



Q1 2024 Financial Results

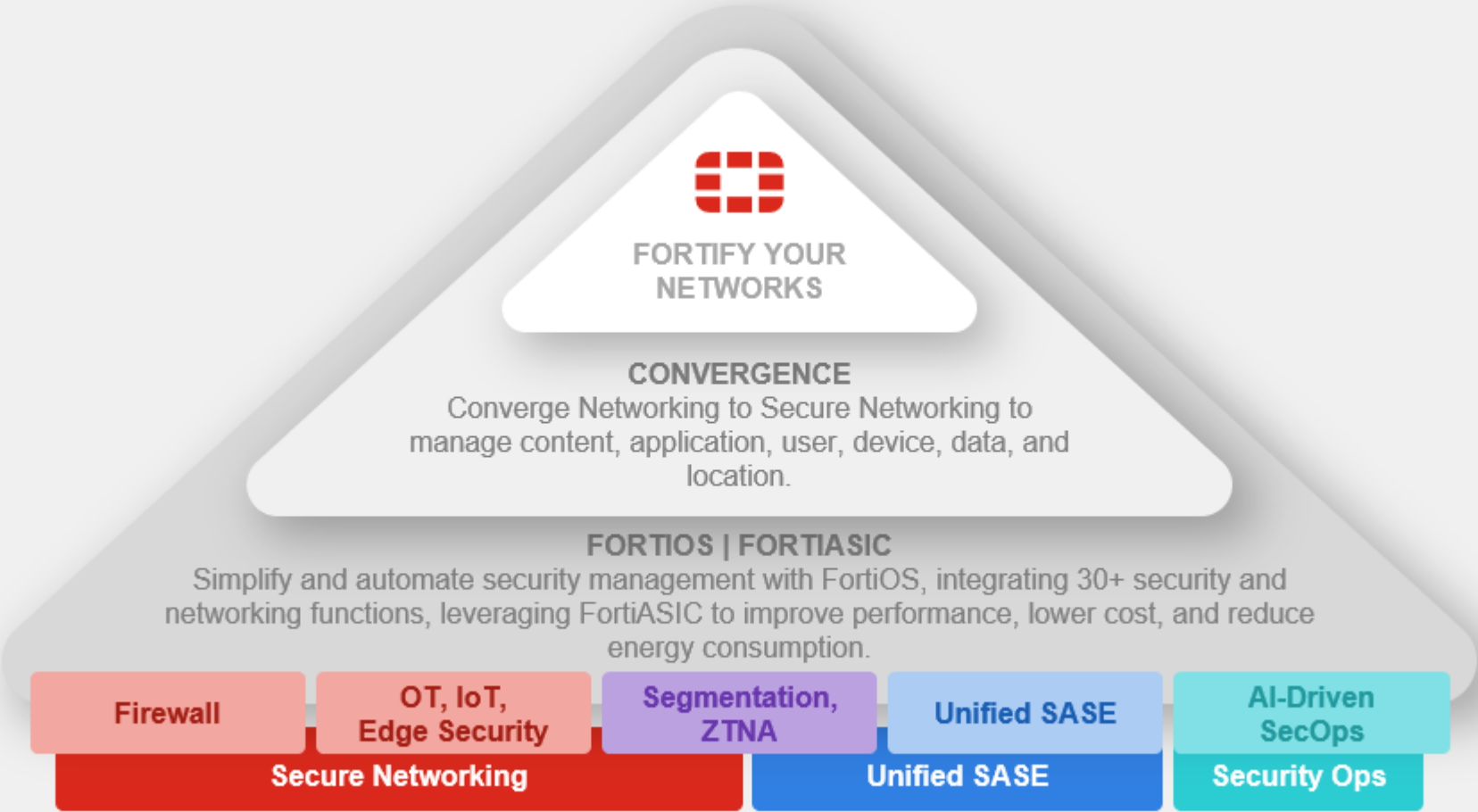
May 2, 2024

Safe Harbor Statement


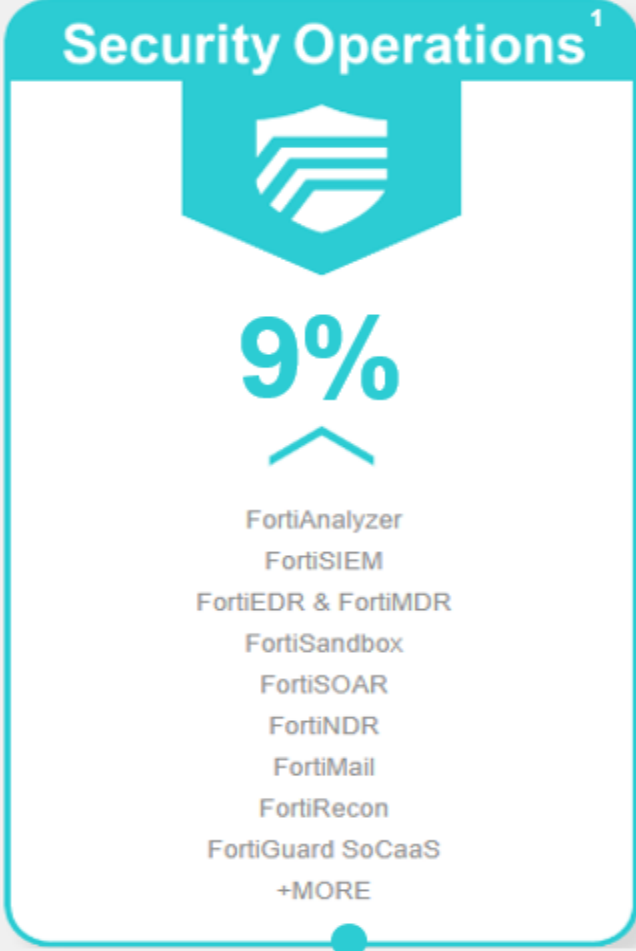
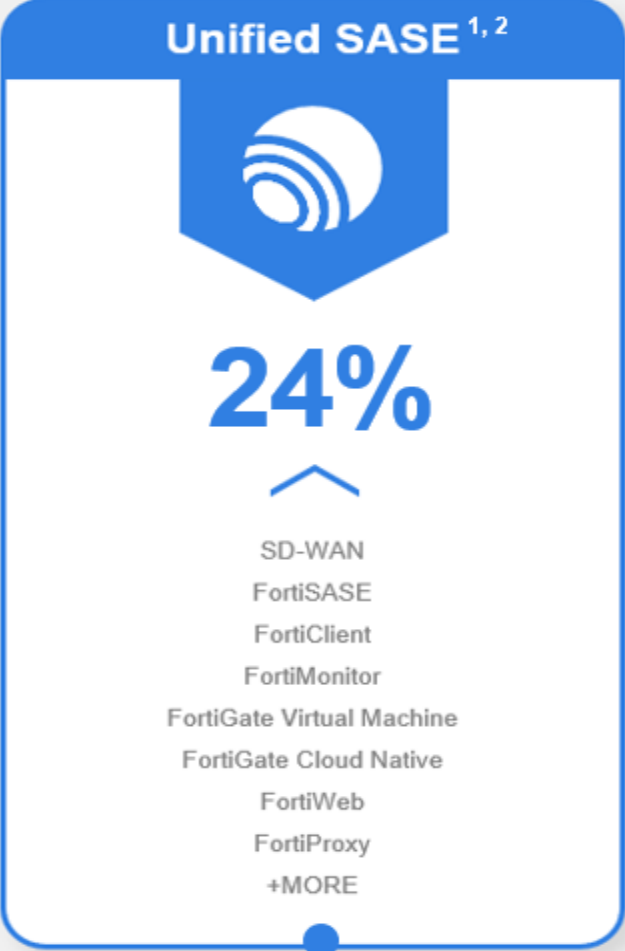
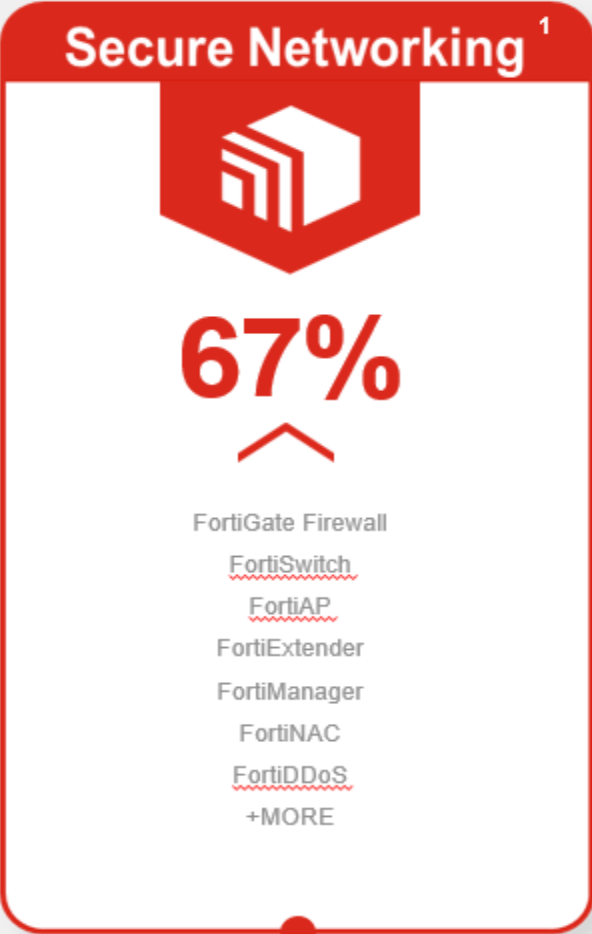
Information, statements and projections contained in these presentation slides and related conference call concerning Fortinet's business outlook, the second quarter and full year 2024 guidance, and future prospects and expectations are forward-looking statements that involve risks and uncertainties. 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 second 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 general sales execution risks and risks around closing large deals and timing of large 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; any political and government disruption around the world, 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 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.



