

# Fortinet 2009 Non-GAAP Results

	2009	2008	Y/Y % growth
<b>Billings <sup>(1)</sup></b>	<b>\$282M</b>	<b>\$252M</b>	<b>12%</b>
<b>Revenue</b>	<b>\$252M</b>	<b>\$212M</b>	<b>19%</b>
<b>Non-GAAP Gross Margin (%) <sup>(2)</sup></b>	<b>73%</b>	<b>69%</b>	<b>+4%</b>
<b>Non-GAAP Operating Income <sup>(2)</sup></b>	<b>\$35M</b>	<b>\$10M</b>	<b>244%</b>
<b>Non-GAAP Operating Margin (%) <sup>(2)</sup></b>	<b>14%</b>	<b>5%</b>	<b>+11%</b>
<b>Non-GAAP Net Income <sup>(2)(3)</sup></b>	<b>\$30M</b>	<b>\$12M</b>	<b>163%</b>
<b>Non-GAAP Earnings per Share <sup>(2)(3)</sup></b>	<b>\$0.47</b>	<b>\$0.17</b>	<b>+\$0.30</b>
<b>Weighted Diluted Shares used in EPS</b>	<b>65M</b>	<b>67M</b>	
<b>Deferred Revenue</b>	<b>\$202M</b>	<b>\$172M</b>	<b>18%</b>
<b>Free Cash Flow <sup>(4)</sup></b>	<b>\$58M</b>	<b>\$35M</b>	<b>65%</b>

## 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 warrant expense
- (3) Assumes effective tax rate was 20% instead of negative for comparative purposes and removes tax benefit of stock based compensation and warrant 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

# Fortinet Q4 2009 Non-GAAP Results

	Q4 09	Q4 08	Y/Y % growth
<b>Billings <sup>(1)</sup></b>	<b>\$82M</b>	<b>\$73M</b>	<b>13%</b>
<b>Revenue</b>	<b>\$71M</b>	<b>\$59M</b>	<b>20%</b>
<b>Non-GAAP Gross Margin (%) <sup>(2)</sup></b>	<b>73%</b>	<b>70%</b>	<b>+3%</b>
<b>Non-GAAP Operating Income <sup>(2)</sup></b>	<b>\$11M</b>	<b>\$8M</b>	<b>46%</b>
<b>Non-GAAP Operating Margin (%) <sup>(2)</sup></b>	<b>16%</b>	<b>13%</b>	<b>+3%</b>
<b>Non-GAAP Net Income <sup>(2) (3)</sup></b>	<b>\$9M</b>	<b>\$9M</b>	<b>0%</b>
<b>Non-GAAP Earnings per Share <sup>(2) (3)</sup></b>	<b>\$0.13</b>	<b>\$0.14</b>	<b>(\$0.01)</b>
<b>Weighted Diluted Shares used in EPS</b>	<b>71M</b>	<b>67M</b>	
<b>Deferred Revenue</b>	<b>\$202M</b>	<b>\$172M</b>	<b>18%</b>
<b>Free Cash Flow <sup>(4)</sup></b>	<b>\$16M</b>	<b>\$17M</b>	<b>(3%)</b>

