

# Check Point Security: "We Secure The Internet"



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# What Check Point Does...



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## CHKP was the pioneer of the firewall

- Regarded as the Microsoft of Internet security
- Software is found in security appliances

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## Basic Background...

- Companies use networks to communicate
  - Different departments share the same info
- Everyone needs to communicate effectively



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## Background cont'd...

- Centralization is not effective
- Burden on network resources until.....
- People started using the Internet



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## Background cont'd...

- Companies use the Net as their network (VPN)
- Exposes security risks (ex: dime & qtr guy)



**Check Point enters the picture**

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## Their Solutions...

- Firewall software
- Firewall appliances
- Companies require different types of solutions



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## Growth Opportunities...

- Strongest brand name in the market
- VPN penetration is real low
  - Far East
  - 2.5G/3G
  - SOHO!

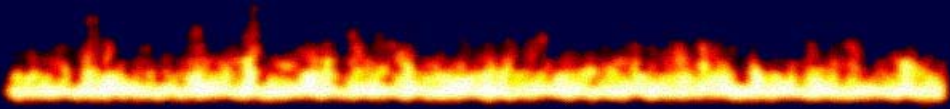


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## Trends in Firewall Software...

- Demand for multiple firewalls, not just 1
- Upgrading to larger firewalls



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## Macro-Economic Issues...

- First to benefit from recovery in IT spending
- Sept. 11 elevated concerns of computer terror
  - Govt. agencies will beef up spending



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## Business Model...

- **Is unique:** sell products through 1900 sales partners and 2 major distribution channels
- Huge margins (**96%**)
- Only make software, NOT hardware

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## Customers/Partners...

- Nokia
- Compaq, IBM, & Sun
- Intrusion.com, RapidStream

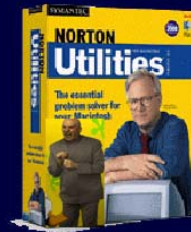


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## Competitors...

- **Software:**
  - Network Associates, Symantec (Norton Utilities), Computer Associates
- **Hardware:**
  - Cisco, NetScreen, and Lucent



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## Levels of VPN / Appliance Market...

### Price Bands

### Top Dogs

- Over \$50,000 → NetScreen, Cisco
- \$10,000 - \$50,000 → Cisco, **Nokia**
- \$5,000 - \$10,000 → Cisco, **Nokia**
- \$1000 - \$5000 → **Nokia**, WatchGuard
- \$300 - \$1000 → SonicWall, NetScreen

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## Quick Financial Picture...

- Over 1 billion in cash, 0 LT-Debt  
→ Future Acquisitions
- 96% gross, 63% net
- Israeli company → tax benefits

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## DCF Valuation...

Year	2002	2003	2004	2005	2006	2007	2008	2009
FCF	336,968	424,580	534,970	641,964	751,098	856,252	950,440	1,026,475
DFCF	286,391	306,691	328,430	334,962	333,083	322,722	304,455	279,459
Growth		26%	20%	17%	14%	11%	8%	6%
Long Term Growth Rate	4.00%							
10-year interest rate	4.95%							
Beta	2.05							
Risk Premium	6.20%							
Ke	17.66%							
Total Value 2002 - 2009	2,496,194							
Terminal Value	7,815,038							
Market Value	10,311,232							
Shares Outstanding	259,127							
Fair Value per share	40							

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Questions...



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