F5 NETWORKS INC
Form 424B2
October 30, 2003

Table of Contents

The information in this preliminary prospectus supplement is not complete and may be changed. We cannot sell these securities until a final prospectus supplement is delivered. Neither this preliminary prospectus supplement nor the accompanying prospectus is an offer to sell these securities, and they are not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Filed pursuant to Rule 424(b)(2)
Reg. No. 333-108826

SUBJECT TO COMPLETION, DATED OCTOBER 30, 2003

PROSPECTUS SUPPLEMENT

(To Prospectus Dated, October 28, 2003)

4,500,000 Shares

Common Stock
$ per share

We are selling 4,500,000 shares of our common stock. We have granted the underwriters an option to purchase up to 675,000 additional shares of common stock to cover over-allotments.

Our common stock is quoted on the Nasdaq National Market under the symbol FFIV. The last reported sale price of our common stock on the Nasdaq National Market on October 29, 2003 was $24.28 per share.

Investing in our common stock involves risks. See Risk Factors beginning on page S-6 of this prospectus supplement and page 2 of the accompanying prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Share	Total
Public Offering Price	$	$
Underwriting Discount	$	$
Proceeds to F5 Networks, Inc. (before expenses)	$	$

The underwriters expect to deliver the shares to purchasers on or about , 2003.

Sole Book-Runner

Citigroup **Lehman Brothers**

Merrill Lynch & Co.

, 2003

TABLE OF CONTENTS

Table of Contents

TABLE OF CONTENTS

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of this offering of common stock and also adds to and updates information contained in the accompanying prospectus and the documents incorporated by reference in this prospectus supplement and the accompanying prospectus. The second part is the accompanying prospectus, which gives more general information, some of which does not apply to our common stock. Generally, when we refer to the

Table of Contents

prospectus, we are referring to both parts of this document combined. If the description of this offering varies between this prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement.

You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not authorized anyone to provide you with different information. We are not making an offer of these securities in any state where the offer is not permitted. You should not assume that the information contained in this prospectus supplement or the accompanying prospectus is accurate as of any date other than the date on the front of this prospectus supplement or the accompanying prospectus, as applicable.

Unless specifically stated in this prospectus supplement, the information contained herein assumes that the underwriters will not exercise their over-allotment option and that no other person will exercise any other outstanding options or warrants.

F5, F5 Networks, BIG-IP, 3-DNS, iControl, iRules and FirePass are our trademarks or registered trademarks. Oracle Financials, BEA Weblogic and Siebel Salesforce Automation are trademarks of Oracle Corporation, BEA Systems, Inc. and Siebel Systems, Inc., respectively.

Table of Contents

SUMMARY

This summary highlights selected information contained elsewhere or incorporated by reference in this prospectus supplement and the accompanying prospectus. This summary may not contain all the information that you should consider before investing in our common stock. You should read the entire prospectus supplement and the accompanying prospectus carefully, including Risk Factors and the financial statements included in and incorporated by reference into this prospectus supplement, before making an investment decision. Unless the context otherwise requires, in this prospectus supplement the terms F5 Networks, we, us and our refer to F5 Networks, Inc. and its subsidiaries. Our fiscal year ends on September 30 and fiscal years are referred to by the calendar year in which they end. For example, fiscal year 2003 refers to the fiscal year ended September 30, 2003.

F5 Networks, Inc.

We develop, manufacture and sell products and services to help companies efficiently and securely manage their Internet traffic, as well as the access and use of their intranet-based software applications. Our application traffic management products, including the BIG-IP Controller, 3-DNS Controller and BIG-IP Link Controller, help manage Internet traffic to servers and network devices in a way that maximizes the availability, scalability and throughput of those network components and the applications that run on them. Our recently acquired FirePass family of network server appliances provides secure user access to corporate networks and individual applications through any standard Web browser. Our unique iControl architecture enables our products to communicate with one another in the network and ensure optimal throughput of traffic, and also allows them to be integrated with third party products, including enterprise applications. This facilitates automation of repetitive processes and allows the customer to optimize applications on their networks. As components of an integrated solution, our products address many elements required for successful Internet and intranet business applications, including high availability, high performance, intelligent load balancing, streamlined manageability, remote access to corporate networks, and network and application security. Our solution for application traffic management and security is software-based, which differentiates us from our competitors whose solutions are largely hardware-based. We believe this differentiation enables us to offer our customers greater flexibility, cost-effectiveness and adaptability in response to today s rapidly changing environment. In fiscal year 2003 our net revenue was $115.9 million and our net income was $4.1 million.

