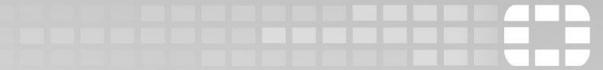




# Q3 2015 Financial Results

October 22, 2015

# Safe Harbor Statement



Information, statements and projections contained in these presentation slides and related conference call concerning Fortinet's business outlook and momentum, the Q4 and 2015 guidance, and future prospects and expectations are forward-looking statements that involve a number of uncertainties and risks. Actual results could differ materially from those projected in the forward-looking statements as a result of certain factors, including, among others: general economic risks; specific economic risks in different geographies and among different customer segments; uncertainty regarding demand for our products and services; uncertainty regarding increased business and renewals from existing customers; changes in our relationships with distributors, resellers and other partners; changes in overall technology spending and in spending on network security; contractual terms and other factors that may result in the deferral of revenue; the timing of orders and their fulfillment; manufacturing, inventory and supply chain constraints and timing; uncertainties around continued success in sales growth and market share gains; delays in scheduled product availability; risks associated with successful implementation of multiple integrated software products and other product functionality risks; execution risks around new product introductions and innovation; product defects, returns and vulnerabilities; the ability to attract and retain personnel; possible turnover among personnel including key employees; changes in strategy; risks associated with management of growth; lengthy sales and implementation cycles, particularly in larger organizations; risks associated with acquisitions, including integration risks businesses and assumption of unknown liabilities; delays or losses of, or changes in circumstances with regards to, sales deals expected to close during a certain time period; technological changes that make our products and services less competitive; risks associated with the adoption of, and demand for, Fortinet's model; mergers and acquisitions and the ability to successfully acquire, integrate and manage businesses and technologies; litigation and disputes and the potential cost, distraction and damage to sales and reputation caused thereby; risks posed by competitors and an increasingly competitive market; current laws, regulations and standards, and the adoption of new laws, regulations and standards that affect our product, services or business; risks associated with increased international sales, including the impact of foreign currency exchange rates; and the other risk factors set forth from time to time in our filings with the SEC. Please refer to our SEC filings, in particular, the risk factors described in our Forms 10-K and 10-Q for more information on these risks and uncertainties and on the limitations that apply to our forward-looking statements. Copies of our SEC reports can be obtained from the SEC, at the SEC's website located at [www.sec.gov](http://www.sec.gov), or by visiting the investor relations section of our website. All forward-looking statements reflect our opinions only as of the date of the conference call related to this presentation, and we undertake no obligation, and specifically disclaim any obligation, to revise or publicly release the results of any revision of these forward-looking statements in light of new information or future events.

