



FORTINET\_

# Fortinet's Quiet Dominance in a Noisy Cyber World

Founded in 2000, Fortinet was built with a **different philosophy from much of the cybersecurity industry**. Rather than assembling software point solutions and stitching them together through acquisitions, Fortinet took an **engineering-first approach**. It designed its own purpose-built security processors (ASICs), developed a unified operating system (FortiOS), and embedded security directly into network infrastructure. This decision, made early, now defines its competitive advantage.

At the core of Fortinet's model is platform integration. Firewalls, secure networking, SD-WAN, endpoint protection, zero-trust access, and cloud security all run on the same operating system and are managed through a single interface. For customers, this lowers complexity, improves performance, and reduces total cost of ownership. For Fortinet, it creates a sticky ecosystem that expands naturally over time as customers add modules rather

than switch vendors. This matters because **cybersecurity is no longer discretionary**. As enterprises migrate workloads to the cloud, enable hybrid workforces, and connect more devices at the edge, the attack surface expands relentlessly. Security must sit everywhere — not just at the perimeter, but across networks, data centres, endpoints, and applications. Fortinet's integrated architecture allows it to scale with this complexity rather than be overwhelmed by it. **What truly differentiates Fortinet is its custom silicon strategy**. By designing its own ASICs, Fortinet delivers materially higher throughput at lower power consumption and cost compared with software-only peers. This gives it a structural advantage in performance-sensitive environments such as large enterprises, service providers, and critical infrastructure. It also protects margins.

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Hardware may appear lower margin at first glance, but when combined with high-margin recurring software and services, it forms a durable compounding engine. That engine is increasingly recurring.



While Fortinet is often still perceived as a “firewall hardware company,” the economics tell a different story. A growing proportion of revenue comes from subscriptions - security services, renewals, cloud-delivered protection, and support contracts - which carry high margins and strong renewal rates. Once deployed, Fortinet systems tend to stay in place for many years, with customers expanding spend as their security needs grow. Financially, Fortinet exhibits the traits we associate with quality. **It generates strong free cash flow, operates with balance sheet discipline, and reinvests heavily in R&D rather than relying on expensive acquisitions.** Its sales model benefits from both enterprise adoption and a broad mid-market footprint, providing diversification across geographies and customer sizes. This balance reduces cyclicality and supports consistent earnings growth over time.

There are, of course, risks. Cybersecurity is highly competitive, innovation cycles are fast, and spending can fluctuate with IT budgets. **Fortinet also operates in a sector where fear-based narratives can temporarily drive capital toward newer, more speculative entrants.** However, Fortinet’s long-term advantage lies not in chasing every new threat headline, but in being embedded in the infrastructure that organisations cannot afford to replace lightly. Fortinet today is best understood not as a cybersecurity vendor, but as a secure networking platform. It sits at the intersection of networking and security, benefiting from the structural convergence of the two. As digital infrastructure becomes more distributed, more connected, and more mission-critical, the need for integrated, high-performance,

cost-efficient security only increases. For investors, Fortinet represents a rare combination: an engineering-led culture, a platform business with recurring revenues, and a long runway of structural demand. It compounds quietly — but relentlessly — alongside the growth of the digital economy it helps protect.



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