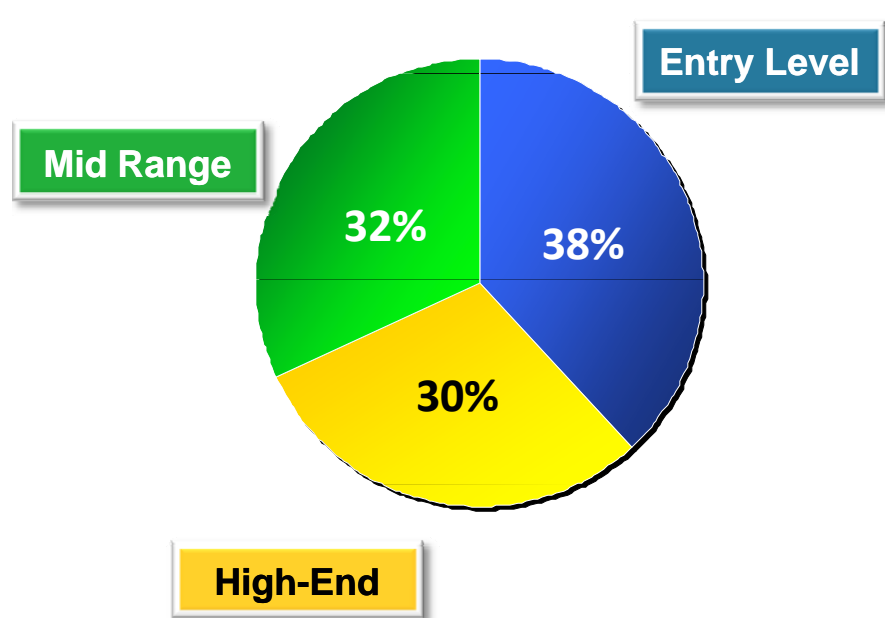
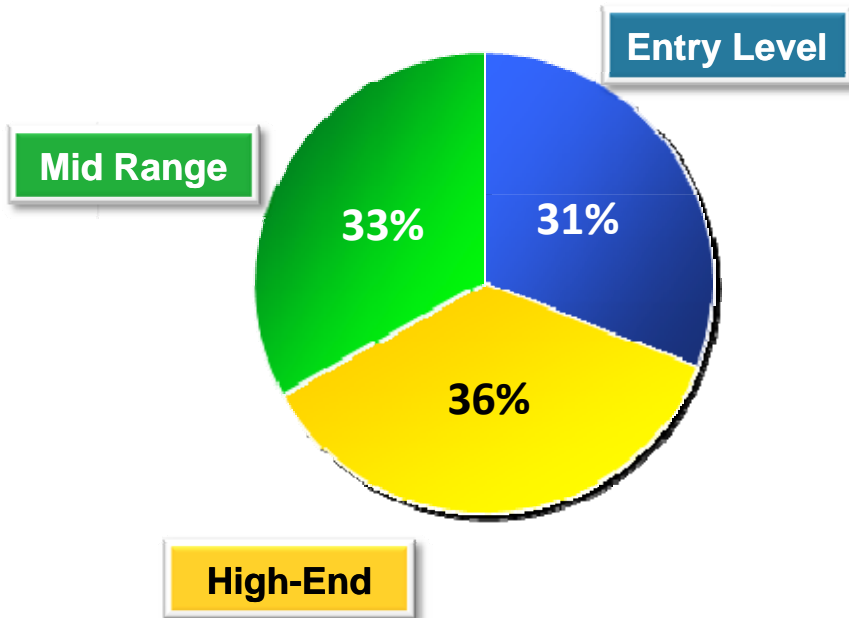
## Notes

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# Fortinet Product Segmentation

FortiGate Billings by Product Category (Q4 09)

FortiGate Billings by Product Category (2009)



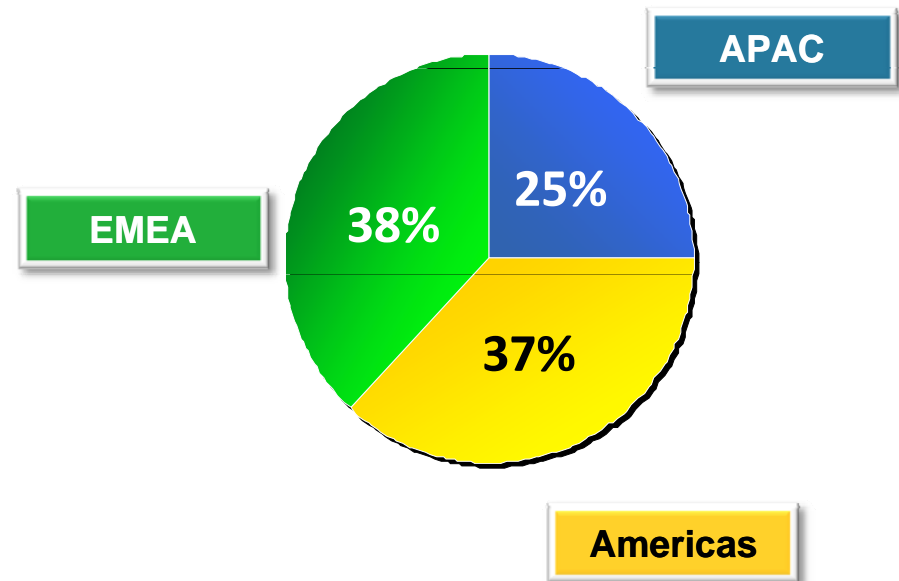
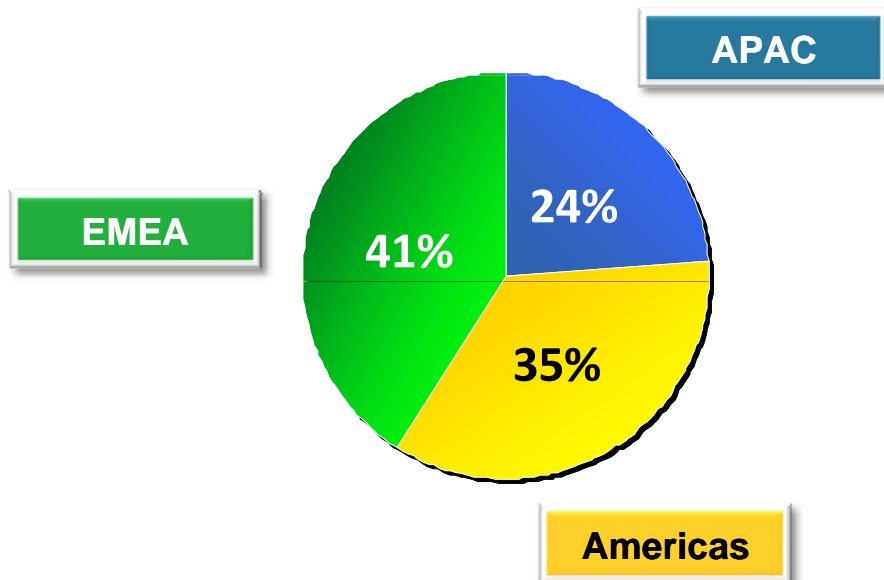
**Note**

