



# Q3 2024 Financial Results

November 7, 2024

# Safe Harbor Statement

Information, statements and projections contained in these presentation slides and related conference call concerning Fortinet's business outlook, the fourth quarter and full year 2024 guidance, and future prospects and expectations are forward-looking statements that involve risks and uncertainties. These forward-looking statements include statements regarding any indications related to future growth and market share gains, our strategy going forward, and guidance and expectations around future financial results, including guidance and expectations for the fourth quarter and full year 2024, and any statements regarding our market opportunity and market size, and business momentum. 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 economic challenges, a possible economic downturn or recession and the effects of inflation or stagflation, rising interest rates or reduced information technology spending; supply chain challenges; negative impacts from the ongoing war in Ukraine and its related macroeconomic effects and our decision to reduce operations in Russia, as well as the Israel-Hamas war; 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; sales execution risks, including risks in connection with the timing and completion of large strategic deals; 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 competition and pricing pressure; excess product inventory for any reason, including those caused by the effects of increased inflation and interest rates in certain geographies and the war in Ukraine and the Israel-Hamas war; risks associated with business disruption caused by natural disasters and health emergencies such as earthquakes, fires, power outages, typhoons, floods, health epidemics and viruses, and by manmade events such as civil unrest, labor disruption, international trade disputes, international conflicts such as the war in Ukraine and the Israel-Hamas war or tensions between China and Taiwan, 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, including the impact of any future shutdowns of the U.S. government and the transition in administrations; 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.



# More External Forces Than Ever Are Driving Security Decisions



## DIGITAL EVOLUTION

Digital innovation is creating tremendous opportunity, but more risk



## TECHNOLOGY DISRUPTION

More companies are rapidly implementing AI to transform business operations



## ECONOMIC HEADWINDS

Budget changes and skills shortage are resulting in more delays and more risk



## SKILLS SHORTAGE

With 4.8M unfilled jobs, the struggle to recruit and retain cybersecurity talent creates additional cyber risks



## ENVIRONMENTAL, SOCIAL, & GOVERNANCE

Consumers and boards are putting more pressure to deliver on ESG initiatives



## REGULATORY AND COMPLIANCE

Companies are reacting to more frequent reporting and regulatory changes



## THREAT LANDSCAPE

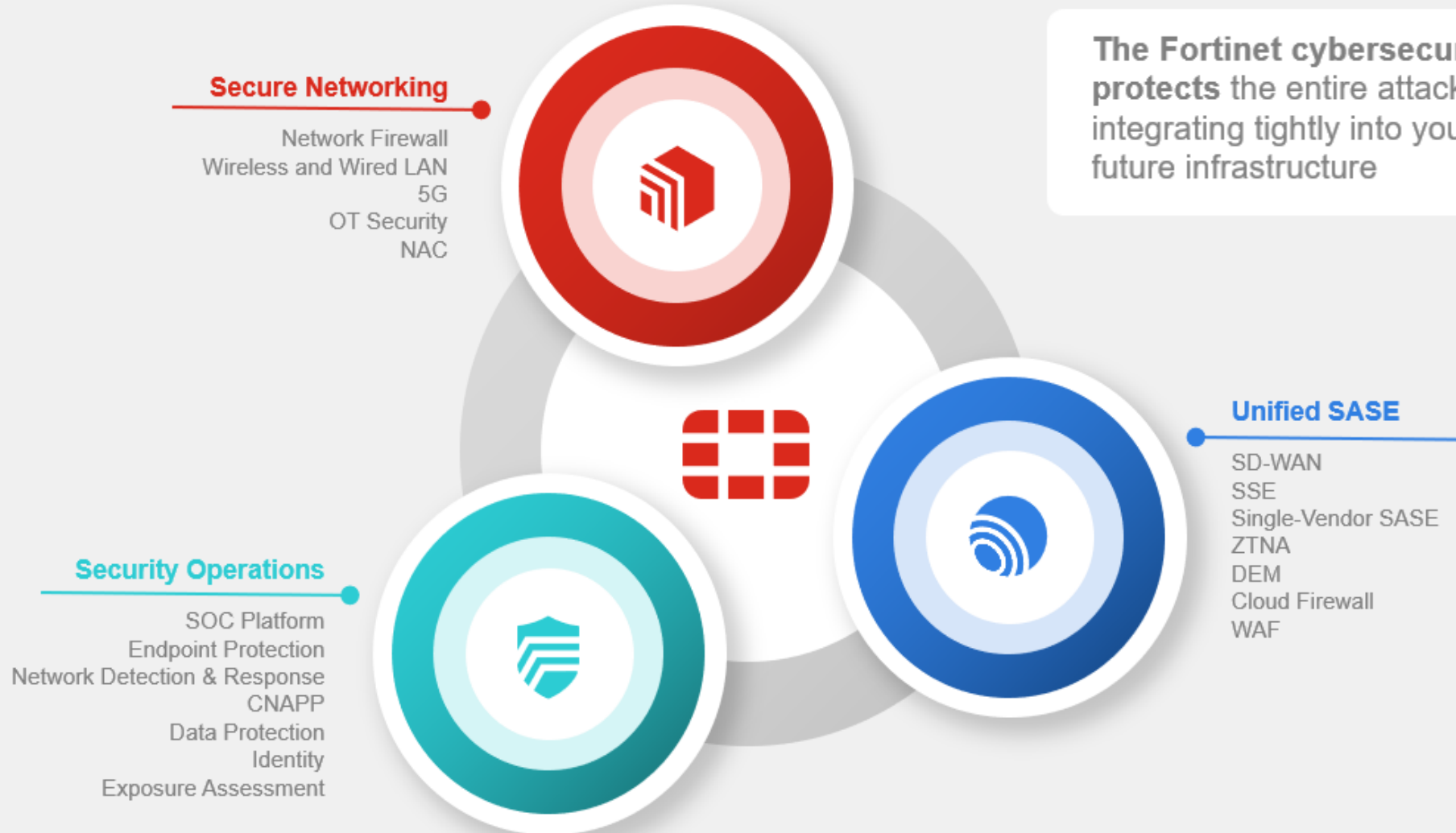
Attacks are growing in sophistication and frequency

- Long-lived Exploits
- Industrial Ransomware
- Supply Chain Attacks
- Cloud Risks
- APT Threat Actors
- New Vulnerabilities
- Targeted Attacks On The Rise
- Insider Risk



# The Broadest, Most Integrated AI-Driven Platform in Cybersecurity

50+ tightly integrated product lines



# Our Pillars



## Secure Networking

**Firewall** (FortiGate)  
**Management** (FortiManager)  
**Switch** (FortiSwitch)  
**Access Points** (FortiAP)  
**5G** (FortiExtender)  
**NAC** (FortiNAC)  
**DDoS** (FortiDDoS)  
+MORE



## Unified SASE

**SD-WAN** (FortiGate)  
**SSE/SASE** (FortiSASE)  
**ZTNA** (FortiClient)  
**DEM** (FortiMonitor)  
**Virtual Machine** (FortiGate VM)  
**Cloud Native** (FortiGate CNF)  
**WAF** (FortiWeb)  
**SWG** (FortiProxy)  
+MORE



## AI-Driven Security Operations

**Analytics** (FortiAnalyzer)  
**CNAPP** (FortiCNAPP)  
**DLP** (FortiDLP)  
**SIEM** (FortiSIEM)  
**EDR** (FortiEDR)  
**SOAR** (FortiSOAR)  
**NDR** (FortiNDR)  
**Mail** (FortiMail)  
**EASM** (FortiRecon)  
FortiGuard SoCaaS  
+MORE

