

FORTINET INC
Form 10-Q
May 01, 2015
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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, 2015

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.)
899 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 ("Exchange Act") 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 Act). Yes No

As of April 24, 2015, there were 169,563,012 shares of the registrant's common stock outstanding.

FORTINET, INC.
 QUARTERLY REPORT ON FORM 10-Q
 For the Quarter Ended March 31, 2015
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Part I

Item 1. Financial Statements

FORTINET, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(unaudited, in thousands, except per share amounts)

	March 31, 2015	December 31, 2014
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$386,352	\$283,254
Short-term investments	417,605	436,766
Accounts receivable—Net of sales returns reserve and allowance for doubtful accounts of \$4,882 and \$6,204 as of March 31, 2015 and December 31, 2014, respectively	161,854	184,741
Inventory	72,060	69,477
Deferred tax assets	41,175	41,484
Prepaid expenses and other current assets	32,757	31,143
Total current assets	1,111,803	1,046,865
LONG-TERM INVESTMENTS	268,608	271,724
PROPERTY AND EQUIPMENT—Net	63,487	58,919
DEFERRED TAX ASSETS	38,998	31,080
GOODWILL	2,824	2,824
OTHER INTANGIBLE ASSETS—Net	2,559	2,832
OTHER ASSETS	10,024	10,530
TOTAL ASSETS	\$1,498,303	\$1,424,774
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$40,164	\$49,947
Accrued liabilities	25,873	29,016
Accrued payroll and compensation	42,727	45,875
Income taxes payable	3,343	2,689
Deferred revenue	406,526	368,929
Total current liabilities	518,633	496,456
DEFERRED REVENUE	193,645	189,828
INCOME TAXES PAYABLE	50,280	45,139
OTHER LIABILITIES	15,998	17,385
Total liabilities	778,556	748,808
COMMITMENTS AND CONTINGENCIES (Note 8)		
STOCKHOLDERS' EQUITY:		
Common stock, \$0.001 par value — 300,000 shares authorized; 169,247 and 166,443 shares issued and outstanding as of March 31, 2015 and December 31, 2014, respectively	169	166
Additional paid-in capital	604,147	562,504
Accumulated other comprehensive income (loss)	226	(349)
Retained earnings	115,205	113,645
Total stockholders' equity	719,747	675,966
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$1,498,303	\$1,424,774

See notes to condensed consolidated financial statements.

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

	Three Months Ended	
	March 31, 2015	March 31, 2014
REVENUE:		
Product	\$97,509	\$76,765
Service	115,377	92,184
Total revenue	212,886	168,949
COST OF REVENUE:		
Product	41,368	32,139
Service	22,234	18,604
Total cost of revenue	63,602	50,743
GROSS PROFIT:		
Product	56,141	44,626
Service	93,143	73,580
Total gross profit	149,284	118,206
OPERATING EXPENSES:		
Research and development	35,816	29,055
Sales and marketing	100,609	67,326
General and administrative	11,961	9,010
Total operating expenses	148,386	105,391
OPERATING INCOME	898	12,815
INTEREST INCOME	1,422	1,333
OTHER EXPENSE—Net	(677) (389