



Q4 2023 Financial Results

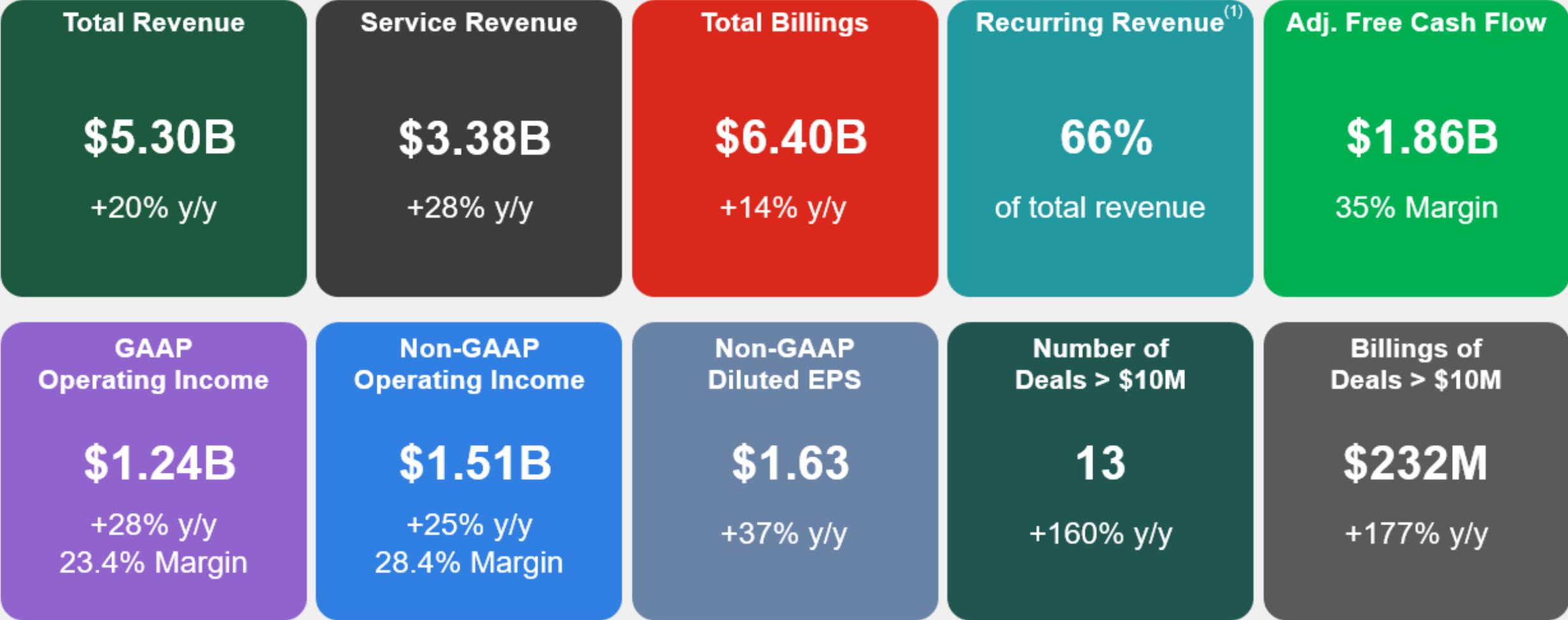
February 6, 2024

Safe Harbor Statement

Information, statements and projections contained in these presentation slides and related conference call concerning Fortinet's business outlook, the first quarter of 2024 and full year 2024 guidance, and future prospects and expectations are forward-looking statements that involve risks and uncertainties. These forward-looking statements include statements regarding any indications related to future growth and market share gains, our strategy going forward, and guidance and expectations around future financial results, including guidance and expectations for the first quarter of 2024 and full year 2024, and any statements regarding our market opportunity and market size, and business momentum. Although we attempt to be accurate in making forward-looking statements, it is possible that future circumstances might differ from the assumptions on which such statements are based such that actual results are materially different from our forward-looking statements in these presentation slides. Important factors that could cause results to differ materially from the statements herein include the following: general economic risks, including those caused by economic challenges, a possible economic downturn or recession and the effects of inflation or stagflation, rising interest rates or reduced information technology spending; instability in the global banking system; supply chain challenges; negative impacts from the ongoing war in Ukraine and its related macroeconomic effects and our decision to reduce operations in Russia, as well as the Israel-Hamas war; competitiveness in the security market; the dynamic nature of the security market and its products and services; specific economic risks worldwide and in different geographies, and among different customer segments; uncertainty regarding demand and increased business and renewals from existing customers; uncertainties around continued success in sales growth and market share gains; uncertainties in market opportunities and the market size; actual or perceived vulnerabilities in our supply chain, products or services, and any actual or perceived breach of our network or our customers' networks; longer sales cycles, particularly for larger enterprise, service providers, government and other large organization customers; the effectiveness of our salesforce and failure to convert sales pipeline into final sales; risks associated with successful implementation of multiple integrated software products and other product functionality risks; risks associated with integrating acquisitions and changes in circumstances and plans associated therewith, including, among other risks, changes in plans related to product and services integrations, product and services plans and sales strategies; sales and marketing execution risks; execution risks around new product development and introductions and innovation; litigation and disputes and the potential cost, distraction and damage to sales and reputation caused thereby or by other factors; cybersecurity threats, breaches and other disruptions; market acceptance of new products and services; 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, our products and services in general and by specific customer segments, including those caused by competition and pricing pressure; excess product inventory for any reason, including those caused by the effects of increased inflation and interest rates in certain geographies and the war in Ukraine and the Israel-Hamas war; risks associated with business disruption caused by natural disasters and health emergencies such as earthquakes, fires, power outages, typhoons, floods, health epidemics and viruses, and by manmade events such as civil unrest, labor disruption, international trade disputes, international conflicts such as the war in Ukraine and the Israel-Hamas war or tensions between China and Taiwan, terrorism, wars, and critical infrastructure attacks; tariffs, trade disputes and other trade barriers, and negative impact on sales based on geo-political dynamics and disputes and protectionist policies; any political and government disruption around the world, including the impact of any future shutdowns of the U.S. government; and the other risk factors set forth from time to time in our most recent Annual Report on Form 10-K, our most recent Quarterly Report on Form 10-Q and our other filings with the Securities and Exchange Commission ("SEC"), copies of which are available free of charge at the SEC's website at www.sec.gov or upon request from our investor relations department. All forward-looking statements herein reflect our opinions only as of the date of these presentation slides, and we undertake no obligation, and expressly disclaim any obligation, to update forward-looking statements herein in light of new information or future events.



