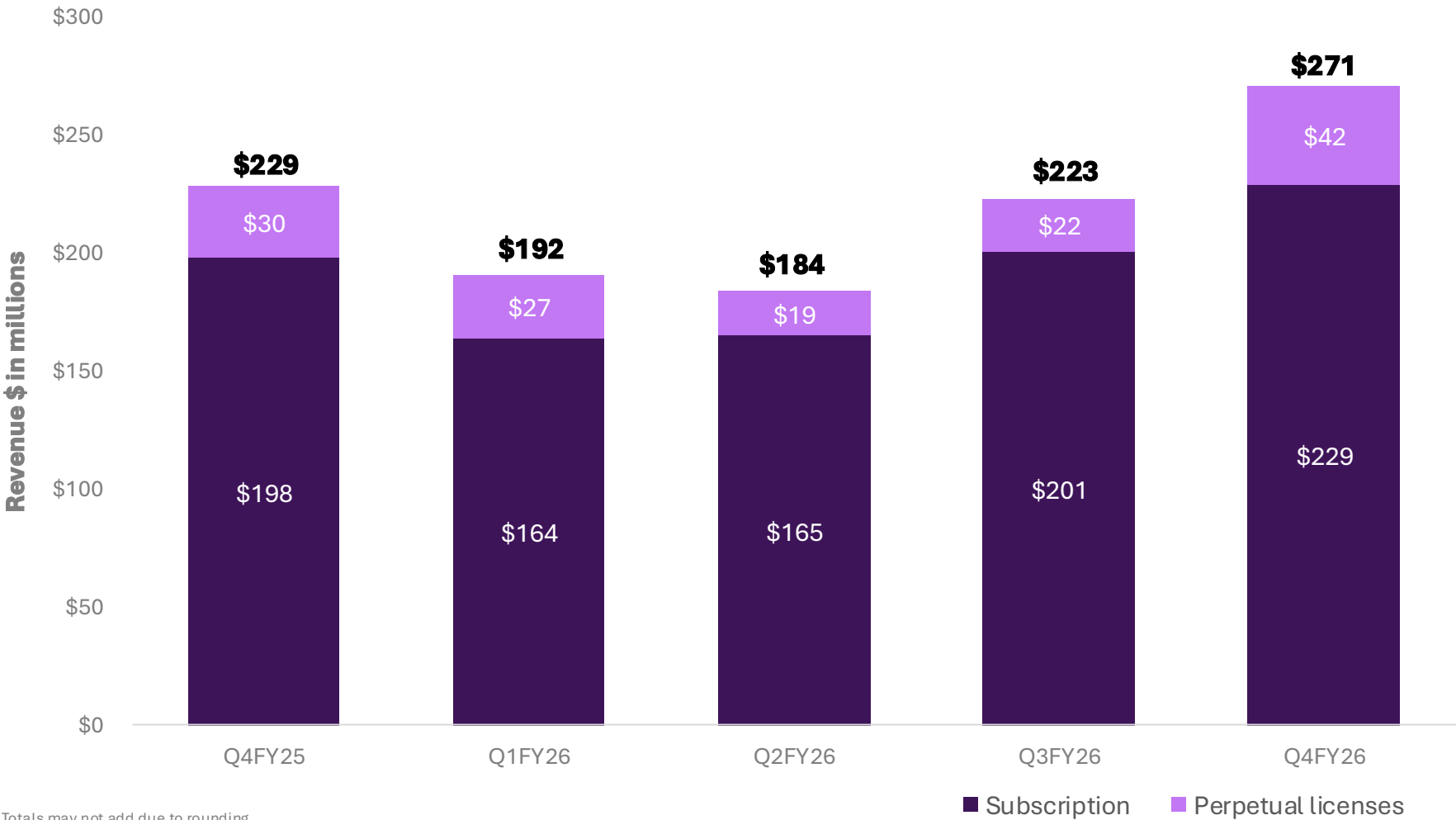
Product revenue mix



Totals may not add due to rounding.



Software revenue mix



Totals may not add due to rounding.

16%
Software subscription
revenue growth Y/Y

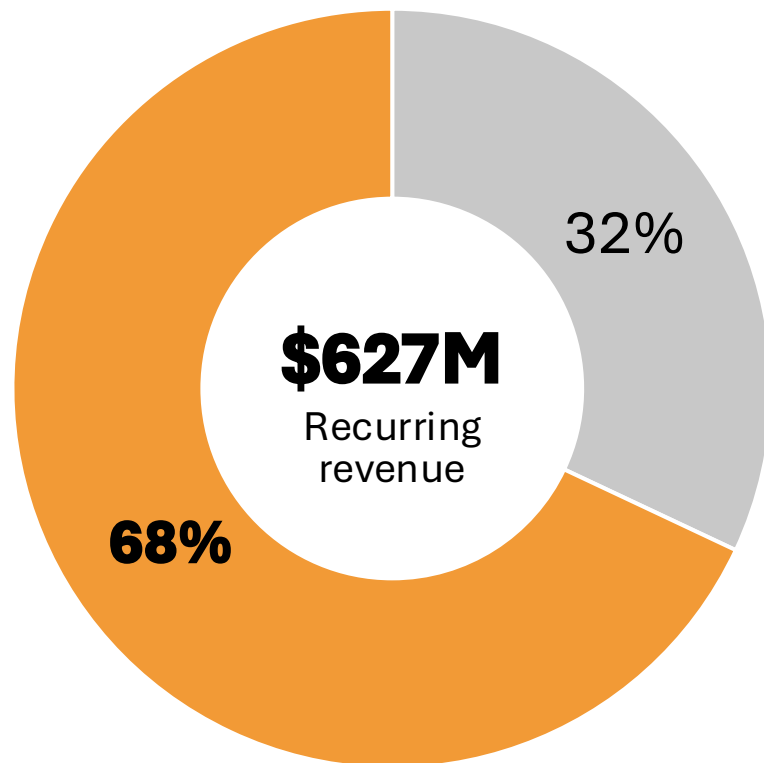
85%
of Q4FY26 total software
revenue from subscriptions

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



Recurring revenue (subscriptions, SaaS & managed services, and maintenance)

