U.S. Software

C3Q Networking Security Preview

Equities

Americas

Software

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Summary

Into 3Q, we remain Neutral on both FTNT and CHKP, despite very different setups. For FTNT, our checks remain constructive across firewall and SASE. However, following significant upward revisions to both product and subs expectations this year, we think continued outperformance is increasingly expected, particularly with shares trading at ~38x our CY28E FCF. For CHKP, expectations remain much lower, with shares down ~26% YTD versus the BUG up ~60% despite a strong firewall backdrop. While that creates a more forgiving setup, our checks provide little evidence of an underlying inflection for CHKP, with growth still driven largely by renewals and continued challenges around net-new business and broader platform adoption.

Summary of checks

Firewall continued to sound healthy in 3Q, supported by ongoing refresh cycles and strong NGFW demand. That said, we heard some evidence this Q that unit growth in firewalls is starting to slow, with revenue growth still buoyed by cumulative 30-40% price increases. Into 4Q and 2027, we see a tougher setup as the group starts to face harder comps. Our firewall industry model suggests that growth should decelerate in 3Q, even assuming typical 3Q seasonality. We think continued acceleration would require sustained demand for firewalls tied to AI adoption (partners were mixed on how SASE demand impacts growth) and particularly opportunities with neoclouds and AI factories. Our preliminary work here suggests firewall density within AI data centers isn't necessarily increasing and the main opportunity lies in north-south throughput. Within SASE, partners generally described a healthy but increasingly saturated market, with fewer large enterprise greenfield opportunities but continued opportunity across the mid-market. Among the group, our checks were more constructive on Fortinet, where partners continue to highlight strength in NGFW, traction in FortiSASE, and growing interest in opportunities such as OT. Partners were more cautious on Check Point, as it continues to face challenges driving net-new business and broader platform adoption beyond areas such as Harmony. We include commentary below.

FTNT - reports 10/28 AMC

We remain constructive on underlying trends heading into 3Q, with our checks continuing to suggest healthy firewall demand, but prefer to remain on the sidelines given elevated expectations and valuation at ~38x CY28E EV/FCF, which we think is underwriting 20%+ growth in CY27. We model 29% product growth in 3Q, which would imply ~10% growth in 4Q to reach ~31% FY guidance. On subs, we model another acceleration to ~14% growth in 3Q, with current subs billings accelerating toward ~20% exiting the year, supported by FortiSASE traction. With both product and subs expectations having moved meaningfully higher throughout the year, we think continued outperformance is increasingly expected and reiterate our Neutral rating.

CHKP - reports 11/2 BMO

Expectations remain low following the reset earlier this year, and we remain cautious heading into 3Q earnings. CHKP is down ~26% YTD versus the BUG up ~60%, despite a strong firewall refresh cycle that CHKP has struggled to capture. That said, guidance calling for product revenue to decline ~19% y/y in 3Q, before growing ~15% in 4Q against an easier comp, looks very conservative and would represent the single worst 3Q q/q product growth performance in the company's history. While the 3Q total billings comp is tough, the model gets easier into 4Q/CY27. Better execution would make this a more interesting setup; however, our checks provided little evidence of growth, and it's increasingly evident in our view that a lack of SASE traction is costing CHKP mindshare (PANW/FTNT currently growing SASE ~30%/20%).

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Firewall market

We spoke with a handful of partners, experts, and customers, highlighting a handful of dynamics across the firewall market. In digesting commentary, we'd argue checks continue to sound healthy through 3Q, with refresh activity remaining solid and some evidence that the current cycle still has runway, but some early cautionary signals that parts of the firewall market could start to slow. Several partners described 3Q refresh momentum as continuing or accelerating, and one partner was optimistic on hardware appliance demand to remain elevated into CY27. On the other hand, one partner characterized firewall unit growth as roughly flat across the first three quarters and indicated that pull-forward conversations are shifting to push-outs, as customers look to wait out pricing surcharges. Looking longer term, checks continue to debate how durable traditional firewalls will be as network architectures shift toward SASE.

- **Refresh dynamics:** Partners continue to see healthy firewall refresh activity, with one describing the pace of refreshes as largely consistent with 2Q, while another saw hardware firewall refreshes accelerate throughout 3Q and expects the resurgence to persist for another 2-3 quarters. Another partner described demand for next-generation firewall equipment as tied to data center migrations. One customer noted that they are expecting a 20-30% increase that will require them to explore all options over the next 3-6 months.
- **Inventory dynamics:** Commentary suggests inventory availability itself is generally manageable, although checks were mixed. Two partners indicated previous hardware inventory challenges have improved and/or they don't see firewalls suffering from an inventory issue at the moment, while another continues to see inventory constraints across next-generation firewall appliances amid strong demand. One partner suggested that distributer level inventory is no longer increasing.
- **SASE vs firewall debate:** Checks offered contrasting views on the longer-term durability of traditional firewalls as enterprises evolve their network architectures. One partner sees a significant shift away from traditional firewalls outside the data center, with SASE ultimately taking a greater role across campus and remote-office environments. Conversely, another partner is seeing enterprises reconsider the shift from hardware toward software-defined architectures, as customers recognize that moving everything to the SASE/SSE layer may not provide the security, segmentation, and control they want, contributing to a resurgence in hardware firewall refreshes. Interestingly, the partner arguing a broader shift toward SASE cited customers continuing to deploy significant quantities of firewalls across remote offices even with SASE already in their environments.

