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Reason for Report:

Change in Price Target

Changes	Previous	Current
Rating	--	Outperform
Price Tgt	\$31.00	\$29.00
FY05E Rev (mil)	\$595.3	\$591.5
FY06E Rev (mil)	\$682.6	\$680.6
FY05E EPS	\$1.21	\$1.24
FY06E EPS	\$1.34	\$1.38

Price:	\$21.37
52 Week High:	\$27.16
52 Week Low:	\$16.46
Price Target:	\$29.00

(21x CY06E EPS of \$1.38)

Shares Out (mil):	256.2
Market Cap. (mil):	\$5,475.0
Avg Daily Vol (000):	3,056
Book Value/Share:	\$6.50
Cash Per Share:	\$6.37
Debt to Total Capital:	0%
Div (ann):	\$0.00
Est LT EPS Growth:	15%
P/E to LT EPS Growth (FY06):	1.0x
Est Next Rep Date:	07/18/2005
Fiscal Year End:	Dec

Rev (mil)	2004A	2005E	2006E
Mar	\$116.1A	\$137.7A	\$159.0E
Jun	\$126.9A	\$146.1E	\$165.5E
Sep	\$129.3A	\$148.7E	\$171.5E
Dec	\$143.0A	\$159.0E	\$184.6E
FY	\$515.4A	\$591.5E	\$680.6E
CY	\$515.4A	\$591.5E	\$680.6E

FY RM	10.6x	9.3x	8.0x
CY RM	10.6x	9.3x	8.0x

EPS	2004A	2005E	2006E
Mar	\$0.25A	\$0.30A	\$0.33E
Jun	\$0.25A	\$0.31E	\$0.33E
Sep	\$0.27A	\$0.31E	\$0.34E
Dec	\$0.31A	\$0.33E	\$0.37E
FY	\$1.08A	\$1.24E	\$1.38E
CY	\$1.08A	\$1.24E	\$1.38E

FY P/E	19.8x	17.2x	15.5x
CY P/E	19.8x	17.2x	15.5x

Check Point Software Outperform

(CHKP - \$21.37)
Volatility: Low

March Quarter Earnings: Strong Annuity, w/Lighter-Than-Expected License Sales

KEY POINTS:

- **Conclusion.** Despite fluctuations in product sales, Check Point continues to build its annuity base and maintains its leadership position in the perimeter security market. While near-term catalysts are limited, we do not see material downside to shares of CHKP based on the company's strong market position, growth potential from new products (specifically the success of Integrity), and current valuation (CHKP is currently trading at 16x CY06E EPS vs. the comp group at 22x).
- **March Quarter Results.** On Monday, April 18, before market opening, Check Point reported pro-forma EPS of \$0.30 on \$137.7m. The Street had been looking for \$0.29 on \$138.9m. Deferred revenue increased 6% sequentially from \$141.1m to \$150.2m (last year's sequential increase was 9%, excluding the impact of the Zone Labs acquisition which closed on March 26, 2004).
- **Guidance.** For the June quarter, Check Point guided to \$0.30-\$0.31 on \$142m-\$148m vs. Street estimates for \$0.30 on \$145m. For CY05 Check Point maintained guidance at \$1.18-\$1.24 on \$585m-\$600m. The Street is looking for \$1.21 on \$590m.
- **Revising Estimates.** Our CY05 estimates go to \$1.24 on \$592m from \$1.21 on \$595m, reflecting a shifting mix to annuity products and adjustments to the company's tax rate. We are slightly lowering our price target from \$31 to \$29 on 21x CY06E EPS of \$1.38 to account for recent multiple compression within the security group (currently trading at 22x). The multiple reflects shares of CHKP historically trading at a discount to the group balanced by its strong market position.

INVESTMENT RECOMMENDATION:

We maintain our Outperform rating on CHKP.

RISKS TO ACHIEVEMENT OF TARGET PRICE:

CHKP shares are highly volatile and will likely be sensitive to volatility in the IT spending environment. Currently, visibility in the IT spending environment remains difficult as the overall economy continues to experience fluctuations.

COMPANY DESCRIPTION:

Check Point Software Technologies Ltd. is the worldwide firewall leader. The company's solutions provide infrastructure that enables secure communications between users across Internets and the Internet.

