**Risk Factors Comparison 2024-02-26 to 2023-02-24 Form: 10-K**

**Legend:** **New Text** ~~Removed Text~~ Unchanged Text Moved Text Section

Investing in our common stock involves a high degree of risk. Investors should carefully consider the following risks and all other information contained in this Annual Report on Form 10- K, including our consolidated financial statements and the related notes, before investing in our common stock. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties that we are unaware of, or that we currently believe are not material, also may become important factors that affect us. If any of the following risks materialize, our business, financial condition and results of operations could be materially harmed. In that case, the trading price of our common stock could decline substantially, and investors may lose some or all of their investment. We have summarized risks immediately below and encourage investors to carefully read the entirety of this Risk Factors section. Risks Related to Our Business and Financial Position Our operating results are likely to vary significantly and be unpredictable. Our operating results have historically varied from period to period, and we expect that they will continue to do so as a result of a number of factors, many of which are outside of our control or may be difficult to predict, including: • economic conditions, including macroeconomic and regional economic challenges resulting, for example, from a recession or other economic downturn, increased inflation or possible stagflation in certain geographies, rising interest rates, the war in Ukraine, the ~~COVID~~ **Israel** - ~~19 pandemic~~ **Hamas war, tensions between China and Taiwan,** or other factors; • **sales strategy, productivity and execution, and** our ability to attract and retain new end- customers or sell additional products and services to our existing end- customers **, including customer demand for platform solutions like ours versus point solutions; • our ability to successfully anticipate market changes related to cloud- based solutions and to sell, support and meet service level agreements related to cloud- based solutions** ; • component shortages, including chips and other components, and product inventory shortages, including those caused by factors outside of our control, such as **epidemics and** ~~the COVID- 19 pandemic~~ **pandemics** , supply chain disruptions, inflation and other cost increases, international trade disputes or tariffs, natural disasters, health emergencies, power outages, civil unrest, labor disruption, international conflicts, terrorism, wars, such as the war in Ukraine **and the Israel- Hamas war** , and critical infrastructure attacks; • inventory management **, including future inventory purchase order commitments** ; • the level of demand for our products and services, which may render forecasts inaccurate, increase backlog **or future inventory purchase order commitments** and **lead to price decreases; • based on** ~~may be impacted by the COVID- 19 pandemic and~~ supply chain ~~constraints~~ **shortages, including component and other shortages, our backlog has fluctuated over past quarters and any decrease** in ~~ways that~~ **growth or negative growth of in- quarter billings and revenue may not be reflected by our aggregate billings and revenue. As** we ~~are not able~~ **have fulfilled, shipped and billed during a quarter** to ~~foresee~~ **satisfy backlog, this has increased our aggregate billings and revenue during any particular quarter, and as the supply chain challenges normalize, the growth comparisons versus prior quarters where backlog contributed more to billings have become more challenging and may become increasingly challenging** ; • supplier cost increases and any lack of market acceptance of our price increases designed to help offset any supplier cost increases; • the effects of our reduction of operations in Russia; • the timing of channel partner and end- customer orders ~~, market acceptance of our price increases~~ and our reliance on a concentration of shipments at the end of each quarter; • the impact to our business, the global economy, disruption of global supply chains and creation of significant volatility and disruption of the financial markets due to **factors such as** ~~the COVID- 19 pandemic,~~ increased inflation or possible stagflation in certain geographies, ~~rising~~ **increasing or decreasing** interest rates, the war in Ukraine **and the Israel- Hamas war** and other factors; • any actual or perceived vulnerabilities in our products or services, and any actual or perceived breach of our network or our customers' networks; • the timing of shipments, which may depend on factors such as inventory levels, logistics, manufacturing or shipping delays, our ability to ship products on schedule and our ability to accurately forecast inventory requirements and our suppliers' ability to deliver components and finished goods; • increased expenses, unforeseen liabilities or write- downs and any negative impact on results of operations from any acquisition or equity investment consummated, as well as accounting risks, integration risks related to product plans and products and risks of negative impact by such acquisitions and equity investments on our financial results; • **investors' expectations of our performance relating to environmental, social and governance (" ESG ") and commitment to carbon neutrality; • certain customer agreements which contain service- level agreements, under which we guarantee specified availability of our platform and solutions; • data security requirements that may be inconsistently enforced in certain jurisdictions; • impairments as a result of certain events or changes in circumstances; •** the mix of products sold ~~, such as the mix between Core Platform and Enhanced Platform Technology solutions,~~ and the mix of revenue between products and services, as well as the degree to which products and services are bundled and sold together for a package price; • the purchasing practices and budgeting cycles of our channel partners and end- customers, including the effect of the end of product lifecycles or refresh cycles; • any decreases in demand by channel partners or end- customers, including any such decreases caused by factors outside of our control such as natural disasters and health emergencies, including earthquakes, droughts, fires, power outages, typhoons, floods, pandemics or epidemics ~~such as the COVID- 19 pandemic~~ and manmade events such as civil unrest, labor disruption, international trade disputes, international conflicts, terrorism, wars, such as the war in Ukraine **and the Israel- Hamas war** , and critical infrastructure attacks; • the effectiveness of our sales organization, generally or in a particular geographic region, including the time it takes to hire sales personnel, the timing of hiring and our ability to hire and retain effective sales personnel **, as well as our efforts to align our sales capacity and market demand** ; • **sales productivity and** sales execution risk related to effectively selling to all segments of the market, including enterprise and small- and mediumsized businesses, government organizations and service providers, and to selling our broad security product and services portfolio, including, among other execution risks, risks associated with the complexity and distraction in selling to all segments, increased competition and unpredictability of timing to close larger enterprise and large organization deals, and the risk that our sales representatives do not effectively sell ~~our Enhanced Platform Technology~~ products **and services** ; • execution risk associated with our efforts to capture the opportunities related to our identified growth drivers, such as risk associated with our ability to capitalize on the convergence of networking and security, vendor consolidation of various cyber security solutions, SD- WAN, infrastructure security, **security operations, SASE and other** cloud security ~~and~~ **solutions,** endpoint protection, and IoT and OT security opportunities; • the seasonal buying patterns of our end- customers; • the timing and level of our investments in sales and marketing, and the impact of such investments on our operating expenses, operating margin and the productivity, capacity, tenure and effectiveness of execution of our sales and marketing teams; • the timing of revenue recognition for our sales, including any impacts resulting from extension of payment terms to distributors and fluctuations in backlog levels, which could result in more variability and less predictability in our quarter- to- quarter revenue and operating results; • the level of perceived threats to network security, which may fluctuate from period to period; • changes in the requirements, market needs or buying practices and patterns of our distributors, resellers or end- customers; • changes in the growth rates of the network security market in particular and other security and networking markets, such as SD- WAN, OT, switches, access points **, security operations, SASE** and **other** cloud solutions for which we and our competitors sell products and services; • the timing and success of new product and service introductions or enhancements by us or our competitors, or any other change in the competitive landscape of our industry, including consolidation among our competitors, partners or end- customers; • the deferral of orders from distributors, resellers or end- customers in anticipation of new products or product enhancements announced by us or our competitors **, price decreases or changes in our registration policies** , or the acceleration of orders in response to our announced or expected price list increases; • increases or decreases in our billings, revenue and expenses caused by fluctuations in foreign currency exchange rates or a strengthening of the U. S. dollar, as a significant portion of our expenses is incurred and paid in currencies other than the U. S. dollar, and the impact such fluctuations may have on the actual prices that our partners and customers are willing to pay for our products and services; • compliance with existing laws and regulations; • our ability to obtain and maintain permits, clearances and certifications that are applicable to our ability to conduct business with the ~~public sector, including the~~ U. S. federal government, ~~and~~ other **foreign and local governments and other industries and** sectors; • litigation, litigation fees and costs, settlements, judgments and other equitable and legal relief granted related to litigation; • the impact of cloud- based security solutions on our billings, ~~revenues~~ **revenue** , operating margins and free cash flow; • decisions by potential end- customers to purchase network security solutions from newer technology providers, from larger, more established security vendors or from their primary network equipment vendors; • price competition and increased competitiveness in our market, including the competitive pressure caused by product refresh cycles; • our ability to both increase ~~revenues~~ **revenue** and manage and control operating expenses in order to maintain or improve our operating margins; • changes in customer renewal rates or attach rates for our services; • changes in the timing of our billings, collection for our contracts or the contractual term of service sold; • changes in our estimated annual effective tax rates **and the tax treatment of research and development expenses and the related impact of cash from operations** ; • changes in circumstances and challenges in business conditions, including decreased demand, which may negatively impact our channel partners' ability to sell the current inventory they hold and negatively impact their future purchases of products from us; • increased demand for cloud- based services and the uncertainty associated with transitioning to providing such services; • **potential shift or migration from physical appliances that deliver on- premises network security to cloud and SaaS- based security services; •** our channel partners having insufficient financial resources to withstand changes and challenges in business conditions; • disruptions in our channel or termination of our relationship with important channel partners, including as a result of consolidation among distributors and resellers of security solutions; • insolvency, credit or other difficulties confronting our key suppliers and channel partners, which could affect their ability to purchase or pay for products and services and which could disrupt our supply or distribution chain; • policy changes and uncertainty with respect to immigration laws, trade policy and tariffs, including increased tariffs applicable to countries where we manufacture our products, foreign imports and tax laws related to international commerce; • political, economic and social instability, including geo- political instability and uncertainty, such as that caused by the war in Ukraine **, the Israel- Hamas war, tensions between China and Taiwan** , and any disruption or negative impact on our ability to sell to, ship product to and support customers in certain regions based on trade restrictions, embargoes and export control law restrictions; • general economic conditions, both in domestic and foreign markets; • future accounting pronouncements or changes in our accounting policies as well as the significant costs that may be incurred to adopt and comply with these new pronouncements; • possible impairments or acceleration of depreciation of our existing real estate due to our current real estate ~~holdings~~ **investments** and future **acquisition and** development plans; and • legislative or regulatory changes, such as with respect to privacy, information and cybersecurity, exports, the environment **, regional component bans,** and ~~applicable accounting standards~~ **requirements for local manufacture** . Any one of the factors above or the cumulative effect of some of the factors referred to above may result in significant fluctuations in our quarterly financial and other operating results. This variability and unpredictability could result in ~~our~~ failing to meet our internal operating plan or the expectations of securities analysts or investors for any period. If we fail to meet or exceed such expectations for these or any other reasons, the market price of our shares could fall substantially and we could face costly lawsuits, including securities class action suits. In addition, a significant percentage of our operating expenses are fixed in nature over the near term. Accordingly, in the event of revenue shortfalls, we are generally unable to mitigate the negative impact on margins in the short term. Adverse economic conditions, such as a possible recession and possible impacts of inflation or stagflation, ~~rising~~ **increasing or decreasing** interest rates ~~or~~ **,** reduced information technology spending **, including firewall and other security spending, or any economic downturn or recession** , may adversely impact our business. Our business depends on the overall demand for information technology and on the economic health of our current and prospective customers. In addition, the purchase of our products is often discretionary and may involve a significant commitment of capital and other resources. Weak global and regional economic conditions and spending environments, based on a downturn in the economy, a possible recession and the effects of ongoing or increased inflation or possible stagflation in certain geographies, ~~rising~~ **increasing or decreasing** interest rates, geopolitical instability and uncertainty, a reduction in information technology spending regardless of macroeconomic conditions, the effects of **epidemics and pandemics and** the ~~COVID-~~**impact of the war in Ukraine and the Israel** - **Hamas** ~~19 pandemic and the impact of the~~ war ~~in Ukraine~~ each could have a material adverse impacts on our ~~business,~~ financial condition and results of operations **and our business** , including **resulting in** longer sales cycles, lower prices for our products and services, increased component costs, higher default rates among our channel partners, reduced unit sales **, lower prices** and slower or declining growth ~~. We may be adversely affected by the effects of inflation or stagflation, rising interest rates or any economic downturn or recession. Inflation or possible stagflation, rising interest rates and any economic downturn or recession in certain regions or worldwide each have the potential to adversely affect our liquidity, business, financial condition and results of operations by increasing our overall product cost structure or decreasing demand~~ . These can negatively impact our business by putting downward pressure on growth ~~or~~ if we are unable to achieve the increases in product prices necessary to appropriately offset the additional costs **in a manner** sufficient to maintain margins **. Any of these impacts may materially and adversely affect our business, financial condition, results of operations and liquidity** . The existence of inflation in certain economies has resulted in, and may continue to result in, ~~rising~~ **increasing or decreasing** interest rates and capital costs, increased **component or** shipping costs, increased costs of labor, weakening exchange rates and other similar effects ~~. As a result of inflation, we have experienced and may continue to experience component, product and shipping cost increases. Inflation, stagflation and any economic downturn or a recession may materially adversely affect our business, financial condition, results of operations and liquidity~~ . Although we take measures to mitigate risks such as those associated with inflation, the mitigating measures may not be effective or their impact may not offset the increased cost of inflation in a timely manner. Inflation, an economic downturn, a recession and any other economic challenges may also adversely impact spending patterns by our distributors, resellers and end- customers. ~~The COVID- 19 pandemic, including its ongoing variants, may adversely affect our business, for example, through product and component shortages. The COVID- 19 pandemic, including its ongoing variants, has negatively impacted the global economy, disrupted global supply chains, reduced demand for certain solutions and created significant volatility in, and disruption of, global markets. The extent of the future impact of the COVID- 19 pandemic on our operational and financial performance is unpredictable, adds uncertainty to our business and will depend on future developments, including the duration and spread of the COVID- 19 pandemic and related restrictions on, and disruptions of business, supply chain and world economies, all of which are uncertain and difficult to predict. There is a worldwide shortage of various components, impacting many industries, caused in- part by the COVID- 19 pandemic. We continue to experience ongoing product and component shortages, which have resulted in, and which we expect will continue to result in, extended lead times of certain products and significant disruption to our production schedule and predictability. In fact, certain of our contract manufacturers and component suppliers have de- committed from their scheduled delivery dates and product and component delivery commitments. We also have experienced and expect to continue to experience increased component costs, which have negatively impacted our gross margins. An extended period of global supply chain disruption, demand reduction and economic slowdown would materially negatively affect our overall business and our operating results, including billings, revenue, gross margins, operating margins, cash flows and other operating results. If the effects of the COVID- 19 pandemic continue to limit the availability of our products, either by limiting components available, the actual manufacture and assembly or by limiting or restricting shipping of components and products, this could continue to result in increased product backlog, and result in lower billings, lower revenue and decreased profitability, and would negatively impact, and may materially negatively impact, our operating results and business. In addition, we may face personnel- related risks as certain departments and locations continue to transition back to an in- person working model, including that " return to office " plans may be viewed negatively by employees and lead to attrition and difficulty in hiring. The COVID- 19 pandemic may adversely affect certain of our partners' and customers' ability or willingness to purchase our products and services, delay certain customers' purchasing decisions and increase customer attrition rates, all of which will adversely affect our future sales, billings and operating results, possibly in a material way. As a result, we may experience extended sales cycles; our ability to close transactions with new and existing customers and partners may be negatively impacted; our ability to recognize revenue from sales we do close may be negatively impacted; certain businesses will not buy our products and services when they otherwise would have; certain current partners, customers and customer prospects may go out of business or face significant business challenges, thereby negatively impacting our sales; product or component shortages, implementation delays or other factors; and our ability to provide technical and other support to our customers may be affected. We have also offered, and may continue to offer, payment terms in excess of our contractual agreements to some of our distributors, which may decrease the likelihood that we will be able to collect from these customers. In addition, the COVID- 19 pandemic has caused an increase in certain of our expenses, including increased shipping costs, increased cancellation charges and increased component and product manufacturing costs. The full impact of the COVID- 19 pandemic is unknown at this time. While we continue to monitor developments and the potential effect on our business, it is clear that the COVID- 19 pandemic may negatively impact certain sales and may have a material negative impact on our operating results in the near term and longer term.~~ Our billings, revenue and free cash flow growth may slow or may not continue, and our operating margins may decline. We may experience slowing growth or a decrease in billings, revenue, operating margin and free cash flow for a number of reasons, including ~~as a result of the COVID- 19 pandemic,~~ a slowdown in demand for our products or services, a shift in demand from products to services, decrease in services revenue growth, increased competition **, execution challenges including sales execution challenges and lack of optimal sales productivity** , worldwide or regional economic challenges based on inflation or possible stagflation, a regional recession or a recession in the global economy, rising interest rates, the war in Ukraine **and the Israel- Hamas war** , a decrease in the growth of our overall market or softness in demand in certain geographies or industry verticals, such as the service provider industry, changes in our strategic opportunities, execution risks **, lower sales productivity** and our failure for any reason to continue to capitalize on sales and growth opportunities due to other risks identified in the risk factors described in this periodic report. Our expenses as a percentage of total revenue may be higher than expected if our revenue is lower than expected. If our investments in sales and marketing and other functional areas do not result in expected billings and revenue growth, we may experience margin declines. In addition, we may not be able to sustain **our historical** profitability **levels** in future periods if we fail to increase billings, revenue or deferred revenue, and do not appropriately manage our cost structure, free cash flow, or encounter unanticipated liabilities. As a result, any failure by us to maintain profitability and margins and continue our billings, revenue and free cash flow growth could cause the price of our common stock to materially decline. **Our real estate investments, including construction or acquisition of new data centers, data center expansions or office buildings, could involve significant risks to our business. In order to sustain our growth in certain of our existing and new markets, we may expand existing data centers, lease new facilities or acquire suitable land, with or without structures, to build new data centers or office buildings. These projects expose us to risks which could have an adverse effect on our results of operations and financial condition. The current global supply chain and inflation issues have exacerbated many of these construction risks and created additional risks for our business. Some of the risks associated with construction projects include: • construction delays; • lack of availability and delays for data center equipment, including items such as generators and switchgear; • unexpected budget changes; • increased prices for and delays in obtaining building supplies, raw materials and data center equipment; • labor availability, labor disputes and work stoppages with contractors, subcontractors and other third parties; • unanticipated environmental issues and geological problems; • delays related to permitting and approvals to open from public agencies and utility companies; • unexpected lack of power access; • failure or inability for any reason to meet customer requirements; • investor expectations regarding ESG; • delays in site readiness leading to our failure to meet commitments made to customers; and • unanticipated customer requirements that would necessitate alternative data center design, making our sites less desirable or leading to increased costs in order to make necessary modifications or retrofits. All construction- related projects require us to carefully select and rely on the experience of one or more designers, general contractors and associated subcontractors during the design and construction process. Should a designer, general contractor, significant subcontractor or key supplier experience financial problems or other problems during the design or construction process, we could experience significant delays, increased costs to complete the project and / or other negative impacts to our expected returns. We have broad insurance programs covering our properties and operating activities with limits of liability, deductibles and self- insured retentions that we believe are comparable to similarly situated companies. We believe the policy specifications and insured limits of these policies are adequate and appropriate. There are, however, certain types of extraordinary losses which may not be adequately covered under our insurance program. In addition, we could sustain losses due to insurance deductibles, self- insured retention, uninsured claims or casualties or losses in excess of applicable coverage. If an uninsured loss or a loss in excess of insured limits occurs, we could lose all or a portion of the capital we have invested in a property, as well as the anticipated future revenue from the property. In such an event, we might nevertheless remain obligated for any mortgage debt or other financial obligations related to the property. Material losses in excess of insurance proceeds may occur in the future. Such events could materially and adversely affect our financial condition and results of operations. Additionally, under various federal, state and local environmental laws, ordinances and regulations, a current or previous owner or operator of real property may be liable for the costs of removal or remediation of hazardous or toxic substances on, under or in that property. Those laws often impose liability even if the owner or operator did not cause or know of the presence of hazardous or toxic substances and even if the storage of those substances was in violation of a customer' s lease. In addition, the presence of hazardous or toxic substances, or the failure of the owner to address their presence on the property, may adversely affect the owner' s ability to borrow using that real property as collateral. Any environmental issues related to our real estate activities could materially and adversely affect our financial condition and results of operations.