

Radware Announces Fourth Quarter and Full Year 2016 Earnings

Fourth Quarter 2016 Financial Highlights

- *Revenues of \$51.7 Million*
- *Non-GAAP EPS of \$0.06; GAAP EPS of (\$0.05)*
- *Cash flow from operations of \$23.3 Million*
- *Cash used for stock repurchase of \$10.3 Million*

Full Year 2016 Financial Highlights

- *Revenues of \$196.6 Million*
- *Non-GAAP EPS of \$0.20; GAAP EPS of (\$0.20)*
- *Cash flow from operations of \$38.6 Million*
- *Cash used for stock repurchase of \$22.0 Million*

TEL AVIV, ISRAEL, FEBRUARY 8, 2017 — [Radware®](#) (NASDAQ: RDWR), a leading provider of cyber security and application delivery solutions securing the digital experience for applications in virtual, cloud and software defined data centers, today announced its consolidated financial results for the quarter and year ended December 31, 2016.

“We reported solid results for the fourth quarter of 2016 and are very pleased with the underlying business trends, which led to record bookings for the quarter, primarily due to the success of our subscription and cloud security solutions,” said Roy Zisapel, Radware President & CEO. “Overall, our business continues its desired and strategic transition towards increased data center security sales and a growing proportion of service and subscription sales. We have expanded this offering last week with the acquisition of Seculert, which brings us cutting-edge cloud-based machine learning and big data analytics capabilities. Our comprehensive solution offering addresses the core challenges of applications delivery and security, and our flexible deployment models are aligned with the continued migration of applications to the cloud. Radware is therefore well positioned to deliver long term growth”.

Financial Highlights for the Fourth Quarter of 2016

Revenues for the fourth quarter of 2016 totaled \$51.7 million, compared with revenues of \$55.3 million for the fourth quarter of 2015, and revenues of \$46.9 million for the third quarter of 2016.

Revenues in the Americas region were \$22.7 million for the fourth quarter of 2016, up 8.7% from revenues of \$20.9 in the fourth quarter of 2015. Revenues in the EMEA region were \$14.9 million for the fourth quarter of 2016, down 16.0% from revenues of \$17.8 in the fourth quarter of 2015. Revenues in the APAC region were \$14.1 million for the fourth quarter of 2016, down 15.1% from revenues of \$16.6 in the fourth quarter of 2015.

Net loss on a GAAP basis for the fourth quarter of 2016 was (\$2.1) million or (\$0.05) per share, compared with net income of \$4.3 million or \$0.09 per diluted share for the fourth quarter of 2015.

Non-GAAP net income for the fourth quarter of 2016 was \$2.5 million or \$0.06 per diluted share, compared with non-GAAP net income of \$7.6 million or \$0.17 per diluted share for the fourth quarter of 2015.

Financial Highlights for the Full Year of 2016

Revenues for the full year of 2016 totaled \$196.6 million, compared with revenues of \$216.6 million for the full year of 2015.

Revenues in the Americas region were \$84.7 million for the full year of 2016, down 4.5% from revenues of \$88.7 in the full year of 2015. Revenues in the EMEA region were \$53.7 million for the full year of 2016, down 14.3% from revenues of \$62.7 in the full year of 2015. Revenues in the APAC region were \$58.1 million for the full year of 2016, down 10.8% from revenues of \$65.2 in the full year of 2015.

Net loss on a GAAP basis for the full year of 2016 was (\$8.7) million or (\$0.20) per share, compared with net income of \$18.6 million or \$0.40 per diluted share for the full year of 2015.

Non-GAAP net income for the full year of 2016 was \$8.9 million or \$0.20 per diluted share, compared with non-GAAP net income of \$33.7 million or \$0.72 per diluted share for the full year of 2015.

Non-GAAP results are calculated excluding the impact of the patent litigation expense, stock-based compensation, exchange rate differences, net on balance sheet items and amortization of intangible assets. A reconciliation of each of the company's non-GAAP measures to the comparable GAAP measured is included at the end of this press release.

