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RDWR - Q1 2020 Radware Ltd Earnings Call

EVENT DATE/TIME: MAY 06, 2020 / 12:30PM GMT

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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by, and welcome to the Radware Q1 '20 Earnings Call. (Operator Instructions) Please be advised that today's conference is being recorded. (Operator Instructions)

I would now like to hand the conference over to your speaker today, Ms. Anat Earon. Thank you. Please go ahead, Anat.

Anat Earon-Heilborn - *Radware Ltd. - VP of IR*

Thank you, Adam. Good morning, everyone, and welcome to Radware's First Quarter 2020 Earnings Conference Call. Joining me today are Roy Zisapel, President and Chief Executive Officer; and Doron Abramovitch, Chief Financial Officer. A copy of today's press release and financial statements, as well as the investor kit for the first quarter, are available in the Investor Relations section of our website.

During today's call, we may make projections or other forward-looking statements regarding future events or the future financial performance of the company. These forward-looking statements are subject to various risks and uncertainties, and actual results could differ materially from Radware's current forecast and estimates. Factors that could cause or contribute to such differences include, but are not limited to, the impact from the COVID-19 pandemic, general business conditions and our ability to address changes in our industry, changes in demand for products, the timing and the amount of orders and other risks detailed from time to time in Radware's filings. We refer you to the documents the company files or furnishes from time to time with the SEC, specifically the company's last report on Form 20-F as filed on April 2, 2020. We undertake no commitment to revise or update any forward-looking statements in order to reflect events or circumstances after the date of such statement is made.

Please note that in May, management will participate in 2 virtual conferences, the Oppenheimer Israeli Conference and the Needham Technology & Media Conference. With that, I will turn the call to Roy Zisapel.

Roy Zisapel - *Radware Ltd. - Co-Founder, CEO, President & Director*

Thank you, Anat, and thank you all for joining us. The world has changed dramatically since we last met. And obviously, we, like many others, have moved our employees to work from home. In some locations, such as Israel, we are now slowly return to normal based on government instructions. We transitioned to work from home smoothly and continue to serve and support our customers globally with no interruption. Doron will cover these aspects in more detail.

From a business perspective, we entered the crisis in a strong position. It's clear to us that our fundamentals are strong. And while in the short term, there might be visibility challenges and other uncertainties, we continue to pursue our long-term goals.

First, we've been executing on our strategy of focusing on security and cloud solutions and transitioning major parts of our business to subscriptions for a few years now. The major heavy lifting of our business model transition is behind us. We now enjoy better visibility than ever before as a result of our large and growing subscription and recurring business. Our total deferred balance is at $181 million up 14% from last year, the highest growth in 2 years. This metric is obviously a leading indicator of the future health of our business. The strong result translated to 65% of our Q1 revenues being derived from recurring revenues.

Second, our customer base comprises of mostly large enterprises and carriers. And the enterprise verticals we focus on seem to be more resilient to the current crisis. We have a relatively high exposure to service providers, financial services and technology and SaaS companies and low exposure to the suffering travel and hospitality verticals and to the small and medium business segment.

Third, we have a solid balance sheet and a cash-generative business model, even in these market conditions. This resilience means we can afford to continue to invest in our business for the long term. We were also more aggressive in buying our shares in the first quarter and plan to continue to do so.

Turning now to the first quarter results. We saw several impacts from COVID-19. On one hand, the surge in Internet traffic and the shift to a remote workforce are driving purchases from customers who rely on us to enable and secure these changes. Remote access became the most critical IT resource, the availability of which must be ensured. We recently announced a couple of deals that reflect that.

A major business information provider invested in additional application delivery solutions to support a rapid increase in traffic due to a combination of a sharp increase in the consumption of data and services that it provides and the transition of 17,000 of its employees to remote work.

A leading global bank invested in additional DDoS attack mitigation solutions to protect the increased capacity needed to support a pivot to a remote workforce.

