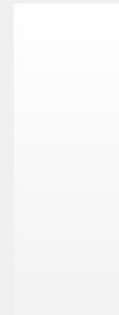




# Q4 2021 Financial Results

February 3, 2022



# Safe Harbor Statement

Information, statements and projections contained in these presentation slides and related conference call concerning Fortinet's business outlook, the first quarter and full year 2022 guidance, 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 first 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; 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; 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, 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](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 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.



# Q4 2021 Non-GAAP Results

	Q4'19	Q1'20	Q2'20	Q3'20	Q4'20	Q1'21	Q2'21	Q3'21	Q4'21
<b>Billings <sup>(1)</sup></b>	\$802.3M	\$667.8M	\$711.5M	\$749.8M	\$960.9M	\$850.6M	\$960.9M	\$1.06B	\$1.31B
<i>Y/Y % Change</i>	23.6%	21.1%	14.3%	19.7%	19.8%	27.4%	35.1%	41.9%	35.9%
<b>Revenue</b>	\$618.1M	\$577.7M	\$617.6M	\$651.1M	\$748.0M	\$710.3M	\$801.1M	\$867.2M	\$963.6M
<i>Y/Y % Change</i>	21.3%	22.1%	17.9%	18.8%	21.0%	23.0%	29.7%	33.2%	28.8%
<b>Product Revenue</b>	\$238.8M	\$192.3M	\$211.9M	\$223.8M	\$288.4M	\$240.7M	\$298.3M	\$337.1M	\$378.9M
<i>Y/Y % Change</i>	18.9%	18.2%	11.6%	13.5%	20.8%	25.2%	40.8%	50.6%	31.4%
<b>Service Revenue</b>	\$379.3M	\$385.4M	\$405.7M	\$427.3M	\$459.6M	\$469.6M	\$502.8M	\$530.1M	\$584.7M
<i>Y/Y % Change</i>	22.9%	24.2%	21.5%	21.7%	21.2%	21.8%	23.9%	24.1%	27.2%

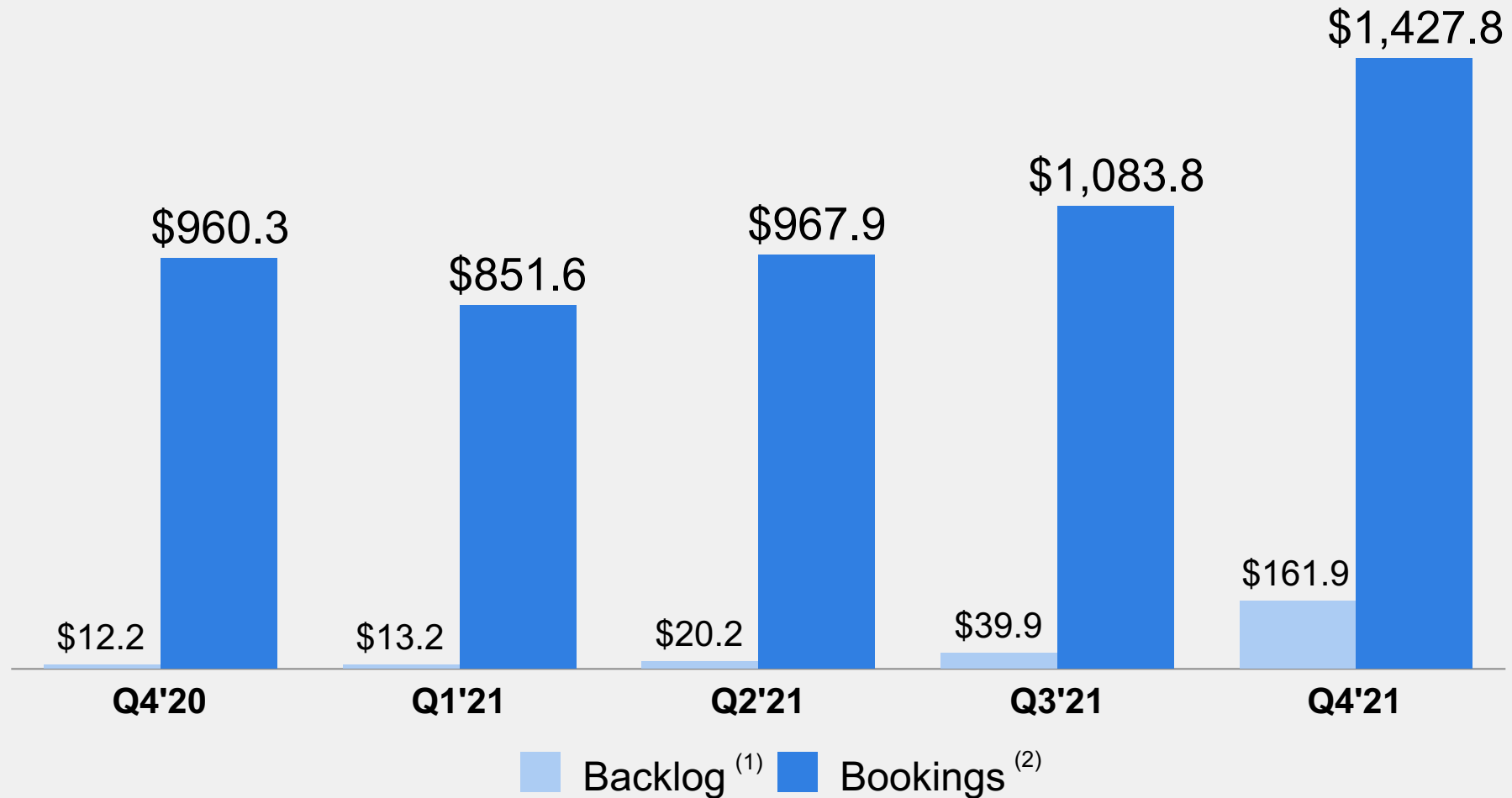
## Note

(1) Billings is a non-GAAP measure that we define as revenue recognized in accordance with GAAP plus the change in deferred revenue from the beginning to the end of the period less any deferred revenue balances acquired from business combination(s) and adjustment due to adoption of new accounting standard during the period.



# Backlog and Bookings (Non-GAAP)

(\$ in millions)



## Notes

- (1) Backlog represents orders received but not fulfilled and excludes Alaxala.
- (2) Bookings represent the total value of all orders received during the fiscal period.