As of December 31, 2016 the Company had cash, cash equivalents, short-term and long-term bank deposits and marketable securities of \$320.1 million. Cash generated from operations in the fourth quarter of 2016 totaled \$23.3 million. Cash used for share repurchase in the fourth quarter of 2016 totaled \$10.3 million. Cash generated from operations in the full year of 2016 totaled \$38.6 million. Cash used for share repurchase in the full year of 2016 totaled \$22.0 million.

Conference Call

Radware management will host a call on Wednesday, February 8, 2017 at 8:30 am ET to discuss its fourth quarter and full year 2016 results and the company's outlook for 2017.

Participants in the US call: Toll Free 866-393-4306

Participants Internationally call: +1-734-385-2616

Conference ID: 43641113

A replay will be available for 2 days, starting 2 hours after the end of the call, on telephone number +1-404-537-3406 or (US toll-free) 855-859-2056.

A live webcast of the conference call can also be heard by accessing the Company's website at: <http://www.radware.com/IR/>. The webcast will remain available for replay during the next 12 months.

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Use of Non-GAAP Financial Information

In addition to reporting financial results in accordance with generally accepted accounting principles (GAAP), Radware uses non-GAAP measures of gross profit, operating income, financial income, net income and earnings per share, which are adjustments from results based on GAAP to exclude stock-based compensation expenses, in accordance with ASC No. 718, amortization of intangible assets, litigation costs and exchange rate differences, net on balance sheet items included in finance income. Such exchange rate differences may vary from period to period due to changes in exchange rates driven by general market conditions or other circumstances outside of the normal course of Radware's operations. Management believes that exclusion of these charges allows comparisons of operating results that are consistent across past, present and future periods. Furthermore, Radware uses a measure called "total deferred revenues" which is defined as the sum of short and long term deferred revenues on the balance sheet and uncollected billed amounts that were offset against trade receivables, and are not presented on the balance sheet. Radware's management believes the non-GAAP financial information provided in this release is useful to investors for the purpose of understanding and assessing Radware's ongoing operations. The presentation of this non-GAAP financial information is not intended to be considered in isolation or as a

substitute for results prepared in accordance with GAAP. A reconciliation of the non-GAAP financial measures discussed in this press release, to the most directly comparable GAAP financial measures, is included with the financial information contained in this press release. Management uses both GAAP and non-GAAP information in evaluating and operating business internally and, as such, has determined that it is important to provide this information to investors.

Safe Harbor Statement

This press release may contain statements concerning Radware's future prospects that are "forward-looking statements" under the Private Securities Litigation Reform Act of 1995. Statements preceded by, followed by, or that otherwise include the words "believes", "expects", "anticipates", "intends", "estimates", "plans", and similar expressions or future or conditional verbs such as "will", "should", "would", "may" and "could" are generally forward-looking in nature and not historical facts. Because such statements deal with future events, they are subject to various risks and uncertainties and actual results, expressed or implied by such forward-looking statements, could differ materially from Radware's current forecasts and estimates. Factors that could cause or contribute to such differences include, but are not limited to: the impact of global economic conditions and volatility of the market for our products; changes in the competitive landscape; inability to realize our investment objectives; timely availability and customer acceptance of our new and existing products; risks and uncertainties relating to acquisitions, including costs and difficulties related to integration of acquired businesses; the impact of economic and political uncertainties and weaknesses in various regions of the world, including the commencement or escalation of hostilities or acts of terrorism; Competition in the market for Application Delivery and Network Security solutions and our industry in general is intense; and other factors and risks on which we may have little or no control. This list is intended to identify only certain of the principal factors that could cause actual results to differ. For a more detailed description of the risks and uncertainties affecting Radware, reference is made to Radware's most recent Annual Report on Form 20-F which is on file with the Securities and Exchange Commission (SEC) and the other risk factors discussed from time to time by Radware in reports filed with, or furnished to, the SEC. Forward-looking statements speak only as of the date on which they are made and, except as required by applicable law, Radware undertakes no commitment to revise or update any forward-looking statement in order to reflect events or circumstances after the date any such statement is made. Radware's public filings are available from the SEC's website at www.sec.gov or may be obtained on Radware's website at www.radware.com.