On the other hand, the pandemic has significant impact on IT budgets and spending outside the immediate and critical work from home investments. During the first quarter, we saw this phenomenon mostly in the APAC region and selected European countries. Towards the end of the first quarter, this became evident in the U.S. as well. We are also seeing delays in some deals involving appliances and the continuous shift towards subscription and cloud solutions. Coupled together, these trends negatively impact our short-term revenues and increases our deferred revenues. The 14% growth in total deferred revenues year-over-year is $22 million in absolute dollars while revenues declined roughly $2 million over year in the first quarter.

The first quarter and specifically, March saw a strong uptick in the number and complexity of attacks. During March, we blocked over 300,000 denial of service attacks and 81 million web application attacks on the customers we protect through our cloud DDoS and cloud WAF solutions. The total DDoS attack volumes we blocked in March has almost quadrupled from February. This data, of course, does not include attacks that are blocked by thousands of our appliances in our install base. In addition, attacks have become more sophisticated, and we see that very clearly through analysis of the bot traffic we block.

Switching to the OEM side of the business. We had good results from both Check Point and Cisco and see continued traction with them. For example, we've been invited by Cisco to collaborate in their global strategic business continuity campaign and to help protect their customers' VPN links with rather cloud-based DDoS and WAF. In a recent online event we hosted, Cisco's VP of Global Security System Engineering, Shelly Blackburn, explained that Cisco is making this offering as overarching as possible to cover all the challenges and could not do it without Radware in the mix.

Looking forward, forecasting and visibility into budget allocations are difficult. We assume that the worldwide economic condition will affect available IT budgets, even though our solutions are critical to securing the digital transformation of larger enterprise and carriers. We also believe cloud and subscription projects will get priority over on-premise CapEx projects. As such, we believe our total deferred revenues will continue to increase with some headwind to short-term revenues. With that, I will turn the call to Doron.

Doron Abramovitch - *Radware Ltd. - CFO*

Thank you, Roy. Before I review our first quarter results, I would like to say a few words to address the COVID-19 situation here at Radware from operational point of view.

Starting with the organization, the health and safety of our employees and communities is our top priority, and we adhere to the guidelines of the health and governmental authorities in all territories in which we operate.

Beginning in mid-March, most of our teams started working from home and avoiding unnecessary travel, and we are pleased to report that this change had a minimal impact on our work and productivity.

From an internal operations perspective, we operate in accordance with a very detailed pre-existing business continuity plan.

The impact on customer service and equipment delivery and implementation has also been contained. Because our customer service is predominantly based on remote access using teams across the globe simultaneously, we can comply with the committed SLAs to our customers with no disruption.

In a few locations, delivery were delayed due to airport lockdowns and this had some impact on revenue recognition in Q1 results, and we continue to monitor the situation closely. Other than that, we have not seen any meaningful negative impact on our supply chain, and we believe we are managing well this front.

With that, I will turn to the results of the first quarter.

Revenues for the quarter were $60 million, 2% below Q1 '19 and below our guidance. Revenues from Asia Pacific region were down 31% from Q1 last year to $12.6 million as this region was the most affected from the coronavirus in Q1. Revenues from EMEA were down 1% year-over-year to $18.2 million, predominantly due to the continued weakness in some selected countries. Revenues from the Americas increased 19% year-over-year to $29.2 million, reflecting successful execution of our various growth initiatives as well as several wins related to projects supporting the increased remote access environment.

As Roy mentioned, our recurring revenues for the first quarter represented 65% of the total. This is up from Q4 2019's 63%. The total deferred revenue balance was approximately $181 million as of the end of March, up 14% from $159 million as of the end of March 2019. Out of the total balance, 62% or approximately $113 million is due for recognition in the next 12 months, up 10% from $103 million that was due for recognition within 12 months from March 2019.

