



# William Blair 39th Annual Growth Stock Conference

Keith Jensen, CFO

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# Safe Harbor Statement

Information, statements and projections contained in these presentation slides and related conference call concerning Fortinet's business outlook, the 2Q19 and 2019 guidance, and future prospects and expectations are forward-looking statements that involve risks and uncertainties. These forward-looking statements include statements regarding our position for future growth, position to provide our customers the best network security, ability to continue to grow our market position and address our market opportunity, and guidance and future financial results. 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 this release. Important factors that could cause results to differ materially from the statements herein include the following: general economic risks; global economic conditions, country-specific economic conditions, and foreign currency risks; competitiveness in the security market; the dynamic nature of the security market and its product and services; specific economic risks worldwide and in different geographies, and among different customer segments; uncertainty regarding increased business and renewals from existing customers; uncertainties around continued success in sales growth and market share gains; longer sales cycles, particularly for larger enterprise, service providers, government and other large organization customers; failure to convert sales pipeline into final sales; risks associated with successful implementation of multiple integrated software products and other product functionality risks; 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; 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; competition and pricing pressure; risks related to integrating acquisitions; 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](http://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 this release, and we undertake no obligation, and expressly disclaim any obligation, to update forward-looking statements herein in light of new information or future events.

# Network Security Leader



**\$14.3B Market Cap<sup>1</sup>**



**~\$1.8B - 2018  
(revenue)**



**1,244% Share price  
increase since IPO<sup>1</sup>**



**400,000+  
Customers including  
90% of the S&P100**



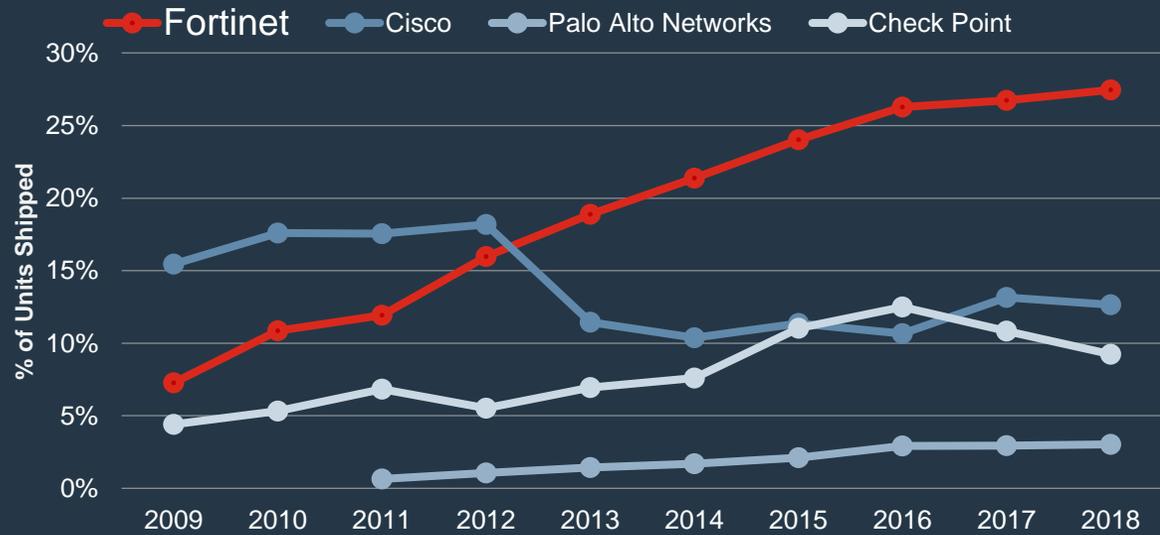
**Over 600 Global  
Patents<sup>1</sup>**

