Yankee Chapter Model Club
August 2024

Presented by:

Susanne Koster

Online Chapter

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This Honor is Bestowed Upon

Yankee Chapter Model Club

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BetterInvesting principles of investing.

February 1, 2024

CEO, NAIC-BetterInvesting

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BetterInvesting

Provides a program of sound investment information, education and support that helps create successful lifetime investors

We are a nonprofit, volunteer-based, member-driven organization

WWW.BETTERINVESTING.ORG

We found a stock to study – Now What?

1. Gather Data
   - BetterInvesting
   - Valueline
   - Morningstar
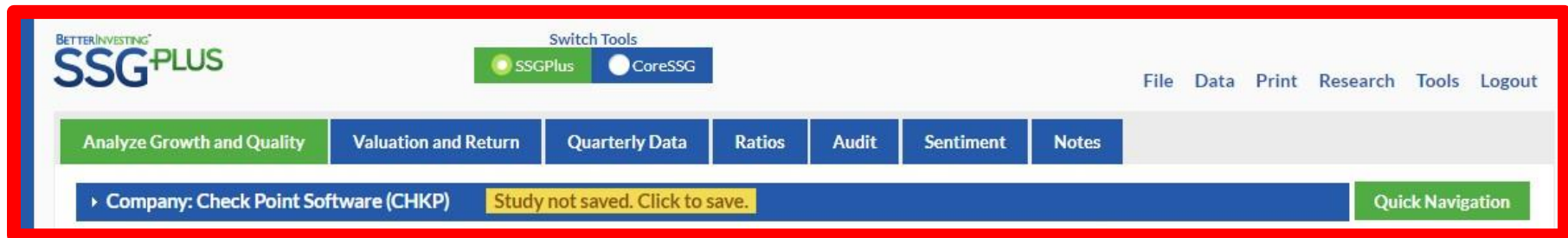   - CFRA
   - Company's 10K or 20-F
   - Seeking Alpha

Resources

BetterInvesting

BetterInvesting Website

- First Cut Stock Reports

- SSG – "Research Tab"

- Stock Up – Research Resources

The SSG – Stock Selection Guide

The SSG has become very powerful

- Ratios
- Audit
- Sentiment
- Research

The SSG – Stock Selection Guide

Research tab has made many research resources included and easy to find

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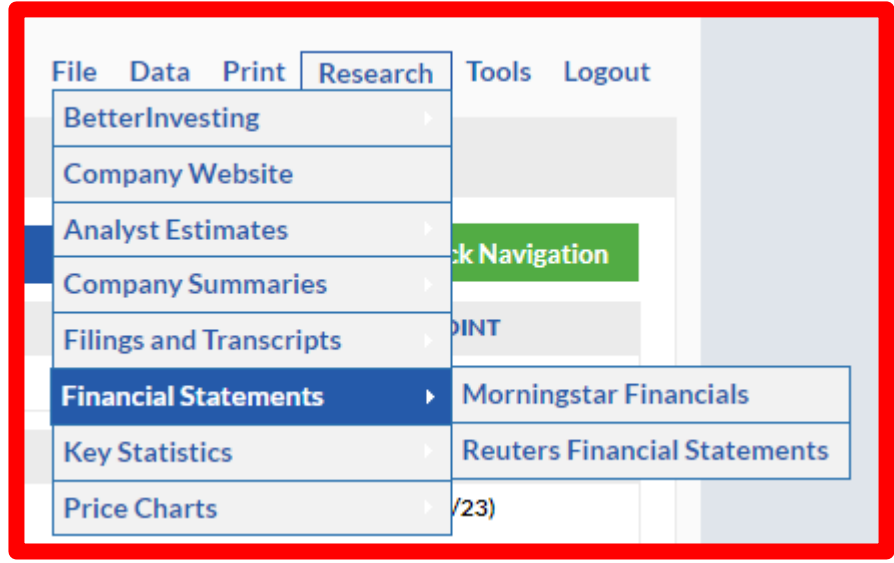
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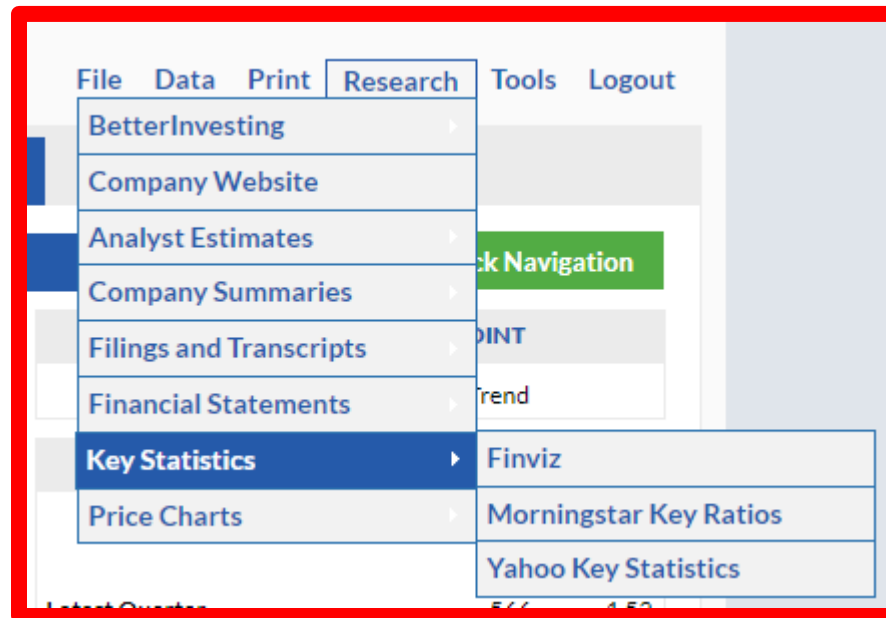
- Company Description

