Fortinet 2009 Non-GAAP Results

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

Notes

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

⁽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



⁽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

Fortinet Q4 2009 Non-GAAP Results

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

Notes

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

⁽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



⁽²⁾ Does not include stock based compensation or acquisition-related warrant expense

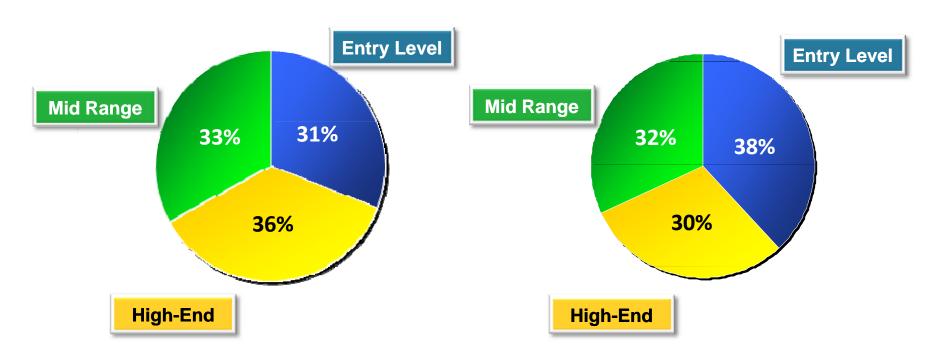
⁽³⁾ Assumes effective tax rate was 20% instead of negative for comparative purposes and removes tax benefit of stock based compensation and warrant expense

Fortinet Product Segmentation



FortiGate Billings by Product Category (Q4 09)

FortiGate Billings by Product Category (2009)



Note

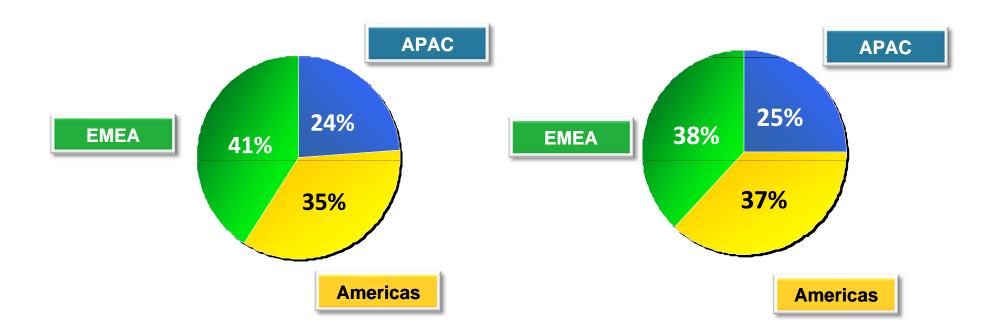
Billings is a non-GAAP measure that we define as revenue recognized for the particular period plus the change in deferred revenue from the beginning of that period to the end of that period



Fortinet Revenue by Geography

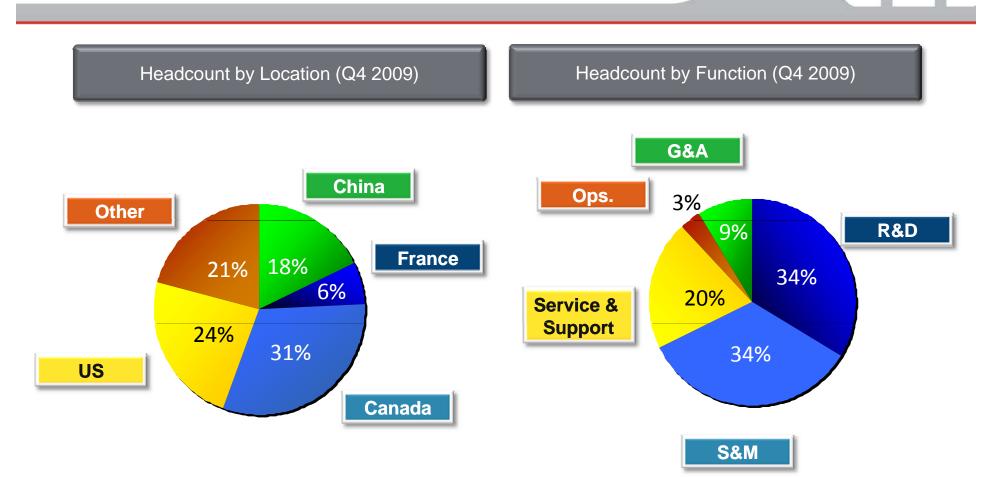
Revenue by Geography (Q4 09)

