



Q3 2010 Financial Results

October 21, 2010



Q3 2010 Non-GAAP Results

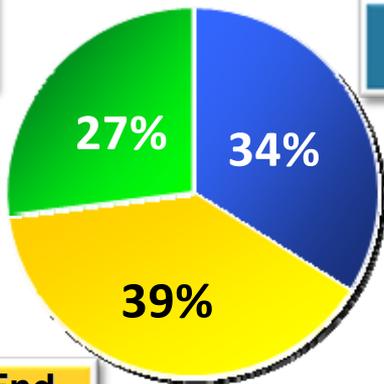
	Q3 10	Q3 09	Y/Y % growth	Q2 10
Billings ⁽¹⁾	\$95M	\$71M	33%	\$90M
Revenue	\$85M	\$66M	29%	\$76M
Non-GAAP Gross Margin (%) ⁽²⁾	75%	74%	+1%	74%
Non-GAAP Operating Income ⁽²⁾	\$21M	\$12M	76%	\$12M
Non-GAAP Operating Margin (%) ⁽²⁾	24%	18%	+6%	16%
Non-GAAP Net Income ^{(2) (3)}	\$13M	\$9M	46%	\$8M
Non-GAAP Earnings per Share ^{(2) (3)}	\$0.17	\$0.14	21%	\$0.11
Weighted Diluted Shares used in EPS	78M	64M	21%	76M
Deferred Revenue	\$235M	\$190M	24%	\$226M
Free Cash Flow ⁽⁴⁾	\$32M	\$15M	116%	\$17M

Notes

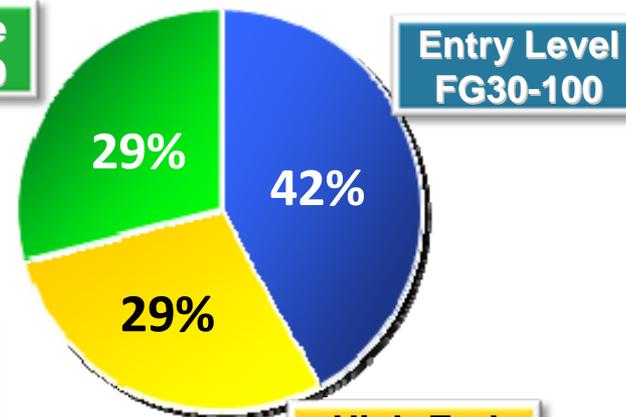
- (1) Billings is a non-GAAP measure that we define as revenue recognized for the particular period plus the change in deferred revenue from the beginning of that period to the end of that period
- (2) Does not include stock based compensation or acquisition-related write-offs
- (3) Assumes effective tax rate was 35% for Q3 2010 and 24% for Q3 2009 and removes tax benefit of stock based compensation and write-off of acquisition expense
- (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.

Product Segmentation

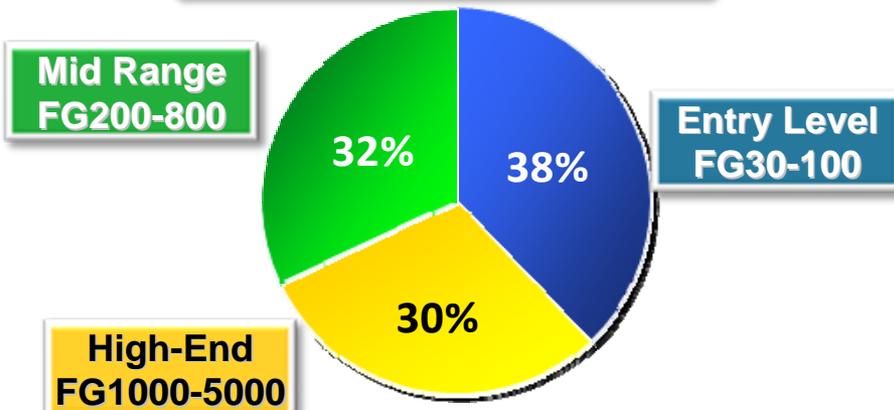
FortiGate Billings (Q3 10)