Partner #1: I would say that from a unit perspective in firewall, directionally across the first three quarters of the year I would characterize as flat. However, with some of these effective price increases that we have seen in the ranges of 30-40%s sometimes, overall sales and gross revenue are up. In terms of inventory, I don't think anyone is stocking up anymore with these surge prices. From what I have heard, it looks like 12 to 18 months before the memory supply shortage kind of straightens out. So, down the road, this all might become a bigger pressure on inventory, but today I haven't really seen any problems. There has not been an inventory problem.

Partner #2: I see the momentum that we are seeing in firewall with refreshes continuing as vendors are focused on proposing renewals in advance or with new technologies that will have an increased list price. So I would say that the pace of the refresh has largely been consistent vs 2Q. In the past, we saw some challenges in terms of inventory for firewalls but more generally about hardware technologies. At the moment, the situation has definitely improved, and I wouldn't say that firewalls are suffering from any negative trend in this area.

Partner #3: For the entire third quarter, we have seen a resurgence on the hardware side of the business as firewall refreshes have accelerated. This has been consistent right through the end of September and will likely stay for the next 2 to 3 quarters in my view. We really saw this with Palo in July, and to some extent with Fortinet. I think the reason for this is a couple of factors. One part is that the hardware refresh, where customers are recognizing that the preconceived notion of converting all hardware infrastructure into software-defined may not serve the ultimate purpose of becoming more secure and have more control from a segmentation standpoint. So more and more enterprises want



to retain control of the hardware layer rather than disposing of everything to the SASE or SSE layer. Another is the overall concerns that are being raised on mass with all these AI attacks and development. So customers, especially large enterprises, are willing to invest more in control.

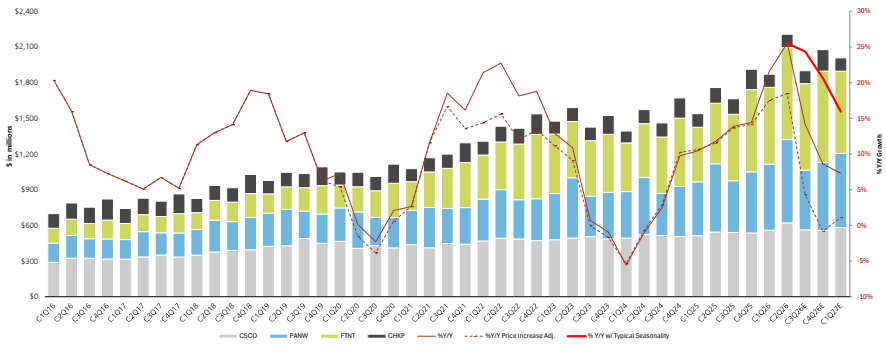
Partner #4: The campus layer, remote offices, etc., we are seeing a big shift away from the traditional firewalls with most people going the SASE route. I think the traditional firewall market outside the data center is going to continue to trend down unless it can be better interwoven into the entire security strategy of an organization. I just don't see hardware devices persisting outside the data center level. That said, I have very forward-thinking customers who are leveraging AI, agentic employees, etc., but can't wrap their heads around deploying SASE across their enterprise. So, instead they have SASE in the environment but bought so many Palo firewalls for remote offices that it was kind of shocking. So, as much as I have said how everything is going in the SASE direction, there are still companies that don't have the talent to make the switch so they'll keep doing what worked in the past despite potential performance gains, savings, and improvements to their general architecture.

Partner #6: High-level, we still have seen quite a bit of inventory constraints and that is not just the case for Fortinet and Palo, I think it is across the board for their next-gen firewall solutions and appliances. I think part of it is still issues around chip costs and manufacturing. But this combined with huge demand doesn't help. We have data center customers that have huge demand for next-generation firewall equipment because it is more efficient, higher bandwidth, more capacity, etc. And so we have seen this as we help customers do data center migrations and orders for brand-new equipment. We have still seen demand at an extremely high level.

Customer #1: We haven't refreshed our firewalls. After the whole memory prices going through the roof, we haven't had a refresh cycle come through, but we are close. I think it will be end of next year that we will have done it, which means in the next three to six months we are going to start looking and comparing. We are a little bit prepared for some kind of uptick, but I don't know if we are prepared for a doubling or a 20% or 30% increase.

In our Firewall market model (see below), 3Q guidance for the four vendors suggests that the product revenue cycle peaked in 2Q26. Even if we assume typical q/q seasonality (median of the last 4 q/q growth) for all four vendors in 3Q and 4Q, it still implies that the product market peaked in 2Q after experiencing higher than typical seasonality (impacted by the bulk of price increases done so far). Overall, this feels fairly consistent with cycles seen in 2018 and the 2021-2022 supercycle. That said, industry forecasts (IDC, Gartner) suggest memory supply/pricing could remain elevated through 2027, with additional fab capacity beginning to ease supply in 2028 as AI demand continues to redirect capacity toward HBM and other higher-value memory products. On a multiyear basis, we would argue that overall product revenue growth is in the low-double-digits, with a slight downward trajectory towards high-single-digits over the past 10 years.