I will now discuss expenses and profit all in non-GAAP terms. The differences between the GAAP and non-GAAP results for the quarter are detailed in our press release.

Gross margin for the first quarter was 83.1%, slightly up from last year's 82.8%. Operating expenses in Q1 were below our expectations at $45 million compared with $43.2 million in Q1 2019. Throughout most of the quarter, our activities were in line with our initial plans, including increased investments in our workforce and our cloud infrastructure. The difference from our expectations is reflective of normal activity in January and February, but lowered travel expenses and, to a certain extent, lower marketing expenses as a result of event cancellations in March.

We continue to invest in the business for the long-term and continued hiring during the quarter. Our emphasis is on strengthening our sales talent, especially in the U.S. where we believe the market opportunities are fundamentally strong despite COVID-19 uncertainties. Headcount at the end of March was 1,112, up 18 people from December 2019.

Operating profit and margin in Q1 '20 were $4.8 million and 8%, respectively. Net income for the first quarter was $6.6 million or $0.14 per diluted share, in line with our guidance as lower travel expenses and cost discipline compensated for the small revenue shortfall.

Turning to the balance sheet and cash flow items. We have a very strong balance sheet. We ended the quarter with approximately $427 million in cash and financial investments. Most of our cash is invested in U.S. dollar, marketable securities and deposits. Net cash provided by operating activities in the quarter was $21 million, driven by another quarter of strong collections.

As for the use of capital, during the first quarter, we spent approximately $19 million on repurchasing approximately 880,000 of our own shares. During the quarter, we utilized the April 2019 share repurchase plan almost in full, as discussed in our last earnings call. In March, we announced the $20 million stock repurchase plan. Today, we announced an additional 1-year $40 million share repurchase plan. So combined, we have $57 million outstanding on our buyback plans.

I will now move to our guidance for the second quarter and our outlook for the rest of 2020. Given the level of uncertainty about the length of the COVID-19 impact, and the economic recovery attempting to forecast, especially the second half of 2020 is very complicated. We are, therefore, withdrawing our full year financial guidance for 2020. We believe this is a prudent thing to do until the environment stabilizes, but this, in no way, diminishes our optimism regarding Radware's bright future.

For the second quarter, we expect revenues to be between $57 million and $61 million. We continue to expect gross margin to be approximately 83%. Operating expenses are expected to be slightly lower than in Q1 and between $44 million and $45 million, mainly due to continued travel restrictions. We continue to support our sales and marketing initiatives through increased digital marketing and digital alternatives to physical meetings and events. We believe we are aligned with the market environment successfully addressing customer needs and capturing market opportunities. We expect EPS for Q2 to be between $0.12 and $0.14.

I will turn the call back to Roy to summarize.

Roy Zisapel - *Radware Ltd. - Co-Founder, CEO, President & Director*

These are indeed unprecedented times but the fundamentals of our business remain healthy. We have best-in-class portfolio that caters for strong and growing markets. We continue to innovate this portfolio and are excited about the opportunities to expand it. We have a very strong customer base that includes Tier 1 companies in resilient verticals, such as service providers, financial services, technology and SaaS. And we also have strong partnership with Cisco, Check Point and others that continue to improve and expect to help us to acquire additional top tier customers. Our recurring revenues are 65% of total revenues and growing. And our total deferred revenues that grew 14% year-over-year in Q1 provide us with stability and visibility. Our cash generation is strong and consistent as demonstrated in Q1 and for the last couple of years. All of the above lead us to be very confident in our long-term success.

With that, I will open the call for Q&A.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And your first question comes from the line of George Notter with Jefferies.

George Charles Notter - *Jefferies LLC, Research Division - MD & Equity Research Analyst*

I guess I wanted to maybe start out by understanding sort of the dynamics around COVID-19 and how it impacted the business in the quarter. I think you mentioned that there were some airport lockdown issues and there was some revenue that was delayed or deferred in that. Can you talk about how much that was in the quarter?

