



Q1 2015 Financial Results

April 20, 2015

Safe Harbor Statement

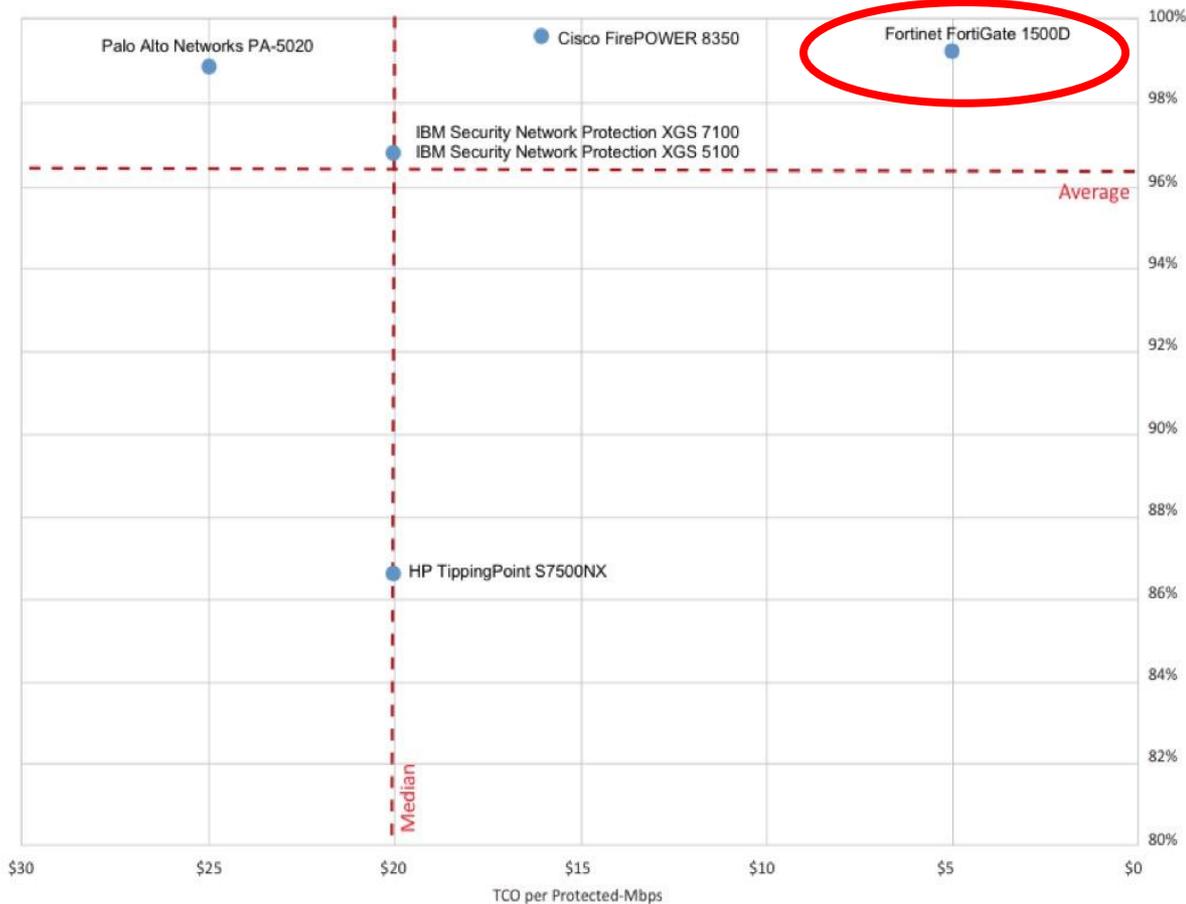


Information, statements and projections contained in these presentation slides and related conference call concerning Fortinet's business outlook and momentum, the Q2 and 2015 guidance, and future prospects and expectations are forward-looking statements that involve a number of uncertainties and risks. Actual results could differ materially from those projected in the forward-looking statements as a result of certain factors, including, among others: general economic risks; specific economic risks in different geographies and among different customer segments; uncertainty regarding demand for our products and services; uncertainty regarding increased business and renewals from existing customers; changes in our relationships with distributors, resellers and other partners; changes in overall technology spending and in spending on network security; contractual terms and other factors that may result in the deferral of revenue; the timing of orders and their fulfillment; manufacturing, inventory and supply chain constraints and timing; uncertainties around continued success in sales growth and market share gains; delays in scheduled product availability; risks associated with successful implementation of multiple integrated software products and other product functionality risks; execution risks around new product introductions and innovation; product defects, returns and vulnerabilities; the ability to attract and retain personnel; changes in strategy; risks associated with management of growth; lengthy sales and implementation cycles, particularly in larger organizations; technological changes that make our products and services less competitive; risks associated with the adoption of, and demand for, Fortinet's model; mergers and acquisitions and the ability to successfully acquire, integrate and manage businesses and technologies; litigation and disputes and the potential cost, distraction and damage to sales and reputation caused thereby; risks posed by competitors and an increasingly competitive market; current laws, regulations and standards, and the adoption of new laws, regulations and standards that affect our product, services or business; and the other risk factors set forth from time to time in our filings with the SEC. Please refer to our SEC filings, in particular, the risk factors described in our Forms 10-K and 10-Q for more information on these risks and uncertainties and on the limitations that apply to our forward-looking statements. Copies of our SEC reports can be obtained from the SEC, at the SEC's website located at www.sec.gov, or by visiting the investor relations section of our website. All forward-looking statements reflect our opinions only as of the date of the conference call related to this presentation, and we undertake no obligation, and specifically disclaim any obligation, to revise or publicly release the results of any revision of these forward-looking statements in light of new information or future events.

