

Check Point Software Technologies Ltd.



Research Report | 04/11/21 | Ticker: CHKP

Check Point
SOFTWARE TECHNOLOGIES LTD.

Closing Price: \$115.37 (04/09/21)

Recommendation: BUY

Sector: Technology

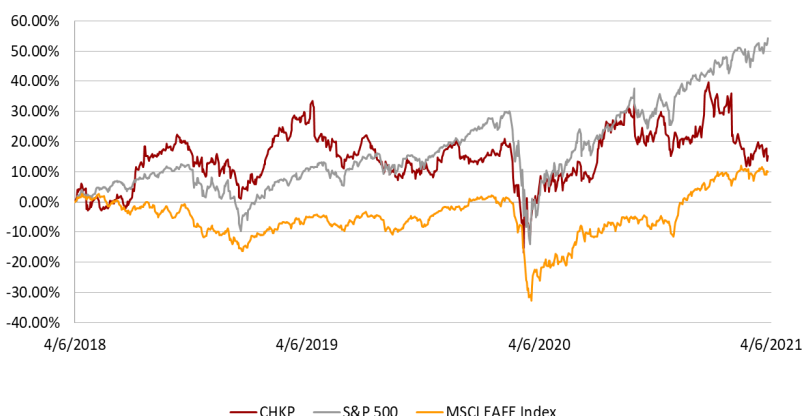
12-Mo. Target Price: \$160.21

12-MO. Target Return: 38.87.%

Industry: Software

Coverage of CheckPoint Software Technologies is initiated with a BUY recommendation and a target price of \$160.21

CHKP vs. S&P500
3-Year Return Against Benchmarks



Highlights:

CheckPoint is an Israeli company that develops, and supports products/services for IT security. CHKP offers interoperable, flexible solutions that can tailor to specific cyber security needs. CHKP has a 11.1% market share in global network security and 10% market share in global security appliances and the company's reliable growth, strong financials and high intrinsic value leads to a BUY rating.

- Value play from mispriced security estimating upside of 38.87% with a 12-month target price of \$160.21
- Solid fundamentals with high profitability, no debt and relatively high EPS growth
- 6th generation of cybersecurity offers attractive growth opportunity, as majority of enterprises still in 3rd-4th generation and must upgrade security and CHKP is planning to introduce a hyperscale network security solution called Maestro
- Strength in Checkpoint's Cloud Business and Cloud Security Subscriptions, which have grown approx. 10% yoy, as enterprise spending on cloud security solutions estimated to increase 26.5% CAGR from 2020-2023
- Cyber attack surfaces becoming wider as remote work trends permeantize, leading to increased demand for secure-login solutions and IoT device protection

Investment Risks:

Low

Medium

High

- Intensely competitive market for information and network security could lead to loss in market share or lead to more investment to selling & marketing and research & development expenses which could erode bottom line
- Only moderate growth in core business despite deploying high cash reserves on winners among strategic acquisitions

Company Data

Price (\$)	115.37
52-Week Range (\$)	99.01 - 139.26
Market Cap (\$Billion)	15.6
Beta (5-year monthly)	0.65
Fiscal Year End	Dec 31, 2020
Price to Earnings	19.28
Price to Book	4.57
Price to Sales	7.57

Forecasted Financials

In \$MM ex. EPS	2018	2019	2020	2021E	2022E
Revenue	1,916	1,995	2,065	2,175	2,273
Gross Profit	1,715	1,780	1,838	1,936	2,023
Gross Margin %	89.5%	89.2%	89%	89%	89%
EBITDA	999	986	998	1,044	1,091
EBITDA Margin %	52.1%	49.4%	48.3%	48%	48%
Net Income	821	826	847	914	955
Net Income Margin %	42.9%	41.4%	41%	42%	42%
EPS	5.90	6.04	6.46	6.87	7.29