



2022 Analyst Day

May 10, 2022

Agenda

11:00 AM	Welcome	Peter Salkowski, VP of Investor Relations
11:05 AM	Core Platform & Platform Extension	John Maddison, CMO & EVP Products
~12:15 PM	Financial Review & Outlook	Keith Jensen, CFO
~12:30 PM	Management Q&A	Ken Xie, Founder, Chairman & CEO, Keith Jensen, Patrice Perche CRO & EVP Support, John Maddison
1:00 PM	Lunch / Departure	

Wifi: FTNT-Visitor, Password: #limitless

For virtual attendees, please use the Q&A feature on the webcast or email your questions to psalkowski@fortinet.com



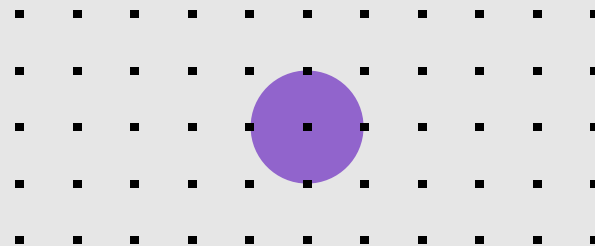
Safe Harbor Statement

Information, statements and projections contained in these presentation slides concerning Fortinet's business outlook, second quarter and full year 2022 guidance, 2025 financial targets, and future prospects and expectations are forward-looking statements that involve risks and uncertainties. These forward-looking statements include statements regarding demand for our products and services, guidance and expectations around future financial results, including guidance and expectations for the second quarter and full year 2022, statements regarding the momentum in our business and future growth expectations, and statements regarding our robust pipeline, market opportunity and market size, strong business momentum, and expectations of several more years of solid growth. 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 these presentation slides. Important factors that could cause results to differ materially from the statements herein include the following: general economic risks, including those caused by the COVID-19 pandemic, the war in Ukraine and the effects of increased inflation in certain geographies; significantly heightened supply chain challenges due to the current global environment; negative impacts from the COVID-19 pandemic on sales, billings, revenue, demand and buying patterns, component supply and ability to manufacture products to meet demand in a timely fashion, and costs such as possible increased costs for shipping and components; 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 products and services; specific economic risks worldwide and in different geographies, and among different customer segments; uncertainty regarding demand and increased business and renewals from existing customers; uncertainties around continued success in sales growth and market share gains; uncertainties in market opportunities and the market size; actual or perceived vulnerabilities in our supply chain, products or services, and any actual or perceived breach of our network or our customers' networks; longer sales cycles, particularly for larger enterprise, service providers, government and other large organization customers; the effectiveness of our salesforce and failure to convert sales pipeline into final sales; risks associated with successful implementation of multiple integrated software products and other product functionality risks; risks associated with integrating acquisitions and changes in circumstances and plans associated therewith, including, among other risks, changes in plans related to product and services integrations, product and services plans and sales strategies; 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; cybersecurity threats, breaches and other disruptions; 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, including those caused by the COVID-19 pandemic; competition and pricing pressure; product inventory shortages for any reason, including those caused by the COVID-19 pandemic, the war in Ukraine and the effects of increased inflation in certain geographies; risks associated with business disruption caused by natural disasters and health emergencies such as earthquakes, fires, power outages, typhoons, floods, health epidemics and viruses such as the COVID-19 pandemic, and by manmade events such as civil unrest, labor disruption, international trade disputes, international conflicts such as the war in Ukraine, terrorism, wars, and critical infrastructure attacks; tariffs, trade disputes and other trade barriers, and negative impact on sales based on geo-political dynamics and disputes and protectionist policies; any political and government disruption around the world, including the impact of any future shutdowns of the U.S. government; 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 or upon request from our investor relations department. All forward-looking statements herein reflect our opinions only as of the date of these presentation slides, and we undertake no obligation, and expressly disclaim any obligation, to update forward-looking statements herein in light of new information or future events.



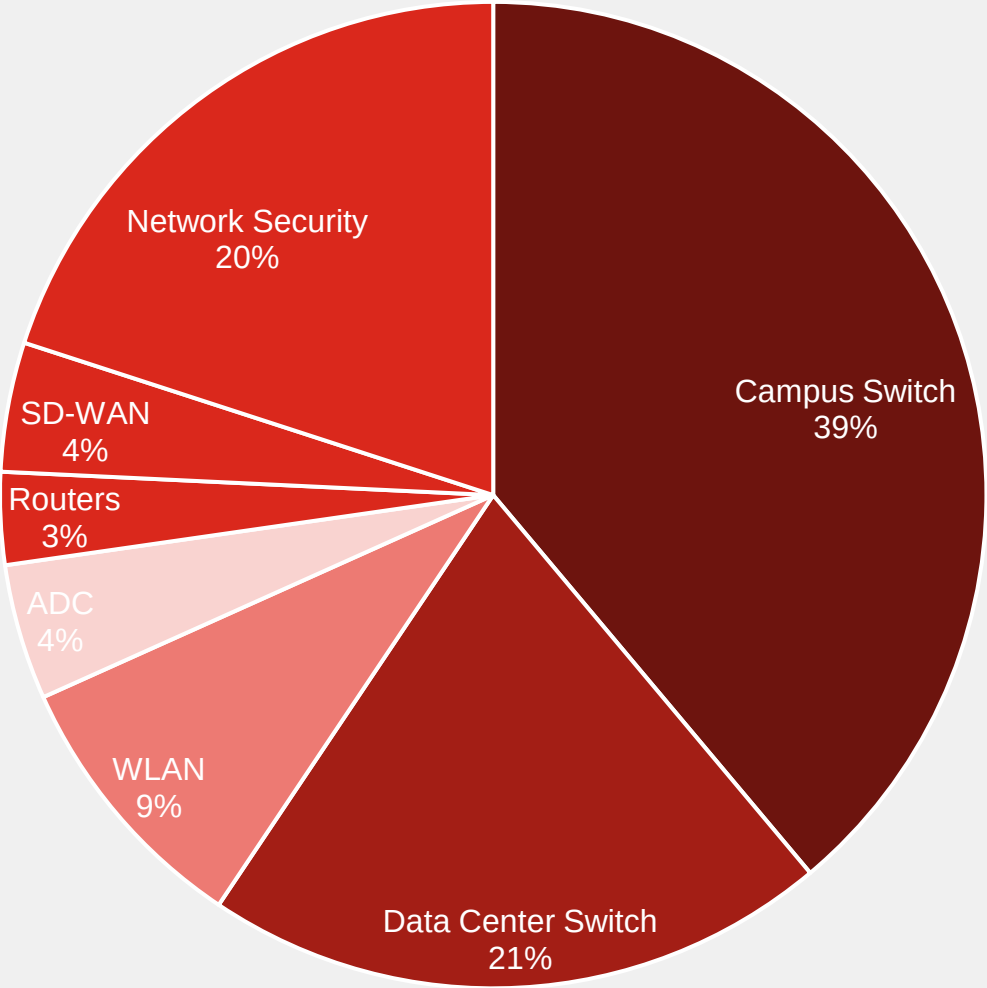
John Maddison

Chief Marketing Officer and Executive Vice President, Products

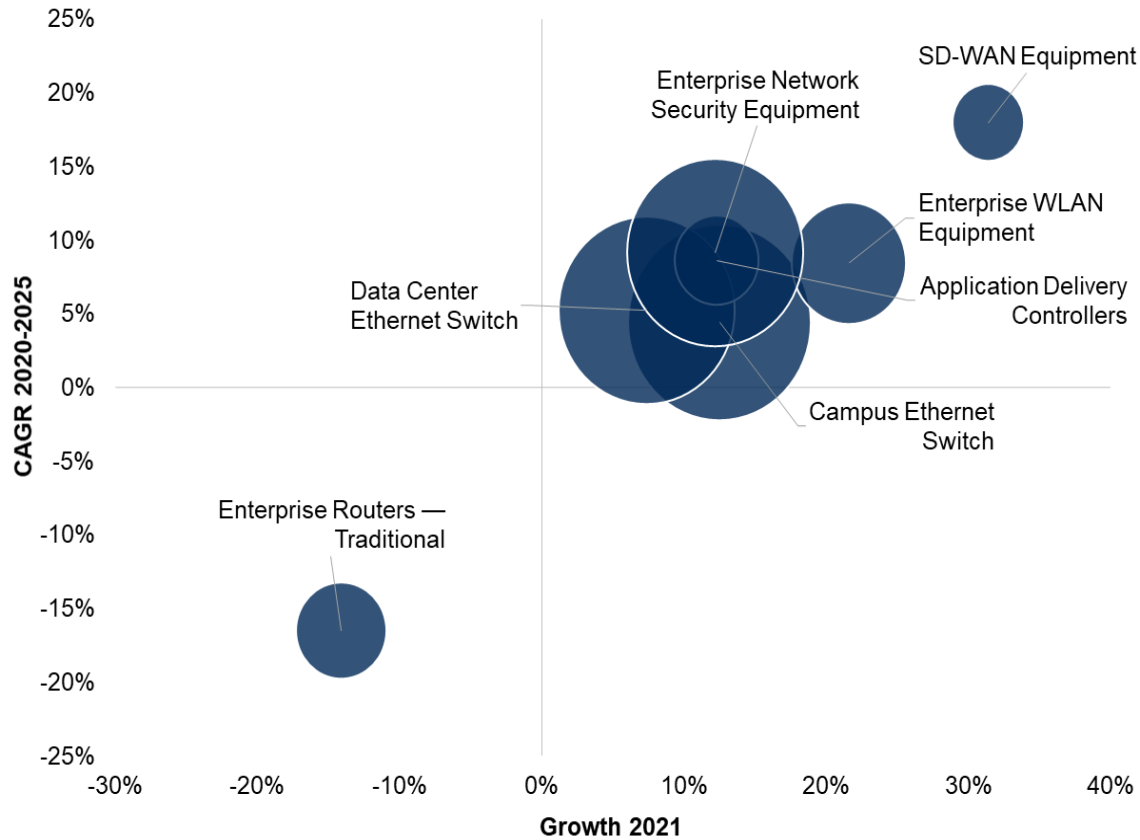


Enterprise Networking Equipment Market

Enterprise Networking
2022 - \$80B @ 6% growth



Enterprise Network Equipment Opportunities by Segment



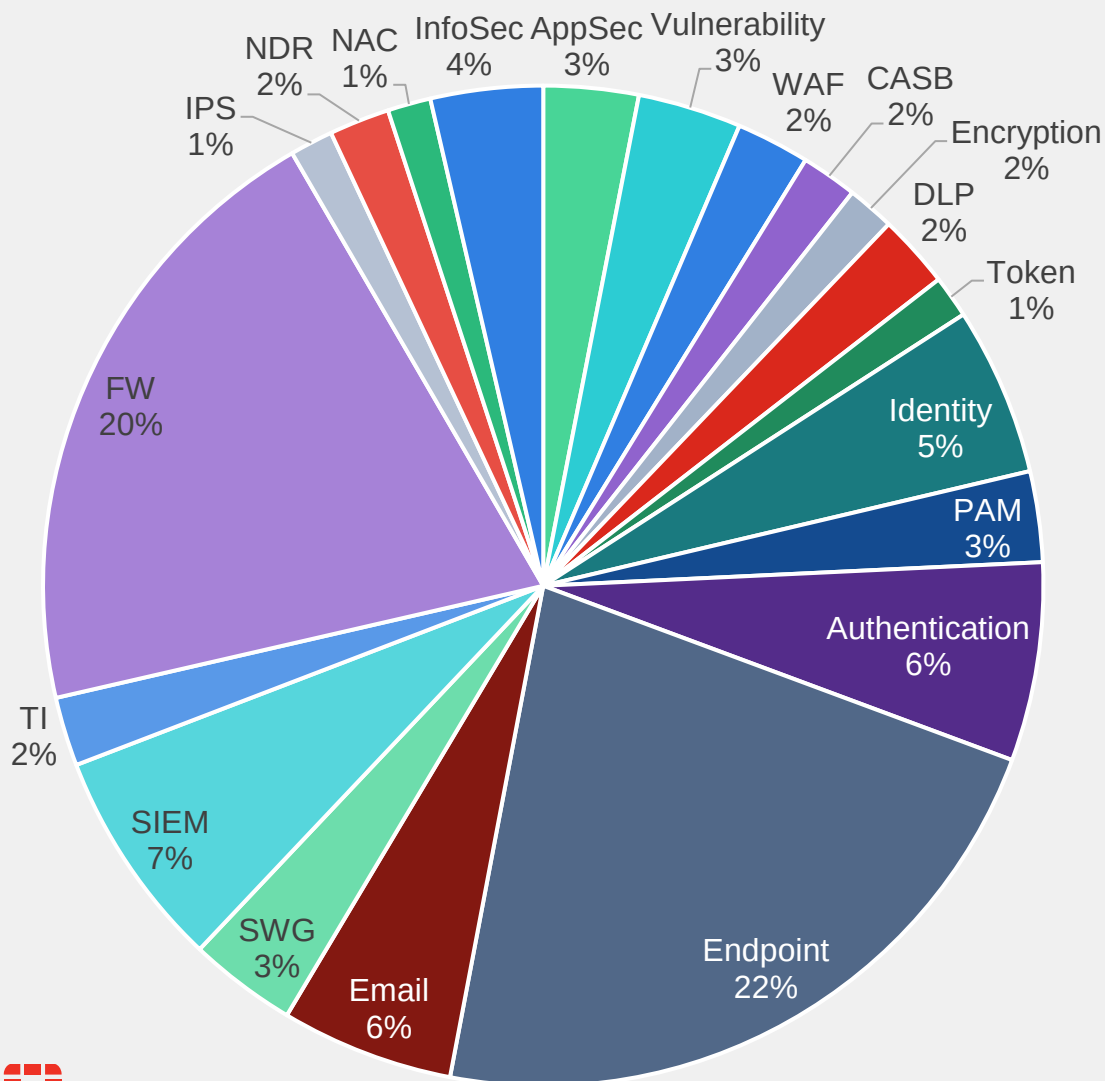
Note: The size of each bubble represents 2020 spending by vertical in constant U.S. dollars.

Source: Gartner (February 2022)
ID: 763948



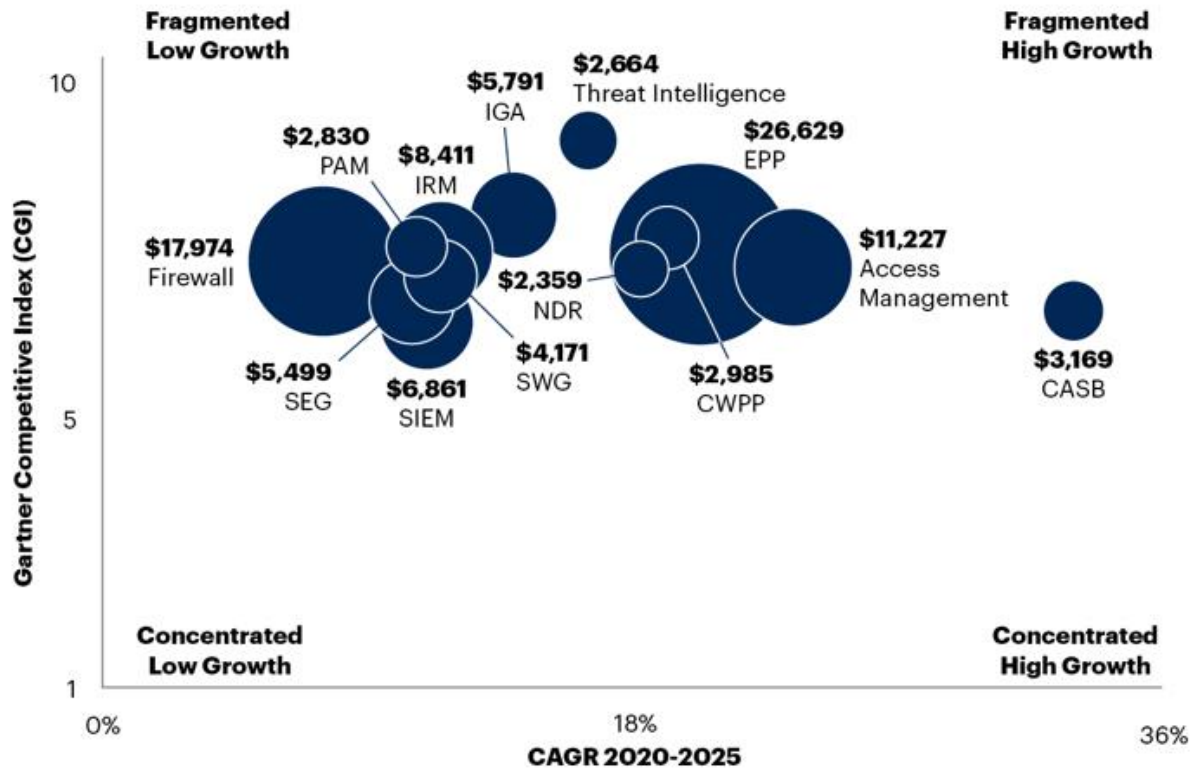
Cybersecurity Market - \$72B

Does not include \$80B of services



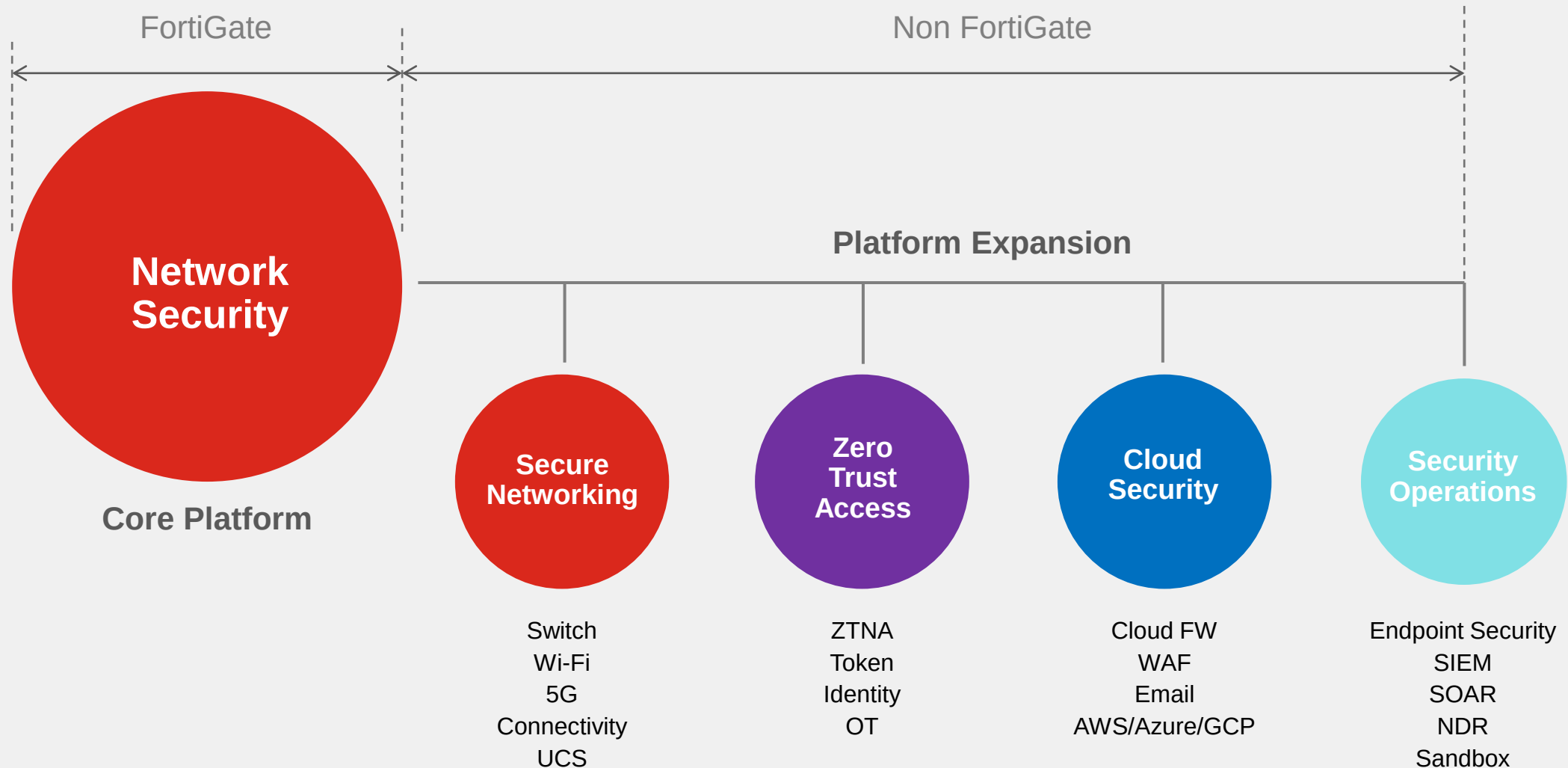
Market Opportunity Map: Security and Risk Management Software, Worldwide, 2020-2025, Millions of Dollars

