



FORTINET

ACCELERATE 18

STR3NGTH IN NUMB3RS

CLOUD SECURITY
PROTECTING THE DIGITAL
ATTACK SURFACE

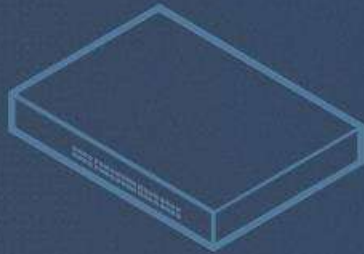
JOHN MADDISON :: SVP PRODUCTS AND SOLUTIONS

CLOUD DEFINITION

Software



Appliance



Hosted



Virtual
Machine



Cloud



CLOUD SECURITY OPPORTUNITY

SECURITY ACROSS MULTI-CLOUDS



MULTIPLE SECURITY APPLICATION SUPPORT



MULTIPLE INTEGRATIONS

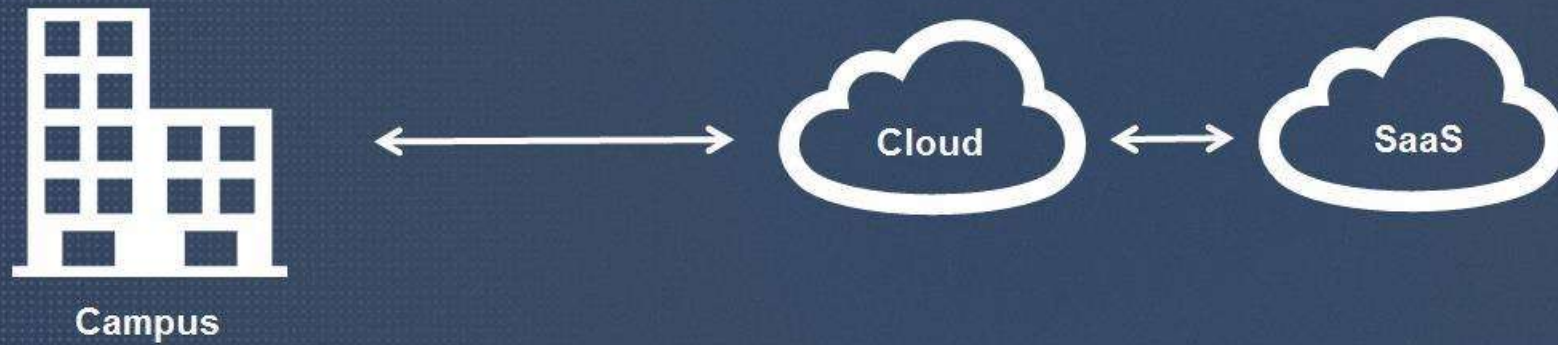
- On-Demand
- Certification
- Automation
- DevOps
- Auto-Scale
- High Availability
- Bolt-on Sec App's
- SaaS Factory