Recurring
Non-recurring

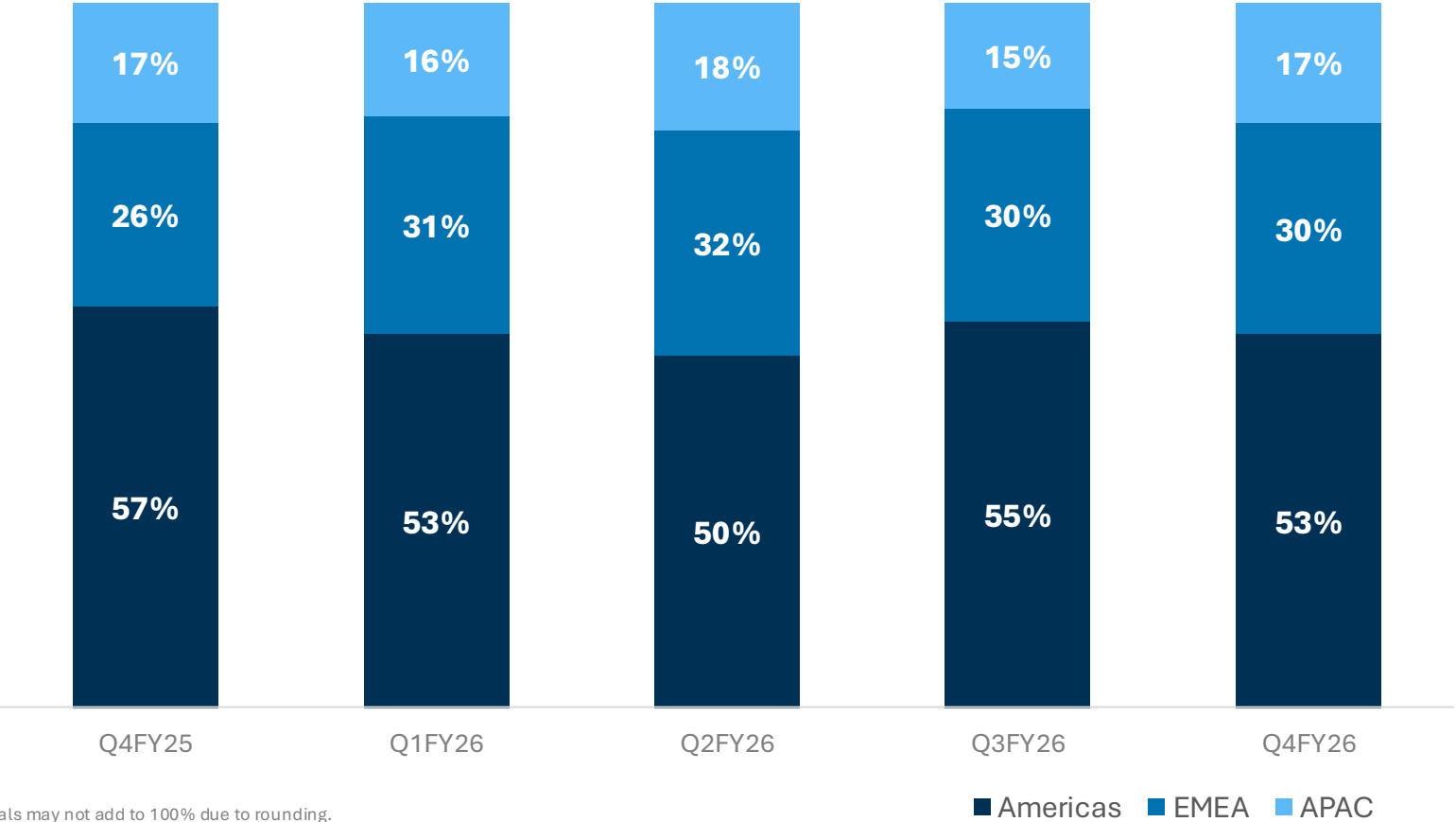


Q4FY26



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

Revenue contribution by geography



Y/Y growth by region Q4FY26

+14%
Growth APAC

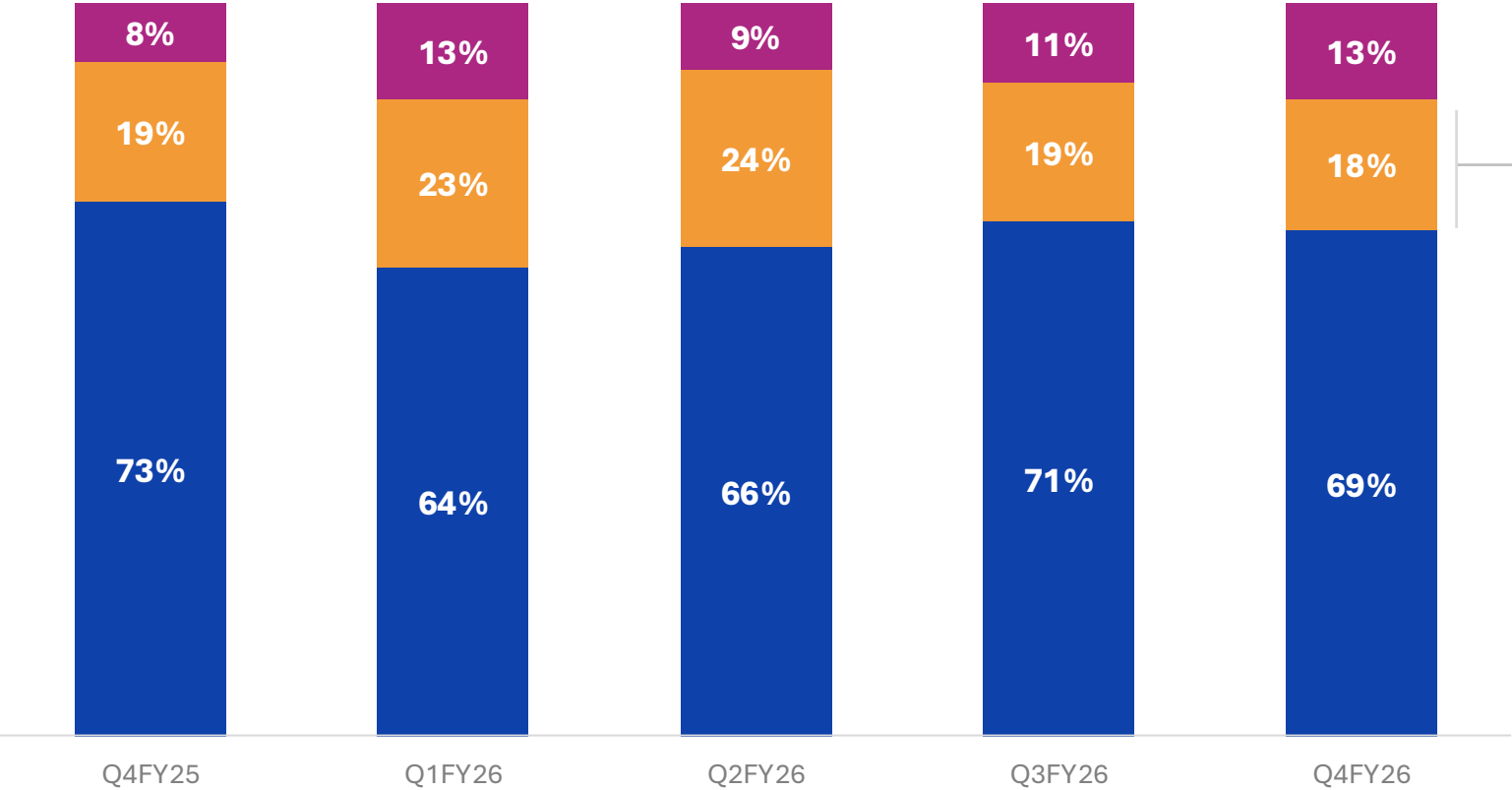
+31%
Growth EMEA

+5%
Growth Americas

Totals may not add to 100% due to rounding.