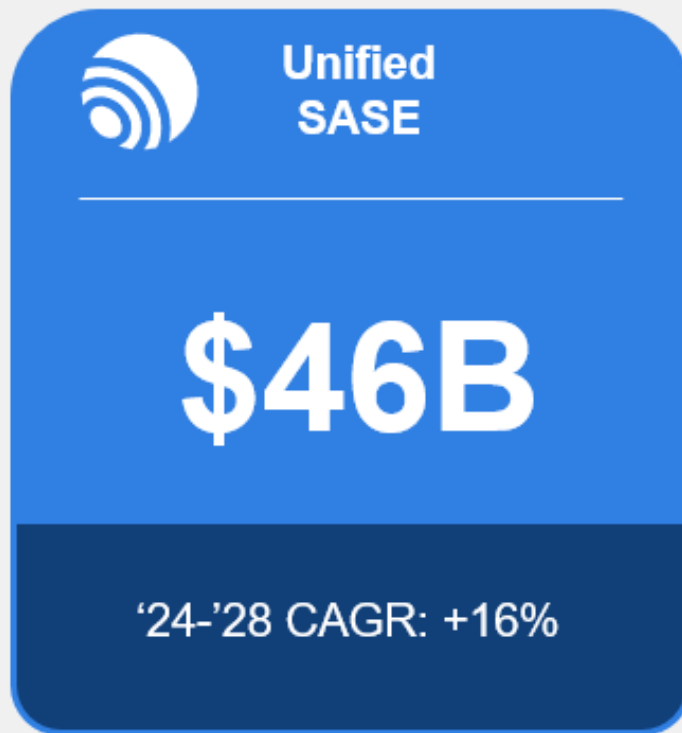


# A Large & Growing Total Addressable Market

Worldwide TAM Growing from \$183B in 2024 to \$284B in 2028, a +12% CAGR.



**66.5% of Q3 2024 Billings**  
Grew +15% YoY average over last 3 years

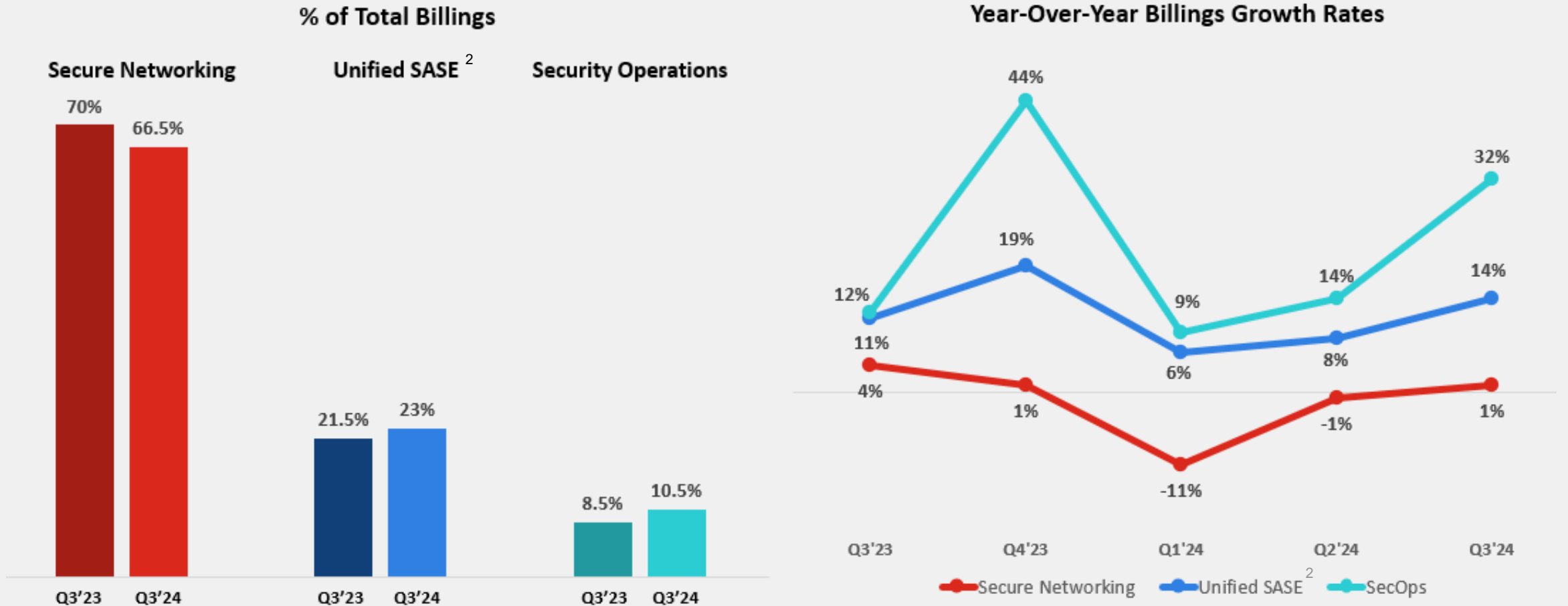


**23.0% of Q3 2024 Billings**  
Grew +22% YoY average over last 3 years



**10.5% of Q3 2024 Billings**  
Grew +22% YoY average over last 3 years

# Billings Mix and Growth Rates by Pillar<sup>1</sup>



Note

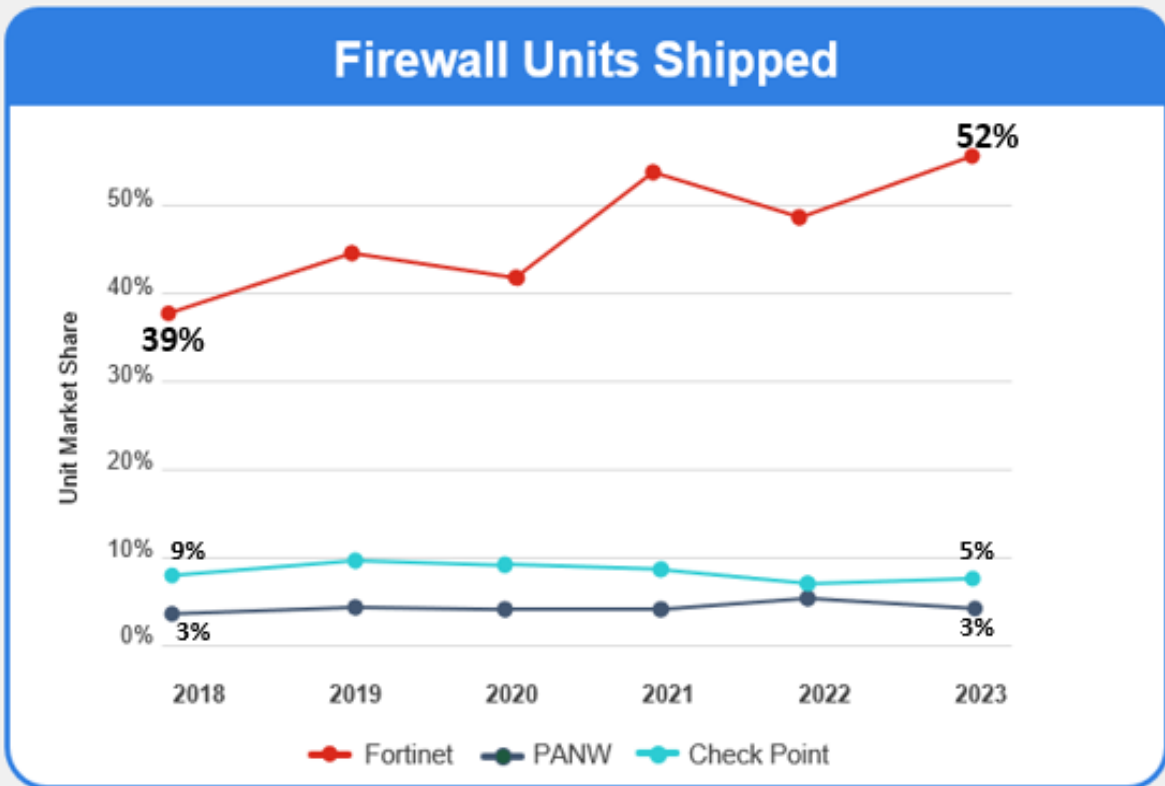


(1) In Q3'24, a minor adjustment was made to the pillar allocations, which impacted the billings mix in Q3'23 and Q4'23. Please see slide 25 for the revised billings mix for each of the pillars

