



# Q1 2025 Financial Results

May 7, 2025

# 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 2025 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 2025, 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; 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 increased inflation and interest rates in certain geographies and the war in Ukraine; 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 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, 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](http://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.





# The Most Trusted U.S.-Based Cybersecurity Company

**Fortinet is ranked #7** in the Forbes Most Trusted Companies, the only cybersecurity company in the top 50



## #1 in Enterprise Networking & Security

**80%** of Fortune 100 and **72%** of the Global 2000 depend on Fortinet to stay secure

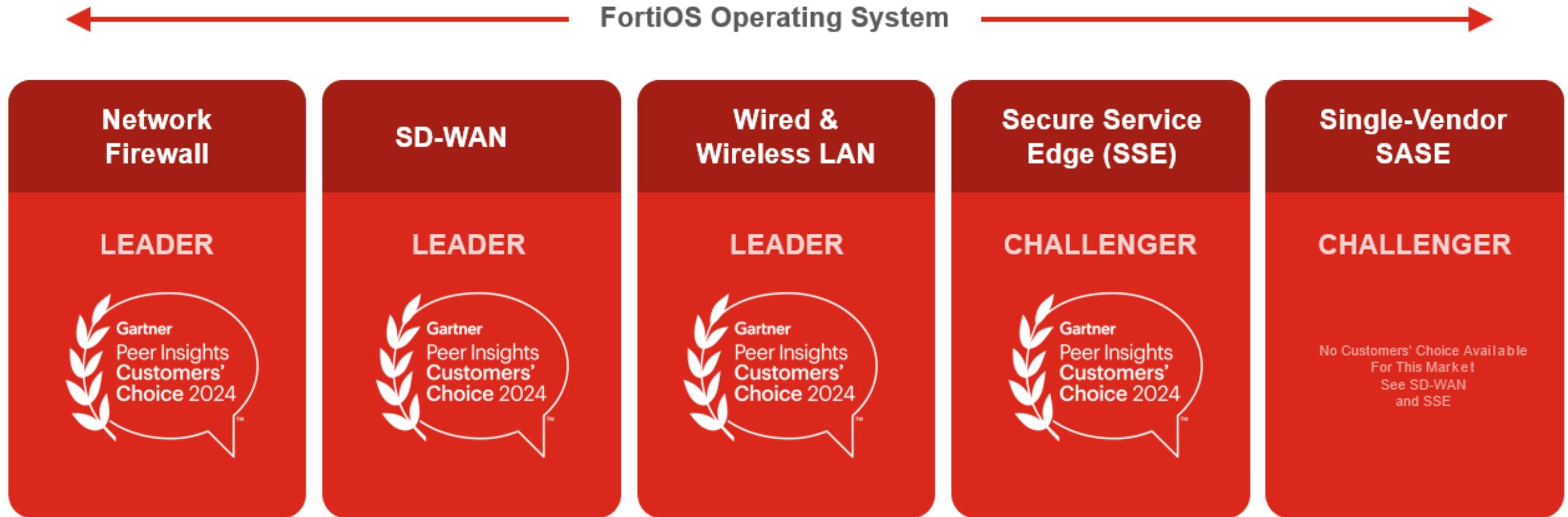


Industry categories are based on 2024 billings from the G2000 list. G2000 – based off the 2024 Forbes list; total number of accounts is 1,939 after factoring in M&A activity since publication. F100 – based off the 2024 Fortune list; total number of accounts is 100 after factoring in M&A activity since publication.

© Fortinet Inc. All Rights Reserved.