# Fortinet Partner Eco System



# Q3 2015 Non-GAAP Results

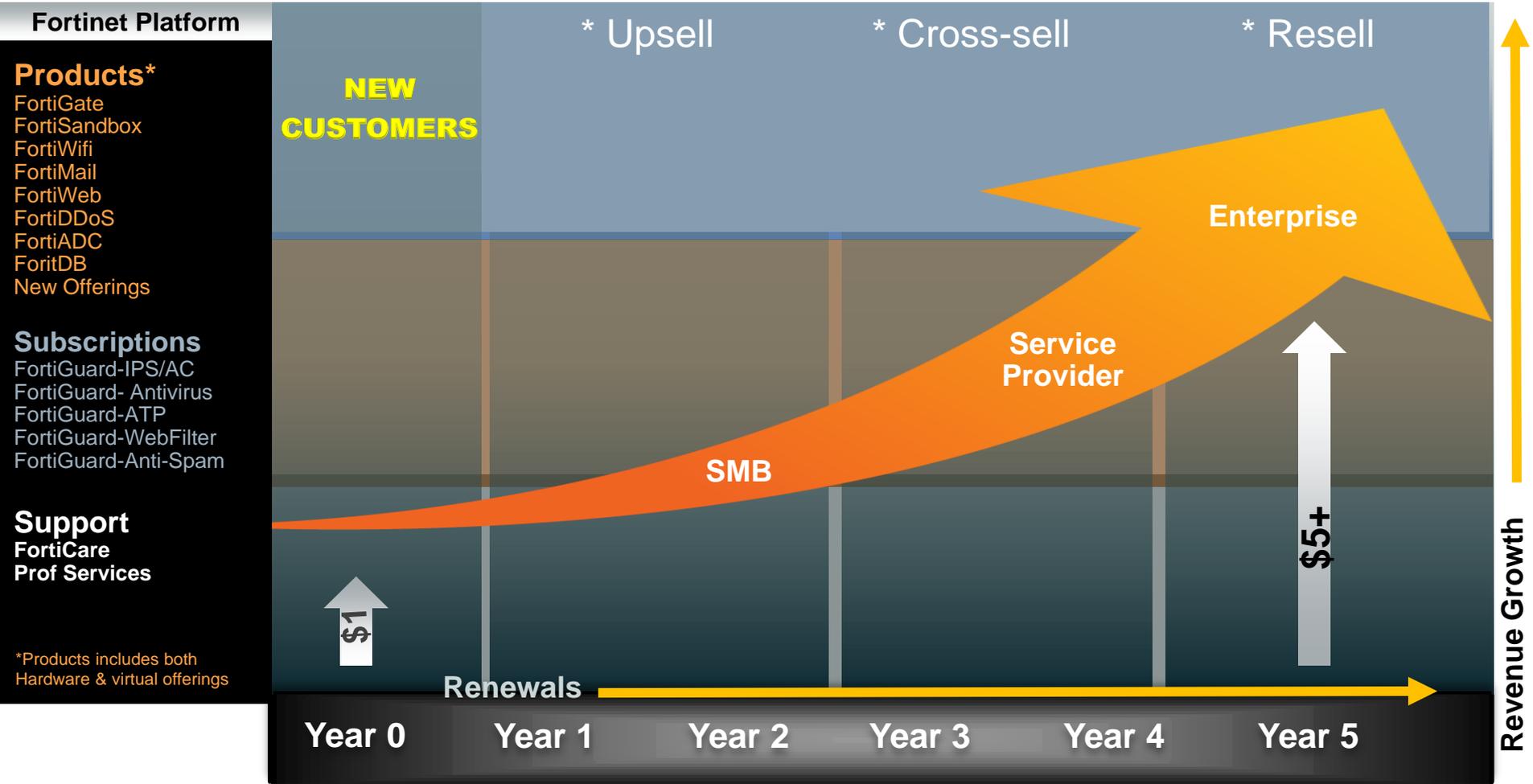


	Q3 15	Q3 14	Y/Y % Change
<b>Billings <sup>(1)</sup></b>	<b>\$300M</b>	<b>\$213M</b>	<b>41%</b>
<b>Revenue</b>	<b>\$260M</b>	<b>\$193M</b>	<b>35%</b>
<b>Gross Margin (%) <sup>(2)</sup></b>	<b>74%</b>	<b>72%</b>	<b>+2% pts</b>
<b>Operating Income <sup>(2)</sup></b>	<b>\$36M</b>	<b>\$30M</b>	<b>20%</b>
<b>Operating Margin (%) <sup>(2)</sup></b>	<b>14%</b>	<b>16%</b>	<b>-2% pts</b>
<b>Net Income <sup>(2)(3)</sup></b>	<b>\$24M</b>	<b>\$20M</b>	<b>21%</b>
<b>Earnings per Share <sup>(2)(3)</sup></b>	<b>\$0.14</b>	<b>\$0.12</b>	<b>17%</b>
<b>Deferred Revenue</b>	<b>\$707M</b>	<b>\$500M</b>	<b>41%</b>
<b>Cash Flow from Operations</b>	<b>\$65M</b>	<b>\$57M</b>	<b>15%</b>
<b>Free Cash Flow <sup>(4)</sup></b>	<b>\$52M</b>	<b>\$51M</b>	<b>2%</b>

