

CHECK POINT SOFTWARE TECHNOLOGIES LTD
Form 6-K
October 28, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16

of the Securities Exchange Act of 1934

For the month of October, 2008

Commission File Number 0-28584

CHECK POINT SOFTWARE TECHNOLOGIES LTD.

(Translation of registrant's name into English)

5 Ha'solelim Street, Tel Aviv, Israel
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Note: Regulation S-T Rule 101(b)(1) only permits the submission in paper of a Form 6-K if submitted solely to provide an attached annual report to security holders.

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Note: Regulation S-T Rule 101(b)(7) only permits the submission in paper of a Form 6-K if submitted to furnish a report or other document that the registrant foreign private issuer must furnish and make public under the laws of the jurisdiction in which the registrant is incorporated, domiciled or legally organized (the registrant's home country), or under the rules of the home country exchange on which the registrant's securities are traded, as long as the report or other document is not a press release, is not required to be and has not been distributed to the registrant's security holders, and, if discussing a material event, has already been the subject of a Form 6-K submission or other Commission filing on EDGAR.

Indicate by check mark whether the registrant by furnishing the information contained in this Form, is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

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Yes No

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82- _____

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CHECK POINT SOFTWARE REPORTS

FINANCIAL RESULTS FOR THE THIRD QUARTER 2008

REDWOOD CITY, Calif., October 28, 2008 Check Point® Software Technologies Ltd. (NASDAQ: CHKP), the worldwide leader in securing the Internet, today announced revenue of \$199.7 million for the quarter ended September 30, 2008. GAAP net income and diluted earnings per share for the quarter were \$80.1 million and \$0.37, respectively. Non GAAP¹ net income and diluted earnings per share for the quarter were \$94.2 million and \$0.44, respectively.

We are very pleased with our performance during the quarter and believe it can be attributed to the continued implementation of our total security strategy. said Gil Shwed, chairman and chief executive officer at Check Point. During the quarter we added many new customer accounts across all industries despite the challenging economic environment. As a result of our successful execution we achieved financial results at the upper range of our guidance for both revenues and earnings per share.

Financial Highlights for the Third Quarter of 2008:

Total Revenues: \$199.7 million compared to \$184.0 million in the third quarter of 2007.

GAAP Net Income: \$80.1 million or \$0.37 per diluted share as compared to \$76.7 million or \$0.34 per diluted share in the third quarter of 2007.

Non GAAP Net Income: \$94.2 million or \$0.44 per diluted share compared to \$91.9 million or \$0.41 per diluted share in the third quarter of 2007.

Operating Income: GAAP operating income was \$90.4 million, compared to GAAP operating income of \$77.7 million in the third quarter of 2007. Non-GAAP operating income was \$106.2 million, or 53% of revenues, compared to non-GAAP operating income of \$96.3 million, or 52% of revenues, in the third quarter of 2007.

Deferred Revenues: As of September 30, 2008, we had deferred revenues of \$272.9 million, an increase of \$45.7 million or 20% compared to deferred revenues as of September 30, 2007.

Operating Cash Flow: \$115.1 million in cash flow from operations compared to \$88.8 million in the third quarter of 2007. During the third quarter we received \$22.5 million refund from the Israeli tax authorities.

Cash: As of September 30, 2008, we had \$1.4 billion in cash and cash equivalents, deposits and marketable securities.

Share Repurchase Program: During the third quarter of 2008, Check Point repurchased approximately 2.0 million shares at an approximate cost of \$49.8 million.

¹ See Use of Non-GAAP Financial Information and Reconciliation of Non GAAP to GAAP Financial Information below for more information regarding Check Point's use of non-GAAP measures.

Business Highlights for the Third Quarter of 2008:

Our total security strategy was extended this quarter with the general availability of Check Point Endpoint Security , the first single agent for PCs to combine the highest-rated firewall, network access control (NAC), program control, remote access, antivirus, anti-spyware, full disk encryption and media encryption with port protection. By creating a single endpoint security agent with a single client interface we dramatically simplified endpoint deployment and management for our customers. Our endpoint solution was also recognized as a leader in Gartner's Magic Quadrant for Mobile Data Protection during the quarter.

