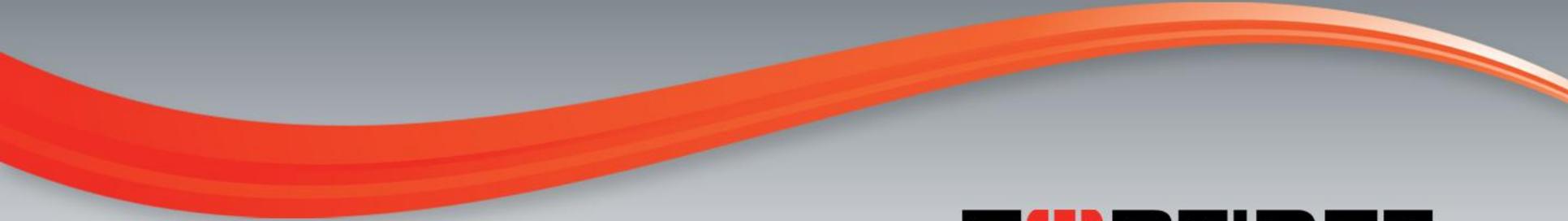




# Q4 2013 Financial Results

*January 29, 2014*



**FORTINET**<sup>®</sup>

*High Performance Network Security*

# Safe Harbor Statement



Information, statements and projections contained in these presentation slides and related conference call concerning Fortinet's business outlook and momentum, the Q1 2014 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, the UTM 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; 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](http://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.

# Securing the Cloud: Broad VM Platform Support

Virtual Appliance 	VMware				Citrix		Open Source		Amazon	Microsoft	
	vSphere v4.0	vSphere v4.1	vSphere v5.0	vSphere v5.1	Xen Server v5.6 SP2	Xen Server v6.0	Xen	KVM	AWS	Hyper-V 2008 R2	Hyper-V 2012
FortiGate-VM											
FortiManager-VM											
FortiAnalyzer-VM											
FortiWeb-VM											
FortiMail-VM											
FortiAuthenticator-VM											
FortiADC-VM											
FortiCache-VM											

# Q4 2013 Non-GAAP Results



	Q4 13	Q4 12	Y/Y % Change	Q3 13
<b>Billings <sup>(1)</sup></b>	<b>\$210M</b>	<b>\$174M</b>	<b>20%</b>	<b>\$165M</b>
<b>Revenue</b>	<b>\$177M</b>	<b>\$151M</b>	<b>17%</b>	<b>\$155M</b>
<b>Gross Margin (%) <sup>(2)</sup></b>	<b>71%</b>	<b>73%</b>	<b>-2% pts</b>	<b>73%</b>
<b>Operating Income <sup>(2)(3)</sup></b>	<b>\$38M</b>	<b>\$42M</b>	<b>-9%</b>	<b>\$30M</b>
<b>Operating Margin (%) <sup>(2)(3)</sup></b>	<b>21%</b>	<b>27%</b>	<b>-6% pts</b>	<b>19%</b>
<b>Net Income <sup>(2)(3)(4)</sup></b>	<b>\$26M</b>	<b>\$28M</b>	<b>-8%</b>	<b>\$20M</b>
<b>Earnings per Share <sup>(2)(3)(4)</sup></b>	<b>\$0.15</b>	<b>\$0.17</b>	<b>-12%</b>	<b>\$0.12</b>
<b>Deferred Revenue</b>	<b>\$433M</b>	<b>\$363M</b>	<b>19%</b>	<b>\$400M</b>
<b>Cash Flow from Operations</b>	<b>\$47M</b>	<b>\$50M</b>	<b>-7%</b>	<b>\$25M</b>
<b>Free Cash Flow <sup>(5)</sup></b>	<b>\$40M</b>	<b>\$48M</b>	<b>-19%</b>	<b>\$22M</b>

**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. Includes patent revenue of \$2.2M in Q4 2013 and \$1.9M in Q4 2012.
- (2) Does not include stock based compensation or amortization or impairment of intangibles.
- (3) Excludes amortization of patent licensing gain.
- (4) Assumes effective tax rate of 33% for Q3 and Q4 2013 and 34% for Q4 2012.
- (5) Free Cash Flow is a non-GAAP measure that we define as Cash Flow from Operations less the purchase of property, plant and equipment.