Enterprise customers (Fortune 1000 or Business Week Global 1000 companies) in financial services, manufacturing, transportation and mobile telecommunications make up the largest percentage of our customer base. We market and sell our products primarily through indirect sales channels in North America, Europe and the Asia Pacific region, and to some direct customer accounts in North America. We have subsidiaries or branch offices in Australia, Canada, China, France, Germany, Hong Kong, Japan, The Netherlands, Singapore, South Korea, Spain, Taiwan, Thailand and the United Kingdom.

In July 2003, we acquired substantially all of the assets and assumed certain liabilities of uRoam, Inc., or uRoam. uRoam s family of FirePass servers is a comprehensive remote access product set that enables users to access applications in a secure fashion, using technology based on the Secure Sockets Layer, or SSL, standard. We believe FirePass provides a security solution that is easier to manage and use, and is more secure, than existing solutions, allowing customers to realize significant cost savings for secure remote access to any application. The acquisition of substantially all of the assets of uRoam will allow us to quickly enter the SSL Virtual Private Network, or VPN, market, broaden our customer base and augment our existing product line.

[Table of Contents](#)

Our Strategy

Our objective is to be the leading provider of secure application traffic management solutions designed to enhance and optimize server availability, security and performance. Key components of our strategy include:

Offering a complete application security solution and product set. We plan to utilize our core technologies from our BIG-IP and FirePass products to deliver standalone and integrated systems that protect applications from hostile and inadvertent threats, including user-to-system application security and system-to-system application security problems.

Increasing the addressable market for our products. We intend to target logical extensions of our traditional traffic management market, including the areas of blade server software, mobile Internet Protocol, or IP, infrastructure, Web services infrastructure and utility computing and data center virtualization infrastructure. In addition, we plan to enter adjacent markets, such as the application security market, with our first product offering being an SSL VPN solution.

Investing in technology to continue to meet customer needs. We plan to continue to invest in research and development to provide our customers with complete secure application traffic management and secure remote access solutions. Our software-based platforms are designed to expand the features and functionalities of our products, as well as enabling us to develop additional products that address the needs of our customers. We also plan to deliver specialized software modules that will allow our customers to purchase software for our platforms as upgrades with specific features based on specific requirements.

Enhancing the existing channel model. We plan to expand our indirect sales channels through leading industry resellers, original equipment manufacturers, or OEMs, systems integrators, Internet service providers and other channel partners. Also, we are leveraging our existing channels by delivering application security products, including FirePass SSL VPNs, making these channels more productive.

Continuing to build and expand relationships with strategic iControl partners. We plan to capitalize on our strategic relationships with enterprise software vendors who have created interfaces to our products through our iControl application programming interface, or API. These vendors provide us significant leverage in the selling process, because they recommend our products to their customers.

Enhancing our brand. We plan to continue building brand awareness that positions us as one of the leading providers of secure application traffic management solutions. Our goal is for the F5 brand to be synonymous with superior performance, high-quality customer service and ease of use.

Corporate Information

We were incorporated on February 26, 1996 in the State of Washington. Our headquarters is in Seattle, Washington and our mailing address is 401 Elliott Avenue West, Seattle, Washington 98119. The telephone number at our executive offices is (206) 272-5555. Our website address is www.f5.com. Information appearing on, or available through, our website does not constitute a part of this prospectus supplement.

Table of Contents

Recent Developments

On October 29, 2003, we announced that our total net revenues for the quarter ended September 30, 2003 were $31.6 million, an increase of 8.2% from $29.2 million for the quarter ended June 30, 2003 and an increase of 16.6% from $27.1 million for the quarter ended September 30, 2002. Net income for the quarter ended September 30, 2003 was $1.4 million, or $0.05 per share, compared to net income of $1.4 million, or $0.05 per share, for the quarter ended June 30, 2003 and a net loss of $423,000, or $0.02 per share, for the quarter ended September 30, 2002. In addition, as of September 30, 2003, we had $79.0 million of cash, cash equivalents and investments. Cash provided by operating activities was $5.6 million for the quarter ended September 30, 2003.