We continued to offer open choice for deployment of our network security solutions and introduced VPN-1® Virtual Edition (VE), making Check Point the first security vendor to provide unified security management for both physical networks and virtual applications. Check Point's VPN-1 VE restores the separation and security of applications on virtualized servers.

Mr. Shwed concluded, "During the quarter, we continued to deliver new and innovative products and experienced success with our Power-1 and UTM-1 appliance product lines that were introduced earlier this year. Moving forward, we will continue to execute on our total security strategy and focus on addressing the ever-changing security challenges facing our customers every day."

Conference Call and Webcast Information

Check Point will host a conference call with the investment community on October 28, 2008 at 8:30 AM ET/5:30 AM PT. To listen to the live webcast, please visit Check Point's website at <http://www.checkpoint.com/ir>. A replay of the conference call will be available through November 11, 2008 by telephone at +1.201.612.7415 passcode # 299895 account #215, or at the company's website <http://www.checkpoint.com/ir>.

About Check Point Software Technologies Ltd.

Check Point Software Technologies Ltd. (www.checkpoint.com) is the leader in securing the Internet. Check Point offers total security solutions featuring a unified gateway, single endpoint agent and single management architecture, customized to fit customers' dynamic business needs. This combination is unique and is a result of our leadership and innovation in the enterprise firewall, personal firewall/endpoint, data security and VPN markets.

Check Point's award-winning ZoneAlarm solutions protect millions of consumer PCs from hackers, spyware and identity theft. Check Point solutions are sold, integrated and serviced by a network of Check Point partners around the world and its customers include 100 percent of Fortune 100 companies and tens of thousands of businesses and organizations of all sizes.

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Use of Non-GAAP Financial Information

In addition to reporting financial results in accordance with generally accepted accounting principles, or GAAP, Check Point uses non-GAAP measures of net income, operating income and earnings per share, which are adjustments from results based on GAAP to exclude non-cash equity-based compensation charges in accordance with SFAS 123R, in-process R&D expense, acquisition related charges and impairment of marketable securities in accordance with SFAS 115. Check Point's management believes the non-GAAP financial information provided in this release is useful to investors' understanding and assessment of Check Point's ongoing core operations and prospects for the future. Historically, Check Point has also publicly presented these supplemental non-GAAP financial measures in order to assist the investment community to see the Company through the eyes of management, and thereby enhance understanding of its operating performance. 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 statements 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 Regarding Forward Looking Statements

This press release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, including, but not limited to, statements related to Check Point's expectations regarding the continued execution of our total security vision. Because these statements pertain to future events they are subject to various risks and uncertainties, actual results could differ materially from Check Point's current expectations and beliefs. Factors that could cause or contribute to such differences include, but are not limited to: Check Point's development and delivery of its security products; general market conditions in the Check Point's industry; economic and political uncertainties; the impact of political changes and weaknesses in various regions of the world, including hostilities or acts of terrorism in Israel, where Check Point's international headquarters are based; inclusion of network security functionality in third-party hardware or system software; any foreseen and unforeseen developmental or technological difficulties with regard to Check Point's products; changes in the competitive landscape, including new competitors or the impact of competitive pricing and products; rapid technological advances and changes in customer requirements to which Check Point is unable to respond expeditiously, if at all; a shift in demand for products such as Check Point's; factors affecting third parties with which Check Point has formed business alliances; and the timely availability and customer acceptance of Check Point's new and existing products. The forward-looking statements contained in this press release are subject to other factors and risks, including those discussed in Check Point's Annual Report on Form 20-F for the year ended December 31, 2007, which is on file with the Securities and Exchange Commission. Check Point assumes no obligation to update these forward-looking statements.

