



Q4 2010 Financial Results

January 25, 2011



Forward-Looking Statements

- Information, statements and projections contained in these presentation slides and related conference call concerning Fortinet's business outlook and momentum, the Q1 and 2011 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: 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; 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, the UTM model; mergers and acquisitions and the ability to successfully acquire, integrate and manage businesses and technologies; litigation; current laws, regulations and standards, and the adoption of new laws, regulations and standards that affect our product, services or business; 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 prior year's Form 10-K and our third quarter 2010 Form 10-Q for more information on these risks and uncertainties and on the limitations that apply to our forward-looking statements. Copies of these reports can be obtained from the SEC, at the SEC's website located at 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.

Q4 2010 Non-GAAP Results

	Q4 10	Q4 09	Y/Y % growth	Q3 10
Billings ⁽¹⁾	\$111M	\$82M	35%	\$95M
Revenue	\$94M	\$71M	32%	\$85M
Non-GAAP Gross Margin (%) ⁽²⁾	74%	73%	+1%	75%
Non-GAAP Operating Income ⁽²⁾	\$23M	\$11M	105%	\$21M
Non-GAAP Operating Margin (%) ⁽²⁾	25%	16%	+9%	24%
Non-GAAP Net Income ^{(2) (3)}	\$17M	\$9M	87%	\$13M
Non-GAAP Earnings per Share ^{(2) (3)}	\$0.22	\$0.13	69%	\$0.17
Weighted Diluted Shares used in EPS	80M	71M	14%	78M
Deferred Revenue	\$253M	\$202M	25%	\$235M
Free Cash Flow ⁽⁴⁾	\$31M	\$16M	92%	\$32M

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 of that period to the end of that period
- (2) Does not include stock based compensation or acquisition-related write-offs
- (3) Assumes effective tax rate was 27% for Q4 2010 and 21% for Q4 2009 and removes tax benefit of stock based compensation and write-off of acquisition expense
- (4) Free Cash Flow is a non-GAAP measure that we define as Cash Flow from Operations less the purchase of property, plant and equipment.

2010 Non-GAAP Results

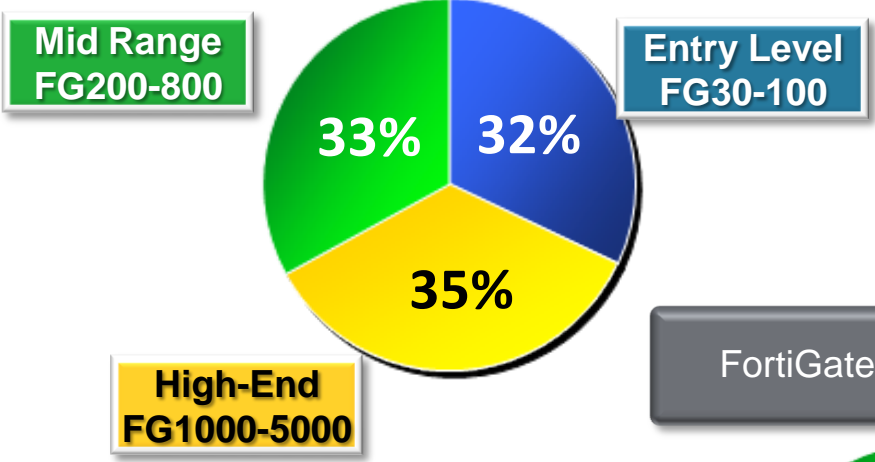
	2010	2009	Y/Y % growth
Billings ⁽¹⁾	\$375M	\$282M	33%
Revenue	\$325M	\$252M	29%
Non-GAAP Gross Margin (%) ⁽²⁾	74%	73%	+1%
Non-GAAP Operating Income ⁽²⁾	\$65M	\$35M	84%
Non-GAAP Operating Margin (%) ⁽²⁾	20%	14%	+6%
Non-GAAP Net Income ^{(2) (3)}	\$45M	\$30M	46%
Non-GAAP Earnings per Share ^{(2) (3)}	\$0.57	\$0.47	21%
Weighted Diluted Shares used in EPS	78M	65M	20%
Deferred Revenue	\$253M	\$202M	25%
Free Cash Flow ⁽⁴⁾	\$100M	\$57M	74%