Fortify Your Networks



Segment Breakdown Q1'24 Billings

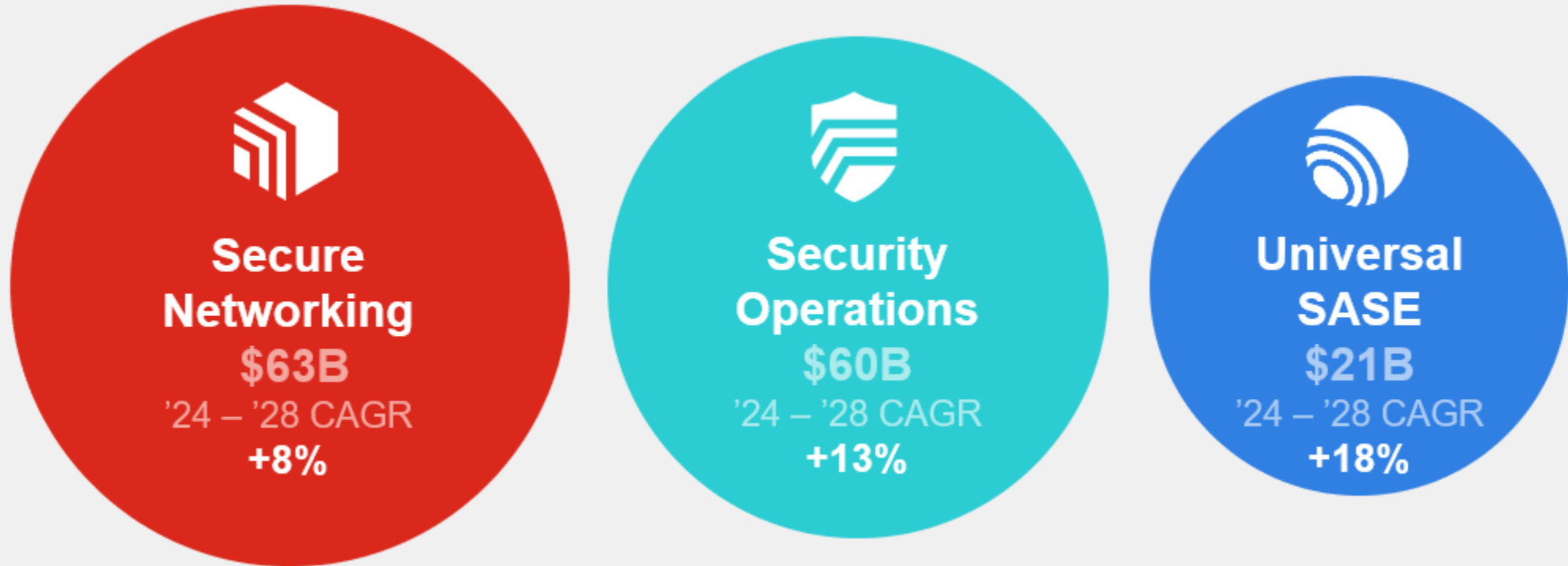


One Operating System, One Management Plane, One Analytics Engine, Unified Endpoint Agent, and AI-powered Security Services

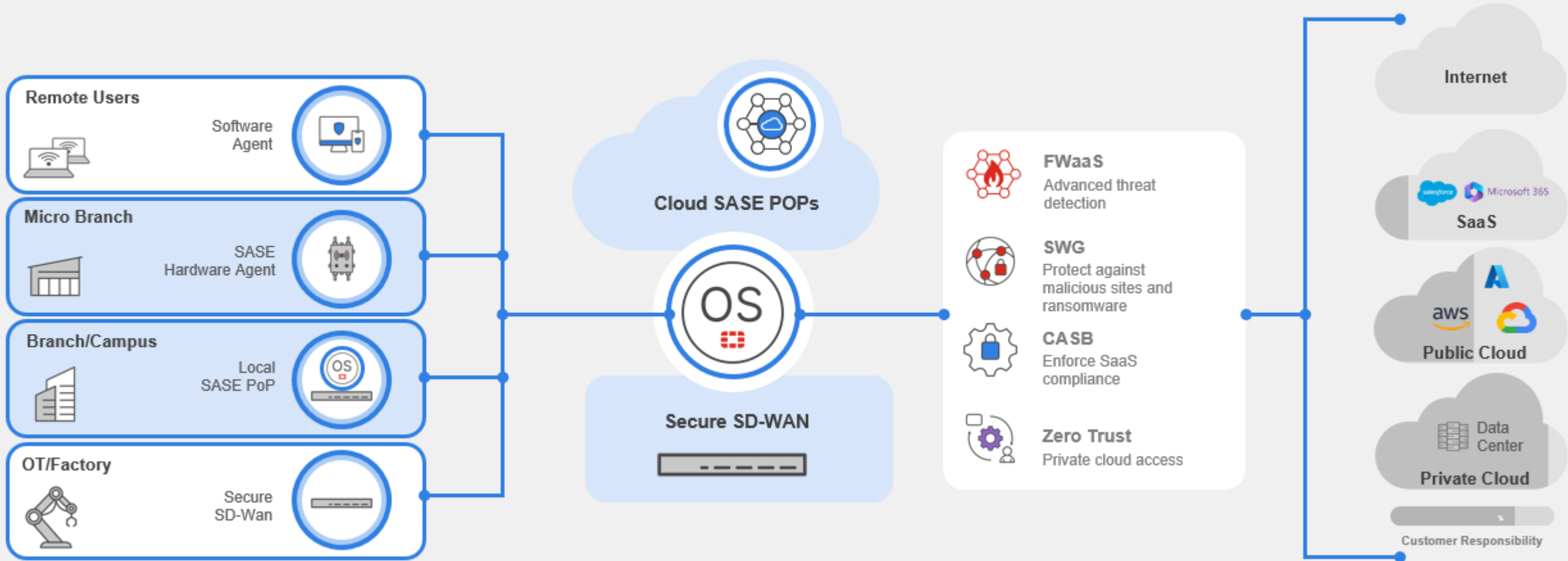


Note 1: All solutions include products and services.
Note 2: SD-WAN includes a percentage of certain FortiGate billings.

