



FORTINET®

ACCELERATE 2021

Analyst Day Finance Update

Keith Jensen

Chief Financial Officer



Safe Harbor Statement

Information, statements and projections contained in the 2021 Analyst Day presentation slides and related webcast concerning Fortinet's business outlook, the Q1 and 2021 guidance, medium-term targets, and future prospects and expectations and any other forward-looking statements are forward-looking statements that involve risks and uncertainties. These forward-looking statements may include, among others, statements regarding demand for Fortinet's products and services, guidance and expectations around future financial results, market share gains and innovation and investment areas, statements regarding continued convergence of networking and security and validation of our approach, and statements regarding the momentum in Fortinet's business and future growth expectations and objectives. 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 the 2021 Analyst Day presentation, and Fortinet expressly disclaims any commitment around forward-looking statements. Important factors that could cause results to differ materially from the statements during the 2021 Analyst Day include the following and others: general economic risks, including those caused by the COVID-19 pandemic and others; 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; risks related to business strategy; 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; 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 integrations 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 and the possible loss of key 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; pricing pressure; product inventory shortages for any reason, including those caused by the COVID-19 pandemic and others; 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 and other trade barriers; any political and government disruption around the world; 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.



Agenda

- 1 Investment Thesis
- 2 Growth Drivers
- 3 Margins, Cash Flow and Capital
- 4 Consistency, Predictability and Visibility



Investment Thesis

- 1 Cybersecurity is a massive market with growth driven by long-term secular tailwinds
- 2 Fortinet is an industry leader with proprietary ASIC technology and an integrated platform providing security anywhere in any form factor
- 3 Revenue is diversified across geographies, customer size, and industry verticals
- 4 Broad product and patent portfolio supported by ongoing R&D investments
- 5 Strong recurring revenue base driving sustainable and predictable financial results
- 6 Margin profile driving significant and sustainable free cash flow generation
- 7 Proven management team with deep industry knowledge and expertise



Who We Are

20 Years of Organic Growth

\$28B Market Cap ⁽¹⁾
Nasdaq: FTNT

A Leading Firewall Firm in S&P 500

\$3.1B
FY2020 Billings

Organic Revenue of \$2.5B+

~\$900M
Free Cash Flow

Top 10% FCF Margin of S&P 500

~80%
Gross Margin

Recurring Service Revenues

>25%
Operating Margin

Balanced Growth and Profitability

BBB+ & Baa1
Investment Grade Rating

Leading the Cybersecurity Industry

~30%
Global Firewall Shipments ⁽²⁾

Most Deployed Network Security

500,000+
Customers Worldwide

Massive Sensor Network

673+
US Patents ⁽³⁾

Industry Innovator

Fortinet Has Been Profitable And Free Cash Flow ⁽⁴⁾ Positive Every Year Since Its IPO in 2009

Note: Data is as of December 31, 2020 unless otherwise noted.

(1) As of March 1, 2021

(2) As of September 30, 2020.

(3) Source: US Patent and Trademark Office.

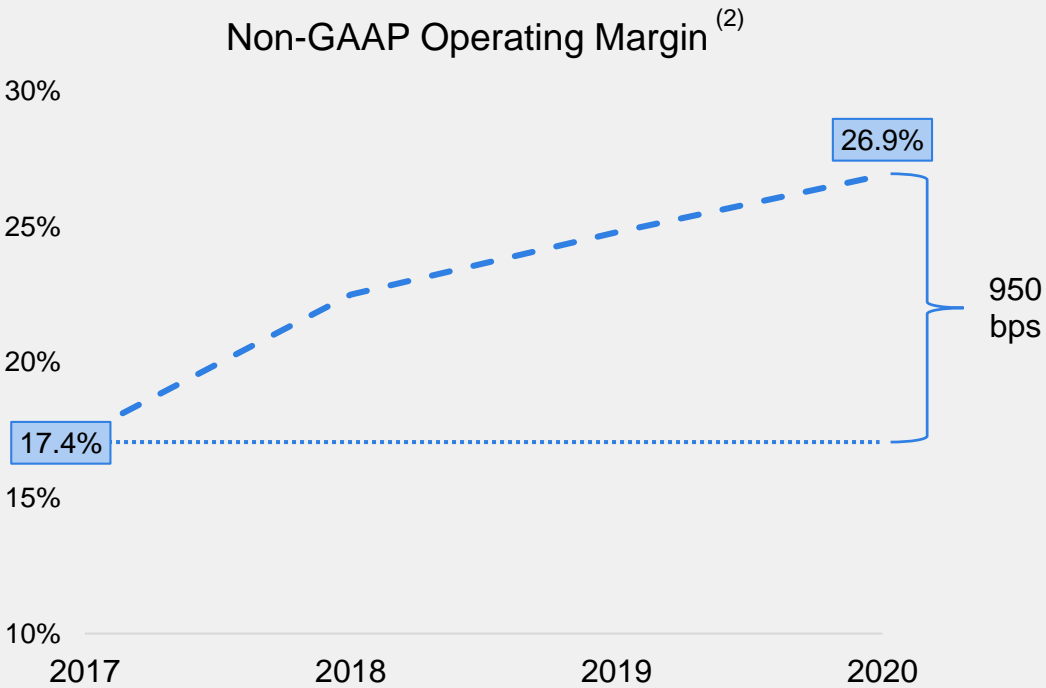
(4) Gross Margin, Operating Margin and Free Cash Flow are a non-GAAP financial measures. See Appendix for reconciliation of the non-GAAP financial measures to the most comparable GAAP financial measures.



Fortinet Framework

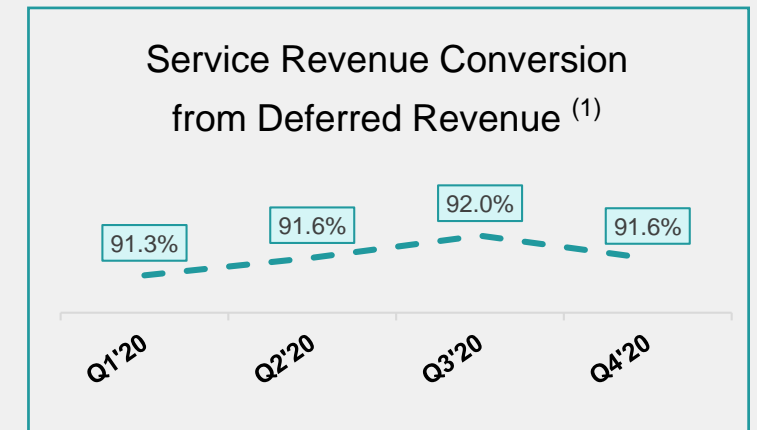
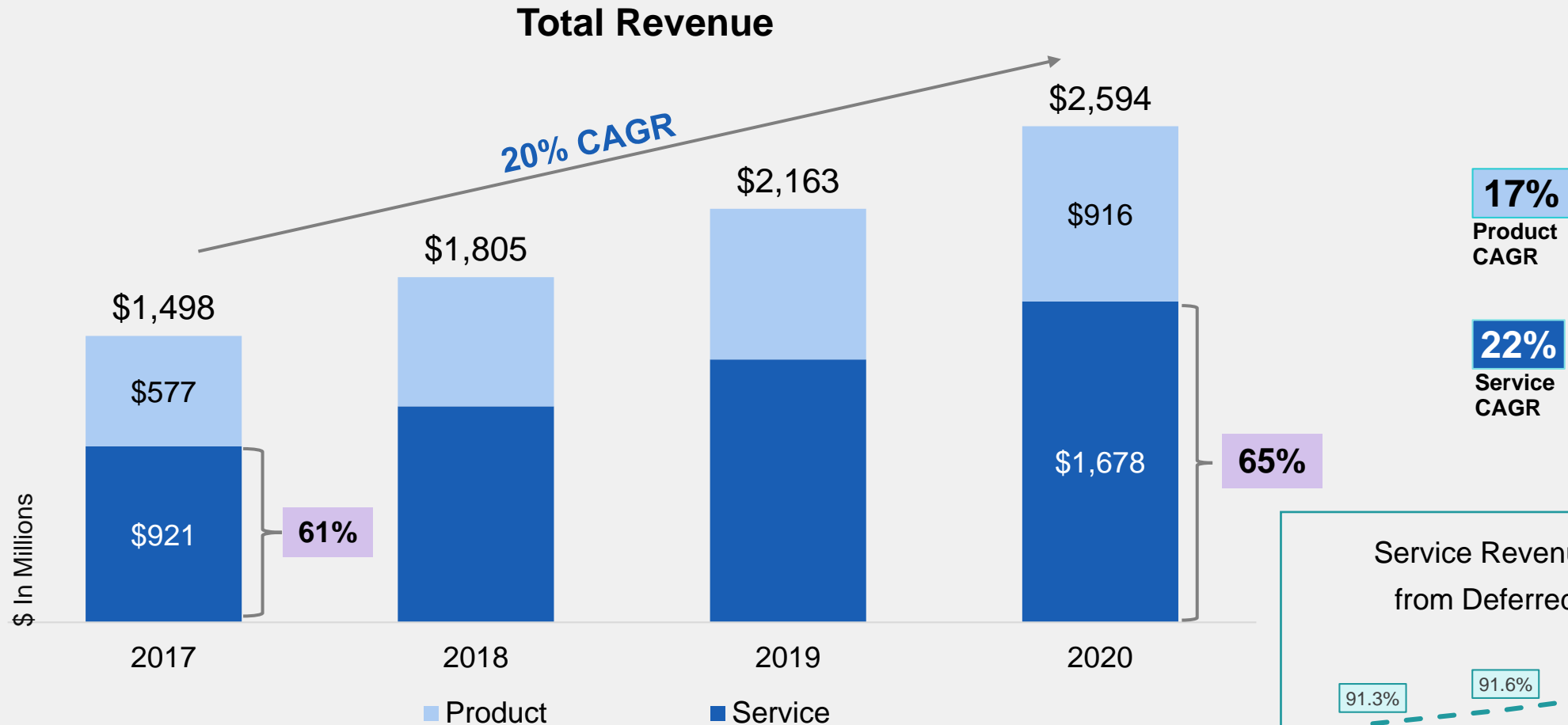
Gain Market Share And Improve Profitability

| | Market Growth ⁽¹⁾ | Fortinet Revenue Growth | Growth Over Market |
|------|------------------------------|-------------------------|--------------------|
| 2017 | 13% | 17% | +4 |
| 2018 | 12% | 20% | +8 |
| 2019 | 11% | 20% | +9 |
| 2020 | TBD | 20% | TBD |



