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RDWR - Q3 2019 Radware Ltd Earnings Call

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NOVEMBER 06, 2019 / 1:30PM, RDWR - Q3 2019 Radware Ltd Earnings Call

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**Doron Abramovitch** *Radware Ltd. - CFO*

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

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**Andrew King**

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

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## PRESENTATION

### Operator

Ladies and gentlemen, thank you for standing by, and welcome to the Radware Q3 2019 Earnings Call.

(Operator Instructions) I would now like to hand the conference over to your speaker today, Anat Earon-Heilborn, VP Investor Relations. Please go ahead, Madam.

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

Thank you, Marcella. Good morning, everyone, and welcome to Radware's Third Quarter 2019 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 third 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, 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 annual report on Form 20-F as filed on April 15, 2019.

We undertake no commitment to revise or update any forward-looking statements in order to reflect events or circumstances after the date any such statement is made.

Please note that management will participate in the Needham Networking, Communications & Security Conference in New York next week, and in the Crédit Suisse Technology, Media & Telecom Conference in Arizona in December.

With that, I will turn the call to Doron Abramovitch.

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## NOVEMBER 06, 2019 / 1:30PM, RDWR - Q3 2019 Radware Ltd Earnings Call

**Doron Abramovitch** - Radware Ltd. - CFO

Thank you, Anat. I'm pleased to provide a review and analysis of our third quarter results, in which Radware delivered another quarter with revenues and profit growth and increased profitability.

Q3 revenues were \$62.9 million, up 7% year-over-year. This is the 12th consecutive quarter in which our overall revenues are at or above the midpoint of our guidance. The consistency that is mainly driven by our strong subscription growth.

EMEA revenues were up 10% from Q3 2018, and Asia-Pacific revenues up 32% from last year, representing 31% and 30% of total Q3 revenues, respectively. Revenues from the Americas represented 39% of total Q3 2018 revenues and decreased 8% year-over-year. Revenues from enterprise customers increased 13% year-over-year, and revenues from carrier customers decreased 6%.

Revenues for the first 9 months of 2019 were \$184.7 million, growing 8.3% over the first 9 months of 2018. The trends for the 9-month period were more even than for the quarter. Americas increased 3% over the 9-month period of 2019, EMEA revenues increased 4%, and Asia-Pacific revenues increased 23%. Looking at the vertical breakdown in the 9-month period, revenues from enterprise customers increased 4% over the first 9 months of 2018 and revenues from carrier customers increased 18%.

I will discuss now 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 third quarter was 83.3%, up 30 basis points from last year. For the first 9 months of the year, it was 83.1% compared with 82.6% in the same period last year. Product mix and the increasing proportion of subscription revenues as well as our focus on operational efficiency, support this moderate upward trend. Still, there could be some fluctuations related to quarterly product and geographic mix.

Operating expenses in Q3 were \$43.2 million compared with \$42.4 million in Q3 last year. Our headcount at the end of the quarter was 1,071 employees, up from 1,058 in June. We maintain a balanced approach between investing in the business and accelerating hiring in key positions and controlling expenses in order to deliver operating leverage. Yet, in Q3, we were aiming for higher investment in business and, in particular, higher sales and marketing expenses and more sales force hiring. As a result, the operating leverage was higher than we had expected.

Moving to profitability. Operating profit and margin in Q3 2018 were \$9.2 million and close to 15%, respectively. This is up from \$6.3 million and almost 11% in Q3 2017. We have no tax expenses in the quarter due to one-off deferred tax asset creation, following our expectations to utilize this deferred tax asset in the future. This positively impacted EPS by \$0.03. As such, Q3 net income was \$11.9 million or \$0.25 per diluted share, up from \$7.1 million and \$0.15 per diluted share in Q3 last year.

Turning to balance sheet and cash flow items. We continue to have a very strong balance sheet. We ended the quarter with approximately \$429 million in cash and financial investments, up \$15 million from the end of Q2. Operating cash flow in the quarter of \$20.3 million was very strong, driven by the improved profitability as well as high collections, partially related to specific large deals, and we expect full year operating cash flow to be higher than 2018.

This collection strength is also reflected in the low DSO ratio, which was 18, well below our long-term sustainable level. The DSO ratio is also affected by the increasing proportion of our subscription business where we often collect payments ahead of revenue recognition.