FortiGate Billings (Q3 09)



FortiGate Billings (2009)

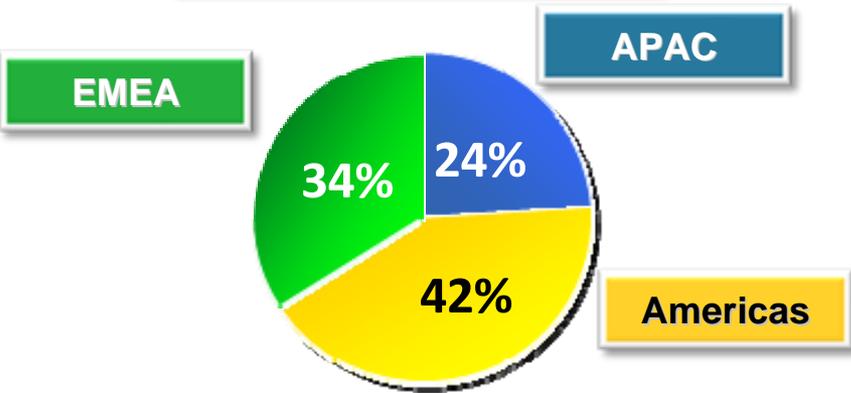


Note

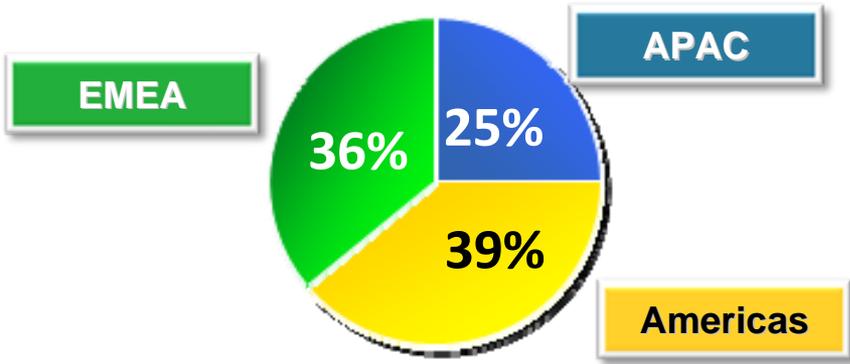
Represents FortiGate billings by Product Category. Billings is a non-GAAP measure that we define as revenue recognized for the particular period plus the change in deferred revenue from the beginning of that period to the end of that period

Revenue by Geography

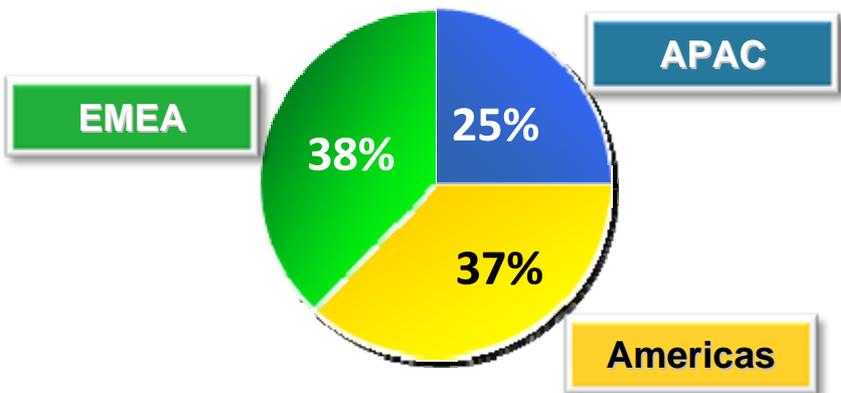
Revenue by Geo (Q3 10)



Revenue by Geo (Q3 09)