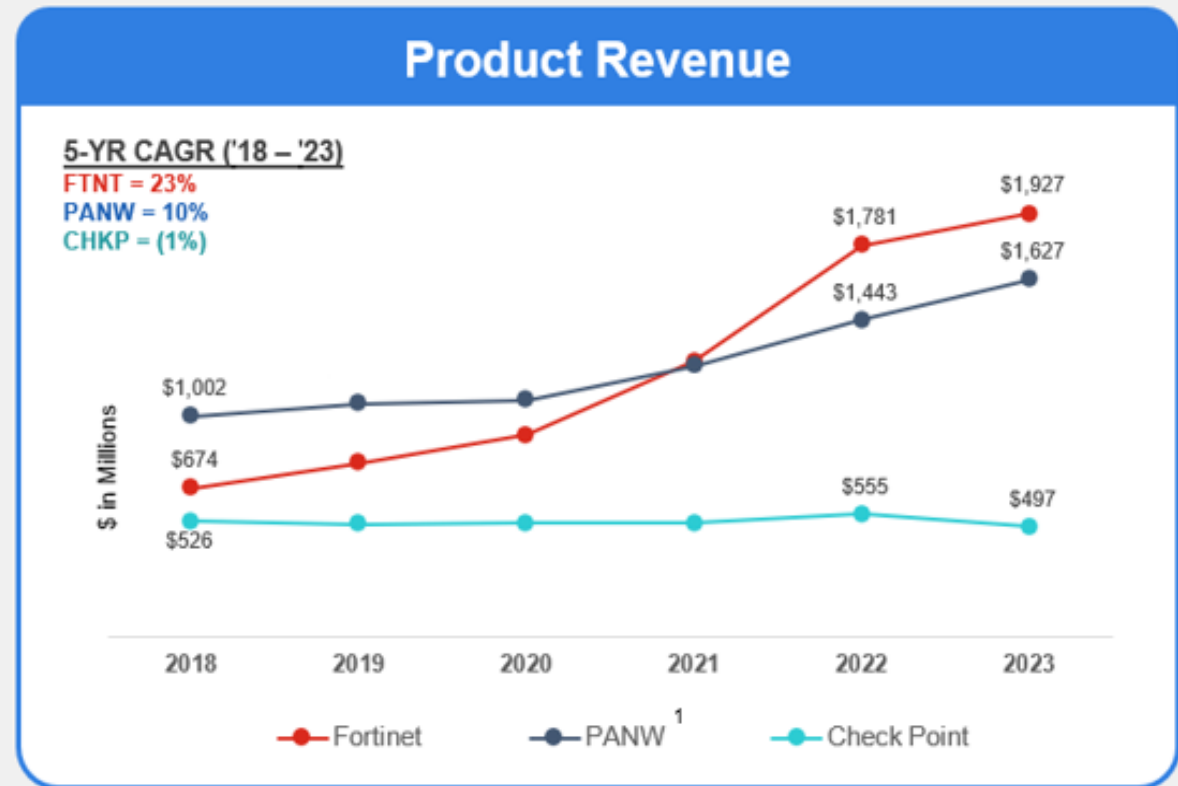
(2) Unified SASE includes SSE and related solutions, and a percentage of certain FortiGate billings.

# Industry Leader in Secure Networking – Landing with Firewall

Cumulative Units Shipped: 13M+



Source: 650 Group, March 2024



Source: Company reports



Note 1: Calendar year product revenue is calculated from February 1st of the year shown and ending on January 31st of the following year.

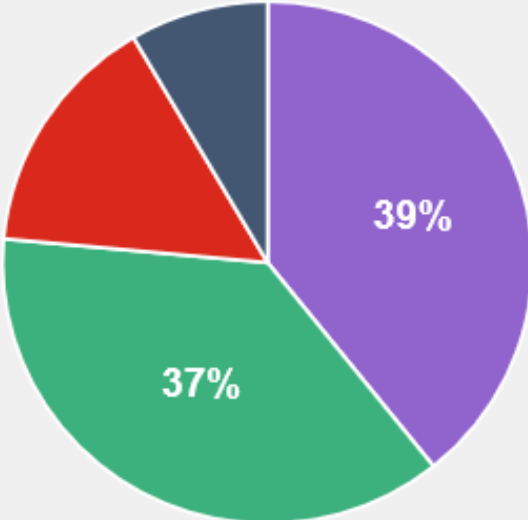
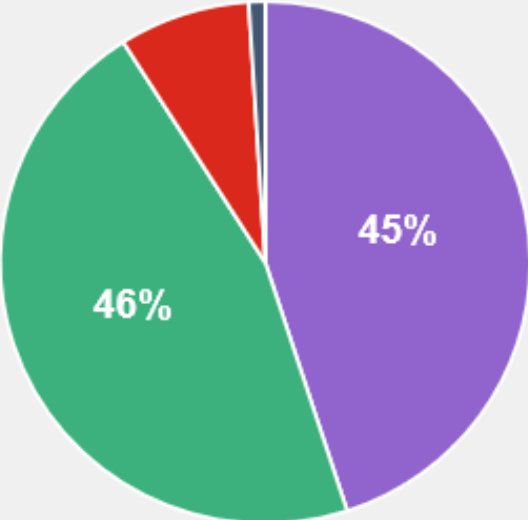


# Expanding with SASE and SecOps<sup>1</sup>

### Customer Type

SASE

SecOps

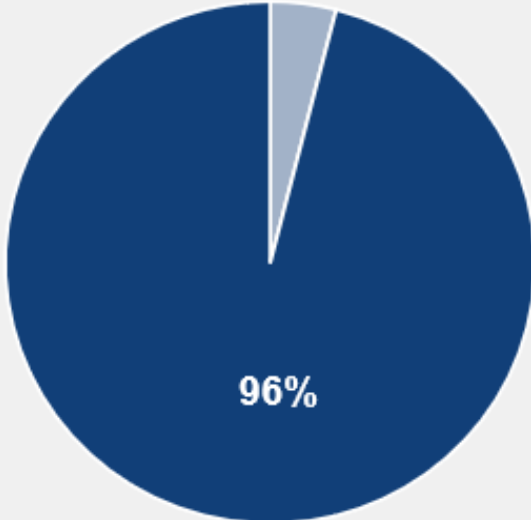
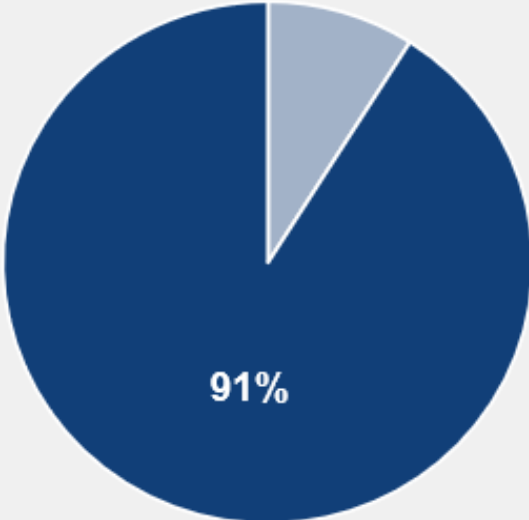


- Large Enterprise
- Mid Enterprise
- Small Enterprise
- SP/MSSP

### Customer Relationship

SASE

SecOps



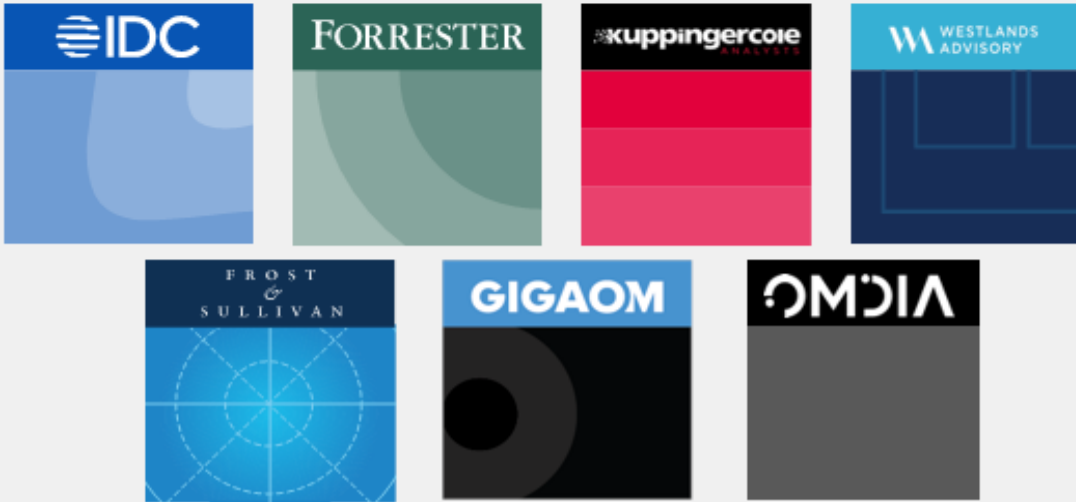
- Existing Customer
- New Customer

Note 1: Based on invoiced amounts for the quarter ended September 30, 2024.

