



Press Release

Fortinet Reports Strong Second Quarter 2026 Financial Results *Exceeds high end of second quarter guidance on revenue and profitability* *Raises 2026 revenue guidance to 19% year over year growth*

Highlights

- Revenue grew 26% year over year to \$2.05 billion
- Product revenue grew 52% year over year to \$773 million
- Billings grew 33% year over year to \$2.37 billion¹
- GAAP operating margin of 34%
- Non-GAAP operating margin of 38%¹
- GAAP earnings per share grew 44% year over year to \$0.82
- Non-GAAP earnings per share grew 41% year over year to \$0.90¹
- Operating cash flow of \$1.04 billion
- Free cash flow of \$966 million¹

SUNNYVALE, Calif. - July 29, 2026 - Fortinet® (Nasdaq: FTNT), a global cybersecurity leader driving the convergence of networking and security, today announced financial results for the second quarter ended June 30, 2026.

"We are very pleased with our excellent second quarter results, which reflect the differentiated value of our innovation in the AI Era," said Ken Xie, Founder, Chairman and Chief Executive Officer of Fortinet. "Our results reflect that customers value Fortinet's unique 'SASE Firewall', with leading firewall, SD-WAN and SASE functionality integrated together on our single FortiOS operating system and powered by our purpose-built FortiASIC, offering customers flexible deployment in a sovereign form factor, on-prem and in the cloud."

Recent Business Highlights

- Announced a strategic collaboration with Intel to develop Fortinet Security Processor 6 (SP6), combining Fortinet's proprietary, purpose-built security processor expertise with Intel's advanced design, development, packaging, and manufacturing capabilities to accelerate SP6 development while strengthening the resilience and diversity of Fortinet's global supply chain.
- Launched the FortiGate 1200G series with FortiSASE Outpost, combining local enforcement and cloud-delivered security to address customers' evolving sovereignty, performance, and AI infrastructure requirements. The convergence of firewall and SASE technologies creates a new "SASE Firewall" market built for the realities of today's hybrid world.
- Launched FortiSOC, a new cloud-delivered SOC platform that brings together six core security operations functions into a single AI SOC experience designed to simplify and scale modern security operations.
- Expanded FortiEndpoint converging multiple endpoint security innovations into one agent to help security teams safely enable AI adoption, strengthen data security, improve risk visibility, and simplify operations.

- Partnered with Anthropic on Project Glasswing (Mythos), OpenAI on Project Daybreak (GPT 5.5 Cyber), and NVIDIA as a founding member of its recently announced Open Secure AI Alliance for AI Safety and Security.
- Moody's Ratings upgraded Fortinet's senior unsecured notes rating to A3 from Baa1 and its senior unsecured shelf rating to (P)A3 from (P)Baa1, the highest rating of any public cybersecurity company.

Guidance

For the third quarter of 2026, Fortinet currently expects:

- Revenue in the range of \$2.010 billion to \$2.100 billion
- Billings in the range of \$2.250 billion to \$2.350 billion
- Non-GAAP gross margin in the range of 79.0% to 81.0%
- Non-GAAP operating margin in the range of 35.0% to 37.0%
- Diluted non-GAAP net income per share in the range of \$0.83 to \$0.87, assuming a non-GAAP effective tax rate of 18%. This assumes a diluted share count of 741 million to 745 million.

For the fiscal year 2026, Fortinet currently expects:

- Revenue in the range of \$8.020 billion to \$8.180 billion
- Service revenue in the range of \$5.180 billion to \$5.220 billion
- Billings in the range of \$9.350 billion to \$9.550 billion
- Non-GAAP gross margin in the range of 79.0% to 81.0%
- Non-GAAP operating margin in the range of 35.0% to 37.0%
- Diluted non-GAAP net income per share in the range of \$3.41 to \$3.47, assuming a non-GAAP effective tax rate of 18%. This assumes a diluted share count of 741 million to 745 million.