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UPDATED 4/18/2005
 Fiscal Year
 Ends 12/31

Check Point Software
 INCOME STATEMENT
 MILLIONS OF \$

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Qtrs & Years	NET SALES	Cost of Sales	Gross Profit	% of Sales	Sales Marketing	% of Sales	R&D	% of Sales	G&A	% of Sales	Total Expense	Oper Income	Oper Margin	Interest Income	Pretax Income	Income Taxes	Tax Rate	Net Inc	Diluted Shares	Proforma EPS
Mar-02	104.6	4.62	99.99	95.6%	25.03	23.9%	7.40	7.1%	4.84	4.6%	37.3	62.7	60.0%	12.2	74.9	11.4	15.2%	63.6	259.0	0.25
Jun-02	108.6	4.89	103.69	95.5%	27.87	25.7%	7.38	6.8%	4.36	4.0%	39.6	64.1	59.0%	12.3	76.4	11.7	15.3%	64.7	253.6	0.26
Sep-02	103.6	5.68	97.88	94.5%	24.63	23.8%	6.99	6.7%	4.22	4.1%	35.8	62.1	59.9%	12.3	74.3	12.0	16.2%	62.3	253.3	0.25
Dec-02	110.3	5.51	104.75	95.0%	27.08	24.6%	6.94	6.3%	4.55	4.1%	38.6	66.2	60.0%	12.5	78.7	14.2	18.0%	64.5	252.8	0.26
Mar-03	104.8	5.11	99.73	95.1%	26.69	25.5%	6.86	6.5%	4.34	4.1%	37.9	61.8	59.0%	11.3	73.2	13.1	17.9%	60.1	253.2	0.24
Jun-03	106.1	4.62	101.48	95.6%	26.77	25.2%	7.26	6.8%	4.58	4.3%	38.6	62.9	59.3%	10.5	73.4	13.2	18.0%	60.2	255.2	0.24
Sep-03	106.3	4.60	101.73	95.7%	27.60	26.0%	7.67	7.2%	4.37	4.1%	39.6	62.1	58.4%	10.9	73.0	14.6	20.1%	58.4	256.1	0.23
Dec-03	115.3	4.59	110.71	96.0%	29.95	26.0%	7.52	6.5%	4.35	3.8%	41.8	68.9	59.7%	10.7	79.6	14.4	18.0%	65.3	255.8	0.26
Mar-04	116.1	4.93	111.13	95.7%	28.60	24.6%	8.66	7.5%	4.85	4.2%	42.1	69.0	59.5%	10.8	79.8	14.8	18.5%	65.0	259.8	0.25
Jun-04	126.9	6.44	120.48	94.9%	34.42	27.1%	10.84	8.5%	6.47	5.1%	51.7	68.7	54.2%	10.6	79.3	12.9	16.3%	66.4	266.8	0.25
Sep-04	129.3	6.19	123.14	95.2%	33.29	25.7%	11.67	9.0%	6.28	4.9%	51.2	71.9	55.6%	11.5	83.4	13.7	16.4%	69.7	258.3	0.27
Dec-04	143.0	5.99	137.06	95.8%	36.49	25.5%	12.02	8.4%	6.05	4.2%	54.6	82.5	57.7%	12.0	94.5	15.3	16.1%	79.2	257.5	0.31
Mar-05	137.7	5.55	132.11	96.0%	34.06	24.7%	12.78	9.3%	6.25	4.5%	53.1	79.0	57.4%	12.4	91.4	15.1	16.5%	76.3	256.2	0.30
Jun-05	146.1	7.25	138.85	95.0%	37.91	26.0%	11.61	8.0%	7.09	4.9%	56.6	82.2	56.3%	12.4	94.6	16.0	16.9%	78.6	257.4	0.31 Est
Sep-05	148.7	7.38	141.32	95.0%	38.59	26.0%	12.71	8.6%	6.62	4.5%	57.9	83.4	56.1%	12.4	95.8	16.2	16.9%	79.6	258.7	0.31 Est
Dec-05	159.0	7.89	151.13	95.0%	40.61	25.5%	13.60	8.6%	7.55	4.8%	61.8	89.4	56.2%	12.4	101.8	17.2	16.9%	84.6	260.0	0.33 Est
Mar-06	159.0	6.36	152.64	96.0%	39.75	25.0%	13.67	8.6%	6.50	4.1%	59.9	92.7	58.3%	12.4	105.1	17.8	16.9%	87.4	261.3	0.33 Est
Jun-06	165.5	8.28	157.23	95.0%	43.86	26.5%	14.23	8.6%	6.50	3.9%	64.6	92.6	56.0%	12.4	105.0	17.8	16.9%	87.3	262.6	0.33 Est
Sep-06	171.5	8.58	162.93	95.0%	44.59	26.0%	14.75	8.6%	6.50	3.8%	65.8	97.1	56.6%	12.4	109.5	18.5	16.9%	91.0	263.9	0.34 Est
Dec-06	184.6	9.23	175.37	95.0%	47.07	25.5%	15.88	8.6%	6.50	3.5%	69.4	105.9	57.4%	12.4	118.3	20.0	16.9%	98.3	265.3	0.37 Est
Dec-02	427.0	20.69	406.31	95.2%	104.61	24.5%	28.71	6.7%	17.97	4.2%	151.3	255.0	59.7%	49.3	304.3	49.2	16.2%	255.1	254.7	1.00
Dec-03	432.6	18.92	413.65	95.6%	111.01	25.7%	29.31	6.8%	17.64	4.1%	158.0	255.7	59.1%	43.5	299.2	55.3	18.5%	243.9	255.1	0.96
Dec-04	515.4	23.55	491.81	95.4%	132.80	25.8%	43.19	8.4%	23.66	4.6%	199.6	292.2	56.7%	44.8	336.9	56.6	16.8%	280.3	260.6	1.08
Dec-05	591.5	28.06	563.42	95.3%	151.18	25.6%	50.70	8.6%	27.50	4.7%	229.4	334.0	56.5%	49.6	383.6	64.5	16.8%	319.2	258.1	1.24 Est
Dec-06	680.6	32.44	648.16	95.2%	175.27	25.8%	58.53	8.6%	26.00	3.8%	259.8	388.4	57.1%	49.6	438.0	74.0	16.9%	363.9	263.3	1.38 Est

