



Q2 2015 Financial Results

July 22, 2015

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Q2 2015 Non-GAAP Results

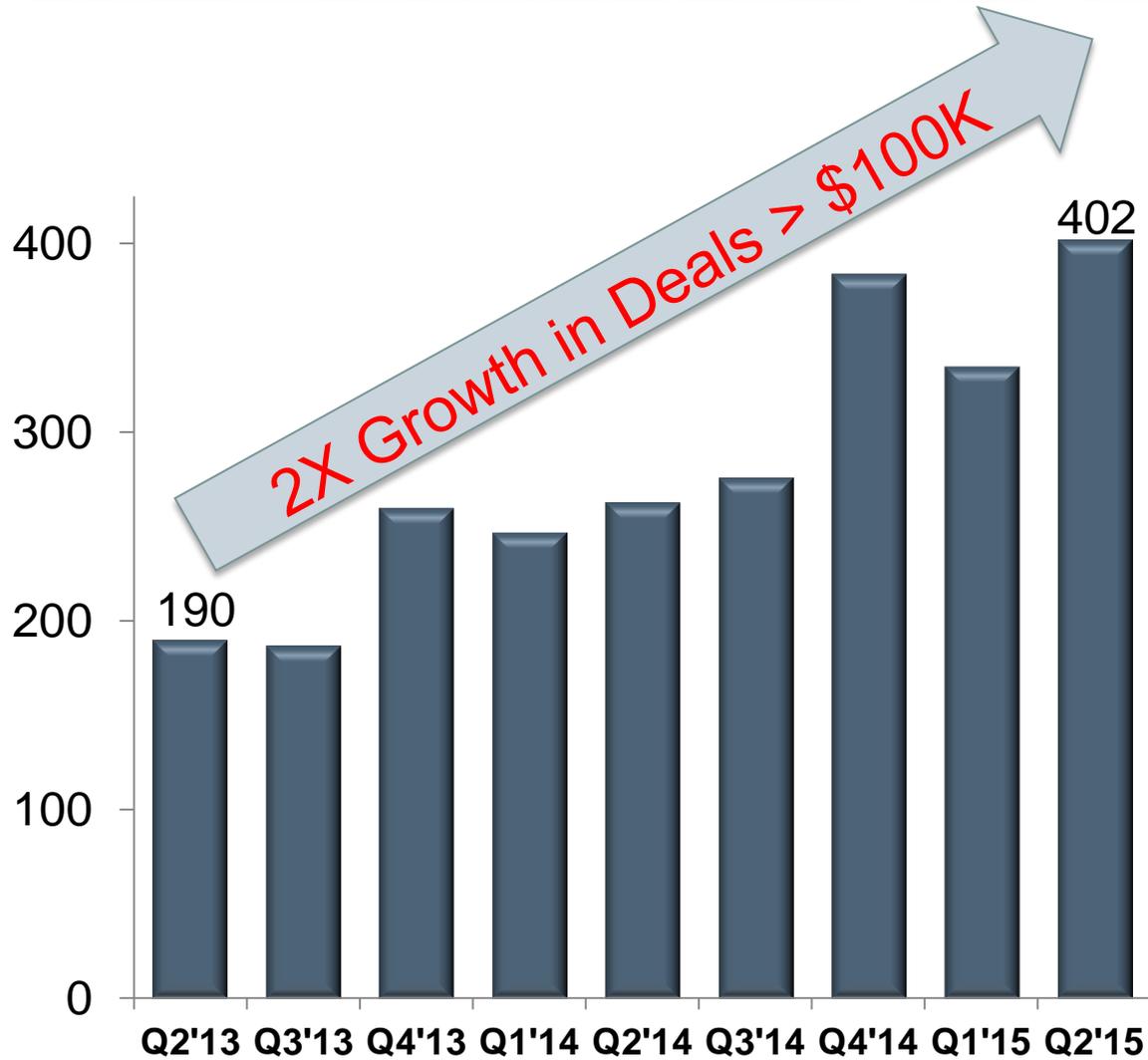


	Q2 15	Q2 14	Y/Y % Change
Billings ⁽¹⁾	\$297M	\$213M	40%
Revenue	\$240M	\$184M	30%
Gross Margin (%) ⁽²⁾	72%	71%	+1% pt
Operating Income ⁽²⁾	\$29M	\$29M	2%
Operating Margin (%) ⁽²⁾	12%	16%	-4% pts
Net Income ⁽²⁾⁽³⁾	\$19M	\$19M	4%
Earnings per Share ⁽²⁾⁽³⁾	\$0.11	\$0.11	0%
Deferred Revenue	\$658M	\$480M	37%
Cash Flow from Operations	\$84M	\$44M	92%
Free Cash Flow ⁽⁴⁾	\$74M	\$34M	116%

