

Recommendation **BUY** ★ ★ ★ ★ ★

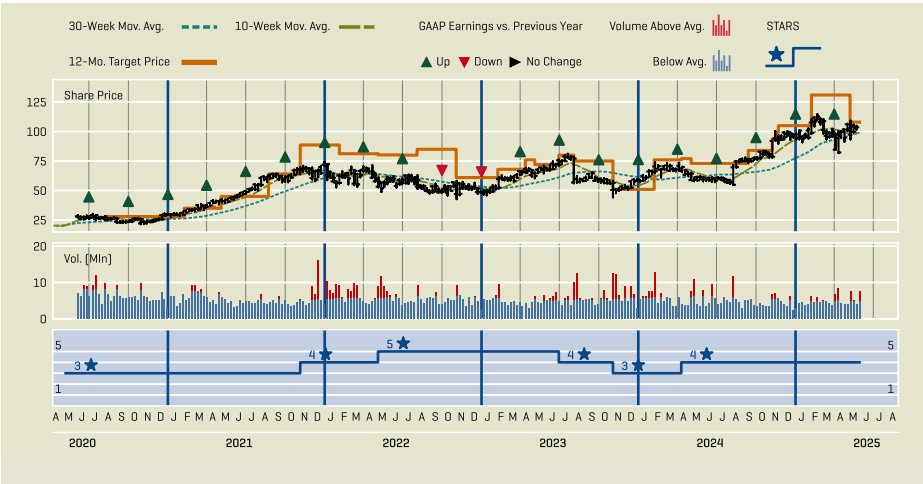
Price USD 101.78 (as of market close May 30, 2025) 12-Mo. Target Price USD 108.00 Report Currency USD Investment Style Large-Cap Growth

Equity Analyst Janice Quek

GICS Sector Information Technology Summary Fortinet is a global provider of networking products and cybersecurity solutions. Sub-Industry Systems Software

Key Stock Statistics (Source: CFRA, S&P Global Market Intelligence (SPGMI), Company Reports)					
52-Wk Range	USD 114.82 - 54.57	Oper.EPS2025E	USD 2.52	Market Capitalization[B]	USD 78.1
Trailing 12-Month EPS	USD 2.52	Oper.EPS2026E	USD 2.87	Yield [%]	N/A
Trailing 12-Month P/E	40.39	P/E on Oper.EPS2025E	40.39	Dividend Rate/Share	N/A
USD 10K Invested 5 Yrs Ago	36,559.0	Common Shares Outstg.[M]	769.00	Trailing 12-Month Dividend	N/A
				Beta	1.17
				3-yr Proj. EPS CAGR[%]	10
				SPGMI's Quality Ranking	B
				Institutional Ownership [%]	71.0

Price Performance



Source: CFRA, S&P Global Market Intelligence
Past performance is not an indication of future performance and should not be relied upon as such.
Analysis prepared by Janice Quek on May 08, 2025 12:45 PM ET, when the stock traded at USD 97.58.

Highlights

- We forecast revenue to rise 13.8% in 2025, and 11.8% in 2026, compared to 12.3% growth in 2024. Billings increased 14% Y/Y to \$1.6 billion, driven by its Unified SASE and SecOps sales, which accounted for 35% of billings. RPO grew 11.7% to \$6.5B (cRPO \$3.5B), decelerating from 18.3% in Q1 2024, but steady from 11.7% in Q4. FTNT continued to see hardware sales from early refreshes, especially in the low-end and high-end models, while Software Licenses grew in the mid-teens, with EMEA showing the best performance. Services revenue slowed to 14.5%, which the company attributed to fewer days in the quarter. FTNT maintained its full year guidance, reflecting caution in the outlook as it notes some macro-related impact, but expects momentum to build in 2H 2025.
- Gross margins are projected at 80% in 2025 and 80.5% in 2026 (vs 80.5% in 2024) from increasing firewall sales mix. Q1 adjusted operating margin jumped to 34.2% from 28.5% last year, benefiting from FX tailwinds (+100 bps), higher gross margins and cost efficiencies. We forecast operating margins of 32% in 2025 and 33% in 2026 due to Q2 FX headwinds.
- FTNT delivered record Q1 FCF of \$783M (50.8% margin), up significantly from 45.1% in Q1 2024.

Investment Rationale/Risk

- We maintain our Buy rating on FTNT, balancing near-term uncertainty with strong longer-term growth drivers. While management's outlook suggests caution, we note that deals have not been pushed out and channel activity is healthy. The upcoming firewall refresh cycle, while slower to materialize, presents a significant opportunity, with end-of-support affecting 25% of installed base. FTNT also announced its new Fortigate 700G firewall series for mid-sized businesses, which should continue to spur interest in upgrades. Strong Unified SASE and SecOps momentum (ARR growth of 26% and 30% Y/Y) indicates robust attached subscription potential.
- Risks to our rating and target price include slower deal velocity from spending pauses, lower win rates in SASE and SecOps due to competitive pricing and bundling, refresh deferrals, and potential shift away from firewall-based products.
- Our target price of \$108 is based on 43x our 2025 EPS estimate of \$2.52, above its 3-year average. This premium reflects FTNT's firewall market leadership and upsell opportunities, balanced against slower growth at scale. Its proprietary ASIC-powered firewalls remain a key differentiator, enabling more capabilities vs competitors.