Table of Contents

The Offering

Common stock offered by F5 Networks, Inc.	4,500,000 shares
Common stock outstanding after this offering	32,054,905 shares
Use of proceeds after expenses	We estimate that the net proceeds to us from this offering will be approximately $103.4 million (assuming an offering price of $24.28 per share, the last reported sale price of our common stock on October 29, 2003). We expect to use the net proceeds for working capital and other general corporate purposes, which may include capital expenditures, development of new products and technologies or the acquisition of or investment in complementary products, technologies or businesses. However, we are not currently discussing any such acquisitions or investments and currently have no understanding or agreement related to any transaction.
Nasdaq National Market Symbol	FFIV

The number of shares of our common stock to be outstanding immediately after this offering is based on the number of shares outstanding as of September 30, 2003, and excludes:

- 7,507,829 shares of common stock subject to outstanding options granted under our stock option plans at a weighted average exercise price of $17.92 per share;
- 1,179,545 shares of common stock reserved for future stock option grants and restricted stock awards under our stock option plans; and
- 311,332 shares of common stock available for issuance under our employee stock purchase plan.

Table of Contents

Summary Consolidated Financial Data

The following summary presents our consolidated financial data as of and for each of the years in the five year period ended September 30, 2003. This summary information should be read in conjunction with, and is qualified in its entirety by reference to, Selected Consolidated Financial Data, Management s Discussion and Analysis of Financial Condition and Results of Operations and our audited and unaudited historical consolidated financial statements, including introductory paragraphs and related notes to these financial statements, included in, and incorporated by reference into, this prospectus supplement.

	Years Ended September 30,				
	2003	2002	2001	2000	1999
	(in thousands, except per share data)				
Summary Consolidated Statement of Operations Data					
Net revenues	$115,895	$108,266	$107,367	$108,645	$27,825
Gross profit	88,990	77,787	61,862	76,074	20,625
Income (loss) from operations	4,189	(9,541)	(28,716)	12,852	(4,878)
Net income (loss)	4,087	(8,610)	(30,790)	13,650	(4,344)
Net income (loss) per share basic	0.15	(0.34)	(1.36)	0.65	(0.42)
Weighted average shares basic	26,453	25,323	22,644	21,137	10,238
Net income (loss) per share diluted	0.14	(0.34)	(1.36)	0.59	(0.42)
Weighted average shares diluted	28,220	25,323	22,644	23,066	10,238
Summary Consolidated Balance Sheet Data					
Cash, cash equivalents and short-term investments	$ 44,878	$ 80,333	$ 69,783	$ 53,199	$24,797
Restricted cash(1)	6,000	6,000	6,000	6,000	3,013
Long-term investments	34,132	1,346			
Total assets	148,173	126,289	124,663	122,420	42,846
Long-term liabilities	1,735	1,315	1,167	238	
Total shareholders equity	110,429	93,685	96,488	87,685	31,973

(1) Restricted cash represents an escrow account established in connection with a lease agreement for our corporate headquarters. Under the terms of the lease, a $6.0 million certificate of deposit is required through November 2012, unless the lease is terminated prior to that date.

Table of Contents

RISK FACTORS

You should carefully consider the risks described below before making an investment decision. You should also refer to the other information in this prospectus supplement and the accompanying prospectus, including our financial statements and the related notes included and incorporated by reference into this prospectus supplement. The risks and uncertainties described below are not the only risks and uncertainties we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial also may impair our business operations. If any of the following risks actually occur, our business, results of operations and financial condition could suffer. In that event the trading price of our common stock could decline, and you may lose all or part of your investment in our common stock. The risks discussed below also include forward-looking statements and our actual results may differ substantially from those discussed in these forward-looking statements.

Risks Related to our Business

Our success depends on sales and continued innovation of our BIG-IP product line.

For the fiscal year ended September 30, 2003, we derived 82.8% of our product revenues from sales of our BIG-IP product line. We expect to derive a significant portion of our net revenues from sales of our BIG-IP products in the future. Implementation of our strategy depends upon BIG-IP being able to solve critical network availability and performance problems of our customers. If BIG-IP is unable to solve these problems for our customers, or if we are unable to sustain the high levels of innovation in BIG-IP s product feature set needed to maintain leadership in what will continue to be a competitive market environment, our business and results of operations will be harmed.

Our success depends on our timely development of new products and features and proper management of the timing of the life cycle of our products.

We expect the secure application traffic management market to be characterized by rapid technological change, frequent new product introductions, changes in customer requirements and evolving industry standards. Our continued success depends on our ability to identify and develop new products and new features for our existing products to meet the demands of these changes, and for those products and features to be accepted by our existing and target customers. If we are unable to identify, develop and deploy new products and new product features on a timely basis, or if those products do not gain market acceptance, our business and results of operations may be harmed.