2023 Financial Highlights



Note

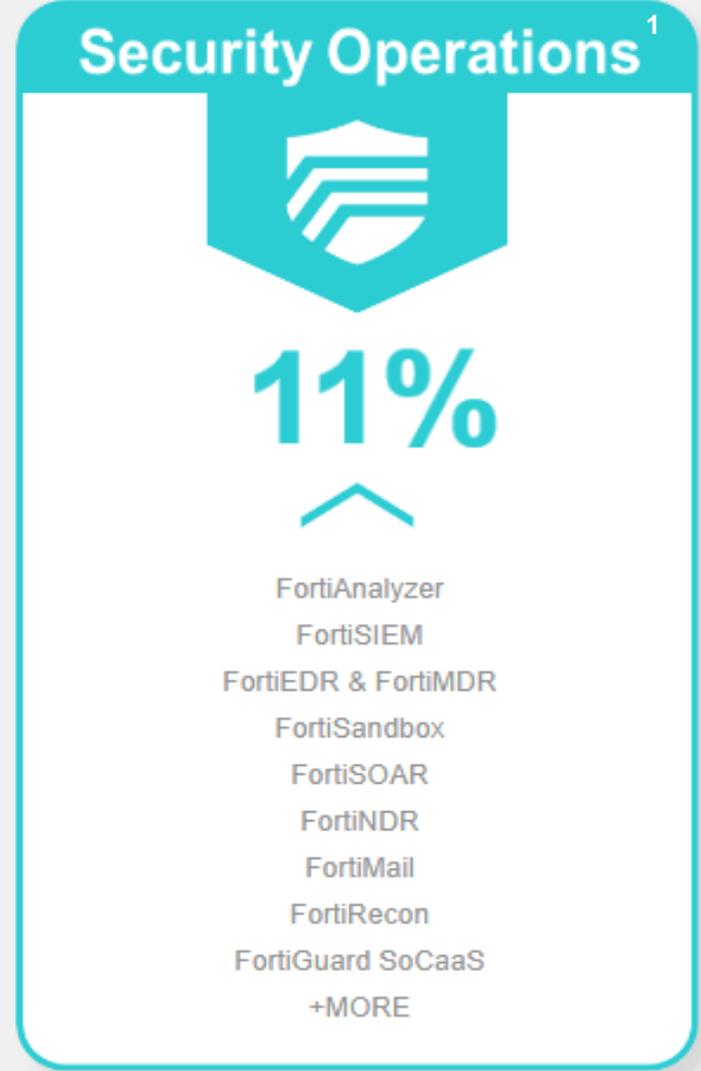
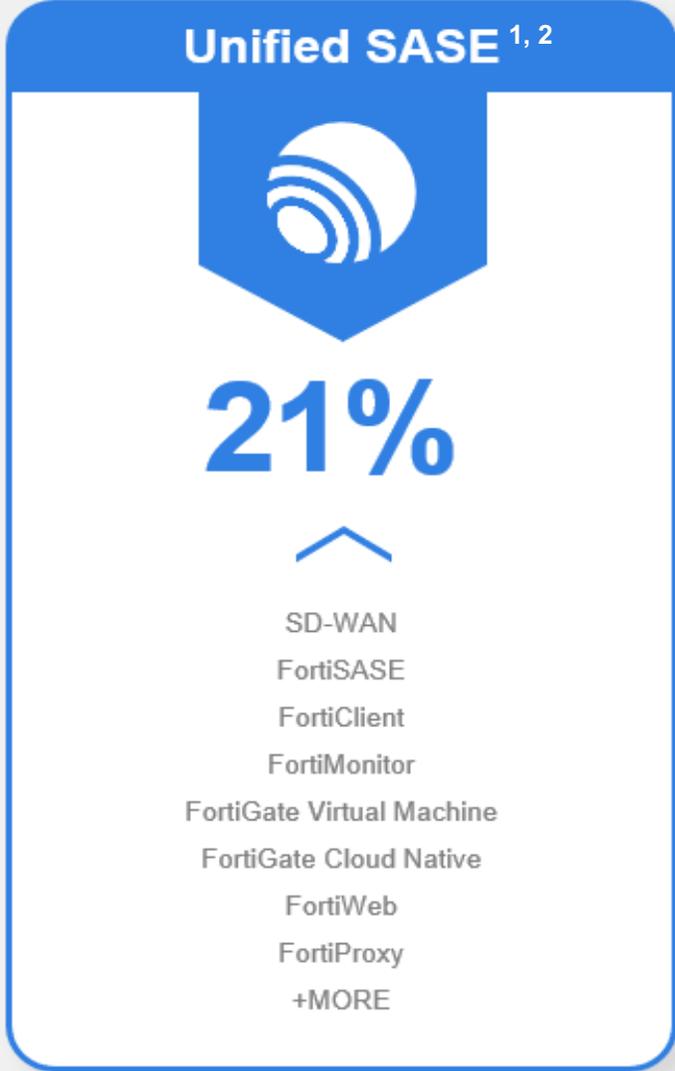
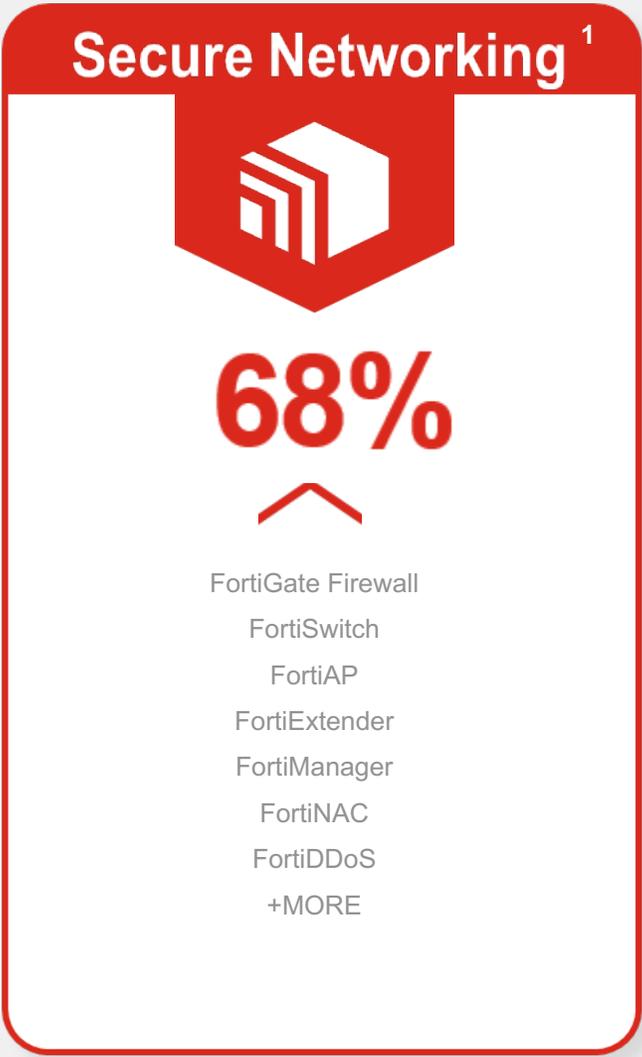


(1) Recurring revenue represents total revenue less hardware and professional services revenue.

The Fortinet Security Fabric Vision



Segment Breakdown Q4'23 Billings



 Note 1 All Solutions include FortiGuard service sales
Note 2 SD-WAN in Unified SASE is calculated from a % of FortiGate Entry Level and Mid-Range sales

Total TAM of \$150B in 2024 Growing to \$208B by 2027



Gartner, September 2023 - Forecast: Enterprise Network Equipment by Market Segment, Worldwide, 2021-2027, 3Q23 Update

Gartner, September 2023 - Forecast: Information Security and Risk Management, Worldwide, 2021-2027, 3Q23 Update

Gartner, Forecast Analysis: Secure Access Service Edge, Worldwide Published 10 October 2023 - ID G00784465

Westland Advisory - Industrial Cybersecurity Industry Analysis, July 2023



Fortinet Secures **Over Half a Million** Organizations Worldwide

Over 700,000 enterprises, service providers, and government organizations around the world trust Fortinet to secure their operations

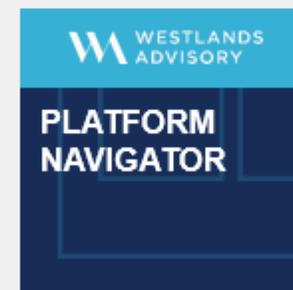
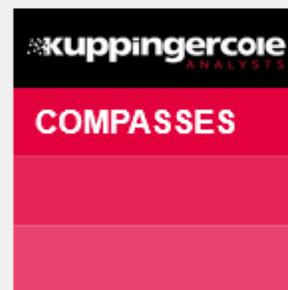
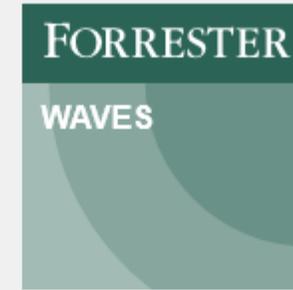
76% of Fortune 100 companies depend on Fortinet to stay secure



80+

Enterprise Analyst Reports Validate Fortinet Across Networking & Security

Fortinet, one of the most validated cybersecurity companies in the world, is consistently positioned in leadership positions across 80+ research reports from major industry analyst firms like Gartner, IDC, and Forrester. **We are in 8 Gartner Magic Quadrants.**



Organic Development Creates a Truly Integrated Platform

Single Operating System

SD-WAN

Sept 2022 Magic Quadrant for SD-WAN

Fortinet recognized as a Leader



Wired & Wireless LAN

Nov 2022 Magic Quadrant for Wired and Wireless LAN

Fortinet recognized as a Visionary



Network Firewall

Dec 2022 Magic Quadrant for Network Firewalls

Fortinet recognized as a Leader



SASE

Aug 2023 Magic Quadrant for Single-Vendor SASE

Fortinet recognized as a Challenger



Q4 2023 Non-GAAP Results

	Q4'21	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23	Q2'23	Q3'23	Q4'23
Billings ⁽¹⁾	\$1.306B	\$1.160B	\$1.304B	\$1.411B	\$1.719B	\$1.503B	\$1.541B	\$1.491B	\$1.865B
<i>Y/Y % Change</i>	35.9%	36.4%	35.7%	32.6%	31.6%	29.6%	18.1%	5.7%	8.5%
Revenue	\$963.6M	\$954.8M	\$1.030B	\$1.150B	\$1.283B	\$1.262B	\$1.293B	\$1.335B	\$1.415B
<i>Y/Y % Change</i>	28.8%	34.4%	28.6%	32.6%	33.1%	32.2%	25.5%	16.1%	10.3%
Product Revenue	\$378.9M	\$371.0M	\$400.7M	\$468.7M	\$540.1M	\$500.7M	\$472.6M	\$465.9M	\$488.1M
<i>Y/Y % Change</i>	31.4%	54.1%	34.3%	39.0%	42.5%	35.0%	17.9%	(0.6)%	(9.6)%
Service Revenue	\$584.7M	\$583.8M	\$629.4M	\$680.8M	\$742.9M	\$761.6M	\$820.2M	\$868.7M	\$927.0M
<i>Y/Y % Change</i>	27.2%	24.3%	25.2%	28.4%	27.1%	30.5%	30.3%	27.6%	24.8%

Note

(1) Billings is a non-GAAP measure that we define as revenue recognized in accordance with GAAP plus the change in deferred revenue from the beginning to the end of the period less any deferred revenue balances acquired from business combination(s) and adjustment due to adoption of new accounting standard during the period.