- Rankings & Ratings

- Commentary

- Long-Term Projections

- "Value Line" and Total Return Box

Unfamiliar with the Company?

Start with the Business Box

BUSINESS: Check Point Software Tech. develops, markets, and supports Internet security solutions, incl. firewall and virtual private networking solutions. The NGX platform delivers unified security architecture for perimeter, internal, Web, and endpoint security solutions that protect business comm., offers resources for corporate networks and applications, remote employees, branch offices, and partner extranets. ZoneAlarm products offer endpoint security solutions that protect personal computers from hackers, spyware, or data theft. Employs 5,314. CEO: Gil Shwed. Inc.: DE. Addr.: 5 Shlomo Kaplan St., Tel Aviv, Israel, 6789159. Tel.: 972-3-753-4555. U.S. address: 959 Skyway Rd., Suite 300, San Carlos, CA 94070 Tel: 650-628-2000. Internet: www.checkpoint.com.

Check Value Line Ratings & Rankings

- Safety

- Financial Strength B++ or Better

- Earnings Predictability

Review Commentary

- Growth Drivers

- Risk

- Analyst Valuation Comment

Check Point Software's top-line growth appears likely to waver in 2023. Up to now, revenues have increased because of solid sales of the company's products, licenses, and security subscriptions. Management was pleased with recent results, and notes that operations have performed well, despite a volatile macro-environment. We note, however, that the Federal Reserve's string of interest rate hikes, in order to combat inflation, have negatively impacted tech stocks, including those in cybersecurity. Fears of a possible recession in the near term have certainly not helped demand. Still, longer-term sales prospects for cybersecurity providers remain favorable. Corporations and governments likely will keep up their cyber security spending, as new threats, such as malware and ransomware, are constantly emerging. Another positive is that supply-chain shortages have eased, thanks to China lifting COVID lockdowns. In light of short-term headwinds, we estimate the top line will slip 3%, to $2.25 billion, in 2023. Our 2024 view is for a rebound of 4%, to $2.35 billion. **The bottom line looks to hold steady** this year. Most visibly, research and development expenses have marched higher, with Check Point continuously upgrading its offerings to combat new cyber threats. The product and service array is quite attractive, and the company is winning market share. Macroeconomic headwinds may keep share earnings at the $7.40 level this year. Assuming an improvement in the business climate, bottom-line growth may well resume in 2024, yielding earnings of $8.00 a share.

In recent years, Check Point's share-price progress has only been marginally positive. That's surprising, since the company has a well-diversified array of high-quality offerings and is tapped into lucrative global markets. Our Ranking System pegs the stock to be an average performer in the year ahead. Long-term share-price appreciation potential to 2026-2028 is not particularly exciting, even with the good future outlook. This top-quality issue (Safety: 1) appears best suited to conservative investors seeking a stability component to their portfolios.