# 130+

## Industry Analyst Research Validates Fortinet Across Networking & Security

Fortinet is one of the most validated cybersecurity companies in the world. Fortinet is continually recognized across more than 130+ research reports from the major industry analyst firms like Gartner, IDC and Forrester, and is recognized in 9 Gartner Magic Quadrants.



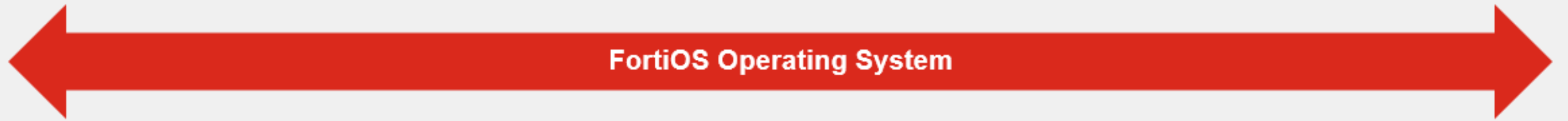
Magic Quadrant for Endpoint Protection Platforms – Published 23 September 2024 – ID G00808300  
Magic Quadrant for Security Information and Event Management – Published 08 May 2024 – ID G00780705  
Magic Quadrant for SD-WAN – Published 30, September 2024 – ID G00803425  
Magic Quadrant for Enterprise Wired and Wireless LAN Infrastructure – Published 06 March 2024 – ID G00785075  
Magic Quadrant for Network Firewalls - Published 19 December 2022 - ID G00761497  
Magic Quadrant for Security Service Edge – Published 15 April 2024 - ID G00792702  
Magic Quadrant for Access Management - Published 16 November 2023 - ID G00781727  
Magic Quadrant for Single-Vendor SASE – Published 3 July 2024 – ID G00800940  
Magic Quadrant for Privileged Access Management – Published 9 September 2024 – ID G00802036



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# Leadership in Five Network Security Gartner Magic Quadrants

All with a single operating system (FortiOS)



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Magic Quadrant for Network Firewalls - Published 19 December 2022 - ID G00761497 - Rajpreet Kaur, Adam Hills, Thomas Lintemuth  
 Magic Quadrant for SD-WAN - Published 30 September 2024 - ID G00803425 - Jonathan Forest, Karen Brown, Nauman Raja  
 Magic Quadrant for Enterprise Wired and Wireless LAN Infrastructure - Published 06 March 2024 - ID G00785075 - Tim Zimmerman, Christian Canales, Nauman Raja, Mike Leibovitz  
 Magic Quadrant for Security Service Edge - Published 15 April 2024 - ID G00792702 - Charlie Winckless, Thomas Lintemuth, Dale Koeppen  
 Magic Quadrant for Single-Vendor SASE - Published 3 July 2024 - ID G00800940 - Andrew Lerner, Neil MacDonald, Jonathan Forest, Charlie Winckless

# Leading with the Only Internally Developed ASIC-Powered SD-WAN

## Gartner SD-WAN MQ Leader



### Integrated

Developed on the existing Firewall Platform and ASIC Accelerated for Industry leading Price Performance

### Secure

Distributed Controller increased uptime and scale. The Inbuilt security services from FortiGuard for Enterprise Security

### Broad

Simple expansion into FortiSASE and FortiGate, FortiAP, FortiSwitch (SD-Branch) for simplified operations



# Q3 2024 Non-GAAP Results

	Q3'22	Q4'22	Q1'23	Q2'23	Q3'23	Q4'23	Q1'24	Q2'24	Q3'24
<b>Billings <sup>(1)</sup></b>	\$1.411B	\$1.719B	\$1.503B	\$1.541B	\$1.491B	\$1.865B	\$1.407B	\$1.541B	<b>\$1.582B</b>
<b>Y/Y % Change</b>	32.6%	31.6%	29.6%	18.1%	5.7%	8.5%	(6.4)%	—%	<b>6.1%</b>
<b>Revenue</b>	\$1.150B	\$1.283B	\$1.262B	\$1.293B	\$1.335B	\$1.415B	\$1.353B	\$1.434B	<b>\$1.508B</b>
<b>Y/Y % Change</b>	32.6%	33.1%	32.2%	25.5%	16.1%	10.3%	7.2%	10.9%	<b>13.0%</b>
<b>Product Revenue</b>	\$468.7M	\$540.1M	\$500.7M	\$472.6M	\$465.9M	\$488.1M	\$408.9M	\$451.9M	<b>\$473.9M</b>
<b>Y/Y % Change</b>	39.0%	42.5%	35.0%	17.9%	(0.6)%	(9.6)%	(18.3)%	(4.4)%	<b>1.7%</b>
<b>Service Revenue</b>	\$680.8M	\$742.9M	\$761.6M	\$820.2M	\$868.7M	\$927.0M	\$944.4M	\$982.4M	<b>\$1.034B</b>
<b>Y/Y % Change</b>	28.4%	27.1%	30.5%	30.3%	27.6%	24.8%	24.0%	19.8%	<b>19.1%</b>
<b>% of Total Revenue</b>	59%	58%	60%	63%	65%	66%	70%	69%	<b>69%</b>

## 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).



# Q3 2024 Non-GAAP Results

	Q3'22	Q4'22	Q1'23	Q2'23	Q3'23	Q4'23	Q1'24	Q2'24	Q3'24
<b>Gross Profit <sup>(1)</sup></b>	\$875.5M	\$996.0M	\$963.6M	\$1.01B	\$1.03B	\$1.11B	\$1.06B	\$1.17B	<b>\$1.26B</b>
<b>Gross Margin <sup>(1)</sup></b>	76.2%	77.6%	76.3%	77.9%	76.9%	78.5%	78.1%	81.5%	<b>83.2%</b>
<b>Operating Income <sup>(1)(2)</sup></b>	\$324.9M	\$417.6M	\$334.0M	\$348.1M	\$371.4M	\$453.5M	\$386.1M	\$503.6M	<b>\$544.7M</b>
<b>Operating Margin <sup>(1)(2)</sup></b>	28.3%	32.5%	26.5%	26.9%	27.8%	32.0%	28.5%	35.1%	<b>36.1%</b>
<b>Net Income attributable to Fortinet, Inc. <sup>(1)(2)(3)(4)(5)</sup></b>	\$262.7M	\$349.7M	\$269.7M	\$300.4M	\$323.5M	\$392.0M	\$333.9M	\$439.9M	<b>\$487.6M</b>
<b>Diluted Net Income per Share Attributable to Fortinet, Inc. <sup>(1)(2)(3)(4)(5)</sup></b>	\$0.33	\$0.44	\$0.34	\$0.38	\$0.41	\$0.51	\$0.43	\$0.57	<b>\$0.63</b>
<b>Weighted Diluted Shares Used to Compute Net Income per Share Attributable to Fortinet, Inc.</b>	798.6M	791.8M	793.4M	795.9M	791.2M	772.3M	770.5M	769.9M	<b>771.9M</b>
<b>Deferred Revenue</b>	\$4.19B	\$4.64B	\$4.88B	\$5.13B	\$5.29B	\$5.74B	\$5.79B	\$5.90B	<b>\$6.01B</b>
<b>Cash, Investments and Marketable Equity Securities<sup>(6)</sup></b>	\$1.81B	\$2.26B	\$2.89B	\$3.32B	\$3.17B	\$2.44B	\$3.02B	\$3.34B	<b>\$3.70B</b>
<b>Cash Paid for Stock Repurchases</b>	\$500.0M	—	—	—	\$604.3M	\$896.2M	—	—	<b>\$0.6M</b>
<b>Days Sales Outstanding</b>	75	89	78	75	68	89	66	68	<b>62</b>
<b>Inventory Turns</b>	3.4	2.8	2.3	1.6	1.2	1.3	1.2	1.4	<b>1.7</b>
<b>Headcount</b>	12,091	12,595	13,202	13,677	13,618	13,568	13,522	13,527	<b>13,986</b>