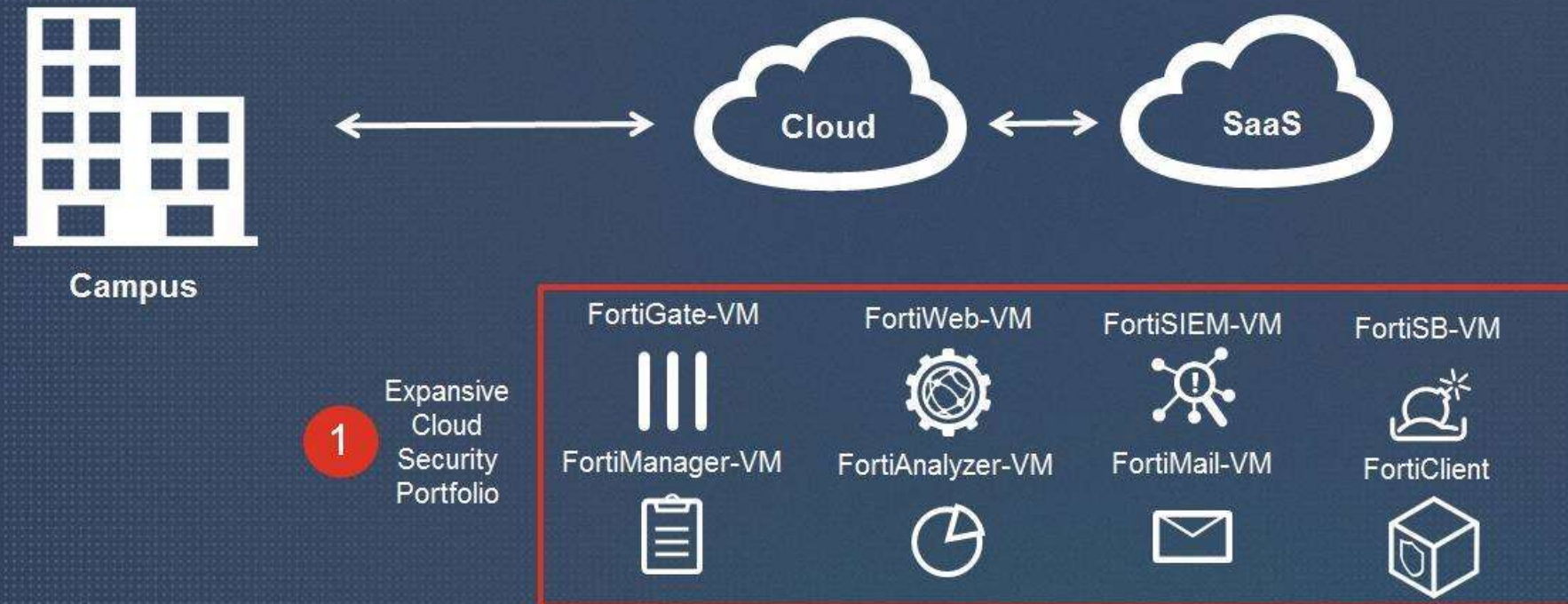
MULTIPLE SAAS CLOUD SUPPORT



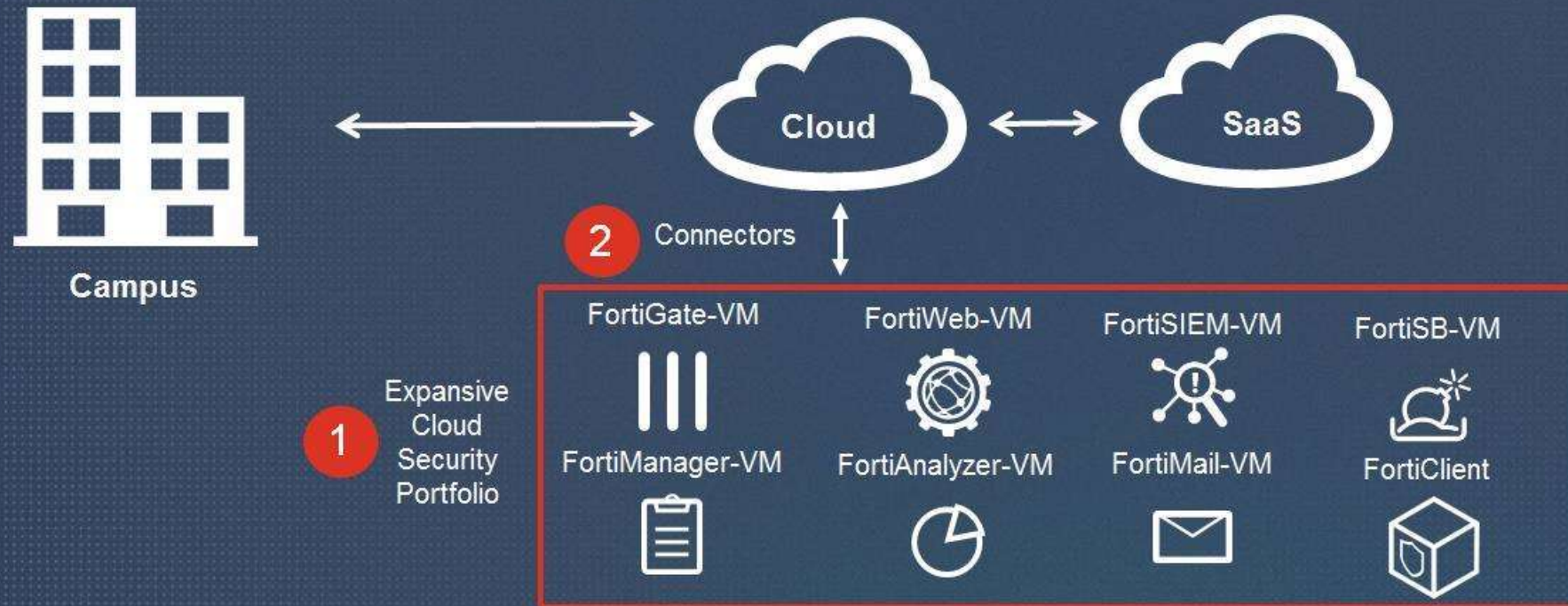
FORTINET CLOUD SECURITY PORTFOLIO



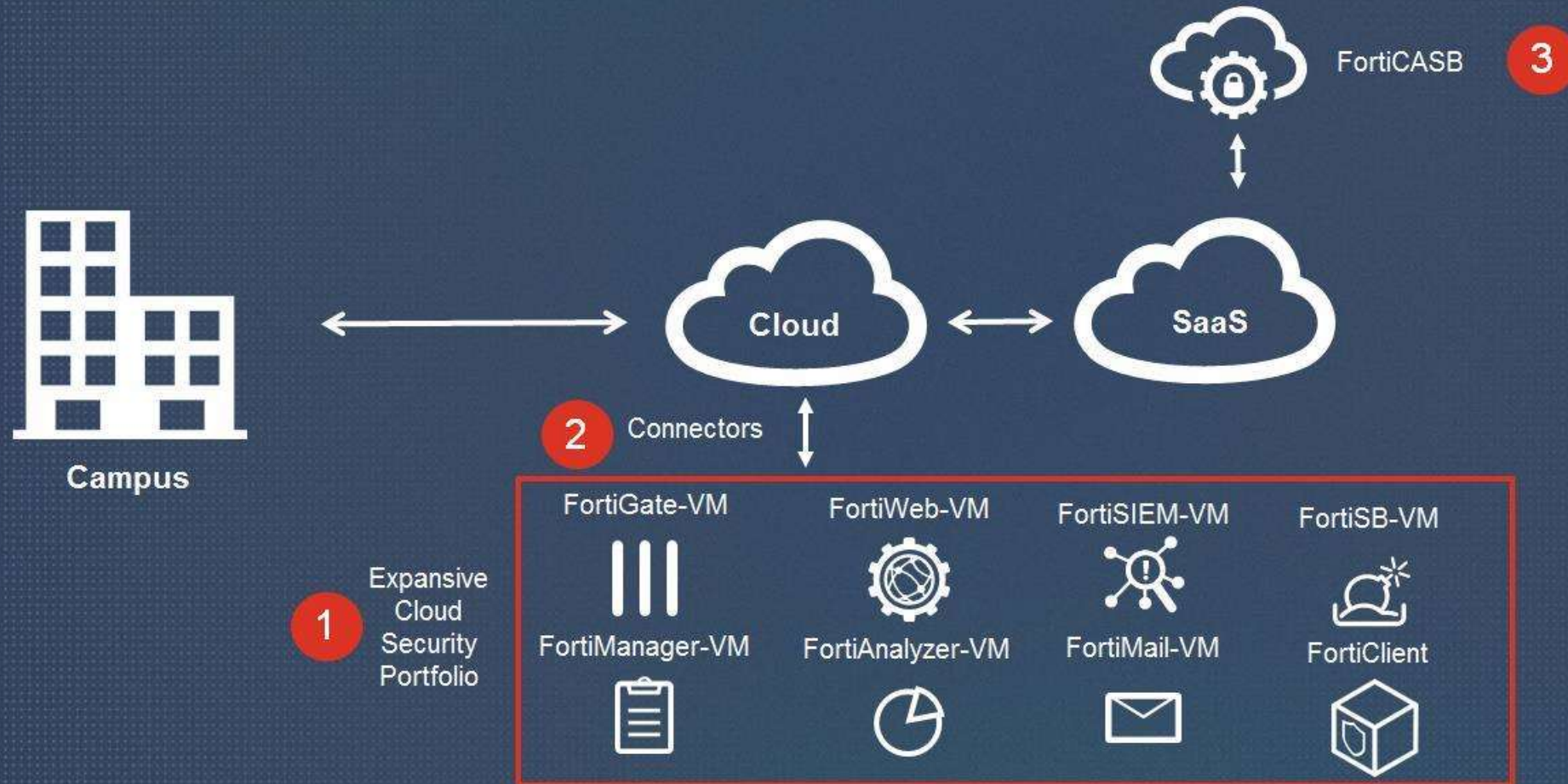
FORTINET CLOUD SECURITY PORTFOLIO



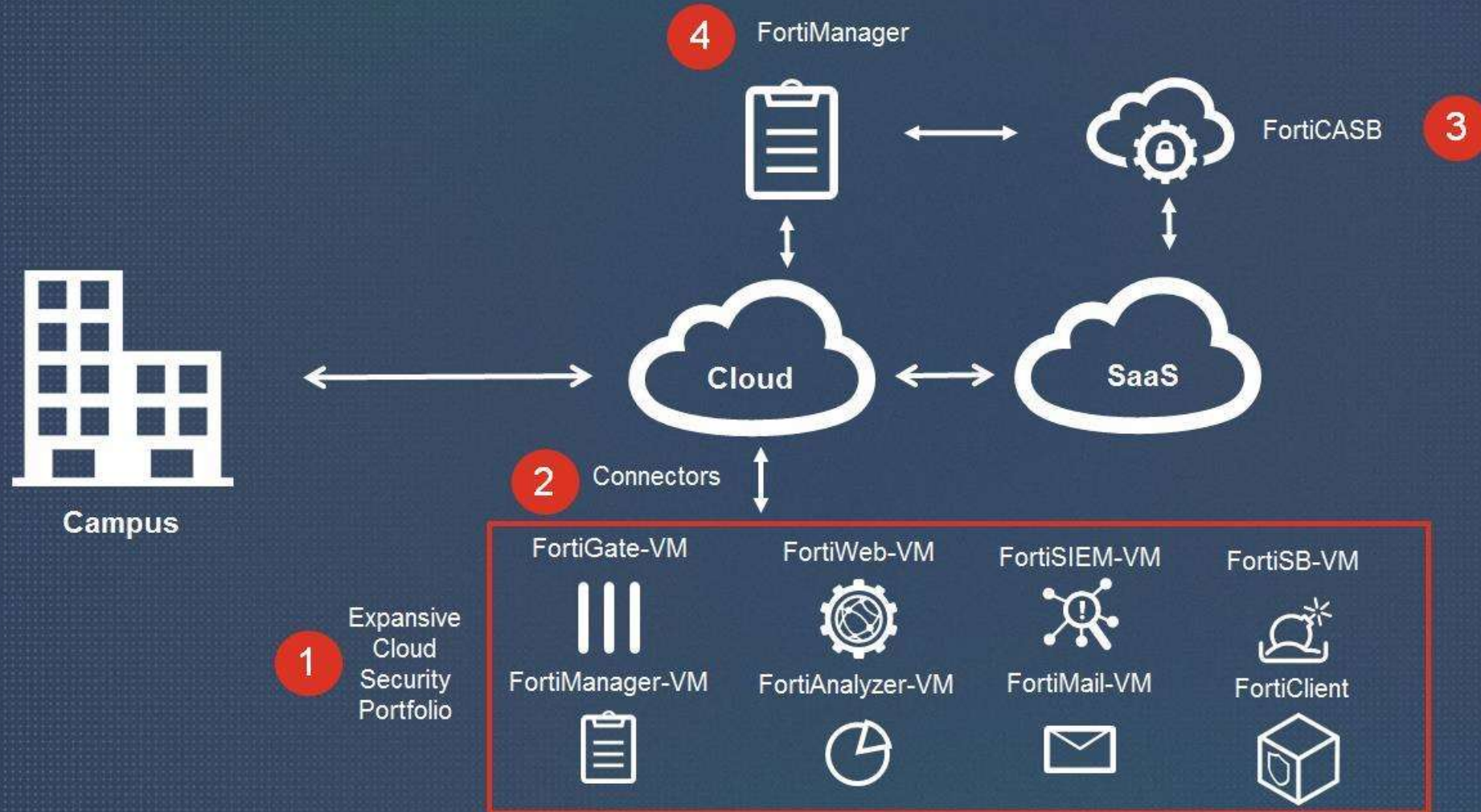
FORTINET CLOUD SECURITY PORTFOLIO



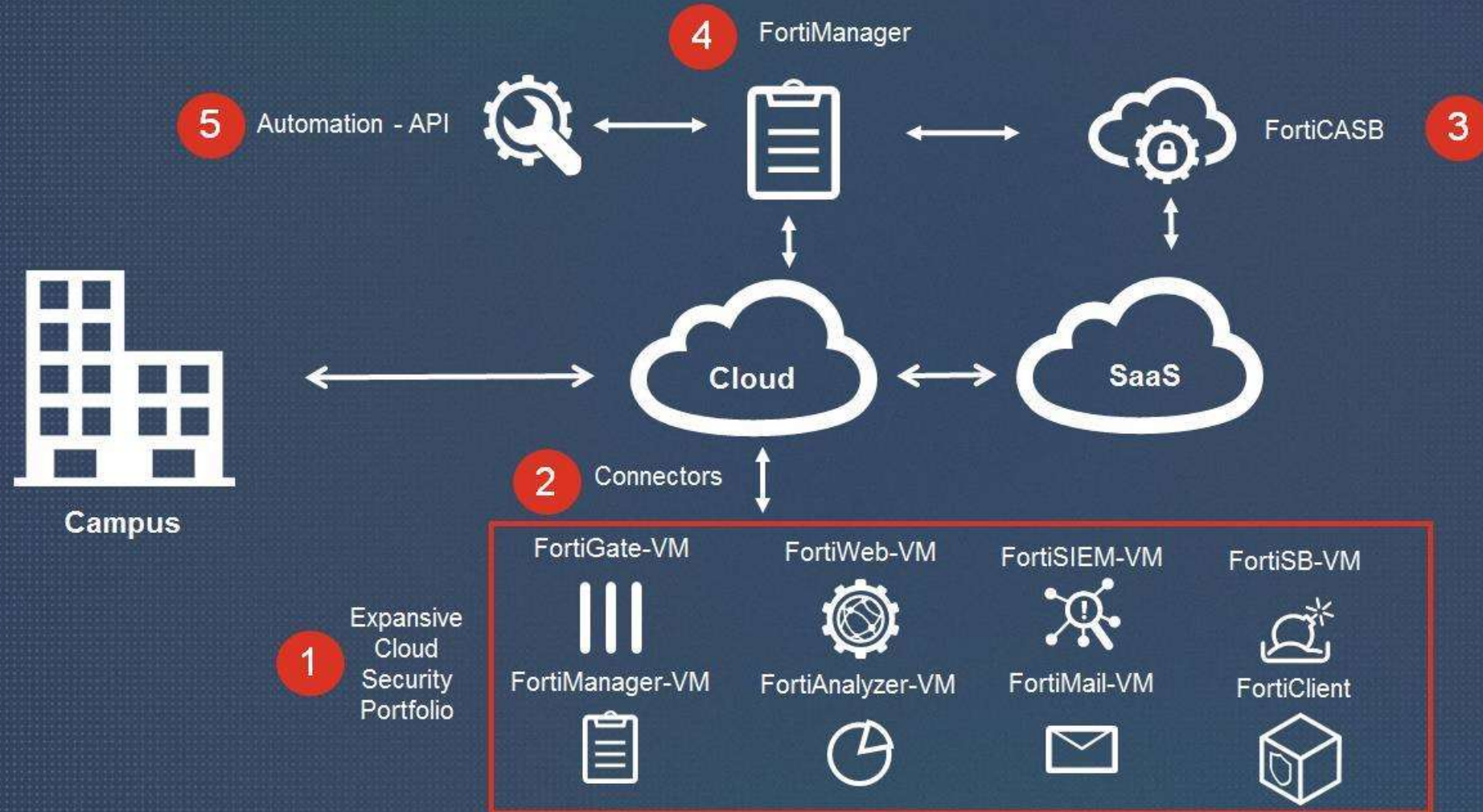
FORTINET CLOUD SECURITY PORTFOLIO



FORTINET CLOUD SECURITY PORTFOLIO



FORTINET CLOUD SECURITY PORTFOLIO



MULTI-CLOUD SECURITY CONNECTORS



Virtual Security

Applications

Data

O/S

Virtualization

Servers

Networking



SDN CONNECTORS



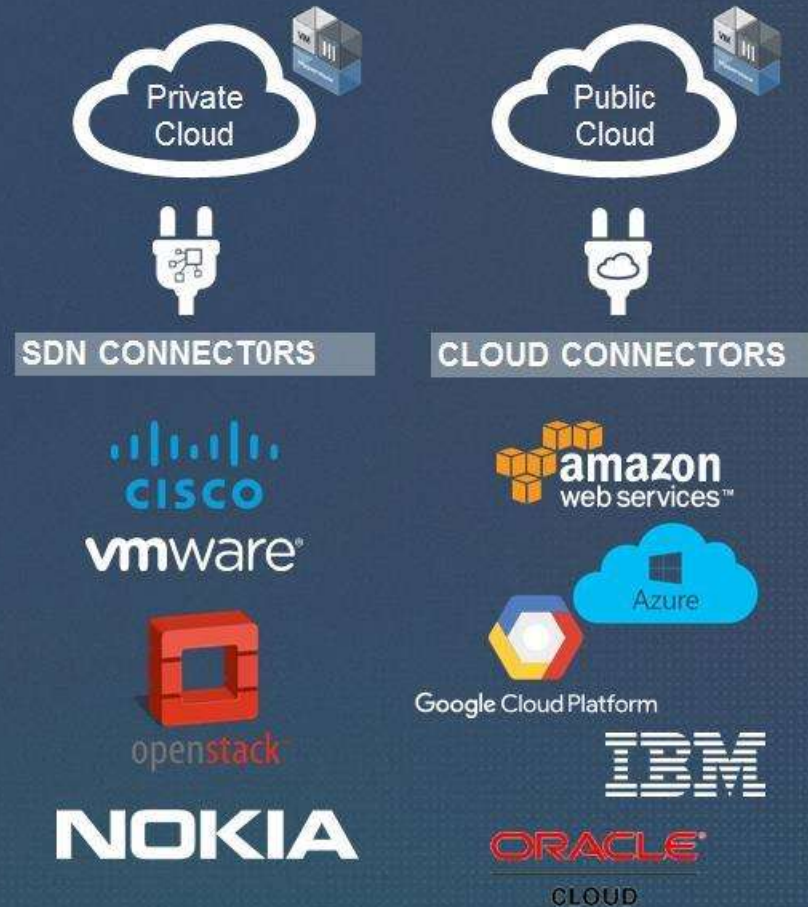
vmware®



openstack®

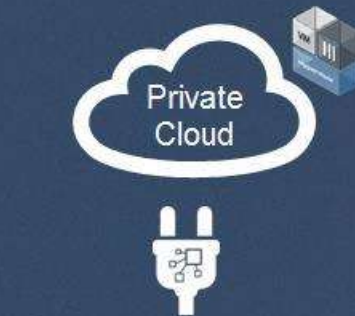