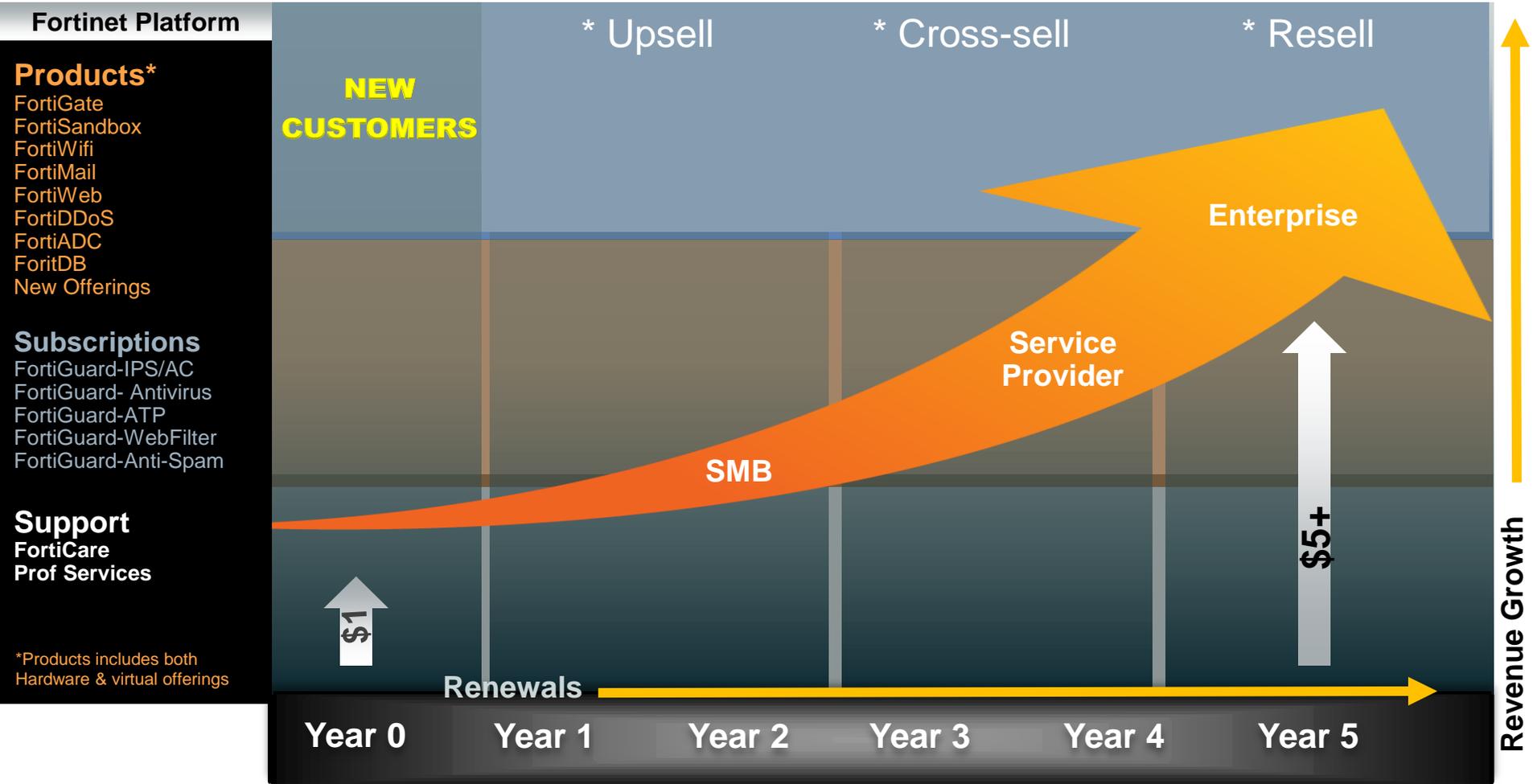
Notes

- (1) Billings is a non-GAAP measure that we define as revenue recognized for the particular period plus the change in deferred revenue from the beginning to the end of the period, less any deferred revenue balances acquired from business combination(s) during the period.
- (2) Does not include stock-based compensation, acquisition-related charges and other purchase price accounting adjustments, impairment and amortization of intangible assets, and expenses associated with the implementation of a new ERP system.
- (3) Assumes effective tax rate of 35% for both periods.
- (4) Free Cash Flow is a non-GAAP measure that we define as net cash provided by operating activities minus capital expenditures.

