

Growth Leadership, Unified Threat Management (UTM) Global, 2010

Frost & Sullivan's Global Research Platform

Frost & Sullivan is entering its 49th year in business with a global research organization of 1,800 analysts and consultants who monitor more than 300 industries and 250,000 companies. The Company's research philosophy originates with the CEO's 360 Degree Perspective,* which in turn serves as the foundation of its TEAM Research** methodology. This unique approach enables us to determine how best-in-class companies worldwide manage growth, innovation and leadership. Based on the findings of this Best Practices research, Frost & Sullivan is proud to present the 2010 Global Growth Leadership Award in Unified Threat Management (UTM) to WatchGuard Technologies, Inc.



Significance of the Growth Leadership Award

Key Industry Challenges Addressed by Increased Growth Leadership

The Unified Threat Management market has grown at a rapid rate in recent years. UTM has a strong value proposition that has gained much traction with customers in the small-to-medium business (SMB) range. However, the UTM market faces a number of challenging trends such as increasing competition, advancing technology, and changing customer attitudes. While these challenges are not new, the UTM market is at a critical junction in its development and vendors must solidify their positions in the competitive landscape now. The UTM market is very fragmented at this point, with five of the 42 vendors controlling 51.2 percent of the market revenues. By growing at a higher rate than its competitors, a UTM vendor can grow its share of the market, thus giving it more visibility and brand name recognition.

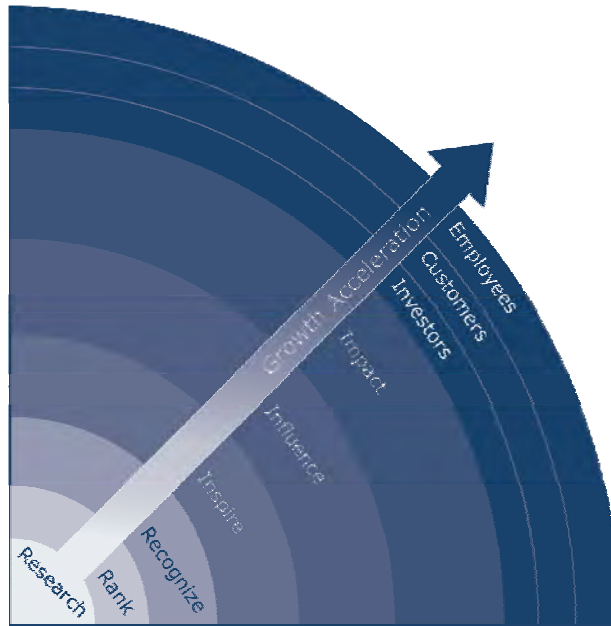
UTM aims to completely secure corporate network, web traffic and messaging traffic in a consolidated, affordable appliance. This is an ambitious and challenging proposition and customers seek UTM solutions that offer a careful blend of value, security, performance, and scalability. These solutions must not lack in performance or quality, as they must frequently compete against best-of-breed point technologies. A vendor with a quality solution will grow at a greater rate than its competitors.

UTM solutions were met with much initial excitement and hype. Customers have become more realistic in their expectations for UTM technology. Customers are increasingly able to evaluate their options due to the wealth of product reviews and media coverage of the industry. UTM vendors with strong product offerings and sound market strategies will find market validation in the form of sustained high growth rates.

Impact of Growth Leadership Award on Key Stakeholders

The Growth Leadership Award is a prestigious recognition of WatchGuard's accomplishments in the Unified Threat Management market. An unbiased, 3rd party recognition can provide a profound impact in enhancing the brand value and thereby accelerating WatchGuard's growth. As captured in Chart 1 below, by researching, ranking, and recognizing those who deliver excellence and best practices in their respective endeavors, Frost & Sullivan hopes to inspire, influence, and impact three specific constituencies:

- **Investors**
Investors and shareholders always welcome unbiased and impartial third party recognition. Similarly, prospective investors and shareholders are drawn to companies with a well-established reputation for excellence. Unbiased validation is the best and most credible way to showcase an organization worthy of investment.
- **Customers**
3rd party industry recognition has been proven to be the most effective way to assure customers that they are partnering with an organization that is leading in its field.
- **Employees**
This Award represents the creativity and dedication of WatchGuard's executive team and employees. Such public recognition can boost morale and inspire your team to continue its best-in-class pursuit of market leadership for WatchGuard.