**S&P  
500**

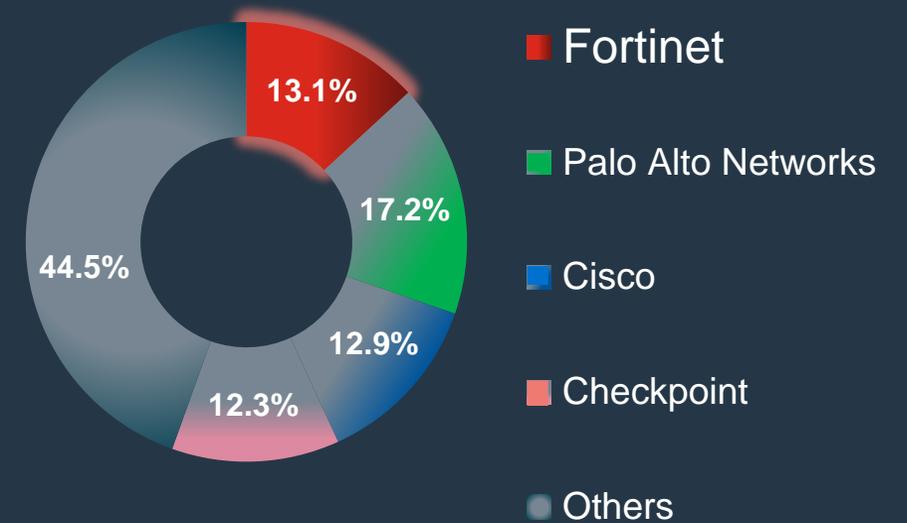
**Only Standalone  
Cybersecurity Vendor**