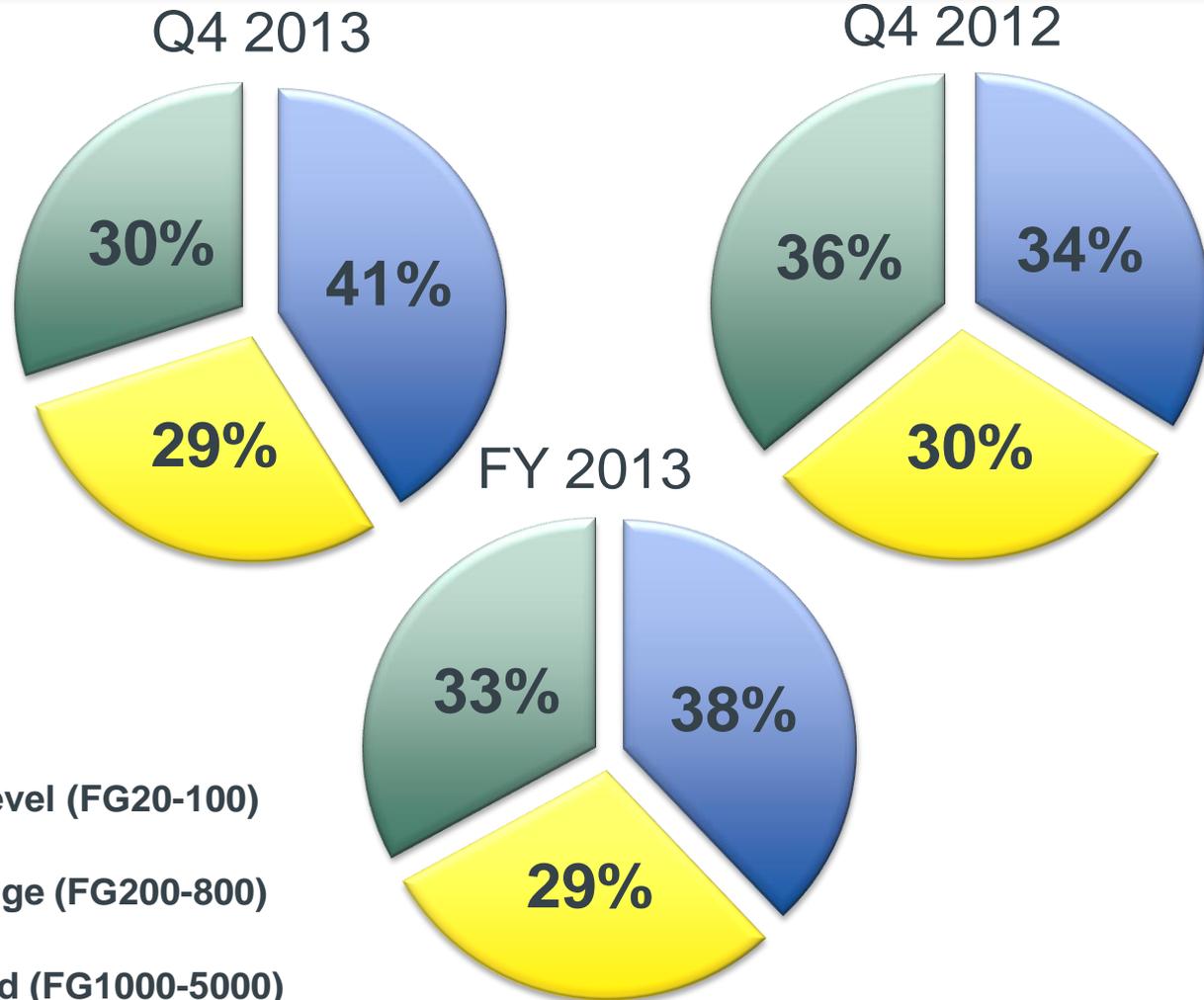
# Balanced Product Segmentation



## FortiGate Billings

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

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



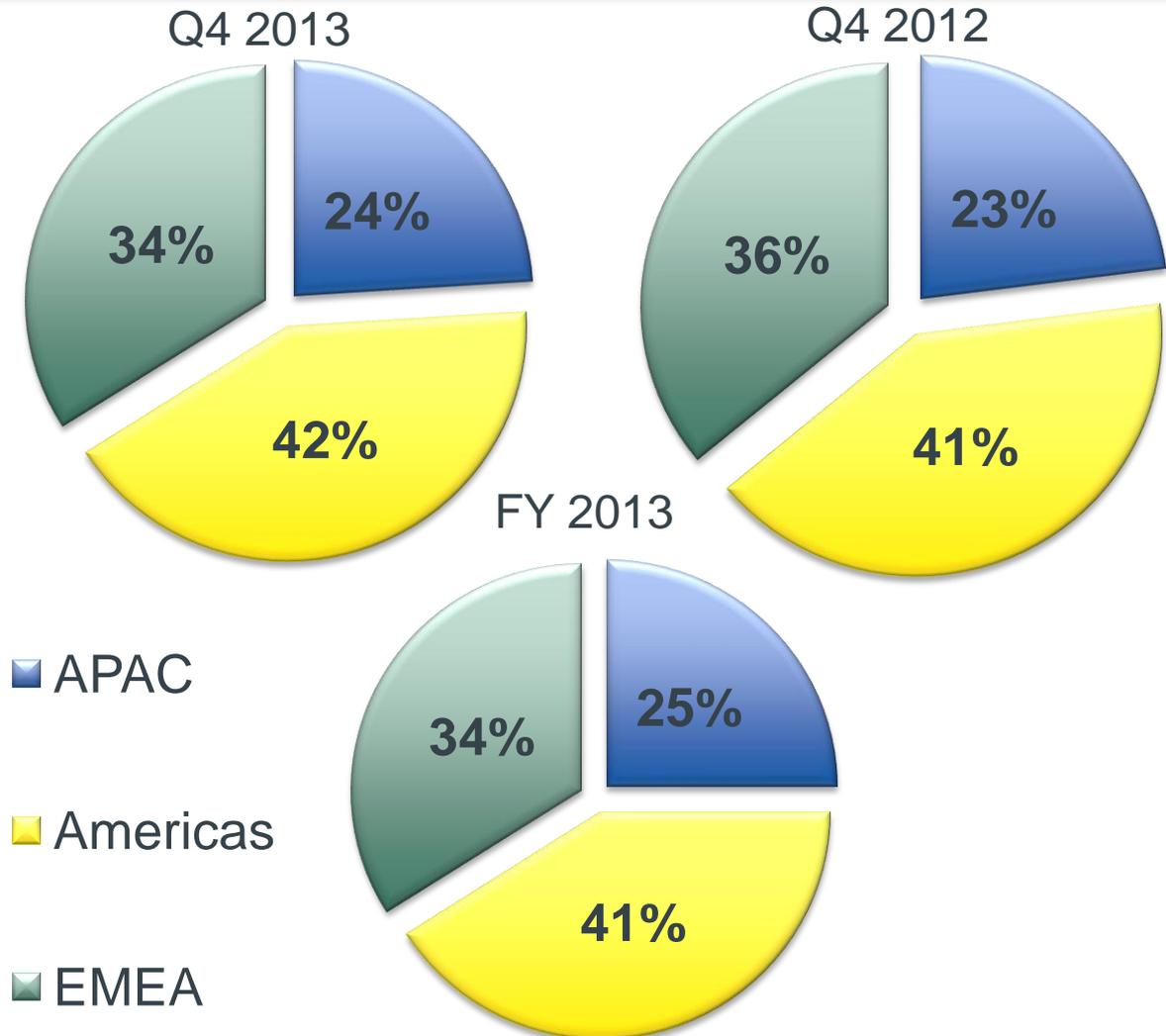
### Note

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 of that period to the end of that period