Total Market Size in 2025: \$100.57 Billion



Core Platform and Platform Expansion

Platform Extension Growth Key



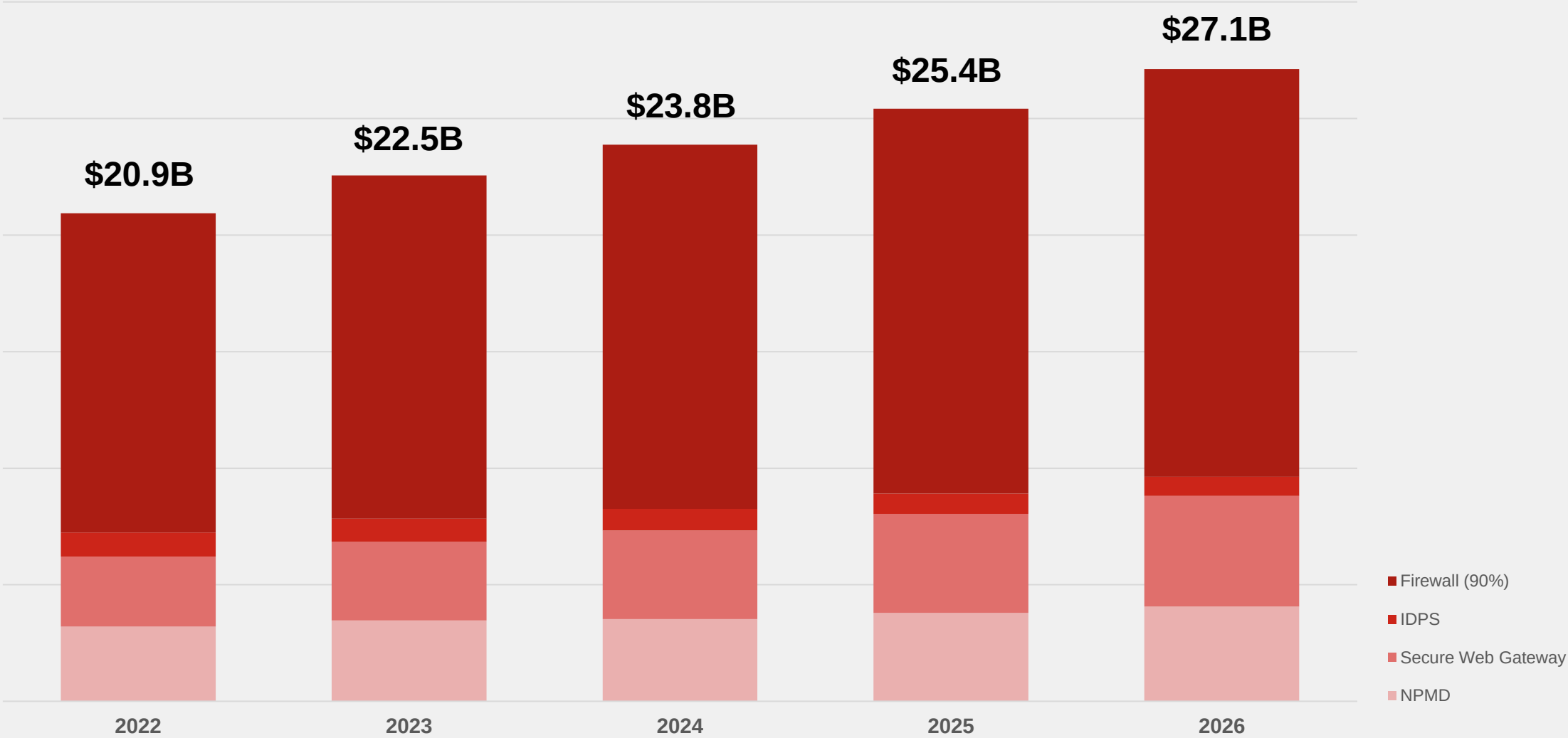
Network Security

Core Platform

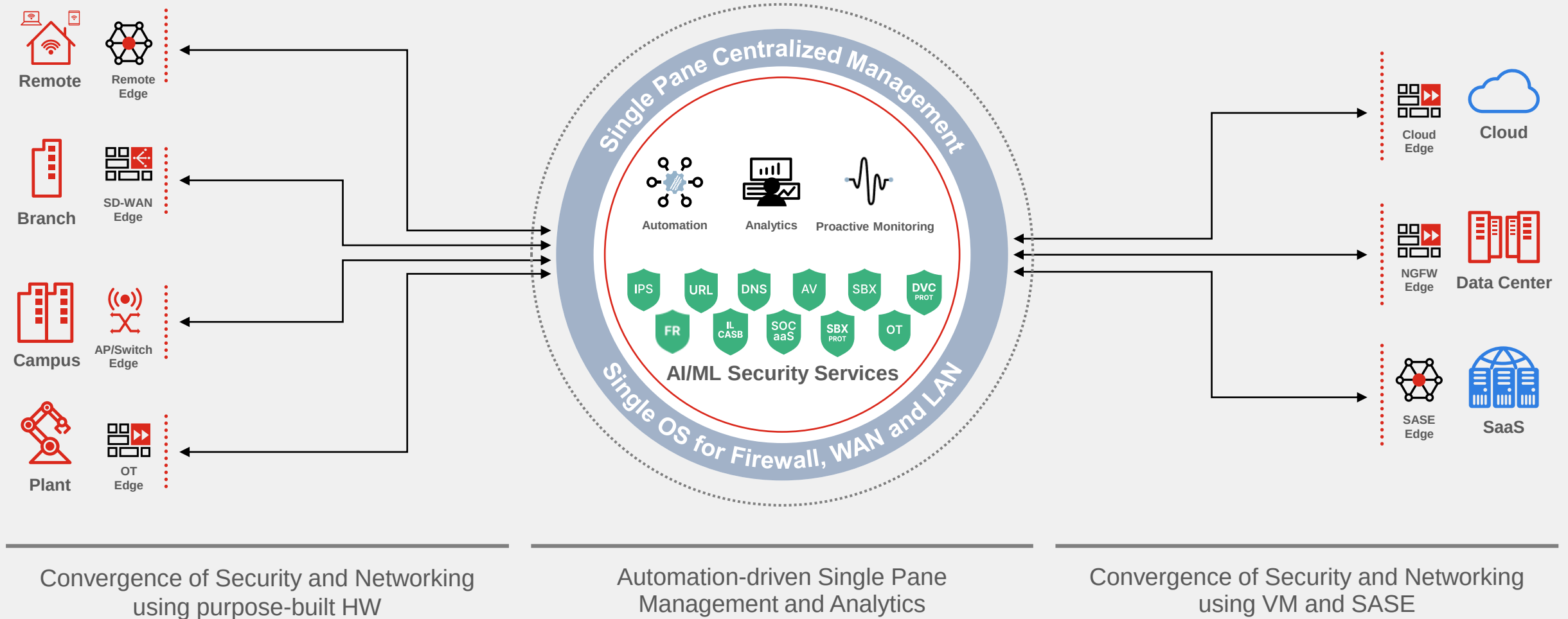
Secure
Networking



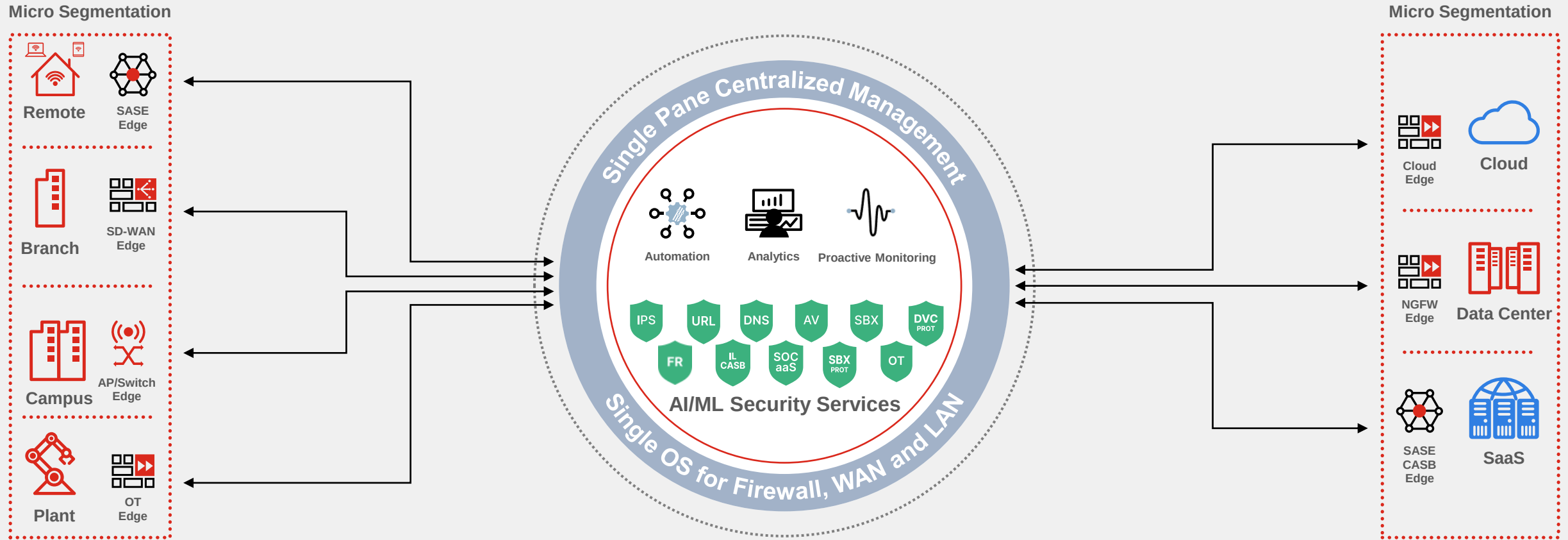
Network Security Total Addressable Market



Our Solution Now— Secure Networking Strategy



Our Solution for Future — Secure Networking Strategy



Micro-Segmentation to prevent lateral movement of threats

AI/ML Security Services for Network to simplify WAN, LAN and WLAN

Digital Experience Monitoring with Convergence of Networking and Security



Network Security Portfolio



FortiGate Firewall

- Next-Generation Firewall
- Internal Segmentation
- Hyperscale Firewall



FortiAP

- Indoor
- Outdoor



FortiSwitch

- Campus/Branch
- Data Center



FortiNAC

- Zero Trust for Devices
- User Access Control
- Guest Access Control



Linksys HomeWRK

- Home Network



FortiVoice

- Business Communications



FortiGate SD-WAN

- WAN Edge device
- Application Steering
- Advanced Routing
- Cloud On-Ramp



FortiExtender

- LTE/5G WWAN Gateway
- SD-Branch



FortiProxy

- Secure Web Gateway
- On Premises



FortiSASE SWG

- Secure Web Gateway
- Cloud-Delivered



FortiGuard AI-Powered Security



Supporting Stats

Platform Extension Growth Key

80%

Fortune 500 Customers using Network Firewall

5M+

FortiGate is the most deployed firewall

1.47 PB

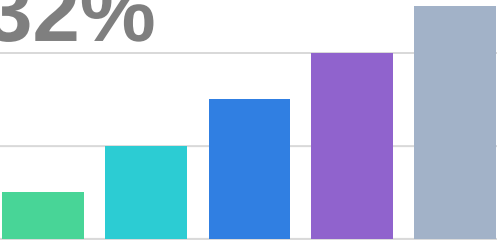
Threat Samples

Network Firewall Customers

565,000

We add between 5,000 and 7,000 new customers per QTR

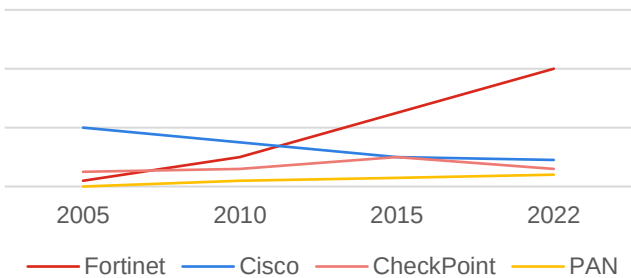
32%



Firewall Shipments Market Share

38%

Over one third of all firewall shipments globally are from Fortinet

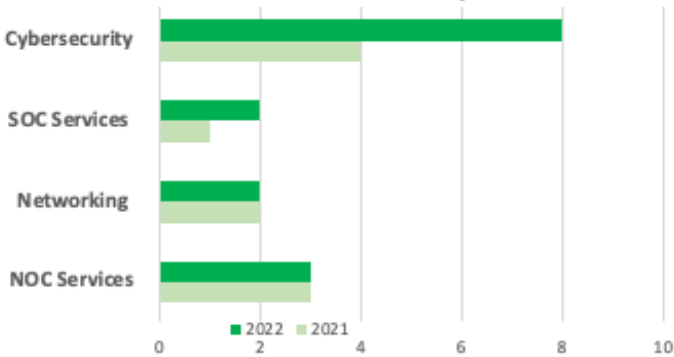


* IDC Quarterly Security Appliance Tracker

Introducing 5 New FortiGuard Services for NGFW

15 Total

Best-of-breed Security and Networking Technologies AND advanced SOC and NOC as a Service Offerings



