

Fortinet Outsells Check Point in Q1

- After almost twenty years competing with Check Point, Fortinet today announced higher quarterly sales than its long-time rival for the first time.
- There's more to Check Point's anaemic sales performance than a mature incumbent's controlled decision to maintain strong profitability.
- Fortinet has an edge over Check Point with its approach to winning through 'accretion' in procurement as well as with its mobile security strategy. Executed well, these emerging differentiators can help maintain or widen the sales gap in Fortinet's favour.

Fortinet today reported Q1 2019 sales of \$472.6 million. With Check Point reporting \$471.8 million for the same quarter two weeks ago, Fortinet has inched past Check Point in quarterly sales for the first time since the company was founded twenty years ago.

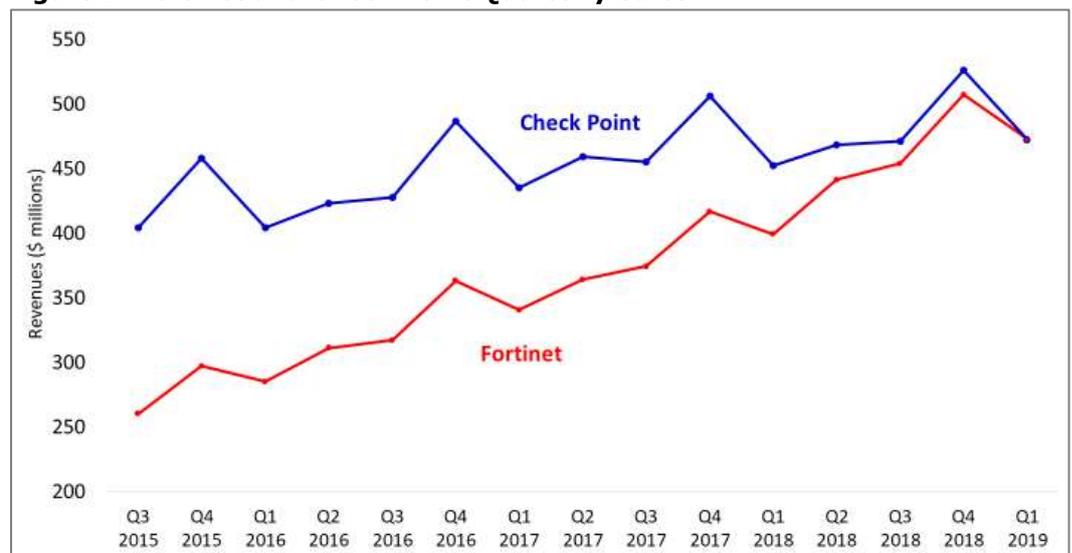
As shown in **Figure 1**, Fortinet has consistently recorded much faster sales growth in recent years. Its sales have grown significantly faster than the market while Check Point's market share has shrunk.

Fortinet has consistently recorded faster sales growth in recent years.

As the older company founded in 1993, Check Point remains peerless among network security vendors in terms of its profitability. While it recorded fractionally lower sales than Fortinet for the first time in Q1, Check Point still generated GAAP operating income of \$206 million on its lower sales number compared with Fortinet's \$50.6 million.

Some of the disparity in Check Point's sales and income performance can be explained in terms of deliberate margin protection by an early market-maker through pricing discipline and skimping on SG&A. Check Point isn't the first such company to take that approach faced with aggressive competitors and it won't be the last.

Figure 1: Fortinet and Check Point Quarterly Sales



Source: HardenStance

There is more to Check Point's anaemic sales growth than this, though. By the company's own admission, it has allowed the pendulum to swing too far from its traditional heavy dependence on channel partners in favour of its own sales channels. It is now looking to correct that. A number of investment analysts have also been critical of the time Check Point has taken to embrace the cloud.