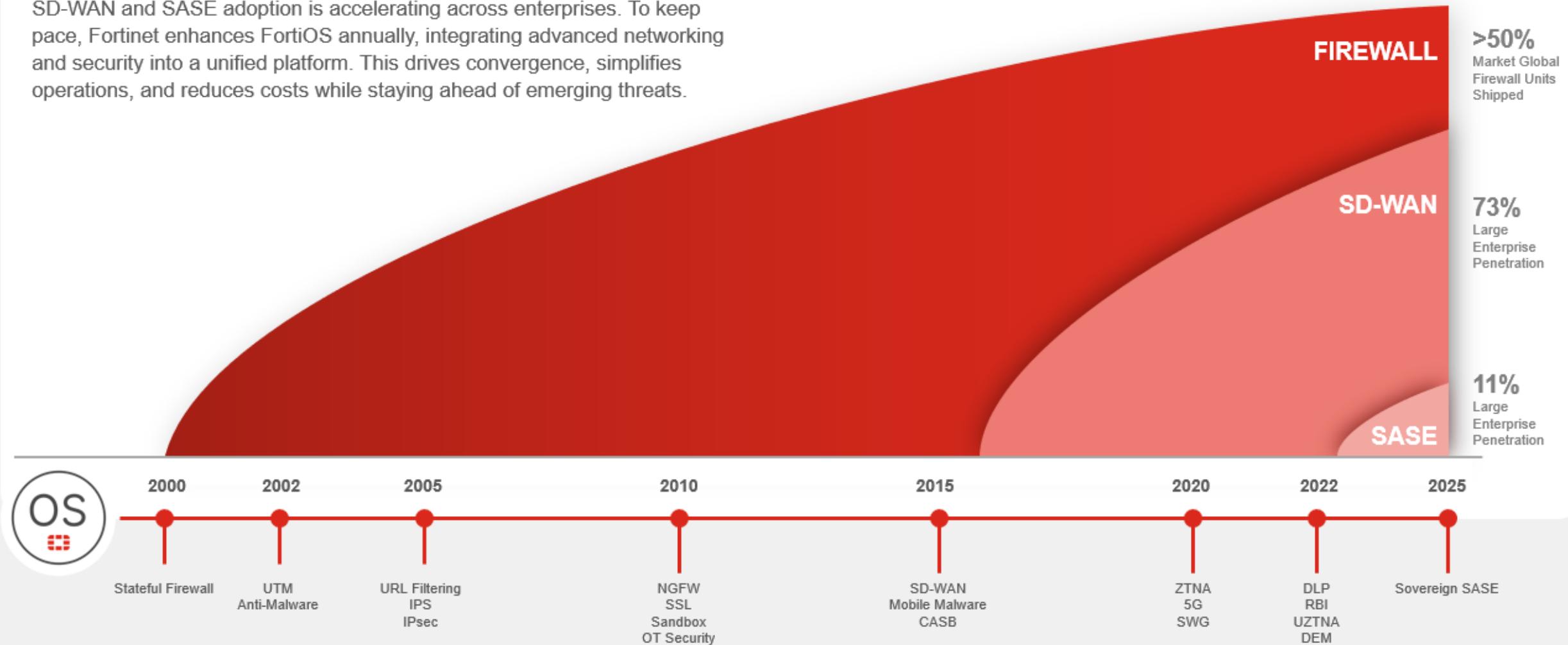
# The Most Integrated Operating System

Single OS with leadership in five network security Gartner Magic Quadrants

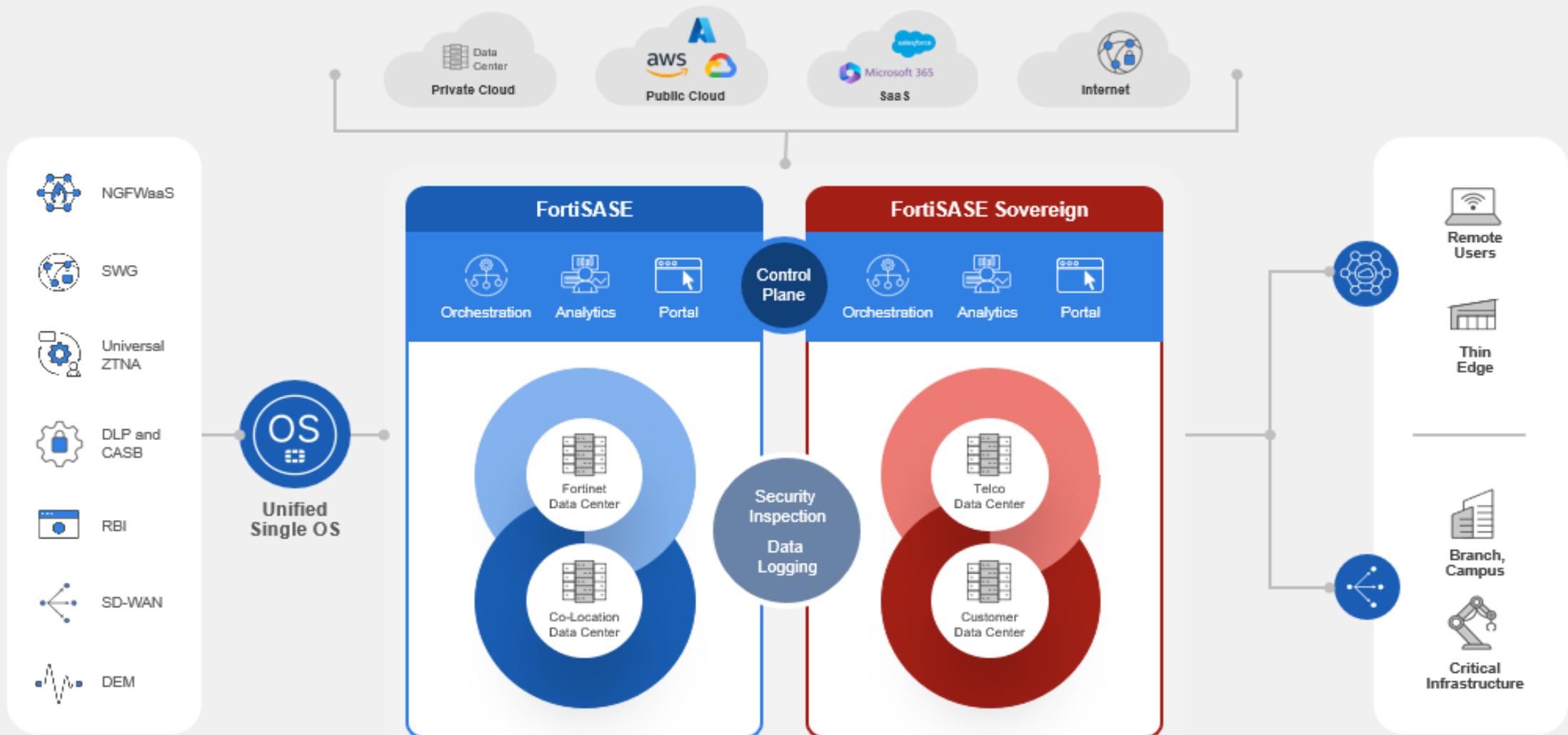


# Easy Adoption With the Same OS for NGFW, SD-WAN, & SASE

SD-WAN and SASE adoption is accelerating across enterprises. To keep pace, Fortinet enhances FortiOS annually, integrating advanced networking and security into a unified platform. This drives convergence, simplifies operations, and reduces costs while staying ahead of emerging threats.

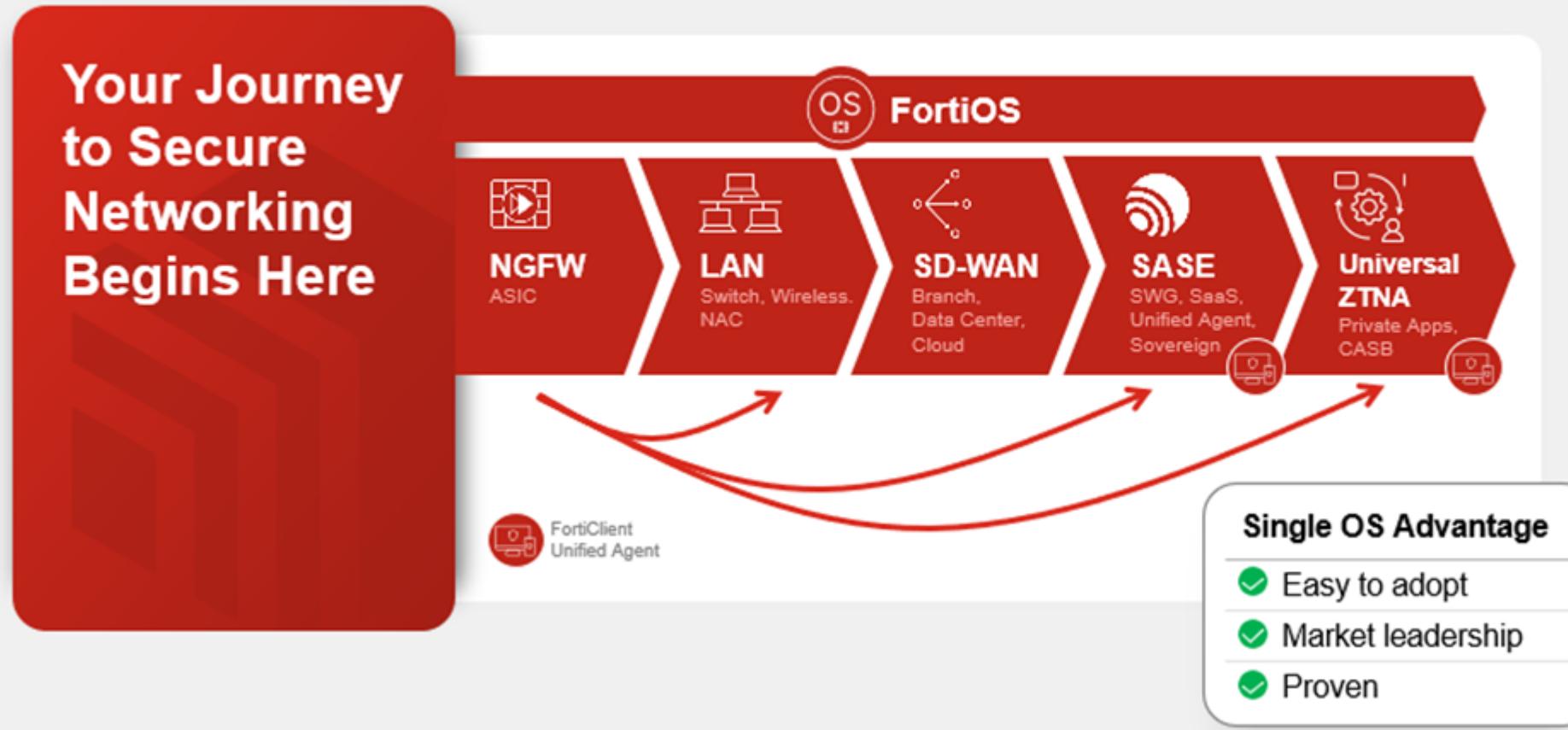


# Leading SASE: Easy to Deploy, Unmatched ROI, & Unrivaled Security.



# The Fortinet Journey: A Seamless Security Evolution

With FortiGate NGFW, customers gain industry-leading protection and can seamlessly activate SD-WAN for optimized performance and extend to SASE for secure remote access.



