

WE MAKE APPS



FASTER. SMARTER. SAFER.



**ANNUAL REPORT**

2017

## TO OUR SHAREHOLDERS, CUSTOMERS, AND PARTNERS:

Fiscal 2017 was a year of solid financial performance for F5 Networks. For the full year, we delivered record revenue of \$2.1 billion, earnings of \$6.50 per share, and operating cash flow of \$740 million. We continued to grow our product footprint in the world's largest enterprises and complex organizations, driven by our advanced application services and security offerings. Exiting the year, 49 of the Fortune 50 rely on F5 technology, and our solutions are utilized by all 15 executive departments of the U.S. Cabinet and the 10 largest global telecom operators.

Our world-class Global Services organization delivered another year of expanding revenue and gross margin in 2017. The team's annual customer satisfaction score reached a record 9.5 out of 10, underscoring the value this organization brings to our customer base.

Record cash generation enabled us to strengthen our already healthy balance sheet, ending the year with \$1.3 billion of cash and investments and no debt. At the same time, we continued to return capital to shareholders, repurchasing \$600 million of our common stock in fiscal 2017.

In early April, I took over leadership of the company from John McAdam, who retired after 17 years as CEO. I have spent much of my initial time at F5 meeting with our customers, partners, and employees across the globe. It is clear from these meetings that our customers are in the midst of a digital transformation that puts applications at the heart of their business. We believe the exponential growth of applications, in an increasingly complex web of environments—on premises, private and public clouds, co-location, or as-a-service—bodes well for our business. The speed at which this digital economy runs means the number of business-critical applications and the services our customers need will only increase.

As a result, we continue to invest aggressively in our technology and product development. In fiscal 2017, we began the rollout of our next-generation BIG-IP appliance family, the iSeries, focused on delivering software-defined hardware with quick and easy programmability and multi-vendor service orchestration. The product has been well received by customers and offers meaningful performance benefits over our previous generation, particularly in its ability to accelerate private clouds and secure critical data at scale, while lowering costs and future-proofing infrastructure.

In our second quarter, we shipped Version 13.0 of TMOS, our core operating system that is the foundation for our flagship BIG-IP product family. This major release provides a wide range of new functionality, including support for higher-performance virtual editions (VEs), extension of our 100 gigabit blade solutions to enterprise customers, and enhanced support for Internet of Things (IoT) workloads.

With the introduction of BIG-IP VE for Google Cloud Platform (GCP) in May, in addition to our existing support for Amazon Web Services and Microsoft Azure, we now support all three of the major public clouds. With the GCP launch, our Good, Better, and Best bundles are available for deployment from Google Cloud Launcher, providing value and purchasing simplicity.

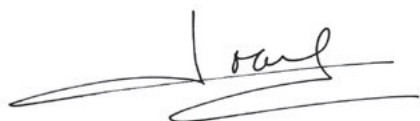
In addition to our integration with the major public cloud providers, F5 integrates with private cloud and open-source platforms such as VMware, Red Hat, OpenStack, and OpenShift—as well as automation toolkits for applying application services into Ansible, Chef, Puppet, or SaltStack. F5 also integrates with Kubernetes and Mesos to enable application services in new container-based, microservices architectures.

During fiscal 2017, we saw continued growth in our application security offerings. We had several marquee wins in the service provider vertical for our Advanced Firewall Manager (AFM). In the enterprise market, our Web Application Firewall (WAF) continues to gain traction across on-premises and cloud deployments. We received significant industry validation of our approach to application security, with Gartner positioning F5 as a leader in the WAF Magic Quadrant for the first time.

As we look to the future, we are focused on supporting any application, everywhere. We have solidified our priorities for long-term growth around better enabling our offerings for the cloud and building on our strength in application-centric security. To reach the next tier of applications in the enterprise, we need to reduce frictions associated with purchasing, deploying, and managing our solutions. Reducing complexity and total cost of ownership for our customers becomes increasingly critical as more applications are deployed in multi-cloud environments. We have already taken steps on these fronts by evolving our solutions roadmap to focus on cloud first, and providing more flexible licensing options, such as subscription and enterprise license agreements.

There is no greater advantage to our business than the fact that F5 stands in front of more applications than any other company in the industry. We understand better than anyone how to make those applications perform and how to secure them.

On behalf of the Board and all of our employees, I want to thank our customers, partners, and shareholders for their continuing support.

A handwritten signature in black ink, appearing to read 'François', with a long horizontal flourish underneath.

**François Locoh-Donou**  
President, CEO, Director  
December 2017

## BOARD OF DIRECTORS

### **Gary Ames**

Retired President and Chief Executive Officer,  
MediaOne International

### **Sandra Bergeron**

Board Member,  
Sophos Group PLC

### **Deborah Bevier**

Principal,  
DL Bevier Consulting LLC

### **Jonathan Chadwick**

Board Member

### **Michael Dreyer**

Chief Operations Officer,  
Silicon Valley Bank

### **Alan Higginson**

Chairman of the Board,  
Former Chairman, Hubsan, Inc.

### **Peter Klein**

Retired Chief Financial Officer,  
Microsoft

### **François Locoh-Donou**

President and Chief Executive Officer,  
F5 Networks, Inc.

### **John McAdam**

Board Member

### **Stephen M. Smith**

Chief Executive Officer and President,  
Equinix, Inc.

## CORPORATE OFFICERS

### **François Locoh-Donou**

President and Chief Executive Officer

### **John DiLullo**

Executive Vice President of Worldwide Sales

### **Ryan Kearny**

Executive Vice President of Product Development and  
Chief Technology Officer

### **Steve McMillan**

Executive Vice President of Global Services

### **Andy Reinland**

Executive Vice President and Chief Financial Officer

### **Scot Rogers**

Executive Vice President and General Counsel

## SHAREHOLDERS' INFORMATION

### **Annual Shareholders Meeting**

March 15, 2018

11:00 a.m.

Location: 351 Elliott Ave West  
Seattle, WA 98119

Parking: Corporate Headquarters

### **Corporate Headquarters**

401 Elliott Ave West

Seattle, WA 98119

206.272.5555

### **NASDAQ Listing**

NASDAQ Symbol – FFIV

### **Investor Relations**

206.272.7908

[j.willey@f5.com](mailto:j.willey@f5.com)

[www.f5.com](http://www.f5.com)

### **Independent Auditor**

PricewaterhouseCoopers LLP

Seattle, WA

### **Transfer Agent**

American Stock Transfer

800.937.5449

## ABOUT F5 NETWORKS

F5 (NASDAQ: FFIV) makes apps go faster, smarter, and safer for the world's largest businesses, service providers, governments, and consumer brands. F5 delivers cloud and security solutions that enable organizations to embrace the application infrastructure they choose without sacrificing speed and control. For more information, go to [f5.com](http://f5.com).

You can also follow [@f5networks](#) on Twitter or visit us on [LinkedIn](#) and [Facebook](#) for more information about F5, its partners, and technologies.