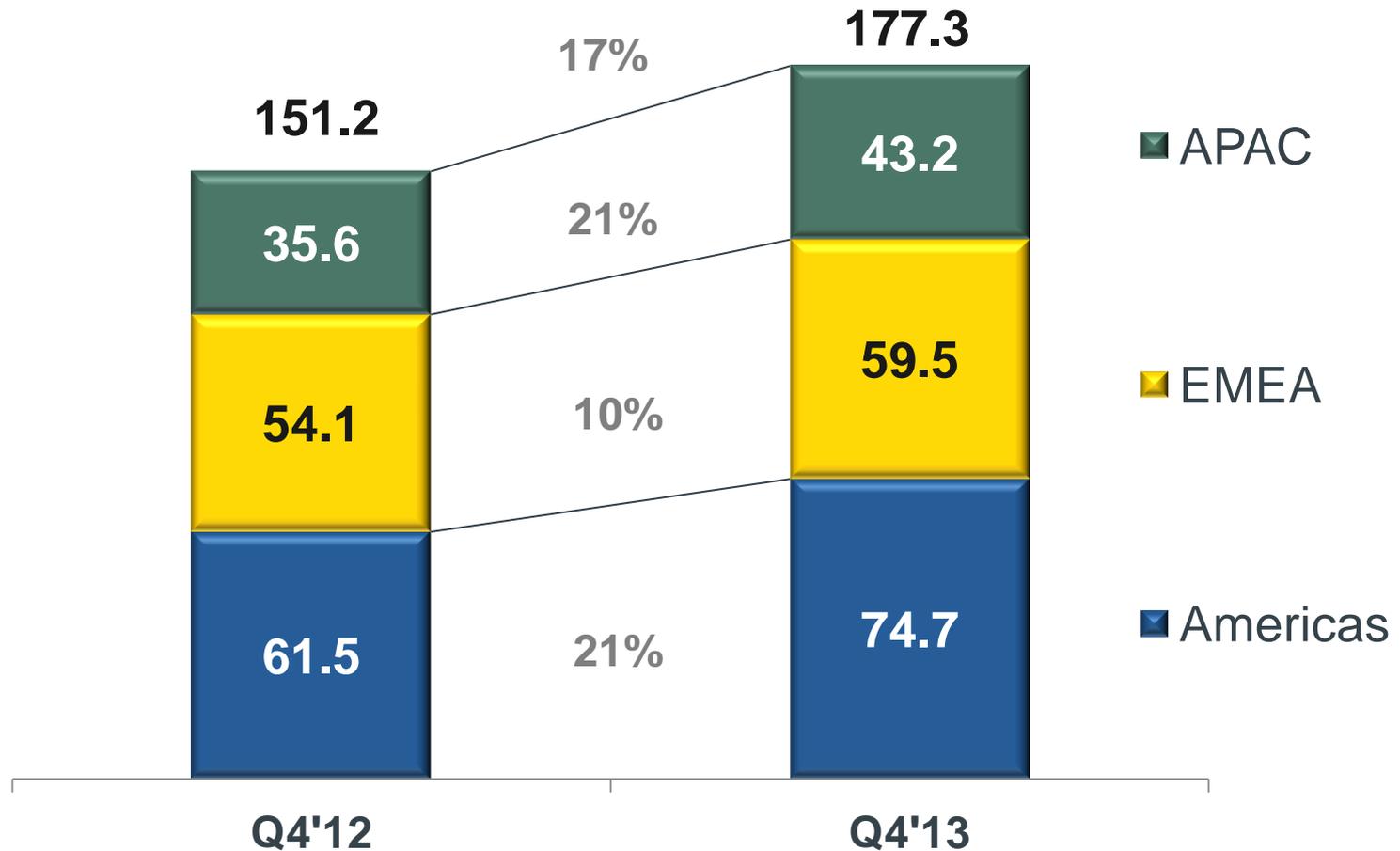
# Diversified Global Revenue

## Revenue by Geography