## Notes

- (1) Excludes stock-based compensation and amortization of acquired intangible assets.
- (2) Excludes charges in connection with litigation settlement and gain on intellectual property ("IP") matters.
- (3) Assumes a quarterly effective tax rate of 17% for 2022, 2023 and 17% for Q1'24, Q2'24 and Q3'24.
- (4) Excludes a gain on bargain purchase related to our acquisition of Lacework Inc. ("Lacework") and a non-cash charge, primarily comprised of the impairment recognized on our equity method investment in Linksys Holdings Inc. ("Linksys") and other intervening events related to the establishment of a valuation allowance against Linksys deferred tax assets.
- (5) Excludes the adjustments attributable to non-controlling interests.
- (6) Excludes investments in privately held companies, which are recorded in other assets.



# Revenue by Geography

(\$ in millions) % is Y/Y % Change	Q3'22		Q4'22		Q1'23		Q2'23		Q3'23		Q4'23		Q1'24		Q2'24		Q3'24	
	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%
<b>Americas</b>	\$467.6	33.6%	\$521.2	36.9%	\$523.5	36.8%	\$537.0	29.8%	\$545.6	16.7%	\$569.1	9.2%	\$557.0	6.4%	\$595.3	10.9%	<b>\$624.0</b>	<b>14.4%</b>
<b>EMEA</b>	\$443.9	37.3%	\$510.1	37.6%	\$478.2	38.2%	\$506.9	29.4%	\$512.2	15.4%	\$575.6	12.8%	\$539.4	12.8%	\$565.2	11.5%	<b>\$599.3</b>	<b>17.0%</b>
<b>APAC</b>	\$238.0	22.7%	\$251.7	18.7%	\$260.6	15.2%	\$248.9	10.8%	\$276.8	16.3%	\$270.4	7.4%	\$256.9	(1.4)%	\$273.8	10.0%	<b>\$284.8</b>	<b>2.9%</b>
<b>Total</b>	\$1,149.5	32.6%	\$1,283.0	33.1%	\$1,262.3	32.2%	\$1,292.8	25.5%	\$1,334.6	16.1%	\$1,415.1	10.3%	\$1,353.3	7.2%	\$1,434.3	10.9%	<b>\$1,508.1</b>	<b>13.0%</b>

% of revenue	Q3'22	Q4'22	Q1'23	Q2'23	Q3'23	Q4'23	Q1'24	Q2'24	Q3'24
<b>Americas</b>	40.7%	40.6%	41.5%	41.5%	40.9%	40.2%	41.1%	41.5%	<b>41.4%</b>
<b>EMEA</b>	38.6%	39.8%	37.9%	39.2%	38.4%	40.7%	39.9%	39.4%	<b>39.7%</b>
<b>APAC</b>	20.7%	19.6%	20.6%	19.3%	20.7%	19.1%	19.0%	19.1%	<b>18.9%</b>
<b>Total</b>	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	<b>100.0%</b>



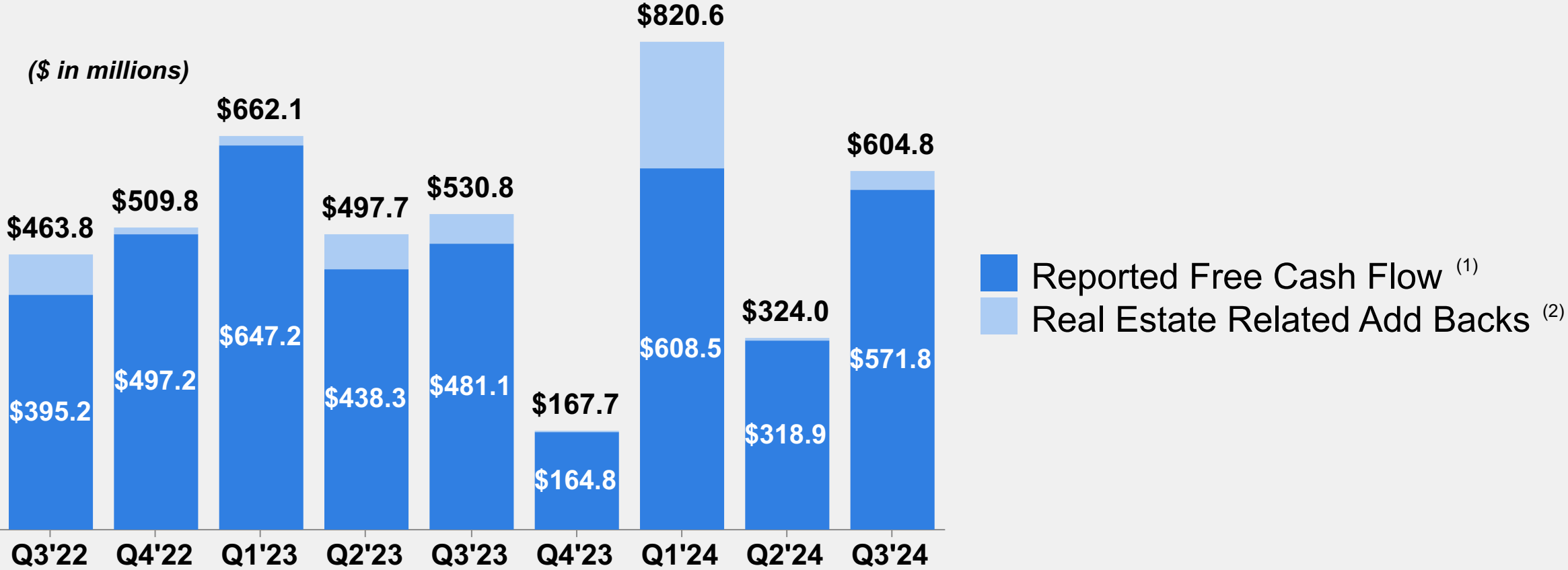
# Statement of Cash Flows (Non-GAAP)