# Cybersecurity Leader

## #1 Units Deployed



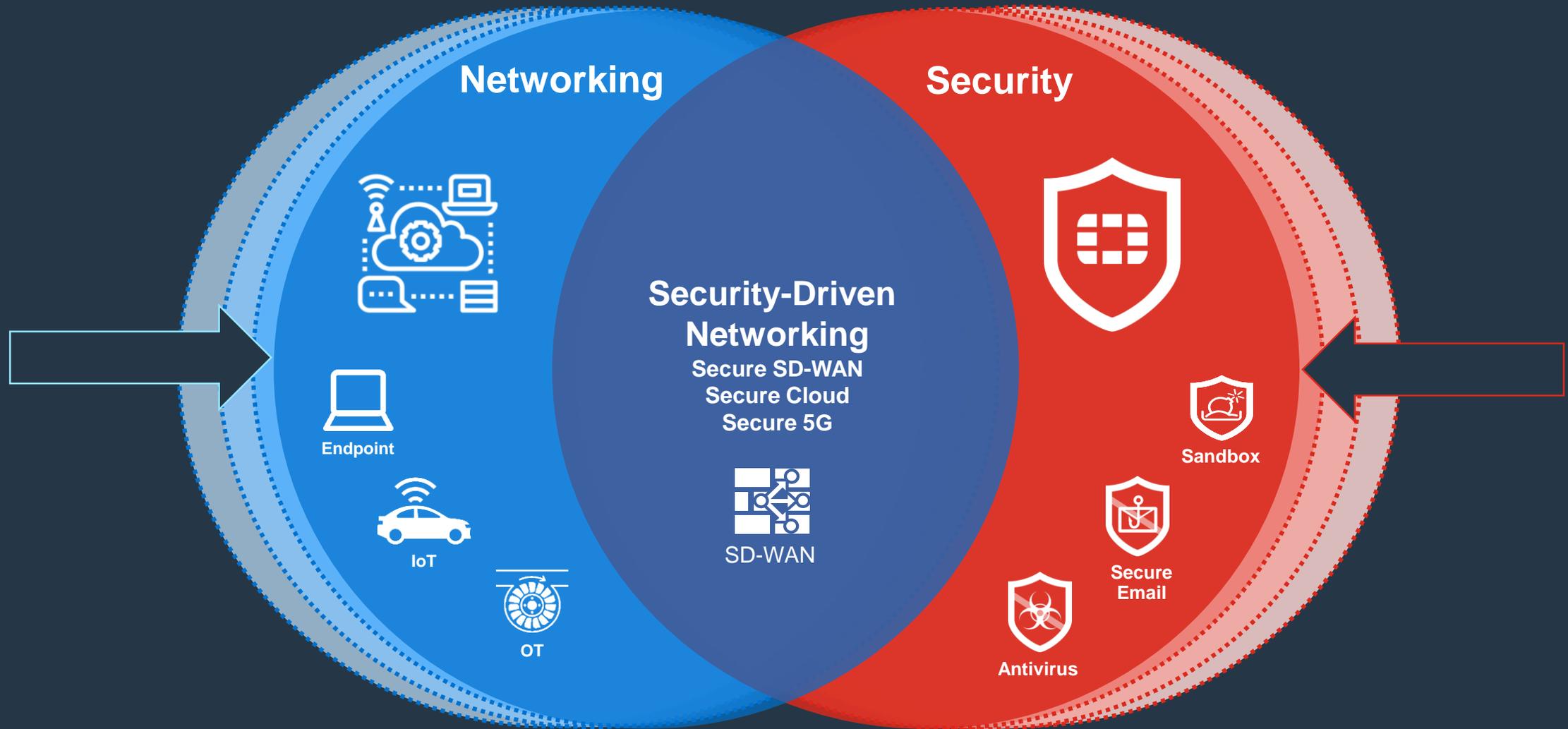
## #2 Revenue Market Share<sup>1</sup>



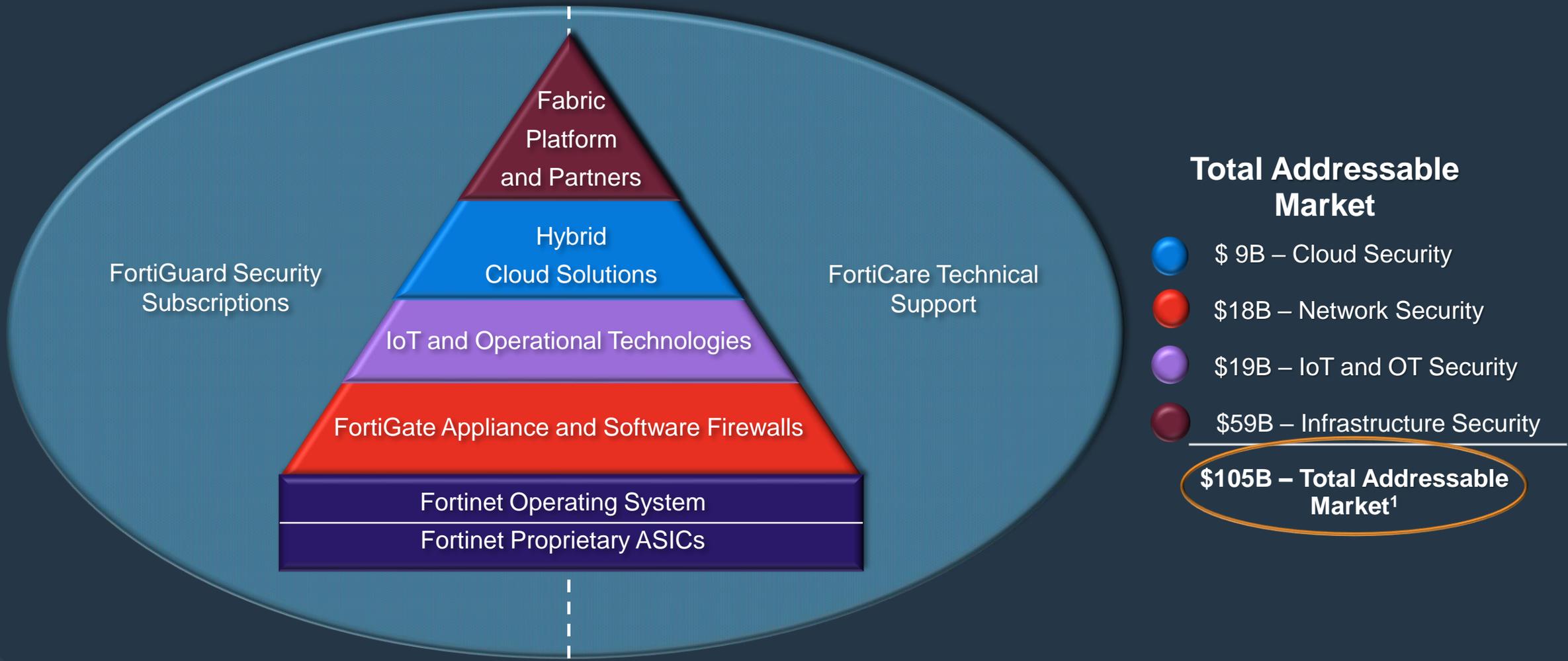
(1) Revenue Market Share from IDC Worldwide Security Appliance Tracker, March 2019 (based on quarterly Firewall, UTM, and VPN vendor revenues)

