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CORPORATE PARTICIPANTS

Kip E. Meintzer *Check Point Software Technologies Ltd. - IR*

CONFERENCE CALL PARTICIPANTS

Gabriela Borges *Goldman Sachs Group Inc., Research Division - Equity Analyst*

PRESENTATION

Gabriela Borges - *Goldman Sachs Group Inc., Research Division - Equity Analyst*

Okay, great. I think we're live. Good morning, everyone. Thank you for joining us today on day 1 of the Goldman Sachs Technology and Internet Conference. I'm Gabriela Borges. I lead the security software franchise here at Goldman, and I'm delighted to have with me up on stage, Kip Meintzer from Check Point.

Kip E. Meintzer - *Check Point Software Technologies Ltd. - IR*

Delighted.

Gabriela Borges - *Goldman Sachs Group Inc., Research Division - Equity Analyst*

And so we have a whole bunch of questions for you on all of the wonderful things that are happening over at Check Point. So before we get to all that, if you'd like to kick it off with the safe harbor.

Kip E. Meintzer - *Check Point Software Technologies Ltd. - IR*

Yes, the safe harbor. Obviously, during the course of the presentation, there may be forward-looking statements. As with all forward-looking statements, there's lots of risks and uncertainties, and these are covered by the safe harbor provided by the Securities and Exchange Acts of the early 1900s, yes, the early 1900s. And as with all those forward-looking statements, there's those risks and uncertainties, and we have this elaborate lists that are provided in our latest earnings release or the latest 20-F filed with the SEC. And as with all forward-looking statements, we have no duty to update, except where required by law.

With that, I'll throw it back to Gabriela.

QUESTIONS AND ANSWERS

Gabriela Borges - *Goldman Sachs Group Inc., Research Division - Equity Analyst*

Okay, fantastic. So I'd love to start with some of the changes that have happened at Check Point over the last year or 2 on the sales and marketing front. And if I think about how the narrative has changed here, one of the things that jumps out to me is this strikes me as a Check Point that is more aggressive and more determined to go after new business than what I've seen prior to the last couple of [years]. So maybe just speak a little bit about how this perception of go-to-market has changed [certainly] at the company over that timeframe and some of the things that you're doing maybe a little bit differently [relative to that].



Kip E. Meintzer - Check Point Software Technologies Ltd. - IR

Well, I think for starters, if you go back 3 years, we started making more investments around the sales and marketing side of the business, and those investments have continued and still continue today. The rate at which those investments are made are very obviously accordingly. But what you saw over the last 3 years was the initial foray, and then we had a little bit of a stumble when we had some more attrition than we anticipated. But last year, I think we got back on track with the hiring, got everybody up to speed. And we're entering this year, we just had CPX last week in Vegas and I think this week it's in Vienna. So we're getting our partners, our salespeople up to -- the latest training. Also, our customers attend these events, and it's gone very, very well, lots of excitement. I'm sure we'll talk about some of the items that were launched there. As such, we've also -- we've got Dan Yerushalmi now, who is our head of sales, our Chief Customer Officer, and he's brought some gradual changes that were already implemented and improved upon those. We brought Frank Rauch on the partner side. He just started at the beginning of this year. He was just at our CPXs. He is heading up worldwide partner and channels. And so I think we're definitely going in the right direction. And when you say being aggressive around new customers, I don't think that's changed. I think our aggression was always there. I think we've always sought to go out there. I think there's a couple of things that have changed. One is the customer is starting to move towards more consolidation. I think our move towards Infinity and Infinity Total Protect (sic) [Infinity Total Protection] kind of go right along with those needs of our customers. And we're the only ones in the marketplace that provides protection and prevention as opposed to what I think is the standard amongst other folks, which is just detection and remediation. So I think this is what customers are actually looking for, and I think you're going to see a bigger move to that in the future. And I think that's why you've seen the efforts we've made with Infinity, with the sales force. It's all towards the future, not towards the past. And I think point solutions, as you see from most of our competitors out there, they like to throw application framework or fabric or whatever as their example of a platform, but you really have to be a pure software company to be a platform player, and you have to be dedicated to providing protection and prevention. And I think that's what we've done with our Gen V architecture with Infinity, and soon you'll see Gen VI coming out. So uniquely positioned. I think we'll see how it goes going forward. So far, I think what we've seen in the last couple of quarters has been very promising, and hopefully that continues.