Notes

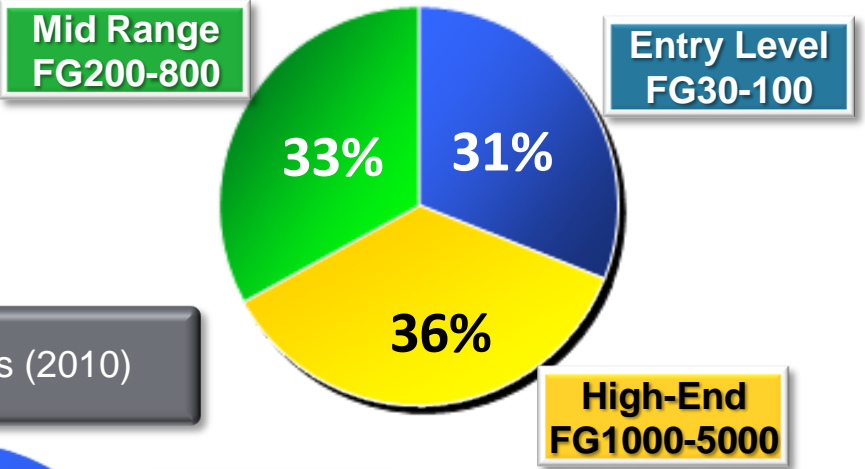
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- (2) Does not include stock based compensation or acquisition-related write-offs
- (3) Assumes effective tax rate was 32% for 2010 and 18% for 2009 and removes tax benefit of stock based compensation and write-off of acquisition expense
- (4) Free Cash Flow is a non-GAAP measure that we define as Cash Flow from Operations less the purchase of property, plant and equipment.

Product Segmentation

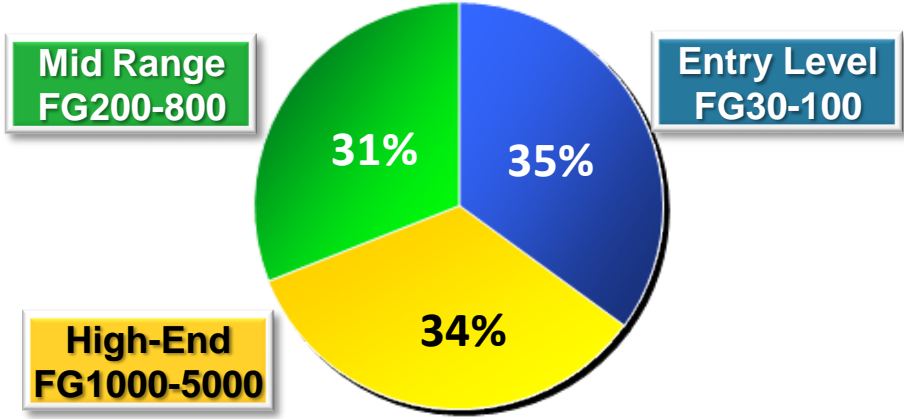
FortiGate Billings (Q4 10)



FortiGate Billings (Q4 09)



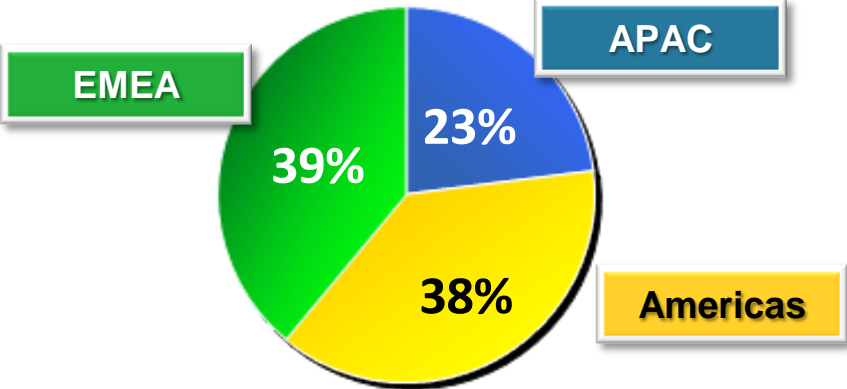
FortiGate Billings (2010)



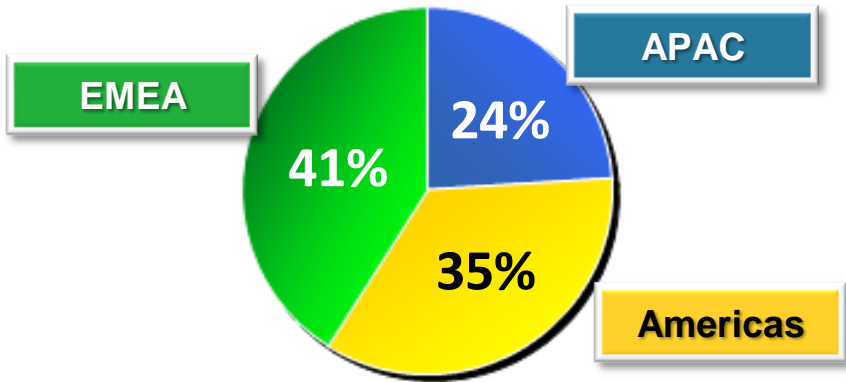
Note
 Represents FortiGate billings by Product Category. Billings is a non-GAAP measure that we define as revenue recognized for the particular period plus the change in deferred revenue from the beginning of that period to the end of that period

