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PRESENTATION

Operator

Welcome to the Radware conference call discussing third-quarter 2025 results and thank you all for holding. (Operator Instructions) As a reminder, this conference is being recorded today, October 29, 2025.

I would now like to turn this call over to Yisca Erez, Director, Investor Relations at Radware. Please go ahead.

Yisca Erez - *Radware Ltd - Director Investor Relations*

Thank you, operator. Good morning, everyone and welcome to Radware's third-quarter 2025 earnings conference call. Joining me today are Roy Zisapel, President and Chief Executive Officer; and Guy Avidan, Chief Financial Officer. A copy of today's press release and the financial statements as well as the investor kit for the third quarter are available in the Investor Relations section of our website.

During today's call, we may make projections or other forward-looking statement 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, impact from the changing or severe global economic conditions, general business conditions and our ability to address changes in our industry, changes in demand for products, the timing in 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 and furnishes from time to time with the SEC, specifically the company's last annual report on Form 20-F as filed on March 28, 2025. 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.

I will now turn the call to Roy Zisapel.

Roy Zisapel - *Radware Ltd - President, Chief Executive Officer, Co-Founder, Director*

Thank you, Yisca, and thank you all for joining us today. I'm pleased to share that we delivered another solid quarter with revenue of \$75 million, representing 8% year-over-year growth. Non-GAAP earnings per share climbed 22% year over year to \$0.28. The quarterly results demonstrate steady progress in delivering on our strategic priorities. We remain focused on expanding our business in cloud security, driving innovation through AI and automation, and strengthening our global go-to-market capabilities. Let's talk a bit about each one of those.

Cloud security remained a key growth driver in the third quarter, delivering another exceptional performance. Cloud security ARR climbed to \$89 million, up from \$72 million in Q3 last year. Our cloud ARR growth trajectory accelerated once again from 21% last quarter to 24% year-over-year growth in Q3.

We also saw continued double-digit growth in active cloud customers and a strong wave of new logo acquisitions backed by a robust and expanding pipeline. This sustained momentum reflects our strength and competitive edge, the growing demand for our cloud security offerings, and accelerated growth in North America. To meet this growing demand and our expanding customer base, we've continued to scale our global cloud infrastructure and resources. We're adding more R&D, delivery, and sales personnel to support the growth. In the third quarter, we opened two additional cloud security centers, and we plan to open three more in the fourth quarter, bringing the total number of centers open in 2025 to eight. The growth in cloud security ARR was a key contributor to our overall subscription revenue growth, which grew 21% and rose to 52% of total revenue in the third quarter compared to 47% in the same period last year. This shift from a product appliance revenue stream to a subscription revenue model driven by cloud security growth enhances both revenue visibility and long-term business stability.

One of the cloud deals we closed in the third quarter was a competitive displacement in the US healthcare sector. The customer selected Radware Cloud DDoS protection to replace their incumbent cloud-based solution. We secured this win through a combination of trusted relationship, Radware best-of-breed DDoS technology, and world-class support.

As part of our broader cloud application security portfolio, Radware continues to drive innovation in API security. With APIs now central to modern application and application layer attack surging, our AI-powered protection dynamically adapts to evolving threats, mapping business logic, and defending against complex multi-endpoint attacks. Complementing this, our API analytics capabilities provide deep insights into API behavior, empowering teams to detect anomalies, understand business logic sequences, and optimize performance with actionable intelligence. Following our success in cloud DDoS protection and cloud application security, we see API security as the third wave in our cloud security growth strategy and believe it has a significant potential for 2026.

Radware leadership in application security continues to be recognized. We were named The Leader in the 2025 SPARK Matrix for web application firewall and bot management, and an Overall Leader in the 2025 KuppingerCole Leadership Compass Report for Web Application and API Protection. These honors reflect our commitment for delivering intelligent, scalable, and multi-layered security, including web application firewall, API protection, bot management, and DDoS mitigation across modern cloud environments.

Our go-to-market strategy continued to gain momentum this quarter. In North America, the team is now fully ramped, as reflected in a 28% year-over-year revenue growth in the Americas and 15% growth over the trailing 12 months.