Solid Organic Growth at Scale

Led by Growth in Higher Margin, More Predictable Service Revenue

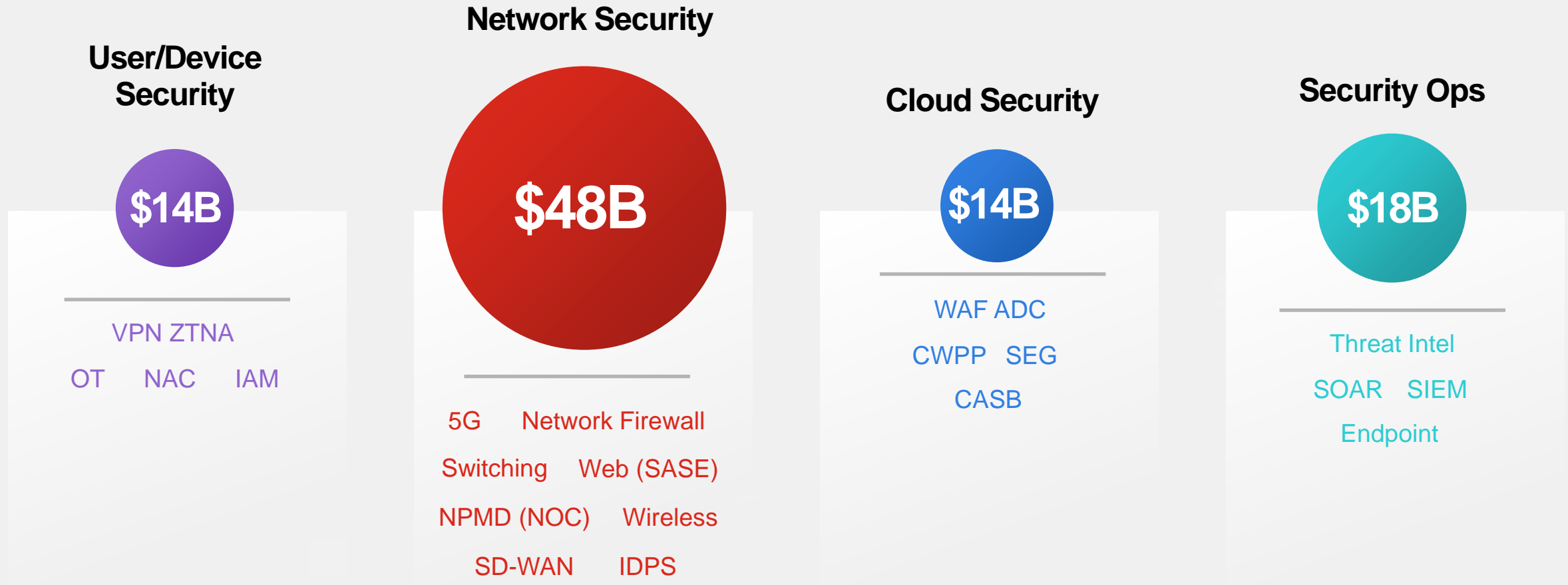


Growth Drivers



One Opportunity - TAM \$93B+ by 2024

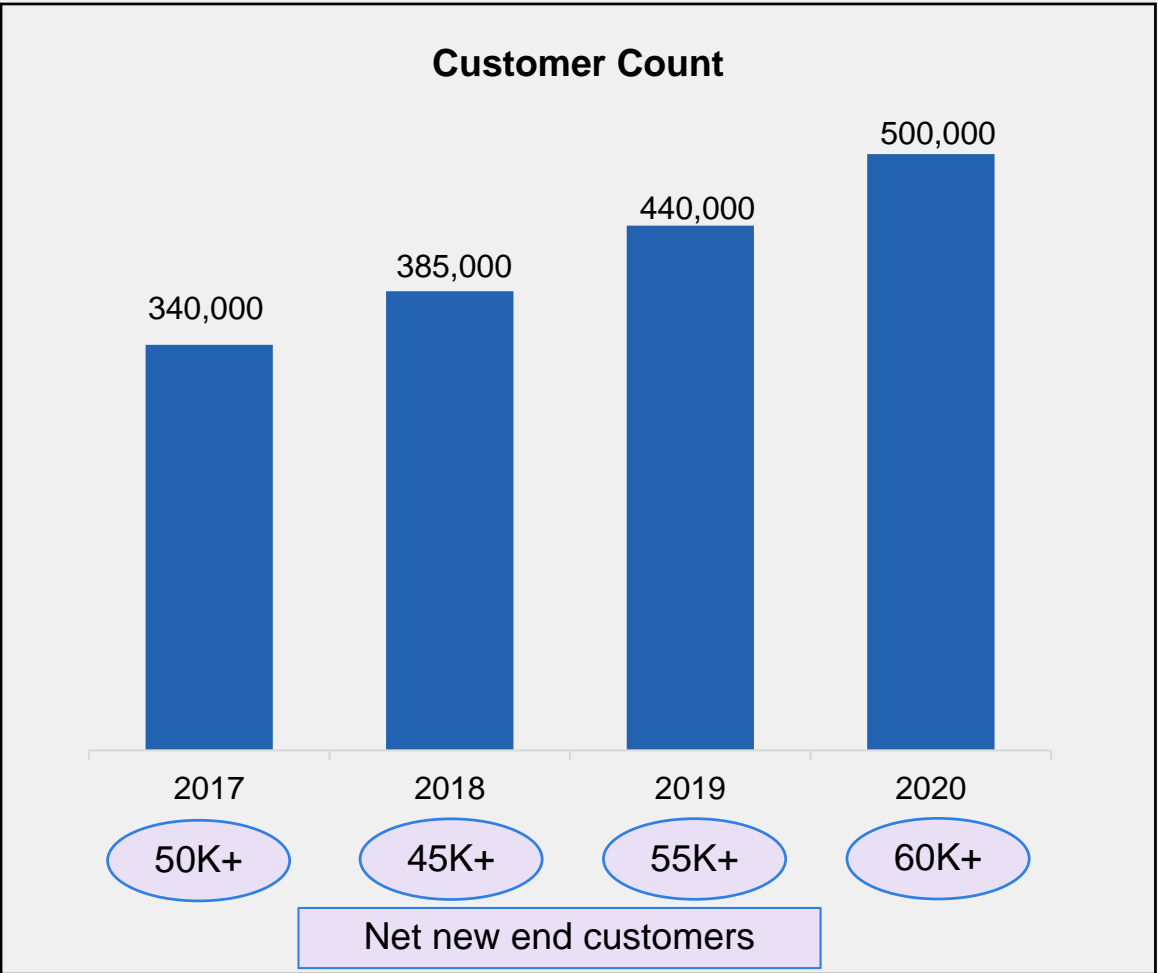
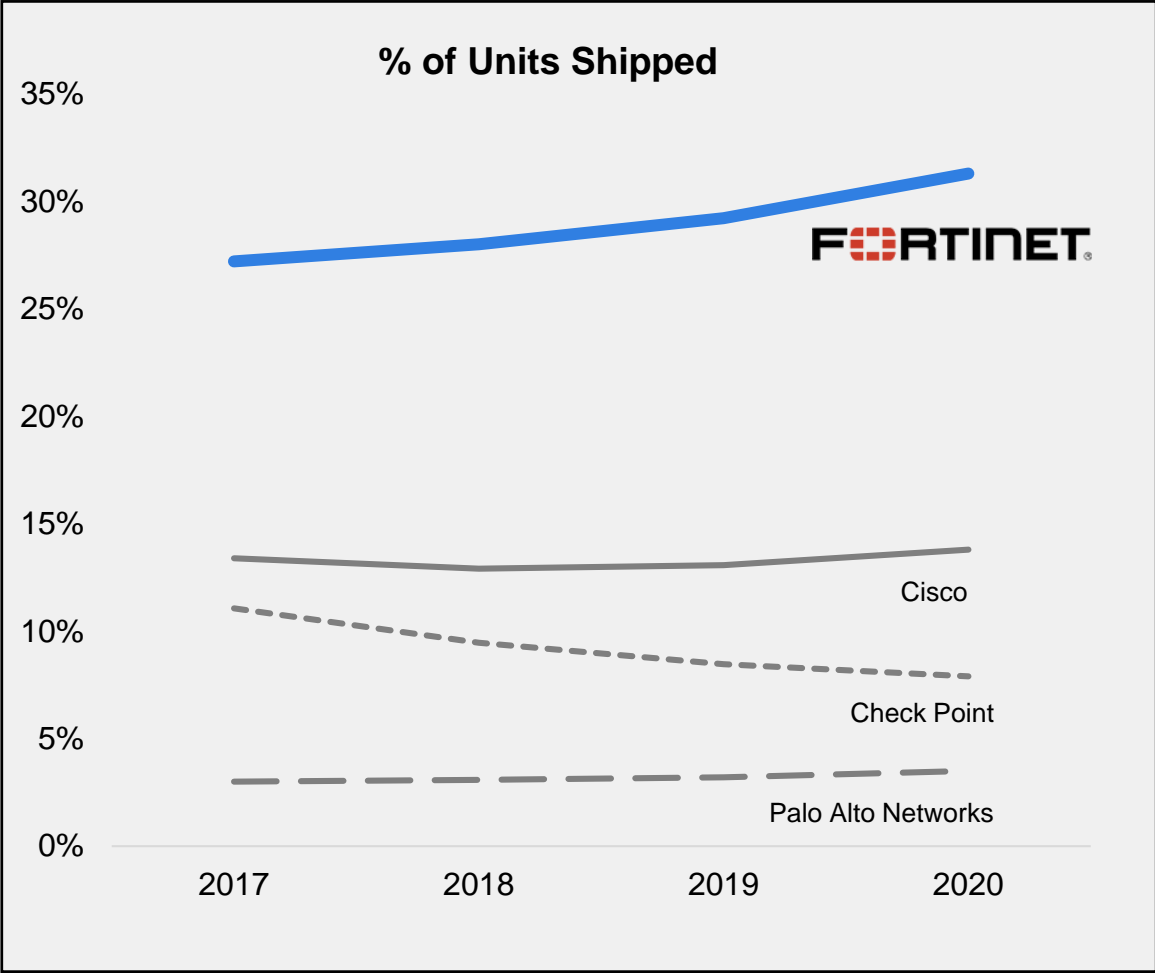
2020: \$65B, Growing 4YR CAGR of 9.7%