Q4 2023 Non-GAAP Results

	Q4'21	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23	Q2'23	Q3'23	Q4'23
Gross Profit ⁽¹⁾	\$744.4M	\$710.2M	\$788.5M	\$875.5M	\$996.0M	\$963.6M	\$1.01B	\$1.03B	\$1.11B
Gross Margin ⁽¹⁾	77.3%	74.4%	76.5%	76.2%	77.6%	76.3%	77.9%	76.9%	78.5%
Operating Income ⁽¹⁾⁽²⁾	\$274.7M	\$210.2M	\$255.4M	\$324.9M	\$417.6M	\$334.0M	\$348.1M	\$371.4M	\$453.5M
Operating Margin ⁽¹⁾⁽²⁾	28.5%	22.0%	24.8%	28.3%	32.5%	26.5%	26.9%	27.8%	32.0%
Net Income attributable to Fortinet, Inc. ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾	\$205.8M	\$155.1M	\$194.1M	\$262.7M	\$349.7M	\$269.7M	\$300.4M	\$323.5M	\$392.0M
Diluted Net Income per Share Attributable to Fortinet, Inc. ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾⁽⁶⁾	\$0.25	\$0.19	\$0.24	\$0.33	\$0.44	\$0.34	\$0.38	\$0.41	\$0.51
Weighted Diluted Shares Used to Compute Net Income per Share Attributable to Fortinet, Inc. ⁽⁶⁾	835.0M	820.8M	810.1M	798.6M	791.8M	793.4M	795.9M	791.2M	772.3M
Deferred Revenue	\$3.45B	\$3.66B	\$3.93B	\$4.19B	\$4.64B	\$4.88B	\$5.13B	\$5.29B	\$5.74B
Cash, Investments and Marketable Equity Securities ⁽⁷⁾	\$2.99B	\$2.50B	\$1.94B	\$1.81B	\$2.26B	\$2.89B	\$3.32B	\$3.17B	\$2.44B
Cash Paid for Stock Repurchases	\$571.8M	\$691.2M	\$800.0M	\$500.0M	—	—	—	\$604.3M	\$896.2M
Days Sales Outstanding	75	75	80	75	89	78	75	68	89
Inventory Turns	2.7	3.5	3.1	3.4	2.8	2.3	1.6	1.2	1.3
Headcount	10,195	10,860	11,508	12,091	12,595	13,202	13,677	13,618	13,568

Notes

- (1) Excludes stock-based compensation and amortization of acquired intangible assets.
- (2) Excludes gain on intellectual property (“IP”).
- (3) Assumes a quarterly effective tax rate of 21% for Q4' 21. Assumes a quarterly effective tax rate of 17% for 2022 and 2023.
- (4) Excludes a non-cash charge, primarily comprised of the impairment recognized on our equity method investment in Linksys Holdings Inc. (“Linksys”) and other intervening events related to the establishment of a valuation allowance against Linksys deferred tax assets.
- (5) Excludes the adjustments attributable to non-controlling interests.
- (6) All share and per share amounts presented herein have been retroactively adjusted to reflect the five-for-one forward stock split which was effective June 22, 2022.
- (7) Excludes investments in privately held companies, which are recorded in other assets.



2023 Non-GAAP Results

	2021	2022	2023
Billings ⁽¹⁾	\$4.181B	\$5.594B	\$6.400B
Y/Y % Change	35.3%	33.8%	14.4%
Revenue	\$3.342B	\$4.417B	\$5.305B
Y/Y % Change	28.8%	32.2%	20.1%
Product Revenue	\$1.255B	\$1.781B	\$1.927B
Y/Y % Change	36.9%	41.9%	8.2%
Service Revenue	\$2.087B	\$2.637B	\$3.378B
Y/Y % Change	24.4%	26.3%	28.1%
Gross Profit ⁽²⁾	\$2.59B	\$3.37B	\$4.11B
Gross Margin (%) ⁽²⁾	77.5%	76.3%	77.4%
Operating Income ⁽²⁾⁽³⁾	\$875.5M	\$1.21B	\$1.51B
Operating Margin (%) ⁽²⁾⁽³⁾	26.2%	27.3%	28.4%
Net Income Attributable to Fortinet, Inc. ⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾⁽⁶⁾	\$666.0M	\$961.6M	\$1.29B
Diluted Net Income per Share Attributable to Fortinet, Inc. ⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾⁽⁶⁾⁽⁷⁾	\$0.80	\$1.19	\$1.63
Weighted Diluted Shares Used to Compute Net Income per Share Attributable to Fortinet, Inc. ⁽⁷⁾	835.3M	805.3M	788.2M

Notes

- (1) Billings is a non-GAAP measure that we define as revenue recognized in accordance with GAAP plus the change in deferred revenue from the beginning to the end of the period less any deferred revenue balances acquired from business combination(s) and adjustment due to adoption of new accounting standard during the period.
- (2) Excludes stock-based compensation and amortization of acquired intangible assets.
- (3) Excludes gain on IP and litigation-related matters.
- (4) Assumes an annual effective tax rate of 21%, 17% and 17% for 2021, 2022 and 2023, respectively.
- (5) Excludes a non-cash charge, primarily comprised of the impairment recognized on our equity method investment in Linksys and other intervening events related to the establishment of a valuation allowance against Linksys deferred tax assets.
- (6) Excludes the adjustments attributable to non-controlling interests.
- (7) All share and per share amounts presented herein have been retroactively adjusted to reflect the five-for-one forward stock split which was effective June 22, 2022.



Revenue by Geography

(\$ in millions)	Q4'21		Q1'22		Q2'22		Q3'22		Q4'22		Q1'23		Q2'23		Q3'23		Q4'23	
	\$	Y/Y % Change	\$	Y/Y % Change	\$	Y/Y % Change	\$	Y/Y % Change	\$	Y/Y % Change	\$	Y/Y % Change	\$	Y/Y % Change	\$	Y/Y % Change	\$	Y/Y % Change
Americas	\$380.8	26.4%	\$382.6	31.5%	\$413.6	22.7%	\$467.6	33.6%	\$521.2	36.9%	\$523.5	36.8%	\$537.0	29.8%	\$545.6	16.7%	\$569.1	9.2%
EMEA	\$370.8	24.3%	\$346.0	25.5%	\$391.8	28.0%	\$443.9	37.3%	\$510.1	37.6%	\$478.2	38.2%	\$506.9	29.4%	\$512.2	15.4%	\$575.6	12.8%
APAC	\$212.0	42.9%	\$226.2	57.4%	\$224.7	42.3%	\$238.0	22.7%	\$251.7	18.7%	\$260.6	15.2%	\$248.9	10.8%	\$276.8	16.3%	\$270.4	7.4%
Total	\$963.6	28.8%	\$954.8	34.4%	\$1,030.1	28.6%	\$1,149.5	32.6%	\$1,283.0	33.1%	\$1,262.3	32.2%	\$1,292.8	25.5%	\$1,334.6	16.1%	\$1,415.1	10.3%

	Q4'21	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23	Q2'23	Q3'23	Q4'23
	% of revenue								
Americas	39.5%	40.1%	40.2%	40.7%	40.6%	41.5%	41.5%	40.9%	40.2%
EMEA	38.5%	36.2%	38.0%	38.6%	39.8%	37.9%	39.2%	38.4%	40.7%
APAC	22.0%	23.7%	21.8%	20.7%	19.6%	20.6%	19.3%	20.7%	19.1%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%



Revenue by Geography (Continued)

(\$ in millions)	2021		2022		2023	
	\$	Y/Y % Change	\$	Y/Y % Change	\$	Y/Y % Change
Americas	\$1,358.8	26.1%	\$1,785.0	31.4%	\$2,175.2	21.9%
EMEA	\$1,275.9	28.6%	\$1,691.8	32.6%	\$2,072.9	22.5%
APAC	\$707.5	34.7%	\$940.6	32.9%	\$1,056.7	12.3%
Total	\$3,342.2	28.8%	\$4,417.4	32.2%	\$5,304.8	20.1%