The current life cycle of our products is typically 12 to 24 months. The introduction of new products or product enhancements may shorten the life cycle of our existing products, or replace sales of some of our current products, thereby offsetting the benefit of even a successful product introduction, and may cause customers to defer purchasing our existing products in anticipation of the new products. This could harm our operating results by decreasing sales, increasing our inventory levels of older products and exposing us to greater risk of product obsolescence. We have also experienced, and may in the future experience, delays in developing and releasing new products and product enhancements. This has led to, and may in the future lead to, delayed sales, increased expenses and lower quarterly revenue than anticipated. Also, in the development of our products, we have experienced delays in the prototyping of our products, which in turn has led to delays in product introductions. In addition, complexity and difficulties in managing product transitions at the end-of-life stage of a product can create excess inventory of components associated with the outgoing product that can lead to increased expenses. Any or all of the above problems could materially harm our business and operating results.

We may not be able to compete effectively in the emerging secure application traffic management market.

The markets we serve are new, rapidly evolving and highly competitive, and we expect competition to persist and intensify in the future. Our principal competitors in the secure application traffic management market include Cisco Systems, Inc., Nortel Networks Corporation, Foundry Networks, Inc., NetScaler, Inc., Radware Ltd. and NetScreen Technologies, Inc. We expect to continue to face additional

Table of Contents

competition as new participants enter the traffic management market. In addition, larger companies with significant resources, brand recognition and sales channels may form alliances with or acquire competing traffic management solutions and emerge as significant competitors. Potential competitors may bundle their products or incorporate an Internet traffic management component into existing products in a manner that discourages users from purchasing our products. Potential customers may also choose to purchase additional or larger servers instead of our products.

Our quarterly and annual operating results are volatile and may cause our stock price to fluctuate.

Our quarterly and annual operating results have varied significantly in the past and will vary significantly in the future, which makes it difficult for us to predict our future operating results. In particular, we anticipate that the size of customer orders may increase as we continue to focus on larger business accounts. A delay in the recognition of revenue, even from just one account, may have a significant negative impact on our results of operations for a given period. In the past, a majority of our sales have been realized near the end of a quarter. Accordingly, a delay in an anticipated sale past the end of a particular quarter may negatively impact our results of operations for that quarter, or in some cases, that year. Furthermore, we base our decisions regarding our operating expenses on anticipated revenue trends and our expense levels are relatively fixed. Consequently, if revenue levels fall below our expectations, our net income will decrease because only a small portion of our operating expenses vary with our revenues.

We believe that period-to-period comparisons of our results of operations are not meaningful and should not be relied upon as indicators of future performance. Our operating results may be below the expectations of securities analysts and investors in future quarters or years. Our failure to meet these expectations will likely harm the market price of our common stock.

The average selling price of our products may decrease and our costs may increase, which may negatively impact gross profits.

We anticipate that the average selling prices of our products will decrease in the future in response to competitive pricing pressures, increased sales discounts, new product introductions by us or our competitors or other factors. Therefore, in order to maintain our gross profits, we must develop and introduce new products and product enhancements on a timely basis and continually reduce our product costs. Our failure to do so will cause our net revenue and gross profits to decline, which will harm our business and results of operations. In addition, we may experience substantial period-to-period fluctuations in future operating results due to the erosion of our average selling prices.

It is difficult to predict our future operating results because we have an unpredictable sales cycle.

Our products have a lengthy sales cycle, which is difficult to predict. Historically, our sales cycle has ranged from approximately two to three months and has tended to lengthen as we have increasingly focused our sales efforts on the enterprise market. Also, as our distribution strategy has evolved into more of a channel model, utilizing value-added resellers, distributors and systems integrators, the level of variability in the length of sales cycle across transactions has increased and made it more difficult to predict the timing of many of our sales transactions. Sales of our BIG-IP and 3-DNS products require us to educate potential customers in their use and benefits. Sales of our products are subject to delays from the lengthy internal budgeting, approval and competitive evaluation processes that large corporations and governmental entities may require. For example, customers frequently begin by evaluating our products on a limited basis and devote time and resources to testing our products before they decide whether or not to purchase. Customers may also defer orders as a result of anticipated releases of new products or enhancements by our competitors or us. As a result, our products have an unpredictable sales cycle that contributes to the uncertainty of our future operating results.

Table of Contents

Our business may be harmed if our contract manufacturer is not able to provide us with adequate supplies of our products or if this single source of hardware assembly is lost or impaired.