CHECK POINT SOFTWARE TECHNOLOGIES LTD.
CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

(In thousands, except per share amounts)

| | Three Months Ended | | Nine Months Ended | |
|--|--------------------|------------------|-------------------|-------------------|
| | September 30, | | September 30, | |
| | 2008 | 2007 | 2008 | 2007 |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| Revenues: | | | | |
| Products and licenses | \$ 81,925 | \$ 76,890 | \$ 244,277 | \$ 216,256 |
| Software updates, maintenance and services | 117,795 | 107,122 | 346,646 | 307,917 |
| Total revenues | 199,720 | 184,012 | 590,923 | 524,173 |
| Operating expenses: | | | | |
| Cost of products and licenses | 10,267 | 8,511 | 28,953 | 20,498 |
| Cost of software updates, maintenance and services | 6,941 | 6,249 | 20,792 | 17,606 |
| Amortization of technology | 5,800 | 7,154 | 18,754 | 20,570 |
| Total cost of revenues | 23,008 | 21,914 | 68,499 | 58,674 |
| Research and development | 23,193 | 19,885 | 69,762 | 59,528 |
| Selling and marketing | 50,796 | 52,515 | 161,044 | 159,853 |
| General and administrative | 12,294 | 12,038 | 38,865 | 37,759 |
| Acquired in process research and development | - | - | - | 17,000 |
| Total operating expenses | 109,291 | 106,352 | 338,170 | 332,814 |
| Operating income | 90,429 | 77,660 | 252,753 | 191,359 |
| Financial income, net | 7,751 | 11,569 | 35,160 | 36,282 |
| Income before income taxes | 98,180 | 89,229 | 287,913 | 227,641 |
| Taxes on income | 18,119 | 12,491 | 50,421 | 34,494 |
| Net income | \$ 80,061 | \$ 76,738 | \$ 237,492 | \$ 193,147 |
| Earnings per share (basic) | \$ 0.37 | \$ 0.35 | \$ 1.10 | \$ 0.86 |
| Number of shares used in computing earnings per share (basic) | 213,728 | 221,893 | 215,247 | 223,361 |
| Earnings per share (diluted) | \$ 0.37 | \$ 0.34 | \$ 1.09 | \$ 0.85 |
| Number of shares used in computing earnings per share (diluted) | 216,567 | 224,974 | 217,942 | 226,266 |

CHECK POINT SOFTWARE TECHNOLOGIES LTD.
RECONCILIATION OF NON-GAAP TO GAAP FINANCIAL INFORMATION
(In thousands, except per share amounts)

| | Three Months Ended | | Nine Months Ended | |
|--|--------------------|------------------|-------------------|-------------------|
| | September 30, | | September 30, | |
| | 2008 | 2007 | 2008 | 2007 |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| GAAP operating income | \$ 90,429 | \$ 77,660 | \$ 252,753 | \$ 191,359 |
| Stock-based compensation (1) | 6,857 | 8,299 | 24,313 | 25,225 |
| Amortization of intangible assets (2) | 8,893 | 10,338 | 28,090 | 29,639 |
| Acquired in process research and development | - | - | - | 17,000 |
| Non-GAAP operating income | \$ 106,179 | \$ 96,297 | \$ 305,156 | \$ 263,223 |
| GAAP net income | \$ 80,061 | \$ 76,738 | \$ 237,492 | \$ 193,147 |
| Stock-based compensation (1) | 6,857 | 8,299 | 24,313 | 25,225 |
| Amortization of intangible assets (2) | 8,893 | 10,338 | 28,090 | 29,639 |
| Acquired in process research and development | - | - | - | 17,000 |
| Other than temporary impairment (3) | 2,288 | - | 2,288 | - |
| Taxes on stock-based compensation, amortization of intangible assets and other than temporary impairment (4) | (3,849) | (3,438) | (11,867) | (8,782) |
| Non-GAAP net income | \$ 94,250 | \$ 91,937 | \$ 280,316 | \$ 256,229 |
| GAAP Earnings per share (diluted) | \$ 0.37 | \$ 0.34 | \$ 1.09 | \$ 0.85 |
| Stock-based compensation (1) | 0.04 | 0.04 | 0.11 | 0.11 |
| Amortization of intangible assets (2) | 0.04 | 0.05 | 0.13 | 0.14 |
| Acquired in process research and development | - | - | - | 0.07 |
| Other than temporary impairment (3) | 0.01 | - | 0.01 | - |
| Taxes on stock-based compensation, amortization of intangible assets and other than temporary impairment (4) | (0.02) | (0.02) | (0.05) | (0.04) |
| Non-GAAP Earnings per share (diluted) | \$ 0.44 | \$ 0.41 | \$ 1.29 | \$ 1.13 |
| Number of shares used in computing Non-GAAP earnings per share (diluted) | 216,567 | 224,974 | 217,942 | 226,266 |
| (1) Stock-based compensation: | | | | |
| Cost of products and licenses | \$ 15 | \$ 27 | \$ 42 | \$ 52 |
| Cost of software updates, maintenance and services | 133 | 161 | 510 | 470 |
| Research and development | 1,364 | 1,225 | 3,665 | 3,295 |
| Selling and marketing | 1,696 | 2,459 | 5,862 | 6,807 |
| General and administrative | 3,649 | 4,427 | 14,234 | 14,601 |