#1 Recommended Position in NSS Labs NG IPS



NSS Labs Next Generation Intrusion Prevention System (NGIPS) Security Value Map™



#1 Recommended

**High Security -
99.2% catch rate**

Best TCO
• 3 year TCO = \$57,005
• TCO per protected Mbps = \$5

Q1 2015 Non-GAAP Results

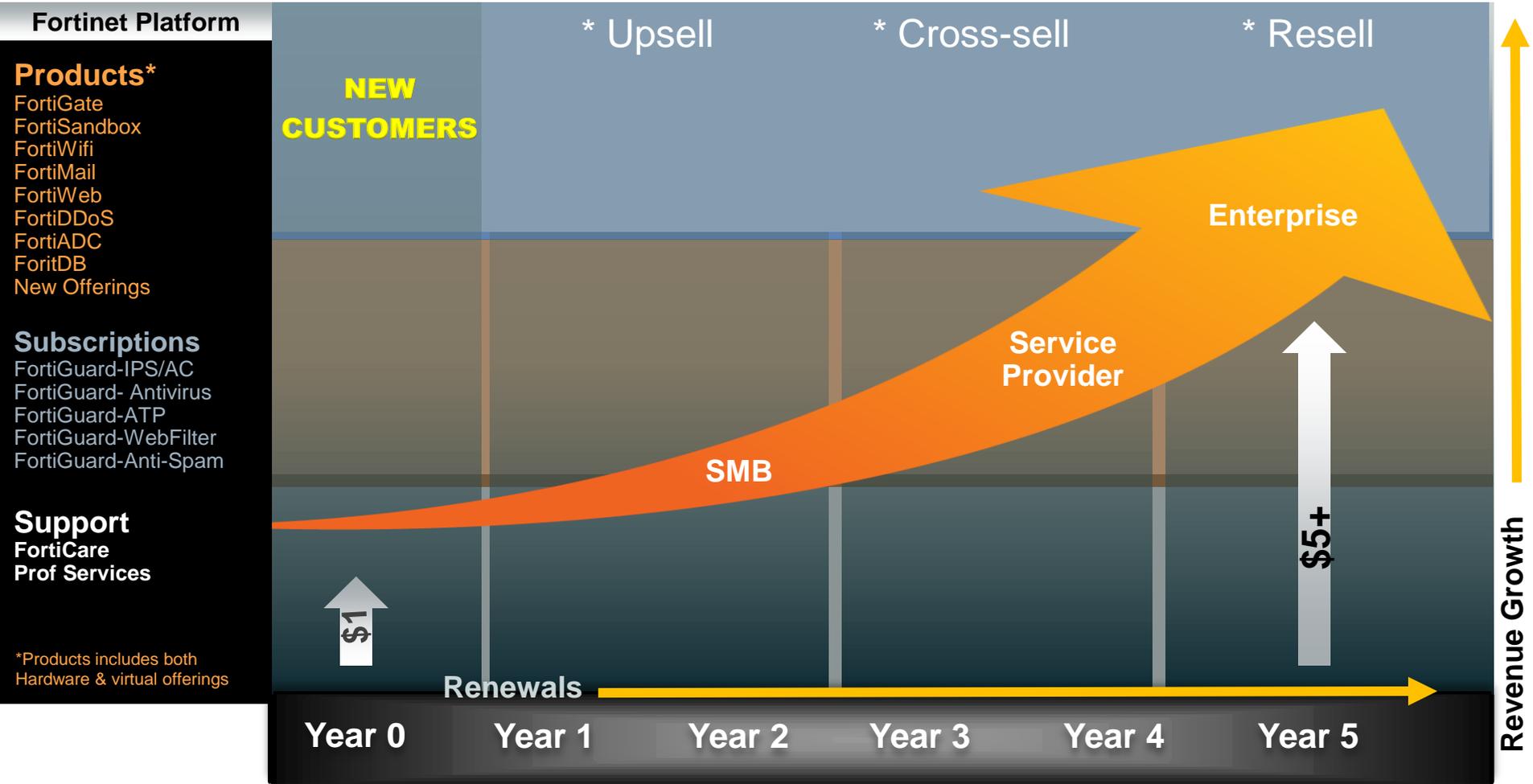


	Q1 15	Q1 14	Y/Y % Change
Billings ⁽¹⁾	\$254M	\$188M	36%
Revenue	\$213M	\$169M	26%
Gross Margin (%) ⁽²⁾	71%	71%	-
Operating Income ⁽²⁾	\$20M	\$26M	-24%
Operating Margin (%) ⁽²⁾	9%	16%	-7% pts
Net Income ⁽²⁾⁽³⁾	\$14M	\$18M	-26%
Earnings per Share ⁽²⁾⁽³⁾	\$0.08	\$0.11	-27%
Deferred Revenue	\$600M	\$451M	33%
Cash Flow from Operations	\$65M	\$61M	6%
Free Cash Flow ⁽⁴⁾	\$60M	\$50M	20%

Notes