Gabriela Borges - Goldman Sachs Group Inc., Research Division - Equity Analyst

So I'll pick up the thread on CPX, since that was just last [week]. What were some of the highlights that stood out to you on things that were resonating with customers and maybe [in terms of how] you are approaching this conversation [now]?

Kip E. Meintzer - Check Point Software Technologies Ltd. - IR

I think there is a lot of excitement around Infinity and also the pricing mechanism for Infinity Total Protection. Obviously, we announced Maestro and a couple of new appliances. The hyper scale environment is very attractive to folks. They like the idea to be able to build on that and create their own powerhouse as it would be. So it's the only product of its kind in the marketplace. And I'm sure others will try to imitate it and we'll see how successful they can be. But definitely, I think there is a lot of excitement around that. And I think our Dome9 acquisition and the CloudGuard SaaS and IaaS products are -- there was a lot of excitement around that, especially the way we're rolling out Dome9, the way it's being integrated with CloudGuard. I think it addresses a lot of the needs of our customers out there.

Gabriela Borges - Goldman Sachs Group Inc., Research Division - Equity Analyst

Specifically on your comment on Mr. Frank Rauch, who has come over to help with the channels, what is some of the low-hanging fruit areas that can be improved when you think about the way that Check Point utilizes the channel as leverage?

Kip E. Meintzer - Check Point Software Technologies Ltd. - IR

Well, I think building the relationship, he's a known quantity to the channel, having been with VMware for the last 6 or 7 years. So he brings relationships. And I think that's going to benefit us. I always say, folks that have been in Americas and dealt with the channel stuff, have more of a touchy-feely approach as opposed to what I call the Israeli Krav Maga approach. So from that standpoint, I think it just helps to build the relationship

there. And at a time when our competitors are moving away from the channel, we're starting to embrace them more. And I think all those things bode very, very well for us.

Gabriela Borges - *Goldman Sachs Group Inc., Research Division - Equity Analyst*

So where do you think the channel is in terms of ability to sell some of the more sophisticated cloud products like Dome9, like Infinity Total Protect (sic) [Protection], which isn't cloud in and of itself, but is a slightly different way of selling things, classic firewall go-to-market?

Kip E. Meintzer - *Check Point Software Technologies Ltd. - IR*

Well, I think from the [cloud 9] (sic) [Dome9] perspective, it's a very easy sale, and I think all of our...

Gabriela Borges - *Goldman Sachs Group Inc., Research Division - Equity Analyst*

Dome9.

Kip E. Meintzer - *Check Point Software Technologies Ltd. - IR*

Dome9, yes. And all of our CloudGuard products because, one, they provide a level of protection and prevention that nobody else provides. But at the same time, it's providing unique qualities. Like what Dome9 does, you have to go out and buy 2 or 3 other companies to be able to achieve even part of what they do as far as functionality and capabilities. So from that aspect, I think Dome9 is a very easy sale. And I think the channel is very excited about that. So there -- I would say, they're hitting the ground running this year as well as for all the CloudGuard products. Our SaaS product, which is GA, it's really the only product of its kind. It's CASB steroids, right? I mean, most people think of it as just CASB, as a way of accessing your applications, but this has got prevention and protection. It's got accounted -- a prevention from account takeover, which is the #1 problem with CASB products is somebody gets a hold of it and gets control over it and you're fighting to get control back. So that's -- I think we have some definite advantages in the market, and we'll see if we can take -- execute on that.

Gabriela Borges - *Goldman Sachs Group Inc., Research Division - Equity Analyst*

And then, the last thing I have on the sales and marketing piece, the execution [strength] that you mentioned earlier, which had a little bit of a stumble, a little more volatility than I think what Check Point had initially expected over the course of 2018 [from] sales force. Check Point has been scaling and managing its sales force [enterprise] level for decades now. What do you think was different about the last [6] months that made it a little more challenging to execute? And when you look at the productivity today, how is the recovery going? Do you think you're back up to being able to execute?