Source: Fortinet estimates based on recent Gartner research

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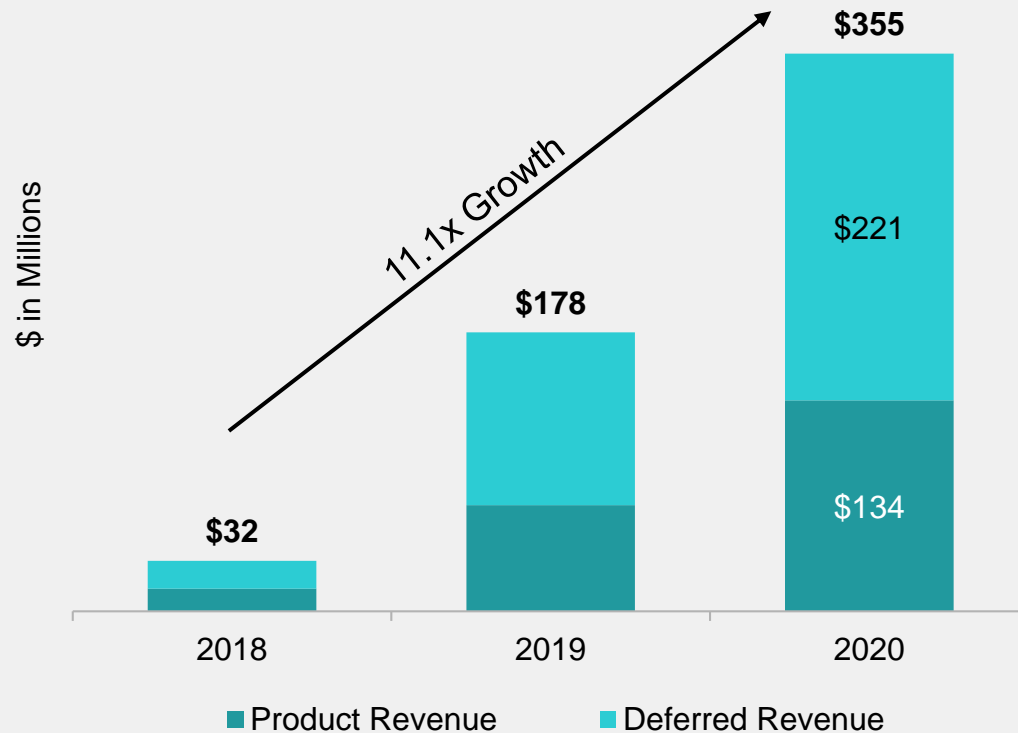
Most Deployed Network Security



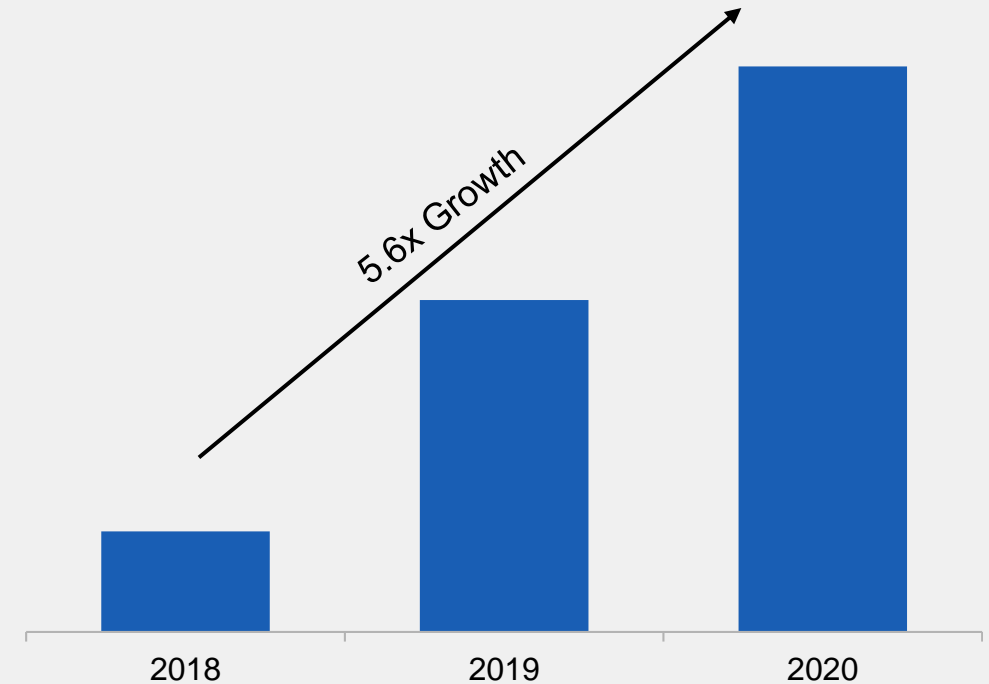
Secure SD-WAN

Billings, Product Revenue and Pipeline Have Grown Rapidly

Secure SD-WAN Billings



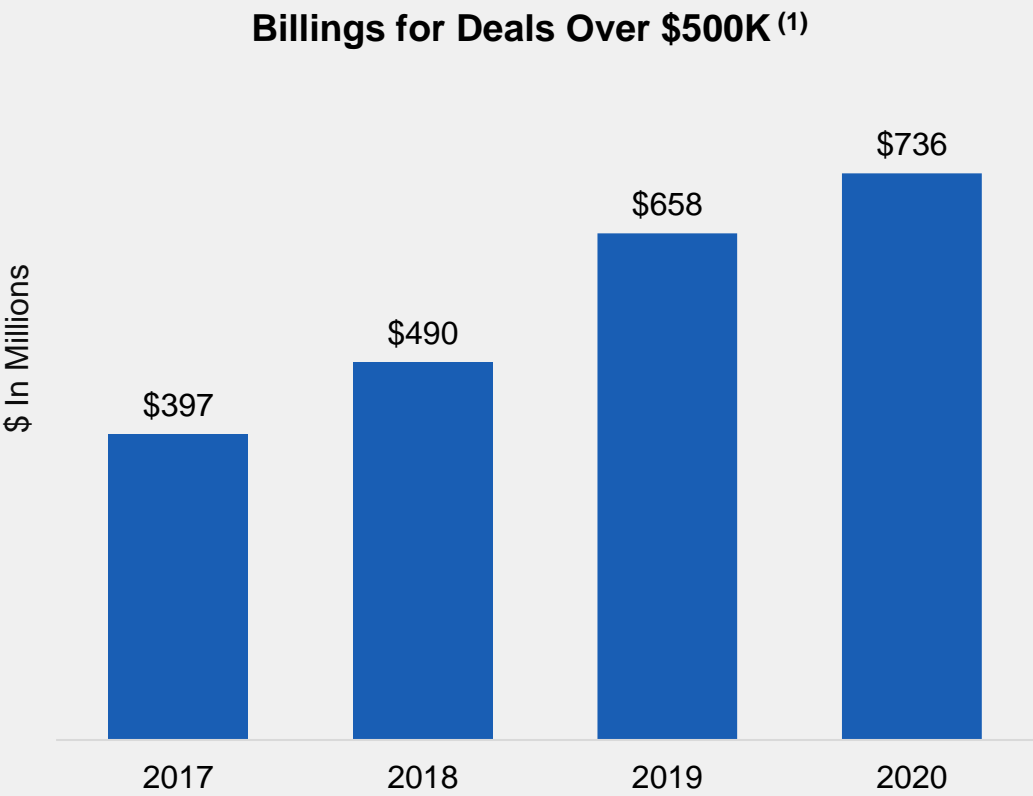
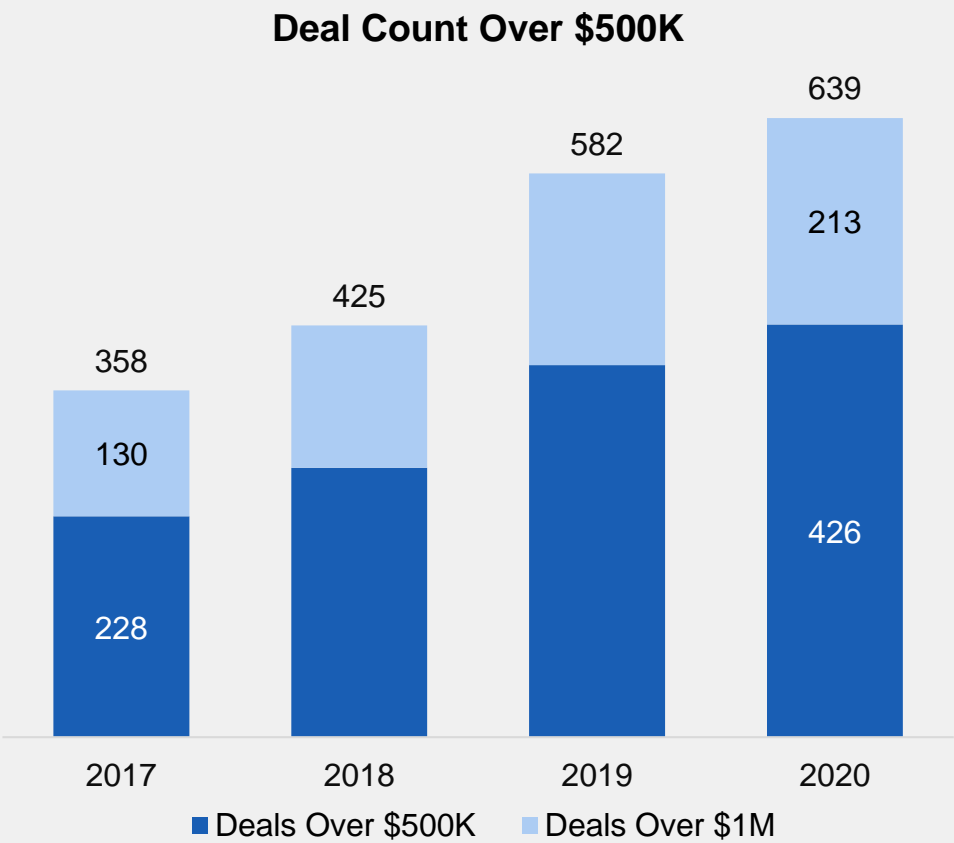
Secure SD-WAN Pipeline



Note: Billings data is derived from invoiced amounts.

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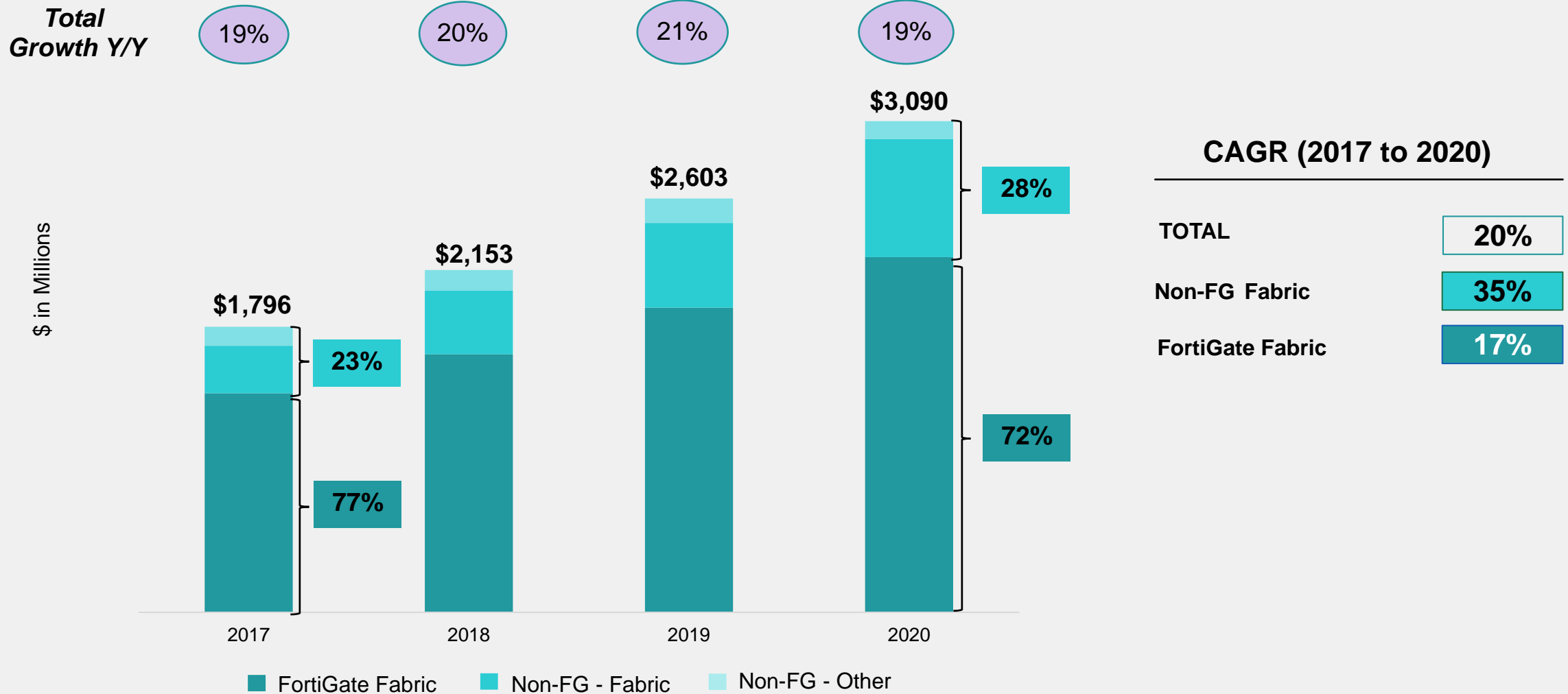
Moving Up Market



(1) Excludes Telco. Billings data is derived from invoiced amounts.

