



Q1 2012 Financial Results

April 24, 2012



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Q1 2012 Non-GAAP Results

	Q1 12	Q1 11	Y/Y % Growth	Q4 11
Billings ⁽¹⁾	\$137M	\$107M	28%	\$141M
Revenue	\$117M	\$93M	26%	\$121M
Gross Margin (%) ⁽²⁾	74%	75%	-1%	74%
Operating Income ⁽²⁾	\$25M	\$20M	27%	\$32M
Operating Margin (%) ⁽²⁾	22%	21%	+1%	27%
Net Income ^{(2) (3)}	\$17M	\$14M	26%	\$22M
Earnings per Share ^{(2) (3)}	\$0.11	\$0.09	22%	\$0.14
Weighted Diluted Shares used in EPS	166M	163M	2%	165M
Deferred Revenue	\$315M	\$266M	18%	\$295M
Free Cash Flow ⁽⁴⁾	\$47M	\$36M	29%	\$31M

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 34% for Q1 2012, 33% for Q1 2011 and 33% for Q4 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 and patent settlement.

Balanced Product Segmentation

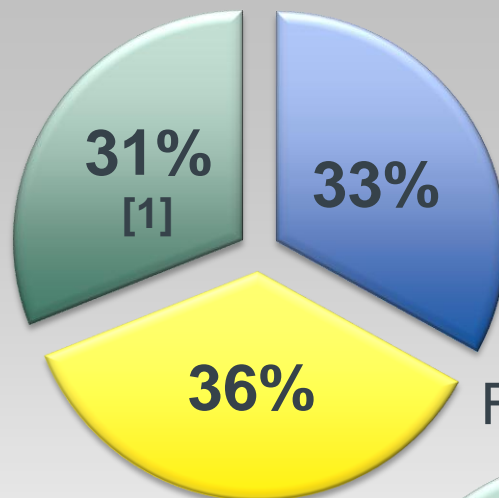
FortiGate Billings

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

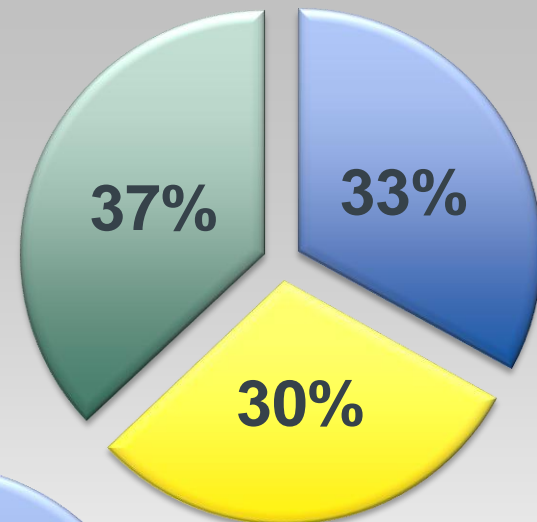
[1] Excluding effect of multi-year mid-range bundles in Q1'12, High-End would be 35% of mix and more comparable to prior periods.