Kip E. Meintzer - *Check Point Software Technologies Ltd. - IR*

So I think what happened to us in '17 was the setback, and that's when we brought on all of the extra headcount in anticipation of the growth that we expect in the future. One of those things was to get the sales force on board, get them all trained up, so that when we hit the ground running in the beginning of '18 with ITP, Infinity Total Protection, we'd be seasoned guys out in the sales force [doing it]. Unfortunately, we had the attrition that took place at the beginning of '17, and that was a direct result of what happens when people have choice, right? They don't like their situations, don't like their quota, don't like their territory, don't like their new manager, and they vote with their feet. Unfortunately, we had more attrition than we anticipated, so we got put behind by about 12 months, I would say, because we had to rehire all those folks that we lost and then we had to train them. At a time when we were rehiring, we're expecting to be training and getting people up to speed. So I think '18 was a year of training, a year of getting up to speed, getting these people seasoned, and hopefully, we're going to roll into '19 here with a well-oiled machine. I think

what we saw in the third quarter and the fourth quarter as far as results was very promising. We always want better, but it was promising. And so hopefully that trend continues.

Gabriela Borges - *Goldman Sachs Group Inc., Research Division - Equity Analyst*

Is attrition and churn now back to more stable levels?

Kip E. Meintzer - *Check Point Software Technologies Ltd. - IR*

I would say it's nowhere near what we had in '17 and it's more normalized, that's what I would say. And we're still hiring, but we're not having to backfill. I think the key. So we have folks that we trained throughout last year. We have a seasoned -- a pretty seasoned force. And they'll get better as the year goes on. They're selling all new stuff, right? Nobody else sells a package like ITA -- or ITP, [these things]. And you're dealing with the broadest platform out there, so it's a very different dynamic than what these guys are used to.

Gabriela Borges - *Goldman Sachs Group Inc., Research Division - Equity Analyst*

Yes, very good. Let's talk about ITP.

Kip E. Meintzer - *Check Point Software Technologies Ltd. - IR*

Okay.

Gabriela Borges - *Goldman Sachs Group Inc., Research Division - Equity Analyst*

So CISOs in this space are very [consistent (inaudible) about vendors. [They] always like to consolidate products down. And then when you look at what they're actually doing with their environment, very rarely do they actually end up consolidating spend [on vendor]. So the question for you is, are you actually starting to see the customers looking to standardize on Check Point to the point where they rip out other vendors and peripheral products and end up buying this product?

Kip E. Meintzer - *Check Point Software Technologies Ltd. - IR*

It's already happened.

Gabriela Borges - *Goldman Sachs Group Inc., Research Division - Equity Analyst*

Okay.

Kip E. Meintzer - *Check Point Software Technologies Ltd. - IR*

It's in small numbers right now, as we talked about. Anything of this nature is going to be small numbers. We saw some nice deals in the last quarter. We talked about those on the call. They weren't small. They were rather large. And in both those cases, yes, people ripped out other vendors. It doesn't happen immediately. You take this on. And the great thing about Infinity Total Protection is you can take your time because you're not giving all that upfront money and then have the clock ticking on when all that technology is relevant. You're paying an annuity per year based on your employees, how many you have, and you get full access to our whole portfolio. And so you can take your time and do what's right, run things in parallel and then roll things over to our products when you're ready. But there's no ticking time bomb, and that's what's great about ITP. So

we've seen early success. It's still very small numbers, and it's going to be that way. But as you point out, you rarely see these guys consolidate. You see the talk. I always like to bring people back to the enterprise software industry back in the 1990s. Everybody had point solutions. Everybody paid lots of money to have all these point solutions integrated with middleware. And what forced their hand was the downturn in the economy. Just like all of us. We all rationalize our spending when the world goes upside down, investment banks especially. So when you look at it from that respect, I think it puts us in a unique position because I don't know about anybody in this room, but I don't think this market is going to continue forever. And when that dynamic of change occurs and we have a downturn in the economy, these IT teams are going to have to make rationalized decisions with their headcount, with their technologies. And usually, all those things come in line. You got to reduce the sprawl of people as well as the sprawl of product. And I think we're in a unique position. Everybody else is on the come with their, what you call, platforms, if you will, if they call them that. But we actually have what we talked about. It's not a marketing game. It's not on the come for the future. These are actually platforms of the Unified Management Console that's viewed as platinum in the industry, and hopefully that's going to continue.

Gabriela Borges - *Goldman Sachs Group Inc., Research Division - Equity Analyst*

How did you pick the price lane? How do you negotiate on price when it comes to bundling, strategy (inaudible)? What are the implications for customer lifetime value (inaudible)?