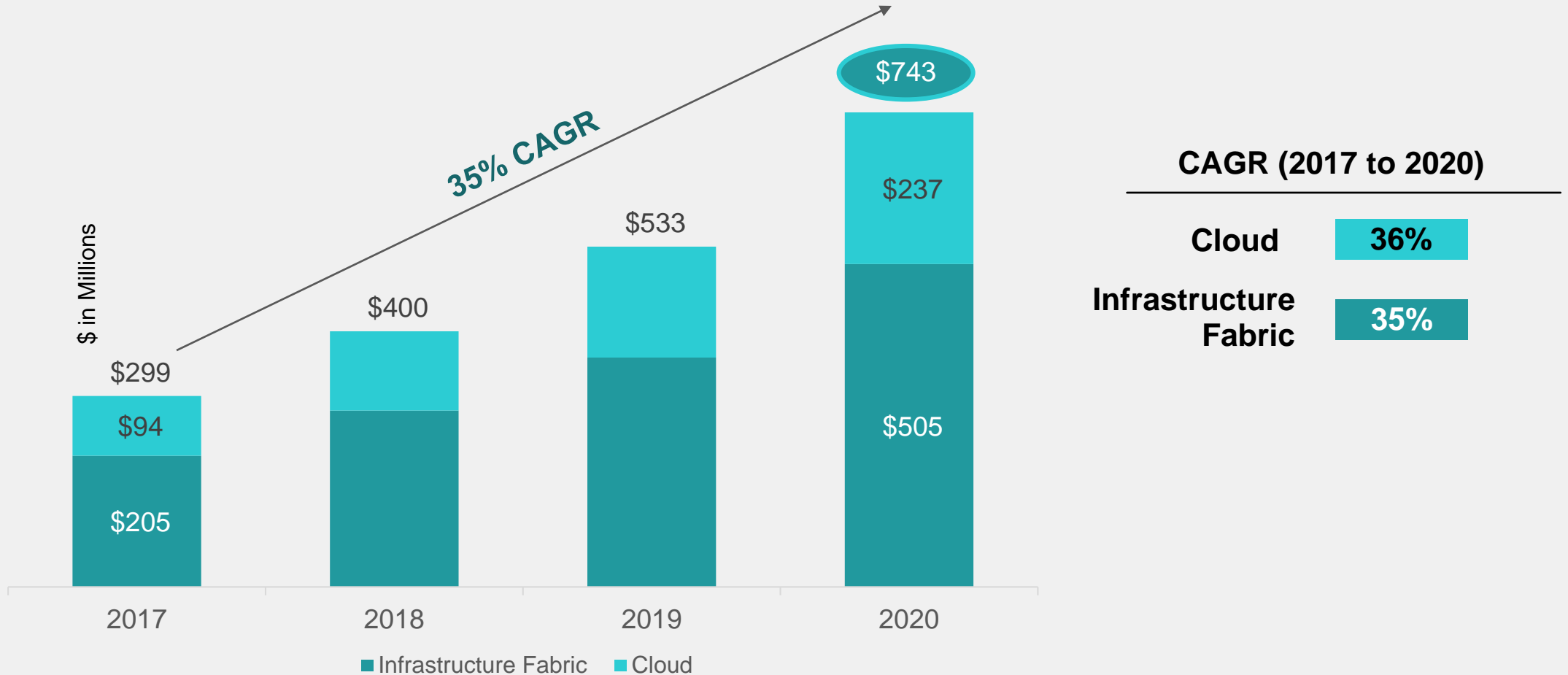
FortiGate and Non-FortiGate Fabric Billings

Billings top \$3B in 2020, increased by ~\$1B in two years



Non-FortiGate Fabric Platform Billings

Fabric and Cloud Billings on pace to be a \$1 billion business exiting this year



Note: Billings data is derived from invoiced amounts.

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Key Fabric Platform Solutions

| Fabric | | | |
|--------------------------|---------------------|-----------------------|-------|
| Solution | | Infrastructure Fabric | Cloud |
| <i>Cloud Security</i> | | | |
| Forti- | Cloud | | Cloud |
| | GateVM | | Cloud |
| | Mail | HW | Cloud |
| | SASE ⁽¹⁾ | | Cloud |
| | Web | HW | Cloud |
| <i>Zero Trust Access</i> | | | |
| Forti- | Authenticator | HW | Cloud |
| | Client | SW | Cloud |
| | NAC | HW/SW | Cloud |
| | Token | HW/SW | Cloud |

| Fabric | | | |
|--|------------------------|-----------------------|-------|
| Solution | | Infrastructure Fabric | Cloud |
| <i>Management Center NOC & SOC</i> | | | |
| Forti- | Analyzer | HW | Cloud |
| | Cloud | | Cloud |
| | EDR | SW | Cloud |
| | Manager | HW | Cloud |
| | Monitor ⁽¹⁾ | | Cloud |
| | Portal | | Cloud |
| | Sandbox | HW/SW | Cloud |
| | SOAR | SW | Cloud |
| | SIEM | HW/SW | Cloud |
| <i>Secure Access</i> | | | |
| Forti- | AP | HW | |
| | Extender | HW | |
| | Switch | HW | |



(1) 2020 Acquisition.

Note: The above is not an inclusive list of all Fabric & Cloud Solutions. Also excluded is Other Products which includes Professional Services and Training.

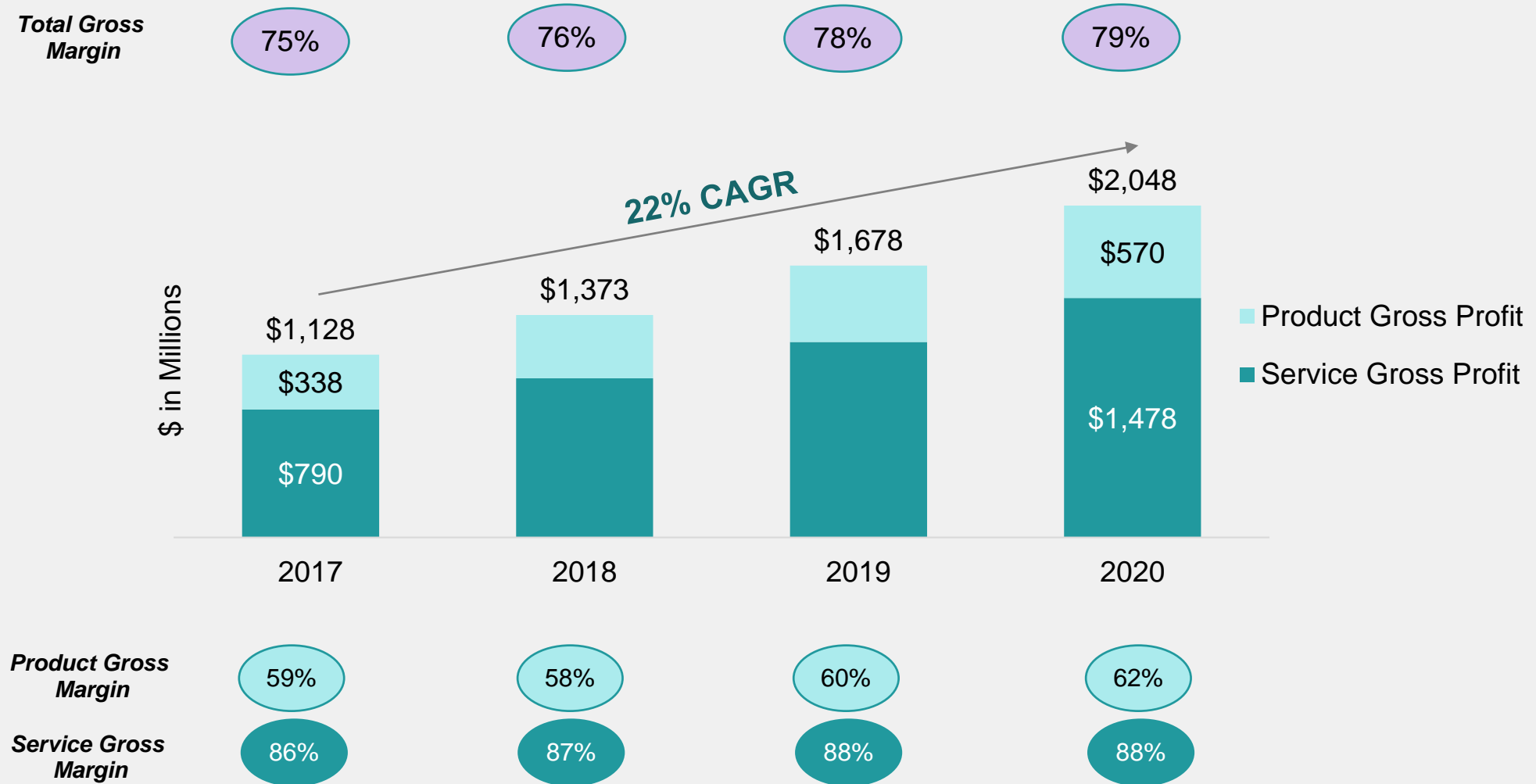
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Margins, Cash Flow and Capital



