

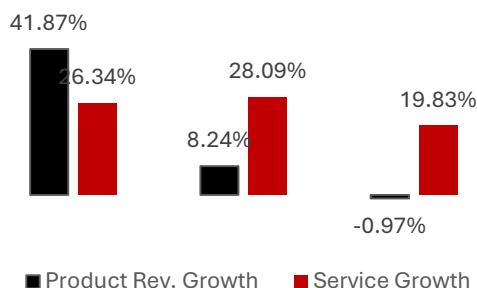
## Company Overview:

Fortinet, Inc. is a global cybersecurity leader headquartered in Sunnyvale, California, and was founded in 200 by brothers Ken and Micheal Xie. Their mission is to secure people, devices and data everywhere. As of December 31, 2024, their end-customers were located in over 100 countries and included enterprises across a wide variety of market verticals, including financial services, retail, healthcare and operational technology (“OT”) market verticals, communication and security service providers, and government organizations. They were also ranked #7 in the Forbes Most Trusted Companies list in 2024. Fortinet has over 830,000 customers, 1,378 global patents, and over 50+ Enterprise Cybersecurity Products.

The company is best known for its flagship product line FortiGate, which is one of the most deployed firewalls having over 50% of the global market share. This software protects data, assets, and users across hybrid environments. It is designed to help against potential cyberattacks, and mitigate security risks, and is powered by patented security processors

Fortinet’s revenue growth is supported by a range of core technologies, including FortiOS, FortiASIC, FortiCloud, FortiEndpoint, and OT Security solutions. FortiOS functions as the operating system across Fortinet’s devices, enabling centralized security management. FortiASIC is a custom-built processor designed to enhance performance and efficiency in handling network traffic. FortiCloud provides a global infrastructure for managing and securing data in cloud environments. FortiEndpoint offers protection for endpoint devices using artificial intelligence and automation, while the company’s OT Security tools extend network security capabilities to industrial and operational technology systems.

### Segment Revenue Growth by Year (%)



**Date:** Apr. 16, 2025

**Ticker:** FTNT

**Exchange:** NASDAQ

**Industry:** Technology

**Sector:** Information Technology

**Current Price:** \$94.89

**Target Price:** \$101.11-120.04

**Upside:** 6.15%-20.95%

**Recommendation:** HOLD

**52 Week High:** \$114.82

**52 Week Low:** \$54.57

**Beta Value:** 1.10

**Market Cap.:** \$79,299.28

**Share Outstanding:** 767M

**EPS:** \$2.28

**Debt to Equity:** 67%

**Sales:** \$5955.80

## Investment Thesis:

Some of the biggest recent trends that have been affect the Cybersecurity space has to do with the use of AI to help find more innovative solutions and efficient way to secure different environments.

We recommend a **HOLD** rating for FTNT as of April 16<sup>th</sup>, 2025, because our model predicts a 6.15%-20.95% downside in share value. Fortinet is positioned to stay steady with their continuous growth, and despite some economic uncertainty, will continue to make innovations in both AI and the Cybersecurity space to continue driving market value to their shareholders.

### Thesis Drivers:

AI Advancements: Fortinet has been keeping up in the AI space finding efficient ways to enhance their products and services, allowing them to keep up with many of their competitors. They announced recently significant FortiAI innovations that will help continue in their strides toward AI-Driven protection.

Security Fabric Platform: Fortinet’s Security Fabric is a unified cybersecurity platform that integrates over 50 security and networking technologies across endpoints, cloud, and networks. This seamless architecture enhances visibility, automates threat response, and reduces complexity—key advantages as enterprises seek comprehensive, scalable security solutions. Its alignment with cybersecurity mesh architecture trends makes Fortinet a strong contender in a market demanding integrated and efficient protection.

### Thesis Risks:

Economic uncertainty: Recent geopolitical developments, including a wave of new tariffs and the current administration’s push for domestically sourced materials, present a potential headwind for Fortinet. With approximately 95% of its manufacturing based in Taiwan, any tariffs targeting the region could significantly inflate production costs.

Competitive Landscape: Cybersecurity is always innovative and through rapid technological changes at any given moment new technology can come out that changes the landscape. Because of this, Fortinet needs to continue finding ways to improve product efficiency and keep up with competitors.

# Executive Summary:

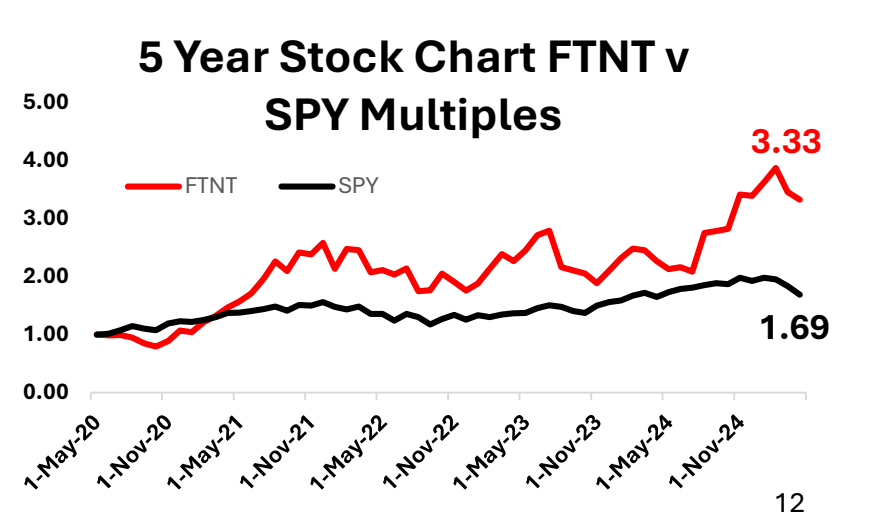
We believe that Fortinet currently has the stability and long-term visibility investors seek in a core holding, creating potential upside within the portfolio. With the cybersecurity sector remains vital in today's digital landscape, Fortinet appears undervalued relative to its peers, trading at a price-to-earnings (P/E) ratio of 25.8—substantially above the peer group average of 43.48x. This premium valuation may not be justified given the company's decelerating revenue growth and increasingly competitive industry dynamics.

Moreover, recent macroeconomic uncertainty and volatility in the broader technology sector, as reflected in the recent pullback of the Nasdaq down 15.66% YTD, have intensified market scrutiny on high-multiple tech stocks. As investor sentiment turns more cautious, especially around richly valued names, Fortinet may experience downward pressure absent a clear catalyst for renewed growth or margin expansion.

Despite these risks, we believe Fortinet presents a compelling opportunity for long-term investors. While near-term challenges exist, its strong market position in the cybersecurity sector, combined with its potential for future growth as the digital landscape continues to expand, offers a solid foundation for upside.

# Industry Analysis:

Fortinet is classified under the information technology sector in the Global Industry Classification System (GICS). This sector is currently facing rapid growth and transformation, with a lot of these trends being led by advancements in AI, cloud computing, cybersecurity, and the Internet of Things (IoT). Some of the key players in this space outside of Fortinet are companies such as Palo Alto Networks, Check Point, Cisco, Barracuda, SonicWall, and WatchGuard. Some of the main revenue streams in this industry come from selling cyber solutions, security services, recurring revenue from subscriptions, as well as insurance management of cybersecurity software's. Compared to the companies' competitors, Fortinet holds roughly 40% market share and is the leading vendor in network firewall security market. Fortinet can stay profitable through all the various products and services they provide, allowing them to meet all the cybersecurity needs of their consumer base. They also have a large global and domestic presence, generating 41% of their revenue from the Americas, 40% from Europe, Africa, and the Middle East, as well as 19% from Asia/Pacific in 2024. Some of Fortinet's largest clients comprise of IHG Hotels & Resorts, Red Bull, the Pittsburg Steelers, as well as many large corporations, showing their strong relationships, they have in the space as well.



## Labor Shortage

There is a large disparity in cybersecurity when it comes to find experienced professionals to work within the industry. There was a 350% increase in vacancies for 2024. This is likely due to emerging technologies such as generative AI requires a new set of skills that can be challenging to come across. Some experts believe that outdated training programs and expensive certifications are driving people away from a career within cybersecurity. Although there is expected to be growth within this area as it is a more sought-after position. The United States Bureau of Labor Statistics predicts a 32% increase in cybersecurity jobs between 2022 and 2032.

## Key Players in the Space:

Some of the largest companies outside of Fortinet in the Cybersecurity sector consist of firms like Palo Alto Networks (PANW), CrowdStrike Holdings (CRWD), Cisco (CSCO), Zscaler (ZS), Gen Digital (GEN), and Sentinel One (S). FTNT is projected to trade at a 25.28x P/E ratio compared to the average of 43.48x from the comparable companies, showing it is undervalued compared to the rest in the sector.

**Growth in Global Info. Security Spending:** According to certain sources it is anticipated that companies across the world will continue needing software to protect them from cyber threats, and that in 2025 the spending will increase by 15%. This will benefit most companies in the sector seeing continued and consistent need for the software and products.

Recent Transactions		Comparable Companies
Acquirer	Seller	

# Economic Outlook:

## IT Spending

Fortinet is classified under the information technology sector in the Global Industry Classification System (GICS). This sector is currently facing rapid growth and transformation, with a lot of these trends being led by advancements in AI, cloud computing, cybersecurity, and the Internet of Things (IoT).

Global IT spending is projected to continue its upward trajectory with it being forecasted as a 15% increase to \$212 Billion in 2025. This will help companies in the Cybersecurity space as a result, as more firms will continue to upgrade the security for their software and be a large part of continued revenue growth in the sector as a whole.

## Read GDP

We believe Real GDP will slow down and grow around 1% due to a high interest rate environment and the uncertainty created around tariffs. With tariffs increasing the cost of goods, we will likely not see interest rate cuts in the short term, which would further increase those costs. The Michigan Consumer Index went down to 50.7 in April from 57 the month prior<sup>5</sup>. The sentiment has been constantly falling through 2025. It is also at its second-lowest level in history, with the lowest being in 2022. There are also good signs for growth within the economy as the Producer Price Index fell 0.4%, showing a decline in the price of goods. This can also show that companies are trying to absorb the costs of the tariffs. Although there is much uncertainty with the U.S. economy, we believe that, due to Fortinet's diverse geographical customer base, they will not be as impacted as other companies with a slowdown in the U.S. economy.

## 10-year treasury yield

The 10-year treasury yield represents a benchmark for long-term interest rates, which impacts the cost of borrowing. There is a lot of unpredictability in the markets as the Federal Reserve is trying to control inflation while supporting economic growth<sup>4</sup>. Due to the recent tariffs, there is a lot of uncertainty around the growth of the U.S. economy. Due to this uncertainty, the Federal Reserve is not in a rush to react to these recent weaker markets. The unpredictability is reflected in how the 10-year treasury yield is currently at 4.333 while the US 4-month treasury is at 4.347. Having shorter-term treasuries with yields comparable to longer-term can reflect how investors are either less confident about the long-term economic outlook of the U.S. or are concerned about the short-term economic risks. These higher borrowing costs would make it more expensive for information technology companies to finance their operations or other possible initiatives. **We expect short-term treasuries to decline once there is less volatility in the markets and tariffs are not as**

widely used, which would lead to lower short-term borrowing costs and a normal yield curve.

## Geopolitical Tension

We expect government investments in national cybersecurity initiatives and regulatory compliance to increase driven by geopolitical tensions and critical infrastructure protection. With the tensions between Russia and Ukraine this has reorganized global structures and relationships between countries. Cyberattacks are becoming more frequent with the increase of critical digital infrastructure. The Israel-Hamas conflict has also fueled instability and has also fueled energy and food security leading to higher prices. Hackers have also maintained a constant effort of cyber attacks against Ukraine, NATO, EU and other western entities. Attacks on critical national infrastructure such as in the shipping industry and nuclear power are becoming more frequent. Having a coordinated effort is required to protect these systems that ensure a stable business and government environment.

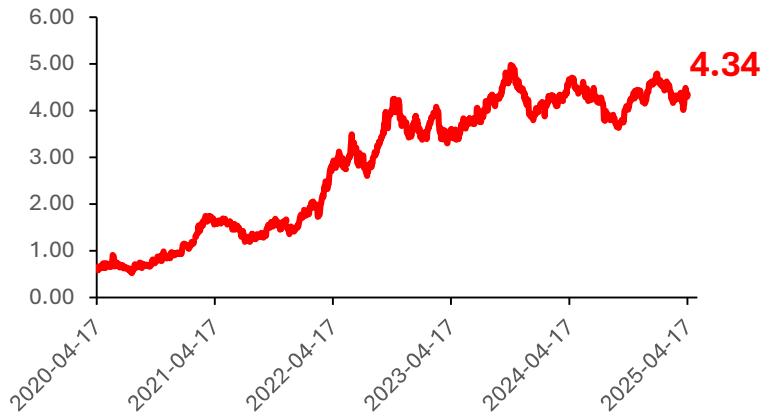
## Inflation:

The current inflation rates sit at 2.4% as of the end of march, down from the rate in February 2.8%. One of the biggest uncertainties that have come with these rates is the recent tariffs being issued. One of the tariffs that have had the biggest influences on consumer confidence is the 145% tariff on China. This has caused a lot of tech. manufacturers like Nvidia to invest more domestic manufacturing units.

One of the largest tariffs that has affected Fortinet are that they manufacture 95% of the company in Taiwan, making them very vulnerable to tariffs issued on the region. The current CPI sits at 2.8%, which is a 0.1% increase from last month. Although a slight increase, this could potentially lead to a small increase in inflation, off the Fed's goal of 2.0%.

With an increase in tariffs, that usually leads to an increase in prices that could be potentially inflationary as well, so with the uncertainty in policies, we could potentially see incremental increase in inflation over the course of the next few months.