# Q4 2021 Non-GAAP Results

	Q4'19	Q1'20	Q2'20	Q3'20	Q4'20	Q1'21	Q2'21	Q3'21	Q4'21
Gross Profit <sup>(1)</sup>	\$482.7M	\$455.0M	\$488.4M	\$517.6M	\$587.0M	\$560.1M	\$621.2M	\$663.8M	\$744.4M
Gross Margin <sup>(1)</sup>	78.1%	78.8%	79.1%	79.5%	78.5%	78.9%	77.5%	76.5%	77.3%
Operating Income <sup>(1)(2)</sup>	\$168.6M	\$129.2M	\$170.3M	\$178.6M	\$219.9M	\$173.9M	\$203.3M	\$223.6M	\$274.7M
Operating Margin <sup>(1)(2)</sup>	27.3%	22.4%	27.6%	27.4%	29.4%	24.5%	25.4%	25.8%	28.5%
Net Income attributable to Fortinet, Inc. <sup>(1)(2)(3)(4)(5)</sup>	\$135.1M	\$105.1M	\$136.6M	\$145.4M	\$175.5M	\$135.6M	\$158.7M	\$165.9M	\$205.8M
Diluted Net Income per Share Attributable to Fortinet, Inc. <sup>(1)(2)(3)(4)(5)</sup>	\$0.77	\$0.60	\$0.83	\$0.88	\$1.06	\$0.81	\$0.95	\$0.99	\$1.23
Weighted Diluted Shares Used to Compute Net Income per Share Attributable to Fortinet, Inc.	175.2M	174.2M	165.4M	165.6M	165.5M	166.4M	167.1M	167.7M	167.0M
Deferred Revenue	\$2.11B	\$2.20B	\$2.29B	\$2.39B	\$2.61B	\$2.75B	\$2.91B	\$3.11B	\$3.45B
Cash, Investments and Marketable Equity Securities <sup>(6)</sup>	\$2.21B	\$1.57B	\$1.63B	\$1.77B	\$1.96B	\$3.09B	\$3.36B	\$3.42B	\$2.99B
Cash Paid for Stock Repurchases	\$27.5M	\$889.9M	\$156.1M	—	\$34.1M	—	\$91.6M	\$78.4M	\$571.8M
Days Sales Outstanding	79	74	73	76	87	81	66	63	75
Inventory Turns	2.8	2.5	2.2	2.1	2.7	2.1	2.7	2.9	2.7
Headcount	7,082	7,448	7,756	8,075	8,238	8,615	9,043	9,663	10,195

## Notes

- (1) Excludes stock-based compensation and amortization of acquired intangible assets.
- (2) Excludes gain on intellectual property (“IP”) and litigation-related matters.
- (3) Excludes gains/losses on investments in privately-held companies.
- (4) Assumes a quarterly effective tax rate of 24% for Q4'19. Assumes a quarterly effective tax rate of 22% for Q1'20 and Q2'20, a quarterly effective tax rate of 19% for Q3'20 and a quarterly effective tax rate of 21% for Q4'20. Assumes a quarterly effective tax rate of 21% for 2021.
- (5) Excludes non-GAAP results attributable to non-controlling interests, which were adjusted to an effective tax rate of 31% for the subsidiary of Alaxala in Q3'21 and Q4'21.
- (6) Excludes investments in privately held companies, which are recorded in other assets.



# 2021 Non-GAAP Results

	2019	2020	2021
<b>Billings <sup>(1)</sup></b>	<b>\$2.603B</b>	<b>\$3.090B</b>	<b>\$4.181B</b>
<i>Y/Y % Change</i>	<i>20.9%</i>	<i>18.7%</i>	<i>35.3%</i>
<b>Revenue</b>	<b>\$2.163B</b>	<b>\$2.594B</b>	<b>\$3.342B</b>
<i>Y/Y % Change</i>	<i>19.9%</i>	<i>19.9%</i>	<i>28.8%</i>
<b>Product Revenue</b>	<b>\$788.5M</b>	<b>\$916.4M</b>	<b>\$1.255B</b>
<i>Y/Y % Change</i>	<i>16.9%</i>	<i>16.2%</i>	<i>36.9%</i>
<b>Service Revenue</b>	<b>\$1.375B</b>	<b>\$1.678B</b>	<b>\$2.087B</b>
<i>Y/Y % Change</i>	<i>21.6%</i>	<i>22.1%</i>	<i>24.4%</i>

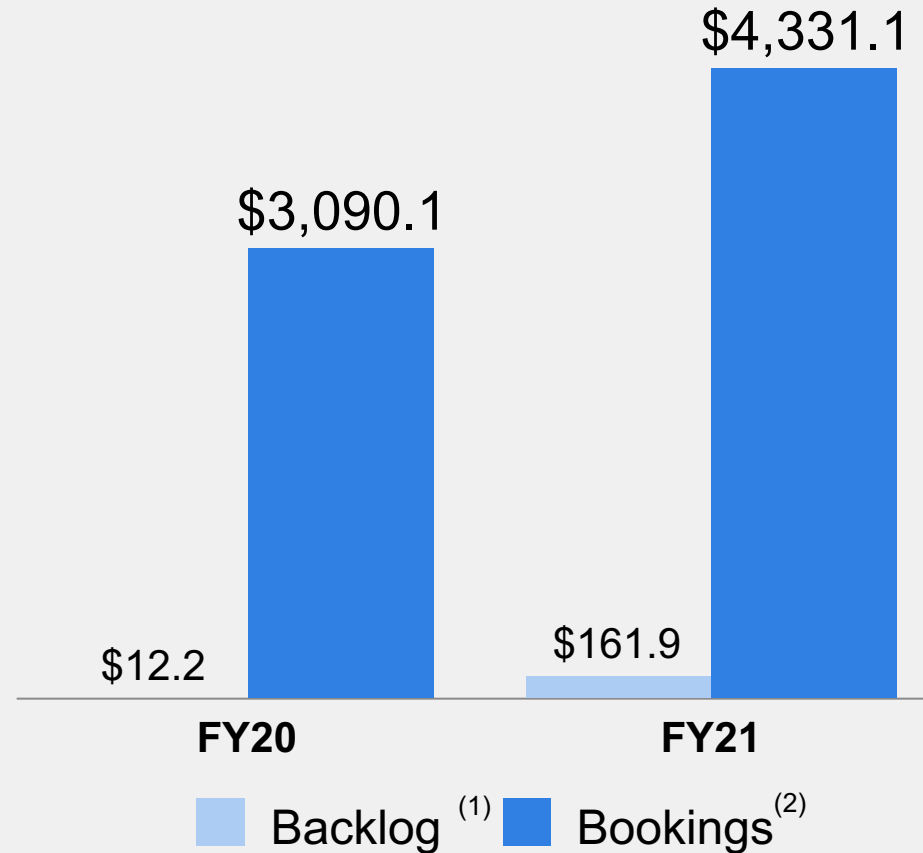
**Note**

(1) Billings is a non-GAAP measure that we define as revenue recognized in accordance with GAAP plus the change in deferred revenue from the beginning to the end of the period less any deferred revenue balances acquired from business combination(s) and adjustment due to adoption of new accounting standard during the period.