- (1) Billings is a non-GAAP measure that we define as revenue recognized for the particular period plus the change in deferred revenue from the beginning to the end of that period, less any deferred revenue balances acquired from business combination(s) during the period.
- (2) Does not include stock based compensation or acquisition related charges, such as amortization and impairments of intangibles.
- (3) Assumes effective tax rate of 35% for Q1 2015 and 33% for Q1 2014.
- (4) Free Cash Flow is a non-GAAP measure that we define as Cash Flow from Operations less the purchase of property, plant and equipment.

Long-term Benefits of Our Investment Strategy



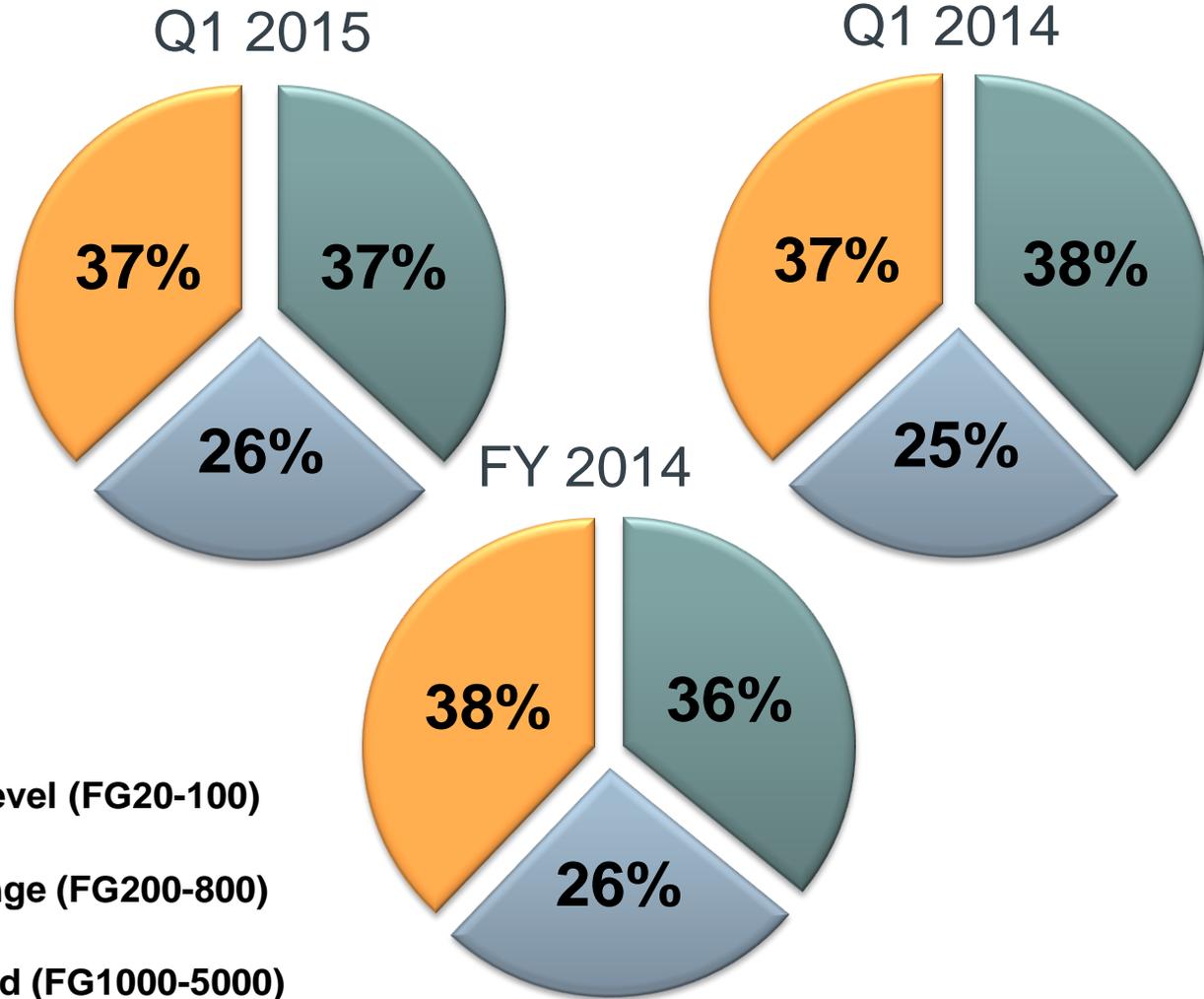
Balanced Product Segmentation



FortiGate Billings

- **Balanced Product Sales**
 - Entry-level typically sold to SMBs/branch offices
 - Mid-range = enterprises
 - High-end = large enterprises and telcos/service providers

