



# William Blair Presentation

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**\$23.4B** Market Cap  
Nasdaq: FTNT (June 1)

S&P 500

**\$2.6B**  
FY2019 Billings

Fastest Growing, Solid Profitability

**660+**  
Patents

Top Innovator

# #1 Cybersecurity Company in the World

Leading Every Evolution  
of Cybersecurity

- ✓ Most Deployed
- ✓ Most Validated
- ✓ Most Patented
- ✓ Broadest Portfolio

**30%**  
Global Firewall Shipments

Huge Scale

**455,000+**  
Customers Worldwide

Massive Sensor Network

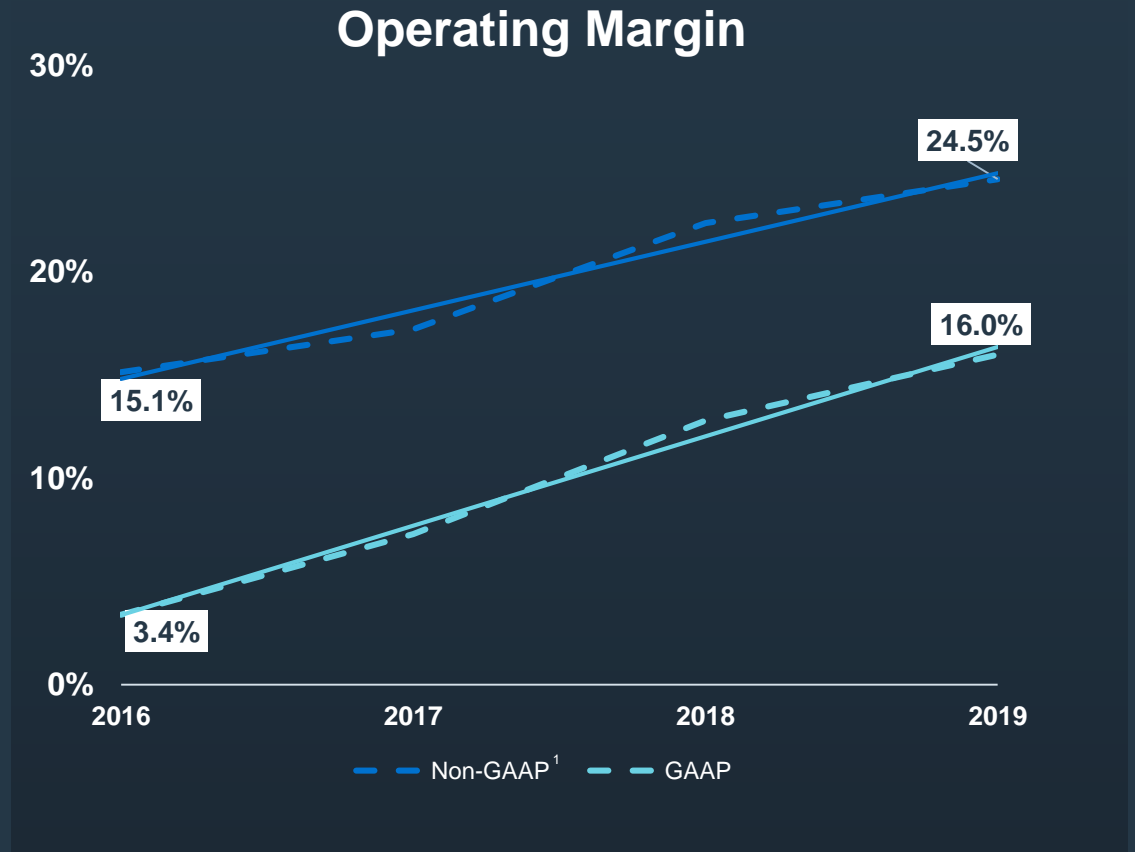
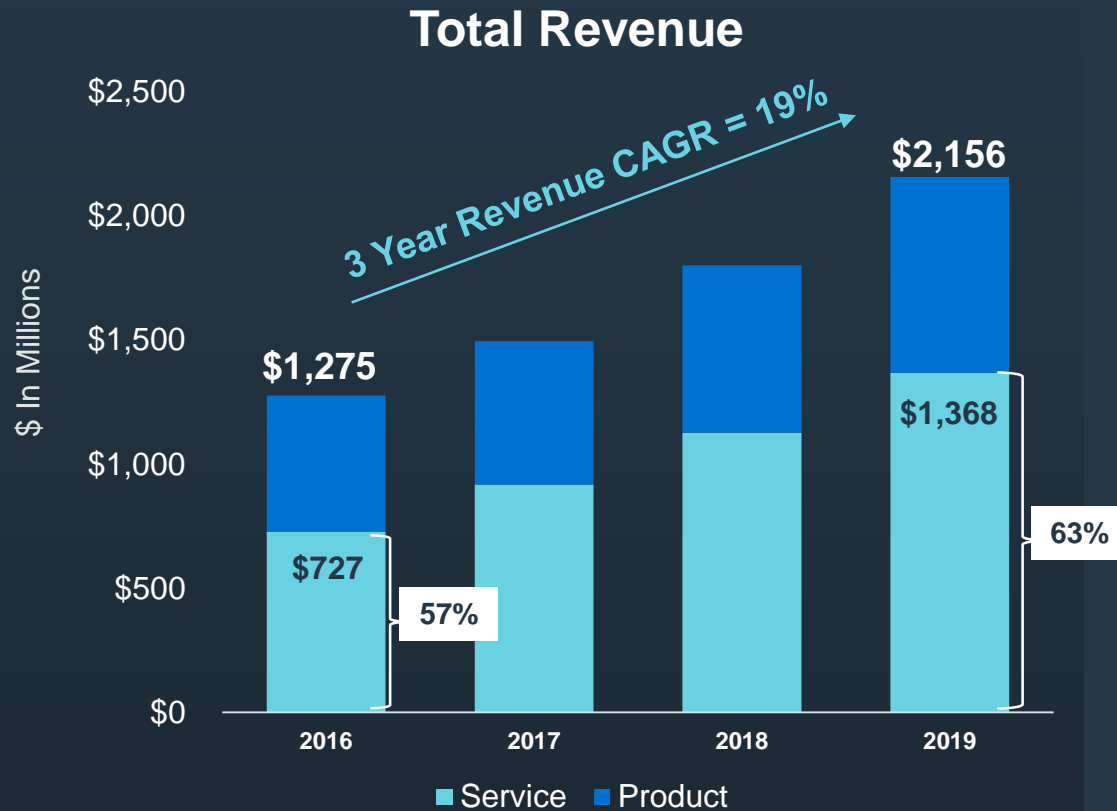
**30+**  
Cybersecurity Product Lines

