Fortinet

NASDAQ: FTNT · NETWORK SECURITY

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EXCEPTIONAL 5/5 CLASS OF 2026

SECTOR	INDUSTRY	HQ	EMPLOYEES	MARKET CAP
Technology	Infrastructure software	Sunnyvale, California	15,472	$120.6bn

THE ONE-MINUTE VERSION

Fortinet sells network security — the firewalls that sit between an organisation's network and the internet, and the threat intelligence those firewalls need in order to be worth anything. The appliance is bought once. The security subscription attached to it renews every year, because a firewall running last year's threat data is decoration rather than protection. Earnings have compounded at 37.6% for twelve years and rose in every single year-on-year comparison, with no drawdown in the record at all — the cleanest earnings curve of any company in this series.

WHAT IS IT?

The largest independent maker of **network firewalls** by units shipped, sold with annual subscriptions to the threat intelligence and security services that keep them effective.

HOW IT CREATES VALUE

The appliance is a one-off sale that installs an **annual subscription**. Security content decays in weeks, so the renewal is not a maintenance contract a customer weighs up — it is the thing they were buying.

THE MOAT

A firewall sits in the path of everything. Replacing one means re-testing every rule an organisation has written, which is why these installations are measured in **years, not quarters**.

THE TREND SHAPING ITS MARKET

Every organisation now has more to defend and more places to defend it, and the regulatory cost of failing to has risen sharply. Security spending is one of the last lines cut in a downturn.

THE STRUCTURAL BOTTLENECK

Inspecting traffic at line rate is expensive in silicon and power. Fortinet designs **its own processors** for that work rather than renting general-purpose chips, which is where its price advantage comes from.

THE COMPETITION — THE HONEST BIT

Palo Alto Networks is larger and sells higher up the market, Cisco is bundled into everything, and the cloud providers would rather sell security alongside compute. Fortinet competes on price and throughput, which is a position that has to be re-earned.

THE FIVE STRUCTURAL TESTS — EVERY COMPANY, THE SAME FIVE

COMPOUNDING	EARNINGS QLTY	BALANCE SHEET	CAPITAL ALLOC.	PER-SHARE VAL.
PASS	PASS	PASS	PASS	PASS

TRAJECTORY · IMPROVING ↑ Recent EPS growth of +43.9% is running ahead of the 37.6% twelve-year CAGR, on revenue up 25.6% — the curve is steepening rather than flattening.

THE COMPOUNDING RECORD — SAME FIVE METRICS FOR EVERY COMPANY IN THE SERIES

EPS CAGR, 12 YRS	YEARLY COMPARISONS UP	WORST EARNINGS DRAWDOWN	NET MARGIN	DEBT POSITION
37.6%	100%	0.0%	28.2%	net cash

The Exceptional Company Series is where The Conviction Play profiles the small number of businesses whose economics we judge genuinely exceptional — companies that pass all five of our structural tests and have compounded earnings through a full cycle. The premise is simple: **conviction is built on business quality and an enduring competitive advantage**, not on a price forecast. We publish what the moat is, how it is defended, and what would change our mind — dated. What we never publish is a price target.

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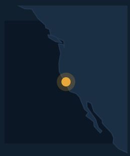
The seven forces & twenty-two themes	Every company profile to date	convictionplay.substack.com

HEAD OFFICE

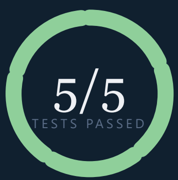


Sunnyvale, California, United States

Technology · Infrastructure software

OPERATING MARGIN	33.6%
REVENUE GROWTH	+25.6%
EPS GROWTH	+43.9%
NET CASH	$2.4bn
WEBSITE	fortinet.com
INVESTOR RELATIONS	IR site

THE CONVICTION WHEEL



COMPOUNDING
Revenue +25.6%, EPS +43.9%

EARNINGS QLTY
Net margin 28.2%

BALANCE SHEET
Net cash $2.4bn, no leverage

CAPITAL ALLOC.
Buybacks funded from cash flow

PER-SHARE VAL.
EPS $0.09 to $3.27 in twelve years

PEER GROUP — NETWORK SECURITY

FTNT · profiled · PANW Palo Alto · CSCO Cisco · CHKP Check Point

WHY THE ECONOMICS ARE EXCEPTIONAL

The box is bought once; the protection is rented. A firewall is only as good as its knowledge of what it is defending against, and that knowledge goes stale in weeks. So the hardware sale opens a subscription that has to be renewed for the equipment to keep doing its job — not as a maintenance contract a customer may decide to skip, but as the thing they were buying.

The silicon is the cost advantage. Fortinet designs its own processors for the traffic-inspection work rather than running it on general-purpose chips, which is why it can offer throughput at a price and power draw its competitors have to discount to match.

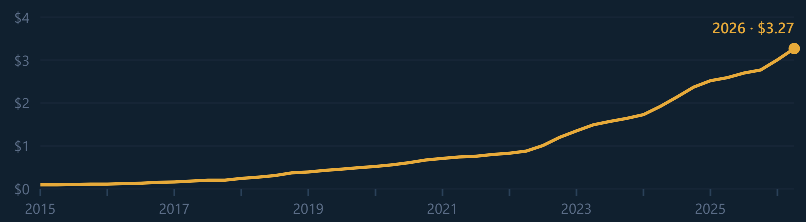
The record has no bad year in it. Earnings rose in all forty-six year-on-year comparisons across twelve years, and the worst fall in trailing earnings over that period was zero. No other company assessed here has that.

The honest risk. Firewalls are replaced on cycles, and the industry-wide refresh that followed the pandemic pulled demand forward and then left a gap — growth in this business is lumpier than the smoothed twelve-year curve makes it look. It also competes with far larger firms, and with cloud providers who would rather sell the security with the compute.

Share price, twelve years of monthly closes — **the same window as the earnings chart below, so the two can be read against each other.**

Not a valuation. Marker = date profiled. Refreshes quarterly.

Trailing twelve-month EPS, twelve years of quarterly data.



42 year-on-year comparisons in twelve years. Not one of them down, and no fall in trailing earnings anywhere in the record.

WHAT THIS IS, AND WHAT IT IS NOT

An assessment of business quality — how durable the economics are, and how consistently they have become earnings. Produced by Legend, our rules-based framework, applied identically to every company.

Not a buy signal. Not a valuation, price target, forecast or recommendation, and no view on the share price. Exceptional can also be expensive: this company fell 41% from its July 2015 high and took 31 months to regain that price, while its earnings kept rising. Capital is at risk.

WHERE TO READ MORE — NOT BY US

Mauboussin, *Measuring the Moat* (Morgan Stanley) — how to judge a competitive advantage rather than assert one. Free. · **Thorndike, *The Outsiders*** — capital allocation as the job. · **Berkshire shareholder letters** — free at berkshirehathaway.com.

Company facts and financial data: Legend, from company filings and market data, as at 28 August 2026. Structural assessment computed by Legend from reported earnings history. **A point-in-time snapshot** —