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| | Three Months Ended | | Nine Months Ended | |
|--|--------------------|------------------|-------------------|------------------|
| | 6,857 | 8,299 | 24,313 | \$ 25,225 |
| (2) Amortization of intangible assets: | | | | |
| Cost of products and licenses | 5,800 | 7,154 | 18,754 | \$ 20,570 |
| Selling and marketing | 3,093 | 3,184 | 9,336 | 9,069 |
| | 8,893 | 10,338 | 28,090 | 29,639 |
| (3) Other than temporary impairment* | | | | |
| Financial income, net | 2,288 | - | 2,288 | - |
| (4) Taxes on stock-based compensation, amortization of intangible assets and other than temporary impairment | (3,849) | (3,438) | (11,867) | (8,782) |
| Total, net | \$ 14,189 | \$ 15,199 | \$ 42,824 | \$ 46,082 |

* Includes write-down of \$2.3 million dollars, related to impairment of Lehman Brothers bonds in accordance with SFAS 115.

CHECK POINT SOFTWARE TECHNOLOGIES LTD.
CONDENSED CONSOLIDATED BALANCE SHEET DATA
(In thousands)

ASSETS

| | September 30, 2008 | December 31, 2007 |
|------------------------------------|-----------------------|----------------------|
| | (unaudited) | (unaudited) |
| Current assets: | | |
| Cash and cash equivalents | \$ 523,420 | \$ 509,664 |
| Marketable securities and deposits | 281,023 | 332,355 |
| Trade receivables, net | 155,683 | 201,515 |
| Other current assets | 32,310 | 21,595 |
| | <u>992,436</u> | <u>1,065,129</u> |
| Long-term assets: | | |
| Marketable securities | 596,801 | 399,490 |
| Property, plant and equipment, net | 57,212 | 56,947 |
| Severance pay fund | 12,910 | 9,302 |
| Deferred income taxes, net | 21,132 | 14,920 |
| Intangible assets, net | 132,044 | 160,133 |
| Goodwill | 664,602 | 664,910 |
| Other assets | 586 | 636 |
| | <u>1,485,287</u> | <u>1,306,338</u> |
| Total current assets | <u>992,436</u> | <u>1,065,129</u> |
| Total long-term assets | <u>1,485,287</u> | <u>1,306,338</u> |
| Total assets | <u>\$ 2,477,723</u> | <u>\$ 2,371,467</u> |

**LIABILITIES AND
SHAREHOLDERS' EQUITY**

| | | |
|--|----------------|----------------|
| Current liabilities: | | |
| Deferred revenues | \$ 272,880 | \$ 273,693 |
| Trade payables and other accrued liabilities | 88,109 | 116,406 |
| | <u>360,989</u> | <u>390,099</u> |
| Total current liabilities | <u>360,989</u> | <u>390,099</u> |
| Income tax accrual | 107,862 | 78,545 |
| Deferred tax liability, net | 24,535 | 31,465 |
| Accrued severance pay | 18,406 | 14,403 |
| | <u>511,792</u> | <u>514,512</u> |
| Total liabilities | <u>511,792</u> | <u>514,512</u> |
| Shareholders' equity: | | |
| Share capital | 774 | 774 |
| Additional paid-in capital | 496,207 | 464,330 |
| Treasury shares at cost | (1,043,969) | (907,022) |