Customer verticals as a % of product bookings



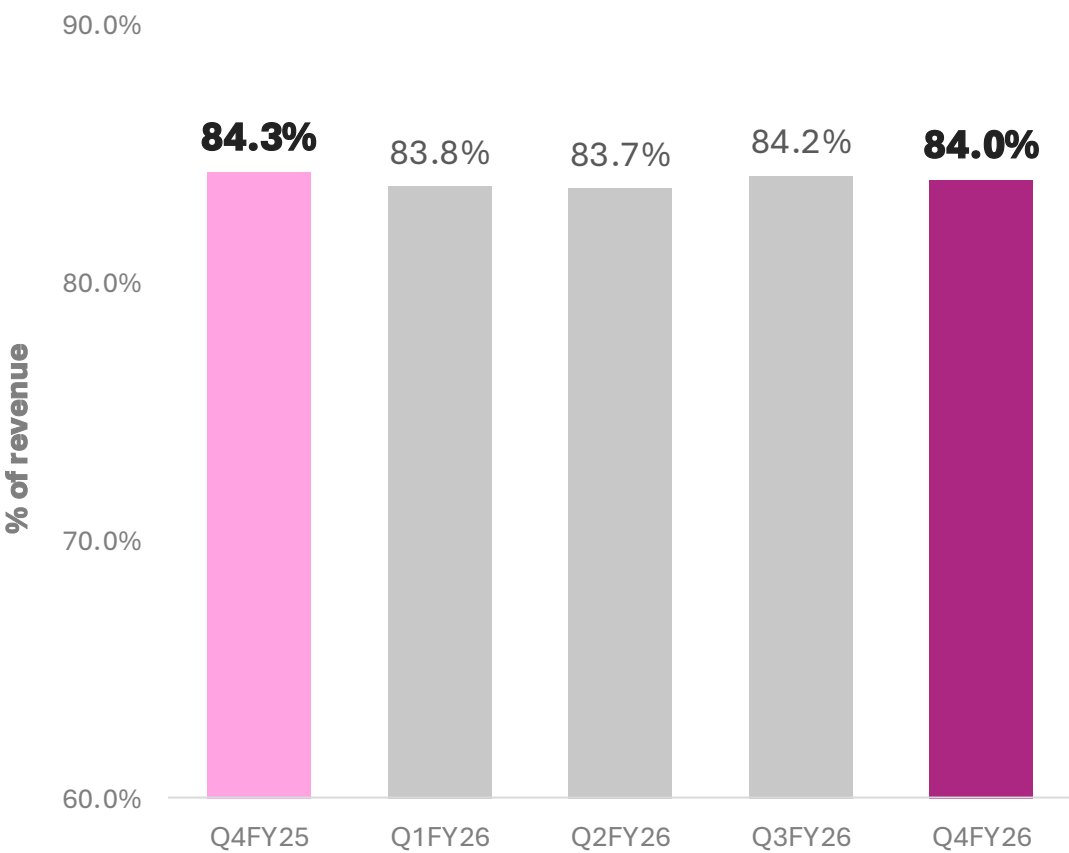
6%
from U.S. Federal
included

Totals may not add to 100% due to rounding.

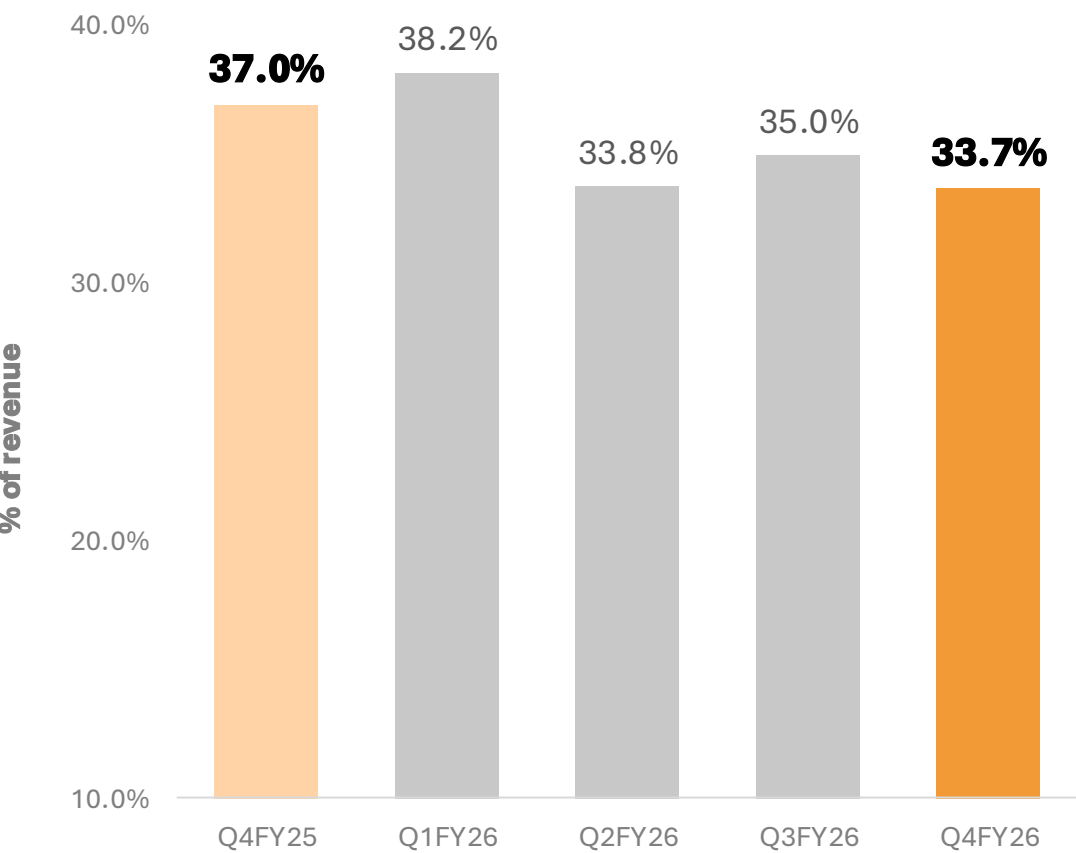


Non-GAAP gross and operating margins

Non-GAAP gross margin



Non-GAAP operating margin



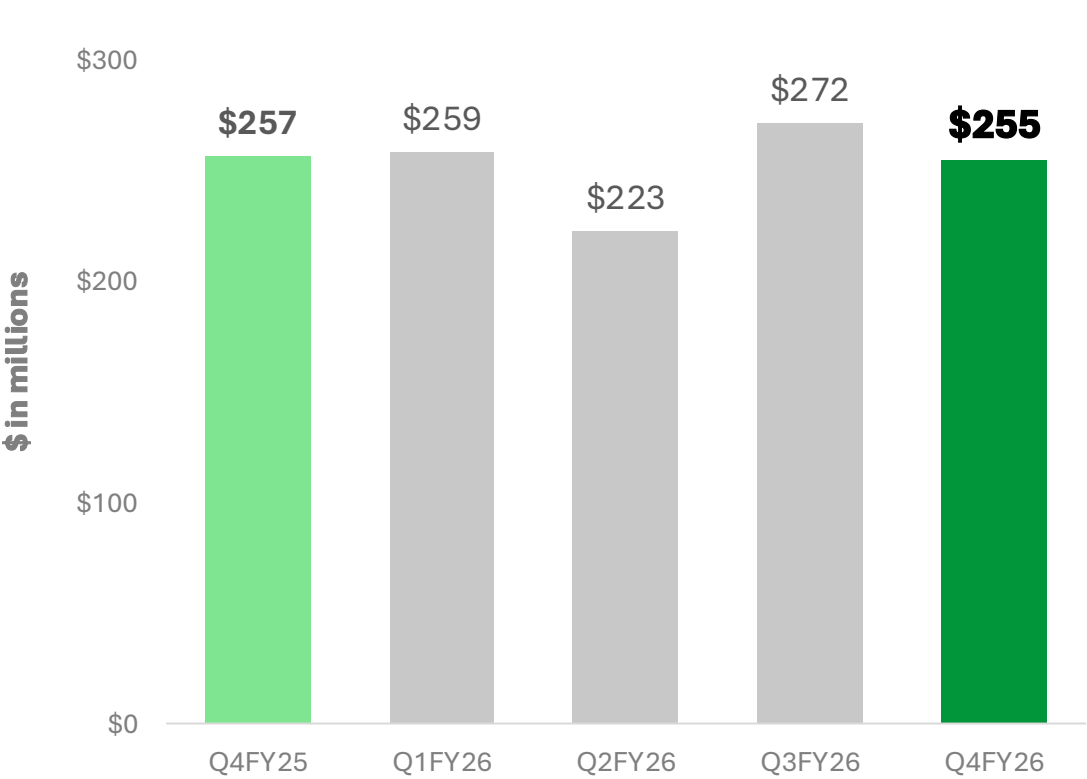
See appendix for GAAP to non-GAAP reconciliation