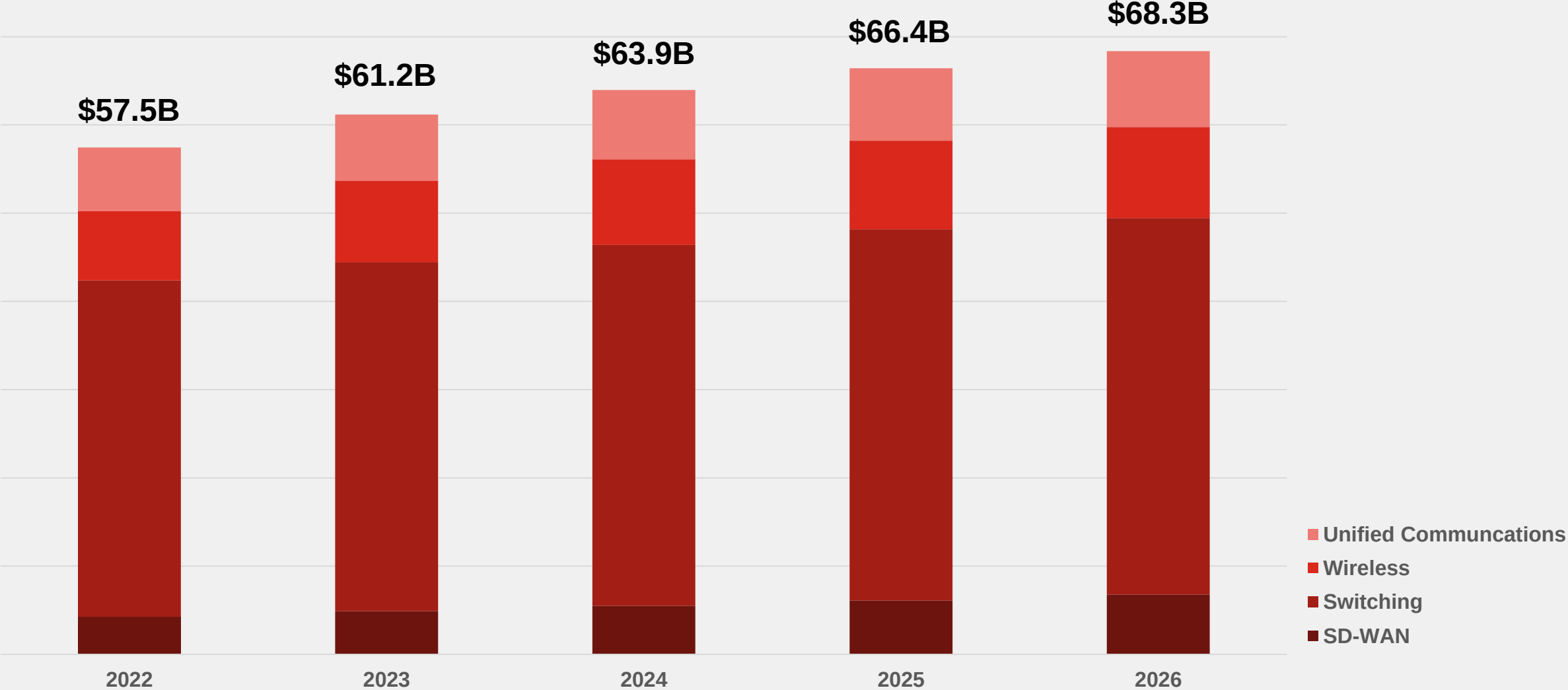
Enterprise Networking

Platform Extension

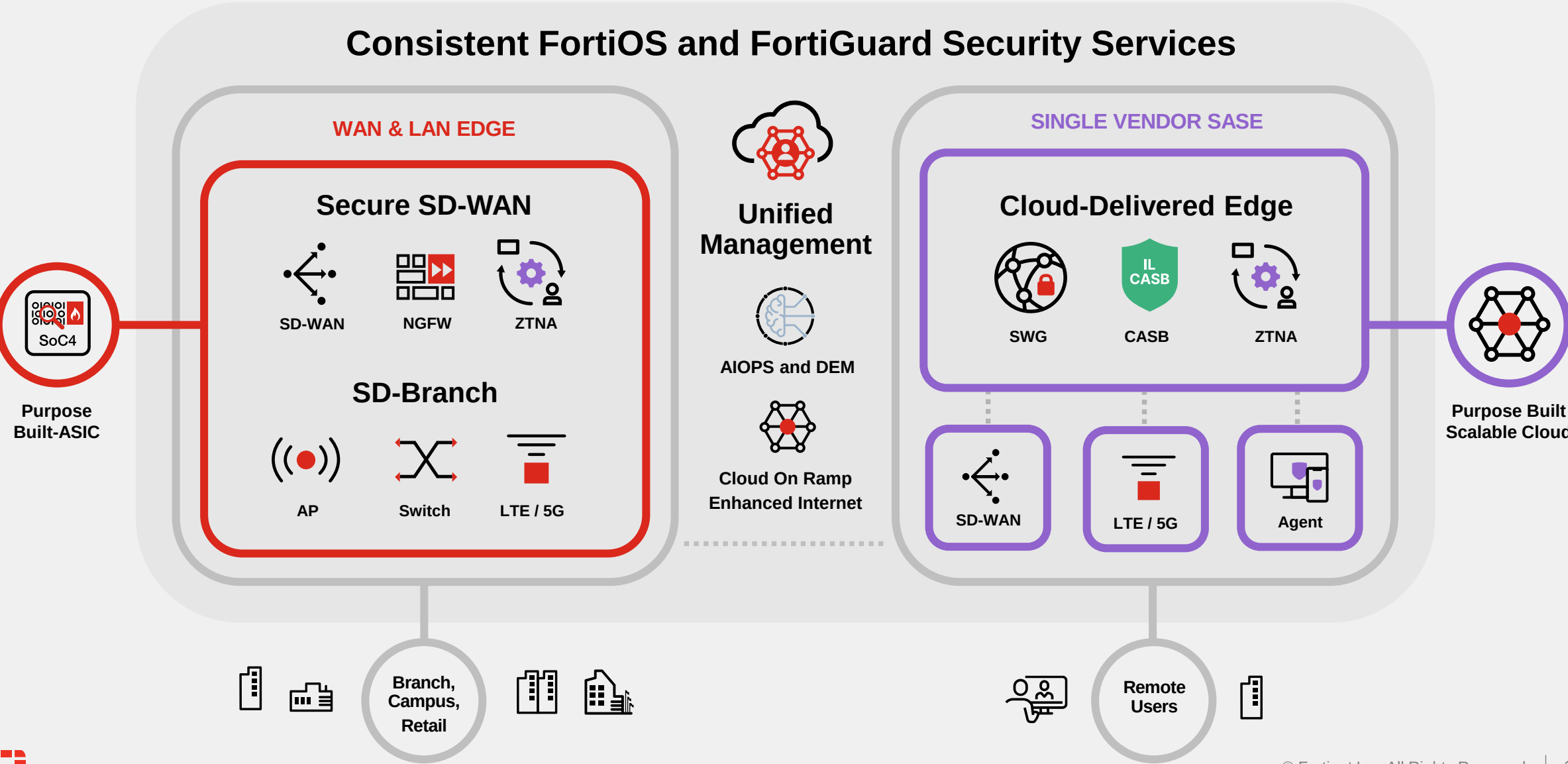
Secure
Networking



Enterprise Networking Total Addressable Market



Fortinet Secure SD-WAN Vision

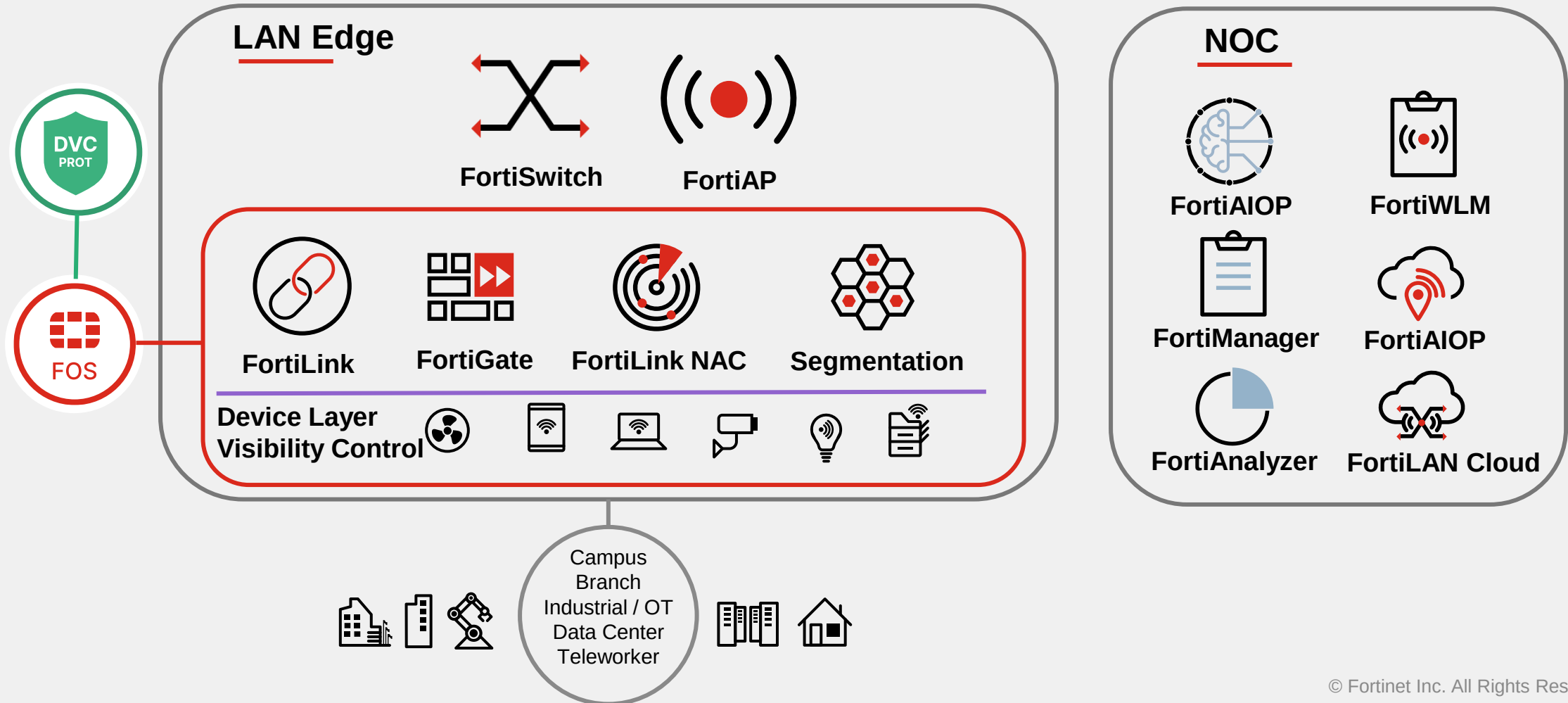


Secure Approach to Wired and Wi-Fi Through Convergence

SECURE

SIMPLE

INTELLIGENT



Enterprise Networking Portfolio



FortiGate Firewall

- Next-Generation Firewall
- Internal Segmentation
- Hyperscale Firewall



FortiAP

- Indoor
- Outdoor



FortiSwitch

- Campus/Branch
- Data Center



FortiNAC

- Zero Trust for Devices
- User Access Control
- Guest Access Control



Linksys HomeWRK

- Home Network



FortiVoice

- Business Communications



FortiGuard AI-Powered Security



FortiGate SD-WAN

- WAN Edge device
- Application Steering
- Advanced Routing
- Cloud On-Ramp



FortiExtender

- LTE/5G WWAN Gateway
- SD-Branch



FortiProxy

- Secure Web Gateway
- On Premises



FortiSASE SWG

- Secure Web Gateway
- Cloud-Delivered



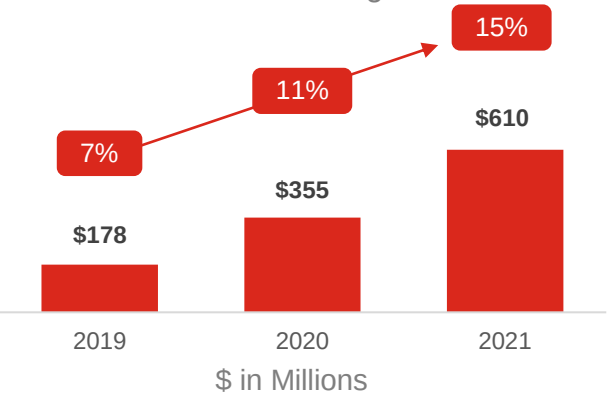
Secure SD-WAN – Supporting Stats

WAN Edge

Secure SD-WAN

85% CAGR

SD-WAN represented 15% of company's total billings

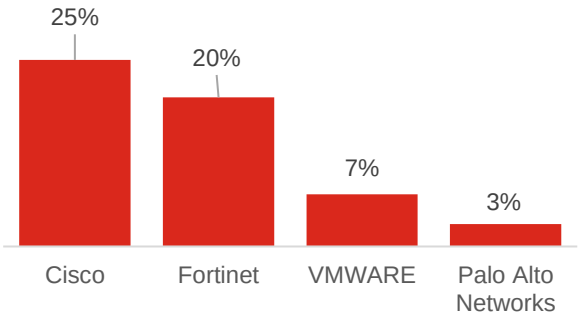


WAN Edge

SD-WAN HW Appliance

20% Market Share

In 2021, achieved 2nd highest hardware revenue market share*



High Convergence

Security with SD-WAN

89% Y/Y Growth**

FortiGuard Security Services sold as part of a secure SD-WAN solution



* Gartner : Market Share: Enterprise Network Equipment by Market Segment, Worldwide, 4Q21 and 2021
** Q1 2021 - FortiGuard Security Services with SD-WAN to secure direct internet access and segmentation



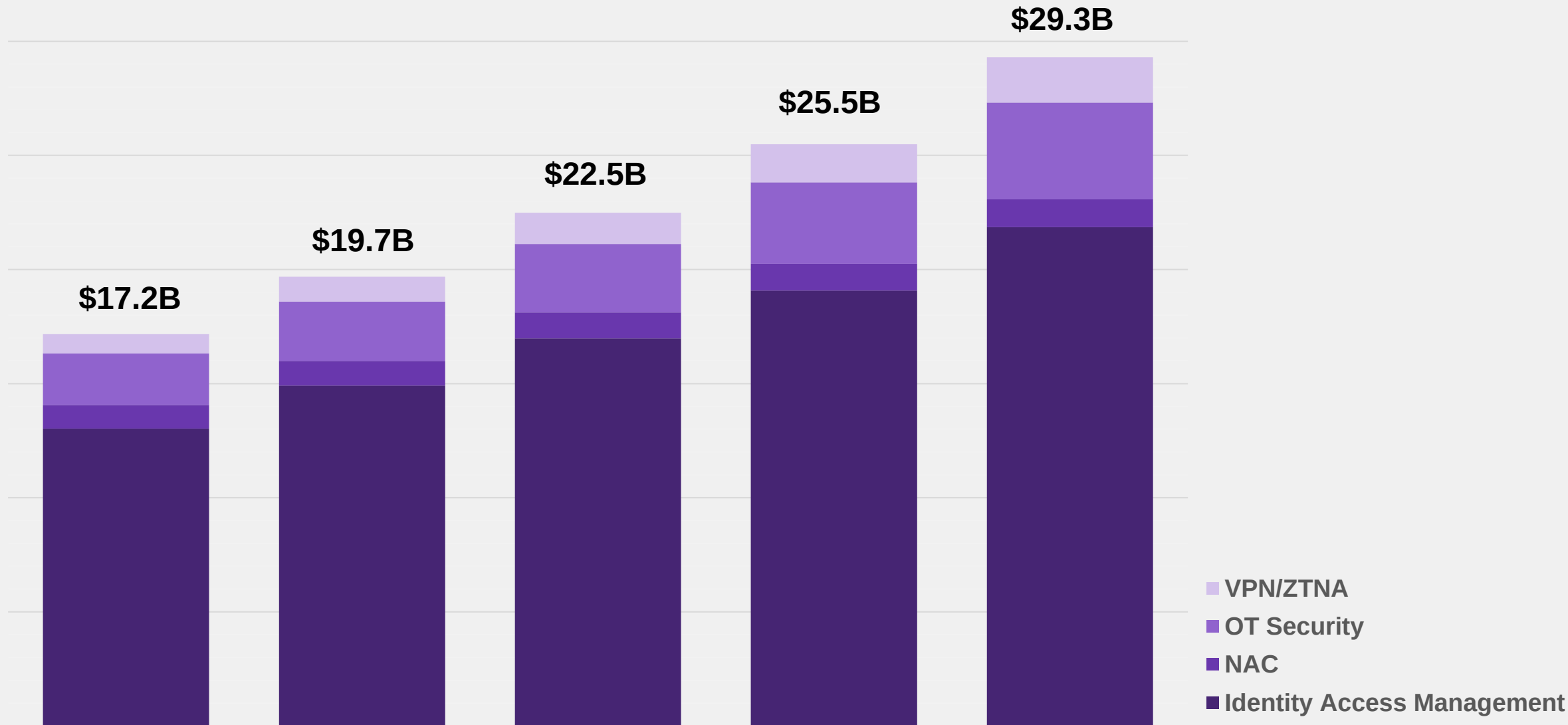
Controlling and protecting access to applications on and off the network

Platform Extension

Zero Trust Access



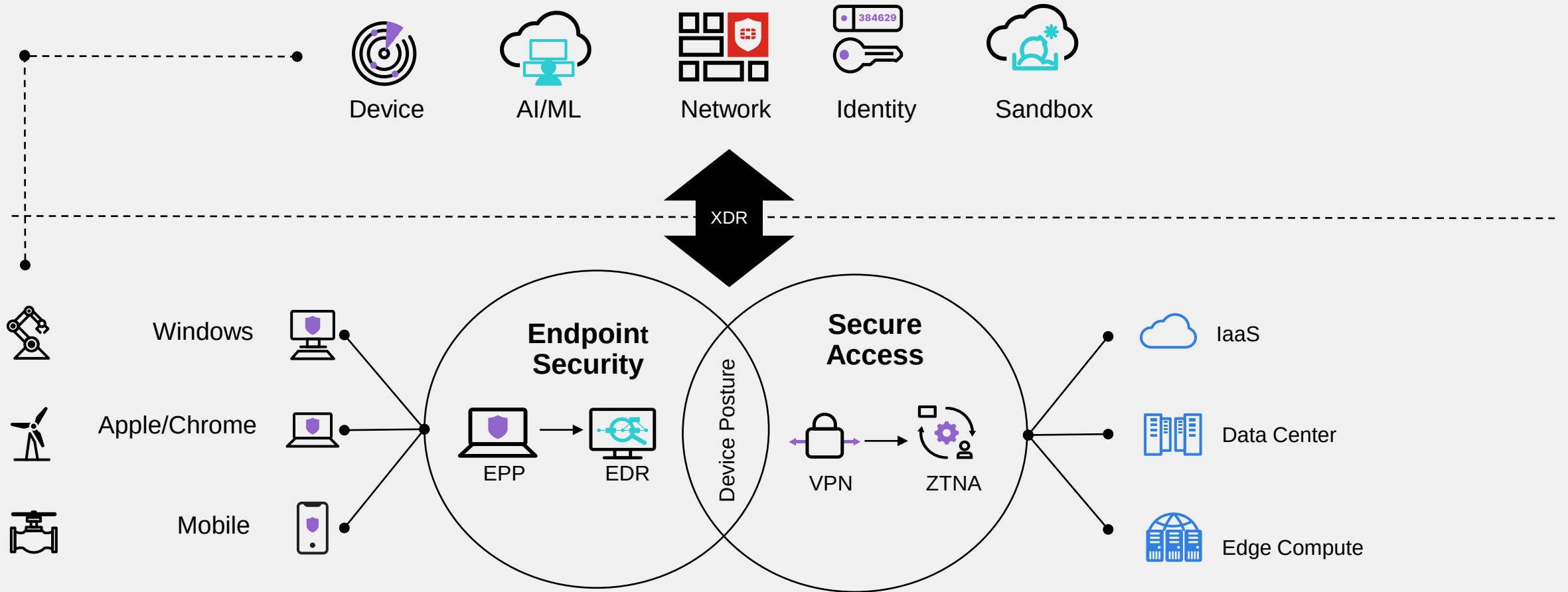
Zero Trust Access Total Addressable Market



Zero Trust Access Now

WFA, Increase in devices (including OT), shift to Cloud-based services

Security Fabric



Zero Trust Access Vision

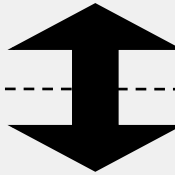
Platform-based, cloud-supported, integrated services

Security Fabric

Network
NAC
Sandbox
Applications



AI/ML Engines



Endpoint Security

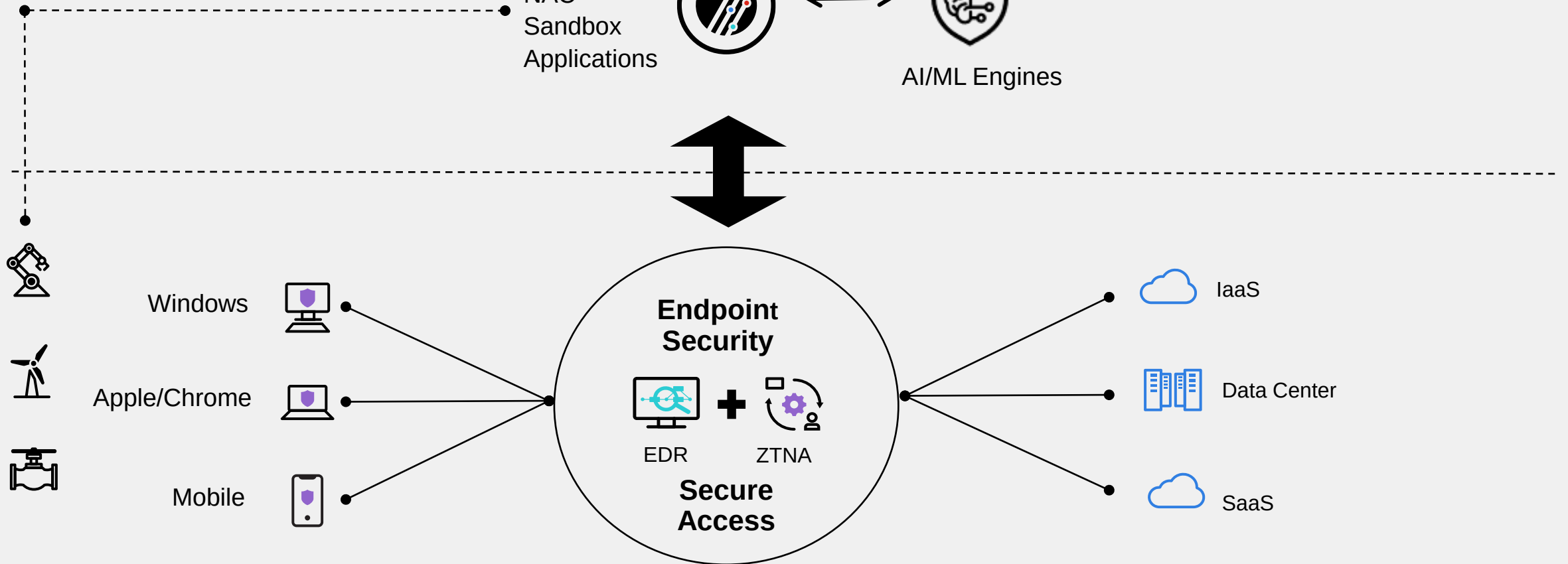


EDR

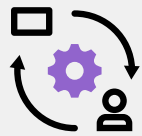


ZTNA

Secure Access



Zero Trust Access Portfolio



FortiClient ZTNA

- Remote Access
- Application Access
- Zero Trust Risk Reduction

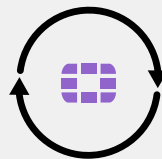
ZTNA Proxy

- FortiGate
- FortiGate VM
- FortiSASE



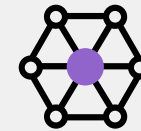
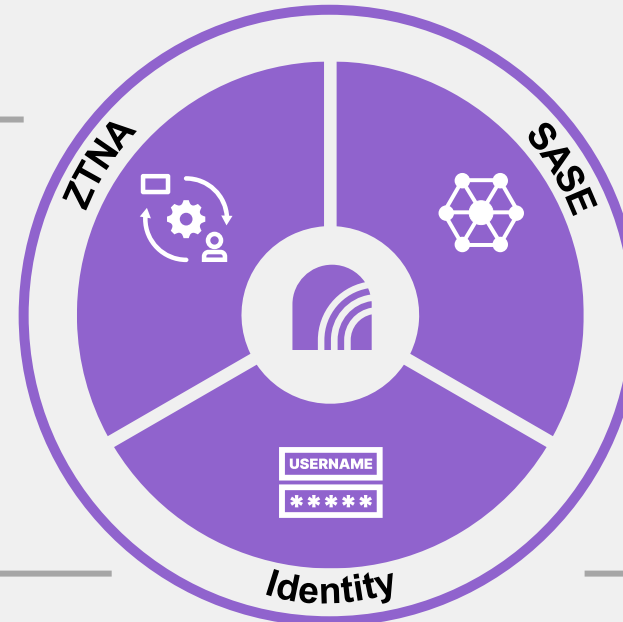
FortiToken / FortiToken Cloud

- Multi-Factor Authentication (MFA)
- Passwordless Authentication
- Major mobile platform support



FortiTrust

- User-based licensing
- Cloud-delivered services
- ZTNA, SASE, Identity offerings



FortiSASE

- Cloud-Delivered FWaaS
- In-line CASB & Sandbox
- ZTNA built-in
- Agent or Agentless



FortiAuthenticator

- Centralized Authentication Services
- Risk Based User authentication
- Multi-Factor Authentication (MFA) Support



FortiGuard AI-Powered Security

Zero Trust Access– Strong Growth

Platform Extension Growth Key

Remote Access

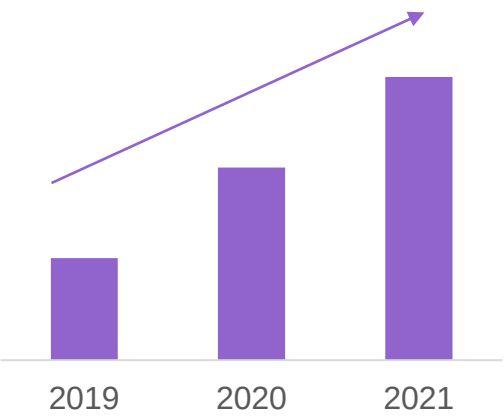
Identity

Multi-Factor Authentication

FortiClient

66% CAGR

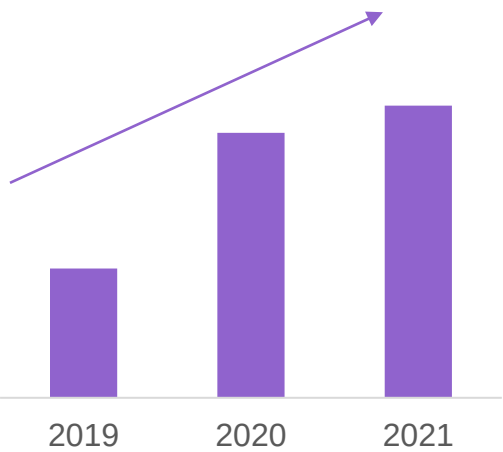
Almost 1,500 customers on ZTNA Edition



FortiAuthenticator

29% CAGR

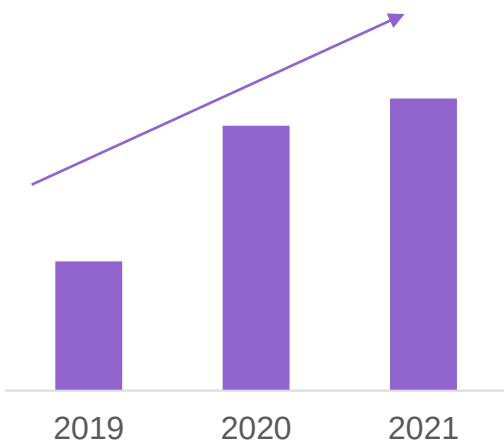
3X customer growth in 3 years



FortiToken

73% CAGR

409% YoY growth in Cloud-based Identity Services



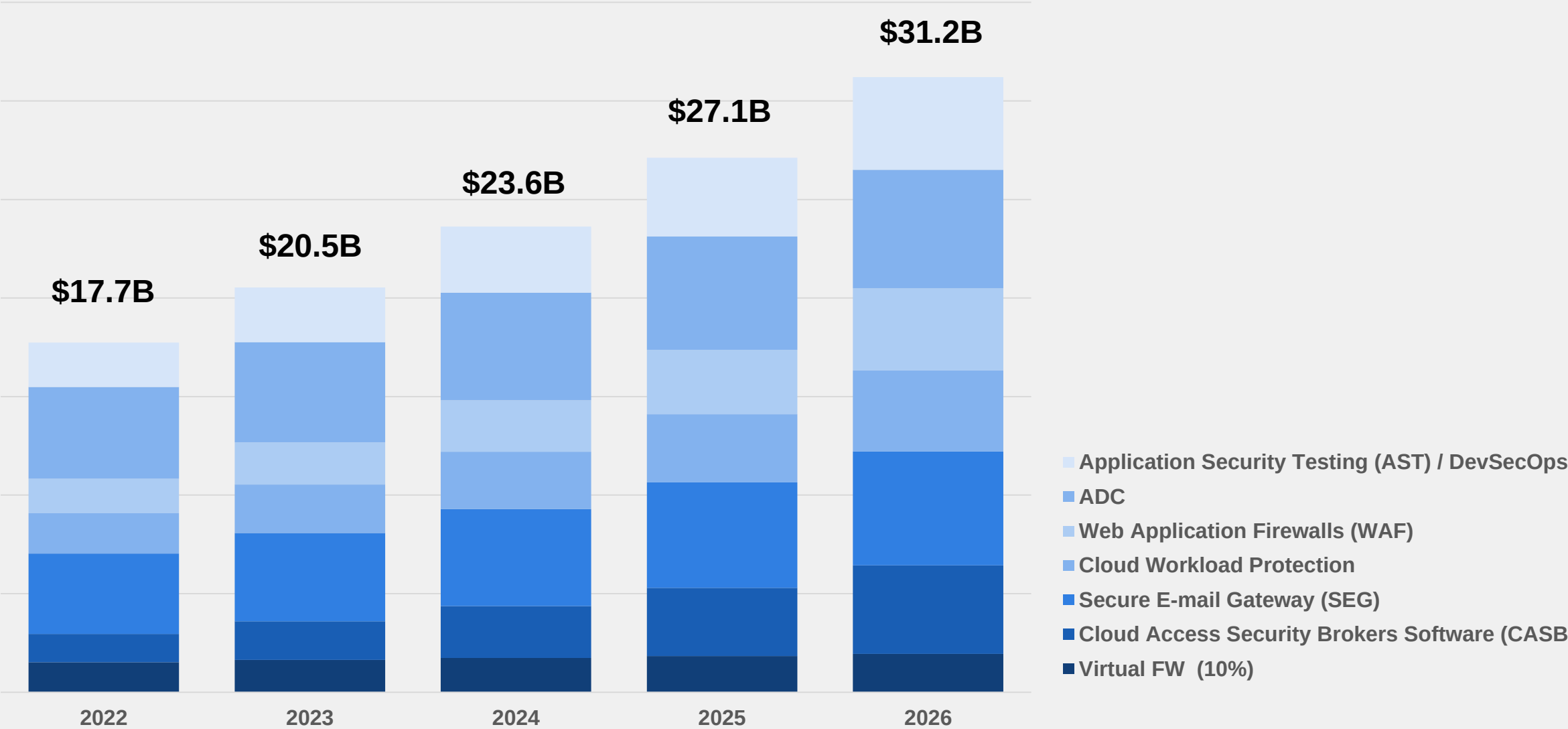
Securing Any Application Journey On Any Cloud