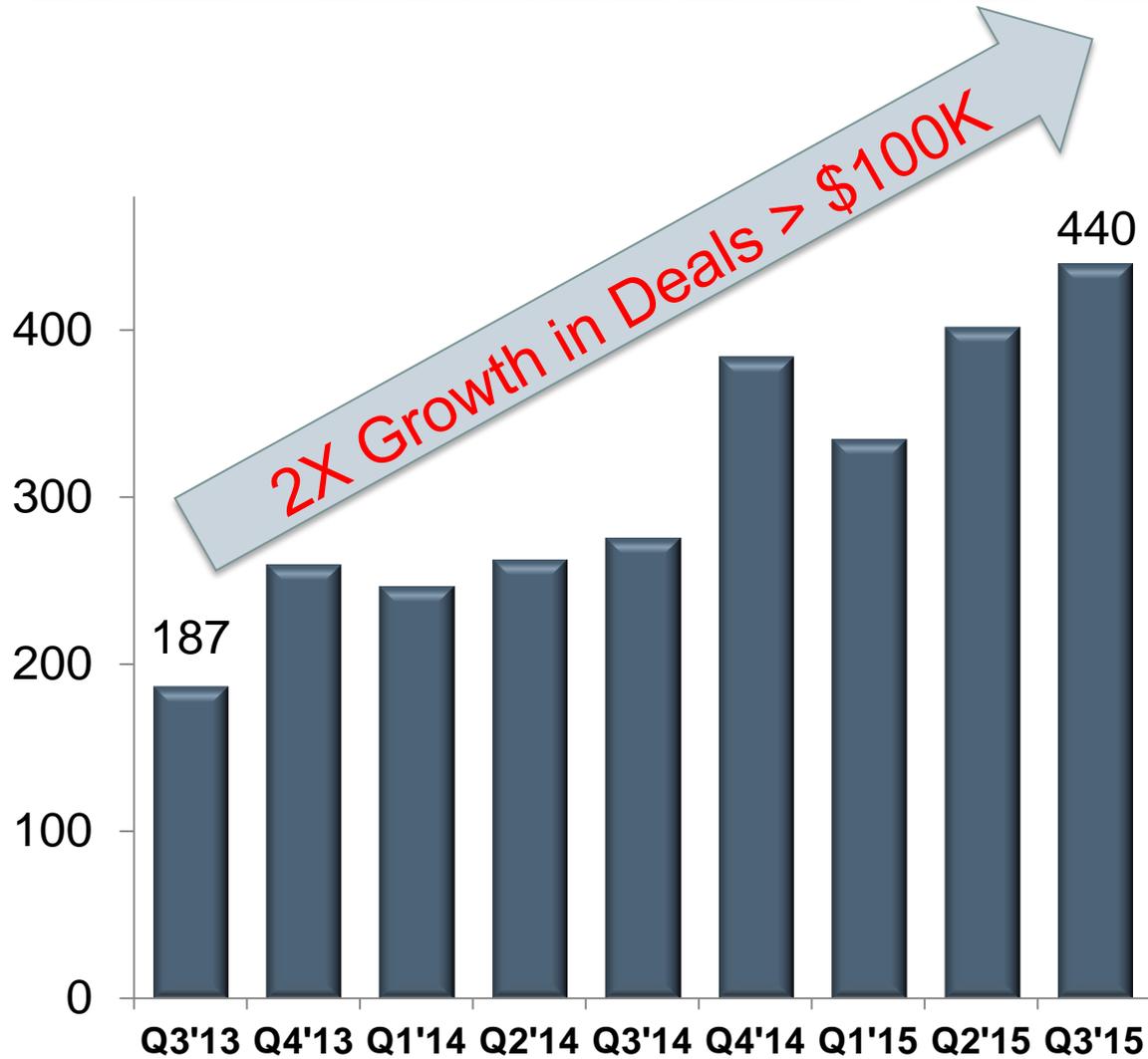
## Notes

- (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, business acquisition-related charges including inventory fair value adjustment amortization and other purchase price accounting adjustments, impairment and amortization of intangible assets, restructuring charges, 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.

# Long-term Benefits of Our Investment Strategy



# Large Deal Growth



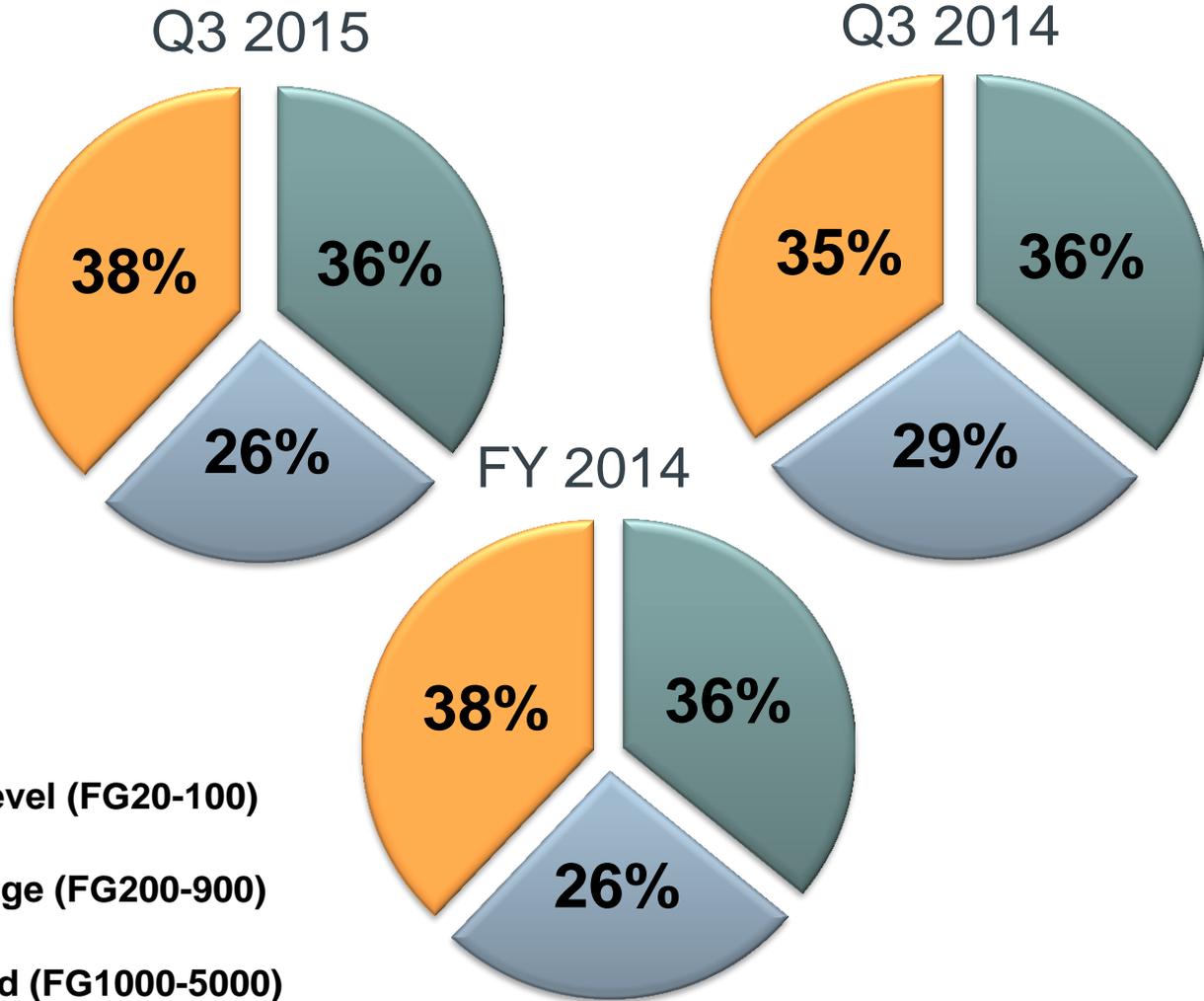
# Balanced Product Segmentation



## FortiGate Billings

- **Balanced Product Sales**
  - Entry-Level typically sold to Distributed Enterprises and SMBs
  - Mid-Range = Enterprises
  - High-End = Large Enterprises and Telcos/Service Providers