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

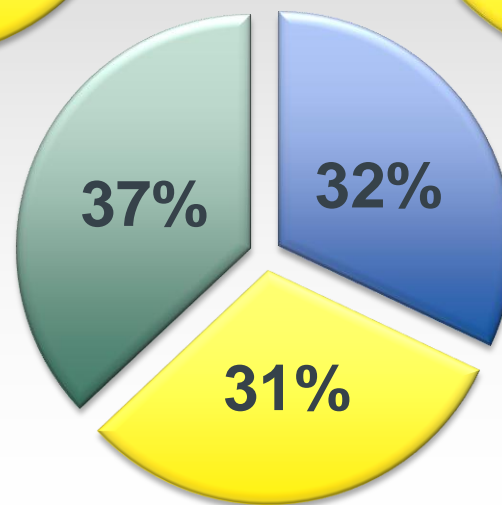
Q1 2012



Q1 2011



FY 2011



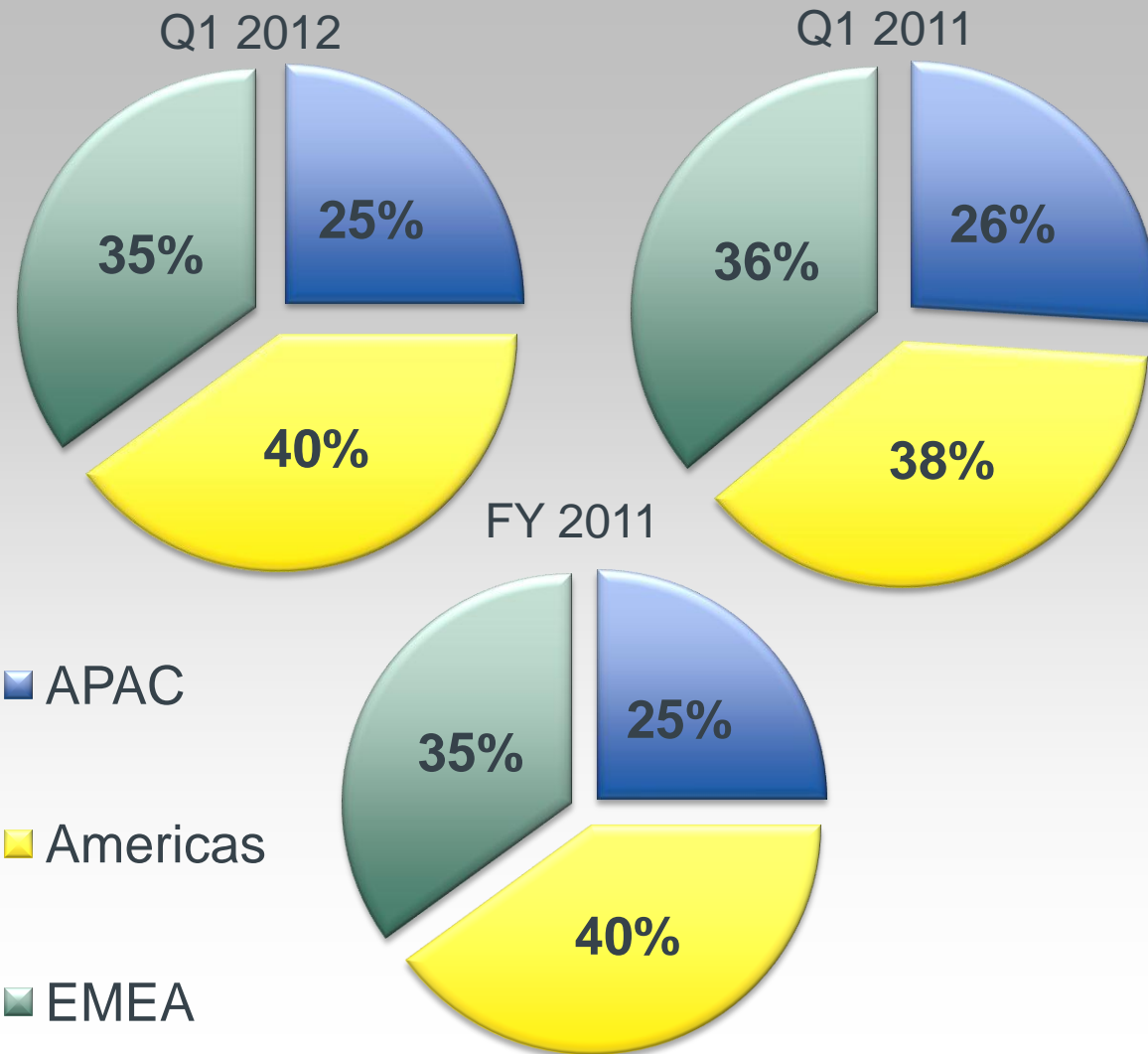
Note

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

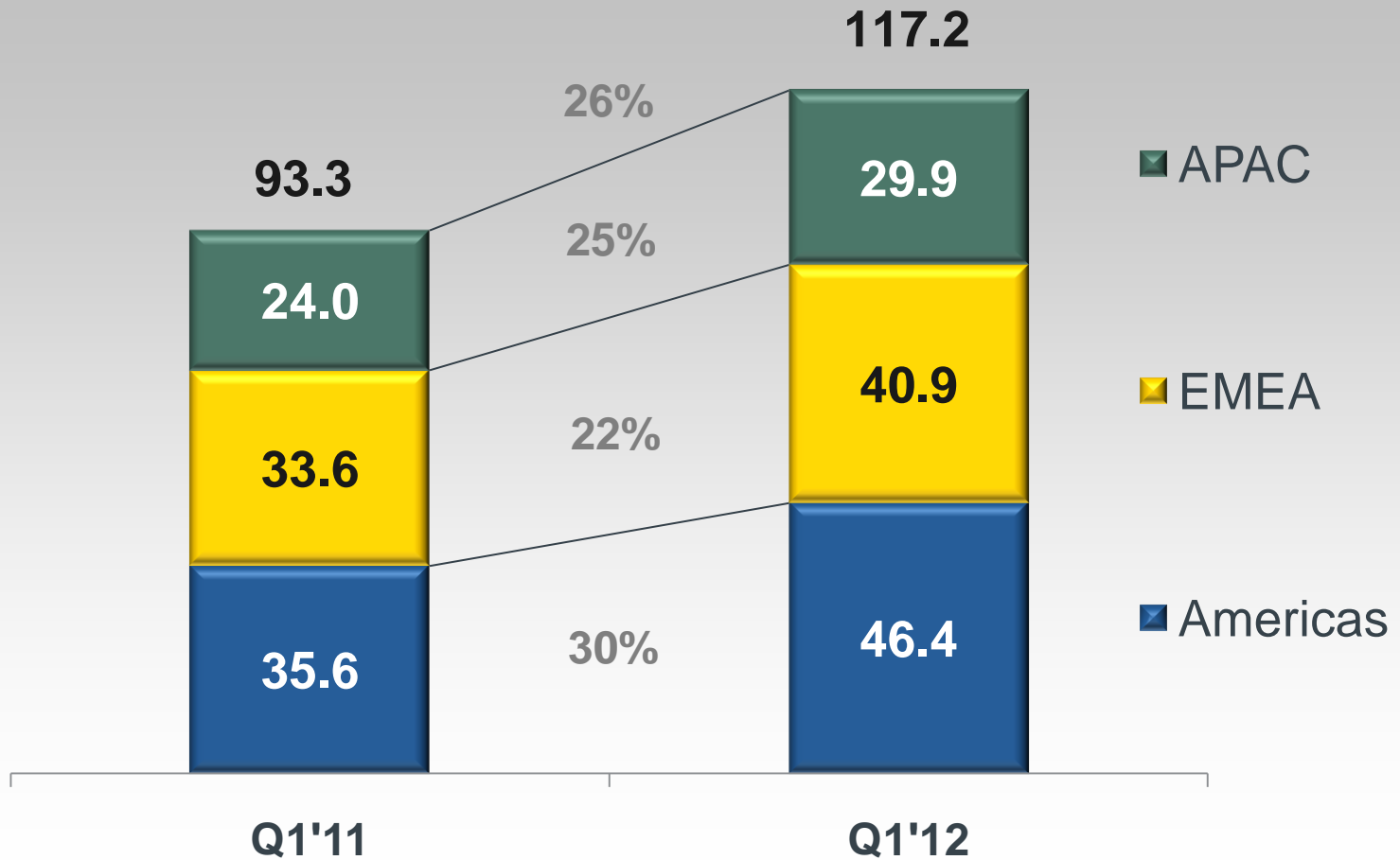
Diversified Global Revenue