Revenue by Geography

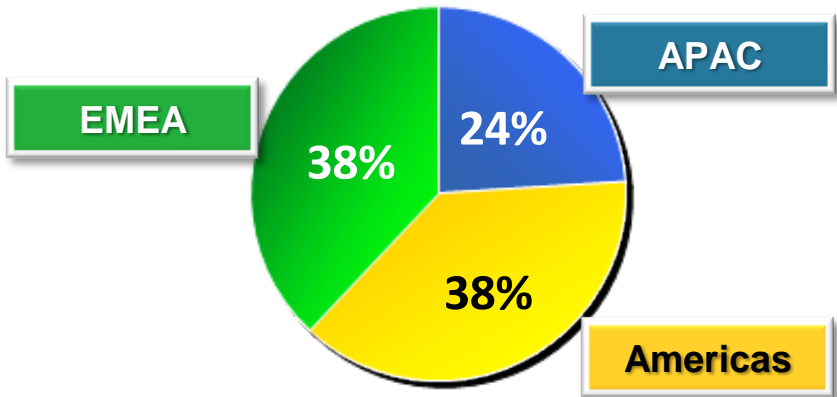
Revenue by Geo (Q4 10)



Revenue by Geo (Q4 09)

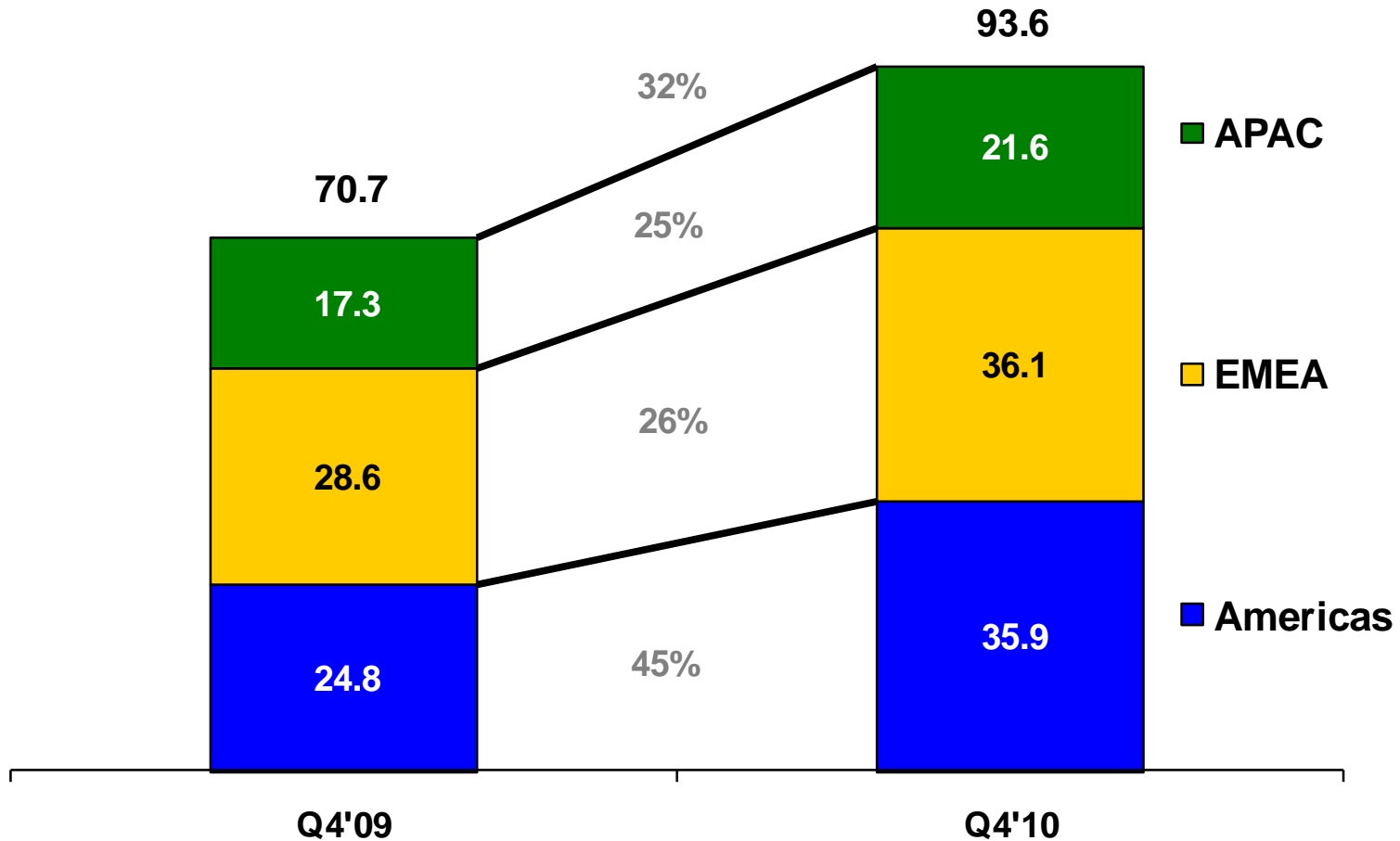


Revenue by Geo (2010)