These statements are forward looking and actual results may differ materially. Refer to the Forward-Looking Statements section below for information on the factors that could cause our actual results to differ materially from these forward-looking statements.

Our guidance with respect to non-GAAP financial measures excludes stock-based compensation, amortization of acquired intangible assets, gain on intellectual property matters and a tax adjustment required for an effective tax rate on a non-GAAP basis, which differs from the GAAP effective tax rate. 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.

Conference Call Details

Fortinet will host a conference call today at 1:30 p.m. Pacific Time (4:30 p.m. Eastern Time) to discuss the earnings results. A live webcast of the conference call and supplemental slides will be accessible from the Investor Relations page of Fortinet's website at <https://investor.fortinet.com> and a replay will be archived and accessible at <https://investor.fortinet.com/events-and-presentations>.

Third Quarter 2026 Conference Participation Schedule:

- **Rosenblatt Technology Summit: The Age of AI**
August 17, 2026
- **Stifel Tech Executive Summit**
August 24, 2026
- **Deutsche Bank Technology Conference**
August 27, 2026
- **Goldman Sachs Communacopia + Technology Conference**
September 8, 2026
- **Kepler Cheuvreux Autumn Conference**
September 10, 2026

Members of Fortinet's management team are expected to present at these conferences and discuss the latest company strategies and initiatives. Fortinet's conference presentations are expected to be available via webcast on the company's website. To access the most updated information, pre-register and listen to the webcast of each event, please visit the Investor Presentation & Events page of Fortinet's website at <https://investor.fortinet.com/events-and-presentations>. The schedule is subject to change.

About Fortinet (www.fortinet.com)

[Fortinet](http://www.fortinet.com) (Nasdaq: FTNT) is a driving force in the evolution of cybersecurity and the convergence of networking and security. Our mission is to secure people, devices and data everywhere, and today we deliver cybersecurity everywhere our customers need it with the largest integrated portfolio of over 50 enterprise-grade products. Well over half a million customers trust Fortinet's solutions, which are among the most deployed, most patented and most validated in the industry. The [Fortinet Training Institute](http://www.fortinet.com), one of the largest and broadest training programs in the industry, is dedicated to making cybersecurity training and new career opportunities available to everyone. Collaboration with esteemed organizations from both the public and private sectors, including Computer Emergency Response Teams ("CERTs"), government entities, and academia, is a fundamental aspect of Fortinet's commitment to enhance cyber resilience globally. FortiGuard Labs, Fortinet's elite threat intelligence and research organization, develops and utilizes leading-edge machine learning and AI technologies to provide customers with timely and consistently top-rated protection and actionable threat intelligence. Learn more at <https://www.fortinet.com>, the [Fortinet Blog](http://www.fortinet.com) or [FortiGuard Labs](http://www.fortinet.com).

Forward-Looking Statements

This press release contains 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 third quarter and full year 2026, 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 this release. 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, changing interest rates or reduced information technology spending; supply chain challenges; negative impacts from global conflicts and their related macroeconomic effects; 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, including advances in artificial intelligence; 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 inflation and changing interest rates in certain geographies and the war in Ukraine, tensions between China and Taiwan or conflicts in the Middle East; 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, tensions between China and Taiwan or conflicts in the Middle East, 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 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 or upon request from our investor relations department. All forward-looking statements herein reflect our opinions only as of the date of this release, and we undertake no obligation, and expressly disclaim any obligation, to update forward-looking statements herein in light of new information or future events.

Use of Non-GAAP Financial Measures

We believe that the presentation of non-GAAP financial information provides important supplemental information to management and investors regarding financial and business trends relating to our financial condition and results of operations. For further information regarding why we believe that these non-GAAP measures provide useful information to investors, the specific manner in which management uses these measures, and some of the limitations associated with the use of these measures, please refer to the "Explanation of Non-GAAP Financial Measures" section of this press release.