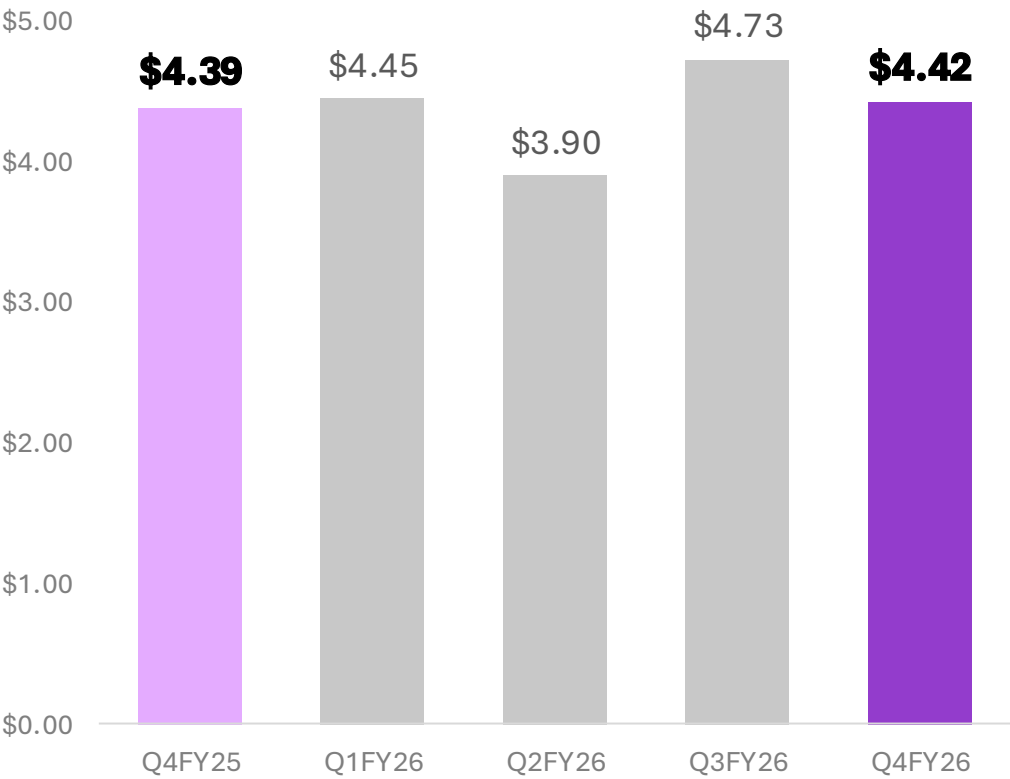
Non-GAAP net income and EPS

EPS reflects 20.9% Q4FY26 and 16.9% Q4FY25 non-GAAP effective tax rate

Non-GAAP net income



Non-GAAP EPS

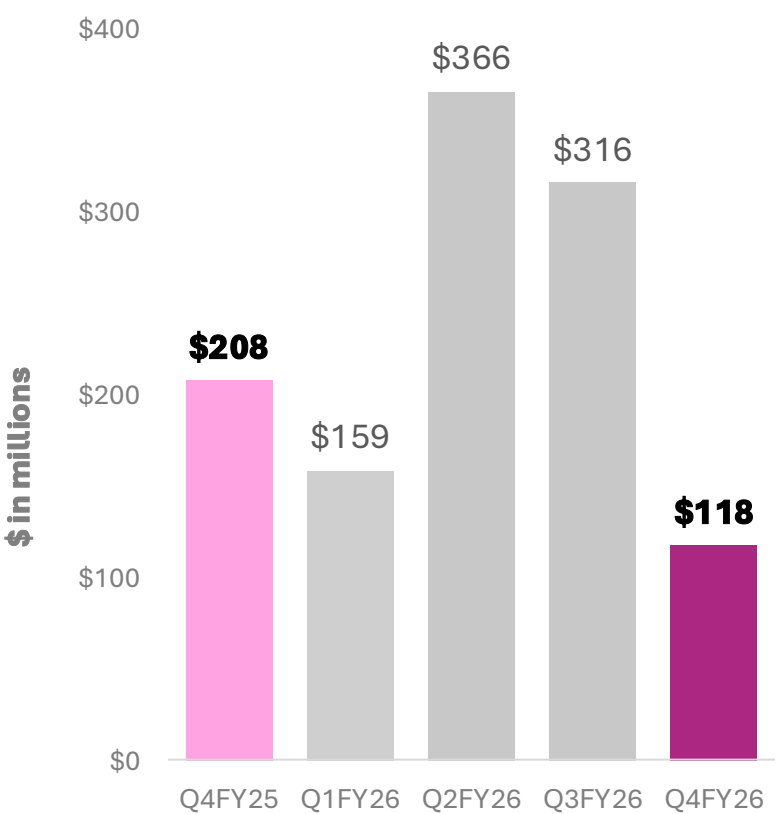


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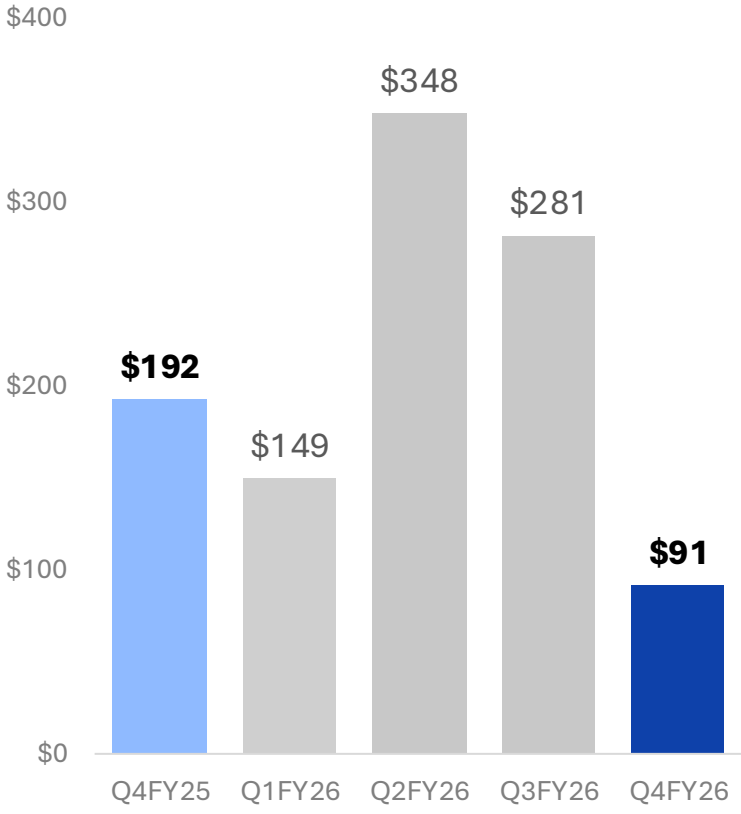