Platform Extension

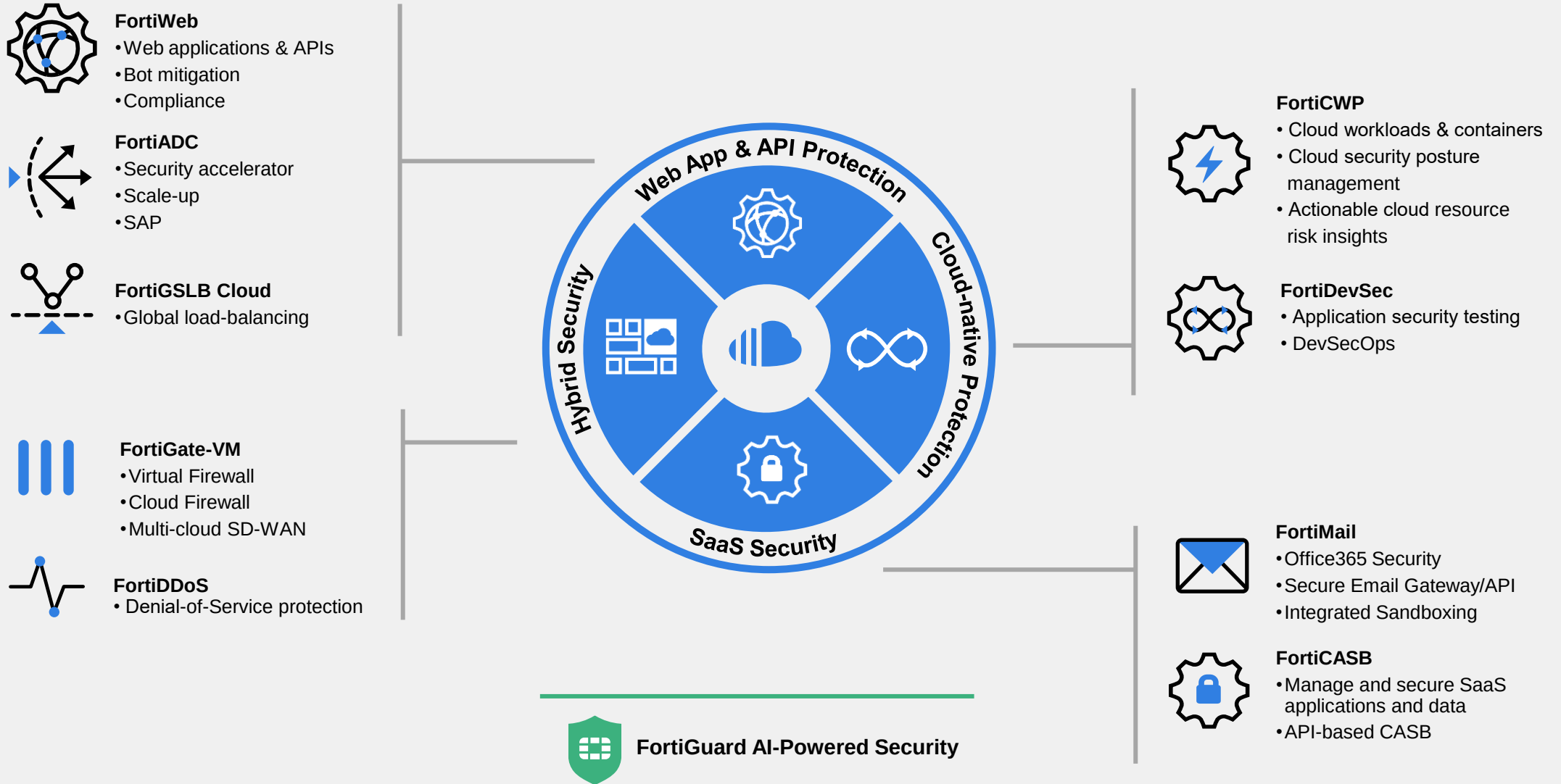
Cloud
Security



Cloud Security Total Addressable Market



Cloud Security Portfolio



Supporting Stats

Platform Extension Growth Key

Web Application &
API Protections

FortiWeb

32% YoY

We continue to grow our WAAP subscriptions business, and lead in hybrid use cases

83% YoY

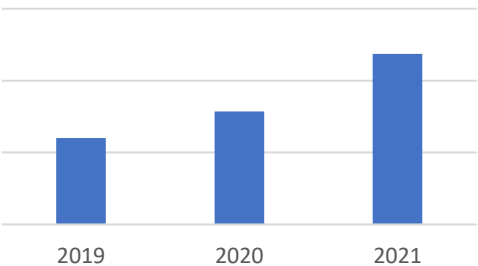
We continue to add customer subscriptions to Fortinet-managed WAF rules for AWS WAF

Hybrid Security

Cloud and Virtual Firewall

52% YoY

We continue to drive strong growth across cloud and virtual datacenter use cases



Public Cloud &
SaaS Security

Cloud Marketplace Expansion

67% YoY

We continue strong momentum acquiring new customers directly across cloud marketplaces

Email Boxes Protected by
FortMail Cloud

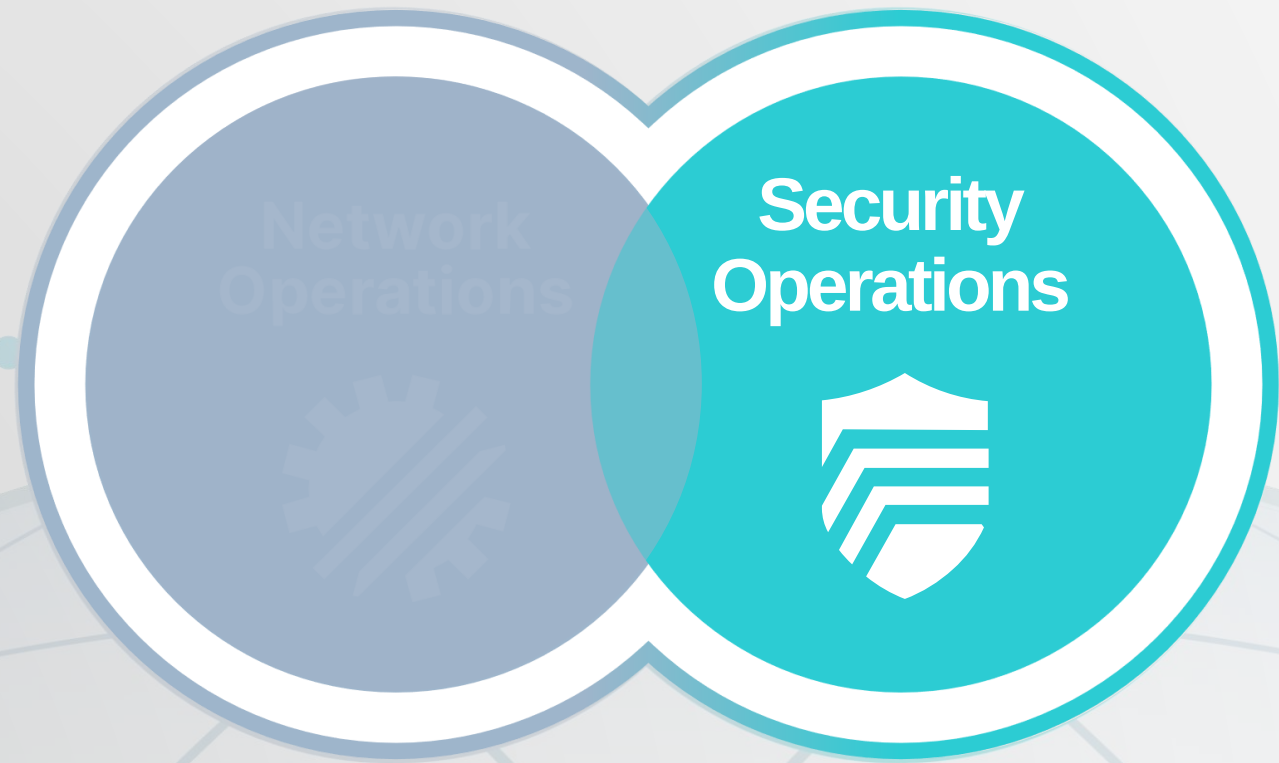
1,500,000+

We continue to grow the number of protected mailboxes globally, replacing incumbents



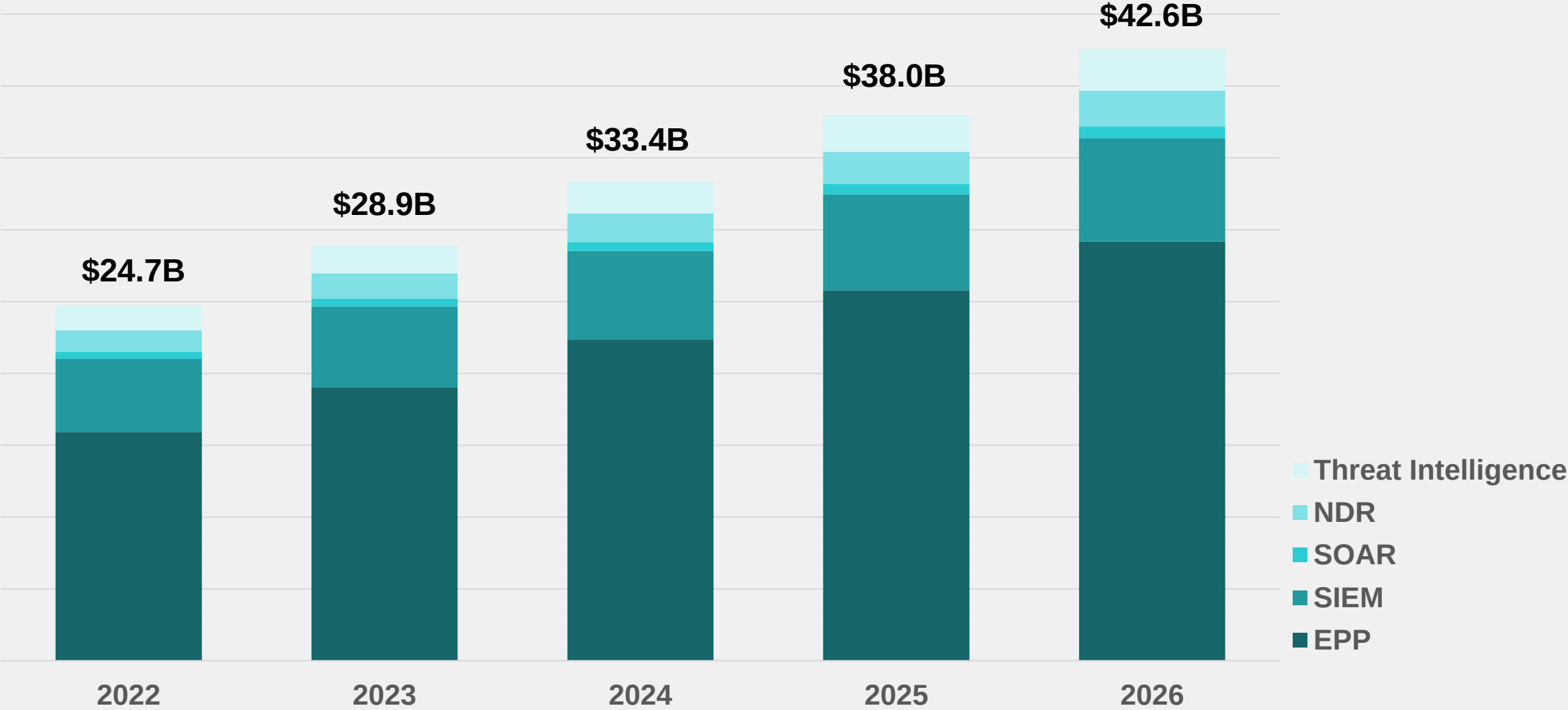
Speed Operations with AI-powered Analytics and Automation