# Backlog and Bookings (Non-GAAP)

(\$ in millions)



## Notes

- (1) Backlog represents orders received but not fulfilled and excludes Alaxala.
- (2) Bookings represent the total value of all orders received during the fiscal period.



# 2021 Non-GAAP Results

	2019	2020	2021
<b>Gross Profit <sup>(1)</sup></b>	<b>\$1.678B</b>	<b>\$2.048B</b>	<b>\$2.590B</b>
<b>Gross Margin (%) <sup>(1)</sup></b>	<b>77.6%</b>	<b>78.9%</b>	<b>77.5%</b>
<b>Operating Income <sup>(1)(2)</sup></b>	<b>\$536.0M</b>	<b>\$698.0M</b>	<b>\$875.5M</b>
<b>Operating Margin (%) <sup>(1)(2)</sup></b>	<b>24.8%</b>	<b>26.9%</b>	<b>26.2%</b>
<b>Net Income Attributable to Fortinet, Inc. <sup>(1)(2)(3)(4)(5)</sup></b>	<b>\$436.7M</b>	<b>\$562.6M</b>	<b>\$666.0M</b>
<b>Diluted Net Income per Share Attributable to Fortinet, Inc. <sup>(1)(2)(3)(4)(5)</sup></b>	<b>\$2.50</b>	<b>\$3.35</b>	<b>\$3.99</b>
<b>Weighted Diluted Shares Used to Compute Net Income per Share Attributable to Fortinet, Inc.</b>	<b>175.0M</b>	<b>167.7M</b>	<b>167.1M</b>

## Notes

- (1) Excludes stock-based compensation and amortization of acquired intangible assets.
- (2) Excludes gain on intellectual property (“IP”) and litigation-related matters.
- (3) Excludes gains/losses on investments in privately-held companies.
- (4) Assumes an annual effective tax rate of 24%, 21% and 21% for 2019, 2020 and 2021, respectively.
- (5) Excludes non-GAAP results attributable to non-controlling interests, which were adjusted to an effective tax rate of 31% for the subsidiary of Alaxala in Q3'21 and Q4'21.





# Revenue by Geography

(\$ in millions)	Q4'19		Q1'20		Q2'20		Q3'20		Q4'20		Q1'21		Q2'21		Q3'21		Q4'21	
	\$	Y/Y % Change	\$	Y/Y % Change	\$	Y/Y % Change	\$	Y/Y % Change	\$	Y/Y % Change	\$	Y/Y % Change	\$	Y/Y % Change	\$	Y/Y % Change	\$	Y/Y % Change
Americas	\$252.2	23.1%	\$242.6	20.9%	\$261.0	15.3%	\$272.4	13.0%	\$301.3	19.5%	\$290.9	19.9%	\$337.0	29.1%	\$350.1	28.5%	\$380.8	26.4%
EMEA	\$245.4	19.8%	\$221.0	24.6%	\$229.2	18.9%	\$243.3	21.1%	\$298.3	21.6%	\$275.7	24.8%	\$306.2	33.6%	\$323.2	32.8%	\$370.8	24.3%
APAC	\$120.5	20.8%	\$114.1	20.1%	\$127.4	21.8%	\$135.4	27.5%	\$148.4	23.2%	\$143.7	25.9%	\$157.9	23.9%	\$193.9	43.2%	\$212.0	42.9%
Total	\$618.1	21.3%	\$577.7	22.1%	\$617.6	17.9%	\$651.1	18.8%	\$748.0	21.0%	\$710.3	23.0%	\$801.1	29.7%	\$867.2	33.2%	\$963.6	28.8%

	Q4'19	Q1'20	Q2'20	Q3'20	Q4'20	Q1'21	Q2'21	Q3'21	Q4'21
	% of revenue	% of revenue	% of revenue	% of revenue	% of revenue	% of revenue	% of revenue	% of revenue	% of revenue
Americas	40.8%	42.0%	42.3%	41.8%	40.3%	41.0%	42.1%	40.4%	39.5%
EMEA	39.7%	38.3%	37.1%	37.4%	39.9%	38.8%	38.2%	37.3%	38.5%
APAC	19.5%	19.7%	20.6%	20.8%	19.8%	20.2%	19.7%	22.3%	22.0%
Total	100%	100%	100%	100%	100%	100%	100.0%	100.0%	100.0%



# Revenue by Geography (Continued)

(\$ in millions)	2019		2020		2021	
	\$	Y/Y % Change	\$	Y/Y % Change	\$	Y/Y % Change
Americas	\$920.2	20.4%	\$1,077.2	17.1%	\$1,358.8	26.1%
EMEA	\$816.5	20.2%	\$991.9	21.5%	\$1,275.9	28.6%
APAC	\$426.3	18.1%	\$525.3	23.2%	\$707.5	34.7%
Total	\$2,163.0	19.9%	\$2,594.4	19.9%	\$3,342.2	28.8%

	2019	2020	2021
	% of revenue	% of revenue	% of revenue
Americas	42.6%	41.5%	40.6%
EMEA	37.7%	38.2%	38.2%
APAC	19.7%	20.3%	21.2%
Total	100.0%	100.0%	100.0%



# Number of Deals & FortiGate Sales

Number of Deals <sup>(1)</sup>	Q4'19	Q1'20	Q2'20	Q3'20	Q4'20	Q1'21	Q2'21	Q3'21	Q4'21
No. of Deals >\$50K	2,565	2,121	2,111	2,267	2,991	2,489	2,856	3,021	3,807
No. of Deals >\$250K	469	323	369	398	491	387	499	548	758
No. of Deals >\$500K	197	120	146	168	205	167	203	232	320
No. of Deals >\$1M	64	38	59	48	68	66	79	83	122

% of FortiGate <sup>(2)</sup>	Q4'19	Q1'20	Q2'20	Q3'20	Q4'20	Q1'21	Q2'21	Q3'21	Q4'21
Entry Level (FG20-90)	22.5%	24.7%	20.4%	21.3%	23.6%	27.3%	25.5%	23.9%	22.1%
Mid - Range (FG100-900)	43.9%	44.3%	44.4%	42.2%	41.6%	41.0%	37.6%	38.4%	40.0%
High - End (FG1000-7000)	33.6%	31.0%	35.2%	36.5%	34.9%	31.7%	36.9%	37.7%	37.9%

**Notes**

- (1) Deals are defined as combined sales in the period to a customer account.
- (2) Represents the percentage of invoiced amounts from FortiGate sales during the period by range of product and product bundles.