** We are dependent on the continued services and performance of our senior management, the loss of any of whom could adversely affect our business, operating results and financial condition. Our future performance depends on the continued services and continuing contributions of our senior management to execute on our business plan and to identify and pursue new opportunities and product innovations. The loss of services of members of senior management, particularly Ken Xie, our Co- Founder, Chief Executive Officer and Chairman, or Michael Xie, our Co- Founder, President and Chief Technology Officer, or of any of our senior sales leaders or functional area leaders, could significantly delay or prevent the achievement of our development and strategic objectives. The loss of the services or the distraction of our senior management for any reason ~~, including the COVID- 19 pandemic,~~ could adversely affect our business, financial condition and results of operations. We rely on third- party channel partners for substantially all of our revenue. If our partners fail to perform, our ability to sell our products and services will be limited, and if we fail to optimize our channel partner model going forward, our operating results may be harmed. Additionally, a small number of distributors represents a large percentage of our revenue and ~~gross~~ accounts receivable, and one distributor accounted for ~~32~~ **33** % of our total net accounts receivable as of December 31, ~~2022~~ **2023** . A significant portion of our sales is generated through a limited number of distributors, and substantially all of our revenue is from sales by our channel partners, including distributors and resellers. We depend on our channel partners to generate a significant portion of our sales opportunities and to manage our sales process. To the extent our channel partners are unsuccessful in selling our products, or if we are unable to enter into arrangements with and retain a sufficient number of high- quality channel partners in each of the regions in which we sell products, we are unable to keep them motivated to sell our products, or our channel partners shift focus to other vendors and

/ or our competitors, our ability to sell our products and operating results may be harmed. The termination of our relationship with any significant channel partner may adversely impact our sales and operating **results. If we change our partner strategy, such as if we start engaging in more sales directly with customers, and if we terminate partners or partners terminate or reduce selling on our behalf based on changes in our strategy or for any other reason, this could harm our** results. In addition, a small number of channel partners represents a large percentage of our revenue and gross accounts receivable. We are exposed to the credit and liquidity risk of some of our channel partners and to credit exposure in weakened markets, which could result in material losses. Our dependence on a limited number of key channel partners means that our billings, revenue and operating results may be harmed by the inability of these key channel partners to successfully sell our products and services, or if any of these key channel partners is unable or unwilling to pay us, terminates its relationship with us or goes out of business. Although we have programs in place that are designed to monitor and mitigate credit and liquidity risks, we cannot guarantee these programs will be effective in reducing our credit risks. If we are unable to adequately control these risks, our business, operating results, and financial condition could be harmed. If channel partners fail to pay us under the terms of our agreements or we are otherwise unable to collect on our accounts receivable from these channel partners, we may be adversely affected both from the inability to collect amounts due and the cost of enforcing the terms of our contracts, including litigation. Our channel partners may seek bankruptcy protection or other similar relief and fail to pay amounts due to us, or pay those amounts more slowly, either of which could adversely affect our operating results, financial position, and cash flow. We may be further impacted by consolidation of our existing channel partners. In such instances, we may experience changes to our overall business and operational relationships due to dealing with a larger combined entity, and our ability to maintain such relationships on favorable contractual terms may be more limited. We may also become increasingly dependent on a more limited number of channel partners, as consolidation increases the relative proportion of our business for which each channel partner is responsible, which may magnify the risks described in the preceding paragraphs. Six distributor customers accounted for **70 % and** 69 ~~% and 68~~ % of our total net accounts receivable in the aggregate as of December 31, **2023 and** 2022 ~~and 2021~~, respectively. See Note 16. Segment Information in Part II, Item 8 of this Annual Report on Form 10- K for distributor customers that accounted for 10 % or more of our revenue or net accounts receivable. Our largest distributors may experience financial difficulties, face liquidity risk or other financial challenges, which may harm our ability to collect on our accounts receivable. We provide ~~sales~~ channel partners with specific programs to assist them with selling our products and incentivize them to sell our products, but there can be no assurance that these programs will be effective. In addition, our channel partners may be unsuccessful in marketing, selling and supporting our products and services and may purchase more inventory than they can sell. Our channel partners generally do not have minimum purchase requirements. Some of our channel partners may have insufficient financial resources to withstand changes and challenges in business conditions. Moreover, many of our channel partners are privately held, including **some of** our largest ~~distributor~~ **partners**, and we may not have sufficient information to assess their financial condition. If our channel partners' financial condition or operations weaken, their ability to sell our ~~product~~ **products** and services could be negatively impacted. Our channel partners may also market, sell and support products and services that are competitive with ours, and may devote more resources to the marketing, sales and support of such products, or may decide to cease selling our products and services altogether in favor of a competitor' s products and services. They may also have incentives to promote our competitors' products to the detriment of our own, or they may cease selling our products altogether. We cannot ensure that we will retain these channel partners or that we will be able to secure additional or replacement partners or that existing channel partners will continue to perform. The loss of one or more of our significant channel partners or the failure to obtain and ship a number of large orders each quarter through them could harm our operating results. Any new sales channel partner will require extensive training and may take several months or more to achieve productivity. Our channel partner sales structure could subject us to lawsuits, potential liability and reputational harm if, for example, any of our channel partners misrepresent the functionality of our products or services to end- customers, our service provider customers suffer a cyber event impacting end- users, or our channel partners violate laws or our corporate policies. We depend on our global channel partners to comply with applicable legal and regulatory requirements. To the extent that they fail to do so, that could have a material adverse effect on our business, operating results and financial condition. If we fail to optimize our channel partner model or fail to manage existing sales channels, our business will be seriously harmed. Reliance on a concentration of shipments at the end of the quarter could cause our billings and revenue to fall below expected levels ~~or delay collections and the related increase in free cash flow~~. As a result of customer buying patterns and the efforts of our sales force and channel partners to meet or exceed quarterly quotas, we have historically received a substantial portion of each quarter' s sales orders and generated a substantial portion of each quarter' s billings and revenue during the last two weeks of the quarter. We typically arrange for a logistics partner to pick up the last shipment of our products a few hours prior to the end of the quarter, and a delay in the arrival of the logistics partner or other factors such as a power outage could prevent us from shipping and billing for a material amount of products for which we have orders. Further, it is possible that the dollar value of these products intended to be shipped late on the last day of the quarter may be material. Additionally, our service billings are dependent on the completion of certain automated processes by our internal business management systems, some of which cannot be performed until after the related products have been shipped. If we do not have enough time after shipping our products for our systems to perform these processes prior to the end of the quarter, ~~or~~ we have system issues that prevent processing in time to realize service billings in a quarter, **or there are delays in deals closing or deals are lost,** we will not be able to bill and realize billings for those services until **possibly** the following quarter **at the earliest**, which may materially negatively impact our billings for a particular quarter. We implemented a cloud- based quoting tool to help provide our sales team with the ability to have faster quote generation, reduce quote errors and increase sales productivity. Our ability to integrate the data from this tool into our order processing may cause order processing delays that could have an effect on our financial results. Our billings and revenue for any quarter could fall below our expectations or those of securities analysts and investors, resulting in a decline in our stock price, if expected orders at the end of any quarter are delayed **or deals are lost** for any reason or our ability to fulfill orders at the end of any quarter is hindered for any reason, including, among others: • the failure of anticipated purchase orders to materialize; • our logistics partners' failure or inability to ship products prior to quarter- end to fulfill purchase orders received near the end of the quarter; • disruption in manufacturing or shipping based on power outages, system failures, labor disputes or constraints, excessive demand, natural disasters or widespread public health problems including pandemics and epidemics ~~such as the COVID- 19 pandemic~~ ; • our failure to accurately forecast our inventory requirements and to appropriately manage inventory to meet demand; • our inability to release new products on schedule; • any failure of our systems related to order review and processing; and • any delays in shipments due to trade compliance requirements, labor disputes or logistics changes at shipping ports, airline strikes, severe weather or otherwise. We rely significantly on revenue from FortiGuard and other security subscription and FortiCare technical support services, and revenue from these services may decline or fluctuate. Because we recognize revenue from these services over the term of the relevant service period, downturns or upturns in sales of FortiGuard and other security subscription and FortiCare technical support services are not immediately reflected in full in our operating results. Our FortiGuard and other security subscription and FortiCare technical support services revenue has historically accounted for a significant percentage of our total revenue. Revenue from the sale of new, or from the renewal of existing, FortiGuard and other security subscription and FortiCare technical support service contracts may decline and fluctuate as a result of a number of factors, including fluctuations in purchases of **secure networking, unified SASE and security operations** ~~Core Platform appliances or our Enhanced Platform Technology products~~ , changes in the sales mix between products and services, end- customers' level of satisfaction with our products and services, the prices of our products and services, the prices of products and services offered by our competitors, reductions in our customers' spending levels and the timing of revenue recognition with respect to these arrangements. If our sales of new, or renewals of existing, FortiGuard and other security subscription and FortiCare technical support service contracts decline, our revenue and revenue growth may decline and our business could suffer. In addition, in the event significant customers require payment terms for FortiGuard and other security subscription and FortiCare technical support services in arrears or for shorter periods of time than annually, such as monthly or quarterly, this may negatively impact our billings and revenue. Furthermore, we recognize FortiGuard and other security subscription and FortiCare technical support services revenue ratably over the term of the ~~relevant~~ service period, which is typically from one to five years. As a result, much of the FortiGuard and other security subscription and FortiCare technical support services revenue we report each quarter is the recognition of deferred revenue from FortiGuard and other security subscription and FortiCare technical support services contracts entered into during previous quarters or years. Consequently, a decline in new or renewed FortiGuard and other security subscription and FortiCare technical support services contracts in any one quarter will not be fully reflected in revenue in that quarter but will negatively affect our revenue in future quarters. Accordingly, the effect of significant downturns in sales of new, or renewals of existing, FortiGuard and other security ~~subscription~~ **subscriptions** and FortiCare technical support services is not reflected in full in our statements of income until future periods. Our FortiGuard and other security subscription and FortiCare technical support services revenue also makes it difficult for us to rapidly increase our revenue through additional service sales in any period, as revenue from new and renewal support services contracts must be recognized over the applicable service term. If we are unable to hire, retain and motivate qualified personnel, our business will suffer. Our future success depends, in part, on our ability to continue to attract and retain highly skilled personnel. The loss of the services of any of our key personnel, the inability to attract or retain qualified personnel, any failure to have in place and execute an effective succession plan for key executives or delays in hiring required personnel, particularly in engineering, sales and marketing, may seriously harm our business, financial condition and results of operations. From time to time, we experience turnover in our management- level personnel. **For example, in December 2023, our Chief Revenue Officer announced his upcoming retirement after 19 years at Fortinet.** None of our key employees has an employment agreement for a specific term, and any of our employees may terminate their employment at any time. Our ability to continue to attract and retain highly skilled personnel will be critical to our future success. Competition for highly skilled personnel is frequently intense, especially for qualified sales, support and engineering employees in network security and especially in the locations where we have a substantial presence and need for highly skilled personnel, such as the San Francisco Bay Area and the Vancouver, Canada area. We may not be successful in attracting, assimilating or retaining qualified personnel to fulfill our current or future needs. In addition, to the extent we hire personnel from competitors, we may be subject to allegations that they have been improperly solicited or divulged proprietary or other confidential information. Changes in immigration laws, including changes to the rules regarding H1- B visas, may also harm our ability to attract personnel from other countries. Our inability to hire properly qualified and effective sales, support and engineering employees could harm our growth and our ability to effectively support growth. We have incurred indebtedness and may incur other debt in the future, which may adversely affect our financial condition and future financial results. As of December 31, ~~2022~~ **2023** , we had an aggregate of $ ~~990~~ **992** . ~~4~~ **3** million of indebtedness outstanding under our ~~senior~~ **Senior** ~~notes~~ **Notes** . Under the agreements governing our indebtedness, we are permitted to incur additional debt. This debt, and any debt that we may incur in the future, may adversely affect our financial condition and future financial results by, among other things: • increasing our vulnerability to downturns in our business, to competitive pressures and to adverse economic and industry conditions; • requiring the dedication of a portion of our expected cash from operations to service our indebtedness, thereby reducing the amount of expected cash flow available for other purposes, including capital expenditures, share repurchases and acquisitions; and • limiting our flexibility in planning for, or reacting to, changes in our businesses and our industries; If we are unable to generate sufficient cash flow from operations in the future to service our debt, we may be required, among other things, to seek additional financing in the debt or equity markets, refinance or restructure all or a portion of our indebtedness, sell selected assets or reduce or delay planned capital, operating or investment expenditures. Such measures may not be sufficient to enable us to service our debt. Additionally, the agreements governing our indebtedness impose restrictions on us and require us to comply with certain covenants. If we breach any of these covenants and do not obtain a waiver from the noteholders, then, subject to applicable cure periods, any or all of our outstanding indebtedness may be declared immediately due and payable. There can be no assurance that any refinancing or additional financing would be available on terms that are favorable or acceptable to us, if at all. Under the terms of our outstanding ~~senior~~ **Senior** ~~notes~~ **Notes** , we may be required to repurchase the notes for cash prior to their maturity in connection with the occurrence of certain changes of control that are accompanied by certain downgrades in the credit ratings of the notes. The repayment obligations under the notes may have the effect of discouraging, delaying or preventing a takeover of our company. If we were required to pay the notes prior to their scheduled maturity, it could have a negative impact on our cash position and liquidity and impair our ability to invest financial resources in other strategic initiatives. In addition, changes by any rating agency to our credit rating may negatively impact the value and liquidity of both our debt and equity securities, as well as affect our ability to obtain additional financing in the future and may negatively impact the terms of any such financing. Risks Related to Our Sales and End- Customers We generate a majority of revenue from sales to distributors, resellers and end- customers outside of the United States, and we are therefore subject to a number of risks associated with international sales and operations. We market and sell our products throughout the world and have established sales offices in many parts of the world. Our international sales have represented a majority of our total revenue in recent periods. Therefore, we are subject to risks associated with having worldwide operations. We are also subject to a number of risks typically associated with international sales and operations, including: • disruption in the supply chain or in manufacturing or shipping, or decreases in demand by channel partners or end- customers, including any such disruption or decreases caused by factors outside of our control such as natural disasters and health emergencies, including earthquakes, droughts, fires, power outages, typhoons, floods, pandemics or epidemics ~~such as the COVID- 19 pandemic~~ and manmade events such as civil unrest, labor disruption, international trade disputes, international conflicts, terrorism, wars or other foreign conflicts, such as the war in Ukraine **and the Israel- Hamas war** or tensions between China and Taiwan, and critical infrastructure attacks; • fluctuations in foreign currency exchange rates or a strengthening of the U. S. dollar, as a significant portion of our expenses is incurred and paid in currencies other than the U. S. dollar, and the impact such fluctuations may have on the actual prices that our partners and customers are willing to pay for our products and services; • economic or political instability in foreign markets, such as any economic or political instability caused by economic downturns and wars or other foreign conflicts, such as the war in Ukraine **and the Israel- Hamas war** , tensions between China and Taiwan and any expansions thereof **; • instability in the global banking system** ; • greater difficulty in enforcing contracts and accounts receivable collection, including longer collection periods; • longer sales processes for larger deals ~~, particularly during the summer months or as a result of the COVID- 19 pandemic and related travel and gathering restrictions~~ ; • changes in regulatory requirements; • difficulties and costs of staffing and managing foreign operations; • the uncertainty of protection for **Intellectual Property ("** IP **")** rights in some countries; • costs of compliance with foreign policies, laws and regulations and the risks and costs of non- compliance with such policies, laws and regulations; • protectionist policies and penalties, and local laws, requirements, policies and perceptions that may adversely impact a U. S.- headquartered business' s sales in certain countries outside of the **United States** ~~U. S.