Large Deal Growth



Long-term Benefits of Our Investment Strategy

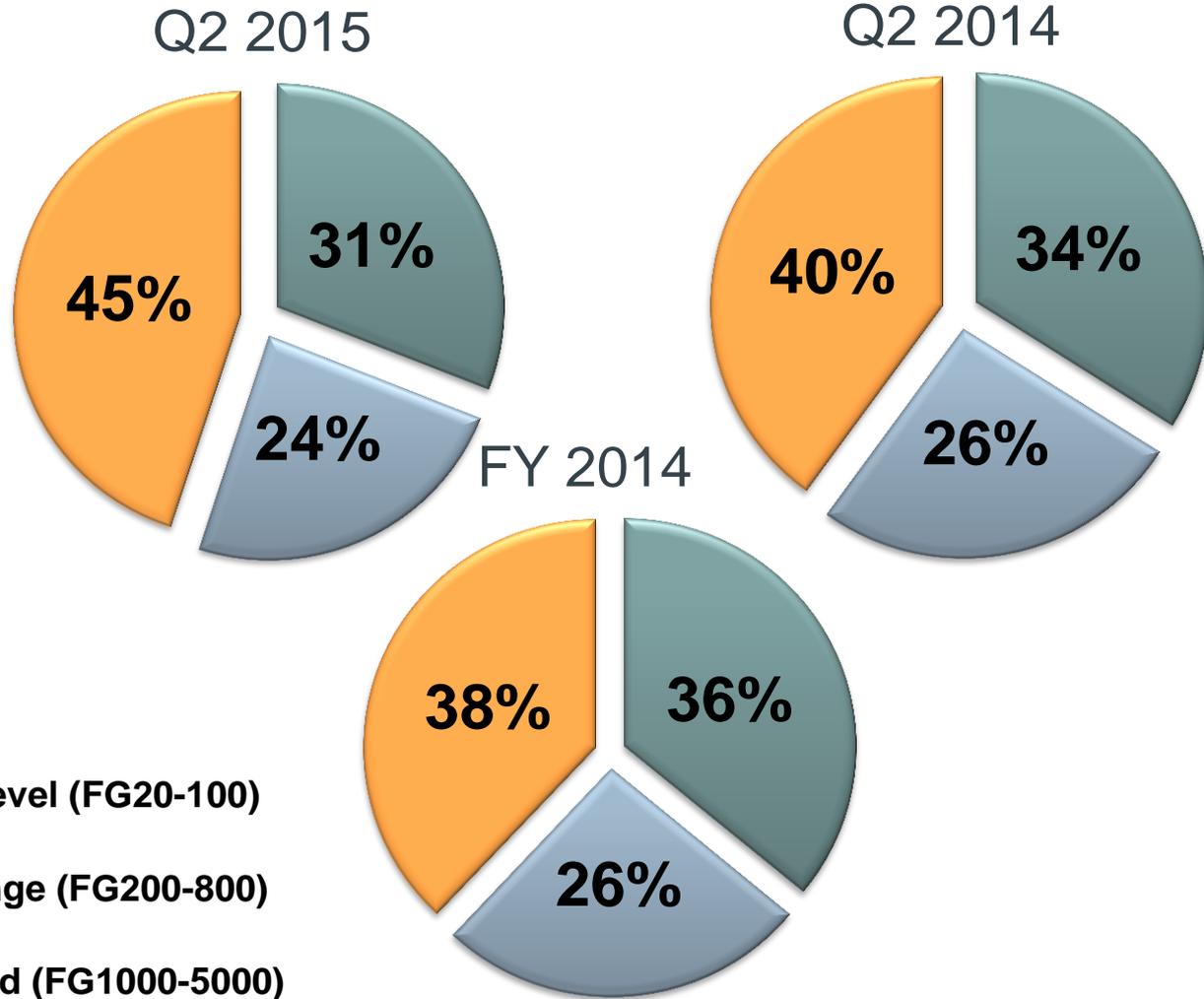


Balanced Product Segmentation



FortiGate Billings

- **Balanced Product Sales**
 - Entry-level typically sold to SMBs/branch offices
 - Mid-range = enterprises
 - High-end = large enterprises and telcos/service providers



- **Entry-Level (FG20-100)**
- **Mid-Range (FG200-800)**
- **High-End (FG1000-5000)**

