



Fortinet Announces Fourth Quarter and Full Year 2009 Financial Results

Fortinet (NASDAQ: FTNT) a leading network security provider and worldwide leader of unified threat management (UTM) solutions today announced financial results for the fourth quarter and full year 2009, ended December 31, 2009.

Financial

Highlights for the Fourth Quarter of 2009

Billings: Total billings were \$82.3 million for the fourth quarter of 2009, an increase of 13% compared to the fourth quarter of 2008. We define billings as revenue recognised plus the change in deferred revenue from the beginning to the end of the period.

Revenue: Total revenue was \$70.7 million for the fourth quarter of 2009, an increase of 20% compared to the fourth quarter of 2008. Within total revenue, product revenue was \$29.4 million, an increase of 12% compared to the fourth quarter of 2008. Services revenue was \$37.4 million, an increase of 25% compared to the fourth quarter of 2008.

Ratable product and services revenue was \$3.9 million, an increase of 32% compared to the fourth quarter of 2008.

Deferred Revenue: Deferred

revenue was \$201.9 million as of December 31, 2009, an increase of 18% compared to deferred revenue as of December 31, 2008.

Cash and Cash flow:

As of December 31, 2009, cash and cash equivalents and short-term investments were \$260.3 million, an increase from \$152.4 million as of September 30, 2009.

Cash flow from operations was \$16.6 million. Net proceeds of \$87.4 million from the Company's initial public offering contributed to the strong increase in cash and cash equivalents and short-term investments during the fourth quarter.

GAAP Operating Income: GAAP operating income was \$7.5 million for the fourth quarter of 2009, representing a GAAP operating margin of 11% and an increase of 19% compared to the fourth quarter of 2008.

Non-GAAP¹ Operating Income: Non-GAAP operating income was \$11.3 million for the fourth quarter of 2009, representing a non-GAAP operating margin of 16% and an increase of 46% compared to the fourth quarter of 2008. Non-GAAP operating income and operating margin exclude non-cash stock-based compensation and non-cash acquisition related charges. Non-cash acquisition related charges consist of intangible asset write-offs but exclude ongoing amortization of intangible assets.

GAAP Net Income and EPS: GAAP net income was \$43.9 million for the fourth quarter of 2009 (which includes a \$37.8 million tax benefit from the reversal of our valuation allowance), compared to \$7.9 million for the fourth quarter of 2008. GAAP EPS was \$0.62 on 70.8 million weighted-average diluted shares outstanding, compared to \$0.12 on 66.9 million weighted-average diluted shares outstanding for the fourth quarter of 2008.

Non-GAAP¹ Net Income and EPS: Non-GAAP net income was \$9.2 million for the fourth quarter of 2009, based on a 21% tax rate. This compares to \$9.1 million for the fourth quarter of 2008, based on a 9% tax rate, and included a \$1.2 million foreign currency gain. Non-GAAP EPS was \$0.13 for the fourth quarter of 2009 on 70.8 million weighted-average diluted shares outstanding, compared to \$0.14 in the fourth quarter of 2008 on 66.9 million weighted-average diluted shares outstanding. Non-GAAP net income and EPS exclude non-cash stock-based compensation and non-cash acquisition related charges, and the

related tax effects and, for the fourth quarter and full year 2009, the reversal of the tax-related valuation allowance.

1A reconciliation of GAAP to non-GAAP

financial 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 Non-GAAP Financial Measures.

Full Year 2009 Results

Billings: Total

billings were \$282.4 million for fiscal 2009, an increase of 12% compared to fiscal 2008.

Revenue:

Total revenue was \$252.1 million for fiscal 2009, an increase of 19% compared to fiscal 2008. Within total revenue, product revenue was \$98.7 million for fiscal 2009, an increase of 4% compared to fiscal 2008, and services revenue was \$139.2 million for fiscal 2009, an increase of 32% compared to fiscal 2008. Ratable product and services revenue was \$14.3 million, an increase of 20% compared to fiscal 2008.

GAAP Operating Income: GAAP operating income was \$25.3 million for fiscal 2009, representing a GAAP operating margin of 10% and an increase of 414% compared to fiscal 2008.

Non-GAAP¹ Operating Income: Non-GAAP operating income was \$35.2 million for fiscal 2009, representing a non-GAAP operating margin of 14% and an increase of 244% compared to fiscal 2008.

GAAP Net Income and EPS: GAAP net income was \$60.2 million for fiscal 2009 (which includes a \$37.8 million tax benefit from the reversal of our valuation allowance), compared to \$7.4 million for 2008. GAAP EPS, based on net income attributable to common shareholders of \$50.9 million, was \$0.78 on 65.2 million weighted-average diluted shares outstanding for fiscal 2009, compared with \$0.11 on 67.1 million weighted-average diluted shares outstanding for fiscal 2008.

Non-GAAP1 Net Income and EPS: Non-GAAP net income was \$30.5 million for fiscal 2009 compared to \$11.6 million for fiscal 2008. Non-GAAP EPS was \$0.47 on 65.2 million weighted-average diluted shares outstanding for fiscal 2009, compared to \$0.17 on 67.1 million weighted-average diluted shares outstanding for fiscal 2008.

1A reconciliation of GAAP to non-GAAP financial 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 Non-GAAP Financial Measures.

Management
Commentary:

Ken Xie, founder, president and chief executive officer of Fortinet, stated: The fourth quarter of 2009 was a milestone for Fortinet as we successfully completed our IPO and had a strong finish to the year. Our focus on innovation and providing an end-to-end IT security portfolio utilising our custom ASICs continues to drive Fortinets market share gains and new customer acquisitions.