10-year Treasury Yield



## Capital Markets Forecast

Economic activity is expected to slow down due to rising geopolitical tensions and tighter financial situations due to tariffs. While there are risks still looming of recession central banks are trying to balance inflation with economic growth. We believe that AI innovation will continue to be prevalent with companies such as NVIDIA and Microsoft as well as other large companies in the technology industry. We also see cloud infrastructure well positioned for continued growth which will also create a large demand for cybersecurity protecting these systems. Due to these investments in cloud and AI larger technology companies will likely see an increase in R&D spending. There is still lots of uncertainty for the future with geopolitical tensions as well as tariffs, but we believe the technology industry is anticipating for long-term growth.

## Porter's Five Forces:

### Threat of New Entrants **Moderate**

Cybersecurity has a moderate to low barrier to entry, as entering the industry requires significant expertise, certifications, and experience. Due to the niche nature of cybersecurity, with such a wide range of issues to tackle and new ones constantly developing, startup companies can thrive within specific areas of the industry. Although it is challenging to compete with larger cybersecurity providers, these companies can provide specific cybersecurity solutions. The ever-evolving nature of the cybersecurity space leads to new technologies being discovered, and small companies can capitalize on this and gain customers by taking away previous Fortinet customers. Due to the large spending on R&D to look for these solutions and sales and marketing to promote and differentiate themselves from the competition, it can be hard to stand out and gain a significant market share in the industry.

### Supplier Bargaining **Low/Moderate**

There are many players within the cybersecurity space, and many of these customers can be price-sensitive. The main differentiator being the various solutions that they offer. Fortinet stands out compared to other cybersecurity companies as they have 1378 patents compared to other companies in the industry, typically ranging between 800-150 patents overall. Fortinet has an array of patents, enabling them to protect their solutions, which provides them with a competitive edge and some possible bargaining power. The necessity of cybersecurity solutions could also provide Fortinet with leverage as the cost of a security breach is far greater than an investment in a high-grade cybersecurity solution. Businesses may be willing to pay a premium for one company that offers more products and protection. It would also be challenging to develop a cybersecurity team within the company due to labor shortages of talented professionals within the industry.

## Competitive Rivalry **High**

Many established players within the industry compete for similar customers. Due to this, there is significant spending in sales and marketing, as Fortinet's 9-year average on sales and marketing is 42% of their overall revenue. This considerable expense for Fortinet and other large players in the cybersecurity industry reflects how important it is to inform clients about the complexity of their solutions and how they are different. These more prominent players are also constantly consolidating with smaller businesses to provide their customers with more products as the cybersecurity space continually changes. With such an array of areas within the industry, many companies can specialize in one specific area. Within the cybersecurity industry, there is also a shortage of skilled professionals, which increases competition for strong talent as these companies must pay higher salaries. Due to the complexity of these threats growing there is more of a growing need for specific skill sets in areas such as AI and cloud security. Within the increasing demand for cybersecurity this space will continue to be extremely competitive.

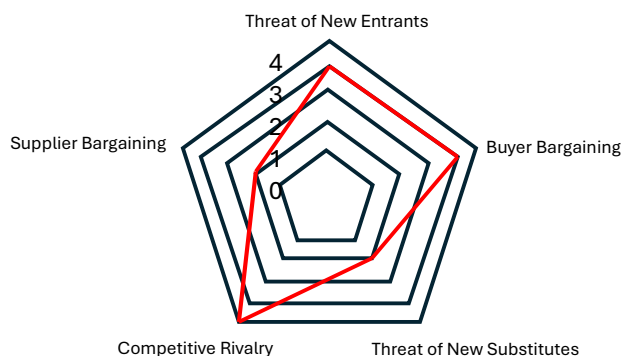
### Threat of New Substitutes: **Low/Moderate**

Substitutes within cybersecurity can emerge quickly due to the fast-paced nature of developing technologies and innovative solutions. Many other large players within the industry and small companies are creating new technologies that could lower the cost of an existing solution. We believe this is more unlikely as Fortinet has the budget and talent to maintain their products and innovate effectively, allowing them to consistently be a top player in their field. Although substitutes can occur, changing cybersecurity providers can come with high switching and implementation costs. For another substitute to take away business, their product would likely need to be significantly less expensive or provide more solutions due to the high costs of switching providers.

### Buyer Bargaining: **Moderate/High**

There are many companies within this industry, and for buyers in this space who are large entities, such as government agencies or large corporations, they have high bargaining power. Many of Fortinet's competitors provide similar services, making price a more significant factor in negotiations. The cybersecurity space is very saturated with more companies trying to enter the expanding market, and more complex cybersecurity threats continue to increase. Due to this, there is high competition and other companies with comparable products to Fortinet. Although Fortinet's products are similar, FortiGate is the leading industry standard, controlling more than 50% of the global firewall market share.

## Porter's 5 Forces



# Growth Catalysts:

## Firewall Units Shipped

## Product Revenue

### Increase in Cybersecurity Threats

Cybersecurity attacks are on the rise and becoming more complex and dangerous. Advancements in artificial intelligence, rising global tensions, and rapid digitalization have made businesses more vulnerable to cyberattacks. Cybersecurity attacks are one of the most costly threats to businesses, with an estimated \$8 trillion in losses in 2023, and that figure is expected to increase to \$24 trillion by 2027. These attacks can be extremely dangerous, damaging their internal infrastructure, making it very costly for small businesses to recover from them without sufficient resources. Malware is one of the most common cyberattacks as it is a malicious software that damages computer systems. Under the umbrella of malware is ransomware, which can have the biggest impact on businesses as it forces them to pay a sum to unlock their files and systems. These attacks have been significantly increasing, growing by 67% in 2023<sup>6</sup>. Due to these attacks, it is expected that Fortinet products that protect from these attacks, such as FortiGuard, Next-Generation Firewalls and Zero-Trust Network Access, will increase in demand.

### Industry Consolidation

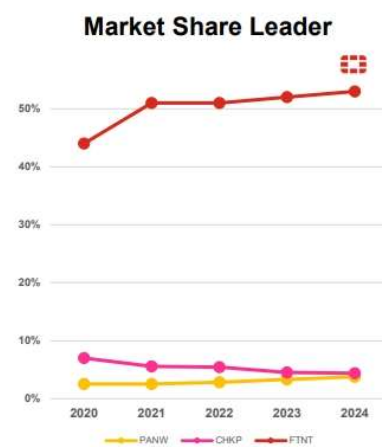
For the larger players to stay competitive, they are constantly evolving and trying to expand their capabilities due to the continually changing nature of technology. SASE has allowed Fortinet to create a platform that allows its users to use them as a single-vendor solution as more applications move towards the cloud. SASE solutions include a firewall, SD-WAN, secure web gateway, cloud access service broker, DLP, and zero-trust network access<sup>13</sup>. Fortinet is one of the few vendors to offer AI-powered security across SD-WAN to enable a single vendor SASE framework. SD-WAN is a networking technology that uses software to connect users to applications across a wider geographical range. Fortinet offers three main cybersecurity platforms, including their secure networking, security operations, and Unified SASE. These platforms allow Fortinet to protect against a wider variety of threats as they work to consolidate their services and provide their customers with more solutions.

### Expansion into Emerging Markets

As globalization continues to develop and operations expand worldwide this is also accompanied with a wider threat landscape. As these emerging economies expand they will lack the resources to protect themselves against increasing cyber threats. There will be a demand in these regions for various cybersecurity solutions that allows for these industry leading companies to take advantage. Fortinet is well positioned for these emerging markets as 60% of their revenues already come from outside the US as they also hold the largest market share within Europe.

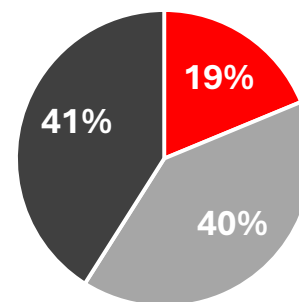
### Artificial Intelligence (AI) & Machine Learning (ML):

The recent boom in AI has significantly impacted the tech industry as a whole — with cybersecurity being one of the areas most profoundly transformed by these innovations. One of the



biggest benefits of using AI as a tool in this space is the ability to take large amounts of data and turn it into actionable information. AI on the defensive side can also be used to reverse engineer zero-day exploits allowing developers to make patches on these quickly before they become public knowledge. AI on the offensive side can detect anomalies in network traffic that could be coming from unknown devices that pose potential threats to the environment. Outside of that, AI can also cut down on many automation security processes that are normally done by humans, making for a much more efficient process.

### Revenue 2024 Geography Breakdown



■ APAC ■ EMEA ■ Americas

# Fortinet Analysis:

## Strengths

Fortinet has a diverse set of customers ranging across eighty different countries allowing them to be more protected from one specific region struggling. They are also better positioned to expand into new markets and into emerging cybersecurity needs. Fortinet also uses Application Specific Integrated Circuits (ASICs) which outperform traditional general-purpose processors and provides a performance advantage. They are hardware components that accelerate security functions such as firewall processing and encryption. With such a wide variety of products across the cybersecurity industry as well as an array of patents to protect their solutions they are well positioned to be a vendor that covers all the primary bases regarding various forms of cybersecurity.

Fortinet has also been recognized as the most trusted U.S. –based cybersecurity company according to Forbes <sup>7</sup>. They are also ranked #7 in Forbes overall most trusted companies. Fortinet is already very established amongst top companies with them 80% of Fortune 100 companies being a customer of Fortinet and 72% of Global 2000 companies also use Fortinet as their cybersecurity provider as well. This strong brand recognition is a representation of their strong reliable solutions that meets the needs of these large companies.

## Weaknesses

Although Fortinet is a large player in the space they face significant competition who also have substantial financial and technical resources which challenges Fortinet’s resources. Their ability to continually innovate and manage their pricing and maintain profitability could be a challenge that impacts their long-term success.

Fortinet’s dependence on third-party manufacturing exposes the company to risks such as manufacturing delays and geopolitical tensions. Taiwan producing 88% of Fortinet’s hardware could be seen as a weakness due to possible geopolitical tensions which can harm Fortinet’s future performance <sup>10</sup>.

## Opportunities

Fortinet’s ability to leverage AI has expanded their capabilities to identify threats and patterns quicker. Within the software industry IT spending is expected to reach \$5.75 trillion in 2025 which would be a 9.3% increase from 2024 driven by an increase in software and Data Center Systems companies. An increase in data centers would require an increase Fortinet products to protect these data centers from other cyber attacks. By continue to develop their security systems such as Secure Access Service Edge (SASE) which allows them to consolidate their solutions into a single vendor and move more solutions to the cloud.

## Threats

Any errors in supply chain would be difficult to identify and could lead to shortages within production which would cause

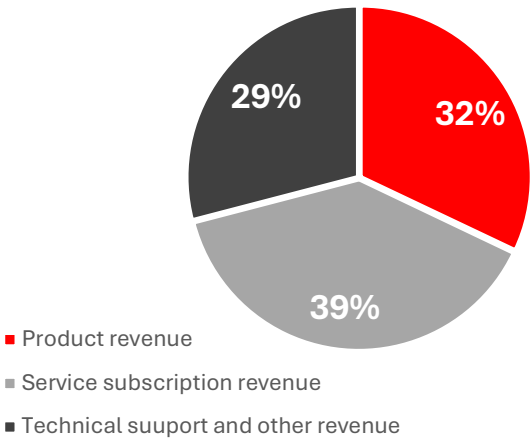
delays. They rely on specific CPUs, network and wireless chip and memory devices. If any of these were low on supply or if the demand did not directly match the supply, then this could lead to increased inventories. Due to the everchanging nature of cybersecurity and the technology industry there will always be innovation, and any smaller company can create a new technology that could take away a large market share from Fortinet.

## Revenue Overview

FortiGuard is their original product, first introduced in 2002. It is a network firewall that protects businesses from cyberattacks and falls under the Network security appliance segment. FortiGate hardware appliances have Application-Specific Integrated Circuits (ASICs). This specific technology powers FortiGate and are vital differentiators that lower the total cost for its users. Capable of 5-10x more computing power than average appliances. Higher speeds and capacities for added functionality. FortiGate products are also offered as virtual appliances and run on FortiOS. They have the most deployed firewall with over 50% of the global market share, and helps drive roughly 36% of Fortinet’s revenue. Fortinet also offers FortiCare Technical Support Services which together with their FortiGuard security subscription services made up approximately two-thirds of FTNT’s total revenues Fortinet’s security fabric cybersecurity mesh platform include solution in endpoint security cloud security, and email security.

Fortinet also has a United Secure Access Service Edge (SASE) which has allowed Fortinet to create a platform that allows its user to use them as a single-vendor solution as more applications move towards the cloud. SASE solutions include a firewall, SD-WAN, secure web gateway, cloud access service broker, DLP and zero trust network access. Fortinet is one of the few vendors to offer AI-powered security across SD-WAN to enable a single vendor SASE framework. SD-WAN is a networking technology that uses software to connect users to applications across a larger geographical range.

2024 Revenue Breakdown



# Fortinet Analysis:

## Revenue Forecast

Management expects revenue for 2025 to be around \$6.650-\$6.850 billion. This is in line with our projections of 13.09% revenue growth with \$6735.4 billion in 2025. We are in the middle with their expectations as we are bullish on their expected revenues although with the uncertainties that lie ahead, we are not going to be on their higher expectation for future revenue growth for this fiscal year. We still believe that as we continue to move further into the cloud with more AI innovation that cybersecurity will be something that companies must have. It will not be an optional incurred cost for a business, but something they must have to stay protected in the vast landscape of cyberthreats. Fortinet is well position to maintain and expand their market share of the industry as they are a very reputable and trusted company with great resources which will allow them to continue to grow.

## Gross Margin Overview & Forecast

Fortinet's product and service segment shows a substantial difference in profit margins mainly due to the delivery of each product. Product margins tend to be less than service costs mainly due to a larger impact in variable costs such as labor and manufacturing. While services require significant upfront costs although they do not require many ongoing costs leading to higher margins. In 2024 Fortinet had 72.27% gross margin for their product segment while 87.51% margins for their services segment. The stability of being having a SaaS business model has contributed to their consistently high margin while the product segment has more price changes.