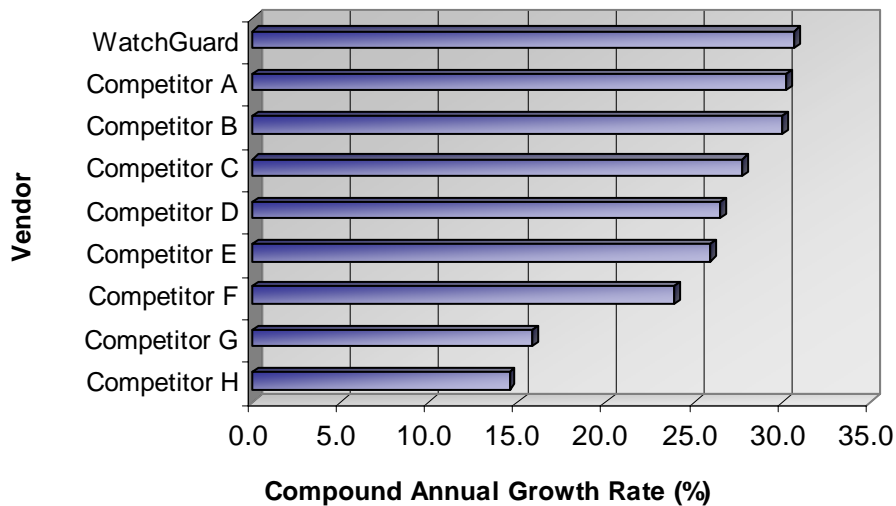
Chart 1: Best Practices Leverage for Growth Acceleration**Best Practice Award Analysis for WatchGuard Technologies, Inc.**

The Frost & Sullivan Award for Growth Leadership is presented to the company that has demonstrated excellence in capturing the highest annual compound growth rate for the last 3 years.

WatchGuard’s Performance in the Unified Threat Management Market

WatchGuard had the highest compound annual growth rate (CAGR) among UTM vendors, from 2006 to 2009. Chart 2 illustrates WatchGuard’s CAGR for the period in comparison to its competitors’.

Chart 2: Compound Annual Growth Rate by UTM Vendor (World), 2006-2009



Key Performance Drivers for WatchGuard

WatchGuard witnessed the highest growth rates from 2006 to 2009 as validation to its market strategy and product strengths. This has been no easy feat in a market with over 40 competitors including industry giants such as Cisco and Juniper. WatchGuard growth is largely due its product leadership, as well as continued product line development, strategic expansion, and a clear company vision.

Factor 1: Product Excellence

WatchGuard offers an extensible threat management (XTM) solution that enables customers to build a security platform that best meets their needs. This approach provides stronger security, management flexibility, and improved networking capabilities. Furthermore, WatchGuard XTM multifunction firewalls provide tremendous value in their ability to be easily upgraded over time. This allows customers to grow their security coverage along with their company’s growth, the changing threat landscape, and evolving technologies. WatchGuard XTM appliances offer competitive levels of UTM performance compared to competitors’ products at a similar price point.

WatchGuard’s proprietary operating system, Fireware XTM, is the foundation for its line of UTM appliances. Fireware XTM provides standard UTM coverage plus HTTPS inspection, application control, and VoIP security for the Firebox X Core and Firebox X Edge appliances. In addition to this functionality, Fireware XTM Pro provides more advanced features for the XTM 1050, XTM 8 series, and the Firebox X Peak appliances. These additional features include server load balancing, multi-WAN

load balancing, high availability, and policy-based routing. WatchGuard's excellence in product features, functionality, and performance is a prominent factor in the company's strong growth rates.

Factor 2: Strategic Expansion

WatchGuard has demonstrated healthy organic growth in recent years. However, the company made a crucial decision to expand its market presence by acquiring BorderWare Technologies, Inc. in August of 2009. BorderWare proved to be a natural fit for WatchGuard, and in November of 2009, the company released its line of extensible content security (XCS) appliances. This acquisition expanded WatchGuard's portfolio to include a complete line of inbound and outbound content security abilities. WatchGuard's offerings in web and messaging security now include data loss protection, encryption, URL filtering, content filtering, antimalware, anti-spam, email and instant messaging security, and an application-based firewall.

Besides providing a strong line of content security products, the BorderWare acquisition also gives WatchGuard cloud-based capabilities in ReputationAuthority. ReputationAuthority is a reputation service that utilizes patented adaptive identification techniques to provide the first line of defense against malware and spam for WatchGuard's XCS customers.

Overall, the acquisition of a best-in-class content security solution expands WatchGuard's market base and opens new opportunities for expansion. This move demonstrates WatchGuard's ability to analyze its competitive positioning, create a viable strategy, and implement the plan to great success. This ability has helped WatchGuard's growth and makes the company a leading market contender.

Factor 3: Continuous Product Line Improvement

Despite the company's initial success, WatchGuard continues to analyze its product offering for opportunities to improve. WatchGuard recognized a gap in its product line from its mid-to-large enterprise appliance, Firebox X Peak Series, to its highest performance appliance, the XTM 1050. WatchGuard successfully addressed this issue in October with the release of the XTM 8 Series. The XTM 8 Series provides enterprise-grade security for customers with large, high performance networks.

WatchGuard also identified the trend towards managed UTM, and in December of 2009, the company announced its WatchGuard Managed Security Services Program. WatchGuard has a detailed plan to ensure the program's success including a number of adjustments in terms of partner incentives, pricing, and support. Already, WatchGuard is seeing much support for the program from customers and channel partners. This meticulous analysis and planning, combined with careful execution, has spurred WatchGuard's growth in the past, and bodes well for its new program.