Analyst's Risk Assessment

LOW	MEDIUM	HIGH
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Our risk assessment reflects the highly competitive nature of the cybersecurity industry, from vendors expanding their offerings rapidly to become the one-stop, integrated solutions vendor for their clients' security needs. FTNT's preference to innovate internally vs. technology acquisition may also lengthen new product launches. This is offset by FTNT's leading market position in SD-WAN technology and its broad portfolio of solutions in cloud security, security operations, and endpoint security.

Revenue/Earnings Data

Revenue (Million USD)					
	1Q	2Q	3Q	4Q	Year
2026	E 1,743	E 1,835	E 1,914	E 2,081	E 7,573
2025	1,540	E 1,630	E 1,714	E 1,892	E 6,776
2024	1,353	1,434	1,508	1,660	5,956
2023	1,262	1,293	1,335	1,415	5,305
2022	955	1,030	1,149	1,283	4,417
2021	710	801	867	963	3,340

Earnings Per Share (USD)					
	1Q	2Q	3Q	4Q	Year
2026	E 0.63	E 0.68	E 0.74	E 0.82	E 2.87
2025	0.58	E 0.60	E 0.62	E 0.72	E 2.52
2024	0.43	0.57	0.63	0.74	2.37
2023	0.34	0.38	0.41	0.51	1.63
2022	0.19	0.24	0.33	0.44	1.20
2021	0.16	0.19	0.97	1.19	3.62

Fiscal Year ended Dec 31. EPS Estimates based on CFRA's Operating Earnings; historical earnings are adjusted. In periods where a different currency has been reported, this has been adjusted to match the current quoted currency.

Dividend Data

No cash dividends have been paid in the last year.

Business Summary May 08, 2025

CorporateOverview: Fortinet is a global leader in security-driven networking products and cybersecurity solutions. The company serves a wide variety of organizations, including a majority of the Fortune 100 companies, as well as carriers, businesses, and government agencies. Solutions are available as hardware or software, and sold as licenses or through a subscription service. The company reports in two segments—product revenue and service revenue.

FTNT derives a majority of its product sales from its FortiGate products [over 35 models]. The FortiGate hardware appliances are equipped with its proprietary Application-Specific Integrated Circuits (ASICs) chip, which is capable of 5x-10x more computing power than the average appliance, enabling higher speeds and capacities for added functionality. FortiGate products are also offered as a virtual appliance, and both run on the FortiOS (operating system) with a broad range of networking and security capabilities, such as its next-generation firewall, secure web gateway, SD-WAN, intrusion prevention, VPN, SSL inspection, data leak protection, and threat vulnerability management.

Non-FortiGate products form part of the Fortinet Security Fabric Cybersecurity mesh platform and include solutions in endpoint security, cloud security, identity and access management, sandboxing, and email security. The Fortinet Security Fabric platform has an open architecture to enable third-party and Fortinet’s solutions to connect into a single ecosystem, delivering automation, integration, scalability, and visibility for the user.

Customers who use FTNT’s products can also purchase a set of security services such as the FortiGuard Security Subscription Services, FortiCare Technical Support Services, Professional Services, and Training Services, which together make up approximately two-thirds of FTNT’s total revenue. FortiGuard Security Subscription services provide clients with new threat detection and prevention capabilities, and are supported by FortiGuard Labs, a threat research and intelligence team that frequently updates the software as threats evolve. FortiGuard and FortiCare services are sold individually or in bundles, such as Unified Threat Protection, Enterprise Protection, and 360 Protection, based on the end-customer’s security requirements.

CorporateStrategy: FTNT has more than 500,000 customers in over 80 countries, ranging from small/medium-sized businesses to large enterprises across a variety of industries. While it started off in firewall technology, FTNT has since enhanced its portfolio to include a broad range of cybersecurity and networking solutions. It continues to add to its suite of offerings, capitalizing on its \$80B total addressable market, and riding on the tailwinds of digital transformation, 5G upgrades, and demand for security-driven networking. Its proprietary ASIC technology that powers its FortiGate products and open architecture security fabric platform are key differentiators that lower total cost of ownership for users and support functionality expansion, making its security value proposition attractive. FTNT is also moving up market, progressively increasing the number of deals over \$500 thousand and deals over \$1M. We see FTNT as a strong candidate for new deal lands from the enterprise category in the current environment of vendor consolidation.

CompetitiveLandscape: The market for cybersecurity products is extremely competitive and is characterized by rapid technological change. The principle competitive factors in this market include product performance, an ability to add and integrate new security features, compliance with industry standards, price, and customer service. FTNT is an industry leader in network firewalls and Software-Defined Wide Area Network (SD-WAN) solutions. The company’s competitors include Check Point Software, Cisco Systems, F5 Networks, FireEye, Juniper Networks, McAfee, and Palo Alto Networks, among others. Its broad portfolio makes a case for vendor consolidation.

IMPACT OF MAJOR DEVELOPMENTS: In July 2020, FTNT acquired OPAQ Networks, a secure access service edge cloud provider, for \$8.0M in cash. In December 2020, it acquired Panopta Holdings, a privately held Software as a Service (SaaS) platform innovator that provides visibility, automated management and alerting, and remediation for enterprise networks and infrastructure, for \$31.9M. In 2020, the pandemic and other events led to global chip shortages, increasing sales risks for firewall vendors like Fortinet. Fortinet continued to perform despite supply chain challenges. In 1H 2024, the company acquired Lacework and Next DLP, adding a data loss prevention solution and strengthening its cloud security offerings.