Cash flow from operations and free cash flow

Cash flow from operations



Free cash flow

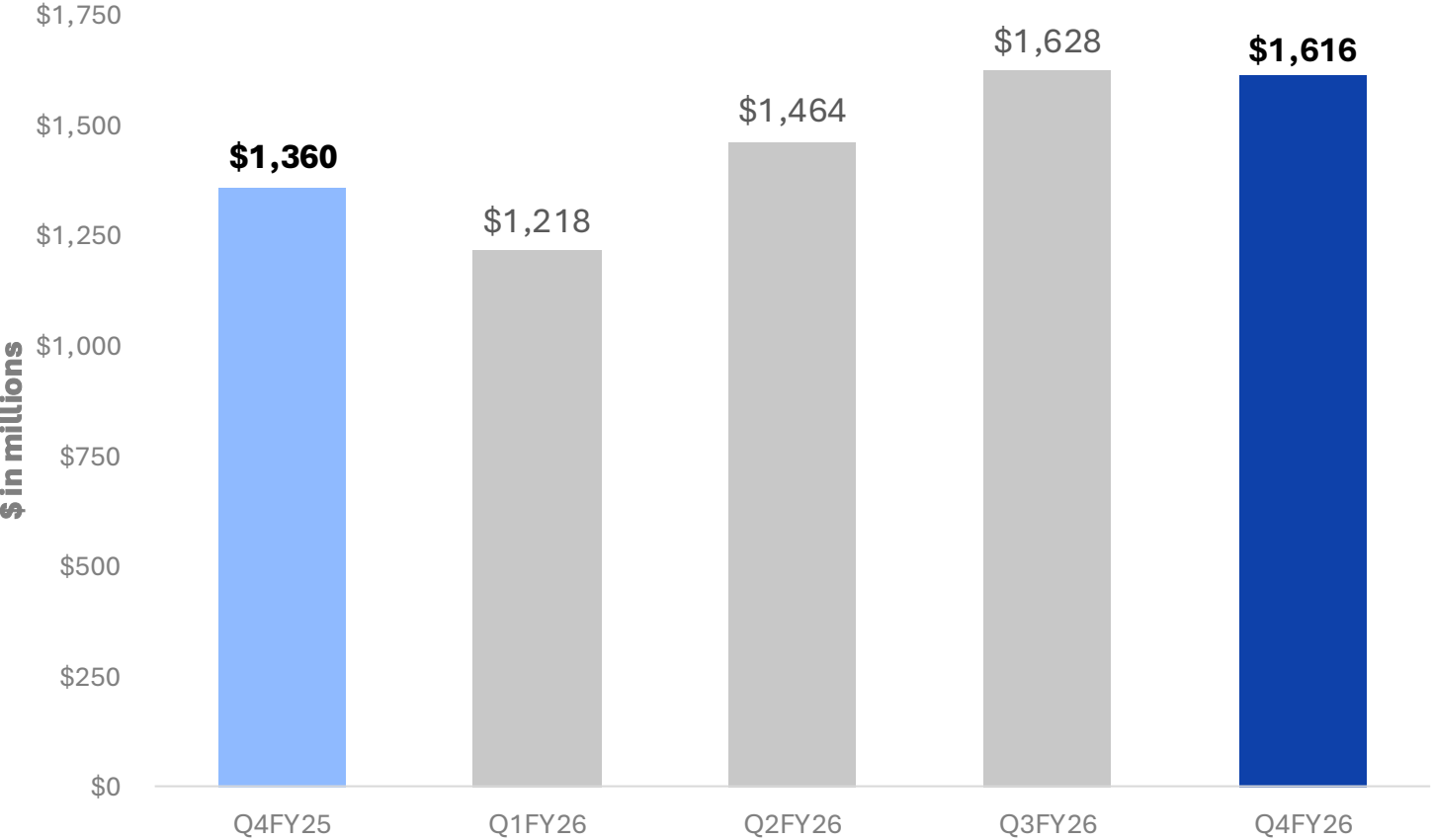


Key insights

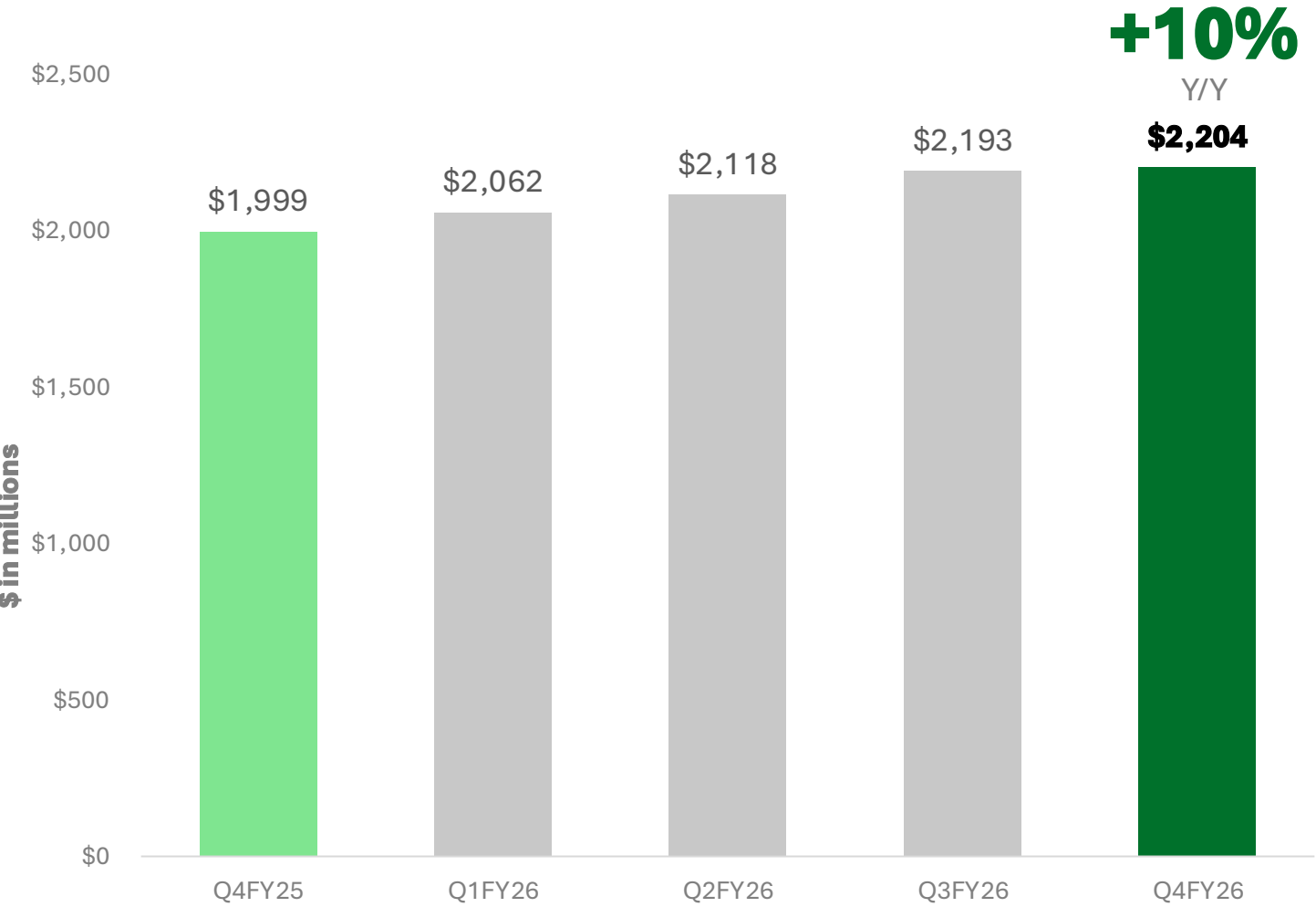
Q4 cash flow from operations and free cash flow results reflect deliberate and strategic working capital decisions to mitigate supply chain risk, including inventory builds and supplier pre-payments executed to secure supply for FY27 revenue.