NOKIA

MULTI-CLOUD SECURITY CONNECTORS



MULTI-CLOUD SECURITY CONNECTORS

Private	Public	SaaS
Virtual Security	Cloud Security	API
Applications	Applications	Applications
Data	Data	Data
O/S	O/S	O/S
Virtualization	Virtualization	Virtualization
Servers	Servers	Servers
Networking	Networking	Networking



SDN CONNECTORS



NOKIA



CLOUD CONNECTORS

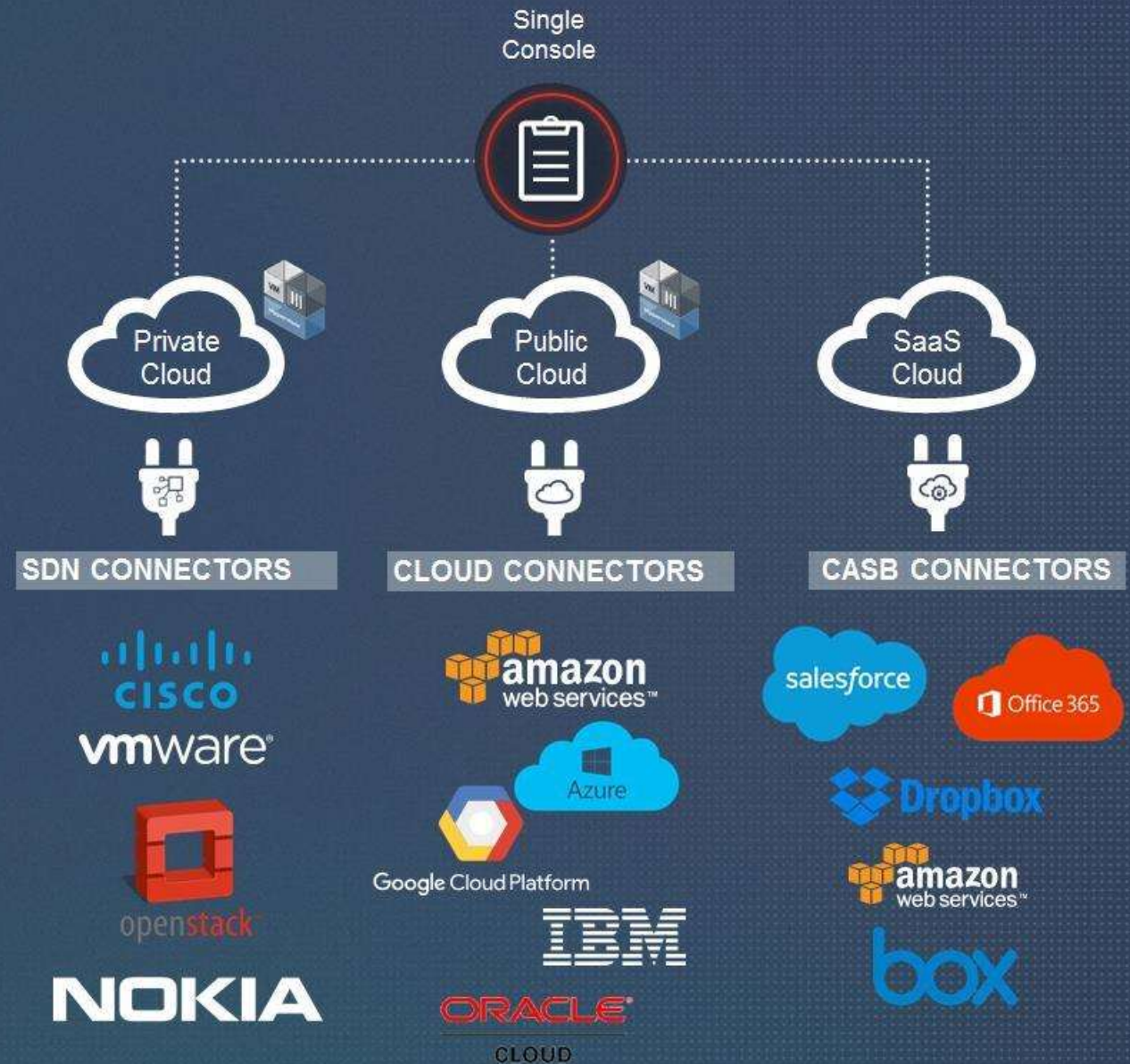


CASB CONNECTORS



MULTI-CLOUD SECURITY CONNECTORS

Private	Public	SaaS
Virtual Security	Cloud Security	API
Applications	Applications	Applications
Data	Data	Data
O/S	O/S	O/S
Virtualization	Virtualization	Virtualization
Servers	Servers	Servers
Networking	Networking	Networking