# Statement of Cash Flows (Non-GAAP)

(\$ in millions)	Q4'19	Q1'20	Q2'20	Q3'20	Q4'20	Q1'21	Q2'21	Q3'21	Q4'21
GAAP Net Income Including Non-controlling Interests	\$118.2	\$104.6	\$113.8	\$123.4	\$146.7	\$107.2	\$137.5	\$163.2	\$198.8
Depreciation, Amortization and Stock-Based Compensation	59.4	62.4	66.7	66.0	65.4	66.8	71.5	75.6	78.4
Accounts Receivable	(157.2)	69.6	(25.1)	(47.6)	(173.3)	82.5	53.1	(5.0)	(203.1)
Inventory	(23.3)	6.7	(24.6)	(13.1)	(11.2)	(14.7)	(5.4)	0.6	0.1
Deferred Revenue	184.2	90.1	93.9	98.6	213.0	140.3	159.8	197.0	342.3
Other	9.1	(14.0)	22.3	(6.5)	55.9	(66.2)	1.7	(32.6)	(49.7)
GAAP Cash Flow from Operations	\$190.4	\$319.4	\$247.0	\$220.8	\$296.5	\$315.9	\$418.2	\$398.8	\$366.8
Less: Purchase of Property and Equipment	(47.2)	(27.6)	(30.9)	(35.1)	(32.3)	(52.1)	(23.5)	(69.0)	(151.3)
Less: Proceeds from IP matter	—	(50.0)	—	—	—	—	—	—	—
Free Cash Flow	\$143.2	\$241.8	\$216.1	\$185.7	\$264.2	\$263.8	\$394.7	\$329.8	\$215.5
Issuance of Common Stock, Net of Taxes	(12.3)	(30.4)	(12.8)	(25.1)	(17.8)	(31.5)	(28.7)	(38.0)	(43.7)
Stock Repurchases	(27.5)	(889.9)	(156.1)	—	(34.1)	—	(91.6)	(78.4)	(571.8)
Acquisitions	(34.6)	(3.1)	—	(6.1)	(31.0)	(10.3)	—	(63.1)	(1.5)
Proceeds from IP matter	—	50.0	—	—	—	—	—	—	—
Proceeds from (payments of) long-term debt, net	(3.7)	—	—	(4.1)	—	987.5	(0.5)	(2.2)	(17.3)
Purchases of investment in privately held company	—	—	—	—	—	(75.0)	—	(85.0)	—
Other	0.3	(5.0)	6.8	(3.1)	(0.3)	(2.1)	(2.1)	(3.7)	(7.9)
Change in Cash, Investments, and Marketable Equity Securities	\$65.4	\$(636.6)	\$54.0	\$147.3	\$181.0	\$1,132.4	\$271.8	\$59.4	\$(426.7)
Footnote: Cash Paid for Taxes, Net of Refunds	\$15.6	\$8.8	\$9.5	\$9.3	\$12.1	\$23.6	\$24.7	\$21.6	\$57.5