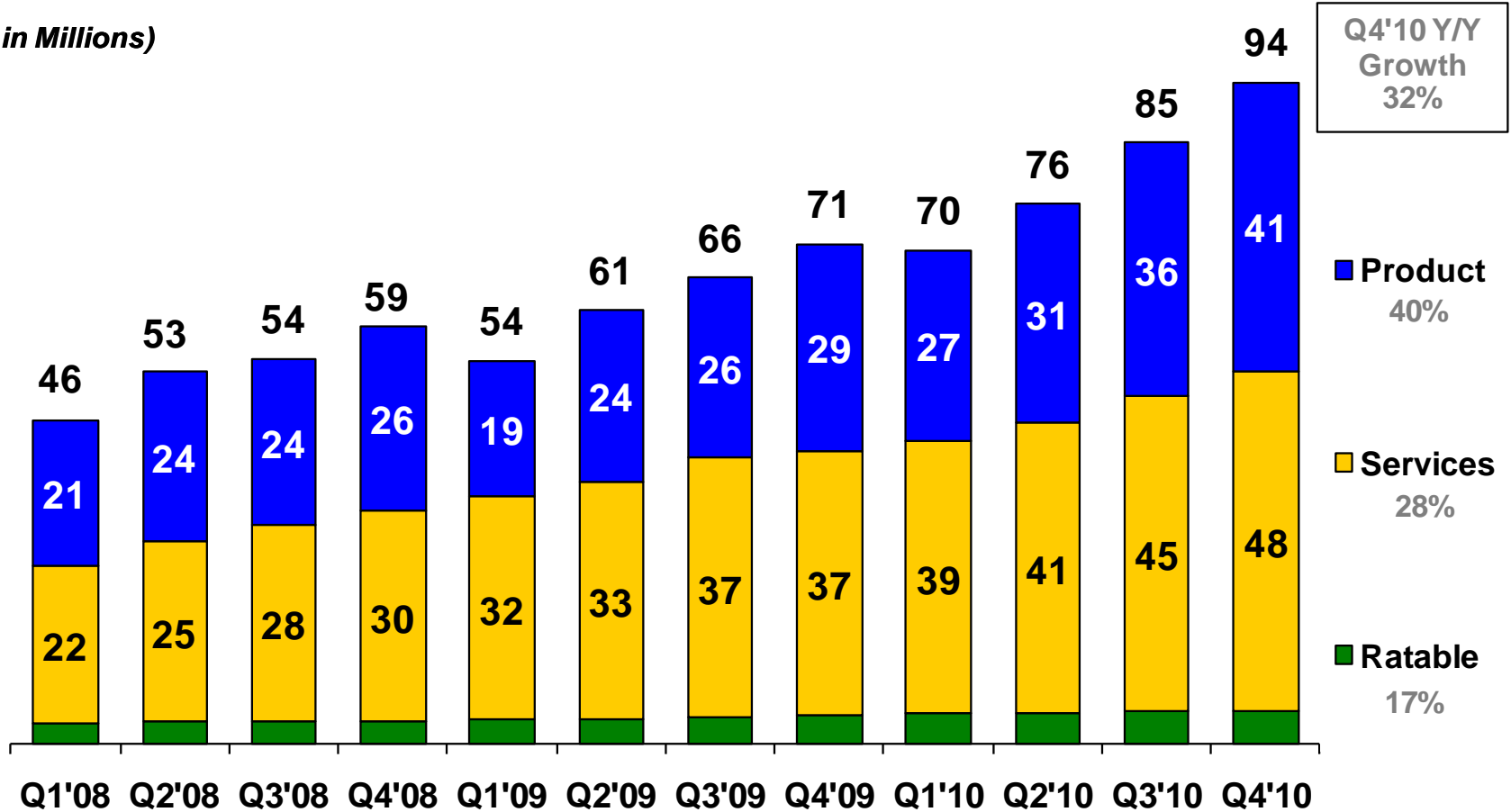
Revenue Growth by Geography

(\$ in Millions)



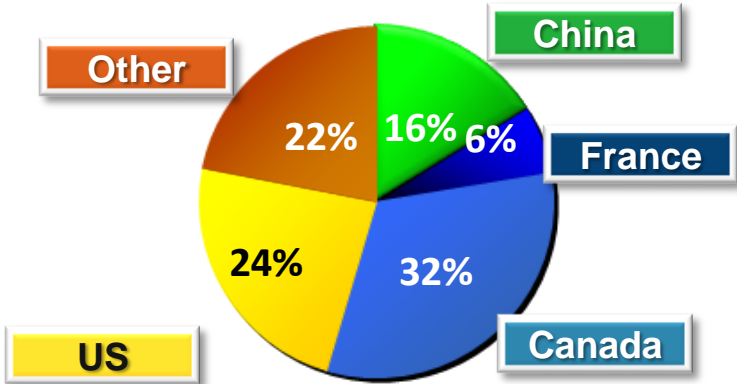
Quarterly Revenue Mix & Q4'10 Y/Y Growth