And then conversely, I'd also be curious about how much incremental business do you think you got as a result of the increased emphasis on work from home traffic and remote access connectivity?

Roy Zisapel - *Radware Ltd. - Co-Founder, CEO, President & Director*

Yes. So I think there were several phenomena. First, you can see by region. You can see that our APAC region has suffered a lot, almost 30% year-over-year decline; EMEA, minus 1%; and the U.S. is actually up 19%. I think you see very much the correlation to how the COVID-19 spread in the world in Q1. So we definitely saw an impact from that perspective that's very much aligned.

From a project perspective, on one hand, we saw, I think, $2 million, $3 million of this work from home directly attached opportunities that were recognized already in Q1. I think since then, we saw some more entering Q2. And at the same time, we did have delays of IT projects that were put on hold because of the uncertainty.

In addition to that, there was roughly another $1 million to $2 million of shipments that we could not recognize from airports locked down around the world. Specifically, it was in APAC, mainly, that hurt the performance. So that's, I would say, the overall the different parameters we saw.

George Charles Notter - *Jefferies LLC, Research Division - MD & Equity Research Analyst*

Got it. And then -- I'm sorry, just to be clear then if you look at the IT project, type of delays, how significant do you think that was in the quarter in terms of the amount of revenue maybe it pushed out into the future for you?

Roy Zisapel - *Radware Ltd. - Co-Founder, CEO, President & Director*

I think several millions as well. It's hard to tell, but $3 million, $4 million, definitely.

We think we started the quarter very well and actually also this quarter from a booking perspective. And I think you can see in the U.S. that performance was quite strong, where we -- where, I would say, at least in Q1, we're free from the impact of COVID-19.

George Charles Notter - *Jefferies LLC, Research Division - MD & Equity Research Analyst*

Got it. Okay. And then I guess maybe I wanted to ask also about the hiring effort. Obviously, you guys are focusing on adding headcount in sales and marketing in the United States. Can you just talk about where you are in that effort? I think 50 hires for the year was sort of the goal. And where are you right now? And then how is that translating into the strength in the U.S.?

Roy Zisapel - *Radware Ltd. - Co-Founder, CEO, President & Director*

Yes. So I think we're around 40% in our goals. So around 18 -- we added another 18.

So we're progressing well. And we are going to continue to invest. We see good trends there by our own activities and through the OEMs. So we continue to hire according to the plan we've shared with you.

George Charles Notter - *Jefferies LLC, Research Division - MD & Equity Research Analyst*

Got it. Okay. And then if you look at Q2, I was just thinking, again, about sort of the different dynamics in your different regions. Is it fair to say that you'd see a step down in terms of year-on-year compares in the U.S. as the coronavirus impact kind of rolls through Q2?

Roy Zisapel - *Radware Ltd. - Co-Founder, CEO, President & Director*

So it's hard for us to say. And that's why we guided a wider range this time, and we were, we think, conservative in our guide because it's very fluid. All those projects can be stopped, like we saw in the end of Q1, any day. So it's very hard. Even if the projects are approved, you get all the signatures, it can be blocked by a decision that's not specific to our effort, our project, and it's driven by other company-wide or industry-wide issues.

So far, we started April very strong, and our bookings are growing very nicely, and we still see strengths in the U.S. We are just very concerned whether that strength would continue given the unemployment, the work from home, the budget freezes that we see around the world. So we're hesitant in that. But so far, the business performs well.

Operator

And your next question comes from the line of Shaul Eyal with Oppenheimer.

Shaul Eyal - *Oppenheimer & Co. Inc., Research Division - MD & Senior Analyst*

I had a question. What about extending payments to some customers? Were you approached by some customers that have been asking to extend some payments, maybe on the SMB front?

Roy Zisapel - *Radware Ltd. - Co-Founder, CEO, President & Director*

Yes. So actually, we were approached by customers to provide some discounts and some extended terms and so on. In general, especially for our long-term customers, we are considerate of the period.