Figure 1: Firewall Market



Source: FactSet, company data

SASE market

We also spoke with partners on the SASE market, with checks suggesting demand continues to grow despite a market that is becoming increasingly mature and competitive. However, checks continue to see incremental opportunity, particularly across the mid-market and lower end of enterprise, while another partner characterized the SASE/SD-WAN category as accelerating despite longer sales cycles. At the same time, commentary highlighted the increasingly interconnected nature of the firewall and SASE markets, as customers weigh cloud-delivered security against the control, infrastructure, and economics of retaining hardware.

- **Competitive environment:** Palo Alto and Zscaler continue to be viewed as leaders across enterprise and large enterprise, although partners pointed to increasing competition from a broader group of vendors. Netskope was cited as gaining share by one partner, particularly against Zscaler, while others also highlighted Cato and Versa as expanding within SMB and Check Point as improving its position. Competition appears particularly broad in the mid-market, where partners see both a greater number of vendors and more remaining opportunity.
- **Firewall/SASE architectures:** The strength in firewall demand also appears relevant to the evolution of SASE architectures, with one partner highlighting continued hybrid environments as companies weigh cloud costs, infrastructure requirements, and the level of control they want across different layers of the stack.
- **Market opportunities:** Partners see a SASE market that is more mature than a year ago, particularly within large enterprise, where there are fewer greenfield opportunities and more competitors. However, this has not hindered growth, with one partner seeing particular opportunity among enterprises with 2K-5K employees, while another described the SASE/SD-WAN market as accelerating, despite longer sales cycles than other security segments. Overall, checks suggest the opportunity is increasingly shifting toward the mid-market and lower end of enterprise as penetration within larger organizations matures.

Partner #2: The SASE market from our perspective is definitely more mature today than last year. But it is interesting to see that it has continued to grow. It seems that the opportunities in large enterprise are less than a year ago, and there are more players in the market, but there is still space for new opportunities. I see this especially in the mid-market and enterprises, with companies in the 2K to 5K employee range. We see Palo Alto and Zscaler as the leaders in the enterprise and large enterprise. I would say Netskope is growing and gaining some market share, especially against Zscaler. The mid-market is totally different, as we see more players, but more opportunities. I think Zscaler is suffering the competition more than others there. Also, Palo doesn't fit well for small businesses like a Cato Networks would.

Partner #5: Overall, the SASE and SD-WAN category is moving relatively well, but there are more competitors. In the past, when we were talking about SASE, it was basically Palo Alto, Fortinet, and Cisco. Now Cisco is probably losing some ground, and there are others like Zscaler or even Check Point that are doing better. There are other emerging players that are more agnostic, like Versa or Cato, that are expanding specifically within the small- and medium-business market. But I would describe the SASE market as one that is accelerating but it is lower than other segments because the projects have longer sales cycles.

Partner #6: I think that the resurgence or strength in firewall influences the market for SASE. I think when you look at how much data and throughput you actually need leveraging tokenization usage, the bandwidth needed when self-hosting a lot of models, highly-regulated companies require more infra, you are expanding the blast radius. We are still seeing a lot of hybrid environments where companies are bringing things back onshore or are starting to do a lot of self-hosting. So as cloud costs get exponentially more expensive, it ultimately depends on how much control you want at what layer of the stack.

Fortinet (FTNT) - reports 10/28 AMC

We remain constructive on the underlying trends heading into 3Q earnings, but prefer to remain on the sidelines given elevated expectations and valuation at ~38x our CY28E FCF. Our firewall checks remained healthy, with continued refresh activity and some evidence of runway into coming quarters, while FTNT-specific checks were broadly constructive across NGFW, FortiSASE, AI data centers, and emerging areas such as OT security. However, following two quarters of upward revisions to FY expectations and significant share price appreciation (up ~140% YTD), we think continued outperformance is at least partially reflected in the stock, leaving the debate centered on the magnitude/durability of growth from here, and durability of opportunities at the neocloud/AI factory level.

On product, we model ~29% y/y growth in 3Q, which would imply ~10% growth in 4Q to reach the current FY guidance framework of ~31%. Our checks remain supportive, with partners highlighting healthy NGFW demand, new hardware refreshes, and continued demand for larger appliances. We also continue to see AI data centers/ neoclouds as an important potential driver of the product cycle. Following the 8-fig neocloud win highlighted in 2Q, management indicated the opportunity set continues to build across neoclouds and enterprise AI data centers, despite it still being at an early stage. Management continues to view the broader AI-driven infrastructure cycle as relatively early, potentially providing another source of durability to product growth beyond traditional refresh activity. That said, following the significant upward revisions already made this year, we think another product beat and raise is increasingly important to supporting expectations.