Upcoming Differentiator #1: Capitalizing on 'Accretion'

Now that Fortinet has got its nose in front, what will happen to this gap between these two big security companies' revenue lines? From HardenStance's vantage point, the most likely scenario is that the gap will open up further in Fortinet's favour.

HardenStance bases this on the different approach the two companies have in a couple of key emerging areas. The first is what we refer to as 'accretion' in cyber security procurement. In astronomy, accretion is the gravity-driven process through which planets are formed. Small particles are gradually drawn together, combining to form larger ones. These combine again and again to become larger and larger over time.

The term 'vendor consolidation' is too narrow to capture what's occurring in cyber security procurement. It tends to focus on M&A and customers just eliminating some of their cyber security vendors altogether. But this only represents a part of what's going on. Accretion is a broader, more useful, concept because it embraces other key components of what enterprises are looking for as they look to rationalize their security architectures.

Key features which accretion embraces beyond just vendor consolidation are:

- Open platform approaches which provide simplified integrations and routes to market for third party security software vendors. These include the Palo Alto Networks Application Framework and IBM Security's App Exchange.
- Greater commonality, threat intelligence and policy sharing across a large vendor's own portfolio of the kind that Fortinet is driving with its Security Fabric.
- Portfolio integration between big vendors at a strategic rather than tactical level, such as what IBM Security and Cisco and what Fortinet and Symantec are doing.
- Joint commercial engagements including jointly-writing and jointly submitting RFQs for large contracts of the kind IBM Security and Cisco have started engaging in.

In terms of their prospects of emerging as a winner from this process of accretion in cyber security procurement, the above examples of the Security Fabric and the partnership with Symantec provide more convincing proof-points for Fortinet than anything Check Point can point to at this time.

Upcoming Differentiator #2: Mobile Security

Check Point's mobile strategy doesn't seem to have paid off as well as the company hoped. The ratio of effort to reward for attacking fixed endpoints continues to remain a lot more attractive for attackers than going after smartphones.

Enterprise CISOs do recognize the risk represented by mobile threats but by and large they still aren't spending anything like as heavily on it. Exploits targeting smartphones have certainly had business-crippling and life-threatening effects on many small companies and individuals. However, no one event of this kind has come close to causing the breadth and depth of mass market pain that attacks on fixed infrastructure and endpoints continue to cause.

On the cusp of the 5G era, Check Point's value proposition for mobile security still appears centred on competing with focused mobile security specialists to protect smartphones and other mobile devices from mobile malware. Fortinet's network security-driven solutions for enterprises are better pitched at the broad swathe of new risks to their enterprise infrastructure presented by the shift to new 5G business models.

The Security Fabric and partnership with Symantec provide more convincing proof-points for Fortinet than anything Check Point can point to.

Fortinet's mobile strategy looks better tailored to serving both enterprises as well as the mobile operators themselves.

And whereas Check Point's mobile strategy seems heavily enterprise-focused, Fortinet's looks better tailored to serving enterprises as well as the mobile operators themselves. Fortinet's network security roadmap and solutions messaging looks better tailored than Check Point's to enabling mobile operators to use security as an enabler of new 5G business models and protect the operator's network against the many new threats that the 5G environment will introduce.

Fortinet overtakes Check Point as Palo Alto Networks overtook Cisco

Today's milestone isn't the only 'change of the guard' in sales among the big network security vendors of the last twelve months. In the quarter ending July 2018, following much the same multi-year trajectory as Fortinet and Check Point, [Palo Alto Networks overhauled Cisco in security sales](#).

Whereas Cisco is building strong sales momentum in security despite falling behind Palo Alto Networks, Check Point has been struggling with weak sales momentum for the last three years now. There's no obvious sign of an upturn coming either.

More Information

- ["5G Security to Drive Enterprise Investment"](#)
 - [IBM Security and Cisco Mean Business](#)
 - [Palo Alto Networks beats Cisco in quarterly security sales - What Next?](#)
 - [The HardenStance Network Security Sales Index \(NSSI\) - December 2018](#)
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