We rely on a third party contract manufacturer to assemble our products. We outsource the manufacturing of our hardware platforms to this contract manufacturer who assembles these hardware platforms to our specifications. We have experienced minor delays in shipments from contract manufacturers in the past. However, if we experience major delays in the future or other problems, such as inferior quality and insufficient quantity of product, any one or a combination of these factors may harm our business and results of operations. The inability of our contract manufacturer to provide us with adequate supplies of our products or the loss of our contract manufacturer may cause a delay in our ability to fulfill orders while we obtain a replacement manufacturer and may harm our business and results of operations. In particular, because we subcontract substantially all of our manufacturing to a single contract manufacturer, with whom we do not have a long-term contract, any termination, loss or impairment in our arrangement with this single source of hardware assembly, or any impairment of their facilities or operations, would harm our business, financial condition and results of operation.

If the demand for our products grows, we will need to increase our raw material and component purchases, contract manufacturing capacity and internal test and quality functions. Any disruptions in product flow may limit our revenue, may harm our competitive position and may result in additional costs or cancellation of orders by our customers.

Our business could suffer if there are any interruptions or delays in the supply of hardware components from our third-party sources.

We currently purchase several hardware components used in the assembly of our products from a number of single or limited sources. Lead times for these components vary significantly. Any interruption or delay in the supply of any of these hardware components, or the inability to procure a similar component from alternate sources at acceptable prices within a reasonable time, may delay assembly and sales of our products and, hence, our revenues, and may harm our business and results of operations.

We may not adequately protect our intellectual property and our products may infringe on the intellectual property rights of third parties.

We rely on a combination of patent, copyright, trademark and trade secret laws and restrictions on disclosure of confidential and proprietary information to protect our intellectual property rights. Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy or otherwise obtain and use our products or technology. Monitoring unauthorized use of our products is difficult, and we cannot be certain that the steps we have taken will prevent misappropriation of our technology, particularly in foreign countries where the laws may not protect our proprietary rights as fully as in the United States.

Our industry is characterized by the existence of a large number of patents and frequent claims and related litigation regarding patent and other intellectual property rights. We are actively involved in disputes and licensing discussions with others regarding their claimed proprietary rights and cannot assure you that we will always successfully defend ourselves against such claims. If we are found to infringe the proprietary rights of others, or if we otherwise settle such claims, we could be compelled to pay damages or royalties and either obtain a license to those intellectual property rights or alter our products so that they no longer infringe upon such proprietary rights. Any license could be very expensive to obtain or may not be available at all. Similarly, changing our products or processes to avoid infringing the rights of others may be costly or impractical. In addition, we have initiated, and may in the future initiate, claims or litigation against third parties for infringement of our proprietary rights, including infringement of a patent we hold on our cookie persistence technology, to determine the scope and validity of our proprietary rights or those of our competitors. Any of these claims, whether claims that we are infringing the proprietary rights of others, or vice versa, with or without merit, may be time-consuming, result in costly litigation and diversion of technical and management personnel or require us to cease using infringing technology, develop non-infringing technology or enter into royalty or licensing agreements. Further, our

Table of Contents

license agreements typically require us to indemnify our customers and resellers for infringement actions related to our technology, which could cause us to become involved in infringement claims made against our customers or resellers. Any of the above-described circumstances relating to intellectual property rights disputes could result in our business and results of operations being harmed.

Future changes in financial accounting standards or our revenue recognition policies may cause adverse unexpected revenue fluctuations and affect our reported results of operations.

A change in accounting policies can have a significant effect on our reported results and may even affect our reporting of transactions completed before the change is effective. New pronouncements and varying interpretations of pronouncements have occurred with frequency and may occur in the future. Changes to existing rules or the questioning of current practices may adversely affect our reported financial results or the way we conduct our business.

In particular, if we are required to record stock option grants as compensation expense on our income statement, our profitability may be reduced significantly. The current methodology for expensing such stock options is based on, among other things, the historical volatility of the underlying stock. Our stock price has been historically volatile. Therefore, the adoption of an accounting standard requiring companies to expense stock options would negatively impact our profitability and may adversely impact our stock price. In addition, the adoption of such a standard could limit our ability to continue to use stock options as an incentive and retention tool, which could, in turn, hurt our ability to recruit employees and retain existing employees.

Similarly, while we believe our current revenue recognition policies and practices are consistent with applicable accounting standards, current revenue recognition accounting standards, and accounting guidance with respect to such standards, are subject to change. Such changes could lead to unanticipated changes in our current revenue accounting practices, and such changes could significantly reduce our future revenues and earnings, which would likely have a material adverse effect on the price of our common stock.

We may not be able to sustain or develop new distribution relationships and a reduction or delay in sales to a significant distribution partner could hurt our business.