So it's generally coming with an extension of the contract so some, I would say, short-term easing plus increased commitment. And sometimes, we just need to give a discount because it's a long-term customer and they're suffering, like a large airline. We see that they don't have the business now, and we know that when things will improve, they will buy way more from us. So we are considerate. It's not something that we see in a huge scale across our business, but it definitely happened from customers, especially in the segments that are hurt more.

As I've mentioned, our exposure to these segments is small. We're generally selling to the very large enterprise and the carriers, predominantly financial services, the segments that are mentioned less to the travel, hospitality and so on. And at the same time, you can see that also our collections have been very good.

I think last quarter was a record collection quarter. So all in all, it happens, and we are very considerate of that. But again, I don't see that as a major impact for the business, definitely not for the long term.

Shaul Eyal - *Oppenheimer & Co. Inc., Research Division - MD & Senior Analyst*

Fair enough, fair enough. And Roy, the current challenging environment, no doubt, could also yield some longer-term opportunities, maybe even some benefit. And I totally understand that everyone right now is dealing from a near-term perspective, slightly more from a tactical viewpoint.

Is there any internal thinking about the longer-term strategy what that might look like when we will be on the other side of COVID-19, whenever that might be a couple of quarters, few months, more than a year, who knows? But is there any internal thinking along these lines?

Roy Zisapel - *Radware Ltd. - Co-Founder, CEO, President & Director*

Yes. So of course, we are trying. It's early on in the cycle. But for us, it's clear that the transition to cloud, public cloud, cloud service would accelerate. It's clear for us that they need to be able to supply provision, manage, remotely and the services around that, that would enable that in scale would increase.

And from what we can tell about our portfolio and our investments, we are very much aligned because everything that we've done in the last several years is with those prisms of cloud and security. And I tried to point out also in my prepared comments, I do believe there will be less appliance-based on-prem business in general, and there will be more cloud recurring subscription software business. And the impact of that is significant growth, I think, in deferred and some headwind, I'm not sure that big, but some headwind to short-term revenues. All in all, we think for our business, it's a very good long-term phenomena, and we're definitely encouraging that. So we were quite pleased overall with the booking of Q1.

Operator

And your next question comes from the line of Alex Henderson with Needham.

Alexander Henderson - *Needham & Company, LLC, Research Division - Senior Analyst*

Guys a couple of simple questions upfront. I know you guys don't normally hedge, but obviously, the shekel fell out of bed during the last couple of months and then sharply recovered. Did you guys have the opportunity to take advantage of that odd situation and maybe get some lock-in? Or did you choose not to address forward costs?

Roy Zisapel - *Radware Ltd. - Co-Founder, CEO, President & Director*

Yes, Alex. So yes, we did some protection, although you know that we usually don't, but as you know and understand, this is a unique time. So we were quite prepared. We were very active on this one. So we did some nice hedging for Q1 and few for Q2 and Q3. And I hope that we will gain a bit because during Q1, there was some negative impact on the currencies. We managed to reduce a part of it. And I hope that in Q2 and Q3, we'll also get some gain from the current currencies.

Alexander Henderson - *Needham & Company, LLC, Research Division - Senior Analyst*

Super. That's good, smart management. I'm glad to see you did that. Second question I wanted to ask is around the orders in the quarter. Obviously, 14% is a good growth rate. But to some extent, I'm always nervous about those numbers in the first quarter because you get a lot of renewals on the maintenance in the first quarter. Can you parse between how much was just simply renewal strength and how much was actual subscription strength?

Roy Zisapel - *Radware Ltd. - Co-Founder, CEO, President & Director*

Yes. Generally, for us, Q4 is the strong quarter for the renewals. Q1 is an okay quarter, but nothing with high significant. We do see strength across the board in all this recurring business. We saw it also last year. But as I said, it's accelerated, and this figure from this quarter is the best we had in terms of growth rates in 2 years. So we definitely see here strength.