Revenue by Geography (2009)





Fortinet Global Employee Footprint



Total Headcount: 1,223



Fortinet Revenue per Employee



(\$ in Thousands, Annualized)



Q1'07 Q2'07 Q3'07 Q4'07 Q1'08 Q2'08 Q3'08 Q4'08 Q1'09 Q2'09 Q3'09 Q4'09



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
Assets			
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
Total Assets	387	230	199
Liabilities and Shareholders' Equity			
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)
Total Liabilities and Shareholders' Equity	387	230	199



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
Non-GAAP Operating Income + Depreciation (Adj. EBITDA)	13	10
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)
Free Cash Flow	16	17
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		N	on GAAP		GAAP		Non GAAP
,		Q4'08	Adj		Q4'08		Q4'09	Adj	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:									
		44.077			44.077		40 447	(4,000)	44 400
Cost of product revenue Cost of services revenue		11,977 4,690	(138)		11,977 4,552		13,117 6,310	(1,689) (193)	11,428 6,117
Cost of services revenue Cost of ratable product and services		1,187	(130)		1,187		1.482	(193)	1,482
Total cost of revenue	-	17,854	(138)		17,716		20,909	(1,882)	19,027
	\vdash	17,004	(130)		17,710		20,909	(1,002)	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	Ψ	928		Ψ	928	Ψ	1,613		1,613
EBITDA		7,201			320		9,066		1,010
		,					,		
Add: Stock-based compensation expense		1,444					2,182		
Add: Write-off of intangibles	Ф.	- 0.045		Ф.	0.045	Ф.	1,663		¢ 40.044
Adjusted EBITDA	\$	8,645		\$	8,645	\$	12,911		\$ 12,911