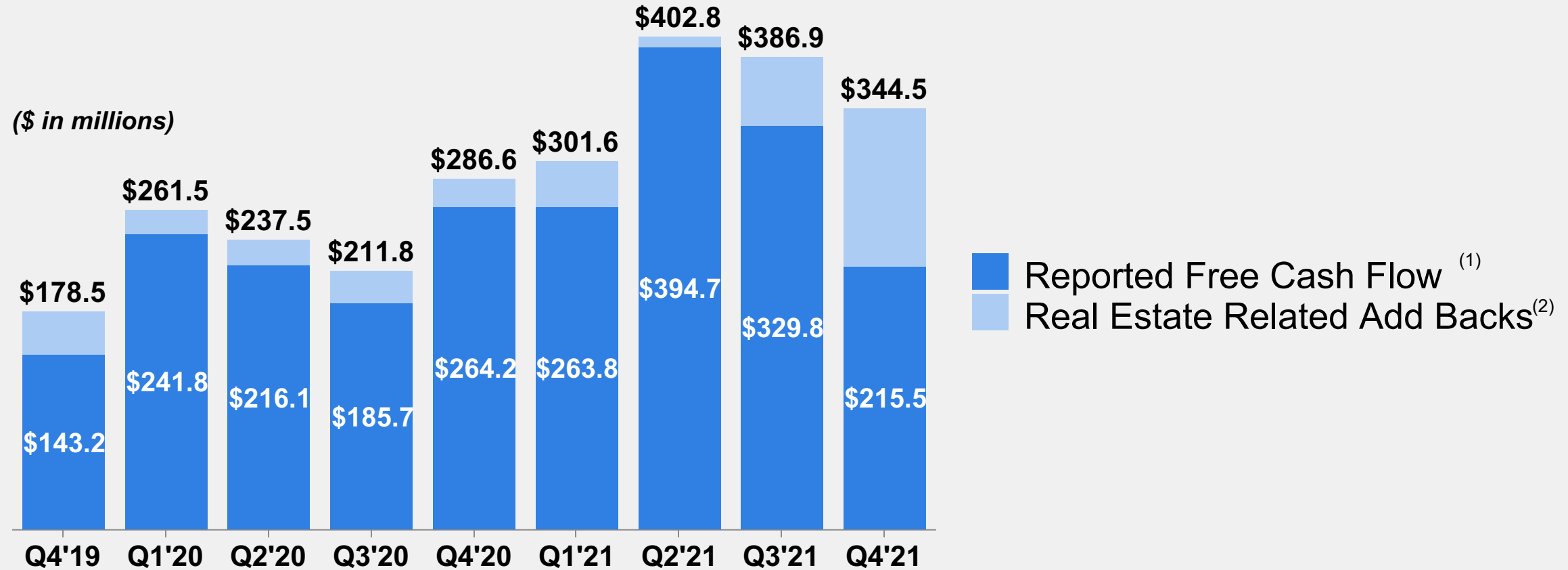


# Statement of Cash Flows (Non-GAAP) (Continued)

(\$ in millions)	2019	2020	2021
GAAP Net Income Including Non-controlling Interests	\$331.7	\$488.5	\$606.7
Depreciation, Amortization and Stock-Based Compensation	235.7	260.5	292.3
Accounts Receivable	(96.7)	(176.4)	(72.5)
Inventory	(48.5)	(42.2)	(19.4)
Deferred Revenue	439.9	495.6	839.4
Other	(54.1)	57.7	(146.8)
GAAP Cash Flow from Operations	\$808.0	\$1,083.7	\$1,499.7
Less: Purchase of Property and Equipment	(92.2)	(125.9)	(295.9)
Less: Proceeds from IP Matter	—	(50.0)	—
Free Cash Flow	\$715.8	\$907.8	\$1,203.8
Issuance of Common Stock, Net of Taxes	(46.5)	(86.1)	(141.9)
Stock Repurchases	(145.1)	(1,080.1)	(741.8)
Acquisition	(34.6)	(40.2)	(74.9)
Proceeds from IP Matter	—	50.0	—
Proceeds from (payments of) long-term debt, net	(3.7)	(4.1)	967.5
Purchase of investment in privately held company	—	—	(160.0)
Other	7.4	(1.6)	(15.8)
Change in Cash, Investments, and Marketable Equity Securities	\$493.3	\$(254.3)	\$1,036.9
Footnote: Cash Paid for Taxes, Net of Refunds	58.7	39.7	\$127.4



# Free Cash Flow and Adjusted Free Cash Flow Growth (Non-GAAP)

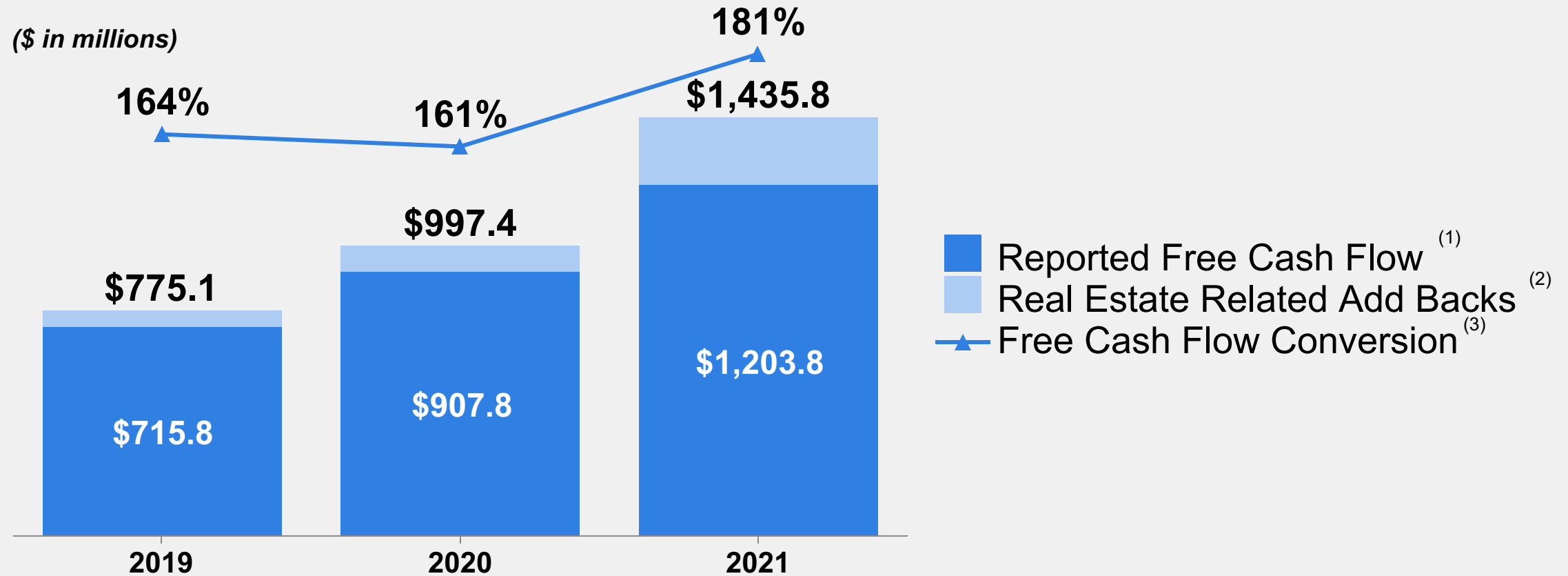


## Notes

- (1) Free Cash Flow is a non-GAAP measure that we define as net cash provided by operating activities minus purchases of property and equipment and excluding any significant non-recurring items, such as proceeds from intellectual property matter.
- (2) Adjusted Free Cash Flow is a non-GAAP measure that we define as Free Cash Flow plus cash payments associated with real estate purchases and cash payments related to HQ Construction.



# Free Cash Flow and Adjusted Free Cash Flow Growth (Non-GAAP) (Continued)



## Notes

- (1) Free Cash Flow is a non-GAAP measure that we define as net cash provided by operating activities minus purchases of property and equipment and excluding any significant non-recurring items, such as proceeds from intellectual property matter.
- (2) Adjusted Free Cash Flow is a non-GAAP measure that we define as Free Cash Flow plus cash payments associated with real estate purchases and cash payments related to HQ Construction.
- (3) Free Cash Flow Conversion is defined as Free Cash Flow divided by non-GAAP net income.



# Q1 and 2022 Guidance (Non-GAAP)<sup>(1)</sup>

	Actual Q1'21	Q1'22E	Actual 2021	2022E
Billings <sup>(2)</sup>	\$850.6M	\$1.050 - 1.090B	\$4.181B	\$5.400 - 5.480B
<i>Y/Y Mid-Pt Growth</i>		25.8%		30.1%
Bookings <sup>(3)</sup>	\$851.6M	\$1.100 - 1.150B	\$4.331B	\$5.580 - 5.680B
<i>Y/Y Mid-Pt Growth</i>		32.1%		30.0%
Revenue (GAAP)	\$710.3M	\$865 - 895M	\$3.342B	\$4.275 - 4.325B
<i>Y/Y Mid-Pt Growth</i>		23.9%		28.7%
Service Revenue (GAAP)	\$469.6M		\$2.087B	\$2.685 - 2.715B
<i>Y/Y Mid-Pt Growth</i>				29.4%
Gross Margin (%) <sup>(4)</sup>	78.9%	75.5 - 76.5%	77.5%	74.0 - 76.0%
Operating Margin (%) <sup>(4)(5)</sup>	24.5%	19.5 - 20.5%	26.2%	24.0 - 26.0%
Net Income per Share attributable to Fortinet, Inc. <sup>(4)(5)(6)(7)</sup>	\$0.81	\$0.75 - 0.80	\$3.99	\$4.85 - 5.00
Weighted Diluted Shares used to Compute Net Income per Share attributable to Fortinet, Inc.	166.4M	166 - 168M	167.1M	169 - 171M