Check Point Software

BALANCE SHEET
MILLIONS OF \$

Qtrs & Years	Stkhldr Equity	Oth LT Liab	Total Cur Liab	Def Rev	Oth Cur Liab	Accts Payable	Total Assets	Oth LT Assets	P P & E (Net)	Total Curr Ass	Other Cur Assts	Acct's Receiv	Cash & Equival	Book Val Per Shr	Cash Per Share	DSO
Mar-01	650.5	0.0	243.5	123.4	0.0	120.2	894.0	8.0	12.6	873.5	22.4	86.6	764.5	\$2.48	\$2.92	54
Jun-01	750.0	0.0	240.2	109.6	0.0	130.5	992.2	7.8	12.9	971.5	18.6	86.9	866.0	\$2.88	\$3.33	55
Sep-01	829.6	0.0	228.2	100.3	0.0	127.9	1,057.9	5.7	13.3	1,038.8	17.5	77.1	944.2	\$3.20	\$3.64	59
Dec-01	915.7	0.0	227.2	95.7	0.0	131.5	1,142.9	5.8	13.2	1,123.9	21.3	74.3	1,028.3	\$3.54	\$3.97	55
Mar-02	984.6	0.0	225.3	94.7	0.0	130.6	1,210.0	5.8	12.6	1,191.6	22.2	62.7	1,106.7	\$3.80	\$4.27	54
Jun-02	1,051.6	0.0	229.2	94.6	0.0	134.6	1,280.7	5.9	12.2	1,262.7	21.0	59.3	1,182.4	\$4.15	\$4.66	49
Sep-02	1,121.1	0.0	228.0	94.6	0.0	133.4	1,349.1	5.8	11.4	1,331.9	26.0	65.2	1,240.8	\$4.43	\$4.90	57
Dec-02	1,187.0	0.0	234.6	99.2	0.0	135.4	1,421.7	5.0	10.5	1,406.3	18.4	73.2	1,314.8	\$4.70	\$5.20	60
Mar-03	1,256.9	0.0	230.8	101.7	0.0	129.1	1,487.7	5.0	9.5	1,473.2	19.9	59.1	1,394.2	\$4.96	\$5.51	51
Jun-03	1,325.7	0.0	236.8	103.3	0.0	133.5	1,562.6	5.1	8.6	1,548.9	20.2	61.3	1,467.3	\$5.19	\$5.75	52
Sep-03	1,391.9	0.0	234.3	99.1	0.0	135.2	1,626.2	5.0	8.0	1,613.1	25.4	57.5	1,530.1	\$5.43	\$5.97	49
Dec-03	1,461.5	0.0	247.4	105.9	0.0	141.5	1,708.9	5.5	7.4	1,696.0	20.6	72.8	1,602.7	\$5.71	\$6.26	57
Mar-04	1,639.3	9.0	265.8	124.4	0.0	141.4	1,916.6	220.2	9.7	1,686.8	22.9	80.6	1,583.2	\$6.31	\$6.09	63
Jun-04	1,637.5	8.4	270.4	130.0	0.0	140.5	1,918.9	221.7	8.7	1,688.5	23.3	71.2	1,594.0	\$6.14	\$5.97	50
Sep-04	1,585.9	7.9	264.4	124.8	0.0	139.6	1,860.7	219.5	8.2	1,633.0	25.6	68.2	1,539.3	\$6.14	\$5.96	47
Dec-04	1,630.8	7.3	279.0	141.1	0.0	137.9	1,920.0	217.1	8.1	1,694.7	20.5	96.0	1,578.2	\$6.33	\$6.13	60
Mar-05	1,664.3	0.0	283.1	150.2	0.0	132.9	1,950.7	208.6	8.0	1,734.2	23.7	79.3	1,631.1	\$6.50	\$6.37	52
Jun-05	1,742.9	0.0	291.6	154.7	0.0	136.9	2,037.9	225.0	8.2	1,804.7	23.7	83.0	1,698.0	\$6.77	\$6.60	52 Est
Sep-05	1,822.5	0.0	300.4	159.3	0.0	141.0	2,126.4	225.0	8.5	1,892.9	23.7	84.5	1,784.7	\$7.04	\$6.90	52 Est
Dec-05	1,907.1	0.0	309.4	164.1	0.0	145.3	2,220.1	225.0	8.7	1,986.3	23.7	90.4	1,872.2	\$7.33	\$7.20	52 Est
Dec-01	915.7	0.0	227.2	95.7	0.0	131.5	1,142.9	5.8	13.2	1,123.9	21.3	74.3	1,028.3			
Dec-02	1,187.0	0.0	234.6	99.2	0.0	135.4	1,421.7	5.0	10.5	1,406.3	18.4	73.2	1,314.8			
Dec-03	1,461.5	0.0	247.4	105.9	0.0	141.5	1,708.9	5.5	7.4	1,696.0	20.6	72.8	1,602.7			
Dec-04	1,630.8	7.3	279.0	141.1	0.0	137.9	1,920.0	217.1	8.1	1,694.7	20.5	96.0	1,578.2			
Dec-05	1,907.1	0.0	309.4	164.1	0.0	145.3	2,220.1	225.0	8.7	1,986.3	23.7	90.4	1,872.2	Est		