	2021	2022	2023
	% of revenue	% of revenue	% of revenue
Americas	40.6%	40.4%	41.0%
EMEA	38.2%	38.3%	39.1%
APAC	21.2%	21.3%	19.9%
Total	100.0%	100.0%	100.0%



Number of Deals & FortiGate Sales

Number of Deals ⁽¹⁾	Q4'21	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23	Q2'23	Q3'23	Q4'23
No. of Deals >\$50K	3,807	3,241	3,583	4,269	4,904	4,583	4,790	4,732	5,625
No. of Deals >\$250K	758	598	699	830	1,008	838	836	835	1,112
No. of Deals >\$500K	320	243	312	355	450	323	353	367	474
No. of Deals >\$1M	122	90	122	153	181	124	134	145	179

% of FortiGate ⁽²⁾	Q4'21	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23	Q2'23	Q3'23	Q4'23
Entry Level (FG30-90)	22.1%	26.9%	25.4%	40.0%	24.6%	30.6%	24.9%	27.7%	28.9%
Mid - Range (FG100-900)	40.0%	35.2%	42.3%	29.4%	48.2%	44.8%	49.8%	45.4%	43.9%
High - End (FG1000-7000)	37.9%	37.9%	32.3%	30.6%	27.2%	24.6%	25.3%	26.9%	27.2%

Notes

(1) Deals are defined as combined sales in the period to a customer account.

(2) Represents the percentage of invoiced amounts from FortiGate sales during the period by range of product and product bundles.



FortiGate Sales (Continued)

% of FortiGate ⁽¹⁾	2021	2022	2023
Entry Level (FG30-90)	24.4%	29.2%	28.1%
Mid - Range (FG100-900)	39.2%	39.2%	45.9%
High - End (FG1000-7000)	36.4%	31.6%	26.0%

Note

(1) Represents the percentage of invoiced amounts from FortiGate sales during the period by range of product and product bundles.



Statement of Cash Flows (Non-GAAP)

(\$ in millions)	Q4'21	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23	Q2'23	Q3'23	Q4'23
GAAP Net Income Including Non-controlling Interests	\$198.8	\$138.3	\$173.4	\$231.1	\$313.8	\$247.7	\$266.3	\$322.9	\$310.9
Depreciation, Amortization and Stock-Based Compensation	78.4	78.7	79.8	81.1	82.0	83.8	92.4	92.6	93.6
Accounts Receivable	(203.1)	15.4	(134.7)	(43.4)	(294.0)	171.1	7.9	64.4	(389.8)
Inventory	0.1	(13.5)	(17.7)	(28.5)	(49.4)	(45.3)	(84.9)	(100.8)	(22.5)
Deferred Revenue	342.3	205.5	275.1	262.2	434.7	240.7	248.6	156.9	449.1
Other ⁽¹⁾	(49.7)	(28.3)	(52.5)	(19.5)	41.0	(20.5)	(15.2)	15.2	(249.6)
GAAP Cash Flow from Operations	\$366.8	\$396.1	\$323.4	\$483.0	\$528.1	\$677.5	\$515.1	\$551.2	\$191.7
Less: Purchases of Property and Equipment	(151.3)	(122.6)	(39.9)	(87.8)	(30.9)	(30.3)	(76.8)	(70.1)	(26.9)
Free Cash Flow	\$215.5	\$273.5	\$283.5	\$395.2	\$497.2	\$647.2	\$438.3	\$481.1	\$164.8
Issuance of Common Stock, Net of Taxes	(43.7)	(53.8)	(30.2)	(26.4)	(23.9)	(13.3)	(17.1)	(24.4)	(13.9)
Stock Repurchases	(571.8)	(691.2)	(800.0)	(500.0)	—	—	—	(604.3)	(896.2)
Acquisitions	(1.5)	—	—	—	(30.8)	—	—	—	—
Payments of debt assumed in connection with business combination	(17.3)	—	—	—	—	—	—	—	—
Purchase of investment in a privately held company	—	—	—	—	—	—	—	(8.5)	—
Other	(7.9)	(18.6)	(12.3)	2.2	(0.4)	4.3	1.8	8.7	15.4
Change in Cash, Investments, and Marketable Equity Securities	\$(426.7)	\$(490.1)	\$(559.0)	\$(129.0)	\$442.1	\$638.2	\$423.0	\$(147.4)	\$(729.9)
Footnote: Cash Paid for Taxes, Net of Refunds	\$57.5	\$18.8	\$110.3	\$68.5	\$62.6	\$20.7	\$37.9	\$26.3	\$341.4

Note

(1) Total cash paid for taxes in the fourth quarter of 2023 was \$341 million, including \$210 million of 2023 estimated Federal tax and other tax payments that were postponed from earlier quarters in accordance with IRS disaster area tax relief policies.



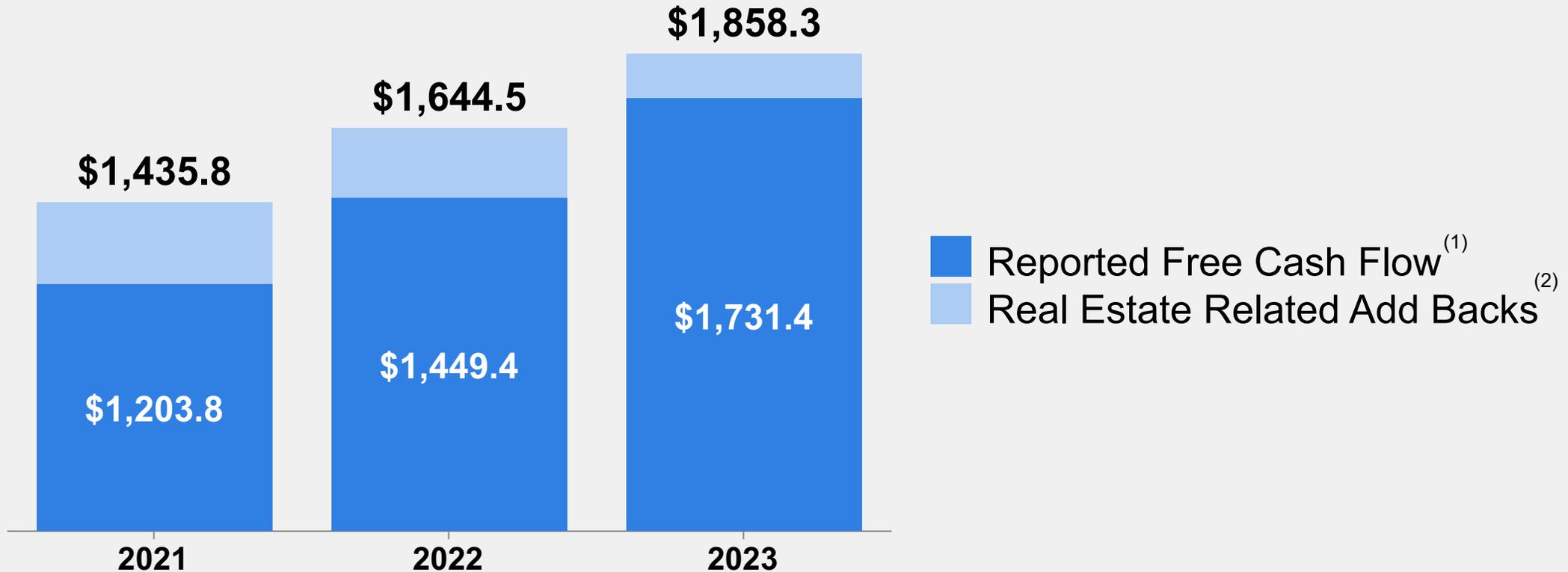
Statement of Cash Flows (Non-GAAP) (Continued)

(\$ in millions)	2021	2022	2023
GAAP Net Income Including Non-controlling Interests	\$606.7	\$856.6	\$1,147.8
Depreciation, Amortization and Stock-Based Compensation	292.3	321.6	362.4
Accounts Receivable	(72.5)	(456.7)	(146.4)
Inventory	(19.4)	(109.1)	(253.5)
Deferred Revenue	839.4	1,177.5	1,095.3
Other	(146.8)	(59.3)	(270.1)
GAAP Cash Flow from Operations	\$1,499.7	\$1,730.6	\$1,935.5
Less: Purchases of Property and Equipment	(295.9)	(281.2)	(204.1)
Free Cash Flow	\$1,203.8	\$1,449.4	\$1,731.4
Issuance of Common Stock, Net of Taxes	(141.9)	(134.3)	(68.7)
Stock Repurchases	(741.8)	(1,991.2)	(1,500.5)
Acquisitions	(74.9)	(30.8)	—
Proceeds from (payments of) long-term debt, net	967.5	—	—
Purchases of investments in privately held companies	(160.0)	—	(8.5)
Other	(15.8)	(29.1)	30.2
Change in Cash, Investments, and Marketable Equity Securities	\$1,036.9	\$(736.0)	\$183.9
Footnote: Cash Paid for Taxes, Net of Refunds	127.4	260.2	426.3



Free Cash Flow and Adjusted Free Cash Flow Growth (Non-GAAP) (Continued)

(\$ in millions)



Notes

- (1) Free Cash Flow is a non-GAAP measure that we define as net cash provided by operating activities minus purchases of property and equipment.
- (2) Adjusted Free Cash Flow is a non-GAAP measure that we define as Free Cash Flow plus cash payments associated with real estate purchases and cash payments related to HQ Construction.