FORTINET, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited, in millions)

	June 30, 2026	December 31, 2025
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 2,934.9	\$ 2,495.3
Short-term investments	1,134.7	1,087.2
Accounts receivable—net	1,455.6	1,691.2
Inventory	426.3	399.5
Prepaid expenses and other current assets	256.8	227.0
Total current assets	6,208.3	5,900.2
LONG-TERM INVESTMENTS	399.1	339.7
PROPERTY AND EQUIPMENT—NET	1,699.5	1,619.0
DEFERRED CONTRACT COSTS	785.1	735.5
DEFERRED TAX ASSETS	1,319.4	1,314.9
GOODWILL AND OTHER INTANGIBLE ASSETS—NET	334.5	354.7
OTHER ASSETS	113.3	125.2
TOTAL ASSETS	\$ 10,859.2	\$ 10,389.2
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 282.5	\$ 230.8
Accrued liabilities	393.7	354.6
Accrued payroll and compensation	322.8	312.9
Current portion of long-term debt	—	499.7
Deferred revenue	3,841.8	3,636.0
Total current liabilities	4,840.8	5,034.0
DEFERRED REVENUE	3,833.9	3,479.8
LONG-TERM DEBT	496.9	496.6
OTHER LIABILITIES	136.5	141.3
Total liabilities	9,308.1	9,151.7
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Common stock	0.7	0.7
Additional paid-in capital	1,895.9	1,770.1
Accumulated other comprehensive loss	(28.8)	(25.4)
Accumulated deficit	(316.7)	(507.9)
Total stockholders' equity	1,551.1	1,237.5
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 10,859.2	\$ 10,389.2

FORTINET, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited, in millions, except per share amounts)

	Three Months Ended		Six Months Ended	
	June 30, 2026	June 30, 2025	June 30, 2026	June 30, 2025
REVENUE:				
Product	\$ 773.0	\$ 508.9	\$ 1,418.1	\$ 968.0
Service	1,274.9	1,121.1	2,479.4	2,201.7
Total revenue	2,047.9	1,630.0	3,897.5	3,169.7
COST OF REVENUE:				
Product	233.8	165.9	442.1	315.8
Service	170.9	149.0	327.1	292.2
Total cost of revenue	404.7	314.9	769.2	608.0
GROSS PROFIT:				
Product	539.2	343.0	976.0	652.2
Service	1,104.0	972.1	2,152.3	1,909.5
Total gross profit	1,643.2	1,315.1	3,128.3	2,561.7
OPERATING EXPENSES:				
Research and development	225.0	209.5	439.0	408.1
Sales and marketing	669.1	592.0	1,305.4	1,134.7
General and administrative	61.1	56.9	117.3	114.7
Gain on intellectual property matters	(1.3)	(1.3)	(2.7)	(7.6)
Total operating expenses	953.9	857.1	1,859.0	1,649.9
OPERATING INCOME	689.3	458.0	1,269.3	911.8
INTEREST INCOME	33.2	45.0	66.1	89.3
INTEREST EXPENSE	(3.2)	(4.6)	(7.4)	(9.5)
OTHER INCOME—NET	0.9	18.9	48.8	45.0
INCOME BEFORE INCOME TAXES AND GAIN (LOSS) FROM EQUITY METHOD INVESTMENTS	720.2	517.3	1,376.8	1,036.6
PROVISION FOR INCOME TAXES	115.0	77.1	237.0	173.6
GAIN (LOSS) FROM EQUITY METHOD INVESTMENTS	1.1	(0.1)	1.0	10.5
NET INCOME	\$ 606.3	\$ 440.1	\$ 1,140.8	\$ 873.5
Net income per share:				
Basic	\$ 0.83	\$ 0.57	\$ 1.55	\$ 1.14
Diluted	\$ 0.82	\$ 0.57	\$ 1.54	\$ 1.13
Weighted-average shares outstanding:				
Basic	733.1	765.5	735.9	766.9
Diluted	739.9	772.7	741.3	774.8