Check Point Software

BALANCE SHEET MILLIONS OF \$

Qtrs & Years	Product Sales				Services						Total Sales	Y/Y Growth	Sequent Growth
	Revenue	Q/Q Growth	Y/Y Growth	%Rev	total Revenue	subscrip revenue	service revenue	Q/Q Growth	Y/Y Growth	%Rev			
Mar-01	109.0	2%	78%	75%	36.0			7%	114%	25%	145.0	86%	3%
Jun-01	102.1	-6%	45%	72%	40.0			11%	97%	28%	142.1	57%	-2%
Sep-01	81.0	-21%	-8%	69%	37.0			-8%	33%	31%	118.0	2%	-17%
Dec-01	82.1	1%	-23%	67%	40.4			9%	21%	33%	122.5	-13%	4%
Mar-02	66.3	-19%	-39%	63%	38.3			-5%	6%	37%	104.6	-28%	-15%
Jun-02	67.7	2%	-34%	62%	40.8			7%	2%	38%	108.6	-24%	4%
Sep-02	60.4	-11%	-25%	58%	43.2	33.3	9.9	6%	17%	42%	103.6	-12%	-5%
Dec-02	65.5	8%	-20%	59%	44.8	35.3	9.5	4%	11%	41%	110.3	-10%	6%
Mar-03	58.3	-11%	-12%	56%	46.6	36.9	9.7	4%	22%	44%	104.8	0%	-5%
Jun-03	54.8	-6%	-19%	52%	51.3	40.8	10.6	10%	26%	48%	106.1	-2%	1%
Sep-03	54.0	-1%	-11%	51%	52.3	41.6	10.7	2%	21%	49%	106.3	3%	0%
Dec-03	63.0	17%	-4%	55%	52.3	42.5	9.8	0%	17%	45%	115.3	5%	8%
Mar-04	63.0	0%	8%	54%	53.1	44.0	9.0	1%	14%	46%	116.1	11%	1%
Jun-04	67.9	8%	24%	53%	59.0	48.7	10.3	11%	15%	47%	126.9	20%	9%
Sep-04	67.6	0%	25%	52%	61.7	50.4	11.3	5%	18%	48%	129.3	22%	2%
Dec-04	77.1	14%	22%	54%	65.9	53.3	12.6	7%	26%	46%	143.0	24%	11%
Mar-05	65.5	-15%	4%	48%	72.1	58.4	13.7	9%	36%	52%	137.7	19%	-4%
Jun-05	74.0	13%	9%	51%	72.1	58.4	13.7	3%	22%	49%	146.1	15%	6% Est
Sep-05	76.0	3%	12%	51%	72.7	59.0	13.7	2%	18%	49%	148.7	15%	2% Est
Dec-05	87.0	14%	13%	55%	72.0	60.0	12.0	6%	9%	45%	159.0	11%	7% Est
Mar-06	81.5	-6%	24%	51%	77.5	64.0	13.5	0%	7%	49%	159.0	16%	0% Est
Jun-06	86.5	6%	17%	52%	79.0	65.5	13.5	3%	10%	48%	165.5	13%	4% Est
Sep-06	90.0	4%	18%	52%	81.5	68.0	13.5	4%	12%	48%	171.5	15%	4% Est
Dec-06	101.6	13%	17%	55%	83.0	69.0	14.0	6%	15%	45%	184.6	16%	8% Est
Dec-01	374.2		14%	71%	153.4				56%	29%	527.6	24%	
Dec-02	259.9		-31%	61%	167.1				9%	39%	427.0	-19%	
Dec-03	230.1		-11%	53%	202.5				21%	47%	432.6	1%	
Dec-04	275.7		20%	53%	239.7				18%	47%	515.4	19%	
Dec-05	302.5		10%	51%	288.9				21%	49%	591.5	15%	Est
Dec-06	359.6		19%	53%	321.0				11%	47%	680.6	15%	Est