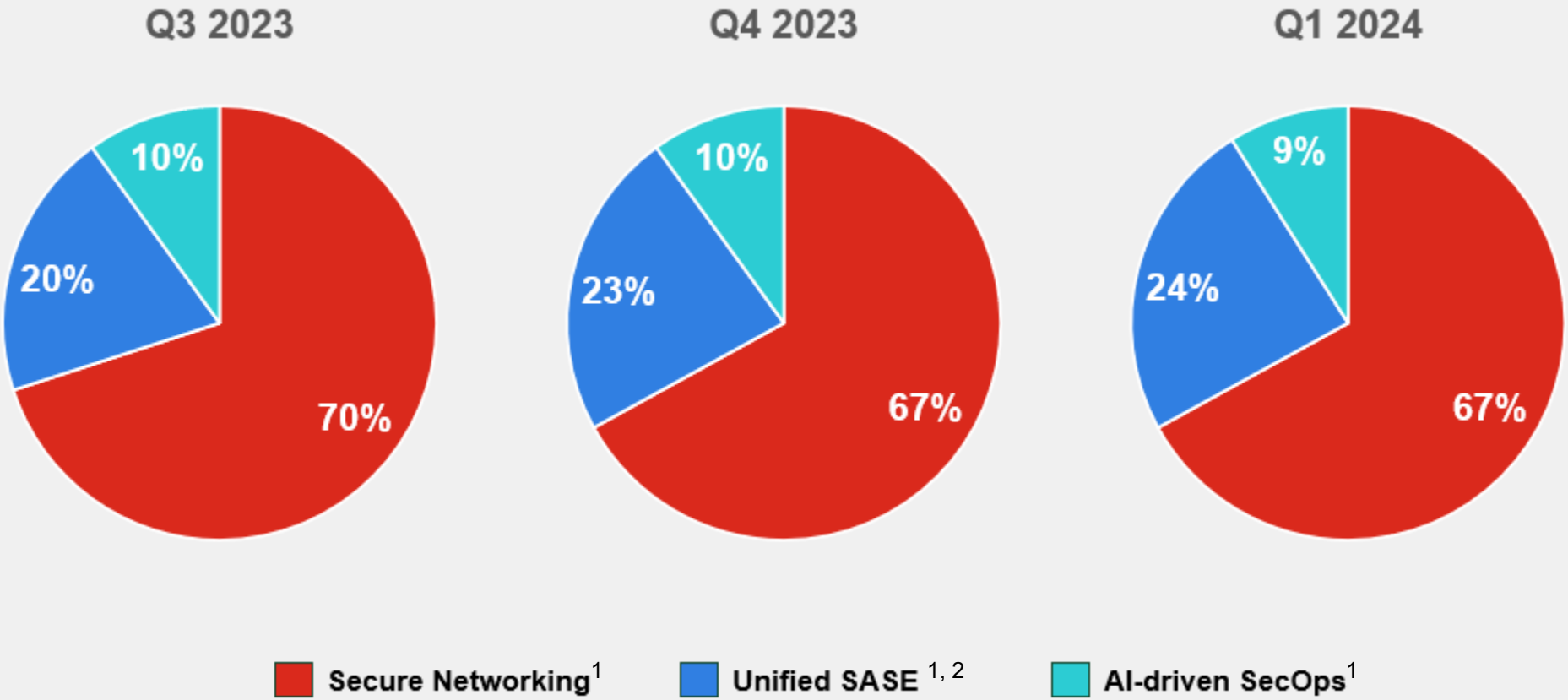
TAM of \$144B in 2024 Growing to \$222B by 2028



Single-Vendor SASE Requires a Hybrid Approach

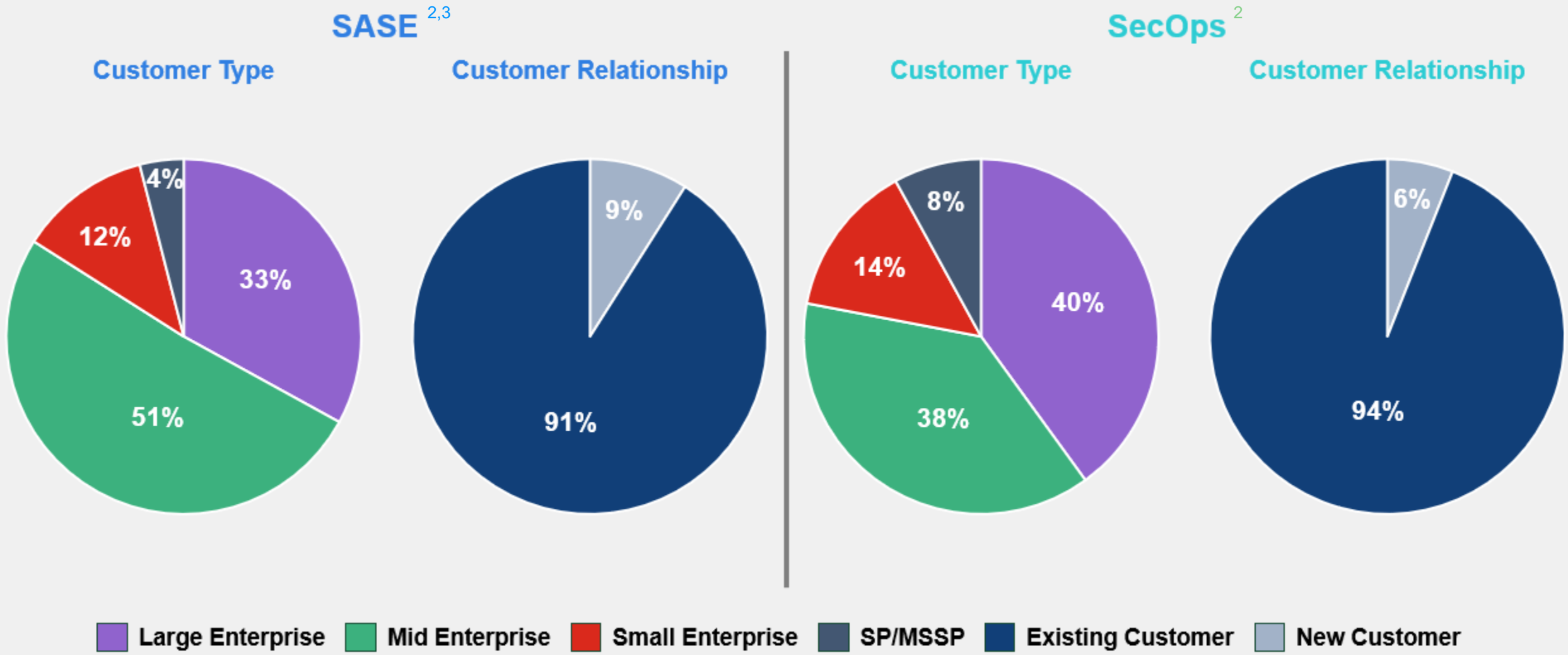


Unified SASE is 24% of Total Billings in Q1'24



Note 1: All Solutions include products and services.
Note 2: SD-WAN includes a percentage of certain FortiGate billings.

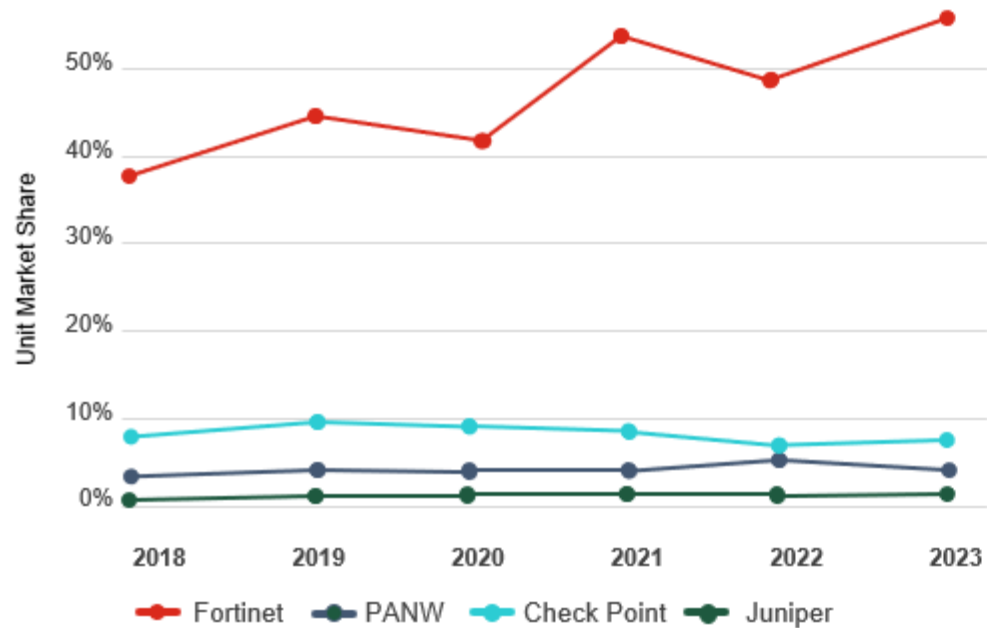
SASE and SecOps Customer Mix¹



Note 1: Based on invoiced amounts for the quarter ended March 31, 2024.
Note 2: All Solutions include products and services.
Note 3: SD-WAN includes a percentage of certain FortiGate billings.