About Radware

[Radware®](http://www.radware.com) (NASDAQ: RDWR), is a global leader of [application delivery](#) and [cyber security](#) solutions for virtual, cloud and software defined data centers. Its award-winning solutions portfolio delivers service level assurance for business-critical applications, while maximizing IT efficiency. Radware's solutions empower more than 10,000 enterprise and carrier customers worldwide to adapt to market challenges quickly, maintain business continuity and achieve maximum productivity while keeping costs down. For more information, please visit www.radware.com

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Radware Ltd.
Condensed Consolidated Balance Sheets
(U.S. Dollars in thousands)

| | December 31, 2016 | December 31, 2015 |
|--|------------------------------------|------------------------------------|
| | <u>(Unaudited)</u> | |
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | 79,639 | 33,744 |
| Available-for-sales marketable securities | 20,452 | 16,003 |
| Short-term bank deposits | 125,995 | 80,922 |
| Trade receivables, net | 19,407 | 26,410 |
| Other receivables and prepaid expenses | 4,159 | 5,042 |
| Inventories | <u>17,114</u> | <u>16,322</u> |
| | <u>266,766</u> | <u>178,443</u> |
| Long-term investments | | |
| Available-for-sales marketable securities | 74,967 | 87,814 |
| Long-term bank deposits | 19,092 | 96,643 |
| Severance pay funds | <u>2,597</u> | <u>2,724</u> |
| | <u>96,656</u> | <u>187,181</u> |
| Property and equipment, net | 26,354 | 26,203 |
| Intangible assets, net | 2,399 | 3,518 |
| Other assets | 7,595 | 5,473 |
| Goodwill | <u>30,069</u> | <u>30,069</u> |
| Total assets | <u><u>429,839</u></u> | <u><u>430,887</u></u> |
| Liabilities and shareholders' equity | | |
| Current Liabilities | | |
| Trade payables | 5,971 | 9,255 |
| Deferred revenues | 53,061 | 46,061 |
| Other payables and accrued expenses | <u>26,232</u> | <u>22,098</u> |
| | <u>85,264</u> | <u>77,414</u> |
| Long-term liabilities | | |
| Deferred revenues | 31,100 | 25,136 |
| Other long-term liabilities | <u>13,846</u> | <u>9,214</u> |
| | <u>44,946</u> | <u>34,350</u> |
| Shareholders' equity | | |
| Share capital | 663 | 661 |
| Additional paid-in capital | 325,204 | 312,784 |
| Accumulated other comprehensive income, net of tax | (20) | 1,257 |
| Treasury stock, at cost | (116,029) | (94,049) |
| Retained earnings | <u>89,811</u> | <u>98,470</u> |
| Total shareholders' equity | <u>299,629</u> | <u>319,123</u> |
| Total liabilities and shareholders' equity | <u><u>429,839</u></u> | <u><u>430,887</u></u> |

Radware Ltd.
Condensed Consolidated Statements of Income
(U.S Dollars in thousands, except share and per share data)

| | For the three months ended December 31, | | For the year ended December 31, | |
|---|--|---------------------|------------------------------------|-------------------|
| | 2016 (Unaudited) | 2015 (Unaudited) | 2016 (Unaudited) | 2015 (Audited) |
| Revenues | 51,712 | 55,256 | 196,585 | 216,566 |
| Cost of revenues | 9,596 | 9,910 | 35,695 | 38,200 |
| Gross profit | 42,116 | 45,346 | 160,890 | 178,366 |
| Operating expenses: | | | | |
| Research and development, net | 12,235 | 12,972 | 51,732 | 49,987 |
| Selling and marketing | 28,144 | 24,946 | 103,774 | 93,347 |
| General and administrative | 4,226 | 4,055 | 18,133 | 17,033 |
| Total operating expenses | 44,605 | 41,973 | 173,639 | 160,367 |
| Operating income (loss) | (2,489) | 3,373 | (12,749) | 17,999 |
| Financing income, net | 863 | 2,394 | 5,741 | 5,867 |
| Income (loss) before taxes on income | (1,626) | 5,767 | (7,008) | 23,866 |
| Taxes on income | (507) | (1,504) | (1,651) | (5,297) |
| Net income (loss) | (2,133) | 4,263 | (8,659) | 18,569 |
| Basic net earnings (loss) per share | (0.05) | 0.09 | (0.20) | 0.40 |
| Weighted average number of shares used to compute basic net earnings (loss) per share | 43,313,644 | 45,048,937 | 43,868,221 | 45,895,321 |
| Diluted net earnings (loss) per share | (0.05) | 0.09 | (0.20) | 0.40 |
| Weighted average number of shares used to compute diluted net earnings (loss) per share | 43,313,644 | 45,300,967 | 43,868,221 | 46,738,604 |

Radware Ltd.

