

CHECK POINT SOFTWARE TECHNOLOGIES LTD

Form 20-F

April 01, 2011

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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

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR**
ENDED DECEMBER 31, 2010

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 Ha Solelim Street, Tel Aviv 67897, Israel

(Address of principal executive offices)

John Slavitt, Esq.

General Counsel

Check Point Software Technologies, Inc.

800 Bridge Parkway

Redwood City, CA 94065 U.S.A.

Tel: (650) 628-2110

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(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.

Title of each class	Name of exchange on which registered
Ordinary shares, NIS 0.01 nominal value	NASDAQ Global Select Market

Securities registered or to be registered pursuant to Section 12(g) of the Act. None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act. None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of December 31, 2010. 208,414,687 ordinary shares, NIS 0.01 nominal value

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act: Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934: Yes No

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definitions of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

Large Accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP International Financial Reporting Standards as issued Other

by the International Accounting Standards Board

If Other has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act): Yes No

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Currency of Presentation and Certain Defined Terms

In this Annual Report on Form 20-F, references to U.S. or United States are to the United States of America, its territories and possessions; and references to Israel are to the State of Israel. References to \$, dollar or U.S. dollar are to the legal currency of the United States of America; references to NIS or Israeli shekel are to the legal currency of Israel; references to Euro are to the legal currency of the European Union; and references to Swedish Krona are to the legal currency of the Kingdom of Sweden. Our financial statements are presented in U.S. dollars and are prepared in conformity with accounting principles generally accepted in the United States of America, or U.S. GAAP.

All references to we, us, our or Check Point shall mean Check Point Software Technologies Ltd., and, unless specifically indicated otherwise or the context indicates otherwise, our consolidated subsidiaries.

Forward-Looking Statements

Some of the statements contained in this Annual Report on Form 20-F are forward-looking statements that involve risks and uncertainties. The statements contained in this Annual Report on Form 20-F that are not purely historical are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including, without limitation, statements regarding trends related to our business and our expectations, beliefs, intentions or strategies regarding the future. These statements are subject to known and unknown risks, uncertainties and other factors, which may cause our actual results to differ materially from those implied by the forward-looking statements. In some cases, you can identify forward-looking statements by terminology, such as may, will, could, should, expects, plans, anticipates, believes, intends, estimates, predicts, potential, or continue or the negative of the comparable terminology. Forward-looking statements also include, but are not limited to, statements in (i) Item 4 Information on Check Point regarding our belief as to increased use of Internet technologies, continued expansion of connectivity services, increased threats to the Internet and to data and network security, acceleration of the use of networks, the need and demand for network, gateway and virtual security, the need and demand for flexible and extensible security, the demand for our new blade architecture and adoption of new licensing offerings, increasing demands on enterprise security systems, the impact of our relationship with our technology partners on our sales goals, the contribution of our products to our future revenue, our development of future products, and our ability to integrate, market and sell acquired products and technologies; and (ii) Item 5 Operating and Financial Review and Prospects regarding, among other things, our expectations regarding our business and the markets in which we operate and into which we sell products, future amounts and sources of our revenue, our ongoing relationships with our current and future customers and channel partners, our future costs and expenses, the adequacy of our capital resources, share repurchases by us, and dividend payments by us.

Forward-looking statements involve risks, uncertainties and assumptions, and our actual results may differ materially from those predicted. Many of these risks, uncertainties and assumptions are described in the risk factors set forth in Item 3 Key Information Risk Factors and elsewhere in this Annual Report on Form 20-F. All forward-looking statements included in this Annual Report on Form 20-F are based on information available to us on the date of the filing and reasonable assumptions. We undertake no obligation to update or revise any of the forward-looking statements after the date of the filing, except as required by applicable law.