CLOUD SECURITY ROADMAP

CONTINUED INVESTMENT

Partners

2009 - 2012

Hypervisor
Support



2013 - 2014

SDN/NFV



2015

Public Cloud
(BYOL)



2017

Public Cloud
(On-Demand)
(Auto-Scale)
(Certification)



2018

Public Cloud
(Automation)



Products



FortiGate



FortiAnalyzer



FortiManager



FortiGate



FortiGate



FortiAnalyzer



FortiManager



FortiGate



FortiWeb



FortiSIEM



FortiGate



FortiSandbox



FortiClient

FORTINET®



FORTINET

ACCELERATE 18

STR3NGTH IN NUMB3RS

BUSINESS &
FINANCIAL MODEL
A STORY OF GROWTH

KEITH JENSEN :: INTERIM CFO



SAFE HARBOR STATEMENT

Information, statements and projections contained in this presentation slides and related question and answer session concerning Fortinet's business outlook, the Q1 and 2018 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; risks of slowing demand in the security market in general; sales execution risks; 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; possible turnover among personnel including key employees; changes in strategy; risks associated with management of growth; lengthy sales and implementation cycles, particularly in larger organizations; risks associated with acquisitions, including integration risks businesses and assumption of unknown liabilities; delays or losses of, or changes in circumstances with regards to, sales deals expected to close during a certain time period; 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, investigations, 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; risks associated with increased international sales, including the impact of foreign currency exchange rates; 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 this presentation and related question and answer session, 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.

TODAY'S TOPICS



Total
Addressable
Market



Fortinet
Growth
Drivers



Our
Business
Model



Fortinet's
Financial
Results



Future
Financial
Guidance



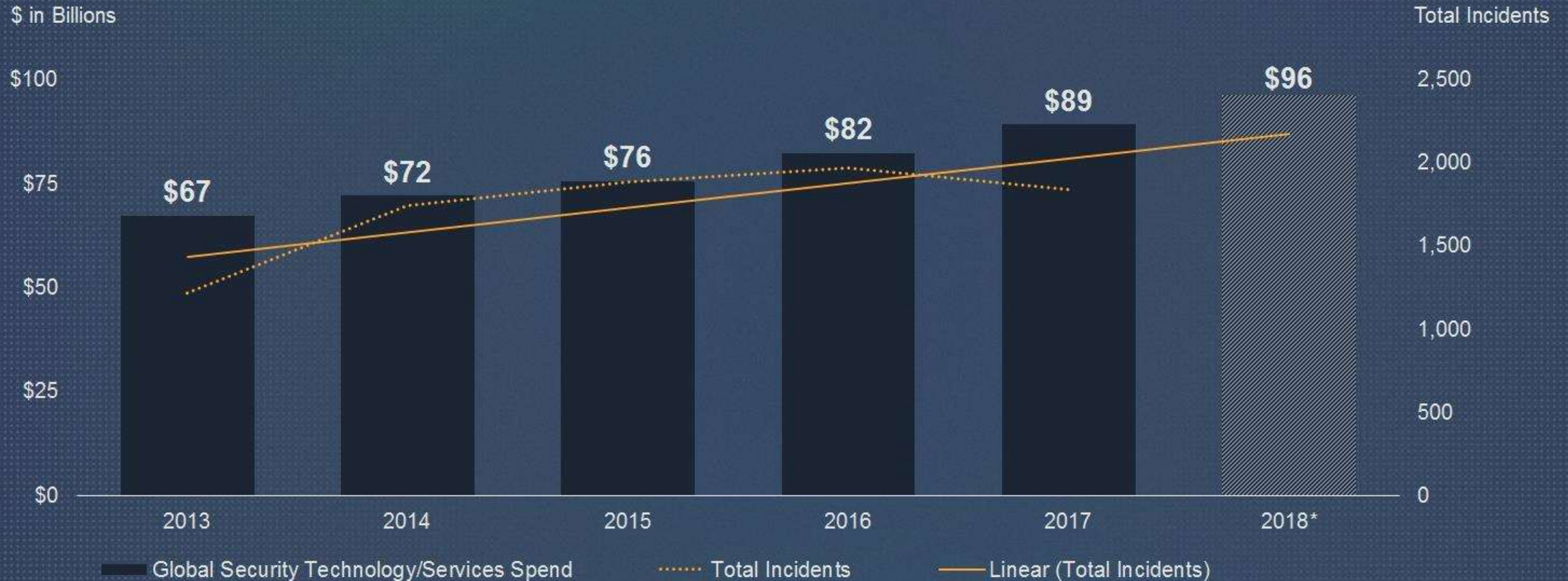
EVOLUTION OF NETWORK SECURITY

WE ARE IN THE EARLY STAGES OF THE THIRD GENERATION





BREACHES CONTINUE, MARKET GROWS



Source: Global Security Technology/Services Spend – Statista's Information Security Products and Services Market Revenue Worldwide from 2011 to 2018
Total Incidents – BREACHLEVELINDEX.COM Data Breaches by Source

Note: 2017 Data breaches by source was calculated as 2017H1 annualized data



FORTINET'S ADDRESSABLE MARKET IS EXPANDING

OPPORTUNITIES EXIST BEYOND NETWORK SECURITY

\$ in Billions

\$100

\$80

\$60

\$40

\$20

\$0

2017

2018

2019

2020

\$16

\$19

\$22

\$25

16% Network Security

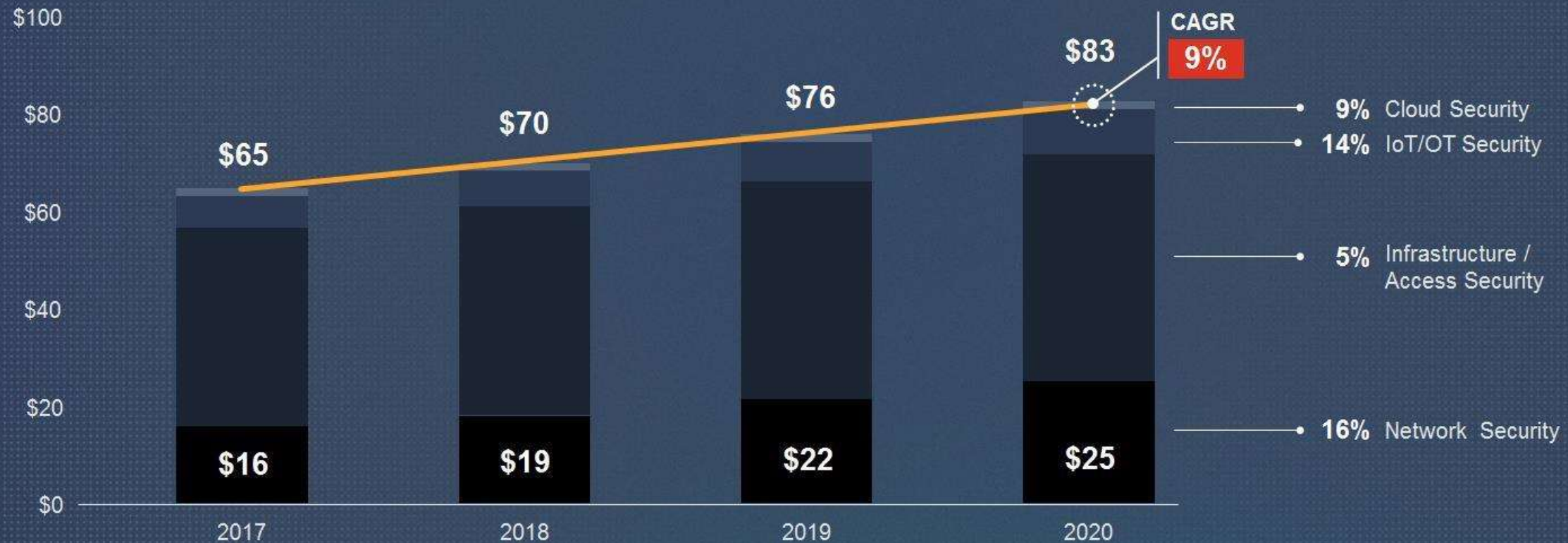
Source: Various IDC metrics; See Appendix for details