Broadest Attack Surface Coverage

Source: Company data, Figures as of March 31, 2020

# Revenue Growth

Led by Growth of Higher Margin and More Predictable Service Revenue

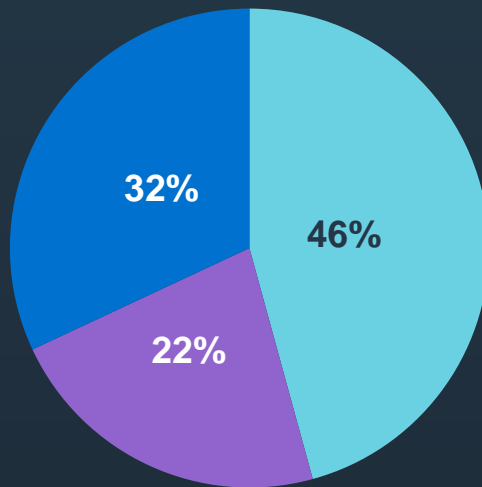


Note:  
<sup>1</sup> See Appendix for reconciliation of the non-GAAP financial measure to the most comparable GAAP financial measure.

# Billings Mix 2019

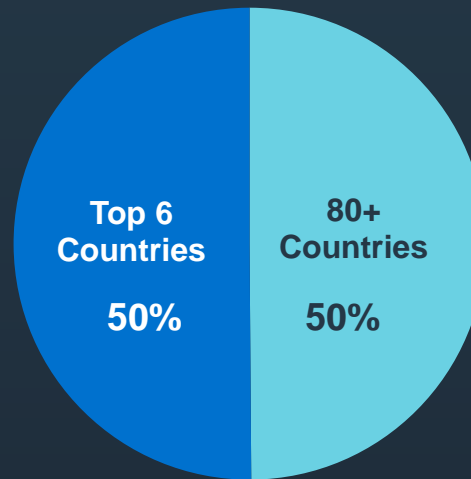
Diversified across Customer Segments, Geographies, and Industries