Reconciliation of GAAP to Non-GAAP Financial Information
(U.S Dollars in thousands, except share and per share data)

| | For the three months ended | | For the year ended | |
|--|----------------------------|-------------|--------------------|-------------|
| | December 31, | | December 31, | |
| | 2016 | 2015 | 2016 | 2015 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| GAAP gross profit | 42,116 | 45,346 | 160,890 | 178,366 |
| Stock-based compensation | 52 | 42 | 180 | 141 |
| Amortization of intangible assets | 254 | 254 | 1,014 | 1,114 |
| Non-GAAP gross profit | 42,422 | 45,642 | 162,084 | 179,621 |
| GAAP research and development, net | 12,235 | 12,972 | 51,732 | 49,987 |
| Stock-based compensation | 948 | 575 | 3,339 | 2,456 |
| Non-GAAP Research and development, net | 11,287 | 12,397 | 48,393 | 47,531 |
| GAAP selling and marketing | 28,144 | 24,946 | 103,774 | 93,347 |
| Stock-based compensation | 1,743 | 1,187 | 5,661 | 4,098 |
| Amortization of intangible assets | 26 | 29 | 105 | 124 |
| Non-GAAP selling and marketing | 26,375 | 23,730 | 98,008 | 89,125 |
| GAAP general and administrative | 4,226 | 4,055 | 18,133 | 17,033 |
| Stock-based compensation | 478 | 452 | 2,340 | 2,634 |
| Litigation related charges | 784 | 744 | 4,270 | 3,383 |
| Non-GAAP general and administrative | 2,964 | 2,859 | 11,523 | 11,016 |
| GAAP total operating expenses | 44,605 | 41,973 | 173,639 | 160,367 |
| Stock-based compensation | 3,169 | 2,214 | 11,340 | 9,188 |
| Amortization of intangible assets | 26 | 29 | 105 | 124 |
| Litigation related charges | 784 | 744 | 4,270 | 3,383 |
| Non-GAAP total operating expenses | 40,626 | 38,986 | 157,924 | 147,672 |
| GAAP operating income (loss) | (2,489) | 3,373 | (12,749) | 17,999 |
| Stock-based compensation | 3,221 | 2,256 | 11,520 | 9,329 |
| Amortization of intangible assets | 280 | 283 | 1,119 | 1,238 |
| Litigation related charges | 784 | 744 | 4,270 | 3,383 |
| Non-GAAP operating income (loss) | 1,796 | 6,656 | 4,160 | 31,949 |
| GAAP finance income | 863 | 2,394 | 5,741 | 5,867 |
| Exchange rate differences, net on balance sheet items included in financial income | 341 | 87 | 674 | 1,146 |
| Non-GAAP finance income | 1,204 | 2,481 | 6,415 | 7,013 |
| GAAP income (loss) before taxes on income | (1,626) | 5,767 | (7,008) | 23,866 |
| Stock-based compensation | 3,221 | 2,256 | 11,520 | 9,329 |
| Amortization of intangible assets | 280 | 283 | 1,119 | 1,238 |
| Litigation related charges | 784 | 744 | 4,270 | 3,383 |
| Exchange rate differences, net on balance sheet items included in financial income | 341 | 87 | 674 | 1,146 |
| Non-GAAP income before taxes on income | 3,000 | 9,137 | 10,575 | 38,962 |
| GAAP net income (loss) | (2,133) | 4,263 | (8,659) | 18,569 |
| Stock-based compensation | 3,221 | 2,256 | 11,520 | 9,329 |
| Amortization of intangible assets | 280 | 283 | 1,119 | 1,238 |
| Litigation related charges | 784 | 744 | 4,270 | 3,383 |
| Exchange rate differences, net on balance sheet items included in financial income | 341 | 87 | 674 | 1,146 |
| Non GAAP net income | 2,493 | 7,633 | 8,924 | 33,665 |
| GAAP Net income (loss) per diluted share | (0.05) | 0.09 | (0.20) | 0.40 |
| Stock-based compensation | 0.07 | 0.05 | 0.26 | 0.20 |
| Amortization of intangible assets | 0.01 | 0.01 | 0.03 | 0.03 |
| Litigation related charges | 0.02 | 0.02 | 0.10 | 0.07 |
| Exchange rate differences, net on balance sheet items included in financial income | 0.01 | 0.00 | 0.01 | 0.02 |
| Non GAAP Net income per diluted share | 0.06 | 0.17 | 0.20 | 0.72 |
| Weighted average number of shares used to compute Non-GAAP diluted net earnings (loss) per share | 43,721,973 | 45,300,967 | 44,125,436 | 46,738,604 |