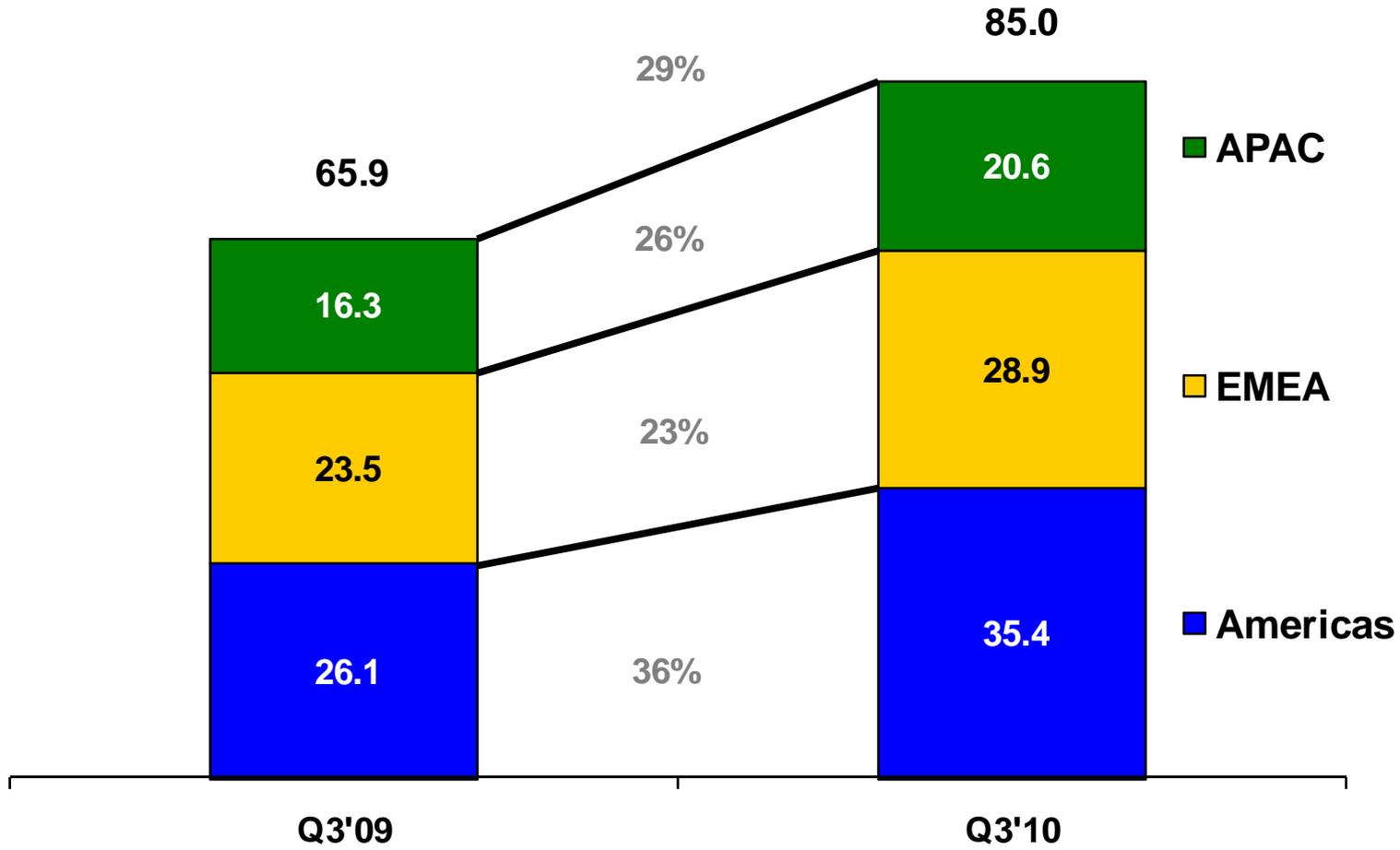


Revenue by Geo (2009)