We recorded solid business with our OEM partners, making our second-best quarter ever. This continued successful collaboration reflects the growing demand for our integrated solution and the strength of our joint value proposition. One example of this is a strategic win in EMEA through Cisco with a telecom provider. Seeking to transition from a legacy DDoS competitor, the customer required a more advanced and future-ready solution to support its expanding infrastructure and services. Our technical leadership and responsiveness to the customer evolving needs helped to build trust and position Cisco and Radware as a long-term strategic partner.

Another win with Cisco was with a large US healthcare system. Facing increasing threats and limited internal resources, the organization sought comprehensive protection across web applications, API, and bot traffic. After evaluating multiple vendors, they selected our solution for its broad coverage and operational efficiency and our ability to align with their evolving needs.

Third quarter performance was also fueled by a strong DefensePro X refresh cycle, which grew approximately 40% year over year, alongside successful competitive displacement in DDoS that doubled during the quarter. As previously noted, the DefensePro X refresh opportunity remains substantial, with less than 50% of our end-of-sale install base upgraded to date. During the quarter, we secured several seven-digit DefensePro X refresh deals, including a deal with one of the largest telecom companies in the US, a deal with a European financial service provider, and with a leading European bank, among others.

In closing, our third quarter performance highlights the steady progress we're making against our strategic plan. Cloud security continues to be our strong and growth driver, with robust ARR expansion and accelerating momentum. We're seeing the benefits of deeper collaboration across our partners and channel ecosystem, which is helping us scale efficiently and reach new customers. At the same time, our continued investment in AI-powered innovation is enhancing our platform and reinforcing our competitive edge. With a healthy cloud security business, a growing global partner base, and increasing demand for our security solutions, we believe in our ability to sustain our momentum and capture long-term growth opportunities.

With that, I will turn the call over to Guy.

Guy Avidan - Radware Ltd - Chief Financial Officer

Thank you, Roy, and good day, everyone. I will provide an overview of our financial results and business performance for the third quarter, as well as our outlook for the fourth quarter of 2025. Before beginning the financial overview, I would like to remind you that unless otherwise indicated, all financial results are non-GAAP. A full reconciliation of our results on a GAAP to non-GAAP basis is available in the earnings press release issued earlier today and in the Investors section of our website.

In the third quarter, revenue grew 8% year over year to \$75.3 million, fueled by sustained demand in our Cloud Security business. Our cloud ARR growth accelerated from 21% in Q2 2025 to 24% year over year reaching \$89 million, a clear validation to our strategy. This momentum reflects the growing demand for our cloud solution and underscores the strength of our transition to our recurring cloud-first business model. This recurring revenue base is a cornerstone of our long-term growth.

Total ARR rose to \$240 million, up 8% year over year, reflecting the momentum behind our revenue growth. Total ARR is serving as a strong indicator of our overall revenue trajectory. As our Cloud Security business continues to scale at a faster pace, we expect it to drive total ARR growth higher, and as a result, drive faster company revenue growth.

Looking at regional performance. In Q3, the Americas lead the growth rate, with revenue rising 28% year over year to \$35.4 million, representing 47% of our total revenue, up from 40% in the same period of last year. On a trailing 12-month basis, the region grew by 15%. EMEA revenue was \$22.8 million, representing a 10% decrease in year over year and accounting for 30% of total revenue. Trailing 12-month growth was 7%. APAC posted modest growth, with revenue up 3% year over year to \$17.1 million, contributing 23% of total revenue. On a trailing 12-month basis, APAC grew by 8%.

Turning to profitability. Gross margin remains strong at 82.2%, similar to that of Q3 2024, underscoring the efficiency of our operations. Operating income grew 34% year over year to \$9.6 million, up from \$7.2 million in Q3 2024. This growth is achieved alongside continued investment in cloud initiatives, highlighting the scalability and resilience of our business model. We are executing a strategy of scaling our go-to-market and R&D capabilities. These investments are designed to capture rising demand and position Radware as a leader in cloud and AI-driven security.

Adjusted EBITDA for the third quarter of 2025 increased by 25% to \$11.4 million, compared to \$9.2 million in the same period last year. Excluding the Hawks' business, adjusted EBITDA was \$14.4 million, representing a 19.1% EBITDA margin, up from \$11.9 million and a 17.2% EBITDA margin in Q3 2024, a testament to the operational leverage in our core business.