## Notes

- (1) Guidance for non-GAAP financial measures excludes stock-based compensation, amortization of acquired intangible assets, gain on IP and litigation-related matters, and gains/losses on investments in privately held companies. 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.
- (2) Billings is a non-GAAP measure that we define as revenue recognized in accordance with GAAP plus the change in deferred revenue from the beginning to the end of the period less any deferred revenue balances acquired from business combination(s) and adjustment due to adoption of new accounting standard during the period.
- (3) Bookings represent the total value of all orders received during the fiscal period.
- (4) Excludes stock-based compensation and amortization of acquired intangible assets.
- (5) Excludes gain on IP and litigation-related matters.
- (6) Excludes gains/losses on investments in privately held companies and the adjustments attributable to non-controlling interests.
- (7) Assumes an effective tax rate of 21% and 18% for 2021 and 2022, respectively. For 2022, we expect cash paid for taxes to be approximately \$210 million.





# GAAP to Non-GAAP Reconciliations

(\$ in millions)	Q4'19	Q1'20	Q2'20	Q3'20	Q4'20	Q1'21	Q2'21	Q3'21	Q4'21
Total revenue	\$618.1	\$577.7	\$617.6	\$651.1	\$748.0	\$710.3	\$801.1	\$867.2	\$963.6
Add: Change in deferred revenue	186.6	90.1	93.9	98.9	213.3	140.3	159.8	201.0	346.5
Less: Deferred revenue balance acquired in business combination	(2.4)	—	—	(0.2)	(0.4)	—	—	(4.1)	—
Less: Adjustment due to adoption of ASU 2021-08 <sup>(1)</sup>	—	—	—	—	—	—	—	—	(4.3)
Total billings	\$802.3	\$667.8	\$711.5	\$749.8	\$960.9	\$850.6	\$960.9	\$1,064.1	\$1,305.8

## Note

- (1) We early adopted ASU 2021-08 on a retrospective basis and effective for us beginning on January 1, 2021. The adoption of ASU 2021-08 resulted in a \$4.3 million adjustment attributable to the acquisition of Alaxala in 2021, as a result of the revised measurement of deferred revenue for acquisition.



# GAAP to Non-GAAP Reconciliations

(\$ in millions)	Q4'19	Q1'20	Q2'20	Q3'20	Q4'20	Q1'21	Q2'21	Q3'21	Q4'21
GAAP product gross profit	\$146.1	\$116.0	\$127.5	\$139.5	\$181.0	\$149.4	\$182.7	\$202.8	\$232.4
Stock-based compensation	0.3	0.4	0.4	0.4	0.4	0.4	0.5	0.4	0.4
Amortization of acquired intangible assets	1.5	1.6	1.4	0.8	0.9	0.9	0.9	1.5	2.4
Non-GAAP product gross profit	\$147.9	\$118.0	\$129.3	\$140.7	\$182.3	\$150.7	\$184.7	\$204.7	\$235.2
<i>Non-GAAP product gross margin</i>	<i>61.9%</i>	<i>61.4%</i>	<i>61.0%</i>	<i>62.9%</i>	<i>63.2%</i>	<i>62.6%</i>	<i>61.7%</i>	<i>60.7%</i>	<i>62.1%</i>
GAAP service gross profit	\$331.5	\$333.0	\$355.0	\$372.4	\$400.0	\$404.3	\$431.5	\$453.2	\$502.9
Stock-based compensation	2.9	3.0	3.2	3.3	3.4	3.5	3.8	4.1	4.3
Amortization of acquired intangible assets	0.4	1.0	0.9	1.2	1.3	1.6	1.8	1.8	2.0
Non-GAAP service gross profit	\$334.8	\$337.0	\$359.1	\$376.9	\$404.7	\$409.4	\$437.1	\$459.1	\$509.2
<i>Non-GAAP service gross margin</i>	<i>88.3%</i>	<i>87.4%</i>	<i>88.5%</i>	<i>88.2%</i>	<i>88.1%</i>	<i>87.2%</i>	<i>86.9%</i>	<i>86.6%</i>	<i>87.1%</i>
GAAP total gross profit	\$477.6	\$449.0	\$482.5	\$511.9	\$581.0	\$553.7	\$614.2	\$656.0	\$735.3
Stock-based compensation	3.2	3.4	3.6	3.7	3.8	3.9	4.3	4.5	4.7
Amortization of acquired intangible assets	1.9	2.6	2.3	2.0	2.2	2.5	2.7	3.3	4.4
Non-GAAP total gross profit	\$482.7	\$455.0	\$488.4	\$517.6	\$587.0	\$560.1	\$621.2	\$663.8	\$744.4
<i>Non-GAAP gross margin</i>	<i>78.1%</i>	<i>78.8%</i>	<i>79.1%</i>	<i>79.5%</i>	<i>78.5%</i>	<i>78.9%</i>	<i>77.5%</i>	<i>76.5%</i>	<i>77.3%</i>
GAAP research and development expense	\$71.2	\$80.3	\$82.1	\$90.0	\$89.0	\$97.2	\$106.6	\$107.8	\$112.6
Stock-based compensation	(10.0)	(10.9)	(12.0)	(12.7)	(12.0)	(13.0)	(14.5)	(14.5)	(14.7)
Non-GAAP research and development expense	\$61.2	\$69.4	\$70.1	\$77.3	\$77.0	\$84.2	\$92.1	\$93.3	97.9
<i>Non-GAAP research and development expense as a percentage of revenue</i>	<i>9.9%</i>	<i>12.0%</i>	<i>11.4%</i>	<i>11.9%</i>	<i>10.3%</i>	<i>11.9%</i>	<i>11.5%</i>	<i>10.8%</i>	<i>10.2%</i>
GAAP sales and marketing expense	\$257.1	\$260.0	\$253.8	\$266.7	\$291.4	\$304.0	\$326.9	\$347.1	\$367.7
Stock-based compensation	(25.1)	(25.7)	(27.9)	(27.7)	(27.1)	(26.8)	(27.7)	(27.6)	(27.9)
Amortization of acquired intangible assets	(0.9)	(1.4)	(1.4)	(0.8)	(0.6)	(0.9)	(0.8)	(1.5)	(2.4)
Non-GAAP sales and marketing expense	\$231.1	\$232.9	\$224.5	\$238.2	\$263.7	\$276.3	\$298.4	\$318.0	\$337.4
<i>Non-GAAP sales and marketing expense as a percentage of revenue</i>	<i>37.4%</i>	<i>40.3%</i>	<i>36.4%</i>	<i>36.6%</i>	<i>35.3%</i>	<i>38.9%</i>	<i>37.2%</i>	<i>36.7%</i>	<i>35.0%</i>