~~ ; • costs of complying with, and the risks, reputational damage and other costs of non- compliance with, U. S. or other foreign laws and regulations for foreign operations, including the U. S. Foreign Corrupt Practices Act, the United Kingdom Bribery Act 2010, the General Data Protection Regulation (the " GDPR "), import and export control laws, trade laws and regulations, tariffs and retaliatory measures, trade barriers and economic sanctions; • other regulatory or contractual limitations on our ability to sell our products in certain foreign markets, and the risks and costs of non- compliance; • heightened risks of unfair or corrupt business practices in certain geographies and of improper or fraudulent sales or sales- related arrangements, such as sales " side agreements " to allow return rights, that could disrupt the sales team through terminations of employment or otherwise, and may adversely impact financial results as compared to those already reported or forecasted and result in restatements of financial statements and irregularities in financial statements; • our ability to effectively implement and maintain adequate internal controls to properly manage our international sales and operations; • political unrest, changes and uncertainty associated with terrorism, hostilities, war or natural disasters; • management communication and integration problems resulting from cultural differences and geographic dispersion; and • changes in tax, tariff, employment and other laws ~~. The ongoing effects of the COVID- 19 pandemic may increase the severity and unpredictability of a number of the foregoing risks, and the risks to our business presented by the COVID- 19 pandemic may be more significant and for a longer term in certain international geographies where we do meaningful business~~ . Product and service sales and employee and contractor matters may be subject to foreign governmental regulations, which vary substantially from country to country. Further, we may be unable to keep up to date with changes in government requirements as they change over time. Failure to comply with these regulations could result in adverse effects to our business. In many foreign countries, it is common for others to engage in business practices that are prohibited by our internal policies and procedures or U. S. regulations applicable to us. Although we implemented policies and procedures designed to ensure compliance with these laws and policies, there can be no assurance that all of our employees, contractors, channel partners and agents will comply with these laws and policies. Violations of laws or key control policies by our employees, contractors, channel partners or agents could result in litigation, regulatory action, costs of investigation, delays in revenue recognition, delays in financial reporting, financial reporting misstatements, fines, penalties or the prohibition of the importation or exportation of our products and services, any of which could have a material adverse effect on our business and results of operations. We may undertake corporate operating restructurings or transfers of assets that involve our group of foreign country subsidiaries through which we do business abroad, in order to maximize the operational and tax efficiency of our group structure. If ineffectual, such restructurings or transfers could increase our income tax liabilities, and in turn, increase our global effective tax rate. Moreover, our existing corporate structure and intercompany arrangements have been implemented in a manner we believe reasonably ensures that we are in compliance with current prevailing tax laws. However, the tax authorities of the jurisdictions in which we operate may challenge our methodologies for valuing developed technology or intercompany arrangements, which could impact our worldwide effective tax rate and harm our financial position and operating results. If we are not successful in continuing to execute our strategy to increase our sales to large and medium- sized end- customers, our results of operations may suffer. An important part of our growth strategy is to increase sales of our products to large- and medium- sized businesses, service providers and government organizations. While we have increased sales in recent periods to large- and medium- sized businesses, our sales volume varies by quarter and there is **a** risk as to our level of success selling to these target customers. Such sales involve unique sales skillsets, processes and structures, are often more complex and feature a longer contract term and may be at higher discount levels. We also have experienced uneven traction selling to certain government organizations and service providers and MSSPs, and there can be no assurance that we will be successful selling to these customers. Sales to these organizations involve risks that may not be present, or that are present to a lesser extent, with sales to smaller entities. These risks include: • increased competition from competitors that traditionally target large and medium- sized businesses, service providers and government organizations and that may already have purchase commitments from those end- customers; • increased purchasing power and leverage held by large end- customers in negotiating contractual arrangements; • unanticipated changes in the capital resources or purchasing behavior of large end- customers, including changes in the volume and frequency of their purchases and changes in the mix of products and services, willingness to change to cloud delivery model and related payment terms; • more stringent support requirements in our support service contracts, including stricter support response times, more complex requirements and increased penalties for any failure to meet support requirements; • longer sales cycles and the associated risk **that deals are delayed and** that substantial time and resources may be spent on a potential end- customer that elects not to purchase our products and services; • increased requirements from these customers that we have certain third- party security or other certifications, which we may not have, the lack of which may adversely affect our ability to successfully sell to such customers; • uncertainty as to timing to close large deals and any delays in closing those deals; and • longer ramp- up periods for enterprise sales personnel as compared to other sales personnel. Large and medium- sized businesses, service providers and MSSPs and government organizations often undertake a significant evaluation process that results in a lengthy sales cycle, in some cases longer than 12 months. Although we have a channel sales model, our sales representatives typically engage in direct interaction with end- customers, along with our distributors and resellers, in connection with sales to large- and medium- sized end- customers. We may spend substantial time, effort and money in our sales efforts without being successful in producing any sales. In addition, purchases by large- and medium- sized businesses, service providers and government organizations are frequently subject to budget constraints, multiple approvals and unplanned administrative, processing and other delays; in light of current economic conditions and regulations in place by various government authorities, some of these sales cycles are being further extended. Furthermore, service providers and MSSPs represent our largest industry vertical and consolidation or continued changes in buying behavior by larger customers within this industry could negatively impact our business. Large- and medium- sized businesses, service providers and MSSPs and government organizations typically have longer implementation cycles, require greater product functionality and scalability, expect a broader range of services, including design, implementation and post go- live services, demand that vendors take on a larger share of risks, require acceptance provisions that can lead to a delay in revenue recognition and expect greater payment flexibility from vendors. In addition, large- and medium- sized businesses, service providers and government organizations may require that our products and services be sold differently from how we offer our products and services, which could negatively impact our operating results. Our large business and service provider customers may also become more deliberate in their purchases as they plan their next- generation network security architecture, leading them to take more time in making purchasing decisions or to purchase based only on their immediate needs. All these factors can add further risk to business conducted with these customers. In addition, if sales expected from a large- and medium- sized end- customer for a particular quarter are not realized in that quarter or at all, our business, operating results and financial condition could be materially and adversely affected. If we do not increase the effectiveness of our sales organization, we may have difficulty adding new end- customers or increasing sales to our existing end- customers and our business may be adversely affected. Although we have a channel sales model, sales in our industry are complex and members of our sales organization often engage in direct interaction with our prospective end- customers, particularly for larger deals involving larger end- customers. Therefore, we continue to be substantially dependent on our sales organization to obtain new end- customers and sell additional products and services to our existing end- customers. There is significant competition for sales personnel with the skills and technical knowledge that we require, including experienced enterprise sales employees and others. Our ability to grow our revenue depends, in large part, on our success in recruiting, training and retaining sufficient numbers of sales personnel to support our growth and on the effectiveness of ~~those~~ **our sales strategy, sales execution, and sales** personnel ~~in~~ selling successfully in different contexts, each of which has its own different complexities, approaches and competitive landscapes, such as managing and growing the channel business for sales to small businesses and more actively selling to the end- customer for sales to larger organizations. New hires require substantial training and may take significant time before they achieve full productivity. Our recent hires and planned hires may not become productive as quickly as we expect, and we may be unable to hire or retain sufficient numbers of qualified individuals in the markets where we do business or plan to do business. Furthermore, hiring sales personnel in new countries requires additional setup and upfront costs that we may not recover if the sales personnel fail to achieve full productivity. If our sales employees do not become fully productive on the timelines that we have projected, our revenue may not increase at anticipated levels and our ability to achieve long- term projections may be negatively impacted. If we are unable to hire and train sufficient numbers of effective sales personnel, the sales personnel are not successful in obtaining new end- customers or increasing sales to our existing customer base or sales personnel do not effectively sell our ~~Enhanced Platform~~ **unified SASE and security operations** ~~Technology~~ **technology** ~~products~~ **solutions** , our business, operating results and prospects may be adversely affected. If we do not hire properly qualified and effective sales employees and organize our sales team effectively to capture the opportunities in the various customer segments we are targeting, our growth and ability to effectively support growth may **be harmed. In addition, in light of macroeconomic trends and in the event of sales execution challenges for any reason, we may face excess sales capacity, low sales productivity generally, and a decline in productivity in our sales organization. If we are not able to align our sales capacity and market demand, or if the productivity of our sales organization decreases, our operating results and financial condition could** be harmed. Unless we continue to develop better market awareness of our company and our products, and to improve lead generation and sales enablement, our revenue may not continue to grow. Increased market awareness of our capabilities and products and increased lead generation are essential to our continued growth and our success in all of our markets, particularly the market for sales to large businesses, service providers and government organizations. While we have increased our investments in sales and marketing, it is not clear that these investments will continue to result in increased revenue. If our investments in additional sales personnel or our marketing programs are not successful in continuing to create market awareness of our company and products or increasing lead generation, in growing billings for our broad product suite or if we experience turnover and disruption in our sales and marketing teams, we may not be able to achieve sustained growth, and our business, financial condition and results of operations may be adversely affected. **Some** ~~A portion~~ of our ~~revenue is generated by~~ sales **are** to government organizations **, which** ~~and to companies that perform on government contracts. These sales subject~~ **subjects** us to a number of regulatory requirements, challenges and risks. ~~We derive a portion of our revenue from sales~~ **Sales** to ~~government organization in the US (~~ **U. S. and foreign** federal, state ~~,~~ **and** local ~~and education markets) and in foreign markets. Sales to~~ government organizations are subject to ~~several~~ **a number of** risks. Because of public sector budgetary cycles and laws or regulations governing public procurements, such sales often require significant upfront time and expense without any assurance of winning a sale. Government demand, sales and payment for our products and services may be negatively impacted by numerous factors and requirements unique to selling to government agencies, such as: • policies, laws ~~or~~ **and** regulations have in the past, and may in the future, require us to ~~hold~~ **obtain and maintain** certain **security** ~~third- party~~ and **other certifications in order to sell our products and services into certain** government ~~security certifications in order to sell our products and services and to make organizational~~ **organizations** ~~and operational changes in order to sell into specific government agencies or programs~~ , and such certifications may be costly **and time- consuming** to obtain and maintain; • funding authorizations and requirements unique to government agencies, with funding or purchasing reductions or delays adversely affecting public sector demand for our products; and • geopolitical matters, including tariff and trade disputes, government shutdowns, impact of the war in Ukraine **and the Israel- Hamas war** , tensions between China and Taiwan and trade protectionism and other political dynamics that may adversely affect our ability to sell in certain locations or obtain the requisite permits and clearances required for certain purchases by government organizations of our products and services. In addition, ~~government~~ **if we do not have certain** certifications ~~and requirements~~ **, this** may restrict our ability to sell to certain government customers until we have obtained certain certifications **and** ~~or meet other applicable requirements, which~~ we ~~are~~ **may** not ~~guaranteed to do~~ **obtain the certifications in a timely manner or at all** . For example, certain of our competitors may ~~be~~ **have decided to become** certified under the U. S. Federal Risk and Authorization Management Program (" FedRAMP ") **,** and until **the** ~~such a~~ time that ~~are~~ **we** also ~~certified~~ **certify** under FedRAMP, we risk losing sales **for** ~~to certain~~ government ~~customers~~ **deals** to certified competitors **for deals where FedRAMP certification is a requirement** . The rules and regulations applicable to sales to government organizations may also negatively impact sales to other organizations. For example, government organizations may have contractual or other legal rights to terminate contracts with our distributors and resellers for convenience or due to a default, and any such termination may adversely impact our future results of operations. If the distributor receives a significant portion of its revenue from sales to government organizations, the financial health of the distributor could be substantially harmed, which could negatively affect our future sales to such distributor. Governments routinely investigate, review and audit government vendors' administrative and other processes, and any unfavorable investigation, audit, other review or unfavorable determination related to any government clearance or certification could result in the government' s refusing to continue buying our products and services, a limitation and reduction of government purchases of our products and services, a reduction of revenue or fines, or civil or criminal liability if the investigation, audit or other review uncovers improper, illegal or otherwise concerning activities. Any such penalties could adversely impact our results of operations in a material way. Further, any refusal to grant certain certifications or clearances by one government agency, or any decision by one government agency that our products do not meet certain standards, may reduce business opportunities and cause reputational harm and cause concern with other government agencies, governments and businesses and cause them to not buy our products and services and / or lead to a decrease in demand for our products generally. Finally, ~~purchases by~~ some governments, including the U. S. federal government, may require certain products to be manufactured in ~~the United States or in other~~ **, and services to be provided from, certain identified countries which may be** high- cost ~~manufacturing~~ locations. We may not manufacture all products **or provide all services** in locations that meet such requirements ~~meaning~~ **and consequently** our products ~~will~~ **and services may** not be eligible for certain government purchases ~~. The war in Ukraine and any expansion thereof and our reduction of operations in Russia have affected, and may continue to affect, our business. The war in Ukraine and resulting disruption are ongoing and likely to continue, and may also expand into other regions. Some of the impacts and potential impacts of the war in Ukraine and possible expansion thereof include, but are not limited to: • reduction of sales and revenue based on our reduction of operations and sales in Russia; • difficulty in business planning and forecasting due to the uncertainty of the impact of the war on aspects of our business, such as on our distributors, resellers and end- customers; • uncertainty and disruption in the general demand environment, including Russia, Belarus and Ukraine, which could reduce demand by distributors; • increased costs and the diversion of management' s attention related to oversight of our international operations; • failure of Russian distributors to pay outstanding accounts receivables owed to us; • retaliatory actions by Russia or other countries against us and other Western companies that chose to limit or remove business operations in the region; • increased risk of data breach and other threats from ransomware, destructive malware, distributed denial- of- service attacks, as~~

~~well as fraud, spam and fake accounts, cyber- attacks or other illegal activity conducted generally by bad actors seeking to take advantage of us, our distributors, resellers or end- customers; • any devaluation of local currency or other inflationary effects caused by the impact of sanctions and other macroeconomic effects of the war; and • significant volatility and disruption of global financial markets and negative impact to global and regional economies. Sanctions and trade control measures that have been implemented against Russia and Belarus, and others that may be implemented, are complex and still evolving. Our efforts to comply with such measures may be costly, time consuming and divert the attention of management. Any alleged or actual failure to comply with these measures as we work to reduce our business operations in Russia may subject us to government scrutiny, civil or criminal proceedings, sanctions and other liabilities, which may have a material adverse effect on our international operations, financial condition and results of operations. Any of the above- mentioned factors could adversely affect our business, prospects, financial condition and results of operations. The extent and duration of the military action, sanctions and resulting market disruptions are impossible to predict, but could be substantial. Any such disruptions may also magnify the impact of other risks described in this Annual Report on Form 10- K~~ . Risks Related to Our Industry, Customers, Products and Services We face intense competition in our market and we may not maintain or improve our competitive position. The market for network security products is intensely competitive and dynamic, and we expect competition to continue to intensify. We face many competitors across the different cybersecurity markets. Our competitors include companies such as ~~Arista,~~ Aruba ~~, Barracuda~~ , Check Point, Cisco, CrowdStrike, F5 Networks, Huawei, Juniper, Palo Alto Networks, SonicWALL, Sophos ~~, Trend Micro~~ , VMware and Zscaler. Some of our existing and potential competitors enjoy competitive advantages such as: • greater name recognition and / or longer operating histories; • larger sales and marketing budgets and resources; • broader distribution and established relationships with distribution partners and end- customers; • access to larger customer bases; • greater customer support resources; • greater resources to make acquisitions; • stronger U. S. government relationships; • lower labor and development costs; and • substantially greater financial, technical and other resources. In addition, certain of our larger competitors have broader product offerings, and leverage their relationships based on other products or incorporate functionality into existing products in a manner that discourages customers from purchasing our products. These larger competitors often have broader product lines and market focus, and are in a better position to withstand any significant reduction in capital spending by end- customers in these markets. Therefore, these competitors will not be as susceptible to downturns in a particular market. Also, many of our smaller competitors that specialize in providing protection from a single type of security threat are often able to deliver these specialized security products to the market more quickly than we can. Conditions in our markets could change rapidly and significantly as a result of technological advancements or continuing market consolidation. Our competitors and potential competitors may also be able to develop products or services, and leverage new business models, that are equal or superior to ours, achieve greater market acceptance of their products and services, disrupt our markets, and increase sales by utilizing different distribution channels than we do. For example, certain of our competitors are focusing on delivering security services from the cloud which include cloud- based security providers, such as **CrowdStrike and** Zscaler. In addition, current or potential competitors may be acquired by third parties with greater available resources, and new competitors may arise pursuant to acquisitions of network security companies or divisions. As a result of such acquisitions, competition in our market may continue to increase and our current or potential competitors might be able to adapt more quickly to new technologies and customer needs, devote greater resources to the promotion or sale of their products and services, initiate or withstand substantial price competition, take advantage of acquisition or other opportunities more readily, or develop and expand their product and service offerings more quickly than we do. In addition, our competitors may bundle products and services competitive with ours with other products and services. Customers may accept these bundled products and services rather than separately purchasing our products and services. As our customers refresh the security products bought in prior years, they may seek to consolidate vendors, which may result in current customers choosing to purchase products from our competitors on an ongoing basis. Due to budget constraints or economic downturns, organizations may be more willing to incrementally add solutions to their existing network security infrastructure from competitors than to replace it with our solutions. These competitive pressures in our market or our failure to compete effectively may result in price reductions, fewer customer orders, reduced revenue and gross margins and loss of market share. Managing inventory of our products and product components is complex. ~~Insufficient~~ **We order components from third- party manufacturers based on our forecasts of future demand and targeted** inventory ~~or components~~ **levels, which exposes us to the risk of both product shortages, which** may result in lost sales **and higher expenses** ~~opportunities or delayed revenue~~ , ~~while~~ **and** excess inventory **, which** may ~~harm~~ **require us to sell** our ~~gross margins~~ **products at discounts and lead to write- offs** . Managing our inventory is complex, especially ~~given current~~ **in times of** supply chain disruption. Our channel partners may increase orders during periods of product shortages, cancel orders or not place orders commensurate with our expectations if their inventory is too high, return products or take advantage of price protection (if any is available to the particular partner) or delay orders in anticipation of new products, and accurately forecasting inventory requirements and demand can be challenging. Our channel partners also may adjust their orders in response to the supply of our products and the products of our competitors that are available to them and in response to seasonal fluctuations in end- customer demand. ~~Furthermore, the time required to source components including chips and other components, and manufacture or ship certain products has increased, and so we expect inventory shortfalls to continue and costs to manufacture and ship on- time to continue to increase.~~ If we cannot manufacture and ship our products due to, for example, global chip shortages, excessive demand on contract manufacturers capacity, natural disasters and health emergencies such as earthquakes, fires, power outages, typhoons, floods, cyber events, pandemics and epidemics ~~such as the COVID- 19 pandemic~~ or manmade events such as civil unrest, labor disruption, international trade disputes, international conflicts, terrorism, wars or other foreign conflicts, such as the war in Ukraine **and the Israel- Hamas war** or tensions between China and Taiwan, and critical infrastructure attacks, our business and financial results could be materially and adversely impacted. The ~~global chip~~ **conflicts in the Middle East highlights potential risks associated with geopolitical instability in the region, including disruption to shipping routes,**