Kip E. Meintzer - *Check Point Software Technologies Ltd. - IR*

So think about it this way. If you're going to take ITP, typically what are going to do is you're going to get rid of the other vendors. So you're actually taking on more technology. So in the end, you're going to save money. The starting price for Infinity Total Protection is \$300 an employee, and it goes up from there, depending on the additions that are included in the package, because we have a lot of new products that have come out, obviously. And yes, over time, we'll see how that fits in. But most of the time, people are taking a -- let's just say they're taking a nice broad package, the folks that have, and their intent is to move it out across the organization.

Gabriela Borges - *Goldman Sachs Group Inc., Research Division - Equity Analyst*

Out of the 3 or 4 dozen products that are included in that ITP bundle, what are the ones that you're already seeing a little bit of success with in terms of (inaudible)?

Kip E. Meintzer - *Check Point Software Technologies Ltd. - IR*

It's not so much displacing of the vendors. It's providing people technology that they don't have. So on the displacement, it's just going to be your traditional network security products, the stack. You next-gen firewall, your advanced threat protection. SandBlast is -- there's nobody that has anything that compares to what we do with SandBlast. So I would say that's a big driving force there, our advanced threat protection side. But we've seen it where people are looking to adopt our mobile product, the CloudGuard product as well as our endpoint product. And so your midsize companies, we'll say the 1,000 to 10,000 employees, this is where we're seeing the biggest success. But we have seen success with larger organizations also.

Gabriela Borges - *Goldman Sachs Group Inc., Research Division - Equity Analyst*

My next couple of questions are on Maestro.

Kip E. Meintzer - *Check Point Software Technologies Ltd. - IR*

Okay.

Gabriela Borges - *Goldman Sachs Group Inc., Research Division - Equity Analyst*

So Check Point announced Maestro on the last earnings call. It is an orchestrator client that helps you get perfect utilization of your firewall, my understanding. So maybe talk a little bit about the longer term (inaudible). (inaudible) think there's the argument here that you're giving customers a lot more value than what they would otherwise have been able to get out of their infrastructure. But at the same time, how do you think about the risk that over the medium term, customers get [-- sweat their boxes] the longer the refresh cycle pushes out?

Kip E. Meintzer - *Check Point Software Technologies Ltd. - IR*

Well, I think of it as a double-edge sword, right? I think first and foremost, you're allowing people to [team] together and hyper scale together 52 boxes, right? So that's a lot of power. And it allows you a lot of flexibility. But the other thing -- there's lots of waste if you think about how environments are created, right? You have high-availability pairs. You have boxes that are basically doing nothing part of the time, right, or just sitting there in an idle type of approach. Whereas with hyper scale, you get to utilize all the boxes and you get to leverage all of it, nothing standing still, right? Nothing is just part-time or mirroring. You basically have the capability to utilize all those boxes [and share it]. And I think from that aspect, it's an advancement in technology and it allows you to utilize something rather than not in the form of appliances. So I think it's unique. And every time you step ahead in technology, you're building efficiency. And sometimes those result in savings, and that's what you would hope. I mean, that's what technology -- if you really think about it, it's making our lives easier, right? I always go back to folks who had to use the typewriter for their papers in college, to people who used a, what do you call, a word -- it was an electronic typewriter, to a person who uses computer. Those are big differences. So a lot of efficiencies. And look, the price of a computer today is -- you can't even buy a typewriter anymore. So, yes. So it come with the territory.

Gabriela Borges - *Goldman Sachs Group Inc., Research Division - Equity Analyst*

And one of the ways in which Check Point tries to drive that forward is with the launch of newer and better appliances at a pretty regular cadence. So talk us about the refresh cadence for Check Point's own appliances when you think about this year. You announced the 6000 Series, a couple of (inaudible)...

Kip E. Meintzer - *Check Point Software Technologies Ltd. - IR*

6000 Series and in the 23s, I believe, was at the end of last year. And you'll probably see more rolled out over the course of this year. You don't do them all at one time, but you do stagger them and do it over a period of time. So I'm sure you'll see more in the future.

Gabriela Borges - *Goldman Sachs Group Inc., Research Division - Equity Analyst*

And as the new boxes come out, what's the right way to think about how competitive Check Point becomes with how your competitors are also, at the same time, doing their own refreshes? I guess a broader question on how you're thinking about the competitiveness of the industry. A lot of companies are talking more about spending more on the sales and marketing side, spending more on cloud, et cetera.