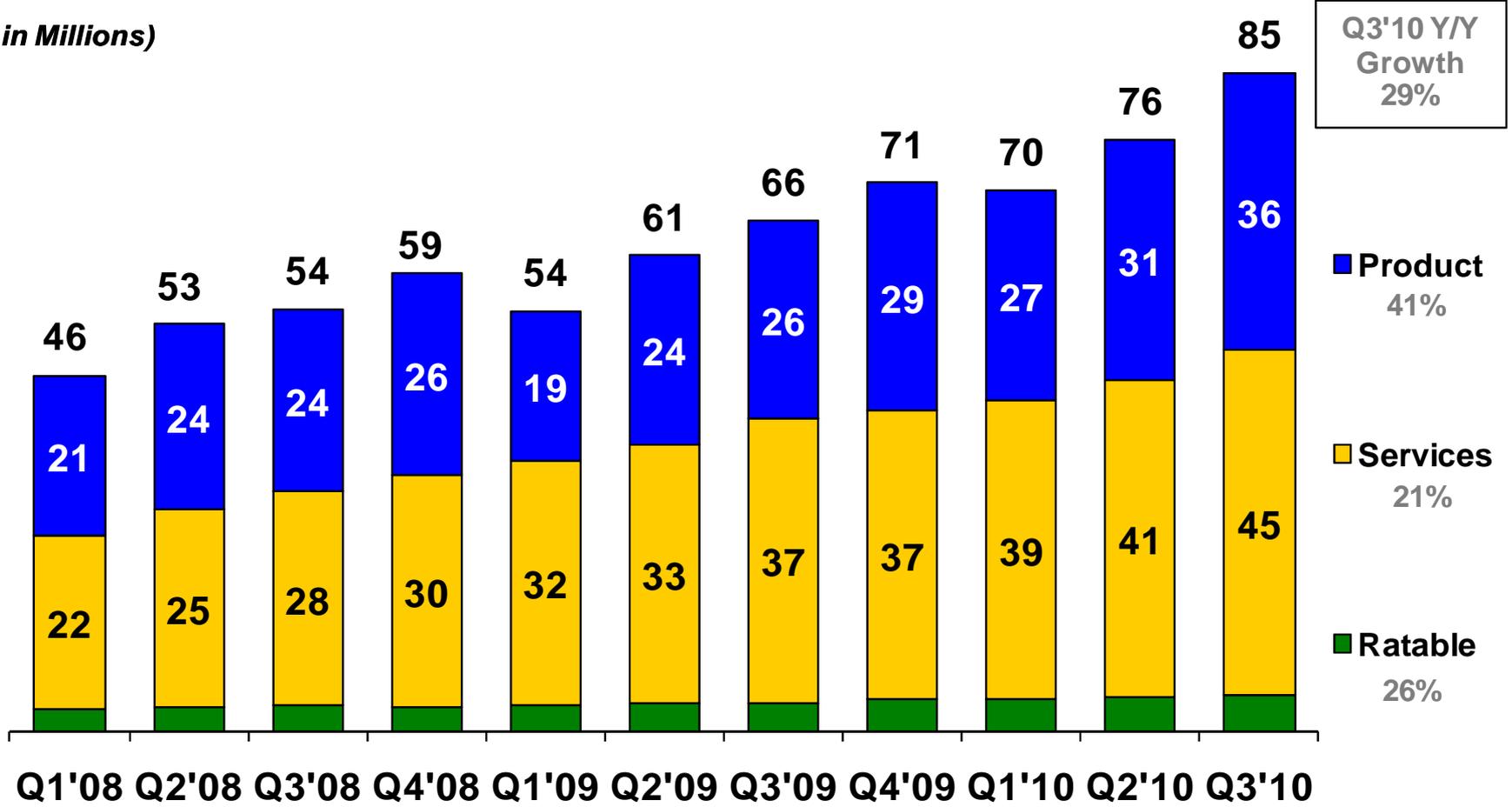
Revenue Growth by Geography

(\$ in Millions)



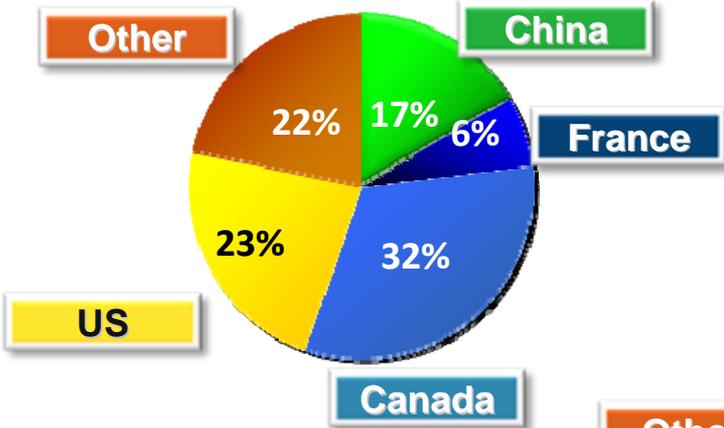
Quarterly Revenue Mix & Q3'10 Y/Y Growth