**longer lead times for components and products, increased insurance costs for vessels passing through conflict zones, potential increased costs for shipping and products, and potential delays and interruptions in the supply chain. We may face challenges in sourcing materials, fulfilling orders, and managing logistics efficiently, which could ultimately affect our operations, financial performance and overall business continuity. In response to component** ~~shortage~~ **shortages** ~~caused by the COVID~~ **in previous periods, we increased our purchase order commitments. Our suppliers may require us to accept or pay for components and finished goods regardless of our level of sales in a particular period, which may negatively impact our operations results and financial condition. For additional information and a further discussion of impacts and risks related to our purchase commitments with our suppliers, refer to Note 12. Commitments and Contingencies in Part II, Item 8 of this Annual Report on Form 10** - **K** ~~19 pandemic and other factors affecting manufacturing capacity is having, and we expect to continue to have, an adverse impact on our ability to manage our inventory and to meet product demand in a timely fashion. We expect this shortage will persist for an indefinite period of time. Management of our inventory is further complicated by the significant number of different products and models that we sell which may impact our billings, revenue, margins and free cash flow. Mismanagement of our inventory, whether due to imprecise forecasting, employee errors or malfeasance, inaccurate information or otherwise, may adversely affect our results of operations. The COVID- 19 pandemic has resulted in challenges for us to obtain components and inventory, as well as increases to freight and shipping costs, and may result in a material adverse effect on our results of operations~~ . Inventory management remains an area of focus as we balance the need to maintain inventory levels that are sufficient to ensure competitive lead times against the risk of inventory obsolescence because of rapidly changing technology, product transitions, customer requirements or excess inventory levels. If we ultimately determine that we have excess inventory, we may have to reduce our prices and write- down inventory, which in turn could result in lower gross margins. Alternatively, insufficient inventory levels may lead to shortages that result in delayed billings and revenue or loss of sales opportunities altogether as potential end- customers turn to competitors' products that are readily available. For example, we have in the past experienced inventory shortages and excesses due to the variance in demand for certain products from forecasted amounts. Our inventory management systems and related supply chain visibility tools may be inadequate to enable us to effectively manage inventory. If we are unable to effectively manage our inventory and that of our channel partners, our results of operations could be adversely affected. If our new products **, services** and ~~product~~ enhancements do not achieve sufficient market acceptance, our results of operations and competitive position will suffer. We spend substantial amounts of time and money to develop internally and acquire new products and **services and** ~~enhanced~~ - **enhance** versions of our existing products **and services** in order to incorporate additional features, improved functionality or other enhancements in order to meet our customers' rapidly evolving demands for network security in our highly competitive industry. When we develop a new product or **service, or** an enhanced version of an existing product **or service** , we typically incur expenses and expend resources upfront to market, promote and sell the new offering. Therefore, when we develop and introduce new or enhanced products **or services** , they must achieve high levels of market acceptance in order to justify the amount of our investment in developing and bringing them to market. Our new products **, services** or ~~product~~ enhancements could fail to attain sufficient market acceptance for many reasons, including: • delays in releasing our new products **, services** or enhancements to the market; • failure to accurately predict market demand in terms of product **and service** functionality and to supply products **and services** that meet this demand in a timely fashion; • failure to have the appropriate research and development expertise and focus to make our top strategic ~~Enhanced Platform Technology~~ products **and services** successful; • failure of our sales force and partners to focus on selling new products **and services** ; • inability to interoperate effectively with the networks or applications of our prospective end- customers; • inability to protect against new types of attacks or techniques used by hackers; • actual or perceived defects, vulnerabilities, errors or failures; • negative publicity about their performance or effectiveness; • introduction or anticipated introduction of competing products **and services** by our competitors; • poor business conditions for our end- customers, causing them to delay IT purchases; • changes to the regulatory requirements around security; and • reluctance of customers to purchase products **or services** incorporating open source software. If our new products **, services** or enhancements do not achieve adequate acceptance in the market, our competitive position will be impaired, our revenue will be diminished and the effect on our operating results may be particularly acute because of the significant research, development, marketing, sales and other expenses we incurred in connection with the new product **, service** or enhancement .The network security market is rapidly evolving and the complex technology incorporated in our products makes them difficult to develop.If we do not accurately predict,prepare for and respond promptly to technological and market developments ~~,~~ **and** changing end- customer needs ~~,and expanding regulatory requirements and standards~~ ,our competitive position and prospects may be harmed.The network security market is expected to continue to evolve rapidly.Moreover,many of our end- customers operate in markets characterized by rapidly changing technologies and business plans,which require them to add numerous network access points and adapt increasingly complex networks,incorporating a variety of hardware,software applications,operating systems and networking protocols.In addition,computer hackers and others who try to attack networks employ increasingly sophisticated techniques to gain access to and attack systems and networks.The technology in our products is especially complex because **it needs** ~~of the requirements~~ to effectively identify and respond to new and increasingly sophisticated methods of attack,while minimizing the impact on network performance.Additionally,some of our new products and enhancements may require us to develop new hardware architectures and ASICs that involve complex,expensive and time- consuming research and development processes.For example,we enter into development agreements with third parties.If our **contract** development projects are not successfully completed,or are not completed in a timely fashion,our product development could be delayed and our business generally could suffer.Costs for **contract** development can be substantial and our profitability may be harmed if we are unable to recover these costs.Although the market expects rapid introduction of new products or product enhancements to respond to new threats,the development of these products is difficult and the timetable for commercial release and availability is uncertain and there can be long time periods between releases and availability of new products.We have in the past and may in the future experience unanticipated delays in the availability of new products and services and fail to meet previously announced timetables for such availability.If we do not quickly respond to the rapidly changing and rigorous needs of our end- customers by developing,releasing and making available on a timely basis new products and services or enhancements that can respond adequately to new security threats,our competitive position and business prospects may be harmed.Moreover,business models based on a subscription **SaaS,** cloud- based ~~software service~~ **services ,** have become increasingly in **-** demand by our end- customers and adopted by other providers,including our competitors.While we have introduced additional cloud- based ~~solutions~~ **products and services** and will continue to do so,most of our platform is currently deployed on premise,and therefore, ~~as~~ **if** customers demand that ~~solutions~~ **our platform** be provided through a subscription **SaaS** ~~cloud- based~~ business model,we ~~are making~~ **would be required to make** additional investments in our infrastructure and personnel to be able to more fully provide our platform through a subscription **SaaS** ~~cloud- based~~ model in order to maintain the competitiveness of our platform.Such investments **may** involve expanding our data centers,servers and networks,and increasing our technical operations and engineering teams ~~and this results in added cost and risks associated with managing new business models,such as obligations to deliver certain functionality and features and to meet certain service level agreements related to cloud- based solutions~~ . ~~There~~ **These** ~~is also a risk that we are slower to offer these solutions than competitors.The~~ risks are compounded by **the uncertainty concerning the future success of any of our particular subscription SaaS business models and the future demand for our subscription SaaS models by customers.Additionally,if we are unable to meet the demand to provide our services through a subscription SaaS model,we may lose customers to competitors** . Demand for our products may be limited by market perception that individual products from one vendor that provide multiple layers of security protection in one product are inferior to point **products** ~~solution network security solutions~~ from multiple vendors. Sales of many of our products depend on increased demand for incorporating broad security functionality into one appliance. If the market for these products fails to grow as we anticipate, our business will be seriously harmed. Target customers may view " all- in- one " network security solutions as inferior to security solutions from multiple vendors because of, among other things, their perception that such products of ours provide security functions from only a single vendor and do not allow users to choose " best- of- breed " defenses from among the wide range of dedicated security applications available. Target customers might also perceive that, by combining multiple security functions into a single platform, our solutions create a " single point of failure " in their networks, which means that an error, vulnerability or failure of our product may place the entire network at risk. In addition, the market perception that " all- in- one " solutions may be suitable only for small and medium- sized businesses because such solution lacks the performance capabilities and functionality of other solutions may harm our sales to large businesses, service provider and government organization end- customers. If the foregoing concerns and perceptions become prevalent, even if there is no factual basis for these concerns and perceptions, or if other issues arise with our market in general, demand for multi- security functionality products could be severely limited, which would limit our growth and harm our business, financial condition and results of operations. Further, a successful and publicized targeted attack against us, exposing a " single point of failure ", could significantly increase these concerns and perceptions and may harm our business and results of operations. If functionality similar to that offered by our products is incorporated into existing network infrastructure products, organizations may decide against adding our appliances to their network, which would have an adverse effect on our business. Large, well- established providers of networking equipment, such as Cisco, offer, and may continue to introduce, network security features that compete with our products, either in standalone security products or as additional features in their network infrastructure products. The inclusion of, or the announcement of an intent to include, functionality perceived to be similar to that offered by our security solutions in networking products that are already generally accepted as necessary components of network architecture may have an adverse effect on our ability to market and sell our products. Furthermore, even if the functionality offered by network infrastructure providers is more limited than our products, a significant number of customers may elect to accept such limited functionality in lieu of adding appliances from an additional vendor such as us. Many organizations have invested substantial personnel and financial resources to design and operate their networks and have established deep relationships with other providers of networking products, which may make them reluctant to add new components to their networks, particularly from other vendors such as us. In addition, an organization' s existing vendors or new vendors with a broad product offering may be able to offer concessions that we are not able to match because we currently offer only network security products and have fewer resources than many of our competitors. If organizations are reluctant to add additional network infrastructure from new vendors or otherwise decide to work with their existing vendors, our business, financial condition and results of operations will be adversely affected. Because we depend on several third- party manufacturers to build our products, we are susceptible to manufacturing delays that could prevent us from shipping customer orders on time, if at all, and may result in the loss of sales and customers, and third- party manufacturing cost increases could result in lower gross margins and free cash flow. We outsource the manufacturing of our security appliance products to contract manufacturing partners and original design manufacturing partners, including manufacturers with facilities located in Taiwan and other countries outside the United States such as ADLINK, IBASE, Micro- Star, Senao and Wistron. Our reliance on our third- party manufacturers reduces our control over the manufacturing process, exposing us to risks, including reduced control over quality assurance, costs, supply and timing and possible tariffs. Any manufacturing disruption related to our third- party manufacturers or their component suppliers for any reason, including global chip shortages, natural disasters and health emergencies such as earthquakes, fires, power outages, typhoons, floods, health pandemics and epidemics ~~such as the COVID- 19 pandemic~~ and manmade events such as civil unrest, labor disruption, cyber events, international trade disputes, international conflicts, terrorism, wars, such as the war in Ukraine **and the Israel- Hamas war** , and critical infrastructure attacks, could impair our ability to fulfill orders. If we are unable to manage our relationships with these third- party manufacturers effectively, or if these third- party manufacturers experience delays, increased manufacturing lead- times, disruptions, capacity constraints or quality control problems in their manufacturing operations, or fail to meet our future requirements for timely delivery, our ability to ship products to our customers could be impaired and our business would be seriously harmed. Further, certain components for our products come from Taiwan and approximately ~~88~~ **95** % of our hardware is manufactured in Taiwan. Any increase in tensions between China and Taiwan, including threats of military actions or escalation of military activities, could adversely affect our manufacturing operations in Taiwan. These manufacturers fulfill our supply requirements on the basis of individual purchase orders. We have no long- term contracts or arrangements with our third- party manufacturers that guarantee capacity, the continuation of particular payment terms or the extension of credit limits. Accordingly, they are not obligated to continue to fulfill our supply requirements, and the prices we are charged for manufacturing services could be increased on short notice. If we are required to change third- party manufacturers, our ability to meet our scheduled product deliveries to our customers would be adversely affected, which could cause the loss of sales and existing or potential customers, delayed revenue or an increase in our costs, which could adversely affect our gross margins. Our individual product lines are generally manufactured by only one manufacturing partner. Any production or shipping interruptions for any reason, such as a natural disaster, ~~epidemic~~ **epidemics , pandemics** , capacity shortages, quality problems or strike or other labor disruption at one of our manufacturing partners or locations or at shipping ports or locations, would severely affect sales of our product lines manufactured by that manufacturing partner. Furthermore, manufacturing cost increases for any reason could result in lower gross margins. Our proprietary ~~ASICs~~ **ASIC** , which are key to the performance of our appliances, are built by contract manufacturers including Renesas and Toshiba America. These contract manufacturers use foundries operated by TSMC or Renesas on a purchase- order basis, and these foundries do not guarantee their capacity and could delay orders or increase their pricing. Accordingly, the foundries are not obligated to continue to fulfill our supply requirements, and due to the long lead time that a new foundry would require, we could suffer inventory shortages of our ASIC as well as increased costs. In addition to our proprietary ASIC, we also purchase off- the- shelf ASICs or integrated circuits from vendors for which we have experienced, and may continue to experience, long lead times. Our suppliers may also prioritize orders by other companies that order higher volumes or more profitable products. If any of these manufacturers materially delays its supply of ASICs or specific product models to us, or requires us to find an alternate supplier and we are not able to do so on a timely and reasonable basis, or if these foundries materially increase their prices for fabrication of our ASICs, our business would be harmed. In addition, our reliance on third- party manufacturers and foundries limits our control over environmental regulatory requirements such as the hazardous substance content of our products and therefore our ability to ensure compliance with the Restriction of Hazardous Substances Directive (the " EU RoHS ") adopted in the European Union (the " EU ") and other similar laws. It also exposes us to the risk that certain minerals and metals, known as " conflict minerals ", that are contained in our products have originated in the Democratic Republic of the Congo or an adjoining country. As a result of the passage of the Dodd- Frank Wall Street Reform and Consumer Protection Act of 2010 (" Dodd- Frank "), the Securities and Exchange Commission (the " SEC ") adopted disclosure requirements for public companies whose products contain conflict minerals that are necessary to the functionality or production of such products. Under these rules, we are required to obtain sourcing data from suppliers, perform supply chain due diligence, and file annually with the SEC a specialized disclosure report on Form SD covering the prior calendar year. We have incurred and expect to incur additional costs to comply with the rules, including costs related to efforts to determine the origin, source and chain of custody of the conflict minerals used in our products and the adoption of conflict minerals- related governance policies, processes and controls. Moreover, the implementation of these compliance measures could adversely affect the sourcing, availability and pricing of materials used in the manufacture of our products to the extent that there may be only a limited number of suppliers that are able to meet our sourcing requirements, which would make it more difficult to obtain such materials in sufficient quantities or at competitive prices. We may also encounter customers who require that all of the components of our products be certified as conflict- free. If we are not able to meet customer requirements, such customers may choose to not purchase our products, which could impact our sales and the value of portions of our inventory. Because some of the key components in our products come from limited sources of supply, we are susceptible to supply shortages, long **or uncertain** lead times for components, and supply changes, each of which could disrupt or delay our scheduled product deliveries to our customers, result in inventory shortage, cause loss of sales and customers or increase component costs resulting in lower gross margins and free cash flow. We and our contract manufacturers currently purchase several key parts and components used in the manufacture of our products from limited sources of supply. We are therefore subject to the risk of shortages and long **or uncertain** lead times in the supply of these components and the risk that component suppliers may discontinue or modify components used in our products. We have in the past experienced ~~, and are currently experiencing,~~ shortages and long **or uncertain** lead times for certain components. Our limited source components for particular appliances and suppliers of those components include specific types of CPUs from Intel and AMD, network and wireless chips from Broadcom, Marvell, Qualcomm and Intel, and memory devices from Intel, Micron, ADATA, Toshiba, Samsung and Western Digital. We also may face shortages in the supply of the capacitors and resistors that are used in the manufacturing of our products ~~. For example~~ , **which** ~~the global chip shortage caused by the COVID- 19 pandemic and other factors affecting manufacturing continues to affect the manufacturing capacity of us and our contract manufacturers. This shortage~~ may persist for an indefinite period of time. The introduction by component suppliers of new versions of their products, particularly if not anticipated by us or our contract manufacturers, could require us to expend significant resources to incorporate these new components into our products. In addition, if these suppliers were to discontinue production of a necessary part or component, we would be required to expend significant resources and time in locating and integrating replacement parts or components from another vendor. Qualifying additional suppliers for limited source parts or components can be time- consuming and expensive. **Although we** ~~Our manufacturing partners~~ have ~~experienced~~ **increased our purchase order commitments to support** long ~~lead times~~ **- term customer demand, if we are unable to obtain sufficient quantities of any of these components on commercially reasonable terms or in a timely manner, or if we are unable to obtain alternative sources** for ~~the~~ **these components, shipments of our products could be delayed or halted entirely or we**

**may be required to redesign our products. Any of these events could result in a cancellation of orders, lost sales, reduced gross margins or damage to our end customer relationships, which would adversely impact our business, financial condition, results of operations and prospects. Additionally, if actual demand does