# Security-Driven Networking

Converging Security and Networking

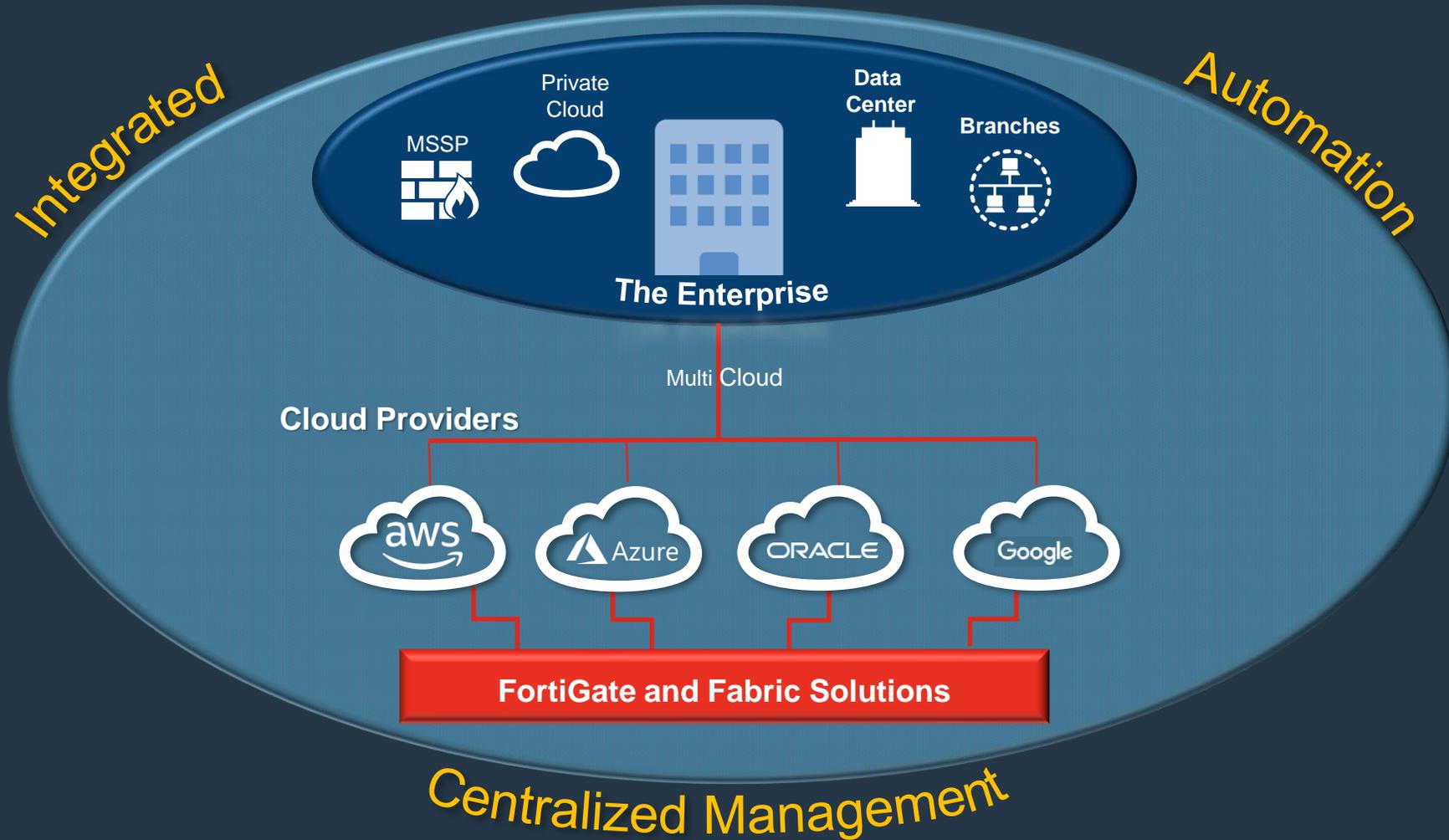


# Large Total Addressable Market



# Hybrid & Multi - Cloud Solutions

Security services available across form factors



# Leader in Third Party Testing Recommendations

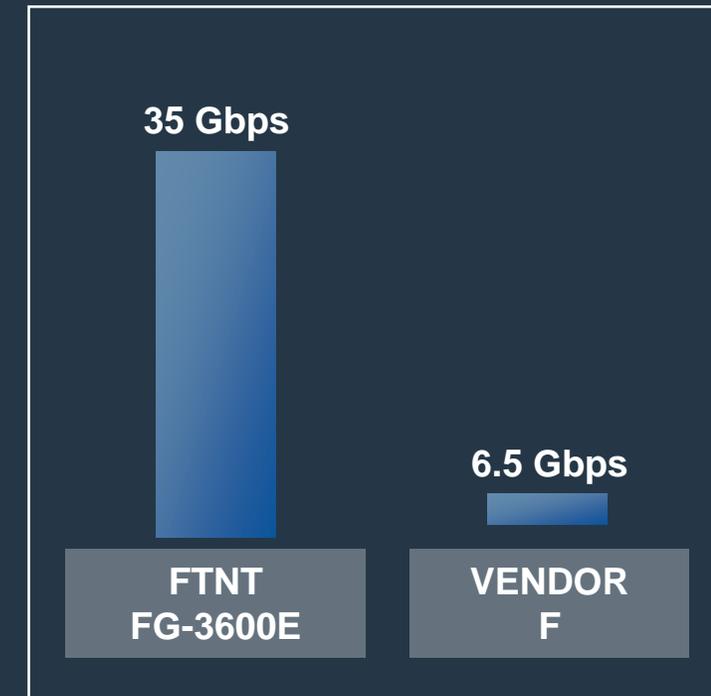
		Enterprise				SMB		
		Palo Alto Networks	Cisco	Juniper Networks	Check Point	SonicWall	Sophos	WatchGuard
	<b>7</b>	3	7	4	2	2	5	2
	<b>7</b>	3	7	4	2	2	5	2
	<b>9</b>	4	2	0	2	1	1	1

# Fortinet Leads in NSS Labs Test Results

## Purchase Price vs Security Effectiveness<sup>1</sup>

(\$ in 000s)	Purchase Price	Security Effectiveness Value	Delta	% Delta
<b>Fortinet</b>	<b>\$ 28</b>	<b>\$ 138</b>	<b>\$ 110</b>	<b>392%</b>
Vendor A	19	29	11	57
Vendor B	14	21	6	45
Vendor C	59	68	8	14
Vendor D	145	157	11	8
Vendor E	106	99	(7)	(7)
Vendor F	195	160	(35)	(18)
Vendor G	78	30	(48)	(62)
Vendor H	286	78	(208)	(73)
Vendor I	221	29	(193)	(87)