Ken Goldman, chief financial officer of Fortinet, stated: We are very pleased with the companys performance during our first quarter as a public company. In addition to reporting record total revenue, strong billings growth and cash collections led to fourth quarter and full year cash flow that was ahead of our expectations. While cognizant of the volatile economic environment, we remain focused on growing our global market share, delivering strong profits and cash flow, and continuing to introduce innovative, high-performance products.

Conference Call Details

A replay of the webcast of the conference call and supplemental slides will be accessible from the Investor Relations page of Fortinet's website at <http://investor.fortinet.com>, and be archived and accessible at: <http://investor.fortinet.com/events.cfm>. A replay of this conference call can also be accessed until February 5, 2010, by dialing 719-457-0820 (international). The replay passcode is 2125684.

About Fortinet (www.fortinet.com)

Fortinet (NASDAQ: FTNT) is a worldwide provider of network security and unified threat management (UTM) solutions. Our products and subscription services provide broad, integrated and high-performance protection against dynamic security threats while simplifying the IT security infrastructure. Our customers include enterprises, service providers and government entities worldwide, including the majority of the 2009 Fortune Global 100. Fortinet is headquartered in Sunnyvale, Calif., with offices around the world.

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Forward-looking Statements

This press release contains forward-looking statements that involve risks and uncertainties. These statements include statements regarding our continued focus on innovation and providing an end-to-end IT security portfolio to drive market share gains and new customer acquisitions and statements regarding our focus on growing our global market share, delivering strong profits and cash flows, and continuing to introduce innovative, high-performance products. Although Fortinet attempts 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. Important factors that could cause results to differ materially from the statements herein include the following: general economic risks; uncertainty regarding increased business and renewals from existing customers; uncertainties around continued success in sales growth; risks associated with successful implementation of multiple integrated software

products; execution risks around new product introductions and innovation; the ability to attract and retain key personnel; 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; and the other risk factors set forth from time to time in our filings with the SEC, copies of which are available free of charge at the SEC's website at www.sec.gov or upon request from Fortinet's investor relations department.

Non-GAAP Financial Measures

Fortinet

has provided in this release financial information that has not been prepared in accordance with GAAP. Fortinet uses these non-GAAP financial measures internally in analyzing its financial results and believes they are useful to investors, as a supplement to GAAP measures, in evaluating Fortinet's ongoing operational performance. Fortinet believes 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 its financial results with other companies in Fortinet's industry, 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 measure below. As previously mentioned, a reconciliation of our non-GAAP financial measures to their most directly comparable GAAP measures has been provided in the financial statement tables included below in this press release.

Billings. We define billings as revenue

recognized plus the change in deferred revenue from the beginning to the end of the period. Fortinet considers billings to be a useful metric for management and investors because billings drive deferred revenue, which are an important indicator of the health and visibility of Fortinet's business, and have historically represented a majority of the quarterly revenue that Fortinet recognizes. There are a number of limitations related to the use of billings versus revenue calculated in accordance with GAAP. First, billings include amounts that have not yet been recognized as revenue. Second, Fortinet may calculate billings in a manner that is different from peer companies that report similar financial measures. Management compensates for these limitations by providing specific information regarding GAAP revenues and evaluating billings together with revenues calculated in accordance with GAAP.

Non-GAAP

operating income and operating margin. We define non-GAAP operating income as operating income plus non-cash stock-based compensation and non-cash acquisition related charges. Non-cash acquisition related charges include intangible asset write-offs but exclude ongoing amortization of intangible assets. Non-GAAP operating margin is defined as non-GAAP operating income divided by revenue. Fortinet considers these non-GAAP financial measures to be useful metrics for management and investors because they exclude the effect of non-cash stock-based compensation, non-cash acquisition related charges and one-time events so that Fortinet's management and investors can compare Fortinet's recurring core business operating results over multiple periods. There are a number of limitations related to the use of non-GAAP operating income versus operating income calculated in accordance with GAAP. First, non-GAAP operating income excludes some costs, namely, non-cash stock-based compensation, that are recurring. Non-cash stock-based compensation has been and will continue to be for the foreseeable future a significant recurring expense in Fortinet's business. Second, non-cash stock-based compensation is an important part of our employees' compensation and impacts their performance. Third, the components of the costs that we exclude in our calculation of non-GAAP operating income may differ from the components that our peer companies exclude when they report their results of operations. Management compensates for these limitations by providing specific information regarding the GAAP amounts excluded from non-GAAP operating income and evaluating non-GAAP operating income together with operating income calculated in accordance with GAAP.

Non-GAAP

net income and EPS. We define non-GAAP net income as net income plus non-cash stock-based compensation and non-cash acquisition related charges, less the related tax effects and, for the fourth quarter and full year 2009, adjusted for the tax-related valuation allowance reversal and, for fiscal 2009, the premium paid on repurchase of convertible preferred stock. We define non-GAAP EPS as non-GAAP net income divided by the weighted-average outstanding shares, on a fully-diluted basis. We consider these non-GAAP financial measures to be a useful metric for management and investors for the same reasons that Fortinet uses non-GAAP operating income and non-GAAP operating margin. However, in order to provide a complete picture of our recurring core business operating results, we exclude from non-GAAP net income and non-GAAP EPS the tax effects associated with stock-based compensation and the non-cash acquisition related charges. Without excluding these tax effects, investors would only see the gross effect that excluding these expenses had on our operating results. The same limitations described above regarding Fortinet's use of non-GAAP operating income and non-GAAP operating margin apply to our use of non-GAAP net income and non-GAAP EPS. Management compensates for these limitations by providing specific information regarding the GAAP amounts excluded from non-GAAP net income and non-GAAP EPS and evaluating non-GAAP net income and non-GAAP EPS together with net income and EPS calculated in accordance with GAAP.