### Customer Segments



■ Enterprise & TeleCo ■ Mid-Enterprise ■ SMB

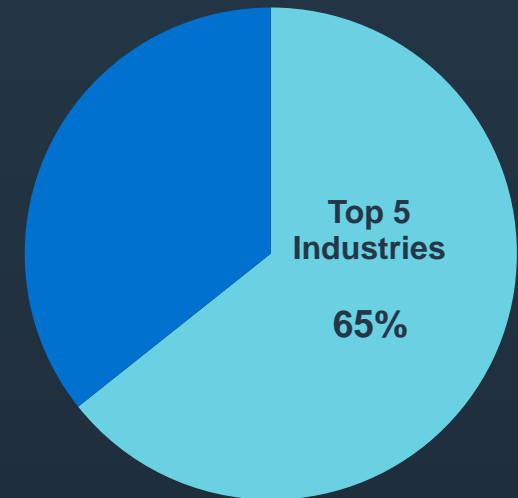
### Geographies



#### Top 6 Countries

Canada	Japan
France	United Kingdom
Germany	United States

### Industries



#### Top 5 Industries

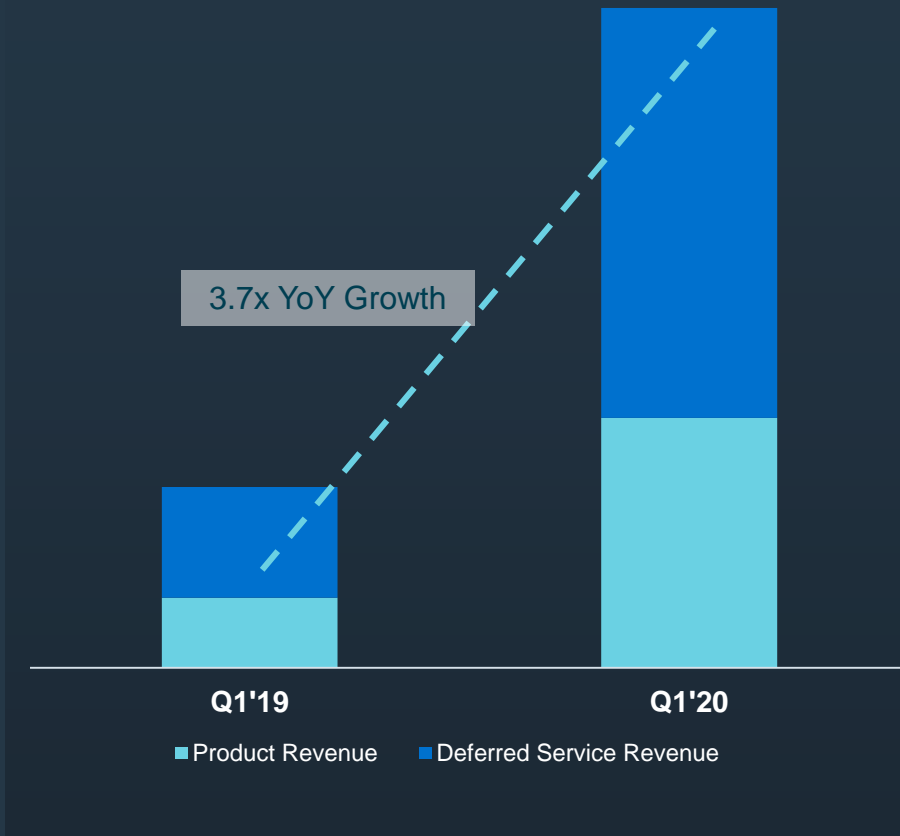
Fin Serve	Retail/Hospitality
Education	SP/MSSP
Government	

Note: Billings data is derived from invoiced amounts.