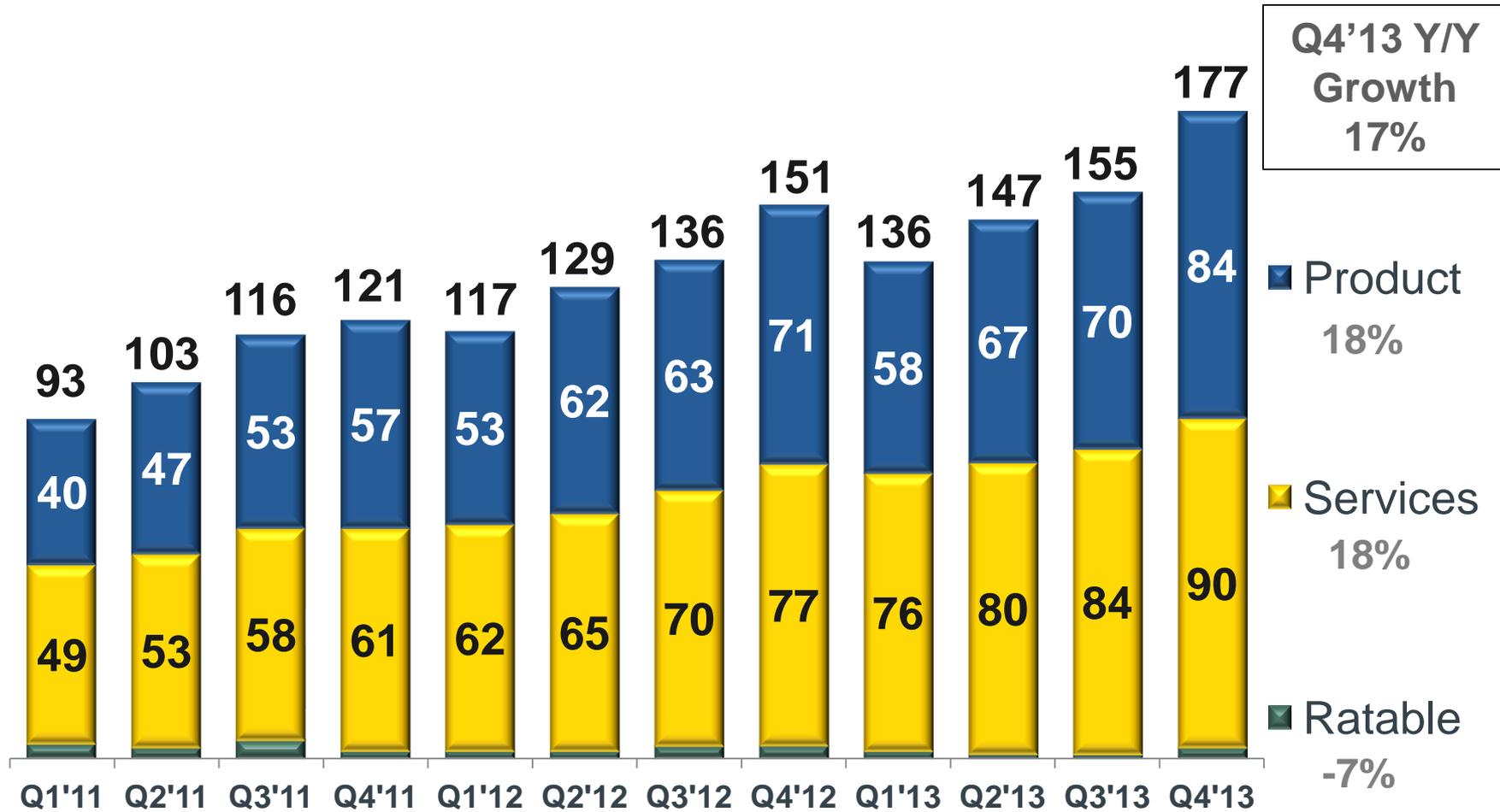
- Globally-diverse revenue stream
- Investing for growth globally