- **Entry-Level (FG20-100)**
- **Mid-Range (FG200-900)**
- **High-End (FG1000-5000)**



**Note**

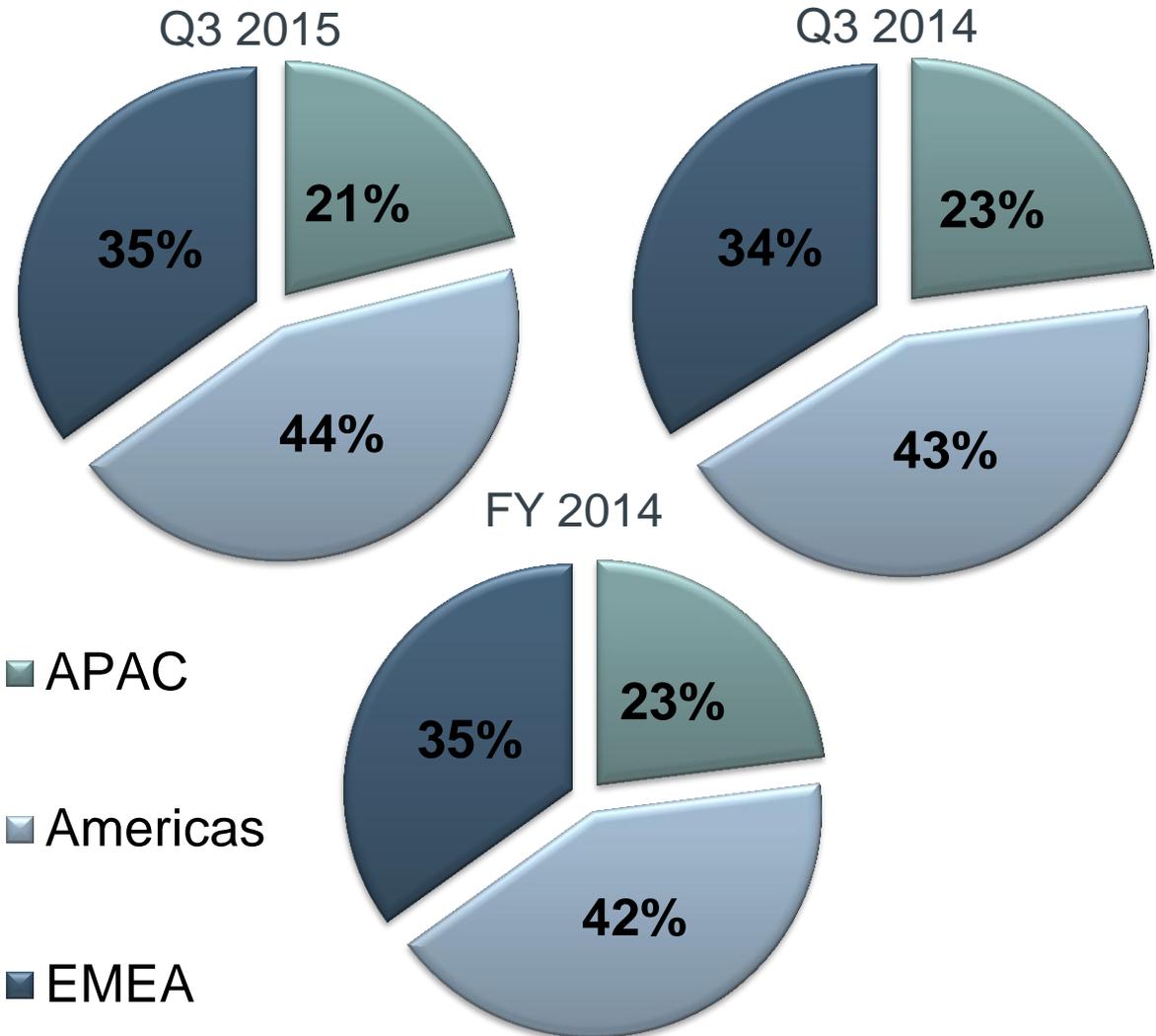
(1) Represents FortiGate billings by Product Category. Billings is a non-GAAP measure that we define as revenue recognized for the particular period plus the change in deferred revenue from the beginning to the end of the period, less any deferred revenue balances acquired from business combination(s)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