Note

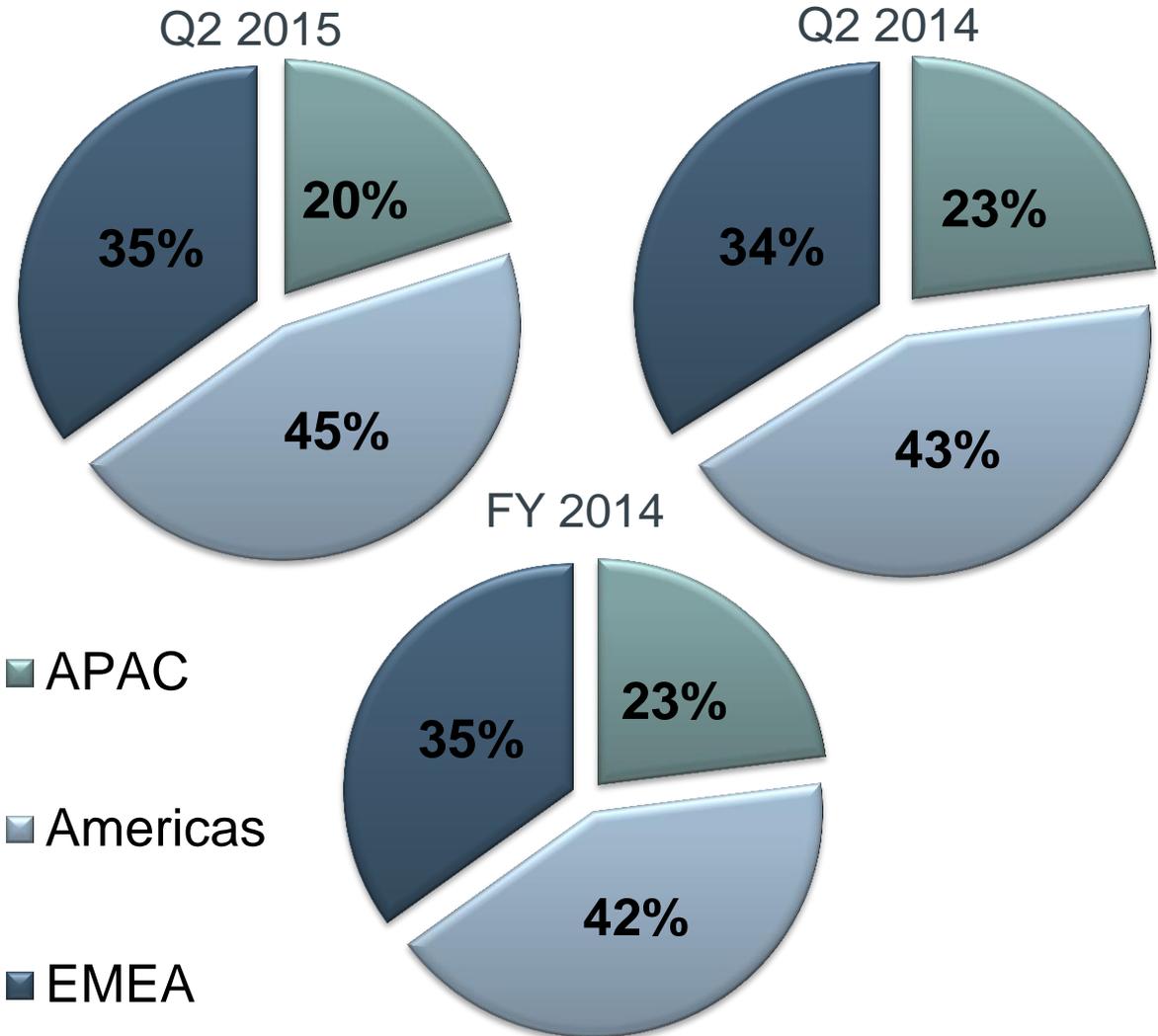
(1) Represents FortiGate billings by Product Category. Billings is a non-GAAP measure that we define as revenue recognized for the particular period plus the change in deferred revenue from the beginning to the end of the period, less any deferred revenue balances acquired from business combination(s) during the period.