(\$ in Millions)

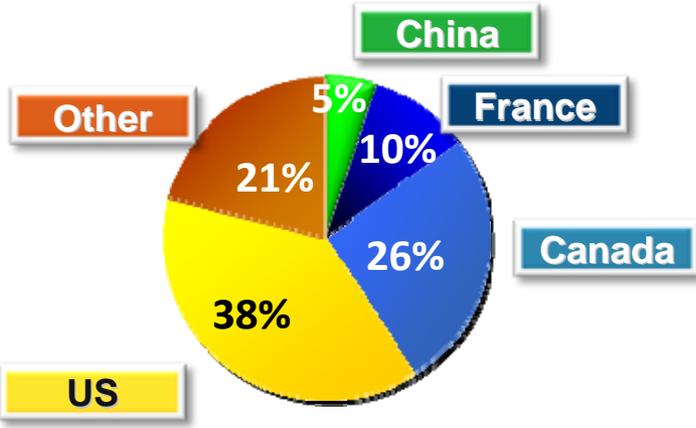
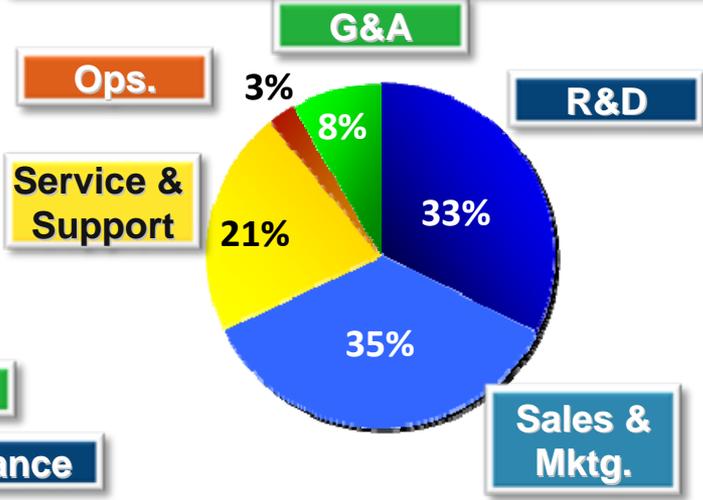


Global Employee Footprint

Headcount by Location (Q3 2010)



Headcount by Function (Q3 2010)