Security Operations

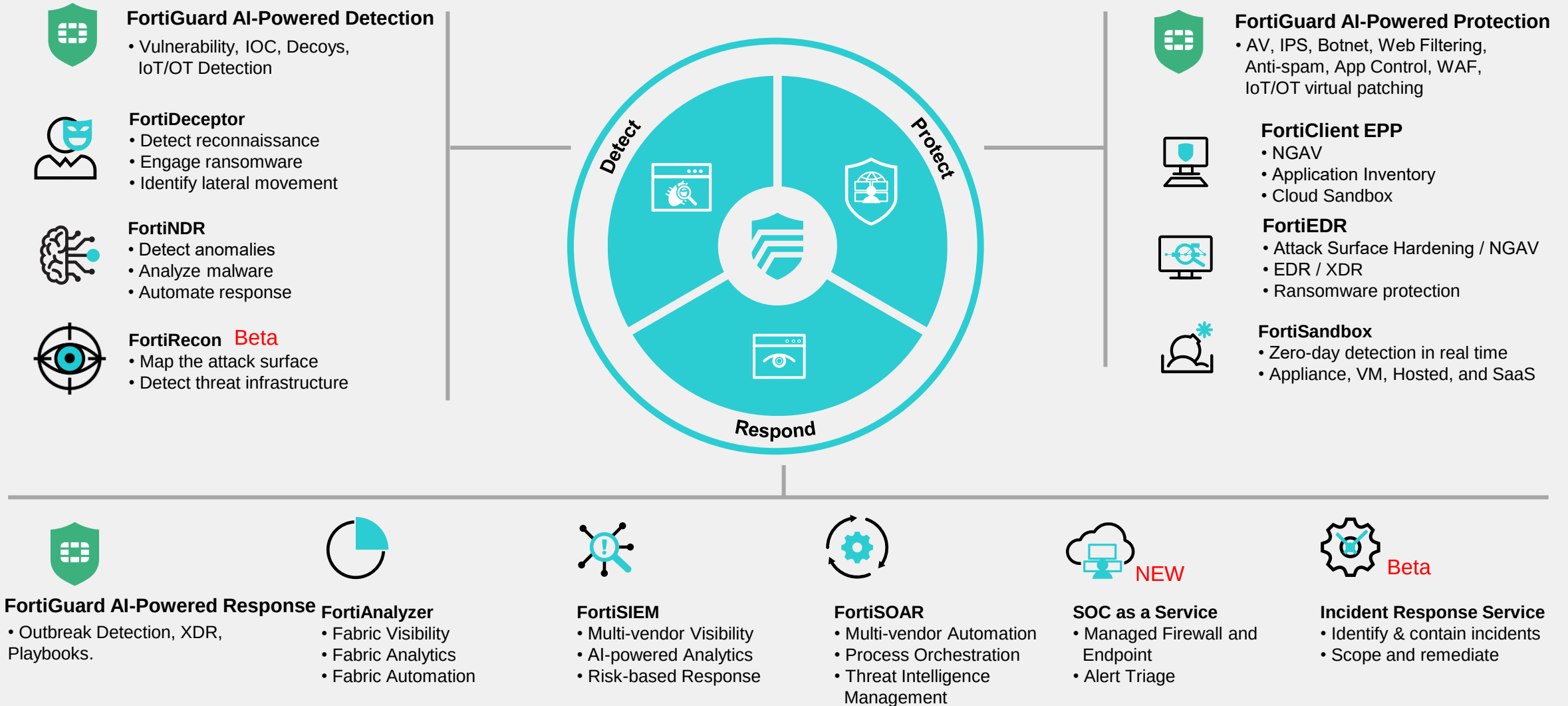


Security Operations Total Addressable Market

Growing from \$25B in 2022 to \$43B in 2026

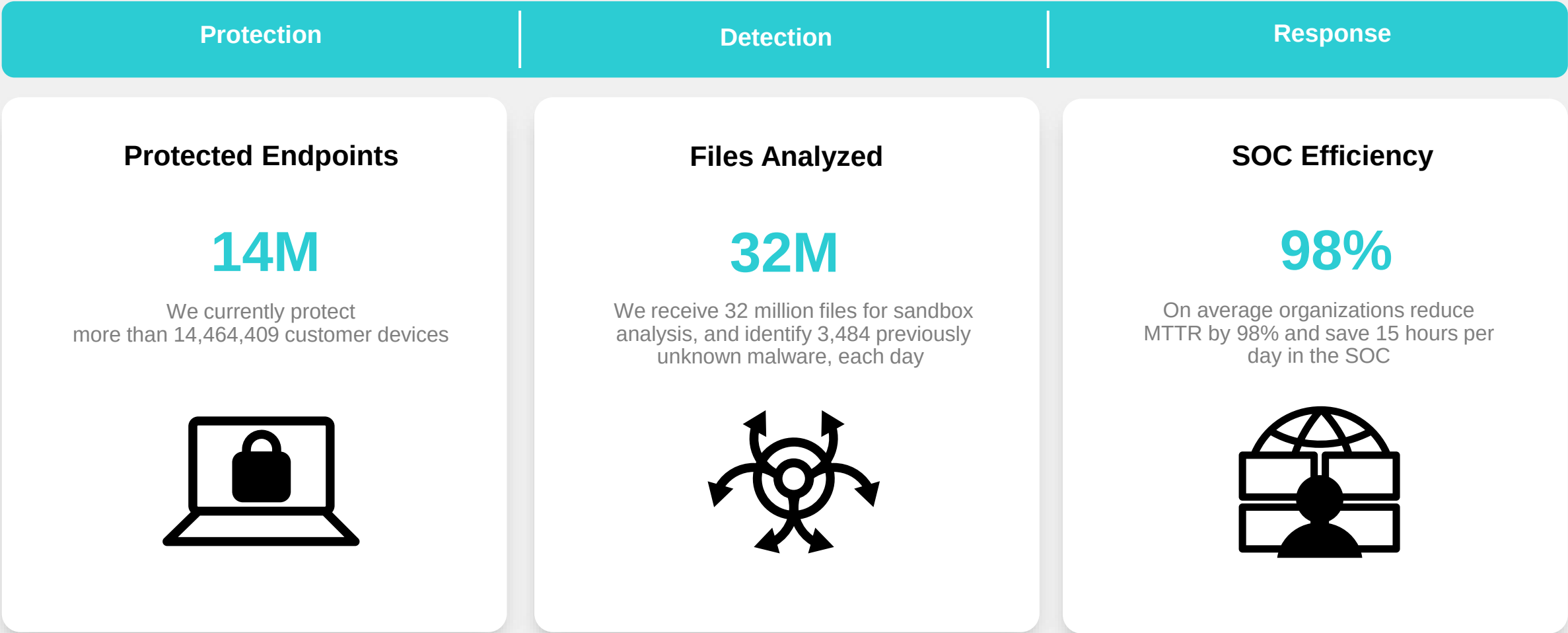


Security Operations



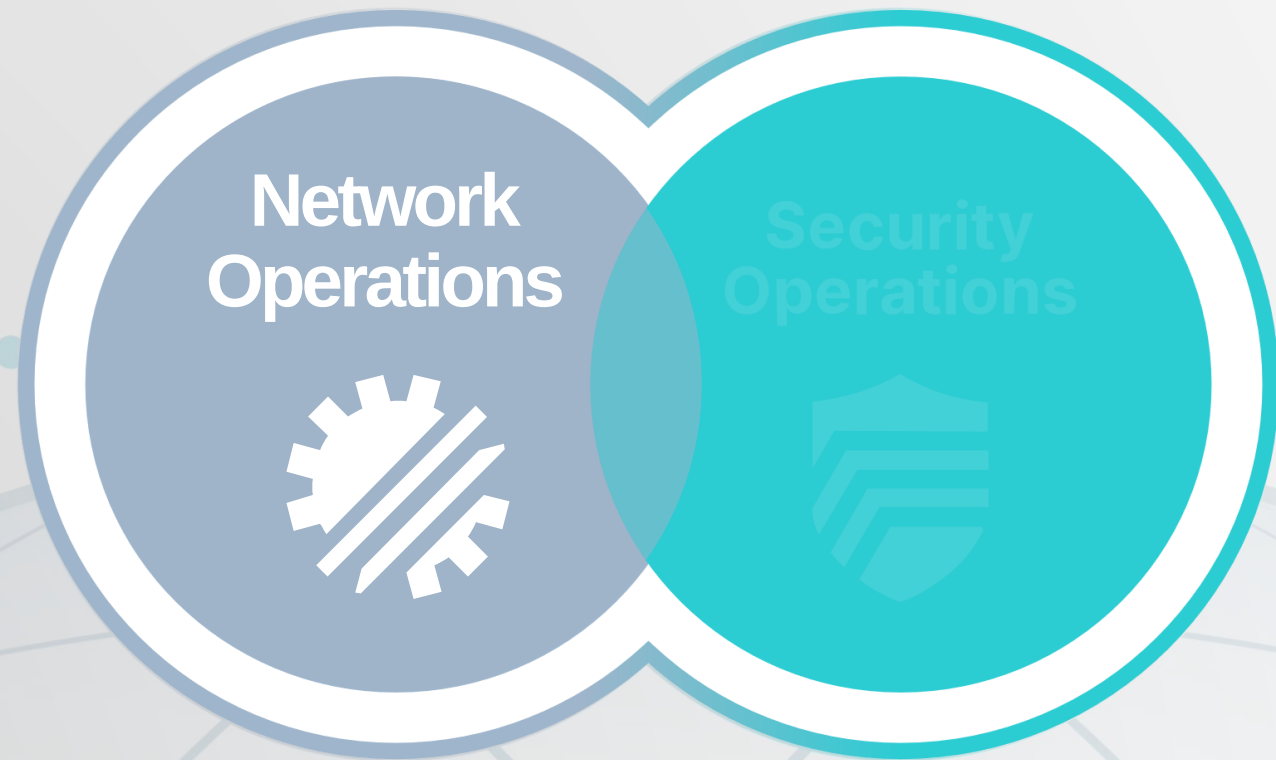
Security Operations – Industry Leader

Platform Extension Growth Key

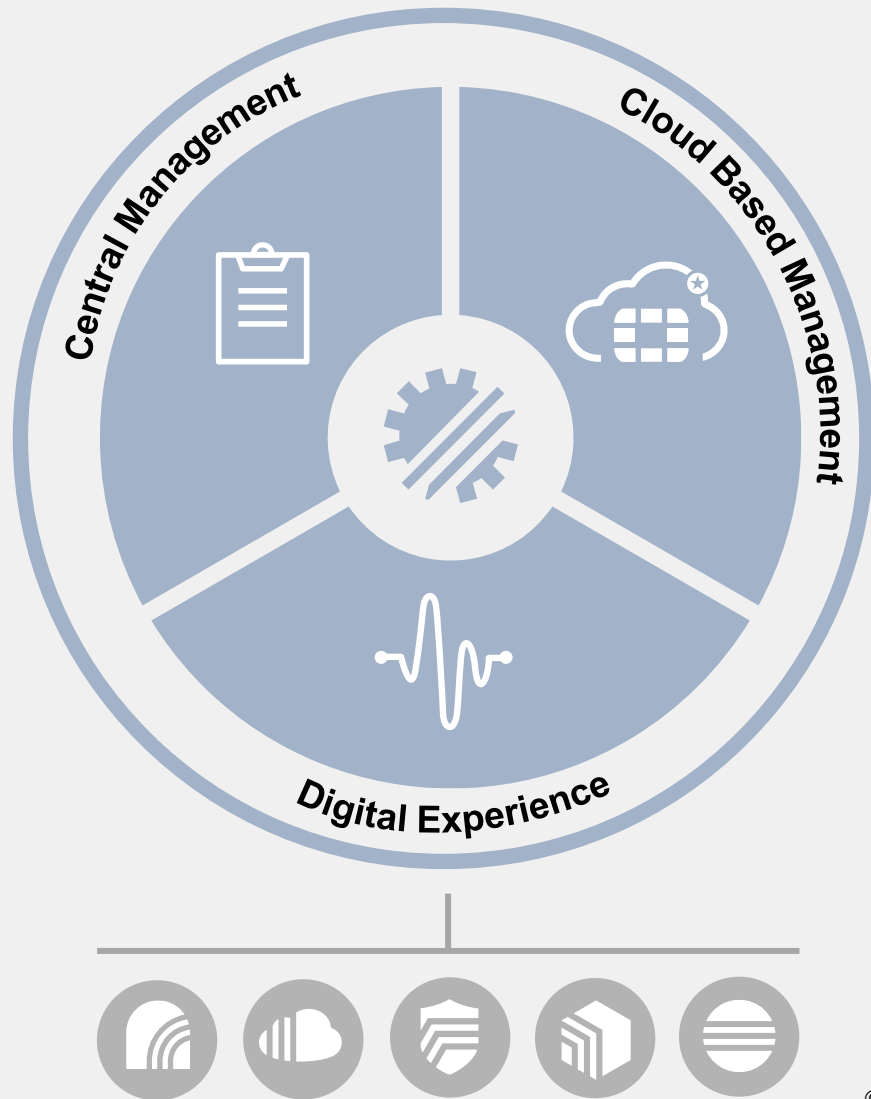


Simplify Network Operations Across The Security Fabric

Self-Healing Network
Operations



Network Operations



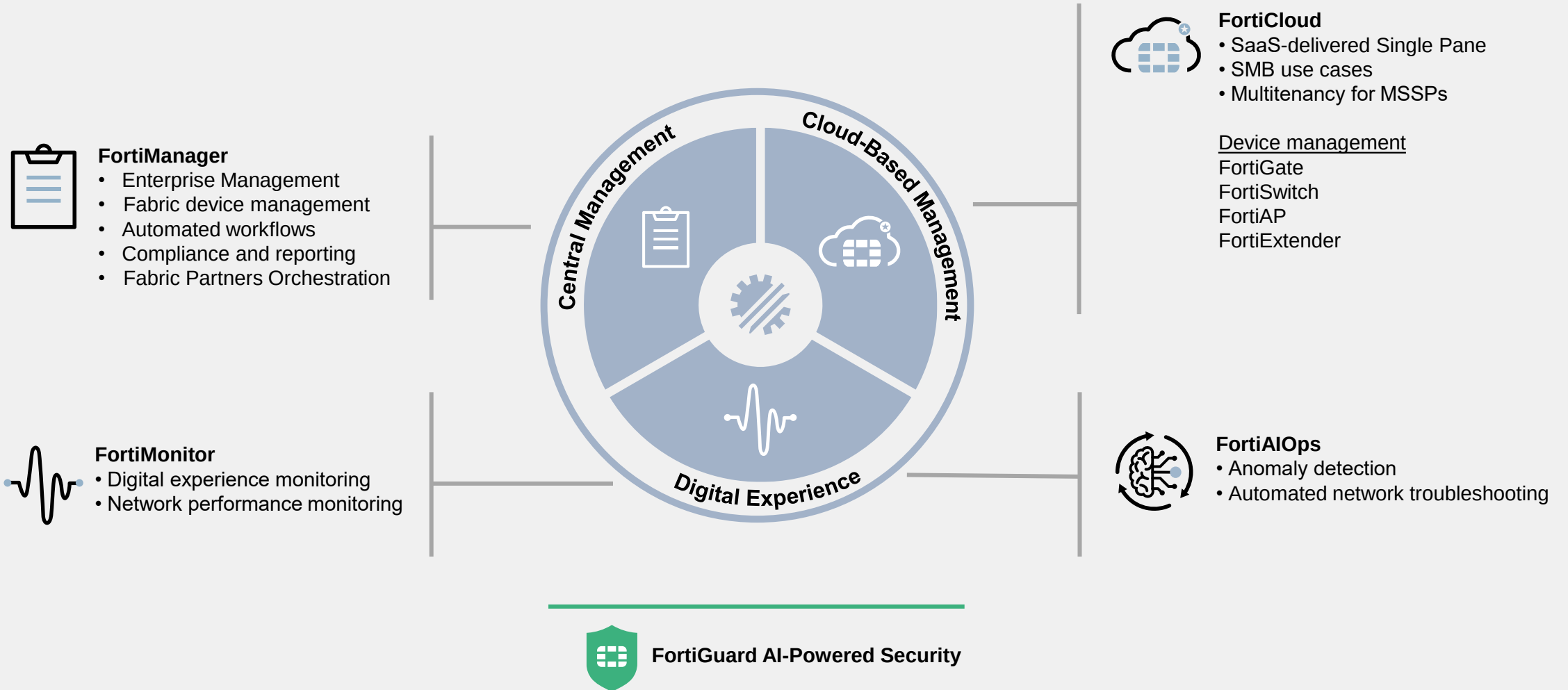
Simplify Network Complexities to Decrease Risks

Modern networks drive the business but are complex to manage and monitor. Complexity is the enemy of security.

Adopt modern network and security technologies with simplicity and scale while lowering your risk of a breach.

Ensure a great user experience with automation-driven **centralized management, end-to-end visibility**, and **ML** to remediate issues before users are impacted.

Network Operations Portfolio



Counter Threats in Real-Time With AI- Powered Coordinated Protection

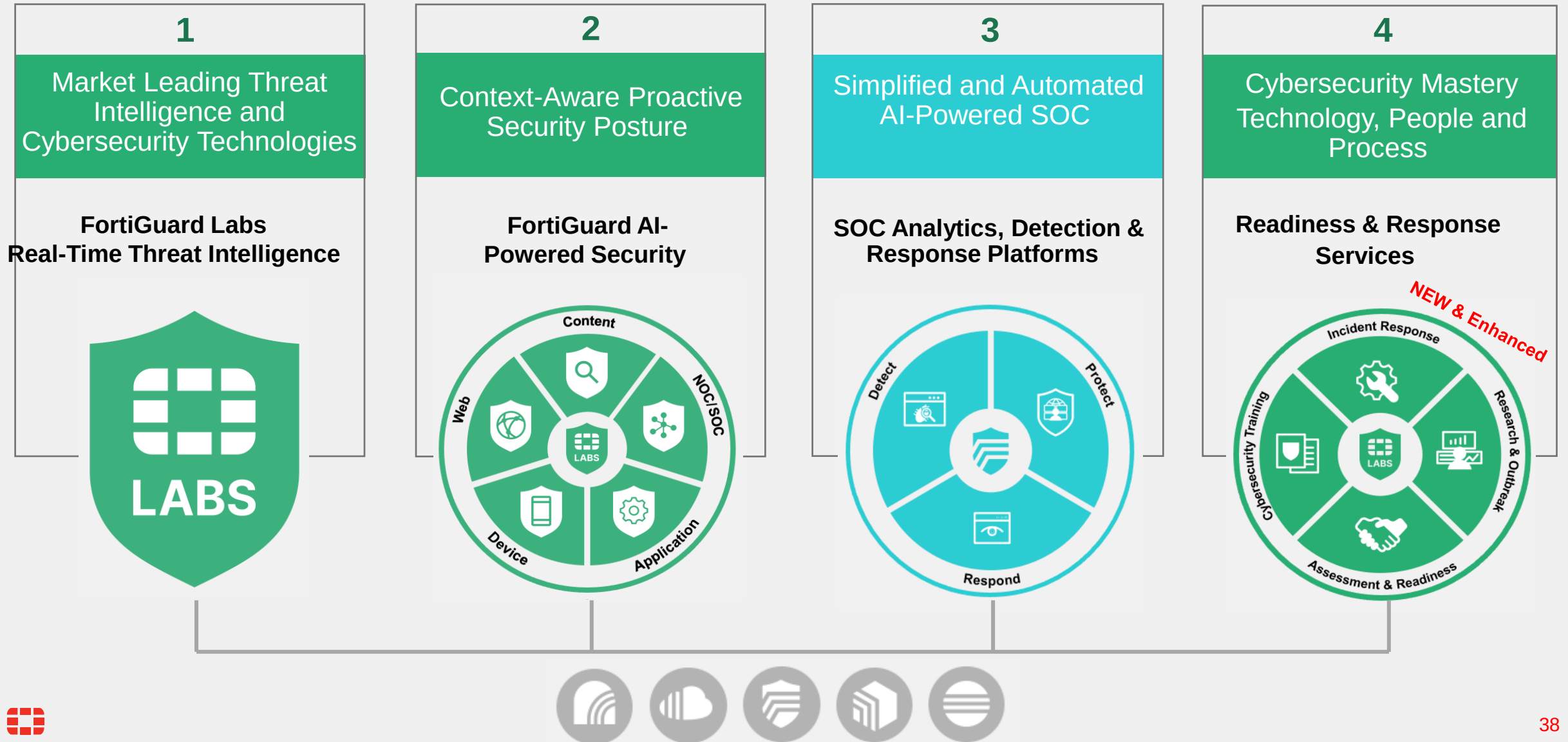
FortiGuard Threat Intelligence
By FortiGuard Labs

FortiGuard
Threat
Intelligence



Unified End-to-End Cybersecurity Framework

Reduced Complexity + Enhanced end-to-end Automation = Rapid Response



FortiGuard Security Integrated Across the Fabric / Mesh

Partial View

		FGT	Proxy	FortiTrust	XDR	FortiWeb	FortiMail	FortiADC	SOC Platforms	FNDR
	Content Security	Antivirus	✓	✓	✓	✓	✓	✓		✓
		IL SBX	✓		✓	✓	✓	✓		
		Credential stuffing	✓	✓		✓		✓		
	Web Security	URL	✓	✓	✓	✓	✓			✓
		DNS	✓	✓	✓					
		IP-REP	✓			✓	✓			
	Device Security	DVC PROT	✓							
		IPS	✓	✓	✓		✓			✓
		BOT/C2	✓	✓	✓					
	Application Security	WAF SIG				✓				
		ANN					✓			
		AntiSpam						✓		
	Soc Services	MITRE ATT&CK							✓	
		Threat Hunting			✓				✓	
		Auto IR			✓				✓	
		Outbreak						✓	✓	✓
		IoC			✓				✓	✓

Agile Security Posture

Best of breed technologies for organizations with assets and users in hybrid environments and multi-clouds

Context-aware with domain expertise AND integration to the Fabric for automated real-time response

Centralized and Consistent

- Policy management
- Threat and logs databases with ML-based analysis
- Playbooks and automation
- Unified Networking & Security Management
- Support and licensing



FortiGuard AI-Powered Security Service

Platform Extension Growth Key

500+

FortiGuard Labs Global Threat Hunters and Researchers

600K+

Hours of Threat Research a Year

480+

Threat intelligence, detection, enforcements and remediation partners

Coordinated Real-Time Protection For Known and Unknown

What we process in **1 min**

- 12.8 M+** Botnet and C2 attempts thwarted
- 9.1 M+** Network intrusion attempts blocked
- 6.15 M+** Malware programs neutralized
- 435 K+** Malicious website access blocked
- 180 K+** Phishing blocked

Introducing **6** New FortiGuard Services

21 Total
Across the Fabric

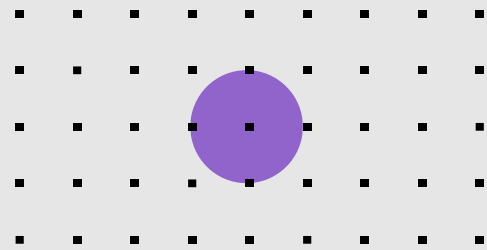
Best-of-breed technologies, coordinated across endpoints, networks, and clouds to deliver a proactive security posture capable of countering attacks in real-time.

Expansion into Readiness & Response Services



Keith Jensen

Chief Financial Officer



Agenda

- 1 Investment Thesis
- 2 Total Addressable Market and Growth Drivers
- 3 Billings and Revenue Growth
- 4 Supply Chain, Margins, Free Cash Flow, and Capital Allocation
- 5 Mid-Term Model



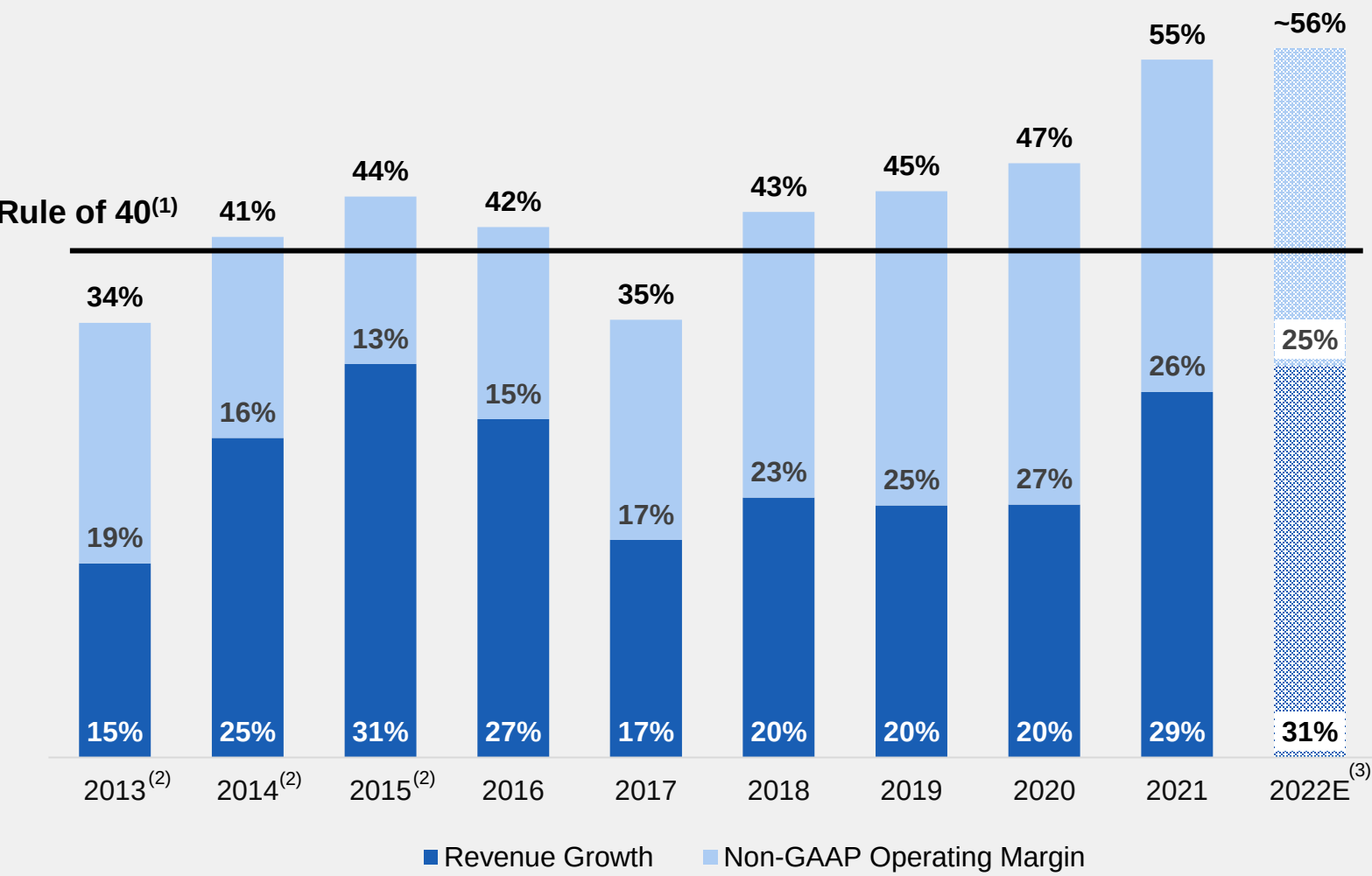
Only Pure Play Cybersecurity Company in Both the S&P 500 and Nasdaq 100

- 1 Large and fast-growing addressable market** driven by long-term secular tailwinds
- 2 Fortinet's Proprietary ASIC** technology (SPU) provides 5x better performance, contributing to a lower total cost of ownership
- 3 FortiOS everywhere** – a broad and integrated platform operating system providing security in any form factor, driving growth into new markets
- 4 Business model is highly diversified** across geographies, customer segments, and, industry verticals



A 'Rule of 40' Leader

'Rule of 55' in 2022⁽³⁾



Growth Drivers

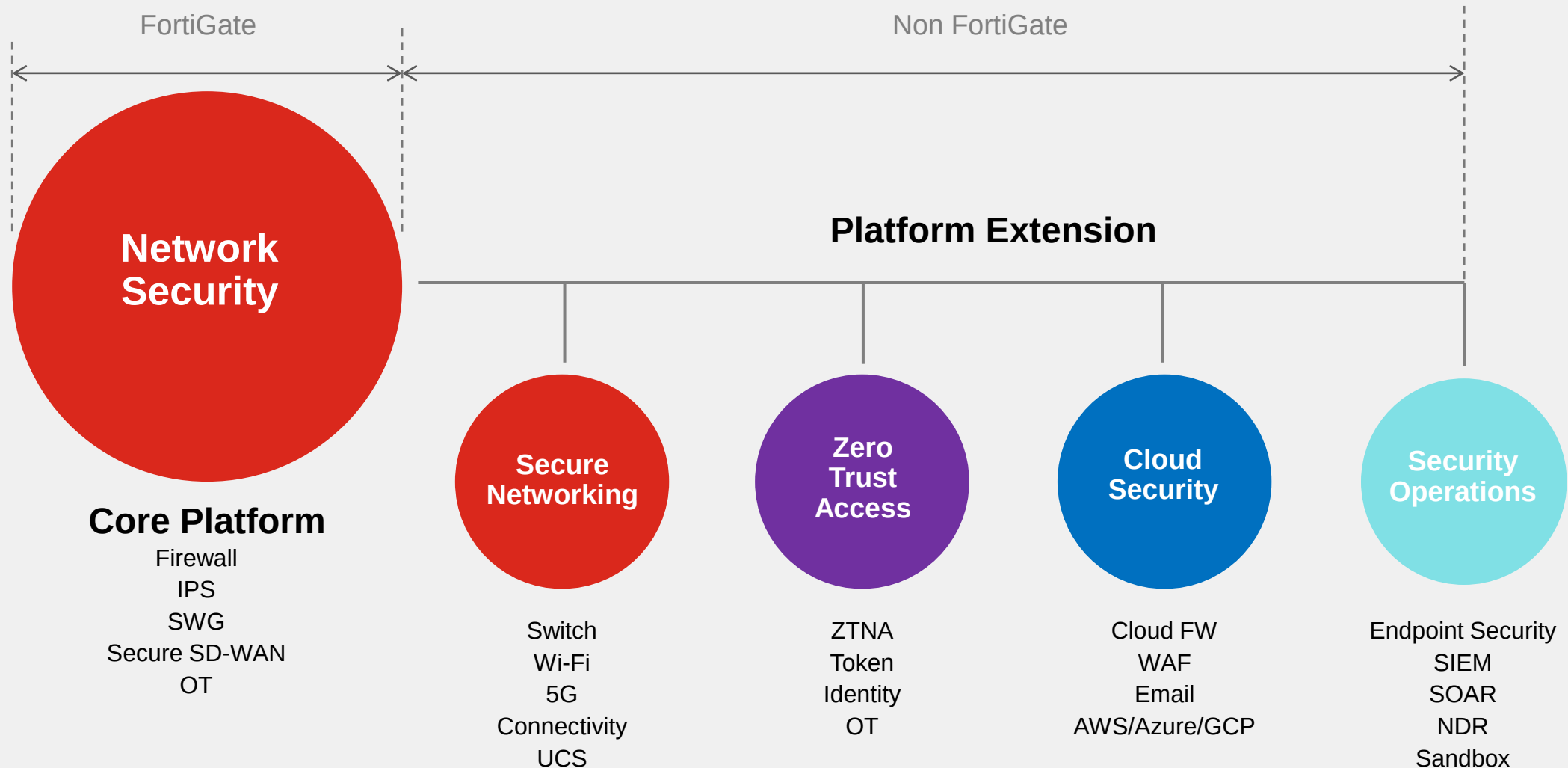
- Heightened Awareness
- Convergence
- Consolidation



(1) Fortinet defines the Rule of 40 and Rule of 55 as GAAP revenue Y/Y growth plus Non-GAAP Operating Margin. See Appendix for reconciliation of the non-GAAP financial measures to the most comparable GAAP financial measures.
(2) 2013-2015 have not been adjusted for an immaterial error related to the commencement of revenue recognition for certain FortiCare support service contracts.
(3) Based on the midpoint of 2022 guidance provided on May 4, 2022.