# GAAP to Non-GAAP Reconciliations (Continued)

(\$ in millions)	Q4'19	Q1'20	Q2'20	Q3'20	Q4'20	Q1'21	Q2'21	Q3'21	Q4'21
GAAP general and administrative expense	\$27.2	\$28.8	\$28.9	\$29.4	\$32.4	\$32.0	\$34.4	\$35.8	\$41.3
Stock-based compensation	(5.4)	(5.3)	(6.1)	(5.9)	(6.0)	(6.3)	(7.0)	(6.9)	(6.9)
Litigation-related matter	—	—	0.7	—	—	—	—	—	—
Non-GAAP general and administrative expense	\$21.8	\$23.5	\$23.5	\$23.5	\$26.4	\$25.7	\$27.4	\$28.9	\$34.4
<i>Non-GAAP general and administrative expense as a percentage of revenue</i>	3.5%	4.1%	3.8%	3.6%	3.5%	3.6%	3.4%	3.3%	3.6%
GAAP gain on IP matter	\$—	\$(36.8)	\$(1.1)	\$(1.1)	\$(1.2)	\$(1.1)	\$(1.2)	\$(1.1)	\$(1.2)
Gain on IP matter	—	36.8	1.1	1.1	1.2	1.1	1.2	1.1	1.2
Non-GAAP gain on IP matter	\$—	\$—	\$—	\$—	\$—	\$—	\$—	\$—	\$—
<i>Non-GAAP gain on IP matter as a percentage of revenue</i>	—%	—%	—%	—%	—%	—%	—%	—%	—%
GAAP total operating expense	\$355.5	\$332.3	\$363.7	\$385.0	\$411.6	\$432.1	\$466.7	\$489.6	\$520.4
Stock-based compensation	(40.5)	(41.9)	(46.0)	(46.3)	(45.1)	(46.1)	(49.2)	(49.0)	(49.5)
Amortization of acquired intangible assets	(0.9)	(1.4)	(1.4)	(0.8)	(0.6)	(0.9)	(0.8)	(1.5)	(2.4)
Gain on IP matter	—	36.8	1.1	1.1	1.2	1.1	1.2	1.1	1.2
Litigation-related matter	—	—	0.7	—	—	—	—	—	—
Non-GAAP total operating expense	\$314.1	\$325.8	\$318.1	\$339.0	\$367.1	\$386.2	\$417.9	\$440.2	\$469.7
<i>Non-GAAP total operating expense as a percentage of revenue</i>	50.8%	56.4%	51.5%	52.1%	49.1%	54.4%	52.2%	50.8%	48.7%
GAAP operating income	\$122.1	\$116.7	\$118.8	\$126.9	\$169.4	\$121.6	\$147.5	\$166.4	\$214.9
Stock-based compensation	43.7	45.3	49.6	50.0	48.9	50.0	53.5	53.5	54.2
Amortization of acquired intangible assets	2.8	4.0	3.7	2.8	2.8	3.4	3.5	4.8	6.8
Gain on IP matter	—	(36.8)	(1.1)	(1.1)	(1.2)	(1.1)	(1.2)	(1.1)	(1.2)
Litigation-related matter	—	—	(0.7)	—	—	—	—	—	—
Non-GAAP operating income	\$168.6	\$129.2	\$170.3	\$178.6	\$219.9	\$173.9	\$203.3	\$223.6	\$274.7
<i>Non-GAAP operating margin</i>	27.3%	22.4%	27.6%	27.4%	29.4%	24.5%	25.4%	25.8%	28.5%



# GAAP to Non-GAAP Reconciliations (Continued)

(\$ in millions)	Q4'19	Q1'20	Q2'20	Q3'20	Q4'20	Q1'21	Q2'21	Q3'21	Q4'21
GAAP other income (expense), net	\$(0.6)	\$(8.0)	\$0.9	\$(1.0)	\$0.3	\$(2.0)	\$0.8	\$(6.3)	\$(4.1)
Loss on investments in privately-held companies	—	4.3	—	—	—	—	—	—	—
Non-GAAP other income (expense), net	\$(0.6)	\$(3.7)	\$0.9	\$(1.0)	\$0.3	\$(2.0)	\$0.8	\$(6.3)	\$(4.1)
Non-GAAP other income (expense), net as a percentage of revenue	(0.1)%	(0.6)%	0.1%	(0.2)%	—%	(0.3)%	0.1%	(0.7)%	(0.4)%
GAAP provision for (benefit from) income taxes	\$13.2	\$13.3	\$9.9	\$5.0	\$25.0	\$12.2	\$7.5	\$(9.3)	\$3.7
Tax adjustments related to the above	29.6	16.3	28.7	29.7	21.7	23.9	34.6	54.2	52.4
Non-GAAP provision for income taxes	\$42.8	\$29.6	\$38.6	\$34.7	\$46.7	\$36.1	\$42.1	\$44.9	\$56.1
Non-GAAP effective tax rate	24%	22%	22%	19%	21%	21%	21%	21%	21%
Net income attributable to Fortinet, Inc.	\$118.2	\$104.6	\$113.8	\$123.4	\$146.7	\$107.2	\$137.5	\$163.1	\$199.0
Stock-based compensation	43.7	45.3	49.6	50.0	48.9	50.0	53.5	53.5	54.2
Amortization of acquired intangible assets	2.8	4.0	3.7	2.8	2.8	3.4	3.5	4.8	6.8
Gain on IP matter	—	(36.8)	(1.1)	(1.1)	(1.2)	(1.1)	(1.2)	(1.1)	(1.2)
Litigation-related matter	—	—	(0.7)	—	—	—	—	—	—
Loss on investments in privately-held companies	—	4.3	—	—	—	—	—	—	—
Tax adjustments	(29.6)	(16.3)	(28.7)	(29.7)	(21.7)	(23.9)	(34.6)	(54.2)	(52.4)
Adjustments attributable to non-controlling interests	—	—	—	—	—	—	—	(0.2)	(0.6)
Non-GAAP net income attributable to Fortinet, Inc.	\$135.1	\$105.1	\$136.6	\$145.4	\$175.5	\$135.6	\$158.7	\$165.9	\$205.8
GAAP net income per share attributable to Fortinet, Inc., diluted	\$0.67	\$0.60	\$0.69	\$0.75	\$0.89	\$0.64	\$0.82	\$0.97	\$1.19
Stock-based compensation	0.25	0.26	0.30	0.30	0.30	0.30	0.32	0.32	0.32
Amortization of acquired intangible assets	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.03	0.04
Gain on IP matter	—	(0.21)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)
Litigation-related matter	—	—	—	—	—	—	—	—	—
Loss on investments in privately-held companies	—	0.02	—	—	—	—	—	—	—
Tax adjustments	(0.17)	(0.09)	(0.17)	(0.18)	(0.14)	(0.14)	(0.20)	(0.32)	(0.31)
Adjustments attributable non-controlling interests	—	—	—	—	—	—	—	—	—
Non-GAAP net income per share attributable to Fortinet, Inc., diluted	\$0.77	\$0.60	\$0.83	\$0.88	\$1.06	\$0.81	\$0.95	\$0.99	\$1.23
Shares used in diluted net income per share attributable to Fortinet, Inc. calculations	175.2	174.2	165.4	165.6	165.5	166.4	167.1	167.7	167.0