On subscriptions, we remain constructive on the accelerating trajectory. We model subs revenue growth continuing to accelerate to ~14.2% in 3Q, with the current FY framework implying another modest step-up to ~14.5% in 4Q on our estimates. Notably, FTNT has also raised its FY subscription growth framework in each of the last two quarters, from ~11% entering the year to ~12% and ultimately ~13.5%. We also model current subs billings accelerating to ~19%/20% in 3Q/4Q, or ~17% for FY26, while our checks suggest FortiSASE continues to perform well. Overall, we remain constructive on the fundamental backdrop, but believe the current valuation and elevated expectations appropriately keep us Neutral rated.

PRE-QUIET CHECK-IN TAKES

We caught up with Fortinet management ahead of their quiet period and our key takeaways were as follows. Management continues to see customers adopting higher-capacity firewall appliances across the portfolio, although it remains difficult to determine how much of this is being driven by AI-related traffic growth versus customers preparing for future demand. Regardless, newer platforms support capabilities and features that are not available on legacy hardware and appear to be contributing to refresh activity. On AI, management highlighted a growing pipeline of opportunities spanning both neocloud providers and enterprise AI data centers, noting that while neocloud projects are generally larger, enterprise opportunities are currently more numerous. In discussing the durability of product growth beyond FY26, management remained constructive on the outlook and reiterated its view that the industry remains in the early stages of an AI-driven infrastructure cycle. Management also reiterated that OT security remains a fast-growing area of the business and an important area of focus. Finally, management characterized the recent Virtue acquisition as primarily an IP acquisition that will be integrated into the broader platform over time, including FortiAIGate, while remaining consistent with the company's disciplined approach to bolt-on M&A.

CHANNEL CHECKS

Partner #1: The last price increase from Fortinet was interestingly, the bigger a unit the higher the increased percent. And I am sure that it is because there are more chips inside the bigger units and they are more expensive. I think these companies are doing their best to offer an attractive way for companies to buy a bundled solution. So not just firewall, but the firewall with FortiSASE or FortiManager or SD-WAN in Fortinet's case. Then with the bundling comes the discounting. And by throwing some non-component

software in, they have started to get more wallet share as a result within an organization. In terms of inventory, I am not having a problem. I work with Fortinet engineers every day and it has been easy to continue to put together a bill of materials. I am also seeing a bigger OT opportunity with them. They have the rugged and industrial-built products like APs and firewalls, and they have a pretty good advantage in this growing part of the market. However, I wouldn't say it is material enough to the overall business to do anything more than slightly move the needle. What is moving the needle is the bundling, the G series that has so much more memory and capability that is causing maybe some more refreshes to come sooner than normal cycle refreshes. Also, because AI security solutions come in there with FortiOS when you are buying FortiGate or FortiSASE, it is driving some conversations.

Partner #3: Fortinet had a better calendar 3Q than Palo Alto relatively speaking, but still in line with our expectations. NGFWs are still the main sort of driver there, and full credit to them for all the hardware-related innovations they are doing, especially entering into the data center firewall market. Outside of that, FortiSASE is the second bestselling product, but it ties in very well with the NGFW and caters to a broad range of requirements. Then if you look at the mid to lower end of the market, that is Fortinet's sweet spot where they have made some good inroads in the form of FortiEDR, FortiSIEM, and FortiAnalyze.

Partner #4: They are big and continue to perform well in our SLED and GUP space, but not so much in the enterprise IT space for us.

Partner #5: Fortinet is particularly strong across some geos in LATAM. However, the biggest opportunity outside of firewall and SD-WAN is probably OT security. While they are not a pure player for OT, they are competing head to head with pure players like Nozomi, Dragos, and Claroty.

Partner #6: Fortinet has continued to be strong for us. We will probably have close to a record quarter with them, and I could have said the same thing for 2Q. I think when you look at how they do their enterprise license agreements, they are pushing a lot of companies towards making it easier to procure hardware and easier to onboard software. The hardware and software are two separate types of purchases, with higher margin software. We continue to see strong growth with FortiSASE, which does well in commercial to mid-market. I have seen a lot in higher education. They also have a pretty strong OT and IoT offering which we have seen some interest there as we work with critical infra companies. They have a really strong AI-layer security component that they have recently introduced which works really well. They have a ton of products and have a lot of layers to growth. I would like to see them sort of bundle those types of things together a little bit better, similar to what CrowdStrike is doing with Falcon Flex and Falcon Complete and some of their other capabilities.

Figure 2: UBSe vs Street - FTNT

	Sep-26E	FY26E	FY27E
UBSe revenue	**2,055**	**8,101**	**8,668**
Y/Y %	*19%*	*19%*	*7%*
Street revenue	**2,063**	**8,120**	**9,037**
Y/Y %	*20%*	*19%*	*11%*
Guidance	2,010 - 2,100	8,020 - 8,180	
UBSe Billings	2,300	9,450	9,638
Y/Y %	*27%*	*25%*	*2%*
Street Billings	**2,308**	**9,452**	**10,450**
Y/Y %	*28%*	*25%*	*11%*
UBSe OPM	36.0%	36.3%	36.8%
Street OPM	36.2%	36.3%	36.2%
UBSe FCF	**632**	**2,886**	**3,135**
Y/Y %	*11%*	*30%*	*9%*
Street FCF	596	3,074	3,356

Source: FactSet, UBS estimates Note: $ in millions.