(\$ in millions)	Q3'22	Q4'22	Q1'23	Q2'23	Q3'23	Q4'23	Q1'24	Q2'24	Q3'24
<b>GAAP Net Income Including gain on bargain purchase</b>	\$231.1	\$313.8	\$247.7	\$266.3	\$322.9	\$310.9	\$299.3	\$379.8	<b>\$539.9</b>
<b>Depreciation, Amortization and Stock-Based Compensation</b>	81.1	82.0	83.8	92.4	92.6	93.6	90.9	93.1	<b>95.7</b>
<b>Accounts Receivable</b>	(43.4)	(294.0)	171.1	7.9	64.4	(389.8)	405.6	(86.7)	<b>57.6</b>
<b>Inventory</b>	(28.5)	(49.4)	(45.3)	(84.9)	(100.8)	(22.5)	36.5	48.7	<b>19.7</b>
<b>Deferred Revenue</b>	262.2	434.7	240.7	248.6	156.9	449.1	54.8	106.9	<b>72.7</b>
<b>Gain on Bargain purchase</b>	—	—	—	—	—	—	—	—	<b>(106.3)</b>
<b>Other</b>	(19.5)	41.0	(20.5)	(15.2)	15.2	(249.6)	(56.7)	(199.8)	<b>(71.2)</b>
<b>GAAP Cash Flow from Operations</b>	\$483.0	\$528.1	\$677.5	\$515.1	\$551.2	\$191.7	\$830.4	\$342.0	<b>\$608.1</b>
<b>Purchases of Property and Equipment</b>	(87.8)	(30.9)	(30.3)	(76.8)	(70.1)	(26.9)	(221.9)	(23.1)	<b>(36.3)</b>
<b>Free Cash Flow</b>	\$395.2	\$497.2	\$647.2	\$438.3	\$481.1	\$164.8	\$608.5	\$318.9	<b>\$571.8</b>
<b>Issuance of Common Stock, Net of Taxes</b>	(26.4)	(23.9)	(13.3)	(17.1)	(24.4)	(13.9)	(29.5)	(14.0)	<b>3.6</b>
<b>Stock Repurchases</b>	(500.0)	—	—	—	(604.3)	(896.2)	—	—	<b>(0.6)</b>
<b>Acquisitions</b>	—	(30.8)	—	—	—	—	(5.7)	—	<b>(241.3)</b>
<b>Other</b>	2.2	(0.4)	4.3	1.8	0.2	15.4	9.4	11.3	<b>27.9</b>
<b>Change in Cash, Investments, and Marketable Equity Securities</b>	\$(129.0)	\$442.1	\$638.2	\$423.0	\$(147.4)	\$(729.9)	\$582.7	\$316.2	<b>\$361.4</b>
<b>Supplemental information: Cash Paid for Taxes—net</b>	\$68.5	\$62.6	\$20.7	\$37.9	\$26.3	\$341.4	\$31.1	\$252.1	<b>\$139.8</b>





# Free Cash Flow and Adjusted Free Cash Flow Growth

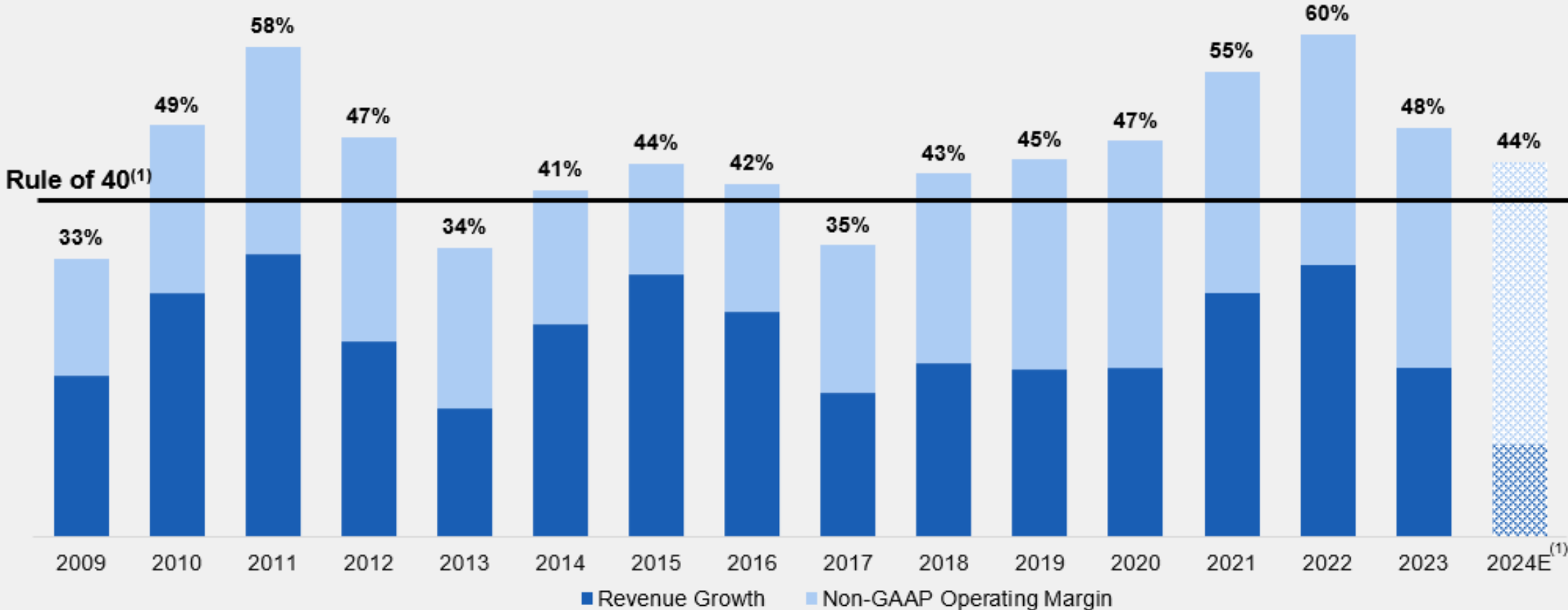


**Notes**

- (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.
- (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 real estate purchases and development.



# Consistent Execution — ‘Rule of 40’



Note: Fortinet defines the Rule of 40 as GAAP revenue Y/Y growth plus Non-GAAP Operating Margin. See Appendix for reconciliation of the non-GAAP financial measures to the most comparable GAAP financial measures. Fortinet's IPO was on November 18, 2009.

(1) Based on the midpoint of 2024 guidance provided on November 7, 2024.

# Q4 and 2024 Guidance (Non-GAAP)<sup>(1)</sup>

	Actual Q4'23	Q4'24E	Actual 2023	2024E
Billings <sup>(2)</sup>	\$1.865B	\$1.900 - 2.000B	\$6.400B	\$6.430 - 6.530B
<i>Y/Y Mid-Pt Growth</i>		4.6%		1.3%
Revenue (GAAP)	\$1.415B	\$1.560 - 1.620B	\$5.305B	\$5.856 - 5.916B
<i>Y/Y Mid-Pt Growth</i>		12.4%		10.9%
Service Revenue (GAAP)	\$927.0M		\$3.378B	\$4.015 - 4.045B
<i>Y/Y Mid-Pt Growth</i>				19.3%
Gross Margin (%) <sup>(3)</sup>	78.5%	79.5 - 80.5%	77.4%	80.3 - 81.3%
Operating Margin (%) <sup>(3)(4)</sup>	32.0%	33.0 - 34.0%	28.4%	32.9 - 33.9%
Net Income per Share attributable to Fortinet, Inc. <sup>(3)(4)(5)(6)</sup>	\$0.51	\$0.58 - 0.62	\$1.63	\$2.20 - 2.28
Weighted Diluted Shares used to Compute Net Income per Share attributable to Fortinet, Inc.	772.3M	768 - 778M	788.2M	766 - 776M

## Notes

- (1) Guidance for non-GAAP financial measures excludes stock-based compensation, amortization of acquired intangible assets, charges in connection with litigation settlement, gain on IP matters, gain on bargain purchase related to acquisition, and non-cash charge of impairment on an equity method investment. 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).
- (3) Excludes stock-based compensation and amortization of acquired intangible assets.
- (4) Excludes charges in connection with litigation settlement and gain on IP matters.
- (5) Assumes an effective tax rate of 17% for 2023 and 2024. For 2024, we expect cash paid for taxes to be within the range of \$550 million to \$600 million.
- (6) Excludes a gain on bargain purchase related to our acquisition of Lacework and a non-cash charge of the impairment recognized on our equity method investment in Linksys.