Our Investments Are Clearly Working

Firewall Units Shipped

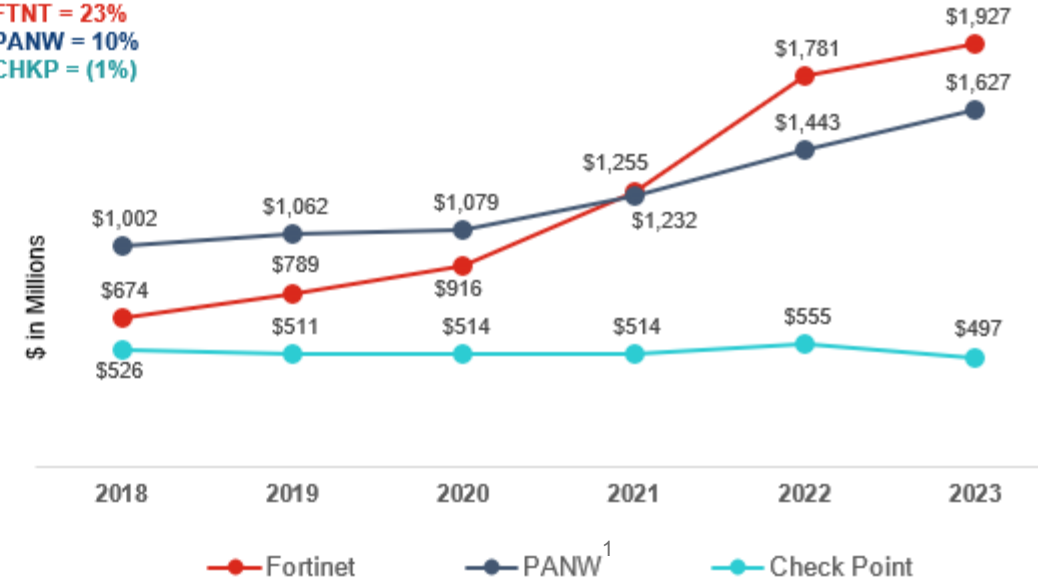


Source: 650 Group, March 2024

Product Revenue

5-YR CAGR ('18 - '23)

FTNT = 23%
PANW = 10%
CHKP = (1%)



Source: Company reports



Fortinet Secures **Over Half a Million** Organizations Worldwide

Over 700,000 enterprises, service providers, and government organizations around the world trust Fortinet to secure their operations

73% of Fortune 100 and **69%** of Global 2000 depend on Fortinet to stay secure

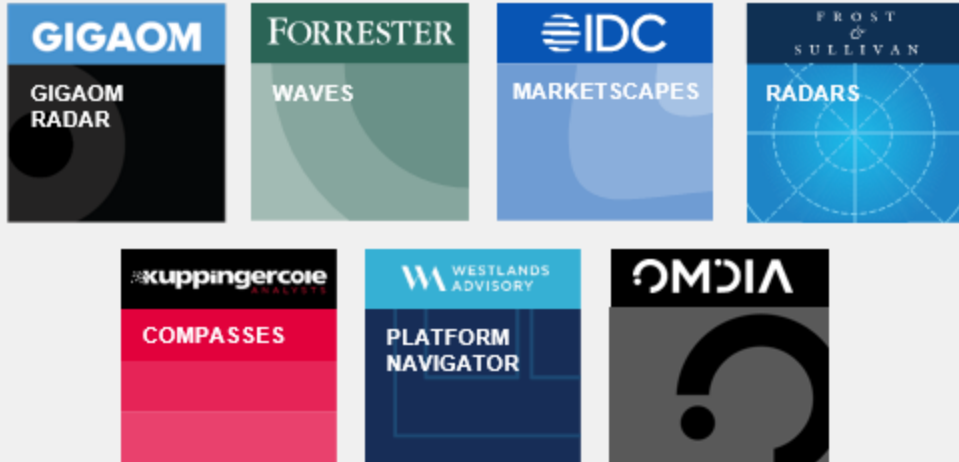


Notes: G2000 is based off the 2022 Forbes list; total number of accounts is 1,927 after factoring in M&A activity since publication. F100 is based off the 2022 Fortune list; total number of accounts is 98 after factoring in M&A activity since publication.

100+

Industry Analyst Research Validates Fortinet Across Networking and Security

Fortinet is one of the most validated cybersecurity companies in the world. Fortinet is continually positioned in a leadership position across more than 100+ research reports from the major industry analyst firms like Gartner, IDC and Forrester, and is included in 8 Gartner Magic Quadrants.



Fortinet Recognized in 5 Gartner® Magic Quadrant™ Reports, Based on the Same Operating System

Network Firewall

LEADER



Gartner® Magic Quadrant™ for Network Firewalls – Published 19 December 2022 – Rajpreet Kaur, Adam Hills, Thomas Lintemuth

SD-WAN

LEADER



Gartner® Magic Quadrant™ for SD-WAN – Published 27 September 2023 – Jonathan Forest, Naresh Singh, Andrew Lerner, Karen Brown

Wired & WLAN

LEADER



Gartner® Magic Quadrant™ for Enterprise Wired and Wireless LAN Infrastructure – Published 06 March 2024 – Tim Zimmerman, Christian Canales, Nauman Raja, Mike Leibovitz

Single-Vendor SASE

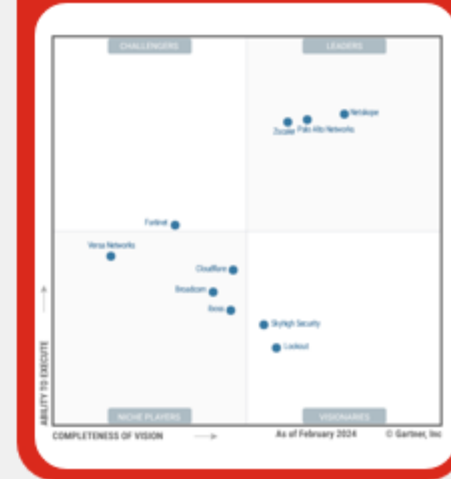
CHALLENGER



Gartner® Magic Quadrant™ for Single-Vendor SASE – Published 16 August 2023 – Andrew Lerner, Jonathan Forest, Neil MacDonald, Nat Smith, Charlie Winckless

Security Service Edge (SSE)

CHALLENGER



Gartner® Magic Quadrant™ for Security Service Edge – Published 15 April 2024 – Charlie Winckless, Thomas Lintemuth, Dale Koeppen

FortiOS Operating System

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Q1 2024 Non-GAAP Results

	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23	Q2'23	Q3'23	Q4'23	Q1'24	2-YR CAGR ⁽²⁾
Billings ⁽¹⁾	\$1.160B	\$1.304B	\$1.411B	\$1.719B	\$1.503B	\$1.541B	\$1.491B	\$1.865B	\$1.407B	10.2%
<i>Y/Y % Change</i>	36.4%	35.7%	32.6%	31.6%	29.6%	18.1%	5.7%	8.5%	(6.4)%	
Revenue	\$954.8M	\$1.030B	\$1.150B	\$1.283B	\$1.262B	\$1.293B	\$1.335B	\$1.415B	\$1.353B	19.1%
<i>Y/Y % Change</i>	34.4%	28.6%	32.6%	33.1%	32.2%	25.5%	16.1%	10.3%	7.2%	
Product Revenue	\$371.0M	\$400.7M	\$468.7M	\$540.1M	\$500.7M	\$472.6M	\$465.9M	\$488.1M	\$408.9M	5.0%
<i>Y/Y % Change</i>	54.1%	34.3%	39.0%	42.5%	35.0%	17.9%	(0.6)%	(9.6)%	(18.3)%	
Service Revenue	\$583.8M	\$629.4M	\$680.8M	\$742.9M	\$761.6M	\$820.2M	\$868.7M	\$927.0M	\$944.4M	27.2%
<i>Y/Y % Change</i>	24.3%	25.2%	28.4%	27.1%	30.5%	30.3%	27.6%	24.8%	24.0%	
<i>% of Total Revenue</i>	61%	61%	59%	58%	60%	63%	65%	66%	70%	

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).