Kip E. Meintzer - *Check Point Software Technologies Ltd. - IR*

So I think you can reach just so much spending on sales and marketing before it's not adding the amount that you want, right? And so I mean, look at our competitors. Their efficiency, right, their sales growth goes down and their spend on sales and marketing goes up. And that's because they're trying to hold the level. Fortunately for us is we get [to build], right? And I always like to say that when they can't spend, we can spend. There will come a time when there's going to be demand put on them for bottom line and growth on the margin side and there's only one way they can get there, right? And that's going to be to cut. So we're in a unique position where we've always had world-class margins, both gross and operating. So as we see opportunity, we can add as we see fit. At the point where we are right now, we want to see that growth start to pick up before we



start to grow ahead of revenues. I think Tal elaborated about that on the fourth quarter call. But I definitely think we're in a unique position because we are the only ones that have a platform today, a platform that's real and really spans far greater than what our competitors can offer, from the endpoint to mobile to -- now we have hyper scale. So we have not only competitive differentiators from a technology standpoint but also from a platform standpoint, also in effectiveness. So I think it's a unique position where I think, going forward -- and you're not going to see the, what I call, the marketing bombs, right? Being able to put out marketing that's completely contrary to what your offerings are, which is what we've seen for the last, I would say, 7 to 10 years. And that's indicative of a growth environment with 0 interest rates. People get to be reckless and do as they wish. But we'll see going forward. I think it will definitely evolve.

Gabriela Borges - *Goldman Sachs Group Inc., Research Division - Equity Analyst*

So speaking about efficiency, what are some of the things (inaudible) to track how efficient that incremental dollar of spend and whether it's really driving [growth]?

Kip E. Meintzer - *Check Point Software Technologies Ltd. - IR*

Well, I think it has a lot to do with the metric-driven that we are. We wouldn't have the operating margins or anything else that we have without keeping tabs on everything. And for us, it's more -- we knew the investments we had to make in the past year, right, to get the sales force up to speed. Now what we announced at CPX, it's about activity with the sales force. And so we're doing a lot more tracking of their activity, how many accounts they're out there investing time in. So we'll see. We're tracking it closely. And we've tracked it for a while, but I think we have some key indicators that we're driving for now.

Gabriela Borges - *Goldman Sachs Group Inc., Research Division - Equity Analyst*

So the company has been very consistent in talking about how you don't manage to margins, the balance between growth and profitability. But I just look at the comparisons over the last 5 years. 5 years ago, you were doing 7% revenue growth, 58% margins. Today you're doing more like, mid-single-digit revenue growth, 50% margins. What scenario do you think could play out such that you'd be able to get back into the high 50s? Or do you think that 50% is now

(inaudible)?

Kip E. Meintzer - *Check Point Software Technologies Ltd. - IR*

Well, I would just say that nobody is paying us for our operating margin and that's proof positive. Our multiple has gone up as our margin's come down. So from that standpoint, I think for us, it always matters, are we doing the right thing for the customer as far providing them information? In other words, a high-quality sales force so they can make their decisions, and also at the same time, building products that are at the top of the level for their category. So from that standpoint, I think for us, we knew we had to make this investment because we saw this change coming. We know what's coming in the next 5 years, right? I think the other guys were running -- I would say, running in place because they still just have point solutions, for the most part. And they have reliance on hardware where we do not. So I think going forward, I think that's -- it's whose strategy is going to work out, right? And I think the picture we paint is very compelling. So we'll see. Time will tell.

Gabriela Borges - *Goldman Sachs Group Inc., Research Division - Equity Analyst*

So maybe that's a good place to take a pause and turn it over to the floor. So are there any folks in the audience who would like to ask a question?



Kip E. Meintzer - *Check Point Software Technologies Ltd. - IR*

Or is it too early?

Unidentified Participant

(inaudible)

Kip E. Meintzer - *Check Point Software Technologies Ltd. - IR*

On Maestro? There is a price out there. I don't have it off the top of my head. But it's already out there and it's already being sold.

Unidentified Participant

(inaudible)

Kip E. Meintzer - *Check Point Software Technologies Ltd. - IR*

No, I don't -- I can't give you any parameters. I can just tell you that it's a very unique technology that -- it allows you to turn a lot of media. It almost eliminates the need for those big, big chassis, so I'd just put it to you that way. The way you can daisy chain these guys together in the environment. It doesn't mean it will, but it allows you to leverage these boxes more thoroughly.