VALUATION

We raise our PT to $200 (from $180), based on 41x CY28E FCF (37x prior). This reflects an unchanged premium to both network security peers and the broader cybersecurity space. We view this as appropriate given FTNT's nearly in-line with median growth and stronger margins. FTNT trades at ~38x EV/FCF and ~45x P/E on CY28E, a premium to cyber peers, while maintaining a discount to higher-growth names like Palo Alto (~45x EV/FCF), which have a similar margin profile.

Figure 3: Peer group valuation - FTNT

	Mkt Cap	EV/Sales			YoY% Sales Growth			CAGR	EV/S:G	EV/FCF			FCF Margin			"Rule of 40" (FCF-Based)		
	10/14/2026	CY26E	CY27E	CY28E	CY26E	CY27E	CY28E	CY25A-28E	CY27E	CY26E	CY27E	CY28E	CY26E	CY27E	CY28E	CY26E	CY27E	CY28E
Check Point Software	$13,803	4.8x	4.6x	4.4x	3%	6%	4%	4%	0.83	11.4x	11.0x	10.6x	42%	41%	41%	45%	47%	46%
CrowdStrike	$262,392	44.7x	36.4x	29.8x	25%	23%	22%	23%	1.60	NM	NM	87.2x	30%	33%	34%	55%	55%	56%
Okta	$38,424	11.2x	10.2x	9.3x	10%	10%	10%	10%	1.03	39.3x	34.3x	30.7x	29%	30%	30%	39%	40%	40%
Palo Alto Networks	$308,078	23.6x	20.0x	17.6x	24%	18%	13%	18%	1.10	64.0x	51.3x	44.7x	37%	39%	39%	61%	57%	53%
Qualys	$6,612	8.5x	7.8x	7.3x	10%	8%	7%	8%	0.95	20.4x	18.8x	17.8x	42%	42%	41%	52%	50%	48%
Rapid7	$843	1.3x	1.3x	1.3x	-2%	-1%	2%	-1%	-1.49	8.5x	7.7x	6.9x	16%	17%	19%	13%	16%	21%
SentinelOne	$7,843	6.0x	5.1x	4.4x	20%	18%	16%	18%	0.28	86.2x	40.3x	27.7x	7%	13%	16%	27%	30%	32%
Tenable	$4,391	4.2x	3.9x	3.7x	8%	7%	6%	7%	0.55	16.9x	15.1x	13.4x	25%	26%	27%	33%	33%	34%
Varonis Systems	$5,333	7.0x	5.9x	5.0x	18%	19%	16%	18%	0.31	48.1x	32.7x	26.9x	15%	18%	19%	33%	37%	35%
Zscaler	$36,154	9.4x	8.0x	6.9x	21%	17%	16%	18%	0.48	40.5x	33.4x	26.5x	23%	24%	26%	44%	41%	42%
Mean		12.1x	10.3x	9.0x	14%	12%	11%	12%	0.56	37.2x	27.2x	29.2x	26%	28%	29%	40%	41%	41%
Median		7.7x	6.9x	6.0x	14%	13%	12%	14%	0.69	39.3x	32.7x	26.7x	27%	28%	29%	42%	40%	41%
Fortinet	$137,115	16.4x	15.4x	13.9x	19%	7%	11%	12%	2.19	46.1x	42.5x	37.6x	36%	36%	37%	55%	43%	48%

Source: FactSet, UBS estimates, Visible Alpha Note: $ in millions.

Check Point Software (CHKP) - reports 11/2 BMO

We remain cautious heading into 3Q earnings, although expectations remain relatively low following the reset earlier this year. CHKP shares are down ~26% YTD versus the BUG up ~60%, with peers like PANW and FTNT up ~110% and ~140%, respectively, a particularly notable divergence given the strength of the broader firewall refresh cycle. We continue to model ~3% total revenue growth for FY26, in line with guidance, while management's decision last quarter to shift 3-4 pts of billings growth from 3Q into 4Q creates some flexibility around quarterly timing. However, our channel conversations provide limited evidence that CHKP's underlying execution or competitive positioning has begun to inflect.

On product, we model revenue declining ~19% y/y in 3Q before growing ~15% in 4Q against an easier comparison. While the broader firewall market remains healthy and our checks suggest the refresh cycle still has some runway, partners continue to characterize CHKP's limited growth as primarily coming from renewals and existing implementations, with net-new business and expansion remaining challenged. Given the strength of the broader product cycle, we think CHKP's inability to participate more meaningfully remains disappointing, and the key question is whether recent GTM changes can begin translating into improved pipeline conversion and new-logo activity.

On subscriptions, the midpoint of 3Q guidance implies ~10.5% growth, with an acceleration into the low-teens required in 4Q to achieve the 12% FY framework. Our checks similarly provide limited evidence of an inflection, with partners citing challenges expanding customers beyond core firewall deployments and continued competitive pressure in SASE. Harmony Email remains the clearest bright spot, but does not appear sufficient to materially change the broader growth trajectory. Overall, while low expectations provide a somewhat more forgiving setup into 3Q, we remain cautious absent evidence that CHKP is beginning to improve net-new activity and broader platform adoption.

