

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, DC 20549

FORM 8-K

CURRENT REPORT

**Pursuant to Section 13 or 15(d) of
The Securities Exchange Act of 1934**

**Date of Report (Date of earliest event reported):
April 30, 2013**

FORTINET, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

001-34511
(Commission
File Number)

77-0560389
(IRS Employer
Identification No.)

1090 Kifer Road
Sunnyvale, CA 94086
(Address of principal executive offices, including zip code)

(408) 235-7700
(Registrant's telephone number, including area code)

Not Applicable
(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02 Results of Operations and Financial Condition.

On April 30, 2013, Fortinet, Inc. issued a press release reporting its financial results for the first quarter ended March 31, 2013. A copy of the press release is furnished herewith as Exhibit 99.1 and is incorporated herein by reference.

This information shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits

Exhibit No.	Description
99.1	Press release dated April 30, 2013

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Fortinet, Inc.

Date: April 30, 2013

By:

/s/ JOHN WHITTLE

John Whittle

Vice President and General Counsel

EXHIBIT INDEX

Exhibit No.

Description

99.1

Press release dated April 30, 2013



Press Release

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Fortinet Reports First Quarter 2013 Financial Results

- Revenues of \$135.8 million, up 16% year over year
- Billings of \$148.5 million, up 8% year over year¹
- GAAP diluted net income per share of \$0.07
- Non-GAAP diluted net income per share of \$0.10¹
- Cash flow from operations of \$37.7 million
- Free cash flow of \$36.1 million¹
- Cash, cash equivalents and investments of \$782.5 million, with no debt

SUNNYVALE, Calif. - April 30, 2013 - Fortinet® (NASDAQ: FTNT) - a leader in high-performance network security - today announced financial results for the first quarter ended March 31, 2013.

Financial Highlights for the First Quarter of 2013

- **Revenue:** Total revenue was \$135.8 million for the first quarter of 2013, an increase of 16% compared to \$117.2 million in the same quarter of 2012. Within total revenue, product revenue was \$58.0 million, an increase of 9% compared to the same quarter of 2012. Services revenue was \$75.9 million, an increase of 22% compared to the same quarter of 2012.
- **Billings¹:** Total billings were \$148.5 million for the first quarter of 2013, an increase of 8% compared to \$137.0 million in the same quarter of 2012.
- **Deferred Revenue:** Deferred revenue was \$376.4 million as of March 31, 2013, an increase of 20% compared to deferred revenue of \$314.6 million as of March 31, 2012, and up \$13.2 million from \$363.2 million as of December 31, 2012.
- **Cash and Cash Flow¹:** As of March 31, 2013, cash, cash equivalents and investments were \$782.5 million, compared to \$739.6 million as of December 31, 2012. In the first quarter of 2013, cash flow from operations was \$37.7 million and free cash flow was \$36.1 million.

- **GAAP Operating Income¹:** GAAP operating income was \$15.4 million for the first quarter of 2013, representing a GAAP operating margin of 11%. GAAP operating income was \$18.7 million for the same quarter of 2012, representing a GAAP operating margin of 16%.
- **GAAP Net Income and Diluted Net Income Per Share¹:** GAAP net income was \$12.2 million for the first quarter of 2013, based on a 28% tax rate for the quarter. This compares to GAAP net income of \$14.2 million for the same quarter of 2012, based on a 28% tax rate for the quarter. GAAP diluted net income per share was \$0.07 for the first quarter of 2013, based on 167.8 million weighted-average diluted shares outstanding, compared to \$0.09 for the same quarter of 2012, based on 165.8 million weighted-average diluted shares outstanding.
- **Non-GAAP Operating Income¹:** Non-GAAP operating income was \$24.2 million for the first quarter of 2013, representing a non-GAAP operating margin of 18%. Non-GAAP operating income was \$25.5 million for the same quarter of 2012, representing a non-GAAP operating margin of 22%.
- **Non-GAAP Net Income and Diluted Net Income Per Share¹:** Non-GAAP net income was \$17.3 million for the first quarter of 2013, based on a 33% effective tax rate for the quarter. Non-GAAP net income for the same quarter of 2012 was \$17.5 million, based on a 34% effective tax rate. Non-GAAP diluted net income per share was \$0.10 for the first quarter of 2013 based on 167.8 million weighted-average diluted shares outstanding, compared to \$0.11 for the same quarter of 2012, based on 165.8 million weighted-average diluted shares outstanding.