FORTINET, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited, in millions)

	Six Months Ended	
	June 30, 2026	June 30, 2025
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 1,140.8	\$ 873.5
Adjustments to reconcile net income to net cash provided by operating activities:		
Stock-based compensation	151.8	135.2
Amortization of deferred contract costs	190.9	160.0
Depreciation and amortization	81.2	74.1
Amortization of investment discounts	(9.3)	(19.4)
Other	(47.7)	(44.8)
Changes in operating assets and liabilities, net of impact of business combinations:		
Accounts receivable—net	235.1	262.7
Inventory	(38.0)	(79.6)
Prepaid expenses and other current assets	(0.5)	(32.1)
Deferred contract costs	(240.5)	(202.5)
Deferred tax assets	(3.6)	(75.3)
Other assets	(9.0)	(11.7)
Accounts payable	49.7	46.8
Accrued liabilities	54.5	(9.7)
Accrued payroll and compensation	10.0	22.9
Deferred revenue	559.9	204.8
Other liabilities	(4.6)	10.3
Net cash provided by operating activities	2,120.7	1,315.2
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(756.0)	(976.5)
Sales of investments	118.4	5.7
Maturities of investments	587.5	869.6
Purchases of property and equipment	(148.6)	(234.3)
Payments made in connection with business combinations, net of cash acquired	—	(41.6)
Other	8.4	0.1
Net cash used in investing activities	(190.3)	(377.0)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repurchase and retirement of common stock	(972.8)	(401.1)
Repayment of senior notes	(500.0)	—
Proceeds from issuance of common stock	62.3	31.3
Taxes paid related to net share settlement of equity awards	(59.1)	(77.0)
Other	(21.2)	(0.1)
Net cash used in financing activities	(1,490.8)	(446.9)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	—	1.3
NET INCREASE IN CASH AND CASH EQUIVALENTS	439.6	492.6
CASH AND CASH EQUIVALENTS—Beginning of period	2,495.3	2,875.9
CASH AND CASH EQUIVALENTS—End of period	\$ 2,934.9	\$ 3,368.5

Reconciliations of non-GAAP results of operations measures to the nearest comparable GAAP measures
(Unaudited, in millions, except per share amounts)

Reconciliation of GAAP to non-GAAP gross profit, gross margin, operating income, operating margin, net income and diluted net income per share

	Three Months Ended	
	June 30, 2026	June 30, 2025
Revenue	\$ 2,047.9	\$ 1,630.0
Reconciliation of non-GAAP gross profit:		
GAAP gross profit	\$ 1,643.2	\$ 1,315.1
<i>GAAP gross margin</i>	80.2 %	80.7 %
Add back:		
Stock-based compensation	8.7	7.5
Amortization of acquired intangible assets	5.8	7.3
Non-GAAP gross profit	<u>\$ 1,657.7</u>	<u>\$ 1,329.9</u>
<i>Non-GAAP gross margin</i>	80.9 %	81.6 %
Reconciliation of non-GAAP operating income:		
GAAP operating income	\$ 689.3	\$ 458.0
<i>GAAP operating margin</i>	33.7 %	28.1 %
Add back:		
Stock-based compensation	80.8	69.9
Amortization of acquired intangible assets	9.9	13.2
Gain on intellectual property matters	(1.3)	(1.3)
Non-GAAP operating income	<u>\$ 778.7</u>	<u>\$ 539.8</u>
<i>Non-GAAP operating margin</i>	38.0 %	33.1 %
Reconciliation of non-GAAP net income:		
GAAP net income	\$ 606.3	\$ 440.1
Add back:		
Stock-based compensation	80.8	69.9
Amortization of acquired intangible assets	9.9	13.2
Gain on intellectual property matters	(1.3)	(1.3)
Tax adjustment ^(a)	(30.7)	(30.8)
Non-GAAP net income	<u>\$ 665.0</u>	<u>\$ 491.1</u>
Reconciliation of non-GAAP net income per share, diluted		
GAAP net income per share, diluted	\$ 0.82	\$ 0.57
Add back:		
Non-GAAP adjustments to net income per share	0.08	0.07
Non-GAAP net income per share, diluted	<u>\$ 0.90</u>	<u>\$ 0.64</u>
Shares used in diluted net income per share calculations	739.9	772.7