### **We expect these margin trends to largely remain unchanged.**

Although the product segment will likely remain the same service-related costs may gradually increase due to labor shortages in the cybersecurity space as there is a lack of talent. This leads to a lack of personnel to support and maintain the services Fortinet offers. We also do not expect their margins to expand any further as they already operate at very high margins.

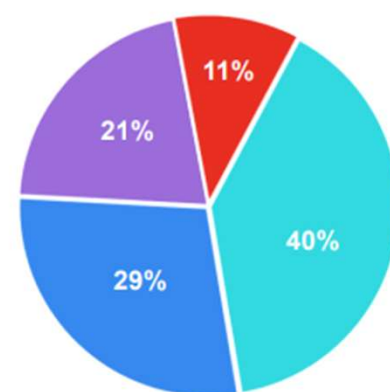
## Operating Expenses Forecast & Overview

Fortinet has established itself as one of the most efficient companies in the cybersecurity space when it comes to managing expenses. Throughout the past five years they have consistently outperformed quarterly EPS estimates. This is largely due to their ability to control their cash outflows. As Fortinet continues to scale, we expect them to be even more efficient.

## WACC & Capital Structure

We calculated Fortinet's WACC using the market weights and the current capital structure of the business. Fortinet's cost of equity was calculated using the 10-year yield to maturity at 4.22% for the risk-free rate, a beta of 1.10, and an equity risk premium of 6.52%. This calculates a cost of equity of 11.59%.

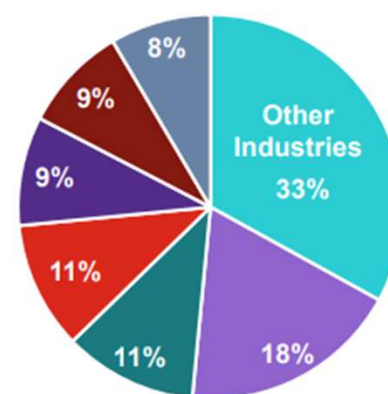
## Customer Types



■ Large Enterprise      ■ Mid Enterprise  
■ Small Enterprise      ■ SP/MSSP

7

## Industries



■ Worldwide Gov't      ■ Fin Serv  
■ SP/MSSP              ■ Manufacturing  
■ Retail                  ■ Technology

7

# Sensitivity Analysis:

## WACC vs. CV Growth of NOPLAT

		WACC							
		11.75%	9.94%	10.44%	10.94%	11.44%	11.94%	12.44%	12.94%
CV Growth of NOPLAT	6.50%	147.99	119.50	99.05	83.90	72.40	63.47	56.40	
	7.00%	113.21	95.10	81.44	70.91	62.63	56.02	50.64	
	7.50%	101.11	86.26	74.86	65.93	58.81	53.04	48.31	
	8.00%	101.11	86.26	74.86	65.93	58.81	53.04	48.31	
	8.50%	113.21	95.10	81.44	70.91	62.63	56.02	50.64	
	9.00%	147.99	119.50	99.05	83.90	72.40	63.47	56.40	
	9.50%	267.51	193.65	147.94	117.57	96.35	80.94	69.42	

In our analysis, we conducted a sensitivity test to assess how changes in the Weighted Average Cost of Capital (WACC) and the continuing (terminal) growth rate of NOPLAT (Net Operating Profit Less Adjusted Taxes) would impact the intrinsic value of the firm's share price. By varying these assumptions, we aimed to evaluate how sensitive our valuation model is to fluctuations in the company's cost of capital and long-term growth expectations. This approach helps us understand the level of risk in the valuation and provides a range of possible outcomes under different macroeconomic or company-specific scenarios.

## Beta vs. Gross Margin

		Gross Margin							
		117.57	75.97%	76.47%	76.97%	77.47%	77.97%	78.47%	78.97%
Beta	0.89	238.98	238.98	238.98	238.98	238.98	238.98	238.98	238.98
	0.90	229.16	229.16	229.16	229.16	229.16	229.16	229.16	229.16
	1.00	158.49	158.49	158.49	158.49	158.49	158.49	158.49	158.49
	1.10	117.57	117.57	117.57	117.57	117.57	117.57	117.57	117.57
	1.20	91.71	91.71	91.71	91.71	91.71	91.71	91.71	91.71
	1.30	74.34	74.34	74.34	74.34	74.34	74.34	74.34	74.34
	1.40	62.13	62.13	62.13	62.13	62.13	62.13	62.13	62.13

Next, we conducted a combined sensitivity analysis to assess how simultaneous changes in Beta and Gross Margin would impact the implied share price. Beta reflects the company's systematic risk and directly influences the cost of equity and WACC, while Gross Margin captures core profitability and operational efficiency. By modeling various combinations of these two variables in a sensitivity table, we were able to visualize the interaction between risk and margin performance and their collective impact on valuation. This analysis helps identify which factor the share price is more sensitive to and provides a clearer picture of the risk-return dynamics investors face.

## Normal Cash Estimate vs. Risk Free Rate

		Risk Free Rate							
		117.57	2.92%	3.42%	3.92%	4.42%	4.92%	5.42%	5.92%
Normal Cash Estimate	1.25%	110.59	112.83	115.15	117.56	120.04	122.62	125.29	
	1.50%	110.59	112.83	115.15	117.56	120.04	122.62	125.29	
	1.75%	110.59	112.83	115.15	117.56	120.04	122.62	125.29	
	2.00%	110.59	112.83	115.15	117.56	120.04	122.62	125.29	
	2.25%	110.59	112.83	115.15	117.56	120.04	122.62	125.29	
	2.50%	110.59	112.83	115.15	117.56	120.04	122.62	125.29	
	2.75%	110.59	112.83	115.15	117.56	120.04	122.62	125.29	

Next, we conducted a combined sensitivity analysis to evaluate how simultaneous fluctuations in both the Normal Cash Estimate and the Risk-Free Rate would affect Fortinet's implied share price. This approach allows us to capture the interaction between operating performance

(reflected through cash flows) and macroeconomic conditions (captured by changes in the risk-free rate, which influences discount rates). By modeling a range of scenarios—from conservative to optimistic—we were able to understand how sensitive Fortinet's valuation is to changes in these two key drivers.

## Cost of Equity vs. Pre-tax Cost of Debt

		Cost of Equity							
		117.57	8.59%	9.59%	10.59%	11.59%	12.59%	13.59%	14.59%
Pre-Tax Cost of Debt	4.00%	123.53	123.16	122.78	122.41	122.05	121.69	121.33	
	4.50%	124.59	124.20	123.81	123.42	123.04	122.67	122.30	
	5.00%	125.12	124.72	124.33	123.93	123.55	123.17	122.79	
	5.50%	125.12	124.72	124.33	123.93	123.55	123.17	122.79	
	6.00%	124.59	124.20	123.81	123.42	123.04	122.67	122.30	
	6.50%	123.53	123.16	122.78	122.41	122.05	121.69	121.33	
	7.00%	121.98	121.62	121.27	120.92	120.58	120.24	119.90	

We then conducted a sensitivity analysis to see how the different changes in the Cost of Equity and Pre-tax Cost of Debt affected the implied stock price. As seen above, the lower the cost of debt and equity, the higher the stock price since that will result in higher returns.

## R&D% of Revenue 2025E-2024E

		R&D% of revenue 2025E-2024E							
		117.57	10.47%	10.97%	11.47%	11.97%	12.47%	12.97%	13.47%
Risk Free Rate	2.92%	110.60	110.60	110.60	110.60	110.60	110.60	110.60	110.60
	3.42%	106.33	106.33	106.33	106.33	106.33	106.33	106.33	106.33
	3.92%	104.30	104.30	104.30	104.30	104.30	104.30	104.30	104.30
	4.42%	104.30	104.30	104.30	104.30	104.30	104.30	104.30	104.30
	4.92%	106.33	106.33	106.33	106.33	106.33	106.33	106.33	106.33
	5.42%	110.60	110.60	110.60	110.60	110.60	110.60	110.60	110.60
	5.92%	117.57	117.57	117.57	117.57	117.57	117.57	117.57	117.57

Next, we conducted a sensitivity analysis on how changing the R&D% of Revenue and the risk-free rate affect the predicted stock price. As the risk-free rate increased, the cost of stock increased, showing a positive correlation between the two.

## Equity Risk Premium vs. CV Growth EPS%

		Equity Risk Premium							
		117.57	5.02%	5.52%	6.02%	6.52%	7.02%	7.52%	8.02%
CV Growth EPS%	6.50%	118.65	118.65	118.65	118.65	118.65	118.65	118.65	118.65
	7.00%	95.83	95.83	95.83	95.83	95.83	95.83	95.83	95.83
	7.50%	79.64	79.64	79.64	79.64	79.64	79.64	79.64	79.64
	8.00%	67.76	67.76	67.76	67.76	67.76	67.76	67.76	67.76
	8.50%	58.79	58.79	58.79	58.79	58.79	58.79	58.79	58.79
	9.00%	51.86	51.86	51.86	51.86	51.86	51.86	51.86	51.86
	9.50%	46.39	46.39	46.39	46.39	46.39	46.39	46.39	46.39

Lastly, we ran a sensitivity analysis to see the effects of different changes in the Equity Risk Premium and CV Growth Rate EPS% on the implied stock price. According to the table, the lower the CV Growth EPS%, the higher the stock price, showing signs, the company Fortinet is currently undervalued despite reaching an increasingly steady growth rate.

# Company Valuation:

## DDM

Estimated Share Price: **\$81.40**

The Dividend Discount Model is the least reliable source out of the 3 methods we used since Fortinet has never historically paid out a dividend. They also have given no guidance or show any signs of paying one out soon. High growth tech companies like Fortinet typically do not pay out dividends since they like to reinvest profits back into the business and continue that rapid expansion. Due to this situation, we believe that this share price is not an accurate representation of the future value of Fortinet and should not be taken into consideration.

## Relative Peer Valuation:

Estimated Share Price: **\$101.50**

In this relative valuation, we compared the forecasted P/E multiples for both Fortinet and 6 other comparable companies. We had to remove one from the set due to the multiples and metrics being outliers, and therefore not giving an accurate representation of what Fortinet could potentially be valued at. We used the companies CrowdStrike Holdings, Palo Alto Networks, Zscaler, Gen digital and Cisco Systems. From their valuations, we had an average P/E multiple of 43.48x for the comparable companies in the forecasted year 2025E, and Fortinet was only anticipated to have a P/E of 25.8x, showing how the stock could currently be undervalued. This helped us arrive at our implied share price, and based on our other valuations, we decided this would be near the lower end of our range and is an accurate representation of where we foresee the stock of Fortinet valued at.

## Economic Profits Model:

Estimated Share Price: **\$116.70**

In our economic profit model, we forecasted the future EP of Fortinet for the next 7 fiscal years until 2031E, found the Continuing Value of the stock, and discount that value back to the present day. Then, completed our nonoperating adjustments to arrive at our Value of Equity, divided that by the amount of share outstanding we had for the next fiscal year, and arrived at our share price.

We found the Economic Profit (EP) model to be the most reliable method for projecting Fortinet's value, as they account for the key drivers of the company's growth—namely consolidation, diversification, and operating in a low-margin environment. Our valuation uses a 7-year projection period prior to Fortinet reaching steady-state growth. Given the company's scale, we believe it is well-positioned to leverage its growing market capitalization and capitalize on the significant consolidation opportunities within the evolving cybersecurity industry. As a relatively young and rapidly expanding sector, cybersecurity offers considerable room for future growth and innovation.

## **Conclusion:**

**In conclusion**, based on our valuations and forward-looking forecasts, we recommend a **HOLD** on Fortinet within the portfolio. We remain confident in the continued expansion of the cybersecurity sector and Fortinet's strong position within it. The company appears to be **undervalued relative to its peers** and is well-insulated from recent economic volatility. With a solid foundation and consistent revenue generation, Fortinet is poised to deliver sustainable growth in the years ahead.



# Important Disclaimer

---

This report was created by students enrolled in the Security Analysis (6F:112) class at the University of Iowa. The report was originally created to offer an internal investment recommendation for the University of Iowa Krause Fund and its advisory board. The report also provides potential employers and other interested parties an example of the students' skills, knowledge and abilities. Members of the Krause Fund are not registered investment advisors, brokers or officially licensed financial professionals. The investment advice contained in this report does not represent an offer or solicitation to buy or sell any of the securities mentioned. Unless otherwise noted, facts and figures included in this report are from publicly available sources. This report is not a complete compilation of data, and its accuracy is not guaranteed. From time to time, the University of Iowa, its faculty, staff, students, or the Krause Fund may hold a financial interest in the companies mentioned in this report.