# Revenue Growth by Geography



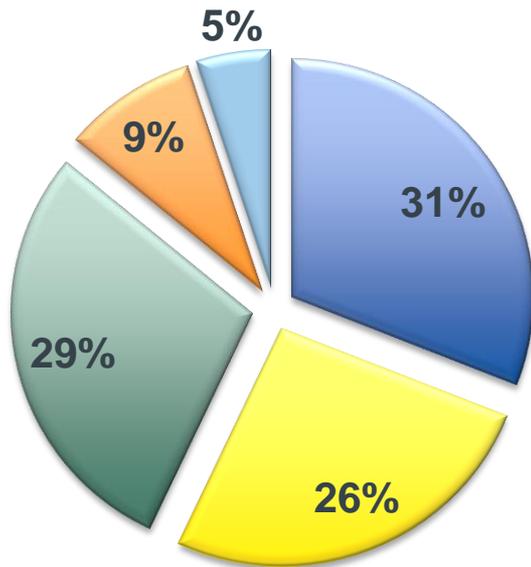
# Quarterly Revenue Mix & Q4'13 Y/Y Growth



# Global Employee Footprint

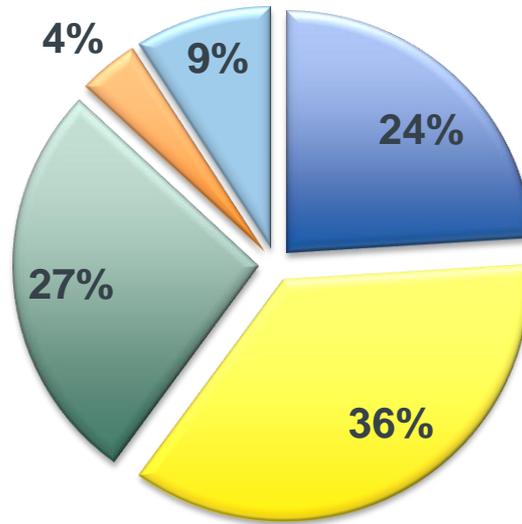


Location



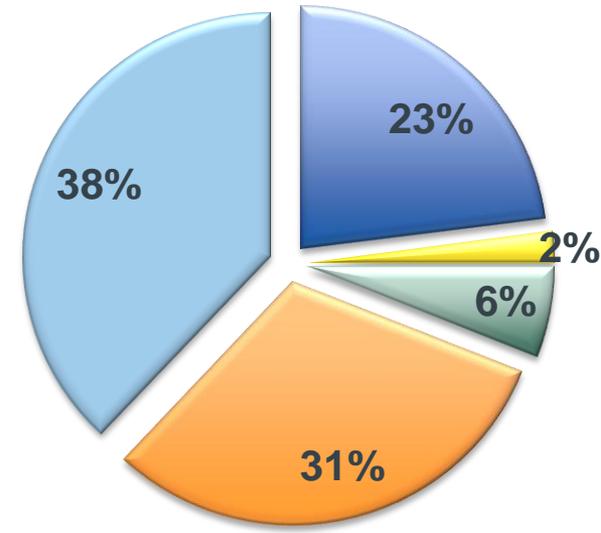
- Canada
- USA
- RoW
- China
- France

Cost



- Canada
- USA
- RoW
- China
- France

Function



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

Q4'13 Headcount: 2,308

# 2013 Non-GAAP Results



	2013	2012	Y/Y % Change
<b>Billings <sup>(1)</sup></b>	<b>\$684M</b>	<b>\$602M</b>	<b>14%</b>
<b>Revenue</b>	<b>\$615M</b>	<b>\$534M</b>	<b>15%</b>
<b>Gross Margin (%) <sup>(2)</sup></b>	<b>72%</b>	<b>73%</b>	<b>- 1% pt</b>
<b>Operating Income <sup>(2)(3)</sup></b>	<b>\$117M</b>	<b>\$130M</b>	<b>-10%</b>
<b>Operating Margin (%) <sup>(2)(3)</sup></b>	<b>19%</b>	<b>24%</b>	<b>-5% pts</b>
<b>Net Income <sup>(2)(3)(4)</sup></b>	<b>\$81M</b>	<b>\$89M</b>	<b>-9%</b>
<b>Earnings per Share <sup>(2)(3)(4)</sup></b>	<b>\$0.48</b>	<b>\$0.53</b>	<b>-9%</b>
<b>Deferred Revenue</b>	<b>\$433M</b>	<b>\$363M</b>	<b>19%</b>
<b>Cash Flow from Operations</b>	<b>\$147M</b>	<b>\$184M</b>	<b>-20%</b>
<b>Free Cash Flow <sup>(5)</sup></b>	<b>\$134M</b>	<b>\$162M</b>	<b>-17%</b>

## 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. Includes patent revenue of \$2.8M in 2013 and \$3.7M in 2012.
- (2) Does not include stock based compensation or amortization or impairment of intangibles.
- (3) Excludes amortization of patent licensing gain.
- (4) Assumes effective tax rate of 33% for 2013 and 34% for 2012.
- (5) Free Cash Flow is a non-GAAP measure that we define as Cash Flow from Operations less the purchase of property, plant and equipment.