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

# Fortinet Revenue by Geography

Revenue by Geography (Q4 09)

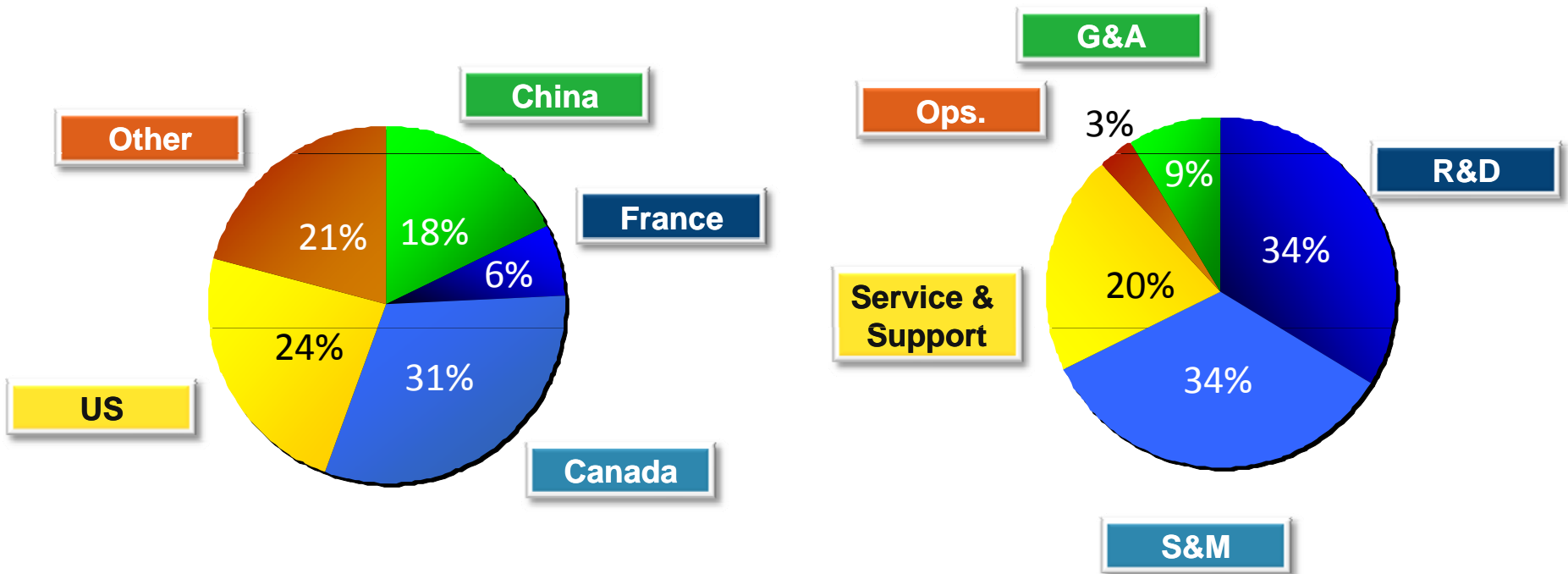
Revenue by Geography (2009)