not directly match with our demand forecasts, due to our** purchase ~~of components incorporated into~~ **order commitments, we could be required to accept** ~~our~~ - **or pay** ~~products. Lead times~~ for components **and finished goods. This** may **result in us discounting our products or excess or obsolete inventory, which we would** be **required to write down to its estimated realizable value** ~~adversely impacted by factors outside of our control such as global chip shortages~~ , **which in turn could result in** ~~natural disasters and health emergencies such as earthquakes, fires, power~~ **lower gross margins** ~~outages, typhoons, floods, health pandemics and epidemics such as the COVID- 19 pandemic, and manmade events such as civil unrest, labor disruption, international trade disputes, international conflicts, terrorism, wars, such as the war in Ukraine, critical infrastructure attacks and other factors~~ . Our reliance on a limited number of suppliers involves several additional risks, including: • a potential inability to obtain an adequate supply of required parts or components when required; • financial or other difficulties faced by our suppliers; • infringement or misappropriation of our IP; • price increases; • failure of a component to meet environmental or other regulatory requirements; • failure to meet delivery obligations in a timely fashion; • failure in component quality; and • inability to ship products on a timely basis. The occurrence of any of these events would be disruptive to us and could seriously harm our business. Any interruption or delay in the supply of any of these parts or components, or the inability to obtain these parts or components from alternate sources at acceptable prices and within a reasonable amount of time, would harm our ability to meet our scheduled product deliveries to our distributors, resellers and end- customers. This could harm our relationships with our channel partners and end- customers and could cause delays in shipment of our products and adversely affect our results of operations. In addition, increased component costs could result in lower gross margins. We offer retroactive price protection to certain of our major distributors **in North America** , and if we fail to balance their inventory with end- customer demand for our products, our allowance for price protection may be inadequate, which could adversely affect our results of operations. We provide certain of our major distributors **in North America** with price protection rights for inventories of our products held by them. If we reduce the list price of our products, **as we have recently done,** certain distributors **in North America** receive refunds or credits from us that reduce the price of such products held in their inventory based upon the new list price. Future credits for price protection will depend on the percentage of our price reductions for the products in inventory and our ability to manage the levels of **certain of** our major distributors' inventories **in North America** . If future price protection adjustments are higher than expected, our future results of operations could be materially and adversely affected. The sales prices of our products and services may decrease, which may reduce our gross profits and operating margin and may adversely impact our financial results and the trading price of our common stock. The sales prices for our products and services may decline for a variety of reasons or our product mix may change, resulting in lower growth and margins based on a number of factors, including competitive pricing pressures, discounts or promotional programs we offer, a change in our mix of products and services and anticipation of the introduction of new products and services **. We have recently conducted such price decreases** . Competition continues to increase in the market segments in which we participate, and we expect competition to further increase in the future, thereby leading to increased pricing pressures. Larger competitors with more diverse product offerings may reduce the price of products and services that compete with ours in order to promote the sale of other products or services or may bundle them with other products or services. Additionally, although we price our products and services worldwide in U. S. dollars, currency fluctuations in certain countries and regions have in the past, and may in the future, negatively impact actual prices that partners and customers are willing to pay in those countries and regions. Furthermore, we anticipate that the sales prices and gross profits for our products or services will decrease over product life cycles. We cannot ensure that we will be successful in developing and introducing new offerings with enhanced functionality on a timely basis, or that our product and service offerings, if introduced, will enable us to maintain our prices, gross profits and operating margin at levels that will allow us to maintain profitability. Actual, possible or perceived defects, errors or vulnerabilities in our products or services, the failure of our products or services to detect or prevent a security ~~breach~~ **incident,** or the misuse of our products could harm our operational results and reputation. Our products and services are complex, and they have contained and may contain defects, errors or vulnerabilities that are not detected until after their commercial release and deployment by our customers. Defects, errors or vulnerabilities may impede or block network traffic, cause our products or services to be vulnerable to electronic break- ins, cause them to fail to help secure our customers or cause our products or services to allow unauthorized access to our customers' networks. ~~Our~~ **Following a review in accordance with our publicly available Product Security Incident Response Team policy, our** Product Security Incident Response Team publicly posts on our FortiGuard Labs website known product vulnerabilities, including critical vulnerabilities, and methods for customers to mitigate the risk of vulnerabilities. ~~However, there~~ **There** can be no assurance **, however,** that such posts will be sufficiently timely **, accurate** or complete or **that** those customers will take steps to mitigate the risk of vulnerabilities, and certain customers may be negatively impacted. Additionally, any perception that our products have vulnerabilities, whether or not accurate, and any actual vulnerabilities may harm our operational results and reputation, more significantly as compared to certain other companies **in other industries** because we are a security company. Our products are also susceptible to errors, defects, logic flaws, vulnerabilities and inserted vulnerabilities that may arise in, or be included in our products in, different stages of our supply chain, manufacturing and shipment processes, and a threat actor' s exploitation of these weaknesses may be difficult to anticipate, prevent, and detect. If we are unable to maintain an effective supply chain security risk management and products security program, then the security and integrity of our products and the updates to those products that our customers receive could be exploited by third parties or insiders. Different customers deploy and use our products in different ways, and certain deployments and usages may subject our products to adverse conditions that may negatively impact the effectiveness and useful lifetime of our products. Our networks and products, including cloud- based technology, could be targeted by attacks specifically designed to disrupt our business and harm our operational results and reputation. We cannot ensure that our products will prevent all adverse security events. Because the techniques used by malicious adversaries to access or sabotage networks change frequently and generally are not recognized until launched against a target, we may be unable to anticipate these techniques. In addition, defects or errors in our FortiGuard and other security subscription or FortiCare updates or our Fortinet appliances and operating systems could result in a failure of our FortiGuard and other security subscription services to effectively **or correctly** update end- customers' Fortinet appliances and cloud- based products and thereby leave customers vulnerable to attacks. Furthermore, our solutions may also fail to detect or prevent viruses, worms, ransomware attacks or similar threats due to a number of reasons such as the evolving nature of such threats and the continual emergence of new threats that we may fail to **anticipate or** add to our FortiGuard databases in time to protect our end- customers' networks. Our data centers and networks and those of our hosting vendors and cloud service providers ~~,~~ may also experience technical failures and downtime, and may fail to distribute appropriate updates, or fail to meet the increased requirements of our customer base. Any such technical failure, downtime or failures in general may temporarily or permanently expose our end- customers' networks, leaving their networks unprotected against the latest security threats. An actual, possible or perceived security ~~breach~~ **incident** or infection of the network of one of our end- customers, regardless of whether the ~~breach~~ **incident** is attributable to the failure of our products or services to prevent **or detect** the security ~~breach~~ **incident** , or any actual or perceived security risk in our supply chain, could adversely affect the market' s perception of our security products and services, cause customers and customer prospects not to buy from us and, in some instances, subject us to potential liability that is not contractually limited. We may not be able to correct any security flaws or vulnerabilities promptly, or at all. Our products may also be misused or misconfigured by end- customers or third parties who obtain access to our products. For example, our products could be used to censor private access to certain information on the internet. Such use of our products for censorship could result in negative press coverage and negatively affect our reputation, even if we take reasonable measures to prevent any improper shipment of our products or if our products are provided by an unauthorized third party. Any actual, possible or perceived defects, errors or vulnerabilities in our products, or misuse of our products, could result in: • the expenditure of significant financial and product development resources in efforts to analyze, correct, eliminate or work around errors or defects or to address and eliminate vulnerabilities; • the loss of existing or potential end- customers or channel partners; • delayed or lost revenue; • delay or failure to attain market acceptance; • negative publicity and harm to our reputation; and • **disclosure requirements,** litigation, regulatory inquiries or investigations that may be costly and harm our reputation and, in some instances, subject us to potential liability that is not contractually limited . The network security market is rapidly......, we may lose customers to competitors . Our uniform resource locator (" URL ") database for our web filtering service may fail to keep pace with the rapid growth of URLs and may not categorize websites in accordance with our end- customers' expectations. The success of our web filtering service depends on the breadth and accuracy of our URL database. Although our URL database currently catalogs millions of unique URLs, it contains only a portion of the URLs for all of the websites that are available on the internet. In addition, the total number of URLs and software applications is growing rapidly, and we expect this rapid growth to continue in the future. Accordingly, we must identify and categorize content for our security risk categories at an extremely rapid rate. Our database and technologies may not be able to keep pace with the growth in the number of websites, especially the growing amount of content utilizing foreign languages and the increasing sophistication of malicious code and the delivery mechanisms associated with spyware, phishing and other hazards associated with the internet. Further, the ongoing evolution of the internet and computing environments will require us to continually improve the functionality, features and reliability of our web filtering function. Any failure of our databases to keep pace with the rapid growth and technological change of the internet could impair the market acceptance of our products, which in turn could harm our business, financial condition and results of operations. In addition, our web filtering service may not be successful in accurately categorizing internet and application content to meet our end- customers' expectations. We rely upon a combination of automated filtering technology and human review to categorize websites and software applications in our proprietary databases. Our end- customers may not agree with our determinations that particular URLs should be included or not included in specific categories of our databases. In addition, it is possible that our filtering processes may place material that is objectionable or that presents a security risk in categories that are generally unrestricted by our customers' internet and computer access policies, which could result in such material not being blocked from the network. Conversely, we may miscategorize websites such that access is denied to websites containing information that is important or valuable to our customers. Any miscategorization could result in customer dissatisfaction and harm our reputation. Any failure to effectively categorize and filter websites according to our end- customers' and channel partners' expectations could impair the growth of our business. False detection of vulnerabilities, viruses or security ~~breaches~~ **incidents** or false identification of spam or spyware could adversely affect our business. Our FortiGuard and other security subscription services may falsely detect, report and act on viruses or other threats that do not actually exist. This risk is heightened by the inclusion of a " heuristics " feature in our products, which attempts to identify viruses and other threats not based on any known signatures but based on characteristics or anomalies that may indicate that a particular item is a threat. When our end- customers enable the heuristics feature in our products, the risk of falsely identifying viruses and other threats significantly increases. These false positives, while typical in the industry, may impair the perceived reliability of our products and may therefore adversely impact market acceptance of our products. Also, our FortiGuard and other security subscription services may falsely identify emails or programs as unwanted spam or potentially unwanted programs, or alternatively fail to properly identify unwanted emails or programs, particularly as spam emails or spyware are often designed to circumvent anti- spam or spyware products. Parties whose emails or programs are blocked by our products may seek redress against us for labeling them as spammers or spyware, or for interfering with their business. In addition, false identification of emails or programs as unwanted spam or potentially unwanted programs may reduce the adoption of our products. If our system restricts important files or applications based on falsely identifying them as malware or some other item that should be restricted, this could adversely affect end- customers' systems and cause material system failures. In addition, our threat researchers periodically identify vulnerabilities in various third- party products, and, if these identifications are perceived to be incorrect or are in fact incorrect, this could harm our business. Any such false identification or perceived false identification of important files, applications or vulnerabilities could result in negative publicity, loss of end- customers and sales, increased costs to remedy any problem and costly litigation. Our ability to sell our products is dependent on our quality control processes and the quality of our technical support services, and our failure to offer high- quality technical support services ~~would~~ **could** have a material adverse effect on our sales and results of operations. Once our products are deployed within our end- customers' networks, our end- customers depend on our technical support services, as well as the support of our channel partners and other third parties, to resolve any issues relating to our products. If we, our channel partners or other third parties do not effectively assist our customers in planning, deploying and operational proficiency for our products, succeed in helping our customers quickly resolve post- deployment issues and provide effective ongoing support, our ability to sell additional products and services to existing customers could be adversely affected and our reputation with potential customers could be damaged. Many large end- customers, and service provider or government organization end- customers, require higher levels of support than smaller end- customers because of their more complex deployments and more demanding environments and business models. If we, our channel partners or other third parties fail to meet the requirements of our larger end- customers, it may be more difficult to execute on our strategy to increase our penetration with large businesses, service providers and government organizations. Our failure to maintain high- quality support services ~~would~~ **could** have a material adverse effect on our business, financial condition and results of operations and may subject us to litigation, reputational damage, loss of customers and additional costs. Our business is subject to the risks of warranty claims, product returns, product liability and product defects. Our products are very complex and, despite testing prior to their release, have contained and may contain undetected defects or errors, especially when first introduced or when new versions are released. Product errors have affected the performance and effectiveness of our products and could delay the development or release of new products or new versions of products, adversely affect our reputation and our end- customers' willingness to buy products from us, result in litigation and disputes with customers and adversely affect market acceptance or perception of our products. Any such errors or delays in releasing new products or new versions of products or allegations of unsatisfactory performance could cause us to lose revenue or market share, increase our service costs, cause us to incur substantial costs in redesigning the products, cause us to lose significant end- customers, subject us to litigation, litigation costs and liability for damages and divert our resources from other tasks, any one of which could materially and adversely affect our business, results of operations and financial condition. Our products must successfully interoperate with products from other vendors. As a result, when problems occur in a network, it may be difficult to identify the sources of these problems. The occurrence of hardware and software errors, whether or not caused by our products, could delay or reduce market acceptance of our products and have an adverse effect on our business and financial performance, and any necessary revisions may cause us to incur significant expenses. The occurrence of any such problems could harm our business, financial condition and results of operations. Although we generally have limitation of liability provisions in our standard terms and conditions of sale, they may not fully or effectively protect us from claims if exceptions apply or if the provisions are deemed unenforceable, and in some circumstances **,** we may be required to indemnify a customer in full, without limitation, for certain liabilities, including liabilities that are not contractually limited. The sale and support of our products also entail the risk of product liability claims. We maintain insurance to protect against certain claims associated with the use of our products, but our insurance coverage may not adequately cover any claim asserted against us, if at all, and in some instances may subject us to potential liability that is not contractually limited. In addition, even claims that ultimately are unsuccessful could result in our expenditure of funds in litigation and divert management' s time and other resources **. If the availability of our cloud- based subscription services does not meet our service- level commitments to our customers, our current and future revenue may be negatively impacted. We typically commit to our customers that our cloud- based subscription services will maintain a minimum service- level of availability. If we are unable to meet these commitments, this could negatively impact our business. We rely on public cloud providers, such as Amazon Web Services, Microsoft Azure and Google Cloud, co- location providers, such as Equinix, and our own data centers and points of presence (" PoPs "), and any availability interruption in any of these cloud solutions could result in us not meeting our service- level commitments to our customers. In some cases, we may not have a contractual right with our public cloud or co- location providers that compensates us for any losses due to availability interruptions in our cloud- based subscription services. Further, any failure to meet our service- level commitments could damage our reputation and adoption of our cloud- based subscription services, and we could face loss of revenue from reduced future subscriptions and reduced sales and face additional costs associated with any failure to meet service- level agreements. Any service- level failures could adversely affect our business, financial condition and results of operations** . Risks Related to our Systems and Technology If our internal enterprise IT networks, on which we conduct internal business and interface externally, our operational networks, through which we connect to customers, vendors and partners systems and provide services, or our research and development networks, our back- end labs and cloud stacks hosted in our data centers, colocation vendors or public cloud providers, through which we research, develop and host products and services, are compromised, public perception of our products and services may be harmed, our customers may be breached and harmed, we may become subject to liability, and our business, operating results and stock price may be adversely impacted. Our success depends on the market' s confidence in our ability to provide effective network security protection. Despite our efforts and processes to prevent breaches of our internal networks, systems and websites, we are still vulnerable to computer viruses, break- ins, phishing attacks, ransomware attacks, attempts to overload our servers with denial- of- service, vulnerabilities in vendor hardware and software that we leverage, advanced persistent threats from sophisticated actors and other cyber- attacks and similar disruptions from unauthorized access to our internal networks, systems or websites. Our security measures may also be breached due to employee error, malfeasance or otherwise, which breaches may be more difficult to detect than outsider threats, and the existing programs and trainings we have in place to prevent such insider threats may not be effective or sufficient. Third parties may also attempt to fraudulently induce our employees to transfer funds or disclose information in order to gain access to our networks and confidential information. Third parties may also send our customers or others malware or malicious emails that falsely indicate that we are the source, potentially causing lost confidence in us and reputational harm. We cannot guarantee that the measures we have taken to protect our networks, systems and websites will provide adequate security. Moreover, because we provide network security products, we may be a more attractive target for attacks by computer hackers and any security breaches and other security incidents involving us may result in more harm to our reputation and brand than companies that do not sell network security solutions. Hackers and malicious parties may be able to develop and deploy viruses, worms, ransomware and other malicious software programs that attack our products and customers, that impersonate our update servers in an effort to access customer networks and negatively impact customers, or otherwise exploit any security vulnerabilities of our products, or attempt to fraudulently induce our employees, customers or others to disclose passwords or other sensitive information or unwittingly provide access to our internal networks, systems or data **. Moreover, the threat landscape continues to evolve as a result of new technologies, including artificial intelligence (“ AI ”), and malicious parties may use AI to help attack our solutions, systems, and our customers** . For example, from time to time, we have discovered that unauthorized parties have targeted us using sophisticated techniques, including by stealing technical data and attempting to steal private encryption keys, in an effort to both impersonate our products and threat intelligence update services and possibly attempt other attack methodologies. Using these techniques, these unauthorized parties have tried, and may in the future try, to gain access to certain of our and our customers’ systems. We