- **Entry-Level (FG20-100)**
- **Mid-Range (FG200-800)**
- **High-End (FG1000-5000)**



Note

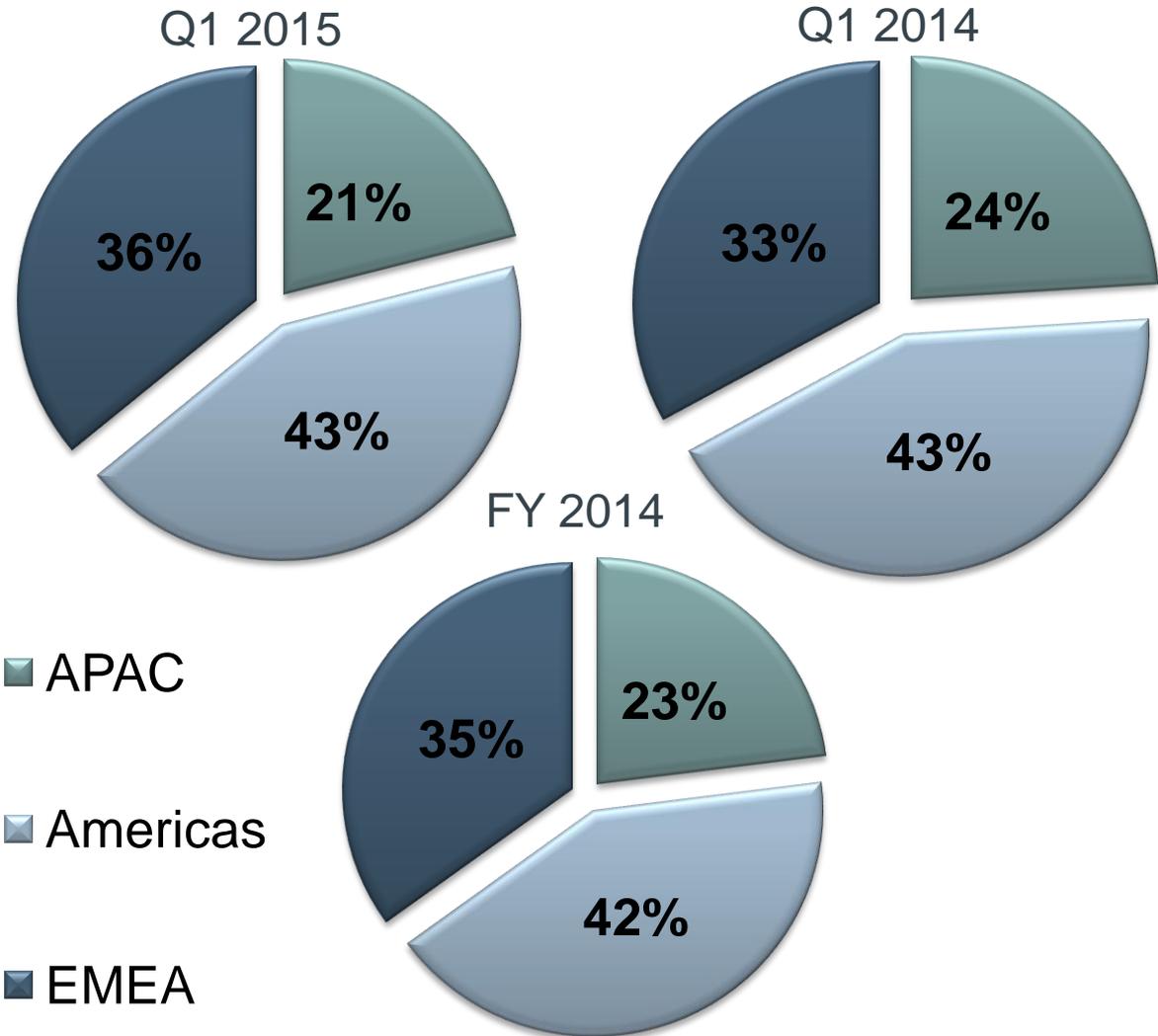
(1) Represents FortiGate billings by Product Category. Billings is a non-GAAP measure that we define as revenue recognized for the particular period plus the change in deferred revenue from the beginning to the end of that period, less any deferred revenue balances acquired from business combination(s) during the period.