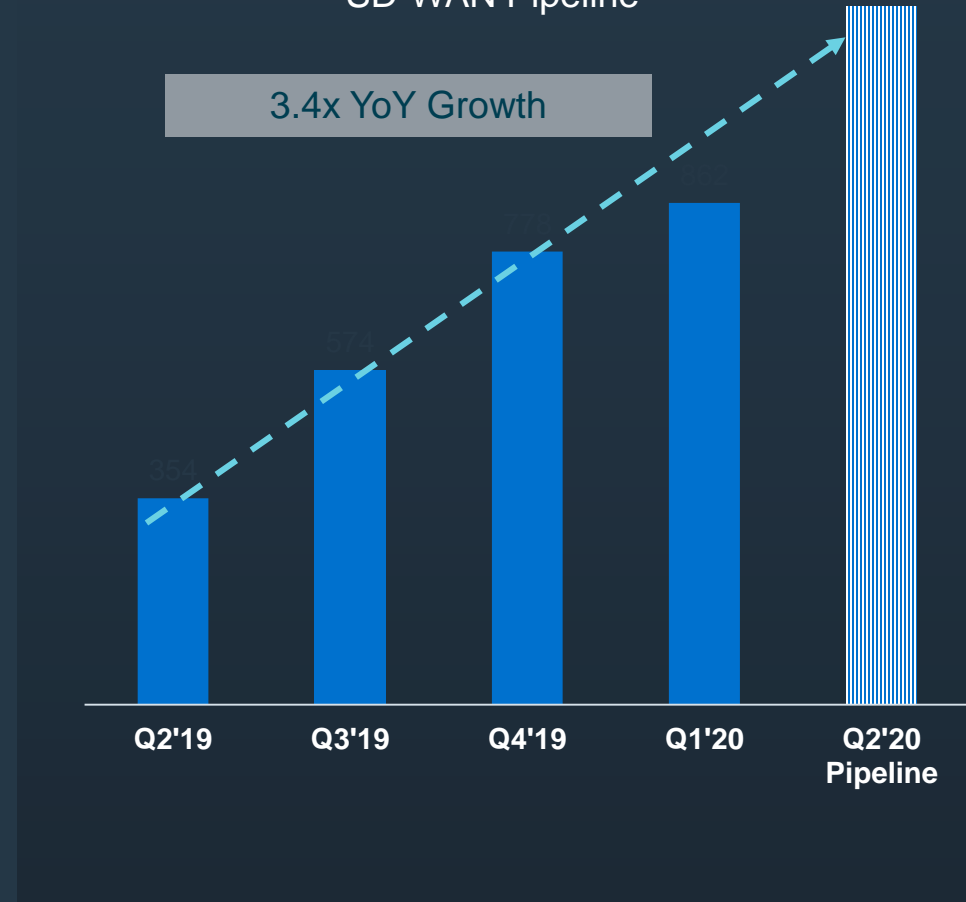
# Secure SD-WAN

Billings, Product Revenue and Pipeline Growing Rapidly

SD-WAN Billings



SD-WAN Pipeline



Note: Billings data is derived from invoiced amounts.

# Strategic Capital Allocation and Investment

Focus on Innovation and Shareholder Return

## Invest

### Innovation

Our innovation investment was more than \$980M since 2015<sup>1</sup>

630 U.S. Fortinet Patents

## M&A

### Opportunistic

Extending our Security Fabric – almost \$125M spent since 2015

Purchased Technology includes: SIEM, Endpoint, SOAR and NAC

## Return

### Capital Return

2017 through Q1'2020 share repurchases: \$1.7B

In 2020, we repurchased approximately 11.5M shares for a total of \$1,046M through the end of April. As of May 1, 2020 there was approximately \$547M remaining available for future repurchase.

Note:

<sup>1</sup> This represents our non-GAAP research and development expense through March 31, 2020. See Appendix for reconciliation of the non-GAAP financial measure to the most comparable GAAP financial measure.

# Fortinet Growth Drivers

## Gain Enterprise Share

- Competitor refresh cycle
- Third party recommendations
- Cyber Security budget growth

## Expand Leadership

- Top Cyber Security Company
- Value to customer advantage
- Carrier/MSSP Leader
- Sales & Marketing hiring to fuel future growth
- Growing partner ecosystem

## Fabric Platform

- Integrated and Automated suite of products; increasing TAM
- Internally developed products
- Lowers total management cost
- Security Fabric Partners – APIs and Fabric Connectors

## New Market Opportunities

- LAN market – Internal segmentation / Zero Trust
- Hybrid Cloud & Multi-Cloud
- OT & IoT & 5G
- Edge computing