(2) Period from Q1'22 to Q1'24.



Q1 2024 Non-GAAP Results

	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23	Q2'23	Q3'23	Q4'23	Q1'24
Gross Profit ⁽¹⁾	\$710.2M	\$788.5M	\$875.5M	\$996.0M	\$963.6M	\$1.01B	\$1.03B	\$1.11B	\$1.06B
Gross Margin ⁽¹⁾	74.4%	76.5%	76.2%	77.6%	76.3%	77.9%	76.9%	78.5%	78.1%
Operating Income ⁽¹⁾⁽²⁾	\$210.2M	\$255.4M	\$324.9M	\$417.6M	\$334.0M	\$348.1M	\$371.4M	\$453.5M	\$386.1M
Operating Margin ⁽¹⁾⁽²⁾	22.0%	24.8%	28.3%	32.5%	26.5%	26.9%	27.8%	32.0%	28.5%
Net Income attributable to Fortinet, Inc. ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾	\$155.1M	\$194.1M	\$262.7M	\$349.7M	\$269.7M	\$300.4M	\$323.5M	\$392.0M	\$333.9M
Diluted Net Income per Share Attributable to Fortinet, Inc. ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾⁽⁶⁾	\$0.19	\$0.24	\$0.33	\$0.44	\$0.34	\$0.38	\$0.41	\$0.51	\$0.43
Weighted Diluted Shares Used to Compute Net Income per Share Attributable to Fortinet, Inc. ⁽⁶⁾	820.8M	810.1M	798.6M	791.8M	793.4M	795.9M	791.2M	772.3M	770.5M
Deferred Revenue	\$3.66B	\$3.93B	\$4.19B	\$4.64B	\$4.88B	\$5.13B	\$5.29B	\$5.74B	\$5.79B
Cash, Investments and Marketable Equity Securities ⁽⁷⁾	\$2.50B	\$1.94B	\$1.81B	\$2.26B	\$2.89B	\$3.32B	\$3.17B	\$2.44B	\$3.02B
Cash Paid for Stock Repurchases	\$691.2M	\$800.0M	\$500.0M	—	—	—	\$604.3M	\$896.2M	—
Days Sales Outstanding	75	80	75	89	78	75	68	89	66
Inventory Turns	3.5	3.1	3.4	2.8	2.3	1.6	1.2	1.3	1.2
Headcount	10,860	11,508	12,091	12,595	13,202	13,677	13,618	13,568	13,522

Notes

- (1) Excludes stock-based compensation and amortization of acquired intangible assets.
- (2) Excludes gain on intellectual property ("IP").
- (3) Assumes a quarterly effective tax rate of 17% for 2022, 2023 and Q1'24.
- (4) Excludes 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) All share and per share amounts presented herein have been retroactively adjusted to reflect the five-for-one forward stock split which was effective June 22, 2022.
- (7) Excludes investments in privately held companies, which are recorded in other assets.



Revenue by Geography

(\$ in millions) % is Y/Y % Change	Q1'22		Q2'22		Q3'22		Q4'22		Q1'23		Q2'23		Q3'23		Q4'23		Q1'24	
	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%
Americas	\$382.6	31.5%	\$413.6	22.7%	\$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%
EMEA	\$346.0	25.5%	\$391.8	28.0%	\$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%
APAC	\$226.2	57.4%	\$224.7	42.3%	\$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)%
Total	\$954.8	34.4%	\$1,030.1	28.6%	\$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%

% of revenue	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23	Q2'23	Q3'23	Q4'23	Q1'24
Americas	40.1%	40.2%	40.7%	40.6%	41.5%	41.5%	40.9%	40.2%	41.1%
EMEA	36.2%	38.0%	38.6%	39.8%	37.9%	39.2%	38.4%	40.7%	39.9%
APAC	23.7%	21.8%	20.7%	19.6%	20.6%	19.3%	20.7%	19.1%	19.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

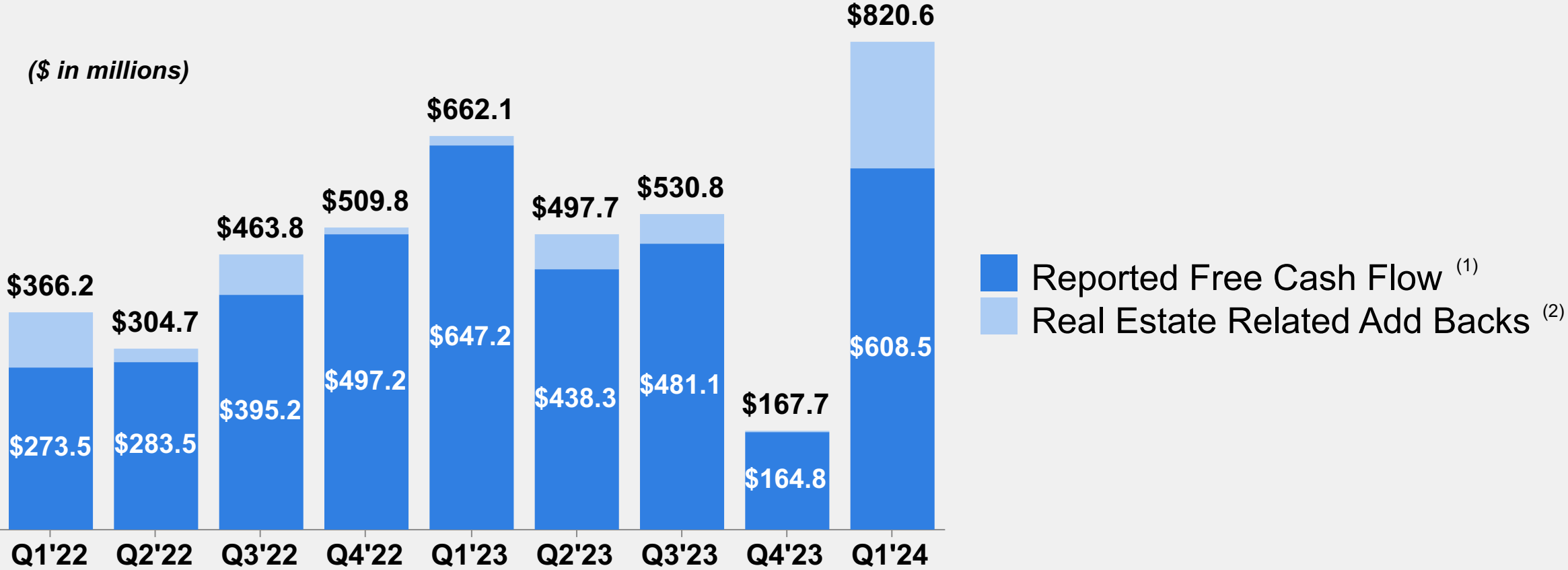


Statement of Cash Flows (Non-GAAP)