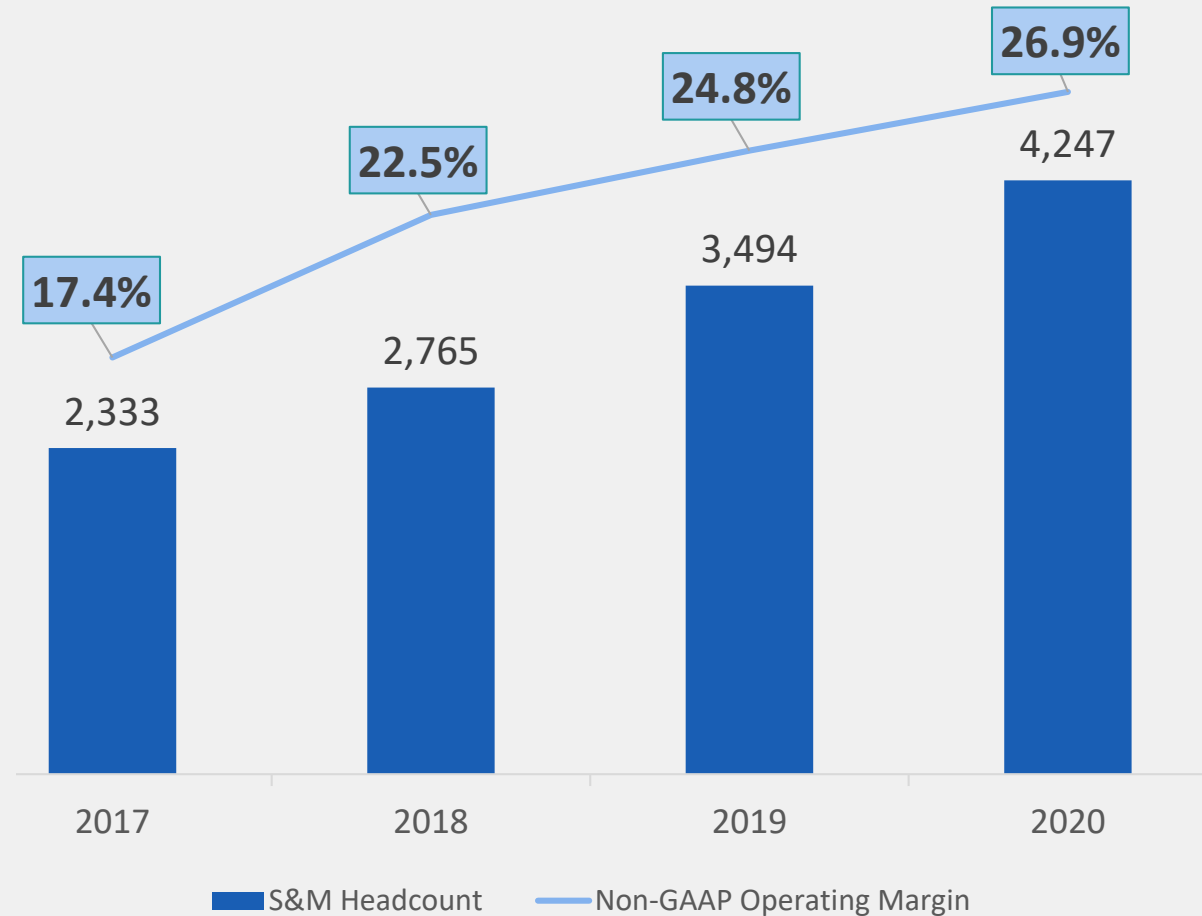
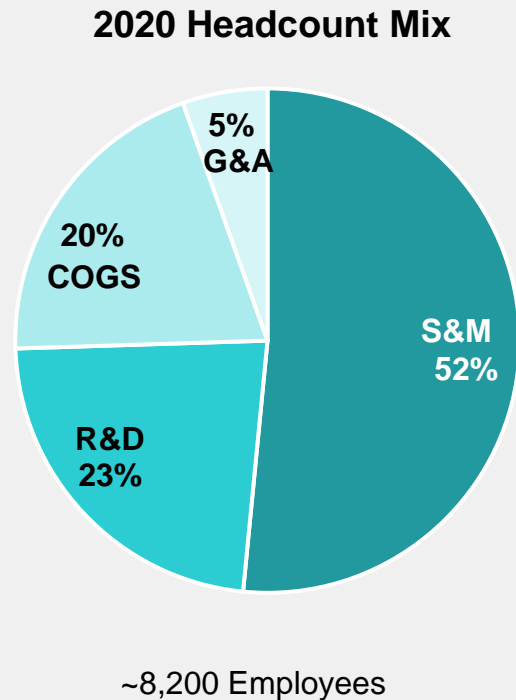
Improving Product and Service Gross Margin

Recurring Service Revenue is ~65% of Total Revenue with 88% Gross Margin



Improving Margins while Investing in Future Growth

Sales Leverage and Expense Discipline Drive Margin Growth

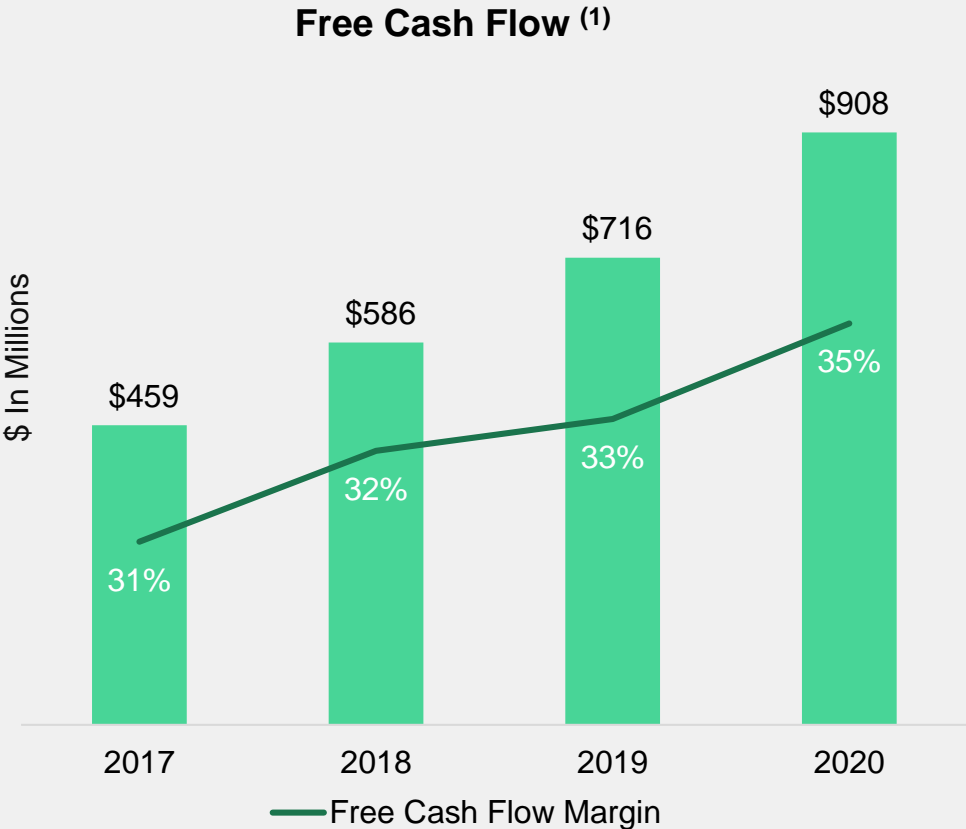
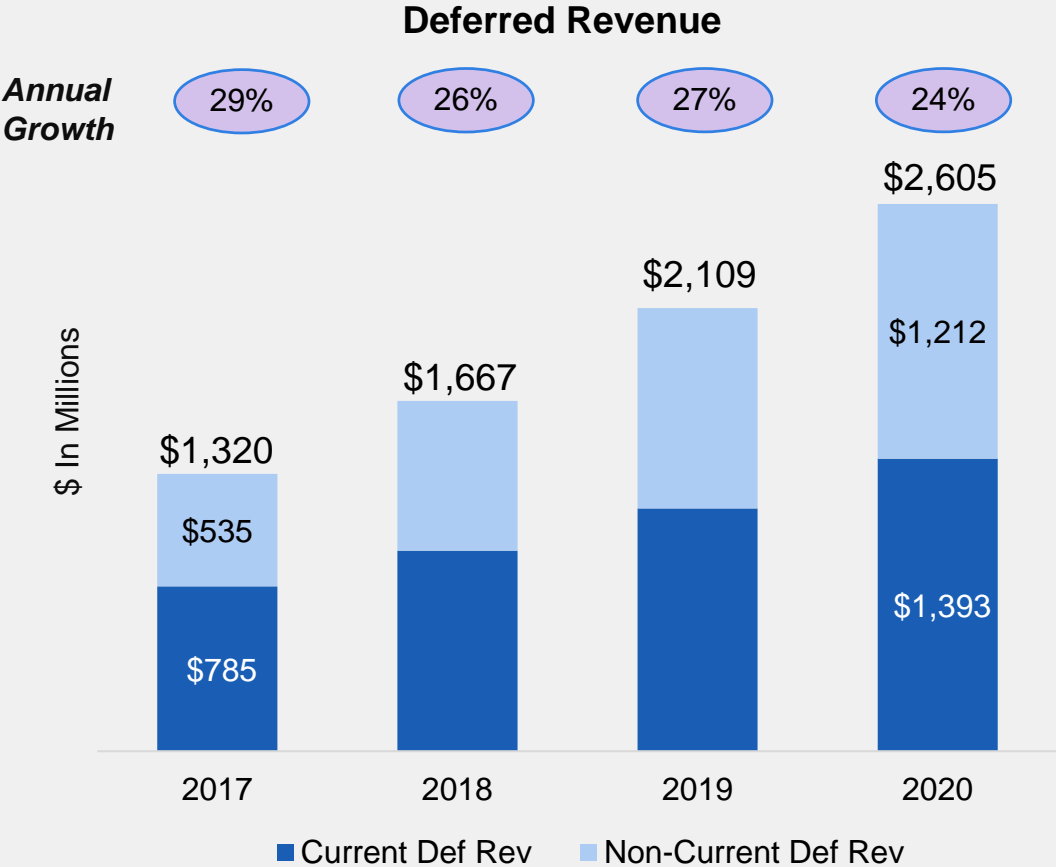