Diversified Global Revenue

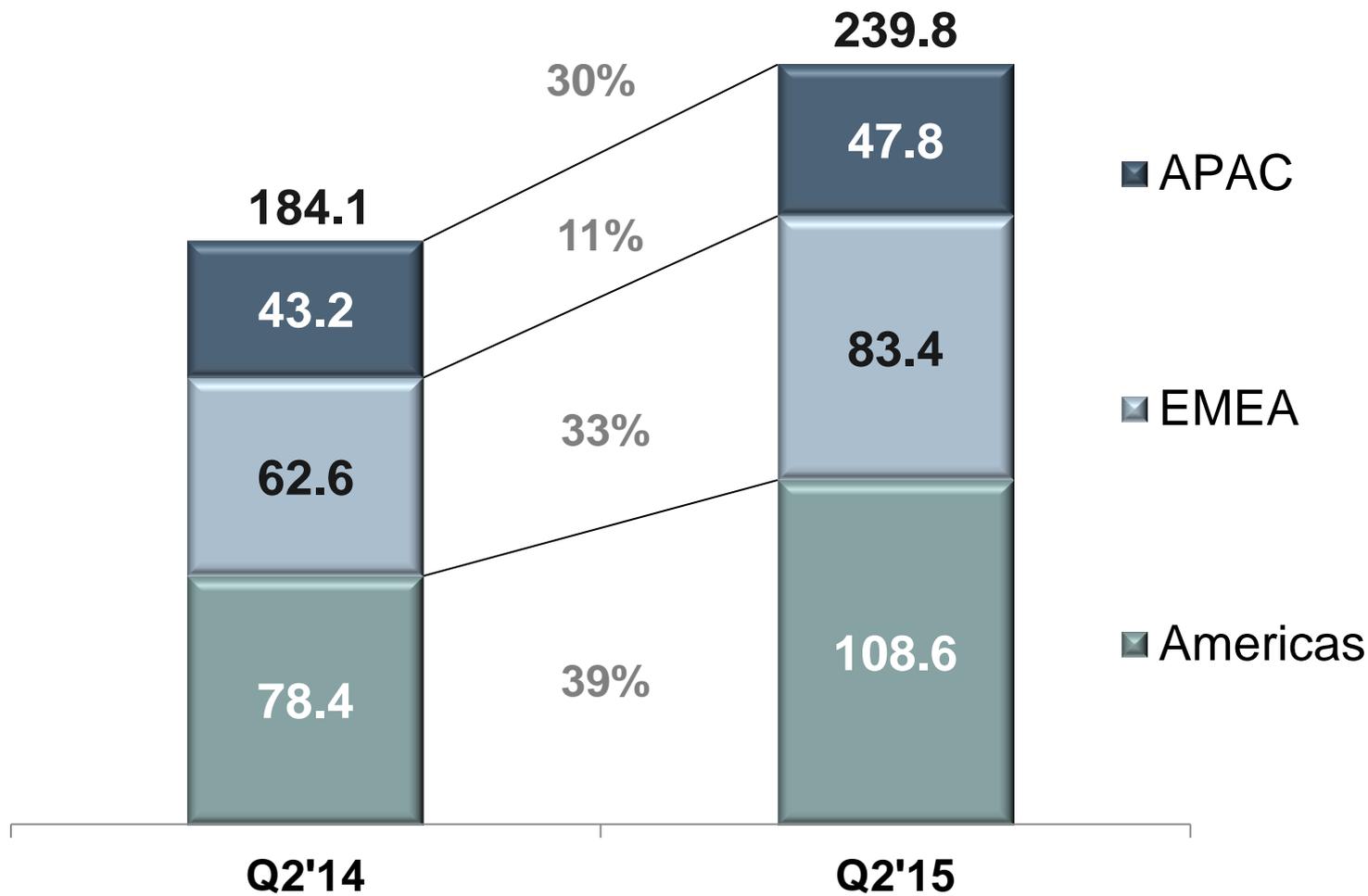


Revenue by Geography

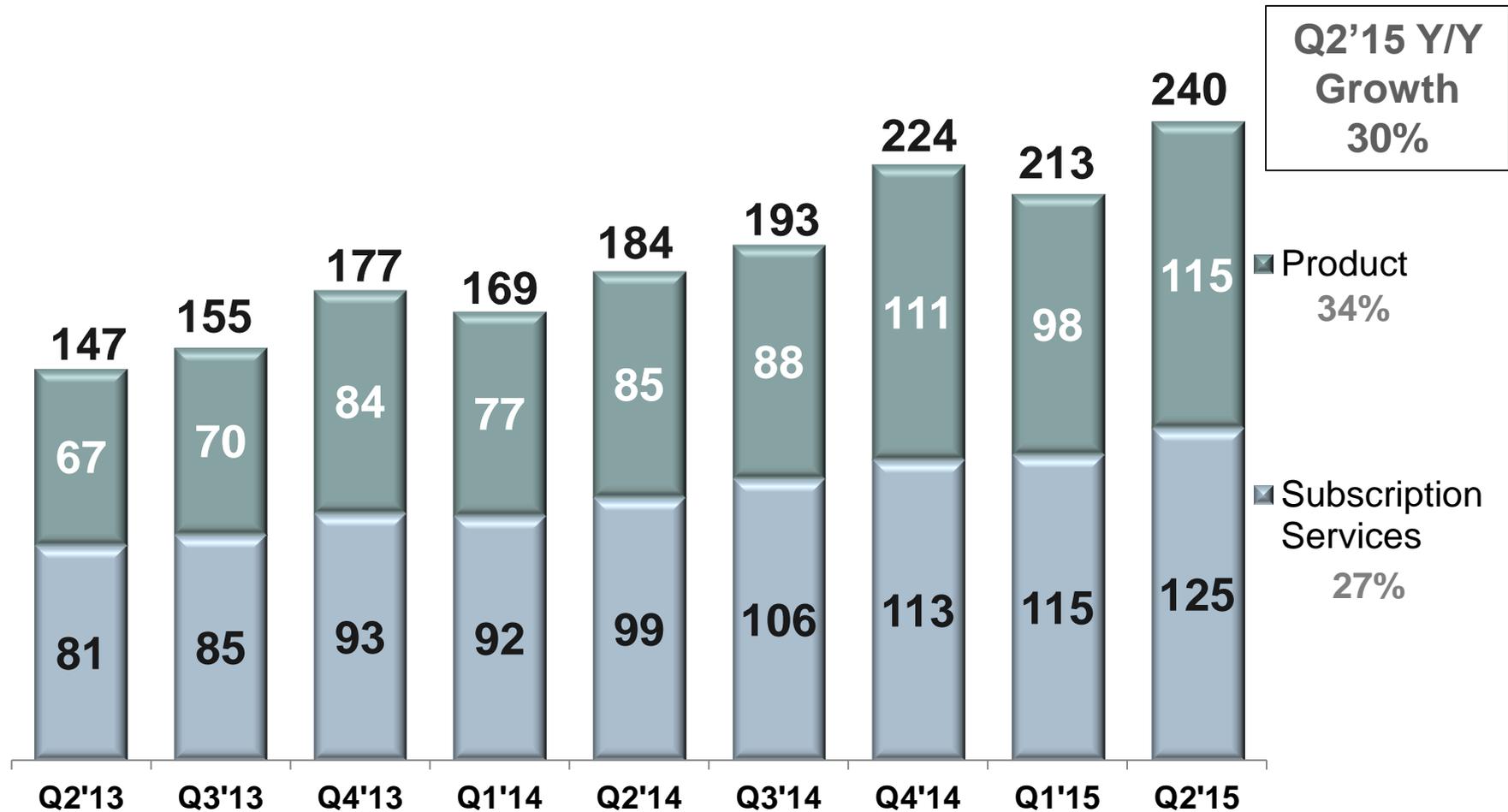
- Globally-diverse revenue stream



Revenue Growth by Geography



Quarterly Revenue Mix & Q2'15 Y/Y Growth



Q2 2015 Select Financial Statistics



	Q2 15	Q1 15	Q2 14
Cash and Investments ⁽¹⁾	\$1.15B	\$1.07B	\$911M
Deferred Revenue	\$658M	\$600M	\$480M
Free Cash Flow	\$74M	\$60M	\$34M
DSO	66	68	62
Inventory Turns	2.2	1.9	2.4
Revenue per Employee (Annualized)	\$299K	\$287K	\$299K
No. of Deals >\$100K	402	335	263
No. of Deals >\$250K	136	118	97
No. of Deals >\$500K	57	41	39

Notes

(1) Excludes \$10.2, \$6.4M and \$5.0M of investments in privately-held companies which are recorded in other assets for Q2 2015, Q1 2015 and Q2 2014, respectively.

Statement of Cash Flows (Non-GAAP)



(\$ in Millions)	Q2 15	Q2 14	1H 15	1H 14
GAAP Net Income	1	6	2	14
Depreciation and Stock-Based Compensation	29	21	54	39
Accounts Receivable	(14)	(17)	10	2
Inventory	(2)	(7)	(8)	(3)
Accounts Payable / Accrued Expenses / Other	14	12	(6)	5
Deferred Revenue	56	29	97	48
GAAP Cash Flow from Operations	84	44	149	105
Purchase of Property and Equipment	(10)	(10)	(16)	(21)
Free Cash Flow	74	34	133	84
Stock Option and RSU Exercises / ESPP	9	6	31	17
Stock Repurchases	-	(15)	-	(27)
Other	(7)	(3)	(7)	(6)
Net Cash Flow	76	22	157	68
<i>Footnote: Cash Paid for Taxes</i>	4	9	10	31

Q3 and 2015 Guidance (Non-GAAP)