Returned \$5.3 Billion to Shareholders via Share Repurchases Since 2020

Robust Share Buyback Program

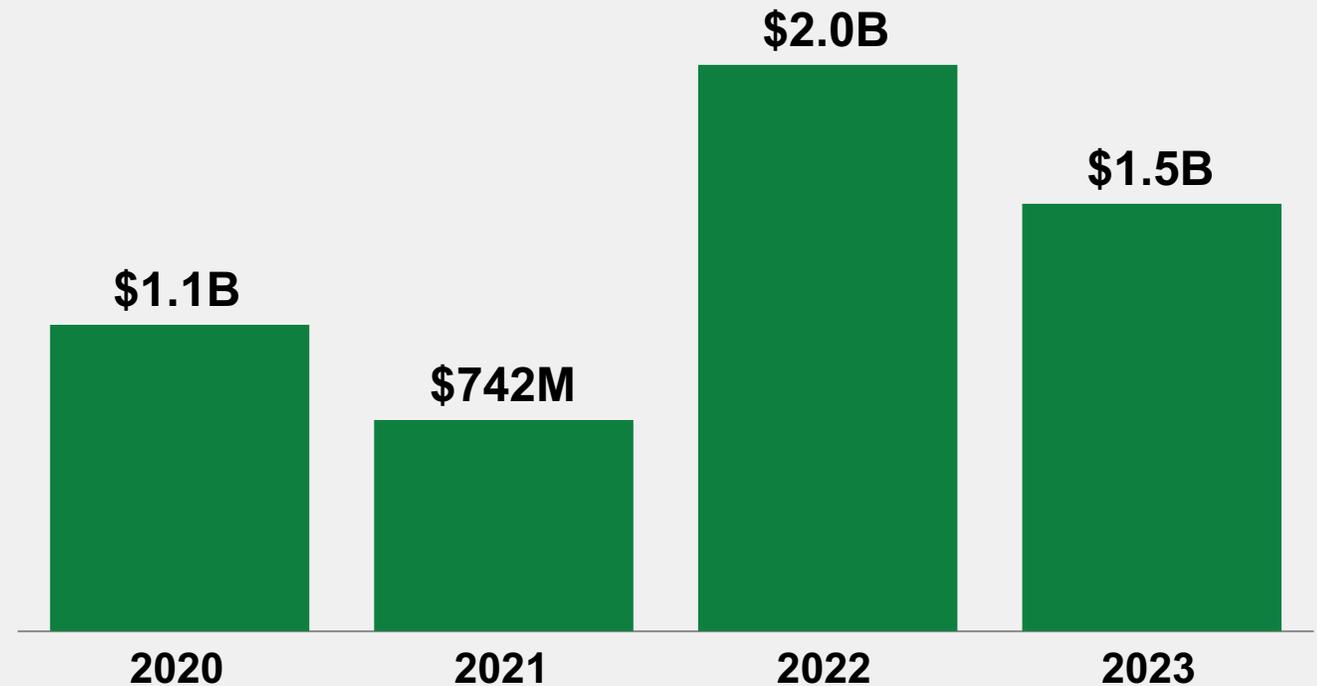
\$5.3B cash returned to shareholders

135M shares repurchased

11.4% reduction in shares outstanding

\$1B buyback authorization remaining⁽¹⁾

Share Repurchases

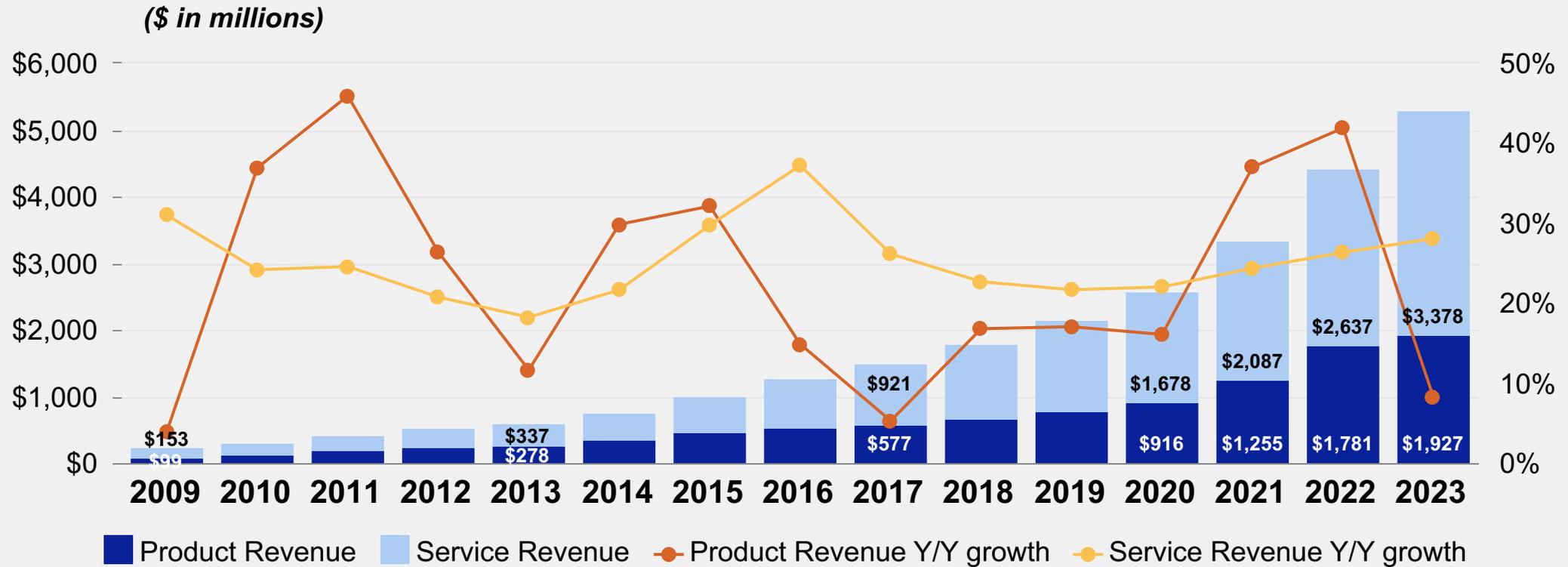


Note

(1) As of February 6, 2024



Product and Services Revenue and Y/Y Growth: 2009 - 2023



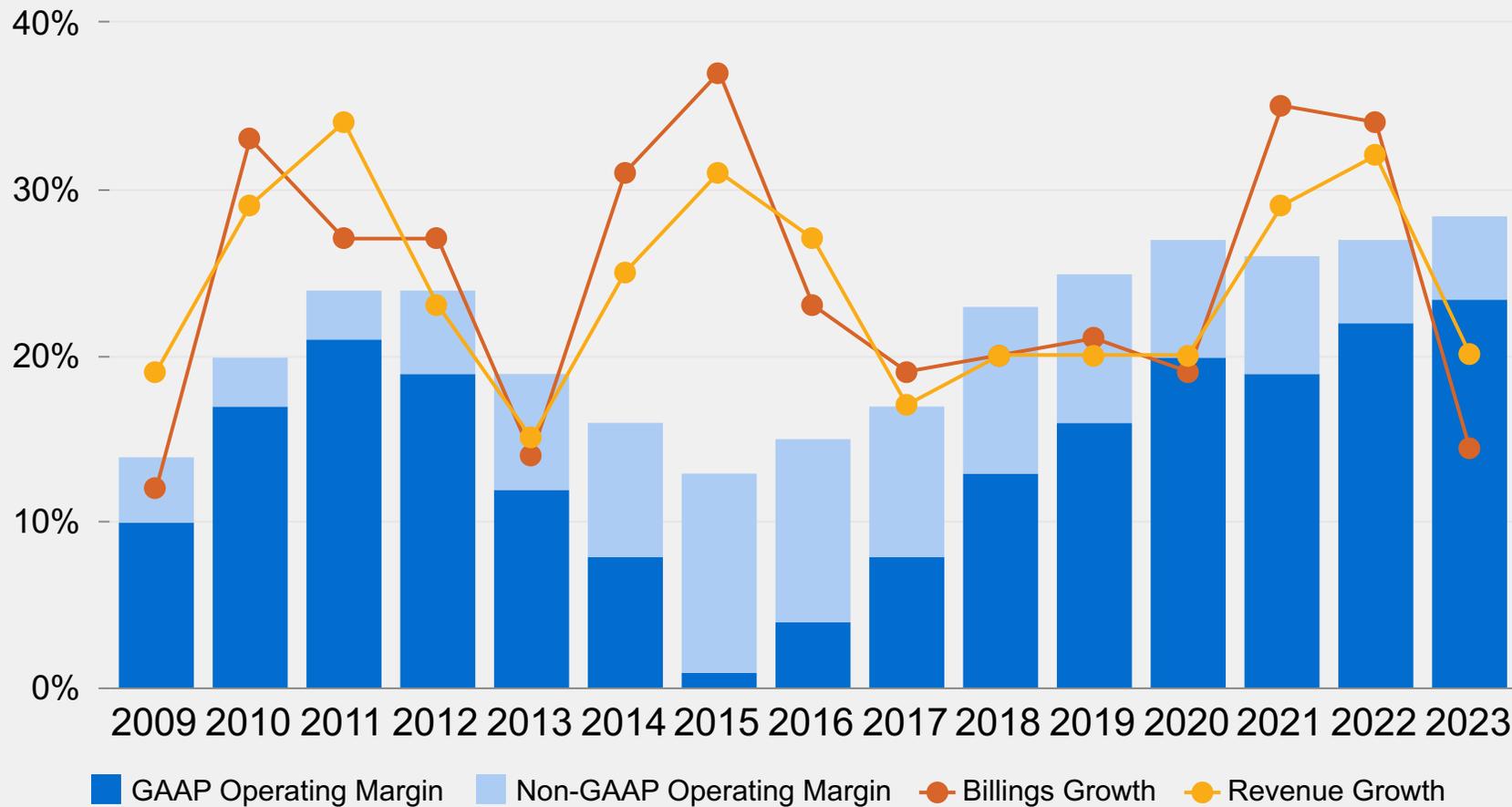
	3 & 4 Year CAGRs (Cycles)				14 Year CAGR
	2009 – 2013	2013 – 2017	2017 – 2020	2020 – 2023	2009 – 2023
Product Revenue	29.6%	20.0%	16.7%	28.1%	23.6%
Services Revenue	21.8%	28.6%	22.1%	26.3%	24.7%
Total Revenue	25.0%	24.9%	20.1%	26.9%	24.3%

Note

(1) 2009-2015 have not been adjusted for an immaterial error related to the commencement of revenue recognition for certain FortiCare support service contracts.



Y/Y Billings & Revenue Growth Rates and Operating Margin: 2009 - 2023



14-year CAGR ('09-'23)

Billings: 25.0%

Revenue: 24.3%

Note

(1) 2009-2015 have not been adjusted for an immaterial error related to the commencement of revenue recognition for certain FortiCare support service contracts.



Q1 and 2024 Guidance (Non-GAAP)⁽¹⁾

	Actual Q1'23	Q1'24E	Actual 2023	2024E
Billings ⁽²⁾	\$1.503B	\$1.390 - 1.450B	\$6.400B	\$6.400 - 6.600B
<i>Y/Y Mid-Pt Growth</i>		(5.5)%		1.6%
Revenue (GAAP)	\$1.262B	\$1.300 - 1.360B	\$5.305B	\$5.715 - 5.815B
<i>Y/Y Mid-Pt Growth</i>		5.4%		8.7%
Service Revenue (GAAP)	\$761.6M		\$3.378B	\$3.920 - 3.970B
<i>Y/Y Mid-Pt Growth</i>				16.8%
Gross Margin (%) ⁽³⁾	76.3%	76.5 - 77.5%	77.4%	76.0 - 78.0%
Operating Margin (%) ⁽³⁾⁽⁴⁾	26.5%	25.5 - 26.5%	28.4%	25.5 - 27.5%
Net Income per Share attributable to Fortinet, Inc. ⁽³⁾⁽⁴⁾⁽⁵⁾⁽⁶⁾	\$0.34	\$0.37 - 0.39	\$1.63	\$1.65 - 1.70
Weighted Diluted Shares used to Compute Net Income per Share attributable to Fortinet, Inc.	793.4M	775 - 785M	788.2M	785 - 795M

Notes

- (1) Guidance for non-GAAP financial measures excludes stock-based compensation, amortization of acquired intangible assets and gain on IP and a non-cash charge on equity method investment. We have not reconciled our guidance with respect to non-GAAP financial measures to the corresponding GAAP measures because certain items that impact these measures are uncertain or out of our control, or cannot be reasonably predicted. Accordingly, a reconciliation of these non-GAAP financial measures to the corresponding GAAP measures is not available without unreasonable effort.