Diversified Global Revenue

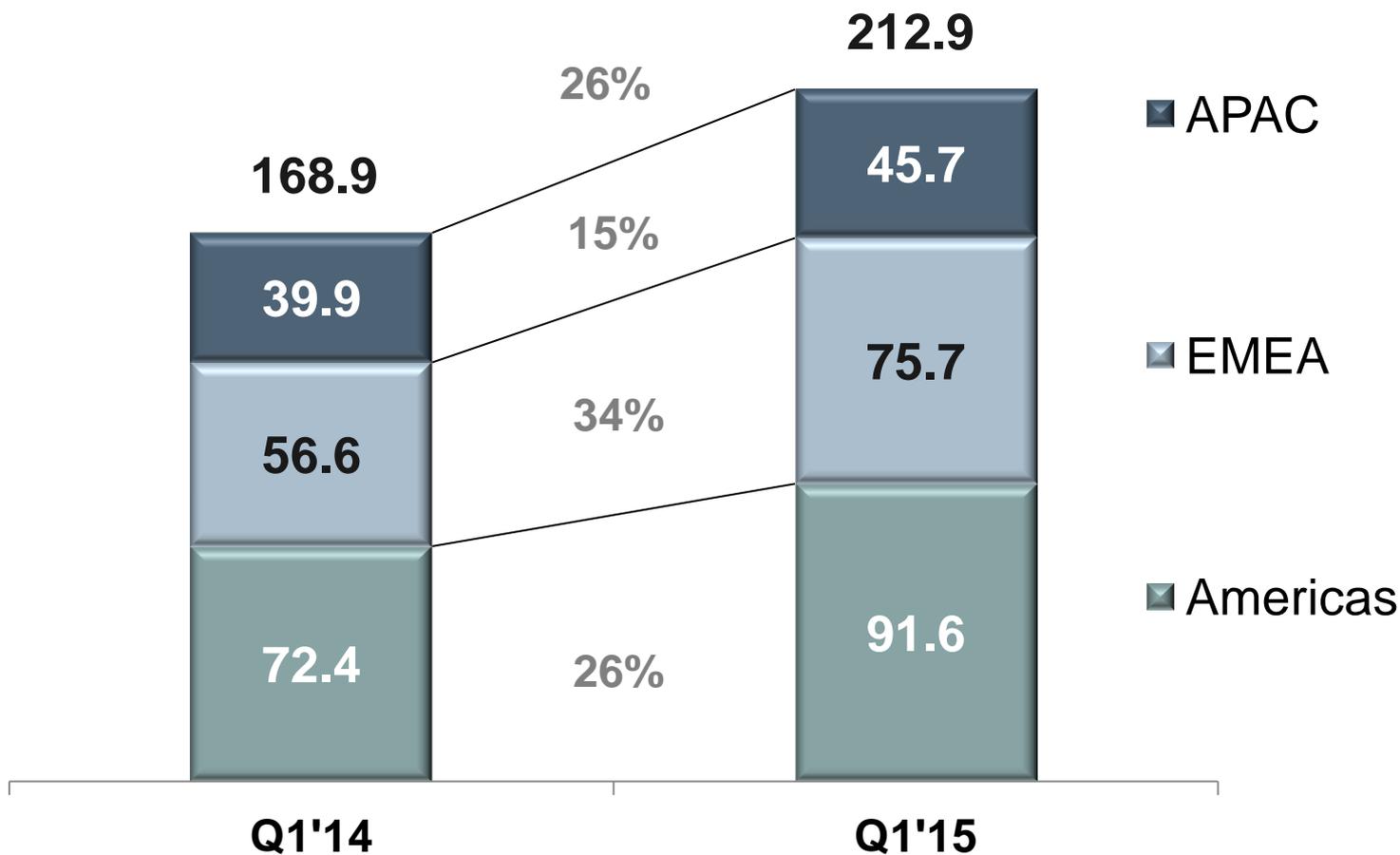


Revenue by Geography

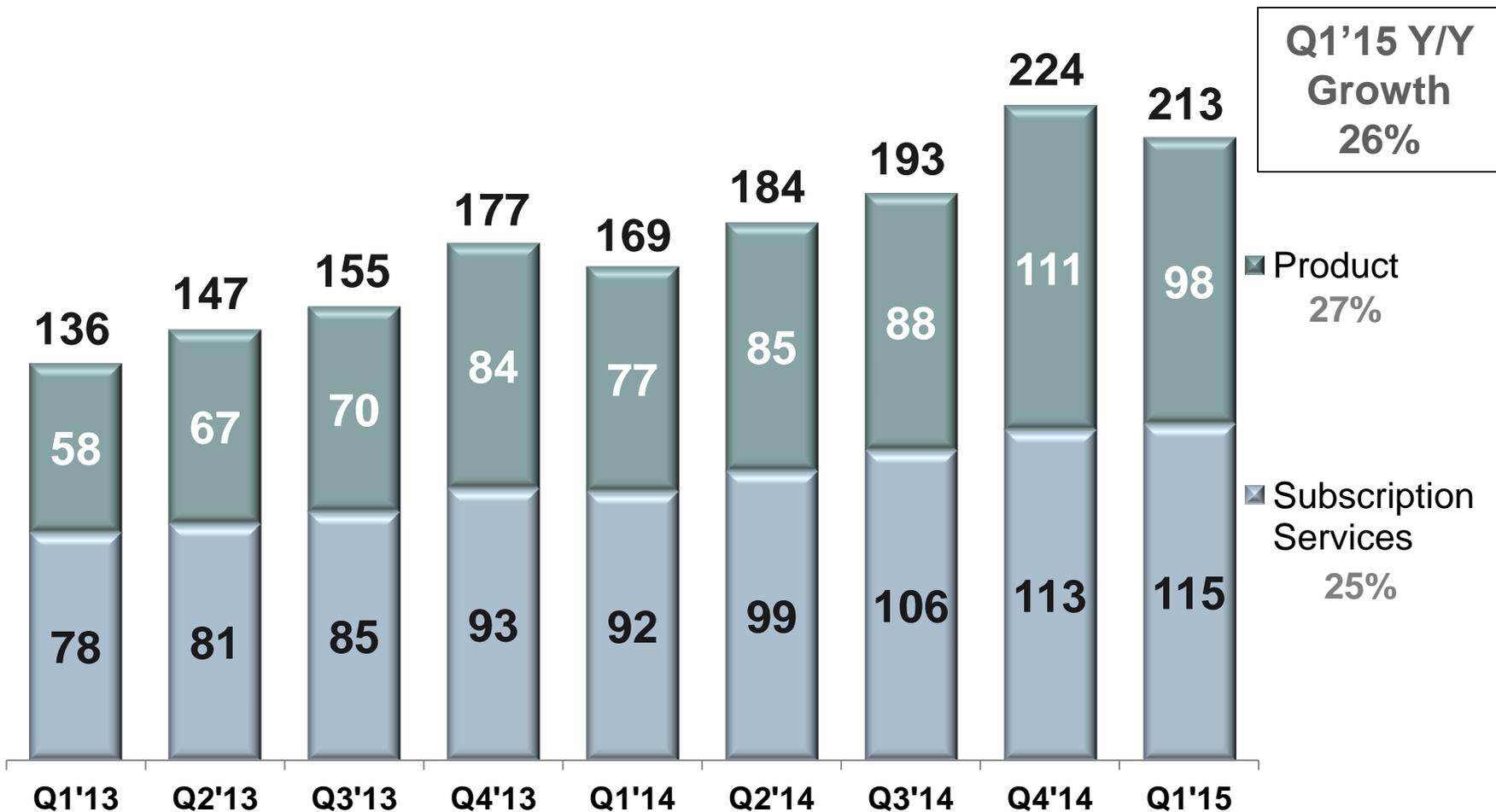
- Globally-diverse revenue stream



Revenue Growth by Geography



Quarterly Revenue Mix & Q1'15 Y/Y Growth



Q1 2015 Select Financial Statistics



	Q1 15	Q4 14	Q1 14
Cash and Investments ⁽¹⁾	\$1.07B	\$992M	\$888M
Deferred Revenue	\$600M	\$559M	\$451M
Free Cash Flow	\$60M	\$30M	\$50M
Working Capital	\$593M	\$550M	\$387M
Accounts Receivable	\$162M	\$185M	\$111M
DSO	68	74	59
Net Inventory	\$72M	\$69M	\$43M
Inventory Turns	1.9	2.1	2.4
Revenue per Employee (Annualized)	\$287K	\$321K	\$288K
No. of Deals >\$100K	335	384	247
No. of Deals >\$250K	118	137	78
No. of Deals >\$500K	41	60	32

Notes

(1) Excludes \$6.4M investment in privately-held companies which is recorded in other assets for Q1 2015 and Q4 2014 and \$2.0M in Q1 2014.

Maintaining Strong Balance Sheet



(\$ in Millions)	Q1 15	Q4 14	Q1 14
Assets			
Cash and Investments ⁽¹⁾	1,073	992	888
Accounts Receivable	162	185	111
Inventory	72	69	43
Property and Equipment	63	59	47
Deferred Tax Assets	80	73	81
Other Assets	48	47	30
Total Assets	1,498	1,425	1,200
Liabilities and Shareholders' Equity			
Accounts Payable	40	50	28
Accrued Expenses and Others	138	140	111
Deferred Revenue	600	559	451
Common Stock/Paid in Capital	605	562	486
Retained Earnings	115	114	124
Total Liabilities and Shareholders' Equity	1,498	1,425	1,200

Notes

(1) Excludes \$6.4M investment in privately-held companies recorded in other assets for Q1 2015 and Q4 2014 and \$2.0M in Q1 2014.