# Diversified Global Revenue

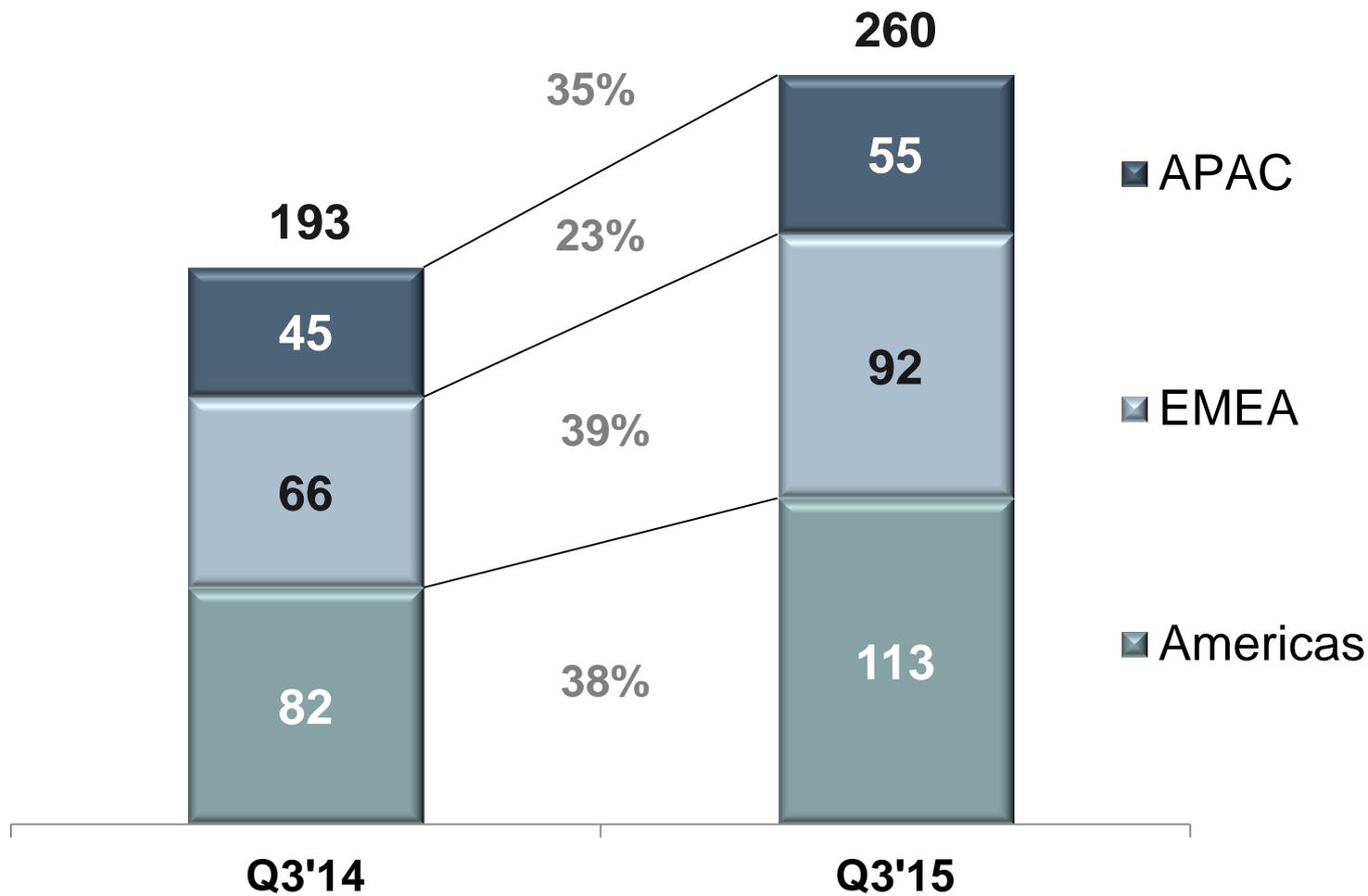


## Revenue by Geography

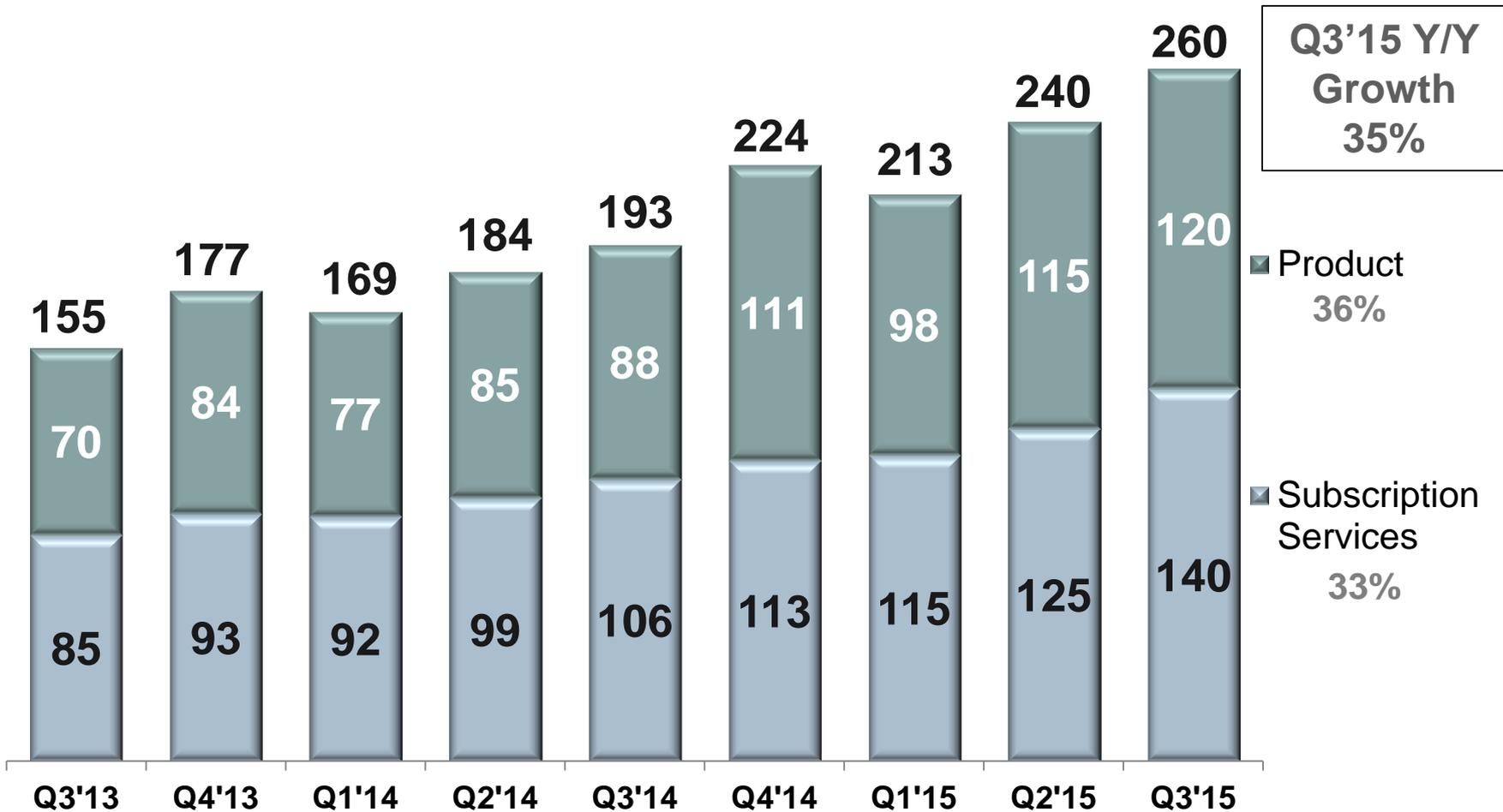
- Globally-diverse revenue stream



# Revenue Growth by Geography



# Quarterly Revenue Mix & Q3'15 Y/Y Growth



# Q3 2015 Select Financial Statistics



	Q3 15	Q2 15	Q3 14
Cash and Investments <sup>(1)</sup>	\$1.17B	\$1.15B	\$964M
Deferred Revenue	\$707M	\$658M	\$500M
Free Cash Flow	\$52M	\$74M	\$51M
DSO	60	66	54
Inventory Turns	2.1	2.2	2.3
Revenue per Employee (Annualized)	\$288K	\$299K	\$294K
No. of Deals >\$100K	440	402	276
No. of Deals >\$250K	147	136	90
No. of Deals >\$500K	50	57	35

## Notes

(1) Excludes \$10.2M, \$10.2M and \$5.0M of investments in privately-held companies which are recorded in other assets for Q3 2015, Q2 2015 and Q3 2014, respectively.

# Statement of Cash Flows (Non-GAAP)



(\$ in Millions)	Q3 15	Q3 14	YTD 15	YTD 14
<b>GAAP Net Income</b>	<b>8</b>	<b>4</b>	<b>11</b>	<b>19</b>
Depreciation and Stock-Based Compensation	35	20	89	59
Accounts Receivable	11	11	21	13
Inventory	(4)	(8)	(12)	(11)
Accounts Payable / Accrued Expenses / Other	(24)	10	(31)	13