- (2) Billings is a non-GAAP measure that we define as revenue recognized in accordance with GAAP plus the change in deferred revenue from the beginning to the end of the period less any deferred revenue balances acquired from business combination(s) and adjustment due to adoption of new accounting standard during the period.
- (3) Excludes stock-based compensation and amortization of acquired intangible assets.
- (4) Excludes gain on IP.
- (5) Assumes an effective tax rate of 17% for 2023 and 2024. For 2024, we expect cash paid for taxes to be approximately \$520 million.
- (6) Excludes a non-cash charge, primarily comprised of the impairment recognized on our equity method investment in Linksys and other intervening events related to the establishment of a valuation allowance against Linksys deferred tax assets.



Additional Modeling Points

	Actual 2023	Q1'24E	2024E
Cash Paid for Taxes	\$426M	\$30M	\$520M
Capital Expenditures	\$204M	\$220 - \$250M	\$370 - \$420M
Non-GAAP Tax Rate	17%	17%	17%



GAAP to Non-GAAP Reconciliations

(\$ in millions)	Q4'21	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23	Q2'23	Q3'23	Q4'23
Total revenue	\$963.6	\$954.8	\$1,030.1	\$1,149.5	\$1,283.0	\$1,262.3	\$1,292.8	\$1,334.6	\$1,415.1
Add: Change in deferred revenue	346.5	205.0	274.1	261.5	446.8	240.6	247.7	156.7	449.7
Less: Deferred revenue balance acquired in business combination	—	—	—	—	(10.8)	—	—	—	—
Less: ASC 606 transition amount related to deferred revenue ⁽¹⁾	(4.3)	—	—	—	—	—	—	—	—
Total billings	\$1,305.8	\$1,159.8	\$1,304.2	\$1,411.0	\$1,719.0	\$1,502.9	\$1,540.5	\$1,491.3	\$1,864.8
GAAP Cash Flow from Operations	\$366.8	\$396.1	\$323.4	\$483.0	\$528.1	\$677.5	\$515.1	\$551.2	\$191.7
Less: Purchases of Property and Equipment	(151.3)	(122.6)	(39.9)	(87.8)	(30.9)	(30.3)	(76.8)	(70.1)	(26.9)
Free Cash Flow ⁽²⁾	215.5	273.5	283.5	395.2	497.2	647.2	438.3	481.1	164.8
Add: Real Estate Related Add Backs	129.0	92.7	21.2	68.6	12.6	14.9	59.4	49.7	2.9
Adjusted Free Cash Flow ⁽³⁾	\$344.5	\$366.2	\$304.7	\$463.8	\$509.8	\$662.1	\$497.7	\$530.8	\$167.7

Notes

- (1) We early adopted ASU 2021-08 on a retrospective basis and effective for us beginning on January 1, 2021. The adoption of ASU 2021-08 resulted in a \$4.3 million adjustment attributable to the acquisition of Alaxala in 2021, as a result of the revised measurement of deferred revenue for acquisition.
- (2) Free Cash Flow is a non-GAAP measure that we define as net cash provided by operating activities minus purchases of property and equipment.
- (3) Adjusted Free Cash Flow is a non-GAAP measure that we define as Free Cash Flow plus cash payments associated with real estate purchases and cash payments related to HQ Construction.