**CAGR
(2017-2020)**
S&M HC **22%**



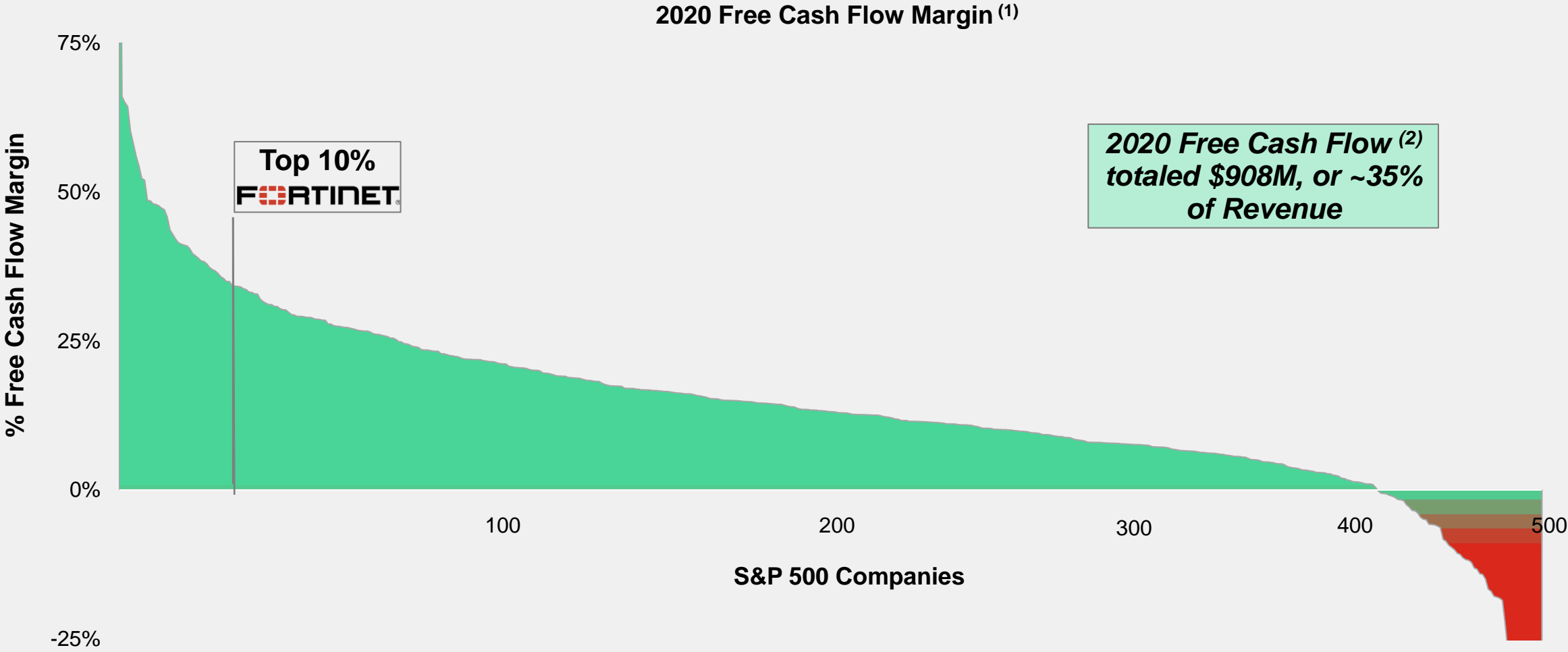
Growing Deferred Revenue and Free Cash Flow

Service Contracts Generating Free Cash Flow



(1) Free Cash Flow and Free Cash Flow Margin are non-GAAP financial measures. See Appendix for reconciliation of the non-GAAP financial measure to the most comparable GAAP financial measure.

Fortinet is a Top 10% S&P 500 Free Cash Flow Leader



(1) Data as of December 31, 2020.
(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 Capital Allocation And Investment

- **Strong financial profile characterized by growing scale, strong cash flow generation, and conservative balance sheet and financial policies**
- **Intend to maintain appropriate amount of financial leverage and liquidity over the long-run**
 - Targeted minimum cash balance⁽¹⁾ of \$1.25Bn
 - Sustained financial leverage⁽²⁾ of up to 2.0x, consistent with investment grade peers
- **Clear hierarchy for uses of cash and free cash flow**
 1. Prioritize debt reduction when necessary
 2. Reinvest in the company through R&D, CapEx investments, and other organic initiatives to maintain strong and growing market share
 3. Invest in inorganic alternatives (M&A) with a focus on smaller-scale acquisitions with minimal execution risk; for larger potential strategic growth, we would consider equity financing when necessary to preserve credit quality
 4. Return excess capital to shareholders through share repurchase program when cost effective (no dividends contemplated at this time)



⁽¹⁾ Minimum cash includes cash, cash equivalents, short-term investments, and long-term investments.

⁽²⁾ Leverage defined as Debt / LTM Adjusted EBITDA.

Strategic Capital Allocation and Investment

Focus on Innovation and Shareholder Return

Invest

Innovation

Our innovation investment was Over \$1B since 2016⁽¹⁾

673 U.S. Fortinet Patents

M&A

Opportunistic

Extending our Integrated Platform—\$160M spent since 2016

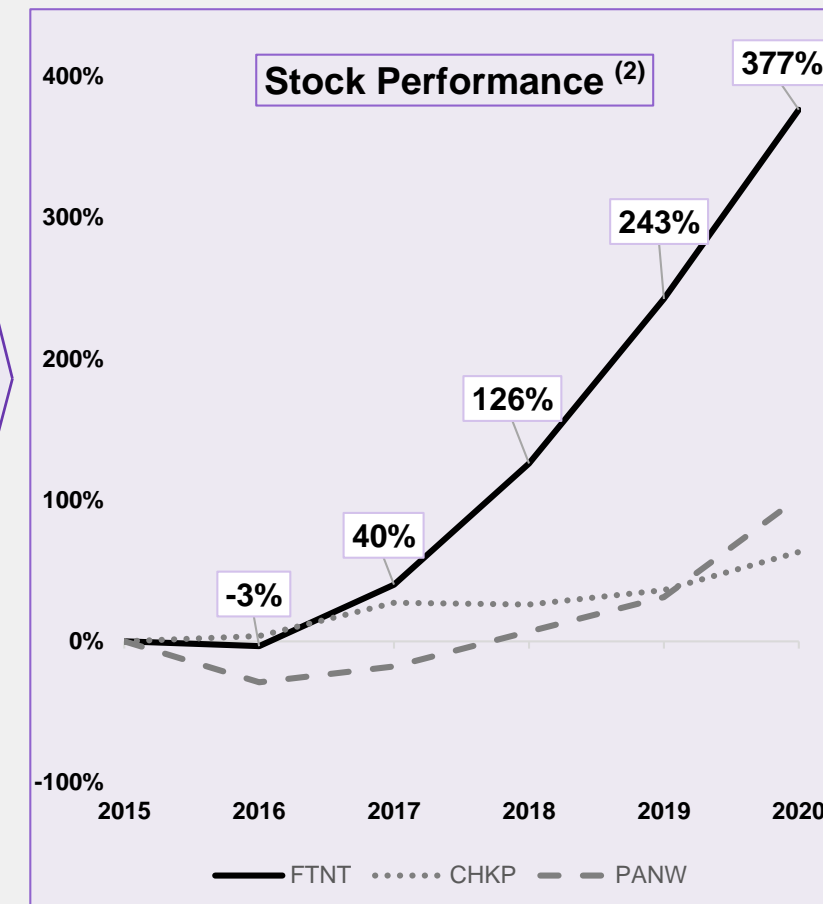
Purchased Technology includes:
EDR, SOAR and SASE

Return

Capital Return

Since 2016, total shares repurchased of 32.5 million for \$2.0B

2020 share repurchases: \$1.1B



In February 2021, we issued investment grade bonds totaling \$1.0 billion.
S&P and Moody's assigned investment grade ratings of BBB+/Baa1, respectively.



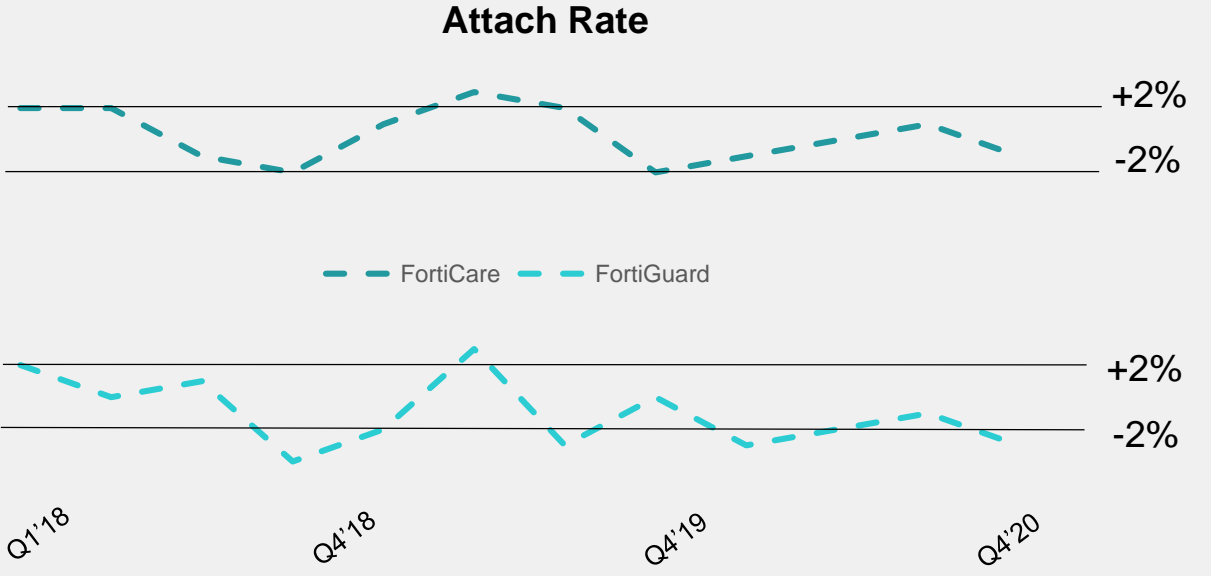
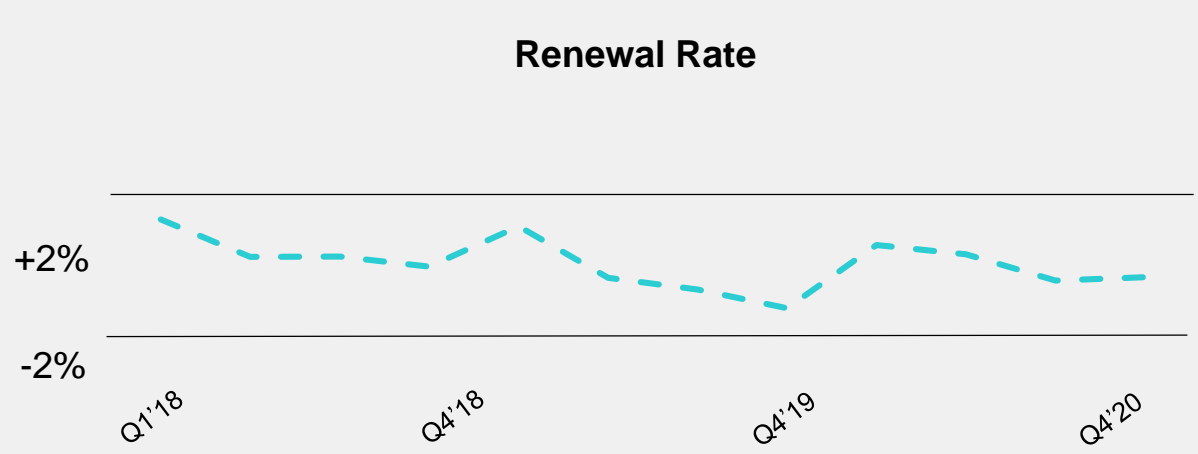
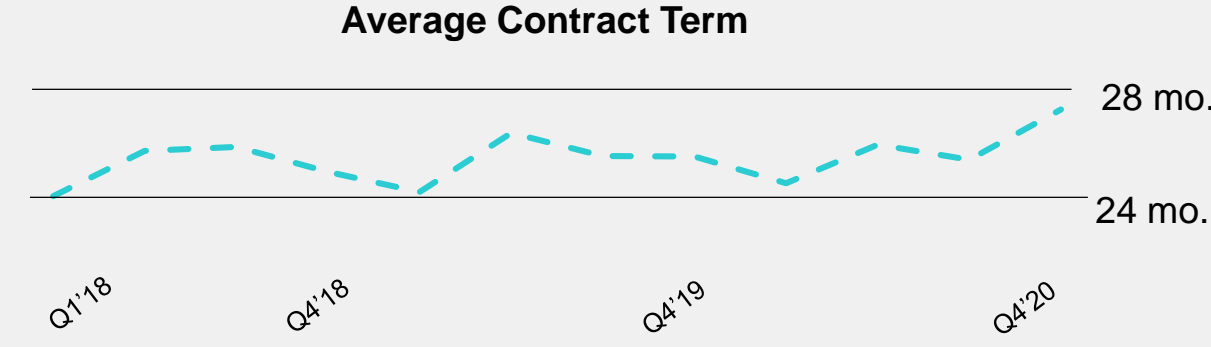
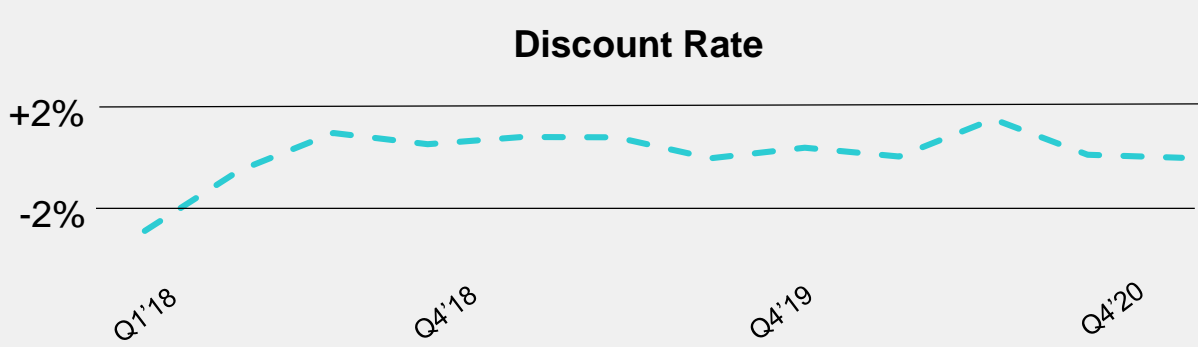