Total deferred revenues increased 9% year-over-year to approximately \$165 million. In the coming 12 months, we expect to recognize as revenues approximately \$100 million out of the end of September. Total deferred revenue balance up from \$92 million at the end of Q3 last year, reflecting a stable proportion of 60% to 65% of total deferred revenues scheduled to be recognized as revenues within 12 months. Looking into Q4, we expect total deferred revenues to grow at a double-digit rate.

Let me review our use of capital. We believe our balanced capital allocation approach will allow us to continue to drive shareholder value by investing organically in the business, stick for suitable acquisitions and continuing to repurchase shares. During the third quarter, we spent \$9 million on repurchasing, approximately 350,000 of our own shares. Just a few days after the end of the quarter, we purchased another 47,000 shares



## NOVEMBER 06, 2019 / 1:30PM, RDWR - Q3 2019 Radware Ltd Earnings Call

for approximately \$1 million. We are on track to fully utilize the \$20 million remaining on our share repurchase plan by the end of Q1 2020 at the very latest.

In summary, we are pleased to see that executing on our strategy successfully delivered a balanced growth and increasing profitability, and we remain confident in our market position.

Let me share our guidance for the fourth quarter of 2019. We expect Q4 revenue to be between \$67 million and \$68 million. This means full revenues are expected to reach \$251.7 million to \$252.7 million, reflecting a growth of approximately 7.5%. At these revenue levels, we expect non-GAAP gross margin to be between 83% and 83.5% and non-GAAP operating expenses to be between \$44 million and \$46 million. We expect the tax rate to be approximately 10%. Non-GAAP EPS for Q4 is, therefore, expected to be \$0.23 to \$0.24. EPS for the full year is, therefore, expected to be \$0.84 to \$0.85.

I will now turn the call over to Roy.

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

Thank you, Doron. The third quarter was another solid quarter for Radware with continued revenue growth and strong profitability. Our market position is strong and our solution portfolio meets our customer ever-evolving needs to secure their business.

Our performance in EMEA and APAC is broadly in line with our plan albeit in the U.K. and Germany, we see a decline in our business, which we attribute to execution and soft market conditions. In the past few quarters, we had significant wins with leading organizations internationally and increasingly successful growth of our security portfolio in the market. Some of our third quarter wins include a competitive displacement of application delivery at a large European carrier and the new Radware customer, a government infrastructure security deal in Europe for a new customer and an expansion project for private cloud of a leading Asia-Pacific bank. In the U.S., we look to improve our growth rates. Although, we won several multimillion-dollar deals across a variety of verticals, we believe the market opportunity is significantly larger than that. We expect to deliver in Q4 stronger results in the U.S., and we are ramping our investments to grow our U.S. business.

On the OEM front, we are pleased to report another record quarter with Cisco. And last quarter was, by far, the best one for this relationship. The momentum continued through October when we secured our largest win with Cisco to date. We are optimistic that in Q4, the Cisco contribution will set another record and will continue to evolve in the coming years.

Market dynamics continue to bring major growth opportunities to our wheelhouse.

The application infrastructure is shifting with Kubernetes becoming the preferred container orchestrator system. New applications are constructed as Microservices in a distributed architecture that boosts agility. With DevOps gaining more influence on designing and selecting security strategies, our security solution must first meet the adaptivity, scalability and integration requirements to be even considered. Conventional security solutions are neither as granular nor as agile as needed in this highly distributed model and are ineffective in adjusting to the frequently changing environment and as a result, provide inadequate protection.

Last month, we introduced our Kubernetes WAF. Our solution built from the ground up to feed Kubernetes environments, provide market-leading application security, advanced automation and elasticity that DevOps teams require. Therefore, we believe there is an attractive business opportunity for this new addition to our offering.

Another major growth opportunity is securing the public cloud. In the public cloud, intrusion may be more disruptive than on-premise because the environment is both standardized and fully API enabled, making it easier for hackers to navigate. The Capital One case is an example of public cloud risks. The attack combined application service vulnerabilities and infrastructure-level permission abuse. First, the WAF failed to stop the attack used to obtain the credentials. Then several abnormal activities went unnoticed, including the highly abnormal activity of transferring large amounts of files out of the cloud. We are confident that the Radware WAF and cloud workload protection would have detected and correlated the



## NOVEMBER 06, 2019 / 1:30PM, RDWR - Q3 2019 Radware Ltd Earnings Call

abnormal activities into a meaningful attack alert and would have automatically stopped this attack well before the massive data theft and monetary damage.