FinancialTrends: Revenues accelerated to 32.3% in 2022, driven by demand for FTNT’s firewalls, SD-WAN networking solutions and security subscriptions and services. Product revenue has been the key growth driver, up 42% Y/Y in 2022, reflecting strong organic growth across its customer segments. Supply chain problems and component shortages impacted product deliveries during the year, causing a large backlog to build. As supply chain challenges eased in 2023, product revenue growth slowed. A pause in firewall refresh activity amid weaker IT spending also contributed to product growth deceleration. Services revenue, however, continued to expand at high (20%+) rates. In 2023, FTNT posted total revenue growth of 20.2% Y/Y as top-line results started to soften in 2H, extending into 2024. Product revenues eventually recovered in Q4 2024, and FTNT ended 2024 at overall revenue growth of 12%. In Q1 2025, revenue growth was 14%, aided by higher product momentum. We expect appliance refreshes to support double-digit growth in this segment in 2025 and 2026.

Margins continue to be high for FTNT, benefiting in part from higher-margin services revenues. Adjusted operating margin was 28.4% in 2023, up 90 bps from the prior year, and 35% in 2024. In Q1 2025, FTNT delivered an operating margin of 34%, expanding from 28.5% in Q1 2024.

The company maintains a strong balance sheet with \$4.78B in cash/short-term investments and nearly \$1B in total debt.

Corporate information

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Officers	
Co-Founder, Chairman & CEO	Co-Founder, President, CTO & Director
K. Xie	M. Xie
Chief Accounting Officer, CFO and Principal Financial & Accounting Officer	Chief Operating Officer
C. Ohlgart	J. Whittle

Board Members	
G. F. Locke	M. A. Wilderotter
J. G. Stavridis	M. Hsieh
J. Napolitano	M. Xie
J. R. Clapper	P. Jennings
J. Sim	R. B. Chong
J. X. Hu	R. Shirreff
K. A. Goldman	S. E. Spaulding
K. Xie	W. H. Neukom

Domicile	Auditor
Delaware	Deloitte & Touche LLP

Founded
2000

Employees
14,556

Stockholders
50

Fortinet, Inc.

Quantitative Evaluations					
Fair Value Rank	1	2	3	4	5
	LOWEST		HIGHEST		
	Based on CFRA's proprietary quantitative model, stocks are ranked from most overvalued (1) to most undervalued (5).				
Fair Value Calculation	USD 95.00	Analysis of the stock's current worth, based on CFRA's proprietary quantitative model suggests that FTNT is overvalued by USD 6.78 or 6.66%			
Volatility	LOW		AVERAGE		HIGH
Technical Evaluation	NEUTRAL	Since January, 2024, the technical indicators for FTNT have been NEUTRAL"			
Insider Activity	UNFAVORABLE		NEUTRAL		FAVORABLE

Expanded Ratio Analysis				
	2024	2023	2022	2021
Price/Sales	12.25	8.70	8.91	17.96
Price/EBITDA	37.95	34.18	36.82	82.23
Price/Pretax Income	35.94	35.72	44.37	96.72
P/E Ratio	39.86	35.91	41.08	90.08
Avg. Diluted Shares Outstg. [M]	771.90	788.20	805.30	835.30
Figures based on fiscal year-end price				
Key Growth Rates and Averages				
Past Growth Rate [%]		1 Year	3 Years	5 Years
Net Income		52.05	42.21	39.39
Sales		12.27	21.24	22.46
Ratio Analysis [Annual Avg.]				
Net Margin [%]		29.30	23.45	21.47
% LT Debt to Capitalization		38.73	108.35	75.67
Return on Equity [%]		338.74	120.70	95.98

Company Financials Fiscal year ending Dec 31										
Per Share Data [USD]	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Tangible Book Value	1.49	-0.82	-0.60	0.73	0.90	1.45	1.12	0.67	0.92	0.86
Free Cash Flow	2.46	2.22	1.83	1.48	1.17	0.84	0.69	0.53	0.32	0.29
Earnings	2.26	1.46	1.06	0.73	0.58	0.38	0.38	0.04	0.04	0.01
Earnings [Normalized]	2.37	1.63	1.19	0.80	0.67	0.49	0.37	0.21	0.15	0.10
Dividends	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Payout Ratio [%]	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM
Prices: High	100.59	81.24	72.71	74.35	30.67	22.06	18.87	9.13	7.50	10.06
Prices: Low	54.57	44.12	42.61	27.46	14.04	13.01	8.70	5.98	4.63	5.71
P/E Ratio: High	42.40	49.80	61.10	93.20	45.80	44.60	51.30	43.90	51.30	98.60
P/E Ratio: Low	23.00	27.10	35.80	34.40	21.00	26.30	23.60	28.80	31.70	56.00
Income Statement Analysis [Million USD]										
Revenue	5,956	5,305	4,417	3,342	2,594	2,163	1,805	1,495	1,275	1,009
Operating Income	1,799	1,236	965.00	646.00	492.00	351.00	234.00	110.00	47.00	24.00
Depreciation + Amortization	123.00	113.00	104.00	84.00	69.00	62.00	56.00	56.00	48.00	32.00
Interest Expense	20.00	21.00	18.00	15.00	N/A	N/A	N/A	N/A	N/A	N/A
Pretax Income	2,029	1,292	887.00	621.00	542.00	386.00	254.00	124.00	43.00	17.00
Effective Tax Rate	14.00	11.10	3.50	2.30	9.80	14.10	-31.70	74.70	25.30	53.00
Net Income	1,745	1,148	857.00	607.00	488.00	332.00	335.00	31.00	32.00	8.00
Net Income [Normalized]	1,215	807.10	560.60	385.20	313.40	241.20	157.60	77.70	29.40	16.40
Balance Sheet and Other Financial Data [Million USD]										
Cash	4,066	2,440	2,211	2,552	1,837	2,066	1,650	1,251	1,086	891.00
Current Assets	5,972	4,428	3,810	3,601	2,740	2,769	2,221	1,717	1,539	1,271
Total Assets	9,763	7,259	6,228	5,919	4,045	3,879	3,078	2,258	2,140	1,791
Current Liabilities	4,061	3,719	3,078	2,318	1,830	1,456	1,256	1,027	829.00	679.00
Long Term Debt	994.00	992.00	990.00	988.00	N/A	N/A	N/A	N/A	N/A	N/A
Total Capital	2,567	608.00	804.00	1,854	909.00	1,388	1,010	589.00	838.00	755.00
Capital Expenditures	379.00	204.00	281.00	296.00	126.00	92.00	53.00	135.00	67.00	37.00
Cash from Operations	2,258	1,936	1,731	1,500	1,084	808.00	639.00	594.00	346.00	283.00
Current Ratio	1.47	1.19	1.24	1.55	1.50	1.90	1.77	1.67	1.86	1.87
% Long Term Debt of Capitalization	38.70	163.20	123.10	53.30	N/A	N/A	N/A	N/A	N/A	N/A
% Net Income of Revenue	29.30	21.60	19.40	18.20	18.80	15.30	18.60	2.10	2.50	0.80
% Return on Assets	13.21	11.46	9.93	8.10	7.76	6.31	5.49	3.13	1.49	0.94
% Return on Equity	338.70	NM	331.50	73.30	44.40	28.20	41.90	4.40	4.00	1.10