Factor 4: Clear Company Vision

WatchGuard's success in the UTM market can be traced back to its company vision to provide affordable, all-in-one network and content security. As a company, WatchGuard focuses almost entirely on UTM and can devote significant resources to research and development pertaining to UTM. This has enabled WatchGuard to offer quality and flexible products and implement successful market

strategies. With this advantage, WatchGuard is in a position to continue growing in terms of revenues and market share.

The CEO 360 Degree Perspective™ - Visionary Platform for Growth Strategies

The CEO 360 Degree Perspective model provides a clear illustration of the complex business universe in which CEOs and their management teams live today. It represents the foundation of Frost & Sullivan's global research organization and provides the basis on which companies can gain a visionary and strategic understanding of the market. The 360 degree perspective is also a "must-have" requirement for the identification and analysis of best-practice performance by industry leaders.

The 360 degree model enables our clients to gain a comprehensive, action-oriented understanding of market evolution and its implications for their companies' growth strategies. As illustrated in Chart 3 below, the following six-step process outlines how our researchers and consultants embed the 360 degree perspective into their analyses and recommendations:

Chart 3: How the CEO's 360 Degree Perspective Model Direct Our Research?

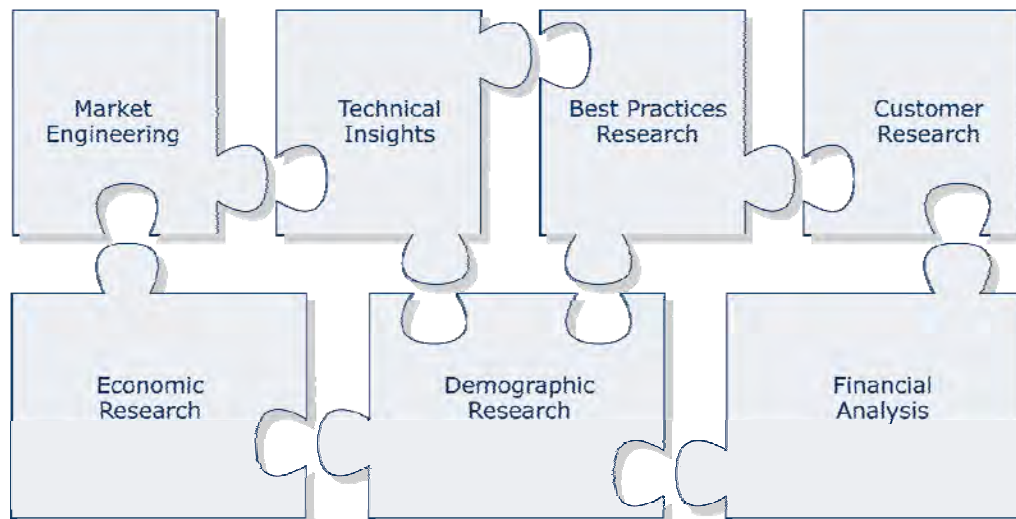


Critical Importance of TEAM Research

Frost & Sullivan’s TEAM Research methodology represents the analytical rigor of our research process: it offers a 360 degree view of industry challenges, trends, and issues by integrating all 7 of Frost & Sullivan’s research methodologies. Our experience has shown over the years that companies too often make important growth decisions based on a narrow understanding of their environment, leading to errors of both omission and commission. Frost & Sullivan contends that the successful growth strategies are founded on a thorough understanding of market, technical, economic, financial, customer, best practices and demographic analyses. In that vein, the letters T, E, A and M reflect our core technical, economic, applied (financial and best practices) and market analyses. The

Integration of these research disciplines into the TEAM Research methodology provides an evaluation platform for benchmarking industry players and for creating high-potential growth strategies for our clients.

Chart 4: Benchmarking Performance with TEAM Research



About WatchGuard Technologies, Inc.

WatchGuard builds affordable, all-in-one network and content security solutions to provide defense in depth for corporate content, networks and the businesses they power. WatchGuard's award-winning extensible threat management (XTM) network security solutions combine firewall, VPN and security services to protect networks from spam, viruses, malware and intrusions. The new Extensible Content Security (XCS) appliances offer content security across e-mail and web combined with data loss prevention for complete content protection. WatchGuard extensible solutions scale to offer right-sized security for small businesses up to enterprises with 10,000+ employees. Since its founding in 1996, more than 600,000 WatchGuard signature red security appliances have been deployed worldwide. Today more than 15,000 dedicated partners back WatchGuard's products in 120 countries. WatchGuard is headquartered in Seattle, Washington, with offices in North America, Latin America, Europe, and Asia Pacific.

About Frost & Sullivan

Frost & Sullivan, the Growth Partnership Company, enables clients to accelerate growth and achieve best in class positions in growth, innovation and leadership. The company's Growth Partnership Service provides the CEO and the CEO's Growth Team with disciplined research and best practice models to drive the generation, evaluation and implementation of powerful growth strategies. Frost & Sullivan leverages almost 50 years of experience in partnering with Global 1000 companies, emerging businesses and the investment community from 31 offices on six continents. To join our Growth Partnership, please visit <http://www.frost.com>.