Unidentified Participant

(inaudible)

Kip E. Meintzer - *Check Point Software Technologies Ltd. - IR*

So it's not daisy chain. It's a hyper scale environment, but it doesn't exist out there. The place it exists, if you really think about it, is within AWS, Azure or one of these big environments. [It clearly allows a customer to take care of this] -- take advantage of this type of hyper scale approach on-prem.

Gabriela Borges - *Goldman Sachs Group Inc., Research Division - Equity Analyst*

Talk about the demand environment. So I believe the comments from the last call basically said, look, we're not seeing anything yet in our pipeline. [It's just the macro assumptions]. But we read the news and so [I guess] it's prudent at this point to take into account some degree of conservatism about the (inaudible). And so the question is, walk us through where you see it softening [this year], and what are sort of the baseline assumptions that underpin your revenue guidance?

Kip E. Meintzer - *Check Point Software Technologies Ltd. - IR*

Well, look, softness doesn't happen overnight, right? But if you have a government shutdown again, which looks like we may have averted, remember it's not that the customer -- the government is not a big customer of ours. But it's the guy who is selling to the government who has his revenue cut off, who then adjusts his spending environment, right? So I always liken it to when you think about 2009, after what happened with 2008 and the whole debacle there, you almost had an Ice Age. People froze spending. And usually, people free spending when they don't know what their revenue is going to look like, right? So if you had a government shutdown, if you have the tariffs go into effect in China, all of a sudden, that throws



a lot of corporations into limbo, right? What are their expectations? So you don't know how it's going to peel through. Maybe it slows down the purchase of new products or what have you. Those are all possibilities. So you have to wait and see. For us, it almost could flip to the other side, right? As I spoke about earlier, which is if people start worrying about where their money is going to come from and start thinking about rationalizing their spending, that might push people towards an ITP effect. So I think we're covered on both sides, double dipping as it may be. I think we're in a unique position with our customers as we provide them effectiveness and efficiency with the ITP platform. So even if there is a downturn, I think it might even turn out to be a better thing for us over the long run, as I talked about earlier. But immediately, it's going to affect everybody the same way because everybody puts the stop on spending. But we'll see. Time will tell.

Gabriela Borges - *Goldman Sachs Group Inc., Research Division - Equity Analyst*

Have you yet to see -- well, let me rephrase that, What sort of conversations are you having with your customers on Check Point cloud security products as they, [well, go to] the cloud? And maybe specifically Dome9, CloudGuard? And within CloudGuard, I think virtual firewall is within that too. So any color on adoption of these cloud products? And when you see customers refresh their classic firewall install base as they go to the cloud, does that amount of refresh change at all as they start adopting cloud products?

Kip E. Meintzer - *Check Point Software Technologies Ltd. - IR*

So there are 2 different things, right? What you have on-prem is not affected by the cloud, per se, right, unless you're shutting down a data center or something along that line. Now it also might entail that you need bigger boxes if you're going to put more of your capacity up in the cloud. I would say, the conversations we have, Dome9 is opening a different conversation, obviously, because that's where the folks that have -- just using the native security that's up there for the different vendors. The big advantage with Dome9 is it provides compliance, it provides the manageability across 3 vendors, and soon to be 4: Azure, Google and AWS. So other folks have tried to do that by buying multiple companies. Good luck to them. Dome9 is the one that actually delivers it today. As far as our security that we provide up there, [excuse me], it's growing very nice and very fast, but it's still small numbers. And I think that's evident if you look at all of the players. Nobody is reporting a number of what they're selling in their cloud security. Now when we talk about cloud security, we have the infrastructure side and then we have the software-as-a-service there or the application side. And so they're very nice and they're 2 different businesses. Obviously, the IaaS is the one that everybody is interested in, right? How is that going to build and what's that going to do for displacing on-prem? The great thing is when you move to ITP, it doesn't matter. It's all by the amount of employees that you have utilizing the infrastructure. So you get away from, are you cannibalizing this? Are you cannibalizing that? And you move towards, hey, you get the whole enchilada. You get the cloud, you get on-prem, you get everything you want. So from that standpoint, I think, again, we're uniquely positioned where it takes that out of the conversation, right? No one is going to be saying, "Are you having stuff cannibalized?" because it doesn't matter. They get access to everything for the prices they're paying. So I think, again, it's going to be very interesting to see how everybody else moves forward.