Revenue by Geography

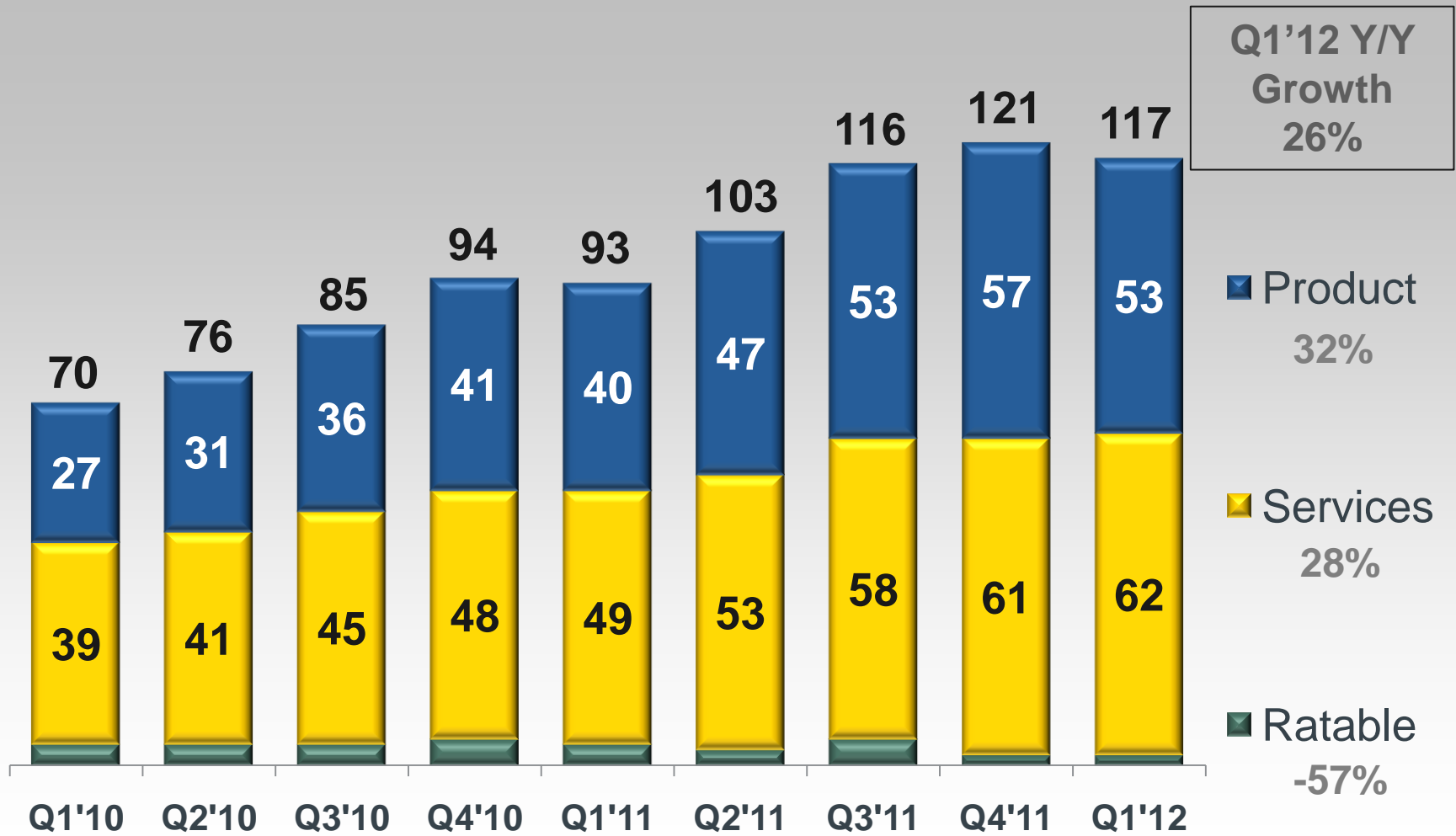
- Globally-diverse revenue stream
- Investing for growth globally