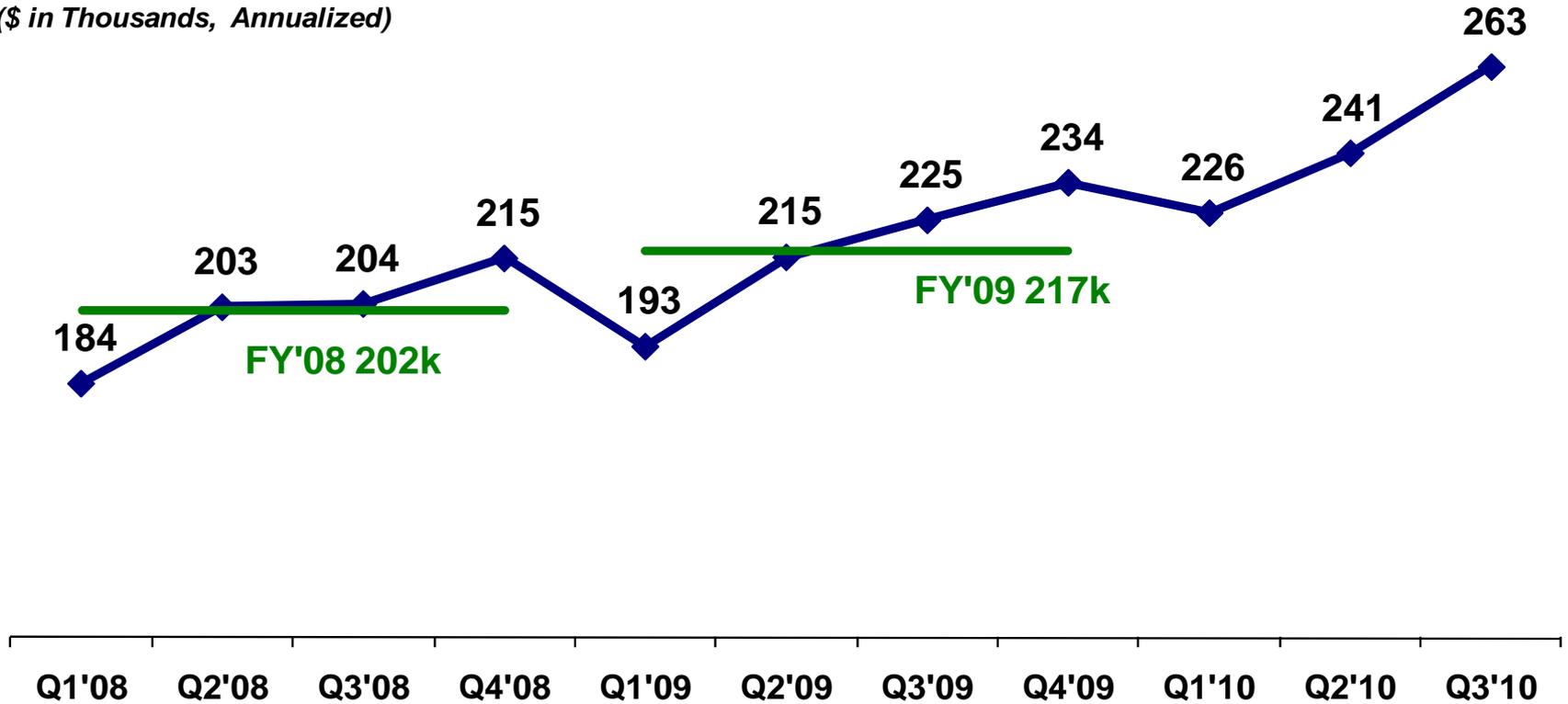


Headcount Cost by Location (Q3 2010)

Total Headcount:
1,300

Revenue per Employee

(\$ in Thousands, Annualized)



Q3 2010 Select Financial Statistics

	Q3 10	Q2 10	Q3 09
Cash and Investments	\$352M	\$309M	\$152M
Deferred Revenue	\$235M	\$226M	\$190M
Free Cash Flow	\$32M	\$17M	\$15M
Working Capital	\$180M	\$148M	\$46M
Accounts Receivable	\$60M	\$60M	\$44M
DSO	63	71	60
Net Inventory	\$11M	\$12M	\$11M
Inventory Turns	3.9	3.3	3.1
Revenue per Employee (Annualized)	\$263K	\$241K	\$225K
No. of Deals >\$100K	101	96	67
No. of Deals >\$250K	38	32	21
No. of Deals >\$500K	13	18	8

Maintaining Strong Balance Sheet

(\$ in Millions)

	Q3 10	Q2 10	Q3 09
Assets			
Cash and Investments	352	309	152
Accounts Receivable	60	60	44
Inventory	11	12	11
Property and Equipment	7	7	6
Deferred Cost of Revenue	10	10	10
Deferred Tax Assets	42	44	-
Other	6	6	7
Total Assets	488	448	230
Liabilities and Shareholders' Equity			
Accounts Payable	10	13	8
Accrued Expenses	37	32	28
Deferred Revenue	235	226	190
Common Stock	239	225	107
Retained Earnings	(33)	(48)	(103)
Total Liabilities and Shareholders' Equity	488	448	230

Statement of Cash Flows (Non-GAAP)