FORTINET'S ADDRESSABLE MARKET IS EXPANDING

OPPORTUNITIES EXIST BEYOND NETWORK SECURITY

\$ in Billions



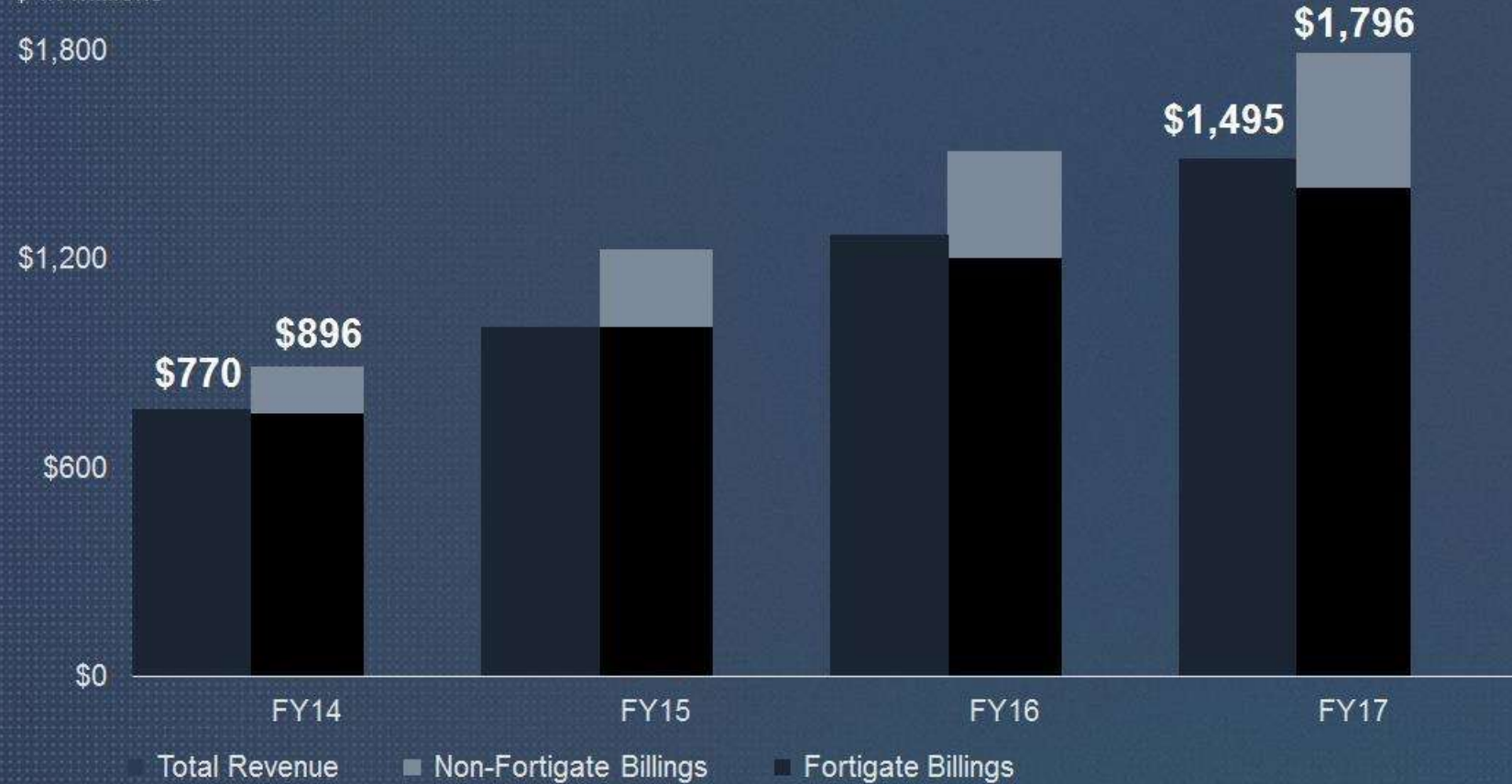
Source: Various IDC metrics; See Appendix for details



FORTINET CONTINUES TO GROW

BILLINGS AND REVENUE TREND EXCEEDS MARKET

\$ In Millions



3 Year CAGR

FORTINET
REVENUE GROWTH 25%

MARKET GROWTH 9%

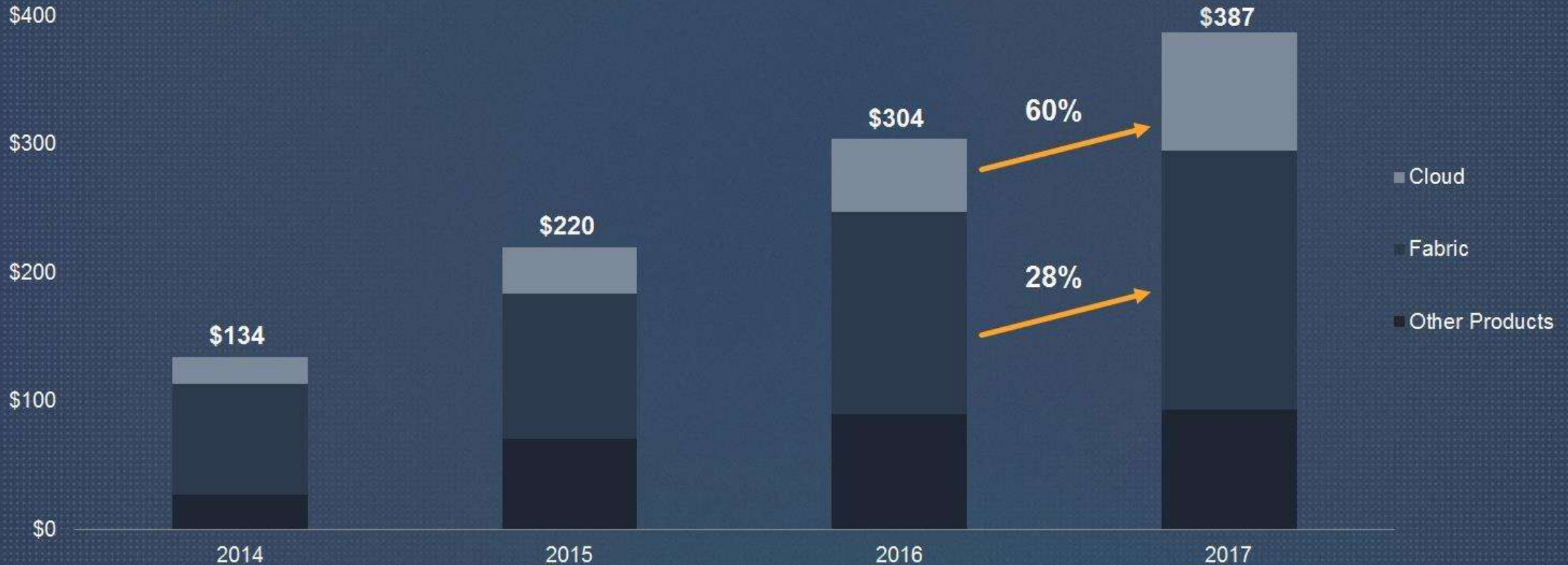
Note: Billings is a non-GAAP financial measure. See Appendix for reconciliation of the non-GAAP financial measure to the most comparable GAAP financial measure.
Source: Market growth CAGR was calculated as average revenue growth rate from 2014 through Q3 2017 of various security markets per information provided by IDC. See Appendix for various IDC metrics.



NON-FORTIGATE PRODUCTS ARE GROWING FASTER

CLLOUD AND FABRIC ARE DRIVING THE GROWTH

Non-FortiGate
Billings in \$M
\$400



Note: Cloud includes FortiGate, Fabric Virtual Machines, Cloud Service Provider generated OnDemand billings

Fabric includes our hosted appliances such as FortiAnalyzer, FortiManager, FortiSandbox, FortiWeb, FortiClient, FortiSIEM, FortiCloud, FortiAP, and FortiSwitch

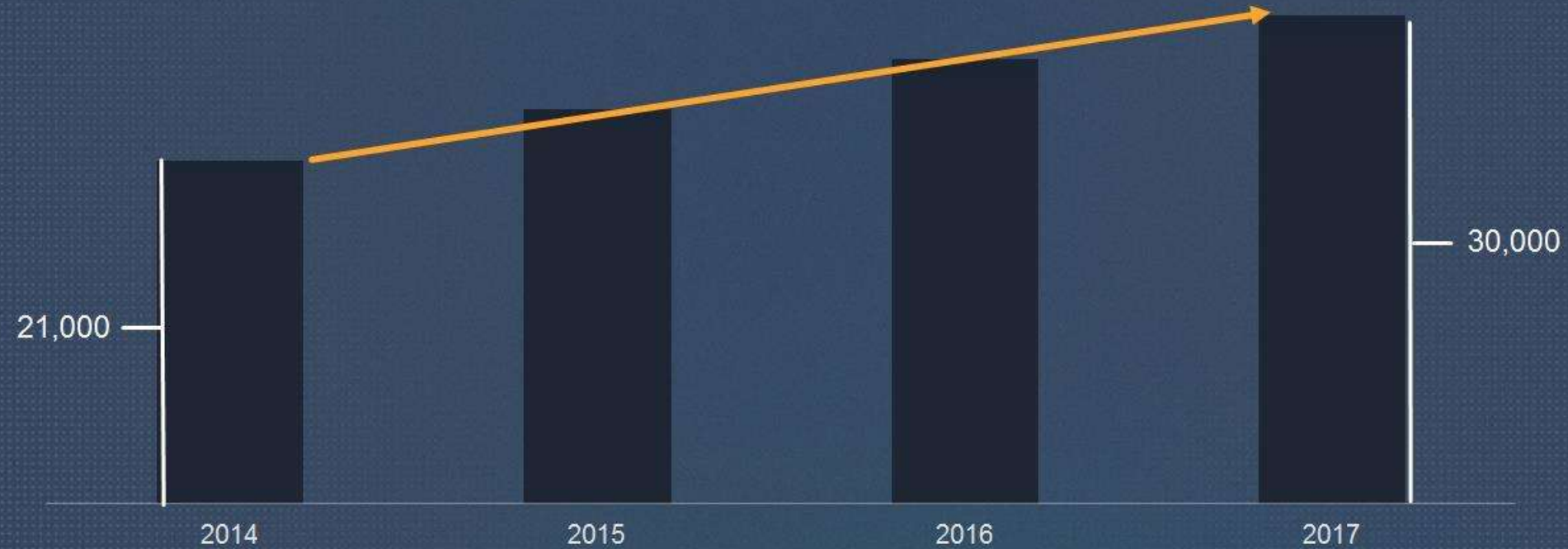
Other products include other enhanced technology products, including Meru and OT/IoT

Billings data is derived from invoiced amounts



GROWTH IN THE ENTERPRISE

FORTINET LARGE AND MIDSIZE ENTERPRISE CUSTOMER TREND



Note: Large and midsize enterprise customers are defined as companies with revenue over \$100 million.