# Q4 2013 Select Financial Statistics



	Q4 13	Q3 13	Q4 12
Cash and Investments <sup>(1)</sup>	\$843M	\$839M	\$740M
Deferred Revenue	\$433M	\$400M	\$363M
Free Cash Flow	\$40M	\$22M	\$48M
Working Capital	\$326M	\$339M	\$250M
Accounts Receivable	\$130M	\$108M	\$108M
DSO	66	63	64
Net Inventory	\$49M	\$47M	\$21M
Inventory Turns	2.5	1.8	4.4
Revenue per Employee (Annualized)	\$312K	\$280K	\$318K
No. of Deals >\$100K	260	187	229
No. of Deals >\$250K	96	61	78
No. of Deals >\$500K	37	19	27

**Notes**  
 (1) Excludes \$2.0M investment in privately-held company which is recorded in other assets.

# Maintaining Strong Balance Sheet



(\$ in Millions)	Q4 13	Q3 13	Q4 12
<b>Assets</b>			
Cash and Investments <sup>(1)</sup>	843	839	740
Accounts Receivable	130	108	108
Inventory	49	47	21
Property and Equipment	34	28	26
Deferred Tax Assets	81	77	62
Other Assets	28	29	18
<b>Total Assets</b>	<b>1,165</b>	<b>1,128</b>	<b>975</b>
<b>Liabilities and Shareholders' Equity</b>			
Accounts Payable	33	33	21
Accrued Expenses and Others	113	95	80
Deferred Revenue	433	400	363
Common Stock/Paid in Capital	463	455	397
Retained Earnings	123	145	114
<b>Total Liabilities and Shareholders' Equity</b>	<b>1,165</b>	<b>1,128</b>	<b>975</b>

Notes  
 (1) Excludes \$2.0M investment in privately-held company which is recorded in other assets.

# Statement of Cash Flows (Non-GAAP)

(\$ in Millions)	Q4 13	Q4 12	2013	2012
<b>GAAP Net Income</b>	12	22	44	67
Depreciation and Stock-Based Compensation	17	10	60	42
Accounts Receivable	(23)	(18)	(22)	(12)
Inventory	(4)	4	(35)	(11)
Accounts Payable / Accrued Expenses / Other	13	9	31	30
Deferred Revenue	32	23	69	68
<b>GAAP Cash Flow from Operations</b>	<b>47</b>	<b>50</b>	<b>147</b>	<b>184</b>
Purchase of Property and Equipment	(7)	(2)	(13)	(22)
<b>Free Cash Flow</b>	<b>40</b>	<b>48</b>	<b>134</b>	<b>162</b>
Stock Option and RSU Exercises / ESPP	1	2	25	38
Stock Repurchases	(34)	-	(34)	-
Acquisition	-	(1)	(8)	(1)
Effect of F/X Rate on Cash / Other	(3)	-	(14)	2
<b>Net Cash Flow</b>	<b>4</b>	<b>49</b>	<b>103</b>	<b>201</b>
<i>Footnote: Cash Paid for Taxes</i>	6	7	25	17
<i>Footnote: Shares Repurchased Not Yet Settled</i>	5	-	5	-

# Q1 2014 Guidance



	Q1 14	Y/Y % Mid-Pt Growth
<b>Billings <sup>(1)</sup></b>	<b>\$168 - 173M</b>	<b>15%</b>
<b>Revenue</b>	<b>\$155 - 159M</b>	<b>16%</b>
<b>Gross Margin (%) <sup>(2)</sup></b>	<b>70 - 71%</b>	
<b>Operating Margin (%) <sup>(2)</sup></b>	<b>~12%</b>	
<b>Earnings per Share <sup>(2)(3)</sup></b>	<b>~\$0.08</b>	
<b>Weighted Diluted Shares used in EPS</b>	<b>167 - 169M</b>	

## 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 amortization or impairment of intangibles.
- (3) Assumes effective tax rate of 33% for Q1 2014.

# GAAP to Non-GAAP – Operating Results (Q4'13 vs. Q4'12 vs. Q3'13)

(in thousands, except per share amounts)