<i>(\$ in Millions)</i>	Q3 10	Q3 09	YTD 10	YTD 09
Net Income	14	8	25	16
Depreciation, Amortization, and Intangibles	4	4	11	11
Other Adjustments to Net Income	4	1	10	1
Non-GAAP Operating Income + Depreciation	22	13	46	28
Accounts Receivable	-	(1)	(5)	2
Inventory	1	(1)	(2)	2
Accounts Payable / Accrued Expenses / Other	(1)	-	-	(5)
Deferred Revenue	10	5	33	19
Cash Flow from Operations	32	16	72	46
Purchase of Property, Plant and Equipment	-	(1)	(3)	(4)
Free Cash Flow	32	15	69	42
Stock Repurchase	-	-	-	(16)
Stock Option and Warrant Exercises	11	1	24	2
Effect of Exchange Rate on Cash / Other	-	-	(1)	-
Net Cash Flow	43	16	92	28

GAAP to Non-GAAP – Operating Results (Q3'10 vs. Q3'09 vs. Q2'10)

(in thousands, except per share amounts)

	Q3'10	Adj	Pro forma Q3'10	Q3'09	Adj	Pro forma Q3'09	Q2'10	Adj	Pro forma Q2'10
Revenue:									
Product	\$ 35,913	\$ -	\$ 35,913	\$ 25,550	\$ -	\$ 25,550	\$ 31,037	\$ -	\$ 31,037
Services	44,527	-	44,527	36,712	-	36,712	40,964	-	40,964
Ratable product and services	4,531	-	4,531	3,602	-	3,602	4,330	-	4,330
Total Revenue	84,971	-	84,971	65,864	-	65,864	76,331	-	76,331
Cost of revenue:									
Cost of product revenue	13,263	(26)	13,237	10,428	(118)	10,310	11,822	(26)	11,796
Cost of services revenue	6,565	(242)	6,323	5,550	(169)	5,381	6,818	(234)	6,584
Cost of ratable product and services	1,615	-	1,615	1,455	-	1,455	1,525	-	1,525
Total cost of revenue	21,443	(268)	21,175	17,433	(287)	17,146	20,165	(260)	19,905
Gross Profit:									
Product	22,650	26	22,676	15,122	118	15,240	19,215	26	19,241
Services	37,962	242	38,204	31,162	169	31,331	34,146	234	34,380
Ratable product and services	2,916	-	2,916	2,147	-	2,147	2,805	-	2,805
Total gross profit	63,528	268	63,796	48,431	287	48,718	56,166	260	56,426
Operating Expenses:									
Research and development	12,389	(600)	11,789	10,797	(516)	10,281	12,676	(587)	12,089
Sales and marketing	26,987	(1,017)	25,970	23,468	(767)	22,701	27,777	(897)	26,880
General and administrative	5,993	(549)	5,444	4,490	(459)	4,031	5,933	(520)	5,413
Total operating expenses	45,369	(2,166)	43,203	38,755	(1,742)	37,013	46,386	(2,004)	44,382
Operating income	18,159	2,434	20,593	9,676	2,029	11,705	9,780	2,264	12,044
Interest income	514	-	514	428	-	428	399	-	399
Other income (expense), net	(402)	-	(402)	(64)	-	(64)	87	-	87
Net income before income taxes	18,271	2,434	20,705	10,040	2,029	12,069	10,266	2,264	12,530
Provision for income taxes	4,254	2,993	7,247	2,151	714	2,865	3,397	989	4,386
Net income	\$ 14,017	\$ (559)	\$ 13,458	\$ 7,889	\$ 1,315	\$ 9,204	\$ 6,869	\$ 1,275	\$ 8,144
Basic net income per share	\$ 0.20		\$ 0.19	\$ 0.11		\$ 0.44	\$ 0.10		\$ 0.12
Diluted net income per share	\$ 0.18		\$ 0.17	\$ 0.10		\$ 0.14	\$ 0.09		\$ 0.11
Shares used in computing net income per share									
Basic	71,836		71,836	58,288		20,812	68,495		68,495
Diluted	77,921		77,921	64,167		64,167	75,637		75,637

GAAP to Non-GAAP – Operating Results (cont.)