WE ARE JUST BEGINNING TO SCRATCH THE SURFACE

ENTERPRISE CROSS-SELL OPPORTUNITIES

Additional Potential Fabric Solutions



Top 1,000 Enterprise Firewall Customers

Note:
Enterprise Firewall includes FortiGate, FortiAnalyzer, and FortiManager.
Fabric includes Advanced Threat Protection, Application Security, and FortiSIEM. Secure Access includes FortiAP, FortiSwitch, FortiAuthenticator, FortiWLC, FortiWLM, and Meru.
Cloud includes VM, AWS/Azure, and FortiCloud.
Large and midsize enterprise customers are defined as companies with revenue over \$100 million.



WE ARE JUST BEGINNING TO SCRATCH THE SURFACE

ENTERPRISE CROSS-SELL OPPORTUNITIES

Additional Potential Fabric Solutions



Top 1,000 Enterprise Firewall Customers

+

Additional Potential Fabric Solutions

Remaining / New Enterprise Firewall Customers

Note:

Enterprise Firewall includes FortiGate, FortiAnalyzer, and FortiManager.

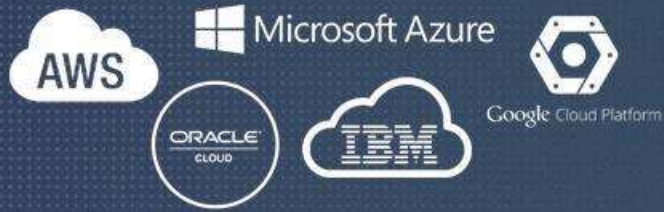
Fabric includes Advanced Threat Protection, Application Security, and FortiSIEM. Secure Access includes FortiAP, FortiSwitch, FortiAuthenticator, FortiWLC, FortiWLM, and Meru.

Cloud includes VM, AWS/Azure, and FortiCloud.

Large and midsize enterprise customers are defined as companies with revenue over \$100 million.

CLOUD SECURITY OPPORTUNITY

SECURITY ACROSS MULTI-CLOUDS



MULTIPLE SECURITY APPLICATION SUPPORT



MULTIPLE INTEGRATIONS

- On-Demand
- Certification
- Acceleration
- DevOps
- Auto-Scale
- High Availability
- Bolt-on Sec App's
- SaaS Factory



CLOUD
SECURITY
\$2B

MULTIPLE SAAS CLOUD SUPPORT

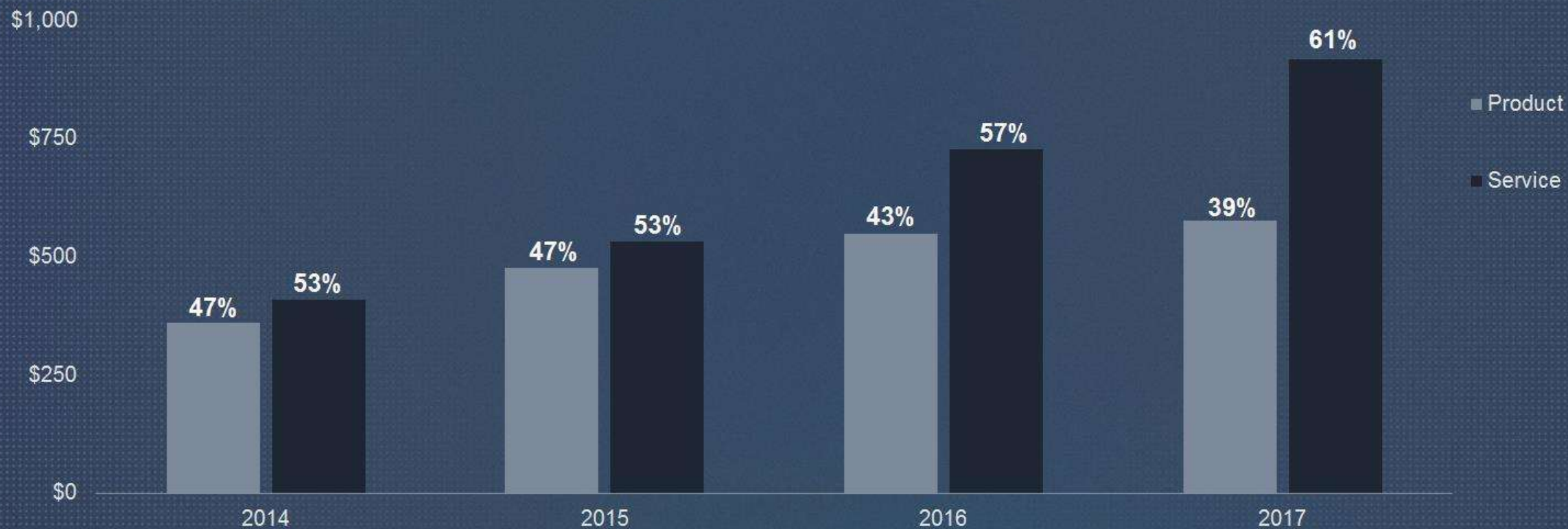




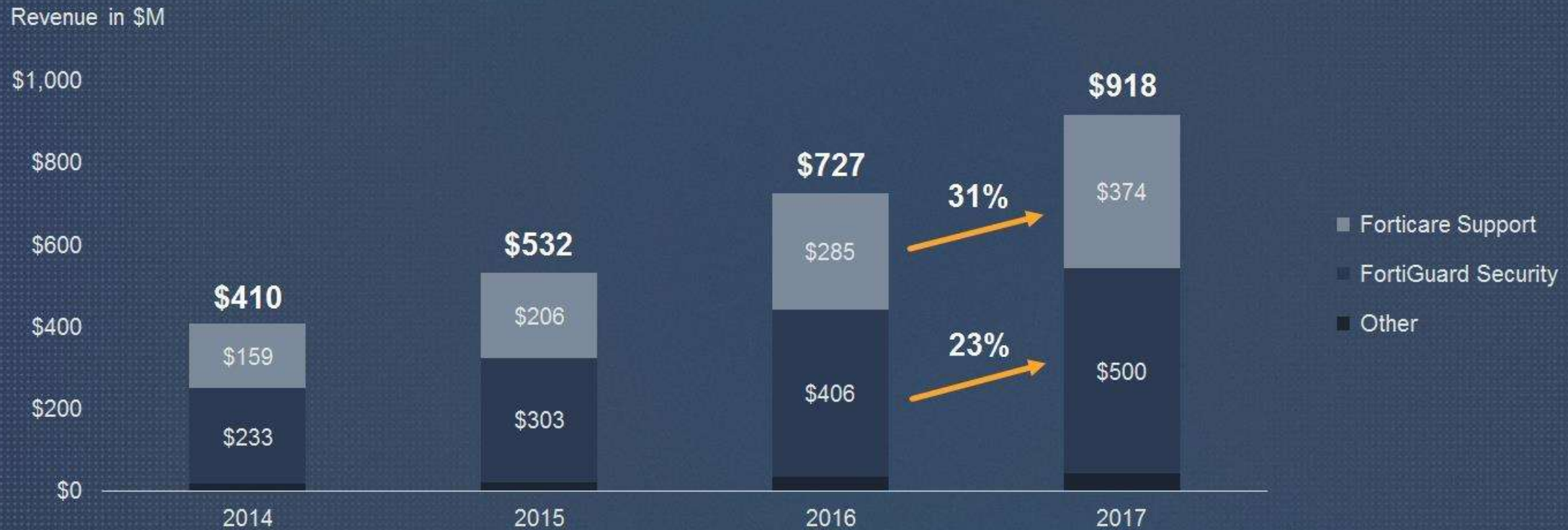
REVENUE MIX IS SHIFTING

⋮ SERVICES PROVIDE MORE PREDICTABLE REVENUE STREAMS

Revenue in \$M



BOTH SECURITY AND SUPPORT RECURRING SERVICE REVENUES ARE GROWING



Note:

2014 mix based off of a the 2015 actual mix percentage.
Other revenue includes professional services and training Revenue.