¹ A reconciliation of GAAP to non-GAAP financial measures has been provided in the financial statement tables included in this press release. An explanation of these measures is also included below under the heading “Non-GAAP Financial Measures. advantage remains strong.”

“While we performed well in Asia Pacific and the U.S. enterprise sector, our first quarter results were affected primarily by macroeconomic and geopolitical challenges in Latin America and EMEA, a shortfall in U.S service provider business, and to a lesser extent some inventory shortages and product transition issues,” said Ken Xie, founder, president and chief executive officer. “Given the macro uncertainty, we are moving forward cautiously yet confidently, as the network security market remains healthy and Fortinet’s competitive position and product advantage remains strong.”

Conference Call Details

Fortinet will host a conference call today, April 30, 2013, at 1:30 p.m. Pacific Time (4:30 p.m. Eastern Time) to discuss its financial results. To access this call, dial (877) 303-6913 (domestic) or (224) 357-2188 (international) with conference ID # 34804106. A live webcast of the conference call and supplemental slides will be accessible from the Investor Relations page of Fortinet’s website at <http://investor.fortinet.com> and a replay will be archived and accessible at <http://investor.fortinet.com/events.cfm>. A replay of this conference call can also be accessed

through May 7, 2013, by dialing (855) 859-2056 (domestic) or (404) 537-3406 (international) with conference ID# 34804106.

Following Fortinet's earnings conference call, the Company will host an additional question-and-answer session at 3:30 p.m. Pacific Time (6:30 p.m. Eastern Time) to provide an opportunity for financial analysts and investors to ask more detailed product and financial questions. To access this call, dial (877) 303-6913 (domestic) or (224) 357-2188 (international) with conference ID # 34804106. This follow-up call will be webcast live and accessible at <http://investor.fortinet.com>, and a replay will be archived and available after the call at <http://investor.fortinet.com/events.cfm>. A replay of this conference call will also be available through May 7, 2013 by dialing (855) 859-2056 (domestic) or (404) 537-3406 (international) with conference ID # 34804106.

About Fortinet (www.fortinet.com).

Fortinet (NASDAQ: FTNT) is a worldwide provider of network security appliances and a market leader in unified threat management (UTM). Our products and subscription services provide broad, integrated and high-performance protection against dynamic security threats while simplifying the IT security infrastructure. Our customers include enterprises, service providers and government entities worldwide, including the majority of the 2012 Fortune Global 100. Fortinet's flagship FortiGate product delivers ASIC-accelerated performance and integrates multiple layers of security designed to help protect against application and network threats. Fortinet's broad product line goes beyond UTM to help secure the extended enterprise - from endpoints, to the perimeter and the core, including databases and applications. Fortinet is headquartered in Sunnyvale, Calif., with offices around the world.

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Forward-looking Statements

This press release contains forward-looking statements that involve risks and uncertainties. These forward-looking statements include statements regarding the potential growth of our business. 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. Important factors that could cause results to differ materially from the statements herein include the following: general economic risks; specific economic risks in different geographies and among different customer segments; uncertainty regarding increased business and renewals from existing customers; uncertainties around continued success in sales growth and market share gains; failure to convert sales pipeline into final sales; risks associated with successful implementation of multiple integrated software products and other product functionality 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; 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 and service providers; technological changes that make our products and services less competitive; risks associated with the adoption of, and demand for, the UTM model in general and by specific customer segments; competition and pricing pressure; 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 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 this release, and we undertake no obligation, and expressly disclaim any obligation, to update forward-looking statements herein in light of new information or future events.