Alexander Henderson - *Needham & Company, LLC, Research Division - Senior Analyst*

Great. A little bit more of granularity would be helpful in terms of what you're seeing in terms of deal flow in the sense that clearly, there's a little bit of a sugar high around the work from home phenomenon in late March and into April there that caused a temporary stall on projects that were in flight. I assume we've been hearing from our field checks that a lot of those in-flight projects, which are a little bit more strategic, generally, have been closed in April, but then there's a real question coming out of April into May, whether the pipeline is there for the rest of the quarter or whether we've just finished up the business that was in hand and in-flight from work from home and projects in process.

Can you talk about whether you're seeing any pipeline change that might give you some concern about the May and June window?

Roy Zisapel - *Radware Ltd. - Co-Founder, CEO, President & Director*

So we are checking the total pipeline and new pipeline creation per week to see whether there's declines in new projects creation versus our statistics and our expectations. And so far, all those metrics behave well. There's no issue there. And from that point of view, we're optimistic because we're seeing activity, and we're seeing strength in activity and the feedback we're getting from our field is good and continues to be, and as I've mentioned, April was strong. So all of that is there.

But what we've seen in the last week of March, is that those projects are not stopped in the regular level, and the declines are not in the regular level. So there's an obvious example of a large airport project that we had in Q1. And it was clear to us that it would not close given the airports, the airports are shutting down. However, the reseller, the large system integrators behind it, the partners, our team, the customer said they will close it until the final day when the airport authority of that country said we are not going forward. So while the pipeline is strong and all the indications are good, I think this is a different time when there's scrutiny on projects, budget is going to different levels in the organization and the change of policy can affect us.

So while all the indications that I have from the activity from the field, pipeline, our partners are very solid. Reading the news, seeing the overall forecast makes us very, very worried, in line with what you've said. And I don't think we can easily forecast it.

Alexander Henderson - *Needham & Company, LLC, Research Division - Senior Analyst*

Understand. One last question and then I'll seed the floor. So we've been doing a lot of work in understanding the nature of the change in security delivery, particularly around the Kubernetes and containers and the CI/CD pipelining of applications.

And as I look at that segment, it seems pretty clear that the ADC functionality and the security functionality are being embedded in multiple layers of the container image, including at the application layer, at the -- or application design at the container, at the pod, at the cluster and also includes an ingress controller within that. So you don't seem to have that much penetration into that space. Obviously, that's why F5 bought NGINX, which has a higher percent exposure there. How do you guys take advantage of that? And how do you get into that space more aggressively, particularly playing into the coder DevOps world around GitHub and the like? I know you've made some much more significant inroads than is evident to us at this point. So could you give us some thoughts on that?

Roy Zisapel - *Radware Ltd. - Co-Founder, CEO, President & Director*

Yes. So our view, and I'm talking now specifically on Kubernetes, might be a bit different than F5.

So in Kubernetes, there is an embedded proxy that's part of the environment, called Envoy, and a service mesh called Istio. That's part of the native environment, native services.

We don't think that we should replace that with our own Alteon or another open source plus or open source framework by ourselves. We think the community, and that's what we see from adoption rates will stick to what natively there.

We think the right approach is to augment that with the right security services that are specialized on one end but play extremely well with the CI/CD pipeline with a native environment. And for that, we've announced our Kubernetes swath that sits next to Envoy, plays with Istio and Envoy natively without any change.

We think that's the way for Radware to play it. We think it's a very, very community-oriented and very in line with the Kubernetes community. And we got good -- very good traction so far from customers because it simply plays well with everything they've done and invested in and in the future development of this environment.

So that's how we're looking on that. We're investing there in security attached to the integrated and delivered proxy and ADCs in that environment, and we think that's the right approach.