Deferred Revenue	39	20	136	68
<b>GAAP Cash Flow from Operations</b>	<b>65</b>	<b>57</b>	<b>214</b>	<b>161</b>
Purchase of Property and Equipment	(13)	(6)	(29)	(27)
<b>Free Cash Flow</b>	<b>52</b>	<b>51</b>	<b>185</b>	<b>134</b>
Stock Option and RSU Exercises / ESPP	9	15	41	32
Stock Repurchases	-	(11)	-	(38)
Acquisition	(38)	-	(38)	-
Other	(2)	(2)	(10)	(5)
<b>Net Cash Flow</b>	<b>21</b>	<b>53</b>	<b>178</b>	<b>123</b>
<i>Footnote: Cash Paid for Taxes</i>	<b>5</b>	<b>3</b>	<b>15</b>	<b>34</b>

# Q4 and 2015 Guidance (Non-GAAP)



	Q4 15	Y/Y % Mid-Pt Growth	2015	Y/Y % Mid-Pt Growth
<b>Billings <sup>(1)</sup></b>	<b>\$364 - 369M</b>	<b>30%</b>	<b>\$1.215 - 1.220B</b>	<b>36%</b>
<b>Revenue</b>	<b>\$293 - 298M</b>	<b>32%</b>	<b>\$1.006 - 1.011B</b>	<b>31%</b>
<b>Gross Margin (%) <sup>(2)</sup></b>	<b>70 - 72%</b>		<b>71 - 72%</b>	
<b>Operating Margin (%) <sup>(2)</sup></b>	<b>~16%</b>		<b>~14%</b>	
<b>Earnings per Share <sup>(2) (3)</sup></b>	<b>\$0.18 - 0.19</b>		<b>\$0.51 - 0.52</b>	
<b>Weighted Diluted Shares used in EPS</b>	<b>179 - 181M</b>		<b>176 - 178M</b>	

