

F5, Inc. (FFIV)

FQ4 2026 Earnings Review
Period ended September 30, 2026
Reported October 27, 2026

Substantially stronger evidence of revenue durability than of accelerating earnings or cash generation

1 KEY RESULTS VS. CONSENSUS			
Metric	Reported	Consensus	vs. Cons.
Revenue	\$917.4 million	\$885.6 million	+3.6%
Operating Income (adjusted, vs. Year Ago)	\$309.0 million	\$299.4 million	+3.2%
Net Income (adjusted, vs. Year Ago)	\$254.7 million	\$256.6 million	-0.7%
Diluted EPS (adjusted)	\$4.42	\$4.23	+4.5%
SEGMENT REVENUE			
Products	\$509.8 million	N/A	N/A
Services	\$407.7 million	N/A	N/A

2 GUIDANCE AND OUTLOOK			
FY2027 revenue growth is guided to 8% to 9% and adjusted EPS to \$18.00 to \$18.30. Adjusted gross margin is guided to 80.5% to 82.5%, versus 80% to 82% previously and 84.0% in FY2026; adjusted operating margin to 33% to 35%. Q1 revenue is guided to \$875 million to \$895 million, with adjusted EPS of \$4.25 to \$4.37 entirely below \$4.38 consensus. Management expects Q2’s lowest operating margin, declining second-half replacement bookings, and stronger second-half software growth.			

3 EARNINGS ANALYSIS	
PRODUCT DEMAND DROVE THE BEAT. Product revenue of \$509.8 million was approximately 99% of the revenue surprise; services were only \$1.2 million above consensus. Software rose 19% to \$271 million, generating approximately \$48 million of the roughly \$52 million sequential revenue increase: not simply incremental hardware shipments. Yet systems remained the principal annual growth engine, up 31% to \$923 million and roughly 2/3 of the consolidated annual increase.	
OPERATING LEVERAGE DETERIORATED YEAR OVER YEAR. Adjusted operating expenses rose approximately 20.4% to \$462.1 million, faster than revenue, while adjusted operating margin fell from 37.0% to 33.7%. Management cited selling capacity, AI security specialists, marketing, and compensation accelerators. Adjusted net income declined approximately 0.7% despite EPS increasing 0.7%: share-count reduction, not earnings growth, drove it. The adjusted tax rate rose to 20.9% from approximately 16.9%. Exclusions included \$67.5 million of stock-based compensation.	
COST PRESSURE REMAINS SUBSTANTIAL. The improved FY2027 gross-margin framework still implies a substantial decline from FY2026. Higher component costs flowing through inventory, investment spending, and a less favorable tax comparison constrain earnings. Management forecasts operating-expense leverage insufficient to offset the entire gross-margin decline. Q2 combines the expected operating-margin trough with the installed-base support milestone. Later-year earnings depend on software renewals and newly hired sellers’ productivity.	
CASH CONVERSION WAS THE CLEAREST WEAKNESS. Quarterly free cash flow fell approximately 53% to \$91 million, reflecting inventory accumulation and supplier prepayments. Inventory rose from \$77.2 million to \$261.9 million year over year ahead of declining replacement bookings. Annual capex rose approximately 109% to \$90.5 million. Cash and investments of approximately \$1.62 billion provide flexibility; the additional \$1.5 billion buyback authorization is not a deployment commitment. November bonus payments create a Q1 cash outflow, and further inventory increases are expected in the first half.	
RECURRING QUALITY STILL NEEDS PROOF. Subscription-based software increased 16% to \$229 million, but perpetual sales grew 37% to \$42 million; headline software growth is not purely recurring. Second-half acceleration partly reflects term-license renewal cohorts, not necessarily stronger underlying demand. Direct AI bookings predominantly monetize data delivery, not an established guardrails subscription business. The quarter strengthens revenue durability more than earnings or cash generation.	

4 KEY READ-THROUGHS	
MEMORY PRICING HAS SUPPORT BEYOND HYPERSCALER AI; PURCHASES ARE NOT END-CONSUMPTION <i>Micron Technology (MU), Sandisk (SNDK) Positive Moderate as corroboration; negligible direct earnings significance</i> F5’s 80.5% to 82.5% FY2027 gross-margin outlook reflects component inflation for enterprise appliances too; inventory accumulation and supplier prepayments improve upstream order visibility. Purchases can remain strong despite slowing replacement. This corroborates pricing durability, not HBM demand or end-consumption. F5 identified no suppliers; the margin range improved 50 basis points versus the earlier framework, not a worsening shock.	
SERVER AND INFRASTRUCTURE REVENUE GROWTH CAN OVERSTATE CASH EARNINGS QUALITY <i>Dell Technologies (DELL), Hewlett Packard Enterprise (HPE) Negative Moderate in hardware-intensive businesses; insufficient evidence for an automatic EPS reduction</i> F5’s \$91 million quarterly free cash flow shows constrained components and supplier prepayments absorbing cash despite strong demand. Dell and HPE share hardware fulfillment exposure, not an identified F5 relationship. Revenue and profit can outpace cash generation when procurement, repricing, and collections diverge. HPE’s approximately \$1.0 billion latest-quarter free cash flow is explicit counterevidence to mechanically transferring F5’s deterioration.	
INFERENCE DEPLOYMENT SUPPORTS ENTERPRISE DATA INFRASTRUCTURE, NOT JUST GPU PROCUREMENT <i>NetApp (NTAP) Positive Moderate for enterprise AI and hybrid-cloud demand</i> Enterprise inference needs secure dataset access, not just GPUs. NetApp’s F5 collaboration combines StorageGRID with traffic management and security for S3 workflows, validating that use case. NetApp already reported 30% revenue growth: persistence, not an unreported-quarter forecast. F5 supports multiple vendors; better access can reuse existing storage.	
PRODUCTION AI VALIDATES AN INDEPENDENT RUNTIME-SECURITY BUDGET <i>Palo Alto Networks (PANW), Cisco Systems (CSCO) Positive Moderate for Palo Alto’s emerging AI-security franchise; smaller at Cisco’s consolidated level</i> Production AI requires controls across models, applications, data, and agent actions. Prisma AIRS and AI Defense have verified exposure. Palo Alto already disclosed over \$100 million of Prisma AIRS ARR and over 800 customers; F5 corroborates an existing budget. F5’s increased specialist selling intensifies competition; market growth does not establish vendor share or rapid margin expansion. Self-hosting and customization are further requirements.	