Consistency, Predictability and Visibility

Financial Targets



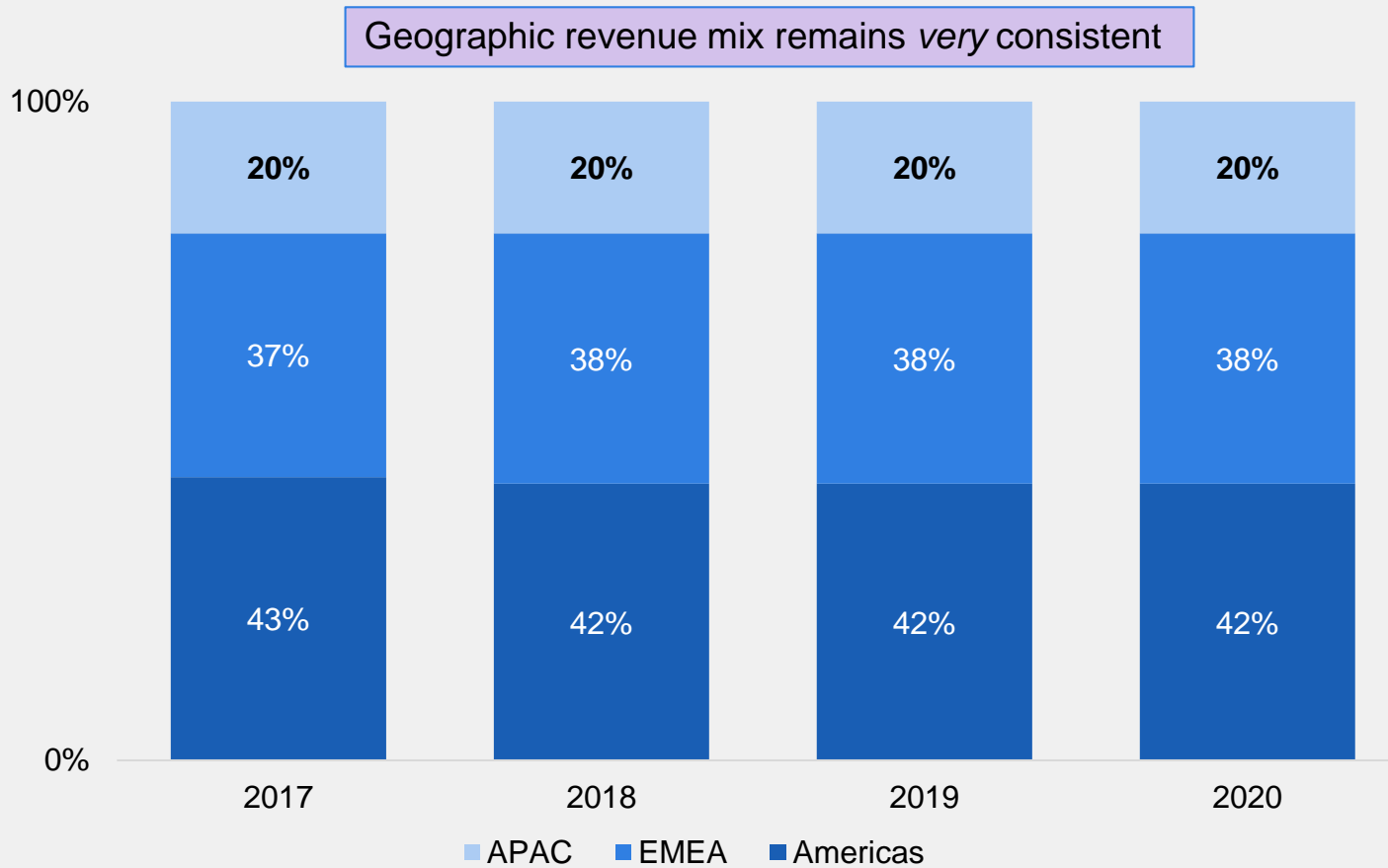
Driving Consistent Execution



Note: Each chart above compared to +/-2 of the 3 year average.

Revenue by Geography

Geographic Diversity Drives to Consistent Growth



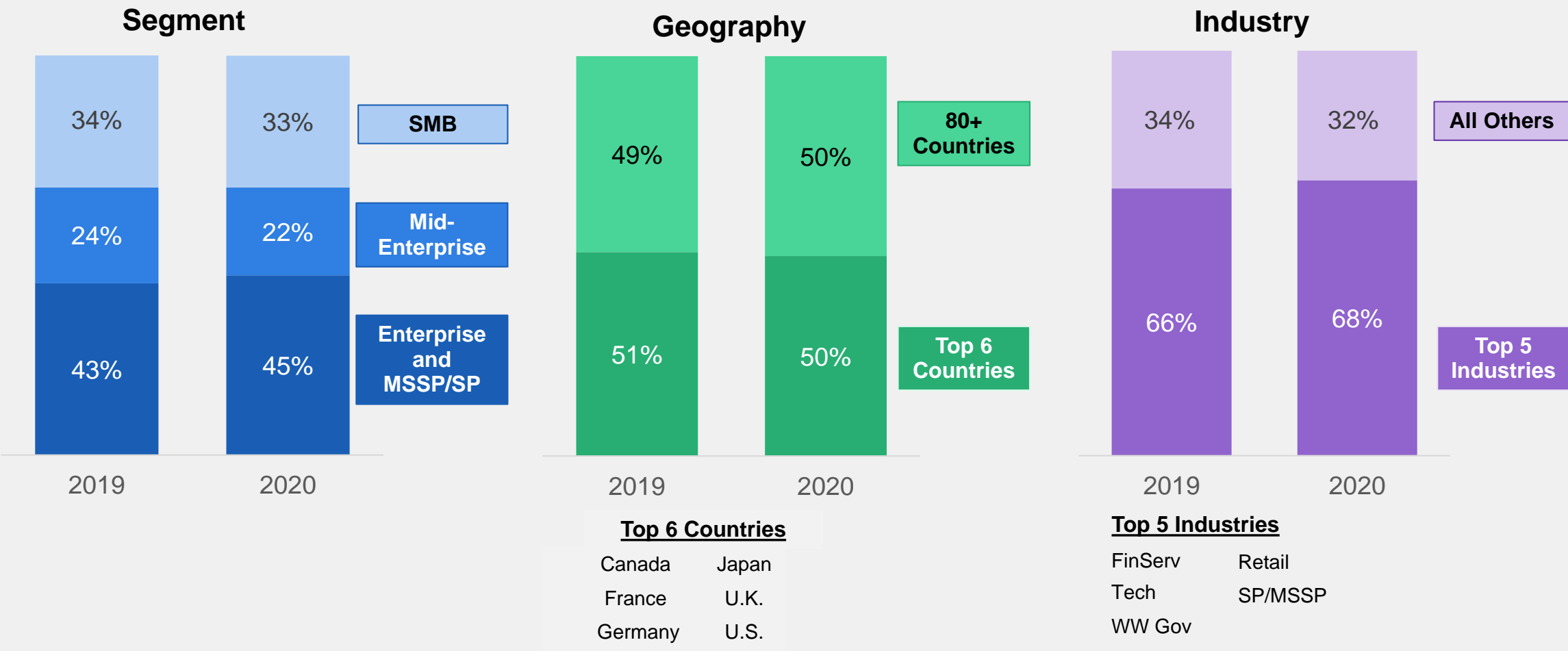
CAGR (2017 to 2020)

| | |
|----------|-----|
| TOTAL | 20% |
| APAC | 21% |
| EMEA | 21% |
| AMERICAS | 19% |



Billings Mix 2020

Diversified across Customer Segments, Geographies, and Industries



Note: Billings data is derived from invoiced amounts.

Guidance for Q1'21 and 2021

As of February 4, 2021

| | Q1'21 Guidance | 2021 Guidance |
|-------------------------------|-------------------|----------------------------|
| Billings | \$765-780M | \$3.560-3.640B |
| <i>Y/Y Mid-Pt Growth</i> | 16% | 17% |
| Revenue (GAAP) | \$670-685M | \$3.025-3.075B |
| <i>Y/Y Mid-Pt Growth</i> | 17% | 18% |
| Service Revenue (GAAP) | | \$2.015-2.045B |
| <i>Y/Y Mid-Pt Growth</i> | | 21% |
| Gross Margin | 78.5-79.5% | 78.0-80.0% |
| Operating Margin | 22.5-23.5% | 25.0-27.0% |
| Earnings per share | \$0.70-0.75 | \$3.60-3.75 ⁽¹⁾ |

(1) February 2021 debt issuance is expected to lower the full year EPS guidance provided on Feb. 4, 2021 by ~\$0.05 to \$3.55 – \$3.70



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.