	Q3 15	Y/Y % Mid-Pt Growth	2015	Y/Y % Mid-Pt Growth
Billings ⁽¹⁾	\$285 - 295M	36%	\$1.20 – 1.21B	34%
Revenue	\$255 - 260M	33%	\$1.00 – 1.01B	30%
Gross Margin (%) ⁽²⁾	70 - 71%		70 - 71%	
Operating Margin (%) ⁽²⁾	~12%		~14%	
Earnings per Share ^{(2) (3)}	~\$0.12		\$0.51 - 0.52	
Weighted Diluted Shares used in EPS	177 - 179M		176 - 178M	

Notes

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- (2) Does not include stock-based compensation, acquisition-related charges and other purchase price accounting adjustments, impairment and amortization of intangible assets, and expenses associated with the implementation of a new ERP system.
- (3) Assumes effective tax rate of 35% for 2015.

GAAP to Non-GAAP – Operating Results (Q2'15 vs. Q1'15 vs. Q2'14)



(Unaudited, in thousands, except per share amounts)

	Q2'15	Adjustment	Non-GAAP Q2'15	Q1'15	Adjustment	Non-GAAP Q1'15	Q2'14	Adjustment	Non-GAAP Q2'14
Revenue:									
Product	\$ 114,777	\$ -	\$ 114,777	\$ 97,509	\$ -	\$ 97,509	\$ 85,384	\$ -	\$ 85,384
Service	125,008	-	125,008	115,377	-	115,377	98,714	-	98,714
Total revenue	239,785	-	239,785	212,886	-	212,886	184,098	-	184,098
Cost of revenue:									
Product	47,397	(1,735)	45,662	41,368	(384)	40,984	37,455	(2,990)	34,465
Service	22,101	(1,660)	20,441	22,234	(1,632)	20,602	20,302	(1,363)	18,939
Total cost of revenue	69,498	(3,395)	66,103	63,602	(2,016)	61,586	57,757	(4,353)	53,404
Gross profit:									
Product	67,380	1,735	69,115	56,141	384	56,525	47,929	2,990	50,919
Service	102,907	1,660	104,567	93,143	1,632	94,775	78,412	1,363	79,775
Total gross profit	170,287	3,395	173,682	149,284	2,016	151,300	126,341	4,353	130,694
Operating expenses:									
Research and development	37,389	(5,541)	31,848	35,816	(5,157)	30,659	29,938	(4,171)	25,767
Sales and marketing	111,928	(11,583)	100,345	100,609	(9,307)	91,302	74,817	(5,747)	69,070
General and administrative	18,018	(5,820)	12,198	11,961	(2,686)	9,275	10,444	(3,257)	7,187
Total operating expenses	167,335	(22,944)	144,391	148,386	(17,150)	131,236	115,199	(13,175)	102,024
Operating income	2,952	26,339	29,291	898	19,166	20,064	11,142	17,528	28,670
Interest income	1,364	-	1,364	1,422	-	1,422	1,319	-	1,319
Other expense—net	(830)	-	(830)	(677)	-	(677)	(574)	-	(574)
Income before income taxes	3,486	26,339	29,825	1,643	19,166	20,809	11,887	17,528	29,415
Provision for income taxes	2,694	7,745	10,439	83	7,200	7,283	5,806	5,033	10,839
Net income	\$ 792	\$ 18,594	\$ 19,386	\$ 1,560	\$ 11,966	\$ 13,526	\$ 6,081	\$ 12,495	\$ 18,576
Basic net income per share	\$ -		\$ 0.11	\$ 0.01		\$ 0.08	\$ 0.04		\$ 0.11
Diluted net income per share	\$ -		\$ 0.11	\$ 0.01		\$ 0.08	\$ 0.04		\$ 0.11
Shares used in computing net income per share									
Basic	169,930		169,930	168,077		168,077	163,161		163,161
Diluted	176,234		176,234	173,720		173,720	168,345		168,345

GAAP to Non-GAAP – Operating Results (% of Rev)

(Q2'15 vs. Q1'15 vs. Q2'14)