See appendix for GAAP to non-GAAP reconciliation

Cash and investments



Deferred revenue



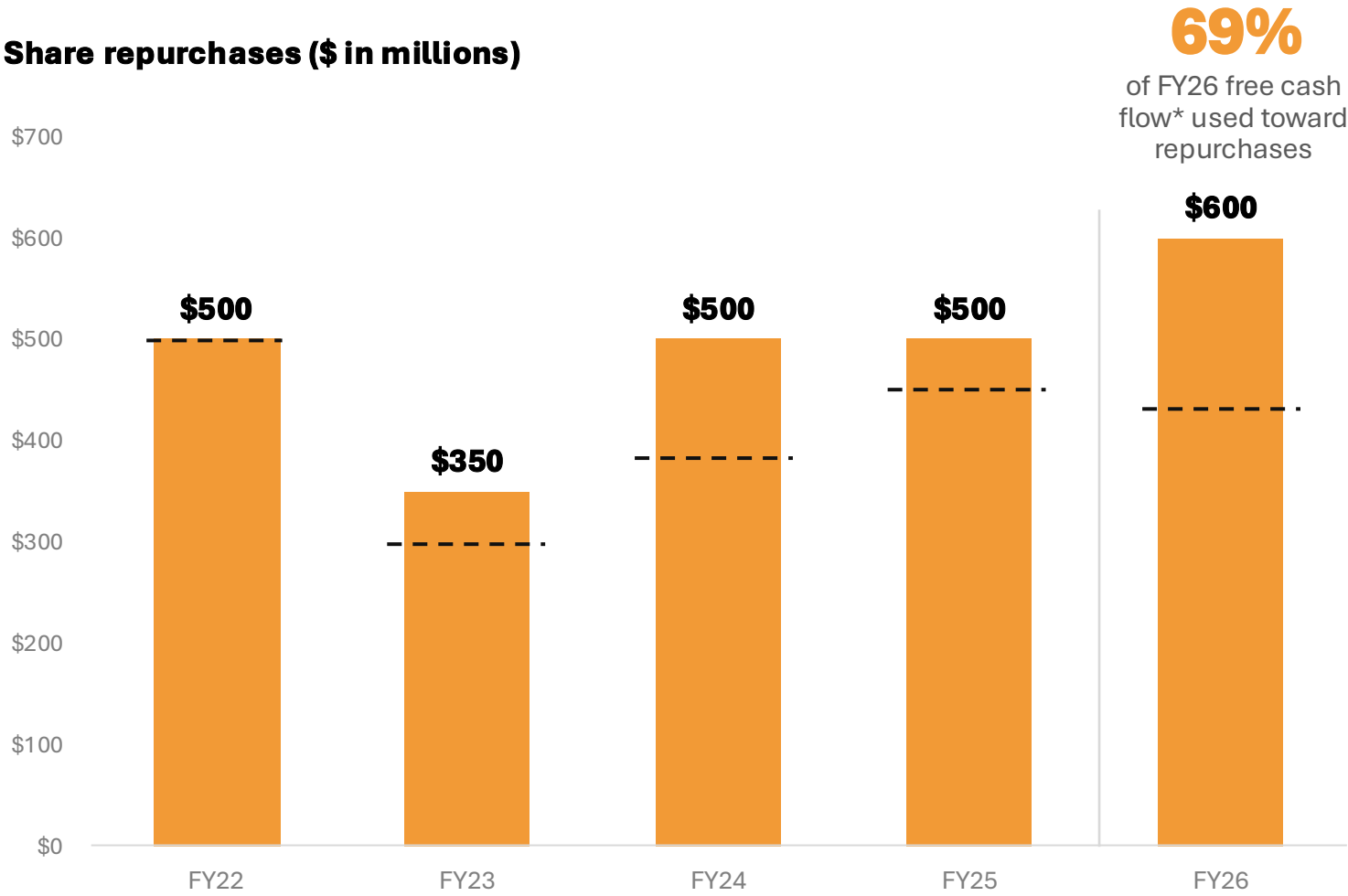
Key insights

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



We are consistently returning cash to shareholders via share repurchases

Share repurchases (\$ in millions)



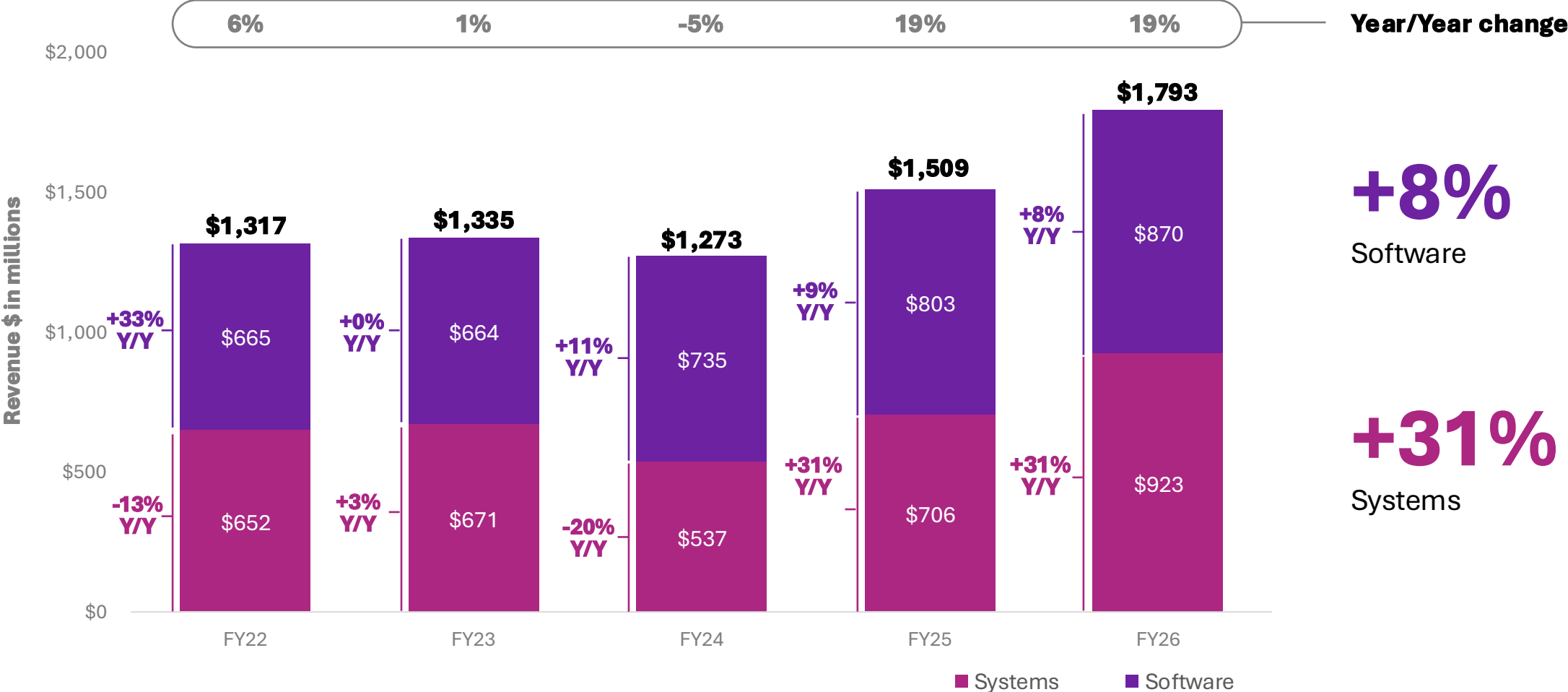
*Free cash flow defined as cash flow from operations less capital expenditures

Key insights

- We repurchased \$100 million in FFIV shares during Q4FY26
- We used 69% of our \$869 million FY26 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 September 30, 2026, there was \$322 million remaining under our authorized stock repurchase program
- BOD authorized additional \$1.5 billion for share repurchases