Our sales strategy requires that we establish and maintain multiple distribution channels in the United States and internationally through leading industry resellers, original equipment manufacturers, or OEMs, systems integrators, Internet service providers and other channel partners. We have a limited number of agreements with companies in these channels, and we may not be able to increase our number of distribution relationships or maintain our existing relationships. If we are unable to establish and maintain our indirect sales channels, our business and results of operations will be harmed. In addition, one distributor of our products accounted for 12.6% of our net revenue for the fiscal year ended September 30, 2003. During the fiscal year ended September 30, 2002, no single reseller or customer accounted for more than 10% of our net revenue. A substantial reduction or delay in sales of our products to this or any other key distribution partner could harm our business, operating results and financial condition.

Undetected software errors may harm our business and results of operations.

Software products frequently contain undetected errors when first introduced or as new versions are released. We have experienced these errors in the past in connection with new products and product upgrades. We expect that these errors will be found from time to time in new or enhanced products after commencement of commercial shipments. These problems may cause us to incur significant warranty and repair costs, divert the attention of our engineering personnel from our product development efforts and cause significant customer relations problems. We may also be subject to liability claims for damages related to product errors. While we carry insurance policies covering this type of liability, these policies may not provide sufficient protection should a claim be asserted. A material product liability claim may harm our business and results of operations.

Table of Contents

Our products must successfully operate with products from other vendors. As a result, when problems occur in a network, it may be difficult to identify the source of the problem. The occurrence of software errors, whether caused by our products or another vendor s products, may result in the delay or loss of market acceptance of our products. The occurrence of any of these problems may harm our business and results of operations.

Our expansion into international markets may not succeed.

We intend to continue expanding into international markets. International sales represented 34.9% of our net revenues for the fiscal year ended September 30, 2003, 32.2% of our net revenues for the fiscal year ended September 30, 2002 and 33.3% of our net revenues for the fiscal year ended September 30, 2001. We have engaged sales personnel throughout Europe and the Asia Pacific region. Our continued growth will require further expansion of our international operations in the European, Asia Pacific and other markets. If we are unable to expand our international operations successfully and in a timely manner, our business and results of operations may be harmed. Such expansion may be more difficult or take longer than we anticipate, and we may not be able to successfully market, sell, deliver and support our products internationally.

Our operating results are exposed to risks associated with international commerce.

As our international sales increase, our operating results become more exposed to international operating risks. These risks include risks related to potential recessions in economies outside the United States, foreign currency exchange rates, managing foreign sales offices, regulatory, political, or economic conditions in specific countries, military conflict or terrorist activities, changes in laws and tariffs, inadequate protection of intellectual property rights in foreign countries, foreign regulatory requirements, and natural disasters. All of these factors could have a material adverse effect on our business. In particular, in fiscal year 2003, we derived 13.8% of our total revenue from the Japanese market and this revenue is dependent on a number of factors outside our control, including the viability and success of our resellers and the strength of the Japanese economy, which has been weak in recent years.

Acquisitions, including our recent acquisition of substantially all of the assets of uRoam, Inc., present many risks and we may not realize the financial and strategic goals that are contemplated at the time of the transaction.

With respect to our July 2003 acquisition of substantially all of the assets of uRoam, Inc., as well as any other future acquisitions we may undertake, we may find that the acquired assets do not further our business strategy as expected, or that we paid more than what the assets are later worth, or that economic conditions change, all of which may generate future impairment charges. There may be difficulty integrating the operations and personnel of the acquired business, and we may have difficulty retaining the key personnel of the acquired business. In the case of the assets acquired from uRoam, Inc., because it was based in Northern California and because the employees we hired in connection with the acquisition were not relocated to Seattle, the above-mentioned integration and personnel retention issues represent a particular risk to us. We may have difficulty in incorporating the acquired technologies or products with our existing product lines. Our ongoing business and management s attention may be disrupted or diverted by transition or integration issues and the complexity of managing geographically and culturally diverse locations. We may have difficulty maintaining uniform standards, controls, procedures and policies across locations. We may experience significant problems or liabilities associated with the product quality, technology and other matters.

Our inability to successfully operate and integrate newly-acquired businesses appropriately, effectively and in a timely manner, or to retain key personnel of uRoam, Inc. or any other acquired business, could have a material adverse effect on our ability to take advantage of further growth in demand for integrated traffic management and security solutions and other advances in technology, as well as on our revenues, gross margins and expenses.

Table of Contents

Our success depends on our key personnel and our ability to attract, train and retain qualified marketing and sales, professional services and customer support personnel.