Non-GAAP Financial Measures

We have provided in this release financial information that has not been prepared in accordance with Generally Accepted Accounting Principles (GAAP). We use these non-GAAP financial measures internally in analyzing our financial results and believe they are useful to investors, as a supplement to GAAP measures, in evaluating our ongoing operational performance. We believe that the use of these non-GAAP financial measures provides an additional tool for investors to use in evaluating ongoing operating results and trends and in comparing our financial results with other companies in our industry, many of which present similar non-GAAP financial measures to investors.

Non-GAAP financial measures should not be considered in isolation from, or as a substitute for, financial information prepared in accordance with GAAP. Investors are encouraged to review the reconciliation of these non-GAAP financial measures to their most directly comparable GAAP financial measures below. As previously mentioned, a reconciliation of our non-GAAP financial measures to their most directly comparable GAAP measures has been provided in the financial statement tables included below in this press release.

Billings. We define billings as revenue recognized 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) during the period. We consider billings to be a useful metric for management and investors because billings drive deferred revenue, which is an important indicator of the health and visibility of our business, and has historically represented a majority of the quarterly revenue that we recognize. There are a number of limitations related to the use of billings versus revenue calculated in accordance with GAAP. First, billings include amounts that have not yet been recognized as revenue. Second, we may calculate billings in a manner that is different from other companies that report similar financial measures. Management compensates for these limitations by providing specific information regarding GAAP revenue and evaluating billings together with revenues calculated in accordance with GAAP.

Free cash flow. We define free cash flow as net cash provided by operating activities minus capital expenditures. We consider free cash flow to be a liquidity measure that provides useful

information to management and investors about the amount of cash generated by the business that, after the acquisition of property and equipment, can be used for strategic opportunities, including investing in our business, making strategic acquisitions, and strengthening the balance sheet. Analysis of free cash flow facilitates management's comparisons of our operating results to competitors' operating results. A limitation of using free cash flow versus the GAAP measure of net cash provided by operating activities as a means for evaluating the Company is that free cash flow does not represent the total increase or decrease in the cash balance from operations for the period because it excludes cash used for capital expenditures. Management compensates for this limitation by providing information about our capital expenditures on the face of the cash flow statement and under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources" in our most recent Quarterly Report on Form 10-Q and Annual Report on Form 10-K.

Non-GAAP operating income and operating margin. We define non-GAAP operating income as operating income plus stock-based compensation reduced by the income from payments we received from a patent settlement. Non-GAAP operating margin is defined as non-GAAP operating income divided by revenue. We consider these non-GAAP financial measures to be useful metrics for management and investors because they exclude the effect of stock-based compensation expense and patent settlement related income so that our management and investors can compare our recurring core business operating results over multiple periods. There are a number of limitations related to the use of non-GAAP operating income versus operating income calculated in accordance with GAAP. First, non-GAAP operating income excludes stock-based compensation expense. Stock-based compensation has been and will continue to be for the foreseeable future a significant recurring expense in our business. Second, stock-based compensation is an important part of our employees' compensation and impacts their performance. Third, the components of the costs that we exclude in our calculation of non-GAAP operating income may differ from the components that our peer companies exclude when they report their non-GAAP results of operations. Management compensates for these limitations by providing specific information regarding the GAAP amounts excluded from non-GAAP operating income and evaluating non-GAAP operating income together with operating income calculated in accordance with GAAP.

Non-GAAP net income and diluted net income per share. We define non-GAAP net income as net income plus stock-based compensation expense reduced by the income from payments we received from a patent settlement, and includes the impact of the tax adjustment, if any, required to achieve the effective tax rate on a pro forma basis, which could differ from the GAAP tax rate. We define non-GAAP diluted net income per share as non-GAAP net income divided by the weighted-average diluted shares outstanding. We consider these non-GAAP financial measures to be useful metrics for management and investors for the same reasons that we use non-GAAP operating income and non-GAAP operating margin. However, in order to provide a 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 to achieve the effective tax rate on a pro forma basis, which could differ from the GAAP tax rate. We believe the effective tax rates we used are reasonable estimates of long-term normalized tax rates under our global operating structure. The same limitations described above regarding our use of non-GAAP operating income and non-GAAP operating margin apply to our use of non-GAAP net income and non-GAAP diluted net income per share. We compensate for these limitations by providing specific information regarding the GAAP amounts excluded from non-GAAP net income and non-GAAP diluted net income per share and evaluating non-GAAP net income and non-GAAP diluted net income per share together with net income and diluted net income per share calculated in accordance with GAAP.