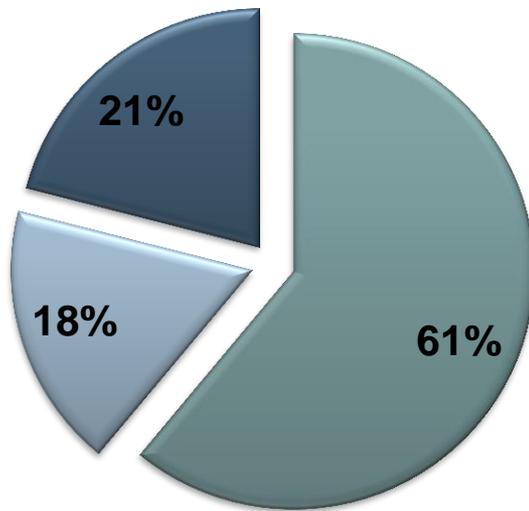


% of revenue	Non-GAAP			Non-GAAP			Non-GAAP		
	Q2'15	Adjustment	Q2'15	Q1'15	Adjustment	Q1'15	Q2'14	Adjustment	Q2'14
Revenue:									
Product	48%	-	48%	46%	-	46%	46%	-	46%
Service	52%	-	52%	54%	-	54%	54%	-	54%
Total revenue	100%	-	100%	100%	-	100%	100%	-	100%
Cost of revenue:									
Product	20%	(1%)	19%	19%	-	19%	20%	(2%)	19%
Service	9%	(1%)	9%	10%	(1%)	10%	11%	(1%)	10%
Total cost of revenue	29%	(1%)	28%	30%	(1%)	29%	31%	(2%)	29%
Gross profit:									
Product	59%	2%	60%	58%	-	58%	56%	4%	60%
Service	82%	1%	84%	81%	1%	82%	79%	1%	81%
Total gross profit	71%	1%	72%	70%	1%	71%	69%	2%	71%
Operating expenses:									
Research and development	16%	(2%)	13%	17%	(2%)	14%	16%	(2%)	14%
Sales and marketing	47%	(5%)	42%	47%	(4%)	43%	41%	(3%)	38%
General and administrative	8%	(2%)	5%	6%	(1%)	4%	6%	(2%)	4%
Total operating expenses	70%	(10%)	60%	70%	(8%)	62%	63%	(7%)	55%
Operating income	1%	11%	12%	0.4%	9%	9%	6%	10%	16%
Interest income	1%	-	1%	1%	-	1%	1%	-	1%
Other expense—net	-	-	-	-	-	-	-	-	-
Income before income taxes	1%	11%	12%	1%	9%	10%	6%	10%	17%
Provision for income taxes	1%	3%	4%	-	3%	3%	3%	3%	6%
Net income	0.3%	8%	8%	1%	6%	6%	3%	7%	11%

Global Employee Footprint

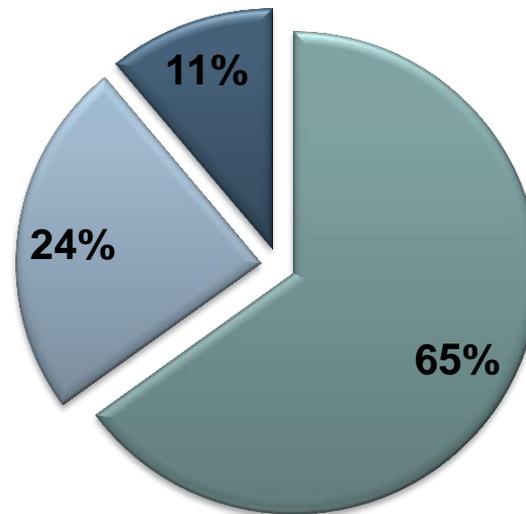


Location



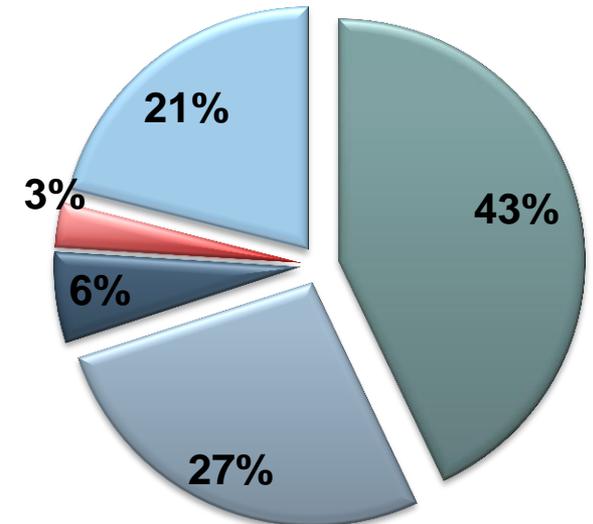
- Americas
- EMEA
- APAC

Cost



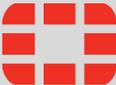
- Americas
- EMEA
- APAC

Function



- Sales & Marketing
- R&D
- G&A
- Operations
- Service & Support

Q2'15 Headcount: 3,336

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