# Fortinet's Growth in our Addressable Markets

## Secure Networking

**\$75B**



Converge security and networking to protect every edge and device

**+9% YoY**

65% of Q1'25 Billings

## Unified SASE

**\$63B**



Secure users anywhere and Application to any cloud

**+18% YoY**

25% of Q1'25 Billings

## AI-Driven Security Operations

**\$146B**



AI-driven security operations To detect, investigate, and Respond to threats

**+29% YoY**

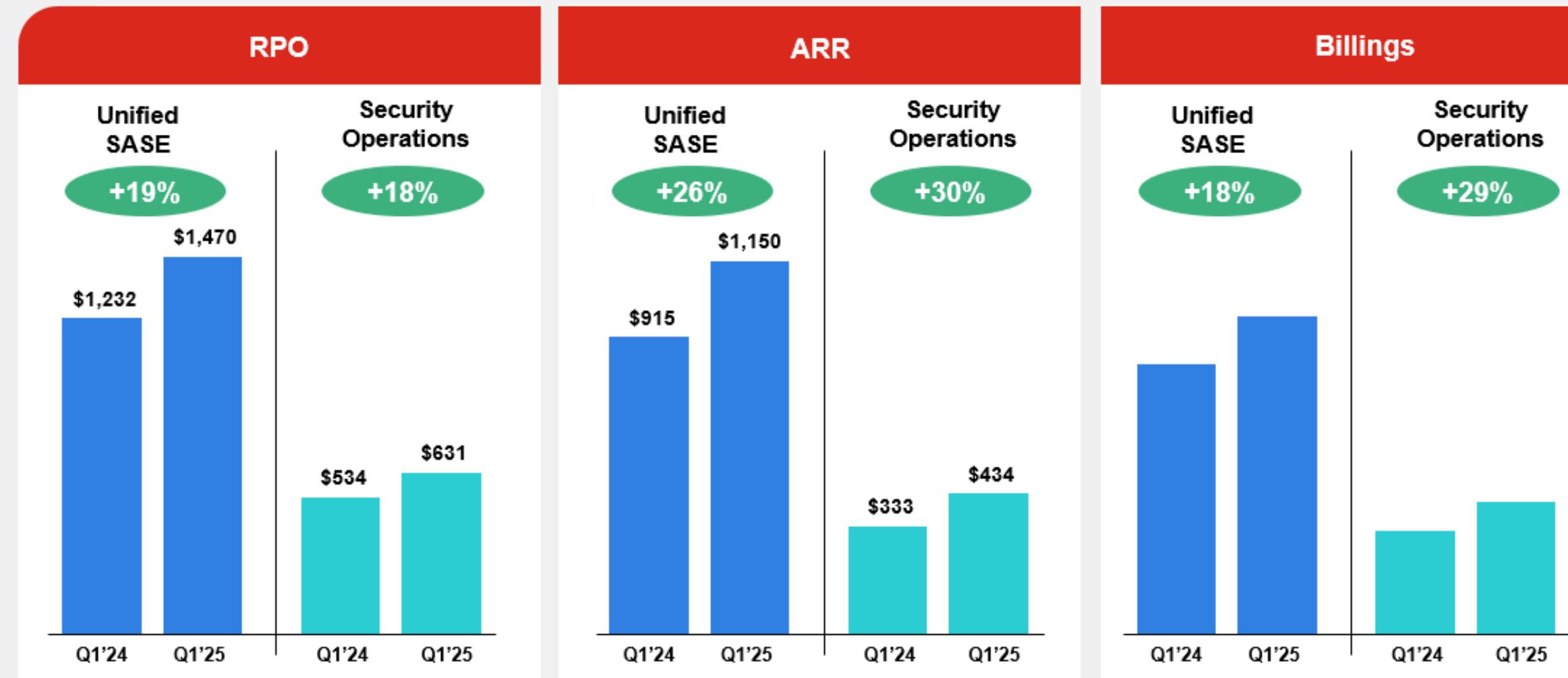
10% of Q1'25 Billings

Fortinet growth rates based on billings



© Fortinet Inc. All Rights Reserved.

# Unified SASE and Security Operations RPO, ARR, and Billings Growth

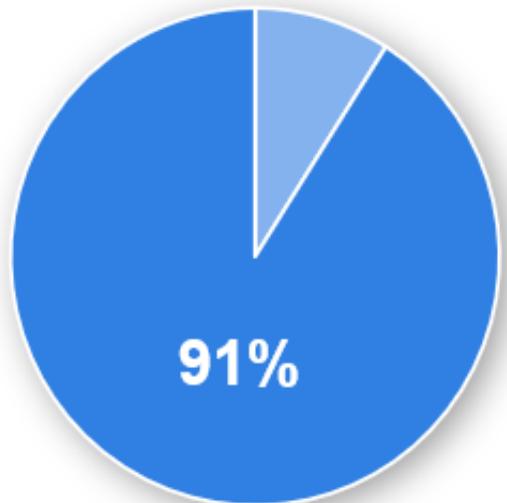


Note: Unified SASE includes SD-WAN (based on a percentage of FortiGate billings), SSE and related solutions. ARR is defined as the annualized value of renewable / recurring customer agreements as of the measurement date, assuming any contract that expires during the next 12 months is renewed at its existing value.

© Fortinet Inc. All Rights Reserved.

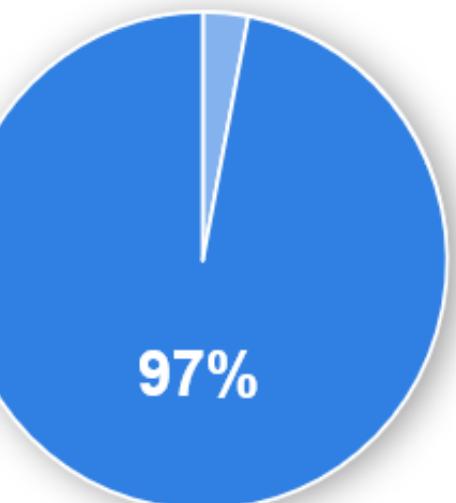
# Cross-selling SASE and SecOps to our Existing Customer Base<sup>1</sup>