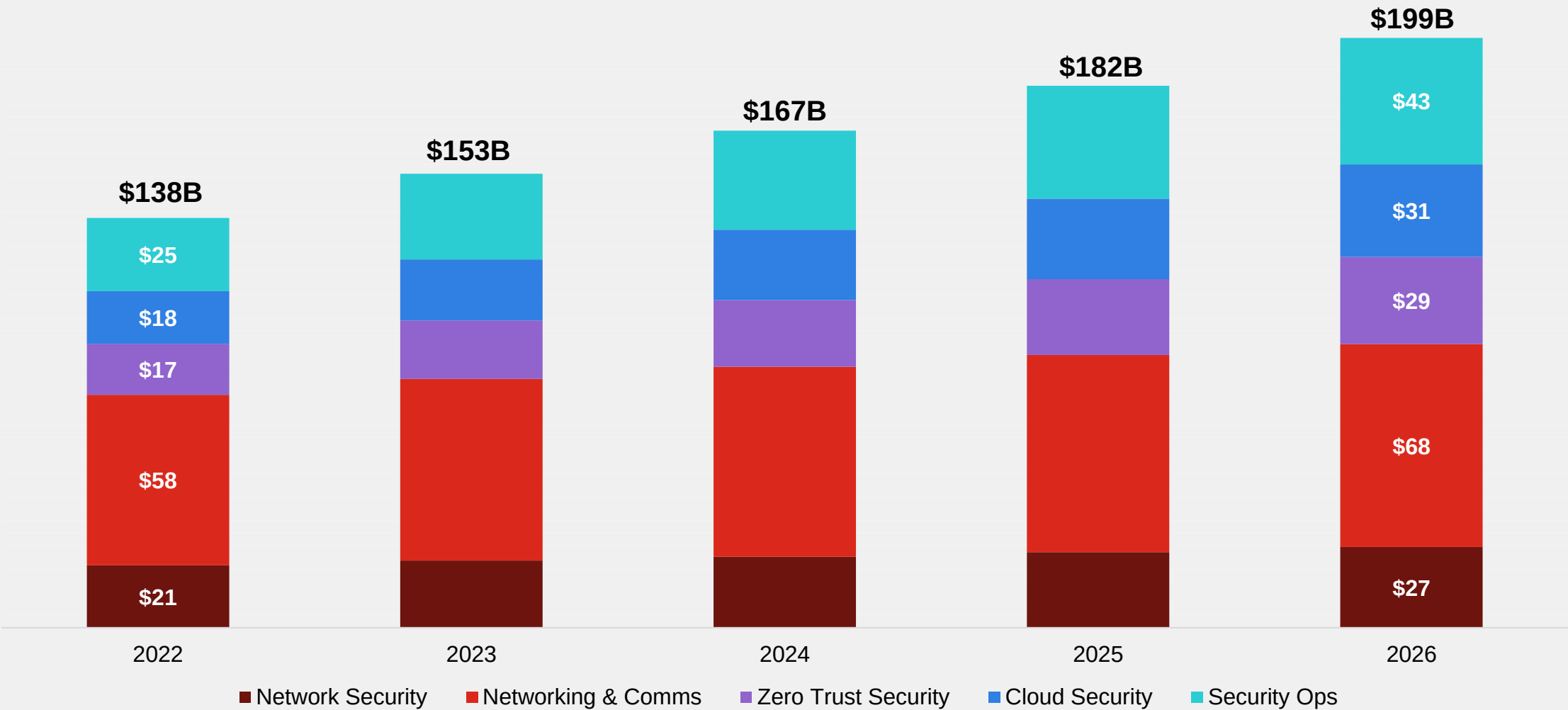
Core Platform and Platform Extension

Both are Growth Drivers



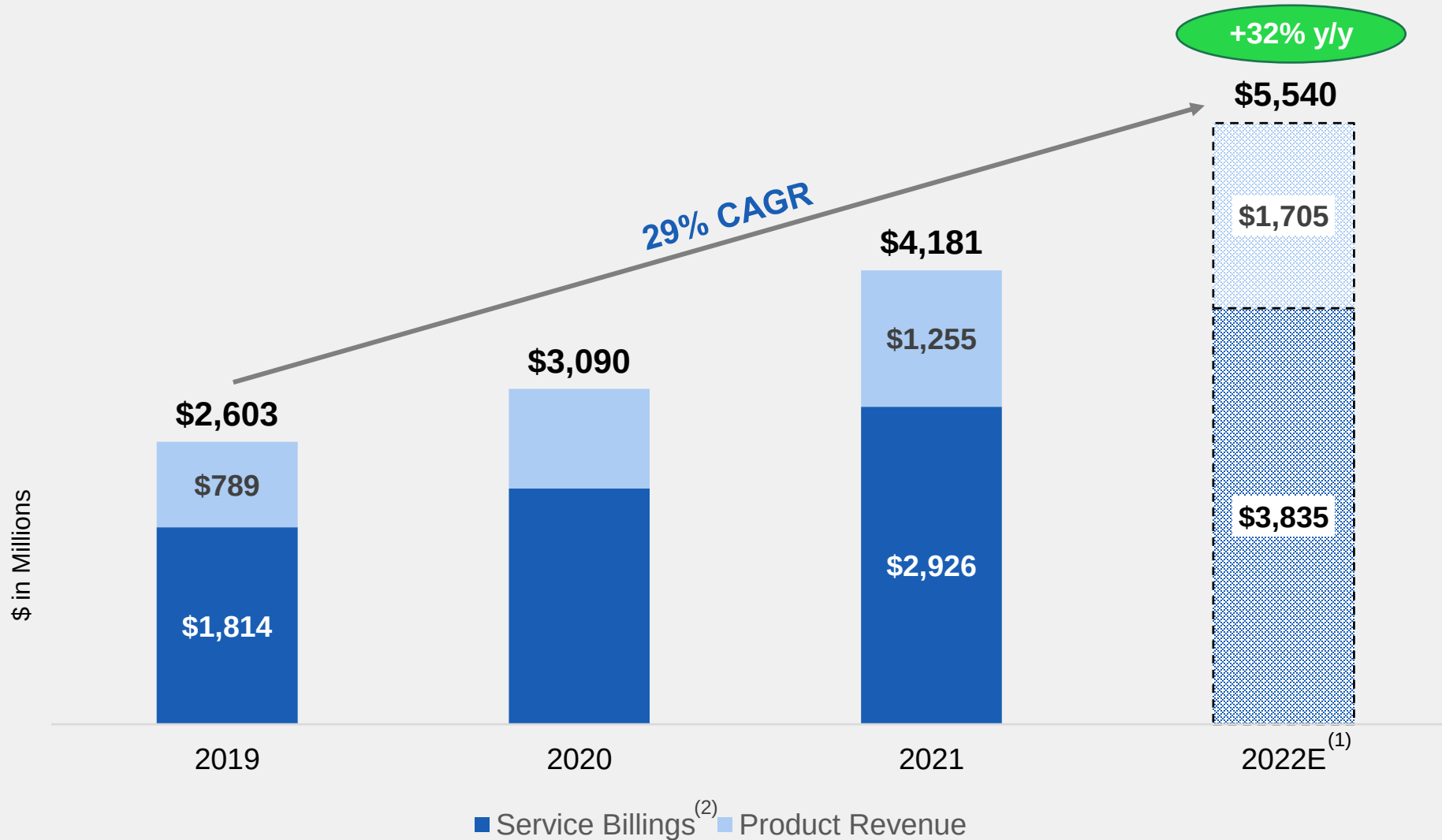
Total Addressable Market

10% Annual Growth and Adding New Markets



Significant Billings Growth at Scale

2022 – Second Consecutive Year of 30%+ Growth



CAGR (2019 to 2022E)	
Product Revenue	29%
Service Billings	28%

2021 Cloud Billings
~\$325M (up ~40% y/y)



(1) Based on the midpoint of 2022 guidance provided on May 4, 2022.

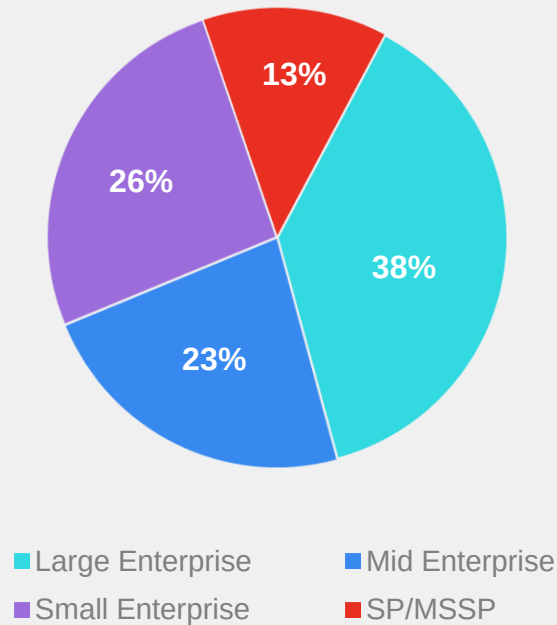
(2) Service Billings is calculated as total billings minus product revenue.

Note: Total Billings is a non-GAAP financial measure, further categorization is derived from invoiced amounts. See Appendix for reconciliation of the non-GAAP financial measure to the most comparable GAAP financial measure.

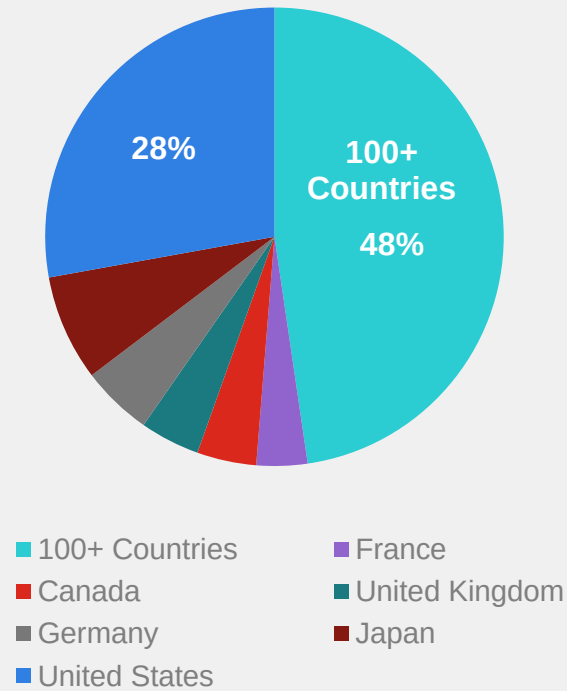
Highly Diversified Business

Across Customer Segments, Geographies and Industries

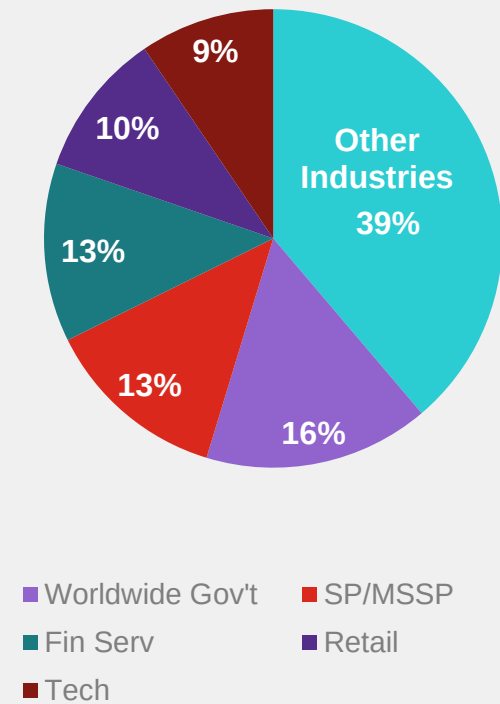
Customer Segments



Geographies

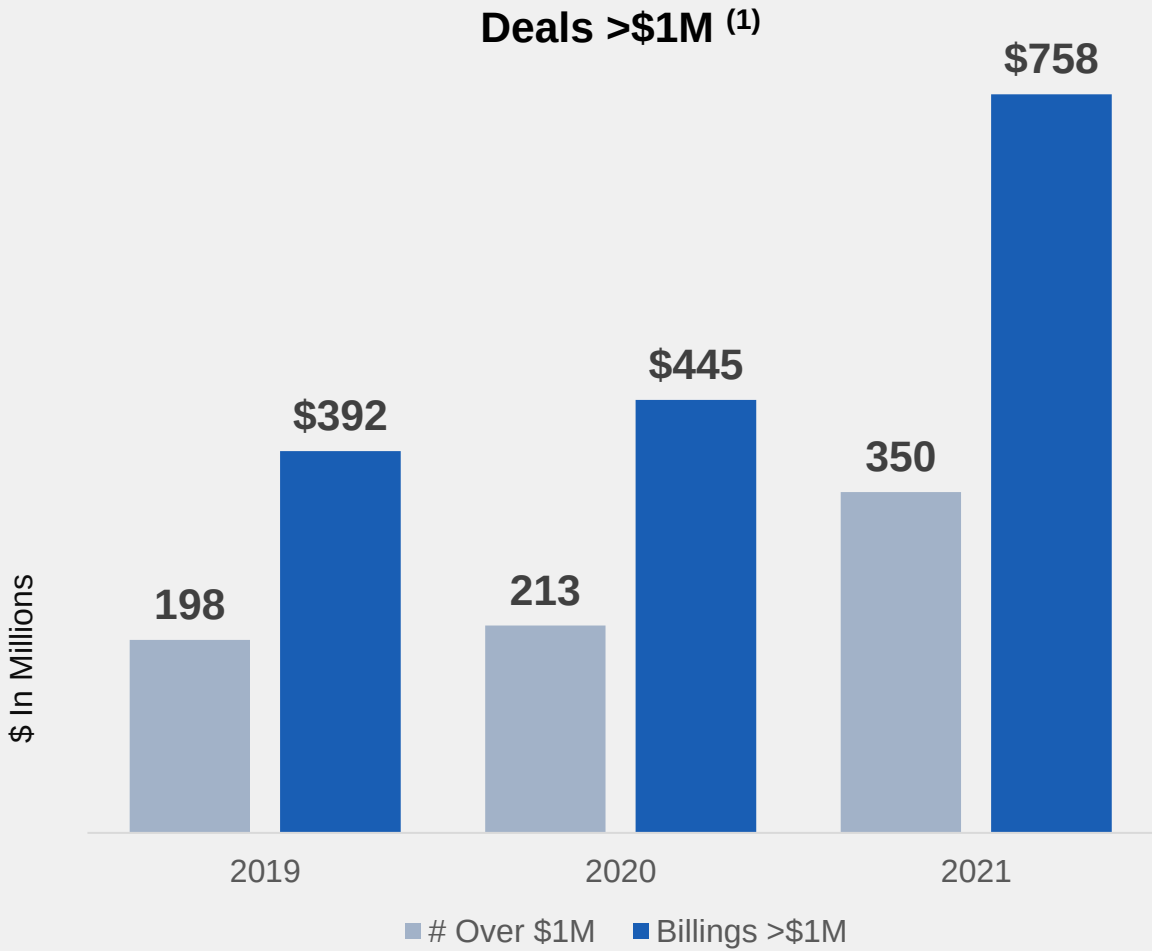
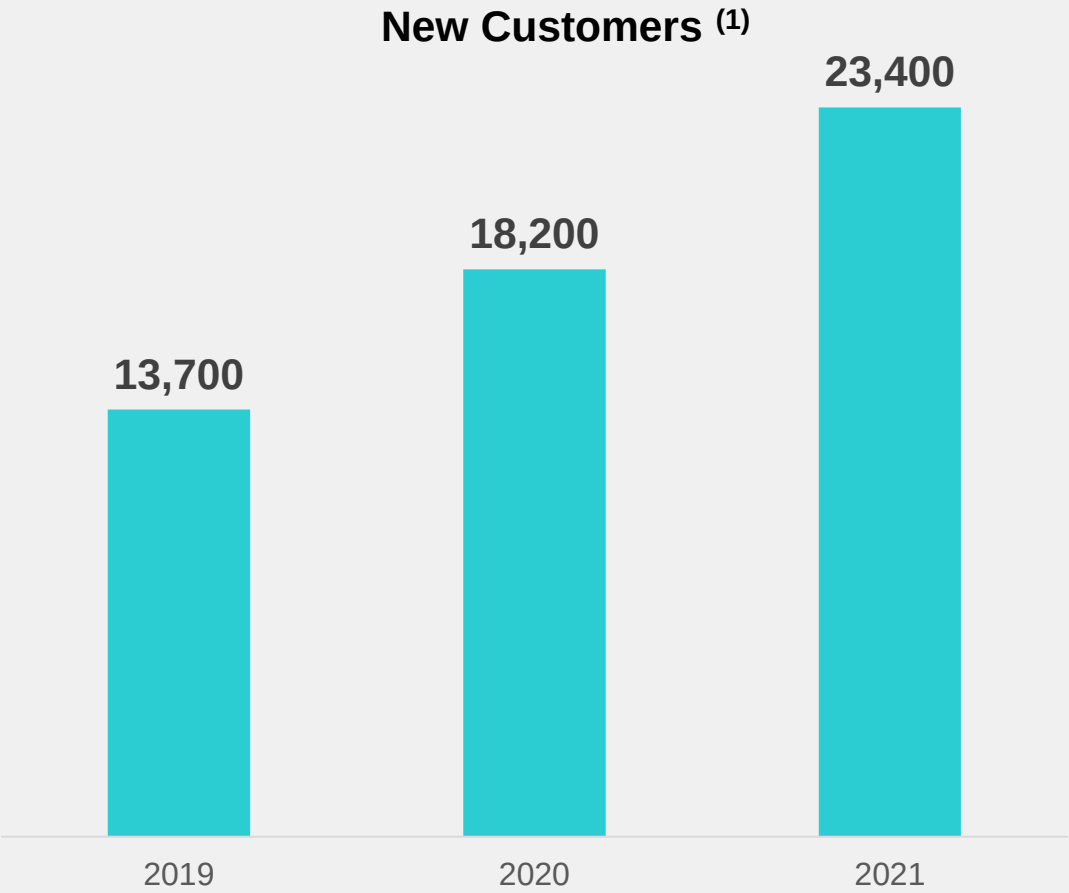


Industries



Expanding Up Market

Growth Across Customer Segments – From Small Enterprises thru the G2000

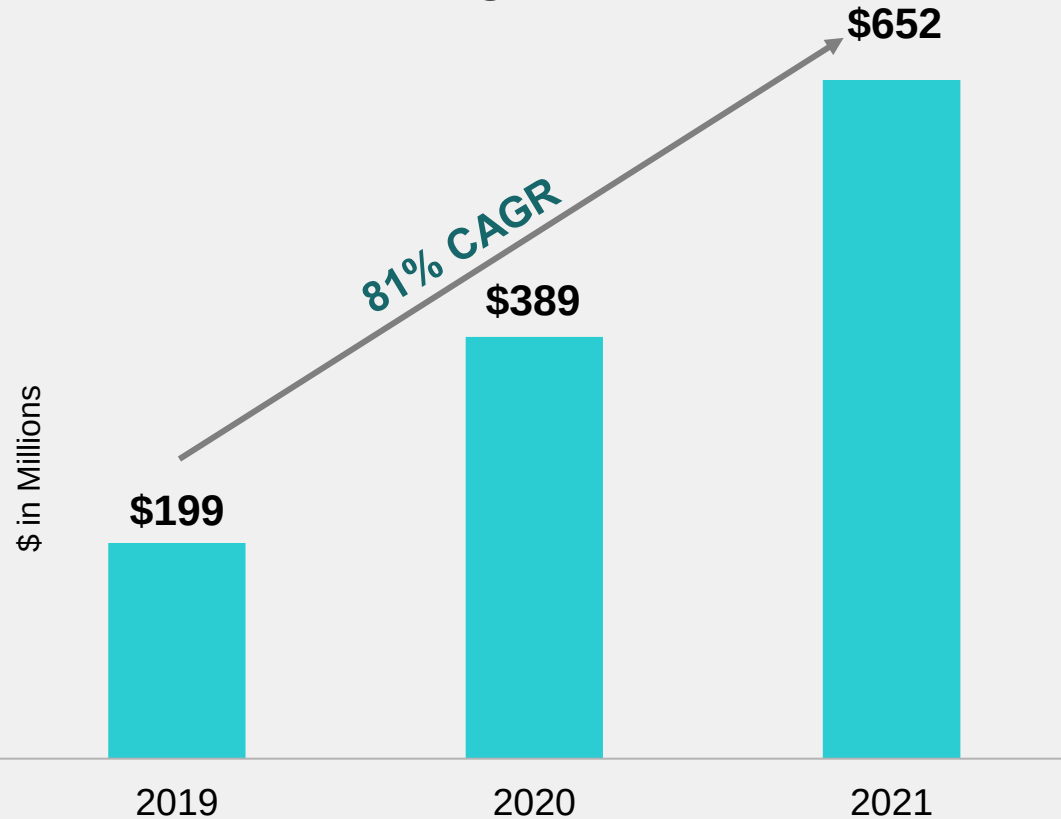


(1) Excluding Alaxala.
(2) Excludes Telco. Deal amounts are derived from invoiced amounts.