Alexander Henderson - *Needham & Company, LLC, Research Division - Senior Analyst*

One last addendum to that question. How does Cisco's relationship with you pull you into that environment? If you could extend that into the Cisco partnership, how does that look?

Roy Zisapel - *Radware Ltd. - Co-Founder, CEO, President & Director*

I think it's a more future point. I'm not sure Cisco currently or the other large security providers we deal with are currently playing in that specific environment. Definitely, with Cisco, there's a lot more to gain with our cloud services, with our public cloud solutions. I think these Kubernetes development environment, CI/CD, is not yet our first next steps with Cisco. We're seeing with them very good progress on the core solutions we have plus our cloud solutions. So we have a lot to work with them on that first.

Operator

And your next question comes from Yi Fu Lee with Oppenheimer.

Unidentified Analyst

Just one quick follow-up on the strong cash flow performance during this quarter. I think Roy, you mentioned that you had a record collection. Maybe Doron, if you could quickly comment on what are the puts and takes that drove the outperformance in the cash flow generation for the quarter? And how should we think about the linearity for the next 3 quarters for the year?

Doron Abramovitch - *Radware Ltd. - CFO*

Yes. So linearity is quite challenging in this area. Roy mentioned that Q4 from our booking perspective usually is higher because of the maintenance and other renewals. So basically, we have some fluctuations between the quarters. If you will follow, you'll see that Q1 is quite strong and Q3. And again, it depends on the -- on our booking and our performance. So linearity is not something that I can now say.

But overall, we plan the -- leave aside we withdraw the guidance - we plan for a strong cash flow for 2020. For now, we see -- we started very well. We don't have almost any collections issues and other stuff. So we are on our plan in this domain. So -- but I don't forecast the next quarter or the rest of the year more than we gave until now.

Operator

And your next question comes from the line of Andrew King with Dougherty & Company.

Andrew King - *Dougherty & Company LLC, Research Division - Research Analyst*

So first off, just looking back at your Analyst Day, you had mentioned that you had doubled your revenue or your bookings number from Cisco in the past year and you've expected to double that number again. And obviously, you had a good quarter with them. But do you see that you're still on track with doubling that bookings number from Cisco? And how are those other OEM partnerships going?

Roy Zisapel - *Radware Ltd. - Co-Founder, CEO, President & Director*

Yes. So so far, so good with Cisco. We -- I mentioned also a couple of very large global marketing events with them. I saw also that 2 weeks ago, we made their -- the Cisco Win of the Week for security with one of the deals that we did together, so that was published on a global level. And it was explained how the joint solution made the difference in a significant deal, obviously, for them to become the win of the week. So we are progressing well. The pipeline is getting stronger.

We also are seeing recently a nice uptick from Check Point and especially in some large accounts of theirs that we are winning together. And I hope with that, we will be able also to take this partnership to a higher level when -- from where it was in recent years.

So all in all, we're seeing good traction in the OEMs. We're seeing them bringing us to new customers for Radware and very large ones. And so far, so good.

Andrew King - *Dougherty & Company LLC, Research Division - Research Analyst*

Okay. Great. And then just diving into the geographical numbers. You mentioned that a lot of the reason for the decline in APAC was due to the timing of the pandemic and everything. So would you expect then in Q2 for EMA and the Americas to get harder -- hit harder by the impact of the COVID-19?

Roy Zisapel - *Radware Ltd. - Co-Founder, CEO, President & Director*

In -- at a high level, yes, we think there's an impact on budgets across the world. And as the pandemic is moving, also the impact from different economies is there. As I've mentioned, I don't see it yet in the pipeline. I don't see it yet in April. But I think it will come. That would be the only logical, I would say, outcome that I see for this situation. So we're getting prepared. We are focusing our teams on the solutions and the segments that should be way more immune and way more critical in different environment. But I do believe we'll see that hit into the U.S. economy and the European economy and as a result to us as well.