PREDICTABLE REVENUE

FY'18 Revenue Visibility

**Quarterly Service
Revenue from
Existing Deferred
Revenue**

55-60% of our revenue is
from existing deferred
revenue¹

**Predictable
Small & Medium
Sized Business
Run Rate**

~25% of revenue is from our
SMB product segment

**Enterprise
Products**

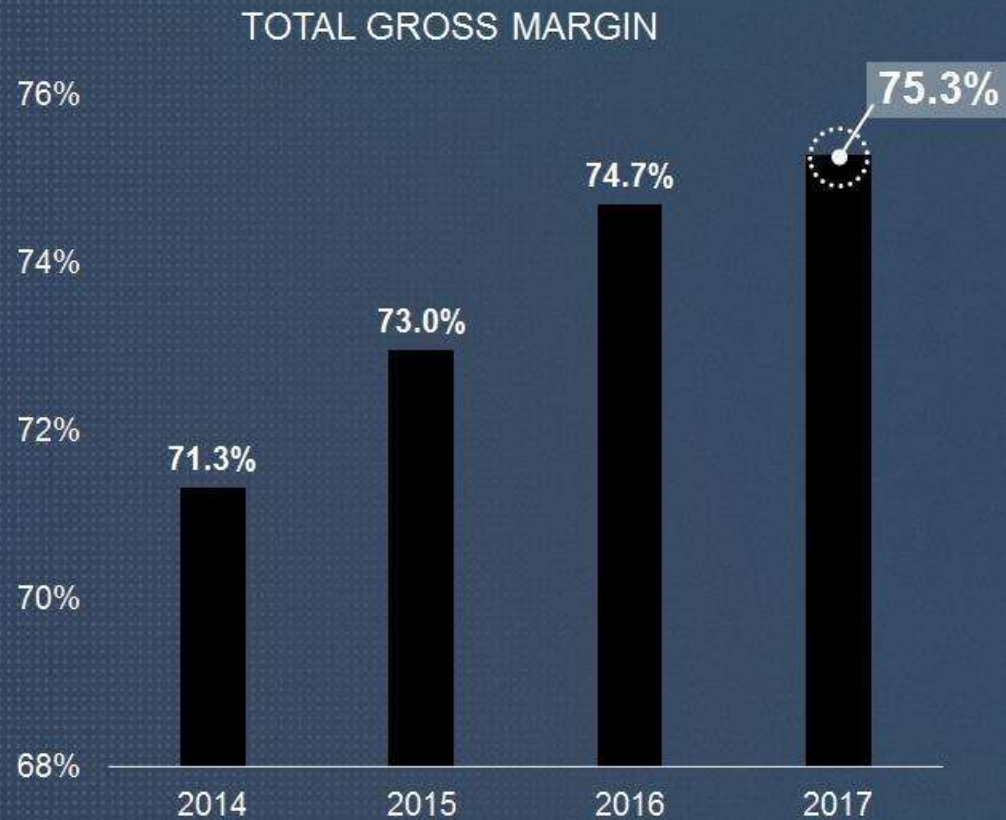
Remaining 15-20%

Note:

(1) Quarterly service revenue from existing deferred revenue was calculated as the quarterly average 2017 service revenue coming from amortization of deferred revenue from prior period



GROSS MARGINS ARE EXPANDING



Note:

(1) Quarterly service revenue from existing deferred revenue was calculated as the quarterly average 2017 service revenue coming from amortization of deferred revenue from prior period



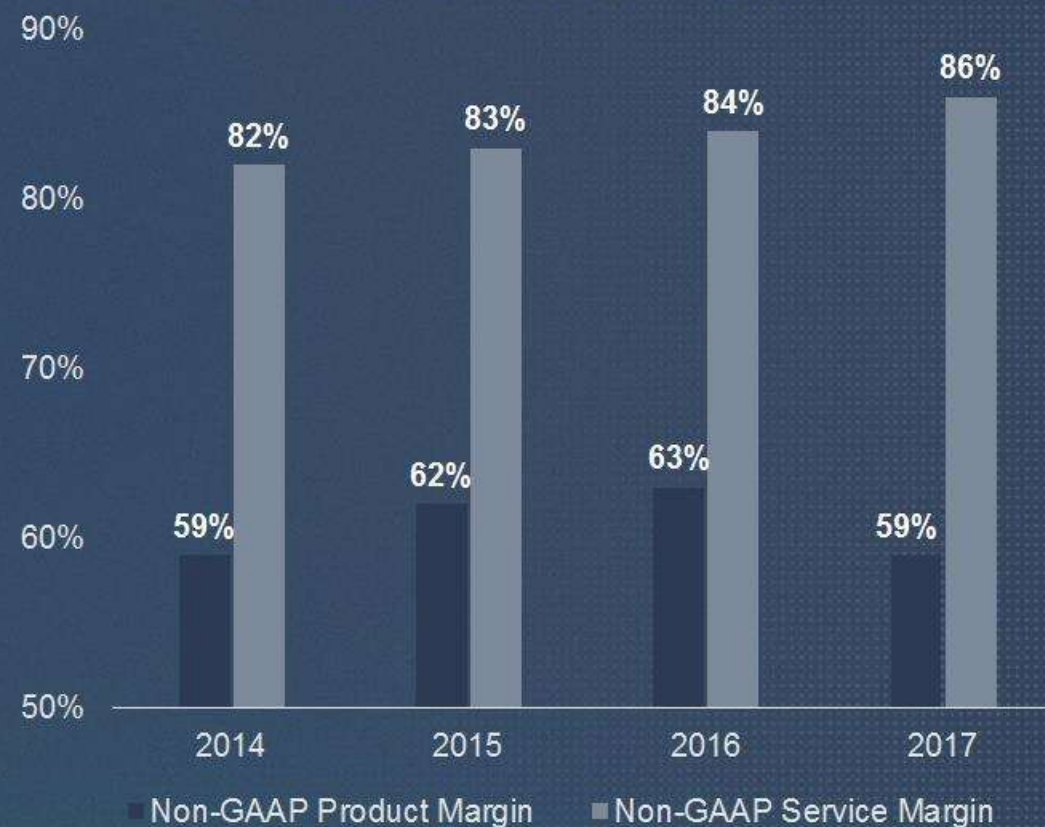
GROSS MARGINS ARE EXPANDING

NON-GAAP GROSS MARGIN EXPANDED 400 BASIS POINTS SINCE 2014

TOTAL GROSS MARGIN



SERVICE AND PRODUCT GROSS MARGIN



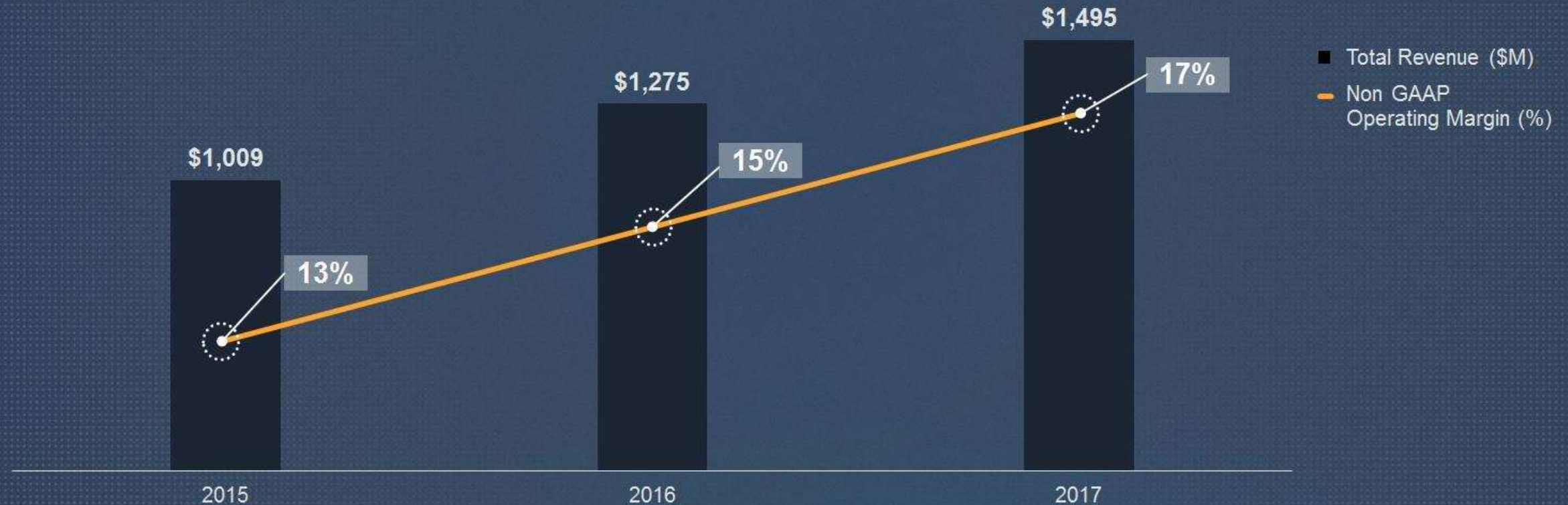
Note:

(1) Quarterly service revenue from existing deferred revenue was calculated as the quarterly average 2017 service revenue coming from amortization of deferred revenue from prior period



OPERATING MARGINS ARE EXPANDING

NON-GAAP OPERATING MARGINS EXPANDED 400 BPS IN TWO YEARS



Note: See Appendix for reconciliation of the non-GAAP financial measure to the most comparable GAAP financial measure



GROWING FREE CASH FLOW

Revenue in \$M



Note: Free cash flow is a non-GAAP liquidity measure. See Appendix for reconciliation of free cash flow to the most comparable GAAP liquidity measure



STRATEGIC CAPITAL ALLOCATION AND INVESTMENT

Balanced approach, focusing on innovation;
Strong cash flow and ended the year with a cash/investment balance of **\$1.3 Billion**

M&A

Opportunistic

Extending our
Security Fabric –
\$60M spent since 2014

Invest

Innovation

Our innovation investment
was \$571M since 2014¹

Return

Capital Return

2017 share repurchases:
\$446M
Remaining authorization:
\$443M²

Note:

(1) This represents our non-GAAP research and development expense. See Appendix for reconciliation of the non-GAAP financial measure to the most comparable GAAP financial measure.
(2) As of December 31, 2017, \$443 million remained available for future share repurchases under the Repurchase Program.