# Additional Modeling Points

	Actual Q4'23	Actual 2023	Actual Q1'24	Actual Q2'24	Actual Q3'24	Q4'24E	2024E
<b>Cash Paid for Taxes</b>	\$341M	\$426M	\$31M	\$252M	\$140M	\$127 - \$177M	\$550 - \$600M
<b>Capital Expenditures</b>	\$27M	\$204M	\$222M	\$23M	\$36M	\$100 - \$120M	\$380 - \$400M
<b>Non-GAAP Tax Rate</b>	17%	17%	17%	17%	17%	17%	17%



# GAAP to Non-GAAP Reconciliations

(\$ in millions)	Q3'22	Q4'22	Q1'23	Q2'23	Q3'23	Q4'23	Q1'24	Q2'24	Q3'24
Total revenue	\$1,149.5	\$1,283.0	\$1,262.3	\$1,292.8	\$1,334.6	\$1,415.1	\$1,353.3	\$1,434.3	<b>\$1,508.1</b>
Add: Change in deferred revenue	261.5	446.8	240.6	247.7	156.7	449.7	54.9	106.3	<b>115.5</b>
Less: Deferred revenue balance acquired in business combination	—	(10.8)	—	—	—	—	(1.0)	—	<b>(41.4)</b>
Total billings	\$1,411.0	\$1,719.0	\$1,502.9	\$1,540.5	\$1,491.3	\$1,864.8	\$1,407.2	\$1,540.6	<b>\$1,582.2</b>
GAAP Cash Flow from Operations	\$483.0	\$528.1	\$677.5	\$515.1	\$551.2	\$191.7	\$830.4	\$342.0	<b>\$608.1</b>
Less: Purchases of Property and Equipment	(87.8)	(30.9)	(30.3)	(76.8)	(70.1)	(26.9)	(221.9)	(23.1)	<b>(36.3)</b>
Free Cash Flow <sup>(1)</sup>	395.2	497.2	647.2	438.3	481.1	164.8	608.5	318.9	<b>571.8</b>
Add: Real Estate Related Add Backs	68.6	12.6	14.9	59.4	49.7	2.9	212.1	5.1	<b>33.0</b>
Adjusted Free Cash Flow <sup>(2)</sup>	\$463.8	\$509.8	\$662.1	\$497.7	\$530.8	\$167.7	\$820.6	\$324.0	<b>\$604.8</b>

## 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.
- (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.



# GAAP to Non-GAAP Reconciliations (Continued)

(\$ in millions)	Q3'22	Q4'22	Q1'23	Q2'23	Q3'23	Q4'23	Q1'24	Q2'24	Q3'24
GAAP product gross profit	\$283.5	\$350.2	\$307.1	\$298.1	\$267.6	\$290.9	\$226.1	\$296.8	<b>\$337.8</b>
Stock-based compensation	0.5	0.4	0.4	0.5	0.4	0.5	0.5	0.4	<b>0.5</b>
Amortization of acquired intangible assets	1.7	1.6	1.8	1.7	1.6	2.0	1.0	1.2	<b>1.1</b>
Non-GAAP product gross profit	\$285.7	\$352.2	\$309.3	\$300.3	\$269.6	\$293.4	\$227.6	\$298.4	<b>\$339.4</b>
<i>Non-GAAP product gross margin</i>	<i>61.0%</i>	<i>65.2%</i>	<i>61.8%</i>	<i>63.5%</i>	<i>57.9%</i>	<i>60.1%</i>	<i>55.7%</i>	<i>66.0%</i>	<b><i>71.6%</i></b>
GAAP service gross profit	\$583.0	\$635.5	\$647.4	\$698.9	\$749.3	\$808.3	\$822.5	\$862.5	<b>\$906.9</b>
Stock-based compensation	4.8	4.8	5.1	6.0	6.1	6.1	6.2	6.5	<b>6.3</b>
Amortization of acquired intangible assets	2.0	3.5	1.8	1.8	1.8	2.4	1.1	1.2	<b>2.5</b>
Non-GAAP service gross profit	\$589.8	\$643.8	\$654.3	\$706.7	\$757.2	\$816.8	\$829.8	\$870.2	<b>\$915.7</b>
<i>Non-GAAP service gross margin</i>	<i>86.6%</i>	<i>86.7%</i>	<i>85.9%</i>	<i>86.2%</i>	<i>87.2%</i>	<i>88.1%</i>	<i>87.9%</i>	<i>88.6%</i>	<b><i>88.5%</i></b>
GAAP total gross profit	\$866.5	\$985.7	\$954.5	\$997.0	\$1,016.9	\$1,099.2	\$1,048.6	\$1,159.3	<b>\$1,244.7</b>
Stock-based compensation	5.3	5.2	5.5	6.5	6.5	6.6	6.7	6.9	<b>6.8</b>
Amortization of acquired intangible assets	3.7	5.1	3.6	3.5	3.4	4.4	2.1	2.4	<b>3.6</b>
Non-GAAP total gross profit	\$875.5	\$996.0	\$963.6	\$1,007.0	\$1,026.8	\$1,110.2	\$1,057.4	\$1,168.6	<b>\$1,255.1</b>
<i>Non-GAAP gross margin</i>	<i>76.2%</i>	<i>77.6%</i>	<i>76.3%</i>	<i>77.9%</i>	<i>76.9%</i>	<i>78.5%</i>	<i>78.1%</i>	<i>81.5%</i>	<b><i>83.2%</i></b>
GAAP research and development expense	\$134.3	\$128.9	\$151.1	\$153.3	\$156.9	\$152.5	\$173.0	\$165.4	<b>\$187.3</b>
Stock-based compensation	(16.7)	(16.3)	(17.0)	(20.0)	(20.0)	(19.8)	(19.8)	(21.3)	<b>(21.9)</b>
Non-GAAP research and development expense	\$117.6	\$112.6	\$134.1	\$133.3	\$136.9	\$132.7	\$153.2	\$144.1	<b>\$165.4</b>
<i>Non-GAAP research and development expense as a percentage of revenue</i>	<i>10.2%</i>	<i>8.8%</i>	<i>10.6%</i>	<i>10.3%</i>	<i>10.3%</i>	<i>9.4%</i>	<i>11.3%</i>	<i>10.0%</i>	<b><i>11.0%</i></b>
GAAP sales and marketing expense	\$427.1	\$455.9	\$478.3	\$515.9	\$504.4	\$507.4	\$501.1	\$501.3	<b>\$515.9</b>
Stock-based compensation	(25.9)	(26.0)	(26.3)	(29.3)	(28.5)	(27.7)	(26.7)	(25.9)	<b>(27.0)</b>
Amortization of acquired intangible assets	(1.5)	(0.6)	(1.1)	(1.0)	(1.0)	(0.9)	(0.9)	(0.9)	<b>(1.7)</b>
Non-GAAP sales and marketing expense	\$399.7	\$429.3	\$450.9	\$485.6	\$474.9	\$478.8	\$473.5	\$474.5	<b>\$487.2</b>
<i>Non-GAAP sales and marketing expense as a percentage of revenue</i>	<i>34.8%</i>	<i>33.5%</i>	<i>35.7%</i>	<i>37.6%</i>	<i>35.6%</i>	<i>33.8%</i>	<i>35.0%</i>	<i>33.1%</i>	<b><i>32.3%</i></b>