CHANNEL CHECKS

Partner #2: Check Point is one of my vendors that is definitely not performing well, and I would say that they performed below expectations. They were negative for me in July as well. So specifically we had a decrease in the September quarter. The big issue is new business as well as upselling. Check Point is considered a strong player in the enterprise for firewall, where customers are confident and happy to renew. However, they aren't investing or consolidating their business with them for other modules. SASE and EDR are not best-in-class from a technology perspective, but they aren't bad and it makes me think it is also a marketing and positioning thing. However, Harmony E-mail has been a good upsell for them, just not in terms of revenues.

Partner #3: Check Point is still right at the bottom of my cybersecurity vendor list in terms of performance. The growth has been in the region of mid-single-digits for nearly the last four quarters now. An overwhelming majority of the growth is originating from existing implementations. Net-new for them is probably the lowest across the sector, at least from what I see, and that's mainly on their Quantum family firewall. If you take things like Harmony E-mail, Cloud, AppSec, and some of the other products, they are doing alright. SASE, however, continues to underperform because it is not really a competitive product as it can't bake off with FortiSASE, Palo Alto, Zscaler, or even Cloudflare or Netskope.

Partner #4: They are really good on the e-mail security side, people really love them there.

Partner #6: They have a fairly large install base in my geo and continue to do well in terms of winning some bake-offs. The issue is that a lot of the time they don't get a seat at the table or they are one of those companies that hasn't done much with the channel and partners. We do renewals on firewalls and they have a fairly compelling pitch in AI and cloud security, and the feedback I have gotten is the user interface and usability are actually very easy and intuitive to use. I think there is a lot of hesitance in terms of adoption because they don't have a full suite of capabilities. But growth has been pretty consistently low, probably stagnant to slightly lower through the year. I will say Harmony the E-mail security platform from them performs well, but the space is quite crowded.

Figure 4: UBSe vs Street - CHKP

	Sep-26E	FY26E	FY27E
UBSe revenue	**674**	**2,805**	**2,937**
Y/Y %	*-1%*	*3%*	*5%*
Street revenue	**672**	**2,802**	**2,959**
Y/Y %	*-1%*	*3%*	*6%*
Guidance	655 - 685	2,770 - 2,850	
UBSe Billings	658	2,946	3,116
Y/Y %	*-2%*	*1%*	*6%*
Street Billings	**648**	**2,939**	**3,071**
Y/Y %	*-3%*	*1%*	*5%*
UBSe OPM	38.7%	38.7%	38.1%
Street OPM	38.4%	38.8%	38.7%
UBSe FCF	**244**	**1,185**	**1,248**
Y/Y %	*4%*	*-2%*	*5%*
Street FCF	249	1,189	1,221

Source: FactSet, UBS estimates Note: $ in millions.

VALUATION

We raise our PT to $145 ($135 prior) based on 9x EV/FCF CY28E (8x prior), which we view as an appropriate modest discount to cyber peers. With broader software trading closer to a median of 11x EV/FCF on CY28E, we see 9x CY28E FCF as appropriate for CHKP's lower growth, better margins, and consistent share buyback. We believe a discount in-line with the lower end of the peer group is warranted given its 8 pts of below-median growth, even as its FCF margin profile remains best-in-class.

Figure 5: Peer group valuation - CHKP

	Mkt Cap	EV/Sales			YoY% Sales Growth			CAGR	EV/S:G	EV/FCF			FCF Margin			"Rule of 40" (FCF-Based)		
	10/14/2026	CY26E	CY27E	CY28E	CY26E	CY27E	CY28E	CY25A-28E	CY27E	CY26E	CY27E	CY28E	CY26E	CY27E	CY28E	CY26E	CY27E	CY28E
CrowdStrike	$262,392	44.7x	36.4x	29.8x	25%	23%	22%	23%	1.60	NM	NM	87.2x	30%	33%	34%	55%	55%	56%
Fortinet	$137,115	17.0x	15.2x	13.6x	19%	11%	12%	14%	1.33	45.3x	42.0x	37.7x	37%	36%	36%	57%	48%	48%
Okta	$38,424	11.2x	10.2x	9.3x	10%	10%	10%	10%	1.03	39.3x	34.3x	30.7x	29%	30%	30%	39%	40%	40%
Palo Alto Networks	$308,078	23.6x	20.0x	17.6x	24%	18%	13%	18%	1.10	64.0x	51.3x	44.7x	37%	39%	39%	61%	57%	53%
Qualys	$6,612	8.5x	7.8x	7.3x	10%	8%	7%	8%	0.95	20.4x	18.8x	17.8x	42%	42%	41%	52%	50%	48%
Rapid7	$843	1.3x	1.3x	1.3x	-2%	-1%	2%	-1%	-1.49	8.5x	7.7x	6.9x	16%	17%	19%	13%	16%	21%
SentinelOne	$7,843	6.0x	5.1x	4.4x	20%	18%	16%	18%	0.28	86.2x	40.3x	27.7x	7%	13%	16%	27%	30%	32%
Tenable	$4,391	4.2x	3.9x	3.7x	8%	7%	6%	7%	0.55	16.9x	15.1x	13.4x	25%	26%	27%	33%	33%	34%
Varonis Systems	$5,333	7.0x	5.9x	5.0x	18%	19%	16%	18%	0.31	48.1x	32.7x	26.9x	15%	18%	19%	33%	37%	35%
Zscaler	$36,154	9.4x	8.0x	6.9x	21%	17%	16%	18%	0.48	40.5x	33.4x	26.5x	23%	24%	26%	44%	41%	42%
Mean		13.3x	11.4x	9.9x	15%	13%	12%	13%	0.61	41.0x	30.6x	32.0x	26%	28%	29%	41%	41%	41%
Median		8.9x	7.9x	7.1x	19%	14%	13%	16%	0.75	40.5x	33.4x	27.3x	27%	28%	29%	42%	40%	41%
Check Point Software	$13,803	4.1x	3.9x	3.7x	3%	5%	5%	4%	0.84	9.8x	9.3x	8.7x	42%	42%	43%	45%	47%	48%