(a) Non-GAAP financial information is adjusted to an effective tax rate of 18% in each period for the three months ended June 30, 2026 and 2025, on a non-GAAP basis, which differs from the GAAP effective tax rate.

Reconciliation of net cash provided by operating activities to adjusted free cash flow

	Three Months Ended	
	June 30, 2026	June 30, 2025
Net cash provided by operating activities	\$ 1,043.6	\$ 451.9
Less: Purchases of property and equipment	(78.0)	(167.8)
Free cash flow	<u>\$ 965.6</u>	<u>\$ 284.1</u>
Add: Real estate related purchases	30.3	143.8
Adjusted free cash flow	<u>\$ 995.9</u>	<u>\$ 427.9</u>
<i>Free cash flow margin</i>	47.2 %	17.4 %
<i>Adjusted free cash flow margin</i>	48.6 %	26.3 %
Net cash used in investing activities	<u>\$ (184.6)</u>	<u>\$ (266.2)</u>
Net cash used in financing activities	<u>\$ (147.9)</u>	<u>\$ (414.2)</u>

Reconciliation of total revenue to total billings

	Three Months Ended	
	June 30, 2026	June 30, 2025
Total revenue	\$ 2,047.9	\$ 1,630.0
Add: Change in deferred revenue	324.2	149.2
Less: Deferred revenue balance acquired in business acquisitions	—	(0.8)
Total billings	<u>\$ 2,372.1</u>	<u>\$ 1,778.4</u>

¹ A reconciliation of GAAP to non-GAAP measures has been provided in the financial statement tables included in this press release. An explanation of these measures is also included below under the heading “Explanation of Non-GAAP Financial Measures”.

Explanation of Non-GAAP Financial Measures

We have provided in this release financial information that has not been prepared in accordance with U.S. Generally Accepted Accounting Principles ("GAAP"). These non-GAAP financial and liquidity measures are not based on any standardized methodology prescribed by GAAP and are not necessarily comparable to similar measures presented by other companies. We use these non-GAAP financial measures internally in analyzing our financial results and believe they are useful to investors, as a supplement to GAAP measures, in evaluating our ongoing operational performance. We believe that the use of these non-GAAP financial measures provides an additional tool for investors to use in evaluating ongoing operating results and trends and in comparing our financial results with peer companies, many of which present similar non-GAAP financial measures to investors.

Non-GAAP financial measures should not be considered in isolation from, or as a substitute for, financial information prepared in accordance with GAAP. Investors are encouraged to review the reconciliation of these non-GAAP financial measures to their most directly comparable GAAP financial measures provided in the financial statement tables below.

Billings (non-GAAP). We define billings 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) during the period. We consider billings to be a useful metric for management and investors because billings drive current and future revenue as well as cash flows. There are a number of limitations related to the use of billings instead of GAAP revenue. First, billings are impacted by the term of security subscription and support agreements and do not provide an indication as to the timing of revenue being recognized from these service contracts. Second, we may calculate billings in a manner that is different from peer companies that report similar financial measures. Management accounts for these limitations by providing specific information regarding GAAP revenue and evaluating billings together with GAAP revenue.