# Fortinet Global Employee Footprint

Headcount by Location (Q4 2009)

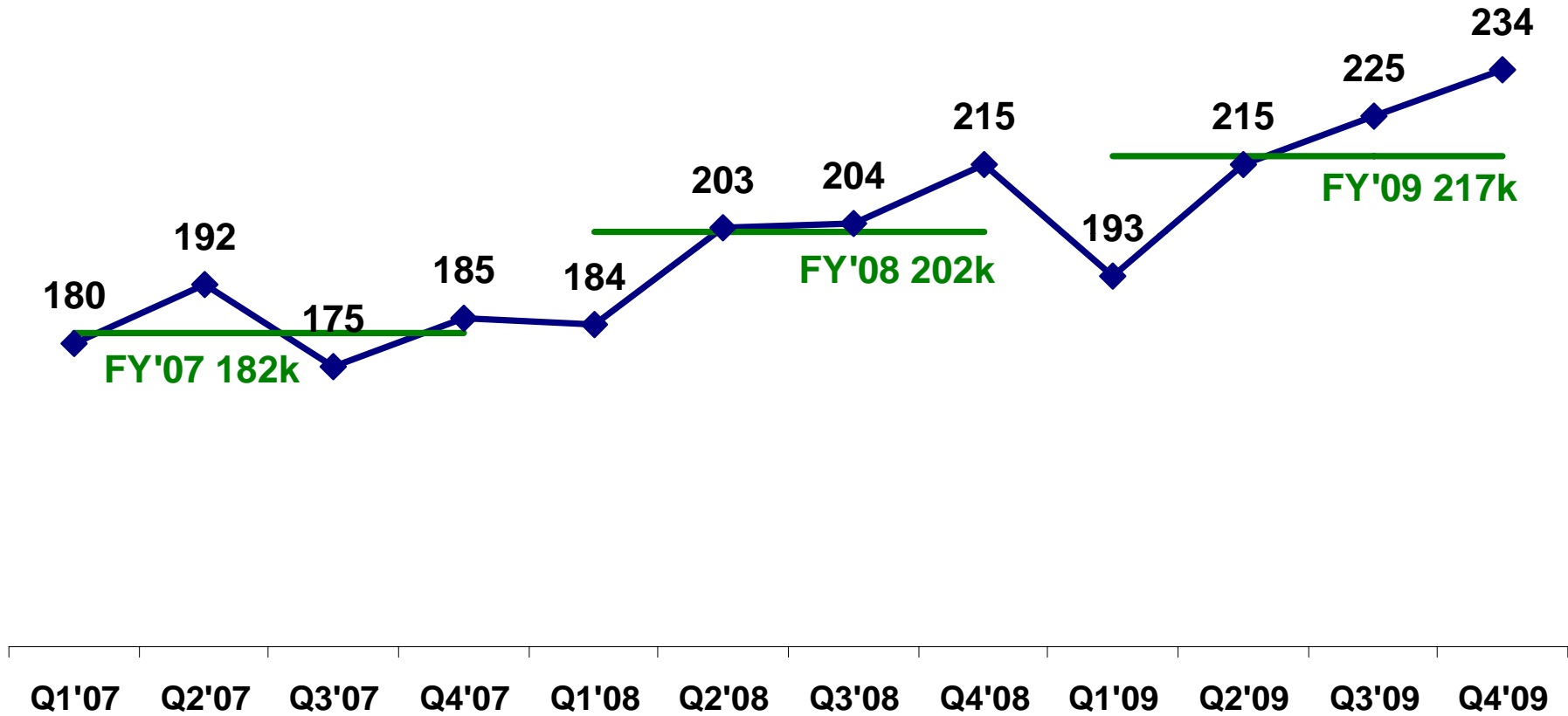
Headcount by Function (Q4 2009)



Total Headcount: 1,223

# Fortinet Revenue per Employee

(\$ in Thousands, Annualized)