### SSL Inspection Performance



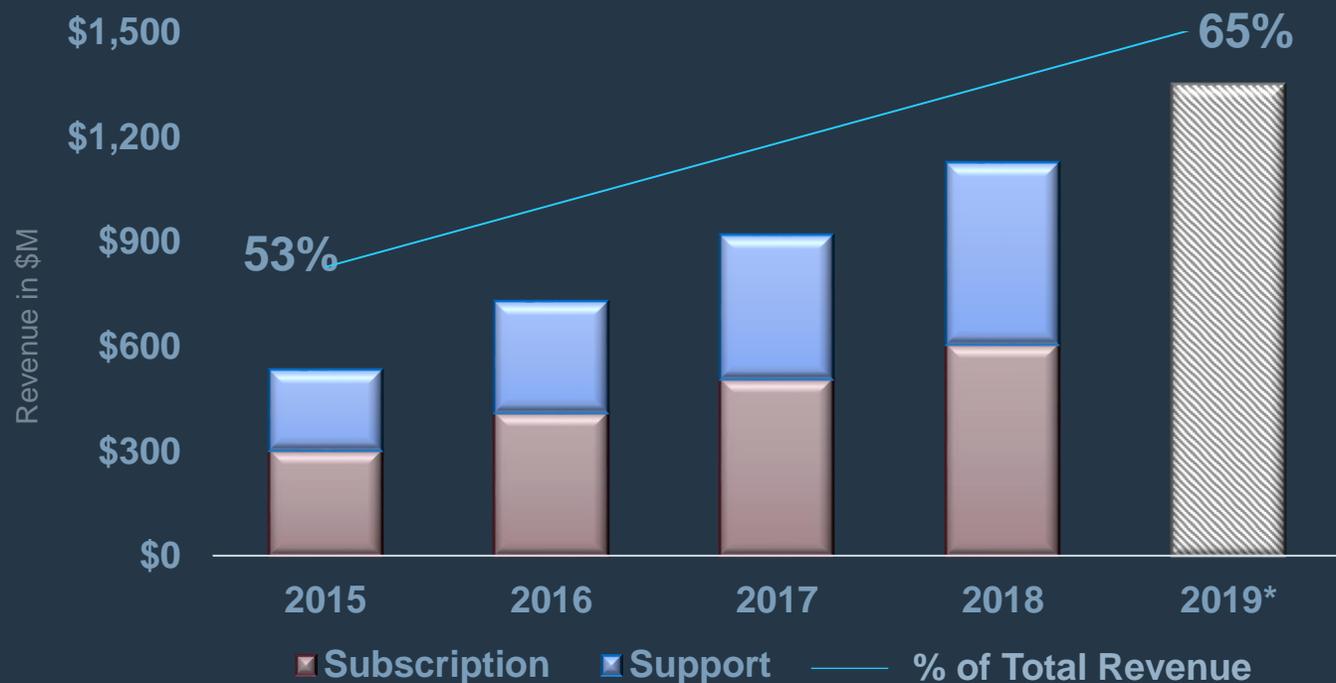
# Revenue Growth Continues to Outpace the Market



\*Based on mid-point FY'19 forecast. As of May 2, 2019, Fortinet expects Revenue in the range of \$2.07 billion to \$2.10 billion and Service revenue in the range of \$1.34 billion to \$1.36 billion.