We have been preparing for the next wave of market-leading security offerings that focus on public cloud security and container security challenges that are the core of the new and rapidly growing DevOps environment. Our security stack that originated from DDoS protection is now the broadest and deepest datacenter security offerings spanning DDoS, web application firewall, data center IPS, anti-bot, Kubernetes security and cloud workload protection. All these solutions are powered by powerful algorithms and automation that are continuously at the core of our innovation and our competitive advantage.

As we approach the holiday season, we are witnessing a surge in sophisticated attacks with a multi-layer ripple impact for global infrastructure providers and large enterprises. Manifesting as large-scale reflection DDoS attacks, these attacks exploit low and slow DDoS attacks on these large infrastructure, to spread ransom demands to the enterprises in industries such as gaming, e-commerce and the like. The financials of such a sophisticated attack campaign runs into the millions of dollars, not to mention long-term customers and brand experience issues. We are successfully protecting our customers on a daily basis as a result of the breadth and strength of our solutions that enable us to detect and mitigate large volumetric attacks against the infrastructure to pinpoint applications attacks and to deflect the ensuing reflective ransom demands.

In summary, we continue to execute well and grow our revenues and our profits. Radware is now at its strongest position financially and technologically. We are committed to executing on our go-to-market and growth strategy. We're planning to ramp our investment in our cloud operations and in our service and sales organizations in order to support our growth. And we look forward to translating our business opportunity and leading market position to higher shareholder value.

I will now open the call for Q&A.

## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions)

Your first question comes from the line of George Notter from Jefferies.

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

I guess I wanted to maybe start by asking about the Cisco relationship. You talked about the progress you're making there, record quarters, but anything in particular that you can point to that gives us a marker or a milestone in terms of the progress you're making? Any more sort of flavor for that would be great. And then I also wanted to ask about the softness in the North American market. Obviously, the 9-month compares are better, thank you for giving us those. But I guess I'm just curious if anything is new or changing in North America.

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

Okay. So first on Cisco, I think there were several good developments in the sense that the vast majority of our products way beyond DDoS, also our cloud solutions, the WAF, the ADCs are now on the Cisco global price list and the sales force are getting commission for selling our solutions. So we see a much broader set of projects and involvement with them across the world. For example, the wins that they mentioned from October, which was the largest together with Cisco, is actually around ADC and WAF, not at all on the DDoS, that's one.



## NOVEMBER 06, 2019 / 1:30PM, RDWR - Q3 2019 Radware Ltd Earnings Call

Second, the wins are getting announced inside the Cisco organization. There are of significant size to some of those teams and that creates more and more activity, more and more traction with more and more teams, and we're definitely seeing across the world. Our pipeline with Cisco, developing more projects, more meetings, more opportunities.

And third, I think if you look on this relationship, the percentage of new accounts to Radware is extremely high. So there are some projects that are overlapping to opportunities in our existing customer base, but the vast majority is completely net new customers that we would not have access to without Cisco. So we're seeing now already for several quarters, record quarters in terms of bookings from them and growing pipeline, growing momentum, and we feel very positive on that.

Regarding North America, as we mentioned several times, I think the quarterly numbers in revenue recognition might be a bit off of the trends we're seeing, but the 9 months are pretty accurate. And we have -- and as we mentioned revenue recognition is around 3% up in America, we definitely feel there is much more there for us to take. We've seen some weakness in North America enterprise. I think it's only the -- our own execution. We're adding more resources. We are putting more emphasis on leveraging our partners, in Check Point and Cisco, to drive more activity. We are also focusing on our new cloud solutions that fit very well of the Kubernetes WAF, the cloud workload protection fit very well the status of the market in North America. And as I've mentioned, we are already looking for a much stronger Q4. And with the investments, hopefully, it will translate also to strength in 2020.

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### Operator

Your next question comes from the line of Alex Henderson from Needham.