## **References:**

1. Newman, L. H. (2024, April 18). *Brass Typhoon: China's relentless cyber espionage campaign*. WIRED.  
[https://www.wired.com/story/brass-typhoon-china-cyberspies/?utm\\_source=chatgpt.com](https://www.wired.com/story/brass-typhoon-china-cyberspies/?utm_source=chatgpt.com)
2. Shah, A. (2025, April 18). *Fortinet faces tariff turbulence: Analyst flags margin risk*. Benzinga.  
<https://www.benzinga.com/25/04/44627702/fortinet-faces-tariff-turbulence-analyst-flags-margin-risk>
3. KPMG. (n.d.). *How artificial intelligence influences cybersecurity risk*.  
<https://kpmg.com/ch/en/insights/cybersecurity-risk/artificial-intelligence-influences.html#:~:text=The%20implementation%20of%20AI%20in,better%20utilization%20of%20human%20resources.>
4. Franck, T. (2025, April 17). *Treasury yields rise as Fed chief warns of impact of US tariffs*. CNBC.  
<https://www.cnbc.com/2025/04/17/treasury-yields-rise-as-fed-chief-warns-of-impact-of-us-tariffs.html>
5. Mitchell, J. (2025, April 12). *Consumer confidence sinks further, UMich says*. The Wall Street Journal.  
<https://www.wsj.com/economy/consumer-confidence-sinks-further-umich-says-c3c09654>
6. Help Net Security. (2024, May 15). *Ransomware statistics for 2024: Who's getting hit and how*.  
<https://www.helpnetsecurity.com/2024/05/15/ransomware-statistics-2024/>
7. Fortinet, Inc. (2024). *Investor presentation*. <https://investor.fortinet.com/static-files/2d21430a-2c22-4b9d-b7f5-3f4bdaa420b6>
8. Fortinet, Inc. (2025). *Q4 2025 earnings call webcast*.  
[https://event.webcasts.com/viewer/event.jsp?ei=1708345&tp\\_key=e33785f61c](https://event.webcasts.com/viewer/event.jsp?ei=1708345&tp_key=e33785f61c)
9. Embroker. (n.d.). *Cyber attack statistics: The latest data and trends*.  
<https://www.embroker.com/blog/cyber-attack-statistics/>
10. GuruFocus. (2024, April). *Fortinet Inc. (FTNT): A strategic SWOT insight*.  
<https://www.gurufocus.com/news/2709908/fortinet-inc-ftnt-a-strategic-swot-insight>
11. Gartner. (2024, August 28). *Gartner forecasts global information security spending to grow 15% in 2025*.  
[https://www.gartner.com/en/newsroom/press-releases/2024-08-28-gartner-forecasts-global-information-security-spending-to-grow-15-percent-in-2025#:~:text=Worldwide%20end%20user%20spending%20on,estimated%20to%20reach%20\\$183.9%20billion.](https://www.gartner.com/en/newsroom/press-releases/2024-08-28-gartner-forecasts-global-information-security-spending-to-grow-15-percent-in-2025#:~:text=Worldwide%20end%20user%20spending%20on,estimated%20to%20reach%20$183.9%20billion.)
12. Yahoo Finance. (n.d.). *SPY historical data*.  
<https://finance.yahoo.com/quote/SPY/history/?period1=1587525410&period2=1745291805&frequency=1mo&filter=history>
13. Fortinet, Inc. (2025, April). *Fortinet expands FortiAI across its Security Fabric platform*.  
[https://www.fortinet.com/corporate/about-us/newsroom/press-releases/2025/fortinet-expands-fortiai-across-its-security-fabric-platform#:~:text=Fortinet%C2%AE%20\(NASDAQ%3A%20FTNT\),and%20automate%20security%20and%20network](https://www.fortinet.com/corporate/about-us/newsroom/press-releases/2025/fortinet-expands-fortiai-across-its-security-fabric-platform#:~:text=Fortinet%C2%AE%20(NASDAQ%3A%20FTNT),and%20automate%20security%20and%20network)

## **References:**

14. CrowdStrike Holdings, Inc. (2025). *CrowdStrike to acquire Adaptive Shield to deliver the only platform for modern identity protection*. <https://ir.crowdstrike.com/news-releases/news-release-details/crowdstrike-acquire-adaptive-shield-deliver-only-platform>
15. U.S. Securities and Exchange Commission. (n.d.). *Fortinet, Inc. (CIK: 1262039) filings*. EDGAR. <https://www.sec.gov/edgar/browse/?CIK=1262039&owner=exclude>
16. Mergent Online. (n.d.). *Fortinet, Inc. company financials: Balance sheet, annuals*. [https://www.mergentonline.com/companyfinancials.php?pagetype=asreported&compnumber=128415&period=Annuals&dataarea=BS&range=10&currency=AsRep&scale=1000&Submit=Refresh&csrf\\_token\\_mol=9803523f16](https://www.mergentonline.com/companyfinancials.php?pagetype=asreported&compnumber=128415&period=Annuals&dataarea=BS&range=10&currency=AsRep&scale=1000&Submit=Refresh&csrf_token_mol=9803523f16)
17. FactSet. (n.d.). *Markets overview*. <https://my.apps.factset.com/workstation/navigator/markets/markets-overview>

Fortinet  
Value Driver Estimation

Fiscal Years Ending 12/31/2024	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	2030E	2031E
<b>NOPLAT:</b>																	
<b>EBITA:</b>																	
Revenue	1,009.27	1,275.44	1,494.93	1,801.20	2,156.20	2,594.40	3,342.20	4,417.40	5,304.80	5,955.80	6,735.40	7,559.87	8,460.74	9,282.96	10,017.69	10,693.70	11,206.91
Cost of Goods Sold	(62.43)	(31.61)	(46.89)	(75.90)	(81.70)	(66.00)	(108.00)	(193.40)	(176.60)	(23.60)	65.27	136.77	204.85	275.73	345.27	409.68	448.40
Depreciation & Amortization	(31.59)	(48.52)	(55.48)	(55.70)	(61.60)	(68.80)	(84.40)	(104.30)	(113.40)	(122.80)	(182.61)	(214.50)	(242.07)	(265.92)	(286.53)	(304.36)	(319.78)
Research & Development	(158.13)	(183.08)	(210.61)	(244.50)	(277.10)	(341.40)	(424.20)	(512.40)	(613.80)	(716.80)	(806.53)	(891.69)	(1,002.08)	(1,105.80)	(1,190.24)	(1,288.07)	(1,330.69)
Selling and Marketing	(470.37)	(626.50)	(701.03)	(782.30)	(926.90)	(1,071.90)	(1,345.70)	(1,686.10)	(2,006.00)	(2,044.80)	(2,476.77)	(2,744.74)	(3,029.28)	(3,369.19)	(3,619.90)	(3,858.05)	(4,053.44)
General and Administrative	(71.51)	(81.08)	(87.86)	(93.00)	(102.10)	(119.50)	(143.50)	(169.00)	(211.30)	(237.80)	(336.23)	(377.39)	(422.36)	(463.40)	(500.08)	(533.83)	(559.45)
<b>EBITA:</b>	<b>215.23</b>	<b>304.65</b>	<b>393.06</b>	<b>549.80</b>	<b>706.80</b>	<b>926.80</b>	<b>1,236.40</b>	<b>1,752.20</b>	<b>2,183.70</b>	<b>2,810.00</b>	<b>2,998.54</b>	<b>3,468.32</b>	<b>3,969.80</b>	<b>4,354.37</b>	<b>4,766.21</b>	<b>5,139.07</b>	<b>5,391.96</b>
<b>Adjusted Taxes:</b>																	
Provision for income taxes	9.00	10.90	92.60	(80.60)	54.30	53.20	14.10	30.80	143.80	283.90	383.43	435.54	524.16	583.03	654.42	718.73	766.77
Interest Income	(2.32)	(3.20)	(5.91)	(7.91)	(12.68)	(5.28)	(1.34)	(5.19)	(35.72)	(46.31)	(47.85)	(33.40)	(62.28)	(83.75)	(110.92)	(140.23)	(170.69)
Restructuring charges	3.33	1.75	0.15	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest Expense	-	-	-	-	-	-	4.45	5.37	6.27	5.97	3.14	3.38	3.81	4.14	4.42	4.67	4.88
Gain on intellectual property matter	-	-	-	-	-	(12.00)	(1.37)	(1.37)	(1.37)	(1.37)	-	-	-	-	-	-	-
Other income	(1.39)	(3.11)	0.31	(1.97)	(2.24)	(2.33)	(3.46)	(4.03)	(1.82)	4.06	(1.52)	(1.35)	(0.93)	(0.31)	(0.01)	(0.83)	(0.69)
Gain on bargaining purchase	-	-	-	-	-	-	-	-	-	(31.72)	-	-	-	-	-	-	-
Adjusted Taxes	8.62	6.34	87.15	(90.48)	39.38	33.60	12.37	25.58	111.16	214.52	337.21	404.16	464.76	503.11	547.91	582.34	600.27
<b>Deferred Taxes:</b>																	
Net Deferred Tax liability	(119.22)	(182.75)	(146.93)	(255.00)	(232.60)	(245.20)	(342.30)	(569.40)	(868.80)	(1,335.60)	(1,457.24)	(1,578.88)	(1,700.52)	(1,822.15)	(1,943.79)	(2,065.43)	(2,187.07)
Change in deferred taxes	(150.30)	(63.53)	35.81	(108.07)	22.40	(12.60)	(97.10)	(227.10)	(299.40)	(466.80)	(121.64)	(121.64)	(121.64)	(121.64)	(121.64)	(121.64)	(121.64)
<b>Net Operating Less Adjusted Taxes (NOPLAT)</b>	<b>56.32</b>	<b>234.78</b>	<b>341.73</b>	<b>532.21</b>	<b>689.82</b>	<b>880.60</b>	<b>1,126.93</b>	<b>1,499.52</b>	<b>1,773.14</b>	<b>2,128.68</b>	<b>2,539.69</b>	<b>2,942.52</b>	<b>3,383.40</b>	<b>3,729.63</b>	<b>4,096.66</b>	<b>4,435.09</b>	<b>4,670.05</b>
<b>Invested Capital (IC):</b>																	
Normal Cash	543.28	709.00	811.00	1,112.40	1,222.50	1,061.80	1,319.10	1,682.90	1,397.90	2,875.90	1,601.39	4,006.85	5,781.19	8,037.42	10,473.64	13,005.70	15,903.45
Accounts Receivable	259.56	313.00	348.19	444.50	544.30	720.00	807.70	1,261.70	1,402.00	1,463.40	1,733.45	1,558.44	2,162.11	2,448.64	2,757.85	3,199.59	3,361.48
Inventory	83.87	106.89	77.29	90.00	117.90	139.80	175.80	264.60	484.80	315.50	326.98	338.89	351.22	364.00	377.25	390.99	405.22
Prepaid Expenses	35.76	33.31	40.07	36.80	41.20	43.30	65.40	73.10	101.10	126.10	117.81	114.28	143.94	174.41	196.36	217.27	232.99
Accounts Payable	(61.50)	(56.73)	(70.01)	(86.40)	(96.40)	(141.60)	(148.40)	(243.40)	(204.30)	(190.90)	(196.41)	(220.45)	(246.72)	(270.70)	(292.12)	(311.84)	(326.80)
Accrued Liabilities	(33.03)	(35.64)	(50.02)	(77.50)	(97.70)	(149.20)	(197.30)	(266.30)	(390.30)	(337.90)	(208.08)	(233.55)	(261.38)	(286.78)	(309.48)	(330.37)	(346.22)
Accrued Payroll and Compensation	(61.11)	(78.14)	(91.94)	(98.40)	(101.80)	(145.90)	(195.00)	(219.40)	(242.30)	(255.70)	(224.52)	(252.01)	(282.04)	(309.45)	(333.94)	(356.47)	(373.58)
Deferred Revenue	(514.65)	(645.34)	(793.82)	(965.90)	(1,173.60)	(1,392.80)	(1,777.40)	(2,349.30)	(2,848.70)	(3,276.20)	(2,226.93)	(2,499.53)	(2,797.38)	(3,069.23)	(3,312.16)	(3,535.67)	(3,705.35)
<b>Net Working Capital</b>	<b>252.18</b>	<b>346.34</b>	<b>270.76</b>	<b>455.50</b>	<b>456.40</b>	<b>135.40</b>	<b>49.90</b>	<b>203.90</b>	<b>(299.80)</b>	<b>720.20</b>	<b>923.69</b>	<b>2,812.92</b>	<b>4,850.94</b>	<b>7,088.32</b>	<b>9,557.40</b>	<b>12,279.21</b>	<b>15,151.18</b>
<b>Net PPE</b>	<b>91.07</b>	<b>137.25</b>	<b>245.40</b>	<b>271.40</b>	<b>344.30</b>	<b>448.00</b>	<b>687.60</b>	<b>898.50</b>	<b>1,044.40</b>	<b>1,349.50</b>	<b>1,585.18</b>	<b>1,788.96</b>	<b>1,965.18</b>	<b>2,117.54</b>	<b>2,249.29</b>	<b>2,363.22</b>	<b>2,461.72</b>
<b>Other Intangible Assets</b>	<b>17.64</b>	<b>24.83</b>	<b>16.26</b>	<b>22.10</b>	<b>31.10</b>	<b>31.60</b>	<b>63.60</b>	<b>56.00</b>	<b>35.30</b>	<b>115.00</b>	<b>119.90</b>	<b>38.67</b>	<b>40.58</b>	<b>42.01</b>	<b>44.35</b>	<b>46.37</b>	<b>47.76</b>
<b>Other Assets</b>	<b>14.39</b>	<b>16.87</b>	<b>19.94</b>	<b>20.80</b>	<b>60.00</b>	<b>63.20</b>	<b>235.80</b>	<b>202.00</b>	<b>150.00</b>	<b>133.20</b>	<b>138.45</b>	<b>143.91</b>	<b>149.59</b>	<b>155.48</b>	<b>161.61</b>	<b>167.99</b>	<b>174.61</b>
<b>Other Liabilities</b>	<b>(19.19)</b>	<b>(14.26)</b>	<b>(8.61)</b>	<b>(13.00)</b>	<b>(44.90)</b>	<b>(56.20)</b>	<b>(59.20)</b>	<b>(82.00)</b>	<b>(124.70)</b>	<b>(129.60)</b>	<b>(127.86)</b>	<b>(126.02)</b>	<b>(124.28)</b>	<b>(122.84)</b>	<b>(121.61)</b>	<b>(120.64)</b>	<b>(119.86)</b>
<b>Net Long Term Operating Assets</b>	<b>103.92</b>	<b>164.68</b>	<b>272.98</b>	<b>301.30</b>	<b>390.50</b>	<b>486.60</b>	<b>927.80</b>	<b>1,074.50</b>	<b>1,105.00</b>	<b>1,468.10</b>	<b>1,607.67</b>	<b>1,845.52</b>	<b>2,031.06</b>	<b>2,192.20</b>	<b>2,333.65</b>	<b>2,456.93</b>	<b>2,564.24</b>
<b>Total Invested Capital:</b>	<b>356.09</b>	<b>511.02</b>	<b>543.74</b>	<b>756.80</b>	<b>846.90</b>	<b>622.00</b>	<b>977.70</b>	<b>1,278.40</b>	<b>805.20</b>	<b>2,188.30</b>	<b>2,531.36</b>	<b>4,658.44</b>	<b>6,881.99</b>	<b>9,280.51</b>	<b>11,891.05</b>	<b>14,736.14</b>	<b>17,715.42</b>
<b>Free Cash Flow (FCF):</b>																	
NOPLAT	56.32	234.78	341.73	532.21	689.82	880.60	1,126.93	1,499.52	1,773.14	2,128.68	2,539.69	2,942.52	3,383.40	3,729.63	4,096.66	4,435.09	4,670.05
Change in IC	-	154.93	32.71	213.07	90.10	(224.90)	355.70	300.70	(473.20)	1,383.10	343.06	2,127.09	2,223.55	2,398.52	2,610.54	2,845.09	2,979.28
<b>FCF</b>	<b>56.32</b>	<b>79.85</b>	<b>309.01</b>	<b>319.14</b>	<b>599.72</b>	<b>1,105.50</b>	<b>771.23</b>	<b>1,198.82</b>	<b>2,246.34</b>	<b>745.58</b>	<b>2,196.64</b>	<b>815.44</b>	<b>1,159.85</b>	<b>1,331.11</b>	<b>1,486.13</b>	<b>1,589.99</b>	<b>1,690.77</b>
<b>Return on Invested Capital (ROIC):</b>																	
NOPLAT	56.32	234.78	341.73	532.21	689.82	880.60	1,126.93	1,499.52	1,773.14	2,128.68	2,539.69	2,942.52	3,383.40	3,729.63	4,096.66	4,435.09	4,670.05
Beginning IC	356.09	511.02	543.74	756.80	846.90	622.00	977.70	1,278.40	805.20	2,188.30	2,531.36	4,658.44	6,881.99	9,280.51	11,891.05	14,736.14	17,715.42
<b>ROIC</b>	<b>0.16</b>	<b>0.46</b>	<b>0.63</b>	<b>0.70</b>	<b>0.81</b>	<b>1.42</b>	<b>1.15</b>	<b>1.17</b>	<b>2.20</b>	<b>0.97</b>	<b>1.00</b>	<b>0.63</b>	<b>0.49</b>	<b>0.40</b>	<b>0.34</b>	<b>0.30</b>	<b>0.26</b>
<b>Economic Profit (EP):</b>																	
Beginning IC	356.09	511.02	543.74	756.80	846.90	622.00	977.70	1,278.40	805.20	2,188.30	2,531.36	4,658.44	6,881.99	9,280.51	11,891.05	14,736.14	17,715.42
x (ROIC - WACC)	4.38%	34.51%	51.41%	58.89%	70.02%	130.14%	103.83%	105.86%	208.78%	85.84%	88.89%	51.73%	37.73%	28.75%	23.02%	18.66%	14.93%
<b>EP</b>	<b>15.59</b>	<b>176.34</b>	<b>279.54</b>	<b>445.66</b>	<b>592.97</b>	<b>809.47</b>	<b>1,015.12</b>	<b>1,353.32</b>	<b>1,681.06</b>	<b>1,878.42</b>	<b>2,250.20</b>	<b>2,409.78</b>	<b>2,596.37</b>	<b>2,668.30</b>	<b>2,736.79</b>	<b>2,749.84</b>	<b>2,644.09</b>