Financial income for the quarter was \$5.3 million, up from \$4.9 million in the same period last year. Due to decrease in interest rates, we expect slightly lower financial income in the fourth quarter. Our effective tax rate for the quarter was 15.5%, the same as in Q3 2024. We expect the effective tax rate to remain approximately at the same level in the coming quarter. Net income rose 24% year over year to \$12.6 million, compared to \$10.2 million in Q3 2024, and diluted earnings per share increased by 22% to \$0.28, up from \$0.23 in the same period last year.

Turning to cash flow and balance sheet. Cash flow for our operation in Q3 2025 was negative \$4.2 million compared to positive \$14.7 million in the same quarter of last year. The decline was primarily driven by an increase in account receivables due to timing of cash collection from several large deals and a decrease in deferred revenue. Looking ahead, we expect RPO at year-end to exceed the level at the end of 2024 and anticipate

a return to positive cash flow from operations in Q4 2025. We ended the quarter with a strong balance sheet holding approximately \$455 million in cash, cash equivalent, bank deposits, and marketable securities.

And now to the guidance. We expect total revenue from the fourth quarter of 2025 to be in the range of \$78 million to \$79 million. We expect Q4 2025 non-GAAP operating expenses to be between \$52.5 million to \$53.5 million. We expect Q4 2025 non-GAAP diluted net earnings per share to be between \$0.29 and \$0.30 cents.

I'll now turn the call over to the operator for questions. Operator, please.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Chris Reimer, Barclays.

Chris Reimer - Barclays Services Corp - Analyst

Hi. Thanks for taking my questions and congratulations on the strong results. First off, I was wondering if you could talk about how you feel your operations are doing, now you mentioned that North America fully ramped and the two centers open plus another three. Going forward, do you think there'll be any other areas that you want to reorganize, or are you satisfied with the level you're at now?

Roy Zisapel - Radware Ltd - President, Chief Executive Officer, Co-Founder, Director

Thanks, Chris. So, I think given our progress in North America, we actually would like to ramp our investments further. We see the potential. I think we've discussed this last quarter that given the momentum in cloud and the opportunities we see, we are planning to continue to increase there. I think still we will see that with good output on profitability, but we're definitely very optimistic about North America and about us actually investing more for growth. That's on the sales and go-to-market side. And with that, across the world, we are continuing to expand the cloud security platform, the R&D investments there, and we really feel there's a big opportunity.

Chris Reimer - Barclays Services Corp - Analyst

Got it. Yeah, that's helpful. And how would you describe your competitive position in the market now? Are you seeing any new players? What would you say is the most important thing the customer is saying when they make their decision?

Roy Zisapel - Radware Ltd - President, Chief Executive Officer, Co-Founder, Director

I think overall in the market, and we are competing in multiple areas, but in cloud security specifically, I think we are known for the strength of our security capabilities. And specifically on the fact that we are very, very algorithmic based. A lot of our protections have a very strong algorithmic support and that makes us unique versus our competitors that I would say are more reliant on policies, rules, databases and so on.

The second thing that we are very strong is in the fully managed service that we provide as part of our offering. And we are able to do that not because we deploy or we have such a big amount of people, but because of the algorithms and the automation. So we actually use the technology to create a very strong advantage in the fully managed solution. So customers, large customers that have the need, and I think the majority are, to have augmentation to their capabilities 24/7, global expertise in application security or DDoS, this is a major advantage. And I think you see that in our growth and the accelerated growth.

Operator

Joseph Gallo, Jefferies.

Joseph Gallo - Jefferies LLC - Analyst

Hey guys, thanks for the question. Can you just talk through the demand environment that you saw in the quarter? How did it compare to 2Q and what assumptions you're baking into your 4Q guide?

Roy Zisapel - Radware Ltd - President, Chief Executive Officer, Co-Founder, Director

Okay, I think the demand across enterprise and carriers across the world was solid. I don't think it improved or degraded from previous quarters. We do see strong environment going into Q4. We're actually very encouraged with what we are seeing.

As it relates to guidance, I think Guy mentioned it, and I'll let him talk about it more. But we see the ARR, the total ARR growth we're seeing as our guiding indicator for future revenue growth, and having that at 8%, that's how we're guiding forward. Of course, we have additional appliance deals and CapEx deals that can take it higher, but overall, short-term guidance is based on our total ARR goals.