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

Couple of questions, if I could. First, the adjusted deferred declined quarter-to-quarter quite a bit of that in the unbilled piece or the billed piece, excuse me. Can you talk a little bit about why that declined some what sequentially? Is that just simply a timing issue? And then the second related question is the growth rate for the fourth quarter guidance of 5% to 6%, seems like it's decelerating. It also seems like it's well below, I think, your stated growth targets. Is that a function of macro conditions? The slower hiring? How do we think about those 2 issues combined?

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### Doron Abramovitch - Radware Ltd. - CFO

Okay, Alex, I will take the first one regarding the total deferred. So let me remind you that the short-term and the long-term that are in the balance sheet, remember that we had the uncollected amount. And altogether, yes, we declined, but I mentioned in my prepared comments that we will follow our model, meaning that we will grow by double digits at the end of the year. So it's mainly timing. And when we said that apparently, the full year will be between 7% to 8% growth, so the double-digit is in line. So as I said, it's mainly timing. And the next 12 months is in line with all the trends that we saw in the last 2 years, meaning 60% to 65% of our revenues will be recognized in the next 12 months. So the trends are here. It's a timing issue that we declined compared to previous quarter, but not last year. Versus last year, we added 9%.

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

So does that reflect weakness in the service provider space, particularly, is that what's causing the slower revenue in the fourth quarter?

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### Doron Abramovitch - Radware Ltd. - CFO

No. It's just a matter of -- again, compared to previous quarter, the revenue recognition, I would feel very much comfortable if we would be able to add, but it's a timing issue. As I said, we expect fourth quarter to be in line with our model and to grow way higher than revenues and to increase compared to last year and to be a record total deferred revenues.

## NOVEMBER 06, 2019 / 1:30PM, RDWR - Q3 2019 Radware Ltd Earnings Call

Regarding the Q3 total deferred, you can see also that last year, Q3, was a decline sequentially. And therefore, we are suggesting that, as we did in the past, the right metric is to look at year-over-year. Regarding the growth rate in Q4, you're right. They are slower than what we've seen before. We're still in line with our guidance to 7% to 9% CAGR. So the year will finish there, and we are looking to accelerate also the quarterly growth rate. We've discussed some of the investments that we are planning to make in some areas that we need to address. And we believe that we can bring it back to where it was.

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

Okay. Just one last question on the OpEx side. Implied in your guidance, if I take the dead bottom of your revenue guide band and the dead bottom of your gross margin band, I need to be at the very high end of your OpEx guide, and that would imply a pretty significant increase in spending sequentially. Is that predominantly going into the sales and marketing line, which if I do my math correctly, would need to be up 7% to 8% sequentially, which given the lack of hiring in the last quarter, it seems like a pretty aggressive number. Is that -- is there something going on within those numbers that is causing that substantial increase? Is it an acceleration in the hiring? What's driving that?

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

Yes. So definitely, we are looking for some of it to go to the incremental hiring. Some of it is additional marketing activities and increase in the cloud operations. And some of it is, every year in the last quarter, we are paying yearly accelerators, higher commissions, et cetera, than in other quarters. So there is also a contribution to that. So between those 3 factors, we are forecasting that increase in OpEx. But for us, obviously, one of the most critical ones is to add the headcount in the sales and marketing areas. We feel that we can do better there.

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**Operator**

Your next question comes from the line of Vinod Srinivasaraghavan from Oppenheimer.

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**Vinod Krish Srinivasaraghavan** - *Oppenheimer & Co. Inc., Research Division - Associate*

You saw a nice uptick in overall enterprise results. Can you just talk about some of the factors that are influential there that offset some of the weakness in Americas? And then can you also give us an update on your traction with Check Point and Nokia?