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| | | |
|---|-----------------------------|-----------------------------|
| Accumulated other comprehensive income (loss) | (20,027) | 1,233 |
| Retained earnings | 2,532,946 | 2,297,640 |
| | <u> </u> | <u> </u> |
| Total shareholders' equity | 1,965,931 | 1,856,955 |
| | <u> </u> | <u> </u> |
| Total liabilities and shareholders' equity | \$ 2,477,723 | \$ 2,371,467 |
| | <u> </u> | <u> </u> |
| Total cash and cash equivalents and marketable securities | \$ 1,401,244 | \$ 1,241,509 |
| | <u> </u> | <u> </u> |

CHECK POINT SOFTWARE TECHNOLOGIES LTD.
SELECTED CONSOLIDATED CASH FLOW DATA
(In thousands)

| | Three Months Ended | | Nine Months Ended | |
|--|--------------------|-----------------|-------------------|------------------|
| | September 30, | | September 30, | |
| | 2008 | 2007 | 2008 | 2007 |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| Cash flow from operating activities: | | | | |
| Net income | \$ 80,061 | \$ 76,738 | \$ 237,492 | \$ 193,147 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | | |
| Depreciation and amortization of property, plant and equipment | 2,298 | 1,602 | 6,673 | 4,546 |
| Other than temporary impairment | 2,288 | - | 2,288 | - |
| Decrease in trade and other receivables, net | 1,729 | 3,214 | 38,513 | 43,845 |
| Increase (decrease) in deferred revenues, trade payables and other accrued liabilities | 20,836 | (3,878) | 25,380 | (17,221) |
| Acquisition of in process research and development | - | - | - | 17,000 |
| Amortization of intangible assets | 8,893 | 10,338 | 28,090 | 29,639 |
| Stock-based compensation | 6,857 | 8,299 | 24,313 | 25,225 |
| Excess tax benefit from stock-based compensation | (3,531) | - | (9,560) | - |
| Deferred income taxes, net | (4,338) | (7,467) | (12,661) | (15,863) |
| Net cash provided by operating activities | 115,093 | 88,846 | 340,528 | 280,318 |
| Cash flow from investing activities: | | | | |
| Cash paid in conjunction with the acquisition of Protect Data, net | - | (214) | (9,042) | (594,508) |
| Investment in property, plant and equipment | (2,412) | (2,652) | (6,938) | (12,638) |
| Net cash used in investing activities | (2,412) | (2,866) | (15,980) | (607,146) |
| Cash flow from financing activities: | | | | |
| Proceeds from issuance of shares upon exercise of options | 11,504 | 7,954 | 27,276 | 22,889 |
| Purchase of treasury shares | (49,825) | (42,272) | (172,825) | (147,899) |
| Excess tax benefit from stock-based compensation | 3,531 | - | 9,560 | - |
| Net cash used in financing activities | (34,790) | (34,318) | (135,989) | (125,010) |
| Unrealized gain (loss) on marketable securities, net | (19,420) | 2,991 | (28,824) | 6,729 |
| Increase (decrease) in cash and cash equivalents, deposits and marketable securities | 58,471 | 54,653 | 159,735 | (445,109) |
| Cash and cash equivalents, deposits and marketable securities at the beginning of the period | 1,342,773 | 1,150,176 | 1,241,509 | 1,649,938 |
| Cash and cash equivalents, deposits and marketable securities at the end of the period | \$ 1,401,244 | \$ 1,204,829 | \$ 1,401,244 | \$ 1,204,829 |

| Three Months Ended | | Nine Months Ended | |
|--------------------|-------|-------------------|-------|
| _____ | _____ | _____ | _____ |

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CHECK POINT SOFTWARE TECHNOLOGIES LTD.

By: /s/ Tal Payne

Tal Payne
Chief Financial Officer

October 28, 2008