Free cash flow (non-GAAP). We define free cash flow as net cash provided by operating activities minus purchases of property and equipment. Free cash flow margin is defined as free cash flow divided by GAAP revenue. We believe free cash flow to be a liquidity measure that provides useful information to management and investors about the amount of cash generated by the business that, after capital expenditures, can be used for strategic opportunities, including repurchasing outstanding common stock, investing in our business, making strategic acquisitions and strengthening the balance sheet. A limitation of using free cash flow rather than the GAAP measures of cash provided by or used in operating activities, investing activities, and financing activities is that free cash flow does not represent the total increase or decrease in the cash and cash equivalents balance for the period because it excludes investing activities other than capital expenditures and cash flows from financing activities. Management accounts for this limitation by providing information about our capital expenditures and other investing and financing activities on the face of the cash flow statement and under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources" in our most recent Quarterly Report on Form 10-Q and Annual Report on Form 10-K and by presenting cash flows from investing and financing activities in our reconciliation of free cash flow. In addition, it is important to note that other companies, including companies in our industry, may not use free cash flow, may calculate free cash flow in a different manner than we do or may use other financial measures to evaluate their performance, all of which could reduce the usefulness of free cash flow as a comparative measure.

Adjusted free cash flow (non-GAAP). We define adjusted free cash flow as free cash flow plus cash payments associated with real estate related purchases. Adjusted free cash flow margin is defined as adjusted free cash flow divided by GAAP revenue.

Non-GAAP gross profit and gross margin. We define non-GAAP gross profit as gross profit plus stock-based compensation and amortization of acquired intangible assets. Non-GAAP gross margin is defined as non-GAAP gross profit divided by GAAP revenue.

Non-GAAP operating income and operating margin. We define non-GAAP operating income as operating income plus stock-based compensation and amortization of acquired intangible assets, less gain on intellectual property matters and, when applicable, other significant non-recurring items in a given quarter. Non-GAAP operating margin is defined as non-GAAP operating income divided by GAAP revenue.

We consider these non-GAAP financial measures to be useful metrics for management and investors because they exclude the items noted above so that our management and investors can compare our recurring core business gross profit, gross margin and operating results over multiple periods. There are a number of limitations related to the use of non-GAAP financial measurements instead of the measurements calculated in accordance with GAAP. First, these non-GAAP financial measures exclude the items noted above. Second, the components of the costs and gains that we exclude from our calculation of non-GAAP measures may differ from the components that peer companies exclude when they report their non-GAAP results of operations. Management accounts for these limitations by providing specific information regarding the GAAP amounts excluded from non-GAAP financial measures and evaluating non-GAAP operating income together with these measures calculated in accordance with GAAP.

Non-GAAP net income and diluted net income per share. We define non-GAAP net income as net income plus the items noted above under non-GAAP operating income and operating margin. In addition, we adjust non-GAAP net income and diluted net income per share for a tax adjustment required for an effective tax rate on a non-GAAP basis, which differs from the GAAP effective tax rate. We define non-GAAP diluted net income per share as non-GAAP net income divided by the non-GAAP diluted weighted-average shares outstanding. We consider these non-GAAP financial measures to be useful metrics for management and investors for the same reasons that we use non-GAAP operating income and non-GAAP operating margin. However, in order to provide a more complete picture of our recurring core business operating results, we include in non-GAAP net income and non-GAAP diluted net income per share, the tax adjustment required resulting in an effective tax rate on a non-GAAP basis, which often differs from the GAAP tax rate. We believe the non-GAAP effective tax rates we use are reasonable estimates of normalized tax rates for our current and prior fiscal years under our global operating structure. The same limitations described above regarding our use of non-GAAP operating income and non-GAAP operating margin apply to our use of non-GAAP net income and non-GAAP diluted net income per share. We account for these limitations by providing specific information regarding the GAAP amounts excluded from non-GAAP net income and non-GAAP diluted net income per share and evaluating non-GAAP net income and non-GAAP diluted net income per share together with net income and diluted net income per share calculated in accordance with GAAP.

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