## Customer Relationship



**SASE/SSE**

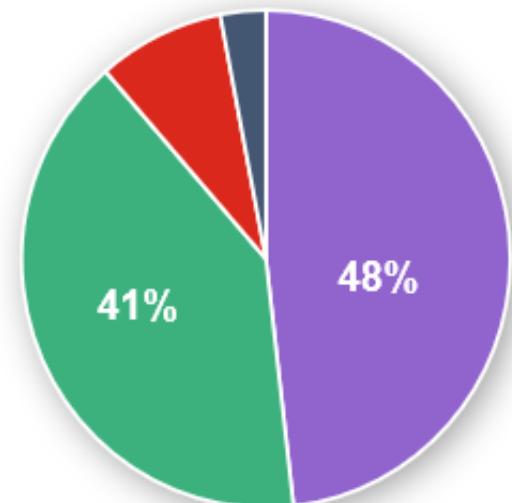
Existing Customer



**SecOps**

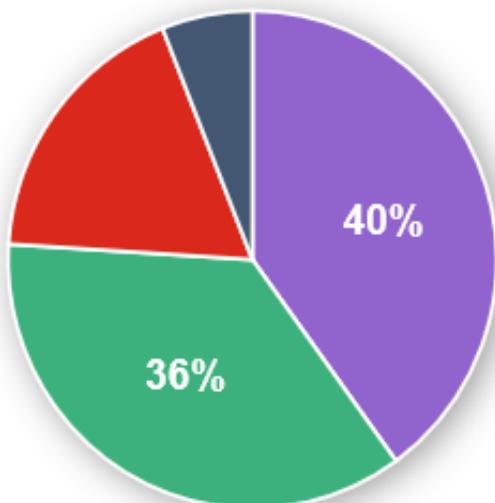
New Customer

## Customer Type



**SASE/SSE**

Large Enterprise



**SecOps**

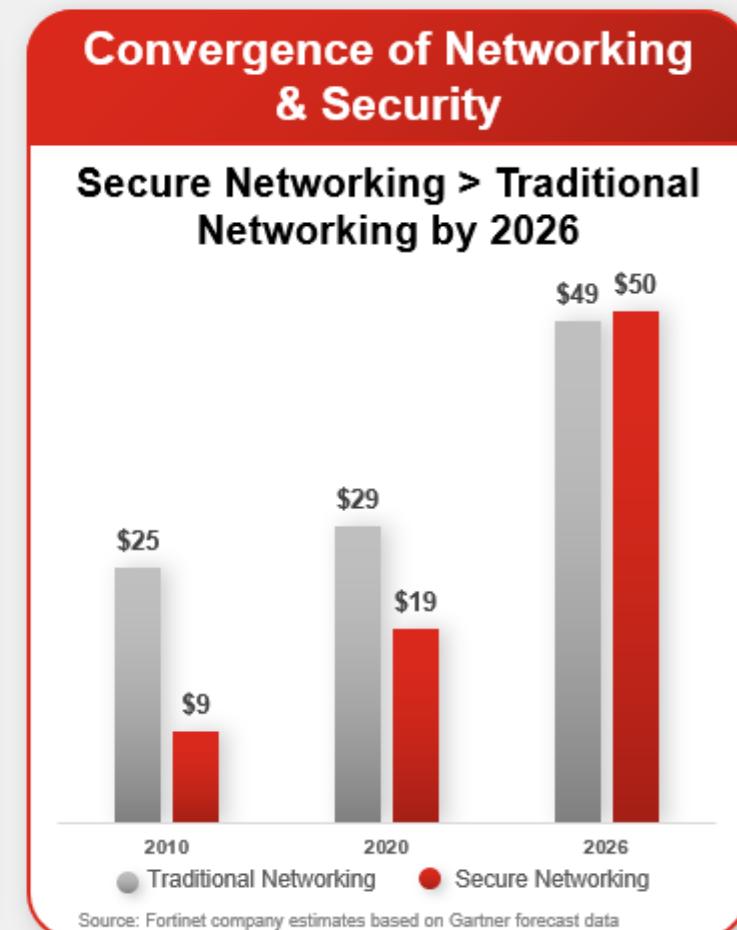
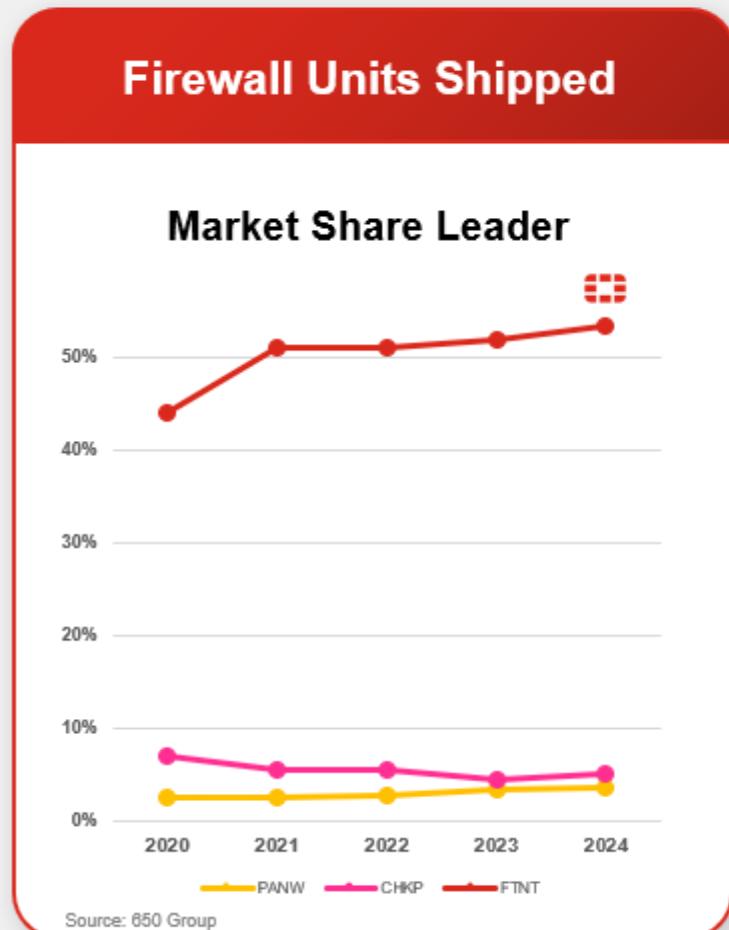
Mid Enterprise



Note 1: Based on invoiced amounts for the quarter ended March 31, 2025.

© Fortinet Inc. All Rights Reserved.

# Leader in Network Firewall Security

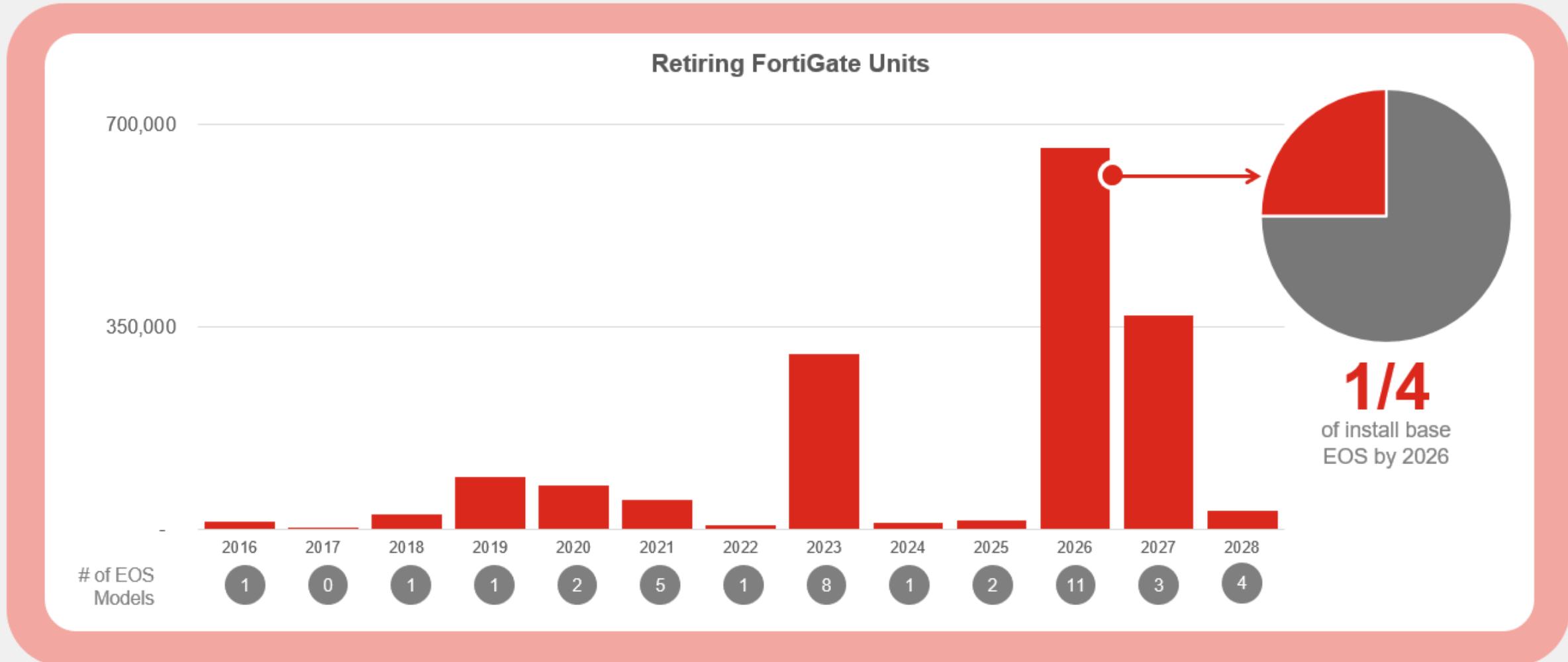


Note 1: PANW's calendar year product revenue is calculated from February 1st of the year shown and ending on January 31st of the following year.

© Fortinet Inc. All Rights Reserved.

# Secure Networking – Upgrade

2026 Upgrade is Underway, Adding Product Revenue and Service Upsell/Expansion



Average Cumulative Closed Won Multiple after quarter of 1st Sale per Account by Market Segment. Data is based on Global Parent. Large enterprise is defined as companies with annual revenues of greater than \$10 billion.

© Fortinet Inc. All Rights Reserved.

# Introducing the FortiGate 700G Series

Best performance with Fortinet's 7th-gen ASIC Security Processor

## Next Gen Secure Campus

Uncompromising Speed. Advanced Protection. Future-Ready



Industry leading price for performance and energy consumption



30 integrated security and networking functions



AI-driven security services and management assistant



Out-of-band module for real-time, isolated integrity monitoring



Specification	FortiGate 700G	Security Compute Rating	Competitor's Average	Palo Alto PA-3410	Check Point 6700	Cisco 3110
Firewall (Gbps)	164	7x	23.3	14.0	38.0	18.0
IPSec VPN (Gbps)	55	7x	7.7	6.6	4.6	12.0
Threat Protection (Gbps)	26	4x	6.5	7.5	5.8	-
Concurrent Sessions (M)	16	3x	6.5	1.4	16	2
Connections per Second (K)	700	3x	231	145	250	300
Watts/Gbps Firewall (W)	1.8	7x	12.7	12.1	3.7	22.2
Watts/Gbps IPSec VPN (W)	5.4	6x	29.9	25.8	30.6	33.3

\* Threat Protection performance is measured with Firewall, IPS, Application Control and Malware Protection, and Logging enabled.

\* The numbers for competitive solutions are based on publicly available sources. Other vendors may have different testing methodologies.

\* All power consumption values are taken from external data sheets, and hardware system guides using maximum power consumption.