GAAP to Non-GAAP Reconciliations (Continued)

(\$ in millions)	Q4'21	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23	Q2'23	Q3'23	Q4'23
GAAP product gross profit	\$232.4	\$210.0	\$245.5	\$283.5	\$350.2	\$307.1	\$298.1	\$267.6	\$290.9
Stock-based compensation	0.4	0.4	0.4	0.5	0.4	0.4	0.5	0.4	0.5
Amortization of acquired intangible assets	2.4	2.4	2.1	1.7	1.6	1.8	1.7	1.6	2.0
Non-GAAP product gross profit	\$235.2	\$212.8	\$248.0	\$285.7	\$352.2	\$309.3	\$300.3	\$269.6	\$293.4
<i>Non-GAAP product gross margin</i>	<i>62.1%</i>	<i>57.4%</i>	<i>61.9%</i>	<i>61.0%</i>	<i>65.2%</i>	<i>61.8%</i>	<i>63.5%</i>	<i>57.9%</i>	<i>60.1%</i>
GAAP service gross profit	\$502.9	\$491.0	\$533.8	\$583.0	\$635.5	\$647.4	\$698.9	\$749.3	\$808.3
Stock-based compensation	4.3	4.5	4.7	4.8	4.8	5.1	6.0	6.1	6.1
Amortization of acquired intangible assets	2.0	1.9	2.0	2.0	3.5	1.8	1.8	1.8	2.4
Non-GAAP service gross profit	\$509.2	\$497.4	\$540.5	\$589.8	\$643.8	\$654.3	\$706.7	\$757.2	\$816.8
<i>Non-GAAP service gross margin</i>	<i>87.1%</i>	<i>85.2%</i>	<i>85.9%</i>	<i>86.6%</i>	<i>86.7%</i>	<i>85.9%</i>	<i>86.2%</i>	<i>87.2%</i>	<i>88.1%</i>
GAAP total gross profit	\$735.3	\$701.0	\$779.3	\$866.5	\$985.7	\$954.5	\$997.0	\$1,016.9	\$1,099.2
Stock-based compensation	4.7	4.9	5.1	5.3	5.2	5.5	6.5	6.5	6.6
Amortization of acquired intangible assets	4.4	4.3	4.1	3.7	5.1	3.6	3.5	3.4	4.4
Non-GAAP total gross profit	\$744.4	\$710.2	\$788.5	\$875.5	\$996.0	\$963.6	\$1,007.0	\$1,026.8	\$1,110.2
<i>Non-GAAP gross margin</i>	<i>77.3%</i>	<i>74.4%</i>	<i>76.5%</i>	<i>76.2%</i>	<i>77.6%</i>	<i>76.3%</i>	<i>77.9%</i>	<i>76.9%</i>	<i>78.5%</i>
GAAP research and development expense	\$112.6	\$124.9	\$124.3	\$134.3	\$128.9	\$151.1	\$153.3	\$156.9	\$152.5
Stock-based compensation	(14.7)	(15.1)	(16.1)	(16.7)	(16.3)	(17.0)	(20.0)	(20.0)	(19.8)
Non-GAAP research and development expense	\$97.9	\$109.8	\$108.2	\$117.6	\$112.6	\$134.1	\$133.3	\$136.9	\$132.7
<i>Non-GAAP research and development expense as a percentage of revenue</i>	<i>10.2%</i>	<i>11.5%</i>	<i>10.5%</i>	<i>10.2%</i>	<i>8.8%</i>	<i>10.6%</i>	<i>10.3%</i>	<i>10.3%</i>	<i>9.4%</i>
GAAP sales and marketing expense	\$367.7	\$387.6	\$415.5	\$427.1	\$455.9	\$478.3	\$515.9	\$504.4	\$507.4
Stock-based compensation	(27.9)	(26.7)	(26.4)	(25.9)	(26.0)	(26.3)	(29.3)	(28.5)	(27.7)
Amortization of acquired intangible assets	(2.4)	(2.1)	(1.9)	(1.5)	(0.6)	(1.1)	(1.0)	(1.0)	(0.9)
Non-GAAP sales and marketing expense	\$337.4	\$358.8	\$387.2	\$399.7	\$429.3	\$450.9	\$485.6	\$474.9	\$478.8
<i>Non-GAAP sales and marketing expense as a percentage of revenue</i>	<i>35.0%</i>	<i>37.6%</i>	<i>37.6%</i>	<i>34.8%</i>	<i>33.5%</i>	<i>35.7%</i>	<i>37.6%</i>	<i>35.6%</i>	<i>33.8%</i>



GAAP to Non-GAAP Reconciliations (Continued)

(\$ in millions)	Q4'21	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23	Q2'23	Q3'23	Q4'23
GAAP general and administrative expense	\$41.3	\$38.6	\$45.4	\$40.7	\$44.3	\$52.8	\$49.9	\$53.5	\$55.1
Stock-based compensation	(6.9)	(7.2)	(7.7)	(7.4)	(7.8)	(8.2)	(9.9)	(9.9)	(9.9)
Non-GAAP general and administrative expense	\$34.4	\$31.4	\$37.7	\$33.3	\$36.5	\$44.6	\$40.0	\$43.6	\$45.2
<i>Non-GAAP general and administrative expense as a percentage of revenue</i>	3.6%	3.3%	3.7%	2.9%	2.8%	3.5%	3.1%	3.3%	3.2%
GAAP gain on IP matter	\$(1.2)	\$(1.1)	\$(1.2)	\$(1.1)	\$(1.2)	\$(1.2)	\$(1.1)	\$(1.1)	\$(1.2)
Gain on IP matter	1.2	1.1	1.2	1.1	1.2	1.2	1.1	1.1	1.2
Non-GAAP gain on IP matter	\$—	\$—	\$—	\$—	\$—	\$—	\$—	\$—	\$—
<i>Non-GAAP gain on IP matter as a percentage of revenue</i>	—%	—%	—%	—%	—%	—%	—%	—%	—%
GAAP total operating expense	\$520.4	\$550.0	\$584.0	\$601.0	\$627.9	\$681.0	\$718.0	\$713.7	\$713.8
Stock-based compensation	(49.5)	(49.0)	(50.2)	(50.0)	(50.1)	(51.5)	(59.2)	(58.4)	(57.4)
Amortization of acquired intangible assets	(2.4)	(2.1)	(1.9)	(1.5)	(0.6)	(1.1)	(1.0)	(1.0)	(0.9)
Gain on IP matter	1.2	1.1	1.2	1.1	1.2	1.2	1.1	1.1	1.2
Non-GAAP total operating expense	\$469.7	\$500.0	\$533.1	\$550.6	\$578.4	\$629.6	\$658.9	\$655.4	\$656.7
<i>Non-GAAP total operating expense as a percentage of revenue</i>	48.7%	52.4%	51.8%	47.9%	45.1%	49.9%	51.0%	49.1%	46.4%
GAAP operating income	\$214.9	\$151.0	\$195.3	\$265.5	\$357.8	\$273.5	\$279.0	\$303.2	\$385.4
Stock-based compensation	54.2	53.9	55.3	55.3	55.3	57.0	65.7	64.9	64.0
Amortization of acquired intangible assets	6.8	6.4	6.0	5.2	5.7	4.7	4.5	4.4	5.3
Gain on IP matter	(1.2)	(1.1)	(1.2)	(1.1)	(1.2)	(1.2)	(1.1)	(1.1)	(1.2)
Non-GAAP operating income	\$274.7	\$210.2	\$255.4	\$324.9	\$417.6	\$334.0	\$348.1	\$371.4	\$453.5
<i>Non-GAAP operating margin</i>	28.5%	22.0%	24.8%	28.3%	32.5%	26.5%	26.9%	27.8%	32.0%



GAAP to Non-GAAP Reconciliations (Continued)