Keith R. Foldesi   April 14, 2023

Second Opinion on SSG Projections

- Use Estimating Future Sales and Earning Projections

Annual Rates Future Projections

- Compare Past Periods to Future Estimates

- Use these values to project future range

- Future range box – should be "about" SSG value

MORNINGSTAR

1. Bulls & Bears

2. Competitors

3. Extensive Analysis
   - Analyst Note
   - Business Strategy & Outlook
   - Economic Moat
   - Fair Value & Profit Drivers
   - Overview –Profile

4. Buy Below/ Sell Above Prices

5. Key Ratios
   - Profitability –Interest Coverage

1. Recommendation & Quality Ranking

2. 3-year projected EPS

3. Highlights/Risks

4. Industry Outlook

5. 6 Quarters of Analyst Notes

SEC Filings 10K and 20-F

Form 10-K

- Comprehensive overview of the company's business

- Financial condition

- Audited financial statements

Form 20-F

- Annual report filing for non-U.S. and non-Canadian companies that have securities trading in the U.S

- Helps standardize the reporting requirements of foreign-based companies

- The company must also make the report available to shareholders through the company's website

SEC Filings 10K and 20-F

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 20-F

☐ REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2022

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

OR

☐ SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report _____
Commission file number 000-28584

CHECK POINT SOFTWARE TECHNOLOGIES LTD.
(Exact name of Registrant as specified in its charter)

ISRAEL
(Jurisdiction of incorporation or organization)
5 Shlomo Kaplan Street Tel Aviv 6789159, Israel
(Address of principal executive offices)
Shira Yashar, Adv.
General Counsel
Check Point Software Technologies Ltd.
5 Shlomo Kaplan Street Tel Aviv 6789159, Israel
Tel: (+972) 3-753-4555 (Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

SEC Filings 10K and 20-F

Check out "KEY INFORMATION" which includes Risk Factors

ITEM 3. KEY INFORMATION
Risk Factors

An investment in our ordinary shares involves a high degree of risk. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties that we are unaware of, or that we currently believe are not material, also may become important factors that affect us. If any of the following risks materialize, our business, financial condition, results of operations and prospects could be materially harmed. In that event, the market price of our ordinary shares could decline and you could lose part or all of your investment.

Risks Related to Our Business and Our Market

If the market for information and network security solutions does not continue to grow, our business will be adversely affected

The market for information and network security solutions may not continue to grow. Continued growth of this market will depend, in large part, upon:

- the continued expansion of Internet usage and the number of organizations adopting or expanding intranets;

- the continued adoption of "cloud" infrastructure by organizations;

- the ability of the infrastructures implemented by organizations to support an increasing number of users and services;

- the continued development of new and improved services for implementation across the Internet and between the Internet and intranets;

- the adoption of data security measures as it pertains to data encryption and data loss prevention technologies;

- continued access to mobile API's, APPs and application stores with Apple, Google and Microsoft;

- government regulation of the Internet and governmental and non-governmental requirements and standards with respect to data security and privacy; and

- economic, social, or political conditions, including conditions resulting from a decline in the macroeconomic environment, rising interest rates, exchange rate fluctuations, inflation, the COVID-19 pandemic, global supply chain disruptions and conditions resulting from geopolitical uncertainty and instability or war, including the Russia-Ukraine armed conflict and the tension between China and Taiwan.

In 2021 and 2022, global and regional economies around the world and financial markets remained volatile as a result of a multitude of factors, including economic and political uncertainty, rising interest rates, inflation, the COVID-19 pandemic, the war in Ukraine, terrorism, governmental instability and other factors. During this period, many organizations limited their expenditures and a significant portion of such organizations have remained reluctant to increase expenditures. If challenging conditions continue or worsen, it may cause our customers to reduce or postpone their technology spending significantly, which could result in reductions in sales of our products, longer sales cycles, slower adoption of new technologies and increased price competition.