# GAAP to Non-GAAP Reconciliations

<i>(\$ in millions)</i>	2019	2020	2021
Total revenue	\$2,163.0	\$2,594.4	\$3,342.2
Add: Change in deferred revenue	442.3	496.2	847.6
Less: Deferred revenue balance acquired in business combination	(2.4)	(0.6)	(4.1)
Less: Adjustment due to adoption of ASU 2021-08 <sup>(1)</sup>	—	—	(4.3)
Total billings	\$2,602.9	\$3,090.0	\$4,181.4

## Note

- (1) We early adopted ASU 2021-08 on a retrospective basis and effective for us beginning on January 1, 2021. The adoption of ASU 2021-08 resulted in a \$4.3 million adjustment attributable to the acquisition of Alaxala in 2021, as a result of the revised measurement of deferred revenue for acquisition.



# GAAP to Non-GAAP Reconciliations (Continued)

(\$ 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
<i>Non-GAAP product gross margin</i>	<i>59.9%</i>	<i>62.2%</i>	<i>61.7%</i>
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
<i>Non-GAAP service gross margin</i>	<i>87.7%</i>	<i>88.1%</i>	<i>86.9%</i>
GAAP total 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 total gross profit	\$1,677.6	\$2,048.0	\$2,589.5
<i>Non-GAAP gross margin</i>	<i>77.6%</i>	<i>78.9%</i>	<i>77.5%</i>
GAAP research and development expense	\$277.1	\$341.4	\$424.2
Stock-based compensation	(38.7)	(47.6)	(56.7)
Non-GAAP research and development expense	\$238.4	\$293.8	\$367.5
<i>Non-GAAP research and development expense as a percentage of revenue</i>	<i>11.0%</i>	<i>11.3%</i>	<i>11.0%</i>
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
<i>Non-GAAP sales and marketing expense as a percentage of revenue</i>	<i>38.0%</i>	<i>37.0%</i>	<i>36.8%</i>



# GAAP to Non-GAAP Reconciliations (Continued)

(\$ 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
<i>Non-GAAP general and administrative expense as a percentage of revenue</i>	3.8%	3.7%	3.5%
GAAP Gain on IP matter	\$—	\$(40.2)	\$(4.6)
Gain on IP matter	—	40.2	4.6
Non-GAAP gain on IP matter	\$—	\$—	\$—
<i>Non-GAAP gain on IP matter as a percentage of revenue</i>	—%	—%	—%
GAAP total operating expense	\$1,306.1	\$1,492.6	\$1,908.8
Stock-based compensation	(161.3)	(179.3)	(193.8)
Amortization of acquired intangible assets	(3.2)	(4.2)	(5.6)
Gain on IP matter	—	40.2	4.6
Litigation-related matter	—	0.7	—
Non-GAAP total operating expense	\$1,141.6	\$1,350.0	\$1,714.0
<i>Non-GAAP total operating expense as a percentage of revenue</i>	52.8%	52.0%	51.3%
GAAP operating income	\$351.0	\$531.8	\$650.4
Stock-based compensation	174.1	193.8	211.2
Amortization of acquired intangible assets	10.9	13.3	18.5
Gain on IP Matter	—	(40.2)	(4.6)
Litigation-related matter	—	(0.7)	—
Non-GAAP operating income	\$536.0	\$698.0	\$875.5
<i>Non-GAAP operating margin</i>	24.8%	26.9%	26.2%



# GAAP to Non-GAAP Reconciliations (Continued)

(\$ in millions)	2019	2020	2021
GAAP other expense, net	\$(7.5)	\$(7.8)	\$(11.6)
Loss on investments in privately-held companies	\$3.8	\$4.3	—
Non-GAAP other expense, net	\$(3.7)	\$(3.5)	\$(11.6)
<i>Non-GAAP other expense, net as a percentage of revenue</i>	<i>(0.2)%</i>	<i>(0.1)%</i>	<i>(0.3)%</i>
GAAP provision for income taxes	\$54.3	\$53.2	\$14.1
Tax adjustments related to the above	83.8	96.4	165.1
Non-GAAP provision for income taxes	\$138.1	\$149.6	\$179.2
<i>Non-GAAP effective tax rate</i>	<i>24%</i>	<i>21%</i>	<i>21%</i>
GAAP net income attributable to Fortinet, Inc.	\$331.7	\$488.5	\$606.8
Stock-based compensation	174.1	193.8	211.2
Amortization of acquired intangible assets	10.9	13.3	18.5
Gain on IP matter	—	(40.2)	(4.6)
Litigation-related matter	—	(0.7)	—
Loss on investments in privately-held companies	3.8	4.3	—
Tax adjustments	(83.8)	(96.4)	(165.1)
Adjustments attributable non-controlling interests	—	—	(0.8)
Non-GAAP net income attributable to Fortinet, Inc.	\$436.7	\$562.6	\$666.0
GAAP net income per share attributable to Fortinet, Inc., diluted	\$1.90	\$2.91	\$3.63
Stock-based compensation	1.00	1.17	1.27
Amortization of acquired intangible assets	0.06	0.08	0.11
Gain on IP matter	—	(0.24)	(0.03)
Litigation-related matter	—	—	—
Loss on investments in privately-held companies	0.02	0.02	—
Tax adjustments	(0.48)	(0.59)	(0.99)
Adjustments attributable non-controlling interests	—	—	—
Non-GAAP net income per share attributable to Fortinet, Inc., diluted	\$2.50	\$3.35	\$3.99
Shares used in diluted net income per share attributable to Fortinet, Inc. calculations	175.0	167.7	167.1







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