Our success depends to a significant degree upon the continued contributions of our key management, product development, sales, marketing and finance personnel, many of which may be difficult to replace. The complexity of our secure application traffic management products and their integration into existing networks and ongoing support, as well as the sophistication of our sales and marketing effort, requires us to retain highly trained professional services, customer support and sales personnel. In spite of the economic downturn, competition for qualified professional services, customer support and sales personnel in our industry is intense because of the limited number of people available with the necessary technical skills and understanding of our products. Our ability to retain and hire these personnel may be adversely affected by volatility or reductions in the price of our common stock, since these employees are generally granted stock options. The loss of services of any of our key personnel, the inability to retain and attract qualified personnel in the future or delays in hiring qualified personnel, may harm our business and results of operations.

We face litigation risks.

We are a party to lawsuits in the normal course of our business. Litigation in general, and intellectual property and securities litigation in particular, can be expensive, lengthy and disruptive to normal business operations. Moreover, the results of complex legal proceedings are difficult to predict. We believe that we have defenses in the lawsuits pending against us and we are vigorously contesting these allegations. Responding to the allegations has been, and probably will be, expensive and time-consuming for us. An unfavorable resolution of the lawsuits could adversely affect our business, results of operations, or financial condition.

Anti-takeover provisions could make it more difficult for a third party to acquire us.

Our Board of Directors has the authority to issue up to 10,000,000 shares of preferred stock and to determine the price, rights, preferences, privileges and restrictions, including voting rights, of those shares without any further vote or action by the stockholders. The rights of the holders of common stock may be subject to, and may be adversely affected by, the rights of the holders of any preferred stock that may be issued in the future. The issuance of preferred stock may have the effect of delaying, deferring or preventing a change of control of our company without further action by our stockholders and may adversely affect the voting and other rights of the holders of common stock. Further, certain provisions of our bylaws, including a provision limiting the ability of stockholders to raise matters at a meeting of stockholders without giving advance notice, may have the effect of delaying or preventing changes in control or management of our company, which could have an adverse effect on the market price of our common stock. In addition, our articles of incorporation provide for a staggered board, which may make it more difficult for a third party to gain control of our board of directors. Similarly, state anti-takeover laws in the State of Washington related to corporate takeovers may prevent or delay a change of control of our company.

Risks Related to the Offering

Our stock price may fluctuate significantly.

The market price of our common stock has been, and we expect will continue to be, subject to significant fluctuations. Factors affecting our market price include:

quarterly variations in our results of operations;

failure to meet earnings estimates;

changes in earnings estimates or buy/sell recommendations by analysts;

Table of Contents

- the operating and stock price performance of comparable companies;
- developments in the financial markets;
- the announcement of new products or product enhancements or business results by us or our competitors; and
- general market conditions or market conditions specific to the industries in which we operate.

Recent stock prices for many technology companies have fluctuated in ways unrelated or disproportionate to the operating performance of the companies. Those fluctuations and general economic, political and market conditions, such as recessions or international currency fluctuations, may adversely affect the market price of our common stock.

Future sales of our common stock may cause our stock price to decline.

All of our outstanding shares of common stock, other than shares owned by affiliates, are freely tradable without restriction or further registration. Affiliates must comply with the volume and other requirements of Rule 144, except for the holding period requirements, in the sale of their shares. Sales of substantial amounts of common stock by our stockholders, including shares issued upon the exercise of outstanding options and warrants, or even the potential for such sales, may have a depressive effect on the market price of our common stock and could impair our ability to raise capital through the sale of our equity securities.

We may issue additional shares and dilute your ownership percentage.

Some events over which you have no control could result in the issuance of additional shares of our common stock, which would dilute the ownership percentage of holders of our common stock. We may issue additional shares of common stock or preferred stock:

- to raise additional capital or finance acquisitions;
- upon the exercise or conversion of outstanding options; or
- in lieu of any cash dividend payments we may make.

In addition, the rights of holders of our common stock may be adversely affected by the rights of holders of any preferred stock that may be issued in the future that would be senior to the rights of the holders of our common stock.