SEC Filings 10K and 20-F

Check out "INFORMATION ON COMPANY" for detailed history and products

> **ITEM 4. INFORMATION ON CHECK POINT**
>
> **Check Point History and Development**
>
> Since its inception, our sole focus has been on making the world a safer place to live and work. Over the last three decades, we worked to fulfill our vision to provide any organization with the ability to conduct its business on the internet with advanced and comprehensive levels of security.
>
> We pioneered the first commercially available firewall, followed by a steady stream of industry-first cyber security solutions. As an example, our technology provides protection against both known and unknown cyber security threats across a wide range of environments: physical and virtual networks, cloud and mobile surroundings, critical infrastructures, and the 'Internet of Things' (IoT). Today, the threat landscape is more complex than ever, with organizations experiencing the 5th generation of cyber-attacks –large-scale and multi-vector mega attacks using advanced attack technologies, while the security deployed by many businesses is generationally behind and incapable of protecting against such attacks.
>
> **Protecting the World from 5th Generation of Cyber Security Attacks and a Cyber Pandemic**
>
> We identified the evolving different generations of both cyber-attacks and security products. Today, we find ourselves in an increasingly complex threat landscape with organizations experiencing the 5th generation of cyber-attacks. The security deployed by most businesses is generationally behind and incapable of protecting against such attacks. Specifically, while we are facing the 5th generation of attacks, most businesses possess only 2nd or 3rd generation security.
>
> - Generation 1 – Late 1980s, virus attacks on stand-alone PCs affected all businesses and drove the rise of anti-virus products.
>
> - Generation 2 – Mid 1990s, attacks from the internet affected all business and drove the creation of the firewall.
>
> - Generation 3 – Early 2000s, exploiting vulnerabilities in applications affected most businesses and drove the rise in intrusion prevention systems (IPS) products.
>
> - Generation 4 – Approximately 2010, rise of targeted, unknown, evasive, polymorphic attacks affected most businesses and drove the increase in behavior analysis technologies such as sandboxing products.
>
> - Generation 5 – Approximately 2018-2022, the large-scale and multi-vector mega attacks using advanced attack technologies. These are fast-moving attacks so detection-only is not enough. These attacks targeted traditional attack vectors and expanded to mobile and cloud. Advanced threat prevention is required.
>
> Cyber-attacks are now a daily phenomenon with widespread news coverage, resulting often in lost data and privacy, and the complete halting of a business' operations.   Organizations that presumed their security was good enough, are now discovering it was not.
>
> The world is dependent on the internet, now more than ever, and as organizations rapidly digitalize their operations, we believe their cyber security needs to be recalibrated to address the security of their corporate networks, hybrid-datacenters, cloud environments and lastly, securing their employees – wherever they are located.
>
> We are bringing this vision to life with the introduction of **"The 3Cs of Best Security".** By following these principles we enable organizations to deploy a cyber security architecture that works together to prevent attacks before any damage occurs.

Seeking Alpha

- Financial Data

- News

- Ratings

- Individual Investor Analysis

Benefits of Research

- Provides the story of the data

- Summarizes and distills annual/quarterly company reports and current news.

- Unbiased analysts have more access to companies and in-depth knowledge of industry

The Stock Selection Guide- SSG

Perform a Quality Check on Your Stock

- Increasing Sales and Earnings "**UP**"

- Sales and Earnings growing at a steady, constant rate "**Straight**"

- Sales and Earnings growing at about the same rate "**Parallel**"