## Fortinet

## Common Size Income Statement

-42.09%

Fiscal Years Ending 12/31/2024	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	2030E	2031E
Product revenue	47.24%	42.97%	38.61%	37.44%	36.57%	35.32%	37.55%	40.31%	36.33%	32.05%	29.37%	27.12%	25.11%	23.72%	22.78%	22.12%	21.87%
Service revenue	52.76%	57.03%	61.39%	62.56%	63.43%	64.68%	62.45%	59.69%	63.67%	67.95%	70.63%	72.88%	74.89%	76.28%	77.22%	77.88%	78.13%
<b>Total revenue</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>
Cost of revenue - product	33.31%	29.28%	32.63%	34.89%	33.35%	30.95%	32.14%	32.97%	33.74%	27.73%	32.10%	31.98%	32.25%	32.21%	31.94%	31.80%	31.88%
Depreciation and Ammortization	3.13%	3.80%	3.71%	3.09%	2.86%	2.65%	2.53%	2.36%	2.14%	2.06%	2.71%	2.84%	2.86%	2.86%	2.86%	2.85%	2.85%
Cost of revenue - service	18.10%	17.72%	15.41%	14.15%	13.26%	12.97%	14.15%	14.93%	14.02%	12.49%	14.72%	14.38%	14.05%	13.91%	13.89%	13.95%	14.05%
<b>Total cost of revenue</b>	<b>28.41%</b>	<b>26.49%</b>	<b>25.77%</b>	<b>25.01%</b>	<b>23.48%</b>	<b>21.97%</b>	<b>23.43%</b>	<b>24.56%</b>	<b>23.32%</b>	<b>19.44%</b>	<b>22.53%</b>	<b>21.99%</b>	<b>21.48%</b>	<b>21.12%</b>	<b>20.86%</b>	<b>20.74%</b>	<b>20.80%</b>
<b>Total gross profit</b>	<b>71.59%</b>	<b>73.51%</b>	<b>74.23%</b>	<b>74.99%</b>	<b>76.54%</b>	<b>78.03%</b>	<b>76.57%</b>	<b>75.44%</b>	<b>76.68%</b>	<b>80.56%</b>	<b>77.47%</b>	<b>78.01%</b>	<b>78.52%</b>	<b>78.88%</b>	<b>79.14%</b>	<b>79.26%</b>	<b>79.20%</b>
Research & development expenses	-15.67%	-14.35%	-14.09%	-13.57%	-12.85%	-13.16%	-12.69%	-11.60%	-11.57%	-12.04%	-11.97%	-11.80%	-11.84%	-11.91%	-11.88%	-11.86%	-11.87%
Sales & marketing expenses	-46.61%	-49.12%	-46.89%	-43.43%	-42.99%	-41.32%	-40.26%	-38.17%	-37.81%	-34.33%	-36.77%	-36.31%	-35.80%	-36.29%	-36.14%	-36.08%	-36.17%
General & administrative expenses	-7.09%	-6.36%	-5.88%	-5.16%	-4.74%	-4.61%	-4.29%	-3.83%	-3.98%	-3.99%	-4.99%	-4.99%	-4.99%	-4.99%	-4.99%	-4.99%	-4.99%
Gain on intellectual property matter	0.00%	0.00%	0.00%	0.00%	0.00%	1.55%	0.14%	0.10%	0.09%	0.08%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Restructuring charges	-0.75%	-0.31%	-0.02%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>Total operating expenses</b>	<b>-70.11%</b>	<b>-70.15%</b>	<b>-66.88%</b>	<b>-62.17%</b>	<b>-60.57%</b>	<b>-57.53%</b>	<b>-57.11%</b>	<b>-53.49%</b>	<b>-53.28%</b>	<b>-50.28%</b>	<b>-53.74%</b>	<b>-53.09%</b>	<b>-52.64%</b>	<b>-53.20%</b>	<b>-53.01%</b>	<b>-52.93%</b>	<b>-53.03%</b>
<b>Operating income (loss)</b>	<b>1.47%</b>	<b>3.37%</b>	<b>7.34%</b>	<b>12.82%</b>	<b>15.96%</b>	<b>20.50%</b>	<b>19.46%</b>	<b>21.95%</b>	<b>23.40%</b>	<b>30.28%</b>	<b>23.73%</b>	<b>24.92%</b>	<b>25.88%</b>	<b>25.69%</b>	<b>26.13%</b>	<b>26.33%</b>	<b>26.16%</b>
Interest income	0.52%	0.57%	0.90%	1.47%	1.97%	0.68%	0.13%	0.39%	2.26%	2.61%	2.38%	1.48%	2.47%	3.02%	3.71%	4.39%	5.10%
Interest expense	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	-0.45%	-0.41%	-0.40%	-0.34%	-0.16%	-0.15%	-0.15%	-0.15%	-0.15%	-0.15%	-0.15%
Gain on bargain purchase	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	1.78%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>Other income (expense) - net</b>	<b>-0.31%</b>	<b>-0.56%</b>	<b>0.05%</b>	<b>-0.37%</b>	<b>-0.35%</b>	<b>-0.30%</b>	<b>-0.35%</b>	<b>-0.31%</b>	<b>-0.11%</b>	<b>0.23%</b>	<b>-0.08%</b>	<b>-0.06%</b>	<b>-0.04%</b>	<b>-0.01%</b>	<b>0.00%</b>	<b>-0.03%</b>	<b>-0.02%</b>
<b>Income (loss) before income taxes</b>	<b>1.68%</b>	<b>3.38%</b>	<b>8.29%</b>	<b>13.93%</b>	<b>17.59%</b>	<b>20.88%</b>	<b>18.80%</b>	<b>21.63%</b>	<b>25.14%</b>	<b>34.56%</b>	<b>25.88%</b>	<b>26.19%</b>	<b>28.16%</b>	<b>28.55%</b>	<b>29.69%</b>	<b>30.55%</b>	<b>31.10%</b>
Provision for / benefit from income taxes	-0.89%	-0.85%	-6.19%	4.47%	-2.52%	-2.05%	-0.42%	-0.70%	-2.71%	-4.77%	-5.69%	-5.76%	-6.20%	-6.28%	-6.53%	-6.72%	-6.84%
<b>Net income (loss)</b>	<b>0.79%</b>	<b>2.53%</b>	<b>2.10%</b>	<b>18.40%</b>	<b>15.07%</b>	<b>18.83%</b>	<b>18.38%</b>	<b>20.93%</b>	<b>22.43%</b>	<b>29.80%</b>	<b>20.18%</b>	<b>20.43%</b>	<b>21.97%</b>	<b>22.27%</b>	<b>23.16%</b>	<b>23.83%</b>	<b>24.26%</b>