## Diluted Shares Outstanding

	Q3 09	Q4 09	Q1 10 Estimate
Shares Outstanding – End of Period	59M	67M	
Weighted Average Shares Outstanding	58M	63M	67 - 68M
Diluted Options – Treasury Method	6M	8M	7 - 9M
Weighted Diluted Shares used in EPS	64M	71M	74 - 77M

## Q4 2009 Select Financial Statistics

	Q4 09	Q3 09	Q4 08
Cash and ST Investments	\$260M	\$152M	\$124M
Deferred Revenue	\$202M	\$190M	\$172M
Free Cash Flow	\$16M	\$15M	\$17M
Working Capital	\$162M	\$46M	\$38M
Accounts Receivable	\$55M	\$44M	\$46M
DSO	69	60	70
Revenue per Employee	\$234K	\$225K	\$215K
No. of Deals >\$100K	98	67	51
No. of Deals >\$250K	34	21	18



# Maintaining Strong Balance Sheet

(\$ in Millions)	Q4 09	Q3 09	Q4 08
<b>Assets</b>			
Cash and Short-Term Investments	260	152	124
Accounts Receivable	55	44	46
Inventory	11	11	11
Property and Equipment	6	6	3
Deferred Cost of Revenue	10	10	9
Deferred Tax Assets	41	0	0
Other	4	7	6
<b>Total Assets</b>	<b>387</b>	<b>230</b>	<b>199</b>
<b>Liabilities and Shareholders' Equity</b>			
Accounts Payable	11	8	7
Accrued Expenses	32	28	25
Deferred Revenue	202	190	172
Common Stock	201	107	115
Retained Earnings	(59)	(103)	(120)
<b>Total Liabilities and Shareholders' Equity</b>	<b>387</b>	<b>230</b>	<b>199</b>

## Statement of Cash Flows (Non-GAAP)

	(\$ in Millions)	Q4 09	Q4 08
Net Income		44	8
Depreciation, Amortization, and Intangibles		5	2
Release of Tax Valuation Allowance, net of tax expense		(36)	0
<b>Non-GAAP Operating Income + Depreciation (Adj. EBITDA)</b>		<b>13</b>	<b>10</b>
Accounts Receivable		(10)	(7)
Inventory		(1)	1
Accounts Payable / Accrued Expenses / Other		3	1
Deferred Revenue		12	14
Cash Flow from Operations		17	19
Purchase of Property, Plant and Equipment		(0.3)	(2)
<b>Free Cash Flow</b>		<b>16</b>	<b>17</b>
IPO Net Proceeds / Stock Repurchase		88	0
Stock Option and Warrant Exercises / Tax Benefit		4	0
Cash Flow from Financing		92	0
Effect of Exchange Rate on Cash / Acquisitions		0	(2)
Net Cash Flow		108	15

# GAAP to Non-GAAP P&L (Q4'09 vs. Q4'08)

(in thousands, except per share amounts)

	GAAP Q4'08	Adj	Non GAAP Q4'08	GAAP Q4'09	Adj	Non GAAP Q4'09
Revenue:						
Product	\$ 26,192		\$ 26,192	\$ 29,359		29,359
Services	29,898		29,898	37,413		37,413
Ratable product and services	2,976		2,976	3,939		3,939
Total Revenue	59,066		59,066	70,711		70,711
Cost of revenue:						
Cost of product revenue	11,977		11,977	13,117	(1,689)	11,428
Cost of services revenue	4,690	(138)	4,552	6,310	(193)	6,117
Cost of ratable product and services	1,187		1,187	1,482		1,482
Total cost of revenue	17,854	(138)	17,716	20,909	(1,882)	19,027
Gross Profit:						
Product	14,215		14,215	16,242		17,931
Services	25,208		25,346	31,103		31,296
Ratable product and services	1,789		1,789	2,457		2,457
Total gross profit	41,212		41,350	49,802		51,684
Research and development	8,849	(322)	8,527	10,988	(571)	10,417
Sales and marketing	21,817	(645)	21,172	26,719	(918)	25,801
General and administrative	4,273	(339)	3,934	4,642	(474)	4,168
Total operating expenses	34,939	(1,306)	33,633	42,349	(1,963)	40,386
Operating income (loss)	6,273	1,444	7,717	7,453	3,845	11,298
Interest income	742		742	304		304
Other income (expense), net	1,539		1,539	50		50
Net income (loss) before income taxes	8,554	1,444	9,998	7,807	3,845	11,652
Provision / (Benefit) for income taxes	611	(289)	900	(36,132)	38,567	2,435
Net income (loss)	\$ 7,943	\$ 1,155	\$ 9,098	\$ 43,939	\$ (34,722)	\$ 9,217
Basic net income (loss) per share	\$ 0.38		\$ 0.44	\$ 1.02		\$ 0.15
Diluted net income (loss) per share	\$ 0.12		\$ 0.14	\$ 0.62		\$ 0.13
Shares used in computing basic and diluted net income (loss) per share						
Basic	20,663		20,663	42,991		62,543
Diluted	66,935		66,935	70,760		70,760
EBITDA and Adjusted EBITDA Calculation						
Operating income (loss)	\$ 6,273		\$ 7,717	\$ 7,453		\$ 11,298
Add: Depreciation and Amortization	928		928	1,613		1,613
EBITDA	7,201		8,645	9,066		12,911
Add: Stock-based compensation expense	1,444		1,444	2,182		2,182
Add: Write-off of intangibles	-		-	1,663		1,663
Adjusted EBITDA	\$ 8,645		\$ 8,645	\$ 12,911		\$ 12,911