(\$ in millions)	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23	Q2'23	Q3'23	Q4'23	Q1'24
GAAP Net Income Including Non-controlling Interests	\$138.3	\$173.4	\$231.1	\$313.8	\$247.7	\$266.3	\$322.9	\$310.9	\$299.3
Depreciation, Amortization and Stock-Based Compensation	78.7	79.8	81.1	82.0	83.8	92.4	92.6	93.6	90.9
Accounts Receivable	15.4	(134.7)	(43.4)	(294.0)	171.1	7.9	64.4	(389.8)	405.6
Inventory	(13.5)	(17.7)	(28.5)	(49.4)	(45.3)	(84.9)	(100.8)	(22.5)	36.5
Deferred Revenue	205.5	275.1	262.2	434.7	240.7	248.6	156.9	449.1	54.8
Other	(28.3)	(52.5)	(19.5)	41.0	(20.5)	(15.2)	15.2	(249.6)	(56.7)
GAAP Cash Flow from Operations	\$396.1	\$323.4	\$483.0	\$528.1	\$677.5	\$515.1	\$551.2	\$191.7	\$830.4
Less: Purchases of Property and Equipment	(122.6)	(39.9)	(87.8)	(30.9)	(30.3)	(76.8)	(70.1)	(26.9)	(221.9)
Free Cash Flow	\$273.5	\$283.5	\$395.2	\$497.2	\$647.2	\$438.3	\$481.1	\$164.8	\$608.5
Issuance of Common Stock, Net of Taxes	(53.8)	(30.2)	(26.4)	(23.9)	(13.3)	(17.1)	(24.4)	(13.9)	(29.5)
Stock Repurchases	(691.2)	(800.0)	(500.0)	—	—	—	(604.3)	(896.2)	—
Acquisitions	—	—	—	(30.8)	—	—	—	—	(5.7)
Purchase of investment in a privately held company	—	—	—	—	—	—	(8.5)	—	—
Other	(18.6)	(12.3)	2.2	(0.4)	4.3	1.8	8.7	15.4	9.4
Change in Cash, Investments, and Marketable Equity Securities	\$(490.1)	\$(559.0)	\$(129.0)	\$442.1	\$638.2	\$423.0	\$(147.4)	\$(729.9)	\$582.7
Footnote: Cash Paid for Taxes, Net of Refunds	\$18.8	\$110.3	\$68.5	\$62.6	\$20.7	\$37.9	\$26.3	\$341.4	\$31.1



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.



Returned \$5.3 Billion to Shareholders via Share Repurchases⁽¹⁾

Robust Share Buyback Program

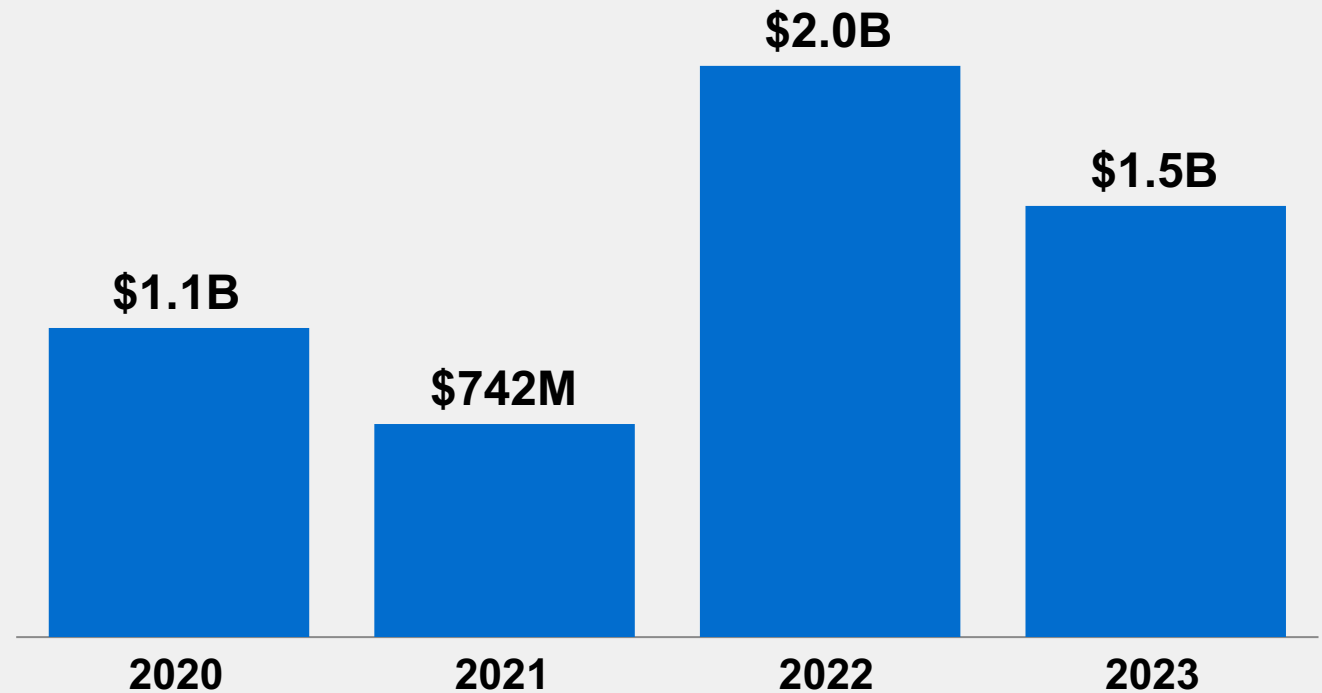
~\$5.3B cash returned to shareholders since 2020