Fortinet  
Balance Sheet

Fiscal Years Ending 12/31/2024	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	2030E	2031E
<b>Assets:</b>																	
Cash & cash equivalents	543.28	709.00	811.00	1,112.40	1,222.50	1,061.80	1,319.10	1,682.90	1,397.90	2,875.90	1,601.39	4,006.85	5,781.19	8,037.42	10,473.64	13,005.70	15,903.45
Short-term investments & Marketable equity Securities	348.07	376.52	440.27	537.20	843.10	775.50	1,232.60	528.10	1,042.50	1,190.60	1,237.55	1,286.34	1,337.06	1,389.78	1,444.58	1,501.54	1,560.75
Accounts receivable	259.56	313.00	348.19	444.50	544.30	720.00	807.70	1,261.70	1,402.00	1,463.40	1,733.45	1,558.44	2,162.11	2,448.64	2,757.85	3,199.59	3,361.48
Inventory	83.87	106.89	77.29	90.00	117.90	139.80	175.80	264.60	484.80	315.50	326.98	338.89	351.22	364.00	377.25	390.99	405.22
Prepaid expenses & other current assets	35.76	33.31	40.07	36.80	41.20	43.30	65.40	73.10	101.10	126.10	117.81	114.28	143.94	174.41	196.36	217.27	232.99
<b>Total current assets</b>	<b>1,270.54</b>	<b>1,538.72</b>	<b>1,716.82</b>	<b>2,220.90</b>	<b>2,769.00</b>	<b>2,740.40</b>	<b>3,600.60</b>	<b>3,810.40</b>	<b>4,428.30</b>	<b>5,971.50</b>	<b>5,017.18</b>	<b>7,304.80</b>	<b>9,775.52</b>	<b>12,414.26</b>	<b>15,249.68</b>	<b>18,315.09</b>	<b>21,463.89</b>
Long-term investments	272.96	224.98	98.02	67.00	144.30	118.30	440.80	45.50	-	-	-	-	-	-	-	-	-
Total property & equipment	140.13	207.72	340.55	382.20	481.30	620.50	899.30	1,178.70	1,397.40	1,765.60	2,183.88	2,602.17	3,020.45	3,438.74	3,857.02	4,275.30	4,693.59
Less: accumulated depreciation - property & equipment	(49.06)	(70.47)	(95.16)	(110.80)	(137.00)	(172.50)	(211.70)	(280.20)	(353.00)	(416.10)	(598.71)	(813.20)	(1,055.28)	(1,321.19)	(1,607.73)	(1,912.09)	(2,231.86)
<b>Property &amp; equipment - net</b>	<b>91.07</b>	<b>137.25</b>	<b>245.40</b>	<b>271.40</b>	<b>344.30</b>	<b>448.00</b>	<b>687.60</b>	<b>898.50</b>	<b>1,044.40</b>	<b>1,349.50</b>	<b>1,585.18</b>	<b>1,788.96</b>	<b>1,965.18</b>	<b>2,117.54</b>	<b>2,249.29</b>	<b>2,363.22</b>	<b>2,461.72</b>
Deferred contract costs	-	-	-	182.60	237.00	304.80	423.30	518.20	605.60	622.90	694.06	671.42	857.51	1,037.46	1,221.99	1,370.68	1,498.30
Deferred tax assets	119.22	182.75	146.93	255.00	232.60	245.20	342.30	569.40	868.80	1,335.60	1,457.24	1,578.88	1,700.52	1,822.15	1,943.79	2,065.43	2,187.07
Goodwill	4.69	14.55	14.55	38.20	67.20	93.00	125.10	128.00	126.50	235.40	235.40	235.40	235.40	235.40	235.40	235.40	235.40
Other intangible assets - net	17.64	24.83	16.26	22.10	31.10	31.60	63.60	56.00	35.30	115.00	11.90	38.67	40.58	42.01	44.35	46.37	47.76
Other assets	14.39	16.87	19.94	20.80	60.00	63.20	235.80	202.00	150.00	133.20	138.45	143.91	149.59	155.48	161.61	167.99	174.61
<b>Total assets</b>	<b>1,790.51</b>	<b>2,139.94</b>	<b>2,257.91</b>	<b>3,078.00</b>	<b>3,885.50</b>	<b>4,044.50</b>	<b>5,919.10</b>	<b>6,228.00</b>	<b>7,258.90</b>	<b>9,763.10</b>	<b>9,139.41</b>	<b>11,762.04</b>	<b>14,724.29</b>	<b>17,824.30</b>	<b>21,106.12</b>	<b>24,564.17</b>	<b>28,068.75</b>
<b>Liabilities:</b>																	
Accounts payable	61.50	56.73	70.01	86.40	96.40	141.60	148.40	243.40	204.30	190.90	196.41	220.45	246.72	270.70	292.12	311.84	326.80
Accrued liabilities	33.03	35.64	50.02	77.50	97.70	149.20	197.30	266.30	390.30	337.90	208.08	233.55	261.38	286.78	309.48	330.37	346.22
Accrued payroll & compensation	61.11	78.14	91.94	98.40	101.80	145.90	195.00	219.40	242.30	255.70	224.52	252.01	282.04	309.45	333.94	356.47	373.58
Income taxes payable	8.38	13.59	21.44	28.20	4.10	-	-	-	-	-	28.95	32.89	39.58	44.02	49.41	54.27	57.90
Short Term Deferred revenue	514.65	645.34	793.82	965.90	1,173.60	1,392.80	1,777.40	2,349.30	2,848.70	3,276.20	2,226.93	2,499.53	2,797.38	3,069.23	3,312.16	3,535.67	3,705.35
Operating Lease Liabilities	-	-	-	-	-	-	-	-	33.40	-	-	-	-	-	-	-	-
<b>Total current liabilities</b>	<b>678.67</b>	<b>829.44</b>	<b>1,027.22</b>	<b>1,256.40</b>	<b>1,473.60</b>	<b>1,829.50</b>	<b>2,318.10</b>	<b>3,078.40</b>	<b>3,719.00</b>	<b>4,060.70</b>	<b>2,884.90</b>	<b>3,238.42</b>	<b>3,627.10</b>	<b>3,980.18</b>	<b>4,297.11</b>	<b>4,588.61</b>	<b>4,809.85</b>
Long Term Deferred revenue	276.65	390.01	542.49	720.90	962.30	1,212.50	1,675.50	2,291.00	2,886.30	3,084.70	1,834.18	2,058.69	2,304.02	2,527.92	2,728.01	2,912.09	3,051.85
Income tax liabilities	60.62	68.55	90.21	77.50	82.80	90.30	79.50	67.80	-	-	-	-	-	-	-	-	-
Total debt	-	-	-	-	-	-	988.40	990.40	992.30	994.30	1,071.85	1,206.70	1,310.89	1,400.85	1,479.28	1,547.10	1,605.53
Other liabilities	19.19	14.26	8.61	13.00	44.90	56.20	59.20	82.00	124.70	129.60	127.86	126.02	124.28	122.84	121.61	120.64	119.86
<b>Total liabilities</b>	<b>1,035.13</b>	<b>1,302.26</b>	<b>1,668.54</b>	<b>2,067.80</b>	<b>2,563.60</b>	<b>3,188.50</b>	<b>5,120.70</b>	<b>6,509.60</b>	<b>7,722.30</b>	<b>8,269.30</b>	<b>5,918.78</b>	<b>6,629.84</b>	<b>7,366.29</b>	<b>8,031.79</b>	<b>8,626.01</b>	<b>9,168.45</b>	<b>9,587.09</b>
<b>Equity:</b>																	
Common Equity	686.39	799.64	908.53	1,067.20	1,181.70	1,207.40	1,254.40	1,285.00	1,417.20	1,637.00	2,015.74	2,394.48	2,773.22	3,151.96	3,530.70	3,909.44	4,288.18
Total Accumulated other comprehensive income (loss)	0.50	0.41	0.43	0.50	(0.10)	0.70	(4.80)	(20.20)	(18.90)	(26.10)	(26.10)	(26.10)	(26.10)	(26.10)	(26.10)	(26.10)	(26.10)
Retained earnings (accumulated deficit)	68.48	37.62	(319.58)	(57.50)	140.30	(352.10)	(467.90)	(1,546.40)	(1,861.70)	(1,171.10)	1,230.99	2,763.82	4,610.88	6,666.65	8,975.51	11,512.39	14,219.58
Non-controlling interests	-	-	-	-	-	-	16.70	-	-	-	-	-	-	-	-	-	-
<b>Total Fortinet, Inc. stockholders' equity (deficit)</b>	<b>755.38</b>	<b>837.68</b>	<b>589.37</b>	<b>1,010.20</b>	<b>1,321.90</b>	<b>856.00</b>	<b>798.40</b>	<b>(281.60)</b>	<b>(463.40)</b>	<b>1,493.80</b>	<b>3,220.63</b>	<b>5,132.20</b>	<b>7,358.00</b>	<b>9,792.51</b>	<b>12,480.11</b>	<b>15,395.73</b>	<b>18,481.66</b>

Fortinet  
Common Size Balance Sheet

Fiscal Years Ending 12/31/2024	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	2030E	2031E
<b>Assets:</b>																	
Cash & cash equivalents	30.34%	33.13%	35.92%	36.14%	31.46%	26.25%	22.29%	27.02%	19.26%	29.46%	17.52%	34.07%	39.26%	45.09%	49.62%	52.95%	56.66%
Short-term investments & Marketable equity Securities	19.44%	17.59%	19.50%	17.45%	21.70%	19.17%	20.82%	8.48%	14.36%	12.19%	13.54%	10.94%	9.08%	7.80%	6.84%	6.11%	5.56%
Accounts receivable	14.50%	14.63%	15.42%	14.44%	14.01%	17.80%	13.65%	20.26%	19.31%	14.99%	18.97%	13.25%	14.68%	13.74%	13.07%	13.03%	11.98%
Inventory	4.68%	4.99%	3.42%	2.92%	3.03%	3.46%	2.97%	4.25%	6.68%	3.23%	3.58%	2.88%	2.39%	2.04%	1.79%	1.59%	1.44%
Prepaid expenses & other current assets	2.00%	1.56%	1.77%	1.20%	1.06%	1.07%	1.10%	1.17%	1.39%	1.29%	1.29%	0.97%	0.98%	0.98%	0.93%	0.88%	0.83%
<b>Total current assets</b>	<b>70.96%</b>	<b>71.90%</b>	<b>76.04%</b>	<b>72.15%</b>	<b>71.26%</b>	<b>67.76%</b>	<b>60.83%</b>	<b>61.18%</b>	<b>61.01%</b>	<b>61.16%</b>	<b>54.90%</b>	<b>62.10%</b>	<b>66.39%</b>	<b>69.65%</b>	<b>72.25%</b>	<b>74.56%</b>	<b>76.47%</b>
Long-term investments	15.24%	10.51%	4.34%	2.18%	3.71%	2.92%	7.45%	0.73%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total property & equipment	7.83%	9.71%	15.08%	12.42%	12.39%	15.34%	15.19%	18.93%	19.25%	18.08%	23.90%	22.12%	20.51%	19.29%	18.27%	17.40%	16.72%
Less: accumulated depreciation - property & equipment	-2.74%	-3.29%	-4.21%	-3.60%	-3.53%	-4.27%	-3.58%	-4.50%	-4.86%	-4.26%	-6.55%	-6.91%	-7.17%	-7.41%	-7.62%	-7.78%	-7.95%
<b>Property &amp; equipment - net</b>	<b>5.09%</b>	<b>6.41%</b>	<b>10.87%</b>	<b>8.82%</b>	<b>8.86%</b>	<b>11.08%</b>	<b>11.62%</b>	<b>14.43%</b>	<b>14.39%</b>	<b>13.82%</b>	<b>17.34%</b>	<b>15.21%</b>	<b>13.35%</b>	<b>11.88%</b>	<b>10.66%</b>	<b>9.62%</b>	<b>8.77%</b>
Deferred contract costs	0.00%	0.00%	0.00%	5.93%	6.10%	7.54%	7.15%	8.32%	8.34%	6.38%	7.59%	5.71%	5.82%	5.82%	5.79%	5.58%	5.34%
Deferred tax assets	6.66%	8.54%	6.51%	8.28%	5.99%	6.06%	5.78%	9.14%	11.97%	13.68%	15.94%	13.42%	11.55%	10.22%	9.21%	8.41%	7.79%
Goodwill	0.26%	0.68%	0.64%	1.24%	1.73%	2.30%	2.11%	2.06%	1.74%	2.41%	2.58%	2.00%	1.60%	1.32%	1.12%	0.96%	0.84%
Other intangible assets - net	0.99%	1.16%	0.72%	0.72%	0.80%	0.78%	1.07%	0.90%	0.49%	1.18%	0.13%	0.33%	0.28%	0.24%	0.21%	0.19%	0.17%
Other assets	0.80%	0.79%	0.88%	0.68%	1.54%	1.56%	3.98%	3.24%	2.07%	1.36%	1.51%	1.22%	1.02%	0.87%	0.77%	0.68%	0.62%
<b>Total assets</b>	<b>177.41%</b>	<b>167.78%</b>	<b>151.04%</b>	<b>170.89%</b>	<b>180.20%</b>	<b>155.89%</b>	<b>177.10%</b>	<b>140.99%</b>	<b>136.84%</b>	<b>163.93%</b>	<b>135.69%</b>	<b>155.59%</b>	<b>174.03%</b>	<b>192.01%</b>	<b>210.69%</b>	<b>229.71%</b>	<b>250.46%</b>
Accounts payable	3.43%	2.65%	3.10%	2.81%	2.48%	3.50%	2.51%	3.91%	2.81%	1.96%	2.15%	1.87%	1.68%	1.52%	1.38%	1.27%	1.16%
Accrued liabilities	1.84%	1.67%	2.22%	2.52%	2.51%	3.69%	3.33%	4.28%	5.38%	3.46%	2.28%	1.99%	1.78%	1.61%	1.47%	1.34%	1.23%
Accrued payroll & compensation	3.41%	3.65%	4.07%	3.20%	2.62%	3.61%	3.29%	3.52%	3.34%	2.62%	2.46%	2.14%	1.92%	1.74%	1.58%	1.45%	1.33%
Income taxes payable	0.47%	0.63%	0.95%	0.92%	0.11%	0.00%	0.00%	0.00%	0.00%	0.00%	0.32%	0.28%	0.27%	0.25%	0.23%	0.22%	0.21%
Short Term Deferred revenue	28.74%	30.16%	35.16%	31.38%	30.20%	34.44%	30.03%	37.72%	39.24%	33.56%	24.37%	21.25%	19.00%	17.22%	15.69%	14.39%	13.20%
Operating Lease Liabilities	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.46%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>Total current liabilities</b>	<b>37.90%</b>	<b>38.76%</b>	<b>45.49%</b>	<b>40.82%</b>	<b>37.93%</b>	<b>45.23%</b>	<b>39.16%</b>	<b>49.43%</b>	<b>51.23%</b>	<b>41.59%</b>	<b>31.57%</b>	<b>27.53%</b>	<b>24.63%</b>	<b>22.33%</b>	<b>20.36%</b>	<b>18.68%</b>	<b>17.14%</b>
Long Term Deferred revenue	15.45%	18.23%	24.03%	23.42%	24.77%	29.98%	28.31%	36.79%	39.76%	31.60%	20.07%	17.50%	15.65%	14.18%	12.93%	11.86%	10.87%
Income tax liabilities	3.39%	3.20%	4.00%	2.52%	2.13%	2.23%	1.34%	1.09%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total debt	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	16.70%	15.90%	13.67%	10.18%	11.73%	10.26%	8.90%	7.86%	7.01%	6.30%	5.72%
Other liabilities	1.07%	0.67%	0.38%	0.42%	1.16%	1.39%	1.00%	1.32%	1.72%	1.33%	1.40%	1.07%	0.84%	0.69%	0.58%	0.49%	0.43%
<b>Total liabilities</b>	<b>57.81%</b>	<b>60.85%</b>	<b>73.90%</b>	<b>67.18%</b>	<b>65.98%</b>	<b>78.84%</b>	<b>86.51%</b>	<b>104.52%</b>	<b>106.38%</b>	<b>84.70%</b>	<b>64.76%</b>	<b>56.37%</b>	<b>50.03%</b>	<b>45.06%</b>	<b>40.87%</b>	<b>37.32%</b>	<b>34.16%</b>
Common Equity	38.33%	37.37%	40.24%	34.67%	30.41%	29.85%	21.19%	20.63%	19.52%	16.77%	22.06%	20.36%	18.83%	17.68%	16.73%	15.92%	15.28%
Total Accumulated other comprehensive income (loss)	0.03%	0.02%	0.02%	0.02%	0.00%	0.02%	-0.08%	-0.32%	-0.26%	-0.27%	-0.29%	-0.22%	-0.18%	-0.15%	-0.12%	-0.11%	-0.09%
Retained earnings (accumulated deficit)	3.82%	1.76%	-14.15%	-1.87%	3.61%	-8.71%	-7.90%	-24.83%	-25.65%	-1.20%	13.47%	23.50%	31.31%	37.40%	42.53%	46.87%	50.66%
Non-controlling interests	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.28%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>Total Fortinet, Inc. stockholders' equity (deficit)</b>	<b>42.19%</b>	<b>39.14%</b>	<b>26.10%</b>	<b>32.82%</b>	<b>34.02%</b>	<b>21.16%</b>	<b>13.49%</b>	<b>-4.52%</b>	<b>-6.38%</b>	<b>15.30%</b>	<b>35.24%</b>	<b>43.63%</b>	<b>49.97%</b>	<b>54.94%</b>	<b>59.13%</b>	<b>62.68%</b>	<b>65.84%</b>