Source: FactSet, UBS estimates, Visible Alpha Note: $ in millions.

Valuation Method and Risk Statement

FTNT: Key risks: 1) Ability to Penetrate the Enterprise Customer Segment – FTNT's SMB roots have served it well but its ability to reach into the enterprise segment is a key growth driver going forward due to higher ASPs for enterprise calibre solutions. 2) Margin dilution from aggressive reinvestments to keep up with the spending profile of higher growth peers and sustain topline momentum. 3) Sizeable exposure to the telco vertical. 4) Custom hardware advantage loses some relevance as traditional data centers (ie. perimeters) move to Cloud. Our price target is based on an EV/FCF relative valuation framework.
CHKP: Risks include: 1) Macro – A weak macroeconomic environment has shown a correlation with weak enterprise and SMB IT spend. Reduced or flat IT budgets year over year would likely negatively affect enterprise spending on security and network infrastructure. 2) Competition – CHKP primarily competes FTNT and PANW, but also networking vendors JNPR and CSCO. In addition, as CHKP expands its product set it will increasingly face competition with a larger stable of cybersecurity vendors. 3) Significant indirect channel exposure limits visibility/increases credit risk – Nearly 100% of CHKP's sales come through its over 3,000 channel partners (distributors, OEMs, resellers, MSPs), which can lessen business visibility. 4) M&A – With a highly profitable business model CHKP has nearly 2.5x its revenue in net cash on its balance sheet. While management remains committed to a consistent share repurchase program there is plenty of room for further, large scale M&A, where a potentially large, transformative transaction could be dilutive to its industry-high margins. Our price target is based on blended 50/50 P/E, EV/FCF methodology.



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Buy	FSR is > 6% above the MRA.	55%	24%
Neutral	FSR is between -6% and 6% of the MRA.	39%	20%
Sell	FSR is > 6% below the MRA.	6%	21%

Source: UBS. Rating allocations are as of 30 September 2026.
1:Percentage of companies under coverage globally within the 12-month rating category.
2:Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.

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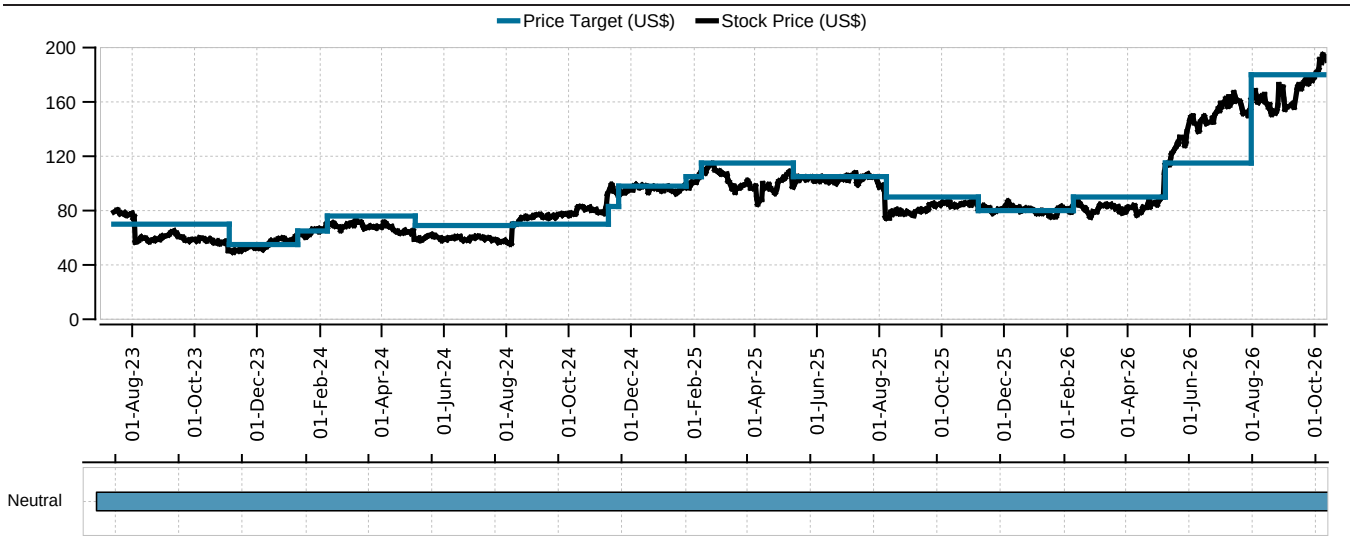
Company Disclosures