# FortiAI Is Embedded Across the Security Fabric Platform

**FortiAI-Protect**  
FortiGuard Security Bundles  
(Enterprise, UTP)



FortiGate + AI Security Services

Secure AI Usage

**FortiAI-Assist**  
Add-on for FortiDLP, FortiSIEM, FortiNDR, FortiCNAPP, FortiManager, FortiAnalyzer, and SOC Tools



FortiAI

AI-Assisted Operations

\*Beta / Roadmap

**FortiAI-SecureAI**  
Secure AI infrastructure at high scale



CNAPP WAF Cloud FW  
DLP ZTNA

Secure LLM, AI Systems

# Q1 2025 Non-GAAP Results

	Q1'23	Q2'23	Q3'23	Q4'23	Q1'24	Q2'24	Q3'24	Q4'24	Q1'25
<b>Billings <sup>(1)</sup></b>	\$1.503B	\$1.541B	\$1.491B	\$1.865B	\$1.407B	\$1.541B	\$1.582B	\$2.003B	<b>\$1.597B</b>
<b>Y/Y % Change</b>	29.6%	18.1%	5.7%	8.5%	(6.4)%	—%	6.1%	7.4%	<b>13.5%</b>
<b>Revenue</b>	\$1.262B	\$1.293B	\$1.335B	\$1.415B	\$1.353B	\$1.434B	\$1.508B	\$1.660B	<b>\$1.540B</b>
<b>Y/Y % Change</b>	32.2%	25.5%	16.1%	10.3%	7.2%	10.9%	13.0%	17.3%	<b>13.8%</b>
<b>Product Revenue</b>	\$500.7M	\$472.6M	\$465.9M	\$488.1M	\$408.9M	\$451.9M	\$473.9M	\$574.0M	<b>\$459.1M</b>
<b>Y/Y % Change</b>	35.0%	17.9%	(0.6)%	(9.6)%	(18.3)%	(4.4)%	1.7%	17.6%	<b>12.3%</b>
<b>Service Revenue</b>	\$761.6M	\$820.2M	\$868.7M	\$927.0M	\$944.4M	\$982.4M	\$1.034B	\$1.086B	<b>\$1.081B</b>
<b>Y/Y % Change</b>	30.5%	30.3%	27.6%	24.8%	24.0%	19.8%	19.1%	17.2%	<b>14.4%</b>
<b>% of Total Revenue</b>	60%	63%	65%	66%	70%	69%	69%	65%	<b>70%</b>

## 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) during the period.



# Q1 2025 Non-GAAP Results

	Q1'23	Q2'23	Q3'23	Q4'23	Q1'24	Q2'24	Q3'24	Q4'24	Q1'25
<b>Gross Profit <sup>(1)</sup></b>	\$963.6M	\$1.01B	\$1.03B	\$1.11B	\$1.06B	\$1.17B	\$1.26B	\$1.36B	<b>\$1.26B</b>
<b>Gross Margin <sup>(1)</sup></b>	76.3%	77.9%	76.9%	78.5%	78.1%	81.5%	83.2%	81.9%	<b>81.9%</b>
<b>Operating Income <sup>(1)(2)</sup></b>	\$334.0M	\$348.1M	\$371.4M	\$453.5M	\$386.1M	\$503.6M	\$544.7M	\$650.9M	<b>\$526.2M</b>
<b>Operating Margin <sup>(1)(2)</sup></b>	26.5%	26.9%	27.8%	32.0%	28.5%	35.1%	36.1%	39.2%	<b>34.2%</b>
<b>Net Income <sup>(1)(2)(3)(4)</sup></b>	\$269.7M	\$300.4M	\$323.5M	\$392.0M	\$333.9M	\$439.9M	\$487.6M	\$571.5M	<b>\$452.3M</b>
<b>Diluted Net Income per Share <sup>(1)(2)(3)(4)</sup></b>	\$0.34	\$0.38	\$0.41	\$0.51	\$0.43	\$0.57	\$0.63	\$0.74	<b>\$0.58</b>
<b>Weighted Diluted Shares Outstanding</b>	793.4M	795.9M	791.2M	772.3M	770.5M	769.9M	771.9M	775.2M	<b>776.8M</b>
<b>Deferred Revenue</b>	\$4.88B	\$5.13B	\$5.29B	\$5.74B	\$5.79B	\$5.90B	\$6.01B	\$6.36B	<b>\$6.42B</b>
<b>Remaining Performance Obligations</b>	\$4.91B	\$5.15B	\$5.30B	\$5.75B	\$5.81B	\$5.92B	\$6.08B	\$6.42B	<b>\$6.49B</b>
<b>Stock Repurchases</b>	—	—	\$605.2M	\$895.3M	—	—	\$0.6M	—	<b>\$—M</b>
<b>Days Sales Outstanding</b>	78	75	68	89	66	68	62	79	<b>69</b>
<b>Inventory Turns</b>	2.3	1.6	1.2	1.3	1.2	1.4	1.7	2.3	<b>1.7</b>
<b>Headcount</b>	13,202	13,677	13,618	13,568	13,522	13,527	13,986	14,138	<b>14,556</b>

## Notes

- (1) Excludes stock-based compensation and amortization of acquired intangible assets.
- (2) Excludes charges in connection with litigation settlement and gain on intellectual property ("IP") matters.
- (3) Assumes a quarterly effective tax rate of 17% for 2023 and 2024 and 18% for Q1'25.
- (4) Excludes gains on bargain purchases related to our acquisitions of Lacework Inc. ("Lacework") and Linksys Holdings Inc. ("Linksys"), a gain from equity method investment related to our Linksys acquisition and a non-cash charge of the impairment charge recognized on our equity method investment in Linksys.

# Quarterly Revenue by Geography

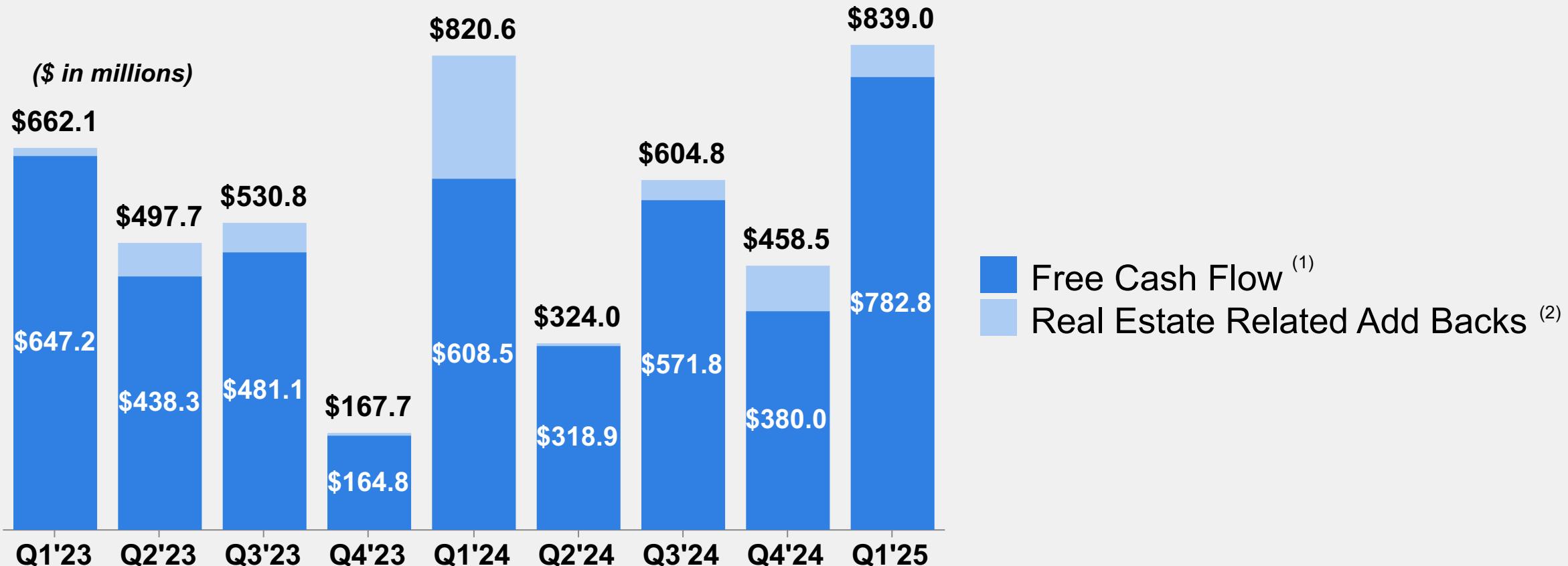
(\$ in millions) % is Y/Y % Change	Q1'23		Q2'23		Q3'23		Q4'23		Q1'24		Q2'24		Q3'24		Q4'24		Q1'25	
	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%
<b>Americas</b>	\$523.5	36.8%	\$537.0	29.8%	\$545.6	16.7%	\$569.1	9.2%	\$557.0	6.4%	\$595.3	10.9%	\$624.0	14.4%	\$665.9	17.0%	\$629.8	13.1%
<b>EMEA</b>	\$478.2	38.2%	\$506.9	29.4%	\$512.2	15.4%	\$575.6	12.8%	\$539.4	12.8%	\$565.2	11.5%	\$599.3	17.0%	\$692.3	20.3%	\$628.4	16.5%
<b>APAC</b>	\$260.6	15.2%	\$248.9	10.8%	\$276.8	16.3%	\$270.4	7.4%	\$256.9	(1.4)%	\$273.8	10.0%	\$284.8	2.9%	\$301.9	11.6%	\$281.5	9.6%
<b>Total</b>	\$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%	\$1,434.3	10.9%	\$1,508.1	13.0%	\$1,660.1	17.3%	\$1,539.7	13.8%