**Fortinet**  
Historical Cash Flow Statement

<b>Fiscal Years Ending 12/31/2024</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
<b>Net income (loss) including non-controlling interests</b>	<b>8.00</b>	<b>32.25</b>	<b>31.39</b>	<b>331.50</b>	<b>324.90</b>	<b>488.50</b>	<b>614.30</b>	<b>924.70</b>	<b>1,189.90</b>	<b>1,774.60</b>
Stock-based compensation	95.09	122.42	137.18	162.90	174.10	191.70	207.90	217.30	249.00	257.90
Amortization of deferred contract costs	-	-	-	90.90	107.90	137.40	175.90	223.30	266.30	293.70
Depreciation & amortization	31.59	48.52	55.48	55.70	61.60	68.80	84.40	104.30	113.40	122.80
Amortization of investment premiums (discounts)	7.46	4.78	2.54	0.60	6.00	1.30	6.90	4.40	-	48.80
Loss (gain) from equity method investment	-	-	-	-	-	-	7.60	68.10	42.10	29.40
Gain on bargain purchase	-	-	-	-	-	-	-	-	-	106.30
<b>Adjustments to reconcile net income</b>	<b>134.13</b>	<b>175.72</b>	<b>195.20</b>	<b>310.10</b>	<b>349.60</b>	<b>399.20</b>	<b>482.70</b>	<b>617.40</b>	<b>670.80</b>	<b>858.90</b>
Other non-cash items - net	3.39	2.64	3.78	0.90	5.70	6.00	7.90	-	27.70	-
Other adjustments	-	-	-	-	-	-	-	23.60	18.50	-
Accounts receivable - net	(66.46)	(57.88)	(38.46)	(82.00)	(96.70)	(176.40)	(72.50)	(456.70)	(146.40)	(45.40)
Inventory	(19.09)	(43.02)	9.42	(33.40)	(48.50)	(42.20)	(19.40)	(109.10)	(253.50)	131.20
Prepaid expenses & other current assets	(2.63)	2.62	(6.73)	4.20	(2.10)	(2.80)	(17.70)	(7.70)	(27.60)	(13.70)
Deferred contract costs	-	-	-	(136.40)	(162.30)	(205.10)	(294.50)	(318.20)	(353.50)	(311.10)
Deferred tax assets	(29.85)	(27.82)	35.82	(127.80)	19.40	(10.50)	(94.00)	(226.40)	(301.90)	(223.20)
Other assets	0.67	(2.35)	(1.00)	(3.80)	(1.30)	(4.60)	(19.00)	(35.30)	17.70	(11.00)
Accounts payable	(2.52)	0.04	13.09	14.60	7.70	37.40	(13.10)	105.20	(43.10)	(10.20)
Accrued liabilities	0.88	(3.21)	14.45	8.50	(1.40)	45.80	49.90	55.20	137.40	(106.70)
Accrued payroll & compensation	11.30	15.70	12.57	3.50	(2.70)	43.10	44.00	25.00	23.40	-
Other liabilities	2.02	(5.01)	(5.49)	(0.80)	(0.20)	9.70	(0.70)	23.50	(21.70)	(8.30)
Deferred revenue	222.35	242.96	300.84	348.70	439.90	495.60	839.40	1,177.50	1,095.30	577.80
Income taxes payable	20.37	13.14	29.51	-	(18.80)	-	-	-	-	(8.30)
Other	-	-	-	0.70	-	-	-	-	-	(8.30)
<b>Changes in operating assets</b>	<b>137.04</b>	<b>135.15</b>	<b>364.03</b>	<b>(4.00)</b>	<b>133.00</b>	<b>190.00</b>	<b>402.40</b>	<b>233.00</b>	<b>126.10</b>	<b>(28.90)</b>
<b>Net cash flows from operating activities</b>	<b>282.56</b>	<b>345.77</b>	<b>594.40</b>	<b>638.50</b>	<b>813.20</b>	<b>1,083.70</b>	<b>1,507.30</b>	<b>1,798.70</b>	<b>2,033.00</b>	<b>2,604.60</b>
Purchases of investments	459.90	473.61	669.17	681.80	1,332.30	1,079.00	2,308.00	389.10	-	16.70
Sales of investments	47.90	28.31	300.32	42.80	31.30	152.20	85.50	3.00	1,414.80	1,891.70
Maturities of investments	486.42	460.44	427.36	578.80	925.50	1,018.80	1,470.30	1,462.00	4.00	0.50
Purchases of property & equipment	37.36	67.18	135.31	53.00	92.20	125.90	295.90	281.20	204.10	378.90
Investment in privately held company	-	-	-	-	-	-	160.00	-	1,855.80	1,948.60
Payments made in connection with business combinations, net of cash acquired	38.03	22.09	-	21.70	34.60	40.20	74.90	30.80	-	275.50
Purchases of marketable equity securities	-	-	-	-	-	-	42.50	-	-	-
Other cash flow from investing activities	-	-	-	-	-	1.30	0.40	-	0.30	0.10
Purchases of Investments in privately held companies	-	-	-	-	-	-	-	-	8.50	-
<b>Net cash flows from investing activities</b>	<b>(0.97)</b>	<b>(74.12)</b>	<b>(76.80)</b>	<b>(134.90)</b>	<b>(502.30)</b>	<b>(72.80)</b>	<b>(1,325.10)</b>	<b>763.90</b>	<b>(649.30)</b>	<b>(727.40)</b>
Proceeds from long-term borrowings, net of discount & underwriting fees	-	-	-	-	-	-	989.40	-	-	-
Payments for debt issuance costs	-	-	-	-	-	-	2.40	-	-	-
Payments of debt assumed in connection with business combination	-	1.63	-	10.10	3.70	4.10	19.50	-	-	-
Repurchase & retirement of common stock	60.00	110.83	446.33	211.80	145.10	1,080.10	741.80	1,991.20	1,500.50	0.60
Proceeds from issuance of common stock	67.31	44.86	75.87	86.50	49.50	22.10	26.00	26.10	43.80	63.10
Taxes paid related to net share settlement of equity awards	28.87	38.27	45.14	67.20	96.00	108.20	167.90	160.40	112.50	-
Other financing activities	-	-	-	-	0.30	1.30	1.00	4.80	1.20	11.70
Taxes paid related to net share settlement of equity awards	-	-	-	-	-	-	-	-	-	100.90
<b>Net cash flows from financing activities</b>	<b>(21.56)</b>	<b>(105.86)</b>	<b>(415.60)</b>	<b>(202.60)</b>	<b>(195.60)</b>	<b>(1,171.60)</b>	<b>82.80</b>	<b>(2,130.30)</b>	<b>(1,570.40)</b>	<b>(50.10)</b>
Effect of exchange rates on cash & cash equivalents	-	-	-	-	-	-	0.10	0.40	0.80	2.60
<b>Net increase (decrease) in cash &amp; cash equivalents</b>	<b>260.02</b>	<b>165.73</b>	<b>102.00</b>	<b>301.40</b>	<b>110.10</b>	<b>(160.70)</b>	<b>257.30</b>	<b>363.80</b>	<b>(285.00)</b>	<b>1,478.00</b>
Cash & cash equivalents - beginning of year	283.25	543.28	709.00	811.00	1,112.40	1,222.50	1,061.80	1,319.10	1,682.90	1,397.90
Cash & cash equivalents - end of year	543.28	709.00	811.00	1,112.40	1,222.50	1,061.80	1,319.10	1,682.90	1,397.90	2,875.90

## Fortinet

## Forecasted Cash Flow Statement

Fiscal Years Ending 12/31/2024	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	2030E	2031E
<b>Operating Cash Flows</b>																	
Net Income	8.00	32.25	31.39	331.50	324.90	488.50	614.30	924.70	1,189.90	1,774.60	1,359.43	1,544.18	1,858.40	2,067.12	2,320.21	2,548.22	2,718.53
Other Intangible Assets	17.64	(7.19)	8.57	(5.85)	(9.00)	(0.50)	(32.00)	7.60	20.70	(79.70)	103.10	(26.77)	(1.91)	(1.43)	(2.34)	(2.02)	(1.39)
Depreciation & Amortization	31.59	48.52	55.48	55.70	61.60	68.80	84.40	104.30	113.40	122.80	182.61	214.50	242.07	265.92	286.53	304.36	319.78
Accounts receivable	(74.82)	(53.44)	(35.19)	(96.32)	(99.80)	(175.70)	(87.70)	(454.00)	(140.30)	(61.40)	(270.05)	175.01	(603.67)	(286.53)	(309.20)	(441.74)	(161.89)
Inventory	(14.39)	(23.02)	29.60	(12.71)	(27.90)	(21.90)	(36.00)	(88.80)	(220.20)	169.30	(11.48)	(11.90)	(12.34)	(12.78)	(13.25)	(13.73)	(14.23)
Prepaid expenses & other current assets	(4.62)	2.46	(6.76)	3.27	(4.40)	(2.10)	(22.10)	(7.70)	(28.00)	(25.00)	8.29	3.53	(29.66)	(30.47)	(21.95)	(20.91)	(15.72)
Deferred contract costs	-	-	-	(182.60)	(54.40)	(67.80)	(118.50)	(94.90)	(87.40)	(17.30)	(71.16)	22.64	(186.09)	(179.94)	(184.53)	(148.69)	(127.62)
Deferred tax assets	(46.66)	(63.53)	35.81	(108.07)	22.40	(12.60)	(97.10)	(227.10)	(299.40)	(466.80)	(121.64)	(121.64)	(121.64)	(121.64)	(121.64)	(121.64)	(121.64)
Other assets	(3.86)	(2.47)	(3.07)	(0.86)	(39.20)	(3.20)	(172.60)	33.80	52.00	16.80	(5.25)	(5.46)	(5.67)	(5.90)	(6.13)	(6.37)	(6.62)
Accounts payable	11.55	(4.77)	13.28	16.39	10.00	45.20	6.80	95.00	(39.10)	(13.40)	5.51	24.04	26.27	23.98	21.43	19.71	14.97
Accrued liabilities	4.01	2.61	14.38	27.49	20.20	51.50	48.10	69.00	124.00	(52.40)	(129.82)	25.47	27.83	25.40	22.70	20.88	15.85
Accrued payroll & compensation	15.23	17.03	13.81	6.46	3.40	44.10	49.10	24.40	22.90	13.40	(31.18)	27.48	30.03	27.41	24.49	22.53	17.11
Income taxes payable	5.69	5.21	7.85	6.77	(24.10)	(4.10)	-	-	-	-	28.95	3.93	6.69	4.44	5.39	4.86	3.63
Short Term Deferred revenue	145.72	130.69	148.48	172.08	207.70	219.20	384.60	571.90	499.40	427.50	(1,049.27)	272.59	297.86	271.85	242.93	223.51	169.68
Long Term Deferred revenue	-	113.36	152.49	178.41	241.40	250.20	463.00	615.50	595.30	198.40	(1,250.52)	224.52	245.32	223.90	200.08	184.09	139.76
Other liabilities	1.80	(4.93)	(5.65)	4.39	31.90	11.30	3.00	22.80	42.70	4.90	(1.74)	(1.84)	(1.74)	(1.44)	(1.23)	(0.97)	(0.78)
Operating Lease Liabilities	-	-	-	-	-	-	-	-	33.40	(33.40)	-	-	-	-	-	-	-
Income tax liabilities	15.48	7.93	21.66	(12.71)	5.30	7.50	(10.80)	(11.70)	(67.80)	-	-	-	-	-	-	-	-
Net Change in Cash Flow from Operations	112.36	200.71	482.11	383.33	670.00	898.40	1,076.50	1,584.80	1,811.50	1,978.30	(1,254.22)	2,370.29	1,771.76	2,269.88	2,463.48	2,572.10	2,949.41
<b>Investing Cash Flows</b>																	
Short-term investments & Marketable equity Securities	(64.82)	(28.45)	(63.75)	(96.93)	(305.90)	67.60	(457.10)	704.50	(514.40)	(148.10)	(46.95)	(48.80)	(50.72)	(52.72)	(54.80)	(56.96)	(59.21)
Property Plant & Equipment	-	(67.59)	(132.83)	(41.65)	(99.10)	(139.20)	(278.80)	(279.40)	(218.70)	(368.20)	(418.28)	(418.28)	(418.28)	(418.28)	(418.28)	(418.28)	(418.28)
Goodwill	-	(9.86)	-	(23.65)	(29.00)	(25.80)	(32.10)	(2.90)	1.50	(108.90)	-	-	-	-	-	-	-
Long-term investments	-	47.98	126.96	31.02	(77.30)	26.00	(322.50)	395.30	45.50	-	-	-	-	-	-	-	-
Net Change in Cash Flows from Investing	(64.82)	(57.92)	(69.62)	(131.20)	(511.30)	(71.40)	(1,090.50)	817.50	(686.10)	(625.20)	(465.23)	(467.08)	(469.00)	(471.00)	(473.08)	(475.24)	(477.49)
<b>Financing Cash Flows</b>																	
Change in Total Debt	-	-	-	-	-	-	988.40	2.00	1.90	2.00	77.55	134.85	104.19	89.96	78.43	67.82	58.43
Common Equity	-	113.25	108.89	158.67	114.50	25.70	47.00	30.60	132.20	219.80	378.74	378.74	378.74	378.74	378.74	378.74	378.74
Additional Paid In Capital	0.50	(0.09)	0.01	0.08	(0.60)	0.80	(5.50)	(15.40)	1.30	(7.20)	-	-	-	-	-	-	-
Share Repurchases	-	-	-	-	-	-	-	-	-	-	(\$11.34)	(\$11.34)	(\$11.34)	(\$11.34)	(\$11.34)	(\$11.34)	(\$11.34)
Non Controlling Interest	-	-	-	-	-	(16.70)	16.70	-	-	-	-	-	-	-	-	-	-
Net Change in Cash Flow from Financing	0.50	113.16	108.90	158.75	113.90	9.80	1,046.60	17.20	135.40	214.60	444.94	502.25	471.58	457.36	445.83	435.21	425.83
Net Change in Cash	48.04	255.95	521.39	410.88	272.60	836.80	1,032.60	2,419.50	1,260.80	1,567.70	(1,274.51)	2,405.46	1,774.33	2,256.23	2,436.22	2,532.07	2,897.74
Beginning of the year Cash	543.28	543.28	709.00	811.00	1,112.40	1,222.50	1,061.80	1,319.10	1,682.90	1,397.90	2,875.90	1,601.39	4,006.85	5,781.19	8,037.42	10,473.64	13,005.70
End of the year Cash Balance	591.32	799.23	1,230.39	1,221.88	1,385.00	2,059.30	2,094.40	3,738.60	2,943.70	2,965.60	1,601.39	4,006.85	5,781.19	8,037.42	10,473.64	13,005.70	15,903.45