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

I think overall in enterprise, they are the most -- between carriers and enterprise, enterprise are much more affected by the cyber attacks we're seeing. And as a result, there is a heightened sense of urgency there. And given the major campaigns we're seeing even emergency on-boarding of enterprise customers, we feel the enterprise market, especially the large enterprise, is very, very good for us, given our position and our investments. And in the last quarter, the results and the growth there accelerated and we look for even better results going forward there. Regarding Check Point and Nokia, they are relatively growing in a single-digit type of scenario, so not where we want them to be. We do believe that with Nokia, we are bidding now in several very large opportunities, which by the way, on some, we're also bidding with Cisco. So it's an interesting scenario that is not familiar to us in Radware. In the past, we were bidding only by ourselves. Now we have multiple parties, including our own channel -- regular channel plus Cisco, plus Nokia bidding on some of those large opportunities. And then depending on how will we win it, the Nokia numbers can grow significantly or stay roughly where they are. So we will see what the customers would choose to do. But all in all, I think also with Nokia, we're seeing more projects that we're bidding together. I believe next year, we should see growth there.

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**Vinod Krish Srinivasaraghavan** - *Oppenheimer & Co. Inc., Research Division - Associate*

Okay. And just one more. What percent of your total revenues were reoccurring this quarter?



## NOVEMBER 06, 2019 / 1:30PM, RDWR - Q3 2019 Radware Ltd Earnings Call

**Doron Abramovitch** - *Radware Ltd. - CFO*

It's a bit more than 60%. And in the first 9 months, we did better than last year. We didn't disclose the exact number.

**Operator**

Your next question comes from the line of Tavy Rosner from Barclays.

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

Most of them have been covered already. I guess, if we can just talk a little bit about the good growth you've seen in EMEA and Asia. What's been driving that during the quarter?

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

In general, on the revenue recognition side, we're seeing predominantly the growth in the subscription business and specifically, in our cloud business. So both regions are growing very, very strong in number of customers in cloud DDoS, in cloud WAF, in the new offerings, et cetera. And with that, we're good. We're seeing -- once we are entering large customers, et cetera, we are seeing that allowing us to sell the more traditional solutions, ADC or the on-prem security, but the prime driver of success is the cloud security.

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

And then on the M&A front, are you -- do you have any companies in your radar at the moment? How are the valuations are there? If you can give us a bit of color on how you're thinking about the M&A?

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

We continue to look for opportunities in the market that would match our strategic direction, and it will provide us with business leverage. The market for M&A from a valuation for us, from our standpoint of view is not that easy, but we are looking. We're active. We definitely have cash to allow us to execute. And I think while we continue to look for that, and while we continue to generate a lot of cash, I think Doron alluded to that, we will probably accelerate our cash buybacks in the coming quarters.

**Operator**

Your next question comes from the line of Josh Tilton from Berenberg Capital.

**Ryo Yoshida-Are** - *Joh. Berenberg, Gossler & Co. KG, Research Division - Associate*

This is Francois on for Josh. I have 2 quick questions. So in 2018, you doubled your subscription revenues, specifically on the security side. Can you speak to the specific products that are resonating the most with customers?

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

Yes. So on subscription, there is a mix of subscriptions that are going strong. One I've alluded to is the cloud. All the cloud subscriptions are going very strong. And then on the products, we see some of the security attached subscriptions like our ERT Active Attackers Feed, like our ADC GEL



## NOVEMBER 06, 2019 / 1:30PM, RDWR - Q3 2019 Radware Ltd Earnings Call

licenses that provides multi instances across multiple environments in more of an OpEx consumption basis. Although subscriptions are going very strongly right now.

**Ryo Yoshida-Are** - *Joh. Berenberg, Gossler & Co. KG, Research Division - Associate*

Okay. And just one more follow up. How should we think about operating margin performance to date relative to your 2020 targets?

**Doron Abramovitch** - *Radware Ltd. - CFO*

So we are still behind our 2020 numbers, which we mentioned we aim for 15%. Now we managed to get it this quarter, and I refer to it, saying that it's a bit higher because a, we didn't recruit much and we referred to it in comments about the OpEx, and we're very efficient. So we are in line with what we said a bit ahead in most of the time, but until we will change or modify our model. We are still behind our 2020 model, meaning a 15% operating margin in 2020.

**Operator**

Your next question comes from the line of Andrew King from Dougherty & Company.

**Andrew King**

So I know you've already talked about it a little bit, but I just wanted to focus specifically on EMEA. What was it that helped drive the 10% growth even while seeing slowdown in Germany and the U.K.? And how far out do you feel that you will be seeing this slowdown from Germany and U.K. in the future?