(\$ in Millions)

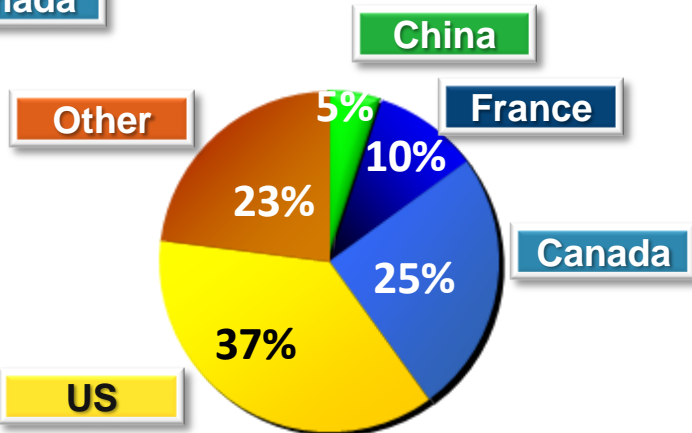
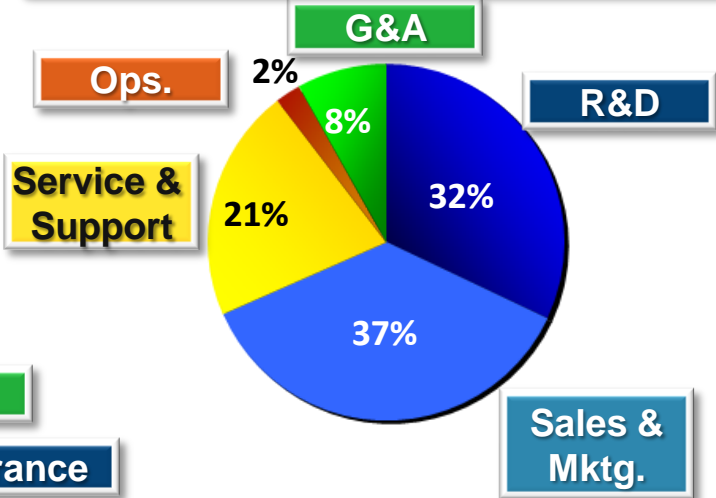


Global Employee Footprint

Headcount by Location (Q4 2010)



Headcount by Function (Q4 2010)