Source: S&P Global Market Intelligence. Data may be preliminary or restated; before results of discontinued operations/special items. Per share data adjusted for stock dividends; EPS diluted. E-Estimated. NA-Not Available. NM-Not Meaningful. NR-Not Ranked. UR-Under Review.

Sub-Industry Outlook

CFRA has a positive 12-month fundamental outlook on the Systems Software sub-industry, as we consider that it has no direct exposure to tariffs, and software business models are mostly subscription-based, offering some revenue visibility and stability. AI continues to be a priority area for enterprise investments, and we expect interest and deal pipelines to be driven by AI software adoption. However, we acknowledge that demand risks are becoming more acute as the software industry faces headwinds in the near term from slower enterprise IT spending and reduced budgets, and customers contemplate the prospects of higher costs ahead. Firms with larger proportions of customers impacted to a greater extent by tariffs (retail, manufacturing, industrials) are likely to see a more outsized impact on demand, in our view.

An encouraging trend is that cloud revenue growth remains strong from increases in AI workloads and demand for cloud services across the broader enterprise space. This continued into early 2025, and public cloud vendors suggested that cloud growth could have been higher if not for capacity constraints. Both MSFT and ORCL saw robust consumption and pipeline strength in cloud infrastructure and services, with healthy backlogs, and we anticipate solid performance in this area, in addition to growing monetization of GenAI-based enterprise applications. Yet, we are wary that demand may soften in the near term, and we look for signs of rising cost consciousness in Q1 to assess the potential impact of tariff-related economic headwinds on enterprise AI spending.

In cybersecurity, firms face similar challenges to the broader software industry. However, we expect their businesses to be more resilient to a downturn given its high priority in enterprise IT budgets. CISOs have to manage a constant onslaught of security threats and navigate regulatory and compliance requirements to ensure their businesses and customers' data are sufficiently protected. Cybersecurity vendors also benefit from pricing models that are not entirely headcount-based, i.e., subscriptions can be based

on number of devices secured, servers, or hosts that require monitoring, and data volumes ingested for threat analysis. While customers can try to optimize their IT usage, organizations usually expand their IT footprint over time, lowering the impact of workforce downsizing on subscription licenses.

Higher cost scrutiny is expected in the months ahead. Management teams could be compelled to search for ways to improve their operating efficiencies and achieve more with their existing headcount. We believe CIOs will look to software-led automation and AI tools to support workflows and processes to scale their business while avoiding hiring increases. In this context, GenAI-based assistants and Agentic AI technologies will be favored to achieve these goals, and vendors such as NOW are well positioned to capitalize on this demand. Software firms are also leveraging their own AI products internally to manage costs, and we expect that margins will remain healthy as firms also calibrate their opex to demand changes in the business environment.

Consensus estimates for companies in the S&P 500 currently project revenue growth to moderate in 2025 to 11.5% [12.9%], accounting for greater economic risks. Operating margin is expected to rise to 41% from 37%.

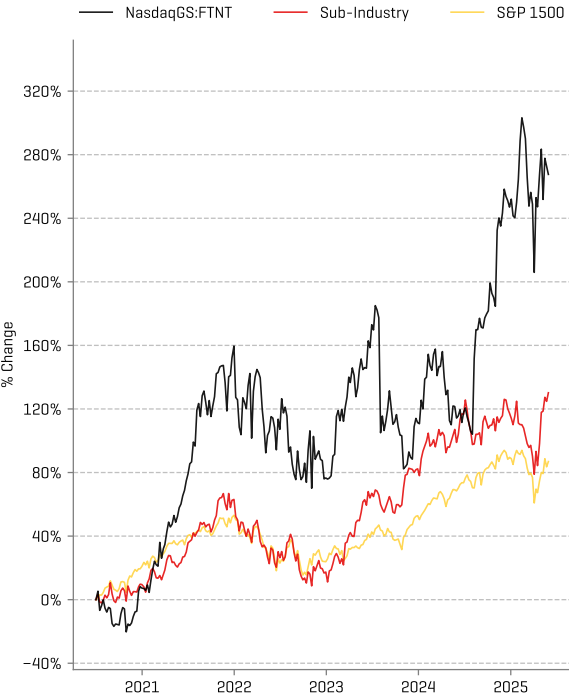
YTD through April 11, the sub-industry was -9.2%, flat with the S&P 1500. In 2024, the sub-industry was +16.7% vs. +22.2% for the S&P 1500.