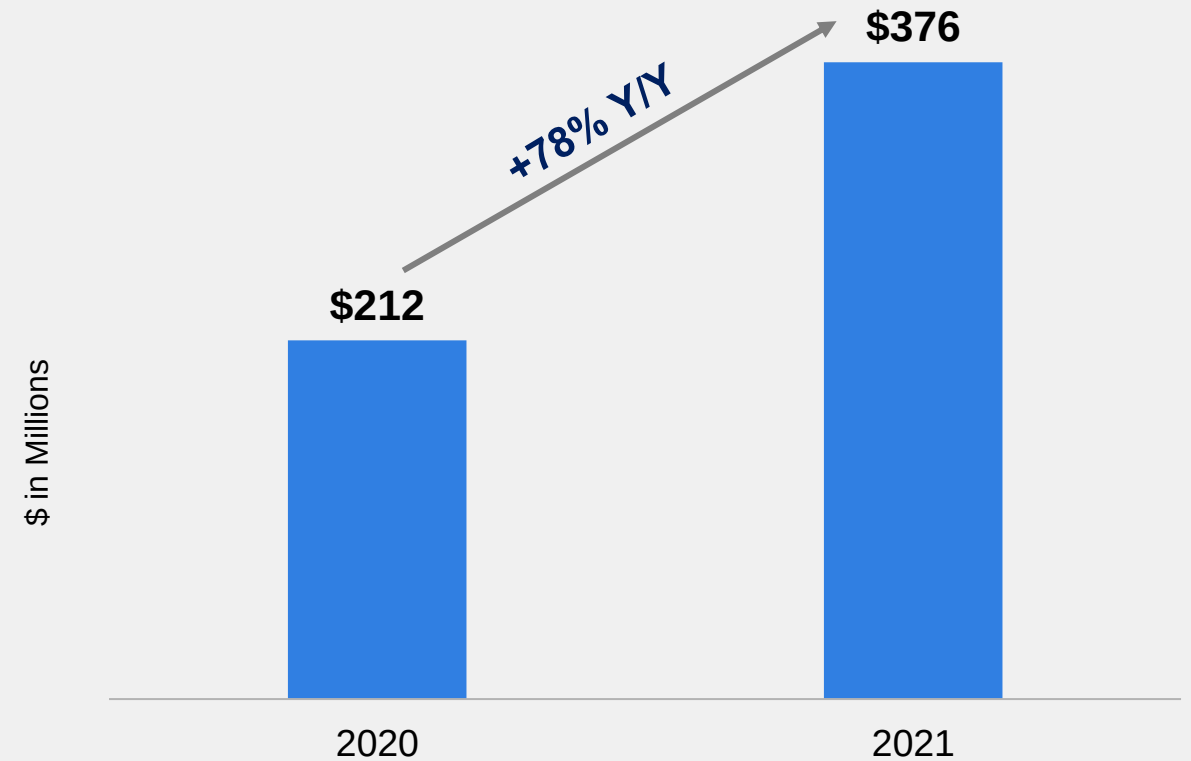
Convergence & Consolidation

Secure SD-WAN and OT Leading Bookings Growth

SD-WAN

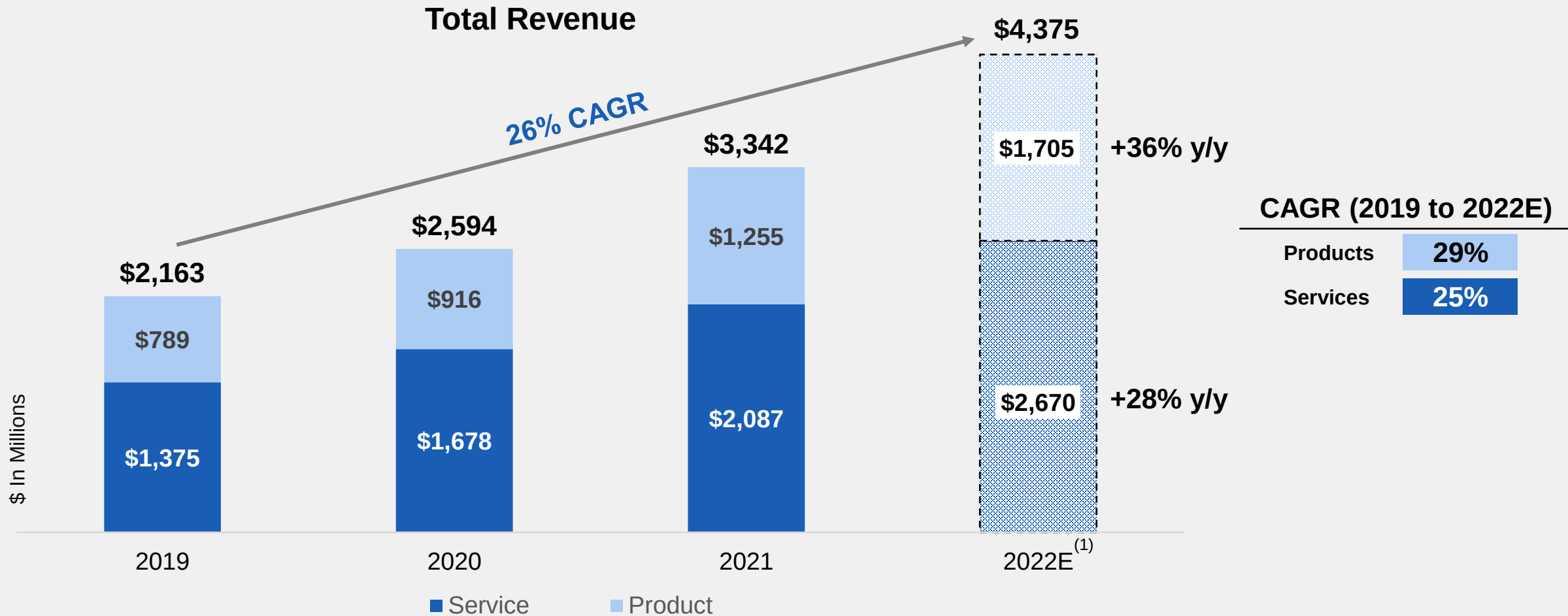


OT



Strong Revenue Growth at Scale

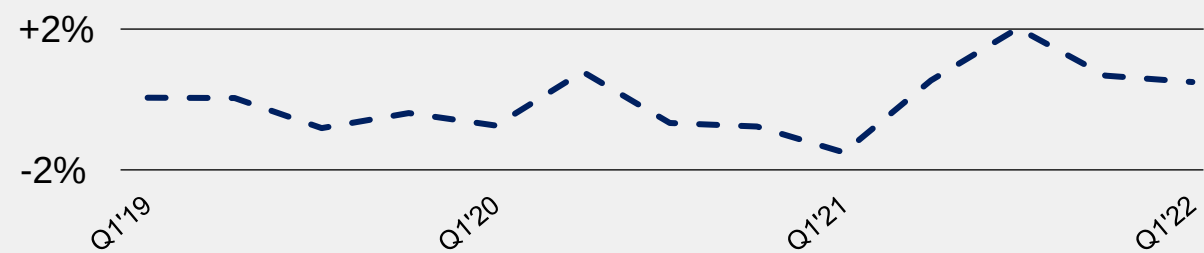
2022 Revenue Growth of 31%⁽¹⁾, More Predictable Service Revenue > 60% of Revenue



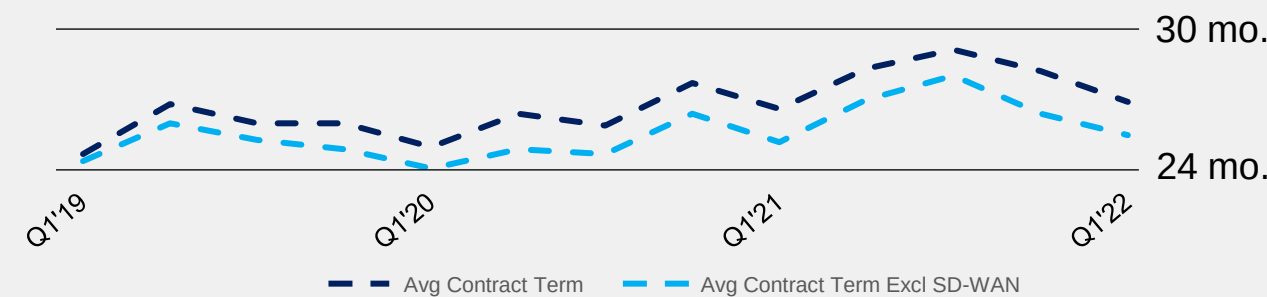
(1) Based on the midpoint of 2022 guidance provided on May 4, 2022.

Drivers of Consistent Revenue Performance

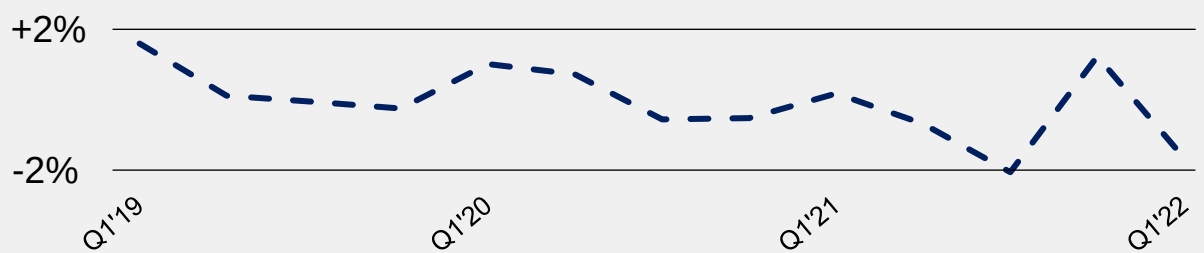
Discount Rate ⁽¹⁾



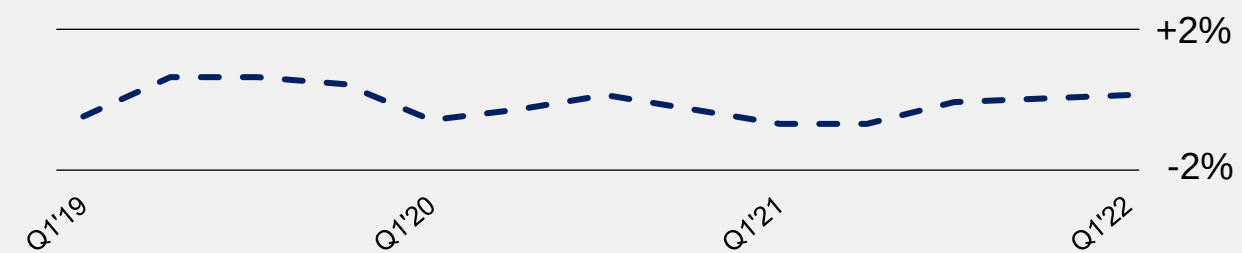
Average Contract Term



Renewal Rate ⁽¹⁾

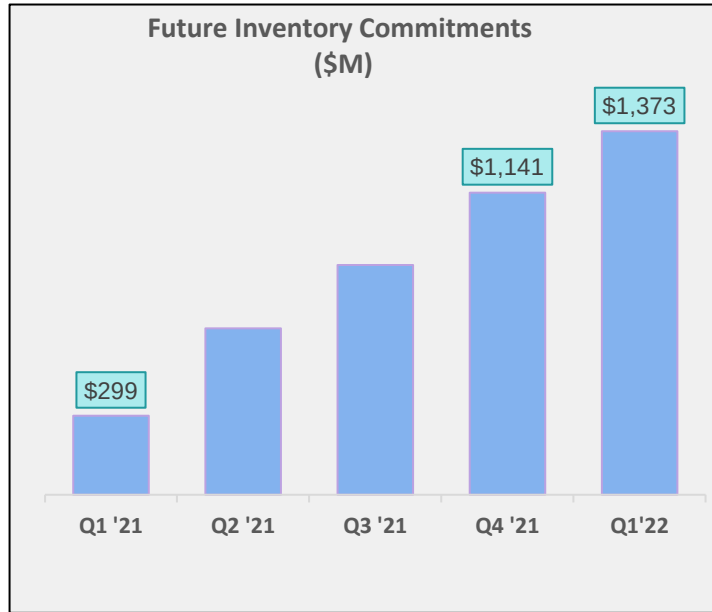


Percentage of Service Revenue from Deferred ⁽¹⁾

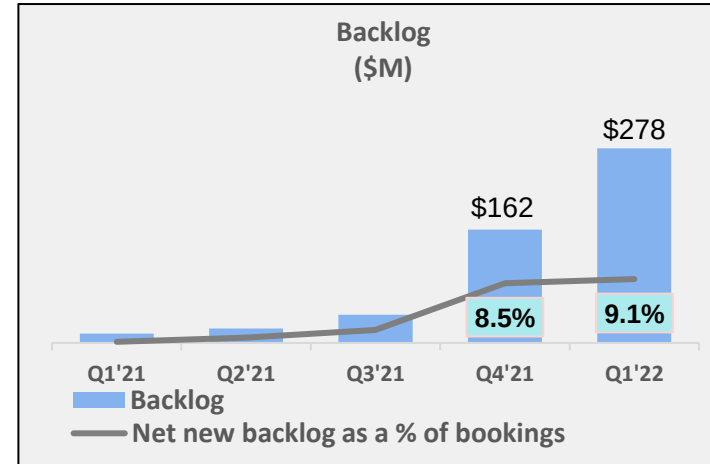


(1) Compared to +/- 2% of the 3-year trailing average.

Supply Chain



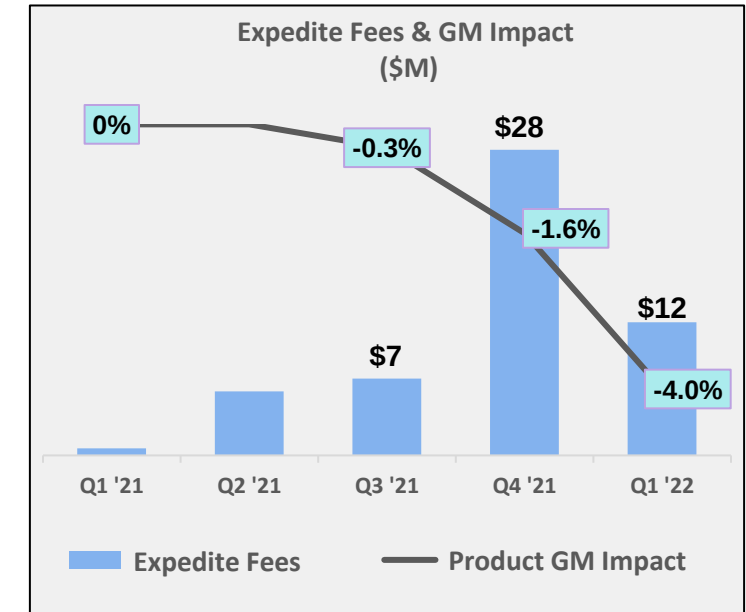
Backlog



Mix	Q3'21	Q4'21	Q1'22
FortiGate	12%	43%	53%
Networking Equip	88%	57%	47%



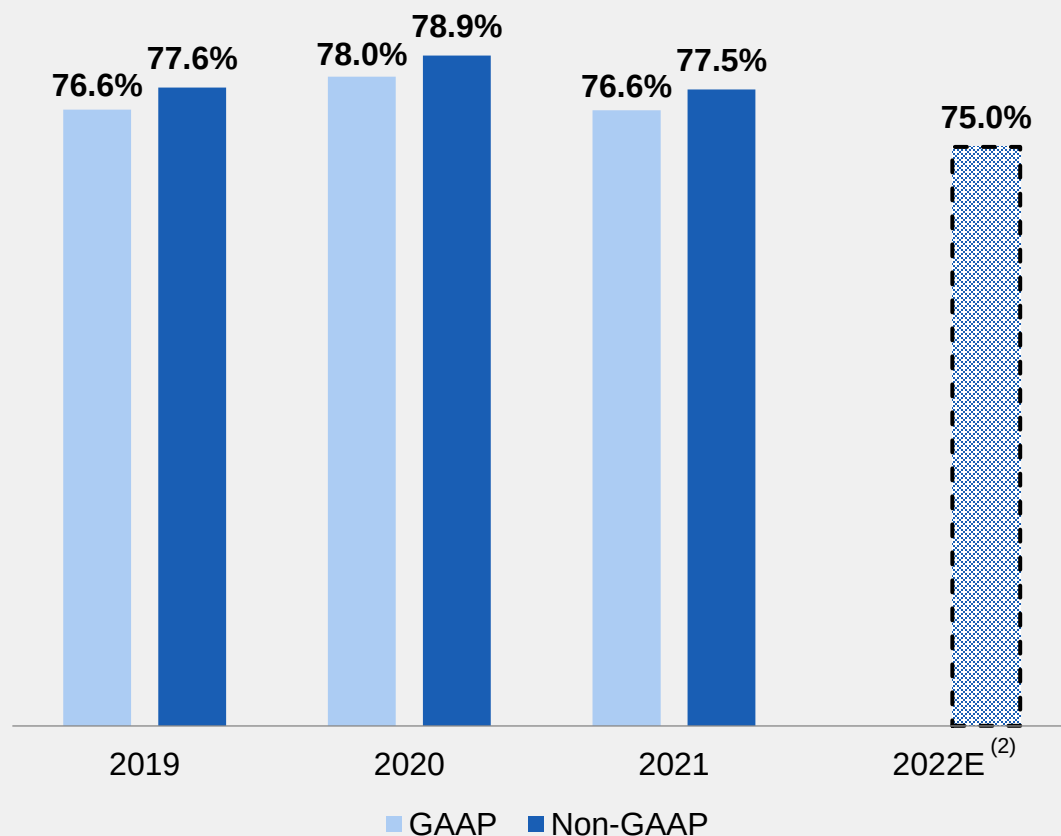
Inflation



Balanced Growth and Profitability

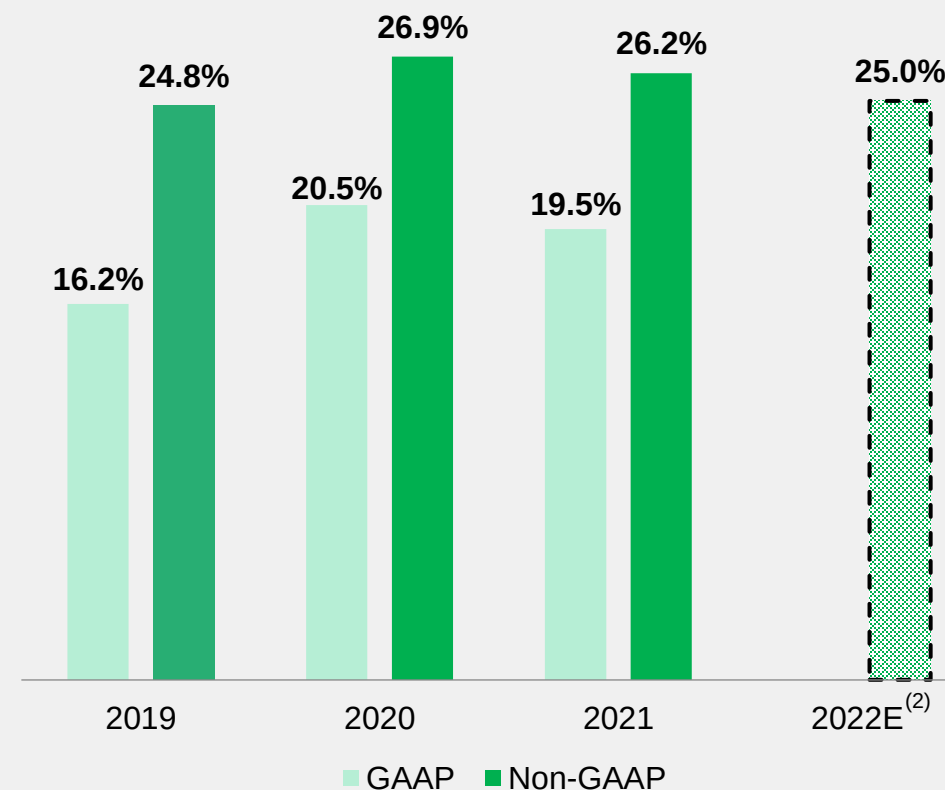
Operating Margins of 25% or more

Gross Margin



2022E reflects supply chain, expedite fees, mix shift towards product, and Alaxala⁽¹⁾