## 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, business acquisition-related charges including inventory fair value adjustment amortization and other purchase price accounting adjustments, impairment and amortization of intangible assets, restructuring charges, 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

## (Q3'15 vs. Q2'15 vs. Q3'14)



(Unaudited, in thousands, except per share amounts)

	Q3'15	Adjustment	Non-GAAP Q3'15	Q2'15	Adjustment	Non-GAAP Q2'15	Q3'14	Adjustment	Non-GAAP Q3'14
<b>Revenue:</b>									
Product	\$ 119,737	\$ -	\$ 119,737	\$ 114,777	\$ -	\$ 114,777	\$ 87,731	\$ -	\$ 87,731
Service	140,331	-	140,331	125,008	-	125,008	105,617	-	105,617
<b>Total revenue</b>	<b>260,068</b>	<b>-</b>	<b>260,068</b>	<b>239,785</b>	<b>-</b>	<b>239,785</b>	<b>193,348</b>	<b>-</b>	<b>193,348</b>
<b>Cost of revenue:</b>									
Product	46,167	(2,202)	43,965	47,397	(1,735)	45,662	35,636	(304)	35,332
Service	25,534	(1,849)	23,685	22,101	(1,660)	20,441	21,249	(1,522)	19,727
<b>Total cost of revenue</b>	<b>71,701</b>	<b>(4,051)</b>	<b>67,650</b>	<b>69,498</b>	<b>(3,395)</b>	<b>66,103</b>	<b>56,885</b>	<b>(1,826)</b>	<b>55,059</b>
<b>Gross profit:</b>									
Product	73,570	2,202	75,772	67,380	1,735	69,115	52,095	304	52,399
Service	114,797	1,849	116,646	102,907	1,660	104,567	84,368	1,522	85,890
<b>Total gross profit</b>	<b>188,367</b>	<b>4,051</b>	<b>192,418</b>	<b>170,287</b>	<b>3,395</b>	<b>173,682</b>	<b>136,463</b>	<b>1,826</b>	<b>138,289</b>
<b>Operating expenses:</b>									
Research and development	42,110	(6,663)	35,447	37,389	(5,541)	31,848	30,790	(4,505)	26,285
Sales and marketing	120,994	(14,614)	106,380	111,928	(11,583)	100,345	80,433	(7,397)	73,036
General and administrative	21,220	(7,019)	14,201	18,018	(5,820)	12,198	9,789	(1,183)	8,606
Restructuring charges	5,883	(5,883)	-	-	-	-	-	-	-
<b>Total operating expenses</b>	<b>190,207</b>	<b>(34,179)</b>	<b>156,028</b>	<b>167,335</b>	<b>(22,944)</b>	<b>144,391</b>	<b>121,012</b>	<b>(13,085)</b>	<b>107,927</b>
<b>Operating income (loss)</b>	<b>(1,840)</b>	<b>38,230</b>	<b>36,390</b>	<b>2,952</b>	<b>26,339</b>	<b>29,291</b>	<b>15,451</b>	<b>14,911</b>	<b>30,362</b>
<b>Interest income</b>	<b>1,333</b>	<b>-</b>	<b>1,333</b>	<b>1,364</b>	<b>-</b>	<b>1,364</b>	<b>1,339</b>	<b>-</b>	<b>1,339</b>
<b>Other expense—net</b>	<b>(653)</b>	<b>-</b>	<b>(653)</b>	<b>(830)</b>	<b>-</b>	<b>(830)</b>	<b>(1,005)</b>	<b>-</b>	<b>(1,005)</b>
<b>Income (Loss) before income taxes</b>	<b>(1,160)</b>	<b>38,230</b>	<b>37,070</b>	<b>3,486</b>	<b>26,339</b>	<b>29,825</b>	<b>15,785</b>	<b>14,911</b>	<b>30,696</b>
<b>Provision for (Benefit from) income taxes</b>	<b>(9,329)</b>	<b>22,304</b>	<b>12,975</b>	<b>2,694</b>	<b>7,745</b>	<b>10,439</b>	<b>11,729</b>	<b>(985)</b>	<b>10,744</b>
<b>Net income</b>	<b>\$ 8,169</b>	<b>\$ 15,926</b>	<b>\$ 24,095</b>	<b>\$ 792</b>	<b>\$ 18,594</b>	<b>\$ 19,386</b>	<b>\$ 4,056</b>	<b>\$ 15,896</b>	<b>\$ 19,952</b>
<b>Basic net income per share</b>	<b>\$ 0.05</b>		<b>\$ 0.14</b>	<b>\$ -</b>		<b>\$ 0.11</b>	<b>\$ 0.02</b>		<b>\$ 0.12</b>
<b>Diluted net income per share</b>	<b>\$ 0.05</b>		<b>\$ 0.14</b>	<b>\$ -</b>		<b>\$ 0.11</b>	<b>\$ 0.02</b>		<b>\$ 0.12</b>
<b>Shares used in computing net income per share</b>									
Basic	171,648		171,648	169,930		169,930	164,294		164,294
Diluted	177,897		177,897	176,234		176,234	169,727		169,727