FY26 performance

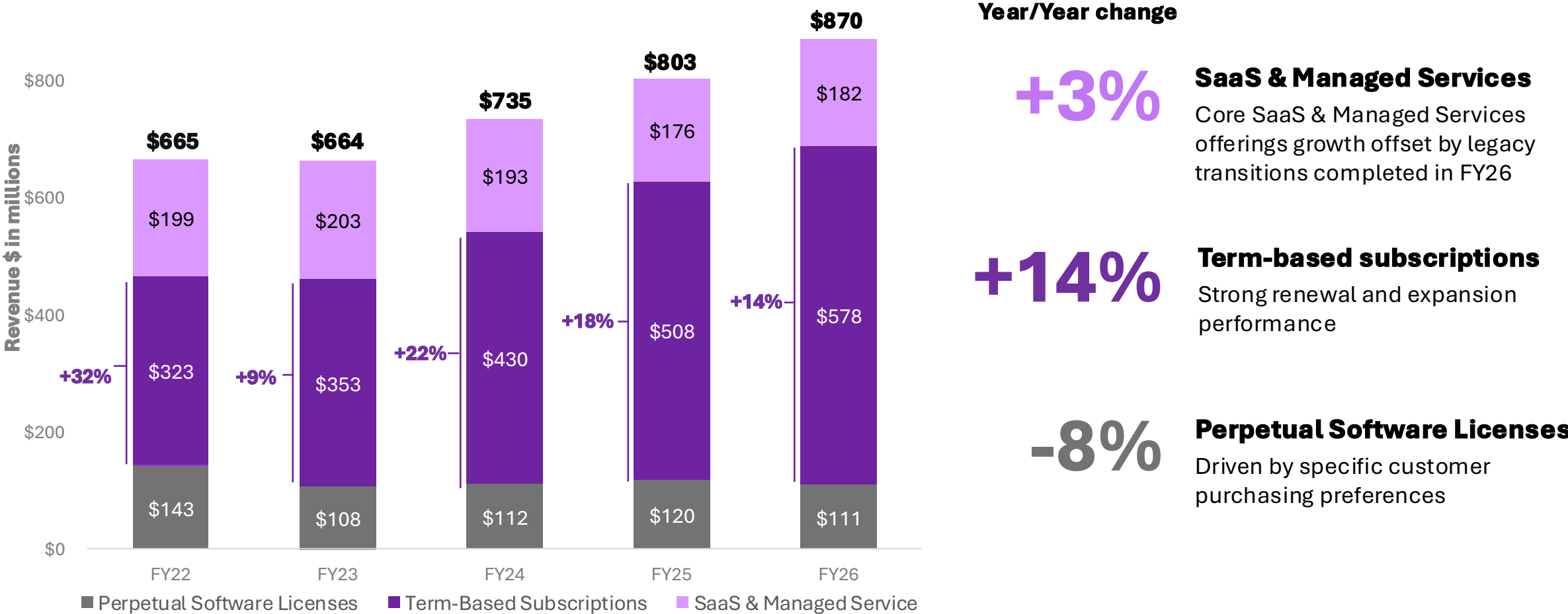
Product revenue mix



Totals may not add due to rounding.



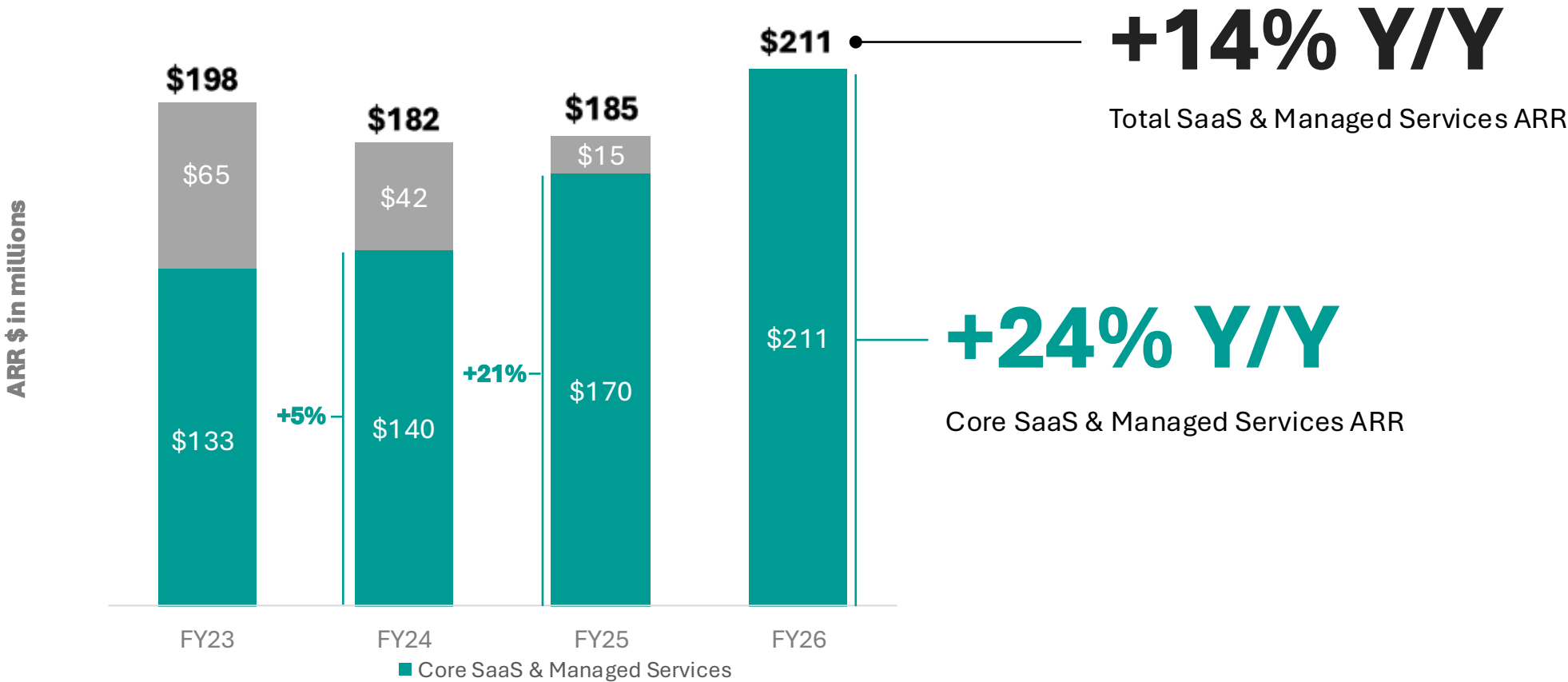
Term-based subscriptions underpin overall software growth; legacy SaaS & Managed Services transitions complete in FY26



Totals may not add due to rounding.



SaaS & Managed Services ARR reflects strong growth following completion of planned legacy transitions



SaaS & Managed Services ARR (Annualized Recurring Revenue) is the annualized revenue value of our SaaS & Managed Service offerings under contract as of the final day of the reporting period. Offerings include F5 Distributed Cloud Services, NGINXaaS, Silverline and other legacy offerings.