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

Yes. As I mentioned on several of these calls, I'd rather not speak about the -- or take the last quarter number and call it a trend, especially on revenue recognition, given our high subscription ratios and deferred revenues and so on. And I would actually point you to the 9 months is a better feeler for the actual growth of our booking and business in that region, and that would be around 4%. So it's a mix of areas that are performing very well and are growing in the double digits and not in the teens versus declines that we're seeing in Germany and the U.K. And so while we're focused on trying to improve our execution in the U.K. and Germany, we think our decline is a bit higher than what we would expect with the market conditions. We are going to invest even further into the other regions that are growing significantly and are executing well for us. So the 4% growth you're seeing for the 9 months is already a combination of the market that's growing very well in U.K. and Germany, where we see some weakness.

**Andrew King**

Okay. Great. And then just on the DSOs. As you see that the proportion shift over more heavily towards subscription, do you still see that DSO number coming down even further long term?

**Doron Abramovitch** - *Radware Ltd. - CFO*

No, no, definitely not. I mentioned in my comments that we believe it should be in the high 20s. This is the right level for us, even taking into account the subscription. In some cases, some quarters when we have a very large deals and the collection is very good, so we see this fluctuation. But overall, our model takes the high 20s.

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**NOVEMBER 06, 2019 / 1:30PM, RDWR - Q3 2019 Radware Ltd Earnings Call**


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**Operator**

Your next question comes from the line of Alex Henderson from Needham.

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

Can you give us a little bit of thought around the guidance for the tax rate for 2020 as we start thinking about the -- your modeling?

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**Doron Abramovitch - Radware Ltd. - CFO**

No I prefer not to talk about 2020 because we didn't disclose anything, and we didn't say any -- but what we just mentioned. But overall, talking about the fourth quarter, it will be 10%, and this quarter was onetime. And I believe that we will be in the neighborhood of this number. But again, it will not be significantly different, but we don't refer right now to any of the 2020 numbers.

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

A second question, if I could. The improved record orders out of Cisco. Obviously, I would think that the majority of those would be licensing related and therefore higher-margin product. As that starts to ramp as a percentage of sales, is it reasonable to think that we have an upward bias toward GMs over the next x number of periods?

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

Yes. So it depends on the actual mix. Now they have the complete product offering. So some of it can also be our appliances. Our large DefensePro appliances or our ADC appliances. Obviously, the majority of the business today is around licenses, as you've mentioned. And also the large orders, we are seeing a lot of software and virtual and cloud solutions. And if that continues, obviously, the gross margin is very high. But I'd rather wait a couple of more quarters to see the exact trends as the number grow, and we get good statistics to have an exact opinion on that.

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

Has the acquisition of NGINX at F5 had any impact on you guys? Is that a competitive change in dynamics since offering the environment at all?

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

So far, we didn't see it. NGINX was also -- the vast majority of the customers as far as we know, is using NGINX as the -- based on the free or open source version. And we didn't see specific steps from F5 that will clarify the positioning between NGINX paid modules versus the F5 big IPs, et cetera. So maybe it's too early to tell. But so far, we didn't see any impact on our business.

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

One last question, if I could. You just announced a major expansion in your cloud protection on cross domain applications, in particular -- Kubernetes, in particular. As we think about the degree to which you are cloudy, how do we think about the rate of growth there? Is your cloud-based growth significantly above the average? And are you starting to see a real acceleration in that? What kind of response are you getting on that domain to domain security offering?

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## NOVEMBER 06, 2019 / 1:30PM, RDWR - Q3 2019 Radware Ltd Earnings Call

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

We have initial customer wins there and some of them were our design partners. So we see a lot of enthusiasm there. It's obviously in the very edge of where people deploy today applications and the cloud services. Overall, our cloud service business is growing faster from what we know or what we see from analysts or other major players in cloud security growth rate. So we feel very good about our growth rates today. We think with the new solutions that are taking us beyond just the front-ending the application, but deeper into the workflow, deeper into the application infrastructure security. We think our opportunity gets bigger, not only because the TAM is getting bigger, but our ability to cross-sell and integrate the complete platform is becoming very, very meaningful.

**Operator**

There are no further questions at this time. I turn the call back over to the presenters.

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

Okay. Thank you, and have a great day.

**Operator**

This concludes today's conference call. You may now disconnect.

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