Table of Contents

FORWARD-LOOKING STATEMENTS

This prospectus supplement and the accompanying prospectus, including the documents incorporated herein by reference, contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. This Act provides a safe harbor for forward-looking statements to encourage companies to provide prospective information about themselves so long as they identify these statements as forward-looking and provide meaningful cautionary statements identifying important factors that could cause actual results to differ from the projected results. In some cases, you can identify forward-looking statements by terminology such as anticipate, believe, continue, could, estimate, expect, intend, may, might, plan, potential, predict, should or will or the negative of those ter terminology. Forward-looking statements involve risks and uncertainties, such as our objectives, forecasts, expectations and intentions. From time to time, we also may provide oral or written forward-looking statements in other materials we release to the public. Any or all forward-looking statements in this prospectus supplement, in the accompanying prospectus, in the documents incorporated herein by reference and in any other public statements we make may turn out to be wrong. Forward-looking statements reflect our current expectations and are inherently uncertain. Inaccurate assumptions we might make and known or unknown risks and uncertainties can affect the accuracy of our forward-looking statements. Consequently, no forward-looking statement can be guaranteed and our actual results may differ materially. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

USE OF PROCEEDS

We expect that the net proceeds from the sale of the 4,500,000 shares of common stock that we are offering will be approximately $103.4 million (assuming an offering price of $24.28 per share, the last reported sale price of our common stock on October 29, 2003). Net proceeds are the proceeds we expect to receive after paying the underwriting discount and other expenses of the offering. We expect to use the net proceeds for working capital and other general corporate purposes, which may include capital expenditures, development of new products and technologies or the acquisition of or investment in complementary products, technologies or businesses. However, we are not currently discussing any such acquisitions or investments and currently have no understanding or agreement related to any transaction.

Pending these uses, we intend to invest the net proceeds in short-term, interest-bearing, investment-grade securities. We do not currently have a specific plan with respect to the use of the net proceeds of this offering. As a result, our management will have broad discretion with respect to their use, and investors will be relying on the judgment of our management regarding the application of these proceeds. In addition, any investments, capital expenditures, cash acquisitions or other use of proceeds may not produce the anticipated results.

PRICE RANGE OF OUR COMMON STOCK

Our common stock is traded on the Nasdaq National Market under the symbol FFIV. The following table sets forth the high and low sales prices of our common stock as reported on the Nasdaq National Market.

	High	Low
Fiscal Year ended September 30, 2002		
First Quarter	$28.73	$ 7.00
Second Quarter	$27.23	$17.78
Third Quarter	$23.86	$ 7.31
Fourth Quarter	$15.48	$ 7.13
Fiscal Year ended September 30, 2003		
First Quarter	$15.15	$ 6.40
Second Quarter	$15.50	$10.70
Third Quarter	$18.86	$12.15
Fourth Quarter	$21.85	$16.20
Fiscal Year ending September 30, 2004		
First Quarter (through October 29, 2003)	$26.17	$19.25

The last reported sales price of our common stock on the Nasdaq National Market on October 29, 2003 was $24.28.

As of October 28, 2003, there were 130 holders of record of our common stock. As many of our shares of common stock are held by brokers and other institutions on behalf of stockholders, we are unable to estimate the total number of beneficial holders of our common stock represented by these record holders.

DIVIDEND POLICY

We have never declared or paid any dividends on our capital stock. For the foreseeable future, we intend to retain earnings for use in the operation and expansion of our business and do not anticipate paying any cash dividends on our common stock.

Table of Contents

CAPITALIZATION

As of September 30, 2003, we did not have any long-term indebtedness. The following table shows:

our cash, cash equivalents and short-term investments and total shareholders equity as of September 30, 2003; and

our cash, cash equivalents and short-term investments and total shareholders equity as of September 30, 2003, adjusted to reflect the completion of the offering of 4,500,000 shares of our common stock at an assumed public offering price of $24.28 per share, the last reported sale price of our common stock on October 29, 2003, and the use of the net proceeds as described under Use of Proceeds.

	September 30, 2003	
	Actual	**As Adjusted**
	(in thousands, except for share amounts)	
Cash, cash equivalents and short-term investments	$ 44,878	$148,235
Restricted cash(1)	6,000	6,000
Shareholders equity:		
Preferred stock, no par value; 10,000,000 shares authorized, no shares outstanding		
Common stock, no par value; 100,000,000 shares authorized, 27,402,592 shares outstanding actual; 31,902,592 shares outstanding as adjusted(2)	141,709	245,066
Unearned compensation	(10)	(10)
Accumulated other comprehensive income	195	195
Accumulated deficit	(31,465)	(31,465)
Total shareholders equity	$110,429	$213,786

(1) Restricted cash represents an escrow account established in connection with a lease agreement for our corporate headquarters. Under the terms of the lease, a $6.0 million certificate of deposit is required through November 2012, unless the lease is terminated prior to that date.

(2) The number of shares of our common stock to be outstanding immediately after this offering is based on the number of shares outstanding on September 30, 2003, and excludes:

7,507,829 shares of common stock subject to outstanding options granted under our stock option plans at a weighted average exercise price of $17.92 per share;