Guy Avidan - Radware Ltd - Chief Financial Officer

As Roy already mentioned, we have a pretty good visibility since currently around 82% of our business is based on recurring. ARR is a very good indicator for guidance. But we also have now, after one month into the quarter, pretty good visibility about demand, which we feel pretty good. We posted 24% growth on cloud ARR, and we're back to the levels we used to see, let's say, two years ago, and we always mentioned going to 25%, but we're not saying 25% is the ceiling. So we think this is the main growth engine for us, and it will continue to grow.

Joseph Gallo - Jefferies LLC - Analyst

That's helpful. And maybe just as a follow up. So ARR growth was super impressive, and that's definitely the north star for revenue growth going forward, but just on the billing side, and the free cash flow weakness. You mentioned RPO will rebound. Will billings follow that same trajectory and was there anything unusual to call out in 3Q relating to the timing of billing?

Guy Avidan - Radware Ltd - Chief Financial Officer

First, yes, we expect billing and cash collection to be stronger this quarter and we mentioned it's going to be positive cash from operation. We also alluded to the fact that we expect backlog represented by RPO to be higher than the numbers we mentioned in December last year. We're talking -- we're mentioning the 8% because of ARR. We're looking at, let's say, high single-digit year-over-year RPO growth. So all the KPIs or, let's say, the negative cash flow operation or the decrease in cash balances this quarter, we're planning to be positive in Q4.

Operator

Ryan Koontz, Needham & Company.

Jeffrey Hopson - *Needham & Company LLC - Analyst*

This is Jeff Hopson on for Ryan Koontz from Needham. Congrats on the strong performance in North America. Kind of talking about the competitive landscape like you were earlier, some of your large competitors have been focus on other things besides security like cloud computing. So I was just curious if this kind of presents an opportunity for you to gain more customers who may be focused on just security and not some of these other offerings at that.

Roy Zisapel - *Radware Ltd - President, Chief Executive Officer, Co-Founder, Director*

Yeah. I think it's a great question, and that's exactly what we are talking with customers. Actually, while some of our larger competitors are, I would say, broadening their offering, and by that not necessarily staying as focused on application and application API, data center security, we're actually double down on that. And the reason is we see more complicated attacks, more AI-based attacks, more challenges, and it's an extremely critical area for our customers.

So we continue to broaden the algorithmic mode that we're building. We continue to broaden the competitive advantages and therefore we feel very good about the competitive positioning and the long-term strategy that we have. So we see huge amounts of opportunities. The market is, the TAM and the SAM is huge for us versus our current revenues, and therefore we continue to focus there. Double down on security. I've mentioned API now as the third wave of growth. That's where we are investing.

Jeffrey Hopson - *Needham & Company LLC - Analyst*

Thank you. And maybe just to follow up on the AI piece, you've been adding capabilities to SOC-X. You announced the vulnerability you guys found in ChatGPT. Just kind of curious where we are with AI and is it still just driving conversations or is it getting to that point of driving production and your AI offering SOC-X could start to meaningfully contribute?

Roy Zisapel - *Radware Ltd - President, Chief Executive Officer, Co-Founder, Director*

Yeah, so I think we're using AI today on the general availability capabilities, mainly to improve the security we provide to our customers. So like you mentioned, SOC-X is our agentic AI on the platform that automatically detects and mitigates for our customers' attacks by detecting early and providing recommendations or automatic modification to the security posture. In that sense, our customers are enjoying faster time to resolution. They are able also, in a conversational way, talk to our platform and understand exactly what's happening and what the recommendations are.

So, to summarize, we're using a lot of AI and Gen AI in the platform to improve the security we provide to the customer. I do believe there might be also good opportunities in protecting the AI systems of our customers. To that end, you mentioned that we uncovered a major vulnerability in open AI agents, and we're working on these problems, and I'm sure we will update you in the coming quarters on our progress there as well.

Operator

We have reached the end of our question-and-answer session, and I would now like to hand the call back over to Roy Zisapel for any closing comments.

Roy Zisapel - *Radware Ltd - President, Chief Executive Officer, Co-Founder, Director*

Thank you, everyone, and have a great day.

Operator

Thank you ladies and gentlemen. This does now conclude today's conference call. We appreciate your participation. You may disconnect your lines at this time. Enjoy the rest of your day.

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