% of revenue	Q1'23	Q2'23	Q3'23	Q4'23	Q1'24	Q2'24	Q3'24	Q4'24	Q1'25
<b>Americas</b>	41.5%	41.5%	40.9%	40.2%	41.1%	41.5%	41.4%	40.1%	40.9%
<b>EMEA</b>	37.9%	39.2%	38.4%	40.7%	39.9%	39.4%	39.7%	41.7%	40.8%
<b>APAC</b>	20.6%	19.3%	20.7%	19.1%	19.0%	19.1%	18.9%	18.2%	18.3%
<b>Total</b>	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)	Q1'23	Q2'23	Q3'23	Q4'23	Q1'24	Q2'24	Q3'24	Q4'24	Q1'25
<b>GAAP Net Income</b>	\$247.7	\$266.3	\$322.9	\$310.9	\$299.3	\$379.8	\$539.9	\$526.2	<b>\$433.4</b>
<b>Depreciation, Amortization and Stock-Based Compensation</b>	83.8	92.4	92.6	93.6	90.9	93.1	95.7	101.0	<b>101.9</b>
<b>Accounts Receivable</b>	171.1	7.9	64.4	(389.8)	405.6	(86.7)	57.6	(421.9)	<b>303.9</b>
<b>Inventory</b>	(45.3)	(84.9)	(100.8)	(22.5)	36.5	48.7	19.7	26.3	<b>(34.1)</b>
<b>Deferred Revenue</b>	240.7	248.6	156.9	449.1	54.8	106.9	72.7	343.4	<b>57.0</b>
<b>Other</b>	(20.5)	(15.2)	15.2	(249.6)	(56.7)	(199.8)	(177.5)	(97.4)	<b>1.2</b>
<b>GAAP Cash Flow from Operations</b>	\$677.5	\$515.1	\$551.2	\$191.7	\$830.4	\$342.0	\$608.1	\$477.6	<b>\$863.3</b>
<b>Purchases of Property and Equipment</b>	(30.3)	(76.8)	(70.1)	(26.9)	(221.9)	(23.1)	(36.3)	(97.6)	<b>(66.5)</b>
<b>Proceeds from IP matter</b>	—	—	—	—	—	—	—	—	<b>(14.0)</b>
<b>Free Cash Flow</b>	\$647.2	\$438.3	\$481.1	\$164.8	\$608.5	\$318.9	\$571.8	\$380.0	<b>\$782.8</b>
<b>Issuance of Common Stock, Net of Taxes</b>	(13.3)	(17.1)	(24.4)	(13.9)	(29.5)	(14.0)	3.6	2.1	<b>(32.7)</b>
<b>Stock Repurchases</b>	—	—	(604.3)	(896.2)	—	—	(0.6)	—	<b>—</b>
<b>Acquisitions</b>	—	—	—	—	(5.7)	—	(241.3)	(28.5)	<b>(11.2)</b>
<b>Other</b>	4.3	1.8	0.2	15.4	9.4	11.3	27.9	12.2	<b>10.3</b>
<b>Change in Cash, Investments, and Marketable Equity Securities</b>	\$638.2	\$423.0	\$(147.4)	\$(729.9)	\$582.7	\$316.2	\$361.4	\$365.8	<b>\$749.2</b>
<b>Supplemental information: Cash Paid for Taxes—net</b>	\$20.7	\$37.9	\$26.3	\$341.4	\$31.1	\$252.1	\$139.8	\$155.9	<b>\$26.8</b>

# Quarterly Free Cash Flow and Adjusted Free Cash Flow Growth



## Notes

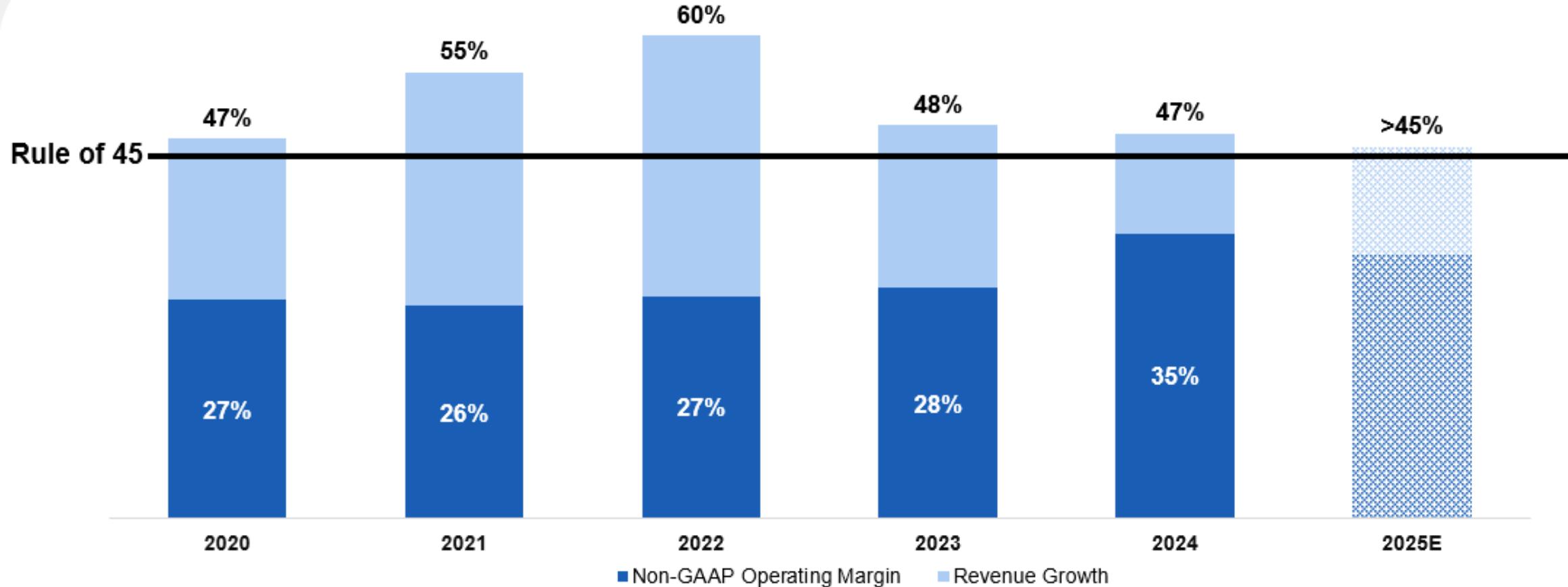
(1) Free Cash Flow is a non-GAAP measure that we define as net cash provided by operating activities minus purchases of property and equipment and excluding any significant non-recurring items, such as proceeds from intellectual property matters.

(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 development.