Additional Modeling Points

As of February 4, 2021

| | Q1'21 | 2021 Guidance |
|----------------------|----------|------------------|
| Cash Paid for Taxes | | ~\$80M |
| Capital Expenditures | \$50-60M | \$150-170M |
| Non-GAAP Tax Rate | 21% | 21% |
| Shares Outstanding | 167-169M | 170-172M |



Mid-Term Model: 2021-2023

Billings of ~\$5B and Revenue of ~\$4B by 2023

| | 2018 | 2019 | 2020 | 2021E | 2023 Targets |
|------------------|------------|-------|-------|--------|----------------------------|
| | YoY Growth | | | | |
| Billings | 20% | 21% | 19% | 17% | ~\$5B 3 Yr CAGR of ~17% |
| Revenue (GAAP) | 20% | 20% | 20% | 18% | ~\$4B 3 Yr CAGR of 17% |
| | | | | | |
| Gross Margin | 76.1% | 77.6% | 78.9 | 78-80% | ~80% |
| Operating Margin | 22.5% | 24.8% | 26.9% | 25-27% | 25%+ |

Long- term Target: Continue to Execute the Rule of 40⁽¹⁾



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

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.

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- 1 Cybersecurity is a massive market with growth driven by long-term secular tailwinds
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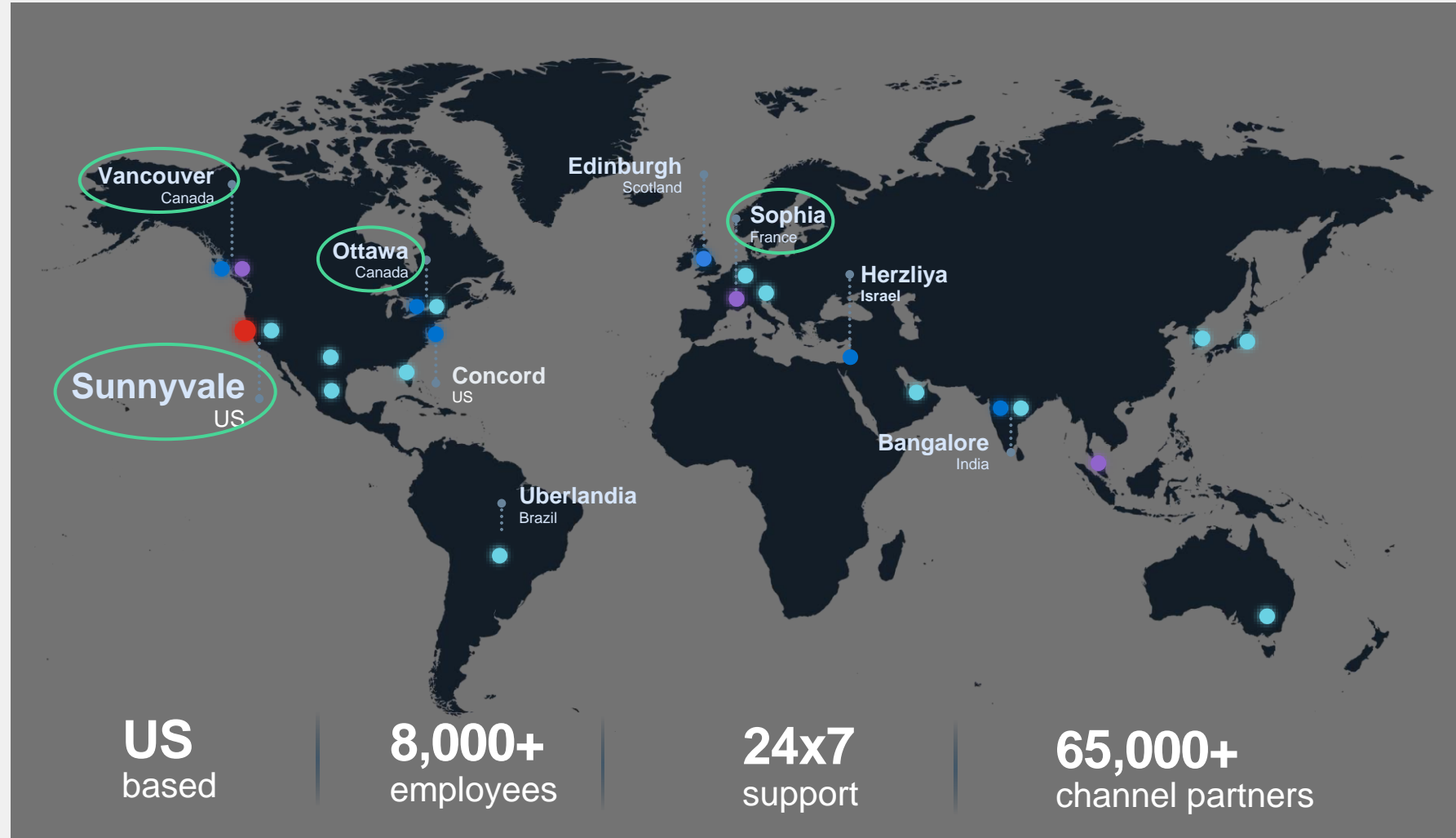


Appendix



Broad, Diversified Global Footprint

Significant R&D Investment and Global Presence



Note: Data as of December 31, 2020.

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Seasoned Management Team With 20+ Years Average Experience



Ken Xie

*Chairman of the Board and CEO
25+ years of experience
20 years with Fortinet (Founder)*



Michael Xie

*President and CTO
25+ years of experience
20 years with Fortinet*



Keith Jensen

*CFO & Chief Accounting Officer
30+ years of experience
6 years with Fortinet*



John Maddison

*CMO and EVP, Products
30+ years of experience
8 years with Fortinet*



Christiane Ohlgart

*VP Finance
25+ years of experience
4 years with Fortinet*



Philip Quade

*Chief Information Security Officer
30+ years of experience
3 years with Fortinet*



John Whittle

*EVP, Corporate Development
& General Counsel
20+ years of experience
14 years with Fortinet*



Sandra Wheatley

*Senior VP, Marketing
and Threat Intelligence
20+ years of experience
5 years with Fortinet*



Patrice Perche

*Senior EVP, Sales and Support
30+ years of experience
16 years with Fortinet*



Peter Salkowski

*VP, Investor Relations
18+ years of experience
3 years with Fortinet*

Reconciliation of Non-GAAP Results to GAAP Results

| \$ in millions | 2017 | 2018 | 2019 | 2020 |
|---|------------------|------------------|------------------|------------------|
| Total revenue | \$1,497.7 | \$1,804.6 | \$2,163.0 | \$2,594.4 |
| Add change in deferred revenue | 298.2 | 347.1 | 442.3 | 496.2 |
| Add deferred revenue adjustment due to adoption of the new revenue recognition standard | - | 4.1 | - | - |
| Less deferred revenue balance acquired in business acquisition | - | (2.5) | (2.4) | (0.6) |
| Total Billings | \$1,795.9 | \$2,153.3 | \$2,602.9 | \$3,090.0 |

| \$ in millions | 2017 | 2018 | 2019 | 2020 |
|--|-------------|-------------|-------------|-------------|
| GAAP gross profit | \$1,112.4 | \$1,354.2 | \$1,657.1 | \$2,024.4 |
| Stock-based compensation | 10.9 | 12.3 | 12.8 | 14.5 |
| Amortization of acquired intangible assets | 5.0 | 6.2 | 7.7 | 9.1 |
| Non-GAAP gross profit | \$1,128.3 | \$1,372.7 | \$1,677.6 | \$2,048.0 |
| Non-GAAP gross margin | 75% | 76% | 78% | 79% |



Reconciliation of Non-GAAP Results to GAAP Results

| \$ in millions | 2017 | 2018 | 2019 | 2020 |
|--|----------------|----------------|----------------|----------------|
| GAAP product gross profit | \$333.4 | \$383.4 | \$463.9 | \$564.0 |
| Stock-based compensation | 1.4 | 1.5 | 1.5 | 1.6 |
| Amortization of acquired intangible assets | 3.8 | 6 | 6.5 | 4.7 |
| Non-GAAP product gross profit | \$338.6 | \$390.9 | \$471.9 | \$570.3 |
| Non-GAAP product gross margin | 58.7% | 58.0% | 59.9% | 62.2% |

| \$ in millions | 2017 | 2018 | 2019 | 2020 |
|--|----------------|----------------|------------------|-----------------|
| GAAP service gross profit | \$779.0 | \$970.8 | \$1,193.2 | \$1460.4 |
| Stock-based compensation | 9.5 | 10.8 | 11.3 | 12.9 |
| Amortization of acquired intangible assets | 1.2 | 0.2 | 1.2 | 4.4 |
| Non-GAAP service gross profit | \$789.7 | \$981.8 | \$1,205.7 | 1,477.7 |
| Non-GAAP service gross margin | 85.8% | 86.9% | 87.7% | 88.1% |

| \$ in millions | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|----------------|----------------|----------------|----------------|----------------|
| GAAP research and development expense | 183.1 | \$210.6 | \$244.5 | \$277.1 | \$341.4 |
| Stock-based compensation | (30.1) | (32.2) | (36.4) | (38.7) | (47.6) |
| Non-GAAP research and development expense | \$153.0 | \$178.4 | \$208.1 | \$238.4 | \$293.8 |



Reconciliation of Non-GAAP Results to GAAP Results

| \$ in millions | 2017 | 2018 | 2019 | 2020 |
|--|----------------|----------------|----------------|----------------|
| GAAP operating income | \$112.6 | \$234.4 | \$351.0 | \$531.8 |
| GAAP operating margin | 8% | 13% | 16% | 21% |
| Stock-based compensation | 137.2 | 162.9 | 174.1 | 193.8 |
| Amortization of acquired intangible assets | 8.6 | 9.0 | 10.9 | 13.3 |
| Restructuring charges | 0.3 | - | - | - |
| Litigation settlement expenses | 1.5 | - | - | (0.7) |
| Gain on IP matter | - | - | - | (40.2) |
| Non-GAAP operating income | \$260.2 | \$406.3 | \$536.0 | \$698.0 |
| Non-GAAP operating margin | 17% | 23% | 25% | 27% |



Reconciliation of Free Cash Flow

| \$ in millions | 2017 | 2018 | 2019 | 2020 |
|---|--------------|--------------|--------------|--------------|
| Net cash provided by operating activities | \$594.4 | \$638.9 | \$808.0 | \$1,083.7 |
| Less purchases of property and equipment | (135.3) | (53.0) | (92.2) | (125.9) |
| Less proceeds from IP matter | - | - | - | (50.0) |
| Free cash flow | 459.1 | 585.9 | 715.8 | 907.8 |
| Free cash flow Margin | 31% | 32% | 33% | 35% |



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