## Technology Innovation

- ASIC strategy driving value to customer
- SD Wan
- Compute Rating advantage
- Innovation -- 630 U.S. patents

## Financials

- 65% of revenue is high margin, predictable service revenue
- Diversification across geographies, customer segments & industries
- Cash of \$1.6B<sup>(1)</sup>, no debt
- Free Cash Flow \$ and % of revenue Growth
- GAAP Profitable since 2009 IPO
- Share buy back program

(1) As of March 31, 2020



# Appendix

# FortiGate and Non-FortiGate

## What is included in Non-FortiGate?

FortiGate		Non-FortiGate				
Network Security Firewall	FortiGuard (FG) or FortiCare (FC) Available	Fabric				Other
		Solution	Infrastructure Fabric	Cloud (VM, SAAS & PAYG)	FortiGuard or FortiCare Available?	
		Forti-				
Entry Level (32 Products)	FG and FC	Analyzer	HW	X	FG and FC	Pro Services
Mid-Range (21)	FG and FC	AP	HW		FC	Training
High-End (39)	FG and FC	Client	SW		FG and FC	Forti-
		Cloud	SW		FG and FC	Authenticator
		GateVM		X	FG and FC	Token
		Mail	HW	X	FG and FC	<i>Fone</i>
		Manager	HW	X	FC	<i>Camera</i>
		NAC	HW/SW	X	FC	
		Portal		X	FC	
		Sandbox	HW/SW	X	FG and FC	
		SIEM	HW/SW	X	FG and FC	
		Switch	HW		FC	
		Web	HW	X	FG and FC	
		EDR		X	FG and FC	
		SOAR		X	FG and FC	

2019 Acquisitions

Note: The above is not an inclusive list of all Fabric, Cloud and Other products.

# Billings and Free Cash Flow Reconciliation

	2016	2017	2018	2019
Total revenue	\$ 1,275.4	\$ 1,494.9	\$ 1,801.2	\$ 2,156.2
Add change in deferred revenue	244.1	301.0	350.5	449.1
Add deferred revenue adjustment due to adoption of the new revenue recognition standard	-	-	4.1	-
Less deferred revenue balance acquired in business acquisition	(4.4)	-	(2.5)	(2.4)
<b>Total Billings</b>	<b>\$ 1,515.1</b>	<b>\$ 1,795.9</b>	<b>\$ 2,153.3</b>	<b>\$ 2,602.9</b>

	2016	2017	2018	2019
Net cash provided by operating activities	\$ 345.7	\$ 594.4	\$ 638.9	\$ 808.0
Less purchases of property and equipment	(67.2)	(135.3)	(53.0)	(92.2)
Free cash flow	278.5	459.1	585.9	715.8
Real Estate Adjustment <sup>(1)</sup>	27.0	107.3	19.0	60.0
<b>Adjusted Free Cash Flow</b>	<b>\$ 305.5</b>	<b>\$ 566.4</b>	<b>\$ 604.9</b>	<b>\$ 775.8</b>

(1) Represents real estate purchases and cash payments related to the new Sunnyvale campus building.

# Reconciliation of Non-GAAP Results to GAAP Results

<b>\$ in million</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
GAAP gross profit	\$ 937.6	\$ 1,109.6	\$ 1,350.8	\$ 1,650.3
Stock-based compensation	10.0	10.9	12.3	12.8
Amortization of acquired intangible assets	4.0	5.0	6.2	7.7
Inventory fair value adjustment amortization	0.8	-	-	-
Non-GAAP gross profit	\$ 952.4	\$ 1,125.5	\$ 1,369.3	\$ 1,670.8
Non-GAAP gross margin	75%	75%	76%	77%
GAAP operating income	\$ 42.9	\$ 109.8	\$ 231.0	\$ 344.2
Stock-based compensation	122.4	137.2	162.9	174.1
Amortization of acquired intangible assets	9.3	8.6	9.0	10.9
ERP-related expenses	13.4	-	-	-
Acquisition-related charges	0.3	-	-	-
Restructuring charges	4.0	0.3	-	-
Inventory fair value adjustment amortization	0.8	-	-	-
Litigation settlement expenses	-	1.5	-	-
Non-GAAP operating income	\$ 193.1	\$ 257.4	\$ 402.9	\$ 529.2
Non-GAAP operating margin	15%	17%	22%	25%

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