FORTINET, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited, in thousands)

	March 31, 2013	December 31, 2012
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 97,384	\$ 122,975
Short-term investments	362,996	290,719
Accounts receivable—Net	102,359	107,642
Inventory	23,933	21,060
Prepaid expenses and other current assets	26,988	26,878
Total current assets	613,660	569,274
PROPERTY AND EQUIPMENT—Net	25,803	25,638
LONG-TERM INVESTMENTS	322,158	325,892
GOODWILL AND OTHER INTANGIBLE ASSETS—Net	9,964	2,117
OTHER ASSETS	61,144	52,576
TOTAL ASSETS	\$ 1,032,729	\$ 975,497
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 26,369	\$ 20,816
Accrued liabilities	21,677	22,263
Accrued payroll and compensation	26,350	28,957
Deferred revenue	257,332	247,268
Total current liabilities	331,728	319,304
DEFERRED REVENUE—Non-current	119,082	115,917
OTHER LIABILITIES	34,210	29,342
Total liabilities	485,020	464,563
STOCKHOLDERS' EQUITY:		
Common stock	164	162
Additional paid-in capital	425,524	400,075
Treasury stock	(2,995)	(2,995)
Accumulated other comprehensive income	2,166	3,091
Retained earnings	122,850	110,601
Total stockholders' equity	547,709	510,934
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 1,032,729	\$ 975,497

FORTINET, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited, in thousands, except per share amounts)

	Three Months Ended	
	March 31, 2013	March 31, 2012
REVENUE:		
Product	\$ 57,950	\$ 53,204
Services	75,896	62,138
Ratable and other revenue	1,974	1,905
Total revenue	135,820	117,247
COST OF REVENUE:		
Product ¹	22,958	19,067
Services ¹	15,574	11,213
Ratable and other revenue	596	763
Total cost of revenue	39,128	31,043
GROSS PROFIT:		
Product	34,992	34,137
Services	60,322	50,925
Ratable and other revenue	1,378	1,142
Total gross profit	96,692	86,204
OPERATING EXPENSES:		
Research and development ¹	23,334	19,667
Sales and marketing ¹	49,976	42,036
General and administrative ¹	7,991	5,786
Total operating expenses	81,301	67,489
OPERATING INCOME	15,391	18,715
INTEREST INCOME	1,369	1,085
OTHER INCOME (EXPENSE)—Net	215	(71)
INCOME BEFORE INCOME TAXES	16,975	19,729
PROVISION FOR INCOME TAXES	4,726	5,556
NET INCOME	\$ 12,249	\$ 14,173
Net income per share:		
Basic	\$ 0.08	\$ 0.09
Diluted	\$ 0.07	\$ 0.09
Weighted-average shares outstanding:		
Basic	161,282	156,010
Diluted	167,823	165,751

¹ Includes stock-based compensation expense as follows:

Cost of product revenue	\$ 90	\$ 64
Cost of services revenue	1,020	745
Research and development	2,766	1,957
Sales and marketing	4,118	3,443
General and administrative	1,305	1,037
	\$ 9,299	\$ 7,246

FORTINET, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited, in thousands)

	Three Months Ended	
	March 31, 2013	March 31, 2012
Net income	\$ 12,249	\$ 14,173
Other comprehensive (loss) income, net of reclassification adjustments:		
Foreign currency translation (losses) gains	(952)	558
Unrealized gains on investments	42	1,799
Tax provision related to items of other comprehensive income or loss	(15)	(629)
Other comprehensive (loss) income, net of tax	(925)	1,728
Comprehensive income	<u>\$ 11,324</u>	<u>\$ 15,901</u>

FORTINET, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited, in thousands)