GUIDANCE FOR Q1'18 AND FY'18

	Q1'18 Guidance	FY18 Guidance
BILLINGS	\$449-457M	\$2.030-2.050B
REVENUE (GAAP)	\$387-393M	\$1.695-1.715B
GROSS MARGIN	75-76%	75-76%
OPERATING MARGIN	13.5-14.5%	19.2-19.5%
EARNINGS PER SHARE	\$0.23-0.25	\$1.42-1.44

Note: Guidance includes the benefit to operating margin of 150 basis points related to the required change in commissions expense accounting under ASC 606. Amounts above are non-GAAP except where GAAP is noted. Our guidance with respect to non-GAAP financial measures excludes stock-based compensation and amortization of acquired intangible assets. 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.



LONG-TERM MODEL

	2017	FY18 Guidance	Mid-Term	Long-Term
BILLINGS GROWTH	19%	14%	>15%	10-15%
REVENUE GROWTH	17%	14%	15-20%	> Market
GROSS MARGIN	75%	75-76%	+50-80 bps/year	~80%

Note

Billings, Gross Margin and Operating Margin are Non-GAAP measures. For 2017, see Appendix for reconciliation of the non-GAAP financial measure to the most comparable GAAP financial measure. Our guidance with respect to non-GAAP financial measures excludes stock-based compensation and amortization of acquired intangible assets. 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.



KEY METRICS FOR MODELING

	Q1'18	FY18 Guidance
CASH PAID FOR TAXES	\$11-12M	\$40-44M
CAPITAL EXPENDITURES	\$25-30M	\$90-120M
NON-GAAP TAX RATE	24%	24%
SHARES OUTSTANDING	174-176M	176-178M

Note: (1) In order to provide a more complete picture of our recurring core business operating results, we include in non-GAAP net income and non-GAAP diluted net income per share, the tax adjustment required resulting in an effective tax rate on a non-GAAP basis, which often differs from the GAAP tax rate



REGULATORY AND ACCOUNTING CHANGES

TAX AND REVENUE

2017

2018

REVENUE

No Significant Impact

No Significant Impact

COMMISSIONS ON
SERVICE CONTRACTS

Upfront Recognition

Deferred and recognized over
the expected benefit period

NON-GAAP TAX RATE

32%

24%

CASH REPATRIATION

\$0

\$275M

CASH TAXES

\$32M

\$40-44M

TODAY'S TAKEAWAYS



Total Addressable Market

Security is a growing market



Fortinet Growth Drivers

Fortinet is growing faster than the market

Fortinet's visionary Security Fabric is driving enterprise growth

Large installed base, with lots of room to expand



Our Business Model

Strong recurring revenue streams



Fortinet's Financial Results

Margin expansion amplified by strong capital return



Future Financial Guidance

FORTINET.

**WE ARE GROWING...
AND WE'RE JUST
GETTING STARTED**

APPENDIX

TERMINOLOGY IN TODAY'S PRESENTATION

HOW FORTINET DEFINES OUR PORTFOLIO

- Network Security

- Infrastructure Fabric
- Cloud Fabric
- IoT/OT
- Other Technology Products

Fabric
(connected)

FortiGate

Non-
FortiGate

SOURCE AND REFERENCES

Fortinet's Addressable Market is Expanding Slide:
Source:

IDC, Worldwide Network Security 2017–2021 Forecast, September 2017
IDC, Worldwide Web Security 2016–2020 Forecast, December 2017
IDC, Worldwide SD-WAN 2017–2021 Forecast, July 2017
IDC, Worldwide Endpoint Security 2016–2020 Forecast, October 2016
IDC, Worldwide Enterprise WLAN 2016–2020 Forecast, November 2016
IDC, Worldwide Ethernet Switch 2016–2020 Forecast, November 2016
IDC, Worldwide Identity and Access Management 2016–2020 Forecast, August 2017
IDC, Worldwide Messaging Security 2017–2020 Forecast, March 2017
IDC, Worldwide Security and Vulnerability Management 2017-2020 Forecast, March 2017
IDC, Worldwide Virtual Firewall/UTM Security 2016–2020 Forecast, March 2017
IDC, Worldwide Cloud Security Gateway 2017–2021 Forecast, September 2017

BILLINGS AND FREE CASH FLOW RECONCILIATION

\$ in Thousands

	2017	2016	2015	2014
Total revenue	1,494,930	1,275,443	1,009,268	770,364
Add change in deferred revenue	300,965	244,046	232,546	126,129
Less deferred revenue balance acquired in business acquisition	-	(4,400)	(9,800)	
Total Billings	\$ 1,795,895	\$ 1,515,089	\$ 1,232,014	\$ 896,493

	2017	2016	2015	2014
Net cash provided by operating activities	594,405	345,708	282,547	196,582
Less purchases of property and equipment	(135,312)	(67,182)	(37,358)	(32,197)
Free cash flow	\$ 459,093	\$ 278,526	\$ 245,189	\$ 164,385

GAAP TO NON-GAAP TABLE

\$ in Thousands

	Fiscal 2017	Adjustment	Non-GAAP Fiscal 2017	Fiscal 2016	Adjustment	Non-GAAP Fiscal 2016	Fiscal 2015	Adjustment	Non-GAAP Fiscal 2015	Fiscal 2014	Adjustment	Non-GAAP Fiscal 2014
Revenue:	-	-	-	-	-	-	-	-	-	-	-	-
Product	\$ 577,171	\$ -	\$ 577,171	\$ 548,110	\$ -	\$ 548,110	\$ 476,782	\$ -	\$ 476,782	\$ 360,558	\$ -	\$ 360,558
Service	917,759	-	917,759	727,333	-	727,333	532,486	-	532,486	409,806	-	409,806
Total revenue	1,494,930	-	1,494,930	1,275,443	-	1,275,443	1,009,268	-	1,009,268	770,364	-	770,364
Cost of revenue:	-	-	-	-	-	-	-	-	-	-	-	-
Product	243,824	(5,229)	238,595	208,984	(4,884)	204,100	190,398	(6,842)	183,556	151,300	(4,294)	147,006
Service	141,480	(10,654)	130,806	128,853	(9,951)	118,902	96,379	(7,121)	89,258	79,709	(5,826)	73,883
Total cost of revenue	385,284	(15,883)	369,401	337,837	(14,835)	323,002	286,777	(13,963)	272,814	231,009	(10,120)	220,889
Gross profit:	-	-	-	-	-	-	-	-	-	-	-	-
Product	333,347	5,229	338,576	339,126	4,884	344,010	286,384	6,842	293,226	209,258	4,294	213,552
Service	776,299	10,654	786,953	598,480	9,951	608,431	436,107	7,121	443,228	330,097	5,826	335,923
Total gross profit	1,109,646	15,883	1,125,529	937,606	14,835	952,441	722,491	13,963	736,454	539,355	10,120	549,475
Operating expenses:	-	-	-	-	-	-	-	-	-	-	-	-
Research and development	210,614	(32,194)	178,420	183,084	(30,120)	152,964	158,129	(24,555)	133,574	122,880	(17,264)	105,616
Sales and marketing	701,026	(81,566)	619,460	626,501	(73,399)	553,102	470,371	(51,168)	419,203	315,804	(26,744)	289,060
General and administrative	87,862	(17,812)	70,250	81,080	(27,835)	53,245	71,514	(21,161)	50,353	41,347	(8,677)	32,670
Restructuring charges	340	(340)	-	3,997	(3,997)	-	7,600	(7,600)	-	-	-	-
Total operating expenses	999,842	(131,712)	868,130	894,662	(135,351)	759,311	707,614	(104,484)	603,130	480,031	(52,685)	427,346
Operating income	109,804	147,595	257,399	42,944	150,186	193,130	14,877	118,447	133,324	59,324	62,805	122,129
Interest income	13,482	-	13,482	7,303	-	7,303	5,295	-	5,295	5,393	-	5,393
Other income (expense)—net	708	-	708	(7,099)	-	(7,099)	(3,167)	-	(3,167)	(3,168)	-	(3,168)
Income before income taxes	123,994	147,595	271,589	43,148	150,186	193,334	17,005	118,447	135,452	61,549	62,805	124,354
Provision for income taxes	92,595	(5,887)	86,908	10,961	52,839	63,800	9,018	37,036	46,054	36,206	7,318	43,524
Net income	\$ 31,399	\$ 153,282	\$ 184,681	\$ 32,187	\$ 97,347	\$ 129,534	\$ 7,987	\$ 81,411	\$ 89,398	\$ 25,343	\$ 55,487	\$ 80,830
Basic net income per share	\$ 0.18		\$ 1.06	\$ 0.19		\$ 0.75	\$ 0.05		\$ 0.52	\$ 0.15		\$ 0.49
Diluted net income per share	\$ 0.18		\$ 1.04	\$ 0.18		\$ 0.73	\$ 0.05		\$ 0.51	\$ 0.15		\$ 0.48
Shares used in computing net income per share												
Basic	174,315		174,315	172,621		172,621	170,385		170,385	163,831		163,831
Diluted	178,079		178,079	176,338		176,338	176,141		176,141	169,289		169,289