# GAAP to Non-GAAP P&L (FY'09 vs. FY'08)

(in thousands, except per share amounts)

	GAAP		Non GAAP		GAAP		Non GAAP	
	Fiscal 2008	Adj	Fiscal 2008		Fiscal 2009	Adj	Fiscal 2009	
Revenue:								
Product	\$ 94,587		\$ 94,587		\$ 98,686		98,686	
Services	105,292		105,292		139,172		139,172	
Ratable product and services	11,912		11,912		14,257		14,257	
Total Revenue	211,791		211,791		252,115		252,115	
Cost of revenue:								
Cost of product revenue	41,397	(67)	41,330		42,166	(2,489)	39,677	
Cost of services revenue	19,441	(400)	19,041		22,265	(658)	21,607	
Cost of ratable product and services	4,634		4,634		5,544		5,544	
Total cost of revenue	65,472	(467)	65,005		69,975	(3,147)	66,828	
Gross Profit:								
Product	53,190		53,257		56,520		59,009	
Services	85,851		86,251		116,907		117,565	
Ratable product and services	7,278		7,278		8,713		8,713	
Total gross profit	146,319		146,786		182,140		185,287	
Research and development	37,035	(1,049)	35,986		42,195	(1,963)	40,232	
Sales and marketing	87,717	(2,512)	85,205		96,291	(3,020)	93,271	
General and administrative	16,640	(1,271)	15,369		18,320	(1,718)	16,602	
Total operating expenses	141,392	(4,832)	136,560		156,806	(6,701)	150,105	
Operating income (loss)	4,927	5,299	10,226		25,334	9,848	35,182	
Interest income	2,614		2,614		1,981		1,981	
Other income (expense), net	1,710		1,710		198		198	
Net income (loss) before income taxes	9,251	5,299	14,550		27,513	9,848	37,361	
Provision for income taxes	1,888	(1,060)	2,948		(32,666)	39,543	6,877	
Net income (loss)	7,363	4,239	11,602		60,179	(29,695)	30,484	
Premium paid on repurchase of convertible preferred shares	-		-		(9,266)	9,266	-	
Net income attributable to common stockholders	\$ 7,363	\$ 4,239	\$ 11,602		\$ 50,913	\$ (20,429)	\$ 30,484	
Basic net income (loss) per share	\$ 0.37		\$ 0.19		\$ 1.93		\$ 0.51	
Diluted net income (loss) per share	\$ 0.11		\$ 0.17		\$ 0.78		\$ 0.47	
Shares used in computing basic and diluted net income (loss) per share								
Basic	20,017		60,497		26,334		59,329	
Diluted	67,122		67,122		65,219		65,219	
EBITDA and Adjusted EBITDA Calculation								
Operating income (loss)	\$ 4,927		\$ 10,226		\$ 25,334		\$ 35,182	
Add: Depreciation and Amortization	4,234		4,234		5,935		5,935	
EBITDA	9,161		14,460		31,269		41,117	
Add: Stock-based compensation expense	5,299		-		7,461		-	
Add: Write-off of intangibles	-		-		2,387		-	
Adjusted EBITDA	\$ 14,460		\$ 14,460		\$ 41,117		\$ 41,117	