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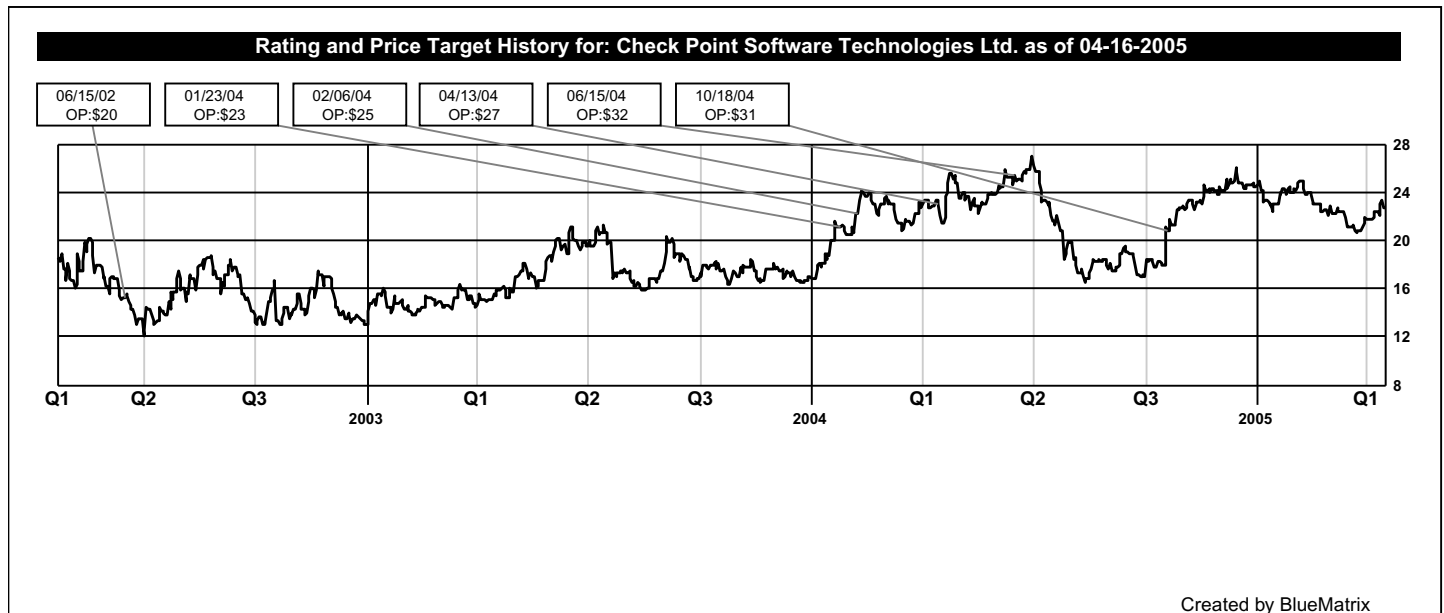
Check Point Software