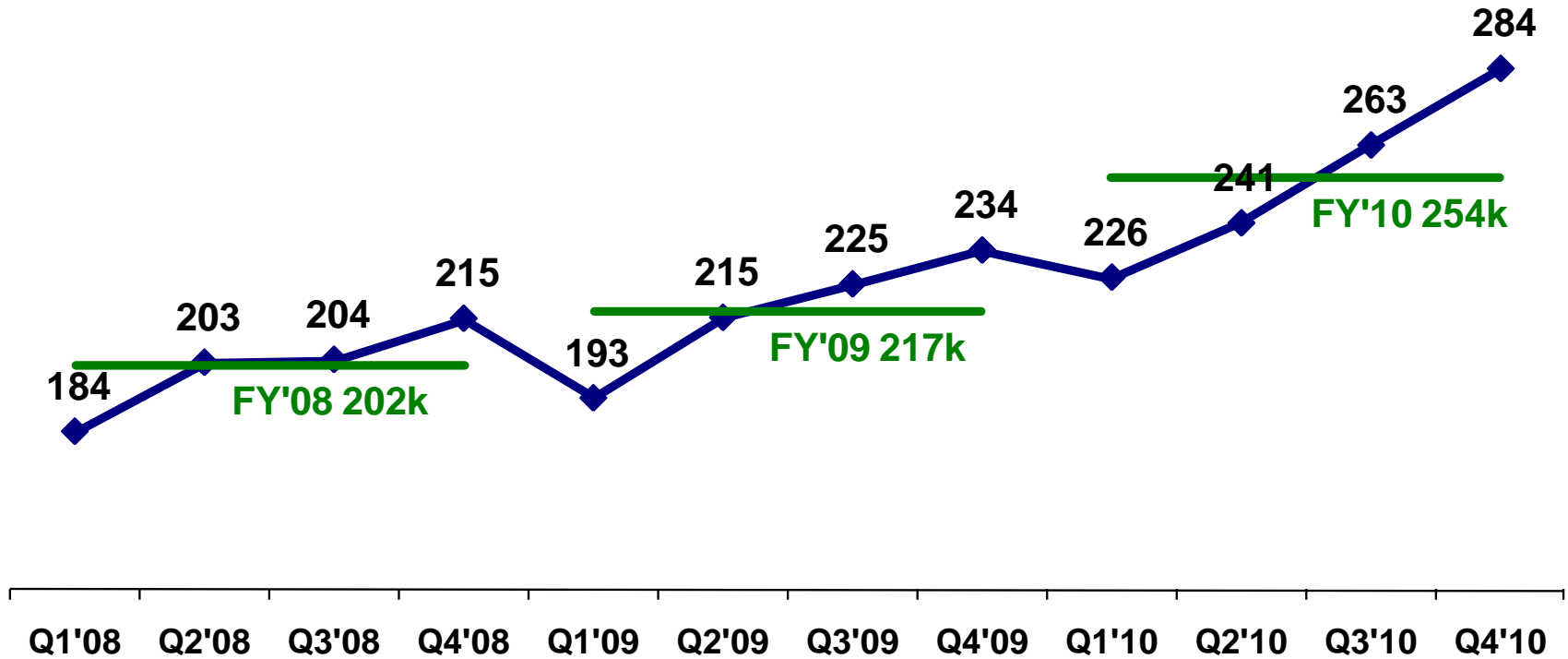


Headcount Cost by Location (Q4 2010)

Total Headcount:
1,336

Revenue per Employee

(\$ in Thousands, Annualized)



Q4 2010 Select Financial Statistics

	Q4 10	Q3 10	Q4 09
Cash and Investments	\$387M	\$352M	\$260M
Deferred Revenue	\$253M	\$235M	\$202M
Free Cash Flow	\$31M	\$32M	\$16M
Working Capital	\$202M	\$180M	\$162M
Accounts Receivable	\$72M	\$60M	\$55M
DSO	70	63	69
Net Inventory	\$14M	\$11M	\$11M
Inventory Turns	3.9	3.9	3.7
Revenue per Employee (Annualized)	\$284K	\$263K	\$234K
No. of Deals >\$100K	142	101	98
No. of Deals >\$250K	45	38	34
No. of Deals >\$500K	13	13	11

Maintaining Strong Balance Sheet

(\$ in Millions)

	Q4 10	Q3 10	Q4 09
Assets			
Cash and Investments	387	352	260
Accounts Receivable	72	60	55
Inventory	14	11	11
Property and Equipment	7	7	6
Deferred Cost of Revenue	9	10	10
Deferred Tax Assets	48	42	41
Other	8	6	4
Total Assets	545	488	387
Liabilities and Shareholders' Equity			
Accounts Payable	13	10	11
Accrued Expenses	47	37	32
Deferred Revenue	253	235	202
Common Stock	249	239	201
Retained Earnings	(17)	(33)	(59)
Total Liabilities and Shareholders' Equity	545	488	387

Statement of Cash Flows (Non-GAAP)

<i>(\$ in Millions)</i>	Q4 10	Q4 09	2010	2009
Net Income	16	44	41	60
Depreciation, Amortization, and Intangibles	4	5	13	16
Other Adjustments to Net Income	5	(36)	16	(35)
Non-GAAP Operating Income + Depreciation	25	13	70	41
Accounts Receivable	(13)	(10)	(18)	(9)
Inventory	(3)	(1)	(6)	(2)
Accounts Payable / Accrued Expenses / Other	5	3	6	3
Deferred Revenue	17	12	51	30
Cash Flow from Operations	31	17	103	62
Purchase of Property, Plant and Equipment	(0.9)	(0.3)	(3)	(5)
Free Cash Flow	31	16	100	57
IPO Net Proceeds / Stock Repurchase	-	88	-	72
Stock Option and Warrant Exercises	5	4	29	6
Effect of Exchange Rate on Cash / Other	(1)	-	(2)	1
Net Cash Flow	35	108	127	136

Q1 and 2011 Guidance

	Q1 11	Y/Y % Mid-Pt growth	2011	Y/Y % Mid-Pt growth
Billings ⁽¹⁾	\$95 - 100M	23%	\$440 - 460M	20%
Revenue	\$85 - 87M	23%	\$370 - 385M	16%
Non-GAAP Gross Margin (%) ⁽²⁾	73 - 74%		~74%	
Non-GAAP Operating Margin (%) ⁽²⁾	17 - 18%		19 - 20%	
Non-GAAP Earnings per Share ^{(2) (3)}	\$0.12 - 0.14		\$0.62 - 0.64	
Weighted Diluted Shares used in EPS	81 - 82M		83 - 84M	
Free Cash Flow ⁽⁴⁾	15 – 25% Y/Y Growth			

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 of that period to the end of that period
- (2) Does not include stock based compensation or acquisition-related write-offs
- (3) Assumes effective tax rate of 33% for Q1 2011 and 2011 and removes tax benefit of stock based compensation and write-off of acquisition expense
- (4) Free Cash Flow is a non-GAAP measure that we define as Cash Flow from Operations less the purchase of property, plant and equipment.