The Stock Selection Guide- SSG

UP   Straight   Parallel
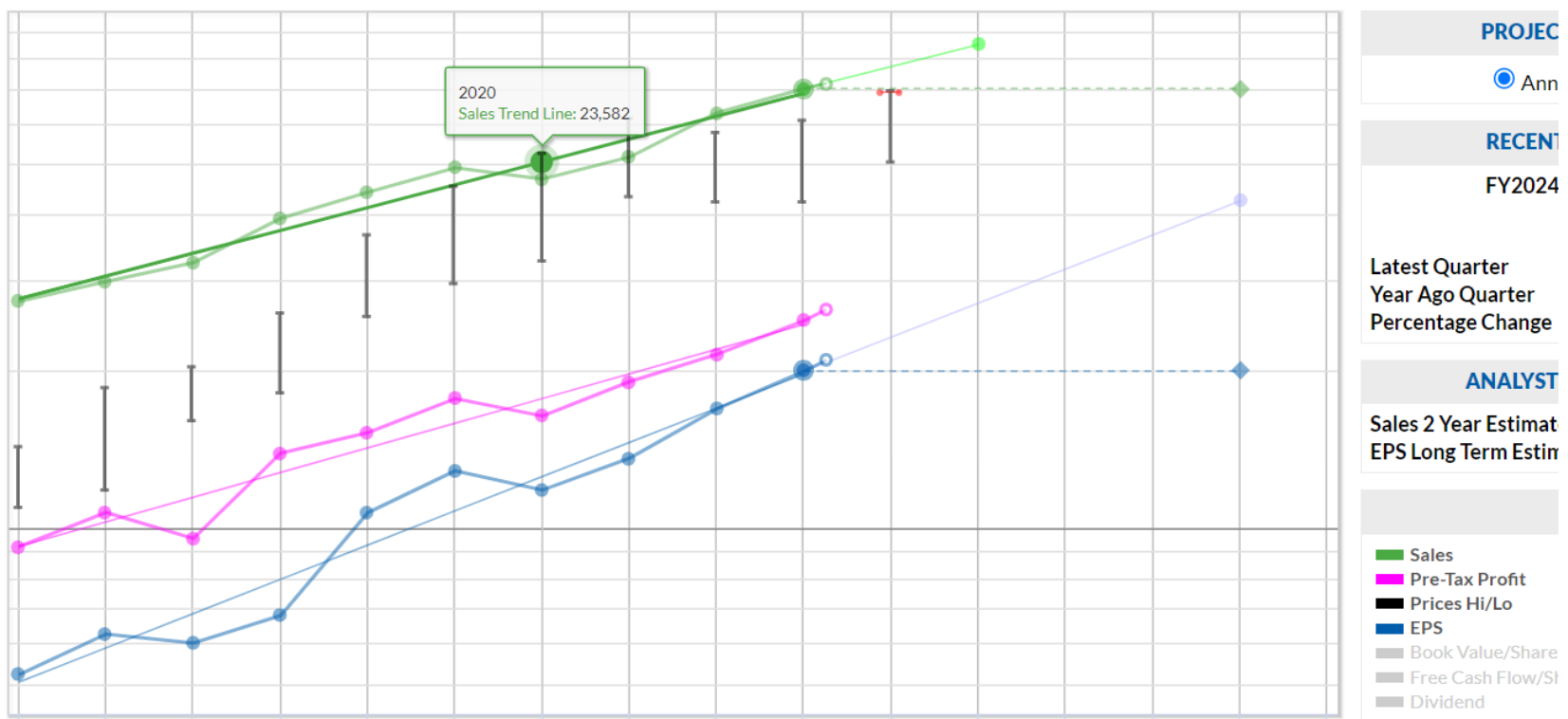
The Stock Selection Guide- SSG

Is there sufficient growth for the size or the company?

- **Small** expected growth rate > 12%

- **Medium** expected growth rate 7% - 12%

- **Large** expected growth rate 5% - 7%

The Stock Selection Guide- SSG

Is recent quarterly growth in line with historical growth?
   => Large changes warrant investigation

Historical profit margins should be steady (even) or increasing

Profit margins should be as good as or better than competitors' profit margins

Historical Return on Equity (ROE) should be steady or slightly increasing.

   => Significant changes should be investigated.

The Stock Selection Guide- SSG

Look for companies with at least 15% ROE (return on Equity). Great companies achieve return on equity of 20%

In general, look for debt levels to be less than 33% of capitalization. Compare to others in the industry Consider industry averages

Interest Rate Coverage

Questions or Comments?