# Service Revenue

Services provide a growing and predictable revenue stream at 87% gross margin

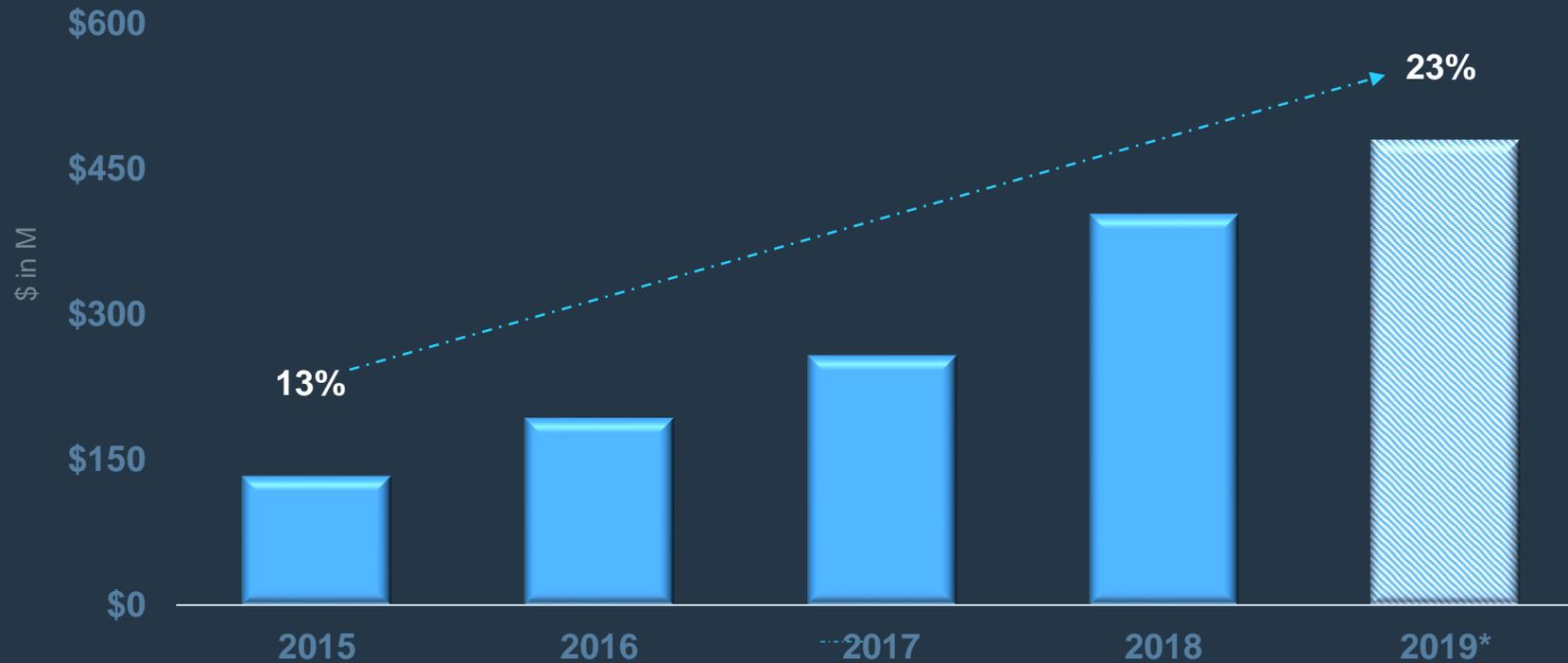


\*Based on mid-point FY'19 forecast of total Service revenue. As of May 2, 2019, Fortinet expects Service revenue in the range of \$1.34 billion to \$1.36 billion.

\*\*Represents percentage of Deferred Revenue that is current as of March 31, 2019.

# Balancing Growing Revenues and Increasing Profitability

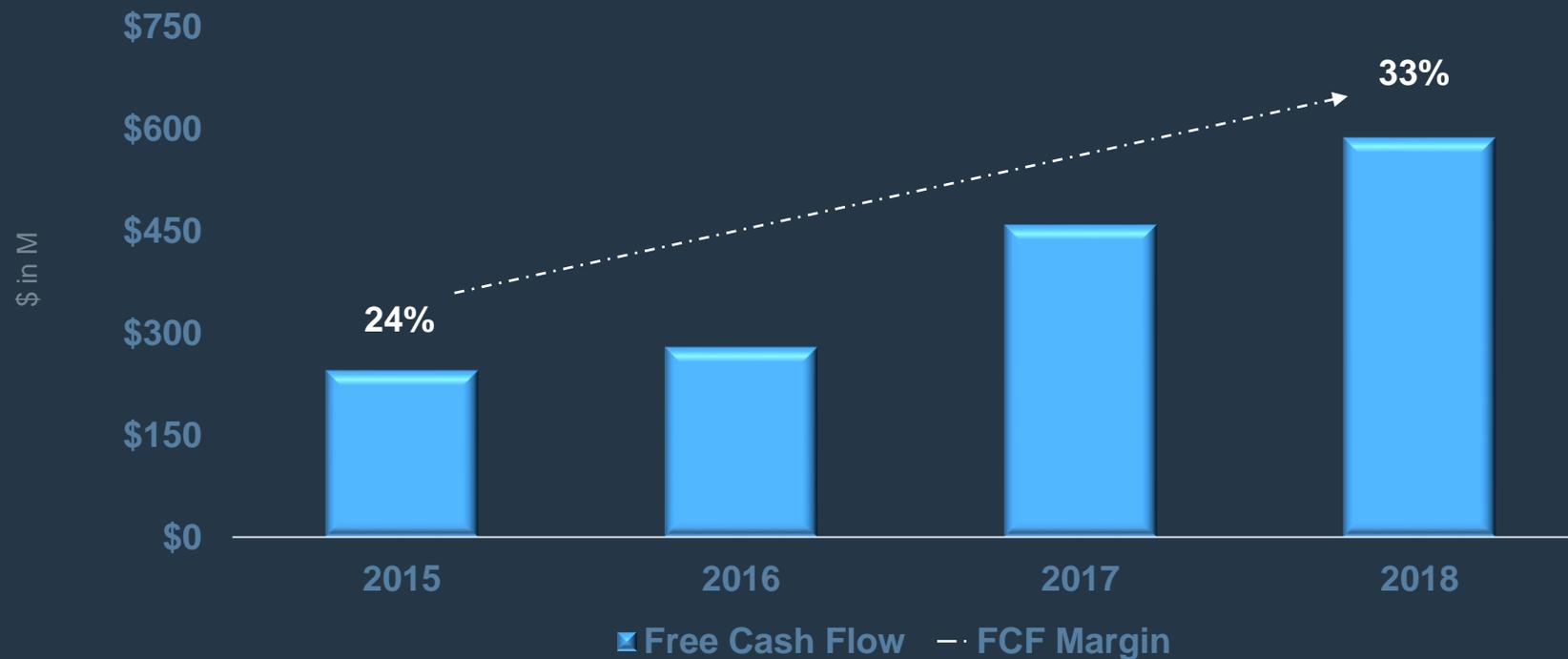
Non-GAAP operating margin expected to increase 1,000 basis points since 2015