	Q4'13	Adjustment	Non-GAAP Q4'13	Q4'12	Adjustment	Non-GAAP Q4'12	Q3'13	Adjustment	Non-GAAP Q3'13
<b>Revenue:</b>									
<b>Product</b>	\$ 83,884	-	\$ 83,884	\$ 71,025	-	\$ 71,025	\$ 69,687	-	\$ 69,687
<b>Services</b>	90,276	-	90,276	76,711	-	76,711	83,883	-	83,883
<b>Ratable and other revenue</b>	3,190	-	3,190	3,426	-	3,426	1,129	-	1,129
<b>Total Revenue</b>	177,350	-	177,350	151,162	-	151,162	154,699	-	154,699
<b>Cost of revenue:</b>									
<b>Product</b>	37,579	(1,083)	36,496	26,974	(322)	26,652	27,126	(514)	26,612
<b>Services</b>	15,916	(1,298)	14,618	13,836	(1,032)	12,804	16,374	(1,297)	15,077
<b>Ratable and other revenue</b>	382	-	382	632	-	632	430	-	430
<b>Total cost of revenue</b>	53,877	(2,381)	51,496	41,442	(1,354)	40,088	43,930	(1,811)	42,119
<b>Gross Profit:</b>									
<b>Product</b>	46,305	1,083	47,388	44,051	322	44,373	42,561	514	43,075
<b>Services</b>	74,360	1,298	75,658	62,875	1,032	63,907	67,509	1,297	68,806
<b>Ratable and other revenue</b>	2,808	-	2,808	2,794	-	2,794	699	-	699
<b>Total gross profit</b>	123,473	2,381	125,854	109,720	1,354	111,074	110,769	1,811	112,580
<b>Operating Expenses:</b>									
<b>Research and development</b>	27,747	(3,666)	24,081	20,525	(2,452)	18,073	26,421	(3,548)	22,873
<b>Sales and marketing</b>	62,331	(5,599)	56,732	48,117	(1,996)	46,121	56,687	(5,215)	51,472
<b>General and administrative</b>	8,752	(1,540)	7,212	6,038	(708)	5,330	9,382	(1,149)	8,233
<b>Total operating expenses</b>	98,830	(10,805)	88,025	74,680	(5,156)	69,524	92,490	(9,912)	82,578
<b>Operating income</b>	24,643	13,186	37,829	35,040	6,510	41,550	18,279	11,723	30,002
<b>Interest income</b>	1,318	-	1,318	1,400	-	1,400	1,282	-	1,282
<b>Other expense, net</b>	(419)	-	(419)	(170)	-	(170)	(1,151)	-	(1,151)
<b>Income before income taxes</b>	25,542	13,186	38,728	36,270	6,510	42,780	18,410	11,723	30,133
<b>Provision for income taxes</b>	13,526	(746)	12,780	14,763	(218)	14,545	7,381	2,563	9,944
<b>Net income</b>	\$ 12,016	\$ 13,932	\$ 25,948	\$ 21,507	\$ 6,728	\$ 28,235	\$ 11,029	\$ 9,160	\$ 20,189
<b>Basic net income per share</b>	\$ 0.07		\$ 0.16	\$ 0.13		\$ 0.18	\$ 0.07		\$ 0.12
<b>Diluted net income per share</b>	\$ 0.07		\$ 0.15	\$ 0.13		\$ 0.17	\$ 0.07		\$ 0.12
<b>Shares used in computing net income per share</b>									
<b>Basic</b>	163,281		163,281	160,034		160,034	162,906		162,906
<b>Diluted</b>	168,873		168,873	166,955		166,955	168,666		168,666

# GAAP to Non-GAAP – Operating Results (% of Rev) (Q4'13 vs. Q4'12 vs. Q3'13)

% of revenue	Non-GAAP			Non-GAAP			Non-GAAP		
	Q4'13	Adjustment	Q4'13	Q4'12	Adjustment	Q4'12	Q3'13	Adjustment	Q3'13
<b>Revenue:</b>									
<b>Product</b>	47%	-	47%	47%	-	47%	45%	-	45%
<b>Services</b>	51%	-	51%	51%	-	51%	54%	-	54%
<b>Ratable and other revenue</b>	2%	-	2%	2%	-	2%	1%	-	1%
<b>Total Revenue</b>	100%	-	100%	100%	-	100%	100%	-	100%
<b>Cost of revenue:</b>									
<b>Product</b>	21%	-	21%	18%	-	18%	17%	-	17%
<b>Services</b>	9%	( 1% )	8%	9%	-	9%	11%	( 1% )	10%
<b>Ratable and other revenue</b>	-	-	-	-	-	-	-	-	-
<b>Total cost of revenue</b>	30%	( 1% )	29%	27%	-	27%	28%	( 1% )	27%
<b>Gross Profit:</b>									
<b>Product</b>	55%	1%	56%	62%	-	62%	61%	1%	62%
<b>Services</b>	82%	2%	84%	82%	1%	83%	80%	2%	82%
<b>Ratable and other revenue</b>	88%	-	88%	82%	-	82%	62%	-	62%
<b>Total gross profit</b>	70%	1%	71%	73%	-	73%	72%	1%	73%
<b>Operating Expenses:</b>									
<b>Research and development</b>	16%	( 2% )	14%	14%	( 3% )	11%	17%	( 2% )	15%
<b>Sales and marketing</b>	35%	( 3% )	32%	32%	( 1% )	31%	37%	( 3% )	34%
<b>General and administrative</b>	5%	( 1% )	4%	4%	-	4%	6%	( 1% )	5%
<b>Total operating expenses</b>	56%	( 6% )	50%	50%	( 4% )	46%	60%	( 6% )	54%
<b>Operating income</b>	14%	7%	21%	23%	4%	27%	12%	7%	19%
<b>Interest income</b>	1%	-	1%	1%	-	1%	1%	-	1%
<b>Other expense, net</b>	-	-	-	-	-	-	( 1% )	-	( 1% )
<b>Income before income taxes</b>	15%	7%	22%	24%	4%	28%	12%	7%	19%
<b>Provision for income taxes</b>	8%	( 1% )	7%	10%	-	10%	5%	1%	6%
<b>Net income</b>	7%	8%	15%	14%	4%	18%	7%	6%	13%

# GAAP to Non-GAAP – Operating Results (FY'13 vs. FY'12)



(in thousands, except per share amounts)