/ Janice Quek

Industry Performance

GICS Sector: Information Technology
 Sub-Industry: Systems Software

Based on S&P 1500 Indexes
 Five-Year market price performance through May 31, 2025



NOTE: A sector chart appears when the sub-industry does not have sufficient historical index data.

All Sector & Sub-Industry information is based on the Global Industry Classification Standard (GICS).

Past performance is not an indication of future performance and should not be relied upon as such.

Source: CFRA, S&P Global Market Intelligence

Sub-Industry: Systems Software Peer Group*: Systems Software

Peer Group	Stock Symbol	Exchange	Currency	Recent Stock Price	Stk. Mkt. Cap. [M]	30-Day Price Chg. [%]	1-Year Price Chg. [%]	P/E Ratio	Fair Value Calc.	Yield [%]	Return on Equity [%]	LTD to Cap [%]
Fortinet, Inc.	FTNT	NasdaqGS	USD	102.04	78,103.0	-2.1	70.8	40.0	95.00	N/A	205.9	16.3
Check Point Software Technologies Ltd.	CHKP	NasdaqGS	USD	224.39	24,317.0	4.2	50.6	24.0	203.11	N/A	30.9	N/A
Commvault Systems, Inc.	CVLT	NasdaqGS	USD	177.37	7,827.0	5.1	59.6	49.0	120.96	N/A	25.2	N/A
CrowdStrike Holdings, Inc.	CRWD	NasdaqGS	USD	458.81	114,278.0	6.4	31.3	117.0	N/A	N/A	-0.6	18.1
CyberArk Software Ltd.	CYBR	NasdaqGS	USD	378.95	19,059.0	7.4	62.3	116.0	237.67	N/A	-5.4	N/A
Gen Digital Inc.	GEN	NasdaqGS	USD	28.00	17,366.0	9.1	14.3	13.0	19.02	1.8	29.2	75.3
Nebius Group N.V.	NBIS	NasdaqGS	USD	38.04	9,058.0	59.4	N/A	NM	N/A	N/A	-12.5	N/A
Palo Alto Networks, Inc.	PANW	NasdaqGS	USD	185.82	123,905.0	-0.4	21.1	59.0	N/A	N/A	21.2	N/A
Rubrik, Inc.	RBRK	NYSE	USD	95.38	18,444.0	34.8	188.9	NM	N/A	N/A	183.6	-158.8
Zscaler, Inc.	ZS	NasdaqGS	USD	251.11	38,853.0	12.2	52.8	76.0	N/A	N/A	-1.2	N/A
monday.com Ltd.	MNDY	NasdaqGS	USD	293.19	14,886.0	6.1	22.0	293.0	154.83	N/A	5.4	N/A

*For Peer Groups with more than 10 companies or stocks, selection of issues is based on market capitalization.

NA-Not Available; NM-Not Meaningful.

Note: Peers are selected based on Global Industry Classification Standards and market capitalization. The peer group list includes companies with similar characteristics, but may not include all the companies within the same industry and/or that engage in the same line of business.

Fortinet, Inc.

Analyst Research Notes and other Company News

May 08, 2025

12:45 PM ET... CFRA Maintains Buy Rating on Shares of Fortinet Inc. [FTNT 107.14****]:

We keep our Buy recommendation on shares of FTNT, but drop its target price to \$108 from \$131, based on a forward P/E of 43x our 2025 EPS projection of \$2.52, above its three-year average and peer group mean on its firewall market share and up-sell opportunities. Q1 results were mostly solid and we like its strong operating margin and strength in Unified SASE and SecOps. However, FTNT kept its full-year guidance and management's commentary appeared mixed on the outlook, acknowledging the more uncertain environment and the potential for greater hesitancy from customers to move forward with refreshes. We see this more as a delayed opportunity and expect that the impending termination of support services for a number of its appliance models will spur eventual refreshes, likely materializing later in the year. We raise our 2025 EPS projection to \$2.52 from \$2.51, but trim our 2026 EPS forecast to \$2.87 from \$3.03. / Janice Quek

May 07, 2025

05:11 PM ET... FTNT: Mixed Q1 Performance; Midpoint of Sales Guidance Below Consensus [FTNT 107.14****]:

Fortinet reported Q1 revenue of \$1.54B, in-line with consensus estimates, driven by Product Revenue growth of 12.3% Y/Y to \$459M and Service Revenue growth of 14.5% Y/Y. Non-GAAP EPS of \$0.58 beat estimates by \$0.05, supported by strong operating margin expansion of 570 bps Y/Y to 34.2%, reflecting significant leverage in the business and cost management. Billings of \$1.6B reached the high end of its guidance range [\$1.52B to \$1.6B]. The company maintained its 2025 revenue expectations in the range of \$6.65B-\$6.85B, implying 13.4% Y/Y growth at the midpoint, and slightly below consensus of \$6.76B. FTNT however lifted its operating margin guide by 50 bps to 31.5%-33.5%, and increased its non-GAAP EPS target to \$2.43-\$2.49. We see continued momentum in the company's key growth areas, with Unified SASE ARR increasing 25.7% Y/Y to \$1.15B and Security Operations ARR climbing 30.3% Y/Y to \$434.5M. / Janice Quek