	Three Months Ended	
	March 31, 2013	March 31, 2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 12,249	\$ 14,173
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	3,098	2,082
Amortization of investment premiums	3,051	3,255
Stock-based compensation	9,299	7,246
Excess tax benefit from employee stock option plans	(1,453)	(2,320)
Other non-cash items, net	(540)	19
Changes in operating assets and liabilities:		
Accounts receivable—Net	5,747	10,763
Inventory	(4,520)	(3,409)
Prepaid expenses and other current assets	(202)	(345)
Other assets	(8,568)	569
Accounts payable	4,957	(6,319)
Accrued liabilities	(11)	(231)
Accrued payroll and compensation	(2,416)	(547)
Deferred revenue	12,677	19,696
Income taxes payable	4,305	3,886
Net cash provided by operating activities	<u>37,673</u>	<u>48,518</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(171,506)	(192,567)
Sales of investments	13,823	17,416
Maturities of investments	86,018	115,026
Purchases of property and equipment	(1,534)	(1,624)
Payments made in connection with business acquisitions	(5,979)	(550)
Net cash used in investing activities	<u>(79,178)</u>	<u>(62,299)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of common stock	14,464	13,551
Excess tax benefit from employee stock option plans	1,453	2,320
Net cash provided by financing activities	<u>15,917</u>	<u>15,871</u>
EFFECT OF EXCHANGE RATES ON CASH AND CASH EQUIVALENTS	(3)	703
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(25,591)	2,793
CASH AND CASH EQUIVALENTS—Beginning of period	122,975	71,990
CASH AND CASH EQUIVALENTS—End of period	<u>\$ 97,384</u>	<u>\$ 74,783</u>

Reconciliations of non-GAAP results of operations measures to the nearest comparable GAAP measures
(Unaudited, in thousands)

Reconciliation of GAAP revenue to billings

	Three Months Ended	
	March 31, 2013	March 31, 2012
Total revenue	\$ 135,820	\$ 117,247
Add increase in deferred revenue	13,229	19,739
Less deferred revenue balance acquired in business combination	(550)	—
Total billings (Non-GAAP)	<u>\$ 148,499</u>	<u>\$ 136,986</u>

Reconciliation of net cash provided by operating activities to free cash flow

	Three Months Ended	
	March 31, 2013	March 31, 2012
Net cash provided by operating activities	\$ 37,673	\$ 48,518
Less purchases of property and equipment	(1,534)	(1,624)
Free cash flow (Non-GAAP)	<u>\$ 36,139</u>	<u>\$ 46,894</u>

Reconciliation of non-GAAP results of operations to the nearest comparable GAAP measures

(Unaudited, in thousands, except per share amounts)

Reconciliation of GAAP to Non-GAAP operating income, operating margin, net income and diluted net income per share

	Three Months Ended March 31, 2013			Three Months Ended March 31, 2012		
	GAAP Results	Adjustments	Non-GAAP Results	GAAP Results	Adjustments	Non-GAAP Results
Operating Income	\$ 15,391	\$ 8,821 (a)	\$ 24,212	\$ 18,715	\$ 6,768 (b)	\$ 25,483
Operating Margin	11%		18%	16%		22%
Adjustments:						
Stock-based compensation expense		9,299			7,246	
Patent settlement income		(478)			(478)	
Tax adjustment		(3,787) (c)			(3,453) (d)	
Net Income	\$ 12,249	\$ 5,034	\$ 17,283	\$ 14,173	\$ 3,315	\$ 17,488
Diluted net income per share	\$ 0.07		\$ 0.10	\$ 0.09		\$ 0.11
Shares used in per share calculations - diluted	167,823		167,823	165,751		165,751

(a) To exclude \$9.3 million of stock-based compensation expense offset by \$0.5 million of patent settlement income in the three months ended March 31, 2013.

(b) To exclude \$7.2 million of stock-based compensation expense offset by \$0.5 million of patent settlement income in the three months ended March 31, 2012.

(c) Non-GAAP financial information is adjusted to achieve an overall 33 percent effective tax rate on a pro forma basis, which differs from the GAAP tax rate, in the three months ended March 31, 2013.

(d) Non-GAAP financial information is adjusted to achieve an overall 34 percent effective tax rate on a pro forma basis, which differs from the GAAP tax rate, in the three months ended March 31, 2012.