**Fortinet***Weighted Average Cost of Capital (WACC) Estimation***Cost of Equity:**

Risk-Free Rate	4.42%
Beta	1.10
Equity Risk Premium	6.52%
<b>Cost of Equity</b>	<b>11.59%</b>

**Cost of Debt:**

Risk-Free Rate	4.42%
<b>Implied Default Premium</b>	<b>1.08%</b>
Pre-Tax Cost of Debt	5.50%
Marginal Tax Rate	22%
<b>After-Tax Cost of Debt</b>	<b>4.29%</b>

**Cost of Preferred Stock:**

Annual Pfd. Dividend

**Price of Pfd. Shares****Cost of Preferred:****Market Value of Common Equity:**

Total Shares Outstanding	764.4	
Current Stock Price	\$96.85	
<b>MV of Equity</b>	<b>74,032.14</b>	<b>97.84%</b>

**MV Weights****Market Value of Debt:**

Short-Term Debt	0	
Current Portion of LTD	1635.6	
Long-Term Debt	-	
PV of Operating Leases	-	
<b>MV of Total Debt</b>	<b>1,635.60</b>	<b>2.16%</b>

**Market Value of Preferred Stock:**

Total Shares Outstanding		
Price of Pfd. Shares		
<b>MV of Preferred</b>	<b>-</b>	<b>0.00%</b>

**Market Value of the Firm** **75,667.74** **100.00%****Estimated WACC** **11.44%**

**Fortinet**

*Discounted Cash Flow (DCF) and Economic Profit (EP) Valuation Models*

Key Inputs:

CV Growth of NOPLAT	8.00%
CV Year ROIC	0.26
WACC	11.44%
Cost of Equity	11.59%

<b>Fiscal Years Ending 12/31/2024</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>	<b>2028E</b>	<b>2029E</b>	<b>2030E</b>	<b>2031E</b>
---------------------------------------	--------------	--------------	--------------	--------------	--------------	--------------	--------------

**DCF Model:**

Free Cash Flow (FCF)	2196.6	815.4	1159.9	1331.1	1486.1	1590.0	1690.8
Continuing Value (CV)							<b>94,665.37</b>
PV of FCF	1971.2	656.7	838.2	863.2	864.8	830.3	44361.8
Value of Operating Assets:	50,386.16						
<b>Non-Operating Adjustments</b>							
Total Debt	(1,071.85)						
Marketable Securities	1,237.55						
Other assets	138.45						
LT Deferred Revenue	1,834.18						
ESOP	3,095.46						
<b>Value of Equity</b>	55,619.95						
Shares Outstanding	777.77						
Intrinsic Value of Last FYE	71.51						
<b>Implied Price as of Today</b>	<b>72.28</b>						

**EP Model:**

Economic Profit (EP)	2,250.20	2,409.78	2,596.37	2,668.30	2,736.79	2,749.84	2,644.09
Continuing Value (CV)							<b>147,203.17</b>
PV of EP	2,019.28	1,940.55	1,876.24	1,730.33	1,592.62	1,435.99	68,981.92
Total PV of EP	79,576.93						
Invested Capital (last FYE)	2,531.36						
Value of Operating Assets:	82,108.29						
<b>Non-Operating Adjustments</b>							
Total Debt	(1,071.85)						
Marketable Securities	1,237.55						
Other assets	138.45						
LT Deferred Revenue	1,834.18						
ESOP	3,968.69						
<b>Value of Equity</b>	88,215.30						
Shares Outstanding	764.00						
Intrinsic Value of Last FYE	115.47						
<b>Implied Price as of Today</b>	<b>\$ 116.70</b>						

**Fortinet***Dividend Discount Model (DDM) or Fundamental P/E Valuation Model*

<b>Fiscal Years Ending</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>	<b>2028E</b>	<b>2029E</b>	<b>2030E</b>	<b>2031E</b>
EPS	\$ 3.75	\$ 4.20	\$ 4.70	\$ 5.27	\$ 5.90	\$ 6.61	\$ 7.40

**Key Assumptions**

CV growth of EPS	8.00%
CV Year ROE	14.71%
Cost of Equity	11.59%

P/E Multiple (CV Year)								12.69
EPS (CV Year)							\$	7.40
Future Stock Price							\$	93.94
Dividends Per Share	0	0	0	0	0	0		0
Discounted Cash Flows	0	0	0	0	0	0	\$	80.54

**Intrinsic Value as of Last FYE** \$ 80.54**Implied Price as of Today** \$ 81.40

**Fortinet**

*Relative Valuation Models*

Ticker	Company	Price	EPS 2025E	EPS 2026E	P/E 25	P/E 26	Est. 5yr EPS gr.	PEG 25	PEG 26	BV Equity	Tangible BV Equity	Tangible P/B	Tangible P/B
CRWD	CrowdStrike Holdings In	\$321.63	\$3.93	\$3.44	81.84	93.50	10.0	8.18	9.35	20.00	16.00	16.08	20.10
PANW	Palo Alto Networks	\$153.57	\$2.84	\$3.23	54.07	47.54	10.0	5.41	4.75	20.00	16.00	7.68	9.60
ZS	Zscaler	\$174.67	\$3.19	\$3.09	54.76	56.53	10.0	5.48	5.65	20.00	16.00	8.73	10.92
GEN	Gen Digital	\$23.78	\$1.96	\$2.21	12.13	10.76	10.0	1.21	1.08	20.00	16.00	1.19	1.49
CSCO	Cisco Systems	\$54.54	\$3.73	\$3.72	14.62	14.66	10.0	1.46	1.47	20.00	16.00	2.73	3.41
<b>Average</b>					<b>43.48</b>	<b>44.60</b>		<b>4.35</b>	<b>4.46</b>			<b>7.28</b>	<b>9.10</b>
					43.48								
FTNT	Fortinet	\$96.85	3.75	4.20	25.8	23.1	10.0	2.6	2.3	30.00	20.00	3.23	4.84

**Implied Relative Value:**

P/E (EPS25)	\$ 163.07
P/E (EPS26)	\$ 187.31
<b>PEG (EPS25)</b>	<b>\$ 163.07</b>
PEG (EPS26)	\$ 187.31
P/B	\$ 218.46
P/Tangible BV	\$ 182.05
<b>Estimated Share Price:</b>	<b>101.50</b>



**Fortinet***Present Value of Operating Lease Obligations*

<b>Fiscal Years Ending 12/31/2024</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Year 1	300.0	310.0	320.0	330.0	340.0	350.0	360.0	370.0	380.0	390.0	400.0
Year 2	250.0	260.0	270.0	280.0	290.0	300.0	310.0	320.0	330.0	340.0	350.0
Year 3	225.0	230.0	235.0	240.0	245.0	250.0	255.0	260.0	265.0	270.0	275.0
Year 4	175.0	180.0	185.0	190.0	195.0	200.0	205.0	210.0	215.0	220.0	225.0
Year 5	100.0	104.0	108.0	112.0	116.0	120.0	124.0	128.0	132.0	136.0	140.0
Thereafter	290.0	300.0	310.0	320.0	330.0	340.0	350.0	360.0	370.0	380.0	390.0
Total Minimum Payments	1340.0	1384.0	1428.0	1472.0	1516.0	1560.0	1604.0	1648.0	1692.0	1736.0	1780.0
Less: Cumulative Interest	221.6	228.8	236.0	243.2	250.4	257.6	264.8	272.0	279.2	286.4	293.6
<b>PV of Minimum Payments</b>	<b>1118.4</b>	<b>1155.2</b>	<b>1192.0</b>	<b>1228.8</b>	<b>1265.6</b>	<b>1302.4</b>	<b>1339.2</b>	<b>1376.0</b>	<b>1412.8</b>	<b>1449.6</b>	<b>1486.4</b>
<b>Implied Interest in Year 1 Payment</b>		<b>61.5</b>	<b>63.5</b>	<b>65.6</b>	<b>67.6</b>	<b>69.6</b>	<b>71.6</b>	<b>73.7</b>	<b>75.7</b>	<b>77.7</b>	<b>79.7</b>
Pre-Tax Cost of Debt	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%
Years Implied by Year 6 Payment	2.9	2.9	2.9	2.9	2.8	2.8	2.8	2.8	2.8	2.8	2.8
Expected Obligation in Year 6 & Beyond	100	104	108	112	116	120	124	128	132	136	140
<b>Present Value of Lease Payments</b>											
PV of Year 1	284.4	293.8	303.3	312.8	322.3	331.8	341.2	350.7	360.2	369.7	379.1
PV of Year 2	224.6	233.6	242.6	251.6	260.6	269.5	278.5	287.5	296.5	305.5	314.5
PV of Year 3	191.6	195.9	200.1	204.4	208.6	212.9	217.2	221.4	225.7	229.9	234.2
PV of Year 4	141.3	145.3	149.3	153.4	157.4	161.4	165.5	169.5	173.6	177.6	181.6
PV of Year 5	76.5	79.6	82.6	85.7	88.8	91.8	94.9	97.9	101.0	104.1	107.1
PV of 6 & beyond	200.1	207.0	214.0	221.0	228.0	235.0	241.9	248.9	255.9	262.9	269.9
Capitalized PV of Payments	1118.4	1155.2	1192.0	1228.8	1265.6	1302.4	1339.2	1376.0	1412.8	1449.6	1486.4

**Fortinet***Effects of ESOP Exercise and Share Repurchases on Common Stock Account and Number of Shares Outstanding*

Number of Options Outstanding (shares):	5350%
Average Time to Maturity (years):	385%
Expected Annual Number of Options Exercised:	1389%

Current Average Strike Price:	2727%
Cost of Equity:	12%
Current Stock Price:	9685%

<b>Fiscal Years Ending 12/31/2024</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>	<b>2028E</b>	<b>2029E</b>	<b>2030E</b>	<b>2031E</b>	<b>2032E</b>	<b>2033E</b>	<b>2034E</b>
Increase in Shares Outstanding:	1389%	1389%	1389%	1389%	1389%	1389%	1389%	1389%	1389%	1389%
Average Strike Price:	2727%	2727%	2727%	2727%	2727%	2727%	2727%	2727%	2727%	2727%
<b>Increase in Common Stock Account:</b>	<b>37874%</b>	<b>37874%</b>	<b>37874%</b>	<b>37874%</b>	<b>37874%</b>	<b>37874%</b>	<b>37874%</b>	<b>37874%</b>	<b>37874%</b>	<b>37874%</b>
Share Repurchases (\$)	1134%	1134%	1134%	1134%	1134%	1134%	1134%	1134%	1134%	1134%
Expected Price of Repurchased Shares:	9685%	10331%	11021%	11756%	12541%	13378%	14271%	15223%	16239%	17323%
<b>Number of Shares Repurchased:</b>	<b>12%</b>	<b>11%</b>	<b>10%</b>	<b>10%</b>	<b>9%</b>	<b>8%</b>	<b>8%</b>	<b>7%</b>	<b>7%</b>	<b>7%</b>
Shares Outstanding (beginning of the year)	76400%	77777%	79155%	80534%	81913%	83292%	84673%	86054%	87435%	88817%
Plus: Shares Issued Through ESOP	1389%	1389%	1389%	1389%	1389%	1389%	1389%	1389%	1389%	1389%
Less: Shares Repurchased in Treasury	12%	11%	10%	10%	9%	8%	8%	7%	7%	7%
<b>Shares Outstanding (end of the year)</b>	<b>77777%</b>	<b>79155%</b>	<b>80534%</b>	<b>81913%</b>	<b>83292%</b>	<b>84673%</b>	<b>86054%</b>	<b>87435%</b>	<b>88817%</b>	<b>90199%</b>

**Fortinet***Valuation of Options Granted under ESOP*

Current Stock Price	\$96.85
Risk Free Rate	4.42%
Current Dividend Yield	4.92%
Annualized St. Dev. of Stock Returns	40.00%

Range of Outstanding Options	(In millions) Number of Shares	Average Exercise Price	Average Remaining Life (yrs)	B-S Option Price	Value of Options Granted
Range 1	13.7	18.57	4.00	\$ 64.19	\$ 879
Range 2	13.2	24.37	5.40	\$ 56.11	\$ 741
Range 3	11.2	31.14	3.30	\$ 56.30	\$ 631
Range 4	8.7	37.81	3.10	\$ 51.75	\$ 450
Range 5	6.7	30.62	2.40	\$ 58.90	\$ 395
Total	54	\$ 27.27	3.85	\$ 74.21	<b>\$ 3,095</b>

**Fortinet***Valuation of Options Granted under ESOP*

Current Stock Price	\$96.85
Risk Free Rate	4.42%
Current Dividend Yield	4.92%
Annualized St. Dev. of Stock Returns	40.00%

Range of Outstanding Options	Number of Shares	Average Exercise Price	Average Remaining Life (yrs)	B-S Option Price	Value of Options Granted
Range 1	15.7	27.06	3.85	\$ 58.04	\$ 911
Range 2	10.5	40.94	3.85	\$ 48.45	\$ 509
Range 3	9.1	53.61	3.85	\$ 41.07	\$ 374
Range 4	8.4	64.70	3.85	\$ 35.60	\$ 299
Total	44	\$ 43.16	3.85	\$ 62.43	<b>\$ 2,093</b>