GEOGRAPHIC BREAKOUT

MILLIONS OF \$

Qtrs & Years	Western Hemisphere				EMEA				Asia				Total Sales	Y/Y Growth	Sequent Growth
	Revenue	Q/Q Growth	Y/Y Growth	%Rev	Revenue	Q/Q Growth	Y/Y Growth	%Rev	Revenue	Q/Q Growth	Y/Y Growth	%Rev			
Mar-03	44.0			42%	41.9			40%	18.9			18%	104.8	0%	-5%
Jun-03	46.7	6%		44%	41.4	-1%		39%	18.0	-4%		17%	106.1	-2%	1%
Sep-03	47.8	2%		45%	41.5	0%		39%	17.0	-6%		16%	106.3	3%	0%
Dec-03	47.3	-1%		41%	50.7	22%		44%	17.3	2%		15%	115.3	5%	8%
Mar-04	47.6	1%	8%	41%	49.9	-2%	19%	43%	18.6	7%	-2%	16%	116.1	11%	1%
Jun-04	57.1	20%	22%	45%	52.0	4%	26%	41%	17.8	-4%	-1%	14%	126.9	20%	9%
Sep-04	56.9	0%	19%	44%	51.7	-1%	25%	40%	20.7	16%	22%	16%	129.3	22%	2%
Dec-04	65.8	16%	39%	46%	58.7	13%	16%	41%	18.6	-10%	8%	13%	143.0	24%	11%
Mar-05	60.6	-8%	27%	44%	57.8	-1%	16%	42%	19.3	4%	4%	14%	137.7	19%	-4%
Jun-05	64.3	6%	13%	44%	61.4	6%	18%	42%	20.5	3%	15%	14%	146.1	15%	6% Est
Sep-05	65.4	2%	15%	44%	62.5	2%	21%	42%	20.8	2%	1%	14%	148.7	15%	2% Est
Dec-05	70.0	7%	6%	44%	66.8	7%	14%	42%	22.3	6%	20%	14%	159.0	11%	7% Est
Mar-06	70.0	0%	16%	44%	66.8	0%	16%	42%	22.3	0%	16%	14%	159.0	16%	0% Est
Jun-06	72.8	4%	13%	44%	69.5	4%	13%	42%	23.2	3%	13%	14%	165.5	13%	4% Est
Sep-06	75.5	4%	15%	44%	72.0	4%	15%	42%	24.0	4%	15%	14%	171.5	15%	4% Est
Dec-06	81.2	8%	16%	44%	77.5	8%	16%	42%	25.8	6%	16%	14%	184.6	16%	8% Est
Dec-04	227.4			44%	212.3			41%	75.6			15%	515.4		
Dec-05	260.3		14.4%	44.0%	248.4		17.0%	42.0%	82.8		9.5%	14.0%	591.5	14.8%	Est
Dec-06	299.5		15%	44%	285.9		15%	42%	95.3		15%	14%	680.6	15%	Est

Important Research Disclosures



**Distribution of Ratings/IB Services
Piper Jaffray**

Rating	Count	Percent	IB Serv./Past 12 Mos.	
			Count	Percent
BUY [OP]	331	53.47	80	24.17
HOLD [MP]	256	41.36	36	14.06
SELL [UP]	32	5.17	3	9.38

Notes: The boxes on the Rating and Price Target History chart above indicate the date of the Research Note, the rating, and the price target. Each box represents a date on which an analyst made a change to a rating or price target, except for the first box, which may only represent the first Note written during the past three years. Distribution of Ratings/IB Services Firmwide shows the number of companies in each rating category from which Piper Jaffray received compensation for investment banking services within the past 12 months.

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I: Initiating Coverage

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SB: Strong Buy (effective 01/12/04, Equity Research eliminated the SB rating)

OP: Outperform (prior to 12/12/01, OP stocks were rated "Buy")

MP: Market Perform (prior to 12/12/01, MP stocks were rated "Neutral")

UP: Underperform (prior to 12/12/01, UP stocks were rated "Sell")

NA: Not Available

UR: Under Review

GP On: Listed on one of the Guided Portfolios maintained by Piper Jaffray

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Analyst Certification — Gene Munster, Sr Research Analyst

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* Russell 2000 and S&P 500

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- **Low:** The stock price has moved up or down by more than 10% in a month in fewer than 8 of the past 24 months.
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