Statement of Cash Flows (Non-GAAP)



(\$ in Millions)	Q1 15	Q1 14
GAAP Net Income	2	8
Depreciation and Stock-Based Compensation	25	17
Accounts Receivable	24	19
Inventory	(6)	3
Accounts Payable / Accrued Expenses / Other	(20)	(4)
Deferred Revenue	40	18
GAAP Cash Flow from Operations	65	61
Purchase of Property and Equipment	(5)	(11)
Free Cash Flow	60	50
Stock Option and RSU Exercises / ESPP	22	11
Stock Repurchases	-	(12)
Other	(1)	(4)
Net Cash Flow	81	45
<i>Footnote: Cash Paid for Taxes</i>	6	22

Q2 and 2015 Guidance (Non-GAAP)



	Q2 15	Y/Y % Mid-Pt Growth	2015	Y/Y % Mid-Pt Growth
Billings ⁽¹⁾	\$263 - 268M	25%	\$1.105 – 1.120B	24%
Revenue	\$224 - 228M	23%	\$935 - 940M	22%
Gross Margin (%) ⁽²⁾	70 - 71%		70 - 71%	
Operating Margin (%) ⁽²⁾	9 - 10%		~14%	
Earnings per Share ^{(2) (3)}	\$0.08 - 0.09		\$0.51 - 0.52	
Weighted Diluted Shares used in EPS	174 - 176M		175 - 177M	

Notes

- (1) Billings is a non-GAAP measure that we define as revenue recognized for the particular period plus the change in deferred revenue from the beginning to the end of that period, less any deferred revenue balances acquired from business combination(s) during the period.
- (2) Does not include stock based compensation or acquisition related charges, such as amortization and impairments of intangibles.
- (3) Assumes effective tax rate of 35% for 2015.

GAAP to Non-GAAP – Operating Results

(Q1'15 vs. Q4'14 vs. Q1'14)



(Unaudited, in thousands, except per share amounts)

	Q1'15	Adjustment	Non-GAAP Q1'15	Q4'14	Adjustment	Non-GAAP Q4'14	Q1'14	Adjustment	Non-GAAP Q1'14
Revenue:									
Product	\$ 97,509	\$ -	\$ 97,509	\$ 110,678	\$ -	\$ 110,678	\$ 76,765	\$ -	\$ 76,765
Services and other	115,377	-	115,377	113,291	-	113,291	92,184	-	92,184
Total revenue	212,886	-	212,886	223,969	-	223,969	168,949	-	168,949
Cost of revenue:									
Product	41,368	(384)	40,984	46,070	(376)	45,694	32,139	(624)	31,515
Services and other	22,234	(1,632)	20,602	19,554	(1,612)	17,942	18,604	(1,329)	17,275
Total cost of revenue	63,602	(2,016)	61,586	65,624	(1,988)	63,636	50,743	(1,953)	48,790
Gross profit:									
Product	56,141	384	56,525	64,608	376	64,984	44,626	624	45,250
Services and other	93,143	1,632	94,775	93,737	1,612	95,349	73,580	1,329	74,909
Total gross profit	149,284	2,016	151,300	158,345	1,988	160,333	118,206	1,953	120,159
Operating expenses:									
Research and development	35,816	(5,157)	30,659	33,097	(4,706)	28,391	29,055	(3,882)	25,173
Sales and marketing	100,609	(9,307)	91,302	93,228	(7,854)	85,374	67,326	(5,746)	61,580
General and administrative	11,961	(2,686)	9,275	12,104	(2,377)	9,727	9,010	(1,860)	7,150
Total operating expenses	148,386	(17,150)	131,236	138,429	(14,937)	123,492	105,391	(11,488)	93,903
Operating income	898	19,166	20,064	19,916	16,925	36,841	12,815	13,441	26,256
Interest income	1,422	-	1,422	1,402	-	1,402	1,333	-	1,333
Other expense—net	(677)	-	(677)	(1,200)	-	(1,200)	(389)	-	(389)
Income before income taxes	1,643	19,166	20,809	20,118	16,925	37,043	13,759	13,441	27,200
Provision for income taxes	83	7,200	7,283	13,305	(340)	12,965	5,366	3,610	8,976
Net income	\$ 1,560	\$ 11,966	\$ 13,526	\$ 6,813	\$ 17,265	\$ 24,078	\$ 8,393	\$ 9,831	\$ 18,224
Basic net income per share	\$ 0.01		\$ 0.08	\$ 0.04		\$ 0.15	\$ 0.05		\$ 0.11
Diluted net income per share	\$ 0.01		\$ 0.08	\$ 0.04		\$ 0.14	\$ 0.05		\$ 0.11
Shares used in computing net income per share									
Basic	168,077		168,077	165,439		165,439	162,391		162,391
Diluted	173,720		173,720	170,927		170,927	168,114		168,114

GAAP to Non-GAAP – Operating Results (% of Rev)

(Q1'15 vs. Q4'14 vs. Q1'14)

