

FORTINET INC  
Form 10-Q  
May 08, 2013  
Table of Contents

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q  
(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2013

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission file number: 001-34511

\_\_\_\_\_  
FORTINET, INC.  
(Exact name of registrant as specified in its charter)

Delaware	77-0560389
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1090 Kifer Road	94086
Sunnyvale, California	(Zip Code)
(Address of principal executive offices)	
(408) 235-7700	
(Registrant’s telephone number, including area code)	

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>

(Do not check if smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of April 30, 2013, there were 162,225,326 shares of the registrant’s common stock outstanding.



FORTINET, INC.  
QUARTERLY REPORT ON FORM 10-Q  
For the Quarter Ended March 31, 2013  
Table of Contents

	Page
Part I	
Item 1. <u>Financial Statements</u>	<u>3</u>
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>20</u>
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>32</u>
Item 4. <u>Controls and Procedures</u>	<u>32</u>
Part II	
Item 1. <u>Legal Proceedings</u>	<u>33</u>
Item 1A. <u>Risk Factors</u>	<u>33</u>
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>54</u>
Item 3. <u>Defaults Upon Senior Securities</u>	<u>54</u>
Item 4. <u>Mine Safety Disclosures</u>	<u>54</u>
Item 5. <u>Other Information</u>	<u>54</u>
Item 6. <u>Exhibits</u>	<u>54</u>
<u>Signatures</u>	<u>55</u>

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Table of Contents

## Part I

## ITEM 1. Financial Statements

FORTINET, INC. AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED BALANCE SHEETS  
 (Unaudited, in thousands, except per share amounts)

	March 31, 2013	December 31, 2012
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$97,384	\$122,975
Short-term investments	362,996	290,719
Accounts receivable—Net	102,359	107,642
Inventory	23,933	21,060
Prepaid expenses and other current assets	26,988	26,878
Total current assets	613,660	569,274
PROPERTY AND EQUIPMENT—Net	25,803	25,638
LONG-TERM INVESTMENTS	322,158	325,892
GOODWILL AND OTHER INTANGIBLE ASSETS—Net	9,964	2,117
OTHER ASSETS	61,144	52,576
<b>TOTAL ASSETS</b>	<b>\$1,032,729</b>	<b>\$975,497</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$26,369	\$20,816
Accrued liabilities	21,677	22,263
Accrued payroll and compensation	26,350	28,957
Deferred revenue	257,332	247,268
Total current liabilities	331,728	319,304
DEFERRED REVENUE—Non-current	119,082	115,917
OTHER LIABILITIES	34,210	29,342
Total liabilities	485,020	464,563
<b>COMMITMENTS AND CONTINGENCIES (Note 7)</b>		
<b>STOCKHOLDERS' EQUITY:</b>		
Common stock, \$0.001 par value — 300,000 shares authorized; 163,550 and 161,757 shares issued and 162,141 and 160,348 shares outstanding as of March 31, 2013 and December 31, 2012, respectively	164	162
Additional paid-in capital	425,524	400,075
Treasury stock	(2,995	) (2,995
Accumulated other comprehensive income	2,166	3,091
Retained earnings	122,850	110,601
Total stockholders' equity	547,709	510,934
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$1,032,729</b>	<b>\$975,497</b>
See notes to condensed consolidated financial statements.		



Table of Contents

FORTINET, INC. AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
 (Unaudited, in thousands, except per share amounts)

	Three Months Ended	
	March 31, 2013	March 31, 2012
REVENUE:		
Product	\$57,950	\$53,204
Services	75,896	62,138
Ratable and other revenue	1,974	1,905
Total revenue	135,820	117,247
COST OF REVENUE:		
Product	22,958	19,067
Services	15,574	11,213
Ratable and other revenue	596	763
Total cost of revenue	39,128	31,043
GROSS PROFIT:		
Product	34,992	34,137
Services	60,322	50,925
Ratable and other revenue	1,378	1,142
Total gross profit	96,692	86,204
OPERATING EXPENSES:		
Research and development	23,334	19,667
Sales and marketing	49,976	42,036
General and administrative	7,991	5,786
Total operating expenses	81,301	67,489
OPERATING INCOME	15,391	18,715
INTEREST INCOME	1,369	1,085
OTHER INCOME (EXPENSE)—Net	215	(71
INCOME BEFORE INCOME TAXES	16,975	19,729
PROVISION FOR INCOME TAXES	4,726	5,556
NET INCOME	\$12,249	\$14,173
Net income per share:		
Basic	\$0.08	\$0.09
Diluted	\$0.07	\$0.09
Weighted-average shares outstanding:		
Basic	161,282	156,010
Diluted	167,823	165,751

See notes to condensed consolidated financial statements.

Table of Contents

FORTINET, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
(Unaudited, in thousands)