Operating Margin



2022E reflects lower gross margins and increased travel



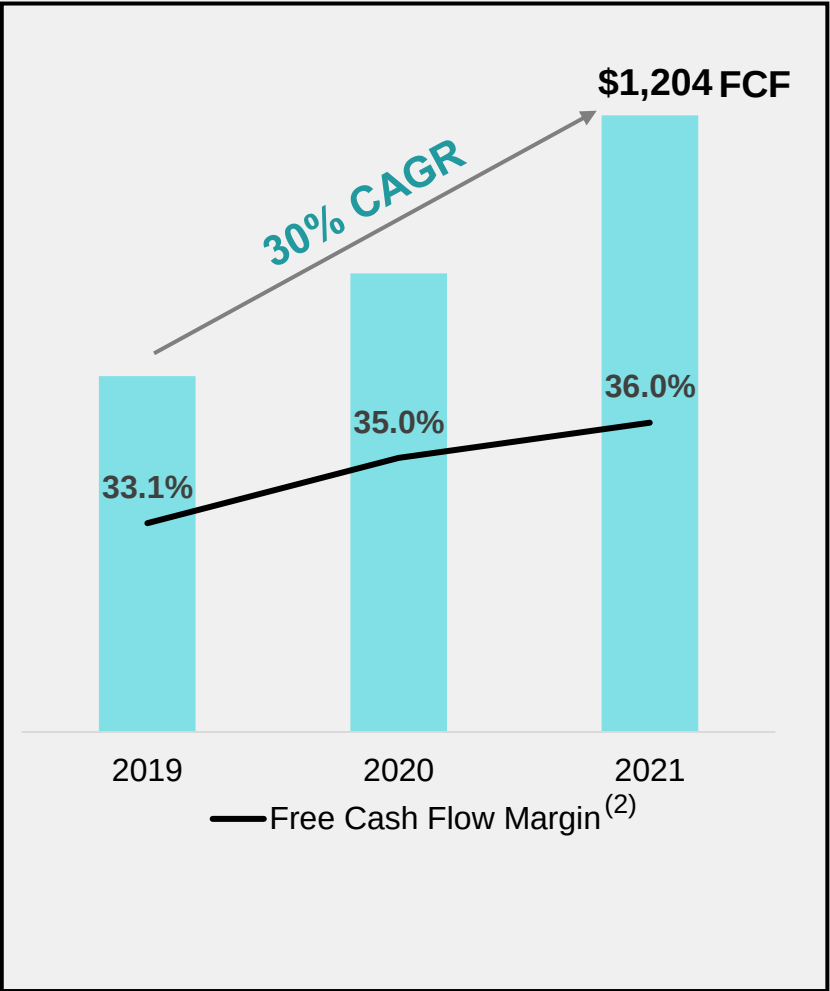
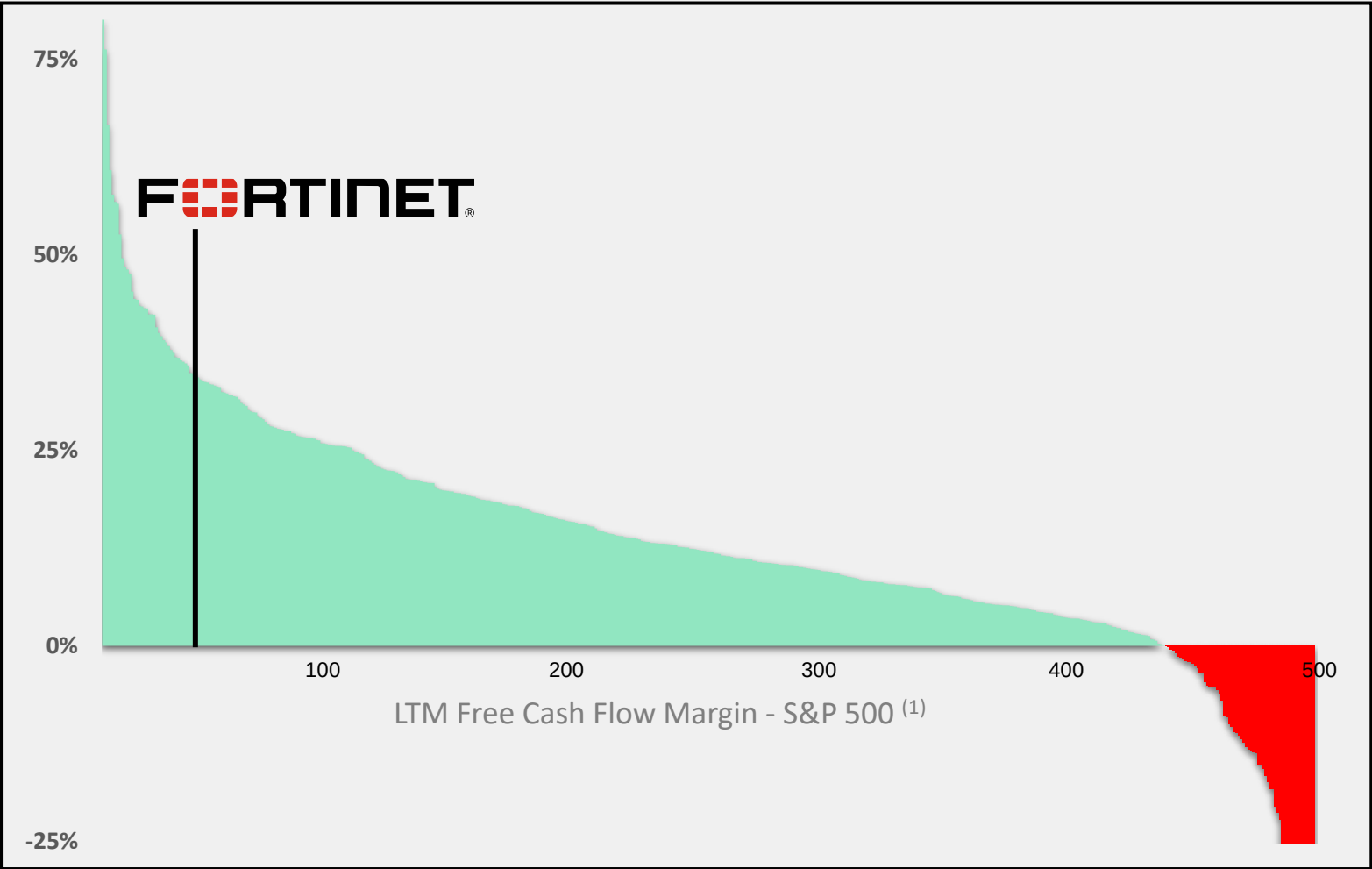
(1) Alaxala closed on August 31, 2021.

(2) Based on the midpoint of 2022 guidance provided on May 4, 2022.

Non-GAAP gross margin and non-GAAP operating margin are non-GAAP financial measures. See Appendix for reconciliation of the non-GAAP financial measures to the most comparable GAAP financial measures.

Top 10% of S&P 500 in Free Cash Flow

Free Cash Flow Margin > 35%



(1) Source: Nasdaq IR Insight and company filings. Data based on most recently reported financials as of May 4, 2022. Free Cash Flow for the period shown is calculated as operating cash flow minus capital expenditures.

(2) Free Cash Flow is a non-GAAP financial measure. See Appendix for reconciliation of the non-GAAP financial measures to the most comparable GAAP financial measures.

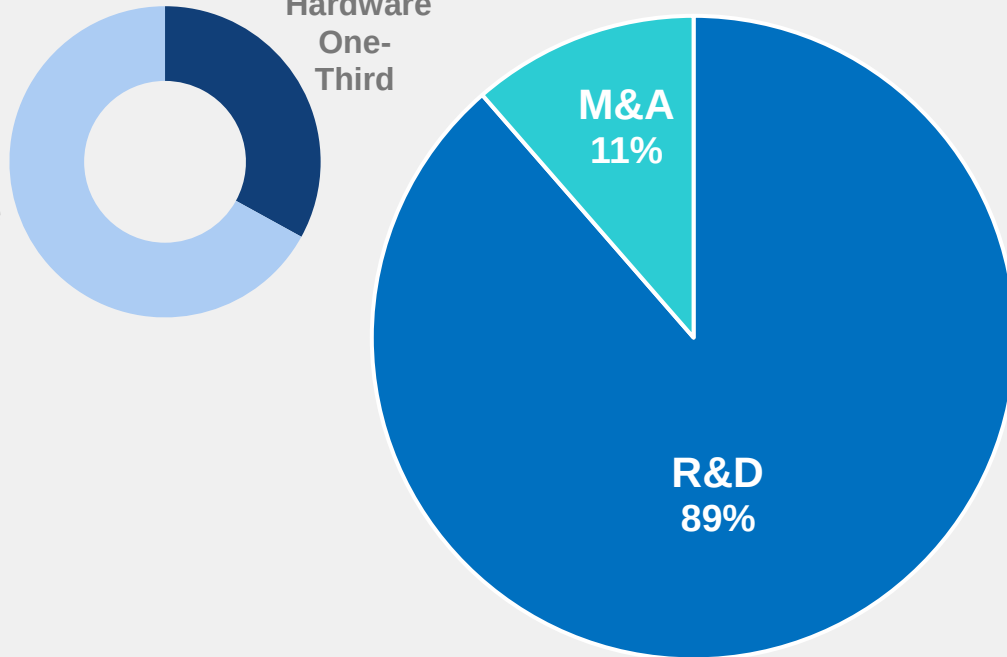
Strategic Investments and Capital Allocation

Build vs. Buy Integrated Platform Strategy

2,300+ Engineers

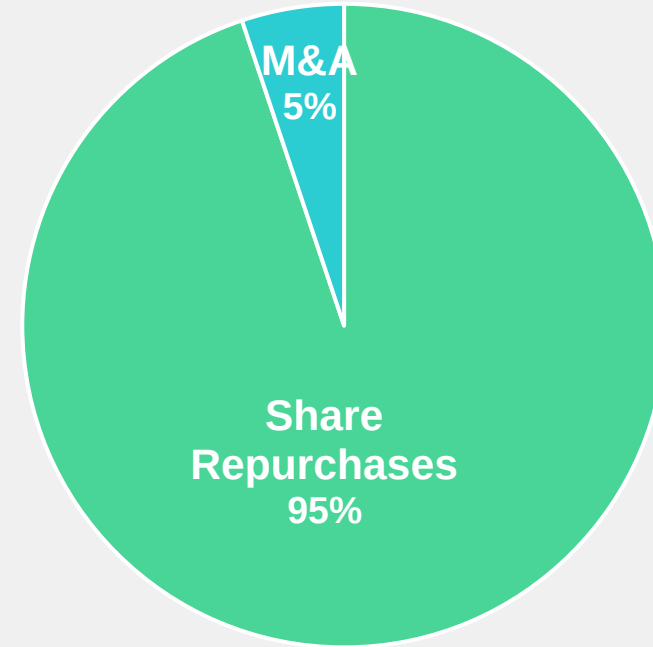
Hardware
One-
Third

Software
Two-
Thirds



Innovation: ~\$1.6B since 2017

\$1.4B spent on R&D ⁽¹⁾



Capital Return: ~\$3.5B since 2017

Repurchased 33.5M Shares for \$3.3B ⁽²⁾



(1) This represents our non-GAAP research and development expense from January 1, 2017 through March 31, 2022. See Appendix for reconciliation of the non-GAAP financial measure to the most comparable GAAP financial measure.

(2) Shares repurchased from January 1, 2017 through March 31, 2022.

Guidance for Q2'22 and 2022

As of May 4, 2022

	Q2'21 Actual	Q2'22 Guidance	2021 Actual	2022 Guidance
Billings	\$960.9M	\$1.225 - \$1.265B	\$4.181B	\$5.500 - \$5.580B
Y/Y Mid-Pt Growth		29.6%		32.5%
Revenue (GAAP)	\$801.1M	\$1.005 - \$1.035B	\$3.342B	\$4.350 - \$4.400B
Y/Y Mid-Pt Growth		27.3%		30.9%
Service Revenue (GAAP)	\$502.8M		\$2.087B	\$2.640 - \$2.700B
Y/Y Mid-Pt Growth				27.9%
Gross Margin	77.5%	74.5% - 76.0%	77.5%	74.0% - 76.0%
Operating Margin	25.4%	22.0% - 23.5%	26.2%	24.0% - 26.0%
Earnings per share	\$0.95	\$1.05 - \$1.10	\$3.99	\$5.00 - \$5.15



Note: 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.

© Fortinet Inc. All Rights Reserved.

Additional Modeling Points

As of May 4, 2022

	Q2'22 Guidance	2022 Guidance
Cash Paid for Taxes		\$260M
Capital Expenditures	\$75 - \$85M	\$270 - \$300M
Non-GAAP Tax Rate	17%	17%
Shares Outstanding	165 - 167M	166 - 168M



Note: 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.

2025 Financial Targets: ~\$10B Billings and ~\$8B Revenue

	2019	2020	2021	2022E	2025 Targets
	YoY Growth				
Billings	21%	19%	35%	32.5%	~\$10B 3 Yr CAGR of ~22%
Revenue (GAAP)	20%	20%	29%	31%	~\$8B 3 Yr CAGR of ~22%
Operating Margin	24.8%	26.9%	26.2%	25%	>=25% ⁽¹⁾

2025 Adjusted Free Cash Flow Margin in the mid-to-high 30% range
Long-term Target: Continue to Execute the Rule of 40 ⁽²⁾

Notes:

⁽¹⁾ As an average over the period from 2022 to 2025.

⁽²⁾ Fortinet defines the Rule of 40 as GAAP revenue Y/Y growth plus Non-GAAP Operating Margin.

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.



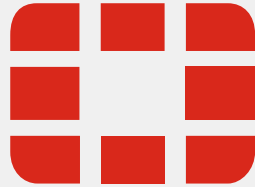
Key Takeaways

**Cybersecurity TAM
is \$199B+ ⁽¹⁾**



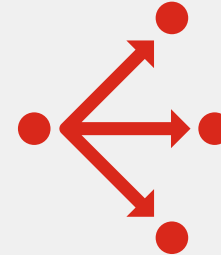
Expanded into new markets such as SASE, ZTNA, Cloud, and 5G

**Fortinet is an
Industry Leader**



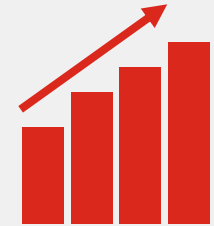
Proprietary ASIC technology and integrated FortiOS platform which allows Fortinet to provide security across all attack surfaces from data center to endpoint to cloud

**Diversified
Revenue Base**



Diversified across geographies, customer sizes, and industry verticals drives revenue visibility

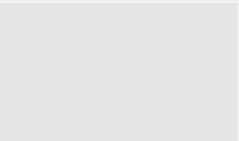
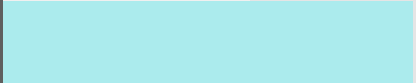
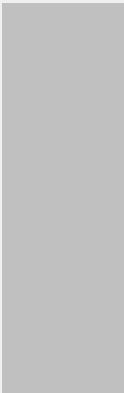
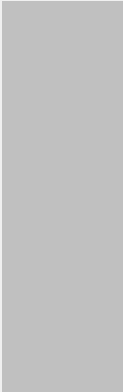
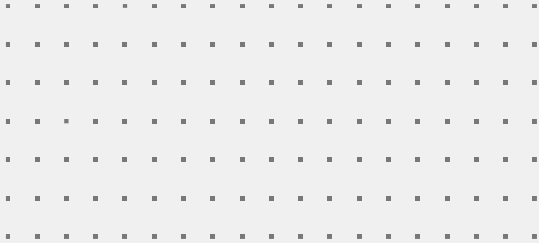
**Billings of \$10 Billion
by 2025**



Software-like margins, drive sustainable free cash flow generation



(1) Based on 2026E TAM.



Appendix

Reconciliation of Non-GAAP Results to GAAP Results

\$ in millions	2018	2019	2020	2021	LTM Q1'22
Total revenue	\$1,804.6	\$2,163.0	\$2,594.4	\$3,342.2	\$3,586.7
Add change in deferred revenue	347.1	442.3	496.2	847.6	912.3
Add deferred revenue adjustment due to ASC 606	4.1	-	-	-	-
Less Adjustment due to adoption of ASU 2021-08	-	-	-	(4.3)	(4.3)
Less deferred revenue balance acquired in business acquisition	(2.5)	(2.4)	(0.6)	(4.1)	(4.1)
Total billings	\$2,153.3	\$2,602.9	\$3,090.0	\$4,181.4	\$4,490.6
\$ in millions	2019	2020	2021		
GAAP gross profit	\$1,657.1	\$2,024.4	\$2,559.2		
Stock-based compensation	12.8	14.5	17.4		
Amortization of acquired intangible assets	7.7	9.1	12.9		
Non-GAAP gross profit	\$1,677.6	\$2,048.0	\$2,589.5		
Non-GAAP gross margin	77.6%	78.9%	77.5%		



Reconciliation of Non-GAAP Results to GAAP Results

\$ in millions	2019	2020	2021
GAAP product gross profit	\$463.9	\$564.0	\$767.3
Stock-based compensation	1.5	1.6	1.7
Amortization of acquired intangible assets	6.5	4.7	5.7
Non-GAAP product gross profit	\$471.9	\$570.3	\$774.7
Non-GAAP product gross margin	59.8%	62.2%	61.7%

\$ in millions	2019	2020	2021
GAAP service gross profit	\$1,193.2	\$1,460.4	\$1,791.9
Stock-based compensation	11.3	12.9	15.7
Amortization of acquired intangible assets	1.2	4.4	7.2
Non-GAAP service gross profit	\$1,205.7	1,477.7	\$1,814.8
Non-GAAP service gross margin	87.7%	88.1%	86.9%



Reconciliation of Non-GAAP Results to GAAP Results

\$ in millions	2019	2020	2021
GAAP sales and marketing expense	\$926.9	\$1,071.9	\$1,345.7
Stock-based compensation	(101.7)	(108.4)	(110.0)
Amortization of acquired intangible assets	(3.2)	(4.2)	(5.6)
Non-GAAP sales and marketing expense	\$822.0	\$959.3	\$1,230.1

\$ in millions	2019	2020	2021
GAAP general and administrative expense	\$102.1	\$119.5	\$143.5
Stock-based compensation	(20.9)	(23.3)	(27.1)
Litigation-related matter	-	0.7	-
Non-GAAP general and administrative expense	\$81.2	\$96.9	\$116.4

\$ in millions	2017	2018	2019	2020	2021	Q1'22
GAAP research and development expense	\$210.6	\$244.5	\$277.1	\$341.4	\$424.2	\$124.9
Stock-based compensation	(32.2)	(36.4)	(38.7)	(47.6)	(56.7)	(15.1)
Non-GAAP research and development expense	\$178.4	\$208.1	\$238.4	\$293.8	\$367.5	\$109.8



Reconciliation of Non-GAAP Results to GAAP Results

\$ in millions	2019	2020	2021
GAAP operating income	\$351.0	\$531.8	\$650.4
GAAP operating margin	16%	20%	19%
Stock-based compensation	174.1	193.8	211.2
Amortization of acquired intangible assets	10.9	13.3	18.5
Litigation settlement expenses	-	(0.7)	-
Gain on IP matter	-	(40.2)	(4.6)
Non-GAAP operating income	\$536.0	\$698.0	\$875.5
Non-GAAP operating margin	25%	27%	26%



Reconciliation of Non-GAAP Results to GAAP Results

\$ in millions	2013⁽¹⁾	2014⁽¹⁾	2015⁽¹⁾	2016	2017	2018	2019	2020	2021
GAAP operating income	\$72.1	\$59.3	\$14.9	\$46.0	\$112.6	\$234.4	\$351.0	\$531.8	\$650.4
GAAP operating margin	12%	8%	1%	4%	8%	13%	16%	20%	19%
Stock-based compensation	44.4	59.0	95.0	122.4	137.2	162.9	174.1	193.8	211.2
Amortization of acquired intangible assets	1.6	1.4	3.1	9.3	8.6	9.0	10.9	13.3	18.5
Impairment of intangible assets	0.5	2.4	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	(1.9)	-	-	-	1.5	-	-	(0.7)	-
Gain on IP matter	-	-	-	-	-	-	-	(40.2)	(4.6)
Non-GAAP operating income	\$116.7	\$122.1	\$133.2	\$196.2	\$260.2	\$406.3	\$536.0	\$698.0	\$875.5
Non-GAAP operating margin	19%	16%	13%	15%	17%	23%	25%	27%	26%



(1) 2009-2015 have not been adjusted for an immaterial error related to the commencement of revenue recognition for certain FortiCare support service contracts.

Reconciliation of Free Cash Flow

\$ in millions	2019	2020	2021	LTM Q1'22
Net cash provided by operating activities	\$808.0	\$1,083.7	\$1,499.7	\$1,579.9
Less purchases of property and equipment	(92.2)	(125.9)	(295.9)	(366.4)
Less proceeds from IP matter	-	(50.0)	-	-
Free cash flow	\$715.8	\$907.8	\$1,203.8	\$1,213.5
Free cash flow margin	33%	35%	36%	34%



FORTINET®