Company Name	Reuters	12-month rating	Price	Price date
Check Point Software Technologies Ltd[16,28]	CHKP.O	Neutral	US$134.99	13 Oct 2026
Fortinet Inc[16,28]	FTNT.O	Neutral	US$190.76	13 Oct 2026

Source: UBS Global Research; LSEG Eikon. All prices as of local market close. Ratings in this table are the most current published ratings prior to this report. They may be more recent than the stock pricing date.
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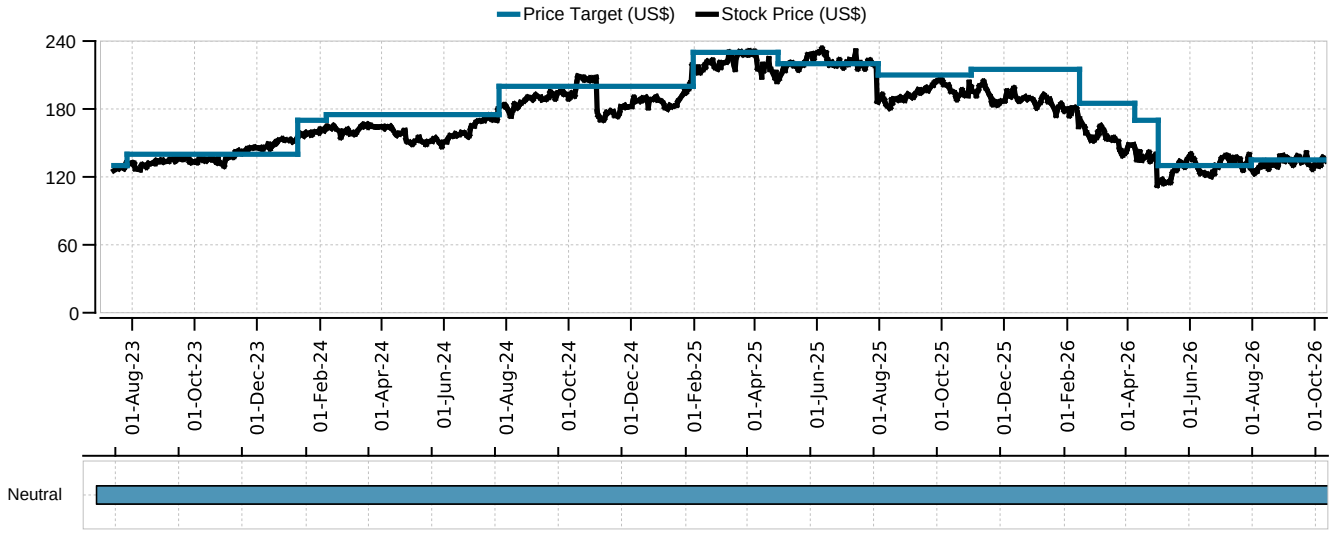
Fortinet Inc (US$)



Date	Stock Price (US$)	Price Target (US$)	Rating
2023-07-13	78.25	70.00	Neutral
2023-11-03	50.48	55.00	Neutral
2024-01-09	59.40	65.00	Neutral
2024-02-07	70.03	76.00	Neutral
2024-05-03	58.88	69.00	Neutral
2024-08-07	69.93	70.00	Neutral
2024-11-08	92.04	83.00	Neutral
2024-11-18	91.88	98.00	Neutral
2025-01-23	97.45	105.00	Neutral
2025-02-07	107.66	115.00	Neutral
2025-05-08	97.74	105.00	Neutral
2025-08-07	75.30	90.00	Neutral
2025-11-05	85.99	80.00	Neutral
2026-02-06	82.76	90.00	Neutral
2026-05-07	107.97	115.00	Neutral
2026-07-30	154.25	180.00	Neutral

Source: UBS Global Research; LSEG Eikon as of 13-Oct-2026. All prices as of local market close. Ratings as of date shown.

Check Point Software Technologies Ltd (US$)



Date	Stock Price (US$)	Price Target (US$)	Rating
2023-07-13	127.57	130.00	Neutral
2023-07-26	132.11	140.00	Neutral
2024-01-09	153.46	170.00	Neutral
2024-02-06	162.45	175.00	Neutral
2024-07-24	180.07	200.00	Neutral
2025-01-30	218.99	230.00	Neutral
2025-04-23	204.26	220.00	Neutral
2025-07-30	186.67	210.00	Neutral
2025-10-29	197.28	215.00	Neutral
2026-02-12	164.47	185.00	Neutral
2026-04-07	148.40	170.00	Neutral
2026-04-30	112.47	130.00	Neutral
2026-07-30	128.23	135.00	Neutral

Source: UBS Global Research; LSEG Eikon as of 13-Oct-2026. All prices as of local market close. Ratings as of date shown.

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