# GAAP to Non-GAAP Reconciliations (Continued)

(\$ in millions)	Q3'22	Q4'22	Q1'23	Q2'23	Q3'23	Q4'23	Q1'24	Q2'24	Q3'24
GAAP general and administrative expense	\$40.7	\$44.3	\$52.8	\$49.9	\$53.5	\$55.1	\$54.4	\$56.6	\$71.7
Stock-based compensation	(7.4)	(7.8)	(8.2)	(9.9)	(9.9)	(9.9)	(9.8)	(10.2)	(10.7)
Litigation-related matter	—	—	—	—	—	—	—	—	(3.2)
Non-GAAP general and administrative expense	\$33.3	\$36.5	\$44.6	\$40.0	\$43.6	\$45.2	\$44.6	\$46.4	\$57.8
<i>Non-GAAP general and administrative expense as a percentage of revenue</i>	2.9%	2.8%	3.5%	3.1%	3.3%	3.2%	3.3%	3.2%	3.8%
GAAP gain on IP matter	\$(1.1)	\$(1.2)	\$(1.2)	\$(1.1)	\$(1.1)	\$(1.2)	\$(1.1)	\$(1.2)	\$(1.1)
Gain on IP matter	1.1	1.2	1.2	1.1	1.1	1.2	1.1	1.2	1.1
Non-GAAP gain on IP matter	\$—	\$—	\$—	\$—	\$—	\$—	\$—	\$—	\$—
<i>Non-GAAP gain on IP matter as a percentage of revenue</i>	—%	—%	—%	—%	—%	—%	—%	—%	—%
GAAP total operating expense	\$601.0	\$627.9	\$681.0	\$718.0	\$713.7	\$713.8	\$727.4	\$722.1	\$773.8
Stock-based compensation	(50.0)	(50.1)	(51.5)	(59.2)	(58.4)	(57.4)	(56.3)	(57.4)	(59.6)
Amortization of acquired intangible assets	(1.5)	(0.6)	(1.1)	(1.0)	(1.0)	(0.9)	(0.9)	(0.9)	(1.7)
Litigation-related matter	—	—	—	—	—	—	—	—	(3.2)
Gain on IP matter	1.1	1.2	1.2	1.1	1.1	1.2	1.1	1.2	1.1
Non-GAAP total operating expense	\$550.6	\$578.4	\$629.6	\$658.9	\$655.4	\$656.7	\$671.3	\$665.0	\$710.4
<i>Non-GAAP total operating expense as a percentage of revenue</i>	47.9%	45.1%	49.9%	51.0%	49.1%	46.4%	49.6%	46.4%	47.1%
GAAP operating income	\$265.5	\$357.8	\$273.5	\$279.0	\$303.2	\$385.4	\$321.2	\$437.2	\$470.9
Stock-based compensation	55.3	55.3	57.0	65.7	64.9	64.0	63.0	64.3	66.4
Amortization of acquired intangible assets	5.2	5.7	4.7	4.5	4.4	5.3	3.0	3.3	5.3
Litigation-related matter	—	—	—	—	—	—	—	—	3.2
Gain on IP matter	—	(1.2)	(1.2)	(1.1)	(1.1)	(1.2)	(1.1)	(1.2)	(1.1)
Non-GAAP operating income	\$324.9	\$417.6	\$334.0	\$348.1	\$371.4	\$453.5	\$386.1	\$503.6	\$544.7
<i>Non-GAAP operating margin</i>	28.3%	32.5%	26.5%	26.9%	27.8%	32.0%	28.5%	35.1%	36.1%



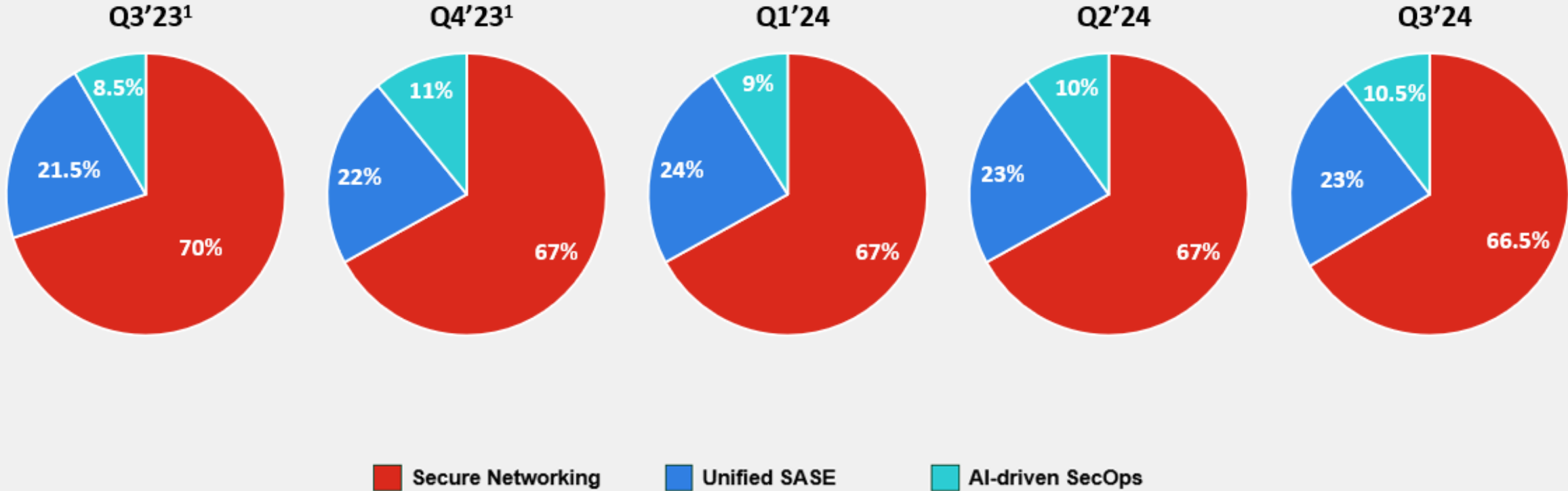
# GAAP to Non-GAAP Reconciliations (Continued)


(\$ in millions)	Q3'22	Q4'22	Q1'23	Q2'23	Q3'23	Q4'23	Q1'24	Q2'24	Q3'24
GAAP provision for (benefit from) income taxes	\$27.3	\$9.2	\$21.3	\$27.6	\$(0.3)	\$95.2	\$39.5	\$76.5	\$81.2
Tax adjustments related to the above	27.8	63.6	38.5	35.0	67.6	(13.0)	30.3	14.3	19.8
Non-GAAP provision for income taxes	\$55.1	\$72.8	\$59.8	\$62.6	\$67.3	\$82.2	\$69.8	\$90.8	\$101.0
Non-GAAP effective tax rate	17%	17%	17%	17%	17%	17%	17%	17%	17%
Net income attributable to Fortinet, Inc.	\$231.6	\$313.8	\$247.7	\$266.3	\$322.9	\$310.9	\$299.3	\$379.8	\$539.9
Stock-based compensation	55.3	55.3	57.0	65.7	64.9	64.0	63.0	64.3	66.4
Amortization of acquired intangible assets	5.2	5.7	4.7	4.5	4.4	5.3	3.0	3.3	5.3
Litigation-related matter	—	—	—	—	—	—	—	—	3.2
Gain on IP matter	(1.1)	(1.2)	(1.2)	(1.1)	(1.1)	(1.2)	(1.1)	(1.2)	(1.1)
Gain on Bargain Purchase	—	—	—	—	—	—	—	—	(106.3)
Tax adjustments	(27.8)	(63.6)	(38.5)	(35.0)	(67.6)	13.0	(30.3)	(14.3)	(19.8)
Non-cash charge on equity method investment	—	39.7	—	—	—	—	—	8.0	—
Adjustments attributable to non-controlling interests	(0.5)	—	—	—	—	—	—	—	—
Non-GAAP net income attributable to Fortinet, Inc.	\$262.7	\$349.7	\$269.7	\$300.4	\$323.5	\$392.0	\$333.9	\$439.9	\$487.6
GAAP net income per share attributable to Fortinet, Inc., diluted	\$0.29	\$0.40	\$0.31	\$0.33	\$0.41	\$0.40	\$0.39	\$0.49	\$0.70
Stock-based compensation	0.07	0.07	0.07	0.08	0.08	0.08	0.08	0.08	0.09
Amortization of acquired intangible assets	0.01	—	0.01	0.01	0.01	0.01	—	0.01	0.01
Litigation-related matter	—	—	—	—	—	—	—	—	—
Gain on IP matter	—	—	—	—	—	—	—	—	—
Gain on Bargain Purchase	—	—	—	—	—	—	—	—	(0.14)
Tax adjustments	(0.04)	(0.08)	(0.05)	(0.04)	(0.09)	0.02	(0.04)	(0.02)	(0.03)
Non-cash charge on equity method investment	—	0.05	—	—	—	—	—	0.01	—
Adjustments attributable non-controlling interests	—	—	—	—	—	—	—	—	—
Non-GAAP net income per share attributable to Fortinet, Inc., diluted	\$0.33	\$0.44	\$0.34	\$0.38	\$0.41	\$0.51	\$0.43	\$0.57	\$0.63
Shares used in diluted net income per share attributable to Fortinet, Inc. calculations	798.6	791.8	793.4	795.9	791.2	772.3	770.5	769.9	771.9





# Billings Mix by Pillar



 Note 1: In Q3'24, a minor adjustment was made to the pillar allocations, which impacted the billings mix in Q3'23 and Q4'23.



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