	Fiscal 2013	Adjustment	Non-GAAP Fiscal 2013	Fiscal 2012	Adjustment	Non-GAAP Fiscal 2012
<b>Revenue:</b>						
<b>Product</b>	\$ 278,046	-	\$ 278,046	\$ 248,948	-	\$ 248,948
<b>Services</b>	329,723	-	329,723	274,043	-	274,043
<b>Ratable and other revenue</b>	7,528	-	7,528	10,648	-	10,648
<b>Total Revenue</b>	615,297	-	615,297	533,639	-	533,639
<b>Cost of revenue:</b>						
<b>Product</b>	114,611	(2,403)	112,208	93,971	(1,159)	92,812
<b>Services</b>	64,123	(4,841)	59,282	50,682	(3,736)	46,946
<b>Ratable and other revenue</b>	1,909	-	1,909	2,767	-	2,767
<b>Total cost of revenue</b>	180,643	(7,244)	173,399	147,420	(4,895)	142,525
<b>Gross Profit:</b>						
<b>Product</b>	163,435	2,403	165,838	154,977	1,159	156,136
<b>Services</b>	265,600	4,841	270,441	223,361	3,736	227,097
<b>Ratable and other revenue</b>	5,619	-	5,619	7,881	-	7,881
<b>Total gross profit</b>	434,654	7,244	441,898	386,219	4,895	391,114
<b>Operating Expenses:</b>						
<b>Research and development</b>	102,660	(13,271)	89,389	81,078	(9,226)	71,852
<b>Sales and marketing</b>	224,991	(19,526)	205,465	179,155	(12,793)	166,362
<b>General and administrative</b>	34,913	(4,538)	30,375	25,511	(2,690)	22,821
<b>Total operating expenses</b>	362,564	(37,335)	325,229	285,744	(24,709)	261,035
<b>Operating income</b>	72,090	44,579	116,669	100,475	29,604	130,079
<b>Interest income</b>	5,306	-	5,306	5,006	-	5,006
<b>Other expense, net</b>	(1,455)	-	(1,455)	(485)	-	(485)
<b>Income before income taxes</b>	75,941	44,579	120,520	104,996	29,604	134,600
<b>Provision for income taxes</b>	31,668	8,104	39,772	38,160	7,604	45,764
<b>Net income</b>	\$ 44,273	\$ 36,475	\$ 80,748	\$ 66,836	\$ 22,000	\$ 88,836
<b>Basic net income per share</b>	\$ 0.27		\$ 0.50	\$ 0.42		\$ 0.56
<b>Diluted net income per share</b>	\$ 0.26		\$ 0.48	\$ 0.40		\$ 0.53
<b>Shares used in computing net income per share</b>						
<b>Basic</b>	162,435		162,435	158,074		158,074
<b>Diluted</b>	168,183		168,183	166,329		166,329

# GAAP to Non-GAAP – Operating Results (% of Rev) (FY'13 vs. FY'12)

% of revenue	Fiscal 2013			Fiscal 2012		
	Fiscal 2013	Adjustment	Non-GAAP Fiscal 2013	Fiscal 2012	Adjustment	Non-GAAP Fiscal 2012
<b>Revenue:</b>						
Product	45%	-	45%	47%	-	47%
Services	54%	-	54%	51%	-	51%
Ratable and other revenue	1%	-	1%	2%	-	2%
<b>Total Revenue</b>	<b>100%</b>	<b>-</b>	<b>100%</b>	<b>100%</b>	<b>-</b>	<b>100%</b>
<b>Cost of revenue:</b>						
Product	19%	( 1% )	18%	18%	( 1% )	17%
Services	10%	-	10%	9%	-	9%
Ratable and other revenue	-	-	-	1%	-	1%
<b>Total cost of revenue</b>	<b>29%</b>	<b>( 1% )</b>	<b>28%</b>	<b>28%</b>	<b>( 1% )</b>	<b>27%</b>
<b>Gross Profit:</b>						
Product	59%	1%	60%	62%	1%	63%
Services	81%	1%	82%	82%	1%	83%
Ratable and other revenue	75%	-	75%	74%	-	74%
<b>Total gross profit</b>	<b>71%</b>	<b>1%</b>	<b>72%</b>	<b>72%</b>	<b>1%</b>	<b>73%</b>
<b>Operating Expenses:</b>						
Research and development	17%	( 2% )	15%	15%	( 1% )	14%
Sales and marketing	36%	( 3% )	33%	33%	( 2% )	31%
General and administrative	6%	( 1% )	5%	5%	( 1% )	4%
<b>Total operating expenses</b>	<b>59%</b>	<b>( 6% )</b>	<b>53%</b>	<b>53%</b>	<b>( 4% )</b>	<b>49%</b>
<b>Operating income</b>	<b>12%</b>	<b>7%</b>	<b>19%</b>	<b>19%</b>	<b>5%</b>	<b>24%</b>
Interest income	-	-	-	1%	-	1%
Other expense, net	-	-	-	-	-	-
<b>Income before income taxes</b>	<b>12%</b>	<b>7%</b>	<b>19%</b>	<b>20%</b>	<b>5%</b>	<b>25%</b>
<b>Provision for income taxes</b>	<b>5%</b>	<b>1%</b>	<b>6%</b>	<b>7%</b>	<b>2%</b>	<b>9%</b>
<b>Net income</b>	<b>7%</b>	<b>6%</b>	<b>13%</b>	<b>13%</b>	<b>3%</b>	<b>16%</b>