\*Based on mid-point FY'19 forecast of Non-GAAP operating margin. As of May 2, 2019, Fortinet expects Non-GAAP operating margin in the range of 22.5% to 23.5%. 2018 included a 340 basis points benefit from the adoption of ASC 606.

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

# Growing Free Cash Flow and Margin



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

# Fortinet Growth Drivers

## Gain Enterprise Share

- No. 2 Cyber Security Company
- Cyber Security budget growth
- Third party recommendations
- Fabric Platform
- Competitor Refresh cycle

## Expand MSSP and SMB Leadership

- Carrier/MSSP Leader
- SMB leader
- TCO advantage
- Growing Partner ecosystem and investment

## New Market Opportunities

- SD-WAN
- Hybrid Cloud & Multi-Cloud
- OT & IoT
- New Partnerships

## Technology Innovation

- ASIC strategy
- Fabric Partner Integrations

## Financials



- Large level of high margin predictable, Service revenue
- \$1.9 Billion in cash<sup>(1)</sup> and no debt
- Free Cash Flow and margin growth
- Authorized share Buy Back

<sup>1</sup> As of March 31, 2019

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# Reconciliation of Non-GAAP Results to GAAP Results

\$ in million	2015	2016	2017	2018
GAAP gross profit	\$ 722.5	\$ 937.6	\$ 1,109.6	\$ 1,350.8
Stock-based compensation	8.1	10.0	10.9	12.3
Amortization of acquired intangible assets	1.7	4.0	5.0	6.2
Impairment of acquired intangible assets	1.3	-	-	-
Inventory fair value adjustment amortization	2.9	0.8	-	-
Non-GAAP gross profit	\$ 736.5	\$ 952.4	\$ 1,125.5	\$ 1,369.3
Non-GAAP gross margin	73%	75%	75%	76%
GAAP operating income	\$ 14.9	\$ 42.9	\$ 109.8	\$ 231.0
Stock-based compensation	95.1	122.4	137.2	162.9
Amortization of acquired intangible assets	3.1	9.3	8.6	9.0
Impairment of acquired intangible assets	1.6	-	-	-
ERP-related expenses	5.4	13.4	-	-
Acquisition-related charges	2.7	0.3	-	-
Restructuring charges	7.6	4.0	0.3	-
Inventory fair value adjustment amortization	2.9	0.8	-	-
Litigation settlement expenses	-	-	1.5	-
Non-GAAP operating income	\$ 133.3	\$ 193.1	\$ 257.4	\$ 402.9
Non-GAAP operating margin	13%	15%	17%	22%
GAAP Cash Flow from Operations	\$ 282	\$ 346	\$ 594	\$ 639
Purchase of Property and Equipment	(37.0)	(67.0)	(135.0)	(53.0)
Free Cash Flow	\$ 245.0	\$ 279.0	\$ 459.0	\$ 586.0