have also, for example, discovered that unauthorized parties have targeted vulnerabilities in our product software and infrastructure in an effort to gain entry into our customers’ networks. In addition, in general threat actors use dark web forums to sell organizations’ stolen credentials. If threat actors sell valid credentials used by our customers to access our services, it is possible that unauthorized third parties may use such stolen credentials to try to gain access to our services. These and other hacking efforts against us and our customers may be ongoing and may happen in the future. Although we take numerous measures and implement multiple layers of security to protect our networks, we cannot guarantee that our security products, processes and services will secure against all threats. Further, we cannot be sure that third parties have not been, or will not in the future be, successful in improperly accessing our systems and our customers’ systems, which could negatively impact us and our customers. An actual breach could significantly harm us and our customers, and an actual or perceived breach, or any other actual or perceived data security incident, threat or vulnerability, that involves our supply chains, networks, systems or websites and / or our customers’ supply chains, networks, systems or websites could adversely affect the market perception of our products and services and investor confidence in our company. Any breach of our networks, systems or websites could impair our ability to operate our business, including our ability to provide FortiGuard and other security subscription and FortiCare technical support services to our end- customers, lead to interruptions or system slowdowns, cause loss of critical data or lead to the unauthorized disclosure or use of confidential, proprietary or sensitive information. We could also be subject to liability and litigation and reputational harm and our channel partners and end- customers may be harmed, lose confidence in us and decrease or cease using our products and services. Any breach of our internal networks, systems or websites could have an adverse effect on our business, operating results and stock price. In addition, there has been a general increase in phishing attempts and spam emails as well as social engineering attempts from hackers, and many of our employees continue to work remotely which may pose additional data security risks in the event remote work environments are not as secure as office environments. Any security ~~breach~~ **incident** could negatively impact our reputation and results of operations. If we do not appropriately manage any future growth, including through the expansion of our real estate facilities, or are unable to improve our systems, processes and controls, our operating results will be negatively affected. We rely heavily on information technology to help manage critical functions such as order configuration, pricing and quoting, revenue recognition, financial forecasts, inventory and supply chain management and trade compliance reviews. In addition, we have been slow to adopt and implement certain automated functions, which could have a negative impact on our business. For example, ~~a large part of~~ our order processing relies on **both** manual data entry of customer purchase orders received through email and ~~, to a lesser extent, through~~ electronic data interchange ~~from our customers~~ **(EDI)** . Due to the use of manual processes and the fact that we may receive a large amount of our orders in the last few weeks of any given quarter, an interruption in our email service or other systems could result in delayed order fulfillment and decreased billings and revenue for that quarter. To manage any future growth effectively, we must continue to improve and expand our information technology and financial, operating, security and administrative systems and controls, and our business continuity and disaster recovery plans and processes. We must also continue to manage headcount, capital and processes in an efficient manner. We may not be able to successfully implement requisite improvements to these systems, controls and processes, such as system capacity, access, security and change management controls, in a timely or efficient manner. Our failure to improve our systems and processes, or their failure to operate in the intended manner, whether as a result of the significant growth of our business or otherwise, may result in our inability to manage the growth of our business and to accurately forecast our revenue, expenses and earnings, or to prevent certain losses. Moreover, the failure of our systems and processes could undermine our ability to provide accurate, timely and reliable reports on our financial and operating results and could impact the effectiveness of our internal control over financial reporting. In addition, our systems, processes and controls may not prevent or detect all errors, omissions, malfeasance or fraud, such as corruption and improper “ side agreements ” that may impact revenue recognition or result in financial liability. Our productivity and the quality of our products and services may also be adversely affected if we do not integrate and train our new employees quickly and effectively. Any future growth would add complexity to our organization and require effective coordination throughout our organization. Failure to ensure appropriate systems, processes and controls and to manage any future growth effectively could result in increased costs and harm our reputation and results of operations. We have expanded our office real estate holdings to meet our projected growing need for office space. These plans will require significant capital expenditure over the next several years and involve certain risks, including impairment charges and acceleration of depreciation, changes in future business strategy that may decrease the need for expansion (such as a decrease in headcount or increase in work from home) and risks related to construction. Future changes in growth or fluctuations in cash flow may also negatively impact our ability to pay for these projects or free cash flow. Additionally, inaccuracies in our projected capital expenditures could negatively impact our business, operating results and financial condition. We may experience difficulties maintaining and expanding our internal business management systems. The maintenance of our internal business management systems, such as our Enterprise Resource Planning (" ERP ") and Customer Relationship Management (" CRM ") systems, has required, and will continue to require, the investment of significant financial and human resources. In addition, we may choose to upgrade or expand the functionality of our internal systems, leading to additional costs. Deficiencies in our design or maintenance of our internal systems may adversely affect our ability to sell products and services, forecast orders, process orders, ship products, provide services and customer support, send invoices and track payments, fulfill contractual obligations, accurately maintain books and records, provide accurate, timely and reliable reports on our financial and operating results or otherwise operate our business. Additionally, if any of our internal systems does not operate as intended, the effectiveness of our internal control over financial reporting could be adversely affected or our ability to assess it adequately could be delayed. Further, we may expand the scope of our ERP and CRM systems. Our operating results may be adversely affected if these upgrades or expansions are delayed or if the systems do not function as intended or are not sufficient to meet our operating requirements **. We may not be successful in our artificial intelligence initiatives, which could adversely affect our business, reputation, or financial results. AI presents new risks and challenges that may affect our business. We have made, and expect to continue to make investments to integrate AI and machine learning technology into our solutions. AI presents risks, challenges, and potentially unintended consequences that could impact our ability to effectively use of AI successfully in our business. Given the nature of AI technology, we face an evolving regulatory landscape and significant competition from other companies. Our AI efforts may not be successful and our competitors may incorporate AI into their products more quickly or more successfully than us, which could impair our ability to compete effectively and adversely affect our financial results. Data practices by us or others that result in controversy could also impair the acceptance of AI solutions. This in turn could undermine confidence in the decisions, predictions, analysis, and effectiveness of our AI- related initiatives. The rapid evolution of AI, including potential government regulation of AI, may require significant additional resources related to AI in our solutions. Our AI- related initiatives may result in new or enhanced governmental or regulatory scrutiny, including regarding the use of AI in our solutions and the marketing of products using AI, litigation, customer reporting or documentation requirements, ethical or social concerns, or other complications. For example, AI technologies, including generative AI, may create content that appears correct but is factually inaccurate or flawed, or contains copyrighted or other protected material, and if our customers or others use this flawed content to their detriment, we may be exposed to brand or reputational harm, competitive harm, or legal liability. Any of the foregoing could adversely affect our business, reputation, or financial results** . Risks Related to our Intellectual Property Our proprietary rights may be difficult to enforce and we may be subject to claims by others that we infringe their propriety technology. We rely primarily on patent, trademark, copyright and trade secrets laws and confidentiality procedures and contractual provisions to protect our technology. Valid patents may not issue from our pending applications, and the claims eventually allowed on any patents may not be sufficiently broad to protect our technology or products. Any issued patents may be challenged, invalidated or circumvented, and any rights granted under these patents may not actually provide adequate defensive protection or competitive advantages to us. Patent applications in the United States are typically not published until at least 18 months after filing, or, in some cases, not at all, and publications of discoveries in industry- related literature lag behind actual discoveries. We cannot be certain that we were the first to make the inventions claimed in our pending patent applications or that we were the first to file for patent protection. Additionally, the process of obtaining patent protection is expensive and time- consuming, and we may not be able to prosecute all necessary or desirable patent applications at a reasonable cost or in a timely manner. In addition, recent changes to the patent laws in the United States may bring into question the validity of certain software patents and may make it more difficult and costly to prosecute patent applications. As a result, we may not be able to obtain adequate patent protection or effectively enforce our issued patents. Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy aspects of our products or obtain and use information that we regard as proprietary. We generally enter into confidentiality or license agreements with our employees, consultants, vendors and customers, and generally limit access to and distribution of our proprietary information. However, we cannot guarantee that the steps taken by us will prevent misappropriation of our technology. Policing unauthorized use of our technology or products is difficult. In addition, the laws of some foreign countries do not protect our proprietary rights to as great an extent as the laws of the United States, and many foreign countries do not enforce these laws as diligently as government agencies and private parties in the United States. From time to time, legal action by us may be necessary to enforce our patents and other IP rights, to protect our trade secrets, to determine the validity and scope of the proprietary rights of others or to defend against claims of infringement or invalidity. Such litigation could result in substantial costs and diversion of resources and could negatively affect our business, operating results and financial condition. If we are unable to protect our proprietary rights (including aspects of our software and products protected other than by patent rights), we may find ourselves at a competitive disadvantage to others who need not incur the additional expense, time and effort required to create the innovative products that have enabled us to be successful to date. Our products contain third- party open- source software components, and failure to comply with the terms of the underlying open- source software licenses could restrict our ability to sell our products. Our products contain software modules licensed to us by third- party authors under " open source " licenses, including but not limited to, the GNU Public License, the GNU Lesser Public License, the BSD License, the Apache License, the MIT X License and the Mozilla Public License. From time to time, there have been claims against companies that distribute or use open- source software in their products and services, asserting that open- source software infringes the claimants' IP rights. We could be subject to suits by parties claiming infringement of IP rights in what we believe to be licensed open- source software. Use and distribution of open- source software may entail greater risks than use of third- party commercial software, as, for example, open- source licensors generally do not provide warranties or other contractual protections regarding infringement claims or the quality of the code. Some open- source licenses contain requirements that we make available source code for modifications or derivative works we create based upon the type of open- source software we use. If we combine our proprietary software with open- source software in a certain manner, we could, under certain open- source licenses, be required to release the source code of our proprietary software to the public. This would allow our competitors to create similar products with lower development effort and time and ultimately could result in a loss of product sales for us. Although we monitor our use of open source software to avoid subjecting our products to conditions we do not intend, the terms of many open source licenses have not been interpreted by U. S. courts, and there is a risk that these licenses could be construed in a way that, for example, could impose unanticipated conditions or restrictions on our ability to commercialize our products. In this event, we could be required to seek licenses from third parties to continue offering our products, to make our proprietary code generally available in source code form, to re- engineer our products or to discontinue the sale of our products if re- engineering could not be accomplished on a timely basis, any of which requirements could adversely affect our business, operating results and financial condition. Claims by others that we infringe their proprietary technology or other litigation matters could harm our business. Patent and other IP disputes are common in the network security industry. Third parties are currently asserting, have asserted and may in the future assert claims of infringement of IP rights against us. Third parties have also asserted such claims against our end-customers or channel partners whom we may indemnify against claims that our products infringe the IP rights of third parties. As the number of products and competitors in our market increases and overlaps occur, infringement claims may increase. Any claim of infringement by a third party, even those without merit, could cause us to incur substantial costs defending against the claim and could distract our management from our business. In addition, litigation may involve patent holding companies, non-practicing entities or other adverse patent owners who have no relevant product revenue and against whom our own patents may therefore provide little or no deterrence or protection. Although third parties may offer a license to their technology, the terms of any offered license may not be acceptable, and the failure to obtain a license or the costs associated with any license could cause our business, financial condition and results of operations to be materially and adversely affected. In addition, some licenses may be non- exclusive and, therefore, our competitors may have access to the same technology licensed to us. Alternatively, we may be required to develop non- infringing technology, which could require significant time, effort and expense, and may ultimately not be successful. Furthermore, a successful claimant could secure a judgment or we may agree to a settlement that prevents us from distributing certain products or performing certain services or that requires us to pay substantial damages (including treble damages if we are found to have willfully infringed such claimant' s patents or copyrights), royalties or other fees. Any of these events could seriously harm our business, financial condition and results of operations. From time to time, we are subject to lawsuits claiming patent infringement. We are also subject to other litigation in addition to patent infringement claims, such as employment- related litigation and disputes, as well as general commercial litigation, **such as the Alorica litigation,** and could become subject to other forms of litigation and disputes, including stockholder litigation. If we are unsuccessful in defending any such claims, our operating results and financial condition and results may be materially and adversely affected. For example, we may be required to pay substantial damages and could be prevented from selling certain of our products. Litigation, with or without merit, could negatively impact our business, reputation and sales in a material fashion. We have several ongoing patent lawsuits, certain companies have sent us demand letters proposing that we license certain of their patents, and organizations have sent letters demanding that we provide indemnification for patent claims. Given this and the proliferation of lawsuits in our industry and other similar industries by both non- practicing entities and operating entities, and recent non- practicing entity and operating entity patent litigation against other companies in the security space, we expect that we will be sued for patent infringement in the future, regardless of the merits of any such lawsuits. The cost to defend such lawsuits and any settlement payment or adverse result in such lawsuits could have a material adverse effect on our results of operations and financial condition. We rely on the availability of third- party licenses. Many of our products include software or other IP licensed from third parties. It may be necessary in the future to renew licenses relating to various aspects of these products or to seek new licenses for existing or new products. Licensors may claim we owe them additional license fees for past and future use of their software and other IP or that we cannot utilize such software or IP in our products going forward. There can be no assurance that the necessary licenses would be available on acceptable terms, if at all. The inability to obtain certain licenses or other rights or to obtain such licenses or rights on favorable terms or for reasonable pricing, or the need to engage in litigation regarding these matters, could result in delays in product releases until equivalent technology can be identified, licensed or developed, if at all, and integrated into our products and may result in significant license fees and have a material adverse effect on our business, operating results, and financial condition. Moreover, the inclusion in our products of software or other IP licensed from third parties on a non- exclusive basis could limit our ability to differentiate our products from those of our competitors. We also rely on technologies licensed from third parties in order to operate functions of our business. If any of these third parties allege that we have not properly paid for such licenses or that we have improperly used the technologies under such licenses, we may need to pay additional fees or obtain new licenses, and such licenses may not be available on terms acceptable to us or at all or may be costly. In any such case, or if we were required to redesign our internal operations to function with new technologies, our business, results of operations and financial condition could be harmed. Other Risks Related to Our Business and Financial Position Our inability to successfully acquire and integrate other businesses, products or technologies, or to successfully invest in and form successful strategic alliances with other businesses, could seriously harm our competitive position and could negatively affect our financial condition and results of operations. In order to remain competitive, we may seek to acquire additional businesses, products, technologies or IP, such as patents, and to make equity investments in businesses coupled with strategic alliances. For any possible future acquisitions or investments, we may not be successful in negotiating the terms of the acquisition or investment or financing the acquisition or investment. For both our prior and future acquisitions, we may not be successful in effectively integrating the acquired business, product, technology, IP or sales force into our existing business and operations, and the acquisitions may negatively impact our financial results. We may have difficulty incorporating acquired technologies, IP or products with our existing product lines, integrating reporting systems and procedures, and maintaining uniform standards, controls, procedures and policies. For example, we may experience difficulties integrating an acquired company' s ERP or CRM systems, sales support and other processes and systems, with our current systems and processes. The results of certain businesses that we invest in, such as Linksys, are, or may in the future, be reflected in our operating results, and we depend on these companies to provide us financial information in a timely manner in order to meet our financial reporting requirements. We may experience difficulty in timely obtaining financial information from the companies in which we have invested in order to meet our financial reporting requirements. Our due diligence for acquisitions and investments may fail to identify all of the problems, liabilities or other shortcomings or challenges of an acquired business, product or technology, including issues with IP, product quality or product architecture, regulatory compliance practices, environmental and sustainability compliance practices, revenue recognition or other accounting practices or employee or customer issues. We also may not accurately forecast the financial impact of an acquisition or an investment and alliance. In addition, any acquisitions and significant investments we are able to complete may be dilutive to revenue growth and earnings and may not result in any synergies or other benefits we had expected to achieve, which could negatively impact our operating results and result in impairment charges that could be substantial. We may have to pay cash, incur debt or issue equity securities to pay for any acquisition, each of which could affect our financial condition or the value of our capital stock and could result in dilution to our stockholders. Acquisitions or investments during a quarter may result in increased operating expenses and adversely affect our cash flows or our results of operations for that period and future periods compared to the results that we have previously forecasted or achieved. Further, completing a potential acquisition or investment and alliance and integrating acquired businesses, products, technologies or IP are challenging to do successfully and could significantly divert management time and resources. Linksys sells predominantly into the consumer Wi- Fi market, and its sales have declined since our investment. Because we are accounting for our Linksys investment using the equity method of accounting, we are required to assess the investment for other- than- temporary impairment (" OTTI ") when events or circumstances suggest that the carrying amount of the investment may be impaired. We have analyzed whether there should be an OTTI of the value of our investment in Linksys and during the three months ended December 31, 2022 we recorded an OTTI charge of $ 22. 