GAAP to Non-GAAP – Operating Results (Fiscal 2010 vs. Fiscal 2009)

(in thousands, except per share amounts)

	Fiscal 2010	Adj	Pro forma Fiscal 2010	Fiscal 2009	Adj	Pro forma Fiscal 2009
Revenue:						
Product	\$ 135,140	\$ -	\$ 135,140	\$ 98,686	\$ -	\$ 98,686
Services	172,046	-	172,046	139,172	-	139,172
Ratable product and services	17,510	-	17,510	14,257	-	14,257
Total Revenue	324,696	-	324,696	252,115	-	252,115
Cost of revenue:						
Cost of product revenue	51,944	(101)	51,843	42,166	(2,489)	39,677
Cost of services revenue	26,967	(929)	26,038	22,265	(658)	21,607
Cost of ratable product and services	6,295	-	6,295	5,544	-	5,544
Total cost of revenue	85,206	(1,030)	84,176	69,975	(3,147)	66,828
Gross Profit:						
Product	83,196	101	83,297	56,520	2,489	59,009
Services	145,079	929	146,008	116,907	658	117,565
Ratable product and services	11,215	-	11,215	8,713	-	8,713
Total gross profit	239,490	1,030	240,520	182,140	3,147	185,287
Operating Expenses:						
Research and development	49,801	(2,339)	47,462	42,195	(1,963)	40,232
Sales and marketing	111,968	(3,810)	108,158	96,291	(3,020)	93,271
General and administrative	22,380	(2,136)	20,244	18,320	(1,718)	16,602
Total operating expenses	184,149	(8,285)	175,864	156,806	(6,701)	150,105
Operating income	55,341	9,315	64,656	25,334	9,848	35,182
Interest income	1,815	-	1,815	1,981	-	1,981
Other income (expense), net	(815)	-	(815)	198	-	198
Net income before income taxes	56,341	9,315	65,656	27,513	9,848	37,361
Provision for (benefit from) income taxes	15,096	5,914	21,010	(32,666)	39,543	6,877
Net income	41,245	3,401	44,646	60,179	(29,695)	30,484
Premium paid on repurchase of convertible preferred shares	-	-	-	(9,266)	9,266	-
Net income attributable to common stockholders	\$ 41,245	\$ 3,401	\$ 44,646	\$ 50,913	\$ (20,429)	\$ 30,484
Basic net income per share	\$ 0.59		\$ 0.63	\$ 1.93		\$ 1.16
Diluted net income per share	\$ 0.53		\$ 0.57	\$ 0.78		\$ 0.47
Shares used in computing net income per share						
Basic	70,363		70,363	26,334		26,334
Diluted	78,203		78,203	65,219		65,219

GAAP to Non-GAAP – Operating Results (cont.) (Fiscal 2010 vs. Fiscal 2009)

% of revenue	Fiscal 2010			Fiscal 2009		
	Fiscal 2010	Adj	Pro forma Fiscal 2010	Fiscal 2009	Adj	Pro forma Fiscal 2009
Revenue:						
Product	42%	-	42%	39%	-	39%
Services	53%	-	53%	55%	-	55%
Ratable product and services	5%	-	5%	6%	-	6%
Total Revenue	100%	-	100%	100%	-	100%
Cost of revenue:						
Cost of product revenue	16%	-	16%	17%	(1%)	16%
Cost of services revenue	8%	-	8%	9%	-	9%
Cost of ratable product and services	2%	-	2%	2%	-	2%
Total cost of revenue	26%	-	26%	28%	1%	27%
Gross Profit:						
Product	62%	-	62%	57%	3%	60%
Services	84%	-	84%	84%	-	84%
Ratable product and services	64%	-	64%	61%	-	61%
Total gross profit	74%	-	74%	72%	1%	73%
Operating Expenses:						
Research and development	15%	(1%)	14%	17%	(2%)	15%
Sales and marketing	34%	(1%)	33%	38%	(1%)	37%
General and administrative	8%	(1%)	7%	7%	-	7%
Total operating expenses	57%	(3%)	54%	62%	(3%)	59%
Operating income	17%	3%	20%	10%	4%	14%
Interest income	1%	-	1%	1%	-	1%
Net income before income taxes	18%	3%	21%	11%	4%	15%
Provision for (benefit from) income taxes	5%	2%	7%	-13%	16%	3%
Net income	13%	1%	14%	24%	(12%)	12%

GAAP to Non-GAAP – Operating Results (Q4'10 vs. Q4'09 vs. Q3'10)

(in thousands, except per share amounts)