Gabriela Borges - *Goldman Sachs Group Inc., Research Division - Equity Analyst*

How has the adoption of the CloudGuard compare to something like a SandBlast (inaudible) product?

Kip E. Meintzer - *Check Point Software Technologies Ltd. - IR*

Good question. So different parts. I think the Dome9, I think the level of excitement around the IaaS and things along that line are -- it's comparable, I think, as far as the excitement. We'll see how it flows through as far as adoption and such. I think on the CloudGuard SaaS, we just got it out there GA, so I think that one is a little more on the come, but I think it's the quality that it provides customers, the uniqueness of the solution. I am hopeful that it's going to have the same type of effect. So we'll see.

Gabriela Borges - Goldman Sachs Group Inc., Research Division - Equity Analyst

And then in terms of SandBlast adoption, is there a way to think about the runway for growth as more customers adopt SandBlast? Where are we in terms of (inaudible)?

Kip E. Meintzer - Check Point Software Technologies Ltd. - IR

So that's a good question. It's definitely not over 50%, but there's definitely lots of runway there. But the way that we sell things now as far as the packages go, I think, is the part where people get caught up in because now we have 3 primary packages: Next Gen Firewall and Next Generation Threat Extraction and Next Gen Threat Prevention. But yes, we'll see. I definitely -- there is lots of opportunities there. And then we have the products that run up on the cloud for Office 360 (sic) [Office 365] and such. So there's not just SandBlast as we know it that sits on the network or is a cloud-based product. We actually have it in other areas also. There is SandBlast Mobile. So we've carried that technology across the board.

Gabriela Borges - Goldman Sachs Group Inc., Research Division - Equity Analyst

Let me pause there one more time and back to the audience. Or maybe then we'll end on the capital allocation.

Kip E. Meintzer - Check Point Software Technologies Ltd. - IR

Oh, joy.

Gabriela Borges - Goldman Sachs Group Inc., Research Division - Equity Analyst

You guys have a good, strong balance sheet.

Kip E. Meintzer - Check Point Software Technologies Ltd. - IR

Yes.

Gabriela Borges - Goldman Sachs Group Inc., Research Division - Equity Analyst

And you've been very disciplined with how you've pursued M&A, acquisitions (inaudible). How are you thinking about it now? Are there gaps in the portfolio that you think (inaudible) still? And if there is not really any gaps in the portfolio, how do you think about potentially being more aggressive on the buyback or maybe...

Kip E. Meintzer - Check Point Software Technologies Ltd. - IR

Well, I would say we're probably doing enough buyback right now, and I think the authorization is for \$2 billion and up to \$325 million a quarter. When we get to the end of the authorization, obviously, the board reviews it and goes from there. That's also at the time when they would look at dividend or anything else as an opportunity.

As far as M&A, I don't think our approach is going to change. We're still very disciplined. The difference is we always like to start with technology and make sure we have the right technology. Price is always secondary. But obviously, I think price is becoming more rational today than it has been in the past. So we'll see. I think there's definitely more opportunities out there and we'll see if we can execute on them.



Gabriela Borges - *Goldman Sachs Group Inc., Research Division - Equity Analyst*

What would be a couple of key factors that are around the issuing of a dividend?

Kip E. Meintzer - *Check Point Software Technologies Ltd. - IR*

[All right]. It really comes down to what the investors want and it's up to the board, right? The board is made up of a couple of people that have a lot of shares. And it just shows you how the independence of the board works. There's no dividend because it hasn't been demanded by investors, obviously. There's interest there, but it's very small. And most folks have us focused on the dividend -- or the buyback. They see that as a better value, they see our stock as being very cheap. And I think I'd agree with them.

Gabriela Borges - *Goldman Sachs Group Inc., Research Division - Equity Analyst*

So let's leave at that. Thank you so much to everyone for coming to the session. Thank you to Kip. Pleasure having you.

Kip E. Meintzer - *Check Point Software Technologies Ltd. - IR*

My pleasure.

Gabriela Borges - *Goldman Sachs Group Inc., Research Division - Equity Analyst*

And hopefully, the rest of today is equally instructive.

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