# 'Rule of 45' — Exceeded 5 Years in a Row

Expect to Achieve the 'Rule of 45' in 2025



Fortinet defines the Rule of 45 as GAAP revenue Y/Y growth plus Non-GAAP Operating Margin

© Fortinet Inc. All Rights Reserved.

20

# Q2 and 2025 Guidance (Non-GAAP) <sup>(1)</sup>

	Actual Q2'24	Q2'25E	Actual 2024	2025E
<b>Billings <sup>(2)</sup></b>	\$1.541B	<b>\$1.685 - 1.765B</b>	\$6.533B	<b>\$7.200 - 7.400B</b>
<b>Y/Y Mid-Pt Growth</b>		<b>12.0%</b>		<b>11.8%</b>
<b>Revenue (GAAP)</b>	\$1.434B	<b>\$1.590 - 1.650B</b>	\$5.956B	<b>\$6.650 - 6.850B</b>
<b>Y/Y Mid-Pt Growth</b>		<b>12.9%</b>		<b>13.3%</b>
<b>Service Revenue (GAAP)</b>	\$982.4M		\$4.047B	<b>\$4.575 - 4.725B</b>
<b>Y/Y Mid-Pt Growth</b>				<b>14.9%</b>
<b>Gross Margin (%) <sup>(3)</sup></b>	81.5%	<b>80.0 - 81.0%</b>	81.3%	<b>79.0 - 81.0%</b>
<b>Operating Margin (%) <sup>(3)(4)</sup></b>	35.1%	<b>31.5 - 32.5%</b>	35.0%	<b>31.5 - 33.5%</b>
<b>Net Income per Share <sup>(3)(4)(5)(6)</sup></b>	\$0.57	<b>\$0.58 - 0.60</b>	\$2.37	<b>\$2.43 - 2.49</b>
<b>Weighted Diluted Shares Outstanding</b>	769.9M	<b>773 - 777M</b>	771.9M	<b>769 - 779M</b>

## Notes

- (1) Guidance for non-GAAP financial measures excludes stock-based compensation, amortization of acquired intangible assets, gain on IP matters, gain on bargain purchase, gain from an equity method investment 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.
- (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) during the period.
- (3) Excludes stock-based compensation and amortization of acquired intangible assets.
- (4) Excludes charges in connection with litigation settlement and gain on IP matters.
- (5) Assumes an effective tax rate of 17% for 2024 and 18% for 2025. We expect cash paid for taxes to be within the range of \$525 million to \$575 million for 2025.
- (6) Excludes gains on bargain purchases related to our acquisitions of Lacework and Linksys, a gain from equity method investment related to our Linksys acquisition and a non-cash charge of the impairment recognized on our equity method investment in Linksys.

# Additional Modeling Points

	Actual Q2'24	Actual 2024	Actual Q1'25	Q2'25E	2025E
<b>Cash Paid for Taxes</b>	\$252M	\$579M	\$27M	\$230 - \$255M	\$525 - \$575M
<b>Infrastructure Investments</b>	\$23M	\$379M	\$67M	\$180 - \$200M	\$380 - \$430M
<b>Non-GAAP Tax Rate</b>	17%	17%	18%	18%	18%

# GAAP to Non-GAAP Reconciliations

<b>(\$ in millions)</b>	<b>Q1'23</b>	<b>Q2'23</b>	<b>Q3'23</b>	<b>Q4'23</b>	<b>Q1'24</b>	<b>Q2'24</b>	<b>Q3'24</b>	<b>Q4'24</b>	<b>Q1'25</b>
Total revenue	\$1,262.3	\$1,292.8	\$1,334.6	\$1,415.1	\$1,353.3	\$1,434.3	\$1,508.1	\$1,660.1	\$1,539.7
Add: Change in deferred revenue	240.6	247.7	156.7	449.7	54.9	106.3	115.5	349.2	57.5
Less: Deferred revenue balance acquired in business combinations	—	—	—	—	(1.0)	—	(41.4)	(6.8)	—
Total billings	\$1,502.9	\$1,540.5	\$1,491.3	\$1,864.8	\$1,407.2	\$1,540.6	\$1,582.2	\$2,002.5	\$1,597.2
GAAP Cash flow from operations	\$677.5	\$515.1	\$551.2	\$191.7	\$830.4	\$342.0	\$608.1	\$477.6	\$863.3
Less: Purchases of property and equipment	(30.3)	(76.8)	(70.1)	(26.9)	(221.9)	(23.1)	(36.3)	(97.6)	(66.5)
Less: Proceeds from IP matter	—	—	—	—	—	—	—	—	(14.0)
Free cash flow <sup>(1)</sup>	647.2	438.3	481.1	164.8	608.5	318.9	571.8	380.0	782.8
Add: Real estate related add backs	14.9	59.4	49.7	2.9	212.1	5.1	33.0	78.5	56.2
Adjusted free cash flow <sup>(2)</sup>	\$662.1	\$497.7	\$530.8	\$167.7	\$820.6	\$324.0	\$604.8	\$458.5	\$839.0

## 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 and excluding any significant non-recurring items, such as proceeds from an intellectual property matter.

(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 development.

# GAAP to Non-GAAP Reconciliations (Continued)

(\$ in millions)	Q1'23	Q2'23	Q3'23	Q4'23	Q1'24	Q2'24	Q3'24	Q4'24	Q1'25
GAAP product gross profit	\$307.1	\$298.1	\$267.6	\$290.9	\$226.1	\$296.8	\$337.8	\$396.0	\$309.2
Stock-based compensation	0.4	0.5	0.4	0.5	0.5	0.4	0.5	0.5	0.5
Amortization of acquired intangible assets	1.8	1.7	1.6	2.0	1.0	1.2	1.1	1.0	1.3
Non-GAAP product gross profit	\$309.3	\$300.3	\$269.6	\$293.4	\$227.6	\$298.4	\$339.4	\$397.5	\$311.0
<i>Non-GAAP product gross margin</i>	<i>61.8%</i>	<i>63.5%</i>	<i>57.9%</i>	<i>60.1%</i>	<i>55.7%</i>	<i>66.0%</i>	<i>71.6%</i>	<i>69.3%</i>	<i>67.7%</i>
GAAP service gross profit	\$647.4	\$698.9	\$749.3	\$808.3	\$822.5	\$862.5	\$906.9	\$949.6	\$937.4
Stock-based compensation	5.1	6.0	6.1	6.1	6.2	6.5	6.3	6.4	6.5
Amortization of acquired intangible assets	1.8	1.8	1.8	2.4	1.1	1.2	2.5	6.5	5.4
Non-GAAP service gross profit	\$654.3	\$706.7	\$757.2	\$816.8	\$829.8	\$870.2	\$915.7	\$962.5	\$949.3
<i>Non-GAAP service gross margin</i>	<i>85.9%</i>	<i>86.2%</i>	<i>87.2%</i>	<i>88.1%</i>	<i>87.9%</i>	<i>88.6%</i>	<i>88.5%</i>	<i>88.6%</i>	<i>87.8%</i>
GAAP total gross profit	\$954.5	\$997.0	\$1,016.9	\$1,099.2	\$1,048.6	\$1,159.3	\$1,244.7	\$1,345.6	\$1,246.6
Stock-based compensation	5.5	6.5	6.5	6.6	6.7	6.9	6.8	6.9	7.0
Amortization of acquired intangible assets	3.6	3.5	3.4	4.4	2.1	2.4	3.6	7.5	6.7
Non-GAAP total gross profit	\$963.6	\$1,007.0	\$1,026.8	\$1,110.2	\$1,057.4	\$1,168.6	\$1,255.1	\$1,360.0	\$1,260.3
<i>Non-GAAP gross margin</i>	<i>76.3%</i>	<i>77.9%</i>	<i>76.9%</i>	<i>78.5%</i>	<i>78.1%</i>	<i>81.5%</i>	<i>83.2%</i>	<i>81.9%</i>	<i>81.9%</i>
GAAP research and development expense	\$151.1	\$153.3	\$156.9	\$152.5	\$173.0	\$165.4	\$187.3	\$191.1	\$198.6
Stock-based compensation	(17.0)	(20.0)	(20.0)	(19.8)	(19.8)	(21.3)	(21.9)	(22.9)	(23.0)
Non-GAAP research and development expense	\$134.1	\$133.3	\$136.9	\$132.7	\$153.2	\$144.1	\$165.4	\$168.2	\$175.6
<i>Non-GAAP research and development expense as a percentage of revenue</i>	<i>10.6%</i>	<i>10.3%</i>	<i>10.3%</i>	<i>9.4%</i>	<i>11.3%</i>	<i>10.0%</i>	<i>11.0%</i>	<i>10.1%</i>	<i>11.4%</i>
GAAP sales and marketing expense	\$478.3	\$515.9	\$504.4	\$507.4	\$501.1	\$501.3	\$515.9	\$526.5	\$542.7
Stock-based compensation	(26.3)	(29.3)	(28.5)	(27.7)	(26.7)	(25.9)	(27.0)	(25.7)	(26.5)
Amortization of acquired intangible assets	(1.1)	(1.0)	(1.0)	(0.9)	(0.9)	(0.9)	(1.7)	(4.0)	(5.1)
Non-GAAP sales and marketing expense	\$450.9	\$485.6	\$474.9	\$478.8	\$473.5	\$474.5	\$487.2	\$496.8	\$511.1
<i>Non-GAAP sales and marketing expense as a percentage of revenue</i>	<i>35.7%</i>	<i>37.6%</i>	<i>35.6%</i>	<i>33.8%</i>	<i>35.0%</i>	<i>33.1%</i>	<i>32.3%</i>	<i>29.9%</i>	<i>33.2%</i>