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

## (Q3'15 vs. Q2'15 vs. Q3'14)

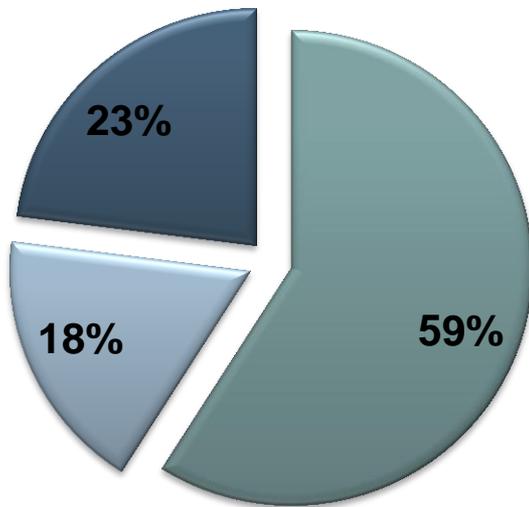


% of revenue	Non-GAAP			Non-GAAP			Non-GAAP		
	Q3'15	Adjustment	Q3'15	Q2'15	Adjustment	Q2'15	Q3'14	Adjustment	Q3'14
<b>Revenue:</b>									
Product	46%	-	46%	48%	-	48%	45%	-	45%
Service	54%	-	54%	52%	-	52%	55%	-	55%
Total revenue	100%	-	100%	100%	-	100%	100%	-	100%
<b>Cost of revenue:</b>									
Product	18%	( 1% )	17%	20%	( 1% )	19%	18%	-	18%
Service	10%	( 1% )	9%	9%	( 1% )	9%	11%	( 1% )	10%
Total cost of revenue	28%	( 2% )	26%	29%	( 1% )	28%	29%	( 1% )	28%
<b>Gross profit:</b>									
Product	61%	2%	63%	59%	2%	60%	59%	-	60%
Service	82%	1%	83%	82%	1%	84%	80%	1%	81%
Total gross profit	72%	2%	74%	71%	1%	72%	71%	1%	72%
<b>Operating expenses:</b>									
Research and development	16%	( 3% )	14%	16%	( 2% )	13%	16%	( 2% )	14%
Sales and marketing	47%	( 6% )	41%	47%	( 5% )	42%	42%	( 4% )	38%
General and administrative	8%	( 3% )	5%	8%	( 2% )	5%	5%	( 1% )	4%
Restructuring charges	2%	( 2% )	-	-	-	-	-	-	-
Total operating expenses	73%	( 13% )	60%	70%	( 10% )	60%	63%	( 7% )	56%
<b>Operating income (loss)</b>	( 1% )	15%	14%	1%	11%	12%	8%	8%	16%
<b>Interest income</b>	1%	-	1%	1%	-	1%	1%	-	1%
<b>Other expense—net</b>	-	-	-	-	-	-	( 1% )	-	( 1% )
<b>Income (Loss) before income taxes</b>	( 0.4% )	15%	14%	1%	11%	12%	8%	8%	16%
<b>Provision for (Benefit from) income taxes</b>	( 4% )	9%	5%	1%	3%	4%	6%	( 1% )	6%
<b>Net income</b>	3%	6%	9%	0.3%	8%	8%	2%	8%	10%

# Global Employee Footprint

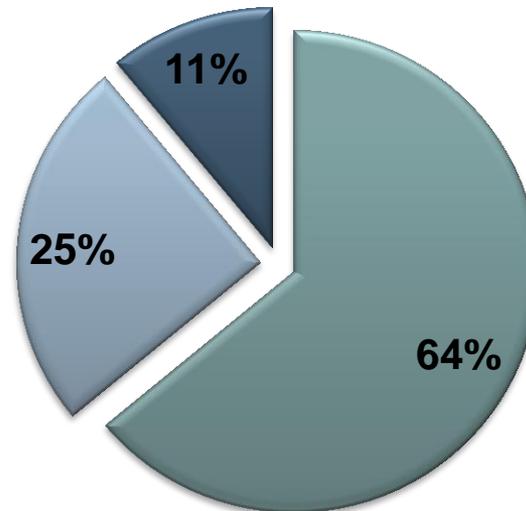


Location



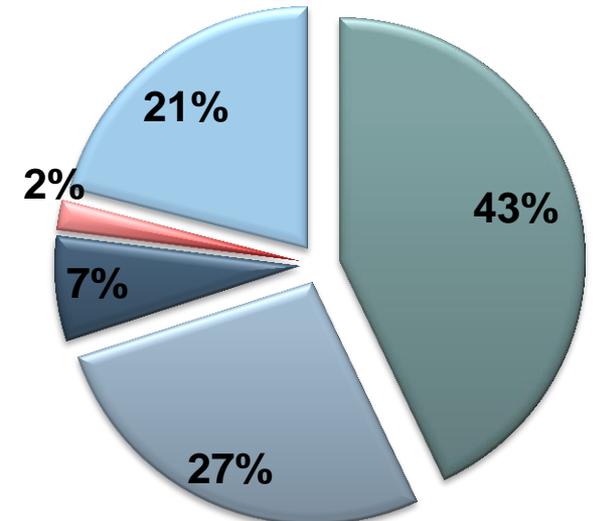
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- EMEA
- APAC

Cost



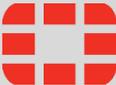
- Americas
- EMEA
- APAC

Function



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

Q3'15 Headcount: 3,889

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