	Q4'10	Adj	Pro forma Q4'10	Q4'09	Adj	Pro forma Q4'09	Q3'10	Adj	Pro forma Q3'10
Revenue:									
Product	\$ 41,080	\$ -	\$ 41,080	\$ 29,359	\$ -	\$ 29,359	\$ 35,913	\$ -	\$ 35,913
Services	47,930	-	47,930	37,414	-	37,414	44,527	-	44,527
Ratable product and services	4,589	-	4,589	3,939	-	3,939	4,531	-	4,531
Total Revenue	93,599	-	93,599	70,712	-	70,712	84,971	-	84,971
Cost of revenue:									
Cost of product revenue	15,545	(25)	15,520	13,117	(1,689)	11,428	13,263	(26)	13,237
Cost of services revenue	7,116	(245)	6,871	6,310	(193)	6,117	6,565	(242)	6,323
Cost of ratable product and services	1,562	-	1,562	1,482	-	1,482	1,615	-	1,615
Total cost of revenue	24,223	(270)	23,953	20,909	(1,882)	19,027	21,443	(268)	21,175
Gross Profit:									
Product	25,535	25	25,560	16,242	1,689	17,931	22,650	26	22,676
Services	40,814	245	41,059	31,104	193	31,297	37,962	242	38,204
Ratable product and services	3,027	-	3,027	2,457	-	2,457	2,916	-	2,916
Total gross profit	69,376	270	69,646	49,803	1,882	51,685	63,528	268	63,796
Operating Expenses:									
Research and development	12,802	(598)	12,204	10,988	(571)	10,417	12,389	(600)	11,789
Sales and marketing	30,481	(1,030)	29,451	26,719	(917)	25,802	26,987	(1,017)	25,970
General and administrative	5,395	(571)	4,824	4,642	(475)	4,167	5,993	(549)	5,444
Total operating expenses	48,678	(2,199)	46,479	42,349	(1,963)	40,386	45,369	(2,166)	43,203
Operating income	20,698	2,469	23,167	7,454	3,845	11,299	18,159	2,434	20,593
Interest income	634	-	634	304	-	304	514	-	514
Other income (expense), net	(250)	-	(250)	50	-	50	(402)	-	(402)
Net income before income taxes	21,082	2,469	23,551	7,808	3,845	11,653	18,271	2,434	20,705
Provision for (benefit from) income taxes	4,941	1,332	6,273	(36,132)	38,567	2,435	4,254	2,993	7,247
Net income	\$ 16,141	\$ 1,137	\$ 17,278	\$ 43,940	\$ (34,722)	\$ 9,218	\$ 14,017	\$ (559)	\$ 13,458
Basic net income per share	\$ 0.22		\$ 0.23	\$ 1.02		\$ 0.15	\$ 0.20		\$ 0.19
Diluted net income per share	\$ 0.20		\$ 0.22	\$ 0.62		\$ 0.13	\$ 0.18		\$ 0.17
Shares used in computing net income per share									
Basic	73,849		73,849	42,991		62,543	71,836		71,836
Diluted	80,334		80,334	70,760		70,760	77,921		77,921

GAAP to Non-GAAP – Operating Results (Q4'10 vs. Q4'09 vs. Q3'10)

% of revenue

	Q4'10	Adj	Pro forma Q4'10
Revenue:			
Product	44%	-	44%
Services	51%	-	51%
Ratable product and services	5%	-	5%
Total Revenue	100%	-	100%
Cost of revenue:			
Cost of product revenue	17%	-	17%
Cost of services revenue	8%	-	8%
Cost of ratable product and services	1%	-	1%
Total cost of revenue	26%	-	26%
Gross Profit:			
Product	62%	-	62%
Services	85%	-	86%
Ratable product and services	66%	-	66%
Total gross profit	74%	-	74%
Operating Expenses:			
Research and development	14%	(1%)	13%
Sales and marketing	33%	(2%)	31%
General and administrative	5%	-	5%
Total operating expenses	52%	(3%)	49%
Operating income	22%	3%	25%
Interest income	1%	-	1%
Net income before income taxes	23%	3%	26%
Provision for (benefit from) income taxes	6%	2%	8%
Net income	17%	1%	18%

	Q4'09	Adj	Pro forma Q4'09
	42%	-	42%
	53%	-	53%
	5%	-	5%
	100%	-	100%
	19%	(3%)	16%
	9%	-	9%
	2%	-	2%
	30%	(3%)	27%
	55%	6%	61%
	83%	1%	84%
	62%	-	62%
	70%	3%	73%
	16%	(1%)	15%
	38%	(2%)	36%
	7%	(1%)	6%
	61%	(4%)	57%
	9%	7%	16%
	1%	-	1%
	10%	7%	17%
	(51%)	54%	3%
	61%	(47%)	14%

	Q3'10	Adj	Pro forma Q3'10
	42%	-	42%
	52%	-	52%
	6%	-	6%
	100%	-	100%
	16%	-	16%
	7%	-	7%
	2%	-	2%
	25%	-	25%
	63%	-	63%
	86%	-	86%
	64%	-	64%
	75%	-	75%
	15%	(1%)	14%
	32%	(1%)	31%
	7%	(1%)	6%
	54%	(3%)	51%
	21%	3%	24%
	1%	-	1%
	22%	3%	25%
	5%	3%	8%
	17%	-	17%