# GAAP to Non-GAAP Reconciliations (Continued)

<b>(\$ in millions)</b>	<b>Q1'23</b>	<b>Q2'23</b>	<b>Q3'23</b>	<b>Q4'23</b>	<b>Q1'24</b>	<b>Q2'24</b>	<b>Q3'24</b>	<b>Q4'24</b>	<b>Q1'25</b>
GAAP general and administrative expense	\$52.8	\$49.9	\$53.5	\$55.1	\$54.4	\$56.6	\$71.7	\$55.1	\$57.8
Stock-based compensation	(8.2)	(9.9)	(9.9)	(9.9)	(9.8)	(10.2)	(10.7)	(11.0)	(10.4)
Litigation-related matter	—	—	—	—	—	—	(3.2)	—	—
Non-GAAP general and administrative expense	\$44.6	\$40.0	\$43.6	\$45.2	\$44.6	\$46.4	\$57.8	\$44.1	\$47.4
<i>Non-GAAP general and administrative expense as a percentage of revenue</i>	3.5%	3.1%	3.3%	3.2%	3.3%	3.2%	3.8%	2.7%	3.1%
GAAP gain on IP matters	\$(1.2)	\$(1.1)	\$(1.1)	\$(1.2)	\$(1.1)	\$(1.2)	\$(1.1)	\$(1.2)	\$(6.3)
Gain on IP matters	1.2	1.1	1.1	1.2	1.1	1.2	1.1	1.2	6.3
Non-GAAP gain on IP matters	\$—	\$—	\$—	\$—	\$—	\$—	\$—	\$—	\$—
<i>Non-GAAP gain on IP matters as a percentage of revenue</i>	—%	—%	—%	—%	—%	—%	—%	—%	—%
GAAP total operating expense	\$681.0	\$718.0	\$713.7	\$713.8	\$727.4	\$722.1	\$773.8	\$771.5	\$792.8
Stock-based compensation	(51.5)	(59.2)	(58.4)	(57.4)	(56.3)	(57.4)	(59.6)	(59.6)	(59.9)
Amortization of acquired intangible assets	(1.1)	(1.0)	(1.0)	(0.9)	(0.9)	(0.9)	(1.7)	(4.0)	(5.1)
Litigation-related matter	—	—	—	—	—	—	(3.2)	—	—
Gain on IP matters	1.2	1.1	1.1	1.2	1.1	1.2	1.1	1.2	6.3
Non-GAAP total operating expense	\$629.6	\$658.9	\$655.4	\$656.7	\$671.3	\$665.0	\$710.4	\$709.1	\$734.1
<i>Non-GAAP total operating expense as a percentage of revenue</i>	49.9%	51.0%	49.1%	46.4%	49.6%	46.4%	47.1%	42.7%	47.7%
GAAP operating income	\$273.5	\$279.0	\$303.2	\$385.4	\$321.2	\$437.2	\$470.9	\$574.1	\$453.8
Stock-based compensation	57.0	65.7	64.9	64.0	63.0	64.3	66.4	66.5	66.9
Amortization of acquired intangible assets	4.7	4.5	4.4	5.3	3.0	3.3	5.3	11.5	11.8
Litigation-related matter	—	—	—	—	—	—	3.2	—	—
Gain on IP matters	(1.2)	(1.1)	(1.1)	(1.2)	(1.1)	(1.2)	(1.1)	(1.2)	(6.3)
Non-GAAP operating income	\$334.0	\$348.1	\$371.4	\$453.5	\$386.1	\$503.6	\$544.7	\$650.9	\$526.2
<i>Non-GAAP operating margin</i>	26.5%	26.9%	27.8%	32.0%	28.5%	35.1%	36.1%	39.2%	34.2%

# GAAP to Non-GAAP Reconciliations (Continued)

(\$ in millions)	Q1'23	Q2'23	Q3'23	Q4'23	Q1'24	Q2'24	Q3'24	Q4'24	Q1'25
GAAP provision for (benefit from) income taxes	\$21.3	\$27.6	\$(0.3)	\$95.2	\$39.5	\$76.5	\$81.2	\$86.7	\$96.5
Tax adjustments related to the above	38.5	35.0	67.6	(13.0)	30.3	14.3	19.8	31.5	2.8
Non-GAAP provision for income taxes	\$59.8	\$62.6	\$67.3	\$82.2	\$69.8	\$90.8	\$101.0	\$118.2	\$99.3
Non-GAAP effective tax rate	17%	17%	17%	17%	17%	17%	17%	17%	18%
GAAP Net income	\$247.7	\$266.3	\$322.9	\$310.9	\$299.3	\$379.8	\$539.9	\$526.2	\$433.4
Stock-based compensation	57.0	65.7	64.9	64.0	63.0	64.3	66.4	66.5	66.9
Amortization of acquired intangible assets	4.7	4.5	4.4	5.3	3.0	3.3	5.3	11.5	11.8
Litigation-related matter	—	—	—	—	—	—	3.2	—	—
Gain on IP matters	(1.2)	(1.1)	(1.1)	(1.2)	(1.1)	(1.2)	(1.1)	(1.2)	(6.3)
Gain on bargain purchase	—	—	—	—	—	—	(106.3)	—	(39.9)
Tax adjustments	(38.5)	(35.0)	(67.6)	13.0	(30.3)	(14.3)	(19.8)	(31.5)	(2.8)
Gain from equity method investment	—	—	—	—	—	—	—	—	(10.8)
Non-cash charge on equity method investment	—	—	—	—	—	—	8.0	—	—
Non-GAAP net income	\$269.7	\$300.4	\$323.5	\$392.0	\$333.9	\$439.9	\$487.6	\$571.5	\$452.3
GAAP net income per share, diluted	\$0.31	\$0.33	\$0.41	\$0.40	\$0.39	\$0.49	\$0.70	\$0.68	\$0.56
Stock-based compensation	0.07	0.08	0.08	0.08	0.08	0.08	0.09	0.09	0.09
Amortization of acquired intangible assets	0.01	0.01	0.01	0.01	—	0.01	0.01	0.01	0.01
Litigation-related matter	—	—	—	—	—	—	—	—	—
Gain on IP matters	—	—	—	—	—	—	—	—	(0.01)
Gain on bargain purchase	—	—	—	—	—	—	(0.14)	—	(0.05)
Tax adjustments	(0.05)	(0.04)	(0.09)	0.02	(0.04)	(0.02)	(0.03)	(0.04)	(0.01)
Gain from equity method investment	—	—	—	—	—	—	—	—	(0.01)
Non-cash charge on equity method investment	—	—	—	—	—	—	0.01	—	—
Non-GAAP net income per share, diluted	\$0.34	\$0.38	\$0.41	\$0.51	\$0.43	\$0.57	\$0.63	\$0.74	\$0.58
Shares used in diluted net income per share calculations	793.4	795.9	791.2	772.3	770.5	769.9	771.9	775.2	776.8



**FORTINET**<sup>®</sup>