Radware Ltd.
Condensed Consolidated Statements of Cash Flow
(U.S. Dollars in thousands)

| | For the three months ended | | For the year ended | |
|---|----------------------------|----------------|--------------------|-----------------|
| | December 31, | | December 31, | |
| | 2016 | 2015 | 2016 | 2015 |
| <u>Cash flow from operating activities:</u> | | | | |
| Net income (loss) | (2,133) | 4,263 | (8,659) | 18,569 |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | | | |
| Depreciation and amortization | 2,663 | 2,411 | 10,372 | 9,401 |
| Stock based compensation | 3,221 | 2,256 | 11,520 | 9,329 |
| Gain from sale of available-for-sale marketable securities | 5 | (1,298) | (1,772) | (2,438) |
| Amortization of premium, accretion of discounts and accrued interest on available-for-sale marketable securities, net | 670 | 520 | 1,947 | 3,208 |
| Accrued interest on bank deposits | 1,633 | (648) | 1,179 | (1,998) |
| Increase in accrued severance pay, net | 111 | 0 | 401 | 125 |
| Decrease (increase) in trade receivables, net | 1,939 | (2,229) | 7,003 | (773) |
| Decrease (increase) in other current assets and prepaid expenses and deferred income taxes, net | (498) | 2,794 | (759) | 112 |
| Decrease (increase) in inventories | (302) | 69 | (792) | 522 |
| Decrease (increase) in trade payables | 920 | 3,229 | (3,284) | (562) |
| Increase in deferred revenues | 11,144 | 6,003 | 12,964 | 3,849 |
| Increase (decrease) in other payables and accrued expenses | 3,302 | (1,779) | 7,813 | 424 |
| Excess tax benefit from stock-based compensation | 605 | 58 | 679 | (632) |
| Net cash provided by operating activities | <u>23,280</u> | <u>15,649</u> | <u>38,612</u> | <u>39,136</u> |
| <u>Cash flows from investing activities:</u> | | | | |
| Purchase of property and equipment | (1,333) | (3,056) | (9,404) | (13,774) |
| Investment in other long-term assets, net | (53) | (16) | (53) | (100) |
| Proceeds from (investment in) bank deposits, net | 29,586 | 4,063 | 31,295 | (33,824) |
| Proceeds from sale, redemption of and purchase of available-for-sale marketable securities ,net | (1,079) | 4,621 | 6,521 | 40,845 |
| Net cash provided by (used in) investing activities | <u>27,121</u> | <u>5,612</u> | <u>28,359</u> | <u>(6,853)</u> |
| <u>Cash flows from financing activities:</u> | | | | |
| Proceeds from exercise of stock options | 1,253 | 175 | 1,583 | 8,746 |
| Excess tax benefit from stock-based compensation | (605) | (58) | (679) | 632 |
| Repurchase of shares | (10,268) | (8,389) | (21,980) | (52,896) |
| Net cash used in financing activities | <u>(9,620)</u> | <u>(8,272)</u> | <u>(21,076)</u> | <u>(43,518)</u> |
| Increase (decrease) in cash and cash equivalents | 40,781 | 12,989 | 45,895 | (11,235) |
| Cash and cash equivalents at the beginning of the period | <u>38,858</u> | <u>20,755</u> | <u>33,744</u> | <u>44,979</u> |
| Cash and cash equivalents at the end of the period | <u>79,639</u> | <u>33,744</u> | <u>79,639</u> | <u>33,744</u> |