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

Fiscal 2008 Adj Fisc	(in thousands, except per share amounts)	GAAP		Non GAAP		GAAP		Non GAAP
Product \$ 94,687 \$ 94,687 \$ 94,687 \$ 98,886 \$ 98,886 \$ 88,886 \$ 88,886 \$ 88,886 \$ 88,886 \$ 88,886 \$ 88,886 \$ 88,886 \$ 81,000 \$ 15,292 \$ 11,912 \$ 11,912 \$ 11,912 \$ 14,257		Fiscal 2008	Adj	Fiscal 2008		Fiscal 2009	Adj	Fiscal 2009
Services 105,292								
Ratable product and services 11,912 211,791 221,791 252,115 252,				· ·				
Cost of revenue:		105,292						
Cost of revenue: Cost of product revenue 41,397 (67) 41,330 42,166 (2,489) 39,677 Cost of product 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 5,544 71,000 5,547 106,263 100,000	·				L			
Cost of product revenue	Total Revenue	211,791		211,791	ŀ	252,115		252,115
19,441	Cost of revenue:							
Cost of fratable product and services 4.634 4.634 5.544 5.544 5.544 5.544 7.014 cost of revenue 6.54.72 6.67.02 6.67.02 6.69.075 6.69.075 6.69.082 6.975 6.975 6.095 6.975 6.095 6.975 6.095 6.975 6.095 6.975 6.095 6.975 6.095 6.975 6.095 6.975 6.095 6.975 6.095 6.975 6.095 6.975 6.095 6.975 6.095 6.975 6.095	•		, ,	,		,	` ' '	, -
Total cost of revenue			(400)	,		,	(658)	
Product Product Sa,190 Sa,257 Se,200 Se,000 Services Se,861 Se,861 Se,251 116,907 117,566 Ratable product and services Product Product Product Se,861 Se,861 Se,251 116,907 117,566 Ratable product and services Product P	·		(10=)		Ļ		(0.4.4=)	
Product	Total cost of revenue	65,472	(467)	65,005	F	69,975	(3,147)	66,828
Services Ratable product and services 7,278 7,278 7,278 7,278 8,713 115,697 117,565 8,713 146,319 146,786 182,140 185,287 186,	Gross Profit:							
Ratable product and services 7,278 46,319 146,786 182,140 185,287 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) 16,660 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 1,981 Other income (expense), net 1,710 1,710 1,710 1,981 1,981 1,981 Provision for income taxes 9,251 5,299 14,550 2,7,513 9,848 37,361 Provision for income taxes 9,251 5,299 14,550 2,7,513 9,848 37,361 Promium paid on repurchase of convertible preferred shares 7,363 4,239 11,602 60,179 (29,695) 30,484 Premium paid on repurchase of convertible preferred shares 8,037 \$0,19 Diluted net income (loss) per share \$0,37 \$0,19 \$1,93 \$0,051 Diluted net income (loss) per share \$0,111 \$0,17 \$0,78 \$0,47 Shares used in computing basic and diluted net income (loss) per share \$0,017 \$0,497 \$0,497 \$0,497 \$0,497 Diluted net income (loss) per share \$0,111 \$0,17 \$0,78 \$0,47 Shares used in computing basic and diluted net income (loss) per share \$0,111 \$0,17 \$0,78 \$0,47 Shares used in computing basic and diluted net income (loss) per share \$0,111 \$0,17 \$0,497 \$,		,		
Total gross profit				,		,		
Research and development 37,035 (1,049) 35,986 42,195 (1,963) 40,232 36 37,717 (2,512) 82,005 96,291 (3,020) 93,271 (3,021) 16,602 16,640 (4,832) 136,560 156,806 (6,701) 150,105 (6	·				L			
Sales and marketing General and administrative Total operating expenses Operating income (loss) Interest income Operating income (loss) Interest income (expense), net Other income (expense), net Other income (expense), net Net income (loss) Premium paid on repurchase of convertible preferred shares Net income (loss) per share Shares used in computing basic and diluted net income (loss) per share Basic net income (loss) per share Coperating income (loss) Shares used in computing basic and diluted net income (loss) per share Basic net income (loss) Diluted EBITDA and Adjusted EBITDA Calculation Shares used compensation expense Add: Stock-based compensation expense Add: Write-off of intangibles Shares used in camputing basic and Administrative Shares used in camputing basic and Administrative Shares used in camputing basic and Administrative Shares used in camputing basic and Administrative Shares used in camputing basic and Administrative Shares used in camputing basic and Administrative Shares used in camputing basic and Administrative Shares used in camputing basic and Administrative Shares used in computing basic and Shares Shares used in Can	•			,	F			