Growth in security revenue is accelerating

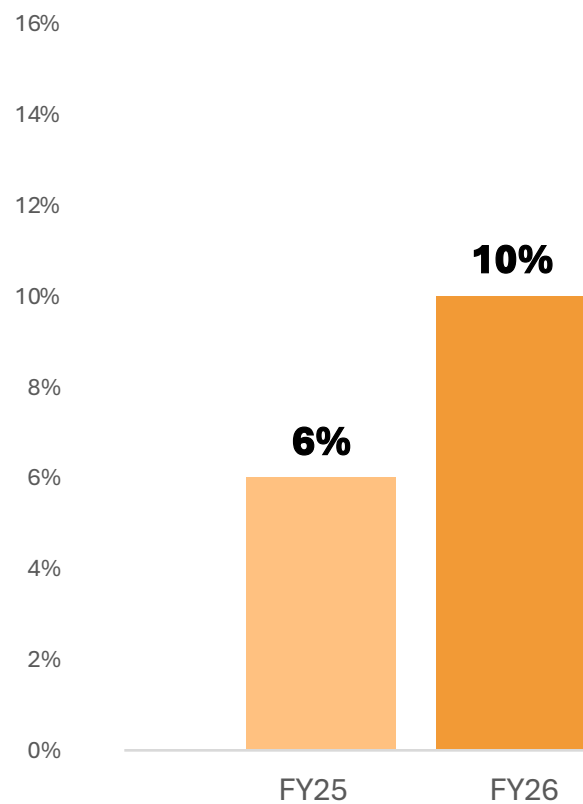
FY26 Total security revenue*

\$1.3B

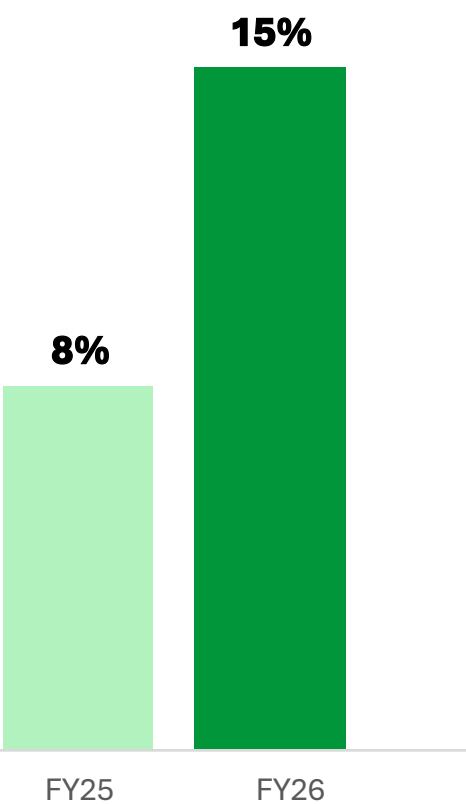
FY26 Product security revenue*

\$746M

Total security revenue growth



Product security revenue growth



*Total security includes standalone security offerings, attached security offerings, and related maintenance. Product security includes standalone security and attached security offerings. FY26 standalone security revenue totaled \$527 million.



Business outlook

Cooper Werner

We expect to deliver double-digit product revenue growth in FY27

	FY25A growth Y/Y	FY26A growth Y/Y	FY27 outlook growth Y/Y
Total revenue	10%	11%	8% to 9%
Product revenue	19%	19%	Double-digit
Software revenue	9%	8%	Double-digit
Systems revenue	31%	31%	Upper-single-digit
Services revenue	2%	3%	Low-to-mid-single-digit

*CAGR vs FY26



Our updated FY27 outlook

	FY26A	FY27 current outlook
Total revenue	11% growth (\$3.4B)	8% to 9% growth
Non-GAAP gross margin	84.0%	80.5% to 82.5%
Non-GAAP operating margin	35.1%	33.0% to 35.0%
Effective non-GAAP tax rate	18.6%	19.0% to 21.0%
Non-GAAP EPS	\$17.49 11% growth	\$18.00 to \$18.30

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



Our Q1FY27 outlook

	Q1FY27 outlook
Total revenue	\$875 to \$895M
Non-GAAP gross margin	81.5% to 82.5%
Non-GAAP operating expenses	\$420 to \$432M
Share-based compensation	\$70 to \$72M
Non-GAAP EPS	\$4.25 to \$4.37



Appendix

GAAP to non-GAAP reconciliation

F5, Inc.
GAAP to Non-GAAP Reconciliation
(unaudited, in thousands, except percentages and per share amounts)

	Three Months Ended				Years Ended							
	September 30,				September 30,							
	2026		2025		2026		2025					
Net revenues.....	\$	917,427	\$	810,090	\$	3,416,669	\$	3,088,072				
Gross profit and gross margin:												
GAAP gross profit and gross margin.....	\$	754,462	82.2%	\$	666,209	82.2%	\$	2,797,455	81.9%	\$	2,514,094	81.4%
Adjustments to gross profit and gross margin:												
Stock-based compensation.....	\$	6,902	0.8%	\$	7,356	0.9%	\$	28,106	0.8%	\$	29,557	1.0%
Amortization and impairment of purchased intangible assets.....		8,788	1.0%		9,596	1.2%		39,220	1.1%		37,601	1.2%
Facility-exit costs.....		148	0.0%		98	0.0%		451	0.0%		777	0.0%
Acquisition-related charges.....		-	-		-	-		-	-		-	-
Cyber incident costs.....		770	0.1%		-	-		3,186	0.1%		-	-
Non-GAAP gross profit and gross margin.....	\$	771,070	84.0%	\$	683,259	84.3%	\$	2,868,418	84.0%	\$	2,582,029	83.6%
Income from operations and operating margin:												
GAAP income from operations and operating margin.....	\$	211,743	23.1%	\$	205,653	25.4%	\$	818,215	23.9%	\$	765,949	24.8%
Adjustments to income from operations and operating margin:												
Stock-based compensation.....	\$	67,478	7.4%	\$	57,248	7.1%	\$	261,013	7.6%	\$	231,491	7.5%
Amortization and impairment of purchased intangible assets.....		9,082	1.0%		10,408	1.3%		41,605	1.2%		40,896	1.3%
Facility-exit costs.....		1,505	0.2%		940	0.1%		4,582	0.1%		7,667	0.2%
Acquisition-related charges.....		10,302	1.1%		7,599	0.9%		39,204	1.1%		11,536	0.4%
Cyber incident costs.....		1,491	0.2%		3,356	0		27,994	0.8%		3,356	0.1%
Restructuring charges.....		7,400	0.8%		14,163	0		7,012	0.2%		25,484	0.8%
Non-GAAP income from operations and operating margin.....	\$	309,001	33.7%	\$	299,367	37.0%	\$	1,199,625	35.1%	\$	1,086,379	35.2%
Net income:												
GAAP net income.....	\$	186,132		\$	190,493		\$	722,149		\$	692,380	
Adjustments to net income:												
Stock-based compensation.....	\$	67,478		\$	57,248		\$	261,013		\$	231,491	
Amortization and impairment of purchased intangible assets.....		9,082			10,408			41,605			40,896	
Facility-exit costs.....		1,505			940			4,582			7,667	
Acquisition-related charges.....		10,302			7,599			39,204			11,536	
Cyber incident costs.....		1,491			3,356			27,994			3,356	
Insurance recoveries from cyber incident.....		(4,691)			-			(10,000)			-	
Restructuring charges.....		7,400			14,163			7,012			25,484	
Tax effects related to above items.....		(23,963)			(27,568)			(84,920)			(84,864)	
Non-GAAP net income.....	\$	254,736		\$	256,639		\$	1,008,639		\$	927,946	
Net income per share - diluted:												
GAAP net income per share — diluted	\$	3.23		\$	3.26		\$	12.52		\$	11.80	
Adjustments to GAAP net income per share — diluted:												
Stock-based compensation.....	\$	1.17		\$	0.98		\$	4.53		\$	3.94	
Amortization and impairment of purchased intangible assets.....		0.16			0.18			0.72			0.70	
Facility-exit costs.....		0.03			0.02			0.08			0.13	
Acquisition-related charges.....		0.18			0.13			0.68			0.20	
Cyber incident costs.....		0.03			0.06			0.49			0.06	
Insurance recoveries from cyber incident.....		(0.08)			-			(0.17)			-	
Restructuring charges.....		0.13			0.24			0.12			0.43	
Tax effects related to above items.....		(0.42)			(0.47)			(1.47)			(1.45)	
Non-GAAP net income per share — diluted	\$	4.42		\$	4.39		\$	17.49		\$	15.81	
Weighted average shares — diluted												
		57,658			58,418			57,670			58,684	

Note: Numbers and percentages are rounded for presentation purposes and may not foot.

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.

Cyber incident costs. F5 has incurred certain non-recurring expenses in connection with the investigation and remediation of the Cyber Incident. Management believes it is useful to exclude these expenses as they are not representative of our ongoing operations and to facilitate comparison of the Company's historical results and to those of peer companies.

Insurance recoveries from cyber incident. F5 has received insurance recoveries in connection with the cyber incident costs described above. Management believes it is useful to exclude these recoveries as they offset the cyber incident costs non-GAAP adjustment, are not representative of our ongoing operations and to facilitate comparison of the Company's historical results and to those of peer companies.

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.