~135M shares repurchased since 2020

~11.4% reduction in shares outstanding since 2020

~\$1B buyback authorization remaining⁽²⁾

Share Repurchases



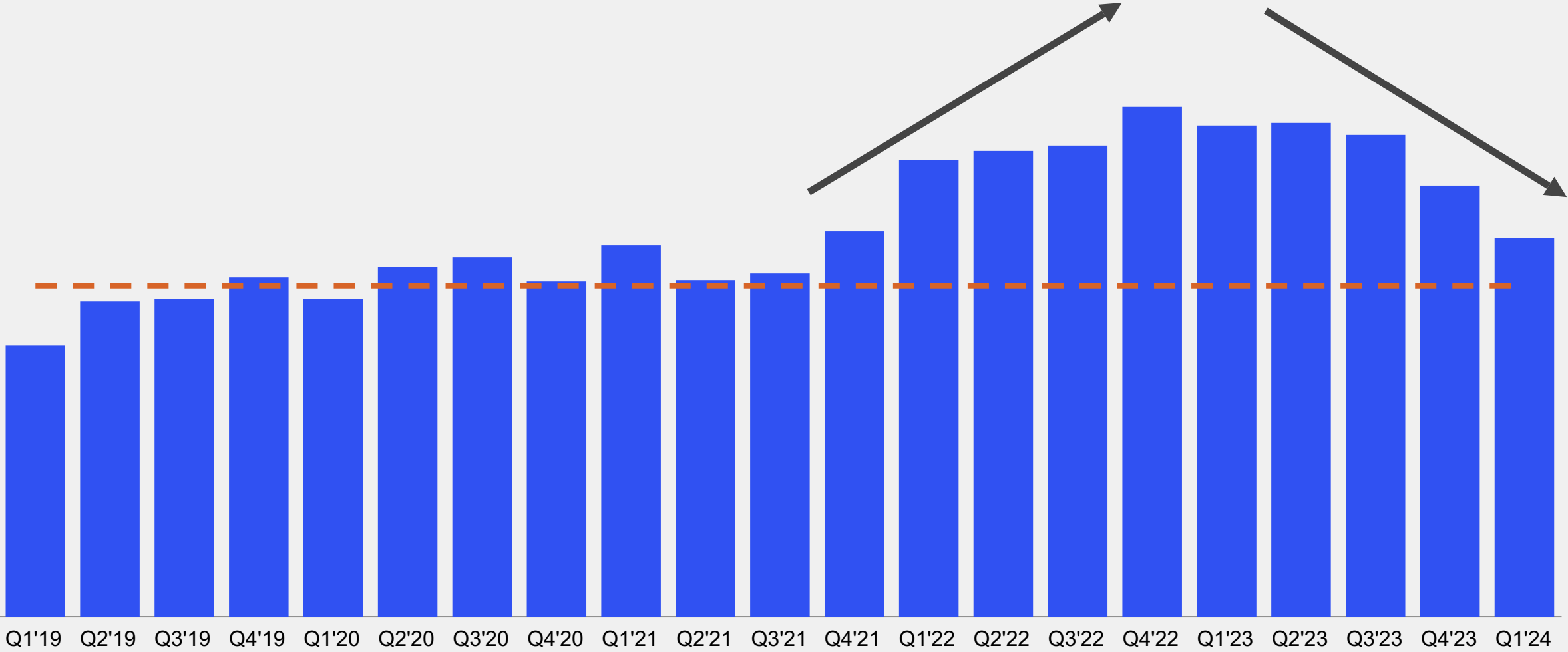
Note

(1) Share repurchases from January 1, 2020 - December 31, 2023

(2) As of March 31, 2024

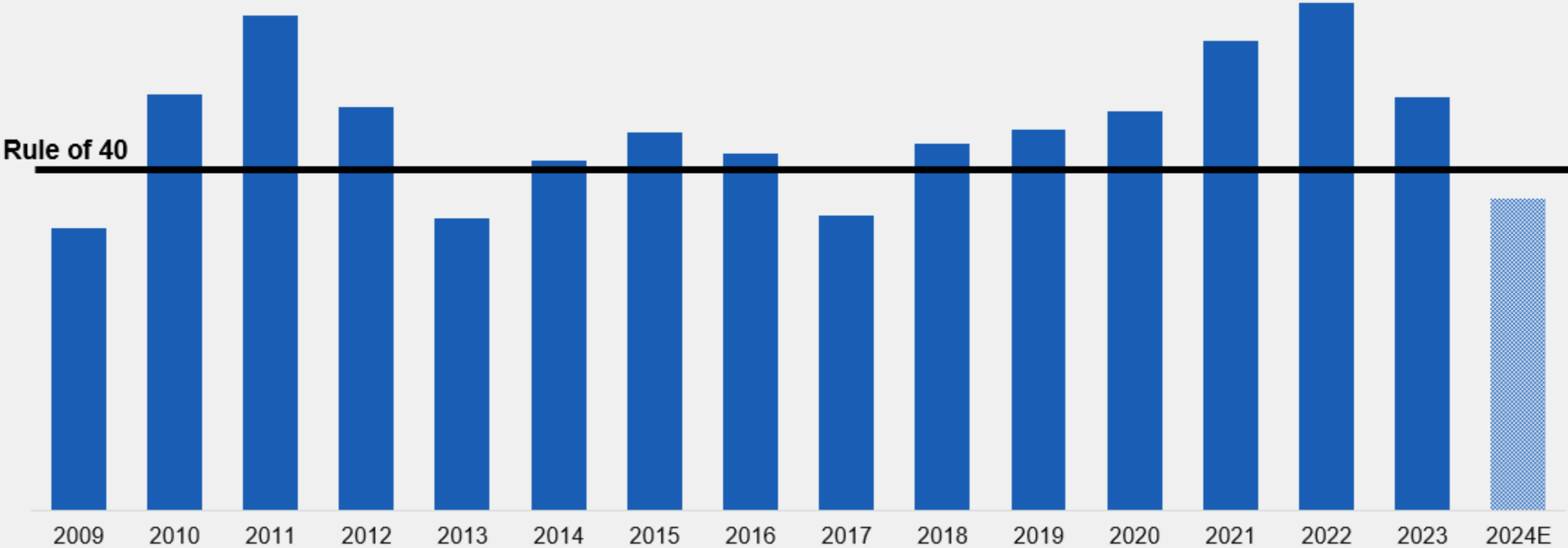


Days to Register Security Service Contracts



Note: Days to register security service contracts is the average number of days from FortiGate and security contract sale to the date the security contract is registered by the customer.

Consistent Execution — ‘Rule of 40’ Since 2009 IPO



 Note: Fortinet’s IPO was on November 18, 2009.
Fortinet defines the Rule of 40 as GAAP revenue Y/Y growth plus Non-GAAP Operating Margin.

Q2 and 2024 Guidance (Non-GAAP)⁽¹⁾

	Actual Q2'23	Q2'24E	Actual 2023	2024E
Billings ⁽²⁾	\$1.541B	\$1.490 - 1.550B	\$6.400B	\$6.400 - 6.600B
<i>Y/Y Mid-Pt Growth</i>		(1.3)%		1.6%
Revenue (GAAP)	\$1.293B	\$1.375 - 1.435B	\$5.305B	\$5.745 - 5.845B
<i>Y/Y Mid-Pt Growth</i>		8.7%		9.2%
Service Revenue (GAAP)	\$820.2M		\$3.378B	\$3.940 - 3.990B
<i>Y/Y Mid-Pt Growth</i>				17.4%
Gross Margin (%) ⁽³⁾	77.9%	76.50 - 77.50%	77.4%	76.50 - 78.00%
Operating Margin (%) ⁽³⁾⁽⁴⁾	26.9%	25.75 - 26.75%	28.4%	26.50 - 28.00%
Net Income per Share attributable to Fortinet, Inc. ⁽³⁾⁽⁴⁾⁽⁵⁾	\$0.38	\$0.39 - 0.41	\$1.63	\$1.73 - 1.79
Weighted Diluted Shares used to Compute Net Income per Share attributable to Fortinet, Inc.	795.9M	775 - 785M	788.2M	780 - 790M

Notes

- (1) Guidance for non-GAAP financial measures excludes stock-based compensation, amortization of acquired intangible assets and gain on IP. 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 gain on IP.
- (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 \$500 million to \$550 million.



Additional Modeling Points

	Actual Q2'23	Actual 2023	Actual Q1'24	Q2'24E	2024E
Cash Paid for Taxes	\$38M	\$426M	\$31M	\$240 - \$270M	\$500 - \$550M
Capital Expenditures	\$77M	\$204M	\$222M	\$30 - \$40M	\$350 - \$400M
Non-GAAP Tax Rate	17%	17%	17%	17%	17%



GAAP to Non-GAAP Reconciliations

(\$ in millions)	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23	Q2'23	Q3'23	Q4'23	Q1'24
Total revenue	\$954.8	\$1,030.1	\$1,149.5	\$1,283.0	\$1,262.3	\$1,292.8	\$1,334.6	\$1,415.1	\$1,353.3
Add: Change in deferred revenue	205.0	274.1	261.5	446.8	240.6	247.7	156.7	449.7	54.9
Less: Deferred revenue balance acquired in business combination	—	—	—	(10.8)	—	—	—	—	(1.0)
Total billings	\$1,159.8	\$1,304.2	\$1,411.0	\$1,719.0	\$1,502.9	\$1,540.5	\$1,491.3	\$1,864.8	\$1,407.2
GAAP Cash Flow from Operations	\$396.1	\$323.4	\$483.0	\$528.1	\$677.5	\$515.1	\$551.2	\$191.7	\$830.4
Less: Purchases of Property and Equipment	(122.6)	(39.9)	(87.8)	(30.9)	(30.3)	(76.8)	(70.1)	(26.9)	(221.9)
Free Cash Flow ⁽¹⁾	273.5	283.5	395.2	497.2	647.2	438.3	481.1	164.8	608.5
Add: Real Estate Related Add Backs	92.7	21.2	68.6	12.6	14.9	59.4	49.7	2.9	212.1
Adjusted Free Cash Flow ⁽²⁾	\$366.2	\$304.7	\$463.8	\$509.8	\$662.1	\$497.7	\$530.8	\$167.7	\$820.6