2 million. In evaluating OTTI, we considered factors such as Linksys **'** financial results and operating history, our ability and intent to hold the investment until its fair value recovers, the implied revenue valuation multiples compared to guideline public companies, Linksys' ability to achieve milestones and any notable operational and strategic changes. We intend to continue to analyze our investment in Linksys to determine whether any further impairment is appropriate. If any further decline in fair value is determined to be other- than- temporary, we will adjust the carrying value of the investment to its fair value and record the impairment expense in our consolidated statements of income. The cost basis of the investment is not adjusted for subsequent recoveries in fair value. We may experience additional volatility to our statements of operations due to the underlying operating results of Linksys or impairments of our Linksys investment. This volatility could be material to our results in any given quarter and may cause our stock price to decline. Failure to comply with laws and regulations applicable to our business could subject us to fines and penalties and could also cause us to lose end- customers ~~in the public sector~~ or negatively impact our ability to contract ~~with the public sector~~. Our business is subject to regulation by various federal, state, regional, local and foreign governmental agencies, including agencies responsible for monitoring and enforcing employment and labor laws, workplace safety, product safety, product labeling, environmental laws, consumer protection laws, anti- bribery laws, data privacy laws, import and export controls, federal securities laws and tax laws and regulations. In certain jurisdictions, these regulatory requirements may be more stringent than in the United States. Non- compliance with applicable regulations or requirements could subject us to investigations, sanctions, enforcement actions, disgorgement of profits, fines, damages and civil and criminal penalties or injunctions. If any governmental sanctions are imposed, or if we do not prevail in any possible civil or criminal litigation, our business, operating results and financial condition could be adversely affected. In addition, responding to any action will likely result in a significant diversion of management' s attention and resources and an increase in professional fees. Enforcement actions and sanctions could harm our business, operating results and financial condition. For example, **the** GDPR ~~, which became effective in May 2018 and superseded current EU data protection regulations,~~ imposes stringent data handling requirements on companies that **operate in the EU or** receive or process personal data ~~of residents of~~ **about individuals in** the EU **in certain contexts** . Non- compliance with the GDPR could result in ~~significant penalties, including~~ data protection audits and **significant penalties,** heavy fines **imposed on us and bans on other businesses' use of our services** . Compliance with, and the other burdens imposed by, the GDPR **and local regulatory authorities** may limit our ability to operate or expand our business in ~~Europe~~ **the EU** and could adversely impact our operating results ~~, as could delays or shortcomings in the implementation of our GDPR compliance program~~ . In July 2020, the European Court of Justice issued a judgment declaring invalid the EU- U. S. Privacy Shield Framework (the " Privacy Shield ") as a mechanism for ~~exportation~~ **the transfer** of **GDPR- regulated** personal data ~~from the European Economic Area~~ to **recipients in** the United States ~~. Though we are not participants of the Privacy Shield,~~ and ~~instead employ~~ **calling into question the validity of certain popular** alternative mechanisms for **addressing GDPR restrictions on transfers to the United States and other areas where we operate. The Privacy Shield has now been replaced with the EU- U. S. Data Privacy Framework following certain changes to U. S. law intended to address the concerns underlying that court decision with respect to transfers of** personal data ~~transfers, the ruling raises questions as~~ to ~~GDPR implications and adequate data protection in~~ the United States **. However** , ~~and may have an~~ **there remains a possibility that our business could be negatively** ~~impact~~ **impacted by restrictions** on **transfers of GDPR- regulated personal data (including transfers made by** our ~~European~~ customers **) to other areas we operate. In addition, it is**

**possible that the updates to U. S. law may ultimately be deemed insufficient in a court case similar to the one that invalidated Privacy Shield. The mere possibility of this outcome,** and **our reliance on global data transfers within our corporate family and between us and our service providers, may** ~~related~~ -- **create** ~~business operations~~ **challenges for us to compete with companies that may be able to offer services in which personal data never exits the EU, thereby avoiding risks of noncompliance with GDPR data transfer restrictions** . Additionally, we may be subject to other legal regimes throughout the world governing data handling, protection and privacy. For example, in June 2018, California passed the California Consumer Privacy Act (the " CCPA "), which provides new data privacy rights for consumers and new operational requirements for companies and became effective on January 1, 2020. The CCPA was expanded pursuant to the California Privacy Rights Act, which was passed in 2020 and ~~becomes~~ - **became** effective in 2023. Other states have since passed similar laws **, adding to the complexity of compliance with overlapping and sometimes conflicting requirements** . The costs of compliance with and the penalties for violations of the GDPR, the CCPA and other ~~similar state~~ laws, along with other burdens imposed by these regulations, may limit the use and adoption of our products and services and could have an adverse impact on our business. **For example, our sales cycles may lengthen and face an increased risk of failure as customers take more time to vet our services for compliance with these legal requirements and to negotiate data- related contract terms with us, causing delays or loss of revenue.** Selling our solutions to the U. S. government, whether directly or through channel partners, also subjects us to certain regulatory and contractual requirements, government permit and clearance requirements and other risks. Failure to comply with these requirements or to obtain and maintain government permits and clearances required to do certain business, by either us or our channel partners, could subject us to investigations, fines, suspension, limitations on business or debarment from doing business with the U. S. government or one of its divisions, as well as other penalties, damages and reputational harms, which could have an adverse effect on our business, operating results, financial condition and prospects. Any violations of regulatory and contractual requirements could result in us being suspended or debarred from future government contracting. Any of these outcomes could have an adverse effect on our revenue, operating results, financial condition and prospects. **The landscape of laws, regulations, and industry standards related to cybersecurity is evolving globally. We may be subject to increased compliance burdens by regulators and customers with respect to our products and services, as well as additional costs to oversee and monitor security risks. Many jurisdictions have enacted laws mandating companies to inform individuals, stockholders, regulatory authorities, and others of security incidents. For example, the SEC recently adopted cybersecurity risk management and disclosure rules, which require the disclosure of information pertaining to cybersecurity incidents and cybersecurity risk management, strategy, and governance. In addition, certain of our customer agreements may require us to promptly report security incidents involving their data on our systems or those of subcontractors processing such data on our behalf. This mandatory disclosure can be costly, harm our reputation, erode customer trust, reduce demand, and require significant resources to mitigate issues stemming from actual or perceived security incidents** These laws, regulations and other requirements impose added costs on our business, and failure to comply with these or other applicable regulations and requirements, including non- compliance in the past, could lead to claims for damages from our channel partners, penalties, termination of contracts, loss of exclusive rights in our IP and temporary suspension, permanent debarment from government contracting, or other limitations on doing business. Any such damages, penalties, disruptions or limitations in our ability to do business ~~with the public sector~~ could have an adverse effect on our business and operating results. We are subject to governmental export and import controls that could subject us to liability or restrictions on sales, and that could impair our ability to compete in international markets. Because we incorporate encryption technology into our products, certain of our products are subject to U. S. export controls and may be exported outside the United States only with the required export license or through an export license exception, or may be prohibited altogether from export to certain countries. If we were to fail to comply with U. S. export laws, U. S. Customs regulations and import regulations, U. S. economic sanctions and other countries' import and export laws, we could be subject to substantial civil and criminal penalties, including fines for the company and incarceration for responsible employees and managers, and the possible loss of export or import privileges. In addition, if our channel partners fail to obtain appropriate import, export or re- export licenses or permits (e. g., for stocking orders placed by our partners), we may also be adversely affected through reputational harm and penalties and we may not be able to provide support related to appliances shipped pursuant to such orders. Obtaining the necessary export license for a particular sale may be time- consuming and may result in the delay or loss of sales opportunities. Furthermore, U. S. export control laws and economic sanctions prohibit the shipment of certain products to U. S. embargoed or sanctioned countries, governments and persons, such as the sanctions and trade restrictions that have been implemented against Russia and Belarus. Even though we take precautions to prevent our product from being shipped to U. S. sanctions targets, our products could be shipped to those targets by our channel partners, despite such precautions. Any such shipment could have negative consequences including government investigations and penalties and reputational harm. In addition, various countries regulate the import of certain encryption technology, including import permitting and licensing requirements, and have enacted laws that could limit our ability to distribute our products or could limit our customers' ability to implement our products in those countries. Changes in our products or changes in export and import regulations may create delays in the introduction of our products in international markets, prevent our customers with international operations from deploying our products globally or, in some cases, prevent the export or import of our products to certain countries, governments or persons altogether. Any change in export or import regulations, economic sanctions or related legislation, shift in the enforcement or scope of existing regulations, or change in the countries, governments, persons or technologies targeted by such regulations, could result in decreased use of our products by, or in our decreased ability to export or sell our products to, existing or potential customers with international operations. Any decreased use of our products or limitation on our ability to export or sell our products would likely adversely affect our business, financial condition and results of operations. Efforts to withdraw from or materially modify international trade agreements, to change tax provisions related to global manufacturing and sales or to impose new tariffs, economic sanctions or related legislation, any of which could adversely affect our financial condition and results of operations. Our business benefits directly and indirectly from free trade agreements, and we also rely on various corporate tax provisions related to international commerce, as we develop, market and sell our products and services globally. Efforts to withdraw from or materially modify international trade agreements, or to change corporate tax policy related to international commerce, could adversely affect our financial condition and results of operations as could the continuing uncertainty regarding whether such actions will be taken. Moreover, efforts to implement changes related to export or import regulations (including the imposition of new border taxes or tariffs on foreign imports), trade barriers, economic sanctions and other related policies could harm our results of operations. For example, in recent years, the United States has imposed additional import tariffs on certain goods from different countries and on most goods imported from China. As a result, China and other countries imposed retaliatory tariffs on goods exported from the United States and both the United States and foreign countries have threatened to alter or leave current trade agreements. While we do not currently expect these tariffs to have a significant effect on our raw material and product import costs, if the United States expands increased tariffs, or retaliatory trade measures are taken by other countries in response to the tariffs, the cost of our products could increase, our operations could be disrupted or we could be required to raise our prices, which may result in the loss of customers and harm to our reputation and operating performance. Any modification in these areas, any shift in the enforcement or scope of existing regulations or any change in the countries, governments, persons or technologies targeted by such regulations, could result in decreased use of our products by, or in our decreased ability to export or sell our products to, existing or potential end- customers with international operations and could result in increased costs. Any decreased use of our products or limitation on our ability to export or sell our products would likely adversely affect our business, financial condition and results of operations. If we fail to comply with environmental requirements, our business, financial condition, operating results and reputation could be adversely affected. We are subject to various environmental laws and regulations, including laws governing the hazardous material content of our products, laws relating to our real property and future expansion plans and laws concerning the recycling of Electrical and Electronic Equipment (“ EEE ”). The laws and regulations to which we are subject include the EU RoHS Directive, EU Regulation 1907 / 2006 – Registration, Evaluation, Authorization and Restriction of Chemicals (the “ REACH ” Regulation) and the EU Waste Electrical and Electronic Equipment Directive (the “ WEEE Directive ”), as well as the implementing legislation of the EU member states. Similar laws and regulations have been passed or are pending in China, South Korea, **Taiwan, Japan,** Norway **, Saudi Arabia** and ~~Japan~~ **the UAE** and may be enacted in other regions, including in the United States, and we are, or may in the future be, subject to these laws and regulations. These legal and regulatory regimes, including the laws, rules and regulations thereunder, evolve frequently and may be modified, interpreted and applied in an inconsistent manner from one jurisdiction to another, and may conflict with one another. Moreover, the timing and effect of these laws and regulations on our business may be uncertain. To the extent we have not complied with such laws, rules and regulations, we could be subject to significant fines, revocation of licenses, limitations on our products and services, reputational harm and other regulatory consequences, each of which may be significant and could adversely affect our business, operating results and financial condition. These laws and regulations may also impact our suppliers **,** which could have **,** among other things, ~~have~~ an adverse impact on the costs of components in our products. The EU RoHS Directive and the similar laws of other jurisdictions ban or restrict the presence of certain hazardous substances such as lead, mercury, cadmium, hexavalent chromium and certain fire-retardant plastic additives in electrical equipment, including our products. We have incurred costs to comply with these laws, including research and development costs and costs associated with assuring the supply of compliant components. We expect to continue to incur costs related to environmental laws and regulations in the future. With respect to the EU RoHS, we and our competitors rely on exemptions for lead and other substances in network infrastructure equipment. It is possible one or more of these use exemptions will be revoked in the future. Additionally, although some of the EU RoHS exemptions have been extended, it is possible that some of these exemptions may expire in the future without being extended. If this exemption is revoked or expires without extension, if there are other changes to these laws (or their interpretation) or if new similar laws are passed in other jurisdictions, we may be required to re- engineer our products to use components compatible with these regulations. This re- engineering and component substitution could result in additional costs to us and / or disrupt our operations or logistics. As part of the Circular Economy Action Plan, the European Commission amended the EU Waste Framework Directive (“ WFD ”) to include a number of measures related to waste prevention and recycling, whereby we are responsible for submitting product data to a Substances of Concern In articles as such or in complex objects (Products) (“ SCIP ”) database containing information on Substances of Very High Concern (“ SVHC ”) in articles and in complex objects. The SCIP database is established under the WFD and managed by the European Chemicals Agency (“ ECHA ”). We have incurred costs in order to comply with this new requirement. Similar laws and regulations have been passed or are pending in **the** European Economic Area and **the** UK. The EU’ s WEEE Directive, which requires electronic goods producers to be responsible for the collection, recycling and treatment of such products. Although currently our EU international channel partners are responsible for the requirements of this directive as the importer of record in most of the European countries in which we sell our products, changes in interpretation of the regulations may cause us to incur costs or have additional regulatory requirements in the future to meet in order to comply with this directive, or with any similar laws adopted in other jurisdictions including the United States. Our failure to comply with these and future environmental rules and regulations could result in decreased demand for our products and services resulting in reduced sales of our products, increased demand for competitive products and services that result in lower emissions than our products, increased costs, substantial product inventory write- offs, reputational damage, penalties and other sanctions, any of which could harm our business and financial condition. To date, our expenditures for environmental compliance have not had a material impact on our operating results or cash flows, and, although we cannot predict the future impact of such laws or regulations, they will likely result in additional costs. New laws may result in increased penalties associated with violations or require us to change the content of our products or how they are manufactured, which could have a material adverse effect on our business, operating results and financial condition. Investors' expectations of our performance relating to environmental, social and governance factors may impose additional costs and expose us to new risks. There is an increasing focus from certain investors, employees, customers and other stakeholders concerning corporate responsibility, specifically related to ESG matters. Some investors may use these non- financial performance factors to guide their investment strategies and, in some cases, may choose not to invest in us if they believe our policies and actions relating to corporate responsibility are inadequate. The growing investor demand for measurement of non- financial performance is addressed by third- party providers of sustainability assessment and ratings on companies. The criteria by which our corporate responsibility practices are assessed may change due to the constant evolution of the sustainability landscape, which could result in greater expectations of us and cause us to undertake costly initiatives to satisfy such new criteria. **For example, in 2023, California passed three separate climate bills governing disclosure of greenhouse gas emissions data, climate- related financials risks and details around emissions- related claims and carbon offsets.** If we elect not to or are unable to satisfy such new criteria, investors may conclude that our policies and / or actions with respect to corporate social responsibility are inadequate **and we may be subject to fines from regulatory authorities** . We may face reputational damage in the event that we do not meet the ESG standards set by various constituencies. Furthermore, in the event that we communicate certain initiatives and goals regarding ESG matters, such as our commitment to target ~~carbon neutrality~~ **Net- Zero** on Scope 1 and Scope 2 emissions resulting from our owned facilities worldwide by 2030 **or our commitment to the Paris Agreement via the Science Based Targets Initiative** , we could fail, or be perceived to fail, in our achievement of such initiatives or goals, or we could be criticized for the scope, target and timelines of such initiatives or goals. If we fail to satisfy the expectations of investors, customers, employees, and other stakeholders or our initiatives are not executed as planned, our reputation and business, operating results and financial condition could be adversely impacted. In addition, the SEC has also proposed a draft rule that requires climate disclosures in financial filings. To the extent the SEC proposal becomes effective for our company, we will be required to establish additional internal controls, engage additional consultants and incur additional costs related to evaluating, managing and reporting on our environmental impact and climate- related risks and opportunities. If we fail to implement sufficient oversight or accurately capture and disclose on environmental matters, our reputation, business, operating results and financial condition may be materially adversely affected. Risks Related to Finance, Accounting and Tax Matters If our estimates or judgments relating to our critical accounting policies are based on assumptions that change or prove to be incorrect, our operating results could fall below expectations of securities analysts and investors, resulting in a decline in our stock price. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, as provided in " Management' s Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies and Estimates " in this Annual Report on Form 10- K, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Our operating results may be adversely affected if our assumptions change or if actual circumstances differ from those in our assumptions, which could cause our operating results to fall below the expectations of securities analysts and investors, resulting in a decline in our stock price. Significant assumptions and estimates used in preparing our consolidated financial statements include those related to revenue recognition, deferred contract costs and commission expense, accounting for business combinations, contingent liabilities and accounting for income taxes. We are exposed to fluctuations in currency exchange rates, which could negatively affect our financial condition and results of operations. A significant portion of our operating expenses are incurred outside the United States. These expenses are denominated in foreign currencies and are subject to fluctuations due to changes in foreign currency exchange rates, particularly changes in the Euro, Japanese yen, Canadian dollar and British pound. A weakening of the U. S. dollar compared to foreign currencies would negatively affect our expenses and operating results, which are expressed in U. S. dollars. Additionally, fluctuations in the exchange rate of the Canadian dollar may negatively impact our development plans in Burnaby, Canada. While we are not currently engaged in material hedging activities, we have been hedging currency exposures relating to certain balance sheet accounts through the use of forward exchange contracts. If we stop hedging against any of these risks or if our attempts to hedge against these currency exposures are not successful, our financial condition and results of operations could be adversely affected. Our sales contracts are primarily denominated in U. S. dollars and therefore, while substantially all of our revenue is not subject to foreign currency risk, it does not serve as a hedge to our foreign currency- denominated operating expenses. In addition, a strengthening of the U. S. dollar may increase the real cost of our products to our customers outside of the United States, which may also adversely affect our financial condition and results of operations. We could be subject to changes in our tax rates, the adoption of new U. S. or international tax legislation ~~or~~ **,** exposure to additional tax liabilities **or impacts from the timing of tax payments** . We are subject to taxes in the United States and numerous foreign jurisdictions, where a number of our subsidiaries are organized. Our provision for income taxes is subject to volatility and could be adversely affected by several factors, many of which are outside of our control. These include: • the mix of earnings in countries with differing statutory tax rates or withholding taxes; • changes in the valuation of our deferred tax assets and liabilities; • transfer pricing adjustments; • increases to corporate tax rates; • an increase in non- deductible expenses for tax purposes, including certain stock- based compensation expense; • changes in availability of tax credits and / or tax deductions **; • the timing of tax payments** ; • tax costs related to intercompany realignments; • tax assessments resulting from income tax audits or any related tax interest or penalties that could significantly affect our provision for income taxes for the period in which the settlement takes place; and • changes in accounting principles, court decisions, tax rulings, and interpretations of or changes to tax laws, and regulations by international, federal or local governmental authorities. We have open tax years that could be subject to the examination by the Internal Revenue Service (the " IRS ") and other tax authorities. We currently have ongoing tax audits in the United Kingdom, Canada, Germany and several other foreign jurisdictions. The focus of all of these audits is the allocation of profits among our legal entities. We regularly assess the likelihood of adverse outcomes resulting from such examinations to determine the adequacy of our provision for income taxes. Although we believe that our estimates are reasonable, the ultimate tax outcome may differ from the amounts recorded in our consolidated financial statements and may materially affect our financial results. Significant judgment is required in determining any valuation allowance recorded against deferred tax assets. In assessing the need for a valuation allowance, we consider all available evidence, including past operating results, estimates of future taxable income and the feasibility of tax planning strategies. In the event that we change our determination as to the amount of deferred tax assets that can be realized, we will adjust our valuation allowance with a corresponding impact to the provision for income taxes in the period in which such determination is made. Forecasting our estimated annual effective tax rate is complex and subject to uncertainty, and there may be material differences between our forecasted and actual tax rates. Forecasts of our income tax position and effective tax rate are complex, subject to uncertainty and periodic updates because our income tax position for each year combines the effects of a mix of profits earned and losses incurred by us in various tax jurisdictions with a broad range of income tax rates, as well as changes in the valuation of deferred tax assets and liabilities, the impact of various accounting rules and changes to these rules and tax laws, the results of examinations by various tax authorities, and the impact of any acquisition, business combination or other reorganization or financing transaction. To forecast our global tax rate, we estimate our pre- tax profits and losses by jurisdiction and forecast our tax expense by jurisdiction. If the mix of profits and losses, our ability to use tax credits or our effective tax rate in a given jurisdiction differs from our estimate, our actual tax rate could be materially different than forecasted, which could have a material impact on our results of business, financial condition and results of operations. Additionally, our actual tax rate may be subject to further uncertainty due to potential changes in U. S. and foreign tax rules. As a multinational corporation, we conduct our business in many countries and are subject to taxation in many jurisdictions. The taxation of our business is subject to the application of multiple and sometimes conflicting tax laws and regulations, as well as multinational tax conventions. Our effective tax rate is highly dependent upon the geographic distribution of our worldwide earnings or losses, the tax regulations in each geographic region, the availability of tax credits and carryforwards and the effectiveness of our tax planning strategies. The application of tax laws and regulations is subject to legal and factual interpretation, judgment and uncertainty. Tax laws themselves are subject to change as a result of changes in fiscal policy, changes in legislation and the evolution of regulations and court rulings. Consequently, tax authorities may impose tax assessments or judgments against us that could materially impact our tax liability and / or our effective income tax rate. The Organisation for Economic Co- operation and Development (the " OECD "), an international association comprised of 38 countries, including the United States, has issued and continues to issue guidelines and proposals that change various aspects of the existing framework under which our tax obligations are determined in many of the countries in which we do business. Due to our extensive international business activities, any changes in the taxation of such activities could increase our tax obligations in many countries and may increase our worldwide effective tax rate. Risks Related to Ownership of Our Common Stock As a public company, we are subject to compliance initiatives that will require substantial time from our management and result in significantly increased costs that may adversely affect our operating results and financial condition. The Sarbanes- Oxley Act of 2002 (" Sarbanes- Oxley "), Dodd- Frank and other rules implemented by the SEC and The Nasdaq Stock Market impose various requirements on public companies, including requiring changes in corporate governance practices. These requirements, as well as proposed corporate governance laws and regulations under consideration, may further increase our compliance costs. If compliance with these various legal and regulatory requirements diverts our management' s attention from other business concerns, it could have a material adverse effect on our business, financial condition and results of operations. Sarbanes- Oxley requires, among other things, that we assess the effectiveness of our internal control over financial reporting annually, and of our disclosure controls and procedures quarterly. Although our most recent assessment, testing and evaluation resulted in our conclusion that, as of December 31, ~~2022~~ **2023** , our internal controls over financial reporting were effective, we cannot predict the outcome of our testing in ~~2023~~ **2024** or future periods and there can be no assurance that, in the future, our internal controls over financial reporting will be effective or deemed effective. We may incur additional expenses and commitment of management' s time in connection with further evaluations, both of which could materially increase our operating expenses and accordingly reduce our operating results. If ~~securities~~ **equity research** or industry analysts stop publishing research or **reports about our business, issue unfavorable commentary, downgrade our shares of common stock or** publish inaccurate **information** ~~or unfavorable research about our business~~ , our stock price and trading volume could decline. The trading market for our common stock ~~will depend~~ **is influenced** in part ~~on~~ **by** the research and reports that ~~securities or~~ **equity research and** industry analysts publish about us or our business. If ~~we do not maintain adequate research coverage, if one or more of the analysts who cover us downgrades our stock or publishes inaccurate or unfavorable research about our business or if our results or forecasts fail to meet the expectations of research analysts and investors, our stock price could decline. If~~ one or more of these analysts ceases coverage of our company or fails to publish reports on us regularly, ~~demand~~ **we could lose visibility in the financial markets, which in turn could cause our stock price** ~~for~~ **or trading volume to decline. Furthermore, if one or more of these analysts downgrades our stock or issues unfavorable commentary about our business, the price of** our stock could ~~decrease~~ **decline. We have in the past experienced downgrades and may in the future experience downgrades. In addition, these analysts may publish their own financial projections** , which **may vary widely and may not accurately predict the results we actually achieve, which in turn** could cause our **share price to decline if our actual results do not match their projections. If one of these analysts were to publish inaccurate negative information about us or our business, our** stock price **could decline. Moreover, if securities analysts publish inaccurate positive information, stockholders could buy our stock** and ~~trading volume to~~ **the stock price may later** decline. The trading price of our common stock may be volatile, which may be exacerbated by share repurchases under our Share Repurchase Program. The market price of our common stock may be subject to wide fluctuations in response to, among other things, the risk factors described in this periodic report, news about us and our financial results, ~~the impact of the COVID- 19 pandemic,~~ news about our competitors and their results, and other factors such as rumors or fluctuations in the valuation of companies perceived by investors to be comparable to us. For example, during ~~2022~~ **2023** , the closing price of our common stock ranged from $ **47.** 45 ~~. 93~~ to $ ~~69~~ **80** . ~~50~~ **28** per share ~~(as adjusted for the five- for- one forward stock split of our common stock effective June 22, 2022)~~ . Furthermore, stock markets have experienced price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many companies. These fluctuations often have been unrelated or disproportionate to the operating performance of those companies. These broad market and industry fluctuations, as well as general economic, political and market conditions, such as recessions, interest rate changes or international currency fluctuations, may negatively affect the market price of our common stock. In the past, many companies that have experienced volatility in the market price of their stock have been subject to securities class action litigation. We may be the target of this type of litigation in the future. Securities litigation against us could result in substantial costs and divert our management' s attention from other business concerns, which could seriously harm our business. ~~In addition, the market price of our common stock and the market price of the common stock of many other companies have fallen significantly since the outbreak of the COVID- 19 pandemic. The extent to which the COVID- 19 pandemic may impact the market price of our common stock is unclear, and the market price of our common stock may fluctuate significantly as a result of the COVID- 19 pandemic.~~ Share repurchases under the Repurchase Program could increase the volatility of the trading price of our common stock, could diminish our cash reserves, could occur at non- optimal prices and may not result in the most effective use of our capital. In February 2023, our board of directors approved an extension of the Repurchase Program to February 29, 2024. **In April 2023 and July 2023, our board of directors approved $ 1. 0 billion and $ 500. 0 million increases in the authorized stock repurchase amount under the Repurchase Program, respectively.** As of December 31, ~~2022~~ **2023** , ~~the aggregate amount authorized to be repurchased under the Repurchase Program was $ 5. 25 billion and~~ $ 529. ~~6~~ **1** million remained available for future share repurchases **under the Repurchase Program. In January 2024, our board of directors approved a $ 500. 0 million increase in the authorized stock repurchase amount under the Repurchase Program, bringing the aggregate amount authorized to be repurchased to $ 7. 25 billion of our outstanding common stock. As of February 23, 2024, approximately $ 1. 03 billion remained available for future share repurchases. In February 2024, our board of directors approved an extension of the Repurchase Program to February 28, 2025** . Share repurchases under the Repurchase Program could affect the price of our common stock, increase stock price volatility and diminish our cash reserves. In addition, an announcement of the reduction, suspension or termination of the Repurchase Program could result in a decrease in the trading price of our common stock. Moreover, our stock price could decline, resulting in repurchases made at non- optimal prices. Our failure to repurchase our stock at optimal prices may be perceived by investors as an inefficient use of our cash and cash equivalents, which could result in litigation that may have an adverse effect on our business, operating results and financial condition. In addition, while our board of directors carefully considers various alternative uses of our cash and cash equivalents in determining whether to authorize stock repurchases, there can be no assurance that the decision by our board of directors to repurchase stock would result in the most effective uses of our cash and cash equivalents, and there may be alternative uses of our cash and cash equivalents that would be more effective, such as investing in growing our business organically or through acquisitions. Anti- takeover provisions contained in our certificate of incorporation and bylaws, as well as provisions of Delaware law, could impair a takeover attempt. Our certificate of incorporation, bylaws and Delaware law contain provisions that could have the effect of rendering more difficult, delaying or preventing an acquisition deemed undesirable by our board of directors. Our corporate governance documents include provisions: • authorizing " blank check " preferred stock, which could be issued by the board without stockholder approval and may contain voting, liquidation, dividend and other rights superior to our common stock; • limiting the liability of, and providing indemnification to, our directors and officers; • requiring advance notice of stockholder proposals for business to be conducted at meetings of our stockholders and for nominations of candidates for election to our board of directors; • providing that certain litigation matters may only be brought against us in state or federal courts in the State of Delaware; • controlling the procedures for the conduct and scheduling of board and stockholder meetings; and • providing the board of directors with the express power to postpone previously scheduled annual meetings and to cancel previously scheduled special meetings. These provisions, alone or together, could delay or prevent hostile takeovers and changes in control or changes in our management. In addition, our amended and restated bylaws provide that unless we consent in writing to the selection of an alternative forum, to the fullest extent permitted by law, the federal district courts of the United States shall be the exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act. Any person or entity purchasing or otherwise acquiring any interest in any of our securities shall be deemed to have notice of and consented to this provision. This provision, as well as provisions providing that certain litigation matters may only be brought against us in state or federal courts in the State of Delaware, may limit a stockholder' s ability to bring a claim in a judicial forum that it finds favorable for disputes with us or any of our directors, officers or other employees, which may discourage lawsuits against us and our directors, officers and other employees. As a Delaware corporation, we are also subject to provisions of Delaware law, including Section 203 of the Delaware General Corporation Law, which prevents stockholders holding more than 15 % of our outstanding common stock from engaging in certain business combinations without approval of the holders of a substantial majority of all of our outstanding common stock. Any provision of our certificate of incorporation, bylaws or Delaware law that has the effect of delaying or deterring a change in control could limit the opportunity for our stockholders to receive a premium for their shares of our common stock, and could also affect the price that some investors are willing to pay for our common stock. However, these anti- takeover provisions will not have the effect of preventing activist stockholders from seeking to increase short- term stockholder value through actions such as nominating board candidates and requesting that we pursue strategic combinations or other transactions. These actions could disrupt our operations, be costly and time- consuming and divert the attention of our management and employees. In addition, perceived uncertainties as to our future direction as a result of activist stockholder actions could result in the loss of potential business opportunities, as well as other negative business consequences. Actions of an activist stockholder may also cause fluctuations in our stock price based on speculative market perceptions or other factors that do not necessarily reflect our business. Further, we may incur significant expenses in retaining professionals to advise and assist us on activist stockholder matters, including legal, financial, communications advisors and solicitation experts, which may negatively impact our future financial results. General Risks Global economic uncertainty, an economic downturn, the possibility of a recession, inflation, rising interest rates, weakening product demand caused by political instability, changes in trade agreements and conflicts such as the war in Ukraine **and the Israel- Hamas war** , could adversely affect our business and financial performance. Economic uncertainty in various global markets caused by political instability and conflict, such as the war in Ukraine **and the Israel- Hamas war** , and economic challenges caused by the ~~effects of the COVID- 19 pandemic, the~~ economic downturn, any resulting recession, inflation or rise in interest rates has resulted, and may continue to result, in weakened demand for our products and services and difficulty in forecasting our financial results and managing inventory levels ~~. The current economic uncertainty, and possibility of a recession, has negatively impacted the stock prices of many companies in 2022, including many companies in the technology sector~~ . Political developments impacting government spending and international trade, including potential government shutdowns and trade disputes and tariffs may negatively impact markets and cause weaker macroeconomic conditions. The effects of these events may continue due to potential U. S. government shutdowns and the transition in administrations, and the United States' ongoing trade disputes with Russia, China and other countries. The continuing effect of any or all of these events could adversely impact demand for our products, harm our operations and weaken our financial results. **In addition, the U. S. capital markets have experienced and continue to experience extreme volatility and disruption. Inflation rates in the United States significantly increased in 2022 resulting in federal action to increase interest rates, adversely affecting capital markets activity. Further deterioration of the macroeconomic environment and regulatory action may adversely affect our business, operating results and financial condition. Moreover, there has been recent turmoil in the global banking system. For example, in March 2023, Silicon Valley Bank (" SVB ") was put into receivership by the Federal Deposit Insurance Corporation and subsequently sold. Other banks at risk of failure have been subsequently sold, including First Republic Bank in May 2023, and there is concern that more banks could be at risk of the same fate. Although we only had an immaterial amount of our cash directly at SVB, there is no guarantee that the federal government would guarantee all depositors as they did with SVB depositors in the event of further bank closures. Continued instability in the global banking system may negatively impact us or our customers, including our customers' ability to pay for our platform, and adversely impact our business and financial condition. Moreover, events such as the closure of SVB, in addition to global macroeconomic conditions discussed above, may cause further turbulence and uncertainty in the capital markets and economy.** Our business is subject to the risks of earthquakes, drought, fire, power outages, typhoon, floods, virus outbreaks and other broad health- related challenges, cyber events and other catastrophic events, and to interruption by manmade problems such as civil unrest, war, labor disruption, critical infrastructure attack and terrorism. A significant natural disaster, such as an earthquake, drought, fire, power outage, flood, viral outbreak or other catastrophic event, could have a material adverse impact on our business, operating results and financial condition. Our corporate headquarters are located in the San Francisco Bay Area, a region known for seismic activity, and our research and development and data center in Burnaby, Canada, from which we deliver to customers our FortiGuard and other security subscription updates, is subject to the risk of flooding and is also in a region known for seismic activity. Any earthquake in the Bay Area or Burnaby, or flooding in Burnaby, could materially negatively impact our ability to provide products and services, such as FortiCare support and FortiGuard subscription services and could otherwise materially negatively impact our business. In addition, natural disasters could affect our manufacturing vendors, suppliers or logistics providers' ability to perform services, such as obtaining product components and manufacturing products, or performing or assisting with shipments, on a timely basis, as well as our customers' ability to order from us and our employees' ability to perform their duties. For example, a typhoon in Taiwan could materially negatively impact our ability to manufacture and ship products and could result in delays and reductions in billings and ~~revenues~~ **revenue** , or the effects of **epidemics and** ~~the COVID- 19 pandemic~~ **pandemics** may negatively impact our ability to manufacture and ship products, possibly in a material way, and could result in delays and reductions in billings and ~~revenues~~ **revenue** , also possibly in a material way. The impact of climate change could affect economies in ways that negatively impact us and our results of operations. In the event our or our service providers' information technology systems or manufacturing or logistics abilities are hindered by any of the events discussed above, shipments could be delayed, resulting in our missing financial targets, such as revenue and shipment targets, for a particular quarter. In addition, regional instability, international disputes, wars, such as the war in Ukraine **and the Israel- Hamas war** and any expansion thereof, and other acts of aggression, civil and political unrest, labor disruptions, rebellions, acts of terrorism and other geo- political unrest could cause disruptions in our business or the business of our manufacturers, suppliers, logistics providers, partners or end- customers, or of the economy as a whole. Given our typical concentration of sales at the end of each quarter, any disruption in the business of our manufacturers, logistics providers, partners or end- customers that impacts sales at the end of our quarter could have a significant adverse impact on our quarterly results. To the extent that any of the above results in security risks to our customers, delays or cancellations of customer orders, the delay of the manufacture, deployment or shipment of our products or interruption or downtime of our services, our business, financial condition and results of operations would be adversely affected. Changes in financial accounting standards may cause adverse unexpected fluctuations and affect our reported results of operations. A change in accounting standards or practices, and varying interpretations of existing or new accounting pronouncements, as well as significant costs incurred or that may be incurred to adopt and to comply with these new pronouncements, could have a significant effect on our reported financial results or the way we conduct our business. If we do not ensure that our systems and processes are aligned with the new standards, we could encounter difficulties generating quarterly and annual financial statements in a timely manner, which could have an adverse effect on our business, our ability to meet our reporting obligations and compliance with internal control requirements. Management will continue to make judgments and assumptions based on our interpretation of new standards. If our circumstances change or if actual circumstances differ from our assumptions, our operating results may be adversely affected and could fall below our publicly announced guidance or the expectations of securities analysts and investors, resulting in a decline in the market price of our common stock. Further, marketable equity investments are required to be measured at fair value (with subsequent changes in fair value recognized in net income), which may increase the volatility of our earnings.