Operator

And your next question comes from the line of Tavy Rosner with Barclays.

Tavy Rosner - *Barclays Bank PLC, Research Division - Head of Israel Equities Research*

Most of my questions have been asked. If we could talk about the anti-bot solutions. We spoke with some pure plays that are seeing some solid growth lately. So I'm just wondering, looking at Shield square, how has it been performing over the past couple of months?

Roy Zisapel - *Radware Ltd. - Co-Founder, CEO, President & Director*

Yes. It did a record in Q1. It actually grew very, very well. Obviously, it's a cloud and subscription solution. So from a recognition point of view, again, very minimal maybe impact to Q1 but good contribution to our total deferred. Major wins in customers around the world as a stand-alone and on top of our cloud WAF solution, and some of those wins also with some of our OEM and global system integration partners. So we're seeing some of our partners taking that, I would say, offering and embedding it in their portfolio as well, which is obviously very encouraging for us.

Tavy Rosner - *Barclays Bank PLC, Research Division - Head of Israel Equities Research*

That's helpful. And then on the maintenance side, I might have missed on your prepared remarks, but did you comment on the increase in subscription revenues and OEM revenue, specifically this quarter?

Roy Zisapel - *Radware Ltd. - Co-Founder, CEO, President & Director*

Yes. We don't break subscription, but we talked about the total deferred being up 14% year-over-year. Regarding OEM, we did say that it was good performance from our OEMs. And we named Cisco and Check Point specifically.

Operator

And your next question comes from the line of Shaul Eyal with Oppenheimer.

Shaul Eyal - *Oppenheimer & Co. Inc., Research Division - MD & Senior Analyst*

I had a quick follow-up. Again, I don't know whether you disclosed it, but how much of your product has already gone virtual? And what's the growth rate of those virtual products? And maybe as one final on my end. I want to go back to Alex's question. Do you actually see DevOps as a relevant long-term opportunity for Radware?

Roy Zisapel - *Radware Ltd. - Co-Founder, CEO, President & Director*

Yes. Okay. So regarding virtual, we have multiple ways to deliver our solution. So for example, on our ADC, it can be a virtual instance in public cloud, so a public cloud image. It can be a virtual instance of VMware, KVM and all the other hypervisors. And it can be a virtual instance on top of our own hardware. So it can be an x86 virtual. It can be on our hardware. It can be on a public cloud. And for years, obviously, that these form factors are growing. We have similar capabilities for our WAF. And for our Defense Pro, the DDoS mitigation, it was predominantly virtual form factor on top of the Cisco Firepower. But we're now taking it in the coming quarters more to public cloud environments. We got requests from key customers, especially in gaming and other segments. As they move to public cloud, they want to take the DDoS protection with them. So we see good demand for that in that environment. So practically, all our solutions have their virtual form factor, and obviously, we see their growth.

Regarding DevOps, so we think our stance to it is through security. And at some point, security and DevOps would need to come to piece together because DevOps needs the agility, yet, security needs to be part of it. So people are talking about SecDevOps and security operations and DevOps. And what we are trying to do is to provide the security teams with best-of-class security, so they will feel very confident on what's being deployed and at the same time, provide DevOps the ability to deploy these very extensive security frameworks without any change to the DevOps. So no friction, yet higher security level. And we think that's the right approach. So the DevOps security might be a necessary evil, but it doesn't need to change anything, it can continue to work with the tools, environments, processes, CI/CD, whatever that it wants to and at the same time, the security or the SecDevOps or the CISO or whoever can trust that it really has best-of-breed security deployed across all their applications. So that's the -- that's how we are progressing there.

Operator

And there are no further questions at this time.

Roy Zisapel - *Radware Ltd. - Co-Founder, CEO, President & Director*

Okay. Thank you very much for attending. Be healthy and have a great day.

Operator

Thank you. And this concludes today's conference call. Thank you for your participation. You may now disconnect.