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)	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23	Q2'23	Q3'23	Q4'23	Q1'24
GAAP product gross profit	\$210.0	\$245.5	\$283.5	\$350.2	\$307.1	\$298.1	\$267.6	\$290.9	\$226.1
Stock-based compensation	0.4	0.4	0.5	0.4	0.4	0.5	0.4	0.5	0.5
Amortization of acquired intangible assets	2.4	2.1	1.7	1.6	1.8	1.7	1.6	2.0	1.0
Non-GAAP product gross profit	\$212.8	\$248.0	\$285.7	\$352.2	\$309.3	\$300.3	\$269.6	\$293.4	\$227.6
<i>Non-GAAP product gross margin</i>	<i>57.4%</i>	<i>61.9%</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>
GAAP service gross profit	\$491.0	\$533.8	\$583.0	\$635.5	\$647.4	\$698.9	\$749.3	\$808.3	\$822.5
Stock-based compensation	4.5	4.7	4.8	4.8	5.1	6.0	6.1	6.1	6.2
Amortization of acquired intangible assets	1.9	2.0	2.0	3.5	1.8	1.8	1.8	2.4	1.1
Non-GAAP service gross profit	\$497.4	\$540.5	\$589.8	\$643.8	\$654.3	\$706.7	\$757.2	\$816.8	\$829.8
<i>Non-GAAP service gross margin</i>	<i>85.2%</i>	<i>85.9%</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>
GAAP total gross profit	\$701.0	\$779.3	\$866.5	\$985.7	\$954.5	\$997.0	\$1,016.9	\$1,099.2	\$1,048.6
Stock-based compensation	4.9	5.1	5.3	5.2	5.5	6.5	6.5	6.6	6.7
Amortization of acquired intangible assets	4.3	4.1	3.7	5.1	3.6	3.5	3.4	4.4	2.1
Non-GAAP total gross profit	\$710.2	\$788.5	\$875.5	\$996.0	\$963.6	\$1,007.0	\$1,026.8	\$1,110.2	\$1,057.4
<i>Non-GAAP gross margin</i>	<i>74.4%</i>	<i>76.5%</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>
GAAP research and development expense	\$124.9	\$124.3	\$134.3	\$128.9	\$151.1	\$153.3	\$156.9	\$152.5	\$173.0
Stock-based compensation	(15.1)	(16.1)	(16.7)	(16.3)	(17.0)	(20.0)	(20.0)	(19.8)	(19.8)
Non-GAAP research and development expense	\$109.8	\$108.2	\$117.6	\$112.6	\$134.1	\$133.3	\$136.9	\$132.7	\$153.2
<i>Non-GAAP research and development expense as a percentage of revenue</i>	<i>11.5%</i>	<i>10.5%</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>
GAAP sales and marketing expense	\$387.6	\$415.5	\$427.1	\$455.9	\$478.3	\$515.9	\$504.4	\$507.4	\$501.1
Stock-based compensation	(26.7)	(26.4)	(25.9)	(26.0)	(26.3)	(29.3)	(28.5)	(27.7)	(26.7)
Amortization of acquired intangible assets	(2.1)	(1.9)	(1.5)	(0.6)	(1.1)	(1.0)	(1.0)	(0.9)	(0.9)
Non-GAAP sales and marketing expense	\$358.8	\$387.2	\$399.7	\$429.3	\$450.9	\$485.6	\$474.9	\$478.8	\$473.5
<i>Non-GAAP sales and marketing expense as a percentage of revenue</i>	<i>37.6%</i>	<i>37.6%</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>



GAAP to Non-GAAP Reconciliations (Continued)

<i>(\$ in millions)</i>	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23	Q2'23	Q3'23	Q4'23	Q1'24
GAAP general and administrative expense	\$38.6	\$45.4	\$40.7	\$44.3	\$52.8	\$49.9	\$53.5	\$55.1	\$54.4
Stock-based compensation	(7.2)	(7.7)	(7.4)	(7.8)	(8.2)	(9.9)	(9.9)	(9.9)	(9.8)
Non-GAAP general and administrative expense	\$31.4	\$37.7	\$33.3	\$36.5	\$44.6	\$40.0	\$43.6	\$45.2	\$44.6
<i>Non-GAAP general and administrative expense as a percentage of revenue</i>	3.3%	3.7%	2.9%	2.8%	3.5%	3.1%	3.3%	3.2%	3.3%
GAAP gain on IP matter	\$(1.1)	\$(1.2)	\$(1.1)	\$(1.2)	\$(1.2)	\$(1.1)	\$(1.1)	\$(1.2)	\$(1.1)
Gain on IP matter	1.1	1.2	1.1	1.2	1.2	1.1	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	\$550.0	\$584.0	\$601.0	\$627.9	\$681.0	\$718.0	\$713.7	\$713.8	\$727.4
Stock-based compensation	(49.0)	(50.2)	(50.0)	(50.1)	(51.5)	(59.2)	(58.4)	(57.4)	(56.3)
Amortization of acquired intangible assets	(2.1)	(1.9)	(1.5)	(0.6)	(1.1)	(1.0)	(1.0)	(0.9)	(0.9)
Gain on IP matter	1.1	1.2	1.1	1.2	1.2	1.1	1.1	1.2	1.1
Non-GAAP total operating expense	\$500.0	\$533.1	\$550.6	\$578.4	\$629.6	\$658.9	\$655.4	\$656.7	\$671.3
<i>Non-GAAP total operating expense as a percentage of revenue</i>	52.4%	51.8%	47.9%	45.1%	49.9%	51.0%	49.1%	46.4%	49.6%
GAAP operating income	\$151.0	\$195.3	\$265.5	\$357.8	\$273.5	\$279.0	\$303.2	\$385.4	\$321.2
Stock-based compensation	53.9	55.3	55.3	55.3	57.0	65.7	64.9	64.0	63.0
Amortization of acquired intangible assets	6.4	6.0	5.2	5.7	4.7	4.5	4.4	5.3	3.0
Gain on IP matter	(1.1)	(1.2)	(1.1)	(1.2)	(1.2)	(1.1)	(1.1)	(1.2)	(1.1)
Non-GAAP operating income	\$210.2	\$255.4	\$324.9	\$417.6	\$334.0	\$348.1	\$371.4	\$453.5	\$386.1
<i>Non-GAAP operating margin</i>	22.0%	24.8%	28.3%	32.5%	26.5%	26.9%	27.8%	32.0%	28.5%



GAAP to Non-GAAP Reconciliations (Continued)

(\$ in millions)	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23	Q2'23	Q3'23	Q4'23	Q1'24
GAAP provision for (benefit from) income taxes	\$(8.1)	\$2.4	\$27.3	\$9.2	\$21.3	\$27.6	\$(0.3)	\$95.2	\$39.5
Tax adjustments related to the above	41.7	39.1	27.8	63.6	38.5	35.0	67.6	(13.0)	30.3
Non-GAAP provision for income taxes	\$33.6	\$41.5	\$55.1	\$72.8	\$59.8	\$62.6	\$67.3	\$82.2	\$69.8
Non-GAAP effective tax rate	17%	17%	17%	17%	17%	17%	17%	17%	17%
Net income attributable to Fortinet, Inc.	\$138.4	\$173.5	\$231.6	\$313.8	\$247.7	\$266.3	\$322.9	\$310.9	\$299.3
Stock-based compensation	53.9	55.3	55.3	55.3	57.0	65.7	64.9	64.0	63.0
Amortization of acquired intangible assets	6.4	6.0	5.2	5.7	4.7	4.5	4.4	5.3	3.0
Gain on IP matter	(1.1)	(1.2)	(1.1)	(1.2)	(1.2)	(1.1)	(1.1)	(1.2)	(1.1)
Tax adjustments	(41.7)	(39.1)	(27.8)	(63.6)	(38.5)	(35.0)	(67.6)	13.0	(30.3)
Non-cash charge on equity method investment	—	—	—	39.7	—	—	—	—	—
Adjustments attributable to non-controlling interests	(0.8)	(0.4)	(0.5)	—	—	—	—	—	—
Non-GAAP net income attributable to Fortinet, Inc.	\$155.1	\$194.1	\$262.7	\$349.7	\$269.7	\$300.4	\$323.5	\$392.0	\$333.9
GAAP net income per share attributable to Fortinet, Inc., diluted ⁽¹⁾	\$0.17	\$0.21	\$0.29	\$0.40	\$0.31	\$0.33	\$0.41	\$0.40	\$0.39
Stock-based compensation	0.06	0.07	0.07	0.07	0.07	0.08	0.08	0.08	0.08
Amortization of acquired intangible assets	0.01	0.01	0.01	—	0.01	0.01	0.01	0.01	—
Gain on IP matter	—	—	—	—	—	—	—	—	—
Tax adjustments	(0.05)	(0.05)	(0.04)	(0.08)	(0.05)	(0.04)	(0.09)	0.02	(0.04)
Non-cash charge on equity method investment	—	—	—	0.05	—	—	—	—	—
Adjustments attributable non-controlling interests	—	—	—	—	—	—	—	—	—
Non-GAAP net income per share attributable to Fortinet, Inc., diluted ⁽¹⁾	\$0.19	\$0.24	\$0.33	\$0.44	\$0.34	\$0.38	\$0.41	\$0.51	\$0.43
Shares used in diluted net income per share attributable to Fortinet, Inc. calculations ⁽¹⁾	820.8	810.1	798.6	791.8	793.4	795.9	791.2	772.3	770.5

Note

(1) All share and per share amounts presented herein have been retroactively adjusted to reflect the five-for-one forward stock split which was effective June 22, 2022.





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