Revenue Growth by Geography

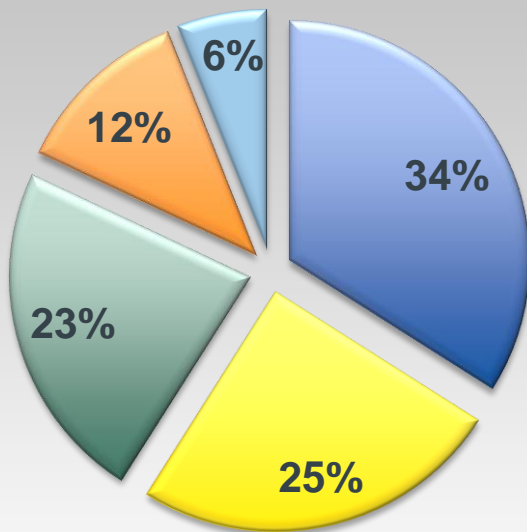


Quarterly Revenue Mix & Q1'12 Y/Y Growth



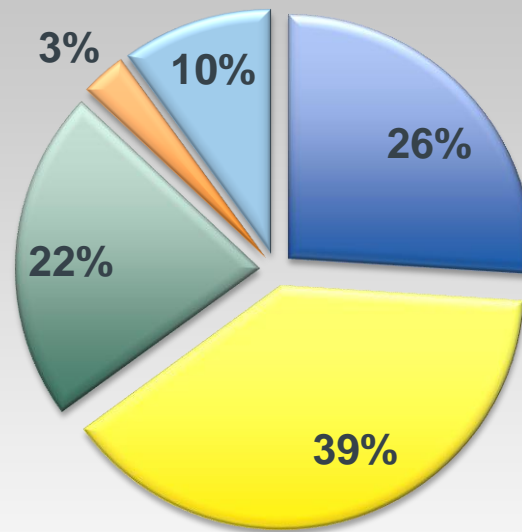
Global Employee Footprint

Location



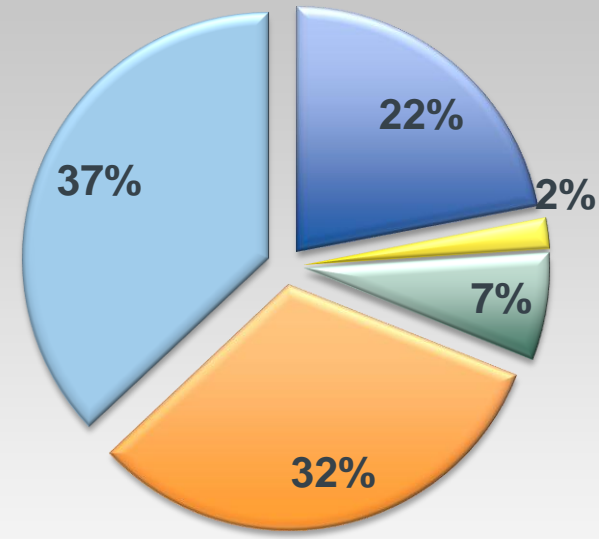
- Canada
- USA
- RoW
- China
- France

Cost



- Canada
- USA
- RoW
- China
- France

Function

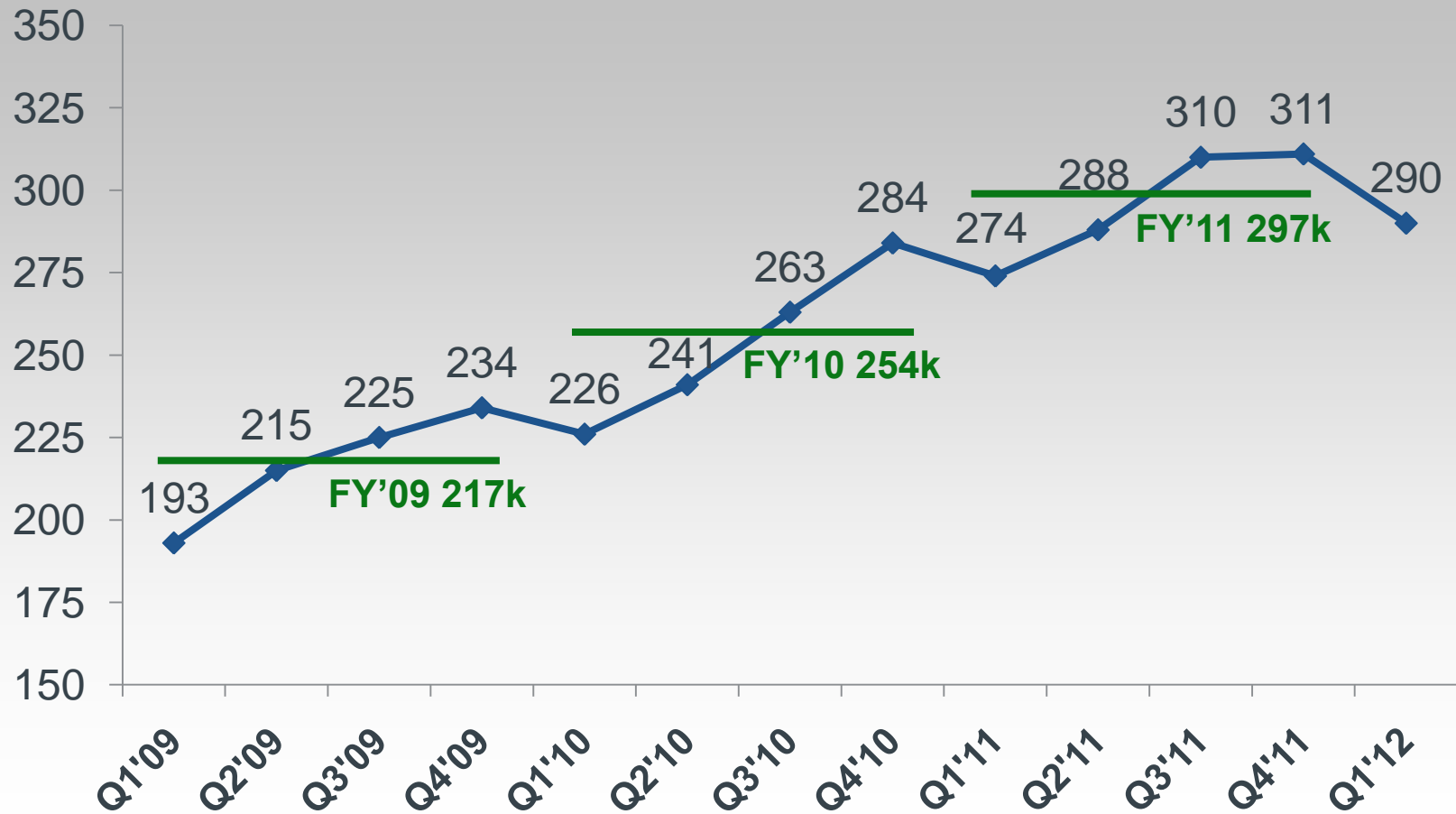


- Service & Support
- Operations
- G&A
- R&D
- Sales & Marketing

Q1'12 Headcount: 1,655

Revenue per Employee

(\$ in Thousands, Annualized)



Q1 2012 Select Financial Statistics

	Q1 12	Q4 11	Q1 11
Cash and Investments	\$600M	\$539M	\$433M
Deferred Revenue	\$315M	\$295M	\$266M
Free Cash Flow	\$47M	\$31M	\$36M
Working Capital	\$281M	\$257M	\$168M
Accounts Receivable	\$85M	\$96M	\$71M
DSO	65	71	69
Net Inventory	\$18M	\$16M	\$12M
Inventory Turns	3.9	4.4	4.0
Revenue per Employee (Annualized)	\$290K	\$311K	\$274K
No. of Deals >\$100K	153	192	111
No. of Deals >\$250K	47	57	34
No. of Deals >\$500K	19	15	18