Table of Contents**PART I****ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS**

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION**Selected Financial Data**

We prepare our historical consolidated financial statements in accordance with United States generally accepted accounting principles (U.S. GAAP). The selected financial data, set forth in the table below, have been derived from our audited historical financial statements for each of the years from 2006 to 2010. The selected consolidated statement of income data for the years 2008, 2009 and 2010, and the selected consolidated balance sheet data at December 31, 2009 and 2010, have been derived from our audited consolidated financial statements set forth in Item 18 Financial Statements. The selected consolidated statement of income data for the years 2006 and 2007, and the selected consolidated balance sheet data at December 31, 2006, 2007 and 2008, have been derived from our previously published audited consolidated financial statements, which are not included in this Annual Report on Form 20-F. These selected financial data should be read in conjunction with our consolidated financial statements, and are qualified entirely by reference to such consolidated financial statements.

	2006	Year Ended December 31,			2010
		2007	2008	2009	
		(in thousands, except per share data)			
Consolidated Statement of Income Data:					
Revenues	\$ 575,141	\$ 730,877	\$ 808,490	\$ 924,417	\$ 1,097,868
Operating expenses (*):					
Cost of revenues	36,431	82,301	92,609	133,270	163,973
Research and development	62,210	80,982	91,629	89,743	105,748
Selling and marketing	157,114	217,491	214,439	220,877	235,301
General and administrative	43,503	53,527	53,313	56,409	57,244
Restructuring and other acquisition related costs				9,101	588
Acquired in-process R&D	1,060	17,000			
Total operating expenses	300,318	451,301	451,990	509,400	562,854
Operating income	274,823	279,576	356,500	415,017	535,014
Financial income, net	63,647	49,725	40,876	32,058	30,164
Other-than-temporary impairment, net of gain on sale of marketable securities previously impaired (**)			(11,221)	(1,277)	(785)
Income before taxes on income	338,470	329,301	386,155	445,798	564,393
Taxes on income	60,443	48,237	62,189	88,275	111,567
Net income	\$ 278,027	\$ 281,064	\$ 323,966	\$ 357,523	\$ 452,826
Basic earnings per share	\$ 1.18	\$ 1.26	\$ 1.51	\$ 1.71	\$ 2.18
Shares used in computing basic earnings	235,519	222,548	214,361	209,371	208,106

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per share										
Diluted earnings per share	\$	1.17	\$	1.25	\$	1.50	\$	1.68	\$	2.13
Shares used in computing diluted earnings										
per share		236,769		225,442		216,668		212,208		212,933
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(*) Including pre-tax charges for amortization of intangible assets, acquisition related expenses and stock-based compensation in the following items:

Amortization of intangible assets and acquisition related expenses					
Cost of products and licenses	\$ 5,414	\$ 27,724	\$ 24,554	\$ 28,224	\$ 32,826
Selling and marketing	604	12,260	12,428	22,429	16,309
Research and Development					2,741
General and administrative	927				

Stock-based compensation					
Cost of products and licenses	\$ 39	\$ 65	\$ 48	\$ 47	\$ 49
Cost of software updates, maintenance and services	470	668	684	641	984
Research and development	9,371	4,309	5,037	6,649	7,325
Selling and marketing	7,997	8,780	6,855	5,032	7,279
General and administrative	18,515	20,230	19,703	18,538	19,543

(**) The year ended December 31, 2008 includes a write down of \$11.2 million of marketable securities. The year ended December 31, 2009 includes a write down of \$3.1 million related to auction rates securities, net of a \$1.8 million gain on the sale of marketable securities that were written down in 2008. The year ended December 31, 2010 includes a write down of \$0.8 million of marketable securities.

	2006	2007	December 31, 2008 (in thousands)	2009	2010
Consolidated Balance Sheet Data:					
Working capital	\$ 967,805	\$ 692,316	\$ 791,976	\$ 648,944	\$ 753,672
Total assets	2,080,793	2,368,575	2,593,616	3,069,594	3,605,302
Shareholders' equity	1,711,533	1,856,955	2,015,865	2,319,718	2,719,331
Capital stock	423,155	465,104	504,182	528,648	581,050

Risk Factors

If any of the following risks actually occurs, our business, financial condition, results of operations, and future prospects could be materially and adversely affected. 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 ability of their respective infrastructures 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;