February 06, 2025

09:19 PM ET... CFRA Reiterates Buy Opinion on Shares of Fortinet Inc. [FTNT 104.72****]:

We raise our target price to \$131 from \$105 on a forward P/E of 52x our 2025 EPS view of \$2.51, above its three-year average on rising demand for its products. We trim our 2025 EPS projection to \$2.51 from \$2.55 and initiate our 2026 EPS forecast at \$3.03. FTNT reported Q4 revenue of \$1.66B, above consensus by \$60M, while non-GAAP EPS of \$0.74 beats by \$0.13. Revenue rose nearly 17% Y/Y, exceeding expectations, as Product sales [\$574M] accelerated 18% Y/Y from momentum building with appliance refreshes and software license purchases, as well as some significantly sized transactions. Service revenue was \$1.09B, up 17.6% Y/Y. Billings reached \$2B during the quarter, an increase of 7.5% [vs. 6.2% in Q3]. Results reflect sales gathering pace across the business, as existing SD-WAN customers expand with FortiSASE and SecOps. FTNT's initial 2025 revenue guidance signals accelerating growth ahead, but tariffs create some uncertainty for performance. Non-GAAP operating margin of 39.2% was meaningfully above forecast. / Janice Quek

November 22, 2024

11:30 AM ET... CFRA Maintains Buy Recommendation on Shares of Fortinet, Inc. [FTNT 93.26****]:

We maintain our Buy recommendation on shares of FTNT, but raise our target price to \$105 from \$94, on a forward P/E of 41x our 2025 EPS view of \$2.55 on a more optimistic outlook of FTNT's product revenue recovery. We maintain our 2024 EPS forecast at \$2.28 and increase our 2025 EPS projection to \$2.55 from \$2.53. FTNT is expected to see strong double-digit growth in its product revenue segment in 2025 as customers start their refresh cycle next year in preparation for the termination of support for some of their existing firewalls. The company has also added substantially to its range of security offerings, including SASE [FortiSASE], and its Security Operation category [FortiSIEM, FortiCNAPP, etc.]. We think the enterprise market has been keen in enhancing their security capabilities with these solutions, based on recent commentary from peers and FTNT's results. We believe we could see upside to current estimates on stronger-than-expected attach rates on these solutions in the 2025/2026 refresh cycle. / Janice Quek

November 08, 2024

09:22 AM ET... CFRA Maintains Buy Recommendation on Shares of Fortinet Inc. [FTNT 83.68****]:

We raise our target price to \$94 from \$84 on a forward P/E multiple of 37x our 2025 EPS view of \$2.53, slightly above its one-year average on an upbeat outlook of product revenue strength and SASE/SecOps demand. We increase our 2024 EPS forecast to \$2.28 from \$2.16 and lift our 2025 EPS view to \$2.53 from \$2.32. FTNT reported Q3 sales of \$1.51B, above consensus by \$30M, while non-GAAP EPS of \$0.63 beat by \$0.11. Revenue rose 13%, lifted by Service revenues of \$1.03B [+19% Y/Y], partially offset by Product sales of \$474M [+1.7% Y/Y]. Product revenue returned to growth after four quarters of declines, reflecting easier comps and progressive recovery of appliance demand. Management affirmed expectations of a large firewall refresh cycle in 2025, as many customers approach the end of product support in 2026. Operating margin once again surprised to the upside in Q3 [margin of 36% vs. the 31.5% expectation], leading FTNT to raise the midpoint of its full-year operating margin guidance [32.9% to 33.9%] by 265 bps. / Janice Quek

September 13, 2024

09:59 AM ET... CFRA Maintains Buy Rating on Shares of Fortinet, Inc. [FTNT 74.83****]:

We raise our target price to \$84 from \$73 on a forward P/E multiple of 36x our 2025 EPS view of \$2.32, in line with its one-year average. We maintain our 2024 EPS forecast at \$2.16 and increase our 2025 EPS projection to \$2.32 from \$2.28. FTNT confirmed yesterday evening that a data breach had occurred involving unauthorized access to customer data files stored on an instance of its Azure shared file drive. The stolen information was shared after the company refused to pay the ransom. FTNT clarified that the incident impacted less than 0.3% of its customers and included limited data, with no indication of further malicious activity affecting its services, operations and customers. We expect this incident to have little impact on its financial results and outlook. Going forward, we also believe that impending interest rate cuts bode well for FTNT's selling environment, and could revitalize interest in large appliance and software purchases after months of more muted activity. / Janice Quek

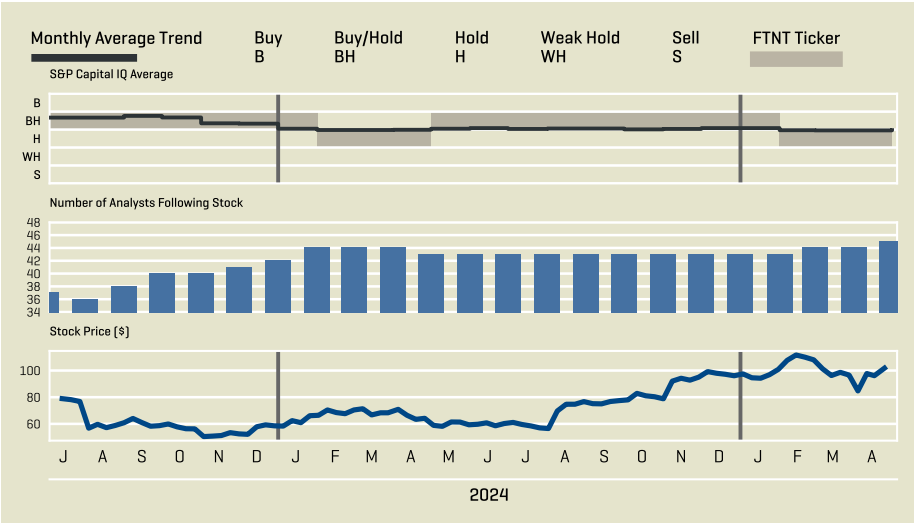
August 07, 2024

07:37 AM ET... CFRA Reiterates Buy Recommendation on Shares of Fortinet Inc. [FTNT 55.81****]:

We keep our target price at \$73 on a forward P/E multiple of 32x our 2025 EPS view of \$2.28, below its one-year average on economic risks, although we note signs of recovery. We raise our 2024 EPS forecast to \$2.16 from \$1.82 and 2025 EPS view to \$2.28 from \$1.95. FTNT reported Q2 sales of \$1.43B, above consensus by \$30M, while non-GAAP EPS of \$0.57 beats by \$0.16. Total revenue rose 10.9% Y/Y, led by Service growth [+19.7% Y/Y] – driven by strong mid and large enterprise demand for its Unified SASE [+27%] and SecOps [+36%] solutions, and a -4.4% Y/Y decline in Product revenues, exceeding expectations as hardware inventory digestion continued to normalize. Recovering firewall demand (full refresh cycle likely in 2025), combined with solid pipeline expansion and traction with SASE and SecOps, increase our optimism for accelerating growth in 2025. We also applaud the 350 bps uptick in adjusted EBIT margin guide for 2024, reflecting leverage in the business and a favorable higher-margin service mix. / Janice Quek

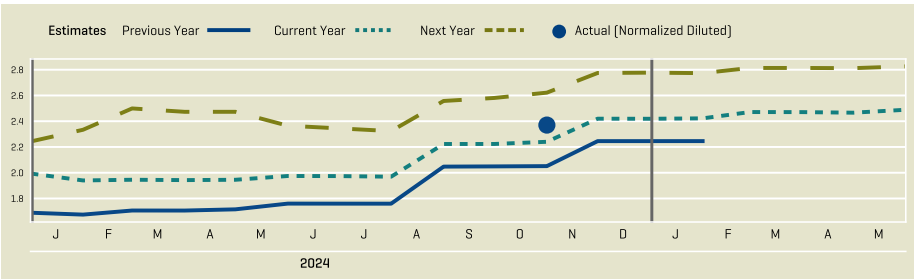
Note: Research notes reflect CFRA's published opinions and analysis on the stock at the time the note was published. The note reflects the views of the equity analyst as of the date and time indicated in the note, and may not reflect CFRA's current view on the company.

Analysts Recommendations



	No. of Recommendations	% of Total	1 Mo.Prior	3 Mos.Prior
Buy	9	20	8	8
Buy/Hold	7	16	8	8
Hold	27	60	26	25
Weak hold	0	0	0	0
Sell	2	4	2	2
No Opinion	0	0	0	0
Total	45	100	44	43

Wall Street Consensus Estimates



Fiscal Year	Avg Est.	High Est.	Low Est.	# of Est.	Est. P/E
2026	2.83	3.77	2.59	42	36.11
2025	2.49	2.78	2.43	43	41.00
2026 vs. 2025	▲ 14%	▲ 36%	▲ 7%	▼ -2%	▼ -12%
Q2'26	0.66	0.70	0.59	25	154.35
Q2'25	0.59	0.63	0.57	39	172.73
Q2'26 vs. Q2'25	▲ 12%	▲ 11%	▲ 4%	▼ -36%	▼ -11%

Forecasts are not reliable indicator of future performance.

Note: A company's earnings outlook plays a major part in any investment decision. S&P Global Market Intelligence organizes the earnings estimates of over 2,300 Wall Street analysts, and provides their consensus of earnings over the next two years, as well as how those earnings estimates have changed over time. Note that the information provided in relation to consensus estimates is not intended to predict actual results and should not be taken as a reliable indicator of future performance.

Note: For all tables, graphs and charts in this report that do not cite any reference or source, the source is S&P Global Market Intelligence.

Wall Street Consensus Opinion

Hold

Wall Street Consensus vs. Performance

For fiscal year 2025, analysts estimate that FTNT will earn USD 2.49. For fiscal year 2026, analysts estimate that FTNT's earnings per share will grow by 13.54% to USD 2.83.

Fortinet, Inc.

Glossary

STARS

Since January 1, 1987, CFRA Equity and Fund Research Services, and its predecessor S&P Capital IQ Equity Research has ranked a universe of U.S. common stocks, ADRs [American Depositary Receipts], and ADSs [American Depositary Shares] based on a given equity's potential for future performance. Similarly, we have ranked Asian and European equities since June 30, 2002. Under proprietary STARS [Stock Appreciation Ranking System], equity analysts rank equities according to their individual forecast of an equity's future total return potential versus the expected total return of a relevant benchmark [e.g., a regional index [MSCI AC Asia Pacific Index, MSCI AC Europe Index or S&P 500® Index]], based on a 12-month time horizon. STARS was designed to help investors looking to put their investment decisions in perspective. Data used to assist in determining the STARS ranking may be the result of the analyst's own models as well as internal proprietary models resulting from dynamic data inputs.