Maintaining Strong Balance Sheet

<i>(\$ in Millions)</i>	Q1 12	Q4 11	Q1 11
Assets			
Cash and Investments	600	539	433
Accounts Receivable	85	96	71
Inventory	18	16	12
Property and Equipment	10	8	7
Deferred Tax Assets	53	54	46
Other Assets	22	22	18
Total Assets	788	735	587
Liabilities and Shareholders' Equity			
Accounts Payable	14	20	9
Accrued Expenses	61	62	54
Deferred Revenue	315	295	266
Common Stock/Paid in Capital	338	314	260
Retained Earnings	60	44	(2)
Total Liabilities and Shareholders' Equity	788	735	587

Statement of Cash Flows (Non-GAAP)

(\$ in Millions)	Q1 12	Q1 11
GAAP Net Income	14	14
Depreciation, Amortization and Intangibles	9	5
Amortization of Investment Premium	3	3
Excess Tax Benefit	(2)	(1)
Accounts Receivable	11	1
Inventory	(3)	1
Accounts Payable / Accrued Expenses / Other	(3)	4
Deferred Revenue	20	13
GAAP Cash Flow from Operations	49	40
Purchase of Property and Equipment	(2)	(1)
Removal of Patent Settlement	-	(3)
Free Cash Flow	47	36
Stock Option Exercises and ESPP	14	7
Acquisition	(1)	-
Effect of F/X Rate on Cash / Patent / Other	2	2
Net Cash Flow	62	45

Q2 and 2012 Guidance

	Q2 12	Y/Y % Mid-Pt Growth	2012	Y/Y % Mid-Pt Growth
Billings ⁽¹⁾	\$136 - 140M	25%	\$580 - 590M	23%
Revenue	\$123 - 127M	22%	\$515 - 530M	21%
Gross Margin (%) ⁽²⁾	73 - 74%		73 - 74%	
Operating Margin (%) ⁽²⁾	~23%		~24%	
Earnings per Share ^{(2) (3)}	\$0.12		\$0.49 - 0.53	
Weighted Diluted Shares used in EPS	166 - 168M		167 - 170M	
Free Cash Flow ⁽⁴⁾	\$35 - 40M		\$160 - 170M	

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 34% for Q2 and 2012 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 and patent settlements.

GAAP to Non-GAAP – Operating Results

(Q1'12 vs. Q1'11 vs. Q4'11)