(Q3'10 vs. Q3'09 vs. Q2'10)

% of revenue	Q3'10			Q3'09			Q2'10		
	Q3'10	Adj	Pro forma Q3'10	Q3'09	Adj	Pro forma Q3'09	Q2'10	Adj	Pro forma Q2'10
Revenue:									
Product	42%	-	42%	39%	-	39%	41%	-	41%
Services	52%	-	52%	56%	-	56%	54%	-	54%
Ratable product and services	6%	-	6%	5%	-	5%	5%	-	5%
Total Revenue	100%	-	100%	100%	-	100%	100%	-	100%
Cost of revenue:									
Cost of product revenue	16%	-	16%	16%	-	16%	16%	-	16%
Cost of services revenue	7%	-	7%	8%	-	8%	8%	-	8%
Cost of ratable product and services	2%	-	2%	2%	-	2%	2%	-	2%
Total cost of revenue	25%	-	25%	26%	-	26%	26%	-	26%
Gross Profit:									
Product	63%	-	63%	59%	-	59%	62%	-	62%
Services	86%	-	86%	85%	-	85%	84%	-	84%
Ratable product and services	64%	-	64%	60%	-	60%	65%	-	65%
Total gross profit	75%	-	75%	74%	-	74%	74%	-	74%
Operating Expenses:									
Research and development	15%	(1%)	14%	16%	-	16%	17%	(1%)	16%
Sales and marketing	32%	(1%)	31%	36%	(2%)	34%	36%	(1%)	35%
General and administrative	7%	(1%)	6%	7%	(1%)	6%	8%	(1%)	7%
Total operating expenses	54%	(3%)	51%	59%	(3%)	56%	61%	(3%)	58%
Operating income	21%	3%	24%	15%	3%	18%	13%	3%	16%
Interest income	1%	-	1%	1%	-	1%	1%	-	1%
Net income before income taxes	22%	3%	25%	16%	3%	19%	14%	3%	17%
Provision for income taxes	5%	3%	8%	3%	1%	4%	5%	1%	6%
Net income	17%	0%	17%	13%	2%	15%	9%	2%	11%

Continued Market Leadership

Worldwide UTM Market Share
Q2 2010 ⁽¹⁾



Rank	Company	Market Share (%) ⁽²⁾	
1	FORTINET	16.4	↑
2	Cisco	9.8	↓
3	Juniper	9.0	↓
4	SonicWALL	8.1	↓
5	Check Point	7.2	↓
6	WatchGuard	4.9	↓
7	McAfee	5.5	↓
8	Crossbeam	2.6	↓
9	Other	41.4	↑
	Total	100.0	

Fortinet has been the *leading vendor* in the UTM security appliance market for 18 consecutive quarters

Fortinet is the *only vendor* to grow market share quarter over quarter

Note: Market shares are based on IDC's Quarterly Appliance Tracker.
Source: IDC, September 2010

Fortinet Q409 and 2010 Guidance

	Q4 10	Y/Y % Mid-Pt growth	2010	Y/Y % Mid-Pt growth
Billings ⁽¹⁾	\$100 - 105M	25%	\$364 - 369M	30%
Revenue	\$85 - 87M	22%	\$316 - 318M	26%
Non-GAAP Gross Margin (%) ⁽²⁾	73 - 74%		74%	
Non-GAAP Operating Profit ⁽²⁾	\$15 - 17M	57%	\$56 - 58M	62%
Non-GAAP Operating Margin (%) ⁽²⁾	18 - 20%		18%	
Non-GAAP Earnings per Share ^{(2) (3)}	\$0.13 - 0.14		\$0.49 - 0.50	
Weighted Diluted Shares used in EPS	~ 80M		~ 77M	
Free Cash Flow ⁽⁴⁾	\$15 - 17M	0%	\$84 - 86M	47%

Notes

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- (2) Does not include stock based compensation or acquisition-related write-offs
- (3) Assumes effective tax rate of 35% for Q4 2010 and 2010 and removes tax benefit of stock based compensation and write-off of acquisition expense
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