S&P Global Market Intelligence's Quality Ranking

[also known as **S&P Capital IQ Earnings & Dividend Rankings**] - Growth and S&P Capital IQ Earnings & Dividend Rankings stability of earnings and dividends are deemed key elements in establishing S&P Global Market Intelligence's earnings and dividend rankings for common stocks, which are designed to capsule the nature of this record in a single symbol. It should be noted, however, that the process also takes into consideration certain adjustments and modifications deemed desirable in establishing such rankings. The final score for each stock is measured against a scoring matrix determined by analysis of the scores of a large and representative sample of stocks. The range of scores in the array of this sample has been aligned with the following ladder of rankings:

A+ Highest	B Below Average
A High	B- Lower
A Above	C Lowest
B+ Average	D In Reorganization
NC Not Ranked	

EPS Estimates

CFRA's earnings per share [EPS] estimates reflect analyst projections of future EPS from continuing operations, and generally exclude various items that are viewed as special, non-recurring, or extraordinary. Also, EPS estimates reflect either forecasts of equity analysts; or, the consensus [average] EPS estimate, which are independently compiled by S&P Global Market Intelligence, a data provider to CFRA. Among the items typically excluded from EPS estimates are asset sale gains; impairment, restructuring or merger-related charges; legal and insurance settlements; in process research and development expenses; gains or losses on the extinguishment of debt; the cumulative effect of accounting changes; and earnings related to operations that have been classified by the company as discontinued. The inclusion of some items, such as stock option expense and recurring types of other charges, may vary, and depend on such factors as industry practice, analyst judgment, and the extent to which some types of data is disclosed by companies.

12-Month Target Price

The equity analyst's projection of the market price a given security will command 12 months hence, based on a combination of intrinsic, relative, and private market valuation metrics.

Abbreviations Used in Equity Research Reports

CAGR - Compound Annual Growth Rate
 CAPEX - Capital Expenditures
 CY - Calendar Year
 DCF - Discounted Cash Flow
 DDM - Dividend Discount Model
 EBIT - Earnings Before Interest and Taxes
 EBITDA - Earnings Before Interest, Taxes, Depreciation & Amortization
 EPS - Earnings Per Share
 EV - Enterprise Value
 FCF - Free Cash Flow
 FFO - Funds From Operations
 FY - Fiscal Year
 P/E - Price/Earnings
 P/NAV - Price to Net Asset Value
 PEG Ratio - P/E-to-Growth Ratio
 PV - Present Value
 R&D - Research & Development
 ROCE - Return on Capital Employed
 ROE Return on Equity
 ROI - Return on Investment
 ROIC - Return on Invested Capital
 ROA - Return on Assets
 SG&A - Selling, General & Administrative Expenses
 SOTP - Sum-of-The-Parts
 WACC - Weighted Average Cost of Capital

Dividends on American Depositary Receipts (ADRs) and American Depositary Shares (ADSs) are net of taxes [paid in the country of origin].

Qualitative Risk Assessment

Reflects an equity analyst's view of a given company's operational risk, or the risk of a firm's ability to continue as an ongoing concern. The Qualitative Risk Assessment is a relative ranking to the U.S. STARS universe, and should be reflective of risk factors related to a company's operations, as opposed to risk and volatility measures associated with share prices. For an ETF this reflects on a capitalization-weighted basis, the average qualitative risk assessment assigned to holdings of the fund.

STARS Ranking system and definition:

★★★★★ 5-STARS (Strong Buy):

Total return is expected to outperform the total return of a relevant benchmark, by a notable margin over the coming 12 months, with shares rising in price on an absolute basis.

★★★★★ 4-STARS (Buy):

Total return is expected to outperform the total return of a relevant benchmark over the coming 12 months.

★★★★★ 3-STARS (Hold):

Total return is expected to closely approximate the total return of a relevant benchmark over the coming 12 months.

★★★★★ 2-STARS (Sell):

Total return is expected to underperform the total return of a relevant benchmark over the coming 12 months.

★★★★★ 1-STAR (Strong Sell):

Total return is expected to underperform the total return of a relevant benchmark by a notable margin over the coming 12 months, with shares falling in price on an absolute basis.

Relevant benchmarks:

In North America, the relevant benchmark is the S&P 500 Index, in Europe and in Asia, the relevant benchmarks are the MSCI AC Europe Index and the MSCI AC Asia Pacific Index, respectively.

Disclosures

Stocks are ranked in accordance with the following ranking methodologies:

STARS Stock Reports:

Qualitative STARS rankings are determined and assigned by equity analysts. For reports containing STARS rankings refer to the Glossary section of the report for detailed methodology and the definition of STARS rankings.

Quantitative Stock Reports:

Quantitative rankings are determined by ranking a universe of common stocks based on 5 measures or model categories: Valuation, Quality, Growth, Street Sentiment, and Price Momentum. In the U.S., a sixth sub-category for Financial Health will also be displayed. Percentile scores are used to compare each company to all other companies in the same universe for each model category. The five (six) model category scores are then weighted and rolled up into a single percentile ranking for that company. For reports containing quantitative rankings refer to the Glossary section of the report for detailed methodology and the definition of Quantitative rankings.

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STARS Stock Reports:

Global STARS Distribution as of March 31, 2025

Ranking	North America	Europe	Asia	Global
Buy	44.8%	34.3%	45.9%	42.9%
Hold	42.9%	52.0%	42.1%	44.5%
Sell	12.4%	13.8%	12.0%	12.6%
Total	100.0%	100.0%	100.0%	100.0%

Analyst Certification:

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Fortinet, Inc.

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