(in thousands, except per share amounts)			GAAP			Non-GAAP			GAAP			Non-GAAP		
	Q1'12	Adj	Q1'12	Q1'11	Adj	Q1'11	Q4'11	Adj	Q4'11	Q4'11	Adj	Q4'11		
Revenue:														
Product	\$ 53,204	\$ -	\$ 53,204	\$ 40,165	\$ -	\$ 40,165	\$ 57,463	\$ -	\$ 57,463					
Services	62,138	-	62,138	48,686	-	48,686	61,076	-	61,076					
Ratable and other revenue	1,905	-	1,905	4,415	-	4,415	2,322	-	2,322					
Total Revenue	117,247	-	117,247	93,266	-	93,266	120,861	-	120,861					
Cost of revenue:														
Product	19,067	(64)	19,003	14,075	(22)	14,053	21,929	(54)	21,875					
Services	11,213	(745)	10,468	7,781	(198)	7,583	9,671	(666)	9,005					
Ratable and other revenue	763	-	763	1,560	-	1,560	886	-	886					
Total cost of revenue	31,043	(809)	30,234	23,416	(220)	23,196	32,486	(720)	31,766					
Gross Profit:														
Product	34,137	64	34,201	26,090	22	26,112	35,534	54	35,588					
Services	50,925	745	51,670	40,905	198	41,103	51,405	666	52,071					
Ratable and other revenue	1,142	-	1,142	2,855	-	2,855	1,436	-	1,436					
Total gross profit	86,204	809	87,013	69,850	220	70,070	88,375	720	89,095					
Operating Expenses:														
Research and development	19,667	(1,957)	17,710	14,421	(453)	13,968	16,379	(1,737)	14,642					
Sales and marketing	42,036	(3,443)	38,593	32,718	(1,900)	30,818	39,984	(3,036)	36,948					
General and administrative	5,786	(559)	5,227	5,266	(20)	5,246	5,492	(370)	5,122					
Total operating expenses	67,489	(5,959)	61,530	52,405	(2,373)	50,032	61,855	(5,143)	56,712					
Operating income	18,715	6,768	25,483	17,445	2,593	20,038	26,520	5,863	32,383					
Interest income	1,085	-	1,085	793	-	793	963	-	963					
Other income (expense), net	(71)	-	(71)	(95)	-	(95)	(112)	-	(112)					
Net income before income taxes	19,729	6,768	26,497	18,143	2,593	20,736	27,371	5,863	33,234					
Provision for income taxes	5,556	3,453	9,009	4,556	2,287	6,843	10,877	90	10,967					
Net income	\$ 14,173	\$ 3,315	\$ 17,488	\$ 13,587	\$ 306	\$ 13,893	\$ 16,494	\$ 5,773	\$ 22,267					
Net income per share - Basic	\$ 0.09		\$ 0.11	\$ 0.09		\$ 0.09	\$ 0.11		\$ 0.14					
Net income per share - Diluted	\$ 0.09		\$ 0.11	\$ 0.08		\$ 0.09	\$ 0.10		\$ 0.14					
Shares used in computing net income per share														
Basic	156,010		156,010	150,308		150,308	154,429		154,429					
Diluted	165,751		165,751	162,864		162,864	164,505		164,505					

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

(Q1'12 vs. Q1'11 vs. Q4'11)

% of revenue	Q1'12			Q1'11			Q4'11		
	GAAP	Adj	Non-GAAP	GAAP	Adj	Non-GAAP	GAAP	Adj	Non-GAAP
Revenue:									
Product	45%	-	45%	43%	-	43%	48%	-	48%
Services	53%	-	53%	52%	-	52%	50%	-	50%
Ratable and other revenue	2%	-	2%	5%	-	5%	2%	-	2%
Total Revenue	100%	-	100%	100%	-	100%	100%	-	100%
Cost of revenue:									
Product	16%	-	16%	15%	-	15%	18%	-	18%
Services	9%	-	9%	8%	-	8%	8%	(1%)	7%
Ratable and other revenue	1%	-	1%	2%	-	2%	1%	-	1%
Total cost of revenue	26%	-	26%	25%	-	25%	27%	(1%)	26%
Gross Profit:									
Product	64%	-	64%	65%	-	65%	62%	-	62%
Services	82%	1%	83%	84%	-	84%	84%	1%	85%
Ratable and other revenue	60%	-	60%	65%	-	65%	62%	-	62%
Total gross profit	74%	-	74%	75%	-	75%	73%	1%	74%
Operating Expenses:									
Research and development	17%	(2%)	15%	15%	-	15%	14%	(2%)	12%
Sales and marketing	36%	(3%)	33%	35%	(2%)	33%	33%	(2%)	31%
General and administrative	5%	(1%)	4%	6%	-	6%	4%	-	4%
Total operating expenses	58%	(6%)	52%	56%	(2%)	54%	51%	(4%)	47%
Operating income	16%	6%	22%	19%	2%	21%	22%	5%	27%
Interest income	1%	-	1%	1%	-	1%	1%	-	1%
Net income before income taxes	17%	6%	23%	20%	2%	22%	23%	5%	28%
Provision for income taxes	5%	3%	8%	5%	2%	7%	9%	-	9%
Net income	12%	3%	15%	15%	-	15%	14%	5%	19%