Ceneral 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 (expense), net 1,710 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 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 7,363 4,239 11,602 50,913 (20,429) 30,484 Basic net income (loss) per share 5 0.37 5 0.19 5 0.913 (20,429) 30,484 Basic net income (loss) per share 20,017 60,497 5 0.78 5 0.329 Diluted net income (loss) per share 20,017 60,497 60,497 65,219 65,219 EBITDA and Adjusted EBITDA Calculation 4,234 4,234 5,335 5,935 EBITDA Add: Stock-based compensation expense 5,299 7,461 4dd: Write-off of intangibles -			, , ,	,		,		
Total operating expenses	· ·					,		
A 927 5,299 10,226 25,334 9,848 35,182	General and administrative		, , ,		F		, , ,	
Interest income 2,614 2,614 1,981 1,	Total operating expenses	141,392	, , ,	136,560	L	156,806	(6,701)	150,105
Other income (expense), net 1,710 1,710 1,710 1,710 1,88 198 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 Shares used in computing basic and diluted net income (loss) per share \$ 0.11 \$ 0.17 \$ 0.78 \$ 0.47 Basic Diluted 67,122 67,122 65,219 65,219 65,219 EBITDA and Adjusted EBITDA Calculation \$ 4,927 \$ 10,226 \$ 25,334 \$ 35,182 Add: Depreciation and A	Operating income (loss)	4,927	5,299	10,226		25,334	9,848	35,182
Net income (loss) before income taxes	Interest income	2,614		2,614		1,981		1,981
Provision for income taxes 1,888 (1,060 2,948 (32,666 39,543 6,877	Other income (expense), net	1,710		1,710		198		198
Net income (loss)	Net income (loss) before income taxes	9,251	5,299	14,550		27,513	9,848	37,361
Premium paid on repurchase of convertible preferred shares	, ,		(1,060)	2,948		(32,666)	39,543	6,877
Net income attributable to common stockholders \$ 7,363 \$ 4,239 \$ 11,602 \$ 50,913 \$ (20,429) \$ 30,484	Net income (loss)	7,363	4,239	11,602		60,179	(29,695)	30,484
Sasic net income (loss) per share \$ 0.37 \$ 0.19 \$ 1.93 \$ 0.51	Premium paid on repurchase of convertible preferred shares					(9,266)	9,266	
Sasic net income (loss) per share \$ 0.37 \$ 0.19 \$ 1.93 \$ 0.51	Net income attributable to common stockholders	\$ 7.363	\$ 4239	\$ 11 602		\$ 50.913	\$ (20,429)	\$ 30 484
Diluted net income (loss) per share \$ 0.11 \$ 0.17 \$ 0.78 \$ 0.47			ψ 1,200		-		ψ (20, 120)	
Basic Diluted 20,017 67,122 60,497 67,122 26,334 65,219 59,329 65,219 EBITDA and Adjusted EBITDA Calculation 4,227 \$ 10,226 \$ 25,334 \$ 35,182 Add: Depreciation and Amortization 4,234 4,234 \$ 4,234 \$ 5,935 \$ 5,935 \$ 5,935 5,935 5,935 \$ 5,935 EBITDA 9,161 \$ 31,269 31,269 \$ 7,461 \$ 4,234 \$ 7,461	, ,,			•	- 1	•		•
Basic Diluted 20,017 67,122 60,497 67,122 26,334 65,219 59,329 65,219 EBITDA and Adjusted EBITDA Calculation 4,227 \$ 10,226 \$ 25,334 \$ 35,182 Add: Depreciation and Amortization 4,234 4,234 5,935 5,935 5,935 5,935 5,935 EBITDA 9,161 31,269 31,269 Add: Stock-based compensation expense Add: Write-off of intangibles 5,299 7,461 2,387 7,461 2,387	Shares used in computing basic and diluted net income (loss) per share				-			
Comparing income (loss) \$ 4,927 \$ 10,226 \$ 25,334 \$ 35,182		20,017		60,497		26,334		59,329
Coperating income (loss) \$ 4,927 \$ 10,226 \$ 25,334 \$ 35,182	Diluted	67,122		67,122	F	65,219		65,219
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 31,269 Add: Stock-based compensation expense 5,299 7,461 Add: Write-off of intangibles - 2,387	ERITDA and Adjusted ERITDA Calculation				Ė	•		
Add: Depreciation and Amortization 4,234 4,234 5,935 5,935 EBITDA 9,161 31,269 Add: Stock-based compensation expense 5,299 7,461 Add: Write-off of intangibles - 2,387	EBITDA and Adjusted EBITDA Calculation							
Add: Depreciation and Amortization 4,234 4,234 5,935 5,935 EBITDA 9,161 31,269 Add: Stock-based compensation expense 5,299 7,461 Add: Write-off of intangibles - 2,387	Operating income (loss)	\$ 4,927		\$ 10.226		\$ 25,334		\$ 35.182
EBITDA 9,161 31,269 Add: Stock-based compensation expense 5,299 7,461 Add: Write-off of intangibles - 2,387								. ,
Add: Write-off of intangibles			•	, -	-			,
Add: Write-off of intangibles	Add: Stock-based compensation expense	5.299				7.461		
	· · ·	-,				,		
	•	\$ 14,460	•	\$ 14,460	-	\$ 41,117	•	\$ 41,117