(\$ in millions)	Q4'21	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23	Q2'23	Q3'23	Q4'23
GAAP provision for (benefit from) income taxes	\$3.7	\$(8.1)	\$2.4	\$27.3	\$9.2	\$21.3	\$27.6	\$(0.3)	\$95.2
Tax adjustments related to the above	52.4	41.7	39.1	27.8	63.6	38.5	35.0	67.6	(13.0)
Non-GAAP provision for income taxes	\$56.1	\$33.6	\$41.5	\$55.1	\$72.8	\$59.8	\$62.6	\$67.3	\$82.2
Non-GAAP effective tax rate	21%	17%	17%	17%	17%	17%	17%	17%	17%
Net income attributable to Fortinet, Inc.	\$199.0	\$138.4	\$173.5	\$231.6	\$313.8	\$247.7	\$266.3	\$322.9	\$310.9
Stock-based compensation	54.2	53.9	55.3	55.3	55.3	57.0	65.7	64.9	64.0
Amortization of acquired intangible assets	6.8	6.4	6.0	5.2	5.7	4.7	4.5	4.4	5.3
Gain on IP matter	(1.2)	(1.1)	(1.2)	(1.1)	(1.2)	(1.2)	(1.1)	(1.1)	(1.2)
Tax adjustments	(52.4)	(41.7)	(39.1)	(27.8)	(63.6)	(38.5)	(35.0)	(67.6)	13.0
Non-cash charge on equity method investment	—	—	—	—	39.7	—	—	—	—
Adjustments attributable to non-controlling interests	(0.6)	(0.8)	(0.4)	(0.5)	—	—	—	—	—
Non-GAAP net income attributable to Fortinet, Inc.	\$205.8	\$155.1	\$194.1	\$262.7	\$349.7	\$269.7	\$300.4	\$323.5	\$392.0
GAAP net income per share attributable to Fortinet, Inc., diluted ⁽¹⁾	\$0.24	\$0.17	\$0.21	\$0.29	\$0.40	\$0.31	\$0.33	\$0.41	\$0.40
Stock-based compensation	0.06	0.06	0.07	0.07	0.07	0.07	0.08	0.08	0.08
Amortization of acquired intangible assets	0.01	0.01	0.01	0.01	—	0.01	0.01	0.01	0.01
Gain on IP matter	—	—	—	—	—	—	—	—	—
Tax adjustments	(0.06)	(0.05)	(0.05)	(0.04)	(0.08)	(0.05)	(0.04)	(0.09)	0.02
Non-cash charge on equity method investment	—	—	—	—	0.05	—	—	—	—
Adjustments attributable non-controlling interests	—	—	—	—	—	—	—	—	—
Non-GAAP net income per share attributable to Fortinet, Inc., diluted ⁽¹⁾	\$0.25	\$0.19	\$0.24	\$0.33	\$0.44	\$0.34	\$0.38	\$0.41	\$0.51
Shares used in diluted net income per share attributable to Fortinet, Inc. calculations ⁽¹⁾	835.0	820.8	810.1	798.6	791.8	793.4	795.9	791.2	772.3

Note

(1) All share and per share amounts presented herein have been retroactively adjusted to reflect the five-for-one forward stock split which was effective June 22, 2022.



GAAP to Non-GAAP Reconciliations

(\$ in millions)	2021	2022	2023
Total revenue	\$3,342.2	\$4,417.4	\$5,304.8
Add: Change in deferred revenue	847.6	1,187.4	1,094.7
Less: Deferred revenue balance acquired in business combination	(4.1)	(10.8)	—
Less: Adjustment due to adoption of ASU 2021-08 ⁽¹⁾	(4.3)	—	—
Total billings	\$4,181.4	\$5,594.0	\$6,399.5
GAAP Cash Flow from Operations	\$1,499.7	\$1,730.6	\$1,935.5
Less: Purchases of Property and Equipment	(295.9)	(281.2)	(204.1)
Free Cash Flow ⁽²⁾	1,203.8	1,449.4	1,731.4
Add: Real Estate Related Add Backs	232.0	195.1	126.9
Adjusted Free Cash Flow ⁽³⁾	\$1,435.8	\$1,644.5	\$1,858.3

Notes

- (1) We early adopted ASU 2021-08 on a retrospective basis and effective for us beginning on January 1, 2021. The adoption of ASU 2021-08 resulted in a \$4.3 million adjustment attributable to the acquisition of Alaxala in 2021, as a result of the revised measurement of deferred revenue for acquisition.
- (2) Free Cash Flow is a non-GAAP measure that we define as net cash provided by operating activities minus purchases of property and equipment.
- (3) Adjusted Free Cash Flow is a non-GAAP measure that we define as Free Cash Flow plus cash payments associated with real estate purchases and cash payments related to HQ Construction.



GAAP to Non-GAAP Reconciliations (Continued)

(\$ in millions)	2021	2022	2023
GAAP product gross profit	\$767.3	\$1,089.2	\$1,163.7
Stock-based compensation	1.7	1.7	1.8
Amortization of acquired intangible assets	5.7	7.8	7.1
Non-GAAP product gross profit	\$774.7	\$1,098.7	\$1,172.6
<i>Non-GAAP product gross margin</i>	61.7%	61.7%	60.8%
GAAP service gross profit	\$1,791.9	\$2,243.3	\$2,903.9
Stock-based compensation	15.7	18.8	23.3
Amortization of acquired intangible assets	7.2	9.4	7.8
Non-GAAP service gross profit	\$1,814.8	\$2,271.5	\$2,935.0
<i>Non-GAAP service gross margin</i>	86.9%	86.1%	86.9%
GAAP total gross profit	\$2,559.2	\$3,332.5	\$4,067.6
Stock-based compensation	17.4	20.5	25.1
Amortization of acquired intangible assets	12.9	17.2	14.9
Non-GAAP total gross profit	\$2,589.5	\$3,370.2	\$4,107.6
<i>Non-GAAP gross margin</i>	77.5%	76.3%	77.4%
GAAP research and development expense	\$424.2	\$512.4	\$613.8
Stock-based compensation	(56.7)	(64.2)	(76.8)
Non-GAAP research and development expense	\$367.5	\$448.2	\$537.0
<i>Non-GAAP research and development expense as a percentage of revenue</i>	11.0%	10.1%	10.1%
GAAP sales and marketing expense	\$1,345.7	\$1,686.1	\$2,006.0
Stock-based compensation	(110.0)	(105.0)	(111.8)
Amortization of acquired intangible assets	(5.6)	(6.1)	(4.0)
Non-GAAP sales and marketing expense	\$1,230.1	\$1,575.0	\$1,890.2
<i>Non-GAAP sales and marketing expense as a percentage of revenue</i>	36.8%	35.7%	35.6%



GAAP to Non-GAAP Reconciliations (Continued)

(\$ in millions)	2021	2022	2023
GAAP general and administrative expense	\$143.5	\$169.0	\$211.3
Stock-based compensation	(27.1)	(30.1)	(37.9)
Non-GAAP general and administrative expense	\$116.4	\$138.9	\$173.4
<i>Non-GAAP general and administrative expense as a percentage of revenue</i>	3.5%	3.1%	3.3%
GAAP Gain on IP matter	\$(4.6)	\$(4.6)	\$(4.6)
Gain on IP matter	4.6	4.6	4.6
Non-GAAP gain on IP matter	\$—	\$—	\$—
<i>Non-GAAP gain on IP matter as a percentage of revenue</i>	—%	—%	—%
GAAP total operating expense	\$1,908.8	\$2,362.9	\$2,826.5
Stock-based compensation	(193.8)	(199.3)	(226.5)
Amortization of acquired intangible assets	(5.6)	(6.1)	(4.0)
Gain on IP matter	4.6	4.6	4.6
Non-GAAP total operating expense	\$1,714.0	\$2,162.1	\$2,600.6
<i>Non-GAAP total operating expense as a percentage of revenue</i>	51.3%	48.9%	49.0%
GAAP operating income	\$650.4	\$969.6	\$1,241.1
Stock-based compensation	211.2	219.8	251.6
Amortization of acquired intangible assets	18.5	23.3	18.9
Gain on IP Matter	(4.6)	(4.6)	(4.6)
Non-GAAP operating income	\$875.5	\$1,208.1	\$1,507.0
<i>Non-GAAP operating margin</i>	26.2%	27.3%	28.4%



GAAP to Non-GAAP Reconciliations (Continued)

<i>(\$ in millions)</i>	2021	2022	2023
GAAP provision for income taxes	\$14.1	\$30.8	\$143.8
Tax adjustments related to the above	165.1	172.2	128.1
Non-GAAP provision for income taxes	\$179.2	\$203.0	\$271.9
<i>Non-GAAP effective tax rate</i>	21%	17%	17%
GAAP net income attributable to Fortinet, Inc.	\$606.8	\$857.3	\$1,147.8
Stock-based compensation	211.2	219.8	251.6
Amortization of acquired intangible assets	18.5	23.3	18.9
Gain on IP matter	(4.6)	(4.6)	(4.6)
Tax adjustments	(165.1)	(172.2)	(128.1)
Non-cash charge on equity method investment	—	39.7	—
Adjustments attributable non-controlling interests	(0.8)	(1.7)	—
Non-GAAP net income attributable to Fortinet, Inc.	\$666.0	\$961.6	\$1,285.6
GAAP net income per share attributable to Fortinet, Inc., diluted ⁽¹⁾	\$0.73	\$1.06	\$1.46
Stock-based compensation	0.26	0.27	0.32
Amortization of acquired intangible assets	0.02	0.03	0.02
Gain on IP matter	(0.01)	(0.01)	(0.01)
Tax adjustments	(0.20)	(0.21)	(0.16)
Non-cash charge on equity method investment	—	0.1	—
Adjustments attributable non-controlling interests	—	—	—
Non-GAAP net income per share attributable to Fortinet, Inc., diluted ⁽¹⁾	\$0.80	\$1.19	\$1.63
Shares used in diluted net income per share attributable to Fortinet, Inc. calculations ⁽¹⁾	835.3	805.3	788.2

Note

(1) All share and per share amounts presented herein have been retroactively adjusted to reflect the five-for-one forward stock split which was effective June 22, 2022.



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