Club Operations Tips & Tricks

Meetings

- **Set at Beginning of Each Year**

- **Meet 10-12 x per year**

- **Regular Schedule**

Agendas

- **Keeps Order**

- **Prevents missing topics**

- **Google Drive**

- **Framework one month out**

Minutes

MINUTE TAKING
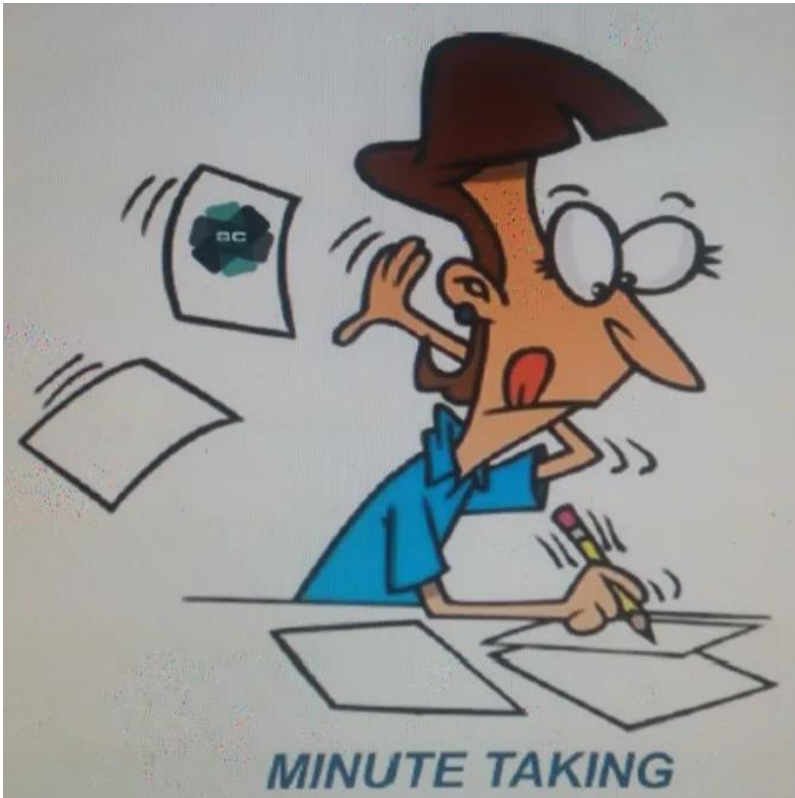
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Financial Reports
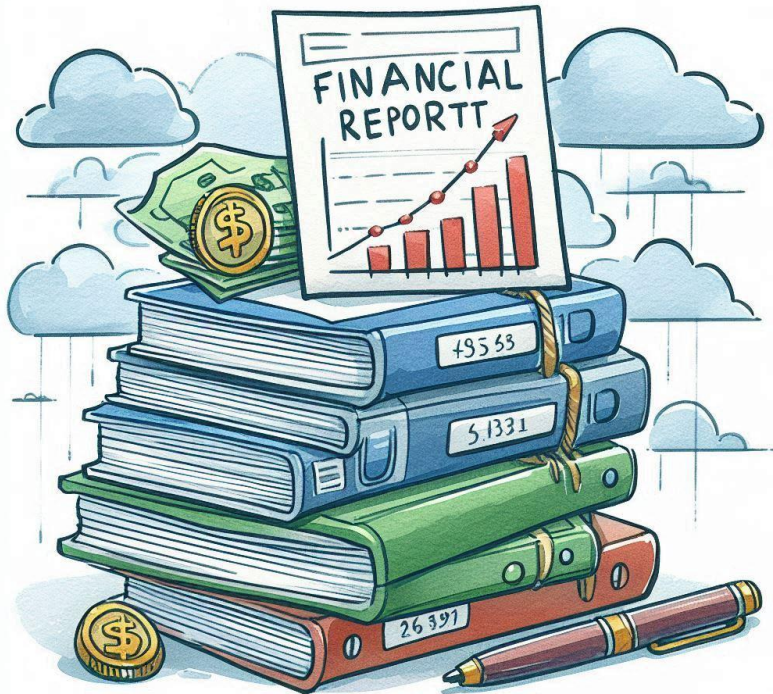
- **Right after approving minutes**

- **Treasure - state of portfolio**

- **Iclub – members have access**

- **Broker – view only access**

Current Stock Updates

- **"Watcher" for each position**

- **Shared google doc to update each month**

- **Streamline way to discuss positions that need attention**

- **Buy, Sell, Hold or Discuss**

New Stock Presentations

All materials will be circulated **BEFORE** the meeting

- Valueline, Completed SSG and other information the presenter considers important

- Streamlines the presentation and allows for a robust discussion.

Education

Assigned member responsible for topic

Rotates monthly

Monthly Industry Presentation

Schedule set at start of year with meeting schedule

Officers

Change officers regularly, per your operating procedures

Term Limits optimal – new people in new positions adds life to the club

Questions or Comments?

Investment Club Tips & Tricks

|	
Meetings	Set Each Year Meet 10-12 x per year Regular Schedule
Agendas	Keeps Order Prevents missing topics Google Drive Framework one month out
Minutes	Updates, Purchases, Sales Commitments for future meetings Circulate prior months in advance of meeting
Financial Reports	Right after approving minutes Treasure reports on state of portfolio Iclub – members have access Broker – view only access

Investment Club Tips & Tricks

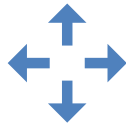|	
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Officers	Change officers regularly, per your operating procedures Term Limits optimal – new people in new positions adds life to the club