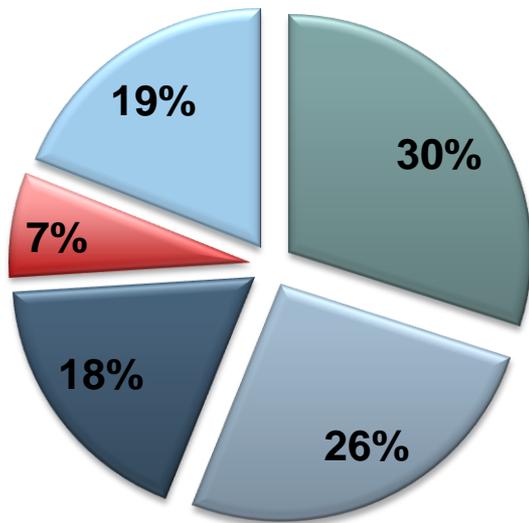


% of revenue	Non-GAAP			Non-GAAP			Non-GAAP		
	Q1'15	Adjustment	Q1'15	Q4'14	Adjustment	Q4'14	Q1'14	Adjustment	Q1'14
Revenue:									
Product	46%	-	46%	49%	-	49%	45%	-	45%
Services and other	54%	-	54%	51%	-	51%	55%	-	55%
Total revenue	100%	-	100%	100%	-	100%	100%	-	100%
Cost of revenue:									
Product	19%	-	19%	21%	-	20%	19%	-	19%
Services and other	10%	(1%)	10%	9%	(1%)	8%	11%	(1%]	10%
Total cost of revenue	30%	(1%)	29%	29%	(1%)	28%	30%	(1%)	29%
Gross profit:									
Product	58%	-	58%	58%	-	59%	58%	-	59%
Services and other	81%	1%	82%	83%	1%	84%	80%	1%	81%
Total gross profit	70%	1%	71%	71%	1%	72%	70%	1%	71%
Operating expenses:									
Research and development	17%	(2%)	14%	15%	(2%)	13%	17%	(2%)	15%
Sales and marketing	47%	(4%)	43%	42%	(4%)	38%	40%	(3%)	36%
General and administrative	6%	(1%)	4%	5%	(1%)	4%	5%	(1%)	4%
Total operating expenses	70%	(8%)	62%	62%	(7%)	55%	62%	(7%)	56%
Operating income	0.4%	9%	9%	9%	8%	16%	8%	8%	16%
Interest income	1%	-	1%	1%	-	1%	1%	-	1%
Other expense—net	-	-	-	(1%)	-	(1%)	-	-	-
Income before income taxes	1%	9%	10%	9%	8%	17%	8%	8%	16%
Provision for income taxes	-	3%	3%	6%	-	6%	3%	2%	5%
Net income	1%	6%	6%	3%	8%	11%	5%	6%	11%

Global Employee Footprint

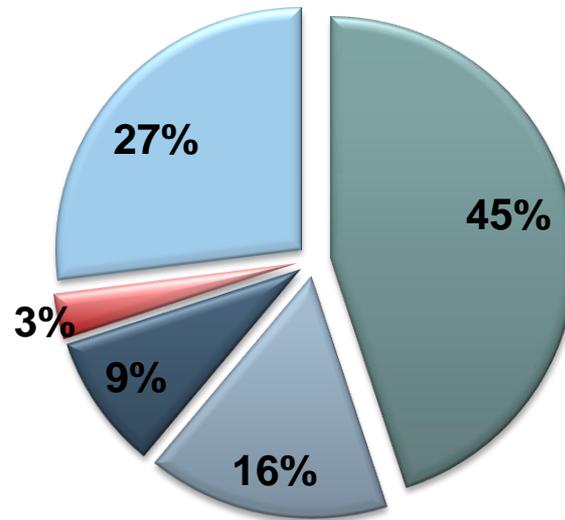


Location



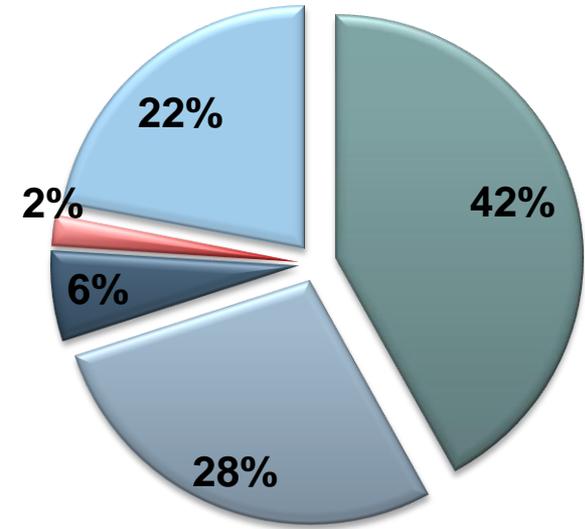
- USA
- Canada
- RoW
- China
- EMEA

Cost



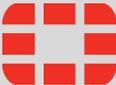
- USA
- Canada
- RoW
- China
- EMEA

Function



- Sales & Marketing
- R&D
- G&A
- Operations
- Service & Support

Q1'15 Headcount: 3,076

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